

PRESS RELEASE

Budapest, 28th February, 2008

Erste Bank's net profit rose by 16.1% to HUF 21,1 bn

Below stated financial results of Erste Bank Hungary are unconsolidated, non-audited business results and calculated in accordance with the Hungarian Accounting Standards (HAS) as of 31 December 2007. If not stated otherwise, the 2007 figures are compared to the figures as of 31 December 2006. Erste Bank Group evaluates its financial results primarily according to the International Financial Reporting Standards (IFRS).

FINANCIAL HIGHLIGHTS AS OF 31 DECEMBER, 2007

- **Operating profit** increased by 14.4% from HUF 24,260 million to **HUF 27,760 million**.
- **Net interest income** increased by 7.8% from HUF 55,008 million to **HUF 59,315 million**.
- **Net fee and commission income** increased by 10.6% from HUF 16,595 million to **HUF 18,349 million**.
- **Net profit after tax** rapidly rose by 16.1% from HUF 18,196 million to **HUF 21,123 million**
- **Total assets** increased by 13.0% from HUF 1,764.1 billion to **HUF 1,994.3 billion**.
- **Loans to clients** increased by 15.8% from HUF 1,304 billion to **HUF 1,510.2 billion**.
- **Liabilities to clients** rose by 8.9% from HUF 795,106 million to **HUF 866,215 million**.

Erste Bank Hungary had a profitable 2007: according to preliminary unconsolidated and non-audited figures prepared according to Hungarian Accounting Standards (HAS), total assets rose by 13% to HUF 1,994 bn and the after-tax profit rose by 16.1 % from HUF 18.2 bn to HUF 23.4 bn. The bank's share of the market for retail loans rose to 11.1%, and its share of the market for retail deposits including investment units rose to 12.1 %.

Chairman-CEO Edit Papp said Erste Bank Hungary maintained its position among Hungary's large banks in spite of seriously deteriorating macro-economic conditions and sweeping market changes, while its net profit rose faster than the market average. Greater profits were largely due to a 10% increase in operating profits accompanied by a drop in operating costs. The ratio of costs to revenues has improved steadily over the past three years: in 2007 the ratio was 52.0% compared to 54.8% at the end of 2006.

Net interest income rose 7.8% from HUF 55.0 bn to HUF 59.3 bn. Net fee and commission income rose by 10.6% from HUF 16.6bn to HUF 18.3bn. Profits on core activities rose 14.4% from HUF 24.2 bn to HUF 27.8 bn, while general management costs rose by little over 2 %. The bank's 2007 pre-tax profit was in line with expectations: pre-tax profit rose by 8.4 % from HUF 25.6 bn to HUF 27.7bn, while the net profit after tax surpassed the expectations by 16.1% from HUF 18.2 bn in 2006 to HUF 21.1 bn in 2007.

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Speaking on the 2007 figures, Ms Papp said the bank kept growing, even though the competition intensified and margins narrowed rapidly. She added that Erste Bank Hungary remained one of the leading banks of the Hungarian market in terms of its efficiency and profitability. The increase in total assets of 13% or HUF 230bn was almost entirely due to a rise in loans to clients, primarily due to a HUF 142bn rise in mortgage lending. The bank's stock of retail loans amounted to HUF 657.4 bn at the end of 2007, up by 32.5% from HUF 503.4bn a year before. Retail deposits rose by 23.1% from HUF 353.6 bn in 2006 to HUF 435.2 bn by the end of 2007. Retail deposits including investment units amounted to HUF 771.2bn at the end of 2007, rising by 21.2% from HUF 677.3bn.

Speaking on the bank's plans for 2008, Ms Papp said the bank would continue to focus on retail and SME services. A fundamental goal will be to finalize the process of ensuring that the bank's products perfectly meet clients' needs and are even more accessible in the future. The bank has launched a series of special offers to achieve these aims: the discount loans were further developed; the bank charges no commission (no handling fee, no disbursement commission, no appraisal cost, no deed query charge) on Swiss franc-denominated freely used mortgages with a six-month interest period. The bank's large scale branch network development program is drawing to a close. By now the bank's services are available in all corners of the country through the bank's network of 196 branches. The bank will continue to extend its network to 210 branches by the end of the year. Above the branch network clients have access to online financial services through the network of 324 post offices due to the Erste Bank's strategic cooperation with Magyar Posta. Furthermore, the role of alternative sales channels (the bank's network of agents and online 'klikkbank' services through the Origo website) will be further enhanced.

Erste Bank Hungary will enhance its focus on mortgage lending and deposits on the retail market, and on SMEs, local councils and EU funding projects on the corporate market, Ms Papp said. The bank targets to increase its market share in SME lending to 15% from the current 8% and to increase the retail lending market share from the current 11-13% to 20%.

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Selected data from un-audited, non-consolidated Balance Sheet in accordance with the Hungarian Accounting Standards (HAS) in HUF million	31.12.2006	31.12.2007	Change in %
Assets			
Financial assets	59,234	63,742	7.6%
Loans to financial institutions	72,845	126,783	74.0%
Loans to clients	1,304,070	1,510,258	15.8%
Securities constituting credit	17,580	44,547	253.4%
Other assets	32,902	29,989	-8.9%
TOTAL ASSETS	1,764,109	1,994,303	13.0%
Liabilities			
Liabilities to financial institutions	719,771	864,832	20.2%
Liabilities to clients	795,106	866,215	8.9%
General reserves	5,037	7,384	46.6%
Profit reserves	21,055	30,704	45.8%
TOTAL LIABILITIES	1,764,109	1,994,303	13.0%

Selected data from un-audited, non-consolidated Profit & Loss Account in accordance with the Hungarian Accounting Standards (HAS) in HUF million	31.12.2006	31.12.2007	Change in %
Net interest income	55,008	59,315	7.8%
Net fee and commission income	16,595	18,349	10.6%
Other income from business activities	6,670	9,209	38.1%
General administrative costs	44,239	45,276	2.3%
Pre-tax profit	25,583	27,724	8.4%
General provisions, reserves	2,022	2,347	16.1%
NET PROFIT AFTER TAX (before dividends)	18,196	21,123	16.1%

Selected indicators of banking activities	31.12.2006	31.12.2007	Change in %
Number of branches	182	196	7.7%
Number of employees	2,542	2,609	2.6%
Number of Tele Banking customers	467,000	559,400	19.8%
Number of Net Banking customers	79,800	116,700	46.2%
Number of issued payment cards	678,000	732,700	8.1%
Number of issued credit card (within the payment cards)	32,100	53,000	65.1%
Number of ATMs	366	388	6.0%
Number of Points of Sale	1,100	1,700	54.5%

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