

CORPORATE EUROBOND PAYMENTS MONITOR

Last week's most notable event for the Russian debt market was the Russian President's signing of amendments to the decree on mandatory eurobond substitution, which should result in noticeable growth of the substitute bond market. Activity among eurobond issuers was low. Holders of Alfa Bank bonds agreed to amend the issue documentation, while SIBUR admitted the impossibility of making payments through the payment agent and announced plans to switch to payments to Type D accounts. In the meantime, the volume of payments over the next two weeks will be relatively high.

An important event for the Russian substitute bond market was the Russian President's signing of amendments to Decree #430 on mandatory eurobond substitution by January 1, 2024.

- The newly signed changes stipulate that all issuers of outstanding eurobonds must ensure fulfillment of their obligations to holders registered in local infrastructure by issuing substitute bonds in exchange for eurobonds by the end of 2023. It should be noted that there is no direct mention of the interests of holders whose rights are recorded in foreign infrastructure.
- The only way to avoid bond substitution is through a relevant decision by the government commission, with the decree providing for no other exceptions.
- Issuers that have already issued substitute bonds have the right to place an unlimited number of additional issues of such securities, provided that the total volume of issuance does not exceed the volume of outstanding eurobonds.
- If local holders refuse the substitution of bonds, obligations to them will be fulfilled via a split payment mechanism.
- The volume of the substitute bond market currently amounts to RUB 1.1 trln (\$14.9 bln), with a total of 31 bonds issued and two already redeemed. A number of issuers, such as Gazprom, LUKOIL, Sovcomflot, Metalloinvest and MMK, have substituted all their outstanding eurobonds, and some of them (Gazprom and Sovcomflot) have already conducted additional placements of a number of substitute issues.
- According to our estimates, the remaining volume of un-substituted corporate eurobonds with maturity after January 1, 2024 amounts to RUB 3.4 trln (\$42.0 bln). Given the average substitution volume, we estimate that the substitute bond market may grow in size by at least half of this amount. Around RUB 1.3 trln (\$16.4 bln) is comprised of outstanding eurobonds that were already substituted by their issuers. It cannot be excluded that some of these issues may be subject to the additional placement of substitute securities.

Over the coming two weeks, payments on 12 eurobond issues will be due (Table 3), including:

- **Russian Railways**, which is under UK blocking restrictions¹, will have to pay a coupon on its EUR-denominated issue maturing in 2027. The company is making payments in rubles through the NSD to investors whose rights are recorded in local depositories, subject to appropriate identification.
- **VEON** is due to make a coupon payment on the VIP 2027 issue. Previously, the company made payments through the external perimeter.
- **MTS** will have to repay its only outstanding eurobond issue in the amount of \$500 mln. The company has received investor consent to make direct payments in rubles. As reported earlier, payments to eurobond holders who have not applied for direct payments will be made in accordance with the initial issue terms, but only after obtaining all necessary permits from foreign and Russian authorities.
- **NLMK** is due to make payments in dollars and euros on two issues maturing in 2026. The company is making split payments to local and foreign bondholders.
- **STLC**, which is under EU, UK and US (SDN) blocking restrictions, will have to pay coupons on issues maturing in 2026 and 2029. As of now, the company is not making payments on eurobonds, although the management expects to resolve this problem by the end of 2023 (for details, see our "[Corporate eurobond payments monitor](#)" of May 3).

*Prepared for distribution on
5/23/2023 6:49:25 PM*

Andrey Kulakov, CFA, FRM
Head of Fixed Income Research
+7 (499) 277 25 30
Andrey.Kulakov@gazprombank.ru

Alexandr Kamyshanskiy
Analyst
+7 (495) 287 61 00 ext. 5-0597
Aleksandr.S.Kamysanskiy@gazprombank.ru

¹ Hereinafter, all information regarding entities included onto lists of restrictive measures imposed by foreign countries individually or collectively concerns exclusively the blocking restrictive measures imposed by the US, EU and UK.

- **Alfa Bank**, which is under US (SDN), EU and UK blocking restrictions, will have to pay a coupon on its perpetual eurobond. According to the bank, payments to holders whose rights are recorded in local infrastructure are being executed in rubles, while those to holders whose rights are recorded in foreign infrastructure are not being carried out, although coupons continue to accrue. It should be noted that the bank has never skipped a coupon on its perpetual bonds.
- **Credit Bank of Moscow**, which is under US (SDN), EU and UK blocking restrictions, is due to pay a coupon on its RUB-denominated issue maturing in 2025. In July 2022, the bank switched to payments to local holders in rubles through the NSD.
- **Sberbank**, which is under US (SDN), EU and UK blocking restrictions, will have to pay a coupon on its \$1 bln USD-denominated subordinated bond and redeem the issue. In November 2022, the coupon on this paper was paid to local holders in rubles through the NSD, while payments to holders whose rights are recorded in foreign infrastructure were not executed.

We note the following corporate events in recent weeks:

- **Alfa Bank**, which is under US (SDN), EU and UK blocking restrictions, announced that its eurobond holders' general meeting approved amendments to the terms of its EUR 350 mln eurobond issue with maturity in 2023 and a coupon rate of 2.7%. The changes include the company's right to conduct settlements in rubles through local infrastructure.
- **SIBUR** stated that due to current difficulties with payment processing, it will cease making payments through the payment agent, as part of the funds previously transferred to the latter did not reach investors for reasons beyond the issuer's control. Instead, the company will now consider payments through Type D accounts.
- **Metalloinvest**, which is under US (SDN) blocking restrictions, has notified holders of its eurobonds maturing in 2028, coupons on which were due on April 22, of the paying agent's refusal to distribute coupons between clearing systems, while payments to holders whose rights are recorded in Russian depositories were made. It should also be noted that substitute bonds were issued to ensure payments to local holders.
- **LUKOIL** has completely fulfilled its obligations with regard to the redemption of its USD-denominated Lukoil 23 issue. The repayment was made directly to holders who chose such a settlement method. The company also made a successful payment through the paying agent, which confirmed the receipt of funds. Payments to holders registered in Russian depositories were made through the NSD, while those on substitute bonds were executed through the internal perimeter.
- To remind, **Sovcomflot**, which is under UK blocking restrictions, on May 22 ended the collection of applications for an additional issue of its substitute bonds with maturity in 2028.

Table 1. Eurobond issuers overview

ISSUER	STATUS
NON-FINANCIAL SECTOR	
ALROSA	<ul style="list-style-type: none"> ALROSA is under US (SDN) and UK blocking restrictions. Since August, the company has been making ruble payments to bondholders whose rights are recorded in Russian infrastructure. Payments to investors whose rights are recorded in foreign depositories remain technically impossible. The company is seeking options to fulfill its obligations.
Borets	<ul style="list-style-type: none"> Borets placed RUB 221 mln in substitute bonds in exchange for its 2026 eurobond issue, equal to 63% of the eurobond's outstanding volume. With regard to the same issue, the company earlier received consent to change the trustee as well as make technical changes to the terms of the issue regarding cancelation of the bonds and extension of the grace period. On May 31, Borets transferred funds in full to the payment agent in accordance with the issue documentation for the redemption of its 2022 eurobonds.
Domodedovo	<ul style="list-style-type: none"> Domodedovo obtained consent to amend the terms of both of its outstanding issues (maturing in 2023 and 2028), namely to change the trustee and simplify the process of bond cancelation; to introduce a new payment mechanism and extend the grace period; and to move the deadline for overdue coupons. The company executed the payment of August coupons on both issues in rubles to local holders through the NSD. The payment to external holders did not go through due to the refusal of the payment agent to process the payment. The company intends to make such payments directly, which will require investor consent and documents confirming the ownership of eurobonds as of November 16.
Evraz	<ul style="list-style-type: none"> The company is under UK blocking restrictions. Evraz has obtained consent from eurobond holders to amend the terms of its issues maturing in 2023 and 2024. The changes include 1) a change of the trustee; 2) the introduction of a new procedure for replacing an issuer; 3) the removal of certain covenants; 4) the elimination of certain default events; and 5) simplification of the procedure to pass a resolution. In September, Evraz announced that it would not be able to pay coupons under current conditions. In July 2022, the company requested a necessary license from the OFSI but has yet to receive one. However, this license does not guarantee that the company would be able to execute payments due to possible problems when making a payment on the side of the payment agent and clearing systems. The company is considering various options that would allow it to fulfill its obligations to bondholders. In March, the company said that, due to restrictions in place, the redemption of the EVRAZ 2023 issue would not be executed in part or in full, despite sufficient liquidity.
Gazprom	<ul style="list-style-type: none"> Gazprom has placed substitute bonds for all of its outstanding eurobond issues and carried out additional substitute placements of the GAZPRU 4.95% 2027 USD, GAZPRU 4.25% 2024 GBP and GAZPRU 8.625% 2034 USD issues. Gazprom earlier received consent to amend the terms of the GAZPRU 4.95% 27 USD, GAZPRU 8.625% 34 USD, GAZPRU 4.95% 28 USD, GAZPRU 5.15% 26 USD, GAZPRU 7.288% 37 USD, GAZPRU 3.125% 23 EUR, GAZPRU 2.25% 24 EUR, GAZPRU 2.949% 24 EUR, GAZPRU 2.50% 26 EUR, GAZPRU 1.45% 23 CHF, GAZPRU 4.364% 25 EUR and GAZPRU 4.25 24 GBP issues. Among other things, the amendments involve a change of the trustee and clarification of the wording regarding cancelation of bonds.
GeoProMining	<ul style="list-style-type: none"> GeoProMining received consent from holders to change the terms of its eurobonds maturing in 2024. These include 1) direct payments on eurobonds, including in alternative currencies; 2) extension of the grace period from 7 to 30 days; and 3) simplification of the process for bond cancelation and a change of the trustee. The company paid the June coupon through the external perimeter in accordance with the issue documentation.
Global Ports	<ul style="list-style-type: none"> Global Ports' issue maturing in 2022 was redeemed in January. Following several buybacks, the outstanding volume of the Global Ports issue maturing in 2023 totals just \$82.95 mln. Global Ports made a payment on its issue maturing in 2023, including through the direct payment mechanism. Earlier, with regard to the above-mentioned issue, Global Ports obtained investor consent to change its terms, including the addition of a new payment mechanism that envisions not only direct

	<p>payments to investors in an alternative currency, but also payments to nominal, escrow or similar accounts opened in the name of investors (which implies the ability to make payments to Type D accounts); as well as simplification of the procedure for canceling bonds.</p>
STLC	<ul style="list-style-type: none"> STLC is under EU, UK and US (SDN) blocking restrictions. STLC stated in January 2023 that it is currently developing an optimal mechanism to fulfil obligations on its eurobonds. To this end, the company has engaged an independent legal consultancy. The top management announced that the issuer plans to solve problems related to eurobond payments by the end of 2023. The Minfin stated in March that the company must fulfil its obligations to local eurobond holders. The company is currently working on a relevant roadmap.
KOKS (IMH)	<ul style="list-style-type: none"> The company offered to holders of the issue maturing in 2025 several coupon payment options, including direct payments in rubles or dollars. KOKS (IMH) for the second time received consent from investors to change the conditions of its eurobond issue maturing in 2025, including: 1) a waiver of default events; 2) further extension of the grace period to 90 days; 3) simplification of the bond cancellation procedure; and 4) clarification of the earlier accepted calculation mechanism. At end September, KOKS (IMH) obtained investor consent to amend some terms of the above-mentioned issue, with the proposed changes including: 1) a change of the trustee; 2) the addition of a new payment mechanism that provides not only for direct payments to investors in an alternative currency, but also payments to nominal, escrow or similar accounts opened in the name of an investor (with the possibility to make payments to Type D accounts); and 3) extension of the grace period for coupon and principal payments to 50 days.
LUKOIL	<ul style="list-style-type: none"> LUKOIL obtained consent from holders of all five of the company's outstanding eurobonds to change the terms, including replacement of the trustee, the introduction of alternative payment options, and simplification of the procedure to cancel bonds. LUKOIL placed substitute bonds in a volume of \$563 mln as part of the exchange of the LUKOIL 23 (37.5% of the issue volume), \$254 mln as part of the exchange of the LUKOIL 31 (22%), \$257 mln as part of the exchange of the LUKOIL 27 (22.3%), \$316 mln as part of the exchange of the LUKOIL 26 (31.58%) and \$287.3 mln as part of the exchange of the LUKOIL 30 (19.2%). LUKOIL in 2022 conducted eurobond buybacks through the external perimeter and the NSD. The company offered all holders of the LUKOIL 23 issue maturing on April 24 to use a direct payment option during the redemption of the issue. The company later offered the same option for coupon payments on issues maturing in 2026, 2027, 2030 and 2031.
Metalloinvest	<ul style="list-style-type: none"> Metalloinvest has been under US (SDN) blocking restrictions since April 2023. The company informed holders of its eurobonds maturing in 2028 that the paying agent refused to distribute coupon payments due in April 2023 among clearing systems, whereas payments through local infrastructure have been executed. Earlier, the company placed substitute bonds worth \$286 mln as part of the exchange of eurobonds maturing in 2028 (43.9% of the outstanding issue) and executed a split payment on the remainder of its outstanding eurobonds. In addition, Metalloinvest earlier obtained investor consent for changes to the documentation of its eurobonds maturing in 2028, including a change of the trustee and the introduction of an alternative payment method, with payments to be made directly to Russian holders whose rights are recorded in Russian depositories. The company also received consent to simplify the procedure to reduce obligations on repurchased securities and an extension of the grace period to 30 days.
MMK	<ul style="list-style-type: none"> MMK is under UK and US (SDN) blocking restrictions. After being added to the US (SDN) list, the company applied for licenses that would allow it to make eurobond payments. MMK placed substitute bonds in exchange for its only outstanding eurobond issue maturing in 2024 in a volume of RUB 308 mln (62% of the outstanding issue). Earlier, the company obtained investor consent to amend the covenants of its eurobond issue maturing in 2024, including a change of the trustee and simplification of the bond cancellation procedure. In June 2022, the company failed to make a coupon payment or obtain investor consent to change the terms of its issue with regard to transferring the coupon payment and dividing payments.
MTS	<ul style="list-style-type: none"> MTS received investor consent to amend the terms of its issue maturing in 2023, namely 1) a change of the payment procedure, including the right to make direct payment to holders of eurobonds in rubles; 2) extension of the grace period from 30 to 60 calendar days for coupons due in November, and for other

	<p>payments – to 45 days; 3) a simplified process of eurobond cancellation; 4) a change of the trustee; and 5) authorization for MTS PJSC to take actions that only the issuer has the right to take.</p> <ul style="list-style-type: none"> • Payments to eurobond holders who have not applied for direct payments in accordance with the established procedure will be made in accordance with the original terms of the issue, but only after obtaining all necessary permission from competent foreign and Russian authorities. • Earlier, the company faced temporary difficulties in transferring to investors coupon payments due in May 2022.
NLMK	<ul style="list-style-type: none"> • The company is executing split payments to local and foreign bondholders. • Earlier, NLMK obtained investor consent to change the terms of all of its outstanding eurobond issues. The changes include the possibility to 1) make direct payments to holders of bonds held in Russian depositories; 2) make payments in alternative currencies; and 3) waive payments on bonds held by NLMK or other companies within the group and cancel bonds held by the group without having to transfer them to the registrar. The company also received consent to waive claims in case of any breach of issue covenants before December 31, 2022.
Nordgold	<ul style="list-style-type: none"> • Nordgold is under US (SDN) blocking restrictions. In June 2022, investors were offered to apply for a buyback of the company's eurobond directly to the issuer.
Nornickel	<ul style="list-style-type: none"> • The company is executing split payments to local and foreign bondholders. • Earlier, Nornickel obtained consent to make changes to the documentation of all of its outstanding issues, namely to 1) change the trustee; 2) introduce alternative payment schemes so that payments to investors whose rights are recorded in Russian depositories or to Russian residents registered in Euroclear/Clearstream can be made directly or through a Russian payment agent, including via the use of other securities or mechanisms that comply with Russian legislation; and 3) extend the grace period for principal and coupon payments to 30 days and simplify the procedure for changing the trustee.
NOVATEK	<ul style="list-style-type: none"> • The company announced the fulfillment of obligations related to coupon payments and redemption of the NVTKRM 22 issue separately in favor of local and foreign investors. • Earlier NOVATEK received consent from holders of the NVTKRM 22 to change the terms of the issue, including the possibility of direct payments in rubles (or using any other settlement mechanisms) to investors whose rights are recorded in Russian depositories, as well as extension of the grace period to 60 business days.
Petropavlovsk	<ul style="list-style-type: none"> • Petropavlovsk was not making payments and is now under external management. At the beginning of January, the company's creditors held a meeting, and on January 30, an approved scheme of arrangement came into force.
PhosAgro	<ul style="list-style-type: none"> • PhosAgro obtained consent to change conditions from holders of all issues, namely to change the trustee, simplify the cancellation of eurobonds, and introduce the possibility to make direct payments to eurobond holders or payments through other financial intermediaries, including the possibility of payments in alternative currencies. • Earlier, the issuer at its own discretion split the July coupon payment on the bond maturing in 2025, paying in rubles to investors whose rights are recorded in Russian depositories, while the remainder was paid in USD through foreign depositories (upon the receipt of permission from the Minfin).
PIK	<ul style="list-style-type: none"> • PIK has obtained consent from holders of its eurobonds maturing in 2026 to amend the terms of the issue, including the transfer of coupon payments to the maturity date, as well as the waiver of a number of covenants and default events. • At the beginning of August, PIK placed \$395 mln in a substitute local bond issue and planned to complete the substitution by the end of September. The exchange includes securities held by investors via the NSD. • Earlier, in May 2022, the company failed to pay a coupon citing "technical difficulties" and announced that it was considering several options to facilitate payments.
Polyus	<ul style="list-style-type: none"> • Polyus has been under US (SDN) and UK blocking restrictions since May 2023. • Earlier, Polyus obtained consent to split payments to local and foreign investors on all of its outstanding issues and began to make such payments. • Polyus announced the redemption of its issue maturing on February 7, 2023. In the external perimeter, the issuing company transferred funds in favor of the paying agent with subsequent notification from the latter that the payment was made to international clearing systems. The company also made a separate payment to local holders in the internal perimeter.

	<ul style="list-style-type: none"> Earlier, with regard to the issue maturing in 2028, Polyus gave notification of the transfer of part of the coupon to a trustee for interest payments to holders whose rights are recorded in foreign depositories.
RUSAL	<ul style="list-style-type: none"> RUSAL has obtained investor consent to split payments on all of its outstanding eurobonds and began making payments to local investors via the NSD and directly to foreign investors.
Russian Railways	<ul style="list-style-type: none"> Russian Railways is under UK blocking restrictions and has not made payments. On August 18, the company announced that it will make ruble payments on the issue maturing on April 5, 2022 to investors whose rights are recorded in local depositories, subject to appropriate identification. The company announced that it plans to make payments (including suspended ones) on other issues in a similar fashion.
Severstal	<ul style="list-style-type: none"> Severstal is under US (SDN) and UK blocking restrictions. On August 29, 2022, the company conducted early repayment of its issue due in 2022 and paid the accumulated coupon, including that due in April 2022. The payment was made in rubles to investors whose rights are recorded in Russian depositories. The company also announced that it made direct payments in rubles to investors registered in foreign depositories, and who chose the option of payment in rubles and fulfilled the necessary conditions. The company planned to continue to accept applications from such investors until November 17. The company obtained consent from holders to amend the terms of its issue maturing in 2024, including 1) permission to make direct ruble payments to local holders whose rights are recorded in the NSD or other local depositories, using Russian infrastructure; 2) extension of the grace period from five to 45 days; and 3) postponement of coupon payments due in March 2022 and September 2022 (payments were not made earlier). The company paid the coupon due on March 16, 2023 in rubles to local investors. Holders of the issue registered in foreign depositories are to submit to the company an application for direct payment within 30 days.
SIBUR	<ul style="list-style-type: none"> In May 2023, SIBUR notified its eurobond holders whose rights are recorded in the external perimeter that the payment agent refused to make payments. Instead, the company plans to execute payments via special Type D accounts. SIBUR has obtained consent from the government commission to buy back three eurobond issues and set the buyback prices. The buyback price will be \$700 in exchange for \$1,000 of par value for the issues maturing in 2023 and 2024, and \$650 in exchange for \$1,000 of par value for the issue maturing in 2025. SIBUR has obtained consent to change conditions from holders of all of its outstanding eurobond issues, including the introduction of a new payment mechanism. The changed payment mechanism provides not only for direct payments in favor of certain categories of investors with an option to choose an alternative currency, but also payments to nominal, escrow or similar accounts opened in the name of investors. Earlier, SIBUR obtained consent from holders of all three issues to replace the trustee and simplify the bond cancellation procedure. Thereafter, the company announced plans to cancel its proprietary eurobonds (issues maturing in 2023, 2024 and 2025) in a total amount of \$530 mln at par value.
Sovcomflot	<ul style="list-style-type: none"> Sovcomflot is under UK blocking restrictions and has not made payments. In early August, holders of the company's eurobonds maturing in 2023 and 2028 agreed to alternative payment mechanisms. Holders of eurobonds in the external perimeter are invited to contact the company directly. Sovcomflot placed local substitute bonds in a volume of \$317.8 mln (73.9% of the issue size) intended to replace the company's outstanding eurobond issue maturing in 2028, and in a volume of \$377 mln (76% of the issue size) to replace the company's outstanding eurobond maturing in 2023. Bonds substituting the company's eurobond issue maturing in 2023 were redeemed ahead of schedule in April 2023, in accordance with the terms of the issue. The company was collecting orders until May 22 for an additional substitution of its issue maturing in 2028 (up to \$112.2 mln).
Uralkali	<ul style="list-style-type: none"> In September 2022, Uralkali announced that it had received consent from bondholders to split payments on its eurobond issue maturing in 2024 and to carry out payments on September 15 for the coupon that was originally due in April, in line with the new payment scheme and with no penalty to be charged for the delay.
VEON	<ul style="list-style-type: none"> VEON is making payments in the external perimeter. The company announced a deal to sell its Russian business (VimpelCom) to the management and obtained consent from holders of two eurobond issues maturing in 2023 to amend their terms. Thereafter, the scheme received court approval. The company offered investors a 200 bps premium for their consent to change the issue terms. The premium will be paid upon maturity.

- The key adjustments are an 8-month maturity extension (until October 2023 for the issue with original maturity in February and until December 2023 for the issue maturing in April). In addition, an extra put option was included into the structure of both issues with a price of 102% of par value and validity for two weeks starting from the second day after the scheme comes into force. Thus, upon obtaining all the necessary permits and licenses, an event called Amendment Effective Day took place on April 4. The aggregate volume of the buyback of two issues within the framework of the put option totaled \$459.1 mln.

FINANCIAL SECTOR

Alfa Bank	<ul style="list-style-type: none"> Alfa Bank is under US (SDN), EU and UK blocking restrictions and is making payments in rubles through the NSD. Holders of eurobonds maturing in June 2023 with a coupon rate of 2.7% in the amount of EUR 350 mln accepted changes that will facilitate direct payments in rubles within local infrastructure. As for the subordinated issue maturing in 2023, the bank made payments only to the benefit of local holders through the NSD. No payments have been made to holders whose rights are recorded in foreign infrastructure.
Credit Bank of Moscow	<ul style="list-style-type: none"> Credit Bank of Moscow is under US (SDN), EU and UK blocking restrictions. In July 2022, the bank switched to payments to local holders in rubles through the NSD. On August 10, 2022, the bank provided eurobond holders with an updated register of holders of all outstanding issues.
Russian Agricultural Bank	<ul style="list-style-type: none"> Russian Agricultural Bank is under UK blocking restrictions. In April, a payment was made in rubles through the NSD, including via Type S accounts.
Sberbank	<ul style="list-style-type: none"> Sberbank is under US (SDN), EU and UK blocking restrictions. In May, a payment was made in rubles through the NSD, including via Type S accounts.
Sovcombank	<ul style="list-style-type: none"> Sovcombank is under US (SDN), EU and UK blocking restrictions. In April 2022, the bank announced a suspension of payments and a halt of interest accrual on two perpetual subordinated issues. Payments on the senior issue maturing in 2025 and the subordinated issue maturing in 2030 have been suspended, but interest continues to accrue. In July 2022, the bank conducted early repayment of the issue with maturity in 2025 in rubles (through the NSD to local holders, no data available on foreign holders). In November 2022, the bank completed the placement of local subordinated bonds that could be acquired with funds from the sale of eurobonds. The volume of the placement totaled \$163.6 mln, with a term to maturity of 8.5Y and a coupon rate of 6.5%. The papers are not substitute bonds. In February 2023, the bank offered to buy back four eurobond issues. The offer was effective until March 1, 2023.
Tinkoff	<ul style="list-style-type: none"> The bank is under EU and UK blocking restrictions. In February 2023, the bank obtained consent from eurobond holders to amend the documentation for two perpetual issues with regard to payment mechanisms. On August 24, 2022, the bank notified bondholders that settlement with Russian residents on two perpetual issues due in September will be made in rubles through local infrastructure, but in March 2023 the payments were cancelled (according to the terms of perpetual issues, the bank cannot distribute dividends in case of its failure to pay coupons). In June 2022, Tinkoff made a payment on its perpetual bond in accordance with the issue documentation.
VEB	<ul style="list-style-type: none"> VEB is under US (SDN), EU and UK blocking restrictions and is conducting payments in rubles through the NSD, including via Type S accounts.
VTB	<ul style="list-style-type: none"> VTB is under US (SDN), EU and UK blocking restrictions and is executing payments in rubles through the NSD. On August 24, 2022, the bank began the process of identifying its eurobond holders. VTB notified investors of a temporary suspension of payments on its USD-denominated subordinated perpetual issue starting from the payment dated December 6, 2022 and until the bank resumes paying dividends on ordinary shares. The issuer also announced temporary suspension of the accrual of coupons on a number of its local subordinated issues. VTB plans to decide on the possibility of resuming payments on its subordinated bonds by the end of 2023. VTB announced the intention to conduct payments in rubles on its three outstanding eurobond issues as well as the issue that matured in October 2022. Payments will be made in rubles to holders whose rights are registered in foreign depositories. As we understand, the bank is aiming to fulfill its obligations to residents of Russia or countries not included on the list of unfriendly jurisdictions via Type D accounts (subject to Decree No. 529).

Source: company data, open sources, Gazprombank

Table 2. Status of payments on Russian corporate eurobonds since April 2023

DATE	BOND ISSUE	ISIN	VOLUME OUTSTANDING MLN*	CURRENCY	REDEMPTION VOLUME* (NOMINAL CURRENCY, MLN)	COUPON*	PAYMENT STATUS
02.04.2023	Evraz 24	XS1843443273	700	USD		18	Payment not made.
03.04.2023	Petropavlovsk 24 conv	XS1843433555	38	USD		1	No data. No payments were made earlier.
04.04.2023	MCB 7.625 perp	XS2392969395	350	USD		7	To local holders executed in rubles.
05.04.2023	MCB 27	XS1589106910	440	USD		16	To local holders executed in rubles.
05.04.2023	Russian Railways 25 RUB	XS1843442465	20,000	RUB		878	To local holders executed in rubles.
05.04.2023	Sibur 23	XS1693971043	308	USD		6	Separate payments to internal and external investors.
06.04.2023	Gazprom 24 GBP	XS1592279522	850	GBP		18	Substitute bonds issued for payments to local holders. For eurobonds outstanding, funds are directed to the external perimeter.
07.04.2023	Russian Railways 23 RUB	XS1502188375	15,000	RUB		688	To local holders executed in rubles.
07.04.2023	Sovcombank 30 SUB	XS2010043656	274	USD		11	To local holders executed in rubles.
09.04.2023	VimpelCom 25	XS2058691663	1,000	USD		20	No data. Earlier, the company conducted payments within the external perimeter.
09.04.2023	Nord Gold 24	XS2060792236	400	USD		8	No data. In June 2022, the company asked foreign investors to submit proposals for the buyback of the eurobond issue.
11.04.2023	Alrosa 24	XS1843441731	500	USD		12	To local holders executed in rubles.
11.04.2023	Norilsk Nickel 23	XS1589324075	1,000	USD	1,000	20	Separate payments to internal and external investors.
14.04.2023	Polyus 28	XS2396900685	700	USD		11	Separate payments to internal and external investors.
15.04.2023	Gazprom 25 2.95 EUR	XS2157526315	1,000	EUR		30	Substitute bonds issued for payments to local holders. For eurobonds outstanding, funds are directed to the external perimeter.
16.04.2023	RussAgrBank 23 SUB	XS0979891925	500	USD		21	No data.
17.04.2023	AlfaBank 30 SUB	XS2063279959	850	USD		25	To local holders executed in rubles via the NSD. No payments have been made to non-residents whose rights are registered in foreign depositaries.
17.04.2023	STLC 25	XS1713473608	500	USD		15	No data.
19.04.2023	Russian Railways 7.9 24 RUB	XS1701384494	15,000	RUB		591	To local holders executed in rubles.
22.04.2023	MetallInvest 28	XS2400040973	650	USD		11	Substitute bonds issued for payments to local holders. On eurobonds, the coupon was paid to holders within the internal perimeter. No payments were made to external holders since the payment agent refused to process the payment.
22.04.2023	Uralkali 24	XS2010040397	500	USD		10	To local holders executed in rubles. No data available on payments within the external perimeter. Earlier, the company obtained consent to split payments.
24.04.2023	Lukoil 23	XS0919504562	1,500	USD	1,500	34	Substitute bonds issued for payments to local holders. For eurobonds outstanding, funds are directed to the external perimeter. The company has also offered the option of direct payments to foreign holders.
24.04.2023	PhosAgro 23	XS1752568144	500	USD	500	10	Separate payments to internal and external investors.
26.04.2023	AlfaBank 31 SUB	XS2333280571	350	USD		10	No data. Earlier, the company conducted payments on the subordinated issue via the NSD only to the benefit of local holders.
26.04.2023	VimpelCom 23 7.25	XS1400710726	700	USD		25	No data. Earlier, the company conducted payments within the external perimeter.
26.04.2023	Lukoil 31	XS2401571521	1,150	USD		21	Substitute bonds issued for payments to local holders. For eurobonds outstanding, funds are

							directed to the external perimeter. The company has also offered the option of direct payments to foreign holders.
26.04.2023	Lukoil 27	XS2401571448	1,150	USD		16	Substitute bonds issued for payments to local holders. For eurobonds outstanding, funds are directed to the external perimeter. The company has also offered the option of a direct payment to foreign holders.
26.04.2023	Sovcomflot 28	XS2325559396	430	USD		8	Substitute bonds issued for payments to local holders. No payments have been made within foreign infrastructure due to imposed restrictions. Holders of eurobonds within the external perimeter are requested to contact the company directly.
27.04.2023	Norilsk Nickel 26	XS2393505008	500	USD		7	Separate payments to internal and external investors.
28.04.2023	Gazprom 34	XS0191754729	1,200	USD		52	Substitute bonds issued for payments to local holders. For eurobonds outstanding, funds are directed to the external perimeter.
28.04.2023	Norilsk Nickel 24	XS2069992258	750	USD		13	Separate payments to internal and external investors.
30.04.2023	AlfaBank 6.95 Perp	XS1760786340	500	USD		9	No data. Earlier, the company conducted payments on the subordinated issue via the NSD only to the benefit of local holders.
02.05.2023	Lukoil 26	XS1514045886	1,000	USD		24	Substitute bonds issued for payments to local holders. For eurobonds outstanding, funds are directed to the external perimeter. The company has also offered the option of direct payments to foreign holders.
03.05.2023	Rusal 5.3 23	XS1577964965	491	USD	491	13	Separate payments to internal and external investors.
06.05.2023	Lukoil 30	XS2159874002	1,500	USD		29	Substitute bonds issued for payments to local holders. For eurobonds outstanding, funds are directed to the external perimeter. The company has also offered the option of direct payments to foreign holders.
06.05.2023	Sovcombank 7.75 perp	XS2113968148	194	USD		4	No interest payments or accruals are executed on perpetual issues.
17.05.2023	Sovcombank 7.6 perp	XS2393688598	300	USD		6	No interest payments or accruals are executed on perpetual issues.
22.05.2023	VEB 25	XS0559915961	1,000	USD		34	To local holders executed in rubles. To foreign holders the bank is paying to Type S accounts.
22.05.2023	VEB 23	XS0993162683	1,150	USD		34	To local holders executed in rubles. To foreign holders the bank is paying to Type S accounts.

* the sum of eurobonds and respective substitute bonds, where applicable

Table 3. Calendar of upcoming payments on Russian corporate eurobonds in May-June 2023

DATE	BOND ISSUE	ISIN	VOLUME OUTSTANDING MLN*	CURRENCY	PRINCIPAL REDEMPTION*	COUPON PAYMENT*	RISK OF NOT RECIEVING PAYMENT BY	
							LOCAL HOLDERS	FOREIGN HOLDERS
23.05.2023	AlfaBank 5.9 Perp	XS2410104736	400	USD		6		+
23.05.2023	Russian Railways 27 EUR (G)	XS1843437036	500	EUR		11		+
23.05.2023	SberBank 23 SUB	XS0935311240	1,000	USD	1,000	26		+
25.05.2023	VimpelCom 27	XS2252958751	1,250	USD		21	+	
25.05.2023	RusHydro 24 RUB	XS2082937967	15,000	RUB		506		+
26.05.2023	MCB 25R	XS1143363940	5,000	RUB		409		+
30.05.2023	MTS 23	XS0921331509	500	USD	500	12		
30.05.2023	NLMK 26	XS1843435337	500	USD		12		
31.05.2023	STLC 24	XS1577961516	500	USD		13	+	+
02.06.2023	NLMK 26 EUR	XS2346922755	500	EUR		7		
07.06.2023	VTB PERP	XS0810596832	2,250	USD		107	+	+
11.06.2023	AlfaBank 23 EUR	XS2183144810	350	EUR	350	9		+
13.06.2023	MMK 24	XS1843434959	192	USD		4		+
15.06.2023	NLMK 23	XS1405775617	434	USD	434	10		
15.06.2023	TinkoffPerp	XS1631338495	300	USD		7	+	+
16.06.2023	VimpelCom 24	XS1625994618	533	USD		13	+	
16.06.2023	Sovcomflot 23	XS1433454243	121	USD	121	3		+
18.06.2023	VimpelCom 25 RUB	XS2226716392	20,000	RUB		628	+	
19.06.2023	GPM 24	XS2008618501	300	USD		12		
20.06.2023	Tinkoff 6 perp	XS2387703866	600	USD		9		+
23.06.2023	Russian Railways (G) perp	CH1100259816	450	CHF		14		+
25.06.2023	Alrosa 27	XS2010030919	500	USD		8		+
25.06.2023	Moscow Credit Bank 24	XS1964558339	217	USD		8		+
29.06.2023	Gazprom 27 3.0	XS2196334671	558	USD		8		
30.06.2023	Gazprom 27 CHF	CH1120085688	500	CHF		8		

Source: company data, open sources, Gazprombank

* the sum of eurobonds and respective substitute bonds, where applicable

Research Department**+7 (495) 983 18 00****EQUITY SALES****+7 (495) 988 24 10****FIXED INCOME SALES****+7 (495) 980 41 82****FIXED INCOME SALES (ZURICH)**

Timon Sommer: +41 (0) 44 386 86 73

Sanela Hot: +41 (0) 44 386 86 79

FIXED INCOME SALES (LUXEMBOURG)*

Fixed-Income-Sales@gazprombank.lu

** For GPBL clients in the EU, please contact your sales manager at GPBL should you have any questions*

Copyright © 2003-2023. Gazprombank (Joint Stock Company). All rights reserved

This document has been prepared by the Research Department of Gazprombank (Joint Stock Company) (hereinafter referred to as "Gazprombank" or "we"), registered in Moscow, Russia, and licensed by the Central Bank of the Russian Federation. If this document contains a reference to "you", the reference is to you or your organization.

This document is not an individual investment recommendation in accordance with Federal Law No. 39-ФЗ dated April 22, 1996 "On the Securities Market" (hereinafter - Law No. 39-ФЗ), and the financial instruments or operations mentioned in it may not correspond to the investment profile and investment goals (expectations) of the addressee. Determining the compliance of a financial instrument or transaction with interests, investment goals, investment horizon and the level of acceptable risk of the addressee is the addressee's task. Gazprombank is not responsible for possible losses in the event of transactions or investments in financial instruments mentioned in this document, and does not recommend using this information as the only source of information when making an investment decision.

This document is not a marketing message, investment advice or personal recommendation as defined by the Markets in Financial Instruments Directive 2014/65 (hereinafter referred to as MiFID II).

At the same time, this document is an investment recommendation in accordance with the provisions of the EU Market Abuse Regulation 2014/596 (hereinafter - MAR) and was prepared in accordance with MAR and MiFID II, as well as with the policies, procedures and internal rules of Gazprombank in terms of regulation of conflicts of interest.

This document contains an independent explanation of the matters contained within and must not be relied upon as investment advice. It does not take into account whether an investment, course of action, or associated risks are suitable for the recipient. This material is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the particular needs of any specific person who may receive this report. Recipients should seek independent professional financial advice regarding the legal, financial, tax and regulatory consequences of any transaction as well as the suitability and/or appropriateness of making an investment or implementing any investment strategies discussed in this document and should understand that statements regarding future prospects may not be realised. Any information and opinions contained in the report are published for the assistance of recipients, but are not to be relied upon as authoritative or taken in substitution for the exercise of judgment by any recipient, are subject to change without notice and not intended to provide the sole basis of any evaluation of the instruments discussed herein.

This investment recommendation is based on information obtained from public sources believed by Gazprombank (Joint Stock Company) (hereinafter referred to as "Gazprombank" or "we") to be reliable, but we do not represent it as accurate or complete, and it should not be relied on as such. With the exception of information directly pertaining to Gazprombank, Gazprombank shall not be liable for the accuracy or completeness of any information shown herein.

We certify in this investment recommendation that (i) the views expressed in this investment recommendation accurately reflect our personal views about the subject company or companies and its or their securities, and (ii) no part of the analyst's remuneration was, is or will be, directly or indirectly, related to the specific recommendations or views expressed in this investment recommendation, and all opinions should not be regarded as Gazprombank's position. All opinions and estimates are given as of the date hereof and are subject to change without notice. All opinions herein represent solely analysts' personal opinion regarding the events and situations described and analyzed in this investment recommendation and may differ from or be contrary to the opinions expressed by business and investments divisions of due to using different approach or assumptions in making conclusions by them.

Investment recommendations may contain forecasts, projections and/or price targets that constitute the current judgment of the author as of the date of the relevant communication.

Gazprombank shall be under no obligation to update, amend this investment recommendation or otherwise notify anyone of any such changes. The financial instruments mentioned herein may be unsuitable for certain categories of investors. This investment recommendation is intended for Professional Clients identified by MiFID II.

This investment recommendation should not be the only basis used when adopting an investment decision. Investors should make investment decisions at their own discretion, inviting independent legal, financial, tax or any other consultants, if necessary, for their specific interests and objectives. Investors should note that financial instruments and other investments denominated in foreign currencies are subject to exchange rate fluctuations, which may adversely affect the value of the investment or financial instrument.

Gazprombank and its associated individuals (excluding any financial analysts or other employees involved in the preparation of this document) may (in various capacities) hold positions or enter into transactions, including securities (or related derivatives) identical or similar to those described herein. Gazprombank and / or its affiliates may also own securities of issuers under its analytical coverage.

Gazprombank and/or its affiliate(s) may make a market and/or provide liquidity in the instruments within the investment recommendation.

Gazprombank respects the confidentiality of information it receives about its clients and complies with all applicable laws with respect to the handling of that information. Gazprombank has enacted effective internal procedures in respect of informational barriers (including the establishment of "Chinese walls") which are designed to restrict information flows between different areas of the Gazprombank. For more information, please, use the link: <https://www.gazprombank.ru>.

Employees are paid in part based on the profitability of Gazprombank and its affiliates, which includes investment banking revenues.

To the fullest extent permitted by law, Gazprombank accepts no liability and will not be liable for any loss, damage or expense arising directly and indirectly (including, but not limited to, special, incidental, consequential, punitive or exemplary damages or any loss, damage or expense arising from, but not limited to, any defect, error, imperfection, fault, mistake or inaccuracy contained herein or any associated services, or due to any unavailability of this communication or any contents or associated services) from the use of any information contained on this website, including any information which may constitute an investment recommendation/research.

Any information contained herein or in the appendices hereto shall not be construed as an offer or a solicitation of an offer to buy or sell or subscribe for any securities or financial instruments or as any investment advertisement, unless otherwise expressly stated herein or in the appendices hereto. Past performance is not a guide to future performance. Estimates of future performance are based on assumptions that may not be realized.

Disclosures of conflicts of interest, if any, can be found in the Disclosures section.

Further information on the securities referred to in this investment recommendation can be obtained from Gazprombank upon request.

Redistribution or reproduction of this investment recommendation, wholly or in part, is prohibited without prior written permission from Gazprombank.

The MiFID II rules on inducements have not been taken into account in this document. Recipients should consider whether a particular Investment Recommendation/Investment Research qualifies an inducement under MiFID II. If you are required or otherwise wish to pay for this research, we will enter into a separate written agreement which shall set out the terms on which research is provided to you, including the charges payable by you for receiving such material.

For residents of Hong Kong: Research which relates to "securities" (as defined in the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong)) is issued in Hong Kong by, or on behalf of, GPB Financial Services Hong Kong Limited (GPBFSHK), which takes responsibility for that content. Information in this investment research shall not be construed to imply any relationship, advisory or otherwise, between GPBFSHK and the recipient or user of the investment research unless expressly agreed by GPBFSHK. GPBFSHK is not acting nor should it be deemed to be acting, as a "fiduciary" or as an "investment manager" or "investment advisor" to any recipient or user of this information unless expressly agreed by GPBFSHK. Please contact [Mr. Victor Yip (+852 2867 1883) GPBFSHK is regulated by Hong Kong Securities and Futures Commission. or Mr. Joseph Chu (+852 2867 1812)] at GPBFSHK if you have any queries on or any matters arising from or in connection with this investment research.

For GPB-Financial Services Ltd: The content of this investment research has been prepared within the meaning of Markets in Financial Instruments Directive 2014/65/EU (MiFID II). The information contained herein is provided for information purposes only and it is not a marketing communication, investment advice or personal recommendation within the meaning of MiFID II. The information must not be used or considered as an offer or solicitation of an offer to sell or buy or subscribe for any securities or financial instruments. GPB-Financial Services Ltd is regulated by the Cyprus Securities and Exchange Commission under license number 113/10.