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**OTP Bank Ltd.**

**IAS Financial Data  
(Summarized, consolidated,  
unaudited)  
First Half 2000.**

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Budapest, October 2000.

*THE NATIONAL SAVINGS AND COMMERCIAL BANK LTD. HAS PREPARED ITS UNAUDITED, CONSOLIDATED IAS REPORT FOR THE FIRST HALF OF 2000. BELOW WE PRESENT THE SUMMARIZED FINANCIAL STATEMENTS DERIVED FROM THESE CONSOLIDATED IAS FINANCIAL STATEMENTS, OUR ANALYSIS AND INTERPRETATION. PLEASE NOTE THAT THE DATA FOR FIRST HALF OF 1999 USED FOR COMPARISON ARE ALSO UNAUDITED<sup>1</sup>.*

## **Consolidated Balance Sheet**

On 30 June 2000 the consolidated total assets of OTP Bank were HUF 1,928,958 million, representing a 9.3% increase over the same period a year earlier and a 3.4% increase over the end of 1999. The total assets of the Group were 6.9% higher on 30 June 2000 than that of the Bank, thus confirming the overwhelming position of the Bank within the Group.

After consolidating capital reserves of subsidiaries, consolidated shareholder's equity on 30 June 2000 was HUF 137.4 billion, 29.7% higher than a year earlier and 16.8% higher than the consolidated shareholders' equity as of 31 December 1999. The consolidated figure was 10.3% higher than the unconsolidated shareholders' equity. The increase was the result of retaining the significant part of the after tax profit in capital reserves.

### **ASSETS**

Cash, deposits and balances with the NBH decreased by 2.3% compared to 31 December 1999, as a result of the decline in the volume of HUF cash which was high because of preparing for Y2K and the increase in the volume of deposits. Due to the significant growth in the volume of HUF deposits the increase was 12.1% over one year.

On 30 June 2000 the volume of interbank placements reached HUF 209.2 billion and was 8.0% lower than a year earlier. Short-term placements declined in HUF, grew in FX, and long-term placements grew in FX. Overall, FX placements increased by 15.2% and HUF placements decreased by 46.5% from a year earlier.

Trading securities increased by 5.5% to HUF 214.8 billion in one year. This volume was 27.8% higher than the un-consolidated figure of the Bank, due to securities held by OTP Garancia Insurance and OTP Building Society subsidiaries.

Gross loan volume on 30 June 2000 reached HUF 606.7 billion, 14.9% higher than a year earlier. Within loans, corporate loans at the end of June 2000 were HUF 365.2 billion representing 60% of total. Consumer lending grew by 41.0% to HUF 98.3 billion as a result of growing car loans at Merkantil Bank and increasing volume of consumer loans at the Bank. Consumer lending represented 16% of total loans. Volume of housing loans declined by 5.2% and municipality loans increased by 22.1%.

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<sup>1</sup> The full report is available in pdf format upon request

Within the loan portfolio the volume of short-term loans increased by 11.4%, while long-term loans were 17.5% higher than on 30 June 1999. Foreign currency loans represented 21% of the total loan portfolio.

Loans after allowance for possible loan losses were HUF 559.4 at the end of June 2000, 14.6% higher than a year earlier.

Volume of investment in debt securities increased by 2.1% over one year ending 30 June 2000 due to 2.3% higher holding of government securities. Volume of floating rate bonds declined while volume of fixed rate bonds increased. Volume of short-term bonds increased by 0.3% and of long-term bonds grew by 5.7%.

Net volume of premises, equipment and intangible assets declined by 3.5% and amounted to HUF 68.8 billion on 30 June 2000, surpassing the data of the Bank by 22.7%.

#### ***LIABILITIES AND SHAREHOLDERS' EQUITY***

Customer deposits reached HUF 1,546.7 billion on 30 June 2000, an increase of 7.4% over a year earlier and exceeded the volume of customer deposits at the Bank by 1.5%. HUF deposits increased by 8.6%, FX deposits were 3.4% higher than a year earlier. HUF deposits with maturity over one year increased significantly, by 50.1%. Volume of issued securities decreased at the Bank and increased at Merkantil Bank and overall was 41.2% or HUF 7.7 billion higher than at the end of first half of 1999.

Due to banks decreased by 39.1% since 30 June 1999 due mainly to the decrease of liabilities with maturity less than one year.

Other liabilities of the Group grew by 64.4% in one year. Within this, the HUF 10.3 billion increase in GIRO clearing accounts and HUF 16.1 billion increase in insurance reserves were significant.

### **Consolidated Statement of Operations (Profit and Loss Account)**

The first half 2000 consolidated unaudited IAS net income of OTP Bank was HUF 19.7 billion, 40.8% higher than for the first half of 1999, and 20.9% higher than the unconsolidated after-tax profit for the same period. Income before income taxes and minority interest was HUF 23.8 billion, an increase of 38.3%.

In the first half of 2000 the decline of money market, deposit and loan interest rates has continued. Consolidated interest income decreased by 7.0% compared to the first half of 1999. Interest income from the accounts with NBH and other banks increased significantly, interest earned from loans declined by 4.7% despite the increase in volume. Interest income from interbank placements and from securities also decreased.

Interest expenses were 16.5% lower in the first half of 2000 than in the first six months of 1999, and was 3.9% above the interest expenses of the Bank.

Consolidated net interest income grew by 7.3% to HUF 46.2 billion for 1H2000 from HUF 43.1 billion a year earlier and surpassed net interest income at the Bank by 15%.

Provisions for possible loan and placement losses amounting to HUF 2.2 billion were 31.1% lower than for the first half of 1999 and 3.2% lower than at the Bank.

Calculated gross interest margin declined from 4.96% in the first half of 1999 to 4.87%. Taking into account the generated provisions for possible loan and placement losses the calculated net interest margin in the first half of 2000 was 4.64% up from 4.59% a year earlier.

Non-interest income was 31.7% higher than in the previous year and reached HUF 43.4 billion. Within non-interest income the change of fees and commissions and the change in insurance premium income were determinant. The HUF 18.9 billion increase of fee and commission income represented 36.4 % and was 7.0% higher than the unconsolidated figure. Consolidated non-interest income for the first half of 2000 exceeded that of the Bank by 96.4%, to which insurance premium income of HUF 18.4 billion at the insurance subsidiary contributed significantly (an increase of 68.8%).

Consolidated non-interest expenses reached HUF 63.6 billion and were 14.4% higher than during the first half of 1999 or 58.3% above the figures of the Bank. Consolidated fee and commission expenses declined by 10.4% and were 24.4% higher than at the Bank. Consolidated personnel expenses increased by 6.8% compared to the same period a year earlier, and were 30.3% above the Bank's figures. Depreciation was 26.8% higher than a year earlier. Other expenses grew by 18.8% to HUF 38.5 billion. Within other expenses the net increase of insurance reserves amounted to HUF 9.3 billion (+90.8%) and insurance damages, services and their costs amounted to HUF 5.5 billion (+62.4%).

Consolidated cost-income ratio for the first half of 2000 was 71.0%, which was 2.1 percentage points lower than a year earlier. Calculated annualized consolidated ROAA reached 2.08%, while calculated annualized consolidated ROAE reached 30.9%, both higher than a year earlier (1.61% and 28.3%). Consolidated net asset value per share surpassed HUF 4.906 as at 30 June 2000. Undiluted earnings per share (EPS) reached HUF 757 which was 42.0% higher than in the first half of 1999.

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.**

**CONSOLIDATED NON-AUDITED HAR AND IAS FINANCIAL HIGHLIGHTS  
FOR THE SIX MONTHS ENDED 30 JUNE 2000  
STATEMENT OF OPERATIONS  
(in HUF mn)**

	Six months ended 30 June 2000	
	HAR	IAS
Interest income	117,768	100,643
Interest expense	72,388	54,407
<b>Net interest income</b>	<b>45,380</b>	<b>46,236</b>
Non interest income	47,169	43,413
Fees & commissions received	18,861	18,864
Net gains on securities	2,881	2,846
Foreign exchange gains	1,061	832
Results from real estate trading	676	631
Other non-interest income	23,690	20,240
<b>Total income</b>	<b>92,549</b>	<b>89,649</b>
Non-interest expense	63,657	63,615
Fees and commissions paid	3,628	3,600
Personnel expenses	15,041	15,058
Depreciation	5,871	6,477
Other Non-interest expense	39,117	38,480
Cost/income ratio	68.8%	71.0%
<b>Operating profit</b>	<b>28,892</b>	<b>26,034</b>
Provisions for possible loan losses	5,781	2,221
<b>Income before taxation and minority interest</b>	<b>23,111</b>	<b>23,813</b>
Taxes	4,114	4,088
<b>Income after taxation and before minority interest</b>	<b>18,997</b>	<b>19,725</b>
<b>Net income</b>	<b>18,997</b>	<b>19,725</b>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.**

**CONSOLIDATED UNAUDITED HAR AND IAS PRE-TAX PROFITS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2000**  
**MAJOR DIFFERENCES OF THE CONSOLIDATED STATEMENTS**  
*(in HUF mn)*

	<b>HAR</b>	<b>IAS</b>	<b>Diff.</b>
OTP Bank Ltd.	19,257	19,820	563
Merkantil Group	1,011	1,043	32
HIF Ltd.	97	97	0
OTP-Garancia Insurance Ltd.	551	758	207
Concordia Info Ltd.	3	3	0
OTP Real Estate Ltd.	294	294	0
OTP Securities Ltd.	406	406	0
OTP Real Estate Management Ltd.	18	18	0
OTP Factoring Ltd.	234	234	0
OTP Building Society Ltd.	748	748	0
Bank Center No. I. Ltd.	331	331	0
Inga Ltds	25	25	0
OTP Fund Management Ltd.	685	685	0
<b>Pre-tax profit</b>	<b>23,660</b>	<b>24,462</b>	<b>802</b>
Equity method	199	96	-103
Capital consolidation	-46	-43	3
Filtering out the transactions with each other	-702	-702	0
<b>Consolidated pre-tax profit</b>	<b>23,111</b>	<b>23,813</b>	<b>702</b>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.**

**SUMMARIZED IAS FINANCIAL STATEMENTS -  
CONSOLIDATED BALANCE SHEET  
AS AT 30 JUNE 2000  
(in HUF mn)**

	<b>30 June 2000 unaudited</b>	<b>30 June 1999 unaudited</b>
Cash, due from banks and balances with the National Bank of Hungary	554,636	494,680
Placements with other banks	209,192	227,472
Trading securities	214,823	203,621
Loans, net of allowance for possible loan losses	559,398	488,222
Accrued interest receivable	25,294	27,275
Investments	5,879	4,941
Investments in debt securities	213,378	209,019
Premises and equipment, net	68,799	71,284
Other assets	77,559	38,852
<b>TOTAL ASSETS</b>	<b>1,928,958</b>	<b>1,765,366</b>
Due to banks and deposits from the National Bank of Hungary and other banks	52,284	85,894
Deposits from customers	1,546,668	1,439,617
Liabilities from issued securities	26,553	18,811
Accrued interest payable	30,658	27,045
Other liabilities	118,136	71,877
Subordinated bonds	17,281	16,224
<b>TOTAL LIABILITIES</b>	<b>1,791,580</b>	<b>1,659,468</b>
<b>MINORITY INTERESTS</b>	<b>--</b>	<b>--</b>
Share capital	28,000	28,000
Retained earnings and reserves	109,378	77,898
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>137,378</b>	<b>105,898</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>1,928,958</b>	<b>1,765,366</b>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.**

**SUMMARIZED FINANCIAL STATEMENTS -  
CONSOLIDATED STATEMENT OF OPERATIONS  
FOR THE SIX MONTHS ENDED 30 JUNE 2000  
(in HUF mn)**

	<b>Six months ended 30 June 2000 unaudited</b>	<b>Six months ended 30 June 1999 unaudited</b>
Interest income:	100,643	108,231
Interest expense:	54,407	65,124
<b>NET INTEREST INCOME</b>	<b>46,236</b>	<b>43,107</b>
Provision for possible loan losses	2,213	3,069
Provision for possible placement losses	8	153
<b>NET INTEREST INCOME AFTER PROVISION FOR POSSIBLE LOAN LOSSES</b>	<b>44,015</b>	<b>39,885</b>
Non-interest income:	43,413	32,956
Non-interest expense:	63,615	55,625
<b>INCOME BEFORE INCOME TAXES AND MINORITY INTEREST</b>	<b>23,813</b>	<b>17,216</b>
Income taxes	4,088	3,205
<b>INCOME AFTER INCOME TAXES AND BEFORE MINORITY INTEREST</b>	<b>19,725</b>	<b>14,011</b>
Minority interest	--	--
<b>NET INCOME</b>	<b>19,725</b>	<b>14,011</b>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.**

**SUMMARIZED FINANCIAL STATEMENTS -  
CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE SIX MONTHS ENDED 30 JUNE 2000  
(in HUF mn)**

	<b>Six months ended 30 June 2000 unaudited</b>	<b>Six months ended 30 June 1999 unaudited</b>
<b>OPERATING ACTIVITIES</b>		
Income after income taxes	19,725	14,011
Adjustments to reconcile after tax result to net cash provided by operating activities	20,339	13,634
Changes in operating assets and liabilities	7,583	18,709
Net cash provided by operating activities	47,647	46,354
<b>INVESTING ACTIVITIES</b>		
Net cash used in investing activities	-57,333	56,356
<b>FINANCING ACTIVITIES</b>		
Net cash provided by financing activities	-15,833	25,762
<b>Net increase in cash and cash equivalents</b>	<b>-25,519</b>	<b>128,472</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>383,248</b>	<b>187,786</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>357,729</b>	<b>316,258</b>