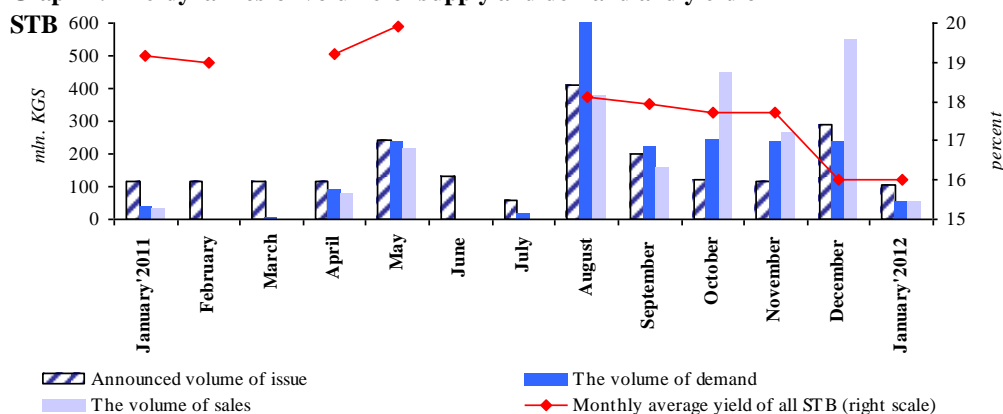


## Market of State Treasury Bonds

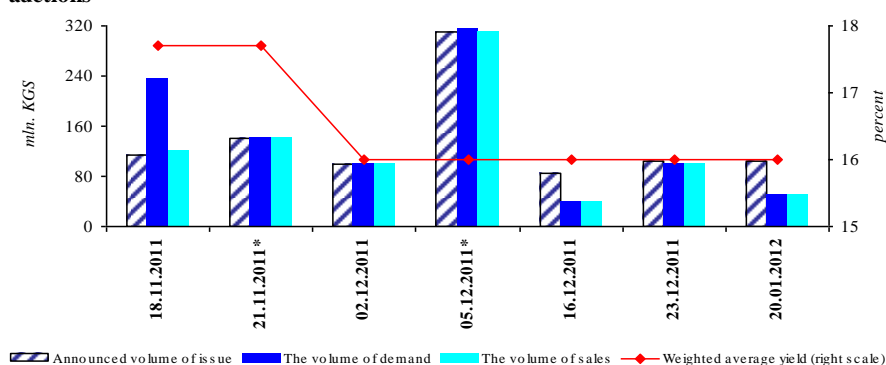
(January 2012)

In January one auction of treasury bonds of the Ministry of Finance was held in the primary market. According to the results of the auction, market participants purchased securities for the amount of 51.2 million KGS, which is by 90.7 percent lower than in the previous month. This significant decline was due to the absence of one of the most significant investors, as a result of which the entire volume of sales was provided only by the major commercial banks, which became the sole owners of STBonds offered in the market in January issue. In the reporting period, the aggregate amount of the auction demand for securities has not exceeded the announced volume of issue, and the yield of securities remained unchanged at the level of 16.0 percent. Despite the relatively high rate of return on STBonds, 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**



**Graph 2. Dynamics of volume of demand and supply and yield of STB auctions**



\* additional placement

In January, the volume of STBonds in circulation amounted to 3.0 billion KGS having increased by 0.4 percent over the month. The share of commercial banks increased slightly by 0.1 percentage points (to 61.3 percent) due to an equivalent decrease in the proportion of institutional investors to 38.6 percent. The share of resident legal entities remained at the level of 0.1 percent.

According to the results of the reporting month, the concentration index<sup>1</sup> of the primary market of STBonds was 0.42, which indicated to a high level of concentration and corresponds to the presence of two investors with equal shares in the market.

<sup>1</sup> 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.

In the reporting period, no transactions of commercial banks in the secondary market of STBonds on the purchase / sale of securities before the maturity 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
January'2011	1,917,692.0	0.0	0.0%	1,365,606.5	71.2%	549,140.5	28.6%	2,945.0	0.2%
February	1,919,792.0	0.0	0.0%	1,367,706.5	71.2%	549,140.5	28.6%	2,945.0	0.2%
March	1,919,792.0	0.0	0.0%	1,367,706.5	71.2%	549,140.5	28.6%	2,945.0	0.2%
April	1,999,792.0	0.0	0.0%	1,447,706.5	72.4%	549,140.5	27.5%	2,945.0	0.1%
May	2,213,792.0	0.0	0.0%	1,661,706.5	75.1%	549,140.5	24.8%	2,945.0	0.1%
June	2,213,792.0	0.0	0.0%	1,661,706.5	75.1%	549,140.5	24.8%	2,945.0	0.1%
July	2,213,792.0	70,685.7	3.2%	1,661,706.5	75.1%	478,454.8	21.6%	2,945.0	0.1%
August	2,593,792.0	70,685.7	2.7%	1,966,437.7	75.8%	553,723.6	21.3%	2,945.0	0.1%
September	2,752,012.0	70,685.7	2.6%	1,861,097.7	67.6%	817,283.6	29.7%	2,945.0	0.1%
October	2,927,012.0	500,940.7	17.1%	1,888,929.5	64.5%	532,494.6	18.2%	4,605.2	0.2%
November	3,056,703.0	500,940.7	16.4%	1,881,130.5	61.5%	671,484.6	22.0%	3,105.2	0.1%
December	3,035,970.0	0.0	0.0%	1,857,228.9	61.2%	1,175,593.9	38.7%	3,105.2	0.1%
January'2012	3,047,170.0	0.0	0.0%	1,868,428.9	61.3%	1,175,593.9	38.6%	3,105.2	0.1%