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500 Russian Banks to Close Within 5 Years, VTB Head Says

By The Moscow Times

July 07, 2015



Andrei Kostin

The head of Russia's second-largest bank VTB, Andrei Kostin, has predicted that 500 Russian banks will be shut down over the next 5 years time, the Interfax news agency reported Tuesday, as the dual force of an activist Central Bank and an economic crisis trim the system's deadweight.

"There are too many banks in Russia now — about 800 institutions. In five years, this number may be reduced by 500, but we could achieve a steady level even with 100 banks," Kostin said in an interview with the German newspaper Die Welt, according to Interfax.

A tough Central Bank policy, in combination with Russia's economic crisis, has already culled a number of the country's banks, many of which are criticized for being inefficient and undercapitalized.

Following her appointment in June 2013, Central Bank head Elvira Nabiullina moved to quickly revoke the licenses of a number of banks, shuttering 29 by the end of the year and a further 89 over the course of 2014, often for insufficient capitalization or suspected involvement in criminal activity.

The Central Bank's purge has since been swept up in Russia's general economic strife, which has exposed nearly every bank to higher interest rates and lower demand. The regulator has withdrawn 40 licenses so far this year, and Central Bank official Mikhail Sukhov was earlier quoted as saying that 183 banks were under a daily crisis watch.

Russia's economy is expected to shrink 3 percent this year as low oil prices and Western sanctions over the Ukraine crisis stifle investment.

Last week the Central Bank revoked the licenses of three small Moscow banks — Klientsky, Stary Kreml and Gagarinsky — as well as Krasnodar-based bank ENO.

"We have no guidelines on how many banks there should be in the country," Nabiullina told newspaper RBC last month.

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