

**NATIONAL SAVINGS AND  
COMMERCIAL BANK LTD.**

**CONSOLIDATED FINANCIAL STATEMENTS  
FOR SIX MONTHS PERIOD ENDED  
JUNE 30, 2000**

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR SIX MONTHS PERIOD ENDED JUNE 30, 2000**

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**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.**  
**CONSOLIDATED BALANCE SHEET**  
**AS AT JUNE 30, 2000**  
(in HUF mn)

	<i>June 30, 2000</i>	<i>December 31, 1999</i>
Cash, Due from Banks and Balances with the National Bank of Hungary	554,636	567,759
Placements with Other Banks, Net of Allowance for possible placement losses	209,192	258,594
Trading Securities	214,823	200,323
Loans, Net of Allowance for Possible Loan Losses	559,398	522,959
Accrued Interest Receivable	25,294	23,809
Investments	5,879	5,413
Investments in Debt Securities	213,378	167,307
Premises, Equipment and Intangible Assets, Net	68,799	68,002
Other Assets	<u>77,559</u>	<u>52,044</u>
<b>TOTAL ASSETS</b>	<b><u>1,928,958</u></b>	<b><u>1,866,210</u></b>
Due to Banks and Deposits from the National Bank of Hungary and Other Banks	52,284	61,636
Deposits from Customers	1,546,668	1,547,425
Liabilities from Issued Securities	26,553	17,400
Accrued Interest Payable	30,658	16,982
Other Liabilities	118,136	88,482
Subordinated Bonds and Loans	<u>17,281</u>	<u>16,634</u>
<b>TOTAL LIABILITIES</b>	<b><u>1,791,580</u></b>	<b><u>1,748,559</u></b>
<b>MINORITY INTEREST</b>	<u>          --</u>	<u>          --</u>
Share Capital	28,000	28,000
Retained Earnings and Reserves	<u>109,378</u>	<u>89,651</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b><u>137,378</u></b>	<b><u>117,651</u></b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b><u>1,928,958</u></b>	<b><u>1,866,210</u></b>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.**  
**CONSOLIDATED STATEMENT OF OPERATIONS**  
**FOR SIX MONTHS PERIOD ENDED JUNE 30, 2000**  
(in HUF mn)

	<i>Six months period ended June 30, 2000</i>	<i>Year ended December 31, 1999</i>
Interest Income:		
Loans	42,930	91,137
Placements with Other Banks	7,431	21,658
Due from Banks and Balances with the National Bank of Hungary	27,727	46,289
Trading Securities	5,944	17,680
Investments in Debt Securities	<u>16,611</u>	<u>41,625</u>
<i>Total Interest Income</i>	<u>100,643</u>	<u>218,389</u>
Interest Expense:		
Due to Banks and Deposits from the National Bank of Hungary and Other Banks	2,574	6,925
Deposits from Customers	48,735	115,267
Liabilities from Issued Securities	2,307	4,021
Subordinated Bonds and Loans	782	1,456
Other	<u>9</u>	<u>37</u>
<i>Total Interest Expense</i>	<u>54,407</u>	<u>127,706</u>
<b>NET INTEREST INCOME</b>	<b>46,236</b>	<b>90,683</b>
Provision for Possible Loan Losses	2,213	9,287
Provision for Possible Placement Losses	<u>8</u>	<u>263</u>
<b>NET INTEREST INCOME AFTER PROVISION FOR POSSIBLE LOAN AND PLACEMENT LOSSES</b>	<b>44,015</b>	<b>81,133</b>
Non-Interest Income:		
Fees and Commissions	18,864	33,712
Foreign Exchange Gains and Losses, Net	832	2,305
Gains and Losses on Securities, Net	2,846	2,197
Gains and Losses on Real Estate Transactions, Net	631	2,345
Dividend Income	424	431
Insurance Premiums	18,373	24,623
Other	<u>1,443</u>	<u>11,576</u>
<i>Total Non-Interest Income</i>	<u>43,413</u>	<u>77,189</u>
Non-Interest Expenses:		
Fees and Commissions	3,600	8,228
Personnel Expenses	15,058	30,605
Depreciation and Amortization	6,477	10,810
Other	<u>38,480</u>	<u>69,974</u>
<i>Total Non-Interest Expense</i>	<u>63,615</u>	<u>119,617</u>
<b>INCOME BEFORE INCOME TAXES AND MINORITY INTEREST</b>	<b>23,813</b>	<b>38,705</b>
Income Taxes	<u>(4,088)</u>	<u>(8,000)</u>
<b>INCOME AFTER INCOME TAXES AND BEFORE MINORITY INTEREST</b>	<b>19,725</b>	<b>30,705</b>
Minority Interest	<u>--</u>	<u>--</u>
<b>NET INCOME</b>	<b><u>19,725</u></b>	<b><u>30,705</u></b>
<b>Consolidated Earnings Per Share (in HUF)</b>	<b><u>757</u></b>	<b><u>1,169</u></b>

The accompanying notes to consolidated financial statements on pages 6 to 25 form an integral part of these consolidated financial statements.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR SIX MONTHS PERIOD ENDED JUNE 30, 2000**  
(in HUF mn)

	<i>Six months period ended June 30, 2000</i>	<i>Year ended December 31, 1999</i>
<b>OPERATING ACTIVITIES</b>		
<b>Net Income</b>	<b>19,725</b>	<b>30,705</b>
<i>Adjustments to reconcile Net Income</i>		
<i>To net cash provided by operating activities</i>		
Depreciation and Amortization	6,477	10,810
Provision for Possible Loan Losses	2,213	9,287
Provision for Possible Placement Losses	8	263
Lower of Cost and Market Adjustment on Trading Securities	(79)	(110)
(Credit)/Provision for Permanent Diminution in Value of Investments	(51)	2,857
Provision for Possible Losses on Other Assets	2,219	591
Provision for Possible Losses on Off-Balance Sheet Commitments, Contingent Liabilities and Financial Instruments, Net	298	1,121
Net Income from Accounting for Associates Under the Equity Method of Accounting	96	37
Net Increase in Insurance Reserves	9,325	11,633
Effect of Deferred Taxes	(167)	607
Gain from Sale of Subsidiaries	--	444
<i>Changes in operating assets and liabilities</i>		
Net (Increase)/Decrease in Accrued Interest Receivable	(1,485)	12,321
Net Increase in Other Assets, Excluding Advances for Investments and Before Allowance for Possible Losses	(27,797)	(11,691)
Net Increase/(Decrease) in Accrued Interest Payable	13,676	(3,412)
Net Increase in Other Liabilities, Before Provision for Possible Losses on Off-Balance Sheet Commitments, Contingent Liabilities and Financial Instruments and Increase in Insurance Reserves	<u>23,189</u>	<u>7,714</u>
<b>Net Cash Provided by Operating Activities</b>	<b><u>47,647</u></b>	<b><u>73,177</u></b>
<b>INVESTING ACTIVITIES</b>		
Net Decrease/(Increase) in Placements with Other Banks, Before Provision for Possible Placement Losses	49,394	(29,080)
Net (Increase)/Decrease in Trading Securities, Before Lower of Cost and Market Adjustment	(14,421)	44,450
Net Cash (Used in)/Provided by Sale and Purchase of Investments	(511)	(4,879)
Net (Increase)/Decrease in Investments in Debt Securities	(46,071)	92,727
Net Decrease/(Increase) in Advances for Investments, included in Other Assets	230	(1,507)
Net Increase in Loans, Before Allowance for Possible Loan Losses	(38,652)	(69,831)
Net Additions to Premises, Equipment and Intangible Assets	<u>(7,302)</u>	<u>(10,427)</u>
<b>Net Cash Provided by/(Used in) Investing Activities</b>	<b><u>(57,333)</u></b>	<b><u>21,453</u></b>
<b>FINANCING ACTIVITIES</b>		
Net (Decrease)/Increase in Due to Banks and Deposits from the National Bank of Hungary and Other Banks	(9,352)	4,435
Net (Decrease)/Increase in Deposits from Customers	(757)	123,252
Net Increase/(Decrease) in Liabilities from Issued Securities	9,153	(8,326)
Net Increase in Subordinated Bonds and Loans	647	995
Gain/(Loss) on Sale of Own Shares	62	(187)
Translation Gain	9	181
Net Increase in Compulsory Reserves at National Bank of Hungary	(12,396)	(15,062)
Dividends Paid	<u>(3,199)</u>	<u>(4,456)</u>
<b>Net Cash Provided by Financing Activities</b>	<b><u>(15,833)</u></b>	<b><u>100,832</u></b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>(25,519)</b>	<b>195,462</b>
Cash and Cash Equivalents at the Beginning of the Six months period	<u>383,248</u>	<u>187,786</u>
<b>Cash and Cash Equivalents at the End of the Six months period</b>	<b><u>357,729</u></b>	<b><u>383,248</u></b>

The accompanying notes to consolidated financial statements on pages 6 to 25 form an integral part of these consolidated financial statements.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.  
CONSOLIDATED STATEMENT OF CHANGES IN  
SHAREHOLDERS' EQUITY  
FOR SIX MONTHS PERIOD ENDED JUNE 30, 2000  
(in HUF mn)**

	<u>Share Capital</u>	<u>Retained Earnings and Reserves</u>	<u>Total</u>
<b>Balance as at January 1, 1999</b>	<b>28,000</b>	<b>63,910</b>	<b>91,910</b>
Income After Income Taxes and Before Minority Interest	--	30,705	30,705
Loss on Sale of Own Shares	--	(187)	(187)
Dividends Declared on Common Shares	--	(4,751)	(4,751)
Dividends Declared on Preference Shares	--	(207)	(207)
Translation Gain	--	181	181
<b>Balance as at December 31, 1999</b>	<b><u>28,000</u></b>	<b><u>89,651</u></b>	<b><u>117,651</u></b>
Income After Income Taxes and Before Minority Interest	--	19,725	19,725
Loss on Sale of Own Shares	--	62	62
Dividends Declared on Preference Shares	--	(69)	(69)
Translation Gain	--	9	9
<b>Balance as at June 30, 2000</b>	<b><u>28,000</u></b>	<b><u>109,378</u></b>	<b><u>137,378</u></b>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR SIX MONTHS PERIOD ENDED JUNE 30, 2000**

**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 its 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 Board of Directors of the Bank and one member to the Supervisory Board of the Bank. After the second public offering in November 1997, as at December 31, 1998 approximately 77% of the Bank's shares were owned by domestic and foreign private and institutional investors and approximately 14% were held by the Hungarian State. The remaining shares were owned by employees (7%) or represented as own shares (2%), respectively.

In fall 1999, the State Privatisation and Holding Company sold the remaining common shares. After the third public offering in October 1999, as at December 31, 1999 approximately 93% of the Bank's shares were held by domestic and foreign private and institutional investors. The remaining shares are owned by employees (5%) or represented as own shares (2%), respectively.

On the 30(th) of June, 2000 approximately 92% of the Bank's shares were held by domestic and foreign private and institutional inventors. The remaining shares are owned by employees (5%) and the Bank (3%), respectively.

The Bank has a nationwide network of 441 branches. The Bank and its subsidiaries (together the "Group") provide a full range of commercial banking, insurance, brokerage, real estate and leasing services.

**1.2. Accounting**

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.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR SIX MONTHS PERIOD ENDED JUNE 30, 2000**

**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.

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 24. 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 2.7.).

**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.     Trading Securities**

Trading securities consist of discounted and interest bearing Treasury bills, Hungarian Government and Social Security bonds, bonds issued by National Bank of Hungary and commercial companies, own shares and other securities. Other securities include shares in commercial companies, shares in investment funds and bonds issued by Hungarian municipalities. Own shares included in trading securities are purchased on the stock exchange and the over-the-counter market by the Bank.



**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR SIX MONTHS PERIOD ENDED JUNE 30, 2000**

**NOTE 2:**      **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.5.      Trading Securities (continued)**

Interest bearing and other trading securities are included in the consolidated financial statements at the lower of acquisition cost and market value as determined on an aggregate portfolio basis. Discounted Treasury bills are included in the consolidated financial statements at cost, as adjusted for the amortization of discounts on such securities, which is recognized as income on a straight-line basis during the period from acquisition to maturity and included in accrued interest receivable. Own shares are recorded at acquisition cost.

Gains and losses on the sale of trading securities are determined on the basis of the specific identification of the cost of each security. Gains and losses on the sale of own shares are credited or charged directly to retained earnings and reserves.

**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 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 a level 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.      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 it is either intended that the shares shall be disposed of in the near future or the effect of using the equity method to account for such companies is immaterial to the consolidated financial statements as a whole.

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 investments are determined on the basis of the specific identification of the cost of each investment.

**2.8.      Investments in Debt Securities**

Debt securities held for investment purposes are those securities which the Group has the ability and intent to hold to maturity. Such securities comprise mainly securities issued by the Hungarian Government. Debt securities are stated at cost, adjusted for the amortization of premiums or discounts over the period from acquisition to maturity on a straight-line basis. Gains and losses on the sale of debt securities are determined based on the specific identification of the adjusted cost of each security.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR SIX MONTHS PERIOD ENDED JUNE 30, 2000**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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	15-30%
Leased assets	16.7-33.3%
Goodwill	20%
Software	14.5-33.3%
Property rights	16.7%

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

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

**2.10. Properties Held for Resale**

Properties held for resale are accounted for at historical cost less allowance for permanent diminution in value as long-term investments and are included in other assets.

**2.11. 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. The method of provisioning for life insurance type policies is described in the policy documentation submitted to the Hungarian Insurance Supervisory Authority for each new product. This provision takes into account mortality factors within Hungary and is based upon mortality tables approved by the Hungarian Insurance Supervisory Authority.

**2.12. 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, based on tax rates that have been enacted at the date of the unconsolidated balance sheet.

**2.13. Off-Balance Sheet Commitments, Contingent Liabilities and Financial Instruments**

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

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR SIX MONTHS PERIOD ENDED JUNE 30, 2000**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**2.13. Off-Balance Sheet Commitments, Contingent Liabilities and Financial Instruments (continued)**

The allowance for possible losses on commitments, contingent liabilities and financial instruments 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.

Changes in the value of off-balance sheet financial instruments used to manage foreign currency exposure are recognized using the same principle as that applied to the recognition of income or expense on the underlying hedged asset or liability. Forward differences on foreign exchange financial instruments designated as hedging are accrued on a straight-line basis over the terms of the underlying contracts.

**2.14. 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 reserves 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. 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.

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

	<i>June 30, 2000</i>	<i>December 31, 1999</i>
Cash on hand:		
In HUF	25,893	49,792
In foreign currency	<u>3,864</u>	<u>3,988</u>
	<u>29,757</u>	<u>53,780</u>
Due from banks and balances with the National Bank of Hungary:		
Short-term:		
In HUF	477,908	476,157
In foreign currency	<u>37,375</u>	<u>29,948</u>
	<u>515,283</u>	<u>506,105</u>
Long-term:		
In foreign currency	<u>9,596</u>	<u>7,874</u>
	<b><u>554,636</u></b>	<b><u>567,759</u></b>

Based on the requirements for compulsory reserves set by the National Bank of Hungary, the balance of compulsory reserves maintained by the Group amounted to HUF 196,907 million and HUF 184,511 million as at June 30, 2000 and year ended December 31, 1999, respectively.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR SIX MONTHS PERIOD ENDED JUNE 30, 2000**

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

	<i>June 30, 2000</i>	<i>December 31, 1999</i>
Short-term:		
In HUF	47,470	77,549
In foreign currency	<u>153,381</u>	<u>173,945</u>
	<u>200,851</u>	<u>251,494</u>
Long-term:		
In foreign currency	<u>8,588</u>	<u>7,339</u>
	<u>209,439</u>	<u>258,833</u>
Allowance for possible placement losses	<u>(247)</u>	<u>(239)</u>
	<u>209,192</u>	<u>258,594</u>

Placements with other banks in foreign currency as at June 30, 2000 and year ended December 31, 1999, bear interest rates in the range from 0.2% to 9.2% and from 1.5% to 8.2%, respectively.

Placements with other banks in HUF as at June 30, 2000 and year ended December 31, 1999, bear interest rates in the range from 9.1% to 14.4% and from 12.3% to 16.2%, respectively.

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

	<i>June 30, 2000</i>	<i>December 31, 1999</i>
Balance as at January 1	239	1,738
Provision for possible placement losses	8	263
Write-offs	<u>--</u>	<u>(1,762)</u>
Balance as at the end of period	<u>247</u>	<u>239</u>

**NOTE 5: TRADING SECURITIES (in HUF mn)**

	<i>June 30, 2000</i>	<i>December 31, 1999</i>
Hungarian Government discounted Treasury bills	74,981	73,631
Hungarian Government interest bearing Treasury bills	1,349	1,601
Hungarian Government bonds and Social Security bonds	117,782	115,669
Bonds issued by National Bank of Hungary	2,684	--
Bonds issued by Hungarian commercial companies	51	50
Own shares	12,558	5,158
Other securities	<u>5,418</u>	<u>4,293</u>
	214,823	200,402
Lower of cost and market value adjustment	<u>--</u>	<u>(79)</u>
	<u>214,823</u>	<u>200,323</u>

Trading securities are primarily denominated in HUF. Interest rates on trading securities are ranged from 4.3% to 16.3% and from 4% to 18.5% as at June 30, 2000 and year ended December 31, 1999, respectively.

Own shares represent HUF 1,272 million and HUF 772 million face value as at June 30, 2000 and year ended December 31, 1999, respectively.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR SIX MONTHS PERIOD ENDED JUNE 30, 2000**

**NOTE 5: TRADING SECURITIES (in HUF mn) [continued]**

An analysis of the lower of cost and market value adjustment is as follows:

	<i>June 30, 2000</i>	<i>December 31, 1999</i>
Balance as at January 1	79	189
Lower of cost and market adjustment	(79)	(110)
Balance as at the end of period	<u>--</u>	<u>79</u>

**NOTE 6: LOANS, NET OF ALLOWANCE FOR POSSIBLE LOAN LOSSES (in HUF mn)**

	<i>June 30, 2000</i>	<i>December 31, 1999</i>
Short-term loans and trade bills (within one year)	248,193	249,384
Long-term loans and trade bills (over one year)	<u>358,512</u>	<u>318,887</u>
	606,705	568,271
Allowance for possible loan losses	<u>(47,307)</u>	<u>(45,312)</u>
	<u>559,398</u>	<u>522,959</u>

Foreign currency loans represent approximately 21% and 19% of the total loan portfolio, before allowance for possible losses, as at June 30, 2000 and year ended December 31, 1999, respectively.

Loans denominated in HUF, with a maturity within one year as at June 30, 2000 and year ended December 31, 1999, bear interest rates in the range from 13.8% to 29% and from 16.8% to 29%, respectively.

Loans denominated in HUF, with a maturity over one year as at June 30, 2000 and year ended December 31, 1999, bear interest rates in the range from 7% to 24.3% and from 7% to 25.5%, respectively.

Approximately 12% and 13% of the gross loan portfolio represented loans on which interest is not being accrued as at June 30, 2000 and year ended December 31, 1999, respectively.

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

	<i>June 30, 2000</i>		<i>December 31, 1999</i>	
Commercial loans	365,228	60%	339,913	60%
Municipality loans	49,558	8%	45,713	8%
Housing loans	93,614	15%	95,925	17%
Consumer loans	<u>98,305</u>	<u>16%</u>	<u>86,720</u>	<u>15%</u>
	<u>606,705</u>	<u>100%</u>	<u>568,271</u>	<u>100%</u>

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**NOTE 6:        LOANS, NET OF ALLOWANCE FOR POSSIBLE LOAN LOSSES (in HUF mn)  
[continued]**

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

	<i>June 30, 2000</i>	<i>December 31, 1999</i>
Balance as at January 1	45,312	37,017
Provision for possible loan losses	2,213	9,287
Write-offs	<u>(218)</u>	<u>(992)</u>
Balance as at the end of period	<u>47,307</u>	<u>45,312</u>

**NOTE 7:        INVESTMENTS (in HUF mn)**

	<i>June 30, 2000</i>	<i>December 31, 1999</i>
Equity investments:		
Unconsolidated subsidiaries	327	158
Associated companies	4,608	4,823
Other	<u>4,052</u>	<u>3,591</u>
	8,987	8,572
Allowance for permanent diminution in value	<u>(3,108)</u>	<u>(3,159)</u>
	<u>5,879</u>	<u>5,413</u>
Total assets of unconsolidated subsidiaries	<u>6,645</u>	<u>4,502</u>

As at June 30, 2000 and year ended December 31, 1999, except as follows all investments are in companies incorporated in Hungary. As at June 30, 2000 and year ended December 31, 1999 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:

	<i>June 30, 2000</i>	<i>December 31, 1999</i>
Balance as at January 1	3,159	302
Provision for permanent diminution in value	<u>(51)</u>	<u>2,857</u>
Balance as at the end of period	<u>3,108</u>	<u>3,159</u>

**NOTE 8:        INVESTMENTS IN DEBT SECURITIES (in HUF mn)**

	<i>June 30, 2000</i>	<i>December 31, 1999</i>
Government securities	201,985	154,117
Other debt securities	<u>11,393</u>	<u>13,190</u>
	<u>213,378</u>	<u>167,307</u>

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**NOTE 8: INVESTMENTS IN DEBT SECURITIES (in HUF mn) [continued]**

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

	<i>June 30, 2000</i>	<i>December 31, 1999</i>
Within five years, variable interest	52,793	33,102
Within five years, fixed interest	<u>88,125</u>	<u>66,441</u>
	<u>140,918</u>	<u>99,543</u>
Over five years, variable interest	65,029	63,789
Over five years, fixed interest	<u>7,431</u>	<u>3,975</u>
	<u>72,460</u>	<u>67,764</u>
	<u>213,378</u>	<u>167,307</u>

Approximately 88% and 85% of the debt securities portfolio was denominated in HUF as at June 30, 2000 and year ended December 31, 1999, 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 9.3% to 16% and from 9.5% to 19.1% as at June 30, 2000 and year ended December 31, 1999, respectively. Interest on fixed rate and variable rate securities is, in most cases, paid semi-annually.

**NOTE 9: PREMISES, EQUIPMENT AND INTANGIBLE ASSETS, NET (in HUF mn)**

	<i>June 30, 2000</i>	<i>December 31, 1999</i>
Land and buildings	39,121	37,476
Machinery and equipment, vehicles, leased assets	49,517	44,061
Construction in progress	3,597	5,704
Goodwill	1,062	1,062
Intangible assets	<u>19,464</u>	<u>17,610</u>
	112,761	105,913
Accumulated depreciation and amortization	<u>(43,962)</u>	<u>(37,911)</u>
	<u>68,799</u>	<u>68,002</u>

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**NOTE 10: OTHER ASSETS (in HUF mn)**

	<i>June 30, 2000</i>	<i>December 31, 1999</i>
Receivables due from collection of Hungarian Government securities	324	316
Property held for sale	6,355	5,775
Due from Hungarian Government for interest subsidies	2,849	770
Trade receivables	3,606	4,470
Advances for securities and investments	524	764
Taxes recoverable	1,395	4,380
Inventories	1,469	1,337
Credits sold under deferred payment scheme	3,725	387
Subsidies paid on behalf of the Government	663	749
Receivables from leasing activities	18,338	12,400
Receivables due from investments sold	--	12,833
Receivables due from KELER	860	2,121
Receivables due from insurance bond holders	579	531
Receivables due from pension funds and fund management	10,025	14
Mixed asset account	8,228	2,378
Other	<u>22,898</u>	<u>4,879</u>
	81,838	54,104
Allowance for possible losses on other assets	<u>(4,279)</u>	<u>(2,060)</u>
	<u>77,559</u>	<u>52,044</u>

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

	<i>June 30, 2000</i>	<i>December 31, 1999</i>
Balance as at January 1	2,060	2,021
Provision for possible losses	2,219	591
Resulting from sale of consolidated subsidiary	<u>--</u>	<u>(552)</u>
Balance as at the end of period	<u>4,279</u>	<u>2,060</u>

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

	<i>June 30, 2000</i>	<i>December 31, 1999</i>
Within one year:		
In HUF	12,686	24,316
In foreign currency	<u>18,567</u>	<u>14,305</u>
	<u>31,253</u>	<u>38,621</u>
Over one year:		
In HUF	11,554	12,927
In foreign currency	<u>9,477</u>	<u>10,088</u>
	<u>21,031</u>	<u>23,015</u>
	<u>52,284</u>	<u>61,636</u>



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

Due to banks and deposits from the National Bank of Hungary and other banks payable in HUF within one year as at June 30, 2000 and year ended December 31, 1999, bear interest rates in the range from 10.8% to 11.3% and from 10.9% to 15.3%, respectively.

Due to banks and deposits from the National Bank of Hungary and other banks payable in HUF over one year as at June 30, 2000 and year ended December 31, 1999, bear interest rates in the range from 3% to 11% and from 3% to 15.5%, respectively.

Due to banks and deposits from the National Bank of Hungary and other banks payable in foreign currency within one year as at June 30, 2000 and year ended December 31, 1999, bear interest rates in the range from 0.1% to 7.8% and from 1.9% to 7.1%, respectively.

Due to banks and deposits from the National Bank of Hungary and other banks payable in foreign currency over one year as at June 30, 2000 and year ended December 31, 1999, bear interest rates in the range from 3.1% to 9.2% and from 1.2% to 9.2%, respectively.

**NOTE 12: DEPOSITS FROM CUSTOMERS (in HUF mn)**

	<i>June 30, 2000</i>	<i>December 31, 1999</i>
Within one year:		
In HUF	1,128,907	1,162,229
In foreign currency	<u>330,558</u>	<u>325,402</u>
	<u>1,459,465</u>	<u>1,487,631</u>
Over one year:		
In HUF	<u>87,203</u>	<u>59,794</u>
	<u>1,546,668</u>	<u>1,547,425</u>

Deposits from customers payable in HUF within one year as at June 30, 2000 and year ended December 31, 1999, bear interest rates in the range from 2% to 10.1% and from 3% to 13.7%, respectively.

Deposits from customers payable in HUF over one year as at June 30, 2000 and year ended December 31, 1999, bear interest rates in the range from 3% to 9.5% and from 3% to 11.8%, respectively.

Deposits from customers payable in foreign currency as at June 30, 2000 and year ended December 31, 1999, bear interest rates in the range from 0.1% to 4.8% and from 0.1% to 4.2%, respectively.

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

	<i>June 30, 2000</i>	<i>December 31, 1999</i>
With original maturity:		
Within one year	4,815	5,899
Over one year	<u>21,738</u>	<u>11,501</u>
	<u>26,553</u>	<u>17,400</u>

Liabilities from issued securities are denominated in HUF and as at June 30, 2000 and year ended December 31, 1999, bear interest at rates in the range from 4.8% to 11.9% and from 7% to 13.8%, respectively.

**NOTE 14: OTHER LIABILITIES (in HUF mn)**

	<i>June 30, 2000</i>	<i>December 31, 1999</i>
Deferred tax liabilities	80	247
Taxes payable	2,699	5,659
Giro clearing accounts	23,591	12,154
Accounts payable	1,820	5,203
Insurance reserves	33,027	23,702
Salaries and social security payable	3,356	3,957
Liability from security trading	6,943	4,557
Allowance for possible losses on off-balance sheet commitments, contingent liabilities and financial instruments	3,367	3,123
Dividends payable	2,194	5,324
Liabilities from leasing activities	4,779	6,069
Advances received from customers	1,820	844
Accrued expenses	7,138	6,218
Suspense and Giro clearing accounts	19,623	4,506
Other	<u>7,699</u>	<u>6,919</u>
	<u>118,136</u>	<u>88,482</u>

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

	<i>June 30, 2000</i>	<i>December 31, 1999</i>
Allowance for litigation	931	1,042
Allowance for possible losses on off-balance sheet commitments, contingent liabilities and financial instruments	1,514	1,116
Allowance for housing warranties	<u>922</u>	<u>965</u>
Balance as at the end of period	<u>3,367</u>	<u>3,123</u>

The allowance for possible losses on off-balance sheet commitments, contingent liabilities and financial instruments 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

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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.

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**NOTE 14: OTHER LIABILITIES (in HUF mn) [continued]**

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

	<i>June 30, 2000</i>	<i>December 31, 1999</i>
Balance as at January 1	3,123	2,702
Provision for possible off-balance sheet commitments, contingent liabilities and financial instruments	298	1,121
Write-off of allowance for future redundancies and housing warranties	<u>(54)</u>	<u>(700)</u>
Balance as at the end of period	<u>3,367</u>	<u>3,123</u>

Movements in insurance reserves can be summarized as follows:

	<i>June 30, 2000</i>	<i>December 31, 1999</i>
Balance as at January 1	23,702	12,069
Net increase in insurance reserves	<u>9,325</u>	<u>11,633</u>
Balance as at the end of period	<u>33,027</u>	<u>23,702</u>

**NOTE 15: MINORITY INTEREST (in HUF mn)**

Movements on minority interest can be summarized as follows:

	<i>June 30, 2000</i>	<i>December 31, 1999</i>
Balance as at January 1	--	380
Minority shareholders' share of income after income taxes	--	--
Purchase of minority interest	--	--
Disposal	<u>--</u>	<u>(380)</u>
Balance as at the end of period	<u>--</u>	<u>--</u>

**NOTE 16: SUBORDINATED BONDS AND LOANS**

In 1993, the Bank issued HUF 5 billion bonds, which are subordinated to the other liabilities of the Bank, 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 annual interest payable was 14.06% as at June 20, 2000 and will be 11.34% as at December 20, 2000, respectively. The original maturity was 20 years. The proceeds of the bonds were invested in Hungarian Government bonds with similar interest conditions and maturity.

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

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**NOTE 17:      SHARE CAPITAL (in HUF mn)**

	<i>June 30, 2000</i>	<i>December 31, 1999</i>
Authorized, issued and fully paid:		
Common shares of HUF one thousand each	26,850	26,850
Preference shares of HUF one thousand each	<u>1,150</u>	<u>1,150</u>
	<u>28,000</u>	<u>28,000</u>

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

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 Bank reacquires its own shares for various purposes (see Note 5).

**NOTE 18:      RETAINED EARNINGS AND RESERVES (in HUF mn)**

	<i>June 30, 2000</i>	<i>December 31, 1999</i>
Balance as at January 1	89,651	63,910
Income after income taxes and before minority interest	19,725	30,705
Loss on sale of own shares	62	(187)
Dividends	(69)	(4,958)
Translation gain	<u>9</u>	<u>181</u>
Balance as at the end of period	<u>109,378</u>	<u>89,651</u>

The Bank's unconsolidated reserves under Hungarian Accounting Standards were HUF 85,658 million and HUF 72,653 million at June 30, 2000 and year ended December 31, 1999, respectively. Of these amounts, legal reserves represent HUF 23,932 million and HUF 22,362 million, respectively. The legal reserves are not available for distribution.

Dividends for the year ended December 31, 1999 represent the dividends declared by the Bank's shareholders for both preference and common shares at the Annual General Meeting in 2000.

Dividends for six months period ended June 30, 2000 represent the pro-rata portion of the 12% dividend for preference shares.

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**NOTE 19: OTHER EXPENSES (in HUF mn)**

	<i>June 30, 2000</i>	<i>December 31, 1999</i>
Lower of cost and market value adjustment on trading securities	(79)	(110)
(Credit)/Provision for permanent diminution in value of investments	(51)	2,857
Provision for possible losses on other assets	2,219	591
Provision for off-balance sheet commitments, contingent liabilities and financial instruments	298	1,121
Administration expenses, including rent	8,541	17,362
Advertising	1,003	2,900
Taxes, other than income taxes	3,954	9,054
Services	5,590	11,919
Insurance claims paid	5,455	9,002
Net increase in insurance reserves	9,325	11,633
Professional fees	1,001	2,033
Other	<u>1,224</u>	<u>1,612</u>
	<u>38,480</u>	<u>69,974</u>

**NOTE 20: INCOME TAXES (in HUF mn)**

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:

	<i>June 30, 2000</i>	<i>December 31, 1999</i>
Current tax	4,255	7,393
Deferred tax	<u>(167)</u>	<u>607</u>
	<u>4,088</u>	<u>8,000</u>

A reconciliation of the deferred tax (liability)/asset is as follows:

	<i>June 30, 2000</i>	<i>December 31, 1999</i>
Balance as at January 1	(247)	360
Deferred tax income/(charge)	<u>167</u>	<u>(607)</u>
Balance as at the end of period	<u>(80)</u>	<u>(247)</u>

A reconciliation of the income tax charge is as follows:

	<i>June 30, 2000</i>	<i>December 31, 1999</i>
Income before income taxes	23,813	38,705
Permanent timing differences	<u>(1,183)</u>	<u>5,596</u>
Adjusted income before income taxes	<u>22,630</u>	<u>44,301</u>
Income taxes	<u>4,088</u>	<u>8,000</u>

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**NOTE 21: ACQUISITION AND DISPOSAL OF SUBSIDIARIES**

The subsidiary sold in 1999 had HUF 252 million of proceeds less than cash held. This differences are included in net cash provided by purchase and sale of investments in the consolidated Statement of Cash Flows.

**NOTE 22: OFF-BALANCE SHEET COMMITMENTS, CONTINGENT LIABILITIES AND FINANCIAL INSTRUMENTS (in HUF mn)**

	<i>June 30, 2000</i>	<i>December 31, 1999</i>
Commitments:		
Forward purchase commitments, foreign exchange	112,342	34,701
Forward purchase commitments, securities	10,602	77,937
Repurchase agreements	132	144
Forward purchase commitments, BUX-index	<u>34</u>	<u>150</u>
	<u>123,110</u>	<u>112,932</u>
Contingent liabilities:		
Commitments to extend credit	174,257	140,110
Guarantees arising from banking activities	18,784	15,144
Confirmed letters of credit	806	3,163
Options	14,454	11,051
Local tax contingency	542	542
Unreal pension transactions	<u>10,040</u>	<u>--</u>
	<u>218,883</u>	<u>170,010</u>
	<u>341,993</u>	<u>282,942</u>

The Bank employs derivative financial instruments primarily to hedge the foreign exchange exposure generated by the sale of foreign currency against HUF which are designed to benefit from the relatively high interest rates on HUF placements. These financial instruments are designed as hedges of underlying exposures identified as portions of the Bank's foreign currency assets and liabilities. Because of the correlation between these financial instruments and the underlying exposures being hedged, fluctuations in the value of the financial instruments are offset by the changes in the value of the underlying exposure.

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.

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

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**NOTE 23: CASH AND CASH EQUIVALENTS**

	<i>June 30, 2000</i>	<i>December 31, 1999</i>
Cash, due from banks and balances with the National Bank of Hungary	554,636	567,759
Compulsory reserve established by the National Bank of Hungary	<u>(196,907)</u>	<u>(184,511)</u>
	<u>357,729</u>	<u>383,248</u>

**NOTE 24: MAJOR SUBSIDIARIES**

<u>Name</u>	<u>Ownership (Direct and Indirect)</u>		<u>Activity</u>
	<i>June 30, 2000</i>	<i>December 31, 1999</i>	
OTP-Garancia Biztosító	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

Except for HIF Ltd., all consolidated subsidiaries, including those listed above, as at June 30, 2000 and December 31, 1999 are incorporated in Hungary. HIF Ltd. is a company incorporated in the United Kingdom.

OTP Fund Management was consolidated for the first time during the year ended December 31, 1999.

**NOTE 25: 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 41,924 million and HUF 42,361 million as at June 30, 2000 and year ended December 31, 1999, respectively.

**NOTE 26: CONCENTRATION OF ASSETS AND LIABILITIES**

Approximately 48% and 46% 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 June 30, 2000 and December 31, 1999, respectively. There were no other significant concentrations of the Group's assets or liabilities as at June 30, 2000 and year ended December 31, 1999, respectively.



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**NOTE 27: NET FOREIGN CURRENCY POSITION AND FOREIGN CURRENCY RISK  
(in HUF mn)**

As at June 30, 2000

	<u>USD</u>	<u>EUR</u>	<u>Others</u>	<u>Total</u>
Assets	156,349	171,708	49,069	377,126
Liabilities	(159,886)	(166,246)	(46,149)	(372,281)
Off-balance sheet assets and liabilities, net	<u>2,277</u>	<u>(17,298)</u>	<u>(1,537)</u>	<u>(16,558)</u>
<b>Net position</b>	<b><u>(1,260)</u></b>	<b><u>(11,836)</u></b>	<b><u>1,383</u></b>	<b><u>(11,713)</u></b>

As at December 31, 1999

	<u>USD</u>	<u>EUR</u>	<u>Others</u>	<u>Total</u>
Assets	144,056	172,838	48,226	365,120
Liabilities	(140,453)	(174,151)	(47,683)	(362,287)
Off-balance sheet assets and liabilities, net	<u>(2,351)</u>	<u>(1,731)</u>	<u>1,156</u>	<u>(2,926)</u>
<b>Net position</b>	<b><u>1,252</u></b>	<b><u>(3,044)</u></b>	<b><u>1,699</u></b>	<b><u>(93)</u></b>

EUR includes items denominated in EURO, DEM and ATS.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR SIX MONTHS PERIOD ENDED JUNE 30, 2000**

**NOTE 28: MATURITY ANALYSIS OF ASSETS AND LIABILITIES (in HUF mn)**

	Short-term (within one year)	Long-term (over one year)	Total
Cash, Due from Banks and Balances with the National Bank of Hungary	545,040	9,596	554,636
Placements with Other Banks, Net of Allowance for Possible Placement Losses	200,604	8,588	209,192
Trading Securities	214,823	--	214,823
Loans, Net of Allowance for Possible Loan Losses	217,645	341,753	559,398
Accrued Interest Receivable	25,294	--	25,294
Investments	--	5,879	5,879
Investments in Debt Securities	16,475	196,903	213,378
Premises, Equipment and Intangible Assets, Net	--	68,799	68,799
Other Assets	<u>77,559</u>	<u>--</u>	<u>77,559</u>
<b>TOTAL ASSETS</b>	<b><u>1,297,440</u></b>	<b><u>631,518</u></b>	<b><u>1,928,958</u></b>
Due to Banks and Deposits from the National Bank of Hungary and Other Banks	31,253	21,031	52,284
Deposits from Customers	1,459,465	87,203	1,546,668
Liabilities from Issued Securities	4,815	21,738	26,553
Accrued Interest Payable	30,658	--	30,658
Other Liabilities	118,136	--	118,136
Subordinated Bonds and Loans	<u>--</u>	<u>17,281</u>	<u>17,281</u>
<b>TOTAL LIABILITIES</b>	<b><u>1,644,327</u></b>	<b><u>147,253</u></b>	<b><u>1,791,580</u></b>
Share Capital	--	28,000	28,000
Retained Earnings and Reserves	<u>--</u>	<u>109,378</u>	<u>109,378</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>--</b>	<b>137,378</b>	<b>137,378</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b><u>1,644,327</u></b>	<b><u>284,631</u></b>	<b><u>1,928,958</u></b>
<b>LIQUIDITY (DEFICIENCY)/EXCESS</b>	<b><u>(346,887)</u></b>	<b><u>346,887</u></b>	<b><u>--</u></b>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR SIX MONTHS PERIOD ENDED JUNE 30, 2000**

**NOTE 29: FAIR VALUE ANALYSIS OF MONETARY ASSETS AND LIABILITIES**

	<i>June 30, 2000</i>	<i>December 31, 1999</i>
Trading Securities and Investments in Debt Securities:		
Carrying Value	<u>428,201</u>	<u>367,630</u>
Fair Value	<u>447,428</u>	<u>388,950</u>

The fair value of both trading and investment securities has been determined based on the market rates for publicly quoted securities. For those securities which are not publicly quoted, the management of the Bank has employed other methods to determine fair value, including discounted cash flow analysis.

With the exception of those items listed above and described in the following paragraph, the fair value of other financial instruments approximates their carrying value at June 30, 2000 and year ended December 31, 1999.

It is not practicable within the constraints of timeliness or cost to determine the fair value of investments in equity securities with sufficient reliability; information about the principal characteristics of those items are separately disclosed.

**NOTE 30: INTEREST RATE RISK MANAGEMENT**

The majority of the Group'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 reprising opportunities within one year, or long-term assets and corresponding liabilities where reprising is performed simultaneously. Interest rate risk mismatch is limited to a very-short term portion of the Group's consolidated balance sheet.

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

**NOTE 31: 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.

	<i>June 30, 2000</i>	<i>December 31, 1999</i>
Consolidated net income (in HUF mn)	<b>19,725</b>	<b>30,705</b>
Preference dividends (in HUF mn)	<u>(69)</u>	<u>(207)</u>
Consolidated net income for the year attributable to common shareholders (in HUF mn)	<u>19,656</u>	<u>30,498</u>
Weighted average number of common shares outstanding during the year (piece)	<u>25,967,196</u>	<u>26,080,461</u>
Consolidated earnings per share (in HUF)	<u>757</u>	<u>1,169</u>