



22 August 2007

## PRESS RELEASE

### Securities holdings by sector: 2007 Q2<sup>1</sup>

Starting with the publication of this press release the MNB also releases the market valuable holdings of mortgage bonds and other bonds by holding sectors. Consequently, in addition to the stock data, revaluation and transaction data have also become available. Five tables which help analyses have been added to the set of background tables available on the Internet.

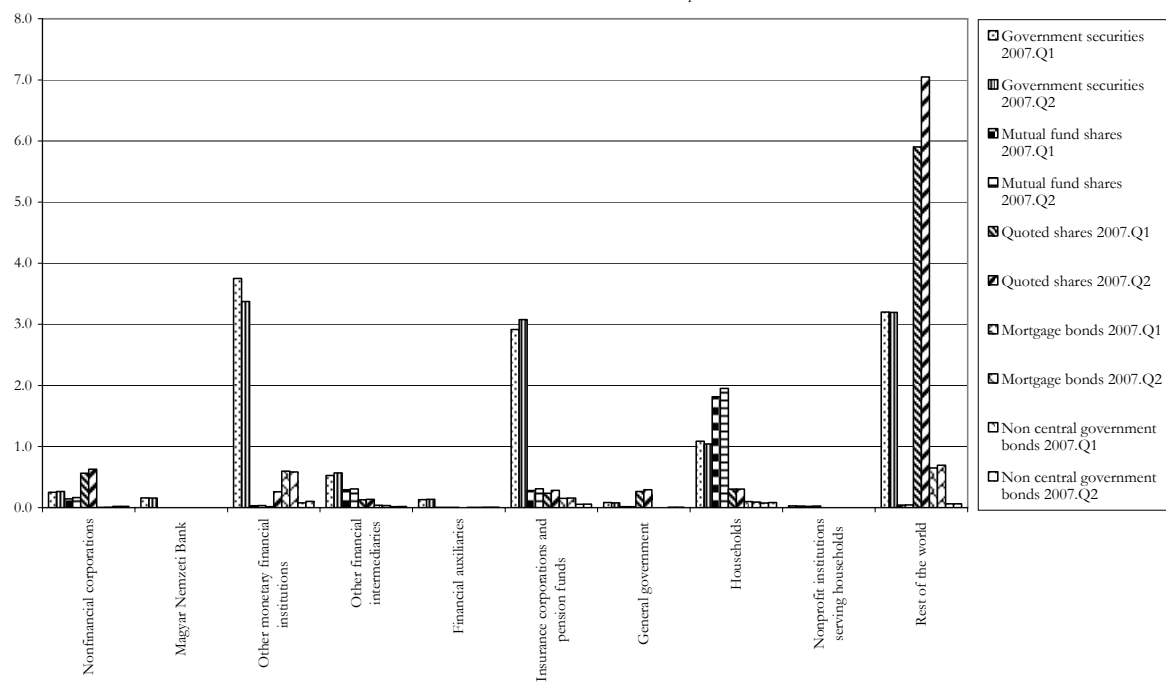
*In 2007 Q2, the stock of papers in circulation in the Hungarian government securities market declined slightly due to the lower stock of MNB bonds at the end of the quarter. Other monetary financial institutions, which also comprise credit institutions, continued to have the largest government securities market share, despite some weakening of their weight. The most important participants in the market of mortgage bonds and other bonds are the financial corporations; this sector holds nearly half of the holdings. At the same time, it can be observed that non-residents are gradually gaining ground in the mortgage bond market, at the expense of other monetary financial institutions. As a result of the significant price increase in the market of quoted shares, market capitalisation reached a new peak. Due to the securities transaction between MOL and OTP, the weight of financial corporations increased considerably. The ratio of the non-resident sector, which has the largest weight, somewhat declined due its sales. In the market of mutual fund shares, in accordance with the long-term trend, insurance corporations, pension funds and households continued to be the biggest buyers.*

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<sup>1</sup> Stock data always refer to the end of the quarter.

Forint/Trillions

Distribution of securities in the last two quarters



## **Government securities**

Measured at market value, Hungarian government debt securities holdings<sup>2</sup> declined by 1.8% to HUF 11,911.5 billion in 2007 Q2. This was solely accounted for by a temporary decline of 37.3% in the holding of two-week MNB bills.<sup>3</sup> The outstanding amount of government bonds was 0.9% up, while treasury bill holdings, calculated at market value, increased by 7.0% during the quarter. The price increase of government securities added HUF 70.3 billion to total holdings, while the outstanding amount calculated at nominal value declined by HUF 288.3 billion. As a common effect of the two processes, government securities holdings, calculated at market value, were HUF 218.0 billion less than at the end of March.

The market value of households' government securities holdings declined by HUF 44.8 billion, which was solely attributable to net sales of HUF 47.4 billion by household investors, as the sector registered a HUF 2.6 billion holding gain in the quarter. Households' holdings of government bonds were HUF 20.6 billion down, while the sector's treasury bill holdings, calculated at market value, declined by HUF 24.2 billion by the end of the quarter. Following the fall experienced in the last two quarters, households' share of the government securities market declined by another 0.2 percentage points, thus the sector's share amounted to 8.7% on 30 June 2007.

Following their net buying position in the previous quarter, this time foreign investors (non-residents) were net sellers of government securities with a value of HUF 32.6 billion, while attaining a holding gain of HUF 25.3 billion on their portfolio. As a result of these factors, non-residents' holdings declined slightly, by HUF 7.2 billion, but the sector's share in the total holdings of outstanding government securities increased by 0.4 percentage points to 26.8% by the end of June.

In this quarter, as a result of net sales worth HUF 215.6 billion by the sector's corporations, financial corporations' holdings of government securities fell by HUF 174.2 billion at market value, whereas they attained a holding gain of HUF 41.3 billion on their portfolio. The fall in the sector's government securities holdings is solely attributable to the declining MNB bill holdings due to fewer issues, as government securities holdings and treasury bill holdings of financial corporations increased by HUF 130.1 billion and HUF 108.6 billion, respectively. Financial corporations' share of the government securities market declined slightly, by 0.3 percentage points during the quarter. Within the sector, insurance corporations' and pension funds' government securities holdings – following an increase in the previous two quarters – this time increased by HUF 162.6 billion, thus strengthening their market share by 1.8 percentage points. Other monetary financial institutions' holdings declined by HUF 376.4 billion during the quarter (mainly due to fewer purchases of MNB bills). Consequently, their market share fell by 2.6 percentage points to 28.3%, although even with this share the sector of credit institutions remained the most important participant in the government securities market.

Similarly to the developments in the previous quarter, non-financial corporations' holdings of government securities increased in this quarter as well, by as much as HUF 11.4 billion. This increase is mainly the result of net government securities purchases by corporations belonging to the sector. Non-financial corporations share of the government securities market thus increased slightly, amounting to 2.2% at the end of the period under review.

The general government sector's holdings of government securities, calculated at market value, fell slightly (by HUF 1.6 billion) in the last three months. While the central government's holdings increased by HUF 1.5 billion, the value of government securities held by local governments declined by HUF 3.1 billion. These changes in holdings are due to the net purchases by the general government sector.

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<sup>2</sup> In this press release, government securities include domestically issued forint-denominated government bonds, treasury bills and forint-denominated bills issued by the MNB.

<sup>3</sup> The decline in the holding of MNB bills was temporary; by the end of July, outstanding bills reached a level similar to that in March.

### Distribution of Government Securities Holdings by Sector

	Government Securities Total						percent
	2006				2007		
	Q1	Q2	Q3	Q4	Q1	Q2	
<b>Nonfinancial corporations (S. 11)</b>	2.6	2.6	2.7	2.3	2.1	2.2	
Magyar Nemzeti Bank (S. 121)	1.6	1.6	1.6	1.5	1.3	1.3	
Other monetary financial institutions (S. 122)	21.5	23.3	24.2	23.1	30.9	28.3	
Other financial intermediaries (S. 123)	6.5	6.3	5.2	4.3	4.3	4.8	
Financial auxiliaries (S. 124)	1.2	1.2	1.2	1.2	1.1	1.1	
Insurance corporations and pension funds (S. 125)	26.6	26.4	26.6	27.5	24.0	25.8	
<b>Financial corporations (S. 12)</b>	57.4	58.8	58.8	57.6	61.7	61.3	
Central government (S. 1311)	0.3	0.4	0.4	0.3	0.3	0.3	
Local government (S. 1313)	0.5	0.5	0.5	0.4	0.4	0.3	
Social security funds (S. 1314)	0.0	0.0	0.0	0.0	0.0	0.0	
<b>General government (S. 13)</b>	0.8	0.8	0.9	0.7	0.7	0.7	
<b>Households (S. 14)</b>	10.4	10.3	10.7	10.5	9.0	8.7	
<b>Nonprofit institutions serving households (S. 15)</b>	0.2	0.3	0.3	0.2	0.2	0.2	
<b>Rest of the world (S. 2)</b>	28.5	27.3	26.5	28.7	26.4	26.8	
<b>Total</b>	100.0	100.0	100.0	100.0	100.0	100.0	

### Mortgage bonds

At the end of 2007 Q2, mortgage bond holdings, calculated at market value, amounted to HUF 1,572.2 billion, which represents a HUF 25.3 billion (1.6%) increase compared to the previous quarter. The decline in price of mortgage bonds reduced total holdings by HUF 4.4 billion, while the outstanding amount calculated at nominal value increased by HUF 29.7 billion. As a combined effect of the two processes, mortgage bond holdings, calculated at market value, were HUF 25.3 billion down compared to the end of March. However, compared to the same period last year, mortgage bond holdings show a significant, nearly 10% increase.

In the quarter under review, the market value of mortgage bonds held by households was HUF 94.0 billion, representing a smaller (HUF 5.1 billion) fall compared to the previous quarter. The decline in holdings is partly due to household investors' net sales of HUF 1.5 billion, while the sector suffered a holding loss of HUF 3.5 billion during the quarter. Households' share of the mortgage bond market has been slightly but steadily declining since the all-time high (7.0%) in 2006 Q3, amounting to 6.0% at end-June 2007.

On 30 June 2007, foreign investors (non-residents) held mortgage bonds with a total value of HUF 694.8 billion, which equals to 44.2% of total holdings. The increase in non-residents' holdings is solely the consequence of net purchases in the period under review. From the 20.4% in June 2004 the sector's share has more than doubled by now.

The ratio of mortgage bonds held by financial corporations declined steadily, but this sector still owns almost half of these securities. Compared to the same quarter of last year, their share fell by 13 percentage points. The HUF 14.1 billion decline in the holdings of financial corporations is mainly attributable to net sales by the corporations belonging to the sector, since the holding loss on their portfolio is negligible. Within financial corporations, other monetary financial institutions hold most mortgage bonds; their holdings, calculated at market value, amounted to HUF 582.0 billion. Beside other monetary financial institutions, insurance corporations and pension funds constitute the sub-sector which holds the second most mortgage bonds. In 2007 Q2, they held mortgage bonds with a market value of HUF 155.5 billion, which had been a broadly constant value for several quarters.

Non-financial corporations hold a low share of mortgage bonds; they owned a mere 0.3% of total holdings, representing a market value of HUF 5.5 billion. The sector's share did not change compared to the previous quarter, although there was a significant decline compared to the same period of last year, as in the same quarter of 2006 their holdings had still amounted to HUF 15.5 billion, while their share had been 1.1%.

**Distribution of Mortgage Bonds Holdings by Sector**

	Mortgage Bonds Total						percent
	2006				2007		
	Q1	Q2	Q3	Q4	Q1	Q2	
<b>Nonfinancial corporations (S. 11)</b>	1.1	1.1	0.9	1.0	0.3	0.3	
Magyar Nemzeti Bank (S. 121)	0.0	0.0	0.0	0.0	0.0	0.0	
Other monetary financial institutions (S. 122)	44.4	44.4	37.8	38.1	38.6	37.0	
Other financial intermediaries (S. 123)	4.4	6.6	3.2	3.1	2.5	2.3	
Financial auxiliaries (S. 124)	0.3	0.3	0.3	0.3	0.3	0.3	
Insurance corporations and pension funds (S. 125)	11.5	11.7	9.6	9.8	9.8	9.9	
<b>Financial corporations (S. 12)</b>	60.6	62.9	51.0	51.4	51.2	49.5	
Central government (S. 1311)	0.0	0.0	0.0	0.0	0.0	0.0	
Local government (S. 1313)	0.0	0.0	0.0	0.0	0.0	0.0	
Social security funds (S. 1314)	0.0	0.0	0.0	0.0	0.0	0.0	
<b>General government (S. 13)</b>	0.0	0.0	0.0	0.0	0.0	0.0	
<b>Households (S. 14)</b>	5.8	4.7	7.0	6.5	6.4	6.0	
<b>Nonprofit institutions serving households (S. 15)</b>	0.0	0.0	0.0	0.0	0.0	0.0	
<b>Rest of the world (S. 2)</b>	32.4	31.2	41.2	41.1	42.1	44.2	
<b>Total</b>	100.0	100.0	100.0	100.0	100.0	100.0	

## **Other bonds**

Measured at market value, other bonds holdings<sup>4</sup> increased markedly, by 8.1% to HUF 354.3 billion in 2007 Q2. The growth is mainly the result of an increase in the outstanding amount. In the quarter under review, other monetary financial institutions and household investors were the most important participants in the market of other bonds.

During the quarter, the market value of bonds held by households increased by HUF 5.8 billion. Nevertheless, the sector's share of outstanding bonds declined by 0.1 percentage points to 17.6%.

Following sales in the previous quarters, foreign investors (non-residents) acted as net sellers of bonds again. Consequently, bonds held by non-residents amounted to a mere HUF 62.4 billion at end-June 2007. The sector's share of the bond market declined by 1.7 percentage points to 17.6% in the period under review.

In this quarter, financial corporations' holdings, calculated at market value, increased by HUF 21.3 billion, thus at end-June more than half of the outstanding bond holdings was owned by this sector. Within the sector, other monetary financial institutions increased their holdings most, by HUF 19.3 billion, resulting in a 3.6 percentage point increase in their share of the bond market to 28.4%. During the last one year, credit institutions' share was nearly 10 percentage points up, while that of insurance corporations and pension funds declined by 1.0 percentage point during the three months under review.

Non-financial corporations' bond holdings increased by HUF 0.5 billion, the sector's share still weakened by 0.4 percentage points during the quarter.

<sup>4</sup> In this press release, other bonds include bonds issued by domestic sectors other than the central government.

The general government's bond holdings, calculated at market value, have consistently fluctuated around HUF 6 billion in recent years. Therefore, in parallel with a gradual increase in outstanding bonds, the sector's share has been slightly declining from quarter to quarter.

**Distribution of Other Bonds Holdings by Sector**

	Other Bonds Total						percent
	2006				2007		
	Q1	Q2	Q3	Q4	Q1	Q2	
<b>Nonfinancial corporations (S. 11)</b>	5.8	5.5	5.1	4.7	6.4	6.0	
Magyar Nemzeti Bank (S. 121)	0.0	0.0	0.0	0.0	0.0	0.0	
Other monetary financial institutions (S. 122)	19.8	19.8	20.5	21.3	24.8	28.4	
Other financial intermediaries (S. 123)	8.4	8.6	9.2	7.5	5.1	5.0	
Financial auxiliaries (S. 124)	2.3	2.2	2.3	2.3	2.0	1.8	
Insurance corporations and pension funds (S. 125)	15.7	15.6	16.2	17.7	16.8	15.8	
<b>Financial corporations (S. 12)</b>	46.3	46.2	48.2	48.8	48.7	51.0	
Central government (S. 1311)	2.2	2.1	2.0	2.1	2.0	1.9	
Local government (S. 1313)	0.0	0.1	0.0	0.0	0.0	0.0	
Social security funds (S. 1314)	0.0	0.0	0.0	0.0	0.0	0.0	
<b>General government (S. 13)</b>	2.3	2.2	2.1	2.1	2.0	1.9	
<b>Households (S. 14)</b>	24.8	25.6	24.9	24.5	23.5	23.3	
<b>Nonprofit institutions serving households (S. 15)</b>	0.2	0.1	0.1	0.1	0.1	0.1	
<b>Rest of the world (S. 2)</b>	20.8	20.4	19.6	19.8	19.4	17.6	
<b>Total</b>	100.0	100.0	100.0	100.0	100.0	100.0	

### Quoted shares

The market value of quoted share holdings increased by HUF 1,530.2 billion (by approximately 20.1%) in 2007 Q2, to a total 8,947.5 billion at end-June.<sup>5</sup> This followed a decline of HUF 582.3 billion in 2007 Q1. The increase in market capitalisation of shares was mainly due to price increases, the effect of which amounted to HUF 1,569.3 billion. In this quarter, the shares of two companies became listed on the Budapest Stock Exchange with a value of HUF 4,678.8 billion, while there were increases in the capital of two other companies amounting to HUF 0.5 billion. In the same period, the shares of two companies were delisted from the Budapest Stock Exchange, representing a decline of HUF 44,204.0 billion.

In Q2, calculated at market value, quoted shares owned by households' declined by HUF 1.2 billion. As in the previous quarters, households were net sellers in this period as well, with a value of HUF 57.8 billion, while they had a holding gain of HUF 55.2 billion. The total effect of listings and delistings represented an increase of HUF 1.3 billion. The sector's share declined by 0.7 percentage points to 3.4% in the period under review.

Non-resident investors were net sellers in this period again, in the amount of HUF 75.4 billion. In addition, they registered a HUF 1,265.8 billion holding gain on their portfolio. Listings and delistings together resulted in a decline of HUF 44.1 billion. Consequently, the amount of quoted shares held by non-residents' grew by HUF 1,146.2 billion, but the sector's share declined by 0.8 percentage points to 78.8%.

The amount of quoted shares held by financial corporations increased by a total HUF 294.2 billion in 2007 Q2. The net change in holdings was positive, which was due to the block of MOL shares lent to OTP. The increase amounted to approximately HUF 182.7 billion, while they had a HUF 108.2 billion holding gain. As a result of listings and delistings, the amount of quoted shares held by the

<sup>5</sup> In this press release, the value of market capitalisation differs from the data provided by the Budapest Stock Exchange, due to the delays in the listing of the shares of two firms because of an increase in their capital.

sector was up by a further HUF 3.2 billion, and thus the share of financial corporations increased by 2.4 percentage points to 7.6%.

Non-financial corporations were net sellers this time, in a value of HUF 49.1 billion, realising a HUF 111.2 billion holding gain in the meantime. All the above resulted in a HUF 62.1 billion increase in the sector's portfolio of quoted shares, while its share declined by 0.6 percentage points to 7.0%.

In this period, the general government was a net buyer in a value of HUF 0.1 billion, while the holding gain on shares held by the sector resulted in a HUF 28.7 billion increase. As a consequence of all the above, the general government's holdings increased by HUF 28.8 billion. In spite of this, at end-June, 3.3% of quoted shares were owned by the general government, which represents an 0.3 percentage point decline compared to the previous quarter.

#### Quoted shares held by institutional sectors

	Quoted shares						percent
	2006				2007		
	Q1	Q2	Q3	Q4	Q1	Q2	
<b>Nonfinancial corporations (S. 11)</b>	3.1	6.6	6.1	8.8	7.6	7.0	
Magyar Nemzeti Bank (S. 121)	0.0	0.0	0.0	0.0	0.0	0.0	
Other monetary financial institutions (S. 122)	2.0	2.2	2.1	0.7	0.2	2.9	
Other financial intermediaries (S. 123)	1.4	1.7	2.1	1.6	1.7	1.5	
Financial auxiliaries (S. 124)	0.0	0.0	0.0	0.0	0.0	0.0	
Insurance corporations and pension funds (S. 125)	2.9	3.5	3.1	3.2	3.2	3.2	
<b>Financial corporations (S. 12)</b>	6.2	7.4	7.3	5.5	5.2	7.6	
Central government (S. 1311)	7.1	3.9	4.1	3.3	3.1	2.9	
Local government (S. 1313)	0.6	0.6	0.6	0.6	0.5	0.4	
Social security funds (S. 1314)	0.0	0.0	0.0	0.0	0.0	0.0	
<b>General government (S. 13)</b>	7.7	4.5	4.8	3.9	3.6	3.3	
<b>Households (S. 14)</b>	3.6	4.1	4.2	3.9	4.1	3.4	
<b>Nonprofit institutions serving households (S. 15)</b>	0.0	0.0	0.0	0.0	0.0	0.0	
<b>Rest of the world (S. 2)</b>	79.3	77.4	77.7	78.0	79.6	78.8	
<b>Total</b>	100.0	100.0	100.0	100.0	100.0	100.0	

#### Mutual fund shares

The outstanding total of mutual fund shares, measured at net asset value, rose by 7.9%, from HUF 2,645.9 billion to HUF 2,855.1 billion in 2007 Q2, while individual holding sectors' shares hardly changed. Underlying the changes in the holding were transactions in the value of HUF 164.9 billion, accompanied by a holding gain of HUF 44.4 billion. As a combined effect of these two factors, the outstanding amount of mutual fund shares, measured at the net asset value, rose by HUF 209.2 billion in Q2.

In the same quarter, households' holdings of mutual fund shares, calculated at market value, increased by HUF 138.8 billion. Underlying the changes in the holding were households' net mutual fund shares purchases of HUF 116.6 billion and holding gain of HUF 22.1 billion. Despite the above factors, the household sector's percentage share of total holdings of mutual fund shares declined by a further 0.2 percentage points.

During the quarter, non-resident investors' mutual fund share holdings increased by HUF 1.6 billion, while the sector's share of total holdings – unlike the growth in the previous one and a half years – declined by 0.1 percentage point.

Financial corporations increased their holdings of mutual fund shares by a total HUF 47.8 billion. The sector's share of total holdings did not change in 2007 Q2, thus its market share remained 22.9%. Similarly to the previous quarter, within the sector each sub-sectors' holdings increased. This time as well, it was the holdings owned by insurance corporations and pension funds that increased

most, by a total HUF 30.7 billion. Underlying the increase in the holding are a positive revaluation of HUF 17.4 billion and an effect from transaction amounting to HUF 13.3 billion. In 2007 Q2, with net purchases of a total HUF 27.7 billion, financial corporations attained a holding gain of HUF 20.2 billion on their mutual fund shares, which is the highest value of the whole period under review since 2004.

Mutual fund shares held by non-financial corporations reached HUF 164.4 billion in 2007 Q2, exceeding the value of the previous quarter by HUF 21.1 billion. The change in the holding is a result of a net HUF 20.6 billion purchase and a HUF 0.5 billion positive revaluation. Thus, non-financial corporations' market share increased to 5.8%.

The general government sector's holdings of mutual fund shares were HUF 0.6 billion down, which is almost solely accounted for the negative revaluation of the mutual fund shares held by local governments. Thus, by the end of the period under review, the amount of mutual fund shares owned by the general government reached HUF 15.7 billion.

Net asset value of mutual fund shares by holding sector

	Mutual fund shares						percent
	2006				2007		
	Q1	Q2	Q3	Q4	Q1	Q2	
<b>Nonfinancial corporations (S. 11)</b>	7.2	7.0	5.6	5.3	5.4	5.8	
Magyar Nemzeti Bank (S. 121)	0.0	0.0	0.0	0.0	0.0	0.0	
Other monetary financial institutions (S. 122)	1.5	1.4	1.1	1.1	1.2	1.2	
Other financial intermediaries (S. 123)	6.8	7.5	11.6	11.3	11.1	10.7	
Financial auxiliaries (S. 124)	0.1	0.1	0.2	0.1	0.1	0.1	
Insurance corporations and pension funds (S. 125)	9.4	9.9	9.5	10.3	10.6	10.9	
<b>Financial corporations (S. 12)</b>	17.8	18.9	22.4	22.8	22.9	22.9	
Central government (S. 1311)	0.1	0.1	0.1	0.1	0.1	0.1	
Local government (S. 1313)	0.9	0.7	0.6	0.5	0.5	0.5	
Social security funds (S. 1314)	0.0	0.0	0.0	0.0	0.0	0.0	
<b>General government (S. 13)</b>	1.0	0.8	0.6	0.5	0.6	0.5	
<b>Households (S. 14)</b>	72.5	71.2	69.4	69.0	68.6	68.4	
<b>Nonprofit institutions serving households (S. 15)</b>	0.8	0.9	0.8	0.9	0.9	0.9	
<b>Rest of the world (S. 2)</b>	0.7	1.2	1.2	1.4	1.6	1.5	
<b>Total</b>	100.0	100.0	100.0	100.0	100.0	100.0	



Methodological notes to the press release and tables:

1. In line with international accounting recommendations (ESA '95, SNA '93), changes in the number of outstanding mutual fund shares (i.e. their total amount held by institutional sectors) and capitalisation of property income (interest, dividends, rents etc.) are treated as transactions.
2. Codes attached to the sectors and sub-sectors (e.g. S.121) refer to the corresponding categories used in international sector classification. For a detailed description of the institutional sectors, see 'Sector classification from June 2001', on the MNB's website ([www.mnb.hu](http://www.mnb.hu)) at Statistics/Methodological notes.
3. The tables containing stock data are accessible on the MNB's website ([www.mnb.hu](http://www.mnb.hu)) at Statistics/Statistical Time Series/VIII. Securities.
4. The percentages and ratios have been calculated on the basis of data before rounding. The sums of sub-totals may not add to total due to rounding.
5. In line with the revisions policy of securities statistics, data on mutual fund shares for 2006 have been revised.

**MAGYAR NEMZETI BANK**  
STATISTICS