

Sanctions Push Foreign Lending to Russian Companies to 5-Year Low

By [The Moscow Times](#)

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Foreign banks have cut lending to Russian commodities producers to their lowest level in five years as the effects of international sanctions imposed on Russia over the Ukraine crisis begin to bite.

Global borrowing by raw materials producers fell 2 percent to \$344.2 billion in the first half of 2014, but in Russia the situation is considerably bleaker. The first six months of the year saw syndicated loans for Russian commodities producers plummet 82 percent to \$3.5 billion compared to the same period in 2013, according to data compiled by Bloomberg.

Last month's decision by HSBC and Lloyds to withdraw from a \$1.5 billion to \$2 billion trade finance deal between BP and Rosneft, Russia's largest oil producer, was just one example of Western banks' growing reluctance to fund Russian deals.

The deal for Rosneft to supply BP with up to 12 million tons of refined oil products over five

years still went ahead that month, as the company managed to raise the cash in a prepayment deal arranged by leading global financial institutions, but Rosneft was still forced to lower its sights from the \$5 billion it initially hoped to snap up.

Rosneft's CEO, Igor Sechin, was blacklisted by the U.S. over the annexation of Crimea in March, though the company itself was not targeted.

"It may not be that you are worried about the ability to repay the debt from cash flows, but if there are sanctions in place, in that environment, you just don't want to go there," David Basra, head of financing for Europe, Middle East and Africa at Citigroup in London, told Bloomberg last month.

The threat of sector-wide economic sanctions from Washington and Brussels complicates matters further.

Unidentified European Union officials said last week that the bloc has discussed freezing funding for new projects in Russia from the European Bank for Reconstruction and Development, from which Russia received \$2.45 billion last year, and the European Investment Bank.

The return of yields on Russia's April 2020 bonds to pre-crisis levels, and the sale of euro-denominated bonds last month by state-owned Gazprombank and Sberbank offer some hope that lending may get back on track, however.

"A few months of no bad news out of Ukraine will allow people to go back to business as usual," Bloomberg quoted Daniel Seregin, ABN Amro's head of energy commodities for Commonwealth of the Independent States and West Africa, as saying.

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