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Wealth Fund Trio Each Investing $500 Million in VTB

By The Moscow Times

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LONDON — The country's second-largest bank VTB expects to close its $3.3 billion offering of new shares by the end of the week, with three sovereign wealth funds investing about $500 million each, chief executive Andrei Kostin said.

Azerbaijan's state oil fund SOFAZ, Norges Bank Investment Management and Qatar Holding are buying more than 50 percent of the offering of 2.5 trillion VTB shares on the Moscow stock market at 4.1 kopecks each (about one-tenth of a U.S. cent).

Kostin told Reuters in an interview that the anchor investors were each taking "more or less similar" stakes of about $500 million — "the kind of ticket we are thinking of".

VTB is offering shares at a discount to its 2007 initial public offering and 2011 secondary offering, when the bank sold shares at 13.6 kopecks and 9.15 kopecks respectively.

The share issue will bolster VTB's Tier 1 capital ratio to 11.9 percent from 10.3 percent at Dec. 31, helping it meet loan growth targets.

The new Tier 1 capital ratio — a key measure of a bank's ability to absorb losses — will be higher than No.1 Russian lender Sberbank's 10.4 percent at Dec. 31.

"We expect our loan book will grow between 15 to 20 percent," Kostin said, adding that VTB also needs capital to meet Basel III requirements that the central bank plans to introduce this year.

The Russian state will retain a 60.9 percent stake in VTB after the sale.

Kostin also said that VTB expects 2013 net profit to reach a record high above 100 billion rubles ($3.2 billion), up more than 10 percent on last year.

He added that VTB is not interested in increasing its stake of about 10 percent of Rosbank, the Russian unit of French bank Societe Generale.

Last week the head of Rosbank was charged with bribery, prompting speculation that SocGen may consider selling the business.

"At the moment we are more on the sell-side than buying," Kostin said.

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