

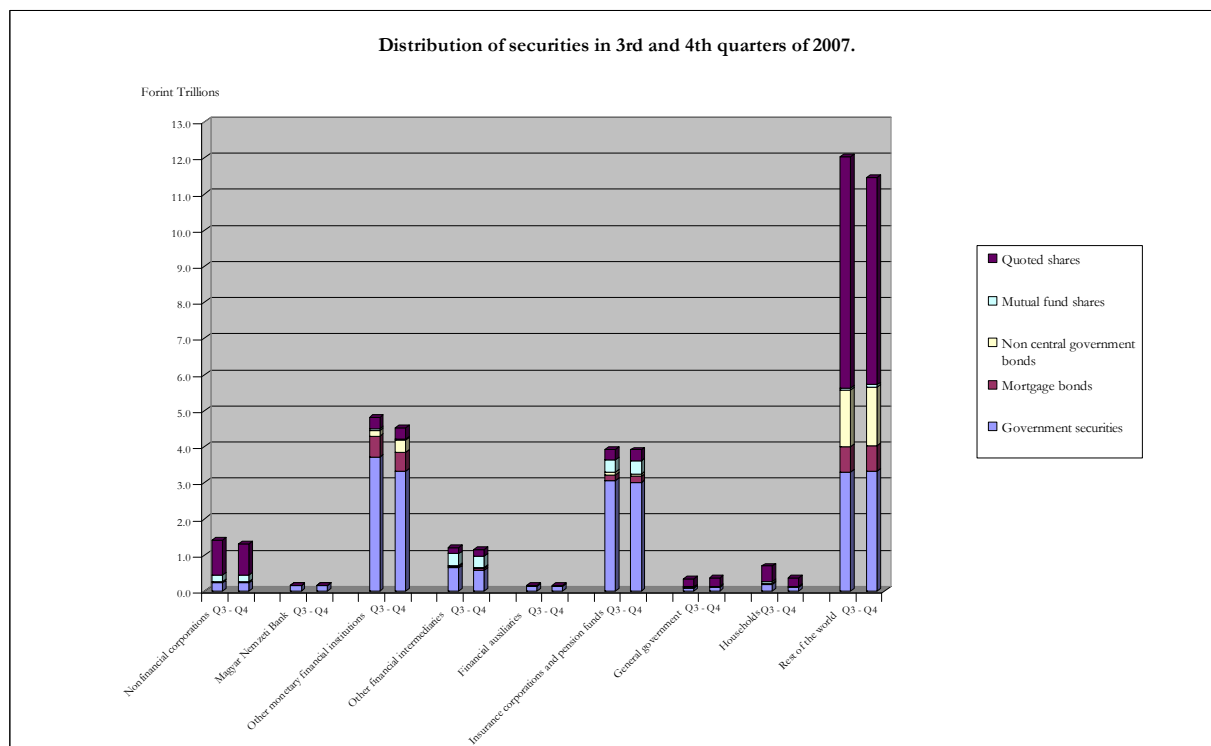
25 February 2008

## PRESS RELEASE

### Securities holdings by sector: 2007 Q4<sup>1</sup>

*In 2007 Q4, debt securities holdings rose only in the market of other bonds. In contrast, holdings of government securities and mortgage bonds fell slightly. Non-residents, and other monetary financial institutions, including credit institutions, continued to play a dominant role in each market of debt securities. At the end of 2007, non-resident investors held the highest amounts of each category of debt securities in the market.*

*Market capitalisation of quoted shares fell, due to the decline in prices. Consequently, the majority of market participants registered a holding loss on their portfolios. The value of non-residents' holdings, accounting for the largest share of the market, fell significantly. By contrast, other sectors' holdings rose slightly, except those of non-financial corporations. There was a strong increase in the percentage share of insurance corporations and pension funds. In the market of mutual fund shares, earlier trends continued: households and, to a lesser degree, insurance corporations and pension funds continued to be net buyers in the period under review.*



<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> fell by 4.3% to a total of HUF 11,749.0 billion in 2007 Q4. This fall was due mainly to the halving in the end-of-month total of MNB bills relative to that in September. Holdings of government bonds rose by 0.3% and those of treasury bills fell by 1.7% compared with the end of Q3. Declines in government securities prices reduced the value of total holdings by HUF 121.0 billion; and the nominal value of government paper outstanding in the market fell by HUF 409.7 billion. As a combined result of these developments, the market value of government securities holdings rose by HUF 530.7 billion compared with the end of September.

The most notable development in the government securities market was the change in the percentage shares accounted for by other monetary financial institutions and non-residents. Non-resident investors became the largest holding sector of the market in the final quarter of 2007, with a share of 28.3%. By contrast, the market share of other monetary financial institutions, including credit institutions, lost their leading position, with their holding at 28.2% at the end of the period. Households stabilised their share at the historical low reached in Q3 (7.7%). Their holdings of government securities rose by HUF 40 billion in Q4. General government increased its share by 0.2%, mainly as a result of purchases by local government authorities.

All institutional sectors registered price losses in the market of government securities. Non-residents and local authorities were the largest net buyers (HUF 71.3 billion and HUF 14.1 billion, respectively). Other monetary financial institutions (HUF 393.7 billion), other financial auxiliaries (HUF 61.3 billion) and households (HUF 38.5 billion) were net sellers. Financial corporations purchased less MNB bills than in the previous quarter. This accounted for the most part of net sales. Sales by households were accounted for in large part by short-term paper.

Distribution of Government Securities Holdings by Sector

	Government Securities Total								percent
	2006				2007				
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
<b>Nonfinancial corporations (S. 11)</b>	2.6	2.6	2.7	2.3	2.1	2.2	1.8	1.9	
Magyar Nemzeti Bank (S. 121)	1.6	1.6	1.6	1.5	1.3	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	28.2	
Other financial intermediaries (S. 123)	6.5	6.3	5.2	4.3	4.3	4.8	5.2	4.9	
Financial auxiliaries (S. 124)	1.2	1.2	1.2	1.2	1.1	1.1	1.1	1.2	
Insurance corporations and pension funds (S. 125)	26.6	26.4	26.6	27.5	24.0	25.8	25.0	25.6	
<b>Financial corporations (S. 12)</b>	57.4	58.8	58.8	57.6	61.7	61.3	62.9	61.2	
Central government (S. 1311)	0.3	0.4	0.4	0.3	0.3	0.3	0.3	0.4	
Local government (S. 1313)	0.5	0.5	0.5	0.4	0.4	0.3	0.3	0.4	
Social security funds (S. 1314)	0.0	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	0.8	
<b>Households (S. 14)</b>	10.4	10.3	10.7	10.5	9.0	8.7	7.7	7.7	
<b>Nonprofit institutions serving households (S. 15)</b>	0.2	0.3	0.3	0.2	0.2	0.2	0.2	0.2	
<b>Rest of the world (S. 2)</b>	28.5	27.3	26.5	28.7	26.4	26.8	26.8	28.3	
<b>Total</b>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	

The market value of mortgage bond holdings was HUF 1,565.9 billion at the end of 2007 Q4. That was HUF 12.3 billion, or 0.7%, lower than at the end of the previous quarter. The 2.0 percentage point drop in other monetary financial institutions' share was the most important change in the percentage shares accounted for by the individual holding sectors. Insurance corporations and pension funds and non-residents increased their percentage shares by 0.7% and

<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.

0.8% respectively. Non-residents and other monetary financial institutions, with a 45.5% and a 34.4% share respectively, continued to be the largest participants of the mortgage bond market.

Distribution of Mortgage Bonds Holdings by Sector

percent

	Mortgage Bonds Total							
	2006				2007			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Nonfinancial corporations (S. 11)</b>	1.1	1.1	0.9	1.0	0.3	0.3	0.4	0.4
Magyar Nemzeti Bank (S. 121)	0.0	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	34.4
Other financial intermediaries (S. 123)	4.4	6.6	3.2	3.1	2.5	2.3	2.3	2.8
Financial auxiliaries (S. 124)	0.3	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	10.7
<b>Financial corporations (S. 12)</b>	60.6	62.9	51.0	51.4	51.2	49.5	49.0	48.6
Central government (S. 1311)	0.0	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	0.0
Social security funds (S. 1314)	0.0	0.0	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	0.0	0.0
<b>Households (S. 14)</b>	5.8	4.7	7.0	6.5	6.4	6.0	5.9	5.9
<b>Nonprofit institutions serving households (S. 15)</b>	0.0	0.0	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	44.7	45.5
<b>Total</b>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Holdings of other bonds,<sup>3</sup> calculated at market value, rose significantly, by 12.7% to HUF 2,213.7 billion in 2007 Q4. This sharp increase mainly reflected new bond issuances in the period. Non-residents and other monetary financial institutions were the largest institutional sectors in terms of holdings of other bonds. Other monetary financial institutions increased their holdings of other bonds by HUF 171.7 billion (by nearly 7%) and non-residents by HUF 60.3 billion. Despite a fall in the share of non-residents, foreign investors continued to be the most significant holding sector of the bond market. Other monetary financial institutions nearly doubled their share, holding almost 15% of the market.

Distribution of Other Bonds Holdings by Sector

percent

	Other Bonds Total							
	2006				2007			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
<b>Nonfinancial corporations (S. 11)</b>	1.7	1.6	1.2	1.0	1.2	1.3	1.4	1.4
Magyar Nemzeti Bank (S. 121)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other monetary financial institutions (S. 122)	5.5	5.5	4.8	4.2	4.7	5.8	8.0	14.8
Other financial intermediaries (S. 123)	2.3	2.3	2.1	1.4	1.0	1.0	1.5	1.6
Financial auxiliaries (S. 124)	0.6	0.6	0.5	0.4	0.4	0.4	0.3	0.3
Insurance corporations and pension funds (S. 125)	4.3	4.2	3.7	3.4	3.1	3.2	3.2	2.9
<b>Financial corporations (S. 12)</b>	12.7	12.7	11.1	9.4	9.1	10.3	13.0	19.6
Central government (S. 1311)	1.8	1.7	1.4	1.2	1.1	1.1	1.0	0.9
Local government (S. 1313)	0.0	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	0.0
<b>General government (S. 13)</b>	1.8	1.7	1.4	1.2	1.1	1.1	1.0	0.9
<b>Households (S. 14)</b>	6.8	7.0	5.7	4.7	4.4	4.7	4.9	4.6
<b>Nonprofit institutions serving households (S. 15)</b>	0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0
<b>Rest of the world (S. 2)</b>	76.9	76.9	80.5	83.6	84.1	82.6	79.6	73.4
<b>Total</b>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

<sup>3</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. The time series for other bonds has been complemented with data for bonds held in custody abroad, compared with the data released in the previous quarter. The full time series has been backdated accordingly.

## Quoted shares

Market capitalisation of quoted share holdings fell by 8.7% to HUF 7,994.3 billion in 2007 Q4.<sup>4</sup> There were no listings or de-listings in the review period.

Except the general government sector, all holding sectors registered price losses, due to the fall in share prices. Non-residents' holdings fell due to transactions, so the sector's share fell to 72.0%. The corporate sector's holdings of quoted shares fell to 10.9%. Nevertheless, it remained the second largest participant of the market, behind non-residents. Financial corporations continued to increase their holdings, with their percentage share reaching 10% and exceeding all previous records. The general government sector's market share rose slightly, due to the rise in the price of Richter's shares, despite sales by local authorities. The value of households' holdings rose, as seen in the previous quarter; however, their share of the market changed little in the period under review.

Quoted shares held by institutional sectors

	Quoted shares								percent
	2006				2007				
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
<b>Nonfinancial corporations (S. 11)</b>	3.1	6.6	6.1	8.8	7.6	7.0	11.2	10.9	
Magyar Nemzeti Bank (S. 121)	0.0	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	3.9	
Other financial intermediaries (S. 123)	1.4	1.7	2.1	1.6	1.7	1.5	2.0	2.1	
Financial auxiliaries (S. 124)	0.0	0.0	0.0	0.0	0.0	0.0	0.1	0.0	
Insurance corporations and pension funds (S. 125)	2.9	3.5	3.1	3.2	3.2	3.2	3.4	3.9	
<b>Financial corporations (S. 12)</b>	6.2	7.4	7.3	5.5	5.2	7.6	9.1	10.0	
Central government (S. 1311)	7.1	3.9	4.1	3.3	3.1	2.9	2.1	2.5	
Local government (S. 1313)	0.6	0.6	0.6	0.6	0.5	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	0.0	
<b>General government (S. 13)</b>	7.7	4.5	4.8	3.9	3.6	3.3	2.5	2.8	
<b>Households (S. 14)</b>	3.6	4.1	4.2	3.9	4.1	3.4	4.0	4.3	
<b>Nonprofit institutions serving households (S. 15)</b>	0.0	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	72.0	
<b>Total</b>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	

The upward trend in the market of mutual fund shares continued in 2007 Q4. As a result, the outstanding total of mutual fund shares, measured at net asset value, rose to HUF 3,233.9 billion. The household sector continued to be the largest participant of the market. Its share rose slightly, by 0.6 percentage points, after falling continuously in the past two years. The market share of financial corporations fell by 0.6 percentage points. Within the sector, insurance corporations and pension funds stepped up their share, while other monetary financial institutions reduced theirs. The market shares of non-resident investors and non-profit institutions serving households continued to be insignificant, despite the continuous increase in their holdings of mutual fund shares.

<sup>4</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.

**Net asset value of mutual fund shares by holding sector**

	Mutual fund shares								percent
	2006				2007				
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
<b>Nonfinancial corporations (S. 11)</b>	7.2	7.0	5.6	5.3	5.4	5.8	5.9	5.6	
Magyar Nemzeti Bank (S. 121)	0.0	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	1.2	
Other financial intermediaries (S. 123)	6.8	7.5	11.6	11.3	11.1	10.7	10.4	9.9	
Financial auxiliaries (S. 124)	0.1	0.1	0.2	0.1	0.1	0.1	0.2	0.1	
Insurance corporations and pension funds (S. 125)	9.4	9.9	9.5	10.3	10.6	10.9	11.1	11.1	
<b>Financial corporations (S. 12)</b>	17.8	18.9	22.4	22.8	22.9	22.9	22.9	22.3	
Central government (S. 1311)	0.1	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	0.5	
Social security funds (S. 1314)	0.0	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	0.6	
<b>Households (S. 14)</b>	72.5	71.2	69.4	69.0	68.6	68.4	68.2	68.8	
<b>Nonprofit institutions serving households (S. 15)</b>	0.8	0.9	0.8	0.9	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	1.8	
<b>Total</b>	100.0	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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