



Budapest Bank

Budapest Bank Rt.

Budapest Bank Rt.

Financial Statements

31 December 2003

Budapest, March 16, 2004

Richard Pelly
Chief Executive Officer



Contents

- I. Auditor's Report
- II. Financial Statements
 - Balance Sheet
 - Profit and Loss
 - Notes to the Financial Statements
 - Business Report



This is the translation of the Financial Statements that were prepared by the Bank.

I. GENERAL NOTES

I/1 A BRIEF OVERVIEW OF BUDAPEST BANK

Budapest Bank Rt. ("Budapest Bank", or the "Bank") was set up on January 1, 1987, when the two-tier banking system emerged in Hungary. Budapest Bank was established as a joint venture by the government, state - owned enterprises as well as cooperatives. In December 1995 Budapest Bank was privatized and acquired by General Electric Capital, EBRD as well as the State Privatization and Asset Management Company Ltd. (ÁPV Rt.)

During the year 2001, General Electric Capital became the majority shareholder of the Bank by purchasing 33.57% equity stake owned by EBRD and 23.76% equity stake held by ÁPV Rt., as well as 13.44% equity stake owned by the small shareholders holding less than 5% stake each.

During the year 2002 and 2003 further stake of shares were purchased from shareholders owning a stake under 5 %.

The bank has been operating as a company limited by shares. The subscribed capital of the bank as of December 31, 2003 amounted to HUF 19,346 million out of which General Electric Capital holds 99.68 %.

The Bank is licensed to conduct the full range of the activities of a credit institution including transactions denominated in Hungarian Forints and foreign currency alike.

With a view to increasing the number of its customers as well as the scope of its services, the bank expanded its network of branch offices both in Budapest and in provincial areas. Currently, the bank has a network of 55 branch offices and services to corporate clients are rendered by 8 business centers.

Budapest Bank performs a part of its services via fully owned subsidiary companies that comprise members of the Bank Group and carry out specialized activities in their capacity as independent business organizations.

In line with the strategic objectives, the activities of **SBB Solution Ltd.** (formerly: Budapest Securities Trading and Investment Company Ltd. - Budapest Értékpapír és Befektetési Rt.) were integrated into Budapest Bank Rt. in the year 2000, consequently the Bank directly provides full-scale securities trading services for its customers. The activity of SBB Ltd. is limited to the settlement of compensation coupons.

Budapest Fund Management Company Ltd. (Budapest Alapkezelő Rt.) manages investment funds that were established by the company. The principal function of **Budapest Leasing Company Ltd.** (Budapest Lízing Rt.) is to finance leasing schemes.

The 2B Trading and Service Company with Limited Liability merged with the asset leasing division of Budapest Autóparkkezelő Ltd. and a new company, **Budapest Asset Finance Ltd.** was established at the end of December 2000.



The Bank established the **Car Fleet Management Company Ltd.** (Autóparkkezelő Rt.) in 1997. The Car Fleet Management Company Ltd. is charged with the responsibility of operating leasing transactions.

Budapest Auto Finance Company Ltd. (Budapest Autófinanszírozási Rt.) provides financial leasing and established credit facilities for the purchase of cars.

Core activity of **Budapest Car Rental Ltd.** is operational asset finance.

The **Budapest Sales Finance Ltd.** (Budapest Áruhitel Rt.) was established by the Bank in 1999, and had been acted as a pre-company till June 2000. Since then the company has been providing sales finance. Effective as of June 30, 2002 the Ltd. merged into the Bank.

The core activity of **Budapest Real Estate Management Company Ltd.** (BB Ingatlanhasznosító Rt.) is not related to the activities of a financial institution, as the company is engaged in providing property management and stockpiling services to the members of the Bank Group. Effective as of June 30, 2002 the Ltd. merged into the Bank.

I/2 THE PRINCIPLES OF THE ACCOUNTING POLICY OF BUDAPEST BANK RT.

The Bank performs its activities, keeps its books and records pursuant to the provisions of the laws and regulations set forth below:

Act XCV. of 1995 on foreign currency,

Act CXII. of 1996 on credit institutions and financial enterprises,

Act CXI. of 1996 on securities,

Act CXLIV. of 1997 on business organisations,

Act C. of 2000 on accounting,

Government Decree no. 250/2000 (XII.24.) about the specific aspects of the financial statements and accounting responsibilities of credit institutions and financial enterprises,

Government Decree no. 251/2000 (XII.24.) on the specific aspects of the financial statements and accounting responsibilities of investment companies,

Decree of the Ministry of Finance no. 14/2001. (III.9) PM on the aspects of rating and assessment of the receivables, off-balance sheet items and collateral.

The Accounting Policy of the Bank is based upon the 14 basic principles of accounting as set forth in the Act on Accounting.

Balance sheet preparation day is January 12 of the year following the statement date, with the exception of the decision on dividend payment.

Pursuant to the provisions of the relevant laws errors identified in the course of audits performed by external bodies, or the internal audit and control organization of the Bank shall be considered to be material for the purposes of the Bank, if the aggregate impact of such errors results in any changes in the financial data of the Bank, whether in a positive, or in a negative sense, in excess of HUF 500 million. Changes in previously published data shall be considered to be material for the purposes of the Bank, if such errors result in any changes in the true and fair view of the Bank's equity, financials, or income via material changes in the Bank's own equity that is the own equity set forth in the balance sheet of the previous year changes at least by 20 % (either in positive or negative sense).



Valuation procedures relating to the compilation of the annual report:

Financial Assets

The Bank registers the aggregate amount of cash, (including foreign currency), the electronic money, the checks, bank deposits at National Bank of Hungary, separated deposits and the sweep accounts amongst the finances in the balance sheets.

Securities

The Bank sets forth the securities acquired for endorsement purposes as transitional, not lasting types of investments and securities representing lending relations as well as investments representing shareholding of a property amongst the securities in the balance sheets.

The securities bought for endorsement purposes are recorded at purchase value (at purchase price less the interest which is a part of the purchase price) by the Bank. The interest included by the purchase value will decrease the other interests and interest-type incomes.

On the basis of the individual rating of the securities, drop in value is accounted for by the Bank if the difference between the book value of the asset and the market value is of loss-type, is to last for a long time and is of significant amount.

Receivables – demanded from credit institutions and customers

In this group, the Bank sets forth only the receivables relating exclusively to credit institution activities. This includes the following:

- Receivables demanded from credit institutions,
- Receivables demanded from customers.

In the case of participation in granting syndicated loans, the Bank sets forth only the amount of the loan extended by itself (without the obligation of counterclaim). The Bank accounts for depreciation if, on the basis of debtor rating, the loss-type difference between the book value of the receivables and the amount expected to be recovered proves to be enduring and totals up to a significant amount. If the amount of the receivables expected to be recovered significantly exceeds the book-value of the receivables, the drop in value accounted for previously with the difference will be reduced with release.

Inventories

The Bank sets forth the inventories in the line of other assets of the balance sheet. Amongst the inventories, it sets forth the assets that directly or indirectly serve the financial activity (for less than one year).

The Bank sets forth the inventories at value at cost in the relevant inventory accounts. When they are charged to costs, the FIFO method is used at the time of their utilization.

As the counter value of the receivables, the assets that became the property of the Bank and that are kept in the books of the Bank for future resale purposes are accounted for amongst the goods in stock at a value at which the Bank acknowledged the balancing off of the receivables. The Bank can account for depreciation on inventories.

The assets that the Bank intends to utilize on a long-term basis shall be reclassified as “invested assets”.



Loss in value is accounted by the Bank if net book value of the asset is higher than the expected return. Loss in value of inventories received by the Bank as settlement of receivables is accounted as other expense. Considering that these type of assets are individually rated by the Bank, the mark back of loss in value occurred as decrease of other expense.

Invested financial assets

Invested financial assets (investments, securities, extended loans, fixed bank deposit) that the Bank intended to invest with the aim of having a lasting source of income (dividend, interest) or to achieve influencing, controlling or directing positions shall be stated amongst the invested financial assets in the Bank's balance sheet. The adjustments of the invested financial assets shall be set forth here.

In keeping with the provisions of law, the Bank capitalizes the invested financial assets at value at cost that is at acquisition cost in its books. The interest included in the purchase price will be set forth as an item that decreases the interest of the invested financial assets.

In the case of invested financial assets, drop in value is accounted for by the Bank if the difference between the book value of the asset and its market value is of loss-type, is to last for a long time and is of significant amount.

Intangible assets

In its balance sheet, the Bank sets forth the invisible assets, the advances provided for invisible assets as well as the adjustment of the invisible assets amongst the intangible assets. The intangible assets comprise the rights with material value, business, or corporate goodwill and intellectual property. The Bank sets forth the capitalized value of the foundation, or the reorganization of an enterprise, the capitalized value of development projects amongst the intangible assets. The calculation of the depreciation is carried out with the straight line method. The Bank uses the depreciation periods of time stipulated by law in the case of the business, or corporate goodwill, the capitalized value of the terminated foundation or the terminated reorganization of an enterprise as well as the capitalized value of the terminated development projects.

The Bank does not account for depreciation in the case of intangible assets.

Tangible property

The assets of the Bank shall be accounted for pursuant to the provisions of the relevant laws at gross acquisition cost less the residual value that can be expected at the end of the useful service life, the accumulated depreciation of tangible assets under the plan and the settled over-plan depreciation. In addition to this, it shall be increased with the amount of the release of the over-plan depreciation.

Owing to the credit institute services that are exempt from VAT and are provided by the Bank, the acquisition cost of items comprises the VAT which is not licensed to be reclaimed but has been previously included in the purchase price of the items.

The tangible assets that have not been put in working order and in proper use shall be accounted for amongst the tangible assets at the acquisition cost by the Bank.

The depreciation charges under the plan shall be determined and accounted for in light of the expected useful life of the relevant assets by using the straight-line depreciation method.



The expected key of individual types of assets is as follows:

| | |
|-----------------------------------|--------|
| Buildings, fixtures | 2 % |
| Real estate not owned by the Bank | 6 % |
| Machines, equipment | 14.5 % |
| Computer equipment | 33 % |
| Vehicles | 20 % |

The Bank accounts for over-plan depreciation as other expenditure if the book-value of the tangible assets enduringly and considerably remain higher than the market value of these assets.

The Bank does not account for depreciation in the case of tangible assets.

Liabilities to credit institutions and customers

This includes liabilities originating from financial services and investment services qualifying as liquidity and risk management along with liabilities originating from other investment services as liabilities arising from investment services.

The amounts of the interests and interest type commissions charged to the business year to a time proportionate extent and those due by the balance sheet date but not yet paid out, are also stated in this category by the Bank.

Accruals

The Bank states the following among accrued assets: the proportionate amount of interests received, fees of interest nature and fees for financial services to be applied to the business year until the balance sheet cut off day that are due until the balance sheet preparation date.

The Bank states the following among accrued liabilities: the proportionate amount of interests and fees of interest nature to be charged to the business year that were paid until the balance sheet cut off day and the proportionate amount of interest and fees to be charged to the business year until the balance sheet cut off day which, however, are not payable until the balance sheet preparation date.

Assessment of the receivables and liabilities denominated in foreign currencies and foreign exchange

Stocks of foreign currencies, foreign exchange on foreign exchange accounts, receivables in foreign cash, invested financial assets, securities and liabilities are booked by the Bank in the original currencies and converted into HUF each day at the official foreign exchange rates disclosed by the National Bank of Hungary. Exceptions to this rule include amounts of foreign currencies and foreign exchange purchased for HUF: these are booked in terms of the amounts paid for them in which case the rates at which the given items are registered are established on the basis of the actually paid amounts in HUF.

The above assets and liabilities are stated in the balance sheet at the HUF values converted at the official foreign exchange medium rates specified by the NBH, as of the balance sheet cut-off date for the business year concerned. Where the difference between the book value before the evaluation on the balance sheet cut-off date and the HUF amount on the date of the evaluation adds up to a loss (gain) this balance is booked among the expenditures (revenues) of financial transactions as exchange rate loss (gain).



Provisioning

Pursuant to the provisions laid out in the Act on Credit Institutions and Financial Enterprises (Hpt.) the Bank may generate risk provisions exclusively for the identified interest and exchange rate risks as well as for the risks attached to the off-balance sheet liabilities and for all other risks.

The Bank calculates the risk provisions for all of groups comprised in its customers - on an individual basis - in accordance with the relevant rules on customer categorization and the categorization (rating) of its receivables (as specified in the CEO directives in effect) each month, in its so-called customer categorization and portfolio registry system and books the increase/decrease to be effected in order to arrive at the amount specified by the categorization.

In the course of the process of categorization and provisioning the Bank reduces the value of the risk-weighted assets and off-balance sheet items by subtracting the value of the accepted collateral security items. The resulting net risk multiplied by the percent of the provision assigned to the receivable of the customer assigned to the worst category will produce the amount (rate) of the necessary provision.

In the future the Bank will not generate the so-called General Risk Provision: in line with the possibilities specified by the relevant legal regulations, instead of releasing the General Risk Provision in a lumps sum the Bank will use the amount so established on an ongoing basis, as a coverage for future losses.

Shareholders' equity

The shareholders' equity is comprised of the registered (subscribed) capital, the capital reserve, the profit reserve, the fixed reserve, the general reserve and the retained profit of the year (as per the balance sheet).

The general reserve generated from the profit after taxes, prior to the payment of dividends and/or profit sharing, is stated by the Bank as an element of the shareholders' equity. This reserve is generated in accordance with the rules laid out in Article 75 of the Htp. No additional reserve is generated by the Bank in addition to the mandatory 10 % reserve. Constitution of 10% General Reserve is considered individually on a yearly basis.

The components of the Bank's shareholders' equity are stated in the balance sheet at book (carrying) value.

Contingent and future liabilities

The pending and future liabilities of the Bank are recorded as off-balance sheet items (in the '0' account class).

Pending liabilities are - for the most part - liabilities (commitments) assumed with respect to third parties, which are still in effect on the balance sheet cut-off date and whose recording in the balance sheet depends on future events.

The certain (future) liabilities are comprised of irrevocable commitments that are already in effect on the balance sheet cut-off date but the relevant contracts have not yet been performed, as a consequence of which it is not possible to state them in the balance sheet.

Accounting of interests and statement of such as accrued but unrealised items



Interests and other financial service fees due by the balance sheet cut-off date but not received by the Bank by the balance sheet date are not stated by the Bank as revenues, they are stated as 'accrued but unrealized' (pending) items and stated among the '0' accounts. The same procedure is applied by the Bank in respect of the interests receivable by the Bank but not yet due by the balance sheet date where the underlying receivable is assigned to any category other than 'problem-free' or 'to be monitored' (watch-list). No specific provisions are generated by the Bank on interests stated as 'accrued but unrealized'.

I/3 CHANGES AND MAJOR ECONOMIC EVENTS IN THE YEAR 2003 REPORT

In 2003 Budapest Bank met the obligation to raise general risk reserve, in compliance with statutory requirements. After obtaining approval from the Board of Directors the Bank will seek the approval of PSZÁF to exempt the Bank from the obligation to raise general reserves as at the end of 2003 the Bank fully complied with necessary statutory requirements.

Budapest Bank Rt. provided yield guarantees for Budapest Számlafedezeti Befektetési Alap and Budapest Bonitas Befektetési Alap but no such guarantees had to be called in year 2003.

The Bank's management has reviewed the legal proceedings and in the cases where losses seem to be likely, the appropriate provisions have been generated. The management considers that the provision generated for the major legal cases provides a sufficient coverage.

HUF 52 million deposit insurance fee has been transferred to the National Deposit Insurance Fund.

In year 2003 Budapest Bank transferred HUF 69 million to the Investor Protection Fund.

The balance sheet date is 12 January 2004, with the exception of the decision on dividend payment, whose date is 16 March 2004.

The report for 2003 of Budapest Bank Rt. is signed by Mr. Richard Pelly, Chief Executive Officer of the Bank (his address of residence is Budapest II., Nagyajtai u. 19.).

Statistic code: 10196445652111401

Budapest Bank Rt.
BALANCE SHEET (FINANCIAL INSTITUTIONS)

in million HUF

| a | Description | | Previous year | Previous year Adjustments | Current year |
|----|--------------|--|----------------|---------------------------|----------------|
| | b | | c | d | e |
| 01 | I. | FINANCIAL ASSETS | 16,656 | | 15,945 |
| 02 | II. | SECURITIES (03+04) | 45,325 | | 45,269 |
| 03 | a) | available for sale | 45,325 | | 8,531 |
| 04 | b) | for investment purposes | - | | 36,738 |
| 05 | III. | RECEIVABLES TO FINANCIAL INSTITUTIONS (06+07+16) | 54,348 | | 48,169 |
| 06 | a) | on sight | 461 | | 582 |
| 07 | b) | other receivables from financial services | 53,887 | | 47,587 |
| 08 | ba) | due within one year | 52,929 | | 46,528 |
| 09 | | Of which: - subsidiaries | - | | - |
| 10 | | - affiliated companies | - | | - |
| 11 | | - National Bank of Hungary | 33,144 | | 39,800 |
| 12 | | - receivables to KELER | - | | - |
| 13 | bb) | due more than one year | 958 | | 1,059 |
| 14 | | Of which: - subsidiaries | - | | - |
| 15 | | - affiliated companies | - | | - |
| 16 | | - National Bank of Hungary | 958 | | 1,059 |
| 17 | | - receivables to KELER | - | | - |
| 18 | c) | receivables against financial institutions from investment services | - | | - |
| 19 | | Of which: - subsidiaries | - | | - |
| 20 | | - affiliated companies | - | | - |
| 21 | | - receivables to KELER | - | | - |
| 22 | IV. | RECEIVABLES TO CUSTOMERS (20+27) | 195,680 | | 254,687 |
| 23 | a) | from financial services | 195,497 | | 254,553 |
| 24 | aa) | due within one year | 133,868 | | 156,441 |
| 25 | | Of which: - subsidiaries | 59,861 | | 80,639 |
| 26 | | - affiliated companies | - | | - |
| 27 | ab) | due more than one year | 61,629 | | 98,112 |
| 28 | | Of which: - subsidiaries | 354 | | 1,134 |
| 29 | | - affiliated companies | - | | - |
| 30 | b) | receivables against customers from investment services | 183 | | 134 |
| 31 | | Of which: - subsidiaries | - | | - |
| 32 | | - affiliated companies | - | | - |
| 33 | ba) | receivables to investment in stock exchange activity | - | | - |
| 34 | bb) | receivables to OTC investments | - | | - |
| 35 | bc) | receivables to customers from investment services | 183 | | 134 |
| 36 | bd) | receivables to KELER | - | | - |
| 37 | be) | receivables to other investment services | - | | - |
| 38 | V. | BONDS AND OTHER SECURITIES (36+39) | 197 | | 195 |
| 39 | a) | securities issued by municipalities and other government institution (excluding government securities) | - | | - |
| 40 | aa) | available for sale | - | | - |
| 41 | ab) | for investment purposes | - | | - |
| 42 | b) | securities issued by others | 197 | | 195 |
| 43 | ba) | available for sale | 197 | | 195 |
| 44 | | Of which: - issued by subsidiaries | - | | - |
| 45 | | - issued by affiliated companies | - | | - |
| 46 | | - repurchased own shares | - | | - |
| 47 | bb) | for investment purposes | - | | - |
| 48 | | Of which: - issued by subsidiaries | - | | - |
| 49 | | - issued by affiliated companies | - | | - |
| 50 | VI. | SHARES AND OTHER SECURITIES (48+51) | - | | - |
| 51 | a) | shares available for sale | - | | - |
| 52 | | Of which: - issued by subsidiaries | - | | - |
| 53 | | - issued by affiliated companies | - | | - |
| 54 | b) | securities with variable yield | - | | - |
| 55 | ba) | available for sale | - | | - |
| 56 | bb) | for investment purposes | - | | - |
| 57 | VII. | SHARES FOR INVESTMENT PURPOSES (55+57) | 441 | | 436 |
| 58 | a) | shares for investment purposes | 441 | | 436 |
| 59 | | of which: - shares in financial institutions | - | | - |
| 60 | b) | revaluation of shares for investment purposes | - | | - |
| 61 | | of which: - shares in financial institutions | - | | - |
| 62 | VIII. | SHARES IN AFFILIATED COMPANIES FOR INVESTMENT PURPOSES (60+62) | 977 | | 1,082 |
| 63 | a) | shares for investment purposes | 977 | | 1,082 |
| 64 | | of which: - shares in financial institutions | - | | - |
| 65 | b) | revaluation of shares for investment purposes | - | | - |
| 66 | | of which: - shares in financial institutions | - | | - |

Statistic code: 10196445652111401

Budapest Bank Rt.

| BALANCE SHEET (FINANCIAL INSTITUTIONS) | | in million HUF | | |
|--|--|----------------|---------------------------|----------------|
| a | Description | Previous year | Previous year Adjustments | Current year |
| | b | c | d | e |
| 67 | IX. INTANGIBLE ASSETS (65+66) | 2,819 | | 2,591 |
| 68 | a) intangible assets | 2,819 | | 2,591 |
| 69 | b) revaluation of intangible assets | - | | - |
| 70 | X. TANGIBLE ASSETS (68+73+78) | 9,787 | | 9,062 |
| 71 | a) tangible assets serving the activities of financial institutions | 9,781 | | 9,056 |
| 72 | aa) real estate | 6,421 | | 6,357 |
| 73 | ab) technical equipment, machinery and vehicles | 3,052 | | 2,556 |
| 74 | ac) construction-in-progress | 308 | | 143 |
| 75 | ad) prepayments on construction-in-progress | - | | - |
| 76 | b) tangible assets serving the non-financial activities | 6 | | 6 |
| 77 | aa) real estate | - | | - |
| 78 | ab) technical equipment, machinery and vehicles | 6 | | 6 |
| 79 | ac) construction-in-progress | - | | - |
| 80 | ad) prepayments on construction-in-progress | - | | - |
| 81 | c) revaluation of tangible assets | - | | - |
| 82 | XI. OWN SHARES | - | | - |
| 83 | XII. OTHER ASSETS (81+82) | 2,710 | | 2,722 |
| 84 | a) inventories | 689 | | 623 |
| 85 | b) other receivables | 2,021 | | 2,099 |
| 86 | Of which: - subsidiaries | 13 | | 18 |
| 87 | - affiliated companies | - | | - |
| 88 | XIII. PREPAYMENTS AND ACCRUALS | 3,919 | | 3,601 |
| 89 | a) income accruals | 3,812 | | 3,498 |
| 90 | b) expense accruals | 107 | | 103 |
| 91 | c) deferred expenses | - | | - |
| 92 | TOTAL ASSETS (01+02+05+19+35+47+54+59+64+67+79+80+85) | 332,859 | | 383,759 |
| 93 | OF WHICH: -CURRENT ASSETS (I.+II.a)+III.c)+III.a)+III.ba)+IV.aa)+IV.b)+V.aa)+V.ba)+VI.a)+VI.ba)+XI.+XII.) | 252,329 | | 231,078 |
| 94 | - FIXED ASSETS (II.b)+III.bb)+IV.ab)+V.ab)+V.bb)+VI.bb)+VII.+VIII.+IX.+X.) | 76,611 | | 149,080 |

Statistic code: 10196445652111401

Budapest Bank Rt.
BALANCE SHEET (FINANCIAL INSTITUTIONS)

in million HUF

| a | b | | c | d | e |
|-----|-------------|--|----------------|---------------------------|----------------|
| | Description | | Previous year | Previous year Adjustments | Current year |
| 95 | I. | LIABILITIES TO FINANCIAL INSTITUTIONS (93+94+103) | 10,168 | | 18,595 |
| 96 | a) | on sight | 140 | | 72 |
| 97 | b) | liabilities deposited for a set period of time | 10,027 | | 18,522 |
| 98 | ba) | due within one year | 7,602 | | 2,675 |
| 99 | | Of which: - subsidiaries | - | | - |
| 100 | | - affiliated companies | - | | - |
| 101 | | - National Bank of Hungary | - | | 471 |
| 102 | | - receivables to KELER | - | | - |
| 103 | bb) | due more than one year | 2,425 | | 15,847 |
| 104 | | Of which: - subsidiaries | - | | - |
| 105 | | - affiliated companies | - | | - |
| 106 | | - National Bank of Hungary | 1,191 | | 631 |
| 107 | | - receivables to KELER | - | | - |
| 108 | c) | liabilities from investments services | 1 | | 1 |
| 109 | | Of which: - subsidiaries | - | | - |
| 110 | | - affiliated companies | - | | - |
| 111 | | - receivables to KELER | - | | - |
| 112 | II. | LIABILITIES TO CUSTOMERS (107+111+121) | 255,692 | | 301,555 |
| 113 | a) | saving deposit | - | | - |
| 114 | ba) | on sight | - | | - |
| 115 | ab) | due within one year | - | | - |
| 116 | ac) | due more than one year | - | | - |
| 117 | b) | other liabilities from financial services | 254,266 | | 299,666 |
| 118 | ba) | on sight | 158,709 | | 178,497 |
| 119 | | Of which: - subsidiaries | 631 | | 918 |
| 120 | | - affiliated companies | - | | - |
| 121 | bb) | due within one year | 94,229 | | 85,895 |
| 122 | | Of which: - subsidiaries | 324 | | 125 |
| 123 | | - affiliated companies | - | | - |
| 124 | bc) | due more than one year | 1,328 | | 35,274 |
| 125 | | Of which: - subsidiaries | 84 | | - |
| 126 | | - affiliated companies | - | | - |
| 127 | c) | liabilities from investments services | 1,426 | | 1,889 |
| 128 | | Of which: - subsidiaries | - | | - |
| 129 | | - affiliated companies | - | | - |
| 130 | ca) | liabilities to investment in stock exchange activity | - | | - |
| 131 | cb) | liabilities to OTC investments | - | | - |
| 132 | cc) | liabilities to customers from investment services | 1,426 | | 1,889 |
| 133 | cd) | liabilities to KELER | - | | - |
| 134 | ce) | liabilities to other investment services | - | | - |
| 135 | III. | ISSUED BONDS AND OTHER, INTEREST-BEARING SECURITIES (130+137+144) | - | | - |
| 136 | a) | issued bonds | - | | - |
| 137 | aa) | due within one year | - | | - |
| 138 | | Of which: - subsidiaries | - | | - |
| 139 | | - affiliated companies | - | | - |
| 140 | ab) | due more than one year | - | | - |
| 141 | | Of which: - subsidiaries | - | | - |
| 142 | | - affiliated companies | - | | - |
| 143 | b) | other issued negotiable, interest-bearing securities | - | | - |
| 144 | ba) | due within one year | - | | - |
| 145 | | Of which: - subsidiaries | - | | - |
| 146 | | - affiliated companies | - | | - |
| 147 | bb) | due more than one year | - | | - |
| 148 | | Of which: - subsidiaries | - | | - |
| 149 | | - affiliated companies | - | | - |
| 150 | c) | Securities according to the accounting standards, but according to the Securities Law other negotiable, interest-bearing documents | - | | - |
| 151 | ca) | due within one year | - | | - |
| 152 | | Of which: - subsidiaries | - | | - |
| 153 | | - affiliated companies | - | | - |
| 154 | cb) | due more than one year | - | | - |
| 155 | | Of which: - subsidiaries | - | | - |
| 156 | | - affiliated companies | - | | - |
| 157 | IV. | OTHER LIABILITIES (152+156) | 18,183 | | 7,771 |
| 158 | a) | due within one year | 17,334 | | 7,303 |
| 159 | | Of which: - subsidiaries | 18 | | 24 |
| 160 | | - affiliated companies | - | | - |
| 161 | | - other contributions of members of saving societies | - | | - |
| 162 | b) | due more than one year | 849 | | 468 |
| 163 | | Of which: - subsidiaries | - | | - |
| 164 | | - affiliated companies | - | | - |

Statistic code: 10196445652111401

Budapest Bank Rt.

| BALANCE SHEET (FINANCIAL INSTITUTIONS) | | | in million HUF | | |
|--|--------------|---|----------------|---------------------------|----------------|
| a | Description | | Previous year | Previous year Adjustments | Current year |
| | b | | c | d | e |
| 165 | V. | ACCRUALS (160+161+162) | 1,512 | | 2,810 |
| 166 | a) | income accruals | 16 | | 51 |
| 167 | b) | expense accruals | 1,494 | | 2,758 |
| 168 | c) | deferred income | 2 | | 1 |
| 169 | VI. | PROVISIONS (164+165+166+167) | 6,138 | | 5,145 |
| 170 | a) | provision for pension and severance payments | - | | - |
| 171 | b) | provision on contingent and future liabilities | 3,601 | | 2,614 |
| 172 | c) | general risk provision | 2,537 | | 2,531 |
| 173 | d) | other provision | - | | - |
| 174 | VII. | SUBORDINATED DEBT (169+172+173) | 3,861 | | 3,861 |
| 175 | a) | subordinated loan | 3,861 | | 3,861 |
| 176 | | Of which: - subsidiaries | - | | - |
| 177 | | - affiliated companies | - | | - |
| 178 | b) | other contributions of members of saving societies | - | | - |
| 179 | c) | other subordinated debt | - | | - |
| 180 | | Of which: - subsidiaries | - | | - |
| 181 | | - affiliated companies | - | | - |
| 182 | VIII. | SHARE CAPITAL | 19,346 | | 19,346 |
| 183 | | from which: - repurchased own shares on face value | - | | - |
| 184 | IX. | ISSUED, UNPAID SHARE CAPITAL (-) | | | |
| 185 | X. | SHARE PREMIUM (180+181) | 1 | | 1 |
| 186 | a) | premium from issue of shares | - | | - |
| 187 | b) | other | 1 | | 1 |
| 188 | XI. | GENERAL RESERVE | 2,993 | | 2,993 |
| 189 | XII. | RETAINED EARNINGS | 9,139 | | 14,844 |
| 190 | XIII. | CAPITAL ENGAGED | 222 | | 112 |
| 191 | XIV. | VALUATION RESERVE | | | |
| 192 | XV. | NET PROFIT (LOSS) FOR THE YEAR (+/-) | 5,604 | | 6,726 |
| 193 | | TOTAL LIABILITIES AND SHAREHOLDER'S FUNDS (92+106+129+151+159+153+168+176+178+179+182+183+184+185+186) | 332,859 | | 383,759 |
| 194 | | OF WHICH: - SHORT TERM LIABILITIES (La)+L.ba)+L.c)+II.aa)+II.ab)+II.ba)+II.bb)+II.c)+III.aa)+III.ba)+III.ca)+IV.a)) | 279,441 | | 276,332 |
| 195 | | - LONG TERM LIABILITIES (L.bb)+II.ac)+II.bc)+III.ab)+III.bb)+III.cb)+IV.b)+VII.) | 8,463 | | 55,450 |
| 196 | | - SHAREHOLDER'S FUNDS (VIII.-IX.+X.+XI.-XII.+XIII.+XIV.+XV.) | 37,305 | | 44,022 |

Off-balance Sheet items

| | | | in million HUF | | |
|--|--|--|----------------|---------------------------|----------------|
| | Description | | Previous year | Previous year Adjustments | Current year |
| | Commitments and contingent liabilities | | 136,614 | | 177,388 |
| | Futures liabilities | | 26,906 | | 30,681 |
| | Total off-balance sheet liabilities | | 163,520 | | 208,069 |
| | Total off-balance sheet receivables | | 24,171 | | 28,262 |

Budapest, March 16, 2004

 Richard Pelly
 Chief Executive Officer

Statistic code: 10196445652111401

Budapest Bank Rt.
PROFIT AND LOSS STATEMENT (FINANCIAL INSTITUTIONS)

in million HUF

| | Description | Previous year | Previous year Adjustments | Current year |
|-----------|---|---------------|---------------------------|---------------|
| a | b | c | d | e |
| 01 | <i>Interest income (02+05)</i> | 29,283 | | 30,261 |
| 02 | a) interest income from fixed interest-bearing securities | 6,767 | | 2,925 |
| 03 | Of which: - subsidiaries | 3,292 | | - |
| 04 | - affiliated companies | - | | - |
| 05 | b) other interest income | 22,516 | | 27,336 |
| 06 | Of which: - subsidiaries | - | | 2,899 |
| 07 | - affiliated companies | - | | - |
| 08 | <i>Interest expense</i> | 9,931 | | 8,563 |
| 09 | Of which: - subsidiaries | 210 | | 85 |
| 10 | -affiliated companies | - | | - |
| 11 | Net interest income (01-08) | 19,352 | | 21,698 |
| 12 | Dividend received (13+14+15) | 930 | | 1,103 |
| 13 | a) joint ventures | - | | - |
| 14 | b) affiliated companies | 927 | | 1,096 |
| 15 | c) other | 3 | | 7 |
| 16 | Fee income (17+20) | 11,382 | | 12,614 |
| 17 | a) fee income of other financial services | 9,885 | | 10,765 |
| 18 | Of which: - subsidiaries | 65 | | 85 |
| 19 | - affiliated companies | - | | - |
| 20 | b) fee income of investment services | 1,497 | | 1,849 |
| 21 | Of which: - subsidiaries | - | | - |
| 22 | - affiliated companies | - | | - |
| 23 | Fee expense (24+27) | 2,449 | | 2,553 |
| 24 | a) fee expense of other financial services | 2,374 | | 2,531 |
| 25 | Of which: - subsidiaries | - | | - |
| 26 | - affiliated companies | - | | - |
| 27 | b) fee expense of investment services (excluding expense of trading activities) | 75 | | 22 |
| 28 | Of which: - subsidiaries | - | | - |
| 29 | - affiliated companies | - | | - |
| 30 | Net income of financial services (31-34+37-41) | 1,900 | | 2,582 |
| 31 | a) income of other financial services | 2,108 | | 3,045 |
| 32 | Of which: - subsidiaries | - | | - |
| 33 | - affiliated companies | - | | - |
| 34 | b) expense of other financial services | 188 | | 369 |
| 35 | Of which: - subsidiaries | - | | - |
| 36 | - affiliated companies | - | | - |
| 37 | c) income of investment services (income of trading activities) | - | | - |
| 38 | Of which: - subsidiaries | - | | - |
| 39 | - affiliated companies | - | | - |
| 40 | - release of provision on securities available for sale | - | | - |
| 41 | d) expense of investment services (income of trading activities) | 20 | | 94 |
| 42 | Of which: - subsidiaries | - | | - |
| 43 | - affiliated companies | - | | - |
| 44 | - provision charge on securities available for sale | - | | - |
| 45 | Other income (46+49) | 2,047 | | 1,532 |
| 46 | a) income of non-financial and non-investment services | 681 | | 540 |
| 47 | Of which: - subsidiaries | 147 | | 107 |
| 48 | - affiliated companies | - | | - |
| 49 | b) other income | 1,366 | | 992 |
| 50 | Of which: - subsidiaries | - | | 0 |
| 51 | - affiliated companies | - | | - |
| 52 | - release of provision on inventories | - | | - |

Statistic code: 10196445652111401

Budapest Bank Rt.
PROFIT AND LOSS STATEMENT (FINANCIAL INSTITUTIONS)

in million HUF

| | Description | Previous year | Previous year Adjustments | Current year |
|-----------|--|---------------|---------------------------|---------------|
| a | b | c | d | e |
| 53 | Operating costs (54+62) | 19,811 | | 22,698 |
| 54 | a) personal type costs | 8,844 | | 10,849 |
| 55 | aa) salaries and wages | 6,048 | | 7,353 |
| 56 | ab) other personal type costs | 648 | | 705 |
| 57 | of which: - social securities | 51 | | 64 |
| 58 | - pension related costs | 203 | | 214 |
| 59 | ac) affix of wages | 2,148 | | 2,791 |
| 60 | of which: - social securities | 1,773 | | 282 |
| 61 | - pension related costs | - | | 1,881 |
| 62 | b) other operating costs (materials) | 10,967 | | 11,849 |
| 63 | Depreciation | 2,651 | | 2,891 |
| 64 | Other expenses (65+68) | 3,678 | | 3,403 |
| 65 | a) expenses of non-financial and non-investment services | 34 | | 4 |
| 66 | Of which: - subsidiaries | 29 | | 0 |
| 67 | - affiliated companies | - | | - |
| 68 | b) other expenses | 3,644 | | 3,399 |
| 69 | Of which: - subsidiaries | 16 | | 29 |
| 70 | - affiliated companies | - | | - |
| 71 | - provision charge on inventories | 264 | | 48 |
| 72 | Provision charge on receivables and on contingent and future liabilities (73+74) | 1,217 | | 2,031 |
| 73 | a) provision charge on receivables | 812 | | 1,941 |
| 74 | b) provision charge on contingent and future liabilities | 405 | | 90 |
| 75 | Release of provision on receivables and on contingent and future liabilities (76+77) | 673 | | 2,338 |
| 76 | a) release of provision on receivables | 625 | | 1,261 |
| 77 | b) release of provision on contingent and future liabilities | 48 | | 1,077 |
| 78 | Provision charge on securities portfolio | 273 | | 374 |
| 79 | Release of provision on securities portfolio | 272 | | 29 |
| 80 | NET INCOME OF FINANCIAL SERVICES | 6,477 | | 7,946 |
| 81 | of which: - NET INCOME OF FINANCIAL AND INVESTMENT SERVICES (11+12+16-23+-30+49-53-63-68-72+75-78+79) | 5,830 | | 7,410 |
| 82 | - NET INCOME OF NON-FINANCIAL AND NON-INVESTMENT SERVICES (46-65) | 647 | | 536 |
| 83 | Extraordinary revenues | 84 | | 39 |
| 84 | Extraordinary expenditures | - | | 26 |
| 85 | Net profit (loss) of extraordinary items (83-84) | 84 | | 13 |
| 86 | Profit before taxation (±80±85) | 6,561 | | 7,959 |
| 87 | Taxation | 957 | | 1,225 |
| 88 | Profit after taxation (±86-87) | 5,604 | | 6,734 |
| 89 | Charge and release of general reserves (+,-) | - | | - |
| 90 | Use of accumulated profit reserve for dividends and profit-sharing | - | | - |
| 91 | Dividend and profit-sharing payable | - | | 8 |
| 92 | Of which: - subsidiaries | - | | - |
| 93 | - affiliated companies | - | | - |
| 94 | Net profit (loss) for the year (±88±89+90-91) | 5,604 | | 6,726 |



Budapest Bank

Budapest Bank Rt.

Budapest Bank Rt.

Notes to the Financial Statements

31 December 2003

Budapest, March 16, 2004

Richard Pelly
Chief Executive Officer



I. **GENERAL NOTES**

- I./1. A brief overview of Budapest Bank
- I./2. The principles of the accounting policies of Budapest Bank
- I./3. Changes and major economic events in 2003

II. **SPECIFIC NOTES**

- II./1.a Gross value of intangible and tangible assets
- II./1.b Accumulated depreciation and current year depreciation on intangible and tangible assets
- II./2. Inventories
- II./3. Receivables from financial institutions and customers in maturity split
- II./4. Assets in Euro and non-Euro currencies expressed in HUF
- II./5. Provision movements from 31 Dec 2002 to 31 Dec 2003
- II./6. Provision charge / release assets from 31 December 2002 to 31 December 2003
- II./7. Securities breakdown and safe custody securities
- II./8. Liabilities to financial institutions and customers in maturity split
- II./9. Liabilities in in Euro and non-Euro currencies expressed in HUF
- II./10. Changes of Shareholders' Equity in 2003
- II./11. Prepayments and Accruals as at 31 Dec 2003
- II./12. Breakdown of net sales income
- II./13. Income and expenditure of investment related services
- II./14. Equity investments in consolidated subsidiaries, associated companies, and other investments
- II./15. Changes in issued own shares
- II./16. Interest and fees on non-performing loans which has not been credited as income
- II./17. Foreign currency receivables and liabilities from unsettled deals at year end

III. **Additional information**

- III./1. Financial ratios
- III./2. Subordinated loans
- III./3. Off-balance sheet items
- III./4. Extraordinary income and expense
- III./5. Corporate tax base adjustments
- III./6. Corporate tax calculation
- III./7. Breakdown of costs according to cost types
- III./8. Other income and expense
- III./9. Cash-flow statement
- III./10. Loans to members of the Board of Directors, Management and the Supervisory Board
- III./11. Salaries and wages
- III./12. Number of employees
- III./13. Large loans
- III./14. Open position of currency and interest rate SWAPs deals
- III./15. Remuneration of the Board of Directors and the Supervisory Board

II / 1.a Gross value of intangible and tangible assets

31 December 2003

in HUF'000

| Description | Changes in Gross Value | | | |
|---|------------------------|--------------------------|--------------------------|-------------------|
| | Opening value | Increase during the year | Decrease during the year | Closing value |
| I. Total intangible assets: | 5,931,206 | 1,120,468 | -28,967 | 7,022,707 |
| a/ Rights and titles | 830,109 | | 0 | 830,109 |
| b/ Intellectual property | 4,768,050 | 1,120,468 | -28,967 | 5,859,551 |
| c/ Capitalised value of foundation / restructuring | 333,047 | 0 | 0 | 333,047 |
| II.1. Tangible assets serving financial institutions' activities | 16,533,005 | 3,615,412 | -3,028,272 | 17,120,146 |
| a/ Real properties | 7,417,915 | 294,438 | -114,849 | 7,597,504 |
| b/ Technical equipment, machinery and vehicles | 8,807,321 | 1,035,460 | -463,057 | 9,379,724 |
| c/ Assets under construction | 307,769 | 2,285,514 | -2,450,366 | 142,917 |
| d/ Advances for assets under construction | 0 | 0 | 0 | 0 |
| II.1. Tangible assets related to non-financial services | 6,061 | 0 | 0 | 6,061 |
| a/ Real estates | 0 | 0 | 0 | 0 |
| b/ Technical equipment, machinery and vehicles | 6,061 | 0 | 0 | 6,061 |
| c/ Assets under construction | 0 | 0 | 0 | 0 |
| d/ Advances for assets under construction | 0 | 0 | 0 | 0 |

II / 1.b Accumulated depreciation and current year depreciation on intangible and tangible assets

in HUF'000

| Megnevezés | Accumulated depreciation | | | | | |
|---|--------------------------|--------------------------|--------------------------|----------------------|----------------|------------------|
| | Opening value | Increase during the year | Decrease during the year | Planned depreciation | Over the plan | Closing balances |
| I. Total intangible assets: | 3,112,038 | 1,328,814 | -9,327 | 1,186,610 | 142,204 | 4,431,525 |
| a/ Rights and titles | 710,996 | 111,159 | 0 | 111,159 | 0 | 822,155 |
| b/ Intellectual property | 2,281,136 | 1,107,750 | -9,327 | 965,546 | 142,204 | 3,389,559 |
| c/ Capitalised value of foundation / restructuring | 109,906 | 109,905 | 0 | 109,905 | 0 | 219,811 |
| II.1. Tangible assets serving financial institutions' activities | 6,752,331 | 1,704,367 | -392,496 | 1,704,367 | 0 | 8,064,202 |
| a/ Real estates | 996,565 | 262,382 | -18,510 | 262,382 | 0 | 1,240,437 |
| b/ Technical equipment, machinery and vehicles | 5,755,766 | 1,441,985 | -373,986 | 1,441,985 | 0 | 6,823,765 |
| c/ Assets under construction | 0 | 0 | 0 | 0 | 0 | 0 |
| d/ Advances for assets under construction | 0 | 0 | 0 | 0 | 0 | 0 |
| II.2 Tangible Assets not directly used in banking activities | 67 | 5 | 0 | 5 | 0 | 72 |
| a/ Real estates | 0 | 0 | 0 | 0 | 0 | 0 |
| b/ Technical equipment, machinery and vehicles | 67 | 5 | 0 | 5 | 0 | 72 |
| c/ Assets under construction | 0 | 0 | 0 | 0 | 0 | 0 |
| d/ Advances for assets under construction | 0 | 0 | 0 | 0 | 0 | 0 |

Notes:

The depreciation charges under the plan determined and accounted for in light of the expected useful life of the relevant assets by using the straight-line depreciation method.

| Rights related to real estates: | Gross value (HUF'000) | Cumulated depreciation (HUF'000) |
|--|------------------------------|---|
| Right of lease | 50,900 | 35,639 |
| Right of usage | 1,500 | 1,500 |

II / 2. Inventories

31 December 2003

in HUF'000

| | 31 December 2003 | 31 December 2002 |
|--|------------------|------------------|
| Precious metal for sale | 45 | 45 |
| Stationary | 1,024 | 981 |
| Printed materials | 1,227 | 0 |
| Office material | 2,406 | 3,904 |
| Computer equipments | 3 | 926 |
| Subcontractors performance | 2,499 | 21,689 |
| Real Estate against receivables | 946,935 | 945,000 |
| Other stock/equipment against receivables | 425 | 425 |
| Provision on stock/equipment against receivables | -331,852 | -283,925 |
| Other | 52 | 0 |
| Total : | 622,764 | 689,045 |

II / 3. Receivables from financial institutions and customers in maturity split

31 December 2003

in HUF000

| Description | Total of 31 December 2002 | Breakdown of the portfolio of 31 December 2003 in maturity split | | | | | |
|--|------------------------------|--|----------------|--------------------|-------------------------------|------------------------------|-------------------|
| | | Total of 31 December 2003 | On sight | within 3 months | within 3 months and 1 year | within 1 year and 5 years | over 5 years |
| | | 1 = 2+3+4+5+6 | 2 | 3 | 4 | 5 | 6 |
| I. Receivables from financial institutions | 54,348,506 | 48,169,214 | 581,919 | 46,528,013 | 0 | 1,059,282 | 0 |
| On sight | 461,361 | 581,919 | 581,919 | 0 | 0 | 0 | 0 |
| Other receivables from financial institutions | 53,887,145 | 47,587,295 | 0 | 46,528,013 | 0 | 1,059,282 | 0 |
| - Within one year | 52,928,655 | 46,528,013 | 0 | 46,528,013 | 0 | 0 | 0 |
| of which: from affiliated companies | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| from other companies | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| from the National Bank of Hungary | 33,144,081 | 39,800,000 | 0 | 39,800,000 | 0 | 0 | 0 |
| - Over one year | 958,490 | 1,059,282 | 0 | 0 | 0 | 1,059,282 | 0 |
| of which: from affiliated companies | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| from other companies | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| from the National Bank of Hungary | 958,490 | 1,059,282 | 0 | 0 | 0 | 1,059,282 | 0 |
| II. Receivables against customers | 195,680,496 | 254,687,014 | 133,638 | 19,480,215 | 136,961,208 | 69,534,902 | 28,577,051 |
| Receivables from financial services | 195,497,151 | 254,553,376 | 0 | 19,480,215 | 136,961,208 | 69,534,902 | 28,577,051 |
| - Within one year | 133,867,743 | 156,441,423 | 0 | 19,480,215 | 136,961,208 | 0 | 0 |
| of which: from affiliated companies | 59,861,189 | 80,638,725 | 0 | 0 | 80,638,725 | 0 | 0 |
| from other companies | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| - Over one year | 61,629,408 | 98,111,953 | 0 | 0 | 0 | 69,534,902 | 28,577,051 |
| of which: from affiliated companies | 353,684 | 1,134,130 | 0 | 0 | 0 | 1,134,130 | 0 |
| from other companies | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Receivables from investment services | 183,345 | 133,638 | 133,638 | 0 | 0 | 0 | 0 |
| Total: | 250,029,001 | 302,856,228 | 715,557 | 66,008,228 | 136,961,208 | 70,594,184 | 28,577,051 |

II / 4. Assets in Euro and non-Euro currencies expressed in HUF

31 December 2003

in HUF'000

| Description | 31 December 2003 | | | | | 31 December 2002 |
|--|--------------------|-------------------|--------------------|--------------------|--------------------|--------------------|
| | EUR | non-EURO | | | | |
| | Euro | USD | HUF | Other | Total | Total |
| 1. Cash | 234,663 | 113,424 | 15,529,154 | 67,935 | 15,945,176 | 16,655,606 |
| 2. Securities | 0 | 0 | 45,464,568 | 0 | 45,464,568 | 45,521,793 |
| a) Bonds and other securities | 0 | 0 | 45,269,169 | 0 | 45,269,169 | 45,325,025 |
| b) Shares and other securities | 0 | 0 | 195,399 | 0 | 195,399 | 196,768 |
| 3. Receivables : | 51,683,489 | 5,435,813 | 227,443,683 | 20,391,884 | 304,954,868 | 252,049,969 |
| a) On sight | 25,832 | 59,618 | 0 | 496,469 | 581,919 | 0 |
| b) Maturing within one year | 39,516,987 | 4,228,675 | 143,803,199 | 17,519,214 | 205,068,076 | 189,278,727 |
| - from financial institutions | 500,859 | 1,143,560 | 44,800,000 | 83,593 | 46,528,013 | 53,390,016 |
| - from customers | 38,983,814 | 3,075,545 | 96,949,765 | 17,432,299 | 156,441,423 | 133,867,743 |
| - other receivables | 32,313 | 9,570 | 2,053,434 | 3,323 | 2,098,640 | 2,020,968 |
| c) Maturing over one year | 12,140,669 | 1,147,520 | 83,506,846 | 2,376,201 | 99,171,235 | 62,771,242 |
| - from financial institutions | 1,028,482 | 30,801 | 0 | 0 | 1,059,282 | 958,489 |
| - from customers | 11,112,187 | 1,116,719 | 83,506,846 | 2,376,201 | 98,111,953 | 61,812,753 |
| d) From investment services | 0 | 0 | 133,638 | 0 | 133,638 | 0 |
| 4. Shares for investment purposes | 9,035 | 0 | 426,612 | 0 | 435,647 | 440,571 |
| 5. Shares in affiliated companies | 0 | 0 | 1,081,997 | 0 | 1,081,997 | 977,019 |
| 6. Intangible assets | 0 | 0 | 2,591,183 | 0 | 2,591,183 | 2,819,168 |
| 7. Tangible assets | 0 | 0 | 9,061,933 | 0 | 9,061,933 | 9,786,668 |
| 8. Inventories | 0 | 0 | 622,764 | 0 | 622,764 | 689,045 |
| 9. Prepayments in foreign currency | -12,317,478 | 8,475,932 | 19,906,729 | -12,464,123 | 3,601,060 | 3,919,648 |
| Total: (1+ 2 + 3 + 4 +5 +6 +7 +8 +9) | 39,609,709 | 14,025,169 | 322,128,622 | 7,995,696 | 383,759,197 | 332,859,487 |

II / 5. Provision movements from 31 Dec 2002 to 31 Dec 2003

31 December 2003

in HUF'000

| Description | Opening balance | Provision (write-off) | Charge | Provision (release) | Closing balance |
|--|------------------|-----------------------|---------------|---------------------|------------------|
| 1. Provision for pension and severance payments | 0 | 0 | 0 | 0 | 0 |
| 2. Provision on contingent and future liabilities | 3,600,911 | 0 | 90,358 | -1,077,040 | 2,614,229 |
| 3. General risk provision | 2,536,991 | -6,206 | 0 | 0 | 2,530,785 |
| 4. Other provision | 0 | 0 | 0 | 0 | 0 |
| Total provisions: | 6,137,902 | -6,206 | 90,358 | -1,077,040 | 5,145,014 |

Notes:

The following suits were won therefore provision was released: NIKEX 450.000 HUF'000, TÉKA 159.569 HUF'000, DA Factor 270.000 HUF, Lutter-Tiszaholz 21.541 HUF'000, Egyéb 93.078 HUF'000.



II / 6. Provision charge / release on assets from 31 December 2002 to 31 December 2003

31 December 2003

in HUF'000

| Description | Opening balance | Charge | Release | Closing Balance |
|---|------------------|------------------|-------------------|------------------|
| 1. Provision on securities | 1,167,378 | 374,381 | -29,359 | 1,512,400 |
| 2. Provision on receivables | 3,582,688 | 1,940,782 | -1,261,197 | 4,262,273 |
| 3. Provison on inventories, which were received against receivables | 283,925 | 47,927 | 0 | 331,852 |
| Total: | 5,033,991 | 2,363,091 | -1,290,556 | 6,106,526 |

II / 7. Securities breakdown and safe custody securities

31 December 2003

in HUF'000

| Security type | Securities fully owned by BB Rt.as at 31 December 2003 | | | | | | Securities owned by third parties | | |
|---------------------------|--|-------------------|-------------------|-------------------|---------|--------------------|-----------------------------------|---------------|--------------------|
| | Balance Sheet line | Face value | Book value | Market value | Form | Place | Face value | Form | Place |
| Government bonds | II. Securities | 35,166,360 | 35,165,143 | 35,165,143 | DEMAT | Central Depository | 70,320 | DEMAT | Central Depository |
| Discount T-bills | II. Securities | 8,917,750 | 8,530,597 | 8,613,360 | DEMAT | Central Depository | 38,235,980 | DEMAT | Central Depository |
| HNB Foreign Currency Bond | II. Securities | 1,573,430 | 1,573,430 | 0 | DEMAT | Central Depository | 0 | | |
| Investment Unit | V. Bonds and other securities | 145,378 | 194,604 | 223,102 | DEMAT | Central Depository | 87,508,152 | DEMAT | Central Depository |
| Investment Unit | V. Bonds and other securities | 0 | 0 | 0 | | | 220 | printed | Safe |
| Compensation Coupon | - | 93 | 0 | 49 | printed | Safe | 505 | printed | Safe |
| Shares | VII-VIII. Shares for investment purposes and in affiliated companies for investment purposes | 115,600 | 360,600 | 392,664 | DEMAT | Central Depository | 86,878 | DEMAT/printed | Central Depository |
| Shares | VII-VIII. Shares for investment purposes and in affiliated companies for investment purposes | 1,324,958 | 1,157,044 | 1,118,650 | printed | Safe | 7,180,237 | printed | Safe |
| Other security | V. Bonds and other securities | 791 | 795 | 795 | printed | Safe | | printed | Safe |
| Total: | | 47,244,361 | 46,982,213 | 45,513,763 | | | 133,082,292 | | |

Note:

Listed out of Discount T-bills total Book value: 4.258.150 HUF'000, Market value: 4.041.114 HUF'000

*NBH Foreign Currency Bond has no Market Value as being part of portfolio seized due to regulatory reserving requirements.

II / 8. Liabilities to financial institutions and customers in maturity split

31 December 2003

in HUF'000

| Description | 31 December 2002 | Breakdown of the portfolio of 31 December 2003 in maturity split | | | | | |
|---|---------------------|--|--------------------|--------------------|-------------------------------|------------------------------|-------------------|
| | | 31 December 2003 | on sight | within 3 months | within 3 months and 1 year | within 1 year and 5 years | over 5 years |
| | | 1 = 2+3+4+5+6 | 2 | 3 | 4 | 5 | 6 |
| <i>I. Liabilities to financial institutions</i> | 10,168,457 | 18,594,460 | 1,612,035 | 372,981 | 763,062 | 5,669,092 | 10,177,290 |
| <i>On sight</i> | 140,020 | 71,656 | 71,656 | 0 | 0 | 0 | 0 |
| <i>Deposited from financial services</i> | 10,027,139 | 18,521,505 | 0 | 372,981 | 763,062 | 5,669,092 | 10,177,290 |
| - Within one year | 7,601,980 | 2,675,123 | 0 | 372,981 | 2,302,142 | | |
| - Over one year | 2,425,159 | 15,846,382 | 0 | | | 5,669,092 | 10,177,290 |
| <i>From investment services</i> | 1,298 | 1,298 | 1,298 | 0 | 0 | 0 | 0 |
| <i>II. Liabilities to customers</i> | 255,691,807 | 301,555,313 | 180,386,252 | 62,191,945 | 23,702,770 | 34,130,736 | 1,143,610 |
| <i>Other liabilities from financial services</i> | 254,265,379 | 299,665,797 | 178,496,736 | 62,191,945 | 23,702,770 | 34,130,736 | 1,143,610 |
| - On sight | 158,708,725 | 178,496,736 | 178,496,736 | | | | |
| - Within one year | 94,228,833 | 85,894,715 | | 62,191,945 | 23,702,770 | | |
| - Over one year | 1,327,821 | 35,274,346 | | | | 34,130,736 | 1,143,610 |
| <i>From investment services activity</i> | 1,426,428 | 1,889,516 | 1,889,516 | | | | |
| <i>VII. Subordinated debt</i> | 3,861,000 | 3,861,000 | | | | | 3,861,000 |
| Total: | 269,721,264 | 324,010,773 | 181,998,287 | 62,564,926 | 24,465,832 | 39,799,828 | 15,181,900 |

II / 9. Liabilities in Euro and non-Euro currencies, expressed in HUF

31 December 2003

in HUF'000

| Description | 31 December 2003 | | | | | 31 December 2002 |
|---|-------------------|-------------------|--------------------|------------------|--------------------|--------------------|
| | EUR | non-EUR | | | | |
| | Euro | USD | HUF | Other | Total | Total |
| 1. Liabilities on sight | 9,898,905 | 5,724,684 | 162,469,425 | 475,379 | 178,568,393 | 158,848,745 |
| - to financial institutions | 42,530 | 8,698 | 19,178 | 1,250 | 71,656 | 140,020 |
| - to customers | 9,856,375 | 5,715,986 | 162,450,246 | 474,130 | 178,496,736 | 158,708,725 |
| 2. Short-term liabilities | 13,920,025 | 7,569,262 | 73,111,262 | 1,272,560 | 95,873,109 | 119,164,765 |
| - to financial institutions | 0 | 0 | 2,675,123 | 0 | 2,675,123 | 7,601,980 |
| - to customers | 13,854,842 | 7,444,015 | 63,330,110 | 1,273,975 | 85,902,942 | 94,228,833 |
| - on issued securities | 0 | 0 | 0 | 0 | 0 | 0 |
| - other liabilities | 65,183 | 125,247 | 7,106,029 | -1,415 | 7,295,044 | 17,333,952 |
| 3. Long-term liabilities | 30,318,939 | 660,222 | 14,714,967 | 5,894,188 | 51,588,316 | 4,602,210 |
| - to financial institutions | 2,096,111 | 0 | 13,750,272 | 0 | 15,846,383 | 2,425,159 |
| - to customers | 28,222,828 | 660,222 | 497,108 | 5,894,188 | 35,274,346 | 1,327,821 |
| - on issued securities | 0 | 0 | 0 | 0 | 0 | 0 |
| - other liabilities | 0 | 0 | 467,588 | 0 | 467,588 | 849,230 |
| 4. Liabilities from Investments services | 0 | 0 | 1,890,816 | 0 | 1,890,816 | 1,427,726 |
| - to financial institutions | 0 | 0 | 1,298 | 0 | 1,298 | 1,298 |
| - to customers | 0 | 0 | 1,889,517 | 0 | 1,889,517 | 1,426,428 |
| 5. Accruals | 26,229 | 3,257 | 2,779,102 | 1,854 | 2,810,442 | 1,512,363 |
| 6. Provision | 0 | 0 | 5,145,014 | 0 | 5,145,014 | 6,137,902 |
| 7. Subordinated debt | 0 | 0 | 3,861,000 | 0 | 3,861,000 | 3,861,000 |
| 8. Shareholders's fund | 0 | 0 | 44,022,107 | 0 | 44,022,107 | 37,304,776 |
| Total: (1 + 2 + 3 + 4 + 5 + 6 +7 +8) | 54,164,098 | 13,957,425 | 307,993,693 | 7,643,982 | 383,759,197 | 332,859,487 |



II / 10. Changes of Shareholders' Equity in 2003

31 December 2003

| in HUF'000 | | | | |
|------------------------------|-------------------|-------------------|------------------|-------------------|
| Description | Opening value | Increase | Decrease | Closing value |
| Share capital | 19,345,945 | 0 | 0 | 19,345,945 |
| Issued, unpaid share capital | 0 | 0 | 0 | 0 |
| Share premium | 1,233 | 0 | 500 | 733 |
| Retained Earnings | 9,138,863 | 5,713,947 | 8,227 | 14,844,583 |
| Valuation Reserve | 0 | 0 | 0 | 0 |
| Capital Engaged | 222,031 | 0 | 109,906 | 112,125 |
| General Reserve | 2,992,663 | 0 | 0 | 2,992,663 |
| Profit for the year | 5,604,041 | 6,726,058 | 5,604,041 | 6,726,058 |
| SHAREHOLDERS' FUND | 37,304,776 | 12,440,005 | 5,722,674 | 44,022,107 |

Note:

Increase of Retained Earnings is due from transfer of Profit of last year - 5.604.041HUF'000,
109,906 HUF'000 amortization of capitalised value foundation/restructuring was booked on Capital Engaged.
8,227 HUF'000 interest was paid on interest earning shares against Retained Earnings regarding last year.
Profit of the year contains 8,227 HUF'000 interest as a reduction.
Bank applies to HFSA for exemption from constituion of General Reserve on 9 March 2004 as fulfilling
legal requirements at the of 2003.

II / 11. Prepayments and Accruals as at 31 December 2003

31 December 2003

in HUF'000

| | Description | 31 December 2002 | 31 December 2003 | | Description | 31 December 2002 | 31 December 2003 |
|----|---|---------------------|---------------------|----|-------------------------------------|---------------------|---------------------|
| | Prepayments | | | | Accruals | | |
| 1. | Accrued interest on Loans and Deposits | 771,956 | 888,846 | 1. | Accrued interest | 719,863 | 732,513 |
| 2. | Accrued commission | 80,344 | 88,322 | 2. | Accrued commission | 0 | 42,915 |
| 3. | Accrued costs and expenses | 107,186 | 102,662 | 3. | Accrued costs and expenses | 768,343 | 2,022,587 |
| 4. | Prepayments from security transactions | 1,979,949 | 1,655,048 | 4. | Accruals from security transactions | 6,090 | 5,210 |
| 5. | Prepaid dividends of the affiliated companies | 800,000 | 850,000 | 5. | Deferred income | 1,669 | 1,124 |
| 6. | Other | 180,213 | 16,181 | 6. | Other | 16,398 | 6,095 |
| | Total: | 3,919,648 | 3,601,060 | | Total: | 1,512,363 | 2,810,442 |

II / 12. Breakdown of Net sales income

31 December 2003

in HUF'000

| | Description | 31 December 2002 | | | 31 December 2003 | | |
|----|--|-------------------|------------------|-------------------|-------------------|------------------|-------------------|
| | | Bank | Subsidiaries | Total | Bank | Subsidiaries | Total |
| 1. | - deposit taking, lending | 10,707,899 | 3,082,125 | 13,790,024 | 12,203,141 | 2,813,923 | 15,017,064 |
| 2. | - interest income of securities, fx gain | 3,273,478 | 0 | 3,273,478 | 3,587,126 | 0 | 3,587,126 |
| 3. | - guarantees | 275,670 | 0 | 275,670 | 297,061 | 0 | 297,061 |
| 4. | - commissionaire and custody | 1,421,814 | 0 | 1,421,814 | 1,802,582 | 0 | 1,802,582 |
| 5. | - income on foreign exchange contracts | 2,097,121 | 0 | 2,097,121 | 2,538,875 | 0 | 2,538,875 |
| 6. | - income on other financial services | 9,261,926 | 64,648 | 9,326,574 | 11,013,457 | 85,161 | 11,098,618 |
| | Total: | 27,037,908 | 3,146,773 | 30,184,681 | 31,442,242 | 2,899,084 | 34,341,326 |

II/13. Income and expenditure of investment related services

31 December 2003

in HUF'000

| | Description | Income | | Expenditure | |
|----|----------------------------|------------------|------------------|---------------|----------------|
| | | 2002 | 2003 | 2002 | 2003 |
| 1. | Commissionnaire activities | 1,490,360 | 1,842,936 | 0 | 0 |
| 2. | Commercial activities | 0 | 0 | 20,101 | 94,271 |
| 3. | Safe custody activities | 6,405 | 6,086 | 4,344 | 4,793 |
| 4. | Other activities | 0 | 0 | 70,607 | 16,423 |
| | Total : | 1,496,765 | 1,849,022 | 95,052 | 115,487 |

**II / 14. Equity investments in consolidated subsidiaries, associated companies,
and other investments**

31 December 2003

in HUF'000

| Consolidated | Company | | Purchase value | Provisions | Share Capital | Shareholder's funds | Reserves | Net Income 2003 | Voting rights |
|---|---------------------------------------|--|------------------|-------------------|---------------|---------------------|----------|-----------------|---------------|
| | Name | Seat | | | | | | | |
| 1. Subsidiaries | Autóbérllet Kft. | 1138 Budapest, Váci út 188. | 0 | 0 | 468,923 | 42,500 | 419,095 | 7,328 | 100% |
| | Budapest Eszközfinanszírozó Kft. | 1138 Budapest, Váci út 188. | 29,359 | 0 | 241,294 | 11,000 | 106,234 | 124,060 | 100% |
| | Budapest Alapkezelő Rt. | 1138 Budapest, Váci út 188. | 10,000 | 0 | 1,042,547 | 500,000 | 209,632 | 331,819 | 100% |
| | Budapest Autófinanszírozási Rt. | 1138 Budapest, Váci út 188. | 250,000 | 0 | 1,731,733 | 180,000 | 616,517 | 935,216 | 100% |
| | Budapest Autóparkkezelő Rt. | 1138 Budapest, Váci út 188. | 558,000 | -497,096 | 157,577 | 53,000 | 89,866 | 14,712 | 100% |
| | SBB Solution Rt. | 1138 Budapest, Váci út 188. | 1,466,000 | -1,014,267 | 441,074 | 167,000 | 499,562 | -225,488 | 100% |
| | Budapest Lízing Rt. | 1138 Budapest, Váci út 188. | 280,000 | 0 | 1,095,897 | 60,000 | 386,840 | 649,057 | 100% |
| 2. Investments in Associated companies | Budatrend III: Ingatlanhaszn. Rt. | | 30,600 | 0 | | | | | 15.87% |
| 3. Other shares | Elszámolásforgalmi Központ Rt. | 1205 Budapest, Mártonffy u. 25-29. | 156,000 | 0 | | | | | 8.33% |
| | Hitelgarancia Rt. | 1052 Budapest, Bárczy István .u 3-5. | 190,000 | 0 | | | | | 3.94% |
| | Kisvállalkozás-fejlesztő Pénzügyi Rt. | 1052 Budapest, Szép .u 2. | 50,000 | 0 | | | | | 2.90% |
| | Kereskedelmi és Hitelbank Rt. | 1051 Budapest, Arany János u. 24. | 50 | -38 | | | | | 0.00% |
| | Postabank Rt. | 1051 Budapest, József nádor tér 1. | 1,000 | -1,000 | | | | | 0.01% |
| | Swift | Avenue Adele 1 B 1310 La Hulpe Belgium | 9,035 | 0 | | | | | 0.06% |
| Total: | | | 3,030,044 | -1,512,400 | | | | | |

II / 15. Changes in issued own shares

31 December 2003

| Description | Type of share | Face value HUF | Number of shares | Value HUF |
|------------------------------------|---------------|-------------------|------------------|----------------|
| Opening total January 1, 2003 | | | | 19,345,945,000 |
| Closing total December 31, 2003 | | | | 19,345,945,000 |
| Breakdown of closing total: | | | | |
| Ordinary common stock | registered | 1,000,000 | 18,546 | 18,546,000,000 |
| | registered | 10,000 | 37,338 | 373,380,000 |
| | registered | 1,000 | 344,295 | 344,295,000 |
| Interest earning shares | registered | 10,000 | 8,227 | 82,270,000 |

Notes:

Preference shares were withdrawn and 1 HUF'000 nominal value ordinary common stock were issued .
 GECC shares means 99,68% ownership.

II / 16. Interest and fees on non-performing loans which has not been credited as income

31 December 2003

in HUF'000

| | Interest, fees and commissions in suspense 31 December 2003 | Interest, fees and commissions in suspense 31 December 2002 |
|-----------------------|--|--|
| Base interest | 1,533,365 | 1,409,120 |
| Late payment interest | 396,463 | 356,287 |
| Fees | 107,169 | 90,136 |
| Commissions | 270,442 | 253,334 |
| Total: | 2,307,439 | 2,108,877 |

II / 17. Foreign currency receivables and liabilities from unsettled deals at year end

31 December 2003

| Currency | Foreign currency receivables in HUF | Foreign currency liabilities in HUF |
|-----------------|--|--|
| CAD | 0 | 6,522 |
| CHF | 0 | 211,650 |
| CZK | 0 | 439 |
| DKK | 0 | 3,039 |
| EUR | 677,157 | 1,211,850 |
| GBP | 119 | 18,860 |
| JPY | 0 | 509 |
| NOK | 0 | 324 |
| PLZ | 0 | 3,845 |
| SEK | 6,294 | 11,723 |
| SKK | 0 | 5,828 |
| USD | 68,053 | 122,113 |
| Összesen | 751,622 | 1,596,704 |

III. Additional information

III / 1. Financial ratios *

| | | 2002 | | 2003 | |
|---------------------------------|---|--------------------|---|--------------------|---------|
| Profitability Ratios | | | | | |
| Marge | <u>Profit after tax</u> | <u>5,604,041</u> | = | <u>6,734,285</u> | = |
| | Revenue | 46,778,892 | | 50,962,063 | 13.21% |
| ROA | <u>Profit after tax</u> | <u>5,604,041</u> | = | <u>6,734,285</u> | = |
| | Average total assets | 325,156,741 | | 358,309,342 | 1.88% |
| ROE (1) | <u>Profit after tax</u> | <u>5,604,041</u> | = | <u>6,734,285</u> | = |
| | Shareholders' funds | 37,304,776 | | 44,022,107 | 15.30% |
| ROE (2) | <u>Profit after tax</u> | <u>5,604,041</u> | = | <u>6,734,285</u> | = |
| | Share capital | 19,345,945 | | 19,345,945 | 34.81% |
| ROE (3) | <u>Net income of financial services</u> | <u>5,829,879</u> | = | <u>7,410,938</u> | = |
| | Shareholders' funds | 37,304,776 | | 44,022,107 | 16.83% |
| Capital coverage Ratios | | | | | |
| Gearing | <u>Balance sheet total</u> | <u>332,859,487</u> | = | <u>383,759,197</u> | = |
| | Shareholders' funds | 37,304,776 | | 44,022,107 | 8.72 |
| Liquidity and Coverage | | | | | |
| Liquidity ratio | <u>Liquid assets</u> | <u>252,328,516</u> | = | <u>231,077,569</u> | = |
| | Short term liabilities | 279,441,236 | | 276,332,316 | 0.84 |
| Loans in percentage of deposits | <u>Total loans and leases</u> | <u>250,029,001</u> | = | <u>302,856,228</u> | = |
| | Total deposits | 265,860,264 | | 320,149,773 | 94.60% |
| Asset Quality Ratios | | | | | |
| Risk Provision % | <u>Provision</u> | <u>11,171,893</u> | = | <u>11,251,539</u> | = |
| | Balance sheet total | 332,859,487 | | 383,759,197 | 2.93% |
| Risk Provision Coverage | <u>Provision</u> | <u>11,171,893</u> | = | <u>11,251,539</u> | = |
| | Shareholders' funds | 37,304,776 | | 44,022,107 | 25.56% |
| Effectivity Ratios | | | | | |
| Profit per employee | <u>Profit after taxation</u> | <u>5,604,041</u> | = | <u>6,734,285</u> | = |
| | Average no. of employees | 1,605 | | 1,634 | 4,121 |
| Wage Cost effectiveness | <u>Profit after taxation</u> | <u>5,604,041</u> | = | <u>6,734,285</u> | = |
| | Total salaries&wages | 6,695,982 | | 8,057,803 | 83.57% |
| Loans & Leasing per employee | <u>Total loans and leases</u> | <u>250,029,001</u> | = | <u>302,856,228</u> | = |
| | Average no. of employees | 1,605 | | 1,634 | 185,347 |

* Balances in HUF'000

III / 2. Subordinated loans

31 December 2003

in HUF'000

| Description | Issued bonds | | | Bond portfolio |
|----------------|---|----------------|------------------|------------------|
| | Serial number | Quantity (pcs) | Face value (HUF) | |
| Composition | 0001 - 0038 | 38 | 100,000 | 3,800,000 |
| | 0001 - 0061 | 61 | 1,000 | 61,000 |
| Total: | | 99 | | 3,861,000 |
| Security type: | straight paper, registered bond | | | |
| Interest: | variable interest rate /from 20 June, 2003: 4,59 %; from 20 December, 2003: 4,88 %; | | | |
| Date of issue: | 20 December 1994 | | | |
| Maturity: | 20 December 2014 | | | |
| Currency: | HUF | | | |

III / 3. Off-balance sheet items

31 December 2003

in HUF'000

| Description | 31 December 2002 | 31 December 2003 |
|---|--------------------|--------------------|
| Commitments and contingent liabilities | 136,614,183 | 177,388,128 |
| - unused overdraft facilities, non-disbursed approved loans | 27,415,373 | 33,714,106 |
| - guarantees of indebtedness | 16,969,251 | 24,766,344 |
| - other commitments | 66,482,156 | 81,527,034 |
| -of which yield guarantee | 42,885,855 | 43,357,408 |
| - letters of credit | 1,412,403 | 915,644 |
| - liabilities to affiliated companies | 24,335,000 | 36,465,000 |
| Futures liabilities | 26,906,176 | 30,681,032 |
| - futures pension and severance payments | 131,587 | 728,255 |
| - payment liabilities on interest swap transactions | 20,987 | 728,255 |
| - of which subsidiaries | 554,365 | 0 |
| - forward transactions | 2,377,250 | 1,596,704 |
| - spot transactions | 196,150 | 400,000 |
| - transactions with securities | 23,081,419 | 26,690,380 |
| - liabilities on swap transactions | 23,081,419 | 26,690,380 |
| - of which subsidiaries | 565,405 | 1,149,480 |
| - HUF liabilities on forward transactions | 0 | 116,213 |
| Total off-balance sheet liabilities: | 163,520,359 | 208,069,160 |
| Off-balance sheet receivables | | |
| - forward transactions (FX) | 554,365 | 1,070,862 |
| - forward transactions (HUF) | 565,025 | 0 |
| - swap transactions (FX) | 5,562,952 | 27,148,918 |
| - swap transactions (HUF) | 17,488,483 | 0 |
| - receivables on transaction without transferring capital | 0 | 42,666 |
| Total off-balance sheet receivables: | 24,170,825 | 28,262,446 |

Note:

Value of assets obtained as deposit or guarantee related to financial services is 363.511 '000 THUF
 In its capacity is distributor, Budapest Bank Ltd. assumed a guarantee for the minimum yield
 of the Money Market (Pénzpiaci) Fund, calculating the average of quarterly yields.

III /4. Extraordinary income and expense

31 December 2003

in HUF'000

| | Description | Amount | |
|----|--|------------------|------------------|
| | | 31 December 2002 | 31 December 2003 |
| 1. | Dividend renounced by GE | 0 | 8,404 |
| 2. | Repurchase value of MATÁV bond | 0 | 223 |
| 3. | Net book value of investment in Nemzetközi Bankárképzo | 0 | 30,600 |
| 4. | Net book value of new investment in Budatrend III. | 0 | -26,129 |
| 5. | Teleinvest - compensation of damages | 83,923 | 0 |
| 6. | Other | 4 | -50 |
| | Total: | 83,928 | 13,048 |

III / 5. Corporate tax base adjustments

31 December 2003

in HUF'000

| Items decreasing the profit before taxes | | Items increasing the profit before taxes | |
|---|------------------|---|------------------|
| 1. Depreciation according to the Tax Law | 3,097,297 | 1. Depreciation expense on the basis of the Accounting Law | 3,093,635 |
| 2. Money received without repayment obligation | 8,404 | 2. Money given without repayment obligation, assets given away for free | 59,407 |
| 3. Money contribution for foundations and other public institutions | 36,225 | 3. Provision on receivables | 663 |
| 4. The part of the provision accepted by taxation law | 2,549 | 4. Uncollectable receivables forgiven | 28,912 |
| 5. Tax audit correction items accounted as revenue | 338,970 | 5. Tax audit correction items accounted as expense | 268,633 |
| 6. Increasing items of provision related to previous year | 67,730 | 6. Penalties and fines | 2,237 |
| 7. Dividend received | 1,103,542 | 7. Non-business related costs and expenditures | 10,973 |
| 8. Written-off shares | | 8. Other | 36,385 |
| 9. Other | | | |
| Total: | 4,654,717 | Total: | 3,500,845 |

III / 6. Corporate tax calculation

31 December 2003

in HUF'000

| | Description | 31 December 2002 | 31 December 2003 |
|----|--|------------------|------------------|
| 1. | Profit before tax | 6,560,578 | 7,959,254 |
| 2. | Decreasing items in the corporate tax base | 5,112,015 | 4,654,717 |
| 3. | Increasing items in the corporate tax base | 3,865,529 | 3,500,845 |
| 4. | Tax base | 5,314,092 | 6,805,382 |
| 5. | Tax charge (18%) | 956,537 | 1,224,969 |
| 6. | Tax incentives | | |
| 7. | Tax payable | 956,537 | 1,224,969 |

III / 7. Breakdown of costs according to cost types

31 December 2003

in HUF'000

| | Description | 31 December 2002 | 31 December 2003 |
|-----|--|-------------------|-------------------|
| 1. | Material expenses | 558,431 | 785,233 |
| 2. | Wage cost | 6,048,426 | 7,352,843 |
| 3. | Other personal type payments | 325,213 | 336,104 |
| 4. | Other fees | | 11,490 |
| 5. | Benefit in kind which does not increase the corporate tax base and representation cost | 115,330 | 353,914 |
| 6. | Benefit in kind which increases the corporate tax base | | 3,452 |
| 7. | Other payments | 207,013 | 0 |
| 8. | Personal expenses (2.+3.+4.+5.+6.+7.) | 6,695,982 | 8,057,803 |
| 9. | Pension and health contribution | 1,773,128 | 2,209,897 |
| 10. | Health contribution | 100,644 | 91,350 |
| 11. | Employer contribution | 186,318 | 228,319 |
| 12. | Educational contribution | 85,816 | 110,313 |
| 13. | Other personal type expenses | 2,526 | 151,298 |
| 14. | Social security expenses (9.+10.+11.+12.+13.) | 2,148,432 | 2,791,177 |
| 15. | Cost of transport and storage | 158,867 | 167,798 |
| 16. | Rental fees | 1,118,186 | 1,851,542 |
| 17. | Maintenance cost | 2,865,559 | 1,628,642 |
| 18. | Marketing cost | 725,863 | 1,205,969 |
| 19. | Training cost | 246,512 | 204,179 |
| 20. | Travelling and delegation cost | 129,937 | 174,243 |
| 21. | Post and telephone costs | 864,479 | 1,290,721 |
| 22. | Intellectual services | 2,295,461 | 3,415,283 |
| 23. | Other services used | 1,958,598 | 1,125,602 |
| 24. | Material type services used (15.+16.+17.+18.+19.+20.+21.+22.+23.) | 10,363,462 | 11,063,979 |
| 25. | Depreciation | 2,651,329 | 2,890,981 |
| 26. | Cost of other services | 44,872 | 0 |
| 27. | Subcontractors performance | 33,968 | 0 |
| 28. | Reinvoiced capital work in progress | | |
| 29. | Loss related to injury | | |
| 30. | Purchase value of sold goods | | |
| 31. | Expenses of non-financial and non-investment services (27.+28.+29.+30.) | 33,968 | 0 |
| 32. | Total (1.+ 8.+ 14.+ 24.+ 25.+26.+31.) : | 22,496,476 | 25,589,173 |



III / 8. Other income and expense

31 December 2003

in HUF'000

| | Description | 31 December 2002 | 31 December 2003 |
|-----|--|-------------------|-------------------|
| 1. | Movements in other provision | 33,425 | 6,206 |
| 2. | Movements in provision on inventories | -263,863 | -47,927 |
| 3. | Fixed assets sold out | -43,573 | 125,499 |
| 4. | Local taxes | -659,575 | -758,748 |
| 5. | Tax Self-revision | -34,116 | -4,505 |
| 6. | OBA and other membership fees | -557,697 | -266,021 |
| 7. | Uncollectable receivables forgiven | -426,047 | 187,349 |
| 8. | Other expenses paid to subcontractors | -162,417 | -139,774 |
| 9. | Profit / Loss from self-revision of previous years | 54,210 | 197,418 |
| 10. | APEH revision | 160,309 | 0 |
| 11. | Corporated Tax related to previous year | -310,773 | -182,729 |
| 12. | Remitted receivables | -7,082 | 0 |
| 13. | Scrap | 0 | -29,593 |
| 14. | Net book value of account receivables sold | 0 | -1,264,674 |
| 15. | Collection fee | 0 | -73,134 |
| 16. | Other | -59,884 | -156,198 |
| | Total: | -2,277,083 | -2,406,831 |



III / 9. Cash-flow statement

31 December 2003

in HUF'000

| | DESCRIPTION | 31 December 2002 | 31 December 2003 |
|-----|---|--------------------|------------------|
| 01. | Interest income | 29,283,489 | 30,260,701 |
| 02. | + Income on other financial services | 11,992,827 | 13,810,006 |
| 03. | + Other income (without provision) | 1,332,805 | 986,139 |
| 04. | + Income on investment related services | 1,496,765 | 1,849,022 |
| 05. | + Income on non-financial and non-investment related services | 680,739 | 539,622 |
| 06. | + Dividends received | 929,690 | 1,103,542 |
| 07. | + Extraordinary income | 83,928 | 39,227 |
| 08. | - Interest expenses | -9,931,468 | -8,562,438 |
| 09. | - Expenditures of other financial services | -2,561,880 | -2,900,478 |
| 10. | - Other expenditures (without provisions) | -3,379,449 | -3,351,250 |
| 11. | - Expenditures of investment related services | -95,052 | -115,487 |
| 12. | - Expenses on non-financial and non-investment related activity | -33,968 | -4,354 |
| 13. | - Operating costs | -19,811,179 | -22,698,192 |
| 14. | - Extraordinary expenditures | 0 | -26,179 |
| 15. | - Taxes | -956,537 | -1,224,969 |
| 16. | - Dividends paid | 0 | -8,227 |
| 17. | OPERATING CASH FLOW (Lines 1-16) | 9,030,710 | 9,696,685 |
| 18. | ± Change in liabilities | 10,338,965 | 43,877,187 |
| 19. | ± Change in receivables | -30,867,442 | -53,584,484 |
| 20. | ± Change in inventories | -908,743 | 18,354 |
| 21. | ± Change in securities among current assets | -3,524,010 | 36,795,798 |
| 22. | ± Change in investments | 1,546,713 | -37,183,649 |
| 23. | ± Change in construction (including advances) | -103,695 | 164,846 |
| 24. | ± Change in intangible assets | -910,184 | -958,625 |
| 25. | ± Change in tangible assets (excluding constructions) | -1,307,802 | -1,144,482 |
| 26. | ± Change in prepayments | 387,891 | 318,588 |
| 27. | ± Change in accruals | -1,124,573 | 1,298,079 |
| 28. | + Stock issue at selling price | 0 | 0 |
| 29. | - Capital decrease | 0 | 0 |
| 30. | + Cash and cash equivalents received based on law | 0 | 0 |
| 31. | + Cash and cash equivalents given based on law | 0 | 0 |
| 32. | ± Change in retained earnings | 374,420 | 101,678 |
| 33. | ± Change in capital engaged | -111,016 | -109,905 |
| 34. | ± Share premium | 0 | -500 |
| 35. | - Cancelled own shares | 0 | 0 |
| 36. | NET CASH FLOW (Lines 18-34) | -17,178,768 | -710,430 |
| 37. | Of which: - change in cash (in HUF and foreign currency) | -1,876,110 | -1,610,807 |
| 38. | - money in account | -15,302,657 | 900,376 |

III / 10. Loans to members of the Board of Directors, Supervisory Board and Management

31 December 2003

| Description | Disbursement HUF'000 | Repayment HUF'000 | Outstanding debt HUF'000 | Main conditions | Interest rate % |
|---------------------------------|-------------------------|----------------------|-----------------------------|--|--------------------|
| 1. Interest free employee loans | | | | Long-term loan with property pledge Insurance on Real Estate | 0% |
| - Board of Directors | 0 | 0 | 0 | | |
| - Management | 0 | 0 | 0 | | |
| - Supervisory Board | 1,300 | 69 | 614 | | |
| 1. Total: | 1,300 | 69 | 614 | | |
| 2. Overdraft | | | | Overdraft | 15.99% |
| - Board of Directors | 21,200 | N/A | N/A | | |
| - Management | 0 | 0 | 0 | | |
| - Supervisory Board | 0 | 0 | 0 | | |
| 2. Total: | 21,200 | 0 | 0 | | |
| Subtotal: | 22,500 | 69 | 614 | | |

Notes:

Repayment conditions of annuity based loan contracts are: maturity date : max. 10 year, max instalment: 33% of net wage, min. instalment 20% of net wage. Monthly payments are due until 5th of each month, in case of inadequate coverage on current account, system automatically counts for late payment fee. Interest varies if it differs by more than +/-1% from base 6 month BUBOR on first workday of January and June per annum without issuing separate notice to the Employer. Maturity date of average interest rate loans is 10 year, amount of repayment is extracted from wage. Interest is determined monthly by Treasury dept of the Bank, 25 % (but max 4%) of 1 month BUBOR valid from the day of authorization. Bank entitled to change interest rate optionally in every half year.



III / 11. Salaries and Wages

31 December 2003

in HUF'000

| Description | Type of employee | | Total: |
|---|------------------|------------------|------------------|
| | Blue collar | white collar | |
| 1. Salaries and wages | 0 | 7,993,417 | 7,993,417 |
| <i>a. Payroll cost</i> | 0 | 7,352,843 | 7,352,843 |
| <i>b. Other personal type payments</i> | 0 | 640,574 | 640,574 |
| 2. Salaries and wages paid on sick leave | 0 | 64,386 | 64,386 |
| Total (1 + 2) : | 0 | 8,057,803 | 8,057,803 |

III / 12. Number of employees

31 December 2003

| PERIOD | Number of employees (average figure) | | |
|-------------|--------------------------------------|--------------|--------------|
| | Blue collar | White collar | Total |
| 2002 | - | 1,605 | 1,605 |
| 2003 | - | 1,634 | 1,634 |



III / 13. Large loans

31 December 2003

in HUF'000

| | 31 December 2002 | 31 December 2003 |
|---|------------------|------------------|
| The total of large loans as at 31 December 2003 | 13,702,000 | 29,997,000 |
| Number of clients, having large loans | 2 | 4 |

Note: In 2002 Annual Report large loans were corrected with exceptions

III / 14. Open position of currency and interest rate SWAPs deals

31 December 2003

Currency swap

| Buying | Selling | Buying Opening value | Selling Opening value | Buying Value at maturity date | Selling Value at maturity date | Start date | Maturity date |
|--------|---------|-------------------------|--------------------------|----------------------------------|-----------------------------------|------------|---------------|
| EUR | USD | 15,770,000 | 19,208,428 | 15,770,000 | 19,192,090 | 10-Dec-03 | 9-Jan-04 |
| EUR | USD | 15,000,000 | 18,270,540 | 15,000,000 | 18,255,000 | 10-Dec-03 | 9-Jan-04 |
| CHF | USD | 3,524,203 | 2,760,000 | 3,521,760 | 2,760,000 | 12-Dec-03 | 9-Jan-04 |
| GBP | USD | 300,000 | 529,590 | 300,000 | 528,750 | 19-Dec-03 | 9-Jan-04 |
| CHF | GBP | 9,796,542 | 4,450,000 | 9,767,750 | 4,450,000 | 10-Dec-03 | 9-Jan-04 |
| CHF | HUF | 30,000,000 | 5,187,000,000 | 30,000,000 | 5,238,900,000 | 10-Dec-03 | 9-Jan-04 |
| CHF | HUF | 31,400,000 | 5,429,060,000 | 31,400,000 | 5,483,382,000 | 10-Dec-03 | 9-Jan-04 |
| EUR | HUF | 16,300,000 | 4,368,400,000 | 16,300,000 | 4,405,075,000 | 10-Dec-03 | 9-Jan-04 |
| CHF | HUF | 5,000,000 | 849,000,000 | 5,000,000 | 855,300,000 | 18-Dec-03 | 9-Jan-04 |
| CHF | HUF | 3,500,000 | 586,600,000 | 3,500,000 | 588,490,000 | 31-Dec-03 | 9-Jan-04 |

Interest swap

| Currency 31 Dec 2003 | Actual interest rate | | Transacted value | | Running period | Value date | Maturity date |
|-------------------------|------------------------|------------|------------------------|---------------|----------------|---------------|---------------|
| | Variable / Received | Fixed/Paid | Variable / Received | Fixed/Paid | | | |
| 916,672 EUR | 2.2% | 4.0% | 23,882 | 38,971 | monthly | 1st of month | 1-Dec-05 |
| 301,261 EUR | 2.2% | 4.3% | 7,683 | 13,658 | monthly | 1st of month | 1-Feb-07 |
| 254,829 EUR | 2.2% | 4.5% | 6,319 | 11,680 | monthly | 1st of month | 1-May-07 |
| 223,416 EUR | 2.1% | 4.9% | 5,979 | 11,926 | monthly | 20th of month | 20-Mar-07 |
| 783,627 EUR | 2.1% | 3.2% | 8,936 | 13,414 | monthly | 20th of month | 20-Jun-08 |
| Összesen: | | | 52,799 | 89,649 | | | |

Notes:



III / 15. Remuneration of the Board of Directors and the Supervisory Board

31 December 2003

| Description | Number of people entitled to remuneration | Amount of remuneration in HUF'000 |
|--------------------|---|-----------------------------------|
| Work Council | 11 | 4,320 |
| Board of Directors | - | - |
| Supervisory Board | 2 | 6,000 |
| Total : | 13 | 10,320 |

BUDAPEST BANK

BUSINESS REPORT

DECEMBER 31, 2003

CAPITAL POSITION OF THE BANK

The capital position of the Bank is stable. At the end of 2003, the shareholders' equity, together with the HUF 6,726 million retained profit proposed for approval to the shareholders' meeting, amounted to HUF 44,023 million.

At 31 December 2003 General Electric (GECIFC) held 99.68% of the shares, which is 0.33% higher than in 2002.

In addition to the HUF 14,845 million profit reserve accumulated in the course of the previous years, the Bank has a total general reserve of HUF 2,993 million, created for unforeseeable risks in accordance with the effective provisions of law on credit institutions.

In 1994, the Bank issued, to the Hungarian State, HUF 3,861 million bonds qualified as subordinated debt capital, maturing in 2014. The interest rate of the bond is repriceable every 6 months and is based on the average yield of the discount treasury bills of the 6-month period preceding the interest payment day. This is qualified as subordinated debt in comparison to all other payment obligations.

QUALITY OF ASSETS

The total assets of the Bank increased by 15,3% and amounted to HUF 383 billion from HUF 332 billion in previous year.

The low-risk government securities, the inter-bank placements and cash represented a significant part of the assets of the Bank amounting to HUF 109 billion (28,5 % of the total assets on December 31, 2003 compared to 34,9 % one year earlier).

Leasing and loan receivable increased 30,2 % to HUF 254 billion at the end of the year. During 2003 the Bank focused on the consumer, small and medium size loan portfolio. A very significant 92% volume increase was achieved in the consumer lending, namely in the area of Sales Finance, Personal Loans, Mortgage, Credit Cards and Autofinance products. By the end of the year, the consumer portfolio achieved HUF 58 billion, which growth indicate a leading position in this market segment.

The small and medium-size loan-and leasing increased over the market growth rate as well, averaging 22% per annum, indicating the importance of this segment in the Bank's strategy.

Reserves made on loan receivables increased only slightly from HUF 5,033 million to HUF 6,106 million. The professional risk management tools of the Bank minimizes the actual losses, which provides opportunity for a dynamic lending strategy.

DECEMBER 31, 2003

MANAGEMENT AND BUSINESS POLICY

Budapest Bank projected an economical slowdown but an increasing consumer market growth, consequently, it emphasized its business focus to the consumer segment. The Bank targeted a market share increase in the small and medium-size commercial segment.

The management strictly monitored products' profitability, interest and fee generation and the related trends in the market.

In line with the yearly targets, a flexible and competitive remuneration policy enhanced the quality of the service and customer relationship.

As a result of a customer focused product development new products have been introduced and some existing were further developed:

- At the beginning of August Budapest Fix account keeping products were launched: Tradíció, Evolúció and ECO. Also the Mini, Hűség, Budapest Bónusz, Bizalom Limit, the Európa and the Integrator credits became very successful products in the small and medium-size commercial segment.
- The Bank also entered the mortgage business with a wide scale product range by using mobil hunters and competitive sales process.
- In May started the Internetbank with a new enhanced functionality.

In summary the Bank achieved its 2003 net income and growth target. This is mainly due to the consumer lending: the mortgage, Sales Finance and Personal loan products.

The Bank maintained its reputation for an innovative financial service provider by mean of introducing "mobilbank", internet and electronic cash handling.

PROFITABILITY

In the year 2003, the annual net income after tax of Budapest Bank was HUF 6,726 million which is a HUF 1,126 million increase compared to the prior year.

The net interest increased 12,1% by HUF 2,346 million compared to prior year. Still a similar driver of profitability remained the generation of fee income which increased by 11,6% to HUF 1,042 million compared to 2002. This is proved by the fact that customers preferred more the investment funds, as a saving form, than deposits.

The Bank increased overall interest rates of both commercial and consumer saving deposits by 2-3 % in line with the prime bank and competitive banks' rate changes.

DECEMBER 31, 2003

Interest rates of commercial loans followed the market trends, and also in case of personal loans and mortgage products, rates increased on a selective way.

In the year 2003, operating expenses including depreciation, increased 14,5% by HUF 2,887 million compared to prior year. Within this, salary is higher by HUF 2,005 million, which helped to achieve the yearly business objectives tied to the performance of individuals.

Also marketing expenses increased to initiate higher sales volume. On the area of all other expense a very strict cost-saving processes were continued through 2003.

The profitability of the year 2003 was not influenced by extraordinary events.

DEVELOPMENT OF THE ASSET-SOURCE STRUCTURE AND THE LIQUIDITY POSITION OF THE BANK

In the course of the year, the volume of credits provided to customers increased among the Bank's placements. In particular, the commercial and retail forint placements maturing over one year and the currency denominated products offered by the subsidiaries showed a dynamic portfolio growth.

In spite of the dynamic lending activity, the Bank continued to operate with a high volume of liquidity and maintained a high liquidity reserve. As a result of its stable liquidity position, the Bank has permanently preserved its dominant role as an inter-bank lender on the Hungarian financial market, and it holds a substantive volume of state securities.

The increasing funding is covered mainly by commercial current and term deposits and also the currency funding from the mother company (EUR, CHF and USD) increased in 2003.

The Bank managed and contained its liquidity and the interest rate risk within the predetermined limits, primarily by pursuing a harmonious, risk-avoiding pricing and portfolio management practice, and by executing hedging transactions.

Changes of the currency rates and HUF volatility did not effect adversely the Bank due to a lack of a material open position in accordance with its overall currency management.

Considering whole year performance, the Bank maintained a very strong liquidity and interest rate management during 2003.