

VTB to Hit '10 Targets Ahead of Sale

By [The Moscow Times](#)

September 02, 2010



VTB said it posted profit attributable to shareholders of \$876 million in the first half, versus a loss a year earlier. **Vladimir Filonov**

VTB Group, the country's second-biggest bank by assets, said Thursday that it was on target to meet 2010 profit forecasts, underpinning government hopes to sell a 10 percent stake to a strategic investor by year-end.

VTB reiterated a full-year net profit target of 50 billion rubles (\$1.63 billion) after it posted 25.1 billion rubles for the first half, ahead of a Reuters poll for 24.8 billion rubles, despite a rocky second quarter for global markets.

Profit attributable to shareholders reached 26.9 billion rubles in the first half, versus a loss in the year-earlier period, VTB said on its web site.

Profit in the second quarter was 11.6 billion rubles, compared with a loss of 12.4 billion rubles a year earlier.

It said its bad loans ratio eased for the first time since the start of the financial crisis to 9.5 percent and would likely peak by end September, cementing the group's recovery from last year.

"We have an ambitious 2010 net profit forecast of 50 billion rubles, and we reiterate this forecast. ... We expect that the share of nonperforming loans will peak in the third quarter and will not exceed 10-12 percent," finance director Herbert Moos told reporters.

Operating income in the April to June period jumped to 35.8 billion rubles from 1.5 billion rubles a year earlier as VTB's net interest margin, the difference between what it earns on loans and what it pays to borrow, reached a record 5.5 percent, the bank said.

The ratio of delinquent loans fell to 9.5 percent from 10.2 percent at the end of March.

VTB shares closed up 0.2 percent at 8.28 kopeks on the MICEX, while the exchange's benchmark index finished 0.5 percent ahead.

Last week, VTB's larger rival Sberbank reported a worse-than-expected net profit for the second quarter as its bad loans and provisions continued to grow.

VTB, in which the state controls 85.5 percent, is at the front of the line in the upcoming auction of government assets, which may bring up to \$29 billion to the state coffers, and the bank may see a 10 percent stake hived off by year-end.

Deputy Finance Minister Alexei Savatyugin said Thursday that the state also hoped to divest another 25 percent in 2011-13.

The group said last month that it was working with potential investors including Middle East government groups, although VTB's Moos said no talks were under way with oil-rich Kuwait.

Its investment banking arm VTB Capital, which boosted profit to 9.7 billion rubles in the first half against 1.8 billion rubles and has a strong pipeline of deals in the second half, could attract foreign investors.

"We see rich opportunities for further growth with capital markets activity picking up after the second-quarter pullback. ... We also see a strong pipeline of both debt and equity deals," VTB Capital president Yury Solovyov said in a statement.

VTB approved a new strategy in May, which points to the possibility of a partnership or acquisition as it looks to expand into direct consumer lending.

The bank is also looking at possible acquisitions in the Commonwealth of Independent States, Moos said.

"It makes sense for VTB to continue to look for acquisitions and potential organic growth in that region; it is part of the bank's strategy," said David Nangle, an analyst at Renaissance Capital.

The bank is already in talks to buy rival TransCreditBank, the banking unit of Russian Railways, media has reported. But Moos said VTB has not reached any specific agreements

with TransCreditBank.

Moos also said VTB planned to borrow \$2 billion in overseas markets by the end of 2010, while its group margin would likely hit 5 percent by the same date.

The group's second-quarter performance fell short of its record first-quarter net profit of 15.3 billion rubles, because of uncertain financial markets and a 15 percent decline in the dollar-denominated RTS exchange, the bank said.

"The recovery remains fragile and the second quarter was marked by very challenging market conditions on the back of European sovereign debt problems," it said in a statement.

The group made a 31.5 billion ruble loss during the crisis-hit first half of 2009.

(Reuters, Bloomberg)

The Finance Ministry has proposed that the Central Bank sell some of its shares in Sberbank, Savatyugin told reporters in Sochi.

The ministry also seeks by 2013 to sell a stake in state-owned Russian Agricultural Bank, known as Rosselkhozbank, he said. Russia may sell up to 49 percent of shares in the bank, in which the state owns 100 percent.

Bank lending is set to increase 10 percent this year as the economy recovers from last year's record 7.9 percent contraction, Central Bank First Deputy Chairman Alexei Ulyukayev said Thursday in Sochi. Gross domestic product may expand about 5 percent this year, he said.

Original url: <https://www.themoscowtimes.com/2010/09/02/vtb-to-hit-10-targets-ahead-of-sale-a1105>