

Regional Fixed Income Market Watch

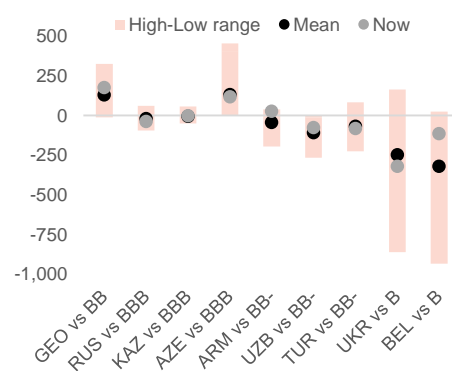
Georgia, Armenia, Azerbaijan, Belarus, Kazakhstan, Ukraine, Russia, Turkey, Uzbekistan

Regional | Fixed Income
 Monthly Market Watch
 July 7, 2020

Highlights

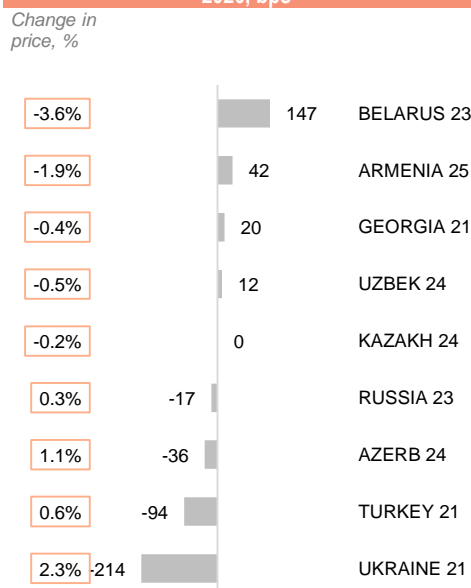
- IMF updated its World Economic Outlook in June 2020, slashing the 2020 global growth by 1.9ppts to negative 4.9% compared to April 2020 projections. Among the regional economies, detailed forecast is available only for Russia, with 6.6% contraction (vs. 5.5% in April 2020 update) expected in 2020, while Emerging and Developing Europe is forecasted to shrink by 5.8%. The IMF team expects a partial rebound in output from 2021, with global economy expected to grow by 5.4%, however this level is 6.5ppts lower compared to the pre-COVID-19 projections.
- The IMF underlined the degree of disconnect between the financial markets and real economy. Credit spreads have significantly narrowed, trimming c. 70% of recent widening. The report highlighted that the US investment grade corporate bond spreads are quite low, against higher spreads experienced during other economic shocks.
- Most of the regional central banks cut monetary policy rates during June. Notably, Georgia lowered key rate by 25bps to 8.25%, Armenia by 50bps to 4.5%, Azerbaijan by 25bps to 7.0%, Belarus by 75bps to 8.0%, Ukraine by 200bps to 6.0%, and Russia and Turkey cut the rates by 50bps to 4.5% and 8.25%, respectively. Kazakhstan and Uzbekistan have kept policy rates unchanged, at 9.5% and 15.0%, respectively.
- Exchange rates in most of the regional countries stabilised. GEL gained the most against USD during June, appreciating by 3.2%, KZT also strengthened by 1.5% in the same period. Other currencies remained mostly flat, with AMD and UAH appreciating slightly (+0.8% and +0.6%, respectively) and BYN and TRY losing value slightly (-0.3% and -0.4%, respectively), while RUB depreciated 1.5% during June.
- The market sentiments on the regional Eurobonds were mixed during June. UKRAINE 21 (4.6% YTM; 103.5 price) performed strongest, with the yield decreasing by 214bps in June, followed by TURKEY 21 (3.1% YTM; 100.3 price) down by 94bps during June. AZERB 24 (2.8% YTM; 106.7 price) and RUSSIA 23 (1.3% YTM; 109.2 price) gained 36bps and 17bps in yield, respectively. BELARUS 23 (6.7% YTM; 100.4 price) was the worst performer in June, with the yield increasing by 147bps, followed by ARMENIA 25 (4.2% YTM; 112.7 price) up by 42bps and GEORGIA 21 (3.8% YTM; 102.3 price) up by 20bps. Yield on UZBEK 24 (3.1% YTM; 105.5 price) increased slightly, up by 12bps, while KAZAKH 24 (1.7% YTM; 109.2 price) remained mostly flat.
- Among Georgian placements, GOGC 21 was the top performer with the yield dropping by 213bps in June, while another quasi-government GRAIL 22 decreased by 54bps in the same period. Among the Georgian banks, yield on BOG 23 dropped most, down 140bps in June, while yield on TBC 24 remained mostly flat (up 3.1bps). Yield on GEOCAP 24 widened by 25.1bps, while SILKNET 24 performed relatively better, with the yield decreasing by 85bps in June.

Regional sovereign Eurobond spreads vs peers, YTD



Source: Bloomberg, Galt & Taggart Research

Change in sovereign Eurobond yields in June 2020, bps



Source: Bloomberg

Country ratings

| | Fitch | Moody's | S&P |
|------------|-------|---------|------|
| Georgia | BB | Ba2 | BB |
| Russia | BBB | Baa3 | BBB |
| Kazakhstan | BBB | Baa3 | BBB- |
| Azerbaijan | BB+ | Ba2 | BB+ |
| Armenia | BB- | Ba3 | n/a |
| Uzbekistan | BB- | B1 | BB- |
| Turkey | BB- | B1 | BB- |
| Belarus | B | B3 | B |
| Ukraine | B | Caa1 | B |

Source: Fitch, Moody's, S&P

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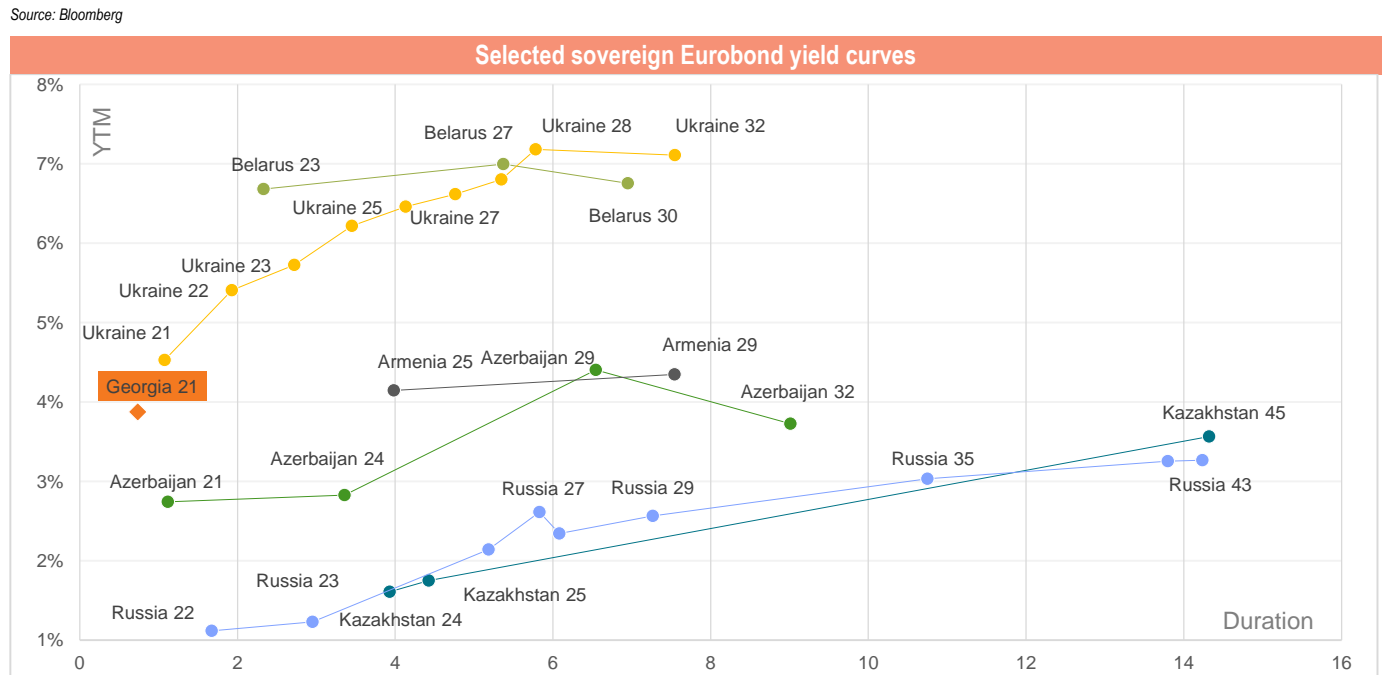
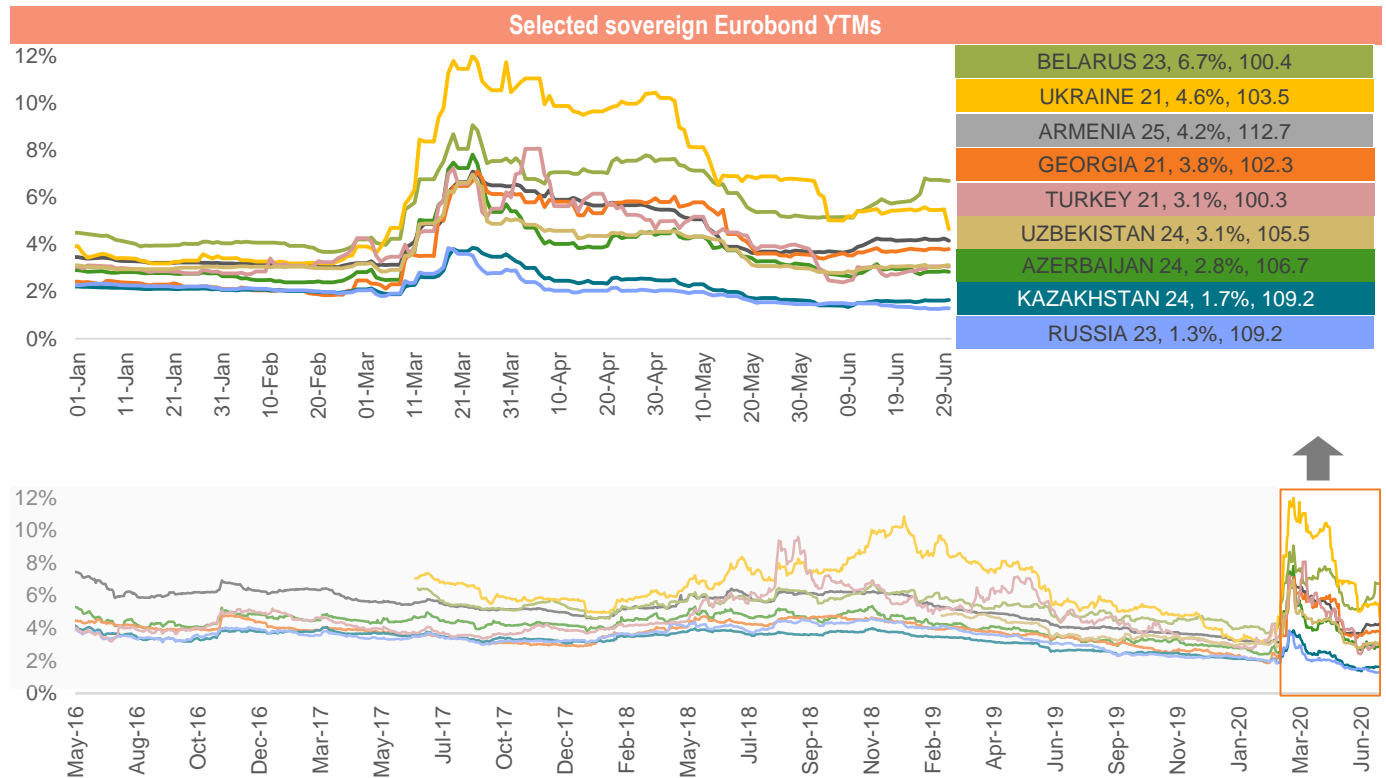
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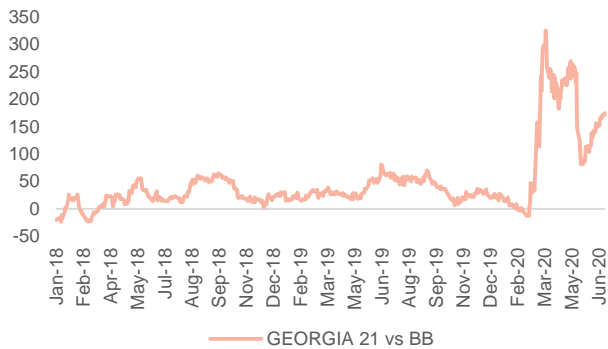


Sovereign Eurobond yields

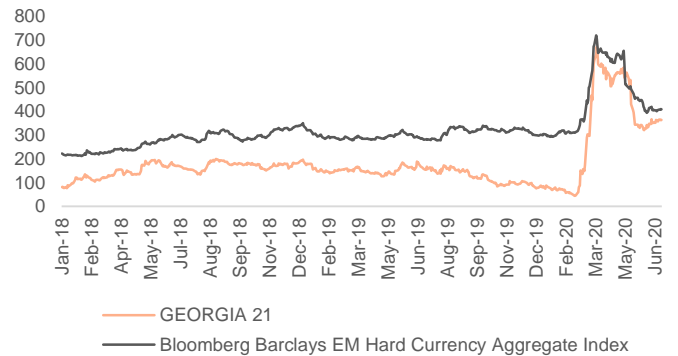




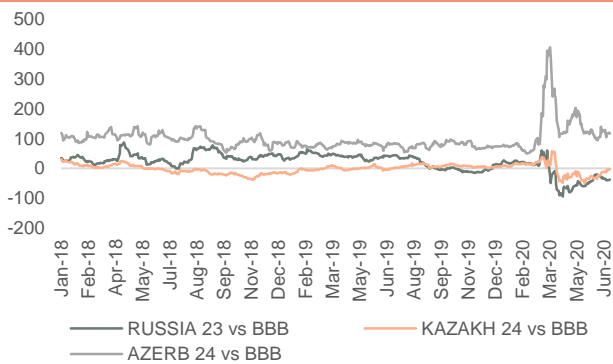
Georgia vs BB peers



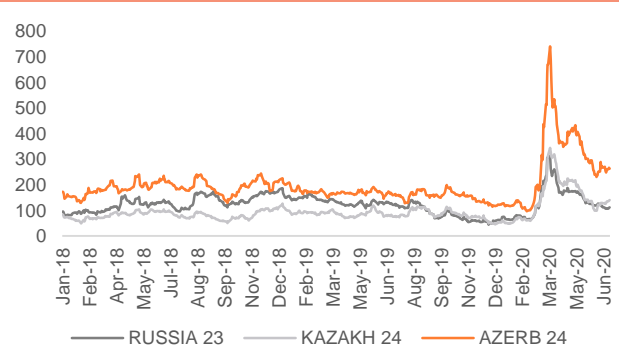
Spreads over US treasury, bps



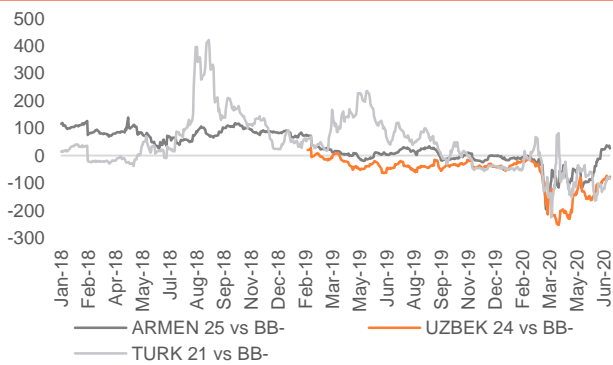
Russia, Kazakhstan and Azerbaijan vs BBB peers



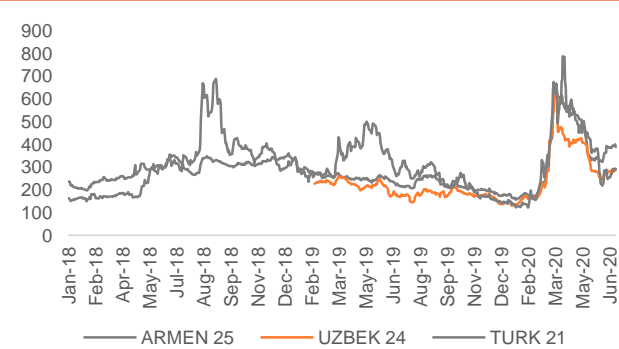
Spreads over US treasury, bps



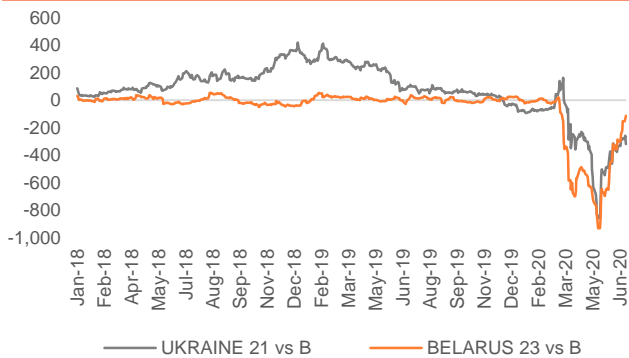
Armenia, Uzbekistan and Turkey vs BB- peers



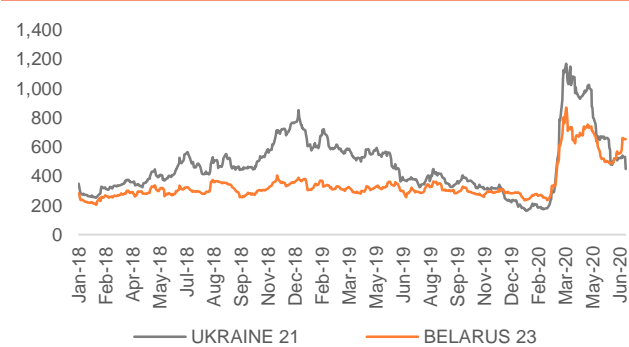
Spreads over US treasury, bps



Ukraine and Belarus vs B peers



Spreads over US treasury, bps

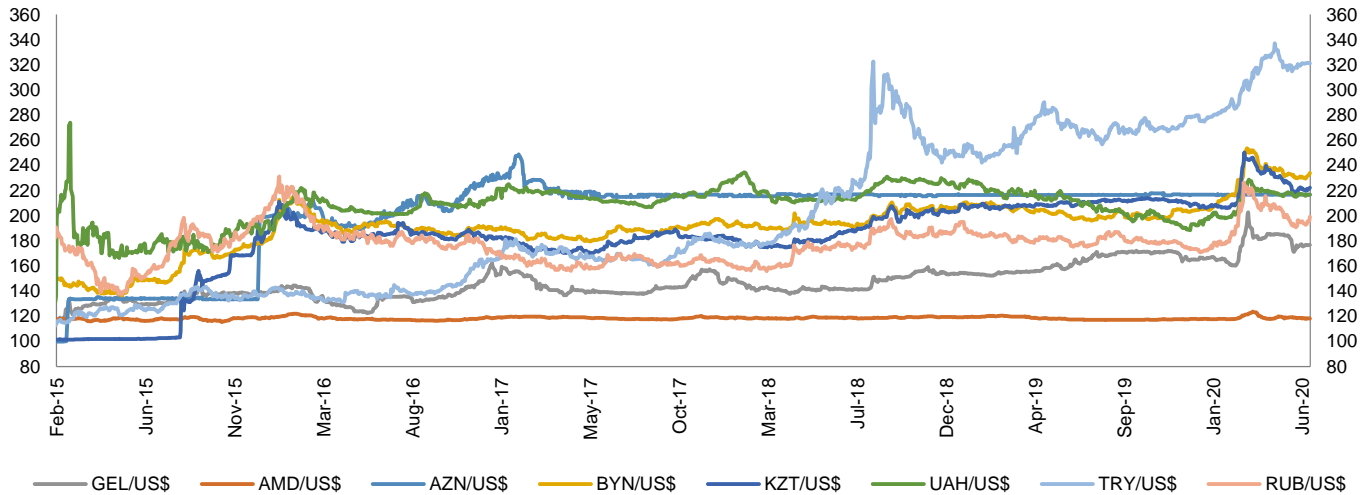


Source: Bloomberg, Galt & Taggart Research

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Regional currencies vs. US\$



Source: Bloomberg

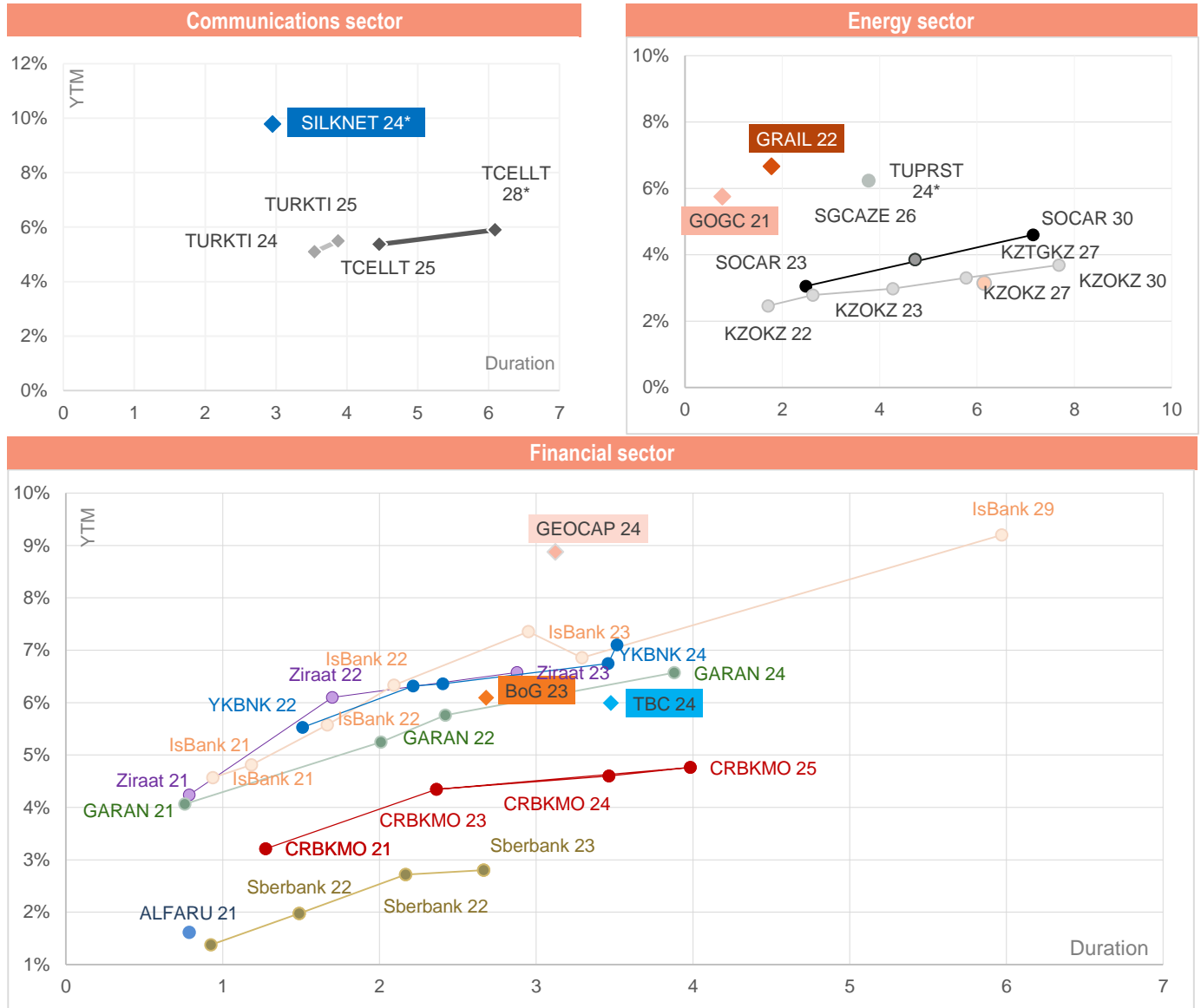
Central banks' monetary policy rates

| | Jun-19 | Jul-19 | Aug-19 | Sep-19 | Oct-19 | Nov-19 | Dec-19 | Jan-20 | Feb-20 | Mar-20 | Apr-20 | May-20 | Jun-20 |
|------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Georgia | 6.50% | 6.50% | 6.50% | 6.50% | 7.50% | 8.50% | 8.50% | 9.00% | 9.00% | 9.00% | 9.00% | 8.50% | 8.25% |
| Armenia | 5.75% | 5.75% | 5.75% | 5.75% | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% | 5.50% | 5.25% | 5.00% | 4.50% |
| Azerbaijan | 8.75% | 8.50% | 8.25% | 8.25% | 8.00% | 7.75% | 7.50% | 7.50% | 7.25% | 7.25% | 7.25% | 7.25% | 7.00% |
| Belarus | 10.00% | 10.00% | 9.50% | 9.50% | 9.50% | 9.50% | 9.00% | 9.00% | 9.00% | 8.75% | 8.75% | 8.75% | 8.00% |
| Ukraine | 17.50% | 17.50% | 17.00% | 17.00% | 16.50% | 15.50% | 13.50% | 11.00% | 11.00% | 11.00% | 10.00% | 8.00% | 6.00% |
| Kazakhstan | 9.00% | 9.00% | 9.00% | 9.00% | 9.25% | 9.25% | 9.25% | 9.25% | 9.25% | 9.25% | 12.00% | 9.50% | 9.50% |
| Russia | 7.75% | 7.50% | 7.25% | 7.25% | 7.00% | 6.50% | 6.50% | 6.25% | 6.25% | 6.00% | 6.00% | 5.50% | 4.50% |
| Uzbekistan | 16.00% | 16.00% | 16.00% | 16.00% | 16.00% | 16.00% | 16.00% | 16.00% | 16.00% | 16.00% | 16.00% | 15.00% | 15.00% |
| Turkey | 24.00% | 24.00% | 19.75% | 19.75% | 16.50% | 14.00% | 14.00% | 12.00% | 11.25% | 10.75% | 9.75% | 8.75% | 8.25% |
| FED | 2.50% | 2.50% | 2.25% | 2.25% | 2.00% | 1.75% | 1.75% | 1.75% | 1.75% | 1.75% | 0.25% | 0.25% | 0.25% |
| ECB | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |

Source: Central banks



Selected corporate Eurobonds in regional countries

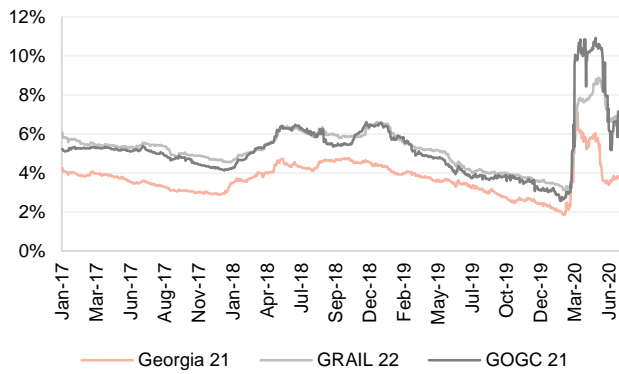


Source: Bloomberg, as of 30 June 2020
Note: GEOCAP is an investment holding company
* The notes are callable

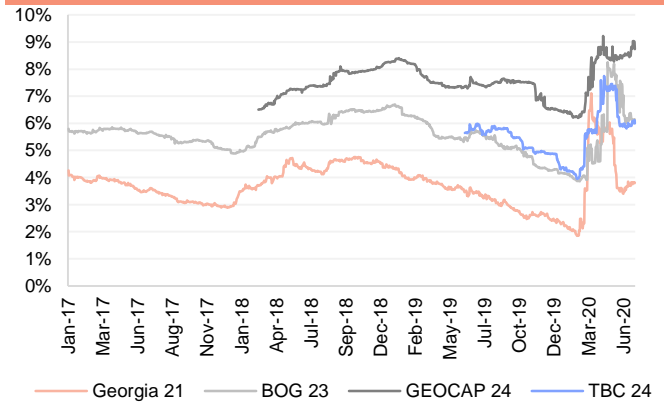


Georgian corporate Eurobond YTM

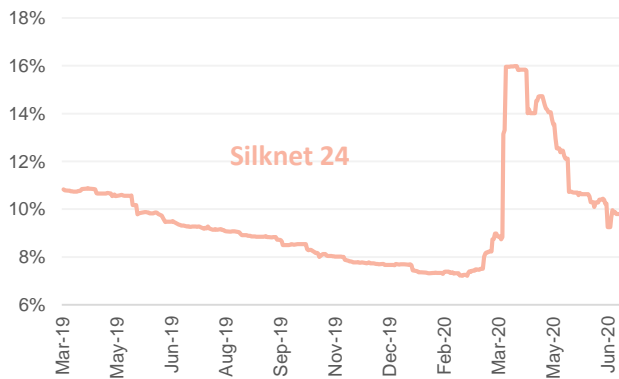
Quasi government, YTM



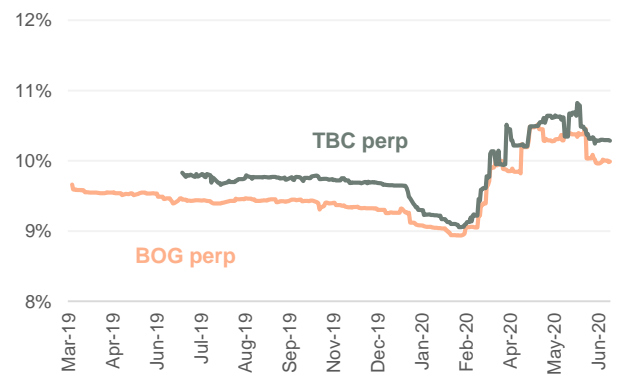
Financial sector, YTM



Communications sector, YTM



Perpetual, YTM



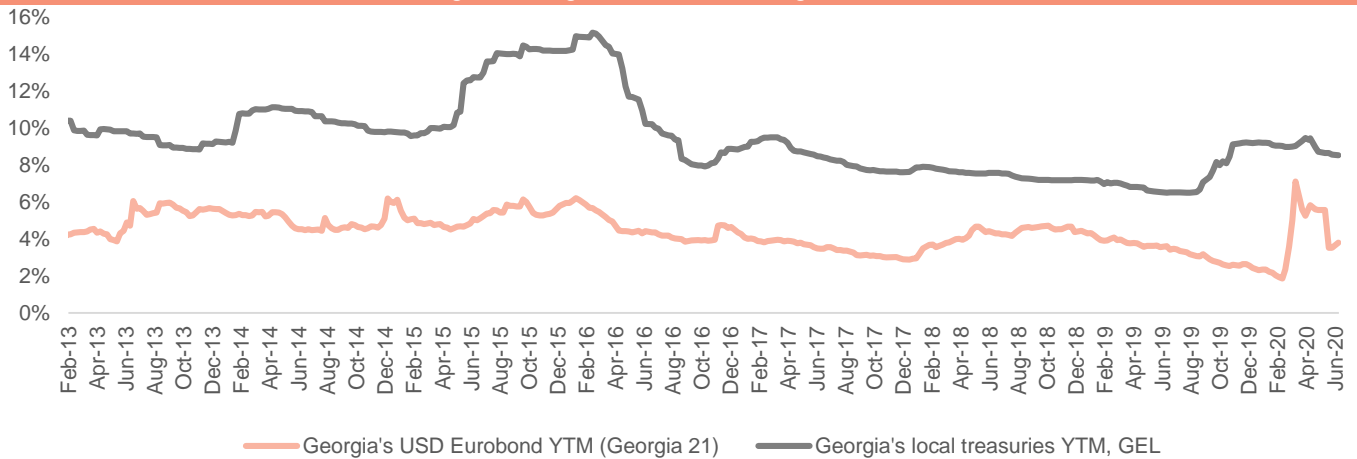
Source: Bloomberg

Source: Bloomberg



Georgian local treasury bonds

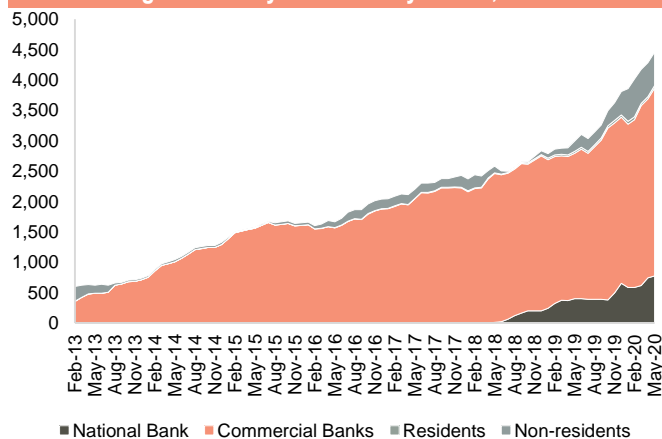
Georgia sovereign Eurobond vs. Georgian treasuries



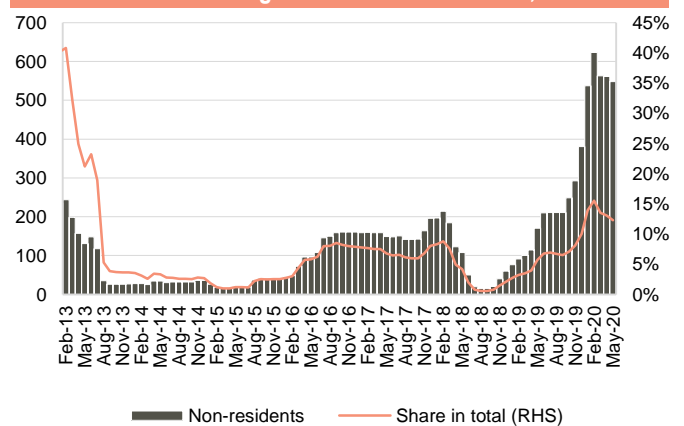
Source: Bloomberg, NBG, Galt & Taggart Research

Note: LC treasury yields are derived from daily yield curve information from NBG

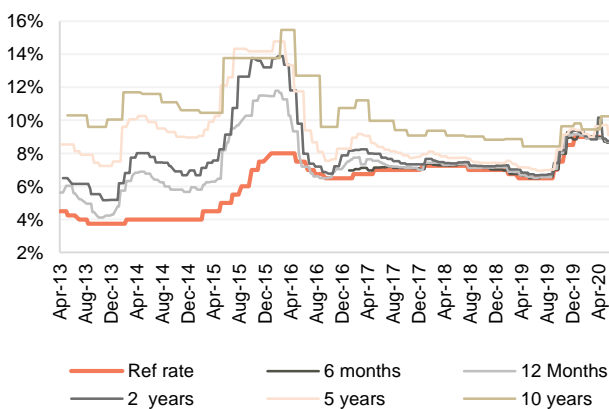
Georgian treasury securities by holder, GEL mn



Non-resident holdings as % of total treasuries, GEL mn

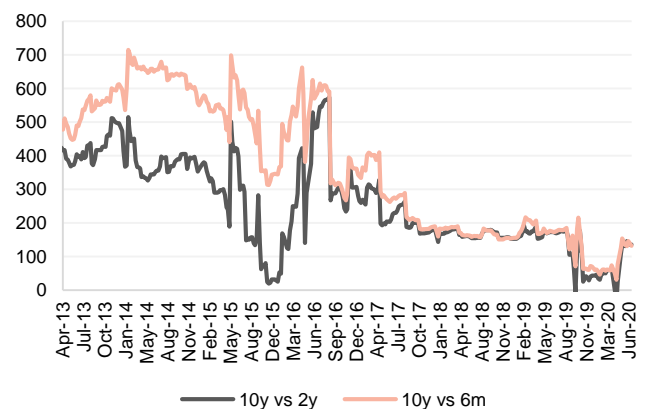


Interest rates on Georgian treasury securities



Source: NBG

Georgian 10y vs 2y and 10y vs 6m treasury yields, bps

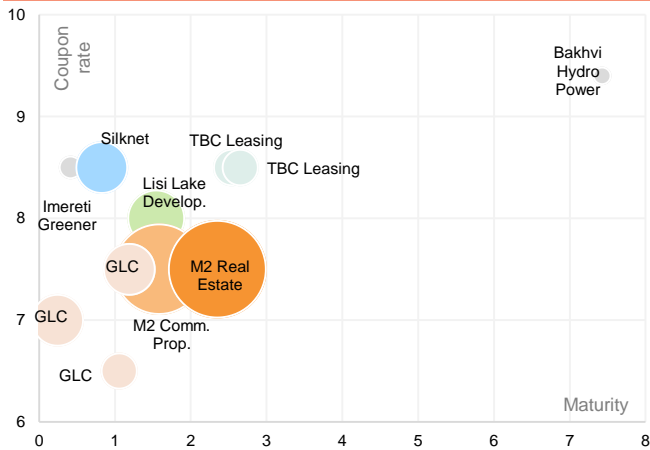


Source: NBG



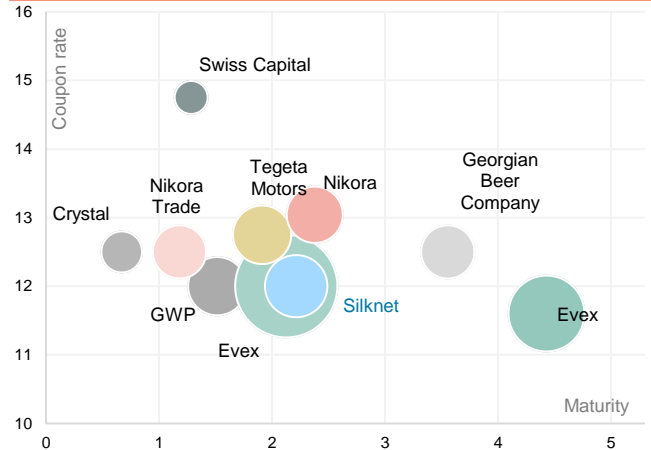
Georgian local corporate bonds

Georgian local corporate bonds, USD



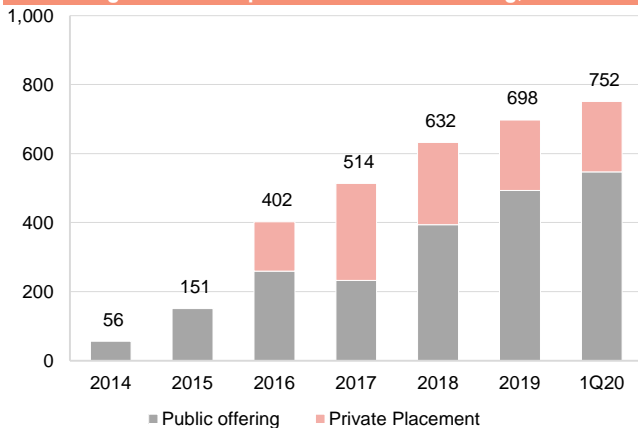
Source: NBG, Galt & Taggart Research
Note: the size of the bubble corresponds to the size of issuance, with max. at US\$ 35mn

Georgian local corporate bonds, GEL



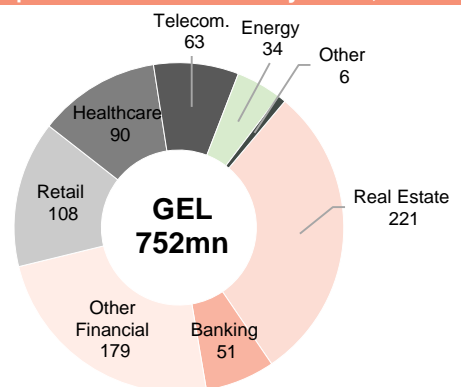
Source: NBG, Galt & Taggart Research
Note: the size of the bubble corresponds to the size of issuance, with max. at GEL 90mn
All GEL denominated bonds are floating, coupons are derived from adding spreads to a current 8.25% ref. rate

Georgian local corporate bonds outstanding, GEL mn



Source: NBG, Galt & Taggart Research

Local corporate bond distribution by sector, 1Q20



Source: NBG, Galt & Taggart Research

Appendix

| Issuer | Ticker | ISIN | Currency | Coupon | Sector | Maturity | Duration | Amount, US\$ mn | Mid price | YTM Mid | Ratings (Moody's/Fitch/S&P) |
|------------------------|--------|--------------|----------|--------|------------|------------|----------|--------------------|-----------|---------|--------------------------------|
| Sovereign Eurobonds | | | | | | | | | | | |
| Republic of Azerbaijan | AZERBJ | XS1678621522 | USD | 2.8% | Government | 9/1/2020 | 0.2 | 174 | 100.1 | 1.9 | Ba2u/BB+/- |
| Republic of Azerbaijan | AZERBJ | XS1678622090 | USD | 2.8% | Government | 9/1/2021 | 1.1 | 174 | 100.1 | 2.7 | Ba2u/BB+/- |
| Republic of Azerbaijan | AZERBJ | XS1044540547 | USD | 4.8% | Government | 3/18/2024 | 3.4 | 1,250 | 106.7 | 2.8 | Ba2u/BB+/- |
| Republic of Azerbaijan | AZERBJ | XS1678623064 | USD | 5.1% | Government | 9/1/2029 | 6.5 | 311 | 105.4 | 4.4 | Ba2u/BB+/- |
| Republic of Azerbaijan | AZERBJ | XS1678623734 | USD | 3.5% | Government | 9/1/2032 | 9.0 | 1,077 | 97.8 | 3.7 | Ba2u/BB+/- |
| Republic of Armenia | ARMEN | XS0974642273 | USD | 6.0% | Government | 9/30/2020 | 0.2 | 700 | 99.8 | 6.6 | Ba3/BB-/ |
| Republic of Armenia | ARMEN | XS1207654853 | USD | 7.2% | Government | 3/26/2025 | 4.0 | 500 | 112.7 | 4.1 | Ba3/BB-/ |
| Republic of Armenia | ARMEN | XS2010043904 | USD | 4.0% | Government | 9/26/2029 | 7.5 | 500 | 97.0 | 4.3 | Ba3/BB-/ |
| Republic of Armenia | BELRUS | XS1634369067 | USD | 6.9% | Government | 2/28/2023 | 2.3 | 800 | 100.4 | 6.7 | B3u/B/B |
| Republic of Armenia | BELRUS | XS1634369224 | USD | 7.6% | Government | 6/29/2027 | 5.4 | 600 | 103.4 | 7.0 | B3u/B/B |
| Republic of Armenia | BELRUS | XS1760804184 | USD | 6.2% | Government | 2/28/2030 | 7.0 | 600 | 96.1 | 6.8 | B3u/B/B |
| Kazakhstan | KAZAKS | XS1120709669 | USD | 3.9% | Government | 10/14/2024 | 3.9 | 1,500 | 109.3 | 1.6 | Baa3/BBB/BBB- |
| Kazakhstan | KAZAKS | XS1263054519 | USD | 5.1% | Government | 7/21/2025 | 4.4 | 2,500 | 116.2 | 1.8 | Baa3/BBB/BBB- |
| Kazakhstan | KAZAKS | XS1263139856 | USD | 6.5% | Government | 7/21/2045 | 14.3 | 1,500 | 148.4 | 3.6 | Baa3/BBB/BBB- |
| Kazakhstan | KAZAKS | XS1120709826 | USD | 4.9% | Government | 10/14/2044 | 15.3 | 1,000 | 127.4 | 3.2 | Baa3/BBB/BBB- |
| Russia | RUSSIA | XS0767472458 | USD | 4.5% | Government | 4/4/2022 | 1.7 | 2,000 | 105.8 | 1.1 | Baa3/BBB/BBB- |
| Russia | RUSSIA | XS0971721450 | USD | 4.9% | Government | 9/16/2023 | 3.0 | 3,000 | 111.4 | 1.2 | Baa3/BBB/BBB- |
| Russia | RUSSIA | RU000A0JWHA4 | USD | 4.8% | Government | 5/27/2026 | 5.2 | 3,000 | 114.4 | 2.1 | -/BBB/- |
| Russia | RUSSIA | XS0088543193 | USD | 12.8% | Government | 6/24/2028 | 5.8 | 2,500 | 172.5 | 2.6 | Baa3/BBB/BBB- |
| Russia | RUSSIA | RU000A0JXTS9 | USD | 4.3% | Government | 6/23/2027 | 6.1 | 2,405 | 112.2 | 2.3 | -/BBB/- |
| Russia | RUSSIA | RU000A0ZYNN4 | USD | 4.4% | Government | 3/21/2029 | 7.3 | 3,000 | 114.0 | 2.6 | -/BBB/- |
| Russia | RUSSIA | RU000A1006S9 | USD | 5.1% | Government | 3/28/2035 | 10.7 | 4,000 | 124.4 | 3.0 | -/BBB/- |
| Russia | RUSSIA | XS0767473852 | USD | 5.6% | Government | 4/4/2042 | 13.8 | 3,000 | 136.7 | 3.3 | Baa3/BBB/BBB- |
| Russia | RUSSIA | XS0971721963 | USD | 5.9% | Government | 9/16/2043 | 14.2 | 1,500 | 142.2 | 3.3 | Baa3/BBB/BBB- |
| Russia | RUSSIA | RU000A0JXU14 | USD | 5.3% | Government | 6/23/2047 | 16.1 | 7,000 | 133.5 | 3.4 | -/BBB/- |
| Ukraine | UKRAIN | XS1303918939 | USD | 7.8% | Government | 9/1/2020 | 0.2 | 1,780 | 100.6 | 4.0 | B3u/B/B |
| Ukraine | UKRAIN | XS1303920083 | USD | 7.8% | Government | 9/1/2021 | 1.1 | 1,409 | 103.6 | 4.5 | B3u/B/B |
| Ukraine | UKRAIN | XS1303921214 | USD | 7.8% | Government | 9/1/2022 | 1.9 | 1,384 | 104.7 | 5.4 | B3u/B/B |
| Ukraine | UKRAIN | XS1303921487 | USD | 7.8% | Government | 9/1/2023 | 2.7 | 1,355 | 105.7 | 5.7 | B3u/B/B |
| Ukraine | UKRAIN | XS1303925041 | USD | 7.8% | Government | 9/1/2024 | 3.4 | 1,339 | 105.5 | 6.2 | B3u/B/B |
| Ukraine | UKRAIN | XS1303925470 | USD | 7.8% | Government | 9/1/2025 | 4.1 | 1,329 | 105.6 | 6.5 | B3u/B/B |
| Ukraine | UKRAIN | XS1303926528 | USD | 7.8% | Government | 9/1/2026 | 4.8 | 1,318 | 105.6 | 6.6 | B3u/B/B |
| Ukraine | UKRAIN | XS1303927179 | USD | 7.8% | Government | 9/1/2027 | 5.3 | 1,307 | 105.3 | 6.8 | B3u/B/B |
| Ukraine | UKRAIN | XS1902171757 | USD | 9.8% | Government | 11/1/2028 | 5.8 | 1,600 | 115.9 | 7.2 | -/B/B |
| Ukraine | UKRAIN | XS1577952952 | USD | 7.4% | Government | 9/25/2032 | 7.5 | 3,000 | 102.1 | 7.1 | -/B/B |
| Georgia | GEORG | XS0617134092 | USD | 6.9% | Government | 4/12/2021 | 0.7 | 500 | 102.2 | 3.9 | Ba2/BB/BB |

| Issuer | Ticker | ISIN | Currency | Coupon | Sector | Maturity | Duration | Amount, US\$ mn | Mid price | YTM Mid | Ratings (Moody's/Fitch/S&P) |
|--------------------------|--------|--------------|----------|--------|----------------|------------|----------|--------------------|-----------|---------|--------------------------------|
| Corporate Eurobonds | | | | | | | | | | | |
| SILKNET JSC | SILNET | XS1843443430 | USD | 11.0% | Communications | 4/2/2024 | 3.0 | 200 | 103.7 | 9.8 | B1/B+/- |
| TURK TELEKOMUNIKASYON AS | TURKTI | XS1028951264 | USD | 4.9% | Communications | 6/19/2024 | 3.5 | 500 | 99.2 | 5.1 | -/BB-/BB- |
| TURK TELEKOMUNIKASYON AS | TURKTI | XS1955059420 | USD | 6.9% | Communications | 2/28/2025 | 3.9 | 500 | 105.6 | 5.5 | -/BB-/BB- |
| TURKCELL ILETISIM HIZMET | TCELLT | XS1298711729 | USD | 5.8% | Communications | 10/15/2025 | 4.5 | 500 | 101.7 | 5.4 | B1u/BB-/BB- |
| TURKCELL ILETISIM HIZMET | TCELLT | XS1803215869 | USD | 5.8% | Communications | 4/11/2028 | 6.1 | 500 | 99.4 | 5.9 | /BB-/BB- |
| SOUTHERN GAS CORRIDOR | SGCAZE | XS1319820897 | USD | 6.9% | Energy | 3/24/2026 | 4.7 | 2,000 | 115.4 | 3.9 | Ba2/BB+/- |
| STATE OIL CO OF THE AZER | SOIAZ | XS0903465127 | USD | 4.8% | Energy | 3/13/2023 | 2.5 | 1,000 | 104.3 | 3.1 | Ba2/BB+/- |
| STATE OIL CO OF THE AZER | SOIAZ | XS1196496688 | USD | 7.0% | Energy | 3/18/2030 | 7.1 | 750 | 118.2 | 4.6 | NR/BB+/- |
| GEORGIAN OIL & GAS CORP | GEOROG | XS1319820384 | USD | 6.8% | Energy | 4/26/2021 | 0.8 | 250 | 100.8 | 5.8 | -/BB/BB- * |
| KAZMUNAYGAS NATIONAL CO | KZOKZ | XS1595713279 | USD | 3.9% | Energy | 4/19/2022 | 1.7 | 500 | 102.5 | 2.5 | Baa3/BBB-/BB |
| KAZMUNAYGAS NATIONAL CO | KZOKZ | XS0925015074 | USD | 4.4% | Energy | 4/30/2023 | 2.6 | 1,000 | 104.3 | 2.8 | Baa3/BBB-/BB |
| KAZMUNAYGAS NATIONAL CO | KZOKZ | XS1807299174 | USD | 4.8% | Energy | 4/24/2025 | 4.3 | 500 | 107.9 | 3.0 | Baa3/BBB-/BB |
| KAZMUNAYGAS NATIONAL CO | KZOKZ | XS1595713782 | USD | 4.8% | Energy | 4/19/2027 | 5.8 | 1,000 | 108.8 | 3.3 | Baa3/BBB-/BB |
| KAZMUNAYGAS NATIONAL CO | KZOKZ | XS1807300105 | USD | 5.4% | Energy | 4/24/2030 | 7.7 | 1,250 | 113.8 | 3.7 | Baa3/BBB-/BB |
| KAZTRANS GAS JSC | KZTGKZ | XS1682544157 | USD | 4.4% | Energy | 9/26/2027 | 6.1 | 750 | 107.9 | 3.1 | Baa3/BBB-/BB |
| TUPRAS-TURKIYE PETROL RA | TUPRST | XS1686704948 | USD | 4.5% | Energy | 10/18/2024 | 3.8 | 700 | 93.6 | 6.2 | B1/BB-/BB |
| GEORGIAN RAILWAY JSC | GRAIL | XS0800346362 | USD | 7.8% | Industrial | 7/11/2022 | 1.8 | 500 | 102.0 | 6.7 | -/BB-/B+ |
| INTERNATIONAL BANK OF AZ | IBAZAZ | XS1678463784 | USD | 3.5% | Financial | 9/1/2024 | 3.7 | 1,000 | 91.0 | 6.0 | -/B-/BB |
| BANK OF GEORGIA JSC | GEBGG | XS1405775880 | USD | 6.0% | Financial | 7/26/2023 | 2.7 | 350 | 99.8 | 6.1 | Ba2/BB-/BB |
| TBC BANK JSC | TBCBGE | XS1843434363 | USD | 5.8% | Financial | 6/19/2024 | 3.5 | 300 | 99.2 | 6.0 | Ba2/BB-/BB |
| AKBANK TAS | AKBNK | USM0375YAK49 | USD | 5.0% | Financial | 10/24/2022 | 2.1 | 500 | 99.6 | 5.2 | B2/B+/- |
| AKBANK TAS | AKBNK | XS1210422074 | USD | 5.1% | Financial | 3/31/2025 | 4.1 | 500 | 94.9 | 6.4 | B2/B+/- |
| TC ZIRAAT BANKASI AS | TCZIRA | XS1223394914 | USD | 4.8% | Financial | 4/29/2021 | 0.8 | 500 | 100.4 | 4.2 | B2/B+/- |
| TC ZIRAAT BANKASI AS | TCZIRA | XS1605397394 | USD | 5.1% | Financial | 5/3/2022 | 1.7 | 600 | 98.3 | 6.1 | B2/B+/- |
| TC ZIRAAT BANKASI AS | TCZIRA | XS1691349010 | USD | 5.1% | Financial | 9/29/2023 | 2.9 | 500 | 95.8 | 6.6 | B2/B+/- |
| TURKIYE GARANTI BANKASI | GARAN | USM8931TAA71 | USD | 6.3% | Financial | 4/20/2021 | 0.8 | 500 | 101.7 | 4.1 | B2/B+/- |
| TURKIYE GARANTI BANKASI | GARAN | USM8931TAF68 | USD | 5.3% | Financial | 9/13/2022 | 2.0 | 750 | 100.0 | 5.2 | B2/B+/- |
| TURKIYE GARANTI BANKASI | GARAN | XS1576037284 | USD | 5.9% | Financial | 3/16/2023 | 2.4 | 500 | 100.3 | 5.8 | B2/B+/- |
| TURKIYE GARANTI BANKASI | GARAN | XS2094608580 | USD | 5.3% | Financial | 12/20/2024 | 3.9 | 50 | 95.0 | 6.6 | -/B+/- |
| TURKIYE IS BANKASI A.S | ISCTR | XS1079527211 | USD | 5.0% | Financial | 6/25/2021 | 0.9 | 750 | 100.4 | 4.6 | B3/B+/- |
| TURKIYE IS BANKASI A.S | ISCTR | XS1390320981 | USD | 5.4% | Financial | 10/6/2021 | 1.2 | 750 | 100.7 | 4.8 | B3/B+/- |
| TURKIYE IS BANKASI A.S | ISCTR | XS1508390090 | USD | 5.5% | Financial | 4/21/2022 | 1.7 | 600 | 99.9 | 5.6 | B3/B+/- |
| TURKIYE IS BANKASI A.S | ISCTR | XS0847042024 | USD | 6.0% | Financial | 10/24/2022 | 2.1 | 1,000 | 99.3 | 6.3 | Caa2/B-/BB |
| TURKIYE IS BANKASI A.S | ISCTR | XS1003016018 | USD | 7.9% | Financial | 12/10/2023 | 3.0 | 400 | 101.5 | 7.4 | Caa3/B-/BB |
| TURKIYE IS BANKASI A.S | ISCTR | XS1578203462 | USD | 6.1% | Financial | 4/25/2024 | 3.3 | 1,250 | 97.6 | 6.9 | B3/B+/- |
| TURKIYE IS BANKASI A.S | ISCTR | XS2041003901 | USD | 8.1% | Financial | 12/3/2029 | 6.0 | 50 | 93.2 | 9.2 | NR/B+/- |

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