

## Sberbank Gets VBI With a Discount

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Sberbank signs are likely to start appearing around Central and Eastern Europe as it replaces the VBI brand. **Vladimir Filonov**

Sberbank closed a \$660.5 million deal to buy the international arm of Austria's Volksbank on Wednesday as Russia's biggest lender looks to build a base for expansion into Europe's crisis-gripped financial heartland.

Despite previous assertions that the purchase price was fixed at \$788.6 million, Sberbank said in a statement that it had succeeded in negotiating a discount.

VBI shareholders, including DZ Bank, WGZ Bank and BPCE Groupe as well as Volksbank, also injected 80 million euros (\$104.5 million) before the sale to cover potential risks associated with a deterioration in local market conditions.

Sberbank head German Gref said at the deal's announcement on Sept. 8 that the acquisition had been predicated on the euro zone's financial woes. Volksbank International, or VBI, was one of eight euro-zone banks that failed a "stress test" conducted by the European Banking

Authority last year.

Volksbank said in a statement Wednesday that the sale of VBI had increased its capital ratio by 2 percent and reduced its risk exposure by 6.6 billion euros.

VBI is present in the Czech Republic, Slovakia, Hungary, Croatia, Bosnia and Herzegovina, Slovenia, Romania and Ukraine. The Romanian subdivision was excluded from the deal because of the high risk levels in its portfolio. Without Romania, VBI has about 600,000 clients and 295 branches.

The Volksbank brand is likely to be discarded and Sberbank will operate under its own name in Eastern and Central Europe, said deputy head Andrei Donskikh, the Prime news agency reported.

The conclusion of the deal, which was marked by a signing ceremony in Vienna on Wednesday evening, marks a milestone in Sberbank's attempts to build an international presence. Sberbank's supervisory council will look at the progress of the VBI deal on Feb. 21.

"Sberbank has a unique position to open up potential growth in the countries of Central and Eastern Europe," Gref said in a statement. "From VBI's base, Sberbank will build a platform for organic and inorganic growth."

Gref has not ruled out the possibility of expansion into Western Europe, but at present the bank is focusing on potential acquisitions in Poland and Turkey. It turned down an opportunity to buy Turkey's DenizBank last year. Sberbank is targeting 5 percent to 7 percent of revenue to come from foreign operations by 2014.

Donskikh said Sberbank intends to develop a local customer base through the VBI network. "We will fund [VBI] through our main business — through the mother company," he said, Prime reported.

The deal was "absolutely neutral" for Sberbank, UralSib financial analyst Leonid Slipchenko told The Moscow Times. "The deal is insignificant compared to the scale of Sberbank but, of course, [VBI] is a problem bank."

Sberbank shares rose 0.7 percent Wednesday and closed up at 97.06 rubles.

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