



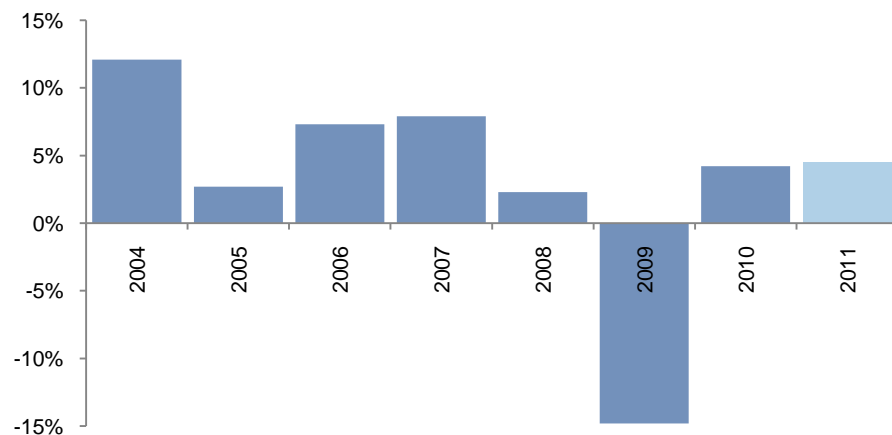
Trends in development of the corporate bond market in Ukraine

II Cbonds Russia & CIS Fixed Income Conference

London, September 2011

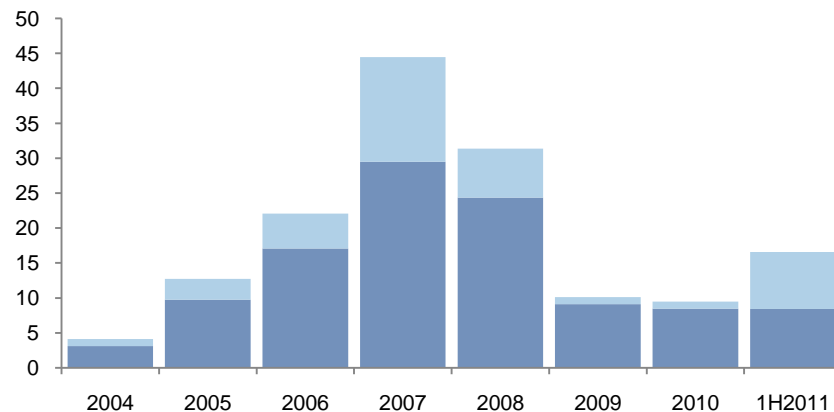
Bond market started to recover in 2H2010

GDP growth dynamics and forecasts, %



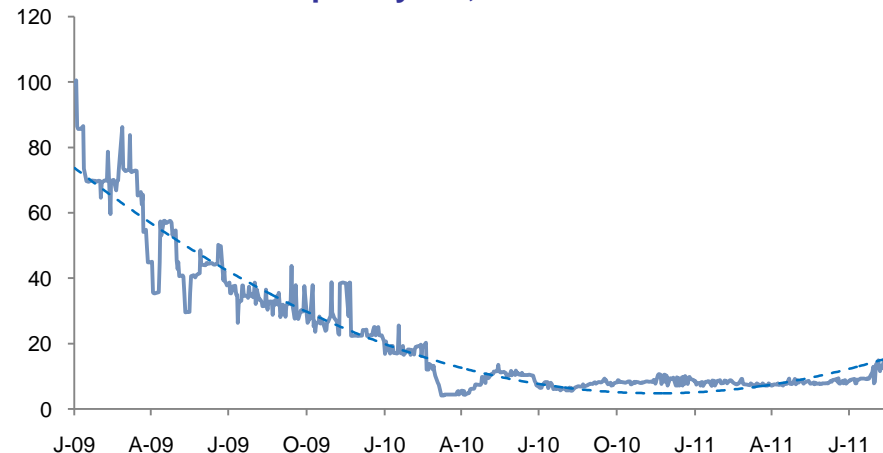
Source: UkrStat, IMF forecasts

Corporate bond volumes registered by SEC, UAH m



Source: SSMSC, ICU analysis

USD/UAH 1Y NDF implied yield, %



Source: Bloomberg, ICU

USD/UAH dynamics



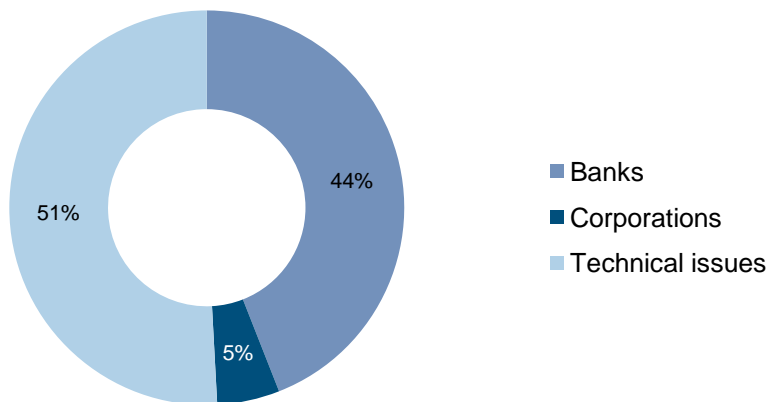
Source: Bloomberg, ICU

Corporate bank offering was presented mostly by bank bonds

Key facts

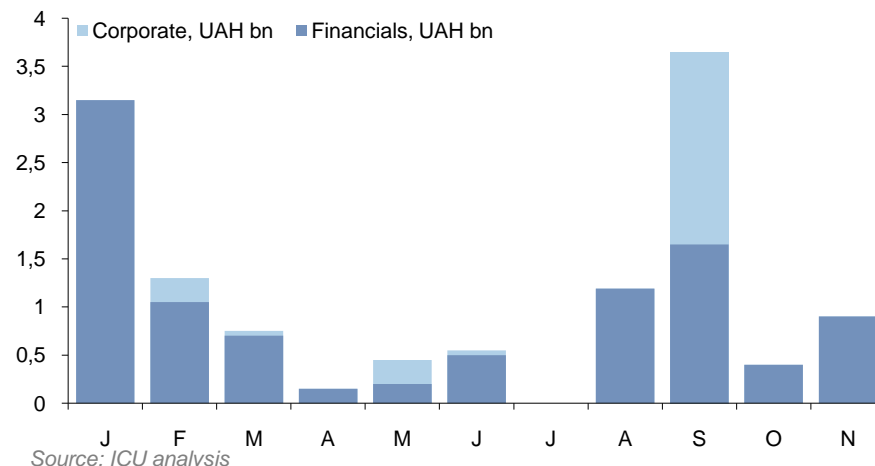
- Bonds issued by banks share in the total volume of bonds registered by SEC was 44% (90% excluding technical issues)
- Corporate bonds share was near to 5% (10% respectively).
- 90% of bank bonds were bought by foreign investors, instead of ca 90% of corporate bonds were bought by local investors
- Number of local and foreign investors was limited (10-20 buyers)

Registered bond issues structure, %



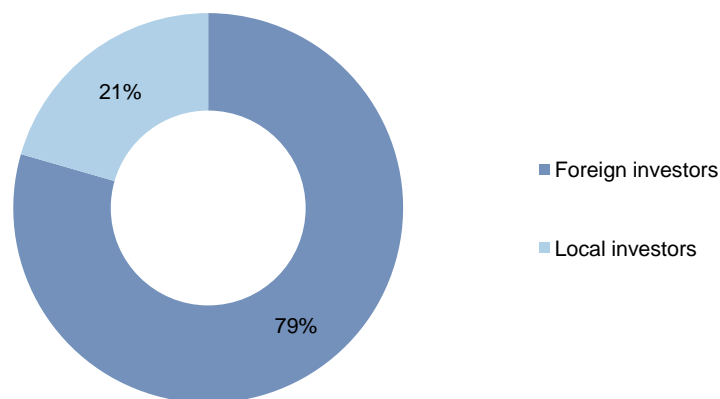
Source: SSMS, ICU analysis

Corporate bond offering, UAH bn



Source: ICU analysis

Ukrainian bonds investors structure



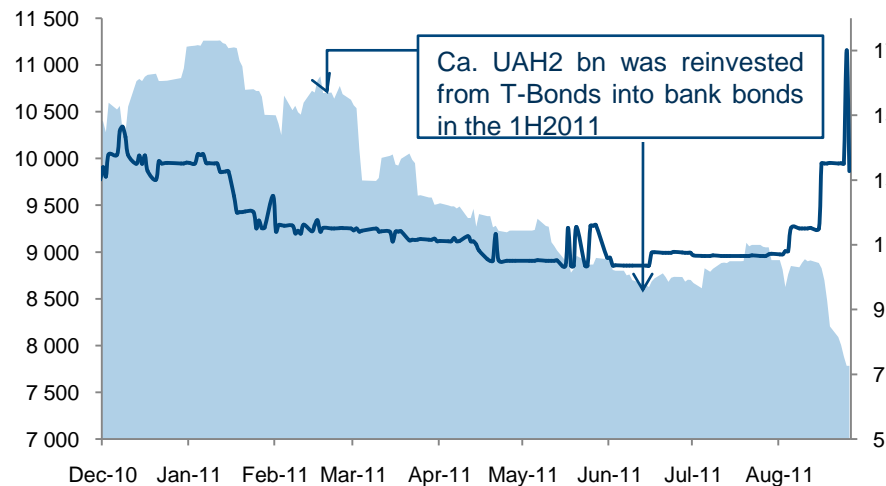
Source: ICU analysis

Russian banks were main bond issuers

Key facts

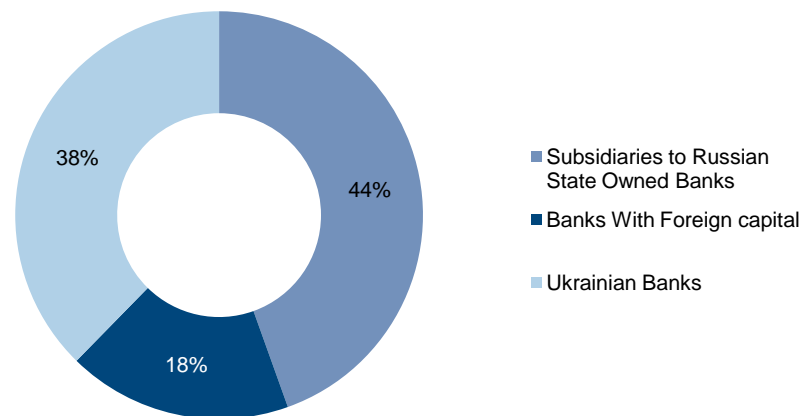
- Main bond issuers were subsidiaries to Russian state owned banks (Sberbank of Russia, PIB, VTB), some banks with foreign capital and Privatbank
- These banks were the most active lenders in Ukraine and their loan portfolio growth exceeded the banking system average level in 2010
- Foreign investors liked the credit of these banks and reinvested proceeds from Ukrainian T-Bill redemption or sale into bank bonds as OVDP yield continued to decrease over the 1st half of 2011

Ukrainian T-Bill owned by foreign investors, UAH bn



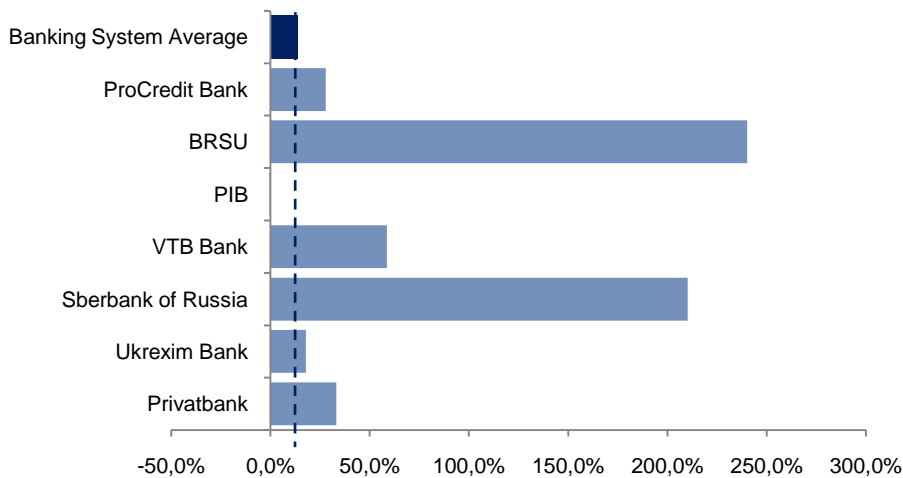
Source: NBU, Bloomberg

Bank bonds offering structure by shareholders, %



Source: ICU analysis

Main bond issuers' loan portfolio growth in 2010, %



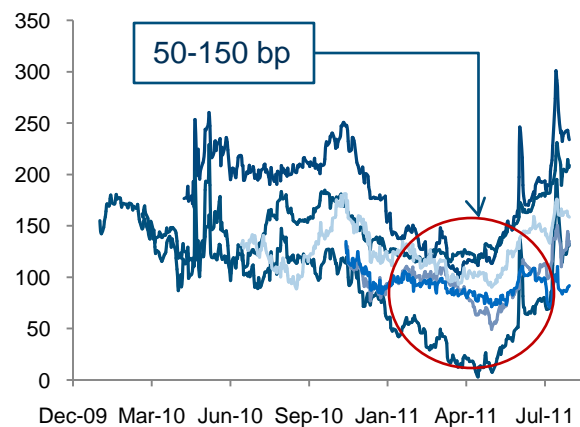
Source: Issuers' financial statement, NBU

Bank bonds yield map

Typical bond structure

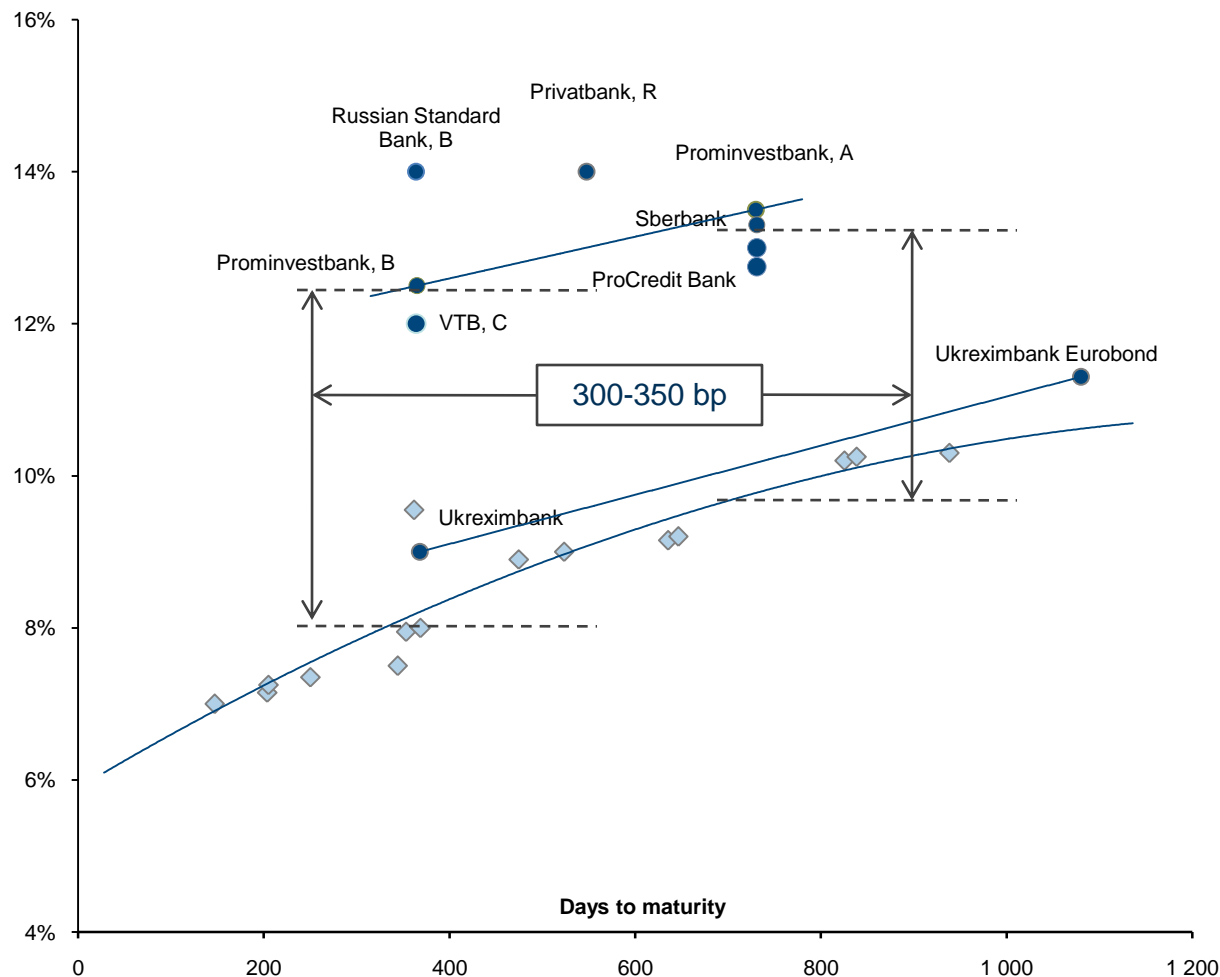
- Size: UAH100-500 m
- Maturity (Put option) – 1-2 years
- Yield to maturity (to put) – 12-13,5%
- Average spread to T-Bills – 300-350 bp.
- Credit rating – Aaa.ukr

Russian state owned banks eurobonds spreads to Russia eurobonds, bp



Source: Bloomberg, ICU

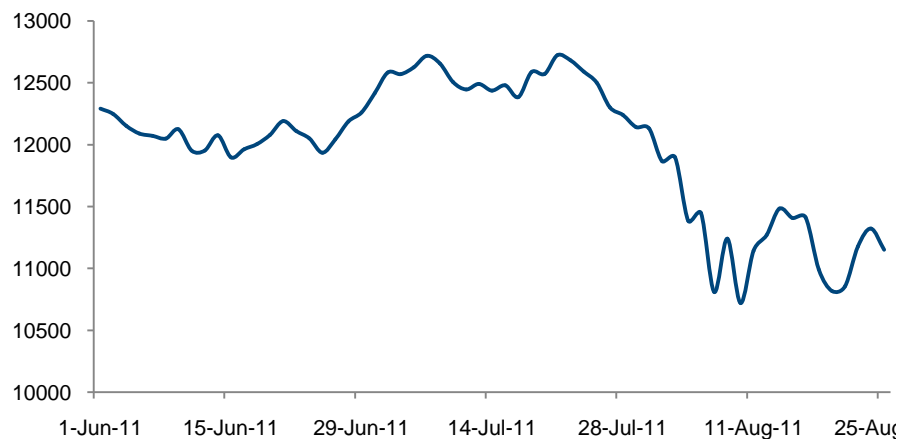
Bank bonds offering structure by shareholders, % bn



Source: ICU analysis

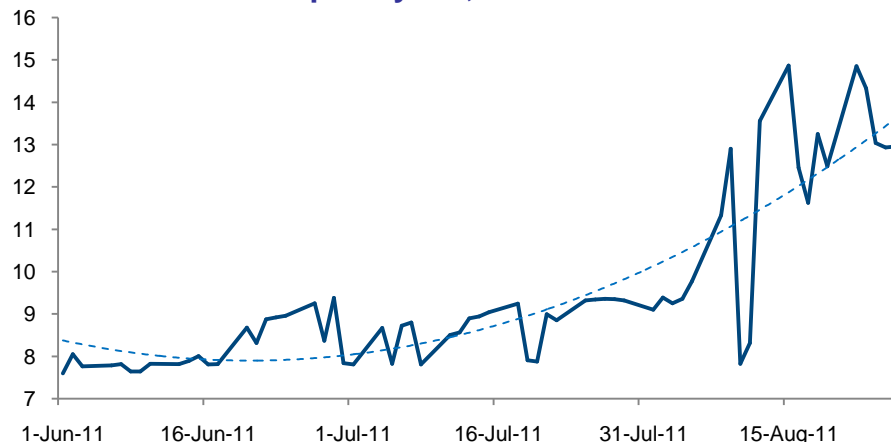
August 2011. Déjà vu?

Dow Jones Index



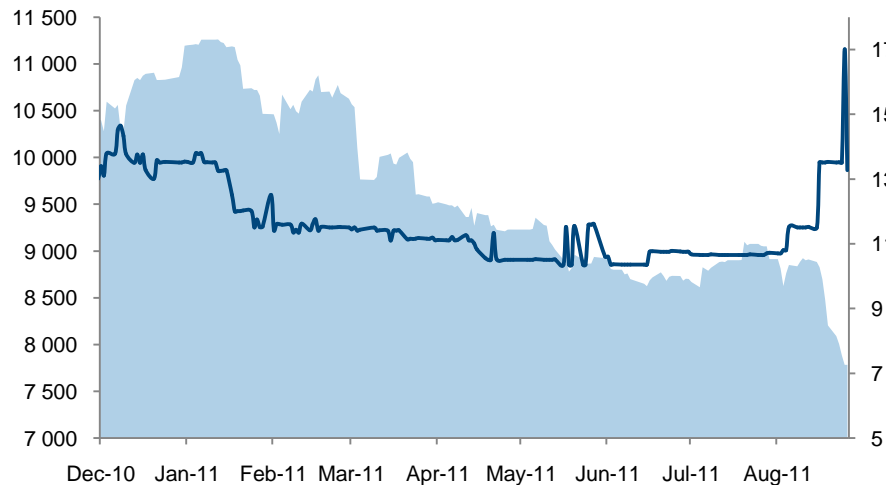
Source: Bloomberg

USD/UAH 1Y NDF implied yield, %



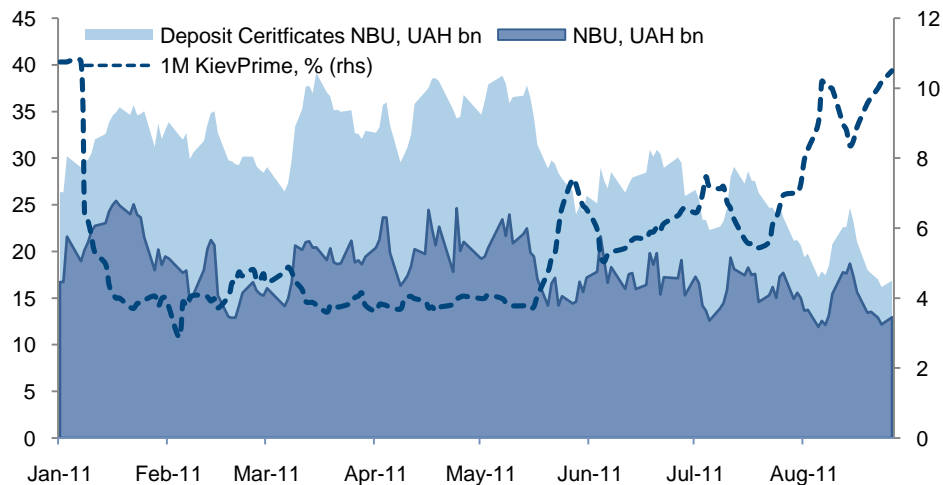
Source: Bloomberg

Ukrainian T-Bill owned by foreign investors, UAH bn



Source: Bloomberg, NBU

Banking sector liquidity indicators









Source: NBU, Reuters, ICU

Conclusions and forecasts

















- The bonds market has been heavily hit by the crises revealing 3 key weaknesses:
 - weak justice system/enforcement system;
 - weak corporate bonds market regulation;
 - weak corporate governance of the issuers.
- But the market was not destroyed. Investors and issuers are ready to use this instruments in their investments/funding programs.
- The market still divided in 2 parts: foreign investor part and local investor part. Foreign investors trade TOP tier bank bonds and are linked at macro indicators and global capital markets capital flows/sentiments, when local investors trade mostly corporate bonds and are linked to banking system liquidity. Secondary trading is weak in both parts of the market due to limited number of investors
- The market is poised for growth as demand for UAH funding is growing and infrastructure is developing. But we don't expect this growth to be stabile nor fast due to
 - global markets uncertainty
 - weak local investor base
 - weaknesses highlighted above.

Selected transactions on debt capital markets

Selected ICU's ongoing DCM transactions

<p>Ongoing</p>  <p>ProCredit Bank Україна</p> <p>UAH200m Bond placement</p>  <p>Lead manager</p> <p>Banking</p>	<p>Ongoing</p>  <p>VTB Bank Ukraine</p> <p>UAH1 000m Bond placement</p>  <p>Co-lead manager</p> <p>Banking</p>
<p>Ongoing</p>  <p>Pravex Bank</p> <p>UAH500m Bond placement</p>  <p>Co-lead manager</p> <p>Banking</p>	

Selected DCM transactions completed by ICU


<p>04/11</p>  <p>Prominvestbank (VEB)</p> <p>UAH 1500m Bond placement</p>  <p>Sales agent</p> <p>Banking</p>	<p>04/11</p>  <p>Mega Bank</p> <p>UAH100m Bond placement</p>  <p>Sales agent</p> <p>Banking</p>	<p>03/11</p>  <p>Russian Standard Bank</p> <p>UAH100m Bond placement</p>  <p>Lead manager</p> <p>Banking</p>	<p>05/10</p>  <p>Donetsksteel</p> <p>UAH140m Bond placement</p>  <p>Lead Manager</p> <p>Metallurgy</p>
<p>11/08</p>  <p>VTB Bank Ukraine</p> <p>UAH500m Bond placement</p>  <p>Lead Manager</p> <p>Banking</p>	<p>11/07</p>  <p>Donetsksteel</p> <p>UAH600m Bond placement</p>  <p>Lead Manager</p> <p>Metallurgy</p>	<p>11/07</p>  <p>Energobank</p> <p>UAH100m Bond placement</p>  <p>Lead Manager</p> <p>Banking</p>	<p>11/07</p>  <p>Pravex Bank</p> <p>UAH250m Bond placement</p>  <p>Lead Manager</p> <p>Banking</p>

➔ Over UAH1,5bn raised on debt capital markets during 1H2011

Debt restructuring credentials

Selected DCM deals

December, 2010	Pending	Pending	March, 2009	March, 2009	June 2009
 Donetssteel Public and private debt portfolio restructuring US\$850m  Advisor Metallurgy	 Public and private debt portfolio restructuring US\$630m  Exclusive Advisor Machinery Group	 Public and private debt portfolio restructuring US\$180m  Exclusive Advisor Retail	 Public debt portfolio restructuring UAH70m  Exclusive Advisor Producer and distributor of alcoholic beverages	 Public debt portfolio restructuring UAH75m  Exclusive Advisor Producer and distributor of alcoholic beverages	Podillya CJSC Public debt portfolio restructuring UAH100m  Exclusive Advisor Agriculture


 ICU acted as advisor in debt portfolio restructuring than USD1.6 bn

Awards and achievements

Sales & Trading

- #1 Fixed Income Sales Team (Cbonds)
- #1 Government Bonds Trader (PFTS)
- #1 Corporate Bonds Trader (PFTS)

Underwriting

- Best Underwriter 1H2011 (Cbonds)

Research

- #1 Fixed Income Research Team in Ukraine 2010 (Cbonds)
- TOP-3 Equity Research Team in Ukraine 2010 (Cbonds)
- #2 Fixed Income Research Team in Ukraine 2009 (Cbonds)

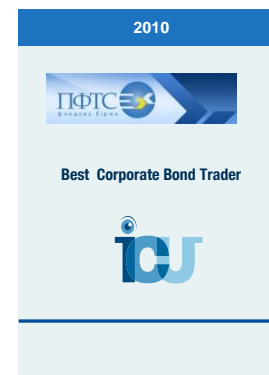
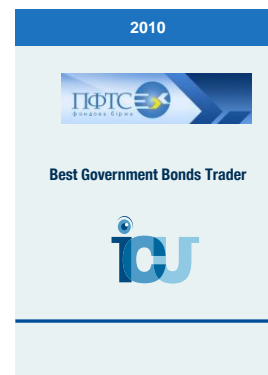
Asset Management


- Best Performing Fixed Income Fund 2010 (Cbonds)
- Rating TOP-100. Best Ukrainian Companies (2010)

Restructuring

- #1 Restructuring Agent 2009 (Cbonds)

Selected awards, 2010



 **ICU is a leading investment bank in Ukraine when it comes to fixed income market and debt restructuring**