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Promsvyazbank Looks at $500M Bond Issue

By The Moscow Times

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Alexei and Dmitry Ananyev were ranked by Forbes this year as Russia's 49th richest men, with $1.8 billion each. **Denis Grishkin**

Promsvyazbank, one of Russia's largest privately owned banks, may issue eurobonds worth about $500 million in the second quarter of 2012 and float shares later in the year if market conditions allow, a top executive said.

The lender also plans to increase net income in 2012 but expects conservative loan book growth due to uncertainty over Greece's debt woes and instability in the Middle East, first deputy chief executive Alexandra Volchenko said.

External markets, largely closed for Russian borrowers in the second part of last year, started to reopen after the European Central Bank pumped liquidity into the banking system and lenders accepted a Greek debt restructuring.

"We will take advantage of the positive environment during the second quarter. ... We will discuss the amount, but it is likely to be comparable to our outstanding [eurobond] issue of $500 million," Volchenko said.

Promsvyazbank last placed a three-year eurobond issue worth $500 million in April with a 6.2 percent coupon. The bond is now trading around par.

Volchenko added that the lender might also raise a syndicated loan in the fall, but gave no details.

Promsvyazbank, in which brothers Dmitry and Alexei Ananyev own a 74 percent stake, considered an initial public offering before the global financial crisis of 2008-09, and it is returning to the idea, as investor sentiment warms toward emerging markets.

Volchenko said Promsvyazbank might launch an IPO in the second half of 2012 if markets stay in positive mood.

"We are in quite a high state of readiness for an IPO. ... But everything depends on the markets. If the situation is favorable in the second half of 2012 we will do it. If not, we will go in 2013," she said.

Volchenko said Promsvyazbank might float a stake of about 25 percent in the form of new and existing shares, raising some $1 billion.

The deal, if successful, would be the biggest among nonstate Russian banks since Nomos bank raised more than $700 million in an IPO last April.

Apart from the Ananyev brothers, the European Bank for Reconstruction and Development owns an 11.75 percent stake in Promsvyazbank, while 14.37 percent belongs to Germany's Commerzbank.

Commerzbank is to sell its stake in Promsvyazbank to the Ananyevs by the middle of the year, as the German lender needs cash to boost capital to ensure it can withstand any future financial crises.

Volchenko declined to say how much more Promsvyazbank shareholders are going to pay for Commerzbank's stake but added that the deal is due to be closed by July 1.

Volchenko said the lender managed to achieve its profit target last year and aims to earn about 9 billion rubles ($306 million) in 2012, with a return on equity of 15 percent.

She declined to detail 2011 results, which are due out next week. In August, Promsvyazbank cut its 2011 profit target by a third to 5 billion rubles after downgrading its view on the prospects for the Russian economy.

The lender, which grew its loan book by more than 20 percent last year, plans loans growth of about 15 percent this year and is targeting a net interest margin of about 5.5 percent, up from 5 percent last year.

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