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European Subsidiary of Russia's Sberbank to Enter Bankruptcy

By AFP

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Sberbank AG suffered financing issues following the announcement of tough European Union sanctions aimed at choking off Russian banks' access to capital markets. **TASS / EPA / CHRISTIAN BRUNA**

The European subsidiary of Russia's Sberbank will be wound up after coming under pressure from Western sanctions leveled against the bank in response to Moscow's invasion of Ukraine, European banking regulators said Tuesday.

The Austrian subsidiary of Russia's biggest lender Sberbank Europe AG would be allowed to enter "normal insolvency proceedings" while branches in Croatia and Slovenia were sold to local banks, the Single Resolution Board, part of the European Union's system to maintain financial stability, said in a statement.

Depositors at the Austrian subsidiary would be protected up to 100,000 euros ($111,265), in line with European legislation, while those in Croatia and Slovenia would be covered "with no limits."

Sberbank AG suffered financing issues following the announcement of tough European Union sanctions aimed at choking off Russian banks' access to capital markets.

The European Central Bank reported Monday that the European affiliate was "failing or likely to fail" after it "experienced significant deposit outflows as a result of the reputational impact of geopolitical tensions."

Support for the Austrian subsidiary from its parent was not possible since the Russian central bank prohibits financial institutions from sending cash to countries that have imposed sanctions.

Sberbank Europe AG — which is 100% owned by the bank's Russian parent company — also has subsidiaries in Bosnia and Herzegovina, the Czech Republic, Hungary and Serbia, which are not overseen by European regulators.

In the case of the Austrian subsidiary, the SRB determined letting the bank fail would "not have a negative impact on financial stability." The subsidiaries in Croatia and Slovenia would open again as normal on Wednesday.

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