

Sberbank Begins Expansion With VBI

By [Howard Amos](#)

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The expected \$1 billion investment in acquiring VBI is considered “quite small” for Sberbank, analysts say. **Denis Sinyakov**

Sberbank head German Gref has said the pioneering acquisition of Austria's Volksbank International, which has operations in nine European countries, for an estimated \$1 billion will give Russia's biggest lender a platform to establish a global presence.

Sberbank, which currently has operations in Ukraine, Belarus and Kazakhstan in addition to Russia, signed a conditional agreement with shareholders for 100 percent of Volksbank International, or VBI, last week.

Legal documents are likely to be finalized in two weeks and the deal closed by the end of the year.

Gref admitted that Sberbank's move into Europe was premised on the continent's financial woes. The European Banking Authority announced late Friday that Volksbank was among eight banks — out of 90 tested — that failed a set of exams to gauge whether they would

survive another financial crisis. Austria's fourth largest lender is also struggling to repay a \$1.4 billion state loan.

Gref said that, without the euro zone's ongoing fiscal problems, "we probably would not have bought anything [in Europe]."

Volksbank expects the sale of its international arm to cut risk-weighted assets by \$9.9 billion, Bloomberg reported. VBI's Romanian unit, its largest operation, was excluded from the deal with Sberbank, which some analysts linked to high levels of toxic assets.

Gref, speaking at a news conference Friday, said the VBI deal was "our first significant step in the transformation of Sberbank into a global bank."

Five to 7 percent of Sberbank's revenue by 2014 is likely to come from its foreign operations, Gref added.

Media reports have valued the deal at \$948 million to \$1.1 billion, but Gref declined to name the exact price. VBI is present in countries with a combined population of about 90 million. VBI has 311 branches and assets of about \$12.7 billion.

Gref, who owns \$1.4 million in Sberbank stock, was clear that the company would continue to expand internationally. He said Poland and Turkey were particularly interesting markets and that it was even possible Sberbank would enter Western Europe, though not imminently.

Analysts remained generally positive about Sberbank — a report by Renaissance Capital on Friday described the company as a "very straightforward and exciting investment thesis" — but some expressed concern that aggressive foreign expansion may distract management from domestic priorities.

As one of the companies scheduled to kick off the government's huge privatization program in the fall with a secondary public offering, state-owned Sberbank is under intense scrutiny by investors.

Alfa Bank senior financial analyst Jason Hurwitz said Sberbank's aggrandizement could be a double-edged sword.

"While the size of the VBI transaction is quite small for Sberbank, the chief executive's comments on using it as a vehicle for further expansion may be more of a concern — now is probably not the time when the market will reward companies for aggressive expansions through acquisitions, particularly in Europe," he said.

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