

VTB Privatization Produces \$3.3Bln

By [The Moscow Times](#)

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"This is ... proof of trust in the Russian financial system," Putin on Monday told VTB's Kostin, pictured in 2009. **Igor Tabakov**

The government kicked off its biggest privatization drive since the collapse of the Soviet Union, raising 95.7 billion rubles (\$3.26 billion) with the sale of 10 percent in its second-largest bank, VTB.

"This is ... proof of the trust in the Russian financial system," Prime Minister Vladimir Putin told VTB chief executive Andrei Kostin on Monday.

The bank sold the shares at \$6.25 per Global Depositary Receipt — broadly in line with current share prices — and VTB's chief executive Andrei Kostin told Putin that the placing was twice oversubscribed, pushing VTB shares 0.3 percent up to close at 9.50 kopeks on Monday.

Three smaller nonstate Russian companies, Nord Gold, Koks and ChelPipe, all pulled their London IPOs this month — offerings worth a combined total of \$2 billion — blaming a turbulent market environment and raising some questions over VTB's success.

But demand for VTB was bolstered by a 10 percent fall in its share price since the end of January — after the government's decision to sell the stake via the open market rather than by closed sale to a consortium led by private equity group TPG — and by international investors seeking access to Russian growth via a well-known name.

While emerging market funds have seen strong outflows this year, Russia has bucked the trend. Russia-focused funds attracted inflows of \$267 million last week, according to EPFR data, against outflows in China, Brazil and India.

"It is a high-quality stock, fairly liquid. Investors are interested in such names despite the fairly negative market conditions. Plus the valuation was fair," said Marina Shestakova, deputy chief investment officer at Wermuth Asset Management, which has about \$320 million in assets under management in Russia and the former Soviet Union.

Italian insurer Generali and TPG Capital are expected to buy VTB shares in total worth \$400 million, and the government said funds from the United States, Europe, Middle East and Asia showed interest.

Deutsche Bank, Merrill Lynch and VTB Capital managed the sale.

Analysts said the success of the sale — the first step in Russia's massive three-year 1 trillion ruble privatization drive — boded well for coming IPOs. Sberbank, the country's biggest lender, will follow VTB later this year or in 2012.

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