



Russian sanctioned companies ordered to pay bondholders

On July 5, Russia's president signed an Executive Order on repatriation by residents participating in foreign economic activity of foreign currency and Russian currency. The decree also allows Russian companies with outstanding Eurobond issues to replace these securities by issuing new bonds. The Russian companies therefore were given the green light to issue new securities to meet obligations under outstanding Eurobonds.

If outstanding Eurobond issues are replaced with new securities the obligations to the holders of Eurobonds will be deemed to be "duly discharged" under Russian law. The new securities are to be issued with the same conditions (yield, terms of payments, maturity date, par value).

THIS IS GOOD NEWS FOR HOLDERS OF HARD CURRENCY BONDS ISSUED BY SANCTIONED COMPANIES.

Russian legal entities have also been ordered to fulfill obligations to holders of Eurobonds, **whose rights are recorded in the Russian depositories, by transferring funds in the manner specified by the Board of Directors of the Bank of Russia (details will follow later), or by issuing new bonds.**

This news is positive for local investors, who will finally get their due income from Eurobonds in line with the payment schedule. Newly issued securities will trade in a secondary market, and are supposed to be in demand by many Russian investors willing to invest in non-ruble assets without the risk of getting seized.

The new securities will be most in demand among sanctioned issuers who have cut off from foreign payment infrastructure and are still in negotiations with NSD (e.g. Severstal, MMC, State Transport Leasing Company), etc.

WILL NON-SANCTIONED COMPANIES PAY TWICE?

However, it is not yet clear how the order will apply to non-sanctioned issuers who have been meeting their obligations in line with bond prospectus (i.e. by sending funds in foreign currency to Euroclear accounts). For them, new bonds will be nothing but a bigger debt burden, provided they do not breach the original bond payment terms.

UPCOMING PAYMENTS BY THE END OF JULY

Sanctioned issuers who are due to make foreign currency payments by the end of July include Sovcomflot (\$5.1 mln), Alfa Bank and Promsvyazbank. Sibur, one of the issuers who previously paid in line with the bonds' prospectus, is due to pay a

coupon on July 8.

NEGATIVE NEWS FOR THE ROUBLE?

Since sanctioned companies will issue new hard currency bonds on the local exchange, additional demand for currency could weaken the rouble. According to our estimates, the outstanding bonds of sanctioned companies total \$25 bln.

Nearly 50% of this amount may be purchased through NSD, that is \$12.5 bln.

If non-sanctioned companies, particularly Gazprom, Phosagro, MTS and others, will have to issue bonds on a local exchange in exchange for those traded abroad, then the total amount of bonds (issued by Russian companies and banks) will increase to \$70 bln, implying a 50/50 split between the NSD and Euroclear.

LIST OF SANCTIONED ENTITIES

VEON			+		+	Aven, Fridman
Alrosa	+		+			
State Transport Leasing Company			+		+	
Evrast			+	+	+	Abramovich
Eurochem				+	+	Melnichenko
Koks				+	+	Zubitsky
Lukoil				+		Alekperov
Metalloinvest		+		+	+	Usmanov
MMK			+	+	+	Rashnikov
MTS				+		Evtushenkov
Novatek		+		+	+	Timchenko
Nordgold	+	+		+	+	Mordashov
Norilsk Nickel				+		Potanin
Polyus				+	+	Kerimov
Russian Railways			+			
Rusal		+		+	+	Deripaska, Vekselberg
Severstal	+	+		+	+	Mordashov
Sibur		+		+	+	Timchenko
Sovcomflot			+			
SUEK				+	+	Melnichenko
TMK				+	+	Pumpyansky
Uralkali				+	+	Mazepin
Phosagro				+	+	Guryev
Alfa Bank	+		+	+	+	Aven, Fridman
VTB	+		+		+	
VEB	+		+		+	
Promsvyazbank	+		+		+	
Moscow Credit Bank			+			
Russian Agricultural Bank			+			
Sberbank	+		+			
Sovcombank	+	+	+	+	+	Gusev, Khotimsky

the issuer is on the US SDN list

the issuer's assets are sanctioned by EU or UK

Source: ITI Capital, U.S., U.K. and EU regulators

UPCOMING PAYMENTS ON FOREIGN BONDS

Name	Currency	Amount outstanding, \$ mln	Next coupon date	Maturity date	Coupon payment, \$ mln	Final payment date	
						Grace period	incl Grace period
POGLN 8 1/4 07/03/24	USD	38	03.07.2022	03.07.2024	0.78	14 days	03.08.2022
CRBKMO 7 5/8 PERP	USD	350	04.07.2022		6.67	14 days	04.08.2022
VEBBNK 6.025 07/05/22	USD	1 000	05.07.2022	05.07.2022	30.13	5 days	05.08.2022
SIBUR 2.95 07/08/25	USD	500	08.07.2022	08.07.2025	7.38	10 days	08.08.2022
AKBARS 8 07/13/22	USD	600	13.07.2022	13.07.2022	24.00	5 days	13.08.2022
GAZPRU 3 1/2 07/14/31	USD	1 000	14.07.2022	14.07.2031	17.50	14 days	14.08.2022
GAZPRU 4.95 07/19/22	USD	1 000	19.07.2022	19.07.2022	24.75	3 days	19.08.2022
AKBPRS 13 1/4 01/22/26	RUB	8 000	22.07.2022	22.01.2026	6.93		22.08.2022
PHORRU 3.05 01/23/25	USD	500	23.07.2022	23.01.2025	7.63	5 days	23.08.2022
GAZPRU 4.5985 PERP	USD	1 400	26.07.2022		32.19	14 days	26.08.2022
SOVCOM 3.4 01/26/25	USD	300	26.07.2022	26.01.2025	5.10	5 days	26.08.2022
GAZPRU 2.95 01/27/29	USD	2 000	27.07.2022	27.01.2029	29.50	14 days	27.08.2022
CRBKMO 4.7 01/29/25	USD	581	29.07.2022	29.01.2025	13.65	5 days	29.08.2022
PGILLN 4.7 01/29/24	USD	323	29.07.2022	29.01.2024	7.58	10 days	29.08.2022
ALFARU 6 3/4 01/30/25	RUB	15 000	30.07.2022	30.01.2025	6.62		30.08.2022
PROMBK 9 1/2 PERP	USD	25	31.07.2022		1.19		31.08.2022
PROMBK 9 1/2 PERP	EUR	50	31.07.2022		2.49		31.08.2022
PROMBK 9 1/2 PERP	GBP	20	31.07.2022		1.17	14 days	31.08.2022
225.25							

Source: ITI Capital, Bloomberg

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