

PRESS RELEASE

Budapest, 31st March 2005

Erste Bank decreases rates

Housing loan schemes for public servants as well

Budapest, 31st March 2005 – Erste Bank Hungary Rt. is decreasing its rates on housing loans. As of 1st April, the financial institution offers its five-year interest-term housing loans with mortgage bond subsidy for new and used homes at one percent lower rates on average. Public employees are eligible to apply for preferential housing loans with the financial institution even without down payment and with government guarantee.

Erste Bank's Retail Line Executive Bernadett Tátrai said this reduction in the interest rates had been made possible by the fact that the central bank reduced the prime rate significantly in recent days again. As a result, the rate of loans with five-year interest-terms, to be taken out for purchasing new homes, has decreased to 3.99 per cent from 4.99 per cent and the rate on housing loans for used homes have dropped from 6.99 per cent to 5.99 per cent as of 1st April. Parallel to this reduction, a ten-year interest-term has been introduced for housing loans subsidised by mortgage bonds and a five-year term has been implemented for housing loans with supplementary interest subsidy. The interest rate on ten-year interest-term housing loans with mortgage bond subsidy has been modified to 3.99 per cent annually.

The Retail Line Executive added that government employees (prosecutors, judges and justice employees) could now apply for preferential housing loans at Erste Bank within the scheme offered for private servants. This loan comes with more favourable conditions than what 'traditional' housing loans offer, as the government pledges prompt surety on the proportion of the loan amount that exceeds 60 per cent of the loan security value of the property offered as collateral. Thus, the amount to be granted (the total of the bank loan and the loan covered with the government guarantee) may be as high as 100 per cent of the loan security amount, defined by the bank, which means that public servants need to provide minimum down payments only, but even a 100-percent loan coverage could be achieved by using direct subsidies.

Erste Bank offers two loan products for public employees. Married couples and parents (even single parents) raising one or more children may apply for housing loans with supplementary interest subsidy, whereas singles are eligible for housing loans with mortgage bond interest-subsidy. The loan terms of loans offered for public servants range from a minimum of one or six years, depending on the loan product, to a maximum of 35 years. The interest subsidy is only applicable in the first 20 years of the loan term. At the beginning of the loan term, a grace period of three to five years can be chosen. "In case of applying for a grace period (which includes an occasional loan availability period), the minimum loan term cannot be less than 20 years", said Bernadett Tátrai.

Further information:

Linda Szabó – spokesperson, **Erste Bank Hungary Rt.**

1075. Budapest, Rumbach S. u. 19-21.

Phone: (+36-1) 268-4347 Mobile: (+36) 20-468-8782 Fax: (+36-1) 268-4085

e-mail: szabol2@erstebank.com

www.erstebank.hu