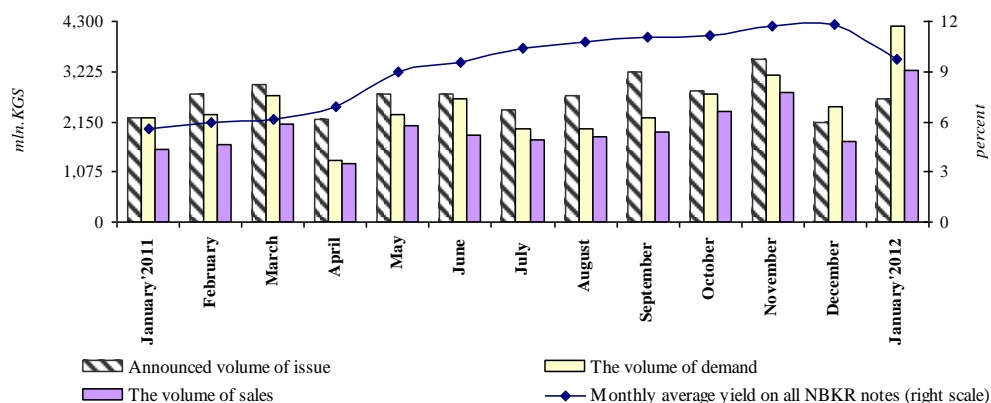


NBKR Notes (January 2012)

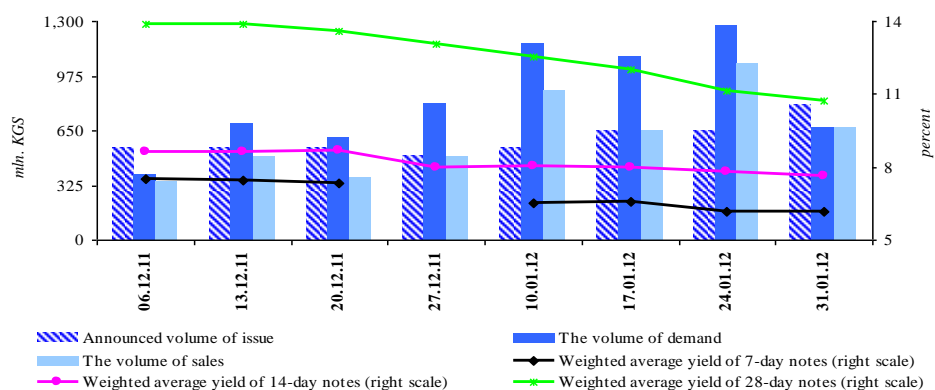
Graph 1. Demand and placement of NBKR notes



In January 2012, the cumulative volume of supply of notes increased compared to the previous month by 23.3 percent and constituted 2.7 billion KGS. On the background of increased demand by 68.9 percent, to 4.2 billion KGS, the volume of sales of securities (subject to additional placement) increased to 3.3 billion KGS (+89.5 percent). The main reason for the increase was the expansion of sales in all segments of the market: the volume of 7-day notes increased by 78.4 percent and constituted 375.1 million KGS; 14-day notes - by 2.1 times to 730.1 million KGS; 28-day notes - by 84.6 percent to 2.2 billion KGS. In terms of market participants, the main activity was demonstrated by the two large commercial banks and one of the institutional investors, which accounted for more than half of the total volume of securities offered in the market.

In the reporting period, the total average yield of NBKR notes decreased by 2.0 percentage points and constituted 9.8 percent as a result of decrease in the yields on all types of securities. In particular, the yield of 7-day notes decreased by 1.1 percentage points and constituted 6.4 percent; 14-day notes - by 0.5 percentage points to 7.9 percent; and 28-day notes - by 2.1 percentage points, to 11.5 percent.

Graph 2. The dynamics of demand, sales and yield of NBKR notes



The average auction demand¹ volume in January constituted 1.1 billion KGS having increased by 68.9 percent compared to the previous month; the average auction¹ of sales volume grew by 46.5 percent and constituted 630.2 million KGS.

In the reporting period, the volume of notes in circulation increased by 61.7 percent and constituted 2.2 billion KGS. The share of resident legal entities and resident individuals increased by 2.6 and 0.5 percentage points, to 4.0 and 0.5 percent, respectively. Despite the growth of quantitative indicators, the share of main holders in the face of commercial banks

¹ This indicator is used instead of the general volume of supply /demand within a month since the number of auctions within a month is not a constant value.

decreased by 2.6 percentage points and constituted 75.4 percent in the total portfolio. Besides, the share of institutional investors decreased and constituted 20.1 percent (-0.5 percentage points) according to the results of the reporting period.

The concentration index of bank portfolio of notes² formed at the rate of 0.19 indicates to the high level of concentration, equivalent to the presence of five major participants with equal shares in the market.

Graph 3. The dynamics of sales of NBKR notes

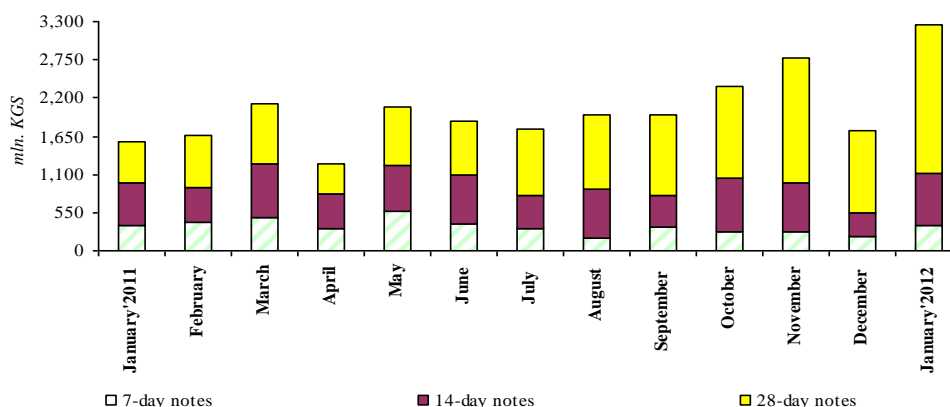


Table 1. The structure of the holders of NBKR notes at par value

Date	TOTAL	Including							
		Commercial Banks		Resident companies		Resident individuals		Institutional investors	
		Amount	Share	Amount	Share	Amount	Share	Amount	Share
01.02.2011	944.9	780.3	82.6%	2.0	0.2%	-	0.0%	162.6	17.2%
01.03.2011	1052.1	639.0	60.7%	51.0	4.8%	-	0.0%	362.1	34.4%
01.04.2011	1165.2	464.1	39.8%	371.1	31.9%	-	0.0%	330.0	28.3%
01.05.2011	738.6	334.9	45.3%	0.7	0.1%	-	0.0%	403.0	54.6%
01.06.2011	863.7	574.2	66.5%	28.5	3.3%	-	0.0%	261.0	30.2%
01.07.2011	1093.2	611.9	56.0%	177.8	16.3%	1.5	0.1%	302.0	27.6%
01.08.2011	1360.0	919.5	67.6%	3.5	0.3%	2.0	0.1%	435.0	32.0%
01.09.2011	1357.2	899.5	66.3%	55.9	4.1%	0.8	0.1%	401.0	29.5%
01.10.2011	1368.4	1055.2	77.1%	49.1	3.6%	0.1	0.0%	264.0	19.3%
01.11.2011	1738.2	1345.4	77.4%	42.7	2.5%	0.1	0.0%	350.0	20.1%
01.12.2011	1732.4	1215.8	70.2%	49.6	2.9%	-	0.0%	467.0	27.0%
01.01.2012	1366.4	1065.3	78.0%	19.4	1.4%	0.2	0.0%	281.5	20.6%
01.02.2012	2209.5	1666.1	75.4%	88.0	4.0%	10.3	0.5%	445.1	20.1%

² This index shows the degree of concentration of securities in the portfolio of the banks. The concentration index is calculated by the method of Herfindahl-Hirschman index and is the sum of the squares of the specific weights in total. The index takes values from 0 to 1. An index value less than 0.10 corresponds to the low level of concentration, from 0.10 to 0.18 - the average level of concentration and more than 0.18 - high level of concentration. For example, the concentration index equal to 0.50 is equivalent to the market presence of 2 participants with equal shares and 0.3 – 3 participants.