

Otkritie Banking Group Pauses for Breath After Buying Spree

By [The Moscow Times](#)

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LONDON — Otkritie Financial Corp will pause for breath on new acquisitions so it can digest a string of new additions — including Nomos and Petrocommerce — that have turned it into one of Russia's biggest privately held banking groups.

"I don't think that next year is going to be a great year for acquisitions," said Dmitry Romaev, Nomos' chief executive. "Right now, the level of capital we have is not enough for any serious transactions."

Otkritie Financial has added Nomos Bank, Bank Khanty-Mansiysk and Petrocommerce, the former "house bank" of oil company LUKoil, which it agreed to buy last month.

If all four banks had been consolidated in the third quarter, their combined total assets would be 1.5 trillion rubles (\$45.7 billion), topping those of Russia's largest private lender Alfa Bank, which had 1.4 trillion rubles of assets, according to Interfax data.

The country's banking sector, which accounts for about 75 percent of GDP and has about 1,000 lenders, is dominated by state-owned banks, prompting some smaller and privately-owned banks to merge to try to compete more efficiently.

Sberbank, the market leader with about 15 trillion rubles of assets, is mostly growing organically, while second-placed VTB is combining acquisitions and organic expansion. Sources told Reuters in August that VTB was also looking at Petrocommerce.

Otkritie's focus for now is organic growth against a backdrop of slowing demand for loans.

"Growth of the loan book will be lower next year than this year. 2013's loan book growth was 20 percent," Romaev said.

He said bank regulation was not too much of a concern. "I am much more concerned about the economy," he said. "Growth could be better. It is not going to be bad and we don't expect any crisis, but we are more cautious in terms of forecasts and plans."

This month, Russia cut its long-term economic growth forecast, in an acknowledgement that the economy would lag global growth over the next two decades.

This weaker outlook is likely to affect the banking sector, which since the financial crisis has been focusing more heavily on consumer rather than corporate lending.

But growing competition and Central Bank measures to cool down the rapid retail lending growth in the country — estimated at more than 50 percent in the past few years — has already cut lending expansion rates for many banks, including Otkritie.

Romaev said the group needed to spend about three years strengthening its newly-acquired Petrocommerce bank before integrating it with its main banking business.

Petrocommerce will get additional funding from its shareholders to make the bank a bit healthier before putting it into Otkritie, he said.

Romaev said Petrocommerce would then be integrated into the group although the bank has not yet decided how to do this.

Despite its relatively small size, Romaev said Nomos would not be subsumed by one of the larger state players. "We don't consider the possibilities right now of being sold out."

Otkritie Financial Corp is owned by its directors, including chairman Vadim Belyaev and a number of Russian businessmen.

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