

Sberbank Q1 Profit Down 4% to \$2.8Bln

By [The Moscow Times](#)

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Bad loan provisions are up at the financial giant, which accounts for about one-third of all lending in the country. **Vladimir Filonov**

Top lender Sberbank posted a 4 percent fall in first quarter profits as it set aside \$1 billion to cover potential bad loans, the bank said on Wednesday, a sign that debtors may be struggling in a weakening economy.

Sberbank, which accounts for around a third of overall lending in Russia, said first quarter net profit was 88.5 billion rubles (\$2.8 billion) versus 92.2 billion rubles in the first quarter of last year. A poll of analysts forecast the bank to post 87.1 billion rubles.

Provisions for possible bad loans rose to 31.8 billion rubles, higher than expected. In the first quarter of last year, Sberbank released 3.2 billion rubles in provisions, boosting net profit.

"This [rise in provisions] is most likely to be linked to quite high retail lending along with overall economic slowdown," said Mikhail Shlemov, an analyst with VTB Capital.

Russian gross domestic product grew by an annual 1.6 percent in the first quarter, its slowest quarterly pace since late 2009, increasing the risk of a spike in bad loans if unemployment increases.

Sberbank said on Wednesday that its loans to legal entities, the bulk of which is corporate loans, added 0.9 percent. Retail lending, which accounts for a quarter of Sberbank's total loan book, rose 2.6 percent since the start of the year.

Its non-performing loan ratio, or NPL, was almost flat at 3.3 percent versus 3.2 percent at the end of last year. In year on year terms, NPL was down from 4.8 percent.

Last week, ratings agency Standard & Poor's said Russian banks could be forced to spend over 400 billion rubles in additional provisions on consumer loans.

In the first quarter, Sberbank's Tier 1 capital adequacy ratio stood at 10.9 percent, up from 10.4 percent at the end of last year, giving the bank more room to expand its business.

On Tuesday, chief executive German Gref reiterated the bank's forecasts on net profit and lending for this year, set at 370-390 billion rubles and around 15-20 percent, respectively.

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