

OTP Bank Ltd.
IAS Financial Data
(condensed, non-consolidated, non-audited)
First Half 2001

The National Savings and Commercial Bank Ltd. has prepared the following IAS non-consolidated, non-audited report on the first half of 2001. The report contains condensed financial statements derived from the non-consolidated, non-audited IAS financial statements, together with our analysis and interpretation, as well as explanations for the differences in the IAS profit and loss account and that prepared in accordance with Hungarian Accounting Regulations (HAR).

The Bank's Development in the First Half of 2001

Balance Sheet

The Bank's balance sheet total as at 30 June 2001 stood at HUF 1,954.2 billion, which was HUF 159.5 billion, or 8.9%, higher than a year earlier. The growth in the balance sheet total in the first half of 2001 was 1.8%.

Cash, deposits and balances with the NBH decreased by 15.9% compared to 31 December 1999, and within this, the HUF balance fell by 11.2%, and the FX balance by 61.7%. Short-term placements with the NBH decreased by the greatest amount – by approximately HUF 96.1 billion. The net balance of interbank placements grew by 19.6%, or HUF 41.8 billion. Within this, short-term placements increased by 15.4%, while long-term placements grew, albeit from a low base, by 113.3%. Within interbank placements, HUF placements were 86.1% higher, representing 37.8% of the total, while FX placements fell by 1.8%, and accounted for 62.2% of the total.

The net balance of trading securities and saleable securities stood at HUF 110.4 billion at the end of the period, which was 22% higher than at the end of 2000. Of this amount, the balance of trading securities fell by 58.7% from its level as at 31 December 2000, to HUF 23.7 billion, while the balance of saleable securities increased by 162.7% during the same period, to HUF 86.7 billion. The net balance of investment securities to be held until maturity fell by 6.1% in the first half of the year, to HUF 339.5 billion. Within this total, government bonds grew by 3.3%, while NBH bonds fell by 70.6%. Hungarian discount treasury bills totalling HUF 8.8 billion also made up a part of this portfolio. The value of bonds maturing within 5 years fell by 10.9%, while the value of fixed income papers with maturities in excess of 5 years was 12.8% higher than it had been 6 months earlier. Floating-rate bonds and securities with maturities of less than 5 years continued to account for the major share of the bond portfolio.

The net balance of loans grew by 22.4% in the 12 months to 30 June 2001, which was the result of a growth of 21.1% in the value of the loan portfolio on the one hand and a 6.6% fall in the risk reserve on the other. Retail loans grew by 26.1%, and, within this total, consumer loans increased by 28.6% and housing loans by 24.1%. In addition, loans to small businesses, accounting for 60.6% of the total, grew by a considerable 20.8%. Within the gross loan balance, both short-term and long-term loans grew, with the share of the latter falling to 51.8%. FX loans represented some 22.1% of the total gross loan portfolio on 30 June 2001, which compares with a ratio of 24% as at the same day of the previous year. Interest receivables grew by 21.9%. The proportion of net loan placements in the balance sheet total grew from 28.4% to 33% during the course of one year.

The Bank's liabilities were 8.2% higher than at the end of June 2000. Of these, the balance of liabilities to banks grew by 68.7%, with only short-term FX receivables falling. As a result of the 35.4% fall in FX receivables, liabilities to banks represented approximately 22.5% of total liabilities.

Customer deposits increased by 8.9%, reaching HUF 1,659.1 billion, or 91.3% of total liabilities, which represents 84.9% of the balance sheet total. Within deposits, short-term HUF deposits increased by 15.1%, while HUF deposits maturing in more than one year fell by 60.9%. HUF deposits grew dynamically, by 11.2%, while FX deposits expressed in HUF terms grew by 0.6%, accounting for 20% of total deposits.

The balance of securities issued by the Bank was 74.1% lower at the end of June 2001 than it had been a year earlier – the result of a fall of 42.4% in short-term securities and a decrease of 96.1% in the value of deposit certificates maturing in more than 1 year.

Interest payables fell by 22.1%, while other liabilities decreased by 20.8%. Within the latter, the fall in the balance of GIRO clearing accounts, as well as suspense and other clearing accounts was the most significant.

As a result of a 31.8% growth in reserves, primarily due to after tax profits, the Bank's non-consolidated equity was 18.4% higher than it had been at the end of June 2000.

As at 30 June 2001, the Bank had, according to the balance sheet, a short FX position of HUF 4.3 billion and a net long FX position of HUF 2.7 billion.

Profit and Loss Account

In the first half of 2001, interest income amounted to HUF 95.9 billion, representing an increase of 3.6% over the same period of 2000. Interest income from loans increased by 14.2%, while interest income from interbank placements grew by 20.1%. Within total interest income, income from accounts held at the central bank and at other banks fell by 38.7%. Interest income from both trading and saleable securities increased, as did income from securities to be held until maturity.

Interest expenses amounted to HUF 47.4, which was 9.6% lower than in the same period of 2000. Interest paid on customer deposits fell by 6.1%, despite the increase in the volume of such deposits.

The HUF 45.9 billion in net interest income was 20.8% higher than in the first 6 months of 2000. The ratio of interest expense to interest income fell from 56.6% to 49.4%.

Provisions for possible loan and placement losses grew by 19.6%, amounting to HUF 2.7 billion. The provisioning ratio as a percentage of the net average loan portfolio in the first half of 2001 was 0.87%, representing a slight fall compared to the figure of 0.9% for the same period of the previous year.

Net interest income – after deducting provisions for possible loan losses – amounted to HUF 45.8 billion, which represents an increase of 20.9%.

In the first 6 months of 2001, the annualised net interest margin, calculated on the basis of the mathematical average of the balance sheet total, was 4.73%, which compares with a figure of 4.25% in the first half of 2000.

Non-interest income was HUF 0.4 billion, or 1.8%, higher than in the first half of 2000, and amounted to HUF 22.5 billion. Within this, fees and commissions received increased by 19.8%. The HUF 1.3 billion in profits for the first half of 2000 from foreign exchange trading fell to HUF 0.9 billion in the first half of 2001, largely due to the balance-sheet FX position. The exchange rate losses on securities were HUF 0.1 billion, compared to a profit in the previous year of HUF 2.3 billion. Losses on real estate transactions fell by HUF 56 million.

The Bank's total income increased by 13.9%, to HUF 68.3 billion. In the first 6 months of 2001 the proportion of non-interest type income to total income was 32.9%, compared to a figure of 36.8% in the same period of the previous year.

Compared to the first half of 2000, non-interest income grew by a total of 7.6%. Net fees and commissions amounted to HUF 18.2 billion, which represents a growth of 23.7%. Personnel expenses increased by 15.1%, while depreciation increased by 5.7%. Other expenses grew by HUF 0.8 billion, or by 4.5%. Within these, costs increased by 11.6%, to HUF 19.7 billion, while provisioning fell by HUF 1.2 billion (i.e. by 68.4%).

The Bank's cost-income ratio fell, from 64.5% in the first half of 2000 to 60.8%. Based on Hungarian Accounting Regulations, the two ratios were 59.6% and 59.2% in the first half of 2000 and 2001 respectively.

The Bank's pre-tax profit of HUF 25,110 million was 26.7% higher than in the first half of 2000.

As a result of an effective tax rate higher than in the first half of 2000, the Company's after-tax profit of HUF 20,308 million for the first half of 2001 represents a growth of 24.4% over the same period of 2000.

The Bank's (diluted) earnings per share (EPS) for the first half of 2001 was HUF 780, which was 26.1% higher than a year earlier. Average return on assets (ROA), according to IAS, was 2.10%¹ (H1 2000: 1.84%), while

¹ annualised

average return on equity (ROE) nominally reached 30.9%¹ (H1 2000: 29.5%¹). As of 30 June 2001, nominal asset value (NAV) per share was HUF 4,866, representing an 18.4% increase over the 30 June 2000 value.

IAS after-tax profits are HUF 2,536 million higher than the after-tax profit based on HAR. This is mainly due to the differences in accounting for provisions. IAS does not call for the provisioning of general risk, sovereign risk and exchange rate risk (or the release of such provisions), while according to HAR the Bank was – and still is – obliged to set aside provisions for these risks. As a result, these amounts are credited to the IAS profit and loss account. The difference in the amortisation of bond premiums and discounts as well as the new Hungarian accounting regulations introduced in 2001 resulted in a HUF 656 million increase in the IAS after-tax profit. Another increase of HUF 500 million resulted from International Accounting Standard 39. Other differences stem from the way financial leasing and off-balance-sheet financial instruments are accounted for, and the effect of deferred taxation is also significant.

Budapest, 28 September 2001

OTP Bank Ltd.

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
First Half 2001
NON-CONSOLIDATED, NON-AUDITED, KEY FINANCIAL DATA
ACCORDING TO HAR AND IAS

(in HUF millions)

	H1 2001	
	HAR	IAS
Net interest income	47,850	48,580
Total interest income	95,824	95,943
Total interest expense	47,974	47,363
Non-interest income	22,453	22,501
Fees and commissions received	21,117	21,121
Net result of FX trading	2,390	863
Net gain on securities trading	-1,626	-114
Loss on real estate trading	-71	-36
Dividend income		25
Other non-interest income	643	642
Total income	70,303	71,081
Non-interest expenses	42,809	43,228
Fees and commissions paid	2,884	2,896
Personnel expenses	14,041	14,041
Depreciation	5,410	6,075
Other non-interest expenses	20,474	20,216
Cost/Income ratio	60,9%	60,8%
Result of operations	27,494	27,853
Provisioning and loan losses	5,417	2,743
Profit before tax	22,077	25,110
Tax liability	4,305	4,802
Profit after tax	17,772	20,308

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
First Half 2001
NON-CONSOLIDATED, NON-AUDITED, KEY FINANCIAL DATA
MAJOR DIFFERENCES IN THE HUNGARIAN AND INTERNATIONAL PROFIT AND LOSS
ACCOUNTS

(in HUF millions)

Profit according to the Hungarian P & L	17,772
Adjustments that have to be made to the IAS statement:	
Crediting of general risk reserve	937
Charging of foreign exchange rate risk	-70
Charging of sovereign risk provision	-580
Amortisation of bond premiums and discounts	656
Pending and future provisioning liabilities	51
Change due to the accounting treatment of financial leasing	145
Effect of deferred taxation	-497
Difference in the accounting of off-balance-sheet financial instruments	1,402
Trading and saleable securities, and effect of adjustment of shareholdings to their market value(IAS 39)	667
Derivatives (IAS 39)	-162
Price gain on own shares bought back	-13
IAS statement	20,308

NATIONAL SAVINGS AND COMMERCIAL BANK LTD.

CONDENSED FINANCIAL STATEMENTS – BALANCE SHEET

AS AT 30 JUNE 2001

(NON-CONSOLIDATED, NON-AUDITED)

(in HUF millions)

	30 June 2001	30 June 2000
Cash, deposits with banks and balances with the National Bank of Hungary	462 887	550 122
Interbank placements and receivables net of provisions for placement losses	255 357	213 570
Trading and saleable securities	110 391	158 632
Loans, net of provisions for possible loan losses	645 500	527 481
Interest receivables	28 785	23 605
Shares and ownership stakes	27 493	24 184
Securities to be held until maturity	339 460	193 196
Net value of tangible and intangible assets	53 928	56 079
Other assets	30 439	<u>47 870</u>
TOTAL ASSETS	<u>1 954 240</u>	<u>1 794 739</u>
Liabilities to banks	62 623	37 128
Customer deposits	1 659 147	1 523 520
Issued securities	741	2 856
Interest payable	21 989	28 219
Other liabilities	56 002	70 675
Subordinated loan capital	17 500	<u>17 281</u>
TOTAL LIABILITIES	<u>1 818 002</u>	<u>1 679 679</u>
Share capital	28 000	28 000
Reserves	127 226	96 509
Repurchased own shares	-18 988	<u>-9 449</u>
TOTAL SHAREHOLDERS' EQUITY	136 238	115 060
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u>1 954 240</u>	<u>1 794 739</u>

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
FOR THE HALF YEAR ENDED 30 JUNE 2001
CONDENSED FINANCIAL STATEMENTS – PROFIT AND LOSS ACCOUNT
(NON-CONSOLIDATED, NON-AUDITED)**

(in HUF millions)

	Half-year ended 30 June 2000	Half-year ended 30 June 2001
Interest income	92,565	95,943
Interest expense	52,364	47,363
NET INTEREST INCOME	40,201	48,580
Provisions for possible loan losses	2,294	2,743
NET INTEREST INCOME AFTER PROVISION FOR POSSIBLE LOAN LOSSES	37,907	45,837
Non-interest income	22,105	22,501
Non-interest expense	40,192	43,228
PRE-TAX PROFIT	19,820	25,110
Company tax	3,500	4,802
AFTER-TAX PROFIT	16,320	20,308

**NATIONAL SAVINGS AND COMMERCIAL BANK LTD.
FOR THE HALF YEAR ENDED 30 JUNE 2001
CONDENSED FINANCIAL STATEMENTS – CASH FLOW STATEMENT
(NON-CONSOLIDATED, NON-AUDITED)**

(in HUF millions)

	Half-year ended 30 June 2000	Half-year ended 30 June 2001
Operating activities		
Profit after tax	16,320	20,308
Adjustments to reconcile after-tax results to net cash provided by operating activities	9,697	9,349
Net change in operating assets and liabilities	6,442	-2,584
Net cash provided by business operations	32,459	27,073
Net cash used for placement activities	-27,446	-56,166
Net cash provided by financing activities	-31,057	63,433
Net increase in cash and cash equivalents	-26,044	34,340
Opening balance of cash and cash equivalents	383,338	309,361
Closing balance of cash and cash equivalents	357,294	343,701