Ukrainian Eurobonds

Our picks and issuer profiles

August 27, 2013

CONCORDE CAPITAL

Macro background: the hryvnia is the hottest issue

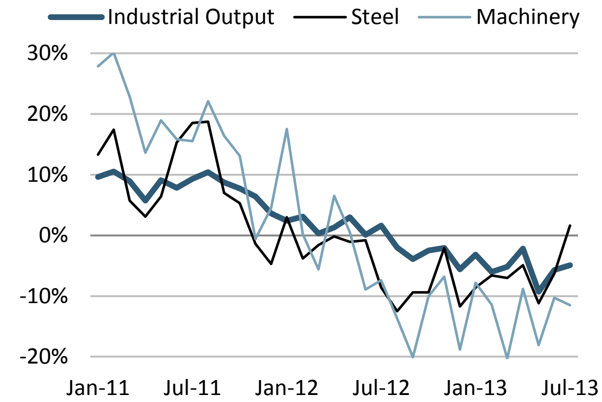
Economic growth: most indicators pointing down, farmers might save positive trend

The real sector of economy is stagnating. This time ,it's not only a problem with external markets (which typically drive GDP growth by boosting industrial output), but also with domestic demand.

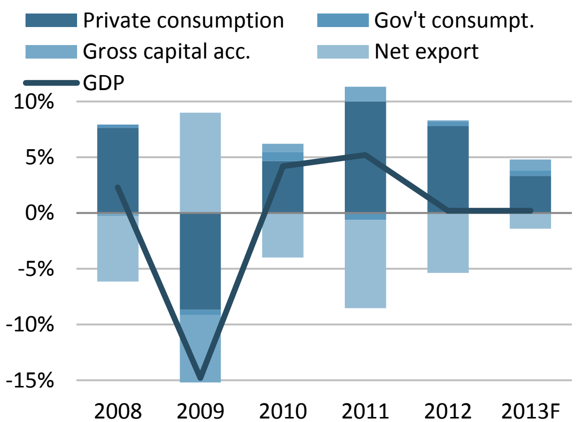
The key GDP driver of previous years – internal private consumption – is fading out, adding another drag on economic growth. Private consumption grew just 4.4% yoy in 1Q13, compared to traditional two-digit growth.

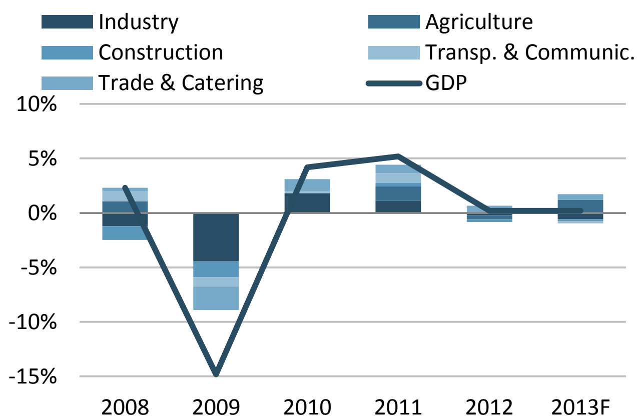
Still, we anticipate positive GDP performance (+0.2% yoy) in 2013, mainly driven by the record-high grain harvest.

Industrial output growth, yoy

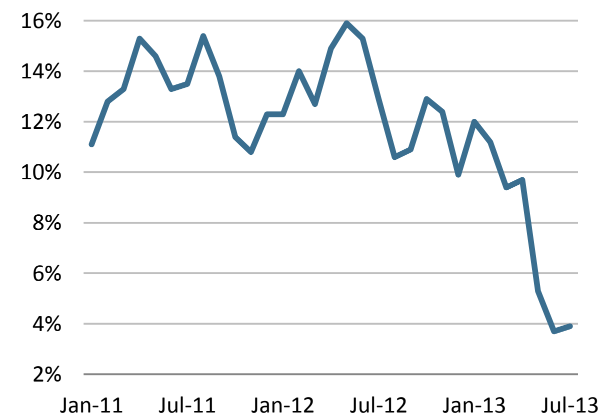


GDP growth breakdown by key components, 2008 - 2013





Retail trade growth, yoy



Source: UkrStat, NBU, Concorde Capital research

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Hryvnia devaluation pressure is fierce as never before

International reserves held by the central bank (NBU) dropped to USD 22.7 bln as of end-July (2.5 months of future imports), a worrying signal for the currency of itself. But that's just the beginning of the story: the pressure on reserves will intensify in 2H13 so much so that in the best-case scenario, we will see USD 20 bln in reserves as of end-2013 (2.2 month of future imports).

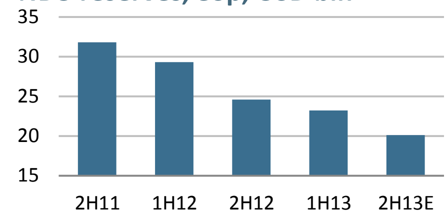
Three key factors will form the climate on Ukrainian ForEx market in 2H13, all of which will have a potentially negative effect on NBU reserves:

Widened C/A deficit on more natural gas import needs:
Ukraine reduced its natural gas imports 35% yoy in 1H13 and in the process, saved about USD 2.3 bln in foreign currency reserves (yoy). To avoid energy shocks, Ukraine has to import at least 16 bcm of gas in 2H13, or 46% more (USD 2.3 bln more) from 1H13. Revenue from grain exports will unlikely offset the boosted need for gas imports since about USD 0.8 bln of grain was already prepaid in 2012 (under a lending contract with China).

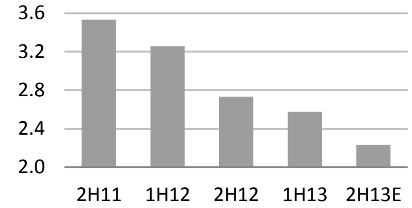
Debt repayment needs:
The government and the NBU will have to repay about USD 4.3 bln in internal and external foreign currency debt in 2H13, which is 5% more than 1H13 and 65% more yoy. The state will need to attract at least USD 4 bln, which looks to be a best-case scenario as expectations of QE3 tapering have reduced demand for Ukrainian debt instruments.

Demand for dollars from households escalates traditionally in 2H13:
Demand for cash dollars from the population traditionally grows in autumn, as the statistics of the last three years have shown. We expect the authorities will do their best to keep demand for dollars lower than ever, yet an outflow of about USD 3 bln in 2H13 looks unavoidable. Should people start to sense deepening weakness in the hryvnia, the demand for dollars can skyrocket. Our forecast, therefore, relies on the best-case scenario.

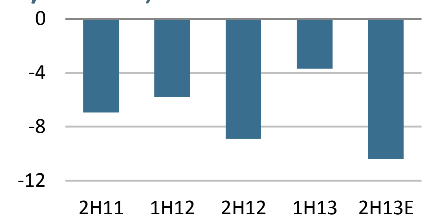
NBU reserves, eop, USD bln



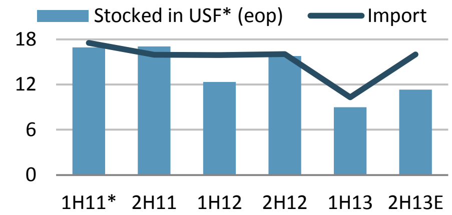
NBU reserves, month of imports



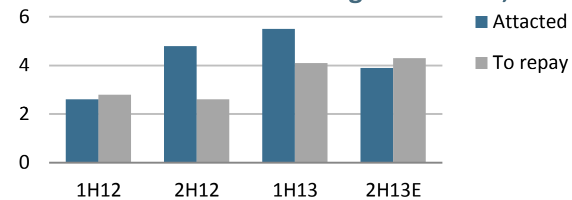
C/A deficit, USD bln



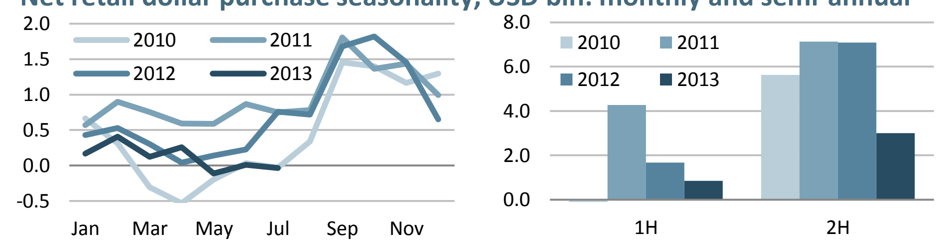
Natural gas statistics, bcm



Government and NBU foreign debt flow, USD bln



Net retail dollar purchase seasonality, USD bln: monthly and semi-annual



** Underground storage facilities*
Source: UkrStat, NBU, Energobiznes, Concorde Capital research

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Summary by sectors

Sector	Companies (best to worst)	Output outlook	Price outlook	Effect of hryvnia devaluation	Other opportunities, risks
Farming	MRIYA, MHPSA, UKRLAN, AGTPW	Growth, except Agroton	Decline on expected bumper harvest	Positive in mid-term	Most companies have enough storage capacity and working capital to wait for a recovery in soft commodity prices later this year
Electricity, coal	DTEKUA	Stable	Growth in electricity, decline in coal	Negative in short term, neutral in mid-term	Possible power sector reform will increase profitability in the power segment, but will likely decrease export revenue
Poultry, eggs	MHPSA, AVINPU	Growth on the launch of new capacities	Decline due to oversupply on the local market	Negative in short term, positive in mid-term	The only way for these companies to deliver growth in 2013 is to increase exports
Steel, iron ore	METINV, FXPOLN	Decline for Metinvest, growth for Ferrexpo on new capacities	Decline on commodity weakness	They will be the key winners of a UAH devaluation	Outlook on steel products is still unclear, but prices may recover in late 2012 and early 2013
Banks	PUMBUZ, EXIMUK, OSCHAD, PRBANK, VABANK, NADRA, FICBUA	Slight increase in lending activity	Stable	Neutral for PUMB, Exim, Oschad, negative for Privatbank, VAB Bank, Finances & Credit Bank. Might be positive for Nadra in short term, with poor mid-term consequences.	State banks will help the government service ForEx liabilities. All the private banks, except for PUMB, have their own risks

Source: Company data, UkrStat, Concorde Capital research

Bond market trends

Sovereign curve: back to reality as QE3 euphoria ends

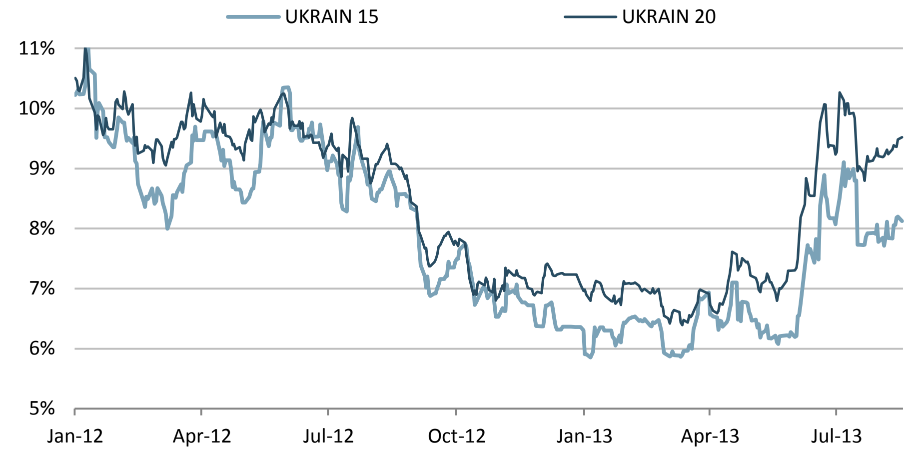
The yields of Ukrainian sovereign bonds have not reflected the described-above weakening in the real sector and external balances over the last year as a new wave of fiscal stimulation in the U.S. (starting in autumn 2012) temporarily escalated demand for high-yield bonds, like Ukrainian ones.

Yet Ukrainian sovereign yields moved back to their levels seen in mid-2012 at the first signals and indications of QE3 tapering in late spring 2013.

As soon as the comeback to reality happened sovereign yields are highly likely to continue to grow, to be fueled by negative macro statistics and possible ratings downgrades.

A possible positive effect on bond prices might come from the political end, in case the Ukrainian government signs the Association Agreement with the EU in late November.

Ukrainian bond yields history

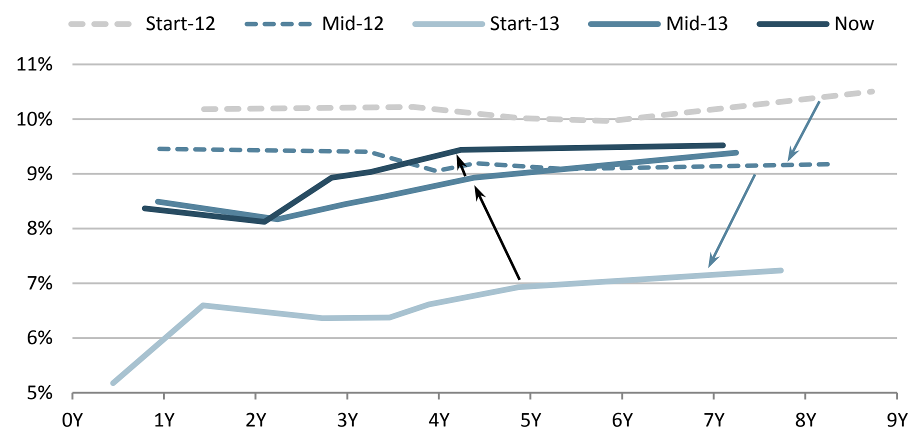


Over the last two years, Ukraine's yield curve never demonstrated a normal, log-shaped pattern, with shorter paper looking inverted.

Nowadays, the inversion is closer to the beginning of yield curve, with "pricing inefficiency" visible only for 2014 paper. We explain that by the risk related to government's ability to painlessly (without harm to reserves) repay next year's Eurobond.

Notably, bonds that mature in four years and longer all trades with the same yield. Moreover, longer papers proved to be much less volatile over time.

Shapes of sovereign yield curve



Source: Bloomberg

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Corporate bonds: less affected by QE3 tapering talks

Corporate, non-financial sector bonds were less affected by a decrease in demand for frontier market papers, which we relate to the exceptional quality of some of the bond issuers.

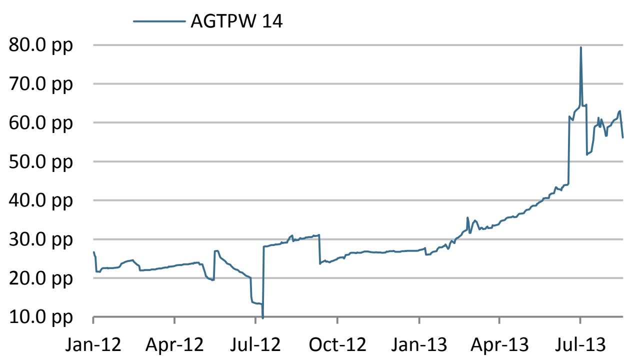
The shorter bonds of DTEK, Metinvest and MHP trade inside the sovereign yield curve, even when accounting for market spreads. Mriya's shorter bond is also approaching the curve very quickly.

There is a clear explanation why DTEKUA-15, MRIYA-16 and MHPSA-15 are traded close to, or better than, the sovereign curve: in the process of a partial bonds buyout, their liquidity evaporated, leaving excess demand for them.

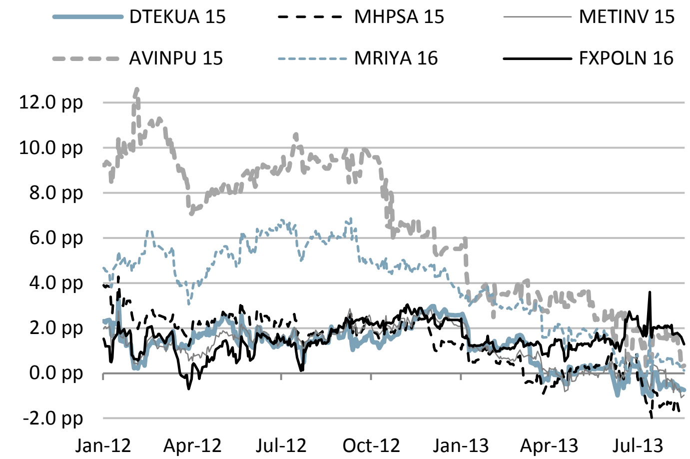
However, we have no clear explanation of why DTEKUA-18 and METINV-15 are traded inside the sovereign curve. We deem this a short-term phenomenon.

The most spectacular price increase was demonstrated by Avangard's bond, which now trades close to the bonds of well-recognized issuers. The only issuer that lost its positions was Ferrexpo, which has traded at a constant spread to the sovereign curve over the last year.

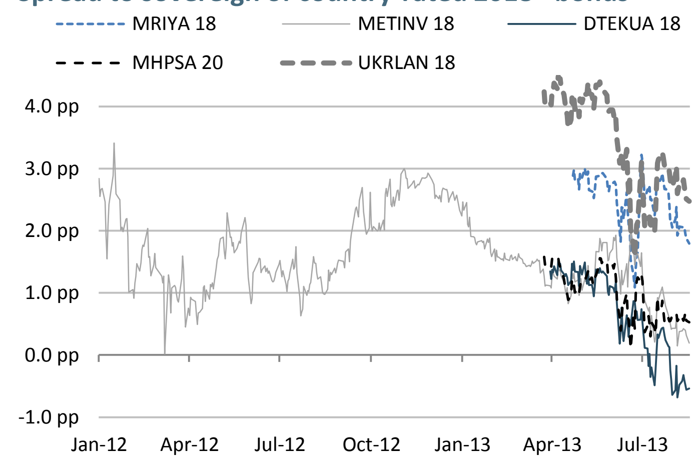
Spread to sovereign of default-rated bond



Spread to sovereign of low-yield 2015-2016 bonds



Spread to sovereign of country-rated 2018+ bonds



Source: Bloomberg, Concorde Capital research

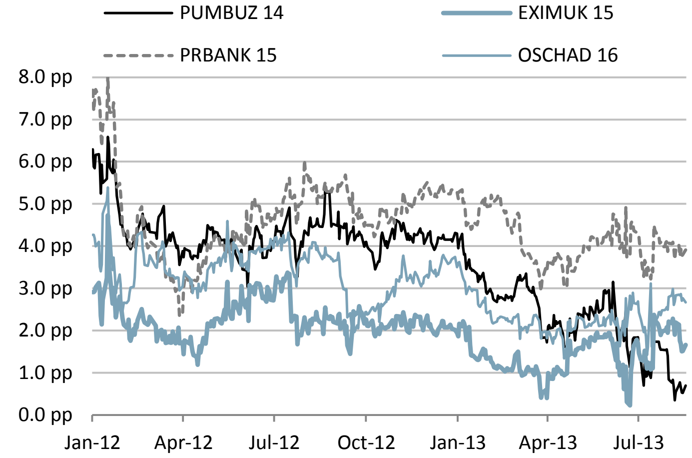
Financial bonds: broadly repeating the sovereign curve

High-quality financial sector bonds, unlike industrial and agri papers, have behaved broadly in line with sovereign notes, mostly keeping their spreads to government bonds unchanged over the year.

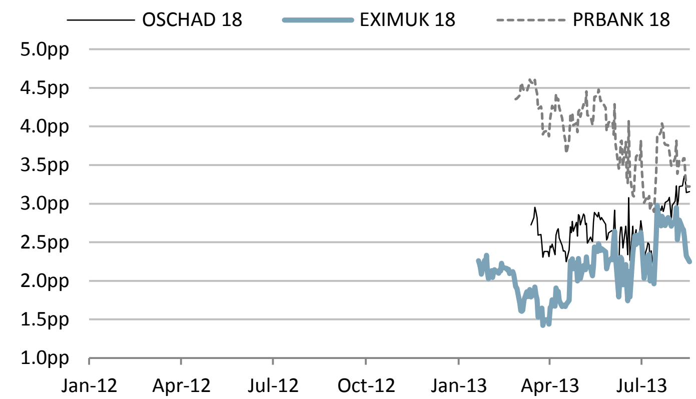
The only visible exclusion is PUMB, which gained in line with other SCM-related bonds (DTEK and Metinvest).

Significant pricing progress was demonstrated by the Eurobonds of Nadra Bank, whose advance we relate to the official creation of DF Group that consolidates all the assets of Dmytro Firtash into a quasi-public holding. That indeed raises the chances that the holding, with the possible aim of tapping international markets, will be more committed to keeping Nadra Bank financially safe.

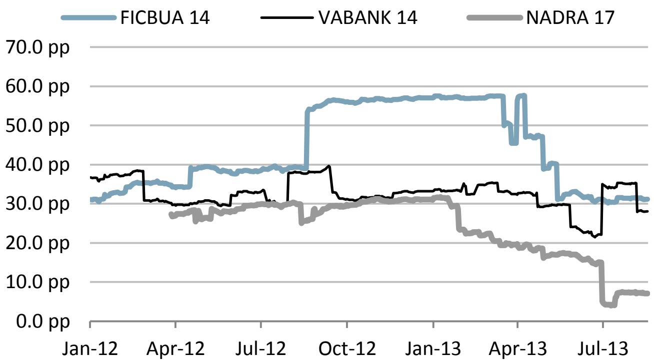
Spread to sovereign of country-rated 2014-2016 bonds



Spread to sovereign of country-rated 2018 bonds



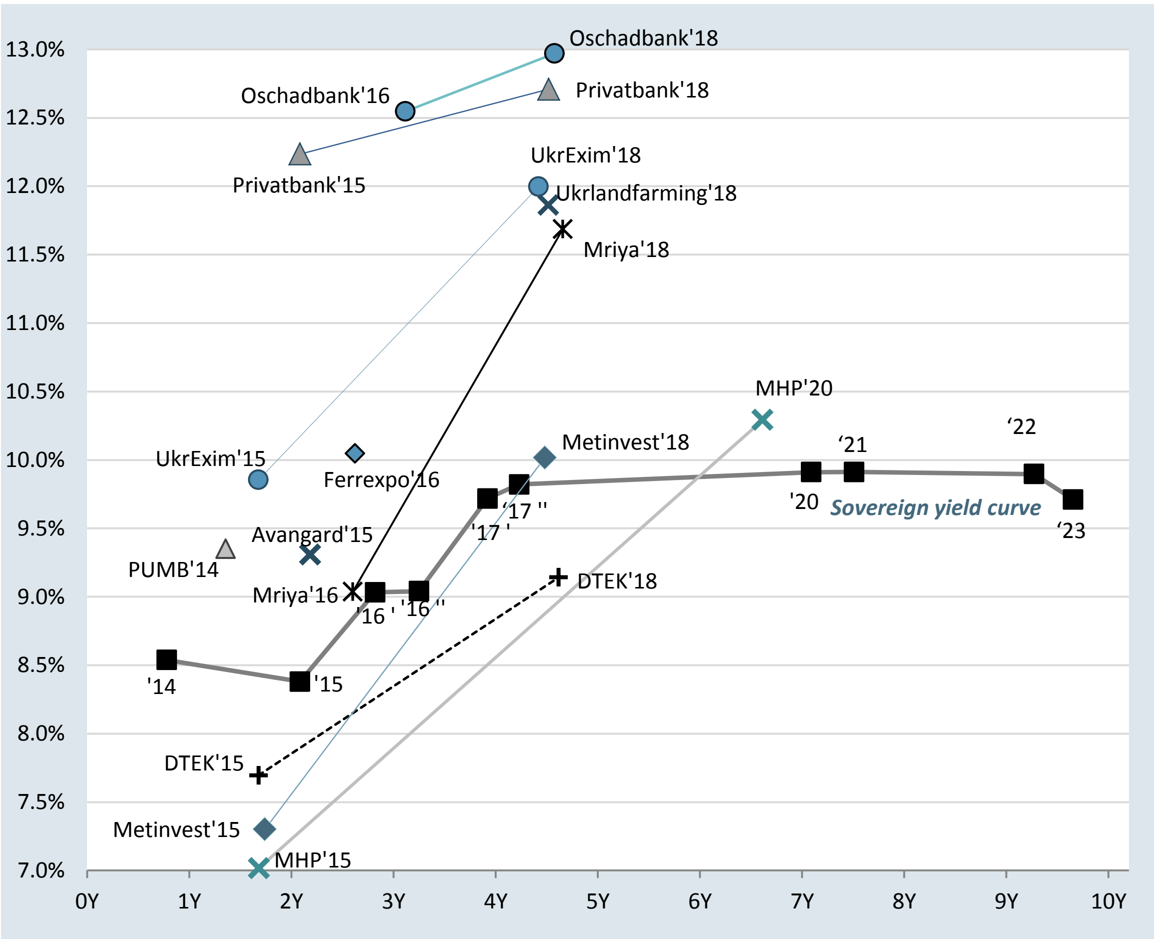
Spread to sovereign of below-country-rated bonds



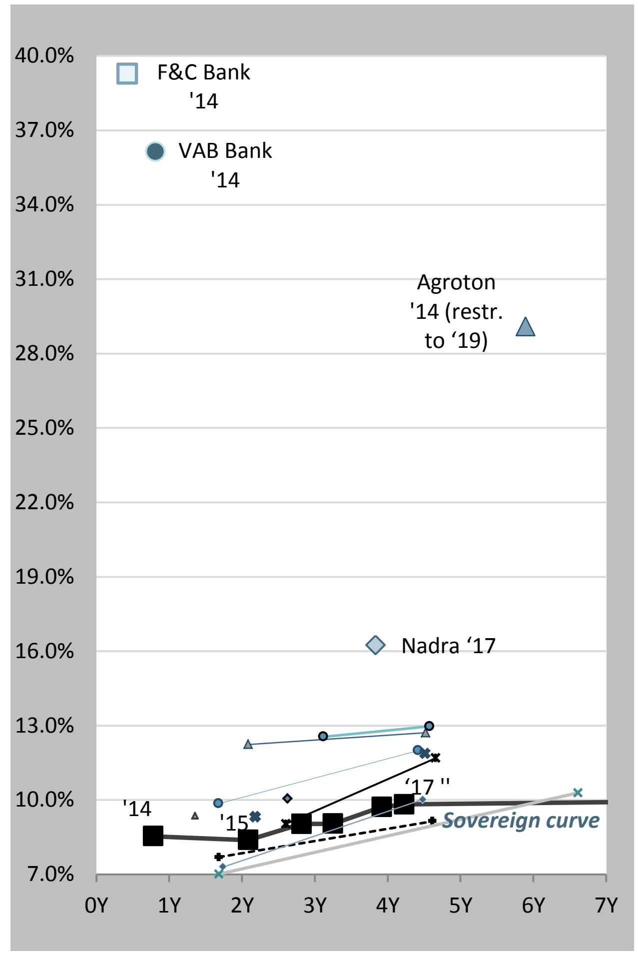
Source: Bloomberg, Concorde Capital research

Ukrainian Eurobond yield map

Bonds yielding 13% an below



High-yield bonds



Note: Bond prices as of August 23, 2013
Source: Bloomberg

Picking bonds

Picking summary

Based on current market conditions, we see PUMBUZ-14, AVINPU-15, EXIMUK-15, EXIMUK-18, OSCHAD-16, OSCHAD-18 and VABANK-14 as attractively priced bonds.

We see a high probability of price declines for NADRA and PRIVAT bonds on a possible ratings downgrade (in case of a UAH devaluation). We also see the potential for a correction in bonds that trade currently inside the sovereign curve, particularly DTEKUA and METINV.

We also recommend looking at UKRAIN-14 bond that offers better YTM compared to longer notes of Metinvest, DTEK and MHP.

Our top pick among sovereign-rated bonds is Oschadbank, which currently offers a high spread to the sovereign curve.

Our top pick among high-yield bonds is VAB Bank, whose majority owner has a clear reason for ensuring that the bank services its debt smoothly.

Our picks selection rule is simple:
We prefer those corporate bonds whose spread to sovereign curve is:

- Positive and higher than at least two other bonds with:
  - The same or longer maturity
  - The same or worse risk profile

Below, we offer our own methodology to assess the relative risk profiles of Eurobond issuers. We note that this assessment is broadly subjective and it should be only referred to as the risk profile of issuers relative to each other.

Risk profiles vs. YTM*, summary

Issuer	Instrument Ticker	Relative risk profile, Pts**	Mid-YTM spread to sov'n curve***	
			2014-16 maturity	2018+ maturity
DTEK	DTEKUA	6	-0.7pp	-0.7pp
PUMB (First Ukr. Intern'l Bank)	PUMBUZ	4	1.0pp	
Avangard	AVINPU	3	0.9pp	
Metinvest	MEINV	3	-1.1pp	0.2pp
Ukreximbank	EXIMUK	2	1.5pp	2.2pp
Oschadbank	OSCHAD	1	3.8pp	3.1pp
Mriya	MRIYA	1	0.1pp	1.9pp
MHP	MHPSA	1	-1.4pp	0.4pp
Ukrlandfarming	UKRLAN	-2		2.0pp
Ferrexpo	FXPOLN	-2	1.2pp	
Privat Bank	PRBANK	-3	3.9pp	2.9pp
VAB Bank	VABANK	-3	27.8pp	
Agroton	AGTPW	-8		19.1pp****
Nadra Bank	NADRA	-11		7.1pp
Finance & Credit Bank	FICBUA	-12	30.9pp	

** Eurobond prices as of August 23, 2013;*
*** The higher number the less risky is the instrument;*
**** For Eurobonds maturing in 2014-2015, spreads are calculated to UKRAIN-15 Eurobond;*
***** Agroton has restructured its bond till 2019. YTM is calculated based on price of old bond (maturing in 2014)*
Source: Company data, Bloomberg, Concorde Capital research

Assessment of risk profile: non-financial corporate issuers

In estimating the risk profiles of corporate issuers, we look at the following criteria:

- Credit rating of the paper/issuer: whether it is on par or lower than sovereign papers. This is self-evident criteria than cannot be ignored.
- Probability of breaching the leverage covenant: how far the issuer's leverage multiplier is from the ceiling dictated by paper's covenant. Those with a distance of 20% or less clearly fall in a risk category. On top of that, we calculated the leverage multiplier of each issuer for a theoretic case that the hryvnia devalued by 20% in early 2013.
- Ability to cover of 2013 USD-debt servicing obligations by USD revenue. The companies that easily cover their ForEx debt with own revenue look like preferred borrowers in USD. The coverage ratio is calculated as ForEx revenue to (ForEx interest costs plus repayment of ForEx loans in 2013).
- Ability to cover debt obligations with operating cash flow in 2013: whether the company generates enough operating cash to service its debt, or has to raise additional funds even to cover its finance costs and debt repayment needs. The coverage ratio is calculated as (Cash as of start-2013 plus Cash EBIT in 2013) to (Interest Costs plus Repayment of Loans in 2013).
- Presence of specific business risks or other types of risks that might undermine the company's solvency or profitability in 2013 or 2014.
- Corporate Governance (CG) rating of the issuer (as rated by the Concorde Capital survey). We add extra points to those who have an exceptional CG score (10 out of 10) and penalize those who gained less than 2/3 of total score (6.5 and less).
- Owner's commitment to keep the issuer safe: we add points for distressed bonds for which we believe its main shareholder is clearly committed to do its best to avoid a possible default.

Relative risk profile calculation summary

	Credit Rating		% of Leverage Covenant in 2013E			ForEx Debt Coverage by Revenue in 2013E		Debt Service Coverage in 2013E		Business Risks	Copr. Gov. Rating		Owner's extra Commitment		**Total Score**
		Pts	Base-case	If UAH fell 20%	Pts		Pts		Pts	Pts	CG score	Pts	H/A/L	Pts	**Pts**
DTEK	At sov.	++	0.48	0.57	+	2.8	++	1.6			10.0	+	A		**+6**
Metinvest	At sov.	++	0.75	0.60		5.4	++	0.8	-	-	10.0	+	A		**+3**
Avangard	At sov.	++	0.12	0.23	++	1.2		2.5		-	9.0		A		**+3**
MHP	At souv	++	0.80	0.95	- -	1.3		1.2			10.0	+	A		**+1**
Mriya	At sov.	++	0.57	0.63		n/a**		1.2		-	8.5		A		**+1**
Ukrlandfarming	Below (S&P)*	-	0.57	0.64		1.7	+	2.3		-	6.0	-	A		**-2**
Ferrexpo	Below (Moody's)*	-	0.80	0.65	-	16.0	++	4.1		- -	9.0		L		**-2**
Agroton	Below	- - -	0.75	0.85	-	n/a**	-	1.9		- -	5.5	-	L		**-8**

** Bonds of Ukrlandfarming and Ferrexpo have sovereign-level rating (B) assigned by Fitch*

*** We assume Mriya (which focuses on export-oriented wheat) has enough ForEx revenue to cover its financing obligation, while Agtoton (which focuses on domestically-traded sunflower) doesn't*

Source: Company data, Concorde Capital research

Assessment of risk profile: banking issuers

In estimating risk profiles of banking issuers, we look at the following criteria:

- Credit rating of the paper/issuer: whether it is on par or lower than for sovereign Eurobonds. This is self-evident criteria that cannot be ignored.
- Dependence on NBU refinancing: clearly shows how distressed the bank is. We assign negative points if NBU loans to Equity is more than 0.5 and penalize more if this ratio is above 1.0.
- CAR of the bank under NBU methodology: how far is it from the threshold level of 10%
- Exposure to hryvnia devaluation risk: we calculate its net ForEx position and estimate how CAR would change in case hryvnia is devalued 20%. Those being very safe are rewarded.
- Exposure to related-party lending, which by itself carries extra risks. Penalties are assessed in case related lending-to-equity is (or is believed to be) higher than 1.
- Loans/Deposits ratio: extra penalties are assessed for high numbers.
- Regulatory capital to total assets, another indicator monitored by the NBU: how far is it from the threshold level of 9%
- Presence of specific business risks : we penalize the whole sector by two points to make it comparable to non-banking issuers by risk profile.
- Corporate Governance (CG) rating of the issuer (as rated by the Concorde Capital survey). We add extra points to those that have an exceptional CG score (10 out of 10) and penalize those that earned less than 2/3 of total score (6.5 and less).
- Owner's commitment to keep the issuer safe: we add points for distressed bonds for which we believe its main shareholder is clearly committed to do its best to avoid a possible default.

Relative risk profile calculation summary

	Credit Rating		NBU Loans to Equity		CAR		Net ForEx Position, Jun-13				Rel. Party Lending		Loans/ Deposits		Reg. Capital/Assets		Copr.Gov. Rating		Owner's Commitment		Business Risks	Total Score
		Pts	Dec-12	Pts	Jun-13	Pts	USD mln	% of reg. capital	CAR if UAH fell 20%	Pts	% of Equity	Pts	Jun-13	Pts	Jun-13	Pts	CG score	Pts	H/A/L	Pts	Pts	Pts
PUMB	At sov	++	20%		15.7%	++	68	12%	18%	+	24%		0.92		14%		10.0	+	A		- -	**+4**
Ukreximbank	At sov	++	45%		29.5%	++	-622	-25%	25%		145%	-	0.88		22%	+	9.5		A		- -	**+2**
Oschadbank	At sov	++	81%	-	29.4%	++	-75	-3%	29%	+	185%	-	1.18	-	19%	+	8.5		A		- -	**+1**
Pirvatbank	At sov	++	22%		12.0%		-1141	-47%	<5%	- -	60%		1.04		10%	-	7.0		A		- -	**-3**
VAB Bank	Below	- -	1%		12.4%		-46	-22%	8%	-	0%**		0.95		11%		9.0		H	++	- -	**-3**
Nadra Bank	No	- -	440%	- -	11.8%		762	180%	n/a***	-	0%***	-	2.31	- -	12%		6.0	-	H	++	- -	**-11**
F&C Bank	Below	- -	289%	- -	10.7%*	- -	-53	-18%	7%	-	1%		1.41	-	10%	-	5.5	-	L		- -	**-12**

** An independent auditor estimated F&C Bank had to write down additional UAH 162 mln back in 2012, which would have resulted in CAR of 9.9%*

*** According to report of related Ukrlandfarming (ULF), VAB Bank has open lines with ULF for USD 78 mln. If fully withdrawn they will account for 71% of VAB Bank's equity. ULF has commitment to stop borrowing from related banks by end-2013*

**** Although the bank's capital will be positively affected by revaluation of ForEx gains if hryvnia depreciates, we see a high risk of inflated bad loans should hryvnia fall (esp. taking into account the bank's huge loan/deposit ratio). An independent auditor wrote explicitly that it suspects the bank has much higher exposure to related parties than it reports.*

Source: Company data, NBU, Concorde Capital research

Risk-return mapping

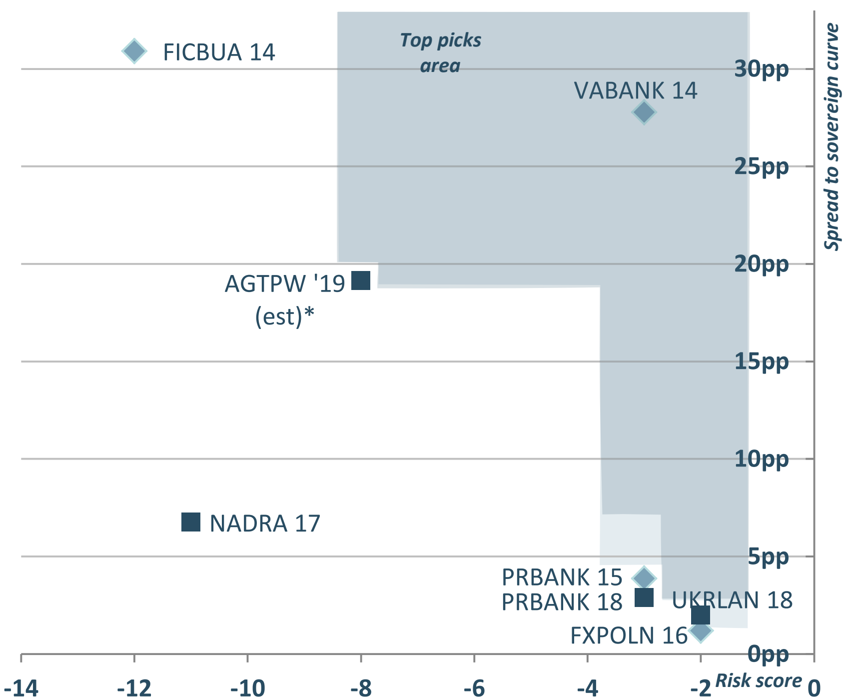
Below we illustrate our picks selection process:

We divide all the Eurobonds into two groups by maturity: 2014-2016 (light blue diamonds on the charts) and 2017+ (dark squares).

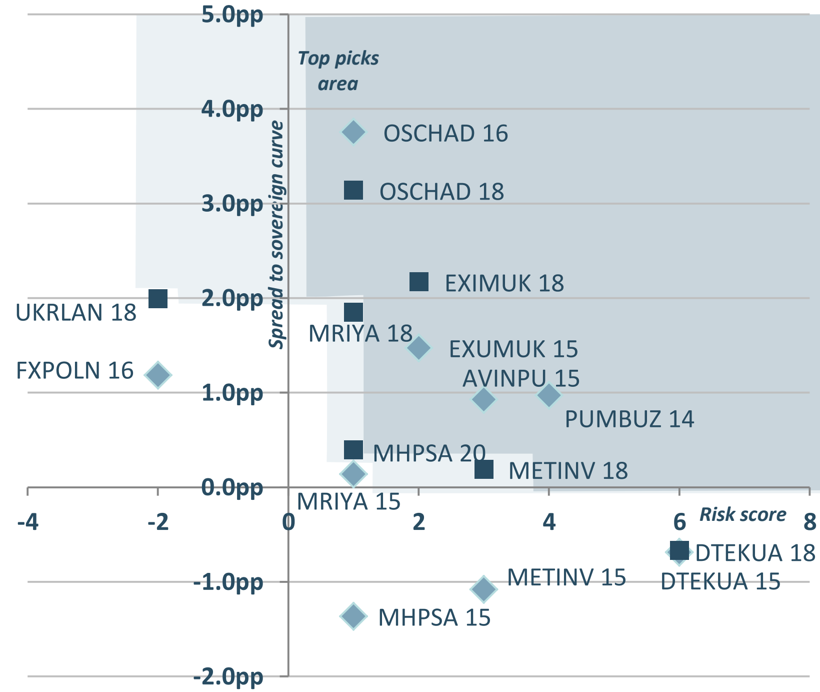
We plot a risk-return map of Eurobond issuers, with risk evaluated by our risk score (the higher the score, the lower the risk) and return is taken evaluated as the spread to the sovereign yield curve.

- Those 2017+ bonds that fall in the dark-blue area (plotted based on a rule that at least two dark dots should be below or to the left of the area) are bonds that are attractively priced, based on our criteria.
- Those 2014-2016 bonds that fall in the light-blue or dark-blue areas (plotted based on a rule that at least two dark or light dots should be below or to the left of the area) are bonds that are attractively priced, based on our criteria.

Risk-spread map for high-risk bonds



Risk-spread map for low-risk bonds



Note: Eurobond prices as of August 23, 2013

** Agroton has restructured its bond till 2019. YTM is calculated based on price of old bond (maturing in 2014)*

Source: Bloomberg, Concorde Capital research

Profiles of non-financial issuers

DTEK

Company profile

DTEK is an integrated coal and electricity holding. It is a leading producer of steam coal in Ukraine (63% of the nation's total in 2012), a leading electricity distributor (35%) and the biggest producer of electricity from fossil fuel (64%). It is also the monopoly electricity supplier in five out of the seven largest regions of Ukraine. DTEK is also the leading Ukrainian electricity exporter with a market share of more than 90% in the last couple of years. In 2011-2012, its business increased most than threefold with the acquisition of top coal miners, power producers and distributors from the state. This yea r, the holding entered a new segment of gas production.

Investment case

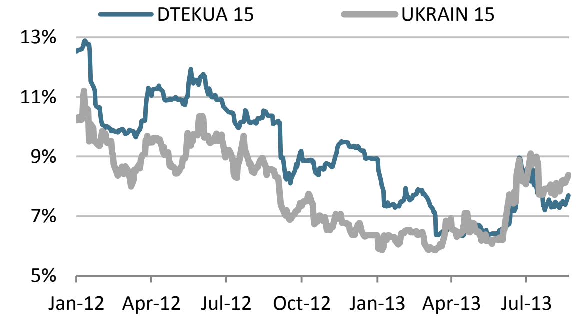
- The holding has the best risk profile of all the Ukrainian Eurobond issuers, according to the current research. It is also one of the most investor-friendly companies in Ukraine.
- Despite focusing on the domestic coal and power markets, DTEK generates enough foreign currency revenue to service its foreign currency-denominated debt, and is far from reaching leverage covenant ceilings even in the case of an extreme devaluation of the local currency.
- The holding's big investment pipeline (after acquiring largely outdated assets from the state in recent years) implies a risk of leverage increasing in the coming years.
- Long-awaited electricity sector reform, heavily lobbied by DTEK, can become a good driver for the company's probability growth in the power generation and distribution segments. The reform, however, may decrease the company's competitiveness on external power markets, reducing its export revenue in the mid-term.
- Currently, DTEK notes are trading inside the sovereign yield curve, which implies a high risk of a price correction.

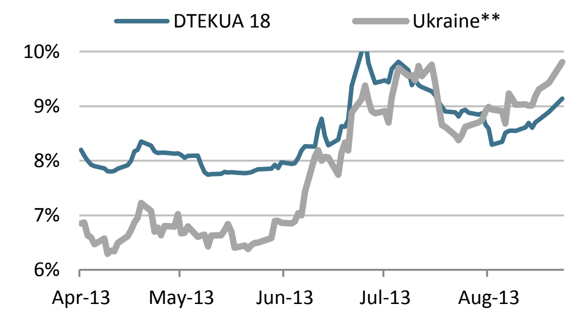
	DTEKUA 15	DTEKUA 18
Outstanding, USD mln	200	750
Maturity	Apr-15	Apr-18
Coupon	9.50/SA	7.88/SA
Fitch / S&P / Moody's	B / na / B3	B / na/ B3
Covenant: Gross Debt / Cash Flow*	3.0x	3.0x
Gross Debt / Cash Flow, 2013E*	1.4x	1.4x

Company ownership structure

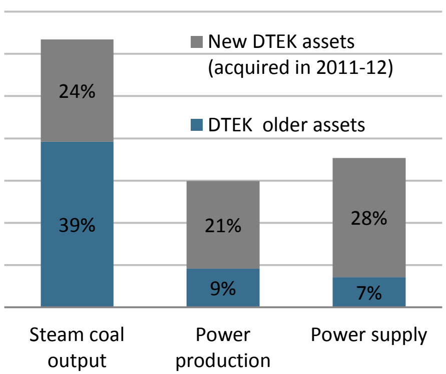
SCM (Rinat Akhmetov)	100%

Mid-YTM

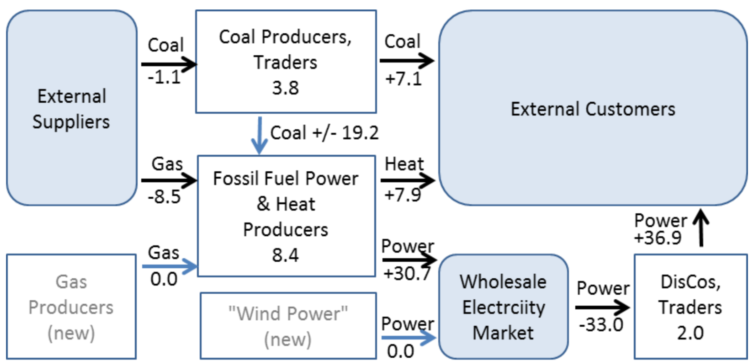




DTEK's market shares in Ukraine, 2012



Simplified business model of DTEK***



** Based on its prospectus, we calculate Cash Flow as cash-EBIT plus taxes and charges paid on salaries; ** Interpolated yield curves of sovereign bonds of the same maturity as DTEKUA 18 ; ***Arrows show key input/output flow in 2012 (in UAH bln), blue arrows are for intersegment sales, numbers in boxes show segment EBIT in 2012 (UAH bln); Source: Company data, Bloomberg, Concorde Capital research*

DTEK financial summary (IFRS)

Key P&L and Cash Flow items, UAH bln

	2011	2012	2013E
Net revenue	39.6	78.3	79.9
EBITDA	10.3	16.9	17.4
EBITDA margin	26%	22%	22%
EBIT	8.0	11.5	10.9
Operating margin	20%	15%	14%
Finance costs	1.3	4.2	4.9
PBT	5.7	7.4	6.2
Net income	3.5	5.9	4.8
Net margin	9%	8%	6%
Cash EBITDA	10.3	15.0	17.4
Cash EBITDA / EBITDA	1.0	0.9	1.0
Operating cash flow	6.0	8.4	8.8
Investing cash flow	-3.8	-14.5	-12.0
Net CapEx	-4.0	-14.4	-12.0

Leverage, UAH bln

	2011	2012	2013E
Net debt	8.0	19.5	22.7
Gross debt	18.5	24.8	28.0
Gross debt in UAH	4.8	6.0	6.4
Consolidated Cash Flow (CCF)*	11.8	19.3	19.9
Gross debt / CCF	1.6	1.3	1.4
Covenant (Gross debt / CCF)*			3.0

Revenue by segments, UAH bln

	2011	2012	2013
Coal	17.3	7.1	5.6
Power generation	10.4	30.7	33.1
Power distribution	11.5	36.8	37.5
Other	0.4	3.7	3.7

Operating margin of key segments

	2011	2012	2013
Coal	28%	54%	37%
Power generation	31%	14%	21%
Power distribution	7%	5%	7%

Key Balance Sheet items, UAH bln

	2011	2012
Current assets	17.6	17.9
Cash & equivalents	10.4	5.4
Non-Current assets	38.7	58.6
PP&E	30.6	50.8
Equity	24.8	32.7
Current liabilities	11.4	16.3
ST debt	3.4	3.7
Non-current liabilities	20.1	27.4
LT debt	15.0	21.1

** Based on prospectus, we calculate Cash Flow as Cash-EBIT plus Taxes and Charges Paid on Salaries*
Source: Company data, Concorde Capital research

Company profile

Metinvest is a vertically integrated mining and steel holding that controls the majority of its supply chain from raw materials to selling finished products to final consumers. It's one of the biggest iron ore and steel producers in the CIS. The holding is 65% self-sufficient in coking coal and produced 70% more iron ore in 2012 than its maximum potential internal needs. With about 9 mmt of flat steel products output in 2012 (including 1 mmt produced at its European rolling mills), Metinvest is one of the most significant players on the flat steel market globally. The holding also manufactures railway rails and large diameter pipes.

Investment case

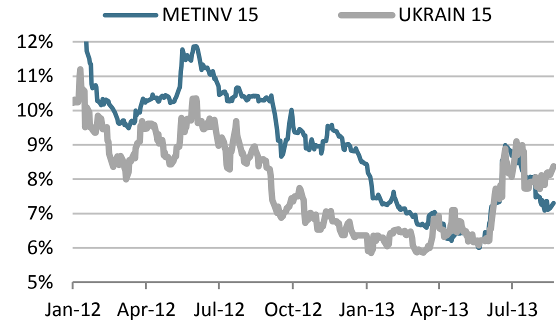
- Metinvest will be the primary winner in case the local currency devalues: a quarter of its production costs are incurred in hryvnias, and prices for 100% of its output are pegged to the U.S. dollar.
- On the currently weak commodity markets, Metinvest minimized its investment plans to the most crucial items. Its two most expensive projects for 2015-2016 (a new sinter plant at Yenakiieve; and a crusher and conveyor at Northern Iron Ore) will cost about USD 660 mln. That's more-than-covered by just half-yearly operating cash flow at current steel prices.
- Metinvest is scheduled to repay about USD 1 bln of debt by the end of 2014, which will enable it to decrease its leverage ratio to 1.5x from 2.2x in 2012.
- The holding's operating cash flow in 2013 will not be enough to fully repay its short-term debt, which implies it will have to roll over some loans.
- METINV notes trade inside the sovereign yield curve, which makes them unattractive in the current circumstances .

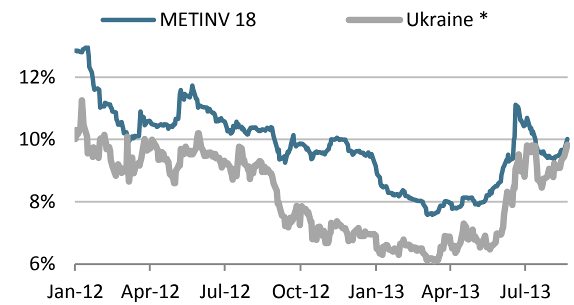
	METINV 15	METINV 18
Outstanding, USD mln	500	750
Maturity	May-15	Feb-18
Coupon	10.25/SA	8.75/SA
Fitch / S&P / Moody's	B / na / B3	B / na / B3
Covenant: Gross Debt / EBITDA	3.0x	3.0x
Gross Debt / EBITDA, 2013E	2.2x	2.2x

Company ownership structure

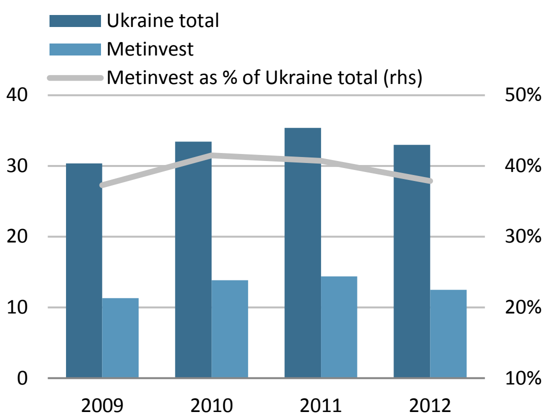
SCM (Rinat Akhmetov)	75%
SMART (Vadim Novinsky)	25%

Mid-YTM

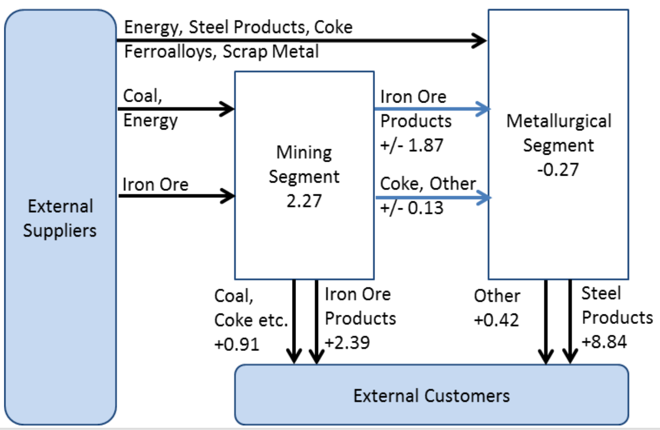




Steel production in Ukraine, mmt



Simplified business model of Metinvest**



** Interpolated yield curves of sovereign bonds of the same maturity as METINV 18;*
*** Arrows show key input/output flow in 2012 (in USD bln), blue arrows are for inter-segment sales, numbers in boxes show segment EBITDA in 2012 (USD bln);*
Source: Company data, Bloomberg, Concorde Capital research

Metinvest financial summary (IFRS)

Key P&L and Cash Flow items, USD bln

	2011	2012	2013E
Net revenue	14.19	12.56	12.09
EBITDA	3.66	1.99	1.77
EBITDA margin	26%	16%	15%
EBIT	2.70	2.79	0.92
Operating margin	19%	22%	8%
Finance costs	-0.36	-0.32	-0.31
PBT	2.50	0.70	0.64
Net income	1.85	0.44	0.44
Net margin	13%	3%	4%
Cash EBITDA	3.61	1.89	1.77
Cash EBITDA / EBITDA	1.0	0.9	1.0
Operating cash flow	1.94	1.15	1.74
Investing cash flow	-1.45	-1.09	-0.43
Net CapEx	-1.17	-0.77	-0.43

Leverage, USD bln

	2011	2012	2013E
Net debt	3.19	3.75	3.84
Gross debt	3.98	4.28	3.95
Gross debt in UAH	0.00	0.00	0.00
Gross debt / EBITDA	1.1	2.2	2.2
Covenant (Gross debt / EBITDA)			**3.0**

Revenue by segments, USD bln

	2011	2012	2013E
Metallurgical	10.54	9.27	8.82
Mining	3.65	3.30	3.27

EBITDA of key segments, USD bln

	2011	2012	2013E
Metallurgical	0.05	-0.27	-0.24
Mining	3.73	2.27	2.03

Key Balance Sheet items, USD bln

	2011	2012
Current assets	5.97	6.09
Cash & equivalents	0.79	0.53
Non-Current assets	10.04	11.40
PP&E	0.96	0.98
Equity	9.52	10.44
Current liabilities	2.89	3.42
ST debt	1.15	1.47
Non-current liabilities	3.60	3.63
LT debt	2.83	2.80

Source: Company data, Concorde Capital research

Company profile

Avangard is Ukraine's leading producer of eggs and egg products and the second-biggest global producer of eggs. In 2012, it accounted for 52% of industrially produced eggs in Ukraine. Its key outputs are shell eggs, dry egg products and poultry meat. The company also has an animal feed factory, which works mostly for internal use. Currently, it's finalizing its expansion program, which includes two new egg farms (to increase egg production capacity 26% to 8.6 bln p.a. by end-2013, compared to 2011) and expanding its egg-processing capacity by three times. Avangard is a part of Ukraine's leading agricultural holding company, Ukrlandfarming (ULF).

Investment case

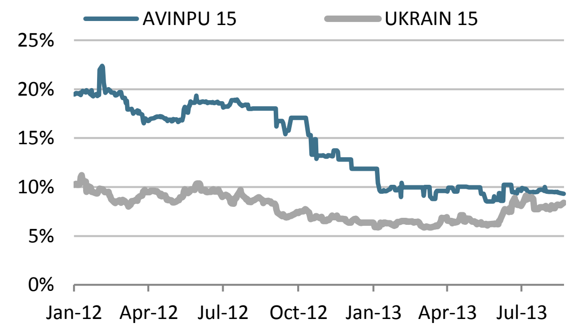
- The company's leadership on the local egg market limits increases in its production in Ukraine. The company is likely to expand slower than it initially planned, while an expansion of its egg processing facility (that will create a longer lifespan of its products) will add more flexibility. We see a high probability that after the new factories are fully commissioned, Avangard will close some of its old capacities.
- The company spoiled its reputation with doubtful operations with related parties and opaque reporting practices observed in the past. Now that parent ULF is eyeing an IPO, Avangard is actively working on cleaning up its reputation. A commitment to clean up the company should be beneficial for investors in Avangard bonds.
- With Net Debt / EBITDA 2012 of less than 0.5, Avangard is the least leveraged Ukrainian Eurobond issuer. It is very likely to deleverage further, as its massive CapEx program is close to its end: the company plans to decrease its CapEx to USD 120 mln in 2013 compared to USD 306 mln in 2012.
- The key risks related to investment in Avangard stem from its parent ULF, which has larger leverage and a poorer corporate governance profile, but is committed to improve both on its way to an IPO or private placement.
- AVINPU looks more attractively priced compared to the bonds of Metinvest and Mriya, which have the same or poorer risk profiles, by our estimates. The bond is one of our picks.

	AVINPU 15
Outstanding, USD mln	200
Maturity	Oct-15
Coupon	10.0/SA
Fitch / S&P / Moody's	B / na/ na
Covenant: Net Debt / EBITDA	3.0x
Net Debt / EBITDA, 2013E	0.4x

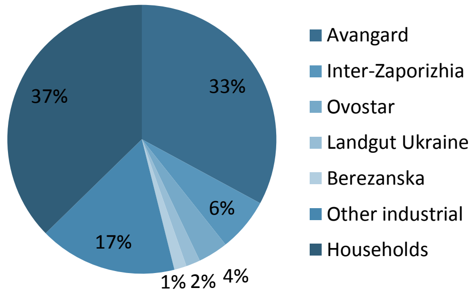
Company ownership structure

Ukrlandfarming (Oleg Bakhmatyuk)	77.5%
Free float	22.5%

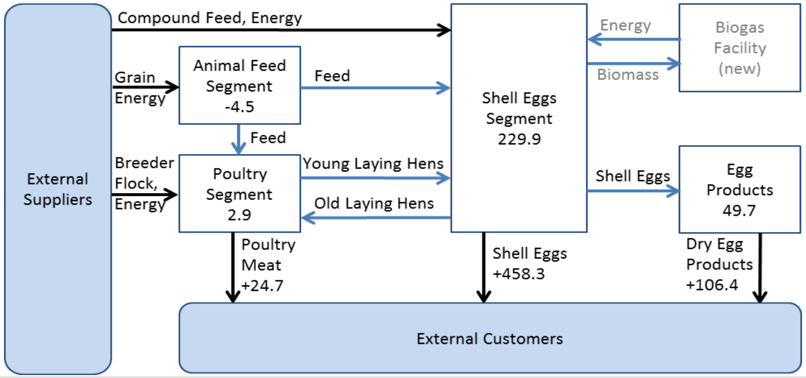
Mid-YTM



Ukraine's egg production, 2012



Simplified business model of Avangard*



Arrows show key input/output flow in 2012 (in USD mln), blue arrows are for intersegment sales, numbers in boxes show segment EBIT in 2012 (in USD mln);
Source: Company data, Bloomberg, Concorde Capital research

Avangard financial summary (IFRS)

Key P&L and Cash Flow items, USD mln

	2011	2012	2013E
Net revenue	553	629	682
IAS 41 gain	24	26	25
EBITDA	246	280	307
EBITDA margin	44%	44%	45%
EBIT	232	264	291
Operating margin	42%	42%	43%
Finance costs	-33	-37	-34
PBT	200	228	255
Net income	196	228	243
Net margin	35%	36%	36%
Cash EBITDA	223	249	283
Cash EBITDA / EBITDA	0.9	0.9	0.9
Operating cash flow	186	277	251
Investing cash flow	-161	-321	-166
Net CapEx	-146	-322	-160

Leverage, USD mln

	2011	2012	2013E
Net debt	81	149	110
Gross debt	318	353	314
Gross debt in UAH	32	35	32
Net debt / EBITDA	0.3	0.5	0.4
Covenant (Net debt / EBITDA)			**3.0**

Revenue by segments, USD mln

	2011	2012	2013
Shell eggs	389	458	460
Egg products	99	106	158
Animal feed	35	37	39
Other	30	28	25

Operating margin of key segments

	2011	2012	2013
Shell eggs	61%	50%	46%
Egg products	-7%	47%	51%
Animal feed	58%	-12%	0%

Key Balance Sheet items, USD mln

	2011	2012
Current assets	654	609
Cash & equivalents	238	204
Non-Current assets	652	969
PP&E	513	920
Equity	939	1167
Current liabilities	147	205
ST debt	105	152
Non-current liabilities	219	206
LT debt	214	201

Source: Company data, Concorde Capital research

CONCORDE CAPITAL

Mriya Agro Holding (Mriya)

Company profile

Mriya is an agricultural holding with a 298,000 ha land bank located in Ukraine's western regions. It plants primarily four crops: wheat, corn, rapeseeds and sugar beet. The company's land bank has been reportedly stable over the last three years, as it has concentrated on the development of infrastructure like storage facilities. The company's key shareholder, the Huta family, owns seven small sugar plants that are located near Mriya's fields and are the main consumers of the company's planted sugar beet.

Investment case

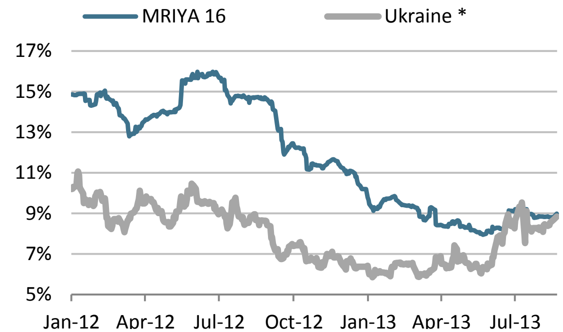
- Mriya made some progress in respect to openness and was awarded a ratings upgrade by Fitch and S&P to sovereign level in late 2012.
- The key issue Mriya was able to address recently was related-party transactions, which declined to 17% of revenue in 2012 from 63% in 2010. Still, as the company continues to plant sugar beets (which are being sold to related sugar plants), we believe the recent number could be underreported.
- Given this year's plentiful harvest in Ukraine and globally, the prices for Mriya's key products will be smaller yoy in 2012. The company is set to compensate the weaker prices with better crop yields to minimize the negative effect on P&L.
- The company's relatively low leverage, long debt redemption schedule and lack of aggressive acquisition plans make for relatively low risk of its debt.
- Neither of MRIYA's notes look underpriced to us. We believe there are more attractive bonds with a similar or better risk profile.

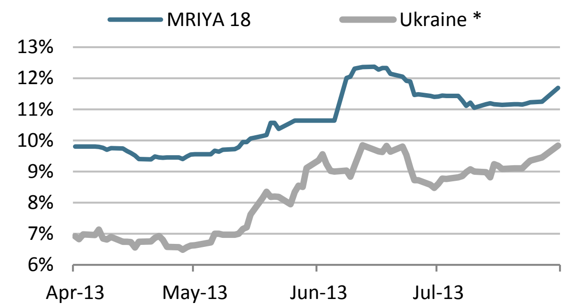
	MRIYA 16	MRIYA 18
Outstanding, USD mln	72	400
Maturity	Mar-16	Apr-18
Coupon	10.95/SA	9.45/SA
Fitch / S&P / Moody's	B / B / na	B / B / na
Covenant: Net Debt / EBITDA	3.0x	3.0x
Net Debt / EBITDA, 2013E	1.7x	1.7x

Company ownership structure

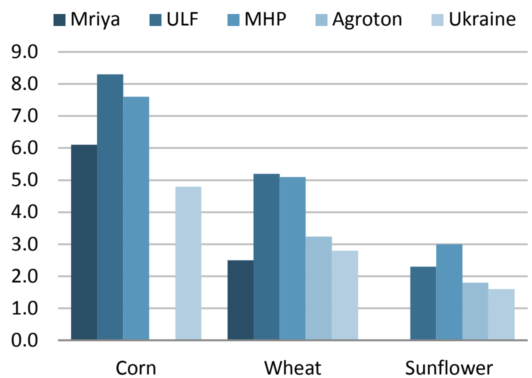
Huta family	80%
Free float	20%

Mid-YTM

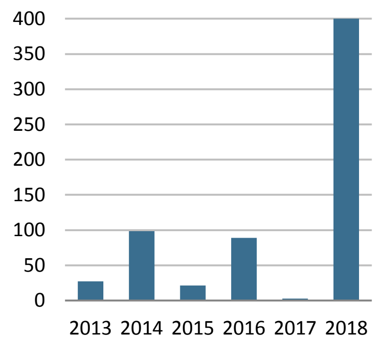




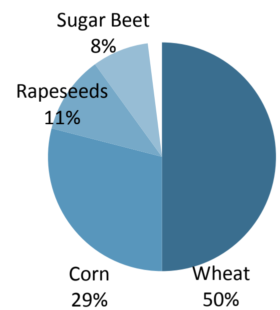
2012 crop yields comparison, t/ha



Mriya debt by maturity, USD mln



Mriya sowings in 2013



** Interpolated yield curves of sovereign bonds of the same maturity as MRIYA 16 and MRIYA 18;*
Source: Company data, Bloomberg, Concorde Capital research

Mriya financial summary (IFRS)

Key P&L and Cash Flow items, USD mln

	2011	2012	2013E
Net revenue	268	348	359
IAS 41 gain	157	215	210
EBITDA	180	254	248
EBITDA margin	67%	73%	69%
EBIT	171	208	208
Operating margin	64%	60%	58%
Finance costs	-51	-51	-53
PBT	151	175	170
Net income	150	174	169
Net margin	56%	50%	47%
Cash EBITDA	na	na	na
Cash EBITDA / EBITDA	na	na	na
Operating cash flow	125	167	155
Investing cash flow	-236	-256	-180
Net CapEx	-192	-329	-190

Leverage, USD mln

	2011	2012	2013E
Net debt	202	367	386
Gross debt	387	471	489
Gross debt in UAH	10	0	0
Net debt / EBITDA	1.1	1.4	1.6
Covenant (Net debt / EBITDA)			3.0

Key Balance Sheet items, USD mln

	2011	2012
Current assets	519	487
Cash & equivalents	184	104
Non-Current assets	534	866
PP&E	381	661
Equity	595	771
Current liabilities	170	268
ST debt	124	189
Non-current liabilities	288	314
LT debt	262	282

Source: Company data, Concorde Capital research

CONCORDE CAPITAL

Myronivsky Hliboproduct (MHP)

Company profile

MHP is Ukraine's leading producer of chicken meat (50% of industrial and 35% of total chicken output in Ukraine in 2012). With a land bank of 360,000 ha, it is also one of the largest and the most efficient Ukrainian farming companies with a focus on corn production (for internal use). It operates in three basic segments: poultry (which also produces sunflower oil as a byproduct of animal feed preparation), grain and meat processing. The company is in the process of extending its poultry production capacities via construction of its brand new Vinnytsia factory. It targets to increase its poultry capacity from 360 kt p.a. in 2012 to 420 kt p.a. in 2013, and up to 800 kt p.a. in 2017.

Investment case

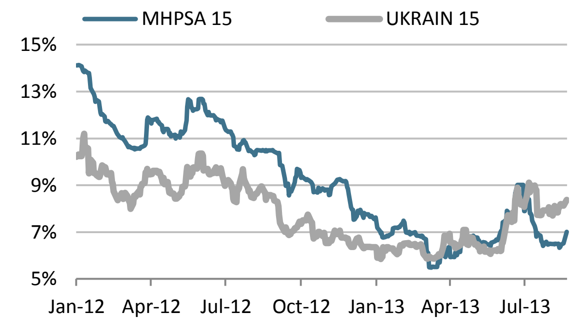
- Its leadership on the local poultry market is both a benefit and headache for the company. Its capacity expansion plan in its poultry segment may negatively affect the domestic prices of chicken, unless MHP secures enough export markets. Meanwhile, its chicken sales to domestic markets are falling this year (-7% yoy in 1H13).
- MHP is one of most transparent and investor-friendly companies in the Ukrainian universe.
- Its relatively high leverage (estimated Net Debt / EBITDA 2013 is 2.4x, with all debt being in foreign currency) and focus on domestic sales (2/3 of total revenue come in UAH) put the company at risk in case the hryvnia severely devalues. In the mid-term, however, a local currency devaluation will be beneficial for the company: as a price-setter and cost-efficient producer, it will be able to adjust domestic poultry prices upward.
- The company has completed most of its (Vinnytsia) expansion project and is set to noticeably decrease its CapEx in 2014 (from USD 260 mln a year ago). This will enable MHP to deleverage fast in the coming years.
- MHP bonds currently trade very close to the sovereign yield curve, thus promising little upside potential

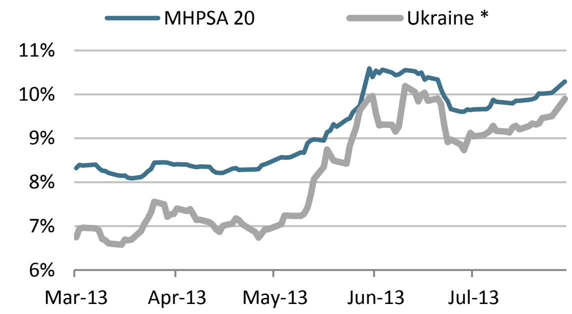
	MHPSA 15	MHPSA 20
Outstanding, USD mln	235	750
Maturity	Mar-15	Mar-20
Coupon	10.25/SA	8.25/SA
Fitch / S&P / Moody's	B / na / B3	B / B / na
Covenant: Net Debt / EBITDA	2.5x	3.0x
Net Debt / EBITDA, 2013E	2.4x	2.4x

Company ownership structure

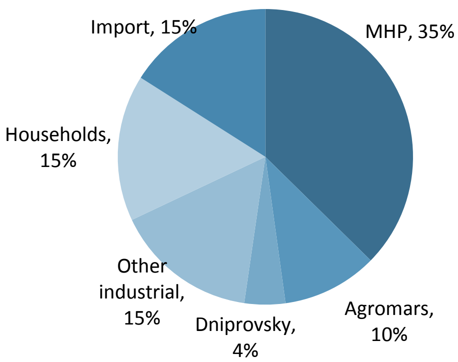
Yuriy Kosyuk	65.9%
Fee float	34.1%

Mid-YTM

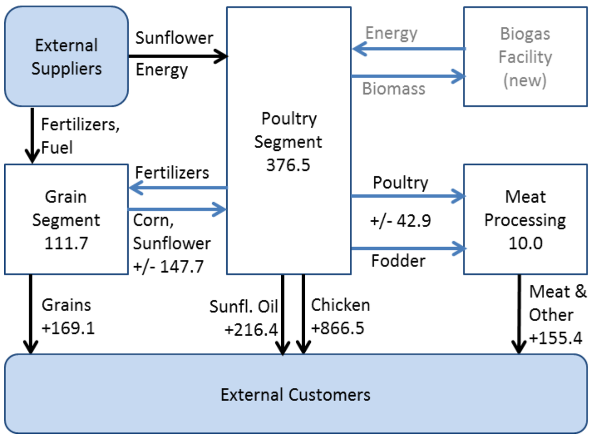




Ukraine's poultry market, 2012



Simplified business model of MHP**



** Interpolated yield curves of sovereign bonds of the same maturity as MHPSA 20 ;*
*** Arrows show key input/output flow in 2012 (in USD mln), blue arrows are for intersegment sales, numbers in boxes show segment EBITDA in 2012 (USD mln);*
Source: Company data, Bloomberg, Concorde Capital research

MHP financial summary (IFRS)

Key P&L and Cash Flow items, USD mln

	2011	2012	2013E
Net revenue	1,229	1,408	1,493
IAS 41 gain	21	17	16
EBITDA	401	468	451
EBITDA margin	33%	33%	31%
EBIT	321	381	356
Operating margin	26%	27%	25%
Finance costs	-66	-59	-60
PBT	252	319	289
Net income	259	311	281
Net margin	21%	22%	19%
Cash EBITDA	398	474	458
Cash EBITDA / EBITDA	1.0	1.0	1.0
Operating cash flow	198	198	181
Investing cash flow	-121	-260	-190
Net CapEx	-240	-259	-198

Leverage, USD mln

	2011	2012	2013E
Net debt	804	1,045	1,083
Gross debt	898	1,140	1,178
Gross debt in UAH	0	0	0
Net debt / EBITDA	2.0	2.2	2.4
Covenant (Net debt / EBITDA)			**3.0**

Revenue by segments, USD mln

	2011	2012	2013
Poultry	979	1,083	1,128
Grain	104	169	200
Other	147	155	165

EBITDA margin of key segments

	2011	2012	2013
Shell eggs	30%	35%	31%
Egg products	116%	66%	62%

Key Balance Sheet items, USD mln

	2011	2012
Current assets	809	1,001
Cash & equivalents	95	95
Non-Current assets	1,136	1,487
PP&E	1,009	1,340
Equity	926	1199
Current liabilities	308	469
ST debt	190	323
Non-current liabilities	711	820
LT debt	709	817

Source: Company data, Concorde Capital research

Ukrlandfarming (ULF)

Company profile

ULF is an integrated agricultural holding that leads Ukraine by land bank (532,000 ha), egg production (via Avangard), as well as production of grain seeds, milk and beef. The company emerged in the mid-2000s based on land plots with egg farms acquired by Oleg Bakhmatyuk. The holding expanded rapidly in 2010-2011 via acquisition of agri-holdings that were overleveraged before the 2008-2009 crisis. ULF inherited from its targets sugar production assets (#2 in local sugar market in 2012, but this year ULF will not produce sugar) and a distributor and servicer of agri-machinery. The holding is eyeing an equity placement and plans to expand its land bank by 225,000 ha in the next three years.

Investment case

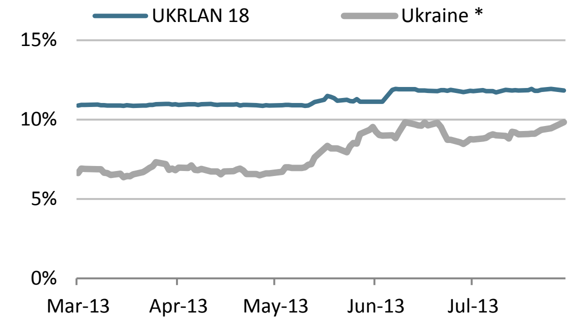
- As a newcomer to capital markets, ULF still looks like a black horse. Given the negative halo related to Bakhmatyuk's other assets, the holding has yet to do a solid job in demonstrating that its investor relations practices are credible.
- ULF's reporting practices have also yet to improve. The holding looks much less open than its subsidiary Avangard, and there are still a lot of questions regarding its figures. In particular, we find it strange that such a huge holding that expanded by acquiring diverse assets (some of them not very efficient ones, at that) is demonstrating the best crop yields in the sector (refer to a chart in Mriya's profile).
- The holding's intention to raise equity capital in 1-3 years creates some optimism that it will do its best in terms of its treatment of investors in the short term.
- The holding has relatively low leverage, and we believe it will not worsen in the near future. ULF seems to concentrate on increasing its internal efficiency and improving the accountability of recently acquired assets, rather than on further land bank expansion in the coming years.
- We see less risky paper at YTM compared to ULF bonds.

	UKRLAN 18
Outstanding, USD mln	500
Maturity	Mar-18
Coupon	10.88/SA
Fitch / S&P / Moody's	B / B- / na
Covenant: Net Debt / EBITDA	3.0x
Net Debt / EBITDA, 2013E	1.7x

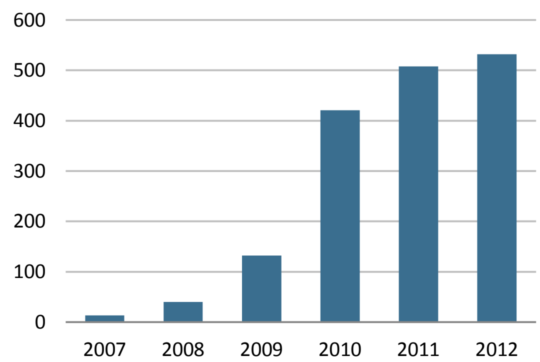
Company ownership structure

Oleg Bakhmatyuk	100%

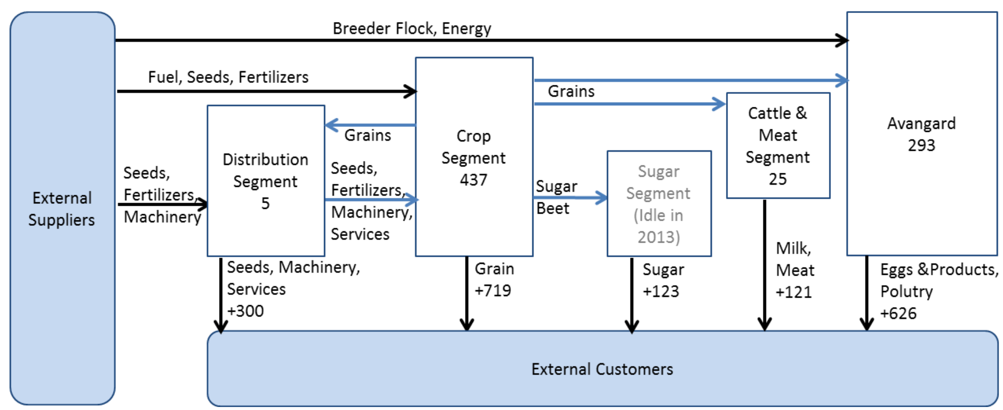
Mid-YTM



ULF land bank history, 000 ha



Simplified business model of ULF**



** Interpolated yield curves of sovereign bonds of the same maturity as UKRLAN 18 ;*
*** Arrows show key input/output flow in 2012 (in USD mln), blue arrows are for intersegment sales, numbers in boxes show segment EBITDA in 2012 (USD mln);*
Source: Company data, Bloomberg, Concorde Capital research

CONCORDE CAPITAL

ULF financial summary (IFRS)

Key P&L and Cash Flow items, USD mln

	2011	2012	2013E
Net revenue	1,344	1,889	1,831
IAS 41 gain	247	10	22
EBITDA	823	792	746
EBITDA margin	61%	42%	41%
EBIT	739	673	625
Operating margin	55%	36%	34%
Finance costs	-157	-159	-155
PBT	595	532	490
Net income	593	542	490
Net margin	44%	29%	27%
Cash EBITDA	624	778	732
Cash EBITDA / EBITDA	0.8	1.0	1.0
Operating cash flow	109	474	429
Investing cash flow	-849	-433	-250
Net CapEx	-305	-454	-250

Leverage, USD mln

	2011	2012	2013E
Net debt	913	906	887
Gross debt	1,315	1,304	1,285
Gross debt in UAH	409	413	393
Gross debt / EBITDA	1.6	1.6	1.7
Covenant (Gross debt / EBITDA)			**3.0**

Revenue by segments, USD mln

	2011	2012	2013
Crops	376	719	682
Avangard (eggs & poultry)	550	626	682
Meat	118	121	121
Other	299	423	345

EBITDA margin of key segments

	2011	2012	2013
Crops	109%	61%	59%
Avangard (eggs & poultry)	46%	47%	45%
Meat	31%	20%	31%

Key Balance Sheet items, USD mln

	2011	2012
Current assets	1,969	2,196
Cash & equivalents	402	398
Non-Current assets	2,078	2,413
PP&E	1,522	2,082
Equity	2322	2867
Current liabilities	773	908
ST debt	318	280
Non-current liabilities	952	834
LT debt	997	1,024

Source: Company data, Concorde Capital research

Ferrexpo

Company profile

Ferrexpo is Ukraine's 2nd largest and top-10 global iron ore pellet producer. It controls the Poltava Mine and the Yeristovo Mine, launched in late 2012. The company exports all its products. It manufactured 9.7 mmt of pellets (-2% yoy) in 2012, with a capacity of 12 mmt. Ferrexpo controls much of its logistics chain, including its railcar fleet, which will increase from 1,933 in 2012, to 2,433 by end-2013 (by plan), enabling it to deliver 12 mmt of pellets p.a. in its own railcars. Ferrexpo operates 140 barges, transporting pellets via the Danube to European customers. It sold 53% of its pellets in Europe, 33% in Asia and 14% in the Middle East in 1H13.

Investment case

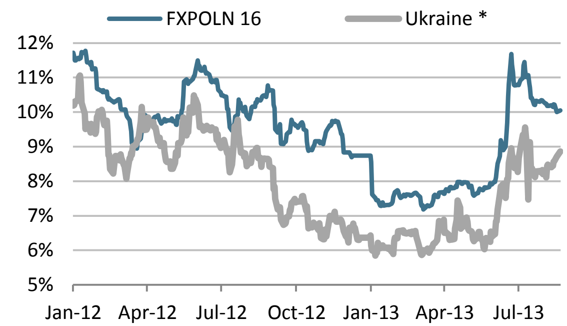
- With 100% sales in dollars and about 70% of production costs in UAH, the company would be a primary winner of a hryvnia devaluation. The weakened local currency will enable the company to lower its Debt/EBITDA ratio from 2.0x in 2013E (assuming a stable hryvnia) down to 1.7x (if the hryvnia falls 20%). This, in turn, may result in an upgrade of the company's debt rating to sovereign.
- The company still has lot of development projects and we expect it will spend about USD 240 mln in CapEx by 2016 (out of an earlier planned USD 650 mln), which still should keep its leverage safe.
- 90% of the company's debt, or USD 920 mln, matures in 2016 (including its Eurobond and its USD 420 mln pre-export facility). Our calculations suggest Ferrexpo will generate about USD 970 mln in cash flow by the time its debt matures , should average pellets price be at least USD 110/t (which looks like a bear case scenario, so far).
- Ferrexpo's key risk lies in its conflict over the Poltava Mine. Currently, Russian businessman Aleksandr Babakov, who sold the mine a decade ago, is challenging the deal in the Ukrainian courts, reaching a preliminary victory.
- We see the Ferrexpo bond as fairly priced, based on its risk profile.

	FXPOLN 16
Outstanding, USD mln	500
Maturity	Apr-16
Coupon	7.88/SA
Fitch / S&P / Moody's	B / B / Caa1
Covenant: Gross Debt / EBITDA	2.5x
Gross Debt / EBITDA, 2013E	2.0x

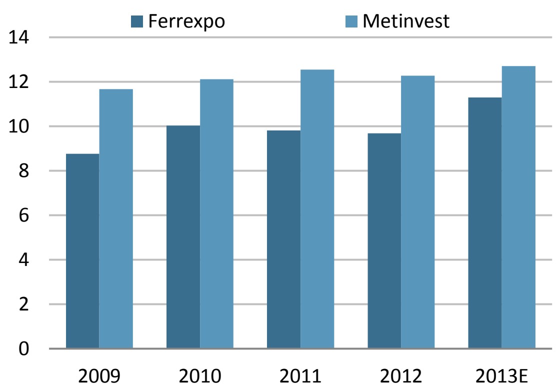
Company ownership structure

Kostyantyn Zhevago	51%
BRX Limited	26%
Free float	23%

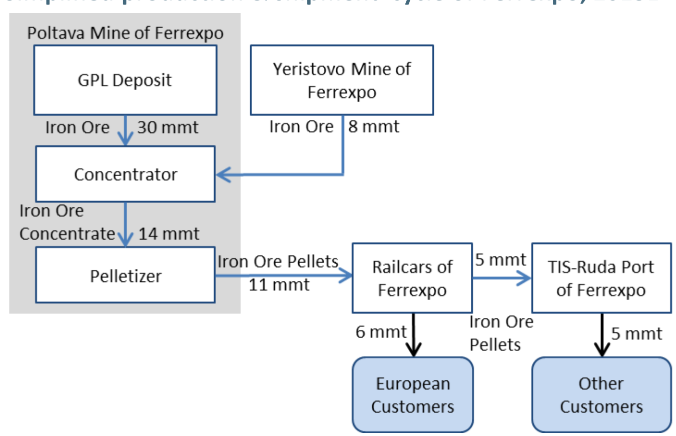
Mid-YTM



Iron ore pellets production in Ukraine, mmt



Simplified production & shipment cycle of Ferrexpo, 2013E



** Interpolated yield curves of sovereign bonds of the same maturity as FXPOLN 16*
Source: Company data, Bloomberg, Concorde Capital research

Ferrexpo financial summary (IFRS)

Key P&L and Cash Flow items, USD mln

	2011	2012	2013E
Net revenue	1,788	1,424	1,593
EBITDA	800	402	513
EBITDA margin	45%	28%	32%
EBIT	759	341	421
Operating margin	42%	24%	26%
Finance costs	-68	-88	-79
PBT	691	262	344
Net income	575	216	285
Net margin	32%	15%	18%
Cash EBITDA	793	408	513
Cash EBITDA / EBITDA	1.0	1.0	1.0
Operating cash flow	503	119	181
Investing cash flow	-414	-419	-225
Net CapEx	-380	-429	-225

Leverage, USD mln

	2011	2012	2013E
Net debt	80	423	506
Gross debt	970	1,020	1,030
Gross debt in UAH	0	0	0
Gross debt / EBITDA	1.2	2.5	2.0
Covenant (Gross debt / EBITDA)			**2.5**

Key Balance Sheet items, USD mln

	2011	2012
Current assets	1,334	1,101
Cash & equivalents	890	597
Non-Current assets	1,165	1,653
PP&E	1,342	980
Equity	1,393	1,570
Current liabilities	136	163
ST debt	19	27
Non-current liabilities	970	1,022
LT debt	951	993

Source: Company data, Concorde Capital research

Agroton

Company profile

Agroton is a farming company with a 151,000 ha land bank located in Ukraine's easternmost Luhansk region. The company focuses on cultivating sunflower and winter wheat. Being one of the companies that suffered least from the last year's drought, the company reported it expects for this year a significant deterioration in crop yields and harvested area, blaming the dry autumn and spring.

Agroton failed to pay a USD 3 mln coupon on its Eurobond due in July and initiated the bond's restructuring. On August 8, a bondholder meeting approved restructuring terms, which include a coupon rate reduction to 8% and the bond's prolongation by five years to July 2019.

Investment case

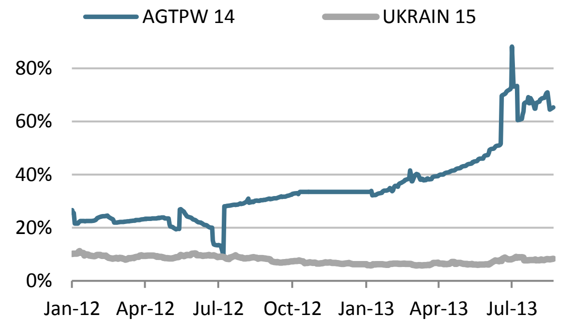
- The company is renown for its soil-exhaustive farming with more than 25% of its land bank sowed with sunflower each year, despite a recommended frequency of sunflower cultivation of once per six years. As a result, sunflower yields have continually declined on the company's fields.
- The company is also known for its questionable practices and fraud. In 2011, it overstated its export sales, which resulted in its auditors being unable to verify 2/3 of the company's annual sales. Last year, the company spent USD 33.1 mln as a prepayment for two companies and should have received ownership rights over them by the end of 1H13 . Agroton has yet to report on the deal's closure.
- We see Agroton's owner as weakly committed to investors and we don't recommend investing in its bonds.

	AGTPW
Outstanding, USD mln	50
Maturity	Ext. from Jul-14 to Jul-19
Coupon	Down from 12.5% to 8.0%
Fitch / S&P / Moody's	RD / NR / na
Covenant: Net Debt / EBITDA	4.0x
Net Debt / EBITDA, 2013E	3.0x

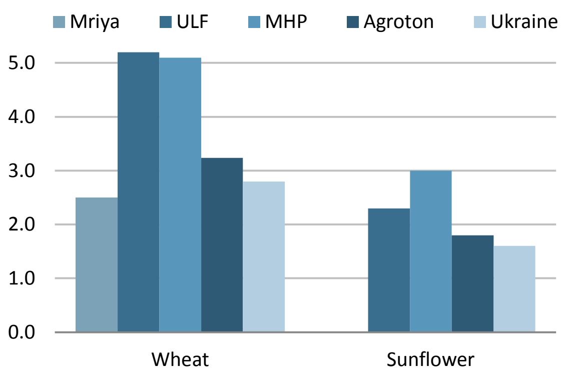
Company ownership structure

Yuriy Zhuravlov	51%
Jaspen Capital	10%
Free float	39%

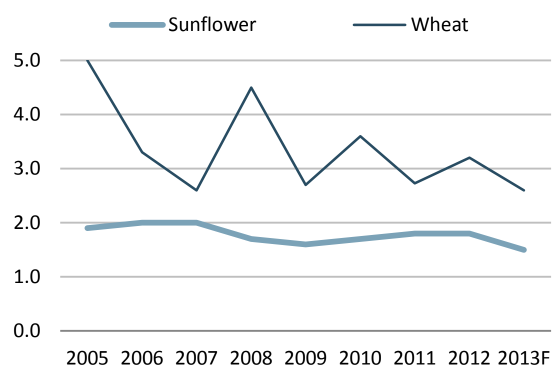
Mid-YTM



2012 crop yields comparison, t/ha



Evolution of Agroton's key crop yields, t/ha



Source: Company data, Bloomberg, Concorde Capital research

Agroton financial summary (IFRS)

Key P&L and Cash Flow items, USD mln

	2011	2012	2013E
Net revenue	99.7	88.0	64.6
IAS 41 gain	22.3	12.1	11.0
EBITDA	8.0	22.7	14.3
EBITDA margin	7%	23%	22%
EBIT	6.0	16.5	6.3
Operating margin	6%	19%	10%
Finance costs	-5.8	-8.4	-2.6
PBT	286.0	8.2	3.6
Net income	-2.1	6.8	-3.2
Net margin	-2%	8%	-5%
Cash EBITDA	8.8	4.9	5.0
Cash EBITDA / EBITDA	1.3	0.2	0.3
Operating cash flow	-2.3	70.3	0.0
Investing cash flow	-26.3	-68.0	0.0
Net CapEx	-29.0	-65.3	0.0

Leverage, USD mln

	2011	2012	2013E
Net debt	37.2	42.6	42.6
Gross debt	54.8	52.5	52.5
Gross debt in UAH	3.9	1.1	1.1
Net debt / EBITDA	4.6	1.9	3.0
Covenant (Net debt / EBITDA)			**4.0**

Revenue by segments, USD mln

	2011	2012	2013
Farming	79.4	68.3	45.1
Livestock	17.4	19.5	19.5
Other	3.0	0.2	0.0

PBT margin of key segments

	2011	2012	2013
Farming	37%	30%	35%
Livestock	-7%	-6%	-6%

Key Balance Sheet items, USD mln

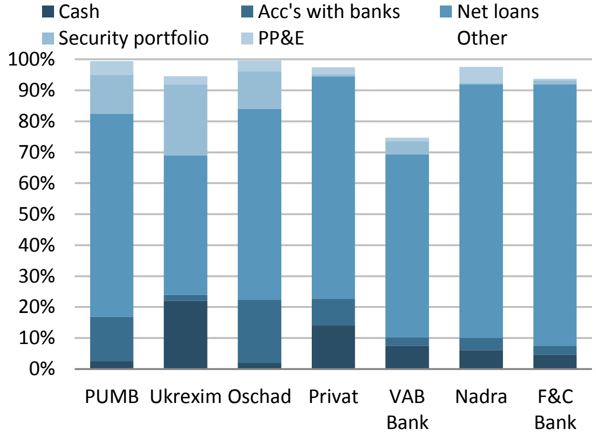
	2011	2012
Current assets	123.1	72.3
Cash & equivalents	17.6	9.8
Non-Current assets	56.9	114.8
PP&E	31.2	33.8
Equity	119.8	126.6
Current liabilities	12.3	12.1
ST debt	6.9	4.0
Non-current liabilities	47.9	48.4
LT debt	47.9	48.4

Source: Company data, Concorde Capital research

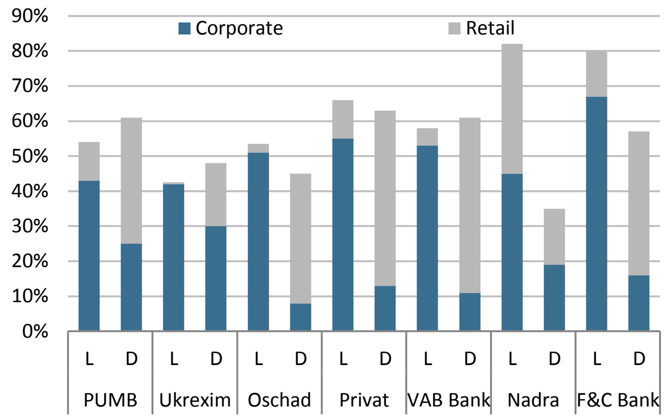
Profiles of banking issuers

Banks comparison

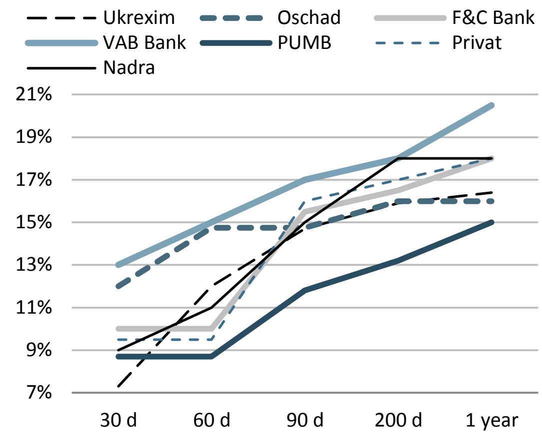
Assets structure, end-2012



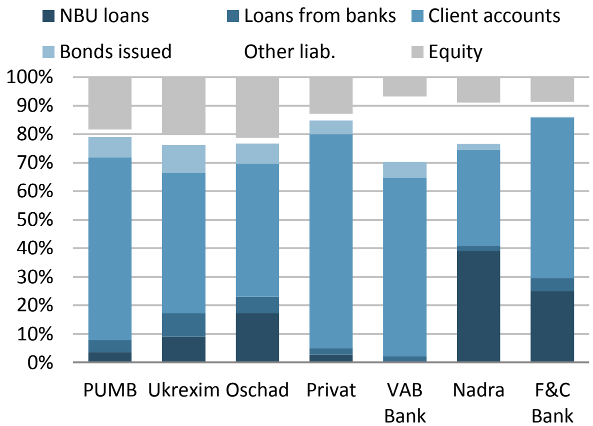
Net loans (L) and deposits (D), % of total assets, end-1H13



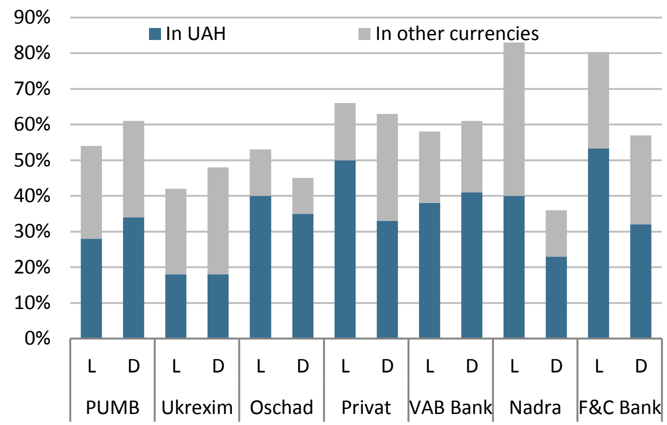
Offered term deposit rates in UAH, Aug-2013



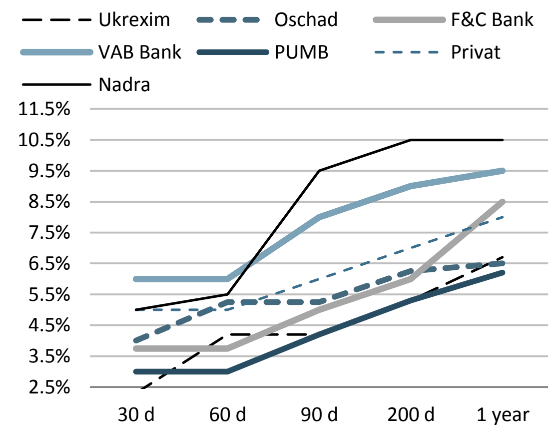
Equity and liabilities structure, end-2012



Net loans (L) and deposits (D), % of total assets, end-1H13



Offered term deposit rates in USD, Aug-2013



Source: Company data, Concorde Capital research

First Ukrainian International Bank (PUMB)

Bank profile

PUMB is ranked #9 by assets in Ukraine as of end-1H13. It specializes in corporate lending (2/3 of its loan portfolio), while it depends on retail customers on the liabilities side (58% of deposit portfolio). The bank falls under the SCM holding company of Rinat Akhmetov. In 2012, it completed a merger and integration of Dongorbank.

Investment case

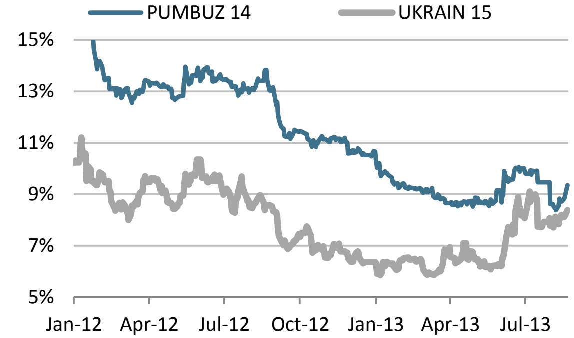
- The bank clearly has the best risk profile of all financial sector Eurobond issuers. It's the most financially stable and demonstrates the highest sustainable profitability (ROE was 5.6%, Cost/Income 58% in 2012). In addition, it's the only bank that demonstrates exceptional corporate governance practices.
- The bank offers one of the safest investments in the Ukrainian universe, belonging to one of Ukraine's most powerful business groups, which has multiple public assets (including DTEK and Metinvest).
- Being well-capitalized, PUMB poses no risk of breaching any NBU regulations, even in the case of a severe hryvnia devaluation. In foreign currencies, its net position is positive.
- PUMBUZ bonds look much more preferably priced than the paper of related companies . It's one of our top picks, based on current price levels.

	PUMBUZ 14
Outstanding, USD mln	252
Maturity	Dec-14
Coupon	11.0/Quart
Fitch / S&P / Moody's	na/ na / B3

Ownership structure

SCM (Rinat Akhmetov)	99.9%

Mid-YTM



Key 1H13 numbers

Regulatory capital, UAH mln	4,472
CAR	15.69%
Regulatory capital to assets	12.68%
Loans to deposits	0.88x
Net position in foreign currency, UAH mln	541
% of regulatory capital	12%
ROE annualized	7.3%
YTD change of deposits	12.7%
YTD change of loan portfolio	2.1%
YTD change of securities	14.3%
YTD change in total assets	14.9%

Source: Company data, Bloomberg, Concorde Capital research

PUMB financial summary (IFRS)

Balance Sheet, UAH mln

	2011	2012
Cash	631	703
Accounts with NBU	2,103	1,485
Accounts with other banks	4,677	2,405
Net loans	16,425	17,884
Securities portfolio	4,178	3,398
PP&E	1,267	1,228
Other assets	297	156
Total assets	**29,729**	**27,555**
NBU funding	1,016	1,016
Other banks funding	521	1,172
Client accounts	20,224	17,611
Bonds issued	1,959	1,973
Subordinated debt	682	487
Other liabilities	494	236
Total liabilities	**24,896**	**22,495**
Equity	**4,833**	**5,060**

P&L summary, UAH mln

	2011	2012
Interest income	2,400	2,749
Interest costs	-1,426	-1,598
Net interest income	**974**	**1,151**
Net fees and commissions	259	308
Other incomes/costs	135	173
Total income	**1,368**	**1,632**
Operating costs	**-772**	**-946**
Loan loss provisions	**-55**	**-286**
Profit before tax	541	400
Net profit	**444**	**279**
ROAA		**1.0%**
ROAE		**5.6%**
Cost / Income	**56%**	**58%**

Source: Company data, Concorde Capital research

Bank profile

Oschadbank is Ukraine's second-biggest bank by assets as of 1H13. It overtook 2nd place in 2012 from Ukreximbank, another state bank. Emerging from the ruins of the Soviet savings bank, it remains a fully state-controlled institution focused on keeping retail deposits (ranking #2 by retail money attracted, with retail accounts making up 81% of total customer accounts). It has the biggest retail network in Ukraine with almost 6,000 outlets. The bank is an important lender for state institutions, with 47% of its loan portfolio (as of end-2012) were loans to related parties. It also holds the second-biggest portfolio of state bonds among Ukrainian banks.

Investment case

- Oschadbank's key risk is related to its big exposure to state institutions lending. Just in 1H13, it more than doubled its securities portfolio (most of which are state bonds) and nearly stopped financing the private sector.
- While we see a low probability that the state will default on its internal obligations, we see that risks for the bank's liquidity and solvency are low. Notably, 38% of the bank's funds lent to the state and state institutions are refinanced by the central bank (as of end-2012) . Oschadbank is among the most-capitalized, with its CAR approaching 30%. It holds a reputation as of one of the safest savers in Ukraine.
- Despite increased exposure to the state, the bank remains a high profit generator, with ROE 2012 of 3.8% and a 15% yoy increase in net interest income.
- We deem OSCHAD papers as the most attractively priced in the Ukrainian universe, based on risk/return profile. We believe the bank's longer bonds may converge closer to the sovereign yield curve in the short term.

Key 1H13 numbers

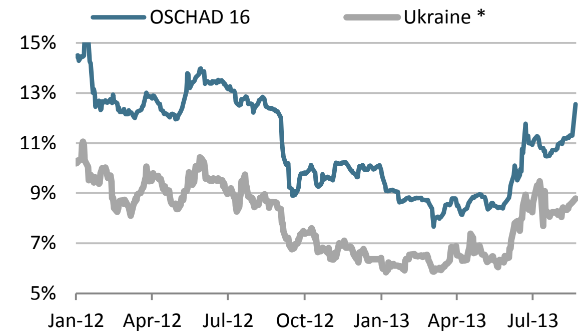
Regulatory capital, UAH mln	18,234
CAR	29.42%
Regulatory capital to assets	17.43%
Loans to deposits	1.17x
Net position in foreign currency, UAH mln	-601
% of regulatory capital	-3%
ROE annualized	3.3%
YTD change of deposits	9.2%
YTD change of loan portfolio	-1.0%
YTD change of securities	87.7%
YTD change in total assets	11.2%

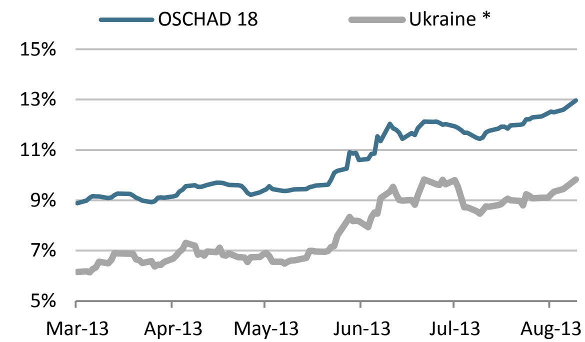
	OSCHAD 16	OSCHAD 18
Outstanding, USD mln	700	500
Maturity	Mar-16	Mar-18
Coupon	8.25/SA	8.88/SA
Fitch / S&P / Moody's	B / na / B3	B / na / B3

Ownership structure

State	100%

Mid-YTM





** Interpolated yield curves of sovereign bonds of the same maturity as OSCHAD 16 and OSCHAD 18*
Source: Company data, Bloomberg, Concorde Capital research

Oschadbank financial summary (IFRS)

Balance Sheet, UAH mln

	2011	2012
Cash	1,603	1,654
Accounts with NBU	613	2,217
Accounts with other banks	9,722	14,846
Net loans	50,460	51,338
Securities portfolio	8,657	10,074
PP&E	2,466	2,985
Other assets	335	302
Total assets	**73,856**	**83,416**
NBU funding	13,774	14,347
Other banks funding	2,677	4,877
Client accounts	32,600	38,888
Bonds issued	5,909	5,920
Subordinated debt	827	842
Other liabilities	712	785
Total liabilities	**56,499**	**65,659**
Equity	**17,357**	**17,757**

P&L summary, UAH mln

	2011	2012
Interest income	8,530	10,074
Interest costs	-3,929	-4,785
Net interest income	**4,601**	**5,289**
Net fees and commissions	939	1,040
Other incomes/costs	297	248
Total income	**5,837**	**6,577**
Operating costs	**-2,577**	**-3,166**
Loan loss provisions	**-1,850**	**-2,676**
Profit before tax	1,410	735
Net profit	**1,092**	**663**
ROAA		0.8%
ROAE		3.8%
Cost / Income	44%	48%

Source: Company data, Concorde Capital research

Ukreximbank

Bank profile

Ukreximbank is 3rd biggest by assets in Ukraine, as of 1H13. The state bank is clearly focused on corporate clients (corporate lending is 99% of total loan portfolio) and servicing export-import operations. It is the biggest holder of corporate accounts in Ukraine (12% of sector's total and 21% of sector's corporate foreign currency accounts). The bank has become the most important lender to the state and state enterprises: 28% of its assets as of end-2012 were deployed to related entities. It is also the biggest holder of local government bonds, accounting for about 1/3 of total state bonds held by Ukrainian banks and about 12% of total state bonds outstanding (we estimate), as of June 2013.

Investment case

- The bank's key risk stems from its role as the state's lending vehicle. Notably, in 2012 the bank decreased its loan portfolio to the private sector by 10% and increased its financing of the state and state institutions by 17%. We estimate Ukreximbank's exposure to the state accounts for 45% of its assets as of end-1H13
- Since we see a low probability that the state will default on its internal obligations, we see low risks for worsening the bank's liquidity and solvency. 32% of the bank's funds lent to the state and state institutions are refinanced by the central bank (as of end-2012).
- A worrying sign is Ukreximbank is the only bank covered here whose deposits declined year-to-date in 1H13.
- The bank's loan portfolio does not look to be of high quality as it had to provision more than 85% of its net interest income in both 2011 and 2012. Meanwhile, the bank's almost 30% CAR (as of June 2013) put its solvency and financial stability beyond concern.
- The bank's both issues are among our picks, based on current prices, even tough they are less attractive compared to the bonds of related Oschadbank, which has a slightly worse risk profile.

Key 1H13 numbers

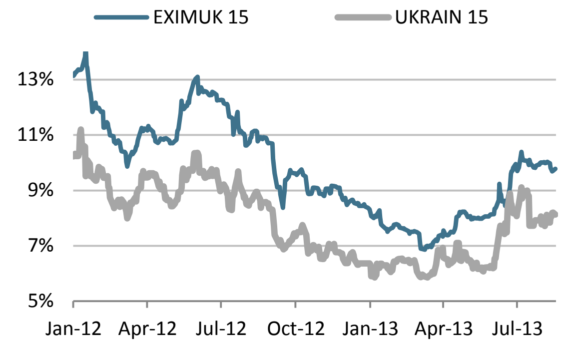
Regulatory capital, UAH mln	20,044
CAR	29.49%
Regulatory capital to assets	19.46%
Loans to deposits	0.88x
Net position in foreign currency, UAH mln	-4,974
% of regulatory capital	-25%
ROE annualized	1.0%
YTD change of deposits	-2.6%
YTD change of loan portfolio	-4.5%
YTD change of securities	83.9%
YTD change in total assets	4.2%

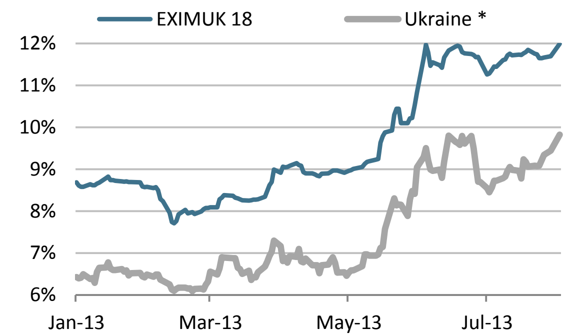
	OSCHAD 16	OSCHAD 18
Outstanding, USD mln	700	500
Maturity	Mar-16	Mar-18
Coupon	8.25/SA	8.88/SA
Fitch / S&P / Moody's	B / na / B3	B / na / B3

Ownership structure

State	100%

Mid-YTM





** Interpolated yield curves of sovereign bonds of the same maturity as EXIMUK18*
Source: Company data, Bloomberg, Concorde Capital research

Ukreximbank financial summary (IFRS)

Balance Sheet, UAH mln

	2011	2012
Cash	10,052	19,197
Accounts with NBU	580	531
Accounts with other banks	1,273	1,141
Net loans	41,849	39,364
Securities portfolio	14,449	19,937
PP&E	2,232	2,277
Other assets	4,074	4,758
Total assets	**74,509**	**87,205**
NBU funding	6,197	7,825
Other banks funding	7,664	7,244
Client accounts	29,680	42,834
Bonds issued	10,438	8,554
Subordinated debt	3,102	3,107
Other liabilities	187	261
Total liabilities	**57,268**	**69,825**
Equity	**17,241**	**17,380**

P&L summary, UAH mln

	2011	2012
Interest income	7,295	7,690
Interest costs	-4,142	-4,133
Net interest income	**3,153**	**3,557**
Net fees and commissions	367	384
Other incomes/costs	568	618
Total income	**4,088**	**4,559**
Operating costs	**-1,015**	**-1,212**
Loan loss provisions	**-2,905**	**-3,065**
Profit before tax	168	282
Net profit	**114**	**153**
ROAA		**0.2%**
ROAE		**0.9%**
Cost / Income	**25%**	**27%**

Source: Company data, Concorde Capital research

Privatbank

Bank profile

Privatbank is the largest Ukrainian bank by assets , loan portfolio, deposits and network of ATMs. It holds 19% of the banking system's total client accounts and 23% of households accounts. It also controls three banks in Russia, Georgia and Latvia, with the latter bank having its outlets in Cyprus, Italy and Portugal. International assets generated 9% of the bank's revenue in 2011 and 12% in 2012. Privatbank controls the second-biggest outlet network in Ukraine. While 80% of its deposits come from individuals, it deploys 80% of its loan portfolio to corporate clients.

Investment case

- The bank's key risk lies in its huge net foreign currency position: UAH 9.1 bln as of end-June, or almost ½ of its regulatory capital. That creates a high risk that the bank will need an additional capital increase in case of the hryvnia's devaluation. We see a high chance that the bank's rating will be downgraded in case hryvnia devaluation expectations escalate soon. On the positive side, Privatbank was able to more than halve its net short position in foreign currency (from UAH 20.2 bln as of Dec-12), promising that it will be able to improve further by end-2013.
- Privatbank looks ill capitalized, with its regulatory capital to assets ratio just 0.1pp above the minimum level (as of end-June). The bank looks big enough and important enough for the economy to be the safest financial institution in Ukraine. In case of any turbulence, it will be the first to receive support from the NBU.
- Privatbank is becoming increasingly more concentrated on servicing the businesses of its founders. It increased lending to related parties 52% yoy in 2012, which was far more than its increase in lending to third parties (+10%). Loans to related parties accounted for 9.2% of the bank's gross loans as of end-2012.
- While the bank's paper provides one of the highest yields of all sovereign-rated Eurobonds, we consider the currency risks high enough to not recommend the bank's bonds now.

Key 1H13 numbers

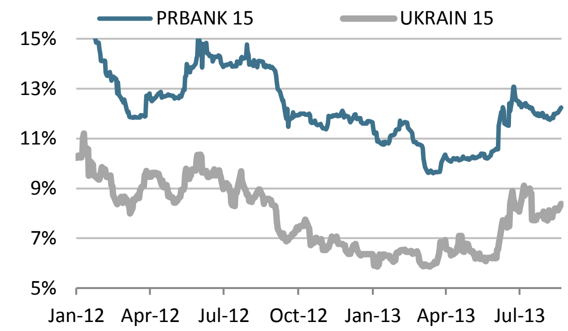
Regulatory capital, UAH mln	19,434
CAR	12.02%
Regulatory capital to assets	9.01%
Loans to deposits	1.04x
Net position in foreign currency, UAH mln	-9,124
% of regulatory capital	-47%
ROE annualized	14.0%
YTD change of deposits	13.5%
YTD change of loan portfolio	12.3%
YTD change of securities	9.3%
YTD change in total assets	10.7%

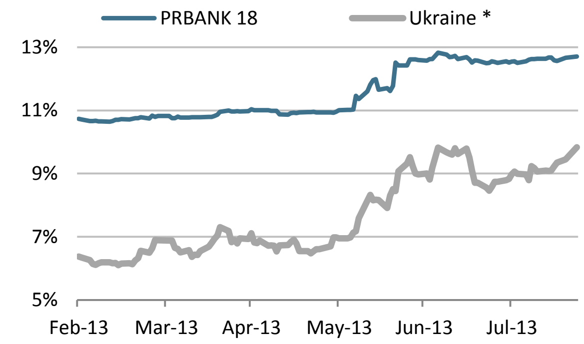
	PRBANK 15	PRBANK 18
Outstanding, USD mln	200	175
Maturity	Sep-15	Feb-18
Coupon	9.38/SA	10.88/SA
Fitch / S&P / Moody's	B / na / B3	B / na / B3

Ownership structure

Igor Kolomoisky	34%
Gennady Bogolyubov	34%
Other	32%

Mid-YTM





** Interpolated yield curves of sovereign bonds of the same maturity as PRBANK18*
Source: Company data, Bloomberg, Concorde Capital research

CONCORDE CAPITAL

Privatbank financial summary (IFRS)

Balance Sheet, UAH mln

	2011	2012
Cash	16,434	23,344
Accounts with NBU	4,929	5,756
Accounts with other banks	4,648	8,545
Net loans	107,430	119,417
Securities portfolio	804	1,054
PP&E	3,318	3,806
Other assets	3,368	4,315
Total assets	**140,931**	**166,237**
NBU funding	5,825	4,630
Other banks funding	2,453	3,693
Client accounts	104,209	124,574
Bonds issued	5,600	8,156
Subordinated debt	1,418	1,427
Other liabilities	2,241	2,352
Total liabilities	**121,746**	**144,832**
Equity	**19,185**	**21,405**

P&L summary, UAH mln

	2011	2012
Interest income	19,408	19,718
Interest costs	-9,329	-10,780
Net interest income	**10,079**	**8,938**
Net fees and commissions	2,729	3,274
Other incomes/costs	678	1,630
Total income	**13,486**	**13,842**
Operating costs	**-6,320**	**-6,858**
Loan loss provisions	**-5,627**	**-5,452**
Profit before tax	1,539	1,532
Net profit	**1,493**	**1,439**
ROAA		**0.9%**
ROAE		**7.1%**
Cost / Income	**47%**	**50%**

Source: Company data, Concorde Capital research

VAB Bank

Bank profile

VAB Bank is 18th largest by assets in Ukraine, as of end-June. The bank lends mostly to commercial clients (90% of loans outstanding as of end-June), while collects mostly retail deposits (80% of total). The bank's low-quality loan portfolio makes it redirect all its net interest income into loan loss provisions, keeping VAB deeply in the red over the last couple of years. Oleg Bakhamtyuk took control back over the bank two years ago, later describing it as the asset that contributed the most to the spoiling of his reputation.

Investment case

- The key advantage of VAB Bank is the clear incentive of its main shareholder to keep it safe. Bakhmatyuk is currently considering an IPO of Ukrlandfarming, and thus has no other choice but facilitate a smooth repayment of VAB's Eurobond next year. Shareholders already contributed UAH 1.1 bln into VAB equity in 2012 and UAH 700 mln this year.
- With less than two years in the hands of the new owner, the bank made significant progress to improve its efficiency: its OpEx decreased 37% yoy in 2012 and Cost/Income improved to 72% from 177% in 2011.
- The bank increased its total assets 74% yoy in 2012, and almost half of this growth was due to the simultaneous increase of "other liabilities" and "other assets." A major part of them (about UAH 2.5 bln, or almost three times the bank's equity as of end-2012) were receivables and payables for currency and banking metals. The appearance of such strange balance sheet items , never seen before, clearly brings additional risk to the bank.
- We believe that all the bank's weaknesses and risks are neutralized by the main shareholder's strong commitment to help the bank repay its international obligations. We deem VABANK paper as the most interesting among Ukrainian high-yield bonds.

Key 1H13 numbers

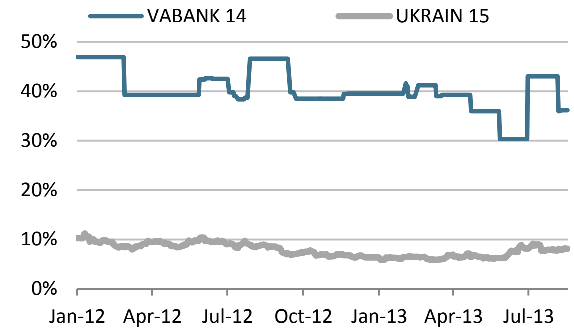
Regulatory capital, UAH mln	1,722
CAR	12.38%
Regulatory capital to assets	10.32%
Loans to deposits	0.96x
Net position in foreign currency, UAH mln	-371
% of regulatory capital	-22%
ROE annualized	0.0%
YTD change of deposits	22.4%
YTD change of loan portfolio	23.1%
YTD change of securities	-0.4%
YTD change in total assets	22.0%

	VABANK 14
Outstanding, USD mln	112
Maturity	Jun-14
Coupon	10.5/Quart
Fitch / S&P / Moody's	WD / na / Caa1

Ownership structure

Quickcom Limited (Oleg Bakhmatyuk)	83%
Other	17%

Mid-YTM



Source: Company data, Bloomberg, Concorde Capital research

CONCORDE CAPITAL

VAB Bank financial summary (IFRS)

Balance Sheet, UAH mln

	2011	2012
Cash	1,080	968
Accounts with NBU	0	0
Accounts with other banks	216	347
Net loans	0	0
Securities portfolio	0	0
PP&E	187	153
Other assets	645	3,262
Total assets	**7,391**	**12,874**
NBU funding	49	11
Other banks funding	159	271
Client accounts	5,493	8,047
Bonds issued	702	715
Subordinated debt	347	348
Other liabilities	48	2,612
Total liabilities	**6,798**	**12,004**
Equity	**593**	**870**

P&L summary, UAH mln

	2011	2012
Interest income	831	1,411
Interest costs	-610	-1,109
Net interest income	**221**	**302**
Net fees and commissions	84	108
Other incomes/costs	-8	51
Total income	**297**	**461**
Operating costs	**-527**	**-332**
Loan loss provisions	**-207**	**-317**
Profit before tax	-437	-188
Net profit	**-443**	**-220**
ROAA		**-2.2%**
ROAE		**-30.1%**
Cost / Income	**177%**	**72%**

Source: Company data, Concorde Capital research

Nadra Bank

Bank profile

Nadra is the 12th largest Ukrainian bank by assets (as of end-June). Once being on the edge of bankruptcy, the bank was bailed out by Dmytro Firtash in 2011. Nadra is still heavily dependent on NBU financing (39% of total assets and 4.4 times its equity as of end-2012). Nadra positions itself as a retail bank (54% of its loan portfolio are retail loans, as of end-2012), while on the liabilities side it focuses more on corporate accounts (62% of total). The bank is the 4th biggest lender to households in Ukraine.

Investment case

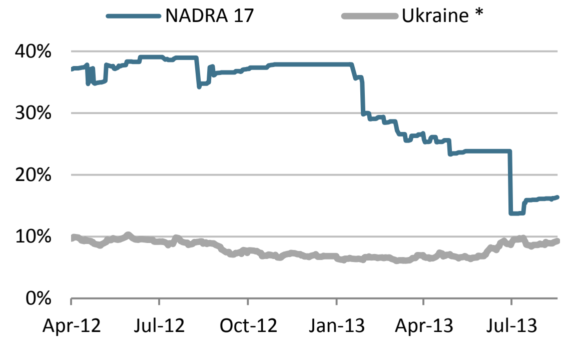
- The bank's Eurobonds advanced significantly in price over the last year, which we attribute to Firtash building up a transparent business group with Nadra becoming its financial center. Public trust in the bank is also getting better: the bank increased retail deposits 45% YTD in 1H13.
- Over the last two years, the bank was writing back its loan loss provisions, which allowed report a profit. Its revenue declined almost threefold in 2012, which inflated its Cost/Income to 91% from 33% in 2011.
- The bank's key risk is its high long position in foreign currency: foreign currency loans exceed ForEx deposits by more than three times (as of end-1H13), putting the bank under new risk of loan portfolio decay in case of a hryvnia devaluation.
- The bank reported its exposure to related party lending was 0.02% of its assets as of end-2012, while auditors explicitly wrote this number should be much bigger.
- We see the owner's commitment to support the bank as Nadra's main strength. Still, we see the bank's Eurobonds are too expensive for a bank that has no credit rating from a recognized international agency.

	NADRA 17
Outstanding, USD mln	75
Maturity	Jun-17
Coupon	8.0/A
Fitch / S&P / Moody's	WD / na / WD

Ownership structure

Centrgaz Holding (Dmytro Firtash)	90%
Other	10%

Mid-YTM



Key 1H13 numbers

Regulatory capital, UAH mln	20,044
CAR	29.49%
Regulatory capital to assets	19.46%
Loans to deposits	0.88x
Net position in foreign currency, UAH mln	-4,974
% of regulatory capital	-25%
ROE annualized	1.0%
YTD change of deposits	-2.6%
YTD change of loan portfolio	-4.5%
YTD change of securities	83.9%
YTD change in total assets	4.2%

** Interpolated yield curves of sovereign bonds of the same maturity as NADRA 17*
Source: Company data, Bloomberg, Concorde Capital research

Nadra Bank financial summary (IFRS)

Balance Sheet, UAH mln

	2011	2012
Cash	1,402	1,470
Accounts with NBU	1,832	740
Accounts with other banks	468	193
Net loans	18,545	19,670
Securities portfolio	155	99
PP&E	1,323	1,247
Other assets	326	585
Total assets	**24,051**	**24,004**
NBU funding	9,419	9,357
Other banks funding	637	446
Client accounts	8,000	8,092
Bonds issued	461	503
Subordinated debt	339	649
Other liabilities	3,226	2,830
Total liabilities	**22,082**	**21,877**
Equity	**1,969**	**2,127**

P&L summary, UAH mln

	2011	2012
Interest income	2,630	1,836
Interest costs	-1,364	-1,440
Net interest income	**1,266**	**396**
Net fees and commissions	99	133
Other incomes/costs	837	270
Total income	**2,202**	**799**
Operating costs	**-723**	**-728**
Loan loss provisions	**234**	**101**
Profit before tax	1,713	172
Net profit	**1,646**	**157**
ROAA		**0.7%**
ROAE		**7.7%**
Cost / Income	**33%**	**91%**

Source: Company data, Concorde Capital research

Finance and Credit Bank (F&C Bank)

Bank profile

F&C Bank is ranked 14th by assets in Ukraine (end-1H13). It is mostly a corporate lender (84% of its loan portfolio as of June-2012 was to business), while it depends on retail deposits (72% of total deposits) on the liabilities side. The bank is reportedly controlled by Kostyantyn Zhevago, the majority owner of Ferrexpo. F&C is one of the most distressed banks that suffered from the 2008 crisis and is now heavily dependent on NBU support (NBU loans to equity were 2.9x as of end-2012).

Investment case

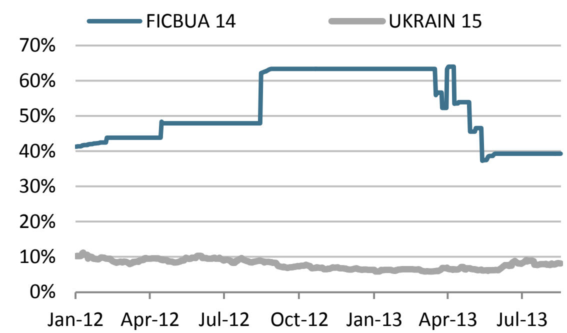
- The bank won't have any trouble in repaying the bond. Its end-June cash position was USD 190 mln, which is twice as much as the amount of outstanding Eurobonds it has to repay in half a year.
- The bank remains ill-capitalized, with end-1H13 CAR standing at 10.7%, or just above the 10% threshold. Auditors qualified the bank's 2012 results, estimating the bank should have written off an additional UAH 162 mln in loan loos provisions, which would have decreased the bank's CAR to 9.9%.
- F&C's net short position in foreign currency of USD 53 mln (18% of regulatory capital) puts the bank in need of an additional equity injection in case the hryvnia devalues any time soon.
- As we are not confident that F&C Bank's main owner has a clear commitment to support the bank, we believe its bonds are the most risky financial sector Eurobonds to invest in. Still, given the bank's hefty cash position, we do not expect it will default on its bond obligations.

	FICBUA 14
Outstanding, USD mln	95
Maturity	Jan-14
Coupon	10.5/SA
Fitch / S&P / Moody's	na / na / Caa1

Ownership structure

F&C Realty (Kostyantyn Zhevago*)	49.6%
Askania (Kostyantyn Zhevago*)	46.5%
Other	3.9%

Mid-YTM



Key 1H13 numbers

Regulatory capital, UAH mln	2,387
CAR	10.7%
Regulatory capital to assets	9.4%
Loans to deposits	1.4x
Net position in foreign currency, UAH mln	-419
% of regulatory capital	-18%
ROE annualized	0.2%
YTD change of deposits	9.3%
YTD change of loan portfolio	2.6%
YTD change of securities	-0.4%
YTD change in total assets	4.7%

** According to mass media reports*
Source: Company data, Bloomberg, Concorde Capital research

F&C Bank financial summary (IFRS)

Balance Sheet, UAH mln

	2011	2012
Cash	1,294	1,016
Accounts with NBU	453	592
Accounts with other banks	19	23
Net loans	16,892	18,427
Securities portfolio	260	257
PP&E	127	125
Other assets	1,567	1,366
Total assets	**20,612**	**21,806**
NBU funding	6,091	5,441
Other banks funding	1,200	1,010
Client accounts	10,717	12,253
Bonds issued	126	67
Subordinated debt	1,042	1,036
Other liabilities	108	116
Total liabilities	**19,284**	**19,923**
Equity	**1,328**	**1,883**

P&L summary, UAH mln

	2011	2012
Interest income	2,109	2,046
Interest costs	-1,726	-1,795
Net interest income	**383**	**251**
Net fees and commissions	357	412
Other incomes/costs	115	-277
Total income	**855**	**386**
Operating costs	**-738**	**-368**
Loan loss provisions	**-768**	**-13**
Profit before tax	-651	5
Net profit	**-531**	**3**
ROAA		**0.0%**
ROAE		**0.2%**
Cost / Income	**86%**	**95%**

Source: Company data, Concorde Capital research

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