

# Russia's Sberbank Defies Market Expectations, Outperforms Lending Competition

By [The Moscow Times](#)

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Russia's largest lender Sberbank defied expectations for a sharper slump in first-quarter profit as strong commission income and its access to cheaper funding helped it to outperform rivals.

Like other Russian companies, Sberbank has been hampered by Western sanctions over the Ukraine conflict, but it has been shielded from some of the worst effects of the country's economic crisis by its large deposit base, making it less dependent on costly Central Bank financing.

Sberbank holds about 30 percent of Russia's total banking sector assets and Russians are used

to trusting the bank with their savings since the Soviet Union era.

The bank said on Thursday that it made 30.6 billion rubles (\$584 million) in first-quarter net profit, down 58 percent on the same period last year.

"The market had expected a sharper drop," said Andrei Klapko, a banking analyst at Gazprombank in Moscow, noting that Sberbank made about 27 billion rubles on foreign exchange operations in the quarter.

Sberbank shares reversed losses after reporting the results and were trading up 0.7 percent at 10:25 GMT, just shy of the broader MICEX index.

The bank set aside 114.9 billion rubles in loan-loss provisions in the first quarter, about 50 percent higher than a year earlier. Its non-performing loan ratio rose to 3.9 percent by the end of March.

Return on equity (ROE) — a measure of profitability — fell by 9.4 percentage points to 5.9 percent from a year earlier.

"ROE of almost 6 percent for the first quarter, which was very difficult for banks, is very good. Sberbank expects less than 10 percent for the full year," Gazprombank's Klapko said.

Sberbank said its interest margin fell by 2 percentage points to 3.7 percent, dragged lower by higher funding costs from the Central Bank.

The Central Bank raised its key interest rate to 17 percent in mid-December to stem a run on the ruble, piling added costs on already ailing Russian banks. It has subsequently lowered the rate by 450 basis points.

Sberbank has been more reliant on domestic funding since sanctions over Ukraine restricted its access to international capital, but it remains less dependent on the Central Bank than its rivals.

Analysts had forecast the bank would make a profit of 21.6 billion rubles in the first three months of the year. Russia's second-largest lender VTB last week reported a loss of 18.3 billion rubles in the first quarter.

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