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Major Russian Bank VTB 24 to Slash Lending, Shut Offices as Recession Hits

By The Moscow Times

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VTB 24, one of Russia's largest retail lenders, will cut back on issuing new loans and close more than 50 offices this year as it fights to stay profitable through the country's emerging recession, the bank's chief Mikhail Zadornov said Thursday.

Zadornov warned a press conference that the recession will thin the ranks of Russia's financial sector.

"It will be hard for everyone, and the weakest [players] will leave the market," he said in comments carried by the Interfax news agency.

Zadornov said VTB will give out 30 to 40 percent fewer new loans this year than in 2014 and shrink its loan portfolio by 3 to 4 percent because of lower demand and tighter risk policy.

The bank's consumer lending portfolio will fall even further, contracting by 10 to 12 percent over the year, he said.

VTB 24 will also reduce its mortgage lending by 60 percent unless the state steps in to support the sector. "This would throw new residential construction back to the level of 2005-06," Zadornov said.

The bank will close 55 offices and cut staff by 5 to 7 percent to save costs, he said.

If other banks follow VTB's lead, such a major fall in lending would further depress Russia's economy, which is forecast to shrink by up to 5 percent this year under the weight of low oil prices and Western sanctions.

The government is aware of this risk and has pledged 1 trillion rubles ($15 billion) to major Russian banks to firm up their balance sheets and keep the economy running.

State-owned VTB, which owns VTB 24, will receive 250 billion rubles ($4 billion) under the scheme.

VTB is among the Russian companies facing Western sanctions, which have cut the country's largest state-run banks off from U.S. and EU capital markets.

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