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Developments in the Russian Banking Sector in 1992–1993

1 Introduction

In the course of 1992 and the first half of 1993 it has become evident that the Russian banking sector is playing a key role in the economic transformation process in Russia. The Central Bank of Russia has been accused of slowing down the restructuring process in the economy by providing cheap financing for large state-owned companies through the banking sector, contrary to the advice of the International Monetary Fund and contrary to the policy subscribed to by the Yeltsin administration (See e.g. Financial Times 5 and 10 Feb. 1993). At the end of May 1993 an agreement was finally reached between the Russian government and the Central Bank to limit the credits granted to the enterprise sector, which have been the main cause of the high inflation rate in the country since mid-1992 (Izvestija 26 May 1993 and Helsingin Sanomat 27 May 1993). The May agreement set a 30 % (2.8 trillion rubles) on the growth of direct Central Bank credits to the enterprise sector between the first and the second quarter of 1993 (Izvestija 35/93). However, it was widely speculated in the press that the agreement was made merely to show decisiveness in monetary policy and thereby obtain USD 1.5 billion in loans from the IMF (Moskovskie Novosti 6 June 1993, Ekonomika i Zhizhn 20/93). Since then the main cause of continuing high inflation has shifted from enterprise sector financing to financing of the budget deficit, which is expected to reach about 22 trillion rubles (about 20 % of GDP) by the end of 1993 (Izvestija 24 July 1993), if the budget accepted by Parliament in July 1993 is implemented.

In such circumstances of contradictory monetary policies and high inflation it is not at all evident how the whole banking sector functions. This paper seeks to analyze developments in the Russian banking industry in 1992 and the first half of 1993 in order to increase understanding of the pressures at work. Those readers who are interested in developments in the Russian banking sector during the perestroika years and the transformation process which took place in 1991–92 as an immediate result of the disintegration of the former USSR, are referred to the works by Kivilahti et al. and Fuchita et al. cited on list of literature.

The analysis is divided into two parts. The first part deals with developments in banking legislation, especially minimum capital requirements for both domestic and foreign-owned banks, and recent institutional developments in the Russian banking system.

The second part discusses some topical banking and financing issues which are of importance to the economic reform process.

2 Banking legislation and institutional developments

2.1 The 1990 banking law outpaced by political and economic events

The law on banks and banking in the RSFSR and the law on the central bank of the RSFSR were adopted in December 1990 at the time of increasing political strife between the authorities of the former USSR and Russia. The law was drafted simultaneously and mainly in accordance with the similar banking legislation of the former USSR, which was adopted only shortly before the Russian law. It is worth noting that the former was the first banking law ever passed in the USSR. Until then the activities of the state-owned banks were regulated by government acts (Balashova, 1991) and the operation of banks was actually guided by the state financial plan, which, in turn, was based on the physical plans of production and investment in various industries. The role of money and credit was passive and the financial plan was formulated and operated more as a residual of the other plans than an independent and policy-oriented part of the economic plan (see McKinnon, 1991, and Fuchita, Osaki and Miwa, 1993).

Because the preparation of the Russian banking legislation dates back to the time before the disintegration of the former USSR, the law was outpaced by the political developments soon after its adoption, particularly in the field of banking and monetary policies in the CIS. The former state bank of the USSR was first merged with the Central Bank of Russia (CBR) in late 1991 and dissolved shortly thereafter. The former branches of the state bank in the new independent states became new central banks for these republics. Subsequently, the former USSR banking legislation served as a basis for the adoption of basically similar legislation in the other CIS states.

Under the Common Currency Arrangement established among the CIS member states in early January 1992 the members of the ruble zone could obtain rubles through correspondent accounts between their republican central banks and the Central Bank of Russia. (Calogero, Nahr, Stillson, 1992, pp.11–12) As the Central Bank of Russia could no longer control the monetary policies of the other CIS states, this arrangement led to practically automatic credit expansion and added to the inflationary pressures within Russia. From 1 July 1992, all Russia's payments to other CIS countries had to be cleared through special correspondent accounts held in the Russian Central Bank (Sidenko, 1993). This separated the Russian ruble from the rubles which were in principle circulating in the other CIS states and slowed payment transfers from one state to another. However, this measure has not totally stopped the flow of rubles from Russia to the other CIS states, because some of the new central banks have not respected the agreed credit ceilings.

For the banks operating in the various CIS states, the dissolution of the USSR created new kinds of problems. The newly established central banks were inexperienced and had to learn the art of central banking in the crossfire of political pressures for independence, on the one hand, and economically advantageous monetary dependence on Russia, on the other hand.

The banks operating outside Russia in the other CIS states were often former branches of old state-owned banks of the USSR and some of them operated in an area which presently incorporates several independent republics. Therefore it is quite possible that they have important corporate customers in other states outside of their home republic. At present the banks are not in a position to provide efficient payment services to these customers, nor can they easily impose hard budget constraints on them.

In order to improve the settlement of payments between member states the CIS countries agreed in Minsk in January 1993 to establish an international clearing bank for clearing payments between the member states. The new bank has not started to operate yet. At the same time some commercial banks in the CIS states have plans to set up a clearing-centre of their own (*Izvestija* 21 January 1993). The changes of such a centre to facilitate payment transfers are dependent on CBR policy concerning the Russian ruble. Payments in the emerging national currencies are, in turn, dependent on national monetary policies, which vary from country to country.

In July 1993 the Russian Parliament decided to limit credits to the former member states of the USSR to 800 billion rubles. Starting 1 July 1993, the technical credit limits for these countries were abolished and the credits were converted into state credits with a maximum maturity of five years. The credits carry market interest rates depending on the credibility of the borrower and credit period (*Kommersant-Daily*, 1 July 1993).

The Russian authorities acknowledged that about one third of the Russian bank notes ended up in the other CIS member states without any compensation to Russia. Subsequently, it was proposed that the amount of cash in circulation be converted into credit to these countries so that it could be regulated by specified agreements (*Rossiiskaja Gazeta* 14 July 1993).

In addition to these measures, at the end of July the Russian Central Bank ordered the withdrawal from circulation of all ruble banknotes printed in 1961–92. The measure was largely aimed at the elimination of the ruble banknotes circulating in the other CIS states (*Izvestija* 27 July 1993). At the moment it is still unclear what will be the ultimate fate of this controversial regulation in the midst of the ongoing struggle between the Russian government and Parliament. However, it has already speeded up the change from ruble to national currencies in some CIS states (*Delovoi Mir*, 27 July 1993). These recent measures to control ruble credit expansion in the other CIS states were most probably also motivated by the estimate released by the IMF that Russian economic assistance to the CIS states in 1992 amounted to USD 17 billion and reached 21 per cent of Russian GDP, which surpasses by far the level of foreign economic aid given by most western countries (*Izvestija* 14 July 1993 and *Rossiiskaja Gazeta* 14 July 1993).

In addition to these strong outside forces Russian banking legislation has also been outpaced by economic developments within the country. It does not provide adequate means for supervising the rapidly developing domestic commercial banking sector, nor does it provide specific regulations for foreign banks who are considering making direct investments in Russia. Accordingly, there exists an urgent need to redraft the law to bring it in line with the evolving situation on the Russian banking scene. However, the discussion of the new draft has been delayed in the Supreme Soviet for political reasons.

In July 1993, the existing drafts for the new banking legislation were published in the Russian press (*Delovoi Mir* 1 and 2 July 1993). The Russian

parliament has since invited representatives of the Russian banks to discuss the drafts before their final adoption in the Supreme Soviet. In the subsequent discussion questions concerning the standing of the central bank and the regulations concerning foreign-owned banks were much debated (*Kommersant-Daily*, 7 July 1993). However, in addition to these few key questions, the draft laws do not provide much guidance on the actual activities of the banks, which remain subject to the regulations issued by the Central Bank. On the other hand, the draft laws foresee a special law on payment transfers, but according to comments published in the press it seems unlikely that such a law will see the light of day. Therefore the banking laws will most probably remain general framework laws, leaving the regulation of banking activities to the Central Bank and thus enabling it to carry out frequent policy changes.

While waiting for the new banking legislation the Russian banking community has already been subjected to new regulations concerning minimum capital requirements. Restrictions have also been issued concerning the establishment of foreign-owned banks. These will be dealt with below.

2.1.1 Minimum capital requirements for domestic banks

According to the new regulations the Russian banks are required to have a minimum capital of 100 million rubles by 1 July 1993. As the former minimum capital requirement was 6 million rubles, the new requirement represents a 17-fold increase in capital. As such it is still less than the inflation rate in 1992, which reached 2600 % p.a. in consumer prices (*Russian Economic Trends* 1993, pp.23–26). At the end of 1992 the new minimum capital requirement corresponded to about 150 000 USD and in May 1993 to about 100 000 USD, which is a very modest capital level for a bank by international standards. Even so, there are many small banks in Russia which are having difficulties in raising their capital to the required 100 million roubles. In January 1993 about 85 % of the banks had a share capital below the required 100 million rubles (*Rossijskie Vesti* 28 January 1993). Therefore a waive of mergers between the smaller banks is expected before 1 July 1993, which will most probably reduce the number of banks in the country from its present level of 1700 or so (*Ekonomitsheskaja Gazeta* 29/93).

For those banks whose share capital exceeds 50 million rubles but is less than 100 million rubles, a possibility exists to continue banking activities other than taking deposits from the public. Those banks who do not meet even the 50 million rouble limit will have their banking licence withdrawn and will only be able to continue their activities if they merge with larger banking units (*Ekonomika i Zhizn* 2/93). Although the governor of the Central Bank of Russia has announced that the Central Bank is prepared to be flexible in the question of minimum capital requirements and to make decisions on a case-by-case basis (*Moskovskie Novosti* 22/93), the bank has taken strict measures to forbid those banks who do not fulfil the new requirements from collecting new deposits (*Ekonomitsheskaja Gazeta* 29/93).

The continuing high inflation rate in the country implies that the minimum capital requirement for banks will have to be raised again fairly soon, if it is the intention of the banking authorities to at least keep it at the same level in real

terms. The Central Bank has already drafted requirements for a bank which would qualify for the status of an "international commercial bank". According to these requirements the minimum capital requirement would be 400 million rubles and would be raised in accordance with the inflation rate. The solvency of such a bank, measured as the ratio of capital to total liabilities, would also have to exceed 8 % (Izvestija 16 April 1993).

2.1.2 New requirements for foreign-owned banks

For foreign-owned banks the requirements set by the Central Bank on 8 April 1993 provide for considerably higher minimum capital requirements. The minimum capital requirement for a foreign-owned bank was set at 2 million USD for each shareholder. In joint venture banks formed together with Russian banks, foreign ownership is limited to 50 % of the total share capital. At the same time the maximum share of each shareholder is limited to 35 %, which means that at least three shareholders are required to set up a joint venture bank, which raises the minimum capital requirement for such a bank to 6 million USD. Accordingly, the minimum capital requirement for a joint venture bank with foreign ownership is about 60 times higher than for a domestic bank. For branches of foreign banks minimum capital requirement has been set at 5 million USD, which corresponds to about 5 billion rubles and is 50 times the minimum capital requirement for domestic banks. In addition to these requirements the Central Bank has imposed a 12 % ceiling on the share of foreign ownership in the whole Russian banking sector (Ekonomitsheskaja Gazeta 15 April 1993, Izvestija 17–23 July 1993).

In practice, these restrictions mean that totally or partly foreign-owned banks will be large banks by Russian standards and that there will not be room for many such banks in the market. Given that the total share capital of all Russian banks at the time of these new regulations amounted to 175 billion rubles, it can be calculated that 4–5 foreign banks capitalized at 5 million USD would alone reach the 12 % limit. More specifically, the largest joint venture bank with foreign capital, International Moscow Bank, which currently has four foreign shareholder banks, would alone account for a lion's share of the foreign quota (Ekonomitsheskaja Gazeta 15 April 1993 and Kommersant 12–18 April 1993). These new regulations treat subsidiaries, which are residents, and branches of foreign banks, which are non-residents, equally. Both are subject to the 5 million USD minimum capital requirement. As the question of allowing foreign-owned banks in Russia is still being debated, these regulations will most probably undergo changes in the final version of the new banking law.

The above regulations concerning the establishment of foreign-owned banks in Russia were both preceded and followed by a wide discussion in the Russian press about the activities of foreign banks in Russia (e.g. Kommersant 12–14 April, Moskovskie Novosti 2 May, Rossijskaja Gazeta 18 May 1993). On the one hand it was pointed out that the foreign banks have the potential to totally destroy the Russian banking system, if they are allowed free entry to the Russian market, because they are much better equipped and more efficient than the Russian banks. It was argued that the emerging Russian banking industry needs protection from efficient international banks. At the same time it was pointed out that the Russian banks – for exactly the same reasons – need exposure to competition from the

West in order to develop their competitiveness. The Russian authorities also realized that the denial of banking licences to foreign banks would create the threat of retaliation by western countries where Russian owned banks are operating. The types of restrictions adopted are considered a kind of compromise between these two opposite views. Recently, there have been demands for limiting the operations of foreign-owned banks to the foreign currency operations of non-residents only, in effect would make which all foreign-owned banks off-shore banks in the country (Kommersant 28/93).

Since Vneshekonombank froze the foreign currency-denominated accounts of its clients in December 1991, International Moscow Bank has rapidly increased its market share in foreign currency transactions (Kommersant 12–14 April 1993). The bank has also been nominated by EBRD as their cooperation partner in providing loans to medium-sized Russian companies or joint ventures which have western shareholders (Kauppalehti 4 June 1993). Recently, one of the western shareholders, the French Credit Lyonnais, announced its withdrawal from the IMB, apparently due to possible conflicts of interest in St. Petersburg, where Credit Lyonnais is planning to open a subsidiary in the near future (Kommersant-Daily, 6 July 1993). Should the share of Credit Lyonnais in the IMB be acquired by Russian shareholders, foreign ownership would be lowered to less than 50 % and the bank would become Russian.

In addition to IMB, two subsidiaries of foreign banks, Credit Lyonnais operating in St. Petersburg and Société Générale in Moscow, have received banking licenses. A joint venture between the German Dresdner Bank and the French Banque Nationale de Paris is expected to be granted a licence to set up a subsidiary in St. Petersburg in the near future (Sueddeutsche Zeitung 23 June 1993). Two branches of foreign banks have been given a license to operate in Moscow, the Austrian Länderbank and the Bank of China. Some six to ten other foreign banks have applied for a license in one form or another, among them the Finnish Postipankki, which has applied for a license to open a branch in St. Petersburg (Reuter 22 June 1993). It is also expected that banks operating in the other CIS-states, which have often been set up as branches of former USSR banks, will be interested in gaining a foothold in Russia.

From the above calculations it is clear that not all applicants will be able to obtain a banking license without either a change in the 12 % ceiling imposed on the foreign banks' share or a massive recapitalization of the Russian banks (including Russian acquisitions of the present foreign-owned banks). Recently, the Central Bank has announced that it will not issue any new licenses to foreign banks until their share has been recalculated. At the end of 1992 their share was 6 % of the consolidated share capital of the entire Russian banking sector (Izvestija 17–25 July 1993).

2.2 Recent institutional developments in the Russian banking system

Russia's two-tier banking system has not seen many institutional changes during Russian independence. The country inherited the Soviet banking system, the only change in which was the dissolution of the State Bank of the USSR. Its functions

were taken over by the Russian Central Bank but the continuance of the former regime became evident in the nomination of the former governor of the Soviet State Bank, Viktor Gerashenko, as governor of the Russian Central Bank in June 1992.

The introduction of the two-tier system in 1988 was carried out by dividing the former central or monobank functions among five so-called specialized banks. The successors to these banks are still among the largest banks in the country today. The restructuring of the banking sector was followed by the birth of a large number of joint stock and cooperative banks starting in late 1988. By the end of 1991 the number of banks quoted by various sources ranged from almost 1600 (Kivilahti et al. 1992) to 10000 (Bolz and Polkovski, 1992). The differences in the number of banks given by various sources are probably explained by the fact that the large figures also include many bank branches. (The number of Sberbank branches alone is about 42000.) Another source of confusion probably lies in the the Central Bank's policy of limiting the number of branches, which has led to the tendency for the former branches of the specialized banks to reregister as separate joint stock banks. Recent information on the number of banks in Russia at the end of 1992 puts the number of commercial banks at 1700 and the number of branches at 2000 (SWB Former USSR 12 March 1993).

There are interesting differences of opinion concerning the significance of the number of banks in the country. While some Russian writers express concern about the insufficient number of banks in the country in relation to the population base or the size of the economy or in comparison to some western countries (Barkovskij, Gontshar and Frolova, 1992, p. 15), others stress the great number of inefficient small banks which are not adequately capitalized or supervised (Financial Times 18 May 1993). As the number of banks has been growing fast, especially in Moscow, where the number of banks was 331 at the end of 1992 and totalled nearly 600 in May 1993 (Delovoi Mir 20 April 1993), it is evident that the rest of the country is not equally well served. Private persons, in particular, do not have much choice, because an overwhelming majority of the new banks have been founded to serve corporate customers, often organizations which have become shareholders of the bank. In practice only Sberbank offers banking services to private citizens. For corporate customers too the large number of banks does not provide a well functioning banking system, because there are great problems in the payment transfer mechanisms and borrowing possibilities.

In recognition of the above problems the Central Bank has made plans to upgrade some of its clearing cent outside large cities into banks. These would also provide banking services for clients, at least temporarily until the banking system became more developed in these regions, even though this is against the principle of a two-tier banking system in which the central bank functions are separated from the commercial banking functions (Izvestija 26/93). At the same time the Central Bank plans to give more responsibilities to the regional cent of the Bank in the areas of administration and inspection of the commercial banks.

While the number of Russian commercial banks has been increasing rapidly, especially in Moscow, the CBR has already taken steps to reduce the number of small banks by restricting their possibilities to issue new shares if they do not register new share issues as required by the Central Bank (Kommersant-Daily 4 March 1993). The CBR has also eased the restrictions on the number of branches that Russian banks may have. A sign of this new policy is the conversion of several small banks into branches of Rosselkhozbank (Ekonomika i Zhizn 3/93).

In a recent measure the Central Bank has also decided to freeze the accounts of 22 commercial banks with longstanding debit balances on their accounts in the Central Bank, and where this situation has resulted from the bank's excessively soft credit policies (Izvestija 37/93). This measure is directed at the soft credit policies of the banks and their belief that the Central Bank will automatically provide the credit needed to cover missing inflows of credit instalments. It remains to be seen how much the new minimum capital requirements and other recent measures of the Central Bank will reduce the number of banks. According to one recent estimate, as many as four fifths of the present commercial banks may be closed down (Banker 14 May 1993).

In the draft for the new banking law, the banking system is actually developed into a three-tier system, where the third tier after the Central Bank and commercial banks is formed by specialized financial companies, who will become subject to Central Bank licensing. The group of commercial banks will also be divided in two, those who authorized to finance state and municipal programme and others without such authorization (Delovoi Mir 2 July 1993, Kommersant 28/93 and Delovoi Mir 15 July 1993). However, as pointed out in some of the criticisms directed at the draft law the law lacks clear definitions of these different categories of banking institutions.

An investigation carried out by the EC has drawn attention to the inadequate banking inspection in the country. According to the report financed by the EC only 80–130 commercial banks meet western banking standards. However, these particular banks have a share of about 60 % in the total assets of Russian banks. Hence, most of the 1325 small and 336 medium-sized banks are undercapitalized and not supervised properly (Financial Times 18 May 1993, Izvestija 28 May 1993 and 2 June 1993). It has been the responsibility of the CBR to supervise the activities of banks. However, the Bank has only recently announced the creation of a new department, which will be in charge of banking inspection. The department will start with 350–400 specialists, whose job it will be to inspect the legality of the accounting and financing functions of the commercial banks. So far, banking supervision has been carried out on a case-by-case basis (Izvestija 29 April 1993). The Central Bank itself has also been found guilty of insufficient accounting practices, errors and even misuse of funds, according to a study carried out by the international auditing company Coopers & Lybrand (Financial Times 9 July 1993). The Russian authorities have also recognized the inadequacy of bank inspection as carried out by the Central Bank and have suggested that an independent organization, separate from the central bank, should be created to take care of banking inspection (Finansovye Izvestija 29/93).

In order to gain more influence and protect their vital interests the Russian banks have formed associations, the largest of which is the Association of Russian banks, which was founded two years ago on the basis of the Moscow Federation of banks (Delovoi Mir 19 May 1993). Today, the association has over 600 members, whose share of the total banking assets of the country amounts to 70 % (Ekonomika i Zhizn 17/93). It has developed into a powerful lobby, which defends the interests of the Russian banks when vital issues in the banking sector are at stake. Its members include both the old state-owned specialist banks and newer commercial and cooperative banks, some of which have quickly gained the size of their state-owned competitors.

One major institutional change in the Russian banking system concerns the former Vneshekonombank, whose commercial banking activities have been

transferred to the Russian Vneshtorgbank. At the same time the share capital of Vneshtorgbank has been increased significantly from 5 to 250 million roubles and subscribed by the largest shareholder, the CBR, in gold (Moskovskie Novosti 2 May 1993). This operation has been interpreted as a desire on the part of the CBR to centralize under its control the major part of foreign currency operations, especially those which arise out of centralized export and import transactions in Russia.

Vneshekonombank will continue in the role of administrator of the foreign debt of Russia. The bank has recently announced that it will be releasing that part of its frozen liabilities which belong to private persons in the near future. The payment will be made first to Russian physical persons in cash form. Physical persons of other former Soviet republics will also gain access to their frozen deposits in the near future (SWB Former USSR, 23 April, P.A/4). Enterprises will have to wait longer for their receivables, which are expected to be paid in the form of obligations issued in convertible currencies in favour of the account holders.

In addition to the changed role of the Vneshtorgbank the status and role of Sberbank has been under attack from the CBR, which has proposed a change in its status from independent company of limited liability to an organization owned directly by the Russian Federation under the control of the CBR (Izvestija 16 February 1993). The proposal has probably been motivated by the desire of the Central Bank to secure the traditional source of financing which the Sberbank has provided for the state budget. Sberbank has strongly opposed the proposal and pointed out that it would signify a fundamental step backwards in the two-tier banking system of Russia.

Sberbank has also been at the centre of another recent discussion concerning the revaluation of the savings deposits of the bank's customers. The government and the CBR have been asked to prepare a plan by which the losses caused by inflation could be compensated to customers (Izvestija 30 March 1993, p.1). However, many writers, including minister of finance Boris Fedorov, have pointed out in the Russian press that such compensation is not possible because it would lead to a further acceleration of inflation, which, in turn would reduce the real value of the same savings (Nezavisimaja Gazeta 21 April 1993, Argumenty i fakty 22/93, Rossijskaja Gazeta 29 May 1993, Izvestija 1 June 1993). However, the question will probably become a hot political issue if depositors actively demand compensation (Kommersant-Daily 9 July 1993). Special funds have already been created to insure the deposits against possible bank closures or bankruptcies (Izvestija, 16 July 1993, p. B7), but not against inflation.

The recent high inflation in Russia has, together with the juridical and economic independence of the specialized banks and their former branches, led to a situation where there are practically no banks to provide long-term financing for large investment needs (Izvestija 27 May 1993). Therefore the financial authorities see a great need for the creation of large banks which would be able to meet this need. The Russian Finance Corporation, a new institution founded in March 1993, offers one means of providing resources for large investments in the future (Izvestija 19 March 1993, Kommersant-Daily 21 April 1993). The bank will be responsible for carrying out the investment policy of the Russian government and will issue long-term bonds to raise the necessary resources. In addition some of the existing commercial banks, Promstroibank, in particular have also announced their interest in financing state investment programme (Izvestija 27 May 1993).

Promstroibank was subsequently nominated as agent of the state of Russia in the field of financing the state investment programme (Rossijskaja Gazeta 8 June 1993). For this purpose the CBR has granted Promstroibank a 10-year loan of 15 billion rubles at an interest rate of 20 %, currently 150 percentage points less than the refinancing rate of the CBR. The bank will also enjoy tax exemptions for the earnings from the investment loans. In order to improve the bank's capacity to provide payment services needed for the investment programme the bank will also be allowed to enlarge its branch network.

In July 1993, the Russian government adopted the state investment plan for 1993. The budgetary financing foreseen in the plan, 6500 billion rubles, is, however, considered insufficient for the restructuring needs of the country (Kommersant-Daily, 21 July 1993). Therefore commercial bank financing will be needed to carry out the plan. However, it is very difficult to judge the significance of the banking system in providing financing in the present inflationary circumstances. The CBR launched, apparently successfully, the first sales of short-term government bonds in May and June 1993 (Izvestija 22 May and 18 June 1993). However, it would seem very difficult to sell long-term bonds, which would be required for the financing of a long-term investment programme, before the inflation rate has levelled off. The experiences of the CBR in selling long-term government bonds in 1990–91 were very disappointing (Fuchita et al., 1993, p. 44). Recently recognized problems with repayment of the obligations issued in the 1980s, which were sold with the option of receiving a car, will also undermine the credibility of the government as a borrower (Izvestija 29 June 1993).

In the midst of the above changes and evolving trends in the Russian banking system, the status of the Central Bank itself has also been under pressure. The Yeltsin government has tried to acquire better control of the Central Bank in order to coordinate monetary policy with the aims of the economic reform. At the same time the Central Bank has exploited every opportunity to strengthen its role and its control of monetary flows in the economy. According to the banking law of 1991, the CBR is subordinated to the Supreme Soviet and is independent of the government. This relationship remains the same in the new draft banking law. Yeltsin attempted to include the governor of the Central Bank in the government but the proposal was rejected by the Supreme Soviet (Finansovye Izvestija 29/93). It is also apparent that the new banking law is waiting for the government reformists and the conservative Supreme Soviet controlled by the parliament to come to an agreement on the main principles to be applied in the country's banking policy. Any laws which are not supported by actual policies and carried out will remain good intentions only.

3 Key issues in the Russian banking sector

In addition to the above-mentioned legal and institutional problems several other important issues have to be dealt with when analyzing the functioning of the Russian banking sector. Among them the following are discussed below: the inefficiency of the banking system in transferring payments; interenterprise debts and the crediting of state enterprises; the ownership structures of new banks and finally the effect of high inflation and dollarization on banks.

3.1 Payment transfers

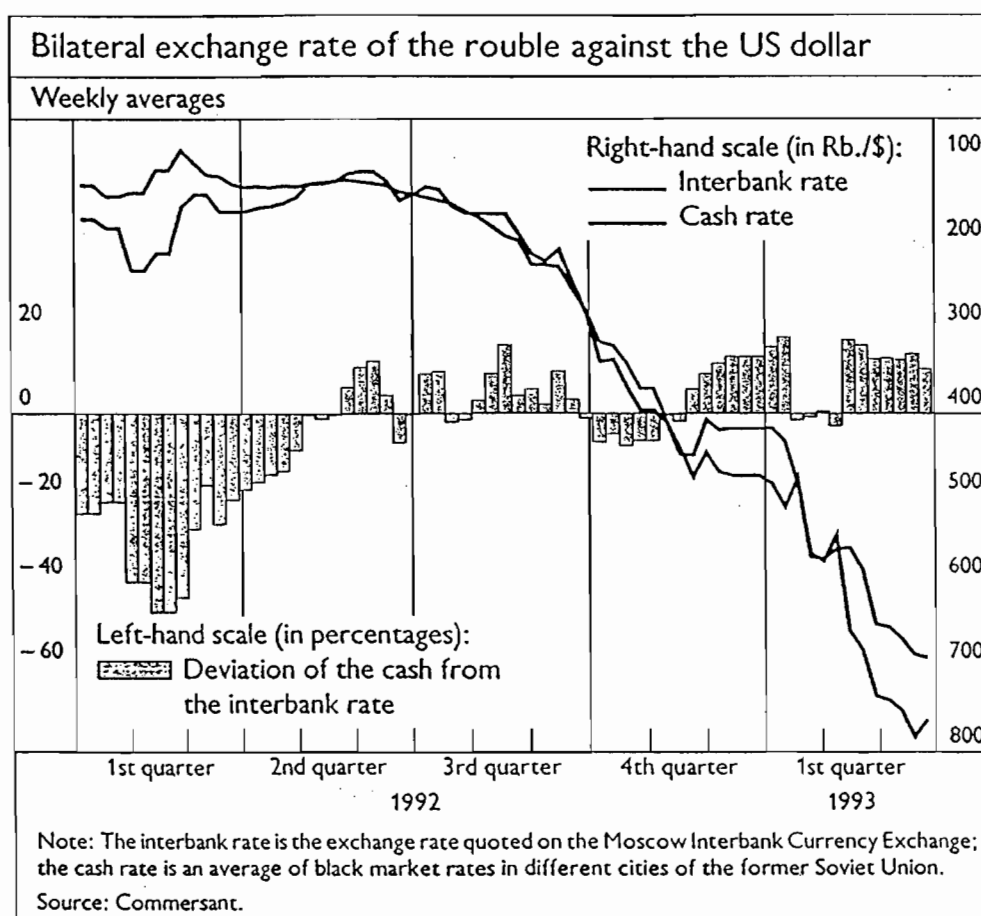
Several recent analyses of the Russian economy have paid attention to the inefficiency of the banks in transferring payments (e.g. Berezina and Krupnov, Sachs and Lipton, 1992, Fuchita, Osaki and Miwa 1993, p.73). In practice interbank payments within big cities have taken weeks and from one city to another or abroad months to effect. The objectives of payment systems in traditional centrally planned economies differed radically from those in market economies (Hook, 1992, p. 1–2, 15). Payment systems were seen by the authorities as a way of monitoring economic agents' performance relative to the central plan and not as a system for the exchange of value.

Against this background key areas of development in the transition to a market oriented-payments system are: well-defined accounting rules for payments, standardization of payment instruments and practices as well as definition and regulation of the rights and obligations of participants in the payment system. In addition increased processing capabilities of the commercial banks and the CBR together with improved communication networks and the introduction of a clearing house are clearly needed. Many of the related questions have been addressed in the recent public discussion concerning the development of Russian banks. However, the magnitude of the present problems is clearly demonstrated by a Russian banker, who acknowledged that the introduction of a checking account in Russian banks alone would require a thoroughgoing change in all financial, banking and trade structures throughout the country (Ljubanosvkaja, 1992).

A peculiar feature of the Russian payment system has been the separation of cash payments from payments which are channelled through the bank accounts. Cash has only been available for wage payments while payments to suppliers have been made exclusively through the banking system. However, contrary to the recommendation of many Russian and Western specialists these two separate spheres of payments have not officially been made convertible or exchangeable (Nutti, 1992, Sachs, 1992).

The liberalization of most prices at Russia in the beginning of 1992 led to their initially increasing three to four times. The subsequent monthly rate of inflation also remained high and resulted in a shortage of banknotes in the economy. This, in turn, made it difficult for companies to pay wages and large wage arrears built up in the first half of the year (*Ekonomika i Zhizhn*, 4 January 1993). According to statistics published by the BIS (see figure 1), this was also reflected in a large dollar discount for cash roubles.

Figure 1



Additional factors influencing the shortage of cash in the economy were the problems connected with payment transfers through the banking sector. Therefore Russian companies started to effect payments increasingly in cash form even though it was forbidden. According to the experience of Finnish companies in St. Petersburg payment in cash rubles or foreign currencies has however been, the only way to effect payments and stay in business (Kauppalehti 29 June 1993). An estimate of how wide this practice has become is provided by the Tax Inspection Office of St. Petersburg, according to which the share of retail trade proceeds which are circulating outside banks is as high as 80–85 % (East-West Report 2/93). There is also an increasing tendency for payments to be settled in this manner between Russia and other former Soviet republics.

A further reason for the increased use of cash payments in Russia was the freezing of foreign currency accounts at the Vneshekonombank in December 1991. As a result of that measure many Russian enterprises lost confidence in the Russian banks.

For the same reason companies which had foreign currency earnings did not repatriate them to Russia, using these earnings to pay for their imports directly from accounts held in Western banks abroad. According to an interview conducted

among Finnish companies trading with Russian companies in 1992, this was the most widely used form of payment (Hirvensalo, 1993). An additional reason for companies to circumvent banks in transferring payments is tax avoidance, because banks have been (some against their will, as illustrated by Ljubanovskaja, 1992) charged with the task of collecting taxes.

The Central Bank of Russia has played a crucial role in the clearing function until very recently. Payments between banks have been cleared through the banks' correspondent accounts with the CBR. There have been no direct possibilities to clear payments between various banks (Barkovskij, 1992, p. 19). The clearing function has been under stress due to the continuous reorganization of the functions of the Central Bank and the rapidly increasing number of banks which need such clearing services. Also, the measures to freeze the correspondent accounts of some banks who have had longlasting debit balances have influenced the clearance of payments. The Central Bank has also been criticized for actually using the inefficient clearing function as a monetary tool by which it tries to control the amount of money in circulation.

Table 1 below depicts the Central Bank's balance sheet on 1 January 1993. Of the total liabilities of the Central Bank, 22 % consist of deposits of the commercial banks on their correspondent accounts at the central bank. Of these, 1.900 billion rubles are deposits which the banks keep on the accounts for payment transfer purposes while about 500 billion rubles are obligatory reserve deposits. There is another large liability item – amounting to 1800 billion rubles – called payments in settlement within the Russian territory. The combined magnitude of these sums is indicative of significant inefficiencies in the payment transfer and clearing system.

The balance sheet of the central bank also reveals how important the intergovernmental credits given to the other CIS-states have been, as their share of the total assets is more than 20 %. In addition the breakdown of credits between long-term and short-term credits shows how overwhelmingly large the latter category is.

Table 1.

The balance sheet of the Central Bank of the Russian Federation, 1 January 1993

| Assets (1000 rubles) | | Liabilities (1000 rubles) | |
|--|----------------|--|----------------|
| Gold | 137.107.506 | Authorized capital | 3.000.000 |
| Foreign currencies of the Finance Ministry | 561.461 | Reserve capital | 123.054.275 |
| Foreign currencies | 604.594.506 | Credits of the Finance Ministry to international organizations | 561.461 |
| Cash | 29.211.957 | Foreign currency accounts | 338.524.999 |
| Credits to the Finance Ministry | 3.586.023.424 | Cash in circulation | 2.437.313.967 |
| Short-term credits | 2.650.300.503 | Deposits of comm. banks | 2.356.711.755 |
| Long-term credits | 2.348.007 | Budgetary and client deposits | 1.125.867.871 |
| Operations in securities | 56.706.191 | Payments in settlement | 1.758.925.562 |
| Intergovernmental payments | 2.314.145.670 | Other liabilities | 2.351.582.850 |
| Other assets | 1.114.543.515 | | |
| Total | 10.495.542.740 | Total | 10.495.542.740 |

Source: Ekonomitsheskaja Gazeta 29/93

The commercial banks have tried to find a partial solution to the problem of slow payments by forming regional clearing centres of their own. The Central Bank has reluctantly issued licenses for four such centres (Kommersant-Daily 5 May 1993). However, according to recent estimates there are already 45–50 such clearing centres operating without central bank authorization (Izvestija, 2 July). In addition to boosting improvements in money clearing a group of Moscow banks has launched a plan to set up a common credit card-based payment system by the end of 1994 (Kommersant-Daily 18 May 1993).

Recently it has also become evident that the present payment transfer system is not designed well enough to detect fraud. Several cases have been reported in recent press (Finansovaja Izvestija 29/93, Delovoi Mir 17 June 1993).

3.2 Interenterprise arrears

The heaviest criticism levelled at the Central Bank, however, has concerned its monetary policy since July 1992, when Geraschenko took over as governor. The amount of rubles in circulation increased dramatically in July 1992 as a result of the credits issued by the Central Bank to state-owned enterprises for the clearance of interenterprise debts, which had been accumulating since the beginning of the year. Subsequently, the inflation rate rose to 20 % per month. In the May agreement between the Central Bank and the government, both sides agreed not to extend any new credits for financing the existing arrears.

The causes and settlement of interenterprise debts have been thoroughly described by several writers (Begg and Portes, 1992, Ickes and Ryternman, 1992, 1993, Sachs and Lipton, 1992, Whitlock, 1992). From the point of view of Russian banks who administered the so-called Kartoteka dva, a register of interenterprise debts, the technical role of keeping a record of the debts was terminated by the end of 1992. Therefore there no longer exists a record of the accumulating interenterprise debts in the banks nor are the banks responsible for monitoring the order in which payments are actually effected by companies. However, the State Committee on Industrial Policy has recently estimated that new interenterprise debts have been accumulating since then, reaching the level of 5 trillion rubles or about 20 % of GNP in January 1993 (RFE/RL News Briefs: 25–29 January 1993). However, this figure cannot be directly compared to the earlier accumulated interenterprise debts recorded by the banks, which amounted to about 2.5 trillion rubles by the end of 1992, because these records did not include arrears which had accumulated in payments that had not been channelled through the banks. The latter may also have been quite significant, as is demonstrated by the estimate of the St. Petersburg Tax authorities cited above. Also, the effect of inflation would have to be taken into account in any attempt at comparison. In July, the Russian minister of finance, Fedorov, set the amount of interenterprise arrears at 6–8 trillion rubles and pointed out that, even though the amount is growing, the rate of growth is lower than the rate of inflation (Rossijskaja Gazeta 20 July 1993).

Even though the banks are no longer formally responsible for registering payment arrears, the persistence of interenterprise debts is of great economic significance, for the whole banking sector in Russia. Perhaps the biggest problem

caused by interenterprise arrears is the difficulty it creates for financial evaluation of Russian enterprises. The information biases generated by the still somewhat distorted price structures within the economy are aggravated by interenterprise arrears, which blur the financial statements of enterprises and make it virtually impossible to arrive at any sensible financial analysis of companies. The situation also creates a serious obstacle to the privatization process, which is otherwise being strongly promoted by the government. Accumulation of payment arrears together with the practice of disclosing only net indebtedness figures is clearly also a means of survival for companies facing hardening budget constraints. It also demonstrates what kind of political games are going on in the enterprise world to ensure survival. The cheap credits granted by the Central Bank to the state enterprises have foreclosed other forms of adaptation, above all bankruptcies and ensuing unemployment, which are now expected to grow.

For the banking sector the situation contains mixed messages. On the one hand, the continued cheap financing of state enterprises, which has taken place through the intermediation of the banks, has provided a safety belt for the banks as well, because the bankruptcies of state enterprises would most probably cause severe difficulties for the banks, who are creditors of these same enterprises. In Russia no estimates are available on the share of bad debts in the banks' balance sheets. However, it has been recognized that the repayment of old loans is the most pressing problem facing the state-owned banks today.

On the other hand, the banks-risks have probably increased, because recent credits have gone mainly to companies which were not able to pay their debts. Even though many economically viable enterprises have faced the same problem, the lack of transparency in financial information makes it very difficult, if not impossible, for banks to make correct evaluations of companies.

One outcome is, however, already clear. Privatized companies have been facing much harder budget constraints than state-owned companies, which have received most of the cheap credits. Thus there is a risk that the banks through which these credits were channelled will mostly bear the risks of inefficient old enterprises and that the banking sector itself will also require massive state refinancing in order to survive. The development of the private sector, companies and banks alike, is on the other hand, taking place mostly with very limited sources of external finance.

3.3 Ownership structures of the new banks.

Another peculiarity of the Russian banking system is the increasing number of banks who have been founded by a group of companies or organizations. According to a recent estimate, such banks account for more than 80 % of all commercial banks (Izvestija, 16 July 1993). The main motivation for enterprises to become shareholders in banks is the difficulty of otherwise securing financing or speedy payment transfers for themselves. Such arrangements have also been described as a way of minimizing transaction costs and sharing private information which is not otherwise available for credit decisions (Johnson, Kroll and Horton, 1992). In addition, owning a bank has provided other valuable benefits. Equity stakes were exempt from the 20 % reserve requirement on deposits

imposed on banks and banks used to relend up to five times the capital contribution (Transition, December 1992 and January 1993). It is evident that the presence of such ties in the banking system strengthens the moral hazard problems already inherent in it. Is there any way in which a bank can carry out a neutral investigation of the creditworthiness of an important shareholder?

3.4 Inflationary pressures and dollarization in the banking sector

The inflationary pressures faced by the Russian banking system constitute another key issue. Several writers have pointed out how difficult it is to understand the behaviour of Russian banks in charging interest rates which are far below the rate of inflation and, what is perhaps even more difficult to understand, the unwillingness of enterprises to borrow at a low real interest rate even though the nominal rate of interest is high (See Johnson et al. 1992, p.16). The unwillingness probably reflects the general uncertainty which economic agents are facing in the country as well as the widespread problems encountered in borrowing because of the difficulty of providing adequate securities for loans.

As from 15 July 1993, the Central Bank's refinancing rate has been 170 % per annum (Rossijskaja Gazeta 16 July 1993) and the commercial bank lending rates are expected to reach 300 % p.a. (Izvestija 16 July 1993). The country's estimated inflation rate is around 15–20 per cent per month, which indicates that the gap between the rate of inflation and rate of interest is getting smaller if not closing. In 1992 the gap between these two rates was much larger and consequently the real interest rates were negative by a wide margin. Deposit rates have been kept low, especially in relation to inflation, which has caused a change in the behaviour of depositors. The willingness to make long-term deposits has diminished and created funding problems for the banks. As recently as July this year, the commercial banks have started to attract deposits at higher interest rates, 90–110 % p.a. for deposits up to three months (Kommersant-Daily, 2 July 1993). Sberbank deposit interest rate has also been raised to 120–130 % p.a. This is still far below the inflation rate. The Russian constitutional court has decided that savings of the people should be indexed to the inflation rate (Kommersant-Daily, 9 July 1993). It is still an open question as to how the banking system will be able to comply with this requirement.

For the banks, negative interest rates have meant that in real terms their assets have been diminishing. At the same time the share of Central Bank financing in total credit outstanding has increased, reaching 54 % in March 1993 as opposed to 25 % in February 1992 (Rostowski, 1993). The commercial banks are therefore becoming increasingly dependent on the Central Bank for their financing. An illustration of this development is provided by the situation of Sberbank. At the beginning of 1992 Russian household savings were bigger than those of enterprises; by the end of the year they were equal to only 18 % of what the state-owned enterprises had in banks (The Economist, 29 May 1993).

A related issue to inflation is the so-called dollarization of the economy. According to finance minister Fedorov, the Russian commercial banks have convertible currency deposits worth 14 billion USD (Nezavisimaja Gazeta 7 June 1993,) i.e. about half of the total deposits in Russian banks are already in foreign

currencies. While it is an indication of the Central Bank is succesful policy to increase the amount of repatriated foreign currencies, it could also be interpreted as a sign of lost faith in the ruble. However, in the spring of 1993 the real rate of dollar depreciated in relation to ruble and since July 1993 the rouble has also appreciated in relation to dollar in nominal terms.

In June 1993, the Central Bank issued new regulations concerning the repatriation of currency earnings. Whereas enterprises were previously required to sell 30 % of their currency earnings to the reserve fund of the Central Bank and 20 % through the currency exchanges, the new regulation requires the entire 50 % to be sold through currency exchanges (Izvestija 30 June 1993). The change will expedite the payment process, because the Central Bank was notoriously slow in crediting companies' ruoble accounts. The new regulation also shortens the period of repatriation from 2–3 months to only 7 days, which is also how long the authorized banks arw able to keep the currencies on their accounts before crediting the accounts of the companies.

Recent new regulations concerning foreign currencies also include increased opportunities for nonresidents of Russia to enter the currency markets (Rossijskaja Gazeta 1 June 1993). At the same time the open currency position held by the commercial banks is being restricted (Rossijskaja Gazeta 16 July 1993) in order to provide more stability to the currency markets. However, voices have also been raised in favour of reviving the plan frozen in the middle of 1992 which was designed to forbid the use of foreign currencies for cash payments in the country (Izvestija 25/93).

3.5 Profitability of Russian banks

The activities of Russian banks have recently concentrated on currency trading (Idänkauppa, Fuchita et al.). All credits they have granted have been short term, a couple of months at the most, and intended mainly for financing imports to Russia (The Banker, 15 May 1993, Ljubanovskaja, 1992). Hence, most of the loans of small banks, in particular, have been converted into dollars to pay for imported retail goods. This kind of business has been worthwhile as long as the rouble has been depreciating in relation to dollar. Should the tide turn, however, the banks would find this kind of financing more risky and less attractive.

Many Russian banks have had high levels of profitability and results for 1992 were good. Banks have also distributed high dividends to their shareholders according to recent news in the Russian economic press (Kommersant Daily 30 March, 1 April and 3 April 1993), some as high as 130–150 %, which is also an indication of the effect of high inflation. The total share capital of banks has diminished in real terms and in comparison to the profits earned.

Several ratings of commercial banks have been published in the Russian press together with listings of the largest banks (Kommersant 12/93). However, due to differences in the criteria employed by various sources and at different points in time it is very difficult analyze developments in the performance of the banks. Moreover, any meaningful analysis would have to penetrate more deeply into the structure of the banks' portfolios than is possible in the light of the available balance sheet information. This point is well proved by the recently published

rating of 35 commercial banks in Moscow by the Central Bank (Kommersant 5–11 July 1993). The CBR list was based on somewhat different criteria to those used in the other ratings and reflected above all compliance with central bank regulations. Significantly it included only a few banks that had been included in the rating lists of other institutions. Table 2 provides a list of the top 50 Russian banks according to total assets.

4 Conclusions

To sum up, several important trends can be observed in the Russian banking industry. First, the lack of up-to-date banking regulations has an influence on the efficiency and safety of payment transfers in Russia as well as among the CIS states. Secondly, high inflation, which has resulted in negative interest rates, has made long-term financing practically impossible. The banks have concentrated on currency exchange and very short-term lending. The asset base of the banks is therefore been diminishing in relation to Central Bank financing. Thirdly, the CBR's monetary policy, CBR, which has supported the survival behaviour of enterprises, has complicated the task of financial analysis of enterprises. As a result, to the privatization of companies could also be hampered. And finally, there are tendencies in the institutional development of the banking sector which point towards stronger control by the CBR while the number of banks is decreasing drastically as a result of the increased minimum capital requirements.

Table 2

50 largest commercial banks of Russia, 1 July 1993

| Name | City | Assets | Change during the last 6 months | Authorized capital | Change during the last 6 months | Outstanding credits | Change during the last 6 months | Profit for 6 months |
|--------------------------------|-----------------|----------|---------------------------------|--------------------|---------------------------------|---------------------|---------------------------------|---------------------|
| 1 Vneshtorgbank | Moscow | 20946154 | 23.5 | 338435 | - | 55742 | - | 39544 |
| 2 Rosselkhozbank | Moscow | 3984436 | 2.3 | 10015 | 1.0 | 1876318 | 2.4 | 62767 |
| 3 Mezhd. Moscow bank | Moscow | 3018820 | 4.6 | 132017 | - | 67209 | - | 28858 |
| 4 Mosbusinessbank | Moscow | 2054113 | 2.9 | 1800 | 1.0 | 179905 | 0.7 | 46874 |
| 5 Sberbank RF | Moscow | 1926118 | 2.1 | 10000 | 1.1 | 1186757 | 2.9 | 98000 |
| 6 Inkombank | Moscow | 1417746 | 6.5 | 9562 | 1.9 | 55814 | 1.3 | 13653 |
| 7 Promstroibank | Moscow | 1273141 | 2.8 | 1967 | 1.0 | 252225 | 1.8 | 29974 |
| 8 Imperial | Moscow | 881768 | 5.2 | 710 | - | 17763 | - | 14573 |
| 9 Tokobank | Moscow | 782723 | 2.8 | 149960 | 11.8 | 130260 | 4.8 | 8987 |
| 10 Moscow Ind. bank | Moscow | 767855 | 2.4 | 4600 | 2.1 | 161748 | 1.9 | 29521 |
| 11 Unikombank | Moscow | 642942 | 2.4 | 1100 | 1.0 | 216994 | 3.2 | 33812 |
| 12 Credobank | Moscow | 523445 | 2.4 | 16966 | 2.0 | 38736 | 1.4 | 8920 |
| 13 Promstroibank | Sankt Peterburg | 497554 | 2.1 | 350 | 1.0 | 90449 | 3.3 | 22538 |
| 14 Omskpromstroibank | Omsk | 465728 | 5.6 | 500 | 5.0 | 32474 | - | 7673 |
| 15 Menatep | Moscow | 448178 | 5.5 | 10000 | 2.7 | 184206 | 4.6 | 7731 |
| 16 Zapchikombank | Tyumen | 432099 | 2.6 | 999 | 1.0 | 84247 | 2.2 | 14747 |
| 17 Yugorskii aks.bank | Nizhnevartovsk | 411534 | 11.4 | 950 | 0.7 | 20152 | 2.6 | 5119 |
| 18 Moscow mezhdregion. kombank | Moscow | 393230 | 3.4 | 8347 | 5.3 | 118055 | 2.6 | 25545 |
| 19 Vozrozhdenie | Moscow | 348136 | 2.9 | 2472 | 1.8 | 133391 | 3.0 | 14822 |
| 20 Elektrobank | Moscow | 345719 | 1.8 | 1500 | 1.0 | 274912 | 1.8 | 11164 |
| 21 AvtoVAZbank | Tolyatti | 338325 | 3.3 | 2677 | 1.5 | 63991 | 2.0 | 16860 |
| 22 Bashprombank | Ufa | 328825 | 3.6 | 3500 | 3.1 | 106751 | 3.2 | 15855 |
| 23 Orlchinyi | Moscow | 311771 | - | 25041 | - | 18739 | - | 5153 |
| 24 Chelindbank | Chelyabinsk | 302800 | 3.1 | 700 | 0.7 | 93711 | 2.1 | 19197 |
| 25 Neftehimbank | Moscow | 292003 | 5.0 | 3500 | 1.0 | 28663 | - | 4252 |
| 26 Enisei | Krasnoyarsk | 273365 | 3.2 | 381 | 1.0 | 95302 | 2.3 | 8832 |
| 27 Kuzbassprombank | Kemerovo | 267165 | 2.2 | 2831 | 2.6 | 112749 | 2.0 | 11574 |
| 28 Bashkiriya | Ufa | 237419 | 3.3 | 977 | 1.6 | 109700 | 2.5 | 479 |
| 29 Narodnyi bank | Moscow | 235346 | 3.5 | - | - | - | - | - |
| 30 Konverbank | Moscow | 228794 | 2.5 | 210 | 0.4 | 30514 | - | 5528 |
| 31 Mezhhombank | Moscow | 195854 | 4.7 | 9638 | 12.7 | 32180 | 28.4 | 7034 |
| 32 Sankt-Peterburg | Sankt Peterburg | 191115 | - | 746 | - | 48862 | - | 13334 |
| 33 Rossiiskii credit | Moscow | 188089 | 5.3 | 4358 | 2.1 | 22859 | 9.5 | 542 |
| 34 Uralpromstroibank | Ekaterinburg | 179396 | 2.6 | 2500 | 7.1 | 60622 | 3.1 | 8767 |
| 35 Agroprombank | Volgograd | 167264 | 2.0 | 1701 | 3.5 | 75300 | 1.9 | 5487 |
| 36 Agroprombank | Rostov-na-Donu | 166030 | 1.3 | 1253 | 2.3 | 69632 | 1.4 | 2402 |
| 37 Neflegazstroibank | Moscow | 164687 | 2.3 | 1337 | 1.5 | 112512 | 3.6 | 7359 |
| 38 Srednevolzhskii | Samara | 164498 | 2.0 | 1500 | 1.0 | 86330 | 1.9 | 11082 |
| 39 Chelyabkomzembank | Chelyabinsk | 160620 | 3.8 | 1072 | 3.3 | 92926 | 2.9 | 4620 |
| 40 Kuzbassotsbank | Kemerovo | 159335 | 3.5 | 1600 | 1.0 | 57170 | 2.8 | 6669 |
| 41 Sotsinvestbank | Ufa | 153826 | - | 1224 | - | 44030 | - | 5241 |
| 42 Pernkombank | Perm | 153172 | 3.9 | 2100 | 1.2 | 40859 | 2.1 | 2625 |
| 43 Inturbank | Moscow | 144766 | - | 5197 | - | 695 | - | 299 |
| 44 Evraziya | Izhevsk | 144508 | 2.3 | 1500 | 5.0 | 51177 | 2.1 | 4664 |
| 45 Komibank | Sykt'yvkar | 143404 | 1.9 | 999 | 1.5 | 62480 | 2.3 | 5322 |
| 46 Samaraagrobank | Samara | 142104 | 2.9 | 2144 | 3.2 | 64805 | 2.7 | 5602 |
| 47 Promstroibank | Arhangelsk | 137929 | 2.3 | 120 | 1.0 | 39470 | 1.9 | 4205 |
| 48 Sibirskii | Novosibirsk | 129799 | 3.4 | 2540 | 2.6 | 49027 | 2.7 | 4096 |
| 49 Rostpromstroibank | Rostov-na-Donu | 128084 | 1.7 | 600 | 2.0 | 49454 | 2.3 | 6903 |
| 50 Kubinbank | Krasnodar | 126909 | 1.5 | 700 | 3.2 | 108530 | 1.7 | 4891 |

Source: Finansovye Izvestiya 40/93

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