

Analysts Predict \$36.6M Profit for Vozrozhdenie

By [The Moscow Times](#)

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Vozrozhdenie Bank is expected on Wednesday to report a 1.17 billion ruble (\$36.6 million) net profit for the first half of 2012 under International Financial Reporting Standards, a 64.4 percent year-on-year increase.

The bank's net interest income will be up 38.1 percent at 4.45 billion rubles for the period, while its assets will expand 4.9 percent to 192.97 billion rubles, according to analysts surveyed by Interfax.

Meanwhile, Vozrozhdenie chief executive Alexander Dolgoplov said last week that the bank is dropping plans to raise capital via a share issue this year due to fragile markets but still expects to raise 3 billion rubles in subordinated loans to sustain its continued growth.

Europe's debt woes have reduced lenders' ability to raise capital, forcing them to resort to unusual methods to keep liquidity flowing, such as issuing perpetual bonds or raising deposit

rates at the expense of margins.

In August, the average ruble deposit rate in the 10 biggest domestic banks by retail deposits reached 10.6 percent, the highest in more than two years, showing strong competition for short-term cash.

For long-term funding, the situation is even harder. Last month, the country's second-biggest lender, VTB, raised \$1 billion in perpetual bonds in the first deal of its kind in Russia, boosting its Tier 1 capital solvency ratio.

Vozrozhdenie, ranked 29th by assets according to Interfax data, in August raised 1 billion rubles in subordinated loans due to mature in eight years.

Dolgopolov said in an interview that the bank expects to boost its capital by raising further subordinated loans and has dropped plans to hold a secondary share offering this year.

The bank hopes to "raise another 2 billion rubles in October," Dolgopolov said, adding that this amount "should be quite sufficient" to achieve next year's growth targets.

Vozrozhdenie's capital adequacy ratio stood at 11.5 percent of assets as of Aug. 1, above the 10 percent local minimum.

Dolgopolov did not say who provided the 1 billion ruble loan but said it was not linked to the bank's shareholders or to any possible deal to buy a stake in the bank.

Dmitry Orlov and his partner, Otar Margania, own a combined stake of 49.35 percent in the bank. Last year, businessman Vladimir Kogan and other investors sought to buy a controlling stake, but talks failed, Orlov said in January.

Sberbank put plans for a secondary offering on ice last year but hopes to conduct a deal by the end of 2012 if markets are favorable.

With the Russian banking sector state-dominated, privately owned lenders are forced to compete hard for market share and profits.

But Dolgopolov said Vozrozhdenie would meet its targets this year for lending growth of 15 to 20 percent and a net profit of about 2 billion rubles.

"The plan is being fulfilled, and all the key figures announced earlier will be reached," Dolgopolov said.

"There is no net profit forecast for the next year yet, but it will definitely be higher than this year."

Last year, the lender reported a net profit of 1.6 billion rubles, with its loan portfolio rising almost 20 percent, a bit slower than the overall banking system's growth of 30 percent.

This year, the Central Bank sees overall lending rising 20 to 25 percent, believing that even the depths of the eurozone debt crisis won't force the government to launch a major bailout operation.

Vozrozhdenie was one of the few big local banks that did not ask for state help during the last crisis.

Dolgopolov, who has worked at Vozrozhdenie since 1994 and became chief executive last month after Orlov retired, said he does not plan to change the bank's strategy.

(MT, Reuters)

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