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Russian Bank Advertised by Bruce Willis Gets State Bailout

By The Moscow Times

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The Russian Central Bank on Monday announced the first bailout of the ruble crisis, providing up to $540 million to rescue Trust Bank and taking over supervision of the mid-sized lender.

The move prompted questions about the banking system despite the state having pledged a big capital boost for the sector.

The ruble has lost around 45 percent against the dollar this year, and with falling oil prices and Western sanctions over Moscow's role in Ukraine, the domestic banking system is now highly vulnerable.

The Central Bank said its Deposit Insurance Agency, responsible for managing crisis-hit lenders, would assume interim control of Trust and provide aid of 30 billion rubles via a loan from the Central Bank.

The measures "will make it possible for Trust to continue smooth payments operations. All the bank's clients, including depositors, can use its services as usual," the Central Bank said in a statement.

A source familiar with the situation said problems at the bank were mounting but last week they were worsened by a spike in consumer spending on cars, televisions and other goods.

"People preferred to take out cash and spend it on purchases, postponing debt repayments on [credit] cards. Or they were buying foreign currency."

"There was an outflow and it became clear that there could be 'a hole.'" the source added

Natalia Berezina, an analyst with UralSib, said putting Trust under supervision was not unexpected as its capital adequacy ratios were close to minimum levels set by the Central Bank.

Berezina said it was hard to evaluate potential problems across all Russia's 800 banks. "There are banks which are under question for a long time already, but it is impossible to bail out everyone," Berezina said.

Bruce Willis

Trust, which hired actor Bruce Willis as the face of a major advertising campaign, is Russia's 32nd largest lender by assets, according to Interfax data. It is the 15th biggest by private personal accounts, including deposits.

As of Dec. 1, Trust held 145 billion rubles ($2.63 billion) in private personal deposits, according to its accounts.

Under increasing pressure, Russia's banking sector could get a capital boost of up to 1 trillion rubles ($18 billion) under a new law being prepared by the government.

Last week, the Finance Ministry also proposed doubling deposit insurance to 1.4 million rubles ($25,000) if a bank fails.

The Central Bank said it would soon select an investor to bail out Trust Bank, most likely one of the country's major banks.

With the ruble under intense pressure and losing as much as 20 percent in a day last week, and the Central Bank hiking its key interest rate sharply to 17 percent, Russians have had to face a new economic reality. Many rushed to convert rubles into hard currency or buy domestic appliances and electronic gadgets.

Central Bank statistics do not yet show any deposit outflows. As of Dec. 1, retail deposits rose by 2.3 percent, month-on-month, with growth of almost 7 percent since the start of the year. That growth was however half the pace of a year ago.

But Sberbank, Russia's top lender with around half of all retail deposits, experienced some outflows from retail accounts late last week, its executives were quoted as saying by local media, as some customers feared accounts could be frozen or withdrawals limited.

Sberbank denied any limits on withdrawals. On Monday, it also denied a report by the RIA Novosti news agency that it had suspended taking requests for new car loans and mortgages.

Russia's largest banking bailout so far was the Bank of Moscow rescue in 2011, which cost the state almost 400 billion rubles ($7 billion), or 1 around percent of gross domestic product at the time.

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