

## Foreign currency loans: One quarter of all Erste Bank customers have converted or switched loans with payment vehicles

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Every 7<sup>th</sup> borrower has already converted

New offer: 2.9% fixed interest guaranteed for 10 years

Erste Bank continues to recommend a switch

Since the autumn of 2011, Erste Bank has been recommending customers with Swiss franc loans to convert their loans. In a campaign, borrowers were strongly advised to switch from fluctuating Swiss franc loans to fixed-interest or capped euro loans. The reason was - and still is - to avoid the double risk of interest rate and currency fluctuations.

As a result of one-on-one talks, over 2,500 customers already opted to exit foreign currency financing. This corresponds to a credit volume of around EUR 400 million. Additionally, some 1,500 foreign currency borrowers converted loans repayable upon maturity to amortisation loans (EUR 270 million) to lower performance risk of the loan repayment vehicles. All in all, around one-fourth of all customers have already responded.

Based on the new interest rate situation, Erste Bank is now offering a new variant for the conversion. The offer is for a ten-year, guaranteed, fixed-interest rate for an installment loan in euro with a rate of 2.9%. The conversion of the loan is free of charge and no fees will be invoiced.

Apart from the new interest rate situation, it is primarily the minimum exchange rate of the Swiss franc that may soon change and thus disadvantage borrowers with foreign currency loans. Because a severe deterioration of the debt crisis in the euro zone might enormously increase demand for Swiss francs as a safe haven. This would make it hard for the Swiss National Bank (SNB) to defend the minimum exchange rate of 1.20. This was also confirmed by SNB president Thomas Jordan at a news conference in Bern on 14 June 2012: "Further shockwaves on the financial markets" said Jordan might affect the "enforcement of the minimum exchange rate".

In all probability, this would put the euro/franc rate far below 1.20 "Therefore, we believe it is our duty to point out the risks and make a good offer for a conversion," declared Peter Bosek, Erste Bank Management Board Member. "Furthermore, I also recommend all customers to regularly check their repayment vehicles and consider a conversion from a bullet loan to an amortisation loan."

### Facts & Figures on Swiss franc loans

In Austria, almost every fourth private loan is a foreign currency loan. In total, a volume of slightly more than EUR 34 billion is outstanding in Swiss franc loans of private individuals. At Erste Bank, around 14,000 private individuals still have foreign currency loans with an outstanding volume of around EUR 2 billion. The average amount borrowed per person was around EUR 150,000.



Peter Bosek