

VTB Looks to Asia for Bond Action

By [The Moscow Times](#)

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LONDON — VTB will reduce issuance in the U.S. dollar bond market this year and diversify its investor base with more Asian currency issues instead, the bank's chief financial officer said.

In 2012, the bank issued \$5.75 billion in the dollar market through senior and subordinated bonds, the lion's share of its total issuance of about \$7 billion.

The state-owned lender, rated Baa1/BBB/BBB, has \$2.5 billion in dollar-denominated debt coming due this year, which it will refinance through one or two transactions. But any additional dollar deals will be opportunistic and will depend on the ability to reprice the bank's curve.

"This year, we will be less active in vanilla issuances," CFO Herbert Moos said. "Our refinancing profile is \$2.5 billion, which we will definitely do and is a relatively manageable amount. Any extra will be opportunistic, but we will seek to price well inside our secondary curve."

Instead, said Moos, "we want to push the envelope by continuing to diversify our investor base and issue at or within our dollar levels, therefore not pay concessions."

That diversification will come mostly through Asian markets. Last week, for example, the bank tapped its 4.5 percent October 2015 yuan bond for a further 1 billion yuan (\$160.7 million) to take the note's outstanding size to 2 billion yuan. At an issue yield of 3.8 percent, the deal came 15 basis points through the bank's dollar curve.

Other Asian currencies VTB will target include yuan again, Australian dollars (in which it priced a U.S. \$500 million five-year bond in December), Singapore dollars and Hong Kong dollars. VTB is also considering other new markets.

"We are focusing on Asia a lot," Moos said. "The new market realities mean that the incremental growth of investment capital is coming from Asia."

The strategy is to grow the bank's presence in these markets gradually, with each new issuance extending its tenor or deal size and improving its cost of funding.

"Our target is to reach a U.S. \$1 billion debt stock target in Singapore dollars. At the moment we are at roughly half that amount," Moos said, adding that the target was not necessarily set for 2013.

"In each market, if we can develop our capacity to a similar size, our debt profile will change away from the mainstream markets," he said. "Those markets are still important, but we want to create enough alternatives so that we can control our issuance and tighten our cost of funding."

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