

MINISTRY OF FINANCE OF THE REPUBLIC OF MACEDONIA
Public Debt Management Department

PUBLICATION
No. 03 - July/August 2006



GOVERNMENT SECURITIES MARKET IN THE REPUBLIC OF MACEDONIA

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1. EVENTS ON THE FINANCIAL MARKET IN THE PAST PERIOD

1.1. Trends on the financial market in the Republic of Macedonia

In the past period, interest rates on government securities, being the safest and most liquid instrument, were lower in relation to the corresponding comparative instruments, such as time denar saving deposits in the banking sector.

With respect to the trends of the interest rates, in particular 3-month government securities, one can conclude that, after the drop in the first half of July from 6.34% to 5.96%, in the second half of July and during August, they kept a stable level, ranging between 5.96% - 5.97%, with a tendency to keep such pace in the coming period as well.

The same trend was shown to 6-month government securities where weighted interest rates from 6,92% in June, dropped to 6,73% in July and 6,56% during August.

Still, looking backwards, there was a rapid drop of interest rates in the past 12 months. Weighted interest rate of three-month treasury bills in August 2005 was 10.24%, while on the same auction in 2006, weighted interest rate declined by over 4 percentage points and was 5.97%. Interest rate on 6-month treasury bills in August 2005 was 10.88% and by constant declining during the year, it reached 6.56% in August 2006. Other government securities also show similar trend.

1.2. Over-the-counter market

Rulebook on the Manner and Procedure for Trading and Settlement of Transactions with Securities (Official Gazette of the Republic of Macedonia, no. 71/06), starting 1st July 2006, transparent secondary market for long-term government securities was also created (except bonds for old foreign currency saving and denationalisation bonds). Thus, owners of long-term securities have been enabled to trade with their securities, in addition to the Macedonian Stock Exchange AD Skopje, on the OTC market as well, prior to their maturity.

Additional advantage of this market is that the trading is not burdened with transaction-related costs and settlement of the government securities is done in real time.

Thus, functioning of this segment of the government securities market provoked increased interest at the owners of long-term securities, which could be noted by the larger number of transactions carried out in the period July-August (total of 33), compared with the number of transactions of short term government securities (total of 2). The investors were focused on trading with government bond with ISIN code MKMINF20G028 which yield to maturity on the date of issuance was 9,438. The total amount of trade on the OTC market with this bond was 114 million denars and reached the average yield to maturity of 9.227.

2. GOVERNMENT SECURITIES MARKET

2.1. Primary market

Results from the auctions of treasury bills in July 2006

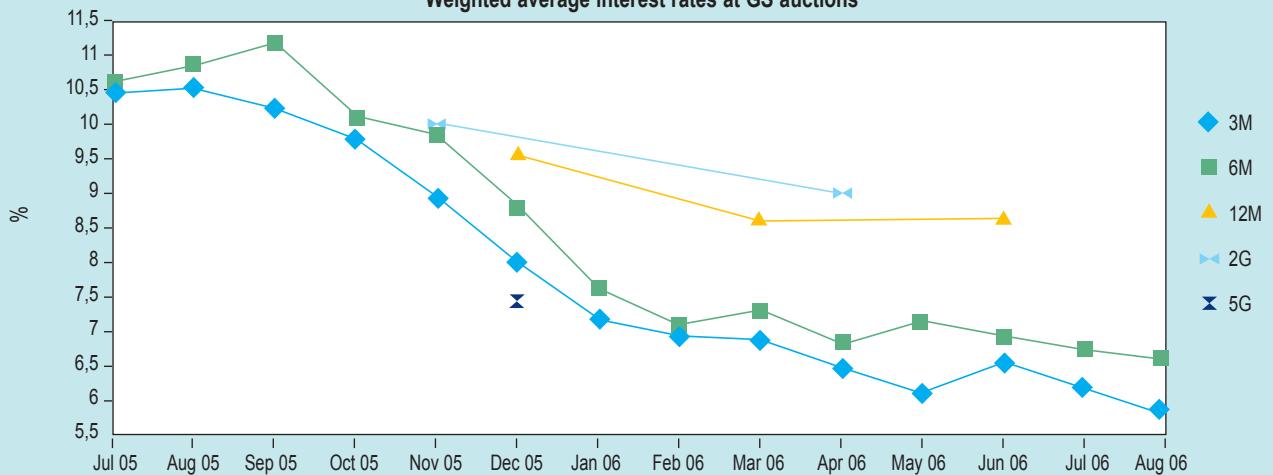
| | 3 month | | | 6 month |
|--------------------------|---------------|---------------|---------------|---------------|
| | DZ2006/12-91 | DZ2006/13-92 | DZ2006/14-91 | DZ2006/07-182 |
| ISIN code | MKMINFDZ 6126 | MKMINFDZ 6134 | MKMINFDZ 6142 | MKMINFDS 6075 |
| Days of maturity | 76 | 92 | 91 | 182 |
| Date of auction | 04.07.2006 | 11.07.2006 | 25.07.2006 | 11.07.2006 |
| Maturity date | 20.09.2006 | 12.10.2006 | 25.10.2006 | 10.01.2007 |
| Max. interest rate | 6,49 | 6,98 | 6,28 | 6,99 |
| Min. interest rate | 5,80 | 5,50 | 5,50 | 6,00 |
| Average interest rate | 6,28 | 6,34 | 5,96 | 6,73 |
| Average price | 98,6910 | 98,4065 | 98,5152 | 96,7091 |
| Amount offered for sale | 730.000.000 | 1.300.000.000 | 1.300.000.000 | 350.000.000 |
| Amount of bids submitted | 988.600.000 | 1.245.030.000 | 2.025.660.000 | 537.370.000 |
| Amount of bids accepted | 730.000.000 | 1.245.030.000 | 1.300.000.000 | 350.000.000 |
| Bid to cover ratio | 1,35 | 1 | 1,56 | 1,54 |
| Submitted bids | 32 | 54 | 58 | 17 |
| Accepted bids | 20 | 54 | 22 | 12 |

Results from the auctions of government securities in August 2006

| | 3 month | | 6 month |
|--------------------------|-------------------------------|-------------------------------|--------------------------------|
| | DZ2006/15-91 MKMINFDZ 6159 | DZ2006/16-91 MKMINFDZ 6167 | DZ2006/08-182 MKMINFDS 6083 |
| ISIN code | MKMINFDZ 6159 | MKMINFDZ 6167 | MKMINFDS 6083 |
| Days of maturity | 91 | 91 | 182 |
| Date of auction | 08.08.2006 | 22.08.2006 | 08.08.2006 |
| Maturity date | 08.11.2006 | 22.11.2006 | 07.02.2007 |
| Max. interest rate | 6,19 | 6,50 | 7,29 |
| Min. interest rate | 5,49 | 5,47 | 6,00 |
| Average interest rate | 5,97 | 5,96 | 6,56 |
| Average price | 98,5124 | 98,5148 | 96,7905 |
| Amount offered for sale | 700.000.000 | 800.000.000 | 400.000.000 |
| Amount of bids submitted | 908.970.000 | 942.610.000 | 351.790.000 |
| Amount of bids accepted | 700.000.000 | 800.000.000 | 351.790.000 |
| Bid to cover ratio | 1,3 | 1,18 | 1 |
| Submitted bids | 44 | 67 | 26 |
| Accepted bids | 38 | 61 | 26 |

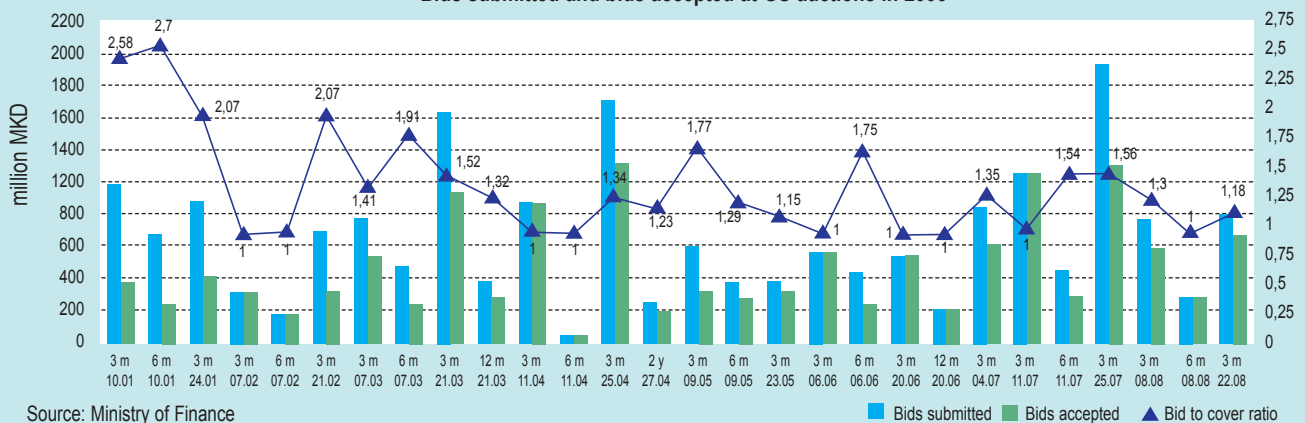
Source: Ministry of Finance

Weighted average interest rates at GS auctions



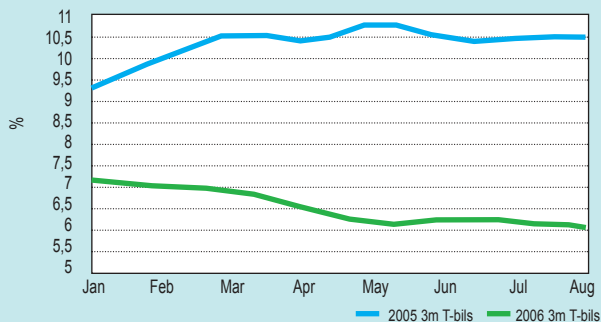
Source: Ministry of Finance

Bids submitted and bids accepted at GS auctions in 2006



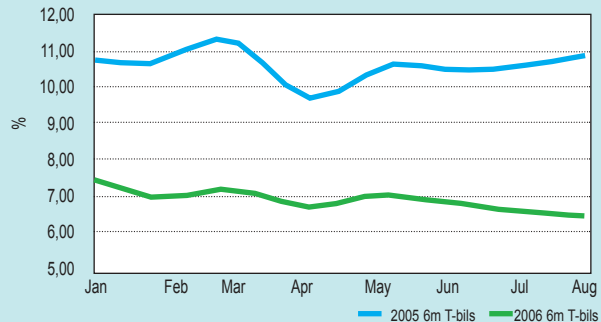
Source: Ministry of Finance

Weighted average interest rates of 3 month T-bills
Jan-Aug 2005 and 2006



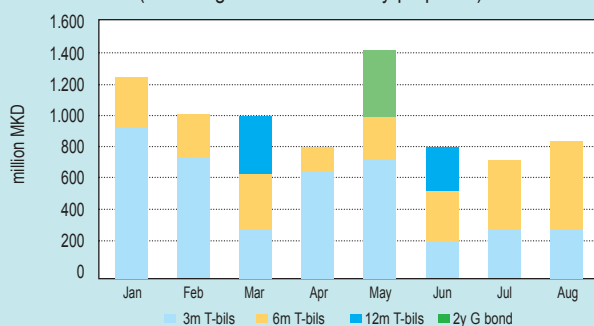
Source: Ministry of Finance

Weighted average interest rates of 6 month T-bills
Jan-Aug 2005 and 2006



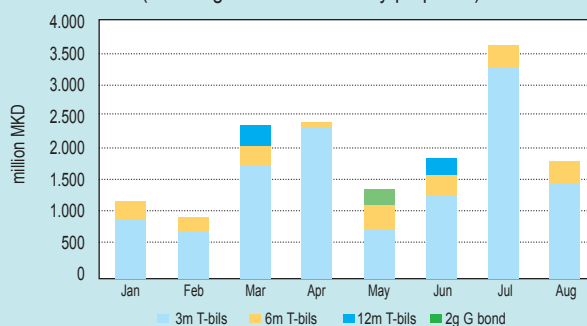
Source: Ministry of Finance

Issuance activity in 2006, by month
(excluding T-bills for monetary purposes)



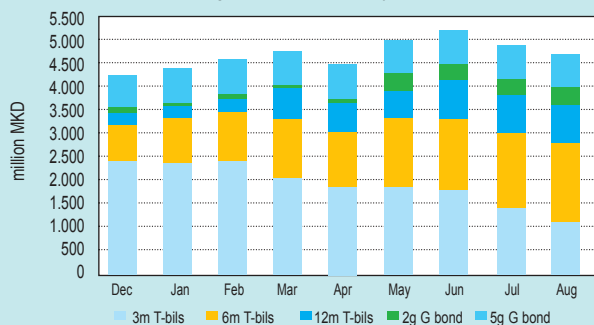
Source: Ministry of Finance

Issuance activity in 2006, by month
(including T-bills for monetary purposes)



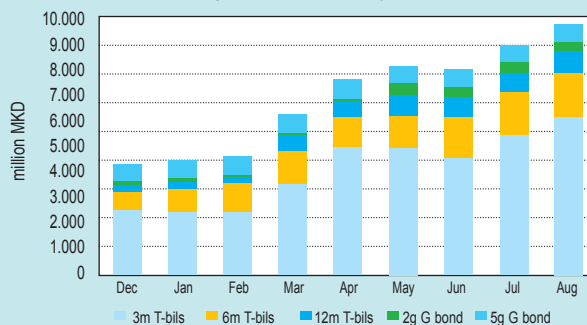
Source: Ministry of Finance

Stock of GS outstanding
(excluding T-bills for monetary purposes)



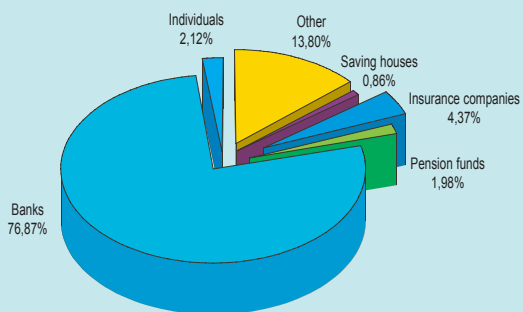
Source: Ministry of Finance

Stock of GS outstanding
(including T-bills for monetary purposes)



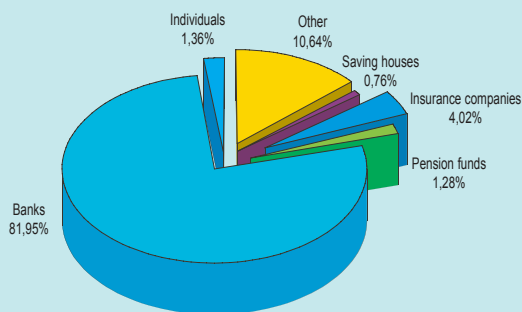
Source: Ministry of Finance

Ownership structure of continuous GS outstanding, June 2006



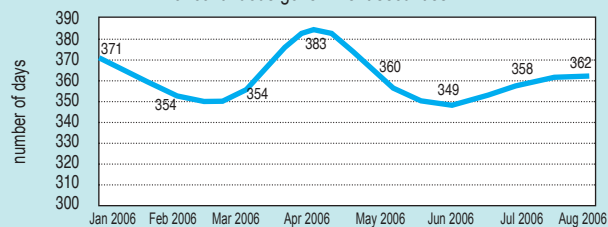
Source: Ministry of Finance

Ownership structure of continuous GS outstanding, August 2006



Source: Ministry of Finance

Average time to maturity (ATM*)
of continuous government securities



Source: Ministry of Finance

— Average time to maturity of GS

* Average time to maturity (ATM) is an indicator showing the refinancing risk, which is especially relevant when the debt should be refinanced by additional issuance of new public debt. ATM shows the average length of time until maturity of securities and the sensitivity of fixed-income funds to the interest rate variations. The longer the period of time of ATM, the greater the sensitivity to the interest rate variations.

2.2. Secondary market

2.2.1. Macedonian Stock Exchange

OVERVIEW OF TRADING WITH BONDS ON MACEDONIAN STOCK EXCHANGE

| July 2006 | High (%) | Low (%) | Last daily average price (%) | Last trading day | Volume (NV in EUR) | Turnover (MKD) | Turnover EUR | Yield to maturity |
|-----------|----------|---------|------------------------------|------------------|--------------------|----------------|--------------|-------------------|
| RM01 | 87,00 | 86,30 | 86,90 | 31.07.2006 | 835.463 | 44.291.687 | 724.133 | 7,85 |
| RMDEN01 | 84,30 | 83,80 | 84,30 | 27.07.2006 | 1.670 | 85.835 | 1.403 | 7,66 |
| RMDEN02 | 83,00 | 82,00 | 82,30 | 27.07.2006 | 45.335 | 2.288.345 | 37.411 | 7,68 |
| RMDEN03 | 81,00 | 80,00 | 80,50 | 27.07.2006 | 276.336 | 13.615.160 | 222.599 | 7,66 |
| RMDEN04 | 80,00 | 78,80 | 79,00 | 31.07.2006 | 347.011 | 16.793.900 | 274.564 | 7,58 |
| RMDEN05 | 80,00 | 78,00 | 78,79 | 31.07.2006 | 672.722 | 32.371.387 | 529.245 | 7,01 |

| August 2006 | High (%) | Low (%) | Last daily average price (%) | Last trading day | Volume (NV in EUR) | Turnover (MKD) | Turnover EUR | Yield to maturity |
|-------------|----------|---------|------------------------------|------------------|--------------------|----------------|--------------|-------------------|
| RM01 | 87,10 | 86,50 | 87,10 | 31.08.2006 | 1.001.965 | 53.276.657 | 870.895 | 7,95 |
| RMDEN01 | 83,80 | 83,80 | 83,80 | 14.08.2006 | 675 | 34.598 | 566 | 8,03 |
| RMDEN02 | 83,00 | 82,20 | 83,00 | 29.08.2006 | 86.182 | 4.343.246 | 71.004 | 7,55 |
| RMDEN03 | 81,20 | 80,30 | 81,20 | 31.08.2006 | 328.024 | 16.245.020 | 265.542 | 7,54 |
| RMDEN04 | 79,90 | 79,00 | 79,60 | 31.08.2006 | 805.402 | 39.168.397 | 640.301 | 7,49 |
| RMDEN05 | 79,80 | 77,50 | 78,86 | 31.08.2006 | 631.379 | 30.323.402 | 495.737 | 7,08 |

Source: Macedonian Stock exchange

FOREIGN INVESTORS ON THE OFFICIAL MARKET

| Foreign investors | Jan 2006 | Feb 2006 | Mar 2006 | Apr 2006 | May 2006 | Jun 2006 | Jul 2006 | Aug 2006 |
|-------------------|----------|----------|----------|----------|----------|----------|----------|----------|
| Bonds * | 11,28% | 11,48% | 11,22% | 11,65% | 11,70% | 10,44% | 10,46% | 10,51% |

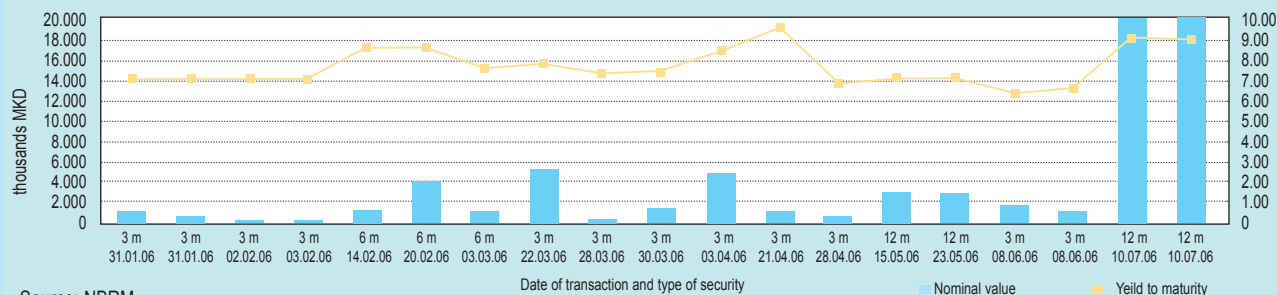
* Data as of end of the month, according to the Central Securities Depository, regarding the participation of the foreign investors in the total nominal value of bonds on the secondary market.

| Duration* | Treasury bills | | Government bonds | | | | Total | |
|---------------|----------------|----------------|------------------|----------------|----------------|----------------|----------------|----------------|
| | 30 of Jun 2006 | 31 of Aug 2006 | 30 of Jun 2006 | 31 of Aug 2006 | 30 of Jun 2006 | 31 of Aug 2006 | 30 of Jun 2006 | 31 of Aug 2006 |
| Average days | 99,89 | 104,52 | 595,67 | 533,62 | 1.505,73 | 1.443,73 | 296,64 | 309,78 |
| Average years | 0,27 | 0,29 | 1,63 | 1,46 | 4,13 | 3,96 | 0,81 | 0,85 |

* Duration is an indicator showing the risk of interest rate variations. More precisely, this indicator shows how soon the interest rate changes would affect the debt-related cost, i.e. what is the change in the value of the fixed-income securities resulting from 1% variation in interest rates. When expressed in years, 5-year duration means that the value of the securities would grow by 5% should the interest rates decline by 1% and vice-versa.

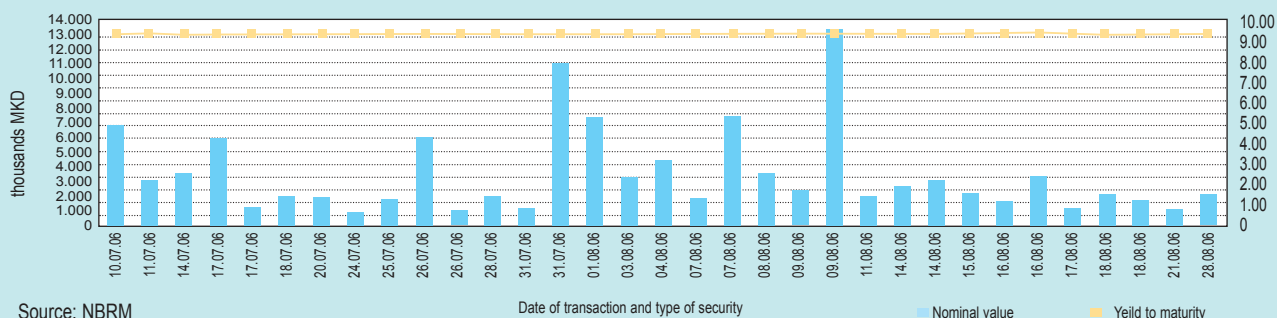
PUBLIC DEBT MANAGEMENT DEPARTMENT

Transactions of T-bills carried out through OTC



Source: NBRM

Transactions of government bonds carried out through OTC



Source: NBRM

3. CALENDAR OF AUCTIONS FOR THE THIRD AND FOURTH QUARTER 2006

| Quarter | Month | Auction code | Auction date | Payment date | Maturity date | Maturity (in days/years) |
|---------------|---------------|----------------|--------------|--------------|---------------|--------------------------|
| III | July | DZ2006/13-92 | 11/07/06 | 12/07/06 | 12/10/06 | 92 |
| | | DZ2006/07-182 | 11/07/06 | 12/07/06 | 10/01/07 | 182 |
| | | DZ2006/14-91 | 25/07/06 | 26/07/06 | 25/10/06 | 91 |
| | August | DZ2006/15-91 | 08/08/06 | 09/08/06 | 08/11/06 | 91 |
| | | DZ2006/08-182 | 08/08/06 | 09/08/06 | 07/02/07 | 182 |
| | | DZ2006/16-91 | 22/08/06 | 23/08/06 | 22/11/06 | 91 |
| | September | DZ2006/17-91 | 05/09/06 | 06/09/06 | 06/12/06 | 91 |
| | | DZ2006/09-182 | 05/09/06 | 06/09/06 | 07/03/07 | 182 |
| | | DZ2006/18-91 | 19/09/06 | 20/09/06 | 20/12/06 | 91 |
| DZ2006/03-364 | | 19/09/06 | 20/09/06 | 19/09/07 | 364 | |
| IV | October | DZ2006/19-90 | 10/10/06 | 12/10/06 | 10/01/07 | 90 |
| | | DZ2006/10-181 | 10/10/06 | 12/10/06 | 11/04/07 | 181 |
| | | DZ2006/20-91 | 24/10/06 | 25/10/06 | 24/01/07 | 91 |
| | | DO2006/02-1008 | 26/10/06 | 30/10/06 | 30/10/08 | 02 |
| | November | DZ2006/21-91 | 07/11/06 | 08/11/06 | 07/02/07 | 91 |
| | | DZ2006/11-182 | 07/11/06 | 08/11/06 | 09/05/07 | 182 |
| | | DZ2006/22-91 | 21/11/06 | 22/11/06 | 21/02/07 | 91 |
| | | DO2006/03-1109 | 23/11/06 | 27/11/06 | 27/11/09 | 03 |
| December | DZ2006/23-91 | 05/12/06 | 06/12/06 | 07/03/07 | 91 | |
| | DZ2006/12-182 | 05/12/06 | 06/12/06 | 06/06/07 | 182 | |
| | DZ2006/24-91 | 19/12/06 | 20/12/06 | 21/03/07 | 91 | |
| | DZ2006/04-364 | 19/12/06 | 20/12/06 | 19/12/07 | 364 | |

Source: Ministry of Finance

4 AUTHORIZED DIRECT PARTICIPANTS (DATA, CONTACTS AND FEES)

| Name | Address | Fax | Phone | Nominal amount | Fee for treasury bills - successful bid* | Fee for government bonds-successful bid | Fee for unsuccessful bid |
|---|-------------------------------|----------------------------|----------------------------|--|---|---|----------------------------------|
| Alfa banka AD Skopje | Dame Gruev 1 | 3116-830 3135-206 | 3116-433 | Any amount | 0,10% (min. 150 MKD) | 0,10% (min. 150 MKD) | |
| Eurostandard banka AD Skopje | Vasil Glavinov 12/2 | 3224-095 | 3228-444 | Any amount | 0,12% (min. 300 MKD) | 0,12% (min. 300 MKD) | 300 MKD |
| Investbanka AD Skopje | Makedonija 9/11 | 3135-367 | 3114-166 | | | | |
| Investbanka AD Skopje (for 3-month treasury bills) | | | | 10,000-50,000 MKD 60,000-100,000 MKD 110,000-500,000 MKD 510,000-1,000,000 MKD 1,010,000-5,000,000 MKD 5,010,000-10,000,000 MKD exceeding MKD 10,010,000 | 200 MKD fixed 500 MKD fixed 1,000 MKD fixed 1,500 MKD fixed 0,14% (min. 1,500 MKD) 0,12% (min.7,000 MKD) 0,10% (min. 12,000 MKD) | | |
| Investbanka AD Skopje (for 6-month treasury bills) | | | | 10,000-50,000 MKD 60,000-100,000 MKD 110,000-500,000 MKD 510,000-1,000,000 MKD 1,010,000-5,000,000 MKD 5,010,000-10,000,000 MKD exceeding MKD 10,010,000 | 300 MKD fixed 700 MKD fixed 1,300 MKD fixed 2,000 MKD fixed 0,16% (min. 2,000 MKD) 0,14% (min. 8,000 MKD) 0,12% (min. 14,000 MKD) | | |
| Investbanka AD Skopje (government bonds) | | | | 10,000-50,000 MKD 60,000-100,000 MKD 110,000-500,000MKD 510,000-1,000,000 MKD 1,010,000-5,000,000 MKD 5,010,000-10,000,000 MKD exceeding MKD 10,010,000 | | 500 MKD fixed 1,000 MKD fixed 1,300 MKD fixed 2,000 MKD fixed 0,17% (min. 2,500 MKD) 0,15% (min. 7,500 MKD) 0,13% (min. 15,000 MKD) | |
| Internacionalna privatna banka AD Skopje | 27 mart 1 | 3112-830 3134-060 | 3119-191 3124-288 | Up to MKD 200,000 exceeding MKD 200,000 | 200 MKD fixed 0,10% | 0,10% (min. 200 MKD) | 200 MKD |
| Izvozna i kreditna banka AD Skopje | Partizanski odredi, 3 blok 11 | 3122-393 | 3122-207 | Any value | 0,12% | 0,12% | MKD 300 and MKD 500 for GB |
| Komercijalna banka AD Skopje | Dimitar Vlahov 4 | 3113-494 | 3107-107 3111-133 | Any amount | 0,12% (min.300 MKD) | 0,12% (min. 300 MKD) | 300 MKD |
| Komercijalna investiciona banka AD Kumanovo | Plostad Nova Jugoslavija b.b | 031/420-061 | 031/475-100 031/426-455 | Any amount | 0,12% (min.200 MKD) | 0,15% (min.300 MKD) | MKD 200 for TB MKD 300 for GB |
| Makedonska banka AD Skopje | Bul. VMRO, 3-12/2 | 3117-191 | 3117-111 | Up to MKD 730,000 730,000-27,270,000 exceeding MKD 27,270,000 | 800 MKD fixed 0,11% 30,000 MKD fixed | | |
| Ohridska banka AD Ohrid | Makedonski prosvetitelji 19 | 046/254-130 046/254-133 | 046/206-600 046/265-330 | Any value | 0,10% | 0,10% (minimum 100 MKD) | MKD 100 for GB |
| Postenska banka AD Skopje | Marks Engels 3 | 3220-389 3163-054 | 3112-862 3163-354 | Does not work with clients | | | |
| ProKredit banka AD Skopje | Bul. Jane Sandanski 109/a | 3219-901 | 3219-900 3219-948 | Any amount | 0,12% (min.300 MKD) | 0,12% (min.300 MKD) | |
| Sileks banka AD Skopje | Gradski zid, blok 9. lokal 5 | 3114-891 3224-844 | 3115-288 3115-880 | Any amount | 500 MKD fixed | 0,12% (min. 500 MKD) | 500 MKD |
| Stopanska banka AD Bitola** | Dobriveo Radosavljevic 21 | 047/207-515 047/207-541 | 047/207-500 047/207-513 | Any amount | 0,1% (min.200 MKD) | 0,2% | MKD 200 for TB |
| Stopanska banka AD Skopje | 11 Oktomvri 7 | 3114-503 | 3295-295 | 10,000 MKD 20,000-50,000 MKD 60,000-500,000 MKD exceeding MKD 500,000 | 250 MKD fixed 350 MKD fixed 500 MKD fixed 0,12% | 250 MKD fixed 350 MKD fixed 1250 MKD fixed 0,25% | 250 MKD |

| | | | | | | | |
|---|---------------------------|----------------------|----------------------|--|---|---|---------|
| Stopanska Banka AD Skopje (for 3-month treasury bills) | | | | MKD 10,000 MKD 20,000-50,000 MKD 60,000-500,000 Exceeding MKD 500,000 | MKD 250 fixed MKD 350 fixed MKD 500 fixed 0,12% | | MKD 250 |
| Stopanska Banka AD Skopje (for 6-month treasury bills) | | | | MKD 10,000 MKD 20,000-50,000 MKD 60,000-500,000 Exceeding MKD 500,000 | MKD 250 fixed MKD 350 fixed MKD 1000 fixed 0,20% | | MKD 250 |
| Stopanska Banka AD Skopje (for 12-month treasury bills) | | | | MKD 10,000 MKD 20,000-50,000 MKD 60,000-500,000 Exceeding MKD 500,000 | MKD 250 fixed MKD 350 fixed MKD 1250 fixed 0,25% | | MKD 250 |
| Stopanska Banka AD Skopje (government bonds) | | | | MKD 10,000 MKD 20,000-50,000 MKD 60,000-500,000 Exceeding MKD 500,000 | | MKD 250 fixed MKD 350 fixed MKD 1250 fixed 0,25% | MKD 250 |
| TTK banka AD Skopje | Naroden front 19/a | 3236-444 | 3236-400 | | | | |
| NPB Tutunska banka AD Skopje | 12-ta Udarna brigada, b.b | 3105-630 3105-681 | 3105-601 3105-606 | Any amount | 0,12% (min. 300 MKD) | 0,12% | 300 MKD |
| Makedonska banka za podrška na razvojot AD Skopje | Veljko Vlahovic 26 | 3239-688 | 3114-840 3115-844 | | | | |
| Univerzalna investiciona banka AD Skopje | Maksim Gorki 6 | 3286-000 3130-448 | 3286-100 | Any amount | 0,12% | 0,12% | |
| T.G Ziraat bankasi-branch Skopje*** | Zeleznicka 8 | 3110-013 | 3111-337 | Any amount | 0,10% (min.15 EUR maximum 400 EUR) | 0,10% (min.15 EUR maximum 400 EUR) | |

*Data are provided from the commercial banks in the Republic of Macedonia and are subject to changes according to the business policy of the banks.

**All banks charge fees on the nominal amount, except Stopanska Banka AD Bitola, which charges fee on the discounted amount.

*** The amounts expressed in EUR are calculated in Denar equivalent on the day of payment according to the NBRM exchange rate.

All information on the bank fees for buying treasury bills and government bonds on behalf of the clients are available at the Ministry of Finance website www.finance.gov.mk, which is regularly updated after receiving bank notifications.

5. CONTACT PERSONS

| Name: | Position | Phone | E-mail |
|---------------------------|---|-------------|----------------------------------|
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