

Russian Banks Can Easily Absorb Credit Losses in Ukraine

By [The Moscow Times](#)

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Russian banks could easily absorb any credit losses stemming from Ukraine's crisis from their earnings this year, a managing director at credit rating agency Moody's in Moscow said.

Ukraine this week appealed for \$35 billion over two years to hold up its economy following the ouster of President Viktor Yanukovich. Its economy flatlined in 2013 and the hryvna currency has slid 8 percent in three months.

"The biggest risks [to Russian banks] is that their assets in Ukraine will become nonperforming," Yaroslav Sovgyra, associate managing director at Moody's who manages a team of analysts, said.

"[Ukrainian] currency devaluation may contribute to that but the credit risk is the biggest [risk]."

Moody's estimated in a December report that the exposure to Ukraine of four Russian banks — Gazprombank, Vneshekonombank, Sberbank and VTB — was about \$20 billion to \$30 billion.

That report said Russian banks' Ukrainian subsidiaries had the largest part of the exposure with about \$12 billion, followed by \$4 billion to \$5 billion of loans secured either by natural gas or payments by state gas company Gazprom for gas transit. The remaining exposure came from bilateral loans to Ukrainian companies, securities and guarantees.

"It was their business decision to develop there," Sovgyra said. "It [is clear] from hindsight that the risks for Ukraine now are definitely higher than [they were] two to three years ago."

While Russian banks' exposure to Ukraine was significant, it remained manageable, said Sovgyra. Credit losses could be "easily absorbed from the current year's earnings," he said.

Sovgyra said that of the exposure, the \$4 billion to \$5 billion secured by natural gas was probably the least risky. Assets of subsidiaries might become impaired as the loan books of Ukrainian banks started showing more non-performing assets, he added.

He could not estimate how much of the \$20 billion to \$30 billion might be written off or deemed nonperforming.

German Gref, chief executive of Russia's largest bank Sberbank, said in December it would be able to absorb losses there thanks to its strong capital base.

Sberbank had exposure of 130 billion rubles (\$4 billion) to Ukraine — or less than 1 percent of its balance sheet of \$460 billion — at the end of the third quarter.

VTB said in December it had made adequate provisions against its risks in Ukraine. Its exposure consisted of a bilateral loan and purchases of market instruments, it said, and it was cited by Gazprombank analysts as saying its sovereign debt exposure was limited to 20 billion rubles (\$562 million). On Monday it said its bank in Ukraine was operating normally.

Russia's state development bank, VEB, said in December its own loan exposure in Ukraine was nearly \$4 billion, mostly through subsidiary Prominvestbank.

It said Monday it had no plans to exit Prominvestbank and was providing the bank with necessary liquidity support.

Gazprombank did not immediately respond to a request for comment.

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