Russia details bank recapitalization scheme

By Reuters Staff

MOSCOW (Reuters) - Russian banks with at least 25 billion roubles in capital and willing to increase lending to key sectors of the economy will be able to participate in a 1 trillion rouble ($15.65 billion) recapitalization plan, Russia announced on Friday.
The banks would also need to raise capital from other sources equivalent to 50 percent of the amount they receive, Finance Minister Anton Siluanov said in an emailed statement giving details of the scheme announced in December.

Banks are facing growing financial strain as sinking oil prices and Western sanctions linked to the Ukraine crisis push Russia into recession, with analysts warning even larger funds may be needed to stave off a banking crisis.

Russia said in December it would provide systemically important banks with additional capital, in the form of government bonds that would be allocated by the state’s Deposit Insurance Agency.

The terms are similar to ones outlined by Prime Minister Dmitry Medvedev on Jan. 14.

Qualifying banks would need to have at least 25 billion roubles in capital on Jan. 1 2015, and banks would need to increase lending to “priority sectors of the economy” by at least 1 percent a month.

The maximum amount that could be provided to a single bank would be equivalent to 25 percent of its capital.

The statement on Friday also said that the Deposit Insurance Agency had approved a list of 27 banks that would be offered the chance to participate, which would now be presented to the government. The statement did not say which banks were included.

“This is one of the anti-crisis measures of the government securing the stability of the banking system and supporting the growth of lending,” the Finance Minister’s statement said.

“The measures are also aimed at supporting Russian companies and enterprises of the real sector, which are deprived today of possibilities for attracting external finance.”

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