

PRESS RELEASE

Household, and non-financial corporate sector interest rates and interbank lending rates: July 2007

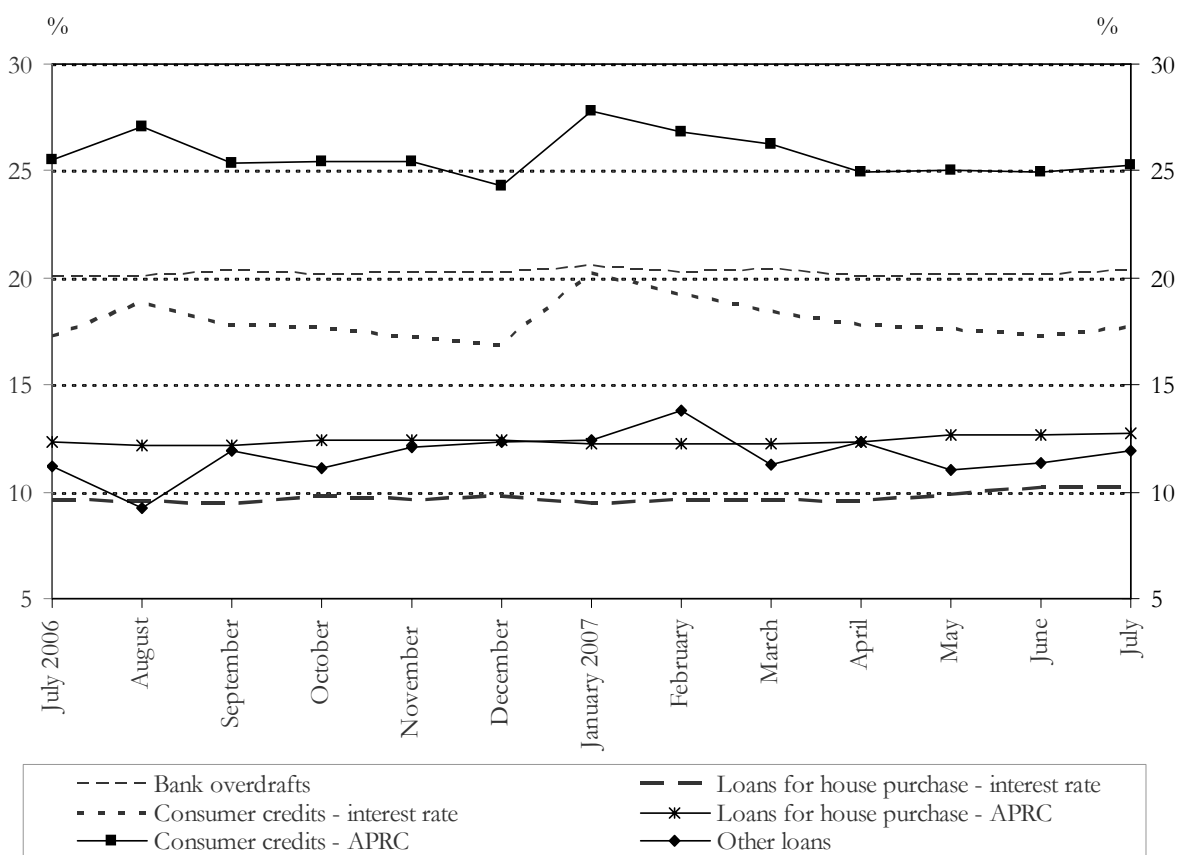
Average interest rate level of forint-denominated loans to the household sector HUF have practically not changed in July from the level observed in the previous year, while average interest rates of time deposits have fallen as a rule. Value of new contracts of Swiss franc-denominated consumer and housing loans continued to rise in July from the high values in the previous month.

The average interest rate level of non-financial corporations' forint-denominated loans and deposits with agreed maturity up to one year decreased. With exception of overdraft rates, average interest rate level of non-financial corporations' euro-denominated credits and deposits continued to rise in July.

1. Households

1.1. Forint loans and deposits

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

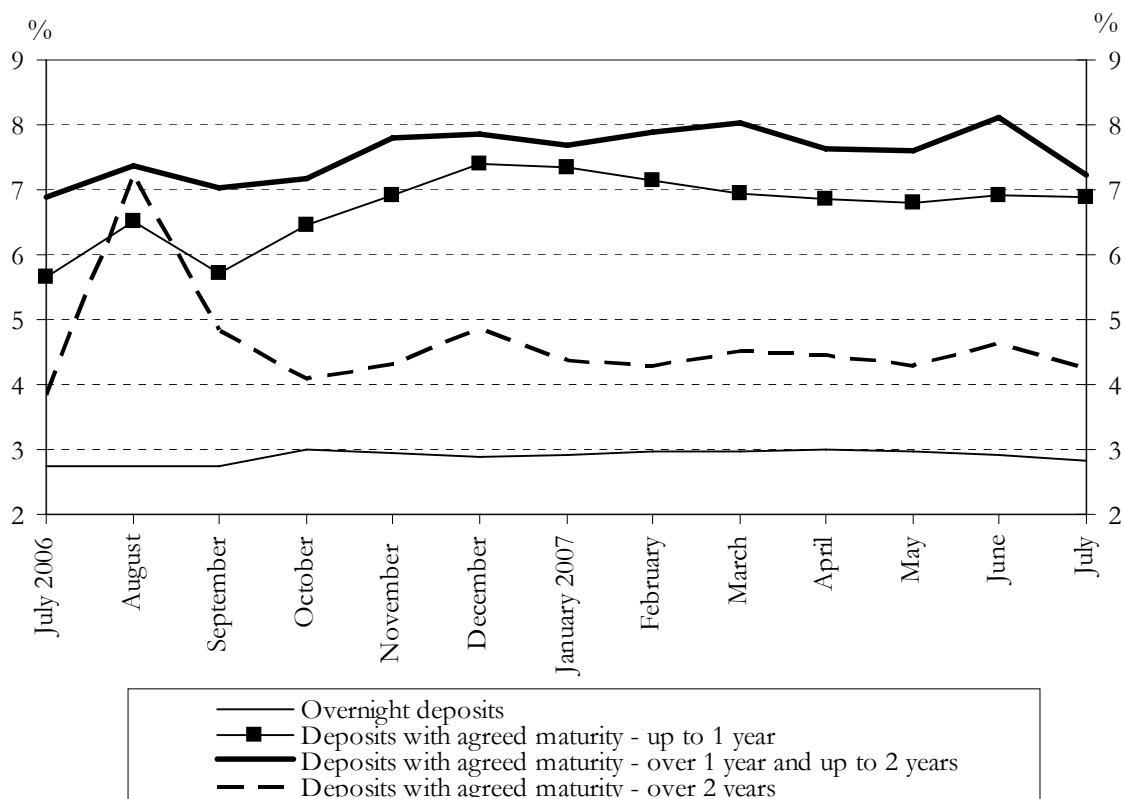


Interest rates of the **household sector** have not changed in July from the level observed in the last year. The average rate on overdrafts, which was 20.28% in July, can be considered unchanged since January 2007. The market-level¹ average interest rate on housing loans was 10.25%, while the APR amounted to 12.78% in July.

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.

The trend of average interest rates and APR on consumer credits remained unchanged in the past year; the average interest rate was 17.74%, while the APR amounted to 25.31%. The average interest rate on other loans increased to 11.91%, near the level reached three months earlier. In July 2007, the amount of new consumer and other loans decreased slightly, while that of housing credits increased somewhat. The amount of new consumer credits, housing loans and other loans amounted to HUF 19.4 billion, HUF 11.6 billion and HUF 6.8 billion, respectively.

Chart 2: Monthly average interest rates on household forint deposits

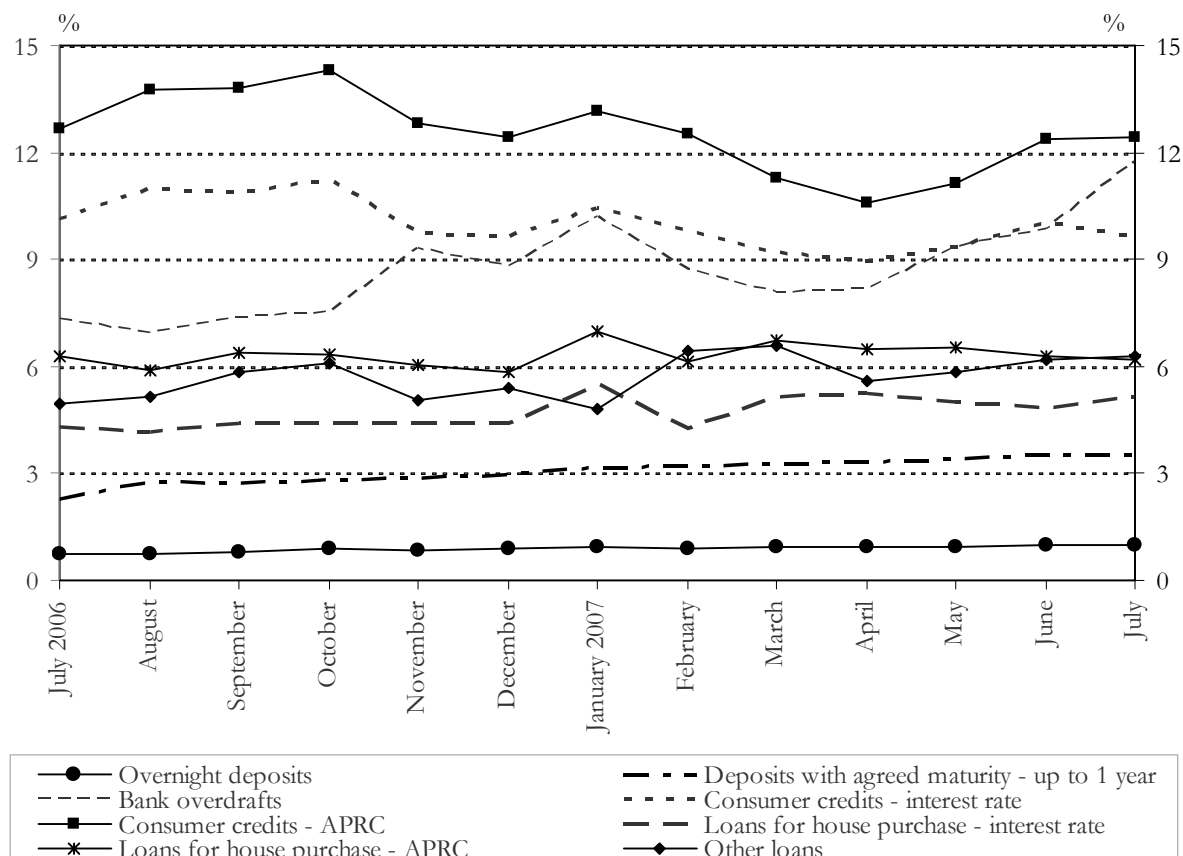


The average interest rate on the household sector's overnight deposits and overdrafts amounted to 2.84% in July.

The average interest rates of time deposits declined as a rule. The average interest rate on deposits with agreed maturity up to one year has not changed from the level of previous month and amounted to 6.88%. Following a higher level in the previous month, the average interest rate on deposits with agreed maturity over 1 year and up to 2 years declined by 88 basis points to 7.22% and so, the interest rate returned near the level observed in October 2006. The average interest rate on deposits with agreed maturity over 2 years returned to the level observed in May, and amounted to 4.25% in July. In the same month, the value of new time deposits increased by HUF 74.8 billion to HUF 594.9 billion.

1.2. Euro loans and deposits

Chart 3: Monthly average interest rates and APR on euro loans to households and monthly average interest rates on household euro deposits²



In July, the value of euro-denominated new loans³ amounted to a total HUF 2.0 billion. Due to change in composition of the credits, the average interest rate on euro-denominated overdrafts increased by 192 basis points to 11.75%. The average interest rate on consumer credits showed a slight decline, while that on housing loans a minor increase in July. The average interest rate on other loans remained practically unchanged in July.

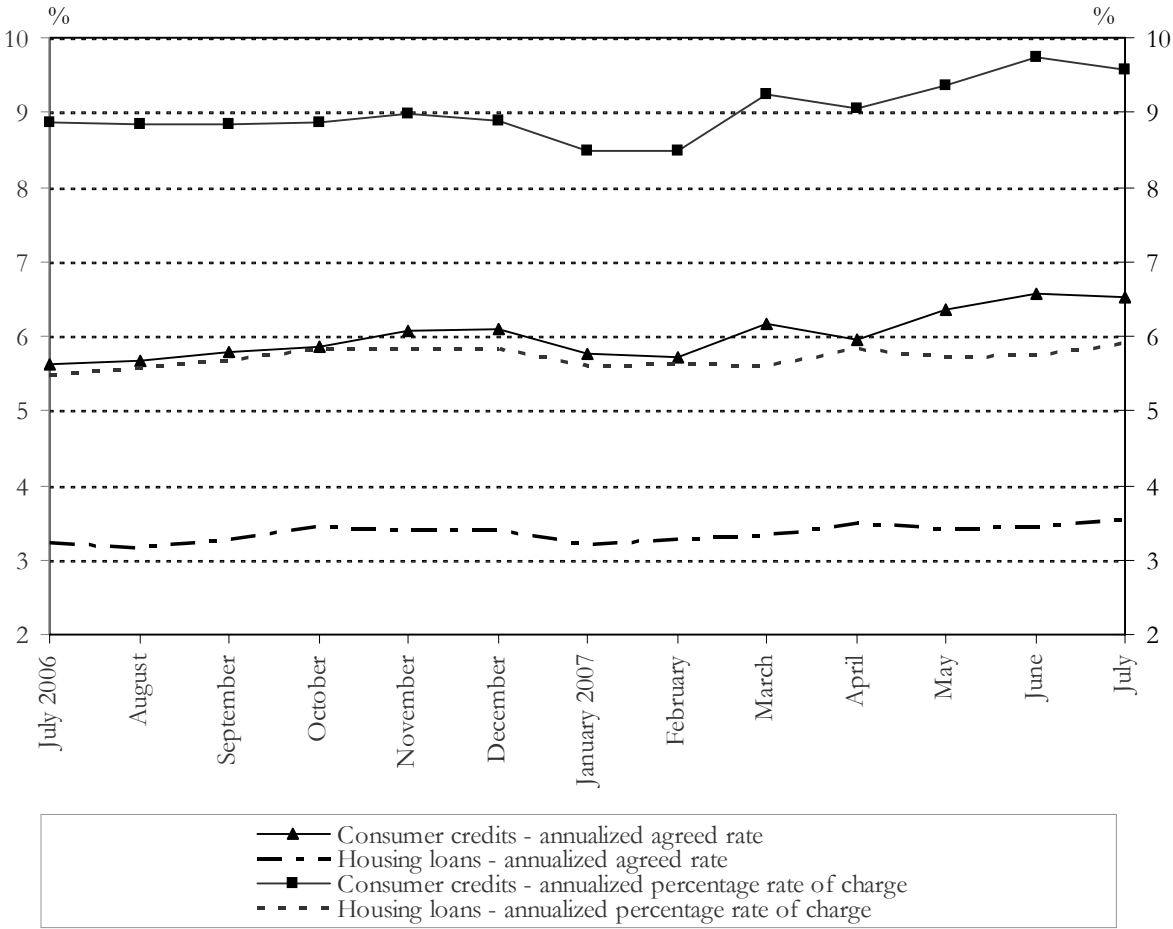
In July 2007, the average interest rates on euro-denominated deposits did not change as compared to the previous level. The average interest rate on overnight and current account deposits amounted to 0.97% while that on euro deposits with agreed maturity up to one year amounted to 3.51% in July. Following an increase of HUF 14.7 billion, the value of household's new euro deposits reached HUF 133.2 billion in July.

² This chart 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 New loans are: consumer credit, housing loans and other loans with a floating interest rate or with up to 1 year initial rate fixation.

1.3. Swiss franc-denominated consumer credit and housing loan rates

Chart 4: Average annualised agreed rates and APR on Swiss franc consumer credit and housing loans with floating interest rates or with up to 1 year initial rate fixation⁴

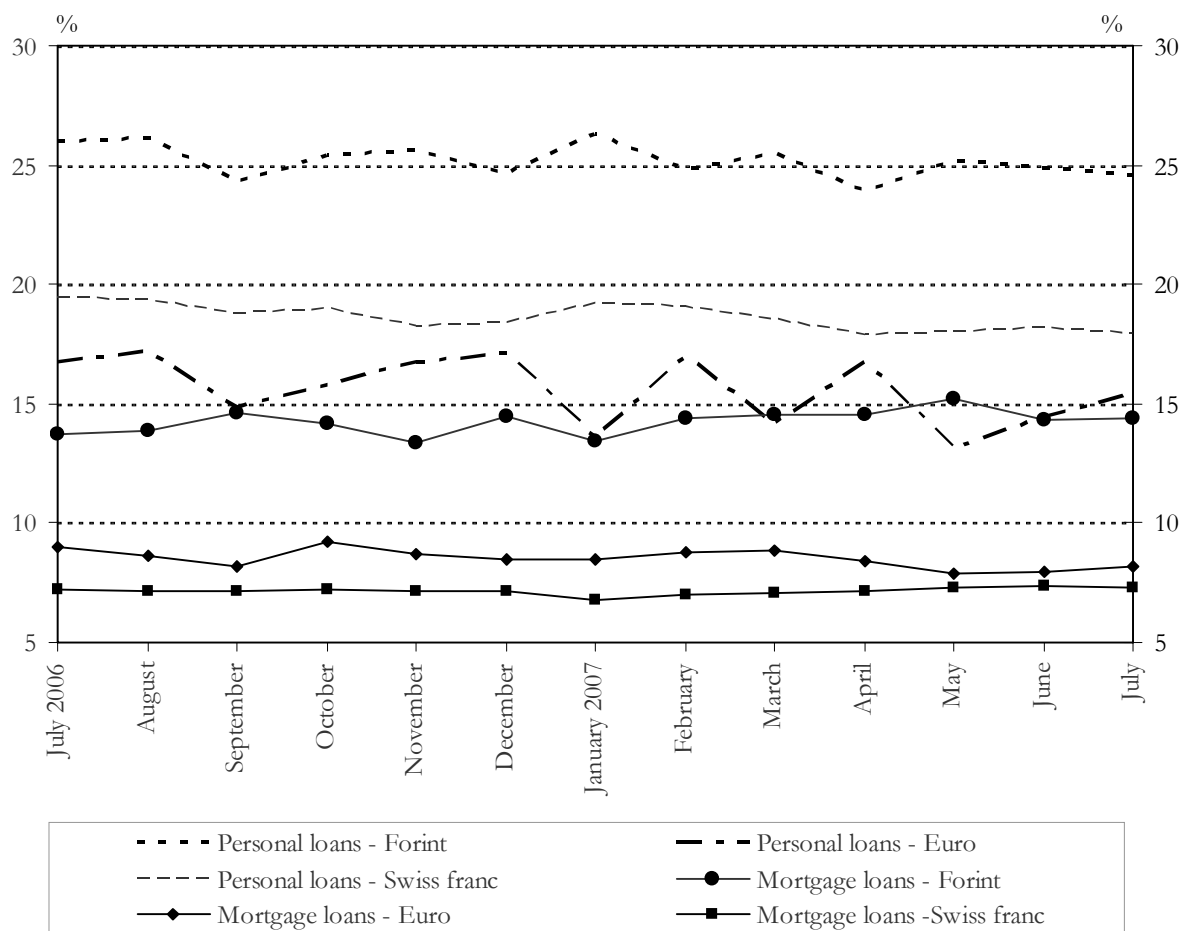


The increase of the average annualised interest rate and APR on Swiss franc-denominated consumer credit with floating interest rate or with up to 1 year initial rate fixation observed in the previous two months stopped and the average annualised interest rate amounted to 6.51%, while the APR was 9.57% in July. The level of annualised average interest rate and APR on housing loans showed a slightly rising trend in the past half of the year, and in July the annualised average interest rate and the APR amounted to 3.54% and 5.91%, respectively.

⁴ Swiss franc-denominated consumer credit includes only personal loans and mortgage loans for consumption. 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. Comparison of the household sector's forint, euro and Swiss franc loans

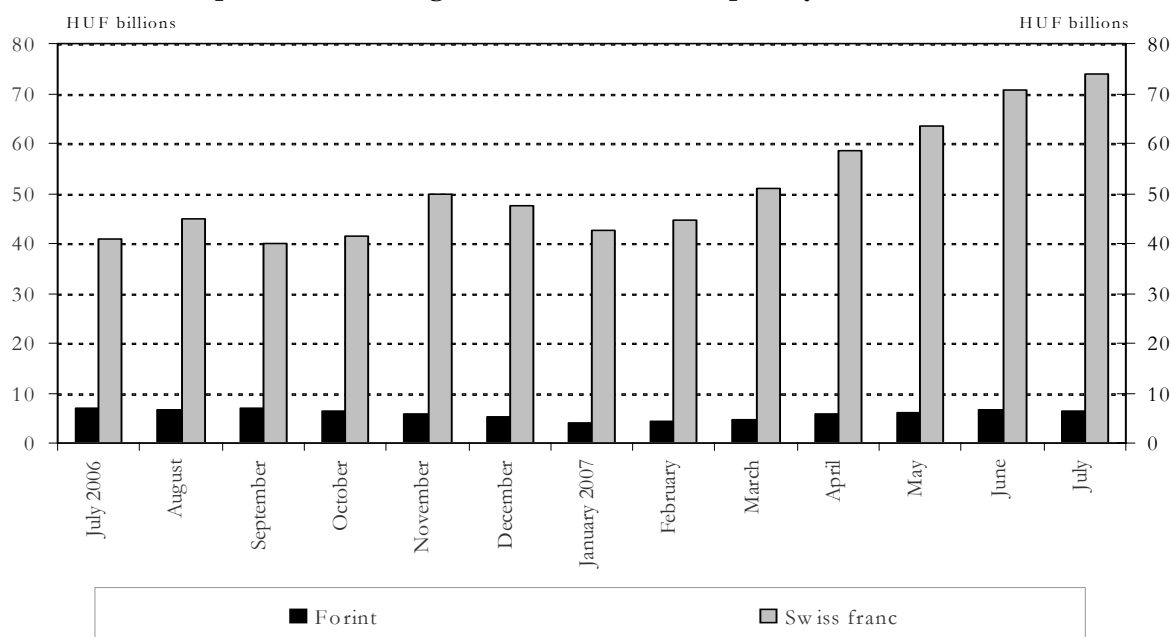
Chart 5: APR on forint, euro and Swiss franc personal loans and mortgage loans for consumption with floating interest rates or with up to 1 year initial rate fixation



The level of average APR on personal loans with floating interest rates or with up to 1 year initial rate fixation showed a slightly declining trend in the past one year. In July, the average APR on personal loans with floating interest rates or with up to 1 year initial rate fixation amounted to 24.63%, 15.4% and 17.96% in case of forint denomination, euro denomination and Swiss franc denomination, respectively.

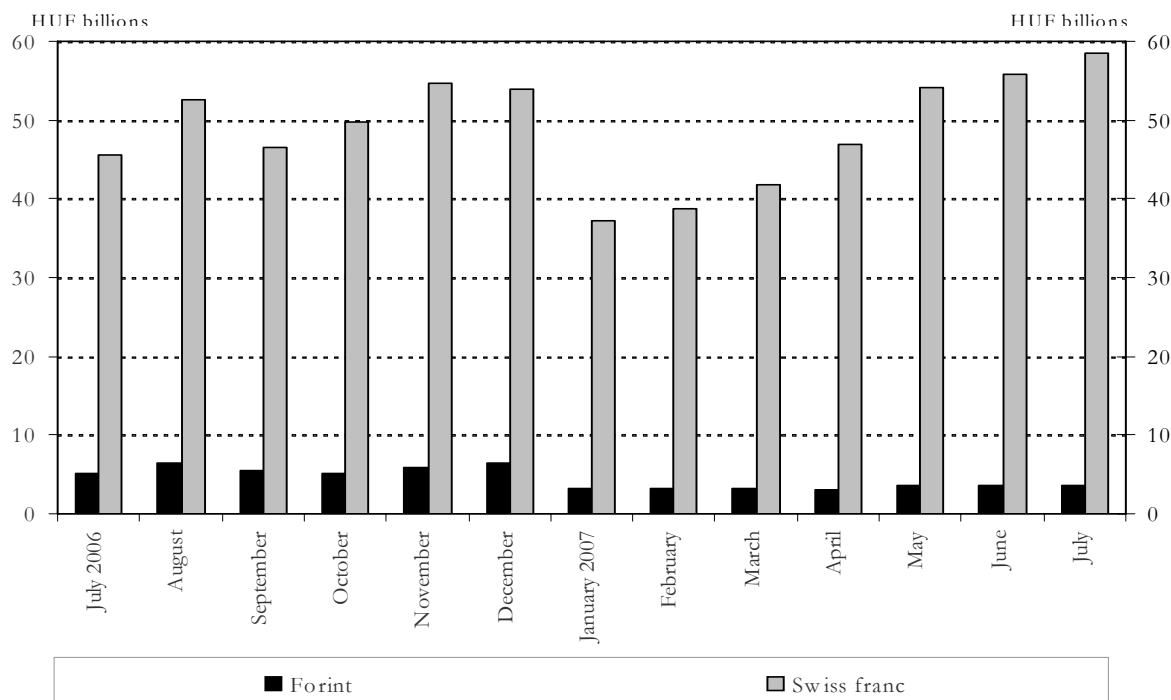
The level of average APR on forint-denominated mortgage loans for consumption with floating interest rates or with up to 1 year initial rate fixation hardly changed in the past one year, and its value amounted to 14.4 in July. In case of euro-denomination, the average APR was 8.18% in July. In case of Swiss franc-denomination, the level of average APR can be considered unchanged in the past one year, and its value amounted to 7.26% in July.

Chart 6: Amount of new forint and Swiss franc personal loans and mortgage loans for consumption with floating interest rates or with up to 1 year initial rate fixation



In case of the Swiss franc denomination, which is dominating within new loans, the amount of new consumer credits⁵ has been continuously increasing since February 2007; however, the growth rate was the lowest in July since March. In July, the value of new loans increased further by HUF 3.2 billion to HUF 74.0 billion.

Chart 7: Amount of new forint and Swiss franc housing loans with floating interest rates or with up to 1 year initial rate fixation



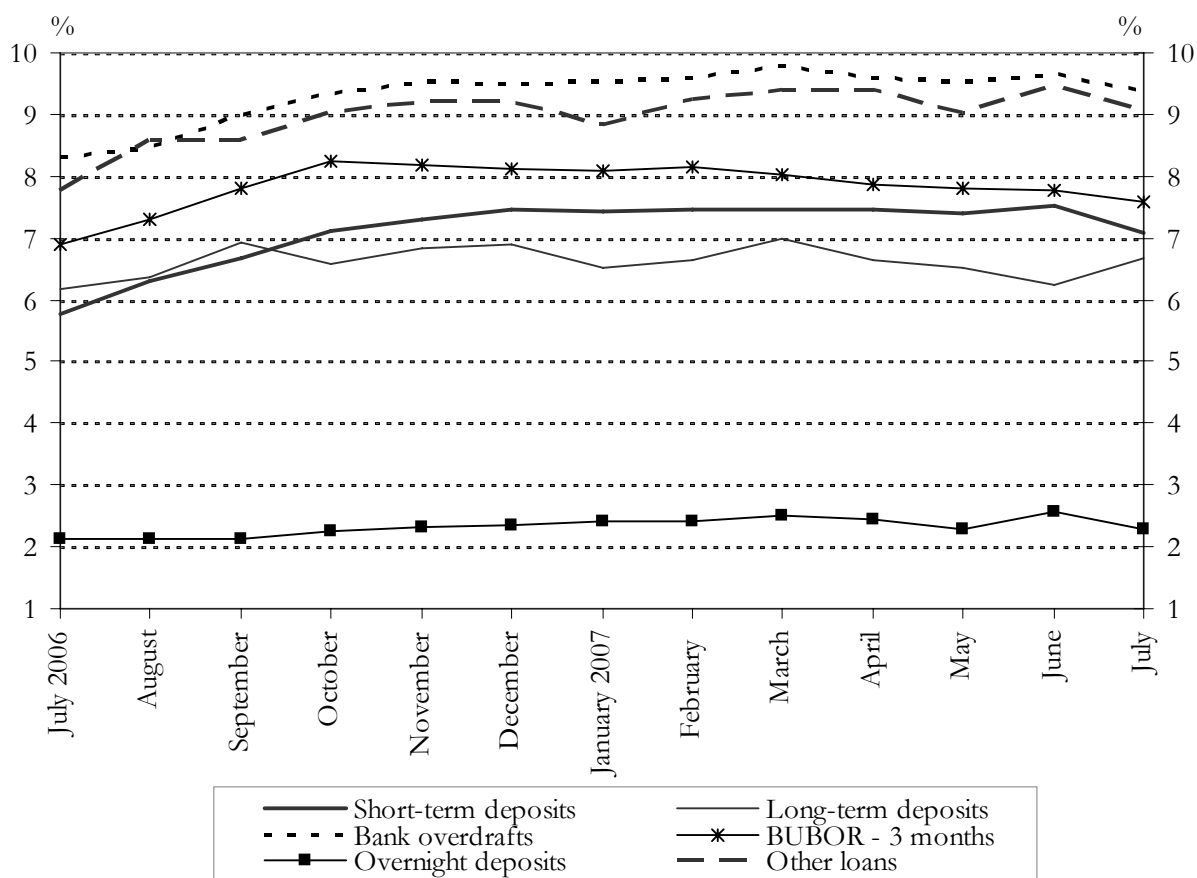
In case of the Swiss franc denomination, which is dominating within new loans, the amount of new housing loans continued to rise from the high value in the previous month, and amounted to HUF 58.5 billion in July.

⁵ Swiss franc-denominated consumer credit includes only personal loans and mortgage loans for consumption.

2. Non-financial corporations

2.1. Forint loans and deposits

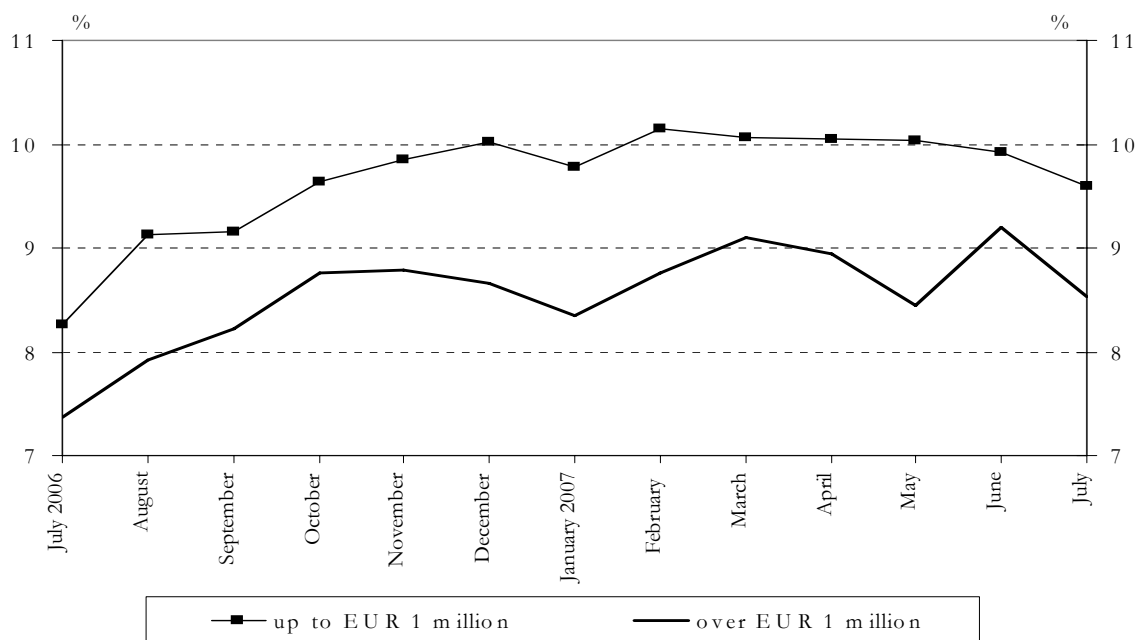
Chart 8: Monthly average forint borrowing and deposit rates of non-financial corporations and the BUBOR



The average interest rate level of non-financial corporations' loans and deposits with agreed maturity up to one year decreased. In July, the average interest rate on overdrafts provided to non-financial corporations and that on loans other than overdrafts amounted to 9.39% and 9.07%, respectively. The amount of new loans with floating interest rates or with up to 1 year initial rate fixation, excluding overdrafts, increased by HUF 14.9 billion to HUF 201.5 billion.

The level of average interest rates of overnight and current account deposits remained unchanged, but the value of the interest rate showed higher fluctuation in the past months than in the previous periods. The value of the interest rate was 2.28% in July. The average interest rate on deposits with agreed maturity up to one year declined near the level of 7% observed in October 2006 and amounted to 7.09%. In July, the average interest rate of deposits with agreed maturity over one year was 6.66%. In the same month, the value of new time deposits increased by HUF 79.2 billion to HUF 1313.2 billion.

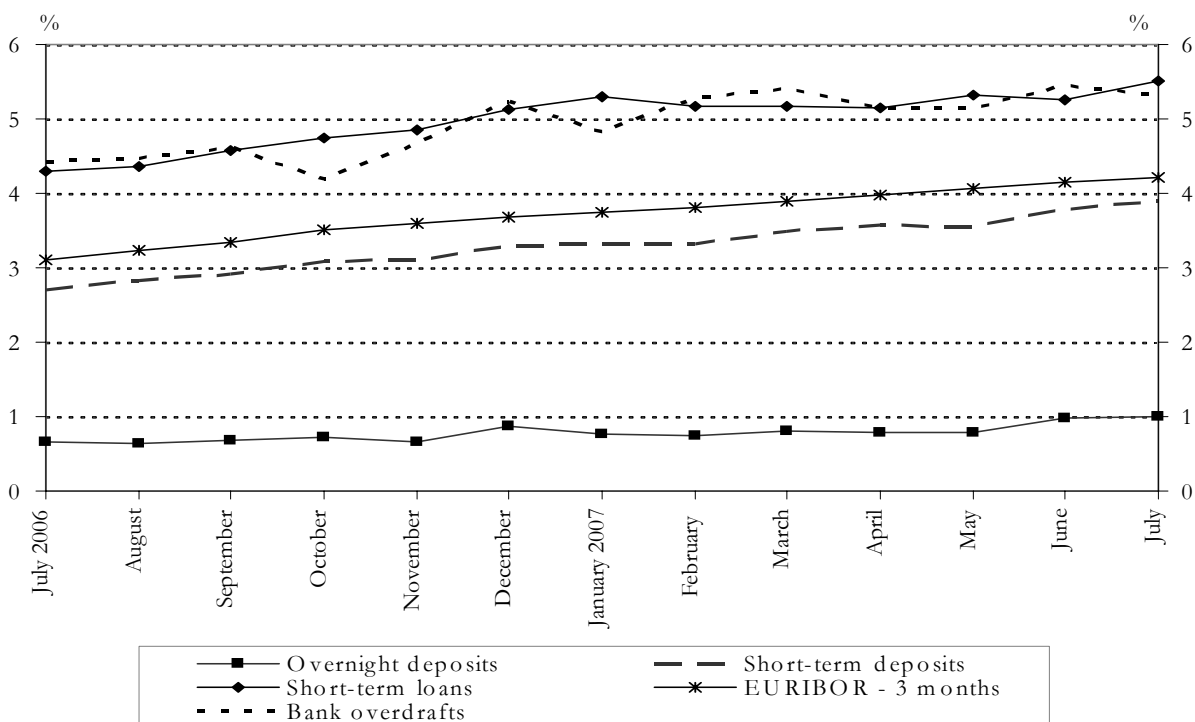
Chart 9: Average forint borrowing rates of non-financial corporations (by loan amount)



The average interest rate on forint loans provided to non-financial corporations up to the equivalent of EUR 1 million,⁶ excluding bank overdrafts declined in July and returned to the level observed in October 2006. The interest rate amounted to 9.59%. The average interest rate on forint loans over the equivalent of EUR 1 million slightly increased in the past one year and it amounted to 8.53% in July.

2.2. Euro loans and deposits

Chart 10: Monthly average euro borrowing and deposit rates of non-financial corporations and the EURIBOR

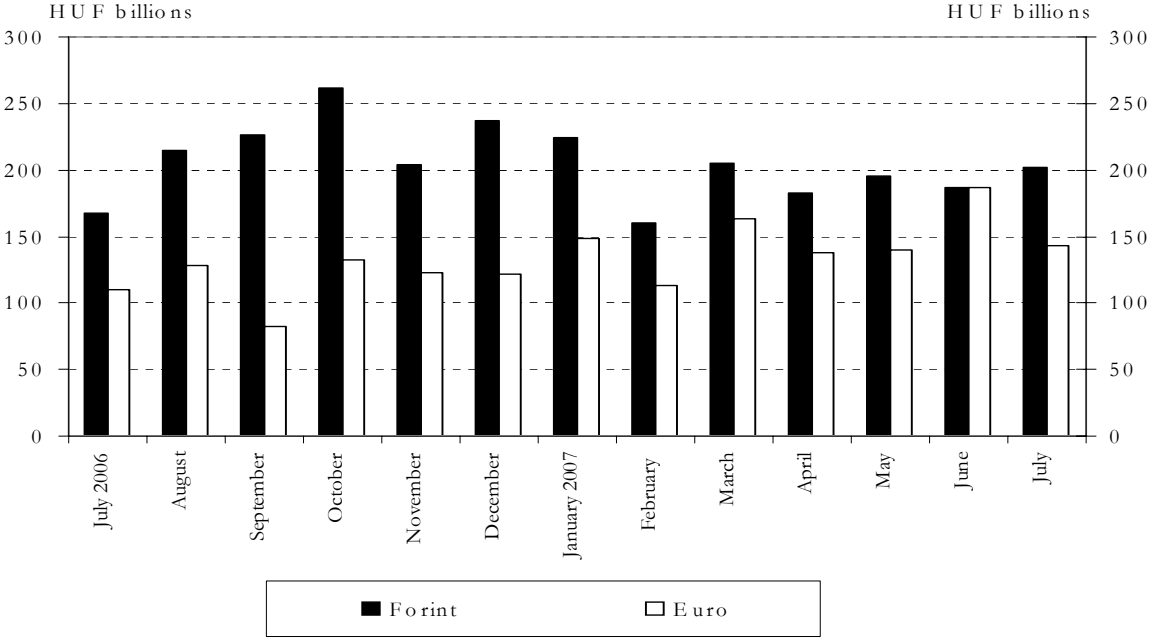


⁶ Forint-denominated loans are converted into euros at the MNB's middle exchange rate for the last day of the month. The interest rates only refer to forint loans. Consequently, loans denominated and recorded in forints are converted into euros retrospectively. Conversion is important to make Hungarian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

With exception of overdraft rates, average interest rate level of non-financial corporations' euro-denominated credits and deposits continued to rise in July. The euro-denominated average interest rate on overdrafts amounted to 5.31%, while that of credits with up to 1 year initial rate fixation other than overdrafts was 5.5%. The average interest rate on overnight and current account deposits amounted to 0.99% while that on deposits with agreed maturity up to one year amounted to 3.90%.

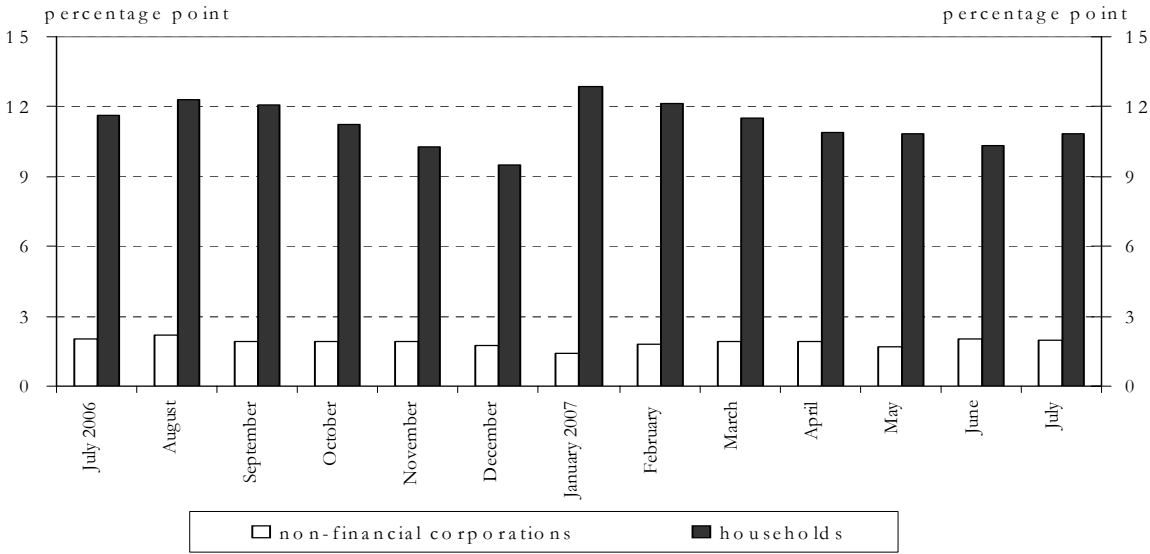
The amount of new loans with floating interest rates or with up to 1 year initial rate fixation, excluding overdrafts, increased by HUF 43.9 billion to HUF 142.9 billion. At the same time, the amount of new deposits with agreed maturity up to one year was HUF 1,518.7 billion.

Chart 11: Amount of new forint and euro loans to non-financial corporations with floating interest rates or with up to 1 year initial rate fixation



3. Differentials between loan and deposit rates

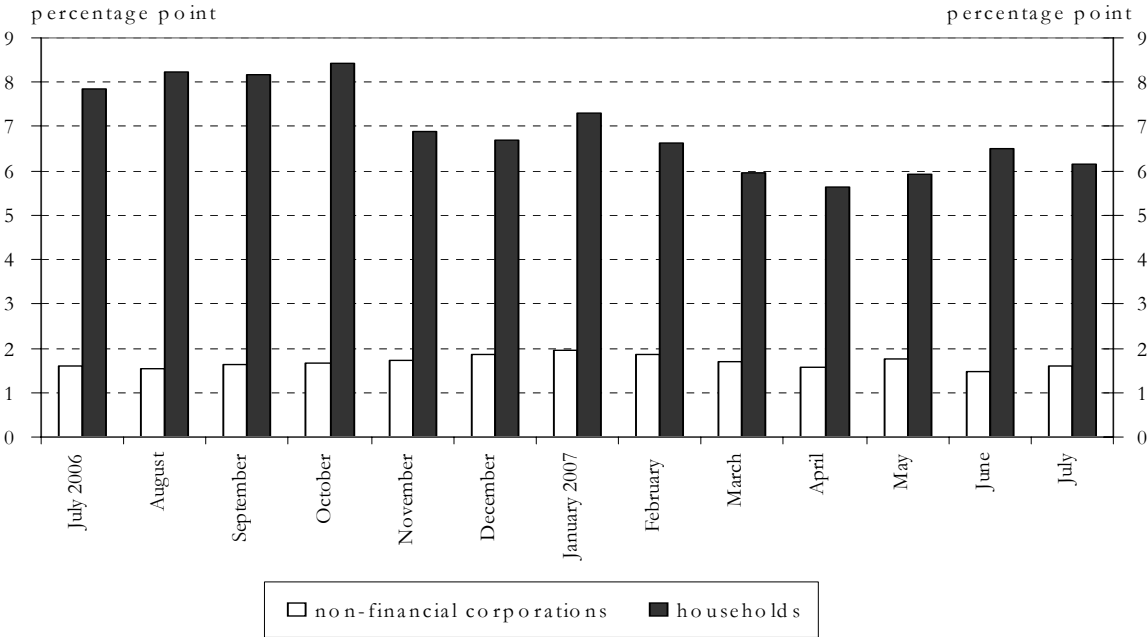
Chart 12: Differential between non-financial corporate and household sector forint borrowing and deposit rates



In the household market, the differential between average interest rates on consumer credit and on deposits with agreed maturity up to one year amounted to 10.81 percentage points in July stopping the declining trend having been observed since February. At short maturities up to one

year, which account for a significant share within NFC sector loans and deposits, the gap between average interest rates was 1.97 percentage points.

Chart 13: Differential between non-financial corporate and household sector euro borrowing and deposit rates



In the household sector, the difference between average interest rates on euro-denominated consumer credits with floating interest rates or with up to 1 year initial rate fixation and on euro deposits with agreed maturity up to one year amounted to 6.15 percentage points in July. The difference between average interest rates on non-financial corporations’ euro denominated loans with floating interest rates or with up to 1 year initial rate fixation and on euro deposits with agreed maturity up to one year was 1.60 percentage points in July. In the household market, the amount of new euro-denominated loans is negligible compared to the forint and Swiss franc denominations.

4. Interbank unsecured forint loans

Chart 14: Average central bank and forint interbank rates in July 2007

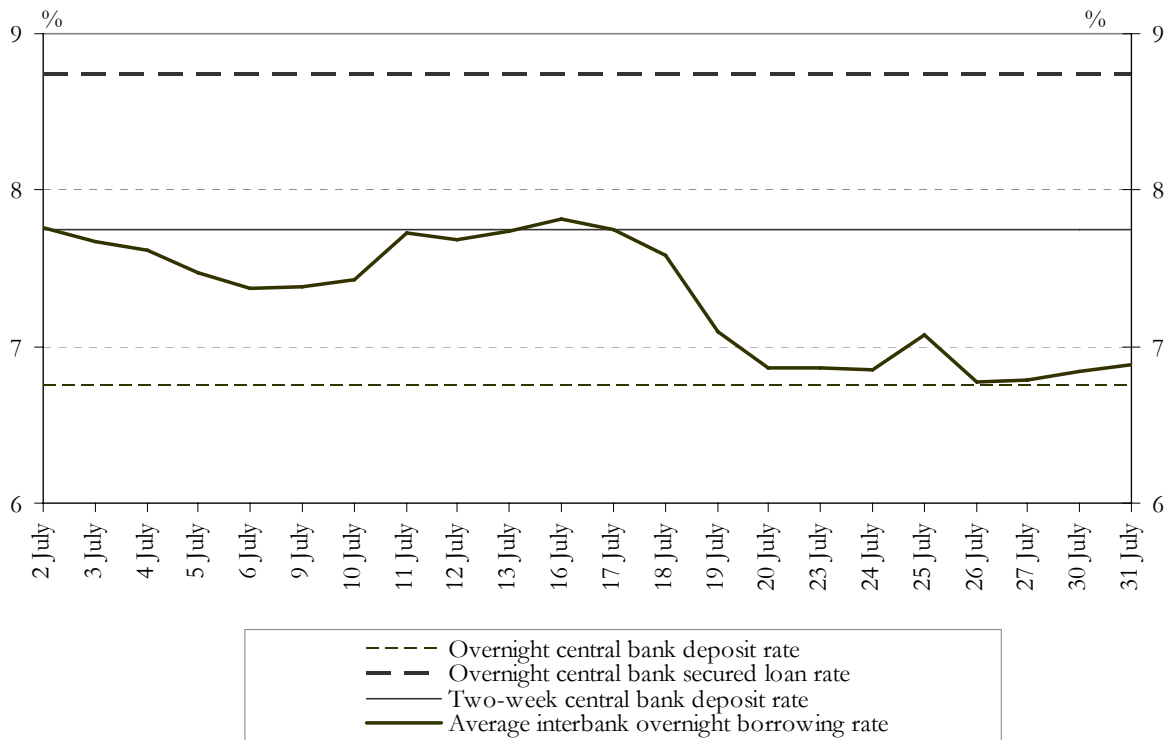
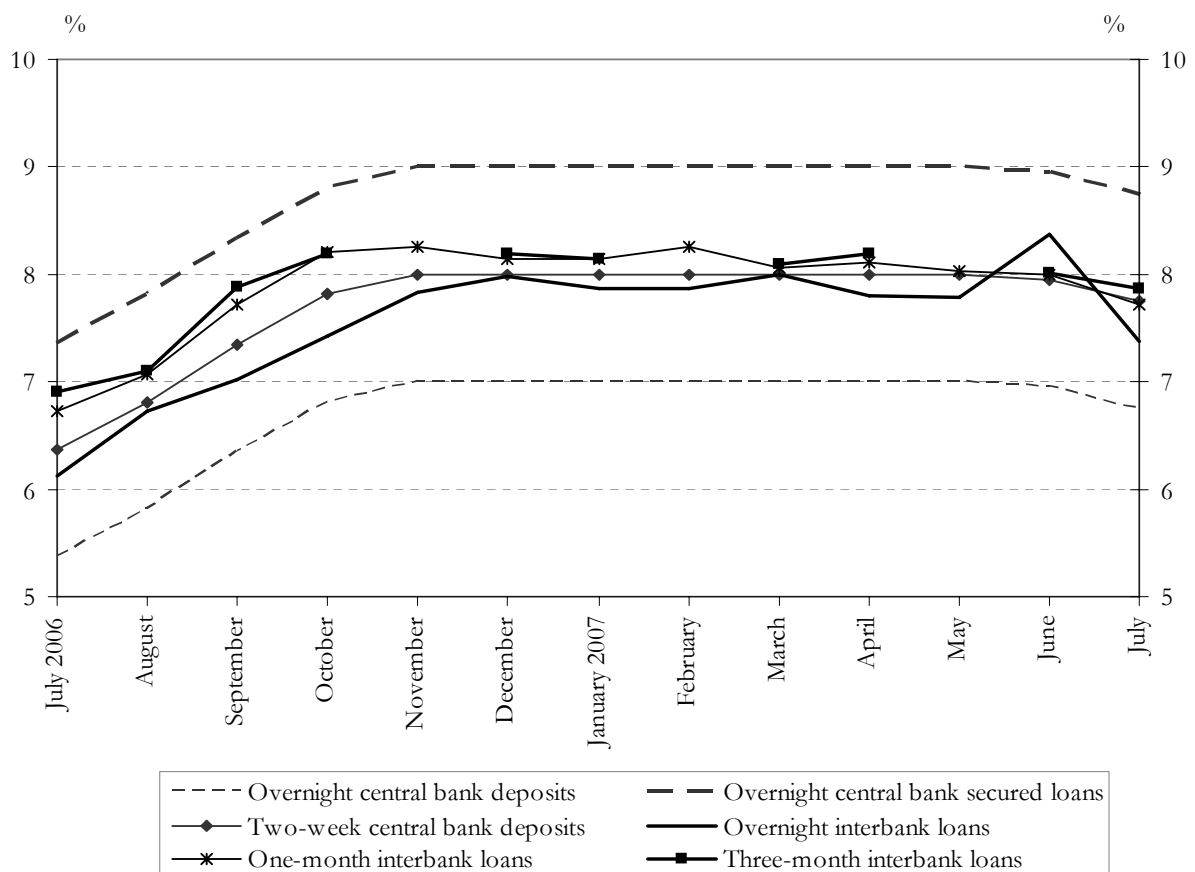


Chart 15: Average central bank and forint interbank rates



In July 2007, the turnover in the forint interbank market decreased by HUF 590.5 billion to HUF 2,525.7 billion. In July, the average overnight lending rate, weighted by the turnover, declined by 99 basis points to 7.38%, that on interbank loans provided for one month by 27 basis points to 7.72% and that on interbank loans provided for three months decreased by 15 basis points to 7.87%.

Interbank rates for the days of the month are published daily by the MNB on the REUTERS pages. The daily average interest rates on overnight interbank forint loans are available on the MNB's website as well:

http://www.mnb.hu/Resource.aspx?ResourceID=mnbfile&resourcename=on_bankkoz_i_adatok

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 also available on the Bank's website at:

http://www.mnb.hu/engine.aspx?page=mnbhu_statistikai_idosorok

IX. FX, money and capital markets

Budapest, 31 August 2007

MAGYAR NEMZETI BANK
STATISTICS

Notes to the press release charts

From 2006, the Bank has been using a sample 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. In the interest rate statistics, the "households" also include non-profit institutions serving households (S.15) in addition to the household sector (S.14). 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 above 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 on-line time series related to the press release, consumer credits are further broken down by purpose to the following categories:

- Personal loans,
- Loan for purchase of motor vehicle
- Mortgage loans for consumption,⁷
- *Loans for purchase of goods or for other purposes.*⁸

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.

The conclusions regarding interest rate trends are based on trend data from the Demetra Tramo/Seats seasonal adjustment programme.

Chart 1 and 3

Average interest rates on consumer credit, housing loans and other loans refer to new contracts. By contracts, 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 the interest rates on badly 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.

d) The weighted average interest rate on housing loans include data on housing loans whether they are provided under market conditions or subsidised. The interest rate on state-subsidised loans also includes the extent of state subsidy. 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.

Charts 3, 4, 5 and 10

Since January 2003, contractual data on loans have been 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 1 year in the original contracts, are classified into the category 'Floating rate or up to 1 year initial rate fixation'.

Chart 2 and 3

Average interest rates on time deposits 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. Time deposits are classified into the various categories on the basis of original maturity.

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

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

Chart 4:

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 contract, interest is paid more than once a year, so the annualised interest rate slightly exceeds the agreed interest rate. If interest were 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 calculated on the basis of an annualised interest rate of a 10% p.a., the interest rate is 10.5%, and 10.3% assuming semi-annual interest payments.

Chart 8 and 10

Average interest rates on time deposits 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 the interest rates on badly performing loans.

Chart 9

The euro equivalent of forint loans is calculated using the MNB's mean 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.