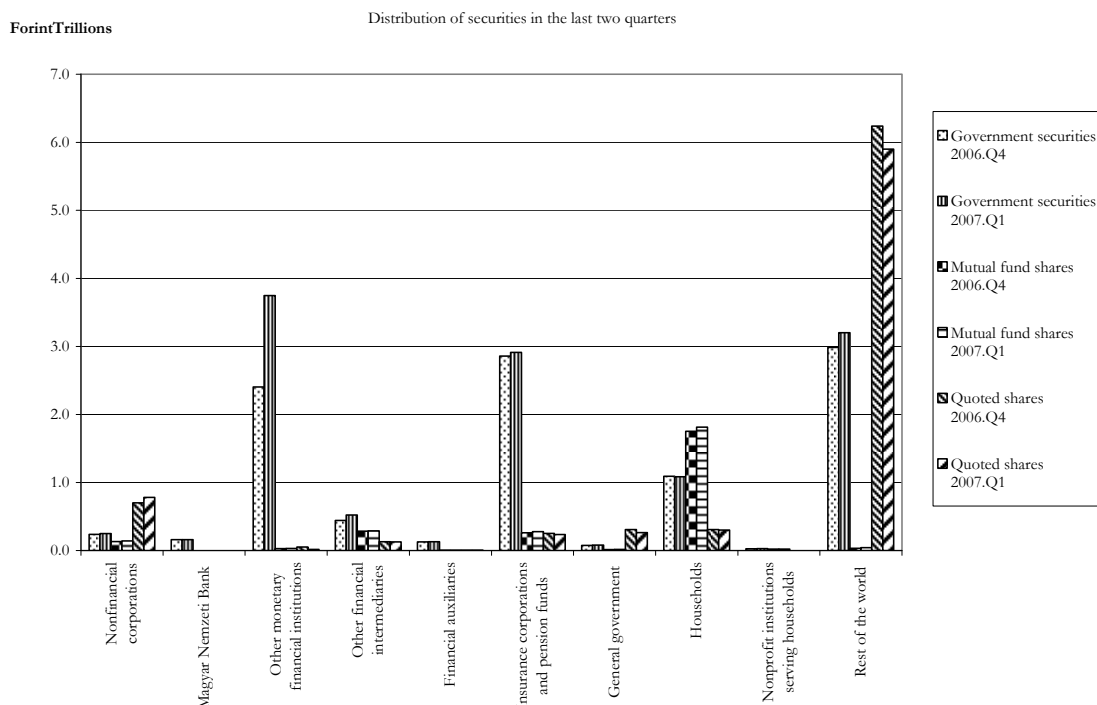


22 May 2007

PRESS RELEASE

Securities holdings by sector: 2007 Q1¹

In 2007 Q1, the most notable development in the Hungarian government securities market was the launch of MNB bills. As a result, the market value of government securities outstanding and the market shares of sectors purchasing MNB bills both rose significantly. Other MFIs, comprising credit institutions as well, emerged as the largest participants of the government securities market, ahead of non-residents and insurance corporations and pension funds. The market share of non-financial corporations declined to a historical low. The majority of sectors registered price gains on their holdings of government securities. In the market of quoted shares, the percentage shares of non-residents and households rose. By contrast, non-financial corporations' percentage share of the market fell, due to the de-listing of a company from the stock exchange. The market shares of financial corporations and general government also fell. Except the corporate sector, all sectors registered price gains on their holdings of quoted shares. Insurance corporations and households were the biggest buyers in the market of mutual fund shares in the period under review. There was a slight drop in households' percentage share of the market towards the end of the period, similarly to 2006 Q4.



¹ Stock data always refer to the end of the quarter.

Government securities

Measured at market value, Hungarian government debt securities holdings² rose by 16.5% to HUF 12,129.4 billion in 2007 Q1. This was due mainly to the launch by the MNB of its two-week bills, replacing the two-week deposit facility, the outstanding amount of which was HUF 1,238.8 billion at the end of Q1. Government bond holdings rose by 6.4 percentage points, while the market value of treasury bill holdings fell by 1.2 percentage points. Rises in government securities prices increased total holdings by HUF 37.9 billion; and the outstanding amount of government paper at nominal value rose by HUF 1,677.5 billion. As a combined result of these developments, government securities holdings rose by HUF 1,715.4 billion relative to the end of 2006.

The market value of households' government securities holdings fell by HUF 3.7 billion in Q1. This resulted in full from net sales totalling HUF 6.0 billion, given the HUF 2.2 billion price gain on the sector's portfolio. Households' holdings of government bonds rose by HUF 5.2 billion, while its holdings of short-term government paper, measured at market value, fell by HUF 9.2 billion. Following the drop in the previous quarter, the sector's share of the government securities market fell by another 1.5 percentage points. As a consequence, households' holdings were 9.0% of the total on 31 March 2007.

Following net purchases in the previous quarter, non-residents continued to be net buyers of government debt securities in a total amount of HUF 194.0 billion. The sector registered a HUF 20.2 billion holding gain on its portfolio. As a result, its holdings rose by HUF 214.2 billion; however, its percentage share of total government securities holdings fell by 2.3 percentage points to 26.4% by end-March.

Financial corporations' holdings of government securities were HUF 1,483.4 billion higher at market value than in 2006 Q4. Their holdings rose due mainly to purchases totalling HUF 1,468.6 billion. In addition, they registered a total HUF 14.9 billion holding gain. MNB bills, in a total HUF 1,187.2 billion, accounted for the larger part of purchases of government securities by financial corporations. The sector's share of the government securities market rose by 4.1 percentage points, boosted by those purchases. Government securities holdings of insurance corporations and pension funds rose by HUF 53.6 billion, continuing the increase in the previous quarter. But despite this, their market share fell by 3.4 percentage points. Other monetary financial institutions increased their holdings by HUF 1,344.7 billion (mainly through purchases of MNB bills), as a result of which their market share rose by 7.8 percentage points to 30.9%. Credit institutions thus emerged as the largest holding sector in the government securities market.

Non-financial corporations' holdings of government securities rose by HUF 14.0 billion in Q1, continuing the rise in the previous quarter. The entire increase in holdings was accounted for by the sector's net purchases of government paper. Non-financial corporations' share of the market shrank to 2.1%, a level not seen before.

The general government sector's holdings of government securities, calculated at market value, rose slightly, by HUF 4.9 billion, in the period under review. The central government's holdings of government securities increased by HUF 3.2 billion, while those of local government fell by HUF 1.7 billion. These changes in holdings resulted from net purchases by the general government sector in the period.

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

Quoted shares

The market value of quoted share holdings fell by HUF 582.3 billion (by some 7.3%) in Q1, to a total of HUF 7,417.3 billion at end-March.³ This followed an increase of HUF 954.7 billion in 2006 Q4. The decrease in market capitalisation of shares was accounted for in part by price declines, amounting to HUF 363.1 billion. One share (Borsodchem) was de-listed at a value of HUF 219.4 billion. One capital increase was implemented, which contributed HUF 0.3 billion to total market capitalisation.

As was the case in 2003 Q4, households sold quoted shares of a net value of HUF 2.6 billion in Q1. The sector registered a HUF 2.3 billion loss on its holdings of shares. On balance, the sector's direct holdings fell by some HUF 4.9 billion, while its market share rose by 0.2 percentage points to 4.1%.

Non-resident investors were net sellers of shares of a total HUF 12.2 billion, due to a significant change in the ownership of TVK. In addition, they registered a HUF 323.7 billion holding loss. As a result of all these, the sector's total holdings fell by HUF 335.9 billion. But despite this, non-residents' percentage share of total holdings rose by 1.6 percentage points to 79.6% in the period under review.

As seen in the previous quarter, financial corporations were net sellers of quoted shares totalling HUF 40.0 billion, due in large part to sales by other monetary financial institutions. In addition, they registered a HUF 18.9 billion holding loss in the quarter. As a result, the amount of quoted shares held by the sector fell by HUF 58.9 billion; and its percentage share of the market edged down by 0.3 percentage points to 5.2%.

Similarly to 2006 Q3–Q4, non-financial corporations purchased quoted shares of a total net value of HUF 56.8 billion in Q1, in which the change in the ownership structure of TVK, discussed above, played a dominant role. The sector registered a HUF 25.6 billion price gain on its

³ 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.

holdings. Meanwhile, the delisting of Borsodchem affected exclusively this sector. As a combined result, non-financial corporations' holdings of quoted shares fell by HUF 137.0 billion, and their percentage share of the market fell by 1.2 percentage points to 7.6%.

The general government sector sold quoted shares of a net amount of HUF 1.6 billion in Q1. It registered a HUF 43.8 billion price loss on its holdings. As a combined effect, the sector's total holdings fell by HUF 45.4 billion. General government's percentage share of the market was 3.6% at end-March, 0.3 percentage points lower than in the previous quarter.

Quoted shares held by institutional sectors

	Quoted shares					percent
	2006					
	Q1	Q2	Q3	Q4	Q1	
Nonfinancial corporations (S. 11)	3.1	6.6	6.1	8.8	7.6	
Magyar Nemzeti Bank (S. 121)	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	
Other financial intermediaries (S. 123)	1.4	1.7	2.1	1.6	1.7	
Financial auxiliaries (S. 124)	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	
Financial corporations (S. 12)	6.2	7.4	7.3	5.5	5.2	
Central government (S. 1311)	7.1	3.9	4.1	3.3	3.1	
Local government (S. 1313)	0.6	0.6	0.6	0.6	0.5	
Social security funds (S. 1314)	0.0	0.0	0.0	0.0	0.0	
General government (S. 13)	7.7	4.5	4.8	3.9	3.6	
Households (S. 14)	3.6	4.1	4.2	3.9	4.1	
Nonprofit institutions serving households (S. 15)	0.0	0.0	0.0	0.0	0.0	
Rest of the world (S. 2)	79.3	77.4	77.7	78.0	79.6	
Total	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 4.2%, from HUF 2,538.1 billion in 2006 Q4 to HUF 2,645.9 billion in 2007 Q1. The holding sectors' percentage shares barely changed relative to the previous period. Most of the increase in the outstanding total was accounted for by transactions worth a total of HUF 108.2 billion. Price falls reduced the value of existing holdings by HUF 0.5 billion. As a combined effect of these two developments, the outstanding amount of mutual fund shares, measured at net asset value, rose by HUF 107.7 billion.

Measured at market value, households' holdings of mutual fund shares increased by HUF 61.6 billion in Q1. Net purchases of a total amount of HUF 58.4 billion and a HUF 3.2 billion gain were in the background of this change in holdings. Despite this, households' percentage share of the market fell further by 0.5 percentage points.

Non-residents' existing holdings of mutual fund shares rose by HUF 6.0 billion in Q1. As a result, their share of total market holdings rose by another 0.2 percentage points, similarly to the previous quarter.

The financial corporate sector increased its holdings of mutual fund shares by HUF 28.2 billion in Q1. Its share of total market holdings increased by 0.1 percentage points, reaching 22.9%. Every sub-sector stepped up their holdings, with insurance corporations and pension registering

the largest increase (a total HUF 18.1 billion). This increase in their holdings was composed of downward revaluations worth of HUF 4.9 billion and transactions totalling HUF 23.0 billion. Financial corporations' net purchases amounted to a total HUF 32.0 billion in 2007 Q1; and they registered a HUF 3.8 billion loss on their existing holdings.

Mutual fund shares held by non-financial corporations amounted to HUF 143.2 billion in Q1. This was HUF 9.0 billion higher than in the period September-December 2006. This change in holdings was explained by net purchases and upward revaluations worth of HUF 8.5 billion and HUF 0.5 billion, respectively. As a consequence, non-financial corporations' market share rose to 5.4% of the total over the period under review.

The general government sector's holdings of mutual fund shares were up by HUF 2.5 billion in Q1 relative to the previous quarter. This rise in holdings was due exclusively to sales of mutual fund shares by the local government sub-sector. At the end of the period, mutual fund shares held by general government amounted to HUF 16.4 billion.

Net asset value of mutual fund shares by holding sector

	Mutual fund shares					percent
	2006					
	Q1	Q2	Q3	Q4	Q1	
Nonfinancial corporations (S. 11)	7.1	7.1	5.6	5.3	5.4	
Magyar Nemzeti Bank (S. 121)	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	
Other financial intermediaries (S. 123)	7.0	7.5	11.7	11.2	11.0	
Financial auxiliaries (S. 124)	0.1	0.1	0.2	0.1	0.1	
Insurance corporations and pension funds (S. 125)	9.7	9.9	9.6	10.3	10.6	
Financial corporations (S. 12)	18.2	18.9	22.5	22.8	22.9	
Central government (S. 1311)	0.1	0.1	0.1	0.1	0.1	
Local government (S. 1313)	1.0	0.8	0.6	0.5	0.5	
Social security funds (S. 1314)	0.0	0.0	0.0	0.0	0.0	
General government (S. 13)	1.1	0.8	0.7	0.5	0.6	
Households (S. 14)	71.8	71.0	69.1	69.0	68.6	
Nonprofit institutions serving households (S. 15)	0.9	1.0	0.9	0.9	0.9	
Rest of the world (S. 2)	0.9	1.2	1.2	1.4	1.6	
Total	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) at Financial data/Statistics.
- 3 The tables containing stock data are accessible on the Bank's website (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 the previous year have been revised.

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