

Raiffeisen Bank Closes Crimean Branches

By [The Moscow Times](#)

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A subsidiary of Raiffeisen Bank International will close all its branches in Crimea by mid-month, the bank said Saturday, following Russia's annexation of the Black Sea peninsula.

Ukraine and the West do not recognize Russian seizure of Crimea and companies that have been active in the region do not know how the change could affect their business.

Raiffeisen Bank Aval, in which Austrian Raiffeisen Bank International holds 96.41 percent of shares, will close the last remaining six of 32 branches the bank had in Crimea by April 15, a spokeswoman told Reuters.

"We will indeed close all our Crimean branches," she said, without providing any further detail.

Four representatives at Aval in Kiev told Reuters that it is impossible for the bank to continue

its operations for geopolitical and legal reasons.

"Because of the changes in the region's geopolitical situation, there has been a decision to close the branches," one representative said on condition of anonymity.

The impact of Russia's annexation of Crimea on companies with assets in the peninsula is yet to be fully estimated, but many banks have closed and many worried businesses have switched to cash-only operations.

On Friday, McDonald's said it had closed its restaurants in Crimea, although it said the decision had "nothing to do with politics."

Russia's lenders, including the top two Sberbank and VTB banks, are wary about starting direct business in Crimea. Sberbank and VTB said that for now they will be represented there only through their Ukrainian subsidiaries.

Russian banks are afraid to move to Crimea because they fear possible penalties from the West, Alexei Simanovsky, a first deputy governor of the Central Bank, said Friday.

The European Union and the U.S. have warned that economic sanctions are possible if Moscow causes further escalation of the crisis.

Russia's lower house of parliament, the Duma, is working on a bill that would give the Central Bank the right to close Ukrainian banks in Crimea that refuse to meet their obligations to customers.

"We are well aware that those institutions that are present there now may be pressured from the Ukrainian side," Deputy Central Bank Governor Mikhail Sukhov told the Duma in late March.

Privatbank, Ukraine's biggest bank that had the largest banking services network in Crimea, closed all of its 339 branches last month. The bank had invested more than \$300 million in the region and had \$700 million in issued credits.

According to estimates by the National Bank of Ukraine, there had been 1,022 branches of more than 20 Ukrainian banks working in Crimea before the annexation, with assets and liabilities worth 20 billion to 22 billion hryvna (\$1.7 billion to \$1.9 billion).

Worried customers have been queuing for days in the regional capital Simferopol in front of the very few banks that deal in ruble transactions and accept tax payments. The Russian currency became official in Crimea at the beginning of April.

Lyubov Radionova, 60, was in line at the Chernomorsky Bank of Development and Reconstruction to pay for a new birth certificate. She travelled to the capital from a nearby village for the second straight day.

"I will come back on Monday, if I cannot get to the counter today," she said. "It is awful. There are only two working banks. But it is all temporary, the important thing is we are back with Russia. That is a holiday for us."

The Chernomorsky Bank of Development and Reconstruction is one of two independent banks that have been operating in Crimea. Last month the National Bank of Ukraine banned its banks from conducting any transactions with the bank.

A representative at Aval bank in Kiev, who declined to be named, said that the current situation in Crimea and the changes in the legal system make it "very difficult to operate" for Raiffeisen Bank Aval.

Signs from the bank's branches have been already taken down in Simferopol, a Reuters photographer said.

"The branches are closing because they will have to operate under Russian law and there are contradictions between Russian and Ukrainian law," said another Aval representative.

Last month, the bank said it was committed to its Russian business, but said that there are risks for its Ukrainian unit Aval. The bank is Russia's 10th-largest lender with 2.6 million customers and a 10 billion euro loan book.

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