

## **The Presence of Russian Commercial Banks Abroad: Impact of Russian Economic Crisis of 2014-2016**

**Mikhail Golovnin**

Lomonosov Moscow State University, Moscow School of Economics, Institute of Economics of Russian Academy of Sciences, Russia  
*mgecon@mail.ru*

**Lola Larioshina**

Lomonosov Moscow State University, Moscow School of Economics, Russia  
*llarioshina@yandex.ru*

After the difficult transition crisis of 1990's Russian economy and banking system in particular had become more open to globalization processes. Economic growth of 2000's (before the global economic crises of 2007-2009) had led to rapid expansion of the Russian banking system both in terms of its internal developments and start of the expansion process. First targets for establishing subsidiary banks became post-Soviet countries with rather close to Russia intuitional frameworks, low language barriers and also rapid economic development during the period. The main investors were largest Russian banks (Sberbank, VTB, Alfa-Bank).

Dynamics of foreign direct investment (FDI) of the Russian banking sector during 2001-2017 reflects the desire of Russian financial institutions to increase their presence abroad. During the reviewed period, accumulated banking FDI grew 23 times. The access to the international market was mainly represented by the creation or acquisition of foreign subsidiary banks.

The largest foreign direct investments occurred in 2012. In that year the accumulated FDI of Russian banks grew by 91% (by USD 6 bln) as a result of number acquisitions of the foreign assets. A couple of the largest transactions were the acquisitions of Denizbank in Turkey and Volksbank International (VBI) in Austria by Sberbank of Russia (USD 3.5 bln and USD 0.5 bln respectively).

The process of Russian banks expansion on the post-Soviet space was the part of so called informal integration, while in parallel formal integration initiatives had been developed within different groupings (Commonwealth of Independent States, Eurasian Economic Community). Global economic crisis of 2007-2009 influenced the process of formal integration by fostering the creation of the Customs Union between Russia, Belarus and Kazakhstan. After that this project has been deepened and broadened (in terms of members). From the beginning of 2015 it transformed into the Eurasian Economic Union (EEU) with five members (Armenia and Kyrgyzstan entered in 2015).

The financial integration issues has become the important part of the integration process within the EEU. The goal is to establish common financial market with the single regulator by 2025. Although the basis for the informal financial integration is presented mainly by Russian subsidiary banks in Belarus, Kazakhstan and Armenia (before the global crisis there was the strong presence of Kazakh banks in Kyrgyz banking system).

Russian economic crisis of 2014-2016 influenced not only the Russian economy by contracting real GDP, depreciating Russian ruble etc. but also the economic relations with other countries, including EEU members.

It should be noted that the share of Russian investors is 81.5% of all mutual foreign direct investment (FDI) in EEU countries. Despite the depreciation of national currencies, global financial crisis, sanctions against Russia Russian accumulated FDI were stable from 2013 to 2016 (in USD terms) (Monitoring of Mutual Investments..., 2017).

The crisis of 2014-2016 influenced the position of Russian banks in EEU countries. In particular, the subsidiary bank of ZAO Gazprombank in Armenia was acquired by the Financial Industry Corporation Region and merged with ZAO Ardshinbank (Armenian bank) in 2016. The share of assets of four Russian subsidiary banks in the banking sector of Kazakhstan slightly increased from 8.7% at

the beginning of 2014 to 8.8% at the end of September of 2017. The same trend we can see in Belarus, where the share of Russian banks in domestic banking system assets had been risen from 23.4% to 24.2% during the same period.

The market share of Denizbank in Turkey was gradually strengthening during 2014-2016. As a result of implementation of the Sberbank's strategy, the growth rate of the bank's assets exceeded the growth rate of assets of the banking system of Turkey. Denizbank increased its assets share in the Turkish banking system from 3.6% in the beginning of 2014 to 4.0% in September 2017 (on standalone basis, non-consolidated data). Generally, Denizbank is now the fifth largest Turkish private bank.

However, the share of Russian banks in the EU market is much lower. And the economic crisis of 2014-2016, economic sanctions against Russia and the weak competitiveness of Russian commercial banks have led to a weakening of the positions of Russian banks in EU.

As it was mentioned above Sberbank Russia acquired Volksbank International (VBI) in 2012 and after that rebranded it into Sberbank Europe. Now Sberbank Europe is presented in 8 markets in Central and Eastern Europe: Austria, Bosnia and Herzegovina (Sarajevo and Banja Luka), Croatia, Czech Republic, Germany, Hungary, Slovenia and Serbia. Sberbank Europe is a universal bank with a focus on retail and corporate customers. The market share by assets in Austria is only 1.1%.

It is evident that the global economic crisis significantly affects the bank's activities both in its own region and abroad. As a result of the analysis, we conclude that the crisis of 2014-2016 had a different impact on the position of Russian banks on the territory of EAEC, EU and Turkey.

*Keywords:* Russian banks, Eurasian Economic Union, financial integration

*References:*

- Monitoring of Mutual Investments in CIS Countries (2017). Eurasian Development Bank. Report 45. (URL: [https://eabr.org/upload/iblock/3fe/EDB-Centre\\_2017\\_Report-45\\_MIM-CIS\\_ENG\\_2.pdf](https://eabr.org/upload/iblock/3fe/EDB-Centre_2017_Report-45_MIM-CIS_ENG_2.pdf)).
- Abalkina A.A. (2014) Forms and methods of expansion of Russian banks abroad. Money and Credit. No. 3.
- Golovnin M. (2016) State and prospects of development of interrelations of financial systems of Russia and Belarus // Bulletin of the Institute of Economics of the Russian Academy of Sciences, 6.
- Nikitina S.A. (2016) Russian banks in the banking system of Belarus // Bulletin of the Institute of Economics of the Russian Academy of Sciences, 6.