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Russia's Sberbank and VTB Cut Expenses in London Amid Sanctions Pressure

By The Moscow Times

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Sberbank CEO German Gref speaks during a session of the St. Petersburg International Economic Forum in St. Petersburg, Jun. 18.

Russia's top state-owned banks are trimming expenses at their London offices as Western sanctions on them strangle off business and drive Russia toward economic recession, the Bloomberg news agency reported.

Sberbank earlier announced it had cut seven bankers and last Wednesday said it would also cut management positions. VTB has not announced any further cuts this year after trimming 55 jobs last year in Europe. However, in a regulatory filing posted on May 1, the bank said it was renting out two floors of its headquarters in London, Bloomberg reported Friday.

U.S. and EU sanctions on the banks have severely limited their ability to borrow or make deals

with other financial institutions in the West. The U.S. and EU sanctioned the banks in the summer of 2014 as part of a third round of sanctions on Russia over an escalation in the conflict between Moscow-backed rebels and the Ukrainian government in eastern Ukraine.

The sanctions, in combination with a steep fall in oil prices, have also spurred Russia toward an expected economic contraction of 3 percent this year, further reducing both Sberbank's and VTB's core business.

There is little sign that sanctions will be lifted soon. Last month the EU extended its sanctions on Russia by six months, saying that the rebels had yet to abide by the conditions laid out under the Minsk II cease-fire.

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