

National Bank of Romania

Financial Statements
31 December 2000

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Independent Auditors' Report

To the Board of Directors
of National Bank of Romania

We have audited the accompanying balance sheet of National Bank of Romania (the "Bank") as of 31 December 2000, and the related statements of income, cash flows, and changes in equity for the year then ended. These financial statements are the responsibility of the Bank's management. 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 as promulgated by the International Federation of Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Bank as of 31 December 2000, and the results of its operations, cash flows and changes in equity for the year then ended in accordance with International Accounting Standards as promulgated by the International Accounting Standards Board.

Without qualifying our opinion, we draw attention that the income statement for the year ended 1999 has not been audited and no comparatives are available relating to 1999 balances in the cash flow statement.

KPMG Audit SRL
Bucharest, Romania
18 October 2001

Income statement

for the year ended 31 December 2000

(Expressed in terms of the purchasing power of ROL as at 31 December 2000)

	<i>Notes</i>	2000 ROL billion	1999 ROL billion (unaudited)
Interest and similar income	4	15,247	18,060
Interest expense and similar charges	5	(12,614)	(12,668)
Net interest income		2,633	5,392
Net fees and commissions		1,010	1,085
Net foreign exchange gains	6	10,901	1,621
Other operating income		197	319
Operating expenses	7	(1,859)	(1,880)
Charge for doubtful and bad debts	16	(738)	(3,026)
Other provisions		(80)	-
Operating profit before hyperinflation adjustment		12,064	3,511
Hyperinflation adjustment, loss on net monetary position		(361)	(708)
Profit before taxation		11,703	2,803
Taxation	8	(9,926)	(2,970)
Profit/(loss) for the year		1,777	(167)

The notes on pages 6 to 29 form part of the financial statements.

The financial statements were approved by the Board of Directors on 18 October 2001 and were signed on its behalf by:

Mr. Mugur Isarescu
(Governor)

Balance sheet

at 31 December 2000

(Expressed in terms of the purchasing power of ROL as at 31 December 2000)

	<i>Notes</i>	2000 ROL billion	1999 ROL billion
Foreign assets			
Gold and other precious metals	<i>9</i>	24,182	25,156
Cash and amounts due from banks	<i>10</i>	5,318	1,686
Placements with banks	<i>11</i>	7,991	5,074
Securities	<i>12</i>	51,608	32,458
International Monetary Fund	<i>13</i>	34,809	36,599
Quota in other international financial institutions		1,688	1,634
Other assets	<i>14</i>	546	1,663
		<hr/>	<hr/>
Total foreign assets		126,142	104,270
Domestic assets			
Securities	<i>15</i>	16,176	30,126
Loans to banks and other financial institutions	<i>16</i>	6,349	4,316
Property and equipment	<i>17</i>	2,405	2,485
Other assets	<i>18</i>	3,892	4,343
		<hr/>	<hr/>
Total domestic assets		28,822	41,270
		<hr/>	<hr/>
Total assets		154,964	145,540
		<hr/> <hr/>	<hr/> <hr/>

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Mr. Mugur Isarescu
 (Governor)

Balance sheet (*continued*)

at 31 December 2000

(Expressed in terms of the purchasing power of ROL as at 31 December 2000)

	<i>Notes</i>	2000 ROL billion	1999 ROL billion
Foreign liabilities			
Due to banks and other financial institutions	<i>19</i>	3,031	2,825
Due to Government	<i>20</i>	1,688	1,634
International Monetary Fund	<i>21</i>	49,089	50,796
Other borrowings	<i>22</i>	6,422	11,785
Other liabilities		796	1,037
		<hr/>	<hr/>
Total foreign liabilities		61,026	68,077
Currency in circulation	<i>23</i>	28,088	26,261
Domestic liabilities			
Due to banks and other financial institutions	<i>24</i>	48,944	43,582
Due to State Treasury	<i>25</i>	2,992	4,005
Other borrowings		-	441
Deferred tax liability	<i>26</i>	9,291	364
Other liabilities	<i>27</i>	659	623
		<hr/>	<hr/>
Total domestic liabilities		61,886	49,015
		<hr/>	<hr/>
Total liabilities		151,000	143,353
		<hr/>	<hr/>
Shareholders' equity			
Issued share capital		172	146
Reserves		3,792	2,041
		<hr/>	<hr/>
Total shareholders' equity		3,964	2,187
		<hr/>	<hr/>
Total liabilities and shareholders' equity		154,964	145,540
		<hr/> <hr/>	<hr/> <hr/>

The notes set out on pages 6 to 29 form part of the financial statements.

The financial statements were approved by the Board of Directors on 18 October 2001 and were signed on its behalf by:

Mr. Mugur Isarescu
(Governor)

Statement of changes in equity

for the year ended 31 December 2000

(Expressed in terms of the purchasing power of ROL as at 31 December 2000)

	ROL billion Issued share capital	ROL billion Reserves	ROL billion Total
Balance at 31 December 1998 as per Romanian accounting standards	100	2,742	2,842
Impact of first time application of IAS	-	(488)	(488)
	<hr/>	<hr/>	<hr/>
Restated balance	100	2,254	2,354
Net loss for the year	-	(167)	(167)
Transfer from reserves to share capital	46	(46)	-
	<hr/>	<hr/>	<hr/>
Balance at 31 December 1999 (unaudited)	146	2,041	2,187
Net profit for the year	-	1,777	1,777
Transfer from reserves to share capital	26	(26)	-
	<hr/>	<hr/>	<hr/>
Balance at 31 December 2000	172	3,792	3,964
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The reserves include the legal reserve fund to the amount of ROL 146 billion as at 31 December 2000 (1999: ROL 100 billion).

The notes set out on pages 6 to 29 form part of the financial statements.

Cash flow statement

for the year ended 31 December 2000

(Expressed in terms of the purchasing power of ROL as at 31 December 2000)

	<i>Notes</i>	2000 ROL billion
Profit before tax		11,703
Adjustments for non-cash items:		
Bad debts and other provisions		879
Depreciation		140
Inflation impact on tax		120
Profit on disposal of property and equipment		(3)
		<hr/>
Operating profit before changes in operating assets		12,839
(Increase)/decrease in operating assets:		
Gold and other precious metals		974
Securities		(5,200)
Placements with banks		(2,753)
International Monetary Fund		1,790
Loans to banks and other financial institutions		(2,772)
Interest receivable and other assets		2,180
Increase/(decrease) in operating liabilities:		
Due to banks and other financial institutions		5,568
Amounts due to State Treasury		(1,013)
International Monetary Fund		(1,670)
Currency in circulation		1,827
Accruals and other liabilities		(284)
Taxation paid		(1,933)
		<hr/>
Net cash from operating activities		9,553
Cash flows from investing activities:		
Purchase of property and equipment		(80)
		<hr/>
Net cash flows from investing activities		(80)
Cash flows from financing activities:		
Borrowings from International Monetary Fund		(37)
Other borrowings		(5,804)
		<hr/>
Net cash flows from financing activities		(5,841)
		<hr/>
Net increase in cash and cash equivalents		3,632
Cash balances at beginning of period	<i>10</i>	1,686
		<hr/>
Cash balances at end of period	<i>10</i>	5,318
		<hr/> <hr/>

The notes set out on pages 6 to 29 form part of the financial statements.

Notes to the financial statements

1. Introduction

The National Bank of Romania (the Bank) was set up in 1880 as the Central Bank of Romania.

The current registered office is situated in 25 Lipscani Street, Bucharest, Romania.

The Bank is 100% owned by the Romanian State. The operation of the Bank is governed by the 'Law on the National Bank of Romania (Law no.101/1998), which has been effective from 1st July 1998.

Under this law, the primary objectives of the Bank may be summarised as:

- maintaining the stability of the national currency;
- the exclusive right to issue bank notes and coins; and
- regulation and supervision of other banks' activities.

The Bank is managed by the Board of Directors. The executive management of the Bank is performed by the Governor, the prime vice-governor and two vice-governors. The Parliament appoints the Directors for a period of six years.

2. Accounting policies

The following accounting policies have been applied consistently during the year in dealing with items which are considered material in relation to the Bank's financial statements.

Preparation and presentation of financial statements

The Bank applied the International Accounting Standards (IAS) for the first time in 2000. The Bank did not prepare the statement of cash flows for the year ended 31 December 1999, as it was impracticable to do so. Accordingly, these financial statements do not include any comparative information in relation to the statement of cash flow.

Except for the omission of comparatives in the statement of cash flow, the financial statements have been prepared in accordance with IAS issued by the International Accounting Standards Board (IASB), and interpretations issued by the Standing Interpretations Committee of the IASB.

The cumulative impact of the first time application of the IAS was ROL 488 billion, which has been credited to the reserves balance as at 31 December 1998.

Notes (continued)

Preparation and presentation of financial statements (continued)

The form of presentation of the financial statements reflects the reporting format applicable under IAS 30 "Disclosures in the Financial Statements of Banks and Similar Financial Institutions". The major changes from the statutory financial statements prepared under domestic law are:

- grouping of numerous detailed items into broader captions;
- restatement adjustments required in accordance with IAS 29, Financial Reporting in Hyperinflationary Economies;
- adjustments to the income statement to put revenues and expenses on an accruals basis; and
- provision for deferred taxation, where appropriate.

Application of IAS 29

In accordance with IAS 29, the components of owners' equity, (except retained earnings and any revaluation surplus), are restated by applying a general price index from the dates the components were contributed or otherwise arose. Restated retained earnings are derived from all the other amounts in the restated balance sheet.

At the end of the first period and in subsequent periods, all components of owners' equity are restated by applying a general price index from the beginning of the period or the date of contribution, if later. The movements for the period in owners' equity are disclosed in accordance with IAS 1, Presentation of Financial Statements.

In accordance with IAS, the financial statements have been presented based on the historic cost approach, under the current purchasing power convention and under the going concern assumption.

The financial statements and the corresponding figures for previous periods have been restated for changes in the general purchasing power of the ROL and, as a result, are stated in terms of the measuring unit current at 31 December 2000. The financial statements are presented in Romanian Lei (ROL) rounded to the nearest billion.

The index used to restate the figures for changes in prices was the General Price Index published by the National Commission of Statistics of Romania. For the year ended 31 December 2000 the index rose by 40.7% (1999: 54.8%).

Notes (continued)

Foreign currencies

Transactions in foreign currencies are translated to ROL at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to ROL at the foreign exchange rate ruling at that date. Foreign exchange differences arising on revaluation are recognised in the income statement. Foreign currency denominated non-monetary assets and liabilities are valued at the historical rate at acquisition.

Forward foreign exchange contracts and other off-balance sheet instruments used in trading activities are carried at market value

The exchange rates of major foreign currencies at 31 December were:

Currencies	2000	1999
US Dollar (USD)	1: ROL 25,926	1: ROL 18,255
Euro (EUR)	1: ROL 24,118	1: ROL 18,331
Special Drawing Rights (SDR)	1: ROL 33,764	1: ROL 25,071

Net interest income

Interest income and expense are recognised on an accrual basis. When uncertainty arises about the collectibility of an amount already included in the revenue, provisions are set up against overdue interest receivable. The provision is offset against the net interest income in the income statement.

Fee and commission income and expense

Fee and commission income and expense are recognized in the income statement on an accrual basis.

Securities

All securities are considered as held for trading. Foreign debt securities form part of the gross international foreign exchange reserves of the Bank. These securities are carried at fair value, determined based on their market prices. Movements in the fair value of these securities are recognised in the income statement.

Securities issued by the Romanian Government do not have an active market to support the assessment of their fair value. Consequently, these securities are carried at amortised cost.

Notes (*continued*)

Loans and provisions for possible credit losses

Loans are stated in the balance sheet at the amount of principal outstanding, adjusted for specific credit risk provision for loan impairment.

A specific credit risk provision for loan impairment is established where recovery is considered doubtful. In determining the level of the provisions required, management considers numerous factors, including the ability to collect the receivables (principal and interest) and the assessment of the financial condition of borrowers.

The provision for loan impairment is reported in the income statement as a specific provision and is deducted from the relevant asset category in the balance sheet for reporting purposes.

Gold and other precious metals

Gold, including non-standard gold, and other precious metals are valued at the market value based on the official London fixing rate at the balance sheet date.

Placements with banks and other financial institutions

Placements are stated at their nominal amount, less specific credit risk provision if losses are considered likely to occur.

Property and equipment

Items of property and equipment are stated at their cost, restated to reflect the hyperinflation effects less accumulated depreciation. Depreciation is provided on a straight-line basis over the estimated useful lives of items of property, plant and equipment, and major components that are accounted for separately. Land is not depreciated. The average depreciation rates per category used are as follows:

Buildings	2% - 5% per annum
Equipment	5%-20% per annum
Motor vehicles	20% per annum
Computer equipment	30% per annum

Capital expenditure on fixed assets in the course of construction is capitalised and depreciated once the assets enter into use.

Notes (*continued*)

Taxation

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

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

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

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

Share capital and reserves

The entire share capital is owned by the State of Romania and is not divided into shares.

According to the Law no. 101/1999 on the National Bank of Romania the reserve fund of the Bank is to be used for share capital increases and for offsetting net losses, if the case.

Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and nostro accounts with banks and other financial institutions.

Notes (continued)

3. Risk management policies

The main risks associated with the Bank's activities are financial and operational risks arising as a result of the Bank's responsibility for monetary and financial stability in the country.

(a) Credit risk

The Bank is exposed to credit risk as a result of the provision of short term loans to domestic credit institutions and government. Short term loans in ROL extended to banks are normally secured with treasury securities issued by the Romanian Government or by term deposits. However, the Bank may, in special circumstances, grant unsecured loans to banks and other credit institutions in order to prevent systemic crises.

The Bank is also exposed to credit risk from placements and investments made on the international markets. This risk is mitigated through selecting highly rated counterparts and monitoring their activities and ratings and through the use of exposure limits.

(b) Interest rate risk

The Bank incurs interest rate risk principally in the form of exposure to adverse changes in the market interest rates.

For financial receivables and liabilities in ROL, the Bank endeavours to match the current market rates. Obtaining a positive margin is not always possible given that the levels of such assets and liabilities are dictated by the objectives of the monetary policies. However, the bank is constantly monitoring the costs of implementing the policies against the perceived benefits.

For financial receivables and liabilities in foreign currency, the Bank attempts to maintain a net positive position. The Bank uses a mix of fixed and variable interest instruments.

(c) Foreign exchange risk

Open foreign exchange positions represent a source of foreign exchange risk. In order to avoid losses arising from adverse movements in exchange rates, the Bank is currently pursuing the policy of diversifying its portfolio of currencies, whilst maintaining a long foreign exchange position.

(d) Liquidity risk

The Bank is the lender of last resort to commercial banks in Romania. The main objective of its day-to-day operations is to ensure that adequate liquidity exists on the domestic market.

The Bank is also managing the foreign currency portfolio, through cash budgeting and diversification, in order to ensure the foreign obligations are timely met.

Notes (continued)

4. Interest income

	2000	1999 (unaudited)
<i>In billion ROL</i>		
Foreign operations		
Income from foreign securities	3,148	2,081
Interest on deposits with foreign banks	472	798
Other foreign income	54	409
	3,674	3,288
Total foreign interest income		
Domestic operations		
Income from domestic securities	10,744	12,779
Interest on loans to domestic banks	817	1,873
Other domestic income	12	120
	11,573	14,772
Total domestic interest income		
Total interest income	15,247	18,060

The income from securities includes both interest, realised and unrealised gains from fair value adjustments.

Notes (continued)

5. Interest expense

	2000	1999 (unaudited)
<i>In billion ROL</i>		
Foreign operations		
Expense on foreign securities issued	1,391	1,423
Interest on borrowings and deposits from banks	844	1,590
Interest on International Monetary Fund borrowings	786	731
Other foreign expense	48	-
	3,069	3,744
Domestic operations		
Interest on minimum compulsory reserve	6,880	3,131
Interest on deposits from banks	961	3,627
Interest on domestic securities	899	487
Interest on State Treasury current account	688	1,267
Other domestic expense	56	412
	9,484	8,924
Charge on provision against overdue interest	61	-
Total interest expense	12,614	12,668

The expenses with securities include both interest, realised and unrealised losses from fair value adjustments.

6. Net foreign exchange gains

	2000	1999 (unaudited)
<i>In billion ROL</i>		
Revaluation of gold and precious metals	6,075	10,265
Net revaluation of foreign currency assets and liabilities	4,923	(8,657)
Foreign currency trading gains	229	434
Foreign currency trading losses	(326)	(421)
	10,901	1,621
Total net foreign exchange gains	10,901	1,621

Notes (continued)

7. Operating expenses

	2000	1999 (unaudited)
<i>In billion ROL</i>		
Salaries and other personnel costs	784	902
Currency issuance expenses	502	408
Depreciation	140	120
Administrative expenses	160	253
Other operating costs	273	197
	<hr/>	<hr/>
Total operating expenses	1,859	1,880
	<hr/> <hr/>	<hr/> <hr/>

The number of employees at 31 December 2000 was 3,328 (1999: 3,717).

8. Taxation

	2000	1999 (unaudited)
<i>In billion ROL</i>		
Direct taxes at 80% of taxable profits determined in accordance with Romanian law	893	1,345
Deferred tax expense	9,033	1,625
	<hr/>	<hr/>
Total taxation	9,926	2,970
	<hr/> <hr/>	<hr/> <hr/>
2000		
<i>In billion ROL</i>		
Profit before tax		11,703
Taxation at statutory rate of 80%		9,362
Tax effect of non-temporary differences		564
		<hr/>
Taxation in the income statement		9,926
		<hr/> <hr/>

Notes (continued)

9. Gold and other precious metals

	2000	1999
<i>In billion ROL</i>		
Gold bullion in standard form	11,180	11,539
Gold deposits in standard form	11,632	12,116
Gold in other form	1,037	1,148
Other precious metals	333	353
	24,182	25,156
Total gold and other precious metals	24,182	25,156

The gold deposits in standard form bear market interest rates varying between 0.56% and 0.70% per annum.

10. Cash and amounts due from banks

	2000	1999
<i>In billion ROL</i>		
Current accounts held with banks abroad	2,885	758
Current accounts held with international financial institutions	2,432	912
Cash in hand in foreign currency	1	16
	5,318	1,686
Total cash and amounts due from banks	5,318	1,686

Foreign currency current accounts are at the immediate disposal of the Bank and are unencumbered.

Notes (continued)

11. Placements with banks

The average interest rate offered to the Bank for the placements with other banks is 4.9% per annum.

Out of the deposits placed with other banks an amount of ROL 869 billion (1999: ROL 770 billion) is pledged as collateral for two foreign currency swap agreements the Bank entered into in 1996.

12. Foreign securities

<i>In billion ROL</i>	2000	1999
US Treasury bills	3,062	6,450
US Government Agencies' bills	12,070	7,383
US Treasury notes	8,395	10,231
US Government Agencies' notes	15,025	5,926
US STRIP notes	3,579	1,955
Bank for International Settlements (BIS)	8,959	-
Other fixed income	518	513
	<hr/>	<hr/>
Total foreign securities	51,608	32,458
	<hr/> <hr/>	<hr/> <hr/>

The US and BIS notes bear fixed interest rates. The effective interest rates range between 5.2% and 6.8% per annum. Effective interest rates on the discount notes range between 4.5% and 5.0% per annum for the notes in EUR and between 5.7% and 6.7% per annum for those in USD.

Notes (continued)

13. International Monetary Fund

	2000	1999
<i>In billion ROL</i>		
Romania's IMF quota	34,784	36,340
Current account in SDR with IMF	25	259
	34,809	36,599
	34,809	36,599

The Bank exercises rights and fulfils obligations incumbent on Romania as an International Monetary Fund member state.

Romania's quota in the IMF is recorded as an asset denominated in SDR. As at 31 December 2000 and 1999, Romania's total quota in the IMF was SDR 1,030 million. The IMF maintains ROL deposits with the Bank in relation to the participation (see note 21).

The current account with the IMF is used to conduct borrowing and other related operations with the IMF. This account bears the same interest rates as the SDR allocation from the IMF (see note 21).

14. Other foreign assets

	2000	1999
<i>In billion ROL</i>		
Accrued interest receivable	420	514
Fair value of foreign currency swap	103	1,123
Other foreign assets	23	26
	546	1,663
	546	1,663

The Bank hedged its foreign currency risk related to the bonds issued in 1996 in JPY (see note 22) by entering into two swap agreements JPY/USD, which were recognised in the balance sheet at their fair value as at year end.

Notes (continued)

15. Domestic securities

	2000	1999
<i>In billion ROL</i>		
Notes issued by the Romanian Government denominated in ROL	16,176	23,692
denominated in foreign currency	-	6,434
	16,176	30,126
Total domestic securities	16,176	30,126

The notes denominated in ROL bear variable market interest rates matching the market. As at 31 December 2000 these rates ranged between 46% and 51% per annum.

16. Loans to domestic banks and other financial institutions

	2000	1999
<i>In billion ROL</i>		
Unsecured loans granted to domestic banks and financial institutions	7,907	5,459
Loans granted to employees	26	45
Provision for losses on loans	(1,584)	(1,188)
	6,349	4,316
Net value of loans to domestic banks and other financial institutions	6,349	4,316

As at 31 December 2000 the level of non-performing loans, defined as “doubtful” and “loss”, was ROL 1,584 billion (31 December 1999: ROL 1,188 billion).

The provision for losses on loans can be further analysed as follows:

	2000	1999
<i>In billion ROL</i>		
Balance at 1 January	1,188	-
Impact of inflation adjustment	(342)	-
Charge to income statement	738	3,026
Loans written off	-	(1,838)
	1,584	1,188
Balance at 31 December	1,584	1,188

Notes (continued)

17. Property and equipment

	Land and buildings	Equipment	Assets in the course of construction	Assets not used in the ordinary course of business	Total
<i>In billion ROL</i>					
Cost					
At 1 January 2000	1,324	301	659	490	2,774
Additions	29	22	10	19	80
Disposals		(66)		(1)	(67)
Transfers	269	144	(604)	191	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2000	1,622	401	65	699	2,787
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
At 1 January 2000	114	135	-	40	289
Depreciation charge for the year	63	50	-	27	140
On disposals		(47)	-	-	(47)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2000	177	138	-	67	382
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 31 December 2000	1,445	263	65	632	2,405
At 31 December 1999	1,210	166	659	450	2,485
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

18. Other domestic assets

	2000	1999
<i>In billion ROL</i>		
Interest receivable	2,224	3,409
Tax receivable	1,625	812
Equity investment in TransFond	22	-
Other assets	82	122
Provision against overdue interest (see note 5)	(61)	-
	3,892	4,343
	3,892	4,343

19. Due to banks and other financial institutions

	2000	1999
<i>In billion ROL</i>		
Demand deposits from international financial institutions	438	256
Short term deposits from banks abroad	2,593	2,569
	3,031	2,825
	3,031	2,825

The Bank does not pay interest on the demand deposits from other international financial institutions.

Short-term deposits bear variable market interest rate linked to LIBOR plus a 1% margin (31 December 1999: LIBOR plus 1%)

20. Due to Government

The Bank recorded in amounts due to Government in foreign currency the latter's deposit for the quota in other international financial institutions.

Notes (*continued*)

21. International Monetary Fund

	2000	1999
<i>In billion ROL</i>		
Deposits from the IMF	34,784	36,340
SDR allocation from the IMF	2,565	2,679
Standby facilities	8,028	6,789
Systemic transformation facility	3,712	4,988
	49,089	50,796
	49,089	50,796

The Bank recorded in SDR allocation a non-reimbursable loan which bears the same interest rate as the current account in SDR with the IMF. The SDR allocation from the IMF bear interest between 4% and 5% per annum (see note 13).

Between 1992 and 2000 Romania and the IMF agreed to four standby arrangements (SBA) for a total amount of SDR 1,336 million, mainly to support short-term balance of payments. As at 31 December 2000 the outstanding amounts drawn from SBA facilities were SDR 237.7 million (1999: SDR 192.4 million).

Between 1993 and 1995 Romania also benefited of a systemic transformation facility from the IMF. The purpose of such facility is to assist financially the countries that lost the traditional export markets. The outstanding amount as at 31 December 2000 is SDR 110 million (1999: SDR 141.4 million).

The standby facilities and the systemic transformation facility bear variable interest rate set by IMF, currently between 5% and 6% per annum.

22. Other borrowings

	2000	1999
<i>In billion ROL</i>		
Samurai bonds issued by the Bank	6,229	7,071
Other notes issued by the Bank (Merill Lynch)	193	296
Loan from domestic banks (Club loan)	-	4,418
	6,422	11,785
	6,422	11,785

The Samurai bonds bear fixed interest of 5.05% per annum. The other notes as at 31 December 2000 and 31 December 1999 bear variable interest of three months LIBOR plus a 2.25% margin.

Notes (continued)

23. Currency in circulation

	2000	1999
<i>In billion ROL</i>		
Banknotes	27,951	26,105
Coins	137	156
	<hr/>	<hr/>
Total	28,088	26,261
	<hr/> <hr/>	<hr/> <hr/>

24. Due to banks and other financial institutions

	2000	1999
<i>In billion ROL</i>		
Minimum reserve from domestic banks in ROL	23,831	24,441
Minimum reserve from domestic banks in foreign currency	15,398	15,303
Short term deposits from domestic banks and other financial institutions	9,715	3,838
	<hr/>	<hr/>
Total	48,944	43,582
	<hr/> <hr/>	<hr/> <hr/>

The amounts due to local banks and other financial institutions bear variable interest rates matching the market.

25. Due to State Treasury

	2000	1999
<i>In billion ROL</i>		
State Treasury current accounts in ROL	1,016	4,005
State Treasury current accounts in foreign currency	1,976	-
	<hr/>	<hr/>
Total	2,992	4,005
	<hr/> <hr/>	<hr/> <hr/>

The amounts due to State Treasury bear variable market interest rates.

Notes (continued)

26. Deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities at 31 December 2000 and 1999 are attributable to the items detailed in the table below:

	Assets 2000	Liabilities 2000	Net 2000	Assets 1999	Liabilities 1999	Net 1999
<i>In billion ROL</i>						
Revaluation of balances with IMF denominated in SDR	(10,634)	7,535	(3,099)	(15,841)	7,063	(8,778)
Write off of liability to the Government relating to IMF participation	-	3,185	3,185	-	4,481	4,481
Revaluation of gold and foreign assets and liabilities	-	11,201	11,201	-	4,690	4,690
Provisions	(689)	-	(689)	(2,573)	-	(2,573)
Hyperinflation adjustment on property and equipment	-	1,262	1,262	-	869	869
Fair value adjustment on swap	-	103	103	-	1,123	1,123
Other items	(349)	-	(349)	-	643	643
Total	(11,672)	23,286	11,614	(18,414)	18,869	455
Deferred tax at 80%			9,291			364

Movements in the deferred tax liability are presented below:

	2000
<i>In billion ROL</i>	
Balance at 1 January	364
Impact of hyperinflation adjustment	(106)
Deferred tax expense	9,033
Balance at 31 December	9,291

Notes (continued)

27. Other domestic liabilities

	2000	1999
<i>In billion ROL</i>		
Accrued interest payable	470	480
Other domestic liabilities	109	143
Provision for guarantees issued	80	-
	659	623
Total	659	623

28. Related party transactions

The Government has influence over the policies of the Bank as a state institution. The Government, through the State Treasury, maintains accounts with the Bank (see note 25), which are not subject to commission or administration charges. Furthermore, the Bank acts as a registry agent on behalf of the State Treasury as regards treasury bills and notes, manages the international reserves and ensures timely servicing of Romania's foreign public debt.

The Bank exercises significant influence, through board representations, over two other state institutions: the National Printing and Minting Units. The two entities manufacture the banknotes and coins for the Bank. The total purchases the Bank made from the two entities during the year amounted to ROL 98 billion. There were no outstanding balances with the two entities at 31 December 2000.

Notes (continued)

29. Foreign currency positions

The amounts of assets and liabilities held in ROL and in foreign currencies can be analysed as follows:

	ROL	USD	EUR	JPY	SDR	Gold	Other	Total
<i>In billion ROL</i>								
Foreign assets								
Gold and other precious metals	-	-	-	-	-	22,811	1,371	24,182
Cash and amounts due from banks	-	2,806	2,498	-	-	-	14	5,318
Placements with banks	-	2,200	5,791	-	-	-	-	7,991
Securities	-	43,297	8,311	-	-	-	-	51,608
International Monetary Fund	-	-	-	-	34,809	-	-	34,809
Quota in other financial institutions	712	626	98	-	-	-	252	1,688
Other foreign assets	-	500	17	-	-	-	29	546
Total foreign assets	712	49,429	16,715	-	34,809	22,811	1,666	126,142
Domestic assets								
Securities	16,176	-	-	-	-	-	-	16,176
Loans to domestic banks and other financial institutions	6,349	-	-	-	-	-	-	6,349
Property and equipment	2,405	-	-	-	-	-	-	2,405
Other domestic assets	3,892	-	-	-	-	-	-	3,892
Total domestic assets	28,822	-	-	-	-	-	-	28,822
Total assets	29,534	49,429	16,715	-	34,809	22,811	1,666	154,964

Notes (continued)

Foreign currency positions (continued)

	ROL	USD	EUR	JPY	SDR	Gold	Other	Total
<i>In billion ROL</i>								
Foreign liabilities								
Due to banks and other financial institutions	434	2,597	-	-	-	-	-	3,031
Due to Government	712	626	98	-	-	-	252	1,688
International Monetary Fund	26,552	-	-	-	22,537	-	-	49,089
Other borrowings	-	193	-	6,229	-	-	-	6,422
Other foreign liabilities	-	400	70	168	138	-	20	796
Total foreign liabilities	27,698	3,816	168	6,397	22,675	-	272	61,026
Currency in circulation	28,088	-	-	-	-	-	-	28,088
Domestic liabilities								
Due to banks and other financial institutions	33,546	14,622	776	-	-	-	-	48,944
Due to State Treasury	1,016	576	1,400	-	-	-	-	2,992
Other borrowings	-	-	-	-	-	-	-	-
Deferred tax liability	9,291	-	-	-	-	-	-	9,291
Other domestic liabilities	659	-	-	-	-	-	-	659
Total domestic liabilities	44,512	15,198	2,176	-	-	-	-	61,886
Total liabilities	100,298	19,013	2,345	6,397	22,675	-	272	151,000
Net assets /(liabilities)	(70,764)	30,416	14,370	(6,397)	12,134	22,811	1,394	3,964

Notes (continued)

30. Interest rate risk

The assets and liabilities of the Bank analysed over the remaining period from the balance sheet date to contractual repricing or maturity, whichever is earlier, are as follows:

<i>All in ROL billion</i>	Up to 1 Month	1 Month to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	No fixed maturity	Total
Foreign assets							
Gold and other precious metals	11,632	-	-	-	-	12,550	24,182
Cash and amounts due from banks	5,318	-	-	-	-	-	5,318
Placements with other banks	5,791	-	220	-	-	1,980	7,991
Securities	7,803	10,235	14,338	17,745	1,487	-	51,608
International Monetary Fund Quota in other international financial institutions	25	-	-	-	-	34,784	34,809
Other foreign assets	-	-	-	-	-	1,688	1,688
	443	-	103	-	-	-	546
Total foreign assets	31,012	10,235	14,661	17,745	1,487	51,002	126,142
Domestic assets							
Securities	8,597	7,579	-	-	-	-	16,176
Loans to domestic banks and other financial institutions	4,849	-	-	1,200	300	-	6,349
Property and equipment	-	-	-	-	-	2,405	2,405
Other domestic assets	2,077	-	88	14	25	1,688	3,892
Total domestic assets	15,523	7,579	88	1,214	325	4,093	28,822
Total assets	46,535	17,814	14,749	18,959	1,812	55,095	154,964

Notes (continued)

Interest rate risk (continued)

<i>All in ROL billion</i>	Up to 1 Month	1 Month to 3 Months	3 Months to 1 Year	1 Year to 5 Years	Over 5 Years	No fixed maturity	Total
Foreign liabilities							
Due to banks and other financial institutions	438	-	2,593	-	-	-	3,031
Due to Government		-	-	-	-	1,688	1,688
International Monetary Fund	14,305	-	-	-	-	34,784	49,089
Other borrowings	-	193	6,229	-	-	-	6,422
Other foreign liabilities	67	214	434	81	-	-	796
Total foreign liabilities	14,810	407	9,256	81	-	36,472	61,026
Currency in circulation	-	-	-	-	-	28,088	28,088
Domestic liabilities							
Due to banks and other financial institutions	48,944	-	-	-	-	-	48,944
Due to State Treasury	2,992	-	-	-	-	-	2,992
Deferred tax liability	-	-	-	-	-	9,291	9,291
Other domestic liabilities	579	-	-	-	-	80	659
Total domestic liabilities	52,515	-	-	-	-	9,371	61,886
Total liabilities	67,325	407	9,256	81	-	73,931	151,000
Maturity surplus/ (shortfall)	(20,790)	17,407	5,493	18,878	1,812	(18,836)	3,964

Notes (continued)

31. Commitments and contingencies

As at 31 December 2000 the Bank had outstanding foreign exchange spot deals amounting to USD 62.75 million, with a nil fair value.

The Bank has outstanding guarantees issued with a fair value of ROL 80 billion as at 31 December 2000 which were recognised in other liabilities (see note 27) and in the income statement. The fair value was estimated at the full nominal value of the guarantees given the high probability that the Bank will have to make the payments.

The Bank has two outstanding swap agreements with a total nominal value of JPY 30 billion. Their fair value, estimated based on forward exchange rates as at balance sheet date, was recognised as other assets (see note 14) and as a reduction of the interest expense on the bonds issued.

In 1999 Romania and IMF agreed a stand by arrangement to support short-term balance of payments for a total amount of SDR 400 million with expiry on 28 April 2001. As at 31 December 2000 the undrawn facility was SDR 260.26 million.

The quotas in international financial institutions are supported by promissory notes signed by the Ministry of Finance amounting to ROL 821 billion as at 31 December 2000.

32. Reconciliation of profit under IAS and Romanian Accounting Standards

	2000
<i>In billion ROL</i>	
Net profit after tax under Romanian Accounting Standards	225
Revaluation of balances with IMF denominated in SDR at year end market exchange rate	(1,102)
Revaluation of foreign assets and liabilities and gold	12,100
Hyperinflation adjustment, loss on net monetary position	(361)
Deferred tax expense	(9,033)
Other adjustments	(52)

Net profit after tax under IAS	1,777
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