



National Bank of Romania

Financial Statements
31 December 2006

Free translation from the original version in Romanian

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To the Board of Directors of the National Bank of Romania

FINANCIAL AUDITOR'S REPORT

Report on the Financial Statements

- 1 We have audited the accompanying financial statements of the National Bank of Romania ("the Bank"), which comprise the balance sheet as at 31 December 2006, and the income statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, presenting the following:

■ Total assets:	93,847,342 thousand lei
■ Net assets/Total equity:	(4,608,263) thousand lei
■ Loss for the year:	4,331,631 thousand lei

Management's Responsibility for the Financial Statements

- 2 Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Norm for organizing and conducting the accounting of the National Bank of Romania ("Norm 2/2005") and as described in the accounting policies presented in the notes to the financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

- 3 Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing as adopted by the Romanian Chamber of Financial Auditors. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

- 4 An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
- 5 We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

- 6 In our opinion, the financial statements present fairly, in all material respects, the financial position of the National Bank of Romania as of 31 December 2006, and its financial performance for the year then ended in accordance with the Norm for organizing and conducting the accounting of the National Bank of Romania ("Norm 2/2005") and as described in the accounting policies presented in the notes to the financial statements.

Other matters

- 7 The accompanying financial statements are prepared based on legal and accounting regulations applicable to the National Bank of Romania in force at 31 December 2006. Accordingly, the accompanying financial statements are not designed for those who are not informed about these legal and accounting regulations, respectively, the Norm for organizing and conducting the accounting of the National Bank of Romania ("Norm 2/2005").

Refer to the original signed Romanian version
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Deloitte Audit SRL
Bucharest, 28 May 2007

Balance sheet of the National Bank of Romania
at 31 December 2006

<i>In lei thousand</i>	Note	31 December 2006	31 December 2005
Cash and other cash equivalents		9,544	7,347
Precious metals and stones , out of which:		78,731	80,654
Non-monetary gold		61,278	65,763
Other precious metals and stones		17,453	14,891
Foreign assets , out of which:		92,583,888	71,178,408
Current account in SDR with IMF		949	1,678
Monetary gold	4	5,434,487	5,305,039
Demand deposits placed	5	4,173,792	4,150,051
Term deposits placed	6	34,366,297	22,260,270
Foreign currency placements	7	714,992	817,219
Foreign currency securities	8	31,726,647	33,989,306
Lent securities	9	12,119,021	-
Quotas in international financial institutions	10	4,047,703	4,654,845
<i>out of which IMF</i>		3,979,358	4,576,023
National currency securities		30	-
Loans to domestic credit institutions , out of which:		0	0
Loans to domestic credit institutions	11	11,800	16,800
Loans in litigation		13,209	13,209
Credit risk provision – principal		(25,009)	(30,009)
Other assets , out of which:		266,434	389,529
Loans to employees		600	741
Property and equipment	12	231,167	228,848
Inventory		2,965	5,514
Participating interests	13	2,302	2,240
State budget receivables	14	15,662	26,602
Other accounts for settlements		84,289	220,991
Other assets		25,285	19,371
Provisions for other assets	15	(95,836)	(114,778)
Accrued interest receivables		908,715	607,825
Accrued interest receivables	16	914,783	613,893
Credit risk provisions – interest	17	(6,068)	(6,068)
TOTAL ASSETS		93,847,342	72,263,763

The financial statements were approved by the Board of Directors on 28 May 2007 and were signed on its behalf by:

Refer to the original signed
Romanian version

Governor
Mr. Mugur Isărescu

Balance sheet of the National Bank of Romania
at 31 December 2006

<i>In lei thousand</i>	<i>Note</i>	31 December 2006	31 December 2005
Currency in circulation	18	17,365,933	12,739,492
Certificates of deposits issued by the Bank		1,741,600	16,492,600
Foreign liabilities , out of which:		16,392,800	6,024,700
Due to international financial institutions		4,308,025	5,463,672
<i>out of which: due to IMF</i>	19	4,245,476	5,137,882
Sight deposits taken		-	221,134
Term deposits taken		-	-
Borrowings from banks	20	11,791,403	2,533
SDR allocations from IMF	21	293,372	337,361
Due to domestic credit institutions , out of which:		53,265,929	32,725,122
Current accounts of the domestic banks		17,223,634	9,479,744
Amounts withheld at court disposition		4,334	1,980
Term deposits of the domestic banks		9,356,660	6,731,800
Foreign currency minimum reserves		26,680,480	16,508,971
Accounts of bankrupt credit institutions		821	2,627
Current account of the State Treasury	22	9,561,994	3,721,491
Other liabilities , out of which:		24,541	23,767
Borrowings and other similar liabilities		1,819	2,291
Sundry creditors		9,440	7,454
Salaries and other personal related accounts		1,970	1,668
Due to state budget		4,059	4,282
Settlement accounts		920	2,440
Other liabilities		6,333	5,632
Accrued interest payables	23	102,808	29,462
Equity , out of which:		(4,608,263)	507,129
Issued share capital		30,000	30,000
Other reserves		605,684	607,575
Special revaluation account	25	1,374,344	2,931,958
Loss for the year		(4,331,631)	(3,062,404)
Retained earnings		(2,286,660)	-
TOTAL LIABILITIES AND EQUITY		93,847,342	72,263,763

The financial statements were approved by the Board of Directors on 28 May 2007 and were signed on its behalf by:

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Governor
Mr. Mugur Isărescu

**Income statement of the National Bank of Romania
for the year ended 31 December 2006**

<i>In lei thousand</i>	<i>Note</i>	31 December 2006	31 December 2005
Interest revenue	26	2,593,955	1,682,754
Interest expense	27	(2,403,078)	(2,510,912)
Net interest result		190,877	(828,158)
Fee and commission income	28	90,370	119,737
Fee and commission expense	29	(37,542)	(74,101)
Net fee and commission result		52,828	45,636
Realized losses from foreign currency operations	30	(297,443)	(374,909)
Realized losses from foreign currency securities operations	31	(124,013)	(14,576)
Realized losses from precious metals operations	32	(291)	(446)
Unrealized losses from revaluation differences	33	(3,840,933)	(1,539,490)
Net result from financial operations		(4,262,680)	(1,929,421)
Currency issuance expenses	34	(105,072)	(81,631)
Income/ (expenses) from credit risk provisions	35	5,000	(97,362)
Losses from bad receivables not covered by provisions		-	-
Other expenses from specific operations		(288)	-
Other income from specific operations		4,476	32,057
Net result from specific operations		(95,884)	(146,936)
Other income		26,867	8,162
Salary and other personnel costs		(125,792)	(109,550)
Administrative expenses		(29,385)	(30,100)
Depreciation and amortization expenses		(21,592)	(19,217)
Other operating expenses		(66,870)	(52,820)
Net loss for the year		(4,331,631)	(3,062,404)

The financial statements were approved by the Board of Directors on 28 May 2007 and were signed on its behalf by:

Refer to the original signed Romanian version
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Governor
Mr. Mugur Isărescu

Notes to financial statements

1 General information

The National Bank of Romania (the "Bank" or "NBR") was set up in 1880 as the central bank of Romania. The current registered office is located in 25 Lipscani Street, Bucharest, Romania. The Bank is managed by the Board of Directors. The executive management of the Bank comprises the Governor, the First Deputy Governor and two Deputy Governors. Parliament appoints the Directors for a period of five years. The Bank is fully owned by the Romanian state.

The operations of the Bank during the financial year 2006 were governed by the 'Law on the Statute of the National Bank of Romania' (Law no. 312/ 2004), in effect since 31 July 2004, except for a number of provisions related to statutory financial reporting that became effective commencing 1 January 2005. The purpose of the Law no. 312/ 2004 is to ensure the compliance of the NBR's statute with the European Union legislation and, in particular, with the provisions on central bank independence of the European Community Treaty.

In accordance with the Law no. 312/ 2004, the primary objective of the Bank is to ensure and maintain price stability. Likewise, the Bank has the exclusive right to issue banknotes/ coins and the duty to regulate and supervise the Romanian banking system.

2 Significant accounting policies

a) Preparation of the financial statements

The NBR's financial statements are prepared in accordance with the accounting principles and rules established by the international accounting standards, applicable to central banks, acknowledged by the European Central Bank and include the following: the balance sheet, the profit and loss account and the explanatory notes.

The 2006 financial statements have been prepared in accordance with the 'Norm for organizing and conducting the accounting of the National Bank of Romania' (Norm no. 2/ 2005). This norm sets up the basic accounting principles and rules, the form and the content of the annual financial statements, complying with the international accounting standards applicable to central banks and recognized by the European Central Bank (Guideline of the European Central Bank of 5 December 2002 on the Legal Framework for Accounting and Financial Reporting in the European System of Central Banks no.10/ 2002). The accounting policies have been consistently applied by the Bank for the year ended 31 December 2006 and are consistent with those used in the previous year.

b) Basis of preparation

The financial statements are prepared on a going concern basis and presented in Romanian lei, rounded to the nearest thousand.

Income and expenses are recognized in the accounting period in which they are earned or incurred and not according to the period in which they are received or paid (the accruals principle).

Notes to financial statements (continued)

2 Significant accounting policies (continued)

c) The transfer of the NBR's net revenues to the state

The Bank is exempted from paying income tax, but, in accordance with the Law no. 312/ 2004, distributes to the state budget a share of 80 percent of the net revenues - after deducting the expenses related to the financial year and the loss related to the previous financial years that remained uncovered from other available sources.

d) Significant accounting principles

Substance over form: Transactions are recorded and disclosed in accordance with their substance and economic reality and not merely with their legal form.

Prudence: the valuation of assets and liabilities and income recognition are carried out prudently. However, prudence does not allow the deliberate understatement of assets and income and overstatement of liabilities and expenses.

Post-balance-sheet events: assets and liabilities are adjusted for events that occur between the annual balance sheet date and the date on which the financial statements are approved by the Board of Directors, if they affect the condition of assets or liabilities existing at the balance sheet date. No adjustment is made, but disclosure is required for those events occurring after the balance sheet date that do not affect the condition of assets and liabilities at the balance sheet date, but which are of such importance that non-disclosure would affect the ability of the users of the financial statements to make proper evaluations and to take decisions.

Materiality: deviations from the accounting rules, including those affecting the income statement, are not allowed unless they can reasonably be judged to be immaterial in the overall context and presentation of the Bank's financial statements.

e) Estimates

In preparing the financial statements in accordance with the Norm no. 2/ 2005, the management is required to make estimates and assumptions affecting the reported amounts of the assets and the liabilities and revenue and expenses for the period. Actual results could differ from these estimates. The estimates are periodically revised and, if necessary, adjustments are recorded in the income statement of the period when these occur. Although these individual estimates carry some uncertainty, their cumulative effect on the financial statements is not significant.

f) Recognition of assets and liabilities

Financial assets/ liabilities shall be recognized in the balance sheet only when:

- it is probable that future economic benefits associated with the asset/ liability will flow to or from the Bank;
- substantially all of the risks and rewards associated with the asset/ liability have been transferred to the Bank; and
- the value of the asset/ liability can be measured reliably.

Notes to financial statements (continued)

2 Significant accounting policies (continued)

f) Recognition of assets and liabilities (continued)

Financial assets and liabilities are initially recognized at the acquisition value as presented hereinafter.

g) Foreign currency position

The foreign currency position represents the net position determined as the difference between the total assets and the total liabilities denominated in the respective currency, with minor exceptions. The monetary gold is considered as a foreign currency, forming the gold position.

The items not included in the foreign currency position are the foreign currency amounts booked in the following accounts: Accrued interest receivables, Accrued interest payables, Cash in foreign currency, Foreign currency in transit, Sundry suppliers, Sundry debtors, Settlement accounts, Prepayments and the SDR, XBR, XDS operations carried on with the international financial institutions.

During 2006, the Bank held long positions both for all foreign currencies and gold (total receivables exceeding total payables denominated in the respective foreign currency).

h) Average cost method

The average cost method is applied to the following:

- the foreign currency holding;
- the monetary gold holding; and
- the foreign currency securities.

The average cost of the foreign currency holding is determined on a daily basis as an indirect quotation (lei /1 FCY). In case of the long foreign currency holding, net acquisitions of currencies made during the day are added, at the average cost of the purchases made during the day, to the previous day's ending balance, to determine a new average cost. In case of net sales, the average cost remains unchanged. For the gold holding, the same principles apply.

The average cost of the foreign currency securities is determined for each ISIN/ CUSIP (international securities identification number) by dividing the transaction value to the correspondent nominal value. All purchases made during the day are added at cost to the previous day's ending balance to produce a new average cost for each ISIN/ CUSIP.

The net average cost of the foreign currency securities is determined for each ISIN/ CUSIP by dividing the holding at the average cost - adjusted with the cumulated premium/ discount amortization - to the correspondent nominal value. The premiums/ discounts arising on purchases of securities are amortized over the remaining life of the securities, using the straight-line method. However, the internal rate of return method is used for the discount securities with a remaining maturity of more than one year at the time of acquisition.

Notes to financial statements (continued)

2 Significant accounting policies (continued)

h) Average cost method (continued)

The gains/ losses arising from transactions in foreign currency, gold/ silver in standard form and foreign currency securities are assessed based on the average cost of the respective holding (Note 2i and Note 2j).

At the end of the financial year, in accordance with the revaluation procedure (Note 2q), the average cost of the foreign currency holding and the net average cost of the foreign currency securities, generating unrealized losses as at 31 December, are written down to the revaluation exchange rate and the market price of the securities, respectively.

i) Foreign currency transactions

Foreign currency transactions are converted into lei based on the exchange rate ruling at the settlement date. The monetary assets and liabilities denominated in foreign currencies at the balance sheet date are converted into lei based on the exchange rate ruling at that date.

In accordance with the average cost method for the long foreign currency holding, any sale of foreign currency (outflow from the foreign currency position) generates a gain/ loss assessed as follows:

- if daily acquisitions exceed daily sales, then the gain/ loss arising from the daily sales is computed as the total sales multiplied by the difference between the average price of the daily sales and the average cost of the daily acquisitions;
- if daily sales exceed daily acquisitions, then the gain/ loss arising from the daily sales is computed as the sum of the following:
 - the gain/ loss arising from the sales covered by the daily acquisitions: computed as the total daily acquisitions multiplied by the difference between the average price of the daily sales and the average cost of the daily acquisitions;
 - the gain/ loss arising from the sales covered by the previous day holding: computed as the net sales multiplied by the difference between the average price of the daily sales and the average cost of the respective foreign currency position on the preceding day.

j) Foreign currency securities

The premiums/ discounts arising on the acquisition of securities are amortized over the remaining life of the securities using the straight-line method. The amortization of the discount/ premium are presented as part of interest income/ expense. The internal rate of return method is, however, used for the discount securities with a remaining maturity of more than one year at the time of acquisition.

The gain/ loss arising from *the sale of securities* is determined as the sold nominal value multiplied by the difference between the selling price and the average cost of the respective security. The components of the aforementioned gain/ loss are the following:

Notes to financial statements (continued)

2 Significant accounting policies (continued)

j) Foreign currency securities (continued)

- *the market price effect* representing the sold nominal value multiplied by the difference between the selling price and the net average cost of the respective security;
- *the interest rate effect* representing the sold nominal value multiplied by the difference between the net average cost and the average cost of the respective security.

The interest receivables are monthly booked, in accordance with the accruals principle, and converted into lei based on the revaluation exchange rate.

The gain/ loss from marking to market the foreign currency securities is determined as the difference between the market price and the net average cost.

The foreign currency securities lending – performed via an agent – is presented, in a separate line, on the face of the balance sheet as lent securities (see Note 9). The coupon of the lent securities is still received by the Bank and, as such, booked as interest revenue. The funds received via the agent in exchange for the lent securities are invested by the agent in term deposits and reverse repo operations; thus, the aforementioned funds are booked as borrowings from banks (see Note 20) and the deposits and reverse repo operations are booked as assets (see Note 6). The income earned from the term deposits/ the reverse repo operations and the rebate expense paid for the borrowings are booked on a gross basis (see Note 26 and Note 27). Likewise, the Bank recognizes as an expense the share paid to the agent from the net revenue – in exchange for its services (see Note 29).

k) Loans granted to the credit institutions and other entities

The loans are stated in the balance sheet at the amount of the outstanding principal, adjusted with the provision for loan impairment, in order to reflect the estimated recoverable amount.

l) Participating interests

In accordance with the Norm no. 2/ 2005, the participating interests, including those holdings reflecting a significant influence, are booked at cost; thus, these financial statements are not consolidated.

m) Tangible and intangible assets

The tangible and intangible assets are stated at historical cost or the revalued cost, less accumulated depreciation.

The Bank carried on subsequent revaluations of the tangible assets in accordance with the statutory legal provisions, taking into account the inflation, the value in use, the condition and the market price of the respective asset. Capital expenditure on property and equipment in the course of construction is capitalized and depreciated once the assets enter into use. The last revaluation of the tangible assets was performed on 31 December 2001.

Notes to financial statements (continued)

2 Significant accounting policies (continued)

m) Tangible and intangible assets (continued)

The expenditure incurred to replace a component of an item of tangible and intangible assets, including the modernization expenditure, is capitalized. All other expenditure (repairs, maintenance etc.) is charged to the income statement as incurred, representing operating expense.

The depreciation is provided on a straight-line basis over the estimated useful lives of items of property and equipment. The depreciation is recognized as a write down of the costs of the items of property and equipment. The 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) Provisions for impairment of assets

As part of its monetary and exchange rate policies, the Bank is entitled to grant loans to the credit institutions. The Bank books credit risk provisions in accordance with its own norms, drawn up under the approval of the Board of Directors and the advisory approval of the Ministry of Public Finances.

The impairment losses from loans are charged to the income statement as specific expenses and offset against the carrying value of the loans and accrued interest receivables.

The loans are written off and charged to the income statement as they become unrecoverable and all the necessary legal procedures have been carried on.

Other provisions than those for credit risk are covered from the remaining profit – net of the state share (80%) from the Bank's net revenues. The financial assets are reviewed to determine whether there is any indication of impairment. If any such indication exists, the asset recoverable amount is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount.

The impairment losses are fully/ partially reversed if there has been a change of the previously used estimates 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 amortization, if no impairment loss had been recognized.

o) Currency in circulation

The Bank prepares the program of banknotes and coins issue, ensures the printing, distribution and administration of the currency reserve, in order to meet the cash requirements, in accordance with the real needs of money circulation.

Notes to financial statements (continued)

2 Significant accounting policies (continued)

o) Currency in circulation (continued)

Currency in circulation is booked at the face value of the banknotes and coins produced/ received by/ from the National Printing and Minting Units and other foreign suppliers, less the value of the banknotes and coins destroyed and other similar items (the withdrawn banknotes and coins, the withdrawn banknotes and coins not exchanged within the legal period), the value of the banknotes and coins included in collections, the value of the sold numismatic products, the value of the banknotes and coins from the reserve fund kept in the central vault, the Bank's branches and the value of the banknotes and coins in course of expedition.

p) Deposit certificates issued by the Bank

The deposit certificates issued by the Bank are denominated in lei and are sold to the domestic credit institutions. These are discount instruments, being redeemed at their nominal value on the maturity date.

At the issuance date of the deposit certificates, their nominal value is recorded as a liability and the discount as a prepayment. The discount is amortized over the life of the deposit certificates, using the straight-line method and the accruals principle.

q) Revaluation

The revaluation of the foreign currency assets and liabilities is performed monthly and booked in the special revaluation account as the difference between the revaluation exchange rate (the official rate available on the last working day of the month) and the average cost of the foreign currency position. The exceptions are the assets and liabilities denominated in SDR which are revalued at 30 April and 31 December, based on the exchange rates communicated by the International Monetary Fund. The SDR balances as at the end of the year are revalued based on the exchange rate communicated for 31 December 2006.

The marking-to-market is performed on a monthly basis both for the holdings of gold/ silver in standard form and for the foreign currency securities; the price differences are recorded in the balance sheet in adjustments accounts. The revaluation of the gold is performed based on the lei price per defined unit of weight of gold derived from the lei/ USD exchange rate and the fixing quotation on the London precious metals market. The revaluation of the foreign currency securities implies the comparison of the mid market price at the end of the last working day of the month and the net average cost of the respective security.

Offsetting unrealized losses for securities, currencies or gold balances against unrealized gains in other securities, currencies or gold is not permitted.

Notes to financial statements (continued)

2 Significant accounting policies (continued)

q) Revaluation (continued)

At the end of the financial year, the unrealized losses are charged to the income statement without the possibility of subsequent cancellation against new unrealized gains. Subsequently, the average cost of the foreign currency position and the net average cost of the foreign currency securities – which generated the aforementioned unrealized losses – are written down to the revaluation exchange rate and the market price respectively. At the end of the financial year, the unrealized gains are booked in the special revaluation account in the balance sheet.

r) Pension obligations and employee 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.

In compliance with the collective labor agreement currently in force, the Bank pays on the retirement of its employees a benefit calculated taking into account the salary on the date of the retirement. The Bank recognizes the benefits related to the retirement on the date these are due to the employees of the Bank.

s) Income and expense recognition

The revenues and expenses are recognized according to the accruals principle. The losses/ gains arising from sale of the foreign currency, gold or securities holdings are charged to the income statement. These are determined as the difference against the average cost of the respective asset.

The unrealized gains are not recognized as income, but transferred directly to the special revaluation account.

At the end of the year, the unrealized losses are charged to the income statement if they exceed revaluation gains previously recorded in the corresponding revaluation account. There is no netting of unrealized losses for securities, currencies or gold balances against unrealized gains in other securities, currencies or gold.

t) Share capital and statutory reserves

The *share capital* is fully owned by the Romanian state and is not divided into shares. As at 31 December 2006, the Bank's share capital was in amount of lei 30,000 thousand.

The *statutory reserves* have been set up on 1 January 2005 in accordance with the Law no. 312/ 2004, incorporating the remaining balance of the reserve fund. As at 31 December 2006, the statutory reserves are nil, as a consequence of covering the 2005 financial loss (see Note 2u). The statutory reserves are subject to a maximum increase limit of 60% from the annual profit, net of the state share (80%) of the Bank's net revenues.

Notes to financial statements (continued)

2 Significant accounting policies (continued)

u) Loss coverage

The loss of the financial exercise is covered from the available sources, in the following priority order: a) special revaluation account as at 31 December 2004; b) statutory reserves; c) future profits.

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 to ensure and maintain the price stability in Romania. The most important types of financial risks to which the Bank is exposed are credit risk, liquidity risk and market risk. Market risk includes currency risk and interest rate 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 in lei to domestic credit institutions. The amount of credit exposure in this regard is represented by the carrying amounts of the loans on the balance sheet. Short-term loans in lei 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.

Maximum credit risk exposure, representing the maximum accounting loss that would be recognized 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 lei 600 thousand (31 December 2005: lei 741 thousand).

b) Liquidity risk

The Bank is the lender of last resort to credit institutions 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 planning and diversification, in order to ensure the foreign obligations are timely met.

Notes to financial statements (continued)

3 Risk management policies (continued)

c) Interest rate risk

The Bank incurs interest rate risk mainly 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 lei, the Bank endeavors 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 estimated benefits.

For financial receivables and liabilities in foreign currency, the Bank attempts to maintain a net positive position. The Bank uses a mix of fixed and variable interest instruments. 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 principal foreign currencies held by the Bank are EUR and USD. Due to the appreciation of the local currency and the volatility of the financial markets, there is a consequent risk of loss in value in respect of net monetary assets held in foreign currency. Open foreign exchange positions represent also a source of foreign exchange risk.

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

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, in order to ensure a balanced foreign currency distribution, whilst maintaining an overall long foreign exchange position.

The assets and liabilities held in EUR, USD and other foreign currencies at the balance sheet date are presented in Note 36.

The revaluation exchange rates of the principal foreign currencies at the end of the year were:

Currencies	31 December 2006	31 December 2005	% Increase (decrease)
Euro (EUR)	1: RON 3.3817	1: RON 3.6771	(8.0%)
US Dollar (USD)	1: RON 2.5676	1: RON 3.1078	(17.4%)

Notes to financial statements (continued)

4 Monetary gold

	31 December 2006	31 December 2005
<i>In lei thousand</i>		
Gold bullion in standard form	1,464,000	1,428,857
Coins	755,749	738,554
Abroad deposits	3,214,738	3,137,628
Total	5,434,487	5,305,039

At 31 December 2006, the Bank had a sole foreign deposit amounting to lei 3,214,738 thousand. As at 31 December 2006, the gold revaluation price came to 52.49 lei/g and the Bank's gold holdings amounted to 103,553.76 kg (as at 31 December 2005, the revaluation price came to 51.23 lei/g and the Bank's gold holdings amounted to 103,553.37 kg).

5 Demand deposits placed

	31 December 2006	31 December 2005
<i>In lei thousand</i>		
Demand deposits at international financial institutions	4,133,275	4,008,003
Demand deposits at central banks	40,173	141,919
Demand deposits at foreign banks	344	129
Total	4,173,792	4,150,051

As at 31 December 2006, this item comprises: the current account held with the Bank for International Settlements (BIS), in amount of lei 4,133,275 thousand (31 December 2005: lei 4,008,003 thousand), representing the lei equivalent of EUR 1,221,899 thousand (31 December 2005: EUR 1,089,781 thousand), USD 455 thousand (31 December 2005: USD 235 thousand) and CHF 5 thousand (31 December 2005: CHF 17 thousand), demand deposits held with central banks, out of which significant are those held with Bundesbank in amount of lei 21,909 thousand (EUR 6,479 thousand) (31 December 2005: lei 56,602 thousand or EUR 15,393 thousand), Bank of Japan in amount of lei 13,407 thousand (JPY 623,592 thousand) (31 December 2005: lei 45,088 thousand, JPY 1,701,465 thousand respectively), Bank of England lei 1,691 thousand (GBP 335 thousand) (31 December 2005: lei 35,613 thousand or GBP 6,649 thousand) and the demand deposit held with Banque Generale de Bruxelles, in amount of lei 344 thousand (EUR 102 thousand) (31 December 2005: lei 129 thousand or EUR 35 thousand).

Notes to financial statements (continued)

6 Term deposits placed

	31 December 2006	31 December 2005
<i>In lei thousand</i>		
Term deposits at central banks	500,060	362,882
Term deposits at foreign banks	22,074,835	21,897,388
Term deposits under securities lending agreement	770,280	-
Reverse repo operations under securities lending agreement	11,021,122	-
Total	34,366,297	22,260,270

As at 31 December 2006, the term deposits held with foreign banks amounted to lei 22,074,835 thousand (31 December 2005: lei 21,897,388 thousand), representing the lei equivalent for EUR 4,740,000 thousand (31 December 2005: EUR 3,430,000 thousand), USD 2,305,500 thousand (31 December 2005: USD 2,059,000 thousand) and GBP 25,000 thousand (31 December 2005: GBP 538,800 thousand).

As at 31 December 2006, the term deposits held with central banks include the overnight deposit held with the De Nederlandsche Bank in amount of lei 292,855 thousand (EUR 86,600 thousand) (31 December 2005: lei 16,363 thousand or EUR 4,450 thousand) and the deposit held with the Federal Reserve Bank of New York in amount of lei 207,205 thousand (USD 80,700 thousand) (31 December 2005: lei 346,520 thousand or USD 111,150 thousand).

As at 31 December 2006, the term deposits placed via an agent under the securities lending agreement amounted to lei 770,280 thousand, representing the lei equivalent for USD 300,000 thousand.

As at 31 December 2006, the reverse repo operations performed via an agent under the securities lending agreement amounted to lei 11,021,122 thousand, representing the lei equivalent for USD 4,292,383 thousand, and were guaranteed by foreign currency securities.

7 Foreign currency placements

	31 December 2006	31 December 2005
<i>In lei thousand</i>		
Placements at World Bank, out of which:		
- in deposits, out of which:	362,369	297,167
- demand deposits at Fed	551	683
- in securities	339,433	520,052
Others	13,190	-
Total	714,992	817,219

Notes to financial statements (continued)

7 Foreign currency placements (continued)

In October 2002, NBR and the International Bank for Reconstruction and Development (IBRD) concluded an investment management agreement providing for the IBRD's role as an investment advisor and agent for the Bank's foreign assets, subject to a 20% limit of the Bank's international reserves. As at 31 December 2006, the amounts managed by IBRD (deposits) came to lei 361,818 thousand – the lei equivalent of USD 140.9 million (31 December 2005: lei 296,484 thousand – the lei equivalent of USD 95.2 million).

As at 31 December 2006, the Bank's placements managed by the World Bank (in securities) according to the investment management contract amounted to lei 339,433 thousand – USD 132.1 million (31 December 2005: lei 520,052 thousand – USD 167.3 million).

8 Foreign currency securities

	31 December 2006	31 December 2005
<i>In lei thousand</i>		
Discount treasury bills - Non-government Agencies	441,310	-
Discount treasury bills – US Treasury	102,690	913,381
Discount treasury bills – European Treasuries	2,174,411	3,416,608
Coupon treasury bills – US Treasury	-	8,854,768
Coupon treasury bills – Bank for International Settlements (MTI)	-	228,950
Coupon treasury bills – European Treasuries	15,353,299	20,575,599
Coupon treasury bills - Credit institutions and banks	9,734,463	-
Coupon treasury bills - International financial institutions – BIS (MTI)	3,920,474	-
Total	31,726,647	33,989,306

The coupon treasury bills issued by the European Treasuries, the US Treasury and BIS have fixed interest rates. The interest rates ranged between 2.5% and 5.75% per year for the EUR securities (2005: between 2% and 6% per year), between 3.13% and 6% per year for the USD securities (2005: between 2.25% and 6.63% per year) and between 3.5% and 5.2% for the GBP securities.

Notes to financial statements (continued)

9 Lent securities

	31 December 2006	31 December 2005
<i>In lei thousand</i>		
Coupon treasury bills - Non-government US Agencies	291,088	-
Coupon treasury bills - US Treasury	11,572,224	-
Coupon treasury bills - Bank for International Settlements (MTI)	255,709	-
Total	12,119,021	-

As at 31 December 2006, the Bank lent, via an agent, US coupon treasury bills in amount of lei 12,119,021 thousand. The borrowings secured with lent securities (see Note 20) - performed via the agent - are invested in reverse repo operations and term deposits (see Note 6).

10 Quotas in international financial institutions

	31 December 2006	31 December 2005
<i>In lei thousand</i>		
Romania's quota at IMF	3,979,358	4,576,023
Participation in the share capital of Bank for International Settlements	68,345	78,822
Total	4,047,703	4,654,845

This item comprises the governmental funds representing the participation quota at other international financial institutions.

The Bank, in accordance with the Law no. 97/ 1997, exercises all the rights and obligations arising from Romania's membership at IMF.

Romania's quota at IMF is recorded as an asset denominated in SDR. At 31 December 2006 and 31 December 2005, Romania's total quota at IMF came to SDR 1,030 million. The IMF maintains lei deposits with the Bank in relation to the participation.

The current account in SDR with IMF is held by each member state of IMF and is used to conduct the borrowings and other related operations with IMF. This account bears the same interest rates as the SDR allocation from IMF.

Notes to financial statements (continued)

11 Loans to domestic credit institutions

	31 December 2006	31 December 2005
<i>In lei thousand</i>		
Loans to credit institutions	11,800	16,800
Loans in litigation	13,209	13,209
Specific provision for credit risk (for principal amount)	(25,009)	(30,009)
Balance at the end of year	-	-

This item comprises a current loan granted to a bankrupt credit institution, Credit Bank S.A.

The outstanding loans balance as at 31 December 2006 decreased as a result of the reimbursements made during the year for the loan granted to Credit Bank S.A., in accordance with the Emergency Ordinance no. 26/ 2000 (31 December 2005: lei 16,800 thousand). This item includes also the loan granted to Credit Bank S.A. before its bankruptcy (31 December 2005: lei 13,209 thousand). Provisions are booked for all the loans granted to Credit Bank SA. The provisions as at 31 December 2005 are maintained for the end of the year 2006, apart from the provision regarding the loan granted to Credit Bank S.A in compliance with the Emergency Ordinance no. 26/ 2000, which was decreased to the extent of the aforementioned reimbursements.

Notes to financial statements (continued)

12 Property and equipment

<i>In lei thousand</i>	Land and buildings	Equipments	Assets in the course of construction	Intangible assets	Total
<i>Cost or revalued cost</i>					
At 31 December 2005	246,148	74,014	9,261	13,186	342,609
Additions	2,369	15,011	11,937	1,395	30,712
Disposals	(1,365)	(4,053)	-	(307)	(5,725)
Transfers	-	-	(3,138)	-	(3,138)
At 31 December 2006	247,152	84,972	18,060	14,274	364,458
<i>Accumulated depreciation</i>					
At 31 December 2005	69,125	38,856	-	5,780	113,761
Depreciation during the year	9,570	8,610	-	3,412	21,592
Disposals	(1,174)	(581)	-	(307)	(2,062)
At 31 December 2006	77,521	46,885	-	8,885	133,291
Net book value at 31 December 2006	169,631	38,087	18,060	5,389	231,167
At 31 December 2005	177,023	35,158	9,261	7,406	228,848

Notes to financial statements (continued)

12 Property and equipment (continued)

As at 31 December 2006, the item „equipments” includes fixed assets acquired through finance leases (31 December 2006: gross value – lei 22,203 thousand, accumulated depreciation – lei 7,613 thousand; 31 December 2005: gross value – lei 21,209 thousand, accumulated depreciation – lei 7,429 thousand).

During the year 2006, three lease contracts were concluded for IT equipments having an inventory value of lei 994 thousand, the correspondent depreciation for the year 2006 amounting to lei 184 thousand.

13 Participating interests

The participating interests are booked at cost, in accordance with the Norm no. 2/ 2005; thus, these financial statements are not consolidated.

As at 31 December 2006, the participating interests, in amount of lei 2,302 thousand, include the shares held by the Bank in TRANSFOND S.A. (lei 2,240 thousand) – a joint stock company providing settlement services for the inter-bank operations of the local banks (the Bank’s shareholding represents 33% of the TRANSFOND SA share capital) - and the 8 shares held by the Bank in SWIFT, as a result of the reallocation procedure performed on the 20th February 2006, having a value of EUR 18,220 (lei 62 thousand).

Summarized financial data of TRANSFOND S.A. are disclosed in the following table:

	31 December 2006	31 December 2005
<i>In lei thousand</i>		
Equity	146,907	173,277
Total assets	168,946	206,765
Net profit for the year	25,959	55,786

14 State budget receivables

The balance of the NBR’s receivables against the state budget decreased during 2006 further to the reimbursements, paid by the Ministry of Public Finances, in account for the price differences, in case of the gold returns to the population, according to court decisions, and the exchange rate differences, in case of returns of the previously confiscated foreign currency amounts.

Notes to financial statements (continued)

15 Provisions for other assets

	31 December 2006	31 December 2005
<i>In lei thousand</i>		
Provisions for:		
Receivable from KOLAL BV Amsterdam (a)	71,966	89,958
Guarantees paid by NBR for Credit Bank S.A. (b)	23,848	24,798
Receivable from S.C. Logic Telecom (amount in litigation) (c)	22	22
	95,836	114,778

a) The NBR's receivables against KOLAL BV Amsterdam are written off during a period of 5 years, starting in 2006, according to the Emergency Ordinance no. 68/ 2001 regarding the regulation of the receivables of the National Bank of Romania and the Savings House against "Dacia Felix"-SA. In 2006, the provision was decreased by an amount of lei 17,992 thousand representing the first from the five installments. The aforementioned provision represents an adjustment figure of the balance sheet item "Settlement accounts", including the "Prepayments" account where the receivables against KOLAL BV Amsterdam were booked.

b) As at 31 December 2006, the value in lei of the guarantees paid by the Bank – as a guarantor of the Credit Bank S.A. – decreased by lei 950 thousand, further to the exchange rate movement. Thus, the correspondent provision came to lei 23,848 thousand at the end of the year 2006.

c) The provision for the NBR's receivables against S.C. Logic Telecom was booked further to the bankruptcy of the aforementioned counterparty and the Bank's related legal action.

The provisions b) and c) represent adjustment figures of the balance sheet item "Other assets".

16 Accrued interest receivables

	31 December 2006	31 December 2005
<i>In lei thousand</i>		
Accrued interest receivables from:		
Foreign currency securities	773,773	560,787
Foreign currency deposits and placements	88,253	43,929
Lent securities	44,037	-
Gold	-	18
Loans granted to banks	6,068	6,068
Other	2,652	3,091
Total	914,783	613,893

Notes to financial statements (continued)

17 Credit risk provisions - interest

As at 31 December 2006, the credit risk provision in amount of lei 6,068 thousand, regarding the interest receivables for the loan granted to Credit Bank S.A. according to the Emergency Ordinance no. 26/ 2000, is maintained.

18 Currency in circulation

	<u>31 December 2006</u>	<u>31 December 2005</u>
<i>In lei thousand</i>		
Banknotes	17,233,690	12,624,139
Coins	<u>132,243</u>	<u>115,353</u>
Total	<u>17,365,933</u>	<u>12,739,492</u>

19 Due to IMF

	<u>31 December 2006</u>	<u>31 December 2005</u>
<i>In lei thousand</i>		
IMF deposits	3,979,377	4,364,480
Stand-by facilities	<u>266,099</u>	<u>773,402</u>
Total	<u>4,245,476</u>	<u>5,137,882</u>

During the period 1992 - 2004, Romania and the International Monetary Fund (IMF) agreed to five stand-by arrangements (SBA) for a total amount of SDR 1,886 million, mainly to support short-term balance of foreign payments. As at 31 December 2006, the outstanding amounts drawn from SBA facilities were SDR 68.8 million (2005: SDR 182.5 million).

The stand-by facilities bear variable interest set by IMF which was 5.48% per annum as at 31 December 2006 (31 December 2005: 4.25% per annum).

At 31 December 2006, the balance account with IMF in amount of XDS 1,158,367,049 (equivalent of lei 4,474,429 thousand) was revalued using the XDS exchange rate confirmed by IMF.

20 Borrowings from banks

As at 31 December 2006, the Bank's borrowings - performed via an agent under the securities lending agreement - amounted to lei 11,791,403 thousand (USD 4,592,383 thousand) and were collateralized by foreign currency securities. The borrowings (see Note 9) were invested in term deposits and reverse repo operations (see Note 6).

Notes to financial statements (continued)

21 SDR allocations from IMF

This item includes a non reimbursable loan bearing the same interest rate as the SDR current account at IMF. As at 31 December 2006, SDR allocations from IMF had an interest rate of 4.07% per annum (31 December 2005: 3.03% per annum).

22 Current account of the State Treasury

	31 December 2006	31 December 2005
<i>In lei thousand</i>		
Lei current account of the State Treasury	229,581	1,570,029
Foreign currency current account of the State Treasury	9,332,413	2,151,462
Total	9,561,994	3,721,491

The balance of the State Treasury current account bears variable interest rates.

23 Accrued interest payables

	31 December 2006	31 December 2005
<i>In lei thousand</i>		
Accrued interest payables from:		
Foreign borrowings	6,877	5,874
Borrowings collateralized by foreign currency securities	43,211	-
Minimum compulsory reserves of the credit institutions	10,338	5,731
Deposits of the credit institutions	41,414	14,065
Current account of the State Treasury	968	1,337
Other liabilities	-	2,455
Total	102,808	29,462

24 Related party transactions

The Government of Romania, through the State Treasury, maintains current accounts with the Bank which bear fees starting from 31 December 2005. Furthermore, the Bank acts as a registry agent on behalf of the State Treasury with regards to 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.

Notes to financial statements (continued)

24 Related party transactions (continued)

In 2006, the total purchases of banknotes and coins from the aforementioned two entities amounted to lei 64,968 thousand (31 December 2005: lei 48,135 thousand). As at 31 December 2006, 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 has significant influence over TRANSFOND S.A., an entity created in 2000 to outsource the Bank's settlement activities of domestic inter-bank operations. On the 8th April 2005, the gross real-time settlements system (REGIS) became operational; afterwards, during the year, the SENT module (for small value payments – fully managed by TRANSFOND S.A.) and the SaFIR module (for treasury bills and deposit certificates issued by the Bank – managed by the Bank) entered into operation.

For its agent services, TRANSFOND S.A. receives 95% of the settlement commissions cashed in by the Bank from the domestic banks and other varying percentages according to the contracts regulating the other modules of the Electronic Payment System. The total commissions paid to TRANSFOND S.A. by the Bank during 2006 amounted to lei 34,207 thousand (31 December 2005: lei 71,241 thousand). As at 31 December 2006, according to the invoices issued by the Bank, TRANSFOND S.A. had an outstanding payable amount of lei 217 thousand, while the Bank had an outstanding payable amount of lei 1,835 thousand. The settlement of the aforementioned payables was performed in January 2007.

25 Special revaluation account

	31 December 2006	31 December 2005
<i>In lei thousand</i>		
Net favorable revaluation differences as at 31 December 2004	-	773,854
Favorable revaluation differences from holdings of gold, precious metals and stones	1,216,044	1,081,602
Favorable revaluation differences from foreign currency holdings (revaluation performed based on the exchange rate as at balance sheet date)	149,538	1,075,485
Foreign currency securities (market value revaluation)	8,762	1,017
Total	1,374,344	2,931,958

As at 31 December 2006, the balance of the special revaluation account represents the revaluation favorable differences. Offsetting unrealized losses for securities, currencies or gold balances against unrealized gains in other securities, currencies or gold is not permitted. The revaluation unfavorable differences as at 31 December 2006 were charged to the income statement.

Notes to financial statements (continued)

26 Interest revenue

	<u>2006</u>	<u>2005</u>
<i>In lei thousand</i>		
Foreign currency/ gold operations		
Interest and similar revenue from:		
Foreign securities	1,534,843	1,274,980
Term deposits and reverse repo operations under securities lending agreement	139,293	-
Foreign currency placements	919,017	401,915
Amounts in SDR	265	1,437
Gold deposits	19	310
	<u>2,593,437</u>	<u>1,678,642</u>
Lei operations		
Interest and similar revenue from:		
Loans to credit institutions	503	4,033
Other income	15	79
	<u>518</u>	<u>4,112</u>
Total interest revenue from foreign currency and gold operations	<u>2,593,437</u>	<u>1,678,642</u>
Total interest revenue from lei operations	<u>518</u>	<u>4,112</u>
Total interest revenue	<u>2,593,955</u>	<u>1,682,754</u>

In 2006, the interest income from the foreign currency securities comprises the amortization of discounts arising from securities acquisitions, the favorable interest rate effect arising from securities sales and the accumulated coupon.

The interest income under the securities lending agreement (see Note 6) is generated by the investments (term deposits and reverse repo operations) – made by the agent – of the borrowings collateralized by foreign currency securities. This income is booked on a gross basis.

Notes to financial statements (continued)

27 Interest expense

	<u>2006</u>	<u>2005</u>
<i>In lei thousand</i>		
Foreign currency operations		
Interest and similar expenses from:		
Foreign securities	338,751	304,629
Borrowings under securities lending agreement	137,024	-
Deposits of credit institutions and Ministry of Public Finances	-	124,110
Borrowings from International Monetary Fund	35,033	47,919
	<u>510,808</u>	<u>476,658</u>
Lei operations		
Interest and similar expenses from:		
Term deposits of credit institutions	960,700	1,207,212
Minimum reserves of credit institutions	186,292	181,533
Current account of the State Treasury	267,444	103,817
Deposit certificates issued by the Bank	474,922	541,504
Other expenses	2,912	188
	<u>1,892,270</u>	<u>2,034,254</u>
Total interest expense	<u>2,403,078</u>	<u>2,510,912</u>

In 2006, the interest expense from the foreign currency securities comprises the amortization of net premium arising from securities acquisitions and the unfavorable interest rate effect arising from securities sales.

The interest expense for the borrowings collateralized by foreign currency securities (see Note 20), performed via the agent, is booked on a gross basis.

28 Fee and commission income

The fee and commission income represents the commission income from settlement of the inter-banking operations between local credit institutions and of the payments to the state budget.

Notes to financial statements (continued)

29 Fee and commission expense

<i>In lei thousand</i>	2006	2005
Fees and commission expenses in lei	34,543	71,240
Fees and commission expenses in foreign currency	2,999	2,861
Total fee and commission expense	37,542	74,101

The fee and commission expense in lei represents the commissions for services received by the Bank, including the services provided by TRANSFOND S.A. - an entity created in 2000 to outsource the Bank's settlement activities of domestic inter-bank operations. TRANSFOND S.A. receives for its agent services 95% of the commissions cashed in by the Bank for the settlement of the domestic credit institutions operations (see Note 24).

The fee and commission expense in foreign currency includes the amount of lei 454 thousand, representing the commission paid to the securities lending agent (see Note 9).

30 Realized losses from foreign currency operations

<i>In lei thousand</i>	2006	2005
<i>Income from foreign currency operations</i>		
Income from exchange rate differences	2,964	42,236
Dividends for shareholdings in Bank for International Settlements	8,722	8,199
Other income from foreign currency operations	-	95
<i>Total income from foreign currency operations</i>	11,686	50,530
<i>Expenses from foreign currency operations</i>		
Expenses from exchange rate differences	(308,017)	(423,894)
Other expenses from foreign currency operations	(1,112)	(1,545)
<i>Total expenses from foreign currency operations</i>	(309,129)	(425,439)
Realized losses from foreign currency operations	(297,443)	(374,909)

The income and expense from exchange rate differences booked in 2006 are generated by the outflows from the foreign currency position and are assessed based on the average cost method (see Note 2i).

Notes to financial statements (continued)

31 Realized losses from foreign currency securities operations

<i>In lei thousand</i>	2006	2005
<i>Income from foreign currency securities operations</i>		
Gains from foreign currency securities operations	12,001	84,010
<i>Total income from foreign currency securities operations</i>	12,001	84,010
<i>Expenses from foreign currency securities operations</i>		
	(136,014)	(98,586)
Realized losses from foreign currency securities operations	(124,013)	(14,576)

The gains /losses arise on the sales of the foreign currency securities and are assessed based on the average cost method (see Note 2j).

32 Realized losses from precious metals operations

<i>In lei thousand</i>	2006	2005
Income from precious metals operations	30	126
Expenses from precious metals operations	(321)	(572)
Losses from precious metals operations	(291)	(446)

The expenses from precious metals operations comprise the unfavorable differences between the market price and the average cost as at the deposits liquidation date, the storage fees for the gold stock held abroad (approx. 61 tones) and the expertise fees for the precious metals held in the central vault.

33 Unrealized losses from revaluation differences

<i>In lei thousand</i>	2006	2005
<i>Expenses from unfavorable revaluation differences</i>		
Revaluation of the net assets denominated in EUR and USD	3,463,811	1,262,785
Revaluation of the net assets denominated in other foreign currencies	176,893	61,482
Market value revaluation of the foreign currency securities	200,229	215,223
Unrealized losses from revaluation differences	3,840,933	1,539,490

Notes to financial statements (continued)

33 Unrealized losses from revaluation differences (continued)

As at 31 December 2006, the losses generated by the revaluation unfavorable differences and assessed on the basis of the average cost method were charged to the income statement.

Offsetting unrealized losses for securities, currencies or gold balances against unrealized gains in other securities, currencies or gold is not permitted. The revaluation favorable differences as at 31 December 2006 were booked in the special revaluation account (see Note 2q).

The revaluation losses charged to the income statement at the end of the financial year will not be cancelled by any subsequent revaluation gains.

34 Currency issuance expenses

This item comprises the expenses arising on printing and issuing the banknotes and coins.

35 Income/ (expenses) from credit risk provisions

In 2006, the expenses for credit risk provisions wrote off the Bank's receivables from "Dacia Felix", subsequently assumed by KOLAL B.V. Amsterdam, according to the Emergency Ordinance no. 68/ 2001 regarding the regulation of the receivables of National Bank of Romania and Savings House against „Dacia Felix”-S.A.

Notes to financial statements (continued)

36 Foreign currency risk

The amounts of the Bank's assets held in lei and in foreign currencies at 31 December 2006 can be analyzed as follows:

	<u>LEI</u>	<u>EUR</u>	<u>USD</u>	<u>SDR</u>	<u>Gold</u>	<u>Others</u>	<u>Total</u>
<i>In lei thousand</i>							
Cash and other cash equivalents	9,441	59	44	-	-	-	9,544
Non monetary gold	-	-	-	-	61,278	-	61,278
Other precious metals and stones	-	-	-	-	-	17,453	17,453
Current account in SDR with IMF	-	-	-	949	-	-	949
Monetary gold	-	-	-	-	5,434,487	-	5,434,487
Demand deposits placed	-	4,154,745	2,698	-	-	16,349	4,173,792
Term deposits placed	-	16,322,113	17,918,209	-	-	125,975	34,366,297
Foreign currency placements	-	13,189	701,803	-	-	-	714,992
Foreign currency securities	-	28,457,925	544,001	-	-	2,724,721	31,726,647
Lent securities	-	-	12,119,021	-	-	-	12,119,021
Quotas in international financial institutions	-	-	-	3,979,358	-	68,345	4,047,703
National currency securities	30	-	-	-	-	-	30
Loans to domestic credit institutions	11,800	-	-	-	-	-	11,800
Loans in litigation	13,209	-	-	-	-	-	13,209
Credit risk provision – principal	(25,009)	-	-	-	-	-	(25,009)
Loans to employees	600	-	-	-	-	-	600
Property and equipment	231,167	-	-	-	-	-	231,167
Inventory	2,965	-	-	-	-	-	2,965
Equity investments	2,302	-	-	-	-	-	2,302
State budget receivables	15,662	-	-	-	-	-	15,662
Other accounts for settlements	84,289	-	-	-	-	-	84,289
Other assets	25,285	-	-	-	-	-	25,285
Provisions for other assets	(71,988)	-	(23,848)	-	-	-	(95,836)
Accrued interest receivables	8,721	684,332	200,338	9	-	21,383	914,783
Credit risk provisions - interest	(6,068)	-	-	-	-	-	(6,068)
Total assets	302,406	49,632,363	31,462,266	3,980,316	5,495,765	2,974,226	93,847,342

Notes to financial statements (continued)

36 Foreign currency risk (continued)

The amounts of the Bank's liabilities and capital held in lei and in foreign currencies at 31 December 2006 can be analyzed as follows:

	<u>LEI</u>	<u>EUR</u>	<u>USD</u>	<u>SDR</u>	<u>Gold</u>	<u>Others</u>	<u>Total</u>
<i>In lei thousand</i>							
Currency in circulation	17,365,933	-	-	-	-	-	17,365,933
Certificates of deposit issued by the Bank	1,741,600	-	-	-	-	-	1,741,600
Due to international financial institutions	62,164	-	385	4,245,476	-	-	4,308,025
Borrowings from banks	-	-	11,791,403	-	-	-	11,791,403
SDR allocations from IMF	-	-	-	293,372	-	-	293,372
Current accounts from domestic banks	17,223,634	-	-	-	-	-	17,223,634
Amounts withheld at court disposition	4,334	-	-	-	-	-	4,334
Term deposits taken from domestic banks	9,356,660	-	-	-	-	-	9,356,660
Foreign currency minimum reserves	-	24,058,816	2,621,664	-	-	-	26,680,480
Accounts of bankrupt credit institutions	821	-	-	-	-	-	821
Current accounts with the State Treasury	229,581	9,250,399	82,014	-	-	-	9,561,994
Borrowings and other similar liabilities	1,819	-	-	-	-	-	1,819
Sundry creditors	9,440	-	-	-	-	-	9,440
Salaries and other personal related accounts	1,970	-	-	-	-	-	1,970
Due to State budget	4,059	-	-	-	-	-	4,059
Settlement accounts	920	-	-	-	-	-	920
Other liabilities	6,333	-	-	-	-	-	6,333
Accrued interest payables	47,872	6,723	43,807	4,406	-	-	102,808
Total liabilities	46,057,140	33,315,938	14,539,273	4,543,254	-	-	98,455,605
Net assets / (net liabilities)*)	(45,754,734)	16,316,425	16,922,993	(562,938)	5,495,765	2,974,226	(4,608,263)

*) represent the Bank's equity

Notes to financial statements (continued)

36 Foreign currency risk (continued)

The amounts of the Bank's assets held in lei and in foreign currencies at 31 December 2005 can be analyzed as follows:

	LEI	EUR	USD	SDR	Gold	Others	Total
<i>In lei thousand</i>							
Cash and other cash equivalents	7,282	52	13	-	-	-	7,347
Non monetary gold	-	-	-	-	65,763	-	65,763
Other precious metals and stones	-	-	-	-	-	14,891	14,891
Current account in SDR with IMF	-	-	-	1,678	-	-	1,678
Monetary gold	-	-	-	-	5,305,039	-	5,305,039
Demand deposits placed	-	4,064,267	2,301	-	-	83,483	4,150,051
Term deposits placed	-	12,628,816	6,745,480	-	-	2,885,974	22,260,270
Foreign currency placements	-	-	817,219	-	-	-	817,219
Foreign currency securities	-	23,992,207	9,997,099	-	-	-	33,989,306
Quotas in international financial institutions	-	-	-	4,576,023	-	78,822	4,654,845
Loans to domestic credit institutions	16,800	-	-	-	-	-	16,800
Loans in litigation	13,209	-	-	-	-	-	13,209
Credit risk provision – principal	(30,009)	-	-	-	-	-	(30,009)
Loans to employees	741	-	-	-	-	-	741
Property and equipment	228,848	-	-	-	-	-	228,848
Inventory	5,514	-	-	-	-	-	5,514
Equity investments	2,240	-	-	-	-	-	2,240
State budget receivables	26,602	-	-	-	-	-	26,602
Other accounts for settlements	220,991	-	-	-	-	-	220,991
Other assets	19,371	-	-	-	-	-	19,371
Provisions for other assets	(105,196)	-	(9,582)	-	-	-	(114,778)
Accrued interest receivables	9,159	485,562	101,031	-	-	18,141	613,893
Credit risk provision – interest	(6,068)	-	-	-	-	-	(6,068)
Total assets	409,484	41,170,904	17,653,561	4,577,701	5,370,802	3,081,311	72,263,763

Notes to financial statements (continued)

36 Foreign currency risk (continued)

The amounts of the Bank's liabilities and capital held in lei and in foreign currencies at 31 December 2005 can be analyzed as follows:

	<u>LEI</u>	<u>EUR</u>	<u>USD</u>	<u>SDR</u>	<u>Gold</u>	<u>Others</u>	<u>Total</u>
<i>In lei thousand</i>							
Currency in circulation	12,739,492	-	-	-	-	-	12,739,492
Certificates of deposit issued by the Bank	16,492,600	-	-	-	-	-	16,492,600
Due to international financial institutions	325,323	-	467	5,137,882	-	-	5,463,672
Sight deposits taken	-	221,134	-	-	-	-	221,134
Borrowings from banks	-	2,533	-	-	-	-	2,533
SDR allocations from IMF	-	-	-	337,361	-	-	337,361
Current accounts from domestic banks	9,479,744	-	-	-	-	-	9,479,744
Amounts withheld at court disposition	1,980	-	-	-	-	-	1,980
Term deposits taken from domestic banks	6,731,800	-	-	-	-	-	6,731,800
Foreign currency minimum reserves	-	13,559,799	2,949,172	-	-	-	16,508,971
Accounts of bankrupt credit institutions	2,627	-	-	-	-	-	2,627
Current accounts with the State Treasury	1,570,029	2,076,762	74,700	-	-	-	3,721,491
Borrowings and other similar liabilities	2,291	-	-	-	-	-	2,291
Sundry creditors	7,454	-	-	-	-	-	7,454
Salaries and other personal related accounts	1,668	-	-	-	-	-	1,668
Due to State budget	4,282	-	-	-	-	-	4,282
Settlement accounts	2,440	-	-	-	-	-	2,440
Other liabilities	5,632	-	-	-	-	-	5,632
Accrued interest payables	18,063	3,165	676	7,558	-	-	29,462
Total liabilities	47,385,425	15,863,393	3,025,015	5,482,801	-	-	71,756,634
Net assets / (net liabilities)*	(46,975,941)	25,307,511	14,628,546	(905,100)	5,370,802	3,081,311	507,129

*) represent the Bank's equity

Notes to financial statements (continued)

37 Commitments and contingencies

As at 31 December 2006, the Bank had in custody promissory notes issued by the Ministry of Public Finances in favor of EBRD and MIGA amounting to EUR 972,000 and USD 600,510 respectively.

38 Loss coverage

In compliance with the statutory regulation, the loss for the year 2006 amounting to lei 4,331,631 thousand is carried forward and will be covered from future profits.

39 Events subsequent to the balance sheet date

According to the Law no. 312/ 2004, the financial statements of the Bank are prepared in accordance with the international accounting standards applicable to central banks and recognized by the European Central Bank. The aforementioned accounting standards are comprised by the ECB Guideline no. 10/ 2002. Starting on the 1st January 2007, the modified variant of the ECB Guideline no. 10/ 2002 enters into force (the ECB Guideline no. 16/ 2006). Its impact on the financial statements will be subsequently assessed.

On the 25th April 2005, Romania signed at Luxembourg the European Union Accession Treaty. The accession date is the 1st January 2007; on this date, the Bank becomes a member of the European System of Central Banks, having both rights and obligations in this respect. Moreover, on the date of the changeover from the Romanian currency to euro, the Bank will become a member of the Eurosystem, having both rights and obligations in this respect. The impact of these events on the financial statements will be subsequently assessed.