

29 November 2006

PRESS RELEASE

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

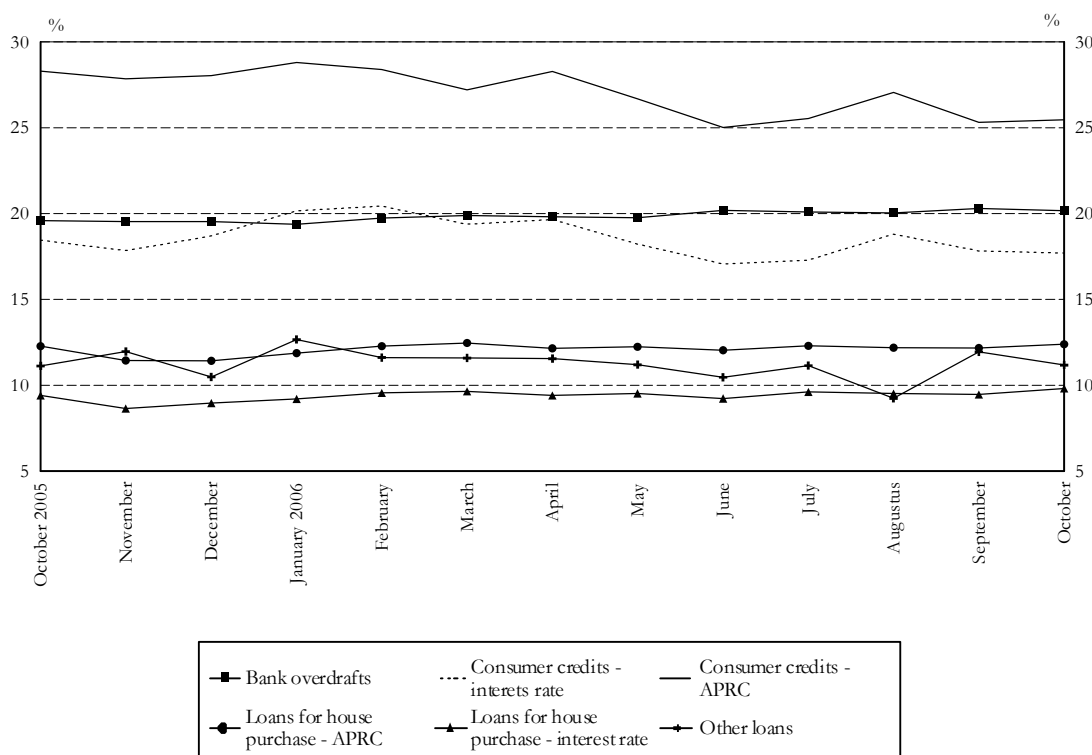
The level of the interest rates of forint-denominated loans to households did not show any significant change in October. Of the deposit rates, an increase in interest rates can be experienced in case of maturities up to 2 years. As for households' deposits with maturity over 2 years, the effect of the introduction of the withholding tax on interest income in September was not reflected at the level of the average interest rate any more, and the average interest rate returned to the earlier level of around 4%. The increasing trend of the average interest rates on the sector's euro loans and euro deposits continued in October.

Average interest rates on non-financial corporations forint loans and forint deposits increased proportionately to the increase in money market interest rates. Average interest rates on non-financial corporations euro loans and euro deposits also increased, except for bank overdrafts, the interest rate on which slightly declined.

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 has been around the level of 20% for a year, amounting to 20.18% in October. The average interest rate on bank housing loans¹ has been close to 10% since February 2006; the interest rate was 9.83% in October. The average APR has been above 12% since February, amounting to 12.41% in October. The average interest rate

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.

and APR on consumer credit remained in the vicinity of the September level; in October, the interest rate and the APR amounted to 17.69% and 25.47%, respectively. Following an increase in September, the average interest rate on other loans declined to 11.18%.

In October 2006 the value of new consumer credits and loans for house purchase declined, whereas the value of other loans slightly increased. The values of forint-denominated new consumer, housing and other loans provided in October were HUF 19.7 billion, HUF 14.5 billion and HUF 7.3 billion, respectively.

Chart 2: Monthly average interest rates on forint consumer credit

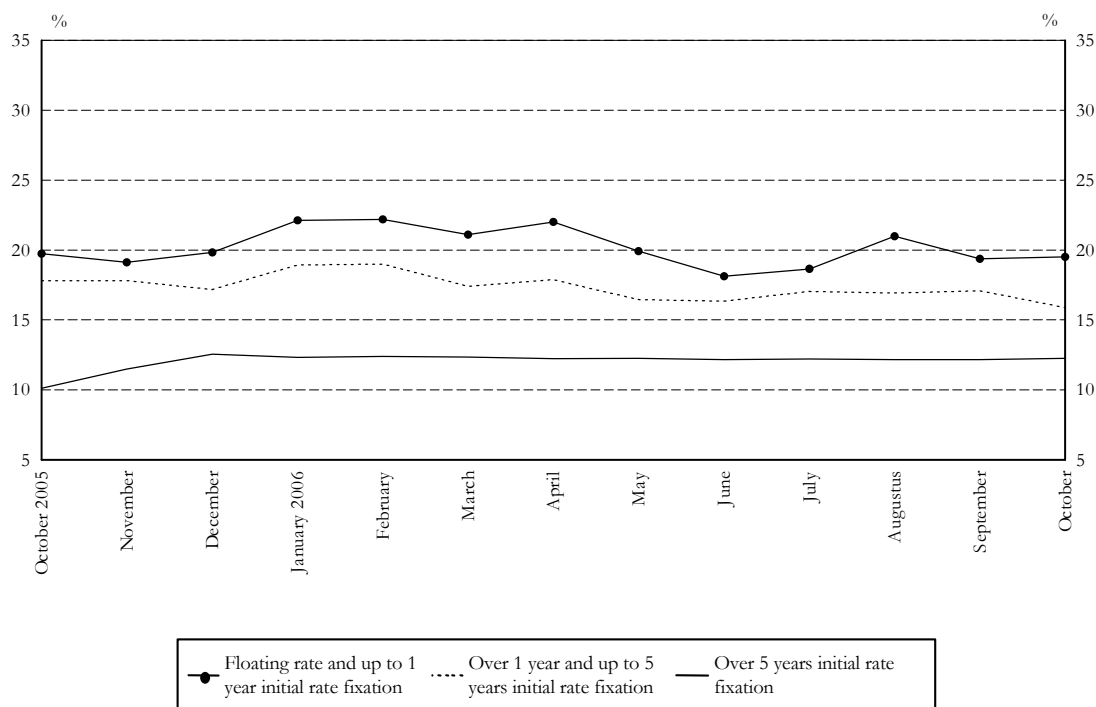
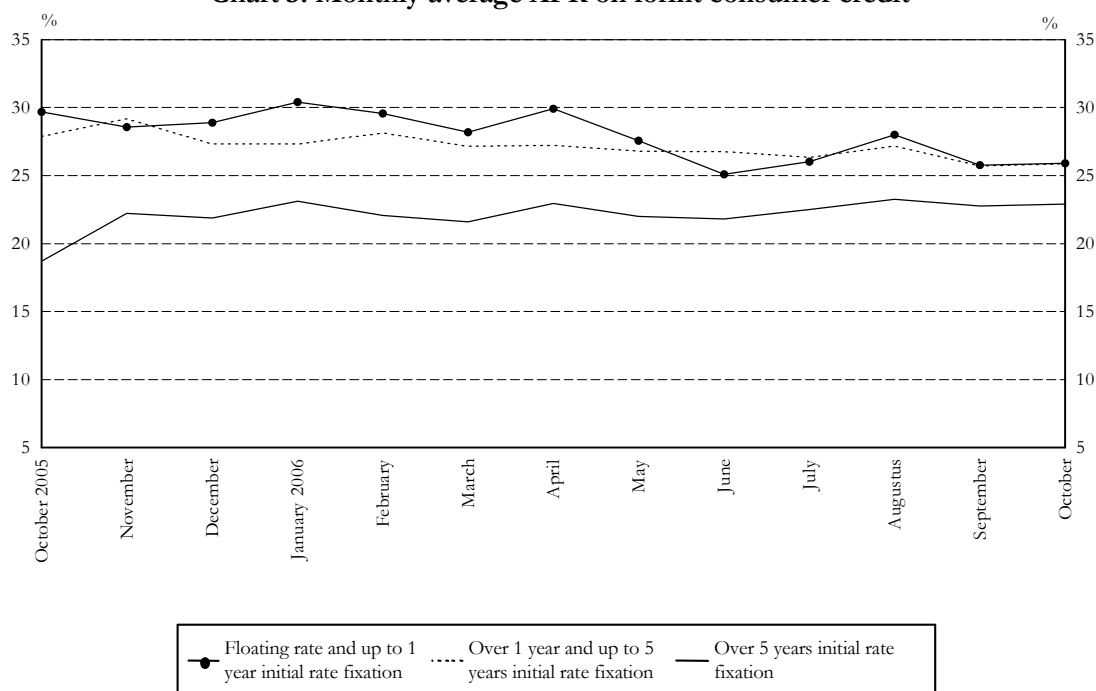


Chart 3: Monthly average APR on forint consumer credit



The average interest rate on consumer loans with a floating interest rate or with up to one year initial rate fixation remained close to 20%, amounting to 19.51% in October. That on credit with over 1 and up to 5 years initial rate fixation declined from the earlier 17% to 15.87% as a result of individual interest rate campaigns. The average interest rate on consumer credit with over 5 years

initial rate fixation has been around the level of 12% since December 2005, amounting to 12.25% in October.

The average APR on consumer credit extended to the household sector with a floating interest rate or with up to one year initial rate fixation declined from the earlier 27–28% to 26% in July, and since then the APR has been fluctuating around this level, amounting 25.90% in October. The average APR on consumer credit with over 1 and up to 5 years initial rate fixation has also stabilised around the level of 26% in recent months, amounting to 25.87% in October. The APR on housing loans with over 5 years initial rate fixation has shown a moderately growing trend, reaching 22.91% in October 2006.

Chart 4: Monthly average interest rates on forint housing loans

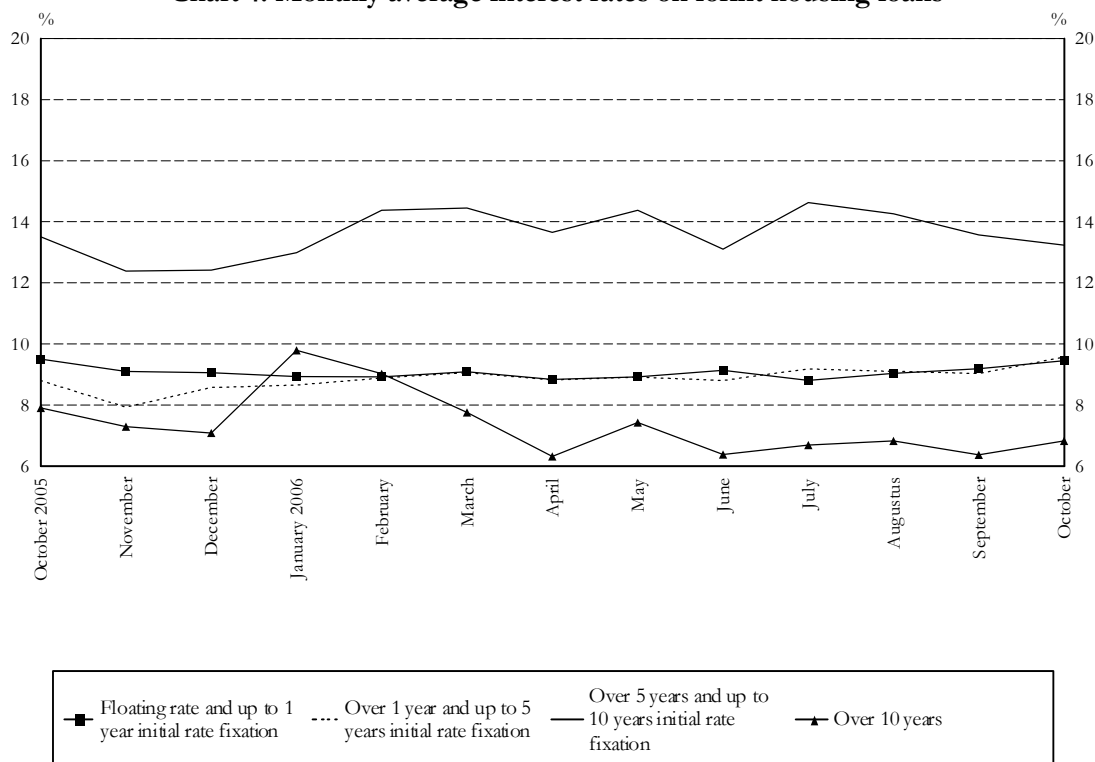
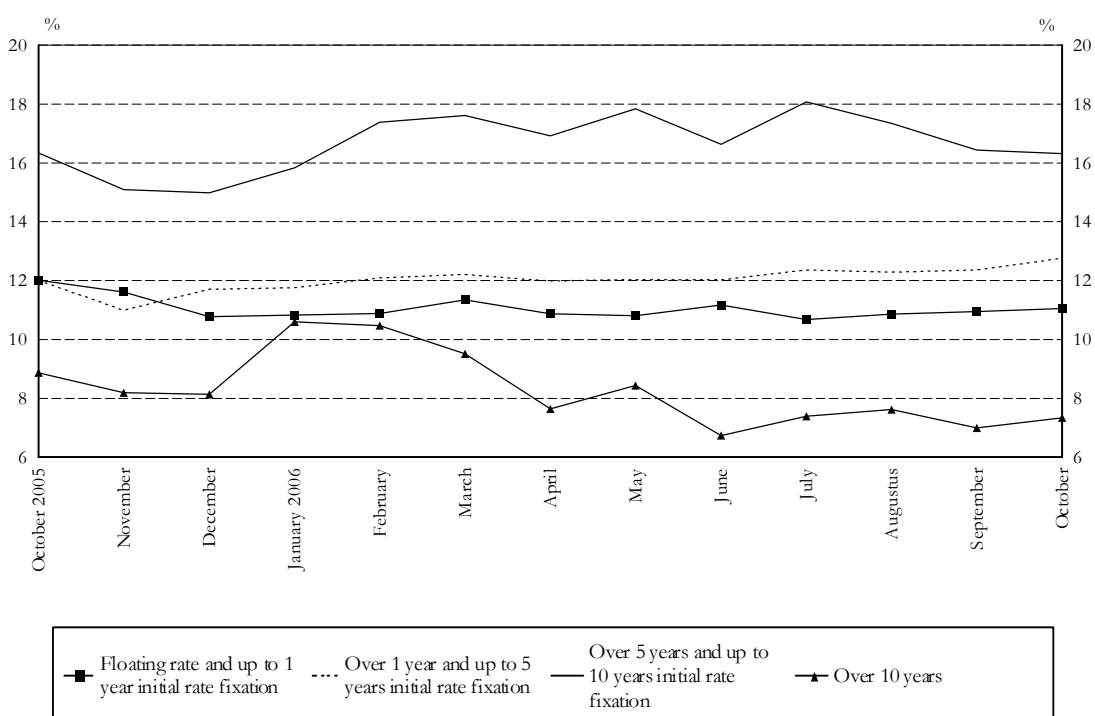


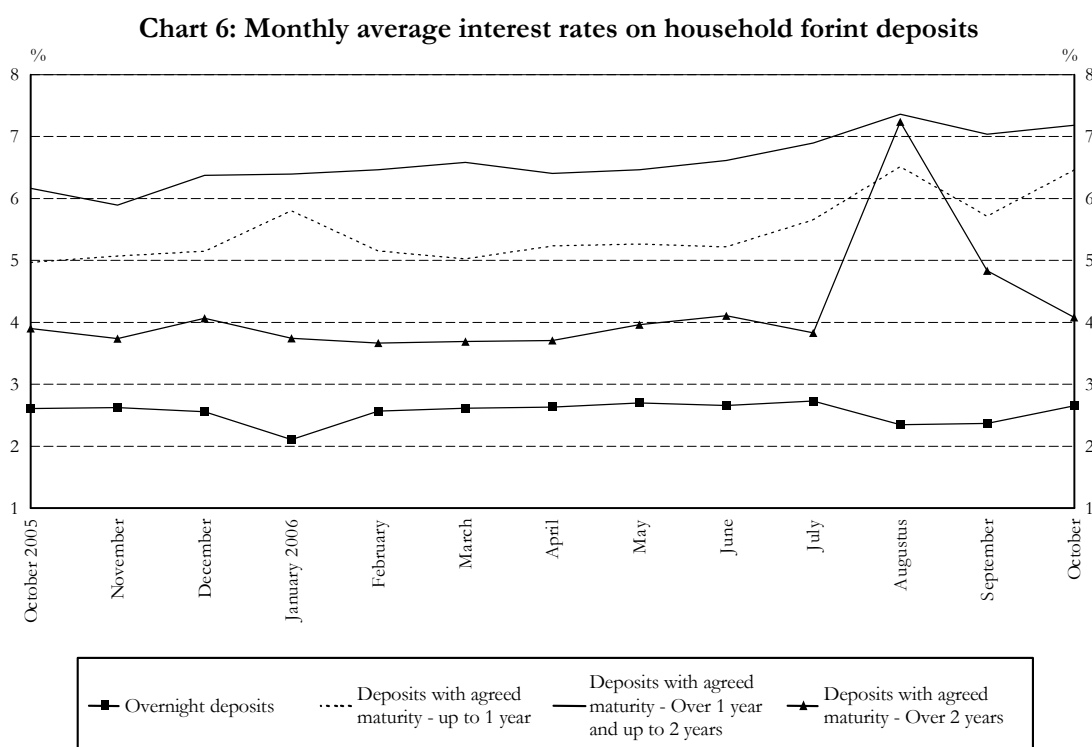
Chart 5: Monthly average APR on forint housing loans



The average interest rates and APRs on loans for house purchase with floating interest rates or with up to one year initial rate fixation and that on housing loans with over 1 year and up to 5 years initial rate fixation have shown a slightly increasing trend. In October, average interest rates were in the vicinity of 9.5%; the APR on loans with floating interest rates or with up to one year initial rate fixation was 11.06%, while the APR on housing loans with over 1 year and up to 5 years initial rate fixation was 12.76%.

The average interest rate and APR on loans with over 5 years and up to 10 years initial rate fixation have been steadily declining since August, amounting in October to 13.24% and 16.32%, respectively.

In October, the average interest rate and average APR on loans for house purchase with over 10 years initial rate fixation amounted to 6.83% and 7.34%, respectively.

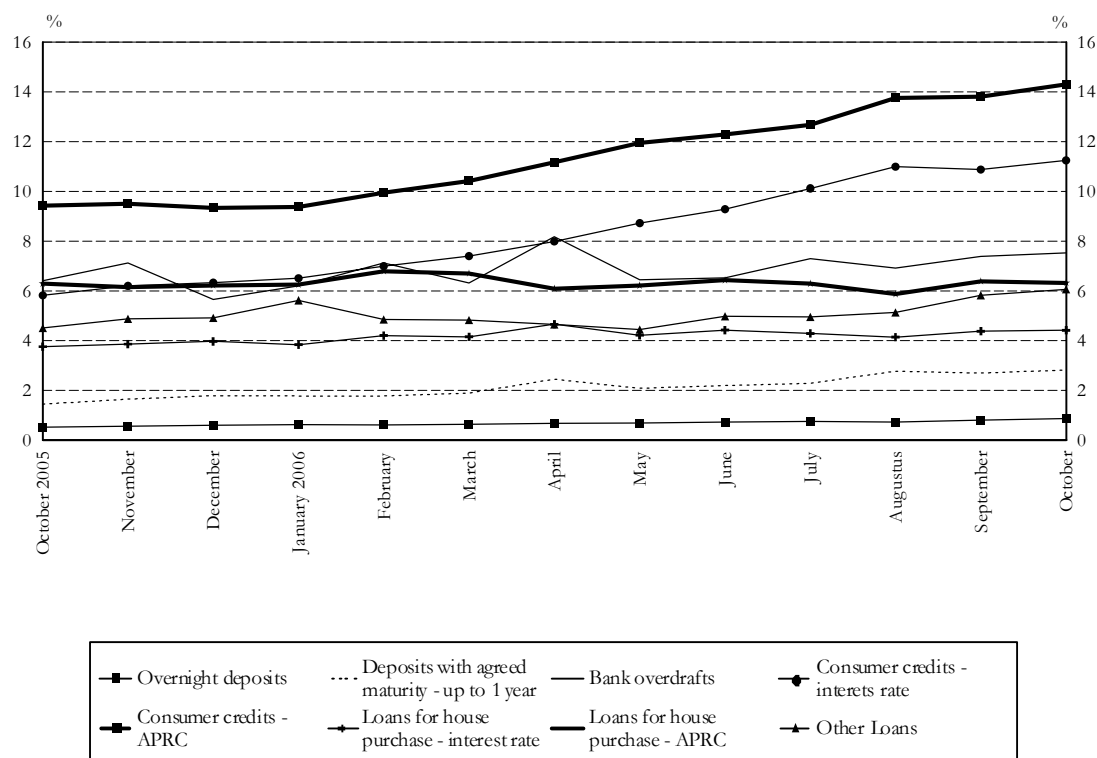


Following lower values in recent months, the average of interest rates on households' overnight deposits returned to the level of around 3%, reaching 2.66% in October. The increasing trend of average interest rates on deposits with an agreed maturity of up to 2 years observed in the last one year continued, and in October the interest rate on deposits with an agreed maturity up to one year amounted to 6.46%, while that on deposits with an agreed maturity over 1 year and up to 2 years amounted to 7.18%. In October, the effect of the introduction of the withholding tax on interest income in September was not reflected any more at the level of average interest rate on deposits with an agreed maturity of over two years, and the average interest rate returned to the earlier level of around 4%.

Following the low level in the previous month, the amount of new deposits with agreed maturity from households increased and reached HUF 417.6 billion.

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 deposits ²



The trend of the average interest rate on euro overdrafts has been upwards since May 2006. It was 7.54% in October. In the same month, the average interest rate and APR on loans for house purchase with floating interest rates or with up to one year initial rate fixation was 4.42% and 6.33%, respectively. The upward trend of consumer credit with floating interest rates or with up to one year initial rate fixation continued in October, although the rate of growth had been lower since August than in earlier months. The average interest rate on other loans with floating interest rates or with up to one year initial rate fixation reached 6% in October, the highest value of last year.

The average interest rate on households' euro deposits has been rising slowly, but steadily over the past year. The average rate on overnight deposits was 0.87%, while that on deposits with agreed maturity of up to one year amounted to 2.83%.

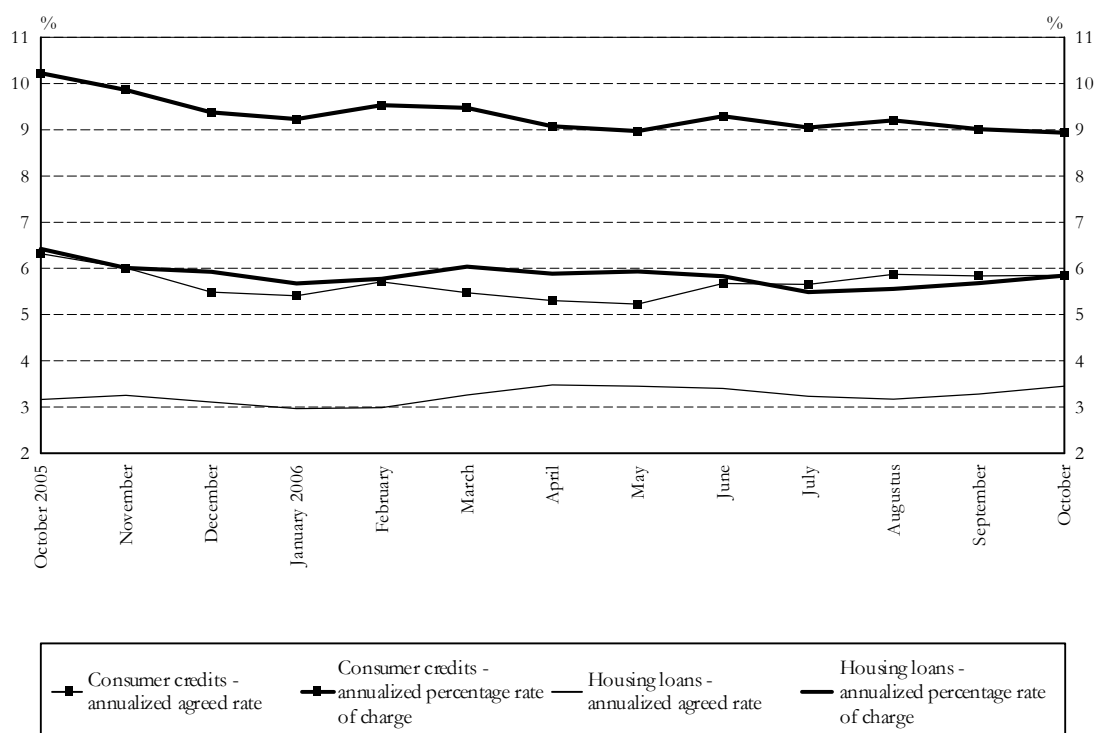
The value of households' euro deposits increased, reaching HUF 109.0 billion in October. The value of euro-denominated loan agreements³ was the lowest in October in the past one year, amounting to HUF 2.1 billion.

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.

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



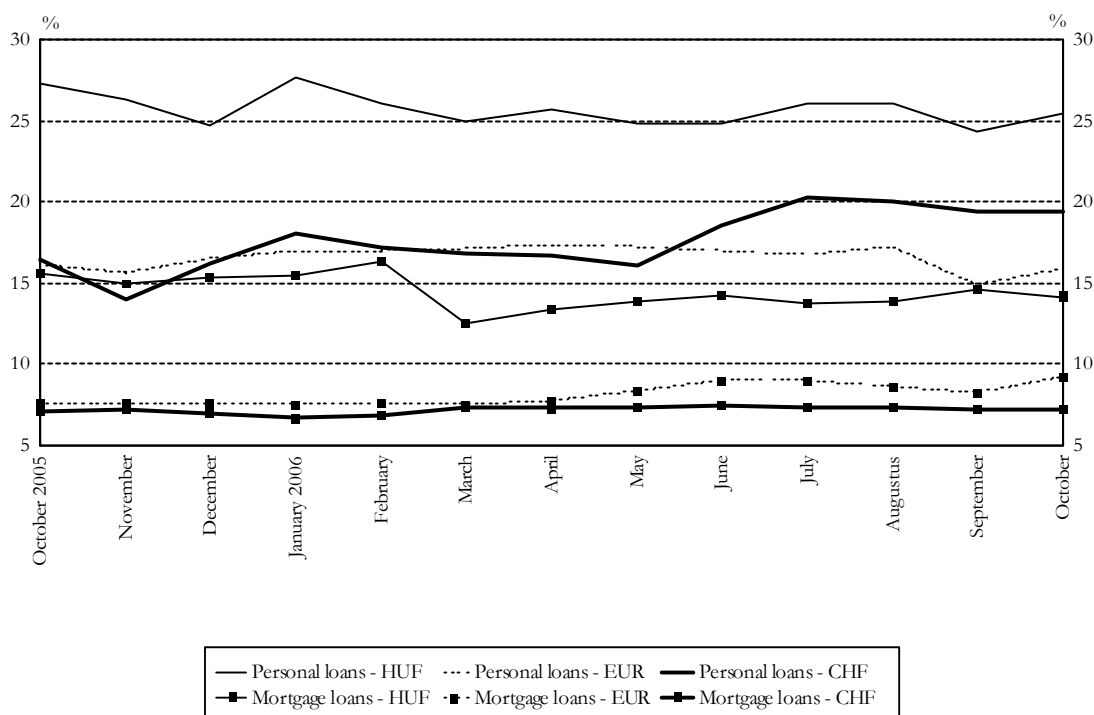
Both the average interest rate and APR on Swiss franc-denominated consumer credit with floating interest rates or with up to one year initial rate fixation showed a downward trend in the last one year, although the APR declined to a greater extent than the average annualised interest rate. Since July, the average interest rate and average APR on these loans have been fluctuating at around 6% and 9%, respectively. In October, the average interest rate was 5.85%, whereas the APR was 8.94%.

The average interest rate on Swiss franc-denominated loans for house purchase increased from 3% at the beginning of the year to 3.5% by October, while the average APR, following lower values in the previous couple of months, increased to around 6% amounting to 5.84% in October.

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. APR on forint, euro and Swiss franc-denominated loans to the household sector

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



Following a decline in the previous month, the APRs on households' forint and euro personal loans with floating interest rates or with up to one year initial rate fixation have increased to 25.40% and 15.81%, respectively. The average APR on Swiss franc personal loans has been declining from around 20% since July 2006. It was 19.37% in October.

The average APR on forint mortgage loans for consumption with floating interest rates or with up to one year initial rate fixation has been increasing since March 2006; the value of this indicator was 14.17% in October. Following a decline in the previous months, the APR on euro loans started to increase again in October, thus continuing the upward trend which has lasted for a year. The APR on Swiss franc loans has been above 7% since March 2006, and it was 7.24% in October.

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

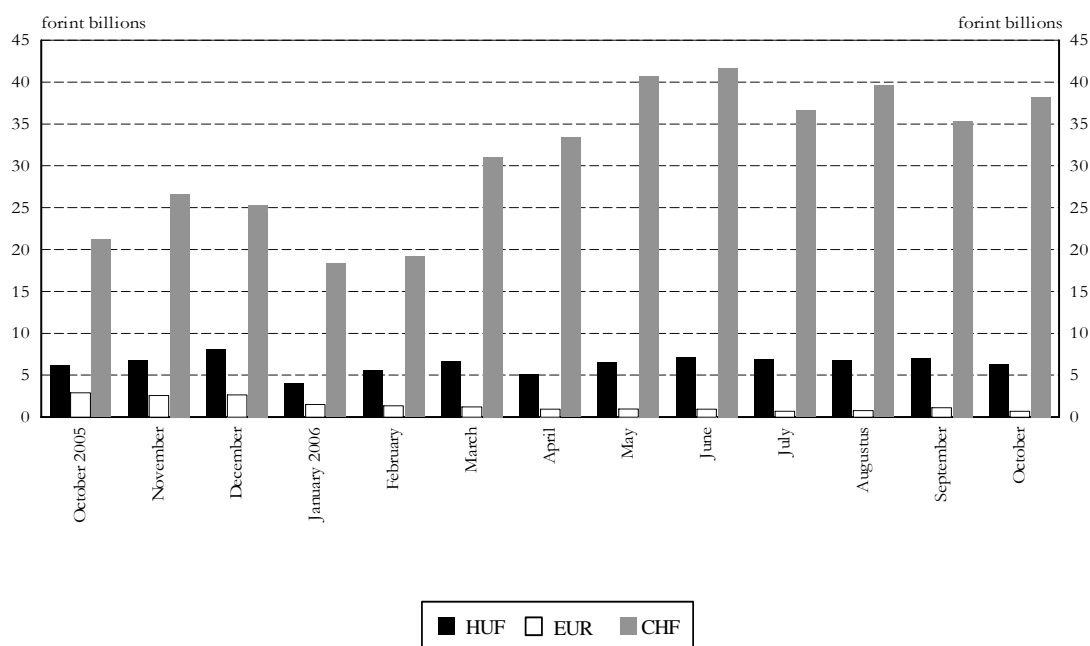
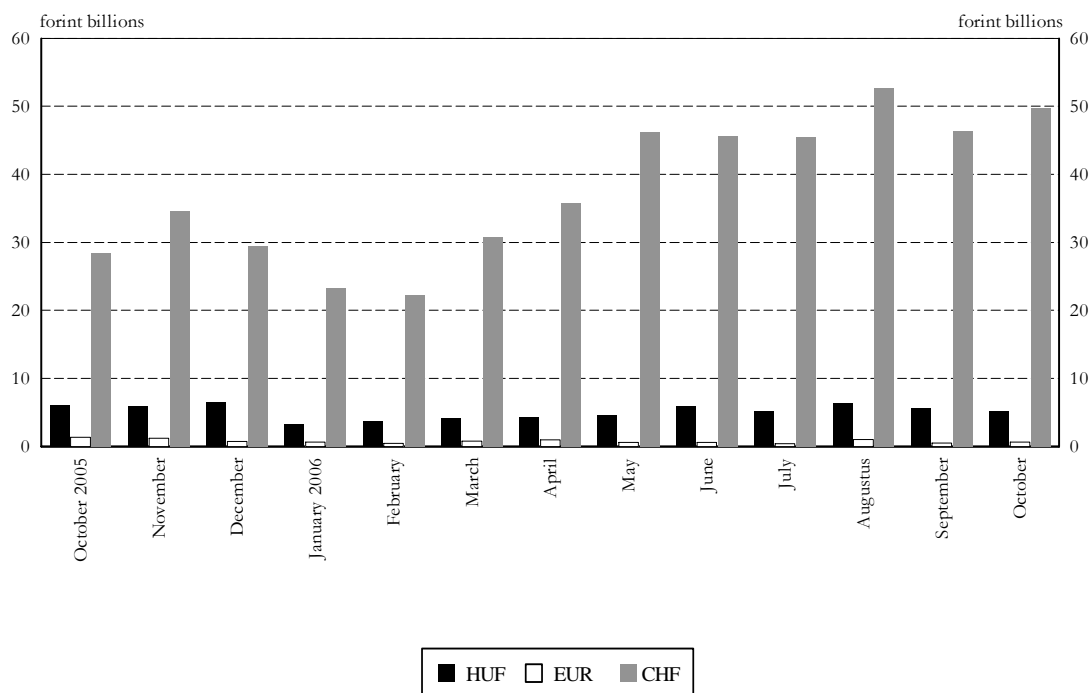


Chart 11: New forint, euro and Swiss franc-denominated housing loans with floating interest rates or with up to one year initial rate fixation

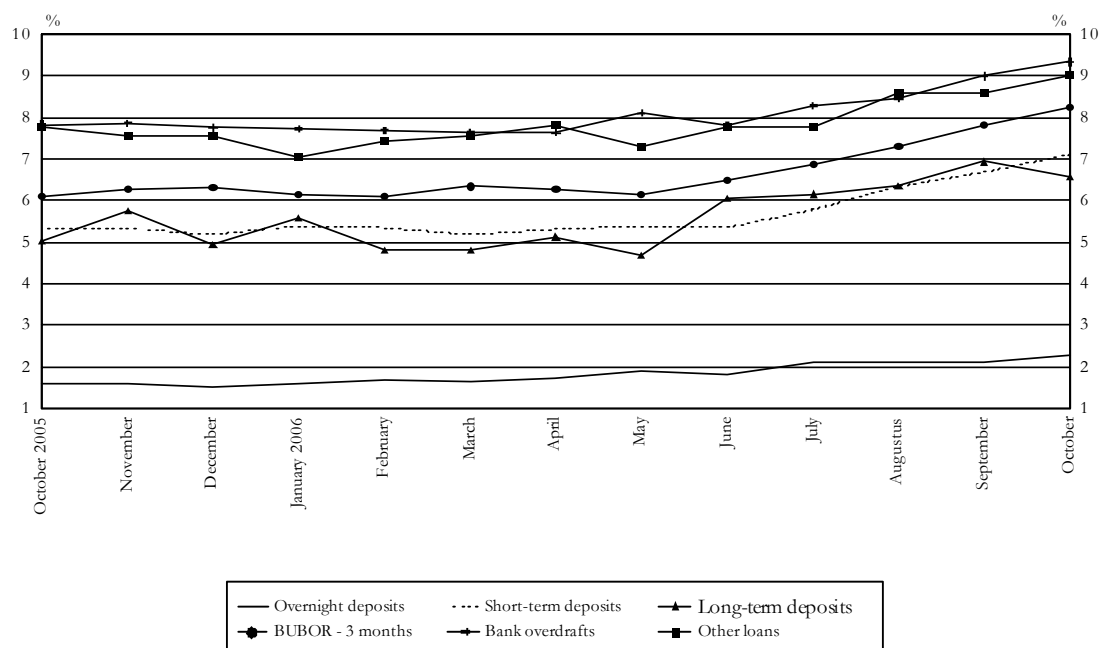


The value of new loans increased in case of both consumer and housing loans denominated in Swiss franc, which dominate within new loans. The value of consumer credits and housing loans amounted to HUF 38.3 billion and HUF 49.8 billion, respectively.

2. Non-financial corporations

2.1. Forint loans and deposits

Chart 12: Monthly average forint borrowing and deposits rates of non-financial corporations and the BUBOR

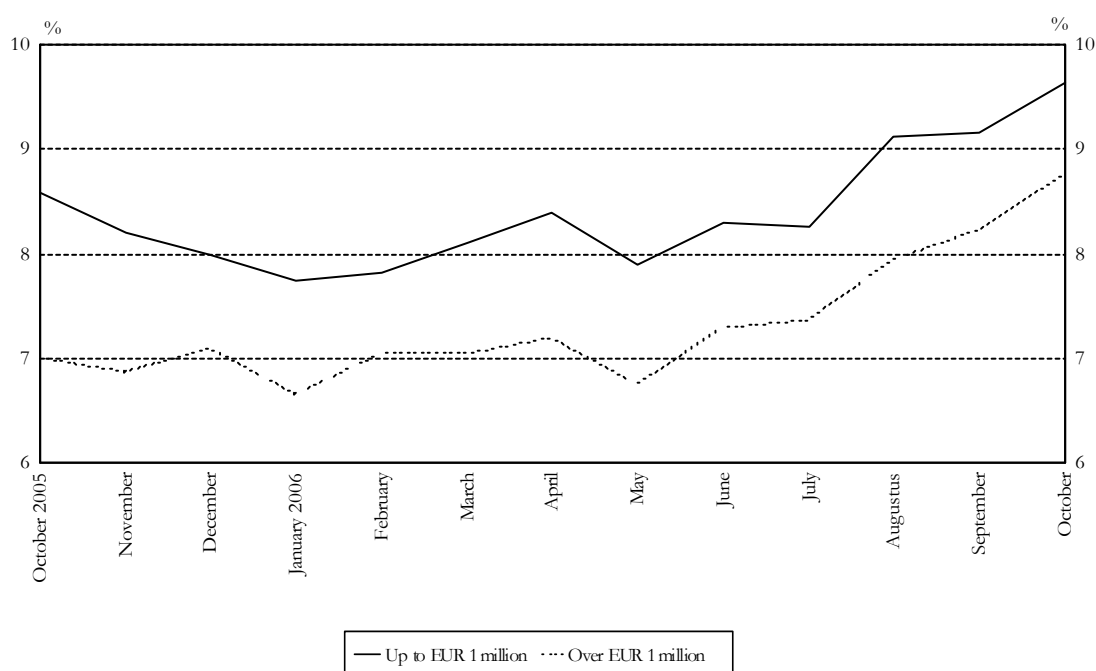


Continuing the upward trend since May, the growth rate of the interest rates on non-financial corporations' loans and deposits with an agreed maturity of up to one year corresponded to that of the BUBOR in October. Average interest rates on overdrafts and on loans other than overdrafts were 9.34% and 9.02%, respectively. The amount of new loans with floating interest rates or with up to one year initial rate fixation, excluding overdrafts, was HUF 261.8 billion in October.

The interest rate on overnight deposits remained above 2% in October as well, amounting to 2.27%. The dynamic upward trend of the average of interest rates on deposits with an agreed maturity of up to one year has continued since June, and the average interest rate increased from 5% in June to 7% in October. The average interest rate on deposits with an agreed maturity of over one year shows an increasing trend, but the interest rate of these deposits is volatile due to specific effects. The interest rate on deposits with an agreed maturity of over one year was 6.58% in the month under review.

In October, the value of new deposits with an agreed maturity declined again and amounted to HUF 1,333.8 billion.

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

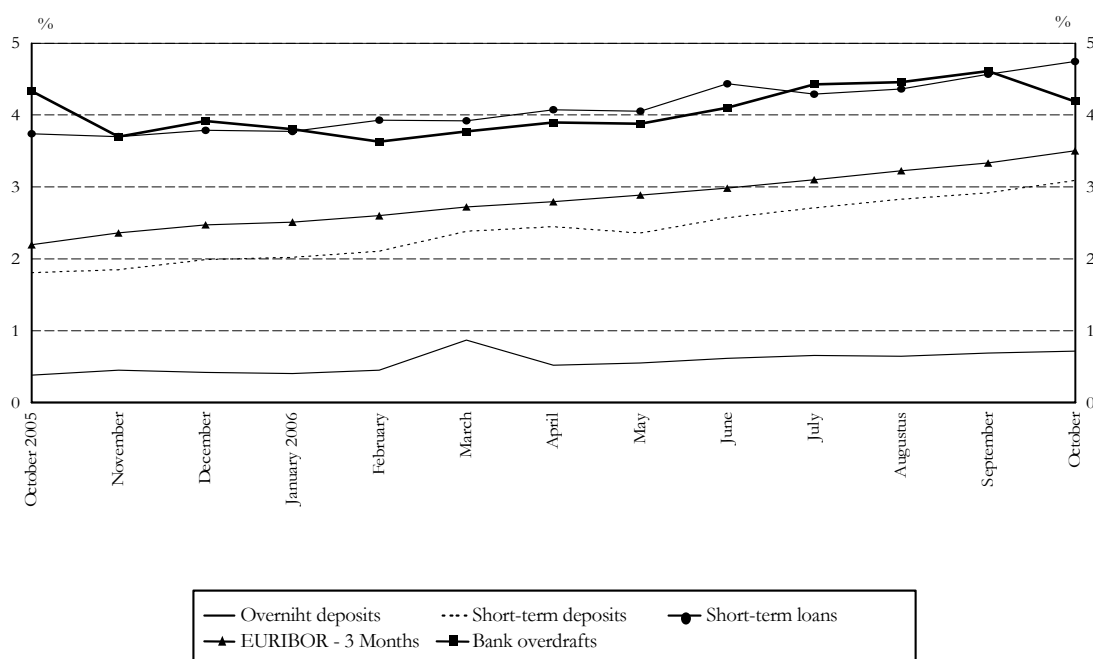


The average interest rates on forint loans provided to non-financial corporations, excluding bank overdrafts, rose both in cases of loans below and up to the equivalent of EUR 1 million.⁵ The average interest rate on loans up to the equivalent of EUR 1 million was 9.64%, while that of forint loans over the equivalent of EUR 1 million was 8.76% in October.

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

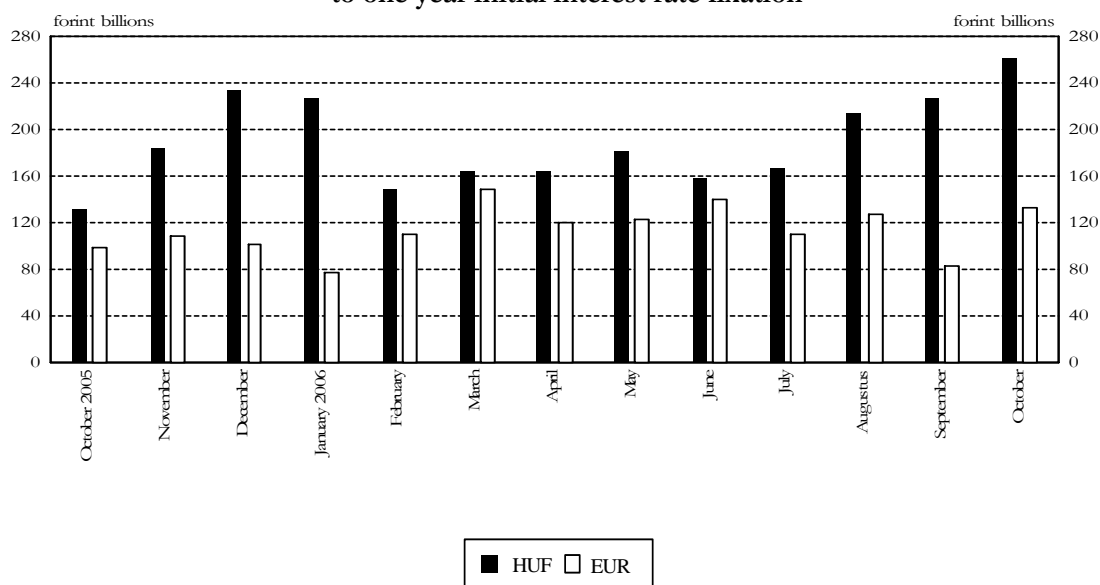
Chart 14: Monthly average euro borrowing and deposit rates of non-financial corporations and the EURIBOR



The average interest rate of non-financial corporations' euro-denominated loans with floating interest rates or with up to one year initial rate fixation, other than overdrafts, is increasing to the same extent as the growth rate of the EURIBOR, amounting to 4.75% in October. Breaking the upward trend, the average interest rate on overdrafts declined to 4.19%, due to an increase in the ratio of loans with lower interest rates.

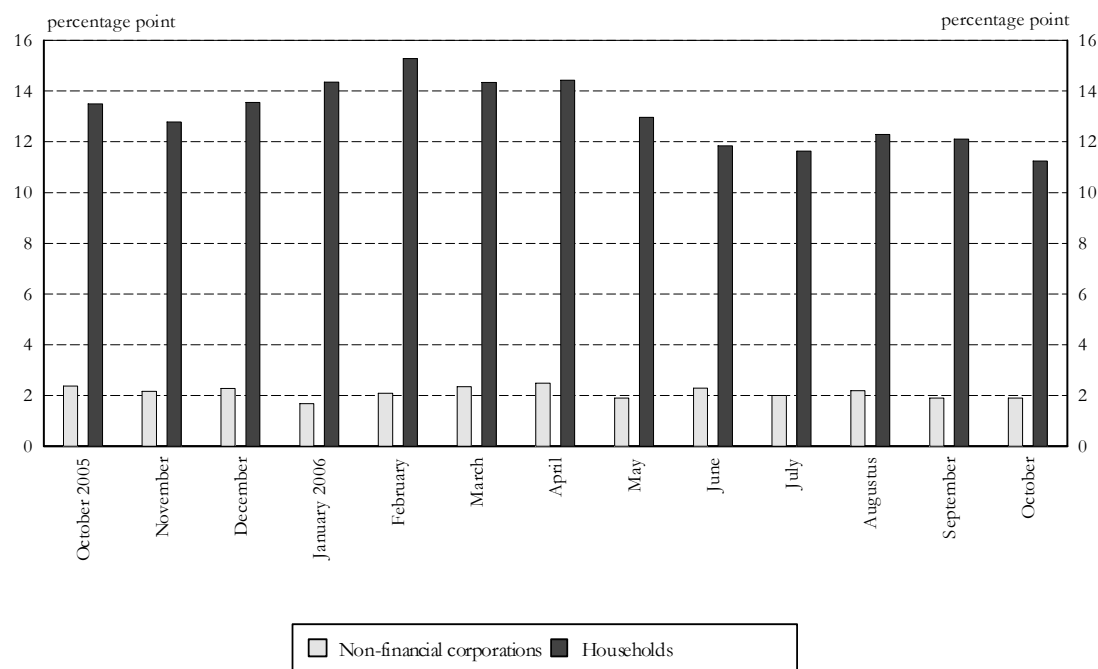
The average interest rate on non-financial corporations' euro-denominated overnight deposits was 0.72% in October. The trend of the average interest rate on deposits with an agreed maturity of up to one year has been upward in the past one year; the interest rate exceeded 3% in October. The amount of new loans with floating interest rates or with up to one year initial rate fixation, excluding overdrafts, was HUF 132.2 billion, while that of deposits with an agreed maturity of up to one year was HUF 767.1 billion in October.

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



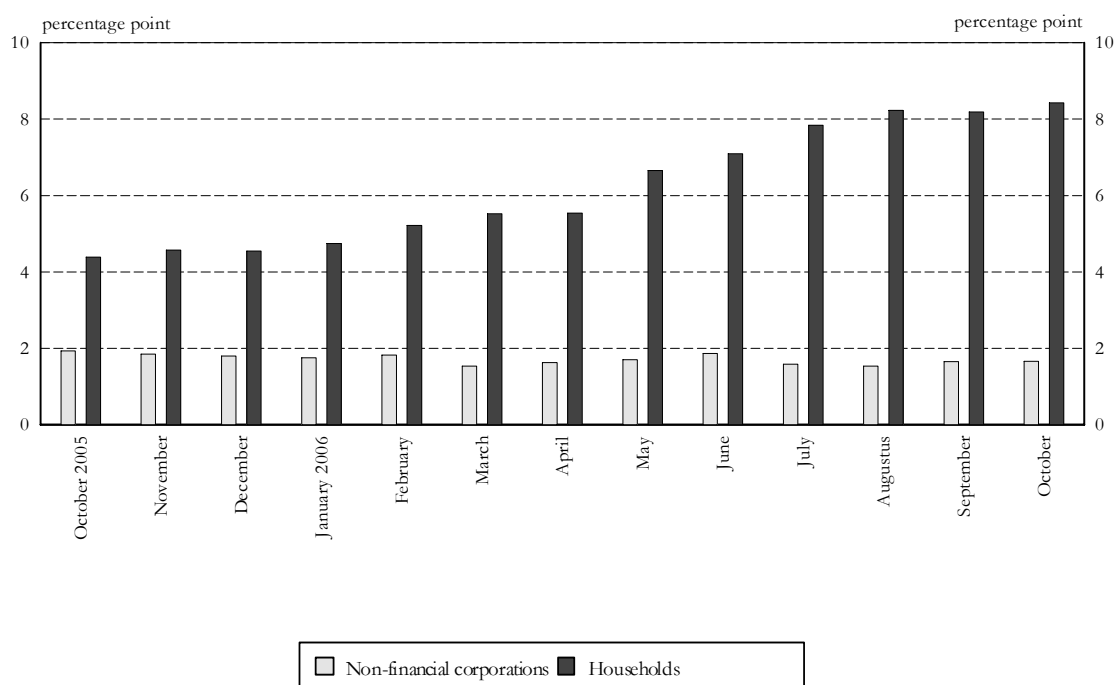
3. Differentials between loan and deposit rates

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 had been at 12% since June, but it declined to 11.24% by October. At short maturities, which account for a significant share within NFC sector loans and deposits, the gap between average interest rates was 1.90 percentage points in October.

Chart 17: 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-denominated consumer credit with floating interest rates or with up to one year initial rate fixation and on euro deposits with an agreed maturity of up to one year has been above 8% for some months, amounting to 8.42%. In October, 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 an agreed maturity of up to one year remained at the level of the previous months, amounting to 1.66%.

4. Interbank unsecured forint loans

Chart 18: Average official and forint interbank rates in October 2006

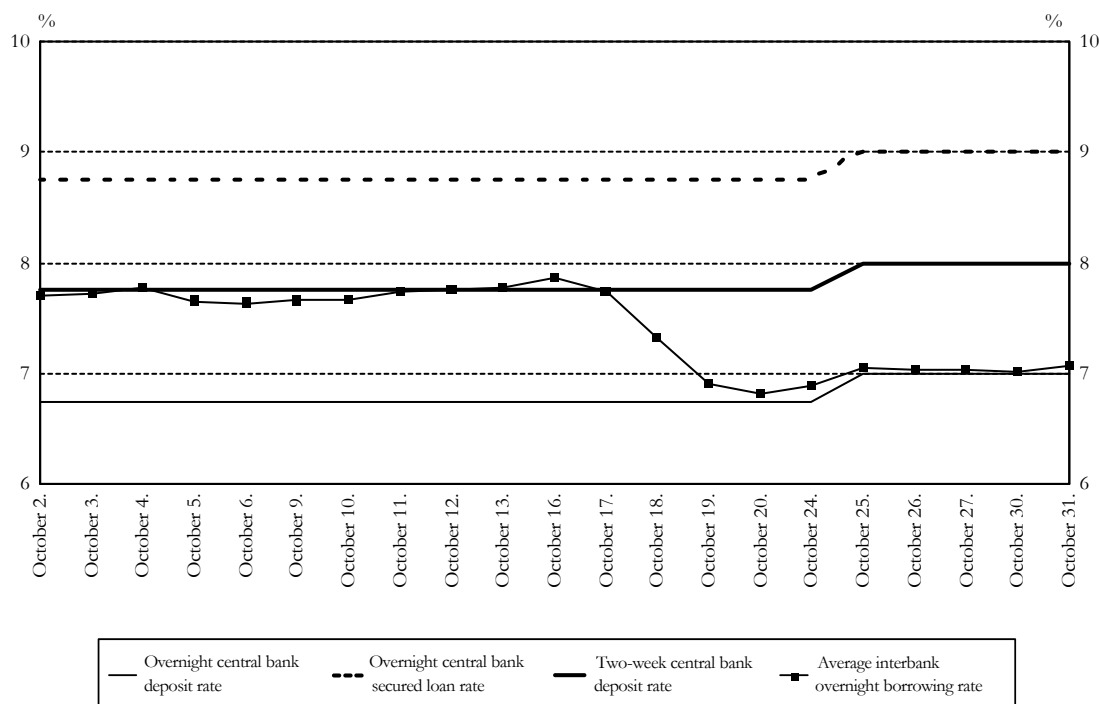
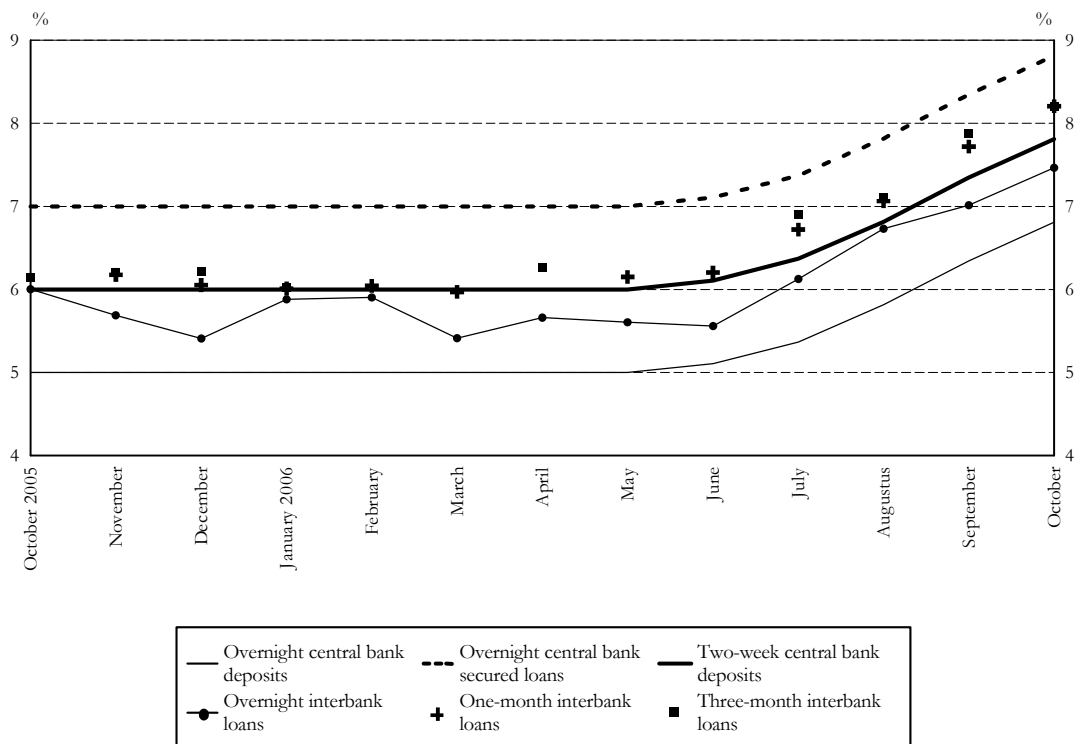


Chart 19: Average official and forint interbank rates



Turnover in the forint interbank market continued to decline in October. Following a fall of HUF 536.2 billion, it amounted to the lowest value of the last one year with HUF 1,850.1 billion. Average interest rates on unsecured forint lending rose at every maturity. In October, the average

overnight lending rate, weighted by the total value of transactions was 7.43%; that on loans provided for one month 8.21%; 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=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 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 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.

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, 14

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 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 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'.

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

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.

decreased significantly in case of this facility, which is provided by relatively few banks. The 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 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 12 and 14

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 13

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.