



Oleksandr Klymchuk
 ok@concorde.com.ua
 +380 44 207 5037
 www.concorde.com.ua
 Bloomberg: CONR<GO>

Analyst's Notebook

Ukraine / Fixed Income
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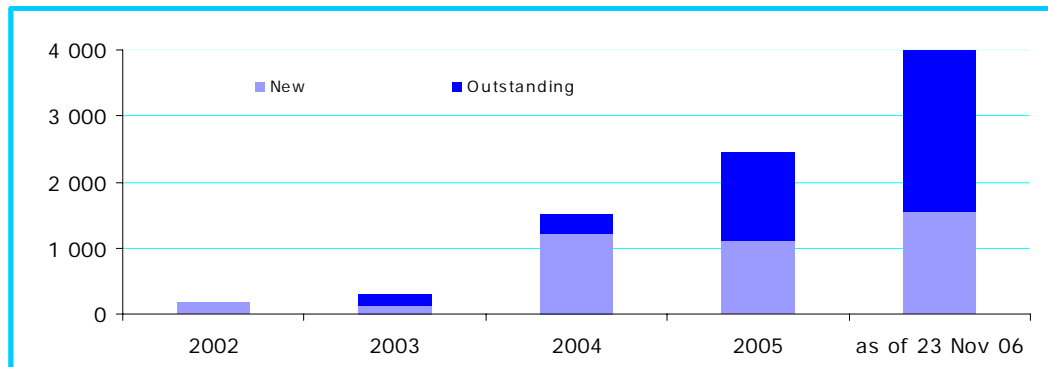
Ukreximbank Completes USD 500 mln Issue

On November 22, Ukreximbank sold loan participation notes for USD 150 mln, completing a USD 500 mln Eurobond issue. Strong demand resulted in a 1.25% premium, in contrast to its September placement which was sold at par.

Corporate Spur

Ukreximbank's success caps the most active period in Ukrainian corporate Eurobond history, during which six issuers placed Eurobonds in September-November, resulting in a record volume of primary market supply and increased the outstanding volume to nearly USD 4 bln, which is in line with our conservative forecast for 2006.

Corporate Eurobond Dynamics



Source: Bloomberg, Cbonds, Concorde Capital

Corporate Eurobond Leaders

The banking sector has the bulk of this year's issues and total outstanding volume, 63% and 53% respectively. Ukreximbank holds 28% of Ukrainian corporate Eurobond market, followed by Naftogaz and Kyivstar with shares of 12.5% and 11% respectively. These three companies also have the largest individual issues.

Largest Ukrainian Corporate Issues

Security	Issue Amount, USD mln
Naftogaz, 2009	500
Ukreximbank, 2011	500
Kyivstar GSM, 2009	266
Ukreximbank, 2009	250
Ukreximbank, 2012	250

Source: Bloomberg, Concorde Capital

Lack of High Profile Issuers

The record high volumes were attracted at a higher cost than last year. In 2006, the typical profile of a Ukrainian borrower was different than in 2005: most issuers had little or no external borrowing history. The weighted average cost of Eurobond placement in 2006, excluding higher profile Ukreximbank and PrivatBanks, is equal to 10.21%. On the other hand, quality was priced accordingly. PrivatBank's cost of borrowing this year is 151 bps lower than the average mentioned above; and Ukreximbank's placements are as much as 249 bps lower.

Corporate Eurobond Issues In 2006

Security	Issue Amount, USD mln	Issue date	Maturity	Coupon, %
PrivatBank, 2016	150	09.02.2006	09.02.2016	8.75
Ukreximbank, 2016*	125	09.02.2006	09.02.2016	8.4
Azovstal, 2011	175	28.02.2006	28.02.2011	9.125
Ukreximbank, 2011*	500	07.09.2006	07.09.2011	7.65
Soyuz-Viktan, 2008	70	18.09.2006	26.03.2008	12.5
Forum Bank, 2009	100	18.10.2006	30.10.2009	10
Furshet, 2009	75	07.11.2006	07.11.2009	10.5
Finance & Credit Bank, 2010	100	10.11.2006	25.01.2010	10.375
Myronivsky Khiboproduct, 2011	250	22.11.2006	30.11.2011	10.25

* The issues were reopened in November: the subordinated bond issue maturing in 2016 was increased by USD 30 mln, bonds maturing in 2011 by USD 150 mln.

Source: Bloomberg, Concorde Capital

The relative lack of high profile issuers from Ukraine led to strong demand for state-owned Ukreximbank's (Ukraine's fifth largest bank in terms of assets) recent additional issue of USD 150 mln, which sold out in just four hours at 1.25% premium to par or 7.33% yield, 32 bps lower than the yield these bond were offered at in September.

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