

PRESS STATEMENT

Budapest, 26th June, 2006.

Erste Bank offers special Lombard loan

Pension savings serve as collateral for loan

26th June, 2006 – Erste Bank Hungary has introduced its new Lombard loan Előrelátó hitel or Foresight loan on 12th June, 2006. What makes the loan special is that it is Swiss franc-denominated, and up to 50 per cent of the client's voluntary pension fund savings serve as collateral.

Erste Bank retail division director Bernadett Tátrai said the new loan is a freely used forex loan, which clients can apply for without naming a specific purpose for the loan. Előrelátó is available to pensioners as well as people in active employment. Actively employed clients need to have been voluntary pension fund members for a minimum 10 years to become eligible for the loan.

Erste Bank recommends Előrelátó to clients with substantial pension fund savings who have urgent need for cash. The advantage offered by the construction is that after taking out the loan clients remain eligible for the 30 per cent tax break on new pension fund payments.

The loan is Swiss franc-denominated, and the credit amount ranges between HUF 100,000 and 90 per cent of 50 per cent of the savings on the client's pension fund account (principal plus yield). The loan runs for a minimum 12 months, but a maximum 60 months. The interest rate is an annual 8 per cent (total charge for credit: 9.35 per cent-16.76 per cent). Erste Bank does not charge management costs, credit application fees, disbursement commission or account management fees for clients who apply for the Előrelátó loan.

Ms Tátrai said the market for Lombard loans (where securities are used as collateral) has stagnated within the overall market for consumer loans. This was due to the fact that forex-denominated loans with lower monthly instalments were all personal loans, and Lombard loans or overdrafts were not available in such constructions. Erste Bank increased personal lending by 40 per cent in terms of the number of contracts until June 2006, compared to the same period last year. In volume terms personal loans increased 50 per cent in the same period, which indicates that the average loan amount also increased. Ms Tátrai said she expected the introduction of the Előrelátó loan to boost demand for Lombard loans, allowing the bank to continue to expand. Its current share of the consumer loans market is 5 per cent.

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