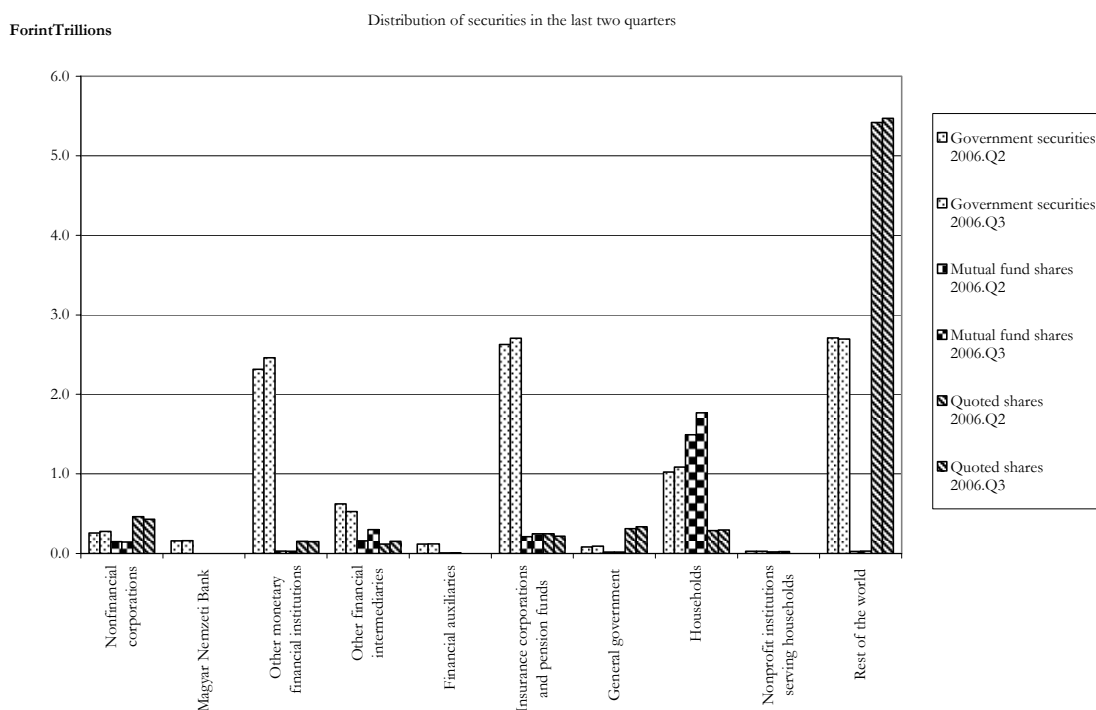


22 November 2006

## PRESS RELEASE

### Securities holdings by sector: 2006 Q3<sup>1</sup>

*In 2006 Q3, the market value of Hungarian forint-denominated government securities rose above HUF 10,000 billion. The most notable development was the increase in the market shares of other monetary financial institutions, including credit institutions. This was in contrast with the decline in non-residents' share of the market. The steady rise in insurance corporations' and pension funds' securities holdings over the past several years continued in Q3, and consequently, the sector became the largest participant of the government securities market by end-September. The majority of sectors registered price gains on their holdings of government securities. In the market of quoted shares, the percentage share of financial and non-financial corporations fell, in contrast with those of general government and households which rose slightly, due to rises in prices. Non-residents increased their market share mainly by buying quoted shares; of the domestic sectors, only other financial intermediaries were net buyers. After a steady decline over the previous two years, the market value of mutual fund shares reached a record high, increasing by nearly HUF 500 billion, probably due to the imposition of withholding tax on interest income from September. Households and other financial intermediaries were the biggest buyers in the market of mutual fund shares.*



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

## Government securities

Measured at market value, Hungarian government debt securities holdings<sup>2</sup> rose by 2.2% to HUF 10,154.3 billion in 2006 Q3. This was accounted for mainly by an increase of 4.0 percentage points in treasury bill holdings. In addition, government bond holdings, calculated at market value, rose by 1.4 percentage points on the quarter. Rises in government securities prices increased total holdings by HUF 8.7 billion; and the outstanding amount of government paper at nominal value rose by HUF 205.6 billion. As a combined result of these developments, government securities holdings rose by HUF 214.2 billion in the period under review.

The market value of households' government securities holdings rose by HUF 61.8 billion in Q3. Net purchases totalling HUF 63.6 billion accounted for this increase, as the sector registered a HUF 1.8 billion loss on its portfolio. Households' holdings of government bonds and short-term government paper, calculated at market value, rose by HUF 17.1 billion and HUF 44.7 billion respectively. Following a decline in the previous two quarters, the sector's share of the government securities market rose back to its level at the end of 2005. As a consequence, households' holdings were 10.7% of the total at end-September.

Following net sales in the previous quarter, non-residents continued to sell government debt securities in a total HUF 14.2 billion. The sector registered a HUF 2.1 billion holding gain on its portfolio. As a result, its holdings fell by HUF 12.1 billion, with its percentage share of total government securities holdings falling by 0.7 percentage points to 26.6% by end-September. The last time non-resident investors' share of the market was as low as it has recently been was in summer 2004 (25.8%). The sector reduced its short-term treasury bill holdings by HUF 29.4 billion, and simultaneously their holdings of government paper, at market value, rose by HUF 17.3 billion.

Financial corporations' holdings of government securities increased by HUF 130.9 billion at market value. Their holdings rose mainly on account of net purchases worth HUF 122.3 billion. Holding gains totalling HUF 8.6 billion increased the market value of government paper held by the sector. Despite the purchases, financial corporations' share of the government securities market remained broadly unchanged. Government securities holdings of insurance corporations and pension funds rose by HUF 79.0 billion, after stalling in the previous quarter, and their market share rose by 0.2 percentage points. With total holdings of HUF 2,706.8 billion, insurance corporations and pension funds became the most important holding sector in the government securities market by end-September. Other monetary financial institutions' holdings increased by HUF 143.5 billion, as a result of which their market share edged up by 0.9 percentage points.

Non-financial corporations' holdings of government securities rose by HUF 21.6 billion in Q3, reversing the fall in the previous quarter. The entire increase in holdings was accounted for by the sector's net purchases of government paper.

The general government sector's holdings of government securities, calculated at market value, rose slightly in the period under review. The central government's holdings of government securities remained unchanged, in contrast with that of local authorities which increased by HUF 10.3 billion.

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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.

### Distribution of Government Securities Holdings by Sector

	Government Securities Total							percent
	2005				2006			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	
<b>Nonfinancial corporations (S. 11)</b>	3.0	2.8	2.7	2.5	2.6	2.6	2.7	
Magyar Nemzeti Bank (S. 121)	2.2	2.1	2.0	1.7	1.6	1.6	1.6	
Other monetary financial institutions (S. 122)	22.6	22.5	20.5	21.4	21.5	23.3	24.2	
Other financial intermediaries (S. 123)	4.6	5.4	6.6	6.6	6.5	6.3	5.2	
Financial auxiliaries (S. 124)	1.2	1.2	1.2	1.2	1.2	1.2	1.2	
Insurance corporations and pension funds (S. 125)	24.3	25.2	26.7	27.1	26.6	26.4	26.7	
<b>Financial corporations (S. 12)</b>	55.0	56.5	56.9	58.0	57.4	58.8	58.8	
Central government (S. 1311)	0.4	0.4	0.3	0.4	0.3	0.4	0.4	
Local government (S. 1313)	0.8	0.8	0.7	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>	1.2	1.2	1.0	0.9	0.8	0.8	0.9	
<b>Households (S. 14)</b>	11.7	11.2	10.5	10.7	10.4	10.3	10.7	
<b>Nonprofit institutions serving households (S. 15)</b>	0.3	0.3	0.2	0.2	0.2	0.3	0.3	
<b>Rest of the world (S. 2)</b>	28.9	28.0	28.7	27.7	28.5	27.3	26.6	
<b>Total</b>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	

### Quoted shares

The market value of quoted share holdings rose by HUF 45.8 billion (by some 0.7%) in Q3, to a total HUF 7,044.9 billion at end-September.<sup>3</sup> This followed a decline of HUF 619.3 billion in Q2. The increase in market capitalisation of shares was accounted for by price rises, the effect of which amounted to HUF 34.3 billion. Four stocks were admitted to the BSE in a total amount of HUF 10.1 billion; one capital increase of a total HUF 4.2 billion was implemented, and two shares were delisted, with a combined negative contribution of HUF 6.0 billion.

Households were net sellers to the tune of HUF 13.8 billion. The sector registered a HUF 16.7 billion gain on its holdings of quoted shares. Admissions and delistings resulted in an increase of HUF 6.0 billion in holdings. On balance, the sector's holdings rose by some HUF 8.8 billion in Q3. At end-September, households directly held 4.2% of all quoted shares. That figure was up 0.1 percentage point on Q2.

Non-resident investors were net buyers of shares of a total HUF 52.9 billion. In addition, they registered a HUF 3.7 billion holding gain. As a result of admissions and delistings which amounted to a net HUF 4.6 billion, non-residents' holdings of quoted shares rose by HUF 51.8 billion. On balance, the sector's percentage share of total holdings rose by 0.3 percentage points to 77.7% in Q3.

Unlike in previous periods, financial corporations were net sellers of a total HUF 15.0 billion. They registered a HUF 10.9 billion holding gain in the quarter. The value of their holdings rose by HUF 1.5 billion, due to admissions and delistings. As a result, the amount of quoted shares held by the sector fell by HUF 2.6 billion; and its percentage share of the market edged down by 0.1 percentage points to 7.3%.

Non-financial corporations sold quoted shares of a total HUF 16.2 billion in Q3. Price losses reduced the value of their holdings by another HUF 19.8 billion. Admissions and delistings caused an increase of HUF 1.4 billion in the value of the sector's holdings. As a combined result, non-financial corporations' holdings of quoted shares fell by HUF 34.6 billion, and their percentage share of the market by 0.5 percentage points to 6.1%.

<sup>3</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 shares of two firms.

General government sold quoted shares in the net amount of HUF 0.6 billion in Q3. The sector registered a HUF 22.8 billion price gain on its holdings. As a consequence, its total holdings rose by HUF 22.2 billion. General government's percentage share of the market rose by 0.3 percentage points relative to the previous quarter to 4.8% at end-September.

#### Quoted shares held by institutional sectors

	Quoted shares							percent
	2005				2006			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	
<b>Nonfinancial corporations (S. 11)</b>	4.1	4.9	4.4	4.7	3.1	6.6	6.1	
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)	1.8	1.6	1.5	1.9	2.0	2.2	2.1	
Other financial intermediaries (S. 123)	1.5	1.4	1.2	1.4	1.4	1.7	2.1	
Financial auxiliaries (S. 124)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
Insurance corporations and pension funds (S. 125)	3.0	3.0	2.8	2.8	2.9	3.5	3.1	
<b>Financial corporations (S. 12)</b>	6.3	6.0	5.5	6.2	6.2	7.4	7.3	
Central government (S. 1311)	6.8	7.2	7.4	6.9	7.1	3.9	4.1	
Local government (S. 1313)	0.6	0.6	0.6	0.7	0.6	0.6	0.6	
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>	7.4	7.8	7.9	7.5	7.7	4.5	4.8	
<b>Households (S. 14)</b>	3.9	3.7	3.3	3.9	3.6	4.1	4.2	
<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>	78.3	77.6	78.8	77.7	79.3	77.4	77.7	
<b>Total</b>	100.0	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 21.9%, from HUF 2,098.9 billion in Q2 to HUF 2,559.4 billion in Q3. The sectors' percentage shares changed only slightly relative to the previous quarter. Most of the increase in the outstanding total was accounted for by transactions worth HUF 432.2 billion. Price rises added HUF 28.3 billion to the value of existing holdings. As a combined effect of these two developments, the outstanding amount of mutual fund shares, measured at the net asset value, rose by HUF 460.5 billion.

Measured at market value, households' holdings of mutual fund shares rose by HUF 279.0 billion in Q3. This was the strongest increase over the observed period; and the introduction of withholding tax may have been in the background. The sector purchased a net HUF 275.1 billion mutual fund shares and registered a HUF 3.8 billion gain on its existing holdings. Despite these, its percentage share of the market fell further by 1.9 percentage points relative to Q2.

Non-residents' existing holdings of mutual fund shares rose by HUF 4.8 billion on the quarter. As a result, their share of total market holdings remained unchanged relative to the previous quarter.

The financial corporate sector increased its holdings of mutual fund shares by HUF 179.1 billion in Q3. The sector's share of total market holdings increased by 3.6 percentage points, reaching 22.5%. Similarly to the previous quarter, each sub-sector stepped up its holdings, except other monetary financial institutions. Other financial intermediaries increased their existing holdings by HUF 142.1 billion. This was largest amount in comparison with other sub-sectors, as was the case in earlier periods, and also the largest quarterly increase since records began. OFIs share of total holdings rose by 4.2 percentage points. Transactions by financial corporations amounted to HUF 154.0 billion; and they registered a HUF 25.1 billion holding gain. Insurance corporations and pension funds increased their holdings significantly, by HUF 37.2 billion, as a result of a

HUF 10.4 billion holding gain and transactions totalling HUF 26.7 billion. On balance, their share of the market fell by 0.3 percentage points.

Mutual fund shares held by non-financial corporations rose to HUF 144.4 billion in Q3. This meant a slight fall relative to Q2. This change in holdings was explained by net sales and negative revaluations worth HUF 3.3 billion and HUF 0.3 billion respectively. Non-financial corporations' market share dropped to 5.6% in the period.

The general government sector's holdings of mutual fund shares were down by HUF 0.7 billion in Q3 relative to the previous quarter. This was accounted for mainly by sales by the local government sub-sector.

Net asset value of mutual fund shares by holding sector

	percent							
	Mutual fund shares							
	2005				2006			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	
<b>Nonfinancial corporations (S. 11)</b>	8.0	7.6	7.4	6.9	7.1	7.1	5.6	
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	1.6	1.5	1.5	1.5	1.4	1.1	
Other financial intermediaries (S. 123)	2.2	2.8	3.7	5.7	7.0	7.5	11.7	
Financial auxiliaries (S. 124)	0.1	0.1	0.1	0.2	0.1	0.1	0.2	
Insurance corporations and pension funds (S. 125)	10.1	9.2	8.9	9.5	9.7	9.9	9.6	
<b>Financial corporations (S. 12)</b>	14.0	13.6	14.2	16.8	18.2	18.9	22.5	
Central government (S. 1311)	0.1	0.1	0.1	0.1	0.1	0.1	0.1	
Local government (S. 1313)	1.7	1.2	1.3	0.8	1.0	0.8	0.6	
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>	1.8	1.3	1.4	0.9	1.1	0.8	0.7	
<b>Households (S. 14)</b>	74.7	75.9	75.4	73.7	71.8	71.0	69.1	
<b>Nonprofit institutions serving households (S. 15)</b>	1.0	0.9	0.9	0.9	0.9	1.0	0.9	
<b>Rest of the world (S. 2)</b>	0.6	0.7	0.7	0.9	0.9	1.2	1.2	
<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.
- 5 In line with the revisions policy of securities statistics, data on mutual fund shares for 2005 have been revised.

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