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# Sberbank Reported to Haggle Over Volksbanken

By The Moscow Times

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Sberbank may seek to lower the purchase price for Oesterreichische Volksbanken's Eastern European unit because of losses caused by Hungary's foreign-currency loan law, two people familiar with the deal said.

Sberbank is arguing that losses at Vienna-based Volksbanken International's Hungarian unit are reducing equity and therefore the sellers must either inject fresh capital or accept a lower price, according to the people, who declined to be identified because the process is private.

One of the people said the effect of both measures would cut the price by about 15 percent to about 500 million euros ($668 million) from the 585 million euro minimum agreed in September. It would be the second time that VBI's price was reduced.

Hungary's government is forcing banks to swallow losses on Swiss franc-denominated mortgages to ease the burden on borrowers. Volksbanken is under heightened pressure to sell assets after failing the European Union's bank stress test in July and announcing in October that it expects a 750 million euro loss this year.

A decision could be made within the next few days, the people said.

A Volksbanken spokesman said the conditions of the sale were stipulated when the agreement was signed, and the Austrian bank is expecting all parties to comply with those conditions. He declined to comment further.

Volksbanken, which is majority-owned by a group of 62 regional cooperative banks in Austria, holds 51 percent of VBI. Germany's DZ Bank and WGZ Bank jointly own 24.5 percent, as does France's Groupe BPCE.

Sberbank is buying VBI, excluding its unit in Romania, to expand outside the former Soviet Union. It agreed in September to pay 585 million euros to 645 million euros, depending on the company's performance. That was already a reduction from the previous 670 million euros in a preliminary July agreement.

Volksbanken, which is due to report third-quarter earnings Friday, is also planning a cross-guarantee accord with its owners to strengthen its capital buffers. It had a capital shortfall of 972 million euros at the end of the second quarter, according to the European Banking Authority, which is demanding that lenders hold 9 percent in core reserves by June 2012. That might have increased to 1.2 billion euros at the end of September, Wirtschaftsblatt reported Thursday, citing unidentified people familiar with the bank.

The lender is already "undergoing a massive restructuring" that will reduce its assets and turn the firm into an Austrian-only bank not covered by EBA's increased scrutiny in the future, Helmut Ettl, co-chairman of the Austrian banking regulator, said Oct. 27. Its capital shortfall is therefore only "pro forma," he said.

Volksbanken's attempt to sell its 5 percent stake in Raiffeisen Zentralbank Oesterreich to the regional Raiffeisen banks that already own 88 percent of the lender was hampered earlier this year after the banks didn't exercise their right to buy the stake.