

**NATIONAL SAVINGS AND
COMMERCIAL BANK LTD.**

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

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.

CONTENTS

	<u>Page</u>
Consolidated Financial Statements:	
Consolidated Balance Sheets as at June 30, 2001 and 2000 (unaudited) and as at December 31, 2000 (audited)	2
Consolidated Statements of Operations for the six month periods ended June 30, 2001 and 2000 (unaudited) and for the year ended December 31, 2000 (audited)	3
Consolidated Statements of Cash Flows for the six month periods ended June 30, 2001 and 2000 (unaudited) and for the year ended December 31, 2000 (audited)	4
Consolidated Statements of Changes in Shareholders' Equity for the six month periods ended June 30, 2001 and 2000 (unaudited)	5
Notes to Consolidated Financial Statements	6 - 26

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

	<i>June 30,</i> <i>2001</i>	<i>December 31,</i> <i>2000</i>	<i>June 30,</i> <i>2000</i>
Cash, Due from Banks and Balances with the National Bank of Hungary	467,621	497,493	554,636
Placements with Other Banks, Net of Allowance for possible placement losses	253,981	216,354	209,192
Held for Trading and Available-for-sale Financial Assets	197,492	164,643	202,265
Loans, Net of Allowance for Possible Loan Losses	674,397	650,902	559,398
Accrued Interest Receivable	31,331	28,480	25,294
Equity Investments	6,313	7,413	5,879
Held-to-maturity Investments	342,318	362,961	213,378
Premises, Equipment and Intangible Assets, Net	68,218	70,097	68,799
Other Assets	<u>72,272</u>	<u>54,813</u>	<u>76,815</u>
TOTAL ASSETS	<u>2,113,943</u>	<u>2,053,156</u>	<u>1,915,656</u>
Due to Banks and Deposits from the National Bank of Hungary and Other Banks	71,433	51,945	52,284
Deposits from Customers	1,701,217	1,697,966	1,546,668
Liabilities from Issued Securities	36,281	30,445	26,553
Accrued Interest Payable	25,373	13,638	30,658
Other Liabilities	113,614	108,754	117,392
Subordinated Bonds and Loans	<u>17,500</u>	<u>17,760</u>	<u>17,281</u>
TOTAL LIABILITIES	<u>1,965,418</u>	<u>1,920,508</u>	<u>1,790,836</u>
Share Capital	28,000	28,000	28,000
Retained Earnings and Reserves	149,302	123,504	109,378
Treasury shares	<u>(28,777)</u>	<u>(18,856)</u>	<u>(12,558)</u>
TOTAL SHAREHOLDERS' EQUITY	<u>148,525</u>	<u>132,648</u>	<u>124,820</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>2,113,943</u>	<u>2,053,156</u>	<u>1,915,656</u>

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

	<i>Six months period ended June 30, 2001</i>	<i>Six months period ended June 30, December 31, 2000</i>	<i>Year ended December 31, 2000</i>
Interest Income:			
Loans	49,315	42,930	91,597
Placements with Other Banks	9,443	7,431	16,153
Due from Banks and Balances with the National Bank of Hungary	17,005	27,727	47,702
Held for Trading and Available-for-sale Financial Assets	9,781	5,944	14,267
Held-to-maturity Investments	<u>20,621</u>	<u>16,611</u>	<u>33,383</u>
<i>Total Interest Income</i>	<u>106,165</u>	<u>100,643</u>	<u>203,102</u>
Interest Expense:			
Due to Banks and Deposits from the National Bank of Hungary and Other Banks	1,188	2,574	4,435
Deposits from Customers	46,202	48,735	94,961
Liabilities from Issued Securities	1,592	2,307	3,686
Subordinated Bonds and Loans	763	782	1,591
Other	<u>26</u>	<u>9</u>	<u>39</u>
<i>Total Interest Expense</i>	<u>49,771</u>	<u>54,407</u>	<u>104,712</u>
NET INTEREST INCOME	56,394	46,236	98,390
Provision for Possible Loan Losses	2,535	2,213	5,674
(Credit)/Provision for Possible Placement Losses	<u>(15)</u>	<u>8</u>	<u>(56)</u>
NET INTEREST INCOME AFTER PROVISION FOR POSSIBLE LOAN AND PLACEMENT LOSSES	53,874	44,015	92,772
Non-Interest Income:			
Fees and Commissions	22,548	18,864	41,161
Foreign Exchange Gains and Losses, Net	1,602	832	1,805
Gains and Losses on Securities, Net	24	2,846	3,050
Gains and Losses on Real Estate Transactions, Net	1,355	631	1,892
Dividend Income	524	424	588
Insurance Premiums	17,019	18,373	36,163
Other	<u>1,900</u>	<u>1,443</u>	<u>3,445</u>
<i>Total Non-Interest Income</i>	<u>44,972</u>	<u>43,413</u>	<u>88,104</u>
Non-Interest Expenses:			
Fees and Commissions	4,096	3,600	8,219
Personnel Expenses	17,980	15,868	34,643
Depreciation and Amortization	7,215	6,477	13,363
Other	<u>38,431</u>	<u>37,670</u>	<u>76,907</u>
<i>Total Non-Interest Expense</i>	<u>67,722</u>	<u>63,615</u>	<u>133,132</u>
INCOME BEFORE INCOME TAXES	31,124	23,813	47,744
Income Taxes	<u>(5,927)</u>	<u>(4,088)</u>	<u>(8,991)</u>
NET INCOME	<u>25,197</u>	<u>19,725</u>	<u>38,753</u>
Consolidated Earnings Per Share (in HUF)	<u>996</u>	<u>757</u>	<u>1,512</u>

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

	<i>Six months period</i> <i>ended June 30,</i>	<i>Six months period</i> <i>ended June 30,</i>	<i>Year ended</i> <i>December 31,</i>
	<i>2001</i>	<i>2000</i>	<i>2000</i>
OPERATING ACTIVITIES			
Net Income	25,197	19,725	38,753
<i>Adjustments to reconcile Net Income To net cash provided by operating activities</i>			
Depreciation and Amortization	7,215	6,477	13,363
Provision for Possible Loan Losses	2,535	2,213	5,674
(Credit)/Provision for Possible Placement Losses	(15)	8	(56)
Provision for Permanent Diminution in value of			
Held-to-maturity Investments	--	(79)	(29)
Provision/(Credit) for Permanent Diminution in Value of Equity Investments	61	(51)	1,266
Provision for Possible Losses on Other Assets	1,035	2,219	2,081
Provision for Possible Losses on Off-Balance Sheet Commitments and Contingent Liabilities, Net	1,001	298	460
Net Income from Accounting for Associates			
Under the Equity Method of Accounting	89	96	117
Net Increase in Insurance Reserves	4,570	9,325	16,089
Fair Value Adjustment for Held for Trading and Available-for-sale Financial Assets and Derivatives	(1,003)	--	--
Effect of Deferred Taxes	653	(167)	(148)
<i>Changes in operating assets and liabilities</i>			
Net Increase in Accrued Interest Receivable	(2,851)	(1,485)	(4,671)
Net Increase in Other Assets, Excluding Advances for Investments and Before Allowance for Possible Losses	(16,814)	(27,053)	(4,912)
Net Increase/(Decrease) in Accrued Interest Payable	11,735	13,676	(3,344)
Net Increase in Other Liabilities	243	22,445	3,530
Net Cash Provided by Operating Activities	<u>33,651</u>	<u>47,647</u>	<u>68,173</u>
INVESTING ACTIVITIES			
Decrease/(Increase) in Placements with Other Banks, before Provision for Possible Placement Losses	(37,612)	49,394	42,296
Net (Increase)/Decrease Held for Trading and Available-for-sale Financial Assets, Before Lower of Cost and Market Adjustment	(30,866)	(7,021)	33,861
Net Decrease/(Increase) in Investments, Before Provision for Permanent Diminution in Value	765	(511)	(3,383)
Net Decrease/(Increase) in Held-to-maturity Investments	20,643	(46,071)	(198,964)
Net Decrease in Advances for Investments, Included in Other Assets	86	230	210
Net Increase in Loans	(26,030)	(38,652)	(133,617)
Net Additions to Premises, Equipment and Intangible Assets	(5,336)	(7,302)	(15,522)
Net Cash Used in Investing Activities	<u>(78,350)</u>	<u>(49,933)</u>	<u>(275,119)</u>
FINANCING ACTIVITIES			
Net Increase/(Decrease) in Due to Banks and Deposits from the National Bank of Hungary and Other Banks	19,488	(9,352)	(9,691)
Net Increase/(Decrease) in Deposits from Customers	3,251	(757)	150,541
Net Increase in Liabilities from Issued Securities	5,836	9,153	13,045
Net (Decrease)/Increase in Subordinated Bonds and Loans	(260)	647	1,126
Profit on Sale of Treasury Shares	13	62	70
Translation (Loss)/Gain	(88)	9	74
Increase in Treasury Shares	(9,921)	(7,400)	(13,698)
Net Decrease/(Increase) in Compulsory Reserves at National Bank of Hungary	64,568	(12,396)	(3,713)
Dividends Paid	(3,492)	(3,199)	(4,787)
Net Cash Provided by/(Used in) Financing Activities	<u>79,395</u>	<u>(23,233)</u>	<u>132,967</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	<u>34,696</u>	<u>(25,519)</u>	<u>(73,979)</u>
Cash and Cash Equivalents at the Beginning of the Year	309,269	383,248	383,248
Cash and Cash Equivalents at the End of the Period	<u>343,965</u>	<u>357,729</u>	<u>309,269</u>

The accompanying notes to consolidated financial statements on pages 6 to 26 form an integral part of these consolidated financial statements.

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

	<u>Share Capital</u>	<u>Retained Earnings and Reserves</u>	<u>Treasury Shares</u>	<u>Total</u>
Balance as at January 1, 2000	<u>28,000</u>	<u>89,651</u>	<u>(5,158)</u>	<u>112,493</u>
Income after Income Taxes	--	19,725	--	19,725
Profit on Sale of Treasury Shares	--	62	--	62
Change in Carrying Value of Treasury Shares	--	--	(7,400)	(7,400)
Dividends on Preference Shares	--	(69)	--	(69)
Translation Gain	--	9	--	9
Balance as at June 30, 2000	<u>28,000</u>	<u>109,378</u>	<u>(12,558)</u>	<u>124,820</u>
Balance as at January 1, 2001	<u>28,000</u>	<u>123,504</u>	<u>(18,856)</u>	<u>132,648</u>
Income after Income Taxes	--	25,197	--	25,197
Profit on Sale of Treasury Shares	--	13	--	13
Change in Carrying Value of Treasury Shares	--	--	(9,921)	(9,921)
Opening Adjustment due to Implementation of IAS No. 39	--	685	--	685
Dividends Proposed on Preference Shares	--	(9)	--	(9)
Translation Gain	--	(88)	--	(88)
Balance as at June 30, 2001	<u>28,000</u>	<u>149,302</u>	<u>(28,777)</u>	<u>148,525</u>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2001 (UNAUDITED)**

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

The Bank has a nationwide network of 450 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 THE SIX MONTH PERIOD ENDED JUNE 30, 2001 (UNAUDITED)

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 held for trading and available-for-sale financial assets and financial instruments that are recorded on fair value. Revenues and expenses are recorded in the period in which they are earned or incurred.

Effective as of January 1, 2001 the Group adopted the provision of International Accounting Standard 39 – “Financial Instruments: Recognition and Measurement”, (IAS No 39). The primary effect of the adoption of IAS No 39 was the Group’s classification of its securities and investments and related valuation thereof, according to the provisions of IAS No 39 as further discussed below. As a result of the adoption of IAS No 39 the Group has reported a valuation adjustment on its securities and financial investments, after classification under the provision of IAS No 39 of HUF 685 million.

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

2.2. Foreign Currency Translation

Assets and liabilities denominated in foreign currencies are translated into HUF at exchange rates quoted by the National Bank of Hungary (“NBH”) as of the date of the 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 2.7.).

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.

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2001 (UNAUDITED)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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

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

The fair value of such securities is determined as follows:

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

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

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

2.6. 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 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

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

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2001 (UNAUDITED)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.8. Held-to-maturity Investments

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

2.9. 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%
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 Financial 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 Financial Supervisory Authority.

2.12. 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.

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2001 (UNAUDITED)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.13. 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.

2.14. 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 and transactions with financial instruments. These commitments are recorded in the consolidated financial statements if and when they become payable.

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

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

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

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

2.15. 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.

2.16. 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.

2.17. Comparative figures

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

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

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2001 (UNAUDITED)**

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

	<i>June 30, 2001</i>	<i>December 31, 2000</i>
Cash on hand:		
In HUF	42,270	33,205
In foreign currency	<u>3,328</u>	<u>5,560</u>
	<u>45,598</u>	<u>38,765</u>
Due from banks and balances with the National Bank of Hungary:		
Short-term:		
In HUF	405,994	405,641
In foreign currency	<u>13,408</u>	<u>48,754</u>
	<u>419,402</u>	<u>454,395</u>
Long-term:		
In foreign currency	<u>2,621</u>	<u>4,333</u>
	<u>467,621</u>	<u>497,493</u>

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 123,656 million and HUF 188,224 million as at June 30, 2001 and December 31, 2000, respectively.

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

	<i>June 30, 2001</i>	<i>December 31, 2000</i>
Short-term:		
In HUF	87,134	71,899
In foreign currency	<u>148,357</u>	<u>126,757</u>
	<u>235,491</u>	<u>198,656</u>
Long-term:		
In HUF	8,000	8,000
In foreign currency	<u>10,658</u>	<u>9,881</u>
	<u>18,658</u>	<u>17,881</u>
	<u>254,149</u>	<u>216,537</u>
Allowance for possible placement losses	<u>(168)</u>	<u>(183)</u>
	<u>253,981</u>	<u>216,354</u>

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

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

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2001 (UNAUDITED)**

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

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

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

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

	<i>June 30, 2001</i>	<i>December 31, 2000</i>
Held for trading financial assets:		
Hungarian Government discounted Treasury bills	42,730	39,157
Hungarian Government interest bearing Treasury bills	1,009	282
Government bonds	31,065	53,010
Bonds issued by National Bank of Hungary	6,003	6,817
Other securities	<u>4,053</u>	<u>4,950</u>
	<u>84,860</u>	<u>104,216</u>
Available for sale financial assets:		
Government bonds	95,344	49,055
Other securities	<u>17,288</u>	<u>11,372</u>
	<u>112,632</u>	<u>60,427</u>
	<u>197,492</u>	<u>164,643</u>

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

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

	<i>June 30, 2001</i>	<i>December 31, 2000</i>
Within five years		
with variable interest	93,214	55,507
with fixed interest	<u>74,699</u>	<u>98,663</u>
	<u>167,913</u>	<u>154,170</u>
Over five years		
with variable interest	26,063	4,309
with fixed interest	<u>3,516</u>	<u>6,164</u>
	<u>29,579</u>	<u>10,473</u>
	<u>197,492</u>	<u>164,643</u>

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2001 (UNAUDITED)

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

	<i>June 30, 2001</i>	<i>December 31, 2000</i>
Short-term loans and trade bills (within one year)	316,744	315,805
Long-term loans and trade bills (over one year)	<u>408,243</u>	<u>385,198</u>
	724,987	701,003
Allowance for possible loan losses	<u>(50,590)</u>	<u>(50,101)</u>
	<u>674,397</u>	<u>650,902</u>

Foreign currency loans represent approximately 17% and 20% of the total loan portfolio, before allowance for possible losses, as at June 30, 2001 and December 31, 2000, respectively.

Loans denominated in HUF, with a maturity within one year as at June 30, 2001 and year December 31, 2000, bear interest rates in the range from 12.8% to 28% and from 12.9% to 29%, respectively.

Loans denominated in HUF, with a maturity over one year as at June 30, 2001 and December 31, 2000, bear interest rates in the range from 7% to 22.8% and from 7% to 24.3%, respectively.

Approximately 7% and 9.8% of the gross loan portfolio represented loans on which interest is not being accrued as at June 30, 2001 and December 31, 2000, respectively.

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

	<i>June 30, 2001</i>		<i>December 31, 2000</i>	
Commercial loans	420,821	58%	426,946	61%
Municipality loans	52,679	7%	53,790	8%
Housing loans	120,697	17%	109,727	16%
Consumer loans	<u>130,790</u>	<u>18%</u>	<u>110,540</u>	<u>15%</u>
	<u>724,987</u>	<u>100%</u>	<u>701,003</u>	<u>100%</u>

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

	<i>June 30, 2001</i>	<i>December 31, 2000</i>
Balance as at January 1	50,101	45,312
Provision for possible loan losses	2,535	5,674
Write-offs	<u>(2,046)</u>	<u>(885)</u>
Balance as at the end of period	<u>50,590</u>	<u>50,101</u>

NOTE 7: EQUITY INVESTMENTS (in HUF mn)

	<i>June 30, 2001</i>	<i>December 31, 2000</i>
Equity investments:		
Unconsolidated subsidiaries	412	391
Associated companies	5,667	5,578
Other	<u>4,720</u>	<u>5,869</u>
	10,799	11,838
Allowance for permanent diminution in value	<u>(4,486)</u>	<u>(4,425)</u>
	<u>6,313</u>	<u>7,413</u>
Total assets of unconsolidated subsidiaries	<u>5,480</u>	<u>7,190</u>

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2001 (UNAUDITED)

NOTE 7: EQUITY INVESTMENTS (in HUF mn) [continued]

As at June 30, 2001 and December 31, 2000, except as follows all investments are in companies incorporated in Hungary. As at June 30, 2001 and December 31, 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:

	<i>June 30, 2001</i>	<i>December 31, 2000</i>
Balance as at January 1	4,425	3,159
Provision for permanent diminution in value	<u>61</u>	<u>1,266</u>
Balance as at the end of period	<u>4,486</u>	<u>4,425</u>

NOTE 8: HELD-TO-MATURITY INVESTMENTS (in HUF mn)

	<i>June 30, 2001</i>	<i>December 31, 2000</i>
Government securities	315,674	304,450
Hungarian Government discounted Treasury Bills	8,804	--
Bonds issued by the National Bank of Hungary	17,240	57,910
Other debt securities	<u>650</u>	<u>651</u>
	342,368	363,011
Provision for Permanent Diminution in Value	<u>(50)</u>	<u>(50)</u>
	<u>342,318</u>	<u>362,961</u>

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

	<i>June 30, 2001</i>	<i>December 31, 2000</i>
Within five years		
with variable interest	127,055	168,707
with fixed interest	<u>129,584</u>	<u>119,461</u>
	<u>256,639</u>	<u>288,168</u>
Over five years		
with variable interest	64,593	55,032
with fixed interest	<u>21,136</u>	<u>19,811</u>
	<u>85,729</u>	<u>74,843</u>
	<u>342,368</u>	<u>363,011</u>

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

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2001 (UNAUDITED)

NOTE 8: HELD-TO-MATURITY INVESTMENTS (in HUF mn) [continued]

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

An analysis of the change in the allowance for debt securities is as follows:

	<i>June 30, 2001</i>	<i>December 31, 2000</i>
Balance as at January 1	50	79
Provision for Permanent Diminution in Value	<u>--</u>	<u>(29)</u>
Balance as at the end of period	<u>50</u>	<u>50</u>

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

	<i>June 30, 2001</i>	<i>December 31, 2000</i>
Land and buildings	42,320	41,966
Machinery and equipment, vehicles, leased assets	55,825	53,517
Construction in progress	2,636	1,841
Goodwill – fully amortized	1,062	1,062
Intangible assets	<u>22,385</u>	<u>21,055</u>
	124,228	119,441
Accumulated depreciation and amortization	<u>(56,010)</u>	<u>(49,344)</u>
	<u>68,218</u>	<u>70,097</u>

NOTE 10: OTHER ASSETS (in HUF mn)

	<i>June 30, 2001</i>	<i>December 31, 2000</i>
Receivables due from collection of Hungarian Government securities	132	256
Property held for sale	8,678	8,415
Due from Hungarian Government for interest subsidies	2,733	510
Trade receivables	4,141	3,842
Advances for securities and investments	491	534
Taxes recoverable	540	1,271
Inventories	1,201	1,306
Credits sold under deferred payment scheme	3,576	3,607
Subsidies paid on behalf of the Government	1,586	804
Receivables from leasing activities	26,905	23,450
Receivables due from KELER	1,978	2,387
Receivables due from insurance bond holders	1,148	576
Margin account balance	2,457	58
Receivables due from pension funds and fund management	8	91
Settlement accounts	2,820	2,007
Prepayments and accrued income	2,806	3,655
Receivables from investments	1,500	--
Derivative assets	2,419	--
Other	<u>12,329</u>	<u>6,185</u>
	77,448	58,954
Allowance for possible losses on other assets	<u>(5,176)</u>	<u>(4,141)</u>
	<u>72,272</u>	<u>54,813</u>

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.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2001 (UNAUDITED)**

NOTE 10: OTHER ASSETS (in HUF mn) [continued]

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

	<i>June 30, 2001</i>	<i>December 31, 2000</i>
Balance as at January 1	4,141	2,060
Provision for possible losses on other assets	<u>1,035</u>	<u>2,081</u>
Balance as at the end of period	<u>5,176</u>	<u>4,141</u>

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

	<i>June 30, 2001</i>	<i>December 31, 2000</i>
Within one year:		
In HUF	33,923	4,257
In foreign currency	<u>4,900</u>	<u>27,459</u>
	<u>38,823</u>	<u>31,716</u>
Over one year:		
In HUF	14,592	10,039
In foreign currency	<u>18,018</u>	<u>10,190</u>
	<u>32,610</u>	<u>20,229</u>
	<u>71,433</u>	<u>51,945</u>

Due to banks and deposits from the National Bank of Hungary and other banks payable in HUF within one year as at June 30, 2001 and December 31, 2000, bear interest rates in the range from 10.6% to 12.1% 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 June 30, 2001 and December 31, 2000, bear interest rates in the range from 3% to 11% 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 June 30, 2001 and December 31, 2000, bear interest rates in the range from 3.5% to 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 June 30, 2001 and December 31, 2000, bear interest rates in the range from 3.5% to 8% and from 5% to 8%, respectively.

NOTE 12: DEPOSITS FROM CUSTOMERS (in HUF mn)

	<i>June 30, 2001</i>	<i>December 31, 2000</i>
Within one year:		
In HUF	1,304,211	1,292,942
In foreign currency	<u>332,652</u>	<u>349,454</u>
	<u>1,636,863</u>	<u>1,642,396</u>
Over one year:		
In HUF	<u>64,354</u>	<u>55,570</u>
	<u>1,701,217</u>	<u>1,697,966</u>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2001 (UNAUDITED)**

NOTE 12: DEPOSITS FROM CUSTOMERS (in HUF mn) [continued]

Deposits from customers payable in HUF within one year as at June 30, 2001 and December 31, 2000, bear interest rates in the range from 1% to 9.2% and from 1% to 9.7%, respectively.

Deposits from customers payable in HUF over one year as at June 30, 2001 and December 31, 2000, bear interest rates in the range from 3% to 8.8% and from 3% to 9.5%, respectively.

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

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

	<i>June 30, 2001</i>	<i>December 31, 2000</i>
With original maturity:		
Within one year	3,885	5,548
Over one year	<u>32,396</u>	<u>24,897</u>
	<u>36,281</u>	<u>30,445</u>

Liabilities from issued securities are denominated in HUF and as at June 30, 2001 and December 31, 2000, bear interest at rates in the range from 6% to 9.5% and from 6% to 9.8%, respectively.

NOTE 14: OTHER LIABILITIES (in HUF mn)

	<i>June 30, 2001</i>	<i>December 31, 2000</i>
Deferred tax liabilities	752	99
Taxes payable	4,736	2,673
Giro clearing accounts	13,280	16,069
Accounts payable	2,409	6,463
Insurance reserves	44,361	39,791
Salaries and social security payable	4,024	3,574
Liability from security trading	11,394	9,134
Allowance for possible losses on off-balance sheet commitments and contingent liabilities	4,183	3,233
Dividends payable	2,243	5,638
Liabilities from leasing activities	2,358	3,742
Advances received from customers	1,348	2,311
Accrued expenses	4,807	4,581
Settlements of government housing subsidies	1,909	1,509
Loan for collection	1,349	1,237
Suspense and Giro clearing accounts	2,321	3,720
Derivative liabilities	2,529	--
Other	<u>9,611</u>	<u>4,980</u>
	<u>113,614</u>	<u>108,754</u>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2001 (UNAUDITED)**

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

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

	<i>June 30, 2001</i>	<i>December 31, 2000</i>
Allowance for litigation	980	995
Allowance for possible losses on off-balance sheet commitments and contingent liabilities	2,561	1,610
Allowance for housing warranties	<u>642</u>	<u>628</u>
Balance as at the end of period	<u>4,183</u>	<u>3,233</u>

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.

In the Consolidated Financial Statement of 2000 an additional provision was set for possible loss of a tax audit at OTP Securities in 2000.

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:

	<i>June 30, 2001</i>	<i>December 31, 2000</i>
Balance as at January 1	3,233	3,123
Provision for possible off-balance sheet commitments and contingent liabilities	1,001	460
Write-off of allowance for future redundancies and housing warranties	<u>(51)</u>	<u>(350)</u>
Balance as at the end of period	<u>4,183</u>	<u>3,233</u>

Movements in insurance reserves can be summarized as follows:

	<i>June 30, 2001</i>	<i>December 31, 2000</i>
Balance as at January 1	39,791	23,702
Net increase in insurance reserves	<u>4,570</u>	<u>16,089</u>
Balance as at the end of period	<u>44,361</u>	<u>39,791</u>

NOTE 15: SUBORDINATED BONDS AND LOANS

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

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2001 (UNAUDITED)

NOTE 15: SUBORDINATED BONDS AND LOANS [continued]

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

NOTE 16: SHARE CAPITAL (in HUF mn)

	<i>June 30, 2001</i>	<i>December 31, 2000</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>

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

Preference shares are non-voting 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.

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

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

	<i>June 30, 2001</i>	<i>December 31, 2000</i>
Balance as at January 1	123,504	89,651
Income after income taxes	25,197	38,753
Profit on sale of treasury shares	13	70
Opening adjustment due to implementation of IAS No 39	685	--
Dividends	(9)	(5,044)
Translation gain	<u>(88)</u>	<u>74</u>
Balance as at the end of period	<u>149,302</u>	<u>123,504</u>

The Bank's unconsolidated reserves under Hungarian Accounting Standards were HUF 113,672 million and HUF 99,501 million at June 30, 2001 and December 31, 2000, respectively. Of these amounts, legal reserves represent HUF 27,387 million and HUF 25,610 million, respectively. The legal 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 2000.

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

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2001 (UNAUDITED)

NOTE 18: TREASURY SHARES (in HUF mn)

	<i>June 30, 2001</i>	<i>December 31, 2000</i>
Nominal value	<u>2,562</u>	<u>1,568</u>
Carrying value	<u>28,777</u>	<u>18,856</u>

NOTE 19: OTHER EXPENSES (in HUF mn)

	<i>June 30, 2001</i>	<i>June 30, 2000</i>
Provision for Permanent Diminution in value of Held-to-maturity Investments	--	(79)
Provision/(credit) for permanent diminution in value of investments	61	(51)
Provision for possible losses on other assets	1,035	2,219
Provision for off-balance sheet commitments and contingent liabilities	1,001	298
Administration expenses, including rent	9,006	8,541
Advertising	1,353	1,003
Taxes, other than income taxes	3,350	3,159
Services	6,831	5,584
Insurance claims paid	8,839	5,455
Net increase in insurance reserves	4,570	9,325
Professional fees	1,080	1,001
Other	<u>1,305</u>	<u>1,215</u>
	<u>38,431</u>	<u>37,670</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, 2001</i>	<i>June 30, 2000</i>
Current tax	5,274	4,255
Deferred tax	<u>653</u>	<u>(167)</u>
	<u>5,927</u>	<u>4,088</u>

A reconciliation of the deferred tax liability is as follows:

	<i>June 30, 2001</i>	<i>June 30, 2000</i>
Balance as at January 1	(99)	(247)
Deferred tax (charge)/credit	<u>(653)</u>	<u>167</u>
Balance as at the end of period	<u>(752)</u>	<u>(80)</u>

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2001 (UNAUDITED)

NOTE 20: INCOME TAXES (in HUF mn) [continued]

A reconciliation of the income tax charge is as follows:

	<i>June 30, 2001</i>	<i>June 30, 2000</i>
Income before income taxes	31,124	23,813
Permanent timing differences	<u>1,711</u>	<u>(1,183)</u>
Adjusted income before income taxes	<u>32,835</u>	<u>22,630</u>
Income taxes	<u>5,927</u>	<u>4,088</u>

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

	<i>June 30, 2001</i>	<i>December 31, 2000</i>
Commitments:		
Forward purchase commitments, foreign exchange	119,287	55,428
Forward purchase commitments, securities	--	114
Repurchase agreements	5	15
Forward purchase commitments, BUX-index	<u>7</u>	<u>14</u>
	<u>119,299</u>	<u>55,571</u>
Contingent liabilities:		
Commitments to extend credit	176,719	147,834
Guarantees arising from banking activities	21,112	15,477
Confirmed letters of credit	8,184	988
Options	16,196	14,064
Local tax contingency	<u>542</u>	<u>542</u>
	<u>222,753</u>	<u>178,905</u>
	<u>342,052</u>	<u>234,476</u>

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)

	<i>June 30, 2001</i>	<i>December 31, 2000</i>
Cash, due from banks and balances with the National Bank of Hungary	467,621	497,493
Compulsory reserve established by the National Bank of Hungary	<u>(123,656)</u>	<u>(188,224)</u>
	<u>343,965</u>	<u>309,269</u>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2001 (UNAUDITED)**

NOTE 23: MAJOR SUBSIDIARIES

<u>Name</u>	<u>Ownership (Direct and Indirect)</u>		<u>Activity</u>
	<i>June 30, 2001</i>	<i>December 31, 2000</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, 2001 and December 31, 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 43,820 million and HUF 42,955 million as at June 30, 2001 and December 31, 2000, respectively.

NOTE 25: CONCENTRATION OF ASSETS AND LIABILITIES

Approximately 45% 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 June 30, 2001 and December 31, 2000, respectively. There were no other significant concentrations of the Group's assets or liabilities as at June 30, 2001 and December 31, 2000.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2001 (UNAUDITED)**

**NOTE 26: NET FOREIGN CURRENCY POSITION AND FOREIGN CURRENCY RISK
(in HUF mn)**

As at June 30, 2001

	<u>USD</u>	<u>EUR</u>	<u>Others</u>	<u>Total</u>
Assets	164,720	143,159	38,117	345,996
Liabilities	(174,580)	(154,022)	(41,770)	(370,372)
Off-balance sheet assets and liabilities, net	<u>9,364</u>	<u>(4,397)</u>	<u>930</u>	<u>5,897</u>
Net position	<u>(496)</u>	<u>(15,260)</u>	<u>(2,723)</u>	<u>(18,479)</u>

As at December 31, 2000

	<u>USD</u>	<u>EUR</u>	<u>Others</u>	<u>Total</u>
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	<u>12,821</u>	<u>(2,821)</u>	<u>2,066</u>	<u>12,066</u>
Net position	<u>956</u>	<u>(10,443)</u>	<u>1,081</u>	<u>(8,406)</u>

EUR includes items denominated in EURO, DEM and ATS.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2001 (UNAUDITED)**

NOTE 27: MATURITY ANALYSIS OF ASSETS AND LIABILITIES (in HUF mn)

June 30, 2001

	Short-term (within one year)	Long-term (over one year)	<u>Total</u>
Cash, Due from Banks and Balances with the National Bank of Hungary	465,000	2,621	467,621
Placements with Other Banks, Net of Allowance for Possible Placement Losses	235,323	18,658	253,981
Held for Trading and Available-for-sale Financial Assets	58,918	138,574	197,492
Loans, Net of Allowance for Possible Loan Losses	279,356	395,041	674,397
Accrued Interest Receivable	31,331	--	31,331
Equity Investments	--	6,313	6,313
Held-to-maturity Investments	53,090	289,228	342,318
Premises, Equipment and Intangible Assets, Net	--	68,218	68,218
Other Assets	<u>72,272</u>	<u>---</u>	<u>72,272</u>
TOTAL ASSETS	<u>1,195,290</u>	<u>918,653</u>	<u>2,113,943</u>
Due to Banks and Deposits from the National Bank of Hungary and Other Banks	38,823	32,610	71,433
Deposits from Customers	1,636,863	64,354	1,701,217
Liabilities from Issued Securities	3,885	32,396	36,281
Accrued Interest Payable	25,373	--	25,373
Other Liabilities	113,614	--	113,614
Subordinated Bonds and Loans	<u>---</u>	<u>17,500</u>	<u>17,500</u>
TOTAL LIABILITIES	<u>1,818,558</u>	<u>146,860</u>	<u>1,965,418</u>
Share Capital	--	28,000	28,000
Retained Earnings and Reserves	--	149,302	149,302
Treasury Shares	<u>(28,777)</u>	<u>---</u>	<u>(28,777)</u>
TOTAL SHAREHOLDERS' EQUITY	<u>(28,777)</u>	<u>177,302</u>	<u>148,525</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>1,789,781</u>	<u>324,162</u>	<u>2,113,943</u>
LIQUIDITY (DEFICIENCY)/EXCESS	<u>(594,491)</u>	<u>594,491</u>	<u>---</u>

Deposits from Customers represent 86.6% of Total Liabilities.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2001 (UNAUDITED)**

NOTE 27: MATURITY ANALYSIS OF ASSETS AND LIABILITIES (in HUF mn) [continued]

December 31, 2000

	Short-term (within one year)	Long-term (over one year)	<u>Total</u>
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	84,248	164,643
Loans, Net of Allowance for Possible Loan Losses	278,113	372,789	650,902
Accrued Interest Receivable	28,480	--	28,480
Equity Investments	--	7,413	7,413
Held-to-maturity Investments	84,907	278,054	362,961
Premises, Equipment and Intangible Assets, Net	--	70,097	70,097
Other Assets	<u>54,813</u>	<u>---</u>	<u>54,813</u>
TOTAL ASSETS	<u>1,218,341</u>	<u>834,815</u>	<u>2,053,156</u>
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
Subordinated Bonds and Loans	<u>---</u>	<u>17,760</u>	<u>17,760</u>
TOTAL LIABILITIES	<u>1,802,052</u>	<u>118,456</u>	<u>1,920,508</u>
Share Capital	--	28,000	28,000
Retained Earnings and Reserves	--	123,504	123,504
Treasury Shares	<u>(18,856)</u>	<u>---</u>	<u>(18,856)</u>
TOTAL SHAREHOLDERS' EQUITY	<u>(18,856)</u>	<u>151,504</u>	<u>132,648</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>1,783,196</u>	<u>269,960</u>	<u>2,053,156</u>
LIQUIDITY (DEFICIENCY)/EXCESS	<u>(564,855)</u>	<u>564,855</u>	<u>---</u>

Deposits from Customers represent 88.4% of Total Liabilities.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTH PERIOD ENDED JUNE 30, 2001 (UNAUDITED)**

NOTE 28: 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 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.

	<i>June 30, 2001</i>	<i>June 30, 2000</i>
Consolidated net income (in HUF mn)	25,197	19,725
Preference dividends (in HUF mn)	<u>(9)</u>	<u>(69)</u>
Consolidated net income for the year attributable to common shareholders (in HUF mn)	<u>25,188</u>	<u>19,656</u>
Weighted average number of common shares outstanding during the year (piece)	<u>25,285,969</u>	<u>25,967,196</u>
Consolidated earnings per share (in HUF)	<u><u>996</u></u>	<u><u>757</u></u>

NOTE 30: POST BALANCE SHEET EVENTS

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

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