

Lenders Line Up to Fund TNK-BP Deal

By [The Moscow Times](#)

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LONDON — Rosneft has been met with waves of offers from banks as it looks to raise a \$45 billion financing package to back its \$55 billion purchase of domestic oil producer TNK-BP, quashing doubts that the state-backed company faced a liquidity shortage.

The multibillion-dollar financing package will boost loan bankers reeling from a dramatic decline in deal volume this year, particularly for mergers and acquisitions. And Rosneft will see significant support from the most bullish bond market in living memory.

Rosneft's prominence as the top oil supplier in the world's top oil-producing country has boosted support, especially as it will pump more oil and gas than ExxonMobil after the acquisition.

"Everyone is being massively gung-ho, and banks are phoning from all over," one loan banker said. "It is a feeding frenzy."

Banks that find themselves unable to raise enough funds to join the biggest loan of the year

risk being locked out of the future ancillary business bonanza that Rosneft is expected to provide.

Banks including Bank of America Merrill Lynch, BNP Paribas and Citigroup are jockeying for the coordinating role on the loan.

Barclays, Bank of Tokyo-Mitsubishi, Morgan Stanley, Royal Bank of Scotland, Sumitomo Mitsui and Societe Generale are also close to the loan, bankers said.

Over the summer, Rosneft mandated six banks — rumored to be BofA Merrill, Barclays, BNP, Citigroup, JP Morgan and VTB Capital — for an inaugural U.S.-dollar bond, sources said.

That deal was unrelated to the subsequent acquisition and never materialized, but those banks are likely to be the front-runners for the new bond financing. None of the banks was willing to comment.

The scale of the acquisition means that significant sums will need to be raised in the loan and bond markets. In the latter, Rosneft will need to borrow at least \$15 billion, bankers say.

It could follow the path trod by Brazil's Petrobras, which since January 2011 has visited the bond markets five times, raising nearly \$20 billion through dollar, euro and sterling transactions.

"Rosneft has zero outstanding debt [in the capital markets], so it can easily support \$15 billion or more of bonds," said one banker.

Given the strong inflows into emerging-market bond funds, bankers said, the company could borrow at least half of that through one transaction in a multiple-tranche offering, albeit one that would be expected to offer a premium to its peers.

"If it can get itself into a fully registered program position, it could hit the U.S. market full on. Liquidity is so huge," said another banker.

Earlier this year, Russia raised \$7 billion through the sale of five-, 10- and 30-year notes, a structure that Rosneft could replicate.

The one issue could be timing. With the U.S. presidential election next week and then the Veterans Day and Thanksgiving holidays, there are only a few full weeks left before investors start closing up shop for the year.

Then again, bankers said, investors might decide they could not afford to stay out even if a deal came late in the year.

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