

Russia's Banking Sector Is Weak Despite Bailouts – World Bank

The country has a higher ratio of non-performing loans than other emerging markets.

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Russia's central bank has shut hundreds of lenders over the past few years. **Moscow-Live.ru / Flickr (CC BY-NC-SA 2.0)**

Russia's banking sector remains relatively weak despite recent bailouts of major lenders by the country's central bank, the World Bank said on Monday.

In a regular report, the Washington-based World Bank said the banking sector in Russia had a lower adequacy ratio and a higher ratio of non-performing loans than other emerging market countries.

Russia's central bank has shut hundreds of lenders in the past few years and rescued several major banks at a cost of tens of billions of dollars.

"The banking sector remains afflicted with high concentration and state dominance," the World Bank said.

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As of April 1, 2019, the top five Russian banks generated 57 percent of all banking sector profits, and state-owned banks accounted for 62 percent of all banking assets, according to World Bank estimates.

Commenting on Russia's economic growth outlook, the World Bank said it was modest even though the country's macroeconomic and fiscal buffers were strong.

It expects gross domestic product growth to slow to 1.2 percent in 2019 from 2.3 percent in 2018. In 2020 and 2021, the World Bank projected gross domestic product (GDP) growth of 1.8 percent a year.

"On the upside, national projects aimed at strengthening human capital and increasing productivity, if well-implemented, could positively affect Russia's potential growth in the medium-term," the bank said in its report.

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