

Analysts Foresee 55% Increase in VTB Profit

By [The Moscow Times](#)

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Russia's No. 2 bank, VTB, is expected to report a 55 percent year-on-year rise in second-quarter net profit on the back of a growing loan portfolio, but a rise in bad loan provisions and weak income from trading operations could put a question mark over its full-year profit guidance.

Russian banks have piled into high-margin consumer lending as demand for corporate credit slowed. A slowing economy, however, has raised fears that people will struggle to repay their debts, prompting lenders to set aside more money to cover risks on high-interest loans.

VTB's net profit was seen at 16 billion rubles (\$486 million), according to an average response of 10 analysts, compared with 10.3 billion in the same period of 2012, with its loan portfolio tipped to rise 20 percent year on year.

But the bank's bad loan provisions were expected to soar to 23 billion rubles from 12 billion

the year earlier, putting a drag on earnings.

Sberbank, the country's top lender, last month said its profit would be close to the lower-end of initial guidance after higher provisions weighed on quarterly results.

"We expect weak numbers: another quarter of elevated provisioning, losses from securities," BofA Merrill Lynch said in a preview note, adding it had cut its full-year 2013 net income forecast to 82 billion rubles, 18 percent below the bank's own target of at least 100 billion rubles.

Andrei Kostin, VTB's chief executive, told reporters in St Petersburg last week that the bank was sticking to its full-year forecast. Still, analysts remain wary.

"VTB's results should indicate that the bank is substantially behind schedule to achieve its year-end net income target. We note that reaching this goal is gradually becoming increasingly challenging and do not rule out the bank revising its forecasts," analysts at Gazprombank said.

However, Gazprombank added "a few trump cards in VTB's pocket" included possible private equity deals, including a potential sale of Tele2 Russia — the country's No. 4 mobile operator that VTB bought in April from Sweden's Tele2 for \$3.55 billion.

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