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VTB 24 to Spend $385M on People's IPO Reversal

By Irina Filatova

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VTB, whose logo is seen on a hot-air balloon above, will spend a total of 11.4 billion rubles to buy back 83.3 billion of its shares. **Maxim Stulov**

A retail unit of state-controlled lender VTB said Tuesday that it had finished collecting bids from small investors who purchased the bank's stock in 2007 and faced losses due to the price decline, with 65 percent of shareholders having tendered their shares.

A total of 74,302 shareholders, who participated in the bank's so-called people's IPO — including both individuals and legal entities — had tendered their shares by the Friday deadline, said Mikhail Zadornov, president of VTB 24, which was in charge of the emission.

The bank will spend a total of 11.4 billion rubles ($385 million) to buy back 83.3 billion of its shares, he told reporters at VTB 24's office, adding that the effect on the bank's capital at those costs will be insignificant.

The heavily promoted offering, which VTB made in May 2007, attracted $8 billion but left more than 100,000 retail investors in the hole after the company's shares slid by nearly 50 percent from the IPO price of 13.6 kopeks ($0.005) per share.

The country's second-biggest lender promised to buy the stock back at the offering price after the measure was proposed by Prime Minister Vladimir Putin earlier this year.

VTB made the offer to the shareholders that remained in its register as of Feb. 1 this year, and Zadornov said in February that this accounts for 114,000 shareholders, with 105,000 of them able to sell their packages in full.

About a half of the 40,000 retail investors who didn't tender their stock hold very small packages worth less than 1,000 rubles, which they might have considered insignificant, Zadornov said, adding that management of the VTB Group had also agreed not to tender the stock.

The other 20,000 shareholders owning big packages didn't tender them "for various reasons," Zadornov said. The maximum size of packages that investors could tender during the buyback was 500,000 rubles.

For some investors holding big packages this sum might be too insignificant to deal with the paperwork for it, said Alfa Bank analyst Eldar Vagabov.

The funds for the stock will be transferred to shareholders' accounts by the end of this month.

Zadornov said VTB 24 plans to propose that investors participating in the buyback deposit up to 700,000 rubles at 9.25 percent a year, as the lender hopes to retain on its balance sheet "a few billion" rubles of the sum spent on the buyback.

But he acknowledged that people prefer to spend money rather than save it, with the banking sector seeing a modest 0.9 percent growth of funds on individuals' deposit accounts in the first quarter of this year compared with a rise of 6.5 percent in the size of retail loans provided.

One possible reason for the growth in retail loans is that people are becoming more confident in their future for the next couple of years due to rising incomes and declining unemployment, Zadornov said.

If the current trend continues, the market for retail loans might grow more than 30 percent this year, he said.

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