The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

France's Societe Generale Issues $731 Million Rosbank Writedown

By The Moscow Times

May 07, 2014

Societe Generale has poured billions in to restructuring Rosbank, which faces stiff domestic competition and lost its top executive to a corruption scandal last year.

Societe Generale, France's second-largest listed bank, said it had booked a 525 million euro ($731 million) writedown on the value of its Russian unit Rosbank after months of political crisis in Ukraine.

The goodwill charge marks a blow to SocGen's ambitions in Russia, where it has poured billions into restructuring Rosbank in the face of tough competition from local state-owned players and the arrest last year of its top Russian executive on bribery charges.

SocGen blamed heightened uncertainty as well as the decline in the Russian ruble for the writedown but said it expected to achieve "satisfactory" returns in Russia in 2016, adding it would give an update on its three-year outlook for Russia on May 13.

The crisis in neighboring Ukraine has seen Western sanctions imposed on Russia and threatens to scare off investors. The International Monetary Fund has said Russia is already "experiencing recession" while the Organization for Economic Cooperation and Development cut its economic growth forecasts.

SocGen on Wednesday reported a 13.3 percent drop in first-quarter net income to 315 million euros ($439 million) despite a 14 percent increase in revenue.

Stripping out the writedown, SocGen's net income would have been 941 million euros, or higher than the 911 million average analyst forecast as compiled by Thomson Reuters I/B/E/S.

Larger domestic rival BNP Paribas also booked losses linked to the Ukraine crisis in the first quarter, though these were overshadowed by BNP's warning that it may be hit with a fine far in excess of the $1.1 billion it set aside to cover litigation costs linked to potential U.S. sanctions breaches.

SocGen said its core Tier 1 capital ratio under Basel III rules had risen to 10.1 percent at end-March from 10 percent at end-December.

SocGen, like rivals across the European banking industry, has been selling assets to bolster its balance sheet and improve profitability in an environment of slow growth in western Europe. It is targeting a return on equity of 10 percent by end-2015 versus an underlying ROE of 8.4 percent in 2013.

FIXED-INCOME PAIN

SocGen's corporate and investment bank, which is traditionally weighted more towards equities trading than fixed income, was not immune to the fixed-income slump that has hit rivals such as British bank Barclays.

SocGen said fixed-income revenue fell 25.3 percent in the first quarter, while equities revenue rose 9.3 percent. Overall, its investment banking and asset management division saw earnings drop 15.2 percent to 481 million euros.

French retail banking fared better thanks in part to a 28 percent drop in loan-loss provisions. SocGen's international retail bank, however, swung to a loss on the Russian charge.

SocGen is eying growth in online banking via a full takeover of its online brand Boursorama. Its offer to buy out minority shareholders will run from May 5 to May 16. ($1 = 0.7177 Euros)

Original url:
https://www.themoscowtimes.com/2014/05/07/frances-societe-generale-issues-731-million-rosbank-writedown-a35181