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Russian Lender VTB Excluded From 2016 Privatization

Government to exclude VTB from this year's “big privatization” program.

By Maria Kaverina

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Russian first deputy Prime Minister Igor Shuvalov (L) and Chief Executive Officer of VTB Bank Andrei Kostin (C) attend the session in Davos, Jan. 23, 2015. **Ruben Sprich / Reuters**

First Deputy Prime Minister Igor Shuvalov announced that the government would not sell Vneshtorgbank (VTB) shares in 2016. “We consulted and decided that this is not the best time. We will not offer VTB shares this year,” Interfax reported him as saying.

Shuvalov gave no further explanation for the decision and Renaissance Broker, the firm acting as investment advisor on the sale of VTB shares, declined to comment.

Shuvalov did say that the government is already planning “enough sales” this year, including Bashneft and Rosneft. “After all, we need to leave something for next year,” he said.

Initially, state property management agency Rosimushchestvo planned to sell 10.9 percent of the voting shares in the state-owned bank this year — the maximum package it could release while retaining control. President Vladimir Putin signed a decree in May that opens the possibility of reducing the government's stake in the capital of VTB.

The VTB press service said that only the government, as the main shareholder in the bank, had the authority to say when the privatization would take place.

In late May, VTB President Andrei Kostin suggested that the timetable might shift due to sanctions. "I think this fall is the earliest window of opportunity," the state-run TASS news agency reported him as saying. "We are trying to help the government with the privatization."

Foreign investors might purchase the entire package of privatized shares, Herbert Moos, the bank deputy chairman of the board, said. "There are different investors: Asian, Arab, and European," Kostin explained in an interview with U.S. television channel CNBC.

Gazprombank analyst Andrei Klapko said that the continuing recession and Western sanctions — factors working against privatization — could limit the number of potential investors. He added that the bank's profitability had declined substantially in recent years, with return on average equity (ROAE) falling from 12 percent in 2013 to 0.8 percent in late 2015, and that investors have become more cautious about the Russian banking system with regard to both growth prospects and credit risk.

BCS analyst Olga Naidenova said that the difficulty of selling assets under sanctions is probably the main reason. The manager of one Top 30 private bank suggested that state banks are simply afraid to privatize. MDM Bank Chairman of the Board Oleg Vyugin agrees that the government finds it too difficult right now to decide whether to privatize state banks. "State banks effectively control more than 50 percent of the financial market in the country," he said. "Apparently, the government is not prepared to give that up."

Shuvalov explained that the government has no plans for privatizing Sberbank. "We received very clear instructions from the president," he said. "I have repeatedly heard very direct statements by the Central Bank chairman that the government's stake in Sberbank would not be put up for sale," Shuvalov added.

In an interview with the Izvestia newspaper in May, Sberbank president German Gref said that it is a "purely political issue." The Central Bank currently owns 50 percent, plus one share, of Sberbank.

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