

Sberbank Provisions Balloon on Fears of Economic Slowdown

By [The Moscow Times](#)

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Sberbank announced a big leap in third-quarter loan-loss provisions on Wednesday, suggesting that rising retail lending could leave Russia's largest bank vulnerable to the slowing economy.

Though the state-controlled bank posted net profit up a slightly better than expected 7 percent year on year, rising retail lending pushed provisions to 44 billion rubles (\$1.34 billion) from 11.7 billion rubles last year.

Sberbank, Europe's third-largest bank by market value, this month unveiled an ambitious strategy to double earnings by 2019 through lending more to Russian households and developing its existing network of businesses abroad.

However, the change of focus by Russian banks to compensate for weak business demand has also raised concerns that consumer loans could turn sour as the economy slows.

"Provisions were higher than expected, showing [Sberbank's] response to the worsening economic situation," Gazprombank analyst Andrei Klapko said Wednesday.

The country acknowledged this month that its economy would grow at an average rate of 2.5 percent through to 2030, lagging behind global growth over the next two decades and setting the stage for an era of stagnation.

So far, however, Sberbank's strategy is boosting earnings while its nonperforming loan ratio was little changed at 3.3 percent at the end of September, in line with 3.2 percent at the end of last year.

The 7 percent rise in third-quarter net profit to 93.8 billion rubles was helped by fees and commission as well as net interest income on its increased retail lending and credit card operation in particular.

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Fee and commission income in the first nine months of the year has risen about 30 percent on last year, while net interest income climbed by about 24 percent.

Sberbank said its corporate loan portfolio has grown by 8.7 percent in the year to date, against a 21 percent rise in retail lending.

It did not give a quarterly breakdown, but UralSib analyst Natalia Berezina estimates that Sberbank's third-quarter retail lending was up 9 percent on the previous three months.

The Central Bank recently moved to curb rapid growth in consumer lending, the bulk of which comes in the form of unsecured cash loans or credit cards, demanding higher provisions and capital as safety buffers in case the weakening economy hurts household finances.

The tougher climate cut the nine-month earnings of Home Credit and Finance Bank — a pioneer in Russian consumer lending — by almost a quarter to 9.4 billion rubles. Its nonperforming loans ratio rose by a third to 9.9 percent.

Still, bankers see an opportunity in relatively low Russian household indebtedness, which at 12 percent of gross domestic product is low compared with developed countries such as Britain, where the ratio is close to 100 percent.

VTB, Sberbank's closest local rival, set aside more money than expected to cover potential bad debts in the second quarter as well. It is expected to report third-quarter results next month.

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