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Russian Banks' Exposure to Ukraine 'Insignificant,' Central Bank Says

By The Moscow Times

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Russian banks' exposure to Ukraine is "quite insignificant" and amounts to less than 1 percent of their assets, the Central Bank said Monday.

The turmoil in Ukraine sparked by President Viktor Yanukovych's decision to abort a free trade deal with the European Union and seek closer ties with Russia has added to concerns about Kiev's ability to repay its debt as its hryvna currency slides.

Russia's banking sector is owed a total of $11 billion by Ukrainian residents, while it owes them $1.3 billion, the Bank of Russia said in e-mailed answers to questions.

"The interconnections between our financial systems do not raise the slightest concern," it said. "From the point of view of our banking sector this is a quite insignificant volume of money owed that amounts to less than 1 percent of its assets."

In a credit outlook note earlier this month, ratings agency Moody's cited President Vladimir Putin as saying Ukrainian borrowers owed around $28 billion to four Russian banks and named Gazprombank, Vneshekonombank, Sberbank and Bank VTB as creditors.

The chief executive of Sberbank, Russia's largest bank, said in an interview last week that it saw no threat to its business from the political upheaval.

The Central Bank said about 44 percent of the $11 billion owed to Russia represents the funding of Russian banks' Ukrainian units. Equity participation in the units does not exceed $2 billion, while Russian banks are owed $3 billion by Ukrainian companies.

The Central Bank figures do not include the loan portfolios of the Ukrainian banking units of Russian banks, which explains why the Moody's figures are higher.

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