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Sberbank, Paribas Plan Credit Venture

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Sberbank is creating a joint venture with French lender BNP Paribas to provide point-of-sale credit services at local retail chains.

The venture plans to take 25 percent to 30 percent market share within two to three years. Interest rates are expected to drop as Sberbank enters the segment.

The venture will operate under the Cetelem brand — the name of BNP Paribas' subsidiary that specializes in credit operations at retail chain outlets.

"It's a specific business, and the Sberbank brand doesn't suit it," said Sberbank board member Denis Bugrov. Sberbank will be the major shareholder in the venture, but Bugrov declined to name the exact share or value of the deal.

The agreement is to be inked in two months, and the project is set to launch in early 2012. The venture will be challenging undisputed market leader XKF Bank, which has 28 percent market share.

Sberbank was in negotiations to buy XKF, but the two sides could not come to an agreement on price, according to sources at both banks. In 2004, Cetelem was getting ready to buy Russky Standart, the market leader for point-of-sale credit at that time, but the deal fell through.

Industry sources estimate that Sberbank's share of the new venture is 70 percent to 80 percent.

Market players hope that Sberbank doesn't go overboard in interest rate reductions. "It's a high-risk market, and even Sberbank won't be giving point-of-sale interest rates lower than 20 percent," said XKF Bank marketing director Denis Vlasov.

Read the original Vedomosti article here.

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