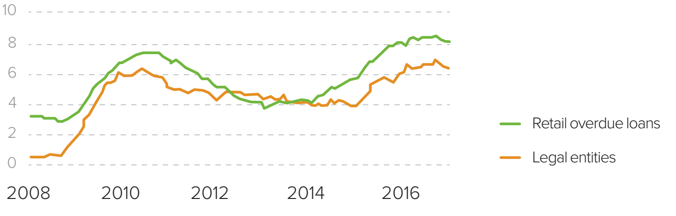
Russia's banking sector

In 2016, Bank of Russia began reducing its key rate and simultaneously continued the liquidation of banks conducting risky lending policies and violating the law and risk-management requirements. The number of operating credit institutions licensed to conduct banking operations decreased from 733 to 623.

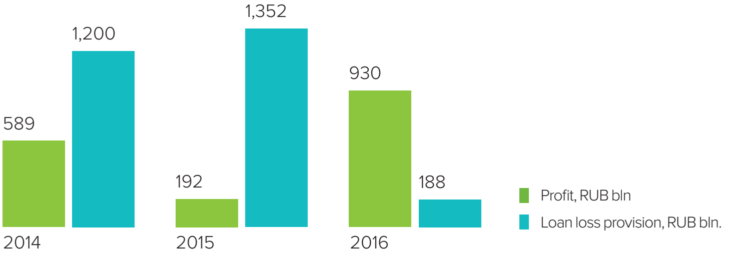
Main indicators of the banking system

During the year, the movement of the ruble exchange rate was rather volatile, which affected the trend of bank assets: in 2016 they decreased by 0.4% (in 2015, they grew by 6.9%).

Overdue loans growth peaked



Banking sector profits are recovering after the slump in 2015



In 2016, the loan portfolio of the overall banking system declined by 4.2%, while a year earlier it grew by 5.6%. Loans to companies fell by 5.9% (they increased by 13.4% a year earlier), and retail loans, by 1.1%, which on the contrary is better than in 2015 when the portfolio contracted by 5.7%.

The situation with overdue debts in the banking system somewhat improved after troubled debts were written off at the end of the year. Over the year, the level of overdue loans changed from 6.5% to 6.4%. This decrease was observed for both retail and corporate loan portfolios. The level of bad debts on retail loans declined from 8.1% to 7.9%, and for corporate loans, from 6.1% to 5.9%. Overdue loans decreased by 6.3% over the year. Provisions for possible losses from loans declined by 2.3%. The loan provision to credit portfolio ratio increased from 9.3% to 9.5%, and corporate funds deposited with the banks fell by 8.9% (growth of 14.1% a year earlier). The banks continued to actively repay their debts to Bank of Russia and reduced this item by 49.2% (by 42.3% a year earlier). Retail deposits grew by 4.2% (they jumped by 25.2% a year earlier), and at the same time almost all growth was generated in Q4 when the market rose by 3.8%.

RUB 930 bln
banking system profits in 2016

In 2016, the banking system's profits amounted to RUB 930 bln, which is substantially higher than in 2015 (RUB 192 bln). The share of unprofitable banks grew following the reduction in the total number of credit institutions: among 623 operating credit institutions, 28.6% finished 2016 at a loss, while a year earlier, this figure stood at 24.6%.