


INVESTMENT CAPITAL UKRAINE
 INVESTMENT BANKING

Daily Insight

Geneva diplomatic talks; Nadra Bank profits from devaluation; Liquidity down; YTM's decline; UAH up

FRIDAY, 18 APRIL, 2014

RESEARCH INSIGHT

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UX Index (3 months to 18 Apr 2014)



Key market indicators (as of 17 Apr 2014)

	Last	Daily chg (%)	YTD chg (%)
FX & MONEY RATES			
USD/UAH	11.1500	-1.33	+35.32
USD/UAH (1Y NDF)	13.5000	-5.43	+43.31
EUR/USD	1.3814	-0.01	+0.52
USD/RUB	35.6124	-1.06	+8.34
KievPRIME O/N (%)	5.20	+20bp	-260bp
KievPRIME 1M (%)	19.80	-20bp	+355bp

BONDS: yields and spreads

Ukraine VAT bond (%)	N/A	-8,900bp	-8,900bp
Ukraine 17, Eurobond (%)	12.28	+0bp	+272bp
Ukraine 22, Eurobond (%)	10.06	-1bp	+71bp
Ukraine 23, Eurobond (%)	9.73	-1bp	+68bp
Ukraine 5Y CDS	1,128bp	-61bp	+311bp

EQUITIES

Stock market indices

UX (Ukraine)	1,093.20	+0.64	+20.13
MSCI World	410.76	+0.34	+0.54
MSCI EM	1,009.22	+0.67	+0.65
RTS (Russia)	1,172.62	+1.59	-18.72
WIG-20 (Poland)	2,433.91	+1.60	+1.37
S&P 500 (USA)	1,864.85	+0.14	+0.89

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

FXPO LN	2.53	51.5% of total ¹
KER PW	1.17	23.8%
MHPC LI	0.27	5.5%

GAINERS: Top 3 stocks (in listed currency)

YASK UK	UAH 0.75	+9.33	+41.51
KSG PW	PLN 4.85	+7.30	-55.30
ALAGR FP	EUR 1.10	+4.76	-11.29

LOSERS: Top 3 stocks (in listed currency)

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

Geneva diplomatic talks: No visible breakthrough

The Geneva talks between Ukraine, the EU, the USA and Russia have led to no breakthroughs yet as the Kremlin refuses to relax its militarist stance. The meeting ended with a modest agreement that calls for pro-Russian occupiers to withdraw from the office buildings that they have invaded and disarm without fear of punishment. It is assumed by the West that the Kremlin should support this initiative. However, the Kremlin will most likely procrastinate and see if officials in Kiev bungle the situation. The Kremlin is not threatened by more sanctions by the West, in our opinion, but rather favors them as a more closed economy fits into its strategy as further sanctions bolster its high domestic approval ratings and supports its currency's devaluation. Meanwhile, the risks for Ukraine's economy remain largely intact, particularly that of further military escalation of invasion by Russia's army and special operations forces.

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Industrial productions drops in 1Q14

Given the risk of a new military invasion after the annexation of Crimea, the business sector reduced investments and new orders. As a result, industrial production slowed in March, having fallen 5% for the entire quarter in year-on-year terms. With the military threat still alive, production should continue to decline, with a full-year decline of nearly 10% YoY forecast.

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Nadra Bank profits from devaluation

Nadra Bank has routinely violated the NBU FX position requirement of the FX position of having a significantly higher amount of USD denominated assets than USD liabilities. According to our estimates, the gap between the two was nearly 100% of the bank's regulatory capital. Therefore, the sharp devaluation of the local currency (37.1% during 1Q14) yielded a huge UAH1.2bn in income from the revaluation of the FX position. The bank allocated this surplus to increase its LLR, which we believe was and continues to be underestimated.

Bank has classified 16.5% of its total 1Q14 credit exposure as bad, up from 14.3% in 4Q13. The bank has not actively issued loans during the last quarter, as net UAH denominated loans have fallen by UAH478m while FX-denominated loans decreased by the equivalent of US\$51m.

Nadra Bank has experienced a significant deposit outflow during the in the period of political crisis in Ukraine. The arrest of the bank's key shareholder, Mr. Dmytro Firtash, had an additional negative impact on depositors' expectations. During 1Q14, the UAH-denominated deposits declined UAH528m, or 20.6%, QoQ while the FX-denominated deposits fell 15.2% QoQ, or by the equivalent of US\$75. Retail deposits were partially compensated by corporate clients' funds that increased by UAH986m in hryvnia, while FX-denominated deposits rose by the equivalent of US\$19m. We believe that companies that are close to the DF Group were among those who significantly increased their funds at the bank.

The bank remains among the largest recipients of loans from the NBU, and its UAH9.3bn in outstanding debt amounts to 29.4% of the total liabilities, according to our estimations.

Loan provisioning expense of UAH825m has yet again brought the net earnings for the quarter to the convenient UAH1m. We believe that the current level of reserves is still below adequate considering the significant share of bad loans. The bank is unlikely to become profitable in the near future.

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Table 1. Ukrainian stocks (closing prices as of 17-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	-2.7	-6.4	-12.0	-41.1	0.15	35.4	27.7	40.2	14.2	10.1	9.0	0.07	1,534	Neg.	Neg.	Neg.	4.2	4.3	8.6	Neg.	Neg.	Neg.	0.2	0.0
Centrenerg	CEEN UK	Kiev, UX	5.79 UAH	+3.7	+9.2	+21.4	+49.9	0.52	191.3	248.0	21.7	41.5	104.7	102.0	0.40	252	9.2	4.9	7.2	0.4	3.6	3.2	0.3	0.3	0.3	0.9	12.2
Coal Energy	CLE PW	Warsaw	1.28 PLN	-3.8	-22.0	+21.9	-65.4	0.42	19.0	76.9	25.0	4.8	41.3	300.1	3.41	29	Neg.	Neg.	4.8	1.3	9.6	2.7	0.6	0.8	0.7	0.2	7.7
Donbasenergo	DOEN UK	Kiev, UX	42.87 UAH	+3.7	+13.5	+55.4	+123.5	3.83	90.6	133.1	14.2	12.9	14.1	35.2	0.29	340	32.7	1.2	2.6	0.5	1.0	1.7	0.3	0.2	0.2	1.5	17.8
JKX Oil & Gas	JKX LN	London	58.00 GBp	+0.9	-6.1	-18.9	-12.5	0.97	167.2	173.7	47.2	78.9	5.8	92.2	0.16	606	25.7	12.9	6.0	2.6	2.0	2.0	1.0	0.9	0.8	0.3	5.5
Regal Petroleum	RPT LN	London	10.25 GBp	+0.0	-6.8	-21.2	-55.4	0.17	55.2	28.4	80.9	44.6	0.0	7.4	0.02	5,483	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	0.81 PLN	+1.3	-6.9	+52.8	-29.6	0.27	11.5	51.3	25.0	2.9	23.3	106.9	3.01	33	Neg.	N/A	N/A	7.7	N/A	N/A	1.3	N/A	N/A	0.2	42.4
Zakhidenergo	ZAEN UK	Kiev, PFTS	122.00 UAH	+0.0	+3.8	+35.0	+53.5	10.91	139.5	115.7	5.0	7.0	7.5	6.6	0.06	1,636	2.7	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	0.03 UAH	-0.9	-8.2	-10.9	-17.9	0.00	79.7	1,335.1	3.9	3.1	8.9	10.2	0.43	232	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	2.92 UAH	-7.4	-2.5	-1.3	-5.7	0.26	51.0	47.8	4.0	2.0	34.6	14.1	0.87	115	Neg.	Neg.	1.9	Neg.	1.2	0.6	0.1	0.1	0.1	0.1	0.0
Azovstal	AZST UK	Kiev, UX	0.70 UAH	-0.8	+2.5	+4.5	+21.3	0.06	263.1	255.7	4.1	10.8	25.2	11.8	0.13	755	Neg.	Neg.	N/A	Neg.	Neg.	N/A	0.1	0.1	N/A	0.2	0.0
Ferrexpo PLC	FXPO LN	London	150.20 GBp	-0.3	+4.7	-19.2	-4.3	2.52	1,484.6	2,145.8	22.4	332.6	2,532.0	3,603.9	0.76	132	5.7	6.0	7.3	4.3	4.6	5.1	1.4	1.4	1.4	0.9	35.1
Yasynivsky Cok...	YASK UK	Kiev, UX	0.75 UAH	+9.3	+2.2	+41.5	+32.5	0.07	18.3	19.6	9.0	1.7	6.8	1.7	0.09	1,055	3.0	1.6	1.0	0.1	0.8	0.6	0.1	0.1	0.0	0.1	0.1
Yenakievo Steel	ENMZ UK	Kiev, UX	35.90 UAH	+2.8	+8.5	+12.2	+9.2	3.21	33.9	29.2	9.4	3.2	9.8	14.5	0.49	205	5.5	Neg.	N/A	Neg.	Neg.	N/A	0.0	0.0	N/A	0.9	0.0
FOOD AND AGRIBUSINESS																											
AgroGeneration	ALAGR FP	EN Paris	1.10 EUR	+4.8	-6.8	-11.3	-31.3	1.52	140.4	167.8	34.0	47.7	37.2	40.1	0.11	889	Neg.	N/A	N/A	Neg.	N/A	N/A	2.6	N/A	N/A	1.2	35.9
Agroliga	AGL PW	Warsaw	16.90 PLN	-10.8	-18.8	-34.8	+9.2	5.58	8.6	9.5	16.7	1.4	6.6	12.3	0.41	244	2.0	N/A	N/A	2.8	N/A	N/A	0.4	N/A	N/A	0.7	5.7
Agroton	AGT PW	Warsaw	2.16 PLN	-5.7	-28.9	+10.8	-37.4	0.71	15.5	62.8	26.2	4.0	144.1	439.4	7.46	13	2.3	3.2	2.1	4.4	6.7	4.0	0.7	0.9	0.8	0.1	28.0
Astarta Holdin...	AST PW	Warsaw	39.65 PLN	+1.4	-8.4	-40.7	-21.0	13.09	327.4	659.0	31.0	101.5	124.1	172.2	0.17	575	5.2	8.3	4.1	7.5	9.1	4.5	1.3	1.7	1.2	0.6	38.9
Avangard	AVGR LI	London Intl	9.72 USD	+0.2	+11.2	-17.3	+15.4	9.72	620.8	787.2	21.7	134.7	250.4	348.3	0.28	359	2.7	3.1	2.8	2.8	2.9	2.8	1.2	1.1	1.1	0.5	22.3
IMC	IMC PW	Warsaw	8.50 PLN	+2.4	+0.8	-30.0	-35.8	2.81	87.9	204.1	23.9	21.0	15.5	113.0	0.25	399	4.7	4.7	3.1	5.6	4.9	3.8	2.7	1.4	1.0	0.7	33.0
Kernel Holding...	KER PW	Warsaw	28.81 PLN	-0.7	+6.6	-24.3	-46.1	9.51	758.1	1,781.4	58.8	445.6	1,169.2	2,569.5	0.56	177	6.8	9.3	4.1	6.1	6.5	4.9	0.6	0.7	0.7	0.6	30.6
KSG Agro	KSG PW	Warsaw	4.85 PLN	+7.3	-16.1	-55.3	-51.0	1.60	24.1	145.9	34.4	8.3	8.3	17.8	0.25	395	3.0	2.0	2.0	34.6	5.0	4.0	3.9	2.1	1.4	0.3	29.2
MHP	MHPC LI	London Intl	12.00 USD	-2.4	-10.4	-29.6	-29.9	12.00	1,268.0	2,469.0	22.3	283.0	270.7	1,189.2	0.33	301	8.1	4.8	4.0	6.1	5.0	4.5	1.7	1.6	1.4	1.1	46.2
Milkiland	MLK PW	Warsaw	7.49 PLN	+1.9	-5.5	-40.1	-37.6	2.47	77.3	213.2	20.0	15.5	0.0	14.3	0.04	2,542	4.4	3.7	4.2	5.9	4.8	4.0	0.5	0.5	0.5	0.3	29.9
Mriya Agrohold...	MAYA GF	Frankfurt	4.55 EUR	-7.2	-13.6	-15.8	+4.7	6.28	667.4	1,399.2	20.0	133.5	0.0	1.7	0.00	57,692	3.8	4.7	7.7	6.1	5.5	5.2	4.0	3.8	3.3	0.7	34.8
CONSTRUCTION																											
TMM	TR61 GF	Xetra	0.14 EUR	+0.0	-54.8	-55.8	-63.2	0.19	10.0	169.3	13.1	1.3	0.0	0.1	0.02	6,301	Neg.	N/A	N/A	Neg.	N/A	N/A	7.8	N/A	N/A	0.1	44.1
FINANCIAL SERVICES																											
Raiffeisen Ban...	BAVL UK	Kiev, UX	0.17 UAH	+0.5	+12.1	+48.0	+75.3	0.02	450.3	N/A	3.8	17.2	59.2	54.4	0.31	326	15.8	6.7	Neg.	N/A	N/A	N/A	N/A	N/A	N/A	0.7	28.3
Ukrsotsbank	USCB UK	Kiev, UX	0.16 UAH	-1.6	-3.8	-17.1	+33.6	0.01	252.2	N/A	4.5	11.3	5.7	4.3	0.04	2,509	931.9	172.0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0.3	30.9

Table 1. Ukrainian stocks (closing prices as of 17-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 declines

Broader banking sector liquidity once more declined yesterday, down UAH1.48bn to UAH43.56bn, due to declines in all indicators. Banks' correspondent accounts with the NBU declined UAH0.63bn to UAH30.17bn yesterday while total CDs outstanding slid only UAH0.14bn to UAH8.10bn and total local currency debt repayments scheduled for the next 30 days declined UAH0.71bn to UAH5.28bn.

KyivPrime interest rates diverged: the KyivPrime ON interest rate rose 20bp to 5.20% while the KyivPrime 1M interest rate slid the same 20bp to 19.80%.

Investment implications: The MoF refinanced most of this week's debt repayments and its inflow was insufficient, but the indicator of future inflows amounts to half of broader indicator's decline. The NBU also made insufficient injections into liquidity when it repaid UAH0.14bn in CD redemptions and increased its loans volume by UAH0.22bn. Despite these inflows, banks' correspondent accounts declined and will likely continue to decline today, likely due to the decline in the volumes funds which were deposited in banks for FX purchasing.

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Yields decline

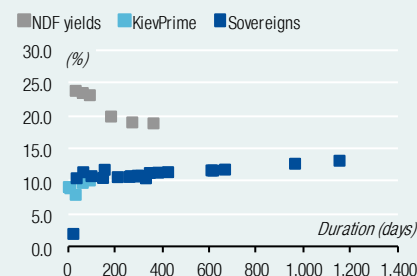
Although the prices of Ukrainian Eurobonds slightly rose yesterday, the consistently high negative sentiment resulted in no significant movements of the yields yesterday. The yield curve moved to the range of 9.31-13.03%, as UKRAIN 6.875% '15 declined 62bp to 13.03%, UKRAIN 9.25% '17 declined 30bp to 11.80%, UKRAIN 7.95% '21 slid 17bp to 10.28%, while UKRAIN 7.80% '22 and UKRAIN 7.50% '23 slid 10bp and 18bp to 9.90% and 9.31%, respectively. The 5-year CDS declined yesterday to 1128bp.

Investment implications: Despite disparate events in the local regions of Eastern Ukraine, news in this part of the country is different. The political instability has placed negative pressure on investor sentiment, particularly since the prices of bonds remain too high prior to large debt repayments scheduled in two weeks. Until Ukraine's situation in the eastern regions improves and the promised external financing is issued, current high yields are expected to persist and be highly volatile.

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Yield curve of the local bond market

(as of market close on 17 Apr 2014)



Sources: Bloomberg, Investment Capital Ukraine LLC.

Bond market indicators (as of 17 Apr 2014)

	Last	Daily chg (%)	Weekly chg (%)	MoM chg (%)	YTD chg (%)
MONEY MARKET KIEV PRIME RATES (%)					
0/n	5.20	+20bp	+57bp	-398bp	-260bp
1wk	11.20	+2bp	-268bp	-632bp	+140bp
1m	19.80	-20bp	-108bp	-390bp	+355bp
2m	18.20	+7bp	+7bp	-10bp	+180bp
3m	18.00	+0bp	+0bp	-4bp	+200bp
LIQUIDITY WIDE MEASUREMENT (UAHm)					
CB acc's ¹	30,173	-2.05	-7.19	+6.86	-7.73
CDs ²	16,202	+1.16	+4.66	+214.6	+965.9
Sovgns ³	5,382	+0.00	+20.19	+15.10	+260.0
Total	51,757	-0.86	-1.36	+35.98	+44.91
HOLDERS OF UAH SOVEREIGN BONDS (UAHm)					
C.bank	170,685	+0.00	+0.00	+0.59	+17.83
Banks	87,228	-4.08	-1.78	+10.22	+8.81
Resid's ⁴	10,759	-1.46	-0.17	-4.19	-13.21
Non-res ⁵	15,833	-6.67	-3.30	+15.03	+35.34
Total	284,504	-1.73	-0.75	+3.90	+14.21
NDF IMPLIED YIELDS (%)					
3m	48.78	-237bp	+32bp	-435bp	+37bp
6m	29.04	-362bp	+18bp	-13ppt	+16bp
9m	24.96	-175bp	+11bp	-562bp	+11bp
1yr	21.74	-528bp	+922bp	-512bp	+675bp
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	+0bp	-89ppt	-89ppt
EUROBONDS USD SOVEREIGN BOND YIELDS (%)					
CDS 5yr	1,128	-61bp	+151bp	-118bp	+311bp
Jun '16	12.58	+44bp	+209bp	-239bp	+369bp
Jul '17	12.28	+0bp	+204bp	-226bp	+272bp
Sep '20	10.29	-1bp	+74bp	-159bp	+110bp
Sep '21	10.28	-4bp	+56bp	-148bp	+106bp
Sep '22	10.06	-1bp	+58bp	-91bp	+71bp
Feb '23	9.73	-1bp	+58bp	-107bp	+68bp

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

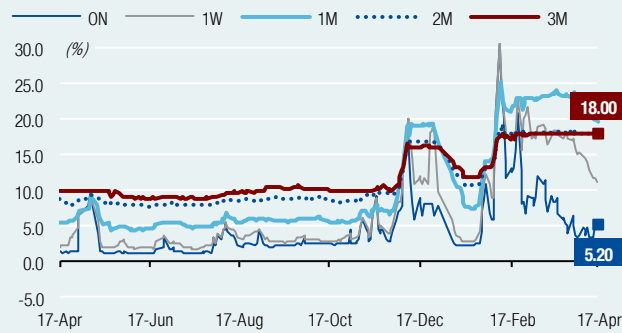


Chart 2. UAH NDF implied yields (%), last 12-month period



Chart 3. UAH sovereign yield curve (%) as of 17 Apr 2014

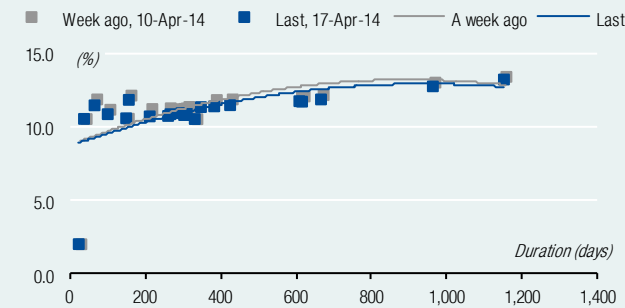


Chart 4. USD sovereign yield curve (%) as of 17 Apr 2014

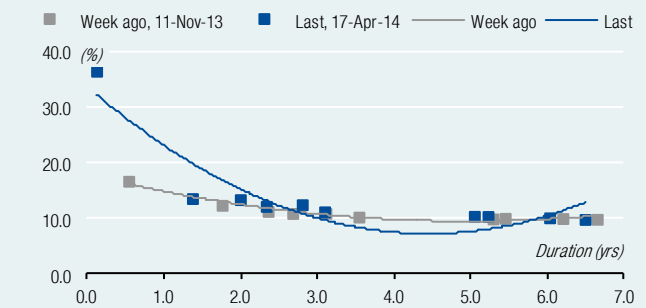


Chart 5. Banking sector liquidity (UAHbn), last 12-month period

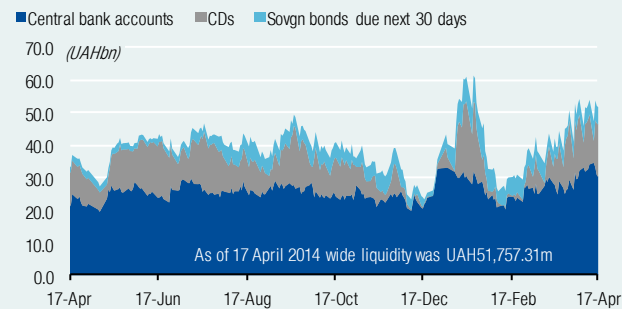


Chart 6. Breakdown of liquidity pool (%) as of 17 Apr 2014

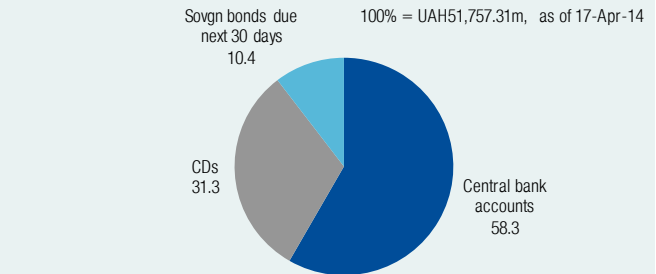


Chart 7. Holders of sovereign bonds (UAHbn), last 12 months

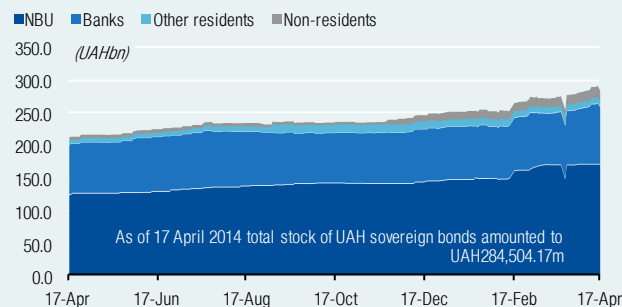
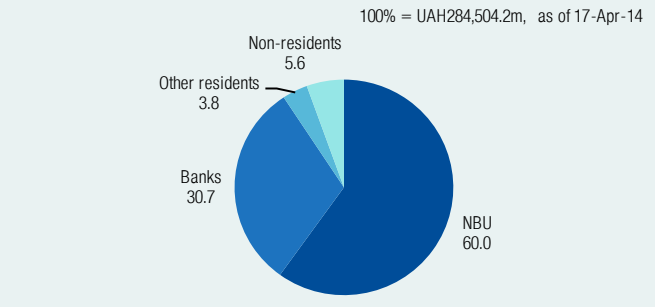


Chart 8. Domestic sovereign debt (%) as of 17 Apr 2014



FX: News & Comments

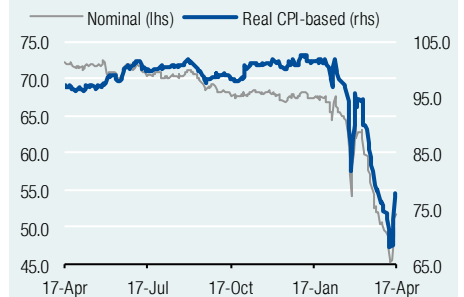
The UAH continues to recover

UAH continued to recover, albeit at a more modest pace than yesterday, as the rate closed up 1.33% to 11.1500/USD on US\$0.34bn in trading. The UAH's real trade-weighted value added 0.93% due to the nominal appreciation of the currency, while the Russian ruble rose 1.06% and the EUR lost 0.01%.

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ICU's UAH trade-weighted indices

(Last 12-month history to 18 Apr 2014)



Source: Investment Capital Ukraine LLC.

FX market indicators (as of 17 Apr 2014)

	Last	Daily	Weekly	MoM	YTD
		chg (%)	chg (%)	chg (%)	chg (%)
USD/UAH MARKET (HRYVNIA per US DOLLAR)					
Spot mkt	11.1500	-1.33	-11.51	+14.36	+35.32
NBU avg	11.2521	-1.26	-10.82	+15.33	+38.05
Ttl vlm ¹	458.39	+16.47	+26.18	-36.16	-83.64
\$ volume ²	338.18	+12.61	+21.27	-41.46	-84.70
NDF 3M	12.5000	-1.85	-4.70	+13.27	+47.32
NDF 6M	12.7500	-2.86	-4.14	+8.05	+45.22
NDF 1Y	13.5000	-5.43	-4.26	+9.76	+43.31
TRADE-WEIGHTED INDICES (TWIs, points)					
UAH nom'l	51.625	+0.93	+13.42	-13.09	-23.56
UAH real CPI	77.613	+0.93	+13.42	-13.09	-23.22
UAH real PPI	106.752	+0.93	+13.42	-13.09	-23.09
USD nom'l	79.828	+0.03	+0.56	+0.56	-0.26
FX RATES OF KEY CURRENCIES THAT SHAPE UAH's TWIs					
USD/RUB	35.6124	-1.06	+0.25	-1.81	+8.34
EUR/USD	1.3814	-0.01	-0.52	-0.78	+0.52
USD/CNY	6.2187	-0.05	+0.10	+0.67	+2.72
USD/PLN	3.0274	-0.14	+0.70	-0.33	+0.15
USD/TRY	2.1267	-0.46	+0.89	-4.15	-1.00
USD/BYR	9,960.00	-0.08	+0.20	+1.27	+4.40
USD/KZT	182.0500	+0.01	+0.01	-0.07	+18.01
OTHER MAJOR CURRENCIES					
USD/JPY	102.3900	+0.16	+0.85	+0.61	-2.77
GBP/USD	1.6794	-0.02	+0.05	+0.94	+1.43
USD/CHF	0.8832	+0.16	+0.76	+1.13	-1.09
AUD/USD	0.9330	-0.44	-0.88	+2.67	+4.63
USD/CAD	1.1003	-0.07	+0.61	-0.44	+3.58
USD/BRL	2.2367	-0.30	+1.35	-4.78	-5.31
USD/KRW	1,038.92	+0.11	-0.12	-2.67	-1.04
COMMODITIES					
Gold(\$/oz)	1,295.19	-0.57	-1.80	-5.26	+7.43
WTI crude ³	104.30	+0.52	+0.87	+6.34	+5.97
Brent crd ³	109.71	+0.22	+2.65	+3.17	-1.00
Urals crd ³	N/A	+0.00	+0.00	+0.00	+0.00
TR/J CRB ⁴	311.46	+0.56	+0.41	+3.47	+11.17

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>).

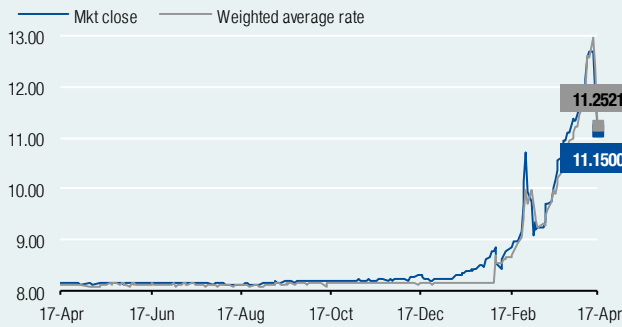
Section on FX market is continued on next page.

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.

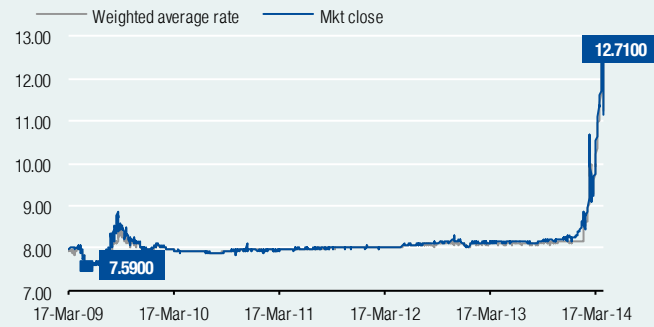
Sources: Bloomberg, Investment Capital Ukraine LLC.

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)

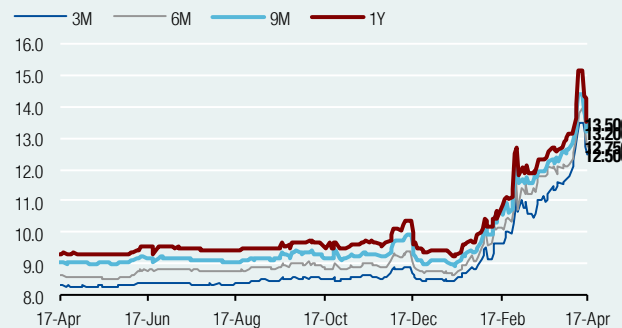


Sources: National Bank of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

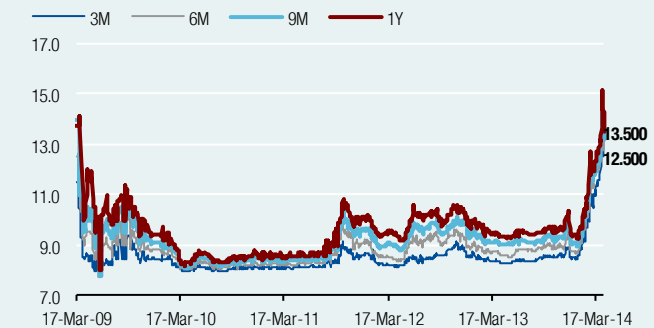


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

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

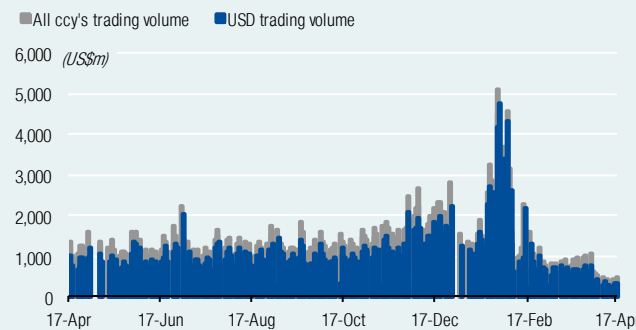


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

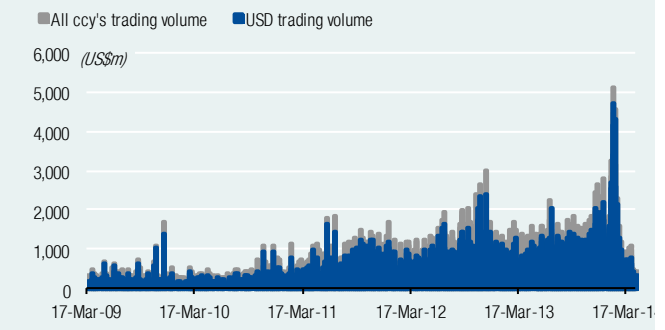


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

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

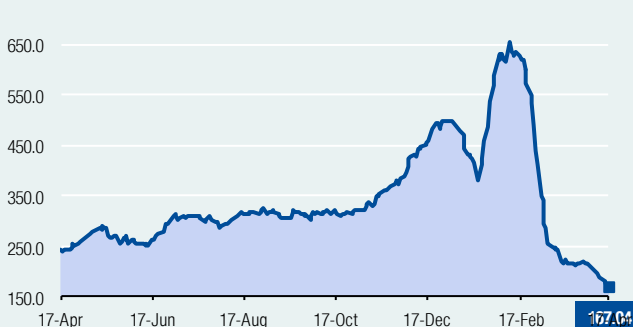


Sources: National Bank of Ukraine, Bloomberg, Investment Capital Ukraine LLC.



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)



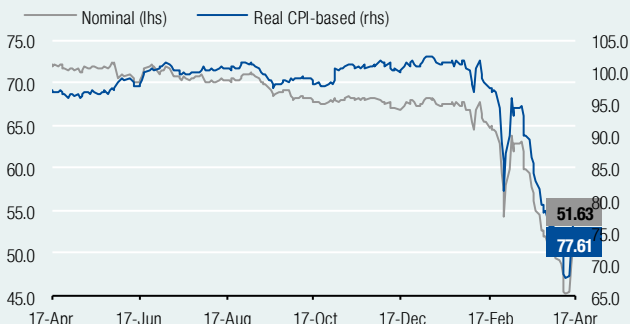
Note: * 30-day moving average; The boxes of the right chart show high and low values. Sources: NBU, State Statistics Service of Ukraine, Bloomberg, Investment Capital Ukraine LLC.



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

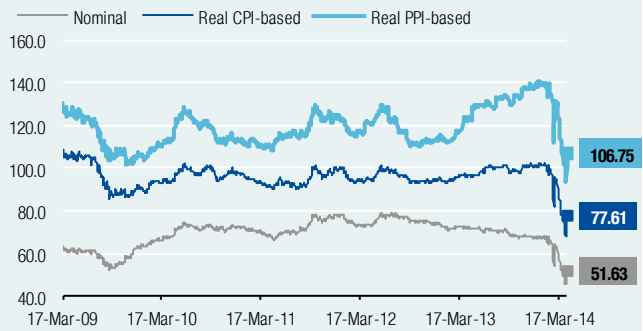
The following charts depict ICU's Ukrainian hryvnia trade-weighted indices which were calculated in accordance with methodology published in the [Quarterly Report "Keep the music playing"](#) dated 31 January 2013 and, then, updated, in the [Quarterly Report "Muddling through no more"](#) dated 14 August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

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



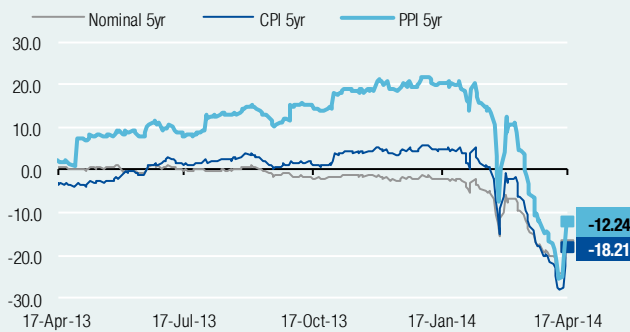
Note: The boxes indicate the last values of the depicted indicators.
Source: Investment Capital Ukraine LLC.

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)

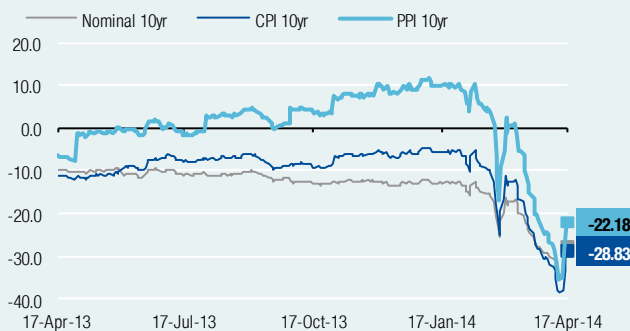


Note: The boxes indicate the last values of the depicted indicators.
Source: Investment Capital Ukraine LLC.



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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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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