



UPDATE 2-Austria sells Hypo Balkans network to private equity firm Advent

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* Advent/EBRD consortium signs deal after weeks of negotiations

* Closing expected by mid-2015, ahead of EU deadline

* Advent group beats out two other bidders (Adds comments from Advent, Heta, source)

By Michael Shields

VIENNA, Dec 23 (Reuters) - Austria has agreed to sell nationalised bank **Hypo Alpe Adria**'s Balkans network to private equity firm Advent and Europe's development bank for up to 200 million euros (\$245 million), as it pushes ahead with winding down the defunct lender.

The sale, announced by the finance ministry and Advent after weeks of complex negotiations, is expected to close by the second quarter of 2015, pending regulatory approval.

Under the deal Advent gets an 80 percent stake, while the European Bank for Reconstruction and Development (EBRD) will get 20 percent. They will pay 50 million euros when the deal closes, with the rest depending on how the bank fares in 2014 and 2015.

"We would like to develop the bank group into a strong and profitable service provider for retail and mid-sized corporate clients in the region," Advent director Christian Stoffel said.

Hypo, which Austria had to take over in 2009 after a decade of unbridled expansion, agreed in October to sell the asset to Advent and the EBRD before Austria changed course last month and reopened the sale.

That let a group of Bulgarian investors and Russian investor Igor Kim's Expobank back into the race.

The ministry said Austria got "significantly improved" terms for the sale after reopening the deal. State guarantees for the network's portfolio were cut to 1.7 billion euros from more than 2 billion, and the state gets to share profits from divestments.

Financing for Hypo's Balkan units worth 2.2 billion euros remains in place, however, and will be repaid over coming years.

The European Commission had set a deadline of mid-2015 for signing a sale of the Balkans network, last valued by Hypo at 89 million euros. It includes banks and leasing companies in Bosnia and Herzegovina, Croatia, Montenegro, Serbia and Slovenia.

It has a balance sheet of around 8.4 billion euros, 245 branches and 1.15 million customers.

Austria in March decided not to let Hypo go bust, opting instead to split off the Balkans unit and an Italian business and put the rest into a "bad bank", Heta Asset Resolution, to wind down remaining assets over years.

Local media have speculated that the sale of the Balkans network could trigger insolvency proceedings for Heta, a vehicle not guaranteed by the state. That could drag down Hypo's home province of Carinthia as well, given its debt guarantees.

But a source close to the situation said the government was not planning such a step. "This is not an issue. It is not being discussed," the source said on condition of anonymity.

Deutsche Bank and law firms Schoenherr and Gleiss Lutz advised the sellers. Citi advised Advent.

(\$1 = 0.8175 euros) (Additional reporting by Alexandra Schwarz-Goerlich,; Editing by Louise Heavens and Clara Ferreira Marques)

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