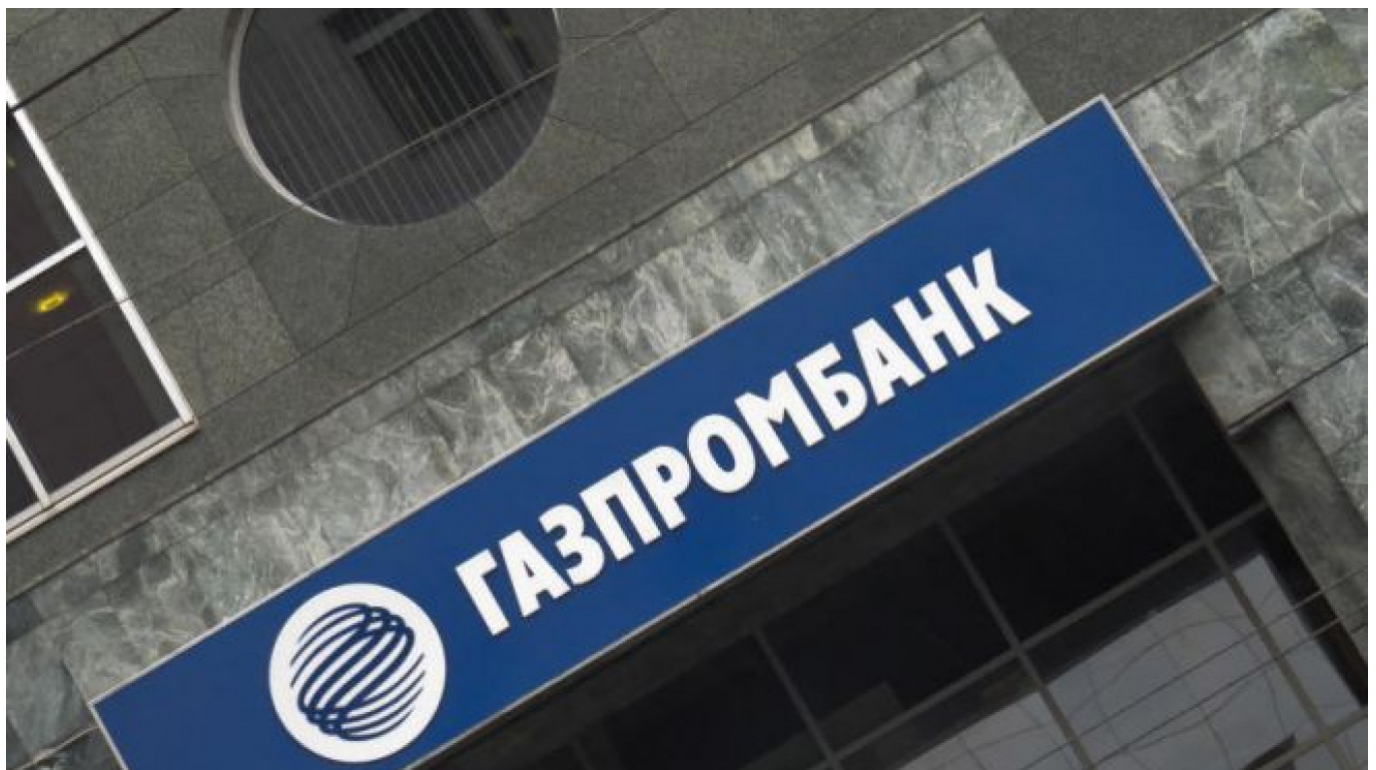


Russia Gives Sanctioned Gazprombank \$700 Million Capital Injection

By [The Moscow Times](#)

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Russia has continued its support for the sanctions-struck banking sector by buying \$700 million worth of shares in state bank Gazprombank.

The Russian government has bought almost \$700 million worth of state bank Gazprombank's shares, the bank said on Wednesday, in the latest support for a banking sector suffering from Western sanctions over the Ukraine crisis and a sharp economic slowdown.

Gazprombank said the government had bought nearly 40 billion rubles (\$720 million) of the bank's preference shares on Tuesday, using money the bank had returned to the country's National Wealth Fund by repaying subordinated deposits it received earlier.

"The conversion allows the bank to strengthen its capital structure and provides for sufficient scope to expand its operations," the bank said, adding that preference shares are non-voting and therefore the share purchase would not affect the voting rights of current shareholders.

Russia's government is stepping up efforts to support large banks and state companies as the economy slides towards recession and a currency crisis gathers momentum, threatening to shatter the economic stability on which President Vladimir Putin's popularity partly rests.

Putin said early this month that domestic banks should be supported to boost lending to important projects in the real sector of the economy.

"We have a large amount of internal savings, they should become effective investments," Putin said in his annual state of the union speech.

Capital Boost

Russian banks are reeling from the plunge in the ruble, which prompted a spike in deposit withdrawals as Russians rushed to convert their savings into hard currencies, and sanctions over Ukraine that sharply raised their funding costs. Gazprombank is facing both U.S. and EU sanctions which prevent the bank from raising long-term financing on Western capital markets.

Finance Minister Anton Siluanov said last week that Gazprombank was seeking 70 billion rubles (\$1.3 billion) from the National Wealth Fund, one of two rainy-day funds that count as part of Russia's international reserves.

Another state lender, VTB Bank, received 100 billion rubles (\$1.8 billion) from the National Wealth Fund earlier this week, and VTB expects to receive a further 150 billion rubles (\$2.7 billion) by the end of the first quarter of 2015 to increase its capital and fund investment projects approved by the government.

Last week Russian authorities also significantly scaled up rescue funds for mid-sized lender Trust Bank, saying they would provide up to \$2.4 billion in loans to bail it out.

Both Gazprombank and VTB received separate state support earlier in the year.

The banking sector is set to receive an additional capital boost of up to 1 trillion rubles (\$18 billion) from early next year after Putin signed into law legislation allowing the government to give banks OFZ treasury bonds via a state corporation.

It is not clear which banks could benefit from that law, but VTB and Gazprombank are seen as contenders as they are considered "systemically important."

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