

**NATIONAL SAVINGS AND
COMMERCIAL BANK LTD.**

***UNCONSOLIDATED FINANCIAL STATEMENTS
IN ACCORDANCE WITH
INTERNATIONAL ACCOUNTING STANDARDS
FOR SIX MONTH PERIOD ENDED
JUNE 30, 2001***

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**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
UNCONSOLIDATED BALANCE SHEETS AS AT JUNE 30, 2001 AND 2000
(UNAUDITED) AND AS AT DECEMBER 31, 2000 (AUDITED)
(in HUF mn)**

	June 30, 2001	December 31, 2000	June 30, 2000
Cash, Due from Banks and Balances with the National Bank of Hungary	462,887	492,509	550,122
Placements with Other Banks, Net of Allowance for Possible Placement Losses	255,357	223,580	213,570
Held for Trading and Available-for-sale Financial Assets	110,391	90,472	158,632
Loans, Net of Allowance for Possible Loan Losses	645,500	625,673	527,481
Accrued Interest Receivable	28,785	26,882	23,605
Equity Investments	27,493	26,638	24,184
Held-to-maturity Investments	339,460	361,554	193,196
Premises, Equipment and Intangible Assets, Net	53,928	55,673	56,079
Other Assets	<u>30,439</u>	<u>17,000</u>	<u>47,870</u>
TOTAL ASSETS	<u>1,954,240</u>	<u>1,919,981</u>	<u>1,794,739</u>
Due to Banks and Deposits from the National Bank of Hungary and Other Banks	62,623	44,415	37,128
Deposits from Customers	1,659,147	1,663,932	1,523,520
Liabilities from Issued Securities	741	1,033	2,856
Accrued Interest Payable	21,989	11,093	28,219
Other Liabilities	56,002	55,413	70,675
Subordinated Bonds and Loans	<u>17,500</u>	<u>17,760</u>	<u>17,281</u>
TOTAL LIABILITIES	<u>1,818,002</u>	<u>1,793,646</u>	<u>1,679,679</u>
Share Capital	28,000	28,000	28,000
Retained Earnings and Reserves	127,226	107,402	96,509
Treasury Shares	<u>(18,988)</u>	<u>(9,067)</u>	<u>(9,449)</u>
TOTAL SHAREHOLDERS' EQUITY	<u>136,238</u>	<u>126,335</u>	<u>115,060</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>1,954,240</u>	<u>1,919,981</u>	<u>1,794,739</u>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
UNCONSOLIDATED STATEMENTS OF OPERATIONS FOR THE SIX MONTH
PERIODS ENDED JUNE 30, 2001 AND 2000 (UNAUDITED) AND FOR THE YEAR
ENDED DECEMBER 31, 2000 (AUDITED) (in HUF mn)**

	six month period ended June 30, 2001	six month period ended June 30, 2000	year ended December 31, 2000
Interest Income:			
Loans	43,182	37,803	80,703
Placements with Other Banks	9,623	8,011	16,912
Due from Banks and Balances with the National Bank of Hungary	16,910	27,594	47,374
Held for Trading and Available-for-sale Financial Assets	5,752	4,027	7,332
Held-to-maturity Investments	<u>20,476</u>	<u>15,130</u>	<u>33,211</u>
<i>Total Interest Income</i>	<u>95,943</u>	<u>92,565</u>	<u>185,532</u>
Interest Expense:			
Due to Banks and Deposits from the National Bank of Hungary and Other Banks	900	1,714	2,975
Deposits from Customers	45,644	48,588	94,441
Liabilities from Issued Securities	57	1,280	1,107
Subordinated Bonds and Loans	<u>762</u>	<u>782</u>	<u>1,591</u>
<i>Total Interest Expense</i>	<u>47,363</u>	<u>52,364</u>	<u>100,114</u>
NET INTEREST INCOME	48,580	40,201	85,418
Provision for Possible Loan Losses	2,758	2,286	5,683
(Credit)/Provision for Possible Placement Losses	<u>(15)</u>	<u>8</u>	<u>(56)</u>
NET INTEREST INCOME AFTER PROVISION FOR POSSIBLE LOAN AND PLACEMENT LOSSES	45,837	37,907	79,791
Non-Interest Income:			
Fees and Commissions	21,121	17,635	38,220
Foreign Exchange Gains and Losses, Net	863	1,343	3,052
Gains and Losses on Securities, Net	(114)	2,282	2,176
Gains and Losses on Real Estate Transactions	(36)	(92)	(85)
Dividend Income	25	25	160
Other	<u>642</u>	<u>912</u>	<u>1,437</u>
<i>Total Non-Interest Income</i>	<u>22,501</u>	<u>22,105</u>	<u>44,960</u>
Non-Interest Expenses:			
Fees and Commissions	2,896	2,899	6,374
Personnel Expenses	14,041	12,202	27,066
Depreciation and Amortization	6,075	5,749	11,663
Other	<u>20,216</u>	<u>19,342</u>	<u>39,624</u>
<i>Total Non-Interest Expenses</i>	<u>43,228</u>	<u>40,192</u>	<u>84,727</u>
INCOME BEFORE INCOME TAXES	25,110	19,820	40,024
Income Taxes	<u>4,802</u>	<u>3,500</u>	<u>7,636</u>
INCOME AFTER INCOME TAXES	<u>20,308</u>	<u>16,320</u>	<u>32,388</u>
Earnings Per Share (in HUF)	<u>780</u>	<u>618</u>	<u>1,238</u>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
UNCONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX MONTH
PERIODS ENDED JUNE, 30 2001 AND 2000 (UNAUDITED) AND FOR THE YEAR
ENDED DECEMBER 31, 2000 (AUDITED) (in HUF mn)**

	six month period ended June 30, 2001	six month period ended June 30, 2000	year ended December 31, 2000
OPERATING ACTIVITIES			
Income After Income Taxes	20,308	16,320	32,388
<i>Adjustments to reconcile income after income taxes to net cash provided by operating activities:</i>			
Depreciation and Amortization	6,075	5,749	11,663
Provision for Possible Loan Losses	2,758	2,286	5,683
(Credit)/Provision for Possible Placement Losses	(15)	8	(56)
Provision for Permanent Diminution in value of Held-to-maturity Investments	-	-	50
(Credit)/Provision for Permanent Diminution in Value of Equity Investments	(956)	(514)	744
Provision for Possible Losses on Other Assets	536	2,218	1,498
Provision/(Credit) for Possible Losses on Off- Balance Sheet Commitments, Contingent Liabilities, Net	959	-	(344)
Fair value adjustment for Held for Trading and Available-for-sale financial assets and derivatives	(505)	-	-
Effect of Deferred Taxes	497	(50)	(97)
<i>Changes in operating assets and liabilities:</i>			
Net Increase in Accrued Interest Receivable	(1,903)	(1,183)	(4,460)
Net (Increase)/Decrease in Other Assets, Excluding Advances for Investments and Before Provisions for Possible Losses	(12,223)	(30,850)	797
Net Increase/(Decrease) in Accrued Interest Payable	10,896	13,115	(4,011)
Net Increase in Other Liabilities	<u>646</u>	<u>25,360</u>	<u>6,883</u>
Net Cash Provided by Operating Activities	<u>27,073</u>	<u>32,459</u>	<u>50,738</u>
INVESTING ACTIVITIES			
Net (Increase)/Decrease in Placements with Other Banks, Before Provision for Possible Placement Losses	(31,762)	56,694	46,748
Net (Increase)/Decrease in Held for Trading and Available-for-sale Financial Assets	(19,726)	3,695	47,674
Net Decrease/(Increase) in Investments, Before Provision for Permanent Diminution in Value	100	312	(3,400)
Net Decrease/(Increase) in Held-to-maturity Investments	22,094	(40,770)	(184,997)
Net Decrease/(Increase) in Advances for Investments Included in Other Assets	43	(10)	(20)
Net Increase in Loans, Before Provision for Possible Loan Losses	(22,585)	(41,007)	(142,596)
Net Additions to Premises, Equipment and Intangible Assets	<u>(4,330)</u>	<u>(6,360)</u>	<u>(11,904)</u>
Net Cash Used in Investing Activities	<u>(56,166)</u>	<u>(27,446)</u>	<u>(248,495)</u>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
UNCONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX MONTH
PERIODS ENDED JUNE, 30 2001 AND 2000 (UNAUDITED) AND FOR YEAR
ENDED DECEMBER 31, 2000 (AUDITED) (in HUF mn) [continued]**

	six month period ended June 30, 2001	six month period ended June 30, 2000	year ended December 31, 2000
FINANCING ACTIVITIES			
Net Increase/(Decrease) in Due to Banks and Deposits from the National Bank of Hungary and Other Banks	18,208	(5,080)	2,207
Net (Decrease)/Increase in Deposits from Customers	(4,785)	(1,168)	139,244
Net Decrease in Liabilities from Issued Securities (Decrease)/Increase in Subordinated Bonds and Loans	(292)	(3,992)	(5,815)
Profit on Sale of Treasury Shares	13	62	70
Increase in Treasury Shares	(9,921)	(7,400)	(7,018)
Net Decrease/(Increase) in the Compulsory Reserve established by the National Bank of Hungary	63,962	(10,927)	(1,247)
Dividends Paid	(3,492)	(3,199)	(4,787)
Net Cash Provided by Financing Activities	<u>63,433</u>	<u>(31,057)</u>	<u>123,780</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	<u>34,340</u>	<u>(26,044)</u>	<u>(73,977)</u>
Cash and Cash Equivalents at the Beginning of the Period	<u>309,361</u>	<u>383,338</u>	<u>383,338</u>
Cash and Cash Equivalents at the End of the Period	<u>343,701</u>	<u>357,294</u>	<u>309,361</u>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
UNCONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS'
EQUITY FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2001 AND 2000
(UNAUDITED) (in HUF mn)**

	Share Capital	Retained Earnings and Reserves	Treasury Shares	Total
Balance as at January 1, 2000	28,000	80,196	(2,049)	106,147
Income After Income Taxes	-	16,320	-	16,320
Profit on Sale of Treasury Shares	-	62	-	62
Change in Carrying Value of Treasury Shares	-	-	(7,400)	(7,400)
Dividends on Preference Shares	-	(69)	-	(69)
Balance as at June 30, 2000	<u>28,000</u>	<u>96,509</u>	<u>(9,449)</u>	<u>115,060</u>
Balance as at January 1, 2001	28,000	107,402	(9,067)	126,335
Income After Income Taxes	-	20,308	-	20,308
Profit on Sale of Treasury Shares	-	13	-	13
Change in Carrying Value of Treasury Shares	-	-	(9,921)	(9,921)
Opening adjustment due to implementation of IAS No 39	-	(488)	-	(488)
Dividends on Preference Shares	-	(9)	-	(9)
Balance as at June 30, 2001	<u>28,000</u>	<u>127,226</u>	<u>(18,988)</u>	<u>136,238</u>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR SIX MONTH PERIOD ENDED JUNE 30, 2001**

NOTE 1: ORGANIZATION AND BASIS OF FINANCIAL STATEMENTS

1.1. General

National Savings and Commercial Bank Ltd. (the "Bank" or "OTP") was established on December 31, 1990, when the predecessor State-owned company was transformed into a limited liability company.

As at December 31, 1994, 79% of the Bank's shares were held directly or indirectly by the Hungarian Government and the remaining 21% were held by domestic investors or represented as own shares (less than 3%). In Spring 1995, 20% of the Bank's shares were transferred by the Hungarian Government to the Hungarian Social Security Funds. Subsequent to the successful initial public offering in Summer 1995, the Bank's shares were introduced to the Budapest and the Luxembourg stock exchanges and were also listed on SEAQ London.

At an extraordinary General Assembly, on September 3, 1997, the Bank issued a preferential voting share with a nominal value of HUF 1 thousand (the "Special Share") to the State Privatization and Holding Company. The Special Share gives the power to the State Privatization and Holding Company to control the outcome of certain shareholder votes in accordance with the Bank's Articles of Association and the right to delegate one member to the Bank's Board of Directors and one member to the Supervisory Board of the Bank.

By public offerings in fall 1997 and fall 1999, the State Privatization and Holding Company sold the remaining common shares.

As at June 30, 2001 approximately 90% of the Bank's shares were held by domestic and foreign private and institutional investors. The remaining shares are owned by employees (4%) and the Bank (6%).

The Bank provides a full range of commercial banking services through a nationwide network of more 450 branches in Hungary

1.2. Accounting

The Bank maintains its accounting records and prepares its statutory accounts in accordance with the commercial, banking and fiscal regulations prevailing in Hungary.

The Bank's functional currency is the Hungarian Forint ("HUF").

Certain of the accounting principles prescribed for statutory purposes are different from those generally recognized in international financial markets. In order to present the unconsolidated financial position and results of operations of the Bank in accordance with International Accounting Standards ("IAS"), certain adjustments have been made to the Bank's Hungarian unconsolidated statutory accounts, (see Note 31).

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR SIX MONTH PERIOD ENDED JUNE 30, 2001**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies applied in the preparation of the accompanying unconsolidated financial statements are summarized below:

2.1. Basis of presentation

These unconsolidated financial statements have been prepared under the historical cost convention with the exception of held for trading and available-for-sale financial assets and financial instruments which are recorded on fair value. Revenues and expenses are recorded in the period in which they are earned or incurred.

Effective as of January 1, 2001 the Bank adopted the provision of International Accountig Standard 39 – “Financial Instruments: Recognition and Measurement”, (IAS No 39). The primary effect of the adoption of IAS No 39 was the Bank’s classification of its securities and investments and related valuation thereof, according to the provisions of IAS No 39 as further discussed below. As a result of the adoption of IAS No 39 the Bank has reported a valuation adjustment on its securities and financial instruments, after classification under the provision of IAS No 39 of HUF (488) million.

Purchases of financial assets are accounted for at the settlement date.

2.2. Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into HUF at exchange rates quoted by the National Bank of Hungary (“NBH”) as of the date of the financial statements. Income and expenses arising in foreign currencies are converted at the rate of exchange on the transaction date. Resulting foreign exchange gains or losses are recorded in the Unconsolidated Statement of Operations.

2.3. Consolidated financial statements

These financial statements present the Bank's unconsolidated financial position and results of operations. See Note 2.6 for the description of the method of accounting for investments in subsidiaries and associated companies in these unconsolidated financial statements.

2.4. Held for trading and available-for-sale financial assets

Held for trading and available-for-sale financial assets consist of discounted and interest bearing Treasury bills, Hungarian Government bonds, bonds issued by National Bank of Hungary (NBH) and other securities. Other securities include shares in commercial companies, shares in investment funds and bonds issued by foreign governments. These securities are included in the unconsolidated financial statements at fair value.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR SIX MONTH PERIOD ENDED JUNE 30, 2001**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.4. Held for trading and available-for-sale financial assets (continued)

The fair value of such securities is determined as follows:

- trade securities are valued based on the stock exchange closing price,
- OTC bonds issued by NBH has been determined on estimated market value, unmarketable government bonds are carried at cost,
- shares in investment funds has been valued at net asset value, as of the balance sheet date.

Gains and losses from the remeasurement to fair value of held for trading and available-for-sale financial assets are recorded in the unconsolidated statement of operations.

Gains and losses on the sale of held for trading and available-for-sale financial assets are determined on the basis of the specific identification of the cost of such assets.

2.5. Loans, placements with other banks and allowance for possible loan and placement losses

Loans and placements with other banks are stated at the principal amounts outstanding, net of allowance for possible loan or placement losses, respectively. Interest is accrued and credited to income based on the principal amounts outstanding. When a borrower is unable to meet payments as they come due or, in the opinion of the management, there is an indication that a borrower may be unable to meet payments as they come due, all unpaid interest is reversed. Loan origination fees and costs are recognized in the Unconsolidated Statement of Operations in full at the time of the loan origination.

The allowances for possible loan and placement losses are maintained at levels adequate to absorb probable future losses. Management determines the adequacy of the allowances based upon reviews of individual loans and placements, recent loss experience, current economic conditions, the risk characteristics of the various categories of loans and other pertinent factors.

2.6. Equity investments

Investments comprise equity investments and equity securities. Equity investments with a controlling or significant interest include investments in companies in which the Bank holds an equity share of 10% or more and investments made for strategic, regulatory or operational purposes. Equity investments representing a controlling interest comprise those investments where the Bank, through direct and indirect ownership interest, has the power to govern the financial and operating policies of the investee. Equity investments representing a significant interest comprise those investments where the Bank, through direct and indirect ownership interest, has the power to participate in the financial and operating policies of the investee but not to control those activities. Other equity securities comprise shareholdings which do not meet the preceding criteria.

Investments are recorded at the cost of acquisition, less allowance for permanent diminution in value, when appropriate.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR SIX MONTH PERIOD ENDED JUNE 30, 2001**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.7. Held-to-maturity Investments

Held-to-maturity investments include securities which the Bank is able and intent to hold to maturity. Such securities comprise mainly securities issued by the Hungarian Government. Held-to-maturity investments are carried at cost, adjusted for the amortization of premiums or discounts over the period from acquisition to maturity on a straight-line basis. Gains and losses on the held-to-maturity investments are determined based on the specific identification of the adjusted cost of each security.

2.8. Premises, equipment and intangible assets

Premises, equipment and intangible assets are stated at cost, less accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets based on the following annual percentages:

Buildings	1-2%
Machinery and equipment	8-33.3%
Leased assets	16.7-33.3%
Vehicles	15-20%
Software	20-33.3%
Property rights	16.7%

The carrying value of each intangible asset is reviewed annually and adjusted for permanent impairment where it is considered necessary. Where the carrying value of premises, equipment and other tangible fixed assets is greater than the estimated recoverable amount, it is written down immediately to the estimated recoverable amount.

Depreciation and amortization on premises, equipment and intangible assets commences on the day such assets are placed into service.

2.9. Treasury shares

Treasury shares are purchased on the stock exchange and the over-the-counter market by the Bank and are presented in the Unconsolidated Balance Sheet as a deduction from unconsolidated shareholders' equity. Gains and losses on the sale of treasury shares are credited or charged directly to retained earnings and reserves.

2.10. Income taxes

The annual taxation charge is based on the tax payable under Hungarian fiscal law, adjusted for deferred taxation. Deferred taxation is provided on temporary differences in the tax bases of assets and liabilities and their carrying value for financial reporting purposes, measured at the tax rates that are expected to apply when the asset is realized or the liability is settled, based on tax rates that have been enacted at the date of the Unconsolidated Balance Sheet.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR SIX MONTH PERIOD ENDED JUNE 30, 2001**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.11. Off-balance sheet commitments, contingent liabilities and financial instruments

In the ordinary course of its business, the Bank has entered into off-balance sheet commitments such as guarantees, commitments to extend credit, letters of credit and transactions with financial instruments. These commitments are recorded in the unconsolidated financial statements if and when they become payable.

The allowance for possible losses on commitments and contingent liabilities is maintained at a level adequate to absorb probable future losses. Management determines the adequacy of the allowance based upon reviews of individual items, recent loss experience, current economic conditions, the risk characteristics of the various categories of transactions and other pertinent factors.

Fair value of off-balance sheet financial instruments, commitments are determined in accordance with IAS 39. These instruments are presented in the balance sheet at fair value among other assets or other liabilities.

The fair value of derivative financial instruments is determined as follows:

- futures contracts are based on stock exchange settlement price,
- forward and swap deals are based on exchange rates quoted by NBH as of the balance sheet date and forward rates (OTC) discounted from current market rates.

2.12. Unconsolidated statement of cash flows

For the purposes of reporting cash flows, cash and cash equivalents include cash, due from banks and balances with the National Bank of Hungary, excluding compulsory reserve established by the National Bank of Hungary. Cash flows from hedging activities are classified in the same category as the item being hedged.

2.13. Comparative figures

Certain amounts in the 2000 unconsolidated financial statements have been reclassified to conform with current period presentation.

In addition to the comparative figures required under IAS No 34 Interim Financial Reporting a balance sheet as at June 30, 2000 and statements of operations and cash flows for the year ended December 31, 2000 have also been presented for information purposes only. No notes to such balance sheet and statements of operations and cash flows have been presented in these financial statements.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR SIX MONTH PERIOD ENDED JUNE 30, 2001**

**NOTE 3: CASH, DUE FROM BANKS AND BALANCES WITH THE
NATIONAL BANK OF HUNGARY (in HUF mn)**

	June 30, 2001	December 31, 2000
Cash on hand:		
In HUF	42,088	32,986
In foreign currency	<u>3,328</u>	<u>5,559</u>
	<u>45,416</u>	<u>38,545</u>
Due from banks and balances with NBH:		
Short-term:		
In HUF	401,458	400,904
In foreign currency	<u>13,392</u>	<u>48,727</u>
	<u>414,850</u>	<u>449,631</u>
Long-term:		
In foreign currency	<u>2,621</u>	<u>4,333</u>
Total	<u>462,887</u>	<u>492,509</u>

Based on the requirements for compulsory reserves set by the National Bank of Hungary, the balance of compulsory reserves amounted to approximately HUF 119,186 million and HUF 183,148 million as at June 30, 2001 and December 31, 2000, respectively.

**NOTE 4: PLACEMENTS WITH OTHER BANKS AND ALLOWANCE FOR
POSSIBLE PLACEMENT LOSSES (in HUF mn)**

	June 30, 2001	December 31, 2000
Short-term:		
In HUF	88,210	78,825
In foreign currency	<u>148,357</u>	<u>126,757</u>
	<u>236,567</u>	<u>205,582</u>
Long-term:		
In HUF	8,300	8,300
In foreign currency	<u>10,658</u>	<u>9,881</u>
	<u>18,958</u>	<u>18,181</u>
Total	<u>255,525</u>	<u>223,763</u>
Allowance for possible placement losses	<u>(168)</u>	<u>(183)</u>
	<u>255,357</u>	<u>223,580</u>

Placements with other banks in foreign currency as at June 30, 2001 and December 31, 2000 bear interest rates in the range from 2.8% to 10% and from 3.1% to 9.4%, respectively.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR SIX MONTH PERIOD ENDED JUNE 30, 2001**

NOTE 4: PLACEMENTS WITH OTHER BANKS AND ALLOWANCE FOR POSSIBLE PLACEMENT LOSSES (in HUF mn) [continued]

Placements with other banks in HUF as at June 30, 2001 and December 31, 2000 bear interest rates in the range from 10.3% to 13.5% and from 9.8% to 12.5%, respectively.

An analysis of the change in the allowance for possible placement losses is as follows:

	June 30, 2001	December 31, 2000
Balance as at January 1	183	239
Credit for possible placement losses	<u>(15)</u>	<u>(56)</u>
Closing balance	<u>168</u>	<u>183</u>

NOTE 5: HELD FOR TRADING AND AVAILABLE-FOR-SALE FINANCIAL ASSETS (in HUF mn)

	June 30, 2001	December 31, 2000
Held for trading financial assets		
Hungarian Government discounted Treasury bills	11,594	17,648
Hungarian Government interest bearing Treasury bills	1,005	278
Government bonds	7,402	33,314
Bonds issued by National Bank of Hungary	2,679	3,659
Other securities	<u>1,053</u>	<u>2,587</u>
	<u>23,733</u>	<u>57,486</u>
Available-for-sale financial assets		
Government bonds	69,564	22,291
Other securities	<u>17,094</u>	<u>10,695</u>
	<u>86,658</u>	<u>32,986</u>
Total	<u>110,391</u>	<u>90,472</u>

Held for trading and available-for-sale financial assets are primarily denominated in HUF. Interest rates on securities ranged from 2.8% to 15% and from 2.8% to 16% as at June 30, 2001 and December 31, 2000, respectively.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR SIX MONTH PERIOD ENDED JUNE 30, 2001**

NOTE 5: HELD FOR TRADING AND AVAILABLE-FOR-SALE FINANCIAL ASSETS (in HUF mn) [continued]

Interest conditions and the remaining maturities of held for trading and available-for-sale financial assets can be analysed as follows:

	June 30, 2001	December 31, 2000
Within five years, variable interest	74,552	37,721
Within five years, fixed interest	<u>10,973</u>	<u>50,952</u>
	<u>85,525</u>	<u>88,673</u>
Over five years, variable interest	24,447	1,750
Over five years, fixed interest	<u>419</u>	<u>49</u>
	<u>24,866</u>	<u>1,799</u>
Total	<u>110,391</u>	<u>90,472</u>

**NOTE 6: LOANS AND ALLOWANCE FOR POSSIBLE LOAN LOSSES
(in HUF mn)**

	June 30, 2001	December 31, 2000
Short-term loans and trade bills (within one year)	321,918	308,374
Long-term loans and trade bills (over one year)	<u>345,633</u>	<u>337,115</u>
	<u>667,551</u>	<u>645,489</u>
Allowance for possible loan losses	<u>(22,051)</u>	<u>(19,816)</u>
	<u>645,500</u>	<u>625,673</u>

Foreign currency loans represent approximately 22% and 25% of the loan portfolio, before allowance for possible losses, as at June 30, 2001 and December 31, 2000, respectively.

Loans denominated in HUF, with a maturity within one year as at June 30, 2001 and December 31, 2000, bear interest rates in the range from 16% to 28% and from 17% to 29%, respectively.

Loans denominated in HUF, with a maturity over one year as at June 30, 2001 and December 31, 2000, bear interest rates in the range from 13.9% to 22.8% and from 13.4% to 24.3%, respectively.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
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**NOTE 6: LOANS AND ALLOWANCE FOR POSSIBLE LOAN LOSSES
(in HUF mn) [continued]**

Approximately 3.4% and 6% of the gross loan portfolio represented loans on which interest is not being accrued as at June 30, 2001 and December 31, 2000, respectively.

An analysis of the loan portfolio by type, before allowances for possible loan losses, is as follows:

	June 30, 2001		December 31, 2000	
Commercial loans	404,867	61%	406,011	63%
Municipality loans	52,615	8%	53,727	8%
Housing loans	114,306	17%	103,293	16%
Consumer loans	<u>95,763</u>	<u>14%</u>	<u>82,458</u>	<u>13%</u>
	<u>667,551</u>	<u>100%</u>	<u>645,489</u>	<u>100%</u>

An analysis of the change in the allowance for possible loan losses is as follows:

	June 30, 2001	December 31, 2000
Balance as at January 1	19,816	22,444
Provision for possible loan losses	2,758	5,683
Write-offs	<u>(523)</u>	<u>(8,311)</u>
Closing balance	<u>22,051</u>	<u>19,816</u>

NOTE 7: EQUITY INVESTMENTS (in HUF mn)

	June 30, 2001	December 31, 2000
Equity investments:		
Controlling interest	30,301	30,361
Significant interest	4,458	4,458
Other	<u>833</u>	<u>874</u>
	<u>35,592</u>	<u>35,693</u>
Allowance for permanent diminution in value	<u>(8,099)</u>	<u>(9,055)</u>
	<u>27,493</u>	<u>26,638</u>

As at June 30, 2001 and December 31, 2000, except as follows, all investments were in companies incorporated in Hungary. As at June 30, 2001 and December 31, 2000, the Bank held an investment in a company incorporated in the United Kingdom, the carrying value of which is HUF 1,132 million and HUF 1,192 million, respectively.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
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NOTE 7: EQUITY INVESTMENTS (in HUF mn) [continued]

Equity investments in companies in which the Bank has a controlling interest are detailed as follows:

	June 30, 2001		December 31, 2000	
	% Held (direct and indirect)	Cost	% Held (direct and indirect)	Cost
OTP Garancia Insurance Ltd.	100%	5,972	100%	5,972
OTP Real Estate Ltd.	100%	1,175	100%	1,175
OTP Securities Ltd.	100%	750	100%	750
Merkantil Bank Ltd.	100%	1,600	100%	1,600
OTP Building Society Ltd.	100%	1,950	100%	1,950
HIF Ltd.	100%	1,132	100%	1,192
Bank Center No. 1. Ltd.	100%	9,364	100%	9,364
OTP Factoring Ltd.	100%	150	100%	150
INGA One Ltd.	100%	407	100%	407
INGA Two Ltd.	100%	5,892	100%	5,892
OTP Funds Servicing and Consulting Ltd.	100%	242	100%	242
OTP Fund Management Ltd.	100%	1,653	100%	1,653
Other	100%	<u>14</u>	100%	<u>14</u>
		<u>30,301</u>		<u>30,361</u>

An analysis of the change in the allowance for permanent diminution in value is as follows:

	June 30, 2001	December 31, 2000
Balance as at January 1	9,055	8,311
(Credit)/Provision for permanent diminution in value	<u>(956)</u>	<u>744</u>
Closing balance	<u>8,099</u>	<u>9,055</u>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
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NOTE 8: HELD-TO-MATURITY INVESTMENTS (in HUF mn)

	June 30, 2001	December 31, 2000
Government securities	313,030	303,043
Hungarian Government discounted Treasury bills	8,804	-
Bonds issued by the National Bank of Hungary	17,026	57,910
Other debt securities	<u>650</u>	<u>651</u>
	<u>339,510</u>	<u>361,604</u>
 Provision for permanent diminution in value of held-to-maturity investments	 <u>(50)</u>	 <u>(50)</u>
	<u>339,460</u>	<u>361,554</u>

Interest conditions and the remaining maturities of investments in debt securities can be analysed as follows:

	June 30, 2001	December 31, 2000
Within five years, variable interest	127,050	168,702
Within five years, fixed interest	<u>129,584</u>	<u>119,461</u>
	<u>256,634</u>	<u>288,163</u>
 Over five years, variable interest	 61,740	 53,630
Over five years, fixed interest	<u>21,136</u>	<u>19,811</u>
	<u>82,876</u>	<u>73,441</u>
 Total	 <u>339,510</u>	 <u>361,604</u>

Approximately 96% of the debt securities portfolio was denominated in HUF as at June 30, 2001 and December 31, 2000, respectively. In most cases, interest on variable rate securities is based on the interest rates of 90 day Hungarian Government Treasury bills and is adjusted semi-annually.

Interest rates on fixed interest securities denominated in HUF ranged from 7.5% to 15% and from 7.5% to 16% as at June 30, 2001 and December 31, 2000, respectively. Interest on fixed rate and variable rate securities is, in most cases, paid semi-annually.

An analysis of change in the allowance for permanent diminution in value is as follows:

	June 30, 2001	December 31, 2000
Balance as at January 1	50	-
Provision for permanent diminution in value	<u>-</u>	<u>50</u>
Closing balance	<u>50</u>	<u>50</u>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
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NOTE 9: PREMISES, EQUIPMENT AND INTANGIBLE ASSETS (in HUF mn)

	June 30, 2001	December 31, 2000
Land and buildings	32,773	32,494
Machinery and equipment	46,557	45,047
Construction in progress	2,390	1,640
Intangible assets	<u>22,560</u>	<u>21,147</u>
	<u>104,280</u>	<u>100,328</u>
Accumulated depreciation and amortization	<u>(50,352)</u>	<u>(44,655)</u>
	<u>53,928</u>	<u>55,673</u>

NOTE 10: OTHER ASSETS (in HUF mn)

	June 30, 2001	December 31, 2000
Receivables due to collection of Hungarian Government securities	132	256
Property held for sale	1,153	1,189
Due from Government for interest subsidies	2,733	510
Trade receivables	1,249	2,183
Advances for securities and investments	491	534
Deferred tax asset	-	332
Taxes recoverable	38	96
Inventories	1,032	1,137
Other advances	437	503
Credits sold under deferred payment scheme	5,296	5,668
Subsidies paid on behalf of the Government	1,586	804
Margin account balance	2,457	58
Accounts with Investment and Pension Funds	8	91
Prepayments and accrued incomes	2,231	1,620
Receivables from investments	1,500	-
Settlement accounts	2,820	2,007
Derivative assets	2,292	-
Other	<u>8,428</u>	<u>2,920</u>
	<u>33,883</u>	<u>19,908</u>
Allowance for possible losses on other assets	<u>(3,444)</u>	<u>(2,908)</u>
	<u>30,439</u>	<u>17,000</u>

Allowance for possible losses on other assets mainly consists of allowances for property held for sale and credits sold under deferred payment scheme.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
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NOTE 10: OTHER ASSETS (in HUF mn) [continued]

An analysis of the change in the allowance for possible losses on other assets is as follows:

	June 30, 2001	December 31, 2000
Balance as at January 1	2,908	1,410
Provision for possible losses on other assets	<u>536</u>	<u>1,498</u>
Closing balance	<u><u>3,444</u></u>	<u><u>2,908</u></u>

NOTE 11: DUE TO BANKS AND DEPOSITS FROM THE NATIONAL BANK OF HUNGARY AND OTHER BANKS (in HUF mn)

	June 30, 2001	December 31, 2000
Within one year:		
In HUF	33,923	4,714
In foreign currency	<u>1,819</u>	<u>22,215</u>
	<u>35,742</u>	<u>26,929</u>
Over one year:		
In HUF	14,581	10,033
In foreign currency	<u>12,300</u>	<u>7,453</u>
	<u>26,881</u>	<u>17,486</u>
Total	<u><u>62,623</u></u>	<u><u>44,415</u></u>

Due to banks and deposits from the National Bank of Hungary and other banks payable in HUF within one year as at June 30, 2001 and December 31, 2000, bear interest rates in the range from 10.6% to 11.7% and from 10.8% to 11.8%, respectively.

Due to banks and deposits from the National Bank of Hungary and other banks payable in HUF over one year as at June 30, 2001 and December 31, 2000, bear interest rates in the range from 3% to 11%, respectively.

Due to banks and deposits from the National Bank of Hungary and other banks payable in foreign currency within one year as at June 30, 2001 and December 31, 2000, bear interest rates in the range from 3.5% and 4.9% and from 2% and 6.9%, respectively.

Due to banks and deposits from the National Bank of Hungary and other banks payable in foreign currency over one year as at June 30, 2001 and December 31, 2000, bear interest rates in the range from 3.5% and 8% and from 5% to 8%, respectively.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
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NOTE 12: DEPOSITS FROM CUSTOMERS (in HUF mn)

	June 30, 2001	December 31, 2000
Within one year:		
In HUF	1,302,658	1,289,578
In foreign currency	<u>332,652</u>	<u>349,454</u>
	<u>1,635,310</u>	<u>1,639,032</u>
Over one year:		
In HUF	<u>23,837</u>	<u>24,900</u>
Total	<u>1,659,147</u>	<u>1,663,932</u>

Deposits from customers payable in HUF within one year as at June 30, 2001 and December 31, 2000, bear interest rates in the range from 1% and 8.3% and from 1% to 8.5%, respectively.

Deposits from customers payable in HUF over one year as at June 30, 2001 and December 31, 2000, bear interest rates in the range from 6.5% and 8.8% and from 6.5% to 9.5%, respectively.

Deposits from customers payable in foreign currency as at June 30, 2001 and December 31, 2000, bear interest rates in the range from 0.1% to 2.9% and from 0.1% to 4%, respectively.

NOTE 13: LIABILITIES FROM ISSUED SECURITIES (in HUF mn)

	June 30, 2001	December 31, 2000
With original maturity:		
Within one year	675	883
Over one year	<u>66</u>	<u>150</u>
	<u>741</u>	<u>1,033</u>

Liabilities from issued securities are denominated in HUF at interest rates in the range from 6% to 8.5% and from 6% to 8.8% as at June 30, 2001 and December 31, 2000, respectively.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
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NOTE 14: OTHER LIABILITIES (in HUF mn)

	June 30, 2001	December 31, 2000
Taxes payable	3,587	2,227
Deferred tax liabilities	165	-
Giro clearing accounts	13,036	15,977
Accounts payable	264	3,903
Salaries and social security payable	3,340	3,380
Liabilities from security trading	11,394	9,134
Allowances for possible losses on off-balance sheet commitments, contingent liabilities	3,253	2,345
Dividends payable	2,306	5,789
Accrued expenses	3,525	2,854
Suspense accounts	2,321	3,720
Settlements of government housing subsidies	1,909	1,509
Loan for collection	1,349	1,237
Derivative liabilities	2,467	-
Other	<u>7,086</u>	<u>3,338</u>
	<u>56,002</u>	<u>55,413</u>

The allowances for possible losses on off-balance sheet commitments, contingent liabilities and financial instruments are detailed as follows:

	June 30, 2001	December 31, 2000
Allowance for litigation	980	995
Allowance for other off-balance sheet commitments, contingent liabilities	1,874	900
Allowance for housing warranties	<u>399</u>	<u>450</u>
	<u>3,253</u>	<u>2,345</u>

The allowance for possible losses on other off-balance sheet commitments, contingent liabilities and primarily relates to commitments stemming from guarantees issued by the Bank.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
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NOTE 14: OTHER LIABILITIES (in HUF mn) [continued]

As part of its operations, until 1991, the Bank financed and constructed residential accommodations for resale on which it was required to provide a ten year guarantee against defective workmanship. The Bank has recourse against the constructors for any claims. The recovery of such claims is, however, dependent upon the financial status of the constructors, which is impaired in certain cases. An allowance has been recorded to account for the estimated possible future losses due to housing warranties.

Movements in the allowance for possible losses on commitments, contingent liabilities and financial instruments can be summarized as follows:

	June 30, 2001	December 31, 2000
Balance as at January 1	2,345	3,039
Provision/(credit) for off-balance sheet commitments, contingent liabilities, net	959	(344)
Write-off of allowance for housing warranties	<u>(51)</u>	<u>(350)</u>
Closing balance	<u>3,253</u>	<u>2,345</u>

NOTE 15: SUBORDINATED BONDS AND LOANS

In 1993, the Bank issued HUF 5 billion in bonds, which are subordinated to the other liabilities of the Bank and subscribed by the Hungarian Ministry of Finance. Interest on subordinated bonds and the frequency of payment of interests are based on condition of interest of 2013/C credit consolidated government bonds, which is a variable-rate bond, the interest payable and the rate of interest are fixed twice a year. The semiannual interest payable was 5.53% as at June 20, 2001 and 5.57% as at December 20, 2001. The original maturity was 20 years. The proceeds of the subordinated bonds were invested in Hungarian Government bonds with similar interest conditions and maturity.

In December 1996, the Bank obtained a USD 30 million and DEM 31.14 million subordinated loan from the European Bank for Reconstruction and Development. The loan has a ten-year maturity, with interest payable at six-month LIBOR + 1.4% from December 27, 1996 until December 29, 1997, at six-month LIBOR + 1.0% from December 29, 1997 until June 28, 1999, at six-month LIBOR + 1.7% from June 28, 1999 until December 27, 2004 and at six-month LIBOR + 2.5% from December 27, 2004 until December 27, 2006.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
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NOTE 16: SHARE CAPITAL (in HUF mn)

	June 30, 2001	December 31, 2000
Authorized, issued and fully paid:		
Common shares of HUF one thousand each	26,850	26,850
Preference shares of HUF one thousand each	<u>1,150</u>	<u>1,150</u>
	<u>28,000</u>	<u>28,000</u>

From September 3, 1997, the Bank has one preferential voting share (the "Special Share") outstanding with a nominal value of HUF 1 thousand (see Note 1.1).

Preference shares are non-voting, entitle bearers to a minimum 12% dividend and rights for such dividends are cumulative. In the event insufficient dividends are paid to the preferred shareholders for two consecutive years, the preference shares will automatically receive voting rights until the accumulated dividends are paid.

The Annual General Meeting on April 25, 2001 approved resolutions No. 6/1/2001 and 6/2/2001 concerning the conversion of 1,150 thousand pieces of registered preference shares issued by Bank to registered common shares.

NOTE 17: RETAINED EARNINGS AND RESERVES (in HUF mn)

	June 30, 2001	December 31, 2000
Balance as at January 1	107,402	80,196
Income after income taxes	20,308	32,388
Opening adjustment due to implementation of IAS No 39	(488)	-
Profit on sale of Treasury Shares	13	70
Dividends	<u>(9)</u>	<u>(5,252)</u>
Closing balance	<u>127,226</u>	<u>107,402</u>

The Bank's reserves under Hungarian Accounting Standards were HUF 113,672 million and HUF 99,501 million as at June 30, 2001 and December 31, 2000 respectively. Of these amounts, legal reserves represent HUF 27,387 million and HUF 25,610 million, respectively. The legal reserve is not available for distribution.

Dividends for the year ended December 31, 2000 represent the dividends declared by the Bank's shareholders for both preference and common shares at the Annual General Meeting in 2001.

Dividends for the six month period ended June 30, 2001 represent the pro-rata portion of the 12% dividend for preference shares.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
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NOTE 18: TREASURY SHARES (in HUF mn)

	June 30, 2001	December 31, 2000
Nominal value (Common Shares)	<u>1,807</u>	<u>813</u>
Carrying value	<u>18,988</u>	<u>9,067</u>

NOTE 19: OTHER EXPENSES (in HUF mn)

	six month period ended June 30, 2001	six month period ended June 30, 2000
Credit for permanent diminution in value of equity investments	(956)	(514)
Provision for other assets	536	2,218
Provision for possible losses on off-balance sheet commitments and contingent liabilities	959	-
Administration expenses, including rent	7,989	7,526
Advertising	1,020	680
Taxes, other than income	2,855	2,582
Services	5,972	4,914
Professional fees	1,127	1,052
Other	<u>714</u>	<u>884</u>
	<u>20,216</u>	<u>19,342</u>

NOTE 20: INCOME TAXES (in HUF mn)

The Bank is presently liable for income tax at a rate of 18% of taxable income.

A reconciliation of the income tax charge is as follows:

	six month period ended June 30, 2001	six month period ended June 30, 2000
Current tax	4,305	3,550
Deferred tax	<u>497</u>	<u>(50)</u>
	<u>4,802</u>	<u>3,500</u>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
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NOTE 20: INCOME TAXES (in HUF mn) [continued]

A reconciliation of the deferred tax asset is as follows:

	six month period ended June 30, 2001	six month period ended June 30, 2000
Balance as at January 1	332	235
Deferred tax (charge)/credit	(497)	<u>50</u>
Closing balance	<u>(165)</u>	<u>285</u>

A reconciliation of the income tax charge is as follows:

	six month period ended June 30, 2001	six month period ended June 30, 2000
Income before income taxes	25,110	19,820
Permanent differences due to movements in statutory provisions	287	900
Dividend income	(25)	(25)
Other permanent differences	<u>1,305</u>	<u>(1,250)</u>
Adjusted tax base	<u>26,677</u>	<u>19,445</u>
Income tax at 18%	<u>4,802</u>	<u>3,500</u>

**NOTE 21: OFF-BALANCE SHEET COMMITMENTS, CONTINGENT
LIABILITIES AND FINANCIAL INSTRUMENTS (in HUF mn)**

	June 30, 2001	December 31, 2000
Commitments:		
Forward purchase commitments, foreign exchange	114,911	47,289
Repurchase agreements	<u>5</u>	<u>15</u>
	<u>114,916</u>	<u>47,304</u>
Contingent liabilities:		
Commitments to extend credit	193,358	157,403
Guarantees arising from banking activities	20,953	15,892
Confirmed letters of credit	8,184	988
Options	16,196	12,555
Local tax contingency	<u>542</u>	<u>542</u>
	<u>239,233</u>	<u>187,380</u>
Total	<u>354,149</u>	<u>234,684</u>

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**NOTE 21: OFF-BALANCE SHEET COMMITMENTS, CONTINGENT
LIABILITIES AND FINANCIAL INSTRUMENTS (in HUF mn)
[continued]**

The Bank has a legal case against the Municipality of Budapest in connection with local tax paid in previous years. The Bank paid the total amount of local tax due, but the Municipality of Budapest has challenged the allocation of the tax between the various Hungarian municipalities. The total amount of local tax being claimed by the Municipality of Budapest is HUF 542 million. Management believes this claim by the Municipality of Budapest to be groundless and is vigorously defending the Bank against this claim. No provision for possible loss has been recorded by the Bank.

For an analysis of the allowance for possible losses on off-balance sheet commitments, contingent liabilities and financial instruments, see Note 14.

NOTE 22: RELATED PARTY TRANSACTIONS

Transactions with related parties, other than increases in share capital, are summarized below:

During for the six month periods ended June 30, 2001 and 2000 the Bank sold, without recourse, non-performing loans and the related accrued interest receivable to OTP Factoring for HUF 37 million and HUF 255 million, respectively. The gross book value of such credits was HUF 474 million and HUF 1,353 million, respectively, with a corresponding allowance for possible loan losses of HUF 373 million and HUF 825 million, respectively. The underlying mortgage rights were also transferred to OTP Factoring. Gains or losses related to such transactions are included in the unconsolidated financial statements.

Commissions received by the Bank from OTP Securities in relation to securities transactions were HUF 620 million and HUF 599 million for the six month periods ended June 30, 2001 and 2000, respectively. Losses recorded by the Bank from the sale of securities to OTP Securities were HUF 359 million for the six month period ended June 30, 2001, and gains recorded were HUF 1,100 million for the six month period ended June 30, 2000.

Commissions received by the Bank from OTP Building Society in relation to finalised customer contracts were HUF 236 million and HUF 130 million for the six month periods ended June 30, 2001 and 2000, respectively.

Insurance premiums paid by the Bank to OTP Garancia Insurance were HUF 311 million and HUF 225 million for the six month periods ended June 30, 2001 and 2000, respectively.

Commissions received by the Bank from OTP Fund Management Ltd. in relation to custody activity were HUF 148 million and HUF 118 million in relation to trading activity were HUF 727 million and HUF 591 million for the six month periods ended June 30, 2001 and 2000, respectively.

Commissions received by the Bank from OTP Real Estate Ltd. in relation to its activity were HUF 449 million and HUF 406 million for the six month periods ended June 30, 2001 and 2000, respectively.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
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NOTE 22: RELATED PARTY TRANSACTIONS [continued]

In the normal course of business, the Bank enters into other transactions with its subsidiaries, the amounts and volumes of which are not significant to these unconsolidated financial statements taken as a whole.

NOTE 23: CASH AND CASH EQUIVALENTS (in HUF mn)

	June 30, 2001	December 31, 2000
Cash, due from banks and balances with the NBH	462,887	492,509
Compulsory reserve established by the NBH	(119,186)	(183,148)
	<u>343,701</u>	<u>309,361</u>

NOTE 24: TRUST ACTIVITIES

The Bank acts as a trustee for certain loans granted by companies or employers to their employees, mainly for housing purposes. The ultimate risk for these loans rests with the party advancing the funds. As these loans and related funds are not considered to be assets or liabilities of the Bank, they have been excluded from the accompanying Unconsolidated Balance Sheet. The total amount of such loans managed by the Bank as a trustee amounted to HUF 43,820 million and HUF 42,955 million as at June 30, 2001 and December 31, 2000, respectively.

NOTE 25: CONCENTRATION OF ASSETS AND LIABILITIES

Approximately 44% and 46% of the Bank's total assets consisted of receivables from, or securities issued by, the Hungarian Government or the National Bank of Hungary as at June 30, 2001 and December 31, 2000, respectively. There were no other significant concentrations of the Bank's assets or liabilities as at June 30, 2001 and December 31, 200, respectively.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
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**NOTE 26: MATURITY ANALYSIS OF ASSETS AND LIABILITIES AND
LIQUIDITY RISK (in HUF mn)**

As at June 30, 2001

	Short-term (within one year)	Long-term	Total
Cash, Due from Banks and Balances with the National Bank of Hungary	460,266	2,621	462,887
Placements with Other Banks, Net of Allowance for Possible Placement Losses	236,399	18,958	255,357
Held for Trading and Available-for-sale Financial Assets	16,760	93,631	110,391
Loans, Net of Allowance for Possible Loan Losses	310,798	334,702	645,500
Accrued Interest Receivable	28,785	-	28,785
Equity Investments	-	27,493	27,493
Held-to-maturity Investments	53,090	286,370	339,460
Premises, Equipment and Intangible Assets, Net	-	53,928	53,928
Other Assets	<u>30,439</u>	<u>-</u>	<u>30,439</u>
TOTAL ASSETS	<u>1,136,537</u>	<u>817,703</u>	<u>1,954,240</u>
Due to Banks and Deposits from the National Bank of Hungary and Other Banks	35,742	26,881	62,623
Deposits from Customers	1,635,310	23,837	1,659,147
Liabilities from Issued Securities	675	66	741
Accrued Interest Payable	21,989	-	21,989
Other Liabilities	56,002	-	56,002
Subordinated Bonds and Loans	<u>-</u>	<u>17,500</u>	<u>17,500</u>
TOTAL LIABILITIES	<u>1,749,718</u>	<u>68,284</u>	<u>1,818,002</u>
Share Capital	-	28,000	28,000
Retained Earnings and Reserves	-	127,226	127,226
Treasury Shares	<u>(18,988)</u>	<u>-</u>	<u>(18,988)</u>
	<u>(18,988)</u>	<u>155,226</u>	<u>136,238</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>1,730,730</u>	<u>223,510</u>	<u>1,954,240</u>
LIQUIDITY (DEFICIENCY)/EXCESS	<u>(594,193)</u>	<u>594,193</u>	≡
Deposits from Customers represent 91.2 % of Total Liabilities (see also Note 28).			

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR SIX MONTH PERIOD ENDED JUNE 30, 2001**

**NOTE 26: MATURITY ANALYSIS OF ASSETS AND LIABILITIES AND
LIQUIDITY RISK (in HUF mn) [continued]**

As at December 31, 2000

	Short-term (within one year)	Long-term	Total
Cash, Due from Banks and Balances with the National Bank of Hungary	488,176	4,333	492,509
Placements with Other Banks, Net of Allowance for Possible Placement Losses	205,399	18,181	223,580
Held for Trading and Available-for-sale Financial Assets	50,461	40,011	90,472
Loans, Net of Allowance for Possible Loan Losses	300,967	324,706	625,673
Accrued Interest Receivable	26,882	-	26,882
Equity Investments	-	26,638	26,638
Held-to-maturity Investments	84,907	276,647	361,554
Premises, Equipment and Intangible Assets, Net	-	55,673	55,673
Other Assets	<u>17,000</u>	<u>-</u>	<u>17,000</u>
TOTAL ASSETS	<u>1,173,792</u>	<u>746,189</u>	<u>1,919,981</u>
	26,929	17,486	44,415
Due to Banks and Deposits from the National Bank of Hungary and Other Banks	1,639,032	24,900	1,663,932
Deposits from Customers	883	150	1,033
Liabilities from Issued Securities	11,093	-	11,093
Accrued Interest Payable	55,413	-	55,413
Other Liabilities	<u>-</u>	<u>17,760</u>	<u>17,760</u>
Subordinated Bonds and Loans	<u>1,733,350</u>	<u>60,296</u>	<u>1,793,646</u>
Share Capital	-	28,000	28,000
Retained Earnings and Reserves	-	107,402	107,402
Treasury Shares	<u>(9,067)</u>	<u>-</u>	<u>(9,067)</u>
TOTAL SHAREHOLDERS' EQUITY	<u>(9,067)</u>	<u>135,402</u>	<u>126,335</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>1,724,283</u>	<u>195,698</u>	<u>1,919,981</u>
LIQUIDITY (DEFICIENCY)/EXCESS	<u>(550,491)</u>	<u>550,491</u>	≡
Deposits from Customers represent 92.8 % of Total Liabilities. (see also Note 28).			

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
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NOTE 27: NET FOREIGN CURRENCY POSITION AND FOREIGN CURRENCY RISK (in HUF mn)

As at June 30, 2001

	USD	EUR	Others	Total
Assets	157,764	157,105	41,928	356,797
Liabilities	(169,306)	(150,218)	(41,557)	(361,081)
Off-balance sheet assets and Liabilities, net	<u>11,482</u>	<u>(3,576)</u>	<u>(917)</u>	<u>6,989</u>
Net position	<u>(60)</u>	<u>3,311</u>	<u>(546)</u>	<u>2,705</u>

As at December 31, 2000

	USD	EUR	Others	Total
Assets	150,619	192,580	46,732	389,931
Liabilities	(162,973)	(183,434)	(47,487)	(393,894)
Off-balance sheet assets and liabilities, net	<u>13,305</u>	<u>(7,579)</u>	<u>117</u>	<u>5,843</u>
Net position	<u>951</u>	<u>1,567</u>	<u>(638)</u>	<u>1,880</u>

EUR includes items denominated in EURO, DEM and ATS.

NOTE 28: INTEREST RATE RISK MANAGEMENT

The majority of the Bank's interest bearing assets and liabilities are structured to match either short-term assets and short-term liabilities, or long-term assets and liabilities with repricing opportunities within one year, or long-term assets and corresponding liabilities where repricing is performed simultaneously. Interest rate risk mismatch is limited to a very short-term portion of the Bank's unconsolidated assets and liabilities.

In addition, the significant spread existing between the different types of interest bearing assets and liabilities enables the Bank to benefit from a high level of flexibility in adjusting for its interest rate matching and interest rate risk exposure.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
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NOTE 29: EARNINGS PER SHARE

Earnings per share attributable to the Bank's common shares are determined based on dividing income after income taxes for the year attributable to common shareholders, after the deduction of declared preference dividends, by the weighted average number of common shares outstanding during the year.

	six month period ended June 30, 2001	six month period ended June 30, 2000
Income after income taxes (in HUF mn)	20,308	16,320
Declared preference dividends (in HUF mn)	<u> (9)</u>	<u> (69)</u>
Income after income taxes for the year attributable to common shareholders (in HUF mn)	<u>20,299</u>	<u>16,251</u>
Weighted average number of common shares outstanding during the year (piece)	<u>26,040,826</u>	<u>26,281,198</u>
Earnings per share (in HUF)	<u> 780</u>	<u> 618</u>

The weighted average number of common shares outstanding during the period does not include own shares held

NOTE 30: POST BALANCE SHEET EVENTS

Subsequent to the date of the financial statements, in September 2001 the Bank, through a subsidiary, acquired 99.99% of CD Hungary Real Estate and Service Company Ltd for HUF 18.2 billion.

As discussed in Note 16, the Bank's 2001 Annual General Meeting passed a resolution to convert preference shares to common shares. Subsequent to the date of the financial statements, such conversion has occurred.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
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FOR SIX MONTH PERIOD ENDED JUNE 30, 2001**

NOTE 31: RECONCILIATION OF FINANCIAL STATEMENTS PREPARED UNDER HUNGARIAN ACCOUNTING STANDARDS AND FINANCIAL STATEMENTS PREPARED UNDER IAS (in HUF mn)

	Retained Earnings and Reserves January 1, 2001	Income for the six month period ended June 30, 2001	Dividends	Direct Movements on Reserves	Retained Earnings and Reserves June 30, 2001
Hungarian financial statements	99,501	17,772	(9)	-	117,264
Adjustments to Hungarian financial statements:					
Reversal of statutory general provision	8,549	937	-	-	9,486
Reversal of statutory provision for net foreign currency position	70	(70)	-	-	-
Reversal of statutory country risk provision	580	(580)	-	-	-
Premium and discount amortization on investment securities	(913)	656	-	-	(257)
Allowance for possible loan losses	(1,340)	-	-	-	(1,340)
Allowance for possible losses on off-balance sheet commitments, contingent liabilities and financial instruments	(450)	51	-	-	(399)
Increase of investment in subsidiary	1,012	-	-	-	1,012
Difference in accounting for finance leases	61	145	-	-	206
Deferred taxation	332	(497)	-	-	(165)
Difference in accounting for off-balance sheet financial instruments	(542)	1,402	-	-	860
Fair value adjustment of held for trading and available-for-sale financial assets, investments IAS No 39	-	667	-	(475)	192
Fair value adjustment of derivatives IAS No 39	-	(162)	-	(13)	(175)
Profit on sale of Treasury Shares	-	(13)	-	13	-
Reclassification of direct charge related to local tax	<u>542</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>542</u>
International financial statements	<u>107,402</u>	<u>20,308</u>	<u>(9)</u>	<u>(475)</u>	<u>127,226</u>