The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

# Russia's Economic Woes Drag Down Its Biggest Bank Sberbank

By The Moscow Times

November 26, 2014




People use an automated teller machine inside a branch of Sberbank in St. Petersburg.

Russia's biggest bank Sberbank expects slower loan growth next year and is continuing to set aside provisions for losses in Ukraine and from large corporate borrowers as the economy heads toward recession.

Sberbank, which on Wednesday posted a 24 percent drop in third-quarter net profit, also said its net profit this year would be slightly below last year's figure.

"Next year will be as tough or even tougher than this year. We're not sure the bottom has been touched," chief financial officer Alexander Morozov told a conference call.

Russia's economy is showing signs of strain as Western sanctions over the Ukraine crisis and tumbling oil prices depress growth. Major banks are also nursing losses from their Ukrainian subsidiaries.

Sberbank is one of several state-controlled banks to be made the subject of sanctions that limit access to international capital markets, driving up the cost of financing.

Morozov said he expected Sberbank's corporate loan growth to slow to between 8 and 12 percent next year, from a forecast of more than 20 percent this year, and retail loan growth to slow to around 10 to 12 percent from 15 to 20 percent in 2014.

Sberbank cut its forecast for this year's return on equity (ROE), a measure of profitability, to around 15 percent from below 20 percent.

Morozov told Reuters that by extrapolating from the new ROE guidance, "it's true that yearly profit will be slightly lower than last year, though it wouldn't be correct to give a forecast."

Sberbank's net profit fell to 70.9 billion rubles ($1.5 billion) in the quarter from 93.8 billion a year earlier, hurt by loan-loss provisions of 104.5 billion rubles, in part caused by a weakening of the ruble.

VTB, Russia's No. 2 bank, last week posted a sharper 98 percent drop in third-quarter profit, citing similar factors including Ukraine-related risks.

Sberbank shares closed down around 0.4 percent, underperforming Moscow's MICEX Index, which rose 0.5 percent.

Original url:
https://www.themoscowtimes.com/2014/11/26/russias-economic-woes-drag-down-its-biggest-bank-sberbank-a41732