

Sberbank Sees Extensive Cooperation with Chinese Peers

By [The Moscow Times](#)

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Sberbank plans to borrow more from leading Chinese banks and co-finance Russian infrastructure projects with them ahead of big sports events like the 2014 Winter Olympics and the 2018 football World Cup.

The move to deepen banking ties between the world's largest energy producing nation and the largest consumer comes as state-controlled Sberbank seeks to diversify away from the home market it dominates, where credit growth is slowing.

Andrei Donskikh, deputy chief executive of the country's largest lender, said in an interview that trading volumes between Russia and China are expected to exceed \$90 billion this year, creating big cooperation prospects with China's huge banks.

"It used to be thought that the largest banks are in the U.S., in Western Europe. But the world is changing," Donskikh said.

The state-controlled bank, which accounts for a third of overall lending in the country, is facing a slowdown in corporate loan growth due to high borrowing costs.

Donskikh said Sberbank cut its corporate lending growth forecast to below 20 percent this year, with next year's expansion preliminarily seen at no more than 15 percent.

"Borrowers are showing weaker demand. ... It is obvious that calculating investment projects for five to 10 years based on current interest rates is quite risky for a borrower," Donskikh said.

The overnight money market rate, the cost of borrowing between banks, hit 6.45 percent on Oct. 25, its highest since the end of 2009, after the Central Bank hiked its key interest rates in September.

Sberbank had expected its corporate portfolio to expand 20 percent this year, with growth reaching 13.3 percent by the start of November.

The financial regulator, under pressure to curb inflation, kept rates unchanged Friday, and Donskikh said he sees no signs the Central Bank will start to stimulate economic growth next year.

"Along with falling capital adequacy ratios, it will affect the lending slowdown in the country," Donskikh said.

The Central Bank sees total lending growth at about 20 percent next year, from 20 to 25 percent in 2012, due to a decline in the banks' capital adequacy and lackluster growth in Russia's \$1.9 trillion economy.

Corporate lending in Russia increased 10 percent in the first nine months of the year, with retail lending up 29 percent. At the same time, capital was lagging behind asset growth, adding just 7.7 percent.

Banks are required to keep a minimum capital adequacy ratio, fixed in Russia at 10 percent, to fund their operations.

Affected by the retail-lending boom, capital adequacy, or N1 ratios, fell to 13.1 percent from 14.7 percent at the start of the year. Sberbank's N1 stood at 12 percent, down from 15.2 percent.

Sberbank has begun to transform itself into a global bank by buying European assets under current CEO German Gref, and Donskikh said it is looking expand cooperation with leading Chinese lenders to increase trade between Moscow and Beijing.

China's banks tower over most of their global peers in size, with Industrial and Commercial Bank of China's market value alone roughly equivalent to that of JPMorgan, Goldman Sachs and Bank of America combined.

Donskikh met last month with executives from ICBC, China Construction Bank, Bank of China, Agricultural Bank of China, China Development Bank, Export-Import Bank of China, Bank of Communications and Shanghai Pudong Development Bank.

“We agreed to significantly increase limits between (these) Chinese banks and Sberbank,” he said, without elaborating.

He added that banks were also discussing jointly financing infrastructure projects in Russia, which is hosting the Winter Olympic Games in Sochi in 2014 and the World Cup in 2018. The World Cup alone will cost almost \$20 billion.

“Russia will have the Olympic Games, the World Cup, big, significant events. But we lack roads, airports and rail stations, and Chinese experience is inestimable,” he said.

“Mildly speaking, we have fallen behind China over the past 30 years or so, during which Shanghai has turned into a city of skyscrapers.”

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