

PRESS RELEASE

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

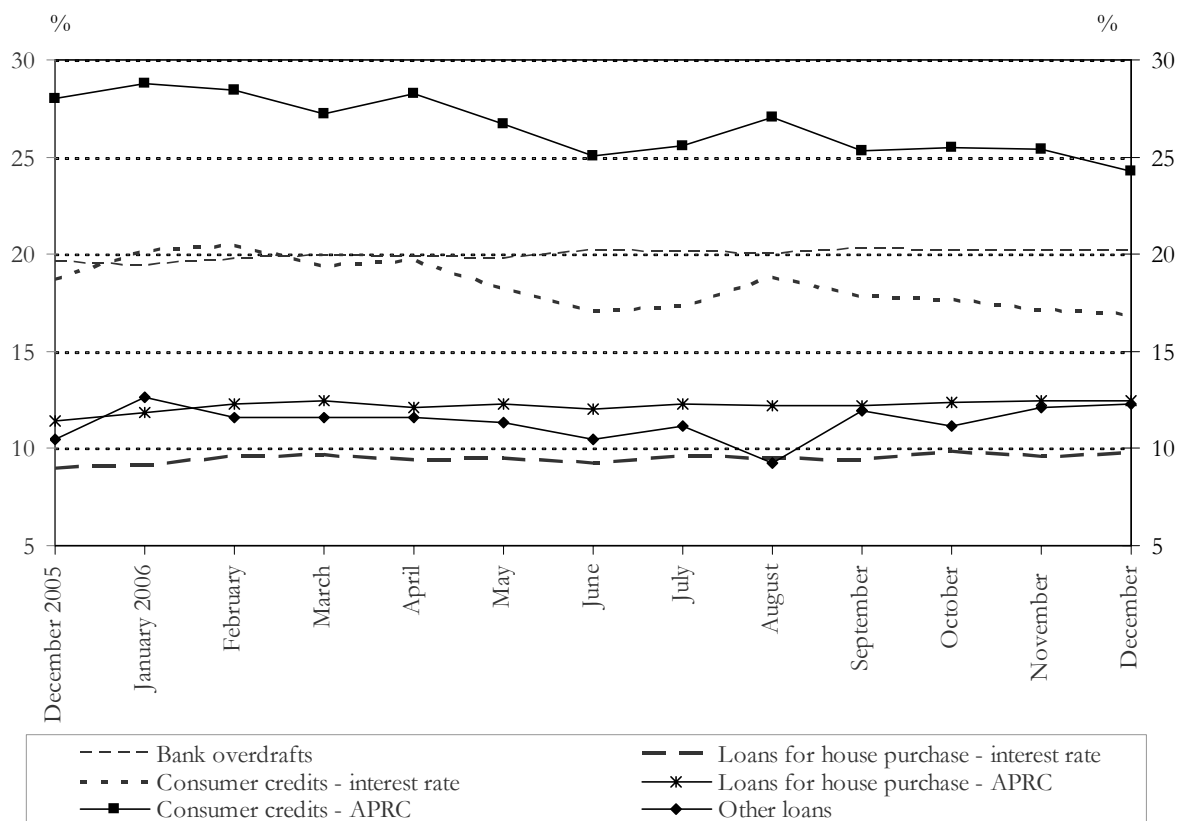
Average interest rates and APR on household sector forint-denominated consumer loans fell in December 2006. By contrast, average interest rates on the sector's deposits with an agreed maturity rose. Average interest rates on euro-denominated loans to the sector fell slightly in November-December.

Average interest rates on non-financial corporations' forint-denominated loans and deposits remained unchanged, and average interest rates on the sector's euro-denominated loans and deposits increased slightly.

1 Households

1.1 Forint loans and deposits

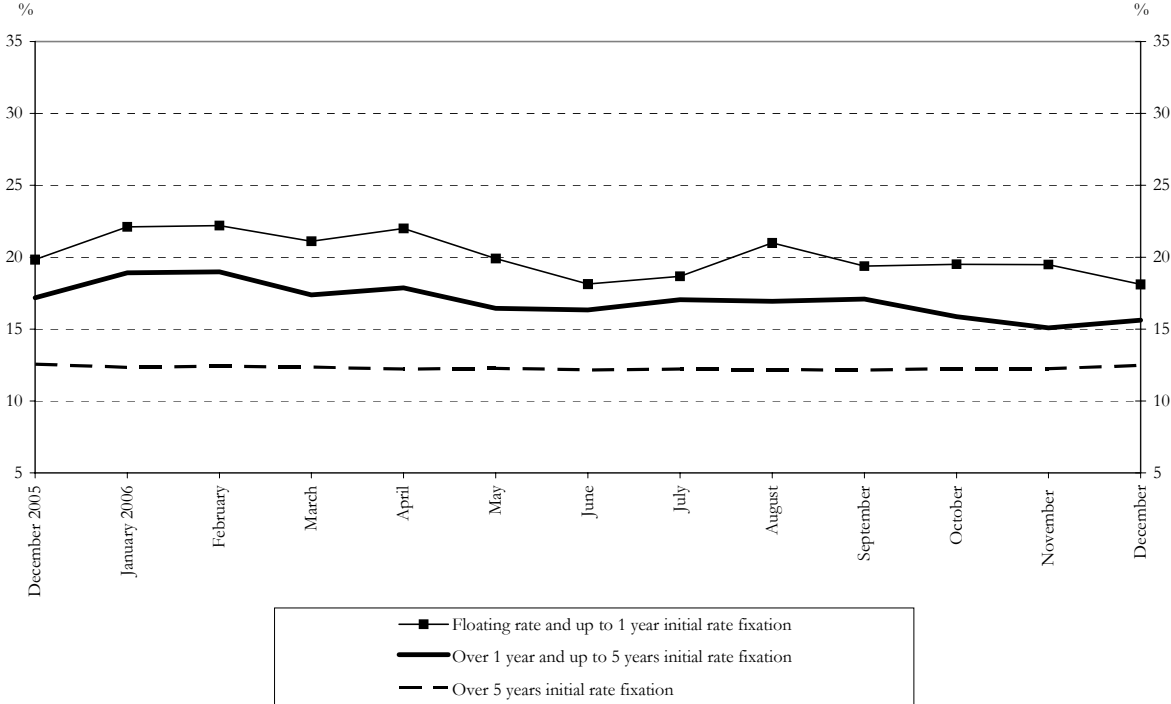
Chart 1 Monthly average interest rates and APR on forint loans to households



The average interest rate on the household sector’s overdrafts was 20.23% in December, remaining close to the 20% level for over a year. The average interest rate on bank housing loans¹ have been fluctuating around 9.5% in recent months. The average interest rate was 9.80% in December. The APR on housing loans was 12.43% in the month, remaining nearly unchanged in the past two months. The average interest rate and APR on consumer credit fell, due to changes in interest rate conditions. The former was 16.90% and the latter 24.27% in the review month. The average interest rate on other loans remained unchanged at 12.30% in December, after rising to above 12% in November.

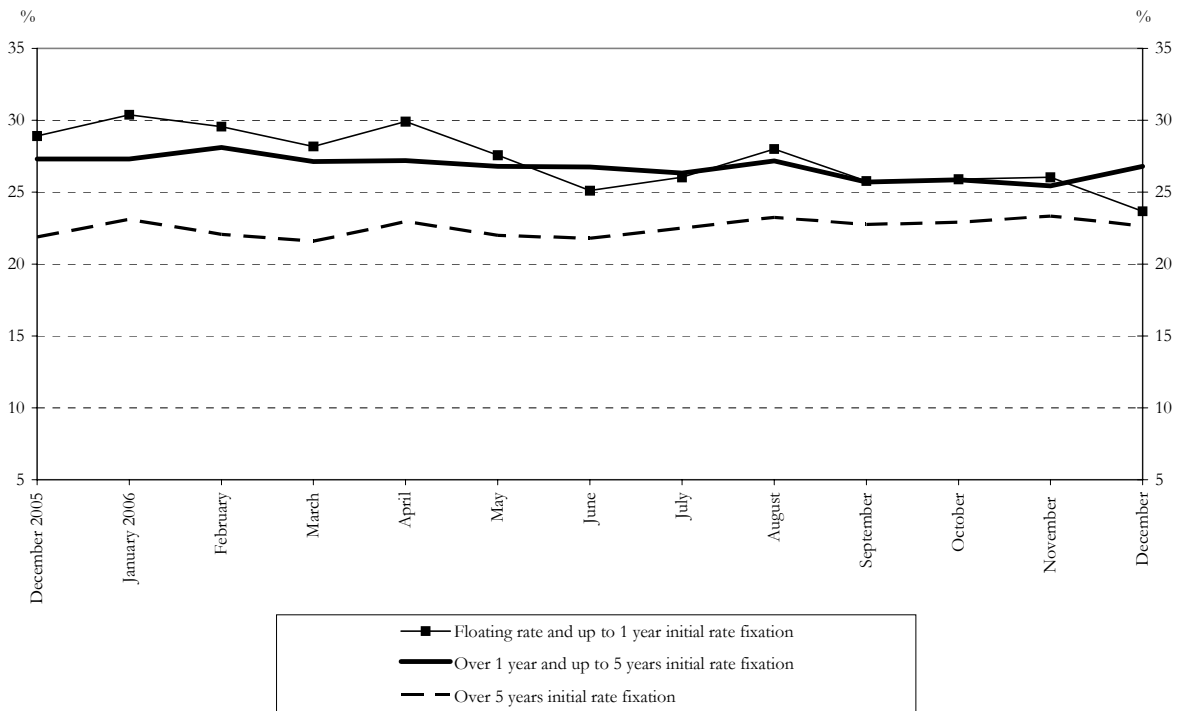
The monthly amounts of new consumer credit and other loans rose in December. By contrast, the value of new housing loans fell. The values of forint-denominated consumer credit, and housing and other loans provided in December were HUF 22.9 billion, HUF 17.0 billion and HUF 6.3 billion respectively.

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.

Chart 3 Monthly average APR on forint consumer credit



The average interest rate and APR on consumer loans with a floating interest rate or with up to one year initial rate fixation fell, due to changes in interest rate conditions: the former was 18.10% and the latter 23.67%. The average interest rate and APR on consumer credit with over 1 and up to 5 years initial rate fixation rose, due to a change in the composition of loans. The average interest rate was 15.62% and the APR 26.81%. The average interest rate and APR on consumer credit with over 5 years initial rate fixation were 12.48% and 22.65% respectively in December, remaining broadly unchanged since December 2005.

Chart 4 Monthly average interest rates on forint housing loans

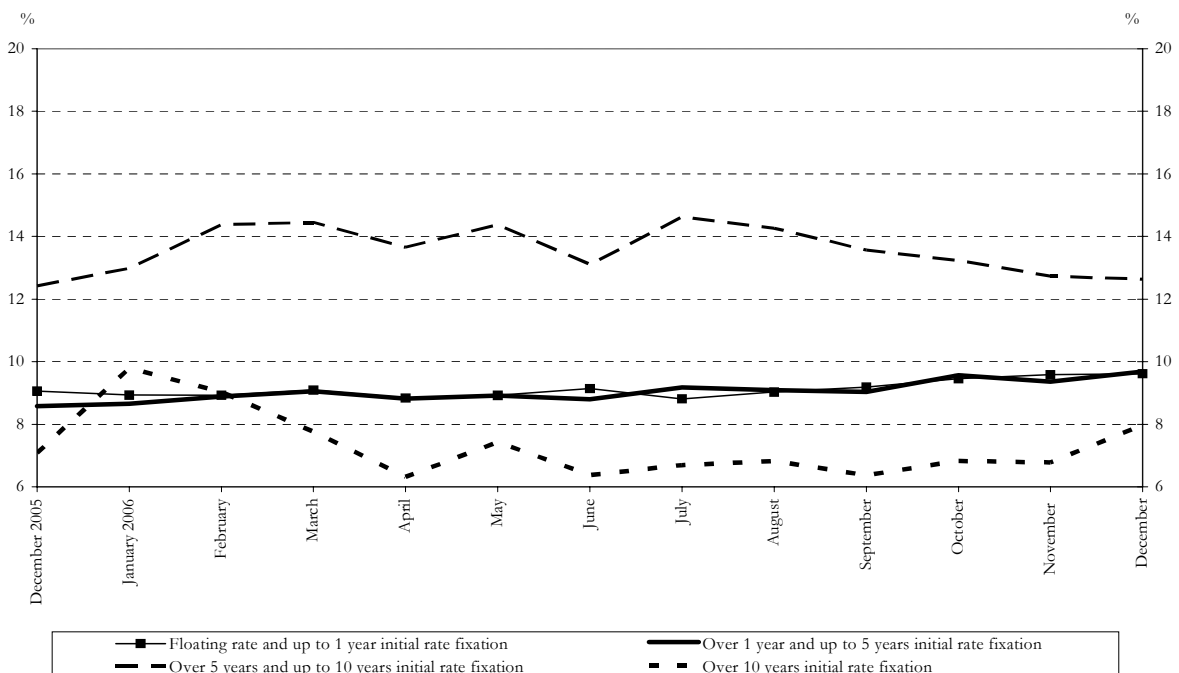
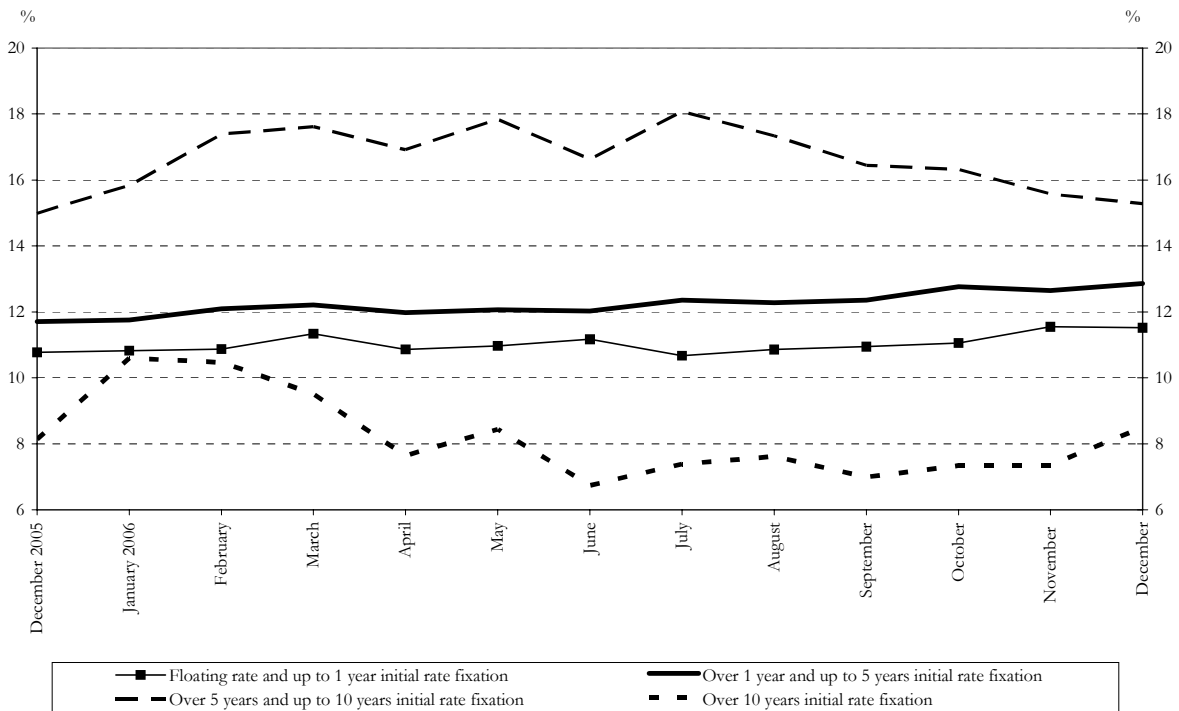


Chart 5 Monthly average APR on forint housing loans

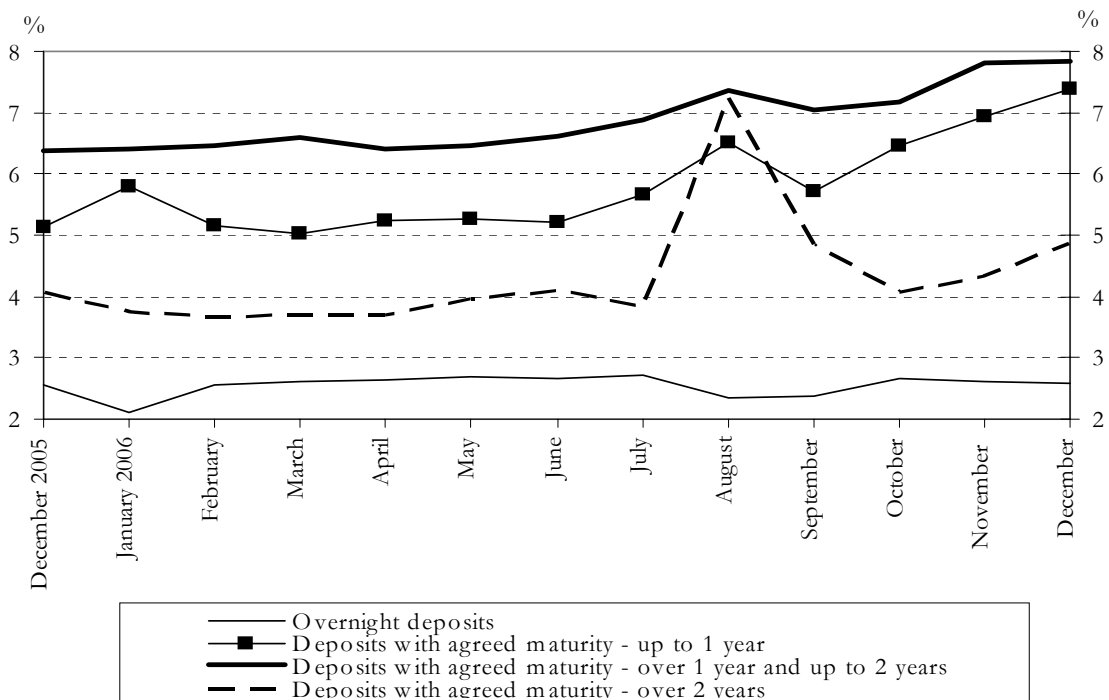


The average interest rate and APR on loans for house purchase with up to 5 years initial rate fixation both rose slightly in the past six months. The average interest rate on loans with floating interest rates or with up to one year initial rate fixation was 9.62%, and the APR on loans was 11.52%. The average interest rate and APR on loans with over 1 year and up to 5 years initial rate fixation were 9.68% and 12.86% respectively.

The average interest rate and APR on loans with over 5 years and up to 10 years initial rate fixation have been falling gradually since August. In December, the interest rate was 12.63% and the APR 15.28%.

The average interest rate on loans for house purchase with over 10 years initial rate fixation rose near to 8%, with the APR rising to above 8%.

Chart 6 Monthly average interest rates on household forint deposits



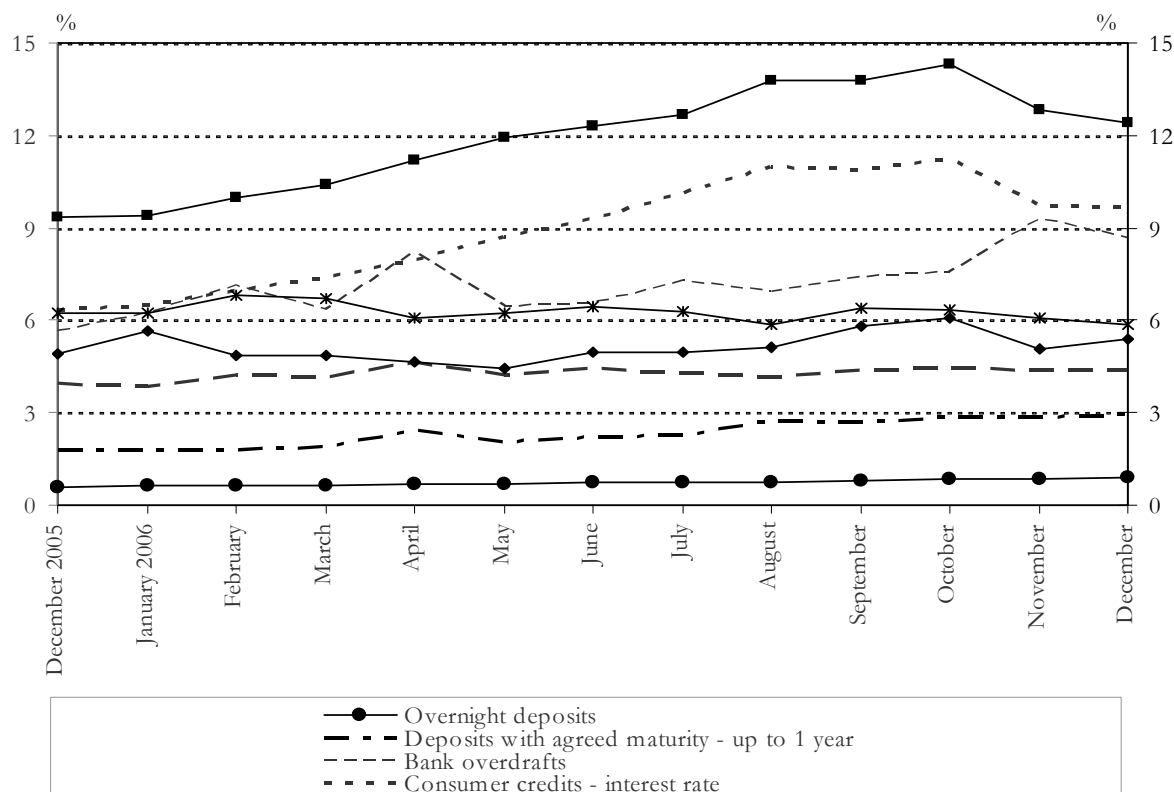
The average of interest rates on households' overnight deposits was 2.59% in December. The average interest rate on the sector's deposits with an agreed maturity of up to one year has been rising continuously since October. The indicator was 7.40% in December. The average interest rate on deposits with an agreed maturity of up to two years remained unchanged at 7.85%, equal to the level in November

The average interest rate on deposits with an agreed maturity of over two years rose again to reach 4.86% in December.

The amount of new deposits with agreed maturity from households rose to HUF 533.0 billion in the month under review.

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 deposits²



The average interest rate on euro-denominated overdrafts was 8.65% in December. The average interest rate on loans for house purchase with floating interest rates or with up to one year initial rate fixation was 4.39%, nearly unchanged since September. The APR fell back to 5.85%, down from higher levels in the preceding three months. The average interest rate and APR on consumer credit with floating interest rates or with up to one year initial rate fixation, at 9.64% and 12.42% respectively, were broadly unchanged. The average interest rate on other loans with floating interest rates or with up to one year initial rate fixation rose to 5.39%, after falling in November.

The average interest rate on euro deposits with an agreed maturity of up to one year was 2.95%, rising slightly since October. The average rate on overnight deposits rose was 0.87%, nearly unchanged since October.

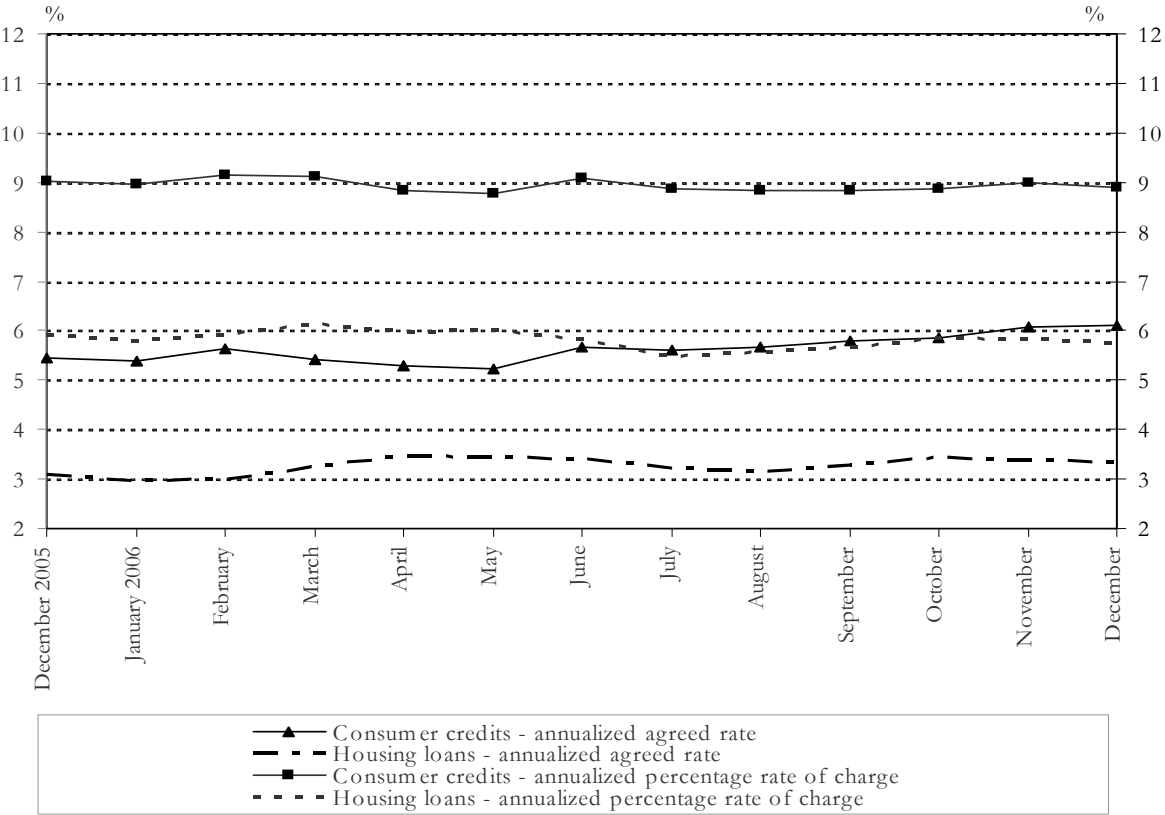
In December, the monthly amount of households' euro deposits was HUF 98.1 billion and that of euro-denominated loans³ was HUF 2.3 billion.

² 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.

³ 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 fixation⁴



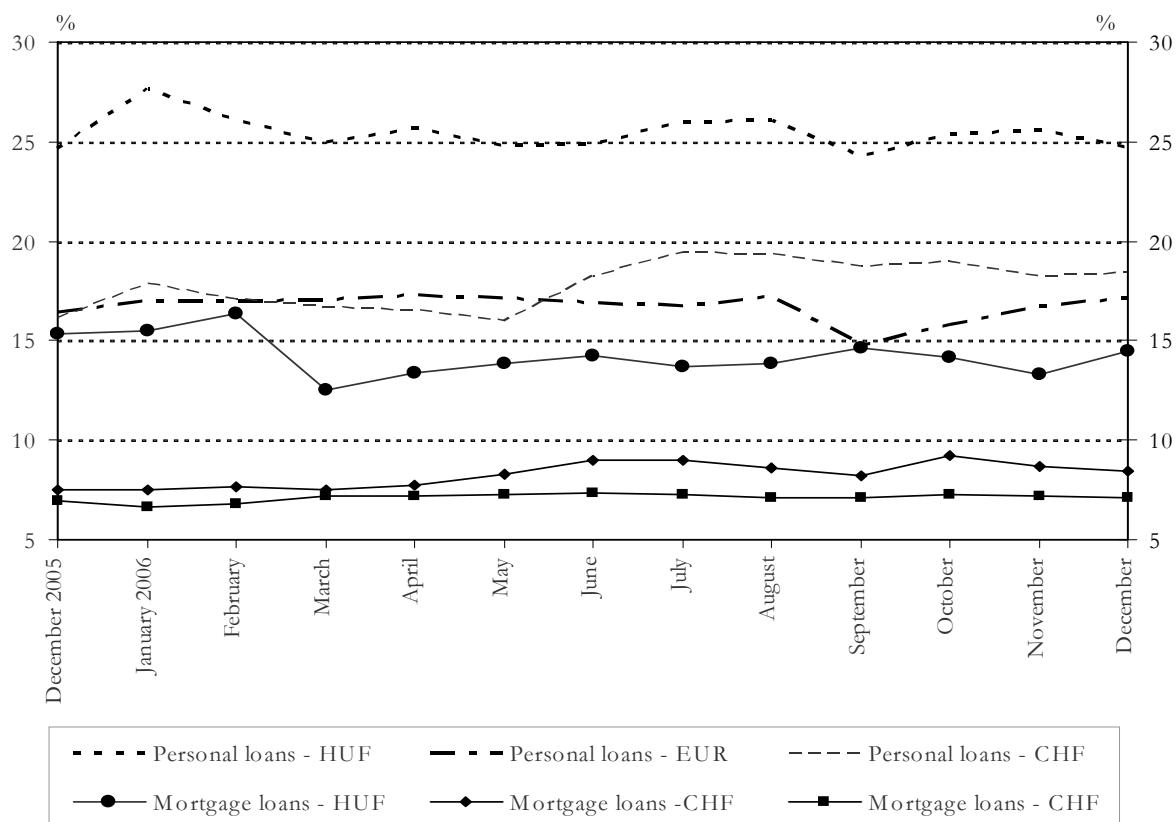
The average interest rate on Swiss franc-denominated consumer credit with floating interest rates or with up to one year initial rate fixation was 6.11% in December, remaining above 6%. The APR consumer credit, at 8.89%, remained around the 9% level.

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 were 3.36% and 5.75% respectively.

⁴ 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 APR on forint personal loans with floating interest rates or with up to one year initial rate fixation fell to 24.71% in December, down from higher levels in the preceding two months. The rise in the average APR on euro loans which began in October continued: the indicator was 17.15% in December. At 18.42%, the average APR on Swiss franc personal loans remained unchanged.

The average APR on forint equity loans with floating interest rates or with up to one year initial rate fixation returned to levels above 14%, after falling in November. It was 14.48% in December. With a fall to 8.44%, the downward trend of the average APR on euro equity loans continued. The average APR on Swiss franc equity loans, at 7.12% in the month under review, remained unchanged at the preceding month's level.

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

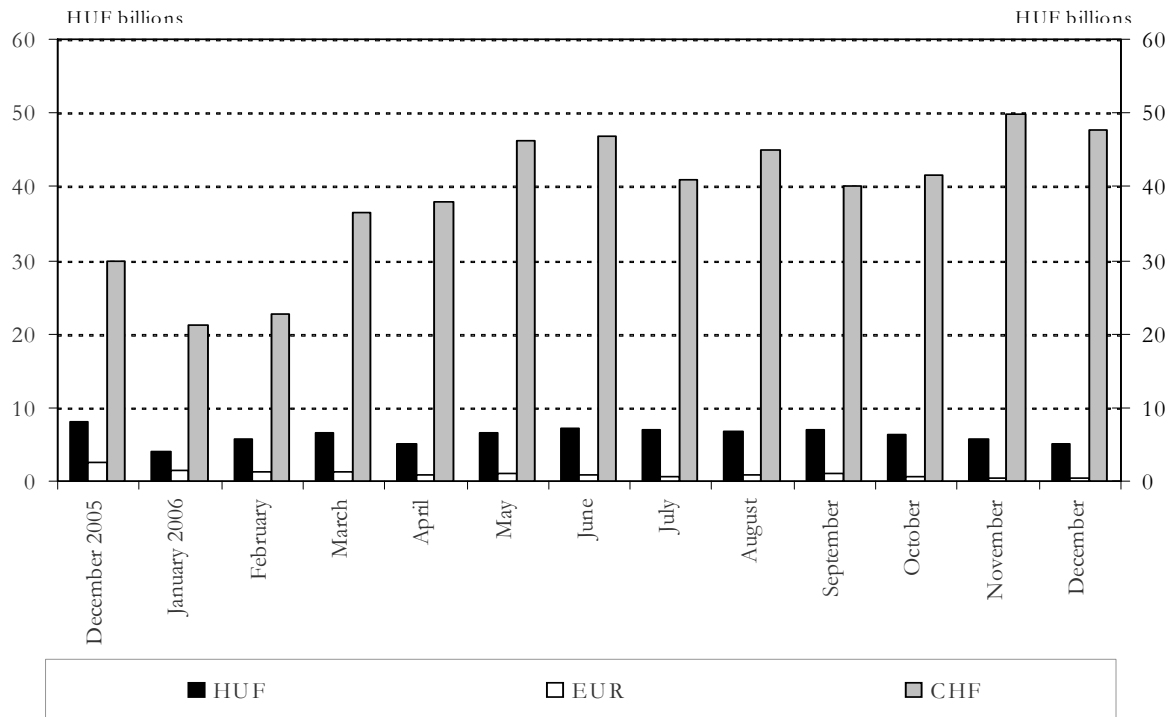
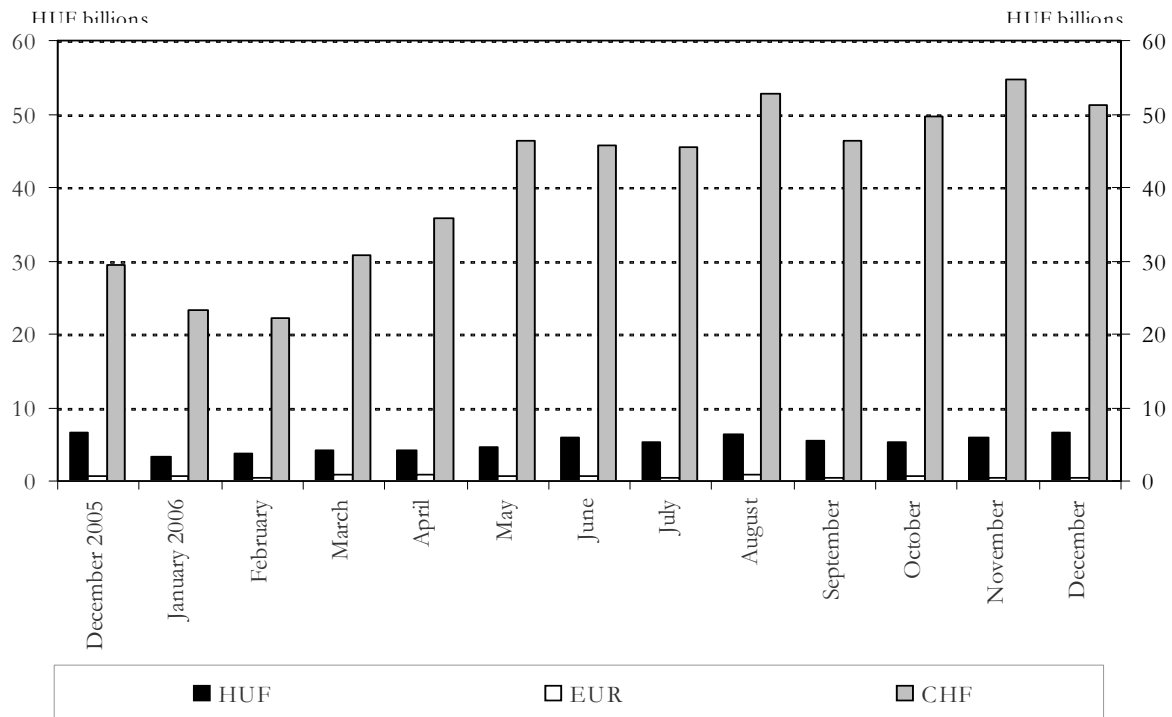


Chart 11 New forint, euro and Swiss franc-denominated housing loans with floating interest rates or with up to one year initial rate fixation

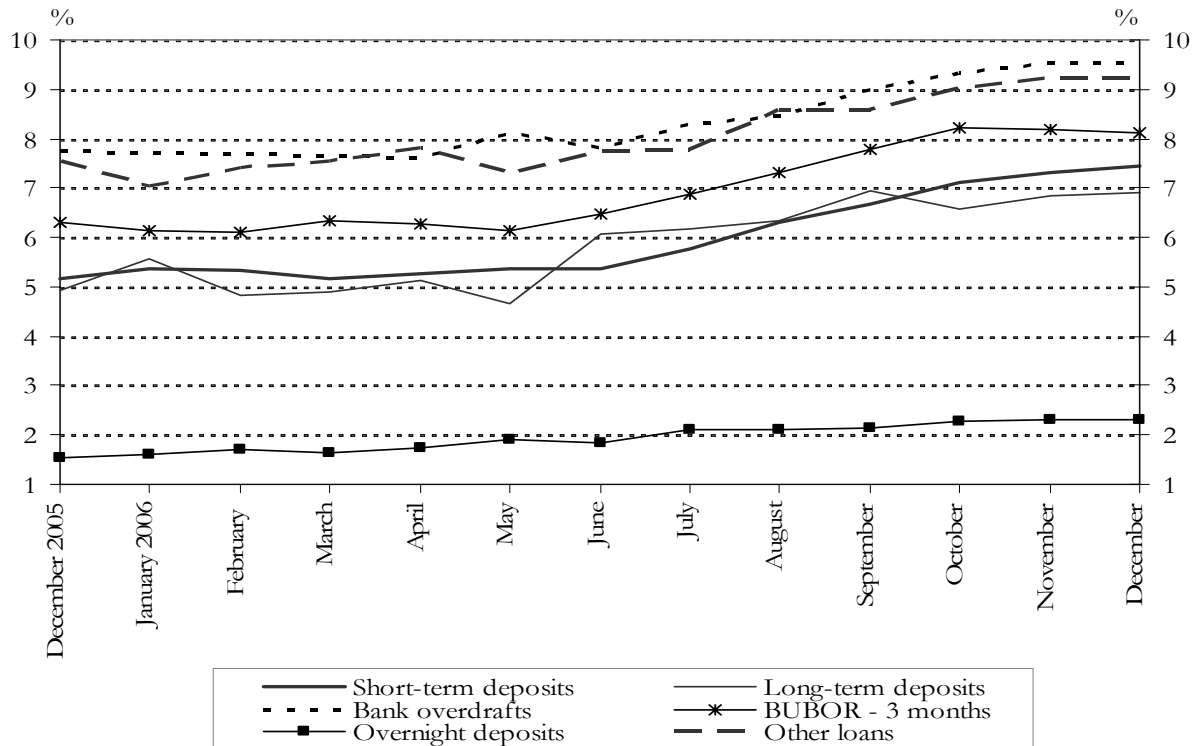


Swiss franc-denominated loans account for a dominant share within new contracts. In December, the values of new Swiss franc-denominated consumer credit and housing loans both fell: consumer credit amounted to HUF 47.6 billion and housing loans HUF 51.2 billion.

2 Non-financial corporations

2.1 Forint loans and deposits

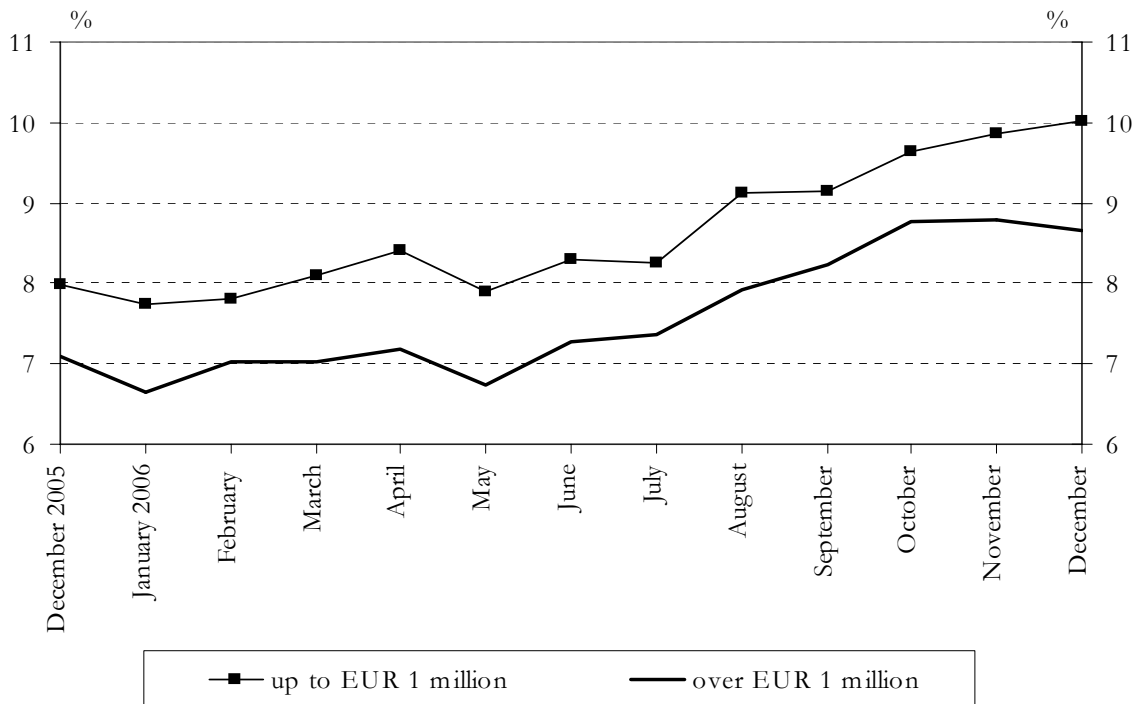
Chart 12 Average forint borrowing and deposits rates of non-financial corporations and BUBOR



Average interest rates on non-financial corporations' forint loans and deposits remained unchanged in December. The average interest rate on overdrafts was 9.51% and that on loans other than overdrafts was 9.22% 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 237.2 billion, up slightly on the preceding month.

The average interest rate on overnight deposits was 2.32% in the month; that on deposits with an agreed maturity of up to one year was 7.45%; and that on deposits with an agreed maturity of over one year was 6.90%. The amount of new deposits with agreed maturity from non-financial corporations rose to HUF 1.370.3 billion in December.

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



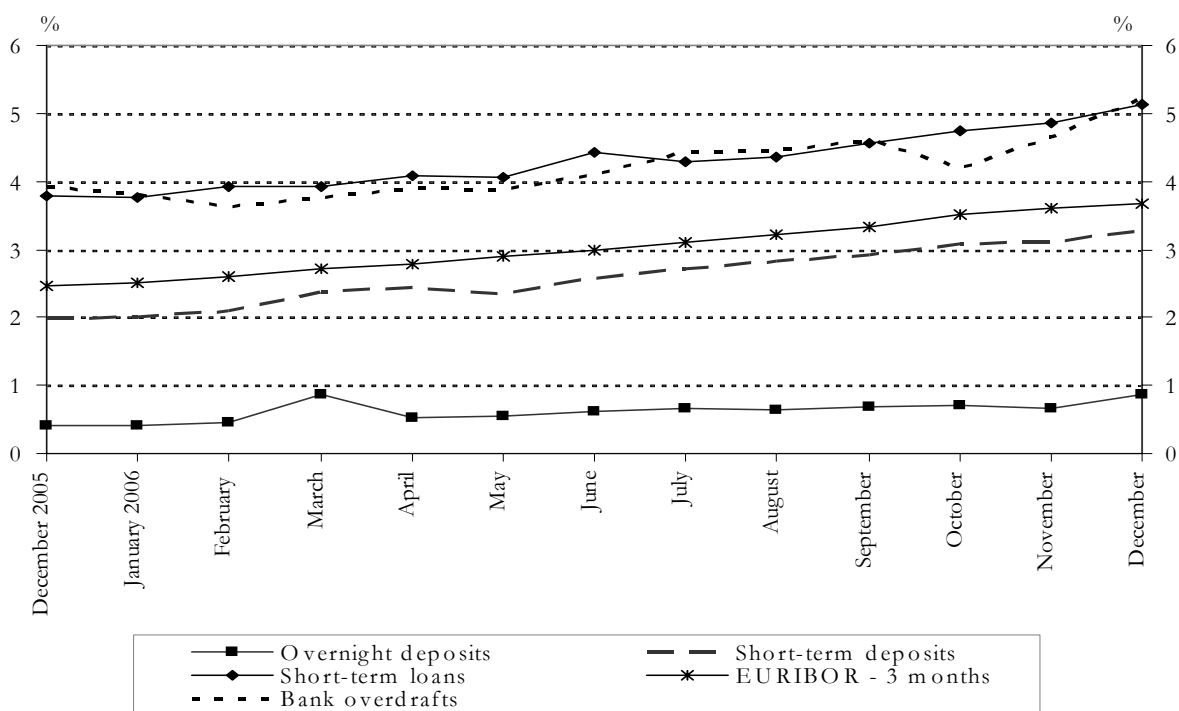
The average interest rate on loans up to the equivalent of EUR 1 million,⁵ excluding overdrafts, has been rising continuously since October, although at an increasingly slower pace. Its value rose to 10% in December. The average interest rate on loans over the equivalent of EUR 1 million fell slightly, to 8.66%.

The differential between average interest rates on forint loans up to and over the equivalent of EUR 1 million has been increasing since November.

⁵ 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

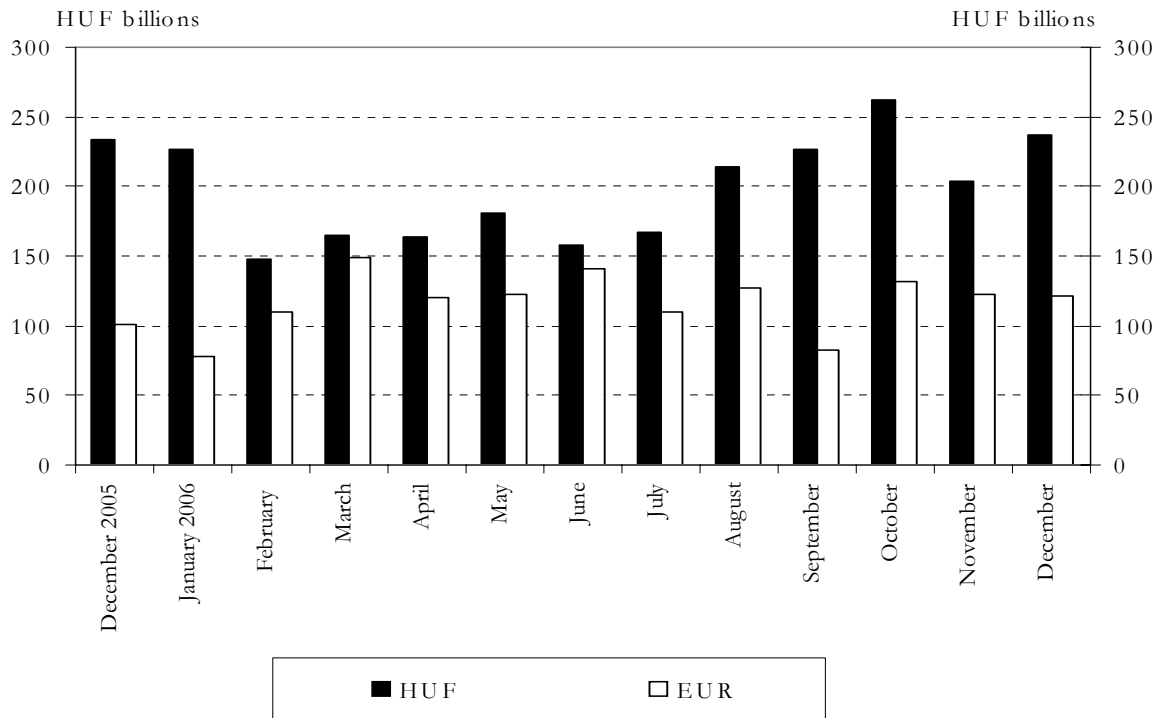


The average interest rate on loans with floating interest rates or with up to one year initial rate fixation, other than overdrafts, rose faster than the rate of increase of EURIBOR. The value of the indicator was 5.13% in December. was 4.57%. The average interest rate on overdrafts rose to 5.23%.

The average interest rate on NFCs' euro-denominated deposits rose. The average interest rate on overnight deposits was 0.87% and that on those with an agreed maturity of up to one year was 3.29%.

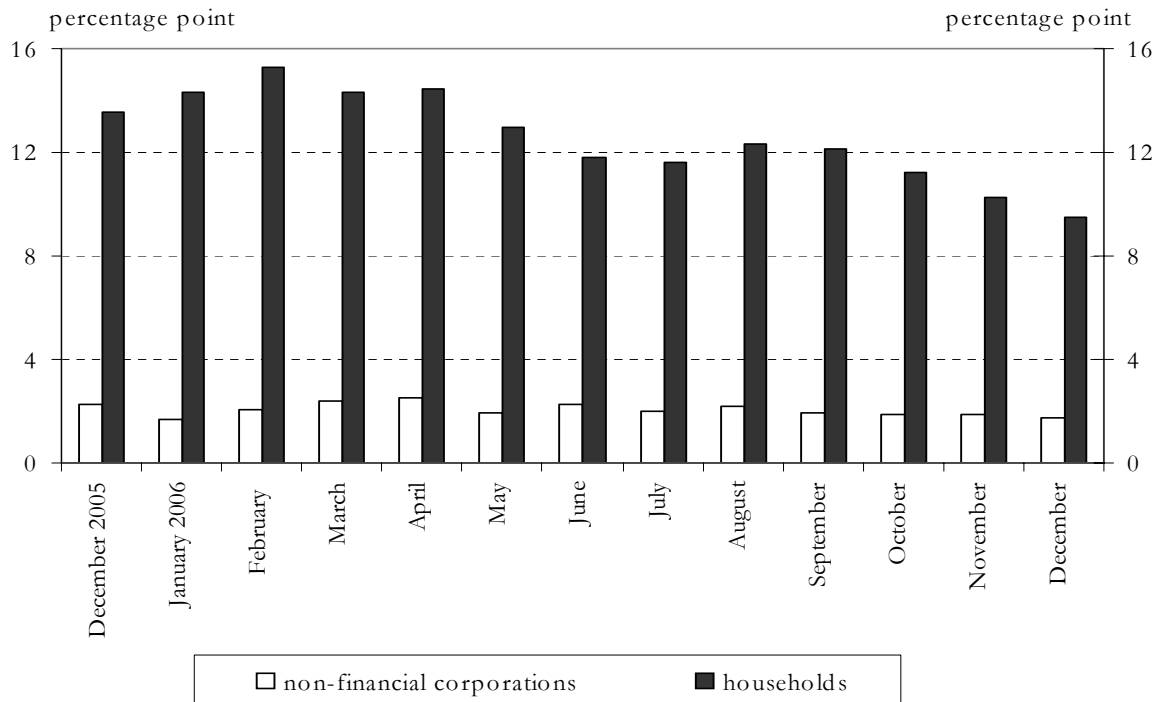
The amount of new loans with floating interest rates or with up to one year initial rate fixation, excluding overdrafts, was HUF 121.7 billion, and that of deposits with an agreed maturity of up to one year was HUF 809.5 billion.

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



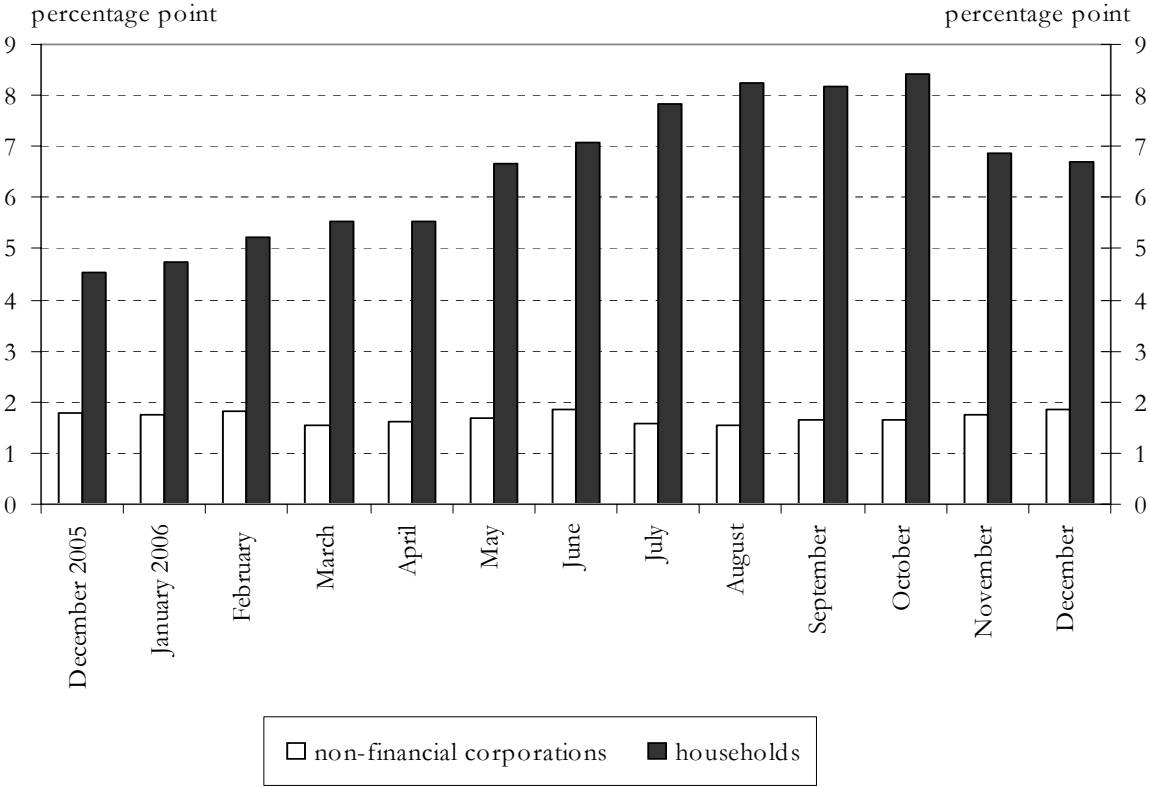
3 Differentials between loan and deposit rates

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 fell further to 9.51 percentage points. At short maturities, which account for a significant share within NFC sector loans and deposits, the gap between average interest rates was 1.76 percentage points in December.

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 remained around 7 percentage points. Its level was 6.70 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 was 1.84 percentage points.

4 Interbank unsecured forint loans

Chart 18 Average official and forint interbank rates in July 2006

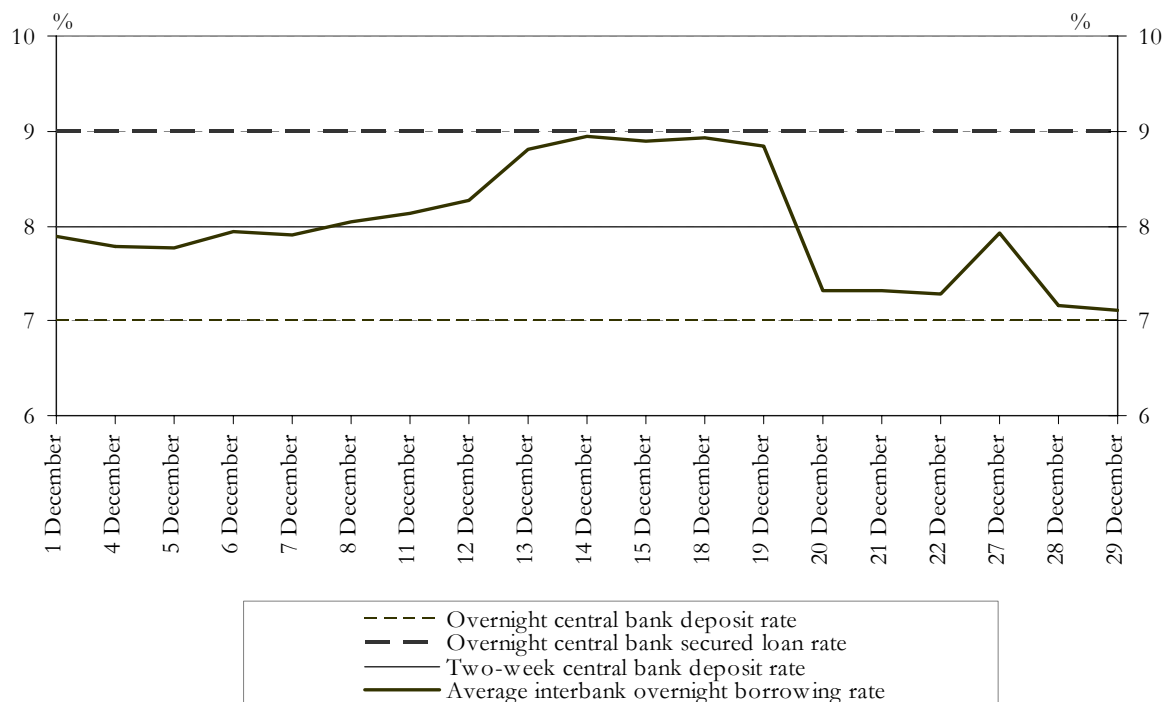
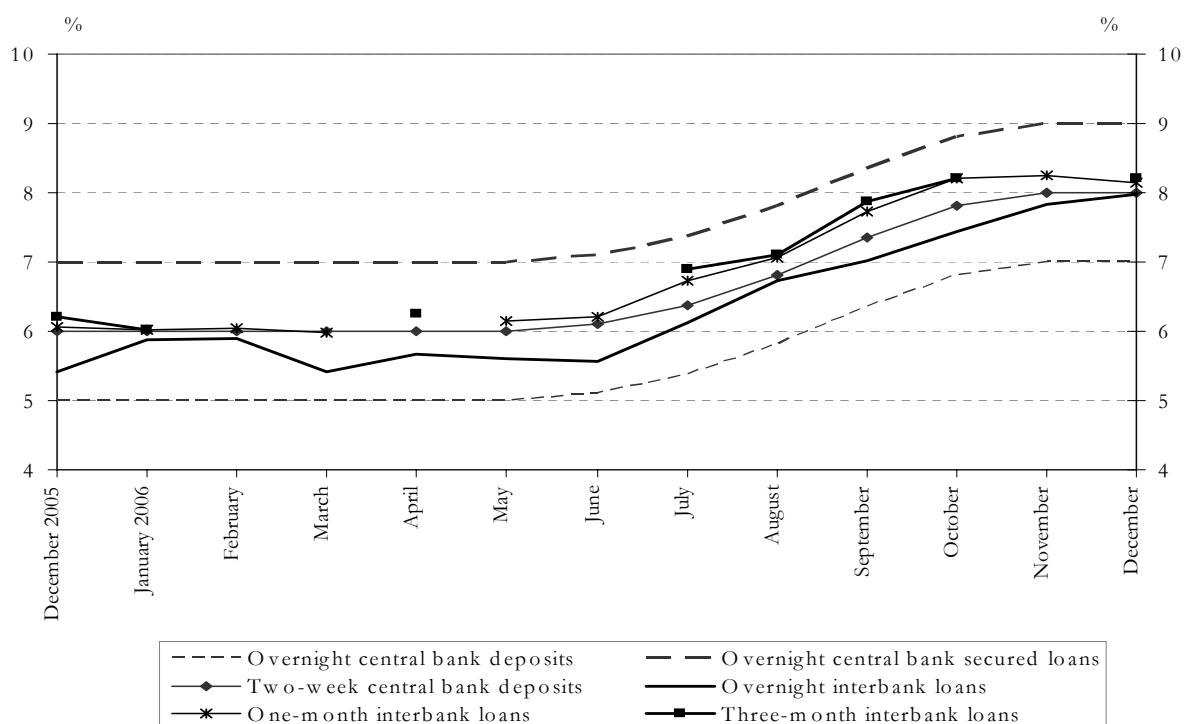


Chart 19 Average official and forint interbank rates



Turnover in the forint interbank market rose to HUF 2,714.8 billion in December. The average overnight lending rate, weighted by the total value of transactions, was 7.98%, slightly higher than in November. The average interest rate on loans provided for one month was 8.14%, and that on loans provided for three months was 8.20%.

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,⁶
- Loans for purchase of goods or other⁷

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

⁶ The Bank has been collecting data on forint, euro and Swiss franc equity loans since January 2005.

⁷ 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.