



Bond Market Insight

Weekly review: Downgrade impact

THURSDAY, 26 SEPTEMBER, 2013

RESEARCH INSIGHT

Last week, after positive news during the previous week, Moody's downgraded Ukraine's sovereign rating from B3 to Caa1, causing Ukrainian Eurobonds to decline and increasing negative sentiment.

Domestic bond market. Domestic bonds and money markets were stable without significant volatility. Banking sector liquidity slightly declined through the end of last week, but remained high after total CDs outstanding rose during that period. The MoF received 2.5 times less than the proceeds needed for debt repayments last week. This week, liquidity declined and will be pressured by scheduled month-end tax payments which should be complete mostly by this Friday and ultimately by next Monday.

Eurobond market. The Eurobond market was stable last week while YTM's of US Treasuries declined, possibly improving conditions to enable the offering of a new Ukrainian Eurobond. However, last Friday Moody's cut Ukraine's sovereign rating to Caa1. While this downgrade caused Ukrainian Eurobond prices to fall as their YTM's hit new highs, the exaggerated movement should be temporary as prices stabilize over the next few days or so.

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Key market indicators (as of 25 Sep 2013)

	Last close	Weekly chg (%)	YTD chg (%)
Currencies			
USD/UAH (spot)	8.1793	-0.16	1.61
USD/UAH (1Y NDF)	9.6800	1.04	-0.87
Rates, yields & spreads (%)			
Kiev Prime ON	2.47	12bp	-1,953bp
Kiev Prime 3M	10.50	30bp	-1,350bp
UAH NDF 1Y	19.10	141bp	-323bp
Ukraine CDS 5Y	1bp	159bp	411bp
Libor USD 1yr	0.63	-1bp	-21bp
UST 2yr	0.34	1bp	9bp
UST 10yr	2.63	-12bp	87bp
UKRAINE 17	11.63	223bp	467bp
UKRAINE 23	10.10	84bp	0bp
Money market data (UAHbn)			
Accounts at NBU	25.70	-7.25	15.00
NBU CDs outstanding	6.52	-15.28	0.00
Local currency bond market data (UAHbn)			
Govt bond outstanding	235.51	0.39	26.74
Held by			
NBU	140.77	0.00	33.35
Banks	76.50	1.21	15.82
Other residents	14.09	1.29	60.80
Non-residents	4.15	-3.91	-23.78

Notes: chg – percentage change; bp – basis points.

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

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Market update and news

Domestic bond market

Liquidity volatile at high level

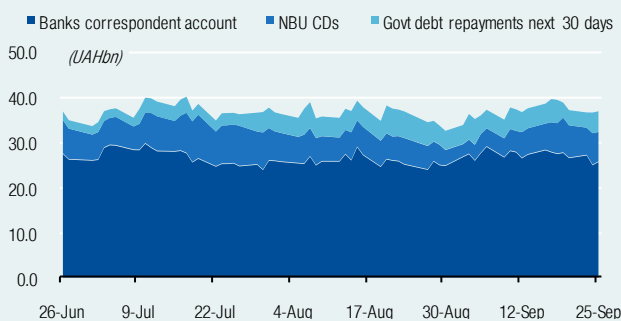
Liquidity declined little last week...

Last week, liquidity was stable, down only UAH1.13bn, while the NBU increased its total CDs outstanding by UAH0.22bn. At the same time, the MoF made significant debt repayments as the total volume of local currency debt repayments fell UAH1.83bn. Details are depicted in the charts below.

...as banks' correspondent accounts with the NBU fell

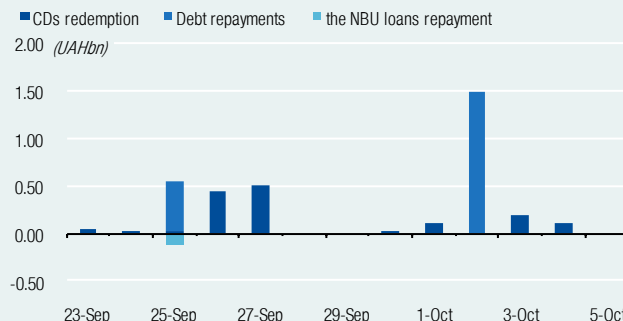
Banks' correspondent accounts last Monday were at UAH28.29bn and declined to UAH26.56bn at the end of last week. It received UAH1.83bn of inflows from the MoF and UAH1.23bn from the NBU, which increased its bond portfolio. Repos and loans were insufficient to have any impact on liquidity.

Chart 1. Banking sector liquidity (UAHbn) (last 3 months)



Sources: MoF, NBU, Investment Capital Ukraine LLC.

Chart 2. Future redemptions of CDs and UAH state bonds (UAHbn)



Sources: MoF, NBU, Investment Capital Ukraine LLC.

This week's rare inflows will not have an impact on liquidity due to month-end tax payments

This week, with few scheduled inflows, began with a liquidity decline which was slightly offset by an increase in total local currency debt repayments scheduled for the next 30 days to keep broader banking sector liquidity slightly above UAH36.00bn. The NBU could support liquidity by reducing its CDs outstanding.

The MoF used friendly demand and bonds with put options in an attempt to refinance repayments

Primary auction results

Although last week's scheduled large debt repayment motivated the MoF to use friendly demand as it routinely does, it unexpectedly announced an additional offering of a FX-denominated bond with a put option. Even more surprising is that it was denominated in Euros, a rare occurrence over at least the last 12-months, but the MoF might have expected to refinance last week's debt repayment in Euros, of which ultimately it only refinanced less than one third of it.

Only two bids appeared to be market demand

Of the seven bids submitted at the auction, only two appeared to be market bids while the other five bids were friendly. The market bids included one bid for US\$0.69m of the USD-denominated bond at 8.25% and one bid for EUR5.0m of the EUR-denominated bond, also at 8.25%.

The MoF raised only UAH1.7bn last week...

The MoF raised UAH1.70bn, predominantly from the five remaining friendly bids, including UAH0.67bn (or EUR61.11m) at the going market rate, while the 5-year and 7-year local currency bonds provided UAH0.62bn and UAH0.41bn, respectively, of funds.

...2.5 times less than needed

As proceeds from last week's auction were 2.5 times less than the scheduled debt repayments, funds from other sources need to offset the shortfall.

Eurobond market

Market improvements hit by the downgrade

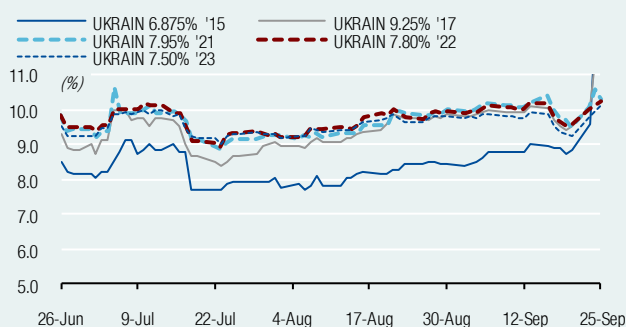
Last week began from lower rates in reaction to the Fed news

Last week, when the Fed announced that it will not tighten QE3 in the near future, bond prices rose and YTM's declined. After beginning the week at 1.62% and 2.87% for the 5-year and 10-year US Treasuries, respectively, they moved to 1.48% and 2.74% last Friday, and then to 1.39 and 2.63%, respectively, yesterday.

YTM's of Ukrainian Eurobonds moved down with spreads tightening slightly

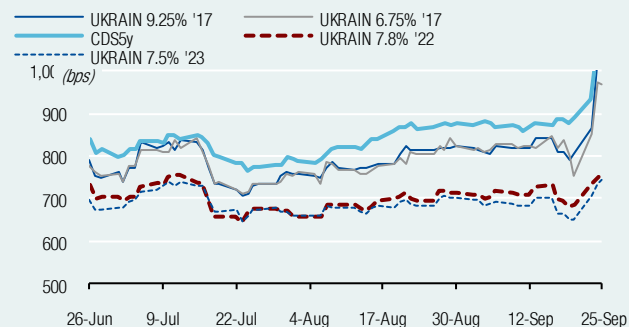
YTM's of Ukrainian Eurobonds followed these movements until last Friday when they significantly declined below 10.0%. Earlier that week, rates were mostly above this level. Spreads tightened insignificantly until last Thursday when the 5-year CDS declined to 879bp (see charts below).

Chart 3. YTM's of some Ukrainian Eurobonds



Source: Bloomberg, Investment Capital Ukraine LLC.

Chart 4. Ukrainian Eurobonds spreads and 5-year CDS



Source: Bloomberg, Investment Capital Ukraine LLC.

But this week started with YTM's increasing on the ratings cut...

However, as shown in the charts above, YTM's jumped significantly at the market open on Monday, as Moody's rating downgrade from B3 to Caa1 occurred after the market close on Friday.

...by Moody's due to a few reasons, partially political risks

The agency cited three main factors for the downgrade: (1) the ongoing decline of FX reserves; (2) weak state revenues; and (3) the risk of political retaliation from Russia if Ukraine does not sign its Customs Union trade agreement as it is expected to this November.

The rating cut arrives at an inopportune moment as Ukraine faces increasingly negative sentiment toward its macroeconomic outlook for the domestic private sector and foreign funding prospects.

Ferrexpo acquires 14% of Brazilian iron ore producer

Ferrexpo (FXPO LN; US\$2.96; Buy; TP US\$4.48) yesterday announced that it acquired a 14.4% strategic stake in Ferrous Resources, a producing iron ore company having a 4bnt resource base and operating in the iron ore quadrangle of the Minas Gerais region of Brazil. Total consideration for the stake, which was acquired between January and September 2013, was approximately US\$80m. As of June 2013, Ferrous Resources had a production run rate of approximately 5mtpa of 62% Fe iron ore fines and may expand its production to 15mtpa based on the current permits.

Management stated that the acquisition would allow Ferrexpo to have access to a good quality asset in a major iron ore producing region, to extend its knowledge on marketing iron ore fines, and to share experience in the beneficiation of iron ore.

We believe that the key benefit in acquiring Ferrous Resources for Ferrexpo is obtaining access to experience in marketing iron ore fines in key international markets, a crucial addition as the company is ramping up extraction volumes at its recently launched Yeristovo Mine. As Ferrexpo is limited in its production capacity of 12mtpa of pellets, it may soon consider entering the market of another iron ore product, fines, before realizing plans on construction of another pelletiser. This is positive as it is an opportunity for the company to expand sales above the production capacity limits stated in our current model.

Table 1. Ferrexpo Eurobond quotation as of market close, 26 September 2013

Issuer	Moody's/S&P/Fitch	Ccy	Volume	Coupon rate (%)	Maturity	Price (%)	YTW (%)	Spread (bp)
Ferrexpo	Caa1/B/B	USD	500m	7.875	07-Apr-16	93.375	10.956	1,029.46

Source: Bloomberg

DTEK's 1H13 EBITDA slips 12% YoY

Although DTEK's revenues from sales grew 14.4% YoY to US\$5.5bn, its EBITDA declined 11.7% YoY to US\$879m and net profit dropped 59.7% YoY to US\$150m, the company reported in its 1H13 financial results announcement yesterday. Moreover, DTEK stated that its capex increased 8% YoY to US\$568m, while free cash flow declined further to negative US\$337m versus negative US\$176m in 1H12. Although DTEK's net debt rose to US\$2.6bn as of 1 July 2013 versus US\$2bn as of year-end 2012, the company kept its leverage robust, with net debt/EBITDA of 1.3x versus 0.9x as of year-end 2012.

On the conference call, the company's management stated that for full-year 2013 they expect ROM coal production to inch up 3% to 41mt as a result of the consolidation of Russian assets acquired in 2H12 and electricity output to remain mostly flat at 51TWh due to higher export sales offsetting the decline in domestic sales. On the outlook for issuing more Eurobond debt, management stated they saw no opportunities within the next six months, but that they would launch an offering if they could achieve a 7-8% coupon rate, as they did in April 2013. While management plans capex of US\$1.5bn for full-year 2013, they would revise this figure in the current volatile market environment to remain within their targeted Net debt/EBITDA of below 2x.

In line with our expectations, DTEK's profits saw increasing pressure from production costs against the backdrop of falling coal prices in Ukraine and Europe and declining electricity production. The drop in prices for exported coal and electricity was particularly sharp to the extent that it overrode the positive effect of rising sales volumes and was aggravated even further by declining sales volumes and prices of domestic coal. In addition, DTEK's EBITDA was negatively impacted by the decrease in heat tariff compensation for its subsidiary Kyivenergo due to a one-time item recorded in 1H12.

Although we believe that coal prices in Ukraine and Europe, as well as European electricity tariffs, hit bottom in 1H13, we expect a weak market environment in 2H13, thus making any substantial recovery in the company's EBITDA unlikely, resulting in shrinking profits for full-year 2013. However, we do not expect further significant weakening of DTEK's leverage and the company to maintain its Net Debt/EBITDA ratio well below 2x at year-end 2013.

Table 2. Highlights of DTEK's 1h13 financial results

US\$m	1H12	1H13	Change (% YoY)
Revenues	4,787	5,477	14.4
EBITDA	996	879	-11.7
EBITDA margin (%)	21	16	
Net profit	372	150	-59.7
CAPEX (excluding VAT)	526	568	8.0
Free cash flow (excluding M&A)	-176	-337	91.5

Source: DTEK

Table 3. DTEK Eurobond quotation as of market close, 26 September 2013

Issuer	Moody's/S&P/Fitch	Ccy	Volume	Coupon rate (%)	Maturity	Price (%)	YTW (%)	Spread (bp)
DTEK	Caa1/--/B	USD	500m	9.50	28-Apr-15	100.875	8.883	856
DTEK	Caa1/--/B	USD	750m	7.875	04-Apr-18	86.75	11.743	1,034

Source: Bloomberg

Moody's downgrades the ratings of 11 Ukrainian banks

Moody's has downgraded 11 Ukrainian banks following the sovereign rating reduction from B3 to Caa1. We believe that this decision has been made solely due to drop of the ceiling cap for issuers based in Ukraine. In our opinion, the downgrade will have a negative impact on the ability of these institutions to raise funds from foreign markets and their bond prices will suffer as a result. The following institutions' ratings have been downgraded from B3 to Caa1 with a stable outlook: Privatbank, Oschadbank, Ukreximbank, Raiffeisenbank Aval, Prominvestbank, Subsidiary Bank Sberbank of Russia, First Ukrainian International Bank, OTP Bank, Pivdennyi Bank, Credit Dnepr and Ukribank. Prior to this announcement, the ratings of VAB Bank and Bank of Finance and Credit were already at Caa1; these institutions could be cut further in the near future.

Appendixes

The following pages contain tabular information on the local fixed-income market. There are tables that detail government debt repayments such as a weekly schedule for current year and quarterly schedule for next 5 years.

UAH bond market

Table 4. Ukrainian local-currency government bonds as of 25 Sep 2013

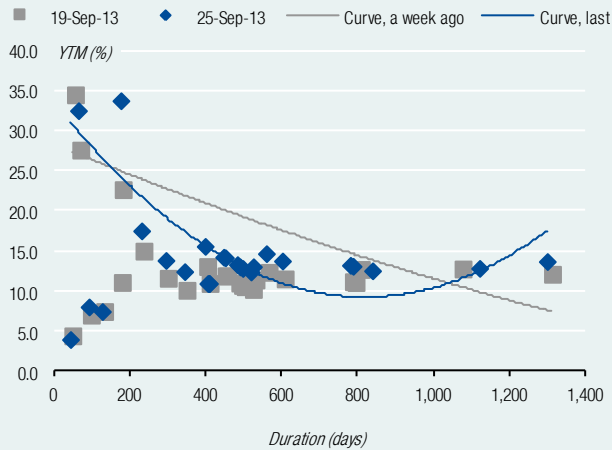
Ticker	Volume (UAHm)	Coupon rate (%)	Maturity	Price (% of par)	YTM (%)	Weekly price chg (bp)	Weekly yield chg (bp)	Duartion (years)	1W daily avg turnover (UAHm)	1W total turnover (UAHm)	Total turnover (UAHm)	Liquidity ratio*
146088	2,278.75	9	13-Nov-13	99.688	42.08	-25	759	0.13	0.00	0.00	2,117.85	0.93
138002	699.38	9.3	27-Nov-13	99.688	32.51	-25	491	0.17	8.28	8.28	2,010.46	2.87
138846	774.43	4.8	25-Dec-13	100.438	8.07	-13	102	0.25	0.00	0.00	0.00	0.00
108823	2,705.00	10.97	29-Jan-14	101.197	7.50	-6	0	0.35	42.43	212.17	16,387.96	6.06
140362	1,397.24	9.2	21-May-14	98.625	17.54	-113	252	0.63	8.33	24.99	1,004.15	0.72
157135	2,404.71	7.97	23-Jul-14	97.250	13.86	-138	222	0.81	0.00	0.00	164.86	0.07
158794	1,239.16	7.5	10-Sep-14	96.250	12.46	-175	232	0.94	33.60	168.02	1,076.50	0.87
149231	998.59	8.32	19-Nov-14	96.000	15.61	-213	251	1.09	19.53	97.66	946.75	0.95
151278	1,203.11	8.5	7-Jan-15	95.750	14.27	-225	232	1.22	12.18	24.36	294.89	0.25
000999	157.41	9.6	14-Jan-15	97.000	14.19	-225	227	1.23	0.00	0.00	0.00	0.00
155485	1,787.18	8.09	11-Feb-15	95.000	13.34	-244	230	1.32	40.27	201.36	3,140.64	1.76
157143	408.97	8.02	18-Feb-15	95.000	13.05	-250	231	1.34	0.00	0.00	0.00	0.00
157127	404.19	8.02	25-Feb-15	95.000	12.86	-250	227	1.36	9.62	48.11	1,578.12	3.90
160642	1,651.62	7.75	18-Mar-15	94.500	12.42	-250	217	1.42	39.81	199.05	3,230.82	1.96
142699	2,550.06	9.45	22-Apr-15	99.546	13.08	-194	165	1.44	55.43	277.16	8,448.02	3.31
142681	442.53	4.8	6-May-15	101.938	4.01	13	-46	0.12	0.00	0.00	0.00	0.00
141071	1,239.59	9.45	27-May-15	96.250	14.70	-288	232	1.53	47.46	237.31	5,202.27	4.20
142673	1,431.38	4.5	17-Jun-15	88.625	86.15	-269	2,793	0.23	0.00	0.00	0.00	0.00
144083	18.24	9.45	8-Jul-15	96.000	13.79	-300	223	1.65	0.00	0.00	0.00	0.00
82531	819.13	5.5	21-Aug-15	94.559	10.99	7	0	1.11	0.01	0.01	1,194.05	1.46
82622	3,321.95	5.5	24-Aug-15	94.523	10.99	4,360	-8,900	1.12	7.41	14.83	6,433.87	1.94
83059	2,413.91	5.5	25-Aug-15	94.511	10.99	4,367	-8,901	1.12	0.12	0.23	4,868.53	2.02
152441	2,632.92	8.25	27-Jan-16	92.250	13.26	-350	204	2.14	0.00	0.00	55.17	0.02
153282	72.88	8.25	3-Feb-16	92.250	13.13	-350	202	2.16	0.00	0.00	71.92	0.99
160923	2,453.79	7.5	16-Mar-16	90.250	33.74	-350	1,107	0.48	0.00	0.00	0.00	0.00
160907	234.62	8	23-Mar-16	91.250	12.57	-350	-17	2.30	0.00	0.00	151.96	0.65
160915	2,453.79	8.25	22-Mar-17	88.375	12.87	-413	8	3.07	0.00	0.00	0.00	0.00
151286	4,335.03	7.5	20-Dec-17	83.625	13.72	-413	158	3.56	0.00	0.00	0.00	0.00

Notes: 1W - last 7-day period; turnover figures are trade volumes for a bond reported by PFTS; total turnover - total volume of trades with the bond at PFTS since issue date; [*] liquidity ratio - ratio of total turnover to bond's volume in outstanding.

Sources: Bloomberg, PFTS, Investment Capital Ukraine LLC.

Chart 5. Shape of the local-currency sovereign yield curve

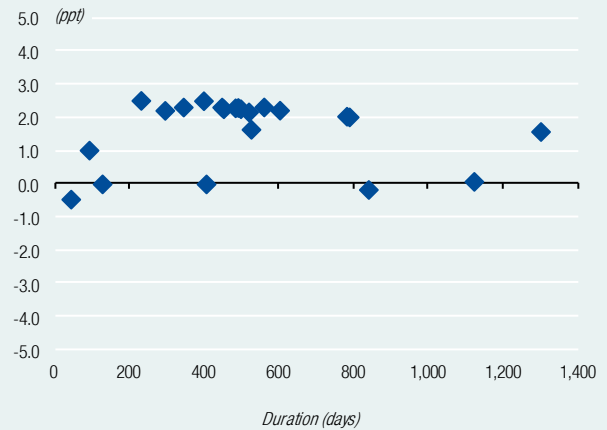
Last one compared to 1 week ago



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

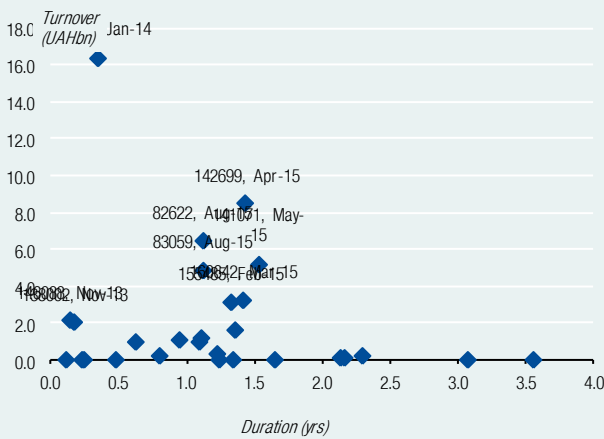
Chart 6. Movement of the local-currency sovereign yield curve

Over last week, in percentage points



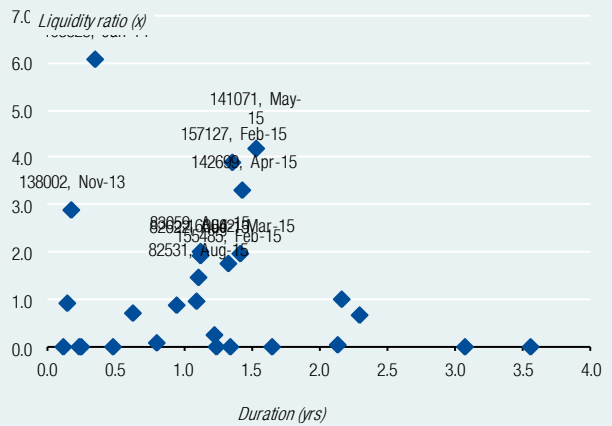
Sources: Ministry of Finance, Bloomberg, PFTS, Investment Capital Ukraine LLC.

Chart 7. Map of Ukraine's local-currency government bonds by total turnover plotted against their duration



Note: Total turnover and duration are taken from Table 4, page 7. The bonds with turnover of UAH2bn and more have labels, which consist of PFTS ticker and after a coma month and year of maturity.
Sources: Ministry of Finance, Bloomberg, PFTS, Investment Capital Ukraine LLC.

Chart 8. Map of Ukraine's local-currency government bonds by liquidity ratio plotted against their duration



Note: Total turnover and duration are taken from Table 4, page 7. The bonds with liquidity ratio of 1.1x and more have labels, which consist of PFTS ticker and after a coma month and year of maturity.
Sources: Ministry of Finance, Bloomberg, PFTS, Investment Capital Ukraine LLC.

Eurobond market

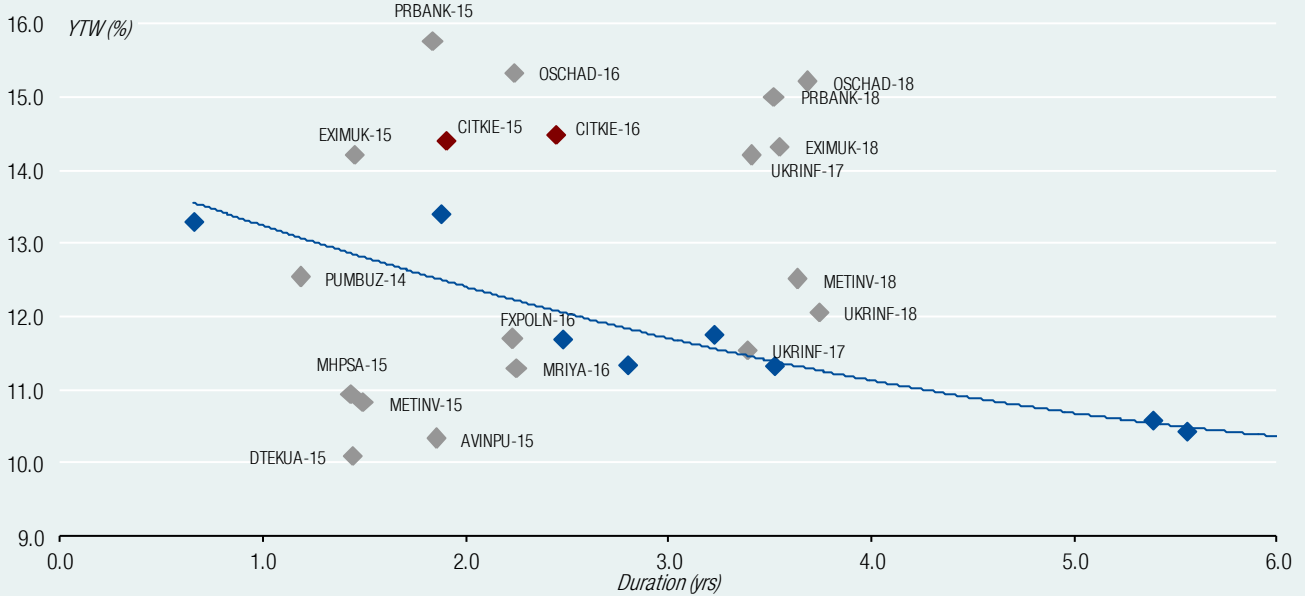
Table 5. Ukrainian Eurobonds as of 25 Sep 2013

Ticker	Issuer	Ratings	Volume (million)	Curr- ency	Coupon rate (%)	Maturity	Price (% of par)	YTM (%)	Weekly price chg (bp)	Weekly yield chg (bp)	Spread (bp)	Duration (years)
UKRAIN-14	Ministry of Finance	Caa1 /*-/B/B	1,000.0	USD	7.95	4-Jun-14	96.870	12.89	-282	450	1,216	0.66
UKRAIN-15	Ministry of Finance	Caa1 /*-/B/B	500.0	USD	6.875	23-Sep-15	90.088	12.70	-604	365	1,167	1.87
UKRAIN-15	Ministry of Finance	Caa1 /*-/B/B	600.0	EUR	4.95	13-Oct-15	95.625	7.34	0	2	705	1.89
UKRAIN-16	Ministry of Finance	Caa1 /*-/B/B	1,250.0	USD	6.25	17-Jun-16	88.249	11.40	-511	236	1,045	2.47
UKRAIN-16	Ministry of Finance	Caa1 /*-/B/B	1,000.0	USD	6.58	21-Nov-16	88.307	11.09	-504	204	1,017	2.79
UKRAIN-17	Ministry of Finance	Caa1 /*-/B/B	2,600.0	USD	9.25	24-Jul-17	92.797	11.63	-671	223	1,010	3.22
UKRAIN-17	Ministry of Finance	Caa1 /*-/B/B	700.0	USD	6.75	14-Nov-17	85.969	11.08	-489	161	942	3.52
UKRAIN-20	Ministry of Finance	Caa1 /*-/B/B	1,500.0	USD	7.75	23-Sep-20	86.975	10.42	-366	80	761	5.39
UKRAIN-21	Ministry of Finance	Caa1 /*-/B/B	1,500.0	USD	7.95	23-Feb-21	87.994	10.31	-283	59	753	5.55
UKRAIN-22	Ministry of Finance	Caa1 /*-/B/B	2,250.0	USD	7.8	28-Nov-22	85.592	10.26	-372	69	748	6.29
UKRAIN-23	Ministry of Finance	Caa1 /*-/B/B	1,250.0	USD	7.5	17-Apr-23	84.286	10.10	-469	84	737	6.46
CITKIE-15	Kyiv	Caa1 /*-/B-/B-	250.0	USD	8	6-Nov-15	89.875	13.71	-388	231	1,271	1.90
CITKIE-16	Kyiv	Caa1 /*-/B-/B-	300.0	USD	9.375	11-Jul-16	90.063	13.78	-369	172	1,245	2.44
FICBUA-14	Finance and Credit Bank	Caa1 /*- /NR/NR	95.0	USD	10.5	25-Jan-14	90.760	42.81	586	339	2,914	0.34
AGTPW-14	Agroton	NR/NR/C	50.0	USD	12.5	14-Jul-14	59.750	104.60	-281	1,176	7,430	0.74
NAFTO-14	Naftogaz of Ukraine	NR/NR/B	1,595.0	USD	9.5	30-Sep-14	94.125	16.11	-475	541	1,520	0.97
PUMBUZ-14	FUIB	Caa1 /*- /NR/NR	252.5	USD	11	31-Dec-14	99.375	11.54	-244	208	1,038	1.18
EXIMUK-15	Ukreximbank	Caa1 /*-/NR/B	750.0	USD	8.375	27-Apr-15	93.000	13.45	-413	308	1,237	1.45
DTEKUA-15	DTEK	Caa1 /*-/NR/B	500.0	USD	9.5	28-Apr-15	100.000	9.49	-300	203	856	1.44
MHPSA-15	MHP	Caa1 /*-/NR/B	584.8	USD	10.25	29-Apr-15	100.000	10.24	-450	304	922	1.44
METINV-15	Metinvest Holding	Caa1 /*-/NR/B	500.0	USD	10.25	20-May-15	99.938	10.28	-481	314	940	1.49
PRBANK-15	Pryvatbank	Caa1 /*-/NR/B	200.0	USD	9.375	23-Sep-15	90.375	15.19	-319	204	1,430	1.84
AVINPU-15	Avangard	NR/NR/B	200.0	USD	10	29-Oct-15	100.313	9.82	-181	96	899	1.85
EXIMUK-16	Ukreximbank	Caa2 /*- /NR/CCC	125.0	USD	8.4	9-Feb-16	80.250	16.20	-575	338	1,472	2.20
OSCHAD-16	Oshchadbank	Caa1 /*-/NR/B	500.0	USD	8.25	10-Mar-16	86.500	15.05	-563	301	1,412	2.23
MRIYA-16	Mriya Agroholding	NR/B/B	250.0	USD	10.95	30-Mar-16	100.375	10.77	-319	145	960	2.25
FXPOLN-16	Ferrexpo PLC	Caa1 /*-/B/B	500.0	USD	7.875	7-Apr-16	92.563	11.35	-419	201	1,036	2.23
NADRA-17	Nadra Bank	WR/NR/WD	59.7	USD	8	22-Jun-17	85.166	17.90	-51	55	1,486	1.73
INPIP-17	Interpipe	NR/NR/CCC	200.0	USD	10.25	2-Aug-17	79.563	17.81	-731	298	1,569	3.13
UKRINF-17	Infrastructure Projects Fin	Caa1 /*- /NR/NR	538.0	USD	8.375	3-Nov-17	90.688	11.27	0	1	960	3.39
UKRINF-17	Infrastructure Projects Fin	(P)Caa1 /*- /NR/NR	550.0	USD	9	7-Dec-17	85.066	13.81	-755	256	1,202	3.41
EXIMUK-18	Ukreximbank	Caa1 /*-/NR/B	500.0	USD	8.75	22-Jan-18	83.500	13.96	-431	149	1,221	3.54
METINV-18	Metinvest Holding	Caa1 /*-/NR/B	750.0	USD	8.75	14-Feb-18	88.563	12.20	-531	167	1,049	3.63
PRBANK-18	Pryvatbank	Caa1 /*-/NR/B	175.0	USD	10.875	28-Feb-18	88.125	14.61	-494	164	1,283	3.52
OSCHAD-18	Oshchadbank	Caa1 /*-/NR/B	500.0	USD	8.875	20-Mar-18	80.875	14.88	-463	162	1,317	3.68
UKRINF-18	Infrastructure Projects Fin	Caa1 /*- /NR/NR	690.0	USD	7.4	20-Apr-18	84.813	11.80	0	1	1,014	3.74
VABANK-14	VAB Bank	Caa1 /NR/WD	112.5	USD	10.5	14-Jun-14	82.250	36.23	0	0	3,757	0.78
PRBANK-16	Pryvatbank	B3/NR/NR	150.0	USD	8.75	9-Feb-16	77.507	17.89	-300	191	1,568	2.20
OSCHAD-16	Oshchadbank	NR/NR/B	200.0	USD	8.25	10-Mar-16	0.000	0.00	0	0	0	0.00

Sources: Bloomberg, Investment Capital Ukraine LLC.

Chart 9. Term structure of yields of Ukrainian Eurobonds as of 25 Sep 2013

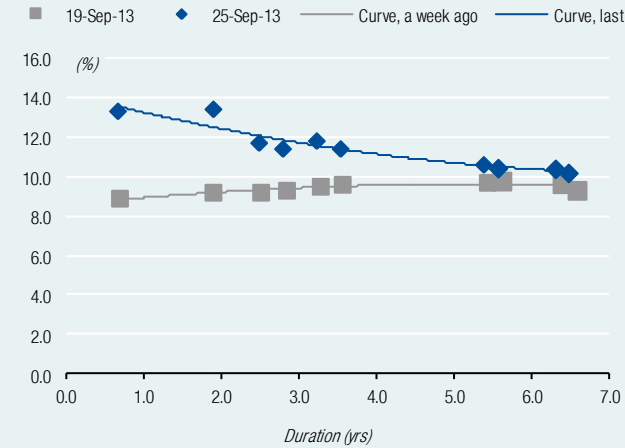
Blue dots are Ukraine sovereign Eurobonds; grey dots are corporate Eurobonds and red ones are municipal Eurobonds



Sources: Bloomberg, Investment Capital Ukraine LLC..

Chart 10. Shape of the USD sovereign yield curve at Eurobond market

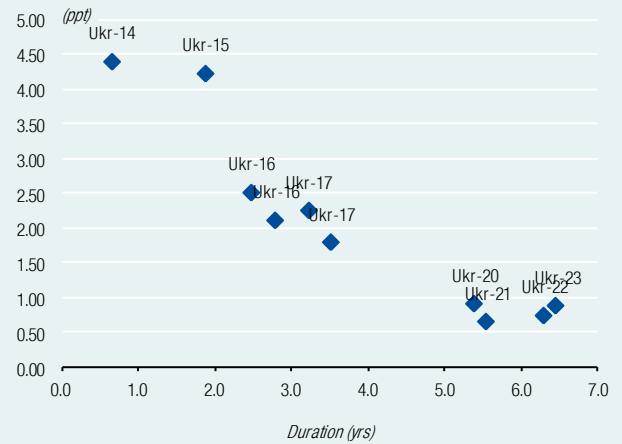
Last one compared to 1 week ago



Sources: Bloomberg, Investment Capital Ukraine LLC.

Chart 11. Movement of the USD sovereign yield curve at Eurobond market

Over last week, in percentage points



Note: each point of the chart has a label, where "Ukr" means Ukraine sovereign bond and a two-digit figure after a dash means year of maturity of the bond.
Sources: Bloomberg, Investment Capital Ukraine LLC.

Primary market for UAH state bonds

Table 6. Primary market for local-currency government bonds: results of recent auctions

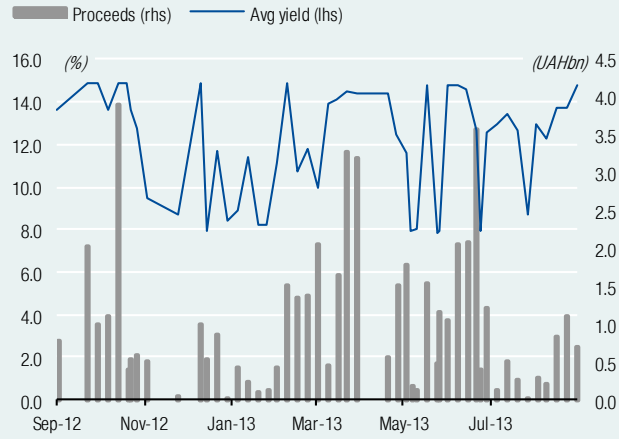
Date	Qty of bonds offered/sold	Proceeds (UAHm)	Volume of bonds sold* (UAHm)	Volume of bids submitted (UAHm)	Qty of bids submitted	Lowest yield asked** (%)	Highest yield asked** (%)	MoF cut-off yield (%)	Qty of bids accepted	Average yield (%)	WA yield (%)	Average duration (years)	WA duration (years)
24-Sep-13	3 / 2	694.79	677.00	678.61	6	8.25	14.30	9.52	4	14.82	14.84	4.07	4.42
17-Sep-13	3	1,093.44	1,021.00	1,081.01	6	4.80	14.30	11.12	5	13.68	14.66	3.20	3.87
10-Sep-13	4 / 3	840.87	794.63	820.02	10	8.25	14.30	9.20	9	13.73	14.70	3.34	3.52
3-Sep-13	5 / 2	207.13	207.00	282.10	11	0.00	16.00	4.86	3	12.29	10.40	5.37	6.44
27-Aug-13	4	302.20	166.64	319.64	14	7.75	14.30	11.26	12	12.91	13.24	3.09	2.79
20-Aug-13	2	20.07	20.00	20.00	3	8.25	8.75	8.50	3	8.74	8.85	2.23	2.46
13-Aug-13	5	250.03	228.63	249.60	8	7.75	14.30	10.66	8	12.70	13.99	2.68	2.06
6-Aug-13	2	513.53	496.03	530.43	9	8.25	14.30	11.28	4	13.44	14.80	3.08	4.50
30-Jul-13	3	120.84	85.84	149.34	12	7.75	14.25	10.08	7	12.92	10.47	1.82	1.50
23-Jul-13	3	1,214.05	1,209.77	1,214.82	16	7.70	14.25	10.08	16	12.57	14.55	1.99	2.39
18-Jul-13	1	388.81	395.00	395.00	5	7.75	7.75	7.75	5	7.89	7.89	0.21	0.21
16-Jul-13	5	3,582.50	3,375.00	3,581.70	20	7.75	14.30	10.66	19	12.63	14.57	2.69	3.52
9-Jul-13	3	2,076.42	2,068.40	2,168.40	11	7.75	14.30	12.10	10	14.63	14.79	2.87	3.81
2-Jul-13	2	2,057.20	2,024.50	2,024.50	6	14.25	14.30	14.28	6	14.82	14.79	4.06	3.66
25-Jun-13	2	1,039.05	1,023.50	1,023.50	3	14.25	14.30	14.28	3	14.82	14.83	4.08	4.24
20-Jun-13	1	1,164.57	1,197.21	1,197.21	5	7.75	7.75	7.75	5	7.94	7.94	0.36	0.36
18-Jun-13	1	476.54	490.00	490.00	7	7.75	7.75	7.75	7	7.88	7.88	0.37	0.37
11-Jun-13	2	1,541.07	1,526.95	1,526.95	5	14.25	14.30	14.28	5	14.82	14.82	4.12	4.09
4-Jun-13	3	137.29	120.00	160.91	10	7.75	8.00	7.83	9	8.04	7.93	1.68	0.66
31-May-13	1	172.94	172.00	172.00	3	7.75	7.75	7.75	3	7.89	7.89	1.82	1.82
28-May-13	5	1,795.19	1,343.20	1,785.55	21	7.45	14.30	10.35	20	11.56	13.35	3.38	3.57
21-May-13	5	1,507.16	1,330.51	1,494.19	18	7.75	14.30	10.41	18	12.45	14.45	2.72	3.80
14-May-13	3	553.10	551.00	576.00	7	7.75	14.25	12.08	6	14.39	14.72	2.68	3.47
23-Apr-13	3	3,203.98	3,222.60	3,373.40	9	10.00	14.30	12.85	7	14.36	14.70	3.19	3.84
16-Apr-13	4 / 3	3,271.44	3,263.16	3,323.16	16	0.00	14.30	9.08	13	14.49	14.64	2.95	3.35
9-Apr-13	4	1,655.82	1,668.80	2,013.80	15	7.75	14.30	11.71	9	14.15	14.64	2.52	3.24
2-Apr-13	2	439.11	438.59	553.59	9	8.75	14.30	11.53	5	13.93	14.72	2.30	3.40
26-Mar-13	6	2,051.93	1,395.00	2,320.75	22	7.50	15.00	9.38	14	9.96	12.99	2.65	3.43
19-Mar-13	7	1,363.25	1,325.00	2,042.79	42	7.00	14.50	10.03	18	11.78	13.29	2.52	2.08
12-Mar-13	4	1,339.81	1,150.00	1,386.84	37	7.50	14.30	9.40	19	10.72	14.43	2.48	3.40
5-Mar-13	2	1,511.60	1,500.13	1,500.13	4	14.30	14.30	14.30	4	14.84	14.84	4.13	3.80
26-Feb-13	4	422.74	369.92	425.67	22	7.50	14.30	9.59	17	11.08	9.96	2.28	1.78
19-Feb-13	1	126.77	126.50	131.70	11	8.00	8.10	8.07	10	8.23	8.23	1.86	1.86
12-Feb-13	2 / 1	92.01	92.00	156.00	9	8.05	8.25	4.05	6	8.26	8.26	1.88	1.88
5-Feb-13	3	236.41	157.04	243.57	15	8.00	14.30	10.23	10	11.38	13.60	2.78	3.10
29-Jan-13	2	422.29	100.00	421.90	6	8.25	9.20	8.73	5	8.92	8.66	2.68	2.70
22-Jan-13	3 / 1	11.09	11.00	736.46	24	8.20	17.00	2.75	4	8.41	8.41	1.84	1.84
15-Jan-13	3	859.91	457.00	856.33	10	8.25	14.30	10.58	6	11.71	12.07	2.81	3.07
8-Jan-13	2	533.61	532.00	532.00	2	7.50	8.50	8.00	2	7.92	7.58	3.04	4.22
3-Jan-13	1	1,006.09	1,000.00	1,000.00	1	14.30	14.30	14.30	1	14.84	14.84	3.69	3.69

Notes: the tables depicts the history of last 40 auctions; [*] - volume of bonds sold at the auction at par value; [**] - lowest and highest yields that are indicated in the bid orders submitted to the auction in order to buy all bonds offered by MoF.

Sources: Ministry of Finance, Investment Capital Ukraine LLC.

Chart 12. Effective yield of debt raised by MoF and total volume of proceeds at the government bond auctions

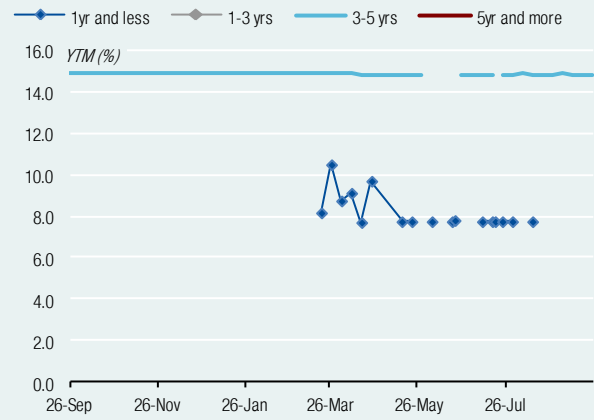
Last 12-month period



Sources: Ministry of Finance, Investment Capital Ukraine LLC.

Chart 13. Yield-to-maturity of government bonds sold at auctions, breakdown by duration of bonds sold

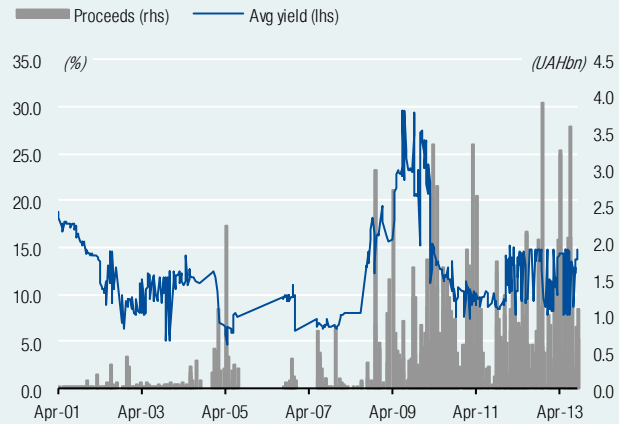
Last 12-month period



Sources: Ministry of Finance, Investment Capital Ukraine LLC.

Chart 14. Effective yield of debt raised by MoF and total volume of proceeds at the government bond auctions

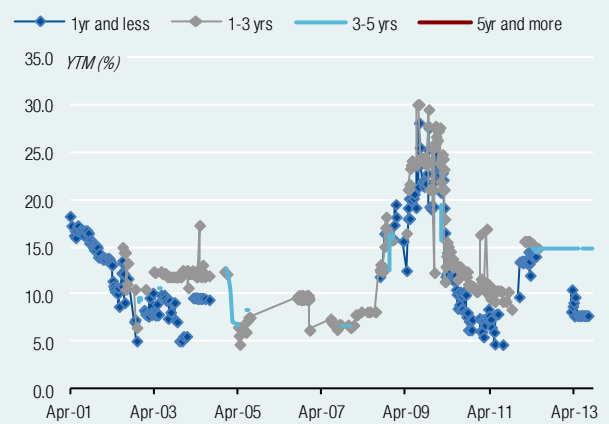
History since April 2001 to present



Sources: Ministry of Finance, Investment Capital Ukraine LLC.

Chart 15. Yield-to-maturity of government bonds sold at auctions, breakdown by duration of bonds sold

History since April 2001 to present



Sources: Ministry of Finance, Investment Capital Ukraine LLC.

UAH state bonds outstanding

Table 7. Outstanding of local-currency government bonds

ISIN	Bond type	Outstanding volume (UAH)	Coupon rate (%)	Payment frequency	Amortisation option	Put option	Next put	Maturity date
Government UAH bonds								
UA4000170740	Zero-coupon bonds	1,230,743,000.00		Upon maturity	No	No		2-Oct-2013
UA4000171656	Zero-coupon bonds	131,300,000.00		Upon maturity	No	No		16-Oct-2013
UA4000048508	Coupon bonds	745,002,000.00	12.00	Semi-annually	No	No		23-Oct-2013
UA4000166193	Zero-coupon bonds	1,857,210,000.00		Upon maturity	No	No		30-Oct-2013
UA4000048391	Coupon bonds	415,001,000.00	12.00	Semi-annually	No	No		6-Nov-2013
UA4000160618	Zero-coupon bonds	370,000,000.00		Upon maturity	No	No		18-Dec-2013
UA4000108823	Coupon bonds	2,705,000,000.00	10.97	Semi-annually	No	No		29-Jan-2014
UA4000134936	Coupon bonds	2,745,100,000.00	15.00	Semi-annually	No	No		5-Feb-2014
UA4000137277	Coupon bonds	1,750,000,000.00	15.00	Semi-annually	No	No		12-Mar-2014
UA4000160899	Zero-coupon bonds	497,000,000.00		Upon maturity	No	No		19-Mar-2014
UA4000115117	Coupon bonds	1,525,000,000.00	10.75	Semi-annually	No	No		26-Mar-2014
UA4000118871	Coupon bonds	1,437,350,000.00	10.13	Semi-annually	No	No		30-Apr-2014
UA4000051403	Coupon bonds	1,000,000,000.00	15.60	Semi-annually	No	No		14-May-2014
UA4000123863	Coupon bonds	752,000,000.00	10.10	Semi-annually	No	No		9-Jul-2014
UA4000064026	Coupon bonds	1,000,000.00	18.50	Semi-annually	No	No		21-Jan-2015
UA4000064166	Coupon bonds	451,875,000.00	15.00	Semi-annually	No	No		28-Jan-2015
UA4000141592	Coupon bonds	250,000,000.00	14.30	Semi-annually	No	No		20-May-2015
UA4000106181	Coupon bonds	80,002,000.00	9.50	Quarterly	Yes	Yes	13-Jul-2016	13-Jul-2016
UA4000107528	Coupon bonds	9,450,000.00	12.50	Quarterly	Yes	No		20-Jul-2016
UA4000138853	Coupon bonds	1,928,720,000.00	14.30	Semi-annually	No	No		5-Apr-2017
UA4000142665	Coupon bonds	1,759,740,000.00	14.30	Semi-annually	No	No		24-May-2017
UA4000145973	Coupon bonds	1,810,000,000.00	14.30	Semi-annually	No	No		2-Aug-2017
UA4000148027	Coupon bonds	1,824,455,000.00	14.30	Semi-annually	No	No		11-Oct-2017
UA4000148571	Coupon bonds	1,890,000,000.00	14.30	Semi-annually	No	No		18-Oct-2017
UA4000151203	Coupon bonds	1,493,409,000.00	14.30	Semi-annually	No	No		13-Dec-2017
UA4000157119	Coupon bonds	2,500,330,000.00	14.30	Semi-annually	No	No		7-Feb-2018
UA4000160626	Coupon bonds	1,818,593,000.00	14.30	Semi-annually	No	No		7-Mar-2018
UA4000162127	Coupon bonds	2,751,160,000.00	14.30	Semi-annually	No	No		4-Apr-2018
UA4000165765	Coupon bonds	1,585,600,000.00	14.25	Semi-annually	No	No		11-Apr-2018
UA4000166219	Coupon bonds	400,000,000.00	14.25	Semi-annually	No	No		18-Apr-2018
UA4000166201	Coupon bonds	2,254,507,000.00	14.25	Semi-annually	No	No		2-May-2018
UA4000168082	Coupon bonds	3,050,250,000.00	14.25	Semi-annually	No	No		16-May-2018
UA4000171391	Coupon bonds	1,803,816,000.00	14.25	Semi-annually	No	No		27-Jun-2018
UA4000170732	Coupon bonds	3,853,400,000.00	14.25	Semi-annually	No	No		4-Jul-2018
UA4000174239	Coupon bonds	641,000,000.00	14.25	Semi-annually	No	No		5-Sep-2018
UA4000138861	Coupon bonds	2,160,000,000.00	14.00	Semi-annually	No	No		17-Apr-2019
UA4000142137	Coupon bonds	1,900,000,000.00	14.13	Semi-annually	No	No		22-May-2019
UA4000146997	Coupon bonds	1,996,041,000.00	14.30	Semi-annually	No	No		18-Sep-2019
UA4000148589	Coupon bonds	2,000,000,000.00	14.30	Semi-annually	No	No		23-Oct-2019
UA4000148944	Coupon bonds	500,000,000.00	14.30	Semi-annually	No	No		30-Oct-2019
UA4000157671	Coupon bonds	1,760,800,000.00	14.30	Semi-annually	No	No		12-Feb-2020
UA4000165773	Coupon bonds	1,820,000,000.00	14.30	Semi-annually	No	No		8-Apr-2020
UA4000166805	Coupon bonds	1,944,904,000.00	14.30	Semi-annually	No	No		6-May-2020
UA4000171094	Coupon bonds	2,403,338,000.00	14.30	Semi-annually	No	No		8-Jul-2020
UA4000173371	Coupon bonds	200,000,000.00	10.00	Semi-annually	No	No		23-Aug-2023
Total		66,003,096,000.00						

Government recap'n bonds

Table 7. Outstanding of local-currency government bonds

ISIN	Bond type	Outstanding volume (UAH)	Coupon rate (%)	Payment frequency	Amortisation option	Put option	Next put	Maturity date
UA4000136428	Coupon bonds	1,500,000,000.00	9.45	Semi-annually	No	No		4-Dec-2013
UA4000063200	Coupon bonds	1,598,269,000.00	9.75	Semi-annually	No	No		11-Jun-2014
UA4000136436	Coupon bonds	1,500,000,000.00	9.65	Semi-annually	No	No		30-Jul-2014
UA4000136451	Coupon bonds	1,500,000,000.00	9.75	Semi-annually	No	No		8-Oct-2014
UA4000063218	Coupon bonds	1,598,270,000.00	9.75	Semi-annually	No	No		12-Nov-2014
UA4000063226	Coupon bonds	1,598,270,000.00	9.75	Semi-annually	No	No		17-Dec-2014
UA4000136469	Coupon bonds	1,500,000,000.00	9.95	Semi-annually	No	No		4-Feb-2015
UA4000092100	Coupon bonds	500,000,000.00	9.50	Semi-annually	No	No		18-Mar-2015
UA4000146393	Coupon bonds	1,000,000,000.00	9.95	Semi-annually	No	No		2-Sep-2015
UA4000048789	Coupon bonds	2,000,000,000.00	9.50	Semi-annually	No	No		18-Nov-2015
UA4000050090	Coupon bonds	4,000,000,000.00	9.50	Semi-annually	No	No		16-Dec-2015
UA4000092118	Coupon bonds	1,500,000,000.00	9.50	Semi-annually	No	No		17-Feb-2016
UA4000115190	Coupon bonds	1,250,000,000.00	9.50	Semi-annually	No	No		9-Mar-2016
UA4000050199	Coupon bonds	3,885,000,000.00	9.50	Semi-annually	No	No		13-Apr-2016
UA4000050017	Coupon bonds	3,700,000,000.00	9.50	Semi-annually	No	No		10-May-2016
UA4000092126	Coupon bonds	1,500,000,000.00	9.50	Semi-annually	No	No		29-Jun-2016
UA4000092134	Coupon bonds	1,500,000,000.00	9.50	Semi-annually	No	No		13-Jul-2016
UA4000119945	Coupon bonds	1,750,000,000.00	9.50	Semi-annually	No	No		24-Aug-2016
UA4000050207	Coupon bonds	3,885,000,000.00	9.50	Semi-annually	No	No		14-Sep-2016
UA4000115208	Coupon bonds	1,250,000,000.00	9.50	Semi-annually	No	No		15-Feb-2017
UA4000092142	Coupon bonds	1,200,000,000.00	9.50	Semi-annually	No	No		12-Apr-2017
UA4000057111	Coupon bonds	1,033,333,000.00	9.50	Semi-annually	No	No		31-May-2017
UA4000057277	Coupon bonds	1,188,431,000.00	9.50	Semi-annually	No	No		7-Jun-2017
UA4000057301	Coupon bonds	936,171,000.00	9.50	Semi-annually	No	No		14-Jun-2017
UA4000156863	Coupon bonds	2,000,000,000.00	14.30	Semi-annually	No	No		28-Jun-2017
UA4000058606	Coupon bonds	3,100,000,000.00	9.50	Semi-annually	No	No		19-Jul-2017
UA4000092167	Coupon bonds	1,200,000,000.00	9.50	Semi-annually	No	No		23-Aug-2017
UA4000115216	Coupon bonds	1,250,000,000.00	9.50	Semi-annually	No	No		13-Sep-2017
UA4000058614	Coupon bonds	1,658,263,000.00	9.50	Semi-annually	No	No		4-Oct-2017
UA4000153340	Coupon bonds	1,500,000,000.00	14.30	Semi-annually	No	No		8-Nov-2017
UA4000151476	Coupon bonds	2,000,000,000.00	14.30	Semi-annually	No	No		29-Nov-2017
UA4000130082	Coupon bonds	2,000,000,000.00	9.50	Semi-annually	No	No		27-Dec-2017
UA4000130090	Coupon bonds	2,000,000,000.00	9.50	Semi-annually	No	No		17-Jan-2018
UA4000115638	Coupon bonds	1,975,000,000.00	9.50	Semi-annually	No	No		21-Feb-2018
UA4000061790	Coupon bonds	1,400,000,000.00	9.50	Semi-annually	No	No		28-Mar-2018
UA4000119952	Coupon bonds	1,750,000,000.00	9.50	Semi-annually	No	No		25-Apr-2018
UA4000055586	Coupon bonds	1,000,000,000.00	9.50	Semi-annually	No	No		9-May-2018
UA4000057319	Coupon bonds	936,172,000.00	9.50	Semi-annually	No	No		30-May-2018
UA4000057129	Coupon bonds	1,033,333,000.00	9.50	Semi-annually	No	No		6-Jun-2018
UA4000057285	Coupon bonds	1,188,431,000.00	9.50	Semi-annually	No	No		13-Jun-2018
UA4000058622	Coupon bonds	1,916,119,000.00	9.50	Semi-annually	No	No		18-Jul-2018
UA4000120877	Coupon bonds	604,000,000.00	9.50	Semi-annually	No	No		8-Aug-2018
UA4000115224	Coupon bonds	1,250,000,000.00	9.50	Semi-annually	No	No		22-Aug-2018
UA4000062525	Coupon bonds	650,000,000.00	9.50	Semi-annually	No	No		12-Sep-2018
UA4000115646	Coupon bonds	1,975,001,000.00	9.50	Semi-annually	No	No		19-Sep-2018
UA4000058630	Coupon bonds	1,355,345,000.00	9.50	Semi-annually	No	No		3-Oct-2018
UA4000059323	Coupon bonds	1,000,000,000.00	9.50	Semi-annually	No	No		31-Oct-2018
UA4000121495	Coupon bonds	1,000,000,000.00	9.50	Semi-annually	No	No		7-Nov-2018
UA4000064307	Coupon bonds	1,000,000,000.00	9.50	Semi-annually	No	No		21-Nov-2018
UA4000061808	Coupon bonds	1,400,000,000.00	9.50	Semi-annually	No	No		6-Feb-2019
UA4000064315	Coupon bonds	1,294,999,000.00	9.50	Semi-annually	No	No		13-Mar-2019
UA4000058648	Coupon bonds	1,933,060,000.00	9.50	Semi-annually	No	No		3-Apr-2019

Table 7. Outstanding of local-currency government bonds

ISIN	Bond type	Outstanding volume (UAH)	Coupon rate (%)	Payment frequency	Amortisation option	Put option	Next put	Maturity date
UA4000121503	Coupon bonds	1,100,000,000.00	9.50	Semi-annually	No	No		15-May-2019
UA4000057293	Coupon bonds	1,188,432,000.00	9.50	Semi-annually	No	No		29-May-2019
UA4000057327	Coupon bonds	936,172,000.00	9.50	Semi-annually	No	No		5-Jun-2019
UA4000057137	Coupon bonds	1,033,334,000.00	9.50	Semi-annually	No	No		12-Jun-2019
UA4000064323	Coupon bonds	1,000,000,000.00	9.50	Semi-annually	No	No		17-Jul-2019
UA4000063119	Coupon bonds	1,276,191,000.00	9.50	Semi-annually	No	No		21-Aug-2019
UA4000064349	Coupon bonds	1,295,000,000.00	9.50	Semi-annually	No	No		25-Sep-2019
UA4000064117	Coupon bonds	900,000,000.00	9.50	Semi-annually	No	No		16-Oct-2019
UA4000064125	Coupon bonds	900,000,000.00	9.50	Semi-annually	No	No		20-Nov-2019
UA4000063010	Coupon bonds	950,000,000.00	9.50	Semi-annually	No	No		11-Mar-2020
UA4000061816	Coupon bonds	1,400,000,000.00	9.50	Semi-annually	No	No		15-Apr-2020
UA4000121511	Coupon bonds	1,100,000,000.00	9.50	Semi-annually	No	No		20-May-2020
UA4000063127	Coupon bonds	1,500,000,000.00	9.50	Semi-annually	No	No		17-Jun-2020
UA4000063028	Coupon bonds	949,981,000.00	9.50	Semi-annually	No	No		12-Aug-2020
UA4000061824	Coupon bonds	1,400,000,000.00	9.50	Semi-annually	No	No		4-Nov-2020
UA4000063135	Coupon bonds	1,500,000,000.00	9.50	Semi-annually	No	No		9-Jun-2021
UA4000121529	Coupon bonds	1,100,000,000.00	9.50	Semi-annually	No	No		22-Sep-2021
UA4000063143	Coupon bonds	1,500,000,000.00	9.50	Semi-annually	No	No		1-Jun-2022
Total		105,271,577,000.00						
Government VAT bonds 2010								
UA4000078141	Coupon bonds	19,376,000.00	5.50	Semi-annually	Yes	No		27-Jul-2015
UA4000082531	Coupon bonds	819,126,000.00	5.50	Semi-annually	Yes	No		21-Aug-2015
UA4000082622	Coupon bonds	3,321,949,200.00	5.50	Semi-annually	Yes	No		24-Aug-2015
UA4000083059	Coupon bonds	2,413,914,000.00	5.50	Semi-annually	Yes	No		25-Aug-2015
Total		6,574,365,200.00						
Government indexed bonds								
UA4000129100	Coupon bonds	1,610,000,000.00	8.22	Semi-annually	No	No		24-Sep-2014
UA4000129902	Coupon bonds	175,000,000.00	8.22	Semi-annually	No	No		22-Oct-2014
UA4000130595	Coupon bonds	200,000,000.00	8.25	Semi-annually	No	No		29-Oct-2014
UA4000130603	Coupon bonds	1,200,100,000.00	8.22	Semi-annually	No	No		5-Nov-2014
UA4000132278	Coupon bonds	250,000,000.00	9.75	Semi-annually	No	No		3-Dec-2014
UA4000137822	Coupon bonds	700,000,000.00	9.30	Semi-annually	No	No		4-Mar-2015
UA4000138242	Coupon bonds	470,000,000.00	9.30	Semi-annually	No	No		8-Apr-2015
UA4000139513	Coupon bonds	900,000,000.00	9.30	Semi-annually	No	No		13-May-2015
UA4000141600	Coupon bonds	100,000,000.00	9.30	Semi-annually	No	No		3-Jun-2015
UA4000144075	Coupon bonds	600,000,000.00	9.30	Semi-annually	No	No		15-Jul-2015
UA4000146070	Coupon bonds	200,000,000.00	9.30	Semi-annually	No	No		12-Aug-2015
UA4000146500	Coupon bonds	525,000,000.00	9.30	Semi-annually	No	No		9-Sep-2015
UA4000148217	Coupon bonds	329,000,000.00	9.30	Semi-annually	No	No		28-Oct-2015
UA4000149082	Coupon bonds	580,000,000.00	9.30	Semi-annually	No	No		11-Nov-2015
UA4000151500	Coupon bonds	557,000,000.00	9.19	Semi-annually	No	No		13-Jan-2016
UA4000160634	Coupon bonds	60,000,000.00	9.10	Semi-annually	No	No		16-Mar-2016
UA4000129233	Coupon bonds	850,000,000.00	8.75	Semi-annually	No	No		10-Aug-2016
UA4000129118	Coupon bonds	1,940,000,000.00	8.75	Semi-annually	No	No		28-Sep-2016
UA4000129241	Coupon bonds	1,000,000,000.00	9.25	Semi-annually	No	No		15-Sep-2021
Total		12,246,100,000.00						
Government foreign-currency bonds								
UA4000146088	Coupon bonds	2,278,752,980.00	9.00	Semi-annually	No	No		13-Nov-2013
UA4000138002	Coupon bonds	699,379,225.80	9.30	Semi-annually	No	No		27-Nov-2013
UA4000138846	Coupon bonds	774,432,482.60	4.80	Semi-annually	No	Yes	25-Dec-2013	25-Dec-2013

Table 7. Outstanding of local-currency government bonds

ISIN	Bond type	Outstanding volume (UAH)	Coupon rate (%)	Payment frequency	Amortisation option	Put option	Next put	Maturity date
UA4000140362	Coupon bonds	1,397,237,101.80	9.20	Semi-annually	No	No		21-May-2014
UA4000157135	Coupon bonds	2,404,714,200.00	7.97	Semi-annually	No	No		23-Jul-2014
UA4000158794	Coupon bonds	1,239,163,950.00	7.50	Semi-annually	No	No		10-Sep-2014
UA4000174247	Coupon bonds	663,799,270.80	4.80	Semi-annually	No	Yes	29-Oct-2014	29-Oct-2014
UA4000149231	Coupon bonds	998,594,378.40	8.32	Semi-annually	No	No		19-Nov-2014
UA4000173058	Coupon bonds	817,930,000.00	7.75	Semi-annually	No	No		26-Nov-2014
UA4000171649	Coupon bonds	811,672,835.50	8.25	Semi-annually	No	No		24-Dec-2014
UA4000151278	Coupon bonds	1,203,109,595.60	8.50	Semi-annually	No	No		7-Jan-2015
UA4000133771	Coupon bonds	157,410,628.50	9.60	Semi-annually	No	No		14-Jan-2015
UA4000155485	Coupon bonds	1,787,177,050.00	8.09	Semi-annually	No	No		11-Feb-2015
UA4000157143	Coupon bonds	408,965,000.00	8.02	Semi-annually	No	No		18-Feb-2015
UA4000157127	Coupon bonds	404,188,288.80	8.02	Semi-annually	No	No		25-Feb-2015
UA4000160642	Coupon bonds	1,651,621,511.10	7.75	Semi-annually	No	No		18-Mar-2015
UA4000142699	Coupon bonds	2,550,060,361.00	9.45	Semi-annually	No	No		22-Apr-2015
UA4000166821	Coupon bonds	2,180,601,380.00	7.75	Semi-annually	No	No		6-May-2015
UA4000142681	Coupon bonds	442,532,847.20	4.80	Semi-annually	No	Yes	6-May-2015	6-May-2015
UA4000141071	Coupon bonds	1,239,589,273.60	9.45	Semi-annually	No	No		27-May-2015
UA4000167837	Coupon bonds	1,420,826,203.00	7.75	Semi-annually	No	No		3-Jun-2015
UA4000142673	Coupon bonds	1,431,377,500.00	4.50	Semi-annually	No	Yes	17-Jun-2015	17-Jun-2015
UA4000144083	Coupon bonds	18,239,839.00	9.45	Semi-annually	No	No		8-Jul-2015
UA4000171409	Coupon bonds	374,023,030.40	8.25	Semi-annually	No	No		15-Jul-2015
UA4000152441	Coupon bonds	2,632,916,670.00	8.25	Semi-annually	No	No		27-Jan-2016
UA4000153282	Coupon bonds	72,877,563.00	8.25	Semi-annually	No	No		3-Feb-2016
UA4000160923	Coupon bonds	2,453,790,000.00	7.50	Semi-annually	No	Yes	16-Mar-2016	16-Mar-2016
UA4000160907	Coupon bonds	234,623,220.50	8.00	Semi-annually	No	No		23-Mar-2016
UA4000166847	Coupon bonds	608,948,885.00	8.00	Semi-annually	No	No		25-May-2016
UA4000172506	Coupon bonds	449,861,500.00	8.75	Semi-annually	No	No		10-Aug-2016
UA4000160915	Coupon bonds	2,453,790,000.00	8.25	Semi-annually	No	No		22-Mar-2017
UA4000166854	Coupon bonds	2,658,272,500.00	7.45	Semi-annually	No	Yes	17-May-2017	17-May-2017
UA4000151286	Coupon bonds	4,335,029,000.00	7.50	Semi-annually	No	No		20-Dec-2017
Total		43,255,508,271.60						
Grand total		233,350,646,471.60						

Note: the list of local-currency government bonds may not be complete as it reflects ICU knowledge regarding the outstanding stock of the government bonds, which is published by Ministry of Finance of Ukraine as its website (http://minfin.gov.ua/control/publish/article/main?art_id=274776&cat_id=234036).

Sources: Ministry of Finance, Investment Capital Ukraine LLC.

2013 weekly state debt payback

Table 8. Weekly schedule of state bond auctions and volume of state debt* to be repaid within a 7-day period since auction date (UAH)

Month	Auction details	1st Tuesday	2nd Tuesday	3rd Tuesday	4th Tuesday	5th Tuesday
January	Auction date	1-Jan-13	8-Jan-13	15-Jan-13	22-Jan-13	29-Jan-13
	Local debt repayment ¹	0.00	0.00	0.00	0.00	0.00
	External debt repayment ²	0.00	0.00	0.00	0.00	0.00
	Total	0.00	0.00	0.00	0.00	0.00
February	Auction date	5-Feb-13	12-Feb-13	19-Feb-13	26-Feb-13	
	Local debt repayment ¹	0.00	0.00	0.00	0.00	
	External debt repayment ²	0.00	0.00	0.00	0.00	
	Total	0.00	0.00	0.00	0.00	
March	Auction date	5-Mar-13	12-Mar-13	19-Mar-13	26-Mar-13	
	Local debt repayment ¹	0.00	0.00	0.00	0.00	
	External debt repayment ²	0.00	0.00	0.00	0.00	
	Total	0.00	0.00	0.00	0.00	
April	Auction date	2-Apr-13	9-Apr-13	16-Apr-13	23-Apr-13	30-Apr-13
	Local debt repayment ¹	0.00	0.00	0.00	0.00	0.00
	External debt repayment ²	0.00	0.00	0.00	0.00	0.00
	Total	0.00	0.00	0.00	0.00	0.00
May	Auction date	30-Apr-13	7-May-13	14-May-13	21-May-13	28-May-13
	Local debt repayment ¹	0.00	0.00	0.00	0.00	0.00
	External debt repayment ²	0.00	0.00	0.00	0.00	0.00
	Total	0.00	0.00	0.00	0.00	0.00
June	Auction date	4-Jun-13	11-Jun-13	18-Jun-13	25-Jun-13	
	Local debt repayment ¹	0.00	0.00	0.00	0.00	
	External debt repayment ²	0.00	0.00	0.00	0.00	
	Total	0.00	0.00	0.00	0.00	
July	Auction date	2-Jul-13	9-Jul-13	16-Jul-13	23-Jul-13	30-Jul-13
	Local debt repayment ¹	0.00	0.00	0.00	0.00	0.00
	External debt repayment ²	0.00	0.00	0.00	0.00	0.00
	Total	0.00	0.00	0.00	0.00	0.00
August	Auction date	6-Aug-13	13-Aug-13	20-Aug-13	27-Aug-13	
	Local debt repayment ¹	0.00	0.00	0.00	0.00	
	External debt repayment ²	0.00	0.00	0.00	0.00	
	Total	0.00	0.00	0.00	0.00	
September	Auction date	3-Sep-13	10-Sep-13	17-Sep-13	24-Sep-13	
	Local debt repayment ¹	0.00	0.00	0.00	0.00	
	External debt repayment ²	0.00	0.00	0.00	1,161,801,279.54	
	Total	0.00	0.00	0.00	1,161,801,279.54	
October	Auction date	1-Oct-13	8-Oct-13	15-Oct-13	22-Oct-13	29-Oct-13
	Local debt repayment ¹	1,495,880,500.00	664,558,150.00	762,540,032.50	1,342,552,816.06	2,195,616,460.00
	External debt repayment ²	0.00	189,256,420.90	374,671,875.00	4,835,158,280.49	14,786,775.36
	Total	1,495,880,500.00	853,814,570.90	1,137,211,907.50	6,177,711,096.55	2,210,403,235.36
November	Auction date	5-Nov-13	12-Nov-13	19-Nov-13	26-Nov-13	
	Local debt repayment ¹	828,227,885.56	3,013,843,162.60	587,290,395.95	1,249,080,105.88	
	External debt repayment ²	92,431,534.99	2,515,892,666.00	463,139,252.65	1,560,600,166.97	
	Total	920,659,420.55	5,529,735,828.60	1,050,429,648.60	2,809,680,272.85	
December	Auction date	3-Dec-13	10-Dec-13	17-Dec-13	24-Dec-13	31-Dec-13
	Local debt repayment ¹	1,935,771,522.87	299,167,573.75	1,173,902,359.75	1,060,313,954.15	437,771,890.00
	External debt repayment ²	371,524,731.16	0.00	373,340,370.71	2,074,917,136.27	0.00
	Total	2,307,296,254.03	299,167,573.75	1,547,242,730.46	3,135,231,090.42	437,771,890.00

Notes: highlighted data – above UAH1bn in bold font, above UAH4bn shaded in blue; [*] interest and principal; [1] – government bonds (ordinary bonds, VAT bonds and recapitalisation bonds); [2] – external debt means Eurobonds and loans denominated in local currency by most recent FX rates. Sources: Ministry of Finance of Ukraine, Investment Capital Ukraine LLC.

5yr sovereign local debt payback

Table 9. Local-currency bonds repayments for the upcoming 5-year period

Period	Repayments (UAHm)									Repayments, US dollar equivalent (US\$m)								
	Interest			Principal			Total			Interest			Principal			Total		
	Ordin- aries	VATs	Recaps	Ordin- aries	VATs	Recaps	Inte- rest	Prin- cipal		Ordin- aries	VATs	Recaps	Ordin- aries	VATs	Recaps	Inte- rest	Prin- cipal	
BY QUARTERS																		
4Q13	2,340.3		3,005.4	4,750.0		1,500.0	6,606.1	10,002.6		286.2		367.5	580.8		183.4	807.8	1,223.1	
1Q14	1,993.3	180.8	2,141.2	9,222.9	1,643.6		5,307.5	10,866.5		243.7	22.1	261.8	1,127.8	201.0		649.0	1,328.7	
2Q14	2,270.7		2,934.5	2,438.1		1,598.3	6,312.0	5,433.6		277.7		358.8	298.1		195.4	771.8	664.4	
3Q14	1,425.7	135.6	2,141.2	752.8	1,643.6	1,500.0	4,694.7	9,150.3		174.3	16.6	261.8	92.1	201.0	183.4	574.1	1,118.9	
4Q14	2,248.4		3,165.9	0.8		4,696.5	6,456.7	9,814.4		274.9		387.1	0.1		574.3	789.5	1,200.1	
1Q15	1,259.2	90.4	1,759.6	453.7	1,643.6	2,000.0	3,892.9	10,409.7		154.0	11.1	215.2	55.5	201.0	244.6	476.0	1,272.9	
2Q15	2,119.8		2,627.6	250.8			5,590.3	10,985.8		259.2		321.3	30.7			683.6	1,343.3	
3Q15	1,353.7	45.2	2,150.8	0.8	1,643.6	1,000.0	4,158.1	4,361.6		165.5	5.5	263.0	0.1	201.0	122.3	508.5	533.3	
4Q15	2,230.4		2,755.6	0.8		6,000.0	5,314.1	6,909.8		272.7		336.9	0.1		733.7	649.8	844.9	
1Q16	1,225.1		1,791.8	0.8		2,750.0	3,547.4	8,762.0		149.8		219.1	0.1		336.3	433.8	1,071.4	
2Q16	2,230.3		2,436.9	0.8		9,085.0	4,953.1	9,694.7		272.7		298.0	0.1	1,110.9	605.7	1,185.5		
3Q16	1,225.1		1,661.1	80.8		7,135.0	3,175.4	10,455.7		149.8		203.1	9.9		872.5	388.3	1,278.5	
4Q16	2,214.1		2,040.1				4,515.8			270.7		249.5				552.2		
1Q17	1,208.9		1,322.2			1,250.0	2,678.6	3,703.8		147.8		161.7			152.8	327.5	452.9	
2Q17	2,214.1		2,040.1	3,688.5		6,357.9	4,515.8	12,704.7		270.7		249.5	451.0		777.4	552.2	1,553.5	
3Q17	1,208.9		1,262.8	1,810.0		5,550.0	2,518.0	7,360.0		147.8		154.4	221.3		678.7	307.9	900.0	
4Q17	1,950.4		1,690.1	5,207.9		7,158.3	3,803.1	16,701.2		238.5		206.7	636.8		875.3	465.0	2,042.2	
BY YEARS																		
2013	2,340.3		3,005.4	4,750.0		1,500.0	6,606.1	10,002.6		286.2		367.5	580.8		183.4	807.8	1,223.1	
2014	7,938.1	316.4	10,382.9	12,414.6	3,287.2	7,794.8	22,770.9	35,264.8		970.7	38.7	1,269.6	1,518.0	402.0	953.1	2,784.4	4,312.2	
2015	6,963.1	135.6	9,293.6	706.0	3,287.2	9,000.0	18,955.5	32,666.9		851.4	16.6	1,136.4	86.3	402.0	1,100.5	2,317.9	3,994.5	
2016	6,894.7		7,929.9	82.4		18,970.0	16,191.8	28,912.4		843.1		969.7	10.1		2,319.6	1,979.9	3,535.4	
2017	6,582.3		6,315.3	10,706.3		20,316.2	13,515.5	40,469.6		804.9		772.2	1,309.2		2,484.3	1,652.7	4,948.6	

Notes: Ordinaries - the government bonds sold via auctions; VATs - VAT bonds; Recaps - recapitalisation bonds.

Sources: Ministry of Finance, Investment Capital Ukraine LLC.

5yr sovereign external debt payback

Table 10. Foreign-currency debt* (Eurobonds and loans) repayments for the upcoming 5-year period

Period	Repayments, hryvnia equivalent (UAHm)						Repayments, US dollar equivalent (US\$m)					
	Interest		Principal		Total		Interest		Principal		Total	
	Eurobond	Loan	Eurobond	Loan	Interest	Principal	Eurobond	Loan	Eurobond	Loan	Interest	Principal
BY QUARTERS												
3Q13	0.0	138.7	0.0	1,023.1	138.7	1,023.1	0.0	17.4	0.0	128.0	17.4	128.0
4Q13	2,310.3	1,250.0	0.0	9,305.4	3,560.3	9,305.4	289.0	156.4	0.0	1,164.2	445.4	1,164.2
1Q14	2,039.7	900.3	0.0	6,667.0	2,940.0	6,667.0	255.2	112.6	0.0	834.1	367.8	834.1
2Q14	2,310.3	1,054.5	7,993.0	8,032.4	3,364.8	16,025.4	289.0	131.9	1,000.0	1,004.9	421.0	2,004.9
3Q14	2,039.7	850.6	0.0	8,788.0	2,890.4	8,788.0	255.2	106.4	0.0	1,099.5	361.6	1,099.5
4Q14	1,992.6	947.4	0.0	6,796.8	2,939.9	6,796.8	249.3	118.5	0.0	850.3	367.8	850.3
1Q15	2,039.7	684.4	0.0	7,498.4	2,724.2	7,498.4	255.2	85.6	0.0	938.1	340.8	938.1
2Q15	1,992.6	744.5	0.0	11,046.0	2,737.1	11,046.0	249.3	93.1	0.0	1,382.0	342.4	1,382.0
3Q15	2,039.7	447.0	3,996.5	7,368.8	2,486.7	11,365.3	255.2	55.9	500.0	921.9	311.1	1,421.9
4Q15	1,992.6	283.2	6,161.2	990.7	2,275.7	7,151.8	249.3	35.4	770.8	123.9	284.7	894.8
1Q16	1,902.3	326.3	0.0	5,271.3	2,228.6	5,271.3	238.0	40.8	0.0	659.5	278.8	659.5
2Q16	1,840.1	279.4	9,991.3	595.1	2,119.5	10,586.3	230.2	35.0	1,250.0	74.5	265.2	1,324.5
3Q16	1,902.3	118.1	0.0	439.6	2,020.5	439.6	238.0	14.8	0.0	55.0	252.8	55.0
4Q16	1,527.9	255.6	7,993.0	0.0	1,783.5	7,993.0	191.2	32.0	1,000.0	0.0	223.1	1,000.0
1Q17	1,902.3	98.9	0.0	2,397.9	2,001.2	2,397.9	238.0	12.4	0.0	300.0	250.4	300.0
2Q17	1,264.9	255.6	0.0	2,597.7	1,520.5	2,597.7	158.3	32.0	0.0	325.0	190.2	325.0
3Q17	1,902.3	0.0	20,781.8	0.0	1,902.3	20,781.8	238.0	0.0	2,600.0	0.0	238.0	2,600.0
4Q17	1,264.9	158.9	5,595.1	4,236.3	1,423.8	9,831.4	158.3	19.9	700.0	530.0	178.1	1,230.0
BY YEARS												
2013	2,310.3	1,388.7	0.0	10,328.5	3,699.0	10,328.5	289.0	173.7	0.0	1,292.2	462.8	1,292.2
2014	8,382.3	3,752.9	7,993.0	30,284.2	12,135.2	38,277.2	1,048.7	469.5	1,000.0	3,788.8	1,518.2	4,788.8
2015	8,064.6	2,159.1	10,157.7	26,903.9	10,223.7	37,061.6	1,009.0	270.1	1,270.8	3,365.9	1,279.1	4,636.8
2016	7,172.6	979.5	17,984.3	6,306.0	8,152.1	24,290.3	897.4	122.5	2,250.0	788.9	1,019.9	3,038.9
2017	6,334.5	513.4	26,376.9	9,231.9	6,847.9	35,608.8	792.5	64.2	3,300.0	1,155.0	856.7	4,455.0

Notes: [*] debt redemptions include also interest payments; debt comprises Eurobonds, IMF and VTB loans; IMF loan is meant all tranches received in 2008-10; [1] redemption of US\$2bn loan to VTB is a worst-case scenario within this loan agreement, it may be prolonged 2 times and this in effect may shift the redemption to 4Q11 or 2Q12.

Sources: Ministry of Finance, IMF, Bloomberg, Reuters, Investment Capital Ukraine LLC.

Ukraine issuers' credit metrics

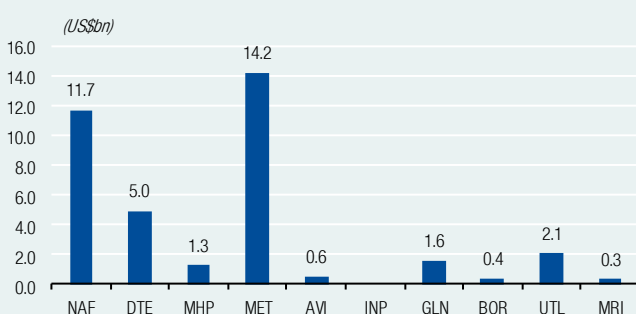
Table 11. Ukrainian corporate bond issuers and their key financial figures and ratios* (US\$m)

Issuer	Ticker	Filing	Revenues	EBITDA	Int exp	Cash	ST debt	LT debt	Debt	Net debt	EBITDA mrg (%)	Debt/ EBITDA (x)	Net debt/ EBITDA (x)	EBITDA int cov (x)
Naftogaz of Ukraine	NAFTO	4Q10	11,673.6	502.2	-613.5	333.2	685.2	4,824.9	5,510.1	5,176.9	4.3	11.0	10.3	Neg.
DTEK	DTEKUA	4Q11	4,965.0	1,294.6	60.9	1,304.1	429.4	1,878.3	2,307.7	1,003.6	26.1	1.8	0.8	21.2
MHP	MHPSA	1Q12	1,279.9	416.4	77.2	111.0	210.5	755.3	965.8	854.8	32.5	2.3	2.1	5.4
Metinvest Holding	METINV	4Q11	14,189.0	3,533.0	220.0	792.0	1,147.0	2,834.0	3,981.0	3,189.0	24.9	1.1	0.9	16.1
Avangard	AVINPU	4Q11	553.3	222.1	12.3	237.8	122.5	210.0	332.6	94.8	40.1	1.5	0.4	18.1
Interpipe	INPIP	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Concern Galnaftogaz	GLNGUZ	1Q12	1,647.2	96.8	26.3	13.9	136.9	203.9	340.8	326.9	5.9	3.5	3.4	3.7
Boryspil Int'l Airport	BORYS	1Q12	431.4	277.8	2.3	33.8	108.0	212.5	320.5	286.8	64.4	1.2	1.0	122.0
Ukrtelecom	UTLMUZ	2Q12	2,091.2	470.0	103.5	22.3	177.7	194.3	372.1	349.8	22.5	0.8	0.7	4.5
Mriya Agro Holding	MRIYA	3Q11	344.8	42.6	40.1	192.0	96.0	282.2	378.3	186.3	12.4	8.9	4.4	1.1
Ferrexpo	FXPOLN	4Q11	1,788.0	798.0	43.3	890.2	18.9	951.4	970.4	80.2	44.6	1.2	0.1	18.4
Agroton	AGTPW	2Q11	102.1	10.4	0.3	4.2	19.3	1.0	20.3	16.1	10.2	2.0	1.6	31.0
Agromat	AGROM	2Q11	149.7	28.3	16.0	3.3	23.5	30.1	53.5	50.2	18.9	1.9	1.8	1.8
KSG Agro	KSGPW	3Q11	3.2	1.7	-0.7	5.5	5.6	10.7	16.4	10.9	52.8	9.5	6.4	Neg.
IMC	IMCPW	3Q11	5.6	-2.3	0.2	13.4	4.0	18.1	22.1	8.7	Neg.	Neg.	Neg.	Neg.

Notes: [*] financial figures and appropriate ratios are calculated using LTM data; LTM - last 12-month period; Int exp - interest expenses; ST debt - short-term debt; LT debt - long-term debt; int cov - interest coverage.

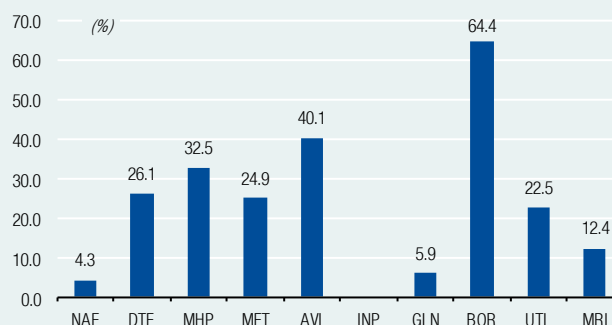
Sources: Company data, Investment Capital Ukraine LLC.

Chart 16. Ukraine's companies by sales (LTM)



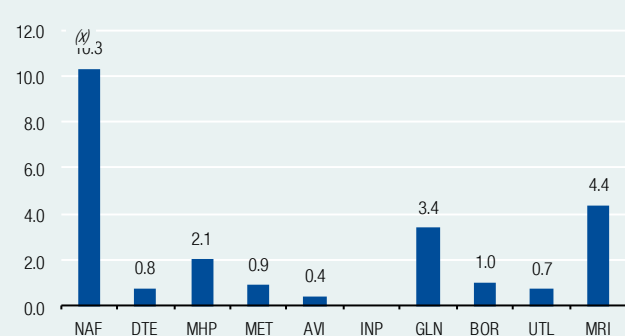
Source: Company data, Investment Capital Ukraine LLC.

Chart 17. Ukraine's companies by EBITDA margin (LTM)



Source: Company data, Investment Capital Ukraine LLC.

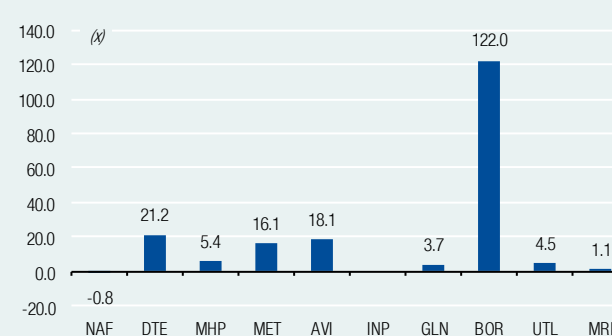
Chart 18. Ukraine's companies by leverage ratio



Note: leverage – net debt to EBITDA (LTM).

Source: Company data, Investment Capital Ukraine LLC.

Chart 19. Ukraine's companies by interest coverage ratio



Note: interest coverage – EBITDA to interest expenses (LTM).

Source: Company data, Investment Capital Ukraine LLC.

Glossary

The following is the list of terms, phrases and abbreviations that are frequently used in this report's weekly publications.

Average duration, or interchangeably, **bond auction average duration**: Duration calculated from all cash flows obtained from the bonds sold at the auction. Yield-to-maturity, price, and each cash flow (coupons and principal) are calculated on a per-bond basis.

Average yield, or interchangeably, **bond auction average yield**: A yield-to-maturity calculated from all cash flows obtained from the bonds sold at the auction and versus the total price paid per bond to acquire them. Price and each cash flow (coupons and principal) are calculated on a per-bond basis.

Basis point, or interchangeably, **bp**: One-hundredth of a percentage point, or 0.01%.

BoP: Balance of payments.

Certificate(s) of Deposit, or interchangeably, **CD(s)**: Short-term money market instruments that allow the NBU, the central bank, to absorb excess liquidity from the local banks. Their durations are 2, 3, or up to 5 days; two weeks; one month; 1.5 months; two months; and up to three months.

CDS: A Credit default swap; a contract that references the performance of a loan or a bond (sovereign, corporate, or municipal). A CDS is normally quoted in basis points, or hundredths of a percent.

CRA: Credit rating agency. These include international industry majors Moody's, Standard & Poor's, and Fitch. It could refer also to other credit rating agencies, including Credit-Rating of Ukraine.

EFSF: European Financial Stability Facility (<http://www.efsf.europa.eu>), created on 9 May, 2010 by the euro area member states, as a Luxembourg-registered company owned by Euro Area Member States (EAMS), which has a mandate to lend to the EAMS in times of difficulty, e.g., in bail-outs. For the purpose of its operations, the EFSF is able to issue bonds EAMS-guaranteed for up to €440bn. Thanks to its structure of credit enhancements, including a cash reserve and a loan-specific cash buffer¹, the EFSF has top credit ratings from major CRAs: 'Aaa' by Moody's, 'AAA' by S&P, and 'AAA' by Fitch.

MoE: Ministry of Economy of Ukraine (<http://www.me.gov.ua>).

MoF: Ministry of Finance of Ukraine (<http://www.minfin.gov.ua>).

NBU: National Bank of Ukraine, the central bank of Ukraine (<http://www.bank.gov.ua>).

Party of Regions, or interchangeably, **PoR**: The *de facto* ruling political party in Ukraine currently. It won the presidency in the February 2010 presidential elections with a slim margin over Yulia Tymoshenko's Bloc, then consolidated power in the parliament, where it has a majority over minor loyal factions, while incapable of forming a majority itself. The next elections for Parliament and the president's office are expected to take place in 2012 and 2015, respectively.

¹ For instance, in order to lend €17.7bn to Ireland, the EFSF has to raise around €26.5bn from the financial market.

Percentage point, or interchangeably, **ppt**: one percent, 1%.

Recaps, or interchangeably, **recapitalisation bonds**: Local-currency bond(s), representing a general financial obligation by the government on par with other government's financial obligations, which was/were issued with the purpose of recapitalising state-owned entities like Naftogaz of Ukraine, commercial banks from Ukreximbank to Oschadbank, and the State Mortgage Institution (SMI).

UAH: Ukrainian national currency, the hryvnia.

UAH TWI, or interchangeably, **hryvnia trade-weighted index**: Index of the local currency calculated by Investment Capital Ukraine (ICU), which is calculated upon nominal exchange rates to the US dollar and headline consumer price inflation indices of Ukraine and its 26 trading partners, which as a whole, comprise a 76% share of merchandise trade turnover. Please refer to *ICU Quarterly Report "Ukraine's See-saw Puzzle"* published on 14 July, 2009 for more details on the methodology of the index. There are nominal and real UAH TWIs, the former based on exchange rates, and the latter based on both exchange rates and inflation. There are monthly and daily UAH TWIs, which are tracked by ICU. Monthly TWI calculation is based on the monthly data for inflation and trade statistics as well as monthly average exchange rates. Daily TWI calculation is based on the monthly data for inflation and trade statistics; however, its core substance is to reflect daily movements of the exchange rates of Ukraine's currency as well as of its key trading partners.

UAS: Ukrainian accounting standards.

VATs, or interchangeably, **VAT bonds**: Local-currency bond(s), representing a general financial obligation by the government on par with other government's financial obligations, which was/were issued in accordance with the government's initiative to offload the government's accumulated arrears on VAT refunds to domestic exporters.

Weighted-average duration, or interchangeably, **bond auction weighted-average duration**: Duration calculated from all cash flows obtained from the bonds sold at the auction. Yield-to-maturity, price, and each cash flow (coupons and principal) are calculated for the total number of bonds sold at the auction.

Weighted-average yield, or interchangeably, **bond auction weighted-average yield**: A yield-to-maturity calculated from all cash flows obtained from the bonds sold at the auction and against the total price paid to acquire them. Price and each cash flow (coupons and principal) are calculated for the total number of bonds sold at the auction.

YTM, or interchangeably, **yield-to-maturity**: The interest rate that creates the present value of cash flows obtained from holding a bond equal to the price of the bond. The YTM factors in coupon income and any capital gain (loss) the investor will realise by holding the bond to maturity. It also takes into consideration the timing of coupon payments and principal repayment, which can be done at the maturity date (for a bullet bond) or in accordance with an amortisation schedule (amortisation bond). The YTM uses an interest-on-interest principle, assuming that coupon income can be reinvested at an interest rate equal to the YTM, and is calculated in accordance with the Ukraine's domestic bond market standard, which is represented by the following formula:

$$Price + AI = \sum_{i=1}^n \frac{CF_i}{(1+YTM)^{\frac{t_i}{365}}},$$

where *Price* and *AI* are clean price and accrued interest of the bond, respectively, as of the date of purchase; *n* is the number of cash flows to be obtained by a bond holder; *CF_i* is the

cash flow (coupon income, principal repayment) obtained from a bond; t_i is the number of days between a purchase date and i -th cash flow date, and YTM is yield-to-maturity.

YTW, or interchangeably, **yield-to-worst**: The same as yield-to-maturity (YTM); however, it is calculated assuming the worst-case scenario under the terms of a bond issue, e.g., the cash flow is trimmed to the earliest possible bond redemption such as due to a call or a put option, embedded into the bond.

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