

PRESS RELEASE

Budapest, 21 July 2009

Erste real estate leasing for any case

Real estate leasing may provide real alternative to mortgages

Budapest, 21 July 2009 – Pioneering the Hungarian real estate market, Erste Ingatlanlízing Zrt. [Erste Real Estate Leasing] and Erste Lakáslízing Zrt. [Erste Housing Leasing] have been offering since 15 July full-scale real estate leasing services to private individuals, micro businesses, and private entrepreneurs. Available for purchasing new or used homes, the designs in certain cases offer better conditions than mortgages.

Imre Sztanó, head of retail division at Erste Bank Hungary says real estate leasing designs have been gaining popularity in addition to mortgages on the back of the financial crisis and changes to the housing subsidy system, hence it is of essence that Erste Bank's affiliates specialised in real estate leasing be the first to enter the market with full-scale real estate leasing services.

This means Erste is leading the way for private individuals and micro businesses in providing them with real estate leasing for used or new homes either in open- or closed-end designs and always with the most favourable VAT financing options.

Csaba Várkonyi, CEO of Erste Ingatlanlízing Zrt., underlines real estate leasing designs provide suitable alternatives to mortgage-based loans in terms of price and flexibility alike. Consequently, demand for this product is expected to increase in the scope of private individuals and micro businesses.

In the scope of enterprises, the loan-to-value ratio may be as high as 60 to 80 per cent of the purchase price. Apart from favourable terms and conditions, real estate leasing ensures a number of advantages in accounting and taxation. The company may apply corporate tax benefit for up to 40 per cent of the interest paid on the leased real estate (up to HUF 6 million). Additionally, the VAT content of the financed amount in case of newly constructed homes shall be repaid in an interest-free design spread evenly throughout the maturity and included in the monthly leasing fee. In case of purchasing used homes, the purchase price is reduced to the net price, because there's no VAT transfer due to reverse VAT. The leased real estate may be let, and in this case the VAT of the leased home can be reclaimed. Erste Bank finances start-up companies as well.

The chief executive officer says real estate leasing could be very attractive for private individuals as well, because up to 100 per cent of the purchase price can be financed. Also, in case of leasing new homes, interest should be paid after the net purchase price and the VAT shall be paid by the buyer in equal instalments divided throughout the entire term. As a significant advantage of real estate leasing, open-end designs allow buyers at the end of the leasing term to designate parties to whom ownership control of the real estate shall be transferred.

The leasing designs Erste Ingatlanlízing [Erste Real Estate Leasing] and Erste Lakáslízing [Erste Home Leasing] are available in the 203-branch nationwide network of Erste Bank Hungary.

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Terminology

Real estate leasing

Real estate leasing is a financial leasing design where Lessor obtains the right of possession of a real estate (leasehold property) on behalf of the Lessee (the Customer). Possession and right of use of the leasehold property shall be transferred to Lessee for a given length of time. Potential damages stemming from the transfer of possession and use shall be borne by the Lessee, and the same time Lessee shall be entitled to the privileges of the property (e.g. may even let the real estate) and shall bear direct expenses (including maintenance fees and depreciation).

Open-end financial leasing

By paying the end-payment on the lease, the Lessee (the Customer) is entitled to appoint a buyer whereby either himself or any third party designated by him will buy the real estate by paying the residual value.

Closed-end financial leasing

Having effected the last leasing payment, the Lessee (the Customer) shall automatically obtain ownership title to the real estate.

Lease-back

Lessor buys Lessee's real estate and leases it back. For private individuals this design is solely available in a closed-end scheme, but enterprises are free to choose between closed- or open-end design. Closed-end lease-back has been free of stamp duties since 9 July 2009.

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