



CONCORDE CAPITAL

Ukraine / Fixed income

Finance & Credit Bank

Lined up for state support

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- **Finance & Credit Bank** shareholders voted at their AGM yesterday to "transfer a 50%+1 stake to the government and investors"
- **Moody's** cut the bank's long-term debt rating from 'B1' to 'Caa2', following its failure to repay a syndicated loan on March 19
- **Given the likelihood of state intervention to recapitalize the bank, we see a short-term buying opportunity in Finance & Credit's 2010 Eurobond issue**

Tickers

Bloomberg	FICBUA
ISIN	XS0275465879

Ratings

Moody's	Caa2
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Issue details

Amt of issue	USD 100 mln
Coupon	10.375%
Maturity date	Jan. 25, 2010

Finance & Credit is seeking to transfer 50%+1 stake to the state

Finance & Credit Bank shareholders, at their AGM yesterday, decided to "transfer a 50%+1 stake in the bank to the government and investors." The Cabinet of Ministers passed a resolution on Feb. 18 that required banks to transfer a stake of no less than 50%+1 to the National Bank of Ukraine in return for recapitalization support from the state.

Moody's downgrades Finance & Credit for failure to pay out loan

Yesterday Moody's Investors Service said that it cut the bank's credit ratings: long-term debt rating from 'B1' to 'Caa2', financial stability rating from 'E+' to 'E' and rating on the Ukrainian national scale from 'Aa3.ua' to 'B3.ua'; the ratings were placed on review for possible change. Moody's related the move to the bank's failure to repay its USD 70 mln syndicated loan in full; the bank is currently in negotiations to restructure the loan.

Our view: state support is likely, short-term buying opportunity

We think that recapitalization of Finance & Credit Bank is likely given its size (#13 largest lender by assets as of Feb. 1, 2009, according to the Association of Ukrainian Banks) and the proximity of its beneficiary shareholder, Konstantin Zhevago, to the government (he is an MP in the pro-Prime Minister BYuT faction). While the amount of funding from the state is not certain, state involvement in recapitalization should reassure creditors and assist in the process to restructure the syndicated loan, in our view. Moreover, beefing up the bank's capital would improve its capital adequacy ratio and enable refinancing from the NBU through bond issuance.

We regard Finance & Credit's Eurobonds as a short-term buying opportunity for speculative investors. The NBU has five days from the bank's AGM to decide whether to recapitalize the bank, after which the plan must be approved by the Cabinet of Ministers.

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