


INVESTMENT CAPITAL UKRAINE
 INVESTMENT BANKING

Daily Insight

FUIB Group grew; FX reserves decline; UAH lower;
 Auction announcement; Liquidity up; Yields rise

TUESDAY, 8 APRIL, 2014

RESEARCH INSIGHT

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UX Index (3 months to 8 Apr 2014)

Key market indicators (as of 7 Apr 2014)

	Last	Daily chg (%)	YTD chg (%)
FX & MONEY RATES			
USD/UAH	11.7000	+0.86	+41.99
USD/UAH (1Y NDF)	13.1159	-0.30	+39.23
EUR/USD	1.3742	+0.27	-0.01
USD/RUB	35.6383	+1.04	+8.42
KievPRIME O/N (%)	4.75	+100bp	-305bp
KievPRIME 1M (%)	22.00	-75bp	+575bp

BONDS: yields and spreads

Ukraine VAT bond (%)	N/A	-8,900bp	-8,900bp
Ukraine 17, Eurobond (%)	10.31	+108bp	+75bp
Ukraine 22, Eurobond (%)	9.34	+63bp	-1bp
Ukraine 23, Eurobond (%)	8.96	+53bp	-9bp
Ukraine 5Y CDS	850bp	+0bp	+33bp

EQUITIES
Stock market indices

UX (Ukraine)	1,056.30	-2.36	+16.07
MSCI World	408.23	-0.88	-0.08
MSCI EM	1,004.15	+0.21	+0.15
RTS (Russia)	1,193.78	-3.25	-17.26
WIG-20 (Poland)	2,453.35	-0.73	+2.18
S&P 500 (USA)	1,845.04	-1.08	-0.18

MOST ACTIVE: Top 3 stocks by value traded (US\$m)

KER PW	3.84	50.2% of total ¹
FXPO LN	1.92	25.1%
JKX LN	0.64	8.3%

GAINERS: Top 3 stocks (in listed currency)
LOSERS: Top 3 stocks (in listed currency)

YASK UK	UAH 0.64	-13.96	+20.94
TR61 GF	EUR 0.27	-12.90	-14.83
KSG PW	PLN 5.28	-9.74	-51.34

Notes: Chg – percentage change, if not otherwise indicated;
 [1] – total traded volume for stocks listed in Table 2, pp. 4;
 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

FX reserves decline on external debt payouts

The NBU yesterday reported US\$15.1bn in FX reserves as of the end of March, down from previous month's US\$15.5bn. Due to the negligible revaluation impact, there is high probability that the decline in the FX reserves was due to external debt payouts made by the authorities. This month's scheduled external debt repayments amount to US\$0.9bn. If no promised IMF funds are issued to Ukraine, the decline in FX reserves could accelerate in April.

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CPI is reported at 2.2% MoM

Consumer prices leaped in March on the back of the currency devaluation, mostly attributable to higher prices for food to transport services. Although state-regulated tariff increases are expected later this year, they are expected to add impetus to the upward shift in CPI. Thus, a natural gas tariff increase is told to be in May, which is likely to push CPI up by nearly 3%, allowing one-year CPI to accelerate from its current 3.4% YoY toward the 6-8% YoY. Such a pace of inflation is likely to restrain the competitiveness gained recently by the significant devaluation of the UAH. While inflation is expected to accelerate, this should increase concern over the UAH and push the rate lower again.

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FUIB Group grew moderately in 2013 on increased efficiency

In its consolidated IFRS results, FUIB Group reported net earnings of UAH554.8m, up two-fold from last year, as its gross loan portfolio rose 18.4% YoY to UAH24.6bn.

The gross corporate portfolio increased 15% YoY to UAH17.8bn as the food and agriculture sector loan share increased from 22% in 2012 to 27% in 2013, as expected. FUIB's transport and infrastructure sector loans rose UAH0.5bn, or 73.2% YoY, and non-banking financial institution sector loans increased UAH0.6bn, or 102.0% YoY. NPL came in at 8.8% of the total gross portfolio with nearly 100% provision coverage.

High focus on consumer lending. The Group made a significant shift to consumer loans in its retail business. Total gross consumer loans grew by UAH1.2bn, or 57.3% YoY, while their share rose 14ppt to 50% in 2013. FUIB has not been actively issuing new mortgages and we expect their share to decline further as NPLs fell from 39.5% in 2012 to 29.7% in 2013. NPL coverage remains moderate at 63.3%

The deposit base has increased UAH3.bn, or 19.2% YoY, in 2013. Retail customer deposits rose only 10.4% YoY due to the slowdown in 2H13 as the result of customers transferring deposits to institutions that offer higher rates.

2014 Deposits outflow. The bank has suffered significant outflow of customer deposits during the first two months of 2014. Household deposits that accounted for 53.9% of the consolidated total deposits have decreased their position in all currencies. The bank has managed to offset the decline by attracting business deposits, predominantly from companies which belong to the SCM.

Table 1. Changes in customer deposits in 2014

	December 31, 2013	February 28, 2014	Change
Total deposits in hryvnia	11,572	11,132	-3.8%
Retail clients, UAHm	5,365	4,591	-14.4%
Corporate clients, UAHm	6,207	6,541	5.4%
Total deposits in US\$	927	943	1.7%
Retail clients, US\$m	614	576	-6.2%
Corporate clients, US\$m	313	367	17.3%
Total deposits in EUR	133	141	6.0%
Retail clients, EURm	89	80	-10.1%
Corporate clients, EURm	44	61	38.6%

Notes: FUIB only, according to the UAS

Sources: Bank data.

FUIB managed to increase operational efficiency as the cost-to-income ratio has declined 10.1ppt to 52.8%. Total pre-provision income has increased 31% YoY to UAH2.6bn while operating income rose by only 10% to UAH1.4bn.

The Group accrued UAH276m in provisions in January- February 2014, a significant amount considering that the total provision charge for 2013 amounted to UAH553m. The bank increased its reserves for foreign currency denominated loans as collateral denominated in hryvnia significantly depreciated over the period.

Impact of Crimea. The Group has nine bank branches in Crimea (six with the FUIB brand and three with the Renaissance Credit brand), of which only three branches are owned by the Group while the rest are leased. The Crimean region accounts for 2.3% of the Group's total assets and 1.3% of the liabilities, with approximately 60% of the loan portfolio constituting corporate loans. Total net assets in Crimea is UAH409m.

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Table 2. Ukrainian stocks (closing prices as of 7-Apr-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	9.13 GBP	+0.0	-13.1	-12.0	-36.0	0.15	35.0	-28.0	40.2	14.1	1.1	9.4	0.06	1,748	Neg.	Neg.	Neg.	4.3	4.3	8.8	Neg.	Neg.	Neg.	0.2	0.0
Centrenerg	CEEN UK	Kiev, UX	5.37 UAH	-2.8	-5.3	+12.7	+33.8	0.46	169.8	224.2	21.7	36.9	134.9	75.3	0.34	295	8.5	4.7	6.9	0.4	3.5	3.1	0.3	0.3	0.3	0.8	12.2
Coal Energy	CLE PW	Warsaw	1.47 PLN	-4.5	+0.7	+40.0	-74.7	0.48	21.8	79.7	25.0	5.5	120.3	386.8	6.90	14	Neg.	Neg.	N/A	1.3	10.9	N/A	0.6	0.9	N/A	0.2	7.7
Donbasenergo	DOEN UK	Kiev, UX	40.65 UAH	-3.4	-2.5	+47.3	+105.3	3.48	82.3	122.9	14.2	11.7	55.7	30.6	0.28	360	31.0	1.9	2.6	0.5	1.6	1.7	0.3	0.2	0.2	1.5	17.8
JKX Oil & Gas	JKX LN	London	59.50 GBp	-3.3	+0.8	-16.8	-22.1	0.99	169.8	176.3	47.2	80.1	635.0	92.9	0.19	535	26.1	8.3	5.2	2.7	1.9	N/A	1.0	0.9	0.8	0.3	5.5
Regal Petroleum	RPT LN	London	10.25 GBp	-4.7	-12.8	-21.2	-53.9	0.17	54.6	27.8	80.9	44.2	9.9	7.3	0.02	5,373	Neg.	N/A	N/A	1.3	N/A	N/A	0.8	N/A	N/A	0.2	0.0
Sadova Group	SGR PW	Warsaw	0.88 PLN	-1.1	+18.9	+66.0	-38.5	0.29	12.5	52.2	25.0	3.1	31.5	122.3	4.75	21	Neg.	N/A	N/A	7.8	N/A	N/A	1.3	N/A	N/A	0.3	42.4
METALLURGY																											
Alchevsky Meta...	ALMK UK	Kiev, UX	0.04 UAH	-4.3	-11.3	-8.5	-21.1	0.00	78.3	1,279.7	3.9	3.0	5.9	10.0	0.37	269	Neg.	Neg.	N/A	N/A	Neg.	N/A	1.0	1.1	N/A	N/A	64.5
Avdiivsky Cok...	AVDK UK	Kiev, UX	2.97 UAH	-1.9	-1.6	+0.2	-3.0	0.25	49.5	46.4	4.0	2.0	7.1	12.0	0.56	179	Neg.	Neg.	2.7	Neg.	1.5	0.9	0.1	0.1	0.1	0.1	0.0
Azovstal	AZST UK	Kiev, UX	0.71 UAH	-3.0	+0.4	+6.4	+18.4	0.06	256.5	249.4	4.1	10.5	10.9	9.6	0.10	1,011	Neg.	Neg.	N/A	Neg.	Neg.	N/A	0.1	0.1	N/A	0.2	0.0
Ferrexpo PLC	FXPO LN	London	155.80 GBp	-3.9	+13.1	-16.2	+3.2	2.59	1,523.9	2,185.1	22.4	341.4	1,920.5	3,775.6	0.84	118	5.8	6.1	7.7	4.4	4.7	5.3	1.4	1.4	1.4	0.9	35.1
Yasynivsky Cok...	YASK UK	Kiev, UX	0.64 UAH	-14.0	-10.6	+20.9	+6.5	0.05	15.0	16.2	9.0	1.4	0.1	1.1	0.03	3,072	2.6	1.7	1.3	0.1	0.8	0.7	0.1	0.1	0.1	0.1	0.1
Yenakievo Steel	ENMZ UK	Kiev, UX	34.28 UAH	-4.5	-5.0	+7.1	-1.9	2.93	31.0	26.5	9.4	2.9	9.3	12.4	0.40	248	5.2	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	1.20 EUR	-0.8	+0.0	-3.2	-27.7	1.65	152.3	179.6	34.0	51.8	26.7	37.1	0.07	1,377	Neg.	N/A	N/A	Neg.	N/A	N/A	2.8	N/A	N/A	1.3	35.9
Agroliga	AGL PW	Warsaw	20.04 PLN	-0.5	-12.4	-22.7	+13.9	6.60	10.2	11.1	16.7	1.7	9.1	15.3	0.87	115	2.3	N/A	N/A	3.2	N/A	N/A	0.5	N/A	N/A	0.8	5.7
Agroton	AGT PW	Warsaw	2.80 PLN	-3.8	-33.8	+43.6	-66.5	0.92	20.0	67.3	26.2	5.2	198.5	606.5	15.25	7	3.0	4.2	2.7	4.7	7.2	4.3	0.8	1.0	0.8	0.2	28.0
Astarta Holdin...	AST PW	Warsaw	44.00 PLN	-5.4	-0.9	-34.2	-29.0	14.50	362.5	692.4	31.0	112.5	32.5	183.9	0.20	496	5.8	8.3	4.3	7.9	8.5	4.5	1.4	1.6	1.2	0.6	38.9
Avangard	AVGR LI	London Intl	9.50 USD	-3.1	+9.8	-19.2	+17.4	9.50	606.5	772.8	21.7	131.6	395.2	386.0	0.24	419	2.7	2.7	3.1	2.8	2.6	2.9	1.2	1.1	1.1	0.5	22.3
IMC	IMC PW	Warsaw	8.19 PLN	-8.4	-3.1	-32.6	-41.5	2.70	84.5	200.8	23.9	20.2	45.7	104.0	0.41	243	4.5	4.5	3.0	5.5	4.8	3.7	2.7	1.4	1.0	0.7	33.0
Kernel Holding...	KER PW	Warsaw	29.70 PLN	-4.9	+12.1	-22.0	-49.5	9.79	780.0	1,803.2	58.8	458.4	3,836.9	2,541.7	0.67	150	7.0	9.6	4.3	6.2	6.5	5.0	0.6	0.8	0.7	0.6	30.6
KSG Agro	KSG PW	Warsaw	5.28 PLN	-9.7	-15.8	-51.3	-59.3	1.74	26.1	148.0	34.4	9.0	34.5	18.5	0.26	382	3.2	2.2	2.2	35.1	5.1	4.1	4.0	2.2	1.4	0.3	29.2
MHP	MHPC LI	London Intl	13.30 USD	-1.0	-4.2	-22.0	-19.7	13.30	1,405.4	2,606.4	22.3	313.7	72.4	1,245.4	0.31	324	9.0	5.3	4.3	6.5	5.3	4.7	1.7	1.7	1.5	1.2	46.2
Milkiland	MLK PW	Warsaw	7.55 PLN	-6.2	-6.4	-39.6	-45.6	2.49	77.8	213.0	20.0	15.6	7.8	14.8	0.07	1,440	4.4	4.4	4.3	5.9	5.2	4.2	0.5	0.5	0.4	0.3	29.9
Mriya Agrohold...	MAYA GF	Frankfurt	4.86 EUR	+0.0	-8.7	-10.1	+5.4	6.68	709.3	1,441.2	20.0	141.9	0.0	1.8	0.00	35,319	4.1	4.4	4.7	6.3	5.4	5.8	4.1	3.8	3.4	0.8	34.8
Ovostar Union	OVO PW	Warsaw	72.00 PLN	-2.7	+5.9	-28.0	-24.2	23.73	142.4	154.4	25.0	35.6	9.5	36.2	0.07	1,414	6.1	5.5	3.8	5.5	5.5	3.5	2.2	1.9	1.4	1.4	3.7
TRANSPORTATION																											
KDM Shipping	KDM PW	Warsaw	13.24 PLN	-0.1	-53.5	-57.8	-63.0	4.36	40.6	24.6	10.9	4.4	4.8	2.3	0.14	733	3.2	N/A	N/A	1.6	N/A	N/A	0.8	N/A	N/A	0.7	8.3
CONSTRUCTION																											
TMM	TR61 GF	Xetra	0.27 EUR	-12.9	-12.9	-14.8	-29.3	0.37	19.2	178.5	13.1	2.5	2.6	0.1	0.01	18,411	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	0.17 UAH	-1.5	+6.8	+47.7	+74.6	0.01	430.0	N/A	3.8	16.4	27.4	46.2	0.25	394	15.8	9.1	4.8	N/A	N/A	N/A	N/A	N/A	N/A	0.7	28.3
UkrSotsbank	USCB UK	Kiev, UX	0.16 UAH	-4.8	-11.5	-13.7	+36.0	0.01	251.2	N/A	4.5	11.3	1.4	3.6	0.03	3,815	969.6	179.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.3	30.9

Table 2. Ukrainian stocks (closing prices as of 7-Apr-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)

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 slightly increases with reallocation

Broader banking sector liquidity rose UAH0.54bn to UAH45.57bn as banks' correspondent accounts with the NBU rose UAH0.97bn to UAH33.09bn while total CDs outstanding declined UAH0.43bn to UAH7.74bn. Total local currency debt repayments scheduled for the next 30 days remained steady at UAH4.74bn.

Despite the higher liquidity, KyivPrime interest rates diverged: the KyivPrime ON interest rate rose 100bp to 4.75% while the KyivPrime 1M interest rate slid 75bp to 22.00%.

Investment implications: Banks reinvested fewer funds than it received in ON CDs, thus increasing their accounts at the NBU. Despite high liquidity, interest rates did not decline. The cost of funds remained high in anticipation of an increase in the UAH/USD exchange rate. Although high liquidity could drive some market demand at the primary auction (see comment below), the combination of an insufficient surplus in liquidity and overly high interest rates will dampen demand.

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Yields rose on negative news

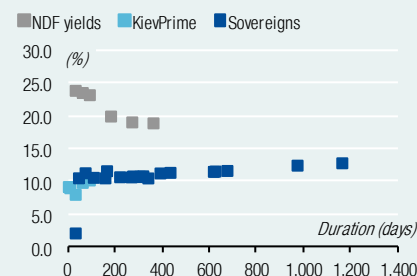
Although Eurobond prices slightly decline on the open driven by news on Friday and over the weekend, in the second half of the day they fell more significantly, on negative news about Ukrainian FX reserves. As a result, at the close the yield curve moved to the range of 8.83-10.68% as UKRAIN 6.875% '15 rose 184bp to 10.68%, UKRAIN 9.25% '17 rose 105bp to 10.34%, UKRAIN 7.95% '21 rose 57bp to 9.35%, while UKRAIN 7.80% '22 and UKRAIN 7.50% '23 rose 62bp and 55bp to 9.29% and 8.83%, respectively.

Investment implications: As a result of the escalation of the situation in the eastern regions of Ukraine, the downgrading of Ukraine's sovereign rating by one step from Caa2 to Caa3 while maintaining the negative outlook only had a slightly negative impact on the Eurobond market. Prices fell significantly in the second half of the day yesterday after the NBU published its report on the 2.5% decline in FX reserves in March. Ukrainian risks rose yesterday as it was just prior to large debt repayments and the no real support or FX financing has materialized yet. This situation could continue amidst the current negative environment.

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Yield curve of the local bond market

(as of market close on 7 Apr 2014)



Sources: Bloomberg, Investment Capital Ukraine LLC.

Bond market indicators (as of 7 Apr 2014)

	Last	Daily chg (%)	Weekly chg (%)	MoM chg (%)	YTD chg (%)
MONEY MARKET KIEV PRIME RATES (%)					
0/n	4.75	+100bp	-175bp	-725bp	-305bp
1wk	14.75	-50bp	-225bp	-435bp	+495bp
1m	22.00	-75bp	-100bp	-80bp	+575bp
2m	18.13	+0bp	-7bp	+3bp	+173bp
3m	18.00	+0bp	+0bp	+0bp	+200bp
LIQUIDITY WIDE MEASUREMENT (UAHm)					
CB acc's ¹	33,090	+3.03	+26.15	+32.57	+1.19
CDs ²	7,741	-55.29	-20.41	+7.44	+409.3
Sovgns ³	5,142	+6.05	-1.10	-5.94	+244.0
Total	45,973	-15.30	+11.70	+22.17	+28.71
HOLDERS OF UAH SOVEREIGN BONDS (UAHm)					
C.bank	170,686	+0.00	+0.73	+1.03	+17.84
Banks	86,785	+1.90	+3.60	+8.64	+8.25
Resid's ⁴	11,118	+0.72	+0.68	-1.88	-10.32
Non-res ⁵	15,990	+2.82	+4.92	+18.27	+36.68
Total	284,579	+0.76	+1.82	+3.98	+14.24
NDF IMPLIED YIELDS (%)					
3m	14.06	+695bp	+770bp	-44ppt	+192bp
6m	11.12	+68bp	-102bp	-32ppt	-228bp
9m	13.21	+127bp	-97bp	-21ppt	-81bp
1yr	12.72	-131bp	+45bp	-17ppt	-227bp
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	-89ppt	-89ppt	-89ppt	-89ppt
EUROBONDS USD SOVEREIGN BOND YIELDS (%)					
CDS 5yr	850	+0bp	-40bp	-231bp	+33bp
Jun '16	9.78	+113bp	+108bp	-187bp	+89bp
Jul '17	10.31	+108bp	+55bp	-225bp	+75bp
Sep '20	9.48	+63bp	+60bp	-84bp	+29bp
Sep '21	9.54	+73bp	+59bp	-65bp	+32bp
Sep '22	9.34	+63bp	+54bp	-46bp	-1bp
Feb '23	8.96	+53bp	+50bp	-65bp	-9bp

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.

Primary auction announcement

The MoF will offer three zero-coupon bonds, one of which will be denominated in US dollars (see the table below), including 3-month and 6-month local currency bonds and a 4-month bond denominated in FX. The MoF slightly changed its monthly schedule by replacing the 6-month bond sold last week with a 12-month bond scheduled for today. This is currently the only change and it should not have a significant impact on auction results.

Investment implications: *This auction could be a bit more active than last week's due to slightly greater debt repayments scheduled for tomorrow. The MoF focus on zero-coupon bonds could be more compelling for banks as well as budget financing at a higher cost of funds for a short-term period. Last week set the cut-off interest rate on 6-month bonds which could be an indicative yield for this auction.*

Table 3. Details of the auction announced for 8 April 2014

ISIN	Type of placement	Bond type	Currency	Tenor (days)	Maturity	Coupon rate (%)	Volume outstanding (UAHm)
UA4000180210	Primary	Zero-coupon	UAH	84	2-Jul-14	N/M	0.00
	Re-opening	Zero-coupon	UAH	175	1-Oct-14	N/M	300.00
	Primary	Zero-coupon	USD	119	6-Aug-14	N/M	0.00

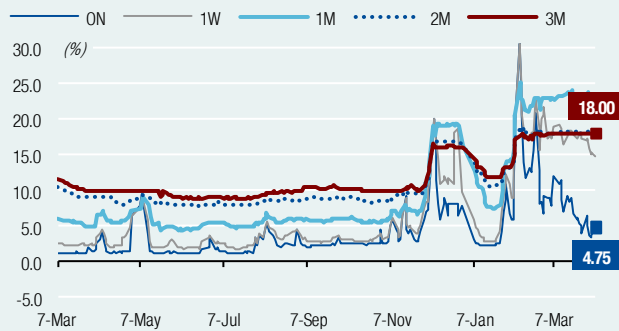
Notes: N/M not meaningful.

Sources: Ministry of Finance of Ukraine, Investment Capital Ukraine LLC.

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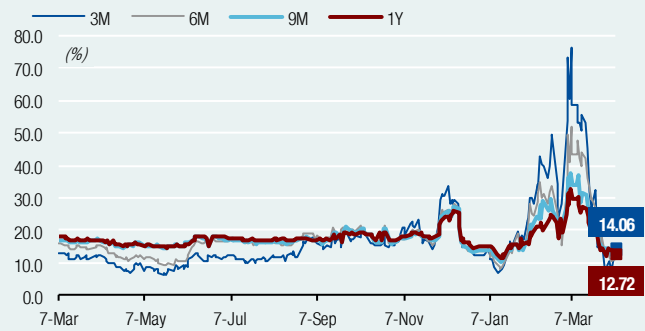
Chart page: Local bond market & Eurobond markets

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



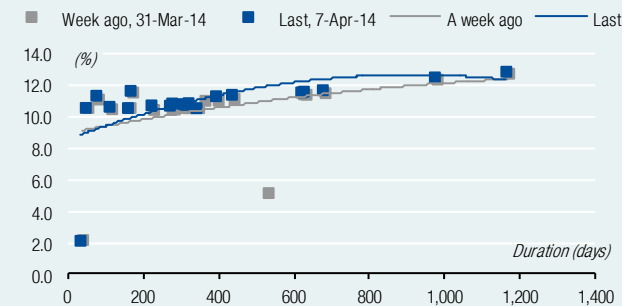
Sources: Bloomberg, Investment Capital Ukraine LLC.

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



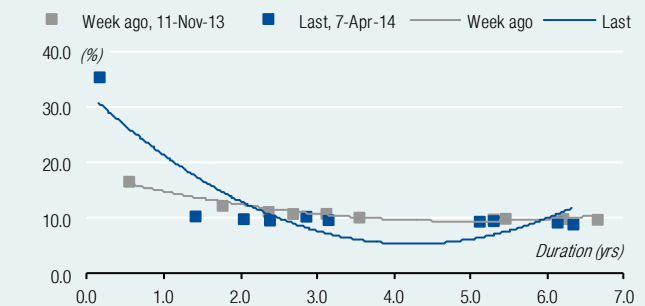
Sources: Bloomberg, Investment Capital Ukraine LLC.

Chart 3. UAH sovereign yield curve (%) as of 7 Apr 2014



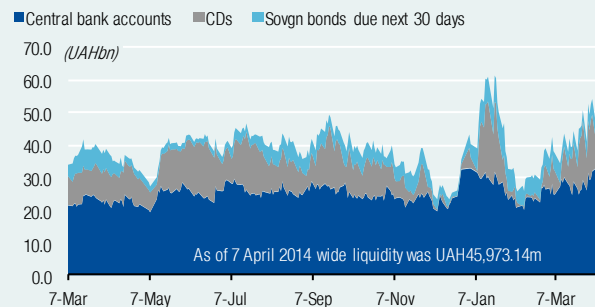
Sources: Bloomberg, Investment Capital Ukraine LLC.

Chart 4. USD sovereign yield curve (%) as of 7 Apr 2014



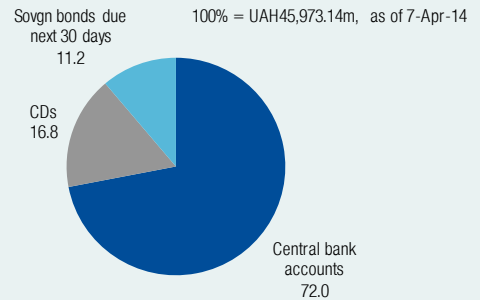
Sources: Bloomberg, Investment Capital Ukraine LLC.

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



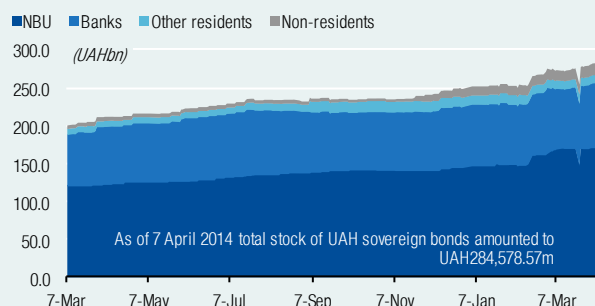
Sources: National Bank of Ukraine, Ministry of Finance of Ukraine, ICU.

Chart 6. Breakdown of liquidity pool (%) as of 7 Apr 2014



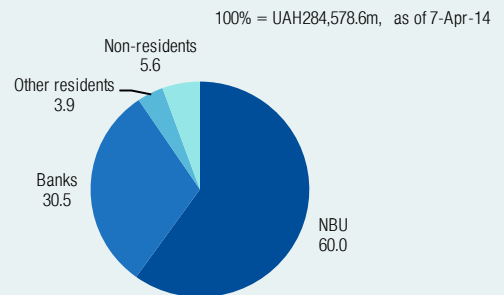
Sources: National Bank of Ukraine, Ministry of Finance of Ukraine, ICU.

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 7 Apr 2014



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

FX: News & Comments

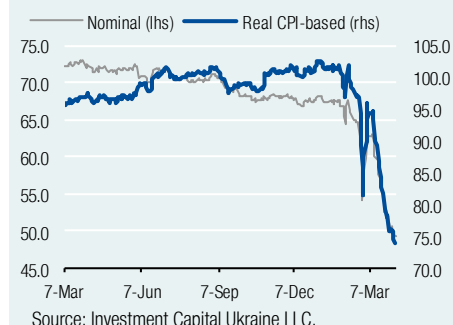
FX market pushes UAH lower by 0.86%

The local FX market again traded mostly lower as the rate closed down 0.86% from the previous day on US\$0.27bn in turnover. The escalation of pro-Russia separatist rhetoric re-awakened the West to the risk of Russian attempting to dominate - if not enslave - eastern Ukraine. This cause active discussions of further sanctions to be imposed on Russian second-tier decision makers. The RUB dropped 1.04% yesterday, producing a 0.58% decline in the real TWI of the hryvnia, which extended the year-to-drop to 26.76%.

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ICU's UAH trade-weighted indices

(Last 12-month history to 8 Apr 2014)



FX market indicators (as of 7 Apr 2014)

	Last	Daily	Weekly	MoM	YTD
		chg (%)	chg (%)	chg (%)	chg (%)
USD/UAH MARKET (HRYVNIA per US DOLLAR)					
Spot mkt	11.7000	+0.86	+2.86	+26.73	+41.99
NBU avg	11.6510	+1.84	+5.94	+26.15	+42.94
Tt vlm ¹	357.75	-28.80	-66.73	-56.69	-87.23
\$ volume ²	270.59	-30.23	-65.04	-60.95	-87.76
NDF 3M	12.1044	+2.58	+4.80	+14.46	+42.66
NDF 6M	12.3348	+1.19	+2.36	+9.89	+40.49
NDF 1Y	13.1159	-0.30	+3.27	+10.22	+39.23
TRADE-WEIGHTED INDICES (TWIs, points)					
UAH nom'l	49.243	-0.58	-2.37	-21.61	-27.09
UAH real CPI	74.032	-0.58	-2.37	-21.61	-26.76
UAH real PPI	101.826	-0.58	-2.37	-21.61	-26.64
USD nom'l	80.232	-0.24	+0.16	+0.64	+0.25
FX RATES OF KEY CURRENCIES THAT SHAPE UAH's TWIs					
USD/RUB	35.6383	+1.04	+1.32	-2.22	+8.42
EUR/USD	1.3742	+0.27	-0.20	-0.96	-0.01
USD/CNY	6.2134	+0.02	-0.06	+1.40	+2.63
USD/PLN	3.0345	-0.10	+0.30	+0.18	+0.38
USD/TRY	2.1105	-0.14	-1.41	-4.32	-1.75
USD/BYR	9,915.00	+0.05	+0.25	+1.28	+3.93
USD/KZT	182.0300	-0.03	-0.03	-0.01	+17.99
OTHER MAJOR CURRENCIES					
USD/JPY	103.1000	-0.18	-0.13	-0.17	-2.10
GBP/USD	1.6608	+0.20	-0.32	-0.63	+0.31
USD/CHF	0.8879	-0.47	+0.37	+1.14	-0.56
AUD/USD	0.9270	-0.24	+0.06	+2.23	+3.96
USD/CAD	1.0975	-0.05	-0.68	-1.01	+3.31
USD/BRL	2.2189	-0.76	-2.33	-5.21	-6.06
USD/KRW	1,055.43	+0.17	-0.87	-0.51	+0.54
COMMODITIES					
Gold(\$/oz)	1,297.35	-0.48	+1.04	-3.18	+7.61
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	304.35	-0.16	-0.11	-0.92	+8.63

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)



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

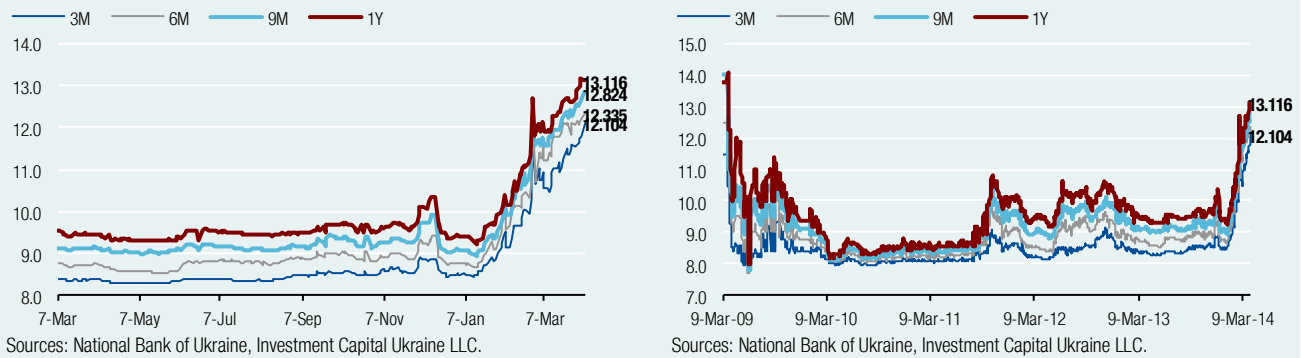


Chart 11. Trading volume: last 12-month and 5-year periods (US\$m, left and right respectively)

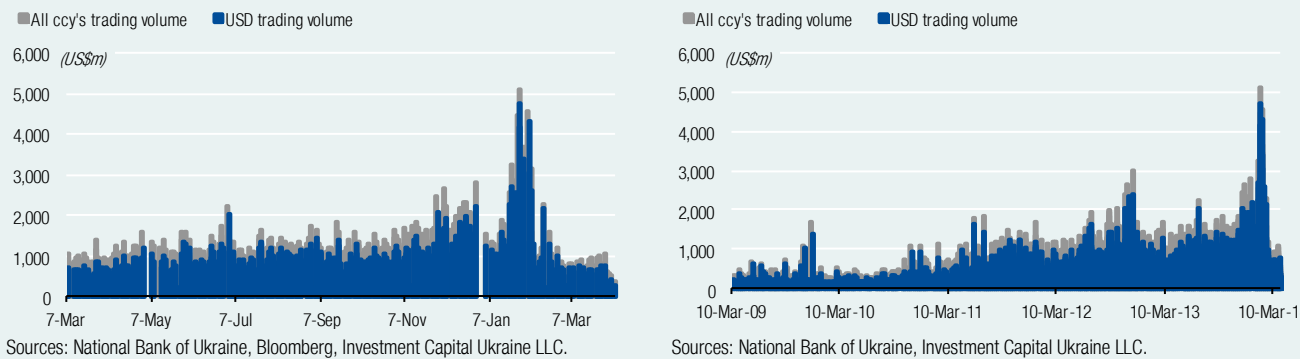


Chart 12. 30D MA* ratio of FX market turnover to merchandise trade: last 12m and 5yr periods (% , left and right respectively)

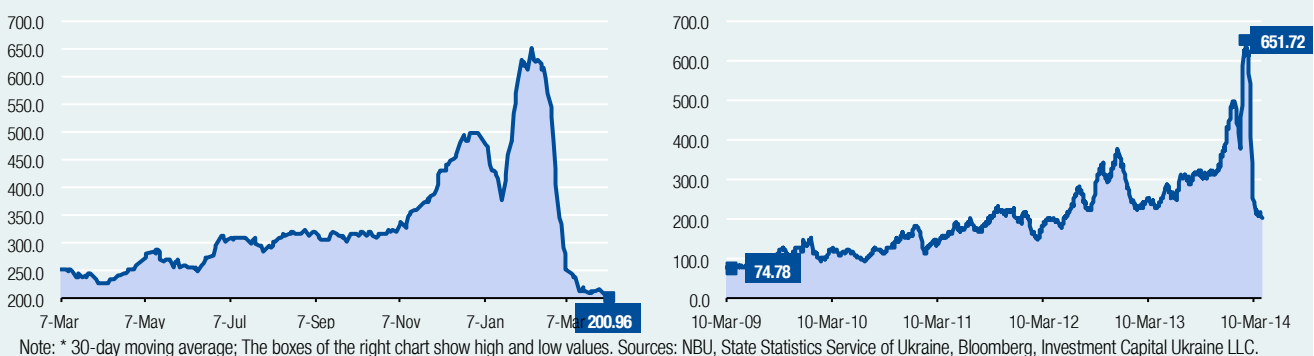
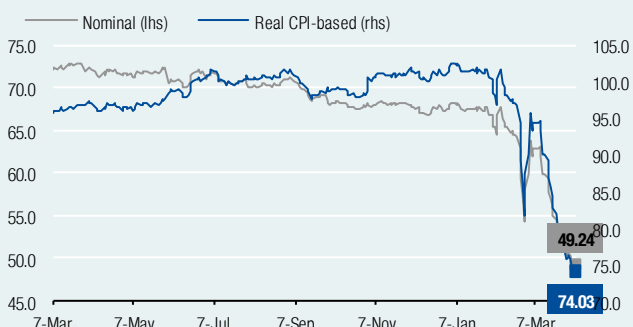


Chart page #2: ICU's UAH trade-weighted indices

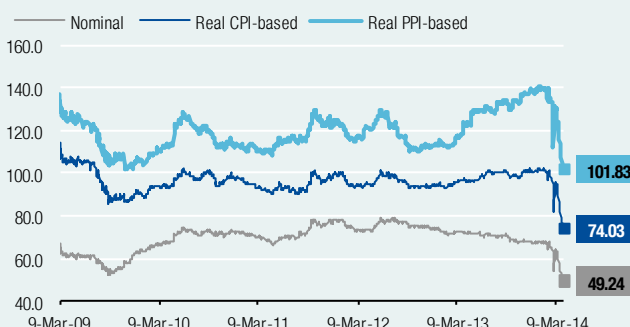
The following charts depict ICU's Ukrainian hryvnia trade-weighted indices which were calculated in accordance with methodology published in the [Quarterly Report "Keep the music playing"](#) dated 31 January 2013 and, then, updated, in the [Quarterly Report "Muddling through no more"](#) dated 14 August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

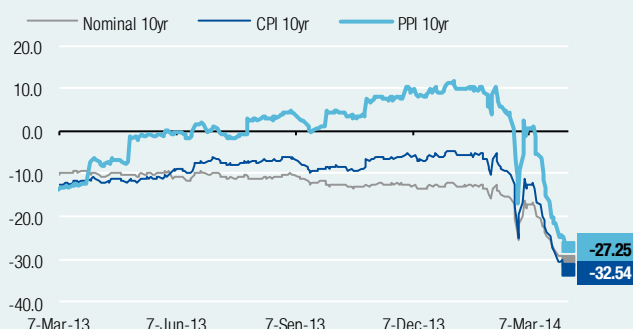


Note: The boxes indicate the last values of the depicted indicators.
Source: Investment Capital Ukraine LLC.



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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