

Sberbank Gets \$5.8Bln Central Bank Loan to Ease Liquidity Squeeze

By [The Moscow Times](#)

July 08, 2014

The  **Moscow Times**

Sberbank, Russia's largest bank, has received a 200 billion ruble (\$5.8 billion) loan from the Central Bank at a time when the government is trying to give domestic banks more capacity to lend to help to reverse an economic slowdown.

Sberbank chief executive German Gref said last month that Russian banks were experiencing a liquidity squeeze due to fallout from the Ukraine crisis, which has complicated Russian firms' access to capital markets.

State-owned Sberbank received the subordinated loan in June and will use it to finance ongoing operations, the bank said in a statement this week that accompanied its half-year results based on Russian accounting standards.

Sberbank borrowed 500 billion rubles in subordinated debt from the Central Bank at the height of the financial crisis in 2008 but subsequently repaid 200 billion of that loan.

Russian lawmakers have since given preliminary approval to amendments to allow Sberbank to convert the debt it received during the crisis into a new class of preferred share or perpetual debt, potentially boosting its capital levels and allowing it to lend more.

Analysts believe the latest cash injection into Sberbank is on the same terms as the prior loan and would therefore also be convertible.

The bank declined to comment on whether it would participate in the debt conversion scheme. The conversion was proposed by President Vladimir Putin at an investment forum in St. Petersburg earlier this year. Putin had said the government would help big banks by allowing them to convert subordinated loans to shares.

Sberbank said in May it would consider taking part.

Jason Hurwitz, director for financial sector research at investment bank VTB Capital, said Sberbank would likely seek to convert all of its subordinated Central Bank loans into perpetual debt. He said this could help boost its level of most highly rated Tier 1 capital, used to assess a bank's financial health and to support lending.

"It is our view that they are going to convert all the 500 billion into perpetual debt," Hurwitz said.

Under international capital adequacy standards, commercial banks are meant to set aside sufficient capital to cover for potential losses. Tier 1 capital includes equity, disclosed reserves and retained earnings.

Hurwitz said Sberbank's new subordinated loan would also improve liquidity at the state bank and that it was likely to have been provided on relatively attractive terms.

"For subordinated debt, it is super cheap at only 6.5 percent, as we understand," he said. "And if it becomes perpetual debt, it would be even cheaper."

Perpetual debt has no maturity date and is therefore similar to equity.

Sberbank's results showed that net profit fell about 3 percent in the first half of the year to 186.4 billion rubles due to higher loan-loss provisions and taxes.

Original url:

<https://www.themoscowtimes.com/2014/07/08/sberbank-gets-58bln-central-bank-loan-to-ease-liquidity-squeeze-a37133>