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Russia's Sanctioned VTB Bank Seeks up to $4.8 Billion in State Aid, Report Says

By The Moscow Times

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A participant is reflected in a display showing business and financial information at the VTB Capital "Russia Calling!" Investment Forum in Moscow, Oct. 2, 2014.

Russia's second-largest lender VTB Bank is seeking up to 200 billion rubles ($4.77 billion) in state support to boost its capital, business newspaper Vedomosti reported late last week, citing a government source and a source at the bank.

VTB Bank was hit by Western sanctions in the summer over Russia's role in the Ukraine crisis, limiting its access to international capital along with other Russian state banks.

Since the sanctions, other large state companies have sought government support, including oil producer Rosneft, which has asked for more than 2 trillion rubles from one of Russia's reserve funds.

VTB declined a request for comment.

However, a government source and another source at the bank told Vedomosti that VTB was asking for close to 200 billion rubles in additional capital, of which it wants as much as 70 billion rubles before the end of the year.

A banking source said discussions over additional capital for VTB are taking place but that no concrete decision had yet been made.

Russia's Finance Ministry bought 214 billion rubles of VTB's preferred shares in September in a move seen as an attempt to shore up its capital ratios.

At the start of this month VTB's total capital adequacy ratio — a measure of its ability to absorb losses — was 10.57 percent by Russian accounting standards, above the regulatory minimum of 10 percent.

An economic slowdown and political tensions over Ukraine drove down VTB's profit by 82 percent in the first half, according to international accounting standards, and eroded its capital ratio.

VTB Bank recently launched a legal challenge in a European Union court over Western sanctions imposed on the bank.

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