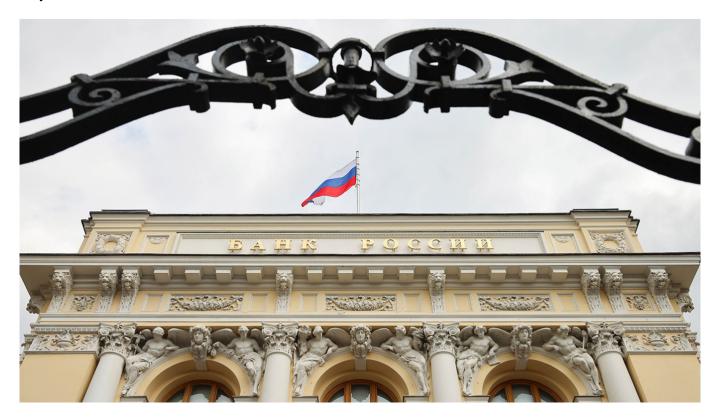


Russia's Largest Banks Exploring Bailouts as Bad Loans Grow – Bloomberg

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The Central Bank of Russia. Yevgeny Messman / TASS

At least three of Russia's largest banks are quietly preparing to ask the Central Bank for a bailout if more borrowers are unable to repay their loans over the next year, Bloomberg reported Thursday, citing unnamed former officials and internal bank documents.

The discussions are said to have become "more urgent throughout the banking industry" as the growing volume of bad loans sparks fears that some of the banks' books may be weaker than publicly reported.

Russian Central Bank data <u>shows</u> overdue loans reached 10.5% for households and 4% for businesses in the first quarter of 2025.

While those figures still suggest overall resilience in the banking sector, some state bank executives have publicly warned that the share of bad loans could rise further in the coming

months.

VTB Bank, where non-performing loans from individuals in its retail portfolio reached 5% in May, said the figure could jump to 6-7% by 2026, just below the 8-10% seen during Russia's last major banking crisis between 2014 and 2016.

In anticipation of mounting pressure, some banks are reportedly eyeing a revival of the Central Bank's 2017-era rescue tool, known as the Banking Sector Consolidation Fund, created to bail out three major private lenders. Bloomberg said the fund could once again be used to inject capital into struggling institutions.

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An unnamed source told Bloomberg that, for now, there was little sign of a crisis, largely in part because the government has classified key financial data.

At the same time, Russia's Central Bank is reportedly encouraging lenders to restructure distressed loans rather than declare them non-performing, masking the true scale of the problem.

Central Bank Governor Elvira Nabiullina insists that the financial system remains stable and well-capitalized despite the growing risks. Bloomberg said the Central Bank did not respond to its request for comment.

While the report did not name the banks seeking bailout discussions, it said at least three lenders designated as "systemically important" are involved.

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