

Russia's Central Bank Tightens Rules on Lending to Heavily Indebted Firms Amid Rising Corporate Risks

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Gavriil Grigorov / TASS

Russia's Central Bank will <u>double</u> capital requirements for banks lending to highly indebted companies from December, citing rising financial risks in the corporate sector.

In a statement published Friday, the regulator said that existing measures introduced in April had proved insufficient.

Over the first nine months of 2025, corporate groups with high debt burdens increased borrowing by 10.2%, compared with 6.5% across the entire corporate sector.

The surcharge on such loans, known as a macroprudential add-on, will rise from 20% to 40%, meaning banks will need to hold more capital against these exposures.

"The increased buffer will motivate banks to more carefully assess the risks of companies with increased debt burdens," the Bank said.

The rule applies to companies whose interest coverage ratio (ICR) under IFRS was below three as of July 1.

<u>According to</u> the Central Bank, 13 of Russia's 78 largest companies had an ICR below one last year, indicating they were not earning enough to cover interest payments.

Russian Railways and AvtoVAZ, as well as coal and construction firms, are among those struggling with debt servicing.

The regulator <u>estimates</u> that 2.1 trillion rubles (\$23 billion) of loans fall under the surcharge, and banks have built a 17-billion-ruble capital buffer since April — a level it deems inadequate.

The Central Bank said the higher add-on will apply only to new lending and will not significantly disrupt credit activity, while encouraging banks to assess borrower risks more carefully.

Economist Dmitry Polevoy <u>said</u> the measure could curb lending appetite and weigh on economic activity, while analysts at the government-linked CMASF think tank <u>warned</u> that nearly a third of corporate revenue could come from financially vulnerable firms next year.

"Banks always bear the brunt of any problems that arise in the economy at the next stage," Sberbank CEO German Gref <u>said</u> earlier this year, noting that more companies are struggling to service their debt.

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