

AUDITORS' REPORT TO THE SHAREHOLDERS OF BANCA BUCURESTI SA

We have audited the accompanying balance sheet of Banca Bucuresti SA (the "Bank") as at 31 December 1999 and the related statements of income, cash flows and changes in shareholders' equity for the year then ended expressed in the current purchasing power of the Romanian Lei ("ROL") as at 31 December 1999. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. 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 on pages 3 to 36 present fairly, in all material respects, the financial position of Banca Bucuresti SA as at 31 December 1999 and the results of its operations, its cash flows and changes in shareholders' equity for the year then ended in accordance with International Accounting Standards.

PricewaterhouseCoopers Audit S.R.L.

10 March 2000

STATEMENT OF INCOME

FOR THE YEAR ENDED 31 DECEMBER 1999
(ROL million unless otherwise stated)

(Before allocation to reserves and payment of dividends.)

	Notes	Year ended 31 December			
		1999	1998	1999	1998
				USD '000	USD '000
				Proforma	Proforma
Interest and discount income	3	479,457	357,342	26,264	19,575
Interest expense	4	(261,902)	(223,523)	(14,347)	(12,245)
Net interest income		217,555	133,819	11,917	7,330
Fee and commission income, net	5	70,467	60,971	3,860	3,340
Foreign exchange gains, net	6	158,991	120,050	8,709	6,576
Total income		447,013	314,840	24,486	17,246
Losses on loans and advances	7	136	(4,366)	8	(239)
Operating expenses	8	(161,543)	(131,414)	(8,849)	(7,199)
Profit before translation adjustment		285,606	179,060	15,645	9,808
Translation adjustment	9	(154,928)	(85,439)	(8,487)	(4,680)
Profit before tax		130,678	93,621	7,158	5,128
Income taxes	23	(42,535)	(22,864)	(2,330)	(1,253)
Profit for the period		88,143	70,757	4,828	3,875

BALANCE SHEET

AS AT 31 DECEMBER 1999
(ROL million unless otherwise stated)

	Notes	Year ended 31 December			
		1999	1998	1999	1998
				USD '000	USD '000
				Proforma	Proforma
ASSETS					
Cash and cash equivalent	10	35,281	36,746	1,933	2,013
Balance with Central Bank	11	564,475	167,672	30,922	9,185
Treasury bills	12	105,777	273,857	5,794	15,002
Due from other banks	13	545,577	426,748	29,886	23,377
Dealing securities	14	72,081	56,035	3,949	3,070
Loans and advances to customers, net	15	1,562,512	871,841	85,594	47,759
Accrued interest and other assets, net	16	13,118	24,335	719	1,333
Investments in associates	17	6,336	6,336	347	347
Property and equipment	18	151,320	168,248	8,289	9,217
Total assets		3,056,477	2,031,818	167,433	111,303
LIABILITIES AND FUNDS EMPLOYED					
Due to other banks	19	410,784	454,103	22,503	24,876

Due to customers	20	2,099,808	1,027,216	115,026	56,270
Other borrowed funds	21	6,408	10,059	351	551
Other liabilities	22	26,706	58,753	1,463	3,220
Deferred tax liabilities	23	20,926	23,682	1,146	1,297
Total liabilities		2,564,632	1,573,813	140,489	86,214
Share capital	24	365,100	365,100	20,000	20,000
Retained earnings	25	126,745	92,905	6,944	5,089
Shareholders' equity		491,845	458,005	26,944	25,089
Total liabilities and funds employed		3,056,477	2,031,818	167,433	111,303
Off balance sheet items					
Letters of guarantee issued	26	267,872	275,568	14,674	15,095
Letters of credit issued	26	10,139	25,238	555	1,382
Total off balance sheet items		278,011	300,806	15,229	16,477

The financial statements on pages 3 to 6 and accompanying notes on pages 7 to 36 based on the statutory accounts restated in accordance with International Accounting Standards, were approved by the Board of Administration on 10 March 2000 and signed on its behalf by:

Panagis Vourloumis
President

Radu Gratian Ghetea
First Vice President

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