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Putin Says Russia's Rainy-Day Fund Should Be Used to Save Banks

By The Moscow Times

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People take pictures in front of an air balloon, with the logo of VTB Bank displayed on it, in Essentuki, southern Russia on Oct. 31, 2014.

Money collected in one of Russia's two "rainy day" funds should be used to support domestic banks, President Vladimir Putin said Thursday, as he set out efforts to help Moscow counteract Western sanctions and overcome its economic woes.

Broadly shut out of external funding due to sanctions over Moscow's role in the Ukraine crisis, Russia's largest banks such as VTB, Gazprombank and Russian Agriculture Bank are looking to the state fund to help them meet loan demand.

"We have a large amount of internal savings, they should become effective investments," Putin said in his annual state of the union speech.

"Using our reserves, firstly, the National Welfare Fund, I propose to ... recapitalize leading

domestic banks with funds offered ... to use for lending to the most important projects in the real sector of economy."

He did not say how much support was envisaged.

As of Nov. 1, the National Welfare Fund, aimed at covering pension liabilities, was valued at $81.7 billion. It is one of Russia's two sovereign funds, the other being the Reserve Fund, which collects windfall oil revenue for possible budget shortages, and has until now been governed by relatively strict rules about where it invests.

Several Russian banks hit by sanctions such as VTB, Russia's No.2 bank, and Gazprombank, had already received state support earlier this year. But those two are now asked for up to 250 billion rubles ($4.7 billion) and up to 100 billion in additional support.

VTB shares were up 7.5 percent at 12:16 GMT, outperforming the MICEX index which was down 0.3 percent.

Other companies such as No. 2 gas producer Novatek, state oil producer Rosneft and Russian Railways have also asked for NWF financing to help with their projects, with the state considering doling out funds via its largest banks.

Economy Minister Alexei Ulyukayev said he considered support of 250 billion rubles for VTB as "minimal" if the state wanted it to fund infrastructure projects and grow faster.

Finance Minister Anton Siluanov said VTB may be a channel for state funds for projects the state decides to support, including for Novatek's Yamal liquefied natural gas project in the Arctic, Tass news agency reported.

Novatek has requested NWF support of between 100 billion rubles and 150 billion for the initiative.

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