

PRESS RELEASE

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

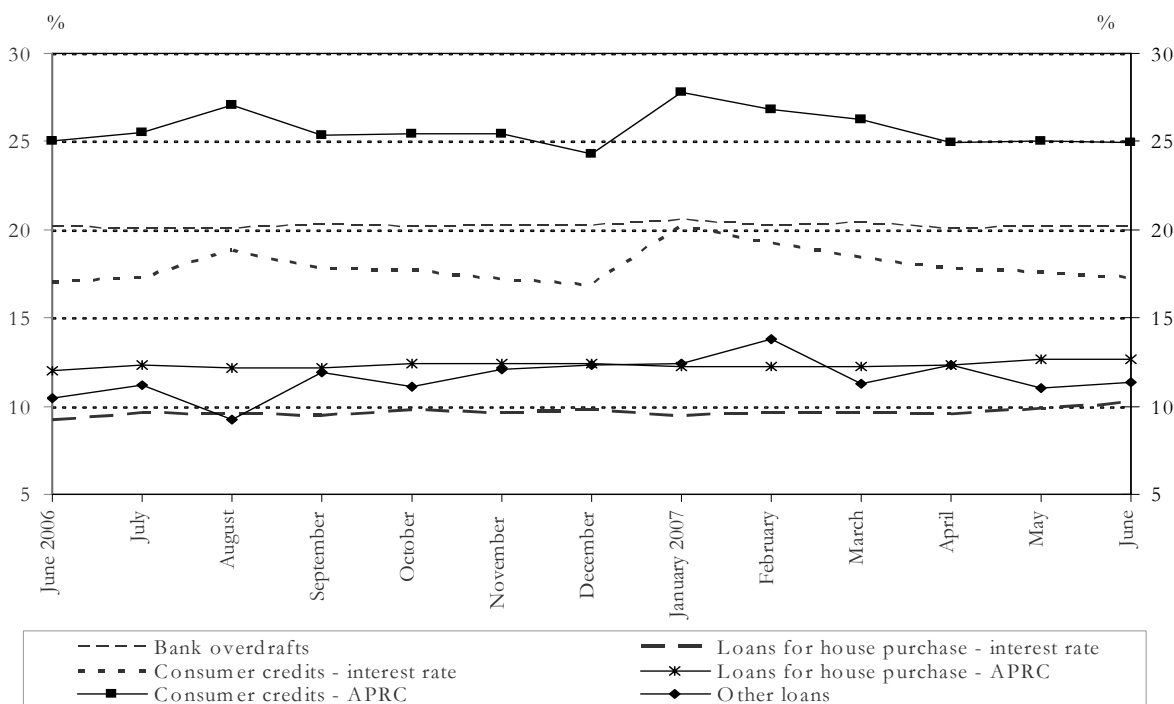
In June, the average interest rates on forint-denominated loans to the household sector did not move from the level experienced in the last one year, while the average interest rates on deposits with agreed maturity increased slightly. The amount of new Swiss franc-denominated consumer credit and housing loans reached its all-time high.

The average interest rate level of non-financial corporations' loans and deposits rose moderately in the last one year, with the exception of deposits with agreed maturity over one year, where the average interest rate level remained unchanged. In June, the average interest rates on euro-denominated loans and deposits increased slightly, continuing the growing trend observed before.

1. Households

1.1. Forint loans and deposits

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



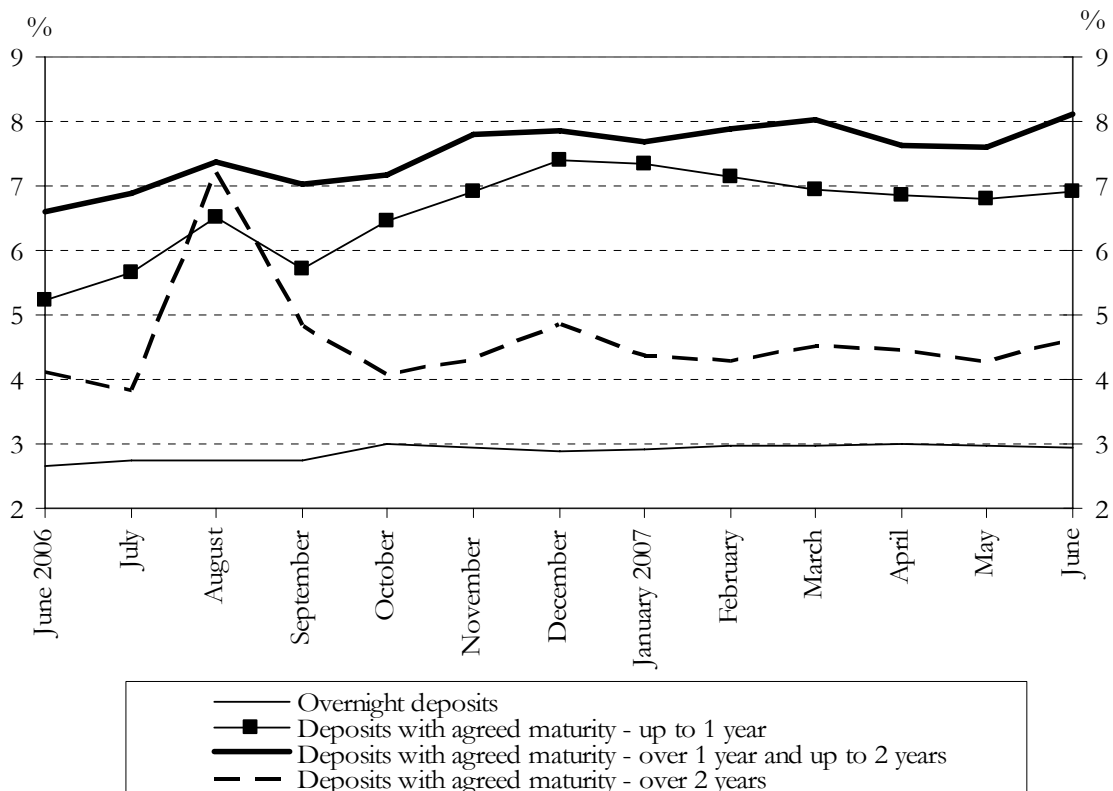
Compared to the level observed in the last one year, interest rates on loans to the household sector did not change in June. The average interest rate on overdrafts, which was 20.15% in June, can be considered unchanged since January 2007. In June, the market-level¹ average interest rate on housing loans was 10.17%, while the average APR amounted to 12.66%.

The average interest rate and APR on consumer credit continued the decline observed since February 2007, although the level did not change. The average interest rate was 17.26%, while the average APR amounted to 24.99%. In June, the average interest rate on other loans was 11.33%.

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.

In June 2007, the amount of new consumer, housing and other loans hardly changed compared to that in May. The amount of new consumer loans, housing loans and other loans was HUF 19.8 billion, HUF 9.6 billion and HUF 9.9 billion, respectively.

Chart 2: Monthly average interest rates on household forint deposits

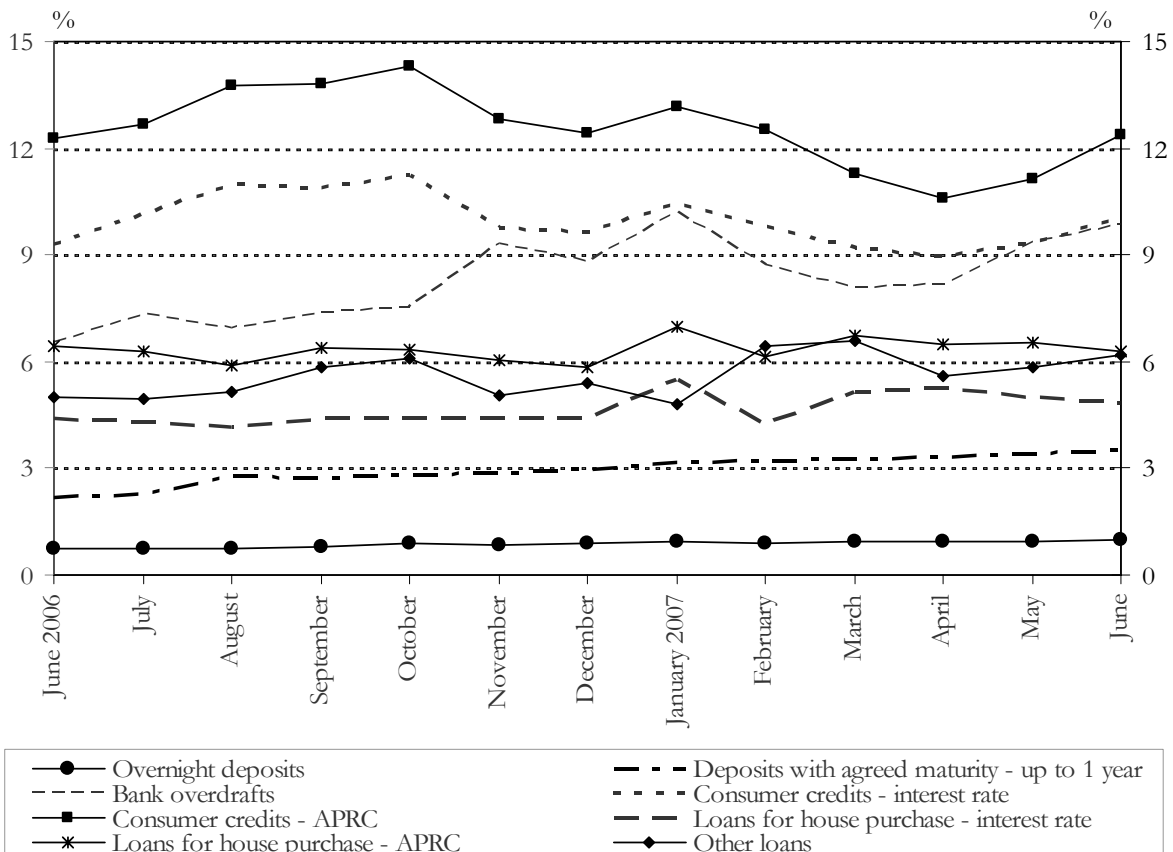


The average interest rate on the household sector's overnight deposits amounted to 2.93% in June. Average interest rates on deposits with agreed maturity increased slightly. The average interest rate on deposits with agreed maturity up to 1 year was 6.91%, that on deposits with agreed maturity over 1 year and up to 2 years was 8.10%, while that on deposits with agreed maturity over 2 years amounted to 4.63% in June. In the same month, compared to May, the amount of new time deposits, which was HUF 520.1 billion, did not change significantly.

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 deposits ²

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.



In June, the value of euro-denominated new loans³ amounted to a total HUF 1.7 billion. Average interest rates on euro-denominated overdrafts, consumer credit and other loans increased slightly.

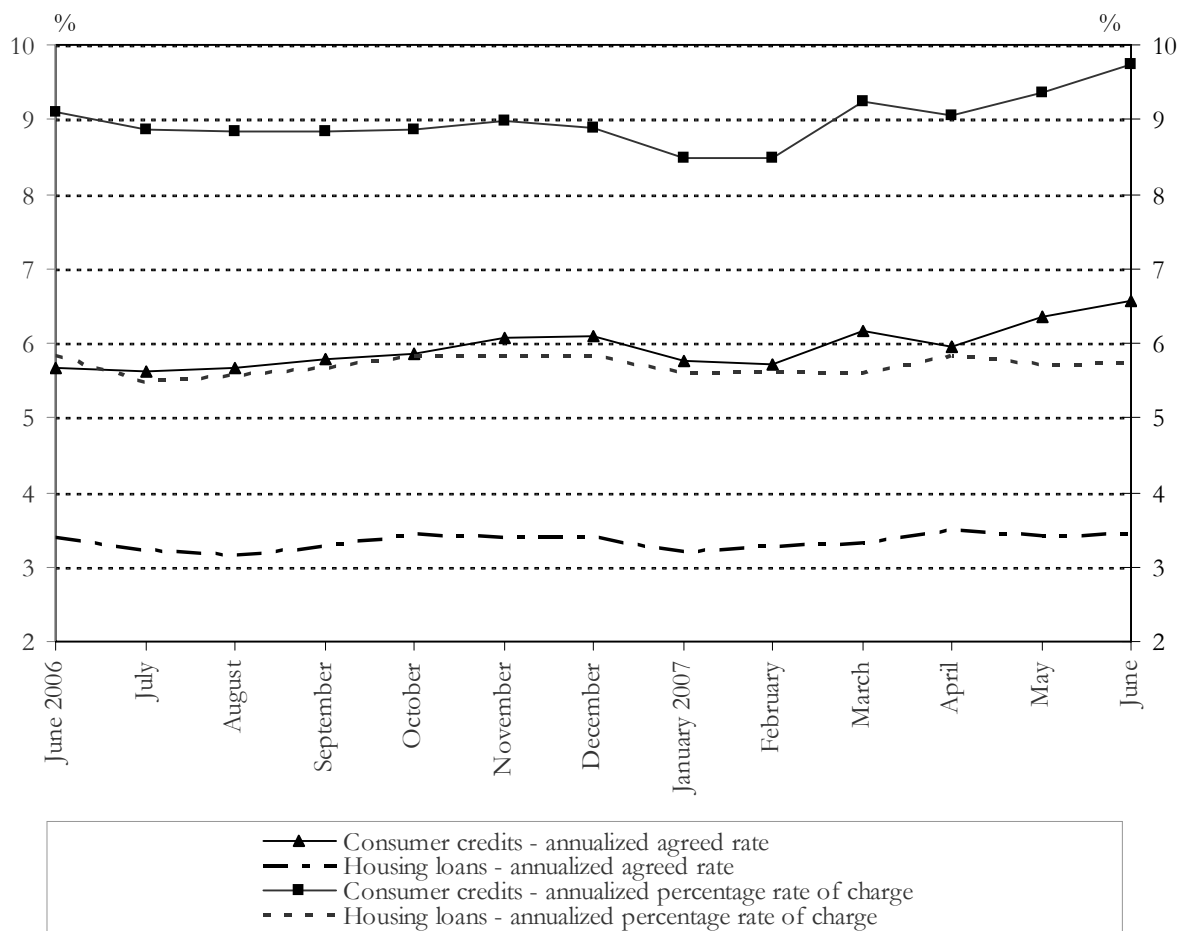
The average interest rate on euro overnight deposits showed a growing trend in recent years, and the interest rate amounted to 0.97% in May. The level of average interest rates on euro deposits with agreed maturity up to one year also increased during the last one year, and the average interest rate was 3.54% in June. The amount of households' new euro deposits, which was HUF 118.4 billion in June, declined close to the January 2007 level.

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

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.

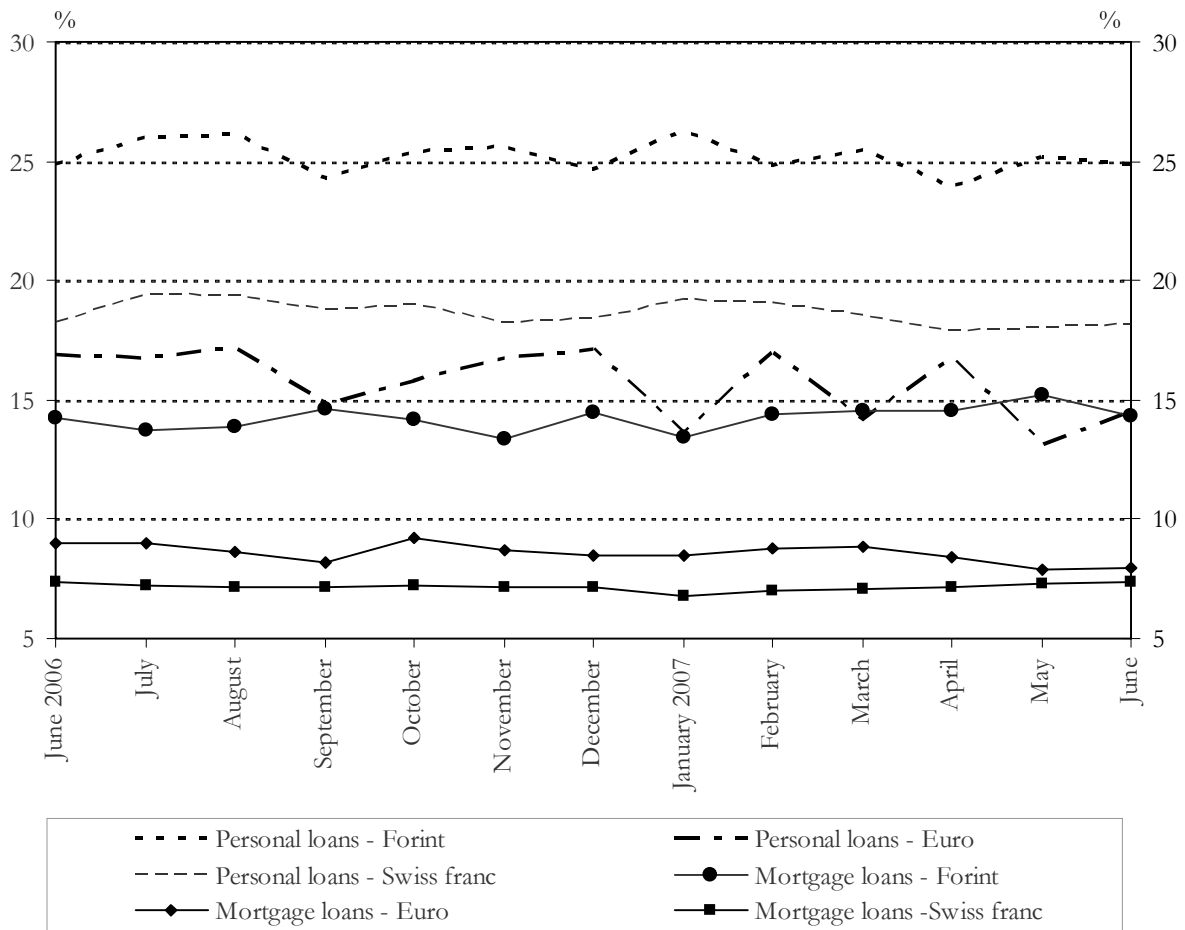
⁴ Swiss franc-denominated consumer credit includes only personal loans and mortgage loans for consumption. Data on auto loans are not included, given that figures from few data providers are available. The Bank does not collect statistics on other loans denominated in Swiss francs (e.g. hire purchases).



Compared to the level observed since January 2007, the average interest rate on Swiss franc-denominated consumer credit with floating interest rate or with up to one year initial rate fixation increased in the last two months. The average interest rate was 6.56%, while the average APR amounted to 9.74% in June. The average interest rate and APR on housing loans was practically unchanged in the last one year. In June, the interest rate and the APR amounted to 3.44% and 5.74%, respectively.

1.4. Comparison of the household sector's forint, euro and Swiss franc loans

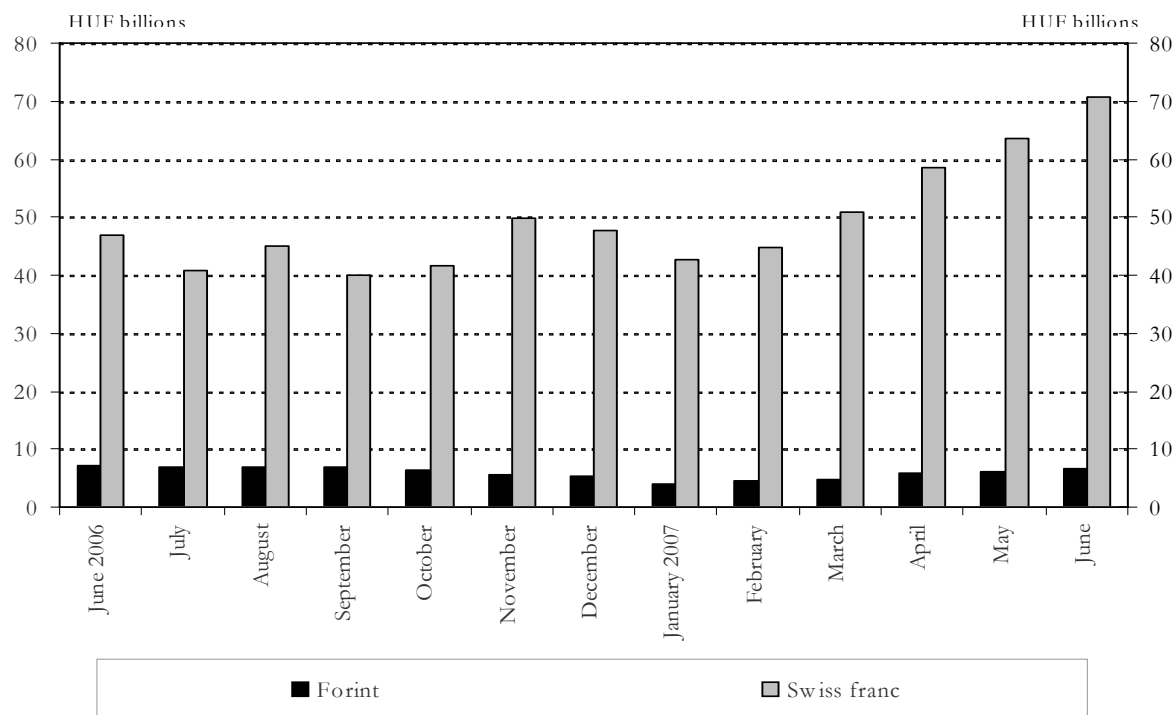
Chart 5: APR on forint, euro and Swiss franc personal loans and mortgage loans for consumption with floating interest rates or with up to 1 year initial rate fixation



The level of interest rates on personal loans with floating rates or with up to one year initial rate fixation can be considered almost unchanged in the last one year. In June, the average APR on forint-denominated personal loans with floating interest rates or with up to one year initial rate fixation was 24.90%, while that on euro-denominated and Swiss franc-denominated personal loans amounted to 14.47% and 18.18%, respectively.

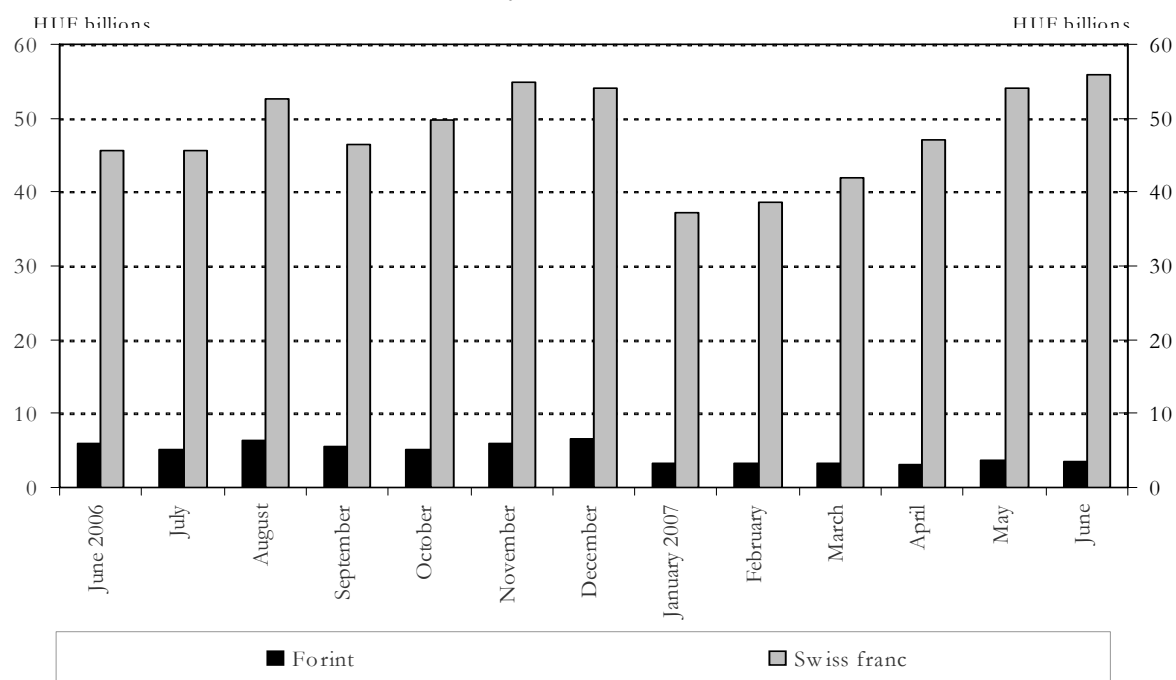
With regard to mortgage loans for consumption with floating interest rates or with up to one year initial rate fixation, the difference between the average APRs on euro- and Swiss franc-denominated loans declined to less than 1 percentage point in May and June. In June, the average APR on forint-denominated mortgage loans for consumption with floating interest rates or with up to one year initial rate fixation was 14.35%, while that on euro-denominated and Swiss franc-denominated mortgage loans for consumption amounted to 7.94% and 7.35%, respectively.

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 credit has steadily been increasing since February 2007. In June, it reached the highest level observed since January 2005. The amount of new loans increased by an additional HUF 7.2 billion to HUF 70.8 billion in June.

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

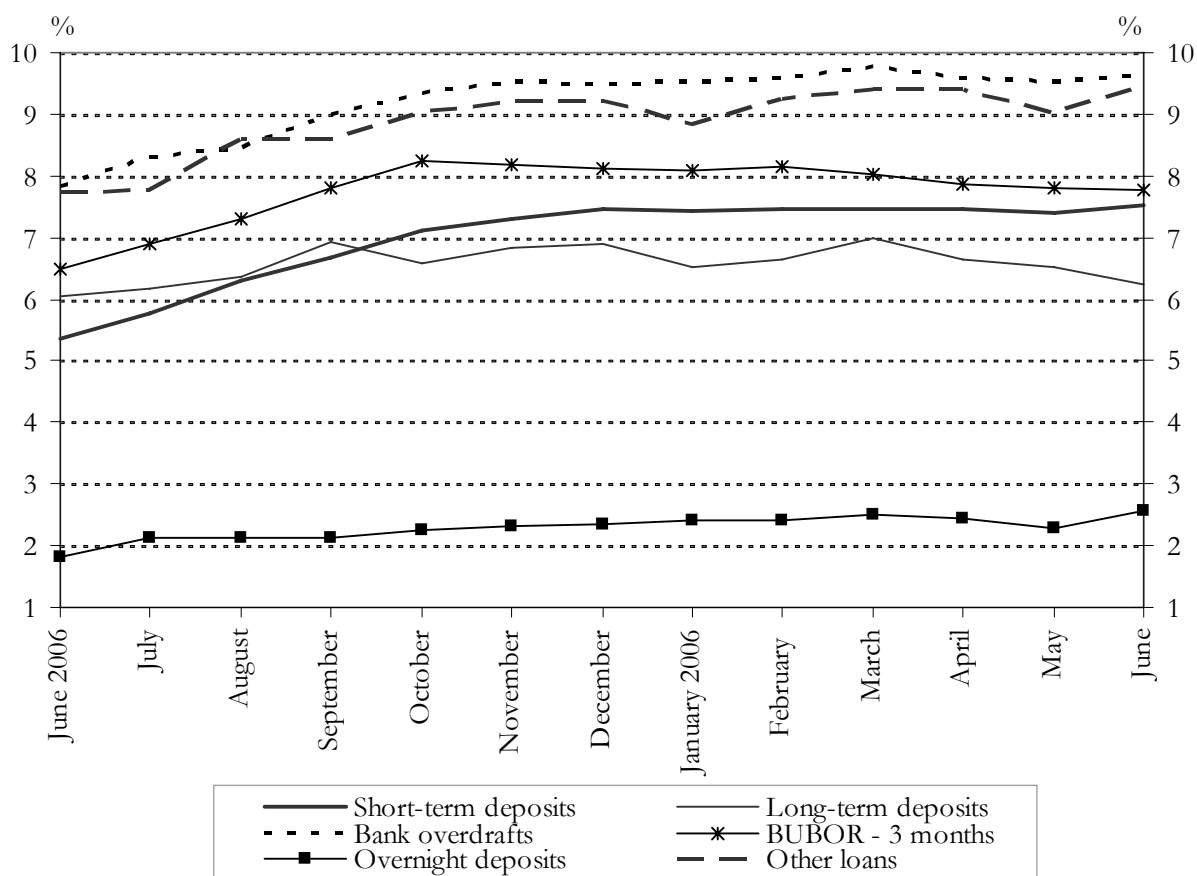


In case of the Swiss franc denomination, which is dominating within new loans, the amount of new housing loans reached HUF 55.9 billion in June, the highest value in the last one year.

2. Non-financial corporations

2.1. Forint loans and deposits

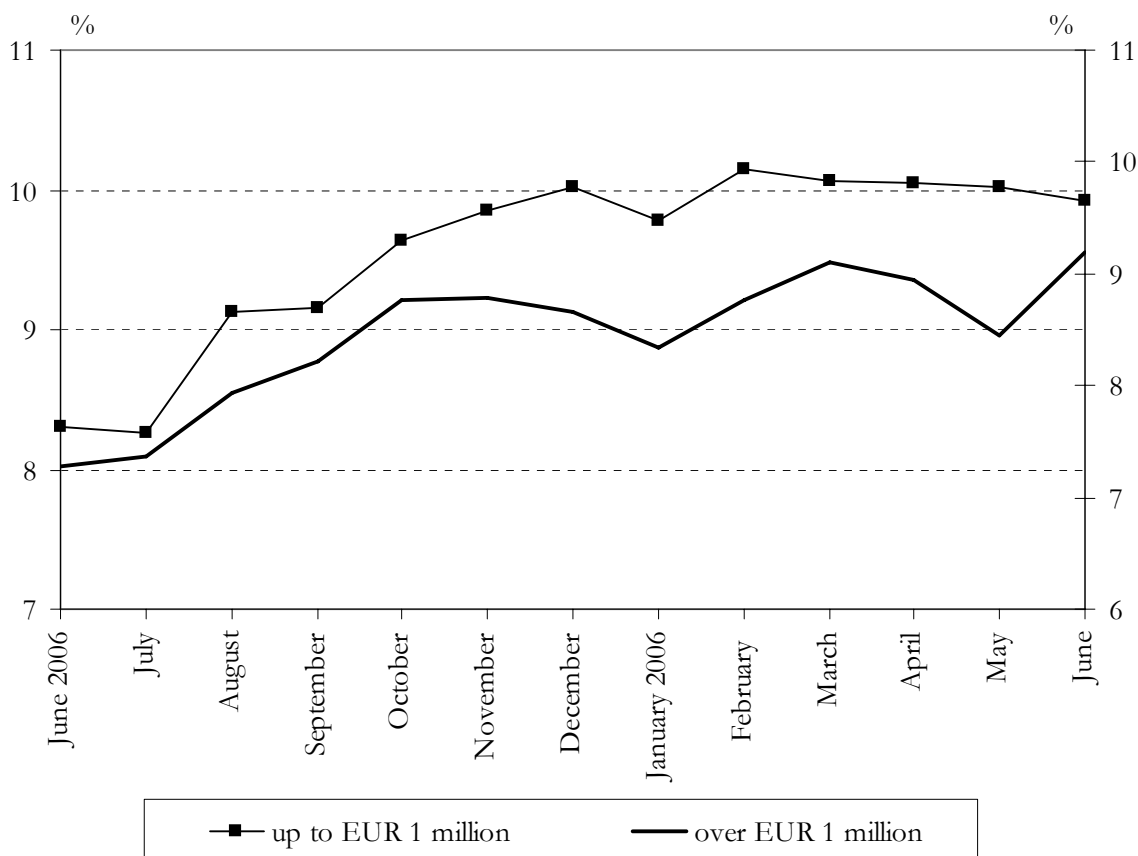
Chart 8: Monthly average forint borrowing and deposit rates of non-financial corporations and the BUBOR



The level of interest rates on non-financial corporations' loans and deposits rose moderately in the last one year, with the exception of deposits with agreed maturity over one year, where the average interest rate level remained unchanged. The average interest rate on overdrafts provided to non-financial corporations and that on loans other than overdrafts amounted to 9.66% and 9.48%, respectively. In June, the amount of new loans with floating interest rates or with up to one year initial rate fixation, excluding overdrafts, declined by HUF 6.3 billion to HUF 186.7 billion.

Following a decline in the previous month, the average interest rate on overnight deposits increased again and amounted to 2.58%. In June, the average interest rate on deposits with agreed maturity up to one year was 7.52%, while that on deposits with agreed maturity over one year was 6.24%. The value of new time deposits declined by HUF 163.8 billion to HUF 1,392.3 billion.

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

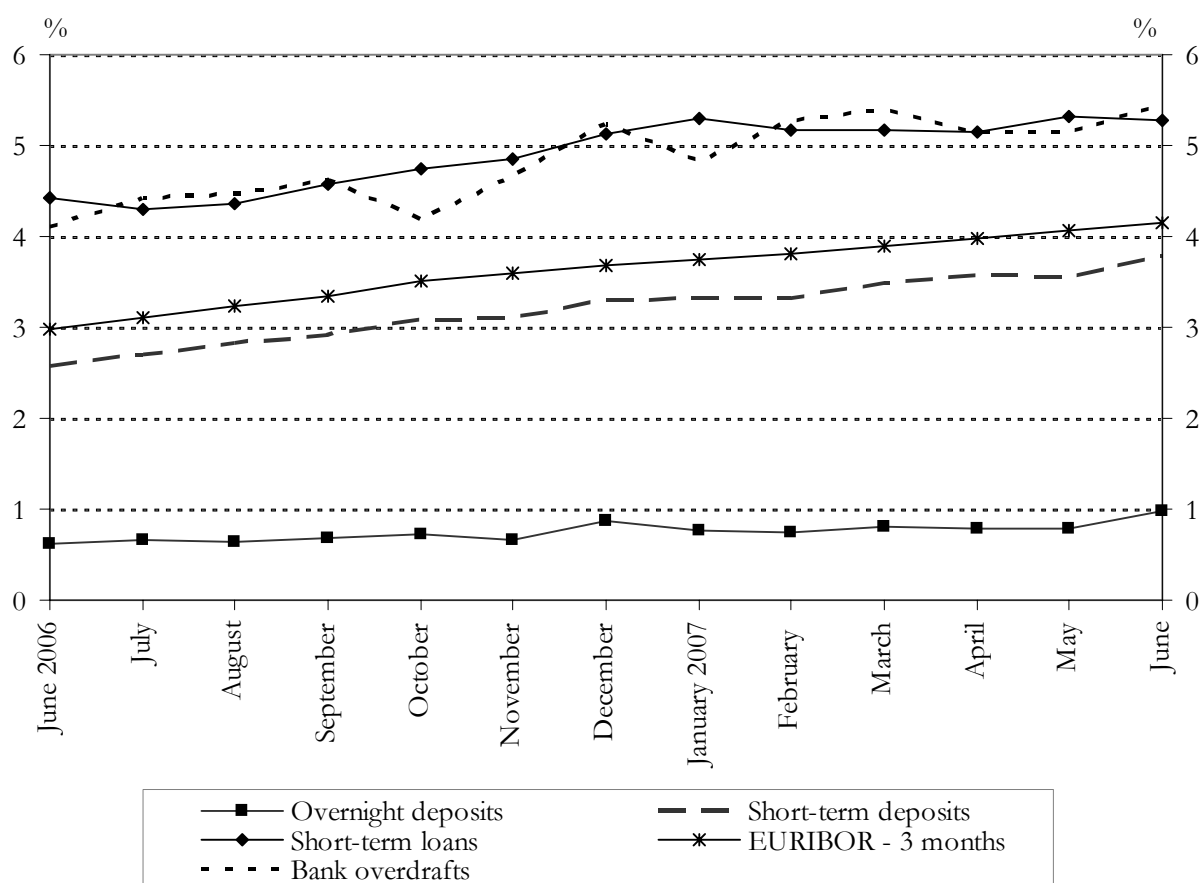


The average interest rate on forint loans provided to non-financial corporations up to the equivalent of EUR 1 million,⁵ excluding bank overdrafts, has been fluctuating close to the level of 10% since December 2006, amounting to 9.92% in June. The average interest rate on forint loans over the equivalent of EUR 1 million increased by 74 basis points to 9.20%.

2.2. Euro loans and deposits

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.

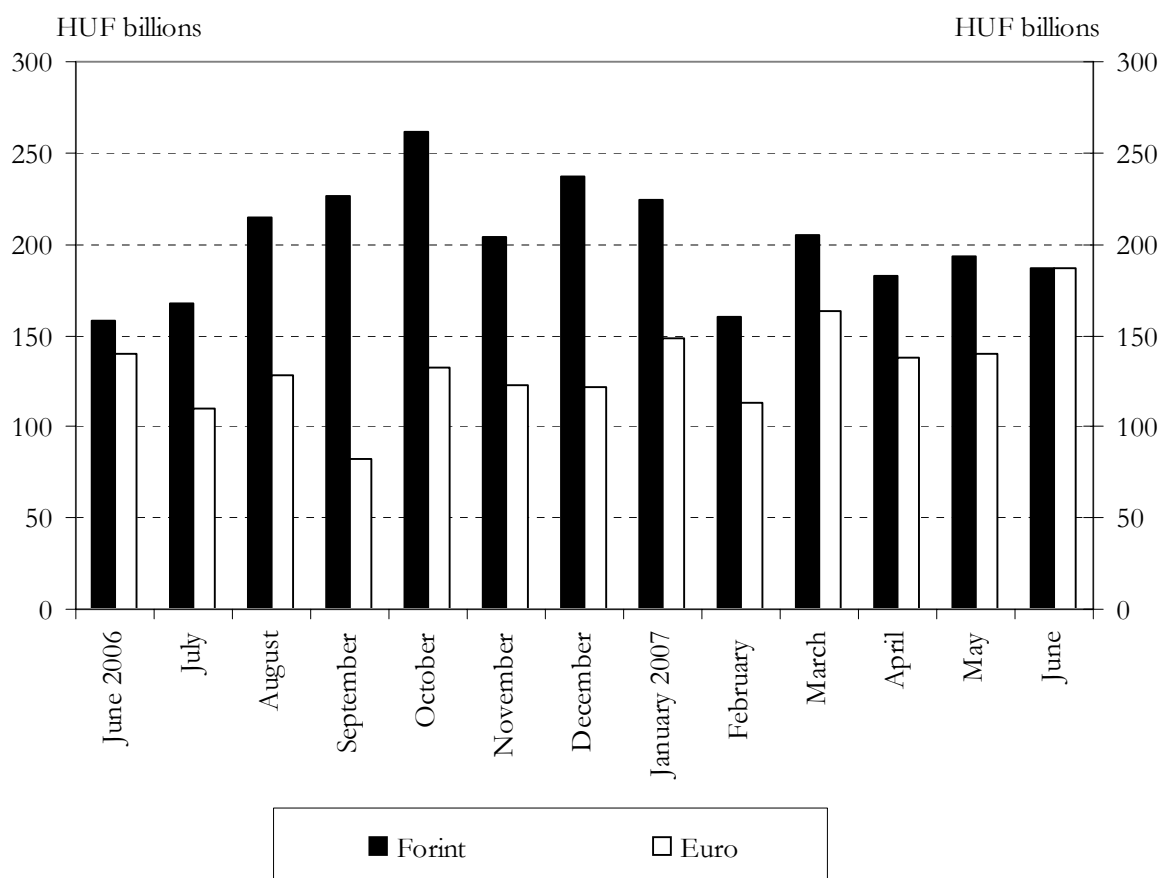
Chart 10: Monthly average euro borrowing and deposit rates of non-financial corporations and the EURIBOR



In June, the average interest rates on non-financial corporations' euro-denominated loans and deposits increased slightly, continuing the growing trend observed before. The average interest rate on euro-denominated overdrafts was 5.45%, while that on loans other than overdrafts with up to one year initial rate fixation amounted to 5.27%.

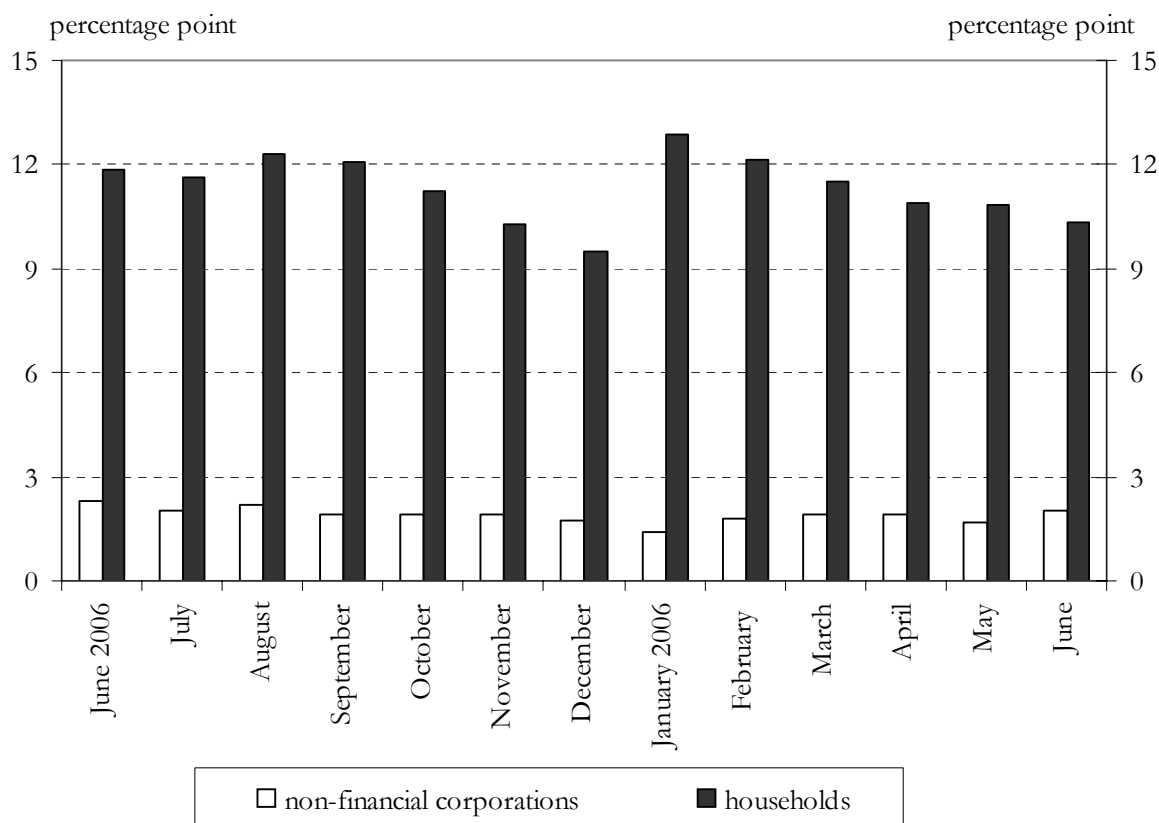
In June, the amount of new loans with floating interest rates or with up to one year initial rate fixation, excluding overdrafts, increased by HUF 47 billion to HUF 186.8 billion. At the same time, the amount of new deposits with agreed maturity up to one year was HUF 1,120.2 billion.

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



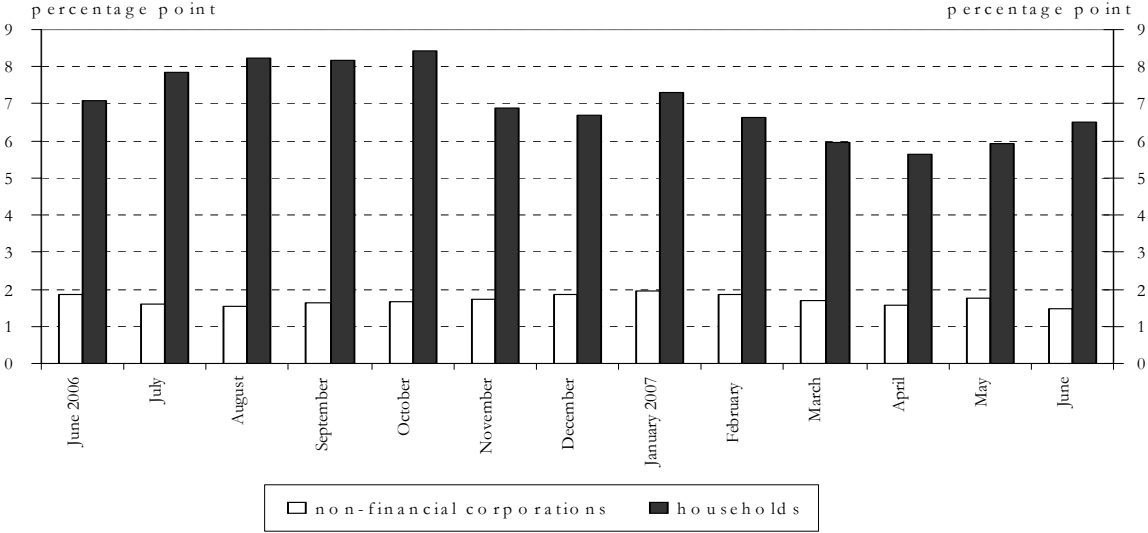
3. Differentials between loan and deposit rates

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 has been steadily declining since February 2007, amounting to 10.35 percentage points in June. At short maturities, which account for a significant share within NFC sector loans and deposits, the gap between average interest rates was 2.01 percentage points.

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



In the household market, following a decline which started in February, the difference between average interest rates on euro-denominated consumer credit with floating interest rates or with up to 1 year initial rate fixation and on euro deposits with agreed maturity up to one year again has slightly increased since May, amounting to 6.51 percentage points in June. 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 euro deposits with agreed maturity up to one year was 1.49 percentage points in June. 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 official and forint interbank rates in June 2007

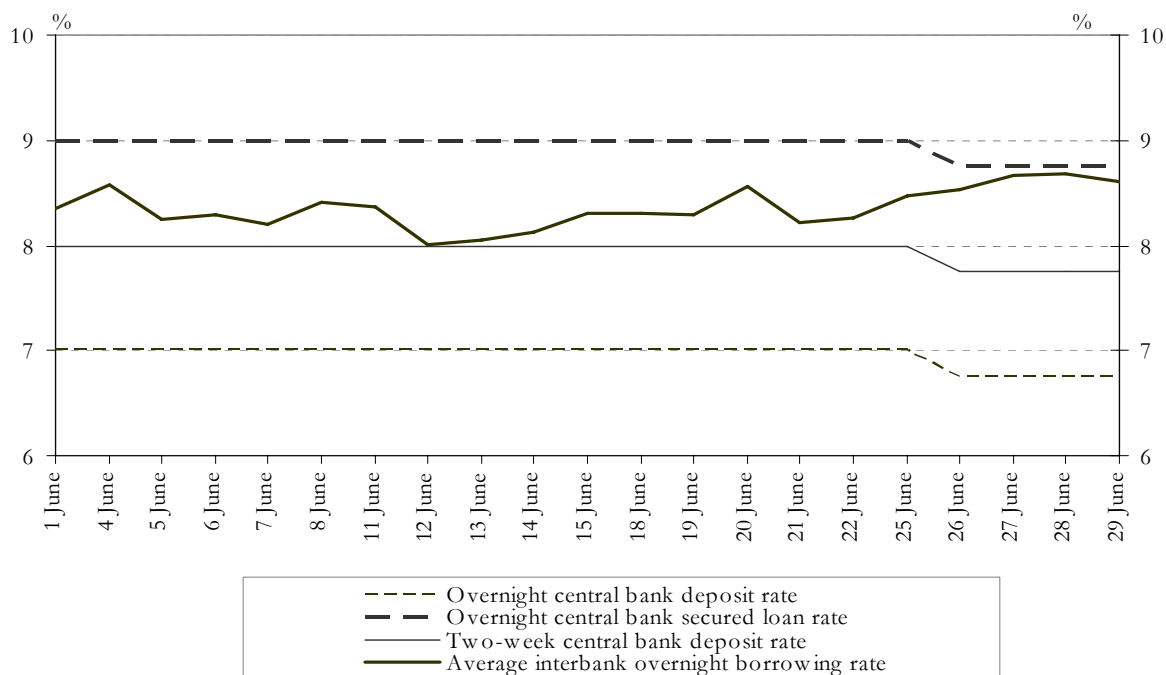
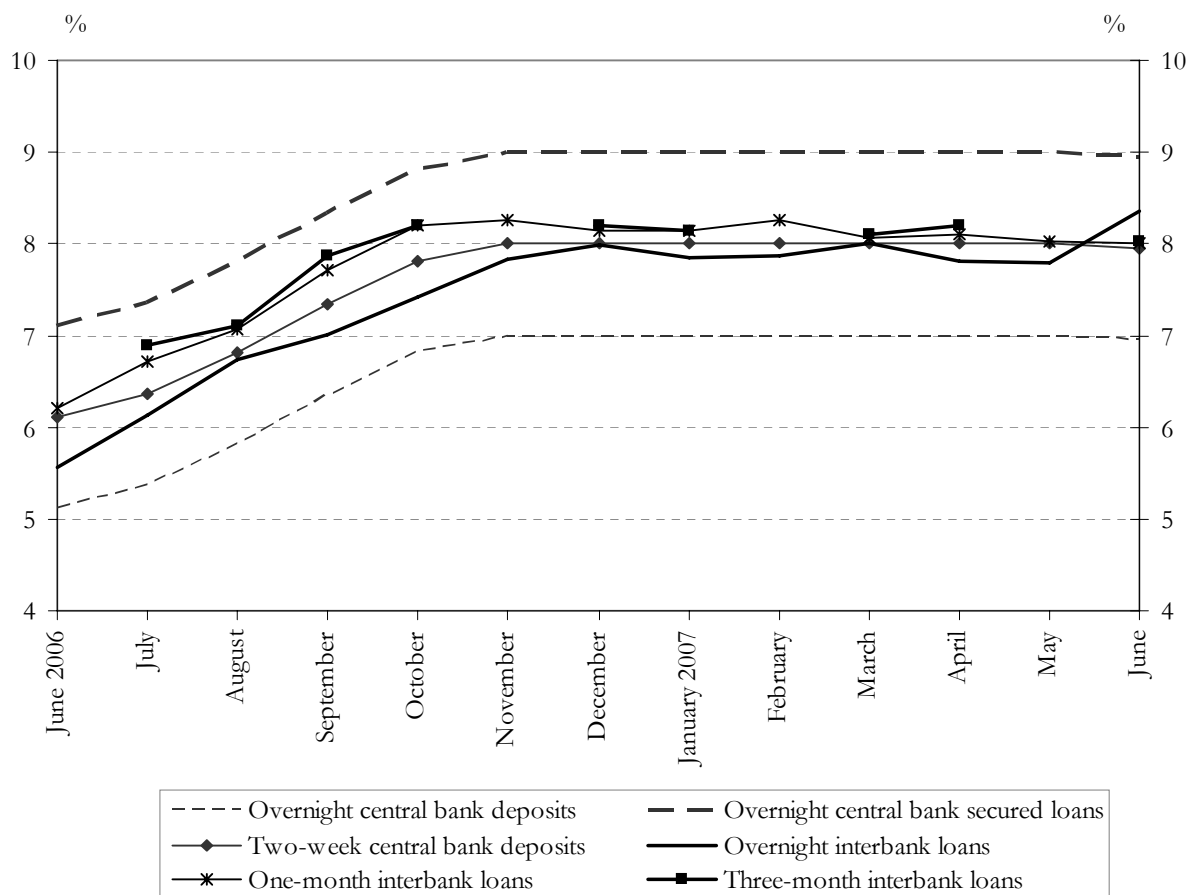


Chart 15: Average official and forint interbank rates



In June 2007, the turnover in the forint interbank market increased by HUF 100.6 billion to HUF 3,116.2 billion. The average overnight interbank lending rate, weighted by the total value of transactions, increased by 58 basis points to 8.37%. The average interest rate on interbank loans provided for one month changed only slightly in June, amounting to 8.00%. In the same month, the average interest rate on interbank loans provided for three months was 8.02%.

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

http://english.mnb.hu/engine.aspx?page=mnbstatistikai_idosorok
IX. Money and capital markets

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. 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:

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

A change in the average interest rate is 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 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 other.*⁷

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.

Charts 1 and 3

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 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.

d) The weighted average interest rate on housing loans includes 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, the 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 yields.

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'.

Charts 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.

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

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

⁷ The Bank collects data only on forint instalment loans and other consumer credit.

agreed interest rate. However, in the case of the majority of loan and deposit contracts, interest is paid more often 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 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 those on non-performing loans.

Chart 9

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.