

28 July 2006

PRESS RELEASE

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

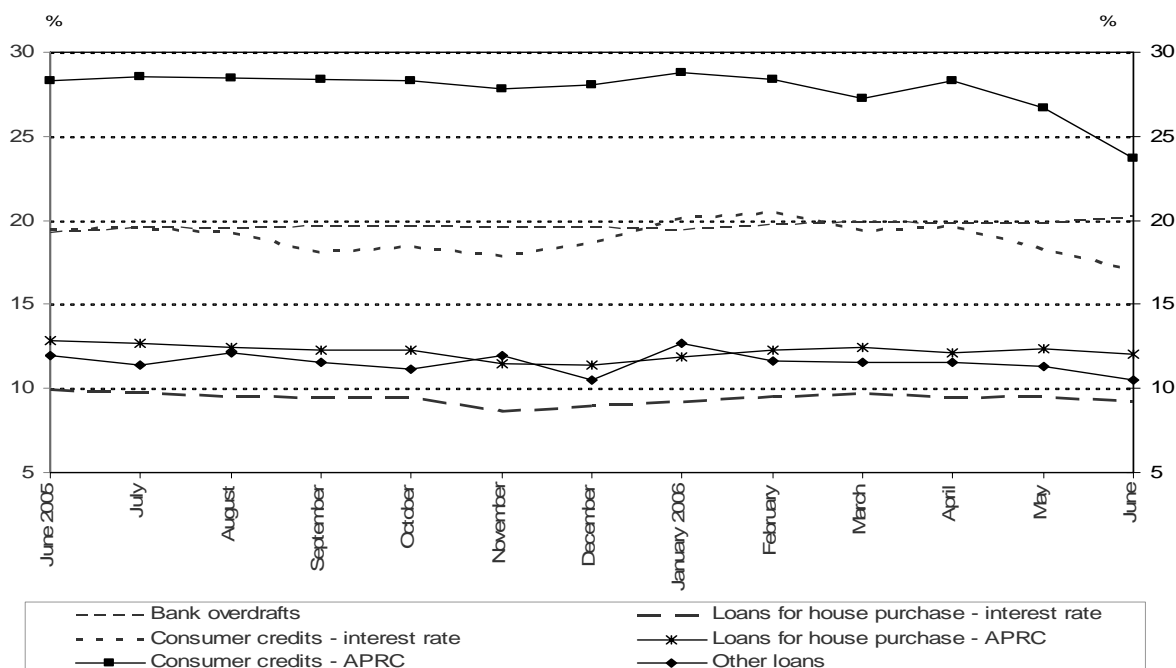
In June 2006, the average interest rate on forint consumer credit, except for the overdrafts, fell, while the interest rates on the household sector's deposits remained practically unchanged. The average interest rate on overdrafts to non-financial corporations declined; while that of loans other than overdrafts increased. The average interest rate on non-financial corporations' deposits with agreed maturity over one year was up due to a change in composition.

Average interest rates on euro overdrafts and deposits with agreed maturity up to one year practically did not change compared to the previous month. Due to interest rate changes, the average interest rate on housing, consumer and other loans extended to households in euro increased.

1. Households

1.1. Forint loans and deposits

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



Due to an interest rate change, the average interest rate on the household sector's overdrafts increased by 41 basis points to 20.18% in June 2006. The average interest rate and APR on bank housing loans¹ fell by 30 basis points to 9.23% and by 29 basis points to 12.03%, respectively. Due to interest rate changes, the average interest rate on consumer credit was 117 basis points

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.

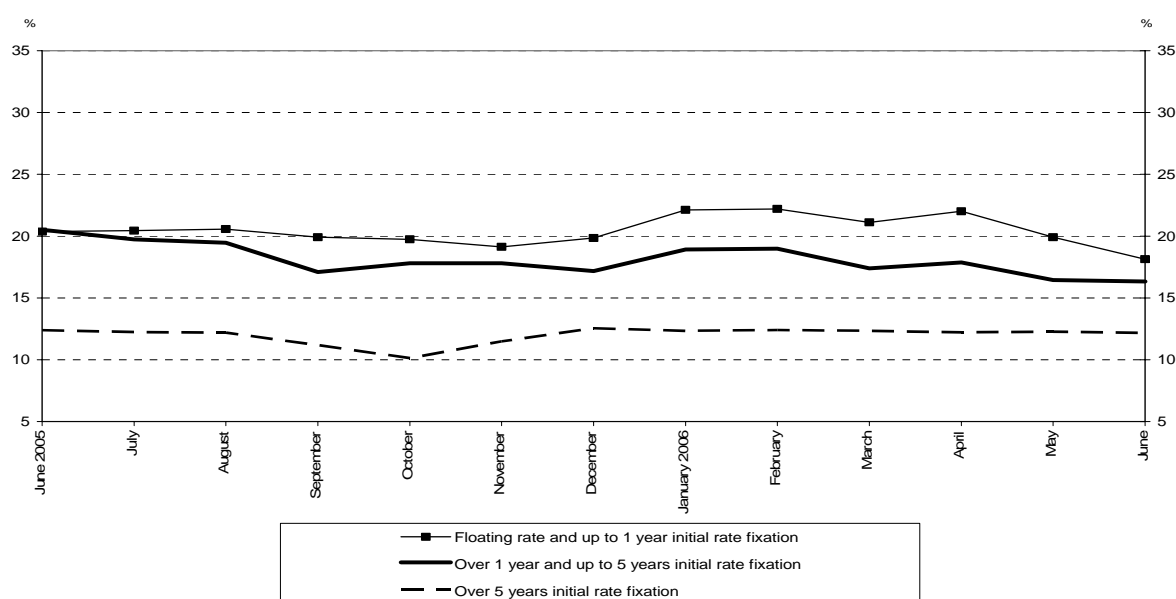
lower, at 17.05%, with the APR falling by 301 basis points to 23.67%, as a result of advantageous hire-purchase loan campaigns. The average interest rate on other loans declined by 83 basis points to 10.47%, due to interest rate changes.

In June 2006, the total monthly amount of consumer credit amounted to HUF 20.5 billion, which was HUF 1.6 billion lower than in the preceding month. Excluding overdrafts, consumer credit as a proportion of new loans fell from 53.1% in May to 45.5% in June.

The monthly amount of loans provided for house purchase in June 2006 was HUF 17.1 billion, up HUF 3.4 billion from May. Excluding overdrafts, housing loans as a proportion of new loans rose from 33.0% to 38.1% in one month.

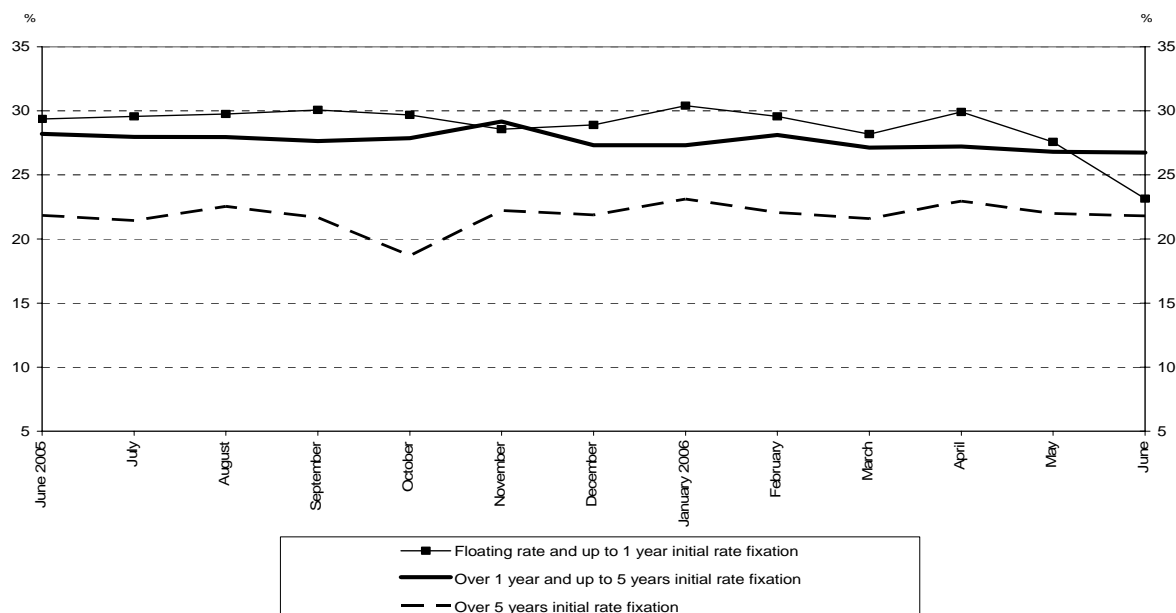
The monthly amount of other loans was HUF 7.4 billion in June 2006. This accounted for 16.4% of total new loans, excluding overdrafts. The amount of new other loans extended to households increased by HUF 1.6 billion and their percentage share of the total by 2.5 percentage points from May to June.

Chart 2: Monthly average interest rates on forint consumer credit



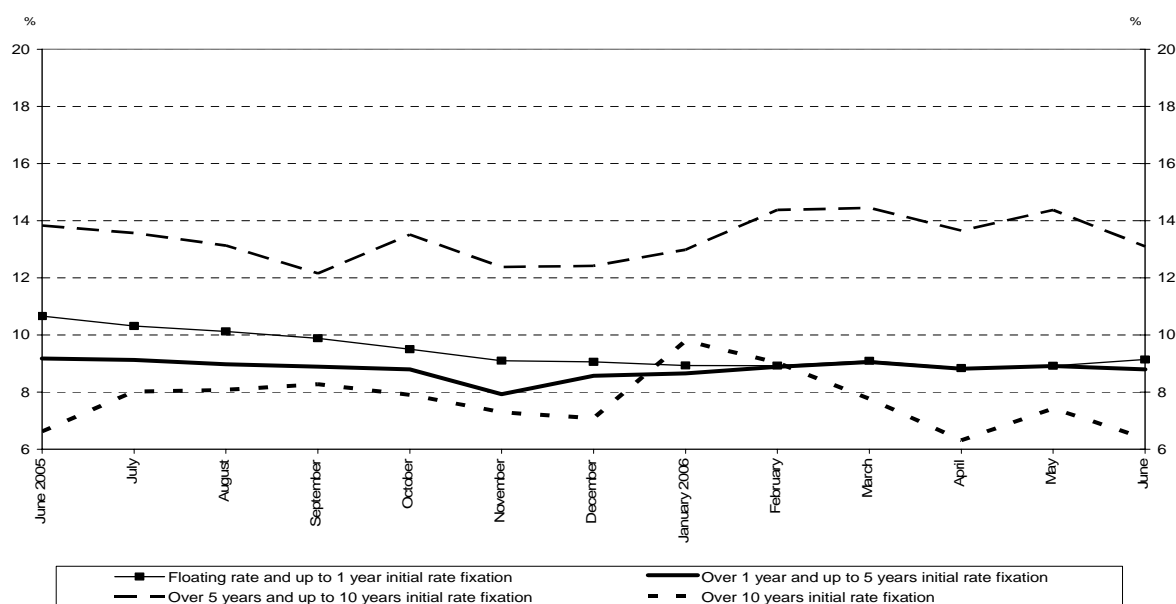
In June, the average interest rate on consumer credit provided to the household sector with a floating interest rate or with up to 1 year initial rate fixation fell by 178 basis points to 18.13%, due to interest rate changes, and that on consumer credit with over 1 and up to 5 years initial rate fixation changed by 12 basis points to 16.33%. The average interest rate on consumer credit with over 5 years initial rate fixation changed by 11 basis points to 12.16%.

Chart 3: Monthly average APR on forint consumer credit



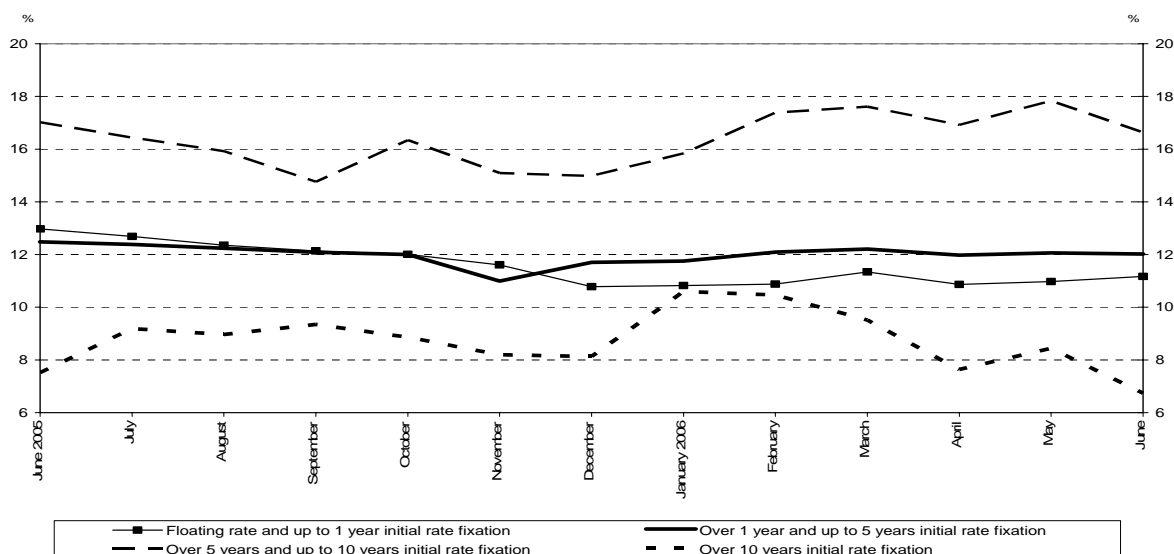
As a result of advantageous hire-purchase loan campaigns in June, the average APR on consumer credit extended to the household sector with a floating interest rate or with up to 1 year initial rate fixation fell by 443 basis points to 23.14%. That on consumer credit with over 1 and up to 5 years initial rate fixation changed by 5 basis points to 26.75%, while that on consumer credit with over 5 years initial rate fixation by 19 basis points to 21.80%.

Chart 4: Monthly average interest rate on forint housing loans



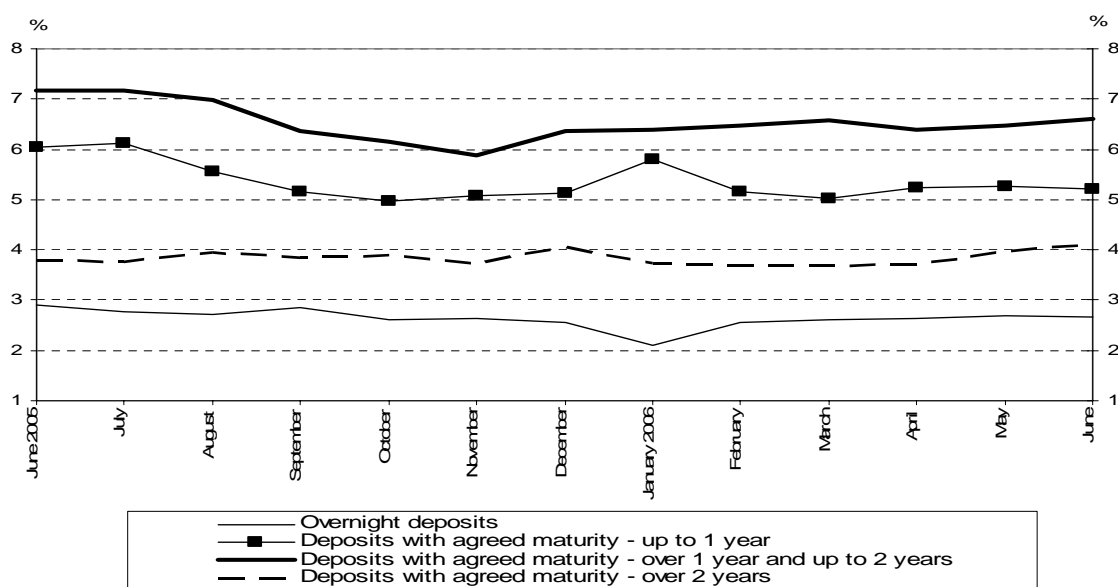
The average interest rate on loans for house purchase with floating interest rates or with up to 1 year initial rate fixation changed by 22 basis points to 9.14%; and that on loans with over 1 year and up to 5 years initial rate fixation by 12 basis points to 8.80%. That on housing loans with over 5 years and up to 10 years initial rate fixation changed by 127 basis points to 13.10%, as a combined effect of changes in the composition of loans and in interest rates. The average interest rate on loans for house purchase with over 10 years initial rate fixation fell by 105 basis points to 6.38%, as a result of a change in composition.

Chart 5: Monthly average APR on forint housing loans



The average APR on loans for house purchase with floating interest rates or with up to 1 year initial rate fixation changed by 19 basis points to 11.17%; that on loans with over 1 year and up to 5 years initial rate fixation by 4 basis points to 12.02%. That on loans with over 5 years and up to 10 years initial rate fixation changed by 121 basis points to 16.63% and that on loans for house purchase with over 10 years initial rate fixation fell by 170 basis points to 6.74%. The rise in the average APR on loans for house purchase with over 5 years and up to 10 years initial rate fixation was caused by the combined effect of the change in the composition of outstanding loans and changes in interest rates. The rise in the APR on loans for house purchase with over 10 years initial rate fixation was a result of the change in the composition of loans.

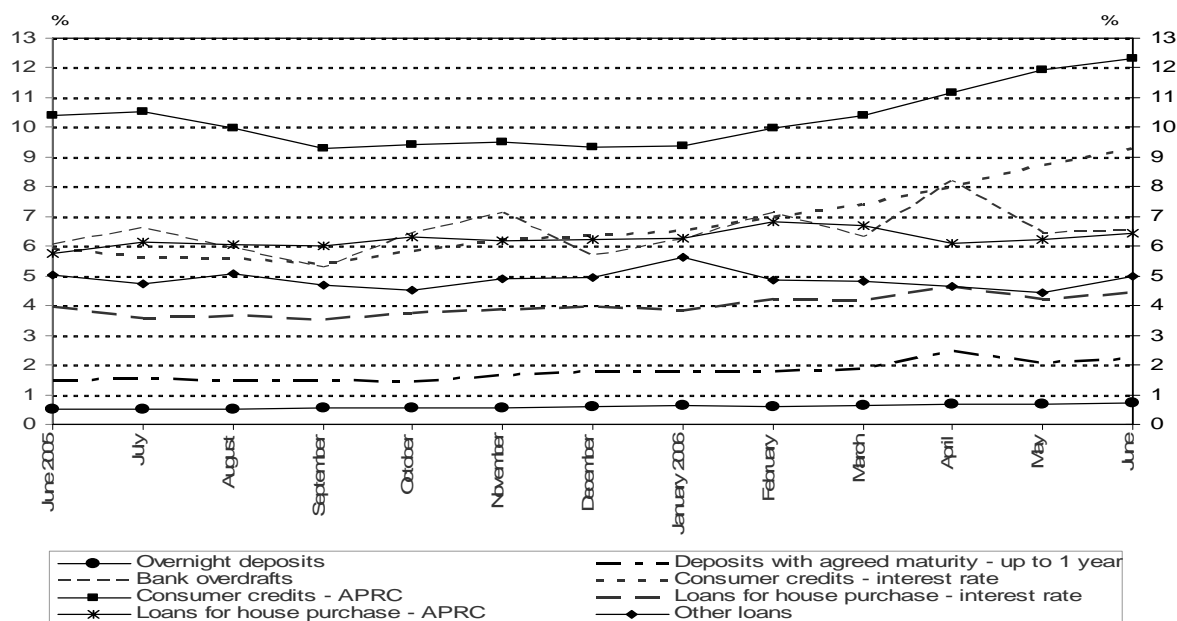
Chart 6: Monthly average interest rates on household forint deposits



In June 2006, the average interest rate on households' overnight deposits changed by 4 basis points to 2.66%. The average interest rate on deposits with agreed maturity up to one year changed by 4 basis points to 5.22%; that on deposits with agreed maturity over 1 year and up to 2 years changed by 15 basis points to 6.61% and that on deposits with agreed maturity over 2 years changed by 14 basis points to 4.11%. The amount of new time deposits from households was HUF 592.6 billion in June, down HUF 34.7 billion on the preceding month.

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



In June 2006, the average interest rate on euro overdrafts changed by 8 basis points to 6.53%. The average interest rate on loans for house purchase with floating interest rates or with up to 1 year initial rate fixation changed by 21 basis points to 4.43%, with the APR changing by 22 basis points to 6.44%. Due to interest rate changes, the average interest rate on consumer credit with floating interest rates or with up to 1 year initial rate fixation increased by 56 basis points to 9.29%, with the APR rising by 34 basis points to 12.30%. In June, due to interest rate changes, the average interest rate on other loans with floating interest rates or with up to 1 year initial rate fixation increased by 53 basis points to 4.98%. Compared to May, the amount of consumer credit extended to households with floating interest rates or with up to 1 year initial rate fixation remained unchanged in June and amounted to HUF 1.0 billion. In June, the amount of housing loans with floating interest rates or with up to 1 year initial rate fixation stood at HUF 0.6 billion, i.e. unchanged compared to May, while that of other loans rose by HUF 0.6 billion to HUF 2.2 billion.

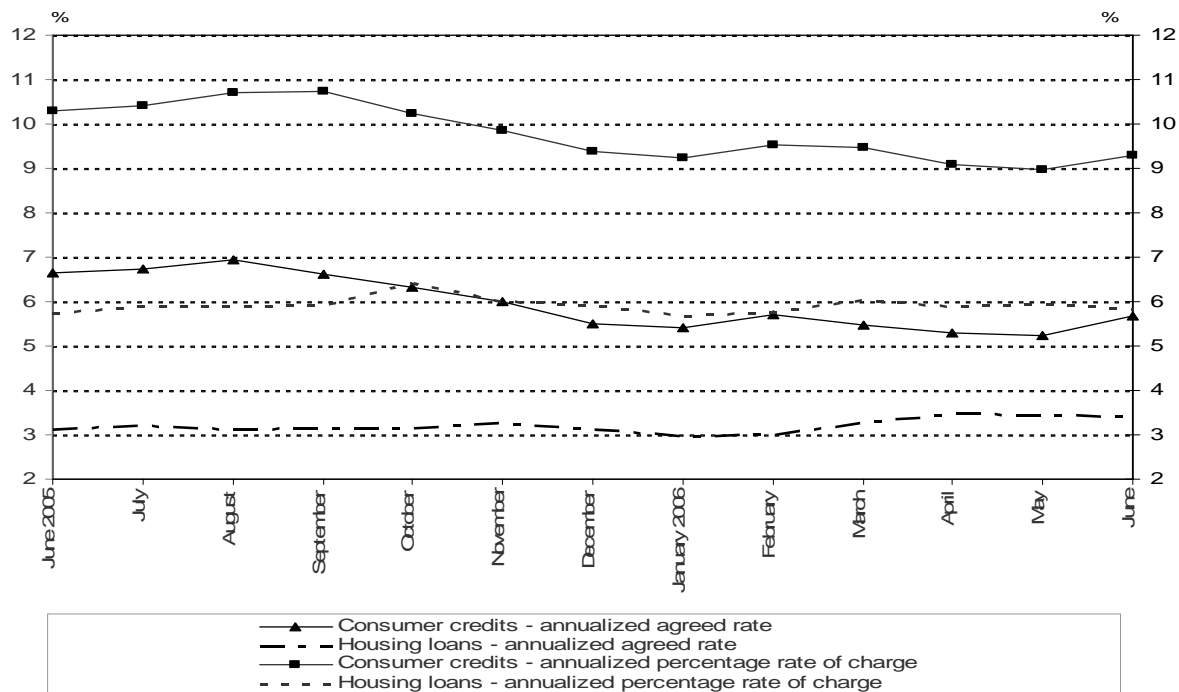
The average interest rate on euro deposits with agreed maturity up to one year changed by 12 basis points to 2.20%, and that on overnight deposits by 4 basis points to 0.74%. The amount of deposits from households with agreed maturity up to one year rose by HUF 9.7 billion to HUF 90.0 billion.

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 1 year initial rate fixation³

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 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).

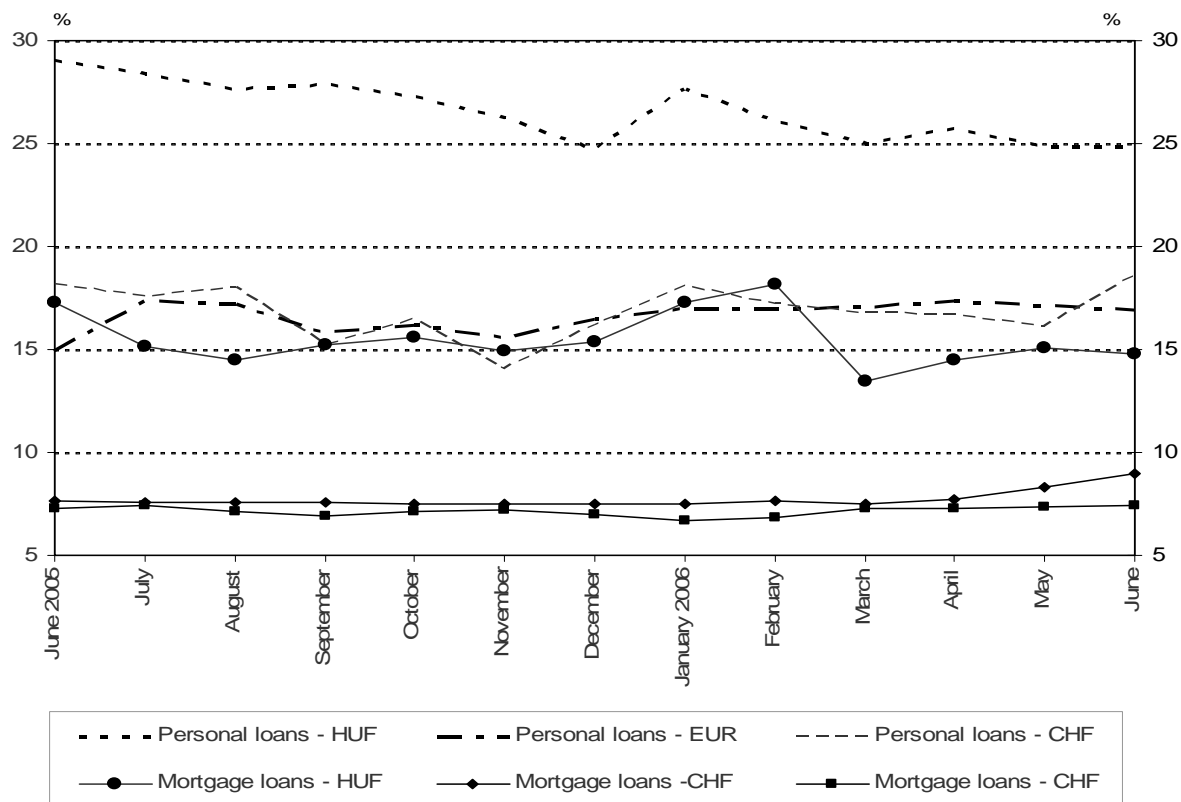


In June 2006, the average annualised interest rate on Swiss franc-denominated consumer credit with floating interest rates or with up to 1 year initial rate fixation increased by 45 basis points to 5.68%, with the APR rising by 32 basis points to 9.29%.

The average annualised interest rate on Swiss franc-denominated loans for house purchase with floating interest rates or with up to 1 year initial rate fixation changed by 5 basis points to 3.40%, with the APR changing by 11 basis points to 5.83%.

1.4. APR on forint, euro and Swiss franc-denominated personal and mortgage loans for consumption

Chart 9: APR on forint, euro and Swiss franc personal and mortgage loans for consumption with floating interest rates or with up to 1 year initial rate fixation



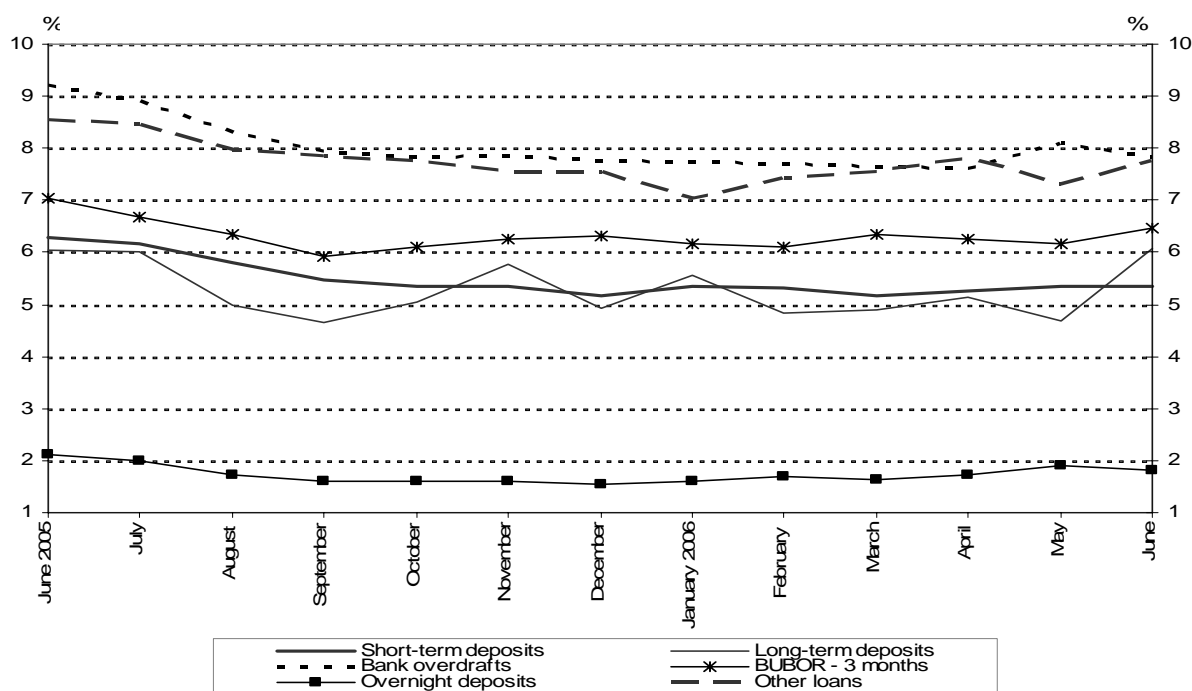
The average APR on forint personal loans with floating interest rates or with up to 1 year initial rate fixation changed by 4 basis points to 24.89% and that on euro loans by 22 basis points to 16.49%, while the APR on Swiss franc loans increased by 246 basis points to 18.60%, due to changes in individual APRs.

The average APR on forint equity loans with floating interest rates or with up to 1 year initial rate fixation declined by 30 basis points to 14.77%, that of euro loans increased by 65 basis points to 8.97%, while the average APR on Swiss franc loans changed by 9 basis points to 7.45%.

2. Non-financial corporations

2.1. Forint loans and deposits

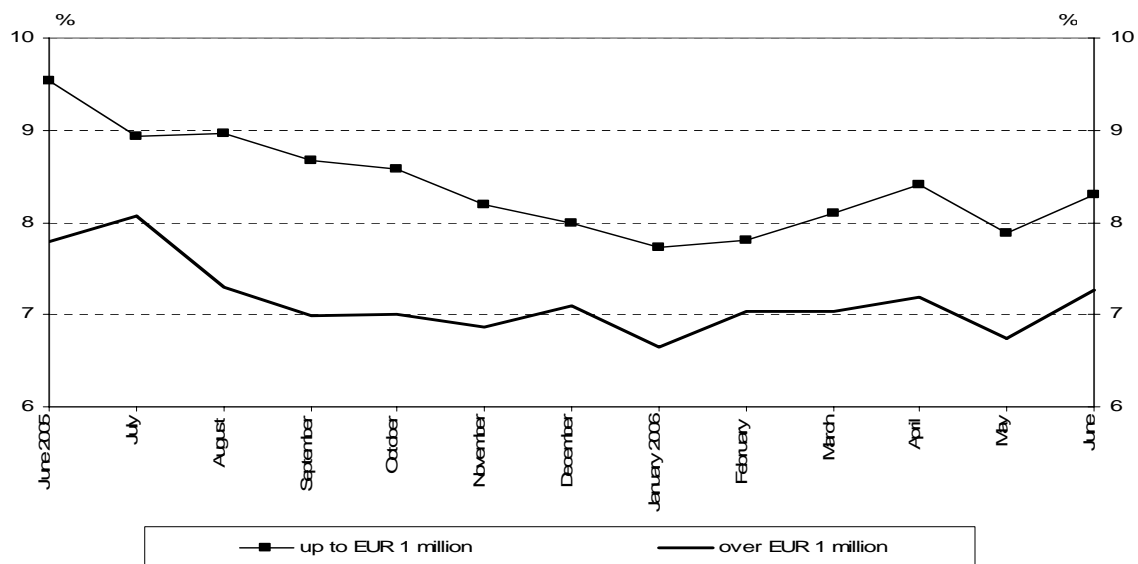
Chart 10: Average forint borrowing and deposit rates of non-financial corporations and the BUBOR



In June 2006, the average interest rate on overdrafts provided to non-financial corporations declined by 27 basis points to 7.83%, while that of loans other than overdrafts increased by 44 basis points to 7.76%. In June, the amount of loans granted, excluding overdrafts, was HUF 165.9 billion, declining by HUF 20.3 billion relative to the preceding month.

Average interest rate on deposits with agreed maturity up to one year did not change compared to May and stood at 5.35%, while that of deposits with agreed maturity over one year increased by 139 basis points to 6.06%, due to a change in composition. The amount of new time deposits was HUF 1,313.2 billion in June, down HUF 124.0 billion compared to the preceding month. The average interest rate on overnight deposits changed by 6 basis points to 1.83%.

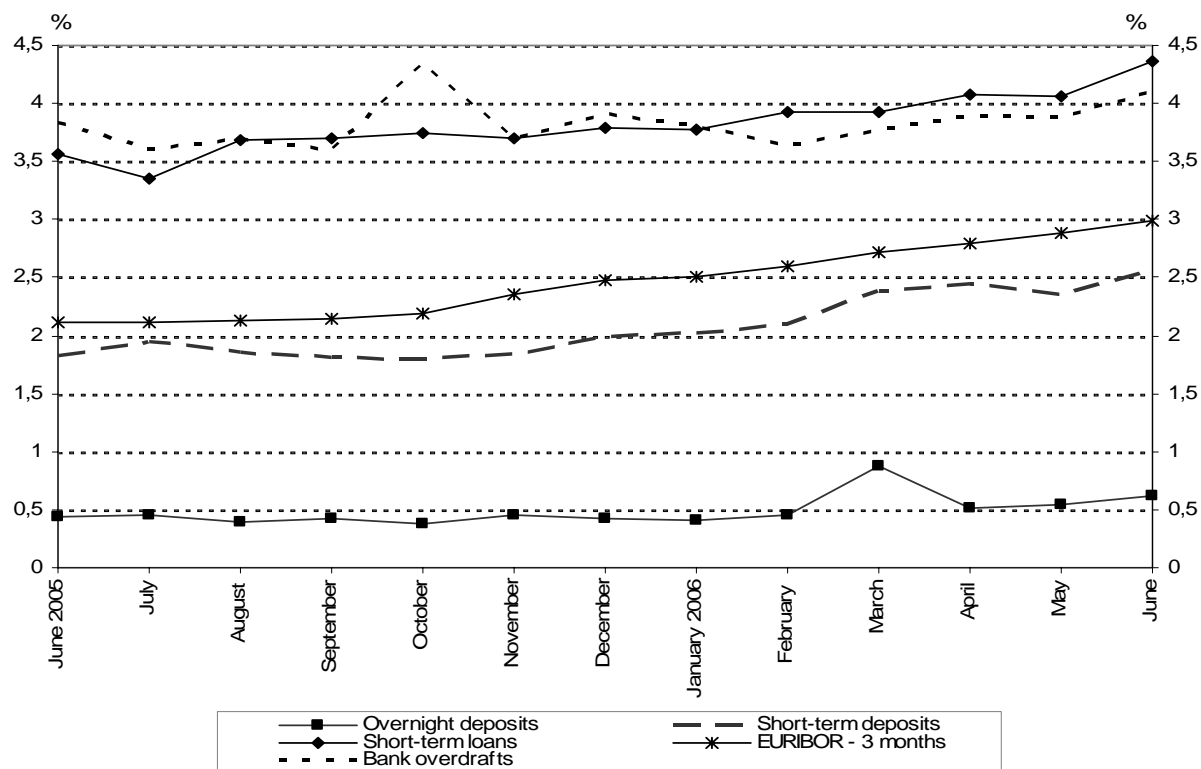
Chart 11: Average forint borrowing rates of non-financial corporations (by loan amount)



In June, the average interest rate on forint loans provided to non-financial corporations up to the equivalent of EUR 1 million,⁴ excluding bank overdrafts, increased by 42 basis points to 8.30%, and that of forint loans over the equivalent of EUR 1 million by 53 basis points to 7.27%.

2.2. Euro loans and deposits

Chart 12: Monthly average forint borrowing and deposit rates of non-financial corporations and the EURIBOR



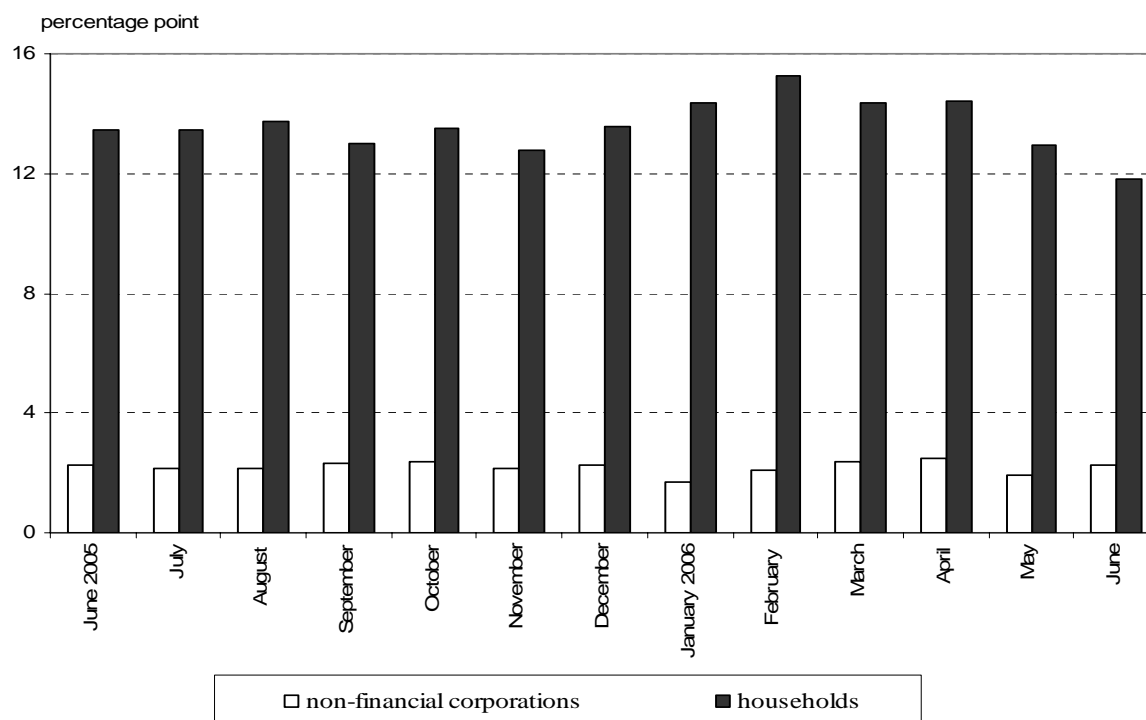
In June 2006, the average interest rate on euro overdrafts provided to non-financial corporations increased by 22 basis points to 4.10% and that on loans with floating interest rates or with up to 1 year initial rate fixation, other than overdrafts, by 30 basis points to 4.36%. In June 2006, the amount of new loans with floating interest rates or with up to 1 year initial rate fixation, other than overdrafts, was HUF 120.4 billion, declining by HUF 2.5 billion relative to the preceding month.

The average interest rate on NFCs' euro-denominated overnight deposits changed by 7 basis points to 0.62% and that of euro deposits with agreed maturity up to one year by 21 basis points to 2.57%. The amount of new time deposits with agreed maturity up to one year from non-financial corporations was up by HUF 432.3 billion, at HUF 971.8 billion.

⁴ 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.

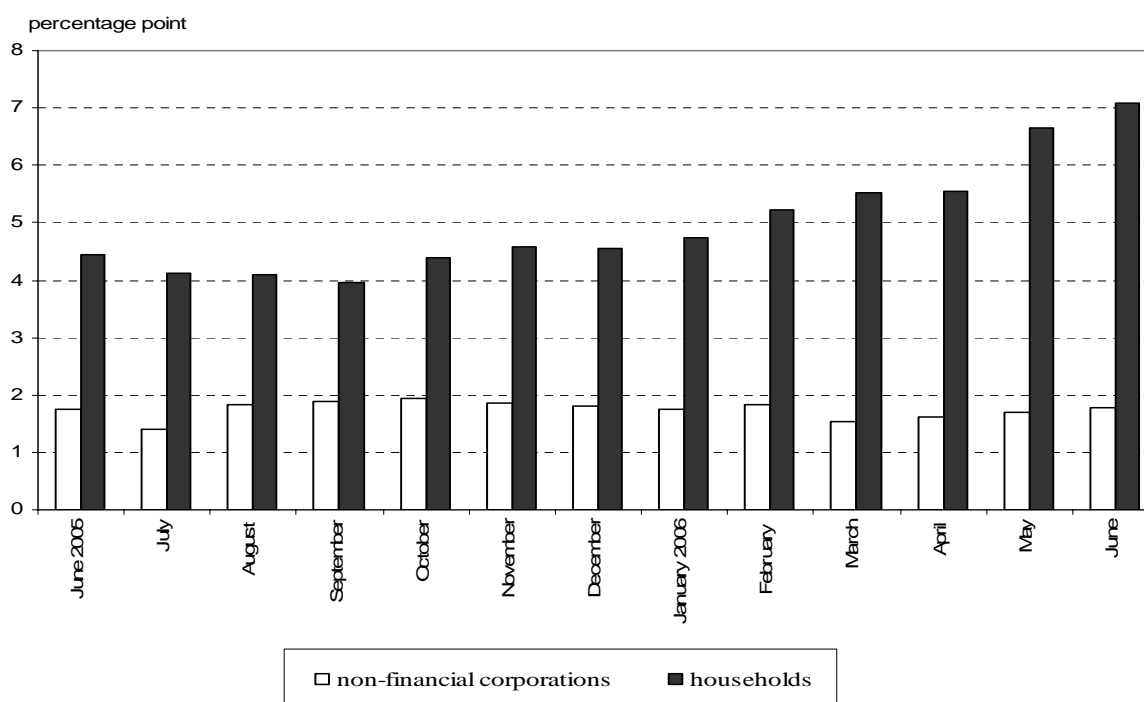
3. Differentials between loan and deposit rates

Chart 13: 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 narrowed from 12.97 percentage points to 11.84 percentage points in June 2006. At short maturities, which account for a significant share within NFC sector loans and deposits, the gap between average interest rates increased from 1.91 percentage points to 2.29 percentage points.

Chart 14: Differential between non-financial corporate and household sector euro borrowing and deposit rates



In the household market, the difference between average interest rates on euro 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 increased from 6.65 percentage points to 7.09 percentage points. The difference between average interest rates on non-financial corporations' euro loans with floating exchange rates or with up to 1 year initial rate fixation and euro deposits with agreed maturity up to one year changed from 1.70 percentage points to 1.79 percentage points.

4. Interbank unsecured forint loans

Chart 15: Average official and forint interbank rates

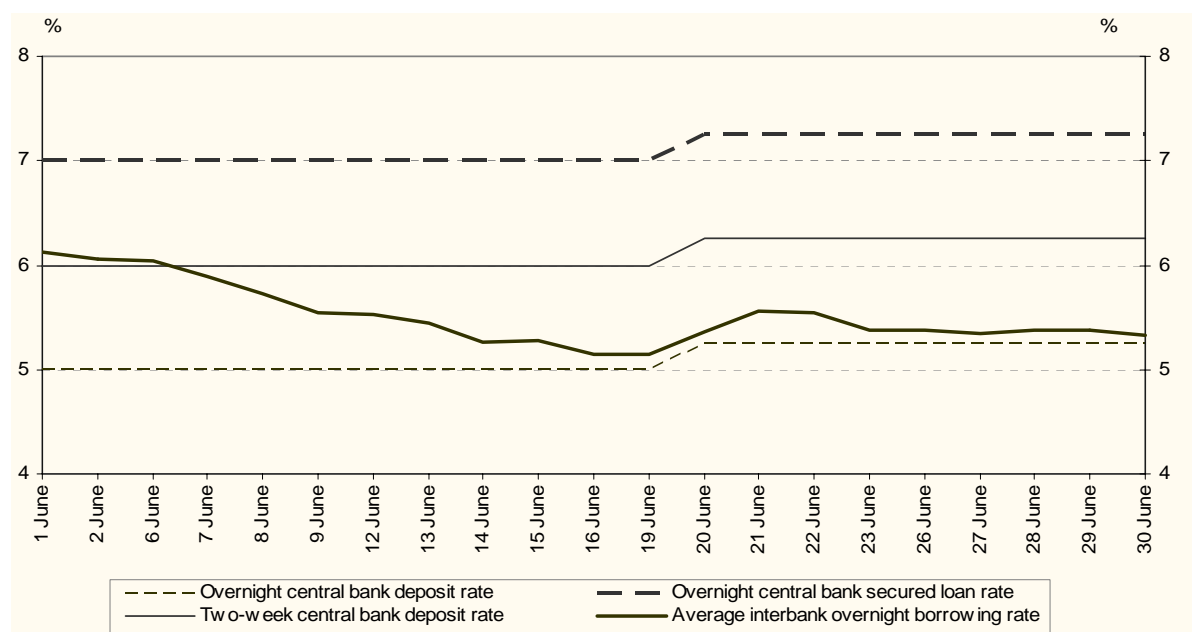
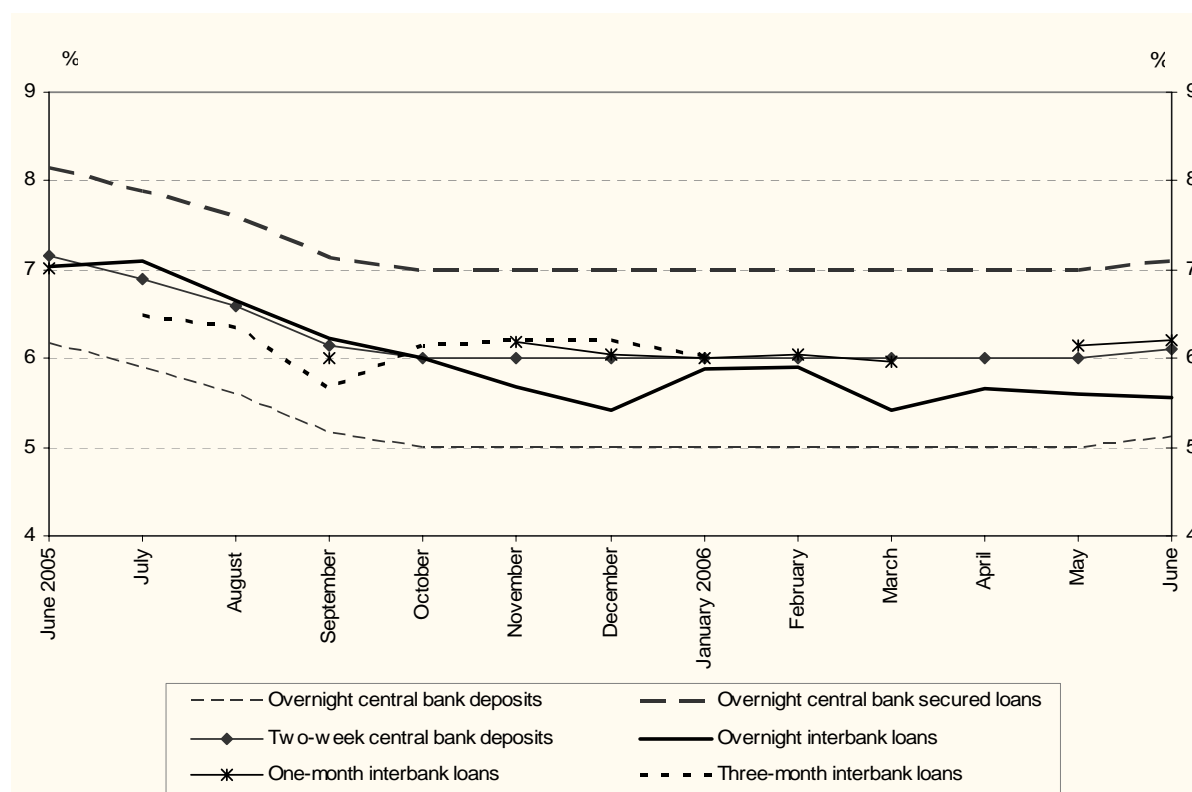


Chart 16: Average official and forint interbank rates



In June 2006, the turnover in the forint interbank market amounted to HUF 2,834.7 billion, i.e. HUF 155.4 billion less than in the previous month. Compared to May, the average overnight lending rate, weighted by the total value of transactions, changed by 5 basis points to 5.56%. The average interest rate on interbank loans provided for one month changed by 5 basis points to 6.20%. No interbank loan was made at three months in June 2006.

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=mnben_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 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 corporation (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,⁵
- *Loans for purchase of goods or other.*⁶

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 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 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 and 12

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 1 year in the original contracts, are classified into the category 'Floating rate or up to 1 year initial rate fixation'.

Charts 4 and 5

a) 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.

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 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'.

c) Since January 2006, in case of housing loans with maturity over 10 years the change in the selection method of data providers has significantly influenced both the average interest rate and the average APR. As a result of the methodological change, the weight of building societies decreased significantly in case of this facility, which is provided by relatively few banks. The

⁵ The Bank has been collecting data on forint, euro and Swiss franc mortgage loans for consumption since January 2005.

⁶ The Bank collects data only on forint instalment loans and other consumer credit.

higher average interest rate published since January 2006 better reflects the market situation, as loans provided by building societies at a 6% interest rate are less easily available than more expensive facilities provided by banks.

Charts 6 and 7

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 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 contract, 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 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 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.