



CONCORDE CAPITAL

Ukraine / Fixed Income Corporate Eurobonds

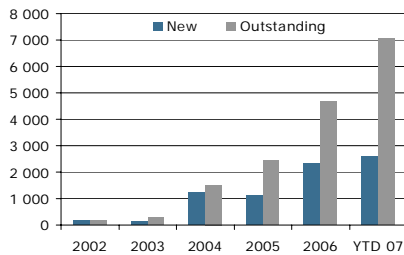
NBU Withdraws Borrowing Restrictions

Analyst Notebook

September 20, 2007

Oleksandr Klymchuk
+380 44 391 5577
ok@concorde.com.ua

Corporate Eurobonds, USD mln



Source: Bloomberg, Concorde Capital

Historic sovereign yields, %



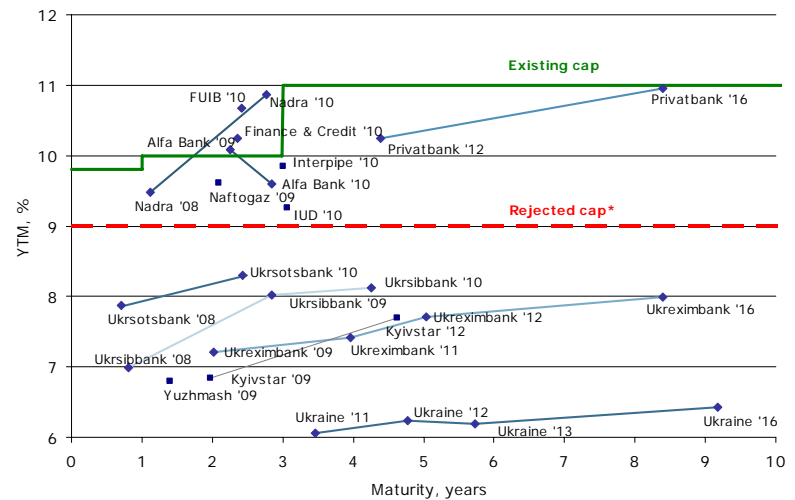
Source: Bloomberg

- Yesterday the Head of NBU's Supervisory Board, Petro Poroshenko, announced cancellation of the resolution tightening external borrowing restrictions, which was due to come into effect on October 19.
- Together with the Fed funds and discount rate cuts on Tuesday, the move rouses expectations of USD 1 bln in new corporate Eurobond issues by year-end.

In June, the National Bank of Ukraine passed a resolution (was due to come into effect on October 19) limiting the maximum cost of borrowing (including fees, commissions and fines) on new foreign-currency bonds and syndicated loans to 200 bps over the 6M trailing average yield of Ukraine's sovereign bonds rounded to an integer, implying at best a 9% yield cap.

The resolution's nullification comes after consultations with the Association of Ukrainian Banks, which represents the country's most active external borrowers. As shown in the chart below, the new cap would have banned a majority of borrowers from entering the market.

Corporate Eurobond Universe



* Based on 6M-trailing YTM of Ukraine '16.
Source: Bloomberg, NBU, Concorde Capital

Following the NBU decision and the Fed's move earlier this week, our estimations indicate that the sector will make another USD 1 bln leap to USD 8 bln by the end of the year: five banks (Pravex, Khreschatyk, Ukrgazbank, Ukrprombank and Rodovid) and two large industrial companies (Industrial Union of Donbas and Donbas Fuel and Energy Company) are preparing to make Eurobond issues.

Concorde Capital
2 Mechnikova Street
21st Floor
Kyiv 01601, UKRAINE

Tel.: +380 44 391 5577
Fax: +380 44 391 5571
www.concorde.com.ua
office@concorde.com.ua

CEO
 Igor Mazepa im@concorde.com.ua

RESEARCH COVERAGE BY SECTOR

Head of Equity Sales
 Lucas Romriell lr@concorde.com.ua

Strategy
 Konstantin Fisun kf@concorde.com.ua
 Oleksandr Klymchuk ok@concorde.com.ua

Equity Sales
 Marina Martirosyan mm@concorde.com.ua
 Anastasiya Nazarenko an@concorde.com.ua
 Duff Kovacs, CFA dk@concorde.com.ua
 Tatyana Chub tc@concorde.com.ua
 Zack Watson zw@concorde.com.ua

Metals & Mining
 Eugene Cherviachenko ec@concorde.com.ua

Director of Research
 Konstantin Fisun, CFA kf@concorde.com.ua

Utilities (Telecom, Energy)
 Alexander Paraschiy ap@concorde.com.ua

Oil & Gas, Chemicals
 Vladimir Nesterenko vn@concorde.com.ua

Consumer/Retail Group
 Andriy Gostik, CFA ag@concorde.com.ua
 Olha Pankiv op@concorde.com.ua
 Alexander Romanov ar@concorde.com.ua
 Anna Dudchenko ad@concorde.com.ua

Machinery
 Olha Pankiv op@concorde.com.ua
 Eugene Cherviachenko ec@concorde.com.ua
 Inna Perepelytsya pi@concorde.com.ua

Financial Services
 Alexander Viktorov av@concorde.com.ua

Macroeconomics
 Alexander Viktorov av@concorde.com.ua
 Polina Khomenko pk@concorde.com.ua

Fixed Income
 Oleksandr Klymchuk ok@concorde.com.ua

Corporate Governance
 Nick Piazza np@concorde.com.ua

News/Production
 Nick Piazza np@concorde.com.ua
 Polina Khomenko pk@concorde.com.ua

Editor
 Brad Wells bw@concorde.com.ua

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