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Russia's VEB to Get $505 Million in State Support

By The Moscow Times

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Russia will provide state development bank Vnesheconombank (VEB) with 30 billion rubles ($505 million) in additional capital, Prime Minister Dmitry Medvedev said Thursday, part of measures to shield banks from Western economic sanctions.

Russia's government has provided state support in the form of additional capital to banks including the country's second-largest bank VTB this year as the sector suffers from higher funding costs and a spike in loan-loss provisions.

VEB is among a number of state banks sanctioned by the West over Russia's role in the Ukraine crisis, meaning its access to international capital markets is restricted.

"I signed a government order ... on subsidies in the form of a budget contribution to the state corporation," Medvedev said, opening a meeting of the supervisory board of VEB.

"Now the Finance Ministry can finance the budget contribution for 2014 on the scale of 30 billion rubles."

The potential capital boost comes after the Central Bank on Wednesday eased regulation for the financial sector, which is reeling from a sharp slide in the ruble, down some 45 percent against the dollar this year.

The government has also submitted a draft law to parliament that could grant the wider banking sector a capital boost of up to 1 trillion rubles. It is not clear which banks would benefit from that draft law.

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