

Sberbank Q2 Net Up 3.5% to \$2.6Bln

By [The Moscow Times](#)

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Sberbank increased its bad loan provision 1500 percent since last year. **Igor Tabakov**

Russia's largest bank, Sberbank, reported a big rise in provisions against bad loans Wednesday, highlighting concerns that households might struggle to keep up debt repayments in a slowing economy.

Russian banks have piled into high-margin consumer lending as demand for credit has slowed at companies.

However, new Central Bank regulations require lenders to set aside more money to cover potential defaults on high-interest loans, potentially weakening their capital position, while a slowing economy has raised fears that more consumers will struggle to service their debts.

With half of all
household
savings in its

accounts, the state behemoth's success, is heavily supported by consumer lending.

The Economic Development Ministry on Monday cut its 2013 economic growth forecast to 1.8 percent from 2.4 percent, blaming weaker exports and consumption.

State-controlled Sberbank accounts for 29 percent of Russia's total banking assets and holds 46 percent of household deposits, making it a bellwether for the performance of the country's \$2 trillion economy.

The former Soviet state savings bank said it set aside 30.9 billion rubles (\$931 million) against potential bad loans in the second quarter — nearly 15 times higher than the year-ago figure of 2.1 billion rubles, although only slightly more than the 30.2 billion analysts had expected.

Net profit rose by 3.5 percent year on year to 86 billion rubles, broadly in line with analysts' average forecast of 85.8 billion rubles.

Analysts said Sberbank's resilient margins helped offset the hit from provisions, but some expressed concerns that management headed by German Gref, a former economic minister, may lower its earnings guidance.

"The key now is the management forecast for this year as to what they expect in terms of risk provisions," said Svetlana Aslanova at VTB Capital.

Sberbank is due to hold a conference call at 6.30 p.m. to update on its outlook. It currently forecasts earnings of 370-390 billion rubles for the full year.

Smaller rival Vozrozhdenie on Tuesday reported a 72 percent drop in second-quarter earnings due to high provisions and weak net interest income as lending is slowing.

Andrei Klapko, a banking analyst at Gazprombank in Moscow, estimated that Sberbank's net interest margin narrowed just 10 basis points in the second quarter to 5.9 percent — in line with the bank's full-year forecast range of 5.9-6.2 percent.

Sberbank expanded its retail loan book, before provisioning, by 10.9 percent in the first half of the year while its corporate lending grew by just 4.2 percent.

Its nonperforming loan ratio was 3.2 percent, unchanged from the end of 2012. Its Tier 1 capital adequacy ratio, a measure of the ability to absorb losses, fell to 10.5 percent from 10.9 percent at the end of the first quarter.

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