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**First Ukrainian International Bank asked holders of its USD 275 mln Eurobonds due Feb. 16, 2010 to restructure, local news outlets reported yesterday. FUIB proposed to extend the maturity by almost five years and increase the coupon from 9.75% to 11.00%. In our view, given FUIB's squeezed liquidity, the restructuring offer and implied YTM of 22% are not attractive.**

**Security**

FIUKR 9 ¾	
ISIN	XS0287015787
Price (03/12/2009, mid)	73
YTM (03/12/2009, mid)	200.82%
Maturity date	Feb. 16, 2009
Type	Bullet
Amt. outstanding	USD 275 mln
Coupon	9.75%
Frequency	Semiannual

**Restructuring offer**

Maturity date	Dec. 31, 2014
Cash upfront payment	8%
Type	Bullet
Amt. outstanding	USD 253 mln
Coupon	11.00%
Frequency	Quarterly

**Possible prices and YTM of new bonds**

Price, % of par	Implied YTM
65	26.3%
70	23.4%
73	21.9%
75	20.9%
80	18.6%

Source: Concorde Capital estimates

**FUIB asks for 5-year extension; offers to increase coupon to 11%**

First Ukrainian International Bank asked holders of its USD 275 mln Eurobonds to agree to restructuring terms at a meeting of note holders called on December 15, according to local news reports yesterday. The bank proposed extending the maturity of the notes from February 16, 2010 to December 31, 2014 and to increase the coupon from 9.75% paid semi-annually to 11.00% paid quarterly. FUIB said it would pay 8% of the remaining principal on the bonds to noteholders if they accept restructuring by December 11. The terms must be approved by 75% of bondholders.

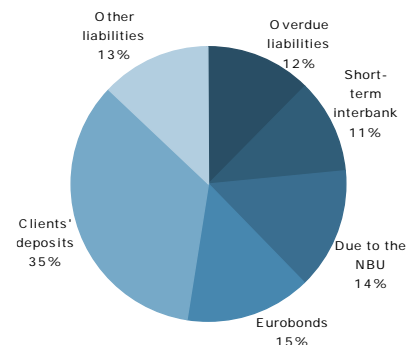
**Restructuring proposal not attractive with implied YTM of ~22%**

FIUKR'10's current price of 73% par implies a YTM for the new bonds of ~22%. Given the FUIB's troubled financial condition, this yield does not represent fair compensation for the risk, in our view. Firstly, the Eurobonds of stronger positioned Privatbank and Alfa Bank Ukraine (both maturing in 2012) are yielding 20.0%-22.5%. FIUKR'10 trades at a ~7% premium to other distressed bonds, VABANK'10 and FICBUA'10. Secondly, the terms are not competitive, compared to Alfa-Bank Ukraine's recent restructuring: a three-year extension with an amortizing schedule starting in the second year, a cash down-payment of 15-30% of par and coupon increase from 9-12% to 13%.

**FUIB saddled with overdue, near-mature liabilities**

FUIB held USD 271 mln in cash (12% of all assets) as of end-3Q09. Nonetheless, its liquidity is a concern, as more than 50% of liabilities are already overdue or mature in the next few months. FUIB has ~USD 240 mln in overdue liabilities, which it is trying to restructure together with the Eurobonds, including a one-year USD 154 mln syndicated loan attracted in August 2008. The bank also received USD 210 mln in short-term interbank loans (9% of all assets) as of end-3Q09. In addition, FUIB is now negotiating the prolongation of USD 260 mln in short-term loans from the NBU maturing in December 2009-March 2010.

**FUIB liabilities, as of end-3Q09**



Source: Company data

**Weak liquidity position outweighs other strong fundamentals**

When FUIB emerges from its liquidity squeeze, we expect it to resume developing its business, providing its strong capital position and relatively good reputation among clients. As of end-3Q09, FUIB's CAR equaled 23.3%, well above the system average of 15.6% and the minimum requirement of 10%. FUIB's majority owner, SCM, Ukraine's largest industrial group, provided it with USD 25 mln in 4Q09 and committed an additional USD 50 mln in 2010 to increase its charter fund, according to FUIB's investor presentation. At the same time, FUIB is not deeply involved in financing SCM's other businesses and its NPLs currently stand at 26.3% - in line with the system average.

In 2Q09-3Q09, the bank saw a 16.4% increase in retail deposits, well above the system average of +5.6%. FUIB also has pretty small SG&A costs, one of the lowest Cost/Income ratios across the system: 33.7% in the four quarters ending in 3Q09, down from 38.1% in 2008.

That said, we believe short-term liquidity risks outweigh the medium-term prospects for bondholders and deem the suggested restructuring offer and implied current YTM of 22% as not attractive enough. However, we expect the offer to be accepted by the noteholders in the absence of viable alternatives.



## Financial statements, UAS

	2008		1H09		9M09	
	USD mln	% of Assets	USD mln	% of Assets	USD mln	% of Assets
<b>Balance sheet</b>						
Cash&Cash equivalents	252.5	9.6%	349.9	15.0%	271.4	12.2%
Due from banks	258.1	9.9%	185.0	8.0%	211.7	9.5%
Corporate loans	1,431.6	54.7%	1,304.2	56.0%	1,235.6	55.4%
Retail loans	585.8	22.4%	533.9	22.9%	504.7	22.6%
Loans loss provision	-129.2	-4.9%	-255.1	-11.0%	-294.4	-13.2%
Other	219.3	8.4%	209.2	9.0%	301.4	13.5%
<b>Total assets</b>	<b>2,618.0</b>	<b>100.0%</b>	<b>2,327.2</b>	<b>100.0%</b>	<b>2,230.5</b>	<b>100.0%</b>
Due to banks and bonds issued	946.7	36.2%	681.9	29.3%	1,072.7	48.1%
Corporate deposits	402.7	15.4%	236.9	10.2%	213.7	9.6%
Retail deposits	458.0	17.5%	404.7	17.4%	431.5	19.3%
Subordinated debt	0.0	0.0%	0.0	0.0%	0.0	0.0%
Other	358.4	13.7%	627.5	27.0%	149.6	6.7%
<b>Total liabilities</b>	<b>2,165.8</b>	<b>82.7%</b>	<b>1,950.9</b>	<b>83.8%</b>	<b>1,867.4</b>	<b>83.7%</b>
Share capital	340.4	13.0%	343.5	14.8%	327.2	14.7%
Retained earnings	52.6	2.0%	-26.1	-1.1%	-21.9	-1.0%
Other	59.2	2.3%	58.9	2.5%	57.8	2.6%
<b>Total equity</b>	<b>452.2</b>	<b>17.3%</b>	<b>376.3</b>	<b>16.2%</b>	<b>363.1</b>	<b>16.3%</b>
<b>Income statement</b>						
	2007	2008	1H08	1H09	9M08	9M09
	USD mln	USD mln	USD mln	USD mln	USD mln	USD mln
Net interest income	76.34	138.50	62.11	71.56	100.29	104.59
Net fee income	28.65	37.18	17.46	12.57	29.82	20.62
SG&A	47.81	66.92	-36.80	-30.84	-59.55	-47.04
Provisions accumulation	-38.67	-113.37	-25.35	-134.88	-45.01	-182.17
Other, net	-106.99	-126.74	-5.03	2.90	-6.73	28.84
<b>Net income</b>	<b>7.15</b>	<b>2.48</b>	<b>12.39</b>	<b>-78.69</b>	<b>18.81</b>	<b>-75.15</b>
<b>Selected ratios</b>						
Loans loss provisions/Total loans	6.4%		13.9%		16.9%	
FX loans/Total loans	72.5%		66.0%		63.1%	
Loans/Deposits	234.4%		286.5%		269.8%	
Retail deposits growth rate			-11.6%		6.6%	
Corporate deposits growth rate			-41.2%		-9.8%	
Total assets growth			-6.0%		-2.2%	
Interest rate margin	6.1%		7.9%		8.2%	
Cost/Income	38.1%		34.5%		33.7%	
RoA (annualized)	0.1%		-3.9%		-3.7%	
RoE (annualized)	0.4%		-20.7%		-20.7%	

Source: FUIB, Concorde Capital calculations

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