



# ***Russia Eurobond Market Trends & Historical Perspective***

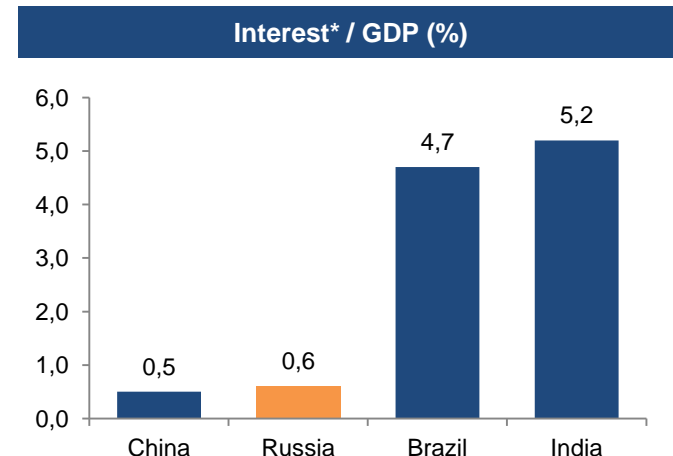
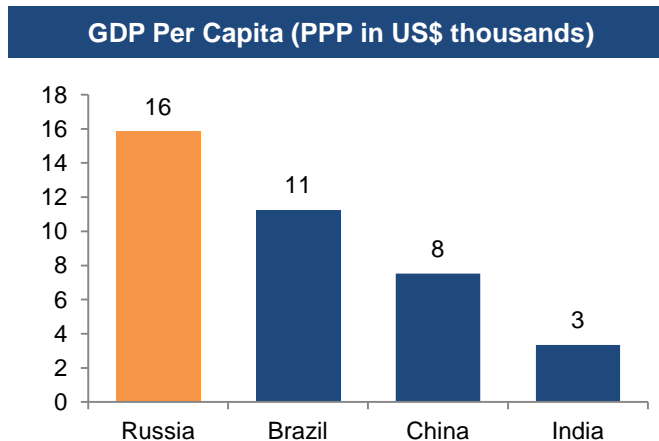
***September 2011***

***Andrey Solovyev***

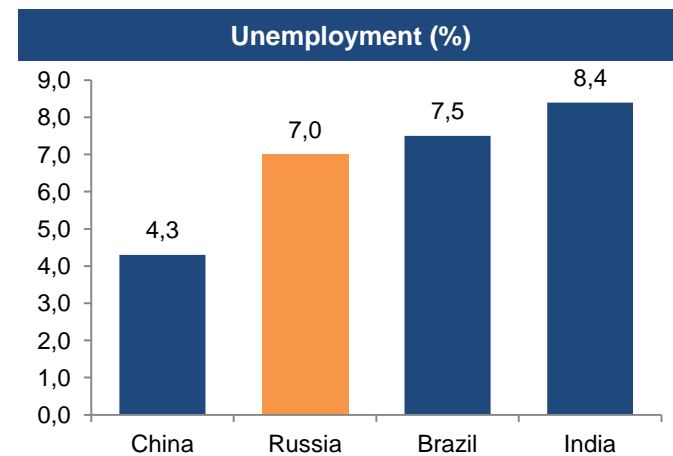
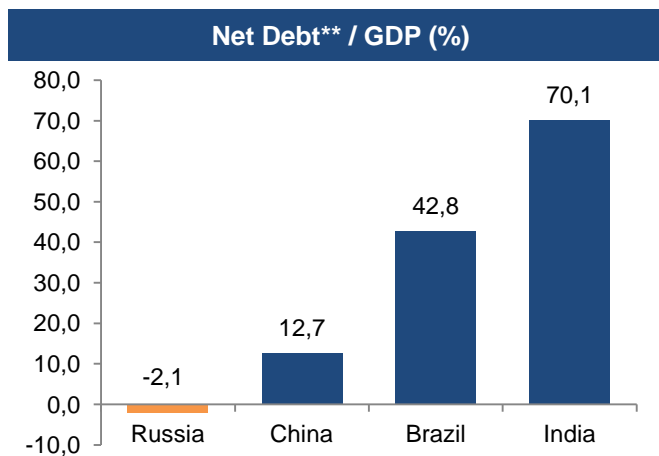


# BRICs Key Indicators Comparison

BRIC Sovereign Ratings	
Russia	BBB/Baa1/BBB
Brazil	BBB-/Baa2/BBB
India	BBB-/Baa2/BBB-
China	AA-/Aa3/A+



BRIC Foreign Exchange Reserves	
Russia	US \$468 bln
Brazil	US \$333 bln
India	US \$310 bln
China	US \$3,045 bln

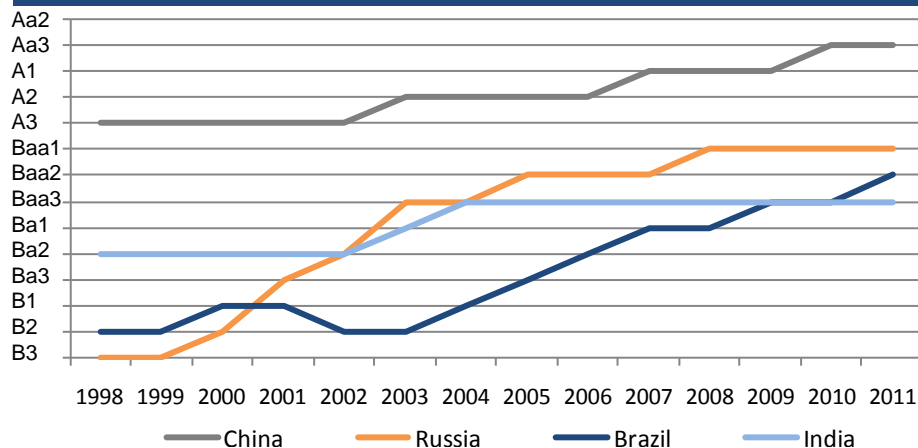


Note: \* Debt incurred by national, regional, and local governments minus general government financial assets (cash, deposits, arms-length loans, and minority holdings of traded equities) \*\* Interest payments on general government debt

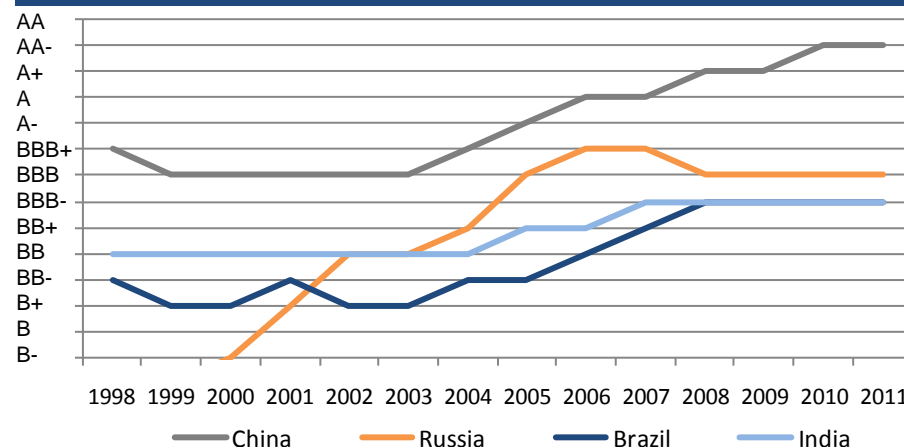
*Better Side of the BRIC: Russia holds top 2 positions in all presented key macroeconomic indicators in BRIC*

# BRICs Credit Rating Evolution

Credit Rating Evolution (Moody's)

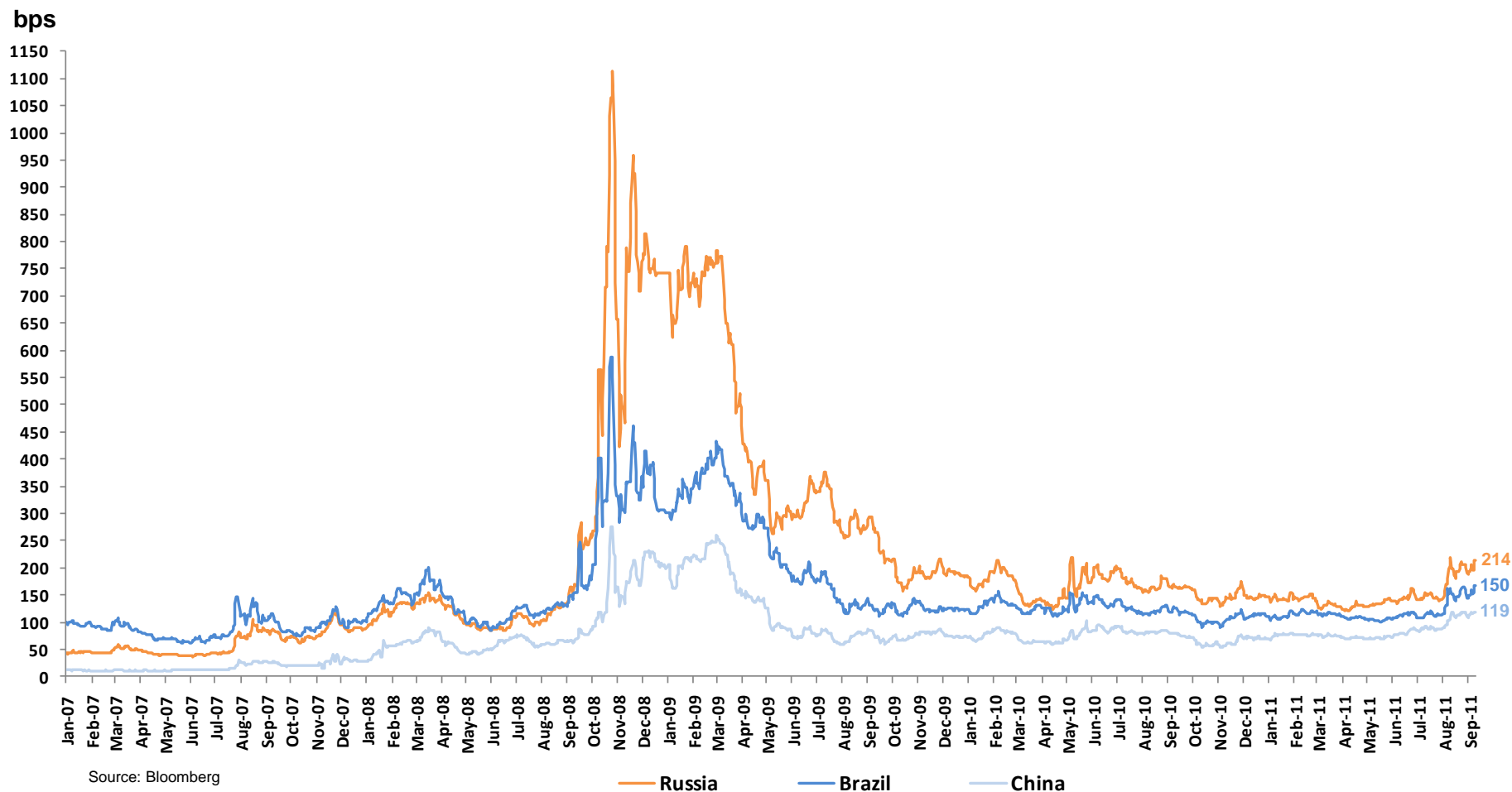


Credit Rating Evolution (S&P)



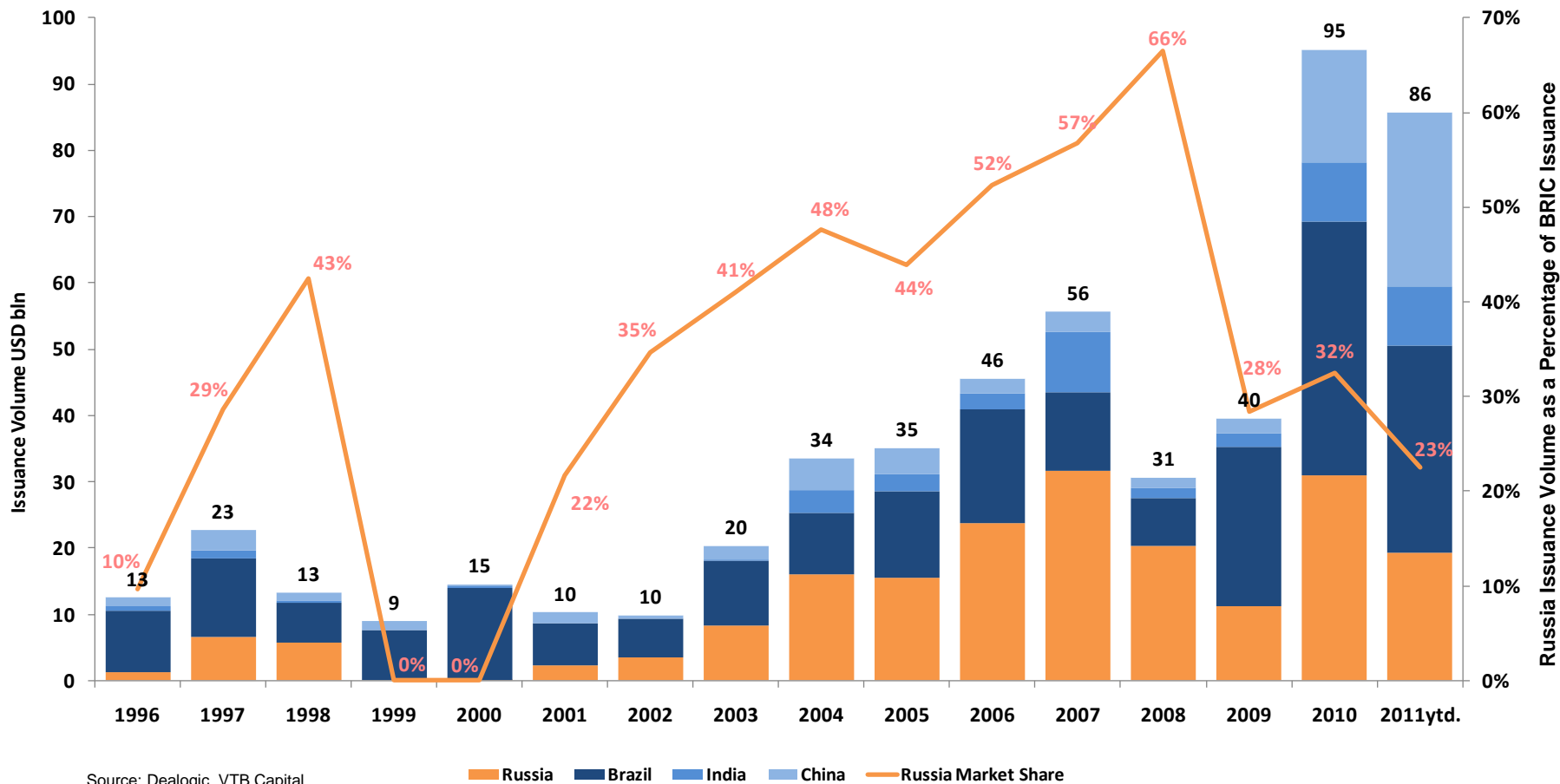
	Russia	Brazil	India	China
<b>Credit Strengths</b>	<ul style="list-style-type: none"> <li>• Strong gov. balance sheet</li> <li>• Unified political leadership</li> <li>• Large natural resources reserves base</li> </ul>	<ul style="list-style-type: none"> <li>• High level of international reserves</li> <li>• Strong cap. of the banking system</li> <li>• Limited foreign currency exposure</li> <li>• Policy continuity and predictability</li> <li>• Diversified economic/export bases</li> </ul>	<ul style="list-style-type: none"> <li>• Large, diversified and growing economy</li> <li>• Healthy external payments position</li> <li>• Competitive corporate sector</li> </ul>	<ul style="list-style-type: none"> <li>• A strong external payments position</li> <li>• Strong government finances</li> <li>• Low debt ample fiscal headroom</li> <li>• High domestic savings</li> <li>• Pragmatic reform policies</li> </ul>
<b>Credit Challenges</b>	<ul style="list-style-type: none"> <li>• Economic, fiscal, and external account volatility</li> <li>• Weakness of political, social and economical institutes</li> <li>• Dependence on natural resources prices</li> </ul>	<ul style="list-style-type: none"> <li>• Complying with primary surplus targets</li> <li>• Managing the domestic credit boom and persistent capital inflows</li> <li>• Increases in government primary spending</li> </ul>	<ul style="list-style-type: none"> <li>• Large government debt and deficits</li> <li>• Inadequate physical and social infrastructure</li> <li>• Political and bureaucratic inefficiencies</li> <li>• Low per-capita income</li> </ul>	<ul style="list-style-type: none"> <li>• Maintaining economic and social stability</li> <li>• Policy normalization from the 2008-2009 stimulus program</li> <li>• Economic restructuring and institutional strengthening</li> <li>• Trade friction and protectionism</li> <li>• Cross-Strait geopolitics</li> </ul>

## BRIC Historic CDS Evolution



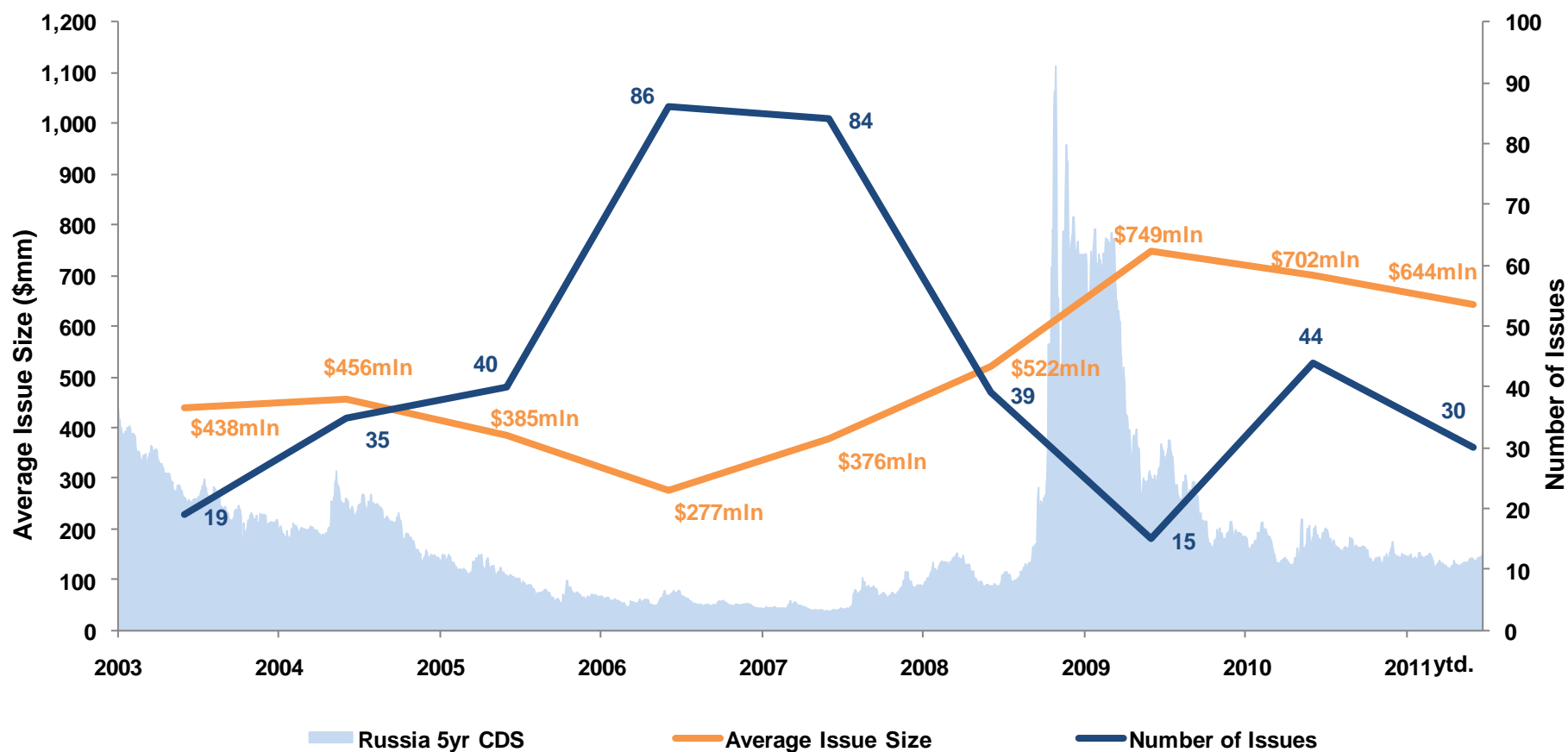
*Despite the leading economic performance Russian CDS still trades wider vs. the BRIC peers*

# BRIC International Bond Issuance Volumes



*In terms of primary market supply, recently issuance volumes out of Russia have been surpassed by the likes of Brazil and China*

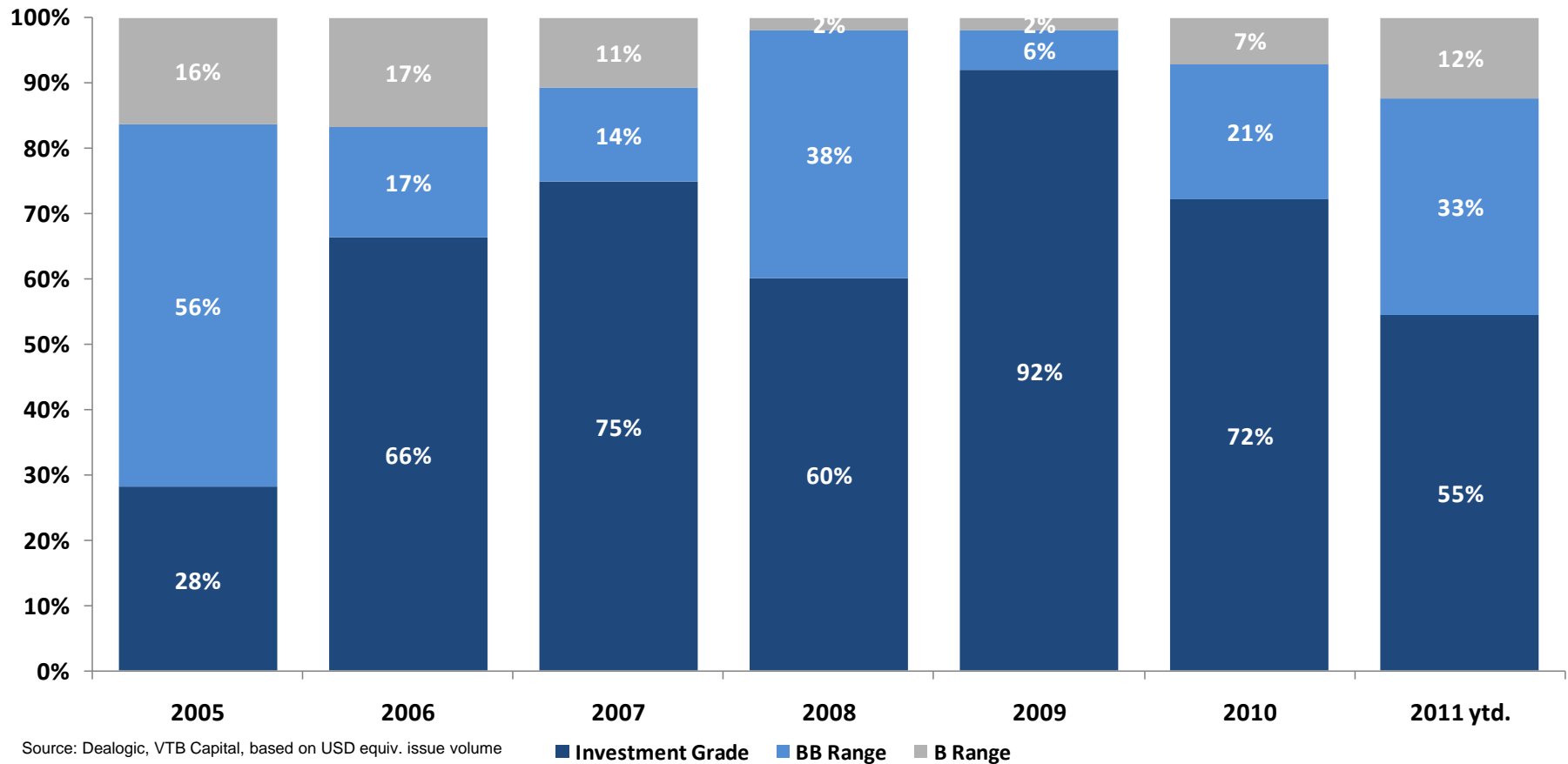
## Evolution of Deal Volumes Out of Russia



Graph is based on the number of tranches and average tranche size  
Source: Dealogic, VTB Capital

*Average deal sizes have remained high with a slight decline attributable to increased access of smaller issuers to the markets*

## Russian Eurobond Issuance Breakdown by Credit Rating



*Primary markets have opened up to wider array of issuers across the ratings spectrum as cash rich investors have been willing to diversify*