



INVESTMENT CAPITAL UKRAINE
INVESTMENT BANKING

Daily Insight

Liquidity down further; YTM's climb higher; FX reserves decline; UAH remains under pressure

FRIDAY, 8 AUGUST, 2014

RESEARCH INSIGHT

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UX Index (3 months to 8 Aug 2014)



Key market indicators (as of 7 Aug 2014)

| | Last | Daily chg (%) | YTD chg (%) |
|-----------------------------|---------|---------------|-------------|
| FX & MONEY RATES | | | |
| USD/UAH | 12.5000 | +1.14 | +51.70 |
| USD/UAH (1Y NDF) | 14.5750 | +2.17 | +54.72 |
| EUR/USD | 1.3364 | -0.14 | -2.76 |
| USD/RUB | 36.3173 | +0.40 | +10.49 |
| KievPRIME O/N (%) | 5.50 | +0bp | -230bp |
| KievPRIME 1M (%) | 15.00 | -13bp | -125bp |

BONDS: yields and spreads

| | | | |
|--------------------------|-------|--------|----------|
| Ukraine VAT bond (%) | N/A | +208bp | -8,495bp |
| Ukraine 17, Eurobond (%) | 10.44 | +30bp | +89bp |
| Ukraine 22, Eurobond (%) | 9.34 | +12bp | -1bp |
| Ukraine 23, Eurobond (%) | 9.31 | +12bp | +27bp |
| Ukraine 5Y CDS | 988bp | +23bp | +171bp |

EQUITIES

Stock market indices

| | | | |
|-----------------|----------|-------|--------|
| UX (Ukraine) | 1,265.63 | -1.31 | +39.07 |
| MSCI World | 415.90 | -0.50 | +1.80 |
| MSCI EM | 1,051.22 | -0.53 | +4.84 |
| RTS (Russia) | 1,157.97 | -0.25 | -19.74 |
| WIG-20 (Poland) | 2,332.73 | -1.25 | -2.84 |
| S&P 500 (USA) | 1,909.57 | -0.56 | +3.31 |

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

| | | |
|---------|------|-----------------------------|
| FXPO LN | 1.79 | 58.1% of total ¹ |
| KER PW | 0.66 | 21.4% |
| CEEN UK | 0.20 | 6.5% |

GAINERS: Top 3 stocks (in listed currency)

| | | | |
|---------|-----------|-------|--------|
| JKX LN | GBP 36.88 | +2.43 | -48.43 |
| CLE PW | PLN 0.93 | +2.20 | -11.43 |
| AZST UK | UAH 0.88 | +1.27 | +31.19 |

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

FX reserves in July decline due to external debt redemptions

The NBU reported FX reserves down as much as US\$1.0bn during July to US\$16.1bn as a result of US\$860m in external debt redemptions. The next IMF tranche of US\$1.4bn is expected to come through in the second half of August which should provide a US\$1.3bn net increase in FX reserves, similar to the amount of the last issuance at the end of September. This should restore some confidence that was eroded last month when PM Yatsenyuk attempted to resign, a move that was not supported by the MPs. However, the NBU's indecisive response to July's reported high inflation could bolster investor uncertainty.

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Table 1. Ukrainian stocks (closing prices as of 7-Aug-2014)

| Company | Bloomberg Ticker | Listing | Share price performance (% change) | | | | | Valuation (US\$) | | | Free float (FF) & Liquidity | | | | | P/E | | | EV/EBITDA | | | EV/Sales | | | Ratios | | |
|------------------------------|------------------|-------------|------------------------------------|-------|-------|-------|-------|------------------|----------------|---------|-----------------------------|--------------------|------------------------------|-----------------------------|---------------------|--------------------|------|-------|-----------|------|-------|----------|------|-------|--------|---------|-----------------|
| | | | Last price | Daily | MoM | YTD | YoY | Last price | Market cap (m) | EV (m) | FF (%) | FF mkt cap (US\$m) | Last day turnover (US\$ 000) | 3M avg. turnover (US\$ 000) | FF share traded (%) | FF turnover (days) | 2010 | 2011E | 2012E | 2010 | 2011E | 2012E | 2010 | 2011E | 2012E | P/B (x) | Debt/Assets (%) |
| ENERGY | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Cadogan Petrol... | CAD LN | London | 11.63 GBP | +0.0 | +4.5 | +12.0 | -27.3 | 0.20 | 45.2 | -17.9 | 40.2 | 18.2 | 1.6 | 20.9 | 0.24 | 412 | Neg. | Neg. | Neg. | 2.7 | N/A | N/A | Neg. | Neg. | Neg. | 0.2 | 0.0 |
| Centrenerg | CEEN UK | Kiev, UX | 7.82 UAH | -0.4 | +6.0 | +64.1 | +50.4 | 0.62 | 229.1 | 279.4 | 21.7 | 49.7 | 201.2 | 406.4 | 0.87 | 116 | 5.9 | 6.0 | 3.7 | 0.5 | 4.6 | 2.3 | 0.5 | 0.4 | 0.3 | 1.2 | 12.2 |
| Coal Energy | CLE PW | Warsaw | 0.93 PLN | +2.2 | -19.8 | -11.4 | -61.9 | 0.29 | 13.3 | 123.4 | 25.0 | 3.3 | 7.1 | 20.6 | 0.40 | 252 | Neg. | Neg. | 3.3 | 5.5 | 15.4 | 4.3 | 1.0 | 1.2 | 1.1 | 0.1 | 39.8 |
| Donbasenergo | DOEN UK | Kiev, UX | 39.50 UAH | -2.1 | +4.1 | +43.2 | +58.4 | 3.13 | 74.0 | 111.7 | 14.2 | 10.5 | 5.9 | 68.9 | 0.66 | 151 | 1.8 | 2.4 | 2.2 | 0.4 | 2.4 | 1.3 | 0.2 | 0.2 | 0.2 | 1.4 | 17.8 |
| JKX Oil & Gas | JKX LN | London | 36.88 GBP | +2.4 | -35.0 | -48.4 | -44.3 | 0.62 | 106.5 | 111.6 | 47.2 | 50.2 | 3.8 | 33.6 | 0.14 | 731 | 16.4 | 9.4 | 3.8 | 1.7 | 1.4 | 1.3 | 0.6 | 0.6 | 0.5 | 0.2 | 5.5 |
| Regal Petroleum | RPT LN | London | 6.50 GBP | -7.1 | -17.7 | -50.0 | -58.7 | 0.11 | 35.0 | 8.2 | 80.9 | 28.3 | 29.2 | 4.8 | 0.02 | 5,187 | Neg. | 17.5 | N/A | 0.4 | 0.3 | N/A | 0.2 | 0.2 | N/A | 0.1 | 0.0 |
| Zakhidenergo | ZAEN UK | Kiev, PFTS | 149.00 UAH | +0.0 | +8.8 | +64.8 | +75.5 | 11.81 | 151.1 | 129.9 | 5.0 | 7.6 | 0.0 | 3.4 | 0.03 | 2,978 | 3.3 | N/A | N/A | 0.9 | N/A | N/A | 0.1 | N/A | N/A | 3.7 | 0.0 |
| METALLURGY | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Alchevsky Meta... | ALMK UK | Kiev, UX | 0.04 UAH | -0.6 | -3.0 | -7.5 | -8.8 | 0.00 | 73.3 | 1,186.1 | 3.9 | 2.8 | 3.2 | 32.4 | 1.28 | 78 | 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 | 3.04 UAH | -0.9 | -5.2 | +2.7 | -7.4 | 0.24 | 47.0 | 44.1 | 4.0 | 1.9 | 0.8 | 27.4 | 1.25 | 80 | Neg. | 1.8 | 0.8 | Neg. | 0.6 | 0.4 | 0.1 | 0.0 | 0.0 | 0.1 | 0.0 |
| Azovstal | AZST UK | Kiev, UX | 0.88 UAH | +1.3 | +13.3 | +31.2 | +40.6 | 0.07 | 292.9 | 286.3 | 4.1 | 12.0 | 1.8 | 20.0 | 0.14 | 741 | Neg. | N/A | Neg. | Neg. | N/A | 8.6 | 0.2 | N/A | 0.2 | 0.3 | 0.0 |
| Ferrexpo PLC | FXPO LN | London | 128.70 GBP | -1.1 | -8.7 | -30.7 | -27.4 | 2.16 | 1,273.6 | 1,476.1 | 22.4 | 285.3 | 1,789.2 | 1,521.0 | 0.43 | 232 | 4.9 | 5.4 | 7.4 | 2.9 | 3.2 | 3.8 | 0.9 | 1.0 | 1.0 | 1.1 | 35.1 |
| Yasynivsky Cok... | YASK UK | Kiev, UX | 0.69 UAH | -6.8 | +2.7 | +30.2 | +24.1 | 0.05 | 15.0 | 16.1 | 9.0 | 1.3 | 0.2 | 7.2 | 0.21 | 470 | Neg. | 1.4 | 0.7 | 0.1 | 0.6 | 0.5 | 0.1 | 0.0 | 0.0 | 0.1 | 0.1 |
| Yenakievo Steel | ENMZ UK | Kiev, UX | 43.40 UAH | -0.7 | +2.2 | +35.6 | +26.1 | 3.44 | 36.3 | 32.2 | 9.4 | 3.4 | 1.8 | 37.5 | 0.96 | 105 | 6.6 | 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 | 0.85 EUR | -4.5 | -16.7 | -31.5 | -43.0 | 1.14 | 104.9 | 162.6 | 34.0 | 35.7 | 20.8 | 18.0 | 0.02 | 4,165 | Neg. | N/A | N/A | Neg. | N/A | N/A | 2.3 | N/A | N/A | 1.9 | 35.9 |
| Agroliga | AGL PW | Warsaw | 18.35 PLN | -1.3 | +4.8 | -29.2 | -24.8 | 5.81 | 8.9 | 9.8 | 16.7 | 1.5 | 2.0 | 2.7 | 0.08 | 1,198 | 2.1 | N/A | N/A | 2.8 | N/A | N/A | 0.5 | N/A | N/A | 0.7 | 5.7 |
| Agroton | AGT PW | Warsaw | 2.24 PLN | -1.8 | -26.6 | +14.9 | -2.6 | 0.71 | 15.4 | 60.7 | 26.2 | 4.0 | 30.1 | 97.7 | 1.57 | 64 | Neg. | 2.2 | 1.9 | 22.7 | 6.4 | 3.8 | 0.7 | 0.7 | 0.7 | 0.1 | 28.4 |
| Astarta Holdin... | AST PW | Warsaw | 36.40 PLN | +1.1 | -15.3 | -45.6 | -50.4 | 11.52 | 288.1 | 600.0 | 31.0 | 89.4 | 28.2 | 128.7 | 0.10 | 1,024 | 8.4 | 8.7 | 4.3 | 7.9 | 4.7 | 5.0 | 1.2 | 1.2 | 1.2 | 0.8 | 38.2 |
| Avangard | AVGR LI | London Intl | 8.62 USD | -4.3 | -13.0 | -26.7 | -12.5 | 8.62 | 550.3 | 781.2 | 21.7 | 119.4 | 160.0 | 176.0 | 0.13 | 785 | 2.3 | 2.9 | 2.5 | 2.6 | 3.0 | 2.7 | 1.2 | 1.1 | 1.0 | 0.4 | 17.8 |
| IMC | IMC PW | Warsaw | 8.20 PLN | +0.6 | -17.8 | -32.5 | -48.9 | 2.60 | 81.2 | 232.2 | 23.9 | 19.4 | 16.6 | 62.3 | 0.05 | 1,887 | 3.1 | 7.4 | 1.8 | 4.3 | 4.3 | 4.2 | 2.0 | 1.2 | 1.3 | 0.5 | 38.7 |
| Kernel Holding... | KER PW | Warsaw | 26.12 PLN | -2.4 | -17.9 | -31.4 | -51.6 | 8.27 | 658.9 | 1,565.5 | 58.8 | 387.2 | 659.5 | 2,235.3 | 0.27 | 371 | 5.9 | 16.0 | 4.5 | 5.4 | 6.4 | 4.8 | 0.6 | 0.6 | 0.6 | 0.6 | 30.6 |
| MHP | MHPC LI | London Intl | 12.52 USD | -2.9 | -17.1 | -26.6 | -28.9 | 12.52 | 1,322.9 | 2,483.8 | 22.3 | 295.3 | 59.8 | 1,117.4 | 0.56 | 177 | 8.5 | 4.9 | 4.3 | 6.4 | 5.1 | 4.7 | 1.7 | 1.6 | 1.4 | 2.3 | 47.0 |
| Milkiland | MLK PW | Warsaw | 5.12 PLN | -5.4 | -22.5 | -59.0 | -57.3 | 1.62 | 50.6 | 178.7 | 20.0 | 10.1 | 7.6 | 7.9 | 0.04 | 2,462 | 3.5 | N/A | 2.6 | 5.4 | 3.5 | 3.2 | 0.4 | 0.4 | 0.4 | 0.2 | 30.8 |
| Mriya Agrohold... | MAYA GF | Frankfurt | 2.40 EUR | +0.0 | -47.3 | -55.6 | -46.7 | 3.21 | 340.7 | 1,068.5 | 20.0 | 68.1 | 0.0 | 6.4 | 0.01 | 9,678 | 3.9 | 3.9 | 1.5 | 6.5 | 3.9 | 3.6 | 2.1 | 2.5 | 2.5 | 0.8 | 45.3 |
| Ovostar Union | OVO PW | Warsaw | 68.00 PLN | +0.0 | -0.7 | -32.0 | -12.7 | 21.53 | 129.2 | 136.7 | 25.0 | 32.3 | 35.5 | 28.7 | 0.09 | 1,056 | 4.2 | 6.9 | 6.0 | 3.7 | 5.1 | 4.0 | 1.5 | 1.7 | 1.3 | 1.0 | 8.5 |
| TRANSPORTATION | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| KDM Shipping | KDM PW | Warsaw | 7.20 PLN | +0.0 | -20.4 | -77.1 | -78.7 | 2.28 | 21.2 | 4.6 | 10.9 | 2.3 | 1.6 | 1.0 | 0.08 | 1,203 | 3.1 | N/A | N/A | 0.4 | N/A | N/A | 0.1 | N/A | N/A | 0.3 | 5.6 |
| CONSTRUCTION | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| TMM | TR61 GF | Xetra | 0.22 EUR | +0.0 | +12.8 | -30.6 | -50.9 | 0.29 | 15.2 | 190.8 | 13.1 | 2.0 | 0.0 | 0.2 | 0.00 | 21,742 | Neg. | N/A | N/A | Neg. | N/A | N/A | 5.6 | N/A | N/A | 0.2 | 45.5 |
| FINANCIAL SERVICES | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Forum Bank | FORM UK | Kiev, UX | 0.20 UAH | -3.4 | N/A | N/A | N/A | 0.02 | 9.3 | N/A | 5.5 | 0.5 | 0.1 | N/A | N/A | N/A | Neg. | N/A | N/A | N/A | N/A | N/A | N/A | N/A | N/A | 0.1 | 18.6 |
| Raiffeisen Ban... | BAVL UK | Kiev, UX | 0.14 UAH | -1.5 | -4.7 | +25.6 | +42.0 | 0.01 | 338.6 | N/A | 3.8 | 12.9 | 14.1 | 196.3 | 1.89 | 53 | 4.2 | Neg. | 12.0 | N/A | N/A | N/A | N/A | N/A | N/A | 0.6 | 28.3 |
| UkrSotsbank | USCB UK | Kiev, UX | 0.17 UAH | +0.0 | +6.1 | -7.2 | +33.7 | 0.01 | 250.2 | N/A | 4.5 | 11.2 | 0.0 | 15.4 | 0.11 | 941 | Neg. | 14.7 | 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 7-Aug-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 despite inflows

Although the MoF and the NBU provided just minor support to liquidity via ON loans and debt repayments, liquidity continued to decline. While banks' correspondent accounts with the NBU did rise UAH0.19bn to UAH26.82bn, total CDs outstanding declined UAH0.24bn to UAH11.81bn and total local currency debt repayments scheduled for the next 30 days declined UAH0.48bn to UAH3.3.44bn. Broader banking sector liquidity fell UAH0.53bn to UAH42.07bn, the lowest level since the end of June and record low of this month.

KyivPrime interest rates slightly diverged: the KyivPrime ON interest rate once more remained steady at 5.50% while the KyivPrime 1M interest rate slid 13bp to 15.00%.

Investment implications: The NBU issued UAH0.34bn of ON loans on Wednesday and decreased CDs outstanding by UAH0.24bn, while the MoF repaid UAH0.48bn in debt interest repayments in local currency. The UAH1.06bn of injected funds caused banks' correspondent accounts to increase only UAH0.19bn even though no outflows were scheduled this Wednesday. Liquidity could decline today, especially in indicators which will be published on Monday, after today's UAH2.57bn of NBU loan repayments by five banks of issuances received last year.

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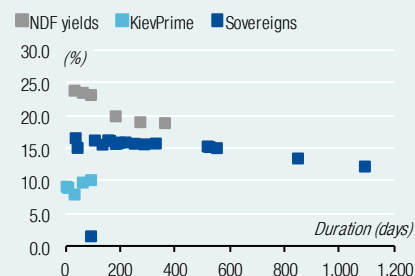
YTM's climb higher

In addition to ongoing negative sentiment fuelled by the situation in eastern Ukraine, the Russian reaction to EU and US sanctions as depicted in Russian President Putin's televised speech broadcast yesterday evening caused a significant decline in Eurobond prices as YTM's increased. At yesterday's close, yields rose mostly above 10.0% and the yield curve adjusted to the range of 9.34-12.42%. UKRAIN 6.875% '15 rose 91bp to 12.42%, UKRAIN 6.58% '16 was up 129bp to 10.85%, UKRAIN 6.75% '17 rose 34bp to 10.10%, while UKRAIN 9.25% '17 rose 32bp to 10.47%, UKRAIN 7.95% '21 rose 20bp to 9.85%, UKRAIN 7.80% '22 and UKRAIN 7.50% '23 rose 14bp to 9.37% and 9.34%, respectively. The 5-year CDS rose to 988bp.

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Yield curve of the local bond market

(as of market close on 7 Aug 2014)



Sources: Bloomberg, Investment Capital Ukraine LLC.

Bond market indicators (as of 7 Aug 2014)

| | Last | Daily | Weekly | MoM | YTD |
|---|----------------|--------------|--------------|--------------|---------------|
| | | chg (%) | chg (%) | chg (%) | chg (%) |
| MONEY MARKET KIEV PRIME RATES (%) | | | | | |
| 0/n | 5.50 | +0bp | -10bp | +47bp | -230bp |
| 1wk | 9.38 | +13bp | -12bp | +148bp | -42bp |
| 1m | 15.00 | -13bp | -10bp | -200bp | -125bp |
| 2m | 18.00 | +0bp | +20bp | +0bp | +160bp |
| 3m | 18.00 | +0bp | +0bp | +0bp | +200bp |
| LIQUIDITY WIDE MEASUREMENT (UAHm) | | | | | |
| CB acc's ¹ | 26,821 | +0.72 | +7.88 | -9.67 | -17.98 |
| CDs ² | 11,814 | -2.02 | -13.95 | +12.97 | +1,575.7 |
| Sovgns ³ | 3,440 | +0.00 | -4.54 | -24.99 | +130.1 |
| Total | 42,075 | -0.12 | -0.28 | -5.95 | +20.55 |
| HOLDERS OF UAH SOVEREIGN BONDS (UAHm) | | | | | |
| C.bank | 192,023 | +0.00 | +0.00 | +2.24 | +32.57 |
| Banks | 84,140 | +0.31 | +1.56 | +0.30 | +4.95 |
| Resid's ⁴ | 17,663 | -0.24 | +14.77 | +67.06 | +42.48 |
| Non-res ⁵ | 17,093 | +0.39 | +2.63 | +4.33 | +46.11 |
| Total | 310,920 | +0.09 | +1.30 | +4.11 | +24.81 |
| NDF IMPLIED YIELDS (%) | | | | | |
| 3m | N/A | N/A | N/A | N/A | N/A |
| 6m | N/A | N/A | N/A | N/A | N/A |
| 9m | N/A | N/A | N/A | N/A | N/A |
| 1yr | N/A | N/A | N/A | N/A | N/A |
| 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 | +208bp | +208bp | +405bp | -85ppt |
| EUROBONDS USD SOVEREIGN BOND YIELDS (%) | | | | | |
| CDS 5yr | 988 | +23bp | +191bp | +234bp | +171bp |
| Jun '16 | 11.13 | +120bp | +298bp | +277bp | +224bp |
| Jul '17 | 10.44 | +30bp | +190bp | +191bp | +89bp |
| Sep '20 | 9.79 | +42bp | +110bp | +109bp | +60bp |
| Sep '21 | 9.63 | +32bp | +105bp | +89bp | +41bp |
| Sep '22 | 9.34 | +12bp | +91bp | +74bp | -1bp |
| Feb '23 | 9.31 | +12bp | +102bp | +91bp | +27bp |

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

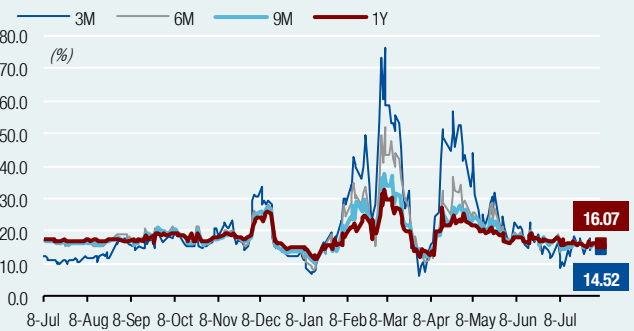


Chart 3. UAH sovereign yield curve (%) as of 7 Aug 2014

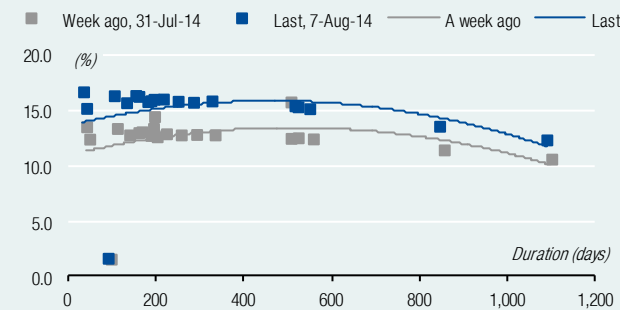


Chart 4. USD sovereign yield curve (%) as of 7 Aug 2014

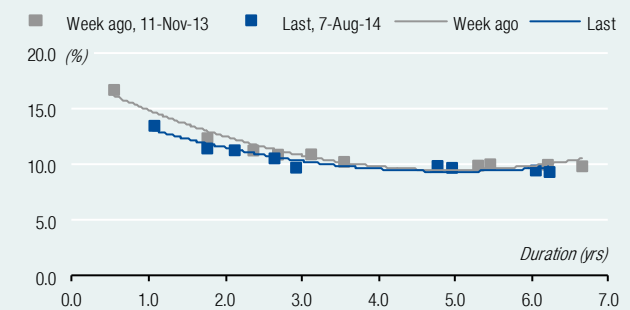


Chart 5. Banking sector liquidity (UAHbn), last 12-month period

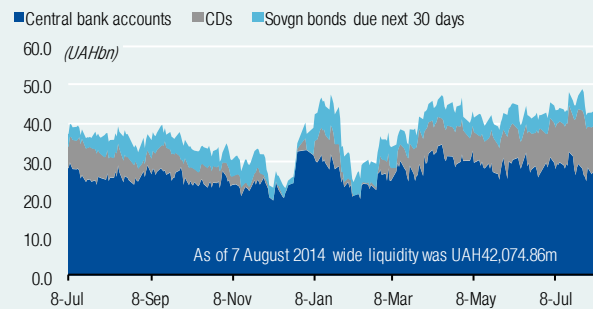


Chart 6. Breakdown of liquidity pool (%) as of 7 Aug 2014

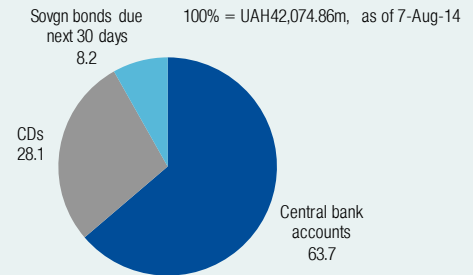


Chart 7. Holders of sovereign bonds (UAHbn), last 12 months

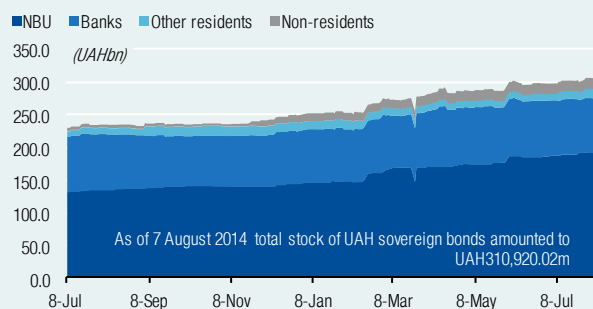
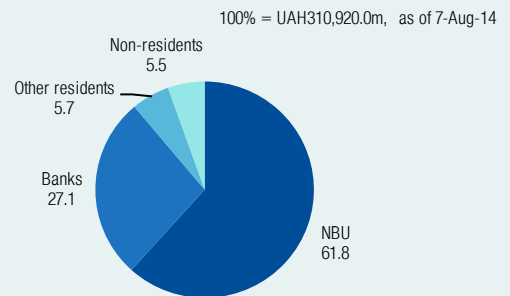


Chart 8. Domestic sovereign debt (%) as of 7 Aug 2014



FX: News & Comments

UAH remains under pressure

Despite the NBU's public transparency in reporting the previous day's intervention, the hryvnia was under renewed downward pressure. After the NBU governor announced to the media that its US\$69m injection of liquidity covered 60% of all applications filed by banks that participated in the auction, the hryvnia traded as low as 12.7400/USD in intraday trading only to close at 12.5000/USD, or down 1.14% from the previous day. The hryvnia's real trade-weighted value slid 0.92%.

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ICU's UAH trade-weighted indices

(Last 12-month history to 8 Aug 2014)



FX market indicators (as of 7 Aug 2014)

| | Last | Daily | Weekly | MoM | YTD |
|---|-----------|---------|---------|---------|---------|
| | chg (%) | chg (%) | chg (%) | chg (%) | chg (%) |
| USD/UAH MARKET (HRYVNIA per US DOLLAR) | | | | | |
| Spot mkt | 12.5000 | +1.14 | +1.83 | +6.70 | +51.70 |
| NBU avg | 12.4586 | +0.84 | +2.99 | +5.72 | +52.85 |
| Ttl vlm ¹ | 323.66 | -0.22 | -6.12 | -18.46 | -88.45 |
| \$ volume ² | 254.57 | +10.46 | +1.67 | -16.27 | -88.49 |
| NDF 3M | 13.1500 | +2.73 | +3.14 | +7.79 | +54.98 |
| NDF 6M | 13.6500 | +2.98 | +3.45 | +6.60 | +55.47 |
| NDF 1Y | 14.5750 | +2.17 | +2.53 | +5.96 | +54.72 |
| TRADE-WEIGHTED INDICES (TWIs, points) | | | | | |
| UAH nom'l | 46.994 | -0.92 | -1.03 | -3.77 | -30.42 |
| UAH real CPI | 78.303 | -0.92 | -1.03 | -3.77 | -22.53 |
| UAH real PPI | 115.156 | -0.92 | -1.03 | -3.77 | -17.03 |
| USD nom'l | 81.524 | +0.10 | +0.08 | +1.63 | +1.86 |
| FX RATES OF KEY CURRENCIES THAT SHAPE UAH's TWIs | | | | | |
| USD/RUB | 36.3173 | +0.40 | +1.77 | +5.48 | +10.49 |
| EUR/USD | 1.3364 | -0.14 | -0.19 | -1.77 | -2.76 |
| USD/CNY | 6.1609 | -0.04 | -0.21 | -0.69 | +1.76 |
| USD/PLN | 3.1546 | +0.48 | +1.09 | +3.57 | +4.35 |
| USD/TRY | 2.1670 | +0.39 | +1.18 | +1.78 | +0.88 |
| USD/BYR | 10,340.00 | +0.10 | +0.29 | +1.12 | +8.39 |
| USD/KZT | 182.0500 | +0.02 | -0.69 | -0.81 | +18.01 |
| OTHER MAJOR CURRENCIES | | | | | |
| USD/JPY | 102.1000 | +0.00 | -0.68 | +0.24 | -3.05 |
| GBP/USD | 1.6833 | -0.12 | -0.31 | -1.72 | +1.67 |
| USD/CHF | 0.9089 | +0.14 | +0.01 | +1.71 | +1.79 |
| AUD/USD | 0.9271 | -0.89 | -0.26 | -1.09 | +3.97 |
| USD/CAD | 1.0926 | +0.09 | +0.18 | +2.27 | +2.85 |
| USD/BRL | 2.2952 | +0.98 | +1.40 | +3.16 | -2.83 |
| USD/KRW | 1,037.49 | +0.37 | +0.94 | +2.66 | -1.17 |
| COMMODITIES | | | | | |
| Gold(\$/oz) | 1,312.62 | +0.52 | +2.34 | -0.55 | +8.87 |
| WTI crude ³ | 97.34 | +0.43 | -0.85 | -5.98 | -1.10 |
| Brent crd ³ | 104.76 | +0.93 | +0.83 | -3.84 | -5.47 |
| Urals crd ³ | N/A | +0.00 | +0.00 | +0.00 | +0.00 |
| TR/J CRB ⁴ | 293.08 | -0.32 | -0.46 | -3.51 | +4.61 |

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

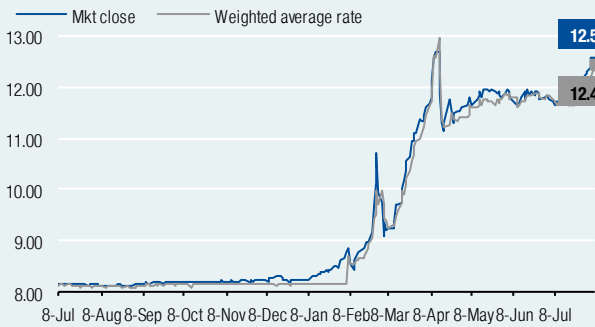
Section on FX market is continued on next page.

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

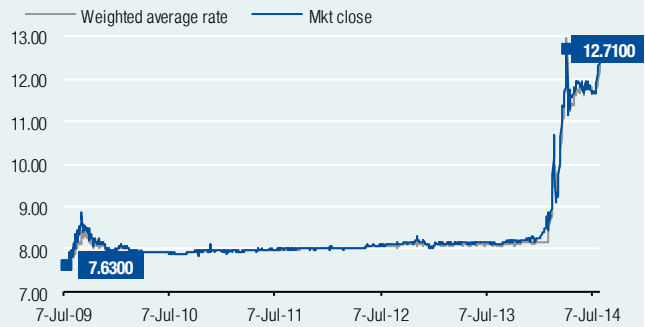
Sources: Bloomberg, Investment Capital Ukraine LLC.

Chart page #1: Foreign-exchange market

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

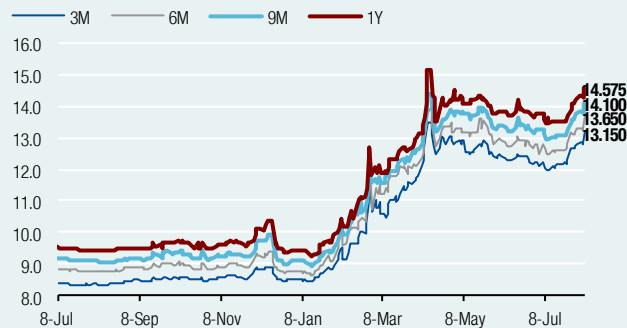


Sources: National Bank of Ukraine, Bloomberg, Investment Capital Ukraine LLC.

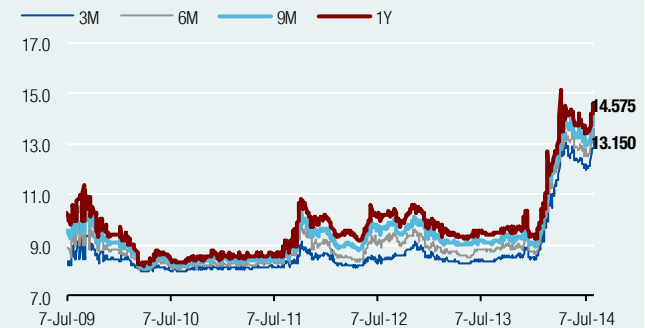


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

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



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

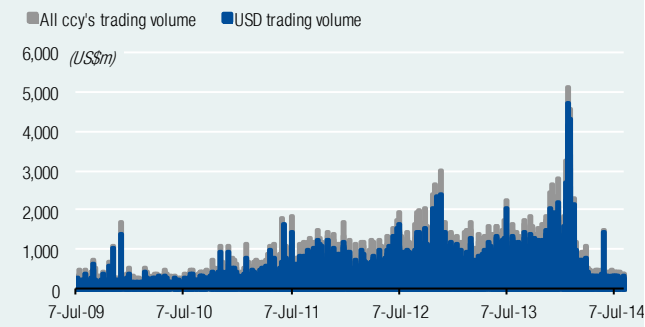


Sources: National Bank of Ukraine, Investment Capital Ukraine LLC.

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

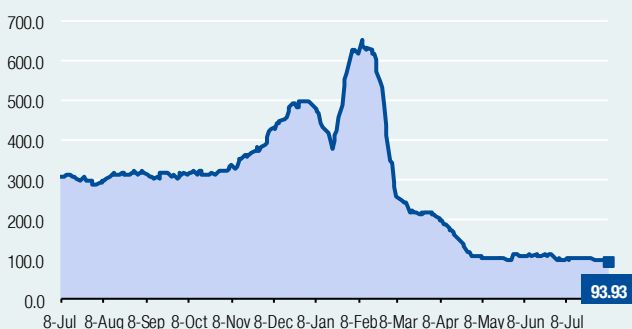


Sources: National Bank of Ukraine, Bloomberg, Investment Capital Ukraine LLC.



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

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



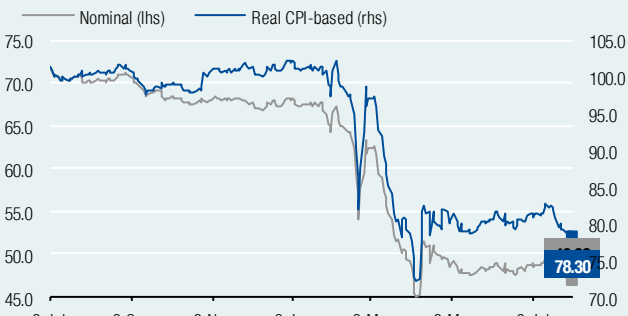
Note: * 30-day moving average; The boxes of the right chart show high and low values. Sources: NBU, State Statistics Service of Ukraine, Bloomberg, Investment Capital Ukraine LLC.



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

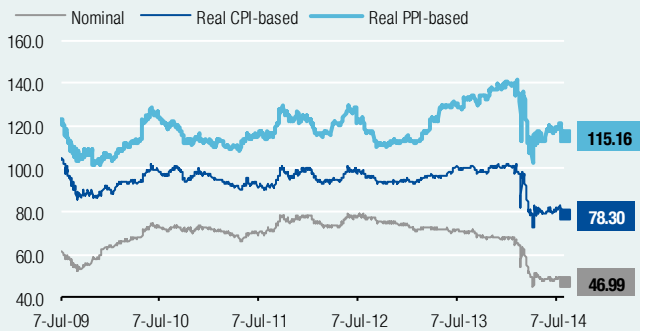
The following charts depict ICU's Ukrainian hryvnia trade-weighted indices which were calculated in accordance with methodology published in the [Quarterly Report "Keep the music playing"](#) dated 31 January 2013 and, then, updated, in the [Quarterly Report "Muddling through no more"](#) dated 14 August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

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



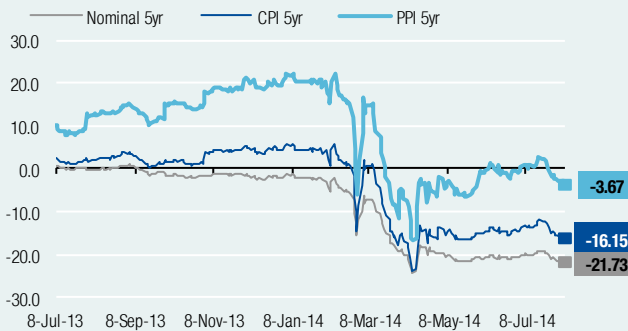
Note: The boxes indicate the last values of the depicted indicators.
Source: Investment Capital Ukraine LLC.

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

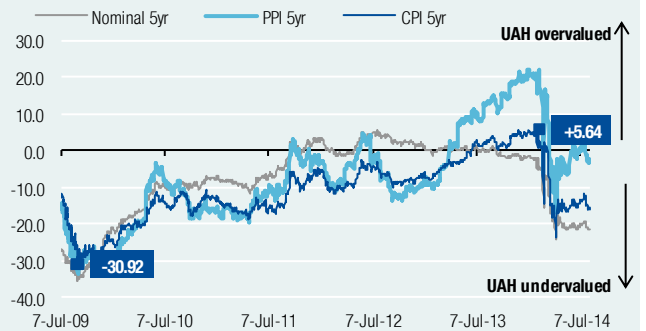


Note: The boxes indicate the last values of the depicted indicators.
Source: Investment Capital Ukraine LLC.

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

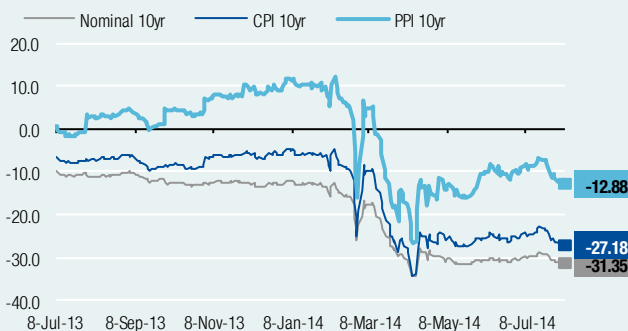


Note: The boxes indicate the last values of the depicted indicators.
Source: Investment Capital Ukraine LLC.

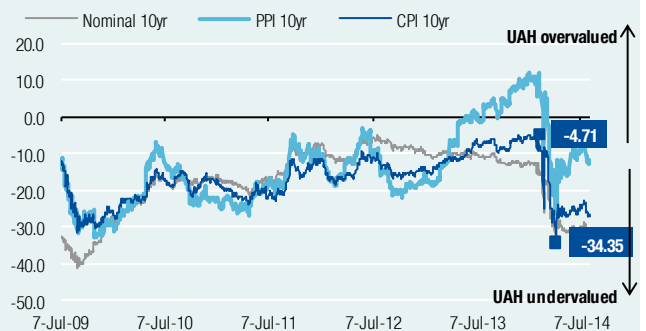


Note: the boxes indicate the high and low values of CPI-based TWI.
Source: Investment Capital Ukraine LLC.

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



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



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

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Disclosures

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

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

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

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

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

DEBT RATING DEFINITIONS

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

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



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