

29 June 2007

PRESS RELEASE

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

The interest rate level of forint-denominated loans to the household sector can be considered unchanged in the last one year. Of the interest rates on deposits with agreed maturity, the interest rate level on those up to one year declined, and in May returned to the level of November 2006.

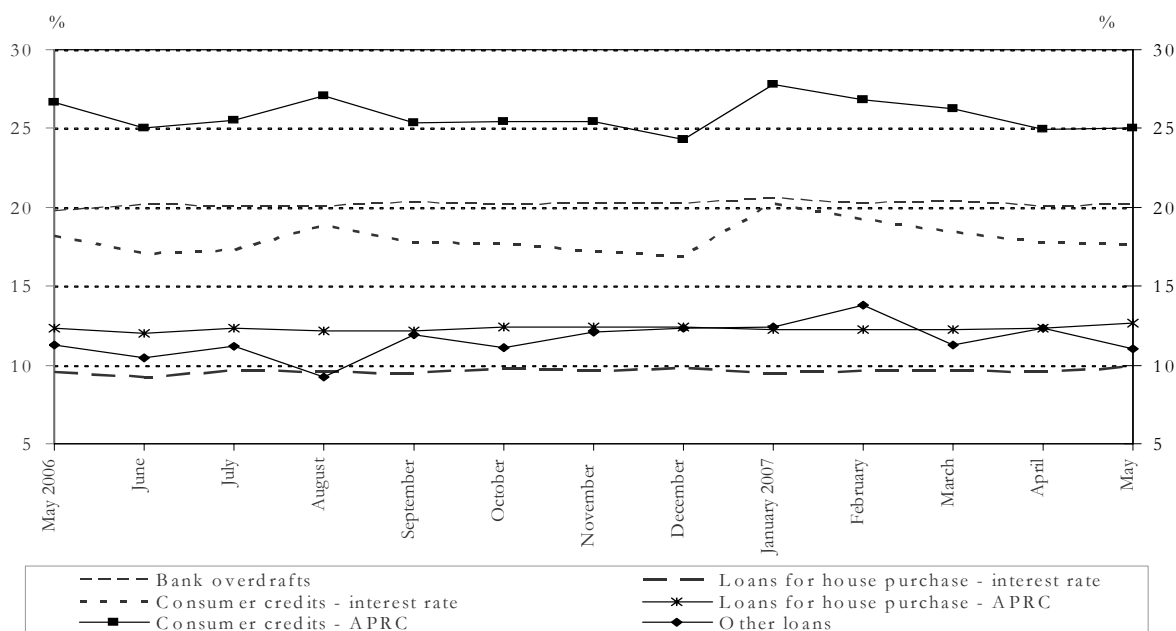
The amount of new Swiss franc-denominated consumer credit reached its all-time high of HUF 63.6 billion. Following a temporary decline in January, the amount of new Swiss franc-denominated housing loans continued to increase in May.

The average interest rate level on non-financial corporations' forint-denominated loans and deposits with an agreed maturity has remained practically unchanged since November 2006.

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, which was 20.17% in May, can be considered unchanged since January 2007.

The trend of the market-level¹ average interest rate and of the APR on housing loans has been unchanged for more than a year. In May, the interest rate was 9.90%, while the APR amounted to 12.63%.

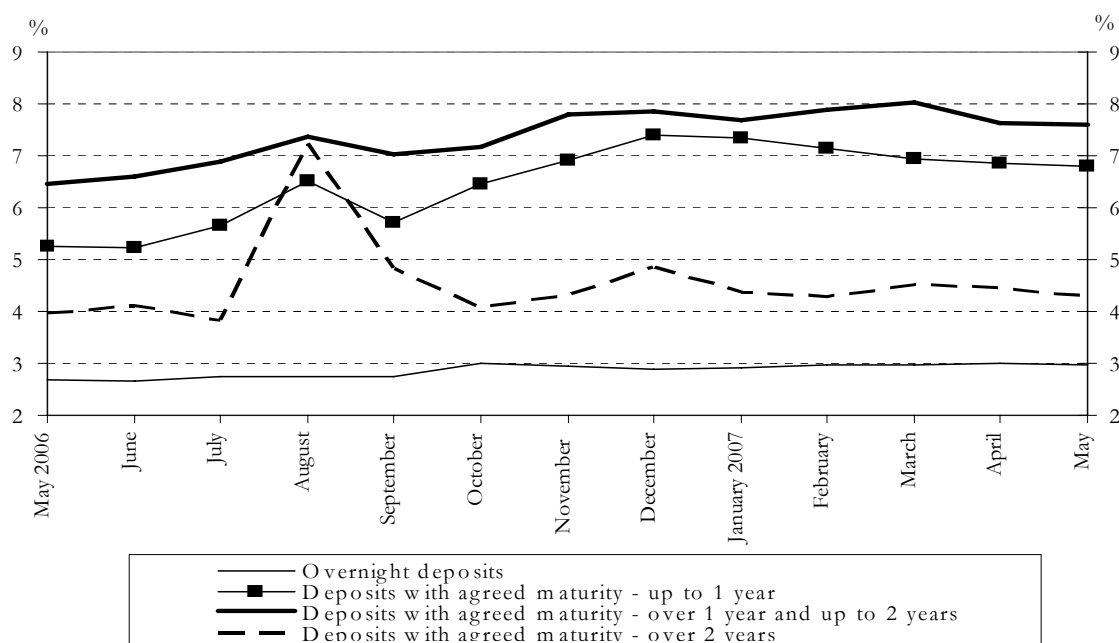
The level of the average interest rate and APR on consumer credit in all initial rate fixation categories remained almost unchanged in the last one year. In May, the average interest rate was 17.62%, while the average APR amounted to 25.01%.

The average interest rate on other loans has been fluctuating within a 2 percentage point band around 12% since December 2006. In May, the average interest rate was 11.05%.

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 May 2007, the amount of new consumer, housing and other loans also increased. The amount of new consumer credit, housing loans and other loans was HUF 19.7 billion, HUF 10.3 billion and HUF 11.5 billion, respectively.

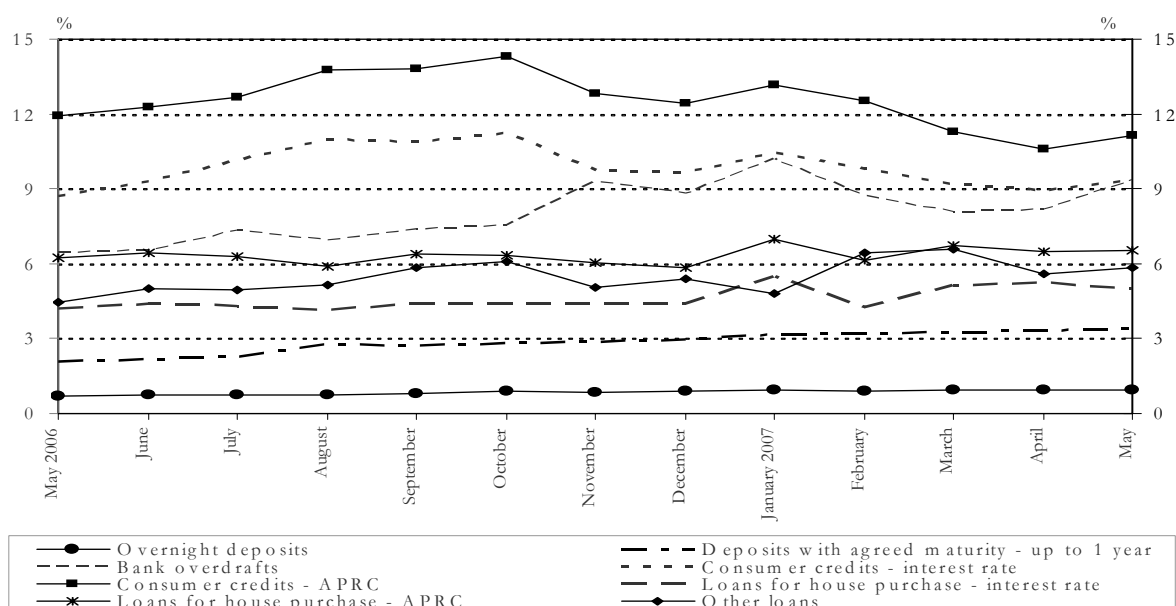
Chart 2: Monthly average interest rates on household forint deposits



The average interest rate on the household sector's overnight deposits amounted to 2.96% in May. Following an increase until December 2006, the average interest rate on deposits with agreed maturity up to one year declined steadily, the interest rate returned to the level observed in November 2006, and amounted to 6.81% in May. The level of average interest rates on deposits with agreed maturity over 1 year did not change, that on deposits with agreed maturity over 1 year and up to 2 years was 7.61%, while that on deposits with agreed maturity over 2 years amounted to 4.28% in May. In the same month, the value of new time deposits increased by HUF 36.1 billion to HUF 522.7 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



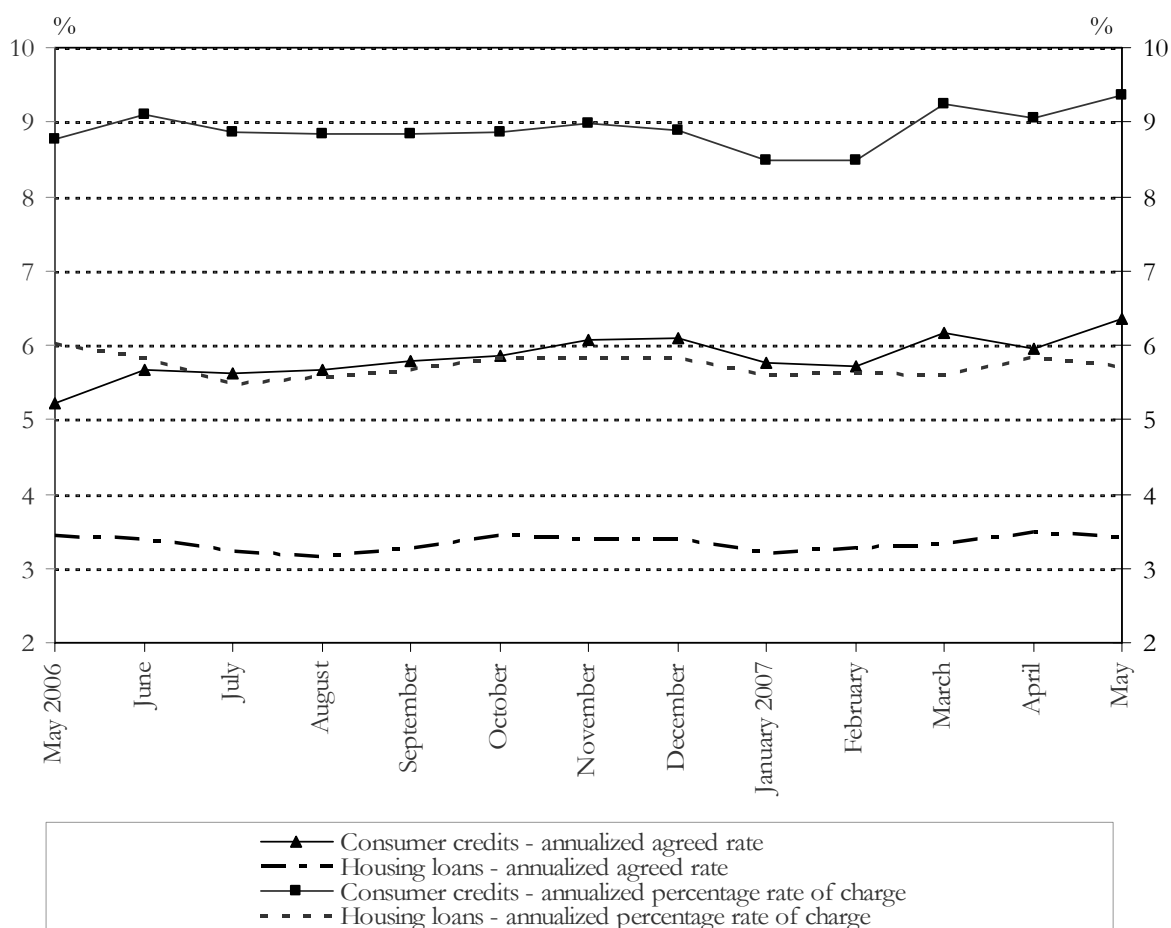
² This chart plots data on consumer credit, housing loans and other loans with a floating interest rate or with up to 1 year initial rate fixation.

In May, the value of euro-denominated new loans³ amounted to a total HUF 1.6 billion. There was no significant change in the level of average interest rates and APR in May.

The average interest rate on euro overnight deposits showed a growing trend in recent years, and the interest rate amounted to 0.96% in May. The level of average interest rates on euro deposits with agreed maturity up to one year also increased during last year, and the average interest rate was 3.43% in May. The value of households' new euro deposits was up last year, although the amount of new contracts is approximately only one third of the value of forint deposits.

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



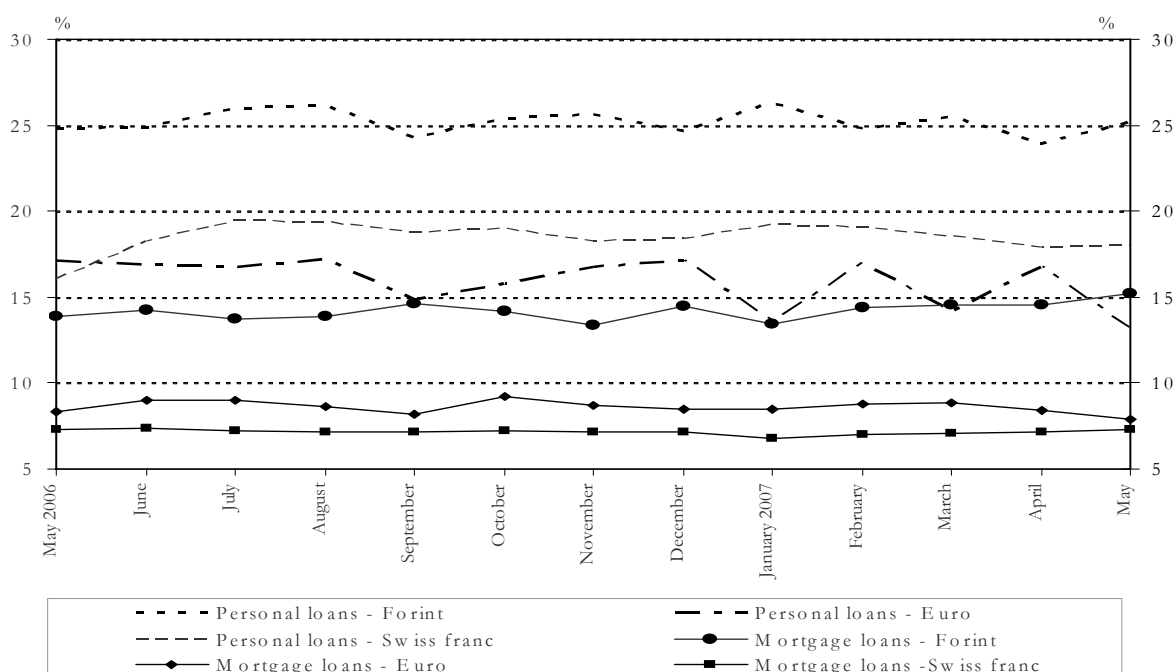
In the last one year, the average interest rate on Swiss franc-denominated consumer credit with floating interest rate or with up to 1 year initial rate fixation increased by 1 percentage point, with the interest rate amounting to 6.36% in May. However, the level of the APR did not change, and the APR was 9.36% in May. The average interest rate and APR on housing loans was practically unchanged last year. In May, the interest rate and the APR amounted to 3.41% and 5.71%, 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

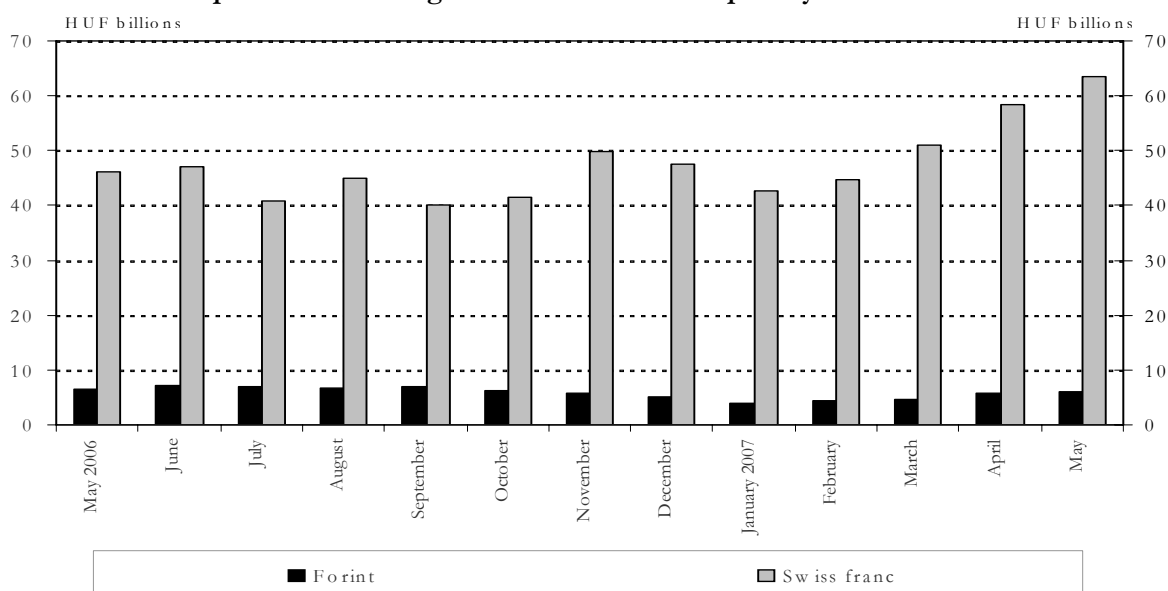
³ New loans are: consumer credit, housing loans and other loans with a floating interest rate or with up to 1 year initial rate fixation.

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).



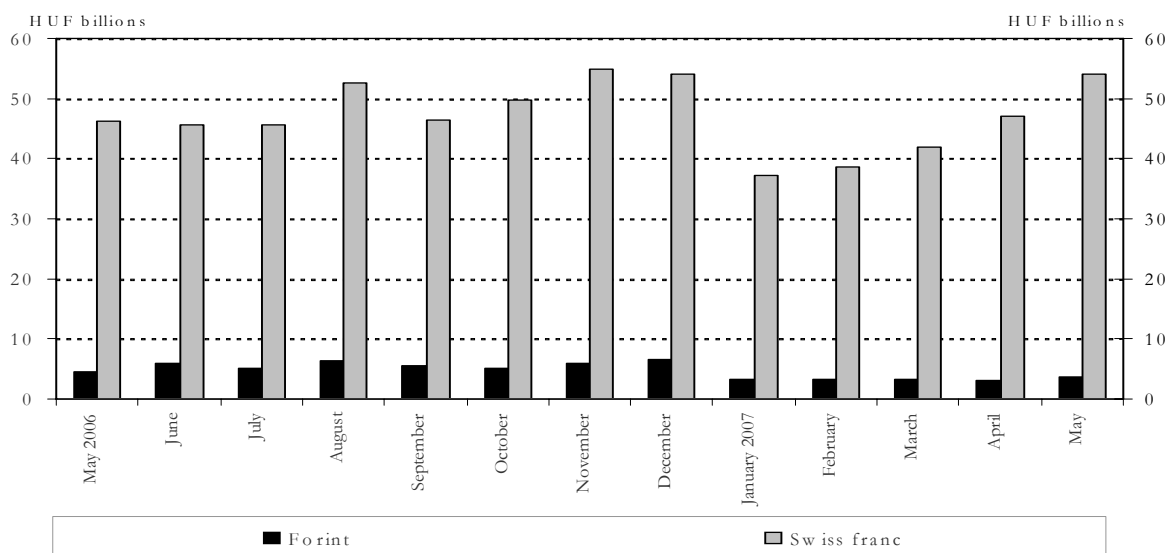
Following an increase in July 2006, the average APR on Swiss franc-denominated personal loans shows a slightly declining trend. During the last one year, the difference between the average interest rates on euro- and Swiss franc-denominated mortgage loans for consumption was the lowest in May 2007. In the same month, the average APR on the household sector's forint personal loans with floating interest rates or with up to 1 year initial rate fixation was 25.19%, while that on euro-denominated and Swiss franc-denominated personal loans amounted to 13.17% and 18.02%, respectively. The average APR on forint-denominated mortgage loans for consumption with floating interest rates or with up to 1 year initial rate fixation amounted to 15.21%, and that on euro loans and Swiss franc-denominated loans was 7.92% and 7.32%, 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 been increasing since February 2007. In May, the value of new loans reached the highest level observed since January 2005, amounting to HUF 63.6 billion. Since January 2007 the ratio of forint loans to Swiss franc ones has been below 10%. The amount of euro-denominated consumer credit is negligible; it remained below HUF 1.5 billion last year.

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

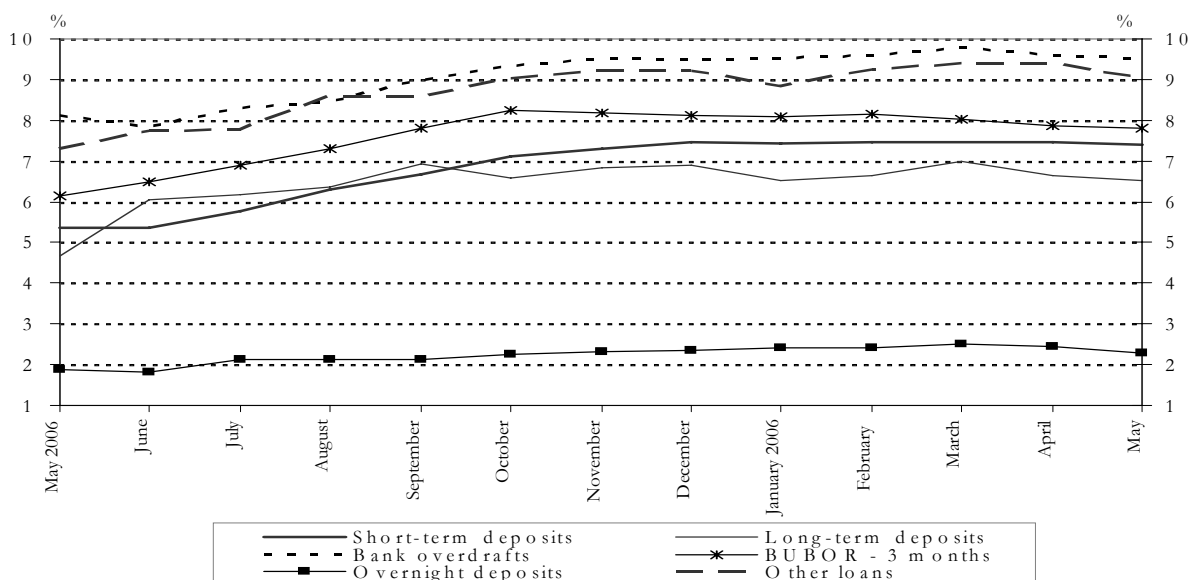


The amount of new housing loans has been steadily rising since February 2007. In May, the amount of new contracts returned to the level of end-2006, amounting to HUF 54.1 billion. Within housing loans, the ratio of forint denomination has steadily been declining since February 2007. In May, the amount of new forint loans was a mere 6.4% of Swiss franc loans. The amount of euro-denominated housing loans is insignificant; it was below HUF 2 billion during last 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

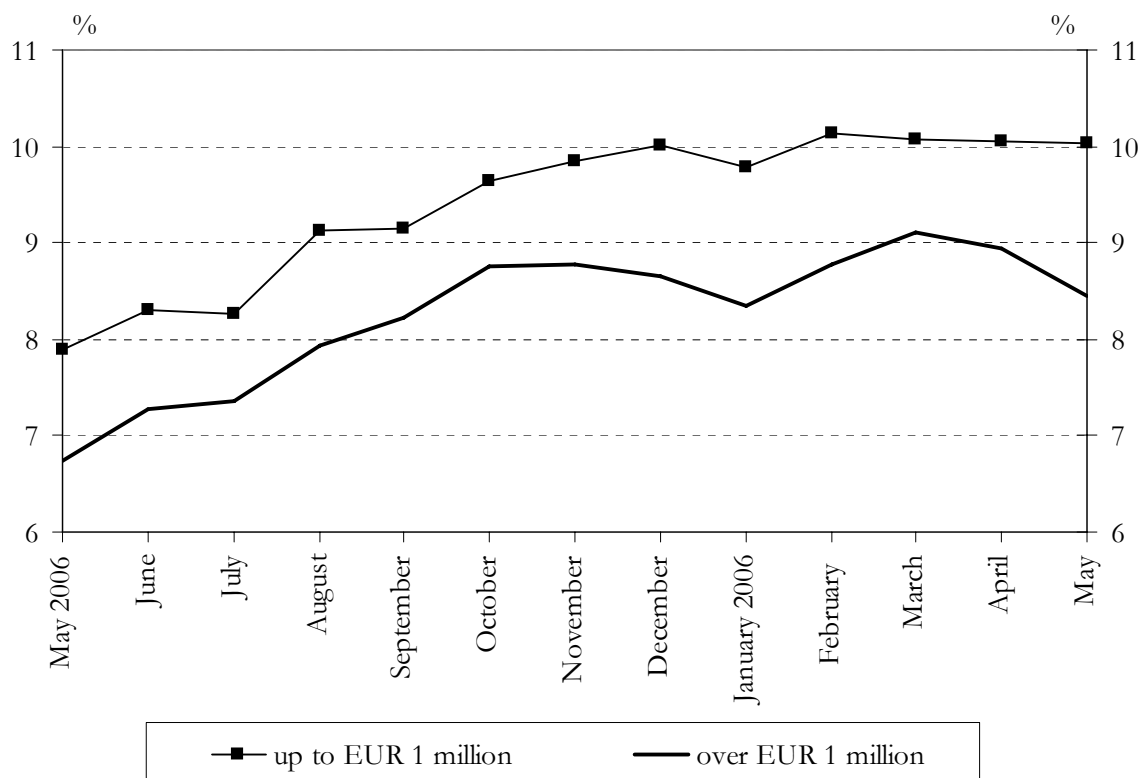


Average interest rates on non-financial corporations' forint-denominated loans and deposits have remained practically unchanged since October 2006. The average interest rate on overdrafts provided to non-financial corporations and that on loans other than overdrafts amounted to 9.53% and 9.03%, respectively. In May, the amount of new loans with floating interest rates or with up to 1 year initial rate fixation, excluding overdrafts, increased by HUF 10.9 billion to HUF 193.0 billion.

The increase in the average interest rate on overnight deposits observed last year seems to have been broken by the slight decline in May, when the interest rate was 2.29%. The level of interest rates on deposits with agreed maturity up to one year has remained unchanged since December. The interest rate amounted to 7.41% in May. In the same month, the amount of new time

deposits increased by HUF 61.2 billion to HUF 1,556.1 billion, which is the second highest value after the peak in August 2006.

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

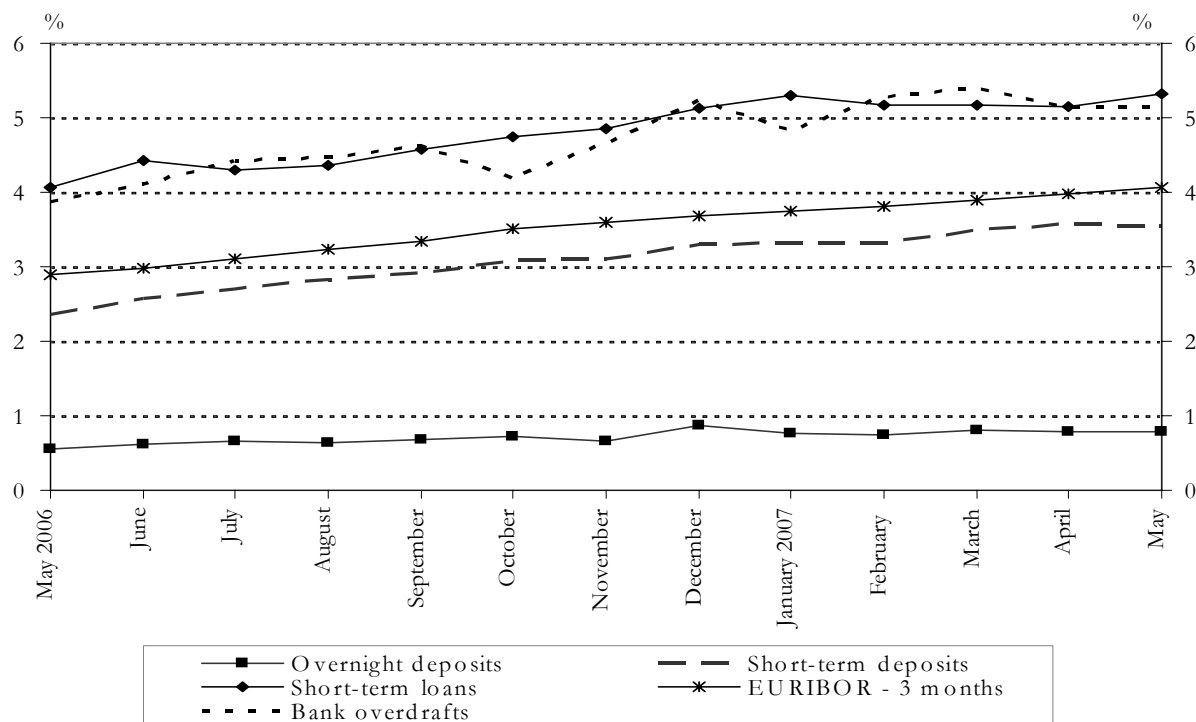


The average interest rate on forint loans provided to non-financial corporations up to the equivalent of EUR 1 million,⁵ excluding bank overdrafts, has been fluctuating close to the level of 10% since December 2006, amounting to 10.03% in May. The average interest rate on forint loans over the equivalent of EUR 1 million declined to 8.46%.

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

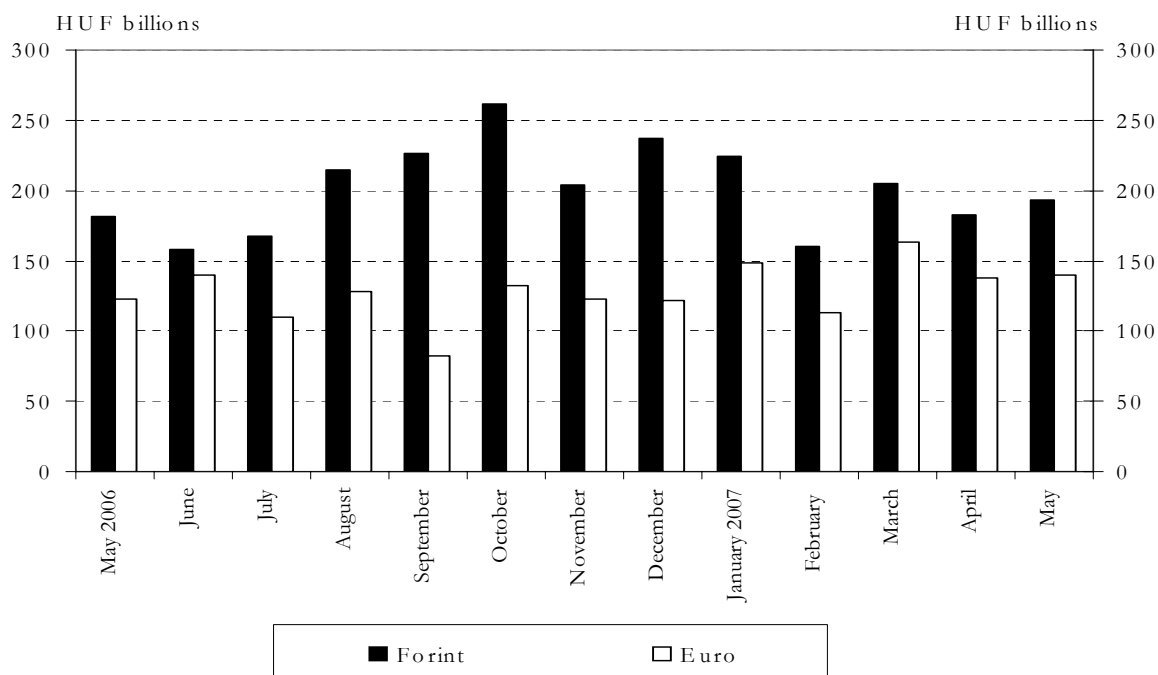
Chart 10: Monthly average euro borrowing and deposit rates of non-financial corporations and the EURIBOR



The average interest rate level of non-financial corporations' euro-denominated loans and deposits increased by 1 percentage point during the last one year. Both in terms of borrowing and lending rates, the growth rate of average interest rates observed during the last one year was identical with that of the EURIBOR.

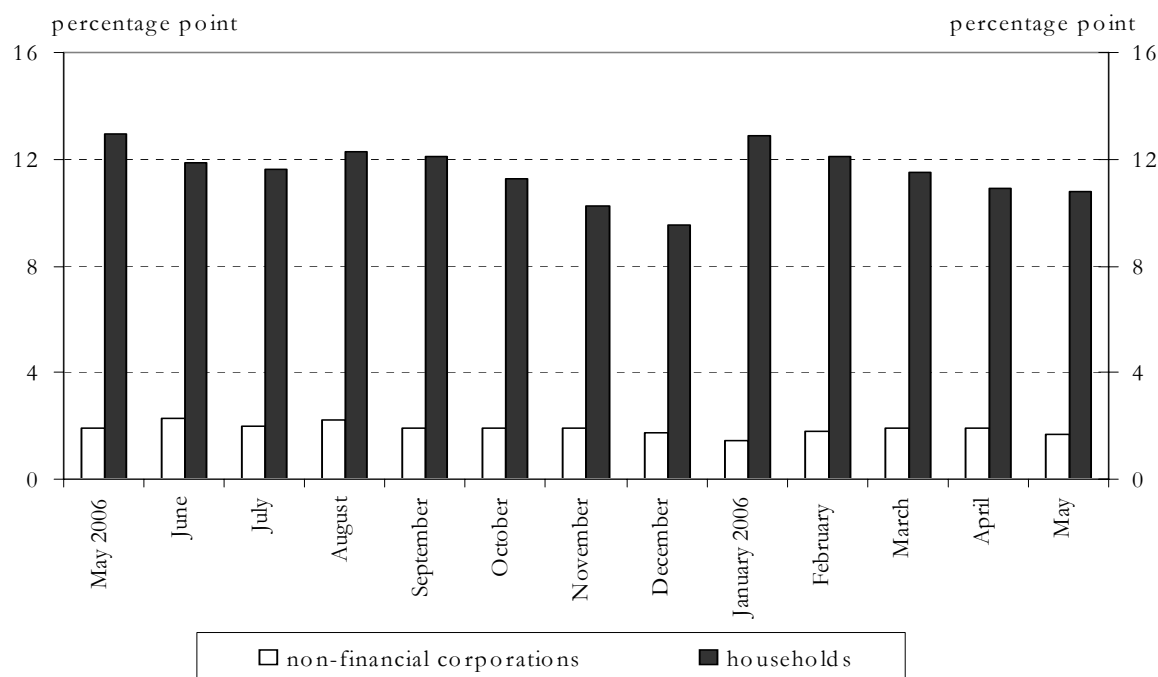
The amount of new loans with floating interest rates or with up to 1 year initial rate fixation, other than overdrafts, has not changed significantly in case of the euro denomination either, amounting to HUF 139.8 billion in May. At the same time, the amount of new deposits with agreed maturity up to one year was HUF 983.1 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



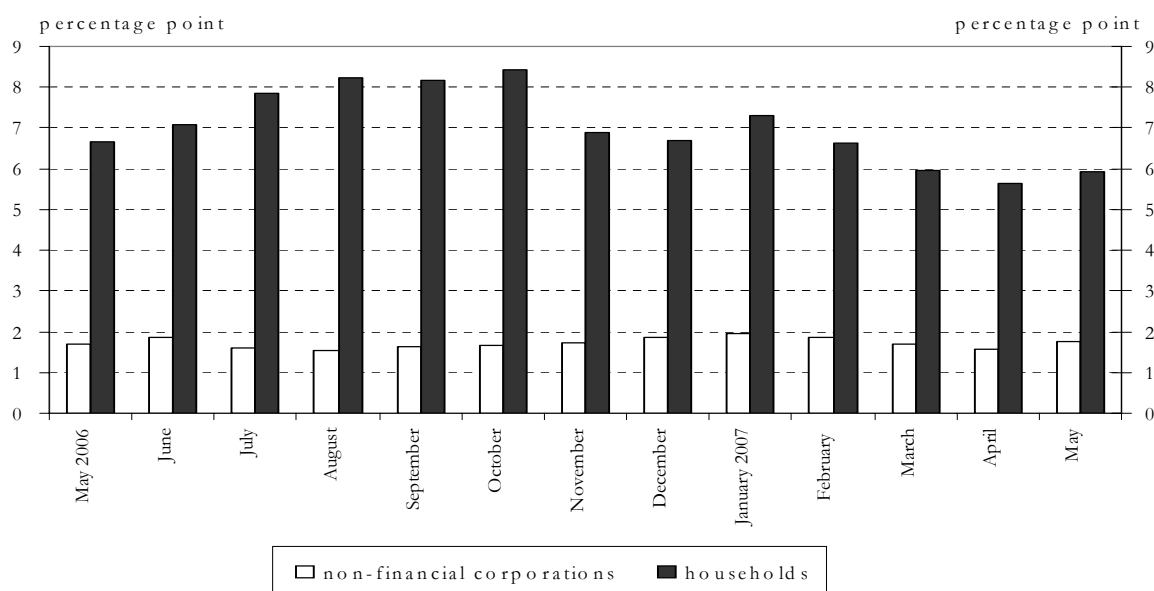
3. Differentials between loan and deposit rates

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 January 2007, amounting to 10.81 percentage points in May. At short maturities, which account for a significant share within NFC sector loans and deposits, the gap between average interest rates was 1.71 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 had started in February, 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 slightly increased in May, and amounted to 5.94 percentage points. 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 1.78 percentage points in May. 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 May 2007

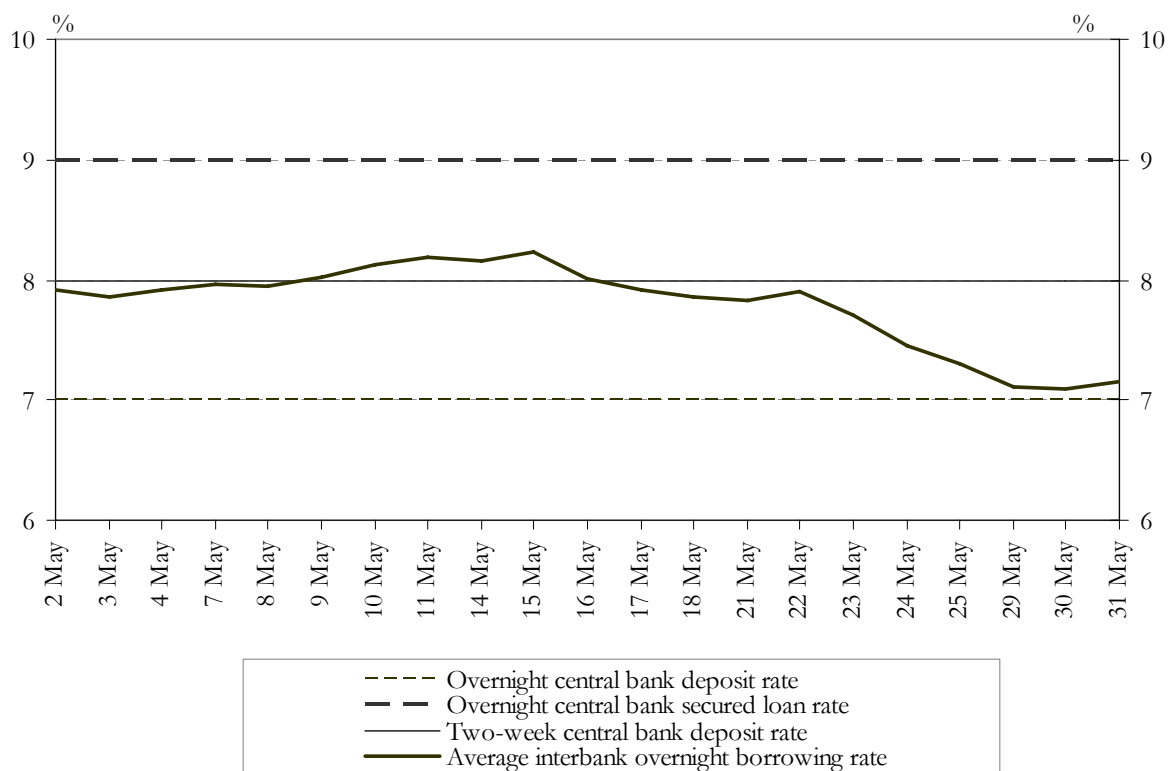
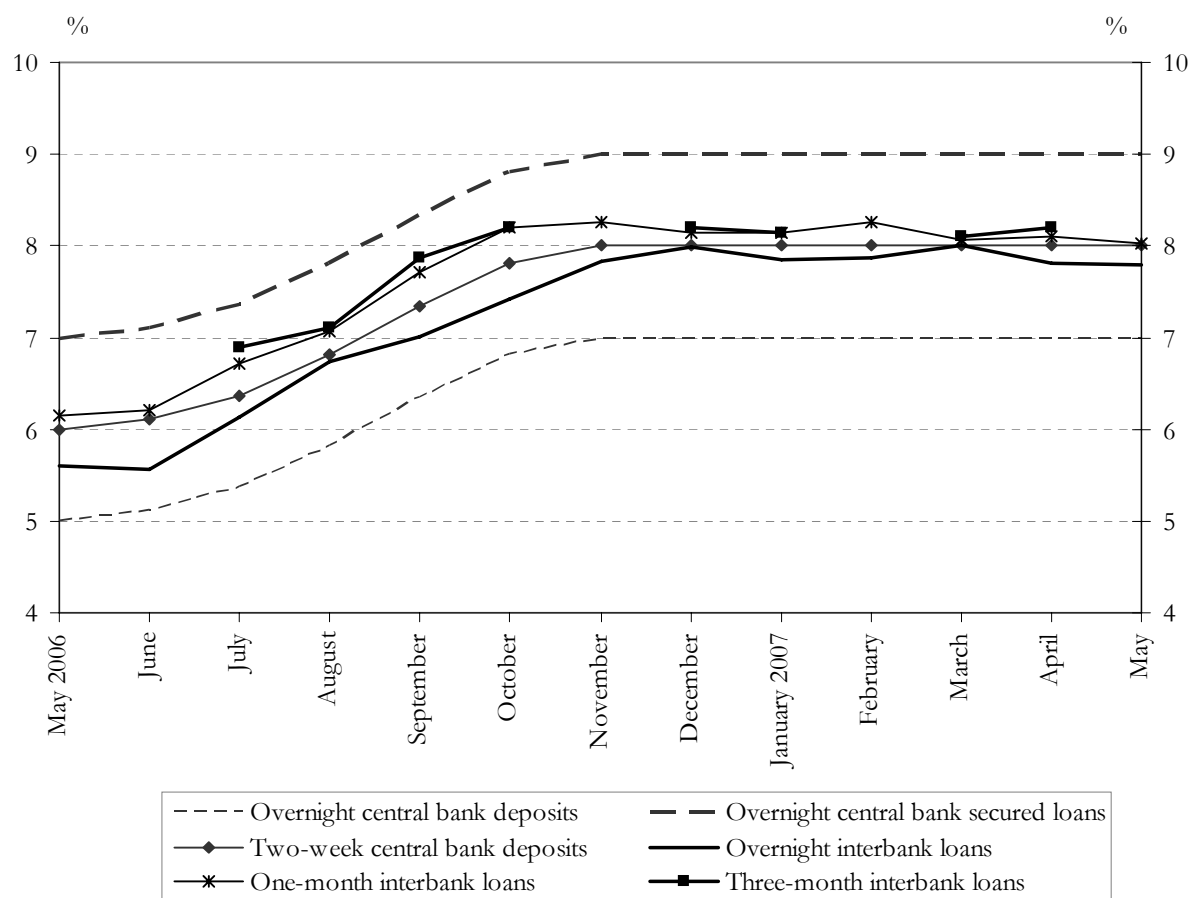


Chart 15: Average official and forint interbank rates



In May 2007, the turnover in the forint interbank market increased by HUF 889.4 billion to HUF 3,015.6 billion. Compared to April, the average overnight lending rate, weighted by the total value of transactions, did not change in May, and amounted to 7.79%. The average interest rate on interbank loans provided for one month changed by 9 basis points to 8.02%. No interbank loan was made at three months in May.

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 are available on the MNB's website as well:

http://www.mnb.hu/Resource.aspx?ResourceID=mnbfile&resourcename=on_bankkozi_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://www.mnb.hu/engine.aspx?page=mnbhu_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 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.

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 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.

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'.

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 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 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 interest rates on non-performing loans.

Chart 9

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.