Bank of Russia

2024 Q4–2025 Q1

FINANCIAL STABILITY REVIEW

Information and analytical review

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SUMMARY

Over the period under review the Russian economy expanded although the GDP growth decreased from 4.5% in 2024 Q4 to 1.4% in 2025 Q1. Tight monetary policy pursued by the Bank of Russia helped slow down the growth of lending to a balanced pace, while the economy showed some signs of disinflation. External conditions remained challenging, with unfriendly countries enacting additional packages of sanctions. The extensive tariffs announced by the USA in early April provoked volatility in global markets, which spilled over into the Russian stock market as well. Trade wars may have a negative impact on the Russian economy, primarily through lower prices for crude oil and other commodities.

The corporate sector's profits go down, but remain high by historical standards. The sanctions, rising costs pushed up by high inflation, and increasing interest expenses due to tight monetary policy are affecting companies' financial standing, and therefore, the Bank of Russia is closely monitoring changes in the quality of the corporate loan portfolio. An upward trend in the number of companies facing debt servicing problems was mostly typical of small and micro businesses, the increase in the number of restructured loans among large and medium-sized enterprises at the end of March was temporary. This trend involves no risk to financial stability. Loans restructured were both at variable and fixed rates to a similar extent, while the quality of variable rate loans was notably better. Nevertheless, it is crucial for banks to conduct regular stress testing of the corporate portfolio to evaluate its resilience in the scenario of an extended period of elevated interest rates and, when issuing new loans, it is necessary to carry out assessment of a borrower's creditworthiness in the event of an interest rate increase or higher for longer rates.

As for retail lending, credit risks are materialising in this segment due to a deterioration of borrowers' risk profiles and a slower expansion of the portfolio. Nonetheless, the ratio of problem loans is considerably lower than in 2014–2016. Over the past few months, the Bank of Russia was increasing the risk sensitivity of its macroprudential regulation, specifically by reducing the risk weight add-ons for mortgages and for credit cards during a grace period. That said, the macroprudential buffer continues to accumulate and has already reached ₽1.3 trillion. If the growth of households' incomes slows down, the quality of the retail loan portfolio might worsen further – hence, the Bank of Russia may partly release the buffer in order to support banks' capacity to lend to the economy.

The combined effect of the Bank of Russia's monetary and macroprudential measures will enable the regulator to maintain macroeconomic stability and the financial system's resilience. Macroeconomic stability also depend on fiscal sustainability. The fiscal rule and coordination of its parameters with predominant average level of future oil prices are key components of this resilience.

1. Global risks

In early 2025, the world economy's growth prospects notably deteriorated amid an escalation of trade wars. Higher trade tariffs and a reduction in imports might disrupt supply chains and push up manufacturing costs and prices. Major central banks are facing a dilemma over the future monetary policy path: on the one hand, there is a more acute threat of a recession, while on the other hand, there are higher inflationary risks.

In such a situation, stock indices in many countries just as commodity prices notably declined in early April. The CBOE Volatility Index, commonly known as the 'fear index', was hitting the maximum level recorded in March 2020 at the outbreak of the coronavirus pandemic. By the middle of May 2025, the situation in stock markets normalised as the USA suspended heightened tariffs for 90 days for the countries deciding not to enact retaliatory measures and agreed with China to cut reciprocal tariffs for 90 days. However, there are still risks of an escalation of trade wars.

Moreover, the financial systems of many countries are exposed to vulnerabilities accumulated long before, such as significant debt of the non-financial sector, overvaluation of assets, and non-bank financial intermediaries' liquidity problems, which could exacerbate market volatility. Many jurisdictions are facing the risk of a decline in their fiscal and debt sustainability due to the persistence of significant sovereign debt and higher government expenditures. Emerging market economies (EMEs) might experience capital outflows. Due to the sanctions and the capital controls in place, Russia is isolated from this transmission channel. However, if the world economy's growth drops more considerably, declining prices for exports, primarily crude oil, might become the key risk to Russia.

2. Vulnerabilities and resilience of the Russian non-financial sector

In 2024 Q4–2025 Q1, the West continued to enact sanctions against various industries of the Russian economy as well as a number of individuals and legal entities, including from friendly countries. The new restrictions targeted the oil and gas sector, coal production, the defence industrial complex, the shipping industry, and oilfield service companies.

As of the end of 2024, companies' balanced financial results dropped by 6.9% year on year (YoY) to ₽30.4 trillion, with the number of profitable companies declining in the majority of the industries.[1] Increased input costs, including due to the sanctions, higher interest expenses on debt amid tight monetary policy, as well as deceleration of economic activity after its rapid growth weigh on businesses' financial standing. However, compared to historical levels, the amount of profits is rather high both in the economy as a whole and in the majority of sectors, except for the coal industry being in the red due to an unfavourable market environment.

The aggregate net debt/EBITDA ratio for the largest Russian companies[2] increased by 0.1 over the 12 months of 2024 to equal 1.6 as of the beginning of 2025 (in 2020, during the pandemic, this ratio reached 2.0). As of the end of 2024, companies with elevated interest burden[3] accounted for 32% of the total debt of enterprises in the sample, compared to 7% as the end of 2023. Nevertheless, it is worth noting that the applied approach to classifying companies is rather conservative (the upper bound of the interest coverage ratio (ICR) is 3) so as to identify businesses with potential risks of an interest burden at an early stage. Most of these companies have no difficulties servicing their debts. Companies which really involve problems[4] account for approximately 8% of the total debt (vs 5% as of the end of 2023). Generally, the corporate sector remains financially resilient and capable to service the debt liabilities properly. Nevertheless, a number of highly leveraged companies might still become bankrupt.

[1] In January–February 2025 companies' balanced financial results increase by 23.1% YoY and amounted to ₽5.4 trillion. At the same time, the ratio of financial results of unprofitable companies to profitable ones increased by 8.2 pp YoY to 31.4% over two first months of 2025.

[2] According to IFRS statements, the 78 largest companies as of the end of 2024. The outstanding debt of the companies in the sample totals ₽43 trillion, or 44% of the aggregate measure of the non-financial sector's debt.

[3] These companies' ICR ranges from 1.0 to 3.0.

[4] These companies' ICR is below 1.0.

3. Vulnerabilities of the Russian financial sector

3.1. Credit risk and concentration risk in corporate lending

The expansion of corporate lending started to slow down from December 2024, with its growth rate turning negative in January–February 2025, which was attributed to transitory factors, namely higher public spending and loan repayments. In March–April 2025, the monthly growth rate of lending equalled 0.9%. These dynamics suggest not a credit crunch but rather its return to a balanced growth rate.

In 2024 Q4–2025 Q1, the increase in debt liabilities to the banking sector was for the most part (nearly 64%) accounted for by large non-financial companies, part of which were highly leveraged. To limit the rise in the corporate sector's debt burden and reduce systemic risks in lending, beginning on 1 April 2025, the Bank of Russia introduced 20% macroprudential risk-weight add-on for loans and exposure to bonds of large highly leveraged companies (applied to the amount of debt increase).

Although the proportion of problem loans to legal entities recognised by banks remains at the level of about 4% since 1 October 2024, the corporate sector's creditworthiness has slightly declined: the amount of restructured loans was up in March 2025 (₽2.3 trillion).[5] The debt service capacity declined most notably among small and micro businesses, with the number of companies with serious delinquencies significantly increasing in this segment. According to near real-time data of the largest banks' risk management units, the proportion of loans to medium-sized and large businesses included by banks in the green zone[6] has edged down from 78% to 75% since the beginning of the year.

Variable rate loans accounted for a significant proportion in the corporate portfolio, specifically 65% as of 1 April 2025, which is 20 pp more compared to early 2023. Normally, variable rate loans have been issued to borrowers with a sufficiently high level of solvency, and their quality is still better. Nevertheless, when granting variable rate loans, banks need to carefully assess a borrower's creditworthiness in the event of higher for longer rates.

3.2. Households' debt burden

Amid a slowdown in retail lending and an outrunning increase in household incomes, households' debt service-to-income ratio (DSTI) at the macrolevel (the percentage of households' income used to service their loans) edged down from 11.3% as of 1 April 2024 to 10.1% as of 1 April 2025. The decrease was predominantly caused by a decline in expenses on servicing cash loans (-1.3 pp over the year) and mortgages (-0.2 pp over the year).[7]

At the end of 2024, the reduction in unsecured consumer lending sped up, with the loan portfolio contracting by 2.0% over 2024 Q4 and by another 1.4% over 2025 Q1. This was associated with a decline in the demand for and supply of loans following a decrease in banks' risk appetite against the backdrop of a lower quality of loan servicing and the macroprudential measures implemented. As of 1 April 2025, unsecured consumer loans overdue for more than 90 days accounted for 10.5% of the portfolio, which is 2.8 pp more YoY. The analysis of the generations of loans also proves that the quality of servicing of unsecured consumer loans worsened, with the proportion of non-performing loans overdue for more than 30 days during the first three months on book reaching 2.8% as of the

5 According to the recent survey of the largest banks, loans were mostly restructured in late March–early April 2025 (₽1.2 trillion a week), after which this amount declined by a factor of 3 later on in April. The demand for loan restructuring was changing in a similar way.

6 Companies facing no problems in the course of doing business.

7 For details about the calculation of households' DSTI at the macrolevel, refer to the information and analytical commentary (in Russian only).

end of 2025 Q1, which is 1.1 pp more YoY. Higher demand for loan restructuring is also evidence of difficulties in debt servicing. Loans restructured over the past six months accounted for more than 2.7% of the portfolio as of 1 April 2025, as compared to 1.1% in 2023 H1.[8] The deterioration of the loan servicing quality is associated with the fact that loans at higher rates are more often taken out by borrowers with high credit risk.

Nevertheless, during earlier periods of a contraction of the loan portfolio, the percentage of unsecured loans overdue for more than 90 days was higher, e.g. over 16% in 2016. In recent years, the Bank of Russia has been taking consistent measures to reduce the share of loans issued to households with high DSTI ratio who fail to timely repay their debts more frequently. The proportion of loans granted to individuals with DSTI above 50% decreased to 24% as of the end of 2025 Q1. Furthermore, the accumulation of macroprudential capital buffer continues. If needed, the Bank of Russia may release this buffer to support the banking sector. As of 1 April 2025, the macroprudential capital buffer amounted to ₽0.83 trillion, which fully covers 7.1% of the unsecured consumer loan portfolio.

Over 2024 Q4–2025 Q1, the Bank of Russia increased the risk sensitivity of its regulation. In particular, from 1 February 2025, the Bank of Russia reduced the macroprudential risk-weight add-ons for credit cards during a grace period as they involve lower risks.

The consumer portfolio of microfinance organisations (MFOs) expanded by 47% over the period from 31 March 2024 to 31 March 2025, reaching 3.9% of the overall portfolio of unsecured loans and microloans. This trend is mostly attributed to higher demand for buy-now-pay-later services and a certain flow of borrowers to the segment of bank-affiliated MFOs amid a decrease in the ratio of loan application approvals by banks. In 2025 Q1, the growth of microloans slowed down sharply. The Bank of Russia applies the same macroprudential limits (MPLs) to MFOs as to banks and is reforming the market so as to reduce households' indebtedness

3.3. Imbalances in the housing market and project finance risks

The mortgage market cooled down in 2024 H2–2025 Q1, driven by the tightening of the Bank of Russia's monetary policy and the termination of the large-scale Subsidised Mortgage programme. The macroprudential policy measures helped improve the lending standards. However, just as in unsecured lending, the quality of mortgage debt servicing started to deteriorate, with the proportion of debt overdue for more than 90 days reached 0.9% as of 1 April 2025 (vs 0.5% a year before). The increase in overdue debt was caused by the maturing of loans issued in 2023 H2–2024 H1 amid surging demand for the large-scale Subsidised Mortgage programme. During that period, the requirements for borrowers in terms of both the amount of a down payment and DSTI were at a record-low level.

In 2024 Q4–2025 Q1, the rise in new housing prices slowed down (1.6–2.0% QoQ vs 2.3% in 2024 Q3, according to Rosstat). However, the gap between primary and secondary housing market prices is still large (52% according to SberIndex and 60% according to Rosstat as of 1 April 2025), which carries risks for both borrowers and banks since the money in the event of sale of an apartment might turn out to be insufficient for the borrower to repay the loan.

Given the enhanced mortgage lending standards and the Standard for Protecting the Rights and Legitimate Interests of Mortgage Borrowers, which became effective on 1 January 2025 to prevent unfair practices of overpricing in the housing market, from 1 March 2025, the Bank of Russia cut the risk-weight add-ons for mortgages with a down payment of over 20% and a borrower's DSTI of less than 70%. In April 2025, the Bank of Russia established MPLs in mortgage lending for the first time (from 1 July 2025) and reduced the add-ons in the segments subject to the MPLs.

[8] According to the Bank of Russia's survey and Reporting Form 0409115.

The macroprudential capital buffer, which amounted to ₽0.36 trillion as of 1 April 2025 (1.8% of outstanding mortgages net of loan loss provisions), will continue to accumulate, although more slowly than before.

Over 2025 Q1, the average monthly sales of new housing (in square metres) decreased by 8% YoY. The financial safety buffer accumulated over the past few years will enable most developers to remain resilient amid high market rates and declining demand for housing. As of the end of 2024, the construction industry's balanced financial result totalled ₽0.87 trillion, which is 23.1% more YoY. Developers use various schemes to prop up the level of sales, with instalments from developers being the most widely spread scheme recently. Such schemes might carry elevated risks for both buyers and construction companies. As for developers, this way of boosting sales does not increase escrow account balances. Borrowers who purchase housing in instalments, with expectations of taking out a mortgage later, might lose the housing if the bank refuses to issue the loan. The borrowers will receive the funds paid under the shared construction participation agreements, however, these agreements often include fines. Furthermore, the cost of these funds might decline relative to the housing price. The Bank of Russia does not support the expansion of such instalment schemes and recommends that banks more thoroughly assess the risks inherent in projects with a considerable proportion of instalments in sales. Concurrently, the share of housing purchased by individuals using only their own funds has also increased in total sales.

Most housing construction projects are sufficiently resilient to a decline in sales revenues and extension of the period of sales. The mechanism of escrow accounts and a high involvement in housing projects on the part of banks interested in the completion of construction will help ensure the industry's resilience. As inflation slows down, a decrease in market rates will push up the demand for housing and help developers remain resilient.

3.4. Structural imbalances in the domestic FX market

At the end of November 2024, as the USA expanded the sanctions against the Russian financial sector, the ruble weakened for a short period, while volatility in the foreign exchange market increased. Nevertheless, the market adapted to the sanctions quite quickly: the ruble started to appreciate as early as the beginning of December 2024, and this trend strengthened in 2025 Q1.

Since the beginning of 2025, the exchange rates of the US dollar and the Chinese yuan dropped[9] against the ruble by 21.6% and 17.4%, respectively. The appreciation of the ruble was driven by the dynamics of the current account and investors' elevated demand for ruble assets encouraged by high interest rates on ruble-denominated instruments. Given that the open currency position is quite balanced, banks' loss from foreign currency revaluation amid the ruble strengthening over the period under review was minor, specifically about 1% of the banking sector's capital.

The situation with yuan liquidity remains sufficiently stable. As the Bank of Russia raised interest rates on CNY/RUB FX swaps, this made some market participants close positions and contributed to a further reduction in the proportion of foreign currency in the banking sector (the share of foreign currency loans in corporate loan portfolio declined from 14% to 12%, while the share of foreign currency liabilities to corporate clients and individuals decreased from 17% to 16% and from 7% to 6%, respectively). From December 2024, implied interest rates on FX swaps were close to zero. As credit institutions demonstrated weak demand, in February 2025, the Bank of Russia decreased the daily limit on yuan liquidity provision from ¥10 billion to ¥5 billion.

[9] As of 22 May 2025.

3.5. Banks' interest rate risk

Despite an outstripping growth in the cost of funding at the end of 2024, the banking sector margin remains high overall. The net interest margin (NIM) across all banks[10] declined only slightly from 4.4% in 2024 Q3 to 4.2% in 2025 Q1. As Russian banks are structurally exposed to interest rate risk, it may be reduced across the banking portfolio owing to a high proportion of variable rate loans in the corporate loan portfolio, compensations paid by the Russian Ministry of Finance under government subsidised mortgage programmes, as well as clients' current and demand deposit accounts characterised by low sensitivity to interest rate changes (as of 1 April 2025, no interest accrued on 30% of households' funds in current and demand deposit accounts, and another 20% of such funds were deposited at an interest rate below 5%). However, the situation is uneven across the sector. Approximately 18% of banks (accounting for 42% of the sector's assets) operate with narrower margin, their[11] NIM declined over the said period from 2.0% to 1.1%. Furthermore, the NIM might be affected by an increase in credit risk in the conditions of a long period of high interest rates. It is critical for banks to enhance the quality of their interest rate risk assessment, factor in the results of stress testing in scenarios with different interest rate paths when developing credit products, and prevent the transformation of interest rate risk into credit risk.

A decline in bond yields that began in December 2024 (over the period from December 2024 to March 2025, yields on federal government bonds and corporate bonds dropped by 317 bp and 479 bp, respectively) led to the positive revaluation of the banking sector's ruble bond portfolio in 2024 Q4–2025 Q1 amounted to ₽71 billion. In addition, the unrecognised negative revaluation of the portfolio of held-to-maturity securities was down by ₽101 billion. Further dynamics will depend on the inflation trend, fiscal policy, and the impact of the geopolitical environment on the Russian market.

4. Assessment of the financial sector's resilience

4.1. Assessment of the banking sector's resilience

The banking sector remains resilient overall. Despite a slight decline in the interest margin, returns on banks' assets stayed close to 1.9% owing to the positive revaluation of securities, increased operating earnings, and the reserves remaining at the previous year's level. Banks' capital adequacy ratio recovered to the historical averages (13.0% as of 1 April 2025 vs the average of 12.7% recorded since 2014) as a result of stable returns and a slower expansion of the loan portfolio. The capital buffer increased from 4.5 pp to 4.7 pp of the capital adequacy ratio N1.0, including the requirements to comply with the add-ons, and from 5.2 pp to 5.6 pp taking into account the accumulated macroprudential buffer. Dividend payments by banks will put pressure on capital adequacy (the simultaneous effect of the largest dividend payments from 2020 to 2024 approximated -0.5 pp of the banking sector's N1.0). The scheduled increase in the rate of the countercyclical capital buffer to 0.5% from 1 July 2025 will contribute to supporting banks' resilience and will not have a considerable effect on banks' lending potential.

The situation with banks' regulatory liquidity has improved since the beginning of the year. After the Bank of Russia loosened the schedule for phasing out the easing measures related to the liquidity coverage ratio (LCR) and increased flexibility for systemically important banks (SIBs) to comply with the LCR, the influence of the LCR requirements on banking product pricing weakened: the spread between banks' deposit rates and the Bank of Russia key rate narrowed in the retail segment as well

[10] All banks, except for the bank of non-core assets (National Bank TRUST).

[11] Banks with the NIM below 4.2% in 2025 Q1.

and, from February 2025, became negative again (-1.4 pp in the first ten days of May).[12] Beginning on 1 July 2025, SIBs are to maintain the LCR calculated without an irrevocable credit line (ICL) at a level of at least 60% (currently, it is 50%). This scheduled increase will have a limited impact on monetary conditions, taking into account the growth in the largest banks' actual LCRs over the period under review and the opportunity to flexibly use an ICL. Furthermore, the national LCR is to become effective from 1 October 2025 – the new ratio will take into account the national specific conditions, thus regulating SIBs' short-term liquidity risk more accurately.

4.2. Assessment of non-bank financial institutions' resilience

The sector of non-bank financial institutions adapted to the current market environment quite well overall. As a result of changes in the structure and durations of assets in the trading book upon reinvestment of the gains from redemptions, insurers and non-governmental pension funds managed to reduce their exposure to interest rate risk while maintaining a high credit quality of their investment portfolios.

Leasing companies recorded an increase in toxic assets, seizable leased assets, and discounts in the event of their future sale. The leasing market faced higher credit risks, due to which lessors were forced to create additional provisions. Consequently, the sector's profitability declined in 2024.

[12] The difference between the maximum interest rate on household deposits (the average across the Top 10 banks) and the Bank of Russia key rate.