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Austria's Raiffeisen Bank to Abandon Russian Far East Amid Economic Crisis

By The Moscow Times

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A woman walks by a Raiffeisen logo painted on the ground in front of an office building in Vienna Feb. 3, 2015.

Austria's Raiffeisen bank will close its branches in Russia's Far East to improve efficiency after they generated little income and had few opportunities for growth, a move which shows the impact of Russia's economic crisis on the sector.

Banks are suffering from higher bad loan provisions and lower profits because of the crisis, deepened by Western sanctions over Moscow's role in the Ukraine conflict and lower oil prices.

Raiffeisen bank said the decision to close seven branches in six of the Far East's main cities was taken because of the low potential for developing its customer base in the region, which is sparsely populated and largely served by Russian banks.

"In the current environment, it is important to be efficient and profitable," the bank said in a statement. "In the development of our sales network, we will focus on those cities where our offices show sufficient profitability."

Foreign banks have been cutting their exposure to Russia, once considered one of the world's fastest growing banking markets, since the crisis hit last year, driving the ruble down against the dollar and fueling capital flight.

Raiffeisen bank said it was considering the possible sale of its loan portfolio and customer segment of small and micro businesses, and was doing all it could to support its customers.

On Thursday, Standard & Poor's rating agency said the Russian banking system could see its bad loans rise to 17-23 percent this year from around 8 percent last year, and that profit for the sector was seen at close to zero.

Russia has been forced to support many of its banks with capital injections and other measures after its largest lenders were all but cut off from global financial markets by European Union and U.S. sanctions.

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