

VTB Hits Road to Reassure Investors

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Kostin Jr.

VTB, Russia's second-largest lender, will hold roadshows for investors in London and New York to allay concerns about the black hole in the balance sheet of its new acquisition, Bank of Moscow, which received a \$14 billion state-backed bailout last week.

As a part of the bailout, to which the government will contribute \$10.6 billion, VTB will increase its stake in Bank of Moscow to 75 percent. Investors, however, are likely to be seeking answers as to why the initial hostile takeover of Bank of Moscow in April was trumpeted as such a success.

Sergei Dubinin, a member of the board of VTB, told radio station Ekho Moskvyy on Saturday that VTB president Andrei Kostin and other members of management would be sent abroad to meet with investors to explain "how all of this will work and try to calm them down."

A VTB spokeswoman confirmed to The Moscow Times on Monday that such a roadshow is being planned for the last week of July, but stressed that it had not yet been confirmed.

"It's standard practice for banks to organize meetings with investors," she said.

Analysts, however, said VTB needed face-to-face meetings with investors to explain exactly how and why the takeover of Bank of Moscow, Russia's fifth-largest bank, unfolded as it did.

"VTB's top managers probably feel that in order to save face they have to explain to investors in person why they went into the Bank of Moscow transaction without due diligence in a situation that showed red flags, particularly after they probably presented a more positive outlook on the deal during their secondary public offering marketing," said Jason Hurwitz, a financial analyst at Alfa Bank.

Despite the privatization of a 10 percent stake in VTB in February, the bank is 75 percent owned by the government.

Hurwitz added that there was still a lot of uncertainty about the value of the VTB stock "not only due to a lack of clarity over the quality of Bank of Moscow's loan book, but also because it remains unclear how VTB will add 100 billion rubles of capital to Bank of Moscow, and whether the state might provide any subsidized funding to VTB directly"

Andrei Kostin, son of VTB's chief executive also named Andrei Kostin, was killed Saturday in a quad-biking accident in the Yaroslavl region, RIA-Novosti reported.

Kostin, 32, was a managing director at Deutsche Bank in Moscow and oversaw the company's investment banking division. He had worked for Deutsche Bank for 11 years, joining the company's London offices in 2000.

Kostin lost control of the vehicle he was driving near Pereslavl-Zalessky, veered off the road and crashed into a tree. He died at the scene of the accident. A criminal investigation into the incident has been opened.

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