

ANNUAL REPORT 2002

ERSTE BANK 2002
FINANCIAL STATEMENTS

ANNUAL REPORT 2002

Financial Statements

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BALANCE SHEET – Assets

31 December 2002

Serial No.	Description	31.12.2001	31.12.2002
1	Liquid assets	12,064	35,449
2	Government papers	40,928	42,612
	for trading	1,259	7,598
	for investment	39,669	35,014
3	Receivables from credit institutions	28,338	26,791
	sight	1,897	832
	other receivables from financial services	26,441	25,959
	maturing within a year	26,441	25,759
	maturing over a year		200
4	Receivables from customers	163,390	261,660
	from financial services	163,354	260,808
	maturing within a year	73,629	106,300
	Of this: from related undertakings	105	4,150
	maturing over a year	89,725	154,508
	Of this: from related undertakings	1,105	4,527
	from investment services	36	852
	Of this: from related undertakings		560
	from investment service activities outside the stock exchange		560
	receivables from customers from investment service activities		284
	receivables from the clearing house	36	8
5	Debt securities, including fixed interest instruments	2,486	3,138
	securities issued by other issuers	2,486	3,138
	for trading		1,278
	for investment	2,486	1,860
6	Shares and other variable-yield securities	6,087	
	shares and participations for trading	6,087	
7	Shares and participations for investment	301	79
	shares and participations for investment	301	79
8	Shares and participations in related undertakings	3,306	6,628
	shares and participations for investment	3,306	6,628
	Of this: participation in credit institutions	576	
9	Intangible assets	1,130	1,356
	Intangible assets	1,130	1,356
10	Tangible assets	3,986	3,993
	tangible assets for the supply of financial and investment services	3,971	3,993
	real property	2,017	2,285
	technical equipment, machinery, plant, vehicles	1,778	1,492
	investments	174	213
	advances on investments	2	3
	tangible assets not directly assigned for the supply of financial and investment services	15	
	real property	14	
	technical equipment, machinery, plant, vehicles	1	
11	Treasury stock		
12	Miscellaneous assets	6,151	3,218
	inventories	524	214
	other receivables	5,627	3,004
	Of this: receivables from related undertakings	7	4

BALANCE SHEET – Assets

31 December 2002

13	Prepayments	4,156	7,411
	Accrued income	3,716	7,268
	prepaid costs and expenses	376	91
	deferred expenses	64	52
	TOTAL ASSETS	272,323	392,335
	Of this: Current assets	127,564	181,286
	Invested assets	140,603	203,638

BALANCE SHEET – Liabilities

31 December 2002

Serial No.	Description	31.12.2001	31.12.2002
1	Liabilities against credit institutions	53,612	72,915
	sight	161	742
	liabilities arising from financial services fixed for a specific period	51,964	72,173
	maturing within a year	34,087	60,790
	Of this: against related undertakings	100	
	Against the MNB	545	9
	maturing over a year	17,877	11,383
	Against the MNB	242	7
	from investment services	1,487	
2	Liabilities against customers	181,301	272,573
	savings deposits	436	127
	sight	436	127
	other liabilities from financial services	180,865	252,110
	sight	59,522	75,090
	Of this: against related undertakings	228	690
	against undertakings with which the company is linked by virtue of participating interests		284
	maturing within a year	121,288	176,491
	maturing over a year	55	529
	from investment services		20,336
	Of this: against related undertakings		
	liabilities against customers arising from investment service activities		20,297
	liabilities against the clearing house		39
3	Liabilities outstanding because of securities issued	9,595	9,595
	bonds issued	9,595	9,595
	maturing over a year	9,595	9,595
4	Miscellaneous liabilities	6,879	8,239
	maturing within a year	6,879	7,923
	Of this: against related undertakings	24	42
	maturing over a year		316
5	Accrued liabilities	2,613	5,360
	accrued costs and expenses	2,606	4,738
	deferred income	7	622
6	Provisions	1,553	2,141
	provisions for pensions and severance pay	20	19
	provisions for contingent and future liabilities	99	77
	general risk provisions	1,422	1,422
	miscellaneous provisions	12	623
7	Subordinated liabilities	4,043	5,900
	subordinated loan capital	4,043	5,900
8	Subscribed capital	11,210	13,210
9	Subscribed but unpaid capital (-)		
10	Capital reserves	2,150	2,164
	the difference between the face value and the value upon issue of shares and participations	2,150	2,164
11	General reserves	53	140
12	Profit reserves (+-)	-1,148	-955
13	Legal reserves	359	270

BALANCE SHEET – Liabilities

31 December 2002

14	Valuation reserves		
15	Balance sheet profit figure (+-)	103	783
	Total liabilities	272,323	392,335
	Of this: Short-term liabilities	223,860	341,499
	Long-term liabilities	31,570	27,723
	Equity	12,727	15,612

OFF-BALANCE SHEET ITEMS:

Serial No.	Description	31.12.2001	31.12.2002
	Contingent liabilities	30,127	66,344
	Future liabilities	154,469	293,272
	Contingent and future liabilities, total	184,596	359,616

PROFIT AND LOSS ACCOUNT I.

31 December 2002

Serial No.	Description	31.12.2001	31.12.2002
1	Interest and interest-type income received	26,664	39,313
	interest income received (due) on debt securities bearing fixed interest	4,053	3,766
	miscellaneous interest and interest-type income received	22,611	35,547
	Of this: from related undertakings	41	437
2	Interests and interest-type expenses paid	18,316	26,231
	Of this: to related undertakings	4	68
	to undertakings with which the company is linked by virtue of participating interests		5
	Interest margin (1-2)	8,348	13,082
3	Income from securities	108	10
	income from participation in related undertakings (dividend, participation)	90	
	income from other participation (dividend, participation)	18	10
4	Commission and fee income received (due)	3,974	4,694
	from income from other financial services	3,857	4,580
	Of this: from related undertakings		8
	from undertakings with which the company is linked by virtue of participating interests		1
	from income from investment services (excluding income from trading operations)	117	114
5	Commission and fee expenditure paid (payable)	1,109	672
	from expenditure on other financial services	781	595
	from expenditure on investment services (excluding expenditure on trading operations)	328	77
6	Net profit on financial operations (6.a-6.b+6.c-6.d)	1,456	358
	from income from other financial services	1,482	1,213
	from expenses on other financial services	24	911
	from income of investment services (income from trading operations)	30	1,246
	Of this: from related undertakings		
	reversal of loss of value of securities held for trading	30	
	from expenses on investment services (expenditure on trading operations)	32	1,190
7	Miscellaneous income from trading activities	1,993	2,118
	income from non-financial and investment services	832	553
	Of this: from related undertakings	6	
	miscellaneous revenues	1,161	1,565
	Of this: from related undertakings		12
	reversal of loss of value on inventories	11	78
8	General overhead	10,314	12,290
	personnel-type expenses	4,385	5,817
	wage costs	2,621	3,354
	other personnel-related payments	518	845
	Of this: social security costs	142	184
	pension costs	107	142
	contributions on wages	1,246	1,618
	Of this: social security costs	972	1,196
	pension costs	591	705
	other administrative costs	5,929	6,473
9	Depreciation charge	1,081	1,146
10	Miscellaneous expenses on trading activities	3,074	5,187
	expenses on non-financial and investment services	975	581
	miscellaneous expenses	2,099	4,606

PROFIT AND LOSS ACCOUNT I.

31 December 2002

	Of this: to related undertakings		
	loss of value on inventories		5
11	Loss of value on receivables and provisioning for contingent and future liabilities	1,343	2,058
	loss of value on receivables	1,263	2,037
	provisions for contingent and future liabilities	80	21
12	Reversal of loss of value on receivables and the application of provisions on contingent and future liabilities	993	2,204
	reversal of loss of value on receivables	902	2,204
	application of provisions for contingent and future liabilities	91	
13	Loss of value on debt securities held for investment on shares and participations in related undertakings and undertakings with which the company is linked by virtue of participating interests	75	74
14	Reversal of loss of value on debt securities held for investment on shares and participations in related undertakings and undertakings with which the company is linked by virtue of participating interests	64	
15	Ordinary (trading) profit/loss	-60	1,039
	Of this: PROFIT/LOSS ON FINANCIAL AND INVESTMENT SERVICES (1-2+3+4-5+-6+7.b-8-9-10.b-11+12-13+14)	83	1,067
	PROFIT/LOSS ON NON-FINANCIAL AND INVESTMENT SERVICES (7.a-10.a)	-143	-28
16	Extraordinary income	174	1
17	Extraordinary expenses		
18	Extraordinary profit (16-17)	174	1
19	Pre-tax profit (+-15+-18)	114	1,040
20	Tax liability		170
21	After-tax profit (+-19-20)	114	870
22	General provisions and their application (+-)	11	87
23	Application of profit reserves for dividend and participations		
24	Dividends and participations approved		
25	Balance sheet profit figure (+-21-/+22+23-24)	103	783

CASH-FLOW STATEMENT

31 December 2002

Serial No.	Description	31.12.2001	31.12.2002
1	Interest income	26,664	39,313
2	+ Income from other financial services (excluding reversal of loss of value on securities)	5,339	5,793
3	+ Miscellaneous income (excluding the application of provisions, reversal of surplus provisions, loss of value on inventories and reversal of extraordinary depreciation charge)	1,118	1,401
4	+ Income from investment services (excluding reversal of loss of value on securities)	117	1,360
5	+ Income from non-financial and investment services	832	553
6	+ Dividend income	108	10
7	+ Extraordinary income	174	1
8	- Interest expense	18,316	26,231
9	- Expenditure on other financial services (excluding loss of value on securities)	805	1,506
10	- Miscellaneous expenses (excluding provisioning, loss of value on inventories and extraordinary depreciation charge)	2,074	3,955
11	- Expenses on investment services (excluding loss of value on securities)	360	1,193
12	- Expenses on non-financial and investment services	975	581
13	- General overhead	11,395	13,437
14	- Extraordinary expenses (excluding the amount of corporate tax liability for the given year)		0
15	- Corporate tax liability for the given year		170
16	- Dividends paid		
17	Operating cash-flow (Lines 01-16)	427	1,358
18	± Change in stock of liabilities (increase: +, decrease: -)	68,820	113,794
19	± Change in stock of receivables (increase: -,decrease: +)	-63,213	-93,975
20	± Change in stock of inventories (increase: -,decrease: +)	-323	383
21	± Change in stock of securities presented under current assets (increase: -,decrease: +)	-5,886	-1,531
22	± Change in stock of securities presented under invested assets (increase: -,decrease: +)	-3,928	2,107
23	± Change in stock of investments (including advances) (increase: -,decrease: +)	173	-40
24	± Change in stock of intangible assets (increase: -,decrease: +)	662	-226
25	± Change in the net value of the stock of tangible assets (excluding investments and advances on investments) (increase: -,decrease: +)	-732	33
26	± Stock change in prepayments (increase: -,decrease: +)	-677	-3,255
27	± Stock change in accruals (increase: +, decrease: -)	550	2,746
28	+ Share issue at sales price	3,014	2,014
29	+ Funds received for good pursuant to legislation	1	1
30	- Funds transferred for goods pursuant to legislation	13	24
31	- Face value of treasury stock, investment fund units redeemed		
32	Net cash-flow (Lines 17-31)	-1,125	23,385
33	- Change in stock of cash (forint and foreign exchange cash and cheques)	972	2,127
34	- Change in stock of bank money (payment accounts held in forints and foreign exchange by the MNB, deposit accounts maturing within a year and payment deposit accounts held in forints by another credit institution pursuant to separate legislation)	-2,097	21,258

CONSOLIDATED BALANCE SHEET – Assets

31 December 2002

Serial No.	Description	31.12.2001	31.12.2002
1	Liquid assets	12,064	35,449
2	Government papers	40,928	58,103
	for trading	1,259	23,089
	for investment	39,669	35,014
3	Receivables from credit institutions	28,338	29,424
	sight	1,897	3,465
	other receivables from financial services	26,441	25,959
	maturing within a year	26,441	25,759
	maturing over a year		200
4	Receivables from customers	162,180	265,095
	from financial services	162,144	253,762
	maturing within a year	73,524	102,634
	maturing over a year	88,620	151,128
	from investment services	36	11,333
	Of this: against related undertakings		
	receivables from stock exchange investment service activities		4,017
	from investment service activities outside the stock exchange		4,425
	receivables from customers from investment service activities		2,476
	receivables from the clearing house	36	303
	receivables from other investment services		112
5	Debt securities, including those bearing fixed interest	2,486	3,174
	(excluding government papers)	0	0
	securities issued by other issuers	2,486	3,174
	for trading		1,314
	for investment	2,486	1,860
6	Shares and other variable-yield securities	6,087	3,534
	shares and participations for trading	6,087	3,534
7	Shares and participations for investment	301	349
	shares and participations for investment	301	349
8	Shares and participations in related undertakings	611	992
	shares and participations for investment	611	992
	Of this: participations in credit institutions	576	
9	Intangible assets	1,134	2,250
	Intangible assets	1,134	2,250
10	Tangible assets	7,682	9,382
	tangible assets for the supply of financial and investment services	7,454	8,580
	real property	5,057	5,783
	technical equipment, machinery, plant, vehicles	2,038	2,545
	investments	357	249
	advances on investments	2	3
	tangible assets not directly assigned for the supply of financial and investment services	228	802
	real property	15	2
	technical equipment, machinery, plant, vehicles	213	800
11	Treasury stock		
12	Miscellaneous assets	6,203	3,620
	inventories	530	215
	other receivables	5,673	3,405

CONSOLIDATED BALANCE SHEET – Assets

31 December 2002

	Of this: receivables from related undertakings	9	11
13	Prepayments	4,156	7,815
	accrued income	3,716	7,643
	prepaid costs and expenses	376	120
	deferred expenses	64	52
	TOTAL ASSETS	272,170	419,187
	Of this: Current assets	127,511	210,197
	Invested assets	140,503	201,175

CONSOLIDATED BALANCE SHEET – Liabilities

31 December 2002

Serial No.	Description	31.12.2001	31.12.2002
1	Liabilities against credit institutions	53,612	76,364
	sight	161	1,043
	liabilities arising from financial services fixed for a specific period	51,964	75,321
	maturing within a year	34,087	63,937
	Of this: against related undertakings	100	
	Against the MNB	545	9
	maturing over a year	17,877	11,384
	Against the MNB	242	7
	from investment services	1,487	
2	Liabilities against customers	181,073	295,347
	savings deposits	436	127
	sight	436	127
	other liabilities from financial services	180,637	251,420
	sight	59,294	74,400
	against undertakings with which the company is linked by virtue of participating interests		284
	maturing within a year	121,288	176,491
	maturing over a year	55	529
	from investment services		43,800
	liabilities from stock exchange investment service activities		3,921
	liabilities from investment service activities outside the stock exchange		17,514
	liabilities against customers arising from investment service activities		22,326
	liabilities against the clearing house		39
3	Liabilities outstanding because of securities issued	9,595	9,595
	bonds issued	9,595	9,595
	maturing over a year	9,595	9,595
4	Other liabilities	7,065	8,685
	maturing within a year	6,984	8,369
	Of this: against related undertakings	64	
	maturing over a year	81	316
5	Accruals	2,627	5,131
	accrued liabilities	3	76
	accrued costs and expenses	2,617	5,049
	deferred income	7	6
6	Provisions	1,562	2,141
	provisions for pensions and severance pay	20	19
	provisions for contingent and future liabilities	99	77
	general risk provisions	1,422	1,422
	miscellaneous provisions	21	623
7	Subordinated liabilities	4,043	6,692
	subordinated loan capital	4,043	5,900
	Capital consolidation difference		792
	– from subsidiaries and undertakings under joint management		792
8	Subscribed capital	11,210	13,210
9	Subscribed but unpaid capital (-)		
10	Capital reserves	2,150	2,164
	the difference between the face value and the value upon issue of shares and participations	2,150	2,164
11	General reserves	53	140

CONSOLIDATED BALANCE SHEET – Liabilities

31 December 2002

12	Profit reserves (+-)	-1,148	-955
13	Legal reserves	359	270
14	Valuation reserves		
15	Balance sheet profit figure (+-)	-9	469
16	Equity change in subsidiaries and undertakings under joint management (+-)	43	-82
17	Changes owing to consolidation (+-)	0	0
18	Participations of external members (other shareholders)	-65	16
	Total liabilities	272,170	419,187
	Of this: Short-term liabilities	223,737	368,167
	Long-term liabilities	31,651	28,516
	Equity	12,593	15,232

OFF-BALANCE SHEET ITEMS:

Serial No.	Description	31.12.2001	31.12.2002
	Contingent liabilities	30,127	66,344
	Future liabilities	154,469	297,577
	Contingent and future liabilities total	184,596	363,921

CONSOLIDATED PROFIT AND LOSS ACCOUNT I.

31 December 2002

Serial No.	Description	31.12.2001	31.12.2002
1	Interest and interest-type income received	26,624	39,020
	interest income received (due) on debt securities bearing fixed interest	4,053	3,766
	miscellaneous interest received and interest-type income	22,571	35,254
2	Interest and interest-type expenditure paid	18,310	26,223
	Of this: to related undertakings		
	to other undertakings with which the company is linked by virtue of participating interests		5
	Interest margin (1-2)	8,314	12,797
3	Income from securities	18	10
	income from other participations (dividend and participation)	18	10
4	Commission and fee revenues received (due)	3,974	4,691
	from income from other financial services	3,857	4,577
	Of this: from related undertakings		
	from undertakings with which the company is linked by virtue of participating interests		1
	from income from investment services (excluding income from trading operations)	117	114
5	Commission and fee expenditure paid (payable)	1,119	688
	from expenditure on other financial services	791	611
	from expenditure on investment services (excluding expenditure on trading operations)	328	77
6	Net profit on financial operations (6.a-6.b+6.c-6.d)	1,456	384
	from income from other financial services	1,482	1,218
	from expenditure on other financial services	24	890
	from income of investment services (income from trading operations)	30	1,246
	Of this: from related undertakings		
	reversal of loss of value of securities held for trading	30	
	from the expenditure on investment services (expenditure on trading operations)	32	1,190
7	Miscellaneous income from trading activities	2,265	4,807
	income from non-financial and investment services	906	2,914
	miscellaneous income	1,359	1,893
	Of this: from related undertakings		
	reversal of loss of value on inventories	11	78
8	General overhead	9,956	11,132
	personnel-type expenses	4,385	5,820
	wage costs	2,621	3,356
	other personnel-related payments	518	845
	Of this: social security costs	142	184
	pension costs	107	142
	contributions on wages	1,246	1,619
	Of this: social security costs	972	1,197
	pension costs	591	705
	other administrative costs (material-type expenses)	5,571	5,312
9	Depreciation charge	1,194	1,929
10	Miscellaneous expenses on trading activities	3,617	8,372
	expenses on non-financial and investment services	1,354	3,414
	miscellaneous expenses	2,263	4,958
	Of this: to related undertakings		
	loss of value on inventories		5
11	Loss of value on receivables and provisions for contingent and future liabilities	1,343	2,065

CONSOLIDATED PROFIT AND LOSS ACCOUNT I.

31 December 2002

	loss of value on receivables	1,263	2,044
	provisioning for contingent and future liabilities	80	21
12	Reversal of loss of value on claims and the application of provisions on contingent and future liabilities	993	2,204
	reversal of loss of value on receivables	902	2,204
	the application of provisions for contingent and future liabilities	91	
13	Loss of value on debt securities held for investment and shares and participations in related undertakings and undertakings with which the company is linked by virtue of participating interests	75	74
14	Reversal of loss of value on debt securities held for investment and shares and participations in related undertakings and undertakings with which the company is linked by virtue of participating interests	64	
15	Ordinary (trading) profit/loss	-220	633
	Of this: PROFIT/LOSS ON FINANCIAL AND INVESTMENT SERVICES		
	(1-2+3+4-5+-6+7.b-8-9-10.b-11+12-13+14)	228	1,133
	PROFIT/LOSS ON NON-FINANCIAL AND INVESTMENT SERVICES (7.a-10.a)	-448	-500
16	Extraordinary income	174	1
17	Extraordinary expenses	0	1
18	Extraordinary profit (16-17)	174	0
19	Pre-tax profit (+-15+-18)	-46	633
20	Tax liability	20	170
	difference in corporate tax arising from consolidation (calculated) (+-)	6	
21	After-tax profit (+-19-20)	-72	463
22	General provisions and their application (+-)	11	87
23	Dividends and participations approved		
24	After-tax profit due to external members	74	93
25	Balance sheet profit figure (+-21-/+22+23-24)	-9	469

CONSOLIDATED CASH-FLOW STATEMENT

31 December 2002

Serial No.	Description	31.12.2001	31.12.2002
1	Interest income	26,624	39,020
2	+ Income from other financial services (excluding reversal of loss of value on securities)	5,339	5,795
3	+ Miscellaneous income (excluding the application of provisions, reversal of surplus provisions, loss of value on inventories and reversal of extraordinary depreciation charge)	1,317	1,759
4	+ Income from investment services (excluding reversal of loss of value on securities)	117	1,360
5	+ Income from non-financial and investment services	906	2,914
6	+ Dividend income	18	10
7	+ Extraordinary income	174	1
8	- Interest expenditure	18,310	26,223
9	- Expenses on other financial services (excluding loss of value on securities)	815	1,501
10	- Miscellaneous expenses (excluding provisioning and loss of value on inventories and extraordinary depreciation charge)	2,161	4,307
11	- Expenditure on investment services (excluding loss of value on securities)	360	1,193
12	- Expenditure on non-financial and investment services	1,354	3,414
13	- General overhead	11,150	13,061
14	- Extraordinary expenses (excluding the amount of corporate tax liability for the given year)		1
15	- Corporate tax liability for the given year	26	170
17	- Operating cash-flow (Lines 01-16.)	319	989
18	± Change in stock of liabilities (increase: +, decrease: -)	68,948	141,295
19	± Change in stock of claims (increase: -, decrease: +)	-62,473	-101,723
20	± Change in stock of inventories (increase: -, decrease: +)	-329	388
21	± Change in stock of securities presented among current assets (increase: -, decrease: +)	-5,781	-20,591
22	± Change in stock of securities presented among invested assets (increase: -, decrease: +)	-3,772	4,778
23	± Stock change of investments (including advances) (increase: -, decrease: +)	17	107
24	± Stock change of intangible assets (increase: -, decrease: +)	667	-1,116
25	± Net value of stock change in tangible assets (excluding investments advances on investments) (increase: -, decrease: +)	-1,655	-1,807
26	± Stock change of prepayments (increase: -, decrease: +)	-677	-3,659
27	± Stock change of accruals (increase: +, decrease: -)	563	2,504
28	+ Share issue at sales price	3,014	2,014
29	+ Change in profit reserve	221	104
30	- Change in equity of subsidiaries	-188	-125
31	+ Funds received for good pursuant to legislation		1
32	- Funds transferred for good pursuant to legislation		24
33	- Face value of treasury stock, investment fund units redeemed		
34	Net cash-flow (Lines 17-33)	-1,126	23,385
35	- Stock change of cash (forint and foreign exchange cash and cheques)	971	2,127
36	- Change in stock of bank money (payment accounts held in forints and foreign exchange by the MNB, deposit accounts maturing within a year and payment deposit accounts held in forints by another credit institution pursuant to separate legislation)	-2,097	21,258

Analysis of the Financial Situation

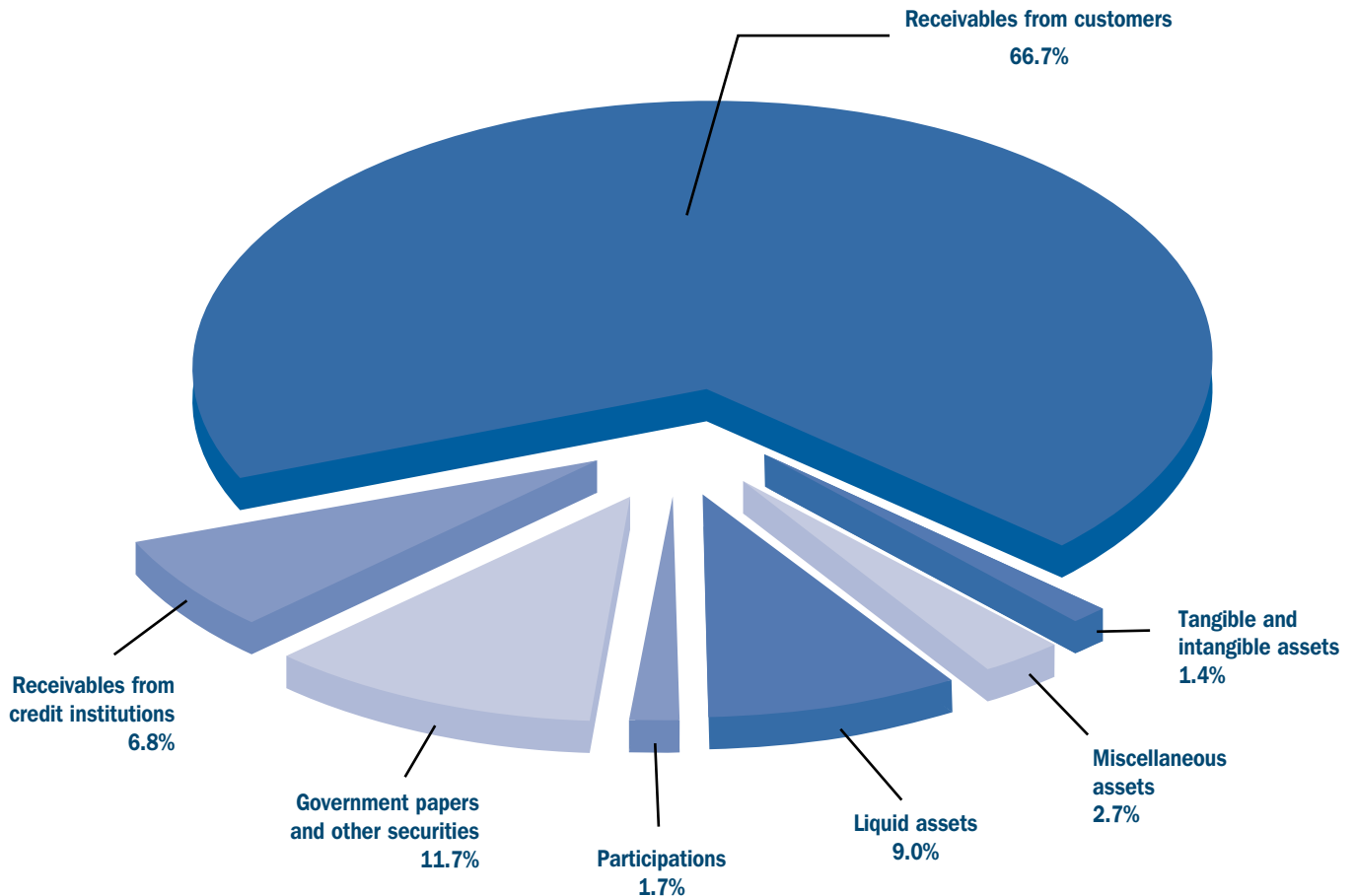
BALANCE SHEET ANALYSIS

(Non-consolidated report drawn up in accordance with the Hungarian Accounting Standards)

The most important statement that can be made on the basis of the comparative study of the data is that the Bank's growth is accelerating and the structure of its growth is also appropriate. The weight of the customer portfolios relative to the total assets and liabilities of the Bank grew considerably (by 7% and 3%, respectively). The balance sheet total increased by 44% in the course of the year, and approached Ft400 billion. The Bank's growth speeded up in the last quarter, hence a continuation of the tendencies of improvement can also be reckoned with for the coming year. The 60% rise in the net portfolio of receivables from customers (by close to Ft100 billion) surpassed even the

ambitious plans. The year-end closing stock of corporate credits accounting for three quarters of the portfolio exceeded the target by 10 per cent with an annual growth of nearly 50%. The Bank nearly doubled its retail credit portfolio and exceeded a gross stock of Ft65 billion. Interest for the new products introduced to the market (letter of mortgage and supplementary interest-subsidised credits and housing reconstruction loan facility offered at market rates) has consistently been high. The dynamic growth in stocks was not concomitant with any deterioration in the portfolio of customer credits: the stock of loss of value charged on receivables also decreased from 2001 to 2002.

ASSET STRUCTURE

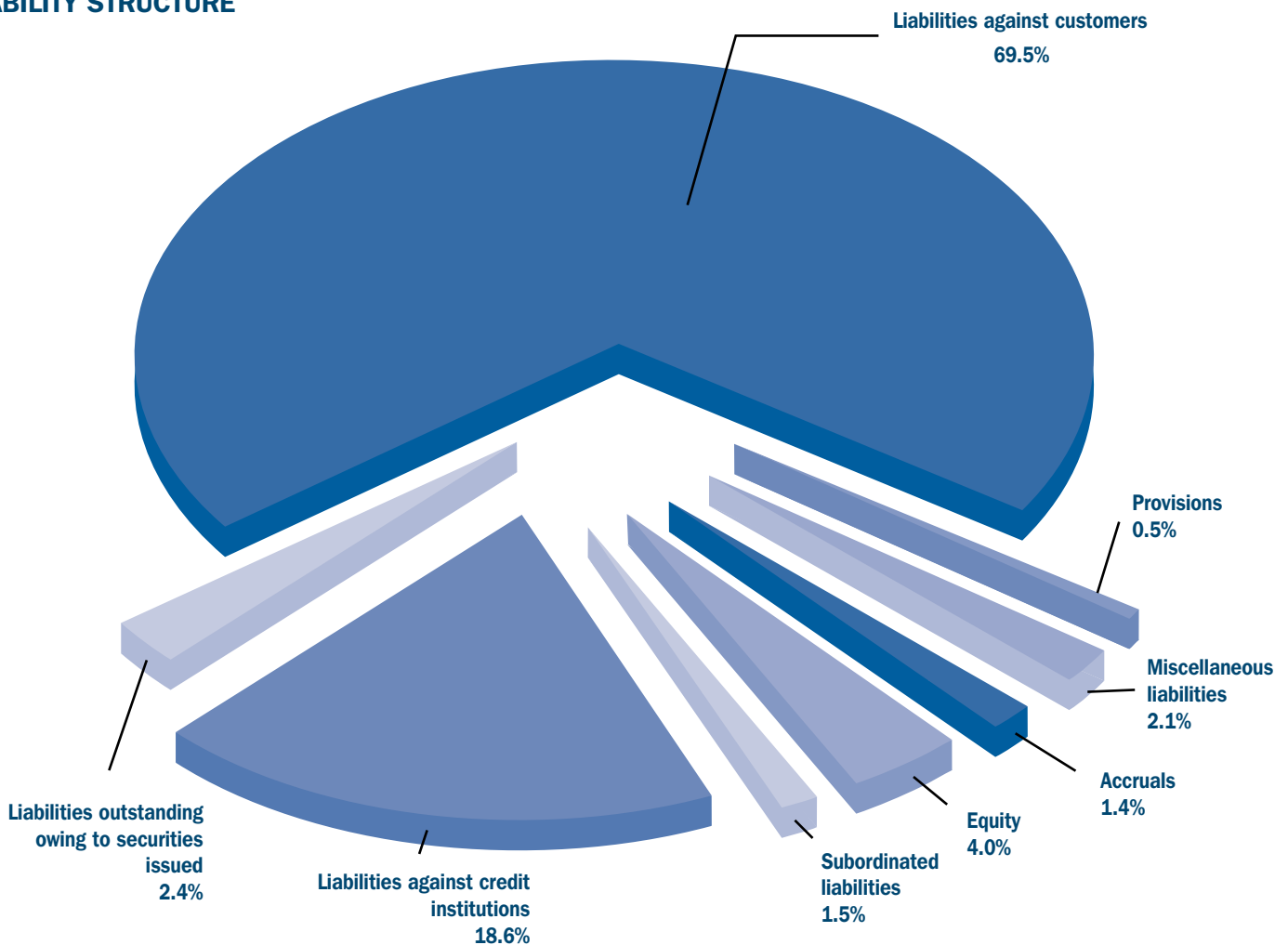


Analysis of the financial situation (cont.)

On the liabilities side, liabilities against customers increased by close to Ft90 billion over 12 months (by more than 50% relative to the preceding year. Of all this, the rise in customers' sight and fixed deposits amounted to more than Ft33 billion). The greater part of the increase in this segment of the liability side took place over the last quarter. Within the portfolio, the stock of corporate deposits exceeded the envisaged figure by 30%. The equity of the Bank grew by 23% and approached Ft16 billion. In addition to improved profits, the fact that the Viennese parent company

increased the subscribed capital of the Bank by Ft2 billion in the second half of the year also played a part in this. In the course of the year, an additional Ft1.9 billion in subordinated loan capital stabilised the Bank's capital position. It was a significant change in the life of the Bank when, as a first step towards integration, it acquired a 91% holding in the market leader Erste Befektetési Bank Rt., the brokerage firm of its parent company, obtaining 100% ownership of the firm in the last months of 2002.

LIABILITY STRUCTURE



PROFIT AND LOSS ACCOUNT

The Bank closed 2002 with a profit of Ft783 million according to the balance sheet, a figure seven times that of the value achieved in the preceding year. Interest received and interest-type receipts rose by 43% in the course of the year, while the increase in interest and interest-type expenses paid was 37%. As a result of these changes, net income from interest rose by 57%, exceeding Ft13 billion.

While the Bank's commission and fee income increased by 28%, commission and interest expenses paid declined by 39%, hence

the Bank's net income from commission improved by 40% over the year (annual performance in excess of Ft4 billion). Net profit on financial operations was 75% lower in 2002 than in the preceding year (the substantial loss incurred in the first half of the year was successfully offset by profitable trading in the second half of the year).

General overhead increased by 19% in the year in question. Personnel-type expenses rose by 33%, material type expenses by 9% relative to their levels in 2001.

PROFIT AND LOSS STATEMENT

Profit and loss statement	2001	2002	%
Interest margin	8,348	13,082	56.7%
Net income from commission	2,865	4,022	40.4%
Net profit on financial operations	1,456	358	-75.4%
Trading profit	12,669	17,462	37.8%
Personnel-type expenses	4,385	5,817	32.6%
Other administrative costs	5,929	6,474	9.2%
Depreciation charge	1,081	1,146	6.0%
Cost of operations	11,395	13,436	17.9%
Balance sheet profit figure	103	783	660.2%
Cost/income ratio	89.9%	76.9%	-13.0%
Return on equity	0.9%	5.5%	4.6%

At the same time, the cost/income ratio has been continuously decreasing (for the third year running: 2000-2002).

One of the reasons for the rise in wage costs was the quality replacement in the staff of the Bank, fully in line with the human resource requirements of a growth-oriented business policy. The average number of staff at the Bank also increased, warranted by

the opening of new branches and the expansion in the services provided.

Once the objective and staffing conditions of market expansion are in place, we expect profitability ratios to improve continuously in the coming years.

CONSOLIDATED FINANCIAL REPORT

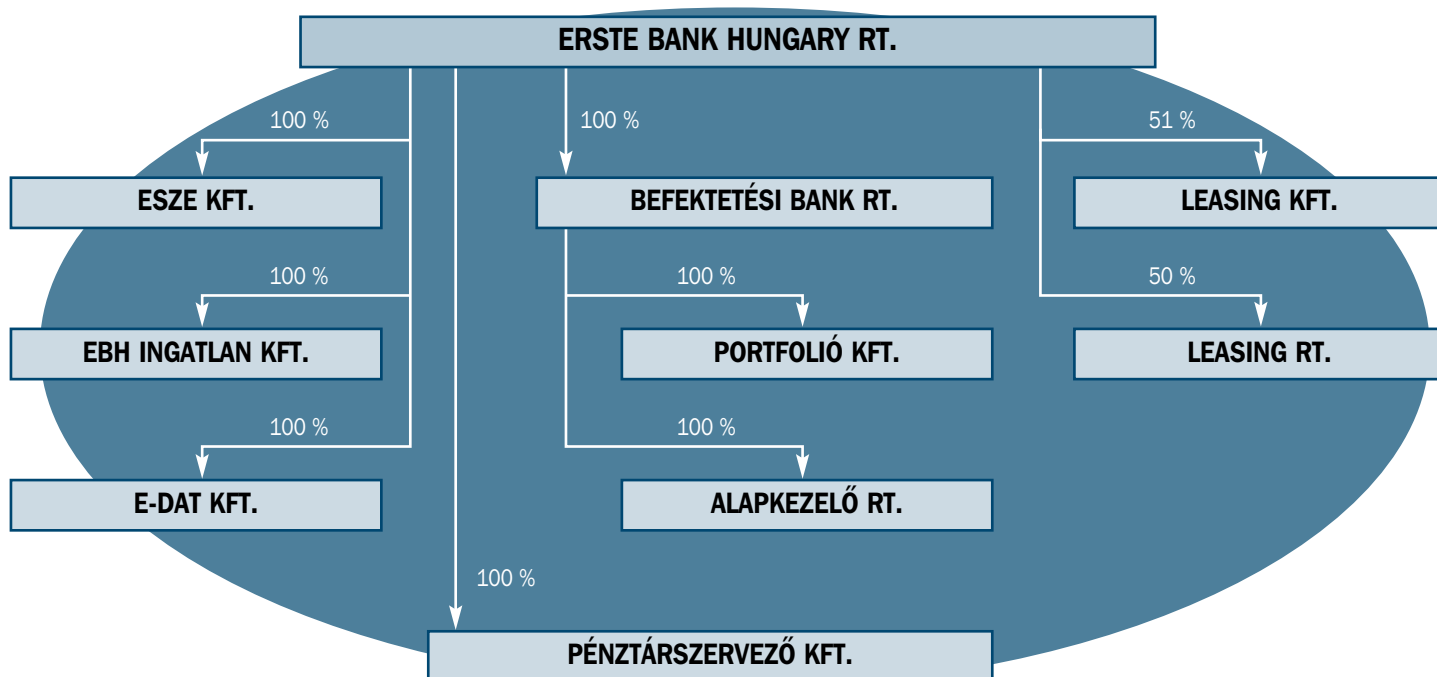
Profits of the ERSTE Hungary Consolidated Group

At a consolidated level, ERSTE BANK HUNGARY RT., managed to achieve growth more dynamic on the stock side and somewhat more modest on the profitability side than at a non-consolidated level. The Group's balance sheet total rose by 54% over the year and approached Ft420 billion. After the modest loss incurred last year, the Group's profits amounted to close to half a billion forints. The profits of the subsidiaries providing services only within the

Group and our leasing subsidiaries dealing with financial and operating leasing transactions eroded the profits of the Group as a whole. Befektetési Bank substantially improved Group-level profitability in its report drawn up according to International Accounting Standards. The consolidation carried out according to Hungarian Accounting Standards did not include Befektetési Bank in full, owing to the shortness of time.

<i>Ft million</i>	2001	2002	Growth
Balance sheet total	272,170	419,187	147,017
Annual profit/loss	-9	469	478
Net profit/loss on financial operations	1,456	358	-75.4%

Members of the ERSTE Hungary Consolidated Group 2002



REPORT OF THE SUPERVISORY BOARD (consolidated)

on the Annual Report of ERSTE BANK HUNGARY Rt., compiled on the year ending on 31 December 2002
and the Consolidated Annual Report of ERSTE BANK HUNGARY Rt., compiled on the year ending on 31 December 2002

Dear Shareholders,

In accordance with Act C of 2002 on Accounting and Government Decree 250/2000 (XII. 24) concerning the annual reporting and bookkeeping obligations of credit institutions, the Bank drew up its 2002 Annual Report and Consolidated Annual Report.

According to legal regulations, the fundamental requirement concerning the compilation of any annual report is that it should present a true and fair view of the Bank's financial, income and net asset position and the profitability of its operation.

The operation of the Bank is the decisive factor in the consolidated balance sheet, while the results of the subsidiaries do not have any major impact on changes in consolidated profits.

Based on the information available, the inspections carried out by internal audit and the contents of the unqualified auditor's report issued by Ernst & Young Kft., the Supervisory Board declares that the Consolidated Annual Report for 2002 and the Consolidated Balance Sheet, Consolidated Profit and Loss Account and the Business Report on the year 2002 present a true and fair view of the financial, income and net asset position of the companies included in the consolidation.

At the same time, the Supervisory Board declares that the 2002 Annual Report, the Balance Sheet, the Profit and Loss Account and the Business Report drawn up on operations in 2002 provide a true and fair view of the Bank's financial, income and net asset position.

On that basis, the Supervisory Board recommends that the Meeting of Shareholders accept the Consolidated Balance Sheet of ERSTE BANK HUNGARY Rt., in which

<input type="checkbox"/>	total assets and total liabilities are equal to	Ft419,187,000,000 (consolidated)
<input type="checkbox"/>	the balance sheet profit figure is	Ft469,000,000 (consolidated)

Budapest, on this 4th day of April 2003



Mag. Andreas Treichl
Chairman of the Supervisory Board

REPORT OF THE SUPERVISORY BOARD (non-consolidated)

On the Annual Report of ERSTE BANK HUNGARY Rt., compiled on the year ending on 31 December 2002 and the Consolidated Annual Report of ERSTE BANK HUNGARY Rt., compiled on the year ending on 31 December 2002

Dear Shareholders,

In accordance with Act C of 2002 on Accounting and Government Decree 250/2000 (XII. 24) concerning the annual reporting and bookkeeping obligations of credit institutions, the Bank drew up its 2002 Annual Report and Consolidated Annual Report.

According to legal regulations, the fundamental requirement concerning the compilation of any annual report is that it should present a true and fair view of the Bank's financial, income and net asset position and the profitability of its operation.

Based on the information available, the inspections carried out by internal audit and the contents of the unqualified auditor's report issued by Ernst & Young Kft., the Supervisory Board declares that the 2002 Annual Report, the Balance Sheet, the Profit And Loss Account and the Business Report drawn up on operations in 2002 present a true and fair view of the Bank's financial, income and net asset position.

At the same time, the Supervisory Board recommends that the Meeting of Shareholders accept the Balance Sheet of ERSTE BANK HUNGARY Rt., in which

<input type="checkbox"/>	total assets and total liabilities are equal to	Ft392 335,000,000
<input type="checkbox"/>	the balance sheet profit figure is	Ft783,000.000

Furthermore, the Supervisory Board agrees to the proposal by the Board of Directors concerning the application of profits made in the year ending on 31 December 2002 and recommends that the profits are not distributed but allocated to the Bank's profit reserve.

Budapest, on this 4th day of April 2003



Mag. Andreas Treichl
Chairman of the Supervisory Board

REPORT OF THE INDEPENDENT AUDITOR

To the shareholders of ERSTE BANK HUNGARY RT.

We carried out the audit of the Balance Sheet of ERSTE BANK HUNGARY RT., as at 31 December 2002 (in which total assets as well as total liabilities are equal to Ft392,335 million and the balance sheet profit figure is Ft783 million) and of its Profit and Loss Account for the financial year closed on 31 December 2002 as well as the Notes thereto, all contained in the Annual Report of the audited organisation for the financial year closed on 31 December 2002. It is the Management's responsibility to draw up the Annual Report. The auditor is responsible for providing an opinion on the Annual Report based on the audit carried out and for assessing whether the Business Report and the Annual Report are consistent.

On 19 April 2002, we issued an unqualified opinion on the 2001 Annual Report of the company.

The audit was carried out in accordance with the Hungarian National Audit Standards and other laws and legal regulations concerning audit currently in force in Hungary. According to the above, by planning and carrying out the audit, it is necessary to obtain sufficient and adequate evidence that the Annual Report does not contain erroneous statements of substance. The audit carried out included the examination, on a test basis, of evidence supporting the figures of the Annual Report and contained an assessment of the accounting principles applied, the significant estimates made by Management and the presentation of the Annual Report.

In the course of the audit, we reviewed the Annual Report of ERSTE BANK HUNGARY RT., its parts and items, its supporting bookkeeping and other documents in accordance with the National Audit Standards in force; on that basis we obtained sufficient and adequate evidence that the Annual Report was drawn up in accordance with the provisions of the Accounting Act and the Generally Accepted Accounting Principles. In our view, the Annual Report provides a reliable, true and fair view of the net asset, financial and income position of ERSTE BANK HUNGARY RT., as at 31 December 2002. The Business Report is consistent with the data of the Annual Report.

Done in Budapest, on this 28th day of March 2003



Martin Zuba
Ernst & Young Kft.
Registration number: 001165



Mariann Hergovits
chartered auditor
Chamber membership number: 004648

REPORT OF THE INDEPENDENT AUDITOR

To the shareholders of Erste Bank Hungary Rt.

We carried out the audit of the Consolidated Balance Sheet of ERSTE BANK HUNGARY RT., as at 31 December 2002 (in which consolidated total assets as well as consolidated total liabilities are equal to Ft419,187 million and the consolidated balance sheet profit figure is Ft469 million) and of its Consolidated Profit and Loss Account for the financial year closed on 31 December 2002 as well as the Notes thereto, all contained in the Consolidated Annual Report of the audited organisation for the financial year closed on 31 December 2002. It is the Management's responsibility to draw up the Consolidated Annual Report. The auditor is responsible for providing an opinion on the Consolidated Annual Report based on the audit carried out and for assessing whether the Consolidated Business Report and the Consolidated Annual Report are consistent.

On 19 April 2002, we issued an unqualified opinion on the 2001 Consolidated Annual Report of the company.

The audit was carried out in accordance with the Hungarian National Audit Standards and other laws and legal regulations concerning audit currently in force in Hungary. According to the above, by planning and carrying out the audit, it is necessary to obtain sufficient and adequate evidence that the consolidated annual report does not contain erroneous statements of substance. The audit carried out included the examination on a test basis, of evidence supporting the figures of the Consolidated Annual Report and contained an assessment of the accounting principles applied, the significant estimates made by Management and the presentation of the Consolidated Annual Report.

In the course of the audit, we reviewed the Consolidated Annual Report of ERSTE BANK HUNGARY RT., its parts and items, its supporting bookkeeping and other documents in accordance with the National Audit Standards in force; on that basis we obtained sufficient and adequate evidence that the Consolidated Annual Report was drawn up in accordance with the provisions of the Accounting Act and the Generally Accepted Accounting Principles. In our view, the Consolidated Annual Report provides a reliable, true and fair view of the net asset, financial and income position of ERSTE BANK HUNGARY RT. as at 31 December 2002. The Consolidated Business Report is consistent with the data of the Consolidated Annual Report.

Done in Budapest, on this 28th day of March 2003



Martin Zuba
Ernst & Young Kft.
Registration number: 001165



Mariann Hergovits
chartered auditor
Chamber membership number: 004648

ERSTE BANK HUNGARY RT. BRANCH NETWORK

Budapesti branches:				
1	Branch in Bajcsy-Zsilinszky street	Budapest	1055	Bajcsy-Zsilinszky út. 74.
2	Branch in Kálvin square	Budapest	1082	Baross u. 1.
3	BME Branch	Budapest	1111	Egry József u. 2.
4	Branch in Böszörményi street	Budapest	1126	Böszörményi út 24.
5	Csepel Branch	Budapest	1211	Kossuth L. u. 47-49.
6	Mammut Branch	Budapest	1024	Margit krt. 87-89.
7	Branch in Párisi street	Budapest	1052	Párisi u 3.
8	Újpest Branch	Budapest	1042	Árpád u. 68.
9	Danubius House Branch	Budapest	1138	Váci út 141.
10	Campona Branch	Budapest	1222	Nagytétényi út 37-43.
11	Branch in Bécsi street	Budapest	1036	Bécsi u. 52-54.
12	Kőbánya Branch	Budapest	1100	Kőrösi Csoma sétány 9/b.
13	Pesterzsébet Branch	Budapest	1203	Kossuth Lajos u. 21-29.
14	Branch in Krisztina square	Budapest	1011	Krisztina tér 2.
15	Branch in Thököly street	Budapest	1149	Gizella u. 59.
16	Branch in Erzsébet boulevard	Budapest	1073	Erzsébet körút 8.
17	Astoria Branch	Budapest	1088	Rákóczi út 1-3.
18	Árkád Branch	Budapest	1106	Őrs vezér tere 25.
19	Branch in Andrassy street	Budapest	1061	Andrassy u. 2.
20	Branch in Mester street	Budapest	1095	Mester u. 1-3.
21	Branch in Flórián square	Budapest	1033	Flórián tér 3.
22	Branch in Törökvész street	Budapest	1022	Bég u. 3-5.
23	Branch in Madách I. street	Budapest	1075	Madách Imre u. 13-15.
24	Hunyadi shopping centre	Budapest	1195	Üllői út 283.
Branches outside Budapest:				
25	Budakeszi Branch	Budakeszi	2092	Fő u. 43-45.
26	Baja Branch	Baja	6500	Vörösmarty u. 5.
27	Balatonfüred Branch	Balatonfüred	8230	Zsigmond u. 1.
28	Békéscsaba Branch	Békéscsaba	5600	Munkácsi út 2.
29	Cegléd Branch	Cegléd	2700	Kossuth L. tér 10/a.
30	Csorna Branch	Csorna	9300	Szent István tér 29.
31	Curgó Branch	Curgó	8840	Széchenyi tér 16.
32	Debrecen Branch	Debrecen	4024	Szent Anna u. 14/b.
33	Debrecen University	Branch Debrecen	4032	Egyetem tér 1.
34	Branch in Hatvan street, Debrecen	Debrecen	4025	Hatvan u. 1/B
35	Dombóvár Branch	Dombóvár	7200	Hunyadi tér 19-21.
36	Dunaharaszti Branch	Dunaharaszti	2330	Iparos u. 2.
37	Dunaújváros Branch	Dunaújváros	2400	Szórád Márton u-i II. sz.szolg.h
38	Eger Branch	Eger	3300	Kossuth L. u. 13/A.
39	Érd Branch	Érd	2030	Diósi u. 4.
40	Esztergom Branch	Esztergom	2500	Imaház u. 2/a.
41	Gödöllő Branch	Gödöllő	2100	Dózsa György u. 1-3.
42	Győr Branch	Győr	9021	Bajcsy-Zsilinszky u. 30-32.
43	Gyula Branch	Gyula	5700	Városház u. 16.
44	Kalocsa Branch	Kalocsa	6300	Szent István király út 2-4.
45	Kaposvár Branch	Kaposvár	7400	Bajcsy-Zs. út.24.
46	Kecskemét Branch	Kecskemét	6000	Batthyányi u. 10-12.
47	Keszthely Branch	Keszthely	8360	Kossuth Lajos u. 45.
48	Kőszeg Branch	Kőszeg	9730	Rákóczi u. 1.

ERSTE BANK HUNGARY RT. BRANCH NETWORK (cont.)

Branches outside Budapest: (cont.)				
49	Lenti Branch	Lenti	8960	Zrínyi u. 3.
50	Makó Branch	Makó	6900	Csanád vezér tér 5.
51	Mátészalka Branch	Mátészalka	4700	Kölcsey u. 17/A.
52	Mezőkövesd Branch	Mezőkövesd	3400	Mátyás király út 129.
53	Miskolc Branch	Miskolc	3525	Kazinczy u.5.
54	Miskolc University Branch	Miskolc	3515	Egyetemváros C/1. épület I. emelet
55	Branch in Városház square, Miskolc	Miskolc	3530	Városház tér 9.
56	Mosonmagyaróvár Branch	Mosonmagyaróvár	9200	Deák F. tér. 3.
57	Mór Branch	Mór	8060	Köztársaság tér 1.
58	Nagykanizsa Branch	Nagykanizsa	8800	Erzsébet tér 20.
59	Nyíregyháza Branch	Nyíregyháza	4400	Vay Ádám krt. 12.
60	Pápa Branch	Pápa	8500	Fő tér 25-26.
61	Branch in Rákóczi street, Pécs	Pécs	7620	Rákóczi u. 62-64.
62	Branch in Alkotmány street, Pécs	Pécs	7624	Alkotmány u.12.
63	Salgótarján Branch	Salgótarján	3100	Erzsébet tér 5.
64	Sásd Branch	Sásd	7370	Rákóczi u. 17.
65	Siófok Branch	Siófok	8600	Fő utca 172.
66	Sopron Branch	Sopron	9400	Előkapu u. 2.-4.
67	Szeged Branch	Szeged	6720	Kölcsey u. 13.
68	Szentendre Branch	Szentendre	2000	Duna korzó 18.
69	Szentes Branch	Szentes	6600	Petőfi Sándor u. 1.
70	Szentgotthárd Branch	Szentgotthárd	9970	Széchenyi u. 2.
71	Szekszárd Branch	Szekszárd	7100	Széchenyi u. 22.
72	Székesfehérvár Branch	Székesfehérvár	8000	Palotai u. 4.
73	Szigetszentmiklós Branch	Szigetszentmiklós	2310	Gyári u. 9.
74	Szolnok Branch	Szolnok	5000	Kossuth L.u.18/1
75	Szombathely Branch	Szombathely	9700	Mártírok tere 12.
76	Tata Branch	Tata	2890	Országgyűlés tér 3.
77	Tatabánya Branch	Tatabánya	2800	Fő tér 20.
78	Veszprém Branch	Veszprém	8200	Szabadság tér 1.
79	Veszprém University Branch	Veszprém	8200	Egyetem u. 19.
80	Zalaegerszeg Branch	Zalaegerszeg	8900	Berzsenyi u. 7-9.
81	Zirc Branch	Zirc	8420	Petőfi Sándor u. 4.

COMMERCIAL CENTRES

1	Bács-Kiskun County Commercial Centre	6000 Kecskemét, Batthyányi u. 10-12.
2	Baranya County Commercial Centre	7624 Pécs, Alkotmány u. 12.
3	Békés County Commercial Centre	5600 Békéscsaba, Munkácsi u. 2.
4	Borsod-Abaúj-Zemplén County Commercial Centre	3525 Miskolc, Kazinczy u. 5.
5	Budapesti and Pest County Commercial Centre "Industrial Sector"	1082 Budapest, Baross utca 1.
6	Budapesti and Pest County Commercial Centre "Services Sector"	1082 Budapest, Baross utca 1.
7	Csongrád County Commercial Centre	6720 Szeged, Tisza Lajos krt. 56.
8	Fejér County Commercial Centre	8000 Székesfehérvár, Palotai u. 4.
9	Győr-Moson-Sopron County Commercial Centre	9021 Győr, Kisfaludy u. 6.
10	Hajdú-Bihar County Commercial Centre	4024 Debrecen, Szent Anna u. 14/b.
11	Heves County Commercial Centre	3300 Eger, Kossuth L. u. 13/A.
12	Jász-Nagykun-Szolnok County Commercial Centre	5000 Szolnok, Kossuth L. út. 18/1.
13	Komárom-Esztergom County Commercial Centre	2800 Tatabánya, Mártírok u. 81/b.
14	Nógrád County Commercial Centre	3100 Salgótarján, Kassai sor 6.
15	Somogy County Commercial Centre	7400 Kaposvár, Bajcsy-Zsilinszky u. 24.
16	Szabolcs-Szatmár-Bereg County Commercial Centre	4400 Nyíregyháza, Vay Ádám krt. 12.
17	Tolna County Commercial Centre	7100 Szekszárd, Széchenyi u. 22.
18	Vas County Commercial Centre	9700 Szombathely, Mártírok tere 12.
19	Veszprém County Commercial Centre	8200 Veszprém, Szabadság tér 1.
20	Zala County Commercial Centre	8900 Zalaegerszeg, Berzsenyi u. 7-9.
Budapest, Pest-County	Budapesti and Pest County Commercial Centre "Industrial Sector"	1082 Budapest, Baross utca 1.
Budapest, Pest-County	Budapesti and Pest County Commercial Centre "Services Sector"	1082 Budapest, Baross utca 1.
Budapest, Pest-County	Budapesti and Pest County Commercial Centre "Real Estate Sector"	1082 Budapest, Baross utca 1.
International Business Line	Austrian Desk	1082 Budapest, Baross utca 1.
International Business Line	International Desk	1082 Budapest, Baross utca 1.
International Business Line	Top 200	1082 Budapest, Baross utca 1.
	Structured, Project and Trade Financing Business Line	1126 Budapest, Böszörményi út 24.

SUPERVISORY BOARD, BOARD OF DIRECTORS

Supervisory Board

Chairman:

Mag. Andreas Teichl

19 May 1998

President of the Board, CEO

Erste Bank der oesterreichischen Sparkassen AG

Members of the Board:

Dr. Elisabeth Bleyleben-Koren

19 May 1998

Vice president of the Board

Erste Bank der oesterreichischen Sparkassen AG

Dr. Franz Hochstrasser

28 May 1999

Member of the Board

Erste Bank der oesterreichischen Sparkassen AG

Dr. Kurt Stöber

28 May 1998

Director

Erste Bank der oesterreichischen Sparkassen AG

Mrs. László Várady

21 May 1999

Trade union secretary delegated by the employees

ERSTE BANK HUNGARY RT.

István Magyar

25 May 2001

Regional manager, director

ERSTE BANK HUNGARY RT.

Board of Directors

President:

Mag. Reinhard Ortner

21 May 1999

Chairman of the Board of Directors

ERSTE BANK HUNGARY RT.

Member of the Board of Directors

Erste Bank der oesterreichischen Sparkassen AG

Members:

Péter Kisbenedek

1 December 2000

CEO

ERSTE BANK HUNGARY RT.

Zoltán Pásti

1 July 1999

Internal member of the Board

ERSTE BANK HUNGARY RT.

Edit Papp

1 January 2000

Internal member of the Board

ERSTE BANK HUNGARY RT.

Gabriella Megyesi-Bese

16 October 2001

Internal member of the Board

ERSTE BANK HUNGARY RT.

Helmuth Hintringer

1 January 2001

External member of the Board

ERSTE BANK HUNGARY RT.

Karin Svoboda

28 February 2002

External member of the Board

Erste Bank der oesterreichischen Sparkassen AG

Leopold Weber

1 January 2002

External member of the Board

Erste Bank der oesterreichischen Sparkassen AG