

Fixed Income Strategy

Post-rally spread narrowing plays

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Ukrainian sovereign Eurobond yields have fallen back to pre-crisis 5.5%-7% levels since end-February, triggered by the smooth political transition, and slow but consistent economic stabilization. We see expected renewal of IMF cooperation and political stability keeping yields low in 2Q-3Q10. As credit spreads lagged the rally, we see a number of opportunities in the corporate and municipal Eurobond sectors, with a potential 3M total return of up to 9%.

Ukraine's sovereign ratings, outlooks

Moody's	S&P	Fitch
Aaa	AAA	AAA
Aa	AA	AA
A	A	A
Baa	BBB	BBB
Ba	BB	BB
B1	B+	B+
B2 (Negative)	B	B
B3	B- (Positive)	B- (Stable)
Caa	CCC	CCC
Ca	CC	CC
C	C	C

Sovereign debt yields head south

By April 2010, Ukraine's Eurobond sovereign yield curve fell back to its mid-2008 level (5.5%-7% vs. 12-16% in December 2009). Sovereign CDS declined from more than 1,200 bps to well below 600 bps during 4M10, while S&P upgraded Ukraine's sovereign rating to B-, with a positive outlook. Since early March, interest rates on domestic UAH sovereign debt joined the rally and dropped to 10-15%, from more than 20% in January-February.

This reassessment of Ukraine's risk was triggered by the smooth political transition, economic stabilization and reasonable sovereign debt profile: its timely servicing, repayment and manageable load at 33% of GDP as of end-2009 and 41% as of end-2010F. Under favorable market conditions, local companies have already announced new Eurobond issues, including Ukreximbank, PrivatBank, DTEK.

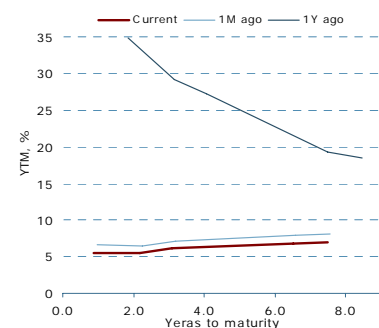
Key macroeconomic indicators

	2008	2009E	2010F
Business cycle			
Real GDP, chg yoy	2.3	-15.1	4.0
Nominal GDP, USD bln	179.9	117.4	130.7
Industrial output, chg yoy	-3.1	-21.9	6.8
CPI (eop), chg yoy	22.3	12.3	10.0
PPI (eop), chg yoy	23.0	14.4	10.0
Public finance			
Consolidated budget deficit*, USD bln	-5.7	-8.3	-8.4
Consolidated budget deficit, % GDP	-3.2	-7.3	-6.4
Public debt, USD bln	24.6	37.8	51.8
Public debt, % of GDP	13.7	33.0	40.7
External sector			
NBU reserves (eop), USD bln	31.5	26.5	28.1
Current account balance, % GDP	-7.0	-1.6	1.3
Capital account balance, % GDP	7.8	-10.0	-3.2
External debt, % of GDP	56.5	89.7	84.7

Exchange rate			
Interbank UAH/USD (avg)	5.30	8.11	8.08

*Incl. Naftogaz, excl. Banks recapitalization

Ukraine's sovereign yield curve*



* Current yields, prices as of April 14, 2010, mid market, Bloomberg generic

Sovereign curve exposure: Stick to the short end

Since the beginning of 2010, Ukraine's sovereign USD yield curve shifted downward and took on a "normal" upward-sloping shape, trading at a 300-450 bps spread over the UST curve vs. 300 bps pre-crisis. Notably, spreads at the short end (~450 bps) are well above those at the long end (~300 bps), while before mid-2008, spreads across the curve were constantly flat.

We believe this oddity is temporary and Ukraine's spreads have the potential to become more flat along the yield curve via short-term rates lowering in 2Q-3Q10, reflecting more certainty on Notes with shorter maturities. Providing short-term benchmark rates stay at their present low levels, measured decline in Ukraine's yields might be triggered, for example, by the renewal of an IMF financing program or sovereign ratings upgrades in the coming months.

Corporate Eurobonds: Some spreads are still too wide

The recent decline in Ukraine's Eurobond yields was accompanied by credit spreads narrowing, though at a slower pace. We still see some potential for selected spreads to narrow.

Among banks, we prefer those with smaller debt burdens (Privatbank, VAB and Ukreximbank) or with longer duration and higher price upside potential (VAB, FUIB). We also recommend Alfa-Bank: its more than 6 pp spread over the sovereign curve has the potential to narrow. For the same reason, we see good opportunities in City of Kyiv Eurobonds, with current spreads of 2.5-3 pp.

Suggested strategies

Municipal

Kyiv'11, '12 Credit spreads narrowing bet (3M total return of ~5%), short-term attractive yield (11%-11.3%)

Corporate sector

VABANK'14 Credit spreads narrowing play
 FUIB'14 (3M total return of 9% for VAB, FUIB and 6% for Alfa)
 Alfa'12

Ukrexim'11 Lock in 1-, 2-year attractive yield
 Privat'12 (Ukrexim: 7%, Privat: 9.2%, Azovstal: 8.1%)
 Azovstal'11

UkrSibbank'10, '11 Wide spread (500-600 bps) vs. parent BNP Paribas play

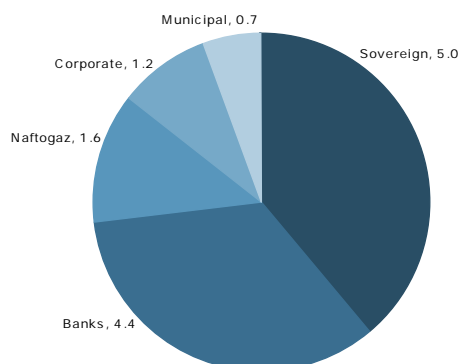
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Ukrainian Eurobond universe: worth USD 13 bln

As of end-March, Ukraine's Eurobonds universe consisted of 37 notes of 18 issuers, with a total notional value of USD 12.9 bln. Sovereign bonds constituted the largest segment, worth USD 5 bln, with banks second, with a total notional value of USD 4.4 bln. Naftogaz of Ukraine, whose notes are fully guaranteed by the government, has the largest single issue, worth USD 1.6 bln.

Outstanding Ukrainian Eurobonds, par value, as of end-March 2010, USD bln



Source: Bloomberg, CBonds, Concorde Capital

Since Lehman Brothers' bankruptcy in September 2008, six Ukrainian issuers (4 banks, one real-estate developer XXI Century and state-owned gas monopoly Naftogaz) restructured Eurobonds worth USD 3 bln in total. All restructurings so far have been orderly: accomplished quickly with no principal write-downs, cash upfront payment, of up to 27% of the principal, and coupon increases. Of that group, real-estate developer XXI Century looks like the most plausible candidate to fall short of restructuring conditions and seek a principal write-down.

In 2009/early-2010 banks were among the most active in restructuring their Eurobonds: four banks (Alfa-Bank, First Ukrainian International Bank, Finance & Credit and VAB) restructured their notes for a total amount of USD 1.3 bln. Banking Eurobonds worth USD 0.85 bln were redeemed on time during the same period (Alfa-Bank, Ukreximbank, Bank Forum and Ukrsofsbank).

In the coming months, we expect Nadra Bank to restructure its USD 175 mln Eurobonds, maturing June 28. The NBU and the government have not yet decided whether to recapitalize or to sell deeply-troubled Nadra to a private investor. This carries high uncertainty on restructuring terms, although some principal write-down looks almost inevitable in this situation (50% write-down was discussed recently in the negotiations with investors).

Ukrainian bank Eurobond restructurings

Company	Restructuring Initiation	Amount restructured USD mln	Prolongation (years)	Upfront cash payment	New coupon rate, Sinkability of new bonds change from	Sinkability of new bonds starting second year
Alfa-Bank	July 2009	840.6	3	15%-27%	13% (quarterly), from 12% (s.a.)	Principal repayment
FUIB	December 2009	257.4	5	8%	11% (quarterly), from 9.75% (s.a.)	None
Finance & Credit	December 2009	95.0	4	5%	10.5% (s.a.), from 10.375% (s.a.)	None
VAB Bank	March 2010	122.0	4	10%	10.5% (quarterly), from 10.125% (s.a.)	None

Source: Company data, Bloomberg, Concorde Capital

In 2009, two corporate issuers, XXI Century and Naftogaz, restructured their liabilities worth a total of USD 1.7 bln.

On top of that, MHP recently offered its USD 250 mln holders of its Eurobonds due in November 2011 to swap them for new Notes maturing in 2015 with the bonds' notional value increasing by 3.25% or 6.25% depending on the date of acceptance of the offer (see company profile for details).

Ukrainian non-bank Eurobond restructurings

Company	Restructuring Initiation	Amount restructured USD mln	Prolongation (years)	Cash upfront payment	New coupon rate, change from	Sinkability of new bonds / additional info
XXI Century	June 2009	175.0	4	0%	9% (s.a.), from 10% (s.a.)	Principal repayment starting November'10 / interest capitalized
Naftogaz of Ukraine	October 2009	1,595.0	5	0%	9.5% (s.a.), from 8.125% (s.a.)	None / Direct Sovereign guarantee attached to new Notes

Source: Company data, Bloomberg, Concorde Capital

Interpipe is currently in default on its USD 200 mln Eurobonds as it missed a coupon payment on February 2, 2010. Details of its restructuring offer are not available yet. Following past restructurings, the pipe-maker could prolong its papers by up to five years, with a coupon increase from 8.75% currently. Interpipe controls up to 75% of its Notes and, hence, has flexibility on the terms, approval of which requires 75% of noteholders.

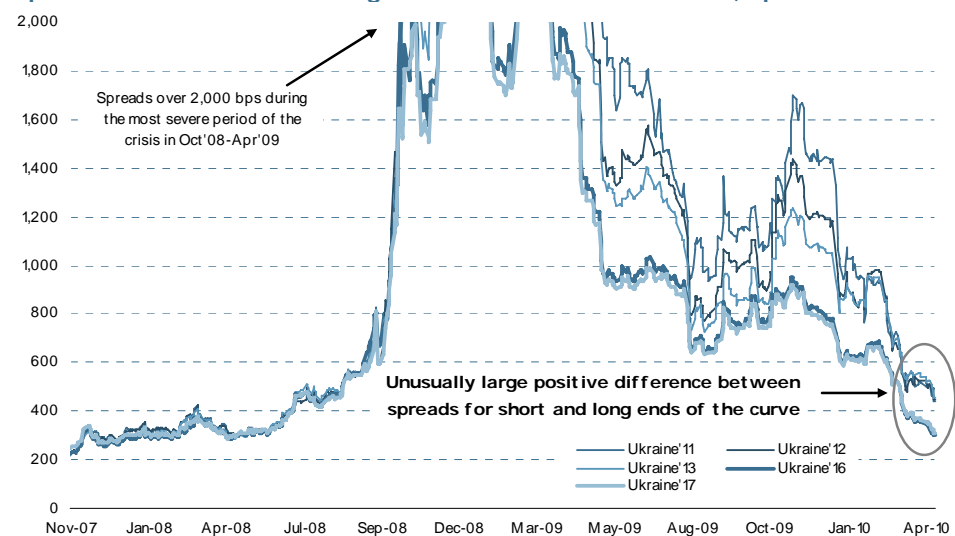
Trading ideas

1. Sovereign curve exposure: stick to the short end

Since the beginning of 2010, the Ukrainian sovereign USD yield curve shifted downward and took on a “normal” upward-sloping shape, trading at a 300-450 bps spread over the UST curve vs. 300 bps pre-crisis. Notably, spreads at the short end of the curve (~450 bps) are well above those at the long end (~300 bps) versus their flat structure before mid-2008.

During 2Q-3Q10, positive triggers, such as renewal of the cooperation with the IMF or sovereign ratings upgrades, could trigger sovereign yield curve spreads to narrow somewhat. Foremost, this can lead to further yield curve steepening, through lower short-term rates and appropriate spreads, to reflect more certainty on Notes with shorter maturities. This is conditional on benchmark short-term rates staying at their present low levels.

Spreads for Ukraine's sovereign Eurobonds over benchmark, bps



Source: Bloomberg

2. Bet on credit spreads narrowing

The recent decline in Ukrainian Eurobond yields was accompanied by credit spreads narrowing, though at a slower pace. We still see opportunities to invest in selected corporate and municipal Notes, by betting on further shrinking.

Among banks, we prefer those with smaller debt burdens (Privatbank, VAB and Ukreximbank) or with longer duration and, hence, higher price upside potential (VAB, FUIB). We also recommend Alfa-Bank: although it has large debt burden compared to its peers, available support from parent Russian Alfa Group and the sinkability of its Notes makes us believe that its more than 6 pp spread over the sovereign curve (YTM of 12.7%) has the potential to close, commensurate with its credit risks.

An additional opportunity could arise from playing on the wide spread between the Uksibbank Eurobond yields and those of its parent, BNP Paribas. BNP actively supports its local subsidiary, making the current difference between Uksibbank and BNP papers unjustifiably high.

Debt burden of banks, 2009E

	PrivatBank	Ukreximbank	UkrSibbank	Alfa-Bank	F&C	FUIB	VAB
Debt burden (% of Assets)*	27%	38%	54%	54%	52%	49%	40%
<i>Incl. Debt securities outstanding (% of Assets)</i>	8%**	11%**	17%	25%	4%	13%	15%
<i>Incl. loans from NBU (% of Assets)</i>	9%	n/a	n/a	n/a	26%	12%	15%
Cash (% of Assets)	11%	10%	8%	13%	8%	15%	10%
<i>USD mln</i>	1,293	721	461	426	194	306	84
CAR (NBU rules)	11.5%	34.5%	14.8%	17.0%	12.3%	19.1%	18.5%
Pre-provision RoA	8.8%	7.2%	4.1%	6.4%	0.9%	3.7%	1.9%
Assets, USD bln	11.8	7.2	5.6	3.4	2.4	2.1	0.85

* (Due to banks+Due to NBU+Debt securities issued+Other liabilities)/Assets

** Does not include Ukrexim'16 and Privat'16 Eurobonds, which are accounted as Subordinated debt

Source: Company data, Concorde Capital estimates

Among corporate Eurobonds, we favor Azovstal. Given its low debt burden (Net Debt/EBITDA of 1.1x as of end-2009) and parent Metinvest's support, its credit spread has the potential to narrow by ~100 bps, from its current 155 bps.

We also see opportunities in the only municipal Eurobond issue by the City of Kyiv, whose current spreads over the sovereign curve of 2.5-3 pp have the potential to narrow.

Default warnings

Company	Maturity	Amount outst. USD mln	Comment
Bank Nadra	June 2009	175.0	Under temporary administration of the NBU. Fate has not been decided: recapitalization by the government or sale to a private investor; the latter outcome seems more probable. Problems with liquidity (cash was 1.3% of assets vs. average 10% for large banks as of end-2009, UAS) and capital (regulatory capital was negative as of end-2009).
Interpipe	August 2010	200.0	Failed to make a coupon payment on February 2, 2010 and is now in default. Interpipe controls up to 75% of its outstanding Notes, which gives it with more flexibility on restructuring terms. Uncertainty is aggravated by non-transparency (e.g. the latest available IFRS financials are for 1H08). In early 2009, note-holders agreed to soften selected covenants (maximum Debt/EBITDA level was increased to 4.5 from 3.5).
XXI Century	November 2014	192.2	Principal repayment starts November 24, 2010. Given the company's current liquidity shortage, stagnation on the local real estate market, we doubt its ability to meet its obligations (incl. on Eurobonds) in the future.

Source: Company data, Bloomberg, Concorde Capital

Sovereign debt yields: Heading South

In recent months, Ukrainian Eurobond yields have been shrinking, with the sovereign yield curve falling back to its mid-2008 level (5.5-7% vs. 12-16% in December 2009) and taking on an upward-sloping shape. Ukraine's sovereign CDS (5Y USD) dropped from above 1,200 bps to well below 600 bps in 1Q10 vs. ~400 bps in mid-2008. Since early March, interest rates on domestic UAH sovereign debt also fell, to 10-15% from above 20% in January-February.

Sovereign CDS (5Y USD) bps

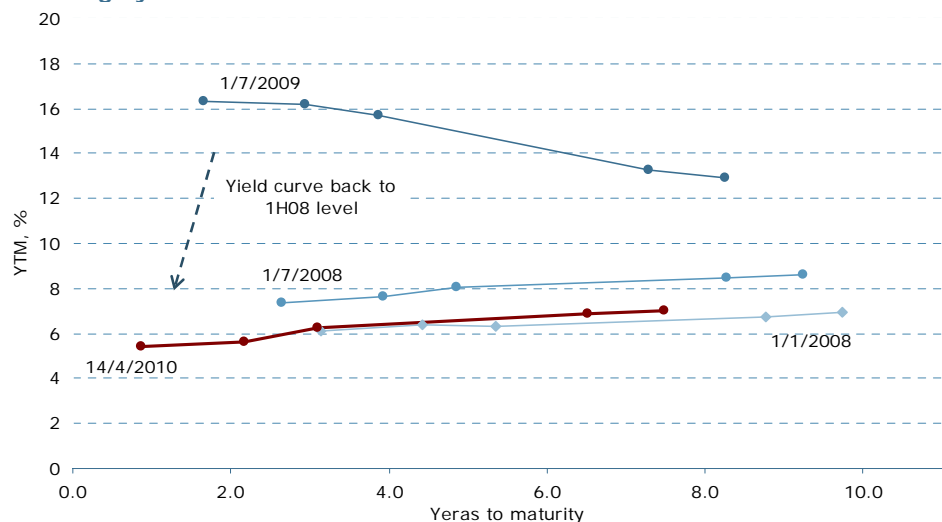


Source: Bloomberg

The reassessment of Ukraine's sovereign risk was triggered by country-specific political stabilization in February-March. On top of that, S&P upgraded Ukraine's rating to B- (outlook: positive) from CCC+ on March 11, while Fitch revised its outlook to Stable from Negative on March 17, keeping its B- rating unchanged. Both decisions were made in anticipation of renewed IMF cooperation.

Under favorable market conditions, local companies have already announced new Eurobond issues, including Ukreximbank, PrivatBank, DTEK.

Sovereign yield curve at different dates

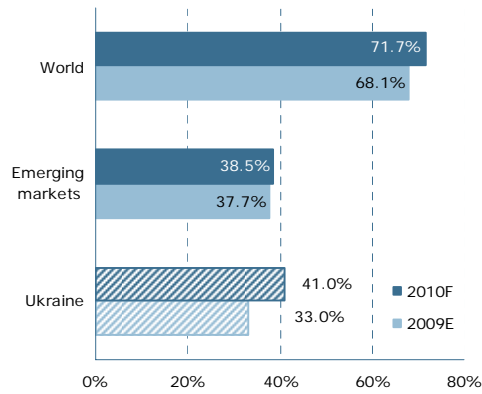


Source: Bloomberg, Concorde Capital

In our view, current Eurobond yields and their spread over the UST curve (400-600 bps) correctly reflect Ukraine's sovereign debt profile and macroeconomic conditions. In the coming months, though, we expect short-term spreads to narrow, triggered by the renewal of IMF financing programs and/or sovereign ratings upgrades.

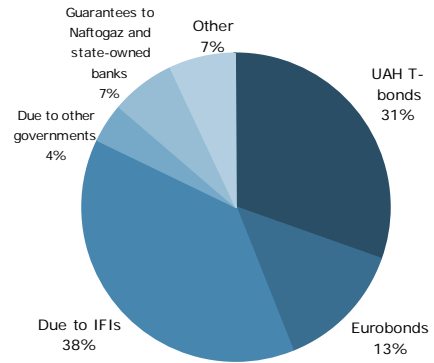
Ukraine's **gross public debt** (USD 37.9 bln or 33.2% of GDP as of end-February 2009, 41% in 2010F) has remained in check, though it increased 60% in 2009. The government has timely serviced and repaid its obligations in 2009-1Q10 (foremost, UAH 4.6 bln in domestic debt in December 2009-March 2010).

Public debt, % of GDP



Source: IMF, Finance Ministry, State Statistics Committee, Concorde Capital estimates

Public debt structure as of Feb. 28, 2010: USD 38 bln



Source: Finance Ministry

In terms of the structure of public debt, almost 40% of sovereign debt is long-term, cheap debt provided by international financial institutions (incl. USD 11.3 bln from the IMF). Eurobonds account for another 13% (USD 5 bln), and UAH debt for 31% or UAH 92.8 bln (USD 11.6 bln, at least ~65% or ~UAH 60 bln of which are long-term papers, held by the NBU).

Public debt servicing, though up 2.3x yoy last year, amounted to 3.3% of budget outlays or 1.1% of GDP in 2009, both figures below the average for the G20's emerging economies, 9.0% and 2.4% respectively, according to the IMF.

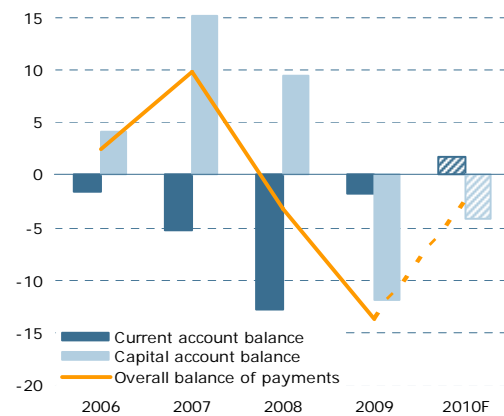
Macro profile is getting brighter

In 2009-1Q10, Ukraine experienced important positive macroeconomic adjustments, though risks, stemming mainly from public finances, remain.

The Ukrainian economy should post **real yoy growth in 1Q10 for the first time since 3Q08**. Based on the National Bank of Ukraine's "Key industries index", we estimate GDP went up ~5.5% yoy in 2M10 (vs. -7% yoy in 4Q09) while industrial production picked up 8.8% yoy in 2M10. We expect the economic recovery to be driven by export-oriented industries, notably metallurgy and machinery, which cater to other emerging markets. Domestic demand, in contrast, will stay weak in 2010 due to depressed real disposable income (-9.4% in 2009E, +3% in 2010F) and high unemployment (8% in 2010F).

The current account deficit shrank 4.6x in 2009 to -1.5% of GDP vs. -7.1% in 2008, driven by a smaller trade deficit due to weak domestic demand and 30% real UAH depreciation. This facilitated **stabilization in the USD/UAH exchange rate at 7.9-8.1** in November-April and eased devaluation expectations. At end-February and March, the NBU had to buy out excessive foreign currency from the domestic forex market (more than USD 1 bln) to keep the hryvnya from appreciating.

BoP, USD bln



Source: NBU, Concorde Capital estimates

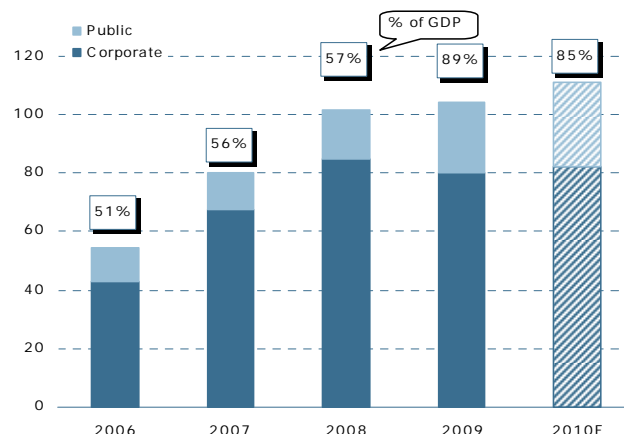
USD/UAH exchange rate, daily



Source: UkrDealing

Ukraine's **gross external debt** rose by a marginal 2.3% in 2009 to USD 104 bln. The minor increase came from IMF loans to the NBU and government (USD 8.1 bln), while corporate external debt shrank 7.2% (by USD 5.8 bln) in 2009. Total external debt to GDP, though, was up from 57% to 89% due to 50% hryvnya nominal depreciation and the nominal GDP decline in UAH terms (by ~4%).

Gross external debt, USD bln



Source: NBU, Concorde Capital

Inflation pressure also eased recently as CPI growth equaled **11% yoy** in March, down from 12.3% in December 2009 and 22.3% in December 2008. That said, the main inflationary risk in 2010 is increases in administratively regulated utility prices, badly needed to fix public finances. We expect gas, electricity and heating tariffs could go up by as much as 30% this year, directly contributing an additional 3 pp to CPI.

It is the **fiscal deficit that poses the major macroeconomic risk**. In 2009 Ukraine's fiscal deficit reached UAH 67.2 bln or 7.4% of GDP (vs. 3.2% in 2008, including Naftogaz of Ukraine, following the IMF's approach). In 2010, we expect the fiscal deficit (including Naftogaz) to stand at 6.5% of GDP. The main contribution to curbing the shortfall should come from optimizing general government expenses and reducing Naftogaz' deficit via higher utility tariffs.

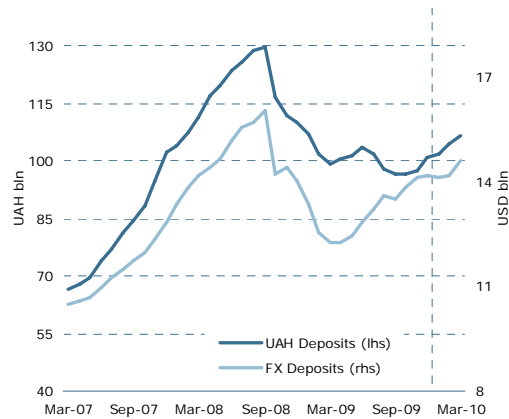
For now, we expect deficit financing to be balanced in 2010: one half through UAH debt issuance (for UAH 35-40 bln or USD 4.4-5 bln, net) and the other half from external sources (net issuance of Eurobonds for up to USD 1 bln and the attraction of IMF financing directly to the government for another USD 2-3 bln). Possible privatization revenue of up to UAH 10 bln (USD 1.3 bln) could stipulate slower UAH debt accumulation during 2010.

An excessive reliance on domestic resources to finance the deficit will crowd-out investments or, alternatively, could lead to rapid money supply expansion (if the NBU indirectly finances the deficit through commercial banks) and, hence, pose inflationary risks.

Trust in the banking system recovers

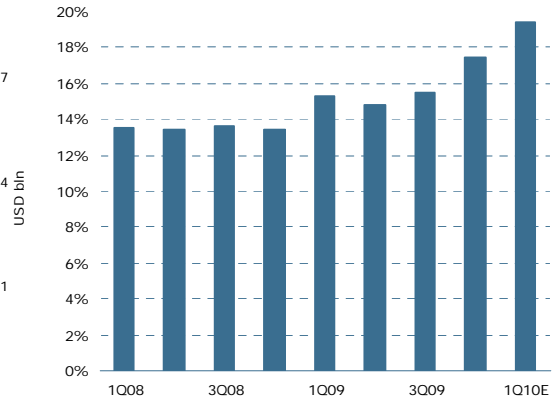
The population's trust in banks continued to improve at end-2009/early-2010. Since the trough in March 2009, retail deposits gained 15% as of end-March'10, with inflows picking up in the last six months (+8.4%). Furthermore, in December-March, UAH deposits grew faster than foreign currency deposits (+9.3% vs. +2.8%), at the same time signaling improvement in confidence in the national currency.

Retail deposits attracted by Ukrainian banks



Source: NBU

Regulatory capital to risk-weighted assets (CAR), quarterly average



Source: NBU

On top of that, the banking sector's capitalization (CAR) rose to 19.4% as of end-February vs. 15.6% as of end-September 2009.

Nonetheless, banks are still reluctant to lend: total loan portfolios went up only 3% in 2009 and lost 1.8% in 2M10. This is due to poor asset quality, lack of stable, cheap funding and the weak economy, which provides few lending opportunities at a reasonable risk profile. We do not expect a resumption in banks' asset growth until 2H10.

On the interbank market, 1-month interest rates declined since the beginning of the year from 20% to below 8% as of end-March, while overnight rates stayed at low levels of 1.1-1.5%. Nonetheless, as risk aversion remains high, and the NBU is actively withdrawing liquidity from the market by attracting short-term deposits from banks (UAH 56.3 bln in 1Q10), the overall interbank resource market volumes were 50%-60% lower than pre-crisis levels.

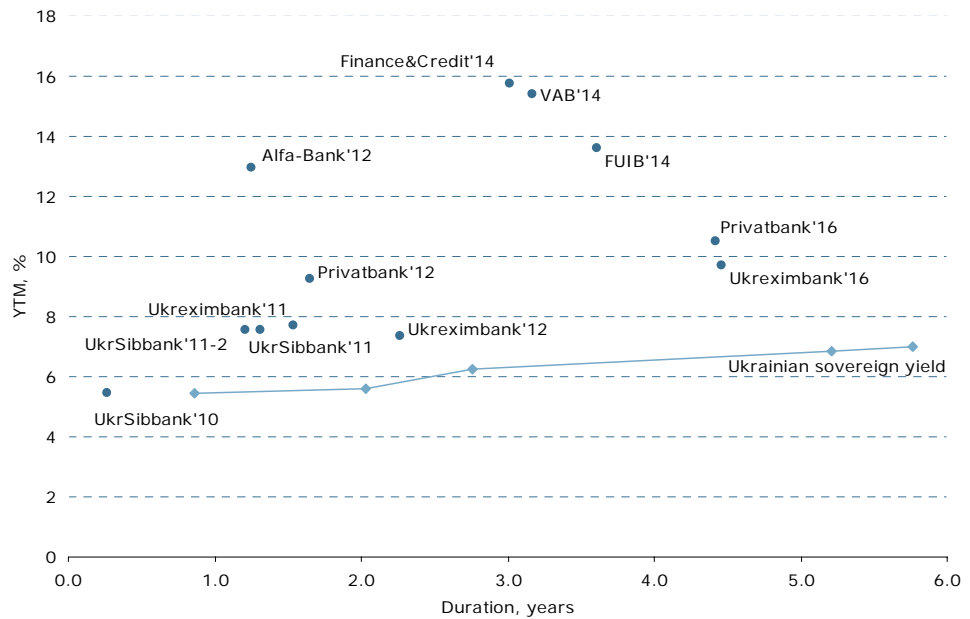
Ukrainian Eurobond universe *

Issuer	Rating S/M/F	Price	YTM	Amount outst, USD mln	Coupon	Maturity date	Principal repayment
Sovereign							
Ukraine, 2011	B-/B2/B-	101.2	5.4%	600	6.875%, s.a.	04/03/11	bullet
Ukraine, 2012	B-/B2/B-	101.6	5.6%	500	6.385%, s.a.	26/06/12	bullet
Ukraine, 2013	B-/B2/B-	103.9	6.2%	1,000	7.65%, s.a.	11/06/13	bullet
Ukraine, 2016	B-/B2/B-	98.5	6.9%	1,000	6.58%, s.a.	21/11/16	bullet
Ukraine, 2017	B-/B2/B-	98.6	7.0%	700	6.75%, s.a.	14/11/17	bullet
Municipal							
Kyiv, 2011	CCC+/B2/B-	97.0	11.3%	200	8.625%, s.a.	15/07/11	bullet
Kyiv, 2012	CCC+/B2/B-	93.8	11.0%	250	8.25%, s.a.	26/11/12	bullet
Kyiv, 2015	CCC+/B2/B-	88.9	10.7%	250	8.00%, s.a.	06/11/15	bullet
Banks							
Bank Nadra, 2010	-/C/-	39.5	860.2%	175	9.25%, s.a.	28/06/10	bullet
UkrSibbank, 2010	-/B1/B-	100.5	5.5%	200	7.375%, s.a.	23/07/10	bullet
Bank Pivdennyi, 2010	-/B2/B-	96.0	18.7%	100	10.25%, s.a.	03/08/10	bullet
UkrSibbank, 2011-2	-/B1/B-	102.0	7.6%	250	9.25%, s.a.	04/08/11	bullet
Ukreximbank, 2011	-/B1/B-	100.2	7.5%	500	7.65%, s.a.	07/09/11	bullet
UkrSibbank, 2011	-/B1/B-	100.1	7.7%	500	7.75%, s.a.	21/12/11	bullet
PrivatBank, 2012	-/B1/B-	98.0	9.2%	500	8.00%, s.a.	06/02/12	bullet
Alfa-Bank, 2012	CCC+/-/-	100.5	12.7%	841	13.00%, quart	30/07/12	sinkable
Ukreximbank, 2012	-/B1/B-	98.8	7.4%	250	6.80%, s.a.	04/10/12	bullet
Finance & Credit Bank, 2014	-/Caa1/-	85.5	15.7%	95	10.50%, s.a.	25/01/14	bullet
VAB Bank, 2010	-/Caa1/-	85.8	15.1%	122	10.5%, quart	14/06/14	bullet
FUIB, 2010	-/B2/-	91.8	13.4%	257	11.00%, quart	31/12/14	bullet
PrivatBank, 2016	-/B1/-	94.8	10.5%	150	8.75%, s.a.	09/02/16	bullet
Ukreximbank, 2016	-/B1/CC	94.3	9.7%	125	8.40%, s.a.	09/02/16	bullet
Non-banks							
Interpipe Ukraine, 2010	-/-/C	76.0	130.5%	200	8.75%, s.a.	02/08/10	bullet
Azovstal, 2011	-/B3/B-	100.7	8.2%	175	9.125%, s.a.	28/02/11	bullet
MHP, 2011	-/B3/B-	106.7	5.9%	250	10.25%, s.a.	30/11/11	bullet
Kyivstar GSM, 2012	-/-/-	100.3	7.6%	175	7.75%, s.a.	15/04/12	bullet
Galnaftogaz, 2012	-/-/-	100.0	37.2%	50	8.00%, s.a.	06/11/12	convertible
Naftogaz, 2014	-/-/CCC	107.0	7.6%	1,595	9.50%, s.a.	30/09/14	bullet
XXI Century, 2014	-/-/-	20.0	87.0%	175	9.00%, s.a.	24/11/14	bullet

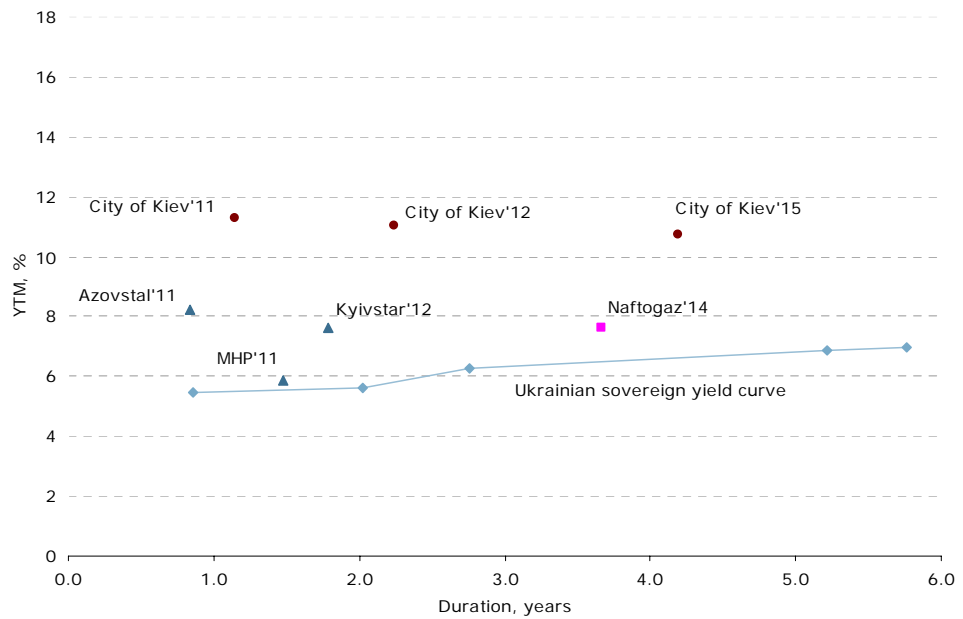
* Prices and yields are as of April 14, 2010, mid market, Bloomberg generic

Eurobond yield map *as of April 14*

Banks vs. government



Non-banks vs. government

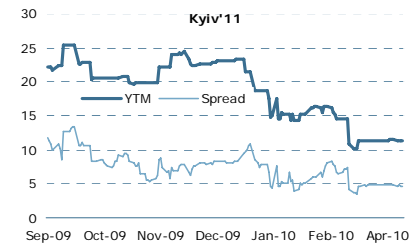


Source: Bloomberg (mid market, Bloomberg generic), Concorde Capital

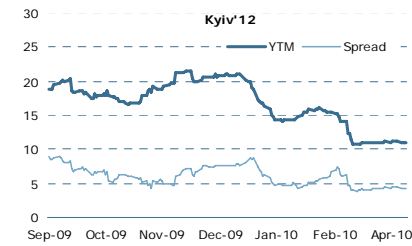
IMPORTANT NOTICE: Bloomberg's convention is to calculate YTM using compounding equal to the frequency of the coupon payments. In Ukraine's Eurobond universe, three Notes have quarterly coupon frequency (Alfa'12, PUMB'14, VAB'14), while all others have semi-annual (s.a.) frequency. To make yields comparable, we translate YTM's for Notes with quart. coupon payments (calculated by Bloomberg based on quarterly compounding) to YTM's based on s.a. compounding.

Corporate/Municipal spreads over sovereign curve

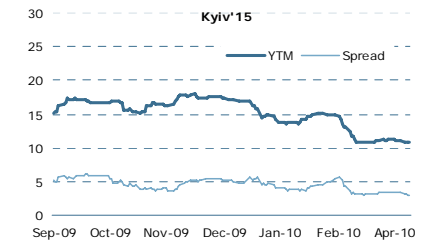
City of Kyiv'11



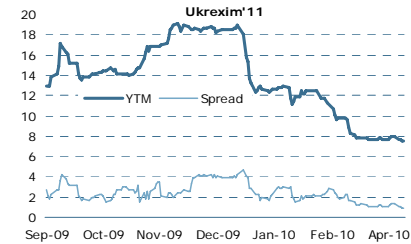
City of Kyiv'12



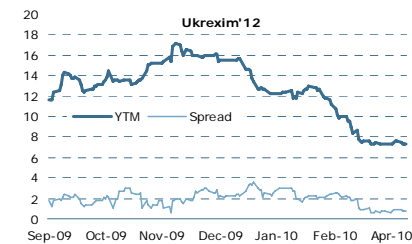
City of Kyiv'15



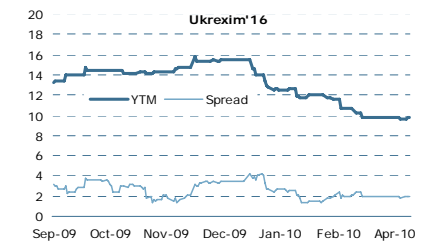
Ukreximbank'11



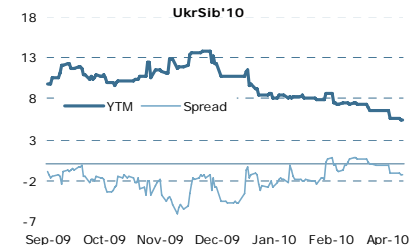
Ukreximbank'12



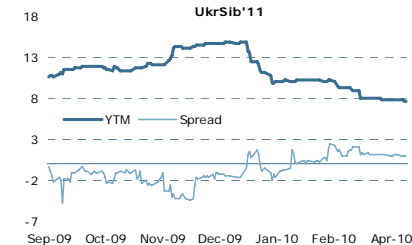
Ukreximbank'16



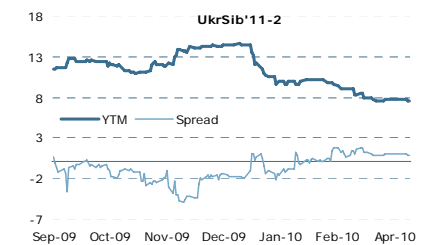
UkrSib'10



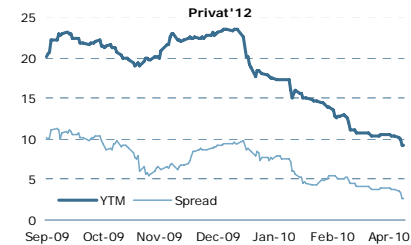
UkrSib'11



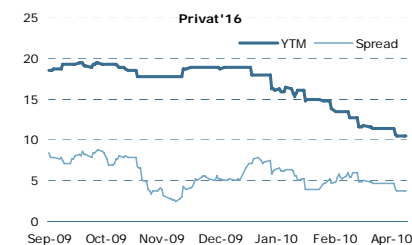
UkrSib'11-2



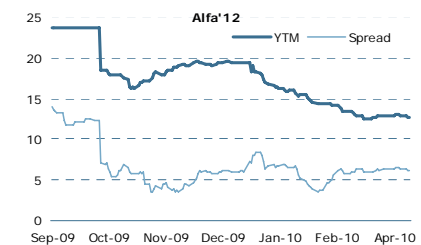
Privatbank'12



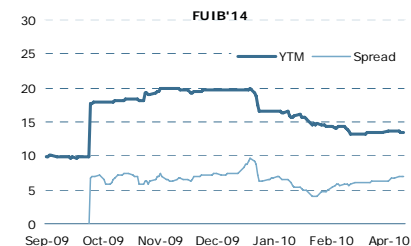
Privatbank'16



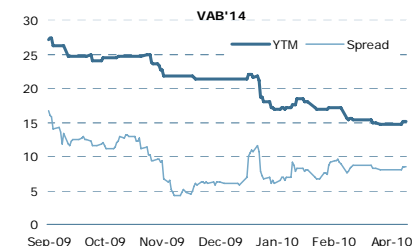
Alfa-Bank'12



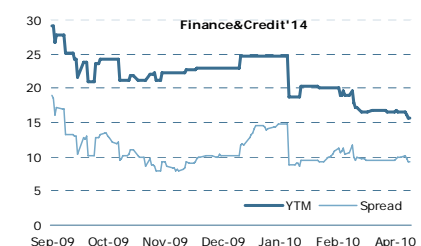
FUIB'14



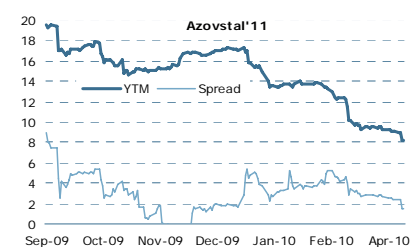
VAB'14



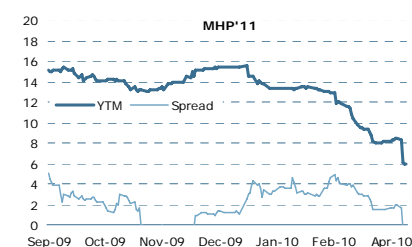
F&C'14



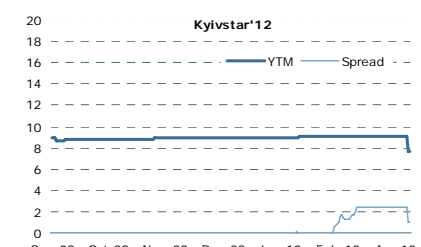
Azovstal'11



MHP'11



Kyivstar'12



Sources: Bloomberg, Concorde Capital estimates

Macro indicators yearly

	2002	2003	2004	2005	2006	2007	2008	2009	2010F	2011F
Business cycle indicators										
Real GDP, % chg yoy	5.2	9.6	12.1	2.7	7.3	7.9	2.3	-15.1	4.0	4.9
Nominal GDP, UAH bln	226	267	345	441	544	721	948	915	1056	1184
Nominal GDP, USD bln	42.4	50.1	65.0	86.1	107.8	142.7	179.9	117.4	130.7	147.1
GDP per capita, UAH	4685	5591	7273	9372	11630	15372	20495	19901	23079	25985
GDP per capita, USD	880	1048	1371	1829	2303	3044	3890	2555	2856	3228
Consumption, % chg yoy	9.5	11.5	13.1	20.6	15.9	17.1	11.8	-14.1	3.0	5.0
Investment, % chg yoy	-1.5	24.3	5.5	14.0	18.5	22.1	5.1	-52.9	6.8	7.5
Industrial output, % chg yoy	7.0	15.8	12.5	3.1	6.2	10.2	-3.1	-21.9	6.8	7.7
CPI (eop), % chg yoy	-0.6	8.2	12.3	10.3	11.6	16.6	22.3	12.3	10.0	8.0
PPI (eop), % chg yoy	5.7	11.1	24.1	9.5	14.1	23.3	23.0	14.4	10.0	15.0
External indicators										
Current account balance, USD bln	3.2	2.9	6.9	2.5	-1.6	-5.9	-12.5	-1.9	1.7	1.4
Current account balance, % GDP	7.5	5.8	10.6	2.9	-1.5	-4.1	-7.0	-1.6	1.3	0.9
Trade balance, USD bln	1.9	1.3	5.0	0.7	-3.1	-7.9	-13.7	-2.7	1.6	1.5
Trade balance, % GDP	4.4	2.6	7.7	0.8	-2.8	-5.5	-7.6	-2.3	1.2	1.0
Exports, USD bln	23.4	29.0	41.3	44.4	50.2	64.0	85.7	54.1	62.9	70.1
Exports, % chg yoy	10.7	24.0	42.6	7.5	13.2	27.4	34.0	-36.9	16.2	11.5
Imports, USD bln	21.5	27.7	36.3	43.7	53.3	71.9	99.4	56.1	61.2	68.6
Imports, % chg yoy	5.0	28.7	31.3	20.4	22.0	34.8	38.3	-43.5	9.1	12.0
Capital account balance, USD bln	-1.2	0.1	-4.6	7.7	3.7	15.3	14.0	-11.8	-4.2	2.5
Capital account balance, % GDP	-2.9	0.2	-7.1	9.0	3.4	10.7	7.8	-10.0	-3.2	1.7
FDI net, USD bln	0.7	1.4	1.7	7.5	5.7	9.2	9.9	4.5	5.0	6.0
NBU reserves (eop), USD bln	4.4	5.1	9.5	19.4	22.3	32.5	31.5	26.5	28.1	31.9
Debt indicators										
Public debt, USD bln	13.8	14.5	16.0	15.5	15.9	17.6	24.6	37.8	51.8	61.0
Public debt, % GDP	32.5	29.0	24.7	18.0	14.8	12.3	13.7	33.0	40.7	42.2
Corporate external debt, USD bln	n/a	13.0	17.8	25.5	42.7	67.6	85.0	81.2	82.0	87.0
Corporate external debt, % GDP	n/a	25.9	27.3	29.6	39.6	47.4	47.2	69.2	62.8	59.1
Gross external debt, USD bln	n/a	23.8	30.6	38.9	54.5	80.0	101.7	105.4	110.7	117.6
Gross external debt, % GDP	n/a	47.5	47.1	45.2	50.6	56.0	56.5	89.7	84.7	80.0
Monetary indicators										
Monetary base, UAH bln	30.7	40.1	53.8	82.8	97.2	141.9	186.7	195.0	219.9	252.9
Monetary base, % chg yoy	33.6	30.5	34.1	53.9	17.5	46.0	31.6	4.4	12.8	15.0
Money supply (M3), UAH bln	64.9	95.0	125.8	194.1	261.1	396.2	514.7	487.3	560.8	670.2
Money supply, % chg yoy	41.8	46.5	32.4	54.3	34.5	51.7	29.9	-5.3	15.1	19.5
Monetary multiplier (eop MB/M3)	2.1	2.4	2.3	2.3	2.7	2.8	2.8	2.5	2.6	2.7
Monetization (avg M3/GDP), %	24.9	30.3	32.0	36.7	42.3	46.4	46.0	47.9	49.6	52.0
Exchange rate										
Interbank UAH/USD (avg)	5.33	5.33	5.32	5.10	5.04	5.03	5.30	8.11	8.08	8.05
State budget										
Revenues, UAH bln	n/a	55.1	70.3	105.2	133.5	165.9	231.7	210.3	211.2	260.5
Expenses, UAH bln	n/a	55.8	79.5	112.8	137.1	174.2	241.5	242.4	264.0	290.1
Balance, % GDP	n/a	-0.4	-3.0	-1.8	-0.7	-1.4	-1.3	-3.5	-5.0	-2.5
Social indicators										
Population, mln (eop)	48.0	47.6	47.3	46.9	46.6	46.4	46.3	46.0	45.8	45.6
Unemployment (ILO methodology, avg), %	9.6	9.1	8.6	7.2	6.8	6.4	6.4	8.0	7.5	7.0
Average monthly salary, UAH	376	463	591	806	1,043	1,351	1,806	1,909	2,163	2,523
Real disposable income, % chg yoy	18.0	5.8	16.8	20.1	16.1	12.8	10.3	-9.4	3.0	8.0

Corporate profiles

City of Kyiv

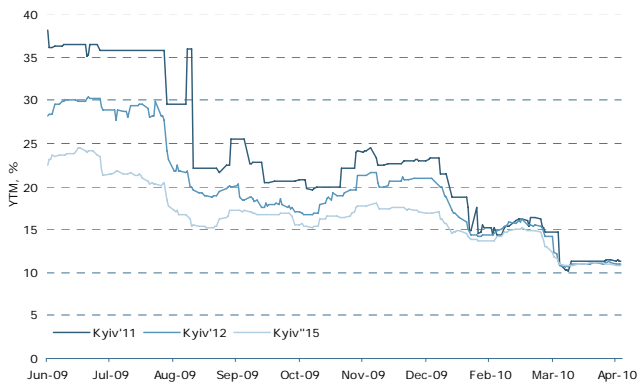
Municipal

<http://www.kmv.gov.ua>

INVESTMENT CASE

- Eurobonds trade 300-460 bps over the sovereign yield curve. The spreads have a potential to narrow to 250-300 bps vs. 140-200 bps pre-mid-2008
- Shorter-term CITKIE'11 and CITKIE'12 (spreads 460, 430 bps for YTM 11.3%, 11.0%) have larger price appreciation potential (3%-4.5%) due to both the anticipated decline in sovereign benchmark yields and spreads narrowing (by up to 200 bps) vs. CITKIE'15 (YTM of 10.7%, spread 300 bps)
- 3M total return may equal ~5% for CITKIE'11, '12
- Overall debt burden is ~42% of total 2009 city budget revenues: USD 700 mln in Eurobonds and UAH 900 mln (USD 113 mln) in domestic bank debt. Interest debt service is a manageable 4.1% of total revenues
- Liquidity support from the central government: in 1Q10 received UAH 497 mln in short-term loans, 79% of which have been already repaid (UAH 4.4 bln were received and repaid in 2009)
- Anticipated increase in utility retail tariffs in 2010 will allow the city to save ~UAH 600 mln in 2010 (USD 75 mln) in compensations to Kyivenergo (in 2009 Kyiv compensated ~UAH 1.7 bln of the negative difference between heating energy tariffs and the cost of production; Kyiv's cumulative debt to Kyivenergo was ~UAH 1.5 bln as of end-2009)

EUROBONDS YTM



Source: Bloomberg

OVERVIEW

Capital and largest city, with an official population of 2.8 mln. Accounted for 18% of Ukraine's total GDP in 2008. Economy is concentrated in services. Official average monthly salary in 2009 (UAH 3.2 ths or USD 400) was 68% higher than the average across Ukraine.

In 2010-2012 may be active in property sales, expanding budget revenues, and investment attraction before hosting the UEFA Euro-2012 Football Championship.

Net funds provider to the central government (40% of all revenues, USD 800 mln in 2009), while enjoying liquidity support for short-term cash shortages.

OUTSTANDING BONDS

Issue	Amt, mln	Curr	Maturity	Maturity type	Option date	Coupon	Coupon type	YTM
City of Kyiv, 2011	200	USD	15.07.2011	bullet	n/a	8.625%	Fixed, s.a.	11.3%
City of Kyiv, 2012	250	USD	26.11.2012	bullet	n/a	8.25%	Fixed, s.a.	11.0%
City of Kyiv, 2015	250	USD	06.11.2015	bullet	n/a	8.0%	Fixed, s.a.	10.7%

ISSUER CREDIT RATING

	Global scale	Local scale
Foreign currency		
Standard&Poor's	CCC+	n/r
Moody's	B2	n/r
Fitch	B-	A(ukr)

KEY STATISTICS

	2007	2008	2009
GDP, USD bln	26.9	32.0	n/a
Industrial prod.sales, USD bln		6.7	4.5
Industrial output, % chg yoy		-1.5%	-29.0%
Construction volume, USD bln	3.2	3.5	1.2
Retail trade, USD bln	9.0	11.6	7.4
Avg. monthly salary, USD	455	580	405
Real salary chg	12.3%	7.8%	-11.8%

BUDGET DATA, USD mln

	2007	2008	2009
Total revenues, incl.	3,068	3,601	1,967
Tax revenues	1,710	2,278	1,473
Total expenses, incl.	3,203	3,760	2,285
Debt service	54	75	80
Transfers to the central gov't	549	1,038	798
Deficit	134	159	318

City of Kyiv budget

Balance sheet summary, USD mln

	2007	2008	2009
Tax revenues	1,710	2,278	1,473
<i>incl. Personal income tax</i>	1,431	1,860	1,187
Nontax revenues	102	94	34
Other (incl. donations, subventions)	408	494	136
Special funds	848	735	324
<i>incl. fixed assets disposal</i>	98	294	122
Total revenues	3,068	3,601	1,967
Current expenses	1,515	1,570	1,124
<i>incl. Debt service</i>	54	75	80
Transfers to the central gov't	549	1,038	798
Other transfers	86	32	3
Capital expenses	1,052	1,121	360
Total expenses	3,203	3,760	2,285
Deficit	134	159	318

Naftogaz of Ukraine

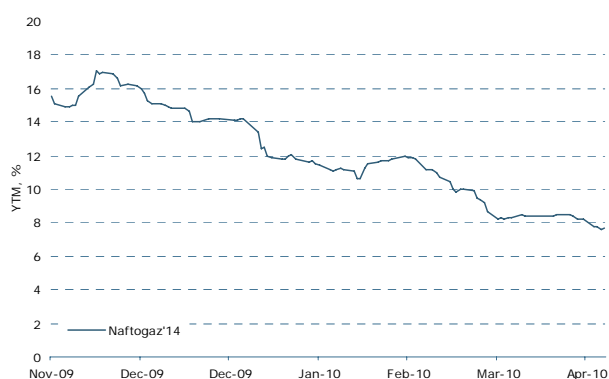
Oil & Gas

<http://www.naftogaz.com>

INVESTMENT CASE

- Notes, fully guaranteed by the government, are traded at a 20 bps spread over the sovereign curve, yielding 7.6%
- Government increased Naftogaz' charter fund by UAH 30 bln during 2009 (total imported gas cost was ~UAH 50 bln) to compensate the difference between imported gas prices and its selling price to domestic customers and for cash withdrawals to finance general government expenses
- Expected lowering of avg. imported gas prices (by ~10%) along with increases in domestic retail utility prices (by up to 30%) will decrease Naftogaz' deficit by ~60% and its dependence on government subsidies in 2010 and beyond
- Largest single Eurobond issue in Ukraine (USD 1.6 bln), which increases credit risk of its papers
- We see 40-50 bps potential for NAFTO'14 spreads to narrow, implying 1.5%-1.8% price upside

EUROBONDS YTM



Source: Bloomberg

BUSINESS OVERVIEW

100% state-owned, vertically-integrated holding of companies engaged in exploration, development and production of hydrocarbons, oil & gas transportation and storage, gas treatment and supply of natural gas and LPG to final consumers. Controls ~93% of Ukraine's hydrocarbon production (4 MMt of oil and 19 Bcm of gas a year), 100% of oil & gas transit volume (35 MMt and 120 Bcm, respectively), and ~90% of gas distribution directly and through traders to final consumers (67 Bcm). Total assets worth USD 15.5 bln as of end-2008 with the main asset being pipelines (NBV of ~USD 6 bln).

OUTSTANDING BONDS

Issue	Amt, mln	Curr	Maturity	Maturity type	Option date	Coupon	Coupon type	YTM
Naftogaz, 2014	1,595	USD	30.09.2014	bullet	n/a	9.50%	Fixed, s.a.	7.6%

ISSUER CREDIT RATING

	Global scale	Local scale
Foreign currency		
Standard&Poor's	n/r	n/r
Moody's	n/r	n/r
Fitch	CCC	n/r

OWNERSHIP STRUCTURE

State	100%
-------	------

KEY FINANCIALS, USD mln

	2007	2008
Revenues	6,025	10,027
EBITDA	1,543	1,423
Net income	-13	-379

Assets	21,513	16,054
Equity	11,279	6,909

KEY RATIOS

	2007	2008
EBITDA margin	25.6%	14.2%
Net margin	-0.2%	-3.8%
Net debt/EBITDA	0.3	0.6
EBITDA to Finance costs	5.32	5.23

Financial statements, IFRS

Balance sheet summary, USD mln

	2007	2008
Current assets		
Cash and equivalents	116	338
Restricted cash	10	71
Prepayments and other current assets	265	255
Trade and other receivables	876	1,046
Inventories	606	1,661
	1,873	3,370
Non-current assets		
PPE	17,358	11,080
Intangible assets	14	9
Investments	1,675	1,107
Deferred tax assets	386	349
Other non-current assets	207	139
	19,640	12,685
Total assets	21,513	16,054
Current assets		
Advances and other current liabilities	1,139	1,322
Trade and other payables	1,667	972
Provisions	1,219	346
Loans and borrowings	685	2,549
Income tax payable	379	0
	5,088	5,189
Non-current assets		
Loans and borrowings	1,864	2,171
Provisions	140	113
Other long-term liabilities	463	35
Deferred tax liabilities	2,680	1,636
	5,146	3,956
Total liabilities	10,234	9,145
Equity		
Share capital	1,925	1,262
Revaluation reserve	10,848	6,886
Accumulated	-1,636	-1,336
Minority interest	142	96
	11,279	6,909
Total liabilities and equity	21,513	16,054

Income statement summary, USD mln

	2007	2008
Sales	6,025	10,027
Tariff subsidy from the gov't	396	1,260
Rent and other production tax	-434	-375
COGS	-3,169	-8,129
Gross profit	2,819	2,783
SG&A	-941	-944
Other operating income	78	62
Other operating expenses	-413	-479
EBITDA	1,543	1,423
Depreciation&Amortization	-618	-624
Other income	40	1,155
Other expenses	-444	-1,953
Finance costs	-290	-272
EBT	231	-271
Income tax expense	-244	-108
Net income	-13	-379

PrivatBank

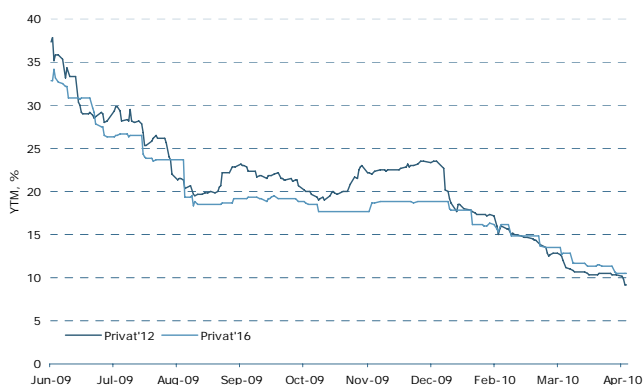
Banks

<http://www.privatbank.ua>

INVESTMENT CASE

- Privat'12 now trades 270 bps over sovereign yield curve, in line with pre-crisis levels
- Highly profitable: pre-provision ROA of 8.8% was the highest among local banks with Eurobonds
- Increased share capital by UAH 1 bln (USD 0.125 bln) or 15% in 4Q09
- Retail deposits inflow grew 10% in 4Q09 vs. system average of +4.5%
- Strong support from the NBU: received UAH 5 bln (USD 0.6 bln) in refinancing in 2009. These resources were used to partially used to repay USD 230 mln in external borrowings in 1H09
- Privat'16 USD 150 mln LPNs were issued in 2006 to finance subordinated debt. Hence, they have riskier credit risk profile than Privat'12 Eurobonds – their senior obligations

EUROBONDS YTM



Source: Bloomberg

BUSINESS OVERVIEW

Largest Ukrainian bank, with total assets of UAH 86 bln (USD 10.8 bln) or 9.2% of total banking system assets. Part of Privat group, which also has significant assets in the oil industry (Ukrnafta), metallurgy, agriculture. Corporate loans accounted for some 73% of its total portfolio as of end-2009. Stable customer base, with total retail deposits remaining almost intact during 2009 (+1.7% growth vs. system average of -1.7%).

OUTSTANDING BONDS

Issue	Amt, mln	Curr	Maturity	Maturity type	Option date	Coupon	Coupon type	YTM
Privatbank, 1-M	250	UAH	11.07.2010	bullet	n/a	10.5%	Fixed, s.a.	n/a
Privatbank, 1-L	500	UAH	19.03.2012	bullet	n/a	11.5%	Fixed, s.a.	n/a
Privatbank, 2012	500	USD	06.02.2012	bullet	n/a	8.00%	Fixed, s.a.	9.2%
Privatbank, 2016	150	USD	09.02.2016	callable	09.02.2011 @ 100	8.75%	Step-up*, s.a.	10.5%
Privatbank, 2018-A	85.8	USD	29.11.2018	bullet	n/a	3m Libor +5.5%	Float, quart.	n/a
Privatbank, 2018-BC	24.2	USD	29.11.2018	bullet	n/a	3m Libor +7.5%	Float, quart.	n/a
Privatbank, 2031-A	134.1	USD	15.12.2031	bullet	n/a	1m Libor +2.1%	Float, month.	n/a
Privatbank, 2031-BC	45.9	USD	15.12.2031	bullet	n/a	1m Libor +3.75%	Float, month.	n/a

* Coupon rate will be reset starting 9 Feb 2011 to be equal to the lower of Reference rate (Treasury rate+6.48pp) and Regulatory rate (LIBOR+5pp) as of Step-up date (7 Feb 2011)

ISSUER CREDIT RATING

	Global scale	Local scale
Foreign currency		
Standard&Poor's	n/r	n/r
Moody's	B3	n/r
Fitch	B-	n/r

OWNERSHIP STRUCTURE

Igor Kolomoyskiy	49.2%
Gennadiy Bogolubov	49.0%
Management	1.8%

KEY RATIOS

	2008	2009E
Pre-provision RoA	10.2%	8.8%
RoA	3.3%	2.8%
Int. rate margin	12.4%	15.5%
Cost/Income	60.9%	49.9%
Loans/Deposits	134%	138%

DEBT BURDEN, 2009

Debt securities issued to Assets	8%
Total debt burden*	27%
Cash (% of assets)	11%
CAR	11.5%

* Total debt burden is defined as (due to banks + Debt securities issued + other liabilities) / Assets

** Does not include Privat'16 Notes, which are accounted as Subordinated debt

Financial statements, IFRS

Balance sheet summary, USD mln

	2007	2008	2009E
Cash & Equivalents	1,575	1,220	1,293
Due from banks	263	346	686
Loans	9,085	9,897	9,411
Less provisions	-556	-1,056	-1,679
Other assets	776	960	2,069
Total Assets	11,143	11,366	11,780
Due to banks	1,236	1,318	1,630
Clients' deposits	7,129	7,399	6,799
Debt securities issued	1,259	957	887
Other liabilities	262	243	653
Subordinated debt	186	173	170
Total Liabilities	10,072	10,090	10,140
Share capital	588	1,182	1,448
Retained earnings	294	410	410
Other	189	-315	-217
Total Equity	1,070	1,277	1,640
Total Liabilities & Equity	11,143	11,366	11,780

Income statement summary, USD mln

	2007	2008	2009E
Net Interest Income	797.8	1,211.7	1,575.2
Provisions Change	-131.9	-850.4	-823.0
NII After Provisions	665.9	361.3	752.2
Net Fees Income	259.8	340.9	170.5
SG&A	-640.8	-946.2	-870.5
Other Income/(Expense)	14.9	722.8	278.4
EBT	299.8	478.9	330.6
Tax	-77.6	-104.0	-11.9
Net Income	222.2	374.9	318.7

Selected ratios

	2007	2008	2009E
Loans loss provisions/Total loans	6.1%	10.7%	17.8%
Loans/Deposits	127%	134%	138%
Interest Rate Margin		12.4%	15.5%
Cost/Income		60.9%	49.9%
Cost/Avg Assets		7.8%	6.7%
Pre-provision RoA		10.2%	8.8%
RoA		3.3%	2.8%
RoE		31.9%	21.8%

Ukreximbank

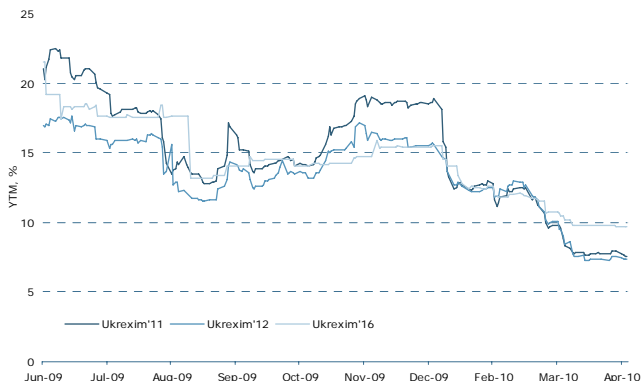
Banks

<http://www.eximb.com>

INVESTMENT CASE

- Ukrexim'11 and '12 now trade 70-90 bps over the sovereign curve, which corresponds to pre-crisis levels
- In September, repaid its USD 250 mln Eurobonds on time
- Recently announced plans to make a new Eurobond issue
- Strong backing from the government: in 4Q09 received a UAH 0.65 bln (+7%) capital infusion; in January 2010 another UAH 1.8 bln share capital injection was approved
- Received UAH 7 bln refinancing from the NBU as of June 2009. Regulatory capital adequacy (NBU rules) improved from 11.2% to 34.5% over 2009
- Attracted USD 250 mln in subordinated debt from the EBRD in April 2009
- Continued enjoying strong retail and corporate deposit inflow in 4Q09: +9.7% and +9.7% vs. system averages of +4.5%, +1.1%, respectively
- Strong 7.2% pre-provision RoA in 2009E vs. 4.4% in 2008
- Ukrexim'16 USD 125 mln LPNs were issued in 2006 to finance the bank's subordinated debt. Hence, they have a riskier credit risk profile than Ukrexim'11, '12 – its senior obligations

EUROBONDS YTM



Source: Bloomberg

BUSINESS OVERVIEW

Ukreximbank, #3 largest Ukrainian bank by assets (UAH 57 bln, USD 7.1 bln); 100% government owned. Concentrates mostly on corporate business, actively servicing export and cross-border project financing. Corporate loans constitute 97% of its total portfolio.

Increased its share capital three-fold or by UAH 7 bln (USD 875 mln) in 2009. Managed to expand its deposit portfolio by 13.8% in 2009 (vs. -1.7% of system average) thanks to a favorable perception with customers.

OUTSTANDING BONDS

Issue	Amt, mln	Curr	Maturity	Maturity type	Option date	Coupon	Coupon type	YTM
Ukreximbank, 1-C	500	UAH	15.06.2010	bullet	n/a	9.75%	Fixed, s.a.	n/a
Ukreximbank, 2011	500	USD	07.09.2011	bullet	n/a	7.65%	Fixed, s.a.	7.5%
Ukreximbank, 2012	250	USD	04.10.2012	bullet	n/a	6.80%	Fixed, s.a.	7.4%
Ukreximbank, 2016	125	USD	09.02.2016	callable	09.02.2011 @ 100	8.40%	Step-up*, s.a.	9.7%

* Coupon rate will be reset starting 9 Feb 2011 to be equal to the lower of Reference rate (Treasury rate+5.865pp) and Regulatory rate (LIBOR+5pp) as of Step-up date (7 Feb 2011)

ISSUER CREDIT RATING

	Global scale	Local scale
Foreign currency		
Standard&Poor's	n/r	n/r
Moody's	B3	n/r
Fitch	B-	AA-(ukr)

OWNERSHIP STRUCTURE

State	100%
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KEY RATIOS

	2008	2009E
Pre-provision RoA	4.4%	7.2%
RoA	0.4%	-0.4%
Int. rate margin	6.4%	10.8%
Cost/Income	41.4%	26.8%
Loans/Deposits	234%	229%

DEBT BURDEN, 2009

Debt securities issued to Assets**	11%
Total debt burden*	38%
Cash (% of assets)	10%
CAR	34.5%

* Total debt burden is defined as (due to banks + Debt securities issued + other liabilities) / Assets

** Does not include Ukrexim'16 Notes, which are accounted as Subordinated debt

Financial statements, IFRS

Balance sheet summary, USD mln

	2007	2008	2009E
Cash & Equivalents	685	819	721
Due from banks	55	125	150
Loans	4,458	5,040	6,062
Less provisions	-145	-286	-837
Other assets	603	482	1,082
Total Assets	5,657	6,180	7,178
Due to banks	1,612	2,193	1,849
Clients' deposits	2,098	2,156	2,652
Debt securities issued	1,274	1,158	813
Other liabilities	53	36	77
Subordinated debt	127	127	390
Total Liabilities	5,164	5,669	5,780
Share capital	435	751	1,648
Retained earnings	-30	-94	-124
Other	87	-145	-126
Total Equity	493	512	1,398
Total Liabilities & Equity	5,657	6,180	7,178

Income statement summary, USD mln

	2007	2008	2009E
Net Interest Income	208.4	307.5	615.0
Provisions Change	-38.9	-244.1	-551.3
NII After Provisions	169.5	63.4	63.7
Net Fees Income	60.0	76.9	97.7
SG&A	-119.2	-159.1	-191.0
Other Income/(Expense)	38.9	52.8	0.0
EBT	149.2	33.9	-29.6
Tax	-39.7	-10.9	0.0
Net Income	109.5	23.1	-29.6

Selected ratios

	2007	2008	2009E
Loans loss provisions/Total loans	3.3%	5.7%	13.8%
Loans/Deposits	213%	234%	229%
Interest Rate Margin		6.4%	10.8%
Cost/Income		41.4%	26.8%
Cost/Avg Assets		2.6%	2.6%
Pre-provision RoA		4.4%	7.2%
RoA		0.4%	-0.4%
RoE		4.6%	-3.1%

UkrSibbank (BNP Paribas Group)

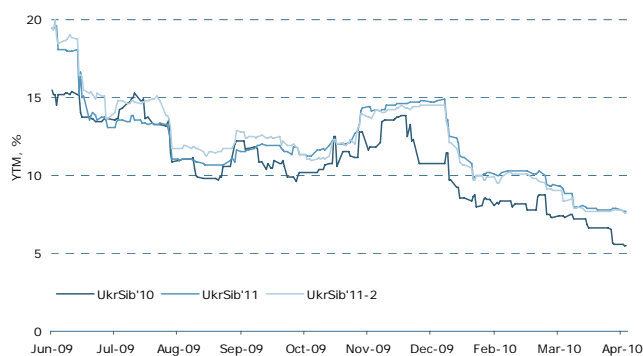
Banks

<http://ukraine.bnpparibas.com>

INVESTMENT CASE

- UkrSib'10 trades below the sovereign curve now, while UkrSib'11, '11-2 trade at 80-100 bps spread; all below pre-mid-2008 levels
- Provide attractive 5.5%-7.7% YTM, 500-600 bps above the YTM of parent BNP Paribas although the credit risk profiles of the two banks are not as dissimilar
- Increased charter fund by 32% (by USD 160 mln) in 2Q09, accompanied an increase in BNP's stake to 81.4% (as of end-2009) from 51% (as of end-2008). CAR (NBU rules) was 14.8% as of end-2009
- Strong support from parent BNP, which funded ~35% of UkrSib's liabilities as of end-2009
- Attracted USD 100 mln in subordinated debt from EBRD in 3Q09
- Fitch revised its rating outlook to Stable from Negative in March 2010, affirming its B- rating
- 6% retail deposit inflow in 4Q09 vs. system average of +4.5%
- Aggressively cut operating costs, having closed 174 branches (19% of total) during 2009, and reducing Cost/Income to 59% in 2009E from 70% in 2008
- Improved its interest rate margin to 7.9% in 2009E vs. 6.2% in 2008. Accumulated provisions for 15% of total loan portfolio as of end-2009, according to UAS

EUROBONDS YTM



Source: Bloomberg

BUSINESS OVERVIEW

Fifth largest Ukrainian bank by assets (USD 5.8 bln as of December 31). Owned by France's BNP Paribas (81.4% stake). Established in 1990 in Kharkiv, part of BNP Paribas since 2006. Universal bank with retail loans accounting for 62% of total loan portfolio. One of the leaders in residential mortgage market, with second largest portfolio in Ukraine, amounting to some USD 1.6 bln as of end-2009 (28% of all assets).

Customer trust recovered strongly during 2009: retail deposits increased 23.6% vs. system average of -1.7%.

OUTSTANDING BONDS

Issue	Amt, mln	Curr	Maturity	Maturity type	Option date	Coupon	Coupon type	YTM
UkrSibbank, 2010	200	USD	23.07.2010	bullet	n/a	7.375%	Fixed, s.a.	5.5%
UkrSibbank, 2011 Dec	500	USD	21.12.2011	bullet	n/a	7.75%	Fixed, s.a.	7.7%
UkrSibbank, 2011 Aug	250	USD	04.08.2011	bullet	n/a	9.25%	Fixed, s.a.	7.6%

ISSUER CREDIT RATING

	Global scale	Local scale
Foreign currency		
Standard&Poor's	n/r	n/r
Moody's	B3	n/r
Fitch	B-	AAA(ukr)

OWNERSHIP STRUCTURE

BNP Paribas	81.4%
UMC (Ukraine)	18.6%

KEY RATIOS

	2008	2009E
Pre-provision RoA	4.6%	4.1%
RoA	-2.4%	-3.1%
Int. rate margin	6.2%	7.9%
Cost/Income	69.7%	58.6%
Loans/Deposits	339%	320%

DEBT BURDEN, 2009

Debt securities issued to Assets	17%
Total debt burden*	54%
Cash (% of assets)	8%
CAR	14.8%

* Total debt burden is defined as (due to banks + Debt securities issued + other liabilities) / Assets

Financial statements, IFRS

Balance sheet summary, USD mln

	2007	2008	2009E
Cash & Equivalents	520	406	461
Due from banks	206	35	35
Loans	6,191	6,619	5,682
Less provisions	-166	-525	-1,009
Other assets	508	469	434
Total Assets	7,261	7,003	5,603
Due to banks	2,540	2,881	2,024
Clients' deposits	2,303	1,951	1,776
Debt securities issued	1,005	969	967
Other liabilities	503	424	48
Subordinated debt	274	296	386
Total Liabilities	6,624	6,521	5,201
Share capital	698	795	955
Retained earnings	-63	-57	-253
Other	2	-256	-300
Total Equity	637	482	402
Total Liabilities & Equity	7,261	7,003	5,603

Income statement summary, USD mln

	2007	2008	2009E
Net Interest Income	267.7	405.1	486.1
Provisions Change	-59.2	-517.5	-484.0
NII After Provisions	208.5	-112.4	2.1
Net Fees Income	76.5	92.5	87.8
SG&A	-253.3	-346.8	-336.4
Other Income/(Expense)	66.2	249.0	50.0
EBT	97.9	-117.7	-196.4
Tax	-27.4	-55.0	0.0
Net Income	70.5	-172.7	-196.4

Selected ratios

	2007	2008	2009E
Loans loss provisions/Total loans	2.7%	7.9%	17.8%
Loans/Deposits	269%	339%	320%
Interest Rate Margin		6.2%	7.9%
Cost/Income		69.7%	58.6%
Cost/Avg Assets		4.6%	4.8%
Pre-provision RoA		4.6%	4.1%
RoA		-2.4%	-3.1%
RoE		-30.9%	-44.4%

Alfa-Bank Ukraine

Banks
<http://www.alfabank.com.ua>

INVESTMENT CASE

- Alfa'12 trades 620 bps over the sovereign curve, yielding 12.7%. We expect the spread to narrow to 350 bps, closer to comparable Privat'12 Notes (270 bps spread)
- Expected 3M total return of 6%
- YTM of 12.7% is well above that of parent Alfa's Notes (5%-6.5%)
- Parent Russian Alfa Group provided USD 166 mln in subordinated debt in 1Q09; approved 25% (USD 92 mln) charter fund increase at end-2009
- In 2009 improved its interest rate margin (15.8% vs. 11.6% in 2008) and delivered +6.4% pre-provision RoA
- High inflow of retail deposits (+33% in 2009 vs. system average of -1.7%)
- Cost/Income ratio worsened to 52% in 2009 vs. 47% in 2008
- Relatively high debt burden (50% of assets) implies risks though the Notes are sinkable (the only sinkable issue in the Ukrainian Eurobond universe)

EUROBONDS YTM



Source: Bloomberg

BUSINESS OVERVIEW

Ukraine's #10 largest bank by assets (USD 3.6 bln as of December 31); owned by Russian Alfa Group. Corporate loans accounted for 78% of its loan portfolio as of the end-2009.

In 2009 retail deposits rose 33% while corporate deposits plummeted 56% and were effectively replaced by the attraction of subordinated debt. Loan/Deposit ratio rose from 236% to 308% during 2009.

OUTSTANDING BONDS

Issue	Amt, mln	Curr	Maturity	Maturity type	Option date	Coupon	Coupon type	YTM
Alfa-Bank, 1-D	1.6	UAH	20.12.2011	bullet	n/a	20%	Fixed, quart	n/a
Alfa-Bank, 2012	840.6	USD	30.07.2012	sinkable	Sinkability starts 30.10.2010	13.0%	Fixed, quart	12.7%

ISSUER CREDIT RATING

	Global scale	Local scale
Foreign currency		
Standard&Poor's	CCC+	n/r
Moody's	n/r	n/r
Fitch	n/r	n/r

OWNERSHIP STRUCTURE

ABH Ukraine Ltd, Cyprus	100%
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KEY RATIOS

	2008	2009E
Pre-provision RoA	9.4%	6.4%
RoA	1.1%	-1.5%
Int. rate margin	11.6%	15.8%
Cost/Income	46.7%	52.1%
Loans/Deposits	236%	308%

DEBT BURDEN, 2009

Debt securities issued to Assets	25%
Total debt burden*	54%
Cash (% of assets)	13%
CAR	17.0%

* Total debt burden is defined as (due to banks + Debt securities issued + other liabilities) / Assets

Financial statements, IFRS

Balance sheet summary, USD mln

	2007	2008	2009E
Cash & Equivalents	203	328	426
Due from banks	26	104	62
Loans	2,296	3,375	2,869
Less provisions	-35	-242	-540
Other assets	109	199	584
Total Assets	2,598	3,765	3,401
Due to banks	508	545	525
Clients' deposits	843	1,429	931
Debt securities issued	749	1,219	847
Other liabilities	117	50	457
Subordinated debt	69	74	258
Total Liabilities	2,286	3,318	3,018
Share capital	276	626	626
Retained earnings	15	51	-3
Other	21	-230	-240
Total Equity	313	447	383
Total Liabilities & Equity	2,598	3,765	3,401

Income statement summary, USD mln

	2007	2008	2009E
Net Interest Income	115.6	337.2	507.0
Provisions Change	-33.5	-277.1	-308.0
NII After Provisions	82.2	60.1	199.0
Net Fees Income	17.6	25.2	12.6
SG&A	-92.2	-169.2	-270.6
Other Income/(Expense)	9.0	126.0	5.0
EBT	16.6	42.2	-54.0
Tax	-4.8	-6.6	0.0
Net Income	11.8	35.6	-54.0

Selected ratios

	2007	2008	2009E
Loans loss provisions/Total loans	1.5%	7.2%	18.8%
Loans/Deposits	272%	236%	308%
Interest Rate Margin		11.6%	15.8%
Cost/Income		46.7%	52.1%
Cost/Avg Assets		5.1%	6.8%
Pre-provision RoA		9.4%	6.4%
RoA		1.1%	-1.5%
RoE		9.4%	-13.0%

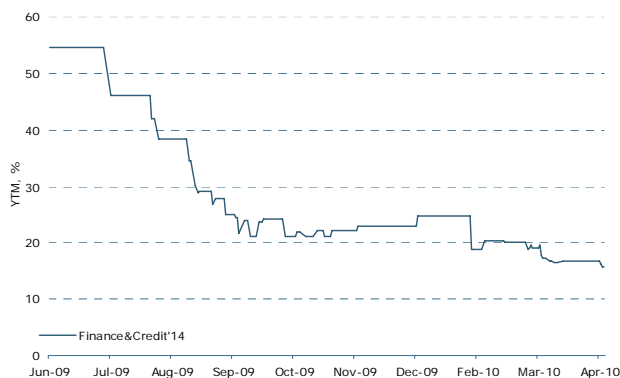
Finance & Credit Bank

Banks
<http://www.fc.kiev.ua>

INVESTMENT CASE

- Corporate Eurobonds have the widest spread over the sovereign curve of ~940 bps (not taking into account distressed Nadra, XXI Century and Interpipe)
- Announced attraction of USD 25 mln subordinated debt in April, which will boost CAR (NBU rules) to ~13.6% from 12.3% as of end-2009, other things being equal. Charter fund has stayed intact since end-2008
- Increased retail deposits 6.5% in 4Q09 vs. system average of +4.5%
- Lowest pre-provision RoA in 2009 (0.9%) vs. other local banking Eurobond issuers (median 4.1%)
- Restructuring USD 100 mln in external liabilities
- We expect credit spread to narrow up to 200 bps (6% price appreciation), slower than comparable VAB'14 Notes

EUROBONDS YTM



Source: Bloomberg

BUSINESS OVERVIEW

Established in 1991. Ukraine's #12 largest bank, with total assets of USD 2.4 bln as of end-2009. Corporate loans account for 71% of the whole portfolio. Part of Finance & Credit group, owned by Konstantin Zhevago. Along with the bank, key assets of the group are Ferrexpo (metallurgy) and AvtoKrAZ (machinery).

OUTSTANDING BONDS

Issue	Amt, mln	Curr	Maturity	Maturity type	Option date	Coupon	Coupon type	YTM
F&C, 2014	95	USD	25.01.2014	bullet	n/a	10.5%	Fixed, s.a.	15.7%

ISSUER CREDIT RATING

	Global scale	Local scale
Foreign currency		
Standard&Poor's	n/r	n/r
Moody's	Caa1	n/r
Fitch	n/r	n/r

OWNERSHIP STRUCTURE

Konstantin Zhevago (indirectly)	100%
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KEY RATIOS

	2008	2009E
Pre-provision RoA	2.3%	0.9%
RoA	0.7%	-2.3%
Int. rate margin	2.8%	3.5%
Cost/Income	80.3%	72.7%
Loans/Deposits	165%	239%

DEBT BURDEN, 2009

Debt securities issued to Assets	4%
Total debt burden*	52%
Cash (% of assets)	8%
CAR	12.3%

* Total debt burden is defined as (due to banks + Debt securities issued + other liabilities) / Assets

Financial statements, UAS

Balance sheet summary, USD mln

	2007	2008	2009E
Cash & Equivalents	175	174	194
Due from banks	124	84	9
Loans	2,240	2,088	2,091
Less provisions	0	-87	-161
Other assets	359	135	309
Total Assets	2,898	2,395	2,442
Due to banks	600	590	1,026
Clients' deposits	1,634	1,268	875
Debt securities issued	100	100	100
Other liabilities	174	102	153
Subordinated debt	37	13	33
Total Liabilities	2,544	2,073	2,187
Share capital	253	260	251
Retained earnings	55	60	2
Other	45	2	2
Total Equity	354	322	254
Total Liabilities & Equity	2,898	2,395	2,442

Income statement summary, USD mln

	2007	2008	2009E
Net Interest Income	64.3	64.2	75.2
Provisions Change	-34.9	-42.9	-78.4
NII After Provisions	29.4	21.3	-3.2
Net Fees Income	57.6	49.4	33.1
SG&A	-89.4	-91.2	-78.8
Other Income/(Expense)	61.2	43.5	-7.6
EBT	58.9	23.0	-56.5
Tax	-3.5	-4.5	0.0
Net Income	55.4	18.5	-56.5

Selected ratios

	2007	2008	2009E
Loans loss provisions/Total loans	0.0%	4.2%	7.7%
Loans/Deposits	137%	165%	239%
Interest Rate Margin		2.8%	3.5%
Cost/Income		80.3%	72.7%
Cost/Avg Assets		3.4%	3.1%
Pre-provision RoA		2.3%	0.9%
RoA		0.7%	-2.3%
RoE		5.5%	-19.6%

First Ukrainian International Bank (FUIB)

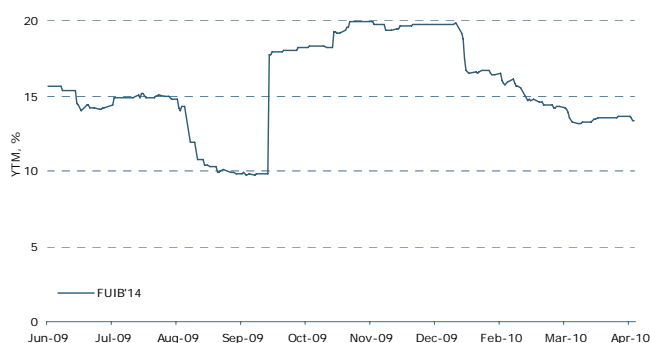
Banks

<http://www.fuib.com>

INVESTMENT CASE

- Restructured Notes at end-2009 traded at 13.4% YTM or 690 bps over the sovereign yield curve vs. ~300 bps pre-crisis
- Potential credit spread narrowing by 250-300 bps implies a 3M total return of up to 9%
- Resumed retail deposits inflow in 4Q09: +9.5% vs. system average of +4.5%
- Restructured USD 512 mln in external liabilities in January 2010 (USD 257 mln in Eurobonds and USD 237 mln in other liabilities), all maturing now in December 204
- Prolonged UAH 2 bln loans from the NBU by 3-4 years in 2H09
- Attracted USD 25 mln in subordinated debt from its owners in 4Q09 – part of regulatory capital. Charter fund stayed intact at ~USD 315 mln during 2009s

EUROBONDS YTM



Source: Bloomberg

BUSINESS OVERVIEW

Ukraine's #14 largest bank by assets (USD 2.2 bln as of end-2009), part of SCM Finance, owned by Rinat Akhmetov. Established in 1991, headquarters in Donetsk. Corporate loans accounted for 72% of total loan portfolio as of end-2009.

OUTSTANDING BONDS

Issue	Amt, mln	Curr	Maturity	Maturity type	Option date	Coupon	Coupon type	YTM
FUIB, 1-A	2	UAH	21.06.2010	bullet	n/a	21%	Fixed, quart	n/a
FUIB, 2014	257.4	USD	31.12.2014	bullet	n/a	11%	Fixed, quart	13.4%

ISSUER CREDIT RATING

	Global scale	Local scale
Foreign currency		
Standard&Poor's	n/r	n/r
Moody's	B3	A3.ua
Fitch	n/r	n/r

OWNERSHIP STRUCTURE

SCM/SCM Finance	100%
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KEY RATIOS

	2008	2009E
Pre-provision RoA	5.0%	3.7%
RoA	0.7%	-4.7%
Int. rate margin	7.1%	9.4%
Cost/Income	46.2%	41.4%
Loans/Deposits	235%	235%

DEBT BURDEN, 2009

Debt securities issued to Assets	13%
Total debt burden*	49%
Cash (% of assets)	15%
CAR	19.1%

* Total debt burden is defined as (due to banks + Debt securities issued + other liabilities) / Assets

Financial statements, IFRS

Balance sheet summary, USD mln

	2007	2008	2009E
Cash & Equivalents	193	180	306
Due from banks	31	33	16
Loans	1,717	2,030	1,700
Less provisions	-41	-127	-322
Other assets	341	203	414
Total Assets	2,241	2,318	2,114
Due to banks	72	129	295
Clients' deposits	832	863	723
Debt securities issued	342	321	283
Other liabilities	512	552	458
Subordinated debt	0	0	25
Total Liabilities	1,758	1,867	1,784
Share capital	337	352	352
Retained earnings	74	67	-38
Other	71	31	16
Total Equity	483	451	330
Total Liabilities & Equity	2,241	2,318	2,114

Income statement summary, USD mln

	2007	2008	2009E
Net Interest Income	72.0	136.1	177.0
Provisions Change	-14.8	-103.2	-194.6
NII After Provisions	57.2	32.9	-17.7
Net Fees Income	27.1	32.1	31.0
SG&A	-52.0	-77.7	-86.0
Other Income/(Expense)	6.0	20.2	-32.3
EBT	38.2	7.5	-105.0
Tax	-10.2	7.8	0.0
Net Income	28.0	15.3	-105.0

Selected ratios

	2007	2008	2009E
Loans loss provisions/Total loans	2.4%	6.3%	18.9%
Loans/Deposits	206%	235%	235%
Interest Rate Margin		7.1%	9.4%
Cost/Income		46.2%	41.4%
Cost/Avg Assets		3.3%	3.5%
Pre-provision RoA		5.0%	3.7%
RoA		0.7%	-4.7%
RoE		3.3%	-26.9%

VAB Bank

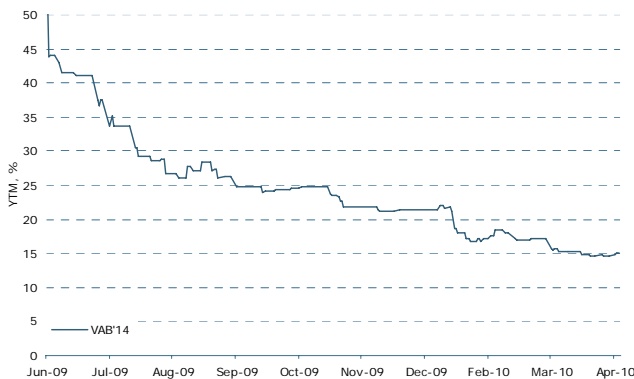
Banks

<http://www.vab.ua>

INVESTMENT CASE

- Restructured its Notes in March 2010: they now yield ~15.4% (s.a.), ~850 bps over the sovereign yield curve
- Notes' YTM is above that of FUIB (15.4% vs. 13.6%), while both have a comparable credit risk profile. We see a potential for VAB'14 spread to narrow by 200-250 bps to 600 bps vs. 400-600 bps pre-crisis
- Potential 3M total return of 9%
- Increased charter fund UAH 200 mln (USD 25 mln or ~60%) and also attracted UAH 350 mln (USD 45 mln) in subordinated debt in 2009. CAR went up to 18.5% from 12% during 2009
- Netherlands-based private equity fund Kardan N.V., a major VAB shareholder (63%), announced in January it would increase its share in the bank to 98% in 2010. We expect Kardan to continue developing VAB
- In 4Q09 VAB resumed retail deposit inflow (+14.4% vs. system average of 4.5%) although deposit amount was still below its level as of end-2008 (-13% for all 2009)
- At end-2009, rolled over UAH 1 bln (USD 130 mln) in NBU loans for one year

EUROBONDS YTM



Source: Bloomberg

BUSINESS OVERVIEW

Universal bank, founded in 1992. 63% stake in VAB is owned by Netherlands-based private equity fund Kardan N.V.. Local individual Sergey Maksimov owns the rest. Ukraine's #27 largest bank by assets (USD 0.9 bln as of end-2009) with 70% of total loans to corporate clients. Residential mortgages account for the other 13%.

OUTSTANDING BONDS

Issue	Amt, mln	Curr	Maturity	Maturity type	Option date	Coupon	Coupon type	YTM
VAB-Bank, 1-F	3	UAH	31.05.2010	bullet	n/a	18%	Fixed, quart	n/a
VAB-Bank, 2014	112.5	USD	14.06.2014	bullet	n/a	10.5%	Fixed, quart	15.1%

ISSUER CREDIT RATING

	Global scale	Local scale
Foreign currency		
Standard&Poor's	n/r	n/r
Moody's	Caa1	n/r
Fitch	n/r	n/r

OWNERSHIP STRUCTURE

Kardan N.V. (the Netherlands)	63%
Sergey Maksimov	35%
Other	2%

KEY RATIOS

	2008	2009E
Pre-provision RoA	3.5%	1.9%
RoA	-1.1%	-4.1%
Int. rate margin	8.9%	8.3%
Cost/Income	86.1%	83.6%
Loans/Deposits		

DEBT BURDEN, 2009

Debt securities issued to Assets	15%
Total debt burden*	40%
Cash (% of assets)	10%
CAR	18.5%

* Total debt burden is defined as (due to banks + Debt securities issued + other liabilities) / Assets

Financial statements, IFRS

Balance sheet summary, USD mln

	2007	2008	2009E
Cash & Equivalents	199	88	84
Due from banks	1	2	2
Loans	911	808	765
Less provisions	-18	-50	-104
Other assets	117	80	106
Total Assets	1,211	928	853
Due to banks	174	162	208
Clients' deposits	738	503	377
Debt securities issued	153	133	125
Other liabilities	2	7	8
Subordinated debt	20	20	65
Total Liabilities	1,088	825	783
Share capital	128	109	134
Retained earnings	-4	28	-15
Other	-1	-34	-49
Total Equity	123	103	70
Total Liabilities & Equity	1,211	928	853

Income statement summary, USD mln

	2007	2008	2009E
Net Interest Income	37.0	76.6	65.1
Provisions Change	-4.8	-50.2	-54.3
NII After Provisions	32.3	26.3	10.8
Net Fees Income	15.9	19.5	14.0
SG&A	-59.8	-82.7	-66.2
Other Income/(Expense)	14.3	24.0	5.0
EBT	2.7	-12.9	-36.4
Tax	-0.9	1.3	0.0
Net Income	1.8	-11.5	-36.4

Selected ratios

	2007	2008	2009E
Loans loss provisions/Total loans	2.0%	6.1%	13.6%
Loans/Deposits	124%	161%	203%
Interest Rate Margin		8.9%	8.3%
Cost/Income		86.1%	83.6%
Cost/Avg Assets		7.5%	6.8%
Pre-provision RoA		3.5%	1.9%
RoA		-1.1%	-4.1%
RoE		-10.2%	-42.0%

Azovstal

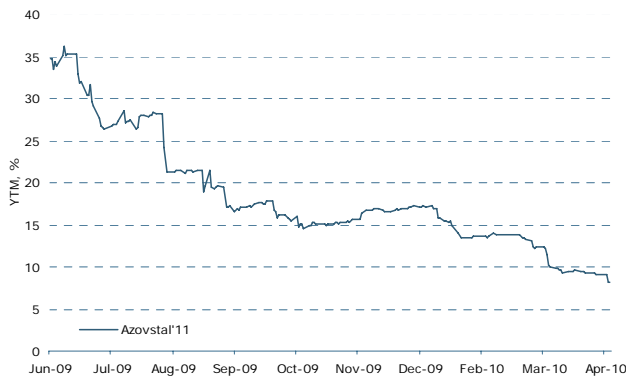
Iron & Steel

<http://azovstal.metinvestholding.com>

INVESTMENT CASE

- Azovstal'11 trades 155 bps over the sovereign curve, yielding 8.1% s.a.
- Net debt to EBITDA in 2009E stood at 1.1x and interest coverage (EBITDA to interest expenses) was 1.6x
- Supported by parent Metinvest, which could be one of the first corporate Ukrainian Eurobond issuers in 2010
- Total physical production fell 14% in 2009, while revenues were down 56%. EBITDA margin equaled 5.8% and net margin -0.2% in 2009E

EUROBONDS YTM



Source: Bloomberg

BUSINESS OVERVIEW

Third largest steel producer in Ukraine (up to 15% of domestic steel output in 2009).

Part of vertically integrated Metinvest. Operates a blast furnace shop (capacity 6 mln mt of pig iron p.a.), sinter plant (capacity 1.5 mln mt p.a.), coke plant and steel making facilities (capacity 6.5 mln mt of crude steel p.a.). Product portfolio includes slabs, plate, strips, square billets, sections and pipes. Main suppliers of iron ore and pellets are related Pivnichny and Centralny Iron Ore (controlled by parent Metinvest Holding). Product portfolio includes slabs, plate, strips, square billets, sections and pipes.

In 2009, produced 4.0 mln mt of pig iron (down 12.9% yoy), 2.0 mln mt of gross coke (down 7.5% yoy) and 4.6 mln mt of crude steel (down 15.7% yoy).

OUTSTANDING BONDS

Issue	Amt, mln	Curr	Maturity	Maturity type	Option date	Coupon	Coupon type	YTM
Azovstal, 2011	175	USD	28.02.2011	bullet	n/a	9.125%	Fixed, s.a.	8.2%

ISSUER CREDIT RATING

	Global scale	Local scale
Foreign currency		
Standard&Poor's	n/r	n/r
Moody's	B3	n/r
Fitch	B-	AA-(ukr)

OWNERSHIP STRUCTURE

Metinvest	97.7%
Other	2.3%

KEY FINANCIALS, USD mln

	2008	2009E
Revenues	4,149	1,966
EBITDA	556	115
Net income	360	(5)
Assets	2,489	3,320
Equity	1,299	1,691

KEY RATIOS

	2008	2009E
EBITDA margin	13.4%	5.8%
Net margin	8.7%	-0.2%
Net debt/EBITDA	0.2	1.1
EBITDA to Finance costs	5.5	1.6

Financial statements, UAS

Balance sheet summary, USD mln

	2006	2007	2008	2009E
Current assets				
Cash & Equivalents	149.4	84.3	66.3	53.3
Trade receivables	437.8	752.3	1,182.2	1,666.0
Inventories	297.8	405.7	245.2	223.6
Other current assets	217.6	264.8	306.1	166.2
Total current assets	1,102.6	1,507.1	1,799.8	2,109.1
Non-Current assets				
PPE, net	436.3	514.9	532.0	1,068.2
Other fixed assets	519.6	511.8	157.3	143.0
Total non-current assets	955.9	1,026.7	689.3	1,211.2
Total Assets	2,058.5	2,533.8	2,489.1	3,320.3
Current liabilities				
Trade payables	67.0	84.3	245.2	596.3
Other current liabilities	223.7	421.0	765.7	669.8
Total current liabilities	290.6	505.3	1,010.9	1,266.1
Long-term liabilities				
LT debt	333.9	175.0	175.0	175.0
Other L liabilities	6.1	5.4	1.7	188.7
Total LT liabilities	340.0	180.4	176.7	363.7
Equity				
Share capital	206.7	207.6	136.5	131.2
Retained earnings	955.7	1,375.9	989.2	994.0
Other	265.5	264.6	172.9	565.3
Total Equity	1,427.9	1,848.1	1,298.6	1,690.5
Total Liabilities & Equity	2,058.5	2,533.8	2,486.2	3,320.3

Income statement summary, USD mln

	2006	2007	2008	2009E
Net Sales	2,479.9	3,243.0	4,148.8	1,965.9
COGS	(1,934.5)	(2,481.0)	(3,428.4)	(1,788.9)
Gross profit	545.3	762.1	720.4	176.9
<i>Gross margin</i>	<i>22.0%</i>	<i>23.5%</i>	<i>17.4%</i>	<i>9.0%</i>
SG&A	(126.8)	(138.8)	(159.9)	(80.3)
Other Income/(Expense)	(28.3)	(28.2)	(5.0)	17.8
EBITDA	390.2	595.1	555.5	114.5
<i>EBITDA margin</i>	<i>15.7%</i>	<i>18.3%</i>	<i>13.4%</i>	<i>5.8%</i>
Depreciation	(50.8)	(57.4)	(74.1)	(107.4)
Interest expenses	(28.6)	(23.7)	(100.2)	(73.3)
Other income/(loss)	9.8	35.6	23.0	61.6
EBT	320.6	549.6	404.2	(4.6)
Tax	(102.2)	(129.2)	(44.2)	0.0
Net income	218.4	420.3	360.0	(4.6)
<i>Net margin</i>	<i>8.8%</i>	<i>13.0%</i>	<i>8.7%</i>	<i>-0.2%</i>

Myronivsky Hliboproduct (MHP)

Food & Beverages

<http://www.mhp.com.ua>

INVESTMENT CASE

- Offered to swap USD 250 mln Senior Notes due 2011 for new Senior Notes due 2015. The new notes will have par value 3.25% or 6.25% higher than the old ones, depending on the date the offer is accepted. Deal completion is intended by May 13
- We estimate the terms offered for the new notes as attractive for current note holders and expect them to accept the offer
- We see the swap as positive for MHP as this should add more headroom to the company's aggressive 2010-18 CAPEX plans; allow for an increase in the company's net working capital, associated with its land bank growth, while alleviating the pressure on MHP's liquidity
- Currently MHP trades at 106.8% of par of old bonds, which implies ~10.1% YTM for new bonds (assuming 6.25% par increase) or ~345 bps spread over sovereign curve
- Net debt/EBITDA is 1.6x in 2009 (Eurobond covenant is 2.5x)
- EBITDA/Interest was 5.3x in 2009, 6.0x in 2010F
- Debt redemptions: USD 165 mln in 2010 (may prolong up to one third of this amount) and USD 46 mln in 2011 (assuming successful bonds swap)

EUROBONDS YTM



Source: Bloomberg

BUSINESS OVERVIEW

MHP S.A. is a leading vertically integrated agro-industrial holding in Ukraine. Core businesses are poultry production (ca. 67% of FY2009 sales), processed meat manufacturing, sunflower oil exports and grain growing. As of 2009, the company accounted for 43% of Ukraine's poultry output, and ca. 25% of internal chicken meat consumption. The export sales of sunflower oil is company's major source of USD denominated revenues (over USD 100 mln p.a.), which fully cover its USD financial expenses. The company's annual production capacities include 330 ths mt of chicken meat, 200 ths mt of sunflower oil, 1.3 mln mt of feed and 36 ths mt on sausages and meat products. Highly developed supply chain, comprised of 2,330 franchise outlets, 11 distribution centers and logistical fleet of over 450 refrigerated trucks.

OUTSTANDING BONDS

Issue	Amt, mln	Curr	Maturity	Maturity type	Option date	Coupon	Coupon type	YTM
MHP, 2011	250	USD	30.11.2011	bullet	n/a	10.25%	Fixed, s.a.	5.9%

ISSUER CREDIT RATING

	Global scale	Local scale
Foreign currency		
Standard&Poor's	n/r	n/r
Moody's	B3	n/r
Fitch	B-	n/r

OWNERSHIP STRUCTURE

Yuriy Kosuk (CEO)	77.7%
Other	22.3%

KEY FINANCIALS, USD mln

	2008	2009
Revenues	809	746
EBITDA	312	271
Net income	15	160
Assets	925	1,138
Equity	346	494

KEY RATIOS

	2008	2009
EBITDA margin	38.6%	36.3%
Net margin	1.8%	21.4%
Net debt/EBITDA	1.2	1.6
EBITDA to Finance costs	6.0	5.3

Financial statements, IFRS

Balance sheet summary, USD mln

	2007	2008	2009
Current assets			
Cash & Equivalents	10	54	22
Trade receivables	20	32	43
Inventories	43	38	92
Biological assets	91	84	113
Agricultural produce	32	43	66
Other current assets	72	87	90
Total current assets	267	338	427
Non-Current assets			
PPE, net	625	518	628
Other fixed assets	60	69	83
Total non-current assets	685	587	711
Total Assets	953	925	1,138
Current liabilities			
Trade payables	25	22	72
Short-term debt, cur. portion of LT debt	74	130	140
Other current liabilities	86	67	73
Total current liabilities	185	219	286
Long-term liabilities			
LT debt	309	304	304
Other L liabilities	39	55	54
Total LT liabilities	349	359	358
Equity			
Charter fund	311	463	463
Retained earnings	81	82	231
Other	27	-200	-200
Total Equity	419	346	494
Total Liabilities & Equity	953	925	1,138

Income statement summary, USD mln

	2007	2008	2009
Total Sales	489	809	746
COGS	-325	-520	-456
Gross profit	164	289	291
<i>Gross margin</i>	<i>33.6%</i>	<i>35.7%</i>	<i>38.9%</i>
SG&A	-47.8	-75.1	-72.8
Other Income/(Expense)	50.3	98.2	53.2
EBITDA	167	312	271
<i>EBITDA margin</i>	<i>34.1%</i>	<i>38.6%</i>	<i>36.3%</i>
Depreciation	-54.4	-68.7	-53.0
Interest expenses	-49.5	-51.7	-50.8
Other income/(loss)	-11.8	-175.6	-13.6
EBT	51	16	154
Tax	-0.4	-1.3	6.5
Net income	50	15	160
<i>Net margin</i>	<i>10.3%</i>	<i>1.8%</i>	<i>21.4%</i>

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