

# Source Says Cyprus Asked Russia for Loan

By [The Moscow Times](#)

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Then-President Dmitry Medvedev speaking at a Russia-Cyprus business forum in 2010

NICOSIA, Cyprus — Cyprus has approached Russia on a political level to secure desperately needed funding to bail out its second-largest bank, a senior Cypriot source said, after a Russian official said no formal request for aid had been made.

Cash-strapped Cyprus needs the equivalent of 10 percent of its GDP to recapitalize its second-largest bank by June 30. Its financing options include a European Union bailout, a Russian loan or a combination of the two.

“A political approach was made [to Russia], and we are expecting a response,” the Cypriot official said late last week on condition of anonymity.

Russian Deputy Finance Minister Sergei Storchak told reporters earlier that Russia had not received any request for financial help from Cyprus, which hosts hundreds of Russian firms and banks. He later said any bid would be considered.

“If they approach us, we will look into it. I have not yet seen them approach us. There is only talk in newspapers,” Storchak told journalists on the sidelines of the economic forum in St.

Petersburg.

Storchak signed off on a 2.5 billion euro (\$3.14 billion) bilateral Russian loan to Cyprus in December.

But Cypriot officials said the issue was still open.

“An application has been made, no doubt about it,” the Cypriot official said, declining to comment further.

Local media say Cyprus’s contacts with Russia are directed by President Demetris Christofias, a Russian-educated politician who is the only communist head of state in the European Union.

Cyprus, with a GDP worth about 17.5 billion euros, must find 1.8 billion euros — cash it doesn’t have — to recapitalize lender Cyprus Popular by the end of next week.

It has appeared reluctant to borrow from the EU bailout fund, the EFSF, for fear of strings attached and potentially unpopular fiscal austerity eight months before a general election.

However, it has not ruled that option out.

Popular took a heavy 2.3 billion euro loss on the write-down in the value of Greek bonds in its portfolio, depleting its regulatory capital. Unless it finds the funds privately, the state must step in.

Cyprus was shut out of international capital markets when yields on its benchmark bonds climbed to unaffordable levels in May 2011. The yield on its 10-year benchmark was quoted at 15.86 percent Thursday.

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