


INVESTMENT CAPITAL UKRAINE
 INVESTMENT BANKING

Daily Insight

Liquidity down further; YTM's volatile; Auction results; UAH breaks 10/USD ceiling

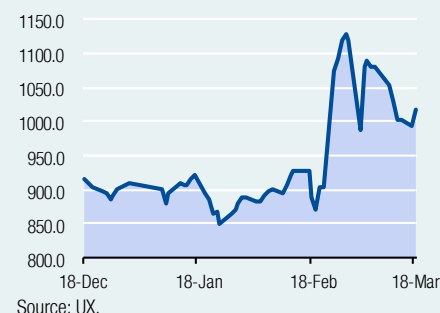
WEDNESDAY, 19 MARCH, 2014

RESEARCH INSIGHT

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UX Index (3 months to 19 Mar 2014)



Key market indicators (as of 18 Mar 2014)

| | Last | Daily chg (%) | YTD chg (%) |
|--|-----------|-----------------------------|-------------|
| FX & MONEY RATES | | | |
| USD/UAH | 10.0250 | +2.82 | +21.66 |
| USD/UAH (1Y NDF) | 12.3500 | +0.41 | +31.10 |
| EUR/USD | 1.3934 | +0.09 | +1.39 |
| USD/RUB | 36.2463 | -0.06 | +10.27 |
| KievPRIME O/N (%) | 8.28 | -90bp | +48bp |
| KievPRIME 1M (%) | 23.90 | +20bp | +765bp |
| BONDS: yields and spreads | | | |
| Ukraine VAT bond (%) | N/A | +74bp | +0bp |
| Ukraine 17, Eurobond (%) | 14.29 | -26bp | +473bp |
| Ukraine 22, Eurobond (%) | 10.96 | -1bp | +162bp |
| Ukraine 23, Eurobond (%) | 10.74 | -6bp | +169bp |
| Ukraine 5Y CDS | 1,249bp | +3bp | +433bp |
| EQUITIES | | | |
| Stock market indices | | | |
| UX (Ukraine) | 1,018.34 | +2.42 | +11.90 |
| MSCI World | 407.35 | +0.73 | -0.29 |
| MSCI EM | 952.48 | +0.98 | -5.01 |
| RTS (Russia) | 1,161.26 | +4.18 | -19.51 |
| WIG-20 (Poland) | 2,379.45 | -0.64 | -0.90 |
| S&P 500 (USA) | 1,872.25 | +0.72 | +1.29 |
| MOST ACTIVE: Top 3 stocks by value traded (US\$m) | | | |
| KER PW | 4.77 | 34.7% of total ¹ | |
| FXPO LN | 3.59 | 26.1% | |
| MHPC LI | 2.25 | 16.4% | |
| GAINERS: Top 3 stocks (in listed currency) | | | |
| AGT PW | PLN 3.04 | +10.95 | +55.90 |
| MLK PW | PLN 7.93 | +9.53 | -36.56 |
| CLE PW | PLN 1.64 | +6.49 | +56.19 |
| LOSERS: Top 3 stocks (in listed currency) | | | |
| KDM PW | PLN 13.50 | -6.90 | -56.99 |
| CAD LN | GBP 9.75 | -4.88 | -6.02 |
| OVO PW | PLN 67.00 | -2.90 | -33.00 |

Notes: Chg – percentage change, if not otherwise indicated;
 [1] – total traded volume for stocks listed in Table 1, pp. 2;
 green- or red-shaded box means gain or loss, respectively,
 of the index or security.

Sources: Bloomberg, UX, Investment Capital Ukraine LLC.

Table 1. Ukrainian stocks (closing prices as of 18-Mar-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 | 9.75 GBP | -4.9 | -13.3 | -6.0 | -31.0 | 0.16 | 37.4 | 25.7 | 40.2 | 15.0 | 8.2 | 11.3 | 0.08 | 1,246 | Neg. | Neg. | Neg. | 3.9 | 4.0 | 8.0 | Neg. | Neg. | Neg. | 0.2 | 0.0 |
| Centrenerg | CEEN UK | Kiev, UX | 5.30 UAH | +0.0 | +23.0 | +11.2 | -7.3 | 0.53 | 195.4 | 258.7 | 21.7 | 42.4 | 200.4 | 65.1 | 0.23 | 426 | 8.4 | 7.5 | 5.2 | 0.5 | 4.2 | 2.8 | 0.3 | 0.4 | 0.3 | 0.8 | 12.2 |
| Coal Energy | CLE PW | Warsaw | 1.64 PLN | +6.5 | +46.4 | +56.2 | -80.2 | 0.54 | 24.4 | 82.3 | 25.0 | 6.1 | 449.0 | 441.8 | 12.52 | 8 | Neg. | Neg. | N/A | 1.4 | 11.3 | N/A | 0.7 | 0.9 | N/A | 0.2 | 7.7 |
| Donbasenergo | DOEN UK | Kiev, UX | 37.77 UAH | +0.0 | +19.0 | +36.9 | +81.9 | 3.77 | 89.1 | 136.5 | 14.2 | 12.7 | 34.3 | 28.5 | 0.38 | 260 | 28.8 | 3.6 | 5.1 | 0.5 | 2.8 | 2.5 | 0.3 | 0.3 | 0.3 | 1.4 | 17.8 |
| JKX Oil & Gas | JKX LN | London | 61.75 GBP | -2.0 | -9.9 | -13.6 | -20.6 | 1.02 | 176.0 | 173.0 | 47.2 | 83.1 | 63.0 | 72.0 | 0.13 | 784 | Neg. | 5.4 | 4.9 | 1.3 | 1.7 | 1.9 | 0.9 | 0.9 | 0.8 | 0.4 | 2.5 |
| Regal Petroleum | RPT LN | London | 11.00 GBP | +0.0 | -5.4 | -15.4 | -60.0 | 0.18 | 58.5 | 31.7 | 80.9 | 47.4 | 0.0 | 9.9 | 0.03 | 3,991 | 5.0 | 11.7 | N/A | 1.4 | 1.9 | N/A | 0.8 | N/A | N/A | 0.2 | 0.0 |
| Sadova Group | SGR PW | Warsaw | 0.87 PLN | +4.8 | +40.3 | +64.2 | -54.2 | 0.29 | 12.4 | 52.1 | 25.0 | 3.1 | 178.0 | 110.2 | 7.59 | 13 | Neg. | N/A | N/A | 7.8 | N/A | N/A | 1.3 | N/A | N/A | 0.3 | 42.4 |
| Zakhidenergo | ZAEN UK | Kiev, PFTS | 117.50 UAH | +0.0 | +1.3 | +30.0 | +35.1 | 11.72 | 149.9 | 123.3 | 5.0 | 7.5 | 4.6 | 7.6 | 0.06 | 1,780 | 2.6 | N/A | N/A | 0.8 | N/A | N/A | 0.1 | N/A | N/A | 0.9 | 0.0 |
| METALLURGY | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Alchevsky Meta... | ALMK UK | Kiev, UX | 0.04 UAH | +0.0 | +11.3 | -2.9 | -24.9 | 0.00 | 96.9 | 1,497.2 | 3.9 | 3.8 | 13.8 | 12.5 | 0.50 | 199 | 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 | 3.00 UAH | +0.0 | +11.5 | +1.3 | -3.9 | 0.30 | 58.3 | 54.7 | 4.0 | 2.3 | 2.0 | 15.7 | 1.25 | 80 | Neg. | Neg. | 2.7 | Neg. | 1.5 | 0.9 | 0.1 | 0.1 | 0.1 | 0.1 | 0.0 |
| Azovstal | AZST UK | Kiev, UX | 0.68 UAH | +0.0 | +19.8 | +1.9 | +6.9 | 0.07 | 286.4 | 278.1 | 4.1 | 11.7 | 10.7 | 13.2 | 0.19 | 530 | Neg. | Neg. | N/A | Neg. | Neg. | N/A | 0.1 | 0.1 | N/A | 0.2 | 0.0 |
| Ferrexpo PLC | FXPO LN | London | 147.50 GBP | +3.7 | -10.1 | -22.8 | -16.8 | 2.45 | 1,441.0 | 2,102.1 | 22.4 | 322.8 | 3,587.8 | 3,439.1 | 1.58 | 63 | 5.5 | 5.8 | 7.3 | 4.2 | 4.4 | 5.0 | 1.3 | 1.3 | 1.3 | 0.8 | 35.1 |
| Yasynivsky Cok... | YASK UK | Kiev, UX | 0.73 UAH | +0.0 | +35.2 | +38.5 | +22.1 | 0.07 | 20.0 | 21.4 | 9.0 | 1.8 | 0.7 | 1.7 | 0.14 | 711 | 3.0 | 2.0 | 1.4 | 0.1 | 0.9 | 0.8 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |
| Yenakievo Steel | ENMZ UK | Kiev, UX | 33.08 UAH | +0.0 | +10.1 | +3.3 | -6.5 | 3.30 | 34.8 | 29.6 | 9.4 | 3.3 | 4.8 | 12.0 | 0.73 | 137 | 5.0 | Neg. | N/A | Neg. | Neg. | N/A | 0.0 | 0.0 | N/A | 0.8 | 0.0 |
| FOOD AND AGRIBUSINESS | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| AgroGeneration | ALAGR FP | EN Paris | 1.18 EUR | +0.0 | +0.9 | -4.8 | -32.2 | 1.64 | 151.7 | 179.3 | 34.0 | 51.6 | 7.1 | 35.2 | 0.09 | 1,107 | Neg. | N/A | N/A | Neg. | N/A | N/A | 2.7 | N/A | N/A | 1.3 | 35.9 |
| Agroliga | AGL PW | Warsaw | 20.81 PLN | -0.2 | -16.7 | -19.7 | +18.2 | 6.89 | 10.6 | 11.5 | 16.7 | 1.8 | 28.8 | 15.7 | 1.48 | 68 | 2.4 | N/A | N/A | 3.3 | N/A | N/A | 0.5 | N/A | N/A | 0.8 | 5.7 |
| Agroton | AGT PW | Warsaw | 3.04 PLN | +10.9 | -33.6 | +55.9 | -70.9 | 1.01 | 21.8 | 69.1 | 26.2 | 5.7 | 1,163.4 | 630.1 | 29.74 | 3 | 3.2 | 4.5 | 2.9 | 4.9 | 7.4 | 4.4 | 0.8 | 1.0 | 0.8 | 0.2 | 28.0 |
| Astarta Holdin... | AST PW | Warsaw | 43.27 PLN | +6.1 | -21.0 | -35.3 | -27.2 | 14.32 | 358.0 | 692.2 | 31.0 | 111.0 | 580.6 | 189.2 | 0.24 | 418 | 5.7 | 6.1 | 3.0 | 7.9 | 6.9 | 4.0 | 1.4 | 1.5 | 1.1 | 0.6 | 38.9 |
| Avangard | AVGR LI | London Intl | 8.74 USD | -0.1 | -17.5 | -25.6 | -6.0 | 8.74 | 558.2 | 724.6 | 21.7 | 121.1 | 90.8 | 303.7 | 0.49 | 203 | 2.5 | 2.5 | 2.7 | 2.6 | 2.5 | 2.6 | 1.2 | 1.0 | 1.0 | 0.5 | 22.3 |
| IMC | IMC PW | Warsaw | 8.43 PLN | +1.1 | -0.9 | -30.6 | -43.8 | 2.79 | 87.3 | 203.6 | 23.9 | 20.9 | 120.6 | 106.6 | 0.97 | 103 | 4.7 | 4.6 | 3.6 | 5.6 | 4.9 | 4.1 | 2.7 | 1.4 | 1.0 | 0.7 | 33.0 |
| Kernel Holding... | KER PW | Warsaw | 27.02 PLN | +4.9 | -23.0 | -29.0 | -53.4 | 8.94 | 712.5 | 1,735.8 | 58.8 | 418.8 | 4,768.9 | 2,129.6 | 1.01 | 99 | 6.4 | 6.8 | 3.9 | 6.0 | 6.2 | 4.8 | 0.6 | 0.7 | 0.6 | 0.6 | 30.6 |
| KSG Agro | KSG PW | Warsaw | 5.78 PLN | +4.1 | -27.4 | -46.7 | -52.8 | 1.91 | 28.7 | 150.6 | 34.4 | 9.9 | 26.7 | 18.0 | 0.42 | 237 | 3.5 | 2.4 | 2.4 | 35.7 | 5.1 | 4.1 | 4.0 | 2.2 | 1.4 | 0.3 | 29.2 |
| MHP | MHPC LI | London Intl | 13.40 USD | +3.1 | +0.8 | -21.4 | -27.2 | 13.40 | 1,415.9 | 2,616.9 | 22.3 | 316.0 | 2,249.8 | 1,220.6 | 0.61 | 165 | 4.8 | 6.9 | 5.1 | 5.6 | 6.3 | 5.1 | 1.9 | 1.8 | 1.6 | 1.2 | 45.8 |
| Milkiland | MLK PW | Warsaw | 7.93 PLN | +9.5 | -19.9 | -36.6 | -47.1 | 2.62 | 82.0 | 219.0 | 20.0 | 16.4 | 31.0 | 15.1 | 0.22 | 461 | 4.6 | 4.5 | 4.5 | 6.1 | 5.3 | 4.3 | 0.5 | 0.5 | 0.4 | 0.3 | 29.9 |
| Mriya Agrohold... | MAYA GF | Frankfurt | 5.26 EUR | +0.0 | +2.0 | -2.6 | +14.9 | 7.32 | 778.0 | 1,509.8 | 20.0 | 155.6 | 0.0 | 2.1 | 0.00 | 53,241 | 4.5 | 4.9 | 5.1 | 6.6 | 5.7 | 6.1 | 4.3 | 4.0 | 3.5 | 0.9 | 34.8 |
| Ovostar Union | OVO PW | Warsaw | 67.00 PLN | -2.9 | -6.3 | -33.0 | -32.9 | 22.17 | 133.0 | 145.1 | 25.0 | 33.3 | 9.4 | 56.8 | 0.19 | 513 | 5.7 | 5.1 | 3.6 | 5.2 | 5.2 | 3.3 | 2.0 | 1.8 | 1.3 | 1.3 | 3.7 |
| TRANSPORTATION | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| KDM Shipping | KDM PW | Warsaw | 13.50 PLN | -6.9 | -53.1 | -57.0 | -59.1 | 4.47 | 41.5 | 25.5 | 10.9 | 4.5 | 1.6 | 1.0 | 0.07 | 1,526 | 3.3 | N/A | N/A | 1.7 | N/A | N/A | 0.9 | N/A | N/A | 0.7 | 8.3 |
| CONSTRUCTION | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| TMM | TR61 GF | Xetra | 0.31 EUR | +0.0 | +14.4 | -2.2 | -44.2 | 0.43 | 22.4 | 181.7 | 13.1 | 2.9 | 0.0 | 0.1 | 0.01 | 10,140 | Neg. | N/A | N/A | Neg. | N/A | N/A | 8.3 | N/A | N/A | 0.2 | 44.1 |
| FINANCIAL SERVICES | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Forum Bank | FORM UK | Kiev, UX | 0.29 UAH | +0.0 | -56.9 | -61.7 | -53.7 | 0.03 | 17.2 | N/A | 5.5 | 0.9 | 0.5 | 0.9 | 0.24 | 422 | Neg. | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | 0.1 | 18.6 |
| Raiffeisen Ban... | BAVL UK | Kiev, UX | 0.15 UAH | +0.0 | +45.4 | +32.0 | +42.2 | 0.01 | 447.9 | N/A | 3.8 | 17.1 | 101.8 | 51.6 | 0.45 | 220 | 14.1 | 8.1 | 4.3 | N/A | N/A | N/A | N/A | N/A | N/A | 0.6 | 28.3 |

Table 1. Ukrainian stocks (closing prices as of 18-Mar-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 | +0.0 | -0.2 | -13.8 | +39.5 | 0.02 | 292.4 | N/A | 4.5 | 13.1 | 6.3 | 6.3 | 0.07 | 1,519 | 968.4 | 178.7 | 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 continues to decline

Banks' correspondent accounts with the NBU declined UAH0.47bn to UAH27.76bn yesterday and total CDs outstanding also declined UAH0.49bn to UAH4.66bn. Total local currency debt repayments scheduled for the next 30 days rose UAH0.71bn to UAH4.66bn. As a result, broader banking sector liquidity slid UAH0.25bn.

KyivPrime interest rates slightly diverged: the KyivPrime ON interest rate slid 90bp to 8.28% while the KyivPrime 1M interest rate rose 20bp to 23.90%.

Investment implications: Despite the NBU's apparent lack of support, liquidity remains moderately high. As monthly tax payments begin in a few days, which could exert some pressure on liquidity, the increase in interest rates beyond a one-day maturity could indicate the lack of clarity on the NBU's new management procedures during tax payments.

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YTM's slightly volatile

YTM's of Ukrainian Eurobonds remained steady with slight volatility yesterday on news about agreements between Russia and Crimea. In anticipation of news from Crimea and reactions to yesterday's agreements, investors delayed their decisions. As a result, YTM's of Ukrainian Eurobonds moved slightly to the range of 10.74-18.19%, excluding the YTM of UKRAIN 7.95% '14 which slightly rose to 43.14% and UKRAIN 5.00% '15 which usually remains low. At the close, UKRAIN 6.875% '15 rose 53bp to 15.51%, while UKRAIN 9.25% '17 slid 27bp to 14.27%, UKRAIN 7.95% '21 slid 2bp to 11.75%, UKRAIN 7.80% '22 slid 2bp to 10.96% and UKRAIN 7.50% '23 slid 8bp to 10.74%. The 5-year CDS rose to 1,249bp.

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Primary auction results

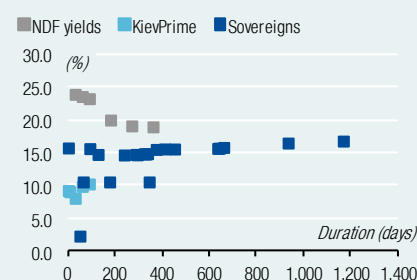
The MoF sold no bonds at yesterday's scheduled auction, receiving only two bids for zero-coupon bonds with 3-month and 8-month maturities, most likely indicative bids from one market participant. The MoF deemed 21.0% and 22.0% for these maturities to be too high due to their insignificant volumes and rejected them.

Investment implications: Yesterday's indication of demand rates was positive, particularly if the MoF supports the market, a move which could cause rates to tighten. Due to possible needs for debt repayment refinancing, we could see unscheduled auctions this week and possibly an extended list of offerings next week.

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Yield curve of the local bond market

(as of market close on 18 Mar 2014)



Sources: Bloomberg, Investment Capital Ukraine LLC.

Bond market indicators (as of 18 Mar 2014)

| | Last | Daily chg (%) | Weekly chg (%) | MoM chg (%) | YTD chg (%) |
|--|------|---------------|----------------|-------------|-------------|
|--|------|---------------|----------------|-------------|-------------|

MONEY MARKET KIEV PRIME RATES (%)

| | | | | | |
|-----|-------|--------|--------|--------|--------|
| 0/n | 8.28 | -90bp | -272bp | -422bp | +48bp |
| 1wk | 18.52 | +100bp | -68bp | +152bp | +872bp |
| 1m | 23.90 | +20bp | +70bp | +190bp | +765bp |
| 2m | 18.30 | +0bp | +20bp | +30bp | +190bp |
| 3m | 18.04 | +0bp | +4bp | +29bp | +204bp |

LIQUIDITY WIDE MEASUREMENT (UAHm)

| | | | | | |
|-----------------------|---------------|---------------|---------------|---------------|---------------|
| CB acc's ¹ | 27,762 | -1.68 | +1.13 | +16.09 | -15.11 |
| CDs ² | 9,707 | +88.49 | +921.8 | +796.3 | +538.6 |
| Sovgns ³ | 4,676 | +0.00 | -23.74 | -20.59 | +212.8 |
| Total | 42,144 | +10.73 | +22.04 | +36.46 | +17.99 |

HOLDERS OF UAH SOVEREIGN BONDS (UAHm)

| | | | | | |
|----------------------|----------------|--------------|--------------|--------------|---------------|
| C.bank | 169,692 | +0.00 | -0.21 | +5.57 | +17.15 |
| Banks | 79,876 | +0.93 | +2.23 | -0.93 | -0.36 |
| Resid's ⁴ | 11,192 | -0.33 | -1.00 | -4.77 | -9.71 |
| Non-res ⁵ | 13,947 | +1.33 | +4.54 | +8.02 | +19.22 |
| Total | 274,708 | +0.32 | +0.69 | +3.26 | +10.27 |

NDF IMPLIED YIELDS (%)

| | | | | | |
|-----|-------|--------|--------|--------|--------|
| 3m | 45.15 | -798bp | -809bp | +904bp | +33bp |
| 6m | 35.79 | -667bp | -12ppt | +745bp | +22bp |
| 9m | 26.07 | -451bp | -11ppt | +18bp | +12bp |
| 1yr | 23.88 | -298bp | -631bp | +74bp | +889bp |

LOCAL CURRENCY UAH SOVEREIGN BOND YIELDS (%)

| | | | | | |
|----------------------|-----|--------|------|------|--------|
| Mar '13 | N/A | -52ppt | +0bp | +0bp | +0bp |
| Jan '14 | N/A | +320bp | +0bp | +0bp | -676bp |
| Aug '15 ⁶ | N/A | +74bp | +0bp | +0bp | +0bp |

EUROBONDS USD SOVEREIGN BOND YIELDS (%)

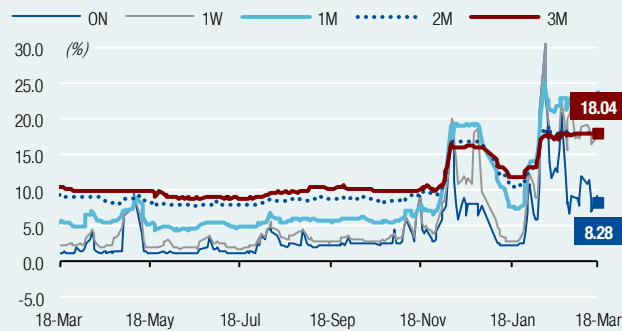
| | | | | | |
|---------|-------|-------|--------|--------|--------|
| CDS 5yr | 1,249 | +3bp | +168bp | +87bp | +433bp |
| Jun '16 | 15.51 | +54bp | +195bp | +278bp | +662bp |
| Jul '17 | 14.29 | -26bp | +50bp | +98bp | +473bp |
| Sep '20 | 11.88 | -1bp | +64bp | +111bp | +268bp |
| Sep '21 | 11.75 | -1bp | +39bp | +95bp | +253bp |
| Sep '22 | 10.96 | -1bp | +22bp | +21bp | +162bp |
| Feb '23 | 10.74 | -6bp | +30bp | +55bp | +169bp |

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.

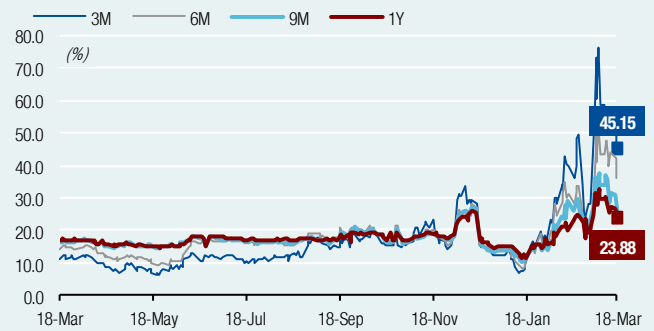
Chart page: Local bond market & Eurobond markets

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



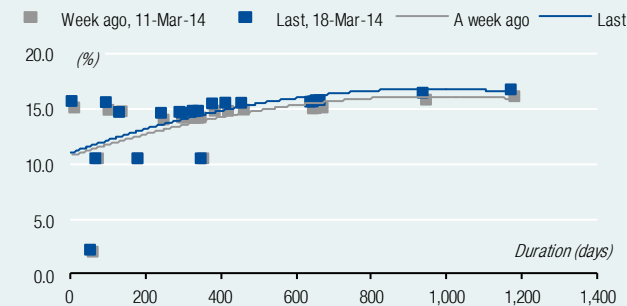
Sources: Bloomberg, Investment Capital Ukraine LLC.

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



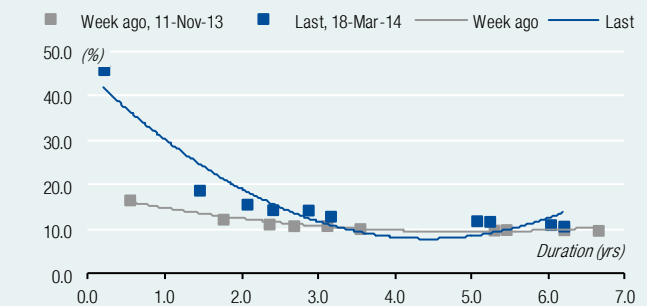
Sources: Bloomberg, Investment Capital Ukraine LLC.

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



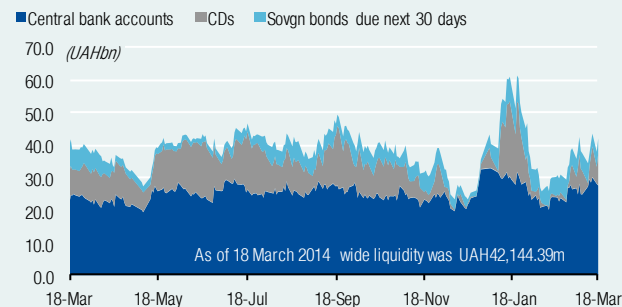
Sources: Bloomberg, Investment Capital Ukraine LLC.

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



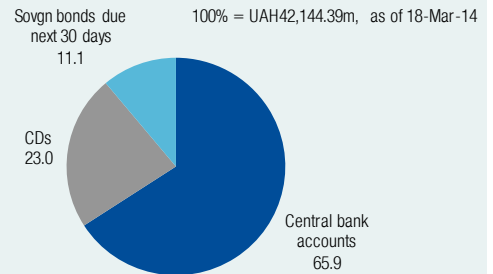
Sources: Bloomberg, Investment Capital Ukraine LLC.

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



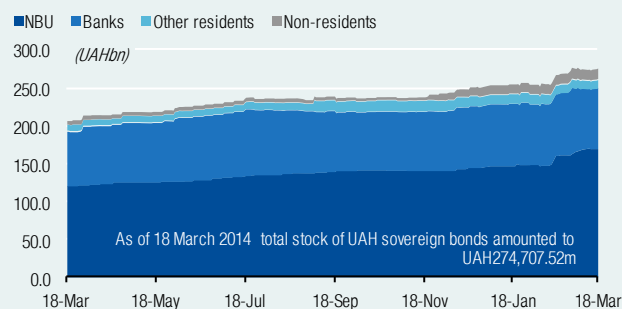
Sources: National Bank of Ukraine, Ministry of Finance of Ukraine, ICU.

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



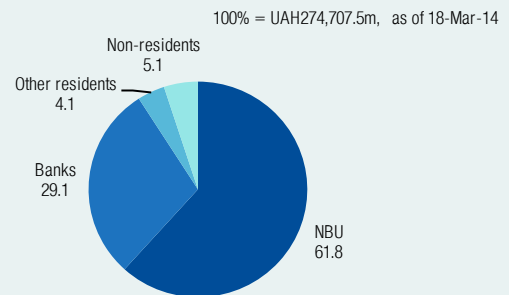
Sources: National Bank of Ukraine, Ministry of Finance of Ukraine, ICU.

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



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

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



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

FX: News & Comments

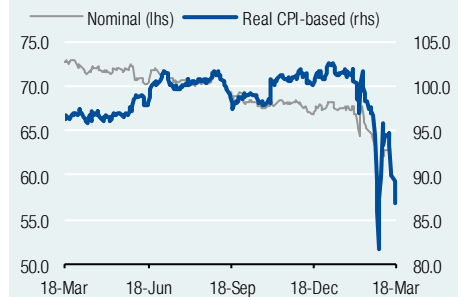
UAH penetrates the 10/USD threshold

The UAH fell 2.82% yesterday to 10.0250/USD, a two week low. Amidst the highly volatile market and rumors that the IMF mission is putting the final touches on the lending program conditions, the NBU appears to have abandoned its staunch defense of the FX rate. Meanwhile, the UAH's real rate declined 2.80%.

Alexander Valchyshen, Kiev, +38044 2200120 ext.242

ICU's UAH trade-weighted indices

(Last 12-month history to 19 Mar 2014)



Source: Investment Capital Ukraine LLC.

FX market indicators (as of 18 Mar 2014)

| | Last | Daily | Weekly | MoM | YTD |
|---|----------|---------|---------|---------|---------|
| | | chg (%) | chg (%) | chg (%) | chg (%) |
| USD/UAH MARKET (HRYVNIA per US DOLLAR) | | | | | |
| Spot mkt | 10.0250 | +2.82 | +8.61 | +13.15 | +21.66 |
| NBU avg | 9.9598 | +2.08 | +7.12 | +14.65 | +22.19 |
| Tt vlm ¹ | 765.02 | +6.54 | -11.59 | -51.49 | -72.70 |
| \$ volume ² | 563.63 | -2.44 | -25.23 | -57.00 | -74.51 |
| NDF 3M | 11.1480 | +1.01 | +6.68 | +15.49 | +31.38 |
| NDF 6M | 11.8000 | +0.00 | +3.51 | +16.83 | +34.40 |
| NDF 1Y | 12.3500 | +0.41 | +3.35 | +13.82 | +31.10 |
| TRADE-WEIGHTED INDICES (TWIs, points) | | | | | |
| UAH nom'l | 57.738 | -2.80 | -8.35 | -11.03 | -14.51 |
| UAH real CPI | 86.803 | -2.80 | -8.35 | -11.03 | -14.13 |
| UAH real PPI | 119.393 | -2.80 | -8.35 | -11.03 | -13.98 |
| USD nom'l | 79.414 | +0.04 | -0.40 | -0.74 | -0.78 |
| FX RATES OF KEY CURRENCIES THAT SHAPE UAH's TWIs | | | | | |
| USD/RUB | 36.2463 | -0.06 | -0.74 | +2.27 | +10.27 |
| EUR/USD | 1.3934 | +0.09 | +0.53 | +1.27 | +1.39 |
| USD/CNY | 6.1950 | +0.28 | +0.89 | +2.10 | +2.32 |
| USD/PLN | 3.0200 | -0.57 | -0.91 | +0.18 | -0.10 |
| USD/TRY | 2.2184 | -0.01 | -1.25 | +1.76 | +3.27 |
| USD/BYR | 9,843.00 | +0.08 | +0.03 | +0.95 | +3.18 |
| USD/KZT | 182.3700 | +0.10 | -0.02 | -1.17 | +18.21 |
| OTHER MAJOR CURRENCIES | | | | | |
| USD/JPY | 101.4400 | -0.32 | -1.53 | -0.90 | -3.67 |
| GBP/USD | 1.6593 | -0.26 | -0.14 | -0.55 | +0.22 |
| USD/CHF | 0.8732 | -0.01 | -0.58 | -1.66 | -2.21 |
| AUD/USD | 0.9127 | +0.44 | +1.67 | +1.11 | +2.36 |
| USD/CAD | 1.1135 | +0.75 | +0.26 | +1.72 | +4.82 |
| USD/BRL | 2.3340 | -0.64 | -1.26 | -2.58 | -1.19 |
| USD/KRW | 1,069.20 | +0.17 | +0.39 | +0.33 | +1.85 |
| COMMODITIES | | | | | |
| Gold(\$/oz) | 1,355.72 | -0.83 | +0.50 | +2.55 | +12.45 |
| 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 | 302.78 | +0.58 | -0.71 | +1.44 | +8.07 |

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>).

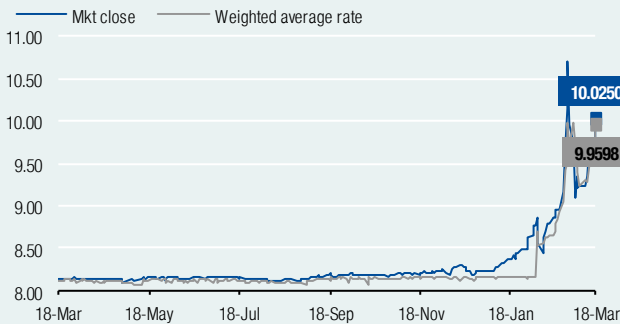
Section on FX market is continued on next page.

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.

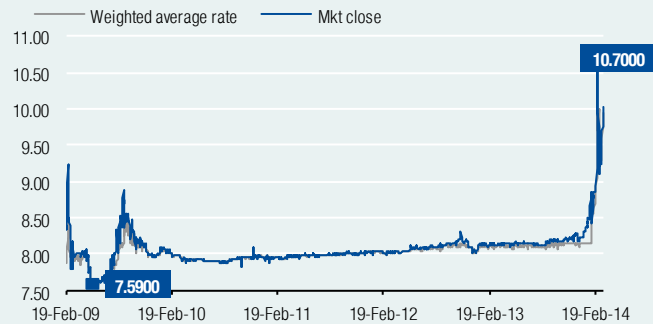
Sources: Bloomberg, Investment Capital Ukraine LLC.

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)

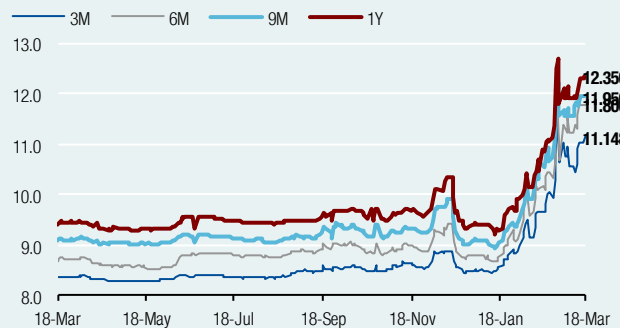


Sources: National Bank of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

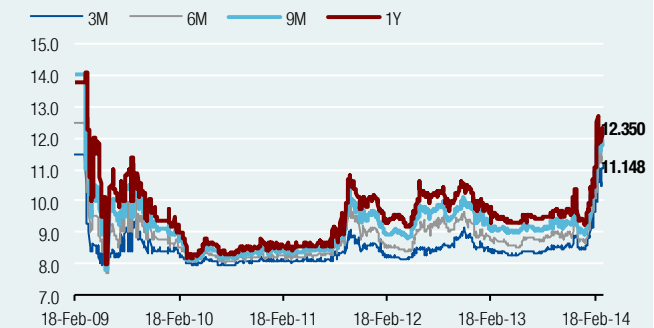


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

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.

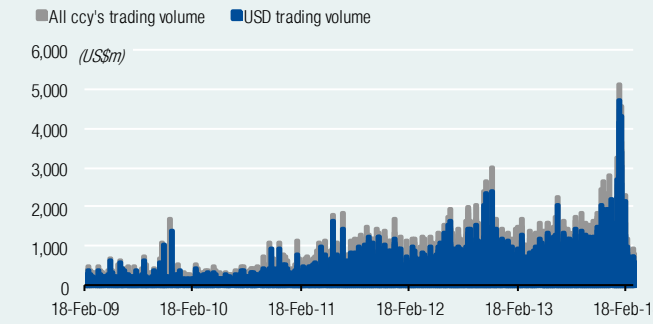


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

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)



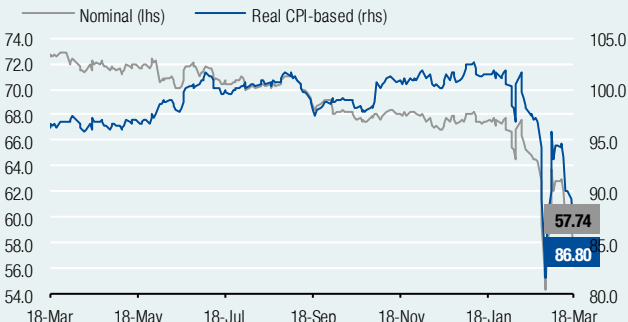
Note: * 30-day moving average; The boxes of the right chart show high and low values. Sources: NBU, State Statistics Service of Ukraine, Bloomberg, Investment Capital Ukraine LLC.



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

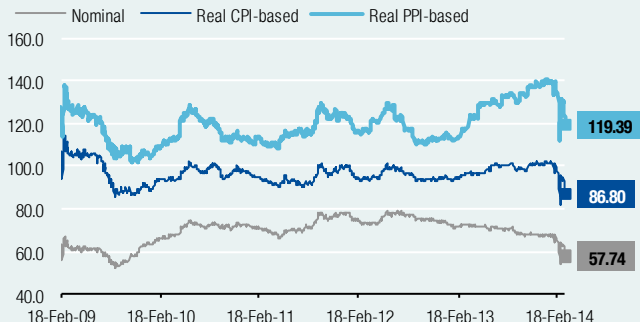
The following charts depict ICU's Ukrainian hryvnia trade-weighted indices which were calculated in accordance with methodology published in the [Quarterly Report "Keep the music playing"](#) dated 31 January 2013 and, then, updated, in the [Quarterly Report "Muddling through no more"](#) dated 14 August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

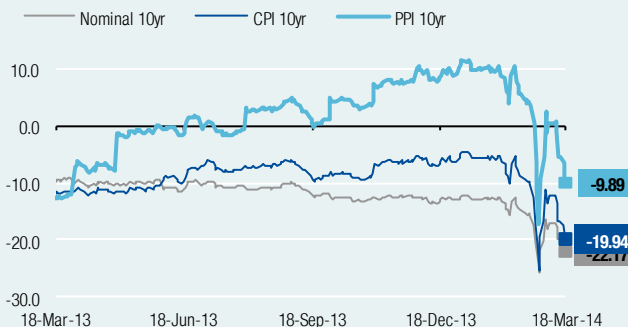


Note: The boxes indicate the last values of the depicted indicators.
Source: Investment Capital Ukraine LLC.



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

Buy: Forecasted 12-month total return significantly greater than that of relevant benchmark

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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