



BCR

Banca Commerciale Romana S.A.
Consolidated Financial Statements
(The Group and the Bank)

Prepared in Accordance with
International Financial Reporting Standards

31 December 2006



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INDEPENDENT AUDITORS' REPORT

To the shareholders of Banca Commerciale Romana S.A.

1. We have audited the accompanying financial statements of Banca Commerciale Romana S.A. ("the Bank") and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as at 31 December 2006, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

2. Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

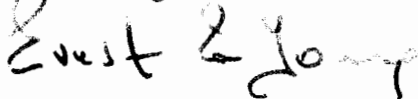
Opinion

6. In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matters

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

Ernst & Young Assurance Services SRL



19 March 2007

Bucharest, Romania



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INCOME STATEMENT

Bank and Consolidated
for the year ended 31 December 2006

RON Thousand	Notes	Group		Bank	
		2006	2005*	2006	2005*
Interest and similar income	4	3,120,035	2,544,652	2,975,214	2,467,130
Interest and similar expense	5	(1,433,675)	(1,139,669)	(1,368,263)	(1,115,503)
Net interest income		1,686,360	1,404,983	1,606,951	1,351,627
Fees and commission income	6	642,201	590,282	601,284	563,662
Fees and commission expense	6	(75,731)	(53,341)	(72,148)	(58,854)
Net fees and commission income	6	566,470	536,941	529,136	504,808
Net trading income	7	262,991	214,330	255,694	209,788
Net gain or loss on financial assets and liabilities designated at fair value through profit or loss		(15,200)	1,078	(15,520)	(5,005)
Net result of insurance business	8	34,246	27,406	-	-
Other operating income	9	74,325	41,162	27,524	32,514
Total operating income		2,609,192	2,225,900	2,403,785	2,093,732
Credit loss expense	10	(157,595)	(102,325)	(150,973)	(89,823)
Net operating income		2,451,597	2,123,575	2,252,812	2,003,909
Personnel expenses	11	(922,196)	(859,790)	(872,221)	(814,395)
Depreciation and impairment of property and equipment	21	(161,481)	(104,449)	(154,876)	(101,462)
Amortization of intangible assets	22	(32,671)	(26,952)	(31,093)	(25,310)
Other operating expenses	12	(407,556)	(367,854)	(402,189)	(349,957)
Total operating expenses		(1,523,904)	(1,359,045)	(1,460,379)	(1,291,124)
Profit before tax		927,693	764,530	792,433	712,785
Income tax expense	13	(159,011)	(107,462)	(125,564)	(105,524)
Profit for the year		768,682	657,068	666,869	607,261
Attributable to:					
Equity holders of the parent		756,306	649,884	666,869	607,261
Minority interest		12,376	7,184	-	-

* Restated, refer to Note 2.1.4

The financial statements were approved by the Supervisory Board on 19 March 2007 and were signed on its behalf by:


Dr. Nicolae Danila
Executive President




Mr. Helmuth Hintringer
Executive Vice President



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BALANCE SHEET

Bank and Consolidated
at 31 December 2006

RON Thousand	Notes	Group		Bank	
		2006	2005*	2006	2005*
ASSETS					
Cash and balances with central banks	15	13,544,290	7,074,588	13,433,219	6,983,202
Due from banks	16	4,509,121	3,877,812	3,866,907	3,583,950
Reverse repurchase agreements		2,464	-	2,464	-
Financial assets designated at fair value through profit or loss	17	512,038	761,922	513,196	759,759
Loans and advances to customers	18	25,418,306	16,169,852	23,799,177	15,379,200
Financial investments – available-for-sale	19	844,802	3,837,733	1,096,778	4,056,331
Financial investments – held-to-maturity	19	15,176	49,734	15,143	49,692
Investments of insurance companies	20	165,479	106,685	-	-
Property and equipment	21	1,666,802	1,725,380	1,551,751	1,603,366
Intangible assets	22	178,384	179,789	175,692	177,213
Deferred tax assets	13	51,560	38,403	46,293	28,494
Other assets	23	527,328	407,742	354,069	308,936
TOTAL ASSETS		47,435,750	34,229,640	44,854,689	32,930,143
LIABILITIES AND EQUITY					
Due to banks	24	12,902,693	5,566,900	11,036,281	4,810,589
Repurchase agreements		301,839	293,527	301,839	293,527
Due to customers	25	24,591,172	19,392,716	24,477,065	19,275,030
Debt issued and other borrowed funds	26	4,207,291	4,325,164	4,250,934	4,345,217
Current tax liabilities		8,462	3,442	-	3,224
Deferred tax liabilities	13	5,053	5,504	-	-
Other liabilities	27	765,997	497,703	651,273	436,597
Provisions	28	404,243	282,960	161,995	118,713
TOTAL LIABILITIES		43,186,750	30,367,916	40,879,387	29,282,897
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT					
Issued capital	30	2,119,693	2,119,693	2,119,693	2,119,693
Retained earnings		1,051,614	789,067	835,406	649,164
Available-for-sale reserve	30	16,971	4,360	17,460	5,325
Foreign currency translation reserve	30	9,663	47,588	-	-
Other capital reserve	30	1,017,789	875,520	1,002,743	873,064
		4,215,730	3,836,228	3,975,302	3,647,246
MINORITY INTEREST		33,270	25,496	-	-
TOTAL EQUITY		4,249,000	3,861,724	3,975,302	3,647,246
TOTAL LIABILITIES AND EQUITY		47,435,750	34,229,640	44,854,689	32,930,143

* Restated, refer to Note 2.1.4

The financial statements were approved by the Supervisory Board on 19 March 2007 and were signed on its behalf by:


Dr. Nicolae Danila
Executive President


Mr. Helmuth Hintringer
Executive Vice President



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STATEMENT OF CHANGES IN EQUITY

Bank and Consolidated

for the year ended 31 December 2006

GROUP

RON Thousand	Attributable to equity holders of the parent				Minority interest	Total equity
	Issued capital (Note 30)	Retained earnings	Other reserves (Note 30)	Total		
At 31 December 2005, restated	2,119,693	789,067	927,468	3,836,228	25,496	3,861,724
Net gains on available-for-sale financial investments	-	-	12,611	12,611	122	12,733
Foreign currency translation	-	(1,448)	(37,925)	(39,373)	(391)	(39,764)
Actuarial gains/(losses)	-	-	9,893	9,893	-	9,893
Total income and expense for the year recognized directly in equity	-	(1,448)	(15,421)	(16,869)	(269)	(17,138)
Profit for the year	-	756,306	-	756,306	12,376	768,682
Total income and expense for the year	-	754,858	(15,421)	739,437	12,107	751,544
Distribution to reserves	-	(132,376)	132,376	-	-	-
Distribution of dividends (Note 14)	-	(359,935)	-	(359,935)	(4,333)	(364,268)
At 31 December 2006	2,119,693	1,051,614	1,044,423	4,215,730	33,270	4,249,000
At 31 December 2004	2,119,693	692,314	888,626	3,700,633	15,821	3,716,454
Profit for the year, previously stated (Note 2.1.4)	-	648,558	-	648,558	7,172	655,730
Net gains on available-for-sale financial investments	-	-	2,702	2,702	-	2,702
Foreign currency translation	-	(12,865)	(19,763)	(32,628)	11,314	(21,314)
Distribution to reserves	-	(94,463)	94,463	-	-	-
Changes in revaluation reserves	-	-	(10,013)	(10,013)	-	(10,013)
Distribution of dividends (Note 14)	-	(327,549)	-	(327,549)	(8,009)	(335,558)
At 31 December 2005, previously stated	2,119,693	905,995	956,015	3,981,703	26,298	4,008,001
Effect of restatements (Note 2.1.4)	-	(116,928)	(28,547)	(145,475)	(802)	(146,277)
At 31 December 2005, restated	2,119,693	789,067	927,468	3,836,228	25,496	3,861,724

BANK

RON Thousand	Issued capital (Note 30)	Retained earnings	Other reserves (Note 30)	Total equity
At 31 December 2005, restated	2,119,693	649,164	878,389	3,647,246
Net gains on available-for-sale financial investments	-	-	14,446	14,446
Actuarial gain / (losses)	-	-	10,699	10,699
Deferred tax	-	-	(4,023)	(4,023)
Total income and expense for the year recognized directly in equity	-	-	21,122	21,122
Profit for the year	-	666,869	-	666,869
Total income and expense for the year	-	666,869	21,122	687,991
Distribution to reserves	-	(120,692)	120,692	-
Distribution of dividends (Note 14)	-	(359,935)	-	(359,935)
At 31 December 2006	2,119,693	835,406	1,020,203	3,975,302
At 1 December 2004	2,119,693	579,944	778,601	3,478,238
Profit for the year, previously stated (Note 2.1.4)	-	606,250	-	606,250
Net gains on available-for-sale financial investments	-	-	6,339	6,339
Distribution to reserves	-	(94,463)	94,463	-
Distribution of dividends (Note 14)	-	(327,549)	-	(327,549)
At 1 January 2005, previously stated	2,119,693	764,182	879,403	3,763,278
Effect of restatements (Note 2.1.4)	-	(115,018)	(1,014)	(116,032)
At 31 December 2005, restated	2,119,693	649,164	878,389	3,647,246



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CASH FLOW STATEMENT

Bank and Consolidated

for the year ended 31 December 2006

RON Thousand	Notes	Group		Bank	
		2006	2005	2006	2005
OPERATING ACTIVITIES					
Profit before tax		927,693	764,530	792,433	712,785
Adjustments for:					
Change in operating assets	33	(9,754,011)	(4,290,584)	(8,583,075)	(4,033,770)
Change in operating liabilities	33	7,127,862	4,409,660	5,886,422	4,184,636
Non-cash items included in profit before tax	33	435,481	465,293	418,325	403,508
Net gain from investing activities		(33,378)	(5,222)	(2,507)	(5,200)
Income tax paid		(176,066)	(152,158)	(160,835)	(128,819)
Net cash flows from operating activities		(1,472,419)	1,191,519	(1,649,237)	1,133,140
INVESTING ACTIVITIES					
Purchase of property and equipment		(169,329)	(215,881)	(106,848)	(139,950)
Proceeds from sale of property and equipment		2,750	930	809	930
Purchase of financial investments		(49,014)	(715,638)	(61,661)	(522,733)
Proceeds from sale of financial investments		22,209	5,222	22,209	5,200
Dividends received		6,962	3,265	42,114	17,490
Net cash flows used in investing activities		(186,422)	(922,102)	(103,377)	(639,063)
FINANCING ACTIVITIES					
Proceeds from debt issued and other borrowed funds		10,971,950	2,482,820	10,971,953	2,308,072
Repayment of debt issued and other borrowed funds		(5,419,815)	-	(5,419,815)	-
Proceeds from bonds		216,550	1,809,636	240,140	1,843,461
Repayment of finance lease liabilities		-	-	(36,639)	(29,019)
Dividends paid to minority interests		(4,333)	(8,009)	-	-
Dividends paid to equity holders of the parent		(359,935)	(327,549)	(359,935)	(327,549)
Net cash flows from financing activities		5,404,417	3,956,898	5,395,704	3,794,965
Net increase in cash and cash equivalents		3,745,576	4,226,315	3,643,090	4,289,042
Cash and cash equivalents at 1 January		13,744,371	9,518,056	13,599,173	9,310,131
Cash and cash equivalents at 31 December	33	17,489,947	13,744,371	17,242,263	13,599,173
Operational cash flows from interest and dividends					
Interest paid		1,367,603	1,124,486	1,315,371	2,427,671
Interest received		3,059,891	2,577,657	2,933,858	1,068,438



NOTES TO THE FINANCIAL STATEMENTS

Bank and Consolidated

for the year ended 31 December 2006

1. CORPORATE INFORMATION

Banca Comerciala Romana S.A. ('the Bank') together with its subsidiaries (the 'Group') provides retail, corporate banking and investment banking services mainly in Romania. As a result of the privatization process organized by the government of Romania, Erste Bank der oesterreichischen Sparkassen AG ("Erste Bank") purchased 61.88% of the share capital of the Bank pursuant to a share purchase agreement dated 21 December 2005. In December 2006, Erste Bank purchased further 7.27% from employees of the Bank. The ultimate parent of the Group is Erste Bank.

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

Banca Comerciala Romana S.A. is incorporated and domiciled in Romania. Its registered office is at 5, Elisabeta Boulevard, Bucharest, Romania.

The consolidated financial statements for the year ended 31 December 2006 were authorized for issue in accordance with a resolution of the directors on 19 March 2007.

2. ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis modified to include the inflation adjustments under International Accounting Standard (IAS) 29 "Financial Reporting in Hyperinflationary Economies" up to 31 December 2003, and to reflect the fair value of available-for-sale investments, derivative financial instruments and financial assets held at fair value through profit or loss.

The Bank and its subsidiaries which are incorporated in Romania maintain their books of account and prepare their statutory financial statements in accordance with Romanian Accounting Regulations and in the case of the Bank, also in accordance with Romanian Banking Regulations. The foreign subsidiaries maintain their books of account and prepare their statutory financial statements in their local currencies and in accordance with the regulations of the countries in which they operate. The consolidated financial statements have been prepared from statutory financial statements of the Bank and its subsidiaries and presented in accordance with IFRS with adjustments and certain reclassifications for the purpose of the fair presentation in accordance with IFRS. These adjustments are summarized in Note 2.1.4.

The consolidated financial statements are presented in Romanian Lei ("RON"), and all values are rounded to the nearest RON thousand except when otherwise indicated.

The Bank has the following subsidiaries consolidated in the financial statements of the Group as at 31 December 2006 and 31 December 2005:

Company's Name	Country of incorporation	Nature of the business	Shareholding	
			31 December 2006	31 December 2005
Anglo-Romanian Bank Ltd	United Kingdom	Banking	100.00%	100.00%
BCR Chisinau	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	81.14%	81.14%
BCR Asigurari de Viata SA	Romania	Life insurance	68.07%	68.07%
BCR Asset Management SA	Romania	Asset Management	58.29%	58.29%
Bucharest Financial Piazza SRL	Romania	Real Estate	97.10%	97.10%



NOTES TO THE FINANCIAL STATEMENTS

Bank and Consolidated

for the year ended 31 December 2006

2. ACCOUNTING POLICIES (continued)

(1) Impact of inflation

Romania was a hyperinflationary economy and was officially declared as ceasing to be hyperinflationary for IFRS reporting purposes as at 1 July 2004. The financial statements of the Group have been restated to take into account the effects of inflation until 31 December 2003 in accordance with the provisions of and guidance in IAS 29. In summary IAS 29 requires that financial statements prepared on a historical cost should be restated in terms of measuring unit current at the balance sheet date and that any gain or loss on the net monetary position should be included in the income statement and disclosed separately.

(2) Statement of compliance

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB).

(3) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Bank as at and for the year ended 31 December each year. The financial statements of the subsidiaries are prepared for the same reporting year as the Bank, using consistent accounting policies.

All intra-group balances, transactions, income and expenses and profits and losses resulting from intra-group transactions are eliminated in full. Subsidiaries are fully consolidated from the date on which control is transferred to the Bank. Control is achieved where the Bank has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date of acquisition or up to the date of disposal, as appropriate.

Minority interests represent the portion of profit or loss and net assets not owned, directly or indirectly, by the Bank and are presented separately in the income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity. Acquisitions of minority interests are accounted for using the parent entity extension method, whereby, the difference between the consideration and the fair value of the share of the net assets acquired is recognized as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. a discount on acquisition) is recognized directly in the income statement in the year of acquisition.

(4) Reclassification of comparative amounts and effect of prior year's adjustments

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current period as well as analysis of prior year adjustments. These changes were made in order for the Group to present more fairly its financial position and financial performance. In order to facilitate the understanding of the financial statements, a series of accompanying notes have been presented in greater depth and with comparative figures being adjusted.



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NOTES TO THE FINANCIAL STATEMENTS

Bank and Consolidated
for the year ended 31 December 2006

2. ACCOUNTING POLICIES (continued)

The reclassifications and the prior year adjustments in the Income Statement for the year ended 31 December 2005 comprise:

RON thousand	Group prior to reclassifications	Reclassifications and prior year adjustments	Group after reclassifications	Bank prior to reclassifications	Reclassifications and prior year adjustments	Bank after reclassifications
Interest and similar income	2,513,157	31,495	2,544,652	2,335,372	131,758	2,467,130
Interest and similar expense	(1,131,300)	(8,369)	(1,139,669)	(1,115,739)	236	(1,115,503)
Net interest income	1,381,857	23,126	1,404,983	1,219,633	131,994	1,351,627
Fees and commission income	682,934	(92,652)	590,282	647,455	(83,793)	563,662
Fees and commission expense	(55,978)	2,637	(53,341)	(55,112)	(3,742)	(58,854)
Net fees and commission income	626,956	(90,015)	536,941	592,343	(87,535)	504,808
Dividend income	3,584	(3,584)	-	24,810	(24,810)	-
Net trading income	222,467	(8,137)	214,330	210,883	(1,095)	209,788
Net gain or loss on financial assets and liabilities designated at fair value through profit or loss	4,400	(3,322)	1,078	5,201	(10,206)	(5,005)
Net result of insurance business	-	27,406	27,406	-	-	-
Other operating income	158,156	(116,994)	41,162	86,114	(53,600)	32,514
Total operating income	2,397,420	(171,520)	2,225,900	2,138,984	(45,252)	2,093,732
Credit loss expense	(134,336)	32,011	(102,325)	(130,288)	40,465	(89,823)
Net operating income	2,263,084	(139,509)	2,123,575	2,008,696	(4,787)	2,003,909
Personnel expenses	-	(859,790)	(859,790)	-	(814,395)	(814,395)
Depreciation of property and equipment	-	(104,449)	(104,449)	-	(101,462)	(101,462)
Amortization of intangible assets	-	(26,952)	(26,952)	-	(25,310)	(25,310)
Other operating expenses	(1,498,801)	1,130,947	(367,854)	(1,295,908)	945,951	(349,957)
Total operating expenses	(1,498,801)	139,756	(1,359,045)	(1,295,908)	4,784	(1,291,124)
Profit before tax	764,283	247	764,530	712,788	(3)	712,785
Income tax expense	(108,553)	1,091	(107,462)	(106,538)	1,014	(105,524)
Profit for the year	655,730	1,338	657,068	606,250	1,011	607,261
Attributable to:						
Equity holders of the parent	648,558	1,326	649,884	-	-	-
Minority interest	7,172	12	7,184	-	-	-

The net effect of RON thousand 1,338 for the Group and RON thousand 1,011 for the Bank relate to prior year adjustments which are analyzed below:

RON thousand	Group	Bank
Tax effect of Available-for-sale reserve (i)	1,091	1,014
Restatement of depreciation relating to subsidiary buildings	247	-
Other	-	(3)
	1,338	1,011

- (i) For the preparation of the previous year's financial statements, the Group has recognized deferred tax on temporary differences between the tax value and the carrying amounts of available-for-sale financial assets in the income statement. In the current year's financial statements such deferred tax is recognized in equity, with comparative figures relating to the previous year restated retrospectively. The effect of this correction was included in the restated balance of equity as at 31 December 2005.



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NOTES TO THE FINANCIAL STATEMENTS

Bank and Consolidated
for the year ended 31 December 2006

2. ACCOUNTING POLICIES (continued)

The reclassifications and the prior year adjustments in the Balance Sheet as at 31 December 2005 comprise:

RON thousand	Group prior to reclassifications	Reclassifications and prior year adjustments	Group after reclassifications	Bank prior to reclassifications	Reclassifications and prior year adjustments	Bank after reclassifications
ASSETS						
Cash and balances with central banks	8,521,861	(1,447,273)	7,074,588	8,399,413	(1,416,211)	6,983,202
Due from banks	2,450,153	1,427,659	3,877,812	2,171,746	1,412,204	3,583,950
Financial assets designated at fair value through profit or loss	786,556	(24,634)	761,922	775,220	(15,461)	759,759
Loans and advances to customers, net	16,329,962	(160,110)	16,169,852	15,536,054	(156,854)	15,379,200
Financial investments: available-for-sale	3,894,343	(56,610)	3,837,733	4,081,557	(25,226)	4,056,331
Financial investments: held-to-maturity	53,223	(3,489)	49,734	50,341	(649)	49,692
Investments of insurance companies	-	106,685	106,685	-	-	-
Property and equipment	1,822,764	(97,384)	1,725,380	1,623,953	(20,587)	1,603,366
Intangible assets	180,425	(636)	179,789	177,213	-	177,213
Deferred tax assets	13,528	24,875	38,403	6,393	22,101	28,494
Other assets	163,557	244,185	407,742	57,841	251,095	308,936
TOTAL ASSETS	34,216,372	13,268	34,229,640	32,879,731	50,412	32,930,143
LIABILITIES						
Due to banks	5,821,476	(254,576)	5,566,900	5,062,877	(252,288)	4,810,589
Repurchase agreements	-	293,527	293,527	-	293,527	293,527
Due to customers	22,087,477	(2,694,761)	19,392,716	21,969,730	(2,694,700)	19,275,030
Debt issued and other borrowed funds	1,804,567	2,520,597	4,325,164	1,824,530	2,520,687	4,345,217
Current tax liabilities	-	3,442	3,442	-	3,224	3,224
Deferred tax liabilities	2,759	2,745	5,504	-	-	-
Other liabilities	492,092	5,611	497,703	259,316	177,281	436,597
Provisions	-	282,960	282,960	-	118,713	118,713
TOTAL LIABILITIES	30,208,371	159,545	30,367,916	29,116,453	166,444	29,282,897

The net effect of prior year adjustments included in the above analysis is RON thousand 146,277 for the Group and RON thousand 116,032 for the Bank are analyzed below:

Group

RON Thousand	Attributable to equity holders of the parent					Total
	Retained earnings	Available-for-sale reserve	Revaluation reserve	Other capital reserve	Minority interest	
Retirement benefit provision, net of deferred tax (i)	(98,887)	-	-	-	-	(98,887)
Impairment of buildings (ii)	(20,587)	-	-	-	-	(20,587)
Tax effect of buildings impairment	3,294	-	-	-	-	3,294
Revaluation reserve (iii)	-	-	(30,097)	-	-	(30,097)
Reclassification of other capital reserve	(2,207)	-	-	2,207	-	-
Tax effect of Available-for-sale reserve	657	(657)	-	-	-	-
Minority interest related to restatement	802	-	-	-	(802)	-
	(116,928)	(657)	(30,097)	2,207	(802)	(146,277)



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Bank and Consolidated
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2. ACCOUNTING POLICIES (continued)

Bank

RON Thousand	Retained earnings	Available-for-sale reserve	Total
Retirement benefit provision, net of deferred tax (i)	(98,739)	-	(98,739)
Impairment of buildings (ii)	(20,587)	-	(20,587)
Tax effect of buildings impairment	3,294		3,294
Tax effect of Available-for-sale reserve	1,014	(1,014)	-
Total effect of restatements	(115,018)	(1,014)	(116,032)

- (i) On the basis of the Collective Labor Agreement, the Bank and one of its Romanian subsidiaries have a contractual obligation to make a one-off payment of up to six (the Bank), respectively three (the subsidiary) gross monthly salaries to retiring employees on the date of retiring. In previous years the Bank and its respective subsidiary did not record or disclose the long term employee liability related to the benefits paid on retirement date, motivated by the limited validity of the Collective Labor Agreement, which is one year (after which it is re-negotiated). In 2006, following clarifications with the new majority shareholder, the Bank and its respective subsidiary have reconsidered this recognition criterion and consequently have recorded related defined benefit obligations as at 31 December 2006 and retrospectively as at 31 December 2005.
- (ii) Following the impairment assessment performed at 31 December 2006, for a number of buildings for which there had been evidence of impairment in the previous year, the management did not consider it material to be booked in prior year, however considering the current year materiality levels it is booked as prior year adjustment.
- (iii) Starting with year 2006 the Group no longer uses, in respect of property and equipment, the revalued amount as an alternative to cost (restated for the effects of hyperinflation for assets acquired prior to 31 December 2003). This change in accounting policy was adopted for harmonization with the accounting policies of the ultimate parent company Erste Bank. The effect of this change in accounting policy was included in the restated balance of consolidated equity as at 31 December 2005.



NOTES TO THE FINANCIAL STATEMENTS

Bank and Consolidated

for the year ended 31 December 2006

2. ACCOUNTING POLICIES (continued)

2.2 Significant accounting judgments and estimates

In the process of applying the Group's accounting policies, management has used its judgments and made estimates in determining the amounts recognized in the financial statements. The most significant use of judgments and estimates are as follows:

(1) Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded on the balance sheet cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of liquidity and model inputs.

(2) Impairment losses on loans and advances

The Group reviews its problem loans and advances at each reporting date to assess whether an allowance for impairment should be recorded in the income statement. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

In addition to specific allowances against individually significant loans and advances, the Group also makes a collective impairment allowance against exposures which, although not specifically identified as requiring a specific allowance, have a greater risk of default than when originally granted. Collective impairment assessment is made for individually significant loans and advances for which impairment losses have been incurred but not detected as well as collectively assessed risk provisions for loans and advances that are not individually significant.

(3) Impairment of equity investments

The Group treats available-for-sale equity investments as impaired when there has been a significant or prolonged decline in the fair value below its cost or where other objective evidence of impairment exists. The determination of what is 'significant' or 'prolonged' requires judgment. The Group treats 'significant' generally as 20% or more and 'prolonged' greater than 1 year. In addition, the Group evaluates other factors, such as the share price volatility.



2. ACCOUNTING POLICIES (continued)

(4) Deferred tax assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(5) Benefits granted on the date of retirement

The cost of the defined benefit consisting of a one-off payment of up to six monthly gross salaries on the date of age retirement is determined using actuarial valuation. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases and mortality rates. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. See Note 29 for the assumptions used.

(6) General insurance business

A provision is made for the estimated cost of claims notified but not settled and claims incurred but not reported at the balance sheet date. The provision for the cost of claims notified but not settled is based upon a best estimate of the cost of settling the outstanding claims after taking into account all known facts, recent past experience and assumptions about the future development of the outstanding cases. The provisions for claims incurred but not reported are based on past experience and industry practices.

(7) Life assurance business

For life assurance contracts, actuarial estimates are made in respect of the liabilities arising from death claims, based on standard international mortality tables that reflect historical mortality experience.

Estimates are also made as to future investment income arising from assets backing life insurance contracts. These estimates are based on current market returns as well as expectations about future economic and financial developments.

Estimates for future deaths, voluntary terminations, investment returns and administration expenses are used to calculate the liability over the term of the contract. At each reporting date, these estimates are reassessed for adequacy and any changes are reflected with adjustments to the liability.

For accident and health insurance contracts, estimates are made for the expected ultimate cost of claims reported and claims incurred but not yet reported at the balance sheet date. Claims estimates are based on past experience and market trends.

2.3 Change in accounting policies

The accounting policies adopted are consistent with those used in the previous financial year except as follows:

Starting with year 2006 the Group no longer uses, in respect of property and equipment, the revalued amount as an alternative to cost (restated for the effects of hyperinflation for assets acquired prior to 31 December 2003). This change in accounting policy was adopted for harmonization with the accounting policies of Erste Bank. The effect of this change in accounting policy was applied retrospectively in the consolidated financial statements and included in the determination of the opening balances of consolidated equity as of 1 January 2005 and 1 January 2006 (refer to Note 2.1.4).



NOTES TO THE FINANCIAL STATEMENTS

Bank and Consolidated

for the year ended 31 December 2006

2. ACCOUNTING POLICIES (continued)

2.4 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below.

(1) Foreign currency translation

The consolidated financial statements are presented in RON, which is the Bank's functional and presentational currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(i) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency rate of exchange ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to 'Other operating income' or 'Other operating expenses' in the income statement.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(ii) Group companies

As at the reporting date, the assets and liabilities of subsidiaries are translated into the Bank's presentation currency (the RON) at the rate of exchange ruling at the balance sheet date, and their income statements are translated at the average exchange rates for the year. Exchange differences arising on translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the income statement in 'Other operating expenses' or 'Other operating income', respectively.

(2) Financial instruments – initial recognition and subsequent measurement

(i) Date of recognition

Purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace are recognized on the trade date, i.e. the date that the Group commits to purchase or sell the asset. Derivatives are recognized on trade date basis.

(ii) Initial recognition of financial instruments

The classification of financial instruments at initial recognition depends on the purpose for which the financial instruments were acquired and their characteristics. All financial instruments are measured initially at their fair value plus, in the case of financial assets and financial liabilities not at fair value through profit or loss, any directly attributable incremental costs of acquisition or issue.

(iii) Derivatives recorded at fair value through profit or loss

Derivatives include currency swaps, forward foreign exchange contracts. Derivatives are recorded at fair value and carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives held for trading are included in 'Net trading income'.



2. ACCOUNTING POLICIES (continued)

(iv) Financial asset held for trading

Financial assets or financial liabilities held for trading, comprising financial instruments held for trading other than derivatives, are recorded in the balance sheet at fair value. Changes in fair value are recognized in 'Net trading income'. Interest and dividend income or expenses are recorded in 'Net trading income' according to the terms of the contract, or when the right to the payment has been established.

Included in this classification are debt securities, equities and short positions in debt securities and securities which have been acquired principally for the purpose of selling or repurchasing in the near term.

(v) Financial assets or financial liabilities designated at fair value through profit or loss

Financial assets and financial liabilities classified in this category are designated by management on initial recognition when the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or
- the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets and financial liabilities at fair value through profit or loss are recorded in the balance sheet at fair value. Changes in fair value are recorded in 'Net gain or loss on financial assets and liabilities designated at fair value through profit or loss'. Interest earned or incurred is accrued in interest income or expense, respectively, according to the terms of the contract, while dividend income is recorded in 'Other operating income' when the right to the payment has been established.

(vi) Held-to-maturity financial investments

Held-to-maturity financial investments are those which carry fixed or determinable payments and have fixed maturities and which the Bank has the intention and ability to hold to maturity. After initial measurement, held-to-maturity financial investments are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. The amortization is included in 'Interest and similar income' in the income statement. The losses arising from impairment of such investments are recognized in the income statement line 'Impairment losses on financial investments'.

(vii) Due from banks and loans and advances to customers

'Due from banks' and 'Loans and advances to customers' are financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as 'Financial assets held for trading', designated as 'Financial investment – available-for-sale' or 'Financial assets designated at fair value through profit or loss'. After initial measurement, amounts due from banks and loans and advances to customers are subsequently measured at amortized cost using the effective interest rate method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees and costs that should be an integral part of the effective interest rate. The amortization is included in 'Interest and similar income' in the income statement. The losses arising from impairment are recognized in the income statement in 'Credit loss expense'.



2. ACCOUNTING POLICIES (continued)

(viii) Available-for-sale financial investments

Available-for-sale financial investments are those which are designated as such or do not qualify to be classified as designated at fair value through profit or loss, held-to-maturity or loans and advances. They include equity instruments, investments in mutual funds and money market and other debt instruments.

After initial measurement, available-for-sale financial investments are subsequently measured at fair value. Unrealized gains and losses are recognized directly in equity in the 'Available-for-sale reserve'. When the security is disposed of, the cumulative gain or loss previously recognized in equity is recognized in the income statement in 'Other operating income' or 'Other operating expenses'. Where the Group holds more than one investment in the same security they are deemed to be disposed of on a first-in first-out basis. Interest earned whilst holding available-for-sale financial investments is reported as interest income using the effective interest rate. Dividends earned whilst holding available-for-sale financial investments are recognized in the income statement as 'Other operating income' when the right of the payment has been established. The losses arising from impairment of such investments are recognized in the income statement in 'Impairment losses on financial investments' and removed from the available-for-sale reserve.

(ix) Debt issued and other borrowed funds

Issued financial instruments or their components, which are not designated at fair value through profit or loss, are classified as liabilities under 'Debt issued and other borrowed funds', where the substance of the contractual arrangement results in the Group having an obligation either to deliver cash or another financial asset to the holder, or to satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares. After initial measurement, debt issued and other borrowings are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and costs that should be an integral part of the effective interest rate.

(3) Derecognition of financial assets

(i) Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired; or the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
- either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

(4) Repurchase and reverse repurchase agreements

Securities sold under agreements to repurchase at a specified future date ('repos') are not derecognized from the balance sheet. The corresponding cash received, including accrued interest, is recognized on the balance sheet as a 'Repurchase agreements', reflecting its economic substance as a loan to the Group. The difference between the sale and repurchase prices is treated as interest expense and is accrued over the life of the agreement using the effective interest rate method. Where the transferee has the right to sell or pledge the asset, the asset is recorded on the balance sheet as 'Financial assets held for trading pledged as collateral'.



NOTES TO THE FINANCIAL STATEMENTS

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2. ACCOUNTING POLICIES (continued)

Conversely, securities purchased under agreements to resell at a specified future date ('reverse repos') are not recognized on the balance sheet. The corresponding cash paid, including accrued interest, is recognized on the balance sheet as a 'Reverse repurchase agreements'. The difference between the purchase and resale prices is treated as interest income and is accrued over the life of the agreement using the effective interest rate method.

(5) Securities lending and borrowing

Securities lending and borrowing transactions are usually collateralized by securities or cash. The transfer of the securities to counterparties is only reflected on the balance sheet if the risks and rewards of ownership are also transferred. Cash advanced or received as collateral is recorded as an asset or liability.

Securities borrowed are not recognized on the balance sheet, unless they are sold to third parties, in which case the obligation to return the securities is recorded as a trading liability and measured at fair value with any gains or losses included in 'Net trading income'.

(6) Determination of fair value

The fair value for financial instruments traded in active markets at the balance sheet date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include pricing models or discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is market related rate at the balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the balance sheet date. Where a fair value can not reliably estimated, unquoted equity instruments that do not have a quoted market price in an active market are measured at cost and periodically tested for impairment.

(7) Impairment of financial assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the borrower or a group of borrowers is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(i) Due from banks and loans and advances to customers

For amounts due from banks and loans and advances to customers carried at amortized cost, the Bank first assesses individually whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.



2. ACCOUNTING POLICIES (continued)

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the income statement. Interest income continues to be accrued on the reduced carrying amount based on the original effective interest rate of the asset. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the 'Credit loss expense'.

The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The calculation of the present value of the estimated future cash flows of a collateralized financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of the Group's internal credit grading system that considers credit risk characteristics such as asset type, industry, geographical location, collateral type, past-due status and other relevant factors.

Future cash flows on a group of financial assets that are collectively evaluated for impairment are estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the years on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows reflect, and are directionally consistent with, changes in related observable data from year to year (such as changes in unemployment rates, property prices, commodity prices, payment status, or other factors that are indicative of incurred losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

(ii) Held-to-maturity financial investments

For held-to-maturity investments the Group assesses individually whether there is objective evidence of impairment. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets's carrying amount and the present value of estimated future cash flows. The carrying amount of the asset is reduced and the amount of the loss is recognized in the income statement.

If, in a subsequent year, the amount of the estimated impairment loss decreases because of an event occurring after the impairment was recognized, any amounts formerly charged are credited to the 'Impairment losses on financial investments'.

(iii) Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at each balance sheet date whether there is objective evidence that an investment or a group of investments is impaired.

In the case of equity investments classified as available-for-sale, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognized in the income statement – is removed from equity and recognized in the income statement. Impairment losses on equity investments are not reversed through the income statement; increases in their fair value after impairment are recognized directly in equity.



NOTES TO THE FINANCIAL STATEMENTS

Bank and Consolidated

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2. ACCOUNTING POLICIES (continued)

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Interest continues to be accrued at the original effective interest rate on the reduced carrying amount of the asset and is recorded as part of 'Interest and similar income'. If, in a subsequent year, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the income statement, the impairment loss is reversed through the income statement.

(iv) Renegotiated loans

Where possible, the Group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated, the loan is no longer considered past due. Management continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

(8) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the balance sheet.

(9) Insurance business

(i) Insurance contracts liabilities

Life insurance contracts liabilities

The provision for life insurance contracts is calculated on the basis of a prudent prospective actuarial valuation method where the assumptions used depend on the circumstances prevailing in each life policy.

General insurance contracts liabilities

General business contract liabilities are based on the estimated ultimate cost of all claims incurred but not settled at the balance sheet date, whether reported or not, together with related claims handling costs that are reduced for expected salvage value and other recoveries. Significant delays can be experienced in the notification and settlement of certain types of general insurance claims (particularly in respect of business interruption, environmental and pollution exposures) the ultimate cost cannot be known with certainty at the balance sheet date.

Insurance contracts with fixed and guaranteed terms

A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognized. The liability is determined as the sum of the expected discounted value of the benefit payments and the future administration expenses that are directly related to the contract, less the expected discounted value of the theoretical premiums that would be required to meet the benefits and policy administration expenses, based on the valuation assumptions used. The liability is based on assumptions as to mortality, investment income and the maintenance expenses that are established at the time the contract is issued.

A margin for adverse developments is included in the assumptions to provide a best estimate of possible future claims. Adjustments to the liabilities at each reporting date are recorded in the income statement as an expense. Profits originated from adverse margins on run-off contracts, are recognized in the income statement over the life of the contract, whereas losses are fully recognized in the income statement during the first year of run-off.

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Bank and Consolidated
for the year ended 31 December 2006

2. ACCOUNTING POLICIES (continued)

(ii) Claims and provisions for outstanding claims

Claims incurred comprise the settlement and handling costs of paid and outstanding claims arising from events occurring during the financial year together with adjustments to prior year claims provisions.

Claims outstanding provisions comprise provisions for the Company's estimate of the ultimate cost of settling all claims incurred but unpaid at the balance sheet date whether reported or not, and related internal and external claims handling expenses and an appropriate prudential margin. Claims outstanding are assessed by reviewing individual claims and making allowance for claims incurred but not yet reported the effect of both internal and external foreseeable events and past experience and trends. Provisions for claims outstanding are not discounted.

Adjustments to claims provisions established in prior years are reflected in the financial statements of the period in which the adjustments are made and disclosed separately if material. The methods used, and the estimates made, are reviewed regularly. Where applicable, provisions are disclosed net of the prudent estimates for salvage and subrogation recoveries.

(iii) Provision for unearned premiums

The proportion of written premiums, gross of commission payable to intermediaries, attributable to subsequent periods is deferred as unearned premium.

(iv) Provisions for unexpired risks (Liability adequacy test)

Provision is made for unexpired risks arising from general insurance contracts where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the balance sheet date exceeds the unearned premiums provision in relation to such policies after the deduction of any deferred acquisition costs. The provision for unexpired risks is calculated by reference to classes of business which are managed together, after taking into account the future investment return on investments held to back the unearned premiums and unexpired claims provisions.

(v) Reinsurance assets

The Group enters into reinsurance contracts in the normal course of business. Reinsurance assets and liabilities include balances due from/to insurance and reinsurance companies in respect of ceded insurance risks. Amounts due to reinsurers are estimated in a manner consistent with the associated reinsured policies and in accordance with the reinsurance contract. Premiums ceded and claims reimbursed are presented on a gross basis.

An impairment review is performed on all reinsurance assets when an indication of impairment occurs. Reinsurance assets are impaired only if there is objective evidence that the Group may not receive all amounts due to it under the terms of the contract and that this can be measured.

(vi) Income from insurance business

Income from insurance business comprises all revenues and expenses of fully consolidated insurance companies, other than commission income from the sale of insurance products, which is included in net commission income.

Income includes primarily premiums earned net of ceded business, investment income from underwriting business and unrealized gains from capital investments.

Expenses include claims incurred, changes in underwriting provisions, and expenses for bonuses to holders of with-profits policies, investment and interest expenses and all operating expenses of the insurance business.

(vii) Investments of insurance companies

Investments of insurance companies are reported as a separate main item. They include land and buildings, investments in non-consolidated subsidiaries and other companies, mortgage receivables, securities and prepayments on insurance contracts. Investments of insurance companies are measured in accordance with the standards applicable to the particular asset types concerned.



NOTES TO THE FINANCIAL STATEMENTS

Bank and Consolidated
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2. ACCOUNTING POLICIES (continued)

(viii) Acquisition costs

The acquisition costs include the expenses incurred in the acquisition of the insurance contracts and comprise direct expenses, such as acquisition commissions and expenses for opening the files or issuing the insurance contracts, but also indirect expenses, such as administrative expenses related to the processing of the requests and preparation of the files. The acquisition costs are recorded in the profit and loss account in accordance with the accrual principle with the exception of the acquisition commissions for the general insurance, that are recognized at the moment of the premium collection.

(10) Leasing

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

(i) Group as a lessee

Finance leases, which transfer to the Bank substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments and included in 'Property and equipment' with the corresponding liability to the lessor included in 'Other liabilities.' Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are charged directly against income in 'Interest and similar expense'.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Bank will obtain ownership by the end of the lease term.

(ii) Group as a lessor

Finance leases, where the Bank transfers substantially all the risk and benefits incidental to ownership of the leased item to the lessee, are included in the balance sheet in 'Loans and advances to customers'. A receivable is recognized over the leasing period of an amount equaling the present value of the lease payments using the implicit rate of interest and including any guaranteed residual value. All income resulting from the receivable is included in 'Interest and similar income' in the income statement.

(11) Recognition of income and expenses

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognized:

(i) Interest and similar income and expense

For all financial instruments measured at amortized cost and interest bearing financial instruments classified as available-for-sale financial investments, interest income or expense is recorded at the effective interest rate, which is the rate that discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses. The carrying amount of the financial asset or financial liability is adjusted if the Group revises its estimates of payments or receipts. The adjusted carrying amount is calculated based on the original effective interest rate and the change in carrying amount is recorded as interest income or expense.

Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognized using the original effective interest rate applied to the new carrying amount.



NOTES TO THE FINANCIAL STATEMENTS

Bank and Consolidated
for the year ended 31 December 2006

2. ACCOUNTING POLICIES (continued)

(ii) Fee and commission income

The Group earns fee and commission income from a diverse range of services it provides to its customers. Fee income can be divided into the following two categories:

Fee income earned from services that are provided over a certain period of time

Fees earned for the provision of services over a period of time are accrued over that period. These fees include commission income and asset management, custody and other management and advisory fees. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and *recognized as an adjustment to the effective interest rate on the loan*.

Fee income from providing transaction services

Fees arising from negotiating or participating in the negotiation of a transaction for a third party – such as the arrangement of the acquisition of shares or other securities or the purchase or sale of businesses – are recognized on completion of the underlying transaction. Fees or components of fees that are linked to a certain performance are recognized after fulfilling the corresponding criteria. These fees include underwriting fees, corporate finance fees and brokerage fees.

(iii) Dividend income

Revenue is recognized when the Group's right to receive the payment is established.

(iv) Net trading income

Results arising from trading activities include all gains and losses from changes in fair value and related interest income or expense and dividends for financial assets and financial liabilities held for trading.

(12) Cash and cash equivalents

Cash and cash equivalents as referred to in the cash flow statement comprises cash on hand, current accounts with central banks and amounts due from banks on demand or with an original maturity of three months or less.

(13) Property and equipment

Property and equipment is stated at restated cost excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates.

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. Land is not depreciated. The estimated useful lives are as follows:

- | | |
|---------------------------------|----------------------------------|
| • Buildings | 30 to 50 years (mainly 50 years) |
| • Office equipment | 3 to 10 years |
| • Other furniture and equipment | 3 to 15 years |

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognized in 'Other operating income' or 'Other operating expenses' in the income statement in the year the asset is derecognized.



NOTES TO THE FINANCIAL STATEMENTS

Bank and Consolidated
for the year ended 31 December 2006

2. ACCOUNTING POLICIES (continued)

(14) Intangible assets

Intangible assets include the value of computer software and licenses. Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the income statement in the expense category consistent with the function of the intangible asset.

Amortization is calculated using the straight-line method to write down the cost of intangible assets to their residual values over their estimated useful lives as follows:

- Computer software and licenses 3-5 years

(15) Impairment of non-financial assets

The Group assesses at each reporting date or more frequently if events or changes in circumstances indicate that the carrying value may be impaired, whether there is an indication that a non-financial asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset (or cash-generating unit) exceeds its recoverable amount, the asset (or cash-generating unit) is considered impaired and is written down to its recoverable amount.

(16) Financial guarantees

In the ordinary course of business, the Group gives financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognized in the financial statements at fair value, in 'Other liabilities', being the premium received. Subsequent to initial recognition, the Group's liability under each guarantee is measured at the higher of the amortized premium and the best estimate of expenditure required to settle any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is taken to the income statement in 'Credit loss expense'. The premium received is recognized in the income statement in 'Net fees and commission income' on a straight line basis over the life of the guarantee.

(17) Employee benefits

(i) Short term service benefits

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

(ii) Defined contribution plans

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



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NOTES TO THE FINANCIAL STATEMENTS

Bank and Consolidated

for the year ended 31 December 2006

2. ACCOUNTING POLICIES (continued)

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

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

(iii) Long-term service benefits

The Bank's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. On the basis of the Collective Labor Agreement, the Bank and one of its Romanian subsidiaries have a contractual obligation to make a one-off payment of up to six (the Bank), respectively three (the subsidiary) gross monthly salaries to retiring employees on the date of retiring. The defined benefit obligations are calculated by a qualified actuary taking into account the estimated salary at the date of retirement and the number of years served by each individual. In accordance with Amendment to IAS 19 ("Employee Benefits – Actuarial gains and Losses, Group Plans and Disclosures") effective from 1 January 2006, the Bank and its respective subsidiary have opted for actuarial gains and losses to be recognized in full as they arise in equity.

The effect of this change in recognition was applied retrospectively in these financial statements and included in the determination of the opening balances of equity as of 1 January 2006 (refer to note 2.1.4). Comparative income statement information on service cost and interest cost as well as comparative information in the statement of changes in equity on actuarial gains/losses has not been restated, as it was impracticable to do so.

(18) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(19) Taxes

(i) Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.



NOTES TO THE FINANCIAL STATEMENTS

Bank and Consolidated

for the year ended 31 December 2006

2. ACCOUNTING POLICIES (continued)

(ii) *Deferred tax*

Deferred tax is provided on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilized except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Current tax and deferred tax relating to items recognized directly in equity are also recognized in equity and not in the income statement.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(20) **Fiduciary assets**

Assets held in a fiduciary capacity are not reported in the financial statements, as they are not the assets of the Group.

(21) **Dividends on ordinary shares**

Dividends on ordinary shares are recognized as a liability and deducted from equity when they are approved by the Group's shareholders. Interim dividends are deducted from equity when they are declared and no longer at the discretion of the Group.

Dividends for the year that are approved after the balance sheet date are disclosed as an event after the balance sheet date.



NOTES TO THE FINANCIAL STATEMENTS

Bank and Consolidated

for the year ended 31 December 2006

2. ACCOUNTING POLICIES (continued)

(22) 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. Segment income, segment expenses and segment performance include transfers between business segments and between geographical segments.

2.5 Future changes in accounting policies

(1) Standards and interpretations not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for accounting periods beginning on or after 1 January 2007 or later periods but which the Group has not early adopted, as follows:

IFRS 7, Financial Instruments: Disclosures, and a complementary amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures (effective for financial years beginning on or after 1 January 2007)

IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. It replaces IAS 30, Disclosures in the Financial Statements of Banks and Similar Financial Institutions, and disclosure requirements in IAS 32, Financial Instruments: Disclosure and Presentation. It is applicable to all entities that report under IFRS.

Amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures, effective from 1 January 2007

The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital. The Group assessed the impact of IFRS 7 and the amendment to IAS 1 and concluded that the main additional disclosures will be the sensitivity analysis to market risk and the capital.

IFRIC 8, Scope of IFRS 2

IFRIC interpretation 8 was issued in January 2006 and is required to be applied for financial years beginning on or after 1 May 2006. It requires IFRS 2 Share-based Payment to be applied to any arrangements where equity instruments are issued for consideration which appears to be less than fair value. The interpretation has no impact on the financial position of the Group.

IFRIC 9, Reassessment of Embedded Derivatives

IFRIC 9 was issued in March 2006, and becomes effective for financial years beginning on or after 1 June 2006. This interpretation establishes that the date to assess the existence of an embedded derivative is the date an entity first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. The Group is still evaluating the effect of this interpretation and expects that adoption of this interpretation will have no impact on the Group's financial statements when implemented in 2007.

IFRIC 10, Interim Financial Reporting and Impairment (effective for financial years beginning on or after 1 November 2006)

This Interpretation may impact the financial statements should any impairment losses be recognized in the interim financial statements in relation to available for sale equity investments, unquoted equity instruments carried at cost and goodwill as these may not be reversed in later interim periods or when preparing the annual financial statements. This Interpretation has not yet been endorsed by the EU.

IFRIC 11, IFRS 2-Group and Treasury Share Transactions (effective for financial years beginning on or after 1 March 2007)

This Interpretation requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme by an entity even if the entity chooses or is required to buy those equity instruments from another party, or the shareholders of the entity provide the equity instruments needed. The Interpretation also extends to the way in which subsidiaries, in their separate financial statements, account for schemes when their employees receive rights to equity instruments of the parent.

IFRIC 11 is not relevant to the Group's operations. This Interpretation has not yet been endorsed by the EU.

IFRIC 12, Service Concession Arrangements (effective for financial years beginning on or after 1 January 2008)

The interpretation outlines an approach to account for contractual arrangements arising from entities providing public services. It provides for the operator should not account for the infrastructure as property, plant and equipment, but recognize a financial asset and / or an intangible asset.

IFRIC 12 is not relevant to the Group's operations. This Interpretation has not yet been endorsed by the EU.



NOTES TO THE FINANCIAL STATEMENTS

Bank and Consolidated
for the year ended 31 December 2006

3. SEGMENT INFORMATION

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. The operating businesses are organized and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

For management purposes, the Bank is organized into three business segments:

- | | |
|-------------------|--|
| Retail banking | - Principally handling individual customers' deposits, and providing consumer loans, overdrafts, credit cards facilities and funds transfer facilities. |
| Corporate banking | - Principally handling loans and other credit facilities and deposit and current accounts for corporate and institutional customers. |
| Other | - Principally providing investment banking services including money market and treasury operations, syndicated loans and structured financing transactions, foreign currency and derivative transactions, financial instruments trading and investment, issuance of bonds; within this segment the Group also includes financial products and services provided by the leasing, insurance, brokerage, asset management, real estate services and financial consultancy services operations of the Group. |

For the purpose of segmental reporting, interest is allocated based on a pool rate determined by Treasury based on the Bank's cost of borrowing.

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

Segment assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise property and equipment, intangible assets, other assets and other liabilities and taxation. The Group's segment reporting as at 31 December 2006 comprises the following main business segments:

- Corporate banking. Within corporate banking the Group provides corporations (including small-medium enterprises and public institutions) with a range of financial products and services, including lending and deposit taking, providing cash management, foreign commercial business, leasing, investment advices, financial planning, securities business, project and structured finance transactions, syndicated loans and asset backed transactions.
- Retail banking. The Group provides individuals with a range of financial products and services, including lending (consumer loans, vehicles purchase, personal needs, and mortgages), savings and deposit taking business, payment services and securities business.
- Other. Within other the Group incorporates financial products and services provided to or by financial institutions including money market and treasury operations, syndicated loans and structured financing transactions, foreign currency and derivative transactions, financial instruments trading and investment, issuance of bonds. Within other the Group also incorporates financial products and services provided by the leasing, insurance, brokerage, asset management, real estate services and financial consultancy services operations of the Group.



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NOTES TO THE FINANCIAL STATEMENTS

Bank and Consolidated
for the year ended 31 December 2006

3. SEGMENT INFORMATION (continued)

Group - Business segments

RON Thousand	Corporate banking		Retail banking		Other		Group	
	2006	2005	2006	2005	2006	2005	2006	2005
Interest income	1,484,757	1,175,363	1,195,810	772,318	439,468	596,971	3,120,035	2,544,652
Commission income	330,676	320,506	301,109	269,317	10,416	459	642,201	590,282
Other income	-	-	-	-	262,991	214,330	262,991	214,330
Total income	1,815,433	1,495,869	1,496,919	1,041,635	712,875	811,760	4,025,227	3,349,264
Unallocated revenues	-	-	-	-	-	-	93,371	69,646
Unallocated expenses	-	-	-	-	-	-	(3,190,905)	(2,654,380)
Profit before tax							927,693	764,530
Income tax expense	-	-	-	-	-	-	(159,011)	(107,462)
Profit for the year							768,682	657,068

RON Thousand	Corporate banking		Retail banking		Other		Group	
	2006	2005	2006	2005	2006	2005	2006	2005
Segment assets	16,386,638	10,544,826	10,047,337	6,653,378	18,577,697	14,683,697	45,011,672	31,881,901
Unallocated assets	-	-	-	-	-	-	2,424,078	2,347,739
Total assets	16,386,638	10,544,826	10,047,337	6,653,378	18,577,697	14,683,697	47,435,750	34,229,640
Segment liabilities	12,872,483	9,821,991	11,718,688	9,737,588	18,177,818	10,516,431	42,768,989	30,076,010
Unallocated liabilities	-	-	-	-	-	-	417,761	291,906
Total liabilities	12,872,483	9,821,991	11,718,688	9,737,588	18,177,818	10,516,431	43,186,750	30,367,916

Bank - Business segments

RON Thousand	Corporate banking		Retail banking		Other		Bank	
	2006	2005	2006	2005	2006	2005	2006	2005
Interest income	1,386,779	1,128,694	1,117,801	703,146	470,634	635,290	2,975,214	2,467,130
Commission income	310,221	309,347	286,791	248,559	4,272	5,756	601,284	563,662
Other income	-	-	-	-	255,694	209,788	255,694	209,788
Total income	1,697,000	1,438,041	1,404,592	951,705	730,600	850,834	3,832,192	3,240,580
Unallocated revenues	-	-	-	-	-	-	12,004	27,509
Unallocated expenses	-	-	-	-	-	-	(3,051,763)	(2,555,304)
Profit before tax							792,433	712,785
Income tax expense	-	-	-	-	-	-	(125,564)	(105,524)
Profit for the year							666,869	607,261

RON Thousand	Corporate banking		Retail banking		Other		Bank	
	2006	2005	2006	2005	2006	2005	2006	2005
Segment asset	14,695,033	9,298,155	9,875,560	6,081,045	18,156,291	14,879,435	42,726,884	30,258,635
Unallocated assets	-	-	-	-	-	-	2,127,805	2,671,508
Total assets	14,695,033	9,298,155	9,875,560	6,081,045	18,156,291	14,879,435	44,854,689	32,930,143
Segment liabilities	12,807,110	10,179,090	11,669,955	11,721,602	16,240,327	6,823,671	40,717,392	28,724,363
Unallocated liabilities	-	-	-	-	-	-	161,995	558,534
Total liabilities	12,807,110	10,179,090	11,669,955	11,721,602	16,240,327	6,823,671	40,879,387	29,282,897



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NOTES TO THE FINANCIAL STATEMENTS

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for the year ended 31 December 2006

4. INTEREST AND SIMILAR INCOME

RON Thousand	Group		Bank	
	2006	2005	2006	2005
Due from banks	338,946	422,213	298,662	412,800
Loans and advances to customers	2,598,514	1,906,688	2,468,450	1,832,140
Financial investments – available-for-sale	166,171	204,477	160,768	195,308
Dividend income	9,406	3,585	44,557	24,811
Rental income	6,998	7,689	2,777	2,071
	3,120,035	2,544,652	2,975,214	2,467,130

5. INTEREST AND SIMILAR EXPENSE

RON Thousand	Group		Bank	
	2006	2005	2006	2005
Due to banks	374,433	197,851	307,860	174,343
Due to customers	864,319	745,258	867,064	743,875
Debt issued and other borrowed funds	194,923	196,560	193,339	197,285
	1,433,675	1,139,669	1,368,263	1,115,503

6. NET FEES AND COMMISSION INCOME

RON Thousand	Group		Bank	
	2006	2005	2006	2005
Lending business	153,979	124,381	142,625	113,094
Payment transfers	398,587	382,815	385,729	376,240
Other fees received	89,635	83,086	72,930	74,328
Total fees and commission income	642,201	590,282	601,284	563,662
Lending business	19,680	5,676	17,483	5,676
Payment transfers	48,140	44,205	46,625	48,793
Other fees paid	7,911	3,460	8,040	4,385
Total fees and commission expense	75,731	53,341	72,148	58,854
Net fees and commission income	566,470	536,941	529,136	504,808

7. NET TRADING INCOME

RON Thousand	Group		Bank	
	2006	2005	2006	2005
Debt securities (i)	105	(7,490)	21	-
Net realized foreign exchange gains from foreign exchange transactions (ii)	227,618	216,339	225,285	202,589
Net effect of translation of foreign currency denominated asset and liabilities	35,268	5,481	30,388	7,199
Net trading income	262,991	214,330	255,694	209,788

- (i) Debt securities income includes the effect of buying and selling, and changes in the fair value of government securities and corporate debt bonds.
- (ii) Net realized foreign exchange gains from foreign exchange transactions include gains and losses mainly from money market instruments and also from currency swaps, spot and forward contracts.



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NOTES TO THE FINANCIAL STATEMENTS

Bank and Consolidated
for the year ended 31 December 2006

8. NET RESULT OF INSURANCE BUSINESS

RON Thousand	2006			2005		
	General insurance	Life insurance	Total	General insurance	Life insurance	Total
Premiums earned	165,947	37,753	203,700	158,263	-	158,263
Investment income from technical business	7,754	-	7,754	16,887	-	16,887
Claims incurred	(111,532)	(22,281)	(133,813)	(66,609)	-	(66,609)
Change in underwriting reserves	3,001	(4,729)	(1,728)	(28,812)	-	(28,812)
Operating expenses	(97,590)	(8,393)	(105,983)	(57,226)	(84)	(57,310)
Sundry underwriting profit/loss	60,073	24	60,097	4,924	-	4,924
Underwriting profit/loss	27,653	2,374	30,027	27,427	(84)	27,343
Financial profit/loss	-	1,369	1,369	-	-	-
Carry forward-underwriting	-	2,850	2,850	-	63	63
Total	27,653	6,593	34,246	27,427	(21)	27,406

9. OTHER OPERATING INCOME

RON Thousand	Group		Bank	
	2006	2005	2006	2005
Gains from sales of available-for-sale financial investments	38,152	11,315	7,292	11,300
Gains/(losses) from sales of fixed assets	554	(395)	-	(383)
Other (i)	35,619	30,242	20,232	21,597
	74,325	41,162	27,524	32,514

(i) Other income includes income from non-banking activities, mainly services related to cash transportation and collection, indemnities paid by insurance companies, services of Electronic Archive registration, and sales of payment documents.

10. CREDIT LOSS EXPENSE

RON Thousand	Group		Bank	
	2006	2005	2006	2005
Net charge of provision for impairment losses on loans and advances to customers	220,158	23,711	220,086	13,742
Loans written-off	84,946	186,868	77,217	183,052
Recoveries from loans previously written-off	(147,509)	(108,254)	(146,330)	(106,971)
	157,595	102,325	150,973	89,823

11. PERSONNEL EXPENSES

RON Thousand	Group		Bank	
	2006	2005	2006	2005
Wages and salaries	668,096	662,976	629,681	620,127
Social security costs	196,203	196,814	186,164	194,268
Benefit paid on normal age retirement – Defined benefit plan (Note 29)	13,405	-	13,354	-
Provision for early retirement	43,022	-	43,022	-
Release of provision for pensions	1,470	-	-	-
	922,196	859,790	872,221	814,395

The number of employees of the Bank at 31 December 2006 was 11,283 employees (31 December 2005: 11,845 employees). The number of the employees of the Group at 31 December 2006 was 13,015 employees (31 December 2005: 13,486 employees).



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NOTES TO THE FINANCIAL STATEMENTS

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12. OTHER OPERATING EXPENSES

RON Thousand	Group		Bank	
	2006	2005	2006	2005
Advertising and marketing	34,020	26,888	31,950	25,884
Administrative	245,081	213,131	253,991	214,769
Payment into deposit insurance fund	30,850	64,844	30,596	64,841
Other	97,605	62,991	85,652	44,463
	407,556	367,854	402,189	349,957

13. TAXATION

Consolidated income statement

The components of income tax expense for the years ended 31 December 2006 and 2005 are:

RON Thousand	Group		Bank	
	2006	2005	2006	2005
Current income tax	175,957	137,752	147,386	128,893
Deferred tax relating to origination and reversal of temporary differences	(16,946)	(30,290)	(21,822)	(23,369)
Income tax expense reported in the income statement	159,011	107,462	125,564	105,524

Reconciliation of the total tax charge

A reconciliation between the tax expense and the accounting profit multiplied by Romania's tax rate for the years ended 31 December 2006 and 2005 is as follows:

RON Thousand	Group		Bank	
	2006	2005	2006	2005
Accounting profit before tax	927,693	764,530	792,433	712,785
At statutory income tax rate of 16% (2005: 16%)	148,431	122,325	126,789	114,046
Effect of different tax rates in other countries	5,825	2,740	-	-
Income not subject to tax	(38,417)	(33,512)	(42,521)	(23,282)
Non deductible expenses	43,172	15,909	41,296	14,760
Income tax expense reported in the income statement	159,011	107,462	125,564	105,524
The effective tax rate	17.1%	14.1%	15.8%	14.8%

Consolidated statement of changes in equity

Deferred tax related to items charged or credited directly to equity during the year is as follows:

GROUP	2006		2005		2005	
	Available-for-sale reserve	Actuarial gains / (losses)	Total	Available-for-sale reserve	Actuarial gains / (losses)	Total
RON Thousand						
At 1 January	1,175	-	1,175	-	-	-
Net gain of financial investments (available-for-sale)	1,359	-	1,359	1,175	-	1,175
Actuarial gains / (losses)	-	1,476	1,476	-	-	-
At 31 December	2,354	1,476	4,010	1,175	-	1,175



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13. TAXATION (continued)

BANK	2006	2006	2006	2005	2005	2005
	Available-for-sale reserve	Actuarial gains / (losses)	Total	Available-for-sale reserve	Actuarial gains / (losses)	Total
RON Thousand						
1 January	1,014	-	1,014	-	-	-
Net gain of financial investments (available-for-sale)	2,311	-	2,311	1,014	-	1,014
Actuarial gains / (losses)	-	1,712	1,712	-	-	-
31 December	3,325	1,712	5,037	1,014	-	1,014

The deferred tax included in the balance sheet and changes recorded in the income tax expense are as follows:

GROUP:

RON Thousand	Deferred tax asset 2006	Deferred tax liability 2006	Income statement 2006	Deferred tax asset 2005	Deferred tax liability 2005	Income statement 2005
Loans to customers, credit institutions	81,475	-	7,596	72,246	1,633	20,521
Available-for-sale reserve	(2,623)	(154)	-	(473)	(260)	-
Financial assets designated at fair value through profit or loss	(5,225)	1	2,570	(7,794)	-	3,264
Financial investments – available-for-sale	(33,891)	(784)	1,389	(32,682)	(3,382)	2,869
Intangible assets	(13,902)	-	375	(14,273)	(4)	-
Property and equipment	5,112	(324)	6,571	(1,946)	163	521
Other assets	(251)	106	647	296	(1,088)	(60)
Tax losses carried forward (including current year)	3,915	-	(4,259)	8,089	85	-
Amounts owed to customers, credit institutions	(4,269)	-	(314)	(3,338)	(617)	(1,285)
Debts issued and other borrowed funds	(1,080)	-	(44)	(1,036)	-	(1,036)
Provision for early retirement plan	595	-	178	417	-	-
Provision for retirement benefits	18,774	37	1,267	18,838	-	-
Other provisions	-	(3,949)	(1,357)	-	(2,592)	-
Other liabilities	2,930	14	2,327	59	558	5,496
	51,560	(5,053)	16,946	38,403	(5,504)	30,290

BANK:

RON Thousand	Deferred tax asset 2006	Deferred tax liability 2006	Income statement 2006	Deferred tax asset 2005	Deferred tax liability 2005	Income statement 2005
Loans to customers, credit institutions	80,864	-	8,618	72,246	-	20,521
Available-for-sale reserve	(3,325)	-	-	(1,014)	-	-
Financial assets designated at fair value through profit or loss	(5,225)	-	2,626	(7,851)	-	3,264
Financial investments – available-for-sale	(32,668)	-	14	(32,682)	-	2,869
Intangible assets	(13,897)	-	376	(14,273)	-	-
Property and equipment	4,393	-	6,589	(2,196)	-	521
Other assets	(221)	-	-	(221)	-	(60)
Amounts owed to customers, credit institutions	(3,893)	-	(555)	(3,338)	-	(1,285)
Debts issued and other borrowed funds	(1,080)	-	(44)	(1,036)	-	(1,036)
Provision for retirement benefits	18,774	-	1,678	18,808	-	-
Other liabilities	2,571	-	2,520	51	-	(1,425)
	46,293	-	21,822	28,494	-	23,369



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NOTES TO THE FINANCIAL STATEMENTS

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14. DIVIDENDS PAID AND PROPOSED

Declared and paid during the year

2006: 359,935 RON Thousand (2005: 327,549 RON Thousand).

Proposed for approval at Annual General Meeting (not recognized as a liability as at 31 December).

Equity dividend on ordinary shares: 367,927 RON Thousand.

15. CASH AND BALANCES WITH CENTRAL BANKS

RON Thousand	Group		Bank	
	2006	2005	2006	2005
Cash on hand (Note 33)	898,494	720,286	895,065	716,654
Current account with the central banks (Note 33)	12,645,796	6,354,302	12,538,154	6,266,548
	13,544,290	7,074,588	13,433,219	6,983,202

The current accounts held by the Bank with the National Bank of Romania are for compliance with the minimum reserve requirements. These funds are not available for the Bank's daily business. At 31 December 2006 the mandatory minimum reserve was set at 20% for RON and 40% for USD and EUR denominated funds attracted (31 December 2005: 16% for RON and 30% for USD and EUR).

16. DUE FROM BANKS

RON Thousand	Group		Bank	
	2006	2005	2006	2005
Nostro account	46,198	112,332	39,563	50,224
Placements with the central banks	1,735,050	1,373,944	1,727,752	1,363,554
Placements with other banks	2,672,779	2,391,536	2,052,749	2,140,587
Loans and advances to banks	55,094	-	46,843	29,585
	4,509,121	3,877,812	3,866,907	3,583,950

17. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

RON Thousand	Group		Bank	
	2006	2005	2006	2005
Listed debt securities (i)	451,725	522,255	452,952	521,525
Unlisted debt securities (ii)	-	189,495	-	188,154
Listed equity securities (iii)	47,384	37,340	47,315	37,248
Unlisted equity securities	12,929	12,832	12,929	12,832
	512,038	761,922	513,196	759,759

- (i) Listed debt securities at fair value through profit or loss of the Bank and of the Group include Romanian sovereign bonds, Romanian corporate Eurobonds, listed corporate and municipality bonds.
- (ii) Unlisted debt securities at fair value through profit and loss of the Bank and the Group include treasury bills denominated in RON and in USD issued by Romanian Government.
- (iii) Listed equity securities include SIF's shares and other quoted shares on Bucharest Stock Exchange.



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18. LOANS AND ADVANCES TO CUSTOMERS

RON Thousand	Group		Bank	
	2006	2005	2006	2005
Public sector	2,121,313	1,171,592	2,073,302	1,171,592
Commercial customers	14,043,663	8,926,651	12,619,267	8,461,205
Private customers	10,047,337	6,653,378	9,875,560	6,299,902
	26,212,313	16,751,621	24,568,129	15,932,699
Less: Allowance for impairment losses	(794,007)	(581,769)	(768,952)	(553,499)
	25,418,306	16,169,852	23,799,177	15,379,200

(a) Allowance for impairment losses

RON Thousand	Group		Bank	
	2006	2005	2006	2005
At 1 January	581,769	578,632	553,499	543,058
Charges for the year	157,595	102,325	150,973	89,823
Recoveries	147,509	108,254	146,331	106,971
Amounts written off	(84,946)	(186,868)	(77,217)	(183,052)
Effect of change in foreign exchange	(7,920)	(20,574)	(4,634)	(3,301)
At 31 December	794,007	581,769	768,952	553,499

(b) Analysis by sector

RON Thousand	Group		Bank	
	2006	2005	2006	2005
Individuals	10,047,337	6,653,378	9,875,560	6,299,902
Commerce	3,165,733	1,998,475	2,613,377	1,693,701
Agriculture, Fishery and Food Industry	2,378,770	1,533,221	2,287,800	1,418,793
Leasing and real estate transactions	443,403	708,572	533,598	1,022,040
Wood industry	476,499	224,608	438,040	192,832
Metallurgical industry	373,260	377,411	308,738	298,110
Textile industry, leather and footwear	441,273	390,023	406,908	356,466
Chemical and petrochemical industry	1,063,852	619,996	930,380	537,570
Electrical and thermal power industry	431,660	186,794	421,873	164,162
Public institutions	2,121,313	1,171,592	2,073,302	1,171,592
Metallic and non-metallic products industry	540,110	409,464	511,185	401,597
Transportation means industry	411,259	480,084	409,491	473,651
Extracting industry	449,189	30,991	409,774	22,336
Constructions	943,701	528,799	840,629	474,855
Transports	764,676	460,688	595,397	406,443
Tourism and public catering	322,877	188,946	303,594	178,260
Machines and equipment industry	464,563	253,907	431,252	234,370
Others (including governmental credit)	1,372,838	534,672	1,177,231	586,019
	26,212,313	16,751,621	24,568,129	15,932,699
Less: allowance for impairment losses	(794,007)	(581,769)	(768,952)	(553,499)
	25,418,306	16,169,852	23,799,177	15,379,200



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18. LOANS AND ADVANCES TO CUSTOMERS (continued)

c) Finance lease receivables

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

RON thousand	2006	2005
Gross investment in finance leases	1,097,711	669,252
Unearned finance income	(152,057)	(88,599)
Allowance for impairment	(4,611)	(2,080)
Net investment in finance leases	941,043	578,573
<i>Net investment in finance leases, with remaining maturities</i>		
Less than one year	320,060	241,808
Between one and five years	620,983	336,765
Net investment in finance leases	941,043	578,573

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

19. FINANCIAL INVESTMENTS

Available-for-sale

RON Thousand	Group		Bank	
	2006	2005	2006	2005
Listed investments				
Debt securities	61,660	-	61,660	-
	61,660	-	61,660	-
Non-listed investments				
Other debt securities	734,685	3,784,158	613,997	3,644,578
Equities:				
- investments in subsidiaries	-	-	373,429	373,429
- other investments	48,457	53,575	47,692	38,324
	783,142	3,837,733	1,035,118	4,056,331
	844,802	3,837,733	1,096,778	4,056,331

Listed debt securities include shares quoted on Bucharest Stock Exchange.

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



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19. FINANCIAL INVESTMENTS (continued)

Held-to-maturity

RON Thousand	Group		Bank	
	2006	2005	2006	2005
Debt securities	15,176	49,734	15,143	49,692
	15,176	49,734	15,143	49,692

The financial investments held-to-maturity are only debt securities issued by the Romanian Government exclusively to the Bank compensating the non-performing assets transferred by the Bank to the Banking Assets Recovery Agency ("AVAB"), in accordance with Government Ordinance 39/1999. Such non-performing assets are limited to the ones taken over by the Bank from "Bancorex", the former state-owned bank with which the Bank merged in 1999, based on Government Ordinance 39/1999.

The debt securities have a maturity of 12 months, are denominated in USD and bear an interest rate of 7% per year, payable quarterly.

20. INVESTMENTS OF INSURANCE COMPANIES

RON Thousand	2006	2006	2006	2005	2005	2005
	General insurance	Life insurance	Total	General insurance	Life insurance	Total
Held-to-maturity portfolio	37,345	12,432	49,777	13,773	-	13,773
Fair value through profit or loss portfolio	20,019	397	20,416	12,537	-	12,537
Available-for-sale portfolio	13,595	-	13,595	17,081	-	17,081
Other	54,071	27,620	81,691	63,280	14	63,294
Total	125,030	40,449	165,479	106,671	14	106,685

Investment securities held to maturity, denominated in RON are, in case of BCR Asigurari municipality bonds that bear a variable interest rate computed, as the rounded average of BUBID and BUBOR for 6 months, plus a 1.45% to 3% margin, ranging between 9.45% and 11% as at 31 December 2006 (31 December 2005: average of BUBID and BUBOR for 6 months, plus a 0.98% to 3% margin, ranging between 4.98% and 14%). As at 31 December 2006 the coupon maturity varies between March 2007 and March 2025 (as at 31 Dec 2005 the coupon maturity varied between February 2005 and June 2005). In case of BCR Asigurari de Viata held to maturity denominated in RON are corporate bonds and ProCredit Bank bonds that bear a variable interest rate computed, as the rounded average of BUBID and BUBOR for 6 months, plus a 1.45% to 3% margin, ranging between 9.45% and 11% as at 31 December 2006, with a maturity of 3 years.

Fair value through profit and loss are represented, in case of BCR Asigurari, by unit funds and shares that comprise the following: SIF I, SIF II, SIF III, SIF IV, SIF V, Antibiotice Iasi, Biofarm, SNP Petrom, Banca Transilvania, Oltchim, BRD, Rompetrol. In case of BCR Asigurari de Viata listed equity investments designated at fair value through profit and loss are represented by investments in shares and comprise the following: SIF II, SIF III, Antibiotice Iasi, Biofarm, SNP Petrom, Turbomecanica, and Banca Transilvania.

Available-for-sale in case of BCR Asigurari are comprised of:

- T-Bills, denominated in RON, which have been issued by Romanian Ministry of Finance bearing a variable interest as at 31 December 2006 ranging between 7.74% and 8% and maturities up to 4 years (31 December 2005 ranging between 7% and 8%).
- Unlisted equity investments in BCR Asigurari de Viata in the amount of RON 150 thousand representing 150,000 shares of 1 RON each.

The investments securities designated as Available for Sale in case of BCR Asigurari de Viata are represented by the Unit Funds investments and comprise the following: BCR Expert, BCR Classic, Star Focus and Star Next.



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21. PROPERTY AND EQUIPMENT

RON Thousand	Group				Bank			
	Land and buildings	Computer hardware	Other furniture and equipment	Total	Land and buildings	Computer hardware	Other furniture and equipment	Total
Cost:								
At 1 January 2006	1,502,454	208,304	559,725	2,270,483	1,385,083	202,911	543,714	2,131,708
Additions	44,740	16,636	46,762	108,138	44,740	15,855	44,999	105,594
Disposals	(571)	(4,779)	(9,749)	(15,099)	(571)	(4,744)	(9,326)	(14,641)
Exchange adjustment	(873)	(36)	(214)	(1,123)	-	-	-	-
At 31 December 2006	1,545,750	220,125	596,524	2,362,399	1,429,252	214,022	579,387	2,222,661
Depreciation and impairment:								
At 1 January 2006	94,737	154,822	295,544	545,103	91,001	151,527	285,814	528,342
Disposals	(34)	(4,752)	(7,659)	(12,445)	(34)	(4,717)	(7,557)	(12,308)
Impairment of buildings	31,649	-	-	31,649	31,649	-	-	31,649
Depreciation charge for the year	41,311	25,124	63,397	129,832	39,189	24,035	60,003	123,227
Exchange adjustment	1,314	87	57	1,458	-	-	-	-
At 31 December 2006	168,977	175,281	351,339	695,597	161,805	170,845	338,260	670,910
Net book value:								
At 1 January 2006	1,407,717	53,482	264,181	1,725,380	1,294,082	51,384	257,900	1,603,366
At 31 December 2006	1,376,773	44,844	245,185	1,666,802	1,267,447	43,177	241,127	1,551,751
Cost:								
At 1 January 2005	1,533,013	190,072	520,284	2,243,369	1,357,431	185,151	478,338	2,020,920
Additions	68,656	27,050	153,339	249,045	28,477	26,350	146,105	200,932
Disposals	(825)	(8,818)	(99,392)	(109,035)	(825)	(8,590)	(80,729)	(90,144)
Exchange adjustment	(1,229)	(263)	(1,910)	(3,402)	-	-	-	-
At 31 December 2005, previously stated	1,599,615	208,041	572,321	2,379,977	1,385,083	202,911	543,714	2,131,708
Effect of restatement (i)	(97,161)	263	(12,596)	(109,494)	-	-	-	-
At 31 December 2005, restated	1,502,454	208,304	559,725	2,270,483	1,385,083	202,911	543,714	2,131,708
Depreciation and impairment:								
At 1 January 2005	49,462	140,654	275,449	465,565	34,446	138,609	248,296	421,351
Disposals	(56)	(8,583)	(21,147)	(29,786)	(56)	(8,583)	(6,419)	(15,058)
Depreciation charge for the year	52,420	22,384	48,114	122,918	36,024	21,501	43,937	101,462
Exchange adjustment	(44)	(32)	(1,408)	(1,484)	-	-	-	-
At 31 December 2005, previously stated	101,782	154,423	301,008	557,213	70,414	151,527	285,814	507,755
Effect of restatements through equity (i)	8,783	2,056	(4,480)	6,359	20,587	-	-	20,587
Effect of restatements through income statement (i)	(15,828)	(1,657)	(984)	(18,469)	-	-	-	-
At 31 December 2005, restated	94,737	154,822	295,544	545,103	91,001	151,527	285,814	528,342
Net book value:								
At 1 January 2005	1,483,551	49,418	244,835	1,777,804	1,322,985	46,542	230,042	1,599,569
At 31 December 2005, previously stated	1,497,833	53,618	271,313	1,822,764	1,314,669	51,384	257,900	1,623,953
At 31 December 2005, restated	1,407,717	53,482	264,181	1,725,380	1,294,082	51,384	257,900	1,603,366

- (i) The net effect of total restatement in property and equipment is RON thousand 97,384 for Group and RON thousand 20,587 for the Bank which are stated in Note 2.1.4 within the Balance Sheet reclassifications and prior year adjustments.



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21. PROPERTY AND EQUIPMENT (continued)

The Bank has purchased a number of IT equipment and vehicles under finance lease agreements. At 31 December 2006, the net carrying amount of leased equipments was RON thousand 80,004 (31 December 2005: RON thousand 64,668). The leased equipment secures lease obligations.

The fair value of land and buildings at 31 December 2006 is RON thousand 1,527,984 for the Group and RON thousand 1,402,189 for the Bank.

There are no fixed assets pledged as collateral as at 31 December 2006, and 31 December 2005.

22. INTANGIBLE ASSETS

RON Thousand	Group	Bank
Cost:		
At 1 January 2006	268,723	257,109
Additions	31,098	29,667
Disposals	(4,106)	(4,081)
Exchange adjustment	(4)	-
At 31 December 2006	295,711	282,695
Amortization:		
At 1 January 2006	88,934	79,896
Disposals	(4,011)	(3,986)
Amortization charge for the year	32,671	31,093
Exchange adjustment	(267)	-
At 31 December 2006	117,327	107,003
Net book value:		
At 1 January 2006	179,789	177,213
At 31 December 2006	178,384	175,692
Cost:		
At 1 January 2005	219,051	217,665
Additions	73,219	59,252
Disposals	(22,418)	(19,808)
Exchange adjustment	65	-
At 31 December 2005, previously stated	269,917	257,109
Effect of restatements (i)	(1,194)	-
At 31 December 2005, restated	268,723	257,109
Amortization:		
At 1 January 2005	57,905	57,047
Disposals	(4,996)	(2,461)
Amortization charge for the year	27,174	25,310
Transfers	9,182	-
Exchange adjustment	227	-
At 31 December 2005, previously stated	89,492	79,896
Effect of restatements through equity (i)	(336)	-
Effect of restatements through income statement (i)	(222)	-
At 31 December 2005, restated	88,934	79,896
Net book value:		
At 1 January 2005	161,146	160,618
At 31 December 2005, previously stated	180,425	177,213
At 31 December 2005, restated	179,789	177,213

- (i) The net effect of total restatement in intangible assets is RON thousand 636 for Group which are stated in Note 2.1.4 within the Balance Sheet reclassifications and prior year adjustments.



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23. OTHER ASSETS

RON Thousand	Group		Bank	
	2006	2005	2006	2005
Accrued interest receivable	271,558	211,414	254,057	212,701
Prepayments	45,618	56,556	34,787	51,855
Other receivables	210,152	139,772	65,225	44,380
	527,328	407,742	354,069	308,936

Accrued interest receivable

RON Thousand	Group		Bank	
	2006	2005	2006	2005
Due from banks	31,003	4,135	13,681	4,306
Due from customers	214,096	159,136	213,918	159,969
Financial instruments - assets	15,021	41,071	15,021	41,335
Other interest bearing assets	11,438	7,072	11,437	7,091
	271,558	211,414	254,057	212,701

24. DUE TO BANKS

RON Thousand	Group		Bank	
	2006	2005	2006	2005
Deposits from other banks	2,716,918	879,012	850,506	122,701
Current accounts of other banks	31,708	82,484	31,708	82,484
Borrowings and financing lines	10,154,067	4,605,404	10,154,067	4,605,404
	12,902,693	5,566,900	11,036,281	4,810,589



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24. DUE TO BANKS (continued)

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

RON thousand	Currency nominal amount	31 December 2006	31 December 2005
A bank from Austria (vii)	EUR 600,000,000	2,029,020	-
Syndicated loan (i), (vi)	USD 400,000,000	1,027,040	1,235,931
Syndicated loan (ii), (vi)	EUR 181,147,541	490,069	661,269
A bank from Austria (vii)	EUR 415,000,000	1,403,406	-
A bank from Ireland (vii)	EUR 300,000,000	1,014,510	-
A bank from Austria (vii)	EUR 200,000,000	676,340	-
International Finance Corporation, USA (iii), (vii)	EUR 120,898,825	408,843	469,840
European Bank for Reconstruction and Development for mortgage loans (iv), (vii)	EUR 8,000,000	-	-
	USD 50,255,132	169,032	158,389
European Bank for Reconstruction and Development - SME (v), (vii)	EUR 8,888,888	30,060	62,102
European Bank for Reconstruction and Development - SMM, (vi) (vii)	EUR 7,250,000	24,517	-
A bank from Austria (vii)	EUR 170,000,000	574,889	-
A bank from Austria (vii)	EUR 150,000,000	507,255	-
A bank from Germany (vii)	EUR 40,000,000	135,268	-
A bank from USA (vii)	EUR 35,000,000	118,360	-
A bank from Cyprus	EUR 150,000,000	-	546,751
A bank from Luxembourg	USD 40,000,000	-	123,716
A bank from USA	USD 25,000,000	-	77,592
A bank from U.K.	EUR 20,000,000	-	73,395
A bank from Austria	EUR 20,000,000	-	73,206
A bank from Germany	USD 20,000,000	-	62,156
A bank from U.K.	USD 20,000,000	-	62,156
Other loans (vii)		1,545,458	998,901
Total		10,154,067	4,605,404

i) 1st Syndicated loan

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

ii) 2nd Syndicated loan

The second syndicated loan was concluded in the second half of 2005 by the Bank with a syndicate of 15 banks and the mandated lead arranger was Mizuho Corporate Bank London. The total amount of this syndicated loan is USD 221,000,000 and it was drawn entirely in EUR. The outstanding amount of this facility as of 31 December 2006 was EUR 144,918,033; the first repayment has been made on 25 August 2006.

iii) International Finance Corporation ("IFC")

The Bank has concluded two financing agreements with IFC.

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



24. DUE TO BANKS (continued)

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

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

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

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

Committed amount represents EUR 50,000,000 and drawn-downs can be either in EUR or USD. As at 31 December 2003 the Bank has fully drawn in USD the agreement amount and the first two loan installment repayments were made in disbursement currency on 17 May and 17 November 2005, the loan balance at 31 December 2005 was of USD 50,255,132 (31 December 2004: USD 56,167,500). At 25 November 2005 was signed an amendment to this agreement which among other provisions stipulates that the new repayment period will start on 17 May 2008 in 21 biannual equal installments on 17 May and 17 November. Interest is payable semi-annually at a variable interest rate of LIBOR 6 months plus a revised margin. On the basis of the second amendment signed at 7 February 2006, at 14 February 2006 a conversion of the outstanding loan from USD to EUR has been made. Consequently the balance of the loan after conversion became EUR 41,984,237 and as the repayment period will start only at 17 May 2008 this balance remains unchanged at the end of 31 December 2006.

The second agreement is dated 25 November 2005, its purpose being to grant also mortgages for sub-borrowers. Committed amount represents EUR 50,000,000 and drawn-downs can be either in EUR or USD. At 31 December 2005 the Bank has drawn EUR 600,000 of the agreement amount and during the year 2006 other three draw-downs in EUR were made. Consequently, at 31 December 2006 the outstanding balance of the loan was of EUR 8,000,000.

The loan re-payment is made in disbursement currency starting with 17 May 2008 in 21 biannual equal installments on 17 May and 17 November. Interest payment is also biannual at a variable interest rate of EURIBOR or LIBOR 6 months on the related period plus a margin.

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

There were two agreements dated 22 January 2001 and 9 December 2002 representing a SME Finance Facility to promote lending to SME in the accession countries to European Union. In each agreement the committed amount was EUR 20,000,000. As at 31 December 2006 the outstanding loan principal is nil for the first agreement and EUR 8,888,888.90 for the second agreement.

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

vi) European Bank for Reconstruction and Development - Small and Medium-sized Municipalities (SMM)

The agreement dated 21 December 2004 represents a Finance Facility for small and medium-sized municipalities, their associations and utility companies held or controlled by them, to improve public services, upgrade infrastructure and meet EU environmental directives. Under this Facility, BCR and the SMM borrowers are the recipients of grants provided by the EU in the limit on EUR 3,000,000, in order to support the SMM borrowers and encourage the long term lending, as follows: for BCR – Maturity Enhancement Fee (EUR 1,000,000), Performance Fee (EUR 275,000) and Technical Co-Operation Support (EUR 300,000); for SMM borrowers – Municipality Financial Incentive (EUR 550,000) and Technical Assistance (EUR 875,000).

The committed amount is EUR 20,000,000. As at 31 December 2006 the outstanding loan principal is EUR 7,250,000 (31 December 2005: EUR 3,150,000). The loan re-payment is made in equal biannual installments on 19 May and 19 November. Interest payment is also made in equal biannual installments.



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24. DUE TO BANKS (continued)

vii) Interest rates

Loans from banks and other financial institutions outstanding at 31 December 2006 bear interest rates between 3% - 6.25% p.a. (31 December 2005: 2.9% - 8.2% p.a.).

The final maturities of loans from banks and other financial institutions other than the facilities received from EBRD and IFC vary between January 2007 and October 2022.

In general, the loan agreements concluded with the banks and other financial institutions provides that if the Bank fails to perform any of its obligations under these agreements or any other agreements between the Bank and the other banks and financial institutions and such failure continues for a certain period after the other banks and financial institutions notify the Bank of that failure, these banks and other financial institutions may, under certain circumstances and by notice to the Bank, require the Bank to repay the loans immediately.

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

The additional loans taken by the Bank's consolidated subsidiaries from banks and other financial institutions that are outstanding at 31 December 2006 bear interest rates linked to EURIBOR plus margins varying between 1.875% and 4%. The loans taken by the subsidiary BCR Leasing SA is collateralized by the subsidiary's net lease receivable (refer to note 18).

25. DUE TO CUSTOMERS

RON Thousand	Group		Bank	
	2006	2005	2006	2005
Corporate customers:				
Current accounts	4,213,234	3,508,626	4,213,234	3,394,481
Term deposits	8,659,249	6,224,214	8,593,876	6,345,121
Retail customers:				
Current/saving accounts	2,282,083	1,711,888	2,282,083	1,699,353
Term deposits	9,436,606	7,947,988	9,387,872	7,836,075
	24,591,172	19,392,716	24,477,065	19,275,030

26. DEBT ISSUED AND OTHER BORROWED FUNDS

RON Thousand	Group		Bank	
	2006	2005	2006	2005
Bonds issued	1,883,288	1,811,582	1,926,931	1,831,635
Certificates of deposits	2,324,003	2,513,582	2,324,003	2,513,582
	4,207,291	4,325,164	4,250,934	4,345,217

In December 2005 the Bank issued corporate bonds with a face amount of EUR 500 million (equivalent of RON 1,838,550). The maturity of these bonds is 3 years and the coupon rate is 3.75% p.a. and is paid annually. The yield of these bonds at the issuance was 4% corresponding to an issuance price of 99.306% of the nominal value. The bonds are listed on the London Stock Exchange since December 2005 (symbol BORFX 97). These bonds constitute direct, general, un-conditional, unsecured and un-subordinated obligations of the Bank. The payment obligations of the Bank under the bonds will, at all times, rank at least pari passu with all the other present and future unsecured and un-subordinated debts of the Bank and save for such obligations that may have a superior rank by mandatory provisions of applicable law.

On November 28th 2006 the Bank issued on the domestic market bonds denominated in RON. A number of 2,428,278 bonds were sold for RON 242,827,800. The bonds have a face value of RON 100, a fixed coupon of 7.25% / year paid semi-annually and a 3 years maturity. BCR Securities was the lead manager of the IPO. Legal persons acquired 98.63% of the IPO and individuals acquired 1.37% of the IPO.



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26. DEBT ISSUED AND OTHER BORROWED FUNDS (continued)

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

27. OTHER LIABILITIES

RON Thousand	Group		Bank	
	2006	2005	2006	2005
Accrued interest payable (i)	247,077	181,005	231,449	178,557
Accounts payable and sundry creditors	459,646	285,516	373,226	200,121
Deferred income	55,953	31,182	23,691	25,510
Currency transactions	3,321	-	1,886	-
Finance lease payable (ii)	-	-	21,021	32,409
	765,997	497,703	651,273	436,597

(i) Accrued interest payable related to the following financing sources:

RON Thousand	Group		Bank	
	2006	2005	2006	2005
Due to banks	88,499	53,633	74,366	51,216
Due to customers	143,221	107,529	141,713	107,528
Debt issued and other borrowed funds	15,357	19,843	15,370	19,813
	247,077	181,005	231,449	178,557

(ii) Finance lease payable

RON Thousand	Bank	
	2006	2005
Up to one year	17,460	27,078
Between one year and five years	3,561	5,331
	21,021	32,409

28. PROVISIONS

RON Thousand	Group		Bank	
	2006	2005	2006	2005
Provision for retirement benefits	117,566	117,722	117,336	117,546
Provision for early retirement (i)	43,022	-	43,022	-
Provision for pension	7,203	-	-	-
Provision for litigation	2,469	1,167	1,637	1,167
Underwriting provisions net of ceded business (ii)	233,983	164,071	-	-
	404,243	282,960	161,995	118,713



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28. PROVISIONS (continued)

(i) Provision for early retirement

On 27 December 2006 the Bank officially announced an early retirement program which was presented earlier and accepted in principle. The Bank management has performed an assessment regarding the number of employees that would ultimately take advantage of this program. As a result of this assessment the Bank has recognized a provision of RON 43 million.

(ii) Underwriting provisions net of ceded business

RON Thousand	2006			2005		
	General insurance	Life insurance	Total	General insurance	Life insurance	Total
Provision for unearned premium	111,649	(765)	110,884	71,094	-	71,094
Actuarial reserve	-	60,966	60,966	57,023	-	57,023
Provision for non-transacted insurance claims	46,739	9,069	55,808	31,906	-	31,906
Provision for profit-sharing	2,983	-	2,983	2,306	-	2,306
Other underwriting provisions	3,342	-	3,342	1,742	-	1,742
Total	164,713	69,270	233,983	164,071	-	164,071

29. RETIREMENT BENEFIT COSTS

Changes in the present value of the defined benefit obligation are as follows:

RON Thousand	Group	Bank
	2006	2006
Opening defined benefit obligation	117,722	117,546
Interest cost	8,471	8,458
Current service cost	11,622	11,584
Benefits paid	(2,868)	(2,864)
Actuarial losses on obligations	(10,692)	(10,699)
Transfer in/ transfer out	(6,689)	(6,689)
	117,566	117,336

Defined benefit obligation

According to the collective labor agreement, employees of the Bank and one of its subsidiaries are entitled to one lump sum payment on the date of normal age retirement, of up to 6 gross monthly salaries, (the Bank), up to 3 gross monthly salaries (the subsidiary), depending on seniority.

This is a defined benefit plan that defines an amount of benefit that an employee is entitled to receive on the date of normal age retirement, dependent on one or more factors such as age, years of service and salary. A full actuarial valuation by a qualified independent actuary is carried out every year.

The plan liability is measured on an actuarial basis using the projected unit credit method adjusted for unrecognized actuarial gains and losses. The defined benefit plan liability is discounted using rates equivalent to the market yields at the balance sheet date of high-quality corporate bonds that are denominated in the currency in which benefits will be paid, and that have a maturity approximating to the terms of the related liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in the statement of changes in equity.



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30. ISSUED CAPITAL AND RESERVES

The statutory share capital of the Bank as at 31 December 2006 and 31 December 2005 is represented by 792,468,750 ordinary shares of RON 1 each (31 December 2005 shares of RON 1 each). The shareholders of the Bank are as follows:

	2006		2005	
	Number of shares	Percentage holding (%)	Number of shares	Percentage holding (%)
Autoritatea pentru Valorificarea Activelor Statului	-	-	292,282,131	36.8825
International Finance Corporation	-	-	99,058,595	12.5000+1share
European Bank for Reconstruction and Development	-	-	99,058,595	12.5000+1share
Societatea de Investitii Financiare „Banat Crisana”	47,548,125	6.0000	47,548,125	6.0000
Societatea de Investitii Financiare „Moldova”	47,548,125	6.0000	47,548,125	6.0000
Societatea de Investitii Financiare „Transilvania”	47,548,125	6.0000	47,548,125	6.0000
Societatea de Investitii Financiare „Muntenia”	47,548,125	6.0000	47,548,125	6.0000
Societatea de Investitii Financiare „Oltenia”	48,479,429	6.1175	48,479,429	6.1175
Erste Bank der oesterreichischen Sparkassen	547,976,335	69.1480	-	-
MEI Roemenie en Bugarije Fonds NV	171,875	0.0217	-	-
Middle Europe Opportunity Funds II NV	103,125	0.0130	-	-
HTI Valori Mobiliare SA	107,328	0.0135	-	-
SC Actinvest SA	15,773	0.0020	-	-
Certinvest SA	1,000	0.0002	-	-
Individuals	5,421,385	0.6841	63,397,500	8.0000
Total	792,468,750	100.0000	792,468,750	100.0000

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

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

RON thousand	2006	2005
Share capital as per Romanian statutory accounts	792,469	792,469
IAS 29 hyperinflation adjustment recorded in prior years (i.e. until 31 December 2003)	1,327,224	1,327,224
Share capital in the balance sheet	2,119,693	2,119,693

Other reserves

GROUP 2006					
RON Thousand	Available-for-sale reserve	Foreign currency translation reserve	Actuarial gain / (loss)	Other capital reserve	Total
At 1 January 2006	4,360	47,588	-	875,520	927,468
Fair value change in available-for-sale financial asset	13,970	-	-	-	13,970
Actuarial gain / (losses)	-	-	11,369	-	11,369
Tax effect	(1,359)	-	(1,476)	-	(2,835)
Translation reserve	-	(37,925)	-	-	(37,925)
Distribution to reserves	-	-	-	132,376	132,376
At 31 December 2006	16,971	9,663	9,893	1,007,896	1,044,423



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30. ISSUED CAPITAL AND RESERVES (continued)

GROUP 2005

RON Thousand	Available-for-sale reserve	Foreign currency translation reserve	Revaluation reserve	Other capital reserve	Total
At 1 January 2005	2,315	67,351	40,110	778,850	888,626
Fair value change in available-for-sale financial asset	2,702	-	-	-	2,702
Translation reserve	-	(19,763)	-	-	(19,763)
Distribution to reserves	-	-	-	94,463	94,463
Change in revaluation reserve	-	-	(10,013)	-	(10,013)
At 31 December 2005, as previously stated	5,017	47,588	30,097	873,313	956,015
Effect of restatements (note 2.1.4)	(657)	-	(30,097)	2,207	(28,547)
At 31 December 2005, restated	4,360	47,588	-	875,520	927,468

Bank 2006

RON Thousand	Available-for-sale reserves	Actuarial gains / (losses) reserve	Other capital reserves	Total
At 1 January 2006	5,325	-	873,064	878,389
Fair value change in available-for-sale financial assets	14,446	-	-	14,446
Actuarial gain / (loss)	-	10,699	-	10,699
Tax effect	(2,311)	(1,712)	-	(4,023)
Distribution to reserves	-	-	120,692	120,692
At 31 December 2006	17,460	8,987	993,756	1,020,203

Bank 2005

RON Thousand	Available-for-sale reserves	Actuarial gains / (losses) reserve	Other capital reserves	Total
At 1 January 2005	-	-	778,601	778,601
Fair value change in available-for-sale financial assets, net of tax	6,339	-	-	6,339
Distribution to reserves	-	-	94,463	94,463
At 31 December 2005, as previously stated	6,339	-	873,064	879,403
Effect of restatements (note 2.1.4)	(1,014)	-	-	(1,014)
At 31 December 2005, restated	5,325	-	873,064	878,389



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31. RECONCILIATION OF STATUTORY PROFIT AND RETAINED EARNINGS WITH IFRS BALANCES

Group 2006				
RON Thousand	Net profit	Retained earnings	Share capital	Other reserves
Bank - statutory	782,960	2,532,629	792,469	993,757
Subsidiaries - statutory, net of consolidation adjustments	91,326	236,411	-	41,984
Loans allowance	38,658	(287,904)	-	-
Loans - amortized cost	(83,395)	(204,630)	-	-
Financial assets at fair value through profit or loss	(16,414)	32,653	-	-
Property and equipment	(53,535)	36,758	-	(30,097)
Equity investments	-	117,912	-	-
Insurance business	12,326	12,326	-	-
Borrowings - amortized cost	3,743	27,335	-	-
Retirement benefit	(10,537)	(128,083)	-	-
Accruals	(17,667)	(17,018)	-	-
Share capital restatement for hyperinflation	-	(1,327,224)	1,327,224	-
Available-for-sale reserve	-	-	-	19,325
Actuarial gains/losses	-	-	-	11,369
Translation reserve	-	8,721	-	9,663
Deferred tax	20,505	50,014	-	(4,010)
Other	712	(5,992)	-	3,408
Total	768,682	1,083,908	2,119,693	1,045,399
Attributable to:				
Equity holders of the parent	756,306	1,051,614	2,119,693	1,044,423
Minority interest	12,376	32,294	-	976

Bank 2006				
RON Thousand	Net profit	Retained earnings	Share capital	Other reserves
Statutory	782,960	2,532,629	792,469	993,757
Loans – allowance for impairment losses	38,841	(287,721)	-	-
Loans – amortized cost	(96,450)	(217,684)	-	-
Financial assets at fair value through profit or loss	(16,411)	32,656	-	-
Property and equipment	(41,058)	49,235	-	-
Equity investments	-	117,912	-	-
Retirement benefit	(10,490)	(128,036)	-	-
Finance lease liability	1,737	1,737	-	-
Borrowings - amortized cost	3,743	27,335	-	-
Accruals	(17,667)	(17,018)	-	-
Share capital restatement for hyperinflation	-	(1,327,224)	1,327,224	-
Available-for-sale reserve	-	-	-	20,784
Actuarial gains/losses	-	-	-	10,699
Deferred tax	21,822	51,331	-	(5,037)
Other	(158)	254	-	-
Total	666,869	835,406	2,119,693	1,020,203



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32. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which a financial instrument could be exchanged in a current transaction between willing parties, other than forced sale or liquidation. The fair value is best evidenced by a quoted market price, if such exists.

The following methods and assumptions were used to estimate the fair value of the Group's financial instruments.

Financial assets

Loans originated by the Bank and leases are measured at amortized cost using the effective interest rates less any impairment reserve. The interest rate of approximately 95% of these assets is variable based on current market rates, and consequently, the carrying amounts of these assets approximate their fair value.

For deposits with banks, amortized cost is estimated to approximate fair value due to their short-term nature, interest rates reflecting current market conditions and no significant transaction costs. The amortized cost of treasury securities was not materially different from their quoted prices.

The remeasured cost net of any reserve for impairment of investments that are not listed at a stock exchange is estimated to approximate their fair value.

Due to the fact that for most of the loans and leases the Group applies variable interest rates, the amortized cost of loans is estimated to approximate their fair value.

Financial liabilities

The amortized cost of customer deposits and borrowings is considered to approximate their respective fair values, since these items have predominantly short re-pricing terms, carry interest rates reflecting current market conditions and are settled without significant transaction costs.



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33. ADDITIONAL CASH FLOW INFORMATION

Cash and cash equivalents

RON Thousand	Group		Bank	
	2006	2005	2006	2005
Cash on hand (Note 15)	898,494	720,286	895,065	716,654
Current account with the central banks (Note 15)	12,645,796	6,354,302	12,538,154	6,266,548
Due from banks	3,880,920	3,502,583	3,757,189	3,506,607
Securities	64,737	3,167,200	51,855	3,109,364
	17,489,947	13,744,371	17,242,263	13,599,173

Change in operating assets

RON Thousand	Group		Bank	
	2006	2005	2006	2005
Net change in balances with central banks	-	79,673	-	11,856
Net change in due from banks	(250,511)	(306,096)	(39,376)	14,837
Net change in reverse repurchase agreements	(2,464)	-	(2,464)	-
Net change in financial assets designated at fair value through profit or loss	234,505	1,826,138	231,043	1,424,185
Net change in loans and advances to customers	(9,574,216)	(5,850,508)	(8,740,594)	(5,471,351)
Net change in other assets	(161,325)	(39,791)	(31,684)	(13,297)
	(9,754,011)	(4,290,584)	(8,583,075)	(4,033,770)

Change in operating liabilities

RON Thousand	Group		Bank	
	2006	2005	2006	2005
Net change in deposits with banks	1,786,683	(151,308)	676,581	(303,376)
Net change in repurchase agreements	120,839	181,000	120,839	181,000
Net change in due to customers	4,896,739	4,323,419	4,900,376	4,372,643
Net change in other liabilities	323,601	56,549	188,626	(65,631)
	7,127,862	4,409,660	5,886,422	4,184,636

Non-cash items included in profit before tax

RON Thousand	Group		Bank	
	2006	2005	2006	2005
Depreciation of property and equipment	129,832	104,449	123,227	101,462
Amortization of intangible assets	32,671	26,952	31,093	25,310
Provisions	328,417	280,770	320,617	224,319
Impairment losses on buildings	31,649	-	31,649	-
Provision for litigations	497	1,167	497	1,167
Employees participation to profit and bonuses	34,100	74,293	34,100	71,987
Fair value adjustment for available-for-sale investments	15,380	18,884	15,520	11,344
Retirement benefit provision	56,427	-	56,376	-
Dividend income	(6,962)	(3,584)	(42,114)	(24,811)
Other non-monetary adjustments	(186,530)	(37,638)	(152,640)	(7,270)
	435,481	465,293	418,325	403,508



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34. MATURITY ANALYSIS OF ASSETS AND LIABILITIES

GROUP 2006

RON Thousand	Less than 3 days	Less than 3 months	3 to 12 months	less than 12 months	1 to 5 years	Over 5 years	Over 12 months	Total
Assets								
Cash and balances with central banks	13,544,290	-	-	13,544,290	-	-	-	13,544,290
Due from banks	62,702	3,863,066	391,800	4,317,568	191,479	74	191,553	4,509,121
Reverse repurchase agreements	-	-	-	-	2,464	-	2,464	2,464
Financial assets designated at fair value through profit or loss	-	-	92,417	92,417	177,594	242,027	419,621	512,038
Loans and advances to customers	2,356	2,851,268	5,986,853	8,840,477	9,163,666	7,414,163	16,577,829	25,418,306
Financial investments – available-for-sale	803	63,934	69,268	134,005	535,467	175,330	710,797	844,802
Financial investments – held-to-maturity	-	3,755	8,315	12,070	3,074	32	3,106	15,176
Investment of insurance companies	-	15,155	12,493	27,648	53,591	84,240	137,831	165,479
Property and equipment	-	-	-	-	-	1,666,802	1,666,802	1,666,802
Intangible assets	-	-	-	-	-	178,384	178,384	178,384
Deferred tax assets	-	-	-	-	-	51,560	51,560	51,560
Other assets	527,328	-	-	527,328	-	-	-	527,328
Total assets	14,137,479	6,797,178	6,561,146	27,495,803	10,127,335	9,812,612	19,939,947	47,435,750
Liabilities								
Due to banks	42,697	3,983,084	3,008,696	7,034,477	5,615,978	252,238	5,868,216	12,902,693
Repurchase agreements	-	151,932	-	151,932	149,907	-	149,907	301,839
Due to customers	6,654,876	15,504,477	1,822,517	23,981,870	581,923	27,379	609,302	24,591,172
Debt issued and other borrowed funds	-	1,628,819	661,453	2,290,272	1,917,019	-	1,917,019	4,207,291
Current tax liabilities	-	8,462	-	8,462	-	-	-	8,462
Deferred tax liabilities	-	-	-	-	-	5,053	5,053	5,053
Other liabilities	762,676	-	3,321	765,997	-	-	-	765,997
Provisions	202,198	79,338	108,617	390,153	13,766	324	14,090	404,243
Total liabilities	7,662,447	21,356,112	5,604,604	34,623,163	8,278,593	284,994	8,563,587	43,186,750
Net	6,475,032	(14,558,934)	956,542	(7,127,360)	1,848,742	9,527,618	11,376,360	4,249,000



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34. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

Group 2005

RON Thousand	Less than 3 days	Less than 3 months	3 to 12 months	Less than 12 months	1 to 5 years	Over 5 years	Over 12 months	Total
Assets								
Cash and balances with central banks	7,074,588	-	-	7,074,588	-	-	-	7,074,588
Due from banks	572,027	2,947,112	309,682	3,828,821	48,991	-	48,991	3,877,812
Financial assets designated at fair value through profit or loss	-	7,963	168,405	176,368	310,599	274,955	585,554	761,922
Loans and advances to customers	240	2,147,743	5,010,099	7,158,082	5,077,259	3,934,511	9,011,770	16,169,852
Financial investments – available-for-sale	-	3,057,366	56,003	3,113,369	602,611	121,753	724,364	3,837,733
Financial investments – held-to-maturity	-	10,874	24,251	35,125	14,609	-	14,609	49,734
Investments of insurance companies	-	26,688	62,916	89,604	12,031	5,050	17,081	106,685
Property and equipment	-	537	-	537	-	1,724,843	1,724,843	1,725,380
Intangible assets	-	-	-	-	-	179,789	179,789	179,789
Deferred tax assets	-	2,774	-	2,774	9,814	25,815	35,629	38,403
Other assets	378,141	-	27,500	405,641	1,662	439	2,101	407,742
Total assets	8,024,996	8,201,057	5,658,856	21,884,909	6,077,576	6,267,155	12,344,731	34,229,640
Liabilities								
Due to banks	31,708	1,121,843	1,051,453	2,205,004	3,029,049	332,847	3,361,896	5,566,900
Repurchase agreements	-	94,584	17,496	112,080	181,447	-	181,447	293,527
Due to customers	5,204,799	11,387,223	2,222,642	18,814,664	559,900	18,152	578,052	19,392,716
Debt issued and other borrowed funds	-	1,611,796	901,696	2,513,492	1,811,672	-	1,811,672	4,325,164
Current tax liabilities	3,442	-	-	3,442	-	-	-	3,442
Deferred tax liabilities	-	2,745	-	2,745	-	2,759	2,759	5,504
Other liabilities	493,071	-	-	493,071	-	4,632	4,632	497,703
Provisions	106,000	176,960	-	282,960	-	-	-	282,960
Total liabilities	5,839,020	14,395,151	4,193,287	24,427,458	5,582,068	358,390	5,940,458	30,367,916
Net	2,185,976	(6,194,094)	1,465,569	(2,542,549)	495,508	5,908,765	6,404,273	3,861,724



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34. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

Bank 2006

RON Thousand	Less than 3 days	Less than 3 months	3 to 12 months	Less than 12 months	1 to 5 years	Over 5 years	Over 12 months	Total
Assets								
Cash and balances with central banks	13,433,219	-	-	13,433,219	-	-	-	13,433,219
Due from banks	39,563	3,753,133	28,010	3,820,706	20,000	26,201	46,201	3,866,907
Repurchase agreements	-	-	-	-	2,464	-	2,464	2,464
Financial assets designated at fair value through profit or loss	-	1,291	92,353	93,644	177,594	241,958	419,552	513,196
Loans and advances to customers	292	2,878,762	5,498,534	8,377,588	8,339,191	7,082,398	15,421,589	23,799,177
Financial investments – available-for-sale	-	52,867	42,091	94,958	465,073	536,747	1,001,820	1,096,778
Financial investments – held-to-maturity	-	3,754	8,315	12,069	3,074	-	3,074	15,143
Property and equipment	-	-	-	-	-	1,551,751	1,551,751	1,551,751
Intangible assets	-	-	-	-	-	175,692	175,692	175,692
Deferred tax assets	-	-	-	-	-	46,293	46,293	46,293
Other assets	354,069	-	-	354,069	-	-	-	354,069
Total assets	13,827,143	6,689,807	5,669,303	26,186,253	9,007,396	9,661,040	18,668,436	44,854,689
Liabilities								
Due to banks	31,708	3,742,724	2,651,940	6,426,372	4,401,657	208,252	4,609,909	11,036,281
Repurchase agreements	-	151,932	-	151,932	149,907	-	149,907	301,839
Due to customers	6,495,322	15,539,706	1,838,491	23,873,519	574,042	29,504	603,546	24,477,065
Debt issued and other borrowed funds	-	1,626,643	661,454	2,288,097	1,962,837	-	1,962,837	4,250,934
Other liabilities	651,273	-	-	651,273	-	-	-	651,273
Provisions	161,995	-	-	161,995	-	-	-	161,995
Total liabilities	7,340,298	21,061,005	5,151,885	33,553,188	7,088,443	237,756	7,326,199	40,879,387
Net	6,486,845	(14,371,198)	517,418	(7,366,935)	1,918,953	9,423,284	11,342,237	3,975,302



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Bank and Consolidated
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34. MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)

Bank 2005

RON Thousand	Less than 3 days	Less than 3 months	3 to 12 months	less than 12 months	1 to 5 years	Over 5 years	over 12 months	Total
Assets								
Cash and balances with central banks	6,983,202	-	-	6,983,202	-	-	-	6,983,202
Due from banks	572,027	2,939,794	42,284	3,554,105	-	29,845	29,845	3,583,950
Financial assets designated at fair value through profit or loss	-	7,154	178,253	185,407	311,891	262,461	574,352	759,759
Loans and advances to customers	240	2,032,447	4,664,498	6,697,185	4,754,223	3,927,792	8,682,015	15,379,200
Financial investments – available-for-sale	-	3,109,361	-	3,109,361	494,411	452,559	946,970	4,056,331
Financial investments – held-to-maturity	-	10,833	24,250	35,083	14,609	-	14,609	49,692
Property and equipment	-	-	-	-	-	1,603,366	1,603,366	1,603,366
Intangible assets	-	-	-	-	-	177,213	177,213	177,213
Deferred tax assets	-	-	-	-	-	28,494	28,494	28,494
Other assets	308,936	-	-	308,936	-	-	-	308,936
Total assets	7,864,405	8,099,589	4,909,285	20,873,279	5,575,134	6,481,730	12,056,864	32,930,143
Liabilities								
Due to banks	189,285	41,462	1,110,075	1,340,822	3,166,770	302,997	3,469,767	4,810,589
Repurchase agreements	-	94,584	17,496	112,080	181,447	-	181,447	293,527
Due to customers	5,092,291	11,364,882	2,258,471	18,715,644	542,362	17,024	559,386	19,275,030
Debt issued and other borrowed funds	-	1,611,886	901,696	2,513,582	1,831,635	-	1,831,635	4,345,217
Current tax liabilities	3,224	-	-	3,224	-	-	-	3,224
Other liabilities	436,597	-	-	436,597	-	-	-	436,597
Provisions	118,713	-	-	118,713	-	-	-	118,713
Total liabilities	5,840,110	13,112,814	4,287,738	23,240,662	5,722,214	320,021	6,042,235	29,282,897
Net	2,024,295	(5,013,225)	621,547	(2,367,383)	(147,080)	6,161,709	6,014,629	3,647,246



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35. INTEREST RATE SENSITIVITY

The tables below provide information on the extent of the Group's and the Bank's interest rate exposure based either on the contractual maturity date of its financial instruments or, in the case of instruments that re-price to a market interest rate before maturity, being the next re-pricing date. It is the policy of Group's directors to manage Bank exposure to fluctuations in net interest income arising from changes in interest rates by the degree of re-pricing mismatch in the balance sheet.

Group 2006							
RON Thousand	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Not sensitive	Total
Assets							
Cash and balances with central banks	13,544,290	-	-	-	-	-	13,544,290
Due from banks	3,730,980	214,868	373,935	17,859	171,479	-	4,509,121
Reverse repurchase agreements	-	-	-	-	2,464	-	2,464
Financial assets designated at fair value through profit or loss	-	1,235	40,241	-	410,319	60,243	512,038
Loans and advances to customers	23,615,508	14,409	548,510	39,670	1,200,209	-	25,418,306
Financial investments – available-for- sale	53,669	35,757	80,237	1,949	551,825	121,365	844,802
Financial investments – held-to-maturity	-	3,756	6,420	1,894	3,106	-	15,176
Investments of insurance business	-	-	-	-	-	165,479	165,479
Property and equipment	-	-	-	-	-	1,666,802	1,666,802
Intangible assets	-	-	-	-	-	178,384	178,384
Deferred tax assets	-	-	-	-	-	51,560	51,560
Other assets	271,558	-	-	-	-	255,770	527,328
Total assets	41,216,005	270,025	1,049,343	61,372	2,339,402	2,499,603	47,435,750
Liabilities							
Due to banks	3,729,914	2,139,873	2,406,805	101,182	4,524,919	-	12,902,693
Repurchase agreements	-	151,932	-	-	149,907	-	301,839
Due to customers	18,201,791	4,022,026	882,413	897,215	587,727	-	24,591,172
Debt issued and other borrowed funds	1,731,033	379,874	86,885	86,774	1,922,725	-	4,207,291
Current tax liabilities	-	-	-	-	-	8,462	8,462
Deferred tax liabilities	-	-	-	-	-	5,053	5,053
Other liabilities	247,077	-	-	-	-	518,920	765,997
Provisions	-	-	-	-	-	404,243	404,243
Total liabilities	23,909,815	6,693,705	3,376,103	1,085,171	7,185,278	936,678	43,186,750
Net	17,306,190	(6,423,680)	(2,326,760)	(1,023,799)	(4,845,876)	1,562,925	4,249,000



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35. INTEREST RATE SENSITIVITY (continued)

Bank 2006

RON Thousand	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Not sensitive	Total
Assets							
Cash and balances with central banks	13,433,219	-	-	-	-	-	13,433,219
Due from banks	3,716,677	122,226	10,145	17,859	-	-	3,866,907
Reverse repurchase agreements	-	-	-	-	2,464	-	2,464
Financial assets designated at fair value through profit or loss	-	2,526	40,177	-	410,250	60,243	513,196
Loans and advances to customers	23,613,444	41,904	60,190	39,670	43,969	-	23,799,177
Financial investments – available-for- sale	52,867	24,689	53,060	1,949	481,431	482,782	1,096,778
Financial investments – held-to-maturity	-	3,754	6,421	1,894	3,074	-	15,143
Property and equipment	-	-	-	-	-	1,551,751	1,551,751
Intangible assets	-	-	-	-	-	175,692	175,692
Deferred tax assets	-	-	-	-	-	46,293	46,293
Other assets	254,057	-	-	-	-	100,012	354,069
Total assets	41,070,264	195,099	169,993	61,372	941,188	2,416,773	44,854,689
Liabilities							
Due to banks	3,718,925	1,899,513	2,050,049	101,182	3,266,612	-	11,036,281
Repurchase agreements	-	151,932	-	-	149,907	-	301,839
Due to customers	18,042,237	4,057,255	898,387	897,215	581,971	-	24,477,065
Debt issued and other borrowed funds	1,731,033	377,698	86,886	86,774	1,968,543	-	4,250,934
Other liabilities	231,449	-	-	-	-	419,824	651,273
Provisions	-	-	-	-	-	161,995	161,995
Total liabilities	23,723,644	6,486,398	3,035,322	1,085,171	5,967,033	581,819	40,879,387
Net	17,346,620	(6,291,299)	(2,865,329)	(1,023,799)	(5,025,845)	1,834,954	3,975,302

The Group has not presented a detailed interest rate sensitivity analysis for the year ended 31 December 2005 as it was impracticable to prepare. The related weight of interest rate sensitivity for the previous year was similar to the one presented above, for the current year.

36. CONTINGENT LIABILITIES AND COMMITMENTS

RON Thousand	Group		Bank	
	2006	2005	2006	2005
Guarantees	4,157,996	3,683,810	4,044,758	3,594,947
Undrawn credit and loan commitments	5,066,730	3,371,416	4,924,677	3,297,910
	9,224,726	7,055,226	8,969,435	6,892,857

Contingent liabilities

The Bank issues letters of credit, guarantees (including standby letters of credit) and commits to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods.

Undrawn loan commitments

Undrawn loan commitments represent contractual commitments to grant loans and revolving credits. Commitments generally have fixed expiry dates, or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

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36. CONTINGENT LIABILITIES AND COMMITMENTS (continued)

However, the potential credit loss is less than the total unused commitments since most commitments to extend credit are contingent until the customers maintain specific standards. The Bank monitors the maturity of credit commitments as longer-term commitments generally have a greater degree of credit risk than shorter-term commitments.

Legal claims

Litigation is a common occurrence in the banking industry due to the nature of the business. The Bank has an established protocol for dealing with such legal claims. Once professional advice has been obtained and the amount of damages reasonably estimated, the Bank makes adjustments to account for any adverse effects which the claims may have on its financial standing. The Bank has several unresolved legal claims for which the provisions were made in accordance with IAS 37 requirements in amount of RON thousand 1,637 as at 31 December 2006 (31 December 2005: RON thousand 1,167) for the Bank, and in amount of RON thousand 2,469 (31 December 2005: RON thousand 1,167) for the Group (Note 28).

37. RELATED PARTY DISCLOSURES

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

The nature of the related party relationships for those related parties with whom the Group entered into significant transactions or had significant balances outstanding at 31 December 2006 are detailed below. Transactions were entered into with related parties during the course of business at market rates.

The following transactions were carried out with its shareholders, Erste Bank der oesterreichischen Sparkassen AG, SIF Banat-Crisana SA, SIF Moldova SA, SIF Muntenia SA, SIF Oltenia SA, SIF Transilvania SA, at market rates.

RON Thousand	Group		Bank	
	2006	2005	2006	2005
Asset				
Due from banks	44,718	-	44,718	-
Investments securities available-for-sale	55,721	19,217	55,721	19,217
Total	100,439	19,217	100,439	19,217
Liabilities				
Deposits from customers	99,927	104,461	99,927	104,461
Loans from banks and other financial institutions	6,159,032	746,335	5,247,825	704,760
Other liabilities	28,595	-	26,870	-
Total	6,287,554	850,796	5,374,622	809,221
Income				
Interest and dividend income	234	155	234	155
Commission income	86	1,298	86	1,298
Other operating income	160	-	160	-
Total income	480	1,453	480	1,453
Expense				
Interest expense	95,940	31,175	81,814	30,938
Commission expense	-	4,589	-	4,589
Total expense	95,940	35,764	81,814	35,527



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37. RELATED PARTY DISCLOSURES (continued)

Transactions with fellow subsidiaries members of Erste Bank Group Austria:

RON Thousand	Group 2006	Bank 2006
Asset		
Due from banks	126	126
Total	126	126
Liabilities		
Loans from banks and other financial institutions	13,121	13,121
Other liabilities	525	525
Total	13,646	13,646
Expense		
Interest expense	974	974
Other operating expenses	786	786
Total expense	1,760	1,760

Transactions with management

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

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. This includes the members of the Supervisory Board, Executive Committee and Asset/Liability Management Committee of the Bank.

These transactions were carried out on commercial terms and conditions and at market rates. The following transactions were carried out with the management:

RON Thousand	Group		Bank	
	2006	2005	2006	2005
Asset				
Loans and advances to customers	598	2,720	598	2,720
Total	598	2,720	598	2,720
Liabilities				
Deposits from customers	20,042	16,807	20,042	16,807
Other liabilities	-	-	-	-
Total	20,042	16,807	20,042	16,807
Interest and commission income	64	194	64	194
Interest and other expenses	777	1,032	777	1,032

The expenses related to salaries and remunerations of key management are presented as follows:

RON Thousand	Group		Bank	
	2006	2005	2006	2005
Supervisory board	1,141	992	1,141	992
Executive committee	7,751	10,367	7,751	10,367
Asset / Liability Management Committee	1,805	1,708	1,805	1,708
	10,697	13,067	10,697	13,067



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37. RELATED PARTY DISCLOSURES (continued)

Transactions with subsidiaries

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

RON Thousand	Bank	
	2006	2005
Asset		
Due from banks	167,527	221,976
Loans and advances to customers	216,374	442,719
Investments securities available for sale	1,267	1,292
Other assets	3,159	5
Total	388,327	665,992
Liabilities		
Deposits from banks	2,474	60,773
Deposits from customers	213,125	139,223
Debt issued and other borrowed funds	45,817	22,120
Other liabilities and provisions	21,918	32,409
Total	283,334	254,525
Income		
Interest income	30,370	38,096
Commission income	2,710	3,774
Other income	6	52,750
Total income	33,086	94,620
Expense		
Interest expense	8,175	13,739
Commission expense	230	6,977
Other expenses	23,943	27,651
Total expense	32,348	48,367



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38. CURRENCY RISK

GROUP 2006

RON Thousand	RON	EUR	USD	Other	Total
Assets					
Cash and balances with central banks	5,822,867	6,304,442	1,402,299	14,682	13,544,290
Due from banks	2,360,277	732,448	1,266,466	149,930	4,509,121
Reverse repurchase agreements	2,464	-	-	-	2,464
Financial assets designated at fair value through profit or loss	101,788	410,250	-	-	512,038
Loans and advances to customers	13,951,781	10,057,547	1,360,988	47,990	25,418,306
Financial investments - available-for-sale	720,921	102,386	17,310	4,185	844,802
Financial investments - held-to-maturity	-	-	15,176	-	15,176
Investments of insurance companies	164,223	1,256	-	-	165,479
Property and equipment	1,665,280	876	-	646	1,666,802
Intangible assets	176,886	623	-	875	178,384
Deferred tax assets	47,310	4,250	-	-	51,560
Other assets	417,283	72,805	34,389	2,851	527,328
Total assets	25,431,080	17,686,883	4,096,628	221,159	47,435,750
Liabilities					
Due to banks	899,221	10,344,380	1,640,024	19,068	12,902,693
Repurchase agreements	925	151,006	149,908	-	301,839
Due to customers	17,523,997	4,966,288	1,930,495	170,392	24,591,172
Debt issued and other borrowed funds	1,727,997	2,370,271	109,023	-	4,207,291
Current tax liabilities	8,462	-	-	-	8,462
Deferred tax liabilities	5,053	-	-	-	5,053
Other liabilities	619,341	78,863	64,511	3,282	765,997
Provisions	400,940	26	-	3,277	404,243
Total liabilities	21,185,936	17,910,834	3,893,961	196,019	43,186,750
Net	4,245,144	(223,951)	202,667	25,140	4,249,000

Group 2005

RON Thousand	RON	EUR	USD	Other	Total
Assets					
Cash and balances with central banks	3,168,790	2,646,197	1,242,073	17,528	7,074,588
Due from banks	1,526,931	255,439	1,947,618	147,824	3,877,812
Financial assets designated at fair value through profit or loss	143,307	472,723	145,892	-	761,922
Loans and advances to customers	5,133,286	5,076,048	1,217,633	4,742,885	16,169,852
Financial investments - available-for-sale	3,689,501	135,254	10,341	2,637	3,837,733
Financial investments - held-to-maturity	42	-	49,692	-	49,734
Investments of insurance companies	99,105	4,605	2,975	-	106,685
Property and equipment	1,722,965	2,008	-	407	1,725,380
Intangible assets	179,131	629	-	29	179,789
Deferred tax assets	28,589	9,814	-	-	38,403
Other assets	244,429	118,799	39,213	5,301	407,742
Total assets	15,936,076	8,721,516	4,655,437	4,916,611	34,229,640
Liabilities					
Due to banks	147,567	3,043,193	2,365,410	10,730	5,566,900
Repurchase agreements	111,624	-	181,903	-	293,527
Due to customers	9,564,909	3,285,662	1,621,742	4,920,403	19,392,716
Debt issued and other borrowed funds	1,990,519	2,197,423	137,222	-	4,325,164
Current tax liabilities	3,442	-	-	-	3,442
Deferred tax liabilities	2,745	2,743	-	16	5,504
Other liabilities	346,976	68,912	76,076	5,739	497,703
Provisions	282,960	-	-	-	282,960
Total liabilities	12,450,742	8,597,933	4,382,353	4,936,888	30,367,916
Net	3,485,334	123,583	273,084	(20,277)	3,861,724



BCR

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38. CURRENCY RISK (continued)

Bank 2006

RON Thousand	RON	EUR	USD	Other	Total
Assets					
Cash and balances with central banks	5,784,585	6,238,001	1,400,178	10,455	13,433,219
Due from banks	2,363,259	734,319	630,499	138,830	3,866,907
Reverse repurchase agreements	2,464	-	-	-	2,464
Financial assets designated at fair value through profit or loss	102,946	410,250	-	-	513,196
Loans and advances to customers	13,793,843	8,801,481	1,202,153	1,700	23,799,177
Financial investments - available-for-sale	830,261	240,984	25,533	-	1,096,778
Financial investments - held-to-maturity	-	-	15,143	-	15,143
Property and equipment	1,551,751	-	-	-	1,551,751
Intangible assets	175,692	-	-	-	175,692
Deferred tax assets	46,293	-	-	-	46,293
Other assets	305,821	24,268	23,551	429	354,069
Total assets	24,956,915	16,449,303	3,297,057	151,414	44,854,689
Liabilities					
Due to banks	868,128	9,047,151	1,119,072	1,930	11,036,281
Repurchase agreements	925	151,006	149,908	-	301,839
Due to customers	17,578,933	4,860,031	1,890,951	147,150	24,477,065
Debt issued and other borrowed funds	1,737,823	2,404,088	109,023	-	4,250,934
Other liabilities	484,030	111,885	53,020	2,338	651,273
Provisions	161,969	26	-	-	161,995
Total liabilities	20,831,808	16,574,187	3,321,974	151,418	40,879,387
Net	4,125,107	(124,884)	(24,917)	(4)	3,975,302

Bank 2005

RON Thousand	RON	EUR	USD	Other	Total
Assets					
Cash and balances with central banks	3,163,527	2,570,549	1,238,212	10,914	6,983,202
Due from banks	1,488,060	240,325	1,714,511	141,054	3,583,950
Financial assets designated at fair value through profit or loss	141,143	472,723	145,893	-	759,759
Loans and advances to customers	5,451,993	4,230,901	971,577	4,724,729	15,379,200
Financial investments - available-for-sale	3,816,346	202,062	37,923	-	4,056,331
Financial investments - held-to-maturity	-	-	49,692	-	49,692
Property and equipment	1,603,366	-	-	-	1,603,366
Intangible assets	177,213	-	-	-	177,213
Deferred tax assets	28,494	-	-	-	28,494
Other assets	197,887	76,995	33,979	75	308,936
Total assets	16,068,029	7,793,555	4,191,787	4,876,772	32,930,143
Liabilities					
Due to banks	126,923	2,437,616	2,240,613	5,437	4,810,589
Repurchase agreements	111,624	-	181,903	-	293,527
Due to customers	9,616,027	3,174,277	1,573,612	4,911,114	19,275,030
Debt issued and other borrowed funds	1,988,452	2,219,543	137,222	-	4,345,217
Current tax liabilities	3,224	-	-	-	3,224
Other liabilities	278,910	81,233	74,404	2,050	436,597
Provisions	118,713	-	-	-	118,713
Total liabilities	12,243,873	7,912,669	4,207,754	4,918,601	29,282,897
Net	3,824,156	(119,114)	(15,967)	(41,829)	3,647,246



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39. RISK MANAGEMENT

Currency risk

Currency risk results from adverse movements in the rates of exchange between currencies arising as a result of the existence of a net currency position in one or more currencies. Losses may arise from the trading book positions and from asset/liability management.

The Group manages its exposure to movements in exchange rates by modifying its assets and liabilities mix.

The aggregated structure of assets and liabilities denominated in RON and foreign currencies is included in Note 38.

Interest rate risk

The interest rate risk refers to the fluctuation in the value of financial instruments due to changes in market interest rates. This risk can have a significant adverse effect on highly leveraged businesses.

The Group manages its interest rate position by setting short term variable interest rates on its borrowing and lending. Average rates applicable to the major components of the balance sheet have been disclosed within the notes relating to these components.

Market risk

Market risk is the risk of loss arising from adverse movements in equity shares and other securities prices.

In order to manage market risk, the National Bank of Romania and the Group have established limits on trading. The Group has also established monitoring and review procedures at both individual business and Group level.

Credit risk

The credit risk is associated to all facilities and loans granted by the Group, being the risk that a party to a financial transaction will be unable to fulfill its obligations thus causing financial losses to the other party.

The Group minimizes its credit risks through careful and continuous assessment of the borrowers, establishment of exposure and authority limits by groups of debtors. The relevant analyses are included in the appropriate notes.

Liquidity risk

The liquidity risk is associated either to the difficulty of an enterprise to raise necessary funds in order to meet commitments or to its inability to sell a financial asset quickly at close to its fair value.

The Group mitigates the liquidity risk through resources and placements monitoring. The GAP analysis of the Group's assets and liabilities based on their maturity structure is presented in Note 35.

Cash flow risk

The cash flow risk arises primarily from the liquidity risk and secondly from the interest rate risk and market risk. As discussed in the paragraphs above, the Group is adequately planning and monitoring its cash flows and their influence factors.



39. RISK MANAGEMENT (continued)

Insurance risk

The risk under an insurance contract is the risk that an insured event will occur including the uncertainty of the amount and timing of any resulting claim. The principal risk the Group faces under such contracts is that the actual claims and benefit payments exceed the carrying amount of insurance liabilities. This is influenced by the frequency of claims, severity of claims, actual benefits paid are greater than originally estimated and subsequent development of long term claims.

The variability of risks is improved by diversification of risk of loss to a large portfolio of insurance contracts as a more diversified portfolio is less likely to be affected across the board by a change in any subset of the portfolio, as well as unexpected outcomes. The variability of risks is also improved by careful selection and implementation of the underwriting strategy and guidelines as well as the use of reinsurance arrangements.

The majority of reinsurance business ceded is placed on a quota share basis with retention limits varying by product line. Amounts recoverable from reinsurers are estimated in a manner consistent with the assumptions used for ascertaining the underlying policy benefits and are presented in the balance sheet as reinsurance assets.

Although the Group has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to reinsurance ceded, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements.

The Group's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations of the Group substantially dependent upon any single reinsurance contract. There is no single counterparty exposure that exceeds 5% of total reinsurance assets at the balance sheet date.

The business of the Group comprises both life and general insurance contracts.

(1) Life insurance contracts

The Group principally writes life insurance contracts (where the life of the policyholder is insured against death or permanent disability, usually for a predetermined amount) and health insurance contracts. The Group has just started these products and they have not had a material impact on the current year's financial statements.

The Group's underwriting strategy is designed to ensure that risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through, the use of medical screening in order to ensure that pricing takes account of current health conditions and family medical history, a regular review of actual claims experience and product pricing. Underwriting limits are in place to enforce appropriate risk selection criteria. For example, the Group has the right not to renew individual policies, it can impose deductibles and it has the right to reject the payment of fraudulent claims.

(2) General insurance contracts

The Group principally issues the following types of general insurance contracts: motor (MTPL and Casco); household, property and commercial; and business interruption.

The risk from these contracts is mitigated through the diversification of the risk of loss to a large portfolio of insurance contracts and geographical areas. The Group also has limited its exposure by imposing maximum claim levels equal to the insured amounts.

40. CAPITAL

The primary objectives of the Bank's capital management are to ensure that the Bank complies with the capital requirements and that the Bank maintains strong credit ratings and healthy capital ratios in order to support its business and to maximize shareholders' value.

The Bank manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its activities. In order to maintain or adjust the capital structure, the Bank may adjust the amount of dividend payment to shareholders, return capital to shareholders or issue capital securities. No changes were made in the objectives, policies and processes from the previous years.



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40. CAPITAL (continued)

Capital adequacy

The Bank calculates capital adequacy based upon the regulations issued by the National Bank of Romania ("NBR"). These ratios measure capital adequacy by comparing the Bank's eligible capital with its balance sheet assets and off-balance-sheet commitments at weighted amount to reflect their relative risk. The regulations require that capital adequacy ratios be calculated on financial information prepared in accordance with Romanian Accounting Regulations ("RAR"). To be in compliance with the NBR regulations applicable as at 31 December 2006, a credit institution must have a capital adequacy ratio of at least 12%. As of 31 December 2006, the capital adequacy ratio based upon the NBR's regulations is 12.21% (31 December 2005: 15.40%).

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

General information

Based upon financial information prepared in accordance with IFRS the Tier 1 and the Tier 1 plus Tier 2 capital adequacy ratios at 31 December 2006 were:

- 11.15% and 12.40%, respectively (31 December 2005: 14.04% and 15.29%, respectively) for the Bank
- 11.06% and 12.31%, respectively (31 December 2005: 15.46% and 16.71%, 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%, and 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.

RON Thousand	Group		Bank	
	2006	2005	2006	2005
Tier 1 capital	3,588,712	3,361,927	3,337,783	2,877,102
Tier 2 capital	3,994,303	3,633,695	3,711,934	3,133,273
Risk weighted assets	32,437,913	21,741,444	29,934,513	20,493,631
BIS Capital ratios				
Tier 1 capital	11.06%	15.46%	11.15%	14.04%
Tier 1+ Tier 2 capital	12.31%	16.71%	12.40%	15.29%

41. SUBSEQUENT EVENTS

In January 2007, the Bank acquired a number of 58,000 shares of BCR Asigurari de Viata SA in amount of RON thousand 703,800 from shareholders, companies and individuals, and as a result, the Bank's investment in this subsidiary increased from 65.55% to 68.33%.