



## PRESS RELEASE

Budapest, 14<sup>th</sup> February 2005

### **Erste Bank: Beyond HUF 1,000 billion**

**Budapest, 14<sup>th</sup> February 2005 – Erste Bank Hungary Rt. looks back on an extremely successful year. According to the preliminary, non-consolidated and non-audited flash report, the Bank's balance sheet total, reaching past the HUF 1,000-billion mark, amounted to HUF 1,114 billion at the end of 2004 and its pre-taxation earnings grew to HUF 6.1 billion. The financial institution merged with Postabank in record time, a mere nine months, at the same time increasing its market share in the retail and the corporate business line alike.**

Péter Kisbenedek, President and Chief Executive Officer of Erste Bank, explained that the two financial institutions has been forged into one in a singularly short time in the history of the Hungarian bank sector, and internal operations, invisible for customers but vital to providing services, were unified with a similar efficiency. The integration has had favourable effects on the Bank's business activities, as a result of which the Bank has boosted its share in a number of its major market segments. As an outstanding accomplishment in this past year, the successful completion of the integration and the dynamic increase of business portfolios were coupled with an extraordinary profitability that exceeded plans by much. All these reflect that the synergies and the profit advantage, ensured by the size that the integration brought about even at group level, were put to good use already in the year of the integration.

In comparison to the basis figure (taking the data of Erste Bank and Postabank for the year 2003 into account in a consolidated way), the balance sheet total of Erste Bank increased by 18 per cent, stepping over the HUF 1,000-billion mark. Compared to the basis, receivables due from customers boosted 24 per cent in one year, overshooting the target figure. The rise was driven by retail loans, among them housing loans in particular, producing an increase of 31 per cent annually. The portfolio of corporate loans grew by 23 per cent in one year, exceeding plans to a significant extent.

The portfolio of total liabilities toward customers also expanded during 2004. In line with current trends, customers' savings were successfully diverted to more up-to-date savings forms in the market of retail deposits. As a result, however, the portfolio of retail deposits decreased somewhat, but at the same time the portfolio of investment funds managed by the bank group experienced an explosive boost of nearly HUF 70 billion, driving the total of the portfolio up to HUF 90 billion. The balance of the two processes (the decline of deposits and the increase of investment notes) eventually turned out to be favourable, with the 'net'

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increase amounting to HUF 16 billion in 2004. At closing date, the portfolio of corporate deposits reflected an increase of 21 per cent in comparison to the basis, matching the plans for the year.

Mr. Péter Kisbenedek underlined the greatest achievement of the integration, the fact that the Bank's earnings had developed much better than expected. The pre-taxation earnings of the Bank exceeded HUF 6 billion rather than settling for the planned zero profit. A number of factors contributed to this outstanding accomplishment. The operating income of the Bank increased by 38 per cent (HUF 17 billion) in comparison to the basis. In addition to a 27-percent boost in the net interest earnings, the net commission income produced an over-forty-percent annual increase again. The dividend income, originating from the successful operation of the other members of the bank group (the leasing company and the investment bank primarily), improved the Bank's earnings significantly, by more than HUF 2 billion.

A dynamic expansion in operational income was accompanied by a much smaller increase of operational expenses. Last year, operational costs increased by 4 per cent, or a mere HUF 1.5 billion only. Representing one of the reasons why the Bank's earnings exceeded expectations, the costs of the integration had developed very favourably as a result of managing the bank merger in a professional manner. The fact that provisions allocated for severance payments and reorganisation costs at the end of 2003 proved to be sufficient also contributed to the extraordinary success achieved by the Bank in the year 2004.

### **Background data (31<sup>th</sup> December 2004)**

Number of branch offices	(units)	142
Number of ATMs	(units)	331
Number of POSs	(units)	646
Number of employees	(staff)	2,162

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