

# Sberbank Makes Record Profit of \$11.2Bln

By [The Moscow Times](#)

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Sberbank beat analysts' forecast with a record profit last year, helped by a sharp rise in lending, something analysts were watching for signs of an increase in bad loans.

Analysts warned that a surge in retail lending, in particular in unsecured loans such as credit cards, could increase the risk of bad loans, forcing the bank to keep higher provisions and lowering future profits.

The state-run bank, which controls a third of overall lending in Russia, said Thursday that its retail loans had grown 57.1 percent, leading to a 32 percent rise in its gross loan portfolio.

The rise in loans was helped by Sberbank's acquisition of DenizBank in Turkey, and VIB, which has operations across Eastern Europe. Without these deals, corporate and retail loans were still up 16.1 percent and 43.2 percent respectively.

Russian banks are aggressively switching to retail lending with corporate demand for loans slower due to weak economies in Russia and its key export market, the European Union. Still, Sberbank's corporate loans were up 31.6 percent.

"Good results, ... but we still think that such rapid loan portfolio growth has to affect its quality," said Andrei Klapko, an analyst with Gazprombank.

The bank made a net profit of 347.9 billion rubles (\$11.2 billion) last year, just above analysts' average forecast of 344.2 billion. Analysts said the 10 percent rise in profit was helped by lower-than-expected provisions.

"The result was driven mostly by the increase of the group's loan portfolio," the bank said in a statement.

Sberbank set aside 21.5 billion rubles to cover potential bad loans, compared with market expectations of 29.7 billion rubles. In 2011, despite a growing loan book, the bank wrote back 1.2 billion rubles of provisions.

Sberbank's non-performing loan ratio was down to 3.2 percent of the total last year from 4.9 percent in 2011.

With loans growing, Sberbank's tier-1 capital, a measure of a bank's financial health, fell 1.2 percentage points from last year to 10.4 percent, its lowest level since 2006.

Banks across the world are retaining profits or raising new capital to keep a strong buffer to absorb possible shocks. They are balancing this with shareholders' demand for higher dividends.

Sberbank said it planned to pay 58.7 billion rubles in 2012 dividends, or 17 percent of its net profit.

Analysts noted that Sberbank had managed to keep net interest margin at 6.2 percent in the fourth quarter, but that costs were rising.

"We were disappointed by an increase in costs, which have been rising for the last couple of reporting periods," Gazprombank's Klapko said.

Operating expenses rose 32.1 percent to 451.4 billion rubles last year, mainly due to higher personnel expenses and investments into IT services.

The bank made a fourth-quarter net profit of 85.1 billion rubles, up 41.6 percent and ahead of analysts' forecast of 81.4 billion.

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