



## UKRAINE - WEEK HIGHLIGHTS

**October 15, 2012:**

The negative balance of foreign trade in Ukraine in January-August 2012 continued growth and amounted to USD 10.1 billion, the State Statistics Service reported. Compared to January-July 2012 period deficit increased by USD 1.44 billion (or +16.6%), and compared to same period of 2011 increased by 23.6% (from USD 8.17 billion). Besides, compared to same period of 2011 exports of goods from Ukraine grew by 3% to USD 45.27 billion, and imports increased by 6.3% to USD 55.37 billion.

**October 16, 2012:**

Construction companies in Ukraine in January-September 2012 reduced the volume of works by 9.1% compared to same period of 2011 to UAH 42.08 billion, the State Statistics Service of Ukraine reported. In January-August 2012 reduction of construction volumes in comparison with the same period of previous year was calculated as 8% (UAH 35.67 billion). In 2011 this indicator increased by 11.1% compared to 2010 to UAH 60.45 billion.

Retail trade turnover at constant prices in Ukraine in January-September 2012 increased by 16% compared to January-September 2011, the State Statistics Service of Ukraine reported. In nominal terms the volume of retail trade in first 9 months of 2012 reached UAH 578.2 billion. In January-August (8 months of 2012) growth of retail sales also was calculated as 16% (UAH 504.82 billion in nominal terms).

**October 17, 2012:**

In September 2012 the National Bank of Ukraine sold EURO in amount of EUR 1.2 billion and purchased US dollars in amount of USD 150 million. The share of these currencies in international reserves decreased from 36.97% to 33.36% and increased from 42.37% to 45.7% respectively. Investments in the Australian dollar in September amounted to AUD 96.5 million, and the share of the currency in reserves increased from 9.17% to 9.77%. Analysts assume that Australian currency has good prospects for growth in the medium term, as the Australian economy mostly depends on the Asian countries, which did not shrink during the crisis as significant as in Europe. "Analysts expect that due to ongoing debt crisis in the Euro zone and a slowdown in the global economy by the end of the year international reserves of the NBU may decrease by another USD 1.5 billion.

In August 2012 the population of Ukraine decreased by 0.003% (1.2 thousand people) compared to July and amounted to 45 559.1 thousand, the State Statistics Service of Ukraine reported. At the beginning of the year population of Ukraine was 45 663.6 thousand people (decreased by 0.16% or 74.5 thousand people).

**October 18, 2012:**

In first 9 months of 2012 production of passenger cars in Ukraine decreased by 23.5% to 54.9 thousand units compared to same period of previous year, the State Statistics Service of Ukraine reported. Compared to August 2012 the decrease was 4.7%. Truck production in January-September 2012 decreased by 2.9% to 2 268 units compared to the same period of 2011, while bus production fell by 1.2% to 2 554 units. "UkrAVTO" ("ZAZ"), "Bogdan", "Eurocar", "AIS" ("KrAZ"), and "Etalon" (Chernihiv and Boryspil Automobile Plants) companies are the largest producers of passenger cars and buses in Ukraine.

**October 19, 2012:**

During September 2012 financial result of Ukrainian banks decreased by UAH 118 million from UAH 2.89 billion in 8 months of 2012 to UAH 2.78 billion as a result of 9 months activities, the National Bank of Ukraine reported. Total revenues of Ukrainian banks in 9 months of 2012 were UAH 110.8 billion, whereas expenses amounted to UAH 108.05 billion. In 2011 the financial result of Ukrainian banking system was negative and amounted to UAH 7.71 billion.

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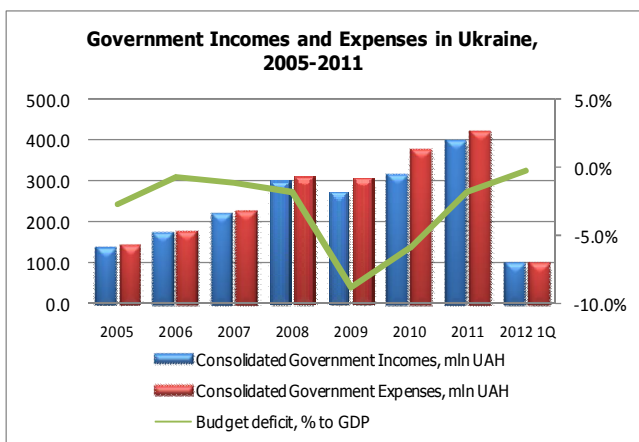
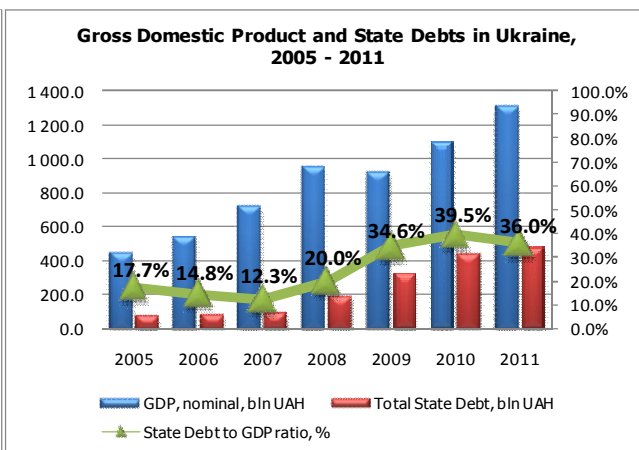
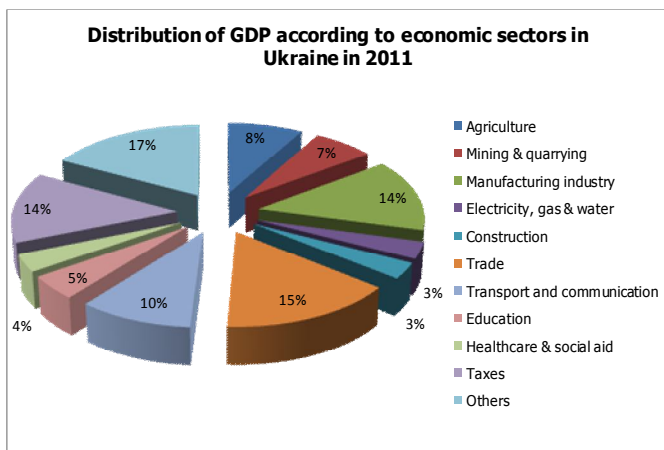
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UKRAINE ECONOMIC OVERVIEW

	2006	2007	2008	2009	2010	2011	2012 2Q	2012 Exp
USD/UAH exchange rate	5.05	5.05	7.7	7.985	7.9617	7.9898	7.9925	8.2
Nominal GDP, mln \$	107 753	142 719	123 124	114 555	137 484	164 460	81 164	182 927
GDP per capita, \$	2 303	3 067	2 662	2 492	3 003	3 604	1 781	4 023
Economic Growth, %	+7.3	+7.9	+2.3	-15.1	+4.2	+5.2	+2.3 (E)	+3.0
Industrial Production Index, %	+6.2	+10.2	-3.1	-21.9	+11.0	+7.3	+0.4	+5.0
CPI, %	+11.6	+16.6	+22.3	+12.3	+9.1	+4.6	+0.1	+8.0
PPI, %	+14.1	+23.3	+23.0	+14.3	+18.7	+14.2	+2.6	+12.0
Current Account Balance, % of GDP	-1.5	-4.2	-7.1	-1.6	-2.1	-5.5	-4.5	-3.0
Budget Balance, % of GDP	-0.7	-1.1	-1.8	-8.8	-5.9	-4.1	-1.5	-2.5
Total Foreign Debt, mln \$	54 512	79 955	101 659	103 323	117 343	126 236	126 883	130 000
State Foreign Debt, mln \$	12 661	13 849	18 538	26 519	34 760	37 475	34 530	43 000
Reserves, mln \$	22 358	32 479	31 543	26 505	34 576	31 795	29 318	28 000
Population, thnd people	46 646	46 373	46 144	45 963	45 779	45 634	45 562	45 470
Unemployment rate, %	7.4	6.9	6.9	9.6	8.8	8.6	9.1	9.0

Source: National Statistics Committee of Ukraine, National Bank of Ukraine, Ministry of Finance of Ukraine





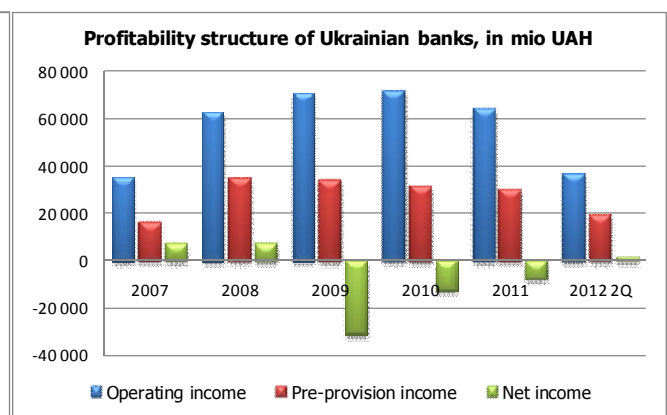
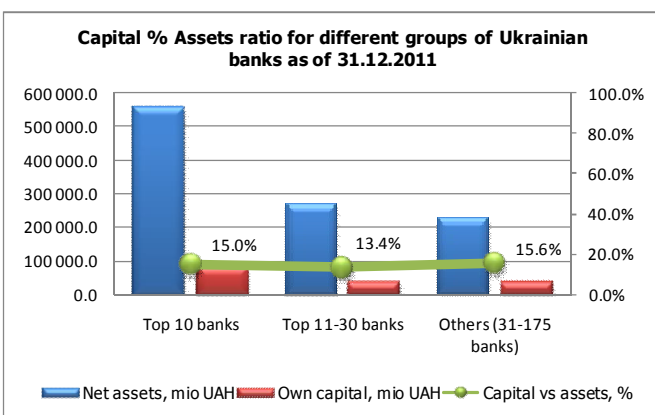
**BANKING SECTOR OVERVIEW**

Rating Agency	Last Update	Sovereign Rating of Ukraine
STANDARD & POORS	March 2012	B+ (negative)
MOODY'S	December 2011	B2 (negative)
FITCH RATINGS	July 2012	B (stable)
JCR Eurasia Rating	June 2012	B+ (stable)

	2011Y, mln USD	2012 Q2, mln USD	Ratio to net assets, %	Dynamics since the beginning of year, %
Total assets	151 632.8	156 595.6	113.3%	3.3%
Net assets	131 952.3	138 179.0	100.0%	4.7%
Loans to corporate	76 399.1	78 876.9	57.1%	3.2%
Loans to individuals	24 755.7	23 222.9	16.8%	-6.2%
Interbank loans	6 869.8	6 540.0	4.7%	-4.8%
Securities	10 906.3	13 006.4	9.4%	19.3%
Fixed assets	4 931.6	4 923.5	3.6%	-0.2%
Deposits of corporate	26 829.6	24 984.1	18.1%	-6.9%
<i>of them current, %</i>	<i>55.33%</i>	<i>54.11%</i>		
Deposits of individuals	38 867.7	42 922.4	31.1%	10.4%
<i>of them current, %</i>	<i>22.11%</i>	<i>22.11%</i>		
Share capital	21 510.5	22 582.4	16.3%	5.0%
Retained earnings	-5 487.6	-6 736.9	-4.9%	22.8%
Loss provisions	-19 680.6	-18 416.7	-13.3%	-6.4%
Net profit	-964.7	194.2	0.1%	246.2%

\* - Compared to same period of previous year (losses of banking sector of Ukraine in 2Q 2011Y were UAH 1 062.0 mln)

Official NBU USD/UAH exchange rates were used for calculations (7,9898 as of 01.01.2012; 7.9925 as of 01.07.2012).





## INTERNATIONAL FINANCIAL MARKETS - KEY DRIVERS

**October 15, 2012:**

The International Monetary Fund expressed its concerns that the Japanese government will not be able to reduce the budget deficit and public debt in the near future and by the end of the year public debt will amount to 237% of GDP. According to the annual review of the IMF, Japan is in a worse position than Greece, (198%) of GDP and Italy (126% of GDP). Despite the most amount of debt is domestic, which minimizes risks in the short term, the situation worsens due to the pressure from international investors and economists, who expect the government of Japan to take unpopular and decisive actions to stabilize public finances.

In September 2012 China set a new record on the amount of monthly exports volume, which increased to USD 186.35 billion (9.9% more than in September 2011), the Customs Administration of China reported. China's imports in September increased by 2.4% YoY to USD 158.68 billion. Trade surplus amounted to USD 27.67 billion. In total for 9 months of 2012 China's exports grew by 7.4% to USD 1.49 trillion, imports increased by 4.8% to USD 1.35 trillion, so that trade surplus amounted to USD 148.31 billion.

**October 16, 2012:**

The Portuguese Government announced a draft budget for 2013, implying a sharp increase in taxes. The draft budget assumes reduction of government spending next year by EUR 1 billion (increase of retirement age from 63 to 65, reduction in payments to employees for overtime work and sickness) and EUR 4.3 billion increase in budget revenues. In 2011 international creditors granted Lisbon EUR 78 billion of financial assistance in exchange for a commitment to reduce the budget deficit. Minister of Finance of the country Vitor Gaspar announced that these measures are the only way to fulfill the commitments. Portugal expects the budget deficit on the level of 5% of GDP in 2012 and on the level of 4.5% of GDP in 2013. The economy of the country declined last year by 1.7% and is expected to shrink by 3% this year and by 1% next year. Unemployment in Portugal is more than 15% and government assumes that it can reach 16.4%. About 1,000 people gathered in front of parliament on Monday as part of a protest against the government's decision.

**October 17, 2012:**

Moody's Investors Service confirmed the rating of Spain as Baa3, but kept the outlook "Negative". Previously, investors were worried about the possibility of Spain's rating to be downgraded to "speculative" level. "Combination of support for the Euro area and the European Central Bank and Spanish government's own efforts will allow the government to have access to capital markets at reasonable rates, giving it necessary time to stabilize situation with public debt in next few years," the agency assumed.

Inflation in Great Britain slowed in September 2012 to 2.2% yoy from 2.5% in August, the Office for National Statistics (ONS) of the country reported. This value coincided with expectations of analysts. Inflation rate in September was the lowest since November 2009. Increase in consumer prices compared to previous month was 0.4% in September, as expected.

**October 18, 2012:**

Greece and its international creditors agreed on most of the austerity measures and reforms necessary for the country to receive the next tranche of financial aid, creditors of the country informed. After long negotiations Athens, the European Union and International Monetary Fund seem to have come close to the conclusion of a comprehensive agreement that will allow Greece to avoid bankruptcy. However, both parties recognize that unresolved issues still remain. Discussion is still open about questions, which are concerned mainly with labor market reforms and some financial matters. Greek authorities expressed hope that the country will soon receive funds to help it stay afloat and avoid leaving the Euro zone. When an agreement is concluded, creditors' trio will report about the progress of Greece in meeting the conditions of financial aid program and determine whether the country is able to reduce its debt to sustainable levels.

**October 19, 2012:**

Unemployment in the United Kingdom unexpectedly decreased in September 2012 due to creation of new jobs at the Olympics held in London. This is the lowest average monthly level in the quarter since June 2011, when the unemployment rate was 8.1%.

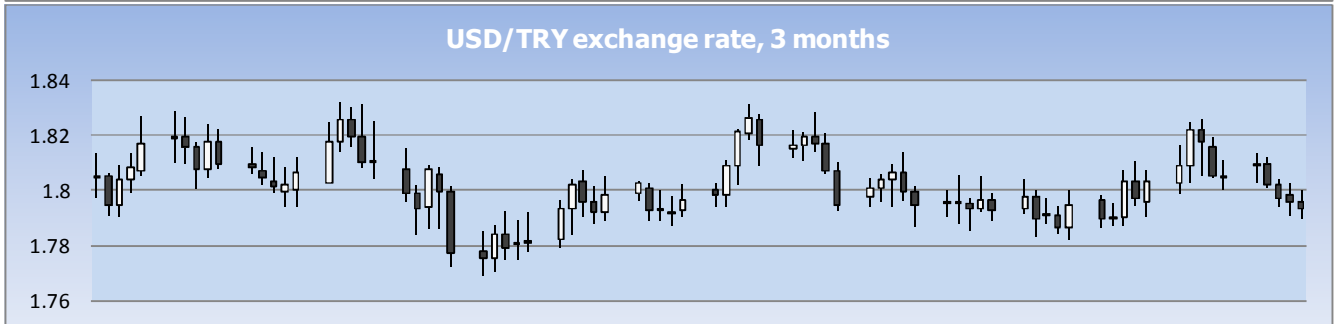
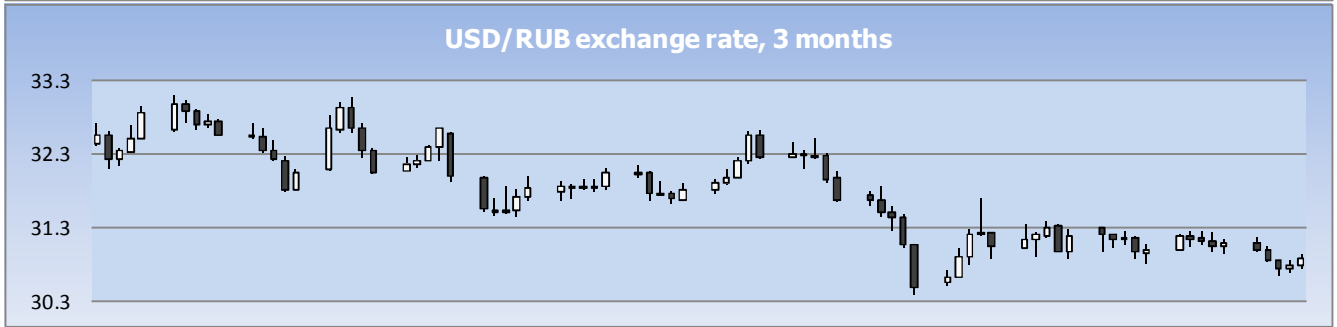
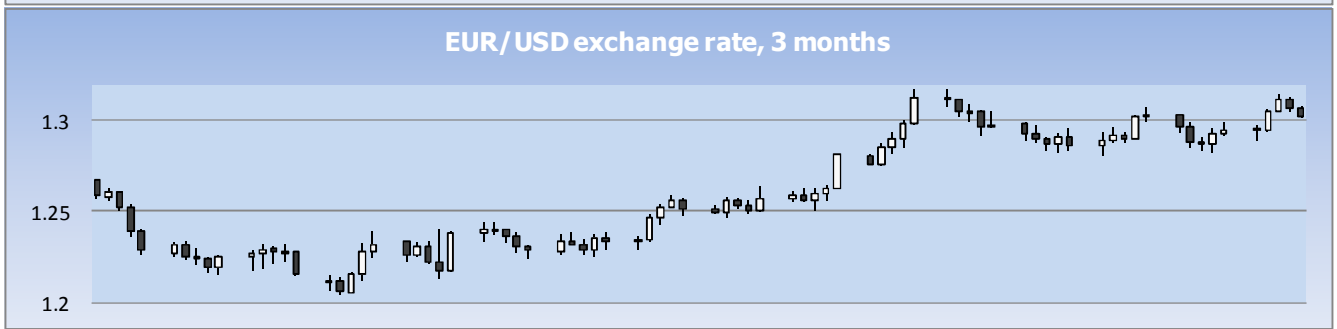
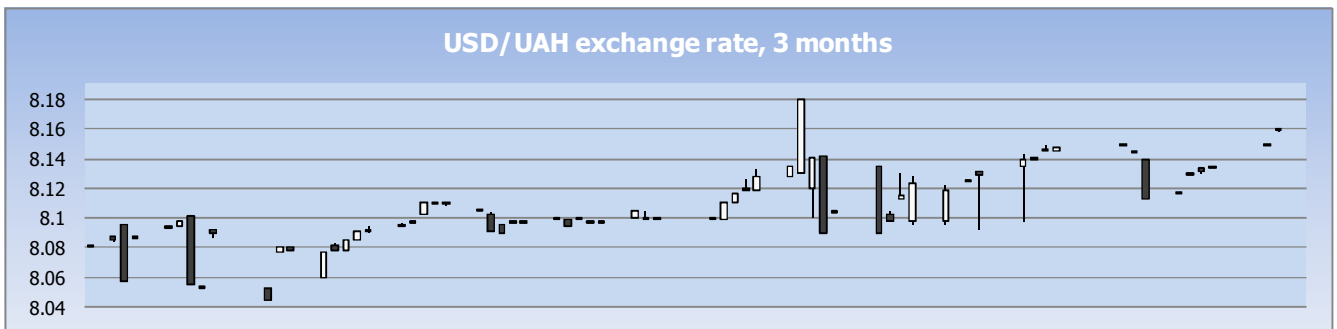


MONEY MARKETS

World Money Market indicators					Ukraine Money Market indicators				
		Value as of	Change in				Value as of	Change in	
		19.10.2012	1 Week, %	1 Month, %			19.10.2012	1 Week, %	1 Month, %
Euribor 3m	%	0.2040	-2.9%	-14.3%	KievPrime O/N	%	24.8500	29.0%	29.0%
Euribor 6m	%	0.4050	-2.4%	-14.2%	KievPrime 1m	%	27.8000	-7.7%	-7.7%
Euribor 12m	%	0.6410	-2.0%	-12.0%	KievPrime 3m	%	24.2000	10.0%	10.0%
Libor 3m	%	0.3173	-5.1%	-15.6%	KIEIBOR O/N	%	21.2100	10.5%	263.8%
Libor 6m	%	0.5594	-6.1%	-15.2%	KIEIBOR 1m	%	23.0800	2.6%	10.7%
Libor 12m	%	0.8965	-4.2%	-9.2%	KIEIBOR 3m	%	20.2500	-2.4%	0.4%

Source: Reuters

Source: Reuters, NBU





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