National Bank of Romania

Financial Statements
31 December 2001

Contents

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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 2001, 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 2001, and the results of its operations, cash flows and changes in equity for the year then ended in accordance with International Accounting Standards adopted by the International Accounting Standards Board.

KPMG

KPMG Romania SRL
Bucharest, Romania

23 August 2002

Income statement

for the year ended 31 December 2001
(Expressed in terms of the purchasing power of ROL as at 31 December 2001)

(ROL billion)	*Notes*	**2001**	2000
Interest and similar income	*4*	13,333	19,867
Interest expense and similar charges	*5*	(19,372)	(16,436)
Net interest income		**(6,039)**	3,431
Fees and commissions income		1,208	1,360
Fees and commissions expense		(334)	(44)
Net fees and commissions income		**874**	1,316
Net foreign exchange gains	*6*	13,649	14,204
Other operating income		161	257
Operating expenses	*7*	(1,674)	(2,422)
Release/(charge) for impairment losses on doubtful and bad debts	*18*	88	(962)
Write-down of fixed assets	*19*	(644)	-
Other provisions	*32*	(104)	(104)
Operating profit before hyperinflation adjustment		**6,311**	15,720
Hyperinflation adjustment, gain/(loss) on net monetary position		(2,535)	(608)
Profit before taxation		**3,776**	15,112
Taxation	*8*	(5,769)	(12,797)
Profit/(loss) for the year		**(1,993)**	2,315

The notes on pages 6 to 31 form part of the financial statements.

The financial statements were approved by the Board of Directors on 23rd August 2002 and were signed on its behalf by:

Mr. Mugur Isarescu
Governor

Balance sheet

at 31 December 2001

(Expressed in terms of the purchasing power of ROL as at 31 December 2001)

(ROL billion)	*Notes*	**2001**	2000
Foreign assets			
Gold deposits with other banks	*9*	14,458	15,162
Cash and amounts due from banks	*10*	19,676	6,929
Placements with banks	*11*	1,838	10,435
Financial assets held-for-trading purposes	*12*	6,336	-
Foreign securities	*13*	97,118	67,762
International Monetary Fund	*14*	41,087	45,357
Quota in other international financial institutions	*15*	2,100	2,199
Other assets		-	135
Total foreign assets		**182,613**	147,979
Domestic assets			
Gold and other precious metals	*16*	15,544	16,353
Securities	*17*	9,210	23,613
Loans to banks and other financial institutions	*18*	4,368	8,273
Property and equipment	*19*	2,454	3,134
Other assets	*20*	2,239	2,566
Total domestic assets		**33,815**	53,939
Total assets		**216,428**	201,918

The notes on pages 6 to 31 form part of the financial statements.

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Mr. Mugur Isarescu
Governor

Balance sheet *(continued)*

at 31 December 2001
(Expressed in terms of the purchasing power of ROL as at 31 December 2001)

(ROL billion)	*Notes*	**2001**	2000
Foreign liabilities			
Due to banks and other financial institutions	*21*	3,675	3,949
Due to Government	*22*	2,100	2,199
International Monetary Fund	*23*	56,105	63,963
Other borrowings		-	8,368
Other liabilities		599	1,037
Total foreign liabilities		**62,479**	79,516
Currency in circulation	*24*	39,987	36,599
Domestic liabilities			
Due to banks and other financial institutions	*25*	82,805	63,774
Due to State Treasury	*26*	8,388	3,899
Deferred tax liability	*27*	17,875	12,106
Other liabilities	*28*	1,722	859
Total domestic liabilities		**110,790**	80,638
Total liabilities		**213,256**	196,753
Shareholder's equity			
Issued share capital		172	172
Reserves		146	146
Retained earnings		2,854	4,847
Total shareholder's equity		**3,172**	5,165
Total liabilities and shareholders' equity		**216,428**	201,918

The notes set out on pages 6 to 31 form part of the financial statements.

The financial statements were approved by the Board of Directors on 23rd August 2002 and were signed on its behalf by:

Mr. Mugur Isarescu
Governor

Statement of changes in equity

for the year ended 31 December 2001
(Expressed in terms of the purchasing power of ROL as at 31 December 2001)

(ROL billion)	**Issued share capital**	**Reserves**	**Retained earnings**	**Total**
Balance at 31 December 1999 (unaudited)	146	100	2,604	2,850
Net profit for the year	-	-	2,315	2,315
Transfer from retained earnings to share capital	26	-	(26)	-
Transfer from retained earnings to reserves	-	46	(46)	-
Balance at 31 December 2000	172	146	4,847	5,165
Net loss for the year	-	-	(1,993)	(1,993)
Balance at 31 December 2001	**172**	**146**	**2,854**	**3,172**

The reserves include the non-distributable legal reserve fund to the amount of ROL 146 billion as at 31 December 2001 (2000: ROL 146 billion).

The notes set out on pages 6 to 31 form part of the financial statements.

Cash flow statement

for the year ended 31 December 2001
(Expressed in terms of the purchasing power of ROL as at 31 December 2001)

(ROL billion)	*Notes*	**2001**	2000
Profit before tax		**3,776**	15,112
Adjustments for non-cash items:			
(Release)/charge for doubtful and bad debts	*18*	**(88)**	1,145
Depreciation	*19*	**177**	182
Write-down of fixed assets	*19*	**644**	-
Provision for litigations	*32*	**104**	-
Restructuring and inflation impact on tax and provisions		**1,049**	294
Profit on disposal of property and equipment		**(8)**	(4)
Operating profit before changes in operating assets		**5,654**	16,729
(Increase)/decrease in operating assets:			
Gold and other precious metals		**1,513**	1,264
Securities		**(21,288)**	(9,829)
Placements with banks		**8,597**	(3,611)
International Monetary Fund		**4,269**	2,332
Loans to banks and other financial institutions		**3,431**	(3,612)
Other assets		**(32)**	5,923
Increase/(decrease) in operating liabilities:			
Due to banks and other financial institutions		**18,756**	7,255
Amounts due to State Treasury		**4,489**	(1,320)
International Monetary Fund		**(4,780)**	(2,176)
Currency in circulation		**3,389**	2,381
Accruals and other liabilities		**328**	(370)
Taxation paid		**-**	(2,519)
Net cash from operating activities		**24,326**	12,447
Cash flows from investing activities:			
Purchase of property and equipment		**(134)**	(104)
Net cash flows from investing activities		**(134)**	(104)
Cash flows from financing activities:			
Borrowings from International Monetary Fund		**(3,078)**	(48)
Other borrowings		**(8,367)**	(7,563)
Net cash flows from financing activities		**(11,445)**	(7,611)
Net increase in cash and cash equivalents		**12,747**	4,732
Cash balances at beginning of period	*10*	**6,929**	2,197
Cash balances at end of period	*10*	**19,676**	6,929

The notes set out on pages 6 to 31 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 first vice-governor and two vice-governors. The Parliament appoints the Directors for a period of six years.

2. Significant accounting policies

a) Statement of compliance

The financial statements have been prepared in accordance with International Accounting Standards (IAS) issued by the International Accounting Standards Board (IASB), and interpretations issued by the Standing Interpretations Committee of the IASB.

b) Basis of preparation

The financial statements are presented in Romanian Lei (ROL) rounded to the nearest billion.

The accounting policies have been consistently applied by the Bank and, except for the adoption of IAS 39, are consistent with those used in the previous year.

In respect of comparative information, certain items from the 2000 financial statements have been reclassified to conform with 2001 financial statements presentation.

Notes (continued)

Significant accounting policies *(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;
- fair value adjustments required in accordance with IAS 39, Financial Instruments – Recognition and Measurement;
- adjustments to the income statement to place certain revenues and expenses on an accruals basis; and
- provision for deferred taxation, where appropriate.

c) Application of IAS 29

The accounts of the Bank are maintained in accordance with Romanian accounting regulations and requirements, stated in historical ROL, prepared in compliance with Romanian statutory requirements.

In accordance with IAS 29, the non monetary items, such as property and equipment and the components of shareholder's equity (except retained earnings and any revaluation surplus), are restated by applying a general price index from the dates these items were purchased, 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 shareholder's 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 2001.

The index used to restate the figures for changes in prices was the General Price Index published by the National Institute for Statistics of Romania. For the year ended 31 December 2001 the index rose by 30.3% (2000: 40.7%).

Notes *(continued)*

d) Foreign currency transactions

Transactions in foreign currencies are translated to ROL at the foreign exchange rate ruling at the settlement 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	**2001**	2000
US Dollar (USD)	1: ROL 31,597	1: ROL 25,926
Euro (EUR)	1: ROL 27,881	1: ROL 24,118
Special Drawing Rights (SDR)	1: ROL 39,674	1: ROL 33,764

e) Financial instruments

i) Classification

Trading instruments are those that the Bank holds for the purpose of short-term profit taking. These include securities. All trading derivatives in a net receivable position (positive fair value), as well as options purchased, are reported as trading assets, and those in a net payable position (negative fair value, i.e. in a loss position), as well as options written are reported as trading liabilities.

Financial assets originated by the Bank are loans and receivables created by the Bank providing money to a debtor other than those created with the intention of short term profit taking. Financial assets originated by the Bank comprise loans and advances to banks and customers other than purchased loans.

Held-to-maturity assets are those with fixed or determinable payments and fixed maturity that the Bank has the intent and ability to hold to maturity. These include certain securities.

Available-for-sale financial assets are financial assets that are not originated by the Bank, held for trading purposes or held to maturity. Available for sale instruments include money market placements, bonds, including treasury bonds and other bonds eligible for discounting with central banks, and securities that are not held for trading or held-to-maturity.

Notes *(continued)*

Financial instruments *(continued)*

ii) Recognition

The Bank recognises financial assets on the date they are transferred to the Bank. From this date any gains and losses arising from changes in fair value of the assets are recognised.

iii) Measurement

Financial instruments are initially measured at cost, including transaction costs.

Subsequent to initial recognition all trading instruments and all available-for-sale instruments are measured at fair value, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost, including transaction costs, less impairment losses.

All non-trading financial liabilities, originated loans and receivables and held-to-maturity assets are recognised at amortised cost. Premiums and discounts, including initial transaction costs, are amortised based on the effective interest rate of the instrument.

iv) Fair value measurement principles

The fair value of financial instruments is based on their quoted market price at the balance sheet date without any deduction for transaction costs. If a quoted market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the balance sheet date.

The fair value of derivatives that are not exchange-traded is estimated at the amount that the Bank would receive or pay to terminate the contract at the balance sheet date taking into account the current market conditions and the current creditworthiness of the counterparties.

v) Gains and losses on subsequent measurement

Gains and losses arising from a change in the fair value of trading and available-for-sale financial instruments are recognised in the income statement for the period.

Notes *(continued)*

Financial instruments *(continued)*

vi) Specific instruments

Cash and cash equivalents

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

Placements with banks and other financial institutions

Placements with banks are classified as available-for-sale assets. Placements are stated at their nominal amount (including accrued interest), less specific credit risk provision if losses are considered likely to occur.

Securities

Securities that the Bank holds for the purpose of short-term taking are classified as held-for-trading. Debt securities that the Bank has the intent and ability to hold to maturity are classified as held-to-maturity assets. Other securities are classified as available-for-sale assets.

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 (including accrued interest).

Credits and provision for impairment

Loans originated by the Bank are classified as financial assets originated by the Bank. 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.

Notes *(continued)*

f) Interest income and expenses

Interest income and expense is recognised in the income statement as it accrues, taking into account the effective yield of the asset or an applicable floating rate. Interest income and expense includes the amount of amortisation of any discount or premium or other differences between the initial carrying amount of a loan or a debt security and its amount at maturity calculated on an effective interest rate basis.

g) Fee and commission income and expense

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

h) 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. Gold bullion is certified/assayed for purity and quality.

i) Property and equipment

Items of property and equipment are stated at their cost, restated to reflect the hyperinflation effects less accumulated depreciation value. The carrying amounts of property and equipment are reviewed to determine whether they are in excess of their recoverable amount at balance sheet date. If the carrying amount exceeds the recoverable amount, the fixed assets are written down to the lower amount.

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)*

j) Revaluation deficit

An independent valuation of property and equipment was carried out in 2001 by local independent property valuers. Revaluation deficits below depreciated cost for the property and equipment items have been charged to the income statement.

k) 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.

l) 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.

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 granting 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

(ROL billion)	**2001**	2000
Foreign operations		
Income from foreign securities	5,054	4,102
Interest on deposits with foreign banks	790	615
Other foreign income	182	70
Total foreign interest income	6,026	4,787
Domestic operations		
Income from domestic securities	6,320	13,999
Interest on loans to domestic banks	977	1,065
Other domestic income	10	16
Total domestic interest income	7,307	15,080
Total interest income	**13,333**	19,867

The income from securities includes both interest and realised or unrealised gains from fair value adjustments. The gains from fair value adjustments of foreign securities include gains from changes in the fair value of both trading and available-for-sale securities.

Notes *(continued)*

5. Interest expense

(ROL billion)	**2001**	2000
Foreign operations		
Expenses relating to foreign securities issued	2,063	1,812
Interest on borrowings and deposits from banks	702	1,100
Interest on International Monetary Fund borrowings	648	1,024
Other foreign expense	130	63
Total foreign interest expense	3,543	3,999
Domestic operations		
Interest on minimum compulsory reserve	6,963	8,965
Interest on deposits from banks	5,807	1,252
Expenses relating to domestic securities	2,118	1,171
Interest on State Treasury current account	930	896
Other domestic expense	11	74
Total domestic interest expense	15,829	12,358
Charge on provision against overdue interest	-	79
Total interest expense	**19,372**	16,436

The expenses associated with securities include both interest and realised or unrealised losses from fair value adjustments. The losses from fair value adjustments of foreign securities include losses from changes in the fair value of both trading and available-for-sale securities.

6. Net foreign exchange gains

(ROL billion)	**2001**	2000
Revaluation of gold and precious metals	5,770	7,916
Net revaluation of foreign currency assets and liabilities	7,847	6,415
Foreign currency trading gains	260	298
Foreign currency trading losses	(228)	(425)
Total net foreign exchange gains	**13,649**	14,204

Notes *(continued)*

7. Operating expenses

(ROL billion)	2001	2000
Salaries and other personnel costs	652	1,022
Currency issuance expenses	460	654
Depreciation and amortisation	177	182
Administrative expenses	208	208
Other operating costs	177	356
Total operating expenses	**1,674**	2,422

The number of employees at 31 December 2001 was 2,445 (2000: 3,328).

8. Taxation

(ROL billion)	2001	2000
Direct taxes at 80% of taxable profits determined in accordance with Romanian law	-	1,165
Deferred tax expense	5,769	11,632
Total taxation	**5,769**	12,797

(ROL billion)	2001
Profit before tax	**3,776**
Taxation at statutory rate of 80%	**3,021**
Tax effect of hyperinflation adjustment	(563)
Reversal of temporary differences	3,215
Tax effect of non-temporary differences	96
Taxation in the income statement	**5,769**

Notes *(continued)*

9. Gold deposits with other banks

The gold deposits in standard form placed with external banks bear market interest rates varying between 0.35% and 0.82% per annum (2000: between 0.56% and 0.70% per annum).

10. Cash and amounts due from banks

(ROL billion)	**2001**	2000
Current accounts held with banks abroad	15,666	3,759
Current accounts held with international financial institutions	4,006	3,169
Cash in hand in foreign currency	4	1
Total cash and amounts due from banks	**19,676**	6,929

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

11. Placements with banks

The average interest rate offered to the Bank for the placements with other banks is 3.8% per annum (2000: 4.9% per annum).

12. Financial assets held-for-trading purposes

(ROL billion)	**2001**	2000
US Treasury notes	2,661	-
US Government Agencies' notes	3,284	-
US STRIP notes	391	-
Total financial assets held-for-trading purposes	**6,336**	-

The US notes bear fixed interest rates. The effective interest rates range between 2.75% and 5.5% per annum.

Notes *(continued)*

13. Foreign securities

(ROL billion)	**2001**	2000
Foreign securities available-for-sale		
US Treasury bills	13,880	3,990
US Government Agencies' bills	22,440	15,727
US Treasury notes	4,001	11,083
US Government Agencies' notes	7,355	19,885
US STRIP notes	5,128	4,663
Bank for International Settlements FIXBIS bills	18,784	10,505
Bank for International Settlements MTI notes	24,860	1,187
	96,448	67,040
Foreign securities held-to-maturity		
Bonds issued by public-sector issuers	670	722
Total foreign securities	**97,118**	67,762

The US and BIS coupon notes bear fixed interest rates. The effective interest rates range between 4.5% and 5.25% per annum for the notes in EUR and between 2.75% and 5.5% per annum for those in USD (2000: between 5.2% and 6.8% per annum).

Effective interest rates on the discount notes range between 2.95% and 4.25% per annum for the notes in EUR (2000: between 4.5% and 5.0% per annum) and between 1.6% and 2.55% per annum for those in USD (2000: between 5.7% and 6.7% per annum).

The foreign securities held-to-maturity include the notes issued by CONEL. These notes matured and were collected by the Bank in February 2002.

Notes *(continued)*

14. International Monetary Fund

(ROL billion)	**2001**	2000
Romania's IMF quota	40,872	45,324
Current account in SDR with IMF	215	33
Total	**41,087**	45,357

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 2001 and 2000, 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 23).

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 23).

15. Quota in other international financial institutions

(ROL billion)	**2001**	2000
Romania's IBRD quota	964	1,031
Romania's EBRD quota	682	695
Equity investment in Bank for International Settlements	307	328
Romania's quota in other international financial institutions (IFC, MIGA)	147	145
Total	**2,100**	2,199

Notes *(continued)*

16. Gold and other precious metals

(ROL billion)	**2001**	2000
Gold bullion in standard form	14,185	14,568
Gold in other form	1,026	1,351
Other precious metals	333	434
Total gold and other precious metals	**15,544**	16,353

17. Domestic securities

(ROL billion)	**2001**	2000
Notes issued by the Romanian Government denominated in ROL	9,210	23,613
Total domestic securities	**9,210**	23,613

The notes denominated in ROL bear variable market interest rates matching the market. As at 31 December 2001 these rates ranged between 35% and 50% per annum (2000: between 46% and 51% per annum).

18. Loans to domestic banks and other financial institutions

(ROL billion)	**2001**	2000
Unsecured loans granted to domestic banks and financial institutions	4,942	10,303
Loans granted to employees	20	34
Provision for impairment losses on loans	(594)	(2,064)
Net value of loans to domestic banks and other financial institutions	**4,368**	8,273

As at 31 December 2001 the level of non-performing loans, defined as “doubtful” and “loss”, was ROL 594 billion (31 December 2000: ROL 2,064 billion).

Notes *(continued)*

Loans to domestic banks and other financial institutions *(continued)*

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

(ROL billion)	**2001**	2000
Balance at 1 January	2,064	1,548
Impact of inflation adjustment	(480)	(446)
Charge/(release) to income statement	(88)	962
Loans recoveries	563	0
Loan written off	(1,465)	0
Balance at 31 December	**594**	2,064

19. Property and equipment

(ROL billion)	**Land and Buildings**	**Equipment**	**Assets in the course of construction**	**Assets not used in the ordinary course of business**	**Total**
Cost					
At 1 January 2001	2,113	523	85	911	3,632
Additions	2	122	31	4	159
Disposals	(26)	(24)	-	(15)	(65)
Transfers	1	7	(11)	3	-
At 31 December 2001	2,090	628	105	903	3,726
Depreciation					
At 1 January 2001	231	180	-	87	498
Depreciation charge for the year	83	68	-	26	177
Write down charge for the year	218	264	25	137	644
On disposals	(7)	(25)	-	(15)	(47)
At 31 December 2001	525	487	25	235	1,272
Net book value					
At 31 December 2001	**1,565**	**141**	**80**	**668**	**2,454**
At 31 December 2000	1,882	343	85	824	3,134

Notes *(continued)*

Property and equipment *(continued)*

As at 31 December 2001 the Bank included in equipment leased office and IT equipment amounted to ROL 156 billion (2000: ROL 111 billion). At the end of the lease the Bank has the option to purchase the equipment at a beneficial price.

20. Other domestic assets

(ROL billion)	**2001**	2000
Interest receivable	171	362
Tax receivable	1,625	2,117
Other amounts due from Government	374	-
Equity investment in TransFond	29	29
Other assets	101	137
Provision against overdue interest	(61)	(79)
Total	**2,239**	2,566

21. Due to banks and other financial institutions

(ROL billion)	**2001**	2000
Demand deposits from international financial institutions	515	571
Short term deposits from banks abroad	3,160	3,378
Total	**3,675**	3,949

The Bank does not pay interest on the demand deposits from international financial institutions. Short-term deposits bear variable market interest rate linked to LIBOR plus a 1% margin (31 December 2000: LIBOR plus 1%).

22. 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)*

23. International Monetary Fund

(ROL billion)	**2001**	2000
Deposits from the IMF	40,872	45,324
SDR allocation from the IMF	3,014	3,342
Standby facilities	9,103	10,460
Systemic transformation facility	3,116	4,837
Total	**56,105**	63,963

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. As at 31 December 2001 the SDR allocation from the IMF bear an interest of 2.23% per annum (see note 14).

Between 1992 and 2001 Romania and the IMF agreed to four standby arrangements (SBA) for a total amount of SDR 1,636 million, mainly to support short-term balance of payments. As at 31 December 2001 the outstanding amounts drawn from SBA facilities were SDR 229.44 million (2000: SDR 237.7 million).

Between 1993 and 1995 Romania also benefited from 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 2001 is SDR 78.55 million (2000: SDR 110 million).

The standby facilities and the systemic transformation facility bear variable interest rate set by IMF, as at 31 December 2001 is 2.96% per annum.

Notes *(continued)*

24. Currency in circulation

(ROL billion)	**2001**	2000
Banknotes	39,737	36,420
Coins	250	179
Total	**39,987**	36,599

25. Due to banks and other financial institutions

(ROL billion)	**2001**	2000
Current account for minimum reserve from domestic banks in ROL	28,114	31,052
Current account for minimum reserve from domestic banks in foreign currency	26,833	20,063
Short term deposits from domestic banks and other financial institutions	27,858	12,659
Total	**82,805**	63,774

The short term deposits from domestic banks and other financial institutions bear variable interest rates matching the market.

26. Due to State Treasury

(ROL billion)	**2001**	2000
State Treasury current accounts in ROL	4,314	1,324
State Treasury current accounts in foreign currency	4,074	2,575
Total	**8,388**	3,899

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

Notes *(continued)*

27. Deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities at 31 December 2001 and 2000 are attributable to the items detailed in the table below:

(ROL billion)	**Assets 2001**	**Liabilities 2001**	**Net 2001**	Assets 2000	Liabilities 2000	Net 2000
Revaluation of balances with IMF denominated in SDR	**(137)**	**-**	**(137)**	(13,856)	9,818	(4,038)
Write off of liability to the Government relating to IMF participation	**-**	**3,185**	**3,185**	-	4,150	4,150
Revaluation of gold and foreign assets and liabilities	**-**	**21,878**	**21,878**	-	14,596	14,596
Provisions	**(1,896)**	**-**	**(1,896)**	(898)	-	(898)
Hyperinflation adjustment on property and equipment	**-**	**18**	**18**	-	1,644	1,644
Fair value adjustment on swap	**-**	**-**	**-**	-	134	134
Other items	**(704)**	**-**	**(704)**	(455)	-	(455)
Total	**(2,737)**	**25,081**	**22,344**	(15,209)	30,342	15,133
Deferred tax at 80%			**17,875**			12,106

Movements in the deferred tax liability are presented below:

In billion ROL	**2001**
Balance at 1 January	12,106
Deferred tax expense	5,769
Balance at 31 December	**17,875**

Notes *(continued)*

28. Other domestic liabilities

(ROL billion)	**2001**	2000
Accrued interest payable	1,545	613
Other domestic liabilities	80	142
Provision for guarantees issued	97	104
Total	**1,722**	859

29. 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 26), 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 during the year from these two entities amounted to ROL 141 billion. As at 31 December 2001 the Bank had ROL 3 billion outstanding balances payable to the National Printing and Minting Units.

The Bank also exercises significant influence, through its 33% holding in the share capital and board representation, over TransFond. This entity was created in 2000 to outsource the Bank's settlement activities of domestic inter-bank operations. TransFond receives for its agent services 95% of the commissions received by the Bank from the domestic banks. The total commissions paid to TransFond by the Bank during the year amounted to ROL 268 billion.

Notes *(continued)*

30. Foreign currency positions

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

(ROL billion)	ROL	USD	EUR	SDR	Gold	Other	Total
Foreign assets							
Gold deposits with other banks	-	-	-	-	14,458	-	**14,458**
Cash and amounts due from banks	-	13,259	6,204	-	-	213	**19,676**
Placements with banks	-	-	-	-	-	1,838	**1,838**
Financial assets held-for-trading purposes	-	6,336	-	-	-	-	**6,336**
Foreign securities	-	54,411	42,707	-	-	-	**97,118**
International Monetary Fund	-	-	-	41,087	-	-	**41,087**
Quota in other financial institutions	868	775	151	-	-	306	**2,100**
Total foreign assets	**868**	**74,781**	**49,062**	**41,087**	**14,458**	**2,357**	**182,613**
Domestic assets							
Gold and other precious metals					15,211	333	**15,544**
Securities	9,210	-	-	-	-	-	**9,210**
Loans to domestic banks and other financial institutions	4,368	-	-	-	-	-	**4,368**
Property and equipment	2,454	-	-	-	-	-	**2,454**
Other domestic assets	2,208	-	2	-	-	29	**2,239**
Total domestic assets	**18,240**	**-**	**2**	**-**	**15,211**	**362**	**33,815**
Total assets	**19,108**	**74,781**	**49,064**	**41,087**	**29,669**	**2,719**	**216,428**

Notes *(continued)*

Foreign currency positions *(continued)*

(ROL billion)	ROL	USD	EUR	SDR	Gold	Other	Total
Foreign liabilities							
Due to banks and other financial institutions	515	3,160	-	-	-	-	**3,675**
Due to Government	868	775	151	-	-	306	**2,100**
International Monetary Fund	-	-	-	56,105	-	-	**56,105**
Other foreign liabilities	271	111	147	70	-	-	**599**
Total foreign liabilities	**1,654**	**4,046**	**298**	**56,175**	**-**	**306**	**62,479**
Currency in circulation	**39,987**	-	-	-	-	-	**39,987**
Domestic liabilities							
Due to banks and other financial institutions	55,972	26,420	413	-	-	-	**82,805**
Due to State Treasury	4,314	1,721	2,353	-	-	-	**8,388**
Deferred tax liability	17,875	-	-	-	-	-	**17,875**
Other domestic liabilities	1,722	-	-	-	-	-	**1,722**
Total domestic liabilities	**79,883**	**28,141**	**2,766**	**-**	**-**	**-**	**110,790**
Total liabilities	**121,524**	**32,187**	**3,064**	**56,175**	**-**	**306**	**213,256**
Net assets /(liabilities)	**(102,416)**	**42,594**	**46,000**	**(15,088)**	**29,669**	**2,413**	**3,172**

Notes *(continued)*

31. Maturity analysis

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:

(ROL billion)	**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 deposits with other banks	4,065	10,393	-	-	-	-	**14,458**
Cash and amounts due from banks	19,676	-	-	-	-	-	**19,676**
Placements with other banks	1,378	460	-	-	-	-	**1,838**
Financial assets held-for-trading purposes	-	4	26	4,686	1,620	-	**6,336**
Foreign securities	26,088	18,790	12,354	36,967	2,919	-	**97,118**
International Monetary Fund	215	-	-	-	-	40,872	**41,087**
Quota in other international financial institutions	-	-	-	-	-	2,100	**2,100**
Total foreign assets	**51,422**	**29,647**	**12,380**	**41,653**	**4,539**	**42,972**	**182,613**
Domestic assets							
Gold and other precious metals	-	-	-	-	-	15,544	**15,544**
Securities	1,648	7,562	-	-	-	-	**9,210**
Loans to domestic banks and other financial institutions	3,148	-	300	920	-	-	**4,368**
Property and equipment	-	-	-	-	-	2,454	**2,454**
Other domestic assets	453	-	8	1,691	-	87	**2,239**
Total domestic assets	**5,249**	**7,562**	**308**	**2,611**	**-**	**18,085**	**33,815**
Total assets	**56,671**	**37,209**	**12,688**	**44,264**	**4,539**	**61,057**	**216,428**

Notes *(continued)*

Maturity analysis *(continued)*

(ROL billion)	**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	515	-	3,160	-	-	-	**3,675**
Due to Government	-	-	-	-	-	2,100	**2,100**
International Monetary Fund	12,219	-	-	-	-	43,886	**56,105**
Other foreign liabilities	14	4	303	174	-	104	**599**
Total foreign liabilities	**12,748**	**4**	**3,463**	**174**	**-**	**46,090**	**62,479**
Currency in circulation	-	-	-	-	-	39,987	**39,987**
Domestic liabilities							
Due to banks and other financial institutions	72,686	10,119	-	-	-	-	**82,805**
Due to State Treasury	8,388	-	-	-	-	-	**8,388**
Deferred tax liability	-	-	-	-	-	17,875	**17,875**
Other domestic liabilities	1,169	456	-	-	-	97	**1,722**
Total domestic liabilities	**82,243**	**10,575**	**-**	**-**	**-**	**17,972**	**110,790**
Total liabilities	**94,991**	**10,579**	**3,463**	**174**	**-**	**104,049**	**213,256**
Maturity surplus/ (shortfall)	**(38,320)**	**26,630**	**9,225**	**44,090**	**4,539**	**(42,992)**	**3,172**

Notes *(continued)*

32. Commitments and contingencies

As at 31 December 2001 there were no foreign exchange deals outstanding.

The Bank has outstanding guarantees issued with a fair value of ROL 97 billion as at 31 December 2001 which were recognised in other liabilities (see note 28). 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.

As at 31 December 2001 the Bank is involved in some litigations for which the probable claims estimated by the Bank's lawyers amount to ROL 149 billion. The Bank has recorded a provision amounting to ROL 104 billion (USD 3.3 million) for the litigations where it is probable that an outflow of resources embodying economic benefits will occur.

In 2001 Romania and IMF agreed a stand by arrangement to support short-term balance of payments for a total amount of SDR 300 million with expiry on 29 April 2003. As at 31 December 2001 the undrawn facility was SDR 248 million.

The quotas in international financial institutions are supported by promissory notes signed by the Ministry of Public Finance amounting to ROL 642 billion as at 31 December 2001.

33. Reconciliation of profit/(loss) under IAS and Romanian Accounting Standards

(ROL billion)	**2001**
Net loss under Romanian Accounting Standards	(4,162)
Revaluation of balances with IMF denominated in SDR	(5,372)
Revaluation of foreign assets and liabilities and gold	15,911
Hyperinflation adjustment, loss on net monetary position	(2,535)
Deferred tax expense	(5,769)
Other adjustments	(66)
Net loss after tax under IAS	**(1,993)**