

Privatbank noteholders get new trustee, talks with Rothschild fail
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Analyst: "The news flow promises little positive for Ukraine's government, which has already spent UAH 139 bln on injecting capital into the bank and will likely spend another UAH 16 bln in the near future."

KYIV, Oct 10, 2017 - A new trustee for the 2018 Eurobonds of Privatbank (PRBANK) was officially appointed on Oct. 3, Concorde Capital informed clients based on a bank report in its exchange notice on Oct. 6. With that, the long process of changing the trustee from Deutsche to Madison Pacific Trust has been completed. The noteholders had voted to change the trustee at their adjourned meeting on June 21. According to a Reorg Research report on June 21, the meeting was successful, though no official report was made on that before Oct. 6. In other news, the deputy head of Ukraine's central bank Kateryna Rozhkova, told a local radio station on Oct. 7 that negotiations between Rothschild&Co and Privatbank's former owners brought no results. Rothschild was hired by Ukraine's Finance Ministry to lead negotiations aimed at the recovery of loans that Privatbank had provided to related parties before its nationalization in December 2016. "There is no result. As of today, the bank has started to collect [the loans forcefully]," she said. According to the initial plan of the government, also agreed upon with the IMF, an external advisor should have completed negotiations on recovery of Privatbank related party loans by end-June 2017. In early July, Igor Kolomoisky, one of Privatbank's ex-owners, commented that negotiations would last "as long as will be needed to reach agreement." Concorde analyst Alexander Paraschiy added: The news flow promises little positive for Ukraine's government, which has already spent UAH 139 bln on injecting capital into the bank and will likely spend another UAH 16 bln in the near future. Now that negotiations on a peaceful loan recovery seem to have failed (which is in line with what we expected) the only hope of the government to recover some of the loans from former shareholders are related to the forensic audit of the bank, which may be completed by the end of October. Our expectation is that this audit won't help the bank and the government. Also, the change of trustee of Privatbank's senior Eurobonds of USD 335 mln outstanding suggests that in the coming weeks we will see the bondholders demand an acceleration of the bonds and subsequently will file a claim in an international court to fully recover them. The bonds were fully diluted in December 2016 during a questionable bailed-in process. In our view, the holders of senior notes have a good chance to fully recover them.

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