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Russia's Second-Biggest Bank VTB Set to Post 84 Percent Loss

By The Moscow Times

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A worker cleans a sign outside a branch of VTB Bank in Moscow.

Russia's second-largest bank VTB is expected to report an 84 percent drop in third-quarter year-on-year net profit, hurt by higher provisions for bad loans, losses linked to the Ukraine crisis and a weaker ruble, analysts said.

VTB's third-quarter net profit, to be reported on Thursday, is expected to reach 3 billion rubles ($64 million), according to the average forecast in a poll of 10 analysts, down from 18.4 billion in the same period of 2013.

The state-controlled bank, which was sanctioned by the United States and European Union over Russia's role in the Ukraine crisis, posted an 82 percent slump in first-half profit as a slowing economy and geopolitical tensions over Ukraine hurt its performance.

"The quarter will once again be bad due to loan-loss provisions, first of all linked to Mechel,

Ukraine and the ruble. This will all affect its results," said Natalya Berezina, an analyst at Uralsib in Moscow.

VTB is one of the main creditors to heavily indebted Russian coal miner Mechel and has taken the firm to court to try to recover part of the money it loaned to the company. VTB has said its losses from the Ukraine crisis could exceed 50 billion rubles this year.

Russia's Finance Ministry bought 214 billion rubles of VTB's preferred shares in September in a move seen as an attempt to shore up its capital ratios, and Vedomosti newspaper has reported that VTB is seeking more state support to boost its capital.

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