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SoGen Sees 15% Profit in Russia by 2015

By The Moscow Times

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French bank Societe Generale aims to deliver a sustainable return on equity of more than 15 percent at its Russia operations by 2015, SocGen chief executive Frederic Oudea said Wednesday.

The target would mean almost doubling annual returns in a fragmented, state-dominated banking market that for years has failed to deliver meaningful profits for SocGen and that chased out many international banks in the wake of the 2008 crisis.

It would also mean turning the page on the dramatic arrest last month of its head, Vladimir Golubkov, on bribery charges. SocGen has replaced Golubkov and moved to soothe nervy clients as the case unfolds; the bank has also hired Deloitte to conduct an internal audit of operations.

"2013 will be a year that will confirm all the benefits of the actions we have taken," Oudea said in Moscow. "On the cost side, we can do a bit more."

Oudea declined to comment on the Golubkov case, which has not led to widespread deposit withdrawals despite a reported pullback from some private-banking clients. "The issue of commercial bribery is not specific to Russia," he said.

SocGen has poured an estimated 4 billion euros into its Russian brand Rosbank since taking an initial stake in 2006. Despite cutting thousands of jobs over the past year its cost-to-income ratio is still well above state-owned rivals like VTB and Sberbank.

Investors and analysts say performance in 2013 is crucial for SocGen to deliver on its promise that Russia will help offset stagnation in Europe and volatile financial markets.

SocGen's head of Russian activities, Didier Hauguel, told journalists that the unit had begun cutting more headcount at its headquarters as planned and that there would be more potential to cut back-office expenses via IT savings.

The French bank's house economists said that Russian economic growth would pick up in the second half of the year and said that banking loan growth would continue to outstrip GDP.

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