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AND (*not so*) QUIET FLOWS THE DON

One would never have thought it possible, but it has happened, nevertheless.

Sberbank Rossii, the largest bank in The Russian Federation as well as being the largest bank in Eastern Europe and being the third-largest bank of Europe, has been forced to put together an international syndicate in order to obtain funds for its Austrian subsidiary.

Sberbank Rossii has raised €350 million (about $HK3.75 billion) for and on behalf of its Austrian subsidiary.

The money will be used for general purposes, one has been told.

'*General Purposes*' is a commonly used generic term that is often applied by banks' management to mean, inter alia, that money that has been raised from third parties may be used to include increasing or adding substance, strength, or power to the Working Capital Account of the bank, desirous of obtaining additional funds.

The €350-million, loan facility, recently obtained by Sberbank Rossii's Austrian subsidiary, is for a period of 12 months and the interest rate is 60 basis points over the Euribor Benchmark.

The international syndicate of lenders that agreed to participate in the funding of the €350 million includes:

Bank of America Merrill Lynch	Deutsche Bank AG
Barclays plc	HSBC Holdings plc
Citigroup Incorporated	Mizuho Financial Group Incorporated
Commerzbank AG	UniCredit Group

Sberbank Rossii is headquartered in Moscow, the Capital City of The Russian Federation. It is owned and controlled as to 50 percent of its Issued and Fully Paid-Up Share Capital plus one share by The Central Bank of The Russian Federation.

Sberbank Rossii is one of the many lenders to United Company Rusal plc, a company, listed on the Main Board of The Stock Exchange of Hongkong Ltd, being Stock Code, Number 486.

United Company Rusal is known to be in financial trouble, itself, and it has been trying to obtain an agreement for the restructuring of part of its debts with a number of creditor banks that are owed not less than $US4.75 billion (about $HK37 billion).

Management of United Company Rusal has been in negotiations with its creditor banks for the past 33 months – and still no resolution has been obtained.

If United Company Rusal cannot obtain a consensus with its creditor banks – and it has to be unanimous for the consensus to be considered legally binding – and if it misses a $US2.20-billion, partial interest payment by this April, it could be in default of its obligations to some of the 20 international lenders.

With more threats of sanctions in the pipeline by the US and the United Nations over the illegal annexation of The Crimea by The Russian Federation, the confirmed intelligence that the largest bank in The Russian

Federation has had to go, cap in hand, in order to raise €350 million from a consortium of eight banks in respect of its Austrian subsidiary, may be considered a little worrisome to discerning observers.

This is the first time that such a thing has happened and eyebrows must be raised as to what it, really, means.

It is well appreciated that any one of the known eight banks in this international syndicate has the ability, singly, to lend €350 million to Russia's largest bank, under normal conditions.

But these are not normal conditions and not one of them has come to the party, offering to assist the Austrian subsidiary of Sberbank Rossii.

By joining a syndicate of bankers to assist in the funding of the Austrian subsidiary, not one of the eight banks can be hurt, appreciably.

Insurance companies do such things, all the time, especially when taking on what appears to as larger-than-normal risky situations. It is ofttimes referred to as '*spreading the load*'.

It is common knowledge in European banking circles that, in Ukraine, Sberbank Rossii has an exposure of about $US4 billion (about $HK31.20 billion), but, thus far, the Government of The Russian Federation has refused to have diplomatic relations with the Interim Governmental Administration of Ukraine that is regarded by President Vladimir Putin as being controlled by a bunch of Kleptocrats.

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