

PRESS RELEASE

**Household and non-financial corporate sector interest rates,
interbank lending rates: September 2006**

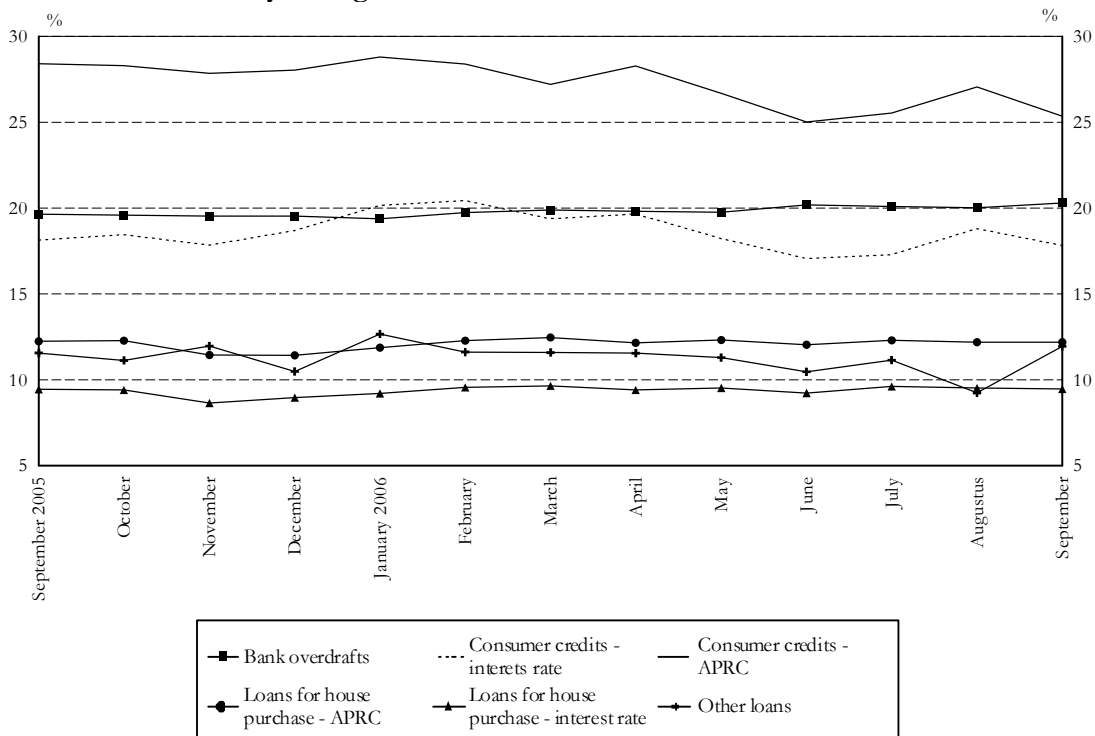
Average interest rates on household sector forint-denominated consumer loans fell in September 2006 after rising in the preceding two months. Average interest rates on other loans to the sector rose back to earlier levels following the fall in August. Average interest rate on the sector's deposits with agreed maturity fell at every maturity, breaking the robust increase in the preceding months of the year.

Continuing the upward trend of earlier months, average interest rates on non-financial corporations' forint and euro-denominated deposits increased in September.

1 Households

1.1 Forint loans and deposits

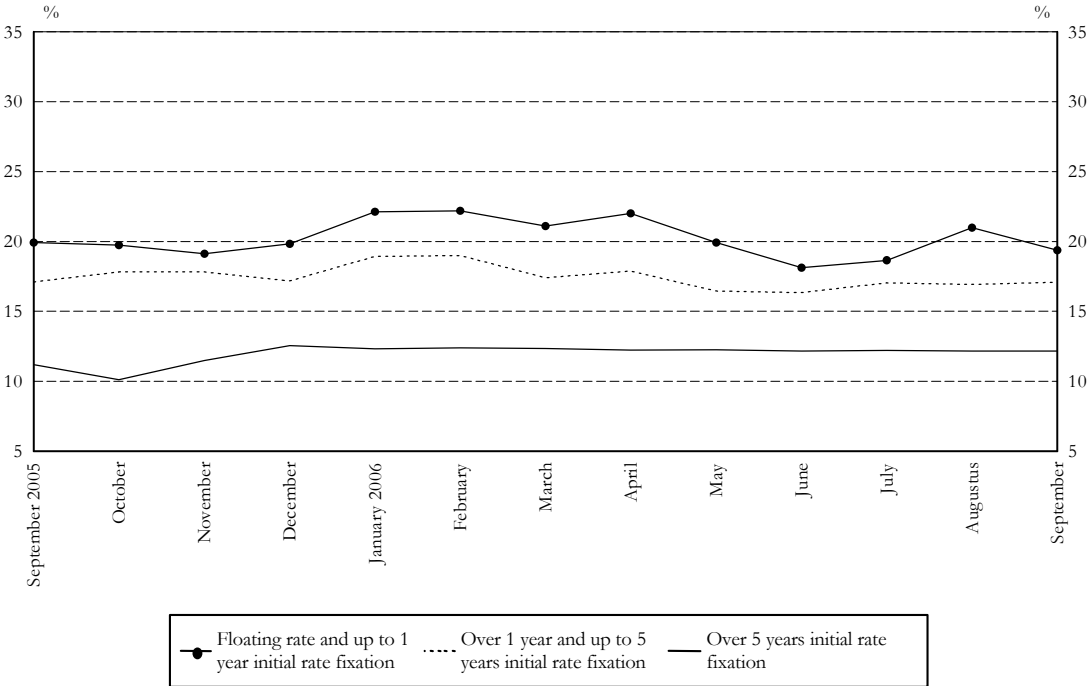
Chart 1 Monthly average interest rates and APR on forint loans to households



The average interest rate on the household sector's overdrafts was 20.30% in September, remaining nearly unchanged at previous levels. The average interest rate and non-interest rate charges on bank housing loans¹ have been fluctuating around 10% and 2 percentage points respectively. The average interest rate was 9.46% and the APR 12.18% in September. The average interest rate and APR on consumer credit fell, after rising in the preceding two months. The former was 17.82% and the latter 25.36% in the review month. The average interest rate on other loans rose to 11.95% after falling in August, exceeding the levels characteristic of the preceding six months.

The monthly amounts of new loans within each category of loans² fell in September. The values of forint-denominated consumer, housing and other loans provided in September were HUF 21.0 billion, HUF 16.0 billion and HUF 5.6 billion respectively.

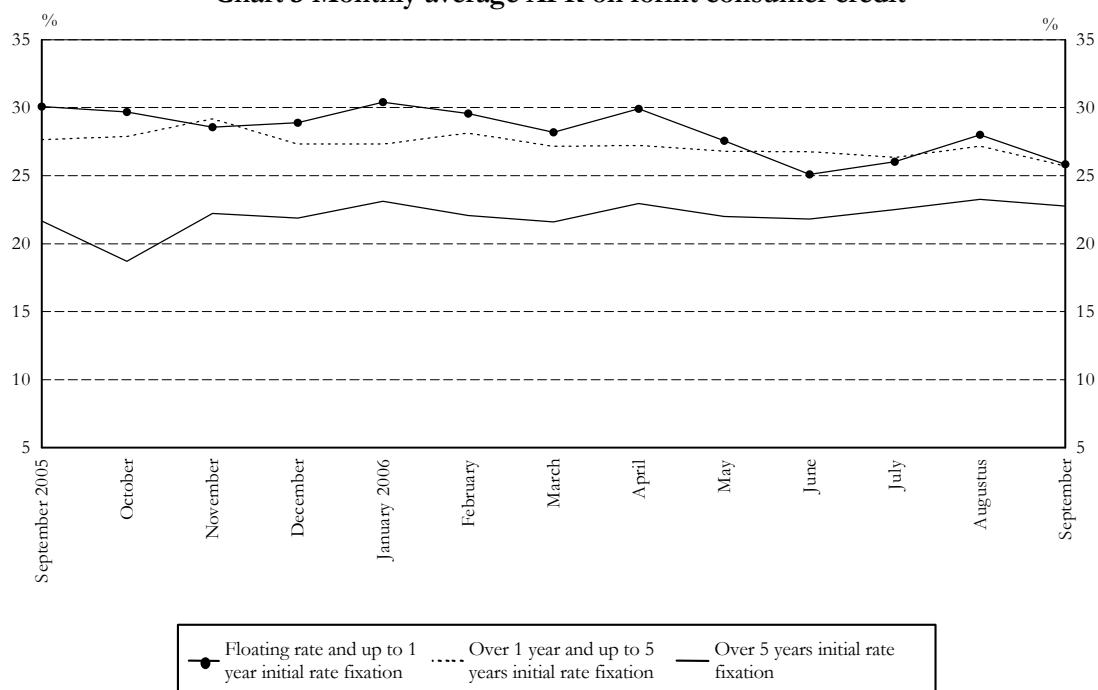
Chart 2 Monthly average interest rates on forint consumer credit



¹ This press release contains market interest rates and APR on bank loans for house purchase. In the case of subsidised housing loans, average interest rates and the APR include interest rates after adjusting for the amount of government subsidy.

² Consumer, housing and other loans.

Chart 3 Monthly average APR on forint consumer credit



The average interest rate on consumer loans with a floating interest rate or with up to one year initial rate fixation changed significantly, falling below 20% to 19.38%. That on consumer credit with over 1 and up to 5 years initial rate fixation has been stable since July. It was 17.08% in September. The average interest rate on consumer credit with over 5 years initial rate fixation was 12.16%, remaining unchanged since December 2005.

The average APR on consumer credit extended to the household sector with a floating interest rate or with up to one year initial rate fixation has been downwards for a year, the interest rate barely changing. Consequently, the difference between the two fell from 10 percentage points to 6.5 percentage points in a year. The average APR on consumer credit with over 1 and up to 5 years initial rate fixation has been downwards. It was 25.71% in the month. By contrast, the average APR on consumer credit with over 5 years initial rate fixation has been upwards. It was 22.75% in September.

Chart 4 Monthly average interest rates on forint housing loans

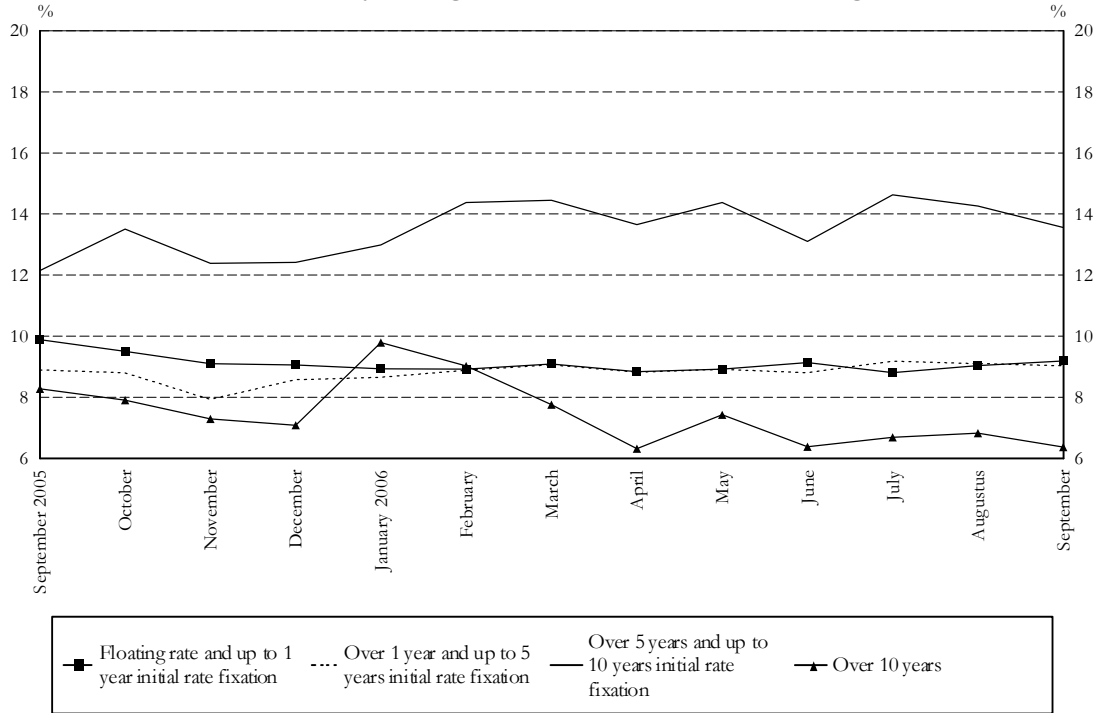
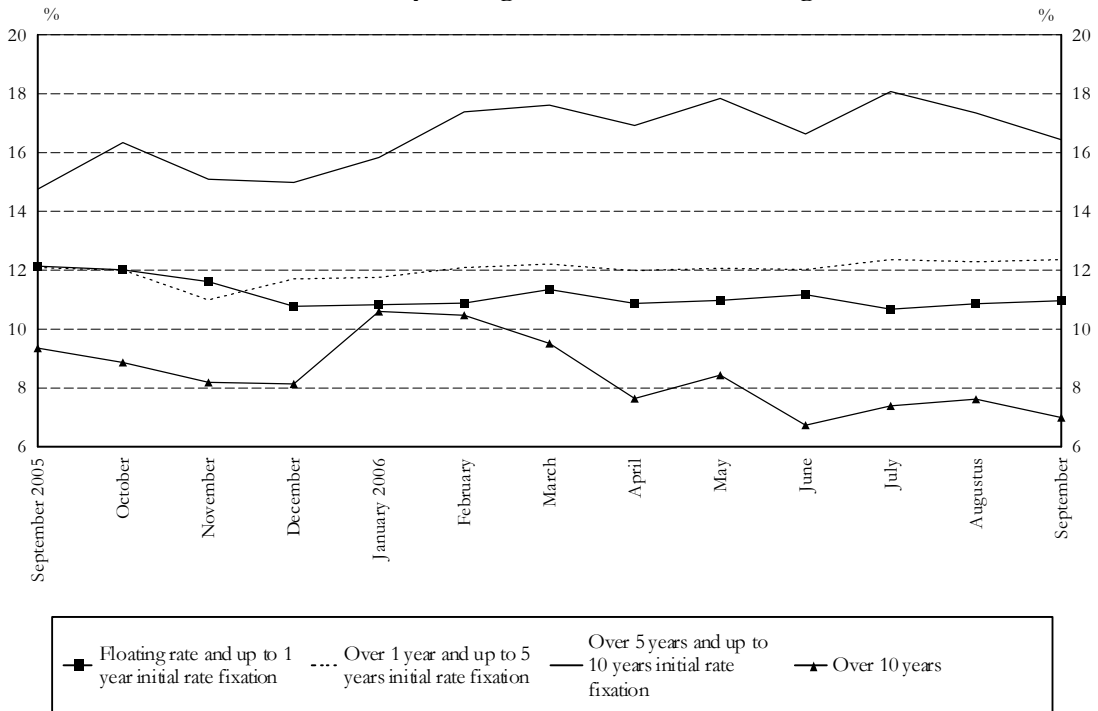


Chart 5 Monthly average APR on forint housing loans

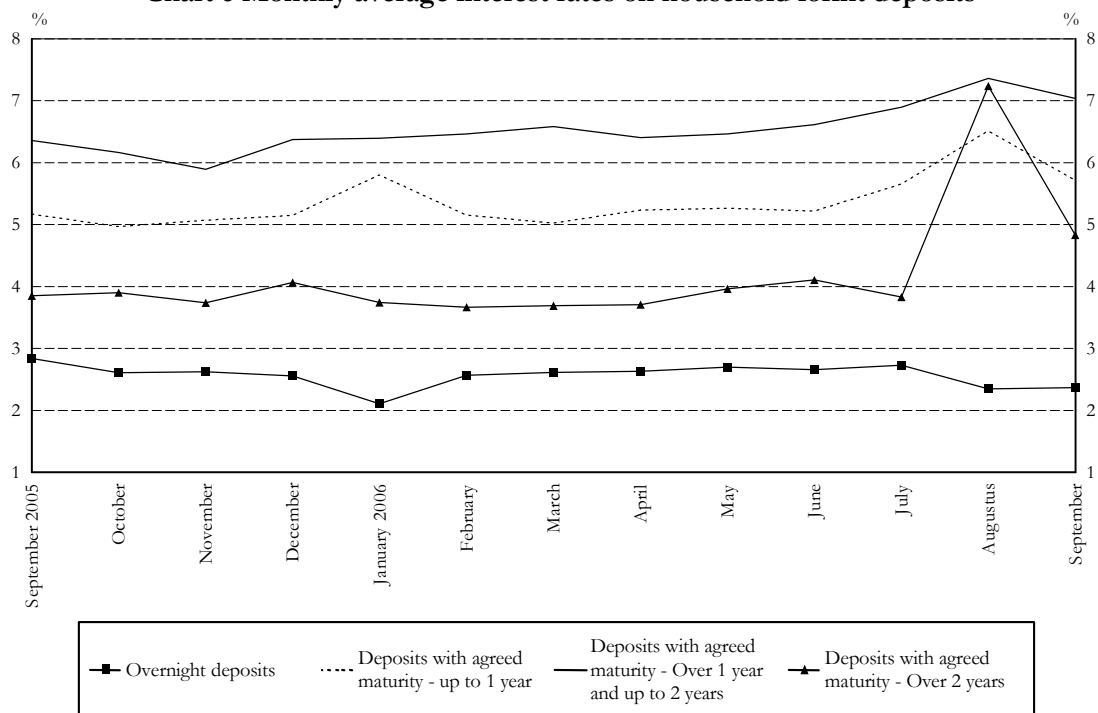


The difference between the average interest rate on loans for house purchase with floating interest rates or with up to one year initial rate fixation and that on loans with over 1 year and up to 5 years initial rate fixation has been narrow since February 2006, with both moving around 9%. Whereas the wedge between APRs has been rising slightly since December 2005, the APR on loans with floating interest rates or with up to one year initial rate fixation fell by 1 percentage point.

The average interest rate on loans with over 5 years and up to 10 years initial rate fixation has been fluctuating around 14% since February, and it has been falling slightly for a few months. The APR on such loans has been around 17% since February 2006.

The average interest rate and APR on loans for house purchase with over 10 years initial rate fixation have been falling since January 2006, with minor breaks. The average rate fell to 6.37% in September from around 10% in January.

Chart 6 Monthly average interest rates on household forint deposits

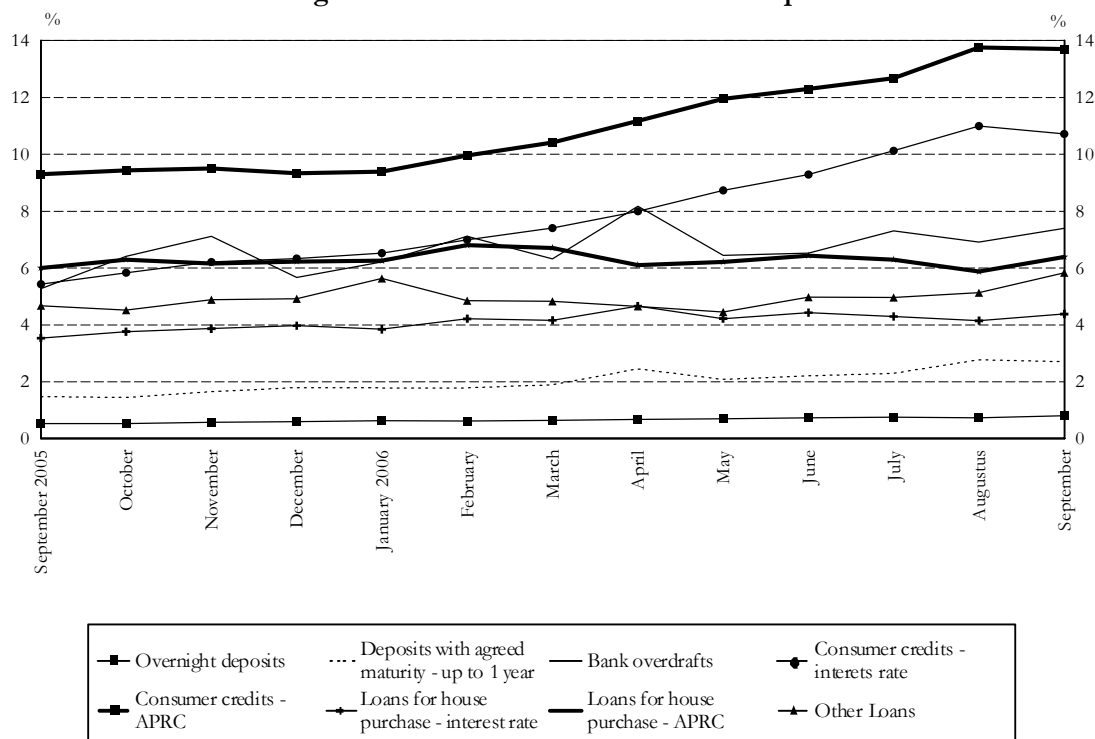


The average of interest rates on households' overnight deposits was 2.37%, remaining unchanged at August's level. Average interest rates on deposits with agreed maturity fell, after rising since July. After the strong increase in August due to the introduction of the withholding tax on interest income, the average interest rate on deposits with an agreed maturity of over two year fell the most strongly, by 240 basis points; however, its level is around 5%, 1 percentage point higher than its earlier level.

The amount of new deposits with agreed maturity from households was HUF 321.6 billion in September, the lowest level in one year.

1.2 Euro loans and deposits

Chart 7 Monthly average interest rates and APR on euro loans to households and monthly average interest rates on household euro deposits³



The trend of the average interest rate on euro overdrafts has been upwards since May 2006. It was 7.39% in September. The average interest rate on loans for house purchase with floating interest rates or with up to one year initial rate fixation has been at 4% since June. It was 4.38% in September, with the APR rising back above 6%, up from its lower level in August. The swift rise in average interest rates on consumer credit with floating interest rates or with up to one year initial rate fixation since January 2006 stalled in September. The average interest rate was 10.71% and the APR 13.70%. The average interest rate on other loans with floating interest rates or with up to one year initial rate fixation has been rising since May. It was nearly 6% in September.

The average interest rate on euro deposits has been rising steadily over the past year. The average rate on overnight deposits rose from 0.5% a year earlier to 0.8% and that on deposits with agreed maturity rose near to 3%.

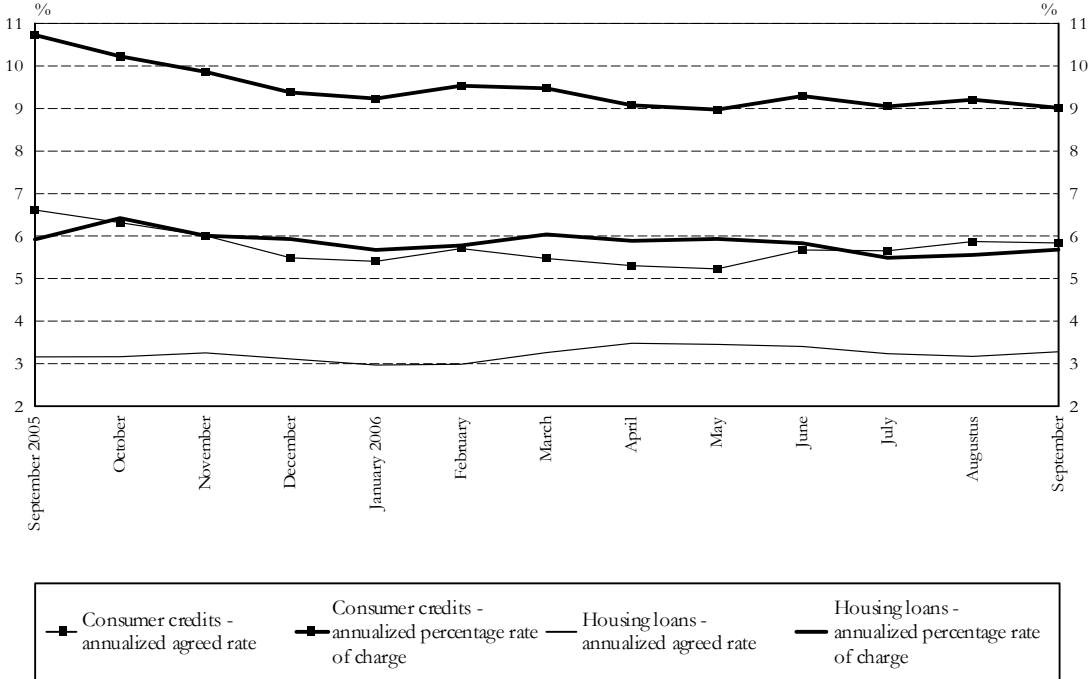
The amounts of households' euro loans and deposits were lower in September than in August. The monthly amount of deposits was HUF 74.3 billion and that of loans⁴ was HUF 2.5 billion in September.

³ Chart 7 plots data on consumer credit, housing loans and other loans with a floating interest rate or with up to 1 year initial rate fixation.

⁴ The amounts of consumer, housing and other loans with floating interest rates or with up to one year initial rate fixation, excluding overdrafts.

1.3 Swiss franc-denominated consumer credit and housing loan rates

Chart 8 Average annualised agreed rates and APR on Swiss franc consumer credit and housing loans with floating interest rates or with up to one year initial rate fixation⁵



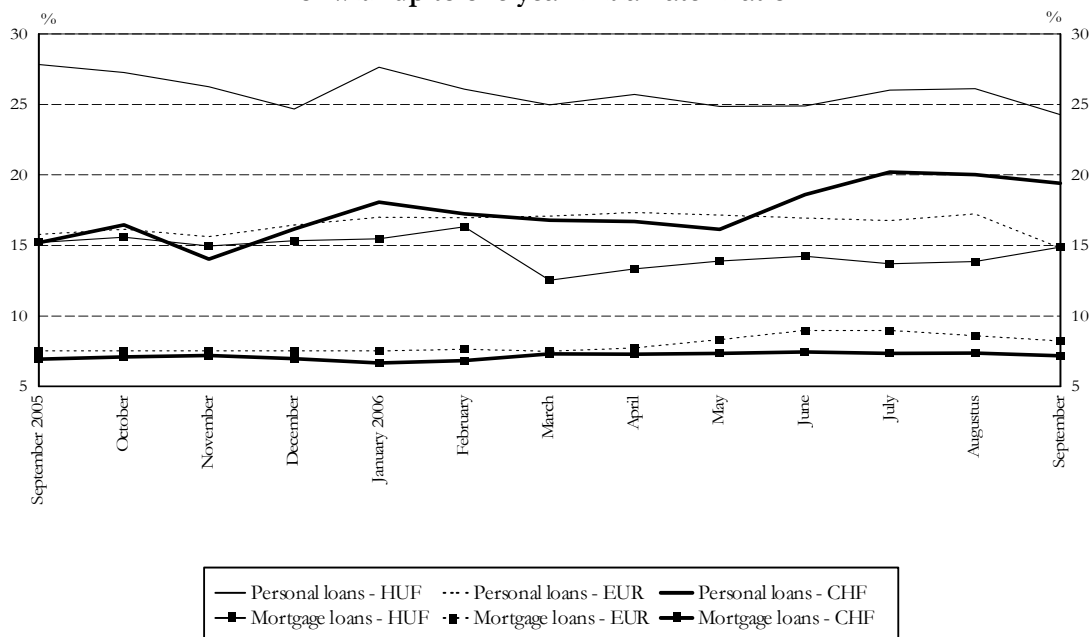
The average annualised interest rate on Swiss franc-denominated consumer credit with floating interest rates or with up to one year initial rate fixation has been fluctuating around 6% since December 2005, with the APR fluctuating around 9%.

The average annualised interest rate and APR on Swiss franc-denominated loans for house purchase with floating interest rates or with up to one year initial rate fixation have been moving around 3% and 6% respectively in the past year.

⁵ Swiss franc-denominated consumer credit includes only personal loans and equity loans. Data on auto loans are not included, given that figures from few data providers are available. The Bank does not collect statistics on other loans denominated in Swiss francs (e.g. hire purchases).

1.4 APR on forint, euro and Swiss franc-denominated personal and equity loans

Chart 9 APR on forint, euro and Swiss franc personal and equity loans with floating interest rates or with up to one year initial rate fixation



The average interest rate on forint personal loans with floating interest rates or with up to one year initial rate fixation has been around 25% since March 2006. The average APR on euro loans has been rising over the past year. The interest rate had been moving around 17% since early 2006; however, it fell to 15% in September. The average APR on Swiss franc personal loans has been around 20% since July 2006. It was 19.41% in September.

The average APR on forint equity loans with floating interest rates or with up to one year initial rate fixation has been falling since March. It dropped to 15% in September. The downward trend of the average APR on euro equity loans turned around in July, with the indicator rising to 8.21% in September. The average APR on Swiss franc equity loans has been moving above 7% since March 2006. It was 7.18% in the month under review.

Chart 10 New forint, euro and Swiss franc-denominated personal and equity loans with floating interest rates or with up to one year initial rate fixation

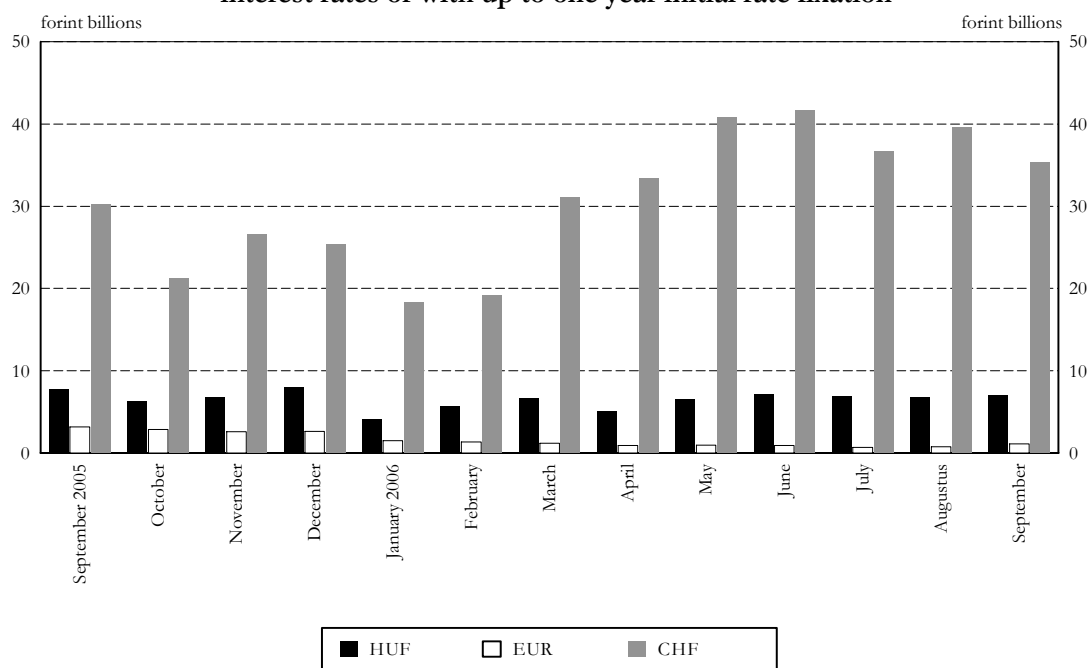
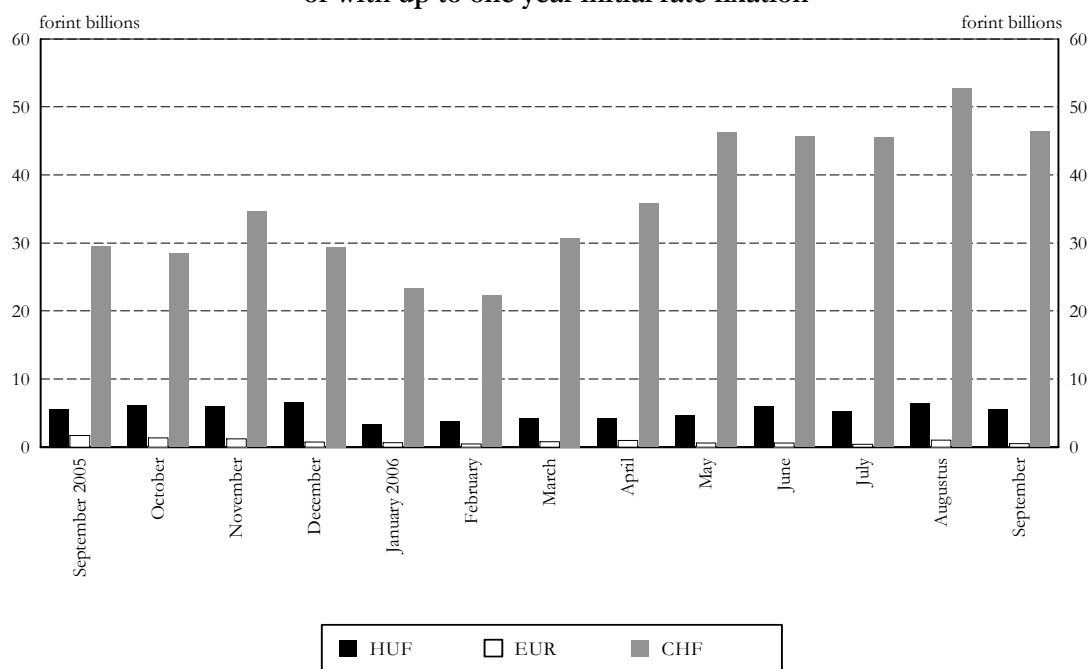


Chart 11 New forint, euro and Swiss franc-denominated housing loans with floating interest rates or with up to one year initial rate fixation

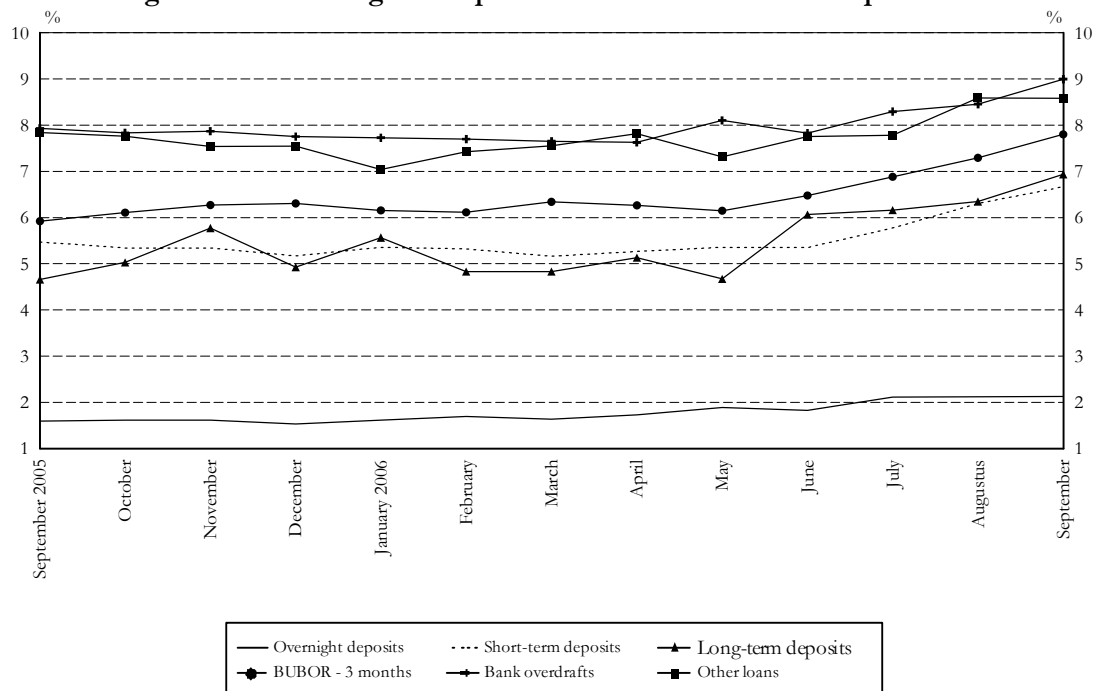


In September 2006, the value of new Swiss franc-denominated loans fell. That of forint-denominated loans has remained broadly unchanged over the past few months. Forint consumer credit amounted to HUF 7 billion and housing loans around HUF 6 billion.

2 Non-financial corporations

2.1 Forint loans and deposits

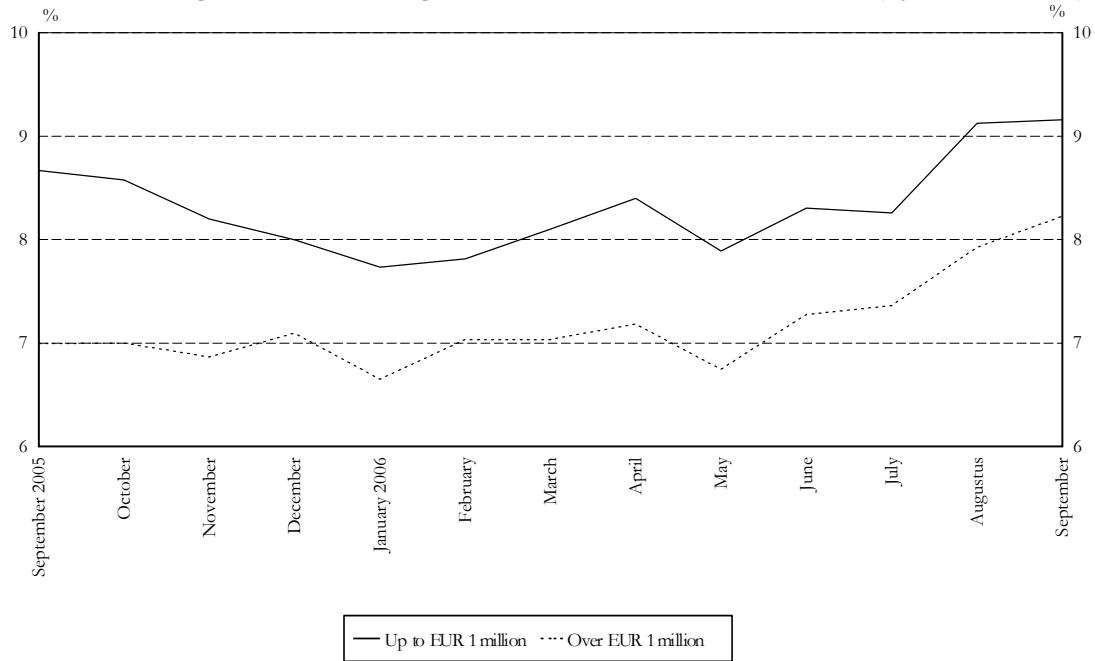
Chart 12 Average forint borrowing and deposits rates of non-financial corporations and BUBOR



Average interest rates on non-financial corporations' loans and deposits have been rising continuously since May 2006. In September, the average interest rate on overdrafts rose further to 9.00%. Interest rates on loans other than overdrafts stopped rising further temporarily. They were 8.58% in the month. The amount of new loans with floating interest rates or with up to one year initial rate fixation, excluding overdrafts, was HUF 226.7 billion, nearly identical with the preceding month. The share of maturities of less than one year rose.

The average of interest rates on deposits with an agreed maturity of up to one year has been rising nearly identically with BUBOR since July. It was 6.66% in September. The average interest rate on deposits with an agreed maturity of over one year rose to 6.94%, exceeding the rate of increase of earlier months. After rising in August, the amount of new deposits with agreed maturity from non-financial corporations fell by HUF 286.8 billion in September, returning to earlier levels. The average interest rate on overnight deposits has been fluctuating around 2%. It was 2.13% in the month.

Chart 13 Average forint borrowing rates of non-financial corporations (by loan amount)

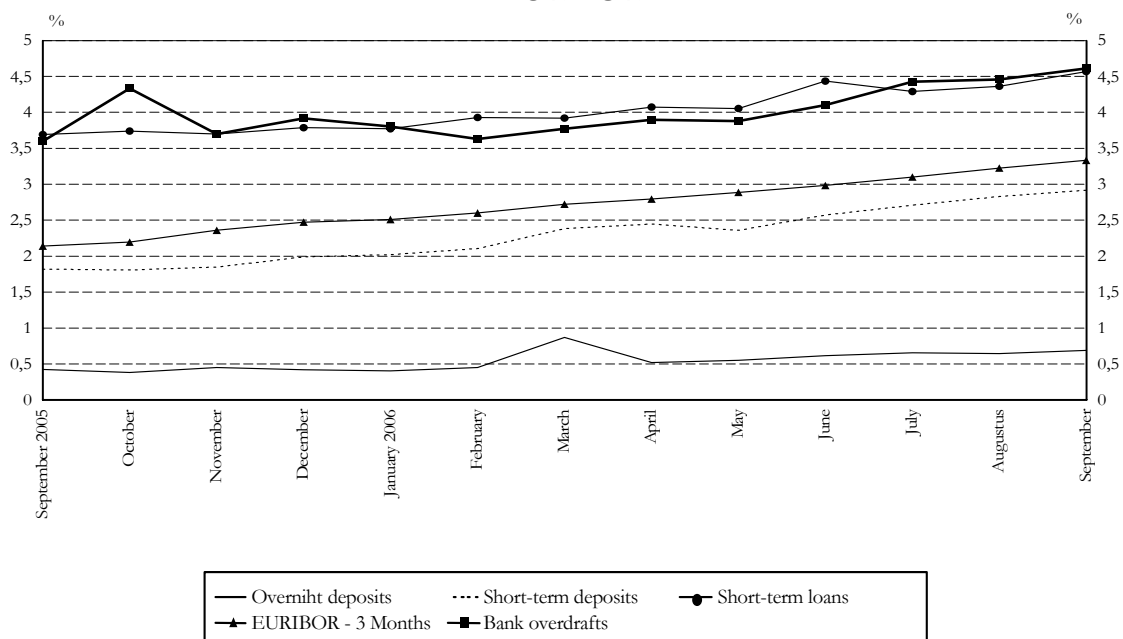


The average interest rate on forint loans provided to non-financial corporations, excluding bank overdrafts, rose, irrespective of the amount of loan. The interest rate on loans up to the equivalent of EUR 1 million⁶ rose above 9% to 9.16% in September. That of forint loans over the equivalent of EUR 1 million rose above 8% to 8.23% in the month.

⁶ Forint-denominated loans are converted into euros at the MNB's middle exchange rate for the last day of the month. The interest rates only refer to forint loans. Consequently, loans denominated and recorded in forints are converted into euros retrospectively. Conversion is important to make Hungarian data comparable with those of the European Central Bank and euro area Member States.

2.2 Euro loans and deposits

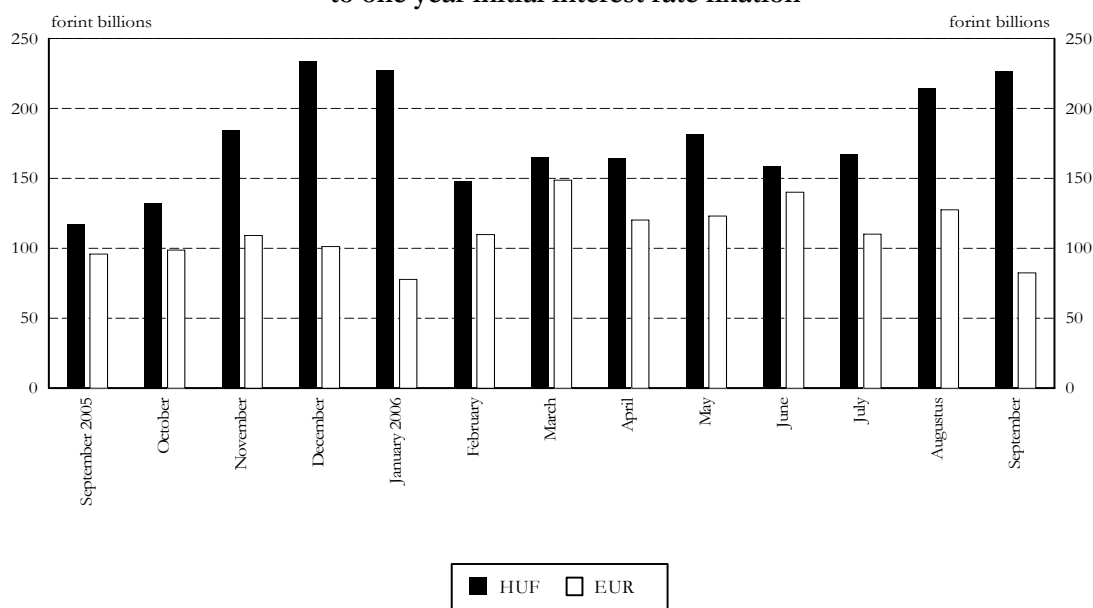
Chart 14 Monthly average forint borrowing and deposit rates of non-financial corporations and EURIBOR



Average interest rates on non-financial corporations' euro loans and deposits has been rising comparably with the rate of increase of EURIBOR since June. The average interest rate on overdrafts was 4.61% and that on loans with floating interest rates or with up to one year initial rate fixation, other than overdrafts, was 4.57%. The amount of new loans with floating interest rates or with up to one year initial rate fixation, excluding overdrafts, was HUF 82.4 billion, falling by HUF 45.2 billion relative to the preceding month.

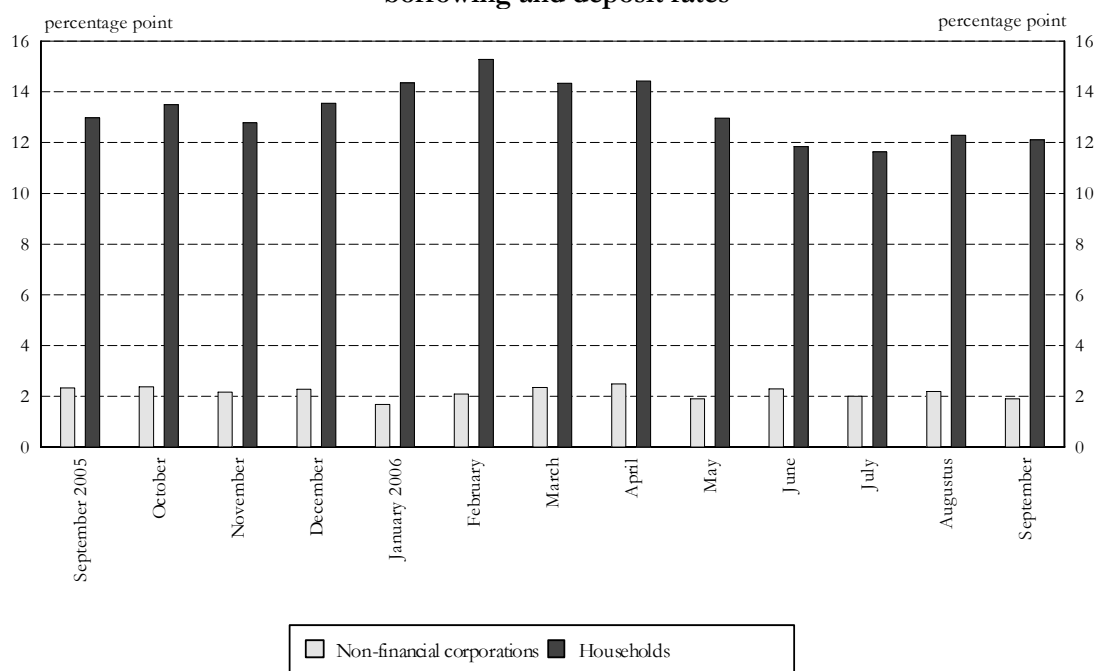
The average interest rate on NFCs' euro-denominated overnight deposits has been rising slightly since April. It was 0.69% in September. The average interest rate on deposits with an agreed maturity of up to one year has been rising continuously since May. It was 3% in September, up from 2.5% in May. The amount of new deposits with agreed maturity from non-financial corporations was HUF 770.9 billion.

Chart 15 New forint and euro-denominated loans to NFCs' with floating interest rates or with up to one year initial interest rate fixation



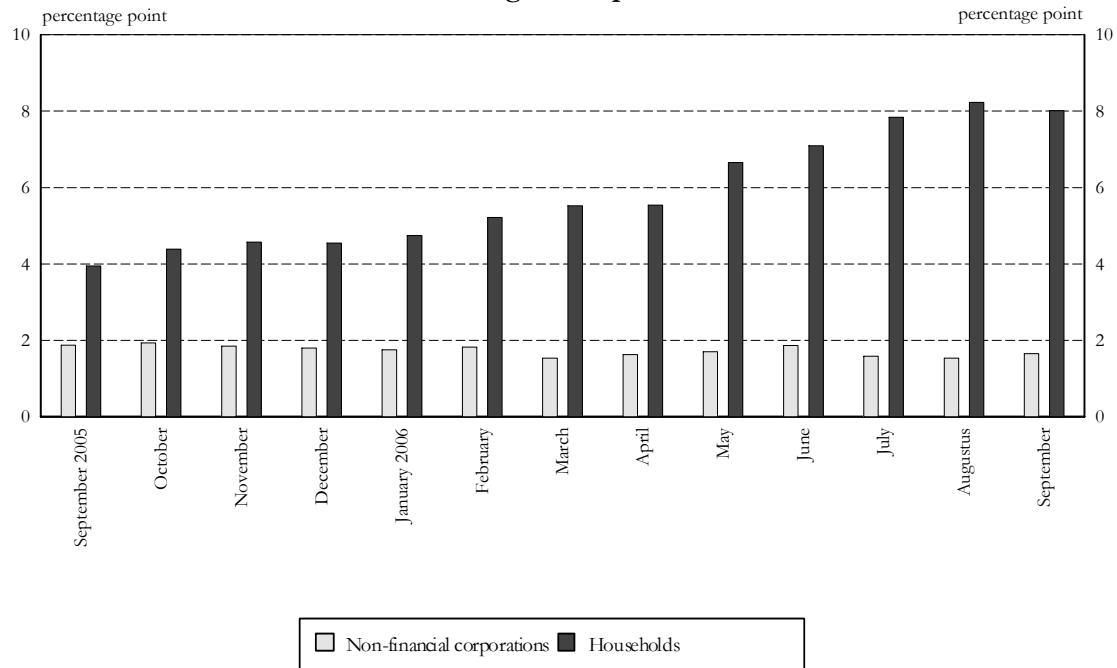
3 Differentials between loan and deposit rates

Chart 16 Differential between non-financial corporate and household sector forint borrowing and deposit rates



In the household market, the differential between average interest rates on consumer credit and on deposits with an agreed maturity of up to one year has been falling since February 2006 and it has been around 12 percentage points over the past four months. At short maturities, which account for a significant share within NFC sector loans and deposits, the gap between average interest rates has been around 2 percentage points for a year.

Chart 17 Differential between non-financial corporate and household sector euro borrowing and deposit rates



In the household market, the increase over the past year in the difference between average interest rates on euro-denominated consumer credit with floating interest rates or with up to one year initial rate fixation and on deposits with an agreed maturity of up to one year stopped in September. Its level was 8.01 percentage points in the month. The difference between average interest rates on non-financial corporations' euro-denominated loans with floating interest rates or with up to one year initial rate fixation and on deposits with an agreed maturity of up to one year has been moving around 1.6 percentage points since July. It was 1.65 percentage points in September.

4 Interbank unsecured forint loans

Chart 18 Average official and forint interbank rates in July 2006

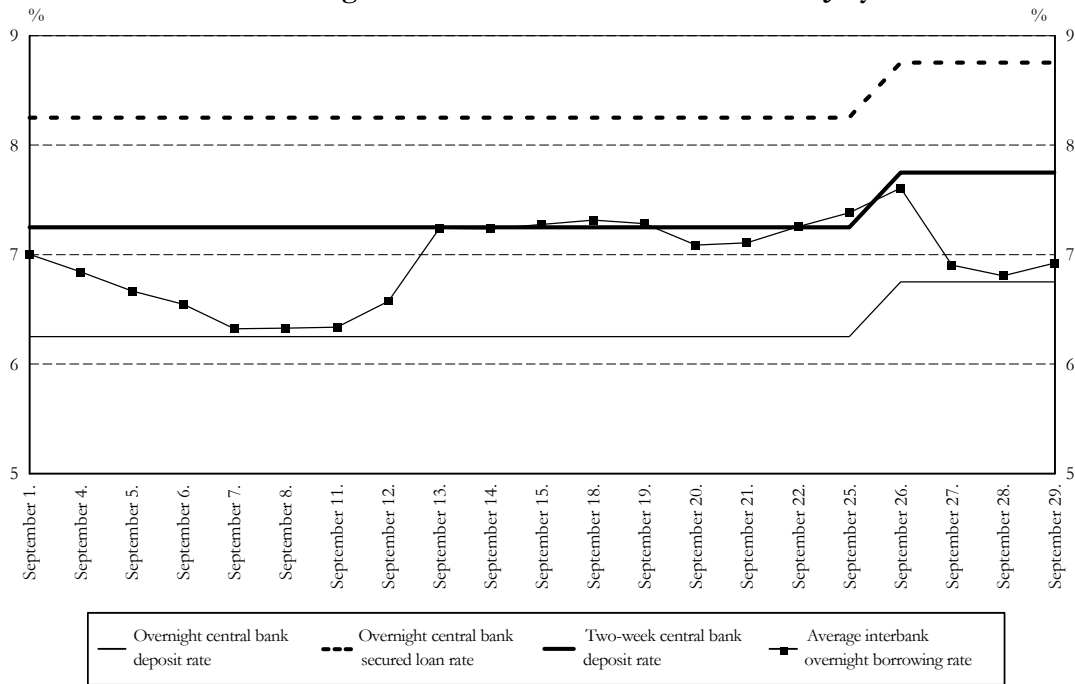
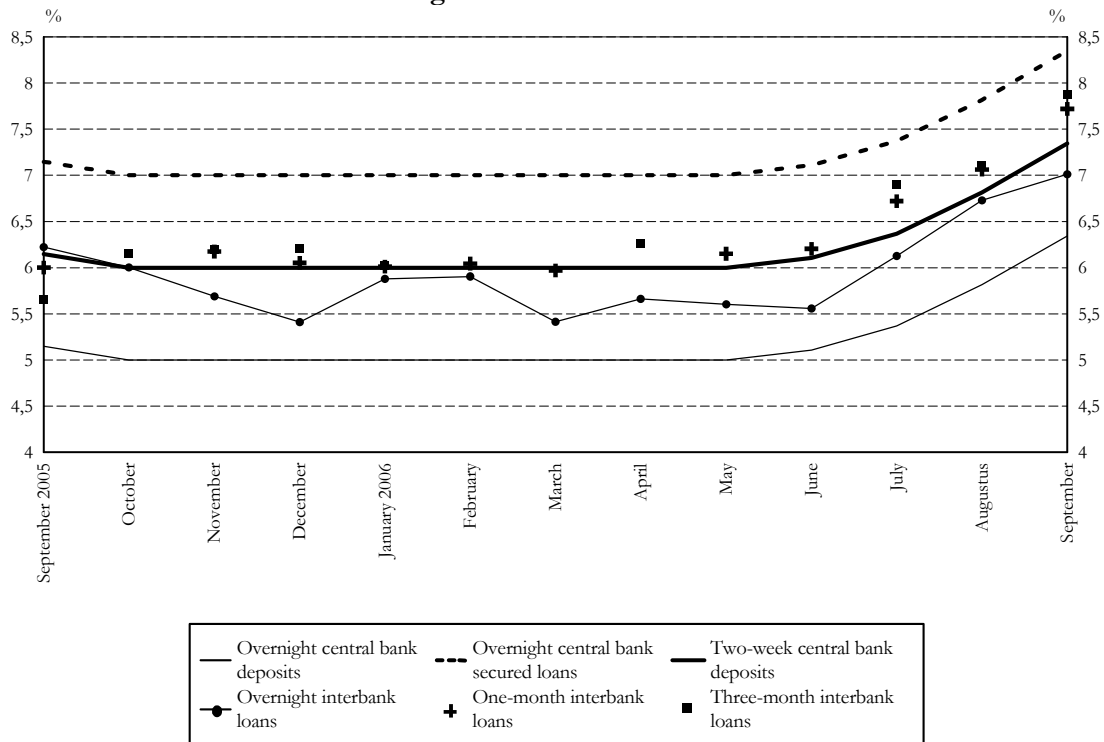


Chart 19 Average official and forint interbank rates



Turnover in the forint interbank market HUF 2,386.3 billion in September. That was down HUF 875.6 billion on the strong outturn for the preceding month. Average interest rates on unsecured forint lending rose at every maturity. The average overnight lending rate, weighted by the total value of transactions was 7.01%; that on loans provided for one month 7.72%; and that on loans provided for three months was 7.88%.

Daily interbank rates are available on request at the MNB's Communications Department. In addition, details of average interest rates and the amounts of new loans and deposits in the reference month which the MNB uses to calculate average interest rates as well as interest rates, weighted by month-end stocks, are available on the Bank's website at:

http://english.mnb.hu/engine.aspx?page=mnb_en_statistikai_idosorok

under IX. Money and capital markets

MAGYAR NEMZETI BANK
STATISTICS

Notes to the press release charts

From 2006, the Bank has been using a sampling technique to define the range of data providers, in order to reduce the cost burden on reporting institutions. The disaggregation of the reporting population into homogenous strata has served as a basis for setting the sample. As a result, the composition of reporting institutions has changed, with the number of data providers falling.

Generally, the change in the range of data providers has not influenced developments in average interest rates, except in the case of certain loan facilities (e.g. loans for house purchase with over 10 years initial rate fixation), where few data providers reported significantly different data in 2005. Here, the change in the range of reporting institutions has amplified the effect of changes in the composition of loans.

This press release includes, in addition to data on transactions in the forint interbank market, credit institutions' lending and deposit rates applied in their loan and deposit transactions with Non-financial corporations (S.11) and Households (S.14), as well as the aggregate amounts of new loans provided to and deposits accepted from the two sectors. The interest rate statistics also include data on Non-profit institutions serving households (S.15), in addition to households. Furthermore, credit institutions also include building societies whose business is to accept deposits from households and non-financial corporations at low interest rates and to provide loans – mainly for house purchase – at below-market interest rates.

The average interest rates, published in the press release, are calculated in a multi-stage process. The different levels of aggregation are illustrated by the table below:

Levels of aggregation (i.e. of calculating averages)	Stages of aggregation (calculation of averages)	Who aggregates?
4	Average interest rate calculated for data providers	Magyar Nemzeti Bank
3	Average interest rate on all products of data provider (e.g. consumer credit)	Data provider
2	Average interest rate on one product (e.g. hire purchase)	Data provider
1	Interest rate agreed in contract	Data provider

A change in the average interest rate may be caused by a combination of a change in individual interest rates and the composition of loans. In the press release, mention is made of the effect which has more weight in changes in average interest rates (interest rate change or composition effect).

The table also shows that interest rates reported to the MNB are averages and, therefore, the MNB is only able to segregate the effects of interest rate changes or composition changes for average interest rates by data providers individually. Consequently, an interest rate change derived at the highest level of aggregation only means that (provided that there is no supplementary information available for the MNB) a change in the banking sector's average interest rate has been caused by a change in average interest rates at data providers individually. However, individual data providers' average interest rates may also change as a result of composition

effects, i.e. because there has been a shift in the percentage shares accounted for by the various facilities and/or within the individual facilities. Generally, the MNB has no information on the size of a composition effect or actual interest rate change occurring at individual data providers.

In the time series downloadable from the MNB's website, consumer credit is further broken down by purpose:

- Personal loans,
- Car purchase loans,
- Mortgage loans for consumption,⁷
- Loans for purchase of goods or other⁸

The differences between interest rates in this press release are calculated from data before rounding. Consequently, the differences may differ from those derived from rounded interest rates published.

Charts 1 and 7

a) Average interest rates on consumer credit, housing loans and other loans refer to new contracts. By contrast, interest rates on overdrafts refer to end-of-month stocks. Consequently, the Bank uses the total amount of new loans and the end-of-month stocks as weights to calculate average interest rates on the first three categories of loans and on overdrafts, respectively. Average interest rates do not include those on non-performing loans.

b) Other loans include, among others, sole proprietors' entrepreneurial loans as well as non-consumer and loans for purposes other than house purchase.

c) In addition to interest rates on consumer credit and other loans, the Bank also publishes the APR expressing total costs of consumer credit and housing loans of the household sector. The method underlying the calculation of the APR, published by the MNB, is identical to that defined by Government Decree No. 41/1997, and it is applicable to all types of consumer credit and housing loans, irrespective of maturity.

Charts 2, 3, 4, 5, 7, 8, 9, 12

From January 2003, contractual data on loans are broken down by initial interest rate fixation instead of original maturity. Interest rate fixation refers to the period for which the interest rate is fixed in loan contracts. All floating rate loans and those fixed interest loans, for which the interest rate is fixed for up to one year in the original contracts, are classified in to the category 'Floating rate or up to one year initial rate fixation'.

Charts 4 and 5

a) The weighted average interest rate on housing loans include data on home loans whether they are provided under market conditions or subsidised. Data providers adjust the averages of assets-side subsidised interest rates by adding the amount of government subsidy to the interest rate charged to customers. In the case of liabilities-side subsidised loans, difference between the reference yield on government securities, nearest to the term of the loan, and the interest rate on funds borrowed in the interbank market is added to the interest rate charged to customers. Consequently, interest rates on housing loans also depend on variations in money and capital market interest rates.

b) From January 2003, contractual data on loans are broken down by initial interest rate fixation instead of original maturity. Interest rate fixation refers to the period for which the interest rate is fixed in a loan contract. All floating rate loans and those fixed interest loans, for which the

⁷ The Bank has been collecting data on forint, euro and Swiss franc equity loans since January 2005.

⁸ The Bank collects data only on forint instalment loans and other consumer credit.

interest rate is fixed for up to one year in the original contracts, are classified in to the category 'Floating rate or up to one year initial rate fixation'.

Charts 6 and 7

Average interest rates on deposits with agreed maturity are calculated using the total amount of new loans as weight, while those on overnight deposits are calculated using end-of-month stocks as weights. Deposits with agreed maturity are classified into the various categories on the basis of original maturity.

Chart 8

Annualised interest rate is an indicator which takes into account the frequency of interest payment. If interest was paid only once a year, the annualised interest rate would be equal to the agreed interest rate. However, in the case of the majority of loan and deposit contracts, interest is paid more than once a year, so the annualised interest rate slightly exceeds the agreed interest rate. If interest was paid with a frequency of less than a year, the annualised interest rate would be lower than the agreed interest rate.

For example, assuming monthly interest payments, the annualised interest rate calculated on the basis of a 10% p.a. interest rate is 10.5%, and 10.3% assuming semi-annual interest payments.

Charts 10 and 12

Average interest rates on deposits with agreed maturity are calculated using the total amount of new loans as weight, while those on overnight deposits are calculated using end-of-month stocks as weights. Consequently, loans excluding overdrafts are weighted by the amounts of new loans, while overdrafts are weighted by end-of-month stocks to calculate average interest rates. Average interest rates do not include interest rates on non-performing loans.

Chart 11

The euro equivalent of forint loans is calculated using the MNB's central exchange rate for the last day of the month. The interest rates refer only to forint-denominated loans. Consequently, loans denominated and recorded in forints are converted into euros retrospectively.