National Bank of Romania

Financial Statements
31 December 2004
prepared in accordance with
International Financial Reporting Standards

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 2004, and the related statements of income, changes in equity 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. 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 2004, and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

As discussed in Note 2c to the financial statements, the Bank reconsidered its fiscal statute for both the current year and the prior years and restated the comparative financial information as at 31 December 2003.

KPMG

KPMG Audit SRL
Bucharest, Romania
8 July 2005

National Bank of Romania

Income statement

for the year ended 31 December 2004

In ROL billion	*Note*	**2004**	2003*
Interest and similar income	*4*	11,143	6,892
Interest expense and similar charges	*5*	(30,492)	(17,495)
Net interest expense		**(19,349)**	(10,603)
Fee and commission income		1,317	1,463
Fee and commission expense		(1,048)	(703)
Net fee and commission income	*6*	**269**	**760**
Net foreign exchange (losses)/ gains	*7*	(18,488)	25,235
Other operating income		203	788
Operating expenses	*8*	(2,033)	(2,299)
Net release of provision for impairment losses on loans to banks and other financial institutions	*17*	20	44
Operating (loss)/ profit		**(39,378)**	**13,925**
Hyperinflation adjustment, gain on net monetary position		**-**	**983**
Net (loss) / profit for the year		**(39,378)**	**14,908**

* See Note 2c

The financial statements were approved by the Board of Directors on 8 July 2005 and were signed on its behalf by:

Mr. Mugur Isarescu
Governor

National Bank of Romania

Balance sheet

at 31 December 2004

In ROL billion	*Note*	**31 December 2004**	31 December 2003*
Foreign assets			
Gold deposits with other banks	*9*	25,110	26,828
Cash and cash equivalents	*10*	10,015	5,928
Placements with banks	*11*	91,838	29,657
Financial assets, held-for-trading	*12*	-	3,290
Foreign securities, available-for-sale	*13*	328,562	225,150
International Monetary Fund	*14*	46,521	49,907
Quota in other international financial institutions	*15*	2,338	2,510
Total foreign assets		**504,384**	**343,270**
Domestic assets			
Gold and other precious metals	*16*	18,015	19,259
Securities, available-for-sale		-	5
Loans to banks and other financial institutions	*17*	642	1,611
Property and equipment	*18*	3,033	2,954
Other assets	*19*	268	2,464
Total domestic assets		**21,958**	**26,293**
Total assets		**526,342**	**369,563**

* See Note 2c

The financial statements were approved by the Board of Directors on 8 July 2005 and were signed on its behalf by:

Mr. Mugur Isarescu
Governor

Balance sheet *(continued)*

at 31 December 2004

In ROL billion	*Note*	**31 December 2004**	31 December 2003*
Foreign liabilities			
Due to banks and other financial institutions	*20*	3,718	820
Due to Government	*21*	2,338	2,510
International Monetary Fund	*22*	62,814	72,982
Other liabilities		226	236
Total foreign liabilities		**69,096**	**76,548**
Currency in circulation	*23*	**82,495**	**65,210**
Domestic liabilities			
Due to banks and other financial institutions	*24*	308,856	162,151
Due to State Treasury	*25*	51,328	11,907
Other liabilities	*26*	1,153	955
Total domestic liabilities		**361,337**	**175,013**
Total liabilities		**512,928**	**316,771**
Shareholder's equity			
Issued share capital		300	172
Reserves		18	146
Retained earnings		13,096	52,474
Total shareholder's equity		**13,414**	**52,792**
Total liabilities and shareholders' equity		**526,342**	**369,563**

* See Note 2c

The financial statements were approved by the Board of Directors on 8 July 2005 and were signed on its behalf by:

Mr. Mugur Isarescu
Governor

Statement of changes in equity

for the year ended 31 December 2004

In ROL billion	**Share capital**	**Reserves**	**Retained earnings**	**Total**
Balance at 31 December 2002, as previously reported	172	146	389	707
Correction of error (refer to Note 2c), including effect of hyperinflation adjustment on deferred tax liability	-	-	37,177	37,177
Balance at 31 December 2002, as restated	172	146	37,566	37,884
Net profit for the year 2003	-	-	14,908	14,908
Balance at 31 December 2003	172	146	52,474	52,792
Increase of share capital from incorporation of reserves (refer to Note 2o)	128	(128)	-	-
Net loss for the year 2004	-	-	(39,378)	(39,378)
Balance at 31 December 2004	**300**	**18**	**13,096**	**13,414**

The reserves include the non-distributable legal reserve fund to the amount of ROL 18 billion as at 31 December 2004 (31 December 2003: ROL 146 billion).

National Bank of Romania

Cash flow statement

for the year ended 31 December 2004

In ROL billion	*Note*	**2004**	2003*
Operating activities			
Profit/ (loss)		**(39,378)**	**14,908**
Adjustments for non-cash items:			
Impairment loss and write-off on doubtful and bad debts	*17*	(20)	(44)
Depreciation and amortisation	*8*	132	138
Hyperinflation impact on provisions		-	(5,071)
Loss/(profit) on disposal of property and equipment		38	398
Operating profit/ (loss) before changes in operating assets and liabilities		**(39,228)**	**10,329**
(Increase)/decrease in operating assets:			
Gold and other precious metals		2,962	(1,210)
Securities		(100,117)	(23,709)
Placements with banks		(62,181)	(447)
International Monetary Fund		3,386	3,881
Loans to banks and other financial institutions		989	1,380
Other assets		2,368	952
Increase/(decrease) in operating liabilities:			
Due to banks and other financial institutions		149,602	5,843
Due to State Treasury		39,249	416
International Monetary Fund		(10,168)	(930)
Currency in circulation		17,285	4,907
Other liabilities		189	(1,232)
Cash flows from operating activities		**4,336**	**180**
Investing activities			
Net purchase of property and equipment		(249)	(160)
Cash flows used in investing activities		**(249)**	**(160)**
Financing activities		**-**	**-**
Cash flows used in financing activities		**-**	**-**
Net increase/(decrease) in cash and cash equivalents		**4,087**	**20**
Cash and cash equivalents balances at beginning of year	*10*	**5,928**	**5,908**
Cash and cash equivalents balances at end of year	*10*	**10,015**	**5,928**

* See Note 2c

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 during the financial year 2004 was governed by:

- the 'Law on the National Bank of Romania' (Law no.101/1998), which has been effective from 1st July 1998 until 30 July 2004;

- the new 'Law on the National Bank of Romania' (Law no.312/2004), which has been effective from 31st July 2004, except for a number of provisions related to statutory financial reporting that become effective commencing 1 January 2005. The aim of the Law is to ensure the compliance of the Bank's Statute with the European Union legislation and, in particular, with the provisions on central bank independence of the European Community Treaty and the observations of the Accession Country Report.

Under these laws, the primary objective of the Bank is to ensure and maintain the price stability. In addition to its role of central bank, the Bank has the exclusive right to issue bank notes and coins and the duty to regulate and supervise the 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 five years.

2. Significant accounting policies

a) Statement of compliance

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

The accounting policies have been consistently applied by the Bank for the year ended 31 December 2004 and are consistent with those used in the previous year.

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.

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, revalued amount or historical cost.

Notes to the financial statements

2. Significant accounting policies *(continued)*

b) Basis of preparation *(continued)*

Differences between IFRS and statutory accounts

The accounts of the Bank are maintained in accordance with Romanian accounting regulations and requirements, stated in 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.

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") – for comparative figures;
- fair value adjustments required in accordance with IAS 39 ("Financial Instruments – Recognition and Measurement") – for comparative figures;
- adjustments to the income statement to place certain revenues and expenses on an accruals basis, if the case; and
- the necessary IFRS disclosure requirements.

c) Correction of error

In the prior financial statements, the Bank determined a deferred tax liability in accordance with IAS 12 using the balance sheet liability method, namely 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 was 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 (2003: 80%).

Notes to the financial statements

2. Significant accounting policies *(continued)*

c) Correction of error *(continued)*

In the current financial period, taking into account the following recent developments regarding the fiscal statute of the Bank:

- the provision of the Ordinance no. 83/ 2004 for the modification and completion of the Law no. 571/ 2003 regarding the Fiscal Code whereby the Bank, starting from 1 January 2005, is exempted from paying income tax;

- the article 43 of the Law no.312/ 2004 - applicable from 1 January 2005 - providing for the transfer to the State budget of a share of 80 percent of the net revenues left after deducting the expenses related to the financial year and the loss related to the previous financial years that remained uncovered by other available sources;

management has revised the assessment of its fiscal statute and concluded that the application of the provisions of IAS 12 was based on misinterpretation of the economic substance of the previously existing legal framework related to the Bank's income tax. Hence the previous 80% income tax should have been assimilated to a direct disbursement to the State - the sole shareholder of the Bank. Consequently, the deferred tax liability recorded in prior years in accordance with IAS 12 represented a prior period error and its correction has been included in the determination of the opening balance of equity for the earliest prior period presented. The amount of the correction is shown in the Statement of changes in equity.

d) Basis of accounting for investments in associates

Associates are those enterprises over whose financial and operating policies the Bank has the ability to exercise significant influence, but not control.

The Bank holds a 33% investment in TRANSFOND SA, a joint-stock company that provides settlement and clearing services of inter-bank operations to local banks. The Bank carried at revalued cost the investment in TRANSFOND SA in the financial statements in accordance with IAS 28 ("Accounting for investments in associates").

Notes to the financial statements

2. Significant accounting policies *(continued)*

e) 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.

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 100%. The increase in the General Price Index ("the Index") as published by the National Commission of Statistics of Romania over the three years ended 31 December 2004 was:

	Increase in the general price index	Movement in the exchange rate of the EURO
Year ended 31 December 2004	9.3%	(3.5%)
Year ended 31 December 2003	14.1%	17.7%
Year ended 31 December 2002	17.9%	25.2%

The cumulative rate of inflation was 47% over the three years ended 31 December 2004 on the basis of the information published by the National Commission of Statistics of Romania. The continuously decreasing inflation rates and other factors related to the characteristics of the economic environment in Romania indicate that the economy whose measurement currency was adopted by the Bank ceased to be hyperinflationary for financial periods starting at 1 January 2004.

Therefore, the provisions of IAS 29 have no longer been adopted in preparing these financial statements.

Up to 31 December 2003, the ROL was considered a currency of a hyperinflationary economy and, as such, the Bank applied the provisions of IAS 29. The comparative financial statements and figures have been restated for changes in the general purchasing power of the ROL at 31 December 2003 and, as a result, are stated in terms of the measuring unit current at 31 December 2003. Due to the above-mentioned discontinuance of applying IAS 29, no further adjustments have been made to the amounts presented in the past.

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.

Notes to the financial statements

2. Significant accounting policies *(continued)*

f) 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	**2004**	2003
Euro (EUR)	1: ROL 39,663	1: ROL 41,117
US Dollar (USD)	1: ROL 29,067	1: ROL 32,595
Special Drawing Rights (SDR)	1: ROL 45,141	1: ROL 48,435

g) 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.

h) Financial instruments

i) Classification

Trading instruments are those that the Bank holds for the purpose of short-term profit taking.

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.

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)*

h) 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 using the linear method. The linear amortisation method used to determine the amortised cost represents the management's best estimate for the value of the corresponding amortisation and the impact of the application of the effective interest rate method would not be material. The management estimates that the effective interest rate of financial instruments equals the market rate of the respective instruments at the time of issuance. Premiums and discounts, including initial transaction costs, are amortised using linear method.

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.

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)*

h) 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 2j).

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.

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.

Equity investments are classified as available-for-sale assets and are stated at revalued cost less a possible specific provision for impairment losses.

Notes to the financial statements

2. Significant accounting policies *(continued)*

h) 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 provision for loan impairment to reflect the estimated recoverable amount (refer to accounting policy 2j).

i) 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. A financial liability is derecognised when it is extinguished.

j) Impairment and uncollectibility

The carrying amount of the Bank's assets is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

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.

In determining the recoverable amounts of loans to customers, management considers particular factors, including the evaluation of the borrower's remaining ability to repay the debt (principal and interest) and the assessment of the financial strength and performance of borrowers taken individually or as members of the same group of companies.

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.

2. Significant accounting policies *(continued)*

j) Impairment and uncollectibility *(continued)*

Property and equipment

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 in October 2001, adjusted for hyperinflation until 31 December 2003.

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.

k) 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 linear basis.

The linear amortisation method used to determine the amortised cost represents the management's best estimate for the value of the corresponding amortization.

l) Fee and commission income and expense

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

m) Property and equipment

Items of property and equipment are stated at their revalued cost less accumulated depreciation value and impairment losses (refer accounting policy 2j). 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.

2. Significant accounting policies *(continued)*

m) 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 values 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

n) 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.

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. 312/2004 on the Statute of the National Bank of Romania, the capital has been increased to ROL 300 billion on 31 December 2004 by incorporating an amount of ROL 128 billion existing at that time in the reserve fund.

p) Taxation

The Bank is exempt from income tax starting with 1 January 2005 under the provisions of the Fiscal Code and of the Law no 312/2004 (refer to accounting policy 2c).

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 (refer to Note 17).

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 642 billion (31 December 2003: ROL 1,611 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.

The maturity analysis of the assets and liabilities of the Bank is presented in the Note 30.

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 policy. 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.

The interest rates obtained or offered by the Bank for the interest bearing assets and liabilities are presented in the notes that refer to the above mentioned assets and liabilities. **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. Due to the high volatility of financial markets from recent periods, 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.

The assets and liabilities held in EUR and in foreign currencies at the balance sheet date are presented in Note 29.

Notes to the financial statements

4. Interest and similar income

In ROL billion	**2004**	2003*
Foreign operations		
Foreign interest and similar income arising from:		
Current accounts and placements with foreign banks	1,393	866
Foreign debt securities	9,640	5,667
Other foreign interest income	6	35
Total foreign interest income	**11,039**	**6,568**
Domestic operations		
Domestic interest and similar income arising from:		
Domestic debt securities	1	160
Loans and advances to domestic banks and other financial institutions	101	162
Other domestic interest income	2	2
Total domestic interest income	**104**	**324**
Total interest and similar income	**11,143**	**6,892**

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 available-for-sale securities.

5. Interest expense and similar charges

	2004	2003
In ROL billion		
Foreign operations		
Foreign interest expense and similar charges arising from:		
Deposits from banks and other financial institutions	571	460
Foreign debt securities	3,321	322
Borrowings from International Monetary Fund	516	473
Other foreign interest expense	17	33
Total foreign interest expense	**4,425**	**1,288**
Domestic operations		
Domestic interest expense and similar charges arising from:		
Minimum compulsory reserve from local banks	3,010	2,392
Term deposits from local banks	16,453	12,452
Debt certificates issued by the Bank	3,209	-
State Treasury current account	3,395	1,363
Total domestic interest expense	**26,067**	**16,207**
Total interest and similar expense	**30,492**	**17,495**

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 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 27).

Notes to the financial statements

7. Net foreign exchange losses/ gains

In ROL billion	**2004**	2003
Revaluation of gold and precious metals	(2,929)	6,544
Net revaluation of foreign currency assets and liabilities	(15,466)	19,031
Trading gains	344	282
Trading losses	(437)	(622)
Total	**(18,488)**	**25,235**

8. Operating expenses

In ROL billion	**2004**	2003
Salaries and other personnel costs	818	834
Currency issuance expenses	318	397
Depreciation and amortisation	132	138
Administrative expenses	287	286
Other operating costs	478	644
Total	**2,033**	**2,299**

The number of employees at 31 December 2004 was 1,659 (31 December 2003: 1,654).

9. Gold deposits with other banks

The gold deposits in standard form placed with external banks bear market interest rates varying between 0.01% and 0.05% per annum (2003: between 0.01% and 0.11% per annum).

Notes to the financial statements

10. Cash and cash equivalents

In ROL billion	**31 December 2004**	31 December 2003
Current accounts held with banks abroad	8,204	1,165
Current accounts held with international financial institutions	1,810	4,763
Cash on hand	1	-
Total	**10,015**	**5,928**

The average interest rate offered to the Bank for the current accounts held with other banks and international financial institutions is 1.2% per annum (2003: 1.5% per annum).

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

Notes to the financial statements

11. Placements with banks

During October 2002 the Bank concluded an 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 2004 placements with banks managed by IBRD amounted to ROL 2,279 billion - the equivalent of USD 78,4 million (31 December 2003: ROL 935 billion - the equivalent of USD 28.7 million).

As at 31 December 2004 placements with banks include overnight deposits held with the Federal Reserve Bank of New York of ROL 21,061 billion (31 December 2003: ROL 10,134 billion).

The average interest rate offered to the Bank for placements with other banks is 3.3% per annum (31 December 2003: 3.3% per annum).

12. Financial assets, held-for-trading

In ROL billion	**31 December 2004**	31 December 2003
US Treasury notes	-	3,290
Total	**-**	**3,290**

The US notes bear fixed interest rates. The interest rates for 2003 and 2004 ranged between 1.8% and 2.0% per annum.

Notes to the financial statements

13. Foreign securities, available-for-sale

	31 December 2004	31 December 2003
In ROL billion		
Foreign securities available-for-sale (i)		
US Treasury bills	22,260	-
French discount Treasury bills	9,109	14,875
Finland discount Treasury bills	4,950	-
German discount Treasury bills	-	3,078
Dutch discount Treasury bills	12,264	5,737
US Government Agencies' bills	-	4,171
US Treasury notes	80,846	58,505
IBRD discount Treasury bills	-	1,140
US Government Agencies' notes	7,551	-
US STRIP notes	1,080	7,750
Bank for International Settlements FIXBIS bills	-	2,604
Bank for International Settlements MTI notes	287	-
German Treasury notes	88,104	60,596
French Treasury notes	53,173	7,223
Italian Treasury notes	-	21,729
Dutch Treasury notes	22,034	14,632
EIB discount bills	-	5,307
EIB notes	9,182	-
IBRD Treasury notes	-	1,234
German Agencies' notes	5,156	9,210
Finland Treasury notes	7,337	-
US Treasury securities managed by IBRD *(ii)*	5,229	7,359
Total	**328,562**	**225,150**

i) The US, BIS and European coupon notes bear fixed interest rates. The interest rates range between 2.0% and 6.0% per annum for the notes in EUR (2003: between 2.0% and 5.0% per annum) and between 1.1% and 4.6% per annum for those in USD (2003: between 1.1% and 4.7% per annum).

Interest rates on the USD discount notes range between 0.8% and 2.2% per annum (2003: between 0.8% and 1.2% per annum).

ii) As at 31 December 2004 the US Treasury securities acquired and managed by IBRD on behalf of the Bank under the investment management agreement (see note 11) amounted to ROL 5,228 billion - USD 179,9 million (31 December 2003: ROL 7,359 billion - USD 225,7 million).

Interest rates on the US Treasury securities managed by IBRD range between 1.1% and 5.3% per annum (2003: 1.7% and 5.6% per annum).

Notes to the financial statements

14. International Monetary Fund

In ROL billion	**31 December 2004**	31 December 2003
Romania's IMF quota	46,504	49,898
Current account in SDR with IMF	17	9
Total	**46,521**	**49,907**

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

Romania's quota in the IMF is recorded as an asset denominated in SDR. As at 31 December 2004 and 2003, 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 22).

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 22).

15. Quota in other international financial institutions

In ROL billion	**31 December 2004**	31 December 2003
Romania's IBRD quota	887	994
Romania's EBRD quota	863	881
Equity investment in Bank for International Settlements	452	484
Romania's quota in other international financial institutions (IFC, MIGA)	136	151
Total	**2,338**	**2,510**

Notes to the financial statements

16. Gold and other precious metals

In ROL billion	**31 December 2004**	31 December 2003
Gold bullion in standard form	17,327	18,508
Gold in other form	577	633
Other precious metals	111	118
Total	**18,015**	**19,259**

17. 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 2004 and 31 December 2003 were as follows:

In ROL billion	**31 December 2004**	31 December 2003
Unsecured loans granted to domestic banks and financial institutions	1,107	2,094
Loans granted to employees	9	11
Less: provision for impairment losses	(474)	(494)
Total	**642**	**1,611**

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 2004**	31 December 2003
Balance at beginning of the year	494	613
Effect of hyperinflation	-	(75)
Net release of provision for impairment losses to income statement	(20)	(44)
Balance at end of the year	**474**	**494**

Notes to the financial statements

18. 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
Revalued cost					
At 1 January 2004	2,502	945	149	1,231	4,827
Additions	3	137	108	1	249
Disposals	(1)	(9)	-	(51)	(61)
Transfers	35	8	(60)	17	-
At 31 December 2004	2,539	1,081	197	1,198	5,015
Accumulated depreciation and impairment losses					
At 1 January 2004	770	711	34	358	1,873
Charge for the year	55	53	-	24	132
Disposals	-	(9)	-	(14)	(23)
At 31 December 2004	825	755	34	368	1,982
Net book value					
At 31 December 2004	**1,714**	**326**	**163**	**830**	**3,033**
At 31 December 2003	1,732	234	115	873	2,954

As at 31 December 2004 the Bank included in office and IT equipment an amount of ROL 61 billion (2003: ROL 101 billion) leased under finance lease agreements. At the end of the lease the Bank has the option to purchase the equipment at a beneficial price.

Notes to the financial statements

19. Other assets

In ROL billion	**31 December 2004**	31 December 2003
Accrued interest receivable	107	122
Less provision for uncollectible interest	(61)	(61)
Net accrued interest receivable	**46**	**61**
Other amounts due from the Government of Romania	62	2,261
Equity investment in TRANSFOND SA	39	39
Other assets	121	103
Total	**268**	**2,464**

20. Due to banks and other financial institutions

In ROL billion	**31 December 2004**	31 December 2003
Demand deposits from other international financial institutions	811	820
Term deposit from other central banks	2,907	-
Total	**3,718**	**820**

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

The interest rate of the term deposit from other central banks was 3.2 % per annum.

21. 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

22. International Monetary Fund

In ROL billion	**31 December 2004**	31 December 2003
Deposits from the IMF	46,505	49,898
SDR allocation from the IMF	3,429	3,679
Standby facilities	12,880	18,645
Systemic transformation facility	-	760
Total	**62,814**	**72,982**

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 2004 the SDR allocation from the IMF bear an interest of 2.2% per annum (refer to Note 14).

Between 1992 and 2004, Romania and the IMF agreed to four stand-by arrangements (SBA) for a total amount of SDR 1,886 million, mainly to support short-term balance of payments. As at 31 December 2004 the outstanding amounts drawn from SBA facilities were SDR 285.3 million (2003: SDR 384.9 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 2004 is nil (2003: SDR 15.7million).

The stand-by facilities bear variable interest rate set by IMF, which is 3.1% per annum as at 31 December 2004 (31 December 2003: 2.1% per annum).

23. Currency in circulation

In ROL billion	**31 December 2004**	31 December 2003
Banknotes	81,585	64,365
Coins	910	845
Total	**82,495**	**65,210**

Notes to the financial statements

24. Due to banks and other domestic financial institutions

In ROL billion	**31 December 2004**	31 December 2003
Current account for minimum reserve from domestic banks in ROL	54,626	33,294
Current account for minimum reserve from domestic banks in foreign currency	93,965	57,042
Short-term deposits from domestic banks and other financial institutions	112,152	71,815
Certificates of deposit issued by the Bank (short term)	48,113	-
Total	**308,856**	**162,151**

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

25. Due to State Treasury

In ROL billion	**31 December 2004**	31 December 2003
State Treasury current accounts in ROL	24,574	6,410
State Treasury current accounts in foreign currency	26,754	5,497
Total	**51,328**	**11,907**

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

Notes to the financial statements

26. Other domestic liabilities

In ROL billion	**31 December 2004**	31 December 2003
Accrued interest payable	927	771
Provisions for guarantees issued	95	100
Other	131	84
Total	**1,153**	**955**

27. Related party transactions

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

The Bank exercises influence, through board representations, over two other state institutions: the National Printing and Minting Units. The total purchases of banknotes and coins the Bank made during the year from these two entities amounted to ROL 95 billion (31 December 2003: ROL 113 billion). As at 31 December 2004 the Bank had no outstanding balances payable to the National Printing and Minting Units. The transactions with these two entities were carried out on normal commercial terms and conditions.

The Bank 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 1,010 billion (31 December 2003: ROL 693 billion).

Notes to the financial statements

28. 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 investments in associates are carried at revalued cost, less provision for impairment losses. There is no market for the investment in the associate TRANSFOND SA and there have not been any recent transactions that provide evidence of current fair value. Based on audited financial statements prepared in accordance with statutory accounting standards, the Bank's share of underlying net assets value of TRANSFOND SA was estimated at ROL 388 billion (31 December 2003:ROL 225 billion).

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

29. Foreign currency positions

The amounts of assets held in ROL and in foreign currencies at 31 December 2004 can be analysed as follows:

In ROL billion	ROL	EUR	USD	SDR	Gold	Other	Total
Foreign assets							
Gold deposits with other banks	-	-	-	-	25,110	-	**25,110**
Cash and cash equivalents	-	8,873	32	-	-	1,110	**10,015**
Placements with banks	-	36,523	35,125	-	-	20,190	**91,838**
Foreign securities, available-for-sale	-	211,307	117,255	-	-	-	**328,562**
International Monetary Fund	-	-	-	46,521	-	-	**46,521**
Quota in other financial institutions	798	374	713	-	-	453	**2,338**
Total foreign assets	**798**	**257,077**	**153,125**	**46,521**	**25,110**	**21,753**	**504,384**
Domestic assets							
Gold and other precious metals	-	-	-	-	17,904	111	**18,015**
Loans to domestic banks and other financial institutions	642	-	-	-	-	-	**642**
Other domestic assets	268	-	-	-	-	-	**268**
Total domestic assets	**910**	**-**	**-**	**-**	**17,904**	**111**	**18,925**
Total assets	**1,708**	**257,077**	**153,125**	**46,521**	**43,014**	**21,864**	**523,309**

Notes to the financial statements

29. Foreign currency positions *(continued)*

The amounts of liabilities held in ROL and in foreign currencies at 31 December 2004 can be analysed as follows:

In ROL billion	ROL	EUR	USD	SDR	Gold	Other	Total
Foreign liabilities							
Due to banks and other financial institutions	812	-	2,906	-	-	-	**3,718**
Due to Government	798	374	713	-	-	453	**2,338**
International Monetary Fund	-	-	-	62,814	-	-	**62,814**
Other foreign liabilities	-	120	24	82	-	-	**226**
Total foreign liabilities	**1,610**	**494**	**3,643**	**62,896**	**-**	**453**	**69,096**
Currency in circulation	**82,495**	-	-	-	-	-	**82,495**
Domestic liabilities							
Due to banks and other financial institutions	214,891	8,014	85,951	-	-	-	**308,856**
Due to State Treasury	24,574	25,987	767	-	-	-	**51,328**
Other domestic liabilities	1,153	-	-	-	-	-	**1,153**
Total domestic liabilities	**240,618**	**34,001**	**86,718**	**-**	**-**	**-**	**361,337**
Total liabilities	**324,723**	**34,495**	**90,361**	**62,896**	**-**	**453**	**512,928**
Net assets /(liabilities)	**(323,015)**	**222,582**	**62,764**	**(16,375)**	**43,014**	**21,411**	**10,381**

Notes to the financial statements

29. Foreign currency positions *(continued)*

The amounts of assets held in ROL and in foreign currencies at 31 December 2003 can be analysed as follows:

In ROL billion	ROL	EUR	USD	SDR	Gold	Other	Total
Foreign assets							
Gold deposits with other banks	-	-	-	-	26,828	-	**26,828**
Cash and cash equivalents	-	4,894	35	-	-	999	**5,928**
Placements with banks	-	6,733	11,063	-	-	11,861	**29,657**
Financial assets, held-for-trading	-	-	3,290	-	-	-	**3,290**
Foreign securities, available-for-sale	-	142,386	82,764	-	-	-	**225,150**
International Monetary Fund	-	-	-	49,907	-	-	**49,907**
Quota in other financial institutions	894	333	799	-	-	484	**2,510**
Total foreign assets	**894**	**154,346**	**97,951**	**49,907**	**26,828**	**13,344**	**343,270**
Domestic assets							
Gold and other precious metals	-	-	-	-	19,141	118	**19,259**
Securities, available-for-sale	5	-	-	-	-	-	**5**
Loans to domestic banks and other financial institutions	1,611	-	-	-	-	-	**1,611**
Other domestic assets	2,464	-	-	-	-	-	**2,464**
Total domestic assets	**4,080**	**-**	**-**	**-**	**19,141**	**118**	**23,339**
Total assets	**4,974**	**154,346**	**97,951**	**49,907**	**45,969**	**13,462**	**366,609**

Notes to the financial statements

29. Foreign currency positions *(continued)*

The amounts of liabilities held in ROL and in foreign currencies at 31 December 2003 can be analysed as follows:

In ROL billion	ROL	EUR	USD	SDR	Gold	Other	Total
Foreign liabilities							
Due to banks and other financial institutions	820	-	-	-	-	-	**820**
Due to Government	894	333	799	-	-	484	**2,510**
International Monetary Fund	-	-	-	72,982	-	-	**72,982**
Other foreign liabilities	-	153	-	83	-	-	**236**
Total foreign liabilities	**1,714**	**486**	**799**	**73,065**	**-**	**484**	**76,548**
Currency in circulation	**65,210**	-	-	-	-	-	**65,210**
Domestic liabilities							
Due to banks and other financial institutions	105,108	492	56,551	-	-	-	**162,151**
Due to State Treasury	6,411	5,267	229	-	-	-	**11,907**
Other domestic liabilities	955	-	-	-	-	-	**955**
Total domestic liabilities	**112,474**	**5,759**	**56,780**	**-**	**-**	**-**	**175,013**
Total liabilities	**179,398**	**6,245**	**57,579**	**73,065**	**-**	**484**	**316,771**
Net assets /(liabilities)	**(174,424)**	**148,101**	**40,372**	**(23,158)**	**45,969**	**12,978**	**49,838**

Notes to the financial statements

30. 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 2004 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	12,064	5,560	-	-	-	7,486	**25,110**
Cash and cash equivalents	10,015	-	-	-	-	-	**10,015**
Placements with other banks	79,738	12,100	-	-	-	-	**91,838**
Foreign securities, available-for-sale	26,082	22,501	-	279,979	-	-	**328,562**
International Monetary Fund	17	-	-	-	-	46,504	**46,521**
Quota in other international financial institutions	-	-	-	-	-	2,338	**2,338**
Total foreign assets	**127,916**	**40,161**	**-**	**279,979**	**-**	**56,328**	**504,384**
Domestic assets							
Gold and other precious metals	-	-	-	-	-	18,015	**18,015**
Loans to domestic banks and other financial institutions	9	-	633	-	-	-	**642**
Property and equipment	-	-	-	-	-	3,033	**3,033**
Other domestic assets	-	-	107	-	-	161	**268**
Total domestic assets	**9**	**-**	**740**	**-**	**-**	**21,209**	**21,958**
Total assets	**127,925**	**40,161**	**740**	**279,979**	**-**	**77,537**	**526,342**

Notes to the financial statements

30. 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 2004 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	812	-	2,906	-	-	-	**3,718**
Due to Government	-	-	-	-	-	2,338	**2,338**
International Monetary Fund	12,880	-	-	-	-	49,934	**62,814**
Other foreign liabilities	72	-	29	82	-	43	**226**
Total foreign liabilities	**13,764**	**-**	**2.935**	**82**	**-**	**52,315**	**69,096**
Currency in circulation	-	-	-	-	-	**82,495**	**82,495**
Domestic liabilities							
Due to banks and other financial institutions	93,964	214,892	-	-	-	-	**308,856**
Due to State Treasury	51,328	-	-	-	-	-	**51,328**
Other domestic liabilities	1,003	35	-	20	-	95	**1,153**
Total domestic liabilities	**146,295**	**214,927**	**-**	**20**	**-**	**95**	**361,337**
Total liabilities	**160,059**	**214,927**	**2.935**	**102**	**-**	**134,905**	**512,928**
Maturity surplus/ (shortfall)	**(32,134)**	**(174,766)**	**(2,195)**	**279,877**	**-**	**(57,368)**	**13,414***

* represents the equity of the Bank

Notes to the financial statements

30. 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 2003 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	6,343	15,705	4,780	-	-	-	**26,828**
Cash and cash equivalents	5,928	-	-	-	-	-	**5,928**
Placements with other banks	23,503	6,154	-	-	-	-	**29,657**
Financial assets, held-for-trading	-	-	3,290	-	-	-	**3,290**
Foreign securities, available-for-sale	10,242	15,719	16,973	182,216	-	-	**225,150**
International Monetary Fund	9	-	-	-	-	49,898	**49,907**
Quota in other international financial institutions	-	-	-	-	-	2,510	**2,510**
Total foreign assets	**46,025**	**37,578**	**25,043**	**182,216**	**-**	**52,408**	**343,270**
Domestic assets							
Gold and other precious metals	-	-	-	-	-	19,259	**19,259**
Securities	-	5	-	-	-	-	**5**
Loans to domestic banks and other financial institutions	11	-	1,600	-	-	-	**1,611**
Property and equipment	-	-	-	-	-	2,954	**2,954**
Other domestic assets	40	-	121	-	-	2,303	**2,464**
Total domestic assets	**51**	**5**	**1,721**	**-**	**-**	**24, 516**	**26,293**
Total assets	**46,076**	**37,583**	**26,764**	**182,216**	**-**	**76,924**	**369,563**

Notes to the financial statements

30. 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 2003 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	820	-	-	-	-	-	**820**
Due to Government	-	-	-	-	-	2,510	**2,510**
International Monetary Fund	19,405	-	-	-	-	53,577	**72,982**
Other foreign liabilities	88	-	21	127	-	-	**236**
Total foreign liabilities	**20,313**	**-**	**21**	**127**	**-**	**56,087**	**76,548**
Currency in circulation	-	-	-	-	-	**65,210**	**65,210**
Domestic liabilities							
Due to banks and other financial institutions	90,336	71,815	-	-	-	-	**162,151**
Due to State Treasury	11,907	-	-	-	-	-	**11,907**
Other domestic liabilities	823	32	-	-	-	100	**955**
Total domestic liabilities	**103,066**	**71,847**	**-**	**-**	**-**	**100**	**175,013**
Total liabilities	**123,379**	**71,847**	**21**	**127**	**-**	**121,397**	**316,771**
Maturity surplus/ (shortfall)	**(77,303)**	**(34,264)**	**26,743**	**182,089**	**-**	**(44,473)**	**52,792***

* represents the equity of the Bank

Notes to the financial statements

31. Commitments and contingencies

The Bank has outstanding guarantees issued with a fair value of ROL 95 billion as at 31 December 2004 which were recognised in other liabilities (see note 26). 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 2004, IMF has agreed to a new stand by arrangement of SDR 250 million for a period of 24 months. Due to the Government intention of not withdrawing funds, the aforementioned arrangement is considered as part of the IMF policy of precautionary surveillance.

The quotas in international financial institutions (IBRD, EBRD, MIGA) are supported by promissory notes signed by the Ministry of Public Finance amounting to ROL 123 billion as at 31 December 2004.

32. Reconciliation of loss under IFRS and Romanian Accounting Standards

In ROL billion	**2004**
Net loss under Romanian Accounting Standards	(20,430)
Revaluation of balances with IMF denominated in SDR	1,236
Revaluation of foreign assets and liabilities and gold	(19,636)
Market value of debt securities	(1,199)
Other items	651
Net loss under IFRS	**(39,378)**

33. Subsequent events

In accordance with the Law no. 348/2004 adopted by the Parliament of Romania in July 2004, from 1 July 2005 the Romanian currency will be denominated at a conversion rate of 10,000 ROL to 1 new Romanian Leu (RON).