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Ukraine Fixed Income:
Market overview and issuer profiles

Analysts:
Vitaliy Vavryshchuk | vv@concorde.ua
Olena Zuikova | olz@concorde.ua
Yegor Samusenko | syg@concorde.ua
Roman Topolyuk | rt@concorde.ua

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Summary

Economy plugging along relatively smoothly despite challenges
The Ukrainian economy continues to operate in the challenging environment of "no deal with the IMF and no new gas deal with Russia". That comes amid anemic global commodity markets and undermined investor confidence toward government policies. Yet, Ukraine seems to have been coping with these challenges fairly well thus far, mainly thanks to hefty gains from favorable 2010 and 2011. Budget execution and servicing of public debt remain smooth as liquidity in the banking sector improved since mid-1Q12, enabling the government to tap the domestic debt market with sizable borrowings.

NBU reserves, BoP data above expectations
Recent data shows Ukraine's external accounts remain fairly balanced – the C/A gap is fully offset with new debt and FDI. NBU gross reserves increased 1.7% mom in April (down just 0.4% in 4M12) – fairly strong performance amid continuous weakness in external commodity and debt markets. We upgrade our projection of Ukraine's 2012 external financing gap (combined balance of C/A and financial account)to USD 6.1 bln from USD 7.1 bln previously.

Hryvnya stability through end-2012 fully realistic at reasonable cost
NBU reserves and BoP data YTD have eased one of investors' major concerns, i.e. the risk of an uncontrollable meltdown of NBU reserves and sharp hryvnya depreciation. Data for 4M12 give us grounds to think that hryvnya stability through end-2012 might be realistic at a reasonable cost. We see NBU reserves declining by USD 8.7 bln (-27% yoy) in 2012, with USD 3.4 bln of the that attributable to repayment of an IMF loan drawn back in 2008. We do not think the hryvnya is necessarily set to depreciate after the parliamentary election in October, but rather expect the NBU to move to greater flexibility in terms of its exchange rate policies.

Fiscal policy driven by pre-election considerations
The government continues to target a state budget deficit of 1.7% of 2012E GDP (vs. 1.8% in 2011), but we project the general government gap might be a much higher 2.8-3.5%, mainly on Naftogaz' deficit. April's increase in planned budget revenues and expenditures (both equivalent of 2.5% of GDP) to fund additional social outlays does little to improve the credibility of the government's fiscal policies. We think the risks are high the current revenue plan will not be fulfilled and expect the government will cut expenditures (unrelated to social outlays) to keep the deficit in check.

Political risks turn into a major investor consideration
The international community continues to voice concerns over the improper treatment of the opposition leaders. As criticism remains strong and the risk of isolation is growing, investors have started to increasingly factor political risks into their allocation decisions. Lingering domestic political conflicts might diminish demand for Ukrainian debt should the government decide to tap the external debt market in the coming months.

Most Eurobond issuers are well hedged against hryvnya depreciation risks, immune to changes in the political landscape
Most of Ukraine's Eurobond issuers from the corporate and financial sectors are well hedged against the risk of reasonable hryvnya depreciation and changes in the political landscape. Most issuers are well-established businesses that ran smoothly through the currency crisis of 2008/09 and have experience of operating in different political environments.

Buy ideas

DTEK (DTEKUA'15)

Mid-YTM: 11.0%, premium to sovereign: 208 bps

Ukraine's largest vertically integrated energy holding, involved in power generation and distribution (defensive sector with output that has proved resilient to economic downturns). EBIT margin set to remain at 20% in 2012, in line with 2011. No sizable debt repayments this year or next. Net debt/EBITDA set to stay at 0.5x in 2012. Eurobond looks to be priced more attractively than notes of Metinvest, its sister company, even if FX risks are accounted for.

Oschadbank (OSCHAD'16)

Mid-YTM: 12.7%, premium to sovereign: 324 bps

One of Ukraine's two state-owned flagship banks, second-largest by assets. We think the institution will continue receiving government support under any conditions given its high social importance. USD 700 mln Eurobond and USD 100 mln subordinated debt are its only major external liabilities. Share of FX assets is just 21%, which compares favorably to the 41% average for the banking sector. NPLs are at a reasonable 11%. Key risk is extensive related-party lending (51% of loans issued to state companies, down 14 pp in 2H12).

First Ukrainian International Bank (PUMBUZ'14)

Mid-YTM: 12.8%, premium to sovereign: 388 bps

Ukraine's #8 bank by assets (merged with Dongorbank in mid-2011), part of SCM Holding, which has an ambition to strengthen its footing in the domestic financial sector. With a strong capital base (NBU CAR of 15.9%), high NPL coverage ratio (c. 80%) and robust customer-reliant funding base, the bank is well positioned to outperform the sector.

Sell idea

Mriya (MRIYA)

YTM: 14.3%, premium to sovereign: 487 bps

Largest publicly-listed Ukrainian farmer with a 295 ths ha landbank as of end-2011. Low earnings quality: 42% of revenues and 45% of EBITDA in 2011 came from sugar beet sales to related parties. Poor disclosure and high share of transactions with related parties increase the risk of the bond's yield converging to Avangard (mid-YTM: 17.0%), which has a similarly poor corporate governance profile.

Hryvnya: Stable in 2012, more flexibility after elections

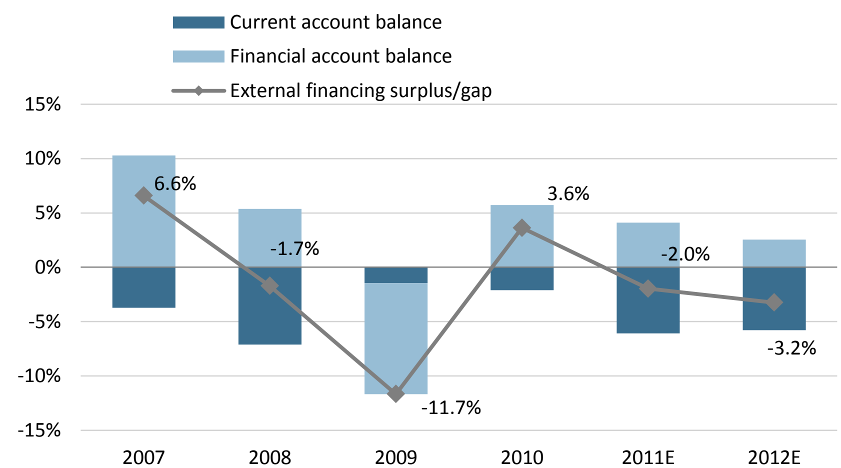
- The NBU is determined to keep the hryvnya stable in 2012 by intervening in the FX market. The NBU sold net USD 0.6 bln on the interbank market in 4M12, a reasonable amount in our view. We think stability of the hryvnya through 2012 might cost the central bank about USD 6.1 bln (vs. USD 7.1 bln that we previously projected).
- The FX market has remained broadly balanced YTD, implying the current account (C/A) gap was covered with FDI and debt capital. FDI remains strong (+64% yoy in 1Q12). External debt inflow into the corporate sector is more than sufficient to cover redemptions by banks. We see the full-year 2012 C/A deficit at 5.8% of GDP, but the financial account surplus might offset a portion of the shortfall equivalent to 2.6% of GDP.
- With USD 2.6 bln in IMF loans to be repaid this year, we see NBU reserves falling 27% yoy to USD 23.1 bln by end-2012, implying coverage of 3.2 months of imports (vs. USD 31.8 bln at end-2011, equal to 4.6 months of imports).
- We do not believe in a pre-determined post-election scenario for the hryvnya. However, it is highly likely that the NBU will move toward greater hryvnya flexibility after the election by widening the UAH:USD band to 4-5% around the 8.0 level from an effective 0.5% now.

External debt rollover

	2009	2010	2011	2012E
Government				
Debt due, USD bln	1.9	0.9	5.3	4.6
Rollover rate (%)	412%	862%	117%	100%
Banking sector				
Debt due, USD bln	20.6	12.3	13.4	12.9
Rollover rate (%)	58%	78%	78%	74%
Corporate sector				
Debt due, USD bln	22.2	24.6	29.9	34.8
Rollover rate (%)	110%	130%	133%	112%

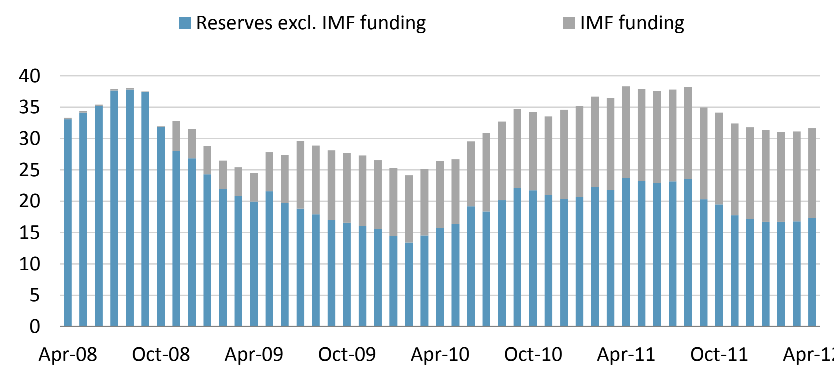
Source: NBU, Concorde Capital

Ukraine's external financing gap, % of GDP



Source: NBU, Concorde Capital

NBU gross international reserves, USD bln



Source: NBU, Concorde Capital

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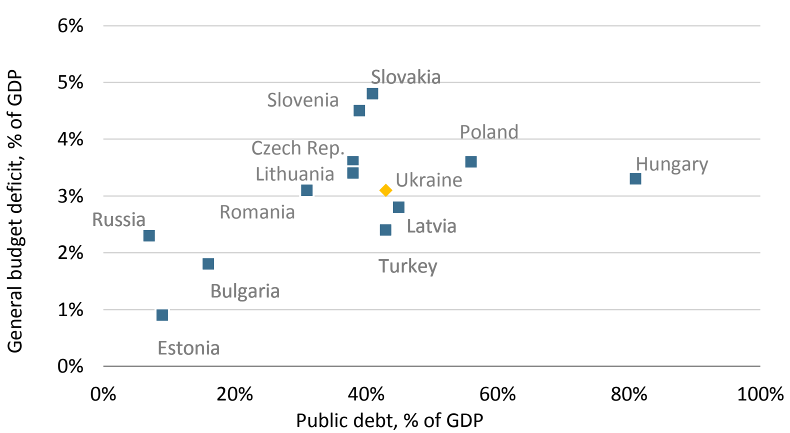
Fiscal policies not prudent enough, local debt market revives

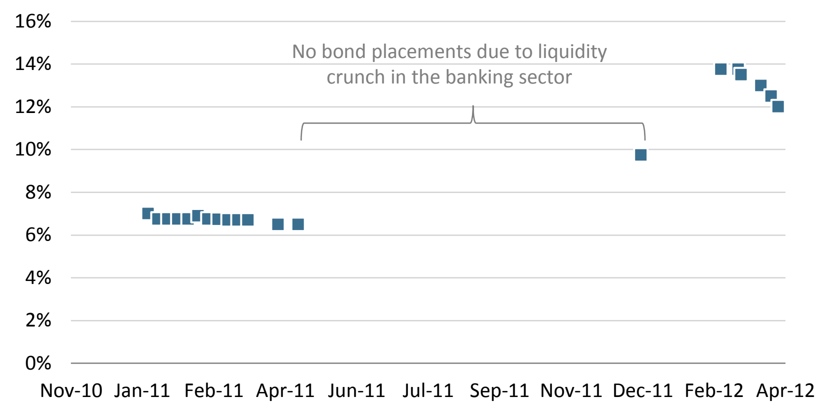
- April's increase in planned state budget revenue (by the equivalent of 2.5% of 2012E GDP) added little credibility to the government's fiscal policies. Given that the revenue plan is unlikely to be fulfilled, we think the government will have to cut expenses unrelated to social payments to keep the fiscal gap within the targeted 1.7% of GDP.
- In 2012, the government is due to redeem USD 3.9 bln in external debt. Key external debt repayments include USD 2.0 bln to Russia's VTB (chances of refinancing seem high), USD 0.8 bln to the IMF and USD 0.5 bln in Eurobonds.
- The primary market for government bonds has been active in February-April, with the government raising net USD 5.3 bln YTD, about 46% of the full-year plan. FX-denominated local bonds introduced in mid-December last year proved very successful – the government has attracted USD 1.0 bln via these securities YTD and we estimate there is the potential to raise another USD 1.5-2.5 bln by yearend.
- We see public debt at 34% of 2012E GDP, declining 1.3 pp yoy but growing 8% yoy in nominal terms.

Budget deficit (2012E) and public debt (2011) in CEE



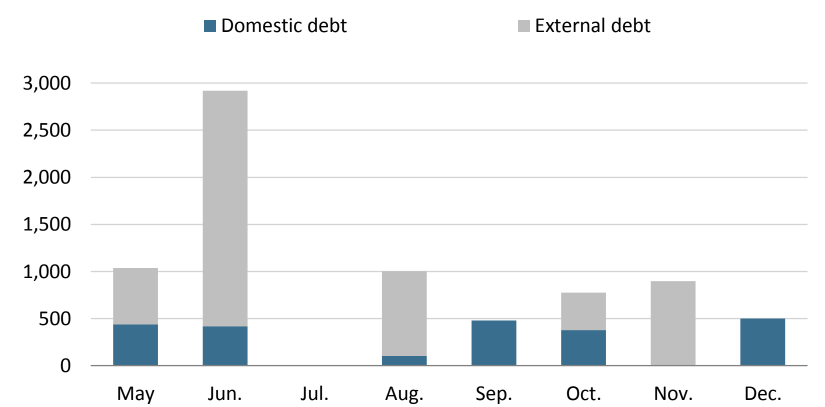
Source: National sources, EECF, Concorde Capital

Yields of 6m UAH-denominated bonds at auctions



Source: Finance Ministry, Concorde Capital

Ukraine's public debt redemptions by end-2012, USD mln*



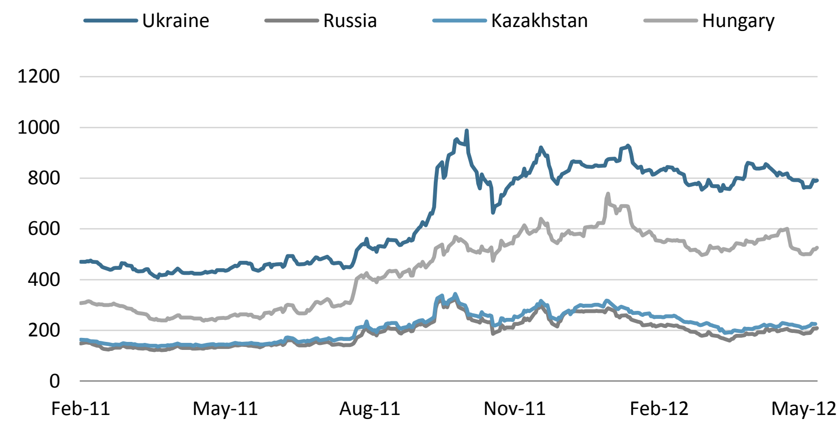
** Includes repayments of IMF debt by the NBU, USD 0.5 bln in external government debt due in the remainder of 2012 is not reflected due to lack of a precise repayment schedule*

Source: Finance Ministry, IMF, Concorde Capital

Sovereign risks heightened but still manageable

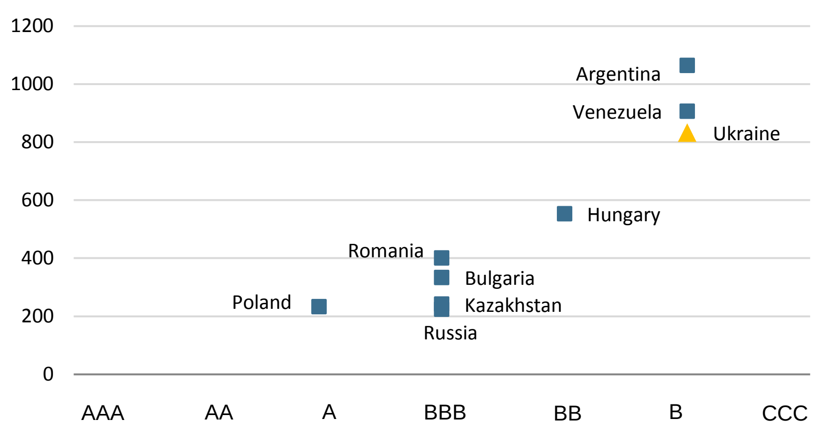
- Smooth debt servicing by Ukraine is solely an issue of liquidity not of solvency as implied by the economy's modest debt burden (end-2011 public debt was at 36% of GDP)
- The government's reluctance to implement IMF-mandated reforms implies it remains confident of its ability to keep the situation under control without new IMF tranches
- If needed, the government has the power to swiftly and unilaterally meet IMF demands to unlock its loan
- The government is counting on raising USD 2.5-3.0 bln in Eurobonds this year. Providing its VTB loan is restructured in June, the government can wait until August to raise new debt internationally. We think chances are high it will catch a window of opportunity and attract debt over the next four months.
- A new gas deal with Russia remains a realistic option to slash the C/A and fiscal deficits, but given the government's weak negotiating power, a deal looks unlikely at this point.

5Y CDS: Ukraine vs. selected CEE peers



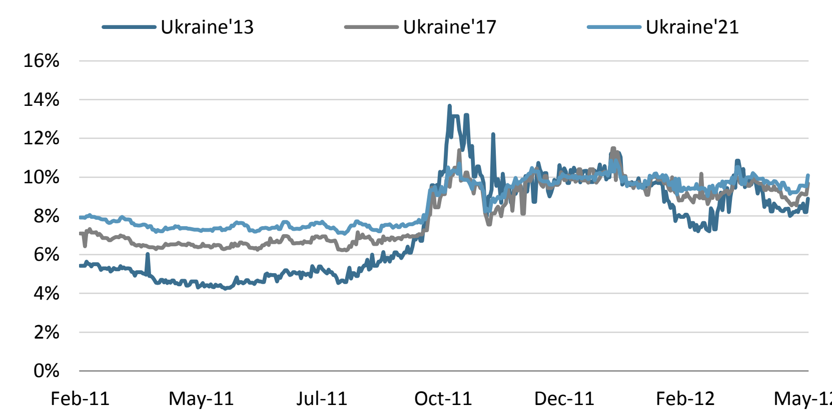
Source: Bloomberg

Ukraine vs. peers: Fitch rating and CDS*



**Data as of May 14, 2012. Source: Bloomberg*

Ukraine sovereign Eurobond yields



Source: Bloomberg

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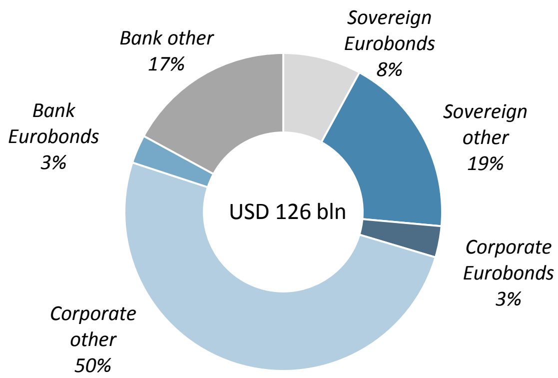
Macro data and forecasts

	2005	2006	2007	2008	2009	2010	2011	2012E
Business cycle indicators								
Real GDP, % chg yoy	3.0	7.4	7.6	2.3	-14.8	4.2	5.2	1.9
Household consumption, % chg yoy	20.1	15.9	17.1	11.8	-14.1	7.0	15.0	8.1
Investments in fixed capital, % chg yoy	3.9	20.9	23.9	1.6	-50.5	4.9	10.1	7.0
Nominal GDP, UAH bln	441	544	721	948	915	1,095	1,317	1,516
Nominal GDP, USD bln	86	108	143	180	117	138	165	188
Industrial output, % chg yoy	3.1	6.2	7.6	-5.2	-21.9	11.2	7.6	2.9
CPI (eop), %	10.3	11.6	16.6	22.3	12.3	9.1	4.6	5.9
External accounts								
Current account balance, USD bln	2.5	-1.6	-5.3	-12.8	-1.7	-2.9	-9.3	-10.9
% GDP	2.9%	-1.5%	-3.7%	-7.1%	-1.4%	-2.1%	-5.6%	-5.8%
Financial account balance, USD bln	8.2	4.0	14.7	9.7	-12.0	7.9	6.8	4.8
% GDP	9.5%	3.7%	10.3%	5.4%	-10.2%	5.7%	4.1%	2.6%
FDI net, USD bln	7.5	5.7	9.2	9.9	4.7	5.8	6.6	5.5
% of GDP	8.7%	5.3%	6.5%	5.5%	4.0%	4.2%	4.0%	2.9%
Gross NBU reserves (eop), USD bln	19.4	22.4	32.5	31.5	26.5	34.6	31.8	23.1
Debt								
Public debt, USD bln	15.5	15.9	17.6	24.6	39.7	54.3	59.2	64.2
% GDP	18%	15%	12%	14%	34%	39%	36%	34%
Gross external debt, USD bln	39.6	54.5	80.0	101.7	103.4	117.3	121.9	123.4
% GDP	46%	51%	56%	56%	88%	85%	74%	66%
Exchange rate								
Official UAH/USD (eop)	5.05	5.05	5.05	7.70	7.99	7.96	7.99	8.20
Official UAH/USD (avg)	5.12	5.05	5.05	5.27	7.79	7.94	7.97	8.07
Fiscal indicators								
Consolidated budget revenues, USD bln	26.2	34.0	43.6	56.4	35.0	39.6	50.0	54.3
% of GDP	30%	32%	31%	31%	30%	29%	30%	29%
Consolidated budget expenditures, USD bln	27.7	34.7	45.1	59.1	39.8	47.6	52.3	57.2
% of GDP	32%	32%	32%	33%	34%	35%	32%	30%
Consolidated budget balance, USD bln	-1.6	-0.7	-1.5	-2.7	-4.8	-8.0	-2.3	-2.9
% of GDP	-1.8%	-0.7%	-1.1%	-1.5%	-4.1%	-5.8%	-1.4%	-1.5%
General budget balance, USD bln	na	na	na	na	-9.5	-10.1	-7.0	-5.2
% of GDP	na	na	na	na	-8.1%	-7.3%	-4.2%	-2.8%

Source: UkrStat, NBU, Finance Ministry, Concorde Capital

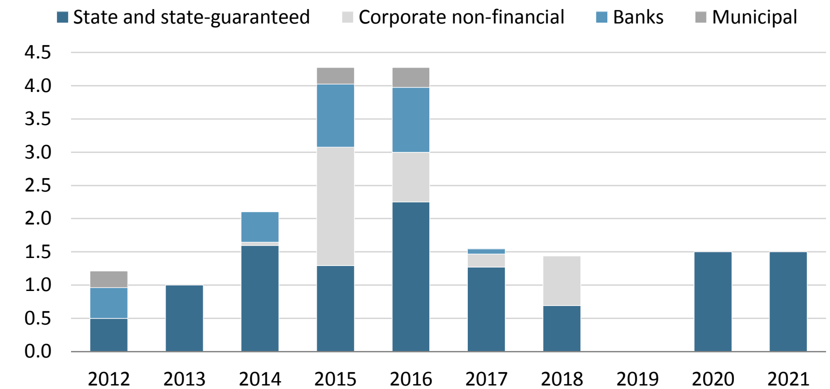
Eurobond market snapshot

Ukraine’s gross external debt, USD bln, end-2011



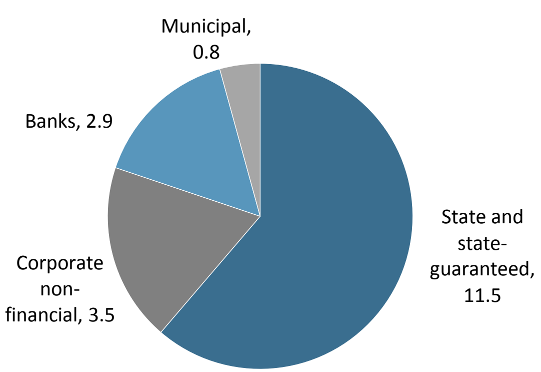
Note: Municipal bonds are included with sovereign bonds

Ukraine’s Eurobond maturity profile, USD bln (as of May 2012)



Sources: Bloomberg, Concorde Capital

Eurobond market composition, USD bln, end-2011



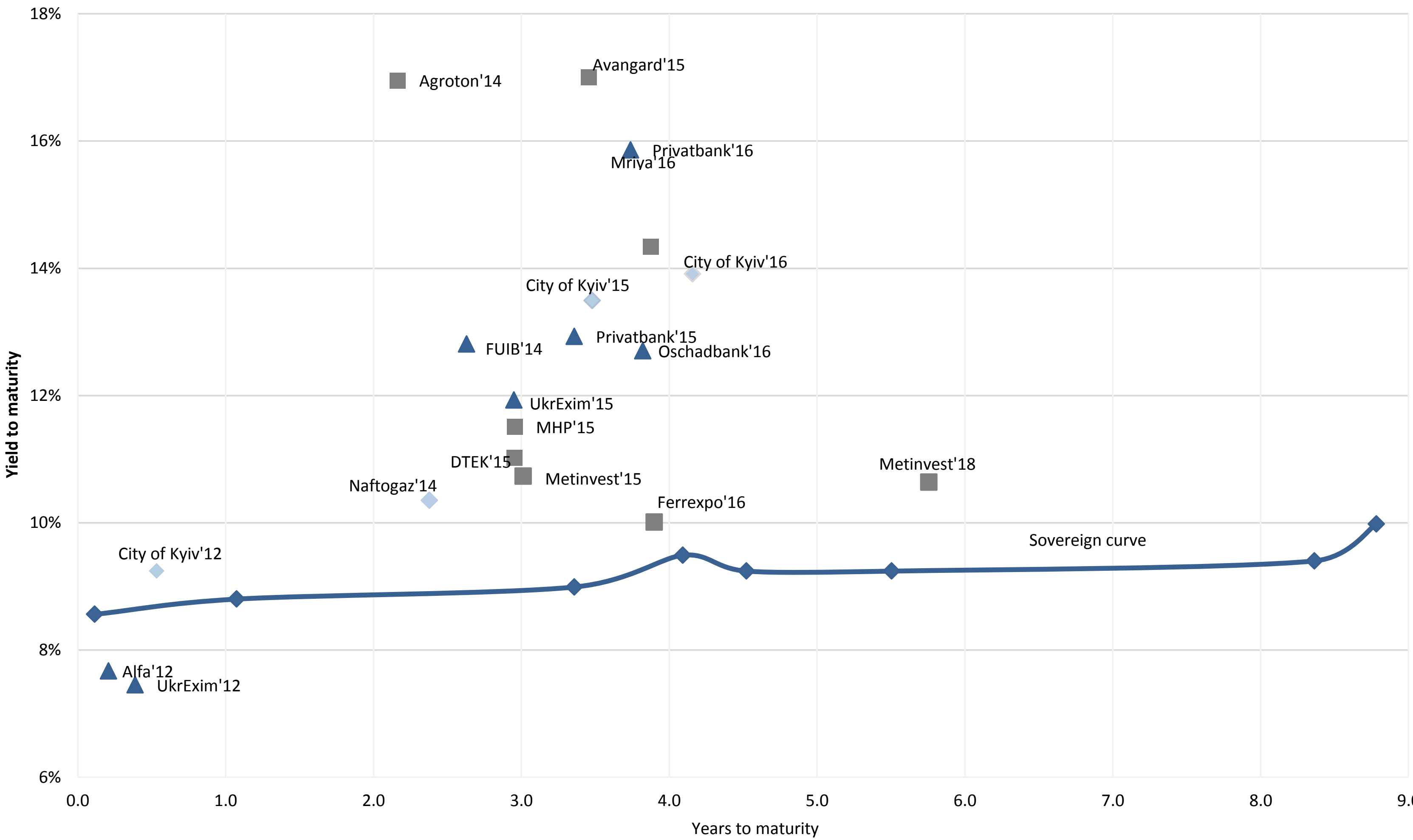
Sources: NBU, Bloomberg, Concorde Capital

Corporate and financial sector Eurobond ratings summary

Fitch			Moody's		
Rating		# of rated Eurobonds	Rating		# of rated Eurobonds
AAA		–	Aaa		–
AA		–	Aa		–
A		–	A		–
BBB		–	Baa		–
BB		–	Ba		–
	B+	–		B1	5*
B	B	10	B	B2	8
	B-	6		B3	2
CCC		1	Caa		1
CCC		–	Ca		–
D		–	C		–

*Note: Blue line shows the sovereign ceiling. Data as of May 2012. * All placed under review for downgrade*

Ukraine Eurobond yield map (as of May 15)



Note: Triangles denote banks, squares denote non-financial corporate issuers, diamonds denote sovereign and municipal issuers. Source: Bloomberg

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Sector view for 2012

Sector	Issuers	Outlook
Metals / Iron Ore	Metinvest Ferrexpo	Steel makers face tough market conditions due to demand instability in Europe and a slowdown in China. Iron ore miners, enjoying stronger market power, will be able to keep historically high margins. Vertically integrated Metinvest, which includes iron ore, coal & coke and steel subsidiaries, is positioned for stable operations even in the current environment.
Energy	DTEK	After completing a series of acquisitions in 2011-2012, DTEK has become the dominant player in the Ukrainian market for steam coal and electricity. Vertical integration and better access to financing compared to its peers increases DTEK's market power in the short and long-term. Additional mid-term catalysts are the reform of the wholesale power market and tariff reform in the power distribution sector.
Food processing	MHP Avangard	We expect a value shift this year from farmers to food processors, as soft commodities are 5%-20% off peak and consumer goods prices are gradually passed on to consumers. Both poultry and egg prices are healthy (up 31% and 37% up yoy in 1Q12, respectively), driving MHP and Avangard's margins.
Agriculture	Mriya Agroton	Driven by an abundant harvest of sugar beets in 2011, domestic sugar prices have fallen by 35% and are staying at low levels. For sugar beet producers (Mriya), the year is going to be hard. General grain producers and those focused on sunflower (Agroton) are facing a more favorable environment with ~10% price growth YTD.
Financials/Banks	Privatbank, Ukreximbank, Oschadbank, FUIB, VAB Bank, Finance and Credit Bank, Nadra Bank	We project loans in the banking system to grow 5% yoy in 2012, supported by a 11% yoy increase in deposits (vs. 18% in 2011). The current economic uncertainty will prevent stronger deposit growth, while lending is also harmed by sector liquidity and the lack of creditworthy customers. On aggregate, banks will continue sending their operating profit to provisions, thus reporting net income only marginally above zero.

Source: Concorde Capital

Issuer exposure to hryvnya depreciation risk (20% assumed as worst-case)

We rated Eurobond issuers depending on their exposure to hryvnya depreciation risk based on the following scale:

10 – extremely sensitive, depreciation would have a highly negative effect on USD equivalent of cash flows, issuer may be on the verge of covenant breach.

1 – the company is perfectly hedged against FX risks, the effect of UAH depreciation on profitability and operating cash flows could be even positive.

Issuer	Grade	Comment
Metinvest	1	Positive effect on financials. Even domestic steel/ore prices are linked to global USD prices while costs of labor, electricity and transportation are in UAH.
Ferrexpo	1	Positive effect on financials since revenue is in U.S. dollars while more than 30% of production costs are UAH-denominated.
Agroton	2	Net effect: 6% decrease in dollar-based revenues and 4% decrease in EBITDA over the short-term. No effect over the longer term when dollar-linked costs catch up to prices.
Mriya	3	Net effect: 10% decrease in dollar-based revenues and 13% decrease in EBITDA over the short-term and only 2% over the longer term when dollar-linked costs catch up to prices.
Avangard	4	Net effect: 5% decrease in dollar-based revenues and 29% decrease in EBITDA over the short-term and only 2% over the longer term when dollar-linked costs catch up to prices.
Ukreximbank	4	FX loans make up 50% of total loan book (-2 pp yoy), but most FX loans are to export-oriented companies.
Oschadbank	4	FX loans make up 22% of total loan book (+17 pp yoy), one of the lowest ratios among Ukraine's top banks, saw a substantial increase due to the issuance of a Eurobond last year.
Privatbank	4	FX loans make up 26% of total loan book (-7 pp yoy), one of the lowest ratios among Ukraine's top banks.
FUIB	4	FX loans make up 47% of total loan book (-4 pp yoy), the bulk of its FX loans were issued to companies with FX revenues.
DTEK	5	Export revenue fully covers its current finance costs, but hryvnya depreciation would inflate debt (almost the full amount is FX-denominated) as a percentage of revenues.
MHP	5	Net effect would be a 15% decrease in dollar-based revenues and 32% decrease in EBITDA over the short-term and 6% over the longer term when dollar-linked costs catch up to their prices.
VAB Bank	5	FX loans make up 40% of total loan book (-10 pp yoy), with roughly the same share of FX loans in its retail segment.
Finance & Credit Bank	5	FX loans make up 33% of total loan book (+1 pp yoy), but the share of FX loans in the retail book is 70%.
City of Kyiv	7	Negative effect on the city's ability to service its debt – all of its budget revenues are UAH-denominated.
Nadra Bank	7	FX loans make up 62% of total loan book (-3 pp yoy), the key worry is that FX loans consist of 4/5 of the retail book.

Source: Concorde Capital

Issuer exposure to political risks

We rated Eurobond issuers depending on their exposure to political risks based on the following principles:

10 – extremely sensitive, administrative pressures on the company or company owners are strong, government policies may easily spoil business.

1 – absolutely non-sensitive, it doesn't matter who is in the government, the company's business will go as usual, no risk of operations disruptions.

Issuer	Grade	Comment
Ukreximbank	1	One of two flagship state banks that will receive support from government and NBU under any conditions.
Oschadbank	1	One of two flagship state banks that will receive support from government and NBU under any conditions.
City of Kyiv	2	Only municipal issuer of Eurobonds and, in the past, all Ukrainian central governments have demonstrated a commitment to supporting Kyiv if problems with liquidity or solvency have emerged.
Metinvest	2	Not reliant on government support and has no lingering ownership disputes, which makes it relatively immune to pressure from authorities.
Avangard	3	Highly diversified assets makes it difficult to capture in the event of a possible hostile takeover.
Privatbank	3	Bank accounts for almost 1/4 of total sector retail deposits. It's in the best interest of the government and the NBU to have Privatbank perfectly healthy and we think the institution is immune to changes in the political landscape.
FUIB	3	A part of Ukraine's largest business group, the bank is a well established business, with effectively zero reliance on NBU funding. The owner has a tight affiliation with the current authorities, but the risk of pressure from the government is almost negligible even if the government changes.
DTEK	4	Highly dependent on state regulations; its financials might worsen if state tariff policies are unfavorable.
Ferrexpo	4	The ownership of a 40% stake in Poltava Mine (currently Ferrexpo's key assets) is disputed in a Ukrainian court and political considerations behind the ultimate court ruling should not be ruled out. However, given that Ferrexpo is the largest Ukraine-based company traded on the LSE, we think it is well positioned to withstand external pressure.
Agroton	4	Landbank is highly concentrated in one region – a risk under the current version of a land draft law that limits land holdings per region. Small enough to be secured from non-hostile takeover risk.
MHP	5	Roughly 1/4 of the company's EBITDA (in 2009 and 2010) results from VAT subsidies.
Mriya	5	About 8% of the company's 2010 EBITDA results from VAT subsidies (est. 18% in 2009). Landbank highly concentrated in one region – a risk under the current version of a land draft law that limits land holdings per region.
VAB Bank	6	The lingering conflict between the bank's past and current majority shareholders could expose the bank to political risks given that close ties with ruling elite have been a deciding factor in similar disputes.
Finance & Credit Bank	8	Heavily dependant on NBU funding, which makes it extremely sensitive to any changes in the regulator's stance. Additionally, Kostynatyn Zhevago's (the bank's owner) businesses have recently experienced administrative pressure.
Nadra Bank	9	Heavily dependant on NBU funding, which makes it extremely sensitive to any changes in the regulator's stance.

Source: Concorde Capital

Non-financial sector:
Issuer profiles

Metinvest (METINV)

Investment summary

- Generated a strong EBITDA margin of 25% in 2011, with its iron ore segment the key contributor (92% of total adjusted EBITDA). We project the company's EBITDA margin will decline only slightly to 23% in 2012.
- Long-term goal of increasing steel output from current 15 mmt to 25 mmt via both organic growth and M&A. To fund its modernization projects, Metinvest will likely continue to rely on external debt financing.
- We estimate net debt/EBITDA at 0.8x on 2012E EBITDA (well below covenants of 3.0x) which underlines the issuer's strong solvency. Around 58% of debt falls due in 2015 and later, while only 10% is scheduled for redemption this year.
- Maintained a solid interest coverage ratio of 3.8x (EBIT/finance cost) in 2010 and boosted it further to 10.2x in 2011. We estimate the company will keep it at a safe 7.5x in 2012.

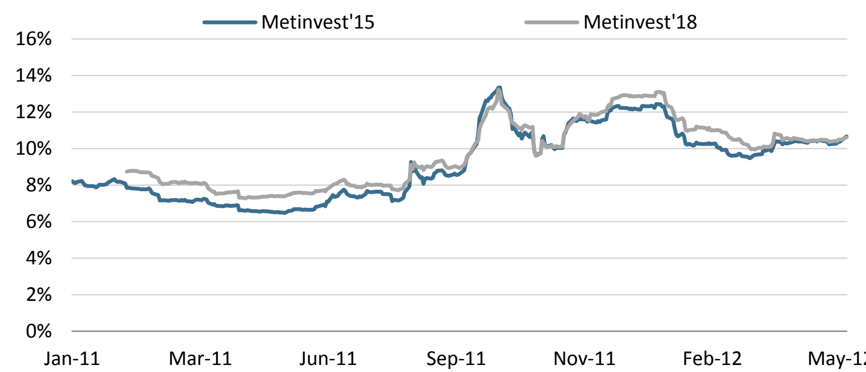
Company description

Vertically integrated steel and mining group with assets in Ukraine, UK, Italy and the US. World's #26 largest steel producer and #10 iron ore producer. In 2011, manufactured 14.4 mmt of steel (+4% yoy), 35.7 mmt of iron ore concentrate (flat yoy) and 11.3 mmt of coking coal (+12% yoy). Key markets for steel products are Europe, Ukraine, South East Asia, CIS and MENA. Owned by Rinat Akhmetov's SCM (71.3%) and Smart-Holding (23.8%) and Vladimit Boyko (5%).

Eurobond parameters

Amount	Maturity	Coupon	S&P	Fitch	Moody's
USD 500 mln	05/20/15	10.25%, S/A	–	B	B2
USD 750 mln	02/14/18	8.75%, S/A	–	B	B2

YTM



Key financials (USD mln) and ratios, IFRS

	2010	2011	2012E
EBIT	943	2,701	2,091
EBITDA	2,552	3,565	2,994
Total Assets	14,668	15,669	16,155
Equity	8,212	9,311	10,000
Debt	3,164	3,266	3,363
EBITDA margin	27%	25%	23%
EBIT margin	10%	19%	16%
Net debt/EBITDA	1.1	0.7	0.8
Gross debt/EBITDA	1.2	0.9	1.1
EBIT/Interest expense	3.8	10.2	7.5

Sources: Company, Bloomberg, Concorde Capital

Analysts: Roman Topolyuk | rt@concorde.ua
Vitaliy Vavryshchuk | vv@concorde.ua

Metinvest financials, IFRS

Income statement, USD mln

	2008	2009	2010	2011	2012E
Revenues	13,213	6,026	9,358	14,189	13,017
EBITDA	4,769	1,449	2,552	3,565	2,994
EBITDA margin	36%	24%	27%	25%	23%
D&A	-641	-555	-694	-864	-903
EBIT	3,961	604	943	2,701	2,091
EBIT margin	30%	10%	10%	19%	16%
Financial expenses	-477	-167	-246	-265	-278
Non operating income/costs	74	38	10	15	14
PBT	3,558	475	707	2,504	1,827
Net income	2,803	334	437	1,854	1,301
Net margin	21%	6%	5%	13%	10%

Balance sheet, USD mln

	2008	2009	2010	2011	2012E
Non-current assets	7,622	9,134	9,662	9,961	9,557
Net PP&E	4,462	5,649	7,053	7,352	6,948
Other	3,160	3,485	2,609	2,609	2,609
Current assets	3,734	3,036	5,006	5,708	6,598
Cash & equivalents	261	159	449	705	1,112
Receivables and prepayments	2,429	1,979	2,933	3,131	3,381
Inventories	1,044	898	1,624	1,872	2,105
Total assets	11,356	12,170	14,668	15,669	16,155
Shareholder equity	6,286	6,972	8,212	9,311	10,000
Non-current liabilities	2,367	2,624	2,764	2,866	2,963
LT interest bearing debt	1,319	1,259	1,740	1,842	1,939
Other	1,048	1,365	1,024	1,024	1,024
Current liabilities	2,703	2,574	3,692	3,492	3,192
ST loans	1,366	1,175	1,424	1,424	1,424
Trade payables & prepayments	1,326	1,399	2,268	2,068	1,768
Total equity and liabilities	11,356	12,170	14,668	15,669	16,155

Sources: Company data, Concorde Capital

Financial ratios

	2008	2009	2010	2011	2012E
Liquidity					
Current ratio	1.4	1.2	1.4	1.6	2.1
Quick ratio	1.0	0.8	0.9	1.1	1.4
Cash ratio	0.1	0.1	0.1	0.2	0.3
Solvency					
LT debt/equity	0.2	0.2	0.2	0.2	0.2
Net debt/equity	0.4	0.3	0.3	0.3	0.2
Assets-to-equity	1.8	1.7	1.8	1.7	1.6
EBIT coverage	8.3	3.6	3.8	10.2	7.5
Gross debt/EBITDA	0.6	1.7	1.2	0.9	1.1
Net debt/EBITDA	0.5	1.6	1.1	0.7	0.8

DTEK (DTEKUA)

Investment summary

- Focused on the defensive utility sector, DTEK is quite resilient to economic downturns. In 2009, when the Ukrainian economy contracted 15%, the company's EBIT margin declined only marginally to 12% from 15% in 2008. EBIT margin reached 20% in 2011 and is expected to remain at least at that level in 2012.
- Fast growth via M&A (will nearly double its EBIT yoy 2012E), with leverage growth lagging the bottom line build up. We expect 2012 net debt/EBITDA will be far below 1.0x.
- Faces only minor debt repayments during 2012-2013 – just 4% of the total portfolio, while 73% of debt is due in 2015-16.
- Generated USD 814 mln of revenues from exports of coal and electricity in 2011 (16% of total revenue, +173% yoy). Proceeds from exports covered DTEK's total finance cost by 5.1x in the period.
- 2012-15 CapEx program totals USD 6.1 bln (USD 1.3-1.7 bln a year). We estimate DTEK should raise more than USD 200-300 mln annually to cover its funding needs, which is just 10%-14% of the holding's annual EBITDA.

Company description

Ukraine's largest vertically integrated energy holding, involved in coal mining (46% of Ukraine's 2011 production), power generation (28% of total) and power distribution (19% of total). In 2011, mined 37 mmt of coal (+7% yoy), produced 51 TWh of electricity (+11% yoy) and sold about 31.0 TWh to end-consumers (+3% yoy). Actively developing exports – sales of electricity abroad increased 4x yoy to 5.1 TWh and coal exports grew to 3.4 mmt in 2011. A subsidiary of SCM Holding, fully owned by Rinat Akhmetov.

Eurobond parameters

Amount	Maturity	Coupon	S&P	Fitch	Moody's
USD 500 mln	04/28/15	9.5%, S/A	–	B	B2

YTM

Key financials (USD mln) and ratios, IFRS

	2010	2011	2012E
EBIT	545	1,001	1,648
EBITDA	774	1,294	2,156
Total Assets	3,229	7,061	7,974
Equity	1,673	3,111	3,866
Debt	693	1,890	2,007
EBITDA margin	25%	26%	27%
EBIT margin	18%	20%	21%
Net debt/EBITDA	0.6	0.5	0.5
Gross debt/EBITDA	0.9	1.5	0.9
EBIT/Interest expense	4.7	6.2	9.1

Sources: Company, Bloomberg, Concorde Capital

Analysts: Roman Topolyuk | rt@concorde.ua
Vitaliy Vavryshchuk | vv@concorde.ua

DTEK financials, IFRS

Income statement, USD mln

	2008	2009	2010	2011	2012E
Revenues	2,462	1,926	3,061	4,962	7,943
EBITDA	656	458	774	1,294	2,156
EBITDA margin	27%	24%	25%	26%	27%
D&A	205	183	-186	-292	-508
EBIT	378	241	545	1,001	1,648
EBIT margin	15%	12%	18%	20%	21%
Financial expenses	-89	-102	-116	-161	-180.6
Non operating income/costs	-242	13	71	-130	-79.4
PBT	47	151	500	710	1,388
Net income	23	110	360	441	958
Net margin	1%	6%	12%	9%	12%

Financial ratios

	2008	2009	2010	2011	2012E
Liquidity					
Current ratio	0.6	0.7	1.6	1.5	1.2
Quick ratio	0.4	0.6	1.4	1.3	1.0
Cash ratio	0.1	0.1	0.4	0.9	0.6
Solvency					
LT debt/equity	0.1	0.1	0.3	0.5	0.4
Net debt/equity	0.3	0.3	0.3	0.2	0.3
Assets-to-equity	1.8	1.9	1.9	2.3	2.1
EBIT coverage	4.2	2.3	4.7	6.2	9.1
Gross debt/EBITDA	1.1	1.2	0.9	1.5	0.9
Net debt/EBITDA	0.9	1.0	0.6	0.5	0.5

Balance sheet, USD mln

	2008	2009	2010	2011	2012E
Non-current assets	2,958	2,077	2,363	4,856	6,109
Net PP&E	2,008	1,406	1,458	3,838	5,092
Other	950	670	905	1,018	1,018
Current assets	471	518	866	2,205	1,864
Cash & equivalents	113	95	213	1,307	907
Receivables and prepayments	193	266	376	577	609
Inventories	117	81	146	277	303
Other	49	76	131	44	44
Total assets	3,429	2,595	3,229	7,061	7,974
Shareholder equity	1,895	1,385	1,673	3,111	3,866
Non-current liabilities	690	474	1,028	2,516	2,613
LT interest bearing debt	188	104	568	1,555	1,652
Other	502	371	460	962	962
Current liabilities	843	735	528	1,434	1,494
ST loans	520	465	125	335	355
Trade payables & prepayments	234	162	247	841	881
Other	90	108	156	257	257
Total equity and liabilities	3,429	2,595	3,229	7,061	7,974

Sources: Company data, Concorde Capital

Ferrexpo (FXPOLN)

Investment summary

- Highly sensitive to commodity cycles, Ferrexpo pursues a cautious investment policy. The company implements only those investment projects that are covered by operating cash flows.
- Hefty cash balance keeps net debt to EBITDA at a mere 0.1x. Liquidity cushion favourably positions the company to withstand both a considerable iron ore market downturn and overcapacity in the iron ore industry.
- We expect Ferrexpo's EBITDA margin will be normalized to c. 34% this year after a historical high of 45% in 2010 and 2011, due to a decrease in selling prices and cost inflation. The ratio of operating cash flow to financial expenses will likely slide to 5.6x in 2012 from 7.4x in 2011, still safe by any standards.
- Ferrexpo is export-oriented and receives its revenue in dollars, while more than a third of production costs are in hryvnya (70% according to Ferrexpo). Hryvnya depreciation will cut production costs in USD equivalents, supporting liquidity and solvency.

Company description

Ukraine's #2 largest iron ore pellet producer. Operates one open pit in Central Ukraine. In 2011, manufactured 9.8 mmt of pellets (-2%), while total pellet production capacity is 12 mmt. Key ongoing expansion project is the commissioning of the Yeristovo Mine, which is supposed to fully load pellet production capacity, increasing annual pellet output by 20% since 2013, compared to 2010-11. Sold 54% of pellets to Europe, 42% to Asia and 5% to Middle East in 2011. 51% owned by Ukrainian businessman Konstyantyn Zhevago.

Eurobond parameters

Amount	Maturity	Coupon	S&P	Fitch	Moody's
USD 500 mln	04/28/15	9.5%, S/A	–	B	B2

YTM

Key financials (USD mln) and ratios, IFRS

	2010	2011	2012E
EBIT	542	759	501
EBITDA	585	800	549
Total Assets	1,478	2,499	2,816
Equity	861	1,393	1,710
Debt	424	970	965
EBITDA margin	45%	45%	34%
EBIT margin	42%	42%	31%
Net debt/EBITDA	0.2	0.1	-0.2
Gross debt/EBITDA	0.7	1.2	1.8
EBIT/Interest expense	12.7	11.1	6.7

Sources: Company, Bloomberg, Concorde Capital

Analysts: Roman Topolyuk | rt@concorde.ua
Vitaliy Vavryshchuk | vv@concorde.ua

Ferrexpo financials, IFRS

Income statement, USD mln

	2008	2009	2010	2011	2012E
Revenues	1,117	649	1,295	1,788	1,606
EBITDA	503.9	138.1	585	800	549
EBITDA margin	45%	21%	45%	45%	34%
D&A	-34	-28	-30	-41	-48
EBIT	467	104	542	759	501
EBIT margin	42%	16%	42%	42%	31%
Financial expenses	-21	-24	-43	-68	-75
Non operating income/costs	-70	0	-1	1	3
PBT	376	81	498	691	428
Net income	313	71	425	575	355
Net margin	28%	11%	33%	32%	22%

Balance sheet, USD mln

	2008	2009	2010	2011	2012E
Non-current assets	563	599	816	1,165	1,317
Net PP&E	412	452	647	925	1,077
Other	151	147	169	241	241
Current assets	291	221	662	1,334	1,499
Cash & equivalents	88	12	319	890	1,066
Receivables and prepayments	141	149	234	325	309
Inventories	61	60	105	117	122
Other	1	1	3	2	2
Total assets	854	820	1,478	2,499	2,816
Shareholder equity	458	471	861	1,393	1,710
Non-current liabilities	251	38	424	970	963
LT interest bearing debt	231	18	401	951	944
Other	20	20	23	19	19
Current liabilities	145	310	192	136	144
ST loans	75	251	23	19	21
Trade payables & prepayments	35	28	88	72	78
Other	35	31	81	45	45
Total equity and liabilities	854	820	1,478	2,499	2,816

Sources: Company data, Concorde Capital

Financial ratios

	2008	2009	2010	2011	2012E
Liquidity					
Current ratio	2.0	0.7	3.4	9.8	10.4
Quick ratio	1.6	0.5	2.9	8.9	9.6
Cash ratio	0.6	0.0	1.7	6.5	7.4
Solvency					
LT debt/equity	0.5	0.0	0.5	0.7	0.6
Net debt/equity	0.5	0.5	0.1	0.1	-0.1
Assets-to-equity	1.9	1.7	1.7	1.8	1.6
EBIT coverage	22.4	4.4	12.7	11.1	6.7
Gross debt/EBITDA	0.6	2.0	0.7	1.2	1.8
Net debt/EBITDA	0.4	1.9	0.2	0.1	-0.2

MHP (MHPSA)

Investment summary

- Strong poultry prices (up 31% yoy in 1Q12) support earnings in 2012: we expect revenues to increase by 11% yoy to USD 1,365 mln and EBITDA by 12% yoy to USD 449 mln.
- Safe on its Eurobond covenant that allows for net debt of USD 1,222 mln (covenant of 2.5x 12M trailing EBITDA plus USD 100 mln) vs. USD 801 mln as of end-2011.
- Stress-test of 20% hryvnya devaluation vs. US dollar reveals Net Debt covenant will still be above current levels even assuming domestic poultry prices remain unchanged. Based on 2008 when the hryvnya depreciated 40%, we think it would take three quarters for MHP to pass through higher input costs onto consumers and restore its margin in relative terms.
- MHP has two instruments to control its Net Debt to EBITDA ratio: timing of Vinnytsia poultry project construction (CapEx for the first stage is USD 750 mln) and biological revaluation, which is partly dependent on management estimates.
- High CapEx related mostly to the Vinnytsia poultry complex (USD 244 mln in 2011) are mainly covered by cash flow from operations (USD 198 mln in 2011).
- 1 of 4 perfect corporate governance scores in our 2011 survey.

Company description

Largest poultry producer in Ukraine, with a market share of 50% of industrially produced chicken. Cultivates 280 ths ha. Owns a sunflower oilseed pressing plant with a total capacity of 590 kt p.a., which provides sunflower meal for feed production and sunflower oil for export (USD-denominated sales) to cover interest expenses. In 2011, produced 384 kt of poultry working at full capacity, 174 kt of sunflower oil and 1.7 mln mt of crops. Key investment project is Vinnytsia poultry facility: total target production capacity of 440 kt of chicken meat per year, first stage with 220 kt to be launched in 1Q13.

Eurobond parameters

Amount	Maturity	Coupon	S&P	Fitch	Moody's
USD 585 mln	04/29/15	10.25%, S/A	–	B	B3

YTM

Key financials (USD mln) and ratios, IFRS

	2010	2011E	2012E
EBIT	228	299	355
EBITDA	296	380	449
Total Assets	1,574	1,944	2,203
Equity	670	926	1,199
Debt	904	1,019	1,004
EBITDA margin	31%	31%	33%
EBIT margin	24%	24%	26%
Net debt/EBITDA	2.2	2.1	1.9
Gross debt/EBITDA	2.8	2.4	2.0
EBIT/Interest expense	3.6	4.5	4.3

Sources: Company, Bloomberg, Concorde Capital

Analysts: Yegor Samusenko | syg@concorde.ua
Vitaliy Vavryshchuk | vv@concorde.ua

MHP financials, IFRS

Income statement, USD mln

	2008	2009	2010	2011	2012E
Revenues	803	711	944	1,229	1,365
EBITDA (adjusted)*	295	234	296	380	449
EBITDA margin	37%	33%	31%	31%	33%
D&A	-57	-52	-68	-80	-94
EBIT (adjusted)*	237	183	228	299	355
EBIT margin	30%	26%	24%	24%	26%
Financial expenses	-52	-51	-63	-66	-83
Non-operating income/costs	-176	-14	23	7	6
PBT (adjusted)	10	118	188	241	278
Net income (adjusted)*	15	160	215	259	273
Net margin	2%	23%	23%	21%	20%

*EBITDA, EBIT and net income are adjusted for revaluation of biological assets

Financial ratios

	2008	2009	2010	2011	2012E
Liquidity					
Current ratio	1.5	1.5	3.0	2.6	2.0
Quick ratio	0.5	0.3	0.9	0.5	0.3
Cash ratio	0.4	0.1	0.7	0.3	0.1
Solvency					
LT debt/equity	1.0	0.7	1.0	0.8	0.5
Net debt/equity	1.2	1.0	1.0	0.9	0.7
Assets-to-equity	2.7	2.3	2.3	2.1	1.8
EBIT coverage	4.6	3.6	3.6	4.5	4.3
Gross debt/EBITDA	1.7	2.2	2.8	2.4	2.0
Net debt/EBITDA	1.4	2.1	2.2	2.1	1.9

Balance sheet, USD mln

	2008	2009	2010	2011	2012E
Current Assets	338	427	719	809	822
Cash & equivalents	79	30	174	97	41
Trade receivables	32	43	53	66	75
Inventories	165	271	363	487	529
Other current assets	62	82	129	159	177
Non-current assets	587	711	855	1,136	1,381
PP&E, net	540	628	745	1,009	1,244
Other	47	83	110	127	136
Total assets	925	1,138	1,574	1,944	2,203
Shareholder equity	346	494	670	926	1,199
Current liabilities	219	286	242	308	402
ST interest bearing debt	152	164	174	190	285
Trade payables	22	72	19	53	44
Other	45	49	50	65	73
LT liabilities	359	358	661	711	602
LT interest bearing debt	352	349	658	709	600
Other	7	9	3	2	2
Total liabilities & equity	925	1,138	1,574	1,944	2,203

Sources: Company data, Concorde Capital

Mriya (MRIYA)

Investment summary

- Low earnings quality: 42% of revenues and 45% of EBITDA in 2011 came from sugar beet sales to related parties at USD 73/t vs. our estimate of the average market price of USD 45/t. At the same time, sugar beet production costs per ha were 1.8x below those reported by local peer Astarta, which we find hard to believe.
- The drop in the sugar price in 2011/12 vs. 2010/11 marketing year (USD 525-660 vs. USD 830-1,000) will lead to lower earnings from sugar beets in 2012, unless the company sells to related parties at inflated transfer prices.
- Overly aggressive CapEx in greenfield silos does not pay back, in our view: we estimate Mriya`s average selling prices at only 5% above Ukraine`s average in 2011 and 12% less in 2010, sugar beets excluded. We think the premium to pay back CapEx in greenfield silos should be considerably higher.
- Poor disclosure and high share of transactions with related parties increases the risk of the bond's yield converging to Avangard, based on similar corporate governance profiles.

Company description

Largest publicly-listed Ukrainian farmer with 295 ths ha as of end-2011. Operates primarily in Ternopil region. Crop yields are better than the average in regions of operations for sugar beets (33% on average for 2010-11) and wheat (11%), key crops for the company, but 4%-57% lower for other crops. Has constructed 280 kt of greenfield storages and plans to build another 600 kt.

Eurobond parameters

Amount	Maturity	Coupon	S&P	Fitch	Moody's
USD 250 mln	03/30/16	10.95%, S/A	B	B-	–

YTM

Key financials (USD mln) and ratios, IFRS

	2010	2011E	2012E
EBIT	94	155	107
EBITDA	102	173	144
Total Assets	591	1,053	867
Equity	424	595	165
Debt	167	457	702
EBITDA margin	63%	64%	56%
EBIT margin	58%	58%	42%
Net debt/EBITDA	0.2	1.0	3.6
Gross debt/EBITDA	1.1	2.0	4.1
EBIT/Interest expense	3.6	3.1	1.7

Sources: Company, Bloomberg, Concorde Capital

Analysts: Yegor Samusenko | syg@concorde.ua
Vitaliy Vavryshchuk | vv@concorde.ua

Mriya financials, IFRS

Income statement, USD mln

	2008	2009	2010	2011	2012E
Revenues	91	148	162	268	255
EBITDA (adjusted)*	60	88	102	173	144
EBITDA margin	67%	59%	63%	64%	56%
D&A	-1	-2	-8	-17	-37
EBIT (adjusted)*	59	85	94	155	107
EBIT margin	65%	57%	58%	58%	42%
Financial expenses	-8	-13	-26	-51	-61
Non-operating income/costs	15	5	17	30	-
PBT (adjusted)	66	77	86	135	46
Net income (adjusted)*	23	70	109	155	46
Net margin	25%	47%	68%	58%	18%

*EBITDA, EBIT and net income are adjusted for revaluation of biological assets

Balance sheet, USD mln

	2008	2009	2010	2011	2012E
Current Assets	154	236	378	519	316
Cash & equivalents	72	105	95	184	76
Trade receivables	51	51	100	108	127
Inventories	26	64	168	200	86
Other current assets	5	16	15	27	26
Non-current assets	52	72	213	534	551
PP&E, net	50	47	181	381	399
Other	2	25	32	152	152
Total assets	206	309	591	1,053	867
Shareholder equity	147	222	424	595	165
Current liabilities	29	63	121	170	404
ST interest bearing debt	21	34	84	113	346
Trade payables	4	26	17	38	33
Other	4	4	19	18	25
LT liabilities	29	23	46	288	297
LT interest bearing debt	24	19	27	238	250
Other	5	4	20	50	47
Total liabilities & equity	206	309	591	1,053	867

Sources: Company data, Concorde Capital

Financial ratios

	2008	2009	2010	2011	2012E
Liquidity					
Current ratio	1.5	1.5	3.0	2.6	2.0
Quick ratio	0.5	0.3	0.9	0.5	0.3
Cash ratio	0.4	0.1	0.7	0.3	0.1
Solvency					
LT debt/equity	1.0	0.7	1.0	0.8	0.5
Net debt/equity	1.2	1.0	1.0	0.9	0.7
Assets-to-equity	2.7	2.3	2.3	2.1	1.8
EBIT coverage	4.6	3.6	3.6	4.5	4.3
Gross debt/EBITDA	1.7	2.2	2.8	2.4	2.0
Net debt/EBITDA	1.4	2.1	2.2	2.1	1.9

Avangard (AVINPU)

Investment summary

- Low earnings quality: 44% EBITDA margin in 2011 can mostly be attributed to higher than market average egg selling prices. We estimate it at 19% more than the market average in 2011 and lower than average grain procurement prices.
- Overly aggressive CapEx: simultaneous construction of two similar farms require USD 611 mln in CapEx (2.5x of EBITDA 2011) over 2009-13. CapEx per laying hen capacity is 1.5x more than Avangard is trading at and is 2.5x more if CapEx/eggs output is compared to its current EV/eggs output.
- Delisting of Avangard shares (which is likely in our view should majority owner Oleg Bahmatyuk succeed with placement of parent Ukrlandfarming) could increase corporate governance risk for bondholders.
- Ambitious plans of majority owner regarding public capital markets decreases repayment risk.

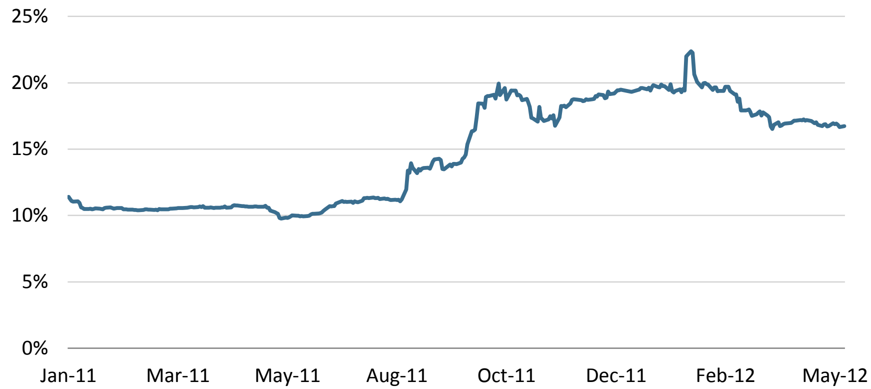
Company description

With a total end-2011 poultry flock of 25.1 mln heads, it was #2 largest egg producer in the world. 51% market share of industrially produced eggs in Ukraine in 2011. Operates 3 breeder farms, 9 farms for growing laying hens, 6 fodder mills and 19 farms for laying hens. Capacity of its processing facility is 1.1 bln eggs p.a. Produced 5.96 bln eggs and 12.1 kt of dry egg products in 2011. Key investment projects include Avis and Chernobayevo greenfield farms (CapEx est. at USD 611 mln), which will add capacity to grow 10 mln laying hens.

Eurobond parameters

Amount	Maturity	Coupon	S&P	Fitch	Moody's
USD 200 mln	10/29/15	10.0%, S/A	–	B	–

YTM



Key financials (USD mln) and ratios, IFRS

	2010	2011
EBIT	128.5	184.1
EBITDA	141.2	198.4
Total Assets	1,079.0	1,305.7
Equity	746.2	939.3
Debt	332.8	366.3
EBITDA margin	32%	36%
EBIT margin	29%	33%
Net debt/EBITDA	0.5	0.4
Gross debt/EBITDA	1.8	1.6
EBIT/Interest expense	4.3	5.6

Sources: Company, Bloomberg, Concorde Capital

Analysts: Yegor Samusenko | syg@concorde.ua
Vitaliy Vavryshchuk | vv@concorde.ua

Avangard financials, IFRS

Income statement, USD mln

	2008	2009	2010	2011
Revenues	302	320	440	553
EBITDA (adjusted)*	88	137	141	198
EBITDA margin	29%	43%	32%	36%
D&A	-12	-12	-13	-14
EBIT (adjusted)*	77	124	129	184
EBIT margin	25%	39%	29%	33%
Financial expenses	-53	-46	-30	-33
Non-operating income/costs	26	41	34	3
PBT (adjusted)	49	119	133	154
Net income (adjusted)*	-9	111	132	147
Net margin	-3%	35%	30%	27%

*EBITDA, EBIT and net income are adjusted for revaluation of biological assets

Balance sheet, USD mln

	2008	2009	2010	2011
Current Assets	537	430	563	654
Cash & equivalents	239	158	183	238
Trade receivables	16	47	55	51
Inventories	95	138	230	261
Other current assets	187	87	95	103
Non-current assets	483	414	516	652
PP&E, net	368	375	396	513
Other	115	39	120	139
Total assets	1,020	844	1,079	1,306
Shareholder equity	119	361	746	939
Current liabilities	693	385	95	147
ST interest bearing debt	309	173	30	105
Trade payables	21	68	23	18
Other	363	143	42	25
LT liabilities	208	99	238	219
LT interest bearing debt	193	86	224	210
Other	16	13	13	9
Total liabilities & equity	1,020	844	1,079	1,306

Source: Company data

Financial ratios

	2008	2009	2010	2011
Liquidity				
Current ratio	0.8	1.1	5.9	4.4
Quick ratio	0.4	0.5	2.5	2.0
Cash ratio	0.3	0.4	1.9	1.6
Solvency				
LT debt/equity	1.8	0.3	0.3	0.2
Net debt/equity	2.2	0.3	0.1	0.1
Assets-to-equity	8.6	2.3	1.4	1.4
EBIT coverage	1.4	2.7	4.3	5.6
Gross debt/EBITDA	5.7	1.9	1.8	1.6
Net debt/EBITDA	3.0	0.7	0.5	0.4

Agroton (AGTPW)

Investment summary

- No visibility on where USD 101 mln in proceeds from IPO in October 2010 and USD 50 mln from bond placement in July 2011 have gone – only USD 15 mln has been spent on landbank acquisition, while silo acquisition and construction has stalled.
- High production costs makes the company sensitive to crop yields, especially for sunflower production, while other crops deliver little to zero profits, according to our calculations.
- Overly aggressive CapEx plans for greenfield silos: 260 kt over the next three years will require investments of at least USD 40 mln, 2/3 of our cash EBITDA forecast for the company for this period.
- Low liquidity in the bond.
- Little visibility of where cash flows for repayment will come from.

Company description

Large-scale farming company that operates 171 ths ha concentrated in Luhansk region (Eastern Ukraine). Focus on the cultivation of high-margin sunflower: 36%-37% of sowing area vs. 36% for the region and 17% for Ukraine. Crop yields are 34% more than the region`s average for sunflower for five years, 10%-67% more for other crops, achieved through larger-than-average costs per ha. Owns four elevators with a total capacity of 235 kt. Involved in cattle farming (12% of 2010 revenues) and food processing (8% of revenues).

Eurobond parameters

Amount	Maturity	Coupon	S&P	Fitch	Moody's
USD 50 mln	07/14/14	12.5%, S/A	CCC+	B-	–

YTM

Key financials (USD mln) and ratios, IFRS

	2010	2011	2012E
EBIT	-1	20	12
EBITDA	5	24	19
Total Assets	144	180	184
Equity	122	120	126
Debt	16	52	50
EBITDA margin	9%	25%	21%
EBIT margin	-1%	20%	14%
Net debt/EBITDA	0.5	1.4	1.8
Gross debt/EBITDA	3.3	2.1	2.6
EBIT/Interest expense	0.0	3.7	2.0

Sources: Company, Bloomberg, Concorde Capital

Analysts: Yegor Samusenko | syg@concorde.ua
Vitaliy Vavryshchuk | vv@concorde.ua

Agroton financials, IFRS

Income statement, USD mln

	2010	2011	2012E
Revenues	57	100	92
EBITDA (adjusted)*	5	24	19
EBITDA margin	9%	25%	21%
D&A	-6	-4	-7
EBIT (adjusted)*	-1	20	12
EBIT margin	-1%	20%	14%
Financial expenses	-14	-5	-6
Non-operating income/costs	0	0	0
PBT (adjusted)	-14	15	6
Net income (adjusted)*	-15	12	6
Net margin	-26%	12%	7%

*EBITDA, EBIT and net income are adjusted for revaluation of biological assets

Financial ratios

	2010	2011	2012E
Liquidity			
Current ratio	4.9	10.0	11.8
Quick ratio	1.2	4.8	4.1
Cash ratio	0.7	1.4	1.8
Solvency			
LT debt/equity	0.0	0.4	0.4
Net debt/equity	0.0	0.3	0.3
Assets-to-equity	1.2	1.5	1.5
EBIT coverage	0.0	3.7	2.0
Gross debt/EBITDA	3.3	2.1	2.6
Net debt/EBITDA	0.5	1.4	1.8

Balance sheet, USD mln

	2010	2011	2012E
Current Assets	95	122	100
Cash & equivalents	14	18	15
Trade receivables	8	40	18
Inventories	73	63	65
Other current assets	1	1	1
Non-current assets	49	58	84
PP&E, net	38	31	57
Other	11	27	27
Total assets	144	180	184
Shareholder equity	122	120	126
Current liabilities	19	12	8
ST interest bearing debt	14	4	-
Trade payables	1	2	2
Other	5	6	6
LT liabilities	3	48	50
LT interest bearing debt	3	48	50
Other	-	-	-
Total liabilities & equity	144	180	184

Source: Concorde Capital

Financial sector: Issuer profiles

Ukreximbank (EXIMUK)

Investment summary

- Provides several unique functions to the Ukrainian economy, including facilitation of external trade transactions and channeling the bulk of IFI money into the corporate sector. We believe the government and NBU are committed to supporting the solvency and liquidity of the bank.
- One of Ukraine's largest corporate borrowers with a strong track record, Ukreximbank meets the toughest eligibility criteria for counterparties of IFIs and the global banks.
- Ukreximbank's reliance on the NBU for funding is moderate (7% of liabilities as of end-1H11) but the Cabinet of Ministers boosted its lending capacity by over USD 1.5 bln via capital injections in 2010/11.
- Share of loans to state companies of 19% as of end-2010 is a concern, though we believe the share of related party lending declined last year.

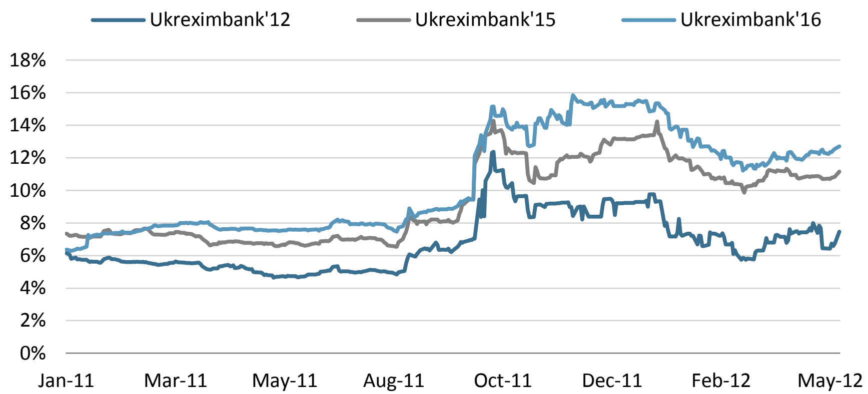
Company description

Ukreximbank (Ukraine's Export-Import Bank) is Ukraine's third largest bank with end-1Q12 assets of USD 9.1 bln (UAS). Fully owned by the state. Corporates account for 98% of total loan portfolio while deposits are originated mostly from individuals – their share is above 55%.

Eurobond parameters

Amount	Maturity	Coupon	S&P	Fitch	Moody's
USD 250 mln	10/04/12	6.8%, S/A	–	B	B1
USD 750 mln	04/27/15	8.375%, S/A	–	B	B1
USD 125 mln	02/09/16	5.793%, S/A	–	CCC	B1

YTM



Key financials and ratios, IFRS

	2009	2010	1H11
Assets, USD mln	7,071	9,025	9,907
Assets, yoy	14%	28%	20%
Net loans, USD mln	5,424	5,486	5,375
Net income, USD mln	5	16	7
ROE	0.5%	0.9%	0.6%
Cost/Income	29%	21%	25%
Cost of risk	6.0%	5.4%	4.7%
Equity to assets	18%	24%	22%
BIS total CAR	25%	33%	31%

Sources: Company, Bloomberg, Concorde Capital

Analysts: Olena Zuikova | olz@concorde.ua
Vitaliy Vavryshchuk | vv@concorde.ua

Ukreximbank financials, IFRS

Income statement, USD mln

	2008	2009	2010	1H11
Net interest income	309	397	328	175
Net fees and commissions	77	41	45	22
Total revenue	461	478	469	218
Operating expense	-182	-138	-100	-55
Profit before provisions	280	340	369	164
Net provision expense	-246	-332	-336	-152
Net income	23	5	16	7

Balance sheet, USD mln

	2008	2009	2010	1H11
Cash and cash equivalents	819	608	1,368	1,905
Due from other banks	125	217	142	447
Net loans	4,754	5,424	5,486	5,375
Gross retail loans	274	164	139	131
Gross corporate loans	4,766	5,847	6,265	6,333
Loans loss reserve	-286	-587	-918	-1,089
Securities	262	295	1,345	1,200
Other assets	220	527	684	980
Total assets	6,180	7,071	9,025	9,907
Due to other banks	2,193	2,085	1,449	1,310
Retail deposits	1,015	1,115	1,551	1,711
Corporate deposits	1,141	1,384	1,942	2,459
Subordinated debt	127	389	389	388
Other liabilities	1,193	806	1,550	1,872
Total liabilities	5,669	5,778	6,881	7,740
Equity	512	1,293	2,144	2,167
Total equity and liabilities	6,180	7,071	9,025	9,907

Financial ratios

	2008	2009	2010	1H11
Assets, yoy	9%	14%	28%	9%
Net loans to deposits	221%	217%	157%	129%
ROE	4.6%	0.5%	0.9%	0.6%
Cost/income	39.4%	28.9%	21.3%	25.0%
Cost of risk	5.2%	6.0%	5.4%	4.7%
Net interest margin	6.3%	7.2%	5.1%	5.7%
LLR/gross loans	5.7%	9.8%	14.3%	16.8%
Equity to assets	8%	18%	24%	22%
BIS total CAR	11%	25%	33%	31%

Source: Company data

Oschadbank (OSCHAD)

Investment summary

- We believe Oschadbank will be supported by the government and the NBU under any conditions given its high social importance. Due to its ubiquity, the bank distributes the bulk of social payments in the country and its functions can hardly be passed over to other banks.
- Never relied on external financing: UAD 700 mln Eurobond and USD 100 mln subordinated debt are its only major external liabilities.
- Loan quality is relatively good – end-2011 NPLs (loans past due 90 days or more) amounted to 10.9% of gross loans excluding facilities to Naftogaz (vs. 13.5% as of end-2010) while the market average is 20-25%. This is mostly due to a low share of FX loans (just 21% as of end-1Q12). Another reason is a high share of loans to state-owned companies, which tend to be restructured once their servicing deteriorates.
- Extensive related party lending is the key risk for the bank. However, progress in reducing exposure to related parties is impressive: loans to state companies declined 14 pp in 2H11 to 51% (share of loans to Naftogaz alone dropped 10 pp to 35% over 2H11).
- While the bank has a high exposure to state companies, its liquidity is supported by loans from the NBU (all maturing in 2015), which made up 27% of total liabilities at end-2011.

Company description

Ukraine's #2 bank with total end-1Q12 assets of USD 9.8 bln (UAS). Boasts the country's largest retail network with 5,860 outlets. Funding is dominated by retail deposits and bank loans (incl. from the NBU), which account for 46% and 28%, respectively, of total liabilities. Corporate facilities which make up 90% of the total loan portfolio.

Eurobond parameters

Amount	Maturity	Coupon	S&P	Fitch	Moody's
USD 700 mln	03/10/16	8.25%, S/A	–	B	B2

YTM

Key financials and ratios, IFRS

	2009	2010	2011
Assets, USD mln	7,187	7,229	9,244
Assets, yoy	-2%	1%	28%
Net loans, USD mln	5,725	5,347	6,316
Net income, USD mln	14	58	137
ROE	0.7%	2.9%	6.6%
Cost/Income	35%	38%	44%
Cost of risk	7.5%	4.9%	3.4%
Equity to assets	27%	28%	24%
BIS total CAR	32%	36%	30%

Sources: Company, Bloomberg, Concorde Capital

Analysts: Olena Zuikova | olz@concorde.ua
Vitaliy Vavryshchuk | vv@concorde.ua

Oschadbank financials, IFRS

Income statement, USD mln

	2008	2009	2010	2011
Net interest income	280	531	522	577
Net fees and commissions	136	109	114	118
Total revenue	464	661	659	732
Operating expense	-324	-231	-252	-323
Profit before provisions	140	430	407	409
Net provision expense	-124	-406	-303	-232
Net income	7	14	58	137

Balance sheet, USD mln

	2008	2009	2010	2011
Cash and cash equivalents	387	524	597	600
Due from other banks	231	132	113	895
Net loans	4,401	5,725	5,347	6,316
Gross retail loans	924	740	632	559
Gross corporate loans	3,617	5,501	5,535	6,805
Loans loss reserve	-139	-516	-820	-1,048
Securities	2,041	502	824	1,084
Other assets	261	304	348	351
Total assets	7,320	7,187	7,229	9,244
Due to other banks	2,888	2,007	1,964	2,059
Retail deposits	1,779	1,884	2,444	3,164
Corporate deposits	493	1,206	639	916
Subordinated debt	103	103	103	104
Other liabilities	93	66	70	829
Total liabilities	5,356	5,266	5,221	7,071
Equity	1,964	1,921	2,008	2,172
Total equity and liabilities	7,320	7,187	7,229	9,244

Financial ratios

	2008	2009	2010	2011
Assets, yoy	122%	-2%	1%	28%
Net loans to deposits	194%	185%	173%	155%
ROE	0.7%	0.7%	2.9%	6.6%
Cost/income	70%	35%	38%	44%
Cost of risk	3.9%	7.5%	4.9%	3.4%
Net interest margin	6.3%	8.1%	8.3%	7.9%
LLR/gross loans	3.1%	8.3%	13.3%	14.2%
Equity to assets	27%	27%	28%	24%
CAR (BIS for IFRS and NBU for UAS)	41%	32%	36%	30%

Source: Company data

Privatbank (PRBANK)

Investment summary

- Accounting for almost a quarter of the country's retail deposits, the bank is systemically important, implying its solvency and liquidity are closely watched by the regulator and that support can be provided should need be. Shareholders' backing also seems to be strong as the key owners want to see the bank further strengthening its footing in the sector.
- Being the country's top bank, it cannot afford to do without external funding and is certain to continue smooth servicing of its debt. In February 2012, the bank redeemed its USD 500 mln Eurobond upon maturity.
- Non-transparency is our key concern. For example, Privatbank shed little clarity on the reasons for its last capital injection in mid-2011, which saw contributions from offshore companies (ultimately owned by the majority shareholders), or plans for a pending share buyback.
- The share of related party lending stood at 8% as of end-2011, a reasonable amount, but we think that figure is severely underestimated.
- Loan quality remains high with only 5.5% of total loans categorized as NPLs (past due 90 days or more) as of end-2011. Strong loan quality is due to reportedly tough collection procedures.

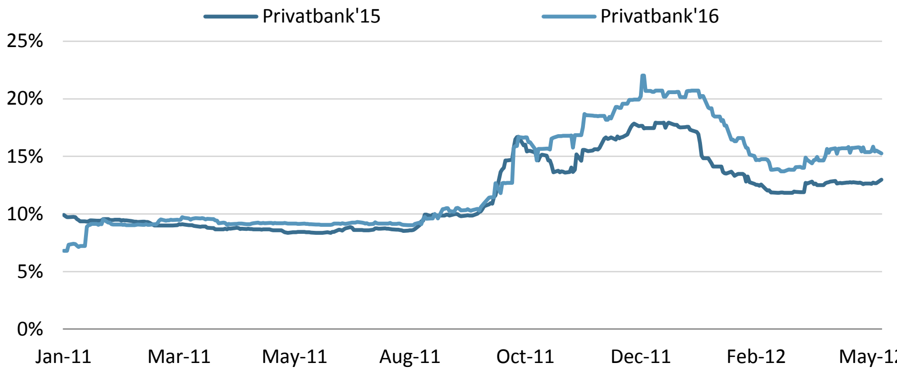
Company description

Ukraine's largest bank with an end-1Q12 market share of 14.2% and total assets of USD 19 bln (UAS-based). 92.5%-owned by Igor Kolomoisky and Gennady Bogolyubov (in equal shares). Retail network of 5,860 outlets is Ukraine's second largest. Corporate loans account for 79% of the total book, while retail deposits are key on the funding side (48% of equity and liabilities).

Eurobond parameters

Amount	Maturity	Coupon	S&P	Fitch	Moody's
USD 200 mln	09/23/15	9.375%, S/A	–	B	B1
USD 150 mln	02/09/16	5.799%, S/A	–	–	B1

YTM



Key financials and ratios, IFRS

	2009	2010	2011
Assets, USD mln	11,232	15,313	17,688
Assets, yoy	-1%	36%	16%
Net loans, USD mln	8,340	11,266	13,483
Net income, USD mln	171	181	197
ROE	12.2%	11.0%	9.4%
Cost/Income	39.5%	53.3%	46.9%
Cost of risk	7.1%	3.8%	4.9%
Equity to assets	13.4%	11.6%	13.6%
BIS total CAR	na	14.9%	16.1%

Sources: Company, Bloomberg, Concorde Capital

Analysts: Olena Zuikova | olz@concorde.ua
Vitaliy Vavryshchuk | vv@concorde.ua

Privatbank financials, IFRS

Income statement, USD mln

	2008	2009	2010	2011
Net interest income	1,219	931	780	1,261
Net fees and commissions	343	242	345	342
Total revenue	2,290	1,599	1,328	1,688
Operating expense	-952	-631	-708	-791
Profit before provisions	1,338	968	620	897
Net provision expense	-856	-706	-429	-704
Net income	377	171	181	197

Balance sheet, USD mln

	2008	2009	2010	2011
Cash and cash equivalents	1,220	1,435	2,420	2,681
Due from other banks	346	510	669	583
Net loans	8,841	8,340	11,266	13,483
Gross retail loans	3,139	3,019	2,519	3,158
Gross corporate loans	6,758	6,897	10,456	12,327
Loans loss reserve	-1,056	-1,575	-1,710	-2,002
Securities	2	6	148	101
Other assets	958	942	810	1,995
Total assets	11,366	11,232	15,313	17,688
Due to other banks	1,318	1,331	1,403	1,039
Retail deposits	4,781	4,904	7,934	9,978
Corporate deposits	2,618	2,251	2,933	3,101
Subordinated debt	173	180	173	178
Other liabilities	1,200	1,057	1,090	984
Total liabilities	10,090	9,723	13,533	15,280
Equity	1,277	1,509	1,780	2,408
Total equity and liabilities	11,366	11,232	15,313	17,688

Financial ratios

	2008	2009	2010	2011
Assets, yoy	2%	-1%	36%	16%
Net loans to deposits	119%	117%	104%	103%
ROE	32.1%	12.2%	11.0%	9.4%
Cost/income	41.6%	39.5%	53.3%	46.9%
Cost of risk	9.0%	7.1%	3.8%	4.9%
Net interest margin	na	10.3%	7.4%	9.6%
LLR/gross loans	10.7%	15.9%	13.2%	12.9%
Equity to assets	11.2%	13.4%	11.6%	13.6%
BIS total CAR	na	na	14.9%	16.1%

Source: Company data

FUIB (PUMBUZ)

Investment summary

- Merged with Dongorbank in mid-2011 (SCM's other bank, #22 largest by assets at end-2010). Management claims the deal was successful and the merger is already yielding tangible benefits in terms of cost reduction.
- Plans to become one of Ukraine's top-5 banks in the next couple of years.
- Will need to rely on external financing for further growth to keep its funding structure balanced. Any new restructuring (the current Eurobond was issued to replace the previous one as a part of a restructuring process in 2009) could strongly hurt the bank's reputation and will be avoided at all costs, in our view.
- We view audited 2011 financials as positive. With a strong capital base (NBU CAR of 15.9%), high NPL coverage ratio (c. 80%) and robust customer-reliant funding base, the bank is well positioned to strengthen its position in the banking sector. The potential for further improvement in operating efficiency is also there – thanks to post-merger synergies, the bank should be able to cut its Cost/Income ratio (56% in 2011) this year.

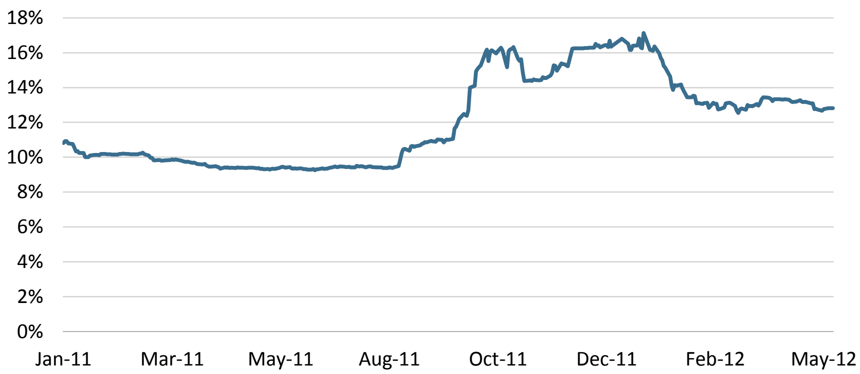
Company description

First Ukrainian International Bank (FUIB) is Ukraine's #8 bank with total end-1Q12 assets of USD 4.0 bln (UAS) and a market share of 3.3%. Customer deposits account for over 80% of liabilities and 55% of assets are loans. Fully owned by SCM, Ukraine's largest business group.

Eurobond parameters

Amount	Maturity	Coupon	S&P	Fitch	Moody's
USD 252 mln	12/31/14	11.0%, Q	–	–	B2

YTM



Key financials and ratios, IFRS

	2010	2011
Assets, USD mln	3,219	3,721
Assets, yoy	n/a	16%
Net loans, USD mln	1,819	2,059
Net income, USD mln	71	56
ROE	14%	10%
Cost/Income	57%	56%
Cost of risk	n/a	0%
Equity to assets	16%	16%
BIS total CAR	n/a	0.268

Sources: Company, Bloomberg, Concorde Capital

Analysts: Olena Zuikova | olz@concorde.ua
Vitaliy Vavryshchuk | vv@concorde.ua

FUIB financials, IFRS

Income statement, USD mln

	2010	2011
Net interest income	106	123
Net fees and commissions	28	32
Total revenue	154	173
Operating expense	-88	-97
Profit before provisions	67	77
Net provision expense	25	-8
Net income	71	56

Balance sheet, USD mln

	2010	2011
Cash and cash equivalents	76	79
Due from other banks	759	849
Net loans	1,819	2,059
Gross retail loans	1,624	1,816
Gross corporate loans	583	606
Loans loss reserve	-388	-367
Securities	382	523
Other assets	183	212
Total assets	3,219	3,721
Due to other banks	247	192
Retail deposits	991	1,084
Corporate deposits	949	1,447
Subordinated debt	84	85
Other liabilities	1,369	1,754
Total liabilities	2,692	3,116
Equity	527	605
Total equity and liabilities	3,219	3,721

Financial ratios

	2010	2011
Assets, yoy	n/a	16%
Net loans to deposits	94%	81%
ROE	14%	10%
Cost/income	57%	56%
Cost of risk	n/a	0.4%
Net interest margin	n/a	4.5%
LLR/gross loans	18%	15%
Equity to assets	16%	16%
BIS total CAR	n/a	27%

Source: Company data

VAB Bank (VABANK)

Investment summary

- New strategic investor, Ukrainian businessman Oleg Bakhmatyuk, arrived in 2H11. Recently announced plans to raise USD 63 mln in new equity shows the investor's commitment to support the bank.
- VAB Bank (retail-focused) and Finansova Initsiatyva (corporate-focused), Bakhmatyuk's other bank, have complimentary businesses and we do not rule out that they may be merged some day.
- Bakhmatyuk gained control over VAB Bank via several Cyprus-registered companies, each now holding less than 10% of the bank, which means tracking further changes in the ultimate ownership structure will be difficult.
- Dispute between past and current controlling shareholders revealed VAB's heavy exposure to related parties, which we estimate at 1/4 of gross loans. According to the CEO, current credit exposure to the former owner's entities is about USD 100 mln (13% of loans); those loans are badly serviced (and not covered with provisions) and the bank has yet to demonstrate it can recover the money.
- With 2011 Cost/Income ratio of 160% (UAS), operating efficiency is weak. However, fast growth in the loan portfolio (+18% yoy in 2011) should improve core earnings and Cost/Income.

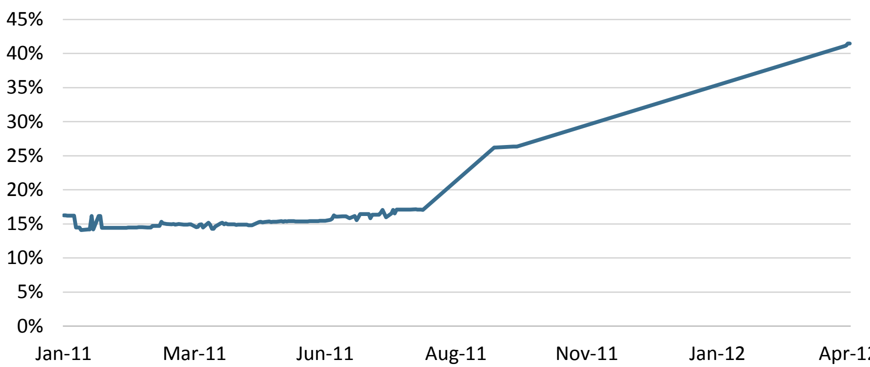
Company description

Ukraine's #20 bank with total end-2011 assets of USD 1.4 bln (UAS). Over 2/3 of the bank's loans are to the corporate sector while retail deposits dominate liabilities with a 49% share. Oleg Bakhmatyuk (owner of Ukrlandfarming and majority shareholder of Avangard) gained control over the bank in 2H11.

Eurobond parameters

Amount	Maturity	Coupon	S&P	Fitch	Moody's
USD 112 mln	06/14/14	10.5%, Q	–	WD	Caa1

YTM



Key financials and ratios, IFRS

	2010	2011	1H11
Assets, USD mln	818	756	858
Assets, yoy	-14%	-8%	2%
Net loans, USD mln	654	490	612
Net income, USD mln	-47	-103	-15
ROE	-57%	-173%	-65%
Cost/Income	89%	157%	143%
Cost of risk	8.6%	13.9%	2.0%
Equity to assets	8%	7%	5%
NBU CAR	17%	15%	8%

Sources: Company, Bloomberg, Concorde Capital

Analysts: Olena Zuikova | olz@concorde.ua
Vitaliy Vavryshchuk | vv@concorde.ua

VAB Bank financials, IFRS

Income statement, USD mln

	2008	2009	2010	1H11
Net interest income	77	44	14	13
Net fees and commissions	19	7	8	5
Total revenue	120	67	39	22
Operating expense	-83	-60	-61	-32
Profit before provisions	37	7	-22	-10
Net provision expense	-50	-69	-101	-7
Net income	-12	-47	-103	-15

Balance sheet, USD mln

	2008	2009	2010	1H11
Cash and cash equivalents	88	77	142	85
Due from other banks	2	12	5	5
Net loans	792	654	490	612
Gross retail loans	258	233	192	223
Gross corporate loans	585	537	496	593
Loans loss reserve	-50	-117	-198	-204
Securities	15	9	25	46
Other assets	58	66	94	109
Total assets	955	818	756	858
Due to other banks	195	194	15	48
Retail deposits	290	241	386	455
Corporate deposits	214	129	161	174
Subordinated debt	20	63	45	44
Other liabilities	137	125	95	98
Total liabilities	855	752	701	819
Equity	100	66	54	39
Total equity and liabilities	955	818	756	858

Financial ratios

	2008	2009	2010	1H11
Assets, yoy	3%	-14%	-8%	2%
Net loans to deposits	132%	177%	90%	97%
ROE	-11%	-57%	-173%	-65%
Cost/income	69%	89%	157%	143%
Cost of risk	5.7%	8.6%	13.9%	2.0%
Net interest margin	9.5%	6.7%	3.3%	7.3%
LLR/gross loans	6%	15%	29%	25%
Equity to assets	10%	8%	7%	5%
BIS total CAR	16%	17%	15%	8%

Source: Company data

Finance and Credit (FICBUA)

Investment summary

- Weathered the crisis with difficulty – the NBU introduced and withdrew an administrator twice in the last three years. Avoided violating CAR and liquidity requirements thanks to a “regulatory forbearance” approach and generous liquidity loans from the central bank.
- Relies heavily on NBU support for liquidity. According to media reports, the volume of the NBU refinancing stood at UAH 6.6 bln as of July 2011 (1/3 of total funding).
- Exposed to political risks due to ownership by opposition politician Kostyantyn Zhevago.
- Recently announced plans to raise USD 25 mln in fresh capital, which we think is moderate for a bank with assets of USD 2.8 bln and CAR of 10.6% (only marginally above the floor of 10.0%). With LLR/gross loans ratio of just 9.0% (vs. the sector average of 18%), the bank looks under-provisioned. Cost/Income ratio is high at 85%, indicating to the bank’s weak operating efficiency.
- Overall, we think the bank’s financial health is shaky and shareholders have to step in to shore up its solvency and liquidity.

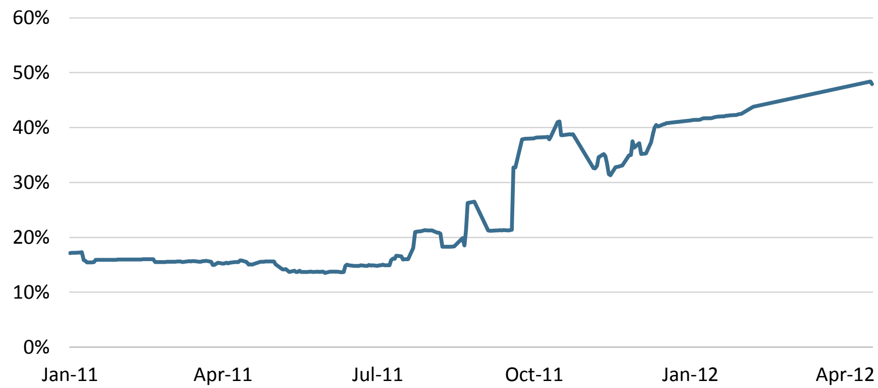
Company description

Ukraine’s #14 largest bank with total assets of USD 2.8 bln (UAS) and market share of 2.1% as of end-2011. In terms of lending, the bank is mainly focused on corporates (80% of the total loan book), while the retail segment plays a more important role on the funding side (retail deposits account for 37% of liabilities while corporate deposits make up 16%).

Eurobond parameters

Amount	Maturity	Coupon	S&P	Fitch	Moody’s
USD 95 mln	01/25/14	10.5%, S/A	–	–	Caa1

YTM



Key financials and ratios, UAS

	2009	2010	2011
Assets, USD mln	2,437	2,809	2,754
Assets, yoy	2%	15%	-2%
Net loans, USD mln	1,926	2,175	2,186
Net income, USD mln	-58	-24	-10
ROE	-20%	-10%	-4%
Cost/Income	78%	94%	86%
Cost of risk	3.9%	1.5%	1.1%
Equity to assets	10.4%	8.3%	8.1%
NBU CAR	12.3%	12.8%	10.6%

Sources: Company, Bloomberg, Concorde Capital

Analysts: Olena Zuikova | olz@concorde.ua
Vitaliy Vavryshchuk | vv@concorde.ua

Finance and Credit financials, UAS

Income statement, USD mln

	2009	2010	2011
Net interest income	77	55	48
Net fees and commissions	34	35	45
Total revenue	103	97	108
Operating expense	-81	-91	-92
Profit before provisions	22	6	16
Net provision expense	-80	-33	-26
Net income	-58	-24	-10

Balance sheet, USD mln

	2009	2010	2011
Cash and cash equivalents	193	330	219
Due from other banks	7	10	17
Net loans	1,926	2,175	2,186
Gross retail loans	605	527	481
Gross corporate loans	1,481	1,840	1,920
Loans loss reserve	-160	-192	-216
Securities	84	101	120
Other assets	226	193	213
Total assets	2,437	2,809	2,754
Due to other banks	1,023	1,057	928
Retail deposits	574	792	943
Corporate deposits	301	480	399
Subordinated debt	33	107	130
Other liabilities	252	140	132
Total liabilities	2,183	2,576	2,532
Equity	254	233	223
Total equity and liabilities	2,437	2,809	2,754

Financial ratios

	2009	2010	2011
Assets, yoy	2%	15%	-2%
Net loans to deposits	220%	171%	163%
ROE	-20.1%	-9.8%	-4.4%
Cost/income	78%	94%	86%
Cost of risk	3.9%	1.5%	1.1%
Net interest margin	3.6%	2.6%	2.1%
LLR/gross loans	7.7%	8.1%	9.0%
Equity to assets	10.4%	8.3%	8.1%
NBU CAR	12.3%	12.8%	10.6%

Source: Company data

Nadra Bank (NADRA)

Investment summary

- Nadra is in a rehabilitation stage following a bailout by Ukrainian businessman Dmytro Firtash in 2011 and the disbursement of generous funding from the NBU. Last year, the NBU approved a bank recovery program until 2016.
- Operating efficiency is extremely poor and we think it will take colossal efforts to bring its Cost/Income ratio from 150% in 2011 to a reasonable 60-70%.
- Funding will remain an issue in coming years – the bank's reputation remains severely damaged (it ceased servicing its obligations for more than a year at the depths of the 2008/09 crisis) and we think a recovery in customer confidence is a matter of years.
- We view the bank's NPLs as under-provisioned and the bank still must withstand substantial impairment losses. With operations being loss making and more provisions needed, equity is set to be erased in the next couple of years (end-2011 CAR of 11.2% stood marginally above the minimum of 10%). In our view, the bank needs another capital infusion this year or next as the previously injected USD 0.44 bln is in no way sufficient to offset ongoing losses.
- We view Firtash's investment as opportunistic and think he's unlikely to commit more substantial funds.
- Remains extremely susceptible to changes in the political landscape as its liquidity is fully in the hands of the NBU.

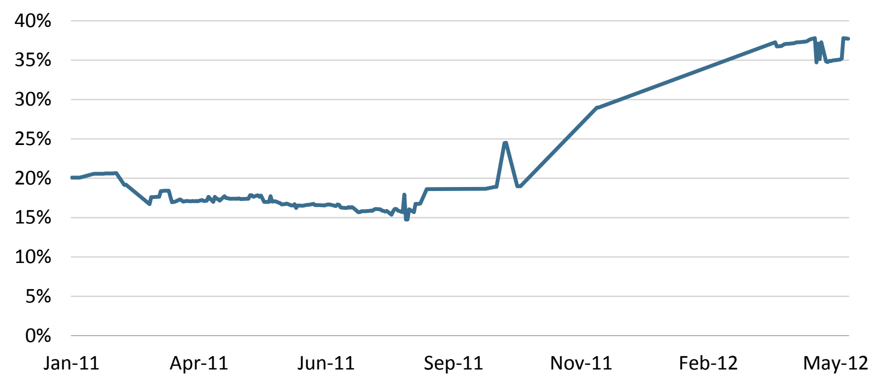
Company description

Ukraine's #11 largest bank with end-2011 assets of USD 3.3 bln (UAS) and a market share of 2.5%. Relies heavily on interbank loans (45% of end-2011 liabilities mainly loans from the NBU) while deposits accounted for 38%. Retail loans make up 55% of total loans. Bailed out by Dmytro Firtash in 2011 who now holds 90% of the bank via Centrogas Holding.

Eurobond parameters

Amount	Maturity	Coupon	S&P	Fitch	Moody's
USD 75 mln	06/22/17	8.0%, S/A	–	WD	WR

YTM



Key financials and ratios, UAS

	2009	2010	2011
Assets, USD mln	3,112	2,877	3,347
Assets, yoy	-22%	-8%	16%
Net loans, USD mln	2,718	2,431	2,536
Net income, USD mln	-175	1	0
ROE	-117%	1.0%	0.1%
Cost/Income	102%	25%	150%
Cost of risk	5.5%	8.9%	-1.0%
Equity to assets	2%	2%	15%
NBU CAR	na	na	11.2%

Sources: Company, Bloomberg, Concorde Capital

Analysts: Olena Zuikova | olz@concorde.ua
Vitaliy Vavryshchuk | vv@concorde.ua

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Nadra Bank financials, UAS

Income statement, USD mln

	2009	2010	2011
Net interest income	77	174	-42
Net fees and commissions	34	9	10
Total revenue	78	370	63
Operating expense	-80	-93	-95
Profit before provisions	-2	277	-32
Net provision expense	-173	-276	32
Net income	-175	1	0

Balance sheet, USD mln

	2009	2010	2011
Cash and cash equivalents	42	121	397
Due from other banks	65	47	116
Net loans	2,718	2,431	2,536
Gross retail loans	2,013	1,873	1,758
Gross corporate loans	1,092	1,210	1,394
Loans loss reserve	-387	-652	-616
Securities	54	54	74
Other assets	234	225	224
Total assets	3,112	2,877	3,347
Due to other banks	1,070	1,063	1,254
Retail deposits	861	602	324
Corporate deposits	206	375	761
Subordinated debt	118	67	53
Other liabilities	797	709	450
Total liabilities	3,052	2,817	2,842
Equity	59	60	504
Total equity and liabilities	3,112	2,877	3,347

Financial ratios

	2009	2010	2011
Assets, yoy	-22%	-8%	16%
Net loans to deposits	255%	249%	234%
ROE	-117.4%	1.0%	0.1%
Cost/income	102%	25%	150%
Cost of risk	5.5%	8.9%	-1.0%
Net interest margin	0.1%	6.5%	-1.6%
LLR/gross loans	12.5%	21.1%	19.5%
Equity to assets	1.9%	2.1%	15.1%
NBU CAR	na	na	11%

Source: Company data

Contacts

CONCORDE CAPITAL

2 Mechnikova Street, 16th Floor, Parus Business Centre, Kyiv 01601, Ukraine

Tel.: +380 44 391 5577 | Fax: +38 044 391 5571 | www.concorde.ua

CEO

Igor Mazepa | im@concorde.com.ua

SALES

Head of Sales & Trading

Luba Yurchyk | ly@concorde.com.ua

International Sales & Trading

Katerina Shevchenko| ksh@concorde.com.ua

Marina Martirosyan | mm@concorde.com.ua

Rostyslav Shmanenko | rs@concorde.com.ua

RESEARCH

Head of Research	Alexander Paraschiy| ap@concorde.com.ua
Agriculture, Consumer	Yegor Samusenko	syg@concorde.com.ua
Machinery	Roman Dmytrenko| rd@concorde.com.ua
Utilities, Telecommunications	Alexander Paraschiy| ap@concorde.com.ua
Economics, Fixed income	Vitaliy Vavryshchuk| vv@concorde.com.ua
Metals & Mining	Roman Topolyuk	rt@concorde.com.ua
Financials	Olena Zuikova| olz@concorde.com.ua
Corporate governance, Politics, Editing	Brad Wells	bw@concorde.com.ua