

# VTB Q1 Net Income Down by One-Third to \$476M

By [The Moscow Times](#)

July 02, 2013

**The**  **Moscow Times**

No. 2 lender VTB reported a one-third fall in first quarter net income Tuesday and missed analysts' expectations, hit by higher loan-loss provisions as the economy slowed.

Growth in Russia's \$2 trillion economy has stalled, and the government recently revised down its full-year GDP forecast by a third to 2.4 percent. Weaker growth is hitting the ability of borrowers to repay their debts.

"The main factor in the lower profits is the rise in provisions and lower revenues from trading and non-bank business," said Gazprombank banking analyst Andrei Klapko.

VTB said net profit for the first quarter fell 33 percent to 15.7 billion rubles (\$476.4 million), short of a 16.3 billion rubles average forecast in a media poll of analysts.

While retail loans increased, VTB set aside 22 billion rubles to cover possible bad loans in the

first quarter versus 20.4 billion rubles the same period the previous year, due to what it called a "challenging economic environment".

The provision charge reached 1.6 percent of the average loan portfolio, higher than the 1.1 percent in the fourth quarter of last year but lower than a year ago.

VTB bolstered its capital strength through a 102.5 billion rubles offering of new shares in May, after the end of the first quarter.

The bank said its Tier 1 capital adequacy ratio — a key measure of a bank's ability to absorb losses — stood at 10.2 percent as of end of March. It has said the offering will boost its Tier 1 ratio to over 11 percent.

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