

Raiffeisen to join forces with Lazard in eastern Europe

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Lazard and Austria's Raiffeisen banking group yesterday said they would join forces in the fast-expanding market for investment banking services in Russia and eastern Europe.

The deal, the first of its kind, links Lazard's corporate finance expertise, particularly in mergers and acquisitions, with the geographical coverage and local knowledge of Raiffeisen.

The Austrian co-operative banking group has one of the biggest and most dense networks in central and eastern Europe, and is probably the leading foreign bank in Russia and the Commonwealth of Independent States.

Under the exclusive co-operation agreement, the two companies will refer business to each other and work together on transactions to compete more effectively with the biggest international investment banks, such as Goldman Sachs and the Swiss, which have tended to dominate deals in the region.

No money will change hands, nor will Lazard and Raiffeisen establish joint offices. However, the deal will give Lazard far better access to the region, while Raiffeisen will be able to offer the expertise of a big international player.

Activities will be co-ordinated by a new, jointly staffed, eight-member co-operation committee, with day-to-day operations being handled by the two banks' individual teams.

The arrangement excludes Poland and the Czech Republic, where Lazard has some representation and Raiffeisen is relatively weak.

The region, led by Russia and Ukraine, its two biggest countries, is expected to see dramatic growth in mergers and acquisitions and other advisory business.

Foreign investors, including private equity, are forecast to become increasingly active, while big domestic groups will expand progressively abroad and require increasingly sophisticated financing services.

Lazard and Raiffeisen executives also expect growing volumes of transactions between companies in the region.

Neither bank was prepared to estimate the potential value of their new link. But executives said it should generate additional fees in the "double-digit millions" range.