ENGLISH VERSION

A BRIEF OVERVIEW OF BUDAPEST BANK GROUP

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 co-operatives. In December 1995 Budapest Bank was privatised and acquired by GE Capital, EBRD as well as the State Privatisation 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. The subscribed capital of the bank as of December 31, 2001 amounted to HUF 19,346 million out of which GE Capital holds 99.17 %.

The Bank is licensed to conduct the full range of the activities of a credit institution including transactions denominated in Hungarian Forint 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 58 branch offices and services to corporate clients are rendered by 7 business centres. Budapest Bank performs a part of its services via wholly - owned subsidiary companies that comprise members of the Bank Group and carry out specialised activities in their capacity as independent business organisations.

The Bank Group comprises the business organisations listed below:

- Budapest Bank Rt.
- Budapest Fund Management Company Ltd./ Budapest Alapkezelõ Rt.
- Budapest Car Fleet Management Company Ltd./Budapest Autóparkkezelõ Rt.
- Budapest Auto Finance Company Ltd./Budapest Autófinanszírozási Rt.
- Budapest Leasing Company Ltd./Budapest Lízing Rt.
- Budapest Equipment Finance Ltd/Budapest Eszközfinanszírozó Kft.
- Budapest Sales Finance Ltd./Budapest Áruhitel Rt.
- Budapest Real Estate Management Company Ltd./ Budapest Ingatlanhasznosító Rt.
- SBB Solution Services Ltd. / SBB Solution Szolgáltató Rt.
- Budapest Car-Rental Ltd./ Budapest Autóbérlet Kft

Budapest Bank has direct equity interests in each subsidiary company, each member of the Bank Group is wholly - owned (100 %) by Budapest Bank, which has a 100 % equity share and 100 % of the voting rights.

A brief overview of the business activities of the subsidiary companies is set forth below:

Budapest Fund Management Company Ltd. (Budapest Alapkezelõ Rt.) was established in 1992 and the company manages investment funds that were established by the company and the number of which is on the increase. As of the end of 2001 the balance sheet total figure of Budapest Fund Management Company Ltd. amounted to HUF 1.264 million, the company's 2001 net profit amounted to HUF 10 million.

Budapest Auto Finance Company Ltd. (Budapest Autófinanszírozási Rt.) was established by the Bank in 1997 as a wholly - owned subsidiary company of Budapest Bank. The company provides private persons as well as business organisations with credit and leasing facilities for the purchase of new and second - hand cars. As of the end of 2001 the balance sheet total figure of Budapest Auto Finance Company Ltd. was HUF 20.594 million and the 2001 net profit was HUF 41 million.

The principal function of **Budapest Leasing Company Ltd.** (Budapest Lízing Rt.) is to procure and to lease fixed assets (mainly production equipment) on a long-term basis. The Bank established Budapest Leasing Company Ltd. in 1992. Budapest Leasing Company Ltd. has achieved substantial growth since then. As of the end of 2001 the balance sheet total figure was HUF 15,119 million.

The Bank established the **Car Fleet Management Company Ltd.** (Autóparkkezelõ Rt.) in 1997. The Car Fleet Management Company Ltd. is charged with the responsibility of procuring larger vehicle fleets, including the automobiles of the Bank Group and uses operating leasing transactions to lease such vehicles. The company also maintains such vehicle fleet and performs a full range of administrative tasks. As of the end of 2001 the balance sheet total figure of the Car Fleet Management Company Ltd. was HUF 8.574 million.

The **Budapest Sales Finance Ltd.** 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. As of the end of 2001, the typical financial indicators are the followings: total assets HUF 506 million, the net profit in 2001 was HUF 193 million.

BUDAPEST BANK GROUP CAPITAL POSITION

The capital position of the Bank Group is stable. At the end of 2001, the shareholders' equity, together with the HUF 2,766 MM profit amounted to HUF 32.1 Bn and exceeds the previous year's figure by 9 percent.

In accordance with the Hungarian accounting rules, the authorized share capital of Budapest Bank Group is HUF 19,345,945,000, which is composed of 18,546 registered ordinary shares of a nominal value of HUF 1,000,000 each, 37,338 registered ordinary shares of a nominal value of HUF 10,000 each, 344,295 registered dividend preference shares of a nominal value of HUF 1,000 each, and 8,227 registered interest-bearing shares of a nominal value of HUF 10,000 each.

During the year 2001, GE Capital Corporation ("GECC") 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. At 31 December 2001 GECC held 99.17 % of the shares.

At 2001 year end, the Bank was in compliance with mandatory provisioning obligations defined by the law.

In addition to the HUF 5,469 MM profit reserve accumulated in the course of the previous years, the Bank Group has a total general reserve of HUF 2,993MM, created for unforeseeable risks in accordance with the provisions of law on credit institutions.

In 1994, the Bank issued, to the Hungarian State, HUF 3,861 MM bonds qualified as subordinated loan 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 loan in comparison to all other payment obligations.

QUALITY OF ASSETS

The low-risk government securities and the inter-bank placements have a strong credit rating and represent a significant but stable part of the assets of the Bank (30 % on December 31, 2001 compared to 31 % one year earlier). The stability of these assets is due to the increasing ratio of receivables from customers (from 46 % in 2000 to 48 % in 2001).

The Bank continued to focus on small and medium enteprises and consumer borrowers. The volume of doubtful debts reduced and as a result the rate of return has improved. Despite the positive tendencies, the Bank continues to follow prudent lending practices, and it analyses the customer portfolio according to both segment and product. In certain segments - especially in the case of small and medium-size agricultural and food processing companies -, the Bank uses the assistance of Hitelgarancia (“Credit Guarantee”) and AHG for boosting and minimizing the risk of its lending activity.

Retail lending is characterised by a significant growth. The two most successful products of the Bank are the Private Loan (Privát Kölcsön) and Sales Finance (Áruhitel), which exceeded HUF 20 Bn at the end of the year 2001.

The leasing activity of the Bank Group is directed through its subsidiaries. The value of the investments included under operating and financial leasing increased by nearly 30% and exeeded HUF 40 billion.

MANAGEMENT AND BUSINESS POLICY

Budapest Bank has managed to keep pace with the economic growth and developed accordingly, and it has preserved its leading position and/or increased its market share in a number of areas.

The Bank answered the latest challenges of the market by introducing additional financial services from the range of products of GECC Global Consumer Finance, the strategic investor; moreover, through restructuring and the reorganisation of processes, it created proper bases for further rapid progress. The customer-oriented business policy, the development of sales channels and the expansion of the scope of services offered by the Bank Group greatly contributed to the recognition of the Bank on the market.

Due to the efforts made for increasing the customer base in the areas of small companies, small enterprises and retail, we can expect a further consolidation of this position, the bases of which were laid in the course of the year 2001, through significant transformations. The restructuring of customer segments, the building of proper sales channels and the introduction of new pricing techniques greatly contributed to the positive change of results.

The Bank continued the restructuring that was started in 1997. This was effectively supported by the further renewal of the computer systems, as well as the improvement of the quality and efficiency of the processes. Consequently, the quality of customer service, hence the profitability, were greatly improved. We shall mention, in particular, the centralisation of the operational and financial processes, as well as the development of the IT background of the Call Centre and card businesses.

The Bank Group directs its subsidiaries with the help of the so called “matrix” principle of responsibility. According to this, each subsidiary is under the professional direction of the consumer or commercial divisions. This endeavour of the management of the Bank continued to be significant during the year 2001, which was further strengthened by the integration of certain subsidiary activities.

PROFITABILITY

In the year 2001, the annual after-tax profit of Budapest Bank Group was HUF 2,766 MM.

The net interest increased 15% compared to prior year. Still a major driver of profitability remained the generation of fee income, which increased by 21% compared to 2000.

In the year 2000, very stringent cost-containment processes were started and this continued through 2001; as a result, the operating costs increased only 3 % which is below inflation.

The profitability of the year 2001 was not influenced by the extraordinary events.

DEVELOPMENT OF THE ASSET-LIABILITY STRUCTURE AND THE LIQUIDITY POSITION OF THE BANK GROUP

Budapest Bank closed the year 2001 with total assets of HUF 318.8 Bn (HUF 336.1 Bn in prior year); this means a nearly 5% decrease primaly due to a law change allowing the Bank to lend directly to its subsidiaries.

In the course of the year, the volume of credits provided to customers increased among the Bank’s placements. In particular, the consumer forint placements maturing over one year showed a dynamic portfolio growth.

In spite of the upswing in the lending activity, the Bank continued to operate with a high volume of liquidity. 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 bills and securities negotiable by the national bank.

The structure of liabilities did not significantly change over the year. However, contrary to the previous years, the increase of deposits by entrepreneurs proved to be stronger than that of deposits by private individuals, while the Bank’s exposure to financial markets was at a low level.

The Bank managed and contained its liquidity within the predetermined limits, the interest rate risk arising from the differences in the change of the price of assets and sources primarily by pursuing a harmonious, risk-avoiding pricing and portfolio management practice, and by executing hedging transactions.

Overall the Bank Group maintained a very strong approach towards liquidity and interest rate management.