



ANNUAL REPORT 2010

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Key figures, ratings

Key figures of Erste Bank Hungary

for the annual report, dated 31st December 2010, based on audited, consolidated annual figures according to Hungarian Accounting Standards

in million HUF		
Profit and loss account	31.12.2009	31.12.2010
Operating income	532,196	490,022
Operating expense	509,681	482,643
Operating result	22,515	7,379
Pre-tax profit	22,189	7,196
After-tax profit	18,372	5,653
Net profit	2,631	5,180

Balance sheet	31.12.2009	31.12.2010
Total assets	2,845,190	2,986,259
Loans to customers	1,905,672	2,017,825
Amounts owed to customers	1,135,072	1,114,594
Equity	140,784	146,441

Cost/Income ratio	45.16%	39.35%
Return on Assets (ROA)		
Pre-tax profit / Asset worth	0.78%	0.24%
After-tax profit / Asset worth	0.65%	0.19%
Return on Equity (ROE)		
After-tax profit / Equity	13.05%	3.86%
Number of employees	3,214	3,184
Number of corporate trade centres	23	23
Number of retail branches	204	184

Ratings of Erste Bank Hungary

Moody's:	Long-term	Ba1
	Short-term	NP
	Financial strength	D-

Dear Customers, Partners and Shareholders,



The year 2010 was all about extraordinary economic and regulatory conditions for the entire banking sector. The prevalent after effects of the economic crisis were major determinants in economic processes, and also the new government, which was elected in spring, altered the regulatory environment by a considerable extent. Abolishing forex lending and imposing new bank tax made a heavy mark on the performance of the entire sector throughout 2010.

In spite of all those adverse external effects, Erste Bank Hungary concluded the year with positive results and even managed to enhance its market position. The financial institution increased market shares in retail and corporate lending alike, while retaining its positions in both customer segments of the

deposit market. In the scope of retail lending, the bank boasted a 14.1 per cent market weight at the end of the year, and 17.32 per cent in the niche of housing loans. In the field of corporate loans, the bank owned 8.73 per cent of the market. The financial institution's market shares in retail and corporate deposits were 7.7 per cent and 7.05 per cent, respectively.

The bank's performance was affected in an extremely adverse way last year. On the one hand, the implementation of the banking tax turned out to be a HUF 14.7 billion obligation for Erste Bank Hungary in 2010 and, on the other hand, the ratio of non-performing loans and the extent of provisions increased at an unexpected rate. I consider it an important achievement, however, that the after-tax profit of the bank remained positive in spite of all those adverse effects.

The key to our success in 2010 was again our commitment to continue our efforts in cost efficiency, which had been launched previously, in order to counterbalance an extraordinary economic and regulatory landscape. As a result, the ratio of operating costs versus operating income (cost/income ratio) improved further, reaching 39.4 per cent, an outstanding figure even by international standards. This represented an improvement of 4.5 percentage points compared to the corresponding period in the previous year.

Still, the implementation of the banking tax, additional heavy deceleration in the lending market,

and considerable provisions actually forced us into an impossible situation by the end of the year. In order to ensure efficient operation, rationalisation measures in the organisation and the branch network had to be implemented.

An extremely harsh year is behind us, and even though the financial markets are gradually calming down and the negative impacts of the crisis are dwindling, we are still facing numerous uncertainties. What is certain, however, is that our strategy, which concentrates our business activity on services provided to retail customers, as well as small and medium enterprises, and focuses on the core activities of the bank, has proven to be the right choice, as it has managed to cope with the adverse effects of the crisis with outstanding success.

The objective of Erste Bank Hungary remains clear and unambiguous: to prevail as one of the decisive players in the banking market by offering ever-improving services and financial solutions that always put the customer's needs first.

A handwritten signature in black ink, appearing to read 'Papp Edit', with a stylized, looped flourish at the end.

Ms. Edit Papp
Chairperson and CEO

CSR activity

A significant part of Erste Bank Hungary's strategy is actively taking part in issues concerning society, supporting communities and promoting those interesting and valuable initiatives that are deemed remarkable by the bank.

Financial Information for Youth – www.penzugyikisokos.hu

Since autumn 2009, Erste Bank Hungary has been making efforts to increase the financial awareness and know-how of youth in unique ways. Experts from the bank visit schools and give students interactive lectures about basic finances that are designed for youth between 10 and 18 years of age. The lectures cover topics such as what savings and loans are, how to use bankcards, how to apply for a student loan, and what pension savings (retirement plans) are. In addition to these core topics, the bank's experts discuss with the kids what to watch out for when making financial decisions.

Charity

The charity activity of Erste Bank is primarily focused on helping youth, improving the living standards of our underprivileged fellow human beings, retaining a healthy lifestyle and preventing disease. In addition to financial donations, Erste Bank often gives donations of items or the expertise and time of its colleagues to help the needy through social work.

SOS Children's Village

Erste Bank has been a golden grade sponsor of SOS Gyermekfalu [SOS Children's Villages] for years. Beyond cash donations, the bank supports the villages by providing other assets (such as furniture and

computers) so that children living in the SOS villages shall not be in want of anything. Additionally, the bank makes sure they spend the summer pleasantly: each year, the residents of the villages can spend some days in the holiday resort of the bank at Lake Balaton.

Hungarian Red Cross

Financial donation from Erste Bank made it possible for Magyar Vöröskereszt [Hungarian Red Cross] to purchase the first mobile blood donation unit in Hungary. This truck ensures easy access to all, who intend to donate blood across the country. The truck is available on multiple occasions each year to Erste employees working in the headquarters of the bank, contributing to an uninterrupted blood supply.

Maltese Charity Service

A joint commitment by Erste Bank and Magyar Posta [Hungarian Post], a specially equipped truck offers free cervical cancer screening to ladies living in various small communities across the country. In 2010 nearly 2,000 women made use of this opportunity.

International Children's Safety Service

The Nemzetközi Gyermekmentő Szolgálat [International Children's Safety Service] works to ensure health and support for tens of thousands of children each year. For years, the bank has provided support for this organisation in securing the conditions and funding required for operation. Renovation of one of the training facilities in the hippo therapy centre of the organisation in Fót was carried out with the bank's support in 2009.

Hungarian Interchurch Aid

As in recent years, in 2010 Erste Bank spent the amount designed for Christmas presents on charity, providing winter clothing for the children of flood victim families in the micro region of Szendrő in collaboration with Magyar Ökumenikus Segélyszervezet [Hungarian Interchurch Aid].

Erste Aid

Within the initiative Erste Segély [Erste Aid], employees of the bank transferred more than HUF 5 million to a dedicated account established to aid flood victims. This amount was then complemented to HUF 10 million by the bank. This donation represented a direct contribution by the bank and its employees to the restoration works in Köröm, Sajóhídvég and Szendrőlád, three villages in Borsod county affected by the floods, and to the renovation project of the kindergarten in Ináncs.

The employees of the bank also gave as much as they could afford to support the victims of the red sludge disaster. As a result of a donation campaign, nearly HUF 2.5 million was collected. With the involvement of the Magyar Vöröskereszt [Hungarian Red Cross], the amount was given to the primary school in Deve-cser to accelerate restoration works.

Sponsoring culture

In 2008, Erste Bank became a strategic sponsor of the Művészetek Palotája [Palace of the Arts], a centre for arts acclaimed both in Hungary and internationally. This partnership carries particular significance for the bank, because the greatest representatives of various art scenes have performed at the centre, meeting all cultural demands. Presented by Művészetek Palotája, the broadcasts “The Metropolitan Opera: Live in HD” are also sponsored by the bank.

Erste Group launched KONTAKT collection in 2004, a unique cache of works of art that focuses on the Central and Southeast European region, as well as contemporary art in addition to conceptual art from the 1960s and 1970s.

For years, Erste Bank has been one of the main sponsors of the Magyar Filmszemle [Hungarian Film Festival], the largest ensemble of contemporary films. Also, numerous films have been produced with financial and professional support provided by the bank.

In addition to cultural events bearing national significance, sponsoring regional happenings (performances in rural theatres, village days, local festivals and concerts) is also important to the bank.

Sponsoring sports

Erste Bank has contributed to stimulating the sports scene in Hungary by sponsoring national and international events and some highly popular teams, such as the ice-hockey club Alba Volán. The Private Banking division of Erste Bank is the main sponsor of the races in the Dragon Boat sailing class.

Education

Erste Bank attaches high priority to the support and development of economic education to ensure a continuity of expertise, expanding the knowledge of youth in respect of economy, business and finance. In addition to financial donations, education institutions are given considerable help in expertise, and some of the off-inventory surplus computers and furniture of the bank are also offered to those schools.

Erste Bank for talent

In 2008 the bank joined the Junior Prima Award as cofounder, rewarding young, committed, professionally excellent and non-partisan journalists under 30 years of age in the category ‘Hungarian Press’.

It is one of the most significant commitments for the bank to be credited with high-end culture that conveys values, and also to support young talent in this scope. Consequently, the bank is delighted to have organised a scholarship program in collaboration with the AMADEUS Alapítvány [AMADEUS Foundation] and the Pécsi Tudományegyetem Művészeti Kara [Arts Faculty at Pécs University of Science]. In 2010, young artists submitted nearly 120 works of art to the first-ever Erste-AMADEUS creative scholarship application, in which 12 young artists were subsequently awarded.

the Médiaunió Alapítvány [Media Union Foundation] aims to make people living with disabilities more visible and making non-disabled people aware that it is worth regarding the disabled as potential co-workers and partners and helping them live as active members of the society.

Erste Bank for the disabled

To ensure that customers, who use wheelchairs are able to manage their banking matters in the most comfortable way possible, the bank has continually worked to remodel its branch network to provide free access. In the program that was launched five years ago, 103 branches have been modified to ensure free access.

In the fall of 2009, Erste Bank Hungary launched a program in collaboration with SINOSZ [National Association for the Deaf and Hearing Impaired] to teach banking advisors the sign language developed for the deaf-mute. It is the long-term objective of the financial institution to operate branches in every county seat, where hearing impaired customers are serviced by advisors proficient in sign language.

More than half a million people live with disabilities in Hungary, but only a few of them have the opportunity to seek jobs and live a full life. As part of our commitment to keep the interests of people living with disabilities in the public awareness, the bank was happy to join the campaign Kerülj közelebb! [Get Closer]. Boasting ambitious goals, this initiative of

Economic environment and banking sector in 2010

After 2009, a year that brought a considerable economic downturn of 6.7 per cent, Hungary clambered out of the recession in 2010, managing a 1.2 per cent increase in real GDP. Economic recovery was driven by exports primarily, which had been affected by the crisis most severely in 2008 and 2009. Yet, as external demand improved, the export-oriented processing industry was the first to find footing. Domestic demand, however, was still unable to recover last year as real consumption of households and community consumption eased by 2.2 per cent and 0.6 per cent, respectively, and accumulation of gross fixed assets dropped 5.6 per cent.

A new government was elected into power last spring, and the cabinet has implemented considerable measures in the year that has passed since. The expenditures side of the central budget has been improved by temporary taxes (banking tax and other “crisis taxes” imposed on various industries), which current plans indicate will be abolished as of 2013. Additionally, the government implemented a measure last autumn to re-channel the assets accumulated in private pension funds. Consequently, assets amounting to 9 per cent of GDP have been transferred from private pension funds to the budget. In 2010, the foreign exchange rate of the forint shifted hectically. While it was firming early into the year owing to a general improvement in global sentiment, advancing close to HUF 260 against the euro, it was again easing in the middle of the year due to unorthodox measures implemented by the new administration, reaching HUF 290 versus the euro multiple times. Towards the end of the year, the forint firmed again. Presently, Hungary’s sizeable current account surplus and the government’s current commitment to make the fiscal path sustainable are two major factors that weigh against a deeper plunge in the forint’s FX rate, keeping the Hungarian currency tethered. The prime rate was lowered to 5.25 per cent

in the first half of 2010, followed by two hikes in November and December to 5.75 per cent. The National Bank of Hungary explained the monetary tightening by swelling inflation risks attributed primarily to various cost shocks (food and energy) and their anticipated second-tier impacts.

For the Hungarian banking industry, 2010 was a year full of challenges. Consequently, the sector concluded the year on mixed results. The quality of loan portfolios improved at a slow pace still, dotted with temporary downturns.

Despite a considerable deceleration in loan growth due to developments in FX rate, and also in spite of deposits having expanded in excess of loans, the year 2010 reflected overall deterioration of the loan/deposit ratio.

Comprising retail and corporate savings, the total of customer deposits exceeded the level registered at the end of 2009 by 0.9 per cent in 2010, while customer loans increased by 4 per cent in annual terms.

In the second half of 2010 the central bank raised the key rate, easing some of the pressure on the deposit side. In the scope of lending, demand for forint loans remained moderate due to an interest gap between forint and FX loans.

The profitability of financial institutions also reflected a mixed picture. Some of the banks generated sizeable profits despite the banking tax and other adversities (e.g. portfolio deterioration), while others proved less profitable. In many respects, differences in the strategies of market players have been revealed since the outbreak of the crisis, also reflected in large discrepancies between their year-end figures.

Reports of divisions

I. Retail Division

In 2010, acquiring deposits from retail customers and micro business continued to play a major role in the strategy of Erste Bank's retail division. At the same time, the bank endeavoured to preserve earlier results achieved in mortgage lending.

Account management and deposits for retail customers and micro businesses

Supported by customer acquisition efforts, marketing campaigns and favourable deposit rates, business focus in 2010 was to retain and increase the bank's existing deposit portfolio. Adapting to changing habits in savings, Erste Bank offered customers favourable options for fixing existing and newly transferred funds.

A new product, Erste Tartós Lekötött Betét [Erste Long-term Fixed Deposit] was introduced, encouraging existing and potential customers of the bank to invest in long-term savings (maturities from three to five years).

Priority was granted for selling Forint Aktív Betét [Forint Active Deposit] and Euró Aktív Betét [Euro Active Deposit] and both products offer customers high interest rates in case existing savings are fixed and the related bank account or bankcard are used actively. Euro Aktív Betét allows customers to swap forint savings to euro deposits free of charges and at a favourable FX rate.

In 2010, the bank implemented a new retail deposit product dubbed Erste Jövedelmező Betét [Erste Profitable Deposit], rewarding existing and new customers with an interest premium that arranged to have their wage or pension transferred to retail accounts managed by the bank.

Erste SuperShop Bankszámla [Erste SuperShop Bank Account], a new account product, was also rolled out last year. When at least HUF 90,000 income is transferred to the account in no more than two instalments, in the following month an unlimited number of cash withdrawals can be carried out free of charge at Erste Bank Group ATMs (either domestically or abroad) with SuperShop bankcards.

In December 2010, customers that had their salary or pension transferred to their accounts held with the bank were rewarded with a one time HUF 15,000 credited to their accounts. In addition, a deposit campaign for newly fixed funds was launched for the deposit product KamatBiztos Betét [Guaranteed Interest Deposit], a design that pays three months' interest in advance.

Erste Extrakamat Mikrovállalati Betét [Erste Extra Yield Deposit for Micro Businesses], a revolving forint deposit without accumulation of principal, was introduced in August 2010 for maturities of three or six months. The annual yield of the deposit product is identical to the basic interest as defined in the Terms and Conditions, but interest premiums are offered if customers meet certain conditions. The new deposit design is recommended to existing customers that consider Erste Bank their main accounting bank and own free funds, and also to new customers that want to make their free assets in their account earn favourable yields in the future while using their account actively.

Loans for retail customers and micro businesses

Having already dramatically transformed on the back of the financial and economic crisis, retail lending adjusted some more in 2010, and, owing to government measures, its structure also changed. Growth of

retail loan portfolios decelerated further; a little more than half of the new disbursement volume of the previous year was provided in 2010. Due to increasing refinance costs, driven by the crisis and a record-breaking Swiss franc FX rate, loan consolidation also dwindled further. Euro loans became the engine of loan growth in the first half of the year. This trend, however, was arrested in the second half of the year, when a ban was imposed on forex lending. In October 2009, a new subsidy system was introduced, but its conditions were too stringent to be able to fill the gap left by the elimination of previously subsidised loans. The bank's market share in retail lending increased continuously despite the crisis, reaching 14.1 per cent at the end of 2010. In the scope of housing loans, the bank boasted a 17.3 per cent weight at the end of 2010, an increase of 1.1 percentage point compared to the end of 2009.

In the first half of 2010, the bank reduced customer interest rates, which had increased on the back of the crisis, to levels seen before the outbreak of the crisis. Since the second half of 2010, when the ban was imposed on forex loans, the bank has been providing forint loans only.

In the first half of 2010, a media campaign was launched to promote mortgage lending and a new structure was developed in the second leg of the year: the product range became considerably less complex and much more transparent, as the loan design "Csak kamat" [Interest Only] had been removed and products with zero-per cent loan management fee restructured.

In the scope of personal loans, discounts in interest and loan disbursement fee were granted multiple times in the course of 2010, also supported by a media campaign. As a result, personal loans became the most sought-after product in the scope of consumer loans. Also, there was higher demand for retail current account overdrafts and Lombard loans than in 2009.

Also in 2010, government loan programs, such as the Széchenyi Kártya Program [Széchenyi Card Program]

and Új Magyarország Hitelprogramok [New Hungary Loan Programs], were available to micro businesses with annual sales below HUF 200 million, and the bank continuously monitored changes in the loan programs, adjusting the products accordingly. Against the prevalent economic backdrop, Erste Bank experienced higher interest on the part of micro businesses for liquidity loans. Consequently, the role of Széchenyi Cards has become particularly important. Erste Bank promoted various loans for micro businesses with a nationwide campaign to inform as many micro enterprises about the loan facilities offered by the bank, as possible. In 2010 a considerable demand emerged for current account overdrafts and collateral credits.

Sales channels

On 31 December 2010, the bank was operating a sales network of 184 branches, ensuring nationwide coverage. In order to maintain efficient operation and to mitigate negative effects of the economic crisis and the economic policy environment, the bank optimised its retail branch network, electing not to renew the contracts of three branches in Budapest early 2010. In the middle of the year, a new unit was opened in Budapest. Then, at the end of the year 12 branches were shut down in Budapest and six rural branches were consolidated. In accordance with its quality requirements and corporate image, Erste Bank relocated some of its branches and remodelled and upgraded others in 2010.

Alternative sales channels

As a result of a strategic partnership with Magyar Posta [Hungarian Post], major portfolios in postal sales increased further in 2010, on the back of which the number of customers holding Posta current accounts was close to 170,000 at the end of the year. In addition to an increase in new accounts, the portfolio of deposits also expanded. The total of savings designs (such as Posta Gyarapódó Betét [Postal Growth Deposit] and Posta Megújuló Betét [Postal Revolving Deposit]) surged 15 per cent in comparison to 2009.

As a next stage in the partnership, in 2010 the bank launched a joint service in cooperation with Magyar Posta, which ensures the option of paying for postal cash payment orders with bankcards at 12 ATMs across the country.

Use of electronic channels reflected a dynamic progress in comparison to 2009. At the end of 2010, ErsteTeleBank and Erste NetBank boasted 723,000 and 290,000 customers respectively.

II. Corporate Division

Signs of the economic crisis were still apparent in 2010, taking a heavy toll on the financial activities of Hungarian companies.

In 2010, the lending market for non-financial corporates stagnated. On the demand side, investment activities declined steeply in the non-financial sector. On the supply side, tighter conditions for banking loans and the impacts of the banking tax presented an insurmountable obstacle for growth. Despite adverse conditions, Erste Bank remained an active player in the corporate lending market.

The market of corporate deposits saw small growth in 2010. Fierce competition for deposits proceeded throughout the year, primarily manifesting as a price race.

Small and Medium Enterprises Division

I. Customer service, customer acquisition

The division servicing small and medium enterprises met its targets for the year 2010. As a consulting partner bank, it provided customers with active financial consulting in the prevention and resolution of problems, ensuring appropriate resources for those tasks. Years of experience in risk analysis within the network, a comprehensive knowledge of products and customers, as well as appropriate competences supported fulfilment of the tasks.

Customers continue to experience one-stop servicing, accessing all the services of the banking group through a single account manager.

Efforts to acquire new customers proved successful as the Small and Medium Enterprises Division opened accounts for almost 700 new customers.

II. Financing

The loan portfolio of the division developed similarly to the non-financial corporate lending market in 2010; new transactions were secured to make up for repaid loans. As a significant change compared to previous years, the ratio of forint loans increased substantially in the scope of new disbursements.

The division considerably increased the utilisation ratio of subsidised and refinanced loan facilities implemented in previous years in order to support customers' efforts in foreign exchange rate risks and/or reducing financing costs.

The quality of the corporate loan portfolio deteriorated substantially in the course of the year, an experience shared by competing banks, as well. To manage this problem, appropriate resources were rearranged and great emphasis was directed to proactive management of still trouble-free loans.

III. Deposit acquisition

Owing to outstanding deposit acquisition activities, the division expanded its deposit portfolio by more than HUF 63 billion, or 26 per cent, outstripping the market average. As a result, the loan/deposit ratio of the division was much better than the average of the corporate market at the end of 2010.

IV. Other services

The division greatly outperformed its targets in the sales of other banking services (e.g. Cash Management, Factoring, Treasury). As a result, not only did it manage to achieve a considerable increase in fee income, but customers were offered an even wider range of services, one of the most important factors in becoming established as a main bank for customers.

Municipal Division

In the course of 2010, the Municipal Division decoupled from the Local Business Division and went on operating as a separate business unit. In respect to market activities, the division managed to fortify its positions and retain market shares. Echoing previous years, the division focused its sector-oriented activities on organising bond issues, arranging financing facilities and managing municipal accounts, complemented with sales of products and services that aimed to reduce or eliminate interest and exchange rate risks of FX transactions that were adjusted to changed market conditions and requirements. The division strengthened consulting functions at a considerable rate, offering existing and potential customers a chance to expand and reinforce their know-how.

Corporate and Real Estate Finance Division

The loan portfolio of the Corporate and Real Estate Finance Division remained unchanged in 2010. The division laid considerable emphasis on early identification and managements of risks. This goal was also supported by the implementation of a new corporate loan monitoring system.

The decisions regarding non-performing loans in the portfolio continued to be based on a cooperation with customers that was closer than before and also on consideration of mutual interests. This approach proved important and useful in numerous cases.

Deposit acquisition activities of the division were considerable, contributing to an improvement in the market positions and loan/deposit ratio of the division.

In order to ensure swifter customer services, back-office process of lending were reconsidered in collaboration with associated areas. As a result, the project aimed at implementing an electronic system to support lending processes made continuous progress, and putting the system online will be completed in 2011.

The process of expanding the bank's regional customer service products continued. The regional cashpool automating service was introduced, as well as the payment factory (for the processing of various commissions along several electronic channels).

III. Treasury (Group Capital Markets)

In addition to regular trading and sales activity, Erste Bank's Treasury Division carries out the operative tasks in liquidity management and risk management that ensure continuity and security for the bank's trading activities, and also implements the longterm financing plans of the bank in cooperation with Assets and Liabilities Management Division (ALM). The division has conducted trading activities in spot and derivative products in the forex and financial markets since 2008 on behalf of Erste Group Bank AG as part of Group Capital Markets of Erste Bank.

Owing to trading and sales activities, Treasury is one of the decisive players in the Hungarian forex and financial markets. It managed to hold on to previous market positions, remaining an active player in the Hungarian interbank forex and financial market.

The business unit concluded 2010 with success as its total business result exceeded initial business targets by 25 per cent. Sales income reflected the steady growth seen in previous years, and as before, the outstanding performance in trading activities in financial markets carried out by the local and GCM division contributed to a result that greatly outperformed business targets.

An excellent financial result was achieved, at the same time maintaining business efficiency. Return on equity of the division continued to be outstanding, and cost/income ratio was kept below the target.

Augmenting sales activity is a central part in the local business strategy of the division, primarily built on close cooperation with the Corporate Division of the bank. Treasury continues to focus its sales activity on servicing small and medium enterprise customers, at the same time remaining active in the market of Hungarian institutional investors, and also in the retail market via the private banking arm of the bank.

A moderate economic recovery and resulting growth in corporate business activity bolstered the turnover of the division in nearly all product segments. The biggest increase in turnover was registered in the scope of structured investment products and interest

hedging transactions. Product consulting and sales activity related to regular, derivative and structured FX market products are the most important components of the division's sales activity. Products linked to forex markets account for 70 per cent of sales income. In 2010, income from selling interest hedge products boosted considerably, supported by developments in global interest landscape. As another favourable trend, the ratio of income realised on investment products, as well as interest derivatives and commodity derivatives has been growing gradually within total sales income, providing an everbalanced income share among various asset classes.

The Treasury Division constantly develops its services and product line, aiming to meet an ever-widening demand on the part of customers.

Designed for micro business, as well as small and medium enterprises customers, a web-based online system to support customer's FX conversion transactions has been available since last year. In 2010, more than 250 customers used Treasury's online service with billions of forints realised in monthly volume.

The division strives to bolster market activity related to offered Treasury services among large corporate customers of the bank, offering them hedge transactions linked to major commodities (energy, metals, agricultural products) in addition to traditional Treasury designs.

Analysis of the financial position

The slower than expected business growth caused by the crisis in financial markets and the considerable financial burdens caused by the banking tax have taken a heavy toll on the profitability of Hungarian banks. In 2010 after-tax profit of Erste Bank Hungary plunged nearly 80 per cent in comparison to the preceding year.

Assets

The bank's total assets amounted to HUF 2,949 billion at the end of the year, up 5.4 per cent from one year earlier.

The asset structure of the bank in 2010 changed primarily in the scope of loans and advances to credit institutions and customers and also in respect of government securities. Disbursements effected to the central bank and in the interbank market reflected a 267 per cent (or HUF 137.7 billion) increase in comparison to the previous year, primarily due to

forint-denominated liquidity surplus deployed at the parent company. Consequently, the ratio of disbursements to credit institutions against total assets increased to 6 per cent from the 2 per cent registered in 2009.

Loans and advances to customers increased by HUF 119.4 billion compared to the end of 2009, most prominently in retail loan volumes (mostly mortgages and consumer loans) primarily on the back of the forint's depreciation against the Swiss franc. The ratio of customer receivables against total assets increased to 69 per cent from 68 per cent one year earlier. Compared to the preceding year, the portfolio of government securities dropped HUF 108.7 billion, reducing their ratio against total assets to 17 per cent from the 22 per cent registered 12 months earlier. This decline was most apparent in the portfolio of central bank bonds, which plunged HUF 148.7 billion.

HUF million Dynamics of key assets – 2008-2010				Change%			Proportion%		
	2008	2009	2010	2008/ 2007	2009/ 2008	2010/ 2009	2008	2009	2010
Securities	379,081	608,296	499,555	146%	60%	-18%	14%	22%	17%
Loans to credit institutions	59,566	51,504	189,249	-53%	-14%	267%	2%	2%	6%
Loans to customers	1,940,703	1,912,453	2,031,851	29%	-1%	6%	74%	68%	69%
Cash reserve	32,911	36,863	34,189	-48%	12%	-7%	1%	1%	1%
Other (non-interest-bearing) assets	204,414	188,029	193,673	47%	-8%	3%	8%	7%	7%
TOTAL ASSETS	2,616,675	2,797,145	2,948,517	31%	7%	5.4%	100%	100%	100%

Liabilities

Compared to year-end 2009, the structure of liabilities in 2010 reflected major changes in the scope of amounts owed to credit institutions and customers. Deposits from monetary financial institutions increased by HUF 179.8 billion in comparison to the previous year, primarily driven by increasing refinancing funds provided by the parent company (HUF 118 billion higher than in the preceding year, partly due to changes in FX rates). Consequently, their ratio within liabilities increased to 51 per cent from 48 per cent at the end of 2009.

Special-offer deposits fixed as a result of the bank's deposit acquisition campaign that had been launched in 2009 matured in September 2010. In order to prevent divestment, another deposit campaign was launched in December 2010 to acquire customer funds. Nevertheless, the volume of customer deposits declined by HUF 26.5 billion compared to the preceding year, reducing their ratio against total liabilities to 37 per cent from 40 per cent. Within this scope, a HUF 58 billion decline in the volume of households' fixed deposits was most noticeable. The total of sight deposits, however, picked up HUF 9.2 billion in comparison to 2009.

HUF million Dynamics of key liabilities – 2008-2010				Change%			Proportion%		
	2008	2009	2010	2008/ 2007	2009/ 2008	2010/ 2009	2008	2009	2010
Amounts owed to credit institutions	1,330,851	1,330,667	1,510,473	54%	0%	14%	51%	48%	51%
Amounts owed to customers	934,400	1,123,615	1,097,130	8%	20%	-2%	36%	40%	37%
Equity	123,976	136,297	139,208	1%	10%	2%	5%	5%	5%
Other liabilities + subordinated capital	227,448	206,566	201,706	62%	-9%	-2%	9%	7%	7%
TOTAL LIABILITIES	2,616,675	2,797,145	2,948,517	31%	7%	5%	100%	100%	100%

Profit & Loss Account

The bank's pre-tax profit in 2010 was HUF 16.9 billion lower than it was at the end of the previous year. A HUF 16.5 billion growth in interest margin and a considerable (HUF 5 billion) decrease in general administrative costs could not offset the HUF 18.7 billion fall in other results or a HUF 13.7 billion tumble in the results of financial transactions. Consequently, the after-tax profit of the bank in Q4 2010 amounted to HUF 3.8 billion (a plunge of 79.5 per cent compared to year-end 2009).

Interest margin was 28.4 per cent (or HUF 16.5 billion) higher than in 2009. A HUF 10.7 billion decline on the income side was offset by a considerable drop of HUF 27.2 billion in expenditures. Compared to December 2009, the downturn in income was mostly due to lower figures in other interest income and interest-type income. Particularly within this scope, interest income from IRS and cross-currency transactions went HUF 9.5 billion lower. Additionally, proceeds from short-term consumer loans and current account overdrafts granted for customers also reflected a decline of HUF 5 billion. Also, interest income generated by interbank deposits invested with the central bank was HUF 3.2 billion slimmer, but this was somewhat compensated for by a HUF 2.7 billion boost in the interest on depo-sits invested with domestic financial institutions.

A significant decrease in expenditures was caused by considerably lower Euribor rates compared the previous year.

Commission and fee income of the bank at the end of 2010 exceeded the 2009 figure by 15.3 per cent, or HUF 3.2 billion approximately. Income increased by HUF 5.1 billion in comparison to the previous year, and a positive change was experienced particularly in the scope of payment and transaction commissions. Within this scope, retail and corporate lending fees, forint account management fees, credit card and merchant commission and income from mobile banking charges surged HUF 1.7 billion. All this made up for a HUF 1.8 billion boost in expenditures, which was primarily caused by a HUF 2.3 billion increase in IRS

fee costs. On the other hand, commission payments to intermediaries, costs of securities agents and option fees reflected a considerable decline.

The results of financial transactions reflected a 29.1 per cent, or HUF 13.7 billion fall compared to the previous year. Results from investment services registered HUF 81.3 billion lower than in the corresponding period in the previous year. A HUF 37.8 billion increase in income from financial services could not counter-balance such a dip.

Earnings from other business activities decreased by HUF 18.7 billion in comparison to the end of 2009, caused by a HUF 17.4 billion increase in other expenditures. Within this scope, most notable was the extra tax on financial organisations (HUF 12.7 billion), as well as bloating business tax and innovation contribution (HUF 1.2 billion higher than in 2009).

In Q4 2010, impairment and risk provisions exceeded the data in the corresponding period in the previous year by 3 per cent, or HUF 1.2 billion. Although impairment write-back increased considerably from the previous year (by HUF 17.5 billion), impairment after own receivables was much higher in 2010 than in 2009, reflecting a HUF 19.7 billion growth.

Administrative costs were 9.3 per cent, or HUF 5 billion lower compared to year-end 2009. Within this scope, personnel expenditures dropped 8.4 per cent in total from 2009. Headcount stayed continuously below the level recorded in the previous year, with the collective redundancy carried out in December 2010 being one of the contributing factors. Rent fell 7 per cent, mostly caused by realising lower income from rent than predictions had targeted. Caused by an increase in activated software investments, depreciation picked up 1.8 per cent compared to the end of 2009.

Owing to the factors outlined above, the after-tax profit of the bank fell HUF 14.9 billion short of the corresponding figure realised at the end of 2009. The balance-sheet profit for the year 2010 amounted to HUF 3.5 billion.

HUF million	Change%					
Dynamics of key liabilities – 2008-2010	2008	2009	2010	2008/2007	2009/2008	2010/2009
Net interest income	56,921	58,315	74,849	- 4%	2%	28.4%
Fee income	17,713	21,064	24,285	- 3%	19%	15.3%
Dividend	5,272	7,409	3,619	171%	41%	-51.2%
Trading	23,215	47,175	33,450	93%	103%	-29.1%
Operating income	103,121	133,963	136,203	12%	30%	1.7%
Operating expenses	52,553	56,873	51,960	8%	8%	-8.6%
Operating result	50,568	77,090	84,243	17%	52%	9.3%
Other operating result	-15,174	- 14,231	- 32,937	10%	- 6%	131.4%
Risk provision for loans and off-balances	- 5,004	- 40,770	- 41,993	203%	715%	3.0%
Extraordinary income	- 111	-1,013	- 5,165	208%	813%	409.9%
Pre-tax profit	30,279	21,076	4,148	9%	- 30%	- 80.3%
Net profit	25,828	18,782	3,848	10%	- 27%	- 79.5%
Profit after dividend and reserves	8,245	2,983	3,463	- 61%	- 64%	16.1%



Non-consolidated report

I. Balance sheet

ASSETS

HUF million Items		31.12.2009	31.12.2010
1	Cash and balances	36,863	34,189
2	Government securities (issued by Hungarian State)	608,296	499,555
a	for trading purposes	334,096	165,396
b	for investment purposes	273,805	334,227
2/A	Valuation difference of government securities	395	-68
3	Loans and advances to credit institutions	51,504	189,249
a	sight	2,905	3,987
b	other loans from financial services	48,599	185,262
	ba with a maturity within one year	46,530	102,535
	of which:		
	from affiliated companies	2,735	0
	from other participations	0	0
	from National Bank of Hungary	34,391	77,405
	from clearing house	0	0
	bb with a maturity more than one year	2,069	82,727
	of which:		
	from affiliated companies	0	80,643
	from other participations	0	0
	from National Bank of Hungary	0	0
	from clearing house	0	0
c	from investment services	0	0
	of which:		
	from affiliated companies	0	0
	from other participations	0	0
	from clearing house	0	0
4	Loans to customers	1,912,453	2,031,851
a	from financial services	1,912,450	2,031,761
	aa with a maturity within one year	253,125	246,054
	of which:		
	from affiliated companies	45,009	45,659
	from other participations	0	0
	ab with a maturity more than one year	1,659,325	1,785,707
	of which:		
	from affiliated companies	174,320	169,393
	from other participations	424	411
b	from investment services	3	90
	of which:		
	from affiliated companies	0	0

HUF million Items		31.12.2009	31.12.2010
	from other participations	0	0
	ba receivables from services on stock exchange	0	0
	bb receivables from services outside of stock exchange	3	90
	bc receivables from customers deriving from investment services	0	0
	bd receivables from clearing houses	0	0
	be receivables from other investments services	0	0
4/A	Valuation difference of loans to customers	0	0
5	Securities representing debt claim, including fixed income securities	91,092	108,675
a	securities issued by local authorities or other state-organizations (government securities are excluded)	70,094	86,843
	aa for trading purposes	0	0
	ab for investment purposes	70,094	86,843
b	securities issued by other issuers	21,587	22,217
	ba for trading purposes	6,393	5,545
	of which:		
	issued by affiliated companies	0	0
	issued by other participations	0	0
	repurchased own-issued securities	0	0
	bb for investment purposes	15,194	16,672
	of which:		
	issued by affiliated companies	0	0
	issued by other participations	0	0
5/A	Valuation difference of securities representing debt claim	-589	-385
6	Shares and other non-fixed income securities	0	0
a	shares, participations for trading purposes	0	0
	of which:		
	issued by affiliated companies	0	0
	issued by other participations	0	0
b	variable-income securities	0	0
	ba for trading purposes	0	0
	bb for investment purposes	0	0
6/A	Valuation difference of shares and non-fixed income securities	0	0
7	Shares and participations for investment purposes	869	868
a	shares, participations for investment purposes	869	868
	of which:		
	participation in credit institutions	0	0
b	value adjustments of shares and participations for investment purposes	0	0
	of which:		
	participation in credit institutions	0	0
8	Shares and participations in affiliated companies	9,963	9,606
a	shares, participations for investment purposes	9,963	9,606
	of which:		
	shares in credit institutions	0	0
b	value adjustments of shares and participations for investment purposes	0	0
	of which:		
	shares in credit institutions	0	0
9	Intangible assets	5,767	5,746
	Intangible assets	5,767	5,746
	Value adjustments of intangible assets	0	0
10	Tangible assets	9,845	10,954
a	tangible assets for financial and investment purposes	9,845	10,954
	aa real estates	4,489	4,550
	ab technical equipments, machinery, appliances, vehicles	4,098	4,050
	ac investments	1,258	2,354
	ad advances paid for investments	0	0

HUF million			
Items		31.12.2009	31.12.2010
b	tangible assets not directly for financial and investment purposes	0	0
ba	real estates	0	0
bb	technical equipments, machinery, appliances, vehicles	0	0
bc	investments	0	0
bd	advances paid for investments	0	0
c	value adjustments of tangible assets	0	0
11	Own shares	0	0
12	Other assets	17,936	21,469
a	inventories	770	4,599
b	other receivables	6,294	8,764
	of which: from affiliated companies	3,068	1,992
	from other participations	0	0
12/A	Valuation difference of other receivables	0	0
12/B	Positive valuation difference of derivative instruments	10,872	8,106
13	Deferred expenses and accrued income	52,557	36,355
a	accrued income	49,363	34,732
b	accrued expense	3,194	1,623
c	deferred expense	0	0
TOTAL ASSETS		2,797,145	2,948,517
	of which: Current assets	697,657	578,812
	Invested assets	2,046,931	2,333,350

LIABILITIES

HUF million			
Items		31.12.2009	31.12.2010
1	Amounts owed to credit institutions	1,330,667	1,510,473
a	sight	3,464	16,881
b	liabilities from fixed term financial services	1,327,203	1,493,592
ba	with a maturity within one year	92,536	196,634
	of which: from affiliated companies	66,180	134,798
	from other participations	0	0
	from National Bank of Hungary	0	0
	from clearing house	0	0
bb	with a maturity more than one year	1,234,667	1,296,958
	of which: from affiliated companies	1,138,791	1,177,586
	from other participations	0	0
	from National Bank of Hungary	0	0
	from clearing house	0	0
c	from investment services	0	0
	of which: from affiliated companies	0	0
	from other participations	0	0
	from clearing house	0	0

HUF million			
Items		31.12.2009	31.12.2010
1/A	Valuation difference of amounts owed to credit institutions	0	0
2	Amounts owed to customers	1,123,615	1,097,130
a	saving deposits	2,494	2,453
aa	sight	2,494	2,453
ab	with a maturity within one year	0	0
ac	with a maturity more than one year	0	0
b	other liabilities from financial services	1,120,955	1,094,567
ba	sight	283,455	289,261
	of which: from affiliated companies	21,784	18,574
	from other participations	414	430
bb	with a maturity within one year	783,246	738,891
	of which: from affiliated companies	0	0
	from other participations	5,817	3,704
bc	with a maturity more than one year	54,254	66,415
	of which: from affiliated companies	0	0
	from other participations	0	0
c	from investment services	166	110
	of which: from affiliated companies	0	0
	from other participations	0	0
ca	liabilities from services on stock exchange	0	0
cb	liabilities from services outside of stock exchange	166	110
cc	liabilities against customers deriving from investment services	0	0
cd	liabilities against clearing houses	0	0
ce	liabilities from other investments services	0	0
2/A	Valuation difference of amounts owed to customers	0	0
3	Trading liabilities	31,928	24,152
a	bonds issued	31,928	24,152
aa	with a maturity within one year	0	0
	of which: from affiliated companies	0	0
	from other participations	0	0
ab	with a maturity more than one year	31,928	24,152
	of which: from affiliated companies	0	0
	from other participations	0	0
b	securities issued representing other debt claim	0	0
ba	with a maturity within one year	0	0
	of which: from affiliated companies	0	0
	from other participations	0	0
bb	with a maturity more than one year	0	0
	of which: from affiliated companies	0	0
	from other participations	0	0
c	debt instruments treated as securities from an accounting aspect but not classified as securities under the Securities Act	0	0
ca	with a maturity within one year	0	0
	of which: from affiliated companies	0	0
	from other participations	0	0
cb	with a maturity more than one year	0	0
	of which: from affiliated companies	0	0
	from other participations	0	0

HUF million			
Items		31.12.2009	31.12.2010
4	Other liabilities	50,127	67,124
a	with a maturity within one year	26,353	13,067
	of which: from affiliated companies	13,961	155
	from other participations	0	0
b	with a maturity more than one year	0	0
	of which: from affiliated companies	0	0
	from other participations	0	0
4A	Negative valuation difference of derivative instruments	23,774	54,057
5	Accrued expenses and deferred income	46,243	28,695
a	accrual of income	367	375
b	accrual of expenses	45,858	28,300
c	deferred income	18	20
6	Provisions	5,199	6,595
a	provision for pension and for severance payments	0	436
b	risk provision for pending and future liabilities	3,511	3,818
c	general risk provision	1,422	1,422
d	other provision	266	919
7	Subordinated liabilities	73,069	75,140
a	subordinated capital	73,069	75,140
	of which: from affiliated companies	70,906	72,977
	from other participations	0	0
b	other contribution by members of credit institutions operating as cooperatives	0	0
c	other subordinated liabilities	0	0
	of which: from affiliated companies	0	0
	from other participations	0	0
8	Subscribed capital	60,910	60,910
	of which: nominal value of repurchased ownership shares	0	0
9	Subscribed but yet unpaid capital	0	0
10	Capital reserve	10,417	10,418
a	agio	10,417	10,418
b	other	0	0
11	General reserve	11,845	12,230
12	Profit reserve (Retained earnings)	50,071	52,129
13	Fixed reserve	0	0
14	Valuation reserve	71	58
	Reserve for value adjustment on fixed assets and inventories	0	0
	Reserve for valuation at fair value	71	58
15	Balance-sheet profit	2,983	3,463
TOTAL LIABILITIES		2,797,145	2,948,517
	of which: Short-term liabilities	1,215,488	1,311,354
	Long-term liabilities	1,393,918	1,462,665
	Shareholders' equity	136,297	139,208

OFF - BALANCE ITEMS :

HUF million	31.12.2009	31.12.2010
Pending liabilities	245,361	266,976
Future liabilities	938,693	923,393
Total pending and future liabilities	1,184,054	1,190,369

	31.12.2009	31.12.2010
Pending receivables	2,776,204	2,817,476
Future receivables	940,142	884,484
Total pending and future receivables	3,716,346	3,701,960

II. Profit&Loss account

HUF million			
Items			
		31.12.2009	31.12.2010
1	Interest and other interest-type revenues earned	177,791	167,113
a	fixed-income securities representing debt-claim	19,488	23,893
	of which: from affiliated companies	0	0
	from other participations	0	0
b	other interest and interest-type revenues	158,303	143,220
	of which: from affiliated companies	20,211	13,111
	from other participations	29	15
2	Interest paid and other interest-type expenses	119,476	92,264
	of which: to affiliated companies	42,287	43,938
	to other participations	356	375
	Net interest income	58,315	74,849
3	Revenues from securities	7,409	3,619
a	revenues from shares and participations held for trading purposes (dividend, participations)	0	0
b	revenues from affiliated companies (dividend, participation)	7,232	3,465
c	revenues from other participations (dividend, participations)	177	154
4	Fees and commissions earned	29,688	34,806
a	revenues from other financial services	29,164	30,182
	of which: from affiliated companies	4,874	3,164
	from other participations	11	476
b	revenues from investment services (excluding trading activity)	524	4,624
	of which: from affiliated companies	134	4,005
	from other participations	0	0
5	Fees and commissions paid (due)	8,624	10,521
a	expenses of other financial services	8,063	7,278
	of which: to affiliated companies	666	20
	to other participations	0	0
b	expenses of investment services (excluding trading activities)	561	3,243
	of which: to affiliated companies	364	3,068
	to other participations	0	0
6	Net trading result	47,175	33,450
a	revenues from other financial services	40,022	77,824
	of which: from affiliated companies	2,363	4,128
	from other participations	0	0
	valuation difference of other financial services	0	0
b	expenses of other financial services	15,967	14,392
	of which: to affiliated companies	669	693
	to other participations	0	0
	valuation difference of other financial services	0	0
c	revenues of investment services (trading activities)	171,564	90,244
	of which: from affiliated companies	8,179	8
	from other participations	0	6
	retrieval of value-loss on securities held for trading	0	0
	valuation difference of investment services	51,445	16,028

HUF million Items		31.12.2009	31.12.2010
d	expenses of investment services (trading activities)	148,444	120,226
	of which:		
	to affiliated companies	8,320	3
	to other participations	0	2
	value loss of securities held for trading	0	0
	valuation difference of investment services	47,809	48,921
7	Other revenues from business activity	7,522	6,252
a	revenues from non-financial and -investment activities	2,150	1,939
	of which:		
	from affiliated companies	194	253
	from other participations	0	0
b	other revenues	5,372	4,313
	of which:		
	from affiliated companies	1,479	1,377
	from other participations	0	0
	retrieval of value loss of inventories	456	413
8	General administrative expenses	53,259	48,282
a	personnel expenses	27,254	24,956
	aa wages	17,586	16,464
	ab other personal expenses	2,840	2,600
	of which:		
	social insurance	795	614
	pensions	791	605
	ac wage contributions	6,828	5,892
	of which:		
	social insurance	5,474	4,774
	pensions	3,210	3,255
b	other administrative expenses (material-type)	26,005	23,326
9	Depreciation	3,614	3,678
10	Other expenses from business activity	21,753	39,189
a	expenses of non financial and investment services	1,996	1,826
	of which		
	to affiliated companies	0	1
	to other participations	0	0
b	other expenses	19,757	37,363
	of which		
	to affiliated companies	4,268	150
	to other participations	0	0
	value loss of inventories	310	189
11	Value loss of receivables and risk provisions for future and pending liabilities	49,567	69,297
a	value loss of receivables	48,088	67,671
b	risk provisions for future and pending liabilities	1,479	1,626
12	Retrieval of value loss of receivables and use of risk provision for future and pending liabilities	9,968	27,463
a	retrieval of value loss of receivables	9,236	26,126
b	use of risk provision for future and pending liabilities	732	1,337
12/A	Change in general risk provision	0	0
13	Value loss of securities representing debt-claim, held for investments purposes and for shares in affiliated companies and other participations	1,185	167
14	Retrieval of value loss of securities representing debt-claim, held for investments purposes and for shares in affiliated companies and other participations	14	8
15	Ordinary result of business activities	22,089	9,313
	of which:		
	Result of financial and investment services	21,935	9,200
	Result of non-financial and -investment services	154	113
16	Extraordinary income	64	205

HUF million			
Items		31.12.2009	31.12.2010
17	Extraordinary expense	1,077	5,370
18	Extraordinary profit	-1,013	-5,165
19	Pretax profit	21,076	4,148
20	Tax on income	2,294	300
21	Profit/loss after taxes	18,782	3,848
22	Allocation (-) or use (+) of general risk reserves	1,878	385
23	Transfer from profit reserve (retained earnings) for dividend payment	0	0
24	Approved dividends	13,921	0
	of which: to affiliated companies	13,914	0
	to other participations	0	0
25	Balance sheet profit/loss	2,983	3,463

III. Cash-Flow statement

HUF million			
Items		2009	2010
1	Interest income	177,791	167,113
2	+ Income from other financial services (excluding retrieval of provision on securities and positive valuation difference of receivables)	69,193	107,998
3	+ Other income (excluding use of provision, retrieval of surplus of provision, provision of inventories, retrieval of extraordinary depreciation)	4,916	3,634
4	+ Income from investment services (excluding retrieval of provision on securities and positive valuation difference)	120,620	78,840
5	+ Income from non-financial and non-investment services	2,150	1,939
6	+ Income from dividend	7,409	3,619
7	+ Extraordinary income	64	205
8	– Interest expenses	119,476	92,264
9	– Other financial expenses (excluding provision on securities and negative valuation difference of receivables)	24,030	21,670
10	– Other expenses (excluding provision, value loss on inventories and extraordinary depreciation)	19,143	35,434
11	– Expenses from investment services (excluding provision on securities and negative valuation difference)	101,196	74,548
12	– Expenses of non-financial and non-investment services	1,996	1,826
13	– General administrative expenses	56,873	51,960
14	– Extraordinary expenses (excluding the company tax liability of the current year)	1,077	370
15	– Corporate tax liability of the current year	2,294	300
16	– Dividend paid	13,921	0
17	Operating cash-flow (01-16. rows)	42,137	84,976
18	± Change in liabilities (+ if increase, - if decrease)	217,607	134,840
19	± Change in receivables (- if increase, + if decrease)	-3,041	-301,624
20	± Change in inventories (- if increase, + if decrease)	896	-3,605
21	± Change in securities registered among current assets (- if increase, + if decrease)	-133,831	169,548
22	± Change in securities registered among invested assets (- if increase, + if decrease)	-112,635	-78,450
23	± Change in investments (including advances paid) (- if increase, + if decrease)	126	-1,096
24	± Change in intangible assets (- if increase, + if decrease)	26	21
25	± Change in net value of fixed assets (excluding investments and advances paid) (- if increase, + if decrease)	2,873	-13
26	± Change in active accruals (- if increase, + if decrease)	3,593	16,202
27	± Change in passive accruals (+ if increase, - if decrease)	-21,299	-17,548
28	+ Shares issued at sales price	7,500	0
29	+ Financial assets received	0	0
30	– Financial assets transferred	0	-5,925
31	previous years' effect on income in the profit/loss brought forward	0	0
32	previous year's effect on income in the general reserve	0	0
33	– Nominal value of own issue withdrawn	0	0
34	Net cash-flow (17-33. rows)	3,952	-2,674
35	– Change in cash in hand (banknotes, cheques)	-960	661
36	– Change in cash in account (foreign exchange and Forint current accounts and other deposit accounts with a maturity within one year in NBH, and other Forint deposit accounts with a maturity within one year in other credit institutions)	4,912	-3,335

This is a translation of the Hungarian Report

Independent Auditors' Report

To the Shareholders of Erste Bank Hungary Zrt.

1.) We have audited the accompanying 2010 annual financial statements of Erste Bank Hungary Zrt. ("the Company"), which comprises the balance sheet as at 31 December 2010 - showing a balance sheet total of HUF 2,948,517 million and a profit for the year of HUF 3,463 million -, the related profit and loss account for the year then ended and the summary of significant accounting policies and other explanatory notes.

2.) We issued an unqualified opinion on the Company's annual financial statements as at 31 December 2009 on 19 February 2010.

Management's Responsibility for the Financial Statements

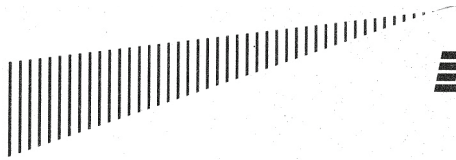
3.) Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Hungarian Accounting Law and generally accepted accounting principles in Hungary. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

4.) Our responsibility is to express an opinion on these financial statements based on the audit and to assess whether the business report is consistent with the financial statements. We conducted our audit in accordance with Hungarian National Auditing Standards and with applicable laws and regulations in Hungary. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

5.) An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Our work regarding the business report is restricted to assessing whether the business report is consistent with the financial statements and does not include reviewing other information originated from non-audited financial records.

6.) We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

7.) We have audited the elements of and disclosures in the annual financial statements, along with underlying records and supporting documentation, of Erste Bank Hungary Zrt. in accordance with Hungarian National Auditing Standards and have gained sufficient and appropriate evidence that the annual financial statements have been prepared in accordance with the Hungarian Accounting Law and with generally accepted accounting principles in Hungary. In our opinion the annual financial statements give a true and fair view of the equity and financial position of Erste Bank Hungary Zrt. as at 31 December 2010 and of the results of its operations for the year then ended. The business report corresponds to the disclosures in the financial statements.

Budapest, 24 February 2011

(The original Hungarian language version has been signed.)

Ernst & Young Kft.
Registration No.: 001165

Sulyok Krisztina
Registered Auditor
Chamber membership No.: 006660

Companies included in the consolidation

Erste Befektetési Zrt.

Founded in 1998, Erste Befektetési Zrt. [Erste Investment Hungary] has long been the leading brokerage company in the Hungarian equity market. Constantly expanding its product range, the company offers customers all the products and services available to investment companies.

Customers are provided with high-standard, swift, and trouble-free access to the services of Erste Befektetési Zrt., also supported by the branch network of Erste Bank and a wide scale of online services.

Erste Befektetési Zrt.'s market share in the (duplicated) stock turnover in the spot section of the Budapest

Stock Exchange was 22 per cent in 2010, identical to the previous year.

At Tőzsdei Legek Gála [Gala for the Stock Market's Best], the most prestigious awards of the equity market community, Erste Befektetési Zrt. was honoured with two awards on the basis of sales figures for the year 2010:

- Equity Market Brokerage of the Year in the Spot Market
- Equity Market Brokerage of the Year in the Derivatives Market

The company concluded the year 2010 with HUF 3,652 million after-tax profit and its total assets increased by 13.53 per cent, amounting to HUF 62,238 million.

Trading results in 2009-2010 in HUF million	2009 TOTAL	2010 TOTAL
Trading volume in shares in the BSE (Erste)	2,220,541	2,340,996
Total trading volume in shares in the BSE	10,276,332	11,045,065
Market share	21.61%	21.19%
Ranking	1	1
Total initial issue in market (nominal value)	2,015,786	5,507,796
Of which: Subscribed by Erste (nominal value)	307,696	644,983
Market share	15.26%	11.71%
Ranking	4	6
Futures trading volume (total)	1,196,018	1,671,851
Futures trading volume (BUX)	244,135	456,730
Futures trading volume (shares)	506,791	702,947
Futures trading volume (FX)	445,093	512,174
Number of contracts (total)	3,645,908	4,551,589
Number of contracts (BUX)	1,450,480	1,998,928
Number of contracts (shares)	545,848	602,011
Number of contracts (FX)	1,649,580	1,950,650
Market share (BUX)	25.28%	27.52%
Market share (stocks)	23.85%	28.22%
Market share (FX)	10.9%	13.74%
Ranking (BUX)	1	1
Ranking (shares)	1	1
Ranking (FX)	3	5

Erste Leasing

Members of Erste Leasing are:

- Erste Leasing Autófinanszírozási Zrt.
[Erste Leasing Car Finance Co. Ltd.]
- Erste Leasing Eszközfinanszírozási Zrt.
[Erste Leasing Asset Finance Co. Ltd.]
- Erste Leasing Bérlet Kft.
[Erste Leasing Lease LLC.]

The ownership structure of Erste Leasing Group has been unchanged since the corporate group was established. Its capital strength is provided by Erste banking group entirely.

Financing passenger cars and light commercial vehicles represents the biggest weight in its asset portfolio.

Customer number has exceeded 110,000 by now.

As an outstanding achievement in 2010, Erste Leasing expanded its sales channels, now boasting nationwide coverage by inclusion of auto bankers in its network of representatives. In order to service customers on an even wider scale, sales have been launched in all Erste branches since the summer of 2010.

Despite harsh economic conditions, the leasing group managed to hold on to the leading position in 2010 in the motorcycle finance market, owning a market share around 40 per cent.

In 2010, the company disbursed HUF 8.6 billion in total in 4,817 contracts. Average down payment covered by customers was 33.8 per cent in the scope of new contracts with an average maturity of 55 months.

As a progressive achievement for future prospects, the company managed to conclude the business year at break-even before taxes as a result of stringent and long-term risk management and conservative pricing policy, as well as efficiently controlled cost management.

Erste Ingatlanlízing Zrt., Erste Lakáslízing Zrt.

Erste Ingatlanlízing Zrt. [Erste Real Estate Leasing] focuses on granting leases on newly constructed buildings, while Erste Lakáslízing Zrt. [Erste Housing Leasing] specialises in providing leasing schemes for used properties. Both companies target private individuals, as well as micro businesses and small enterprises. Access to their target groups is ensured through the bank's network complemented by its agent network.

In 2010, no considerable changes manifested themselves in the balance of power in the market. Based on the data published, both companies continued to play leading roles in the retail market of real estate leasing.

In 2011, due to a ban on forex lending, demand for euro financing is expected to emerge as leasing designs.

By the end of 2010, total assets of Erste Ingatlanlízing Zrt. and Erste Lakáslízing Zrt. bolstered to HUF 16.2 billion and HUF 3.2 billion, respectively.

Erste Faktor Zrt.

Erste Faktor Zrt. [Erste Factoring Ltd.] started its operation in the third quarter of 2005, making it possible for the banking group to expand its range of services.

Compared to the preceding year, no substantial changes were registered in the composition of that particular market segment. Published data indicated that the topmost 5 players continued to account for more than 70 per cent of total sales, and the combined market share of the Top 10 exceeds 90 per cent.

In 2010, the company's factoring sales amounted to HUF 91 billion after HUF 48 billion, a substantial annual increase for that market segment. According to the data compiled by Magyar Faktoring Szövetség

[Hungarian Factoring Association], the company advanced from previous 7th place to 4th spot in the ranking of Hungarian factoring companies as a result. Total assets of Erste Faktor Zrt. increased to HUF 14.5 billion by the end of the term under survey after HUF 9.68 billion one year earlier.

Erste Ingatlan Kft.

The business activities of Erste Ingatlan Kft. [Erste Real Estate LLC] comprise of selling, letting, managing and developing properties. As a consequence of the economic crisis, which has affected the real estate sector severely since 2009, the activities of the company now focus on utilising the real estate portfolio within Erste Bank Hungary and real estate acquisition related to workout transactions.

The company became the 100-per cent stakeholder in Sió Ingatlan Invest Kft. [Sió Real Estate Invest LLC], a project company established for the development works of shopping centre SIÓ Pláza located downtown Siófok.

Erste Kereskedőház Kft.

Erste Kereskedőház Kft. [Erste Trading House LLC.] conducts wholesale activities in listed commodities and other standard commodities that have liquid secondary markets. From time to time, the company also becomes involved in managing inventories acquired by Erste Bank Hungary and also in consignment sales and buyer recruiting.

Downsizing of the company's commercial activities that had started in 2009 continued in 2010, including selling existing inventories and collecting account receivables. In June 2010, HUF 500 million additional payments were effected, followed by another HUF 100 million in December.

Erste Pénztárszervező Kft.

The activities of Erste Pénztárszervező Kft. [Erste Fund Organiser LLC.] include acquiring new fund members and organising the sales tasks of Erste Bank Önkéntes- és Magánnyugdíjpénztárak [Erste Bank Voluntary and Private Pension Funds].

In the upcoming financial year, the company continues to be involved as a non-exclusive partner in member acquisition for the pension fund and the health fund until the planned dissolution has been completed.



Consolidated report

I. Balance sheet

ASSETS

HUF million Items		31.12.2009	31.12.2010
1	Cash and balances	36,905	34,861
2	Government securities (issued by Hungarian State)	629,576	513,436
a	for trading purposes	355,383	179,338
b	for investment purposes	273,805	334,227
2/A	Valuation difference of government securities	388	-129
3	Loans and advances to credit institutions	65,351	194,920
a	sight	6,275	9,331
b	other loans from financial services	48,599	185,261
	ba with a maturity within one year	46,530	102,535
	of which:		
	from affiliated companies	2,735	0
	from other participations	0	0
	from National Bank of Hungary	34,391	77,405
	from clearing house	0	0
	bb with a maturity more than one year	2,069	82,726
	of which:		
	from affiliated companies	0	80,643
	from other participations	0	0
	from National Bank of Hungary	0	0
	from clearing house	0	0
c	from investment services	10,477	328
	of which:		
	from affiliated companies	9,797	75
	from other participations	0	0
	from clearing house	250	250
3/A	Valuation difference of loans to credit institutions	0	0
4	Loans to customers	1,905,672	2,017,825
a	from financial services	1,888,260	2,012,667
	aa with a maturity within one year	262,633	264,108
	of which:		
	from affiliated companies	0	229
	from other participations	0	0
	ab with a maturity more than one year	1,625,627	1,748,559
	of which:		
	from affiliated companies	0	14,732
	from other participations	424	411
b	from investment services	17,412	5,158

HUF million		31.12.2009	31.12.2010
Items			
	of which: from affiliated companies	0	302
	from other participations	0	0
ba	receivables from services on stock exchange	4,757	1,072
bb	receivables from services outside of stock exchange	2,276	89
bc	receivables from customers deriving from investment services	10,379	3,911
bd	receivables from clearing houses	0	86
be	receivables from other investments services	0	0
4/A	Valuation difference of loans to customers	0	0
5	Securities representing debt claim, including fixed income securities	91,256	109,391
a	securities issued by local authorities or other state-organizations (government securities are excluded)	70,094	86,842
aa	for trading purposes	0	0
ab	for investment purposes	70,094	86,842
b	securities issued by other issuer	21,749	22,936
ba	for trading purposes	6,555	6,262
	of which: issued by affiliated companies	0	0
	issued by other participations	0	0
	repurchased own-issued securities	82	41
bb	for investment purposes	15,194	16,674
	of which: issued by affiliated companies	0	0
	issued by other participations	0	0
5/A	Valuation difference of securities representing debt claim	-587	-387
6	Shares and other non-fixed income securities	2,163	5,661
a	shares, participations for trading purposes	2,150	5,620
	of which: issued by affiliated companies	0	0
	issued by other participations	0	286
b	variable-income securities	302	38
ba	for trading purposes	302	38
bb	for investment purposes	0	0
6/A	Valuation difference of shares and non-fixed income securities	-289	3
7	Shares and participations for investment purposes	869	868
a	shares, participations for investment purposes	869	868
	of which: participation in credit institutions	0	0
b	value adjustments of shares and participations for investment purposes	0	0
	of which: participation in credit institutions	0	0
8	Shares and participations in affiliated companies	0	103
a	shares, participations for investment purposes	0	0
	of which: shares in credit institutions	0	0
b	value adjustments of shares and participations for investment purposes	0	0
	of which: shares in credit institutions	0	0
c	Capital consolidation difference	0	103
	from affiliated companies	0	103
	from associated companies	0	0
9	Intangible assets	9,941	9,764
	Intangible assets	9,941	9,764
	Value adjustments of intangible assets	0	0
10	Tangible assets	14,296	17,785
a	tangible assets for financial and investment purposes	11,476	11,929

HUF million Items		31.12.2009	31.12.2010
aa	real estates	4,397	4,471
ab	technical equipments, machinery, appliances, vehicles	5,821	5,104
ac	investments	1,258	2,354
ad	advances paid for investments	0	0
b	tangible assets not directly for financial and investment purposes	2,820	5,856
ba	real estates	2,664	3,835
bb	technical equipments, machinery, appliances, vehicles	155	131
bc	investments	0	1,890
bd	advances paid for investments	1	0
c	value adjustments of tangible assets	0	0
11	Own shares	0	0
12	Other assets	30,474	37,788
a	inventories	7,876	13,613
b	other receivables	11,087	15,975
	of which: from affiliated companies	3,091	4,921
	from other participations	0	0
c	(Calculated) corporate tax receivable arising from consolidation	343	0
12/A	Valuation difference of other receivables	0	0
12/B	Positive valuation difference of derivative instruments	11,168	8,200
13	Deferred expenses and accrued income	58,687	43,857
a	accrued income	42,636	32,293
b	accrued expense	16,051	11,564
c	deferred expense	0	0
TOTAL ASSETS		2,845,190	2,986,259
	of which: Current assets	774,608	644,854
	Invested assets	2,011,895	2,297,548

LIABILITIES

HUF million Items		31.12.2009	31.12.2010
1	Amounts owed to credit institutions	1,358,748	1,517,409
a	sight	3,464	16,882
b	liabilities from fixed term financial services	1,327,205	1,493,599
	ba with a maturity within one year	92,536	196,633
	of which: from affiliated companies	66,180	134,799
	from other participations	0	0
	from National Bank of Hungary	0	0
	from clearing house	0	0
	bb with a maturity more than one year	1,234,669	1,296,966
	of which: from affiliated companies	1,138,793	1,177,597
	from other participations	0	0
	from National Bank of Hungary	0	0
	from clearing house	0	0

HUF million		31.12.2009	31.12.2010
Items			
c	from investment services	28,079	6,928
	of which: from affiliated companies	26,735	6,888
	from other participations	0	0
1/A	Valuation difference of amounts owed to credit institutions	349	37
2	Amounts owed to customers	1,135,072	1,114,594
a	saving deposits	2,494	2,453
	aa sight	2,494	2,453
	ab with a maturity within one year	0	0
	ac with a maturity more than one year	0	0
b	other liabilities from financial services	1,103,782	1,082,580
	ba sight	261,672	270,689
	of which: from affiliated companies	1	2
	from other participations	414	430
	bb with a maturity within one year	787,855	745,476
	of which: from affiliated companies	0	0
	from other participations	5,817	3,704
	bc with a maturity more than one year	54,255	66,415
	of which: from affiliated companies	1	0
	from other participations	0	0
c	from investment services	28,796	29,561
	of which: from affiliated companies	0	4,488
	from other participations	0	0
	ca liabilities from services on stock exchange	1,033	672
	cb liabilities from services outside of stock exchange	10,538	2,284
	cc liabilities against customers deriving from investment services	17,204	26,580
	cd liabilities against clearing houses	0	25
	ce liabilities from other investments services	21	0
2/A	Valuation difference of amounts owed to customers	0	0
3	Trading liabilities	31,928	24,152
a	bonds issued	31,928	24,152
	aa with a maturity within one year	0	0
	of which: from affiliated companies	0	0
	from other participations	0	0
	ab with a maturity more than one year	31,928	24,152
	of which: from affiliated companies	0	0
	from other participations	0	0
b	securities issued representing other debt claim	0	0
	ba with a maturity within one year	0	0
	of which: from affiliated companies	0	0
	from other participations	0	0
	bb with a maturity more than one year	0	0
	of which: from affiliated companies	0	0
	from other participations	0	0
c	debt instruments treated as securities from an accounting aspect but not classified as securities under the Securities Act	0	0
	ca with a maturity within one year	0	0
	of which: from affiliated companies	0	0
	from other participations	0	0

HUF million		31.12.2009	31.12.2010
Items			
	cb with a maturity more than one year	0	0
	of which: from affiliated companies	0	0
	from other participations	0	0
4	Other liabilities	51,877	70,259
a	with a maturity within one year	28,062	15,154
	of which: from affiliated companies	13,949	606
	from other participations	0	0
b	with a maturity more than one year	0	881
	of which: from affiliated companies	0	0
	from other participations	0	0
c	(Calculated) corporate tax payable arising from consolidation	0	0
4/A	Negative valuation difference of derivative instruments	23,815	54,224
5	Accrued expenses and deferred income	47,971	30,223
a	accrual of income	418	415
b	accrual of expenses	47,535	29,788
c	deferred income	18	20
6	Provisions	5,017	7,317
a	provision for pension and for severance payments	0	714
b	risk provision for pending and future liabilities	3,315	3,079
c	general risk provision	1,422	1,422
d	other provision	280	2,102
7	Subordinated liabilities	73,793	75,864
a	subordinated capital	73,793	75,864
	of which: from affiliated companies	70,906	72,977
	from other participations	0	0
	aa Capital consolidation difference	724	724
	- from subsidiaries	724	724
b	other contribution by members of credit institutions operating as cooperatives	0	0
c	other subordinated liabilities	0	0
	of which: from affiliated companies	0	0
	from other participations	0	0
8	Subscribed capital	60,910	60,910
	of which: nominal value of repurchased ownership shares	0	0
9	Subscribed but yet unpaid capital	0	0
10	Capital reserve	10,417	10,418
a	agio	10,417	10,418
b	other	0	0
11	General reserve	11,845	12,230
12	Profit reserve (Retained earnings)	50,071	52,129
13	Fixed reserve	0	0
14	Revaluation reserve	71	58
	Reserve for value adjustment on fixed assets and inventories	0	0
	Reserve for valuation at fair value	71	58
15	Balance-sheet profit	2,631	5,180
16	Equity change of subsidiary (+-)	4,836	5,409
17	Changes due to consolidation (+-)	0	0
	- from the difference of debt consolidation	0	0
	- from the difference of the interim result	0	0

HUF million Items	31.12.2009	31.12.2010
18 Shares of external members	3	107
TOTAL LIABILITIES	2,845,190	2,986,259
of which: Short-term liabilities	1,256,773	1,338,000
Long-term liabilities	1,394,645	1,464,278
Shareholders' equity	140,784	146,441

OFF -BALANCE SHEET ITEMS :

HUF million	31.12.2009	31.12.2010
Pending liabilities	197,013	192,510
Future liabilities	967,162	938,121
Total pending and future liabilities	1,164,175	1,130,631

	31.12.2009	31.12.2010
Pending receivables	3,014,787	2,965,273
Future receivables	947,715	888,306
Total pending and future receivables	3,962,502	3,853,579

II. Profit&Loss account

HUF million			
Items		31.12.2009	31.12.2010
1	Interest and other interest-type revenues earned	190,958	179,640
a	fixed-income securities representing debt-claim	20,500	24,897
	of which: from affiliated companies	0	0
	from other participations	0	0
b	other interest and interest-type revenues	170,458	154,743
	of which: from affiliated companies	11,648	6,648
	from other participations	29	15
2	Interest paid and other interest-type expenses	119,001	91,585
	of which: to affiliated companies	41,171	43,195
	to other participations	356	375
	Net interest income	71,957	88,055
3	Revenues from securities	848	953
a	revenues from shares and participations held for trading purposes (dividend, participations)	671	762
b	revenues from affiliated companies (dividend, participation)	0	37
c	revenues from other participations (dividend, participations)	177	154
4	Fees and commissions earned	37,286	44,613
a	revenues from other financial services	27,148	29,222
	of which: from affiliated companies	2,626	1,873
	from other participations	11	476
b	revenues from investment services (excluding trading activity)	10,138	15,391
	of which: from affiliated companies	2,506	5,154
	from other participations	0	0
5	Fees and commissions paid (due)	15,016	16,513
a	expenses of other financial services	12,139	10,324
	of which: to affiliated companies	149	35
	to other participations	0	0
b	expenses of investment services (excluding trading activities)	2,877	6,189
	of which: to affiliated companies	108	3,011
	to other participations	0	0
6	Net trading result	49,653	33,543
a	revenues from other financial services	51,237	90,925
	of which: from affiliated companies	2,577	4,125
	from other participations	0	0
	valuation difference of other financial services	0	0
b	expenses of other financial services	26,694	28,868
	of which: to affiliated companies	669	2,980
	to other participations	0	0
	valuation difference of other financial services	0	0
c	revenues of investment services (trading activities)	193,954	116,230
	of which: from affiliated companies	8,179	8
	from other participations	0	6
	retrieval of value-loss on securities held for trading	0	0
	valuation difference of investment services	51,466	16,067
d	expenses of investment services (trading activities)	168,844	144,744

HUF million		31.12.2009	31.12.2010
Items			
	of which: to affiliated companies	8,320	3
	to other participations	0	2
	value loss of securities held for trading	0	0
	valuation difference of investment services	48,125	49,020
7	Other revenues from business activity	46,976	27,011
a	revenues from non-financial and -investment activities	40,176	22,521
	of which: from affiliated companies	674	65
	from other participations	0	0
b	other revenues	6,800	4,490
	of which: from affiliated companies	78	18
	from other participations	0	0
	retrieval of value loss of inventories	33	700
	ba Consolidation difference increasing profits arising from debt consolidation	0	-16
8	General administrative expenses	59,909	54,088
a	personnel expenses	32,531	29,601
	aa wages	21,190	19,688
	ab other personal expenses	3,260	2,981
	of which: social insurance	795	614
	pensions	791	605
	ac wage contributions	8,081	6,932
	of which: social insurance	5,984	5,158
	pensions	3,585	3,543
b	other administrative expenses (material-type)	27,378	24,487
9	Depreciation	5,443	5,186
10	Other expenses from business activity	55,498	63,780
a	expenses of non-financial and -investment services	22,998	22,531
	of which: to affiliated companies	3	4
	to other participations	0	0
b	other expenses	32,500	41,249
	ba Consolidation difference decreasing profits arising from debt consolidation	0	0
	of which: to affiliated companies	2,737	28
	to other participations	0	0
	value loss of inventories	1,054	206
11	Value loss of receivables and risk provisions for future and pending liabilities	59,273	77,877
a	value loss of receivables	57,948	76,990
b	risk provisions for future and pending liabilities	1,325	887
12	Retrieval of value loss of receivables and use of risk provision for future and pending liabilities	10,937	30,650
a	retrieval of value loss of receivables	10,227	29,509
b	use of risk provision for future and pending liabilities	710	1,141
12/A	Change in general risk provision	0	0
13	Value loss of securities representing debt-claim, held for investments purposes and for shares in affiliated companies and other participations	3	2
14	Retrieval of value loss of securities representing debt-claim, held for investments purposes and for shares in affiliated companies and other participations	0	0
15	Ordinary result of business activities	22,515	7,379
	of which: Result of financial and investment services	5,337	7,389
	Result of non-financial and -investment services	17,178	-10
16	Extraordinary income	64	205

HUF million			
Items		31.12.2009	31.12.2010
17	Extraordinary expense	390	388
18	Extraordinary profit	-326	-183
19	Pretax profit	22,189	7,196
20	Tax on income	3,817	1,543
	a (Calculated) corporate tax difference arising from consolidation	-343	343
21	Profit/loss after taxes	18,372	5,653
22	Allocation (-) or use (+) of general risk reserves	1,878	385
23	Transfer from profit reserve (retained earnings) for dividend payment	0	0
24	Approved dividends	13,921	0
	of which: to affiliated companies	13,914	0
	to other participations	0	0
24b	After tax profit/loss due to external members (other holders)	-58	88
25	Balance sheet profit/loss	2,631	5,180

III. Cash-Flow statement

HUF million Items	2009	2010
1 Interest income	190,958	179,640
2 + Income from other financial services (excluding retrieval of provision on securities)	78,181	120,129
3 + Other income (excluding use of provision, retrieval of surplus of provision, provision of inventories, retrieval of extraordinary depreciation)	6,556	3,269
4 + Income from investment services (excluding retrieval of provision on securities and positive valuation difference)	152,603	115,554
5 + Income from non-financial and non-investment services	40,176	22,521
6 + Income from dividend	848	953
7 + Extraordinary income	64	205
8 – Interest expenses	119,001	91,585
9 – Other financial expenses (excluding provision on securities)	38,833	31,965
10 – Other expenses (excluding provision, value loss on inventories and extraordinary depreciation)	29,083	37,714
11 – Expenses from investment services (excluding provision on securities)	123,596	101,913
12 – Expenses of non-financial and non-investment services	22,998	22,531
13 – General administrative expenses	65,352	59,274
14 – Extraordinary expenses (excluding the company tax liability of the current year)	390	388
15 – Corporate tax liability of the current year	3,817	1,543
16 – Dividend paid	13,921	0
17 Operating cash-flow (01-16. rows)	52,395	95,357
18 ± Change in liabilities (+ if increase, - if decrease)	218,005	120,451
19 ± Change in receivables (- if increase, + if decrease)	-17,634	-301,589
20 ± Change in inventories (- if increase, + if decrease)	11,124	-5,243
21 ± Change in securities registered among current assets (- if increase, + if decrease)	-148,090	173,517
22 ± Change in securities registered among invested assets (- if increase, + if decrease)	-110,599	-78,754
23 ± Change in investments (including advances paid) (- if increase, + if decrease)	135	-2,985
24 ± Change in intangible assets (- if increase, + if decrease)	459	177
25 ± Change in net value of fixed assets (excluding investments and advances paid) (- if increase, + if decrease)	4,265	-504
26 ± Change in active accruals (- if increase, + if decrease)	8,507	14,830
27 ± Change in passive accruals (+ if increase, - if decrease)	-22,080	-17,748
28 + Shares issued at sales price	0	0
29 Previous year's (correction in 2005) effect on income in the general reserve		0
30 ± Difference due to the consolidation of subsidiaries (+ if increase, - if decrease)		343
31 + Change of profit/loss brought forward		0
32 - Equity change of subsidiaries		0
33 + According to statute getting of not refundable cash		0
34 - According to statute not refundable cash transmission		0
35 Capital increase	7,500	0
36 Change of other participations	-18	104
37 Net cash-flow (17-36. rows)	3,969	-2,044
38 – Change in cash in hand (banknotes, cheques)	-259	-40
39 – Change in cash in account (foreign exchange and Forint current accounts and other deposit accounts with a maturity within one year in NBH, and other Forint deposit accounts with a maturity within one year in other credit institutions)	4,228	-2,004

This is a translation of the Hungarian Report

Independent Auditors' Report

To the Shareholders of Erste Bank Hungary Zrt.

1.) We have audited the accompanying 2010 consolidated annual financial statements of Erste Bank Hungary Zrt. ("the Company"), which comprises the consolidated balance sheet as at 31 December 2010 - showing a balance sheet total of HUF 2,986,259 million and a profit for the year of HUF 5,180 million -, the related consolidated profit and loss account for the year then ended and the summary of significant accounting policies and other explanatory notes.

2.) We issued an unqualified opinion on the Company's 2009 consolidated annual financial statements on 12 March 2010.

Management's Responsibility for the Consolidated Financial Statements

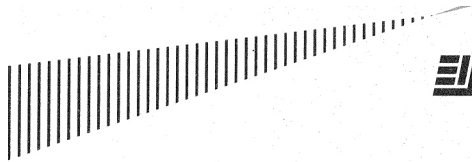
3.) Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with the Hungarian Accounting Law and generally accepted accounting principles in Hungary. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

4.) Our responsibility is to express an opinion on these consolidated financial statements based on the audit and to assess whether the consolidated business report is consistent with the consolidated financial statements. We conducted our audit in accordance with Hungarian National Auditing Standards and with applicable laws and regulations in Hungary. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

5.) An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our work regarding the consolidated business report is restricted to assessing whether the consolidated business report is consistent with the consolidated financial statements and does not include reviewing other information originated from non-audited financial records.

6.) We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

7.) We have audited the elements of and disclosures in the consolidated annual financial statements, along with underlying records and supporting documentation, of Erste Bank Hungary Zrt. in accordance with Hungarian National Auditing Standards and have gained sufficient and appropriate evidence that the consolidated annual financial statements have been prepared in accordance with the Hungarian Accounting Law and with generally accepted accounting principles in Hungary. In our opinion the consolidated annual financial statements give a true and fair view of the equity and financial position of Erste Bank Hungary Zrt. as at 31 December 2010 and of the results of its operations for the year then ended. The consolidated business report corresponds to the disclosures in the consolidated financial statements.

Budapest, 8 April 2011

(The original Hungarian language version has been signed)

Ernst & Young Kft.
Registration No.: 001165

Sulyok Krisztina
Registered Auditor
Chamber membership No.: 006660

BRANCH NETWORK

Budapest branches

Alkotás út Branch	1123	Budapest	Alkotás út 15.
Andrássy út 2. Branch	1061	Budapest	Andrássy út 2.
Árkád Üzletközpont Branch	1106	Budapest	Örs vezér tere 25.
Astoria Branch	1088	Budapest	Rákóczi út 1-3.
Bajcsy-Zsilinszky út Branch	1055	Budapest	Bajcsy-Zsilinszky út 74.
Baross tér Branch	1077	Budapest	Baross Gábor tér 15.
Bartók Béla út 92-94. Branch	1115	Budapest	Bartók Béla út 92-94.
Bartók-Ház Branch	1114	Budapest	Bartók Béla út 43-47.
Bécsi út Branch	1036	Budapest	Bécsi út 52-54.
Béke tér Branch	1139	Budapest	Lehel út 70-72. F1 épület
Bosnyák tér Branch	1149	Budapest	Bosnyák tér 8.
Böszörményi út Branch	1126	Budapest	Böszörményi út 24.
Budafok Branch	1221	Budapest	Promontor udvar, Kossuth L. u. 25-29.
Campona Branch	1222	Budapest	Nagytétényi út 37-43.
CBA Újhegy Branch	1103	Budapest	Gyömrői út 99.
Csepel Plaza HotelCentrum	1211	Budapest	Kossuth Lajos utca 47-49.
Csillaghegy Branch	1038	Budapest	Vasútsor u. 1.
Danubius Ház Branch	1138	Budapest	Váci út 141.
Egry József utca Branch	1111	Budapest	Egry József utca 2.
Erzsébet körút 17. Branch	1073	Budapest	Erzsébet körút 17.
Erzsébet körút 8. Branch	1073	Budapest	Erzsébet körút 8.
Eurocenter LoanCentre	1032	Budapest	Bécsi út 154. (Eurocenter)
Európa Torony Branch	1138	Budapest	Népfürdő utca 24-26.
Fehérvári út 130. Branch	1116	Budapest	Fehérvári út 130.
Fehérvári út 28. Branch	1117	Budapest	Fehérvári út 28.
Ferenc körút Branch	1090	Budapest	Ferenc körút 25.
Flórián tér Branch	1033	Budapest	Flórián tér 3.
Heltai Jenő tér Branch	1039	Budapest	Heltai Jenő tér 15.
Hermina Residence	1141	Budapest	Nagy Lajos király útja 214.
Hunyadi Üzletház	1195	Budapest	Üllői út 283.
Hűvösvölgy Branch	1021	Budapest	Hűvösvölgyi út 138. (StopShop)
Istenhegyi Branch	1125	Budapest	Nógrádi u. 39.
József körút Branch	1085	Budapest	József körút 86.
József nádor tér Branch	1051	Budapest	József nádor tér 5.
Kálvin tér Branch	1082	Budapest	Baross utca 1-3.
Károly körút Branch	1075	Budapest	Károly körút 7.

Kispest Branch	1193	Budapest	Kossuth tér 23-24.
Kossuth tér Branch	1055	Budapest	Kossuth tér 13-15.
Kossuth tér VIP Branch	1055	Budapest	Kossuth tér 13-15.
Kőbánya Branch	1102	Budapest	Körösi Csoma sétány 9/B
Krisztina tér Branch	1013	Budapest	Krisztina tér 2.
Mammut II. Branch	1024	Budapest	Margit körút 87-89.
Margit körút Branch	1027	Budapest	Margit körút 48.
Maros utca Branch	1122	Budapest	Maros utca 19-21.
Multiplaza Branch	1119	Budapest	Fehérvári út 89-95.
Nagyvárad tér Branch	1091	Budapest	Üllői út 121. (Nagyvárad tér)
Napfény utca Branch	1098	Budapest	Napfény u. 7. (József A. ltp.)
Párisi utca Branch	1052	Budapest	Párisi utca 3.
Pesterzsébet Branch	1203	Budapest	Kossuth Lajos utca 21-29.
Pólus Center Branch	1151	Budapest	Szentmihályi út 131.
Rákóczi tér Branch	1085	Budapest	József körút 30-32.
Rákoskeresztúr Tesco Branch	1173	Budapest	Pesti út 5-7.
Savoya Park Branch	1117	Budapest	Hunyadi J. u. 19.
Soroksár Branch	1238	Budapest	Grassalkovich u. 150.
Szőcs Áron utca Branch	1152	Budapest	Szőcs Áron u. 2-4.
Tátra utca Branch	1136	Budapest	Tátra utca 6.
Teréz körút Branch	1066	Budapest	Teréz körút 24.
Thököly út Branch	1143	Budapest	Gizella út 59.
Törökvész út Branch	1022	Budapest	Bég utca 3-5.
Újpest, Váci út Branch	1047	Budapest	Váci út 15-19.
Újpest Branch	1042	Budapest	Árpád út 68.
Váci út 30. Branch	1132	Budapest	Váci út 30.
Váci út 33. Branch	1134	Budapest	Váci út 33.
Vízimolnár utca Branch	1031	Budapest	Vízimolnár u. 2-4.
Westend Branch	1062	Budapest	Váci út 1-3.

Countryside Branches

Ajka Branch	8400	Ajka	Szabadság tér 4/A
Baja Branch	6500	Baja	Vörösmartyi utca 5.
Balassagyarmat Branch	2660	Balassagyarmat	Rákóczi fejedelem utca 34-36.
Balatonfüred Branch	8230	Balatonfüred	Zsigmond utca 1.
Békéscsaba, Andrassy út Branch	5600	Békéscsaba	Andrassy út 20.
Békéscsaba, Munkácsy utca Branch	5600	Békéscsaba	Munkácsy u. 2.
Békés Branch	5630	Békés	Széchenyi tér 4.
Berettyóújfalu Branch	4100	Berettyóújfalu	Bajcsy-Zsilinszky u. 1.
Budakeszi Branch	2092	Budakeszi	Fő utca 43-45.
Budaörs Branch	2040	Budaörs	Szabadság u. 27.
Budaörs Tesco Branch	2040	Budaörs	Kinizsi út 1-3.
Cegléd Branch	2700	Cegléd	Népkör u. 2.
Csorna Branch	9300	Csorna	Szent István tér 29.
Csurgó Branch	8840	Csurgó	Széchenyi tér 16.
Debrecen, Belváros Branch	4025	Debrecen	Hatvan utca 1/B
Debrecen, Egyetem Branch	4032	Debrecen	Egyetem tér 1.
Debrecen, Fórum Branch	4042	Debrecen	Csapó u. 30.
Debrecen, Szent Anna utca Branch	4024	Debrecen	Szent Anna utca 14/B
Debrecen, Vár utca Branch	4024	Debrecen	Vár utca 4.
Dombóvár Branch	7200	Dombóvár	Hunyadi tér 19-21.
Dorog Branch	2510	Dorog	Bécsi út 76.
Dunaharaszti Branch	2330	Dunaharaszti	Dózsa György út 27.
Dunakeszi Branch	2120	Dunakeszi	Fő út 24.
Dunaújváros Branch	2400	Dunaújváros	Dózsa György utca 2/A
Eger, Dobó tér Branch	3300	Eger	Szt. János u. 13.
Eger, Kossuth utca Branch	3300	Eger	Kossuth Lajos utca 13/A
Érd Branch	2030	Érd	Budai út 13.
Esztergom Branch	2500	Esztergom	Imaház utca 2/A
Gödöllő Branch	2100	Gödöllő	Szabadság tér 14.
Gyál Branch	2360	Gyál	Vak Bottyán u. 66.
Gyöngyös Branch	3200	Gyöngyös	Mikszáth Kálmán utca 4.
Győr, Bajcsy-Zsilinszky út 74. Branch	9022	Győr	Bajcsy-Zsilinszky u. 74.
Győr, Bajcsy-Zsilinszky út Branch	9022	Győr	Bajcsy-Zsilinszky u. 30-32.
Győr, Árpád út Branch	9021	Győr	Árpád út 42.
Gyula Branch	5700	Gyula	Városház utca 16.
Hajdúböszörmény Branch	4220	Hajdúböszörmény	Szt. István tér 2.
Hajdúdorog Branch	4087	Hajdúdorog	Nánási út 2.
Hajdúnánás Branch	4080	Hajdúnánás	Dorogi utca 10-14.
Hajdúszoboszló Branch	4200	Hajdúszoboszló	Hősök tere 9-11.

Hatvan Branch	3000	Hatvan	Kossuth tér 16.
Hévíz Branch	8380	Hévíz	Széchenyi u. 11.
Hódmezővásárhely Branch	6800	Hódmezővásárhely	Andrássy út 2-4.
Jászberény Branch	5100	Jászberény	Szabadság tér 20.
Kalocsa Branch	6300	Kalocsa	Szent István király utca 30.
Kaposvár Branch	7400	Kaposvár	Bajcsy-Zsilinszky út 24.
Karcag Branch	5300	Karcag	Kossuth tér 6.
Kazincbarcika Branch	3700	Kazincbarcika	Egressy utca 44.
Kecskemét, Dobó körút Branch	6000	Kecskemét	Dobó körút 7.
Kecskemét, Nagykőrösi utca Branch	6000	Kecskemét	Nagykőrösi utca 11.
Keszthely Branch	8360	Keszthely	Kossuth utca 45.
Kiskunfélegyháza Branch	6100	Kiskunfélegyháza	Mártírok útja 1.
Kiskunhalas Branch	6400	Kiskunhalas	Bethlen Gábor tér 4.
Kisvárdá Branch	4600	Kisvárdá	Szent László utca 26.
Komárom Branch	2900	Komárom	Gyár u. 2-6.
Komló Branch	7300	Komló	Pécsi út 1.
Kőszeg Branch	9730	Kőszeg	Rákóczi utca 1.
Lenti Branch	8960	Lenti	Zrínyi utca 3.
Makó Branch	6900	Makó	Csanád vezér tér 5.
Marcali Branch	8700	Marcali	Rákóczi utca 6-10.
Mátészalka Branch	4700	Mátészalka	Kölcsey utca 15.
Mezőkövesd Branch	3400	Mezőkövesd	Mátyás király út 129.
Mezőtúr Branch	5400	Mezőtúr	Földvári út 2.
Miskolc, Bajcsy-Zsilinszky utca Branch	3527	Miskolc	Bajcsy-Zsilinszky utca 1-3.
Miskolc, Egyetemváros Branch	3515	Miskolc	Egyetemváros C/1 épület
Miskolc, Mindszent tér Branch	3530	Miskolc	Mindszent tér 3.
Miskolc, Városház tér Branch	3525	Miskolc	Városház tér 9.
Mohács Branch	7700	Mohács	Szabadság út 16.
Monor Branch	2200	Monor	Kossuth L. u. 88/B.
Mór Branch	8060	Mór	Köztársaság tér 1.
Mosonmagyaróvár Branch	9200	Mosonmagyaróvár	Deák Ferenc tér 3.
Nagykanizsa, Belváros Branch	8800	Nagykanizsa	Fő utca 2.
Nyírbátor Branch	4300	Nyírbátor	Szabadság tér 10
Nyíregyháza, Luther utca Branch	4401	Nyíregyháza	Luther u. 2.
Nyíregyháza, Vay Ádám krt. Branch	4400	Nyíregyháza	Vay Ádám körút 12.
Orosháza Branch	5900	Orosháza	Kossuth utca 2.
Ózd Branch	3600	Ózd	Gyújtó tér 1.
Paks Branch	7030	Paks	Barátság utca 1.
Pápa Branch	8500	Pápa	Fő tér 25-26.
Pécs, Alkotmány utca Branch	7624	Pécs	Alkotmány utca 12.
Pécs, Diana tér Branch	7632	Pécs	Diana tér 20.
Pécs, Rákóczi út Branch	7620	Pécs	Rákóczi út 62-64.
Pilisvörösvár Branch	2085	Pilisvörösvár	Fő u. 48.

Salgótarján Branch	3100	Salgótarján	Erzsébet tér 5.
Sárospatak Branch	3950	Sárospatak	Rákóczi utca 40.
Sárvár Branch	9600	Sárvár	Batthyány u. 20.
Sásd Branch	7370	Sásd	Rákóczi utca 17.
Sátoraljaújhely Branch	3980	Sátoraljaújhely	Széchenyi tér 3.
Siófok Branch	8600	Siófok	Fő utca 172.
Sopron, Előkapu Branch	9400	Sopron	Előkapu 2-4.
Szarvas Branch	5540	Szarvas	Szabadság utca 32.
Százhalombatta Branch	2440	Százhalombatta	Szent István tér 9.
Szeged, Kölcsey utca Branch	6720	Szeged	Kölcsey utca 13.
Szeged, Széchenyi tér Branch	6720	Szeged	Széchenyi tér 17.
Székesfehérvár, Budai út Branch	8000	Székesfehérvár	Budai út 32.
Székesfehérvár, Palotai út Branch	8000	Székesfehérvár	Palotai út 4.
Szekszárd Branch	7100	Szekszárd	Széchenyi utca 40.
Szentendre Branch	2000	Szentendre	Duna korzó 18.
Szentes Branch	6600	Szentes	Petőfi Sándor utca 1.
Szentgotthárd Branch	9970	Szentgotthárd	Széchenyi utca 2.
Szerencs Branch	3900	Szerencs	Rákóczi út 73-75.
Szigetszentmiklós Branch	2310	Szigetszentmiklós	Szent Miklós útja 1.
Szolnok, Baross utca Branch	5000	Szolnok	Baross utca 8.
Szolnok, Nagy Imre krt. Branch	5000	Szolnok	Nagy Imre krt. 8/A
Szombathely, Fő tér Branch	9700	Szombathely	Fő tér 29.
Szombathely, Mártírok tere Branch	9700	Szombathely	Mártírok tere 12.
Tapolca Branch	8300	Tapolca	Deák Ferenc u. 7.
Tatabánya Branch	2800	Tatabánya	Fő tér 20.
Tata Branch	2890	Tata	Országgyűlés tér 3.
Tiszaújváros Branch	3580	Tiszaújváros	Bethlen Gábor utca 5/B
Tiszavasvári Branch	4440	Tiszavasvári	Kossuth utca 22.
Törökszentmiklós Branch	5200	Törökszentmiklós	Kossuth utca 125.
Vác Branch	2600	Vác	Széchenyi u. 14.
Várpalota Branch	8100	Várpalota	Szent István út 7-9.
Veszprém, Ádám Iván utca Branch	8200	Veszprém	Ádám Iván utca 2.
Veszprém, Egyetem Branch	8200	Veszprém	Egyetem utca 19.
Veszprém, Szabadság tér Branch	8200	Veszprém	Szabadság tér 1.
Záhony Branch	4625	Záhony	Ady Endre utca 27-31.
Zalaegerszeg, Ispotályköz Branch	8900	Zalaegerszeg	Ispotály köz 2.
Zirc Branch	8420	Zirc	Rákóczi tér 16.

Corporate Trade Centres

Corporate Trade Centers in Budapest

Budapest Small Enterprises
Budapest Medium Enterprises
Budapest Projects

Corporate Trade Centres in the countryside

Bács-Kiskun County Corporate Trade Centre	Kecskemét
Baranya County Corporate Trade Centre	Pécs
Békés County Corporate Trade Centre	Békéscsaba
Borsod-Abaúj-Zemplén County Corporate Trade Centre	Miskolc
Csongrád County Corporate Trade Centre	Szeged
Fejér County Corporate Trade Centre	Székesfehérvár
Győr-Moson-Sopron County Corporate Trade Centre	Győr
Hajdú-Bihar County Corporate Trade Centre	Debrecen
Heves County Corporate Trade Centre	Eger
Jász-Nagykun-Szolnok County Corporate Trade Centre	Szolnok
Komárom-Esztergom County Corporate Trade Centre	Tatabánya
Nógrád County Corporate Trade Centre	Salgótarján
Somogy County Corporate Trade Centre	Kaposvár
Szabolcs-Szatmár-Bereg County Corporate Trade Centre	Nyíregyháza
Tolna County Corporate Trade Centre	Szekszárd
Vas County Corporate Trade Centre	Szombathely
Veszprém County Corporate Trade Centre	Veszprém
Zala County Corporate Trade Centre	Zalaegerszeg

Central Business Divisions

International and Austrian Clients
Large Corporates
Project and Property Financing
Local Councils

Supervisory Board, Board of Directors

Supervisory Board of Erste Bank Hungary

31 December 2010

Chairman:

Manfred Wimmer Erste Group Bank AG

Members:

Martin Skopek	Erste Group Bank AG
Martin Rohmann	Erste Group Bank AG
Peter Weiss	Erste Group Bank AG
Nemes Róbert	Erste Bank Hungary Zrt.
Bokor Béla	Erste Bank Hungary Zrt.

Board of Directors of Erste Bank Hungary

31 December 2010

Chairman:

Papp Edit Erste Bank Hungary Zrt.

Members:

Sztanó Imre	Erste Bank Hungary Zrt.
Major János	Erste Bank Hungary Zrt.
Jonathan Till	Erste Bank Hungary Zrt.
Pelle László	Erste Bank Hungary Zrt.
Frederik Silzer	external member
Rudnay János	external member

Erste Bank Hungary hereby declares that its parent company, Erste Group Bank AG, adheres to the Austrian Corporate Governance Code and Erste Bank Hungary's corporate management practice is based on the same principles and guidelines.

