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Bad Loan Provisions, Economic Slump Dampen Sberbank Profits

By The Moscow Times

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Russia's top lender Sberbank said Thursday that net profit between January and July rose 0.8 percent year-on-year to 222.1 billion rubles ($6 billion), as loan-loss provisions more than doubled due to an economic slowdown compounded by the Ukraine crisis.

State-controlled Sberbank is an important lender to Russia's $2 trillion economy, which is on the verge of recession as lower investment and rising capital flight in the wake of Western sanctions curb growth.

The bank, which owns about a third of the assets in the Russian banking system, said that loan-loss provisions rose to 162.6 billion rubles for the first seven months of the year, compared with 67.3 billion rubles a year earlier, according to Russian Accounting Standards (RAS).

"The bank continues to practice a conservative approach in loan-loss provisioning based

on the requirements of the Central Bank of Russia," it said.

It said its net profit was also affected by changes in Russian banking regulations. The bank posted a 2.8 percent fall in net profit for the first six months of the year, according to RAS.

The bank's share of nonperforming loans edged up to 2.5 percent at the end of July from 2.4 percent at the end of June.

Net interest income was up 23.7 percent for the first seven months of 2014, the bank said.

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