



**NATIONAL SAVINGS AND
COMMERCIAL BANK LTD.**

**CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
DECEMBER 31, 2000 AND 1999**

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of National Savings and Commercial Bank Ltd. and its subsidiaries ("the Bank") as at December 31, 2000 and 1999, and the related consolidated statements of income, cash flows and changes in 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 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.

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

Budapest, March 27, 2001

Deloitte & Touche

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

	<i>2000</i>	<i>1999</i> <i>(see Note 2.16.)</i>
Cash, Due from Banks and Balances with the National Bank of Hungary	497,493	567,759
Placements with Other Banks, Net of Allowance for Possible Placement Losses	216,354	258,594
Trading Securities	215,395	195,165
Loans, Net of Allowance for Possible Loan Losses	650,902	522,959
Accrued Interest Receivable	28,480	23,809
Equity Investments	7,413	5,413
Investments in Debt Securities	312,209	167,307
Premises, Equipment and Intangible Assets, Net	70,097	68,002
Other Assets	<u>54,813</u>	<u>52,044</u>
TOTAL ASSETS	<u>2,053,156</u>	<u>1,861,052</u>
Due to Banks and Deposits from the National Bank of Hungary and Other Banks	51,945	61,636
Deposits from Customers	1,697,966	1,547,425
Liabilities from Issued Securities	30,445	17,400
Accrued Interest Payable	13,638	16,982
Other Liabilities	108,754	88,482
Subordinated Bonds and Loans	<u>17,760</u>	<u>16,634</u>
TOTAL LIABILITIES	<u>1,920,508</u>	<u>1,748,559</u>
Share Capital	28,000	28,000
Retained Earnings and Reserves	123,504	89,651
Treasury Shares	<u>(18,856)</u>	<u>(5,158)</u>
TOTAL SHAREHOLDERS' EQUITY	<u>132,648</u>	<u>112,493</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>2,053,156</u>	<u>1,861,052</u>

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999
(in HUF mm)

	2000	1999
Interest Income:		
Loans	91,597	91,137
Placements with Other Banks	16,153	21,658
Due from Banks and Balances with the National Bank of Hungary	47,702	46,289
Trading Securities	12,227	17,680
Investments in Debt Securities	<u>35,423</u>	<u>41,625</u>
<i>Total Interest Income</i>	<u>203,102</u>	<u>218,389</u>
Interest Expense:		
Due to Banks and Deposits from the National Bank of Hungary and Other Banks	4,435	6,925
Deposits from Customers	94,961	115,267
Liabilities from Issued Securities	3,686	4,021
Subordinated Bonds and Loans	1,591	1,456
Other	<u>39</u>	<u>37</u>
<i>Total Interest Expense</i>	<u>104,712</u>	<u>127,706</u>
NET INTEREST INCOME	98,390	90,683
Provision for Possible Loan Losses	5,674	9,287
(Credit)/Provision for Possible Placement Losses	<u>(56)</u>	<u>263</u>
NET INTEREST INCOME AFTER PROVISION FOR POSSIBLE LOAN AND PLACEMENT LOSSES	92,772	81,133
Non-Interest Income:		
Fees and Commissions	41,161	33,712
Foreign Exchange Gains and Losses, Net	1,805	2,305
Gains and Losses on Securities, Net	3,050	2,197
Gains and Losses on Real Estate Transactions, Net	1,892	2,345
Dividend Income	588	431
Insurance Premiums	36,163	24,623
Other	<u>3,445</u>	<u>11,576</u>
<i>Total Non-Interest Income</i>	<u>88,104</u>	<u>77,189</u>
Non-Interest Expenses:		
Fees and Commissions	8,219	8,228
Personnel Expenses	32,020	30,605
Depreciation and Amortization	13,363	10,810
Other	<u>79,530</u>	<u>69,974</u>
<i>Total Non-Interest Expenses</i>	<u>133,132</u>	<u>119,617</u>
INCOME BEFORE INCOME TAXES	47,744	38,705
Income Taxes	<u>(8,991)</u>	<u>(8,000)</u>
NET INCOME	<u>38,753</u>	<u>30,705</u>
Consolidated Earnings Per Share (in HUF)	<u>1,512</u>	<u>1,169</u>

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2000 AND 1999
(in HUF mm)

OPERATING ACTIVITIES	<i>2000</i>	<i>1999</i>
Net Income	38,753	30,705
<i>Adjustments to reconcile Net Income</i>		
<i>to Net Cash Provided by Operating Activities</i>		
Depreciation and Amortization	13,363	10,810
Provision for Possible Loan Losses	5,674	9,287
(Credit)/Provision for Possible Placement Losses	(56)	263
Lower of Cost and Market Adjustment on Trading Securities	(29)	(110)
Provision for Permanent Diminution in Value of Investments	1,266	2,857
Provision for Possible Losses on Other Assets	2,081	591
Provision for Possible Losses on Off-Balance Sheet Commitments, Contingent Liabilities and Financial Instruments, Net	460	1,121
Net Income from Accounting for Associates Under the Equity Method of Accounting	117	37
Net Increase in Insurance Reserves	16,089	11,633
Effect of Deferred Taxes	(148)	607
Gain from Sale of Subsidiaries	--	444
<i>Changes in operating assets and liabilities</i>		
Net (Increase)/Decrease in Accrued Interest Receivable	(4,671)	12,321
Net Increase in Other Assets, Excluding Advances for Investments and Before Allowance for Possible Losses	(4,912)	(11,691)
Net Decrease in Accrued Interest Payable	(3,344)	(3,412)
Net Increase in Other Liabilities, Before Provision for Possible Losses on Off-Balance Sheet Commitments, Contingent Liabilities and Financial Instruments and Increase in Insurance Reserves	<u>3,530</u>	<u>7,714</u>
Net Cash Provided by Operating Activities	<u>68,173</u>	<u>73,177</u>
INVESTING ACTIVITIES		
Net Decrease/(Increase) in Placements with Other Banks, before Provision for Possible Placement Losses	42,296	(29,080)
Net Decrease in Trading Securities, before Lower of Cost and Market Adjustment	33,861	44,053
Net Cash Used in Sale and Purchase of Investments	(3,383)	(4,879)
Net (Increase)/Decrease in Investments in Debt Securities	(198,964)	92,727
Net Decrease/(Increase) in Advances for Investments, included in Other Assets	210	(1,507)
Net Increase in Loans, Before Allowance for Possible Loan Losses	(133,617)	(69,831)
Net Additions to Premises, Equipment and Intangible Assets	<u>(15,522)</u>	<u>(10,427)</u>
Net Cash (Used in)/Provided by Investing Activities	<u>(275,119)</u>	<u>21,056</u>
FINANCING ACTIVITIES		
Net (Decrease)/Increase in Due to Banks and Deposits from the National Bank of Hungary and Other Banks	(9,691)	4,435
Net Increase in Deposits from Customers	150,541	123,252
Net Increase/(Decrease) in Liabilities from Issued Securities	13,045	(8,326)
Net Increase in Subordinated Bonds and Loans	1,126	995
Gain/(Loss) on Sale of Treasury Shares	70	(187)
Translation Gain	74	181
(Increase)/Decrease in Treasury Shares	(13,698)	397
Net Increase in Compulsory Reserves at National Bank of Hungary	(3,713)	(15,062)
Dividends Paid	<u>(4,787)</u>	<u>(4,456)</u>
Net Cash Provided by Financing Activities	<u>132,967</u>	<u>101,229</u>
Net (Decrease)/Increase in Cash and Cash Equivalents	<u>(73,979)</u>	<u>195,462</u>
Cash and Cash Equivalents at the Beginning of the year	<u>383,248</u>	<u>187,786</u>
Cash and Cash Equivalents at the End of the year	<u>309,269</u>	<u>383,248</u>

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

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

	<u>Share Capital</u>	<u>Retained Earnings and Reserves</u>	<u>Treasury Shares</u>	<u>Total</u>
Balance as at January 1, 1999 (see Note 2.16.)	28,000	63,910	(5,555)	86,355
Income after Income Taxes and before Minority Interest	--	30,705	--	30,705
Loss on Sale of Treasury Shares	--	(187)	--	(187)
Change in Carrying Value of Treasury Shares	--	--	397	397
Dividends Declared on Common Shares	--	(4,751)	--	(4,751)
Dividends Declared on Preference Shares	--	(207)	--	(207)
Translation Gain	<u>--</u>	<u>181</u>	<u>--</u>	<u>181</u>
Balance as at December 31, 1999 (see Note 2.16.)	<u>28,000</u>	<u>89,651</u>	<u>(5,158)</u>	<u>112,493</u>
Income after Income Taxes and before Minority Interest	--	38,753	--	38,753
Profit on Sale of Treasury Shares	--	70	--	70
Change in Carrying Value of Treasury Shares	--	--	(13,698)	(13,698)
Dividends Proposed on Common Shares	--	(4,999)	--	(4,999)
Dividends Proposed on Preference Shares	--	(45)	--	(45)
Translation Gain	<u>--</u>	<u>74</u>	<u>--</u>	<u>74</u>
Balance as at December 31, 2000	<u>28,000</u>	<u>123,504</u>	<u>(18,856)</u>	<u>132,648</u>

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

NOTE 1: ORGANIZATION AND BASIS OF CONSOLIDATED FINANCIAL STATEMENTS

1.1. General

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

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

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

By public offerings in fall 1997 and fall 1999, the State Privatization and Holding Company sold the remaining common shares. As at 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 has a nationwide network of more than 450 branches. The Bank and its subsidiaries (together the "Group") provide a full range of commercial banking, insurance, brokerage, real estate and leasing services.

1.2. Accounting

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

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

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1. Basis of Presentation

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

Revenues and expenses are recorded in the year 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 25. However, certain subsidiaries in which the Bank holds a controlling interest have not been consolidated in accordance with IAS because it is either intended that the shares shall be disposed of in the near future or the effect of consolidating such companies is immaterial to the consolidated financial statements as a whole (see Note 2.7.).

2.4. Accounting for Acquisitions

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

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

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

2.5. Trading Securities

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.5. Trading Securities (continued)

Interest bearing and other trading securities are included in the consolidated financial statements at the lower of acquisition cost and market value as determined on an aggregate portfolio basis. Discounted Treasury bills are included in the consolidated financial statements at cost, as adjusted for the amortization of discounts on such securities, which are 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.

2.6. Loans, Placements with Other Banks and Allowance for Possible Loan and Placement Losses

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

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

2.7. Equity Investments

Companies where the Bank has a significant interest are accounted for using the equity method. However, certain associated companies in which the Bank holds a significant interest have not been accounted for in accordance with the equity method because it is either intended that the shares shall be disposed of in the near future or the effect of using the equity method to account for such companies is immaterial to the consolidated financial statements as a whole.

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

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

2.8. Investments in Debt Securities

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.9. Premises, Equipment and Intangible Assets

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

Buildings	1-6%
Machinery and equipment	8-33.3%
Vehicles	15-30%
Leased assets	16.7-33.3%
Goodwill	20%
Software	14.5-33.3%
Property rights	16.7%

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

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

2.10. Properties Held for Resale

Properties held for resale are accounted for at cost less allowance for possible losses determined on an individual asset basis and are included in the consolidated Balance Sheet among other assets.

2.11. Insurance Reserves

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

2.12. Treasury shares

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

2.13. Income Taxes

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

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

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

2.15. Consolidated Statement of Cash Flow

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

2.16. 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 consolidated Balance Sheet. As a result of this change in accounting policy, the consolidated Balance Sheet as at December 31, 1999 has been restated. Treasury shares with a book value of HUF 5,158 million have been reclassified from Trading Securities to a component of consolidated shareholders' equity.

2.17. 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.

2.18. Segmental Reporting

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

2.19. Comparative figures

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

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO CONSOLIDATED 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	33,205	49,792
In foreign currency	<u>5,560</u>	<u>3,988</u>
	<u>38,765</u>	<u>53,780</u>
Due from banks and balances with the National Bank of Hungary:		
Short-term:		
In HUF	405,641	476,157
In foreign currency	<u>48,754</u>	<u>29,948</u>
	<u>454,395</u>	<u>506,105</u>
Long-term:		
In foreign currency	<u>4,333</u>	<u>7,874</u>
	<u>497,493</u>	<u>567,759</u>

Based on the requirements for compulsory reserve set by the National Bank of Hungary, the balance of compulsory reserves maintained by the Group amounted to HUF 188,224 million and HUF 184,511 million as at December 31, 2000 and 1999, respectively.

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

	2000	1999
Short-term:		
In HUF	71,899	77,549
In foreign currency	<u>126,757</u>	<u>173,945</u>
	<u>198,656</u>	<u>251,494</u>
Long-term:		
In HUF	8,000	--
In foreign currency	<u>9,881</u>	<u>7,339</u>
	<u>17,881</u>	<u>7,339</u>
	<u>216,537</u>	<u>258,833</u>
Allowance for possible placement losses	<u>(183)</u>	<u>(239)</u>
	<u>216,354</u>	<u>258,594</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.

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.

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

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

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

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

NOTE 5: TRADING SECURITIES (in HUF mn)

	<i>2000</i>	<i>1999</i>
Hungarian Government discounted Treasury bills	39,158	73,631
Hungarian Government interest bearing Treasury bills	282	1,601
Hungarian Government bonds and Social Security bonds	106,277	115,669
Bonds issued by National Bank of Hungary	64,727	--
Bonds issued by Hungarian commercial companies	69	50
Other securities	<u>4,932</u>	<u>4,293</u>
	215,445	195,244
Lower of cost and market value adjustment	<u>(50)</u>	<u>(79)</u>
	<u>215,395</u>	<u>195,165</u>

Trading securities are primarily denominated in HUF. Interest rates on trading securities are 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 value adjustment is as follows:

	<i>2000</i>	<i>1999</i>
Balance as at January 1	79	189
Lower of cost and market adjustment	<u>(29)</u>	<u>(110)</u>
Balance as at December 31	<u>50</u>	<u>79</u>

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

	<i>2000</i>	<i>1999</i>
Short-term loans and trade bills (within one year)	315,805	249,384
Long-term loans and trade bills (over one year)	<u>385,198</u>	<u>318,887</u>
	701,003	568,271
Allowance for possible loan losses	<u>(50,101)</u>	<u>(45,312)</u>
	<u>650,902</u>	<u>522,959</u>

Foreign currency loans represent approximately 20% and 19% of the total loan portfolio, before allowance for possible losses, as at December 31, 2000 and 1999, respectively.

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

Loans denominated in HUF, with a maturity within one year as at December 31, 2000 and year 1999, bear interest rates in the range from 12.9% to 29% and from 16.8% 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 7% to 24.3% and from 7% to 25.5%, respectively.

Approximately 12% 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 allowance for possible loan losses, is as follows:

	<i>2000</i>		<i>1999</i>	
Commercial loans	426,946	61%	339,913	60%
Municipality loans	53,790	8%	45,713	8%
Housing loans	109,727	16%	95,925	17%
Consumer loans	<u>110,540</u>	<u>15%</u>	<u>86,720</u>	<u>15%</u>
	<u>701,003</u>	<u>100%</u>	<u>568,271</u>	<u>100%</u>

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

	<i>2000</i>	<i>1999</i>
Balance as at January 1	45,312	37,017
Provision for possible loan losses	5,674	9,287
Write-offs	<u>(885)</u>	<u>(992)</u>
Balance as at December 31	<u>50,101</u>	<u>45,312</u>

NOTE 7: EQUITY INVESTMENTS (in HUF mn)

	<i>2000</i>	<i>1999</i>
Equity investments:		
Unconsolidated subsidiaries	391	158
Associated companies	5,578	4,823
Other	<u>5,869</u>	<u>3,591</u>
	11,838	8,572
Allowance for permanent diminution in value	<u>(4,425)</u>	<u>(3,159)</u>
	<u>7,413</u>	<u>5,413</u>
Total assets of unconsolidated subsidiaries	<u>7,190</u>	<u>4,502</u>

As at December 31, 2000 and 1999, except as follows all investments are in companies incorporated in Hungary. As at December 31, 2000 and 1999 the Bank held an investment in a company with a book value of ATS 450,000, incorporated in Austria and a company incorporated in Romania with a book value of USD 164,348.

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

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

	<i>2000</i>	<i>1999</i>
Balance as at January 1	3,159	302
Provision for permanent diminution in value	<u>1,266</u>	<u>2,857</u>
Balance as at December 31	<u>4,425</u>	<u>3,159</u>

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

	<i>2000</i>	<i>1999</i>
Government securities	300,238	154,117
Other debt securities	<u>11,971</u>	<u>13,190</u>
	<u>312,209</u>	<u>167,307</u>

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

	<i>2000</i>	<i>1999</i>
Within five years, variable interest	103,725	33,102
Within five years, fixed interest	<u>164,432</u>	<u>66,441</u>
	<u>268,157</u>	<u>99,543</u>
Over five years, variable interest	19,677	63,789
Over five years, fixed interest	<u>24,375</u>	<u>3,975</u>
	<u>44,052</u>	<u>67,764</u>
	<u>312,209</u>	<u>167,307</u>

Approximately 93% and 85% of the debt securities portfolio was denominated in HUF as at December 31, 2000 and 1999, respectively. In most cases, interests on variable rate bonds are based on the interest rates of 90-day Hungarian Government Treasury bills and are adjusted semi-annually.

Interest rates on fixed interest securities denominated in HUF are ranged from 7.5% to 16% and from 9.5% to 19.1% as at December 31, 2000 and 1999, respectively. Interest on fixed rate and variable rate securities is, in most cases, paid semi-annually.

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

	<i>2000</i>	<i>1999</i>
Land and buildings	41,966	37,476
Machinery and equipment, vehicles, leased assets	53,517	44,061
Construction in progress	1,841	5,704
Intangible assets	<u>21,055</u>	<u>17,610</u>
	118,379	104,851
Accumulated depreciation and amortization	<u>(48,282)</u>	<u>(36,849)</u>
	<u>70,097</u>	<u>68,002</u>

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NOTE 10: OTHER ASSETS (in HUF mn)

	2000	1999
Receivables due from collection of Hungarian Government securities	256	316
Property held for resale	8,415	5,775
Due from Hungarian Government for interest subsidies	510	770
Trade receivables	3,842	4,470
Advances for securities and investments	534	764
Taxes recoverable	1,271	4,380
Inventories	1,306	1,337
Credits sold under deferred payment scheme	3,607	387
Subsidies paid on behalf of the Government	804	749
Receivables from leasing activities	23,450	12,400
Receivables due from investments sold	--	12,833
Receivables due from KELER	2,387	2,121
Receivables due from insurance bond holders	576	531
Receivables due from pension funds and fund management	91	14
Settlement accounts	2,007	2,378
Prepayments and deferred expenses	3,655	1,267
Other	<u>6,243</u>	<u>3,612</u>
	58,954	54,104
Allowance for possible losses on other assets	<u>(4,141)</u>	<u>(2,060)</u>
	<u>54,813</u>	<u>52,044</u>

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

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

	2000	1999
Balance as at January 1	2,060	2,021
Provision for possible losses on other assets	2,081	591
Resulting from sale of consolidated subsidiary	<u>--</u>	<u>(552)</u>
Balance as at December 31	<u>4,141</u>	<u>2,060</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	4,257	24,316
In foreign currency	<u>27,459</u>	<u>14,305</u>
	<u>31,716</u>	<u>38,621</u>
Over one year:		
In HUF	10,039	12,927
In foreign currency	<u>10,190</u>	<u>10,088</u>
	<u>20,229</u>	<u>23,015</u>
	<u>51,945</u>	<u>61,636</u>

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

Due to banks and deposits from the National Bank of Hungary and other banks payable in HUF within one year as at December 31, 2000 and 1999, bear interest rates in the range from 7% to 11.8% and from 10.9% to 15.3%, respectively.

Due to banks and deposits from the National Bank of Hungary and other banks payable in HUF over one year as at 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% to 6.9% and from 1.9% to 7.1%, respectively.

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

NOTE 12: DEPOSITS FROM CUSTOMERS (in HUF mn)

	<i>2000</i>	<i>1999</i>
Within one year:		
In HUF	1,292,942	1,162,229
In foreign currency	<u>349,454</u>	<u>325,402</u>
	<u>1,642,396</u>	<u>1,487,631</u>
Over one year:		
In HUF	<u>55,570</u>	<u>59,794</u>
	<u>1,697,966</u>	<u>1,547,425</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% to 9.7% and from 3% to 13.7%, respectively.

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

Deposits from customers payable in foreign currency as at 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)

	<i>2000</i>	<i>1999</i>
With original maturity:		
Within one year	5,548	5,899
Over one year	<u>24,897</u>	<u>11,501</u>
	<u>30,445</u>	<u>17,400</u>

Liabilities from issued securities are denominated in HUF and as at December 31, 2000 and 1999, bear interest at rates in the range from 6% to 9.8% and from 7% to 13.8%, respectively.

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NOTE 14: OTHER LIABILITIES (in HUF mn)

	2000	1999
Deferred tax liabilities	99	247
Taxes payable	2,673	5,659
Giro clearing accounts	16,069	12,154
Accounts payable	6,463	5,203
Insurance reserves	39,791	23,702
Salaries and social security payable	3,574	3,957
Liability from security trading	9,134	4,557
Allowance for possible losses on off-balance sheet commitments, contingent liabilities and financial instruments	3,233	3,123
Dividends payable	5,638	5,324
Liabilities from leasing activities	3,742	6,069
Advances received from customers	2,311	844
Accrued expenses	4,581	6,218
Suspense and Giro clearing accounts	3,720	4,506
Other	<u>7,726</u>	<u>6,919</u>
	<u>108,754</u>	<u>88,482</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 possible losses on off-balance sheet commitments, contingent liabilities and financial instruments	1,610	1,116
Allowance for housing warranties	<u>628</u>	<u>965</u>
Balance as at December 31	<u>3,233</u>	<u>3,123</u>

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

As part of its operations, until 1991, the Bank financed and constructed residential accommodation for resale on which it was required to provide a ten-year-guarantee against defective workmanship. The Bank has recourse against the constructors for any claims. The recovery of such claims is, however, dependent upon the financial 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, contingent liabilities and financial instruments can be summarized as follows:

	2000	1999
Balance as at January 1	3,123	2,702
Provision for possible off-balance sheet commitments, contingent liabilities and financial instruments	460	1,121
Write-off of allowance for future redundancies and housing warranties	<u>(350)</u>	<u>(700)</u>
Balance as at December 31	<u>3,233</u>	<u>3,123</u>

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

Movements in insurance reserves can be summarized as follows:

	<i>2000</i>	<i>1999</i>
Balance as at January 1	23,702	12,069
Net increase in insurance reserves	<u>16,089</u>	<u>11,633</u>
Balance as at December 31	<u>39,791</u>	<u>23,702</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.

NOTE 16: SHARE CAPITAL (in HUF mn)

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

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

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

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

	<i>2000</i>	<i>1999</i>
Balance as at January 1	89,651	63,910
Net income	38,753	30,705
Gain/(loss) on sale of treasury shares	70	(187)
Dividends	(5,044)	(4,958)
Translation gain	<u>74</u>	<u>181</u>
Balance as at December 31	<u>123,504</u>	<u>89,651</u>

The Bank's unconsolidated reserves under Hungarian Accounting Standards were HUF 99,501 million and HUF 72,653 million 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 reserves are not available for distribution.

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

Dividends for 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)**

	<i>2000</i>	<i>1999</i>
Nominal value (Common Shares)	<u>1,568</u>	<u>772</u>
Carrying value	<u>18,856</u>	<u>5,158</u>

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

	<i>2000</i>	<i>1999</i>
Lower of cost and market value adjustment on trading securities	(29)	(110)
Provision for permanent diminution in value of investments	1,266	2,857
Provision for possible losses on other assets	2,081	591
Provision for off-balance sheet commitments, contingent liabilities and financial instruments	460	1,121
Administration expenses, including rent	17,219	17,362
Advertising	2,931	2,900
Taxes, other than income taxes	9,296	9,054
Services	11,911	11,919
Insurance claims paid	13,377	9,002
Net increase in insurance reserves	16,089	11,633
Professional fees	2,034	2,033
Other	<u>2,895</u>	<u>1,612</u>
	<u>79,530</u>	<u>69,974</u>

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NOTE 20: INCOME TAXES (in HUF mn)

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

A reconciliation of the income tax charges is as follows:

	<i>2000</i>	<i>1999</i>
Current tax	9,139	7,393
Deferred tax	<u>(148)</u>	<u>607</u>
	<u>8,991</u>	<u>8,000</u>

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

	<i>2000</i>	<i>1999</i>
Balance as at January 1	(247)	360
Deferred tax credit/(charge)	<u>148</u>	<u>(607)</u>
Balance as at December 31	<u>(99)</u>	<u>(247)</u>

A reconciliation of the income tax charge is as follows:

	<i>2000</i>	<i>1999</i>
Income before income taxes	47,744	38,705
Permanent timing differences	<u>2,005</u>	<u>5,596</u>
Adjusted income before income taxes	<u>49,749</u>	<u>44,301</u>
Income taxes	<u>8,991</u>	<u>8,000</u>

NOTE 21: ACQUISITION AND DISPOSAL OF SUBSIDIARIES

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

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

	<i>2000</i>	<i>1999</i>
Commitments:		
Forward purchase commitments, foreign exchange	55,428	34,701
Forward purchase commitments, securities	114	77,937
Repurchase agreements	15	144
Forward purchase commitments, BUX-index	<u>14</u>	<u>150</u>
	<u>55,571</u>	<u>112,932</u>
Contingent liabilities:		
Commitments to extend credit	147,834	140,110
Guarantees arising from banking activities	15,477	15,144
Confirmed letters of credit	988	3,163
Options	14,064	11,051
Local tax contingency	<u>542</u>	<u>542</u>
	<u>178,905</u>	<u>170,010</u>
	<u>234,476</u>	<u>282,942</u>

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

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

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

NOTE 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 Consolidated Statement of Cash Flows for 2000.

NOTE 24: CASH AND CASH EQUIVALENTS

	<i>2000</i>	<i>1999</i>
Cash, due from banks and balances with the National Bank of Hungary	497,493	567,759
Compulsory reserve established by the National Bank of Hungary	<u>(188,224)</u>	<u>(184,511)</u>
	<u>309,269</u>	<u>383,248</u>

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NOTE 25: MAJOR SUBSIDIARIES

<u>Name</u>	<u>Ownership (Direct and Indirect)</u>		<u>Activity</u>
	<i>2000</i>	<i>1999</i>	
OTP-Garancia Biztosító	100%	100%	insurance
OTP Real Estate	100%	100%	real estate management and development
OTP Securities	100%	100%	brokerage
HIF Ltd.	100%	100%	forfeiting
Merkantil Bank	100%	100%	financing car purchases
Merkantil Car	100%	100%	financing car purchases, leasing
OTP LTP	100%	100%	financing flat purchase and reconstruction
Bank Center No. 1.	100%	100%	letting real estates
OTP Faktoring	100%	100%	work-out
Inga Companies	100%	100%	property management
OTP Fund Management	100%	100%	fund management

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

NOTE 26: 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 42,955 million and HUF 42,361 million as at December 31, 2000 and December 31, 1999, respectively.

NOTE 27: CONCENTRATION OF ASSETS AND LIABILITIES

Approximately 47% and 46% of the Group's total assets consisted of receivables from, or securities issued by, the Hungarian Government or the National Bank of Hungary as at December 31, 2000 and 1999, respectively. There were no other significant concentrations of the Group's assets or liabilities as at December 31, 2000 and 1999.

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

As at December 31, 2000

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

As at December 31, 1999

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

EUR includes items denominated in EURO, DEM and ATS.

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NOTE 29: MATURITY ANALYSIS OF ASSETS AND LIABILITIES (in HUF mn)

As at 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
Trading Securities	215,395	--	215,395
Loans, Net of Allowance for Possible Loan Losses	278,113	372,789	650,902
Accrued Interest Receivable	28,480	--	28,480
Equity Investments	--	7,413	7,413
Investments in Debt Securities	46,944	265,265	312,209
Premises, Equipment and Intangible Assets, Net	--	70,097	70,097
Other Assets	<u>54,813</u>	<u>--</u>	<u>54,813</u>
TOTAL ASSETS	<u>1,315,378</u>	<u>737,778</u>	<u>2,053,156</u>
Due to Banks and Deposits from the National Bank of Hungary and Other Banks	31,716	20,229	51,945
Deposits from Customers	1,642,396	55,570	1,697,966
Liabilities from Issued Securities	5,548	24,897	30,445
Accrued Interest Payable	13,638	--	13,638
Other Liabilities	108,754	--	108,754
Subordinated Bonds and Loans	<u>--</u>	<u>17,760</u>	<u>17,760</u>
TOTAL LIABILITIES	<u>1,802,052</u>	<u>118,456</u>	<u>1,920,508</u>
Share Capital	--	28,000	28,000
Retained Earnings and Reserves	--	123,504	123,504
Treasury Shares	<u>(18,856)</u>	<u>--</u>	<u>(18,856)</u>
TOTAL SHAREHOLDERS' EQUITY	<u>(18,856)</u>	<u>151,504</u>	<u>132,648</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>1,783,196</u>	<u>269,960</u>	<u>2,053,156</u>
LIQUIDITY (DEFICIENCY)/EXCESS	<u>(467,818)</u>	<u>467,818</u>	<u>--</u>

Deposits from Customers represent 88.4 % of Total Liabilities. From this amount, HUF 496,311 million represent deposits repayable on demand.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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NOTE 29: MATURITY ANALYSIS OF ASSETS AND LIABILITIES (in HUF mn) [continued]

As at December 31, 1999

	<u>Short-term</u> <u>(within one year)</u>	<u>Long-term</u> <u>(over one year)</u>	<u>Total</u>
Cash, Due from Banks and Balances with the National Bank of Hungary	559,885	7,874	567,759
Placements with Other Banks, Net of Allowance for Possible Placement Losses	251,255	7,339	258,594
Trading Securities	195,165	--	195,165
Loans, Net of Allowance for Possible Loan Losses	214,460	308,499	522,959
Accrued Interest Receivable	23,809	--	23,809
Equity Investments	--	5,413	5,413
Investments in Debt Securities	29,137	138,170	167,307
Premises, Equipment and Intangible Assets, Net	--	68,002	68,002
Other Assets	<u>52,044</u>	<u>--</u>	<u>52,044</u>
TOTAL ASSETS	<u>1,325,755</u>	<u>535,297</u>	<u>1,861,052</u>
Due to Banks and Deposits from the National Bank of Hungary and Other Banks	38,621	23,015	61,636
Deposits from Customers	1,487,631	59,794	1,547,425
Liabilities from Issued Securities	5,899	11,501	17,400
Accrued Interest Payable	16,982	--	16,982
Other Liabilities	88,482	--	88,482
Subordinated Bonds and Loans	<u>--</u>	<u>16,634</u>	<u>16,634</u>
TOTAL LIABILITIES	<u>1,637,615</u>	<u>110,944</u>	<u>1,748,559</u>
Share Capital	--	28,000	28,000
Retained Earnings and Reserves	--	89,651	89,651
Treasury Shares	<u>(5,158)</u>	<u>-</u>	<u>(5,158)</u>
TOTAL SHAREHOLDERS' EQUITY	<u>(5,158)</u>	<u>117,651</u>	<u>112,493</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>1,632,457</u>	<u>228,595</u>	<u>1,861,052</u>
LIQUIDITY (DEFICIENCY)/EXCESS	<u>(306,702)</u>	<u>306,702</u>	<u>--</u>

Deposits from Customers represent 88.5 % of Total Liabilities. From this amount, HUF 431,933 million represent deposits repayable on demand.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
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NOTE 30: FAIR VALUE ANALYSIS OF MONETARY ASSETS AND LIABILITIES

	2000	1999
Trading Securities and Investments in Debt Securities:		
Carrying Value	<u>527.604</u>	<u>362.472</u>
Fair Value	<u>527.347</u>	<u>379.053</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 that 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 is separately disclosed.

NOTE 31: INTEREST RATE RISK MANAGEMENT

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

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

NOTE 32: 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
Consolidated net income (in HUF mn)	38,753	30,705
Preference dividends (in HUF mn)	<u>(45)</u>	<u>(207)</u>
Consolidated net income for the year attributable to common shareholders (in HUF mn)	<u>38,708</u>	<u>30,498</u>
Weighted average number of common shares outstanding during the year (piece)	<u>25,598,092</u>	<u>26,080,461</u>
Consolidated earnings per share (in HUF)	<u><u>1.512</u></u>	<u><u>1.169</u></u>

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.