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VTB to Fund Nomos-Bank Takeover

By Howard Amos

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Nomos-Bank boosted net profit in the first half of 2012 by over 30 percent. **Maxim Stulov**

State-owned banking giant VTB will play a key role in financing Otkritie's buyout of Nomos-Bank, creating Russia's second-biggest private bank, VTB president Andrei Kostin said Monday.

Otkritie is a relatively small player in the banking sector and will be obliged to raise funding, assumed to be loans, to complete the takeover of its bigger competitor Nomos-Bank, valued at 73.29 billion rubles ($2.3 billion). VTB owns 19.9 percent of Otkritie.

"We are not talking about financing 100 percent of the deal," Kostin said in Vladivostok, Gazeta.ru reported. "It certainly won't be more than half."

Otkritie announced Friday that it had already agreed to purchase 58.5 percent of Nomos-Bank's shares and that it intends to obtain total control and complete a public offering of the new banking entity within three years.

In 2011, VTB engaged in a series of high-profile takeovers, including the $3 billion purchase of TransCreditBank, the country's 12th-largest bank, and Bank of Moscow, the country's sixth-largest.

But VTB, because of its current financial position, was unlikely to be in a position to look at an immediate takeover of a bank the size of a joint Nomos-Bank and Otkritie, analysts said.

Under the final shareholder structure, Otkritie managers, including chief executive Vadim Belyaev, will control 25 percent. In addition, 10 percent stakes will be held by metals and finance billionaire Alexander Nesis though his ICT investment vehicle, and also by Otkritie chairman Boris Mints, billionaire Alexander Mamut and VTB, according to Otkritie.

Kostin said he did not yet know what equity share VTB would take in the Nomos-Otkritie tie-up because that question had not yet been looked at properly.

On Monday, Nomos-Bank announced a better-than-expected rise in first-half net profit of 34 percent year on year, to 8.3 billion rubles. The increase was underwritten by a portfolio expansion and an increase in net customer loans, an e-mail from the bank stated.

"We are now reviewing everything," Jean-Pascal Duvieusart, director of strategy at Nomos-Bank, said during a conference call Monday when asked about the impact of shareholder changes on the bank's debt. "[But] the market takes some comfort in the ownership of Otkritie."

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