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S&P Says Capital Might Not Suffice

By The Moscow Times

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Most of Russia's top 30 lenders don't have sufficient capital to support expected lending growth this year because of their "high risk appetites" and lack of diversification, Standard & Poor's said.

"Current capitalization levels will continue to provide only a moderate cushion against the risks embedded in Russian banks' balance sheets," S&P analysts led by Sergei Voronenko said in a statement Monday.

Russian lenders raised deposit rates last quarter to lure new funds as interbank borrowing costs soared to a two-year high amid uncertainty over Europe's debt crisis. Total Russian bank lending will probably grow 20 percent this year, Deputy Economic Development Minister Andrei Klepach said Feb. 3.

Still, Russian banks have better "quality of capital" than some of their developed market peers, S&P said, and will probably maintain "acceptable" capital levels over the next two to three years.

The Central Bank provided a total 20 trillion rubles ($671 billion) to lenders in short-term funding via repurchase auctions in the fourth quarter as supplies of cash dried up, according to data on its website.

The overnight MosPrime rate banks say they charge to lend to one another in rubles jumped to 6.46 percent Dec. 22, the highest since December 2009.

The Central Bank has provided about 1 trillion rubles in repo auctions so far this year.
The MosPrime rate climbed seven basis points, or 0.07 percentage points, to 4.67 percent Monday, down 179 basis points from last year's peak.

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