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**We upgrade our view on First Ukrainian International Bank's Eurobonds after talking with bank representatives today. FUIB is minimizing its short-term liquidity risks; it is close to prolonging/restructuring 55% of near-term liabilities. Coupled with its solid long-term fundamentals, we believe that the proposed Eurobond restructuring and implied YTM of ~23.2% is adequate compensation for investors.**

**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

**FUIB close to reworking ~55% of short-term liabilities**

First Ukrainian International Bank representatives told us today that the lender extended 45% (USD 118 mln) of its loans to the NBU by four years. The market's reaction to its USD 275 mln Eurobond restructuring offer (prices have been virtually unchanged in recent weeks) suggests they will be moved out by five years at the scheduled noteholder meeting on December 15. These two moves restructure ~55% of FUIB's total USD 710 mln in near-term liabilities we mentioned in the previous note.

Based on our conversation, we also expect FUIB to restructure USD 242 mln in other external liabilities by end-2009 (including a USD 154 mln syndicated loan). We believe FUIB will be able to prolong its remaining USD 143 mln in NBU loans maturing in April 2010 too, if necessary.

FUIB confirmed finalization of a USD 25 mln (8%) charter fund increase. The bank's owner, Ukraine's largest industrial group, SCM, has pledged to boost the charter fund by an additional USD 50 mln in 2010 and specified that not doing so would constitute a default event for the new Eurobonds and other restructured liabilities.

**Other fundamentals remain solid**

The most recent data on deposits reveal consumer confidence in FUIB is returning: since the crisis' trough at end-1Q09 to end-October FUIB's corporate deposit inflow constituted 26.7% while retail deposits added 18.2% (compared to the system average of -3.6% and 7%, respectively).

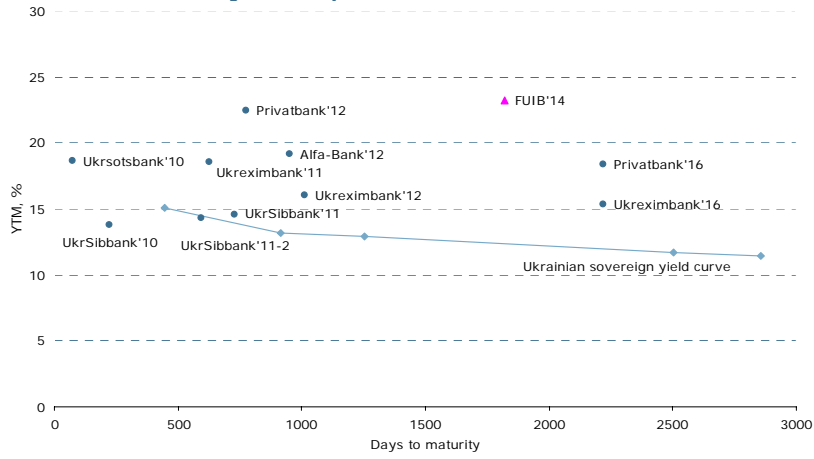
As of end-3Q09, FUIB's CAR equaled 23.3%, well above the system average of 15.6% and the minimum requirement of 10%. FUIB also has one of the lowest Cost/Income ratios across the sector: 33.7% in the four quarters ending with 3Q09, down from 38.1% in 2008.

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.

**~23.2% YTM looks adequate, given FUIB's changed risk profile**

Having re-estimated FUIB's short-term liquidity risks, we believe that 23.2% YTM for its new 5-year bonds (price 71% of par) looks adequate for investors given the inverted Ukrainian yield curve.

**Ukraine Eurobond yield map, as of December 10, 2009**



Source: Bloomberg, Concorde Capital

## 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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