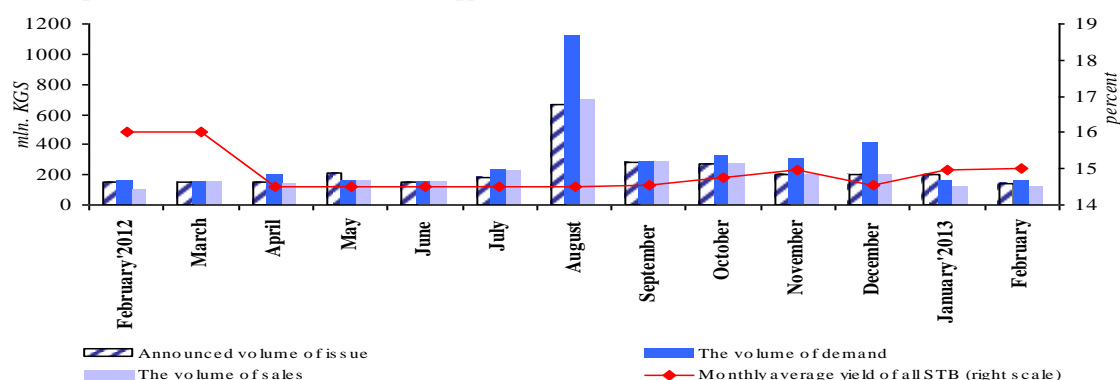


Market of State Treasury Bonds (February 2013)

In February one auction of treasury bonds of the Ministry of Finance was held in the primary market (the second auction was canceled due to the insufficient number of participants). Market participants purchased securities at the amount of 146.0 million KGS, which is lower than in the previous month indicator by 27.0 percent. This decrease in sales was a result of decreased activity on the part of commercial banks (one commercial bank showed the greatest activity), interest from part of institutional investors who actively participated since June 2012 slightly decreased.

The level of demand fell by 2.1 percentage points and constituted 72.4 percent. The yield of securities remained at the level of the previous month, amounting to 15.0 percent. Despite the relatively high rate of yield on STBonds, the interest in this type of government securities by the majority of banks remains relatively low due to the short term nature of their resource base

Graph 1. The dynamics of volume of supply and demand and yield of STB



In February, the volume of STBonds in circulation reached 5.0 billion KGS having increased over the month by 2.4 percent. At the same time, there was a slight decline in the share of institutional investors by 1.1 percentage points (to 46.5 percent); the share of commercial banks increased by 1.1 percent and developed at a rate of 53.5 percent. The share of resident legal entities remained at 0.1 percent.

According to the results of the reporting period, the concentration index¹ of the primary market of STBonds constituted 0.44, which indicates to the high level of concentration and corresponds to the presence of two investors in the market with equal shares.

In the reporting period, no transactions with STBonds in the secondary market were made.

Table 1. The structure of the STB holders at face value

thous. KGS

Date	TOTAL	Including							
		NBKR		Commercial Banks		Institutional Investors		Resident companies	
		Amount	Share	Amount	Share	Amount	Share	Amount	Share
February'2012	3,092,940.0	0.0	0.0%	1,914,198.9	61.9%	1,175,593.9	38.0%	3,105.2	0.1%
March	3,055,690.0	0.0	0.0%	1,921,038.9	62.9%	1,131,503.9	37.0%	3,105.2	0.1%
April	3,145,470.0	0.0	0.0%	2,011,168.9	63.9%	1,131,153.9	36.0%	3,105.2	0.1%
May	3,234,570.0	0.0	0.0%	2,099,268.9	64.9%	1,131,153.9	35.0%	4,105.2	0.1%
June	3,229,690.0	0.0	0.0%	1,994,368.9	61.8%	1,231,173.9	38.1%	4,105.2	0.1%
July	3,449,700.0	0.0	0.0%	2,164,368.9	62.7%	1,281,183.9	37.1%	4,105.2	0.1%
August	3,936,450.0	0.0	0.0%	2,563,273.2	65.1%	1,369,974.6	34.8%	3,160.2	0.1%
September	4,092,450.0	0.0	0.0%	2,441,373.2	59.7%	1,647,874.6	40.3%	3,160.2	0.1%
October	4,362,550.0	0.0	0.0%	2,441,473.2	56.0%	1,917,874.6	44.0%	3,160.2	0.1%
November	4,561,550.0	0.0	0.0%	2,476,473.2	54.3%	2,081,874.6	45.6%	3,160.2	0.1%
December	4,750,550.0	0.0	0.0%	2,486,473.2	52.3%	2,260,874.6	47.6%	3,160.2	0.1%
January'2013	4,841,300.0	0.0	0.0%	2,536,223.2	52.4%	2,301,874.6	47.5%	3,160.2	0.1%
February	4,955,200.0	0.0	0.0%	2,650,123.2	53.5%	2,301,874.6	46.5%	3,160.2	0.1%

¹ This index indicated to the degree of concentration of securities in the bank portfolio. The concentration index is calculated with the use of the Herfindahl-Hirschman method, by adding index share squares in the total volume. The index values vary from 0 to 1. Index value below 0.10 corresponds to the low value of concentration, from 0.10 to 0.18 – to the medium level; and above 0.18 – to the high level of concentration. For example, the concentration index of 0.5 is equivalent to the presence of 2 market players with equal shares, 0.3 – to the presence of 3 players, etc.