

# VTB Q1 Results a Mixed Bag

By [The Moscow Times](#)

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VTB almost tripled provisions for bad loans due to increased uncertainty in the global economy and the possibility that the Russian economy could suffer as a result. **Maxim Stulov**

Russia's second-biggest lender VTB almost tripled provisions for bad loans to 20.4 billion rubles (\$630.42 million) in the first quarter, up from 7.7 billion in the same period in 2011, fearing more borrowers may not be able to repay debt if the global economy weakens.

VTB said it had put aside higher provisions due to increased uncertainty in the global economy and the possibility that it could have a knock-on effect on Russia.

"Provisions were higher than expected, which may not carry over [into future periods], but does suggest a weakening of loan quality," Alfa analyst Jason Hurwitz said.

The bank's first-quarter net interest margin also disappointed at 3.8 percent, significantly below the 6 percent reported by larger rival Sberbank for the same period.

"I would take the results as negative, as they fell short in the key line items. In particular,

the net interest margin was well below consensus estimates, which could carry over into future periods," Hurwitz said.

First quarter net profit came in at 23.3 billion rubles, in line with expectations and slightly below the 26.1 billion rubles it reported for the same period last year.

VTB's capital adequacy improved in the first quarter as the bank focused on strengthening its balance sheet after last year's troubled takeovers of Bank of Moscow and TransCreditBank.

The bank said Thursday that its capital adequacy ratio — a measure of its capacity to absorb losses — came in at 9.6 percent, up from 9.0 percent at the end of last year.

VTB president Andrei Kostin said last month that, having spent billions of dollars on the pair of deals and narrowing the gap between larger rival Sberbank in terms of assets, the group's acquisition plan was now complete.

For about a year, VTB battled for control of Bank of Moscow, then Russia's fifth-biggest bank, only to discover a gaping hole in its books after ousting former management.

It was then forced to call on the Central Bank for help, receiving a record-breaking bailout worth \$13 billion.

VTB's retail banking arm delivered a sharp rise in pretax profit — up 47 percent to 10.9 billion rubles — partly due to a rise in private banking customers.

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