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Coronavirus Pushes Bank Profits to Record Low

Wave of loan restructuring hits Russian banking sector, but widespread losses are likely to be avoided.

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Russia's banks could have to restructure almost $90 billion of loans. **Igor Ivanko / Moskva News Agency**

Profits in the Russian banking sector slid to a record low in May, Central Bank chief Elvira Nabiullina said Wednesday.

Banks made just 500 million rubles ($7 million) last month, Nabiullina told a State Duma committee, with net profit for the year so far coming in at 561 billion rubles ($8 billion).

"Of course, most of that was obtained in the first three months, when the impact of the epidemic was still limited. Then we began to see a drop in profits to a record low in May," business daily RBC cited Naibullina as telling lawmakers.

The Russian banking sector entered the crisis in arguably its healthiest ever condition, and

analysts still expect banks to book profits this year, despite huge writedowns on loan portfolios, a fall in interest rates and a slowdown in payments activity.

Related article: Russian Banks More Stable and Transparent Than Ever, Central Bank Chief Says

In a call with President Vladimir Putin on Tuesday, the head of Sberbank German Gref said the pandemic was the most challenging in his 13 years at Russia's largest lender, pointing to "an unprecedented scale of credit restructuring," news site The Bell reported.

Ratings agency Fitch estimates up to six trillion rubles ($87 billion) of loans could need to be restructured by the end of the year — around 10% of the total portfolio.

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