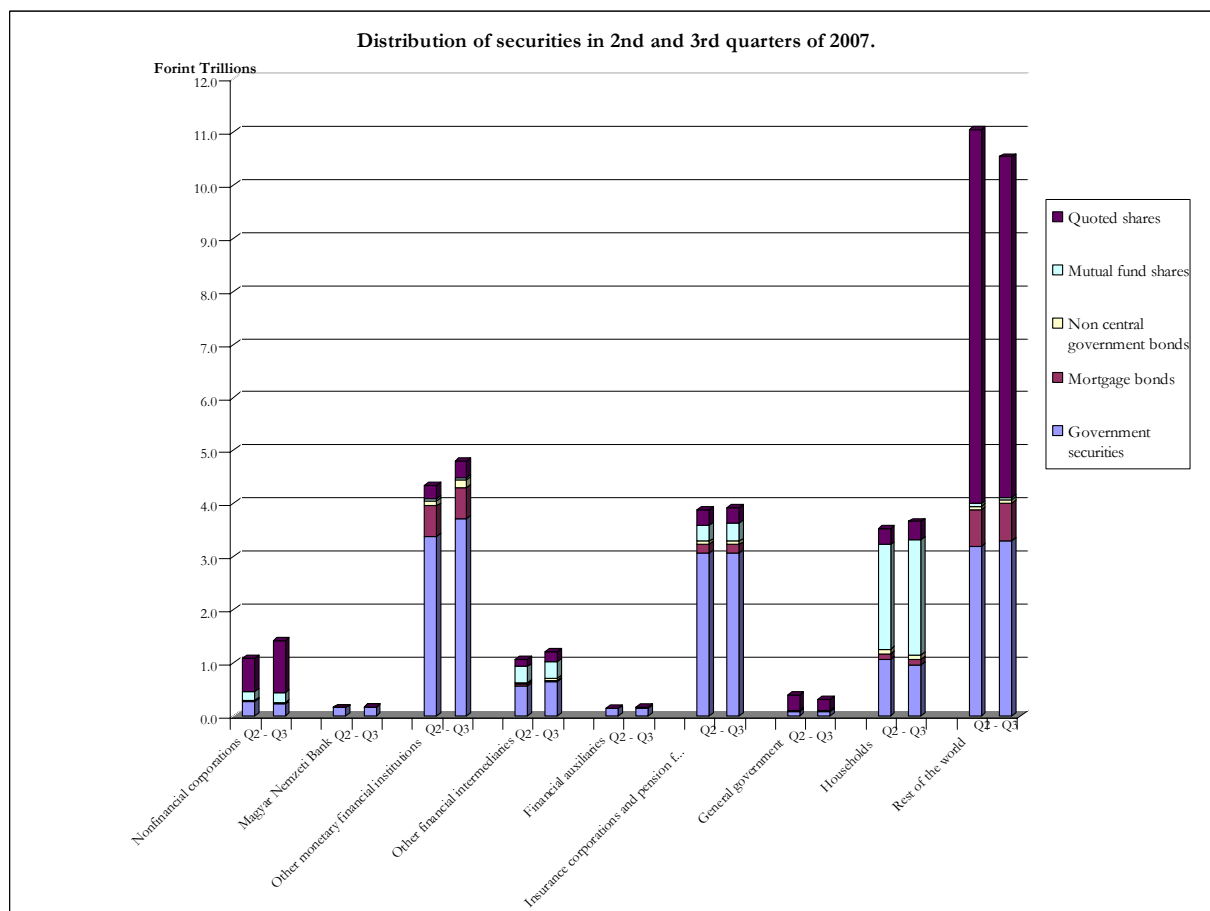


## PRESS RELEASE

### Securities holdings by sector: 2007 Q3<sup>1</sup>

*In 2007 Q3, debt securities holdings rose in each market segment, with the market values of holdings of government securities and other bonds reaching historical highs. Other monetary financial institutions, including credit institutions, play a dominant role in each market of debt securities; however, non-resident investors continue to account for a significant share of the market.*

*Market capitalisation fell slightly, due to a decline in share prices. Non-residents continued to hold the largest share of the market, although the value of their holdings fell significantly. As a result of transactions by MOL in its own shares in the market, there was a considerable increase in the percentage share of non-financial corporations. The general government sector's percentage share of the market fell, as a consequence of the privatisation of FHB Bank and sales of shares by local government authorities. In the market of mutual fund shares, households and insurance corporations and pension funds continued to be the largest buyers, consistent with the longer-term trend.*



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

## Debt securities

Measured at market value, Hungarian government debt securities holdings<sup>2</sup> rose by 3.1% to a total of HUF 12,279.8 billion in 2007 Q3. This was the highest level since the series began in 1997. Holdings of government bonds and MNB bills, respectively, were 4.4% and 37.7% higher than at the end of the previous quarter.<sup>3</sup> Declines in government securities prices reduced the value of total holdings by HUF 12.0 billion; and the nominal value of government paper outstanding in the market rose by HUF 380.3 billion. As a combined result of these developments, the market value of government securities holdings rose by HUF 368.2 billion relative to the end of June.

The most notable development in the government securities market was the 2.0 percentage point increase in the share accounted for by other monetary financial institutions. As a result, the sector extended its lead over non-residents investors and insurance corporations and pension funds. The market shares of non-financial corporations and households declined to historical lows in the quarter: non-financial corporations' share plunged to 1.8%, and households held only 7.7% of government securities at the end of September 2007. Of the sub-sectors within the financial sector, other financial intermediaries increased their percentage share of the market by 0.4 percentage points.

All institutional sectors registered price losses in the market of government securities. Other monetary financial institutions (HUF 352.0 billion) were the largest buyers, followed by non-residents (HUF 103.0 billion). By contrast, non-financial corporations and households sold HUF 41.0 billion and HUF 99.6 billion, respectively, of government securities. Short-term treasury bills made up the greater part of sales by the two sectors.

Distribution of Government Securities Holdings by Sector

	Government Securities Total							percent
	2006				2007			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	
<b>Nonfinancial corporations (S. 11)</b>	2.6	2.6	2.7	2.3	2.1	2.2	1.8	
Magyar Nemzeti Bank (S. 121)	1.6	1.6	1.6	1.5	1.3	1.3	1.3	
Other monetary financial institutions (S. 122)	21.5	23.3	24.2	23.1	30.9	28.3	30.3	
Other financial intermediaries (S. 123)	6.5	6.3	5.2	4.3	4.3	4.8	5.2	
Financial auxiliaries (S. 124)	1.2	1.2	1.2	1.2	1.1	1.1	1.1	
Insurance corporations and pension funds (S. 125)	26.6	26.4	26.6	27.5	24.0	25.8	25.0	
<b>Financial corporations (S. 12)</b>	57.4	58.8	58.8	57.6	61.7	61.3	62.9	
Central government (S. 1311)	0.3	0.4	0.4	0.3	0.3	0.3	0.3	
Local government (S. 1313)	0.5	0.5	0.5	0.4	0.4	0.3	0.3	
Social security funds (S. 1314)	0.0	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	0.6	
<b>Households (S. 14)</b>	10.4	10.3	10.7	10.5	9.0	8.7	7.7	
<b>Nonprofit institutions serving households (S. 15)</b>	0.2	0.3	0.3	0.2	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	26.8	
<b>Total</b>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	

The market value of mortgage bond holdings was HUF 1,578.2 billion at the end of 2007 Q3. That was HUF 6.0 billion, or 0.4%, higher than at the end of the previous quarter. There were immaterial changes in the individual institutional sectors' holdings and market shares in the period under review. Non-residents and other monetary financial institutions, with percentage

<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 fall in MNB bill holdings was short-lived, and in September bills outstanding in the market rose back to close to their level in March.

shares of 44.7% and 36.5% respectively, continued to be the largest participants of the mortgage bond market.

#### Distribution of Mortgage Bonds Holdings by Sector

	Mortgage Bonds Total							percent
	2006				2007			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	
Nonfinancial corporations (S. 11)	1.1	1.1	0.9	1.0	0.3	0.3	0.4	
Magyar Nemzeti Bank (S. 121)	0.0	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	36.5	
Other financial intermediaries (S. 123)	4.4	6.6	3.2	3.1	2.5	2.3	2.3	
Financial auxiliaries (S. 124)	0.3	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	9.9	
Financial corporations (S. 12)	60.6	62.9	51.0	51.4	51.2	49.5	49.0	
Central government (S. 1311)	0.0	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	0.0	
Social security funds (S. 1314)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
General government (S. 13)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Households (S. 14)	5.8	4.7	7.0	6.5	6.4	6.0	5.9	
Nonprofit institutions serving households (S. 15)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Rest of the world (S. 2)	32.4	31.2	41.2	41.1	42.1	44.2	44.7	
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	

Holdings of other bonds,<sup>4</sup> calculated at market value, rose significantly, by 23.6% to HUF 437.8 billion in 2007 Q3. This sharp increase mainly reflected new bond issuances in the period. Other monetary financial institutions and households were the largest institutional sectors in terms of holdings of other bonds. Other monetary financial institutions increased their holdings of other bonds by HUF 49.2 billion (by nearly 50%) and households by HUF 11.4 billion. Accordingly, the MFI sector, including credit institutions, continued to be the largest participant of the bond market, in addition to remaining the largest holding sector of the market since 2004, with a 34.2% percentage share.

#### Distribution of Other Bonds Holdings by Sector

percent

	Other Bonds Total						
	2006				2007		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
Nonfinancial corporations (S. 11)	5.8	5.5	5.1	4.7	6.4	6.0	6.0
Magyar Nemzeti Bank (S. 121)	0.0	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	34.2
Other financial intermediaries (S. 123)	8.4	8.6	9.2	7.5	5.1	5.0	6.6
Financial auxiliaries (S. 124)	2.3	2.2	2.3	2.3	2.0	1.8	1.5
Insurance corporations and pension funds (S. 125)	15.7	15.6	16.2	17.7	16.8	15.8	14.2
Financial corporations (S. 12)	46.3	46.2	48.2	48.8	48.7	51.0	56.6
Central government (S. 1311)	2.2	2.1	2.0	2.1	2.0	1.9	1.6
Local government (S. 1313)	0.0	0.1	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	0.0
General government (S. 13)	2.3	2.2	2.1	2.1	2.0	1.9	1.6
Households (S. 14)	24.8	25.6	24.9	24.5	23.5	23.3	21.5
Nonprofit institutions serving households (S. 15)	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Rest of the world (S. 2)	20.8	20.4	19.6	19.8	19.4	17.6	14.3
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

<sup>4</sup> In this press release, bonds issued by domestic sectors, other than the central government and the MNB, are included in the other bonds category.

## Shares and other equity

The market value of quoted share holdings was HUF 8,748.2 billion, falling by some 2.2% from the historical high recorded in the previous quarter.<sup>5</sup> One share was listed and another de-listed in the period.

The corporate sector's holdings of quoted shares increased significantly, exceeding previous highs, due mainly to the transactions by MOL in its own shares. The sector's market share rose to 11.2%. As a consequence, it emerged as the second largest participant of the market, ahead of financial corporations, although the latter also significantly increased its holdings of quoted shares in the period, reaching an absolute record.

The fall in the general government sector's market share continued. The central government's holdings fell to their lowest level since 2001, due to the privatisation of FHB Bank. As a result of sales by local government authorities, the sub-sector's share of the market dropped back to its level of three years earlier.

The value of households' holdings rose to its highest level in the past five years. Nevertheless, its share of the market did not rise above the average of recent years.

The market share of non-residents, the largest participants of the market, fell back to 73.3%, the lowest level since 2003, as a result of purchases of its shares by MOL, already noted, and a significant price loss.

Quoted shares held by institutional sectors

	percent							
	Quoted shares							
	2006				2007			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	
<b>Nonfinancial corporations (S. 11)</b>	3.1	6.6	6.1	8.8	7.6	7.0	11.2	
Magyar Nemzeti Bank (S. 121)	0.0	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	3.6	
Other financial intermediaries (S. 123)	1.4	1.7	2.1	1.6	1.7	1.5	2.0	
Financial auxiliaries (S. 124)	0.0	0.0	0.0	0.0	0.0	0.0	0.1	
Insurance corporations and pension funds (S. 125)	2.9	3.5	3.1	3.2	3.2	3.2	3.4	
<b>Financial corporations (S. 12)</b>	6.2	7.4	7.3	5.5	5.2	7.6	9.1	
Central government (S. 1311)	7.1	3.9	4.1	3.3	3.1	2.9	2.1	
Local government (S. 1313)	0.6	0.6	0.6	0.6	0.5	0.4	0.3	
Social security funds (S. 1314)	0.0	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	2.5	
<b>Households (S. 14)</b>	3.6	4.1	4.2	3.9	4.1	3.4	4.0	
<b>Nonprofit institutions serving households (S. 15)</b>	0.0	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	73.3	
<b>Total</b>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	

The upward trend in the market of mutual fund shares since 2004 continued in 2007 Q3. As a result, the outstanding total of mutual fund shares, measured at net asset value, rose to HUF 3,134.5 billion. The household sector continues to be the largest participant of the market, although its purchases rose less strongly with the rate of increase in total holdings. As a consequence, the sector's share has been falling gradually in the past two years, and by 0.2% in the period under review. The market share of financial corporations remained unchanged. But insurance corporations and pension funds stepped up their share, to the detriment of other monetary financial institutions.

<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 admission of shares of two firms.

Although holdings of mutual fund shares by non-financial corporations increased, the sector's share was only marginally higher. Despite the sharp rise in the general government sector's holdings and the continued increase in holdings by non-profit institutions serving households and non-residents in the past several years, their percentage share of the market continued to be insignificant.

Net asset value of mutual fund shares by holding sector

	Mutual fund shares							percent
	2006				2007			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	
<b>Nonfinancial corporations (S. 11)</b>	7.2	7.0	5.6	5.3	5.4	5.8	5.9	
Magyar Nemzeti Bank (S. 121)	0.0	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	1.2	
Other financial intermediaries (S. 123)	6.8	7.5	11.6	11.3	11.1	10.7	10.4	
Financial auxiliaries (S. 124)	0.1	0.1	0.2	0.1	0.1	0.1	0.2	
Insurance corporations and pension funds (S. 125)	9.4	9.9	9.5	10.3	10.6	10.9	11.1	
<b>Financial corporations (S. 12)</b>	17.8	18.9	22.4	22.8	22.9	22.9	22.9	
Central government (S. 1311)	0.1	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	0.5	
Social security funds (S. 1314)	0.0	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	0.6	
<b>Households (S. 14)</b>	72.5	71.2	69.4	69.0	68.6	68.4	68.2	
<b>Nonprofit institutions serving households (S. 15)</b>	0.8	0.9	0.8	0.9	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	1.6	
<b>Total</b>	100.0	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 1995 and 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 The codes attached to the sectors and sub-sectors (for example, S.121) refer to the corresponding categories used in international sector classification. For a detailed description of the institutional sectors, see 'New sector classification from June 2001', on the MNB's website ([www.mnb.hu](http://www.mnb.hu)) at Financial data/Statistics.
- 3 The tables containing stock data are accessible on the Bank's website ([www.mnb.hu](http://www.mnb.hu)) at Statistics/Statistical data, 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.

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