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Cabinet Approves Rescue Package for 2 Major Sanctions-Hit Russian Banks

By The Moscow Times

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The logo of VTB Bank is displayed on the top of a building in Moscow.

The Russian government on Monday said it would pump 239 billion rubles ($6.6 billion) into two major state-controlled banks to help them cope with an economic slump and Western sanctions over Ukraine that cut their access to foreign capital markets.

VTB and Rosselkhozbank — Russia's 2nd and 5th biggest lenders — will receive the aid in return for newly issued preferred shares, according to a statement on the government's official website.

The money is to come from the National Welfare Fund, an $86 billion oil-revenue funded piggy bank that the government has been mining with increasing regularity to support the economy amid a sharp slowdown that began last year.

The decision to support the banks comes a month after Western sanctions prompted by the

crisis in Ukraine denied a number of Russia's state banks, including VTB and Rosselkhozbank, access to long-term financing in Europe and the U.S.

VTB last week reported profits for the first half of this year of 5 billion rubles ($138 million), down form 27.6 billion ($762 million) a year ago and weaker than expected.

The state has already moved to support Russia's banks. According to a report by ratings agency Fitch cited by business daily Vedomosti last week, the Central Bank in July injected 233 billion rubles ($6.5 billion) into the banking sector, while federal and regional governments have also pumped extra cash into the system. At the beginning of August, state funding of banks had reached 7.1 trillion rubles, or 13.7 percent of Russian banks' total liabilities, around double the level seen in the first half of last year.

See also:

VTB, Bank of Moscow, Rosselkhozbank Brush Off Sanctions

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