

Sberbank Echoes Liquidity Warnings

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Sberbank head German Gref said Wednesday that the financial crisis in Europe has effectively closed the continent's debt markets to domestic companies and more needs to be done to preserve liquidity in the Russian financial sector.

The words of the former economic development and trade minister backed a position articulated earlier in the week by the president of Russia's second-largest lender, VTB's Andrei Kostin.

"We have a general problem with funding in the financial sector," Gref said at a conference in Moscow, Interfax reported. He said the remnants of measures taken to boost liquidity during the most difficult phase of the 2008 crisis are "insufficient to secure an adequately securitized long-term system of liquidity."

Since the New Year, the Central Bank has reduced the amount of liquidity it makes available at daily repo auctions and pushed bidders to look to repo auctions providing finances over one-week and three-month periods.

Kostin said in an interview with The Wall Street Journal published Monday that he also had concerns about the availability of money to service debt. "There's definitely not enough liquidity to continue the growth of the banking sector," he said.

"The Central Bank is now lending some money to banks, but mainly using some of the collateralized schemes," he added. "I don't think that's enough to provide enough liquidity."

HSBC chief economist Alexander Morozov told The Moscow Times that the best way to prevent a drying up of liquidity was by organic growth based on the deposit base of companies and individuals.

Again echoing Kostin, Gref also appeared to refute the government's emphasis on inflation as the country's biggest economic danger. The provision of liquidity by the state could nudge up inflation, something that the Kremlin is wary of in an election period.

"Now we need to resolve the main question of the day," Gref said, Vedomosti reported, "the threat of a credit crunch."

Sberbank reported record pre-tax profits Wednesday of 394 billion rubles (\$12.5 billion), a 76 percent year-on-year rise. In 2010, the lender reported a 223.1 billion ruble profit.

In material published on its web site, Sberbank said its corporate loan book had increased by more than a third during 2011 to 6.4 trillion rubles. Its retail loan book over the same period climbed 36.6 percent to 1.8 trillion rubles.

As well as the loans it has issued, the quantity of assets held by Russia's biggest lender has increased. They rose 22.5 percent in 2011 to 10.5 trillion rubles. "The basis of growth remained, as before, credit clients," the bank said.

In a research note published Wednesday, VTB Capital analysts said they expected Sberbank's above-average growth for the sector to continue into 2012.

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