

## PRESS RELEASE

Budapest, 28 February 2010

### Erste Bank: Positive results in 2010

Market shares grow, cost/income ratio improves further

**Budapest, 28 February 2011 – Despite an adverse external environment, Erste Bank Hungary Zrt. concluded the year 2010 on positive earnings. According to the preliminary, consolidated but non-audited flash report compiled in line with international financial reporting standards, total assets of the financial group amounted to HUF 2,984 billion, while operating results increased by 13 per cent to HUF 93 billion. With the earnings reported by group Treasury and local Corporate Division included, pre-tax profit registered HUF 6.17 billion at the end of last year.**

Regarding the performance the financial group delivered last year, Chairperson and CEO Ms. Edit Papp said the year 2010 was an extraordinary one for the entire banking sector in all respects, yet Erste Bank Hungary Zrt. managed to improve market positions despite an unfavourable business landscape. The bank increased its market share in the retail and corporate lending segments alike, and had a steady grip on its positions in both customer segments in the deposit market. Last year, the market share of the bank in the scope of retail loans and housing loans was 14.1 per cent and 17.3 per cent, respectively. The bank had an 8.7-percent share in the corporate lending market. The weight of the financial institution in retail and corporate deposits was 7.7 per cent and 7.1. per cent, respectively.

Operating result of the bank boosted by 13 per cent, amounting to HUF 93.1 billion at the end of 2010 in spite of the banking market having been decelerated by negative effects of the economic crisis at a considerable rate. Considering its 900,000-strong customer base and branch network of 184 units, Erste Bank continues to be regarded as one of the biggest retail banks in Hungary, advancing to 3<sup>rd</sup> place in terms of total assets, according to preliminary data.

In respect of the results, Ms. Edit Papp underlined that last year's earnings were impacted by two factors at an extraordinary rate. On the one hand, the implementation of the banking tax represented a HUF 14.7 billion extra cost for Erste Bank Hungary Zrt. in 2010, and on the other hand the ratio of non-performing loans and the related impairment increased at a rate that exceeded preliminary expectations. However, after-tax profit of the bank forged ahead into the positive territory despite those negative effects, amounting to HUF 109 million at the end of the year. \*

The implementation of the banking tax, further deceleration of the lending market, and a substantial amount of provisions had in fact forced the financial institution down an involuntary road which cumulated at the end of the year when the organisation and branch network of the bank had to be rationalised in order to ensure efficient operation. To offset impacts from an extraordinary economic backdrop and unfavourable conditions in external regulations, the bank continued cost-efficiency measures it had launched earlier. Consequently, the ratio of operating costs against operating income (cost/income ratio) improved further, rising 4.5 percentage points compared to the same period in the

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previous year and reaching 39.4 per cent at the end of the year, a ratio seen as comparative even in international standards.

Regarding Erste Bank's plans for 2011, the Chairperson and CEO has said successful management of negative external impacts has proven the suitability of the strategy of the bank, which concentrates business activities on the bank's core activity represented by services provided for retail customers as well as small and medium enterprises. "Despite an adverse regulatory environment, the financial institution continues to adhere to its objective of being a decisive player in the banking market, offering constantly enhanced services and financial solutions that concentrate on customer demand at all times," Chairperson and CEO Ms. Edit Papp concluded.

*\*(Data from Treasury and local Corporate Division are not included in the earning figures published in the press release of Erste Group AG)*

### Balance Sheet

<i>Consolidated, non-audited data according to IFRS</i>			
<i>in HUF million</i>	31.12.2009	31.12.2010	Change
<b>Assets</b>			
Cash and balances with central banks	129,571	111,594	-14%
Loans and advances to credit institutions	21,448	118,128	>100%
Loans and advances to customers	2,072,887	2,254,400	9%
Risk provisions for loans and advances	- 72,001	- 133,193	85%
Trading assets	376,055	191,851	-49%
Intangible assets	10,600	11,034	4%
Property and equipment	14,499	14,602	1%
Tax assets	2,328	3,416	47%
Other assets	347,268	412,504	19%
<b>Total assets</b>	<b>2,902,656</b>	<b>2,984,335</b>	<b>3%</b>
<b>Liabilities and equity</b>			
Deposits by banks	1,391,481	1,512,786	9%
Customer deposits	1,138,501	1,109,838	-3%
Debt securities in issue	30,751	24,382	-21%
Deferred tax liabilities	73,069	75,140	3%
Provisions	3,977	5,698	43%
Other liabilities	95,568	101,071	6%
Equity	169,308	155,420	-8%

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<b>Total liabilities and equity</b>	<b>2,902,656</b>	<b>2,984,335</b>	<b>3%</b>
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<i>Consolidated, non-audited data according to IFRS in HUF million</i>	<b>31.12.2009</b>	<b>31.12.2010</b>	<b>Change</b>
Net interest income	103,121	111,429	8%
Risk provisions	- 48,839	- 67,763	38.7%
Net fee and commission income	25,967	29,185	12%
Net trading result	18,259	13,083	-28%
General administrative expenses k	- 64,747	- 60,587	-6%
Other result	- 425	- 19,176	n.a.
<b>Pre-tax profit</b>	<b>33,337</b>	<b>6,172</b>	<b>-81%</b>
Taxes on income	- 9,771	- 6,120	-37%
Minority interests	44	57	29%
<b>After-tax profit</b>	<b>23,611</b>	<b>109</b>	<b>-100%</b>

<b>Operating result</b>	<b>82,601</b>	<b>93,110</b>	<b>13%</b>
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Cost/income ratio	43.9%	39.4%	-5%
Return on Equity (ROE)	14.8%	0.1%	-15%
Loans/ Non-performing Loans	7.6%	11.7%	4%

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