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Shares in Russia's Biggest Bank Sberbank Drop 18 Percent

By The Moscow Times

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People visit a Sberbank branch department, with ATM bank machines located inside, in the town of Divnogorsk near Krasnoyarsk, Siberia.

Shares in Russia's top bank Sberbank plunged more than 18 percent on Tuesday, tracking a broader market slump after a Central Bank decision to hike lending rates to 17 percent failed to stem a drop in the ruble currency.

Sberbank is seen as a barometer for the wider Russian economy and the collapsing ruble is denting investor confidence in the country, hit by Western sanctions over the Ukraine crisis and a slide in oil prices to multi-year lows.

Analysts said Sberbank had given a briefing on Tuesday and two present at the meeting said the lender had seen its return on equity (ROE), a key measure of profitability, dropping to near 10 percent next year from expectations of around 15 percent in 2014.

However the forecast was made before the Central Bank's latest rate rise. Sberbank said it planned to issue a statement on the analyst meeting soon but declined further comment.

Hit like many other Russian companies by Western sanctions, Sberbank is suffering from increasing loan-loss provisions which are hitting its profitability, once among the world's highest.

The lender, whose key shareholder is the Russian Central Bank, has already seen its ROE drop to 16.6 percent in the first nine months of the year, down almost 4 percentage points year-on-year.

Western sanctions along with weak oil have sparked a currency crisis in Russia, with the ruble suffering its sharpest fall since 1998, despite the Central Bank hiking its key interest rate by 6.5 percentage points.

One of the analysts said a senior Sberbank executive, expressing what he said was his personal opinion, said the new interest rate "will kill everyone" if it lasts a prolonged period.

"I think that in the near future we will see an update in [Sberbank] forecasts," another analyst, who asked not to be named, said. "They [the forecasts] look adequate for now but the situation is changing each single minute."

Sberbank shares were down more than 17 percent in afternoon trading while the dollar-denominated RTS index was down around 17 percent at a near five-year low.

Russia's Central Bank said it would implement additional measures to stabilize domestic markets but did not say what these would be.

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