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Sberbank Sharply Cuts Interest Rates for Savers

By The Moscow Times

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Sberbank, the latest of a number of banks to cut interest rates, lowered it by the most. **I. Makhonin**

Sberbank has lowered its interest rates on all non-corporate deposits and savings certificates in an effort to preserve its profitability, falling in with a market trend of tightfistedness toward savers in October.

State-owned Sberbank held the deposits of 47 percent of all Russian savers at the end of 2011, according to the bank's website. Millions of people will lose out in the wake of interest rate cuts of up to 1.25 percentage points last week.

The bank was forced to prioritize after weathering a 2 percent loss to its corporate lending portfolio between January and August this year, Vedomosti reported Friday.

"It's clear that the price [of lowering interest rates on deposits] could be the reduction of our share of the personal savings market, but right now demand [for loans] is more important,"

Sberbank president German Gref said in May.

In the drive to spur demand from corporate borrowers, Sberbank has already cut loan rates three times this year. The last cut in late September saw corporate loan interest rates drop an average of 0.5 percent, deputy chairman Maxim Poletayev said.

This latest maneuver will see rates on the bank's array of in-store deposit accounts lowered by 0.25 to 1 percentage point, while rates on online deposits will drop 0.5 to 1.25 percentage points and rates on savings certificates will drop by 0 to 1.25 percentage points.

The highest rates of return that the bank now offers are 7 percent a year on deposits in rubles, 2.25 percent a year on foreign currency deposits, and 9.3 percent a year on savings certificates. In a September report, the International Monetary Fund predicted inflation at 6.2 percent this year.

Early October saw a host of other banks lower their deposit ranks, including Alfa-bank, Uralsib, Vostochny Express, OTP Bank, Sovkombank, and Renaissance Credit.

The average maximum rate decreased by 0.15 percentage points in the first 10 days of October to 8.67 percent at Russia's top 10 retail banks, according to the Central Bank.

Other banks generally did not cut their rates as drastically as Sberbank, however, nor did they lower rates on all deposit lines.

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