The Moscow Times
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Russia's Largest Bank Sberbank Reports 20 Percent Profit Drop in 2014

By The Moscow Times

March 26, 2015

Girls walk past vendors selling bunches of mimosa flowers near a branch of Sberbank in Stavropol.

Russia's top lender Sberbank reported on Thursday a 20 percent drop in profit for 2014, hurt by a jump in its funding costs and higher loan-loss provisions as an economic crisis and slide in the ruble weighed.

Sberbank is one of several large Russian banks under Western sanctions over the Ukraine crisis, which drive up its cost of financing by limiting its access to international capital.

Its dominant position in the Russian banking sector — it holds around 30 percent of total banking sector assets — has helped shield it from some of the worst effects of the country's economic slowdown.

Sberbank said it earned 290.3 billion rubles ($5.14 billion) in 2014, beating analysts' forecasts for net profit of 275.8 billion rubles.

The bank said the main factor weighing on its results was higher loan-loss provisions. They reached 357 billion rubles last year, more than twice the figure in 2013.

It said its Tier 1 capital ratio fell to 8.6 percent and that its return on equity slipped to 14.8 percent.

A sharp slowdown in the Russian economy has made it harder for people and companies to meet their loan payments, in turn hurting banks.

Sberbank's funding costs also spiked in the fourth quarter as the Central Bank raised its key interest rate from 8 percent to 17 percent over the period.

The Central Bank has since cut the interest rate to 14 percent and says it is ready to continue softening its monetary policy stance, easing pressure on banks.

Sberbank shares were up around 0.5 percent on Thursday, in line with Russia's MICEX index.

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