

PRESS RELEASE

Budapest, 5 March 2009

Erste Bank Hungary: Solid performance in 2008

Highlights¹:

A profitable year despite of the difficult macroeconomic conditions:

- **Net profit after minorities** rose by 30.8% from HUF 24,733 million to **HUF 32,359 million supported by an increase in net interest income** by 15.8% from HUF 68,199 million to **HUF 78,978 million and slow growth of administrative expenses** up by only 5.8% to **HUF 61,208 million** from HUF 57,845 million.
- **Total assets** increased by 26.1% from HUF 2,086.5 billion at the end of 2007 to **HUF 2,630.5 billion**.

Higher efficiency:

- **Cost/income ratio** has improved from 52% to **50.7%**.
- **Return on equity** rose from 20.6% to **23.2%**.

Banking services for retail customers, as well as small and medium enterprises continue to be the main business focus. Erste Bank is ready to implement measures aimed at easing the position of debtors who face repayment difficulties.

“Erste Bank Hungary retained its spot in the line of major Hungarian banks in 2008 despite dramatically deteriorating macroeconomic conditions and the financial and economic crisis that has lasted since last autumn” - underlined chairperson and CEO Ms. Edit Papp commenting on Erste Bank Hungary’s last year results.

Performance overview

Despite the challenging external conditions, Erste Bank Hungary registered a stable performance last year. According to the preliminary, consolidated and non-audited IFRS report, total assets of the financial group increased by 26.1% to HUF 2,630 billion. Pre-tax profit amounted to HUF 43.8 billion at the end of last year, corresponding to a 33.5% expansion. The bank’s market share in the retail lending segment exceeded 12%, and reached 6.9% in the scope of retail deposits, representing a 0.8 percentage point improvement compared to the end of 2007.

Considering its 900,000 strong customer base and 203 unit branch network, Erste Bank Hungary is the second-largest retail bank in Hungary. Launched in 2007, the consistent continuation of cost efficiency measures served as the key to the bank’s steady operations last year. The cost/income ratio had been

¹ Results are preliminary and non-audited, according to IFRS

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improving for three years, reaching 50.7% in 2008, which represented an improvement of 1.3 percentage points over the previous year. The 8.6% increase in operating income was fuelled by a 15.8% expansion in net interest income, while general administrative expenses increased only by 5.8%.

In respect of the annual results, Ms. Edit Papp underlined that the economic and financial crisis that erupted last autumn made no great impact on the annual results of the financial institution in 2008, confirming that the bank's business policy, launched in recent years with the main focus on enhancing the quality of customer service and reducing costs, had been right. At the end of the fourth quarter, however, Erste Bank Hungary also had to adapt to the changing external conditions, putting euro loans in the focus of newly marketed loans, replacing Swiss franc products, but subsidised forint-denominated loans also gained popularity within the customers.

Market share development

Erste Bank Hungary's market share in terms of total assets was 7.8% in 2008, up 0.8 percentage point in annual comparison. In the scope of retail loans and housing loans the bank had a market share of 12.3% and 14.8%, respectively. As for corporate loans, the market share of the bank registered 8.6%, with municipal loans accounting for 5.2% within this scope. The financial institution owned 6.9% of the market in the scope of retail deposits and 5.4% in corporate deposits. The growth of the lending portfolio was also due to an easing forint in the fourth quarter of 2008.

At the same time, the deposit market became increasingly competitive, but Erste Bank still managed to increase its market share due to newly implemented deposit products. The strategic collaboration with Magyar Posta [Hungarian Post] played an instrumental part in this achievement, as more than 157,000 current accounts were opened in the postal network by the end of 2008.

Outlook

Commenting on Erste Bank Hungary's plans for the current year, the chairman and CEO said banking services for retail customers, as well as small and medium enterprises continue to be in the focus of the business activities. One of the main targets for the bank in the year 2009 is to dampen negative impacts of the economic crisis for retail and corporate customers alike. For this purpose, Erste Bank Hungary offers to modify the loan terms for customers in need and also to implement other measures aimed at easing the position of debtors who face repayment difficulties.

"Despite these unfavourable trends, it is Erste Bank Hungary's unchanged objective to remain a decisive player in the Hungarian banking market, continuing to serve its 900,000 customers at ever increasing standards and always adapting flexibly to change market conditions and demands" - Ms. Edit Papp concluded.

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APPENDIX

Profit&Loss account:

<i>Consolidated, non-audited IFRS figures in HUF million</i>	2007	2008	Change
Net interest income	68,199	78,978	15.8%
Risk provisions for loans and advances	-17,656	- 18,316	3.7%
Net fee and commission income	33,529	34,725	3.6%
Net trading result	9,441	7,052	-25.3%
General administrative expenses	-57,845	-61,208	5.8%
Other operating result	-2,841	-285	90%
Pre-tax profit	32,832	43,819	33.5%
Taxes on income	-8,052	-11,425	41.9%
Minority interests	-47	-35	-26.5%
Net profit after minorities	24,733	32,359	30.8%
Cost/income ratio	52.0%	50.7%	
Return on equity	20.6%	23.2%	

Balance sheet:

<i>Consolidated, non-audited IFRS figures in HUF million</i>	31.12.2007	31.12.2008	Change
Assets			
Cash and balances	63,742	32,912	-48.4%
Loans and advances to credit institutions	131,489	61,954	-52.9%
Loans and advances to customers	1,519,117	2,014,164	32.6%
Risk provisions for loans and advances	-25,328	-34,855	37.6%
Trading assets	80,316	262,085	>100%
Intangible assets	10,189	10,936	7.3%
Tangible assets	18,348	15,131	17.5%
Tax assets	2,120	1,070	-49.5%
Other assets	47,217	72,725	54.0%
Total assets	2,086,487	2,630,447	26.1%
Liabilities			
Amounts owed to credit institutions	873,566	1,332,868	52.6%
Amounts owed to customers	941,521	945,888	0.5%
Debt securities in issue	20,644	18,754	-9.2%
Trading liabilities	22,879	68,313	>100%
Provisions	1,945	2,777	42.8%
Other liabilities	52,728	55,620	5.5%
Total equity	130,906	153,196	17.0%
Total assets	2,086,487	2,630,447	26.1%

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Selected indicators of banking activities	2007	2008	Change
Number of branches	196	203	3.5%
Number of employees	2,609	2,790	6.9%
Number of Tele Banking customers	559,400	632,100	13.0%
Number of Net Banking customers	116,700	162,400	39.2%
Number of issued payment cards	732,700	795,000	8.5%
Number of ATMs	388	398	2.6%
Number of Points of Sale	1,700	3,000	76.5%

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