Annual Report

PostaBank
és Takarékpénztár Rt.

Contents

Message of the Chairperson and the Chief Executive Officer

In September 2002, a change of Management took place at Postbank and Savings Bank Corp., a decision was made concerning our preparation for privatisation, and existing medium-term strategic plan was revised. In order to enhance business activity, several new retail and corporate products were introduced, our service range has widened, and our commission structure was streamlined. The Bank signed a 10 year strategic cooperation agreement with Hungarian Post Co., and concluded an agreement with Földhitel- és Jelzálogbank Rt. concerning the refinancing of our mortgage loans.

In 2002, Postbank managed to increase its market share in the field of corporate lending and deposit collection, and maintained its weight in the market of retail deposits, as well as in the consolidated total assets of the banking sector. The results of banking operations improved significantly as compared to the preceding year: the earning capacity of the bank exceeded last year's level by more than 17 percent.

In 2002, the Bank's total assets stagnated or slightly decreased until May from the opening level (HUF 363 billion), then started to grow in the second half-year, rising by almost 10 percent altogether on annual level. Enhanced business activities are reflected by the growth of business portfolios in the balance sheet. FCY corporate loans close to doubled, but the almost 20 percent increase of HUF loans is also noteworthy. Retail and corporate deposits rose less intensively. The growth dynamism of retail lending dropped, which is mainly due to the cancellation of founding our own mortgage bank.

The earning capacity of the Bank improved in 2002. Net interest income grew as compared to the preceding year, and although interest margin slightly fell, it is still above the 4 percent average of the big local banks. The share of retail and corporate loans in total assets grew by 5 percent in 2002, reaching more than 50 percent of it. The growth rate of retail and corporate commissions was 31 percent higher than that of the business portfolios. Operating costs grew less than banking operations, at a rate similar to the inflation. Costs to total assets ratio improved from 5.48 percent to 5.13 percent.

It is known to the shareholders as well as to the widest public that the Hungarian Government has disclosed its intention to privatise Postbank. Therefore 2003 shall be the year of privatisation. The major task of this year shall be to prepare the Bank for it. The best way to get prepared for privatisation is not only to keep the value of the Bank before it takes place, but also to create value. The year of 2003 therefore shall be at the same time the year of value creation.

The Bank has identified the following objectives: strengthening market positions (especially in the retail segment), improvement of profitability and market positions of corporate business, and enhancement of its business cooperation with the Hungarian Post Co. Improving the Bank's market share and increasing its earning capacity is supposed to be accompanied by the optimisation of cost levels and the trimming of investment projects. The intensification of business activity should be realised against keeping costs on the year 2001 level. In real values, keeping costs on the same level means cost reduction in fact. The business plan postulates a strict cost control, which imposes a huge responsibility on the Bank's Management.

In the retail business, emphasis is on sales in 2003, the major objective being to stop the further decline of our market share of certain product types, and even reverse the trend, implement an increase that exceeds the market average, especially in our flagship products. In order to achieve this goal, the Bank has started to effect a product rationalisation, supporting the sales of prime products with centralised advertisement campaigns, inhouse sales contests, and training. The enhancement of the sales relationship established with the Post Co., the modernisation also of the products sold at post offices, and the introduction of new products shall have a special role.

In the corporate business, an intense acquisition is going to continue in respect of small and medium-sized enterprises and municipalities and the Bank wishes to participate in syndicated loans. The Bank is planning to serve its clientele with new products, services, and a more flexible pricing adjusted to the customers' needs. Some examples: introduction of Matrix account package for starting enterprises as well, account package for condominium communities, "Széchenyi" card, XTRA loan package, and corporate SMS services.

The Bank is not planning any significant network development. Sales channels shall be developed primarily by widening the range of products sold at post offices, providing sales training to post office staff and the reshaping of the Bank's network of agents.

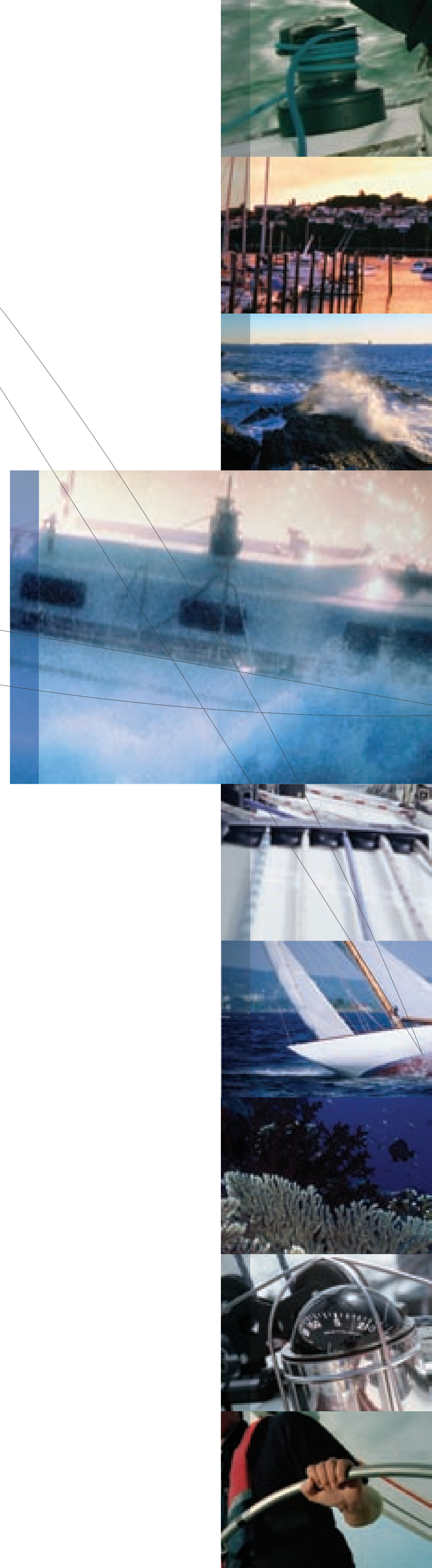
The capital plan of the Bank for 2003 caculates with the intensification of business activity as envisaged in the business plan, the improvement of profitability, the sale of investments, and—as a result of all these—the improvement of the Bank's capitalisation. Our solvency ratio shall any time exceed the prescribed measure, and shall be around 9 percent.

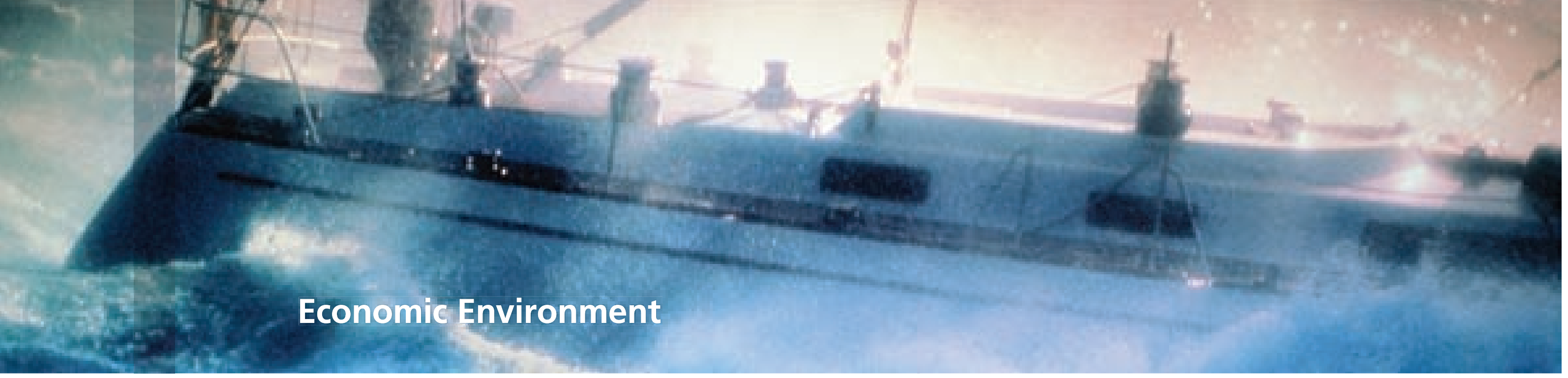
We are fortunate to report certain achievements already at the time of announcing our business policy objectives. We are over a painful but efficient headcount reduction that was supposed to optimise costs and increase efficiency. From now on, we can devote all our energies to sales, and quality customer service. The majority of product developments is over, the small business and municipality product packages are ready, our ideas concerning municipality and infrastructure financing are awaiting implementation, our personal loans has been renewed, and the introduction of the "Fészek" home loan product has given an impetus to housing loans. The introduction of personal loans to the post offices is a new milestone in retail lending. On the basis of all this, we have a chance to work off our falling behind in 2002.

We believe that after the year of privatisation our customers and shareholders shall see a strongly capitalised, state-of-the-art Postbank that has plenty of services to offer. We prepared the new business strategy of the Bank until 2006 in complience with it. According to our plans, the Bank is to undergo a significant development, and after the year of value creation and privatisation the year of sustainable profitability and then of quality shall follow. We are convinced that by the end of the period the Bank shall become a dominant player in the banking market and shall operate to the satisfaction of its customers and shareholders.

Dr. Júlia Király
Chairperson of the Board of Directors

Mr. Béla Singlovics
Chief Executive Officer





Major Trends of the Hungarian Economy in 2002

In 2002, Hungarian economy was characterised by a further slowdown in the pace of growth. Monetary policy was fundamentally determined by the system of inflationary targets introduced in 2001, as a result of which disinflation continued. According to the data of the Central Statistical Office (KSH), the average annual increase of CPI in 2002 was 5.3 percent.

Due to the quasi-stagnation of the world economy, and the insufficiency of external demand, GDP growth slowed down to 3.3 percent from 3.8 percent in 2001. The GDP growth was driven by retail consumption. On the investment side external demand dropped. Accordingly investments in the processing industry primarily producing for export also declined. On the other hand, the boom of state-financed investments and construction investments was spectacular.

Over 2002, household consumer expenses grew at a rate of 10.2 percent, never seen before, which was due to a significant increase of real wages and the budgetary transfers towards households. At the same time, the willingness of the sector to save funds fell considerably. Regarding the structure of financial savings, the accumulation of bank deposits was down from the year 2001 level, and the enticing effect of other forms of investment (life insurance, pension funds, investment funds) could increasingly be felt.

In the monetary policy of NBH, no significant change took place during the year. After the widening of the exchange rate band of HUF in year 2001, interest rate policy was fundamentally subordinated to inflationary targets. Central bank base rate altogether fell from 9.75 percent to 8.50 percent over the year. The interest rate reduction trend was twice reversed by an increase of 50-50 basis points at early and at mid-2002. Approaching the EU norms, the mandatory reserve rate was reduced to 5 percent in August.

Activities of the Hungarian Banking Sector in 2002

Within the financial sector, the role of the already dominant banks grew last year, since 78 percent of total assets managed (including balance-sheet as well of off-balance-sheet items) was concentrated at this type of institutions (in 2001: 71 percent). This was partly due to the increasing integration of the activities of investment companies into banks.

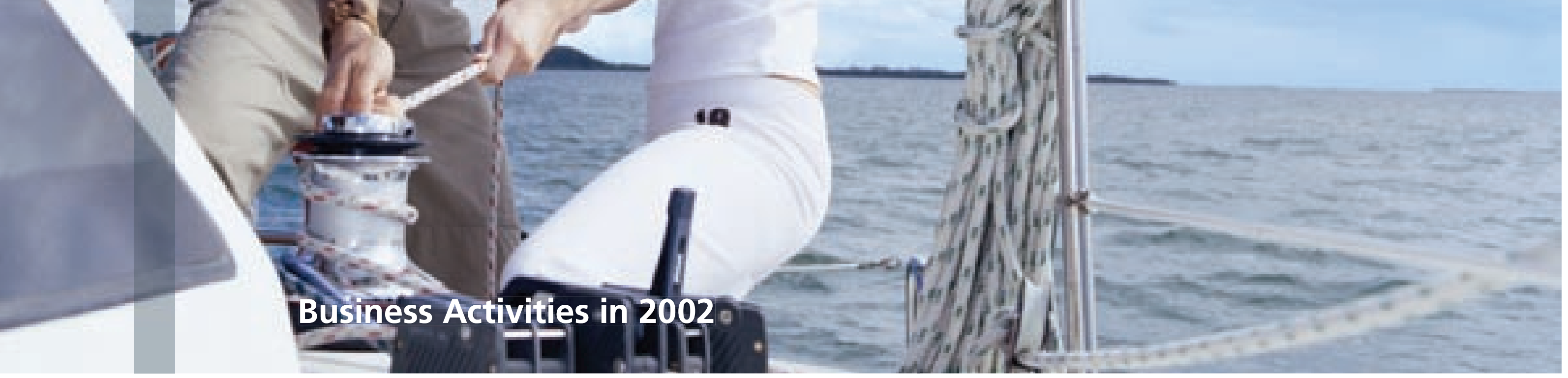
Over the business year, the consolidated total assets of the banking sector grew by 14 percent.

Although the profit before tax of commercial banks was 17.3 percent up from the preceding year, the profit before tax of the banking sector was only 12.4 percent of the 2001 figure as a result of the expenditures of the Hungarian Development Bank spent on decrease in value and provisioning.

Net interest income (characterising profitability of commercial banks) grew by 9.9 percent, whereas non-interest income grew more rapidly, by 29.8 percent over the year. Operating costs were by 12.2 percent up from last year's level.

Profitability increased slightly: return on assets (ROA) increased to 1.71 percent (from 1.60 percent in 2001), and return on equity (ROE) rose to 18.65 percent (from 18.62 percent).

The growth of the commercial banking sector is still driven by retail banking. In 2002—primarily as a result of the wide popularity of interest-subsidised loans—retail lending grew extremely dynamically. Disbursed housing loans went up by more than 150 percent over the year. At year-end the total outstanding amount exceeded HUF 690 billion. In parallel with the vigorous consumption willingness of households, consumer loans tripled. The quality of the retail portfolio also improved. At the same time, the pace of growth of corporate lending was significantly behind retail lending; annual growth in this field was only slightly above the inflation rate.



Business Activities in 2002

Introduction

The major events of the Bank's business operations in 2002 may be summarised as follows:

- From the point of view of business activity, the growth of corporate and retail loans was determining. The average portfolio of loans was HUF 39 billion higher than in the preceding year. During the year, several new products were introduced in the corporate as well as the retail business line (among others, the Széchenyi card, a cash management package focused on small and medium-sized enterprises, corporate Maestro card, a service adjusted to the changed legislative conditions of currency exchange agents, special service packages offered to condominium communities, new mortgage and personal loans).

- On the liability side, the termination of the issue of anonymous term deposits considerably decreased the portfolio of certificates of deposit, which was not completely counterbalanced by the increase of current-account-based products. In the mid-year, online account-keeping was launched at 18 post offices, which should make it possible to introduce new functions and services in the future. The new cash management services and the new deposit product introduced in the 4th quarter, the "Savings Account", proved successful.

- The improvement of our asset structure and the resulting increase of our net interest and commission incomes affected the Bank's earning capacity favourably. However, there is still a—primarily structural—problem of economies of scale indicated on the efficiency side by our far from satisfactory cost/income ratio. The implementation of a program targeted at an increased operational efficiency and at the same time the improvement of customer service standards, comprising the complete cross-section of banking operations, started in 2002 and is continuing in 2003.

- In the last quarter of the year, our preparation for privatisation started.

Business Activities

The Bank's total assets stagnated or slightly fell in the first six months of the year, then started a continuous growth in the second half-year, totalling HUF 399 billion at the year-end, which means a growth of 9.8 percent from the preceding year.

The major constituents of this total growth were the following:

- On the asset side, loans to customers grew by almost 28 percent, and all other assets fell by 2.4 percent, whereby the weight of customer loans within total assets grew by 6.6 percent. However, the share of government securities, primarily consolidation government bonds, is still very high (over 26 percent) in the Bank's assets.

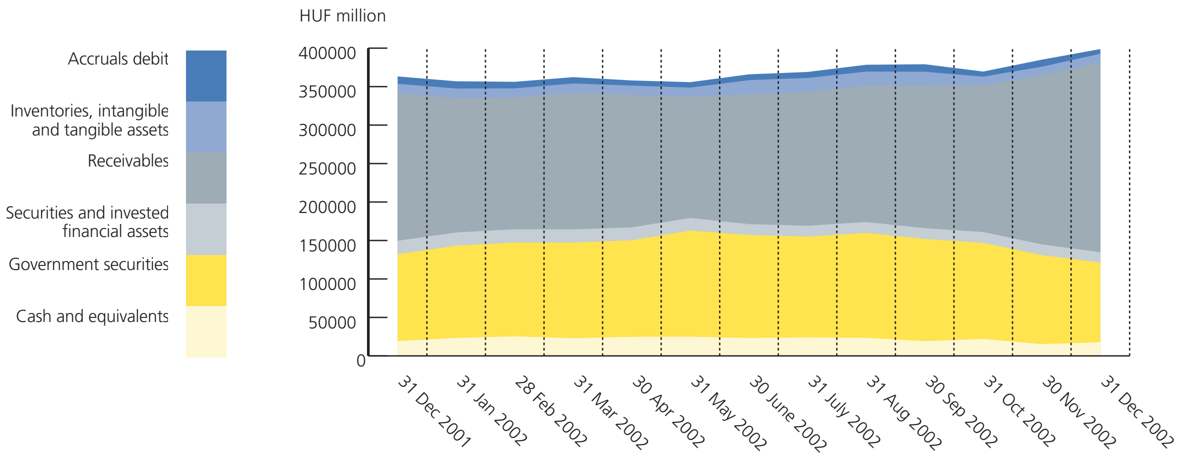
- Within liabilities, the growth of liabilities to customers (deposits collected) was almost 9 percent. All other liabilities grew by more than 13 percent, mainly due to the increase of interbank funds. On the liability side, the share of customer deposits within the Bank's balance sheet total did not change.

On the basis of its total assets, the Bank's market share was 3.7 percent*

* Source: Aggregated Financials of banks (excluding data of savings co-operatives) provided by the Hungarian Financial Supervisory Authority for all market share figures

Assets

Change in Assets



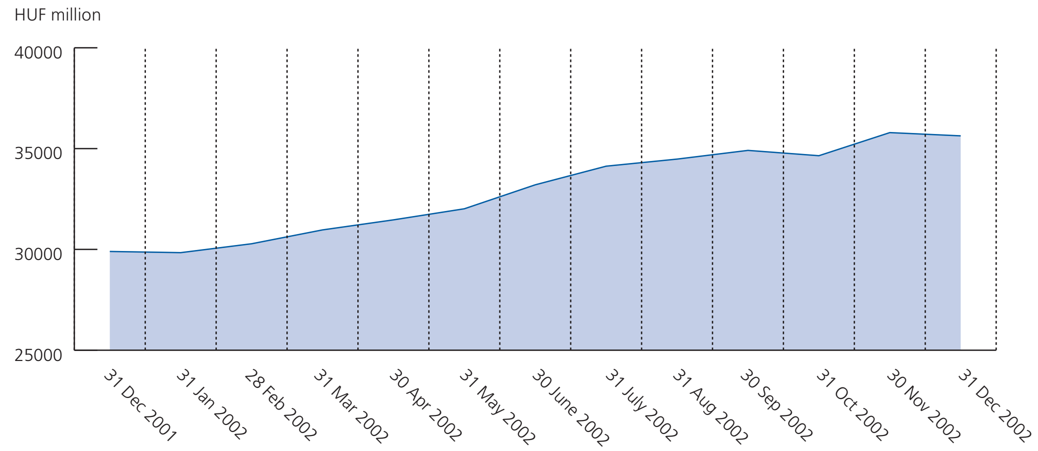
- Within receivables from customers—which amounted to 47 percent (in 2001, 41 percent) of total assets—corporate loans were predominant.

Loans to corporations stagnated or slightly rose in the first six months of the year, then grew continuously in the second half of the year. At the year-end, the portfolio amounted to HUF 152 billion, some HUF 33 billion up from the preceding year. In the Bank's lending strategy, apart from a continuing presence in the market of state-owned companies and municipalities, the increased acquisition of small and medium-sized enterprises continued, in which cooperation with guarantee institutions was widely utilised. The Bank had a credit relationship with close to 2,700 customers. There was a continuous demand for long-term loans during the year, which had a 65 percent share in the maturity structure of the loan portfolio (as compared to 66 percent in the preceding year).

The Bank's market share was 3.2 percent at the year-end.

- The net portfolio of retail loans amounted to almost HUF 36 billion at the year-end, which means an increase of 19 percent from the opening portfolio.

Retail Loans



The portfolio grew continuously during the year, in which the growth of housing loans by 171 percent and of commodity loans by 119 percent is especially noteworthy. Altogether, the share of retail loans within total assets rose slightly (by 0.53 percent).

The Bank's share in the market of retail loans was 3.1 percent.

- Receivables due from the central bank and credit institutions amounted to HUF 58.9 billion, some HUF 15 billion up from the opening portfolio, as a result of the increase of deposits placed at the central bank and in the interbank market.

- The year-end portfolio of securities held for trading and investment purposes was HUF 116.9 billion, HUF 13.4 billion down from the opening portfolio, primarily due to the decrease of government securities.

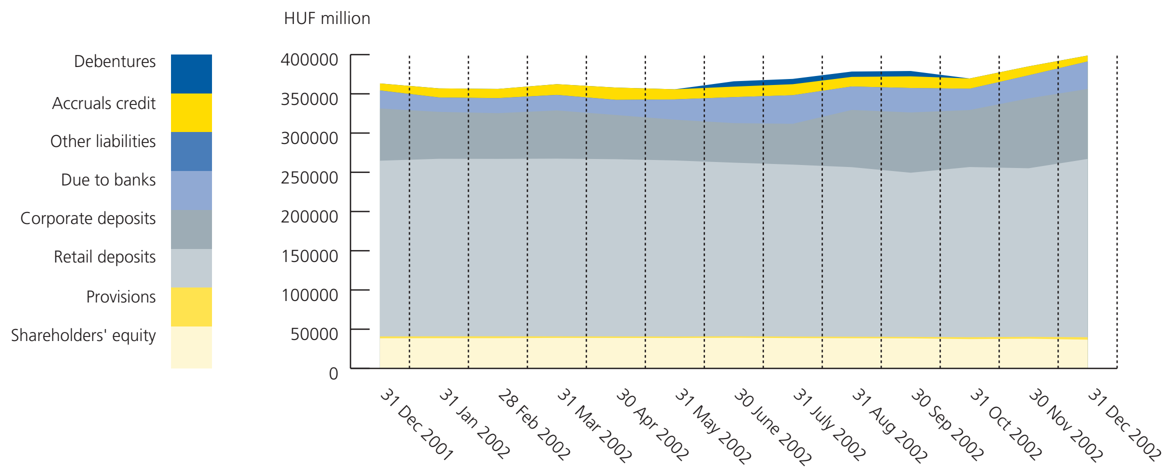
Equity investment in companies amounted to HUF 12 billion at the year-end, almost HUF 1 billion less than the preceding year. The change was due to the sale of Diákhitel Központ Rt., as well as changes in equity prices and the settlement of decrease in value.

- The net value of tangible and intangible assets was HUF 11.3 billion (gross value HUF 23.2 billion), HUF 0.8 down from the opening value. As a result of IT developments demanded by business activities, intangible assets grew by HUF 1.1 billion gross (similarly to the preceding year). The gross value of tangible assets did not change in order, the net value fell due to settled depreciation.

Major IT developments in 2002 were the installation of retail current account service functions at post offices, modernisation of the connections of the basic systems, developments connected to new products, and other developments related to security or supporting business procedures.

Liabilities and Shareholders' Equity

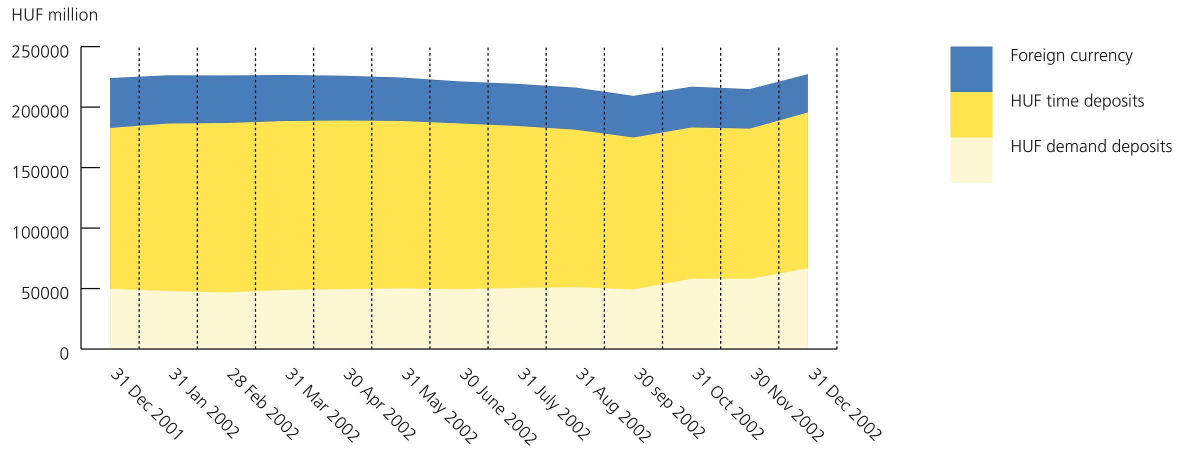
Change in Liabilities and Shareholders' Equity



- Shareholders' equity decreased to HUF 36.6 billion as a result of the settlement of HUF 1.8 billion loss of the year. There was also a change in the Bank's ownership structure: on 2 April 2002, the shares owned by the Ministry of Transport and Water Conservancy and the Government Property Directorate were transferred to Hungarian Post Co. as a contribution in kind.

- Retail funds amounted to HUF 227.2 billion at the year-end, HUF 3.2 billion up from the opening amount. The Bank's market share at the year-end was 5.9 percent.

Retail Deposits



In accordance with the strategy, the transformation in a favourable direction of the Bank's retail liability structure continued. At the year-end, more than 43 percent of total retail liabilities—8 percent more than the preceding year—was constituted by the balance of retail current accounts (which increased by HUF 21 billion over the year), more than 11 percent by deposit account books and a new demand product introduced in the 4th quarter of the year, 14 percent by foreign currency deposits, and 32 percent by certificates of deposit and other deposits.

- Corporate deposits amounted to more than HUF 89 billion, some HUF 23 billion up from the opening balance. The increase was predominantly due to the growth of time deposits. The Bank competed for customers with prices only satisfying requirements of profitability. The Bank's market share at the year-end was close to 3.2 percent.

- Liabilities to the central bank and credit institutions amounted to HUF 35 billion, HUF 12 billion up from the preceding year. Some 70 percent of the increase originated from a foreign syndicated loan taken by the Bank.

Portfolio, Decrease in Value and Provisioning

The table below shows the composition of assets:

HUF million

	2001		2002	
	Assets (gross)	Decrease in value and provisions	Assets (gross)	Decrease in value and provisions
Assets to be classified	279,931		361,329	
Including:				
Problem-free	187,906		299,342	
Watch-listed	55,269	645	23,619	837
Substandard	3,282	641	5,804	701
Doubtful	24,680	14,046	19,910	10,379
Bad	8,794	7,581	12,654	10,687
Decrease in value and provisions set aside		22,913		22,604

The portfolio of assets requiring classification increased by HUF 81.4 billion over the year, which originated from balance-sheet items and off-balance-sheet items in a proportion of 29:71. Problem-free assets grew by HUF 111.4 billion, 56 percent of which originated from off-balance-sheet items. The classified portfolio decreased by HUF 30 billion, 85 percent of which affected balance-sheet items. Settled decrease in value fell by HUF 1.1 billion, and provisions set aside rose by HUF 0.8 billion. Decrease in value and provisions set aside for the total portfolio fell by 1.9 percent, to 6.3 percent.

Revenues and Expenditures

The growth of business portfolios as well as of interest and commission incomes affected the Bank's earning capacity favourably. Although operating costs increased in respect of almost all cost elements, the increase was altogether lower than the growth of banking operations. The net effect of changes in decrease in value and provisions on the Bank's profit and loss account was HUF 2.2 billion. The Bank posted HUF 1,776 million loss at the year-end.

The Bank's profit and loss was influenced, by the following factors:

HUF million

Profit & loss	2001	2002
1. Net interest income	15,747	16,777
2. Net balance of commissions and fees received and paid	2,594	2,825
3. Profit of financial operations	1,266	3,296
4. Profit/loss from other business revenues and expenditures	1,468	-1,554
5. Overhead costs and depreciation	19,894	20,866
6. Balance of decrease in value and rebooking of decrease in value, provisions set aside and used	-2,379	-2,253
7. Dividend received	36	44
8. Extraordinary profit/loss	-1,101	-45
9. Profit/loss before tax	-2,263	-1,776

Net interest income was HUF 16.8 billion, 6.5 percent up from the preceding year. Interest income was favourably affected by the improvement of the asset structure, particularly the growth of receivables from customers, which at the same time moderated the contraction of the interest margin originating from a falling trend of interest rates. Average interest margin was 4.24 percent over the year, 0.27 percent less than the year before.

The Bank's net commission income grew by 9 percent, in which the retail business line had a prominent role. Among revenues, turnover and commitment fees, as well as account-keeping and bankcard-related commissions were outstanding.

The net profit of financial operations amounted to HUF 3.3 billion which, originated mainly from the revaluation difference due to the changes of exchange rates, and the balance of the incomes and expenditures of fx-transactions and swaps. The net profit/loss of securities trading was affected by the rise in yields, and the mandatory quotation and acceptance stemming from the Bank's primary dealership.

The net balance of other business revenues and expenditures was an expenditure of HUF 1.5 billion. Within this, the balance of asset sales meant an expenditure of HUF 1.2 billion, which was counterbalanced by the rebooking of the related decrease in value. Further major items of other expenditures were diverse taxes, duties and charges.

During the year, the impact on the Bank's profit/loss figure exerted by decrease in value, rebooking of decrease in value, provisions set aside and released was an expenditure of HUF 2.2 billion, of which 36 percent was connected to off-balance-sheet items, predominantly lawsuits.

General overhead costs (HUF 18.1 billion) increased by 5.2 percent, which approximately matches annual inflation. Due to the capitalisation of investments, settled depreciation (HUF 2.8 billion) surpassed last year's value only slightly. Operating costs grew by 4.9 percent altogether, which was below the measure of growth of banking operation. Costs to assets ratio was 5.23 percent, 0.25 percent down from 2001.

At the year-end, the Bank served its customers in 69 branches and 45 outlets. Average headcount in 2002 was 2,030 persons, 15 more than the preceding year.

The balance of extraordinary revenues and expenditures was a loss of HUF 45 million, which predominantly originated from self-revisions.

After-tax profit/loss of 2002 was a loss of HUF 1,776 million, which was settled—in accordance with the resolution of the Shareholders' Meeting—against the Bank's profit reserve. Thus profit reserve fell from HUF –1,752 million to HUF –3,528 million.

Compliance with the Provisions of Act CXII of 1996 on Credit Institutions and Financial Enterprises

With the exception of the obligations set forth in Subsection (7) of Section 79 [exposure to associated enterprises] and Subsection (2) of Section 83 [shareholding in excess of 51 percent of the subscribed capital of the enterprise], compliance with the legal requirements was fulfilled. The additional capital requirement stemming from exceeding of the aforementioned limits amounted to HUF 5.7 billion, and the capital requirement of the risks of the trading book and foreign currency exchange rate risk together amounted to some HUF 0.4 billion. The Bank's adjusted capital as of 31 December 2002 was HUF 22.2 billion, its risk-adjusted total assets HUF 238.1 billion, and its capital adequacy ratio 9.34 percent.

Balance Sheet and Profit and Loss Account

Balance Sheet

Assets

	Item	31 Dec 2001	31 Dec 2002
		HUF million	
1.	Cash and equivalents	20,100	16,949
2.	Government securities	114,934	104,955
3.	Receivables due from credit institutions	43,851	58,926
4.	Receivables due from customers	147,123	187,806
5.	Debentures including fixed-income securities	2,689	248
6.	Equities and other non-fixed-income securities	1,999	2,591
7.	Equities, shareholdings for investment purposes	195	258
8.	Equities, shareholdings in associated enterprises	10,504	8,897
9.	Intangible assets	3,419	3,724
10.	Tangible assets	8,674	7,572
11.	Own shares	0	0
12.	Other assets	3,972	2,732
13.	Accruals	5,783	4,145
	Total assets	**363,243**	**398,803**
	Including:		
	current assets	228,292	239,804
	invested assets	129,167	154,853

Liabilities and Shareholders' Equity

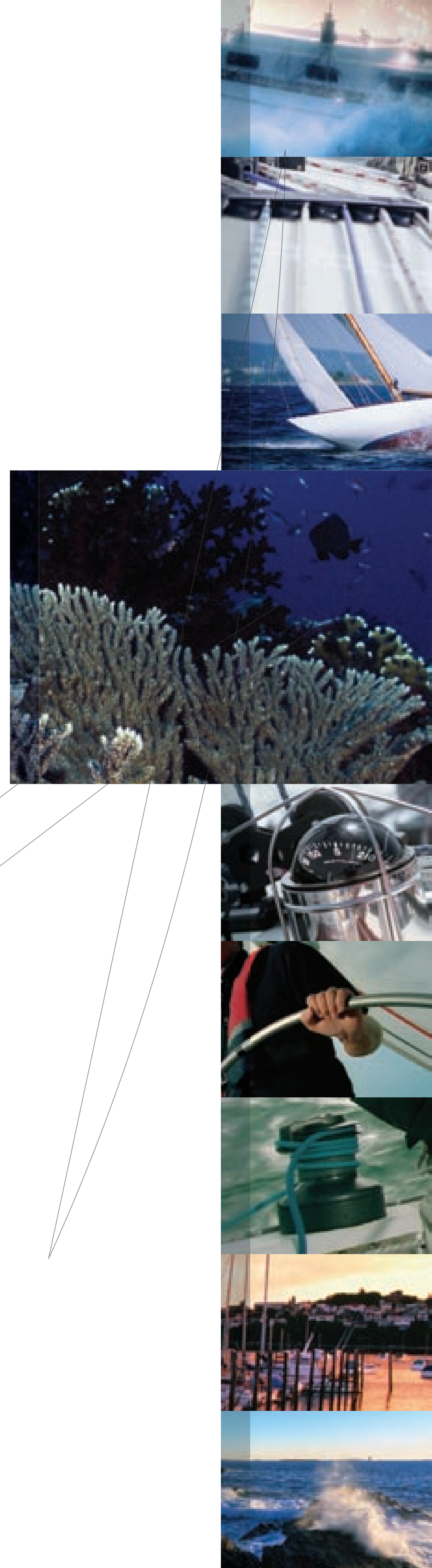
	Item	31 Dec 2001	31 Dec 2002
		HUF million	
1.	Liabilities to credit institutions	22,908	34,999
2.	Liabilities to customers	290,621	316,450
3.	Liabilities from issued securities	0	0
4.	Other liabilities	3,532	3,060
5.	Accruals	5,358	4,531
6.	Provisions	2,322	3,136
7.	Subordinated liabilities	100	0
8.	Subscribed capital	20,021	20,021
9.	Subscribed capital unpaid	0	0
10.	Capital reserves	20,134	20,134
11.	General reserves	0	0
12.	Profit reserves	459	-1,752
13.	Earmarked reserves	0	0
14.	Evaluation reserves	0	0
15.	Profit (loss) of the year	-2,212	-1,776
	Total liabilities and shareholders' equity	363,243	398,803
	Including:		
	short-term liabilities	302,817	331,915
	long-term liabilities	14,344	22,594
	shareholders' equity	38,402	36,627

	Off-Balance-Sheet Items	31 Dec 2001	31 Dec 2002
	Contingent liabilities	67,900	80,229
	Future liabilities	3,342	40,371
	Off-balance-sheet items total	71,242	120,600

Profit and Loss Account

	Item	31 Dec 2001	31 Dec 2002
		HUF million	
1.	Interests received	33,195	33,064
2.	Interests paid	17,448	16,287
3.	Net interest income (1-2)	15,747	16,777
4.	Income from securities	36	44
5.	Fees and commissions received (due)	5,239	6,132
6.	Fees and commissions paid	2,645	3,307
7.	Net income from financial operations	1,266	3,296
8.	Other income from business activities	3,193	2,518
9.	General overhead costs	17,188	18,080
10.	Depreciation	2,706	2,786
11.	Other expenditure of business activities	1,725	4,071
12.	Decrease in value of receivables, and provisions set aside for contingent and future liabilities	3,965	4,486
13.	Re-booking of decrease in value of receivables and use of provisions for contingent and future liabilities	2,467	2,065
14.	Decrease in value of debentures held for investment purposes, of shares in associated enterprises and of shareholdings	894	81
15.	Re-booking of decrease in value of debentures held for investment purposes, of shares in associated enterprises and of shareholdings	13	248
16.	**Profit (loss) from ordinary business activities** (3+4+5-6+7+8-9-10-11-12+13-14+15)	-1,162	-1,731
17.	Extraordinary incomes	301	9
18.	Extraordinary expenditures	1,402	54
19.	Extraordinary profit/loss	-1,101	-45
20.	**Net income before tax** (16+19)	-2,263	-1,776
21.	Tax payable	0	0
22.	**Net income after tax**	-2,263	-1,776
23.	General reserves set aside or used	-51	0
24.	Use of profit reserves to pay dividend or profit sharing	0	0
25.	Dividend and profit sharing approved	0	0
26.	**Profit (loss) of the year** (22-24-24-25)	-2,212	-1,776

In accordance with the relevant resolutions of the annual Shareholders' Meeting, the Bank settled the loss of the business year against profit reserves in both years.



Report of the Independent Auditors

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TRANSLATION

Independent Auditors' Report

To the Shareholders of
Postabank és Takarékpénztár Rt.

We have audited the accompanying balance sheet of Postabank és Takarékpénztár Rt. as at 31 December 2002, which shows a balance sheet total of THUF 398.802.541 and loss for the year of THUF (1.775.691), the related profit and loss account for the year then ended and the notes included in the Company's 2002 annual financial statements. The annual financial statements are the responsibility of the Company's management. The auditor's responsibility is to express an opinion on the financial statements based on the audit and to assess whether the business report is consistent with that presented in the financial statements.

On 26 March 2002 we issued an unqualified opinion on the 2001 annual financial statements of Postabank és Takarékpénztár Rt.

We conducted our audit in accordance with Hungarian National Audit Standards and with applicable laws and regulations in Hungary. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have audited the elements of and disclosures in the annual financial statements, along with underlying records and supporting documentation, of Postabank és Takarékpénztár Rt. in accordance with national audit standards and have gained sufficient and appropriate evidence that the annual financial statements have been prepared in accordance with the accounting law and with generally accepted accounting principles. In our opinion the annual financial statements give a true and fair view of the equity and financial position of Postabank és Takarékpénztár Rt. as at 31 December 2002 and of the results of its operations for the year then ended. The business report corresponds to the disclosures in the financial statements.

Budapest, 3 April 2003

Ernst & Young Kft.
Registration No. 001165

Hergovits Mariann
Registered Auditor
Chamber membership No.: 004648

Strategic Objectives

Postbank and Savings Bank Corp. positions itself as a fundamentally retail-oriented bank that offers universal banking services. Its clientele is predominantly composed of private individuals and small and medium-sized businesses. The Bank has developed its new medium-term strategy in light of this.

The timing of the strategy in an annual breakdown shall be the following: 2003 shall be the year of value creation and privatisation, 2004 the year of sustainable profitability, 2005 the year of quality, and 2006 the year of shareholder satisfaction.

The major objective is to achieve a return on equity of 700-900 basis points above risk-free interest rates by the end of the strategic period. An adequate risk level necessary for the Bank's safe operation is attained at this goal.

Our cooperation with the Hungarian Post Co, based on a strategic agreement made at the end of 2002, will play a prominent role in the implementation of the strategy. Accordingly, the two parties shall jointly plan, develop and introduce the products offered for sale in the postal network.

In the formation of its strategy, the Bank has taken into account the expectable impacts of the financial convergence stemming from the country's accession to the EU.

By the end of the strategic period, Postbank shall become a financial institution with some attributes of people's banks that fundamentally sells mass products, and that differentiates itself from the competition by quality service.

The wide middle segment of the population shall continue to be the target market.

The Bank's structure as well as its sales channels and network shall become organised along the lines of a sales orientation during the strategic period. The Bank shall be unexpensive and easily accessible for the widest public. In cooperation with its sales partners, the Bank shall exploit opportunities of cross-selling as much as possible. It wishes to exploit all extensive and intensive growth opportunities in its target market.

The sale of mass products requires the use of standardised procedures to ensure cost-effective operation. Business objectives shall be attained against a decreasing cost level: significant continuous cost savings shall be realised in the strategic period. In the field of staffcosts, apart from headcount rationalisation a sales-oriented incentive and remuneration system shall be introduced. Regarding other resources, attainment of the business objectives shall be ensured by a restrained modernisation and an increased integration level of existing technological systems.

The purpose of the development of the corporate business is primarily to exploit synergies with the retail franchise. The Bank cannot dispense with the incomes produced by the corporate business, but—in parallel with the growth of the proportion of retail assets—a gradual and significant shift in emphasis is planned towards small and medium-sized enterprises and such corporate segments which have common features with retail customers (e.g. utility service providers, municipalities, condominium communities).

Governing Bodies

1 January 2002

Board of Directors

Chairman:

László Madarász	Postbank and Savings Bank Corp.

Members:

Dr. Gyula Bakacsi	Candidate, Associate Professor, Deputy Head of Department University of Economics, Budapest
Dr. István Böröcz	Deputy Chief Executive, Hungarian Post Co.
Tamás Győrvári	Deputy Chief Executive Officer
Gyula Hegedűs	Certified Agricultural Engineer
Gábor Jurányi	Chief Executive Officer, Ingatlanhitel Plussz Rt.
János Kardos	IT Director, Hungarian Post Co.
Dr. György Kolláth	Chief Executive Officer

Supervisory Board

Chairman:

Dr. László Csillag	Executive Director, Chartered Accountant, Tax Counsel, Ecostar

Members:

Ms. Mária Ács	Branch Manager
János Dombi	Branch Manager
Dr. Iván Futó	Deputy Chairman, Tax and Financial Auditing Office
László Garay	Executive Director, Euroforsz Kft.
Dr. Dániel Molnos	Executive Director, Generali-Providencia Biztosító Rt.
János Orosz	Financial Executive, University of Debrecen
Ph.D. Ádám Török	Professor, Correspondent Member of the Hungarian Academy of Sciences

31 December 2002

Board of Directors

Chairperson:

Dr. Júlia Király	Chief Executive, International School of Banking

Members:

Béla Singlovics	Chief Executive Officer
Ms. Katalin Igaz	Deputy Chief Executive Officer
István Magyar*	Deputy Chief Executive Officer
Péter Basch	Executive Director, BASCH Consilio Kft.
Bálint Csikós	Member of the Board of Directors, Hungarian State Privatisation and Holding Co. Ltd.
Dr. Péter Kazár	Financial Executive, Hungarian Post Co.
Gábor Jurányi	Chief Executive Officer, Ingatlanhitel Plussz Rt.
Imre Kocsis	Economist, Financial Advisor
Dr. Ákos Macher	Financial Executive, Hungarian State Privatisation and Holding Company Ltd.
Ottó Rédei	Marketing Communication Advisor, Economist

Supervisory Board

Chairperson:

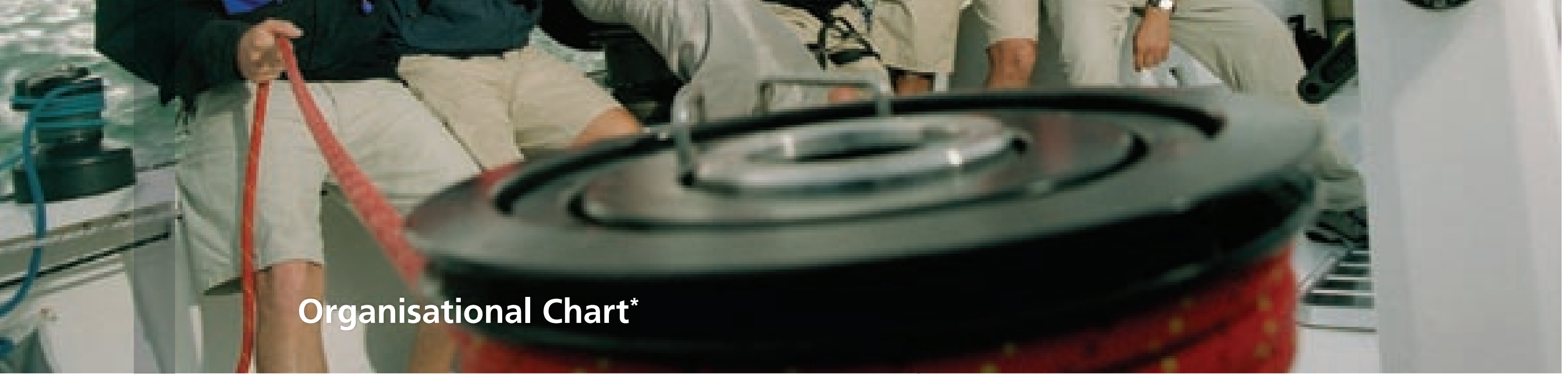
Dr. Piroska Apró

Members:

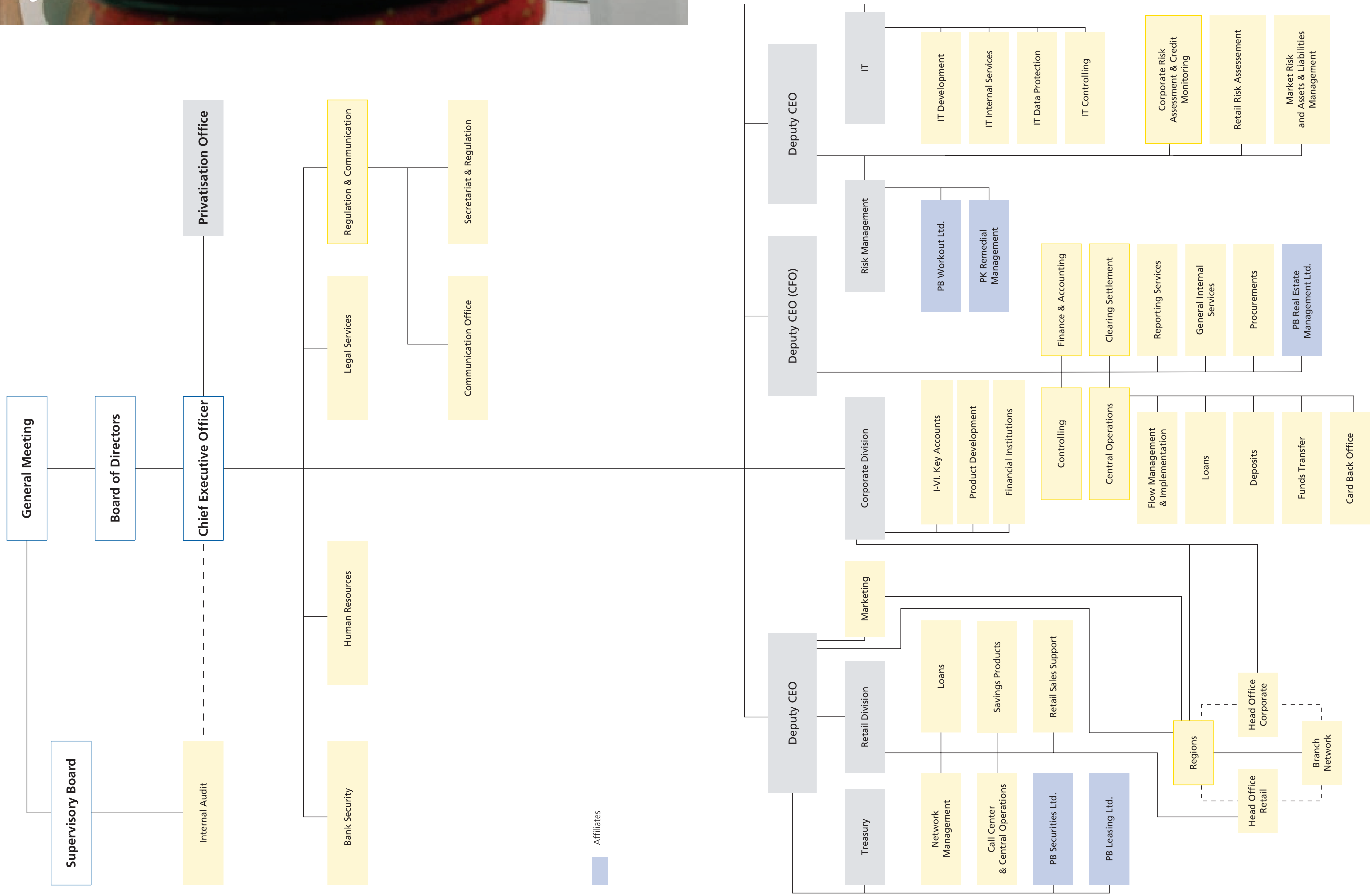
Dr. András Bognár	Financial Executive, Díjhátralékkezelő Pénzügyi Rt.
Dr. György Kratochwill	Lawyer
Dr. Gyula Bakacsi	Candidate, Associate Professor, Deputy Head of Department, University of Economics and State Administration, Budapest
Dr. János Száz**	Professor, University of Economics and State Administration, Budapest
Péter Béres	Minister's Chief Counsellor, Ministry of Internal Affairs
Ms. Mária Ács	Branch Manager
János Dombi	Branch Manager
Dr. Ferenc Halász	Legal Counsel

* Membership of István Magyar ended as of 16 Oct 2002, and his employment at the Bank ended as of 31 Jan 2003.

** Dr. János Száz resigned from his membership of the Supervisory Board on 24 Sep 2002.



Organisational Chart*



* As of 31 December 2002

Budapest Region

Branches

1132	Budapest	Váci út 48.	350-2733/3149
1051	Budapest	József nádor tér 5.	266-8553
1093	Budapest	Lónyai u. 38.	455-1480
1052	Budapest	Bécsi u. 5.	267-3334
1136	Budapest	Tátra u. 6.	329-3003
1073	Budapest	Erzsébet krt. 17.	352-8943
1047	Budapest	Váci út 15–19.	369-3299
1061	Budapest	Andrássy út 5.	269-6527
1055	Budapest	Kossuth tér 13–15.	269-2743
1118	Budapest	Gazdagréti tér 5.	309-0590
1193	Budapest	Kossuth tér 23–24.	281-1002
1122	Budapest	Maros u. 19–21.	202-2096
1075	Budapest	Károly krt. 7.	461-3028
1015	Budapest	Hattyú u. 14.	202-4577
1222	Budapest	Nagytétényi út 37–43. (Campona)	424-3301
2040	Budaörs	Kinizsi út 1–3. (Tesco)	23/444-820
1204	Budapest	Mártírok útja 281. (Tesco)	289-0616
2440	Százhalombatta	Piactér B/2.	23/358-892
2000	Szentendre	Városház tér 2.	26/312-112

Outlets

1042	Budapest	Rózsa u. 22.	369-5149
1098	Budapest	Napfény u. 8.	280-8142
1089	Budapest	Orczy tér 1.	477-6502
1442	Budapest	Balkán u. 5.	262-3804
1119	Budapest	Vahot u. 8.	203-4500/109
1139	Budapest	Teve u. 4–6.	443-5147
1062	Budapest	Teréz krt. 51.	331-9788
1149	Budapest	Nagy Lajos király útja 173.	251-4526
1102	Budapest	Kőrösi Csoma sétány 5.	431-0107
2112	Veresegyház	Fő út 32.	28/387-867

* As of 31 December 2002

North-Hungarian Region

Branches

3530	Miskolc	Szemere B. u. 4.	46/320-002
3530	Miskolc	Corvin u. 10.	46/342-642
3527	Miskolc	Bajcsy-Zs. u. 1–3.	46/345-645
3200	Gyöngyös	Mikszáth K. u. 4.	37/310-230
3300	Eger	Fellner Jakab u. 1.	36/310-888
3100	Salgótarján	Rákóczi út 13.	32/520-760
3950	Sárospatak	Rákóczi u. 40.	47/312-237
3580	Tiszaújváros	Bethlen G. u. 11–15.	49/343-373
3700	Kazincbarcika	Egressy u. 21.	48/512-060

Outlets

2660	Balassagyarmat	Rákóczi fejedelem u. 24	35/300-533
3574	Bőcs	Rákóczi u. 81.	46/318-910
3000	Hatvan	Dózsa Gy. tér 2.	37/345-630
3600	Ózd	Gyújtó tér 1.	48/470-757
3980	Sátoraljaújhely	Széchenyi tér 5–8.	47/323-174
3900	Szerencs*	Rákóczi u. 124.	47/361-114

North-Eastern Region

Branches

4024	Debrecen	Vár u. 4.	52/415-599
4026	Debrecen	Darabos u. 7.	52/420-001
4401	Nyíregyháza	Nyár u. 8.	42/408-715
4400	Nyíregyháza	Szegfű u. 75. (Nyír Plaza)	42/504-300
5000	Szolnok	Baross G. út 8.	56/420-348
4080	Hajdúnánás	Dorogi út 10–14.	52/383-107
5100	Jászberény	Szabadság tér 20.	57/404-607
4625	Záhony	Ady E. u. 27–31.	45/425-150
4484	Ibrány	Lehel u. 18.	42/200-889
5440	Kunszentmárton	Kossuth u. 1.	56/560-213

* Organisation-wise it belongs under Miskolc, Szemere B. u. 4.

Outlets

4100	Berettyóújfalu	Dózsa Gy. u. 6.	54/400-383
2700	Cegléd	Szabadság tér 7.	53/310-407
4765	Csenger	Ady E. u. 2.	44/520-052
4220	Hajdúböszörmény	Balthazár D. u. 14.	52/280-424
4087	Hajdúdorog	Nánási u. 2.	52/389-227
4200	Hajdúszoboszló	Hősök tere 9–11.	52/557-985
5130	Jászapáti	Velemi Endre u. 5.	57/442-444
5300	Karcag	Kossuth tér 6.	59/400-229
4600	Kisvárda	Szent L. u. 22.	45/416-116
4700	Mátészalka	Bajcsy-Zs. u. 22.	44/300-520
5400	Mezőtúr	Dózsa Gy. u. 40.	56/354-211
4300	Nyírbátor	Szabadság tér 21.	42/282-058
4440	Tiszavasvári	Kossuth u. 22.	42/275-133
5200	Törökszentmiklós	Kossuth u. 125.	56/391-353

South-Eastern Region

Branches

6720	Szeged	Széchenyi tér 17.	62/482-582
6722	Szeged	Tisza Lajos krt. 57.	62/483-311
6726	Szeged	Fő fasor 16–20.	62/432-195
6500	Baja	Tóth Kálmán tér 1.	79/322-744
5600	Békéscsaba	Kinizsi u. 3.	66/546-050
6800	Hódmezővásárhely	Szegfű u. 1–3.	62/535-440
6300	Kalocsa	Szent István király u. 30.	78/462-863
6000	Kecskemét	Nagykőrösi u. 11.	76/482-214
6400	Kiskunhalas	Kossuth u. 27.	77/423-588
5700	Gyula	Városház u. 18.	66/463-943

Outlets

6430	Bácsalmás	Szent János u. 1.	79/341-246
5630	Békés	Széchenyi tér 4/2.	66/341-391
6070	Izsák	Kossuth tér 2.	76/374-640
6760	Kistelek	Petőfi u. 2.	62/257-591
6900	Makó	Szegedi út 9–13.	62/212-136
5800	Mezőkovácsháza	Alkotmány u. 53.	68/381-662
5900	Orosháza	Kossuth u. 14–16.	68/413-225
5540	Szarvas	Szabadság u. 35.	66/311-133
5520	Szeghalom	Tildy Zoltán u. 7–9.	66/371-560
6600	Szentes	Klauzál u. 17.	63/311-366/100

South-Western Region

Branches

7621	Pécs	Hal tér 3.	72/315-695
7621	Pécs	Ferencesek u. 11.	72/227-799
8900	Zalaegerszeg	Ispotály köz 2.	92/315-071
2400	Dunaújváros	Dózsa Gy. u. 2/a.	25/401-701
7400	Kaposvár	Csokonai u. 8.	82/424-681
8800	Nagykanizsa	Fő u. 24	93/537-660
7030	Paks	Barátság u. 1.	75/313-894
8600	Siófok	Fő u. 174–176.	84/310-300
7101	Szekszárd	Arany J. u. 15–17.	74/319-911
8700	Marcali	Rákóczi u. 6–10.	85/312-410
7700	Mohács	Városház u. 5.	69/510-135

Outlets

7631	Pécs	Megyeri út 76. (Pécs Plaza)	72/549-891
8360	Keszthely	Kossuth u. 43.	83/313-686

North-Western Region

Branches

9022	Győr	Teleki László u. 26.	96/314-373
9022	Győr	Liszt Ferenc u. 35.	96/319-426
9400	Sopron	Várkerület 81.	99/312-494
8000	Székesfehérvár	Budai út 32.	22/327-777
9700	Szombathely	Kőszegi u. 23.	94/316-836
2800	Tatabánya	Komáromi út 41–43.	34/317-540
8200	Veszprém	Kereszt u. 9.	88/329-433
2500	Esztergom	Vörösmarty u. 5.	33/414-152
2462	Martonvásár	Budai u. 13.	22/460-153
9970	Szentgotthárd	Széll Kálmán tér 23.	94/554-135
2890	Tata	Ady E. út 3–5.	34/487-333

Outlets

8400	Ajka	Alkotmány u. 8.	88/215-202
8060	Mór	Dózsa Gy. u. 1.	22/407-132
8500	Pápa	Kossuth u. 13.	89/312-844

Post Offices with Online Banking Facility*

2661	Balassagyarmat	Rákózci F. u. 24	35/301-581
8631	Balatonboglár	Szabadság u. 2.	85/351-400
5601	Békéscsaba	Szabadság tér 1–3.	66/444-196
1625	Bp. Rákosszentm. 1.	Rákosi u. 99–101.	405-42-04
1507	Budapest 117.	Irinyi J u. 38.	279-20-00
4001	Debrecen 1.	Hatvan u. 5-7.	52/535-307
2151	Fót 1.	Szent Benedek u. 17.	27/358-108
9013	Győr 13.	Lajta u. 31.	96/412-006
6120	Kiskunmajsa	Félegyházi u. 2.	77/481-160
3601	Ózd 1.	Munkás u. 14.	48/471-208
7720	Pécsvárad	Vasút u. 5.	72/465-092
2013	Pomáz 1.	Huszár u. 5.	26/325-356
4151	Püspökladány 1.	Kossuth u. 9.	54/451-048
7901	Szigetvár	József A. u. 27–31.	73/510-234
9701	Szombathely 1.	Kossuth L. u. 18.	94/312-976
7090	Tamási	Kossuth u. 16.	74/471-202
5351	Tiszafüred 1.	Fő u. 14.	59/352-111
2045	Törökbálint	Baross u. 36.	23/337-152

* As of 31 December 2002

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