

## Market takes Ukrainian political unrest in its stride as record deals continue to price

*Issue: 999 - 13 April 2007*

**Political troubles in Ukraine did not dampen spirits in the loan market this week, with the launch of one new deal and the closure of successful transactions highlighting the optimism investors have shown about business in the country.**

Last week President Viktor Yushchenko announced plans to dissolve parliament and called for early elections on May 27, sparking demonstrations and riots in the capital, Kiev.

But the political disruptions have so far not affected deals in the market.

A \$150m two year debut loan for **Raiffeisen Bank Aval**, arranged by BayernLB, DZ Bank, HSBC and Standard Bank, will be increased to \$500m following a big oversubscription. The facility, which pays a margin of 220bp, was launched on March 16 and will be signed next Friday.

The transaction also set a new record as the first two year deal by a Ukrainian bank.

Among other deals completed this week, mandated lead arrangers Deutsche Bank and Standard Bank closed syndication of a \$325m one year facility for state owned **Ukreximbank**, which will be signed on April 19.

The deal raised over \$350m in syndication and was increased from the launch amount of \$100m. Investors were not discouraged by the narrow pricing of the deal, which paid a margin of 80bp and which set a benchmark as the tightest ever on a loan for a Ukrainian financial institution — Ukreximbank was last in the market in 2003 with a \$20m six month loan which paid 350bp.

"Syndication went remarkably well despite the fact the bank is owned by the state, which could have affected the deal," said one banker close to the transaction.

Concerns about political unrest in Ukraine did not stop new deals from coming to market either. The \$30m one year loan for **Bank Pivdennyi** was launched into syndication by mandated lead arrangers Landesbank Berlin, Standard Bank and VTB Bank. The transaction pays a margin of 260bp, and refinances a \$33m debut loan signed in March 2006.

Banks are being offered senior arranger tickets of \$4m paying 100bp, \$3m arranger tickets at 80bp, \$2m co-arranger tickets at 70bp and \$1m lead manager tickets at 60bp.

"New entrants in Ukraine might be deterred from committing big amounts," said one syndicated loans banker. "But it hasn't affected deals, and won't deter investors who understand the country. The market has been tested before, with the Orange Revolution in 2004 and with the hike in gas and oil prices." On January 1 2006, Russia briefly cut gas supplies to Ukraine following a dispute over price rises. Supplies were renewed after Ukraine agreed to an increase of 40% in gas prices, which is followed by another 40% increase this year.

But despite the political volatility in Ukraine, investors are still confident that the flow of deals to come out of the country since January this year will continue.

"It is highly unlikely that the loan market will be affected by the troubles," said another banker. "Banks have become used to dealing with political risk in Ukraine, and have come out of it unscathed before."