

Two Sanctioned Russian Banks Turn to Government for Aid

By [The Moscow Times](#)

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People walk past an office of Gazprombank in central Moscow.

Two major state-controlled Russian banks have turned to the government for nearly \$4 billion to shore them up after they were excluded from Western capital markets last month as punishment for Russia's support of Ukraine's separatist militias.

Gazprombank and Rosselkhozbank, Russia's 3rd and 5th largest lenders, have requested the aid, business daily Vedomosti reported Thursday, citing unidentified state officials and bankers.

Gazprombank board member Yekaterina Trofimova told Vedomosti that the bank has offered to sell about 40 billion rubles (\$1.1 billion) in preferred stock to Russia's National Welfare Fund, an oil revenue-funded piggybank, and is "counting on a positive decision."

Rosselkhozbank, or the Russian Agriculture Bank, is asking for 100 billion rubles (\$2.8 billion)

from the state, one of the sources said.

The Central Bank in late July promised to support sanctioned banks if necessary after the European Union and United States slapped their harshest sanctions yet on Russia over the crisis in Ukraine. The EU's sanctions barred four of Russia's five largest banks — Sberbank, Gazprombank, Rosselkhozbank and VTB — along with state development bank Veneshekonombank, or VEB, from buying or selling new bonds and equity with a maturity period of longer than 90 days on EU markets. Equivalent U.S. measures now cover Gazprombank, Rosselkhozbank, VTB, its subsidiary the Bank of Moscow and VEB, but have not yet touched Sberbank, the biggest of the group.

Even before sanctions were expanded last month, Rosselkhozbank was in hot water. The government had planned to buy preferred stock in Rosselkhozbank worth 25 billion rubles (\$690 million), converting into equity a recent loan from VEB, a financial organization that the government uses to prop up the Russian economy. Rosselkhozbank may also be hoping to receive some of the state aid through a 50 billion ruble (\$1.4 billion) additional share offering in the autumn, a source close the bank's management said.

Rosselkhozbank's external loans amount to \$8.7 billion, or 20 percent of its liabilities — the highest level among Russia's state banks, which dominate the country's banking sector.

Gazprombank is not directly owned by the government and hence not strictly entitled to state support, although state gas giant Gazprom holds a 35.5 percent share. Nonetheless, the bank is asking for support in light of the fact that it was only hit by sanctions as a result of the government's actions, a state official told Vedomosti.

See also:

[EU Sanctions to Squeeze Russian Banks, Consumers](#)

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