

VTB Profit Down 63% On Market Volatility

By [The Moscow Times](#)

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VTB's first-half figures have been hit by volatile markets. **Maxim Stulov**

Quarterly earnings at VTB dropped 63 percent due to volatile financial markets and foreign exchange losses, underscoring the importance of its plan to issue new shares to bolster capital.

The state-controlled bank's capital base has been strained by acquisitions and lending growth, and chief executive Andrei Kostin said Wednesday it was considering a \$2 billion share sale next spring after the successful sale of a \$5 billion stake in larger rival Sberbank this week.

VTB reported Thursday a dip in its capital strength at mid-year, but said that including a subsequent perpetual eurobond issue, its Tier 1 ratio — a key measure of capital strength — would have risen to 9.5 percent.

The state owns 75.5 percent of VTB but plans to cut its holding as part of a wider privatization drive.

VTB reported a net profit of 10.3 billion rubles (\$330 million) for the second quarter, down from 27.5 billion rubles in the same period a year earlier and short of analysts' average forecast of 10.6 billion rubles.

For the first half of the year as a whole, earnings fell 37 percent to 33.6 billion rubles.

VTB said its bottom line suffered in the first half from a 1.2 billion ruble loss in its equity and security portfolios, which it attributed to volatile markets. The same time last year, it posted a net trading gain of 9.5 billion rubles.

It also took an 11.9 billion ruble provisioning charge for impairment of debt financial instruments in the second quarter, larger than the year-earlier provision of 9.6 billion rubles.

This included revaluing, writing down or writing off loans and advances to customers, investment securities held to maturity and credit-related commitments.

It also recorded foreign exchange translation losses for the three months of 11.3 billion rubles, larger than the 8.8 billion rubles recorded the same period a year ago. Expenses from non-banking activities and staff costs rose as well, according to a statement on the bank's website.

VTB expects a net profit of more than 100 billion rubles (\$3.2 billion) this year, a forecast that chief financial officer Herbert Moos reiterated.

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