

PRESS RELEASE

Budapest, 15th August, 2008

Erste Bank Hungary: strong net profit growth

Operating costs fall, while lending remains motor of growth

FINANCIAL HIGHLIGHTS AS OF 30 JUNE, 2008 ACCORDING TO IFRS¹

- **Net profit** rapidly rose by 47.7% from HUF 9,754 million to **HUF 14,411 million**.
- **Net interest income** increased by 20.6% from HUF 30,100 million to **HUF 36,287 million**.
- **Net fee and commission income** increased by 15.9% from HUF 14,887 million to **HUF 17,257 million**.
- **Total assets** increased by 2.4% from HUF 2,086.5 billion at the end of 2007 to **HUF 2,137 billion**.
- **Cost/income ratio** has improved from 59.4% to **54%**.
- **Return on equity** rose from 16.8% in financial year 2007 to **21.5%**.

Speaking on the bank's H1 results, chairman-CEO Edit Papp said the bank maintained its position among the country's major banks in spite of continuing unfavourable macro-economic conditions and market changes, and that Erste Bank increased its profits at a pace faster than the market average. *"Key to the bank's success was a 16.9 per cent increase in operating revenue, as well as strict cost management"* - Ms Papp said. Cost/income ratio has improved steadily in the recent period, reaching 54 per cent in H1 2008, an improvement of 5 percentage points compared to the same period last year. The 20.6 per cent increase in net interest income was the motor of growth, while income from commissions rose by a substantial 15.9 per cent. Erste Bank's share of the market for retail loans was 11.4 per cent, while it controlled a 6.2 per cent share of the market for retail deposits excluding investment units.

Ms Papp said the bank remained on a path of growth in spite of increasing market competition, a firmer forint and higher financing costs, while in terms of efficiency and profitability Erste Bank remained one of Hungary's leading banks. IFRS net profit amounted to HUF 14.4bn, 47.7 per cent up from the same period last year. ROE was 21.5 per cent at the end of the period. The HUF 50bn increase in total assets was almost entirely due to an increase in lending. Loans to clients rose by close to 20 per cent, primarily on the back of increased retail lending. Lending rose even faster in exchange rate-adjusted terms, due to the firm forint.

¹ The IFRS figures included are part of the Erste Bank Hungary parent Erste Bank AG's consolidated report published on 30th July, 2008 and correspond fully to the figures reported to the parent.

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*“Erste Bank will continue to focus on services provided to retail clients and SMEs” - Ms Papp said speaking on the bank’s plans for this year. “A basic goal this year is to make Erste Bank’s products even more accessible and practical for clients and to ensure that the bank appears on the market as a universal financial services provider” – she added. The bank’s large-scale branch network development program is nearing its completion: by now the bank’s services are available throughout the country in 200 branches. Due to the strategic partnership with the Hungarian mail Magyar Posta, the bank’s services are available online in additional 326 post offices, while alternative sales channels (the network of lending agents and the online bank *klikkbank* available through the [origo] website) are further strengthened.*

In the medium-term Erste Bank will continue to pursue a strategy of expansion and a spot among Hungary’s leading banks. The bank aims to increase its share of the market for retail loans from the current 11 per cent to 20 per cent, and to achieve a 15 per cent share of the market for SMEs in the coming years. The bank is planning to launch numerous deposit products which are expected substantially to increase its share of the market for retail deposits from its current level of 6 per cent excluding investment units. On the corporate market the bank will focus on the SME segment, local councils and EU development funding, Ms Papp said.

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APPENDIX

Profit&Loss Account:

<i>Consolidated, non audited IFRS figures in HUF million</i>	30.06.2007	30.06.2008	Change %
Net interest income	30,100	36,287	20.6%
Risk provisions for loans and advances	-5,538	-7,555	36.4%
Net fee and commission income	14,887	17,257	15.9%
Net trading result	5,091	4,977	-2.2%
General administrative expenses	-29,760	-31,607	6.2%
Other operating result	-2,804	304	n.a.
Pre-tax profit	12,052	19,664	63.2%
Taxes on income	-2,275	-5,229	>100%
Minority interests	-23	-24	6.6%
Net profit after minorities	9,754	14,411	47.7%
Cost/income ratio	59.4%	54%	
Return on equity	16.8%	21.5%	

Balance sheet:

<i>Consolidated, non audited IFRS figures in HUF million</i>	31.12.2007	30.06.2008	Change %
Assets			
Cash and balances	63,742	65,311	2.5%
Loans and advances to credit institutions	131,489	45,738	-65.2%
Loans and advances to customers	1,519,117	1,596,149	5.1%
Risk provisions for loans and advances	-25,328	-28,710	13.4%
Trading assets	80,316	135,130	68.2%
Intangible assets	10,189	9,723	-4.6%
Tangible assets	18,348	16,308	-11.1%
Tax assets	2,120	2,314	9.2%
Other assets	47,217	62,829	33.1%
Total assets	2,086,487	2,137,040	2.4%
Liabilities			
Amounts owed to credit institutions	873,566	960,157	9.9%
Amounts owed to customers	941,521	854,684	-9.2%
Debt securities in issue	20,644	20,263	-1.8%
Trading liabilities	22,879	68,597	>100%
Provisions	1,945	1,344	-30.9%
Other liabilities	52,728	56,198	6.6%
Total equity	130,906	135,250	3.3%
Total assets	2,086,487	2,137,040	2.4%

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