National Bank of Romania

Financial Statements
31 December 2002

National Bank of Romania

Contents

KPMG Romania SRL

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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 2002, and the related statements of income and cash flows for the year then ended. The 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 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 2002, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards adopted by the International Accounting Standards Board.

KPMG

KPMG Romania SRL
Bucharest, Romania

24 July 2003

National Bank of Romania

Income statement

for the year ended 31 December 2002
(Adjusted for inflation at 31 December 2002)

In ROL billion	*Note*	**2002**	2001
Interest and similar income	*4*	11,127	15,720
Interest expense and similar charges	*5*	(20,433)	(22,840)
Net interest income		**(9,306)**	(7,120)
Fee and commission income		1,326	1,424
Fee and commission expense		(518)	(394)
Net fee and commission income	*6*	**808**	1,030
Net foreign exchange gains	*7*	25,242	16,092
Other operating income		295	190
Operating expenses	*8*	(1,742)	(1,974)
Net release of provision for impairment losses on loans to banks and other financial institutions	*19*	57	104
Provision for impairment losses on property and equipment		**-**	(759)
Release/(charge) of other provisions		104	(122)
Operating profit before hyperinflation adjustment		**15,458**	7,441
Hyperinflation adjustment, loss on net monetary position		**(2,477)**	(2,989)
Profit before tax		**12,981**	4,452
Income tax expense	*9*	**(16,102)**	(6,802)
Net loss for the year		**(3,121)**	(2,350)

The financial statements were approved by the Board of Directors on 24 July 2003 and were signed on its behalf by:

Mr. Mugur Isarescu
Governor

National Bank of Romania

Balance sheet

at 31 December 2002
(Adjusted for inflation at 31 December 2002)

In ROL billion	*Note*	**31 December 2002**	31 December 2001
Foreign assets			
Gold deposits with other banks	*10*	22,634	17,046
Cash and cash equivalents	*11*	5,173	5,092
Placements with banks	*12*	25,578	20,273
Financial assets, held-for-trading	*13*	57,116	7,470
Foreign securities, available-for-sale	*14*	119,612	114,502
International Monetary Fund	*15*	46,996	48,441
Quota in other international financial institutions	*16*	2,302	2,476
Total foreign assets		**279,411**	215,300
Domestic assets			
Gold and other precious metals	*17*	16,663	18,326
Securities, available-for-sale	*18*	2,551	10,859
Loans to banks and other financial institutions	*19*	2,581	5,150
Property and equipment	*20*	2,916	2,893
Other assets	*21*	3,188	2,640
Total domestic assets		**27,899**	39,868
Total assets		**307,310**	255,168

The financial statements were approved by the Board of Directors on 24 July 2003 and were signed on its behalf by:

Mr. Mugur Isarescu
Governor

Balance sheet *(continued)*

at 31 December 2002
(Adjusted for inflation at 31 December 2002)

In ROL billion	*Note*	**31 December 2002**	31 December 2001
Foreign liabilities			
Due to banks and other financial institutions	*22*	719	4,333
Due to Government	*23*	2,302	2,476
International Monetary Fund	*24*	64,722	66,148
Other liabilities		333	706
Total foreign liabilities		**68,076**	73,663
Currency in circulation	*25*	**52,805**	47,144
Domestic liabilities			
Due to banks and other financial institutions	*26*	136,871	97,627
Due to State Treasury	*27*	9,958	9,889
Deferred tax liability	*28*	37,177	21,075
Other liabilities	*29*	1,804	2,030
Total domestic liabilities		**185,810**	130,621
Total liabilities		**306,691**	251,428
Shareholder's equity			
Issued share capital		172	172
Reserves		146	146
Retained earnings		301	3,422
Total shareholder's equity		**619**	3,740
Total liabilities and shareholders' equity		**307,310**	255,168

The financial statements were approved by the Board of Directors on 24 July 2003 and were signed on its behalf by:

Mr. Mugur Isarescu
Governor

Statement of changes in equity

for the year ended 31 December 2002
(Adjusted for inflation at 31 December 2002)

In ROL billion	Share capital	Reserves	Retained earnings	Total
Balance at 1 January 2001	172	146	5,772	6,090
Net loss for the year	-	-	(2,350)	(2,350)
Balance at 31 December 2001	172	146	3,422	3,740
Net loss for the year	-	-	(3,121)	(3,121)
Balance at 31 December 2002	**172**	**146**	**301**	**619**

The reserves include the non-distributable legal reserve fund to the amount of ROL 146 billion as at 31 December 2002 (2001: ROL 146 billion).

National Bank of Romania

Cash flow statement

for the year ended 31 December 2002
(Adjusted for inflation as at 31 December 2002)

In ROL billion	*Note*	**2002**	2001
Operating activities			
Profit before tax		**12,981**	4,452
Adjustments for non-cash items:			
Impairment loss and write-off on doubtful and bad debts	*19*	(57)	(104)
Depreciation and amortisation	*8*	106	209
Impairment loss on property and equipment		-	759
Provisions for litigations		(104)	123
Hyperinflation impact on tax and provisions		262	1,236
Profit on disposal of property and equipment		(4)	(9)
Operating profit before changes in operating assets and liabilities		**13,184**	6,666
(Increase)/decrease in operating assets:			
Gold and other precious metals		(3,925)	1,784
Securities		(46,448)	(25,099)
Placements with banks		(5,305)	(7,969)
International Monetary Fund		1,445	5,033
Loans to banks and other financial institutions		2,626	4,045
Other assets		(839)	(38)
Increase/(decrease) in operating liabilities:			
Due to banks and other financial institutions		35,630	22,113
Due to State Treasury		69	5,292
International Monetary Fund		(1,363)	(5,635)
Currency in circulation		5,661	3,996
Other liabilities		(465)	387
Cash flows from operating activities		**270**	10,575
Investing activities			
Net purchase of property and equipment		(126)	(158)
Cash flows used in investing activities		**(126)**	(158)
Financing activities			
Borrowings from International Monetary Fund		(63)	(3,629)
Other borrowings		-	(9,865)
Cash flows used in financing activities		**(63)**	(13,494)
Net increase/(decrease) in cash and cash equivalents		**81**	(3,077)
Cash and cash equivalents balances at beginning of year	*11*	**5,092**	8,169
Cash and cash equivalents balances at end of year	*11*	**5,173**	5,092

The accompanying notes from pages 6 to 43 form an integral part of these 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 in order to provide for price stability;
- 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 Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) of the IASB.

b) Basis of preparation

The financial statements are prepared under the going concern assumption and presented in Romanian Lei ("ROL"), rounded to the nearest billion, adjusted for inflation at 31 December 2002.

The financial statements are prepared on a fair value basis for financial assets and liabilities held-for-trading and available-for-sale instruments, except those for which a reliable measure of fair value is not available. Other financial assets and liabilities and non-financial assets and liabilities are stated at amortised cost or historical cost as modified by the requirements of IAS 29 ("Financial Reporting in Hyperinflationary Economies").

The accounting policies have been consistently applied by the Bank for the year ended 31 December 2002 and are consistent with those used in the previous year.

Notes to the financial statements

2. Significant accounting policies *(continued)*

b) Basis of preparation *(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;
- 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, if the case; and
- provision for deferred taxation, where appropriate.

In respect of comparative information, certain items from the 2001 financial statements have been reclassified to conform to 2002 financial statements presentation.

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. These accounts have been restated to reflect the differences between the statutory accounts and the IFRS. Accordingly, such adjustments have been made to the statutory accounts as have been considered necessary to bring the financial statements into line, in all material respects, with IFRS.

c) Basis of consolidation

i) Associates

Associates are those enterprises over whose financial and operating assets the Bank has the ability to exercise significant influence, but not control. The financial statements include the Bank's share of the total recognised gains and losses of associates on an equity accounted basis, from the date that significant influence commences until the date that significant influence ceases. When the Bank's share of losses exceeds the carrying amount of the associate, the carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the Bank has incurred obligations in respect of the associate.

The Bank holds a 33% investment in TransFond SA, a public limited company that provides settlement and clearing services of inter-bank operations to local banks. The Bank also exercises significant influence, through board representations, over the National Printing and Minting Units, two state institutions that manufacture the banknotes and coins for the Bank.

2. Significant accounting policies *(continued)*

c) Basis of consolidation *(continued)*

The Bank did not adjust in its financial statements for its share of the total recognised gains and losses of these associates in the financial statements in accordance with IAS 28 ("Accounting for investments in associates"), due to the immateriality of the financial position and results of operations of these enterprises on the financial statements of the Bank. The Bank classified the investment in TransFond SA as an available-for-sale financial instrument.

d) Standard applicable in hyperinflationary economies

The Bank operates in a highly inflationary economy and as such applies the provisions of IAS 29 and SIC 19 ("Reporting Currency - Measurement and Presentation of Financial Statements under IAS 21 and IAS 29") for IFRS restatement purposes.

i) Measurement currency – Application of IAS 29 and SIC 19

The Bank's management considers that the measurement currency, as defined by SIC 19, is the ROL. According to IAS 29 and SIC 19, the financial statements of an enterprise whose measurement currency is the currency of a hyperinflationary economy should be stated in terms of measuring unit current at the balance sheet date i.e. non monetary items are restated using a general price index from the date of acquisition or contribution. The amounts shown in the restated currency do not represent appraised value, replacement cost, or any other measure of the current value of assets or the prices at which transactions would take place currently.

IAS 29 suggests that economies should be regarded as hyperinflationary if, among other factors, the cumulative inflation rate over a period of three years exceeds or approaches 100%. The annual increase in the General Price Index as published by the National Commission of Statistics of Romania over the years 2000, 2001 and 2002 was:

	Increase in the general price index	Movement in the exchange rate of the US Dollar
Year ended 31 December 2002	17.9%	(6.0%)
Year ended 31 December 2001	30.3%	(21.9%)
Year ended 31 December 2000	40.7%	(42.0%)

The cumulative rate of inflation was 116% over years 2000, 2001 and 2002 on the basis of the information published by the National Commission of Statistics of Romania. Therefore, the provisions of IAS 29 have been adopted in preparing these financial statements.

2. Significant accounting policies *(continued)*

d) Standard applicable in hyperinflationary economies *(continued)*

In order to restate the Romanian statutory accounts for inflation at reporting date in accordance with IAS 29, the following procedures were followed:

ii) Monetary assets and liabilities

Cash and cash equivalents, gold and other precious metals, placements with banks, debt securities, loans and advances to banks and other financial institutions, International Monetary Fund, accruals, receivables, payables (including taxes), amounts due to banks and other financial institutions, both long and short term, are not restated because they are already expressed in terms of the monetary unit current at balance sheet date.

iii) Non-monetary assets and liabilities

Non-monetary items (such as property and equipment, equity investments, deferred tax, share capital and reserves) are restated from their historical cost by applying the index from the dates these items were purchased, contributed or otherwise arose.

iv) Income statement

Amounts included in the statement of income have been indexed by the change in the general price index based on the following assumptions:

- In general, inflation occurred evenly each month; and
- Income and expenditures have accrued evenly over the year except for charges against profit for aggregate movements in:
  - provision for impairment losses on loans;
  - provision for impairment of receivables.

All such movements have been treated, for the purposes of this calculation, as occurring at the year-end.

v) Hyperinflation adjustment, gains and losses on net monetary position

In a period of hyperinflation, an entity holding an excess of monetary assets over monetary liabilities in a hyperinflationary currency loses purchasing power, while an entity holding an excess of monetary liabilities over monetary assets gains purchasing power. The net gain or loss on the net monetary position comprises the effects of changes in the general price indices on the net monetary asset/liability position. The net gain or loss is derived after having restated the balance sheet and the income statement in accordance with the procedures described above. Gains or losses on net monetary position are included in the income statement for the year.

vi) Comparative figures

The comparative financial statements and figures have been restated for changes in the general price index of the ROL and, as a result, are stated in terms of the measuring unit current at 31 December 2002.

Notes to the financial statements

2. Significant accounting policies *(continued)*

e) 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.

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	**2002**	2001
US Dollar (USD)	1: ROL 33,500	1: ROL 31,597
Euro (EUR)	1: ROL 34,919	1: ROL 27,881
Special Drawing Rights (SDR)	1: ROL 45,544	1: ROL 39,674

f) Estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the balance sheet and revenue and expenses for the period. Actual results could differ from those estimates.

g) Financial instruments

i) Classification

Trading instruments are those that the Bank holds for the purpose of short-term profit taking. 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. This category includes only dealing securities.

Financial assets originated by the Bank are loans and advances 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 to banks and other financial institutions 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 investment 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 debt securities, i.e. treasury bills, discount notes and other bonds and investment securities that are not held for trading or held-to-maturity.

2. Significant accounting policies *(continued)*

g) Financial instruments *(continued)*

ii) Recognition

The Bank recognises financial assets on the date they are transferred to the Bank. For the financial assets held for trading or available-for-sale, any gains and losses arising from changes in fair value of the assets are recognised from the date the Bank acquires the asset.

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 for 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. Amortised cost is calculated on the effective interest rate method. 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 to the financial statements

2. Significant accounting policies *(continued)*

g) Financial instruments *(continued)*

vi) Specific instruments

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.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances on hand and nostro accounts with banks and other financial institutions.

Placements with banks

Placements with banks are classified as financial assets originated by the Bank. Consequently, placements with banks are stated at their nominal amount (including accrued interest receivable), less specific provision for impairment if losses are considered likely to occur (refer accounting policy 2i).

Securities

Securities that the Bank holds for the purpose of short-term profit 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.

The Bank classified the foreign securities as held-for-trading based on the analysis of the trading pattern of short-term profit taking over the current year for the relevant portfolios of foreign coupon and discount notes. During 2002 the Bank has considered more detailed and extensive information for the entire year when performing the analysis of the actual pattern of short-term profit taking for the foreign securities.

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.

Debt securities, such as bills and notes issued by the Government of Romania do not have an active market to support the assessment of their fair value. Consequently, the fair value of these securities was estimated using discounted cash flow techniques applying the prevailing reference rate for placements on the local inter-banking market.

Equity investments in non-consolidated companies (see accounting policy 2c) are classified as available-for-sale assets and are carried at the fair value. Where no reliable estimate of fair value is available, equity investments are stated at cost less specific provision for impairment losses.

Notes to the financial statements

2. Significant accounting policies *(continued)*

g) Financial instruments *(continued)*

Loans to banks and other financial institutions

Loans and advances 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 (refer accounting policy 2i).

h) Derecognition

A financial asset is derecognised when the Bank loses control over the contractual rights that comprise that asset. This occurs when the rights are realised, expire or are surrendered.

Domestic securities sold under sell-buyback arrangements are derecognised in the balance sheet and corresponding receivables from the buyer for the payment are recognised as of the date the Bank transfers the assets. The Bank uses the specific identification method to determine the gain or loss on derecognition.

The difference between the sale and buyback considerations is recognised on an accrual basis over the period of the transaction and is included in interest expense.

i) Impairment and uncollectibility

Financial assets are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Loans to banks and other financial institutions originated by the Bank

The recoverable amount of originated loans and advances is calculated based on the year-end evaluations of loans and advances, including the accrued interest.

The amount of provision for impairment losses is the difference between the carrying amount of the loans and the estimated recoverable amount, calculated as the present value of expected cash flows, including amounts recoverable from guarantees and collateral, discounted based on the instrument's effective interest rate at inception.

The provision for impairment losses on loans is reported in the income statement as a specific charge or release and is deducted from the relevant asset category in the balance sheet for reporting purposes.

When it is determined that a loan cannot be recovered, all the necessary legal procedures have been completed, and the final loss has been determined, the loan is written off.

Notes to the financial statements

2. Significant accounting policies *(continued)*

j) Impairment and uncollectibility *(continued)*

Property and equipment

The recoverable amount of the property and equipment portfolio was estimated as the higher of the asset's net selling price and its value in use based on the independent valuation carried out in October 2001 by an independent property valuer.

The Bank reviews the carrying amount of property and equipment at each balance sheet date, and estimated the recoverable amount of property and equipment to be the value estimated by the independent valuer, adjusted for inflation at 31 December 2002.

Impairment losses are recognised in the income statement whenever the carrying amount of an item of property and equipment exceeds its recoverable amount.

Impairment losses are reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

j) 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.

k) Fee and commission income and expense

Fee and commission income and expense is recognized in the income statement as and when services are provided.

l) Property and equipment

Items of property and equipment are stated at their cost less accumulated depreciation value and impairment losses (refer accounting policy 2i). Capital expenditure on property and equipment in the course of construction is capitalised and depreciated once the assets enter into use.

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalised. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property and equipment. All other expenditure is recognised in the income statement as an expense as incurred.

Notes to the financial statements

2. Significant accounting policies *(continued)*

l) Property and equipment *(continued)*

Depreciation is provided on a straight-line basis over the estimated useful lives of items of property and equipment, and major components that are accounted for separately. The depreciation is recognised as writedowns of the costs or the estimated as a result of revaluation of the residual values of the items of property and equipment. Land is not depreciated. The estimated useful lives are as follows:

Buildings	20 – 50 years
Equipment	5 – 20 years
Motor vehicles	5 years
Computer equipment	3 years

m) Pension obligations and other post retirement benefits

The Bank, 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 are members of the State pension plan. All relevant expenses are carried to the income statement on a regular basis.

The Bank does not operate any independent pension scheme and, consequently, has no obligation in respect of pensions. The Bank does not operate any other defined benefit plan or post retirement benefit plan. The Bank has no obligation to provide further services to current or former employees.

n) 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.

Notes to the financial statements

2. Significant accounting policies *(continued)*

n) Taxation *(continued)*

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.

For the year ended 31 December 2002 the income tax rate was 80% (2001: 80%).

During 2002 the Bank revised the accounting estimate relating to the expected manner of settlement of the tax base of the liability to the Government of Romania relating to IMF participation fund, which was written off for financial reporting purposes in the previous years.

Management concluded that, based on new information regarding the estimated manner of settlement of this liability, the difference between the carrying amount of the IMF participation fund for financial reporting purposes and the amounts used for taxation purposes is non-temporary. The effect of this change in accounting estimate relating to the deferred tax amounted to ROL 2,548 billion and was included in the income statement for the year ended 31 December 2002.

Applying IAS 12 “Income taxes” has a significant impact on the financial statements of the Bank. IAS 12 was not originally issued for organisations like central banks and therefore, its application is not yet clear or suitable.

o) 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. 101/1998 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 to the financial statements

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. The most important types of financial risk to which the Bank is exposed are credit risk, liquidity risk and market risk. Market risk includes interest rate risk and currency risk.

a) Credit risk

The Bank is exposed to credit risk through its trading, lending and investing activities and in cases where it issues guarantees.

Credit risk associated with trading and investing activities is managed through the Bank's market risk management process. The risk is mitigated through selecting counterparties of high credit standing and monitoring their activities and ratings and through the use of exposure limits.

The Bank's primary exposure to credit risk arises as a result of granting short-term loans to domestic credit institutions. The amount of credit exposure in this regard is represented by the carrying amounts of the assets on the balance sheet. 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. Nevertheless, this risk has been constantly decreased due to the reduction of the Bank's loans portfolio.

Concentrations of credit risk that arise from financial instruments exist for groups of counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The major concentrations of credit risk arise by individual counterparty and by type of customer in relation to the Bank's loans and advances (see note 19).

Maximum credit risk exposure representing the maximum accounting loss that would be recognised at the balance sheet date if counterparties failed completely to perform as contracted and any collateral or security proved to be of no value, is estimated to be in the magnitude of ROL 2,581 billion. The amounts, therefore, greatly exceed expected losses, which are included in the provisions for impairment losses.

b) 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 international foreign currency portfolio, through cash budgeting and diversification, in order to ensure the foreign obligations are timely met.

3. Risk management policies *(continued)*

c) Interest rate risk

The Bank incurs interest rate risk principally in the form of exposure to adverse changes in the market interest rates to the extent that interest-earning assets and interest-earning liabilities mature or reprice at different times or in different amounts.

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

d) Currency risk

The Bank is exposed to currency risk through transactions in foreign currencies against ROL. There is also a balance sheet risk that the net monetary liabilities in foreign currencies will take a higher value when translated into ROL as a result of currency movements.

The principal foreign currencies held by the Bank are EUR and USD. Romania experiences high rates of inflation and significant currency devaluation. There is a consequent risk of loss in value in respect of net monetary assets held in ROL. Open foreign exchange positions represent also a source of foreign exchange risk.

In order to avoid losses arising from adverse movements in exchange rates, the Bank, within the framework of its objectives for managing international reserves, is currently pursuing the policy of diversifying its portfolio of currencies, whilst maintaining an overall long foreign exchange position.

Notes to the financial statements

4. Interest and similar income

In ROL billion	**2002**	2001
Foreign operations		
Foreign interest and similar income arising from:		
Current accounts and placements with foreign banks	729	931
Foreign debt securities	7,901	5,959
Other foreign interest income	95	215
Total foreign interest income	***8,725***	7,105
Domestic operations		
Domestic interest and similar income arising from:		
Domestic debt securities	2,038	7,451
Loans and advances to domestic banks and other financial institutions	359	1,152
Other domestic interest income	5	12
Total domestic interest income	***2,402***	8,615
Total interest and similar income	**11,127**	15,720

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.

5. Interest expense and similar charges

	2002	2001
In ROL billion		
Foreign operations		
Foreign interest expense and similar charges arising from:		
Deposits from banks and other financial institutions	482	828
Foreign debt securities	111	2,432
Borrowings from International Monetary Fund	482	764
Other foreign interest expense	77	154
Total foreign interest expense	***1,152***	4,178
Domestic operations		
Domestic interest expense and similar charges arising from:		
Minimum compulsory reserve from local banks	3,885	8,209
Term deposits from local banks	13,567	6,846
Repurchase transactions with debt securities	829	2,497
State Treasury current account	996	1,097
Other domestic interest expense	4	13
Total domestic interest expense	***19,281***	18,662
Total interest and similar expense	**20,433**	22,840

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 fee and commission income

Net fee and commission income includes fee and commission income from services regarding settlement of domestic inter-bank operations and of payments to the State budget and from certification of precious metals, less fee and commission expenses paid for services received by the Bank, including the agent services provided by TransFond SA (see note 30).

Notes to the financial statements

7. Net foreign exchange gains

In ROL billion	**2002**	2001
Revaluation of gold and precious metals	9,265	6,803
Net revaluation of foreign currency assets and liabilities	15,869	9,252
Foreign currency trading gains	375	306
Foreign currency trading losses	(267)	(269)
Total	**25,242**	16,092

8. Operating expenses

In ROL billion	**2002**	2001
Salaries and other personnel costs	732	769
Currency issuance expenses	399	542
Depreciation and amortisation	106	209
Administrative expenses	239	245
Other operating costs	266	209
Total	**1,742**	1,974

The number of employees at 31 December 2002 was 2,400 (2001: 2,445).

9. Income tax expense

In ROL billion	**2002**	2001
Current tax expense at 80% of taxable profits determined in accordance with Romanian law	-	-
Deferred tax expense (see note 28)	16,102	6,802
Total	**16,102**	6,802

9. Income tax expense *(continued)*

Reconciliation of profit before tax to income tax expense in the income statement

In ROL billion	**2002**
Profit before tax	**12,981**
Taxation at statutory rate of 80%	**10,385**
Unrecognised deferred tax asset on the statutory loss	8,461
Tax effect of non-temporary differences	454
Reversal of temporary differences	(3,198)
Taxation in the income statement	**16,102**

10. Gold deposits with other banks

The gold deposits in standard form placed with external banks bear market interest rates varying between 0.08% and 0.59% per annum (2001: between 0.35% and 0.82% per annum).

11. Cash and cash equivalents

In ROL billion	**31 December 2002**	31 December 2001
Current accounts held banks abroad	404	364
Current accounts held with international financial institutions	4,768	4,723
Cash on hand	1	5
Total	**5,173**	5,092

The average interest rate offered to the Bank for the current accounts held with other banks and international financial institutions is 2.9% per annum (2001: 2.1% per annum).

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

Notes to the financial statements

12. Placements with banks

During October 2002 the Bank concluded a one-year investment management agreement with the International Bank for Reconstruction and Development (IBRD), by which IBRD became the Bank's investment advisor and agent for certain foreign assets limited to 20% of the international foreign exchange reserves. As at 31 December 2002 placements with banks managed by IBRD amounted to ROL 1,022 billion (USD 30.5 million).

As at 31 December 2002 placements with banks include overnight deposits held with the Federal Reserve Bank of New York of ROL 6,033 billion (31 decembrie 2001: ROL 14,819 billion).

The average interest rate offered to the Bank for placements with other banks is 3.3% per annum (2001: 3.8% per annum).

13. Financial assets, held-for-trading

In ROL billion	**31 December 2002**	31 December 2001
French discount Treasury bills	24,881	-
German discount Treasury bills	10,427	-
Dutch discount Treasury bills	9,557	-
Italian discount Treasury bills	348	-
US Treasury notes	11,903	3,137
US Government Agencies' notes	-	3,872
US STRIP notes	-	461
Total	**57,116**	7,470

The interest rates on the European discount notes range between 2.75% and 3.52%. The US notes bear fixed interest rates. The interest rates range between 1.87% and 3% per annum (2001: between 2.75% and 5.5% per annum).

Notes to the financial statements

14. Foreign securities, available-for-sale

In ROL billion	**31 December 2002**	31 December 2001
Foreign securities available-for-sale (i)		
US Treasury bills	30,574	16,365
US Government Agencies' bills	26,349	26,457
US Treasury notes	-	4,717
US Government Agencies' notes	1,181	8,671
US STRIP notes	14,871	6,046
Bank for International Settlements FIXBIS bills	3,008	22,146
Bank for International Settlements MTI notes	15,697	29,310
German Treasury notes	7,285	-
French Treasury notes	6,567	-
Italian Treasury notes	5,250	-
Dutch Treasury notes	1,444	-
US Treasury securities managed by IBRD *(ii)*	7,386	-
	119,612	113,712
Foreign securities held-to-maturity		
Bonds issued by public sector issuers	**-**	790
	-	790
Total	**119,612**	114,502

i) The US, BIS and European coupon notes bear fixed interest rates. The interest rates range between 2.9% and 5.25% per annum for the notes in EUR (2001: between 4.5% and 5.25% per annum) and between 1.87% and 4.45% per annum for those in USD (2001: between 2.75% and 5.5% per annum).

Interest rates on the discount notes range between 1.21% and 1.71% per annum for the notes in USD (2001: between 1.6% and 2.55% per annum).

ii) As at 31 December 2002 the US Treasury securities acquired and managed by IBRD on behalf of the Bank under the investment management agreement (see note 12) amounted to ROL 7,386 billion (USD 220.5 million).

Interest rates on the US Treasury securities managed by IBRD range between 1.75% and 7.5% per annum.

Notes to the financial statements

15. International Monetary Fund

In ROL billion	**31 December 2002**	31 December 2001
Romania's IMF quota	46,920	48,188
Current account in SDR with IMF	76	253
Total	**46,996**	48,441

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 2002 and 2001, 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 24).

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 24).

16. Quota in other international financial institutions

In ROL billion	**31 December 2002**	31 December 2001
Romania's IBRD quota	1,022	1,137
Romania's EBRD quota	799	804
Equity investment in Bank for International Settlements	325	362
Romania's quota in other international financial institutions (IFC, MIGA)	156	173
Total	**2,302**	2,476

17. Gold and other precious metals

In ROL billion	**31 December 2002**	31 December 2001
Gold bullion in standard form	15,589	16,724
Gold in other form	665	1,210
Other precious metals	409	392
Total	**16,663**	18,326

18. Domestic securities, available-for-sale

In ROL billion	**31 December 2002**	31 December 2001
Notes issued by the Government of Romania denominated in ROL	2,551	10,859
Total	**2,551**	10,859

The notes denominated in ROL bear variable market interest rates matching the market. As at 31 December 2002 these rates ranged between 20.4% and 23.7% per annum (2001: between 35% and 50% per annum).

19. Loans to banks and other financial institutions

The Bank's lending is concentrated on banks and other financial institutions domiciled in Romania. Risk concentrations by type of customer as at 31 December 2002 and 31 December 2001 were as follows:

In ROL billion	**31 December 2002**	31 December 2001
Unsecured loans granted to domestic banks and financial institutions	3,104	5,827
Loans granted to employees	14	23
Less: provision for impairment losses	(537)	(700)
Total	**2,581**	5,150

Notes to the financial statements

19. Loans to banks and other financial institutions *(continued)*

As at 31 December 2002 the level of non-performing loans, defined as "doubtful" and "loss", was ROL 537 billion (31 December 2001: ROL 700 billion).

The loans granted to local banks and other financial institutions bear interest rates subject to periodically contractual repricing terms. As at 31 December 2002 these rates ranged between 2.74% and 15% per annum (2001: between 6.1% and 17% per annum).

The provision for impairment losses on loans is arrived at by forming an assessment of the recoverability of amounts banks and other financial institutions.

The provision for impairment losses on loans and advances to banks and other financial institutions can be further analysed as follows:

In ROL billion	**31 December 2002**	31 December 2001
Balance at beginning of the year	700	2,433
Effect of hyperinflation	(106)	(566)
Net release of provision for impairment losses to income statement	(57)	(104)
Loans written off	-	664
Recoveries from loans previously written off	-	(1,727)
Balance at end of the year	**537**	700

Notes to the financial statements

20. Property and equipment

In 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 2002	2,464	740	124	1,065	4,393
Additions	2	48	80	3	133
Disposals	(1)	(4)	-	(6)	(11)
Transfers	22	6	(32)	4	-
At 31 December 2002	2,487	790	172	1,066	4,515
Accumulated depreciation and impairment losses					
At 1 January 2002	619	574	30	277	1,500
Charge for the year	61	24	-	21	106
Disposals	-	(3)	-	(4)	(7)
At 31 December 2002	680	595	30	294	1,599
Net book value					
At 31 December 2002	**1,807**	**195**	**142**	**772**	**2,916**
At 31 December 2001	1,845	166	94	788	2,893

As at 31 December 2002 the Bank included in equipment leased office and IT equipment amounted to ROL 126 billion (2001: ROL 179 billion). At the end of the lease the Bank has the option to purchase the equipment at a beneficial price.

21. Other domestic assets

In ROL billion	**31 December 2002**	31 December 2001
Accrued interest receivable	137	202
Less provision for uncollectible interest	(61)	(72)
Net accrued interest receivable	76	130
Tax receivable	1,624	1,916
Other amounts due from the Government of Romania	1,358	441
Equity investment in TransFond SA	34	34
Other assets	96	119
Total	**3,188**	2,640

22. Due to banks and other financial institutions

In ROL billion	**31 December 2002**	31 December 2001
Demand deposits from international financial institutions	719	607
Short term deposits from banks abroad	**-**	3,726
Total	**719**	4,333

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

23. 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 to the financial statements

24. International Monetary Fund

In ROL billion	**31 December 2002**	31 December 2001
Deposits from the IMF	46,920	48,188
SDR allocation from the IMF	3,459	3,554
Standby facilities	12,196	10,732
Systemic transformation facility	2,147	3,674
Total	**64,722**	66,148

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 2002 the SDR allocation from the IMF bear an interest of 1.91% per annum (see note 15).

Between 1992 and 2002 Romania and the IMF agreed to four stand-by arrangements (SBA) for a total amount of SDR 1,636 million, mainly to support short-term balance of payments. As at 31 December 2002 the outstanding amounts drawn from SBA facilities were SDR 267.79 million (2001: SDR 229.44 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 2002 is SDR 47.13 million (2001: SDR 78.55 million).

The stand-by facilities and the systemic transformation facility bear variable interest rate set by IMF, as at 31 December 2002 is 2.44% per annum.

25. Currency in circulation

In ROL billion	**31 December 2002**	31 December 2001
Banknotes	52,138	46,850
Coins	667	294
Total	**52,805**	47,144

26. Due to banks and other domestic financial institutions

In ROL billion	**31 December 2002**	31 December 2001
Current account for minimum reserve from domestic banks in ROL	27,598	33,146
Current account for minimum reserve from domestic banks in foreign currency	43,244	31,636
Short-term deposits from domestic banks and other financial institutions	66,029	32,845
Total	**136,871**	**97,627**

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

27. Due to State Treasury

In ROL billion	**31 December 2002**	31 December 2001
State Treasury current accounts in ROL	6,842	5,086
State Treasury current accounts in foreign currency	3,116	4,803
Total	**9,958**	9,889

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

Notes to the financial statements

28. Deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities at 31 December 2002 and 2001 are attributable to the items detailed in the table below:

	31 December 2002			31 December 2001		
	Assets	**Liabilities**	**Net**	Assets	Liabilities	Net
In ROL billion						
Revaluation of balances with IMF denominated in SDR	-	-	-	(162)	-	(162)
Write off of liability to the Government of Romania relating to IMF participation	-	-	-	-	3,755	3,755
Revaluation of gold and foreign assets and liabilities	-	46,721	46,721	-	25,794	25,794
Provisions	(1,549)	-	(1,549)	(2,234)	-	(2,234)
Hyperinflation adjustment on property and equipment	-	499	499	-	21	21
Fair value adjustment on debt securities	-	995	995	(538)	-	(538)
Other items	(195)	-	(195)	(292)	-	(292)
Total	(1,744)	48,215	**46,471**	(3,226)	29,570	26,344
Deferred tax at 80%			**37,177**			21,075

Movements in the deferred tax liability are presented below:

	31 December 2002	31 December 2001
In ROL billion		
Balance at beginning of the year	21,075	14,273
Deferred tax expense	16,102	6,802
Balance at end of the year	**37,177**	21,075

Notes to the financial statements

29. Other domestic liabilities

In ROL billion	**31 December 2002**	31 December 2001
Accrued interest payable	1,605	1,822
Provisions for guarantees issued	103	114
Other	96	94
Total	**1,804**	2,030

30. Related party transactions

The Government of Romania has influence over the policies of the Bank as a state institution. The Government of Romania, through the State Treasury, maintains accounts with the Bank (see note 27), 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 (see note 2c). The total purchases of banknotes and coins the Bank made during the year from these two entities amounted to ROL 193 billion. As at 31 December 2002 the Bank had no outstanding balances payable to the National Printing and Minting Units.

The Bank also exercises significant influence over TransFond SA (see note 2c), an entity created in 2000 to outsource the Bank's settlement activities of domestic inter-bank operations. TransFond SA 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 506 billion.

Notes to the financial statements

31. Fair value of financial instruments

Fair value is the amount for which an instrument could be exchanged between knowledgeable and willing parties in an arms length transaction. It represents a general approximation of possible value and may never be effectively realized.

The Bank is subject to fluctuations of many economic variables including:

a) Exchange rate of foreign currency against the ROL or other foreign currency:

b) Market price of similar products

c) Interest rates.

The Bank's financial instruments, as defined in accordance with applicable requirements, include financial assets and liabilities recorded in balance sheet.

The Bank's short-term funds, including current accounts and placements with banks (including gold deposits), are carried in the financial statements at cost, which approximates their fair value because these instruments have short maturity terms and are convertible into cash or are settled without significant transaction costs.

The Bank's unlisted equity investments are carried at revalued cost, less provision for impairment losses, as the Bank's management do not consider the fair value of these investments carried at cost to be significantly different from the carrying value.

The Bank's foreign debt instruments held-for-trading and available-for-sale are reported at their fair value, which is based on their quoted market price at the balance sheet date without any deduction for transaction costs.

The Bank's domestic debt instruments available-for-sale are carried at cost (including accrued interest receivable) since the fair value estimated using discounted cash flow techniques is considered not to be materially different from the carrying amount of domestic securities.

The Bank's management estimates the fair value of loans to banks and other financial institutions to be their amortised cost reported in the financial statements since there is no market for these financial instruments granted under special circumstances to local financial institutions. In addition, the present value of expected future cash flows is considered not to be materially different from the carrying amount of the loans to banks and other financial institutions since the Bank charges for these instruments variable interest rates.

Deposits from banks and other financial institutions are reported at cost. These items have either predominantly short-term maturities or carry interest rates, which reflect current market conditions. Because of the periodically contractual repricing of these financial instruments, the Bank's management estimates fair value not to be materially different from the carrying amount of deposits from banks and other financial institutions.

Notes to the financial statements

32. Foreign currency positions

The amounts of assets held in ROL and in foreign currencies at 31 December 2002 can be analysed as follows:

In ROL billion	ROL	USD	EUR	SDR	Gold	Other	Total
Foreign assets							
Gold deposits with other banks	-	-	-	-	22,634	-	**22,634**
Cash and cash equivalents	-	32	4,916	-	-	225	**5,173**
Placements with banks	-	8,228	7,991	-	-	9,359	**25,578**
Financial assets, held-for-trading	-	11,903	45,213	-	-	-	**57,116**
Foreign securities, available-for-sale	-	83,537	36,075	-	-	-	**119,612**
International Monetary Fund	-	-	-	46,996	-	-	**46,996**
Quota in other financial institutions	920	821	236	-	-	325	**2,302**
Total foreign assets	**920**	**104,521**	**94,431**	**46,996**	**22,634**	**9,909**	**279,411**
Domestic assets							
Gold and other precious metals					16,254	409	**16,663**
Securities, available-for-sale	2,551	-	-	-	-	-	**2,551**
Loans to domestic banks and other financial institutions	2,581	-	-	-	-	-	**2,581**
Property and equipment	2,916	-	-	-	-	-	**2,916**
Other domestic assets	3,188	-	-	-	-	-	**3,188**
Total domestic assets	**11,236**	**-**	**-**	**-**	**16,254**	**409**	**27,899**
Total assets	**12,156**	**104,521**	**94,431**	**46,996**	**38,888**	**10,318**	**307,310**

Notes to the financial statements

32. Foreign currency positions *(continued)*

The amounts of liabilities held in ROL and in foreign currencies at 31 December 2002 can be analysed as follows:

In ROL billion	ROL	USD	EUR	SDR	Gold	Other	Total
Foreign liabilities							
Due to banks and other financial institutions	719	-	-	-	-	-	**719**
Due to Government	920	821	236	-	-	325	**2,302**
International Monetary Fund	-	-	-	64,722	-	-	**64,722**
Other foreign liabilities	113	-	145	75	-	-	**333**
Total foreign liabilities	**1,752**	**821**	**381**	**64,797**	**-**	**325**	**68,076**
Currency in circulation	**52,805**	**-**	**-**	**-**	**-**	**-**	**52,805**
Domestic liabilities							
Due to banks and other financial institutions	93,626	42,756	489	-	-	-	**136,871**
Due to State Treasury	6,842	731	2,385	-	-	-	**9,958**
Deferred tax liability	37,177	-	-	-	-	-	**37,177**
Other domestic liabilities	1,804	-	-	-	-	-	**1,804**
Total domestic liabilities	**139,449**	**43,487**	**2,874**	**-**	**-**	**-**	**185,810**
Total liabilities	**194,006**	**44,308**	**3,255**	**64,797**	**-**	**325**	**306,691**
Net assets /(liabilities)	**(181,850)**	**60,213**	**91,176**	**(17,801)**	**38,888**	**9,993**	**619** *

***** represents the equity of the Bank

Notes to the financial statements

32. Foreign currency positions *(continued)*

The amounts of assets held in ROL and in foreign currencies at 31 December 2001 can be analysed as follows:

In ROL billion	ROL	USD	EUR	SDR	Gold	Other	Total
Foreign assets							
Gold deposits with other banks	-	-	-	-	17,046	-	**17,046**
Cash and cash equivalents	-	814	4,027	-	-	251	**5,092**
Placements with banks	-	14,819	3,287	-	-	2,167	**20,273**
Financial assets, held-for-trading	-	7,470	-	-	-	-	**7,470**
Foreign securities, available-for-sale	-	64,151	50,351	-	-	-	**114,502**
International Monetary Fund	-	-	-	48,441	-	-	**48,441**
Quota in other financial institutions	1,023	914	178	-	-	361	**2,476**
Total foreign assets	**1,023**	**88,168**	**57,843**	**48,441**	**17,046**	**2,779**	**215,300**
Domestic assets							
Gold and other precious metals	-	-	-	-	17,934	392	**18,326**
Securities, available-for-sale	10,859	-	-	-	-	-	**10,859**
Loans to domestic banks and other financial institutions	5,150	-	-	-	-	-	**5,150**
Property and equipment	2,893	-	-	-	-	-	**2,893**
Other domestic assets	2,603	-	3	-	-	34	**2,640**
Total domestic assets	**21,505**	**-**	**3**	**-**	**17,934**	**426**	**39,868**
Total assets	**22,528**	**88,168**	**57,846**	**48,441**	**34,980**	**3,205**	**255,168**

Notes to the financial statements

32. Foreign currency positions *(continued)*

The amounts of liabilities held in ROL and in foreign currencies at 31 December 2001 can be analysed as follows:

In ROL billion	ROL	USD	EUR	SDR	Gold	Other	Total
Foreign liabilities							
Due to banks and other financial institutions	607	3,726	-	-	-	-	**4,333**
Due to Government	1,023	914	178	-	-	361	**2,476**
International Monetary Fund	-	-	-	66,148	-	-	**66,148**
Other foreign liabilities	320	130	173	83	-	-	**706**
Total foreign liabilities	**1,950**	**4,770**	**351**	**66,231**	**-**	**361**	**73,663**
Currency in circulation	**47,144**	**-**	**-**	**-**	**-**	**-**	**47,144**
Domestic liabilities							
Due to banks and other financial institutions	65,991	31,149	487	-	-	-	**97,627**
Due to State Treasury	5,086	2,029	2,774	-	-	-	**9,889**
Deferred tax liability	21,075	-	-	-	-	-	**21,075**
Other domestic liabilities	2,030	-	-	-	-	-	**2,030**
Total domestic liabilities	**94,182**	**33,178**	**3,261**	**-**	**-**	**-**	**130,621**
Total liabilities	**143,276**	**37,948**	**3,612**	**66,231**	**-**	**361**	**251,428**
Net assets /(liabilities)	**(120,748)**	**50,220**	**54,234**	**(17,790)**	**34,980**	**2,844**	**3,740** *

***** represents the equity of the Bank

Notes to the financial statements

33. Maturity analysis

The assets of the Bank analysed over the remaining period from the balance sheet date to contractual repricing or maturity, whichever is earlier, are at 31 December 2002 as follows:

In 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	5,407	13,703	3,524	-	-	-	**22,634**
Cash and cash equivalents	5,173	-	-	-	-	-	**5,173**
Placements with other banks	15,868	9,710	-	-	-	-	**25,578**
Financial assets, held-for-trading	16,385	20,687	8,141	11,903	-	-	**57,116**
Foreign securities, available-for-sale	25,683	13,263	22,838	37,668	20,160	-	**119,612**
International Monetary Fund	76	-	-	-	-	46,920	**46,996**
Quota in other international financial institutions	-	-	-	-	-	2,302	**2,302**
Total foreign assets	**68,592**	**57,363**	**34,503**	**49,571**	**20,160**	**49,222**	**279,411**
Domestic assets							
Gold and other precious metals	-	-	-	-	-	16,663	**16,663**
Securities, available-for-sale	209	2,342	-	-	-	-	**2,551**
Loans to domestic banks and other financial institutions	-	-	1,981	600	-	-	**2,581**
Property and equipment	-	-	-	-	-	2,916	**2,916**
Other domestic assets	3,058	-	-	14	-	116	**3,188**
Total domestic assets	**3,267**	**2,342**	**1,981**	**614**	**-**	**19,695**	**27,899**
Total assets	**71,859**	**59,705**	**36,484**	**50,185**	**20,160**	**68,917**	**307,310**

Notes to the financial statements

33. Maturity analysis *(continued)*

The liabilities of the Bank analysed over the remaining period from the balance sheet date to contractual repricing or maturity, whichever is earlier, are at 31 December 2002 as follows:

In 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	719	-	-	-	-	-	**719**
Due to Government	-	-	-	-	-	2,302	**2,302**
International Monetary Fund	14,343	-	-	-	-	50,379	**64,722**
Other foreign liabilities	188	4	32	109	-	-	**333**
Total foreign liabilities	**15,250**	**4**	**32**	**109**	**-**	**52,681**	**68,076**
Currency in circulation	**-**	**-**	**-**	**-**	**-**	52,805	**52,805**
Domestic liabilities							
Due to banks and other financial institutions	117,450	19,260	-	-	-	161	**136,871**
Due to State Treasury	9,958	-	-	-	-	-	**9,958**
Deferred tax liability	-	-	-	-	-	37,177	**37,177**
Other domestic liabilities	1,302	399	-	-	-	103	**1,804**
Total domestic liabilities	**128,710**	**19,659**	**-**	**-**	**-**	**37,441**	**185,810**
Total liabilities	**143,960**	**19,663**	**32**	**109**	**-**	**142,927**	**306,691**
Maturity surplus/ (shortfall)	**(72,101)**	**40,042**	**36,452**	**50,076**	**20,160**	**(74,010)**	**619** *

***** represents the equity of the Bank

33. Maturity analysis *(continued)*

The assets of the Bank analysed over the remaining period from the balance sheet date to contractual repricing or maturity, whichever is earlier, are at 31 December 2001 as follows:

In 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	4,793	12,253	-	-	-	-	**17,046**
Cash and cash equivalents	5,092	-	-	-	-	-	**5,092**
Placements with other banks	19,731	542	-	-	-	-	**20,273**
Financial assets, held-for-trading	-	5	30	5,525	1,910	-	**7,470**
Foreign securities, available-for-sale	30,758	22,153	14,565	43,584	3,442	-	**114,502**
International Monetary Fund	253	-	-	-	-	48,188	**48,441**
Quota in other international financial institutions	-	-	-	-	-	2,476	**2,476**
Total foreign assets	**60,627**	**34,953**	**14,595**	**49,109**	**5,352**	**50,664**	**215,300**
Domestic assets							
Gold and other precious metals	-	-	-	-	-	18,326	**18,326**
Securities	1,943	8,916	-	-	-	-	**10,859**
Loans to domestic banks and other financial institutions	3,711	-	354	1,085	-	-	**5,150**
Property and equipment	-	-	-	-	-	2,893	**2,893**
Other domestic assets	534	-	9	1,994	-	103	**2,640**
Total domestic assets	**6,188**	**8,916**	**363**	**3,079**	**-**	**21,322**	**39,868**
Total assets	**66,815**	**43,869**	**14,958**	**52,188**	**5,352**	**71,986**	**255,168**

Notes to the financial statements

33. Maturity analysis *(continued)*

The liabilities of the Bank analysed over the remaining period from the balance sheet date to contractual repricing or maturity, whichever is earlier, are at 31 December 2001 as follows:

In 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	607	-	3,726	-	-	-	**4,333**
Due to Government	-	-	-	-	-	2,476	**2,476**
International Monetary Fund	14,406	-	-	-	-	51,742	**66,148**
Other foreign liabilities	16	5	357	205	-	123	**706**
Total foreign liabilities	**15,029**	**5**	**4,083**	**205**	**-**	**54,341**	**73,663**
Currency in circulation	-	-	-	-	-	47,144	**47,144**
Domestic liabilities							
Due to banks and other financial institutions	85,697	11,930	-	-	-	-	**97,627**
Due to State Treasury	9,889	-	-	-	-	-	**9,889**
Deferred tax liability	-	-	-	-	-	21,075	**21,075**
Other domestic liabilities	1,378	538	-	-	-	114	**2,030**
Total domestic liabilities	**96,964**	**12,468**	**-**	**-**	**-**	**21,189**	**130,621**
Total liabilities	**111,993**	**12,473**	**4,083**	**205**	**-**	**122,674**	**251,428**
Maturity surplus/ (shortfall)	**(45,178)**	**31,396**	**10,875**	**51,983**	**5,352**	**(50,688)**	**3,740 ***

***** represents the equity of the Bank

Notes to the financial statements

34. Commitments and contingencies

The Bank has outstanding guarantees issued with a fair value of ROL 103 billion as at 31 December 2002 which were recognised in other liabilities (see note 29). The Bank, based upon legal advice, has recorded a provision for the claims related to the full nominal value of the outstanding guarantees since it considered highly probable that the Bank will have to make the payments.

The Bank has not recorded a provision for the remaining claims estimated by the Bank's lawyers since it considered unlikely that any additional significant loss 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 2002 the undrawn facility was SDR 165 million.

The quotas in international financial institutions (IBRD, EBRD, MIGA) are supported by promissory notes signed by the Ministry of Finance amounting to ROL 118 billion as at 31 December 2002.

35. Reconciliation of loss under IFRS and Romanian Accounting Standards

In ROL billion	**2002**
Net loss under Romanian Accounting Standards	(10,576)
Revaluation of balances with IMF denominated in SDR	(2,204)
Revaluation of foreign assets and liabilities and gold	27,185
Market value of debt securities	995
Hyperinflation adjustment, loss on non-monetary balance sheet items	(3,314)
Deferred tax expense	(16,102)
Other items	895
Net loss after tax under IFRS	**(3,121)**