

Powerhouse Sberbank Sees Bullish 11-Month Results

By [The Moscow Times](#)

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Sberbank almost doubled net profit for the first 11 months of the year, putting it on course to top its full-year target and contrasting with the faltering performance of most top European banks.

Analysts said Friday that the strong performance, fueled by lower provisions for bad loans and an increase in lending to companies and consumers alike, put Sberbank in a good position to fulfill its plans to expand overseas.

"Based on preliminary estimations, they may spend between \$5 billion and \$8 billion, keeping Tier 1 [capital ratio] at a comfortable level of 11 percent," said UralSib analyst Leonid Slipchenko.

Sberbank chief financial officer Anton Karamzin recently ruled out major European acquisitions, saying deals were likely to be similar in size to previous ones of about \$1 billion.

The bank, whose market capitalization of \$61 billion makes it one of Europe's biggest banks, has said it is looking at Central and Eastern Europe, including Poland and Turkey.

Sberbank, which accounts for a quarter of total assets in Russia's banking system, made a net profit of 297.6 billion rubles (\$9.5 billion) in the 11 months ended Dec. 1 under Russian Accounting Standards, almost reaching its full-year goal of 300 billion to 310 billion rubles with a month to go.

"It is hard to predict net profit for December, but I think the full year's net income is likely to edge closer to 320 billion rubles," said Olga Belenkaya, an analyst with Sovlink.

Her profit forecast matches UralSib's prediction, which also expects Sberbank to beat its target issued only last week. Sberbank declined to comment.

Sberbank made 152.5 billion rubles in the 11-month period last year under Russian Accounting Standards, which is viewed as an indicator for performance under International Financial Reporting Standards.

With its nonperformance loan ratio decreasing to 3.72 percent from 5.04 percent at the beginning of 2011, Sberbank made just 7.3 billion rubles in provisions for the 11 months, compared with 173.1 billion rubles for the same period of 2010.

"The main driver for the net profit increase is lower provision charges," said Belenkaya, adding that Sberbank's key advantage was its capital position, which would "help to absorb possible losses if market conditions are negative."

Sberbank's return-on-equity remains one of the highest in the sector, reaching 27.6 percent in January–November. It is also strongly capitalized with a capital adequacy ratio of 16 percent under Russian Accounting Standards rules, well above the minimum 10 percent.

Sberbank is home to about a half of Russia's retail deposits and a third of overall capital. It has become too big to grow further in its domestic market and recently started expanding abroad.

The state-controlled lender plans to earn at least 5 percent of net profit from operations abroad by 2014.

Sberbank had operations only in the post-Soviet countries until it snapped up VBI, the Eastern European arm of Austria's Oesterreichische Volksbanken, in September.

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