



Home Credit Bank: perpetual eurobonds look attractive

Opening date: 06.02.2020

Purchase price: 103.2%

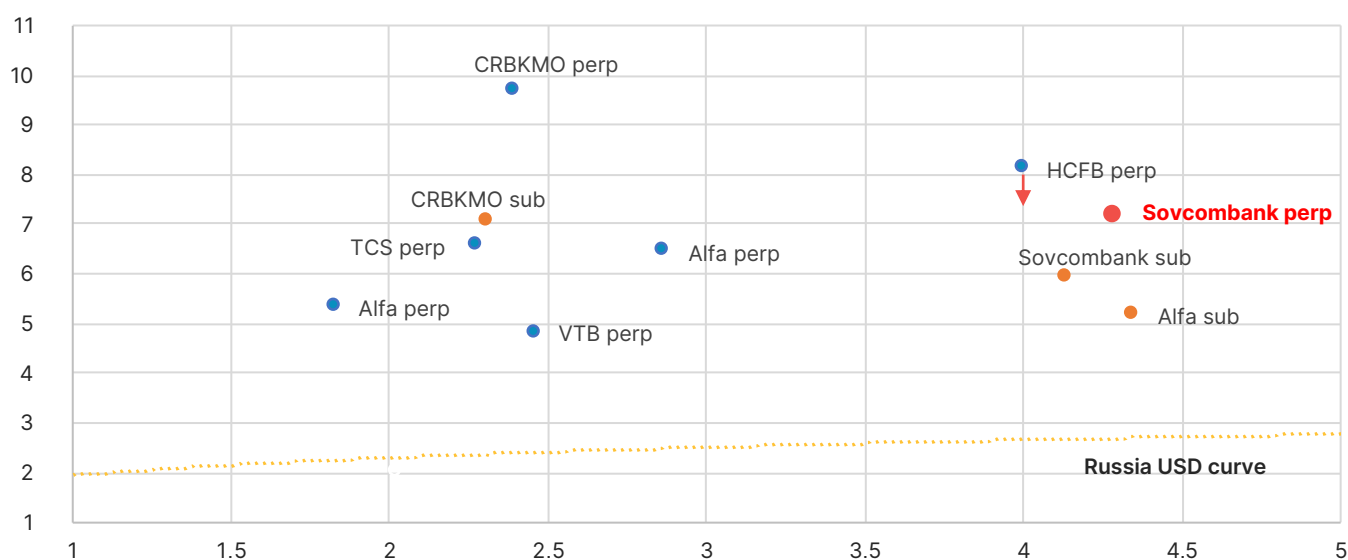
Target price: 105%

+1.8% through Q120.

We recommend **buying** HCFB perpetual eurobonds (**HCFB perp, YTS 8.1%**) with at least 1.8% upside potential in the near term. After Sovcombank's perpetual bonds debut placement (Sovcombank perp, YTC 7.17%) at the end of January 2020, HCFB's bonds have been underperforming and we consider the current spread between the securities (about 100 bps) to be excessive.

Sovcombank perp rose by 2.8% since the placement. Sovcombank 30 (YTC 5.94%) subordinated notes advanced at a similar rate. Against this backdrop, the spread between the first and second tier capital bonds remained at a fair level — 120 bps. HCFB perp has been flat over the past week, having lagged behind Sovcombank's perpetual bonds. We estimate the fair spread between the two issues at about 50 bps compared to the current 100 bps. This is justified by Sovcombank's more conservative business model, bigger business size, and higher credit rating expected to be assigned to the issue ('B' exp against 'B' at HCFB perp). In the light of these factors HCFB perp looks cheap now.

RUSSIAN BANKS' SUBORDINATED AND PERPETUAL EUROBONDS MARKET MAP



Source: Bloomberg, ITI Capital

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