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Russia’s VTB Bank Faces Collapse in Lending Income as War Pressures Mount – Bloomberg

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Daniil Vetrov/VTB Bank/TASS

Russia’s second-largest lender VTB is grappling with deepening financial strain amid a surge in loan defaults, including on credits issued to finance military production, Bloomberg reported, citing individuals familiar with the situation.

The state-owned lender’s net interest income — the difference between earnings on loans and interest paid on deposits — plunged 49% in the first half of the year to 146.8 billion rubles ($1.9 billion), an unusually steep drop for a bank of its size.

According to Bloomberg’s sources, senior managers are signaling privately that the official figures understate the severity of the problem, pointing to a loan portfolio in far worse condition than the public accounts suggest. The true scale, they said, is obscured by debt restructurings and opaque, war-related lending.

A VTB spokesperson dismissed the report that senior managers were privately signaling that official data did not show the extent of the problem as “fantasy, plain and simple.”

According to VTB’s July 31 earnings report, the share of overdue retail loans rose by a third in six months, from 3.8% to 5.2%. Deputy Chairman Dmitry Pyanov warned that this figure could reach 6% by year’s end.

Troubled corporate loans are also climbing, with the proportion of restructured jumping to 5.1% from 3.3% in just one quarter.

With 33 trillion rubles ($413 billion) in assets and 8.2 trillion ($103 billion) in household deposits, VTB posted a record loss of 667 billion rubles ($8.4 billion) in 2022, the first year of the war in Ukraine.

It returned to profit in 2023 and 2024, earning 432 billion ($5.4 billion) and 551 billion rubles ($6.9 billion) respectively.

For the first half of this year, VTB reported 280 billion rubles ($3.5 billion) in net profit, down 10% from the previous year, but Bloomberg said much of that came from one-off trading gains.

Russian banks have issued 44 trillion rubles in new loans since the war began, according to the Central Bank, with 32 trillion going to corporate borrowers and 12 trillion to individuals.

That credit boom has turned into what one executive described as a “severe hangover” after interest rates soared in step with the Central Bank’s key rate, which hit 21% late last year — the highest in more than two decades.

Many companies now lack the revenue to service their debts, taking on fresh loans just to cover interest payments, VTB CEO Andrei Kostin complained at the 2025 St. Petersburg International Economic Forum.

Sberbank CEO German Gref called the situation a “perfect storm” for the economy, citing not only high borrowing costs but also a strong ruble that has hurt exporters.

Bloomberg reported in June that executives at major lenders saw a risk for a full-scale banking crisis within 12 months, with potential losses running into the trillions of rubles.

Defaults are rising not only among households and corporations, but also in sectors once considered secure, including construction, manufacturing and even Russia’s military-industrial complex.

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