

Russia's Sanction-Hit Development Bank Sees Profits Tumble 70 Percent

By [The Moscow Times](#)

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A board advertising VEB bank (Vnesheconombank) is pictured outside its office in Moscow.

The net profit of sanctioned state development bank Vnesheconombank, or VEB, fell 70 percent in the first half of this year against 2013 levels, according to the bank's second-quarter report.

VEB's net profits fell to about 3 billion rubles (\$83 million) in the first half of this year, compared to nearly 10 billion rubles (\$278 million) in 2013.

The drop was linked to a 12.3 billion rubles (\$342 million) loss from foreign currency operations and the revaluation of foreign currencies, according to the report.

VEB was struck by U.S. and EU sanctions in July as the West sought to pressure Russia into ceasing support of separatist rebels in eastern Ukraine. The measures effectively barred VEB from buying or selling equity or debt with a maturity period of longer than 90 days

on Western capital markets.

The bank at the time said the sanctions would not have a significant impact on its operations.

Some economists argued that striking VEB would create a financial ripple effect, ultimately damaging far-flung corners of the Russian economy. Although often classified as a development bank, VEB is in effect a state corporation that funds infrastructure projects and supports Russian industry and small business.

In targeting VEB, the sanctions struck close to the top of Russia's chain of command: Prime Minister Dmitry Medvedev himself is chairman of VEB's supervisory board, whose other members include Russia's finance minister and economic development minister.

The apparent losses this year may also be the natural consequence of a strong first half in 2013, when, according to the report, the bank profited from "the revaluation of financial instruments and revenues from the sale of securities."

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