NATIONAL SAVINGS AND COMMERCIAL BANK LTD.

CONSOLIDATED FINANCIAL STATEMENTS
IN ACCORDANCE WITH
INTERNATIONAL ACCOUNTING STANDARDS
FOR THE YEARS ENDED
DECEMBER 31, 2001 AND 2000

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.

CONTENTS

INDEPENDENT AUDITORS' REPORT

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

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

We conducted our audits in accordance with International Standards on Auditing. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

Budapest, March 27, 2002

Deloitte & Touche

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

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

The accompanying notes to consolidated financial statements on pages 6 to 28 form an integral part of these consolidated financial statements.

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED
DECEMBER 31, 2001 AND 2000

(in HUF mn)

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

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000
(in HUF mn)

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

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 2000
(in HUF mn)

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

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2001 AND 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 an extraordinary General Assembly, on September 3, 1997, the Bank issued a preferential voting share with a nominal value of HUF 1 thousand (the "Special Share") to the State Privatization and Holding Company. The Special Share gives the power to the State Privatization and Holding Company to control the outcome of certain shareholder votes in accordance with the Bank's Articles of Association and the right to delegate one member to the Bank’s Board of Directors and one member to the Supervisory Board of the Bank.

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

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

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

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

1.2. Accounting

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

The Group’s functional currency is the Hungarian Forint ("HUF").

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

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

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

NOTE 1: ORGANIZATION AND BASIS OF CONSOLIDATED FINANCIAL STATEMENTS [continued]

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

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

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1. Basis of Presentation

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

2.2. Foreign Currency Translation

Assets and liabilities denominated in foreign currencies are translated into HUF at exchange rates quoted by the National Bank of Hungary ("NBH") as of the date of the consolidated financial statements. Income and expenses arising in foreign currencies are converted at the rate of exchange on the transaction date. Resulting foreign exchange gains or losses are recorded in the Consolidated Statement of Operations. Net differences resulting from translating foreign currency financial statements of consolidated subsidiaries are presented as an element of retained earnings and reserves in the Consolidated Balance Sheet.

2.3. Principles of Consolidation

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.4. Accounting for Acquisitions

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

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

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

2.5. Debt securities held-to-maturity

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

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

2.6. Securities held for trading and available-for-sale

Investments in securities are accounted on a settlement date basis and are initially measured at cost. Held for trading and available-for-sale investments are measured at subsequent reporting dates at fair value and unrealised gains and losses are included in the Consolidated Statement of Operations for the period. Such securities consist of discounted and interest bearing Treasury bills, Hungarian Government bonds, bonds issued by National Bank of Hungary (NBH) and other securities. Other securities include shares in commercial companies, shares in investment funds and bonds issued by foreign governments.

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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

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

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

2.8. Equity investments

Companies where the Bank has a significant interest are accounted for using the equity method. However, certain associated companies in which the Bank holds a significant interest have not been accounted for in accordance with the equity method because 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.

2.9. Premises, equipment and intangible assets

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

Buildings	1-6%
Machinery and equipment	8-33.3%
Vehicles	14.5-33%
Leased assets	16.7-33.3%
Goodwill	20%
Software	14.5-33.3%
Property rights	16.7%

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.10. Leases

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

The Group as lessor

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

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

The Group as lessee

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

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

2.11. Properties held for resale

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

2.12. Insurance reserves

Insurance reserves are accrued for liabilities from life and non-life insurance contracts and are included in other liabilities. The level of such reserves reflects the amount of future liabilities expected as at the date of the consolidated financial statements. The provision for outstanding claims and claim settlement expenses for non-life policies are based upon estimates of the expected losses for all classes of business. The reserve includes reported claims, claims incurred but not reported and claim adjustment expenses. 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.

2.13. Treasury shares

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.14. Income taxes

The annual taxation charge is based on the tax payable under Hungarian fiscal law, adjusted for deferred taxation.

Deferred taxation is provided on temporary differences in the tax bases of assets and liabilities and their carrying value for financial reporting purposes, measured at the tax rates that are expected to apply when the asset is realized or the liability is settled, based on tax rates that have been enacted at the date of the Consolidated Balance Sheet.

2.15. Off-balance sheet commitments and contingent liabilities

In the ordinary course of its business, the Group has entered into off-balance sheet commitments such as guarantees, commitments to extend credit and letters of credit and transactions with financial instruments. The allowance for possible losses on commitments and contingent liabilities is maintained at a level adequate to absorb probable future losses. Management determines the adequacy of the allowance based upon reviews of individual items, recent loss experience, current economic conditions, the risk characteristics of the various categories of transactions and other pertinent factors.

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

2.16. Derivative financial instruments

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

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

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

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.17. Consolidated Statement of Cash Flow

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

2.18. Segmental Reporting

Condensed financial statements of subsidiaries, representing segments of business, other than banking, are not presented due to their immateriality to the consolidated financial statements as a whole. The Group has no significant operations outside of Hungary.

2.19. Comparative figures

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

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

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

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

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

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

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

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

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:

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

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

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

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

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

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

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

CD Hungary Ltd., 100 percent investment of the Bank, is stated as an available-for-sale investment in the Consolidated Balance Sheet for the year ended December 31, 2001, since it will be sold in the near future in accordance with the plans of management.

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

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

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

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

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

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

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

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

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

	2001	*2000*
Balance as at January 1	50,101	45,312
Provision for possible loan losses	6,165	5,674
Write-offs	(5,895)	(885)
Balance as at December 31	50,371	50,101

NOTE 7: EQUITY INVESTMENTS (in HUF mn)

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 10: OTHER ASSETS (in HUF mn)

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

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

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

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

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

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

Due to banks and deposits from the National Bank of Hungary and other banks payable in HUF within one year as at December 31, 2001 and 2000, bear interest rates in the range from 3% to 10.8% and from 7% to 11.8%, respectively.

Due to banks and deposits from the National Bank of Hungary and other banks payable in HUF over one year as at December 31, 2001 and 2000, bear interest rates in the range from 3% to 9.8% and from 3% to 11%, respectively.

Due to banks and deposits from the National Bank of Hungary and other banks payable in foreign currency within one year as at December 31, 2001 and 2000, bear interest rates in the range from 1.1% to 2.5% and from 2% to 6.9%, respectively.

Due to banks and deposits from the National Bank of Hungary and other banks payable in foreign currency over one year as at December 31, 2001 and 2000, bear interest rates in the range from 1.4% to 9.2% and from 5% to 8%, respectively.

NOTE 12: DEPOSITS FROM CUSTOMERS (in HUF mn)

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

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

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

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

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

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

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

NOTE 14: OTHER LIABILITIES (in HUF mn)

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

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

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

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

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

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:

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

Movements in insurance reserves can be summarized as follows:

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

NOTE 15: SUBORDINATED BONDS AND LOANS

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

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

NOTE 16: SHARE CAPITAL (in HUF mn)

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

NOTE 16: SHARE CAPITAL (in HUF mn) [continued]

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

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

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

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

The Bank's unconsolidated reserves under Hungarian Accounting Standards were HUF 130,515 million and HUF 99,501 million at December 31, 2001 and 2000, respectively. Of these amounts, legal reserves represent HUF 29,450 million and HUF 25,610 million, respectively. The legal reserves are not available for distribution.

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

Dividends for the year ended December 31, 2001 represent the dividends to be proposed to the Bank’s shareholders by management of the Bank at the forthcoming Annual General Meeting in 2002.

NOTE 18: TREASURY SHARES (in HUF mn)

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

NOTE 19: OTHER EXPENSES (in HUF mn)

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

NOTE 20: INCOME TAXES (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:

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

A reconciliation of the deferred tax liability is as follows:

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

A reconciliation of the income tax charge is as follows:

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

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

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

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

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

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

NOTE 22: CASH AND CASH EQUIVALENTS (in HUF mn)

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

NOTE 23: MAJOR SUBSIDIARIES

Name	Ownership (Direct and Indirect) 2001	2000	Activity
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
OTP Funds Servicing and Consulting	100%	--	fund services
OTP Mortgage Bank Company	100%	--	mortgage loaning

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

NOTE 24: TRUST ACTIVITIES

The Bank acts as a trustee for certain loans granted by companies or employers to their employees, mainly for housing purposes. The ultimate risk for these loans rests with the party advancing the funds. As these loans and related funds are not considered to be assets or liabilities of the Bank, they have been excluded from the accompanying consolidated Balance Sheet. The total amount of such loans managed by the Bank as a trustee amount to HUF 42,843 million and HUF 42,955 million as at December 31, 2001 and 2000, respectively.

NOTE 25: CONCENTRATION OF ASSETS AND LIABILITIES

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

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

As at December 31, 2001

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

As at December 31, 2000

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

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

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

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

As at December 31, 2001	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Total
Cash, due from banks and balances with the National Bank of Hungary	378,826	1,216	1,480	251	381,773
Placements with other banks, net of allowance for possible placement losses	139,904	174,145	17,499	540	332,088
Securities held for trading and available-for-sale	61,909	49,783	92,050	24,821	228,563
Loans, net of allowance for possible loan losses	91,999	206,633	305,914	166,788	771,334
Accrued interest receivable	22,989	6,244	386	178	29,797
Equity investments	--	--	--	2,816	2,816
Debt securities held-to-maturity	42,801	55,154	225,674	77,974	401,603
Premises, equipment and intangible assets, net	695	569	25,341	46,729	73,334
Other assets	21,686	17,351	27,847	1,453	68,337
TOTAL ASSETS	**760,809**	**511,095**	**696,191**	**321,550**	**2,289,645**
Due to banks and deposits from the National Bank of Hungary and other banks	5,396	11,563	17,563	2,430	36,952
Deposits from customers	1,505,280	354,921	30,025	1,286	1,891,512
Liabilities from issued securities	1,242	4,446	34,386	--	40,074
Accrued interest payable	5,216	4,809	2,601	--	12,626
Other liabilities	53,054	17,289	16,818	36,741	123,902
Subordinated bonds and loans	--	--	12,293	5,000	17,293
TOTAL LIABILITIES	**1,570,188**	**393,028**	**113,686**	**45,457**	**2,122,359**
Share capital	--	--	--	28,000	28,000
Retained earnings and reserves	--	--	--	165,643	165,643
Treasury shares	--	(26,357)	--	--	(26,357)
TOTAL SHAREHOLDERS' EQUITY	**--**	**(26,357)**	**--**	**193,643**	**167,286**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1,570,188**	**366,671**	**113,686**	**239,100**	**2,289,645**
LIQUIDITY (DEFICIENCY)/EXCESS	**(809,379)**	**144,424**	**582,505**	**82,450**	**--**

Deposits from Customers represent 89.1% of Total Liabilities.

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

December 31, 2000

	Short-term (within one year)	Long-term (over one year)	Total
Cash, Due from Banks and Balances with the National Bank of Hungary	493,160	4,333	497,493
Placements with Other Banks, Net of Allowance for Possible Placement Losses	198,473	17,881	216,354
Held for Trading and Available-for-sale Financial Assets	80,395	89,113	169,508
Loans, Net of Allowance for Possible Loan Losses	278,113	372,789	650,902
Accrued Interest Receivable	28,480	--	28,480
Equity Investments	--	2,548	2,548
Held-to-maturity Investments	84,907	278,054	362,961
Premises, Equipment and Intangible Assets, Net	--	70,097	70,097
Other Assets	54,813	--	54,813
TOTAL ASSETS	**1,218,341**	**834,815**	**2,053,156**
Due to Banks and Deposits from the National Bank of Hungary and Other Banks	31,716	20,229	51,945
Deposits from Customers	1,642,396	55,570	1,697,966
Liabilities from Issued Securities	5,548	24,897	30,445
Accrued Interest Payable	13,638	--	13,638
Other Liabilities	108,754	--	108,754
Subordinated Bonds and Loans	--	17,760	17,760
TOTAL LIABILITIES	**1,802,052**	**118,456**	**1,920,508**
Share Capital	--	28,000	28,000
Retained Earnings and Reserves	--	123,504	123,504
Treasury Shares	(18,856)	--	(18,856)
TOTAL SHAREHOLDERS' EQUITY	**(18,856)**	**151,504**	**132,648**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**1,783,196**	**269,960**	**2,053,156**
LIQUIDITY (DEFICIENCY)/EXCESS	*(564,855)*	*564,855*	--

Deposits from Customers represent 88.4% of Total Liabilities.

NOTE 28: INTEREST RATE RISK MANAGEMENT

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

The majority of the Bank's interest bearing assets and liabilities are structured to match either short-term assets and short-term liabilities, or long-term assets and liabilities with repricing opportunities within one year, or long-term assets and corresponding liabilities where repricing is performed simultaneously.

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

NOTE 29: EARNINGS PER SHARE

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

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

NOTE 30: POST BALANCE SHEET EVENTS

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

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