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VTB Chief Urges Russia's Central Bank to Reduce Number of Lenders

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VTB CEO Andrei Kostin.

The head of Russian state-owned lender VTB on Friday urged the Central Bank to continue reducing the number of banks in the country, saying lenders face intense competition for customers as problem loans mount.

"Competition for customers is very intense today," VTB CEO Andrei Kostin said at a banking conference.

"The Central Bank, to its credit, has made enormous efforts to reduce the number of banks over the past few decades, but I think that work should continue," he said, according to Interfax.

Problem loans accounted for up to 13% of banks' loan portfolios as of Sept. 1, according to Central Bank data. Customers have withdrawn 3 trillion rubles ($36.3 billion) in cash since the start of the year.

The Central Bank revoked scores of licenses after Elvira Nabiullina took over as governor in 2013. The number of credit institutions fell from more than 900 in the early 2010s to 524 by 2018.

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The regulator targeted mostly small and midsize lenders, though it also shut down several of the country's 50 largest banks by assets, including Master Bank, Probusinessbank, Tatfondbank and Yugra Bank.

Russia had 333 banks in January 2022, before the full-scale invasion of Ukraine, according to Central Bank data. That number has since fallen to 300, including 210 with universal licenses and 90 with basic licenses.

The Central Bank is set to raise minimum capital requirements starting in 2028.

The threshold for a universal license will rise from 1 billion rubles ($12.1 million) to 3 billion rubles ($36.3 million), while the minimum for a basic license will rise from 300 million rubles

($3.63 million) to 1 billion rubles.

As of April 1, 63 banks had capital below the new minimum for a basic license, while 146 were below the new threshold for a universal license, according to Banki.ru data.

Banks with universal licenses can carry out a wider range of operations and account for more than 95% of the sector's assets, according to the Central Bank.

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