



Daily Insight

Liquidity up slightly; YTM's down; Auction results

WEDNESDAY, 19 FEBRUARY, 2014

RESEARCH INSIGHT

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UX Index (3 months to 19 Feb 2014)



Key market indicators (as of 18 Feb 2014)

| | Last | Daily chg (%) | YTD chg (%) |
|--|------------|-----------------------------|-------------|
| FX & MONEY RATES | | | |
| USD/UAH | 8.8600 | +0.00 | +7.52 |
| USD/UAH (1Y NDF) | 10.8500 | -0.46 | +15.18 |
| EUR/USD | 1.3759 | +0.38 | +0.12 |
| USD/RUB | 35.4425 | +0.55 | +7.83 |
| KievPRIME O/N (%) | 12.50 | -50bp | +470bp |
| KievPRIME 1M (%) | 22.00 | +95bp | +575bp |
| BONDS: yields and spreads | | | |
| Ukraine VAT bond (%) | N/A | +74bp | +0bp |
| Ukraine 17, Eurobond (%) | 13.30 | +84bp | +375bp |
| Ukraine 22, Eurobond (%) | 10.75 | +24bp | +140bp |
| Ukraine 23, Eurobond (%) | 10.19 | +22bp | +114bp |
| Ukraine 5Y CDS | 1,162bp | -27bp | +345bp |
| EQUITIES | | | |
| Stock market indices | | | |
| UX (Ukraine) | 889.71 | -4.22 | -2.23 |
| MSCI World | 406.54 | +0.32 | -0.49 |
| MSCI EM | 958.87 | -0.56 | -4.37 |
| RTS (Russia) | 1,343.62 | -0.28 | -6.87 |
| WIG-20 (Poland) | 2,470.87 | -0.42 | +2.91 |
| S&P 500 (USA) | 1,840.76 | +0.12 | -0.41 |
| MOST ACTIVE: Top 3 stocks by value traded (US\$m) | | | |
| FXPO LN | 1.87 | 26.5% of total ¹ | |
| AGT PW | 1.27 | 18.1% | |
| CLE PW | 0.84 | 11.9% | |
| GAINERS: Top 3 stocks (in listed currency) | | | |
| AGT PW | PLN 3.60 | +26.76 | +84.62 |
| AGL PW | PLN 26.88 | +6.46 | +3.66 |
| KSG PW | PLN 8.30 | +4.27 | -23.50 |
| LOSERS: Top 3 stocks (in listed currency) | | | |
| ZAEN UK | UAH 107.40 | -8.21 | +18.81 |
| USCB UK | UAH 0.16 | -7.82 | -17.01 |
| CEEN UK | UAH 4.33 | -5.13 | -9.19 |

Notes: Chg – percentage change, if not otherwise indicated;
 [1] – total traded volume for stocks listed in Table 1, pp. 3;
 green- or red-shaded box means gain or loss, respectively,
 of the index or security.

Sources: Bloomberg, UX, Investment Capital Ukraine LLC.

Economics: News & Comments

Ukraine's steel output down 12% YoY in January

Ukraine's crude steel output dropped 5.9% MoM and 11.9% YoY to 2.51mt in January, per Ukrainian News reports. Production of Ukrainian rolled steel declined 4.7% MoM and 8.5% YoY to 2.3mt while production of pig iron declined 5.5% MoM and 6.4% YoY to 2.34mt.

Investment implications: Ukrainian steel production was hit in January by lower-than-expected demand from the markets of MENA and South East Asia. Devaluation of the Turkish lira and falling prices for steel scrap weakened the competitiveness of Ukrainian steel exports in Turkey and the Middle East. At the same time, the economic slowdown and tightening credit policy in China weighed on the Asian market. The recovery of steel demand should begin in March when seasonal growth in business activities and steel restocking are expected. The macroeconomic situation in China and the pace of the post-crisis recovery of steel consumption in Europe should be among the key factors influencing the steel market over the next few months.

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Table 1. Ukrainian stocks (closing prices as of 18-Feb-2014)

| Company | Bloomberg Ticker | Listing | Share price performance (% change) | | | | | Valuation (US\$) | | | Free float (FF) & Liquidity | | | | | P/E | | | EV/EBITDA | | | EV/Sales | | | Ratios | | |
|------------------------------|------------------|-------------|------------------------------------|-------|-------|-------|-------|------------------|----------------|---------|-----------------------------|--------------------|------------------------------|-----------------------------|---------------------|--------------------|-------|-------|-----------|------|-------|----------|------|-------|--------|---------|-----------------|
| | | | Last price | Daily | MoM | YTD | YoY | Last price | Market cap (m) | EV (m) | FF (%) | FF mkt cap (US\$m) | Last day turnover (US\$ 000) | 3M avg. turnover (US\$ 000) | FF share traded (%) | FF turnover (days) | 2010 | 2011E | 2012E | 2010 | 2011E | 2012E | 2010 | 2011E | 2012E | P/B (x) | Debt/Assets (%) |
| ENERGY | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Cadogan Petrol... | CAD LN | London | 11.25 GBP | +0.0 | -2.2 | +8.4 | -13.5 | 0.19 | 43.4 | -19.7 | 40.2 | 17.4 | 0.6 | 13.0 | 0.03 | 3,416 | Neg. | Neg. | Neg. | 3.0 | 3.0 | 6.2 | Neg. | Neg. | Neg. | 0.2 | 0.0 |
| Centrenerg | CEEN UK | Kiev, UX | 4.33 UAH | -5.1 | -8.8 | -9.2 | -27.3 | 0.49 | 180.5 | 252.2 | 21.7 | 39.2 | 116.3 | 50.6 | 0.10 | 1,031 | 6.8 | 6.2 | 3.0 | 0.5 | 3.7 | 2.6 | 0.2 | 0.3 | 0.3 | 0.7 | 12.2 |
| Coal Energy | CLE PW | Warsaw | 1.17 PLN | +1.7 | -16.4 | +11.4 | -90.0 | 0.39 | 17.4 | 75.3 | 25.0 | 4.4 | 835.5 | 135.6 | 4.33 | 23 | Neg. | Neg. | N/A | 1.2 | 10.3 | N/A | 0.6 | 0.8 | N/A | 0.1 | 7.7 |
| Donbasenergo | DOEN UK | Kiev, UX | 31.47 UAH | -4.3 | +0.7 | +14.1 | +42.3 | 3.55 | 84.0 | 137.6 | 14.2 | 11.9 | 17.1 | 39.3 | 0.15 | 654 | 24.0 | 3.1 | 1.2 | 0.5 | 2.5 | 1.1 | 0.3 | 0.2 | 0.2 | 1.1 | 17.8 |
| JKX Oil & Gas | JKX LN | London | 68.25 GBP | +0.4 | -3.5 | -4.5 | +5.4 | 1.14 | 195.6 | 192.6 | 47.2 | 92.3 | 25.5 | 63.9 | 0.08 | 1,210 | Neg. | 6.0 | 5.5 | 1.4 | 1.9 | 2.1 | 0.9 | 1.0 | 0.9 | 0.4 | 2.5 |
| Regal Petroleum | RPT LN | London | 11.88 GBP | +3.3 | -15.9 | -8.7 | -60.4 | 0.20 | 63.6 | 36.7 | 80.9 | 51.4 | 0.0 | 7.5 | 0.01 | 6,916 | 5.5 | 12.7 | N/A | 1.7 | 2.2 | N/A | 0.9 | N/A | N/A | 0.2 | 0.0 |
| Sadova Group | SGR PW | Warsaw | 0.63 PLN | +0.0 | -11.3 | +18.9 | -68.2 | 0.21 | 9.0 | 48.7 | 25.0 | 2.2 | 239.5 | 42.4 | 1.38 | 72 | Neg. | N/A | N/A | 7.3 | N/A | N/A | 1.2 | N/A | N/A | 0.2 | 42.4 |
| Zakhidenergo | ZAEN UK | Kiev, PFTS | 107.40 UAH | -8.2 | +17.8 | +18.8 | +17.6 | 12.12 | 155.0 | 188.4 | 5.0 | 7.8 | 36.0 | 9.8 | 0.11 | 874 | 716.2 | N/A | N/A | 1.2 | N/A | N/A | 0.2 | N/A | 0.1 | 2.6 | 9.7 |
| METALLURGY | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Alchevsky Meta... | ALMK UK | Kiev, UX | 0.04 UAH | -1.9 | -2.5 | -9.0 | -33.2 | 0.00 | 102.7 | 1,687.1 | 3.9 | 4.0 | 1.9 | 10.3 | 0.14 | 692 | Neg. | Neg. | N/A | N/A | Neg. | N/A | 1.0 | 1.1 | N/A | N/A | 64.5 |
| Avdiyivsky Cok... | AVDK UK | Kiev, UX | 2.69 UAH | -3.1 | -2.9 | -9.2 | -20.7 | 0.30 | 59.2 | 55.1 | 4.0 | 2.4 | 1.7 | 9.1 | 0.09 | 1,171 | Neg. | Neg. | 2.5 | Neg. | 1.4 | 0.8 | 0.1 | 0.1 | 0.1 | 0.1 | 0.0 |
| Azovstal | AZST UK | Kiev, UX | 0.60 UAH | -2.5 | -4.5 | -11.2 | -15.4 | 0.07 | 282.3 | 272.9 | 4.1 | 11.6 | 9.3 | 13.6 | 0.03 | 3,577 | Neg. | Neg. | N/A | Neg. | Neg. | N/A | 0.1 | 0.1 | N/A | 0.2 | 0.0 |
| Ferrexpo PLC | FXPO LN | London | 170.90 GBP | -0.4 | -5.9 | -10.5 | -39.0 | 2.85 | 1,679.0 | 2,266.3 | 22.4 | 376.1 | 1,865.6 | 2,746.3 | 0.95 | 106 | 7.8 | 6.6 | 7.3 | 5.7 | 4.7 | 5.0 | 1.6 | 1.4 | 1.4 | 1.1 | 37.0 |
| Yasynivsky Cok... | YASK UK | Kiev, UX | 0.57 UAH | +3.1 | +3.5 | +7.4 | -19.9 | 0.06 | 17.6 | 19.2 | 9.0 | 1.6 | 0.2 | 1.8 | 0.05 | 2,219 | 2.3 | 1.5 | 1.1 | 0.1 | 0.7 | 0.6 | 0.0 | 0.0 | 0.1 | 0.1 | 0.1 |
| Yenakievo Steel | ENMZ UK | Kiev, UX | 31.02 UAH | -1.3 | -3.1 | -3.1 | -15.2 | 3.50 | 36.9 | 31.1 | 9.4 | 3.5 | 0.1 | 8.9 | 0.20 | 495 | 4.7 | Neg. | 2.0 | Neg. | Neg. | N/A | 0.0 | 0.0 | 0.0 | 0.7 | 0.0 |
| FOOD AND AGRIBUSINESS | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| AgroGeneration | ALAGR FP | EN Paris | 1.18 EUR | -2.5 | -6.3 | -4.8 | -29.8 | 1.62 | 149.9 | 177.2 | 34.0 | 51.0 | 1.6 | 39.3 | 0.05 | 1,917 | Neg. | N/A | N/A | Neg. | N/A | N/A | 2.7 | N/A | N/A | 1.3 | 35.9 |
| Agroliga | AGL PW | Warsaw | 26.88 PLN | +6.5 | -1.9 | +3.7 | +52.7 | 8.90 | 13.7 | 14.6 | 16.7 | 2.3 | 50.3 | 14.2 | 0.69 | 145 | 3.1 | N/A | N/A | 4.2 | N/A | N/A | 0.7 | N/A | N/A | 1.1 | 5.7 |
| Agroton | AGT PW | Warsaw | 3.60 PLN | +26.8 | +31.9 | +84.6 | -64.9 | 1.19 | 25.8 | 73.2 | 26.2 | 6.8 | 1,272.5 | 242.1 | 3.35 | 30 | 3.8 | 5.4 | 3.5 | 5.2 | 7.8 | 4.7 | 0.8 | 1.1 | 0.9 | 0.2 | 28.0 |
| Astarta Holdin... | AST PW | Warsaw | 58.21 PLN | -3.0 | -10.5 | -13.0 | -6.3 | 19.27 | 481.7 | 811.8 | 31.0 | 149.4 | 80.9 | 178.0 | 0.17 | 601 | 7.7 | 7.9 | 3.9 | 9.2 | 7.9 | 4.5 | 1.7 | 1.7 | 1.3 | 0.9 | 38.9 |
| Avangard | AVGR LI | London Intl | 11.25 USD | -1.0 | -3.8 | -4.3 | +11.5 | 11.25 | 718.6 | 884.9 | 21.7 | 155.9 | 453.1 | 240.2 | 0.03 | 3,825 | 3.2 | 3.2 | 3.3 | 3.2 | 3.0 | 3.1 | 1.4 | 1.3 | 1.2 | 0.6 | 22.3 |
| IMC | IMC PW | Warsaw | 9.05 PLN | +4.0 | -29.1 | -25.5 | -44.6 | 3.00 | 93.8 | 210.0 | 23.9 | 22.4 | 359.8 | 49.3 | 0.53 | 190 | 5.0 | 5.0 | 3.9 | 5.8 | 5.0 | 4.2 | 2.8 | 1.5 | 1.1 | 0.7 | 33.0 |
| Kernel Holding... | KER PW | Warsaw | 36.80 PLN | -3.8 | -9.2 | -3.3 | -46.6 | 12.18 | 970.6 | 1,690.9 | 58.8 | 570.5 | 679.0 | 1,909.4 | 0.27 | 370 | 8.7 | 8.1 | 5.3 | 5.8 | 5.7 | 4.7 | 0.6 | 0.7 | 0.6 | 0.7 | 30.6 |
| KSG Agro | KSG PW | Warsaw | 8.30 PLN | +4.3 | -20.8 | -23.5 | -31.7 | 2.75 | 41.3 | 163.1 | 34.4 | 14.2 | 81.7 | 17.8 | 0.12 | 806 | 5.1 | 3.4 | 3.5 | 38.7 | 5.6 | 4.5 | 4.4 | 2.4 | 1.5 | 0.5 | 29.2 |
| MHP | MHPC LI | London Intl | 13.55 USD | -3.9 | -23.1 | -20.5 | -28.9 | 13.55 | 1,431.8 | 2,632.8 | 22.3 | 319.6 | 744.0 | 819.1 | 0.46 | 215 | 4.8 | 7.0 | 5.0 | 5.6 | 6.3 | 5.1 | 1.9 | 1.8 | 1.6 | 1.2 | 45.8 |
| Milkiland | MLK PW | Warsaw | 10.40 PLN | -0.8 | -0.3 | -16.8 | -32.9 | 3.44 | 107.6 | 242.9 | 20.0 | 21.5 | 15.7 | 9.3 | 0.03 | 3,007 | 6.1 | 6.0 | 5.9 | 6.8 | 5.9 | 4.8 | 0.6 | 0.5 | 0.5 | 0.5 | 29.9 |
| Mriya Agrohold... | MAYA GF | Frankfurt | 5.16 EUR | -2.4 | -2.7 | -4.5 | +8.6 | 7.09 | 753.7 | 1,485.5 | 20.0 | 150.7 | 0.0 | 1.5 | N/A | N/A | 4.3 | 4.7 | 5.0 | 6.4 | 5.6 | 6.0 | 4.3 | 4.0 | 3.5 | 0.8 | 34.8 |
| Ovostar Union | OVO PW | Warsaw | 74.40 PLN | -0.8 | -19.1 | -25.6 | -20.9 | 24.63 | 147.8 | 159.8 | 25.0 | 36.9 | 82.6 | 41.4 | 0.05 | 2,024 | 6.3 | 5.7 | 4.0 | 5.7 | 5.7 | 3.6 | 2.2 | 1.9 | 1.5 | 1.4 | 3.7 |
| TRANSPORTATION | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| KDM Shipping | KDM PW | Warsaw | 29.85 PLN | -3.7 | -3.4 | -4.9 | +10.6 | 9.88 | 91.8 | 75.8 | 10.9 | 10.0 | 4.9 | 1.5 | 0.01 | 15,429 | 7.4 | N/A | N/A | 5.0 | N/A | N/A | 2.6 | N/A | N/A | 1.6 | 8.3 |
| CONSTRUCTION | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| TMM | TR61 GF | Xetra | 0.27 EUR | +0.0 | -14.5 | -14.5 | -34.7 | 0.37 | 19.3 | 178.6 | 13.1 | 2.5 | 0.0 | 0.0 | N/A | N/A | Neg. | N/A | N/A | Neg. | N/A | N/A | 8.2 | N/A | N/A | 0.2 | 44.1 |
| FINANCIAL SERVICES | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Raiffeisen Ban... | BAVL UK | Kiev, UX | 0.11 UAH | -4.5 | -3.4 | -4.0 | -11.7 | 0.01 | 368.8 | N/A | 3.8 | 14.1 | 51.3 | 38.6 | 0.21 | 480 | 10.2 | 5.9 | 3.1 | N/A | N/A | N/A | N/A | N/A | N/A | 0.5 | 28.3 |

Table 1. Ukrainian stocks (closing prices as of 18-Feb-2014)

| Company | Bloomberg Ticker | Listing | Share price performance (% change) | | | | | Valuation (US\$) | | | Free float (FF) & Liquidity | | | | | P/E | | | EV/EBITDA | | | EV/Sales | | | Ratios | | | | |
|-------------|------------------|----------|------------------------------------|-------|-------|-------|-------|------------------|----------------|--------|-----------------------------|--------------------|------------------------------|-----------------------------|---------------------|--------------------|-------|-------|-----------|------|-------|----------|------|-------|--------|---------|-----------------|-----|------|
| | | | Last price | Daily | MoM | YTD | YoY | Last price | Market cap (m) | EV (m) | FF (%) | FF mkt cap (US\$m) | Last day turnover (US\$ 000) | 3M avg. turnover (US\$ 000) | FF share traded (%) | FF turnover (days) | 2010 | 2011E | 2012E | 2010 | 2011E | 2012E | 2010 | 2011E | 2012E | P/B (x) | Debt/Assets (%) | | |
| Ukrsotsbank | USCB UK | Kiev, UX | 0.16 UAH | -7.8 | -13.1 | -17.0 | +11.1 | 0.02 | 318.6 | N/A | 4.5 | 14.3 | 1.2 | 8.4 | 0.03 | 3,618 | 932.5 | 172.1 | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | 0.3 | 30.9 |

Notes: mln - millions; FF - free float; n/a - not available; neg. - negative; a company name (the left column of the table) is shortened to fit the column and hence in some cases is not displayed in full; *** -- means that P/E ratio is above 10,000x.

Sources: Bloomberg, Investment Capital Ukraine LLC.

Bonds: News & Comments

Liquidity recovers slightly

Broader banking sector liquidity rose UAH1.22bn to UAH30.57bn yesterday as banks' correspondent accounts with the NBU slid UAH0.19bn to UAH23.91bn, total CDs outstanding increased UAH0.44bn to UAH0.76bn and total local currency debt repayments scheduled for the next 30 days increased UAH0.98bn to UAH5.89bn.

KyivPrime interest rates once more slightly diverged: the KyivPrime ON interest rate slid 50bp to 12.50% while the KyivPrime 1M interest rate rose 95bp to 22.00%.

Investment implications: *Liquidity slightly rose prior to the primary auction, but this slight improvement did not provide the MoF with large demand. There were no large injections on Monday and liquidity should decline today due to tax payments without support from the NBU.*

YTM's increase

Ukrainian Eurobonds were volatile yesterday and YTM's increased as a result of a new wave of escalation in political crisis. At the close, UKRAIN 9.25% '17 rose 85bp to 13.30%, while UKRAIN 7.95% '21 rose 22bp to 10.81%, UKRAIN 7.80% '22 rose 26bp to 10.76% and UKRAIN 7.50% '23 rose 24bp to 10.20%.

Primary auction results

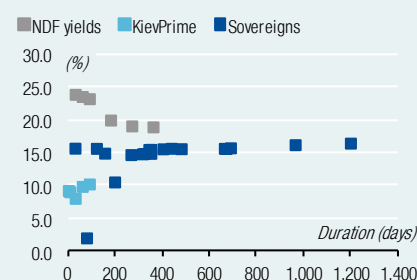
Of the five offered bonds, the MoF attracted demand for the long-term bond, per routine, as the 5-year bond received one bid for UAH600.0m at the usual interest rate of 14.25%.

Investment implications: *This demand was likely supported by the NBU under domestic QE. The market submitted no bids for short-term bonds because the MoF refuses to increase interest rates to the level banks demand.*

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Yield curve of the local bond market

(as of market close on 18 Feb 2014)



Sources: Bloomberg, Investment Capital Ukraine LLC.

Bond market indicators (as of 18 Feb 2014)

| | Last | Daily chg (%) | Weekly chg (%) | MoM chg (%) | YTD chg (%) |
|---|----------------|---------------|----------------|---------------|---------------|
| MONEY MARKET KIEV PRIME RATES (%) | | | | | |
| 0/n | 12.50 | -50bp | -11ppt | +10bp | +470bp |
| 1wk | 17.00 | -23bp | -714bp | +14bp | +720bp |
| 1m | 22.00 | +95bp | -114bp | +14bp | +575bp |
| 2m | 18.00 | +0bp | -24bp | +712bp | +160bp |
| 3m | 17.75 | +48bp | +13bp | +587bp | +175bp |
| LIQUIDITY WIDE MEASUREMENT (UAHm) | | | | | |
| CB acc's ¹ | 23,914 | -0.80 | +11.76 | -19.31 | -26.87 |
| CDs ² | 1,083 | +211.2 | +159.1 | -94.93 | -28.75 |
| Sovgns ³ | 5,888 | +0.00 | +1.83 | -22.23 | +293.9 |
| Total | 30,885 | +1.79 | +11.91 | -47.28 | -13.53 |
| HOLDERS OF UAH SOVEREIGN BONDS (UAHm) | | | | | |
| C.bank | 160,737 | +0.00 | +8.83 | +9.30 | +10.97 |
| Banks | 80,622 | -0.01 | +0.22 | -1.27 | +0.57 |
| Resid's ⁴ | 11,752 | +0.24 | -7.97 | -8.46 | -5.20 |
| Non-res ⁵ | 12,912 | +0.05 | -0.41 | +7.87 | +10.37 |
| Total | 266,023 | +0.01 | +4.78 | +4.93 | +6.79 |
| NDF IMPLIED YIELDS (%) | | | | | |
| 3m | 36.11 | -374bp | +360bp | +27bp | +24bp |
| 6m | 28.34 | -287bp | -261bp | +19bp | +15bp |
| 9m | 25.90 | -289bp | +211bp | +15bp | +12bp |
| 1yr | 23.14 | +339bp | +190bp | +12bp | +815bp |
| LOCAL CURRENCY UAH SOVEREIGN BOND YIELDS (%) | | | | | |
| Mar '13 | N/A | -52ppt | +0bp | +0bp | +0bp |
| Jan '14 | N/A | +320bp | +0bp | +119bp | -676bp |
| Aug '15 ⁶ | N/A | +74bp | +0bp | +0bp | +0bp |
| EUROBONDS USD SOVEREIGN BOND YIELDS (%) | | | | | |
| CDS 5yr | 1,162 | -27bp | +41bp | +467bp | +345bp |
| Jun '16 | 12.73 | +13bp | +32bp | +630bp | +384bp |
| Jul '17 | 13.30 | +84bp | +125bp | +560bp | +375bp |
| Sep '20 | 10.76 | +16bp | +9bp | +242bp | +157bp |
| Sep '21 | 10.80 | +20bp | +15bp | +233bp | +158bp |
| Sep '22 | 10.75 | +24bp | +45bp | +223bp | +140bp |
| Feb '23 | 10.19 | +22bp | +31bp | +180bp | +114bp |

Notes: [1] banks' account balance at NBU; [2] certificates of deposits issued by NBU; [3] UAH sovereign bonds due next 30 days; [4] residents; [5] non-residents; [6] VAT bond.

Sources: Bloomberg, Investment Capital Ukraine LLC.

Chart page: Local bond market & Eurobond markets

Chart 1. Kiev Prime rates (%), last 12-month period

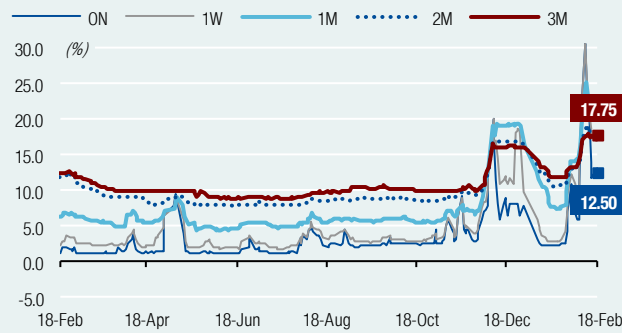


Chart 2. UAH NDF implied yields (%), last 12-month period



Chart 3. UAH sovereign yield curve (%) as of 18 Feb 2014

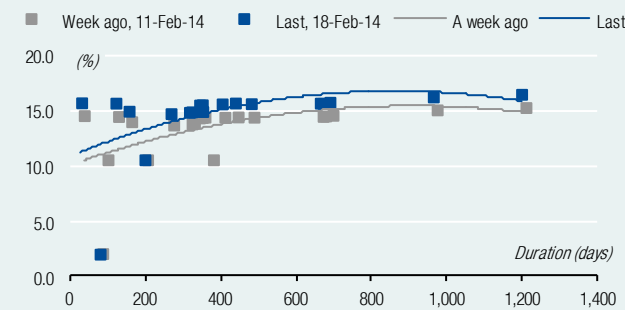


Chart 4. USD sovereign yield curve (%) as of 18 Feb 2014

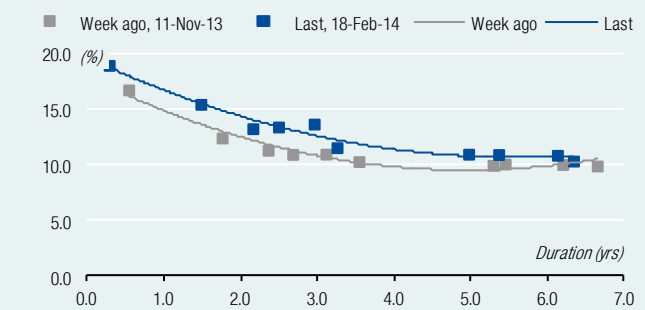


Chart 5. Banking sector liquidity (UAHbn), last 12-month period

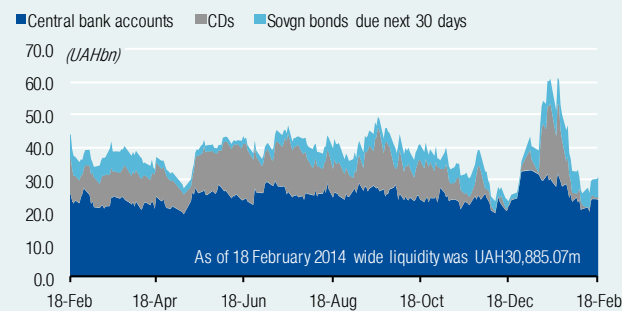


Chart 6. Breakdown of liquidity pool (%) as of 18 Feb 2014

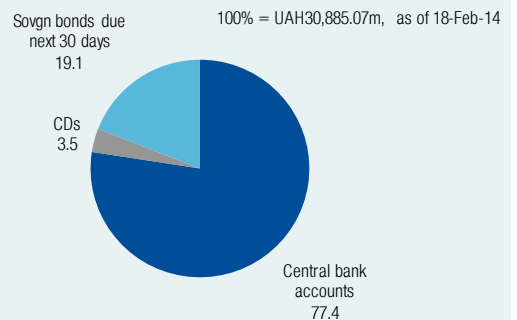


Chart 7. Holders of sovereign bonds (UAHbn), last 12 months

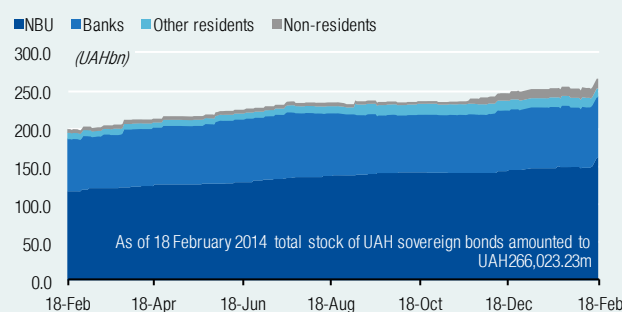
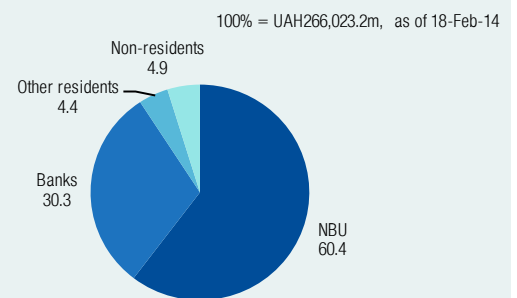


Chart 8. Domestic sovereign debt (%) as of 18 Feb 2014



FX: News & Comments

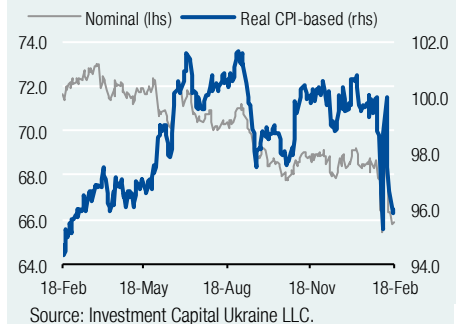
UAH steady despite a bloody day of protests

FX markets survived another day. UAH's FX rate did not move, while turmoil caused by the acute political crisis raged from early morning throughout the night. Turnover was not published by NBU, while it was widely expected that it would increase sharply up on a daily basis from Monday's low volume due to the US holiday. Meanwhile, UAH's real trade-weighted value rose 0.14%.

Alexander Valchysen, Kiev, +38044 2200120 ext.242

ICU's UAH trade-weighted indices

(Last 12-month history to 19 Feb 2014)



FX market indicators (as of 18 Feb 2014)

| | Last | Daily | Weekly | MoM | YTD |
|---|----------|---------|---------|---------|---------|
| | | chg (%) | chg (%) | chg (%) | chg (%) |
| USD/UAH MARKET (HRYVNIA per US DOLLAR) | | | | | |
| Spot mkt | 8.8600 | +0.00 | +2.67 | +5.85 | +7.52 |
| NBU avg | N/A | N/A | N/A | N/A | N/A |
| Tt vl ¹ | N/A | N/A | N/A | N/A | N/A |
| \$ volume ² | N/A | N/A | N/A | N/A | N/A |
| NDF 3M | 9.6530 | +0.03 | +3.52 | +12.76 | +13.77 |
| NDF 6M | 10.1000 | -0.49 | +1.51 | +15.23 | +15.03 |
| NDF 1Y | 10.8500 | -0.46 | +4.28 | +16.86 | +15.18 |
| TRADE-WEIGHTED INDICES (TWIs, points) | | | | | |
| UAH nom'l | 65.886 | +0.14 | -2.21 | -3.72 | -3.85 |
| UAH real CPI | 95.931 | +0.14 | -2.21 | -3.72 | -3.85 |
| UAH real PPI | 127.867 | +0.14 | -2.21 | -3.72 | -3.85 |
| USD nom'l | 80.008 | -0.16 | -0.78 | -1.50 | -0.03 |
| FX RATES OF KEY CURRENCIES THAT SHAPE UAH's TWIs | | | | | |
| USD/RUB | 35.4425 | +0.55 | +2.03 | +5.62 | +7.83 |
| EUR/USD | 1.3759 | +0.38 | +0.89 | +1.61 | +0.12 |
| USD/CNY | 6.0675 | +0.06 | +0.12 | +0.29 | +0.22 |
| USD/PLN | 3.0147 | -0.30 | -1.46 | -1.97 | -0.27 |
| USD/TRY | 2.1801 | +0.15 | -0.59 | -2.38 | +1.48 |
| USD/BYR | 9,750.00 | +0.21 | +0.57 | +1.69 | +2.20 |
| USD/KZT | 184.5200 | -0.01 | +0.00 | +18.91 | +19.61 |
| OTHER MAJOR CURRENCIES | | | | | |
| USD/JPY | 102.3600 | +0.43 | -0.26 | -1.88 | -2.80 |
| GBP/USD | 1.6684 | -0.18 | +1.42 | +1.58 | +0.77 |
| USD/CHF | 0.8879 | -0.40 | -1.16 | -2.44 | -0.56 |
| AUD/USD | 0.9027 | -0.06 | -0.12 | +2.80 | +1.23 |
| USD/CAD | 1.0947 | -0.16 | -0.56 | -0.16 | +3.05 |
| USD/BRL | 2.3958 | +0.26 | -0.19 | +2.28 | +1.43 |
| USD/KRW | 1,065.73 | +0.48 | -0.48 | +0.58 | +1.52 |
| COMMODITIES | | | | | |
| Gold(\$/oz) | 1,321.97 | -0.51 | +2.36 | +5.42 | +9.65 |
| WTI crude ³ | N/A | N/A | N/A | N/A | N/A |
| Brent crd ³ | N/A | N/A | N/A | N/A | N/A |
| Urals crd ³ | N/A | N/A | N/A | N/A | N/A |
| TR/J CRB ⁴ | 298.49 | +1.79 | +2.85 | +7.21 | +6.54 |

Readers may follow the ICU trade-weighted indices of the local-currency, the hryvnia (UAH), on the ICU website ([download history](#)) and Bloomberg (type: ALLX UTWI <GO>).

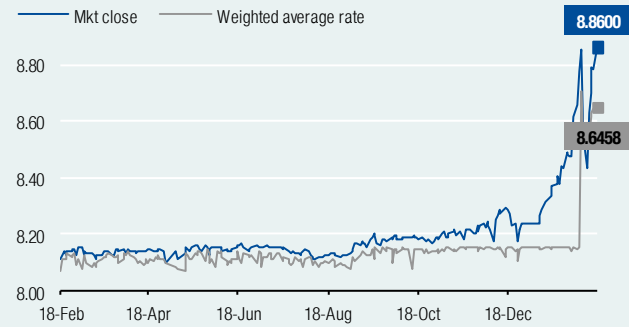
Section on FX market is continued on next page.

Notes: [1] trading volume in all foreign currencies (US\$m); [2] trading volume in the pair USD/UAH (US\$m); [3] crude oil price (USD per barrel); [4] the Thomson Reuters/Jefferies CRB Index. A green/-red-shaded box means gain or loss, respectively, of the investment into the asset. Currencies are gaining when their exchange rates strengthen versus USD.

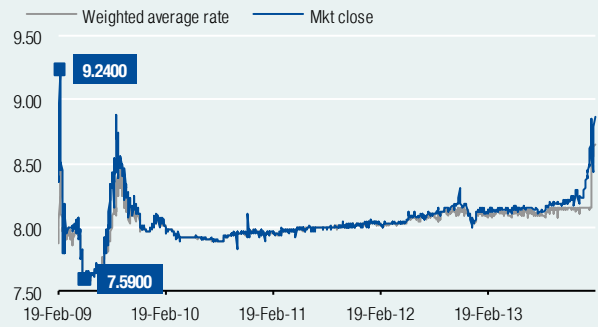
Sources: Bloomberg, Investment Capital Ukraine LLC.

Chart page #1: Foreign-exchange market

Chart 9. Spot market rates USD/UAH: last 12-month and 5-year periods (UAH per USD, left and right respectively)

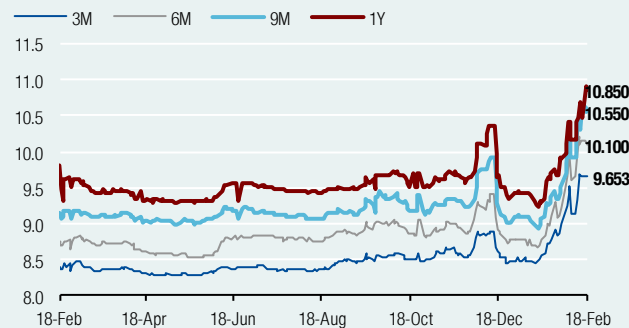


Sources: National Bank of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

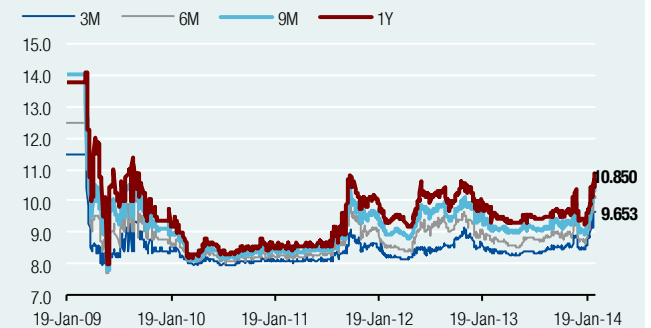


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

Chart 10. NDF market rates USD/UAH: last 12-month and 5-year periods (UAH per USD, left and right respectively)

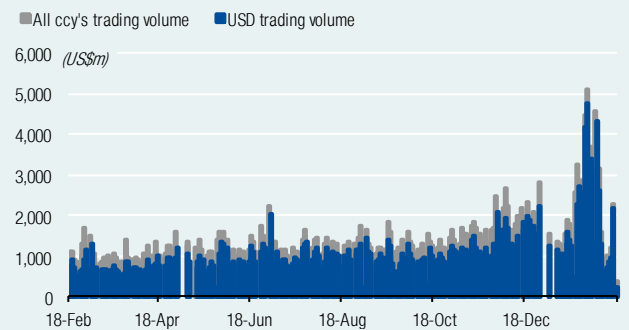


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

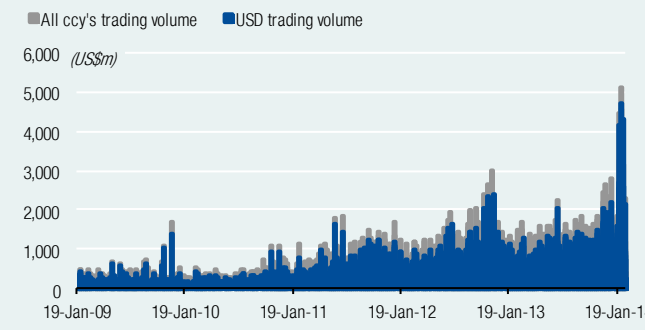


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

Chart 11. Trading volume: last 12-month and 5-year periods (US\$m, left and right respectively)



Sources: National Bank of Ukraine, Bloomberg, Investment Capital Ukraine LLC.



Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

Chart 12. 30D MA* ratio of FX market turnover to merchandise trade: last 12m and 5yr periods (% , left and right respectively)



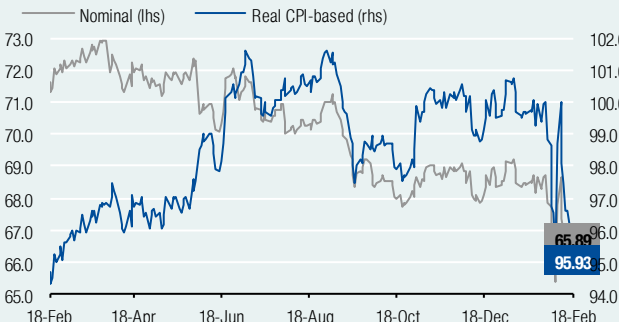
Note: * 30-day moving average; The boxes of the right chart show high and low values. Sources: NBU, State Statistics Service of Ukraine, Bloomberg, Investment Capital Ukraine LLC.



Chart page #2: ICU's UAH trade-weighted indices

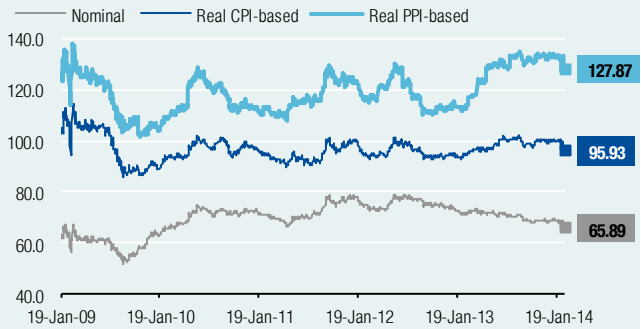
The following charts depict ICU's Ukrainian hryvnia trade-weighted indices which were calculated in accordance with methodology published in the [Quarterly Report "Keep the music playing"](#) dated 31 January 2013 and, then, updated, in the [Quarterly Report "Muddling through no more"](#) dated 14 August 2013.

Chart 13. Nominal and CPI-based real TWIs of UAH, history of last 12-month period



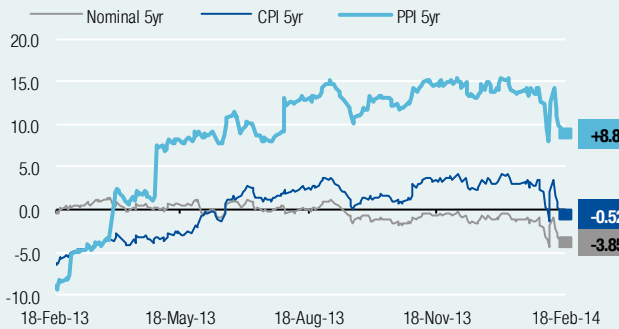
Note: The boxes indicate the last values of the depicted indicators.
Source: Investment Capital Ukraine LLC.

Chart 14. Nominal, CPI- and PPI-based TWIs of UAH, history of last 5-year period

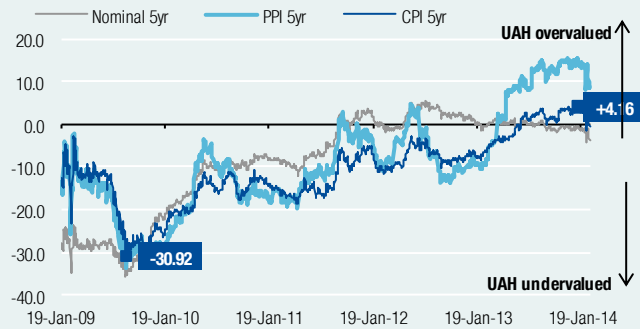


Note: The boxes indicate the last values of the depicted indicators.
Source: Investment Capital Ukraine LLC.

Chart 15. Deviation of UAH trade-weighted indices from their 5-year moving averages: last 12-month and 5-year periods (% , left and right respectively)

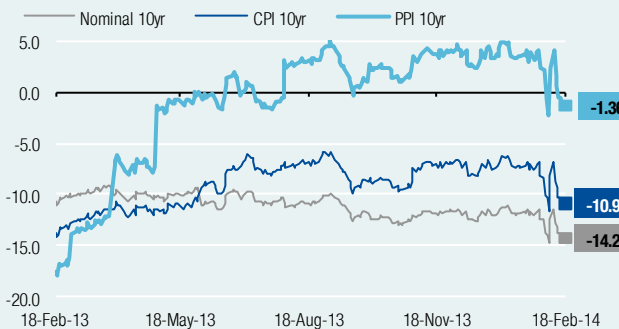


Note: The boxes indicate the last values of the depicted indicators.
Source: Investment Capital Ukraine LLC.

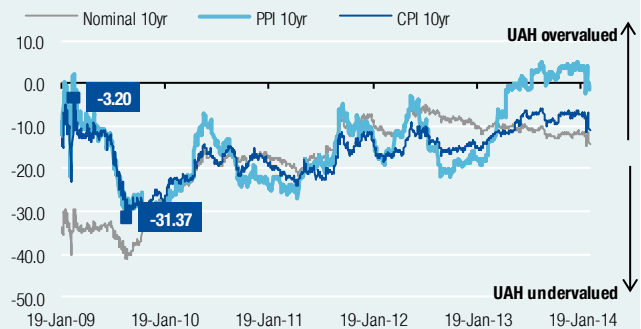


Note: the boxes indicate the high and low values of CPI-based TWI.
Source: Investment Capital Ukraine LLC.

Chart 16. Deviation of UAH trade-weighted indices from their 10-year moving averages: last 12-month and 5-year periods (% , left and right respectively)



Note: The boxes indicate the last values of the depicted indicators.
Source: Investment Capital Ukraine LLC.



Note: the boxes indicate the high and low values of CPI-based TWI.
Source: Investment Capital Ukraine LLC.

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Disclosures

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This research publication has been prepared by the analyst(s), whose name(s) appear on the front page of this publication. The analyst(s) hereby certifies that the views expressed within this publication accurately reflect her/his own views about the subject financial instruments or issuers and no part of her/his compensation was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views within this research publication.

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Buy: Forecasted 12-month total return greater than 20%

Hold: Forecasted 12-month total return 0% to 20%

Sell: Forecasted 12-month total return less than 0%

Note: total return is share price appreciation to a target price in relative terms plus forecasted dividend yield.

DEBT RATING DEFINITIONS

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Hold: Forecasted 12-month total return is in line with or modestly deviates from relevant benchmark

Sell: Forecasted 12-month total return significantly less than that of relevant benchmark



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