

PRESS RELEASE

Budapest, 1 March 2010

Erste Bank Hungary: Successful crisis management in 2009

Highlights¹:

Consistent performance despite of the extremely unfavourable external conditions and the economic and financial crisis:

- **Operating profit** rose by 38.7% from HUF 59,548 million to **HUF 82,601 million** supported by an increase in operating income by 22% from HUF 120,755 million to **HUF 147,348 million** and slow growth of administrative expenses up by only 5.8% to **HUF 64,747 million** from HUF 61,708 million.
- **Total assets** increased by 10.3% from HUF 2,630.5 billion at the end of 2008 to **HUF 2,902.6 billion**.
- **Cost/income ratio** has improved from 50.7% to **43.9%**.
- **Market share growth** in all retail segments: **retail lending: 13.3%, housing loans: 16.2%, retail deposits: 8.1%**.

Banking services for retail customers, as well as small and medium enterprises continue to be the main business focus. In the face of the crisis, Erste Bank was the first among Hungarian banks to ease loan payment conditions for customers in financial distress.

“We managed to reinforce its market positions in 2009 despite extremely unfavourable external conditions and the economic and financial crisis that crippled economies all over the world, indicating the success of measures implemented by the bank to contain the impacts of the crisis” – commented chairperson and CEO Ms. Edit Papp on the annual results of Erste Bank Hungary.

The financial institution managed to boost market share in the scope of savings and loans alike despite a heavy deceleration in banking market growth on the back of the economic crisis. Regarding its 900,000-strong customer base and branch network of 201 units, Erste Bank continues to be one of the largest retail banks in Hungary.

Performance overview

Despite of an extraordinary external landscape, Erste Bank Hungary delivered a consistent performance in 2009. According to the preliminary flash report compiled in line with international accounting standards, total assets of the financial institution increased by 10.3 per cent and amounted to HUF 2,902.6 billion at the end of the year. Pre-tax profit of the bank reached HUF 33.3 billion on 31 December 2009, down 23.9 per cent from one year earlier.

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

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Having been launched earlier, strict continuation of cost efficiency measures was one of the principal pillars of successful crisis management. The cost/income ratio improved further in 2009, registering 43.9 per cent, an improvement of 6.8 percentage points from the corresponding period in the preceding year. Operating profit rose by 38.7% to HUF 82,601 million. The 22% boost in operating income was driven by a 30.6% rise in net interest income and a surge of more than 100 per cent in trading income, while operating expenses increased by a mere 5.8 per cent.

The CEO has emphasised, Erste Bank Hungary refused to turn its back on customers even at times of crisis, consistently focusing on its core activities, lending and, at an increasing rate, deposit collection. Although the bank's pre-tax profit decreased due to a decision to increase provisions allocated for loan impairments primarily, a booming operating income made it possible for earnings to carry rising risk costs. As a result, the unfavourable impacts of the crisis were passed on by the bank on to customers at a small extent only.

Market share development

In the face of the crisis, Erste Bank was the first among banks in Hungary to ease loan payment conditions for customers in financial distress, at the same time continuing to strengthen its positions in the retail lending market, a segment that had shrunk considerably due to the crisis, by constantly remodelling its product range to meet new demands.

In terms of total assets, Erste Bank's market share in Hungary was 8.6% in 2009, up 0.8 percentage points from one year earlier. In the scope of retail loans the bank boasted a 13.3% weight in the market, and the corresponding figure in the scope of housing loans came in 16.2%. The portfolio of corporate loans demanded an 8.8% market share. In the scope of retail and corporate deposits, the financial institution had a market share of 8.1% and 6.5% respectively, at the end of last year.

Outlook

In reference to Erste Bank Hungary's plans for this year, the Chairperson-CEO has said the business activities of the financial institution will continue to concentrate on services provided for retail customers as well as small and medium enterprises. One of the pivotal objectives in 2010 is for the bank to stand by retail and corporate customers as a reliable partner in managing both the adverse effects of the crisis and their everyday finances.

"Erste Bank Hungary wants to remain an innovative player in the Hungarian financial market in 2010, as well by implementing new services and products that focus on customer demands" - Ms. Edit Papp concluded.

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Profit&Loss account:

<i>Consolidated, non-audited IFRS figures in HUF million</i>	2008	2009	Change
Net interest income	78,978	103,121	30,6%
Risk provisions for loans and advances	- 18,316	-48,839	>100%
Net fee and commission income	34,725	25,967	(25,2%)
Net trading result	7,052	18,259	>100%
General administrative expenses	-61,208	-64,747	5,8%
Other operating result	-285	-409	(43,8%)
Pre-tax profit	43,819	33,337	(23,9%)
Taxes on income	-11,425	-9,771	(14,5%)
Minority interests	-35	-44	
Net profit after minorities	32,359	23,611	(27,0%)
Operating income	120,755	147,348	22,0%
Operating expenses	-61,208	-64,747	5,8%
Operating result	59,548	82,601	38,7%
Cost/income ratio	50.7%	43.9%	

Balance sheet:

<i>Consolidated, non-audited IFRS figures in HUF million</i>	31.12.2008	31.12.2009	Change
Assets			
Cash and balances	32,912	129,571	>100%
Loans and advances to credit institutions	61,954	21,448	(65,4%)
Loans and advances to customers	2,014,164	2,072,887	2,9%
Risk provisions for loans and advances	-34,855	-72,001	>100%
Trading assets	262,085	376,055	43,5%
Intangible assets	10,936	10,600	(3,1%)
Tangible assets	15,131	14,499	(4,2%)
Tax assets	1,070	2,328	>100%
Other assets	72,725	59,243	(18,5%)
Total assets	2,630,447	2,902,656	10,3%
Liabilities			
Amounts owed to credit institutions	1,332,868	1,391,481	4,4%
Amounts owed to customers	945,888	1,138,501	20,4%
Debt securities in issue	18,754	30,751	64,0%
Trading liabilities	68,313	44,663	34,6%
Provisions	2,777	3,787	36,4%
Other liabilities	55,620	50,906	(8,5%)

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Total equity	153,196	169,308	10,5%
Total assets	2,630,447	2,902,656	10,3%

For information:

The Hungary segment of the press release published by Erste Group Bank AG contains data that basically refer to the results and performance of the divisions Retail and Small and Medium Enterprises. Figures regarding the divisions Group Markets and Group Corporate and Investment Bank are included in the relevant segments of the Erste Bank Group AG press release, separated from the Hungarian segment. Data concerning the Hungarian segment in the Erste Bank Group AG are as follows:

in EUR million	Hungary segment	
	2009	2008
Net interest income	353,6	298,7
Risk provisions	-170,8	-73,5
Net fee and commission income	86,2	130,7
Net trading result	29,9	4,5
General administrative expenses	-214,0	-223,8
Other result	-1,3	10,8
Pre-tax profit	83,5	147,4
Taxes on income	-25,7	-37,7
Net profit for the period	57,8	109,7
Average risk-weighted assets	4 761,8	4 674,8
Average attributed equity	393,3	320,9
Cost/income ratio	45,6%	51,6%
ROE based on net profit	14,7%	34,1%

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	End of period rates			Average rates		
	Dec 2009	Dec 2008	Change	2009	2008	Change
HUF/EUR	270,42	266,70	-1,4%	280,66	251,25	-11,7%

Positive change = appreciation vs EUR, negative change = depreciation vs EUR

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