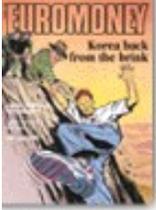


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“British samurai” target Post Bank

Theodor Troev

Until recently, the name of Nomura, Japan’s largest investment house, did not mean much to the general public in Bulgaria. Recently, however, the Bulgarian media have been eager to find out more about Nomura as its European executives were due in town, intending to acquire one of the country’s best banks.

Bulgarians were surprised to learn of the size of the global company. “British samurai win the battle for Post Bank”, read the headline of *Banker*, a Bulgarian weekly. This interest has been aroused by the recent decision of Bulgaria’s Bank Consolidation Company (BCC), the holding organization for state-owned banks, to select London-based Nomura International, Nomura’s wholly owned European subsidiary, as the preferred bidder for the purchase of a majority stake in the Bulgarian Post Bank (BPB).

BCC’s choice caught by surprise many Bulgarian analysts who expected one of the other foreign bidders – either the National Bank of Greece or US insurance company AIG – to win. Eurobank, a local private bank, was the fourth bidder.

Representatives of Nomura International were due to arrive in Sofia this month to start the negotiations for the purchase of 78.2% in BPB.

According to deputy prime minister Alexander Bozhkov, who supervises privatization on behalf of the government, the negotiations are expected to be finalized in May.

Nomura’s plans are likely to include a listing. As proper stock, trading is fairly new in Sofia – the revamped Bulgarian Stock Exchange started operating just recently – someone purchasing a bank with the intention to float it later on the stock exchange for profit is not viewed as a serious long-term investor by the conservative Bulgarians.

As soon as the BCC choice was known, there were voices of concern about Post Bank’s future if the bank.

The BPB made a net profit of around \$7.5 million in 1997. Its shareholders, apart from BCC, include the Bulgarian Telecommunications Company and other state institutions.

The National Bank of Greece (NBG), the second-best bidder, which has put a lot of time and effort into targeting Post Bank – due diligence, preparation of a five-year

business plan, market studies – appears the most disappointed at losing one of the tastiest morsels to come up so far in Bulgaria’s ambitious bank privatization programme.

Theodor Marinov, a Bulgarian who works for the NBG as investment manager, says he was certain that Nomura would list Post Bank on the stock exchange with the aim of selling to a future buyer at a high price.

Marinov says NBG had a long-term strategy for Post Bank. NBG established a branch in Sofia last year, but hoped to use Post Bank for the growth of its business in the country, rather than opening new branches. NBG executives say they still hope to get the bank if negotiations with Nomura fail.

According to Peter Jotev, BCC’s chief executive, Nomura’s bid was preferred as it included the most solid business plan for the development of the bank with a future investment strategy. However, both the BCC and Nomura refuse to announce any details regarding the bid before the negotiations are completed.

“I personally do not see anything wrong if Nomura wants to offer shares in Post Bank on the stock exchange after a few years,” Jotev says.

Alex Jurshevski, head of Nomura International’s portfolio risk management and investment banking, says Nomura intended to recapitalize and reorganize BPB in order to enhance its commercial and retail operations, as well as its international banking facilities.

“We are not viewing ourselves as permanent holders,” admits Jurshevski. “We will keep the name of BPB, we intend to use its branch network for the sale of a variety of financial products, but after a period of two to five years we may float it on the stock exchange.”

According to Jurshevski, Nomura International has already had experience with other post banks in eastern Europe. “In Budapest we were advising the government on the strategy for development of the Hungarian Post Bank, while in Prague, we had our representative on the board of the Investment and Post Bank,” he says.