

**NATIONAL SAVINGS AND
COMMERCIAL BANK LTD.**

**UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED
DECEMBER 31, 2000**

CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Unconsolidated Financial Statements	
Unconsolidated Balance Sheets as at December 31, 2000 and 1999	2
Unconsolidated Statements of Operations for the Years Ended December 31, 2000 and 1999	3
Unconsolidated Statements of Cash Flows for the Years Ended December 31, 2000 and 1999	4
Unconsolidated Statements of Changes in Shareholders' Equity for the Years Ended December 31, 2000 and 1999	5
Notes to Unconsolidated Financial Statements	6-31

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying unconsolidated balance sheets of National Savings and Commercial Bank Ltd. ("the Bank") as at December 31, 2000 and 1999, and the related unconsolidated statements of income, cash flows and changes in equity for the years then ended. These unconsolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these unconsolidated financial statements based on our audits.

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

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

In our opinion, except for the effects on the financial statements of the matter referred to in the preceding paragraph, the financial statements present fairly, in all material respects, the unconsolidated financial position of the Bank as at December 31, 2000 and 1999, and the unconsolidated results of its operations, cash flows and changes in equity for the years then ended in accordance with International Accounting Standards.

Budapest, March 23, 2001

Deloitte & Touche

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
UNCONSOLIDATED BALANCE SHEETS AS AT
DECEMBER 31, 2000 AND 1999
(in HUF mn)

	2000	1999
		(see Note 2.13)
Cash, Due from Banks and Balances with the National Bank of Hungary	492,509	565,239
Placements with Other Banks, Net of Allowance for Possible Placement Losses	223,580	270,272
Trading Securities	168,665	162,327
Loans, Net of Allowance for Possible Loan Losses	625,673	488,760
Accrued Interest Receivable	26,882	22,422
Equity Investments	26,638	23,982
Investments in Debt Securities	283,361	152,426
Premises, Equipment and Intangible Assets, Net	55,673	55,496
Other Assets	<u>17,000</u>	<u>19,178</u>
TOTAL ASSETS	<u>1,919,981</u>	<u>1,760,102</u>
Due to Banks and Deposits from the National Bank of Hungary and Other Banks	44,415	42,208
Deposits from Customers	1,663,932	1,524,688
Liabilities from Issued Securities	1,033	6,848
Accrued Interest Payable	11,093	15,104
Other Liabilities	55,413	48,473
Subordinated Bonds and Loans	<u>17,760</u>	<u>16,634</u>
TOTAL LIABILITIES	<u>1,793,646</u>	<u>1,653,955</u>
Share Capital	28,000	28,000
Retained Earnings and Reserves	107,402	80,196
Treasury Shares	<u>(9,067)</u>	<u>(2,049)</u>
TOTAL SHAREHOLDERS' EQUITY	<u>126,335</u>	<u>106,147</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>1,919,981</u>	<u>1,760,102</u>

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
UNCONSOLIDATED STATEMENT OF OPERATIONS FOR THE YEARS ENDED
DECEMBER 31, 2000 AND 1999
(in HUF mn)

	2000	1999
Interest Income:		
Loans	80,703	81,511
Placements with Other Banks	16,912	23,672
Due from Banks and Balances with the National Bank of Hungary	47,374	46,036
Trading Securities	7,147	14,714
Investments in Debt Securities	<u>33,396</u>	<u>40,304</u>
<i>Total Interest Income</i>	<u>185,532</u>	<u>206,237</u>
Interest Expense:		
Due to Banks and Deposits from the National Bank of Hungary and Other Banks	2,975	4,880
Deposits from Customers	94,441	114,634
Liabilities from Issued Securities	1,107	2,929
Subordinated Bonds and Loans	<u>1,591</u>	<u>1,456</u>
<i>Total Interest Expense</i>	<u>100,114</u>	<u>123,899</u>
NET INTEREST INCOME	85,418	82,338
Provision for Possible Loan Losses	5,683	7,622
(Credit)/Provision for Possible Placement Losses	<u>(56)</u>	<u>263</u>
NET INTEREST INCOME AFTER PROVISION FOR POSSIBLE LOAN AND PLACEMENT LOSSES	79,791	74,453
Non-Interest Income:		
Fees and Commissions	38,220	30,107
Foreign Exchange Gains and Losses, Net	3,052	2,365
Gains and Losses on Securities, Net	2,176	1,908
Gains and Losses on Real Estate Transactions, Net	(85)	437
Dividend Income	160	7,045
Other	<u>1,437</u>	<u>2,368</u>
<i>Total Non-Interest Income</i>	<u>44,960</u>	<u>44,230</u>
Non-Interest Expenses:		
Fees and Commissions	6,374	6,242
Personnel Expenses	24,791	24,285
Depreciation and Amortization	11,663	9,362
Other	<u>41,899</u>	<u>46,720</u>
<i>Total Non-Interest Expenses</i>	<u>84,727</u>	<u>86,609</u>
INCOME BEFORE INCOME TAXES	40,024	32,074
Income Taxes	<u>7,636</u>	<u>5,039</u>
INCOME AFTER INCOME TAXES	<u>32,388</u>	<u>27,035</u>
Earnings Per Share (in HUF)	<u>1,238</u>	<u>1,022</u>

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
UNCONSOLIDATED STATEMENT OF CASH FLOWS FOR THE
YEARS ENDED DECEMBER 31, 2000 AND 1999
(in HUF mn)

	2000	1999
OPERATING ACTIVITIES		
Income After Income Taxes	32,388	27,035
<i>Adjustments to reconcile income after income taxes to net cash provided by operating activities:</i>		
Depreciation and Amortization	11,663	9,362
Provision for Possible Loan Losses	5,683	7,622
(Credit)/Provision for Possible Placement Losses	(56)	263
Lower of Cost and Market Adjustment on Trading Securirites	50	(105)
Provision for Permanent Diminution in Value of Equity Investments	744	5,795
Provision for Possible Losses on Other Assets	1,498	426
(Credit)/Provision for Possible Losses on Off-Balance Sheet Commitments, Contingent Liabilities and Financial Instruments, Net	(344)	688
Effect of Deferred Taxes	(97)	105
<i>Changes in operating assets and liabilities:</i>		
Net (Increase)/Decrease in Accrued Interest Receivable	(4,460)	12,698
Net Decrease/(Increase) in Other Assets, Excluding Advances for Investments and Before Provisions for Possible Losses	797	(6,461)
Net Decrease in Accrued Interest Payable	(4,011)	(3,365)
Net Increase in Other Liabilities	<u>6,883</u>	<u>6,578</u>
Net Cash Provided by Operating Activities	<u>50,738</u>	<u>60,641</u>
INVESTING ACTIVITIES		
Net Decrease/(Increase) in Placements with Other Banks, Before Provision for Possible Placement Losses	46,748	(30,082)
Net Decrease in Trading Securities, Before Lower of Cost and Market Adjustment	47,674	61,740
Net Increase in Equity Investments, Before Provision for Permanent Diminution in Value	(3,400)	(3,994)
Net (Increase)/Decrease in Investments in Debt Securities	(184,997)	103,353
Net Increase in Advances for Investments Included in Other Assets	(20)	(1,259)
Net Increase in Loans, Before Provision for Possible Loan Losses	(142,596)	(59,085)
Net Additions to Premises, Equipment and Intangible Assets	<u>(11,904)</u>	<u>(17,003)</u>
Net Cash (Used in)/Provided by Investing Activities	<u>(248,495)</u>	<u>53,670</u>
FINANCING ACTIVITIES		
Net Increase/(Decrease) in Due to Banks and Deposits from the National Bank of Hungary and Other Banks	2,207	(562)
Net Increase in Deposits from Customers	139,244	112,069
Net Decrease in Liabilities from Issued Securities	(5,815)	(12,054)
Increase in Subordinated Bonds and Loans	1,126	995
Profit/(Loss) on Sale of Treasury Shares	70	(187)
(Increase)/Decrease in Treasury Shares	(7,018)	441
Net Increase in the Compulsory Reserve established by the National Bank of Hungary	(1,247)	(14,446)
Dividends Paid	<u>(4,787)</u>	<u>(4,456)</u>
Net Cash Provided by Financing Activities	<u>123,780</u>	<u>81,800</u>
Net (Decrease)/Increase in Cash and Cash Equivalents	(73,977)	196,111
Cash and Cash Equivalents at Beginning of the Year	<u>383,338</u>	<u>187,227</u>
Cash and Cash Equivalents at the End of the Year	<u>309,361</u>	<u>383,338</u>

The accompanying notes to unconsolidated financial statements on pages 6 to 31 form an integral part of these unconsolidated financial statements 4

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
UNCONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY,
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999
(in HUF mn)**

	Share Capital	Retained Earnings and Reserves	Treasury Shares	Total
Balance as at January 1, 1999 (see Note 2.13)	28,000	58,306	(2,490)	83,816
Income After Income Taxes	-	27,035	-	27,035
Loss on Sale of Treasury Shares	-	(187)	-	(187)
Change in Carrying Value of Treasury Shares	-	-	441	441
Dividends Declared on Common Shares	-	(4,751)	-	(4,751)
Dividends Declared on Preference Shares	-	(207)	-	(207)
Balance as at December 31, 1999 (see Note 2.13)	28,000	80,196	(2,049)	106,147
Income After Income Taxes	-	32,388	-	32,388
Profit on Sale of Treasury Shares	-	70	-	70
Change in Carrying Value of Treasury Shares	-	-	(7,018)	(7,018)
Dividends Proposed on Common Shares	-	(5,207)	-	(5,207)
Dividends Proposed on Preference Shares	-	(45)	-	(45)
Balance as at December 31, 2000	28,000	107,402	(9,067)	126,335

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

NOTE 1: ORGANIZATION AND BASIS OF FINANCIAL STATEMENTS

1.1. General

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

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

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

By public offerings in fall 1997 and fall 1999, the State Privatization and Holding Company sold the remaining common shares. As at December 31, 2000 approximately 93% 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 (3%).

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

1.2 Accounting

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

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

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

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

1.2 Accounting (continued)

Certain of the accounting principles prescribed for statutory purposes are different from those generally recognized in international financial markets. In order to present the unconsolidated financial position and results of operations of the Bank in accordance with International Accounting Standards ("IAS"), certain adjustments have been made to the Bank's Hungarian unconsolidated statutory accounts, (see Note 32).

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of presentation

These unconsolidated financial statements have been prepared under the historical cost convention.

Revenues and expenses are recorded in the period in which they are earned or incurred.

2.2 Foreign currency translation

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

2.3 Consolidated financial statements

These financial statements present the Bank's unconsolidated financial position and results of operations. However, the Bank prepares consolidated financial statements in accordance with International Accounting Standards, the preparation of which is in progress. See Note 2.6 for the description of the method of accounting for investments in subsidiaries and associated companies in these unconsolidated financial statements.

As at December 31, 1999 unconsolidated and consolidated shareholders' equity, in accordance with International Accounting Statements was HUF 106,147 million and HUF 112,493 million, respectively, after the deduction of the carrying value of treasury shares.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.4. Trading securities

Trading securities consist of discounted and interest bearing Treasury bills, Hungarian Government and Social Security bonds, bonds issued by National Bank of Hungary and commercial companies and other securities. Other securities include shares in commercial companies, shares in investment funds and bonds issued by Hungarian municipalities.

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

Gains and losses on the sale of trading securities are determined on the basis of the specific identification of the cost of each security.

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

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

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

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.6. Equity investments

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

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

2.7. Investments in debt securities

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

2.8. Premises, equipment and intangible assets

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

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

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.8. Premises, equipment and intangible assets (continued)

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

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

2.9. Treasury shares

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

2.10 Income taxes

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

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

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

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

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

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.12. Unconsolidated statement of cash flows

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

2.13. Change in accounting policy

Effective January 1, 2000, as a result of the introduction of Standing Interpretations Committee SIC No. 16, Share Capital – Reacquired Own Equity Instruments (Treasury Shares), the Bank has changed its accounting policy regarding the presentation of treasury shares in its Unconsolidated Balance Sheet. As a result of this change in accounting policy, the Unconsolidated Balance Sheet as at December 31, 1999 has been restated. Treasury shares with a book value of HUF 2,049 million have been reclassified from Trading Securities to a component of unconsolidated shareholders' equity.

2.14. Recently issued/adopted International Accounting Standards

Effective January 1, 2001, the Bank is required to adopt IAS No. 39, Financial Instruments: Recognition and Measurement which establishes principles for recognising, measuring and disclosing information about financial assets and financial liabilities. This standard significantly increases the use of fair values in accounting for financial instruments. The standard is not expected to have a material impact upon the Bank, however a complete evaluation of the potential effect at December 31, 2000 has not been performed.

2.15. Comparative figures

Certain other amounts in the 1999 unconsolidated financial statements have been reclassified to conform with current year presentation.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

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

	2000	1999
Cash on hand:		
In HUF	32,986	49,523
In foreign currency	<u>5,559</u>	<u>3,988</u>
	<u>38,545</u>	<u>53,511</u>
Due from banks and balances with NBH:		
Short-term:		
In HUF	400,904	474,141
In foreign currency	<u>48,727</u>	<u>29,713</u>
	<u>449,631</u>	<u>503,854</u>
Long-term:		
In foreign currency	<u>4,333</u>	<u>7,874</u>
	<u>492,509</u>	<u>565,239</u>

Based on the requirements for compulsory reserves set by the National Bank of Hungary, the balance of compulsory reserves amounted to approximately HUF 183,148 million and HUF 181,901 million as at December 31, 2000 and 1999, respectively.

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

	2000	1999
Short-term:		
In HUF	78,825	88,925
In foreign currency	<u>126,757</u>	<u>173,947</u>
	<u>205,582</u>	<u>262,872</u>
Long-term:		
In HUF	8,300	300
In foreign currency	<u>9,881</u>	<u>7,339</u>
	<u>18,181</u>	<u>7,639</u>
Total	<u>223,763</u>	<u>270,511</u>
Allowance for possible placement losses	<u>(183)</u>	<u>(239)</u>
	<u>223,580</u>	<u>270,272</u>

Placements with other banks in foreign currency as at December 31, 2000 and 1999 bear interest rates in the range from 3.1% to 9.4% and from 1.5% to 8.2%, respectively.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

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

Placements with other banks in HUF as at December 31, 2000 and 1999 bear interest rates in the range from 9.8% to 12.5% and from 12.3% to 16.2%, respectively.

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

	2000	1999
Balance as at January 1	239	1,738
(Credit)/provision for possible placement losses	(56)	263
Write-offs	<u>-</u>	(1,762)
Balance as at December 31	<u>183</u>	<u>239</u>

NOTE 5: TRADING SECURITIES (in HUF mn)

	2000	1999
Hungarian Government discounted Treasury bills	17,649	63,783
Hungarian Government interest bearing Treasury bills	278	1,578
Hungarian Government bonds and Social Security bonds	86,581	96,130
Bonds issued by the National Bank of Hungary	61,569	-
Other securities	<u>2,638</u>	<u>836</u>
	<u>168,715</u>	<u>162,327</u>
Lower of cost and market adjustment	<u>(50)</u>	<u>-</u>
	<u>168,665</u>	<u>162,327</u>

Trading securities are primarily denominated in HUF. Interest rates on trading securities ranged from 4.3% to 16% and from 4% to 18.5% as at December 31, 2000 and 1999, respectively.

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

	2000	1999
Balance as at January 1	-	105
Lower of cost and market adjustment	<u>50</u>	(105)
Balance as at December 31	<u>50</u>	<u>=</u>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

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

	2000	1999
Short-term loans and trade bills (within one year)	308,374	231,785
Long-term loans and trade bills (over one year)	<u>337,115</u>	<u>279,419</u>
	<u>645,489</u>	<u>511,204</u>
Allowance for possible loan losses	<u>(19,816)</u>	<u>(22,444)</u>
	<u>625,673</u>	<u>488,760</u>

Foreign currency loans represent approximately 25% and 22% of the loan portfolio, before allowance for possible losses, as at December 31, 2000 and 1999, respectively.

Loans denominated in HUF, with a maturity within one year as at December 31, 2000 and 1999, bear interest rates in the range from 17% to 29% and from 21% to 29%, respectively.

Loans denominated in HUF, with a maturity over one year as at December 31, 2000 and 1999, bear interest rates in the range from 13.4% to 24.3% and from 15% to 25.5%, respectively.

Approximately 9% and 11% of the gross loan portfolio represented loans on which interest is not being accrued as at December 31, 2000 and 1999, respectively.

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

	2000		1999	
Commercial loans	406,011	63%	302,697	59%
Municipality loans	53,727	8%	45,652	9%
Housing loans	103,293	16%	95,001	19%
Consumer loans	<u>82,458</u>	<u>13%</u>	<u>67,854</u>	<u>13%</u>
	<u>645,489</u>	<u>100%</u>	<u>511,204</u>	<u>100%</u>

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

	2000	1999
Balance as at January 1	22,444	18,629
Provision for possible loan losses	5,683	7,622
Write-offs	<u>(8,311)</u>	<u>(3,807)</u>
Balance as at December 31	<u>19,816</u>	<u>22,444</u>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

NOTE 7: EQUITY INVESTMENTS (in HUF mn)

	2000	1999
Equity investments:		
Controlling interest	30,361	27,352
Significant interest	4,458	3,561
Other	<u>874</u>	<u>1,380</u>
	<u>35,693</u>	<u>32,293</u>
Allowance for permanent diminution in value	<u>(9,055)</u>	<u>(8,311)</u>
	<u>26,638</u>	<u>23,982</u>

As at December 31, 2000 and 1999, except as follows, all investments were in companies incorporated in Hungary. As at December 31, 2000 and 1999, the Bank held an investment in a company incorporated in the United Kingdom, the carrying value of which is HUF 1,192 million and HUF 1,143 million, respectively.

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

	December 31, 2000		December 31, 1999	
	% Held	Cost	% Held	Cost
	(direct and indirect)		(direct and indirect)	
OTP Garancia Insurance Ltd.	100%	5,972	100%	4,874
OTP Real Estate Ltd.	100%	1,175	100%	1,175
OTP Securities Ltd.	100%	750	100%	750
Merkantil Bank Ltd.	100%	1,600	100%	1,600
OTP Building Society Ltd.	100%	1,950	100%	1,950
HIF Ltd.	100%	1,192	100%	1,143
Bank Center No. 1. Ltd.	100%	9,364	100%	9,364
OTP Factoring Ltd.	100%	150	100%	150
INGA One Ltd.	100%	407	100%	407
INGA Two Ltd.	100%	5,892	100%	5,892
OTP Funds Servicing and Consulting Ltd.	100%	242		-
OTP Fund Management Ltd.	100%	1,653	100%	33
Other	100%	<u>14</u>	100%	<u>14</u>
		<u>30,361</u>		<u>27,352</u>

During 1999 Bank Center No. 1. Ltd. sold the office building which represented its primary asset. As a result of this transaction, Bank Center No. 1. Ltd. paid a dividend of HUF 6,820 million to the Bank and as at December 31, 1999 the Bank recorded a provision for permanent diminution in value of HUF 3,006 million against the equity investment in Bank Center No. 1. Ltd.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

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

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

	2000	1999
Balance as at January 1	8,311	2,516
Provision for permanent diminution in value	<u>744</u>	<u>5,795</u>
Balance as at December 31	<u>9,055</u>	<u>8,311</u>

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

	2000	1999
Government securities	272,067	139,718
Other debt securities	<u>11,294</u>	<u>12,708</u>
	<u>283,361</u>	<u>152,426</u>

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

	2000	1999
Within five years, variable interest	103,413	32,187
Within five years, fixed interest	<u>142,634</u>	<u>55,915</u>
	<u>246,047</u>	<u>88,102</u>
Over five years, variable interest	17,503	61,616
Over five years, fixed interest	<u>19,811</u>	<u>2,708</u>
	<u>37,314</u>	<u>64,324</u>
Total	<u>283,361</u>	<u>152,426</u>

Approximately 92% and 84% of the debt securities portfolio was denominated in HUF as at December 31, 2000 and 1999, respectively. In most cases, interest on variable rate securities is based on the interest rates of 90 day Hungarian Government Treasury bills and is adjusted semi-annually.

Interest rates on fixed interest securities denominated in HUF ranged from 7.5% to 16% and from 9.5% to 16% as at December 31, 2000 and 1999, respectively. Interest on fixed rate and variable rate securities is, in most cases, paid semi-annually.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

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

	2000	1999
Land and buildings	32,494	28,011
Machinery and equipment	45,047	39,447
Construction in progress	1,640	5,194
Intangible assets	<u>21,147</u>	<u>17,473</u>
	<u>100,328</u>	<u>90,125</u>
Accumulated depreciation and amortization	(44,655)	(34,629)
	<u>55,673</u>	<u>55,496</u>

NOTE 10: OTHER ASSETS (in HUF mn)

	2000	1999
Receivables due to collection of Hungarian Government securities	256	316
Property held for sale	1,189	1,680
Due from Government for interest subsidies	510	770
Trade receivables	2,183	1,862
Advances for securities and investments	534	514
Deferred tax asset	332	235
Taxes recoverable	96	350
Inventories	1,137	1,222
Other advances	503	1,259
Credits sold under deferred payment scheme	5,668	1,177
Subsidies paid on behalf of the Government	804	749
Dividends receivable from Bank Center No. 1. Ltd.	-	6,820
Margin account balance	58	-
Accounts with investment and pension funds	91	14
Settlement accounts	2,007	2,378
Other	<u>4,540</u>	<u>1,242</u>
	<u>19,908</u>	<u>20,588</u>
Allowance for possible losses on other assets	(2,908)	(1,410)
	<u>17,000</u>	<u>19,178</u>

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

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

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:

	2000	1999
Balance as at January 1	1,410	984
Provision for possible losses on other assets	<u>1,498</u>	<u>426</u>
Balance as at December 31	<u>2,908</u>	<u>1,410</u>

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

	2000	1999
Within one year:		
In HUF	4,714	10,622
In foreign currency	<u>22,215</u>	<u>9,790</u>
	<u>26,929</u>	<u>20,412</u>
Over one year:		
In HUF	10,033	12,908
In foreign currency	<u>7,453</u>	<u>8,888</u>
	<u>17,486</u>	<u>21,796</u>
Total	<u>44,415</u>	<u>42,208</u>

Due to banks and deposits from the National Bank of Hungary and other banks payable in HUF within one year as at December 31, 2000 and 1999, bear interest rates in the range from 10.8% to 11.8% and from 12.3% to 14%, 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, 2000 and 1999, bear interest rates in the range from 3% to 11% and from 3% to 15.5%, respectively.

Due to banks and deposits from the National Bank of Hungary and other banks payable in foreign currency within one year as at December 31, 2000 and 1999, bear interest rates in the range from 2% and 6.9% and from 1.9% and 7.1%, respectively.

Due to banks and deposits from the National Bank of Hungary and other banks payable in foreign currency over one year as at December 31, 2000 and 1999, bear interest rates in the range from 5% and 8% and from 1.2% to 9.2%, respectively.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

NOTE 12: DEPOSITS FROM CUSTOMERS (in HUF mn)

	2000	1999
Within one year:		
In HUF	1,289,578	1,159,722
In foreign currency	<u>349,454</u>	<u>325,402</u>
	<u>1,639,032</u>	<u>1,485,124</u>
Over one year:		
In HUF	<u>24,900</u>	<u>39,564</u>
Total	<u>1,663,932</u>	<u>1,524,688</u>

Deposits from customers payable in HUF within one year as at December 31, 2000 and 1999, bear interest rates in the range from 1% and 8.5% and from 3% to 11.8%, respectively.

Deposits from customers payable in HUF over one year as at December 31, 2000 and 1999, bear interest rates in the range from 6.5% and 9.5% and from 9.8% to 11.8%, respectively.

Deposits from customers payable in foreign currency as at December 31, 2000 and 1999, bear interest rates in the range from 0.1% to 4% and from 0.1% to 4.2%, respectively.

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

	2000	1999
With original maturity:		
Within one year	883	2,080
Over one year	<u>150</u>	<u>4,768</u>
	<u>1,033</u>	<u>6,848</u>

Liabilities from issued securities are denominated in HUF at interest rates in the range from 6% to 8.8% and from 7% to 10.8% as at December 31, 2000 and 1999, respectively.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

NOTE 14: OTHER LIABILITIES (in HUF mn)

	2000	1999
Taxes payable	2,227	1,173
Giro clearing accounts	15,977	12,031
Accounts payable	3,903	3,922
Liabilities from finance leases	-	64
Salaries and social security payable	3,380	3,732
Liabilities from security trading	9,134	4,557
Allowances for possible losses on off-balance sheet commitments, contingent liabilities and financial instruments	2,345	3,039
Margin account balance	-	84
Dividends payable	5,789	5,324
Accrued expenses	2,854	5,078
Suspense accounts	3,720	4,506
Other	<u>6,084</u>	<u>4,963</u>
	<u>55,413</u>	<u>48,473</u>

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

	2000	1999
Allowance for litigation	995	1,042
Allowance for other off-balance sheet commitments, contingent liabilities and financial instruments	900	1,197
Allowance for housing warranties	<u>450</u>	<u>800</u>
Balance as at December 31	<u>2,345</u>	<u>3,039</u>

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

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

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

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

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

	2000	1999
Balance as at January 1	3,039	3,051
(Credit)/provision for off-balance sheet commitments, contingent liabilities and financial instruments, net	(344)	688
Write-off of allowance for housing warranties	<u>(350)</u>	<u>(700)</u>
Balance as at December 31	<u>2,345</u>	<u>3,039</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 7.03% as at June 20, 2000 and 5.57% as at December 20, 2000. The original maturity was 20 years. The proceeds of the subordinated bonds were invested in Hungarian Government bonds with similar interest conditions and maturity.

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

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

NOTE 16: SHARE CAPITAL (in HUF mn)

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

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

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).

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

	2000	1999
Balance as at January 1	80,196	58,306
Income after income taxes	32,388	27,035
Profit/(loss) on sale of Treasury Shares	70	(187)
Dividends	<u>(5,252)</u>	<u>(4,958)</u>
Balance as at December 31	<u>107,402</u>	<u>80,196</u>

The Bank's reserves under Hungarian Accounting Standards were HUF 99,501 million and HUF 72,653 million as at December 31, 2000 and 1999, respectively. Of these amounts, legal reserves represent HUF 25,610 million and HUF 22,362 million, respectively. The legal reserve is not available for distribution.

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

Dividends for the year ended December 31, 2000 represent the dividends to be proposed to the Bank's shareholders by management of the Bank at the forthcoming Annual General Meeting.

NOTE 18: TREASURY SHARES (in HUF mn)

	2000	1999
Nominal value (Common Shares)	<u>813</u>	<u>458</u>
Carrying value	<u>9,067</u>	<u>2,049</u>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

NOTE 19: OTHER EXPENSES (in HUF mn)

	2000	1999
Lower of cost and market adjustment on trading securities	50	(105)
Provision for permanent diminution in value of equity investments	744	5,795
Provision for other assets	1,498	426
(Credit)/provision for possible losses on off-balance sheet commitments, contingent liabilities and financial instruments	(344)	688
Administration expenses, including rent	15,176	16,391
Advertising	2,057	2,181
Taxes, other than income	7,965	8,044
Services	10,248	10,574
Professional fees	2,178	2,213
Other	<u>2,327</u>	<u>513</u>
	<u>41,899</u>	<u>46,720</u>

NOTE 20: INCOME TAXES (in HUF mn)

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

A reconciliation of the income tax charge is as follows:

	2000	1999
Current tax	7,733	4,934
Deferred tax	<u>(97)</u>	<u>105</u>
	<u>7,636</u>	<u>5,039</u>

A reconciliation of the deferred tax asset is as follows:

	2000	1999
Balance as at January 1	235	340
Deferred tax credit/(charge)	<u>97</u>	<u>(105)</u>
Balance as at December 31	<u>332</u>	<u>235</u>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

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

A reconciliation of the income tax charge is as follows:

	2000	1999
Income before income taxes	40,024	32,074
Permanent differences due to movements		
in statutory provisions	737	1,301
Dividend income	(160)	(7,045)
Other permanent differences	<u>1,822</u>	<u>1,662</u>
Adjusted tax base	<u>42,423</u>	<u>27,992</u>
Income tax at 18%	<u>7,636</u>	<u>5,039</u>

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

	2000	1999
Commitments:		
Forward purchase commitments, foreign exchange	47,289	27,912
Forward purchase commitments, securities	-	26,751
Repurchase agreements	<u>15</u>	<u>144</u>
	<u>47,304</u>	<u>54,807</u>
Contingent liabilities:		
Commitments to extend credit	157,403	145,917
Guarantees arising from banking activities	15,892	14,917
Confirmed letters of credit	988	3,163
Options	12,555	12,155
Local tax contingency	<u>542</u>	<u>542</u>
	<u>187,380</u>	<u>176,694</u>
Total	<u>234,684</u>	<u>231,501</u>

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

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

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

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

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

NOTE 22: RELATED PARTY TRANSACTIONS

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

During the year ended December 31, 2000 and 1999 the Bank sold, without recourse, non-performing loans and the related accrued interest receivable to OTP Factoring for HUF 2,030 million and HUF 808 million, respectively. The gross book value of such credits was HUF 9,895 million and HUF 4,657 million, respectively, with a corresponding allowance for possible loan losses of HUF 7,005 million and HUF 4,098 million, respectively. The underlying mortgage rights were also transferred to OTP Factoring. Gains or losses related to such transactions are included in the unconsolidated financial statements.

Commissions received by the Bank from OTP Securities in relation to securities transactions were HUF 1,076 million and HUF 1,500 million for the years ended December 31, 2000 and 1999, respectively. Gains recorded by the Bank from the sale of securities to OTP Securities were HUF 817 million and HUF 500 million for the years ended December 31, 2000 and 1999, respectively.

Commissions received by the Bank from OTP Building Society in relation to finalised customer contracts were HUF 291 million and HUF 214 million for the years ended December 31, 2000 and 1999, respectively.

Insurance premiums paid by the Bank to OTP Garancia Insurance were HUF 549 million and HUF 613 million for the years ended December 31, 2000 and 1999, respectively.

Commissions received by the Bank from OTP Fund Management Ltd. in relation to custody activity were HUF 258 million and HUF 153 million in relation to trading activity were HUF 1,265 million and HUF 744 million for the years ended December 31, 2000 and 1999, respectively.

Commissions received by the Bank from OTP Real Estate Ltd. in relation to its activity were HUF 961 million and HUF 829 million for the years ended December 31, 2000 and 1999, respectively.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

NOTE 22: RELATED PARTY TRANSACTIONS [continued]

Revenue from the sale of real estate during the year ended December 31, 2000 and 1999 to OTP Real Estate Fund Management, were HUF 178 million and HUF 39 million, respectively. The net book value of such real estate was HUF 307 million and HUF 74 million, respectively.

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

NOTE 23: NON-CASH INVESTING AND FINANCING ACTIVITIES (in HUF mn)

Investments amounting to HUF 54,062 million, reclassified by the Bank in 2000 from Investment in Debt Securities to Trading Securities, have been excluded from the Unconsolidated Statement of Cash Flows for 2000.

NOTE 24: CASH AND CASH EQUIVALENTS (in HUF mn)

	2000	1999
Cash, due from banks and balances with the NBH	492,509	565,239
Compulsory reserve established by the NBH	(183,148)	(181,901)
	<u>309,361</u>	<u>383,338</u>

NOTE 25: TRUST ACTIVITIES

The Bank acts as a trustee for certain loans granted by companies or employers to their employees, mainly for housing purposes. The ultimate risk for these loans rests with the party advancing the funds. As these loans and related funds are not considered to be assets or liabilities of the Bank, they have been excluded from the accompanying Unconsolidated Balance Sheet. The total amount of such loans managed by the Bank as a trustee amounted to HUF 42,955 million and HUF 42,361 million as at December 31, 2000 and 1999, respectively.

NOTE 26: CONCENTRATION OF ASSETS AND LIABILITIES

Approximately 46% of the Bank's total assets consisted of receivables from, or securities issued by, the Hungarian Government or the National Bank of Hungary as at December 31, 2000 and 1999. There were no other significant concentrations of the Bank's assets or liabilities as at December 31, 2000 and 1999, respectively.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

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

As at December 31, 2000

	Short-term (within one year)	Long-term	Total
Cash, Due from Banks and Balances with the National Bank of Hungary	488,176	4,333	492,509
Placements with Other Banks, Net of Allowance for Possible Placement	205,399	18,181	223,580
Losses			
Trading Securities	168,665	-	168,665
Loans, Net of Allowance for Possible Loan Losses	300,967	324,706	625,673
Accrued Interest Receivable	26,882	-	26,882
Investments	-	26,638	26,638
Investments in Debt Securities	42,709	240,652	283,361
Premises, Equipment and Intangible Assets, Net	-	55,673	55,673
Other Assets	<u>17,000</u>	<u>-</u>	<u>17,000</u>
TOTAL ASSETS	<u>1,249,798</u>	<u>670,183</u>	<u>1,919,981</u>
Due to Banks and Deposits from the National			
Bank of Hungary and Other Banks	26,929	17,486	44,415
Deposits from Customers	1,639,032	24,900	1,663,932
Liabilities from Issued Securities	883	150	1,033
Accrued Interest Payable	11,093	-	11,093
Other Liabilities	55,413	-	55,413
Subordinated Bonds and Loans	<u>-</u>	<u>17,760</u>	<u>17,760</u>
TOTAL LIABILITIES	<u>1,733,350</u>	<u>60,296</u>	<u>1,793,646</u>
Share Capital	-	28,000	28,000
Retained Earnings and Reserves	-	107,402	107,402
Treasury Shares	<u>(9,067)</u>	<u>-</u>	<u>(9,067)</u>
TOTAL SHAREHOLDERS' EQUITY	<u>(9,067)</u>	<u>135,402</u>	<u>126,335</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>1,724,283</u>	<u>195,698</u>	<u>1,919,981</u>
LIQUIDITY (DEFICIENCY)/EXCESS	<u>(474,485)</u>	<u>474,485</u>	<u>-</u>

Deposits from Customers represent 92.8 % of Total Liabilities. From this amount, HUF 493,442 million represent deposits repayable on demand, (see also Note 30).

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

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

As at December 31, 1999

	Short-term (within one year)	Long-term	Total
Cash, Due from Banks and Balances with the National Bank of Hungary	557,365	7,874	565,239
Placements with Other Banks, Net of Allowance for Possible Placement	262,633	7,639	270,272
Losses			
Trading Securities	162,327	-	162,327
Loans, Net of Allowance for Possible Loan Losses	219,729	269,031	488,760
Accrued Interest Receivable	22,422	-	22,422
Investments	-	23,982	23,982
Investments in Debt Securities	26,086	126,340	152,426
Premises, Equipment and Intangible Assets, Net	-	55,496	55,496
Other Assets	<u>19,178</u>	<u>-</u>	<u>19,178</u>
TOTAL ASSETS	<u>1,269,740</u>	<u>490,362</u>	<u>1,760,102</u>
Due to Banks and Deposits from the National			
Bank of Hungary and Other Banks	20,412	21,796	42,208
Deposits from Customers	1,485,124	39,564	1,524,688
Liabilities from Issued Securities	2,081	4,767	6,848
Accrued Interest Payable	15,104	-	15,104
Other Liabilities	48,473	-	48,473
Subordinated Bonds and Loans	<u>-</u>	<u>16,634</u>	<u>16,634</u>
TOTAL LIABILITIES	<u>1,571,194</u>	<u>82,761</u>	<u>1,653,955</u>
Share Capital	-	28,000	28,000
Retained Earnings and Reserves	-	80,196	80,196
Treasury Shares	<u>(2,049)</u>	<u>-</u>	<u>(2,049)</u>
TOTAL SHAREHOLDERS' EQUITY	<u>(2,049)</u>	<u>108,196</u>	<u>106,147</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>1,569,145</u>	<u>190,957</u>	<u>1760,102</u>
LIQUIDITY (DEFICIENCY)/EXCESS	<u>(299,405)</u>	<u>299,405</u>	<u>-</u>

Deposits from Customers represent 92.2 % of Total Liabilities. From this amount, HUF 431,376 million represent deposits repayable on demand, (see also Note 30).

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

NOTE 28: NET FOREIGN CURRENCY POSITION AND FOREIGN CURRENCY RISK (in HUF mn)

As at December 31, 2000

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

As at December 31, 1999

	USD	EUR	Others	Total
Assets	139,327	174,398	47,660	361,385
Liabilities	(136,794)	(171,278)	(47,497)	(355,569)
Off-balance sheet assets and				
liabilities, net	<u>(28)</u>	<u>2,099</u>	<u>36</u>	<u>2,107</u>
Net position	<u><u>2,505</u></u>	<u><u>5,219</u></u>	<u><u>199</u></u>	<u><u>7,923</u></u>

EUR includes items denominated in EURO, DEM and ATS

NOTE 29: FAIR VALUE ANALYSIS OF MONETARY ASSETS AND LIABILITIES (in HUF mn)

	2000	1999
Trading Securities and Investments in Debt Securities:		
Carrying Value	<u>452,026</u>	<u>314,753</u>
Fair Value	<u>451,769</u>	<u>331,334</u>

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

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

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

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

NOTE 30: INTEREST RATE RISK MANAGEMENT

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

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

NOTE 31: EARNINGS PER SHARE

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

	2000	1999
Income after income taxes (in HUF mn)	32,388	27,035
Proposed/declared preference dividends (in HUF mn)	<u> (45)</u>	<u> (207)</u>
Income after income taxes for the year attributable to common shareholders (in HUF mn)	<u>32,343</u>	<u>26,828</u>
Weighted average number of common shares outstanding during the year (piece)	<u>26,132,521</u>	<u>26,244,367</u>
Earnings per share (in HUF)	<u>1,238</u>	<u>1,022</u>

The weighted average number of common shares outstanding during the period does not include own shares held. For the year ended December 31, 2000 the Bank will not pay dividends on preference shares with a nominal value of HUF 928 million, which were repurchased by the Bank during the first quarter of the year ended December 31, 2001.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999**

NOTE 32: RECONCILIATION OF FINANCIAL STATEMENTS PREPARED UNDER HUNGARIAN ACCOUNTING STANDARDS AND FINANCIAL STATEMENTS PREPARED UNDER IAS (in HUF mn)

	Retained Earnings and Reserves January 1, 2000	Income for the Year Ended December 31, 2000	Dividends	Direct Movements on Reserves	Retained Earnings and Reserves December 31, 2000
Hungarian financial statements	72,653	32,483	(5,252)	(383)	99,501
Adjustments to Hungarian financial statements:					
Reversal of statutory general provision	7,444	1,105	-	-	8,549
Reversal of statutory provision for net foreign currency position	452	(382)	-	-	70
Reversal of statutory country risk provision	566	14	-	-	580
Premium and discount amortization on investment securities	280	(1,193)	-	-	(913)
Allowance for possible loan losses	(1,340)	-	-	-	(1,340)
Allowance for possible losses on off-balance sheet commitments, contingent liabilities and financial instruments	(800)	350	-	-	(450)
Increase of investment in subsidiary	950	62	-	-	1,012
Difference in accounting for finance leases	(252)	313	-	-	61
Deferred taxation	235	97	-	-	332
Difference in accounting for off-balance sheet financial instruments	(534)	(8)	-	-	(542)
Profit on sale of Treasury Shares	-	(70)	-	70	-
Reclassification of direct charges	-	(383)	-	383	-
Reclassification of 1999 direct charge related to local tax	<u>542</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>542</u>
International financial statements	<u>80,196</u>	<u>32,388</u>	<u>(5,252)</u>	<u>70</u>	<u>107,402</u>