

PRESS RELEASE
Istanbul – February 25, 2014

JCR Eurasia Rating
downgraded Long Term FC and LC ratings of Ukraine to ‘B-’,
Short Term FC rating to ‘C’ and outlooks to “Negative”.

JCR Eurasia Rating, upon the finalization of negative watch following the beginning of social unrest in Ukraine marked by street protests in November, 2013 and having intensified later on, has downgraded Long Term FC and LC sovereign ratings of **Ukraine**, already located within the speculative grade, to ‘**B-**’ from ‘**B+**’ and Short Term FC rating to ‘**C**’ from ‘**B**’ while it has affirmed Short Term LC rating at ‘**B**’. All of ratings are downgraded to “**Negative**” outlook level. Detailed rating categories are listed in the table below:

Long Term Foreign Currency	: B- / (Negative Outlook)
Long Term Local Currency	: B- / (Negative Outlook)
Short Term Foreign Currency	: C / (Negative Outlook)
Short Term Local Currency	: B / (Negative Outlook)

The key drivers in this rating action by JCR Eurasia Rating were; expected protraction of aggravation in the current political situation accompanied by concerns of transparency of the next election expected to be held in May, 2014 and limping financial support by Russia evidenced by recent continued suspension of support packages following the initial disbursement of USD3 bn, which has been depending on uncertain outcomes of the current political turmoil.

The factors above expose Ukraine to risks of failure particularly in honoring its obligations denominated in foreign currency in light of reserves having drastically tapered within a short period affected by the efforts to stabilize exchange rates and worsening current account deficit.

Already vulnerable banking system, marked by exposure to high level of non-performing loans, is also expected to be adversely influenced through at least deterioration in asset quality taking into account high level of FC denominated loans within their balance structures. However, liquidity concerns are abated through well-capitalized structure of the banking system.

The fact that the worst developments seem to have already occurred with the bloodshed stopped through recent takeover by the opposition and ousting of the former President was a factor to mitigate further downgrade of the rating notes.

High FC denominated indebtedness level on public and private sectors is reflected in the affirmation and limited downgrade in the local currency ratings - evidenced by some degree of sustenance of domestic debt servicing capabilities of the government.

JCR Eurasia Rating also downgraded outlooks to Negative while it will monitor course of events in the political system – mainly the obscurity in political formation to dissolve, dispersed authority within the opposition movement to convene and external funding facilities from US, EU and specifically IMF in the periods to come - the latter also depending to an extent on the election results.

For more information regarding the rating results you may visit our internet site <http://www.jcrer.com.tr> or contact our analyst **Mr. Zeki Metin COKTAN**.

JCR EURASIA RATING
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