

Despite Share Price, Sberbank Sale Waits

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Sberbank's share price crossed a 100 ruble threshold Tuesday beyond which the Central Bank said earlier this year that it would look to sell a 7.6 percent stake in the country's state-owned lender.

The showcase \$5 billion privatization was delayed last fall as Sberbank equity tumbled in global stock market declines. But analysts said that despite hitting the desired share price, political instability meant a decision by the Central Bank was not imminent.

Sberbank refused to comment Tuesday. But president German Gref has admitted that Russia's election cycle is hindering moves to push the sale through. "The market is still very unstable and there is also political uncertainty," Gref said on Feb. 16. "It's too early to talk about privatization."

The share price of Russia's biggest lender climbed steadily this year and broke through

the 100 ruble (\$3.38) mark for the first time since August on Tuesday morning. It then dipped slightly to close at 98.68 rubles.

Central Bank deputy chairman Alexei Ulyukayev said in January that privatization was possible when the share price reached 100 rubles but he added that it also depended on demand from investors. The Central Bank owns a 57.5 percent of Sberbank.

The privatization of a stake in the country's biggest lender is widely seen as the trailblazer for a series of landmark state sell-offs in other national champions from Rusnano to Aeroflot. Ulyukayev described Sberbank as a "proxy" for Russia.

Sberbank management expresses public support for the sale and Gref even said he would not be opposed to entirely eliminating the state's holding in the bank. Privatization should be an economic priority after the election, Sergei Guriev, rector at the New Economic School and a member of Sberbank's board of directors, told The Moscow Times.

But there have been growing calls from executives and officials — including Deputy Prime Minister Igor Sechin — to delay planned reductions of government stakes in companies like RusHydro, Rosneft and Transneft.

"From the Sberbank level and the health of the market level, it's all systems go, but the selling party is the Russian state," said David Nangle, a financial analyst at Renaissance Capital. "The decision is in politicians' hands and that's what gives you downside risk on clarity and timeline."

The presidential election widely expected to be won by Prime Minister Vladimir Putin will take place on Sunday, but the composition of the next administration will not be finally settled before the end of May.

Moreover, the 100 ruble threshold may be illusory, said Jason Hurwitz, an analyst at private Alfa Bank. "Touching 100 is not enough to get a deal done at 100 — deals are typically done with a 5 percent to 10 percent discount to the market," he said.

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