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Advent, Bulgarian group in lead to buy Hypo Balkans - sources

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VIENNA, July 24 (Reuters) - Private equity firm Advent International and a Bulgarian-Russian consortium led by businessman Denis Barekov are favourites to buy Hypo Alpe Adria's Balkan bank network, two sources familiar with the process said.

Hypo, which had to be nationalised by Austria in 2009 after a period of unsustainable expansion in the former Yugoslavia, is selling off its Balkan network, its prime asset, while hiving off its toxic assets into a bad bank.

The Balkan network, consisting of six banks and three leasing operations in Serbia, Croatia, Bosnia, Slovenia and Montenegro, has assets of 8.6 billion euros (\$11.6 billion) as of the end of 2013 but a book value of just 500 million after a series of impairments.

The business has lost value over the almost two years it has been up for sale while Austrian politicians wrangled over what to do with the rest of the bank, which has so far received 5.5 billion euros in state aid.

Two sources familiar with the process told Reuters there were seven suitors for all or parts of the Balkan network.

The two front-runners are Advent, in partnership with the European Bank for Reconstruction and Development, and a group of Bulgarian investors headed by airline and property owner Barekov and backed by Russian bank VTB.

Tsvetan Vassilev, the main owner of Bulgaria's Corpbank and one of Bulgaria's most prominent businessmen, has dropped out of the consortium, three sources familiar with the matter said.

Millhouse Capital, a London-based investment group owned by German businessman Ralf Dodt, said on Thursday it had

abandoned plans to try to join the Bulgarian consortium due to “insurmountable difficulties with Barekov.”

Millhouse - which has no ties to Millhouse LLC, a company that manages assets owned by Russian oligarch Roman Abramovich - had been mooted by Austrian newspaper Die Presse on Wednesday as the main competition to the Advent/EBRD bid.

At least one other bidder, Russian businessman Igor Kim’s Expobank, has bid for the whole Balkans network, three sources familiar with the process said.

One source said a decision could be made on the successful bidder as early as the end of August.

A spokesman for Hypo declined to comment on the bidders but said: “We are in advanced talks with possible investors.”

An Austrian finance ministry spokesman said only: “There are currently intensive negotiations over the southeast Europe unit of Hypo Alpe Adria.”

The EBRD and VTB declined comment. Advent was not immediately available for comment and Barekov and Vassilev were not immediately reachable. (\$1 = 0.7422 Euros) (Additional reporting by Tsvetelia Tsoleva in Sofia and Freya Berry in London. Editing by Jane Merriman)

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