The Moscow Times
30 YEARS
INDEPENDENT NEWS FROM RUSSIA

Russia Accuses Bailed-Out Bank of Asset-Stripping

By The Moscow Times

January 15, 2015



Russia's Central Bank said Thursday that former shareholders and managers at Trust Bank were suspected of asset-stripping by lending to shell companies, forcing the state to bail out the mid-sized lender.

The Central Bank was forced late last year to increase a rescue package for Trust Bank to $2.4 billion in loans to protect the lender from bankruptcy, the first commercial banking victim of Russia's currency crisis.

A sharp slide in the ruble in December prompted panic buying of foreign currency in Russia and a spike in deposit withdrawals, heaping pressure on a banking sector that was all but cut off from international capital markets by Western sanctions imposed over the Ukraine crisis last year.

The Central Bank said in a statement that financial difficulties at Trust Bank, which employed

American actor Bruce Willis as the face of its advertising campaign, stemmed from long-run "schemes" employed by its former shareholders and management.

"The use of lending 'schemes' to clients who were not engaging in real economic activity as well as financing investment projects that did not generate cash suggest asset-stripping from Trust Bank," the bank said.

In late December, the bank said it would lend Trust Bank 99 billion rubles ($1.54 billion) over 10 years via the Deposit Insurance Agency, a state corporation, to cover the discrepancy between Trust Bank's assets and liabilities.

As much as 28 billion rubles would also be loaned over six years to Otkritie Bank, which will oversee Trust Bank's rescue, making it the second-largest bank bailout in Russia's history.

Original url:
https://www.themoscowtimes.com/2015/01/15/russia-accuses-bailed-out-bank-of-asset-stripping-a42912