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VTB Mulls Share Issue Prior to Privatization

By The Moscow Times

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YALTA, Ukraine — VTB, the country's second-largest bank, said the government may issue shares prior to a planned privatization to bolster the lender, which guided down expectations for full-year profits following trading losses.

The Russian government plans to sell about 25 percent of the bank via a direct sale, cutting its 75.5 percent stake. A Central Bank official recently suggested that it could repeat a share issue to boost VTB's capital.

On Friday, VTB chief executive Andrei Kostin said an additional share issue might come ahead of a privatization deal.

"The deal might be split into two parts. ...One would be an additional share issue, and the other would be the privatization," he said.

Kostin also said he expected 2012 profits to at least equal last year's 90.5 billion rubles ($2.91 billion). This followed analysts' expectations that the bank would scrap its full-year profit forecast of over 100 billion rubles after second-quarter net profit fell short of market expectations last week.

"I expect profit to be no worse than in 2011," Kostin said. He gave no further details.

VTB 's earnings were hit by a trading loss that also underlined the lender's need for capital to help it absorb possible shocks. Banks are currently using profits, debt or equity-raising to boost their capital after being badly hit by the financial crisis.

Last week, Kostin said that VTB, with a market value of $17.9 billion, aimed to raise a minimum of $2 billion next spring with a share sale, which investors had expected as part of the government's privatization plans.

VTB also said it planned to sell its 20 percent stake in iron ore miner Metalloinvest by the end of November.

"You should look for (buyers) among Metalloinvest's owners," Kostin added, without elaborating on the price VTB would seek.

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