

**ERSTE BANK  
HUNGARY NYRT.**

ANNUAL REPORT 2007

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# Key figures, ratings

## FOR THE ANNUAL REPORT OF 31ST DECEMBER, 2007 ON THE BASIS OF AUDITED, CONSOLIDATED ANNUAL FIGURES

in million HUF

### Profit and loss account:

	31.12.2006.	31.12.2007.
Operating income	296,228	388,877
Operating cost	269,452	353,009
Operating profit	26,776	35,868
Pre-tax profit	26,635	31,147
After-tax profit	20,336	25,982
Net income	9,494	13,599

### Balance sheet:

	31.12.2006.	31.12.2007.
Total assets	1,780,460	2,020,708
Loans to clients	1,263,902	1,470,44
Amounts owed to clients	792,734	873,553
Equity	101,235	126,871

Cost/Income ratio	60.68%	60.53%
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### Return on Assets (ROA)

Pre-tax profit / Asset worth	1.5%	1.54%
After-tax profit / Asset worth	1.14%	1.29%

### Return on Equity (ROE)

After-tax profit / Equity	20.09%	22.23%
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Number of employees	2,785	3,013
Number of corporate trade centres	25	23
Number of retail branches	182	196

## Ratings of Erste Bank Hungary

Moody's:	Long-term	A2
	Short-term	P-1
	Financial strength	D+

FITCH:	Support	1
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# Dear clients, partners and shareholders,



Erste Bank Hungary had a successful year in 2007: in spite of a sharp deterioration of economic conditions and substantial changes to the market, the bank maintained its position among the country's leading financial institutions and increased its profits faster than the market average. The systematic group reorganisation project of previous years began to yield results last year, which helped the bank and its subsidiaries to exceed their annual business and profit plans and to contribute greatly to consolidated profits.

The external economic environment was shaped by inflationary pressures (energy, raw materials and agricultural goods prices) and the threat of an economic downturn as the credit crunch sparked by the US sub-prime mortgage crisis began to bite. The resulting exchange and interest rate volatility remained a factor in 2008, and the Hungarian Erste Bank Group continues to calculate with a relatively uncertain external economic environment. The austerity measures dampened growth last year, especially as a result of a downturn in domestic demand. At the same time the austerity measures triggered an improvement in the state of the budget and we anticipate further positive developments in the current year.

The Erste Group adapted with flexibility to changing external conditions. Last year's growth was largely due to improved efficiency, a more efficient exploitation of internal resources and

lending activities. Total assets rose by 13 per cent, almost entirely due to new loans. Mortgages accounted for the bulk of new loans. We also placed great emphasis on strengthening the synergies arising from cross-sales.

The major branch network development programme of past years is nearing its end. By now Erste Bank products are available throughout the country in 199 branches. Fourteen new branches were opened last year in Budapest and elsewhere in the country. The network consisted of 196 branches by the end of the year. Sales agents are an important part of the bank's sales strategy: by the end of 2007 we had 2,600 retail credit agents on our books. In order to widen our sales channels we further strengthened our strategic partnership with Magyar Posta. As part of this project we fitted 324 post offices with direct access to our banks, where clients can use account management and personal loan services and purchase investment units.

The increasing importance of cross-sales at group level is indicated by the sharp, 19 per cent increase in cross-sales commissions. Key products were investment units, pension fund services and insurance products. Especially popular was the new combined investment product launched by Erste Bank Hungary in partnership with the brokerage Erste Investment in February 2007: the Erste Kombinált Megtakarítás (Combined Savings) account. The new construction was tailored for clients who sought to combine long-term and short-term investment opportunities, and looked for high but secure yields. In order to sell our investment products with increased efficiency, we introduced our online trading system in our branch network, which allows us to fulfil clients' government securities and stock market orders quickly and precisely. This system is unique to Erste Bank in Hungary.

Erste Bank Hungary accounted for over 75 per cent of consolidated profit in 2007. Of the subsidiaries, Erste Investment Hungary, which is one of the market leaders, performed outstandingly, it had after tax profit of HUF 2.3bn and turnover of over HUF 2,500bn. Erste Leasing extended new loans worth HUF 82.3bn in 2007, and in spite of the shrinking market it maintained its third place on the market for new vehicles and motorbikes with a 12 per cent share. Erste Faktor had a turnover of HUF 37bn last year, which made it the fifth largest Hungarian factoring company with a market share of approximately 5 per cent.

2007 was also the year of preparation: Erste Bank's adoption of the Basel II IRB system was validated by the financial markets regulator PSzÁF in Q4 last year. The closing document of the validation process stated that the results of the inspection were positive. Special recognition was given to the system developed to record and track eligibility conditions of the risk segments and collaterals: PSzÁF noted that the system could be set as a best practice example for other Hungarian banks to follow.

In the medium-term Erste Bank – in spite of the unfavourable macro-economic conditions – continues to pursue a strategy of expansion. We are in the fortunate situation of having a parent, Erste Bank AG, that did not suffer any adverse effects from the sub-prime mortgage crisis, and its stable financial position has meant that in spite of the credit crunch that first bit in summer 2007, the bank has not been forced to seek external financing. As a result, the credit crisis has had little effect on Erste Bank Hungary's financing costs, which means that we are not considering a review of our current plans at this time.

We continue to focus on retail and SME services. Our fundamental goal in 2008 is to make the group's products more accessible and more understandable to our clients. Within the retail division we shall focus on mortgage lending and deposit products; on the corporate market we shall focus on SMEs, local councils and EU development projects.



Edit Papp  
Chairman-CEO

# CSR activity

An important part of Erste Bank Hungary's CSR strategy is an active involvement in important social issues, and the provision of assistance to communities, interesting and valuable initiatives that it feels deserve support.

## CHARITABLE ACTIVITIES

Erste Bank's charitable activities focus on youth issues, support for the disadvantaged, the promotion of a healthy lifestyle and preventive healthcare initiatives. Further to financial contributions, Erste Bank provides material support, and regularly offers aid in the form of the expertise and voluntary work of its staff to help those in need.

### SOS Children's Villages

Erste Bank has long been a supporter of the charitable foundation. Apart from financial donations, the bank provides material support (furniture, PCs, holidays) to the foundation to ensure that the children do not have to go without. Each year the bank holds a drawing competition for SOS Children's Villages residents. The winning work is used on the bank's official Christmas card, and the other entries are bought by the bank's staff. The money raised is spent on Christmas presents for the children.

### Hungarian Red Cross

Erste Bank's financial support has allowed Hungarian Red Cross to buy its first mobile blood donation truck in the country, which means that all Hungarian blood donors now have access to a donation facility. The truck visits the bank's head offices several times each year, and Erste Bank staff are given the opportunity to contribute to Hungary's blood supply. In 2007 6.000 people donated blood 83 times.

### Magyar Posta – mobile cervical cancer screening

Following the initiative of Erste Bank strategic partner Magyar Posta, a mobile screening facility now tours smaller communities nationwide to screen for cervical cancer in women living in remote parts of the country. Erste Bank, too, contributes to the truck's operating costs. The mobile facility visited 97 communities in 2007, with 2000 women taking advantage of this important opportunity.

### Healthy Communities Foundation

Erste Bank was a sponsor of the foundation's healthy eating promotion project, and the healthy Hungarian cookery book published as part of the initiative.

### International Children's Rescue

The bank has been a long-term supporter of the foundation, contributing to operating costs and providing financial support.

## SPONSORSHIP

### Cultural support

Providing sponsorship to promote culture is one of the key aspects of Erste Bank's sponsorship policy. The Hungarian Erste Bank contributes to the running of the Erste Group 'contact' collection of contemporary works. The bank's 'transit' foundation was set up to provide sponsorship for Hungarian contemporary art projects. The foundation, assisted by external independent curators, provides assistance to long-term contemporary art projects. For years the bank has been a major sponsor of the premier Hungarian film festival Magyar Filmszemle, and the bank has funded and offered its professional assistance to a number of film projects. Apart from nationwide projects, the bank also sponsors a number of regional events (theatre productions outside Budapest, village festivals).

### Sport sponsorship

In the world of sport, Erste Bank contributes to the promotion of Hungarian sports through the sponsorship it provides to national and international sport events, and to a number of popular teams and clubs. Beside the Békés County Men's Handball Team, the bank sponsors a number of sailing clubs. The bank is proud to have opened up the path to ATP world ranking points before talented young tennis players in the Erste Women's Open championship.

### Education

Erste Bank pays special attention to the sponsorship of business schools, which ensure a steady stream of young professionals in the sector. The bank also supports initiatives aimed at improving young people's awareness of the economy, enterprise and finances. In 2007 Erste Bank offered close to HUF 100m to 96 schools and 26 universities to improve conditions of practical training.

# Economic environment and the bank sector in 2007

The fiscal adjustment measures implemented in autumn 2006 have clearly stamped their mark on unfavourable Hungarian economic growth in 2007; GDP grew by just 1.3 per cent last year. Net export – as in previous years – was the primary motor of growth in 2007, as the Euro Zone economy remained strong. As a result exports rose by 14.2 per cent, while imports rose by 12.2 per cent last year. Domestic demand (retail and community consumption, gross accumulation), on the whole, impaired growth. Household consumption fell 0.3 per cent year on year, while investments rose by just 0.1 per cent compared to 2006. The slow GDP growth indicates the greater-than-expected negative impact of the austerity measures.

2007 was a period of renewed accelerating inflation: the twelve-month retrospective inflation rate reached 9 per cent by March. The remarkable increase in inflation was largely due to the reduction of price subsidies and the introduction of co-payment elements in healthcare financing in the second phase of the austerity measures, which affected energy, drugs and transport services prices. After about twelve months the inflationary pressures triggered by the austerity measures eased by September 2007, but new inflationary pressures emerged in the late summer as food prices rose on the back of negative global effects, and global oil prices peaked. The inflation rate once more accelerated in the final quarter of the year, and rose to 7.4 per cent by December. The annual average inflation rate was 8 per cent in 2007.

2007 was a year of cautious rate cuts. The Monetary Council of the central bank twice cut the base rate, by 25 basis points in June and another 25 basis points in September, and the year ended with the base rate at 7.5 per cent. The central bank's caution was prompted by a series of price shocks – some of them external – which increased the risks of exceeding the central bank's medium-term inflation rate target of 3 per cent. Furthermore, increasing risk premiums caused by the sub-prime mortgage crisis, and the weakening forint have prevented further monetary easing. (From March 2008 the central bank's Monetary Council began another regime of rate hikes.)

The forint, as in previous years, was volatile in 2007. In the first months of the year speculations surrounding the possible abolition of the intervention band (which were later proven unfounded) pushed the forint towards the firm end of its band. (The deci-

sion to abolish the intervention band was eventually announced in February, 2008.) The explosion of the sub-prime mortgage crisis in August boosted global risk premiums and impaired the attractiveness of emerging markets. The forint could not avoid the ill effects of these factors. As a result the forint weakened in a number of waves against the euro until the end of the year.

The overall total assets of Hungary's banks rose 16 per cent last year compared to the end of 2006. By the end of 2007 the bank sector's penetration rose to 107.5 per cent (combined total assets to GDP ratio), compared to 103.6 per cent a year before.

The growth of Hungary's bank sector continued to be powered by lending. Retail lending rose 24.4 per cent last year, and accounted for 23.3 per cent of the GDP by the end of the year. Consumer loans rose 38.5 per cent, and accounted for 40.6 per cent of overall retail lending, as against 36.5 per cent at the end of 2006. Housing loans rose 16.2 per cent by the end of the year. Forex lending remained rampant, largely due to high forint rates. Corporate loans rose 12 per cent in 2007, and the ratio of combined corporate loans to GDP rose slightly (from 27.3 per cent at the end of 2006 to 28.7 per cent a year later).

Deposits rose far slower than lending. Retail deposits rose by just 6.5 per cent in the year, and corporate deposits rose by 7.7 per cent. This was largely due to a general reluctance to make savings, and the steady loss of ground suffered by deposits against other forms of savings. This may have been partly due to the – not sector-neutral – interest rate gains tax introduced in September, 2006. In terms of liabilities, then, the Hungarian bank sector's exposure to financial and stock markets continued to increase in 2007.

# Reports of divisions

## I. RETAIL DIVISION

Mortgage financing remained the key element of the strategy of Erste Bank's retail division in 2007, but increasing the number of new bank accounts, and boosting the proportion of active bank accounts amongst both private and micro-business clients were also primary targets.

### **Retail and micro-business accounts, deposits**

Erste Bank launched innovative products in 2007 to boost assets: the Erste Duett Megtakarítás (Double Savings) Deposit helped divide clients' portfolios between deposits and investment funds, the Erste Rádás (Extra) Deposit aimed at boosting the popularity of credit cards, while the Erste Aktív (Active) Deposit pointed clients towards the benefits of active accounts. The new bank account structure, introduced during the summer, gives clients alternatives depending on their position in life, while offering various discounts, waived fees and zero commissions to reward the use of bank accounts (for instance Erste Szorgos (Busy), On-line and Senior accounts).

Erste Bank introduced a new bank account package for micro-businesses: the Erste Válogatás (Selection) package allows clients to tailor their accounts to their own demands and banking habits. The new account package allows clients to choose the various components (transactions/products) that they would like to use at a discount.

### **Retail and micro-business lending**

Retail lending continued to expand rapidly in 2007. Forex-denominated loans provided the motor of growth, while there was no substantial demand for state-subsidised forint loans. Swiss franc-denominated loans were the most popular among the various forex loan products on offer.

The bank's share of the market for retail loans grew steadily, reaching 11.1 per cent by the end of 2007.

The bank's share of the market for housing loans was 12.9 per cent at the end of the year, up 1.4 percentage points from the same time a year before.

In 2007 Erste Bank introduced a mortgage with a zero per cent management commission, and the bank's housing loans were

made available for the purchase of construction lots or the redemption of other debts.

The bank increased maximum financing ratios in various steps by a total 15 per cent during the year, and in high financing constructions the loan disbursed could correspond to up to 105 per cent of the value of the property.

In order to cut the initial costs of consumer loans clients who use an Erste Bank account for other financial transactions were offered a discount on the disbursement commission.

The bank launched government-subsidised lending programmes, and renewed mortgage-based loans on the market for micro-businesses.

### **Sales channels**

On 31st December, 2007 the bank had a nationwide network of a total 196 branches. In the course of the year the bank opened 14 new branches, of which 12 were in Budapest and its agglomeration, and two were elsewhere in the country.

Erste Bank rebuilt or renovated 20 branches in 2007 in order to bring them into line with the bank's quality and image requirements.

### **Alternative sales channels**

The bank's extensive network of loan agents accounted for over 60 per cent of new loans in 2007.

Due to the strategic cooperation with the Hungarian mail Magyar Posta, the contribution of post offices to overall sales rose substantially last year. The role of alternative sales channels was further strengthened by the bank's online service klikkbank, which is available through the [origo] news portal.

The contribution of electronic sales channels rose rapidly compared to 2006. Erste Bank had 560,000 TeleBank clients at the end of 2007, and some 120,000 Erste Bank clients were using the NetBank online banking system by the end of the year.

## **II. CORPORATE DIVISION**

Unlike in previous years, there were two periods of downturn on the corporate market for loans and deposits in 2007, which analysts attributed to deteriorating profitability and unrealised investments due to sharp cuts in Government spending and measures aimed at boosting state revenue (tax hikes).

Domestic corporate loans rose 12 per cent in 2007, a little slower than last year's 14 per cent.

Micro and small businesses accounted for the bulk of growth on the market for corporate lending in 2007.

The market for corporate deposits grew by a sluggish 7.7 per cent last year compared to 27 per cent in the previous year.

Assets held by local council clients rose 49 per cent in 2007, largely due to new bond issues. There were no notable changes on the market for local councils in terms of account management services.

## **LOCAL BUSINESS DIVISION**

### **I. Organisational changes**

In order to improve the efficiency of our sales processes, the earlier county trade centres were reorganised into regional centres, and were placed under the direct control of newly appointed regional managers.

### **II. Small business segment**

Erste Bank reorganised its sales network in line with its small business segment (turnover of HUF 200m-500m) annual strategy, set up acquisition standards, and launched segment-specific products and processes.

The bank has launched a unique client acquisition campaign, which runs throughout the year and focuses on a new product in each quarter. As a part of this project, selected target clients are approached with a different product offer in each quarter.

Concurrently with a focus on expansion, the corporate division has placed a heavy emphasis on risk assessment and monitoring in terms of both clients and deals.

## **III. Local council bond issues**

It was one of our targets to carve out as big share as possible of new local council transactions (new bond issues) in 2007, which we successfully met: Erste Bank accounted for 11 per cent of all new bond issues by local councils last year according to our calculations.

## **CORPORATE AND PROPERTY FINANCING**

### **I. Holding structure**

In order better to serve clients, and to improve regional cooperation within the international Erste Group, the large corporations and property financing segments were organised into a matrix structure and were placed under the direct control of headquarters in Vienna.

### **II. Regional customer services**

The creation of regional professional competence centres has allowed a group-level integration of product development and sales support activities. Further, we devised regional sales strategies along the segmentation dictated by the different sectors in which our clients operate.

## **2007 PROFITS AND ACHIEVEMENTS**

Over 600 new clients chose our local business division in 2007, pushing the number of clients over 8,000 by the end of the year. The division's assets rose by 8 per cent in 2007, with the local councils segment achieving a massive 74.4 per cent increase in assets.

The deposits handled by the local business division rose 21.3 per cent, faster than the market average, and the division achieved double the planned increase in volume in 2007.

The property financing segment achieved a 12 per cent increase in assets, while in terms of deposits, the corporate and property financing segments together achieved a 25.4 per cent increase in 2007.

### III. TREASURY

Erste Bank's Treasury division provides the continuous liquidity necessary for the bank's operations; the division actively manages the exchange rate risks inherent in the bank's open forex positions; and in cooperation with Asset-Liability Management, manages the bank's interest rate risks and long-term financing.

Beside the operative tasks to support the bank, the Treasury division is an active player on the domestic and foreign forex and money markets. In 2007 Treasury strengthened its market leading position on the domestic market for derivative products, and remained a dominant player on the domestic interbank credit and deposit and forex swap markets. In terms of its market share and activity, the division is the market leader on the Hungarian market for derivatives, and a dominant player on the Hungarian forex market. The division's strategic cooperation with the parent bank provides the basis for the division's own-account trading activities, and the division has recourse to a wide domestic and foreign partnership network on the forint, money and derivatives markets.

Erste Bank's Treasury division had an extraordinarily profitable 2007, both in terms of sales and own-account trading. The division's annual profits exceeded the plan by 35 per cent. The record profits were achieved while maintaining efficiency. The division's earnings to equity ratio remained outstanding, and the cost to revenue ratio remained below the plan.

The Treasury division continued to focus on boosting and expanding its sales activities. In line with its business targets, profits on sales rose faster than profits achieved on own-account trading, which continued to improve the division's ratio of risked value to profits achieved.

The division focussed primarily on providing comprehensive treasury services to the bank's corporate clients. Beside basic forex and investment products, the division offers complex risk management services and structured investment products to corporate clients.

An important segment of clients are Hungarian institutional investors, and the division has catered to their demand for special products and markets with great success over the past years. The Treasury division has carved out substantial shares of the markets for forex options and exotic currencies.

The success of the division's sales activities is indicated by a 10 per cent increase in the division's base of clients in 2007, and that the division successfully opened towards new client segments. Overall turnover doubled compared to 2006, primarily on the back of increased turnover of futures and forex options. A favourable trend was the above-average increase in the turnover of greater added-value products, which offset the continuing erosion of margins on basic products.

The Treasury division pays special attention to product development. Continuous product innovation, through stronger ties with clients, is an important contributing factor in the division's long-term profitability. The division's product development strategy will continue to focus on structured forex and money market products, and structured investment products.

# Analysis of the financial situation

2007 was the year of efficiency at Erste Bank. The bank once more closed a successful year. The bank maintained its position among the country's leading banks in spite of far more unfavourable macro-economic conditions and changes to the market (mergers), and successfully increased its profits faster than the market average.

## Assets

The structure of our asset portfolio changed slightly: net loans to clients compared to total assets rose from 71.5 per cent to 72.8 per cent by the end of the year, while loans to financial institutions rose from 4.3 per cent to 6.4 per cent of total assets, and the proportion of government securities fell.

Outlays continued to rise sharply in 2007. Loans to clients rose HUF 197bn or 15.5 per cent compared to the end of 2006. Outlays rose in both the retail and corporate divisions, which was partly due to development loans in the corporate division and increased demand for forex products on the retail market. Longer term loans (of over one year) accounted for the bulk of growth in the retail division, which was primarily due to an increase in mortgage lending and forex-denominated personal loans. The asset portfolio as a whole shifted towards long-term constructions.

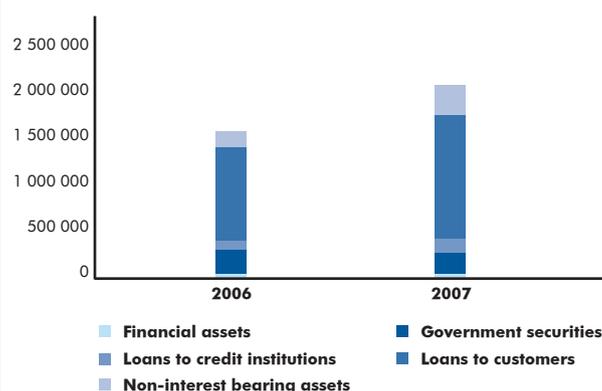
### Changes to major stocks of assets in 2006-2007: (in million HUF)

	2006
Financial assets	59,247
Government securities	228,231
Loans to financial institutions	76,114
Loans to clients	1,273,455
Non-interest bearing assets	143,413
<b>ASSETS IN TOTAL</b>	<b>1,780,460</b>

## Liabilities

There were no major changes to liabilities in 2007 compared to the end of 2006. Liabilities to clients fell slightly in overall external liabilities, while liabilities to financial institutions rose by a similar margin. Liabilities to clients accounted for 43.2 per cent

Changes to stocks of assets



of total assets, while liabilities to financial institutions accounted for 43.1 per cent of total assets.

The increase in lending was not accompanied by a similarly rapid increase in clients' deposits. The parent bank continued to play a major role in Erste Bank's long-term financing. Erste Bank borrowed CHF 100m from its parent for a five-year period in Q4 last year. Erste Bank did not borrow any money from its parent under the existing subordinated capital loan agreement last year, and the bank's stock of subordinated capital loans remained

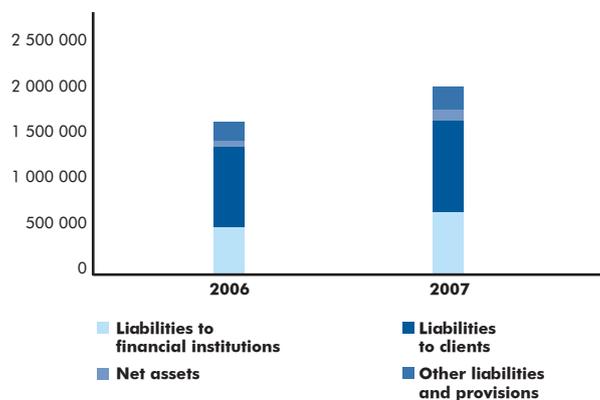
	2007	Change pc 2007/2006	Proportion pc	
			2006	2007
Financial assets	64,199	8.4%	3.3%	3.2%
Government securities	171,256	-25.0%	12.8%	8.5%
Loans to financial institutions	129,306	69.9%	4.3%	6.4%
Loans to clients	1,470,449	15.5%	71.5%	72.8%
Non-interest bearing assets	185,498	29.3%	8.1%	9.2%
<b>ASSETS IN TOTAL</b>	<b>2,020,708</b>	<b>13.5%</b>	<b>100.0%</b>	<b>100.0%</b>

unchanged at around HUF 42bn (due to EUR 22.3m and EUR 36.65m borrowed earlier) by the end of 2007. Under the agreement the subordinated capital is available to Erste Bank and the rest of the Hungarian Group until the end of 2012.

**Changes to major stocks of liabilities in 2006-2007:**  
(in million HUF)

	2006	2007	Change pc 2007/2006	Proportion pc	
				2006	2007
Liabilities to financial institutions	724,182	871,510	20.3%	40.7%	43.1%
Liabilities to clients	800,193	873,553	9.2%	44.9%	43.2%
Net assets	101,235	126,871	25.3%	5.7%	6.3%
Other liabilities + provisions	154,850	148,774	-3.9%	8.7%	7.4%
<b>TOTAL LIABILITIES</b>	<b>1,780,460</b>	<b>2,020,708</b>	<b>13.5%</b>	<b>100.0%</b>	<b>100.0%</b>

Changes to stocks of liabilities



Administrative costs rose 10.5 per cent by the end of 2007, which was largely due to a higher-than-expected increase in HR costs (13.6 per cent). This was due to an increase in staff numbers prompted by growing business volume. Due to economies in cost management other administrative costs rose very slowly. Increased writing off of depreciation was a natural consequence of development projects completed in the course of the year.

Depreciation rose slightly compared to the previous year, which was largely due to increased stocks. There were no major changes to the portfolio in terms of quality categories.

**Profit and loss account**

Erste Bank Hungary remained dominant in the consolidation, and the implementation of its plans has a major impact on the profitability of the Group as a whole.

Consolidated pre-tax profit rose 16.9 per cent compared to the previous year, while consolidated after-tax profit before dividend rose even faster compared to 2006.

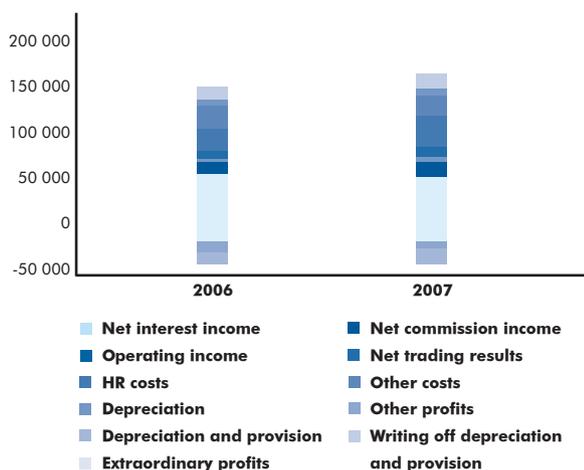
Consolidated operating revenues rose 10.6 per cent in 2007, while operating costs rose by an almost identical 10.3 per cent. Interest-type expenditure rose slightly compared to the increase in interest revenues: net interest revenue fell by 1.1 per cent, which means that net interest has remained unchanged compared to 2006. Revenue from commission exceeded commission paid as a result of the Group's client acquisition drives, pushing net commission up 11.9 per cent compared to 2006.

**Operating income and costs in 2006-2007:**  
(in million HUF)

	2006	2007	Change pc 2007/2006
Net interest income	70,722	69,974	-1.1%
Net commission income	13,649	15,277	11.9%
Dividend	811	1,016	25.3%
Net trading results	8,126	16,945	108.5%
<b>Operating income</b>	<b>93,308</b>	<b>103,212</b>	<b>10.6%</b>
Administrative costs	51,926	57,395	10.5%
HR costs	25,952	29,471	13.6%
Other costs	25,974	27,924	7.5%
Depreciation	4,695	5,082	8.2%
<b>Operating costs</b>	<b>56,621</b>	<b>62,477</b>	<b>10.3%</b>
Other profits	-7,750	-4,865	-37.2%
Depreciation and provision	-14,818	-16,918	14.2%
Writing off depreciation and provision	12,657	12,744	0.7%
Extraordinary profits	-141	-549	289.4%
Pre-tax profit	26,635	31,147	16.9%
After-tax profit	20,336	25,982	27.8%
<b>Net income</b>	<b>9,494*</b>	<b>13,599*</b>	<b>43.2%</b>

\* Includes dividend paid to shareholders.

Changes to profit items:



# Non-consolidated report

## I. BALANCE SHEET: Assets

Items	HUF million	
	31.12.2006	31.12.2007
<b>1 Cash and balances</b>	<b>59,234</b>	<b>63,742</b>
<b>2 Government securities (issued by Hungarian State)</b>	<b>209,120</b>	<b>154,354</b>
a. for trading purposes	43,996	10,307
b. for investment purposes	164,575	143,843
2/A Valuation difference of government securities	549	204
<b>3 Loans and advances to credit institutions</b>	<b>72,845</b>	<b>126,783</b>
a. sight	11,423	12,561
b. other loans from financial services	61,422	114,222
ba. with a maturity within one year	56,555	111,107
of which: from affiliated companies	14,336	16,312
from other participations		
from National Bank of Hungary	38,160	58,000
from clearing house		
bb. with a maturity more than one year	4,867	3,115
of which: from affiliated companies		
from other participations		
from National Bank of Hungary		
from clearing house		
c. from investment services		
of which: from affiliated companies		
from other participations		
from clearing house		
<b>4 Loans to customers</b>	<b>1,304,070</b>	<b>1,510,258</b>
a. from financial services	1,303,125	1,510,258
aa. with a maturity within one year	382,125	288,288
of which: from affiliated companies	174,864	90,649
from other participations		0
ab. with a maturity more than one year	921,000	1,221,970
of which: from affiliated companies	11,297	138,485
from other participations	458	440
b. from investment services	945	
of which: from affiliated companies	3	
from other participations		
ba. receivables from services on stock exchange		
bb. receivables from services outside of stock exchange		
bc. receivables from customers deriving from investment services	945	
bd. receivables from clearing houses		
be. receivables from other investments services		

Items	HUF million	
	31.12.2006	31.12.2007
4/A Valuation difference of loans to customers		
<b>5 Securities representing debt claim, including fixed income securities</b>	<b>17,580</b>	<b>44,547</b>
a. securities issued by local authorities or other state-organizations (government securities are excluded)	11,195	28,901
aa. for trading purposes		
ab. for investment purposes	11,195	28,901
b. securities issued by other issuer	6,532	16,004
ba. for trading purposes	6,532	7,537
of which: issued by affiliated companies		
issued by other participations		
repurchased own-issued securities		
bb. for investment purposes	0	8,467
of which: issued by affiliated companies		
issued by other participations		
5/A Valuation difference of securities representing debt claim	-147	-358
<b>6 Shares and other non-fixed income securities</b>	<b>0</b>	<b>0</b>
a. shares, participations for trading purposes		
of which: issued by affiliated companies		
issued by other participations		
b. variable-income securities		
ba. for trading purposes		
bb. for investment purposes		
6/A Valuation difference of shares and non-fixed income securities		
<b>7 Shares and participations for investment purposes</b>	<b>306</b>	<b>309</b>
a. shares, participations for investment purposes	306	309
of which: participation in credit institutions		
b. value adjustments of shares and participations for investment purposes		
of which: participation in credit institutions		
<b>8 Shares and participations in affiliated companies</b>	<b>11,230</b>	<b>11,631</b>
a. shares, participations for investment purposes	11,230	11,631
of which: shares in credit institutions		
b. value adjustments of shares and participations for investment purposes		
of which: shares in credit institutions		
<b>9 Intangible assets</b>	<b>4,838</b>	<b>5,366</b>
Intangible assets	4,838	5,366
Value adjustments of intangible assets		
<b>10 Tangible assets</b>	<b>12,223</b>	<b>12,880</b>
a. tangible assets for financial and investment purposes	8,870	9,578

Items	HUF million	
	31.12.2006	31.12.2007
aa. real estates	4,087	4,364
ab. technical equipments, machinery, appliances, vehicles	4,031	4,558
ac. investments	752	656
ad. advances paid for investments		
b. tangible assets not directly for financial and investment purposes	3,353	3,302
ba. real estates	3,352	3,302
bb. technical equipments, machinery, appliances, vehicles		
bc. investments		
bd. advances paid for investments	1	
c. value adjustments of tangible assets		
<b>11 Own shares</b>	<b>0</b>	<b>0</b>
<b>12 Other assets</b>	<b>32,902</b>	<b>29,989</b>
a. inventories	2,028	1,381
b. other receivables	7,298	6,141
of which: from affiliated companies	1,123	3,516
from other participations		
12/A Valuation difference of other receivables		
12/B Positive valuation difference of derivative instruments	23,576	22,467
<b>13 Deferred expenses and accrued income</b>	<b>39,761</b>	<b>34,444</b>
a. accrued income	25,559	33,713
b. accrued expense	14,202	731
c. deferred expense		
<b>TOTAL ASSETS</b>	<b>1,764,109</b>	<b>1,994,303</b>
of which: Current assets	594,114	523,377
Invested assets	1,130,234	1,436,482

<b>Liabilities</b>		<b>HUF million</b>	
<b>Items</b>	<b>31.12.2006</b>	<b>31.12.2007</b>	
<b>1 Amounts owed to credit institutions</b>	<b>719,771</b>	<b>864,832</b>	
a. sight	1,899	2,574	
b. liabilities from fixed term financial services	717,872	862,258	
ba. with a maturity within one year	201,733	108,437	
of which: from affiliated companies	189,018	90,333	
from other participations			
from National Bank of Hungary			
from clearing house			
bb. with a maturity more than one year	516,139	753,821	
of which: from affiliated companies	384,194	664,880	
from other participations			
from National Bank of Hungary			
from clearing house			
c. from investment services			
of which: from affiliated companies			
from other participations			
1/A Valuation difference of amounts owed to credit institutions			
<b>2 Amounts owed to customers</b>	<b>795,106</b>	<b>866,215</b>	
a. saving deposits	2,950	2,690	
aa. sight	2,950	2,690	
ab. with a maturity within one year			
ac. with a maturity more than one year			
b. other liabilities from financial services	791,821	863,525	
ba. sight	356,339	326,855	
of which: from affiliated companies	11,535	13,790	
from other participations	149	176	
bb. with a maturity within one year	375,470	488,385	
of which: from affiliated companies		1,300	
from other participations	869	1,074	
bc. with a maturity more than one year	60,012	48,285	
of which: from affiliated companies			
from other participations			
c. from investment services	335	0	
of which: from affiliated companies	124		
from other participations			
ca. liabilities from services on stock exchange			
cb. liabilities from services outside of stock exchange			
cc. liabilities against customers deriving from investment services	335		

Items	HUF million	
	31.12.2006	31.12.2007
cd. liabilities against clearing houses		
ce. liabilities from other investments services		
2/A Valuation difference of amounts owed to customers		
<b>3 Trading liabilities</b>	<b>18,750</b>	<b>18,750</b>
a. bonds issued	18,750	18,750
aa. with a maturity within one year		
of which: from affiliated companies		
from other participations		
ab. with a maturity more than one year	18,750	18,750
of which: from affiliated companies		
from other participations		
b. securities issued representing other debt claim		
ba. with a maturity within one year		
of which: from affiliated companies		
from other participations		
bb. with a maturity more than one year		
of which: from affiliated companies		
from other participations		
c. debt instruments treated as securities from an accounting aspect but not classified as securities under the Securities Act		
ca. with a maturity within one year		
of which: from affiliated companies		
from other participations		
cb. with a maturity more than one year		
of which: from affiliated companies		
from other participations		
<b>4 Other liabilities</b>	<b>48,053</b>	<b>54,164</b>
a. with a maturity within one year	27,153	37,037
of which: from affiliated companies	527	368
from other participations		
b. with a maturity more than one year		
of which: from affiliated companies		
from other participations		
4A Negative valuation difference of derivative instruments	20,900	17,127
<b>5 Accrued expenses and deferred income</b>	<b>36,675</b>	<b>31,501</b>
a. accrual of income	14,444	397
b. accrual of expenses	22,157	31,078
c. deferred income	74	26

Items	HUF million	
	31.12.2006	31.12.2007
<b>6 Provisions</b>	<b>3,505</b>	<b>3,264</b>
a. provision for pension and for severance payments		
b. risk provision for pending and future liabilities	2,083	1,842
c. general risk provision	1,422	1,422
d. other provision		
<b>7 Subordinated liabilities</b>	<b>42,122</b>	<b>42,292</b>
a. subordinated capital	42,122	42,292
of which: from affiliated companies	40,822	40,992
from other participations		
b. other contribution by members of credit institutions operating as cooperatives		
c. other subordinated liabilities		
of which: from affiliated companies		
from other participations		
<b>8 Subscribed capital</b>	<b>53,410</b>	<b>53,410</b>
of which: nominal value of repurchased ownership shares		
<b>9 Subscribed but yet unpaid capital</b>	<b>0</b>	<b>0</b>
<b>10 Capital reserve</b>	<b>10,417</b>	<b>10,417</b>
a. agio	10,417	10,417
b. other		
<b>11 General reserve</b>	<b>5,037</b>	<b>7,384</b>
<b>12 Profit reserve (Retained earnings)</b>	<b>21,055</b>	<b>30,704</b>
<b>13 Fixed reserve</b>	<b>0</b>	<b>0</b>
<b>14 Valuation reserve</b>	<b>559</b>	<b>247</b>
a. Reserve for value adjustment on fixed assets and inventories		
b. Reserve for valuation at fair value	559	247
<b>15 Balance-sheet profit</b>	<b>9,649</b>	<b>11,123</b>
<b>TOTAL LIABILITIES</b>	<b>1,764,109</b>	<b>1,994,303</b>
of which: Short-term liabilities	986,779	983,105
Long-term liabilities	637,023	863,148
Shareholders' equity	100,127	113,285

Items	HUF million	
	31.12.2006	31.12.2007
<b>OFF-BALANCE ITEMS:</b>		
Pending liabilities	197,071	265,825
Future liabilities	746,546	903,243
<b>Total pending and future liabilities</b>	<b>943,617</b>	<b>1 169,068</b>
Pending liabilities	1 984,131	2 745,503
Future liabilities	713,396	925,699
<b>Total pending and future liabilities</b>	<b>2 697,527</b>	<b>3 671,202</b>

## II. PROFIT AND LOSS ACCOUNT

Items	HUF million	
	31.12.2006	31.12.2007
<b>1 Interest and other interest-type revenues earned</b>	<b>115,205</b>	<b>130,232</b>
a. fixed-income securities representing debt-claim	14,595	19,308
of which: from affiliated companies		
from other participations		
b. other interest and interest-type revenues	100,610	110,924
of which: from affiliated companies	5,728	12,153
from other participations	23	27
<b>2 Interest paid and other interest-type expenses</b>	<b>56,694</b>	<b>70,917</b>
of which: from affiliated companies	446	22,621
from other participations	53	87
<b>Net interest income</b>	<b>58,511</b>	<b>59,315</b>
<b>3 Revenues from securities</b>	<b>3,941</b>	<b>1,948</b>
a. revenues from shares and participations held for trading purposes (dividend, participations)		
b. revenues from affiliated companies (dividend, participation)	3,766	1,764
c. revenues from other participations (dividend, participations)	175	184
<b>4 Fees and commissions earned</b>	<b>24,209</b>	<b>25,898</b>
a. revenues from other financial services	23,828	25,348
of which: from affiliated companies	2,485	2,683
from other participations	3	2
b. revenues from investment services (excluding trading activity)	381	550
of which: from affiliated companies	59	2
from other participations	178	
<b>5 Fees and commissions paid (due)</b>	<b>7,614</b>	<b>7,549</b>
a. expenses of other financial services	7,208	7,167
of which: from affiliated companies	3	2
from other participations		
b. expenses of investment services (excluding trading activities)	406	382
of which: from affiliated companies	91	160
from other participations		
<b>6 Net trading result</b>	<b>4,117</b>	<b>12,053</b>
a. revenues from other financial services	31,197	29,733
of which: from affiliated companies	0	8
from other participations		
valuation difference of other financial services		
b. expenses of other financial services	36,527	23,348
of which: from affiliated companies	0	3
from other participations		

Items	HUF million	
	31.12.2006	31.12.2007
valuation difference of other financial services		
c. revenues of investment services (trading activities)	43,881	103,457
of which: from affiliated companies	2,661	1,654
from other participations		
retrieval of value-loss on securities held for trading		
valuation difference of other financial services	12,716	35,526
d. expenses of investment services (trading activities)	34,434	97,789
of which: from affiliated companies	5,105	392
from other participations		
value loss of securities held for trading		
valuation difference of other financial services	10,580	33,063
<b>7 Other revenues from business activity</b>	<b>6,670</b>	<b>9,209</b>
a. revenues from non financial and investment activities	1,414	1,227
of which: from affiliated companies	116	3
from other participations		
b. other revenues	5,256	7,982
of which: from affiliated companies	2	0
from other participations		
retrieval of value loss of inventories	77	341
<b>8 General administrative expenses</b>	<b>44,239</b>	<b>45,276</b>
a. personnel expenses	21,796	23,961
aa. wages	13,792	14,919
ab. other personal expenses	2,300	2,547
of which: social insurance	648	634
pensions	645	631
ac. wage contributions	5,704	6,495
of which: social insurance	4,486	4,955
pensions	1,843	2,338
b. other administrative expenses (material-type)	22,443	21,315
<b>9 Depreciation</b>	<b>2,938</b>	<b>3,196</b>
<b>10 Other expenses from business activity</b>	<b>18,169</b>	<b>22,993</b>
a. expenses of non financial and investment services	1,430	1,374
of which: from affiliated companies	3	3
from other participation	189	
b. other expenses	16,739	21,619
of which: from affiliated companies	8	228
value loss of inventories	136	14
<b>11 Value loss of receivables and risk provisions for future and pending liabilities</b>	<b>12,405</b>	<b>13,958</b>

Items	HUF million	
	31.12.2006	31.12.2007
a. value loss of receivables	11,655	12,978
b. risk provisions for future and pending liabilities	750	980
<b>12 Retrieval of value loss of receivables and use of risk provision for future and pending liabilities</b>	<b>12,156</b>	<b>12,230</b>
a. retrieval of value loss of receivables	11,611	11,011
b. use of risk provision for future and pending liabilities	545	1,219
12/A Change in general risk provision		
<b>13 Value loss of securities representing debt-claim, held for investments purposes and of shares in affiliated companies and other participations</b>	<b>95</b>	<b>9</b>
<b>14 Retrieval of value loss of securities representing debt-claim, held for investments purposes and of shares in affiliated companies and other participations</b>	<b>116</b>	<b>88</b>
<b>15 Ordinary result of business activities</b>	<b>24,260</b>	<b>27,760</b>
of which: Result of financial and investment services	24,276	27,907
Result of non financial and investment services	-16	-147
<b>16 Extraordinary income</b>	<b>2,558</b>	<b>5,379</b>
<b>17 Extraordinary expense</b>	<b>1,235</b>	<b>5,415</b>
<b>18 Extraordinary profit</b>	<b>1,323</b>	<b>-36</b>
<b>19 Pretax profit</b>	<b>25,583</b>	<b>27,724</b>
<b>20 Tax on income</b>	<b>5,365</b>	<b>4,254</b>
<b>21 Profit/loss after taxes</b>	<b>20,218</b>	<b>23,470</b>
<b>22 Allocation (-) or use (+) of general risk reserves</b>	<b>2,022</b>	<b>2,347</b>
<b>23 Transfer from profit reserve (retained earnings) for dividend payment</b>	<b>0</b>	<b>0</b>
<b>24 Approved dividends</b>	<b>8,547</b>	<b>10,000</b>
of which: from affiliated companies	8,542	9,994
from other participations		
<b>25 Balance sheet profit/loss</b>	<b>9,649</b>	<b>11,123</b>

### III. CASH-FLOW STATEMENT

		HUF million	
Items	2006	2007	
1	Interest income	115,205	130,232
2	+ Income from other financial services (excluding retrieval of provision on securities)	55,025	55,081
3	+ Other income (excluding use of provision, retrieval of surplus of provision, provision of inventories, retrieval of extraordinary depreciation)	4,510	7,641
4	+ Income from investment services (excluding retrieval of provision on securities)	31,546	68,481
5	+ Income from non financial and non investment services	1,414	1,227
6	+ Income from dividend	3,941	1,948
7	+ Extraordinary income	2,558	5,379
8	- Interest expenses	56,694	70,917
9	- Other financial expenses (excluding provision on securities)	43,735	30,515
10	- Other expenses (excluding provision and value loss on inventories, and extraordinary depreciation)	16,194	21,605
11	- Expenses from investment services (excluding provision on securities)	24,245	65,108
12	- Expenses of non financial and non investment services	1,430	1,374
13	- General administrative expenses	47,177	48,472
14	- Extraordinary expenses (excluding the company tax liability of the current year)	1,235	5,415
15	- Corporate tax liability of the current year	5,365	4,254
16	'- Dividend paid	8,547	10,000
<b>17</b>	<b>Operating cash-flow</b>	<b>9,577</b>	<b>12,329</b>
18	± Change in liabilities (+ if increase, - if decrease)	264,729	226,224
19	± Change in receivables (+ if increase, - if decrease)	-313,883	-260,936
20	± Change in inventories (+ if increase, - if decrease)	-978	974
21	± Change in securities registered among current assets (+ if increase, - if decrease)	-29,151	32,684
22	± Change in securities registered among invested assets (+ if increase, - if decrease)	-22,837	-5,766
23	± Change in investments (including advances paid) (+ if increase, - if decrease)	-570	97
24	± Change in intangible assets (+ if increase, - if decrease)	-1,027	-528
25	± Change in net value of fixed assets (excluding investments and advances paid) (+ if increase, - if decrease)	-3,927	-754
26	± Change in active deferrals (+ if increase, - if decrease)	-5,430	5,317
27	± Change in passiv deferrals (+ if increase, - if decrease)	10,587	-5,133
28	+ Shares issued at sales price	14,000	
29	+ Financial assets received	0	
30	- Financial assets transferred	0	
31	previous years' effect on income in the profit reserve		
32	previous years' effect on income in the general reserve		
33	- Nominal value of own issue withdrawn	0	
<b>34</b>	<b>Net cash-flow</b>	<b>-78,910</b>	<b>4,508</b>
35	- change in cash in hand (banknotes, cheques)	229	1,273



Items	HUF million	
	2006	2007
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)	-79,139	3,235

# Independent Auditor's Report



**ERNST & YOUNG**

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Cq. 01-09-267553

**This is a translation of the Hungarian Report**

## **Independent Auditors' Report**

To the Shareholders of Erste Bank Hungary Nyrt.

1.) We have audited the accompanying 2007 annual financial statements of Erste Bank Hungary Nyrt. ("the Company"), which comprises the balance sheet as at 31 December 2007 - showing a balance sheet total of HUF 1,994,303 million and a profit for the year of HUF 11,123 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 2006 annual financial statements on 16 February 2007.

### **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 Nyrt. 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 Nyrt. as at 31 December 2007 and of the results of its operations for the year then ended. The business report corresponds to the disclosures in the financial statements.

Budapest, 7 March 2008

Except for the effect of the resolution of the shareholders on the dividend of HUF 10,000 million, which is dated 25 April 2008.

Ernst & Young Kft.  
Registration No.: 001165

Szabó Gergely  
Registered Auditor  
Chamber membership No.: 005676

# Companies included in the consolidation

## ERSTE INVESTMENT HUNGARY

Erste Investment Hungary is currently Hungary's leading brokerage. Its aim is to provide high-quality, quick and easy-to-use services to its clients. In order to achieve this end, Erste Investment has introduced an online trading system in Erste Bank's branch network, which allows the bank to fulfil clients' government securities and stock market orders quickly and precisely anywhere in the country. The system is unique to Erste Bank in Hungary.

Erste Investment Hungary had after-tax profit of HUF 2,285m in 2007 on stock market turnover of over HUF 2,500bn. The shareholders decided to pay no dividend on the profits.

### Turnover figures:

	2006 TOTAL	2007 TOTAL
Share turnover on BSE (Erste)	2,225,876	2,525,669
<b>Overall share turnover on BSE</b>	<b>13,003,046</b>	<b>17,383,635</b>
Market share	17%	15%
<b>Place</b>	<b>1</b>	<b>2</b>
Overall primary issue on market (nominal value)	6,872,316	5,904,991
Of which subscribed by Erste (nominal value)	628,410	570,497
Market share	9.1%	9.7%
<b>Place</b>	<b>6</b>	<b>5</b>
Futures (overall)	971,561	1,038,634
Futures (BUX)	321,088	279,273
Futures (shares)	650,472	759,361
Number of contracts (overall)	2,232,868	6,231,487
Number of contracts (BUX)	354,254	1,039,097
Number of contracts (share)	292,182	484,036
Number of contracts (forex)	1,586,432	4,708,354
Market share (BUX)	11%	13%

	2006	2007
Market share (share)	17%	16%
<b>Place (BUX)</b>	<b>3</b>	<b>3</b>
<b>Place (share)</b>	<b>3</b>	<b>3</b>
<b>Place (forex)</b>	<b>7</b>	<b>3</b>

Fund manager Erste Alapkezelő managed assets of HUF 535bn at the end of 2007, giving it a 12.1 per cent share of the market, making it the market's third largest player. The fund manager reported after-tax profit of HUF 617.3m.

### Changes to invested assets managed by Erste Alapkezelő:

(billion HUF)	31.12.2006	31.12.2007
Investment funds	323.72	385.95
Pension funds	104.25	126.12
Insurers	16.60	13.21
Economic organisations	6.37	6.99
Private investors	2.00	1.99
Other institutions	1.63	0.38
Local councils	0.35	0.34
Fund, wealth and portfolio management in total	<b>454.92</b>	<b>534.98</b>

## ERSTE LEASING GROUP

Members of the Erste Leasing Group:

- Erste Leasing Autófinanszírozási Zrt.
- Erste Leasing Eszközfinanszírozási Zrt.
- Erste Leasing Bérlet Kft.

In spite of the shrinking market, the Erste Leasing Group successfully maintained its third place on the market for new cars and motorbikes with a market share of 12 per cent.

The Group had new outlays of HUF 82.3bn and 35,591 new contracts in 2007.

Variable-rate, forex-denominated constructions accounted for 99.6 per cent of loans to clients, in line with market demand.

The Group will pay dividend of HUF 1.8bn on its 2007 profits to the shareholders.

#### **Erste Ingatlanlizing Zrt.**

The property leasing company Erste Ingatlanlizing Pénzügyi Szolgáltató was set up in summer 2006 with registered capital of HUF 50m. Sales did not begin until 2007.

In the company's current three-year business plan, the 2008 plan is to achieve total assets of close to HUF 10bn.

The company will target retail clients, SMEs and micro-businesses. The company sells its products through the Erste Bank branch network and the bank's network of agents.

#### **Erste Faktor Zrt.**

The factoring company Erste Faktor began operations in Q3 2005. The unit has widened the Group's range of services on offer, and its incorporation was a major step along Erste Bank's path towards becoming a universal bank.

In 2007, the company's second full business year, turnover amounted to HUF 37bn, down from the year before. This was partly due to the less favourable market environment. The company's 2007 turnover confirmed its position of fifth largest on the market with a share of around 5 per cent.

Erste Faktor has registered capital of HUF 100m. Net assets exceeded HUF 138m at the end of 2007.

#### **Erste Ingatlan Kft.**

Erste Ingatlan sells, leases, manages and develops properties. Over the past two years the company has undertaken major property development projects, which increased its total assets and the efficiency of its operations. Erste Ingatlan also runs Europe Tower, the Hungarian Erste Group's offices.

The company has stable liquidity, and its merger with ESZE Kft, registered by the Court of Registration on 30th September, 2007, further boosted its position. (ESZE Kft was integrated into Erste

Ingatlan fully at the time of registration and has ceased to exist. Its legal successor is Erste Ingatlan.)

#### **E-Dat Kft.**

The company's performance is in line with the plans, its liquidity is stable. E-Dat provides IT support for banking services. The company's business profile was unchanged in 2007, and will continue to fulfil the same tasks in the future.

#### **Erste Kereskedőház Kft.**

The company's core activities are various wholesale activities.

#### **Erste Pénztárszervező Kft.**

Erste Pénztárszervező carries out the administrative tasks of Erste Bank's Voluntary and Private Pension Funds. It has stable liquidity. The company will continue its activities in the future with no changes, and will continue to further increase its capital.

#### **V48 Kft.**

V48 Kft was registered by the Court of Registration on 30th September, 2006. The company has a single asset on its books, a property at 1132 Budapest, Váci út 48, formerly the Erste Bank Hungary headquarter. The company's activities are limited, all its income comes from the lease of the original bank branch. The company is currently being sold.

# Consolidated report

## I. BALANCE SHEET: Assets

Items	HUF million	
	31.12.2006	31.12.2007
<b>1 Cash and balances</b>	<b>59,247</b>	<b>64,199</b>
<b>2 Government securities (issued by Hungarian State)</b>	<b>228,231</b>	<b>171,256</b>
a. for trading purposes	63,138	27,263
b. for investment purposes	164,575	143,843
2/A Valuation difference of government securities	518	150
<b>3 Loans and advances to credit institutions</b>	<b>76,114</b>	<b>129,306</b>
a. sight	14,183	14,531
b. other loans from financial services	61,931	114,222
ba. with a maturity within one year	57,064	111,107
of which: from affiliated companies	14,336	16,312
from other participations		
from National Bank of Hungary	38,160	58,000
from clearing house		
bb. with a maturity more than one year	4,867	3,115
of which: from affiliated companies		
from other participations		
from National Bank of Hungary		
from clearing house		
c. from investment services		553
of which: from affiliated companies		
from other participations		
from clearing house		
3/A Valuation difference of loans to credit institutions		
<b>4 Loans to customers</b>	<b>1,273,455</b>	<b>1,470,449</b>
a. from financial services	1,263,902	1,452,810
aa. with a maturity within one year	250,470	241,324
of which: from affiliated companies	0	17
from other participations		0
ab. with a maturity more than one year	1,013,432	1,211,486
of which: from affiliated companies	0	29
from other participations	458	440
b. from investment services	9,553	17,639
of which: from affiliated companies		
from other participations		
ba. receivables from services on stock exchange	3,300	9,229
bb. receivables from services outside of stock exchange		1
bc. receivables from customers deriving from investment services	6,057	8,161
bd. receivables from clearing houses	196	248

Items	HUF million	
	31.12.2006	31.12.2007
be. receivables from other investments services		
4/A Valuation difference of loans to customers		
<b>5 Securities representing debt claim, including fixed income securities</b>	<b>17,715</b>	<b>44,751</b>
a. securities issued by local authorities or other state-organizations (government securities are excluded)	11,195	28,901
aa. for trading purposes		
ab. for investment purposes	11,195	28,901
b. securities issued by other issuer	6,666	16,207
ba. for trading purposes	6,651	7,740
of which: issued by affiliated companies		
issued by other participations		
repurchased own-issued securities		
bb. for investment purposes	15	8,467
of which: issued by affiliated companies		
issued by other participations		
5/A Valuation difference of securities representing debt claim	-146	-357
<b>6 Shares and other non-fixed income securities</b>	<b>5,719</b>	<b>15,823</b>
a. shares, participations for trading purposes	5,019	14,459
of which: issued by affiliated companies		
issued by other participations		14,504
b. variable-income securities	640	1,059
ba. for trading purposes	640	1,059
bb. for investment purposes		
6/A Valuation difference of shares and non-fixed income securities	60	305
<b>7 Shares and participations for investment purposes</b>	<b>576</b>	<b>579</b>
a. shares, participations for investment purposes	576	579
of which: participation in credit institutions		
b. value adjustments of shares and participations for investment purposes		
of which: participation in credit institutions		
<b>8 Shares and participations in affiliated companies</b>	<b>0</b>	<b>0</b>
a. shares, participations for investment purposes	0	0
of which: shares in credit institutions		
b. value adjustments of shares and participations for investment purposes		
of which: shares in credit institutions		
<b>9 Intangible assets</b>	<b>8,741</b>	<b>9,740</b>
Intangible assets	8,741	9,740
Value adjustments of intangible assets		
<b>10 Tangible assets</b>	<b>19,184</b>	<b>19,134</b>

Items	HUF million	
	31.12.2006	31.12.2007
a. tangible assets for financial and investment purposes	12,115	13,156
aa. real estates	5,104	5,846
ab. technical equipments, machinery, appliances, vehicles	6,258	6,632
ac. investments	752	656
ad. advances paid for investments	1	22
b. tangible assets not directly for financial and investment purposes	7,069	5,978
ba. real estates	6,387	5,449
bb. technical equipments, machinery, appliances, vehicles	676	526
bc. investments	5	3
bd. advances paid for investments	1	
c. value adjustments of tangible assets		
<b>11 Own shares</b>	<b>0</b>	<b>0</b>
<b>12 Other assets</b>	<b>46,143</b>	<b>48,168</b>
a. inventories	10,106	15,092
b. other receivables	11,940	10,258
of which: from affiliated companies	27	3,403
from other participations		
c. corporate tax receivable (calculated) from consolidation	224	244
12/A Valuation difference of other receivables		
12/B Positive valuation difference of derivative instruments	23,873	22,574
<b>13 Deferred expenses and accrued income</b>	<b>45,335</b>	<b>47,303</b>
a. accrued income	22,613	34,149
b. accrued expense	22,722	13,154
c. deferred expense	0	0
<b>TOTAL ASSETS</b>	<b>1,780,460</b>	<b>2,020,708</b>
of which: Current assets	512,540	548,140
Invested assets	1,222,585	1,425,265

<b>Liabilities</b>		<b>HUF million</b>	
<b>Items</b>	<b>31.12.2006</b>	<b>31.12.2007</b>	
<b>1 Amounts owed to credit institutions</b>	<b>724,182</b>	<b>871,510</b>	
a. sight	4,501	2,574	
b. liabilities from fixed term financial services	717,970	862,262	
ba. with a maturity within one year	201,831	108,440	
of which: from affiliated companies	189,018	90,336	
from other participations			
from National Bank of Hungary			
from clearing house			
bb. with a maturity more than one year	516,139	753,822	
of which: from affiliated companies	384,194	664,880	
from other participations			
from National Bank of Hungary	0		
from clearing house			
c. from investment services	1,711	6,674	
of which: from affiliated companies	1,600	5,030	
from other participations			
1/A Valuation difference of amounts owed to credit institutions			
<b>2 Amounts owed to customers</b>	<b>800,193</b>	<b>873,553</b>	
a. saving deposits	2,950	2,690	
aa. sight	2,950	2,690	
ab. with a maturity within one year	0		
ac. with a maturity more than one year	0		
b. other liabilities from financial services	789,784	852,212	
ba. sight	344,805	313,068	
of which: from affiliated companies	0	3	
from other participations	149	177	
bb. with a maturity within one year	384,967	490,859	
of which: from affiliated company			
from other participations	869	1,074	
bc. with a maturity more than one year	60,012	48,285	
of which: from affiliated companies			
from other participations			
c. from investment services	7,459	18,651	
of which: from affiliated companies			
from other participations			
ca. liabilities from services on stock exchange	1,035	12,810	
cb. liabilities from services outside of stock exchange		2	
cc. liabilities against customers deriving from investment services	6,424	5,264	

Items	31.12.2006	HUF million
		31.12.2007
cd. liabilities against clearing houses		
ce. liabilities from other investments services		575
2/A Valuation difference of amounts owed to customers		
<b>3 Trading liabilities</b>	<b>18,750</b>	<b>18,750</b>
a. bonds issued	18,750	18,750
aa. with a maturity within one year		
of which: from affiliated companies		
from other participations		
ab. with a maturity more than one year	18,750	18,750
of which: from affiliated companies		
from other participations		
b. securities issued representing other debt claim		
ba. with a maturity within one year		
of which: from affiliated companies		
from other participations		
bb. with a maturity more than one year		
of which: from affiliated companies		
from other participations		
c. debt instruments treated as securities from an accounting aspect but not classified as securities under the Securities Act		
ca. with a maturity within one year		
of which: from affiliated companies		
from other participations		
cb. with a maturity more than one year		
of which: from affiliated companies		
from other participations		
<b>4 Other liabilities</b>	<b>50,975</b>	<b>58,807</b>
a. with a maturity within one year	29,856	41,241
of which: from affiliated companies	799	1
from other participations		
b. with a maturity more than one year	0	15
of which: from affiliated companies		15
from other participations		
4/A Negative valuation difference of derivative instruments	21,119	17,551
<b>5 Accrued expenses and deferred income</b>	<b>38,817</b>	<b>34,772</b>
a. accrual of income	14,485	448
b. accrual of expenses	24,329	34,298
c. deferred income	3	26

Items	HUF million	
	31.12.2006	31.12.2007
<b>6 Provisions</b>	<b>3,390</b>	<b>3,357</b>
a. provision for pension and for severance payments	0	0
b. risk provision for pending and future liabilities	1,968	1,935
c. general risk provision	1,422	1,422
d. other provision	0	0
<b>7 Subordinated liabilities</b>	<b>42,918</b>	<b>43,088</b>
a. subordinated capital	42,918	43,088
of which: from affiliated companies	40,822	40,992
from other participations	0	0
b. other contribution by members of credit institutions operating as cooperatives		
c. other subordinated liabilities		
of which: from affiliated companies		
from other participations		
<b>8 Subscribed capital</b>	<b>53,410</b>	<b>53,410</b>
of which: nominal value of repurchased ownership shares		
<b>9 Subscribed but yet unpaid capital</b>	<b>0</b>	<b>0</b>
<b>10 Capital reserve</b>	<b>10,417</b>	<b>10,417</b>
a. agio	10,417	10,417
b. other		
<b>11 General reserve</b>	<b>5,764</b>	<b>8,111</b>
<b>12 Profit reserve (Retained earnings)</b>	<b>21,055</b>	<b>30,704</b>
<b>13 Fixed reserve</b>	<b>0</b>	<b>0</b>
<b>14 Valuation reserve</b>	<b>559</b>	<b>247</b>
Reserve for value adjustment on fixed assets and inventories		
Reserve for valuation at fair value	559	247
<b>15 Balance-sheet profit</b>	<b>9,494</b>	<b>13,599</b>
<b>TOTAL LIABILITIES</b>	<b>1,780,460</b>	<b>2,020,708</b>
of which: Short-term liabilities	999,199	1 001,748
Long-term liabilities	637,819	863,960
Shareholders' equity	101,235	116,871

Items	HUF million	
	31.12.2006	31.12.2007
<b>OFF-BALANCE ITEMS:</b>		
Pending liabilities	191,637	270,054
Future liabilities	746,584	883,673
<b>Total pending and future liabilities</b>	<b>938,221</b>	<b>1,153,727</b>
Pending liabilities	2,271,698	2,766,619
Future liabilities	714,609	937,066
<b>Total pending and future liabilities</b>	<b>2,986,307</b>	<b>3,703,685</b>

## II. PROFIT&LOSS ACCOUNT

Items	HUF million	
	31.12.2006	31.12.2007
<b>1 Interest and other interest-type revenues earned</b>	<b>127,464</b>	<b>140,416</b>
a. fixed-income securities representing debt-claim	15,783	20,008
of which: from affiliated companies	6	
from other participations		
b. other interest and interest-type revenues	111,681	120,408
of which: from affiliated companies	40	3,317
from other participations	23	59
<b>2 Interest paid and other interest-type expenses</b>	<b>56,742</b>	<b>70,442</b>
of which: from affiliated companies	106	22,081
from other participations	53	87
<b>Net interest income</b>	<b>70,722</b>	<b>69,974</b>
<b>3 Revenues from securities</b>	<b>811</b>	<b>1,016</b>
a. revenues from shares and participations held for trading purposes (dividend, participations)	498	692
b. revenues from affiliated companies (dividend, participation)		
c. revenues from other participations (dividend, participations)	313	324
<b>4 Fees and commissions earned</b>	<b>27,289</b>	<b>29,461</b>
a. revenues from other financial services	21,764	22,922
of which: from affiliated companies	23	0
from other participations	3	2
b. revenues from investment services (excluding trading activity)	5,525	6,539
of which: from affiliated companies	291	358
from other participations	178	0
<b>5 Fees and commissions paid (due)</b>	<b>13,640</b>	<b>14,184</b>
a. expenses of other financial services	11,756	11,866
of which: from affiliated companies	0	25
from other participations		0
b. expenses of investment services (excluding trading activities)	1,884	2,318
of which: from affiliated companies	2	107
from other participations		
<b>6 Net trading result</b>	<b>8,126</b>	<b>16,945</b>
a. revenues from other financial services	38,156	33,897
of which: from affiliated companies		391
from other participations		
valuation difference of other financial services		
b. expenses of other financial services	41,855	25,427
of which: from affiliated companies		255
from other participations		

Items	HUF million	
	31.12.2006	31.12.2007
valuation difference of other financial services		
c. revenues of investment services (trading activities)	64,740	128,986
of which: from affiliated companies	806	1,654
from other participations		
retrieval of value-loss on securities held for trading		
valuation difference of other financial services		35,526
d. expenses of investment services (trading activities)	52,915	120,511
of which: from affiliated companies	441	392
from other participations		
value loss of securities held for trading		
valuation difference of other financial services		33,063
<b>7 Other revenues from business activity</b>	<b>25,111</b>	<b>55,101</b>
a. revenues from non financial and investment activities	18,205	41,397
of which: from affiliated companies		113
from other participations		
b. other revenues	6,906	13,704
of which: from affiliated companies	2	123
from other participations		
retrieval of value loss of inventories	77	542
<b>8 General administrative expenses</b>	<b>51,926</b>	<b>57,395</b>
a. personnel expenses	25,952	29,471
aa. wages	16,477	18,472
ab. other personal expenses	2,747	3,139
of which: social insurance	709	642
pensions	688	640
ac. wage contributions	6,728	7,860
of which: social insurance	5,238	5,512
pensions	2,091	2,685
b. other administrative expenses (material-type)	25,974	27,924
<b>9 Depreciation</b>	<b>4,695</b>	<b>5,082</b>
<b>10 Other expenses from business activity</b>	<b>32,861</b>	<b>59,966</b>
a. expenses of non financial and investment services	13,416	34,882
of which: from affiliated companies		18
from other participations	189	
b. other expenses	19,445	25,084
of which: from affiliated companies		10
from other participations		
value loss of inventories	337	14

Items	HUF million	
	31.12.2006	31.12.2007
<b>11 Value loss of receivables and risk provisions for future and pending liabilities</b>	<b>14,818</b>	<b>16,918</b>
a. value loss of receivables	14,184	15,885
b. risk provisions for future and pending liabilities	634	1,033
<b>12 Retrieval of value loss of receivables and use of risk provision for future and pending liabilities</b>	<b>12,657</b>	<b>12,741</b>
a. retrieval of value loss of receivables	12,107	11,677
b. use of risk provision for future and pending liabilities	550	1,064
12/A Change in general risk provision		
<b>13 Value loss of securities representing debt-claim, held for investments purposes and of shares in affiliated companies and other participations</b>	<b>0</b>	<b>0</b>
<b>14 Retrieval of value loss of securities representing debt-claim, held for investments purposes and of shares in affiliated companies and other participations</b>	<b>0</b>	<b>3</b>
<b>15 Ordinary result of business activities</b>	<b>26,776</b>	<b>31,696</b>
of which: Result of financial and investment services	21,987	25,181
Result of non financial and investment services	4,789	6,515
<b>16 Extraordinary income</b>	<b>147</b>	<b>215</b>
<b>17 Extraordinary expense</b>	<b>288</b>	<b>764</b>
<b>18 Extraordinary profit</b>	<b>-141</b>	<b>-549</b>
<b>19 Pretax profit</b>	<b>26,635</b>	<b>31,147</b>
<b>20 Tax on income</b>	<b>6,609</b>	<b>5,165</b>
<b>Outstanding balance of corporation tax deriving (calculated) from consolidation</b>	<b>-310</b>	<b>-20</b>
<b>21 Profit/loss after taxes</b>	<b>20,336</b>	<b>25,982</b>
<b>22 Allocation (-) or use (+) of general risk reserves</b>	<b>2,261</b>	<b>2,347</b>
<b>23 Transfer from profit reserve (retained earnings) for dividend payment</b>	<b>0</b>	<b>0</b>
<b>24 Approved dividends</b>	<b>8,581</b>	<b>10,036</b>
of which: from affiliated companies	8,576	10,030
from other participations		
24b After tax profit/loss due to other holders	0	0
<b>25 Balance sheet profit/loss</b>	<b>9,494</b>	<b>13,599</b>

### III. CASH-FLOW STATEMENT

		HUF million	
Items	2006	2007	
1	Interest income	127,464	140,416
2	+ Income from other financial services (excluding retrieval of provision on securities)	59,920	56,819
3	+ Other income (excluding use of provision, retrieval of surplus of provision, provision of inventories, retrieval of extraordinary depreciation)	6,569	13,704
4	+ Income from investment services (excluding retrieval of provision on securities)	70,265	135,528
5	+ Income from non financial and non investment services	18,205	41,397
6	+ Income from dividend	811	1,016
7	+ Extraordinary income	147	215
8	- Interest expenses	54,697	70,442
9	- Other financial expenses (excluding provision on securities)	53,611	37,295
10	- Other expenses (excluding provision and value loss on inventories, and extraordinary depreciation)	19,257	25,084
11	- Expenses from investment services (excluding provision on securities)	56,844	122,829
12	- Expenses of non financial and non investment services	13,416	34,882
13	- General administrative expenses	52,066	62,477
14	- Extraordinary expenses (excluding the company tax liability of the current year)	288	764
15	- Corporate tax liability of the current year	6,299	5,165
16	- Dividend paid	8,581	10,036
<b>17</b>	<b>Operating cash-flow</b>	<b>18,322</b>	<b>20,121</b>
18	± Change in liabilities (+ if increase, - if decrease)	282,484	228,520
19	± Change in receivables (+ if increase, - if decrease)	-313,317	-251,263
20	± Change in inventories (+ if increase, - if decrease)	-7,686	-4,986
21	± Change in securities registered among current assets (+ if increase, - if decrease)	-43,732	24,949
22	± Change in securities registered among invested assets (+ if increase, - if decrease)	-20,909	-5,429
23	± Change in investments (including advances paid) (+ if increase, - if decrease)	-566	78
24	± Change in intangible assets (+ if increase, - if decrease)	-2,106	-999
25	± Change in net value of fixed assets (excluding investments and advances paid) (+ if increase, - if decrease)	-9,495	-28
26	± Change in active deferrals (+ if increase, - if decrease)	-15,417	-1,968
27	± Change in passiv deferrals (+ if increase, - if decrease)	19,516	-4,045
28	+ Shares issued at sales price	0	
29	+ Consolidated net assets of the absorbed Postabank as of 1st January 2004		
30	± Modification based on consolidation of subsidiaries (+ if increase, - if decrease)	0	
31	+ Change in profit reserve (in retained earnings)	-843	
32	- Change equity of subsidiaries	843	
33	+ Financial assets received	0	
34	- Financial assets transferred	0	
35	Nominal value of own issue withdrawn	14,000	

Item	HUF million	
	2006	2007
36 Change of other holders' participation	-4	2
<b>37 Net cash-flow</b>	<b>-78,910</b>	<b>4,952</b>
38 – change in cash in hand (banknotes, cheques)	229	1,273
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)	-79,139	3,679

# Independent Auditor's Report



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**This is a translation of the Hungarian Report**

## **Independent Auditors' Report**

To the Shareholders of Erste Bank Hungary Nyrt.

1.) We have audited the accompanying 2007 consolidated annual financial statements of Erste Bank Hungary Nyrt. ("the Company"), which comprises the consolidated balance sheet as at 31 December 2007 - showing a balance sheet total of HUF 2,020,708 million and a profit for the year of HUF 13,599 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 2006 consolidated annual financial statements on 26 February 2007.

### **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 Nyrt. 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 Nyrt. as at 31 December 2007 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, 7 March 2008  
Except for the effect of the resolution of the shareholders on the dividend of HUF 10,000 million, which is dated 25 April 2008.

Ernst & Young Kft.  
Registration No.: 001165

Szabó Gergely  
Registered Auditor  
Chamber membership No.: 005676

# Branch Network

## BRANCHES IN BUDAPEST

Andrássy út 2. Branch	1061	Budapest	Andrássy út 2.
Andrássy út 33. Branch	1061	Budapest	Andrássy út 33.
Aréna Corner Branch	1085	Budapest	Hungária krt. 40-44.
Aréna Plaza Branch	1087	Budapest	Kerepesi út 9.
Árkád Üzletközpont Branch	1106	Budapest	Örs vezér tere 25.
Árpád Ház Branch	1139	Budapest	Csongor u. 5-7.
Astoria Branch	1088	Budapest	Rákóczi út 1-3.
Bajcsy-Zsilinszky út Branch	1055	Budapest	Bajcsy-Zsilinszky út 74.
Bartók Béla út 92-94. Branch	1115	Budapest	Bartók Béla út 92-94.
Bartók-Ház Branch	1114	Budapest	Bartók Béla út 43-47.
Batthyány tér LoanCentre	1011	Budapest	Batthyány tér 5-6.
Bécsi út Branch	1036	Budapest	Bécsi út 52-54.
Boráros tér Branch	1095	Budapest	Lechner Ödön fasor 1-2.
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 LoanCentre	1211	Budapest	II. Rákóczi Ferenc út 154-170.
Csepel Branch	1211	Budapest	Kossuth Lajos utca 47-49.
Csillaghegy Branch	1038	Budapest	Vasútsor u. 1.
Danubius Ház Branch	1138	Budapest	Váci út 141.
Delta Üzletház Fiók	1183	Budapest	Üllői út 442.
Dózsa György út Fiók	1071	Budapest	Dózsa György út 78.
Duna Plaza LoanCentre	1138	Budapest	Váci út 178.
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.
Erzsébeti Tesco Branch	1204	Budapest	Mártírok útja 281.
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 168. Branch	1119	Budapest	Fehérvári út 168-178.
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.
Haller utca Branch	1096	Budapest	Haller u. 23-25.
Hermina Residence	1141	Budapest	Nagy Lajos király útja 214.
Hunyadi Üzletház Branch	1195	Budapest	Üllői út 283.
Hűvösvölgy Branch	1021	Budapest	Hűvösvölgyi út 138. (StopShop)

IP West Branch	1111	Budapest	Budafoki út 91-93.
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.
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.
Mester utca Branch	1095	Budapest	Mester utca 1-3.
Multiplaza Branch	1119	Budapest	Fehérvári út 89-95.
Nagyvárad tér Branch	1091	Budapest	Üllői út 121. (Nagyvárad tér)
Napfény utca Branch	1089	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.
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.
Soroksár út Tesco Branch	1097	Budapest	Koppány u. 2-4.
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 30. Branch	1132	Budapest	Váci út 30.
Váci 48. Branch	1132	Budapest	Váci út 48.
Vízimolnár utca Branch	1031	Budapest	Vízimolnár u. 2-4.
Westend Branch	1062	Budapest	Váci út 1-3.

## BRANCHES IN THE COUNTRYSIDE

Ajka Branch	8400	Ajka	Szabadság tér 4/a.
Baja Branch	6500	Baja	Vörösmarty utca 5.
Balassagyarmat Branch	2660	Balassagyarmat	Rákóczi fejedelem utca 34-36.
Balatonfüred Branch	8230	Balatonfüred	Zsigmond utca 1.
Békéscsaba, Andrásy út Branch	5600	Békéscsaba	Andrásy út 20.
Békéscsaba, Munkácsy utca Branch	5600	Békéscsaba	Munkácsy út 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, Szent Anna u. Branch	4024	Debrecen	Szent Anna utca 14/B
Debrecen, Vár u. 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	Iparos utca 2.
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 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	Andrásy út 2-4.

Jászberény Branch	5100	Jászberény	Szabadság tér 20.
Kalocsa Branch	6300	Kalocsa	Szent István király utca 30.
Kaposvár, Bereck S. utca Branch	7400	Kaposvár	Bereck S. utca 2.
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.
Kisvárdra Branch	4600	Kisvárdra	Szent László utca 26.
Komárom Tesco 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 17/A
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, Erzsébet tér Branch	8800	Nagykanizsa	Erzsébet tér 20.
Nagykanizsa, Fő utca Branch	8800	Nagykanizsa	Fő utca 24.
Nagykovácsi Branch	2094	Nagykovácsi	Kossuth L. u. 109.
Nyírbátor Branch	4300	Nyírbátor	Szabadság tér 10.
Nyíregyháza, Luther utca Branch	4401	Nyíregyháza	Luther u. 2.
Nyíregyháza, Vay Á. 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.
Pécs, Uránváros Branch	7620	Pécs	Ybl M. u. 7.

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	Baththyány 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.
Sopron, Teleki P. utca Branch	9400	Sopron	Teleki P. u. 24.
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 18.
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	Petőfi utca 4.

# Corporate Trade Centres

## Corporate Trade Centers in Budapest

Corporate Trade Centre for Budapest and Pest County – Commercial Sector  
Corporate Trade Centre for Budapest and Pest County – Services Sector  
Corporate Trade Centre for Budapest and Pest County – Industrial Sector  
Corporate Trade Centre for Budapest and Pest County – Small Businesses

## 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  
Structured Trade Financing  
Local Councils

# Supervisory Board, Board of Directors

## **SUPERVISORY BOARD OF ERSTE BANK HUNGARY**

**31 December 2007**

**Chairman:**

Franz Hochstrasser      Erste Bank der oesterreichischen Sparkassen AG

**Members:**

Andreas Kligen	Erste Bank der oesterreichischen Sparkassen AG
Bernhard Spalt	Erste Bank der oesterreichischen Sparkassen AG
Manfred Stadlinger	Erste Bank der oesterreichischen Sparkassen AG
Várady Lászlóné	Erste Bank Hungary
Magyar István	Erste Bank Hungary

## **BOARD OF DIRECTORS OF ERSTE BANK HUNGARY**

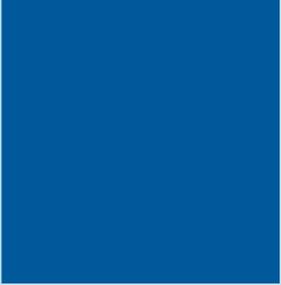
**31 December 2007**

**Chairman:**

Papp Edit      Erste Bank Hungary

**Members:**

Szتانó Imre	Erste Bank Hungary
Pásti Zoltán	Erste Bank Hungary
Jonathan Till	Erste Bank Hungary
Frederik Silzer	external member
Szivi László	external member
Rudnay János	external member



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

