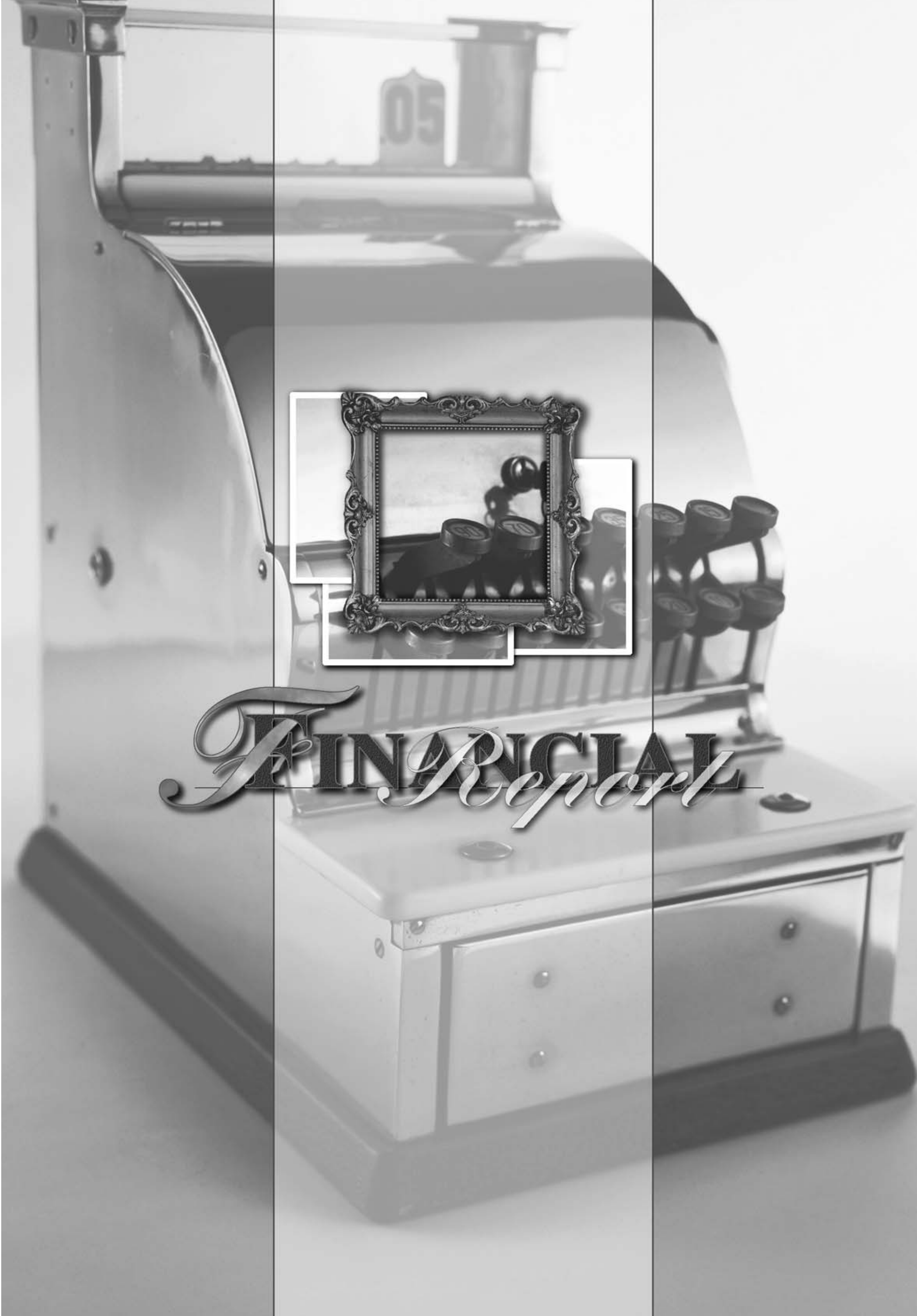
Financial Report



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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of National Savings and Commercial Bank Ltd.

We have audited, in accordance with Hungarian National and International Standards on Auditing, the unconsolidated financial statements of National Savings and Commercial Bank Ltd. (the "Bank") for the year ended December 31, 2001, prepared in accordance with Hungarian accounting regulations, from which the accompanying summarized unconsolidated financial statements (balance sheet and profit and loss account), included on pages 59 to 61 of this report, were derived. In our independent auditors' report dated March 22, 2002, we expressed an unqualified opinion on the unconsolidated financial statements, prepared in accordance with Hungarian accounting regulations, from which the accompanying summarized unconsolidated financial statements were derived.

In our opinion, the accompanying summarized unconsolidated financial statements are consistent, in all material respects, with the unconsolidated financial statements, prepared in accordance with Hungarian accounting regulations, from which they were derived.

For a better understanding of the Bank's unconsolidated financial position as at December 31, 2001, and the unconsolidated results of its operations for the year then ended, prepared in accordance with Hungarian accounting regulations and of the scope of our audit, the accompanying summarized unconsolidated financial statements should be read in conjunction with the unconsolidated financial statements and the related notes from which the summarized unconsolidated financial statements were derived and our independent auditors' report thereon.

Budapest, May 22, 2002

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BALANCE SHEET

(unconsolidated, based on HAR) as at December 31, 2001 and 2000 (in HUF mn)

ASSETS	2000	2001
1. CASH IN HAND, BALANCES WITH CENTRAL BANKS	482,350	372,593
2. TREASURY BILLS	440,201	481,079
a) held for trade	184,275	136,325
b) held as financial fixed assets (for long term investment)	255,926	344,754
3. LOANS AND ADVANCES TO CREDIT INSTITUTIONS	233,739	329,778
a) repayable on demand	3,667	6,415
b) other receivables from financial services	230,072	323,363
4. LOANS AND ADVANCES TO CUSTOMERS	627,633	765,998
a) receivables from financial services	627,087	765,364
aa) maturity not more than one year	299,827	326,797
ab) maturity more than one year	327,260	438,567
b) receivables from investment services	546	634
5. DEBT SECURITIES INCLUDING FIXED-INCOME SECURITIES	11,317	17,636
a) securities issued by local self-governing bodies and by other public bodies (not include the treasury bills issued by Hungarian state and securities issued by Hungarian National Bank)	0	0
b) securities issued by other bodies	11,317	17,636
6. SHARES AND OTHER VARIABLE-YIELD SECURITIES	1,420	7,262
a) shares and participations for trade		5,579
b) other variable-yield securities	1,420	1,683
7. SHARES AND PARTICIPATING INTEREST AS FINANCIAL FIXED ASSETS	590	877
8. SHARES AND PARTICIPATING INTEREST IN AFFILIATED UNDERTAKINGS	25,036	28,815
9. INTANGIBLE ASSETS	10,624	11,866
10. TANGIBLE ASSETS	42,066	42,380
a) tangible assets for financial and investment services	38,686	39,914
b) tangible assets not for directly financial and investment services	3,380	2,466
c) revaluation surplus on tangible assets	0	0
11. OWN SHARES	9,067	17,750
12. OTHER ASSETS	18,569	19,595
13. PREPAYMENTS AND ACCRUED INCOME	28,660	31,529
TOTAL ASSETS	**1,931,272**	**2,127,158**
From this:		
– CURRENT ASSETS	1,208,463	1,189,094
– FIXED ASSETS	694,149	906,535

LIABILITIES		2000	2001
1.	LIABILITIES TO CREDIT INSTITUTIONS	44,415	25,133
	a) repayable on demand	591	2,595
	b) liabilities from financial services with maturity dates or periods of notice	43,824	22,538
2.	LIABILITIES TO CUSTOMERS	1,600,265	1,778,685
	a) saving deposits	366,672	363,961
	b) other liabilities from financial services	1,226,492	1,413,015
	c) liabilities from investment services	7,101	1,709
3.	LIABILITIES FROM ISSUED DEBT SECURITIES	77,022	73,734
	a) issued bond	1	1
	b) issued other debt securities	1,032	554
	c) issued debt securities according to act on accounting, but the act on securities not qualifies that certificates as securities	75,989	73,179
4.	OTHER LIABILITIES	36,861	36,911
	a) maturity not more than one year	36,861	36,911
	b) maturity more than one year	0	0
5.	ACCRUALS AND DEFERRED INCOME	16,130	22,288
	a) accrued liabilities	327	385
	b) accrued costs and expenses	15,803	21,903
	c) deferred income	0	0
6.	PROVISIONS	11,317	14,598
	a) provisions for pensions and similar obligations	0	0
	b) risk provision for off-balance sheet items (for pending and future liabilities)	1,192	2,032
	c) general risk provision	8,550	10,930
	d) other provision	1,575	1,636
7.	SUBORDINATED LIABILITIES	17,760	17,293
	a) subordinated loan capital	17,760	17,293
8.	SUBSCRIBED CAPITAL	28,000	28,000
	From this: repurchased own shares at face value	813	1,542
9.	SUBSCRIBED BUT UNPAID CAPITAL (–)	0	0
10.	CAPITAL RESERVES	52	52
	a) premium (from share issue)	0	0
	b) other	52	52
11.	GENERAL RESERVES	25,610	29,450
12.	RETAINED EARNINGS (ACCUMULATED PROFIT RESERVE) (±)	40,790	55,981
13.	LEGAL RESERVES	9,067	17,750
14.	REVALUATION RESERVE	0	0
15.	PROFIT OR LOSS FOR THE FINANCIAL YEAR ACCORDING TO THE BALANCE SHEET (±)	23,983	27,283
TOTAL LIABILITIES		**1,931,272**	**2,127,158**
	From this:		
	– SHORT-TERM LIABILITIES	1,716,026	1,884,245
	– LONG-TERM LIABILITIES	60,297	47,511
	– EQUITY (CAPITAL AND RESERVES)	127,502	158,516
OFF BALANCE SHEET LIABILITIES		**235,137**	**507,800**
	CONTINGENT LIABILITIES	187,833	318,713
	FUTURE LIABILITIES	47,304	189,087
OFF BALANCE SHEET ASSETS		**68,022**	**216,278**

PROFIT AND LOSS ACCOUNT

(unconsolidated, based on HAR) for the years ended December 31, 2001 and 2000 (in HUF mn)

	2000	2001
1. Interest received and interest-type income	187,099	193,802
a) interest received on securities with fixed-interest signifying a creditor relationship	41,736	50,189
b) other interest received and interest-type income	145,363	143,613
2. Interest paid and interest-type expenses	100,246	95,460
INTEREST DIFFERENCE	**86,853**	**98,342**
3. Incomes from securities	160	127
4. Fees and Commission received	37,722	45,684
5. Fees and Commission paid	6,172	6,414
6. Profit or loss from financial transactions	2,167	–5,555
a) revenues from other financial services	8,252	26,897
b) expenses on other financial services	8,522	29,778
c) revenues from investment services (revenues from trading activities)	7,273	3,732
b) expenses on investment services (expenses from trading activities)	4,836	6,406
7. Other incomes from business	16,027	15,766
8. General administration expenses	50,611	60,063
a) personnel expenses	27,066	32,551
b) other administration expenses	23,545	27,512
9. Depreciation and amortization	10,371	11,129
10. Other expenses from business	37,048	33,712
11. Write-off of loans and provision for contingent and future liabilities	7,807	12,577
a) write-off of loans	8,854	11,280
b) provision for contingent and future liabilities	–1,047	1,297
12. Reversal of write-off of loans and credit for contingent and future liabilities	10,159	13,293
a) reversal of write-off of loans	10,159	12,841
b) credit for contingent and future liabilities	0	452
13. Write-off of securities for investing purposes, signifying a creditor relationship, equity investments in associated or other company	1,475	272
14. Reversal of write-off of securities for investing purposes, signifying a creditor relationship, and equity investments in associated or other company	681	4,098
15. Result of ordinary business activities	**40,285**	**47,588**
Including:		
RESULT OF FINANCIAL AND INVESTMENT SERVICES	42,481	46,616
RESULT OF NON-FINANCIAL AND INVESTMENT SERVICES	–2,196	972
16. Extraordinary revenues	6	214
17. Extraordinary expenses	75	433
18. Extraordinary profit or loss	–69	–219
19. Profit or loss before tax	**40,216**	**47,369**
20. Tax liabilities	7,733	8,971
21. After-tax profit or loss	**32,483**	**38,398**
22. Formation and utilization of general reserves (±)	–3,248	–3,840
23. Use of accumulated profit reserve for dividends and profit-sharing	0	0
24. Dividends and profit-sharing paid (approved)	5,252	7,275
25. Balance-sheet profit or loss figure	**23,983**	**27,283**

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of National Savings and Commercial Bank Ltd.

We have audited, in accordance with Hungarian National and International Standards on Auditing, the consolidated financial statements of National Savings and Commercial Bank Ltd. (the "Bank") for the year ended December 31, 2001, prepared in accordance with Hungarian accounting regulations, from which the accompanying summarized consolidated financial statements (balance sheet and profit and loss account), included on pages 63 to 67 of this report, were derived. In our independent auditors' report dated March 27, 2002 we expressed an unqualified opinion on the consolidated financial statements, prepared in accordance with Hungarian accounting regulations, from which the accompanying summarized consolidated financial statements were derived.

In our opinion, the accompanying summarized consolidated financial statements are consistent, in all material respects, with the consolidated financial statements, prepared in accordance with Hungarian accounting regulations, from which they were derived.

For a better understanding of the Bank's consolidated financial position as at December 31, 2001 and the consolidated results of its operations for the year then ended prepared in accordance with Hungarian accounting regulations and of the scope of our audit, the accompanying summarized consolidated financial statements should be read in conjunction with the consolidated financial statements and the related notes from which the summarized consolidated financial statements were derived and our audit independent auditors' report thereon.

Budapest, May 22, 2002

Deloitte + Touche

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BALANCE SHEET

(consolidated, based on HAR) as at December 31, 2001 and 2000 (in HUF mn)

ASSETS	2000	2001
1. CASH IN HAND, BALANCES WITH CENTRAL BANKS	487,934	378,826
2. TREASURY BILLS	512,810	580,781
a) held for trade	223,429	185,203
b) held as financial fixed assets (for long term investment)	289,381	395,578
3. LOANS AND ADVANCES TO CREDIT INSTITUTIONS	226,544	335,015
a) repayable on demand	3,669	6,418
b) other receivables from financial services	222,875	328,597
ba) maturity not more than one year	200,775	308,827
bb) maturity more than one year	22,100	19,770
4. LOANS AND ADVANCES TO CUSTOMERS	676,022	824,696
a) receivables from financial services	673,173	823,333
aa) maturity not more than one year	302,908	329,963
ab) maturity more than one year	370,265	493,370
b) receivables from investment services	2,849	1,363
5. DEBT SECURITIES INCLUDING FIXED-INCOME SECURITIES	11,981	18,698
6. SHARES AND OTHER VARIABLE-YIELD SECURITIES	3,723	9,768
a) shares and participations for trade	1,709	5,679
b) other variable-yield securities	2,014	4,089
ba) held for trade	1,933	2,362
bb) held as financial fixed assets (for long term investment)	81	1,727
7. SHARES AND PARTICIPATING INTEREST AS FINANCIAL FIXED ASSETS	5,483	4,911
a) shares and participating interest as financial fixed assets	5,483	4,911
8. SHARES AND PARTICIPATING INTEREST IN AFFILIATED UNDERTAKINGS	2,091	2,456
a) shares and participating interest in affiliated undertakings	1,922	2,338
b) revaluation surplus on shares and participating interests	169	118
9. INTANGIBLE ASSETS	12,427	14,270
10. TANGIBLE ASSETS	56,702	58,639
a) tangible assets for financial and investment services	44,597	45,412
b) tangible assets not for directly financial and investment services	12,105	13,227
11. OWN SHARES	18,856	26,357
12. OTHER ASSETS	30,195	31,125
a) stocks (inventories)	9,845	10,999
b) other receivables (not from financial and investment securities)	20,350	20,126
13. PREPAYMENTS AND ACCRUED INCOME	32,134	35,415
a) accrued income	30,580	33,970
b) prepayments	1,554	1,445
TOTAL ASSETS	**2,076,902**	**2,320,957**
From this:		
– CURRENT ASSETS	1,275,395	1,276,238
– FIXED ASSETS	769,373	1,009,304

LIABILITIES	2000	2001
1. LIABILITIES TO CREDIT INSTITUTIONS	51,895	36,404
a) repayable on demand	596	2,546
b) liabilities from financial services with maturity dates or periods of notice	51,299	33,858
ba) not more than one year	31,068	13,782
bb) more than one year	20,231	20,076
2. LIABILITIES TO CUSTOMERS	1,667,203	1,867,298
a) saving deposits	366,673	363,961
aa) repayable on demand	41,754	42,831
ab) maturity not more than one year	314,672	321,130
ac) maturity more than one year	10,247	0
b) other liabilities from financial services	1,292,055	1,500,890
ba) repayable on demand	457,929	561,342
bb) maturity not more than one year	768,875	877,706
bc) maturity more than one year	65,251	61,842
c) liabilities from investment services	8,475	2,447
3. LIABILITIES FROM ISSUED DEBT SECURITIES	77,022	73,735
a) issued bond	1	1
b) issued other debt securities	1,032	555
ba) maturity not more than one year	883	538
bb) maturity more than one year	149	17
c) issued debt securities according to act on accounting, but the act on securities not qualifies that certificates as securities	75,989	73,179
ca) maturity not more than one year	71,170	69,076
cb) maturity more than one year	4,819	4,103
4. OTHER LIABILITIES	45,546	45,317
a) maturity not more than one year	44,613	44,460
b) maturity more than one year	72	48
c) (Calculated) Corporate tax difference due to consolidation	861	809
5. ACCRUALS AND DEFERRED INCOME	20,597	27,917
a) accrued liabilities	1,636	1,678
b) accrued costs and expenses	18,957	26,234
c) deferred income	4	5
6. PROVISIONS	53,340	70,376
a) provisions for pensions and similar obligations	0	0
b) risk provision for off-balance sheet items (for pending and future liabilities)	1,469	2,531
c) general risk provision	9,162	11,681
d) other provision	42,709	56,164
7. SUBORDINATED LIABILITIES	18,194	17,737
a) subordinated loan capital	17,760	17,293
aa) equity consolidation difference	434	444
8. SUBSCRIBED CAPITAL	28,000	28,000
From this: repurchased own shares at face value	1,568	2,217

LIABILITIES	2000	2001
9. SUBSCRIBED BUT UNPAID CAPITAL (–)	0	0
10. CAPITAL RESERVES	52	52
11. GENERAL RESERVES	25,610	29,450
12. RETAINED EARNINGS (ACCUMULATED PROFIT RESERVE) (±)	42,076	57,276
Retained earnings	40,953	56,095
equity change of equity consolidated subsidiaries	1,123	1,181
13. LEGAL RESERVES	9,067	17,750
14. REVALUATION RESERVE	0	0
15. PROFIT OR LOSS FOR THE FINANCIAL YEAR ACCORDING TO THE BALANCE SHEET (±)	29,888	35,175
16. SUBSIDIARIES' EQUITY INCREASES/DECREASES (±)	5,309	11,299
17. INCREASES/DECREASES DUE TO CONSOLIDATION (±)	3,103	3,171
– from debt consolidation difference	5,652	4,753
– from intermediate result difference	–2,549	–1,582
18. PARTICIPATION OF OUTSIDE MEMBERS (OTHER OWNERS)	0	0
TOTAL LIABILITIES	**2,076,902**	**2,320,957**
From this:		
– SHORT-TERM LIABILITIES	1,740,896	1,936,667
– LONG-TERM LIABILITIES	118,964	103,824
– EQUITY (CAPITAL AND RESERVES) (8–9+10+11±12+13+14±15)	143,105	182,173
OFF BALANCE SHEET LIABILITIES	**234,971**	**509,918**
CONTINGENT LIABILITIES	179,400	318,775
FUTURE LIABILITIES	55,571	191,143
OFF BALANCE SHEET ASSETS	**77,957**	**218,338**

PROFIT AND LOSS ACCOUNT

(consolidated, based on HAR) for the years ended December 31, 2001 and 2000 (in HUF mn)

	2000	2001
1. Interest received and interest-type income	201,080	211,521
a) interest received on securities with fixed-interest signifying a creditor relationship	45,461	54,839
b) other interest received and interest-type income	155,619	156,682
2. Interest paid and interest-type expenses	104,516	100,581
INTEREST DIFFERENCE (1–2)	**96,564**	**110,940**
3. Incomes from securities	427	504
4. Fees and Commission received	37,742	44,365
a) revenues from other financial services	33,866	41,151
b) revenues from investment services (except incomes from trading activities)	3,876	3,214
5. Fees and Commission paid	6,554	7,616
a) expenses on other financial services	6,070	7,199
b) expenses on investment service (except expenses from trading activities)	484	417
6. Profit or loss from financial transactions (6/a–6/b+6/c–6/d)	2,538	–2,347
a) revenues from other financial services	8,791	27,414
b) expenses on other financial services	9,296	27,564
c) revenues from investment service (revenues from trading activities)	10,497	4,773
d) expenses on investment services (expenses from trading activities)	7,454	6,970
7. Other incomes from business	93,271	110,624
a) incomes from non financial and investment services	81,717	99,406
b) other revenues	11,359	10,630
bb) other revenues due to consolidation	195	588
8. General administration expenses	54,307	63,868
a) personnel expenses	29,699	35,237
aa) wage costs	17,976	21,758
ab) other payments to personnel	3,633	4,062
ac) contributions on wages and salaries	8,090	9,417
b) other administration expenses	24,608	28,631
9. Depreciation and amortization	10,891	11,579
10. Other expenses from business	103,572	122,723
a) expenses from non-financial and investment services	62,134	69,062
b) other expenses	23,642	30,093
ba) other expenses due to debt consolidation	2	9
bb) other expenses due to consolidation	252	90
c) expenses of consolidated subsidiaries	17,542	23,469

	2000	2001
11. Write-off of loans and provision for contingent and future liabilities	10,509	16,583
a) write-off of loans	11,142	14,640
b) provision for contingent and future liabilities	–633	1,943
12. Reversal of write-off of loans and credit for contingent and future liabilities	4,370	14,942
a) reversal of write-off of loans	4,366	14,355
b) credit for contingent and future liabilities	4	587
13. Write-off of securities for investing purposes, signifying a creditor relationship, equity investments in associated or other company	1,842	233
14. Reversal of write-off of securities for investing purposes, signifying a creditor relationship, and equity investments in associated or other company	681	1,580
15. Result of ordinary business activities	**47,918**	**58,006**
Including:		
RESULT OF FINANCIAL AND INVESTMENT SERVICES	46,035	51,762
RESULT OF NON-FINANCIAL AND INVESTMENT SERVICES	1,883	6,244
16. Extraordinary revenues	20	134
17. Extraordinary expenses	361	850
18. Extraordinary profit or loss (16–17)	–341	–716
19. Profit or loss before tax (±15±18)	**47,577**	**57,290**
20. Tax liabilities	9,138	10,938
a) (Calculated) Corporate tax difference due to cosolidation (±)	–161	–52
21. After-tax profit or loss (±19–20)	**38,600**	**46,404**
22. Formation and utilization of general reserves (±)	–3,460	–4,140
23. Use of accumulated profit reserve for dividends and profit-sharing	0	0
24. Dividends and profit-sharing paid (approved)	5,252	7,089
25. Balance-sheet profit or loss figure (±21±22+23–24)	**29,888**	**35,175**

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of National Savings and Commercial Bank Ltd.

We have audited the accompanying unconsolidated balance sheets of National Savings and Commercial Bank Ltd. ("the Bank") as at December 31, 2001 and 2000, and the related unconsolidated statements of income, cash flows and changes in shareholders' equity for the years then ended, included on pages 69 to 91 of this report. These unconsolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these unconsolidated financial statements based on our audits.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

Consolidated financial statements have not been presented at the date of this report, as required by International Accounting Standard No. 27. We draw attention to Notes 2.3 and 2.6 to the unconsolidated financial statements, which explain why consolidated financial statements have not been presented and the method of accounting for unconsolidated subsidiaries, respectively.

In our opinion, expect for the effects on the financial statements of the matter referred to in the preceding paragraph, the financial statements present fairly, in all material respects, the unconsolidated financial position of the Bank as at December 31, 2001 and 2000, and the unconsolidated results of its operations, cash flows and changes in shareholders' equity for the years then ended in accordance with International Accounting Standards.

Budapest, March 22, 2002

Deloitte + Touche

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BALANCE SHEET

(unconsolidated, based on IAS) as at December 31, 2001 and 2000 (in HUF mn)

	2001	2000
Cash, due from banks and balances with the National Bank of Hungary	375,540	492,509
Placements with other banks, net of allowance for possible placement losses	326,830	223,580
Securities held for trading and available-for-sale	106,255	90,472
Loans, net of allowance for possible loan losses	760,164	625,673
Accrued interest receivable	26,999	26,882
Equity investments	33,175	26,638
Debt securities held-to-maturity	398,746	361,554
Premises, equipment and intangible assets, net	56,727	55,673
Other assets	19,144	17,000
TOTAL ASSETS	**2,103,580**	**1,919,981**
Due to banks and deposits from the National Bank of Hungary and other banks	25,133	44,415
Deposits from customers	1,842,722	1,663,932
Liabilities from issued securities	556	1,033
Accrued interest payable	8,770	11,093
Other liabilities	57,297	55,413
Subordinated bonds and loans	17,293	17,760
TOTAL LIABILITIES	1,951,771	1,793,646
Share capital	28,000	28,000
Retained earnings and reserves	141,559	107,402
Treasury shares	–17,750	–9,067
TOTAL SHAREHOLDERS' EQUITY	151,809	126,335
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	**2,103,580**	**1,919,981**

The accompanying notes to unconsolidated financial statements on pages 72 to 91 form an integral part of these unconsolidated financial statements.

PROFIT AND LOSS ACCOUNT

(unconsolidated, based on IAS) for the years ended December 31, 2001 and 2000 (in HUF mn)

	2001	2000
INTEREST INCOME:		
Loans	91,571	80,703
Placements with other banks	17,700	16,912
Due from banks and balances with the National Bank of Hungary	33,017	47,374
Securities held for trading and available-for-sale	8,316	7,332
Debt securities held-to-maturity	40,860	33,211
TOTAL INTEREST INCOME	*191,464*	*185,532*
INTEREST EXPENSE:		
Due to banks and deposits from the National Bank of Hungary and other banks	2,670	2,975
Deposits from customers	90,570	94,441
Liabilities from issued securities	45	1,107
Subordinated bonds and loans	1,391	1,591
TOTAL INTEREST EXPENSE	*94,676*	*100,114*
Net interest income	**96,788**	**85,418**
Provision for possible loan losses	6,640	5,683
Credit for possible placement losses	–13	–56
	6,627	**5,627**
Net interest income after provision for possible loan and placement losses	**90,161**	**79,791**
NON-INTEREST INCOME:		
Fees and commissions	46,404	38,220
Foreign exchange gains and losses, net	2,421	3,052
Gains and losses on securities, net	–2,549	2,176
Gains and losses on real estate transactions, net	–59	–85
Dividend income	127	160
Other	2,037	1,437
TOTAL NON-INTEREST INCOME	*48,381*	*44,960*
NON-INTEREST EXPENSES:		
Fees and commissions	6,406	6,374
Personnel expenses	32,551	27,066
Depreciation and amortization	12,475	11,663
Other	36,703	39,624
TOTAL NON-INTEREST EXPENSES	*88,135*	*84,727*
Income before income taxes	**50,407**	**40,024**
Income taxes	9,239	7,636
Net income after income taxes	**41,168**	**32,388**
Earnings per share (in HUF)	1,563	1,238

The accompanying notes to unconsolidated financial statements on pages 72 to 91 form an integral part of these unconsolidated financial statements.

STATEMENT OF CASH FLOW

(unconsolidated, based on IAS) for the years ended December 31, 2001 and 2000 (in HUF mn)

	2001	2000
OPERATING ACTIVITIES		
Net income after income taxes	41,168	32,388
Adjustments to reconcile income after income taxes to net cash provided by operating activities:		
Depreciation and amortization	12,475	11,663
Provision for possible loan losses	6,640	5,683
Credit for possible placement losses	–13	–56
Lower of cost and market adjustment on trading securities	–	50
(Credit)/provision for permanent diminution in value of investments	–3,829	744
Provision for possible losses on other assets	–1,239	1,498
Provision/(credit) for possible losses on off-balance sheet commitments and contingent liabilities, net	1,299	–344
Unrealised gains on fair value adjustment of securities held for trading and available-for-sale	–667	–
Unrealised losses on fair value adjustment of derivative financial instruments	773	–
Effect of deferred taxes	268	–97
Changes in operating assets and liabilities:		
Net increase in accrued interest receivable	–117	–4,460
Net (increase)/decrease in other assets, excluding advances for investments and before provisions for possible losses	–1,233	797
Net decrease in accrued interest payable	–2,323	–4,011
Net (decrease)/increase in other liabilities	–4,039	6,883
Net Cash Provided by Operating Activities	**49,163**	**50,738**
INVESTING ACTIVITIES		
Net (increase)/decrease in placements with other banks, before provision for possible placement losses	–103,237	46,748
Net (increase)/decrease in securities held for trading and available-for-sale before unrealised gains or losses	–15,251	47,674
Net increase in equity investments, before provision for permanent diminuation in value	–2,708	–3,400
Net increase in debt securities held-to-maturity	–36,775	–184,997
Net decrease/(increase) in advances for investments included in other assets	38	–20
Net increase in loans, before provision for possible loan losses	–141,131	–142,596
Net additions to premises, equipment and intangible assets	–13,529	–11,904
Net Cash Used in Investing Activities	**–312,593**	**–248,495**
FINANCING ACTIVITIES		
Net (decrease)/increase in due to banks and deposits from the National Bank of Hungary and other banks	–19,282	2,207
Net increase in deposits from customers	178,790	139,244
Net decrease in liabilities from issued securities	–477	–5,815
(Decrease)/increase in subordinated bonds and loans	–467	1,126
Profit on sale of treasury shares	72	70
Increase in treasury shares	–8,683	–7,018
Net decrease/(increase) in the compulsory reserve established by the National Bank of Hungary	75,611	–1,247
Dividends paid	–3,492	–4,787
Net cash provided by financing activities	**222,072**	**123,780**
Net decrease in cash and cash equivalents	**–41,358**	**–73,977**
Cash and cash equivalents at the beginning of the year	***309,361***	***383,338***
Cash and cash equivalents at the end of the year	**268,003**	**309,361**

The accompanying notes to unconsolidated financial statements on pages 72 to 91 form an integral part of these unconsolidated financial statements.

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

(unconsolidated, based on IAS) for the years ended December 31, 2001 and 2000 (in HUF mn)

	Share Capital	Retained Earnings and Reserves	Treasury Share	Total
Balance as at January 1, 2000	28,000	80,196	–2,049	106,147
Net income after income taxes	–	32,388	–	32,388
Profit on sale of treasury shares	–	70	–	70
Change in carrying value of treasury shares	–	–	–7,018	–7,018
Dividends declared on common shares	–	–5,207	–	–5,207
Dividends declared on preference shares	–	–45	–	–45
Balance as at December 31, 2000	**28,000**	**107,402**	**–9,067**	**126,335**
Net income after income taxes	–	41,168	–	41,168
Profit on sale of treasury shares	–	72	–	72
Change in carrying value of treasury shares		–	–8,683	–8,683
Effects of adoption of IAS 39		192	–	192
Dividends proposed on common shares	–	–7,275	–	–7,275
Balance as at December 31, 2001	**28,000**	**141,559**	**–17,750**	**151,809**

The accompanying notes to unconsolidated financial statements on pages 72 to 91 form an integral part of these unconsolidated financial statements.

NOTES TO FINANCIAL STATEMENTS

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, the Hungarian Government transferred 20% of the Bank's shares 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.

The Annual General Meeting on April 25, 2001 approved resolution No. 6/1/2001 concerning the conversion of HUF 1,150 million HUF 1,000 nominal value preference shares issued by the Bank to common shares.

As at December 31, 2001 approximately 92% of the Bank's shares were held by domestic and foreign private and institutional inventors. The remaining shares are owned by employees (2%) and the Bank (6%).

The Bank provides a full range of commercial banking services through a nationwide network of 424 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).

Effective as of January 1, 2001 the Bank adopted IAS 39 – "Financial Instruments: Recognition and Measurement". Revisions to a number of other IAS also took effect in 2001. Those revisions concerned matters of detailed application which have no significant effect on amounts reported in the current or prior accounting periods.

IAS 39 has introduced a comprehensive framework of accounting for all financial instruments. The Bank's detailed accounting policies in respect of such instruments are set out below. The principal effects of the adoption of IAS 39 have been that all of the Bank's investments in securities classified as held for trading or available-for-sale are now carried at fair value and that derivative financial instruments have been brought on balance sheet. The effects of the remeasurement of investments to fair value and bringing the derivative financial instruments on-balance sheet at fair value have been recognised with effect from January 1, 2001. The effects on retained earnings and reserves on adoption can be summarised as follows (in HUF millions):

Excess of fair value of securities held for trading and available-for-sale over cost	282
Net fair value of derivatives not designated as hedging instruments	–48
Effect of deferred taxation	–42
Adjustment as of January 1, 2001	**192**

Subsequent remeasurements to fair value are recorded in the Unconsolidated Statement of Operations.

Comparative amounts with respects to the Bank's security portfolios in the unconsolidated financial statements have been reclassified to ensure comparability with current period presentation.

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 certain financial instruments, which are recorded on fair value. Revenues and expenses are recorded in the period in which they are earned or incurred.

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 2.7 for the description of the method of accounting for investments in subsidiaries and associated companies in these unconsolidated financial statements. Consolidated financial statements are expected to be issued by the end of April 2002.

2.4. DEBT SECURITIES HELD-TO-MATURITY

Investments in securities are accounted on a settlement date basis and are initially measured at cost. At subsequent reporting dates, debt securities that the Bank has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment losses recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity debt security is aggregated with other investment income receivable over the term of the investment so that the revenue recognised in each period represents a constant yield on the investment.

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.

2.5. SECURITIES HELD FOR TRADING AND AVAILABLE-FOR-SALE

Investments in securities are accounted on a settlement date basis and are initially measured at cost. Held for trading and available-for-sale investments are measured at subsequent reporting dates at fair value and unrealised gains and losses are included in the Unconsolidated Statement of Operations for the period. Such securities 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.

Available-for-sale securities are remeasured at fair value based on quoted prices or amounts derived from cash flow models. In circumstances where the quoted market prices are not readily available, the fair value of debt securities is estimated using the present value future cash flows and the fair value of unquoted equity instruments is estimated using applicable price/earnings or price/cashflow ratios refined to reflect the specific circumstances of the user.

Those held for trading and available-for-sale financial assets that do not have a quoted market price and whose fair value cannot be reliably measured by other models mentioned above, are measured at cost, less allowance for permanent diminution in value, when appropriate.

2.6. 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.

2.7. 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.

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%

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

At each balance sheet date, the Bank reviews the carrying value of its tangible and intangible assets to determine if there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent (if any) of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Bank estimates the recoverable amount of the cash-generating unit to which the asset belongs. 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.

2.9. LEASES

Assets held under finance leases, which confer rights and obligations similar to those attached to owned assets, are capitalised at their fair value and depreciated over the useful lives of assets. The capital element of each future lease obligation is recorded as a liability, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital payments outstanding.
Payments made under operating leases are charged to the profit and loss statement on a straight-line basis over the term of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

2.10. 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.

2.11. INCOME TAXES

The annual taxation charge is based on the tax payable under Hungarian fiscal law, adjusted for deferred taxation. Deferred taxation is accounted for, using the balance sheet liability method in respect of 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 realised or the liability is settled, based on tax rates that have been enacted at the date of the Unconsolidated Balance Sheet.

2.12. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENT LIABILITIES

In the ordinary course of its business, the Bank has entered into off-balance sheet commitments such as guarantees, commitments to extend credit and letters of credit and transactions with financial instruments. 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.

The Bank recognises an allowance when it has a present obligation as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the obligation.

2.13. DERIVATIVE FINANCIAL INSTRUMENTS

In the normal course of business, the Bank is a party to contracts for derivative financial instruments, which represent a very low initial investment compared to the notional value of the contract. The derivative financial instruments used include interest rate forward or swap agreements and currency swaps. These financial instruments are used by the Bank to hedge interest rate risk and currency exposures associated with its transactions in the financial markets.

Derivative financial instruments are initially recognised at cost and subsequently are remeasured at their fair value. Fair values are obtained from quoted market prices, discounted cash flow models and options pricing models as appropriate. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the Unconsolidated Statement of Operations as they arise. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that prove to be highly effective in relation to the hedged risk, are recorded in the profit Unconsolidated Statement of Operatins along with the corresponding change in fair value of the hedged asset or liability that is attributable to the specific hedged risk. The ineffective element of the hedge is charged directly to the Unconsolidated Statement of Operations.

Changes in fair value of derivatives that are designated and qualify as cash flow hedges and that prove to be highly effective in relation to hedged risk, are recognised in the reserve among unconsolidated shareholders' equity. Amounts deferred in equity are transferred to the Unconsolidated Statement of Operations and classified as revenue or expense in the periods during which the hedged assets and liabilities affect the result for the period. The ineffective element of the hedge is charged directly to the Unconsolidated Statement of Operations.

Certain derivative transactions, while providing effective economic hedges under the Bank's risk management positions, do not qualify for hedge accounting under the specific rules of IAS 39 and are therefore treated as derivatives held for trading with fair value gains and losses charged directly to the Unconsolidated Statement of Operations.

2.14. 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.

2.15. COMPARATIVE FIGURES

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

NOTE 3: **CASH, DUE FROM BANKS AND BALANCES WITH THE NATIONAL BANK OF HUNGARY**

		2001	2000
			(in HUF mn)
Cash on hand:	in HUF	38,540	32,986
	in foreign currency	10,630	5,559
		49,170	*38,545*
Due from banks and balances with NBH:			
Short-term:	in HUF	320,279	400,904
	in foreign currency	4,360	48,727
		324,639	*449,631*
Long-term:	in foreign currency	1,731	4,333
Total		**375,540**	**492,509**

Based on the requirements for compulsory reserves set by the National Bank of Hungary, the balance of compulsory reserves amounted to approximately HUF 107,537 million and HUF 183,148 million as at December 31, 2001 and 2000, respectively.

NOTE 4: **PLACEMENTS WITH OTHER BANKS AND ALLOWANCE FOR POSSIBLE PLACEMENT LOSSES**

		2001	2000
			(in HUF mn)
Short-term:	in HUF	73,206	78,825
	in foreign currency	235,455	126,757
		308,661	*205,582*
Long-term:	in HUF	8,300	8,300
	in foreign currency	10,039	9,881
		18,339	*18,181*
Total		**327,000**	**223,763**
Allowance for possible placement losses		–170	–183
		326,830	**223,580**

Placements with other banks in foreign currency as at December 31, 2001 and 2000 bear interest rates in the range from 1% to 6.5% and from 3.1% to 9.4%, respectively.

Placements with other banks in HUF as at December 31, 2001 and 2000 bear interest rates in the range from 8.4% to 11.3% and from 9.8% to 12.5%, respectively.

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

	2001	2000
		(in HUF mn)
Balance as at January 1	183	239
Credit for possible placement losses	–13	–56
Balance as at December 31	**170**	**183**

NOTE 5: **SECURITIES HELD FOR TRADING AND AVAILABLE-FOR-SALE**

(in HUF mn)

	2001	2000
Securities held for trading		
Hungarian Government discounted Treasury bills	7,545	17,648
Hungarian Government interest bearing Treasury bills	1,333	278
Government bonds	23,197	33,314
Bonds issued by National Bank of Hungary	5,129	3,659
Other securities	6,041	2,587
	43,245	*57,486*
Securities available-for-sale		
Government bonds	44,267	22,291
Other securities	18,743	10,695
	63,010	*32,986*
Total	**106,255**	**90,472**

Approximately 65% and 88% of the held for trading and available-for-sale securities portfolio was denominated in HUF as at December 31, 2001 and 2000, respectively.

Interest rates on securities ranged from 2.8% to 14% and from 2.8% to 16% as at December 31, 2001 and 2000, respectively.

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

(in HUF mn)

	2001	2000
Within five years:		
variable interest	64,260	37,721
fixed interest	18,957	50,952
	83,217	*88,673*
Over five years:		
variable interest	670	330
fixed interest	14,678	49
	15,348	*379*
Non-interest-bearing securities	7,690	1,420
Total	**106,255**	**90,472**

NOTE 6: **LOANS AND ALLOWANCE FOR POSSIBLE LOAN LOSSES**

(in HUF mn)

	2001	2000
Short-term loans and trade bills (within one year)	334,740	308,374
Long-term loans and trade bills (over one year)	444,964	337,115
	779,704	*645,489*
Allowance for possible loan losses	–19,540	–19,816
	760,164	**625,673**

Foreign currency loans represent approximately 18% and 25% of the loan portfolio, before allowance for possible losses, as at December 31, 2001 and 2000, respectively.

Loans denominated in HUF, with a maturity within one year as at December 31, 2001 and 2000, bear interest rates in the range from 14% to 29% and from 17% to 29%, respectively.

Loans denominated in HUF, with a maturity over one year as at December 31, 2001 and 2000, bear interest rates in the range from 11.1% to 21.5% and from 13.4% to 24.3%, respectively.

Approximately 3% and 6% of the gross loan portfolio represented loans on which interest is not being accrued as at December 31, 2001 and 2000, respectively.

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

				(in HUF mn)
	2001		**2000**	
Commercial loans	464,123	60%	406,011	63%
Municipality loans	55,745	7%	53,727	8%
Housing loans	149,512	19%	103,293	16%
Consumer loans	110,324	14%	82,458	13%
	779,704	**100%**	**645,489**	**100%**

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

		(in HUF mn)
	2001	**2000**
Balance as at January 1	19,816	22,444
Provision for possible loan losses	6,640	5,683
Write-offs	–6,916	–8,311
Balance as at December 31	**19,540**	**19,816**

The Bank sells non-performing loans without recourse to a wholly owned subsidiary, OTP Factoring Ltd, see Note 22.

NOTE 7: **EQUITY INVESTMENTS**

		(in HUF mn)
	2001	**2000**
Equity investments:		
Controlling interest	36,876	30,361
Significant interest	365	4,458
Other	1,160	874
	38,401	*35,693*
Allowance for permanent diminution in value	–5,226	–9,055
	33,175	**26,638**

As at December 31, 2001 and 2000, except as follows, all investments were in companies incorporated in Hungary. As at December 31, 2001 and 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.

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

(in HUF mn)

	31 December 2001. Held *(direct and indirect)*	31 December 2001. Cost	31 December 2000 Held *(direct and indirect)*	31 December 2000 Cost
OTP-Garancia Insurance Ltd.	100%	7,472	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%	1,317	100%	242
OTP Fund Management Ltd.	100%	1,653	100%	1,653
OTP Mortgage Bank Company Ltd.	100%	3,000	–	–
AIR-Invest Ltd.	100%	1,000	–	–
Other	100%	14	100%	14
Total		**36,876**		**30,361**

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

(in HUF mn)

	2001	2000
Balance as at January 1	9,055	8,311
(Credit)/provision for permanent diminution in value	–3,829	744
Balance as at December 31	**5,226**	**9,055**

NOTE 8: **HELD-TO-MATURITY INVESTMENTS**

(in HUF mn)

	2001	2000
Government securities	376,582	303,043
Hungarian Government discounted Treasury bills	19,068	–
Bonds issued by the National Bank of Hungary	2,496	57,910
Other debt securities	600	601
	398,746	**361,554**

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

(in HUF mn)

		2001	2000
Within five years:	variable interest	166,385	168,652
	fixed interest	157,240	119,461
		323,625	*288,113*
Over five years:	variable interest	50,661	53,630
	fixed interest	24,460	19,811
		75,121	*73,441*
Total		**398,746**	**361,554**

Approximately 97% and 96% of the debt securities portfolio was denominated in HUF as at December 31, 2001 and 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 14% and from 7.5% to 16% as at December 31, 2001 and 2000, respectively. Interest on fixed rate and variable rate securities is, in most cases, paid semi-annually.

NOTE 9: **PREMISES, EQUIPMENT AND INTANGIBLE ASSETS**

	2001	*(in HUF mn)* 2000
Land and buildings	33,982	32,494
Machinery and equipment	50,319	45,047
Construction in progress	2,942	1,640
Intangible assets	26,197	21,147
	113,440	*100,328*
Accumulated depreciation and amortization	–56,713	–44,655
	56,727	**55,673**

NOTE 10: **OTHER ASSETS**

	2001	*(in HUF mn)* 2000
Receivables due to collection of Hungarian Government securities	113	256
Property held for sale	1,174	1,189
Due from Government for interest subsidies	685	510
Trade receivables	2,540	1,637
Advances for securities and investments	496	534
Deferred tax asset	22	332
Taxes recoverable	191	96
Inventories	1,015	1,137
Other advances	309	503
Credits sold under deferred payment scheme	4,447	5,668
Subsidies paid on behalf of the Government	408	804
Margin account balance	513	58
Accounts with Invesment Funds and Pension Funds	–	91
Settlement accounts	1,498	2,007
Receivables from investing services	682	563
Prepayments and accrued incomes	1,646	1,620
Fair value of derivative financial instruments	20	–
Other	5,054	2,903
	20,813	*19,908*
Allowance for possible losses on other assets	–1,669	–2,908
	19,144	**17,000**

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

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

	2001	2000
		(in HUF mn)
Balance as at January 1	2,908	1,410
(Credit)/provision for possible losses	–1,239	1,498
Balance as at December 31	**1,669**	**2,908**

NOTE 11: **DUE TO BANKS AND DEPOSITS FROM THE NATIONAL BANK OF HUNGARY AND OTHER BANKS**

		2001	2000
			(in HUF mn)
Within one year:	in HUF	4,783	4,714
	in foreign currency	3,421	22,215
		8,204	*26,929*
Over one year:	in HUF	7,821	10,033
	in foreign currency	9,108	7,453
		16,929	*17,486*
Total		**25,133**	**44,415**

Due to banks and deposits from the National Bank of Hungary and other banks payable in HUF within one year as at December 31, 2001 and 2000, bear interest rates in the range from 9.7% to 10.8% 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 December 31, 2001 and 2000, bear interest rates in the range from 3% to 9.8% and 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 December 31, 2001 and 2000, bear interest rates in the range from 1.1% to 2.5% and from 2% to 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 December 31, 2001 and 2000, bear interest rates in the range form 1.4% to 9.2% and from 5% to 8%, respectively.

NOTE 12: **DEPOSITS FROM CUSTOMERS**

		2001	2000
			(in HUF mn)
Within one year:	in HUF	1,467,714	1,289,578
	in foreign currency	359,052	349,454
		1,826,766	*1,639,032*
Over one year:	in HUF	15,956	24,900
Total		**1,842,722**	**1,663,932**

Deposits from customers payable in HUF within one year as at December 31, 2001 and 2000, bear interest rates in the range from 0.5% to 8.5% and from 1% to 8.5%, respectively.

Deposits from customers payable in HUF over one year as at December 31, 2001 and 2000, bear interest rates in the range from 6.5% to 8.5% and from 6.5% to 9.5%, respectively.

Deposits from customers payable in foreign currency as at December 31, 2001 and 2000, bear interest rates in the range from 0.1% to 2.1% and from 0.1% to 4%, respectively.

NOTE 13: **LIABILITIES FROM ISSUED SECURITIES**

	2001	*(in HUF mn)* 2000
With original maturity:		
Within one year	538	883
Over one year	18	150
	556	**1,033**

Liabilities from issued securities are denominated in HUF at interest rates in the range from 3.8% to 8.3% and from 6% to 8.8% as at December 31, 2001 and 2000, respectively.

NOTE 14: **OTHER LIABILITIES**

	2001	*(in HUF mn)* 2000
Taxes payable	1,804	2,227
Giro clearing accounts	13,942	15,977
Accounts payable	4,876	3,903
Salaries and social security payable	5,539	3,380
Liability from security trading	5,177	9,134
Allowances for possible losses on off-balance sheet commitments and contingent liabilities	3,491	2,345
Dividends payable	7,758	5,789
Accrued expenses	2,977	1,686
Suspense accounts	3,228	3,720
Settlements of government housing subsidies	–	1,509
Loans for collection	967	1,237
Fair value of derivative financial instruments	841	–
Other	6,697	4,506
	57,297	**55,413**

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

	2001	*(in HUF mn)* 2000
Allowance for litigation	779	995
Allowance for other off-balance sheet commitments and contingent liabilities	1,253	197
Other allowances for expected liabilities	1,162	703
Allowance for housing warranties	297	450
Balance as at December 31	**3,491**	**2,345**

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

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 and contingent liabilities can be summarized as follows:

(in HUF mn)

	2001	2000
Balance as at January 1	2,345	3,039
Provision/(credit) for off-balance sheet commitments and contingent liabilities, net	1,299	–344
Write-off of allowance for housing waranties	–153	–350
Balance as at December 31	**3,491**	**2,345**

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 semi-annual 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 is unsecured and 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.

NOTE 16: **SHARE CAPITAL**

(in HUF mn)

	2001	2000
Authorized, issued and fully paid:		
Common shares of HUF one thousand each	28,000	26,850
Preference shares of HUF one thousand each	–	1,150
	28,000	**28,000**

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).

The Annual General Meeting on April 25, 2001 approved the conversion of 1,150 thousand pieces of preference shares issued by Bank to registered common shares.

NOTE 17: **RETAINED EARNINGS AND RESERVES**

(in HUF mn)

	2001	2000
Balance as at January 1	107,402	80,196
Income after income taxes	41,168	32,388
Opening adjustment due to adoption of IAS 39	192	–
Profit on sale of Treasury Shares	72	70
Dividends	–7,275	–5,252
Balance as at December 31	**141,559**	**107,402**

The Bank's reserves under Hungarian Accounting Standards were HUF 130,515 million and HUF 99,501 million as at December 31, 2001 and 2000 respectively. Of these amounts, legal reserves represent HUF 29,450 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 year ended December 31, 2001 represent the dividends to be proposed to the Bank's shareholders by management of the Bank at the forthcoming Annual General Meeting in 2002.

NOTE 18: **TREASURY SHARES**

	2001	*(in HUF mn)* 2000
Nominal value (Common Shares)	1,542	813
Carrying value	17,750	9,067

NOTE 19: **OTHER EXPENSES**

	2001	*(in HUF mn)* 2000
Lower of cost and market adjustment	–	50
(Credit)/provision for permanent diminution in value of equity investments	–3,829	744
(Credit)/provision for other assets	–1,239	1,498
Provision/(credit) for possible losses on off-balance sheet commitments and contingent liabilities	1,299	–344
Administration expenses, including rent	15,696	15,176
Advertising	2,198	2,057
Taxes, other than income	6,823	5,715
Services	11,507	10,248
Professional fees	2,039	2,178
Other	2,209	2,302
	36,703	**39,624**

NOTE 20: **INCOME TAXES**

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

	2001	*(in HUF mn)* 2000
Current tax	8,971	7,733
Deferred tax	268	– 97
	9,239	**7,636**

A reconciliation of the deferred tax asset is as follows:

	2001	2000 *(in HUF mn)*
Balance as at January 1	332	235
Effects of adoption of IAS 39	–42	–
Deferred tax credit	–268	97
Balance as at December 31	**22**	**332**

A reconciliation of the income tax charge is as follows:

	2001	2000 *(in HUF mn)*
Income before income taxes	50,407	40,024
Permanent differences due to movements in statutory provisions	–1,731	737
Dividend income	–127	–160
Other permanent differences	2,778	1,822
Adjusted tax base	51,327	42,423
Income tax at 18%	**9,239**	**7,636**

NOTE 21: OFF-BALANCE SHEET COMMITMENTS, CONTINGENT LIABILITIES AND FINANCIAL INSTRUMENTS

	2001	2000 *(in HUF mn)*
Commitments:		
Forward purchase commitments, foreign exchange	189,087	47,289
Repurchase agreements	–	15
	189,087	*47,304*
Contingent liabilities:		
Commitments to extend credit	255,630	157,403
Guarantees arising from banking activities	36,487	15,892
Confirmed letters of credit	3,799	988
Options	19,309	12,555
Other	1	–
Local tax contingency	542	542
	315,768	*187,380*
Total	**504,855**	**234,684**

In the normal course of business, the Bank enters into financial instrument transactions to hedge its liquidity, interest and foreign currency risks. The Bank operates a system of market risk and counterparty limits which are designed to restrict exposure to movements in market prices and counterparty concentrations. The Bank also monitors adherence to all limits on a daily basis.

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 the year ended December 31, 2001 and 2000 the Bank sold, without recourse, non-performing loans and the related accrued interest receivable to OTP Factoring for HUF 1,423 million and HUF 2,030 million, respectively. The gross book value of such credits was HUF 5,564 million and HUF 9,895 million, respectively, with a corresponding allowance for possible loan losses of HUF 4,774 million and HUF 7,005 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 806 million and HUF 1,076 million for the years ended December 31, 2001 and 2000, respectively. Losses recorded by the Bank from the sale of securities to OTP Secuities were HUF 262 million for the year ended December 31, 2001, and gains recorded were HUF 817 million for year ended December 31, 2000.

Commissions received by the Bank from OTP Building Society in relation to finalised customer contracts were HUF 461 million and HUF 291 million for the years ended December 31, 2001 and 2000, respectively.

Insurance premiums paid by the Bank to OTP-Garancia Insurance were HUF 685 million and HUF 549 million for the years ended December 31, 2001 and 2000, respectively.

Commissions received by the Bank from OTP Fund Management in relation to custody activity were HUF 319 million and HUF 258 million in relation to trading activity were HUF 1,571 million and HUF 1,265 million for the years ended December 31, 2001 and 2000, respectively.

Commissions received by the Bank from OTP Real Estate in relation to its activity were HUF 1,167 million and HUF 961 million for years ended December 31, 2001 and 2000, respectively.

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)

	2001	2000
Cash, due from banks and balances with the NBH	375,540	492,509
Compulsory reserve established by the NBH	–107,537	–183,148
	268,003	**309,361**

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 42,843 million and HUF 42,955 million as at December 31, 2001 and 2000, respectively.

NOTE 25: **CONCENTRATION OF ASSETS AND LIABILITIES**

Approximately 38% 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 December 31, 2001 and 2000, respectively. There were no other significant concentrations of the Bank's assets or liabilities as at December 31, 2001 and December 31, 2000, respectively.

NOTE 26: **MATURITY ANALYSIS OF ASSETS AND LIABILITIES AND LIQUIDITY RISK**

Liquidity risk is a measure of the extent to which the Bank may be required to raise funds to meet its commitments associated with financial instruments. The Bank maintains its liquidity profiles in accordance with regulations laid down by the National Bank of Hungary. The following tables provide an analysis of assets, liabilities and shareholders' equity into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. It is presented under the most prudent consideration of maturity dates where options or repayment schedules allow for early repayment possibilities.

As at December 31, 2001

	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	*(in HUF mn)* Total
Cash, due from banks and balances with the National Bank of Hungary	372,593	1,216	1,480	251	375,540
Placements with other banks, net of allowance for possible placement losses	134,070	174,421	17,499	840	326,830
Securities held for trading and available-for-sale	16,549	8,366	65,992	15,348	106,255
Loans, net of allowance for possible loan losses	83,379	238,835	254,903	183,047	760,164
Accrued interest receivable	20,949	5,884	120	46	26,999
Equity investments	–	–	–	33,175	33,175
Debt securities held-to-maturity	42,801	55,154	225,670	75,121	398,746
Premises, equipment and intangible assets, net	–	–	19,526	37,201	56,727
Other assets	12,418	6,726	–	–	19,144
TOTAL ASSETS	**682,759**	**490,602**	**585,190**	**345,029**	**2,103,580**
Due to banks and deposits from the National Bank of Hungary and other banks	4,346	3,858	14,499	2,430	25,133
Deposits from customers	1,491,259	335,507	15,929	27	1,842,722
Liabilities from issued securities	228	310	18	–	556
Accrued interest payable	4,536	4,234	–	–	8,770
Other liabilities	45,580	11,717	–	–	57,297
Subordinated bonds and loans	–	–	12,293	5,000	17,293
TOTAL LIABILITIES	**1,545,949**	**355,626**	**42,739**	**7,457**	**1,951,771**
Share capital	–	–	–	28,000	28,000
Retained earnings and reserves	–	–	–	141,559	141,559
Treasury shares	–	–17,750	–	–	–17,750
TOTAL SHAREHOLDERS' EQUITY	–	–17,750	–	169,559	151,809
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1,545,949**	**337,876**	**42,739**	**177,016**	**2,103,580**
LIQUIDITY (DEFICIENCY)/EXCESS	**–863,190**	**152,726**	**542,451**	**168,013**	**–**

Deposits from customers represent 94.4 % of Total Liabilities (see also Note 28.)

As at December 31, 2000

	Short-term (within one year)	Long-term	(in HUF mn) 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
Securities held for trading and available-for-sale	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
Debt securities held-to-maturity	84,907	276,647	361,554
Premises, equipment and intangible assets, net	–	55,673	55,673
Other assets	17,000	–	17,000
TOTAL ASSETS	**1,173,792**	**746,189**	**1,919,981**
Due to banks and deposits from the National Bank of Hungary and other banks	26,929	17,486	44,415
Deposits from customers	1,639,032	24,900	1,663,932
Liabilities from issued securities	883	150	1,033
Accrued interest payable	11,093	–	11,093
Other liabilities	55,413	–	55,413
Subordinated bonds and loans	–	17,760	17,760
TOTAL LIABILITIES	**1,733,350**	**60,296**	**1,793,646**
Share capital	–	28,000	28,000
Retained earnings and reserves	–	107,402	107,402
Treasury shares	–9,067	–	–9,067
TOTAL SHAREHOLDERS' EQUITY	–9,067	135,402	126,335
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1,724,283**	**195,698**	**1,919,981**
LIQUIDITY (DEFICIENCY)/EXCESS	**–550,491**	**550,491**	**–**

Deposits from customers represent 92.8 % of Total Liabilities. (see also Note 28).

NOTE 27: **NET FOREIGN CURRENCY POSITION AND FOREIGN CURRENCY RISK**

As at December 31, 2001

	USD	EUR	Others	(in HUF mn) Total
Assets	218,353	201,450	43,680	463,483
Liabilities	–157,717	–187,965	–39,200	–384,882
Off-balance sheet assets and liabilities, net	–59,721	–10,241	59	–69,903
Net position	**915**	**3,244**	**4,539**	**8,698**

As at December 31, 2000

	USD	EUR	Others	Total *(in HUF mn)*
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	13,305	–7,579	117	5,843
Net position	**951**	**1,567**	**–638**	**1,880**

The table above provides an analysis of the Bank‘s main currency exposures. The remaining currencies are shown within ‘Others’. Whilst the Bank monitors its foreign exchange position for compliance with the regulatory requirements of the National Bank of Hungary and own limit system established in respect of limits on open positions. The measuring of the Bank’s open foreign currency position involves monitoring the ‘value at risk’ limit on the foreign exchange exposure of the Bank.

NOTE 28: **INTEREST RATE RISK MANAGEMENT**

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The length of time for which the rate of interest is fixed on a financial instrument, therefore, indicates to what extent it is exposed to interest rate risk.

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.

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.

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.

	2001	2000
Net income after income taxes (in HUF mn)	41,168	32,388
Declared preference dividends (in HUF mn)	–	–45
Net income after income taxes for the year attributable to common shareholders (in HUF mn)	41,168	32,343
Weighted average number of common shares outstanding during the year (piece)	26,341,861	26,132,521
Earnings per share (in HUF)	**1,563**	**1,238**

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

NOTE 30: **POST BALANCE SHEET EVENTS**

During 2001, OTP Bank, has entered into a sale purchase agreement to aquire 92.6% interest in the Investična a Rozvojová Banka (IRB) a credit bank in Slovakia which is expected to close in the second quarter of 2002. The cost of the transaction will be SKK 700 million. After finishing the transaction the OTP Bank's investment in the IRB will have risen to 95.7%.

According to unaudited financial statements prepared in accordance with Slovak Accounting Standards, IRB had total assets of approximately SKK 24 billion as at December 31, 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 Jan. 1, 2001	Income for the year Ended Dec. 31, 2001	Dividends	Direct Movements on Reserves	Retained Earnings and Reserves Dec. 31, 2001
Hungarian financial statements	**99,501**	**38,398**	**–7,275**	**–109**	**130,515**
Adjustments to Hungarian financial statements:					
Reversal of statutory general provision	8,549	2,380		–	10,929
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	493		417	–3
Allowance for possible loan losses	–1,340	–		–	–1,340
Allowance for possible losses on off-balance sheet commitments and contingent liabilities	–450	153		–	–297
Increase of investment in subsidiary, recorded as an expense in the Hungarian financial statements	1,012	–		–	1,012
Difference in accounting for finance leases	61	88		–	149
Deferred taxation	332	–268		–42	22
Difference in accounting for off- balance sheet financial instruments	–542	861		–	319
Fair value adjustment of derivative financial instruments	–	–773		–48	–821
Fair value adjustment of held for trading and available-for-sale financial assets	–	667		–135	532
Profit on sale of Treasury Shares	–	–72		72	–
Reclassification of direct charges		–109		109	–
Reclassification of direct charge related to local tax	542	–	–	–	542
International financial statements	**107,402**	**41,168**	**–7,275**	**264**	**141,559**

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INDEPENDENT AUDITORS' REPORT

To the Shareholders and Board of Directors of National Savings and Commercial Bank Ltd.

We have audited the accompanying consolidated balance sheets of National Savings and Commercial Bank Ltd. and its subsidiaries ("the Bank") as at December 31, 2001 and 2000, and the related consolidated statements of operations, cash flows and changes in shareholders' equity for the years then ended, included on pages 93 to 116 of this report. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Bank as at December 31, 2001 and 2000, and the consolidated results of its operations, cash flows and changes in shareholders' equity for the years then ended in accordance with International Accounting Standards.

Budapest, March 27, 2002

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BALANCE SHEET

(consolidated, based on IAS) as at December 31, 2001 and 2000 (in HUF mn)

	2001	2000
Cash, due from banks and balances with the National Bank of Hungary	381,773	497,493
Placements with other banks, net of allowance for possible placement losses	332,088	216,354
Securities held for trading and available-for-sale	228,563	169,508
Loans, net of allowance for possible loan losses	771,334	650,902
Accrued interest receivable	29,797	28,480
Equity investments	2,816	2,548
Debt securities held-to-maturity	401,603	362,961
Premises, equipment and intangible assets, net	73,334	70,097
Other assets	68,337	54,813
TOTAL ASSETS	**2,289,645**	**2,053,156**
Due to banks and deposits from the National Bank of Hungary and other banks	36,952	51,945
Deposits from customers	1,891,512	1,697,966
Liabilities from issued securities	40,074	30,445
Accrued interest payable	12,626	13,638
Other liabilities	123,902	108,754
Subordinated bonds and loans	17,293	17,760
TOTAL LIABILITIES	2,122,359	1,920,508
Share capital	28,000	28,000
Retained earnings and reserves	165,643	123,504
Treasury shares	–26,357	–18,856
TOTAL SHAREHOLDERS' EQUITY	167,286	132,648
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	**2,289,645**	**2,053,156**

The accompanying notes to consolidated financial statements on pages 96 to 116 form an integral part of these consolidated financial statements.

PROFIT AND LOSS ACCOUNT

(consolidated, based on IAS) for the years ended December 31, 2001 and 2000 (in HUF mn)

	2001	2000
INTEREST INCOME:		
Loans	104,722	91,597
Placements with other banks	17,584	16,153
Due from banks and balances with the National Bank of Hungary	33,359	47,702
Securities held for trading and available-for-sale	16,632	14,267
Debt securities held-to-maturity	41,165	33,383
TOTAL INTEREST INCOME	*213,462*	*203,102*
INTEREST EXPENSE:		
Due to banks and deposits from the National Bank of Hungary and other banks	3,276	4,435
Deposits from customers	91,884	94,961
Liabilities from issued securities	3,189	3,686
Subordinated bonds and loans	1,391	1,591
Other	234	39
TOTAL INTEREST EXPENSE	*99,974*	*104,712*
Net interest income	**113,488**	**98,390**
Provision for possible loan losses	6,165	5,674
Credit for possible placement losses	–13	–56
Net interest income after provision for possible loan and placement losses	**107,336**	**92,772**
NON-INTEREST INCOME:		
Fees and commissions	49,233	41,161
Foreign exchange gains and losses, net	3,067	1,805
Gains and losses on securities, net	–255	3,050
Gains and losses on real estate transactions, net	2,244	1,892
Dividend income	673	588
Insurance premiums	38,975	36,163
Other	5,033	3,445
TOTAL NON-INTEREST INCOME	*98,970*	*88,104*
NON-INTEREST EXPENSES:		
Fees and commissions	9,094	8,219
Personnel expenses	41,366	34,643
Depreciation and amortization	15,017	13,363
Other	80,324	76,907
TOTAL NON-INTEREST EXPENSE	*145,801*	*133,132*
Income before income taxes	**60,505**	**47,744**
Income taxes	–11,552	–8,991
Net income	**48,953**	**38,753**
Consolidated earnings per share (in HUF)	1,912	1,512

The accompanying notes to consolidated financial statements on pages 96 to 116 form an integral part of these consolidated financial statements.

STATEMENT OF CASH FLOW

(consolidated, based on IAS) for the years ended December 31, 2001 and 2000 (in HUF mn)

	2001	2000
OPERATING ACTIVITIES		
Net Income	48,953	38,753
Adjustments to reconcile Net Income to net cash provided by operating activities		
Depreciation and amortization	15,017	13,363
Provision for possible loan losses	6,165	5,674
Credit for possible placement losses	–13	–56
Credit for permanent diminution in value of held-to-maturity investments	–	–29
(Credit)/provision for permanent diminution in value of equity investment	–1,340	1,266
(Credit)/provision for possible losses on other assets	–353	2,081
Provision for possible losses on off-balance sheet commitments and contingent liabilities, net	2,145	460
Net income from accounting for associates under the equity method of accounting	131	117
Net increase in insurance reserves	12,437	16,089
Unrealised gains on fair value adjustment of securities held for trading and available-for-sale	–687	–
Unrealised losses on fair value adjustment of derivative financial instruments	796	–
Effect of deferred taxes	464	–148
Changes in operating assets and liabilities		
Net increase in accrued interest receivable	–1,317	–4,671
Net increase in other assets, excluding advances for investments and before allowance for possible losses	–13,692	–4,912
Net decrease in accrued interest payable	–1,012	–3,344
Net (decrease)/increase in other liabilities	–6,623	3,530
Net Cash Provided by Operating Activities	**61,071**	**68,173**
INVESTING ACTIVITIES		
Net (increase)/decrease in placements with other banks, before provision for possible placement losses	–115,721	42,296
Net (increase)/decrease in securities held for trading and available-for-sale, before unrealised gains or losses	–40,661	33,861
Net decrease/(increase) in equity investments, before provision for permanent diminuation in value	931	–3,383
Net increase in debt securities held-to-maturity	–38,225	–198,964
Net decrease in advances for investments, included in other assets	38	210
Net increase in loans, before provision for possible loan losses	–141,697	–133,617
Net additions to premises, equipment and intangible assets	–18,254	–15,522
Net Cash Used in Investing Activities	**–353,589**	**–275,119**
FINANCING ACTIVITIES		
Net decrease in due to banks and deposits from the National Bank of Hungary and other banks	–14,993	–9,691
Net increase in deposits from customers	193,546	150,541
Net increase in liabilities from issued securities	9,629	13,045
Net (decrease)/increase in subordinated bonds and loans	–467	1,126
Profit on sale of treasury shares	72	70
Foreign currency translation (loss)/gain	–84	74
Increase in treasury shares	–7,501	–13,698
Net decrease/(increase) in compulsory reserves at National Bank of Hungary	77,955	–3,713
Dividends paid	–3,404	–4,787
Net Cash Provided by Financing Activities	**254,753**	**132,967**
Net Decrease in Cash and Cash Equivalents	**–37,765**	**–73,979**
Cash and cash equivalents at the beginning of the year	***309,269***	***383,248***
Cash and Cash Equivalents at the End of the Year	**271,504**	**309,269**

The accompanying notes to consolidated financial statements on pages 96 to 116 form an integral part of these consolidated financial statements.

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY

(consolidated, based on IAS) for the years ended December 31, 2001 and 2000 (in HUF mn)

	Share Capital	Retained Earnings and Reserves	Treasury Shares	Total
Balance as at January 1, 2000	28,000	89,651	–5,158	112,493
Net income	–	38,753	–	38,753
Profit on sale of treasury shares	–	70	–	70
Change in carrying value of treasury shares	–	–	–13,698	–13,698
Dividends declared on common sharses	–	–4,999	–	–4,999
Dividends declared on preference shares	–	–45	–	–45
Foreign currency translation gain	–	74	–	74
Balance as at December 31, 2000	**28,000**	**123,504**	**–18,856**	**132,648**
Net income	–	48,953	–	48,953
Profit on sale of treasury shares	–	72	–	72
Change in carrying value of treasury shares	–	–	–7,501	–7,501
Dividends proposed on common shares	–	–7,050	–	–7,050
Effects of adoption of IAS 39	–	248	–	248
Foreign currency translation gain	–	–84	–	–84
Balance as at December 31, 2001	**28,000**	**165,643**	**–26,357**	**167,286**

The accompanying notes to consolidated financial statements on pages 96 to 116 form an integral part of these consolidated financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE 1: **ORGANIZATION AND BASIS OF CONSOLIDATED 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 shares were transferred by the Hungarian Government to the Hungarian Social Security Funds. Subsequent to the successful privatization of the Bank by a 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.

The Annual General Meeting on April 25, 2001 approved resolution No. 6/1/2001 concerning the conversion of HUF 1,150 million nominal value preference shares issued by the Bank to common shares.

As at December 31, 2001 approximately 92% of the Bank's shares were held by domestic and foreign private and institutional inventors. The remaining shares are owned by employees (2%) and the Bank (6%).

The Bank provide a full range of financial services through a nationwide network of 424 branches in Hungary.

1.2. ACCOUNTING

The Bank and its subsidiary companies (together the "Group") maintains its accounting records and prepares its statutory accounts in accordance with the commercial, banking and fiscal regulations prevailing in Hungary.

The Group'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 consolidated financial position and consolidated results of operations in accordance with International Accounting Standards ("IAS"), certain adjustments have been made to the consolidated Hungarian statutory accounts.

Effective as of January 1, 2001 the Group adopted IAS 39 – "Financial Instruments: Recognition and Measurement". Revisions to a number of other IAS also took effect in 2001. Those revisions concerned matters of detailed application which have no significant effect on amounts reported in the current or prior accounting periods.

IAS 39 has introduced a comprehensive framework of accounting for all financial instruments. The Group's detailed accounting policies in respect of such instruments are set out below. The principal effects of the adoption of IAS 39 have been that all of the Group's investments in securities classified as held for trading or available-for-sale are now carried at fair value and that derivative financial instruments have been brought on balance sheet. The effects of the remeasurement of investments to fair value and bringing the derivative financial instruments on-balance sheet at fair value have been recognised with effect from January 1, 2001.

The effects on retained earnings and reserves on adoption can be summarised as follows (in HUF millions):

Excess of fair value of securities held for trading and available-for-sale over cost	314
Net fair value of derivatives not designated as hedging instruments	– 12
Effect of deferred taxation	– 54
Adjustment as of January 1, 2001	**248**

Subsequent remeasurements to fair value are recorded in the Consolidated Statement of Operations.

Comparative amounts with respects to the Group's security portfolios in the consolidated financial statements have been reclassified to ensure comparability with current period presentation.

NOTE 2: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

2.1. BASIS OF PRESENTATION

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

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 consolidated 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 Consolidated Statement of Operations. Net differences resulting from translating foreign currency financial statements of consolidated subsidiaries are presented as an element of retained earnings and reserves in the Consolidated Balance Sheet.

2.3. PRINCIPLES OF CONSOLIDATION

Included in these consolidated financial statements are the accounts of those subsidiaries in which the Bank holds a controlling interest. The list of the major fully consolidated subsidiaries, the percentage of issued capital owned by the Bank and the description of their activities is provided in Note 23. However, certain subsidiaries in which the Bank holds a controlling interest have not been consolidated in accordance with IAS because it is either intended that the shares shall be disposed of in the near future or the effect of consolidating such companies is immaterial to the consolidated financial statements as a whole (see Note 2.8.).

2.4. ACCOUNTING FOR ACQUISITIONS

Upon acquisition, subsidiaries are accounted for under the fair value method of accounting. Any goodwill or negative goodwill arising on acquisition is recognized in the consolidated balance sheet and accounted for as indicated below.

Goodwill, which represents the residual cost of the acquisition after recognizing the acquirer's interest in the fair value of the identifiable assets and liabilities acquired, is held as an intangible asset and amortized to the consolidated Statement of Operations, in anticipation of future economic benefits, on a straight-line basis over a period not exceeding five years or until the date of disposal of the acquired company, whichever is shorter. The value of any goodwill held in the consolidated balance sheet is reassessed on an annual basis, determined on the basis of specific identification of the investment. If it is no longer probable that the goodwill will be recovered from future economic benefits, it is recognized immediately as an expense.

Negative goodwill, which represents the residual fair value of the identifiable assets and liabilities acquired over the cost of acquisition, is amortized as deferred income to the Consolidated Statement of Operations on a straight-line basis over a period not exceeding five years or until the date of disposal of the acquired company, whichever is shorter.

2.5. DEBT SECURITIES HELD-TO-MATURITY

Investments in securities are accounted on a settlement date basis and are initially measured at cost. At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment losses recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity debt security is aggregated with other investment income receivable over the term of the investment so that the revenue recognised in each period represents a constant yield on the investment.

Held-to-maturity investments include securities, which the Group is able and has the intent to hold to maturity. Such securities comprise mainly securities issued by the Hungarian Government.

2.6. SECURITIES HELD FOR TRADING AND AVAILABLE-FOR-SALE

Investments in securities are accounted on a settlement date basis and are initially measured at cost. Held for trading and available-for-sale investments are measured at subsequent reporting dates at fair value and unrealised gains and losses are included in the Consolidated Statement of Operations for the period. Such securities 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.
Available-for-sale securities are remeasured at fair value based on quoted prices or amounts derived from cash flow models. In circumstances where the quoted market prices are not readily available, the fair value of debt securities is estimated using the present value future cash flows and the fair value of unquoted equity instruments is estimated using applicable price/earnings or price/cash flow ratios refined to reflect the specific circumstances of the user.

Those available-for-sale financial assets that do not have a quoted market price and whose fair value cannot be reliably measured by other models mentioned above, are measured at cost, less allowance for permanent diminution in value, when appropriate.

2.7. 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 placements losses, respectively. Interest is accrued and credited to income based on the principal amount outstanding. When a borrower is unable to meet payments as they become due or, in the opinion of the management, there is an indication that a borrower may be unable to meet payments as they become due, all unpaid interest is reversed. Loan origination fees and costs are recognized in the Consolidated 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.

2.8. EQUITY INVESTMENTS

Companies where the Bank has a significant interest are accounted for using the equity method. However, certain associated companies in which the Bank holds a significant interest have not been accounted for in accordance with the equity method because the effect of using the equity method to account for such companies is immaterial to the consolidated financial statements as a whole. From January 1, 2001 shares which it is intened shall be disposed of are included among securities available for sale.

Unconsolidated subsidiaries, associated companies that were not accounted for using the equity method and other investments where the Bank does not hold a controlling or significant interest are recorded at the cost of acquisition, less allowance for permanent diminution in value, when appropriate.

Gains and losses on the sale of equity investments are determined on the basis of the specific identification of the cost of each investment.

2.9. 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	1–6%
Machinery and equipment	8–33.3%
Vehicles	14,5–33%
Leased assets	16,7–33.3%
Goodwill	20%
Software	14,5–33.3%
Property rights	16,7%

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

At each balance sheet date, the Group reviews the carrying value of its tangible and intangible assets to determine if there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent (if any) of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. 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.

2.10. LEASES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classifies as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the lease. Finance lease income in allocated to accounting periods so as to reflect a constant rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the date of acquisition. The corresponding liability to the lessor is included in the Consolidated Balance Sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charge to the Consolidated Statement of Income over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

Rentals payable under operating leases are charged to the Consolidated Statement of Income on a straight-line basis over the terms of the relevant lease.

2.11. PROPERTIES HELD FOR RESALE

Properties held for resale are accounted for at historical cost less allowance for permanent diminution in value and are included in other assets in the Consolidated Balance Sheet. Properties held for resale include property held for sale in the normal course of business as a result of construction or development, real estate held due to work out of loans and property acquired exclusively with a view to subsequent disposal in the near future.

2.12. INSURANCE RESERVES

Insurance reserves are accrued for liabilities from life and non-life insurance contracts and are included in other liabilities. The level of such reserves reflects the amount of future liabilities expected as at the date of the consolidated financial statements. The provision for outstanding claims and claim settlement expenses for non-life policies are based upon estimates of the expected losses for all classes of business. The reserve includes reported claims, claims incurred but not reported and claim adjustment expenses. This provision takes into account mortality factors within Hungary and is based upon mortality tables approved by the Hungarian Financial Supervisory Authority.

2.13. TREASURY SHARES

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

2.14. 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 Consolidated Balance Sheet.

2.15. OFF-BALANCE SHEET COMMITMENTS AND CONTINGENT LIABILITIES

In the ordinary course of its business, the Group has entered into off-balance sheet commitments such as guarantees, commitments to extend credit and letters of credit and transactions with financial instruments. 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.

The Group recognises an allowance when it has a present obligation as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and a reliable estimate can be made of the obligation.

2.16. DERIVATIVE FINANCIAL INSTRUMENTS

In the normal course of business, the Group is a party to contracts for derivative financial instruments, which represent a very low initial investment compared to the notional value of the contract. The derivative financial instruments used include interest rate forward or swap agreements and currency swaps. These financial instruments are used by the Group to hedge interest rate risk and currency exposures associated with its transactions in the financial markets.

Derivative financial instruments are initially recognised at cost and subsequently are remeasured at their fair value. Fair values are obtained from quoted market prices, discounted cash flow models and options pricing models as appropriate. Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the Consolidated Statement of Operations as they arise. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges and that prove to be highly effective in relation to the hedged risk, are recorded in the profit Consolidated Statement of Operatins along with the corresponding change in fair value of the hedged asset or liability that is attributable to the specific hedged risk. The ineffective element of the hedge is charged directly to the Consolidated Statement of Operations.

Changes in fair value of derivatives that are designated and qualify as cash flow hedges and that prove to be highly effective in relation to hedged risk, are recognised in the reserve among unconsolidated shareholders' equity. Amounts deferred in equity are transferred to the Consolidated Statement of Operations and classified as revenue or expense in the periods during which the hedged assets and liabilities affect the result for the period. The ineffective element of the hedge is charged directly to the Consolidated Statement of Operations.

Certain derivative transactions, while providing effective economic hedges under the Group's risk management positions, do not qualify for hedge accounting under the specific rules of IAS 39 and are therefore treated as derivatives held for trading with fair value gains and losses charged directly to the Consolidated Statement of Operations.

2.17. CONSOLIDATED STATEMENT OF CASH FLOW

For the purposes of reporting consolidated 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. Consolidated cash flows from hedging activities are classified in the same category as the item being hedged.

2.18. SEGMENTAL REPORTING

Condensed financial statements of subsidiaries, representing segments of business, other than banking, are not presented due to their immateriality to the consolidated financial statements as a whole.

2.19. COMPARATIVE FIGURES

Certain other amounts in the December 31, 2000 consolidated financial statements have been reclassified to conform with current year presentation.

NOTE 3: **CASH, DUE FROM BANKS AND BALANCES WITH THE NATIONAL BANK OF HUNGARY**

		2001	2000
			(in HUF mn)
Cash on hand:	in HUF	38,811	33,205
	in foreign currency	10,631	5,560
		49,442	*38,765*
Due from banks and balances with the National Bank of Hungary:			
Short-term:	in HUF	326,173	405,641
	in foreign currency	4,427	48,754
		330,600	*454,395*
Long-term:	in foreign currency	1,731	4,333
Total		**381,773**	**497,493**

Based on the requirements for compulsory reserve set by the National Bank of Hungary, the balance of compulsory reserves maintained by the Group amounted to HUF 110,269 million and HUF 188,224 million as at December 31, 2001 and 2000, respectively.

NOTE 4: **PLACEMENTS WITH OTHER BANKS, NET OF ALLOWANCE FOR POSSIBLE PLACEMENT LOSSES**

		2001	2000
			(in HUF mn)
Short-term:	in HUF	78,764	71,899
	in foreign currency	235,455	126,757
		314,219	*198,656*
Long-term:	in HUF	8,000	8,000
	in foreign currency	10,039	9,881
		18,039	*17,881*
		332,258	**216,537**
Allowance for possible placement losses		–170	–183
		332,088	**216,354**

Placements with other banks in foreign currency as at December 31, 2001 and 2000, bear interest rates in the range from 1% to 6.5% and from 3.1% to 9.4%, respectively.

Placements with other banks in HUF as at December 31, 2001 and 2000, bear interest rates in the range from 8.3% to 11.3% and from 9.8% to 12.5%, respectively.

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

	2001	2000
		(in HUF mn)
Balance as at January 1	183	239
Credit for possible placement losses	–13	–56
Balance as at December 31	**170**	**183**

NOTE 5: **SECURITIES HELD FOR TRADING AND AVAILABLE-FOR-SALE**

	2001	2000 *(in HUF mn)*
Held for trading securities:		
Hungarian Government discounted Treasury bills	36,510	39,157
Hungarian Government interest bearing Treasury bills	1,352	282
Government bonds	38,059	53,010
Bonds issued by National Bank of Hungary	27,230	6,817
Other securities	9,573	4,950
	112,724	*104,216*
Available for sale securities:		
Government bonds	75,281	49,055
Other bonds	18,846	11,372
Other securities	21,712	4,865
	115,839	*65,292*
Total	**228,563**	**169,508**

Approximately 83% and 93% of the held for trading and available-for-sale securities portfolio was denominated in HUF as at December 31, 2001 and 2000, respectively.

Held for trading and available-for-sale securities are primarily denominated in HUF. Interest rates on trading securities are ranged from 2.8% to 14% and from 2.8% to 16% as at December 31, 2001 and 2000, respectively.

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

	2001	2000 *(in HUF mn)*
Whitin five years:		
with variable interest	66,966	42,460
with fixed interest	110,826	110,916
	177,792	*153,376*
Over five years:		
with variable interest	1,360	2,112
with fixed interest	17,440	5,359
	18,800	*7,471*
Non-interest bearing securities	31,971	8,661
Total	**228,563**	**169,508**

NOTE 6: **LOANS, NET OF ALLOWANCE FOR POSSIBLE LOAN LOSSES**

	2001	2000 *(in HUF mn)*
Short-term loans and trade bills (within one year)	342,822	315,805
Long-term loans and trade bills (over one year)	478,883	385,198
	821,705	*701,003*
Allowance for possible loan losses	–50,371	–50,101
	771,334	**650,902**

Foreign currency loans represent approximately 13% and 20% of the total loan portfolio, before allowance for possible losses, as at December 31, 2001 and 2000, respectively.

Loans denominated in HUF, with a maturity within one year as at December 31, 2001 and year 2000, bear interest rates in the range from 6% to 29% and from 12.9% to 29%, respectively.

Loans denominated in HUF, with maturity over one year as at December 31, 2001 and 2000 bear interest rates in the range from 6% to 22.1% and from 7% to 24.3%, respectively.

Approximately 6.6% and 9.8% of the gross loan portfolio represented loans on which interest is not being accrued as at December 31, 2001 and 2000, respectively.

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

	2001		2000 *(in HUF mn)*	
Commercial loans	460,298	56%	426,946	61%
Municipality loans	55,809	7%	53,790	8%
Housing loans	156,237	19%	109,727	16%
Consumer loans	149,361	18%	110,540	15%
	821,705	**100%**	**701,003**	**100%**

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

	2001	2000 *(in HUF mn)*
Balance as at January 1	50,101	45,312
Provision for possible loan losses	6,165	5,674
Write-offs	–5,895	–855
Balance as at December 31	**50,371**	**50,101**

NOTE 7: **EQUITY INVESTMENTS**

	2001	2000 *(in HUF mn)*
Equity investments:		
Unconsolidated subsidiaries	1,217	391
Associated companies	3,391	5,578
Other	1,293	1,004
	5,901	*6,973*
Allowance for permanent diminution in value	–3,085	–4,425
	2,816	**2,548**
Total assets of unconsolidated subsidiaries	**4,011**	**7,190**

As at December 31, 2001 and 2000, except as follows all investments are in companies incorporated in Hungary. As at December 31, 2001 and 2000 the Bank held an investment in a company with a book value of ATS 450,000, incorporated in the Republic of Austria and a company incorporated in Romania with a book value of USD 164,348.

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

	2001	2000 (in HUF mn)
Balance as at January 1	4,425	3,159
(Credit)/provision for permanent diminution in value	– 1,340	1,266
Balance as at December 31	**3,085**	**4,425**

NOTE 8: **DEBT SECURITIES HELD-TO-MATURITY**

	2001	2000 (in HUF mn)
Government securities	379,439	304,450
Hungarian Government discounted Treasury Bills	19,068	–
Bonds issued by the National Bank of Hungary	2,496	57,910
Other debt securities	600	601
	401,603	**362,961**

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

		2001	2000 (in HUF mn)
Within five years:	with variable interest	167,839	168,657
	with fixed interest	157,240	119,461
		325,079	*288,118*
Over five years:	with variable interest	52,064	55,032
	with fixed interest	24,460	19,811
		76,524	*74,843*
Total		**401,603**	**362,961**

Approximately 97% and 96% of the debt securities portfolio was denominated in HUF as at December 31, 2001 and 2000, respectively. In most cases, interests on variable rate bonds are based on the interest rates of 90-day Hungarian Government Treasury bills and are adjusted semi-annually.

Interest rates on fixed interest securities denominated in HUF are ranged from 7.5% to 14% and from 7.5% to 16% as at December 31, 2001 and 2000, respectively. Interest on fixed rate and variable rate securities is, in most cases, paid semi-annually.

NOTE 9: **PREMISES, EQUIPMENT AND INTANGIBLE ASSETS, NET**

	2001	2000 (in HUF mn)
Land and buildings	43,595	41,966
Machinery and equipment, vehicles, leased assets	62,511	53,517
Construction in progress	3,219	1,841
Intangible assets	26,562	21,055
	135,887	*118,379*
Accumulated depreciation and amortization	–62,553	–48,282
	73,334	**70,097**

NOTE 10: **OTHER ASSETS**

	(in HUF mn) 2001	2000
Receivables due from collection of Hungarian Government securities	113	256
Property held for sale	9,677	8,415
Due from Hungarian Government for interest subsidies	685	510
Trade receivables	4,785	3,296
Advances for securities and investments	496	534
Taxes recoverable	1,259	1,271
Inventories	1,365	1,306
Credits sold under deferred payment scheme	2,856	3,607
Subsidies paid on behalf of the Government	408	804
Receivables from leasing activities	34,496	23,450
Receivables due from KELER	1,743	2,387
Receivables due from insurance bond holders	912	576
Margin account balance	508	58
Receivables due from pension funds and fund management	–	91
Settlement accounts	1,498	2,007
Receivables from investing services	682	563
Prepayments and accrued income	2,918	3,655
Fair value of derivative financial instruments	35	–
Other	7,689	6,168
	72,125	*58,954*
Allowance for possible losses on other assets	–3,788	–4,141
	68,337	**54,813**

Allowance for possible losses on other assets mainly consists of allowances for property held for sale, credits sold under deferred payment scheme, receivables from leasing activities and reinsurance receivables.

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

	(in HUF mn) 2001	2000
Balance as at January 1	4,141	2,060
(Credit)/provision for possible losses on other assets	–353	2,081
Balance as at December 31	**3,788**	**4,141**

NOTE 11: **DUE TO BANKS AND DEPOSITS FROM THE NATIONAL BANK OF HUNGARY AND OTHER BANKS**

		(in HUF mn) 2001	2000
Within one year:	in HUF	5,236	4,257
	in foreign currency	11,642	27,459
		16,878	*31,716*
Over one year:	in HUF	7,822	10,039
	in foreign currency	12,252	10,190
		20,074	*20,229*
Total		**36,952**	**51,945**

Due to banks and deposits from the National Bank of Hungary and other banks payable in HUF within one year as at December 31, 2001 and 2000, bear interest rates in the range from 3% to 10.8% and from 7% 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 December 31, 2001 and 2000, bear interest rates in the range from 3% to 9.8% and 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 December 31, 2001 and 2000, bear interest rates in the range from 1.1% to 2.5% and from 2% to 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 December 31, 2001 and 2000, bear interest rates in the range from 1.4% to 9.2% and from 5% to 8%, respectively.

NOTE 12: **DEPOSITS FROM CUSTOMERS**

		2001	2000 *(in HUF mn)*
Within one year:	in HUF	1,498,199	1,292,942
	in foreign currency	359,052	349,454
		1,857,251	*1,642,396*
Over one year:	in HUF	34,261	55,570
Total		**1,891,512**	**1,697,966**

Deposits from customers payable in HUF within one year as at December 31, 2001 and 2000, bear interest rates in the range from 0.5% to 9.2% and from 1% to 9.7%, respectively.

Deposits from customers payable in HUF over one year as at December 31, 2001 and 2000, bear interest rates in the range from 3% to 8.5% and from 3% to 9.5%, respectively.

Deposits from customers payable in foreign currency as at December 31, 2001 and 2000, bear interest rates in the range from 0.1% to 2.1% and from 0.1% to 4%, respectively.

NOTE 13: **LIABILITIES FROM ISSUED SECURITIES**

	2001	2000 *(in HUF mn)*
With original maturity:		
Within one year	5,688	5,548
Over one year	34,386	24,897
	40,074	**30,445**

Liabilities from issued securities are denominated in HUF and as at December 31, 2001 and 2000, bear interest at rates in the range from 3.8% to 9.2% and from 6% to 9.8%, respectively.

NOTE 14: **OTHER LIABILITIES**

	2001	2000 *(in HUF mn)*
Deferred tax liabilities	617	99
Taxes payable	2,483	2,673
Giro clearing accounts	14,389	16,069
Accounts payable	8,352	6,463
Insurance reserves	52,228	39,791
Salaries and social security payable	6,452	3,574
Liability from security trading	5,177	9,134
Allowance for possible losses on off-balance sheet commitments and contingent liabilities	5,225	3,233
Dividends payable	7,509	5,638
Liabilities from leasing activities	792	3,742
Advances received from customers	915	2,311
Accrued expenses	4,161	4,581
Settlements of government housing subsidies	–	1,509
Loan for collection	967	1,237
Sundry loan received	2,700	–
Suspense accounts	3,228	3,720
Fair value of derivative financial instruments	843	–
Other	7,864	4,980
	123,902	**108,754**

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

	2001	2000 *(in HUF mn)*
Allowance for litigation	779	995
Allowance for possible losses on off-balance sheet commitments and contingent liabilities	1,999	474
Other allowances for expected liabilities	1,915	1,136
Allowance for housing warranties	532	628
Balance as at December 31	**5,225**	**3,233**

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

As part of its operations, until 1991, the Bank financed and constructed residential accommodation 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 on housing warranties.

Movements in the allowance for off-balance sheet commitments and contingent liabilities can be summarized as follows:

(in HUF mn)	2001	2000
Balance as at January 1	3,233	3,123
Provision for possible off-balance sheet commitments and contingent liabilities	2,145	460
Write-off	–153	–350
Balance as at December 31	**5,225**	**3,233**

Movements in insurance reserves can be summarized as follows:

(in HUF mn)	2001	2000
Balance as at January 1	39,791	23,702
Net increase in insurance reserves	12,437	16,089
Balance as at December 31	**52,228**	**39,791**

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 semi-annual 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 is unsecured and 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.

NOTE 16: **SHARE CAPITAL**

(in HUF mn)	2001	2000
Authorized, issued and fully paid:		
Common shares of HUF one thousand each	28,000	26,850
Preference shares of HUF one thousand each	–	1,150
	28,000	**28,000**

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.).

The Annual General Meeting on April 25, 2001 approved the conversion of 1,150 thousand pieces of preference shares issued by Bank to registered common shares.

NOTE 17: **RETAINED EARNINGS AND RESERVES**

	2001	2000
		(in HUF mn)
Balance as at January 1	123,504	89,651
Net income	48,953	38,753
Profit on sale of treasury shares	72	70
Opening adjustment due to adoption of IAS No 39	248	–
Dividends	–7,050	–5,044
Foreign currency translation (loss)/gain	–84	74
Balance as at December 31	**165,643**	**123,504**

The Bank's unconsolidated reserves under Hungarian Accounting Standards were HUF 130,515 million and HUF 99,501 million at December 31, 2001 and 2000, respectively. Of these amounts, legal reserves represent HUF 29,450 million and HUF 25,610 million, respectively. The legal reserves are 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 year ended December 31, 2001 represent the dividends to be proposed to the Bank's shareholders by management of the Bank at the forthcoming Annual General Meeting in 2002.

NOTE 18: **TREASURY SHARES**

	2001	2000
		(in HUF mn)
Nominal value (Common Shares)	2,217	1,568
Carrying value	26,357	18,856

NOTE 19: **OTHER EXPENSES**

	2001	2000
		(in HUF mn)
Lower of cost and market adjustment	–	–29
(Credit)/provision for permanent diminution in value of investments	–1,340	1,266
Provision for possible losses on other assets	–353	2,081
Provision for off-balance sheet commitments and contingent liabilities	2,145	460
Administration expenses, including rent	18,009	17,219
Advertising	2,972	2,931
Taxes, other than income taxes	7,905	6,673
Services	13,234	11,911
Insurance claims paid	19,767	13,377
Net increase in insurance reserves	12,437	16,089
Professional fees	1,878	2,034
Other	3,670	2,895
	80,324	**76,907**

NOTE 20: **INCOME TAXES**

The Group is presently liable for income tax at rates from 18% to 30% of taxable income. The 18% rate relates to the Bank and its subsidiaries incorporated in Hungary. The 30% rate relates to the Bank's United Kingdom subsidiary.

A reconciliation of the income tax charges is as follows:

	2001	*(in HUF mn)* 2000
Current tax	11,088	9,139
Deferred tax	464	– 148
	11,552	**8,991**

A reconciliation of the deferred tax liability is as follows:

	2001	*(in HUF mn)* 2000
Balance as at January 1	– 99	– 247
Effects of adoption of IAS 39	– 54	–
Deferred tax (charge)/credit	–464	148
Balance as at December 31	**– 617**	**– 99**

A reconciliation of the income tax charge is as follows:

	2001	*(in HUF mn)* 2000
Income before income taxes	60,505	47,744
Permanent timing differences	3,511	2,005
Adjusted income before income taxes	64,016	49,749
Income taxes	**11,552**	**8,991**

NOTE 21: **OFF-BALANCE SHEET COMMITMENTS, CONTINGENT LIABILITIES AND FINANCIAL INSTRUMENTS**

	2001	*(in HUF mn)* 2000
Commitments:		
Forward purchase commitments, foreign exchange	191,139	55,428
Forward purchase commitments, securities	4	114
Repurchase agreements	–	15
Forward purchase commitments, BUX-index	–	14
	191,143	*55,571*
Contingent liabilities:		
Commitments to extend credit	255,554	147,834
Guarantees arising from banking activities	36,606	15,477
Confirmed letters of credit	3,799	988
Options	19,309	14,064
Local tax contingency	542	542
Others	21	–
	315,831	*178,905*
Total	**506,974**	**234,476**

In the normal course of business, the Bank enters into financial instrument transactions to hedge its liquidity, interest and foreign currency risks. The Bank operates a system of market risk and counterparty limits that are designed to restrict exposure to movements in market prices and counterparty concentrations. The Bank also monitors adherence to all limits on a daily basis.

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 and contingent liabilities, see Note 14.

NOTE 22: **CASH AND CASH EQUIVALENTS**

(in HUF mn)

	2001	2000
Cash, due from banks and balances with the National Bank of Hungary	381,773	497,493
Compulsory reserve established by the National Bank of Hungary	–110,269	–188,224
	271,504	**309,269**

NOTE 23: **MAJOR SUBSIDIARIES**

	Ownership (Direct and Indirect) 2001	2000	Activity
OTP-Garancia Insurance Ltd.	100%	100%	insurance
OTP Real Estate	100%	100%	real estate management and development
OTP Securities	100%	100%	brokerage
HIF Ltd.	100%	100%	forfeiting
Merkantil Bank	100%	100%	financing car purchases
Merkantil Car	100%	100%	financing car purchases, leasing
OTP LTP	100%	100%	financing flat purchase and reconstruction
Bank Center No. 1.	100%	100%	letting real estates
OTP Faktoring	100%	100%	work-out
Inga Companies	100%	100%	property management
OTP Fund Management	100%	100%	fund management
OTP Funds Servicing and Consulting	100%	–	fund services
OTP Mortgage Bank Company	100%	–	mortgage loaning

Except for HIF Ltd., all consolidated subsidiaries, including those listed above, as at December 31, 2001 and 2000 are incorporated in Hungary. HIF Ltd. is a company incorporated in the United Kingdom.

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 consolidated Balance Sheet. The total amount of such loans managed by the Bank as a trustee amount to HUF 42,843 million and HUF 42,955 million as at December 31, 2001 and 2000, respectively.

NOTE 25: **CONCENTRATION OF ASSETS AND LIABILITIES**

Approximately 40% and 47% of the Group's total assets consisted of receivables from, or securities issued by, the Hungarian Government or the National Bank of Hungary as at December 31, 2001 and 2000, respectively. There were no other significant concentrations of the Group's assets or liabilities as at December 31, 2001 and 2000.

NOTE 26: **NET FOREIGN CURRENCY POSITION AND FOREIGN CURRENCY RISK**

As at December 31, 2001

(in HUF mn)

	USD	EUR	Others	Total
Assets	224,364	184,433	37,408	446,205
Liabilities	–162,152	–192,487	–36,713	–391,352
Off-balance sheet assets and liabilities, net	–61,387	–10,493	1,973	–69,907
Net position	**825**	**–18,547**	**2,668**	**–15,054**

As at December 31, 2000

(in HUF mn)

	USD	EUR	Others	Total
Assets	155,527	179,168	46,710	381,405
Liabilities	–167,392	–186,790	–47,695	–401,877
Off-balance sheet assets and liabilities, net	12,821	–2,821	2,066	12,066
Net position	**956**	**–10,443**	**1,081**	**–8,406**

The table above provides an analysis of the Group‘s main currency exposures. The remaining currencies are shown within ‘Others’. The Bank monitors its foreign exchange position for compliance with the regulatory requirements of the National Bank of Hungary and own limit system established in respect of limits on open positions. The measuring of the Bank’s open foreign currency position involves monitoring the ‘value at risk’ limit on the foreign exchange exposure of the Bank.

NOTE 27: **MATURITY ANALYSIS OF ASSETS AND LIABILITIES AND LIQUIDITY RISK**

Liquidity risk is a measure of the extent to which the Group may be required to raise funds to meet its commitments associated with financial instruments. The Group maintains its liquidity profiles in accordance with regulations laid down by the National Bank of Hungary. The following tables provide an analysis of assets, liabilities and shareholders’ equity into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. It is presented under the most prudent consideration of maturity dates where options or repayment schedules allow for early repayment possibilities.

As at December 31, 2001

(in HUF mn)

	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Total
Cash, due from banks and balances with the National Bank of Hungary	378,826	1,216	1,480	251	381,773
Placements with other banks, net of allowance for possible placement losses	139,904	174,145	17,499	540	332,088
Securities held for trading and available-for-sale	61,909	49,783	92,050	24,821	228,563
Loans, net of allowance for possible loan losses	91,999	206,633	305,914	166,788	771,334

(folytatás az előző oldalról)	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	*(in HUF mn)* Total
Accrued interest receivable	22,989	6,244	386	178	29,797
Equity investments	–	–	–	2,816	2,816
Debt securities held-to-maturity	42,801	55,154	225,674	77,974	401,603
Premises, equipment and intangible assets, net	695	569	25,341	46,729	73,334
Other assets	21,686	17,351	27,847	1,453	68,337
TOTAL ASSETS	**760,809**	**511,095**	**696,191**	**321,550**	**2,289,645**
Due to banks and deposits from the National Bank of Hungary and other banks	5,396	11,563	17,563	2,430	36,952
Deposits from customers	1,505,280	354,921	30,025	1,286	1,891,512
Liabilities from issued securities	1,242	4,446	34,386	–	40,074
Accrued interest payable	5,216	4,809	2,601	–	12,626
Other liabilities	53,054	17,289	16,818	36,741	123,902
Subordinated bonds and loans	–	–	12,293	5,000	17,293
TOTAL LIABILITIES	**1,570,188**	**393,028**	**113,686**	**45,457**	**2,122,359**
Share capital	–	–	–	28,000	28,000
Retained earnings and reserves	–	–	–	165,643	165,643
Treasury shares	–	–26,357	–	–	–26,357
TOTAL SHAREHOLDERS' EQUITY	–	–26,357	–	193,643	167,286
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1,570,188**	**366,671**	**113,686**	**239,100**	**2,289,645**
LIQUIDITY (DEFICIENCY)/EXCESS	**–809,379**	**144,424**	**582,505**	**82,450**	**–**

Deposits from Customers represent 89.1% of Total Liabilities.

December 31, 2000

	Short-term (within one year)	Long-term (over one year)	*(in HUF mn)* Total
Cash, Due from Banks and Balances with the National Bank of Hungary	493,160	4,333	497,493
Placements with Other Banks, Net of Allowance for Possible Placement Losses	198,473	17,881	216,354
Held for Trading and Available-for-sale Financial Assets	80,395	89,113	169,508
Loans, Net of Allowance for Possible Loan Losses	278,113	372,789	650,902
Accrued Interest Receivable	28,480	–	28,480
Equity Investments	–	2,548	2,548
Held-to-maturity Investments	84,907	278,054	362,961
Premises, Equipment and Intangible Assets, Net	–	70,097	70,097
Other assets	54,813	–	54,813
TOTAL ASSETS	**1,218,341**	**834,815**	**2,053,156**
Due to Banks and Deposits from the National Bank of Hungary and Other Banks	31,716	20,229	51,945
Deposits from Customers	1,642,396	55,570	1,697,966
Liabilities from Issued Securities	5,548	24,897	30,445
Accrued Interest Payable	13,638	–	13,638
Other Liabilities	108,754	–	108,754

(continued from page 115)

(in HUF mn)	Short-term (within one year)	Long-term (over one year)	Total
Subordinated Bonds and Loans	–	17,760	17,760
TOTAL LIABILITIES	1,802,052	118,456	1,920,508
Share Capital	–	28,000	28,000
Retained Earnings and Reserves	–	123,504	123,504
Treasury Shares	– 18,856	–	– 18,856
TOTAL SHAREHOLDERS' EQUITY	– 18,856	151,504	132,648
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1,783,196**	**269,960**	**2,053,156**
LIQUIDITY (DEFICIENCY)/EXCESS	**– 564,855**	**564,855**	**–**

Deposits from Customers represent 88.4% of Total Liabilities.

NOTE 28: **INTEREST RATE RISK MANAGEMENT**

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The length of time for which the rate of interest is fixed on a financial instrument, therefore, indicates to what extent it is exposed to interest rate risk.

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.

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.

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.

	2001	2000
Consolidated net income (in HUF mn)	48,953	38,753
Preference dividends (in HUF mn)	–	– 45
Consolidated net income for the year attributable to common shareholders (in HUF mn)	48,953	38,708
Weighted average number of common shares outstanding during the year (piece)	25,607,005	25,598,092
Consolidated earnings per share (in HUF)	**1,912**	**1,512**

NOTE 30: **POST BALANCE SHEET EVENTS**

During 2001, OTP Bank, has entered into a sale purchase agreement to aquire 92.6% interest in the Investi_na a rozvojová banka (IRB) a credit bank in Slovakia which is expected to close in the second quarter of 2002. The cost of the transaction will be SKK 700 million. After finishing the transaction the OTP Bank's investment in the IRB will have risen to 95.7%.

According to unaudited financial statements prepared in accordance with Slovak Accounting Standards, IRB had total assets of approximately SKK 24 billion as at December 31, 2001.