

Banks Waiting for Rosneft Asset Sales

By [The Moscow Times](#)

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Banks that helped oil giant Rosneft finance its \$55 billion buyout of rival TNK-BP have been left waiting for their payback — a share in \$15 billion in asset sales expected to follow the deal, sources familiar with matter said.

State oil company Rosneft's takeover of TNK-BP this year aimed to create a major oil group producing more oil than ExxonMobil, but it also tightened the Russian government's grip on the country's energy sector.

The asset sales promised by Rosneft chief executive Igor Sechin would offload less-profitable businesses to turn the company into the major oil player the CEO has said he wanted it to be. The delay shows Rosneft has a lot on its plate integrating TNK-BP and that the sales are on the back burner.

Rosneft had dangled the juicy divestment mandates at the banks in exchange for a \$29.8 billion loan — the largest in Russia's history — on good terms, three out of four sources with direct knowledge of the loan talks said.

"All the lending banks are waiting," said one of the bankers, who asked not to be named because the talks are private.

"We thought [refinancing] bonds and asset sales would kick start straight after the closing [of TNK-BP deal]. We are now in the dark."

Rosneft declined to comment.

Rosneft's slow motion is frustrating the banks as they would earn fat fees from advising the oil giant on the asset sales this year, which would help boost M&A revenues in an otherwise arid deal making landscape.

M&A activity across all sectors is down 7 percent in Europe, the Middle East and Africa since January according to Thomson Reuters data, partly due to the impact of the eurozone crisis on business confidence.

Banks that maintained big balance sheets throughout the financial crisis have been hoping to use this muscle to win lucrative M&A advisory business from rivals that had to shrink partly to meet tough European capital rules.

Banks often use their balance sheets to offer cheap loans to corporate clients to secure higher-margin business such as share or bond issues or M&A work.

Big balance sheets helped Barclays and Deutsche Bank, for example, to achieve number 2 and 3 rankings in M&A league tables last year, challenging U.S. rival Goldman Sachs, which had the top slot, Thomson Reuters data showed.

Rosneft's jumbo loan raised \$16.8 billion in 2012 and \$13 billion earlier this year to finance the TNK-BP deal with banks including Bank of America Merrill Lynch, Barclays, BNP Paribas, Citi, Credit Agricole, JP Morgan, Mizuho, Societe Generale and UniCredit.

Soon after the deal closed, Rosneft planned a bond issue to refinance part of the loan. But the company turned instead to Russia's domestic bond market where big Russian banks such as Sberbank and VTB dominate.

Rosneft is also doing an M&A deal, but plans to buy a local gas firm rather than sell off some of its own assets.

As a result, the banks' hopes of getting their hands on the asset sales business quickly could be disappointed.

The timing and extent of any disposals were never discussed in depth with the banks and have yet to be approved by the Kremlin, all of the sources said.

"These assets are producing on-shore fields, they are big cash cows. The pressure to sell is not there," the first banker said.

"They [Rosneft] have never sold anything, ever. It's not in their genes," said a second banker, who stated that Moscow was currently reviewing which assets were no longer strategic and could be sold.

One of the sources, on the Rosneft side, confirmed that the parties to the loan talks touched on possible asset sales after the closure of the deal but without reference to particular assets or mandates. "It was never discussed in such specifics."

The asset sales are also considered a test of CEO Sechin's ability to get to grips with the Rosneft empire and re-fashion it into a modern, efficient corporation.

But Sechin, an ally of President Vladimir Putin for more than 20 years, also is under pressure to ensure that the oil which underpins the Russian economy remains safe in trusted hands.

Rosneft's main non-core assets are in Western Siberia, where the company pumps most of its crude. Some of these are mature and the company struggles to squeeze out a margin.

A sale of these fields would also mark a reversal in the Kremlin's decade-long drive for control of Russia's oil riches.

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