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VTB Shares Down After Capped Buyback

By The Moscow Times

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Second-largest lender VTB Group suffered its worst losing streak in three months after saying it would cap a share buyback for investors that lost money in its 2007 initial public offering.

Shares of state-controlled VTB sank 1.9 percent to 6.77 kopeks by Friday's close of trading on MICEX. The fifth day of declines capped the stock's longest losing streak since November.

VTB surged as much as 4.3 percent on Feb. 2 after Prime Minister Vladimir Putin told the Moscow-based lender to consider buying back shares from investors who participated in the bank's 2007 IPO. The buyback will be capped at 500,000 rubles ($16,600) per person at the 2007 IPO price of 13.6 kopeks, VTB chief executive Andrei Kostin said late last week.

"The initial news of the buyback sparked some hype, but all the speculative money swept out when the details became known," Michael Kart, a managing partner at hedge fund Spectrum Partners, said by phone. As of today, investors counting on the stock going down and are buying them in broker's names in order to sell quickly, he said.

Spectrum currently holds the stock and did not take part in the IPO, according to Kart.

"Legal action by investors is possible," Ivan Mazalov, director of Prosperity Capital Management, which manages about $4 billion in assets in Russia and former Soviet states, said by phone Friday. "It's a risk when a company buys back shares well above the market price from only a certain number of investors."

Prosperity did not participate in the IPO, Mazalov said.

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