



**NATIONAL SAVINGS AND
COMMERCIAL BANK LTD.**

*UNCONSOLIDATED FINANCIAL STATEMENTS
IN ACCORDANCE WITH
INTERNATIONAL ACCOUNTING STANDARDS
FOR THE SIX MONTH PERIOD ENDED
JUNE 30, 2002*

Budapest, September 24, 2002

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NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
UNCONSOLIDATED BALANCE SHEETS AS AT JUNE 30, 2002 AND 2001 (UNAUDITED),
AND AS AT DECEMBER 31, 2001 (AUDITED)
(in HUF mn)

	June 30, 2002	December 31, 2001	June 30, 2001
Cash, Due from Banks and Balances with the National Bank of Hungary	277,311	375,540	462,887
Placements with Other Banks, Net of Allowance for Possible Placement Losses	271,813	326,830	255,357
Securities held for trading or available-for- sale	111,698	106,255	110,391
Loans, Net of Allowance for Possible Loan Losses	902,970	760,164	645,500
Accrued Interest Receivable	23,177	26,999	28,785
Equity Investments	39,791	33,175	27,493
Securities held-to-maturity	386,723	398,746	339,460
Premises, Equipment and Intangible Assets, Net	64,536	56,727	53,928
Other Assets	<u>82,072</u>	<u>19,144</u>	<u>30,439</u>
TOTAL ASSETS	<u>2,160,091</u>	<u>2,103,580</u>	<u>1,954,240</u>
Due to Banks and Deposits from the National Bank of Hungary and Other Banks	44,817	25,133	62,623
Deposits from Customers	1,815,300	1,842,722	1,659,147
Liabilities from Issued Securities	389	556	741
Accrued Interest Payable	17,213	8,770	21,989
Other Liabilities	91,488	57,297	55,322
Subordinated Bonds and Loans	<u>16,297</u>	<u>17,293</u>	<u>17,500</u>
TOTAL LIABILITIES	<u>1,985,504</u>	<u>1,951,771</u>	<u>1,817,322</u>
Share Capital	28,000	28,000	28,000
Retained Earnings and Reserves	165,806	141,559	127,906
Treasury Shares	<u>(19,219)</u>	<u>(17,750)</u>	<u>(18,988)</u>
TOTAL SHAREHOLDERS' EQUITY	<u>174,587</u>	<u>151,809</u>	<u>136,918</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>2,160,091</u>	<u>2,103,580</u>	<u>1,954,240</u>

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
UNCONSOLIDATED STATEMENTS OF OPERATIONS FOR THE SIX MONTH PERIODS
ENDED JUNE 30, 2002 AND 2001 (UNAUDITED) AND FOR THE YEAR ENDED
DECEMBER 31, 2001 (AUDITED) (in HUF mn)

	Six month period ended June 30, 2002	Six month period ended June 30, 2001	Year ended December 31, 2001
Interest Income:			
Loans	49,586	43,182	91,571
Placements with Other Banks	17,982	9,623	17,700
Due from Banks and Balances with the National Bank of Hungary	11,223	16,910	33,017
Securities held for trading or available- for-sale	3,539	5,752	8,316
Securities held-to-maturity	<u>18,487</u>	<u>20,476</u>	<u>40,860</u>
<i>Total Interest Income</i>	<u>100,817</u>	<u>95,943</u>	<u>191,464</u>
Interest Expense:			
Due to Banks and Deposits from the National Bank of Hungary and Other Banks	1,489	900	2,670
Deposits from Customers	39,959	45,644	90,570
Liabilities from Issued Securities	21	57	45
Subordinated Bonds and Loans	<u>503</u>	<u>762</u>	<u>1,391</u>
<i>Total Interest Expense</i>	<u>41,972</u>	<u>47,363</u>	<u>94,676</u>
NET INTEREST INCOME	58,845	48,580	96,788
Provision for Possible Loan Losses	3,821	2,758	6,640
Credit for Possible Placement Losses	<u>(1)</u>	<u>(15)</u>	<u>(13)</u>
	<u>3,820</u>	<u>2,743</u>	<u>6,627</u>
NET INTEREST INCOME AFTER PROVISION FOR POSSIBLE LOAN AND PLACEMENT LOSSES	55,025	45,837	90,161
Non-Interest Income:			
Fees and Commissions	27,968	21,121	46,404
Foreign Exchange Gains and Losses, Net	(6,573)	863	2,421
Gains and Losses on Securities, Net	(871)	(114)	(2,549)
Gains and Losses on Real Estate Transactions	(17)	(36)	(59)
Dividend Income	213	25	127
Other	<u>1,167</u>	<u>642</u>	<u>2,037</u>
<i>Total Non-Interest Income</i>	<u>21,887</u>	<u>22,501</u>	<u>48,381</u>
Non-Interest Expenses:			
Fees and Commissions	3,223	2,896	6,406
Personnel Expenses	16,358	14,041	32,551
Depreciation and Amortization	6,175	6,075	12,475
Other	<u>21,541</u>	<u>20,216</u>	<u>36,703</u>
<i>Total Non-Interest Expenses</i>	<u>47,297</u>	<u>43,228</u>	<u>88,135</u>
INCOME BEFORE INCOME TAXES	29,615	25,110	50,407
Income Taxes	<u>4,975</u>	<u>4,802</u>	<u>9,239</u>
INCOME AFTER INCOME TAXES	<u>24,640</u>	<u>20,308</u>	<u>41,168</u>
Earnings Per Share (in HUF)	94	780	1,563

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
UNCONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX MONTH
PERIODS ENDED JUNE 30, 2002, AND 2001 (UNAUDITED) AND THE YEAR ENDED
DECEMBER 31, 2001 (in HUF mn)

	Six month period ended June 30, 2002	Six month period ended June 30, 2001	Year ended December 31, 2001
OPERATING ACTIVITIES			
Net Income After Income Taxes	24,640	20,308	41,168
<i>Adjustments to reconcile income after income taxes to net cash provided by operating activities:</i>			
Depreciation and Amortization	6,175	6,075	12,475
Provision for Possible Loan Losses	3,821	2,758	6,640
Credit for Possible Placement Losses	(1)	(15)	(13)
Credit for Equity Investments	(501)	(956)	(3,829)
(Credit)/Provision for Other Assets	(679)	536	(1,239)
Provision for Possible Losses on Off- balance Sheet Commitments and Contingent Liabilities Net	1,160	959	1,299
Unrealised Losses/(Gains) on Fair Value Adjustment of Securities Held-for-trading and Available-for-sale	344	(667)	(667)
Unrealised (Gains)/Losses on Fair Value Adjustment of Derivative Financial Instruments	(10,423)	162	773
Effect of Deferred Taxes	133	497	268
<i>Changes in operating assets and liabilities:</i>			
Net Decrease/(Increase) in Accrued Interest Receivable	3,822	(1,903)	(117)
Net Increase in Other Assets, Excluding Advances for Investments and Before Provisions for Possible Losses	(52,748)	(12,223)	(1,233)
Net Increase/(Decrease) in Accrued Interest Payable	8,443	10,896	(2,323)
Net Increase/(Decrease) in Other Liabilities	<u>40,660</u>	<u>646</u>	<u>(4,039)</u>
Net Cash Provided by Operating Activities	<u>24,846</u>	<u>27,073</u>	<u>49,163</u>
INVESTING ACTIVITIES			
Net Decrease/(Increase) in Placements with Other Banks, Before Provision for Possible Placement Losses	55,018	(31,762)	(103,237)
Net Increase in Securities held for trading or available-for-sale before unrealised gains/lower of cost and market adjustment	(5,787)	(19,726)	(15,251)
Net Increase/(Decrease) in Equity Investments, Before Provision for Permanent Diminution in Value	(6,115)	100	(2,708)
Net Decrease/(Increase) in Securities held-to- maturity	12,023	22,094	(36,775)
Net Decrease in Advances for Investments Included in Other Assets	1	43	38
Net Increase in Loans, Before Provision for Possible Loan Losses	(146,627)	(22,585)	(141,131)
Net Additions to Premises, Equipment and Intangible Assets	<u>(13,984)</u>	<u>(4,330)</u>	<u>(13,529)</u>
Net Cash Used in Investing Activities	<u>(105,471)</u>	<u>(56,166)</u>	<u>(312,593)</u>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
UNCONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE SIX MONTH
PERIODS ENDED JUNE 30, 2002, AND 2001 (UNAUDITED) AND THE YEAR
ENDED DECEMBER 31, 2001 (in HUF mn) [continued]**

	Six month period ended June 30, 2002	Six month period ended June 30, 2001	Year ended December 31, 2001
FINANCING ACTIVITIES			
Net Increase/(Decrease) in Due to Banks and Deposits from the National Bank of Hungary and Other Banks	19,684	18,208	(19,282)
Net (Decrease)/Increase in Deposits from Customers	(27,422)	(4,785)	178,790
Net Decrease in Liabilities from Issued Securities	(167)	(292)	(477)
Decrease in Subordinated Bonds and Loans	(996)	(260)	(467)
(Loss)/Profit on Sale of Treasury Shares	(393)	13	72
Increase in Treasury Shares	(1,469)	(9,921)	(8,683)
Net (Increase)/ Decrease in the Compulsory Reserve established by the National Bank of Hungary	(6,821)	63,962	75,611
Dividends Paid	<u>(6,841)</u>	<u>(3,492)</u>	<u>(3,492)</u>
Net Cash Provided by Financing Activities	<u>(24,425)</u>	<u>63,433</u>	<u>222,072</u>
Net (Decrease)/Increase in Cash and Cash Equivalents	<u>(105,050)</u>	<u>34,340</u>	<u>(41,358)</u>
Cash and Cash Equivalents at the Beginning of the Year	<u>268,003</u>	<u>309,361</u>	<u>309,361</u>
Cash and Cash Equivalents at the End of the Year	<u>162,953</u>	<u>343,701</u>	<u>268,003</u>

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
UNCONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS'
EQUITY FOR THE SIX MONTH PERIODS ENDED JUNE 30, 2002 AND 2001
(UNAUDITED) (in HUF mn)

	Share Capital	Retained Earnings and Reserves	Treasury Share	Total
Balance as at January 1, 2001	28,000	107,402	(9,067)	126,335
Net Income After Income Taxes	-	20,308	-	20,308
Profit on Sale of Treasury Shares	-	13	-	13
Change in Carrying Value of Treasury Shares	-	-	(9,921)	(9,921)
Effects of adoption of IAS 39*	-	192	-	192
Dividends Declared on Preference Shares	-	(9)	-	(9)
Balance as at June 30, 2001	<u>28,000</u>	<u>127,906</u>	<u>(18,988)</u>	<u>136,918</u>
Balance as at January 1, 2002	28,000	141,559	(17,750)	151,809
Net Income After Income Taxes	-	24,640	-	24,640
Loss on Sale of Treasury Shares	-	(393)	-	(393)
Change in Carrying Value of Treasury Shares	-	-	(1,469)	(1,469)
Balance as at June 30, 2002	<u>28,000</u>	<u>165,806</u>	<u>(19,219)</u>	<u>174,587</u>

*See Note 1.2.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR SIX MONTH PERIOD ENDED JUNE 30, 2002**

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, the Hungarian Government transferred 20% of the Bank's shares 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.

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

As at June 30, 2002 approximately 92% of the Bank's shares were held by domestic and foreign private and institutional investors. The remaining shares are owned by employees (2%) and the Bank (6%).

The Bank provides a full range of commercial banking services through a nationwide network of 426 branches in Hungary.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR SIX MONTH PERIOD ENDED JUNE 30, 2002**

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

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").

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 30).

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

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

Excess of fair value of securities held for trading and available-for-sale over cost	282
Net fair value of derivatives not designated as hedging instruments	(48)
Effect of deferred taxation	<u>(42)</u>
Adjustment as of January 1, 2001	<u>192</u>

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

In the unaudited unconsolidated financial statements as at June 30, 2001 and for the six month period then ended, the Bank presented a reduction in opening retained earnings and reserves of HUF 488 million as at January 1, 2001 in order to remeasure investments to fair value and bring derivative financial instruments on-balance sheet at fair value.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR SIX MONTH PERIOD ENDED JUNE 30, 2002**

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

1.2. Accounting (continued)

Subsequent to the issuance of such unaudited unconsolidated financial statements and before December 31, 2001, the Bank continued to assess its classification and valuation of its securities portfolios and derivative financial instruments. The audited unconsolidated financial statements as at December 31, 2001 present an increase to opening retained earnings and reserves of HUF 192 million. The IAS 39 adjustment to retained earnings and reserves as at January 1, 2001 in the unaudited unconsolidated financial statements have been reclassified to ensure comparability with opening IAS 39 adjustment recorded in the December 31, 2001 audited unconsolidated financial statements.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1. Basis of presentation

These unconsolidated financial statements have been prepared under the historical cost convention with the exception of certain financial instruments, which are recorded on fair value. Revenues and expenses are recorded in the period in which they are earned or incurred.

2.2. Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into HUF at exchange rates quoted by the National Bank of Hungary ("NBH") as of the date of the 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. See Note 2.7 for the description of the method of accounting for investments in subsidiaries and associated companies in these unconsolidated financial statements.

2.4. Debt securities held-to-maturity

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

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

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR SIX MONTH PERIOD ENDED JUNE 30, 2002**

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

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

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

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR SIX MONTH PERIOD ENDED JUNE 30, 2002**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.5. Securities held for trading and available-for-sale (continued)

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

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

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 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.

2.7. 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.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR SIX MONTH PERIOD ENDED JUNE 30, 2002**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

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%

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

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

2.9. Leases

Assets held under finance leases, which confer rights and obligations similar to those attached to owned assets, are capitalised at their fair value and depreciated over the useful lives of assets. The capital element of each future lease obligation is recorded as a liability, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital payments outstanding.

Payments made under operating leases are charged to the profit and loss statement on a straight-line basis over the term of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

2.10. 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.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR SIX MONTH PERIOD ENDED JUNE 30, 2002**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.11. Income taxes

The annual taxation charge is based on the tax payable under Hungarian fiscal law, adjusted for deferred taxation. Deferred taxation is accounted for, using the balance sheet liability method in respect of 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 realised or the liability is settled, based on tax rates that have been enacted at the date of the Unconsolidated Balance Sheet.

2.12. Off-balance sheet commitments and contingent liabilities

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

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

2.13. Derivative financial instruments

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

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

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

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR SIX MONTH PERIOD ENDED JUNE 30, 2002**

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [continued]

2.13. Derivative financial instruments (continued)

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

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

2.14. 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.

2.15. Comparative figures

Certain amounts in the 2001 unconsolidated financial statements have been reclassified to conform with current period presentation.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NOTES TO UNCONSOLIDATED FINANCIAL STATEMENTS
FOR SIX MONTH PERIOD ENDED JUNE 30, 2002**

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

	June 30, 2002	December 31, 2001
Cash on hand:		
In HUF	36,324	38,540
In foreign currency	<u>3,100</u>	<u>10,630</u>
	<u>39,424</u>	<u>49,170</u>
Due from banks and balances with NBH:		
Short-term:		
In HUF	229,938	320,279
In foreign currency	<u>6,927</u>	<u>4,360</u>
	<u>236,865</u>	<u>324,639</u>
Long-term:		
In foreign currency	<u>1,022</u>	<u>1,731</u>
	<u>1,022</u>	<u>1,731</u>
Total	<u>277,311</u>	<u>375,540</u>

Based on the requirements for compulsory reserves set by the National Bank of Hungary, the balance of compulsory reserves amounted to approximately HUF 114,358 million and HUF 107,537 million as at June 30, 2002 and as at December 31, 2001 respectively.

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

	June 30, 2002	December 31, 2001
Short-term:		
In HUF	53,454	73,206
In foreign currency	<u>199,718</u>	<u>235,455</u>
	<u>253,172</u>	<u>308,661</u>
Long-term:		
In HUF	8,300	8,300
In foreign currency	<u>10,510</u>	<u>10,039</u>
	<u>18,810</u>	<u>18,339</u>
Total	<u>271,982</u>	<u>327,000</u>
Allowance for possible placement losses	<u>(169)</u>	<u>(170)</u>
	<u>271,813</u>	<u>326,830</u>

Placements with other banks in foreign currency as at June 30, 2002 and as at December 31, 2001 bear interest rates in the range from 0.1% to 9.2% and from 1% to 6.5%, respectively.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
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NOTE 4: PLACEMENTS WITH OTHER BANKS AND ALLOWANCE FOR POSSIBLE PLACEMENT LOSSES (in HUF mn) [continued]

Placements with other banks in HUF as at June 30, 2002 and as at December 31, 2001 bear interest rates in the range from 7.8% to 10.0% and from 8.4% to 11.3%, respectively.

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

	June 30, 2002	December 31, 2001
Balance as at January 1	170	183
Credit for possible placement losses	(1)	(13)
Write offs	<u>-</u>	<u>-</u>
Closing balance	<u>169</u>	<u>170</u>

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

	June 30, 2002	December 31, 2001
Securities held for trading		
Hungarian Government discounted Treasury bills	4,912	7,545
Hungarian Government interest bearing Treasury bills	1,284	1,333
Government bonds	40,087	23,197
Bonds issued by National Bank of Hungary	0	5,129
Other securities	<u>4,541</u>	<u>6,041</u>
	<u>50,824</u>	<u>43,245</u>
Securities available-for-sale		
Government bonds	42,082	44,267
Other securities	<u>18,792</u>	<u>18,743</u>
	<u>60,874</u>	<u>63,010</u>
Total	<u>111,698</u>	<u>106,255</u>

Approximately 77% and 65% of the held for trading and available-for-sale securities portfolio was denominated in HUF as at June 30, 2002 and as at December 31, 2001, respectively.

Interest rates on securities held for trading ranged from 2.8% to 13% and from 2.8% to 14% as at June 30, 2002 and as at December 31, 2001 respectively.

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

Interest conditions and the remaining maturities of held for trading and available-for-sale securities can be analysed as follows:

	June 30, 2002	December 31, 2001
Within five years:		
variable interest	51,477	64,260
fixed interest	<u>41,150</u>	<u>18,957</u>
	<u>92,627</u>	<u>83,217</u>
Over five years:		
variable interest	7,796	670
fixed interest	<u>9,420</u>	<u>14,678</u>
	<u>17,216</u>	<u>15,348</u>
Non interest-bearing securities	<u>1,855</u>	<u>7,690</u>
Total	<u>111,698</u>	<u>106,255</u>

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

	June 30, 2002	December 31, 2001
Short-term loans and trade bills (within one year)	385,346	334,740
Long-term loans and trade bills (over one year)	<u>539,512</u>	<u>444,964</u>
	<u>924,858</u>	<u>779,704</u>
Allowance for possible loan losses	<u>(21,888)</u>	<u>(19,540)</u>
	<u>902,970</u>	<u>760,164</u>

Foreign currency loans represent approximately 20% and 18% of the loan portfolio, before allowance for possible losses, as at June 30, 2002 and as at December 31, 2001, respectively.

Loans denominated in HUF, with a maturity within one year as at June 30, 2002 and as at December 31, 2001 bear interest rates in the range from 12.8% to 29% and from 14% to 29% respectively.

Loans denominated in HUF, with a maturity over one year as at June 30, 2002 and as at December 31, 2001 bear interest rates in the range from 9.5% 19.8% and from 11.1% to 21.5%, respectively.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
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**NOTE 6: LOANS AND ALLOWANCE FOR POSSIBLE LOAN LOSSES
(in HUF mn) [continued]**

Approximately 2.2% and 3% of the gross loan portfolio represented loans on which interest is not being accrued as at June 30, 2002 and as at December 31, 2001 respectively.

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

	June 30, 2002		December 31, 2001	
Commercial loans	542,435	59%	464,123	60%
Municipality loans	61,681	7%	55,745	7%
Housing loans	199,993	21%	149,512	19%
Consumer loans	<u>120,749</u>	<u>13%</u>	<u>110,324</u>	<u>14%</u>
	924,858	100%	779,704	100%

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

	June 30, 2002	December 31, 2001
Balance as at January 1	19,540	19,816
Provision for possible loan losses	3,821	6,640
Write-offs	<u>(1,473)</u>	<u>(6,916)</u>
Closing balance	<u>21,888</u>	<u>19,540</u>

The Bank sells non-performing loans without recourse to a wholly owned subsidiary, OTP Factoring Ltd, see Note 22.

NOTE 7: EQUITY INVESTMENTS (in HUF mn)

	June 30, 2002	December 31, 2001
Equity investments:		
Controlling interest	40,903	36,876
Significant interest	2,623	365
Other	<u>990</u>	<u>1,160</u>
	<u>44,516</u>	<u>38,401</u>
Allowance for permanent diminution in value	<u>(4,725)</u>	<u>(5,226)</u>
	<u>39,791</u>	<u>33,175</u>

As at June 30, 2002 and as at December 31, 2001, except as follows, all investments were in companies incorporated in Hungary. The Bank held an investment in a company incorporated in the United Kingdom - which has a carrying value of HUF 1,057 million and HUF 1,132 million, as at June 30, 2002 and as at December 31, 2001 respectively - and had an other investment in a company - bought in the second quarter of 2002 and incorporated in the Slovak Republic - with a carrying value of HUF 4,090 million as at June 30, 2002.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
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NOTE 7: EQUITY INVESTMENTS (in HUF mn) [continued]

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

	June 30, 2002		December 31, 2001	
	% Held (direct and indirect)	Cost	% Held (direct and indirect)	Cost
OTP Garancia Institute Ltd.	100%	7,472	100%	7,472
OTP Real Estate Ltd.	100%	1,175	100%	1,175
OTP Securities Ltd.	100%	750	100%	750
Merkantil Bank Rt.	100%	1,600	100%	1,600
OTP Building Society Ltd.	100%	1,950	100%	1,950
HIF Ltd.	100%	1,057	100%	1,132
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
Investicna a Rozvojova Banka a.s.	95,7%	4,090	-	-
OTP Fund Servicing and Consulting Ltd.	100%	1,317	100%	1,317
OTP Fund Management Ltd.	100%	1,653	100%	1,653
OTP Mortgage Bank Company Ltd.	100%	3,000	100%	3,000
AIR-Invest Ltd.	100%	1,000	100%	1,000
Other	<u>100%</u>	<u>26</u>	<u>100%</u>	<u>14</u>
		<u>40,903</u>		<u>36,876</u>

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

	June 30, 2002	December 31, 2001
Balance as at January 1	5,226	9,055
Credit for permanent diminution in value	<u>(501)</u>	<u>(3,829)</u>
Closing balance	<u>4,725</u>	<u>5,226</u>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
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NOTE 8: HELD-TO-MATURITY INVESTMENTS (in HUF mn)

	June 30, 2002	December 31, 2001
Government securities	363,787	376,582
Hungarian Government discounted Treasury bills	21,636	19,068
Bonds issued by the National Bank of Hungary	-	2,496
Other debt securities	<u>1,300</u>	<u>600</u>
	<u>386,723</u>	<u>398,746</u>

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

	June 30, 2002	December 31, 2001
Within five years, variable interest	142,363	166,385
Within five years, fixed interest	<u>164,604</u>	<u>157,240</u>
	<u>306,967</u>	<u>323,625</u>
Over five years, variable interest	49,839	50,661
Over five years, fixed interest	<u>29,917</u>	<u>24,460</u>
	<u>79,756</u>	<u>75,121</u>
Total	<u>386,723</u>	<u>398,746</u>

Approximately 98% and 97% of the debt securities portfolio was denominated in HUF as at June 30, 2002 and as at December 31, 2001, 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 6.5% to 13.9% and from 7.5% to 14% as at June 30, 2002 and as at December 31, 2001, respectively. Interest on fixed rate and variable rate securities is, in most cases, paid semi-annually.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
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NOTE 9: PREMISES, EQUIPMENT AND INTANGIBLE ASSETS (in HUF mn)

	June 30, 2002	December 31, 2001
Land and buildings	34,722	33,982
Machinery and equipment	50,505	50,319
Construction in progress	5,898	2,942
Intangible assets	<u>28,831</u>	<u>26,197</u>
	<u>119,956</u>	<u>113,440</u>
Accumulated depreciation and amortization	<u>(55,420)</u>	<u>(56,713)</u>
	<u>64,536</u>	<u>56,727</u>

NOTE 10: OTHER ASSETS (in HUF mn)

	June 30, 2002	December 31, 2001
Receivables due to collection of Hungarian Government securities	73	113
Property held for sale	772	1,174
Due from Government for interest subsidies	4,474	685
Trade receivables	1,166	2,540
Advances for securities and investments	495	496
Deferred tax asset	-	22
Taxes recoverable	211	191
Inventories	1,020	1,015
Other advances	733	309
Credits sold under deferred payment scheme	14,339	4,447
Subsidies paid on behalf of the Government	1,606	408
Margin account balance	45	513
Accounts with Investment Funds and Pension Funds	988	-
Settlement accounts	7,922	1,498
Receivables from investing services	1,188	682
Prepayments and accrued incomes	3,641	1,646
Fair value of derivative financial instruments	9,655	20
Other	<u>34,734</u>	<u>5,054</u>
	<u>83,062</u>	<u>20,813</u>
Allowance for possible losses on other assets	<u>(990)</u>	<u>(1,669)</u>
	<u>82,072</u>	<u>19,144</u>

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

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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:

	June 30, 2002	December 31, 2001
Balance as at January 1	1,669	2,908
Credit for possible losses	<u>(679)</u>	<u>(1,239)</u>
Closing balance	<u>990</u>	<u>1,669</u>

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

	June 30, 2002	December 31, 2001
Within one year:		
In HUF	3,159	4,783
In foreign currency	<u>16,195</u>	<u>3,421</u>
	<u>19,354</u>	<u>8,204</u>
Over one year:		
In HUF	11,196	7,821
In foreign currency	<u>14,267</u>	<u>9,108</u>
	<u>25,463</u>	<u>16,929</u>
Total	<u>44,817</u>	<u>25,133</u>

Due to banks and deposits from the National Bank of Hungary and other banks payable in HUF within one year as at June 30, 2002 and as at December 31, 2001, bear interest rates in the range from 7.5% to 9.3% and from 9.7% to 10.8%, respectively.

Due to banks and deposits from the National Bank of Hungary and other banks payable in HUF over one year as at June 30, 2002 and as at December 31, 2001, bear interest rates in the range from 3% to 9.3% and from 3% to 9.8%, respectively.

Due to banks and deposits from the National Bank of Hungary and other banks payable in foreign currency within one year as at June 30, 2002 and as at December 31, 2001, bear interest rates in the range from 1.7% to 3.5% and from 1.1% and 2.5%, respectively.

Due to banks and deposits from the National Bank of Hungary and other banks payable in foreign currency over one year as at June 30, 2002 and as at December 31, 2001, bear interest rates in the range from 1.4% to 9.2% and from 1.4% and 9.2%, respectively.

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NOTE 12: DEPOSITS FROM CUSTOMERS (in HUF mn)

	June 30, 2002	December 31, 2001
Within one year:		
In HUF	1,479,365	1,467,714
In foreign currency	<u>323,120</u>	<u>359,052</u>
	<u>1,802,485</u>	<u>1,826,766</u>
Over one year:		
In HUF	<u>12,815</u>	<u>15,956</u>
	<u>12,815</u>	<u>15,956</u>
Total	<u>1,815,300</u>	<u>1,842,722</u>

Deposits from customers payable in HUF within one year as at June 30, 2002 and as at December 31, 2001 bear interest rates in the range from 0.5% to 7.3% and from 0.5% to 8.5%, respectively.

Deposits from customers payable in HUF over one year as at June 30, 2002 and as at December 31, 2001 bear interest rates in the range from 5% to 8.3% and from 6.5% to 8.5%, respectively.

Deposits from customers payable in foreign currency as at June 30, 2002 and as at December 31, 2001 bear interest rates in the range from 0.1% to 2.3% and from 0.1% to 2.1%, respectively.

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

	June 30, 2002	December 31, 2001
With original maturity:		
Within one year	388	538
Over one year	<u>1</u>	<u>18</u>
	<u>389</u>	<u>556</u>

Liabilities from issued securities are denominated in HUF at interest rates in the range from 2% to 6.3% and from 3.8% to 8.3% as at June 30, 2002 and as at December 31, 2001, respectively.

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NOTE 14: OTHER LIABILITIES (in HUF mn)

	June 30, 2002	December 31, 2001
Taxes payable	3,080	1,804
Deferred tax liabilities	111	-
Giro clearing accounts	19,865	13,942
Accounts payable	658	4,876
Salaries and social security payable	3,537	5,539
Liability from security trading	32,278	5,177
Allowances for possible losses on off-balance sheet commitments, contingent liabilities	4,627	3,491
Dividends payable	918	7,758
Accrued expenses	6,809	2,977
Suspense accounts	3,491	3,228
Settlements of government housing subsidies	3,698	-
Loans for collection	1,765	967
Fair value of derivative financial instruments	53	841
Other	<u>10,598</u>	<u>6,697</u>
	<u>91,488</u>	<u>57,297</u>

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

	June 30, 2002	December 31, 2001
Allowance for litigation	1,054	779
Allowance for other off-balance sheet commitments, contingent liabilities	2,058	1,253
Other allowances (for expected liabilities)	1,242	1,162
Allowance for housing warranties	<u>273</u>	<u>297</u>
Closing balance	<u>4,627</u>	<u>3,491</u>

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

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

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.

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

	June 30, 2002	December 31, 2001
Balance as at January 1	3,491	2,345
Credit and provision for off-balance sheet Commitments and contingent liabilities, net	1,160	1,299
Write-off of allowance for housing warranties and lump-sum settlements	<u>(24)</u>	<u>(153)</u>
Closing balance	<u>4,627</u>	<u>3,491</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 semi-annual interest payable was 5.57% as at December 20, 2001, 5.19% as at June 20, 2002, and 4.36% as at December 20, 2002. The original maturity was 20 years. The proceeds of the subordinated bonds were invested in Hungarian Government bonds with similar interest conditions and maturity.

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

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NOTE 16: SHARE CAPITAL (in HUF mn)

	June 30, 2002	December 31, 2001
<u>Authorized, issued and fully paid:</u>		
Common shares of HUF one thousand each	<u>28,000</u>	<u>28,000</u>
	<u>28,000</u>	<u>28,000</u>

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

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

	June 30, 2002	December 31, 2001
Balance as at January 1	141,559	107,402
Net Income after income taxes	24,640	41,168
Effects of adoption of IAS 39	-	192
(Loss)/Profit on sale of Treasury Shares	(393)	72
Dividends	<u>0</u>	<u>(7,275)</u>
Closing balance	<u>165,806</u>	<u>141,559</u>

The Bank's reserves under Hungarian Accounting Standards were HUF 146,927 million and HUF 130,515 million as at June 30, 2002 and as at December 31, 2001, respectively. Of these amounts, legal reserves represent HUF 31,611 million and HUF 29,450 million, respectively. The legal reserve is not available for distribution.

Dividends for the year ended December 31, 2001 represent the dividends declared by the Bank's shareholders for shares at the Annual General Meeting in 2002.

NOTE 18: TREASURY SHARES (in HUF mn)

	June 30, 2002	December 31, 2001
Nominal Value (common shares)	<u>1,650</u>	<u>1,542</u>
Carrying Value	<u>19,219</u>	<u>17,750</u>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
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NOTE 19: OTHER EXPENSES (in HUF mn)

	Six month period ended June 30, 2002	Six month period ended June 30, 2001
Credit for permanent diminution in value of investments	(501)	(956)
(Credit)/Provision for other assets	(679)	536
Provision for possible losses on off-balance sheet commitments, contingent liabilities	1,160	959
Administration expenses, including rent	9,101	7,989
Advertising	1,017	1,020
Taxes, other than income	3,330	2,855
Services	6,190	5,972
Professional fees	1,140	1,127
Other	<u>783</u>	<u>714</u>
	<u>21,541</u>	<u>20,216</u>

NOTE 20: INCOME TAXES (in HUF mn)

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

	Six month period ended June 30, 2002	Six month period ended June 30, 2001
Current tax	4,842	4,305
Deferred tax	<u>133</u>	<u>497</u>
	<u>4,975</u>	<u>4,802</u>

A reconciliation of the deferred tax asset is as follows:

	Six month period ended June 30, 2002	Six month period ended June 30, 2001
Balance as at January 1	22	332
Deferred tax charge	<u>(133)</u>	<u>(497)</u>
Closing balance	<u>(111)</u>	<u>(165)</u>

A reconciliation of the income tax charge is as follows:

	Six month period ended June 30, 2002	Six month period ended June 30, 2001
Net income before income taxes	29,615	25,110
Permanent differences due to movements in statutory provisions	(2,027)	287
Dividend income	(213)	(25)
Other permanent differences	<u>266</u>	<u>1,305</u>
Adjusted tax base	<u>27,641</u>	<u>26,677</u>
Income tax at 18%	<u>4,975</u>	<u>4,802</u>

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

	June 30, 2002	December 31, 2001
<u>Commitments:</u>		
Forward purchase commitments, foreign exchange	216,521	189,087
Forward purchase commitments, securities	<u>2,894</u>	<u>-</u>
	<u>219,415</u>	<u>189,087</u>
<u>Contingent liabilities:</u>		
Commitments to extend credit	300,383	255,630
Guarantees arising from banking activities	47,323	36,487
Confirmed letters of credit	1,422	3,799
Options	48,668	19,309
Other	6	1
Local tax contingency	<u>542</u>	<u>542</u>
	<u>398,344</u>	<u>315,768</u>
Total	<u>617,759</u>	<u>504,855</u>

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

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

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

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NOTE 22: RELATED PARTY TRANSACTIONS

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

During for the six month period ended June 30, 2002 and 2001 the Bank sold, without recourse, non-performing loans and the related accrued interest receivable to OTP Factoring for HUF 493 million and HUF 37 million, respectively. The gross book value of such credits was HUF 1,836 million and HUF 474 million, respectively, with a corresponding allowance for possible loan losses of HUF 1,610 million and HUF 373 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 83 million and HUF 620 million for the six month period ended June 30, 2002 and 2001, respectively. Losses recorded by the Bank from the sale of securities to OTP Securities were HUF 120 million and HUF 359 million for the six month period ended June 30, 2002, and 2001, respectively.

Commissions received by the Bank from OTP Building Society in relation to finalised customer contracts were HUF 250 million and HUF 236 million for the six month period ended June 30, 2002 and 2001, respectively.

Insurance premiums paid by the Bank to OTP Garancia Insurance were HUF 339 million and HUF 311 million for the six month period ended June 30, 2002 and 2001, respectively.

Commissions received by the Bank from OTP Fund Management in relation to custody activity were HUF 210 million and HUF 148 million in relation to trading activity were HUF 1,048 million and HUF 727 million for the six month period ended June 30, 2002 and 2001, respectively.

Commissions received by the Bank from OTP Real Estate in relation to its activity were HUF 1,065 million and HUF 449 million for the six month period ended June 30, 2002 and 2001, 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.

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NOTE 23: CASH AND CASH EQUIVALENTS (in HUF mn)

	June 30, 2002	December 31, 2001
Cash, due from banks and balances with the NBH	277,311	375,540
Compulsory reserve established by the NBH	<u>(114,358)</u>	<u>(107,537)</u>
	<u>162,953</u>	<u>268,003</u>

NOTE 24: TRUST ACTIVITIES

The Bank acts as a trustee for certain loans granted by companies or employers to their employees, mainly for housing purposes. The ultimate risk for these loans rests with the party advancing the funds. As these loans and related funds are not considered to be assets or liabilities of the Bank, they have been excluded from the accompanying Unconsolidated Balance Sheet. The total amount of such loans managed by the Bank as a trustee amounted to HUF 30,010 million and HUF 42,843 million as at June 30, 2002 and as at December 31, 2001, respectively.

NOTE 25: CONCENTRATION OF ASSETS AND LIABILITIES

Approximately 32% and 38% 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 June 30, 2002 and as at December 31, 2001, respectively. There were no other significant concentrations of the Bank's assets or liabilities as at June 30, 2002 and December 31, 2001, respectively.

NOTE 26: MATURITY ANALYSIS OF ASSETS AND LIABILITIES AND LIQUIDITY RISK (in HUF mn)

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

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**NOTE 26: MATURITY ANALYSIS OF ASSETS AND LIABILITIES AND
LIQUIDITY RISK (in HUF mn) [continued]**

As at June 30, 2002	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Total
Cash, due from banks and balances with the National Bank of Hungary	275,178	1,111	865	157	277,311
Placements with Other Banks, Net of Allowance for Possible Placement Losses	118,631	134,372	18,510	300	271,813
Securities held for trading and available-for-sale	2,512	8,332	83,638	17,216	111,698
Loans, Net of Allowance for Possible Loan Losses	96,789	269,705	225,221	311,255	902,970
Accrued Interest Receivable	6,767	16,410	-	-	23,177
Investments	-	-	-	39,791	39,791
Debt securities held-to-maturity	25,007	63,428	218,532	79,756	386,723
Premises, Equipment and Intangible Assets, Net	-	-	27,384	37,152	64,536
Other Assets	<u>64,605</u>	<u>16,543</u>	<u>551</u>	<u>373</u>	<u>82,072</u>
TOTAL ASSETS	<u>589,489</u>	<u>509,901</u>	<u>574,701</u>	<u>486,000</u>	<u>2,160,091</u>
Due to Banks and Deposits from the National Bank of Hungary and Other Banks	9,512	24,343	9,161	1,801	44,817
Deposits from Customers	1,463,060	339,253	12,982	5	1,815,300
Liabilities from Issued Securities	179	210	-	-	389
Accrued Interest Payable	4,588	12,625	-	-	17,213
Other Liabilities	80,586	9,359	1,543	-	91,488
Subordinated Bonds and Loans	<u>-</u>	<u>-</u>	<u>11,297</u>	<u>5,000</u>	<u>16,297</u>
TOTAL LIABILITIES	<u>1,557,925</u>	<u>385,790</u>	<u>34,983</u>	<u>6,806</u>	<u>1,985,504</u>
Share Capital	-	-	-	28,000	28,000
Retained Earnings and Reserves	-	-	-	165,806	165,806
Treasury Shares	<u>-</u>	<u>(19,219)</u>	<u>-</u>	<u>-</u>	<u>(19,219)</u>
TOTAL SHAREHOLDERS' EQUITY	<u>-</u>	<u>(19,219)</u>	<u>-</u>	<u>193,806</u>	<u>174,587</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>1,557,925</u>	<u>366,571</u>	<u>34,983</u>	<u>200,612</u>	<u>2,160,091</u>
LIQUIDITY (DEFICIENCY)/EXCESS	<u>(968,436)</u>	<u>143,330</u>	<u>539,718</u>	<u>285,388</u>	<u>-</u>

Deposits from customers represent 91.4 % of Total Liabilities. (see also Note 28).

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**NOTE 26: MATURITY ANALYSIS OF ASSETS AND LIABILITIES AND
LIQUIDITY RISK (in HUF mn) [continued]**

As at December 31, 2001	Within 3 months	Within one year and over 3 months	Within 5 years and over one year	Over 5 years	Total
Cash, due from banks and balances with the National Bank of Hungary	372,593	1,216	1,480	251	375,540
Placements with Other Banks, Net of Allowance for Possible Placement Losses	134,070	174,421	17,499	840	326,830
Securities held for trading and available-for-sale	16,549	8,366	65,992	15,348	106,255
Loans, Net of Allowance for Possible Loan Losses	83,379	238,835	254,903	183,047	760,164
Accrued Interest Receivable	20,949	5,884	120	46	26,999
Investments	-	-	-	33,175	33,175
Debt securities held-to-maturity	42,801	55,154	225,670	75,121	398,746
Premises, Equipment and Intangible Assets, Net	-	-	19,526	37,201	56,727
Other Assets	<u>12,418</u>	<u>6,726</u>	<u>-</u>	<u>-</u>	<u>19,144</u>
TOTAL ASSETS	<u>682,759</u>	<u>490,602</u>	<u>585,190</u>	<u>345,029</u>	<u>2,103,580</u>
Due to Banks and Deposits from the National Bank of Hungary and Other Banks	4,346	3,858	14,499	2,430	25,133
Deposits from Customers	1,491,259	335,507	15,929	27	1,842,722
Liabilities from Issued Securities	228	310	18	-	556
Accrued Interest Payable	4,536	4,234	-	-	8,770
Other Liabilities	45,580	11,717	-	-	57,297
Subordinated Bonds and Loans	<u>-</u>	<u>-</u>	<u>12,293</u>	<u>5,000</u>	<u>17,293</u>
TOTAL LIABILITIES	<u>1,545,949</u>	<u>355,626</u>	<u>42,739</u>	<u>7,457</u>	<u>1,951,771</u>
Share Capital	-	-	-	28,000	28,000
Retained Earnings and Reserves	-	-	-	141,559	141,559
Treasury Shares	<u>-</u>	<u>(17,750)</u>	<u>-</u>	<u>-</u>	<u>(17,750)</u>
TOTAL SHAREHOLDERS' EQUITY	<u>-</u>	<u>(17,750)</u>	<u>-</u>	<u>169,559</u>	<u>151,809</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>1,545,949</u>	<u>337,876</u>	<u>42,739</u>	<u>177,016</u>	<u>2,103,580</u>
LIQUIDITY (DEFICIENCY)/EXCESS	<u>(863,190)</u>	<u>152,726</u>	<u>542,451</u>	<u>168,013</u>	<u>-</u>
Deposits from customers represent 94.4 % of Total Liabilities (see also Note 28).					

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

As at June 30, 2002

	USD	EUR	Others	Total
Assets	224,296	185,110	45,658	455,064
Liabilities	(146,621)	(186,636)	(36,775)	(370,032)
Off-balance sheet assets and liabilities, net	<u>(79,427)</u>	<u>6,114</u>	<u>(2,448)</u>	<u>(75,761)</u>
Net position	<u>(1,752)</u>	<u>4,588</u>	<u>6,435</u>	<u>9,271</u>

As at December 31, 2001

	USD	EUR	Others	Total
Assets	218,353	201,450	43,680	463,483
Liabilities	(157,717)	(187,965)	(39,200)	(384,882)
Off-balance sheet assets and liabilities, net	<u>(59,721)</u>	<u>(10,241)</u>	<u>59</u>	<u>(69,903)</u>
Net position	<u>915</u>	<u>3,244</u>	<u>4,539</u>	<u>8,698</u>

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

NOTE 28: INTEREST RATE RISK MANAGEMENT

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

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

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

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NOTE 29: EARNINGS PER SHARE

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

	Six month period ended June 30, 2002	Six month period ended June 30, 2001
Income after income taxes (in HUF mn)	24,640	20,308
Declared preference dividends (in HUF mn)	=	<u>(9)</u>
Income after income taxes for the year attributable to common shareholders (in HUFmn)	<u>24,640</u>	<u>20,299</u>
Weighted average number of common shares outstanding during the year (piece)	<u>263,405,394</u>	<u>26,040,826</u>
Earnings per share (in HUF)	<u>94</u>	<u>780</u>

The weighted average number of common shares outstanding during the period does not include own shares held.

In the first quarter of the year of 2002 the nominal value of the common shares of the Bank has decreased from HUF 1,000 to HUF 100 per share.

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NOTE 30: RECONCILIATION OF FINANCIAL STATEMENTS PREPARED UNDER HUNGARIAN ACCOUNTING STANDARDS AND FINANCIAL STATEMENTS PREPARED UNDER IAS (in HUF mn)

	Retained Earnings and Reserves January 1, 2002	Income for the six month period ended June 30, 2002	Dividends	Direct Movements on Reserves	Retained Earnings and Reserves June 30, 2002
Hungarian financial statements	130,515	21,615	-	-	152,130
<i>Adjustments to Hungarian financial statements:</i>					
Reversal of statutory general provision	10,929	2,133	-	-	13,062
Premium and discount amortization on investment securities	(3)	22	-	-	19
Allowance for possible loan losses	(1,340)	-	-	-	(1,340)
Allowance for possible losses on off-balance sheet commitments and contingent liabilities	(297)	25	-	-	(272)
Increase of investment in subsidiary, recorded as an expense in the Hungarian financial statements	1,012	-	-	-	1,012
Difference in accounting for finance leases	149	(449)	-	-	(300)
Deferred taxation	22	(133)	-	-	(111)
Difference in accounting for off-balance sheet financial instruments	319	(8,940)	-	-	(8,621)
Fair value adjustment of derivative financial instruments	(821)	10,423	-	-	9,602
Fair value adjustment of held for trading and available-for-sale financial assets	532	(344)	-	-	188
Correction of Goodwill (IRB)	-	(105)			(105)
Loss on sale of Treasury Shares	-	393	-	(393)	-
Reclassification of direct charge related to local tax	<u>542</u>	<u>-</u>	<u>=</u>	<u>-</u>	<u>542</u>
International financial statements	<u>141,559</u>	<u>24,640</u>	<u>=</u>	<u>(393)</u>	<u>165,806</u>