



INVESTMENT CAPITAL UKRAINE
INVESTMENT BANKING

Daily Insight

Update on Donbass; Liquidity and YTM's up on volatility; July Auction schedule; UAH's TWI declines

WEDNESDAY, 2 JULY, 2014

RESEARCH INSIGHT

Contents

| | |
|--|----------|
| Economics: News & Comments | 2 |
| Ukraine makes some progress in Donbass..... | 2 |
| Bonds: News & Comments | 5 |
| Liquidity up slightly on fund reallocations | 5 |
| Eurobond YTM's rise amid slight volatility | 5 |
| July's primary auction schedule..... | 5 |
| Chart page: Local bond market & Eurobond markets..... | 6 |
| FX: News & Comments | 7 |
| UAH's trade-weighted value declines despite of weak RUB..... | 7 |
| Chart page #1: Foreign-exchange market..... | 8 |
| Chart page #2: ICU's UAH trade-weighted indices..... | 9 |

UX Index (3 months to 2 Jul 2014)



Key market indicators (as of 1 Jul 2014)

| | Last | Daily chg (%) | YTD chg (%) |
|-----------------------------|---------|---------------|-------------|
| FX & MONEY RATES | | | |
| USD/UAH | 11.8250 | +0.64 | +43.51 |
| USD/UAH (1Y NDF) | 13.7550 | +0.77 | +46.02 |
| EUR/USD | 1.3679 | -0.09 | -0.47 |
| USD/RUB | 34.3284 | +1.02 | +4.44 |
| KievPRIME O/N (%) | 5.75 | -38bp | -205bp |
| KievPRIME 1M (%) | 17.63 | +38bp | +138bp |

BONDS: yields and spreads

| | | | |
|--------------------------|-------|----------|----------|
| Ukraine VAT bond (%) | N/A | -8,900bp | -8,900bp |
| Ukraine 17, Eurobond (%) | 8.66 | -2bp | -90bp |
| Ukraine 22, Eurobond (%) | 8.64 | +0bp | -70bp |
| Ukraine 23, Eurobond (%) | 8.42 | +3bp | -62bp |
| Ukraine 5Y CDS | 787bp | +16bp | -30bp |

EQUITIES

Stock market indices

| | | | |
|-----------------|----------|-------|--------|
| UX (Ukraine) | 1,224.27 | -0.20 | +34.53 |
| MSCI World | 431.26 | +0.59 | +5.56 |
| MSCI EM | 1,051.39 | +0.06 | +4.86 |
| RTS (Russia) | 1,362.10 | -0.29 | -5.59 |
| WIG-20 (Poland) | 2,404.83 | -0.17 | +0.16 |
| S&P 500 (USA) | 1,973.32 | +0.67 | +6.76 |

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

| | | |
|---------|------|-----------------------------|
| KER PW | 3.45 | 40.6% of total ¹ |
| FXPO LN | 2.25 | 26.4% |
| CEEN UK | 0.82 | 9.7% |

GAINERS: Top 3 stocks (in listed currency)

| | | | |
|---------|----------|--------|-------|
| FORM UK | UAH 0.38 | +14.85 | N/A |
| USCB UK | UAH 0.17 | +1.37 | -9.39 |
| CAD LN | GBP 9.75 | +1.30 | -6.02 |

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. 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 makes some progress in Donbass

The Ukrainian army made progress in Donbass yesterday after President Poroshenko resumed anti-terrorist operations to combat pro-Kremlin militants who blatantly ignored the agreed-upon cease-fire last week. In retaliation for the fatalities incurred by the insurgents, the Ukrainian army retook control of two crucial border check points as well as several villages in the area that had been invaded by pro-Kremlin forces. Meanwhile, back in Moscow, Putin met behind closed doors yesterday with Russian diplomats and separately with members of his security council to formulate his response to the Ukrainian backlash. Although Putin could retaliate forcefully to deliver a message to Poroshenko and the Ukrainian army, the threat of draconian sanctions from the West appears to prevent him from taking such severe action. We expect tensions to remain high for at least the next two to three weeks.

Alexander Valchyshen, Kiev, +38044 2200120 ext.242

Table 1. Ukrainian stocks (closing prices as of 1-Jul-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 | +1.3 | +2.6 | -6.0 | -36.1 | 0.17 | 38.6 | -24.4 | 40.2 | 15.5 | 1.8 | 8.3 | 0.04 | 2,834 | Neg. | Neg. | Neg. | 3.7 | 7.6 | 15.3 | Neg. | Neg. | Neg. | 0.2 | 0.0 |
| Centrenerg | CEEN UK | Kiev, UX | 7.34 UAH | +0.2 | +1.2 | +54.0 | +55.4 | 0.62 | 229.9 | 283.7 | 21.7 | 49.9 | 824.0 | 283.2 | 0.95 | 105 | 5.6 | 4.9 | 3.5 | 0.5 | 3.8 | 2.2 | 0.4 | 0.3 | 0.3 | 1.1 | 12.2 |
| Coal Energy | CLE PW | Warsaw | 1.27 PLN | -0.8 | -3.8 | +21.0 | -52.8 | 0.42 | 18.8 | 113.1 | 25.0 | 4.7 | 1.5 | 52.9 | 0.63 | 159 | Neg. | Neg. | 4.7 | 5.0 | 14.1 | 3.9 | 0.9 | 1.1 | 1.0 | 0.2 | 39.8 |
| Donbasenergo | DOEN UK | Kiev, UX | 39.33 UAH | -0.4 | -8.3 | +42.6 | +78.4 | 3.33 | 78.8 | 119.1 | 14.2 | 11.2 | 57.8 | 58.5 | 0.76 | 132 | 1.7 | 1.7 | 2.2 | 0.5 | 1.6 | 1.3 | 0.2 | 0.2 | 0.2 | 1.4 | 17.8 |
| JKX Oil & Gas | JKX LN | London | 58.25 GBP | +0.9 | -5.1 | -18.5 | +5.9 | 1.00 | 171.6 | 178.1 | 47.2 | 81.0 | 14.7 | 58.6 | 0.04 | 2,681 | 26.4 | 15.1 | 6.2 | 2.7 | 2.2 | 2.0 | 1.0 | 0.9 | 0.8 | 0.3 | 5.5 |
| Regal Petroleum | RPT LN | London | 8.75 GBP | +0.0 | +11.1 | -32.7 | -47.0 | 0.15 | 48.1 | 21.3 | 80.9 | 38.9 | 0.1 | 7.3 | 0.02 | 4,339 | Neg. | 24.1 | N/A | 1.0 | 0.8 | N/A | 0.6 | 0.5 | N/A | 0.2 | 0.0 |
| Zakhidenergo | ZAEN UK | Kiev, PFTS | 142.00 UAH | +0.0 | -6.0 | +57.1 | +80.2 | 12.03 | 153.9 | 131.3 | 5.0 | 7.7 | 0.3 | 3.1 | 0.07 | 1,472 | 3.1 | N/A | N/A | 0.9 | N/A | N/A | 0.1 | N/A | N/A | 3.5 | 0.0 |
| METALLURGY | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Alchevsky Meta... | ALMK UK | Kiev, UX | 0.04 UAH | -0.3 | +4.2 | -4.7 | -14.2 | 0.00 | 80.8 | 1,270.5 | 3.9 | 3.1 | 60.3 | 22.7 | 1.49 | 67 | Neg. | Neg. | N/A | N/A | Neg. | N/A | 1.0 | 0.7 | N/A | N/A | 64.5 |
| Avdiyivsky Cok... | AVDK UK | Kiev, UX | 3.24 UAH | -0.1 | -0.9 | +9.4 | +1.4 | 0.27 | 53.5 | 50.5 | 4.0 | 2.1 | 33.7 | 26.9 | 2.54 | 39 | Neg. | 29.4 | 0.8 | Neg. | 0.9 | 0.4 | 0.1 | 0.1 | 0.0 | 0.1 | 0.0 |
| Azovstal | AZST UK | Kiev, UX | 0.78 UAH | -0.1 | +0.9 | +16.7 | +27.8 | 0.07 | 278.6 | 271.5 | 4.1 | 11.4 | 4.5 | 18.3 | 0.23 | 428 | Neg. | N/A | Neg. | Neg. | N/A | 7.7 | 0.1 | N/A | 0.1 | 0.2 | 0.0 |
| Ferrexpo PLC | FXPO LN | London | 131.00 GBP | +0.0 | -4.5 | -29.5 | -3.6 | 2.25 | 1,322.7 | 1,983.8 | 22.4 | 296.3 | 2,246.8 | 1,638.8 | 0.67 | 150 | 5.0 | 5.7 | 6.6 | 4.0 | 4.4 | 4.8 | 1.3 | 1.3 | 1.3 | 0.8 | 35.1 |
| Yasynivsky Cok... | YASK UK | Kiev, UX | 0.72 UAH | +0.0 | +10.4 | +35.8 | +27.0 | 0.06 | 16.7 | 17.9 | 9.0 | 1.5 | 4.3 | 7.3 | 0.90 | 111 | Neg. | 1.4 | 0.8 | 0.1 | 0.7 | 0.5 | 0.1 | 0.0 | 0.0 | 0.1 | 0.1 |
| Yenakievo Steel | ENMZ UK | Kiev, UX | 42.01 UAH | -6.0 | -2.6 | +31.2 | +19.6 | 3.56 | 37.6 | 33.2 | 9.4 | 3.5 | 74.3 | 24.4 | 1.37 | 73 | 6.4 | N/A | Neg. | Neg. | N/A | 1.0 | 0.0 | N/A | 0.0 | 1.0 | 0.0 |
| FOOD AND AGRIBUSINESS | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| AgroGeneration | ALAGR FP | EN Paris | 1.05 EUR | -0.9 | +4.0 | -15.3 | -32.7 | 1.44 | 132.6 | 159.8 | 34.0 | 45.1 | 4.1 | 36.5 | 0.03 | 2,914 | Neg. | N/A | N/A | Neg. | N/A | N/A | 2.2 | N/A | N/A | 1.1 | 35.9 |
| Agroliga | AGL PW | Warsaw | 19.85 PLN | +1.3 | +7.3 | -23.4 | -16.5 | 6.53 | 10.0 | 11.0 | 16.7 | 1.7 | 0.3 | 4.3 | 0.22 | 448 | 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 | 2.90 PLN | -0.3 | +10.7 | +48.7 | +16.9 | 0.95 | 20.7 | 66.0 | 26.2 | 5.4 | 121.5 | 182.3 | 3.64 | 27 | Neg. | 3.0 | 2.6 | 24.7 | 6.9 | 4.1 | 0.8 | 0.8 | 0.8 | 0.2 | 28.4 |
| Astarta Holdin... | AST PW | Warsaw | 43.00 PLN | -2.3 | -7.9 | -35.7 | -30.1 | 14.14 | 353.6 | 672.8 | 31.0 | 109.7 | 632.0 | 195.7 | 0.25 | 399 | 10.1 | 7.6 | 4.9 | 8.9 | 5.0 | 5.4 | 1.3 | 1.3 | 1.3 | 1.0 | 38.2 |
| Avangard | AVGR LI | London Intl | 9.90 USD | +0.0 | +7.6 | -15.7 | +11.9 | 9.90 | 632.3 | 863.3 | 21.7 | 137.2 | 183.1 | 181.2 | 0.17 | 584 | 2.7 | 2.8 | 2.7 | 2.9 | 2.8 | 2.9 | 1.3 | 1.2 | 1.1 | 0.0 | 17.8 |
| IMC | IMC PW | Warsaw | 10.35 PLN | +1.1 | +4.5 | -14.8 | -24.3 | 3.40 | 106.6 | 231.8 | 23.9 | 25.4 | 69.8 | 81.0 | 0.34 | 295 | 4.1 | 9.7 | 2.3 | 4.3 | 4.0 | 3.3 | 2.0 | 1.2 | 0.9 | 0.7 | 38.7 |
| Kernel Holding... | KER PW | Warsaw | 32.58 PLN | -2.3 | +6.8 | -14.4 | -32.0 | 10.72 | 853.9 | 1,877.0 | 58.8 | 501.9 | 3,454.6 | 3,580.5 | 0.47 | 211 | 7.7 | 16.5 | 5.6 | 6.5 | 7.2 | 5.5 | 0.7 | 0.8 | 0.7 | 0.7 | 30.6 |
| MHP | MHPC LI | London Intl | 15.00 USD | +0.0 | +2.0 | -12.0 | -12.8 | 15.00 | 1,585.0 | 2,745.9 | 22.3 | 353.8 | 302.6 | 1,606.5 | 0.30 | 334 | 10.2 | 5.8 | 5.3 | 7.0 | 5.7 | 5.3 | 1.8 | 1.8 | 1.6 | 2.7 | 19.6 |
| Milkiland | MLK PW | Warsaw | 7.01 PLN | +0.7 | +14.0 | -43.9 | -40.3 | 2.31 | 72.1 | 203.1 | 20.0 | 14.4 | 4.1 | 11.4 | 0.05 | 1,935 | 4.9 | N/A | 3.6 | 6.1 | 3.9 | 3.5 | 0.4 | 0.5 | 0.4 | 0.3 | 30.8 |
| Mriya Agrohold... | MAYA GF | Frankfurt | 4.62 EUR | +0.0 | -2.7 | -14.4 | +7.7 | 6.32 | 672.0 | 1,460.1 | 20.0 | 134.4 | 5.6 | 15.3 | 0.02 | 5,457 | 7.6 | 7.7 | 3.0 | 8.9 | 5.4 | 4.9 | 2.9 | 3.5 | 3.4 | 0.0 | 45.3 |
| Ovostar Union | OVO PW | Warsaw | 71.00 PLN | -2.7 | +4.4 | -29.0 | -6.6 | 23.35 | 140.1 | 148.9 | 25.0 | 35.0 | 24.2 | 15.7 | 0.07 | 1,485 | 4.6 | 7.0 | 6.9 | 4.0 | 5.7 | 5.1 | 1.7 | 1.8 | 1.4 | 1.0 | 8.5 |
| CONSTRUCTION | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| TMM | TR61 GF | Xetra | 0.23 EUR | +0.0 | +30.8 | -29.0 | -46.3 | 0.31 | 15.9 | 175.3 | 13.1 | 2.1 | 0.0 | 0.2 | 0.00 | 24,136 | Neg. | N/A | N/A | Neg. | N/A | N/A | 3.9 | N/A | N/A | 0.1 | 44.1 |
| FINANCIAL SERVICES | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Forum Bank | FORM UK | Kiev, UX | 0.38 UAH | +14.8 | N/A | N/A | N/A | 0.03 | 19.1 | N/A | 5.5 | 1.0 | 1.1 | N/A | N/A | N/A | Neg. | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | 0.2 | 18.6 |
| Raiffeisen Ban... | BAVL UK | Kiev, UX | 0.16 UAH | +0.5 | -4.8 | +36.7 | +53.8 | 0.01 | 394.0 | N/A | 3.8 | 15.1 | 358.6 | 131.0 | 1.83 | 55 | 4.6 | Neg. | 13.1 | N/A | N/A | N/A | N/A | N/A | N/A | 0.6 | 28.3 |
| Ukrsotsbank | USCB UK | Kiev, UX | 0.17 UAH | +1.4 | -0.1 | -9.4 | +32.2 | 0.01 | 261.2 | N/A | 4.5 | 11.7 | 13.7 | 11.4 | 0.22 | 461 | Neg. | 14.3 | 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 1-Jul-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 up slightly on fund reallocations

Broader banking sector liquidity rose UAH0.66bn to UAH42.80bn due only to a UAH1.99bn increase in total local currency debt repayments scheduled for the next 30 days to UAH5.53bn yesterday. While banks' correspondent accounts with the NBU rose UAH2.51bn to UAH29.72bn, total CDs outstanding fell UAH3.84bn to UAH7.55bn, accounting for the remainder of the UAH1.99bn increase in total local currency debt repayments for the next 30 days.

KyivPrime interest rates once more diverged as the KyivPrime ON interest rate declined 38bp to 5.75% while the KyivPrime 1M interest rate rose the same 38bp to 17.63%.

Investment implications: Yesterday's indicator changes were caused by month-end tax payments made last Friday. Banks invested fewer funds than they repaid in CD redemptions as they increased their banks' correspondent accounts with the NBU.

Taras Kotovych, Kiev, +38044 2200120 ext.244

Eurobond YTM's rise amid slight volatility

Ukrainian Eurobonds continued their declining trend that began last Wednesday as only a few bonds attempted to rise. Poroshenko's re-engagement of antiterrorist operations had less positive impact on the market in comparison to Putin's secretive talks that increased negative sentiment more severely. At the close, the yield curve adjusted to the range of 8.10-8.83%, as UKRAIN 6.875% '15 declined 14bp to 8.61%, UKRAIN 9.25% '17 slid 2bp to 8.66%, UKRAIN 7.80% '22 remained steady at 8.64%, while UKRAIN 7.95% '21 and UKRAIN 7.50% '23 rose 4bp to 8.83% and 8.42%, respectively. The 5-year CDS rose to 787bp.

Taras Kotovych, Kiev, +38044 2200120 ext.244

July's primary auction schedule

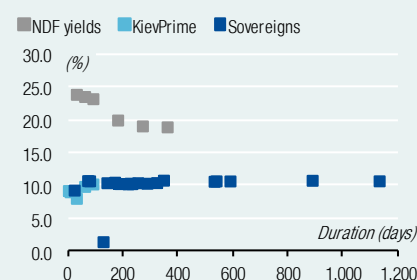
While the MoF originally was not going to sell zero-coupon bonds last month and had to amend the schedule to include them, they already included in July's schedule and will be offered weekly. 2-year USD-denominated bonds are scheduled to be offered in the fourth week along with FX-denominated bonds, as a large repayment of USD-denominated bonds is due.

Investment implications: While the scheduled offerings could attract some market demand, particularly for zero-coupon bonds, the 2-year and 5-year bonds will most likely require support from the NBU via domestic QE.

Taras Kotovych, Kiev, +38044 2200120 ext.244

Yield curve of the local bond market

(as of market close on 1 Jul 2014)



Sources: Bloomberg, Investment Capital Ukraine LLC.

Bond market indicators (as of 1 Jul 2014)

| | Last | Daily chg (%) | Weekly chg (%) | MoM chg (%) | YTD chg (%) |
|---|----------------|---------------|----------------|---------------|---------------|
| MONEY MARKET KIEV PRIME RATES (%) | | | | | |
| 0/n | 5.75 | -38bp | +62bp | -65bp | -205bp |
| 1wk | 8.81 | +50bp | +75bp | -179bp | -99bp |
| 1m | 17.63 | +38bp | +32bp | -157bp | +138bp |
| 2m | 18.00 | +0bp | +0bp | -10bp | +160bp |
| 3m | 18.00 | +0bp | +0bp | -4bp | +200bp |
| LIQUIDITY WIDE MEASUREMENT (UAHm) | | | | | |
| CB acc's ¹ | 29,725 | +9.23 | +7.25 | -1.58 | -9.10 |
| CDs ² | 2,482 | -88.15 | -85.49 | -84.21 | +63.29 |
| Sovgns ³ | 5,544 | +55.83 | +21.63 | +53.98 | +270.9 |
| Total | 37,751 | -27.00 | -23.55 | -23.77 | +5.69 |
| HOLDERS OF UAH SOVEREIGN BONDS (UAHm) | | | | | |
| C.bank | 186,952 | +0.42 | +0.69 | +6.71 | +29.06 |
| Banks | 84,492 | -0.37 | -1.10 | -2.19 | +5.39 |
| Resid's ⁴ | 10,572 | -6.82 | -10.44 | -1.99 | -14.72 |
| Non-res ⁵ | 16,370 | -0.36 | -0.15 | +2.97 | +39.93 |
| Total | 298,386 | -0.12 | -0.30 | +3.51 | +19.78 |
| NDF IMPLIED YIELDS (%) | | | | | |
| 3m | 12.92 | -149bp | -360bp | -29ppt | +77bp |
| 6m | 16.87 | +121bp | +275bp | -11ppt | +347bp |
| 9m | 16.82 | +99bp | +132bp | -777bp | +281bp |
| 1yr | 16.96 | +15bp | +14bp | -873bp | +197bp |
| 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 | +0bp | -89ppt |
| EUROBONDS USD SOVEREIGN BOND YIELDS (%) | | | | | |
| CDS 5yr | 787 | +16bp | +21bp | -401bp | -30bp |
| Jun '16 | 8.11 | -13bp | +53bp | -584bp | -78bp |
| Jul '17 | 8.66 | -2bp | +37bp | -354bp | -90bp |
| Sep '20 | 8.69 | +3bp | +52bp | -201bp | -51bp |
| Sep '21 | 8.83 | +3bp | +62bp | -183bp | -39bp |
| Sep '22 | 8.64 | +0bp | +15bp | -171bp | -70bp |
| Feb '23 | 8.42 | +3bp | +12bp | -164bp | -62bp |

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

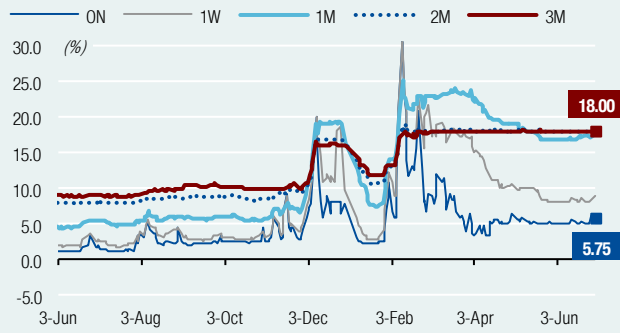


Chart 2. UAH NDF implied yields (%), last 12-month period

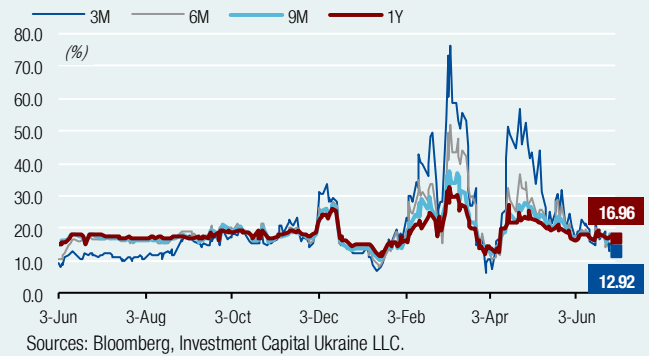


Chart 3. UAH sovereign yield curve (%) as of 1 Jul 2014

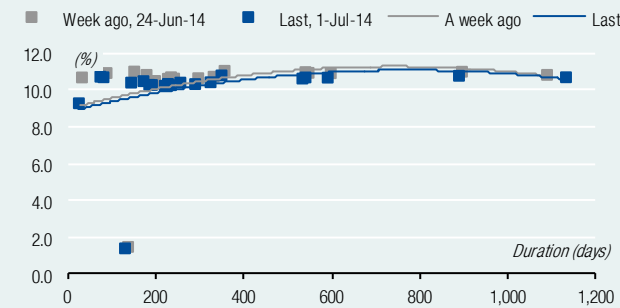


Chart 4. USD sovereign yield curve (%) as of 1 Jul 2014

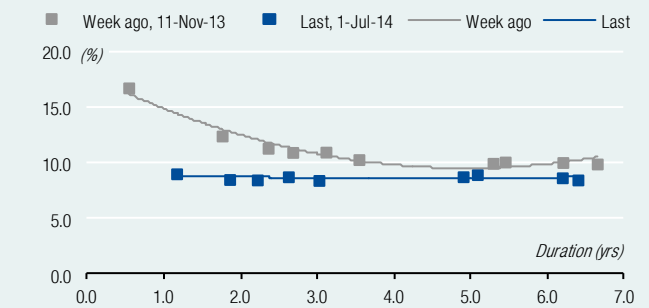


Chart 5. Banking sector liquidity (UAHbn), last 12-month period

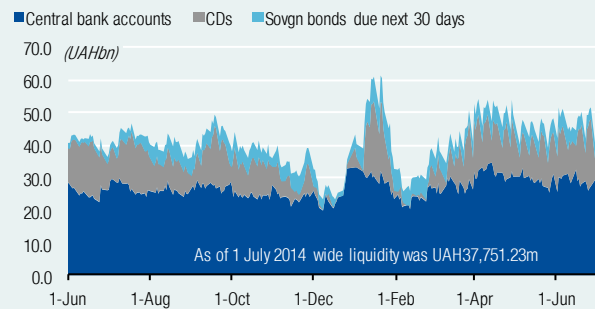


Chart 6. Breakdown of liquidity pool (%) as of 1 Jul 2014

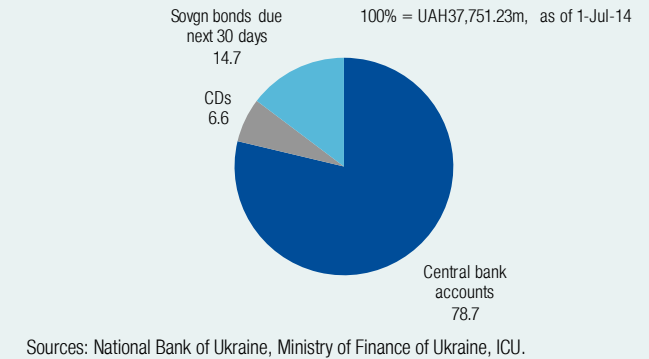


Chart 7. Holders of sovereign bonds (UAHbn), last 12 months

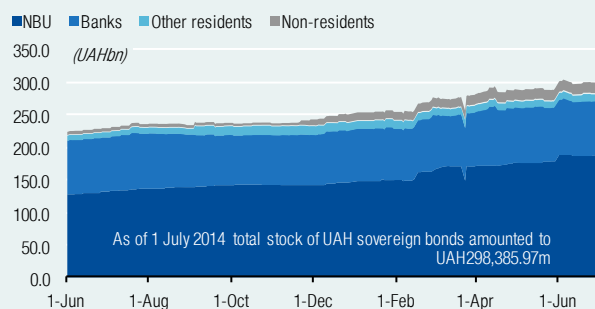
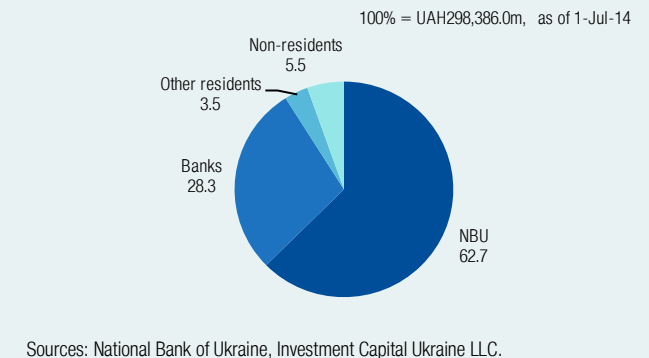


Chart 8. Domestic sovereign debt (%) as of 1 Jul 2014



FX: News & Comments

UAH's trade-weighted value declines despite of weak RUB

Despite the de facto pegging of the hryvnia to 12/USD, the Russian ruble's recent declines – down a significant 1.02% yesterday in the second consecutive day of selling caused by fear of the West enacting more severe sanctions in reaction to Putin's pugilistic behavior. Amidst relatively steady nominal value, the UAH's real trade-weighted index dropped 0.24%.

Alexander Valchysheh, Kiev, +38044 2200120 ext.242

ICU's UAH trade-weighted indices

(Last 12-month history to 2 Jul 2014)



FX market indicators (as of 1 Jul 2014)

| | Last | Daily | Weekly | MoM | YTD |
|---|-----------|---------|---------|---------|---------|
| | chg (%) | chg (%) | chg (%) | chg (%) | chg (%) |
| USD/UAH MARKET (HRYVNIA per US DOLLAR) | | | | | |
| Spot mkt | 11.8250 | +0.64 | -0.84 | +1.94 | +43.51 |
| NBU avg | 11.7855 | -0.32 | -0.90 | +3.37 | +44.59 |
| Tt vlm ¹ | 354.24 | -27.26 | -0.47 | -26.49 | -87.36 |
| \$ volume ² | 269.89 | -22.70 | +13.89 | -21.87 | -87.79 |
| NDF 3M | 12.2000 | +0.28 | -1.69 | -4.69 | +43.78 |
| NDF 6M | 12.8050 | +1.20 | +0.43 | -2.99 | +45.84 |
| NDF 1Y | 13.7550 | +0.77 | -0.72 | -5.14 | +46.02 |
| TRADE-WEIGHTED INDICES (TWIs, points) | | | | | |
| UAH nom'l | 48.011 | -0.24 | +1.21 | -2.53 | -28.91 |
| UAH real CPI | 79.448 | -0.24 | +1.21 | -2.53 | -21.39 |
| UAH real PPI | 113.899 | -0.24 | +1.21 | -2.53 | -17.93 |
| USD nom'l | 79.815 | +0.05 | -0.64 | +0.36 | -0.27 |
| FX RATES OF KEY CURRENCIES THAT SHAPE UAH's TWIs | | | | | |
| USD/RUB | 34.3284 | +1.02 | +1.65 | -3.68 | +4.44 |
| EUR/USD | 1.3679 | -0.09 | +0.54 | -1.38 | -0.47 |
| USD/CNY | 6.2013 | -0.03 | -0.48 | -0.93 | +2.43 |
| USD/PLN | 3.0409 | +0.12 | -0.40 | +0.54 | +0.59 |
| USD/TRY | 2.1283 | +0.46 | -0.62 | +1.07 | -0.93 |
| USD/BYR | 10,220.00 | -0.15 | +0.29 | +2.30 | +7.13 |
| USD/KZT | 183.5200 | +0.01 | -0.05 | +0.80 | +18.96 |
| OTHER MAJOR CURRENCIES | | | | | |
| USD/JPY | 101.5300 | +0.20 | -0.43 | -0.78 | -3.59 |
| GBP/USD | 1.7150 | +0.26 | +0.97 | +1.52 | +3.58 |
| USD/CHF | 0.8875 | +0.08 | -0.70 | +0.93 | -0.60 |
| AUD/USD | 0.9497 | +0.68 | +1.38 | +2.40 | +6.50 |
| USD/CAD | 1.0632 | -0.37 | -1.05 | -2.96 | +0.08 |
| USD/BRL | 2.2019 | -0.56 | -1.04 | -1.36 | -6.78 |
| USD/KRW | 1,011.62 | -0.02 | -0.66 | -2.10 | -3.64 |
| COMMODITIES | | | | | |
| Gold(\$/oz) | 1,326.39 | -0.07 | +0.61 | +3.28 | +10.01 |
| WTI crude ³ | 105.34 | -0.03 | -1.21 | +5.95 | +7.03 |
| Brent crd ³ | 111.32 | -0.69 | -2.06 | +3.54 | +0.45 |
| Urals crd ³ | N/A | +0.00 | +0.00 | +0.00 | +0.00 |
| TR/J CRB ⁴ | 307.43 | -0.26 | -1.46 | +0.15 | +9.73 |

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>).

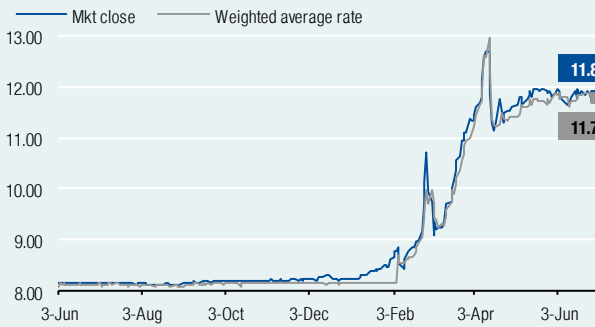
Section on FX market is continued on next page.

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.

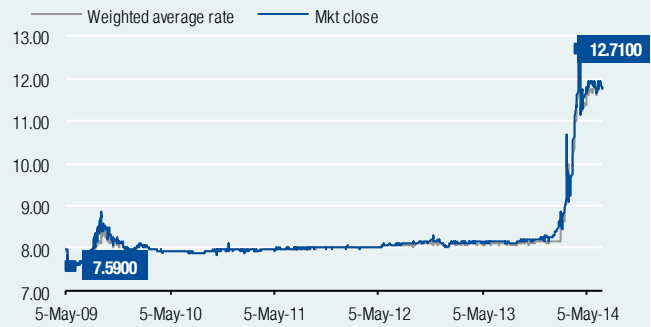
Sources: Bloomberg, Investment Capital Ukraine LLC.

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)

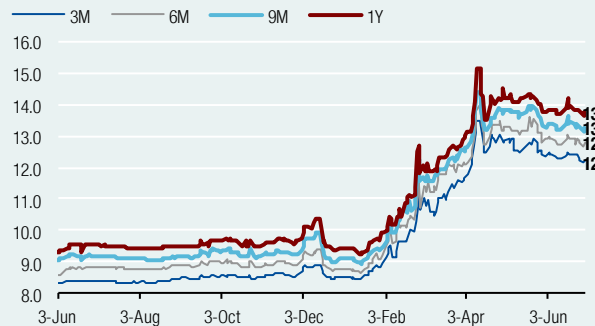


Sources: National Bank of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

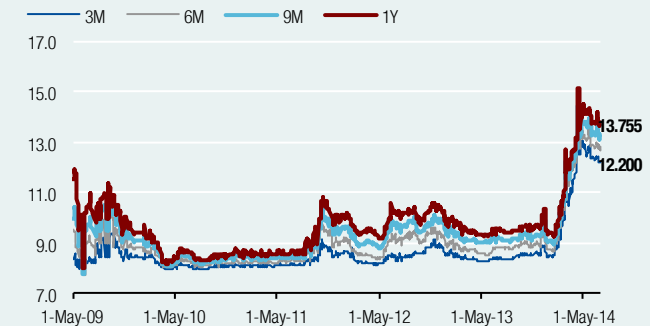


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

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

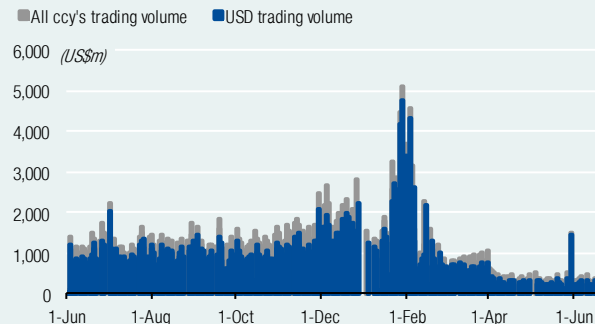


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

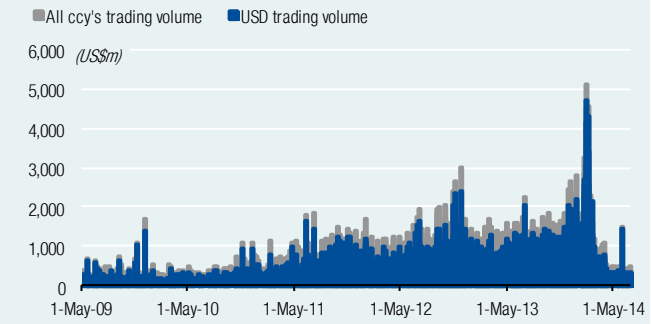


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

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

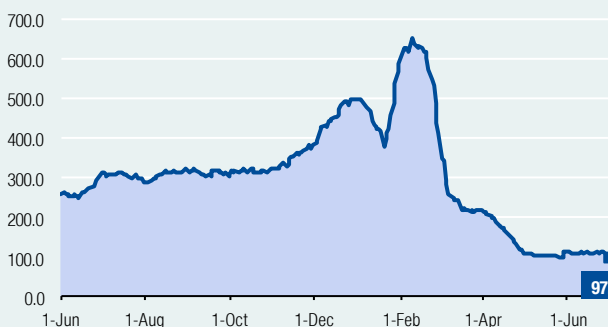


Sources: National Bank of Ukraine, Bloomberg, Investment Capital Ukraine LLC.



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)



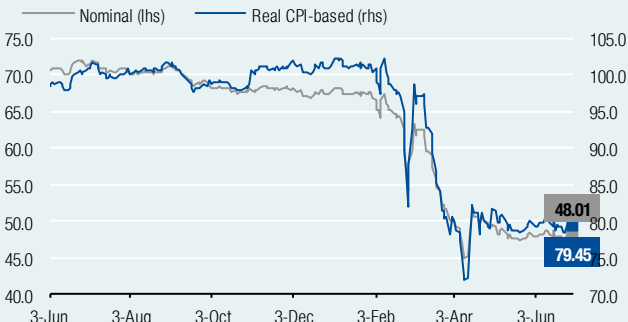
Note: * 30-day moving average; The boxes of the right chart show high and low values. Sources: NBU, State Statistics Service of Ukraine, Bloomberg, Investment Capital Ukraine LLC.



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

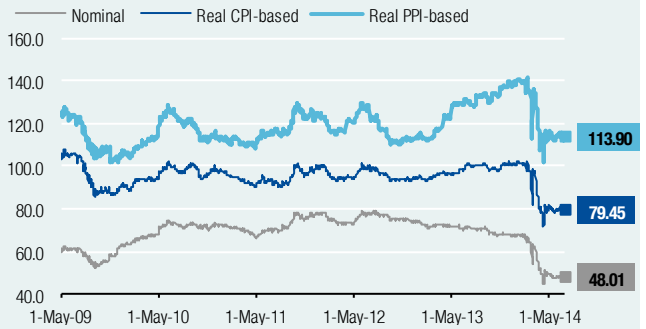
The following charts depict ICU's Ukrainian hryvnia trade-weighted indices which were calculated in accordance with methodology published in the [Quarterly Report "Keep the music playing"](#) dated 31 January 2013 and, then, updated, in the [Quarterly Report "Muddling through no more"](#) dated 14 August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

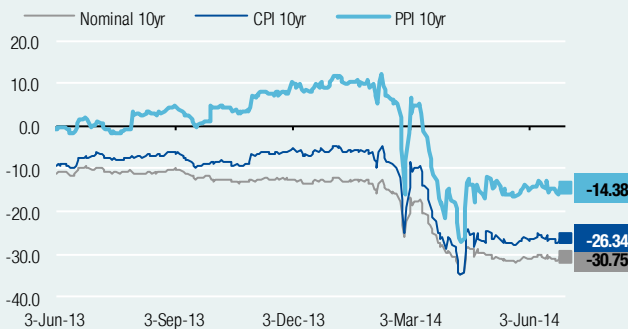


Note: The boxes indicate the last values of the depicted indicators.
Source: Investment Capital Ukraine LLC.



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.

This page is intentionally left blank

Disclosures

ANALYST CERTIFICATION

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.

EQUITY RATING DEFINITIONS

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



INVESTMENT CAPITAL UKRAINE
INVESTMENT BANKING

Office 44, 11th floor, LEONARDO Business Centre
19-21 Bogdan Khmelnytsky Street
Kiev, 01030 Ukraine
Phone/Fax +38 044 2200120

CORPORATE FINANCE TEL. +38 044 2200120

Makar Paseniuk, Managing Director
makar.paseniuk@icu.ua

Volodymyr Demchyshyn, Director
volodymyr.demchyshyn@icu.ua

Ruslan Kilmukhametov, Director
ruslan.kilmukhametov@icu.ua

Alexander Zhyvotovskyy, Director
alexander.zhyvotovskyy@icu.ua

SALES AND TRADING TEL. +38 044 2201621

Konstantin Stetsenko, Managing Director
konstantin.stetsenko@icu.ua

Sergiy Byelyayev, Fixed-Income Trading
sergiy.byelyayev@icu.ua

Vitaliy Sivach, Fixed-Income & FX Trading
vitaliy.sivach@icu.ua

Vlad Sinani, Director,
Strategy and Corporate Development
vlad.sinani@icu.ua

Julia Pecheritsa,
Ukraine and CIS International Sales
julia.pecheritsa@icu.ua

Yevgeniya Gryshchenko,
Fixed-Income Sales
yevgeniya.gryshchenko@icu.ua

RESEARCH DEPARTMENT TEL. +38 044 2200120

Alexander Valchyshen
Head of Research
alexander.valchyshen@icu.ua

Alexander Martynenko
Head of corporate research
alexander.martynenko@icu.ua

Bogdan Vorotilin
Financial analyst (Food & Agribusiness)
bogdan.vorotilin@icu.ua

Taras Kotovych
Senior financial analyst (Sovereign debt)
taras.kotovych@icu.ua

Mykhaylo Demkiv
Financial analyst (Banks)
mykhaylo.demkiv@icu.ua

Lee Daniels, Rolfe Haas
Editors

Investment Capital Ukraine LLC is regulated by Securities and Stock Market State Commission of Ukraine (license numbers: dealer activity AE 263019, broker activity AE 263018, underwriting activity AE 263020 dated 11 April 2013).

DISCLAIMER

This research publication has been prepared by Investment Capital Ukraine LLC solely for information purposes for its clients. It does not constitute an investment advice or an offer or solicitation for the purchase or sale of any financial instrument. While reasonable care has been taken to ensure that the information contained herein is not untrue or misleading at the time of publication, Investment Capital Ukraine makes no representation that it is accurate or complete. The information contained herein is subject to change without notice. Copyright and database rights protection exists in this report and it may not be reproduced, distributed or published by any person for any purpose without the prior express consent of Investment Capital Ukraine LLC. All rights are reserved. Any investments referred to herein may involve significant risk, are not necessarily available in all jurisdictions, may be illiquid and may not be suitable for all investors. The value of, or income from, any investments referred to herein may fluctuate and/or be affected by changes in exchange rates. Past performance is not indicative of future results. Investors should make their own investigations and investment decisions without relying on this report. Only investors with sufficient knowledge and experience in financial matters to evaluate the merits and risks should consider an investment in any issuer or market discussed herein and other persons should not take any action on the basis of this report.



Additional information is available upon request.