

## PRESS RELEASE

Budapest, 13<sup>th</sup> March, 2007

### Erste Bank doubles stock of new housing loans

Swiss franc-denominated loans remain most popular

**Budapest, 13<sup>th</sup> March, 2007 – Erste Bank Hungary increased substantially its share of the market for retail loans in 2006: the bank increased its share of the entire retail lending market from 9.1 per cent by 1.5 percentage points to 10.6 per cent in a year. The bank doubled its stock of new housing loans in 2006 compared to 2005, giving it second place on the retail market for housing loans.**

Erste Bank retail division head Imre Sztanó said the entire Hungarian retail lending market was worth HUF 4,731bn at the end of December last year. Consumer loans accounted for HUF 1,710bn of the total, housing loans accounted for HUF 2,700bn and other loans accounted for HUF 321bn. Net stocks rose by HUF 943bn or 25 per cent on the entire retail lending market. The market for housing loans grew especially rapidly in 2006: net increase in new housing loans exceeded HUF 417bn in 2006, as against the HUF 373bn increase in 2005.

Erste Bank held housing loans contracts worth over HUF 310bn at the end of 2006, bringing the bank's share of the market to 11.5 per cent by December 2006, up from 9.1 per cent from a year before. Erste Bank accounted for close to 25 per cent of all new housing loans in 2006, and over 20 per cent of new freely used mortgages.

Mr Sztanó said forex-denominated loans remained the most popular, adding that clients especially favoured Swiss franc-denominated loan products. Currently forex loans account for close to 100 per cent of Erste Bank's market-priced loans, and Swiss franc-denominated loans account for the bulk, or 98 per cent of forex loans. Average loan amounts increased in 2006: the average housing loan was HUF 8m, while the average freely used mortgage was HUF 5m. The average run of housing loans was 20 years, as against the slightly shorter 15-year average run of freely used loans. A quarter of housing loans were used to purchase new homes, while the remainder were used to purchase existing homes.

Erste Bank is aiming to achieve similar results next year, Mr Sztanó said, adding that he expected the lending market to grow slower this year. Mr Sztanó said a downturn in demand could be offset by a reduction in loan amounts, or the extension of lending periods. Erste Bank has introduced a new period of grace option, which allows clients to pay interest and management charges only, while paying no instalments on principal in the period. Instalments can be up to 30-40 per cent lower during the period of grace.

Erste Bank is planning to introduce special offers to boost demand for loans. Swiss franc-denominated housing loans will be offered with a special 2.29 per cent interest rate in the first interest period, and Erste Bank will waive valuation fees by subtracting them from the disbursement commission. Clients who receive their wages on bank accounts held with Erste Bank and have arranged two standing orders will receive further discounts: 50 per cent but no more than HUF 50,000 or the equivalent EUR

#### Further information:

**Adrienn Illés** – Communications specialist  
**Erste Bank Hungary Nyrt.**  
1138 Budapest, Népfürdő u. 24-26.  
Tel: (06 1) 268 4371 Mobile: (+36) 20 468 8709  
Fax: (06 1) 268 4085  
e-mail: adrienn.illes@erstebank.hu

**Linda Szabó** – Spokesperson  
**Erste Bank Hungary Nyrt.**  
1138 Budapest, Népfürdő u. 24-26.  
Tel: (06 1) 268 4347 Mobile: (+36) 20 468 8782  
Fax: (06 1) 268 4085  
e-mail: linda.szabo@erstebank.hu

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200 or CHF 300 will be slashed from the disbursement commission. Clients who take out housing loans or freely used mortgages will be offered an Erste Bank credit card with a credit line of HUF 200,000. Erste Bank will waive the first year's annual fees on the credit card.

### Erste Bank Hungary in 2006 in figures:

Erste Bank is Hungary's **second** largest bank in terms of its branch network and the number of its clients. The bank follows a **three** brand strategy in order to ensure ease of access: the bank's services are available in its branches, in Post Offices and on the [origo] *klikkbank* website. The bank is the **third** largest in terms of its net income (HUF 21.6bn) and the **fifth** in terms of total assets (HUF 1,764bn). The bank's **twelve** subsidiaries ensure that all financial needs of the group's clients are satisfied, and **fifteen** branches are open seven days a week. Corporate clients are served through **twenty-four** commercial centres, and retail clients are served in **182** branches, where the bank also offers the majority of its subsidiaries' products. The group manages assets worth over HUF **300bn**. A total **386** ATMs are available for clients, who hold close to **700,000** bank cards in total. Its **2005** performance won Erste Bank the "Financial Institution of the Year Award" at the Figyelő Top 200 gala. *Figures are for 31<sup>st</sup> December, 2006. The financial data are unconsolidated figures prepared according to Hungarian Accounting Standards (HAS) and featured in the balance sheet.*

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**Erste Bank Hungary Nyrt.**  
1138 Budapest, Népfürdő u. 24-26.  
Tel: (06 1) 268 4371 Mobile: (+36) 20 468 8709  
Fax: (06 1) 268 4085  
e-mail: [adrienn.illes@erstebank.hu](mailto:adrienn.illes@erstebank.hu)

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Fax: (06 1) 268 4085  
e-mail: [linda.szabo@erstebank.hu](mailto:linda.szabo@erstebank.hu)