The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

Russian Banks Face Profit-Free Future After $400 Million Loss in April

By The Moscow Times

May 14, 2015



A participant is reflected in a display showing business and financial information at the VTB Capital "Russia Calling!" Investment Forum in Moscow.

Russian banks recorded an overall loss of 20 billion rubles ($400 million) in April as an economic crisis hammered the financial sector, according to preliminary figures cited by deputy Central Bank head Mikhail Sukhov on Thursday, news agency Interfax reported.

While not a huge hit for the sector — whose total assets amounted to 74 trillion rubles ($1.5 trillion) at the beginning of April, according to the Central Bank — the losses are a sign that this year will be tough on Russia's banks.

First Deputy Prime Minister Igor Shuvalov said earlier this month that the Central Bank expects to see barely any profits in the sector "in the foreseeable future," the TASS news agency reported.

“At the same time, the situation will not develop for the worse,” Shuvalov added.

Russian banks are struggling with double-digit interest rates and an economic recession that is narrowing the pool of good clients and eroding the quality of their loan portfolios. Meanwhile, Western sanctions imposed last year over the crisis in Ukraine have severely curtailed banks' access to international capital markets.

The government has allocated 1 trillion rubles ($20 billion) to support the banking sector, and has already distributed hundreds of billions in financial aid.

Regardless, lending froze up in early 2015. The number of loans issued in Russia in the first quarter fell by 58 percent compared to the same period in 2014, the United Credit Bureau said earlier this month.

The banking sector narrowly avoided net losses in the first quarter thanks to a profit of 42 billion rubles ($840 million) in March, which brought the quarter's profits to 6 billion rubles ($120 million), according to the Central Bank.

Overall, Russian banks lost 14 billion rubles ($280 million) between January and April, Interfax quoted Sukhov as saying.

Original url:
https://www.themoscowtimes.com/2015/05/14/russian-banks-face-profit-free-future-after-400-million-loss-in-april-a46558