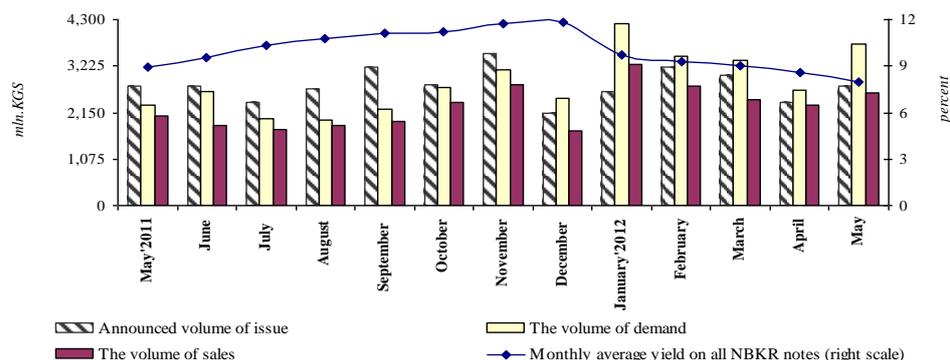


NBKR Notes (May 2012)

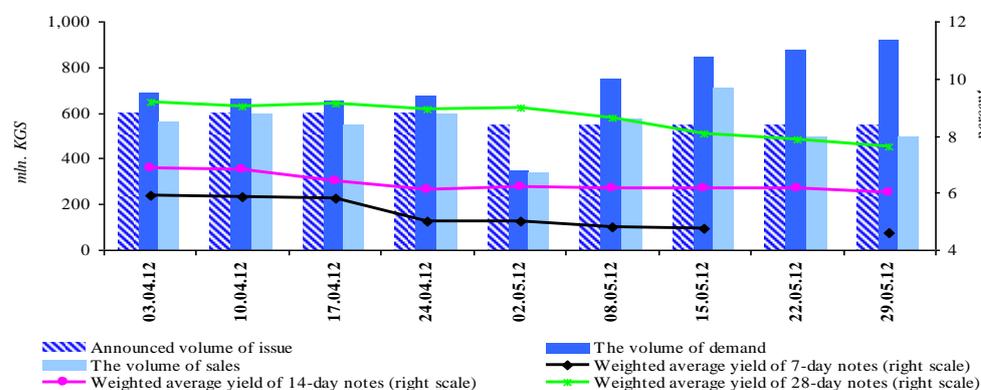
Graph 1. Demand and placement of NBKR notes



In May the cumulative total supply of notes increased compared to the previous month by 14.6 percent and constituted 2.8 billion KGS. On the background of increased demand by 39.8 percent to 3.7 billion KGS, the volume of sales of securities (subject to additional placement) increased 2.6 billion KGS (+13.3 percent). The main reason was the increase in sales of 28-day securities that rose by 25.4 percent and constituted 2.4 billion KGS. The volume of 7-day notes decreased by 84.7 percent and constituted 28.4 million KGS; 14-day notes - by 12.6 percent and constituted 174.7 million KGS. In terms of market participants, the main activity was demonstrated by the two large commercial banks and two institutional investors, which accounted for 78.2 percent of the total volume of securities offered in the market.

In the reporting period, the total average yield of NBKR notes decreased by 0.6 percentage points and constituted 8.0 percent, while the yield of 7-day notes decreased by 0.9 percentage points to 4.7 percent; 14-day notes - by 0.4 percentage points, to 6.1 percent; and 28-day notes - by 0.9 percentage points to 8.2 percent.

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



The average auction volume¹ of demand in May constituted 746.8 million KGS having increased by 11.8 percent compared to the previous month; the average auction volume of sales¹ decreased by 20.1 percent and constituted 460.9 million KGS.

In the reporting period, the volume of notes in circulation increased by 6.0 percent and constituted 2.2 billion KGS. The main reason for the decline was the continued growth of the share of institutional investors, which has grown to 26.9 percent (+6.6 percentage points). The share of main holders in the face of commercial banks decreased by 1.8 percentage points to 67.0 percent in the total portfolio. The share of resident legal entities decreased by 5.0 percentage points and constituted 5.9 percent according to the results of the reporting month, while the share of individuals constituted 0.2 percent.

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.

The concentration index of the banking portfolio of notes² formed at 0.35 indicates to the continued high level of concentration that is equivalent to the presence of three major participants in the market with equal shares.

Graph 3. The dynamics of sales of NBKR notes

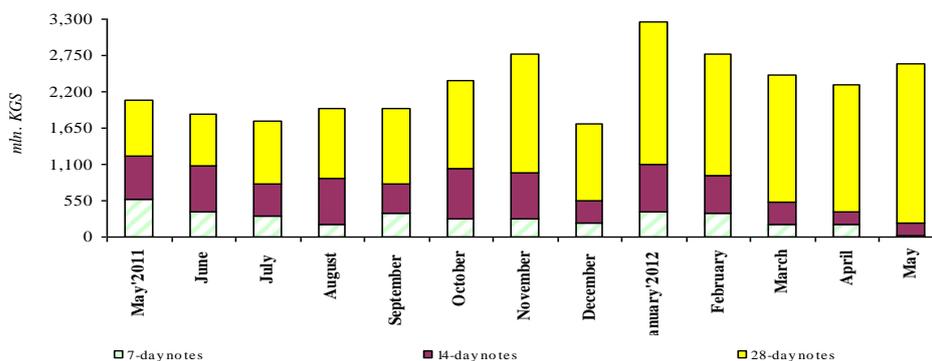


Table 1. The structure of the holders of NBKR notes at par value

Date	TOTAL	Including							
		Commercial Banks		Resident companies		Resident individuals		Institutional investors	
		Amount	Share	Amount	Share	Amount	Share	Amount	Share
01.06.2011	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%
01.03.2012	2313,0	1527,6	66,0%	162,9	7,0%	1,1	0,0%	621,5	26,9%
01.04.2012	2113,8	1507,0	71,3%	237,3	11,2%	2,4	0,1%	367,1	17,4%
01.05.2012	2072,4	1424,6	68,7%	224,5	10,8%	2,3	0,1%	421,0	20,3%
01.05.2012	2196,2	1471,2	67,0%	129,2	5,9%	4,8	0,2%	591,0	26,9%
01.06.2012	2196,2	1,471.2	67,0%	129,2	5,9%	4,8	0,2%	591,0	26,9%

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.