

**ANNUAL REPORT 2003**

**ERSTE BANK HUNGARY RT.**

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# Letter to Customers, Business Partners, Shareholders



## Distinguished Customers, Partners, Shareholders,

**The year 2003 represents a milestone in the history of Erste Bank Hungary Rt. and Postabank Rt. alike. With Erste Bank der österreichischen Sparkassen AG having obtained 99.97 per cent of the shares of Postabank in the course of the privatisation, the two financial institutions will become the second largest retail bank in Hungary following the completion of the integration process.**

\_\_\_\_\_ As a result of the merger, Erste Bank Hungary Rt., utilising the efficiency and synergy effects inherent in the integration, will become the most dynamic protagonist in the Hungarian banking sector.

\_\_\_\_\_ However, it is not only the successful privatisation that has made the year 2003 an outstanding period in the history of Erste Bank Hungary Rt., for in the course of the organic growth, the bank increased its market share in all the major customer segments.

\_\_\_\_\_ One of the areas that deserve special regard is the performance of affiliates, among them Erste Bank Befektetési Rt. particularly, because the company owned exclusively by Erste Bank Hungary Rt. increased its profits by 72 per cent, to HUF 728 million. The company has been a leader in the capital market in Hungary for years, and realised the largest turnover at the spot market of Budapest Stock Exchange for the fourth year now.

\_\_\_\_\_ Due to all these factors, Erste Bank Hungary Rt., combined with Postabank, has obtained a market share of 10 per cent in the area of retail and corporate deposits and loans, becoming the second largest retail bank and the fifth largest corporate bank in Hungary. Therefore, the most important objectives are to complete the integration of the branch offices to develop the uniform and harmonised product range to lay down the co-operation with Magyar Posta [Hungarian Post] on new foundations and to decide on the name of the new bank.

\_\_\_\_\_ The strategic objective of the bank remains unchanged, and it is my belief Erste Group will become one of the largest financial service providers of Hungary within 3 to 5 years. The results of the past year provide ample proof that we have embarked upon the right path and made a significant step toward achieving our objectives. I am grateful for your confidence in us, and for utilising our services in ever increasing numbers.

\_\_\_\_\_ Let us continue advancing on this path and achieve further successes together.

A handwritten signature in black ink, appearing to read 'Kisbenedek Péter', written in a cursive style.

Péter Kisbenedek

Chairman of the Board of Directors  
Erste Bank Hungary Rt.

## Major Achievements in 2003

**Among the achievements for the year 2003, the most significant was that Erste Bank won the privatisation tender of Postabank. As a result of which, a unique opportunity has emerged for the financial institution: to become, by utilising the efficiency and synergy effects inherent in the integration, the second largest retail bank in Hungary after concluding the integration processes.**

\_\_\_\_\_ The year 2003 is recorded in the annals of Erste Bank as the year of breakthrough, for the financial institution increased its market share significantly in all major customer segments in the course of the organic growth. The balance sheet total increased by 30 per cent last year and surpassed the psychological barrier of HUF 500 billion. The bank completed last year with a balance sheet profit of HUF 1.4 billion, reflecting an increase of more than 80 per cent over the previous year.

\_\_\_\_\_ Among revenue items in the Hungarian statement, a 42-percent increase in net commission and fee income over last year's corresponding figure is to be highlighted. At the end of the year, net interest amounted to HUF 15.6 billion, reflecting an increase of 19-percent compared to the previous year. Re-valuation losses on securities and the accounting of derivative products in compliance with Hungarian reporting obligations turned the net result of financial transactions into a considerable loss at the end of the year, thus HUF 800 million minus was recorded in the Profit and Loss Account of the Bank in 2003. The difference between the results of the statement prepared in compliance with Hungarian Accounting Standards and the statement prepared in accordance with IAS originates from the difference in the evaluation principles of derivative products and trading-purpose securities. Among operating costs, the increase of personnel-type costs was the most significant, explained by a higher number of staff and the related wage expenses owing to the activities of the bank having expanded beyond expectations.

\_\_\_\_\_ The expansion of deposit and loan portfolios exceeded even those ambitious plans that had been set at the beginning of the year. The loan portfolio increased by net HUF 87 billion,

the order of which was similar to the growth of the preceding year. The retail deposit portfolio expanded in excess of HUF 52 billion, and the corporate business line recorded a growth of HUF 11 billion. The capital position of Erste Bank Hungary Rt. was strengthened further during the year by an increase of HUF 2 billion in the subscribed capital and by receiving a subordinated loan capital of HUF 3 billion.

### Strategic Plans and Objectives

\_\_\_\_\_ The medium-term objective of the Bank is to acquire a market share of 20 to 25 per cent in 3 to 5 years. Half of this aim should be achieved by organic growth, while the other half by acquisitions. Winning the privatisation tender of Postabank constituted the keystone of realising the strategy.

\_\_\_\_\_ The year 2004 is going to be the year of integration. As of - the beginning of this year, the merged Bank has already been operating in a uniform organisational structure, with a uniform branch office structure and harmonised product range. The complete legal integration as well as the major steps in the migration of systems and data are expected to be executed in the second half of 2004. The integration process will be concluded in 2005.

\_\_\_\_\_ Integration expenses (the main components of which are severance payments, depreciation above plans, loan loss provisions, supplementary investments into construction projects and information technology) are expected to hinder profit to be achieved in the year of the integration. However, as of 2005 a return on equity of over 16 per cent is included in the plans. With its 161 branch offices and nearly 800,000 retail and corporate customers, the merged Bank will emerge in the market as the second largest retail bank of Hungary. One of the significant components of the sales strategy will be the co-operation with the Hungarian Post.

	HAS			IAS		
	2002	2003	%	2002	2003	%
Total Assets	392 335	508 548	29,62%	403 841	533 484	32,10%
Balance sheet P/L figure	783	1 424	81,86%	1 627	3 615	122,18%
Receivables from customers	261 660	349 054	33,40%	265 697	352 737	32,76%
Liabilities against customers	214 675	299 743	39,63%	214 872	278 239	29,49%

Million HUF

## The Economic Environment in 2003

\_\_\_\_\_ The growth prospects of the Hungarian economy improved significantly in the second half of last year. In the last quarter, the growth rate of GDP accelerated to 3.6 per cent from 2.9 per cent in the third quarter and from 2.4 per cent of the second quarter, representing a six-year low. Regarding the entirety of the year, the economy expanded at a rate of 2.9 per cent, following 3.5 per cent in 2002. The growth rate of exports was 7.2 per cent compared to the previous year, while imports increased by 10.3 per cent. In the fourth quarter, however, exports expanded by 17 per cent, followed by only a 13.4-percent increase in imports. Consumption expenses of households increased by 7.6 per cent in 2003, somewhat lower than the 10.3 per cent recorded for 2002. However, a considerable deceleration was perceived in the fourth quarter: consumption expenses of households increased by a rate of only 5.2 per cent after 9 per cent in the third quarter. All these factors predicted that the growth structure would become more maintainable this year and that an increase of the GDP would be fuelled by exports rather than private consumption, contrary to what the case was in 2002 and 2003.

\_\_\_\_\_ In the first half of 2003, the inflation index was falling steadily, reaching its lowest level at 3.6 per cent in May. In the decrease of the inflation, a major role was played by the exchange rate of the Forint, stabilising at a strong level, and by depressed foodstuff prices. Subsequently, a relatively low consumer price index was seen until the end of the year, but the increase of the rate accelerated again in November, due to a price increase in foodstuff and a significant weakening of the Forint caused by shifting the foreign exchange rate band in June. Consumer prices were rising by 5.7 per cent in December in a year-on-year comparison, while average inflation in 2003 was 4.7 per cent, following 5.3 per cent in 2002. Due to price-increasing one-off inflation shocks of this year (increase of VAT and excise tax, authority price rises) the inflation target of the National Bank of Hungary for 2004 cannot be achieved, therefore the monetary authority is focusing on the target for 2005 ( $4\pm 1$  per cent).

### Macroeconomical figures 2000–2003

Growth compared to the previous year (%)	2001	2002	2003	2004*
GDP	3.8	3.5	2.9	3.3*
Consumption expenses of households	5.7	10.3	7.6	3.5*
Final consumption	5.8	8.7	5.9	2.6*
Investment	5.0	8.0	3.0	5.5*
Export	7.8	3.7	7.2	9.5*
Import	5.1	6.2	10.3	7.9*
Average inflation	9.2	5.3	4.7	6.9*
Central budget deficit (% of GDP)	3.4	9.4	5.9	4.9*
Current balance of payment deficit (Mrd EUR)	3.61	4.90	6.49	6.5*

\* annual forecast

\_\_\_\_\_ The Hungarian economic policy was characterised by serious problems of credibility last year. Owing to high interest rates and the central bank's communications, the foreign exchange market saw an (unsuccessful) attack against the national currency, speculating for additional strengthening of the Forint and aimed at forcing to abandon Hungary's foreign exchange rate regime.

\_\_\_\_\_ The first half of the year was characterised by a strong and steady exchange rate, which did not quite match the deteriorating fundamentals of the economic balance. At the beginning of the summer, a change occurred in the foreign exchange rate mechanism: the government, with the consent of the central bank, modified the middle parity of the band from HUF/EUR 276.10 to HUF/EUR 282.36. Markets were unable to interpret this step, being absolutely contrary to previous communications, thus Forint devaluated to a very significant extent in a short time because numerous end-investors, deeming the economic policy unpredictable, turned away from the Hungarian Forint and bond market. Therefore, the National Bank of Hungary was forced to increase the base rate, one of the major indicators for markets, in two steps from 6.50 per cent to 9.50 per cent to prevent the exchange rate of the Forint from plunging further.

\_\_\_\_\_ In November, Forint faced another considerable devaluation pressure because the data of the current account and the central budget deficit reflected serious problems in the balance of the economy, and the credibility of Hungarian economic policy became questioned. Disturbances in the Forint and bond market forced the National Bank of Hungary to raise the base rate by an additional 300 basis points to 12.50 per cent and to abandon focusing on a "desirable" internal foreign exchange rate band when making decisions concerning monetary policy.

\_\_\_\_\_ Budget policy, the other major factor of economic policy, was characterised by a "laxity" in 2003 as well. Although the central bank was constantly emphasising the importance of fiscal discipline, nothing more was done. In 2003 the deficit of the central budget amounted to 5.9 per cent of the GDP, expected to be decreasing slowly in years to come.

# Analysis of Financial Situation

## Balance Sheet Components

By the end of year 2003, the balance sheet total of the Bank exceeded HUF 508 billion, reflecting a 30-percent increase over the figure of the previous year. The growth in 2003 is identical to that of in 2002 (approximately HUF 120 billion) but due to a higher basis this amount was lower in percentage (2002/2001: 44 per cent).

## Assets

The total of the customer portfolio exceeded planned figures, with a lag in plans on the retail side compensated by the expansion of the corporate loan portfolio exceeding expectations. Receivables from customers expanded by HUF 87 billion in a year.

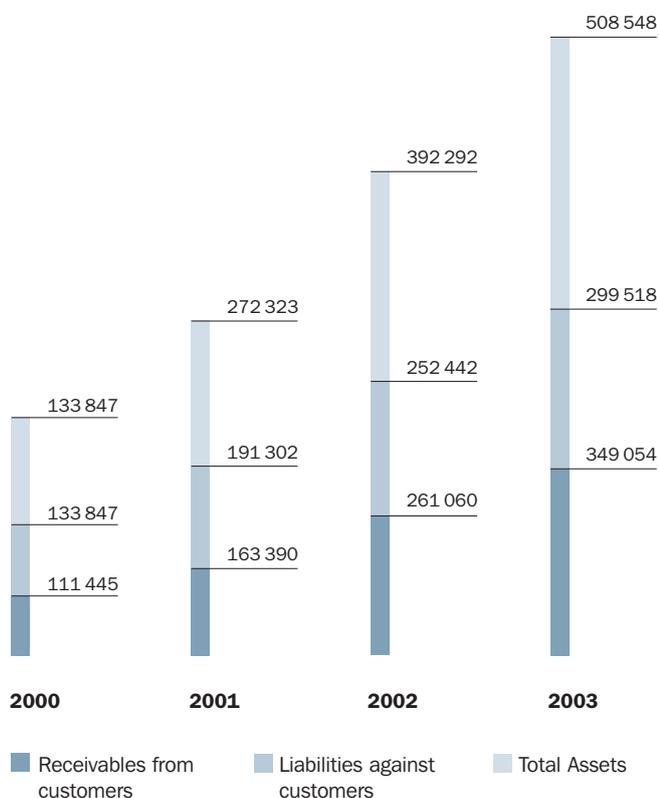
The asset structure changed in line with the strategy of the Bank in 2003 as well, for the rate of net customer loans, as compared to the balance sheet total, increased from 67 per cent to 69 per cent in the course of the year (2001 data:

60 per cent). Expanding constantly, the retail loan portfolio matched the growth realised in 2002.

Within the receivables from customers, the rate of foreign exchange-based lending increased considerably in 2003, rising to 31 per cent from 22 per cent in 2002. This expansion was fuelled by the corporate segment, reacting to high Forint interest rates.

During the year receivables from customers, with maturities up-to one year increased more dynamically than loans with longer maturity. In 2003, this segment grew by HUF 41 billion compared to HUF 33 billion of the preceding year, while loans of over-one-year maturities reflected an increase of HUF 46 in 2003.

The index of loan loss provisions compared to customer loans continued to fall (from 1.9 per cent to 1.4 per cent), reflecting the improvement of the loan portfolio. Due to an outstanding closing volume at the end of the year, the proportion of interbank assets increased significantly (from 7 per cent to 11 per cent), while the rate of state securities portfolio stagnated in a year-on-year comparison (reflecting an annual increase of HUF 12 billion in the closing data).



## Liabilities

In 2003 the Bank could not manage to increase the rate of liabilities against customers compared to the total of liabilities (the rate, purged from obligations originated from investment services, fell to 59 per cent from 64 per cent). Liabilities against customers, without the obligations derived from investment services, expanded by HUF 47 billion in one year. Within this increase sight and fixed corporate deposits rose way beyond expectations. Retail deposits started growing dynamically from the second half of the year, owing to an exceptionally successful advertisement campaign and the consequent flexible "sale pricing" of deposits.

The widening gap created by the difference in the respective growth dynamics of the assets and the liabilities manifested in a significant increase of interbank liabilities.

This portfolio more than doubled in one year and its internal rate increased by 12 percentage points.

Regarding currency structure, the expansion of the Forint continued within the liabilities against customers. This

may also be attributed to a rational reaction on the part of customers to high Forint interest rates and an increase of exchange rates risks.

As for maturity, a slight expansion was perceived in the sight segment of liabilities against customers (its internal rate increased to 31 per cent to 30 per cent). This shift was caused by the fact that deposits expanded by HUF 19 billion (to HUF 94 billion) in 2003, while liabilities with maturities of less than one year increased by HUF 29 billion (to HUF 206 billion). Liabilities over one year maturity did not reach a significant rate (over 1 per cent) again.

## Capital Position

During the year the Vienna-based parent company increased the subscribed capital of Erste Bank Hungary Rt. by HUF 2 billion. To ensure capital adequacy, additional capital allocation became necessary in the course of the year: the subordinated loan capital was increased by HUF 3 billion, also by the parent bank. The Bank's equity again increased by 23 per cent for the second year, the expansion in 2003 amounted to HUF 3.6 billion. The capital position was further reinforced by a considerable increase in the annual profit. On 31 December 2003, the capital adequacy ratio of the bank was 9.10 per cent.

## Profitability

The balance sheet profit of the Bank for 2003 increased by 82 per cent over the previous year. The result of the Bank was deteriorated by the one-off provision of HUF 412 million that had to be allocated also in the ledgers of Erste Bank Rt. for rationalising the staff, planned for 2004, originating from purchasing Postabank. The total operating income of the Bank expanded by 17 per cent in 2003.

It is to be highlighted that the net commission and fee income reflected a growth that had become usual in preceding years (42 per cent), improving its rate to the total of operating income by 5 percentage points. The net interest income increased by 19 per cent, moving its internal rate upwards by 1.5 percentage points. Out of the dividend income realised in 2003, HUF 500 million originated from Erste Bank Befektetési Rt. [Erste Bank Investment Co.] and HUF 166 million was paid by Makler Rt. Revaluation losses on securities (originating from delivery repos) and the accounting of derivatives in compliance with Hungarian reporting obligations turned a net result of financial transactions into a loss at the end of the year, therefore HUF –800 million was recorded in the profit and loss statement of the Bank in 2003, following a profit of HUF 358 million in the preceding year.

Operating costs increased by 23 per cent in the current year. Compared to 2002, personnel costs were 34 per cent higher, material costs increased by 18 per cent. The rates of these increases were identical to changes in year 2002 over the figures of 2001. One of the main reasons for the increase in personnel costs was caused by a strong expansion in the number of employees of the Bank. This unexpected staff enlargement was generated by growth business activities of the Bank beyond expectations.

# Non-consolidated balance sheet – Assets

(data presented in mHUF)

Rank	Description	31.12.2002	31.12.2003
<b>1</b>	<b>Liquid assets</b>	<b>35 449</b>	<b>18 309</b>
<b>2</b>	<b>Securities issued by Hungarian State</b>	<b>42 612</b>	<b>54 758</b>
	a) for trading purposes	7 598	27 377
	b) for investment purposes	35 014	27 381
<b>3</b>	<b>Receivables from credit institutions</b>	<b>26 791</b>	<b>56 245</b>
	a) sight	832	951
	b) other receivables for financial services	25 959	55 256
	ba) with a maturity less than one year	25 759	55 256
	Therof: from affiliated companies		
	from other participations		
	from National Bank of Hungary		18 200
	bb) with a maturity more than one year	200	
	Therof: from affiliated companies		
	from other participations		
	from National Bank of Hungary		
	c) from investment services		38
	Therof: from affiliated companies		
	from other participations		
<b>4</b>	<b>Receivables from customers</b>	<b>261 660</b>	<b>349 054</b>
	a) from financial services	260 808	348 175
	aa) with a maturity less than one year	106 300	147 185
	Therof: from affiliated companies	4 150	8 161
	from other participations		438
	ab) with a maturity more than one year	154 508	200 990
	Therof: from affiliated companies	4 527	6 508
	from other participations		35
	b) from investment services	852	879
	Therof: from affiliated companies	560	
	from other participations		
	ba) for services on stock exchange		
	bb) for services outside of stock exchange	560	
	bc) from customers for investment services	284	879
	bd) from clearing institutions	8	
	be) for other investments services		
<b>5</b>	<b>Securities representing debt claim, including fixed income securities</b>	<b>3 138</b>	<b>7 494</b>
	a) securities issued by local authorities or other state-organisations (state bonds are excluded)	0	0
	aa) for trading purposes		
	ab) for investment purposes		

(data presented in mHUF)

Rank	Description	31.12.2002	31.12.2003
	b) securities issued by other issuer	3 138	7 494
	ba) for trading purposes	1 278	7 344
	Therof: issued by affiliated companies		
	issued by other participations		
	issued by other participations		
	bb) for investment purposes	1 860	150
	Therof: issued by affiliated companies		
	issued by other participations		
<b>6</b>	<b>Shares and other non-fixed income securities</b>	<b>0</b>	<b>0</b>
	a) shares, participations for investment purposes		
	Therof: issued by affiliated companies		
	issued by other participations		
	b) variable-income securities	0	0
	ba) for trading purposes		
	bb) for investment purposes		
<b>7</b>	<b>Share, participation for investment purposes</b>	<b>79</b>	<b>74</b>
	a) shares, participations for investment purposes	79	74
	Therof: shares in credit institutions		
	b) value adjustments of shares and participation for investment purposes		
	Therof: shares in credit institutions		
<b>8</b>	<b>Shares, participations in affiliated companies</b>	<b>6 628</b>	<b>5 757</b>
	a) shares, participations for investment purposes	6 628	5 757
	Therof: shares in credit institutions		
	b) value adjustments of shares and participation for investment purposes		
	Therof: shares in credit institutions		
<b>9</b>	<b>Intangible assets</b>	<b>1 356</b>	<b>1 341</b>
	intangible assets	1 356	1 341
	value adjustments of intangible assets		
<b>10</b>	<b>Tangible assets</b>	<b>3 993</b>	<b>3 717</b>
	a) tangible assets for financial and investment purposes	3 993	3 717
	aa) real estates	2 285	2 172
	ab) technical equipment, machinery, vehicles	1 492	1 478
	ac) investments	213	60
	ad) prepayments for investments	3	7
	b) tangible assets not for direct financial and investment purposes	0	0
	ba) real estates		
	bb) technical equipments, machinery, vehicles		
	bc) investments		
	bd) prepayments for investments		

(data presented in mHUF)

Rank	Description	31.12.2002	31.12.2003
	c) value adjustments of tangible assets		
11	<b>Own shares</b>		
12	<b>Other assets</b>	<b>3 218</b>	<b>1 934</b>
	a) inventories	214	358
	b) other receivables	3 004	1 576
	Therof: receivables from affiliated companies	4	585
	from other participations		
13	<b>Deferred expenses and accrued income</b>	<b>7 411</b>	<b>9 865</b>
	a) accrued income	7 268	9 733
	b) accrued expenses	91	92
	c) deferred expenses	52	40
	<b>TOTAL ASSETS</b>	<b>392 335</b>	<b>508 548</b>
	Therof: Current assets	181 286	259 273
	Invested assets	203 638	239 410

# Non-consolidated balance sheet – Liabilities

(data presented in mHUF)

Rank	Description	31.12.2002	31.12.2003
<b>1</b>	<b>Liabilities against credit institutions</b>	<b>72 915</b>	<b>153 398</b>
	a) sight	742	4 822
	b) liabilities from fixed term financial services	72 173	148 380
	ba) with a maturity less than one year	60 790	87 141
	Therof: from affiliated companies		
	from other participations		
	from National Bank of Hungary	9	3
	bb) with a maturity more than one year	11 383	61 239
	Therof: from affiliated companies		
	from other participations		
	from National Bank of Hungary	7	4
	c) from investment services		196
	Therof: from affiliated companies		
	from other participations		
<b>2</b>	<b>Liabilities against customers</b>	<b>272 573</b>	<b>299 743</b>
	a) saving deposits	127	74
	aa) sight	127	74
	ab) with a maturity less than one year		
	ac) with a maturity more than one year		
	b) other liabilities from financial services	252 110	299 444
	ba) sight	75 090	93 727
	Therof: from affiliated companies	690	852
	from other participations	284	126
	bb) with a maturity less than one year	176 491	205 708
	Therof: from affiliated companies		95
	from other participations		
	bc) with a maturity more than one year	529	9
	Therof: from affiliated companies		
	from other participations		
	c) from investment services	20 336	225
	Therof: from affiliated companies		
	from other participations		
	ca) for services on stock exchange		
	cb) for services outside the stock exchange		
	cc) from customers for investment services	20 297	225
	cd) from clearing institutions	39	
	ce) for other investment services		

(data presented in mHUF)

Rank	Description	31.12.2002	31.12.2003
<b>3</b>	<b>Liabilities from issued securities</b>	<b>9 595</b>	<b>9 595</b>
	a) bonds issued	9 595	9 595
	aa) with a maturity less than one year		
	Therof: from affiliated companies		
	from other participations		
	ab) with a maturity more than one year	9 595	9 595
	Therof: from affiliated companies		
	from other participations		
	b) issued securities representing other debt claim	0	0
	ba) with a maturity less than one year		
	Therof: from affiliated companies		
	from other participations		
	bb) with a maturity more than one year		
	Therof: from affiliated companies		
	from other participations		
	c) securities acc. to Law on Accounting	0	0
	ca) with a maturity less than one year		
	Therof: from affiliated companies		
	from other participations		
	cb) with a maturity more than one year		
	Therof: from affiliated companies		
	from other participations		
<b>4</b>	<b>Other liabilities</b>	<b>8 239</b>	<b>7 333</b>
	a) with a maturity less than one year	7 923	7 152
	Therof: from affiliated companies	42	39
	from other participations		
	property contribution from members (in case of saving banks)		
	b) with a maturity more than one year	316	181
	Therof: from affiliated companies		
	from other participations		
<b>5</b>	<b>Accrued expenses or deferred income</b>	<b>5 360</b>	<b>8 473</b>
	a) accrual of income		11
	b) accrual of expenses	4 738	8 094
	c) deferred income	622	368
<b>6</b>	<b>Provisions</b>	<b>2 141</b>	<b>1 907</b>
	a) for pension and severance payments	19	416
	b) risk provision for pending and future liabilities	77	57
	c) general risk provision	1 422	1 422

(data presented in mHUF)

Rank	Description	31.12.2002	31.12.2003
	d) other provision	623	12
<b>7</b>	<b>Subordinated liabilities</b>	<b>5900</b>	<b>8905</b>
	a) subordinated capital	5900	8905
	Therof: from affiliated companies		
	from other participations		
	b) other property contribution from members (in case of savings bank)		
	c) other subordinated liabilities		
	Therof: from affiliated companies		
	from other participations		
<b>8</b>	<b>Subordinated capital</b>	<b>13210</b>	<b>15210</b>
	Of which: nominal value of repurchased ownership shares		
<b>9</b>	<b>Unpaid issued capital</b>		
<b>10</b>	<b>Capital reserve</b>	<b>2164</b>	<b>2164</b>
	a) agio	2164	2164
	b) other		
<b>11</b>	<b>General reserve</b>	<b>140</b>	<b>299</b>
<b>12</b>	<b>Retained earnings</b>	<b>-955</b>	<b>-83</b>
<b>13</b>	<b>Fixed reserve</b>	<b>270</b>	<b>180</b>
<b>14</b>	<b>Valuation reserve</b>		
<b>15</b>	<b>Balance-sheet profit or loss figure (±)</b>	<b>783</b>	<b>1424</b>
	<b>Total liabilities</b>	<b>392335</b>	<b>508548</b>
	Therof: Short-term liabilities	341499	399045
	Long-term liabilities	27723	79929
	Equity	15612	19194

**Off balance items**

Rank	Description	2002.12.31	2003.12.31
	Pending liabilities	66344	89807
	Future liabilities	293272	420855
	Pending and future liabilities	359616	510662

# Non-consolidated Profit and Loss Statements

(data presented in mHUF)

Rank	Description	31.12.2002	31.12.2003
<b>1</b>	<b>Interest received and other interest-type income</b>	<b>39 313</b>	<b>52 078</b>
	a) fixed-income securities representing debt-claim	3 766	3 682
	Therof: from affiliated companies		
	from other participations		
	b) other interest income and interest-type income	35 547	48 396
	Therof: from affiliated companies	437	847
	from other participations		41
<b>2</b>	<b>Interest paid and other interest-type expenses</b>	<b>26 231</b>	<b>36 525</b>
	Therof: from affiliated companies	68	152
	from other participations	5	1
	Net income	13 082	15 553
<b>3</b>	<b>Income from securitites</b>	<b>10</b>	<b>713</b>
	a) income from shares and participations held for trading purposes (dividend, participations)		
	b) income from affiliated companies (dividend, participation)		
	c) income from other participations (dividend, participations)	10	713
<b>4</b>	<b>Fee and comission income</b>	<b>4 694</b>	<b>6 911</b>
	a) from income other financial services	4 580	6 630
	Therof: from affiliated companies	8	15
	from other participations	1	1
	b) from expenses of investment services (excluding trading services)	114	281
	Therof: from affiliated companies		
	from other participations		
<b>5</b>	<b>Fee and comission expenses</b>	<b>672</b>	<b>1 219</b>
	a) from expenditures of other financial services	595	1 117
	Therof: from affiliated companies		
	from other participations		
	b) from expenses of investment services (excluding trading services)	77	102
	Therof: from affiliated companies		16
	from other participations		
<b>6</b>	<b>Net result of financial transactions</b>	<b>358</b>	<b>-880</b>
	a) from income other financial services	1 213	2 419
	Therof: from affiliated companies		
	from other participations		53
	b) from expenditures of other financial services	911	2 731

(data presented in mHUF)

Rank	Description	31.12.2002	31.12.2003
	Therof: from affiliated companies		
	from other participations		
	c) from income of investment services (result of trading services)	1 246	325
	Therof: from affiliated companies		40
	from other participations		
	retrieval of value-loss of securities held for trading purposes		
	d) from expenses of investment services (expenses of trading services)	1 190	893
	Therof: from affiliated companies		92
	from other participations		
	value loss of securities held for dealing purposes		
<b>7</b>	<b>Other revenues from business activity</b>	<b>2 118</b>	<b>1 737</b>
	a) income from non-financial and investment activities	553	228
	Therof: from affiliated companies		7
	from other participations		
	b) other revenues	1 565	1 509
	Therof: from affiliated companies	12	49
	from other participations		
	retrieval of value loss of inventories	78	20
<b>8</b>	<b>General administration cost</b>	<b>12 290</b>	<b>15 438</b>
	a) personal expenditures	5 817	7 770
	aa) wages	3 354	5 224
	ab) other personal expenditures	845	604
	Therof: social insurance	184	296
	pensions	142	222
	ac) fringe benefit	1 618	1 942
	Therof: social insurance	1 196	1 622
	pensions	705	734
	b) other administrative expenses (material-type expenses)	6 473	7 668
<b>9</b>	<b>Depreciation</b>	<b>1 146</b>	<b>1 113</b>
<b>10</b>	<b>Other expenditures from business activity</b>	<b>5 187</b>	<b>4 389</b>
	a) expenses from non-financial and investment services	581	190
	Therof: from affiliated companies		1
	from other participations		
	b) other expenditures	4 606	4 199
	Therof: from affiliated companies		
	from other participations		
	value loss of inventories	5	191

(data presented in mHUF)

Rank	Description	31.12.2002	31.12.2003
11	<b>Value loss of receivables and risk provisions for future and pending liabilities</b>	<b>2058</b>	<b>2268</b>
	a) value loss of receivables	2037	2257
	b) risk provisions for future and pending liabilities	21	11
12	<b>Retrieval of value loss of receivables and appropriation of risk provision for future and pending liabilities</b>	<b>2204</b>	<b>2406</b>
	a) retrieval of value loss of receivables	2204	2375
	b) appropriation of risk provision for future and pending liabilities		31
13	<b>Value loss of securities representing debt-claim, held for investments purposes and shares in affiliated companies and other participations</b>	<b>74</b>	<b>101</b>
14	<b>Retrieval of value loss of securities representing debt-claim, held for investments purposes and shares in affiliated companies and other participations</b>		<b>186</b>
15	<b>Ordinary result of business activities</b>	<b>1039</b>	<b>2098</b>
	Result of financial and investment services	1067	2060
	Result of non financial and investment services	-28	38
16	<b>Extraordinary income</b>	<b>1</b>	<b>2353</b>
17	<b>Extraordinary expenses</b>	<b>0</b>	<b>2565</b>
18	<b>Extraordinary result</b>	<b>1</b>	<b>-212</b>
19	<b>Result before tax</b>	<b>1040</b>	<b>1886</b>
20	<b>Tax liabilities</b>	<b>170</b>	<b>304</b>
21	<b>Profit/loss after taxes</b>	<b>870</b>	<b>1582</b>
22	<b>Creation or appropriation of general risk provision</b>	<b>87</b>	<b>158</b>
23	<b>Dividend from retained earnings</b>		
24	<b>Approved dividends or shares</b>		
	Therof: from affiliated companies		
	from other participations		
25	<b>Balance-sheet profit or loss figure</b>	<b>783</b>	<b>1424</b>

# Non-consolidated Cash-flow statement

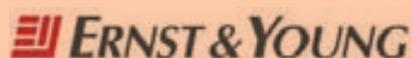
(data presented in mHUF)

Rank	Description	2002.	2003.
1	Interest income	39313	52078
2	+ Income from other financial services (excluding retrieval of provision on securities)	5793	9048
3	+ Other income (excluding utilisation of provision, retrieval of surplus of provision, provision of inventories, retrieval of extraordinary depreciation)	1401	859
4	+ Income from investment services (excluding retrieval of provision on securities)	1360	606
5	+ Income from non financial and non investment services	553	227
6	+ Income from dividend	10	713
7	+ Extraordinary income	1	2353
8	- Interest expenses	26231	36525
9	- Other financial expenses (excluding provision on securities)	1506	3848
10	- Other expenses (excluding provision and value loss on inventories, and extraordinary depreciation)	3955	3592
11	- Expenses from investment services (excluding provision on securities)	1193	995
12	- Expenses of non financial and non investment services	581	190
13	- General administrative expenses	13437	16551
14	- Extraordinary expenses (excluding the company tax liability of the current year)	0	2564
15	- Company tax liability of the current year	170	304
16	- Dividend paid		
17	Operating cash-flow (line 1 to 16)	1358	1315
18	± Change in liabilities (+ if increase, - if decrease)	113794	109752
19	± Change in receivables (+ if increase, - if decrease)	-93975	-115304
20	± Change in inventories (+ if increase, - if decrease)	383	-315
21	± Change in securities registered among current assets (+ if increase, - if decrease)	-1531	-25844
22	± Change in securities registered among invested assets (+ if increase, - if decrease)	2107	10305
23	± Change in investments (including prepayments) (+ if increase, - if decrease)	-40	148
24	± Change in intangible assets (+ if increase, - if decrease)	-226	15
25	± Change in net value of fixed assets (excluding investments with prepayments) (+ if increase, - if decrease)	33	128
26	± Change in prepayments (+ if increase, - if decrease)	-3255	-2454
27	± Change in accruals (+ if increase, - if decrease)	2746	3113
28	+ Issued shares at sales price	2014	2000
29	+ Financial assets received	1	1

(data presented in mHUF)

Rank	Description	2002.	2003.
30	- Financial assets transferred	24	0
31	- Nominal value of own issue withdrawn		
32	Net cash-flow (line 17-31)	23385	-17140
33	- change in cash (petty cash of foreign exchange and Forint, cheques)	2127	-77
34	- change in cash in account (foreign exchange and Forint current accounts and other deposit accounts with a maturity less than one year at NBH, and other Forint deposit accounts with a maturity less than one year at other credit institutions)	21258	-17063

# Report of the Independent Auditors



■ Ernst & Young Kft.  
H-1132 Budapest, Váci út 20.  
1399 Budapest 62 Pf. 632  
Hungary

■ Tel: +36 1 451-8100  
Fax: +36 1 451-8199  
E-mail: mailbox.ey@hu.ey.com  
www.ey.com/hu  
Cg. 01-09-267553

## **This is a translation of the Hungarian Report Independent Auditors' Report**

To the Shareholders of Erste Bank Hungary Rt.

We have audited the accompanying balance sheet of Erste Bank Hungary Rt. as at December 31, 2003, which shows a balance sheet total of HUF 508,548 million and a profit for the year of HUF 1,424 million, the related profit and loss account for the year then ended and the notes included in the Company's 2003 annual financial statements. The annual financial statements are the responsibility of the Company's management. The auditor's responsibility is to express an opinion on the financial statements based on the audit and to assess whether the business report is consistent with that presented in the financial statements.

We issued an unqualified report on the Company's annual financial statements as at 31 December 2002 on March 28, 2003.

We conducted our audit in accordance with Hungarian National Audit Standards and with applicable laws and regulations in Hungary. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. Our work regarding the business report was limited to these areas and did not include the examination of other information which do not derive from the Bank's audited accounting records. We believe that our audit provides a reasonable basis for our opinion.

We have audited the elements of and disclosures in the annual financial statements, along with underlying records and supporting documentation, of Erste Bank Hungary Rt. in accordance with national audit standards and have gained sufficient and appropriate evidence that the annual financial statements have been prepared in accordance with the accounting law and with generally accepted accounting principles. In our opinion the annual financial statements give a true and fair view of the equity and financial position of Erste Bank Hungary Rt. as at December 31, 2003 and of the results of its operations for the year then ended. The business report corresponds to the disclosures in the financial statements.

Budapest, February 9, 2004

Ernst & Young Kft.  
Registration No. 001165

Hergovits Mariann  
Registered Auditor  
Chamber membership No. 004648

# Consolidated Statement

\_\_\_\_\_ Affiliates and/or joint management companies, direct and indirect ownership stakes of Erste Bank Hungary Rt. that are included in the consolidation scope:

ESZE Szolgáltató Kft.	100,00 %
Erste Bank Pénztárszervező Kft.	100,00 %
Erste Dat Kft.	100,00 %
Erste Bank Befektetési Rt.	100,00 %
Erste Alapkezelő Rt.	100,00 %
Makler 2002. Rt.	100,00 %
Portfólió Kft.	100,00 %
Erste Leasing Kft.	51,00 %
Erste S Leasing Rt.	50,00 %

\_\_\_\_\_ Companies of the Bank that ensure direct majority ownership, and companies where the Bank's 100-percent indirect ownership stake is exercised through its 100-percent-owned affiliates are fully included in the consolidation.

## Capital Consolidation

\_\_\_\_\_ Any differences between the book values of the ownership stakes of the Bank and the equities of the affiliates are recorded in the merged balance sheet as capital consolidation differences. In case of four consolidated affiliates, follow-up consolidation were conducted: ESZE Kft. and Erste Bank Pénztárszervező Kft. were consolidated for the seventh time, Erste Leasing Kft. for the third time, while Erste-Dat Kft. and Erste S Leasing Rt. and Erste Bank Befektetési Rt. for the second time. Erste Alapkezelő Rt., Portfólió Kft. and Makler 2002. Rt. were included in the consolidation scope for the first time in 2003.

\_\_\_\_\_ In 2002, Erste Bank Befektetési Rt. was included in the consolidation scope on the basis of value ratio recorded at the end of the year and without the data of its affiliates because the company had become fully owned by the Bank on 1 October 2002. Since a full-scope consolidation was conducted for Erste Bank Befektetési Rt. in 2003, the investments representing 100-percent direct ownership stakes of the company, such as Erste Alapkezelő Rt. and Portfólió Kft., previously consolidated by Erste Bank Befektetési Rt., were also included in the consolidated scope of the Bank.

## Consolidated balance sheet – Assets

(data presented in mHUF)

Rank	Description	2002.12.31	2003.12.31
1	<b>Liquid assets</b>	<b>35 449</b>	<b>18 309</b>
2	<b>Securities issued by Hungarian State</b>	<b>58 103</b>	<b>65 964</b>
	a) for trading purposes	23 089	38 583
	b) for investment purposes	35 014	27 381
3	<b>Receivables from credit institutions</b>	<b>29 424</b>	<b>57 794</b>
	a) sight	3 465	1 794
	b) other receivables for financial services	25 959	55 256
	ba) with a maturity less than one year	25 759	55 256
	Therof: from affiliated companies		
	from other participations		
	from National Bank of Hungary		18 200
	bb) with a maturity more than one year	200	
	Therof: from affiliated companies		
	from other participations		
	from National Bank of Hungary		
	c) from investment services		744
	Therof: from affiliated companies		
	from other participations		
4	<b>Receivables from customers</b>	<b>265 095</b>	<b>347 681</b>
	a) from financial services	253 762	337 043
	aa) with a maturity less than one year	102 634	140 269
	Therof: from affiliated companies		
	from other participations		438
	ab) with a maturity more than one year	151 128	196 774
	Therof: from affiliated companies		
	from other participations		
	b) from investment services	11 333	10 638
	Therof: from affiliated companies		
	from other participations		
	ba) for services on stock exchange	4 017	1 190
	bb) for services outside of stock exchange	4 425	6 900
	bc) from customers for investment services	2 476	1 605
	bd) from clearing institutions	303	943
	be) for other investments services	112	
5	<b>Securities representing debt claim, including fixed income securities</b>	<b>3 174</b>	<b>8 363</b>
	a) securities issued by local authorities or other state-organizations (state bonds are excluded)	0	193
	aa) for trading purposes		193
	ab) for investment purposes		
	b) securities issued by other issuer	3 174	8 170

(data presented in mHUF)

Rank	Description	2002.12.31	2003.12.31
	ba) for trading purposes	1 314	8 020
	Therof: issued by affiliated companies		
	issued by other participations		
	repurchased self-issued securities		
	bb) for investment purposes	1 860	150
	Therof: issued by affiliated companies		
	issued by other participations		
<b>6</b>	<b>Shares and other non-fixed income securities</b>	<b>3 534</b>	<b>7 878</b>
	a) shares, participations for investment purposes	3 534	7 650
	Therof: issued by affiliated companies		
	issued by other participations		
	b) variable-income securities	0	228
	ba) for trading purposes		228
	bb) for investment purposes		
<b>7</b>	<b>Share, participation for investment purposes</b>	<b>349</b>	<b>344</b>
	a) shares, participations for investment purposes	349	344
	Therof: shares in credit institutions		
	b) value adjustments of shares and participation for investment purposes		
	Therof: shares in credit institutions		
<b>8</b>	<b>Shares, participations in affiliated companies</b>	<b>992</b>	<b>0</b>
	a) shares, participations for investment purposes	992	
	Therof: shares in credit institutions		
	b) value adjustments of shares and participation for investment purposes		
	Therof: shares in credit institutions		
	c) Difference of capital consolidation		
	- from affiliates, common-leded ventures		
	- from associated companies		
<b>9</b>	<b>Intangible assets</b>	<b>2 250</b>	<b>2 553</b>
	Intangible assets	2 250	2 553
	Value adjustments of intangible assets		
<b>10</b>	<b>Tangible assets</b>	<b>9 382</b>	<b>9 877</b>
	a) tangible assets for financial and investment purposes	8 580	8 235
	aa) real estates	5 783	5 653
	ab) technical equipments, machinery, vehicles	2 545	2 374
	ac) investments	249	201
	ad) prepayments for investments	3	7
	b) tangible assets not for direct financial and investment purposes	802	1 642
	ba) real estates	2	1
	bb) technical equipments, machinery, vehicles	800	1 640

(data presented in mHUF)

Rank	Description	2002.12.31	2003.12.31
	bc) investments		1
	bd) prepayments for investments		
	c) value adjustments of tangible assets		
11	<b>Own shares</b>		
12	<b>Other assets</b>	<b>3 620</b>	<b>1 800</b>
	a) inventories	215	359
	b) other receivables	3 405	1 441
	Therof: receivables from affiliated companies	11	
	from other participations		
	c) Tax receivable because of consolidation process		
13	<b>Deferred expenses and accrued income</b>	<b>7 815</b>	<b>9 950</b>
	a) accrued income	7 643	9 757
	b) accrued expense	120	153
	c) deferred expense	52	40
	<b>TOTAL ASSETS</b>	<b>419 187</b>	<b>530 513</b>
	Therof: Current assets	210 197	283 484
	Invested assets	201 175	237 079

# Consolidated balance sheet – Liabilities

(data presented in mHUF)

Rank	Description	31.12.2002	31.12.2003
<b>1</b>	<b>Liabilities against credit institutions</b>	<b>76 364</b>	<b>154 584</b>
	a) sight	1 043	5 086
	b) liabilities from fixed term financial services	75 321	148 630
	ba) with a maturity less than one year	63 937	87 391
	Therof: from affiliated companies		
	from other participations		
	from National Bank of Hungary	9	3
	bb) with a maturity more than one year	11 384	61 239
	Therof: from affiliated companies		
	from other participations		
	from National Bank of Hungary	7	4
	c) from investment services		868
	Therof: from affiliated companies		
	from other participations		
<b>2</b>	<b>Liabilities against customers</b>	<b>295 347</b>	<b>319 555</b>
	a) saving deposits	127	74
	aa) sight	127	74
	ab) with a maturity less than one year		
	ac) with a maturity more than one year		
	b) other liabilities from financial services	251 420	298 497
	ba) sight	74 400	92 875
	Therof: from affiliated companies		
	from other participations	284	126
	bb) with a maturity less than one year	176 491	205 613
	Therof: from affiliated companies		
	from other participations		
	bc) with a maturity more than one year	529	9
	Therof: from affiliated companies		
	from other participations		
	c) from investment services	43 800	20 984
	Therof: from affiliated companies		
	from other participations		
	ca) for services on stock exchange	3 921	1 261
	cb) for services outside of stock exchange	17 514	17 894
	cc) from customers for investment services	22 326	1 829
	cd) from clearing institutions	39	
	ce) for other investments services		
<b>3</b>	<b>Liabilities from issued securities</b>	<b>9 595</b>	<b>9 595</b>
	a) issued bonds	9 595	9 595

(data presented in mHUF)

Rank	Description	31.12.2002	31.12.2003
	aa) with a maturity less than one year		
	Therof: from affiliated companies		
	from other participations		
	ab) with a maturity more than one year	9 595	9 595
	Therof: from affiliated companies		
	from other participations		
	b) issued securities representing other debt claim	0	0
	ba) with a maturity less than one year		
	Therof: from affiliated companies		
	from other participations		
	bb) with a maturity more than one year		
	Therof: from affiliated companies		
	from other participations		
	c) securities acc. To Law on Accounting	0	0
	ca) with a maturity less than one year		
	Therof: from affiliated companies		
	from other participations		
	cb) with a maturity more than one year		
	Therof: from affiliated companies		
	from other participations		
<b>4</b>	<b>Other liabilities</b>	<b>8 685</b>	<b>7 733</b>
	a) with a maturity less than one year	8 369	7 529
	Therof: from affiliated companies		
	from other participations		
	property contribution from members (in case of saving banks)		
	b) with a maturity more than one year	316	181
	Therof: from affiliated companies		
	from other participations		
	c) Company-tax payable because of consolidation process		23
<b>5</b>	<b>Accrued expenses or deferred income</b>	<b>5 131</b>	<b>8 559</b>
	a) accrual of income	76	110
	b) accrual of expenses	5 049	8 443
	c) deferred income	6	6
<b>6</b>	<b>Provisions</b>	<b>2 141</b>	<b>2 114</b>
	a) for pension and for severance payments	19	417
	b) risk provision for pending and future liabilities	77	56
	c) general risk provision	1 422	1 422
	d) other provision	623	219

(data presented in mHUF)

Rank	Description	31.12.2002	31.12.2003
<b>7</b>	<b>Subordinated liabilities</b>	<b>6 692</b>	<b>9 633</b>
	a) subordinated capital	5 900	8 905
	Therof: from affiliated companies		
	from other participations		
	aa) Difference from capital consolidation	792	728
	from daughter-company, from joint-company	792	728
	b) other property contribution from members (in case of savings bank)		
	c) other subordinated liabilities		
	Therof: from affiliated companies		
	from other participations		
<b>8</b>	<b>Subscribed capital</b>	<b>13 210</b>	<b>15 210</b>
	Of which: nominal value of repurchased ownership shares		
<b>9</b>	<b>Unpaid issued capital</b>		
<b>10</b>	<b>Capital reserve</b>	<b>2 164</b>	<b>2 164</b>
	a) agio	2 164	2 164
	b) other		
<b>11</b>	<b>General reserve</b>	<b>140</b>	<b>299</b>
<b>12</b>	<b>Retained earnings</b>	<b>-955</b>	<b>-126</b>
<b>13</b>	<b>Fixed reserve</b>	<b>270</b>	<b>180</b>
<b>14</b>	<b>Valuation reserve</b>		
<b>15</b>	<b>Balance-sheet profit or loss figure (±)</b>	<b>469</b>	<b>1 400</b>
<b>16</b>	<b>Equity changes at subsidiary companies</b>	<b>-82</b>	<b>-352</b>
<b>17</b>	<b>Changes arising from the consolidation</b>	<b>0</b>	<b>0</b>
	- difference from debt-consolidation		
	- difference from intermediate profit/loss		
<b>18</b>	<b>Participation of other holders</b>	<b>16</b>	<b>-35</b>
	<b>Total liabilities</b>	<b>419 187</b>	<b>530 513</b>
	Therof: Short-term liabilities	368 167	420 443
	Long-term liabilities	28 516	80 657
	Equity	15 232	18 740

**Off balance items**

Rank	Description	2002.12.31	2003.12.31
	Pending liabilities	66 344	78 598
	Future liabilities	297 577	430 242
	Total pending and future liabilities	363 921	508 840

# Consolidated Profit and Loss Statements

(data presented in mHUF)

Rank	Description	31.12.2002	31.12.2003
<b>1</b>	<b>Interest received and other interest-type income</b>	39020	51560
	a) fixed-income securities representing debt-claim	3766	3682
	Therof: from affiliated companies		
	from other participations		
	b) other interest income and interest-type income	35254	47878
	Therof: from affiliated companies		
	from other participations		41
<b>2</b>	<b>Interest paid and other interest-type expenses</b>	26223	36504
	Therof: from affiliated companies		
	from other participations	5	1
	Net income	12797	15056
<b>3</b>	<b>Income from securitites</b>	10	494
	a) income from shares and participations held for trading purposes (dividend, participations)		73
	b) income from affiliated companies (dividend, participation)		
	c) income from other participations (dividend, participations)	10	421
<b>4</b>	<b>Fee and commission income</b>	4691	9064
	a) from income other financial services	4577	6640
	Therof: from affiliated companies		
	from other participations	1	1
	b) from income of investment services (excluding trading services)	114	2424
	Therof: from affiliated companies		
	from other participations		
<b>5</b>	<b>Fee and commission expenses</b>	688	1681
	a) from expenditures of other financial services	611	1120
	Therof: from affiliated companies		
	from other participations		
	b) from expenses of investment services (excluding trading services)	77	561
	Therof: from affiliated companies		
	from other participations		
<b>6</b>	<b>Net result of financial transactions</b>	384	145
	a) from income other financial services	1218	2502
	Therof: from affiliated companies		
	from other participations		53
	b) from expenditures of other financial services	890	2924
	Therof: from affiliated companies		
	from other participations		

(data presented in mHUF)

Rank	Description	31.12.2002	31.12.2003
	ba) consolidation difference of debt consolidation - value decreasing profit		
	c) from income of investment services (result of trading services)	1246	8146
	Therof: from affiliated companies		
	from other participations		
	retrieval of value-loss of securities held for trading purposes		
	d) from expenses of investment services (expenses of trading services)	1190	7579
	Therof: from affiliated companies		
	from other participations		
	for trading purposes értékpapírok értékvesztése		4
<b>7</b>	<b>Other revenues from business activity</b>	<b>4807</b>	<b>5881</b>
	a) income from non financial and investment activities	2914	4352
	Therof: from affiliated companies		
	from other participations		
	b) other revenues	1893	1529
	Therof: from affiliated companies		
	from other participations		
	retrieval of value loss of inventories	78	20
	ba) consolidation difference of debt consolidation - value increasing profit		
<b>8</b>	<b>General administration cost</b>	<b>11132</b>	<b>15173</b>
	a) personal expenditures	5820	8645
	aa) wages	3356	5818
	ab) other personal expenditures	845	660
	Therof: social insurance	184	309
	pensions	142	234
	ac) wage contributions	1619	2167
	Therof: social insurance	1197	1792
	pensions	705	827
	b) other administrative expenses (material-type expenses)	5312	6528
<b>9</b>	<b>Depreciation</b>	<b>1929</b>	<b>2105</b>
<b>10</b>	<b>Other expenditures from business activity</b>	<b>8372</b>	<b>9889</b>
	a) expenses from non financial and investment services	3414	4914
	Therof: from affiliated companies		
	from other participations		
	b) other expenditures	4958	4975
	Therof: from affiliated companies		

(data presented in mHUF)

Rank	Description	31.12.2002	31.12.2003
	from other participations		
	value loss of inventories	5	191
11	<b>Value loss of receivables and risk provisions for future and pending liabilities</b>	<b>2065</b>	<b>2284</b>
	a) value loss of receivables	2044	2273
	b) risk provisions for future and pending liabilities	21	11
12	<b>Retrieval of value loss of receivables and appropriation of risk provision for future and pending liabilities</b>	<b>2204</b>	<b>2406</b>
	a) retrieval of value loss of receivables	2204	2375
	b) appropriation of risk provision for future and pending liabilities		31
13	<b>Value loss of securities representing debt-claim, held for investments purposes and shares in affiliated companies and other participations</b>	74	1
14	<b>Retrieval of value loss of securities representing debt-claim, held for investments purposes and shares in affiliated companies and other participations</b>		186
15	<b>Ordinary result of business activities</b>	<b>633</b>	<b>2099</b>
	Result of financial and investment services	1133	2661
	Result of non financial and investment services	-500	-562
16	<b>Extraordinary income</b>	<b>1</b>	<b>2056</b>
17	<b>Extraordinary expense</b>	<b>1</b>	<b>2256</b>
18	<b>Extraordinary result</b>	<b>0</b>	<b>-200</b>
19	<b>Result before tax</b>	<b>633</b>	<b>1899</b>
20	<b>Tax liabilities</b>	<b>170</b>	<b>375</b>
	a) Tax claim arising from consolidation		23
21	<b>Profit/loss after taxes</b>	<b>463</b>	<b>1501</b>
22	<b>Creation or appropriation of general risk provision</b>	<b>87</b>	<b>197</b>
23	<b>Approved dividends or shares</b>		
	Thereof: from affiliated companies		
	from other participations		
24	<b>After tax profit/loss of other holders</b>	<b>93</b>	<b>96</b>
25	<b>Balance-sheet profit or loss figure</b>	<b>469</b>	<b>1400</b>

# Consolidated Cash-flow statement

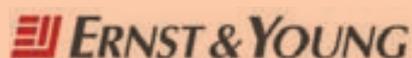
(data presented in mHUF)

Rank	Description	2002.	2003.
1	Interest income	39020	51560
2	+ Income from other financial services (excluding retrieval of provision on securities)	5795	9142
3	+ Other income (excluding utilisation of provision, retrieval of surplus of provision, provision of inventories, retrieval of extraordinary depreciation)	1759	879
4	+ Income from investment services (excluding retrieval of provision on securities)	1360	10570
5	+ Income from non financial and non investment services	2914	4352
6	+ Income from dividend	10	494
7	+ Extraordinary income	1	2056
8	- Interest expenses	26223	36504
9	- Other financial expenses (excluding provision on securities)	1501	4044
10	- Other expenses (excluding provision and value loss on inventories, and extraordinary depreciation)	4307	4352
11	- Expenses from investment services (excluding provision on securities)	1193	8136
12	- Expenses from non financial and investment services	3414	4914
13	- General administration cost	13061	17278
14	- Extraordinary expenses (excluding the company tax liability of the current year)	1	2256
15	- Company tax liability of the current year	170	398
16	- Dividend paid		
17	Operating cash-flow (01-16. line)	989	1169
18	± Change in liabilities (+ if increase, - if decrease)	141295	104481
19	± Change in receivables (+ if increase, - if decrease)	-101723	-109710
20	± Change in inventories (+ if increase, - if decrease)	388	-315
21	± Change in securities registered among current assets (+ if increase, - if decrease)	-20591	-26737
22	± Change in securities registered among invested assets (+ if increase, - if decrease)	4778	10526
23	± Change in investments (including prepayments) (+ if increase, - if decrease)	107	43
24	± Change in intangible assets (+ if increase, - if decrease)	-1116	-303
25	± Change in net value of fixed assets (excluding investments with prepayments) (+ if increase, - if decrease)	-1807	-538
26	± Change in prepayments (+ if increase, - if decrease)	-3659	-2135
27	± Change in accruals (+ if increase, - if decrease)	2504	3428
28	+ Issued shares at sales price	2014	2000

(data presented in mHUF)

Rank	Description	2002.	2003.
29	+ Change in retained earnings	104	739
30	- Change equity of subsidiaries	-125	-270
31	+ Financial assets received	1	1
32	- Financial assets transferred	24	59
33	- Nominal value of own issue withdrawn		
34	Net cash-flow (line 17-31)	23 385	-17 140
35	- change in cash (petit cash of foreign exchange and Forint, cheques)	2 127	-77
36	- change in cash in account (foreign exchange and Forint current accounts and other deposit accounts with a maturity less than one year in NBH, and other Forint deposit accounts with a maturity less than one year in other credit institutions)	21 258	-17 063

# Report of the Independent Auditors



■ Ernst & Young Kft.  
H-1132 Budapest, Váci út 20.  
1399 Budapest 62 Pf. 632  
Hungary

■ Tel: +36 1 451-8100  
Fax: +36 1 451-8199  
E-mail: mailbox.ey@hu.ey.com  
www.ey.com/hu  
Cg. 01-09-267553

## **This is a translation of the Hungarian Report Independent Auditors' Report**

To the Shareholders of Erste Bank Hungary Rt. and its subsidiaries

We have audited the accompanying balance sheet of Erste Bank Hungary Rt. and its subsidiaries as at December 31, 2003, which shows a balance sheet total of HUF 530.513 million and a profit for the year of HUF 1,400 million, the consolidated related profit and loss account for the year then ended and the notes included in the Company's 2003 consolidated annual financial statements. The consolidated annual financial statements are the responsibility of the Company's management. The auditor's responsibility is to express an opinion on the consolidated financial statements based on the audit and to assess whether the consolidated business report is consistent with that presented in the consolidated financial statements.

We issued an unqualified report on the Company's consolidated annual financial statements as at 31 December 2002 on March 28, 2003.

We conducted our audit in accordance with Hungarian National Audit Standards and with applicable laws and regulations in Hungary. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. Our work regarding the consolidated business report was limited to these areas and did not include the examination of other information which do not derive from the Bank's and its subsidiaries' audited accounting records. We believe that our audit provides a reasonable basis for our opinion.

We have audited the elements of and disclosures in the consolidated annual financial statements, along with underlying records and supporting documentation, of Erste Bank Hungary Rt. and its subsidiaries in accordance with national audit standards and have gained sufficient and appropriate evidence that the consolidated annual financial statements have been prepared in accordance with the accounting law and with generally accepted accounting principles. In our opinion the consolidated annual financial statements give a true and fair view of the equity and financial position of Erste Bank Hungary Rt. and its subsidiaries as at December 31, 2003 and of the results of its operations for the year then ended. The consolidated business report corresponds to the disclosures in the consolidated financial statements.

Budapest, February 9, 2004

Ernst & Young Kft.  
Registration No. 001165

Hergovits Mariann  
Registered Auditor  
Chamber membership No. 004648

# Branch Network

## Budapest Branches

Krisztina téri Branch	1011	Budapest	Krisztina tér 2.
Törökvesz úti Branch	1022	Budapest	Bég utca 3–5.
Mammut II. Branch	1024	Budapest	Margit körút 87–89.
Flórián téri Branch	1033	Budapest	Flórián tér 3.
Bécsi úti Branch	1036	Budapest	Bécsi út 52–54.
Újpesti Branch	1042	Budapest	Árpád út 68.
Párisi utcai Branch	1052	Budapest	Párisi utca 3.
Bajcsy-Zsilinszky úti Branch	1055	Budapest	Bajcsy-Zsilinszky út 74.
Andrássy út 2. Branch	1061	Budapest	Andrássy út 2.
Erzsébet körút 8. Branch	1073	Budapest	Erzsébet körút 8.
Madách téri Branch	1075	Budapest	Madách utca 13–15.
Kálvin téri Branch	1082	Budapest	Baross utca 1.
Astoria Branch	1088	Budapest	Rákóczi út 1–3.
Mester utcai Branch	1095	Budapest	Mester utca 1–3.
Kőbányai Branch	1102	Budapest	Körösi Csoma sétány 9/b.
Árkád Üzletközpont Branch	1106	Budapest	Örs vezér tere 25.
Egry József utcai Branch	1111	Budapest	Egry József utca 2.
Bartók-Házi Branch	1114	Budapest	Bartók Béla út 43–47.
Böszörményi úti Branch	1126	Budapest	Böszörményi út 24.
Danubius Ház Branch	1138	Budapest	Váci út 141.
Thököly úti Branch	1143	Budapest	Gizella út 59.
Hunyadi Üzletház Branch	1195	Budapest	Üllői út 283.
Pesterzsébeti Branch	1203	Budapest	Kossuth Lajos utca 21–29.
Csepeli Branch	1211	Budapest	Kossuth Lajos utca 47–49.
Campona Branch	1222	Budapest	Nagytétényi út 37–43.

## Branches in the countryside

Bajai Branch	6500	Baja	Vörösmarty utca 5.
Balatonfüredi Branch	8230	Balatonfüred	Zsigmond utca 1.
Békéscsabai Branch	5600	Békéscsaba	Munkácsy út 2.
Budakeszi Branch	2092	Budakeszi	Fő utca 43–45.
Ceglédi Branch	2700	Cegléd	Kossuth Lajos tér 10/a.
Csornai Branch	9300	Csorna	Szent István tér 29.
Csurgói Branch	8840	Csurgó	Széchenyi tér 16.
Debrecen, Belváros Branch	4025	Debrecen	Hatvan utca 1/B
Debrecen, Egyetem Branch	4032	Debrecen	Egyetem tér 1.
Debrecen, Szent Anna u. Branch	4024	Debrecen	Szent Anna utca 14/b.
Dombóvári Branch	7200	Dombóvár	Hunyadi tér 19–21.
Dunaharaszti Branch	2330	Dunaharaszti	Iparos utca 2.
Egri Branch	3300	Eger	Kossuth Lajos utca 13/a.
Érdi Branch	2030	Érd	Diódsi utca 4.
Esztergomi Branch	2500	Esztergom	Imaház utca 2/a.
Gödöllői Branch	2100	Gödöllő	Dózsa utca 1–3.
Győr, Bajcsy-Zsilinszky út Branch	9021	Győr	Bajcsy-Zsilinszky utca 30–32.
Gyulai Branch	5700	Gyula	Városház utca 16.
Kaposvári Branch	7400	Kaposvár	Bajcsy-Zsilinszky út 24.
Kecskeméti Branch	6000	Kecskemét	Batthyányi utca 10–12.
Keszthelyi Branch	8360	Keszthely	Kossuth utca 45.
Kőszegi Branch	9730	Kőszeg	Rákóczi utca 1.
Lenti Branch	8960	Lenti	Zrínyi utca 3.
Makói Branch	6900	Makó	Csanád vezér tér 5.
Mátészalkai Branch	4700	Mátészalka	Kölcsey utca 17/a.
Mezőkövesdi Branch	3400	Mezőkövesd	Mátyás Király utca 129.
Miskolc, Kazinczy utca Branch	3525	Miskolc	Kazinczy utca 5.
Miskolc, Városház tér Branch	3525	Miskolc	Városház tér 9.
Miskolci Egyetemváros Branch	3515	Miskolc	Egyetemváros C/1 épület
Móri Branch	8060	Mór	Köztársaság tér 1.
Mosonmagyaróvári Branch	9200	Mosonmagyaróvár	Deák Ferenc tér 3.
Nagykanizsa, Erzsébet tér Branch	8800	Nagykanizsa	Erzsébet tér 20.
Nyíregyházi Branch	4400	Nyíregyháza	Vay Ádám körút 12.
Pápai Branch	8500	Pápa	Fő tér 25–26.
Pécsi Branch	7620	Pécs	Rákóczi út 62–64.
Pécsi Branch	7624	Pécs	Alkotmány utca 12.
Salgótarjáni Branch	3100	Salgótarján	Erzsébet tér 5.
Sásdi Branch	7370	Sásd	Rákóczi utca 17.
Siófoki Branch	8600	Siófok	Fő utca 172.
Sopron Előkapu Branch	9400	Sopron	Előkapu 2–4.
Szegedi Branch	6720	Szeged	Kölcsey utca 13.
Székesfehérvári Branch	8002	Székesfehérvár	Palotai utca 4.
Szekszárdi Branch	7100	Szekszárd	Széchenyi utca
Szentendrei Branch	2000	Szentendre	Duna korzó 18.
Szentesi Branch	6600	Szentes	Petőfi Sándor utca 1.
Szentgotthárdi Branch	9970	Szentgotthárd	Széchenyi utca 2.

Szigetszentmiklósi Branch	2310	Szigetszentmiklós	Gyári út 9.
Szolnoki Branch	5000	Szolnok	Kossuth Lajos utca 18/1.
Szolnoki Branch	5001	Szolnok	nem ismert
Szombathely, Savaria tér Branch	9700	Szombathely	Savaria tér
Tatabányai Branch	2800	Tatabánya	Fő tér 20.
Tatai Branch	2890	Tata	Országgyűlés tér 3.
Veszprém C Branch	8200	Veszprém	Egyetem utca 19.
Veszprémi Branch	8200	Veszprém	Szabadság tér 1.
Zalaegerszeg, Berzsenyi utca Branch	8901	Zalaegerszeg	Berzsenyi utca 7–9.
Zirci Branch	8420	Zirc	Petőfi utca 4.

# Commercial Centres

## Commercial Centres in Budapest

Commercial Centre for Budapest and Pest County – Industrial Sector  
Commercial Centre for Budapest and Pest County – Services Sector  
Commercial Centre for Budapest and Pest County – Real Estate Sector

## Commercial Centres in the countryside

Bács-Kiskun County Commercial Centre	Kecskemét
Baranya County Commercial Centre	Pécs
Békés County Commercial Centre	Békéscsaba
Borsod-Abaúj-Zemplén County Commercial Centre	Miskolc
Csongrád County Commercial Centre	Szeged
Fejér County Commercial Centre	Székesfehérvár
Győr-Moson-Sopron County Commercial Centre	Győr
Hajdú-Bihar County Commercial Centre	Debrecen
Heves County Commercial Centre	Eger
Jász-Nagykun-Szolnok County Commercial Centre	Szolnok
Komárom-Esztergom County Commercial Centre	Tatabánya
Nógrád County Commercial Centre	Salgótarján
Somogy County Commercial Centre	Kaposvár
Szabolcs-Szatmár-Bereg County Commercial Centre	Nyíregyháza
Tolna County Commercial Centre	Szekszárd
Vas County Commercial Centre	Szombathely
Veszprém County Commercial Centre	Veszprém
Zala County Commercial Centre	Zalaegerszeg

## Corporate Central Business Divisions

International Corporate Business Division  
Structure and Project Financing Business Division  
Municipality Business Division

## Supervisory Board, 31 December 2003

### Chairman

Mag. Andreas Treichl

Erste Bank der österreichischen Sparkassen AG.

### Members:

Dr. Elisabeth Bleyleben-Koren

Erste Bank der österreichischen Sparkassen AG.

Dr. Franz Hochstrasser

Erste Bank der österreichischen Sparkassen AG.

Dr. Kurt Stöber

Erste Bank der österreichischen Sparkassen AG.

Mrs. László Várady

Erste Bank Hungary Rt.

István Magyar

Erste Bank Hungary Rt.

## Board of Directors, 31 December 2003

### Chairman

Reinhard Ortner

Erste Bank der österreichischen Sparkassen AG.

### Members:

Péter Kisbenedek

Erste Bank Hungary Rt.

Helmuth Hintringer

Erste Bank Hungary Rt.

Mrs. Megyesi, Gabriella Bese

Erste Bank Hungary Rt.

Edit Papp

Erste Bank Hungary Rt.

Zoltán Pásti

Erste Bank Hungary Rt.

Karin Svoboda

Erste Bank der österreichischen Sparkassen AG.

Leopold Weber

Erste Bank der österreichischen Sparkassen AG.

Herbert Juranek

Erste Bank der österreichischen Sparkassen AG.

Johannes Leobacher

Erste Bank der österreichischen Sparkassen AG.

Bernhard Spalt

Erste Bank der österreichischen Sparkassen AG.

