

Central Bank Calculates 321 Lenders Would Fail Stress Test

By [The Moscow Times](#)

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Many banks are not prepared for a repeat of the crisis of 2008 and would lose half their capital if events of that type reoccurred, the Central Bank determined after conducted a banking stress test.

Almost a third of Russian banks would no longer meet the Central Bank requirements if a shakeup like that of 2008 were to happen again, and they would have to have their licenses revoked, judging from research published in the Central Bank's annual report on the banking sector and banking supervision.

The stress test assumed the withdrawal of 10 percent to 20 percent of depositors' funds (as happened in October 2008). The Central Bank also posited an equal loss of corporate accounts, resulting in a 5 percent to 10 percent reduction in corporate deposits. In the scenario, interbank credits from non-resident banks fall by almost a third. The stock market plummets to half its level, and the ruble loses 20 percent.

In 2008, the RTS and MICEX indexes lost 71.4 percent and 66.5 percent, respectively, and the ruble lost 16.8 percent.

Banks could lose a quarter of their capital from the deteriorating quality of debts, with 15 percent growth in corporate defaults and 13.6 percent in retail loans. Losses on bonds could deprive banks of another 12.7 percent of their capital, as their investments in securities have grown rapidly in recent years.

Client losses and interbank rates could account for another 13.8 percent decrease. Currency fluctuations would only take away 0.11 percent of banks' capital, since their assets and debts are well balanced, the report said.

If that should occur, 321 banks would fall below the Central Bank's capital minimum. The total loss would come to 50.7 percent of the sector's capital.

The European Central Bank reached similarly painful conclusions in 2009 research, said SDM Bank chairman Maxim Solntsev. The Central Bank called the likelihood of those events occurring extremely low, but possible.

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