



OTP Bank Ltd.

IAS Financial Data
(Summarized, unconsolidated, non audited)
First Half 2000.

Budapest, October 2000.

THE NATIONAL SAVINGS AND COMMERCIAL BANK LTD. HAS PREPARED ITS UNCONSOLIDATED, NON AUDITED IAS REPORT FOR THE FIRST HALF OF 2000. BELOW WE PRESENT THE SUMMARIZED FINANCIAL STATEMENTS DERIVED FROM THE UNCONSOLIDATED IAS FINANCIAL STATEMENTS, OUR ANALYSIS AND INTERPRETATION OF THE DIFFERENCES BETWEEN HAR AND IAS PROFIT AND LOSS ACCOUNTS. PLEASE NOTE THAT THE DATA CONCERNING THE FIRST HALF OF 1999, USED FOR COMPARISON, ARE AUDITED.¹

Development of the Bank's activities during the first half of 2000

Balance Sheet

On 30 June 2000 the total assets of the Bank were HUF 1,805 bn, HUF 121.3 bn. or 7.2 % higher than a year earlier. During first half 2000 balance sheet growth reached 2.4%.

Cash, due from banks and balances with NBH grew by 11.8%, within this those in HUF were 34.3% higher and in FX declined by HUF 69.6 bn to HUF 50.5 bn since the Bank decreased its short term placements with the NBH.

Net volume of interbank placements decreased by HUF 28.7 bn or 11.8%. Within this short term placements were 12.8% lower and long-term placements declined by 1.5% from an already low level. Within interbank placements the proportion of those in HUF represented 24.2%, while those in FX represented 75.8%.

Net volume of trading securities was 2.8% lower. Within this volume of Hungarian state and NBH bonds increased, while interest bearing and discounted Treasury bills declined by HUF 16.5 bn. The gross volume of shares and other non-interest bearing securities grew because of the Hajdú-Bét, while the net volume was lower than a year earlier, because of the increase in provisions.

Investment securities were 5.1% lower, within this government bonds declined by 5.2%, while other bonds were 2.8% lower. The volume of bonds due within 5 years decreased by 9.6%, while bonds with maturity over 5 year were 4.2% higher than a year earlier. Within bonds those with variable rates (58.4%) and those due within 5 year (64.2%) were still dominant.

Loans net of allowances were 16.2% higher than at the end of June 1999, due to 16.4% increase in total loans and 21.2% increase in allowances for possible loan losses. The 50.6% increase of the consumer loans and the 17.6% growth of corporate loans representing 61% of total loans were significant. Volume of housing loans decreased by 6.7%. Within total loans both short term and long-term placements grew, the proportion of the latter grew to 55%. Foreign currency loans represented

¹ The full report is available in pdf format upon request

approximately 24% of total on 30 June 2000, up from 20% at the end of June 1999. Accrued interest receivable declined by 9.2%. The net volume of lending grew from 27% to 29.2% of total assets in one year.

The gross volume of fixed assets was 18.5% higher than a year earlier mainly because of the increase in technical equipment, machinery and intangible assets that is the result of the Bank IT developments. The volume of depreciation grew by 30.7%, thus the net volume of fixed assets was 11.1% higher than a year earlier.

Net volume of other assets grew by 223.1%.

Liabilities of the Bank were 6% higher than at the end of June 1999. Within this liabilities to other banks were 47% lower, only those in foreign currency and maturing over one year increased. Overall, foreign currency liabilities decreased by 48.7% and represented 58.8% of total interbank liabilities because of the refinancing the disbursed preferential loans.

Deposits from customers grew by 7% and reached HUF 1,523.5 billion, which represented 90.7% of liabilities and 84.4% of balance sheet. Within deposits those with maturity within a year and in HUF increased by 6.7%, while the growth of deposits with maturity over one year was 39.2%. Deposits in HUF grew more dynamically, by 8%, while foreign currency deposits grew by 3.6% expressed in HUF and the latter represented 21.7% of total deposits.

The volume of securities issued by the Bank at the end of June 2000 was 76.5% lower than a year earlier as a result of 67% decline in short term and 80.4% fall in instruments maturing over 1 year.

Interest liabilities grew by 14.2% and other liabilities increased by 87.3%. Within this the increases in the volumes of GIRO clearing, suspense and margin accounts were significant.

Non-consolidated shareholders' equity increased by 26% as result of a 36.2% jump in retained earnings and reserves mainly because of the increase of after tax profits.

The Bank held a HUF 15.3 billion balance sheet and a HUF 1.6 billion net long open FX position on 30 June 2000.

Statement of Operations (Profit and Loss Account)

For the six months ended 30 June 2000, interest income amounted to HUF 92.6 billion, which was 10% lower than in the same period of 1999. Interest earned on loans declined by 7.2% in spite of the increase in volume of loans, however its proportion grew. Interest from interbank placements decreased significantly as a consequence of the significant fall of the volume. Within interest income, income from accounts with NBH and other banks increased by 42.3% due to the increase in their volumes. Interest income on both investment and trading securities fell in relation to the change in volumes.

Interest expense amounted to HUF 52.4 billion, which was 17.3% lower than in the same period of 1999. Interest paid on customers' deposits showed a 17.3% decrease in spite of the increase in volume.

The net interest income of HUF 40.2 billion represented a 1.8% increase over the first six months of 1999. The proportion of interest expense to interest income declined from 61.6% to 56.7%.

Provisions for possible loan and placement losses were lower by 17.4% and amounted to HUF 2.3 billion. Within this provisions for possible loan losses were 13% lower. Loan loss provisioning ratio to average net loan volume was 0.9% in the first half of 2000, a decline from 1.25% in the same period of the previous year.

Net interest income after provisions for possible loan and placement losses was HUF 37.9 billion, which represented a 3.3% increase.

In the first six months of 2000 annualized net interest margin was 4.25% as compared to 4.42% in the first half of 1999 calculated over the mathematical average of total assets.

Non-interest income was 36.8% or HUF 5.9 billion higher than in the first half of 1999 and amounted to HUF 22.1 billion. Within this the fee and commission income increased by 35.3%. Profits from FX transactions increased from HUF 1.1 billion to HUF 1.3 billion, mainly in relation to the FX position of the balance sheet. Securities trading income amounted to HUF 2.3 billion as compared to HUF 0.9 billion in the previous year. Losses on property transactions increased by HUF 51 million.

Total income grew by 12% to HUF 62.3 billion, while total income after provisions for loan losses was HUF 60 billion, which was 13.5% higher than in the same period of 1999. The proportion of non-interest income in total income reached 36.8% as against 30.6% one year earlier.

Compared to the first half of 1999 non-interest expenses grew by only 7.9%. Fees and commissions paid were 7.4% lower, partly because of non-recurring expenses in base period, thus net fees and commissions amounted to HUF 14.7 billion an increase of 48.8%. Personnel expenses (staff costs) grew by 5% while depreciation increased by 32.4% or by HUF 1.4 billion. Other expenses grew by 6.4% or HUF 1.2 billion. Within this the increase of provisions generated for other assets were significant.

The calculated cost/income ratio of the Bank decreased to 64.5%, from 67% for the first half of 1999. Based on the Hungarian Accounting Rules the calculated ratio was 62.8% and 65% in the first half of 2000 and 1999, respectively.

The pre-tax profit of HUF 19,820 million was 26.9% higher than in the first half of 1999.

As a result of the slight decrease of the effective tax rate the Company's after-tax profit of HUF 16,320 million represented a 29.1% increase over the first six months of 1999.

Earnings per share for the first half of 2000 were HUF 618 diluted, an increase of 28.8% over 1999. Return on average assets (ROA) under IAS reached 1.83%¹ (1.52%¹ for the first half of 1999), while the calculated return on average shareholders' equity (ROE) reached 28.1%¹ nominally (27.3%¹ for the first half of 1999). On 30 June 2000 net asset value per share based on all shares was HUF 4,447, an increase of 26% over the figure for 30 June 1999.

The profit and loss account prepared according to the International Accounting Standards differs from the HAR profit and loss account, by HUF 0.6 billion. This is mainly due to the difference in provisioning rules since IAS does not recognize the general risk, country risk and exchange rate risk provisions, which the Bank is required to generate under HAR, therefore these amounts, are written back to pre-tax profits under IAS. Furthermore there are differences in the accounting of financial lease and off balance sheet financial instruments.

Budapest, 30 September 2000

¹ annualized

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NON-CONSOLIDATED NON-AUDITED HAR AND IAS FINANCIAL HIGHLIGHTS
FOR THE SIX MONTHS ENDED 30 JUNE 2000

Figures in million HUF

	Six month ended 30 June 2000	
	HAR	IAS
Net interest income	40,837	40,201
Interest income	110,772	92,565
Interest expense	69,935	52,364
Non interest income	21,973	22,105
Fees & commissions received	17,626	17,635
Net gains on securities	2,283	2,282
Foreign exchange gains	1,359	1,343
Losses from real estate trading	-128	-92
Dividend income	25	25
Other non-interest income	808	912
Total income	62,810	62,306
Non-interest expense	38,589	40,192
Fees and commissions paid	2,885	2,899
Personnel expenses	11,555	11,555
Depreciation	5,096	5,749
Other Non-interest expense	19,053	19,989
Cost/income ratio	61.4%	64.5%
Operating profit	24,221	22,114
Provisions for possible loan losses	4,964	2,294
Profit before taxation	19,257	19,820
Taxes	3,550	3,500
Profit after taxation	15,707	16,320

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
NON-CONSOLIDATED NON-AUDITED HAR AND IAS FINANCIAL HIGHLIGHTS
FOR THE SIX MONTHS ENDED 30 JUNE 2000
RECONCILIATION OF FINANCIAL STATEMENTS PREPARED UNDER HUNGARIAN
ACCOUNTING RULES AND FINANCIAL STATEMENTS PREPARED UNDER IAS

Figures in million HUF

Hungarian financial statements	15,707
Adjustments to Hungarian financial statements:	
Reversal of general risk provision	399
Reversal of country risk provision	501
Premium and discount amortization of investment securities	-280
Allowance for possible losses on off-balance sheet commitments, contingent liabilities and financial instruments	54
Difference in accounting for finance leases	165
Deferred taxation	50
Difference in accounting for off-balance sheet financial instruments	-216
Profits on sale of own shares	-62
Reclassification of direct charges	2
International financial statements	16,320

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
SUMMARIZED FINANCIAL STATEMENTS -
BALANCE SHEET (NON-CONSOLIDATED, NON-AUDITED)
AS AT 30 JUNE 2000
Figures in million HUF

	30 June 1999 ²	30 June 2000
Cash, due from banks and balances with the National Bank of Hungary	492,222	550,122
Placements with other banks	242,248	213,570
Trading Securities	172,835	168,081
Loans, net of allowance for possible loan losses	453,787	527,481
Accrued interest receivable	25,993	23,605
Investments	27,479	24,184
Investments in debt securities	203,551	193,196
Premises and equipment, net	50,454	56,079
Other assets	15,046	48,614
TOTAL ASSETS	1,683,615	1,804,932
Due to banks and deposits from the National Bank of Hungary and other banks	70,034	37,128
Deposits from customers	1,423,512	1,523,520
Liabilities from issued securities	12,157	2,856
Accrued interest payable	24,712	28,219
Other liabilities	38,122	71,419
Subordinated bonds	16,224	17,281
TOTAL LIABILITIES	1,584,761	1,680,423
Share capital	28,000	28,000
Retained earnings and reserves	70,854	96,509
TOTAL SHAREHOLDERS' EQUITY	98,854	124,509
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	1,683,615	1,804,932

² audited

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
SUMMARIZED FINANCIAL STATEMENTS -
STATEMENT OF OPERATIONS (NON-CONSOLIDATED, NON AUDITED)
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2000

Figures in million HUF

	Six month period ended	
	30 June 1999 ³	30 June 2000
Interest income:	102,799	92,565
Interest expense:	63,312	52,364
NET INTEREST INCOME	39,487	40,201
Provision/(Credit) for Possible Loan Losses	2,776	2,294
NET INTEREST INCOME AFTER PROVISION FOR POSSIBLE LOAN LOSSES	36,711	37,907
Non-interest income:	16,162	22,105
Non-interest expense:	37,260	40,192
INCOME BEFORE INCOME TAXES	15,613	19,820
Income taxes	2,971	3,500
INCOME AFTER INCOME TAXES	12,642	16,320

³ audited

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
SUMMARIZED FINANCIAL STATEMENTS -
STATEMENT OF CASH FLOWS (NON-CONSOLIDATED, NON AUDITED)
FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2000

Figures in million HUF

	Six Month Period Ended	
	30 June 1999 ⁴	30 June 2000
OPERATING ACTIVITIES		
Income After Income Taxes	12,642	16,320
Adjustments to reconcile after tax result to net cash provided by operating activities	6,986	9,697
Changes in operating assets and liabilities	12,674	6,442
Net Cash Provided by Operating Activities	32,302	32,459
Net Cash Used in Investing Activities	76,384	-34,846
Net Cash Provided by Financing Activities	19,451	-23,657
Net Increase in Cash and Cash Equivalents	128,137	-26,044
Cash and Cash Equivalents at the Beginning of the Year	187,227	383,338
Cash and Cash Equivalents at the End of the Year	315,364	357,294

⁴ audited