6^{th} Capital Markets Day

12 December 2008, Vienna

Solid performance in a challenging economy

Edit Papp, CEO, Erste Bank Hungary

Doing business in Hungary

Attractive economy evidenced by high capital investments/EU funds and World Bank recognition

- Since 1990, 2nd in inflow of FDI per capita (EUR 6,981) in CEE
- By end-2007, 1st in CEE in EU-funds called from the 2004-2006 program period (82% or EUR 2.2bn)
- Hungary moved up from position 50 to 41 in World Bank's 2008 'Ease of Doing Business' ranking of 181 countries
- Many multinationals relocate shared service centers to Hungary

Sound market infrastructure and institutions

- Legal environment advanced
- Communication and technological infrastructure developed
- Central geographical position in CEE – hub effect in logistics
- Improving macroeconomic imbalances

Recent improvements in setting up new businesses

- Incorporating a firm down to 5 days
- Electronic state administration of enterprises compulsory
- Full taxation process electronic
- Land registry reform

Presentation topics

- **Hungarian macroeconomic environment**
  - Addressing the impacts of the financial crisis
  - Contraction in 2009
  - Convergence to Maastricht criteria on track

- **Banking market developments**
  - Loan and deposit growth expected
  - End of CHF-lending, EUR in focus
  - EBH maintains strong position

- **EBH position and strategy**
  - Financial highlights
  - Focus shifts to EUR-based loans
  - Higher provisioning to reflect cautious risk approach
  - Spotlight on deposit collection
  - Post is on right track for effective deposit collection

Macroeconomic environment – Addressing the impacts of the financial crisis

International financial crisis impacted Hungary in two areas

- High volatility of the HUF versus the EUR and CHF
- Risk of government solvency problems due to illiquid bond market

IMF, World Bank and EU agreed with Hungary to introduce an EUR 20bn package

- Aim is to boost economy and restore confidence
- EUR 2.4bn to support commercial banks
- Fully covers Hungary's short-term foreign debt

Government and Central Bank actions taken so far

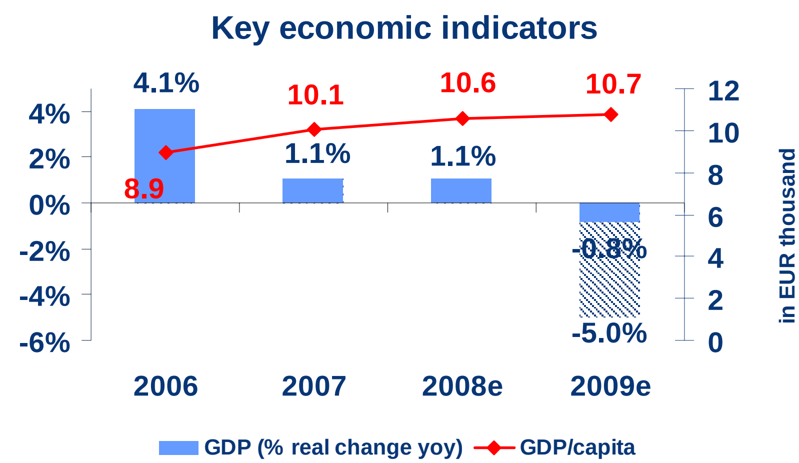
- New austerity package introduced
- Rate cuts started shortly after 300 bps base hike in October turmoil – currently at 10.5%
- Reserve requirement eased from 5% to 2% adding HUF 300-400bn (EUR 1.1-1.5bn) liquidity to the system

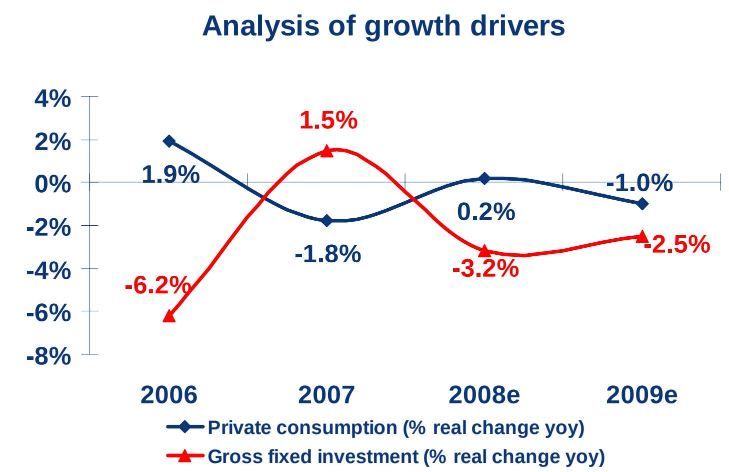
Due to these actions, Hungary on track to reach most Maastricht criteria by 2010

- ERM II possible already 2009
- EUR adoption may come sooner (2012-2013) than originally expected

Macroeconomic environment – Contraction in 2009

- **Real GDP to shrink next year**
  - Export driven economy with significant exposure to EU countries especially Germany
  - Low domestic consumption
  - Corporate investments on halt
- **Unemployment to rise slightly (7.8%->8.2%)**
  - Decrease in private, stagnation in public sector
  - Impact partly offset through continuing investments by multinational manufacturers, service centers
- **Improving imbalances create base for recovery**
  - New austerity package drives down budget deficit below 3% by next year
  - Room for targeted tax cuts
  - Tax cuts contribute to revive consumption

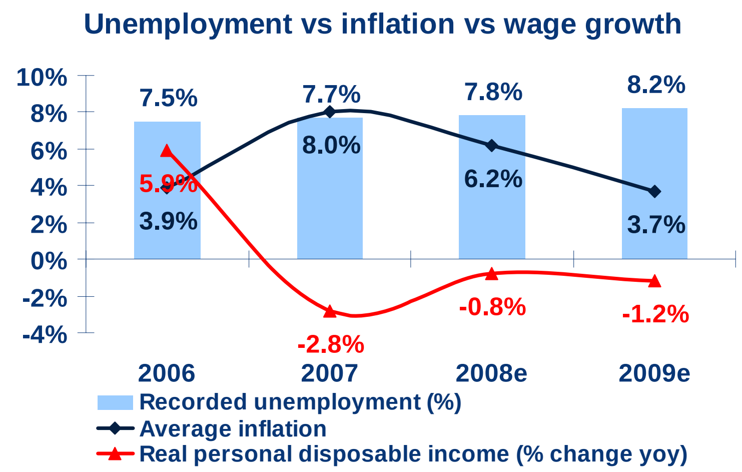


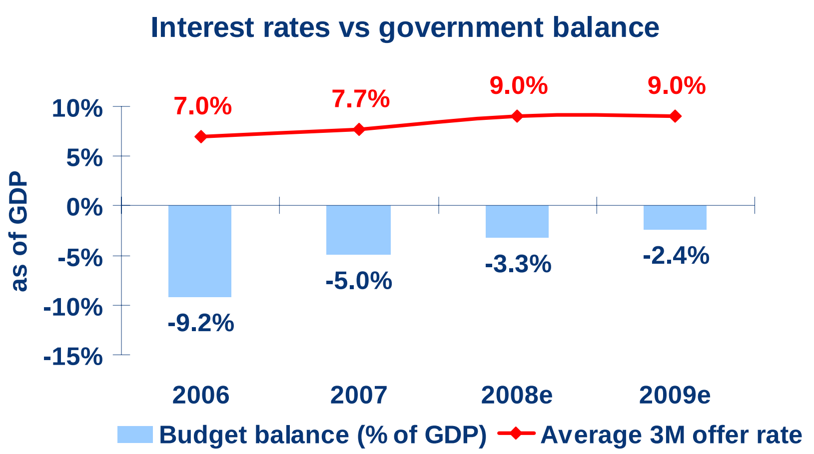


Source: Erste Group Research

Macroeconomic environment – Convergence to Maastricht criteria on track

- **Inflation continues to decline**
  - Inflation reached 5.7% y/y in September
  - Falling oil, stable food prices
- **External debt to be key issue**
  - External debt amounted to 97% of GDP in 2Q, of which 16% is short term fully covered by central bank reserves
  - Public debt to GDP at 66%, on track to 60% criteria
- **Budget deficit (3.3% in 2008) on track to 3% criteria**
- **Interest rates expected to slowly decline**
  - After 300 bps rate hike, central bank started an easing cycle
  - Bond yields slightly falling as confidence gradually returns
- **Current account deficit has decreased significantly**
  - Due to austerity package introduced in 2006
  - FDI inflows covered 80% of current account deficit in 2007





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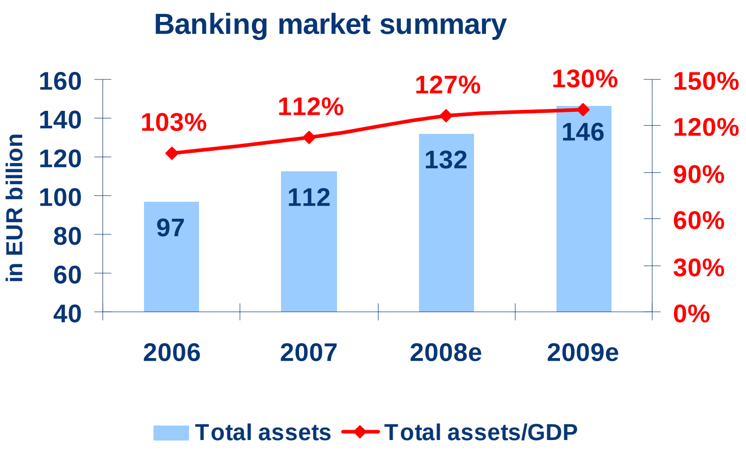
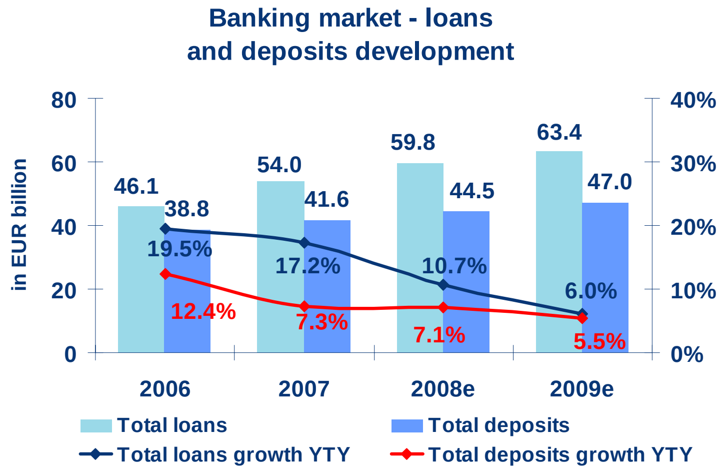
Banking market –
Loan and deposit growth expected

- **Banking asset penetration low compared to Western Europe**
  - Banking asset penetration has increased by over 10% points in recent years
  - Loans to GDP at 61% (USA 172%, Germany 126%)
  - Market has been driven by FX-based retail loans, slowdown is expected in total loan growth from end-2008

- **Savings market expected to be flat**
  - Deposits to GDP at 48%
  - Increased only 6% points since 2003
  - Shift from investment funds to bank deposits due to higher interest rates is already visible
  - As opposed to loans, vast majority is LCY-based

- **Overall earnings of banks to decrease**
  - Lower loan growth
  - Pressure on margins
  - Competing for deposits at loss making pricing
  - Higher risk costs





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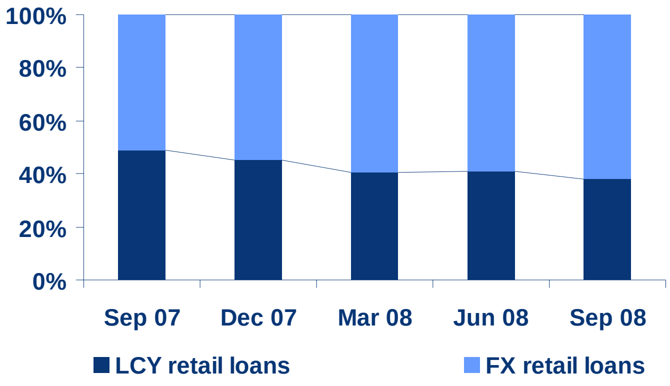
Banking market –
End of CHF-lending, EUR in focus

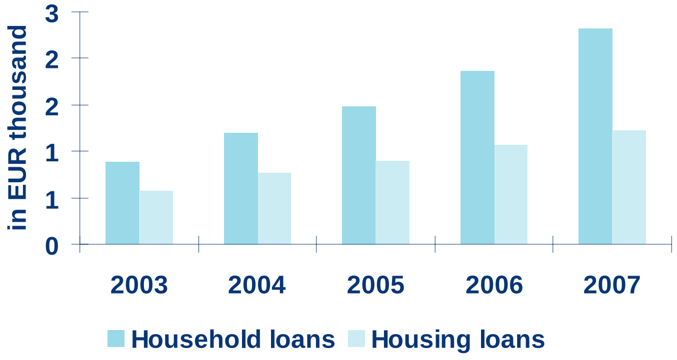
- **Main banks have stopped or limited CHF-based lending**
  - EUR loans to dominate, HUF is only likely for shorter-term personal loans
    - More than 90% of newly placed housing loans were CHF-based due to interest rate differential
    - More than 50% of outstanding retail portfolio is FX-based
    - Avg. EUR-based loan monthly installment is half of that of HUF-based
  - Loan growth will moderate from former high levels to around 6% in 2009

- **Per capita indebtedness: significant growth but still at moderate levels**
  - Household loan indebtedness more than doubled since 2003
  - Significant room for growth compared to Western-European levels (household debt to GDP at ~25% vs 60-100% in WE)

Banking market - FX share in retail lending

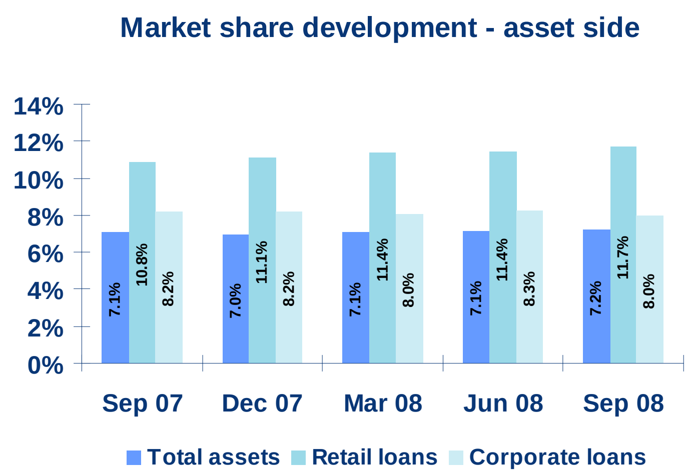


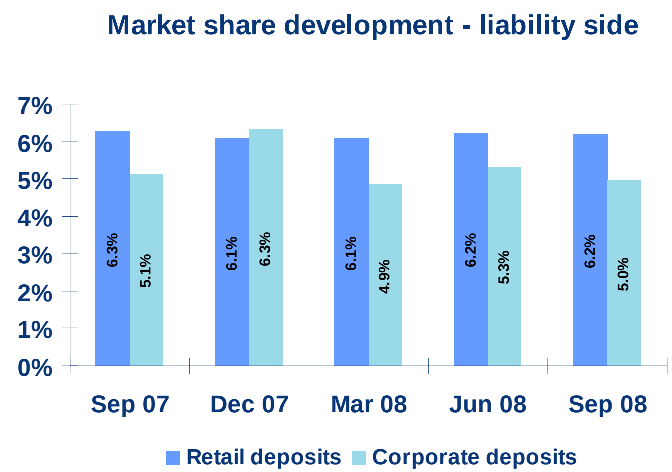
Per capita indebtedness



Banking market –
EBH maintains strong position

- **Largest players by total assets**
  - OTP, CIB (Intesa SanPaolo), KH (KBC), MKB (Bayerische LB)
- **EBH has second largest customer base**
- **Current market shares**
  - Total assets: 7.2%
  - Customer loans: 10.0% (FX: 12.0%)
    - Retail loans: 11.7%
  - Customer deposits: 5.9%
    - Retail deposits: 6.2%
- **Excellent network coverage**
  - 200 branches
  - 27 Commercial Centers for SME clients
- **Alternative sales channels**
  - Leveraging 325 -strong network of post offices
  - Extensive agent network
  - Origo Klikkbank (online banking)





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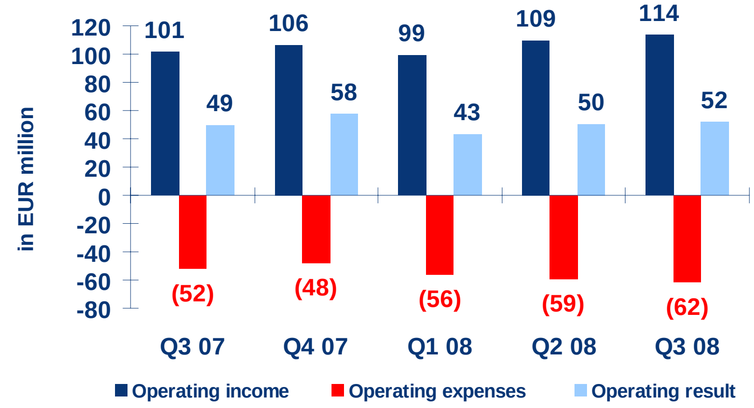
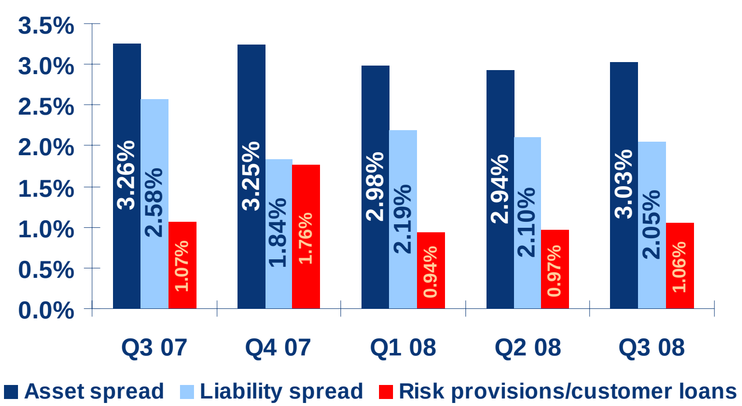
Position and strategy – Financial highlights

- **Operating income increasing 17% in YTD 1-9 2008 vs 2007**
  - NII driven by high demand for retail loans
  - Commission income driven by payment and lending fees
- **Operating expenses under strict cost control**
  - CIR (54.9% in 1-9 08) has been declining
- **Risk costs have increased in line with loan growth and cautious provisioning**

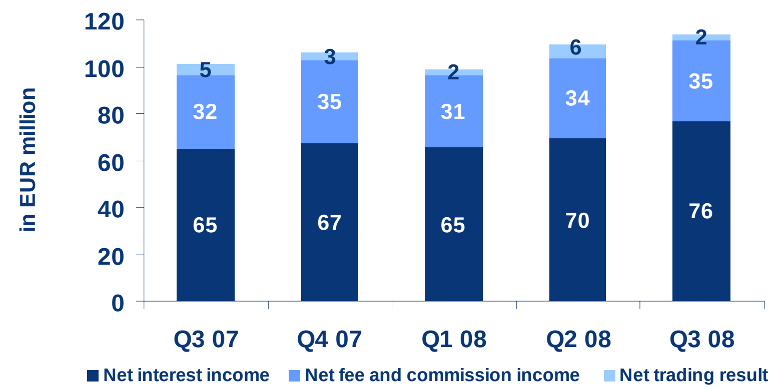
Segment operating performance



Quarterly spreads vs risk costs

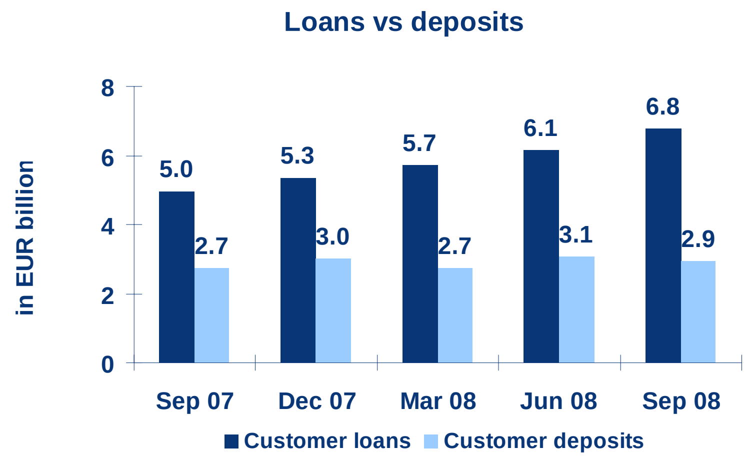


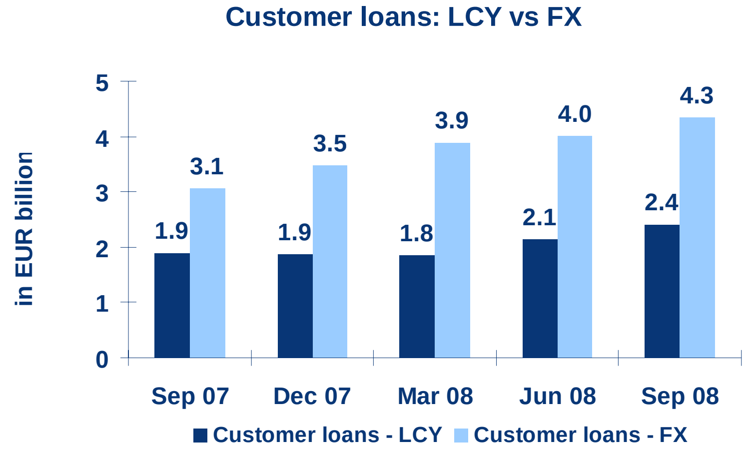
Operating income per quarter



Position and strategy – Focus shifts to EUR-based loans

- **Loan growth has been outpacing deposits**
  - Main drivers have been housing and free utilization mortgage loans
  - More than 90% of newly placed mortgage loans were CHF-based due to very attractive monthly installments
  - Loan to deposit ratio at 200%, higher than market average
  - Fair LTVs (65-70% average in retail segment)
- **EUR-based loans will be in spotlight**
  - CHF lending will be completely outpriced
  - EUR lending is still much more attractive than HUF loans due to interest rate differential
  - HUF may be more prevalent in personal loans
- **Slowdown expected in loan growth**
  - Avg. loan growth is expected to be single digit in 2009, somewhat lower than in the previous year (20%)

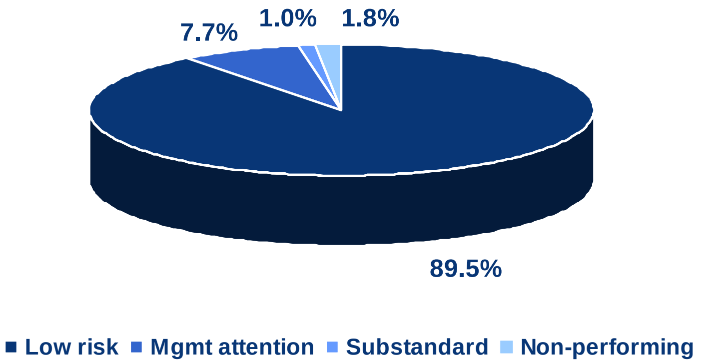




Position and strategy – Higher provisioning to reflect cautious risk approach

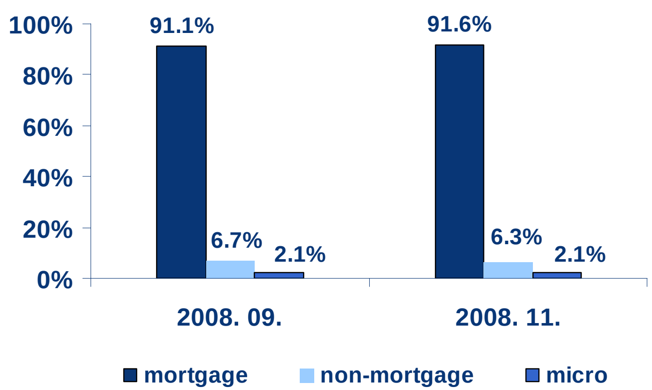
- **Portfolio quality set to worsen**
  - Deterioration is expected in retail segment
    - Due to rise in unemployment
    - Extreme weakening of HUF would adversely increase debt burden (sensitivity analysis indicates significant impact at 320 HUF/EUR)
  - Corporate segment
    - Already weaker since austerity package was introduced in 2006
    - In current situation EU export related companies will also come under pressure

Segment Hungary: Credit risk by class (Q3 08: EUR 7.5 bn)



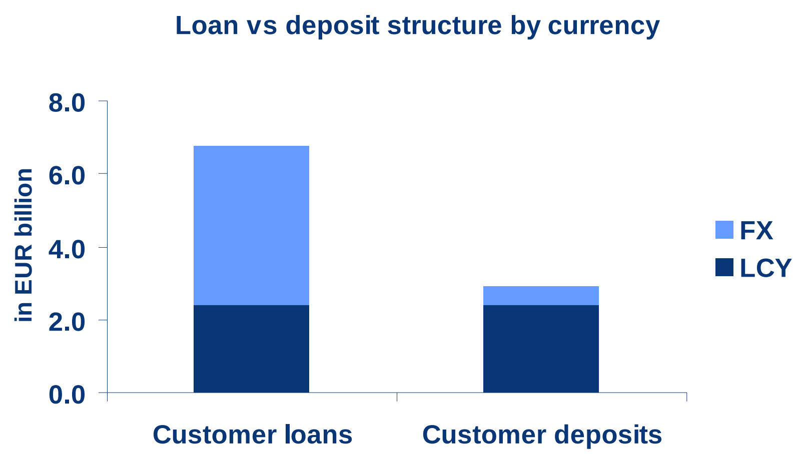
- **But portfolio will show robustness in economic downturn**
  - Avg. retail client has higher income than country avg.
  - Protection afforded by high level of collateralisation in all segments

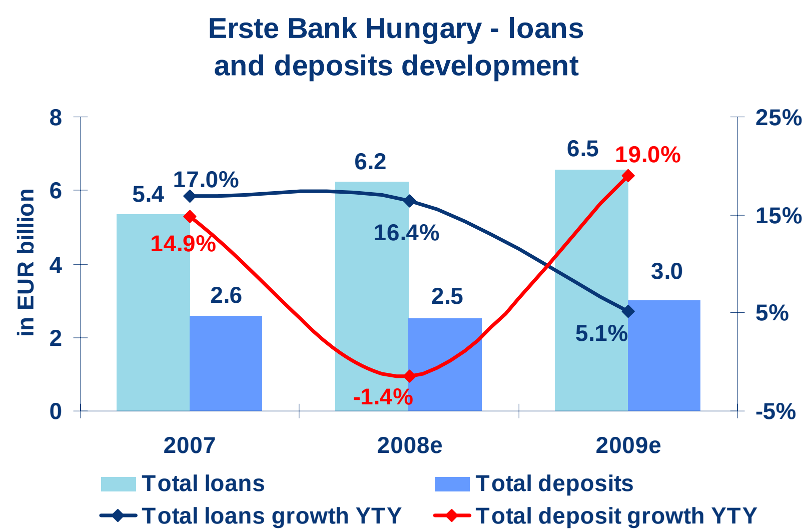
Structure of the retail portfolio



Position and strategy – Focus on deposit collection

- **Deposit growth has been in line with market trends**
  - FX deposits are insignificant compared to FX loans
- **Deposits expected to increase by 19% in 2009**
  - Up from -1.4% in 2008
  - Shift from investment funds to deposits
- **Focus will be on deposit taking**
  - More intense focus on deposit collection through Hungarian Post network
  - Strengthen private banking activities to collect funding and fees
  - Client activation
  - Deposit campaigns with strong marketing support
  - Conversion of leaking mutual fund volume into deposits and guaranteed structured notes





Position and strategy –
Post is on right track for effective deposit collection

- **2004: Strategic agreements were signed**
- **2005-2006: network expansion**
  - Online network has been extended to 325 post offices (2005: 248 post offices)
- **2006-2007: focus on increasing sales volumes**
  - Successful launch of consumer loans
  - Credit card was introduced in June 2006
  - Increasing number of new clients
- **Volume of investment funds is encouraging**
- **Focus will be on deposit collection**
  - 15% of local retail savings is from Post sources, of which 45% are deposits
  - Number of postal current accounts are growing rapidly, amounting to 154,854 in September 2008 (21% growth YoY)
- **Contribution of Postal revenues is expected to increase within retail**