



Market trends & opportunities for Russian issuers

December, 2011



2011 - review and outlook

Hard currency issuance by Russian borrowers totalled ca. \$17.5bn (vs. \$28.5bn*) and EM issuers ca. \$268bn (vs. \$291bn*)

Investor diversification into EM assets away from peripheral Europe exposures amid ongoing sovereign debt woes

Contagion of peripheral Europe crisis to strong Western EU peers and the EM region in general

Relative resilience of the USD market. Issuers continue to capitalize on low interest rate environment

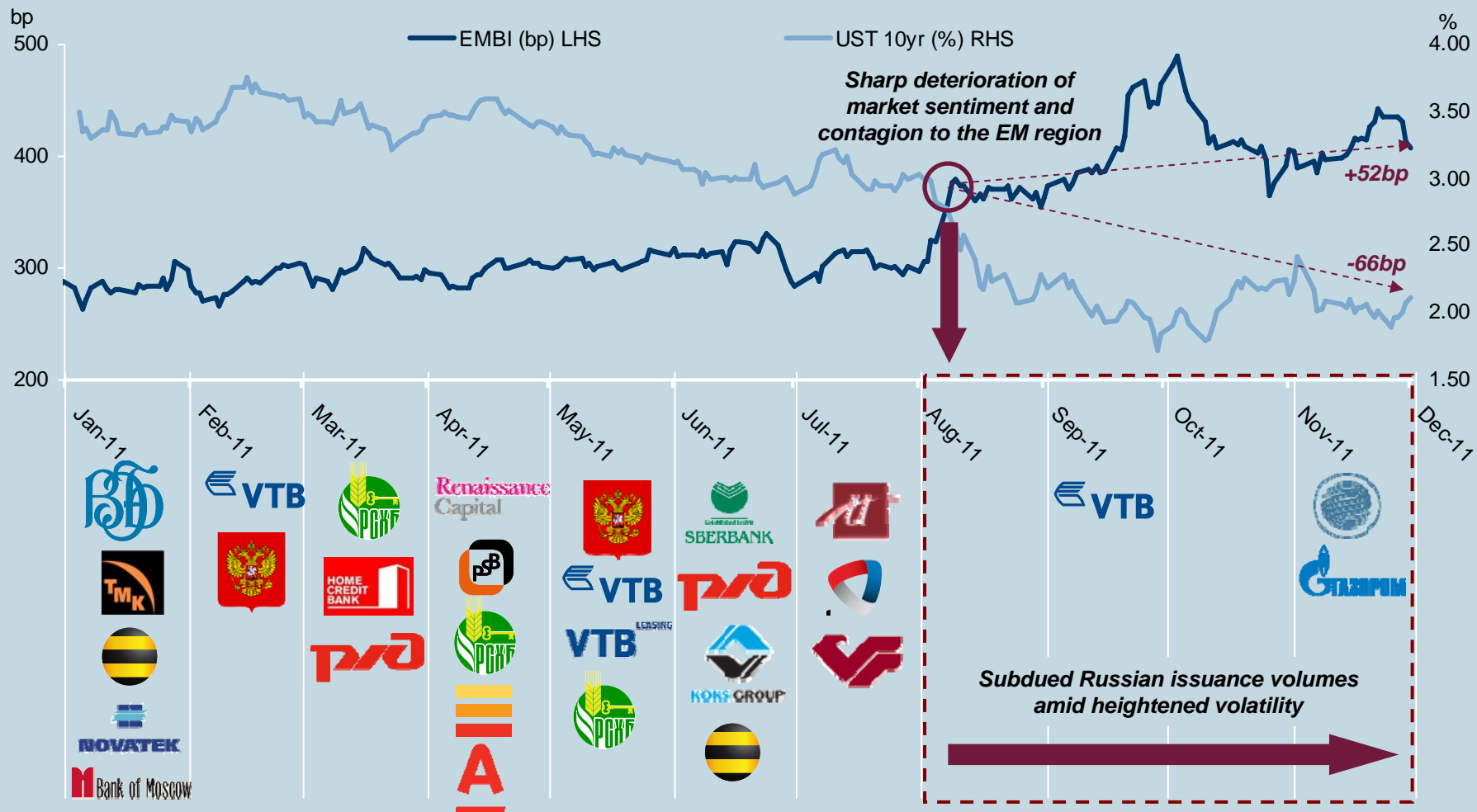
Navigating execution windows in 1H 2012 amid pent up primary market supply

* Issuance in the equivalent time period of last year.
Source: Bondware, Dealogic, 2 December 2011

Russian issuers navigating market openings as volatility spreads to the EM region

- Issuers capitalized on strong markets in H1, while H2 saw limited supply. Issuance windows have been narrow with only a handful of opportunistic market access from August onwards as Greece headlines led to investor sentiment deterioration and scarce execution windows

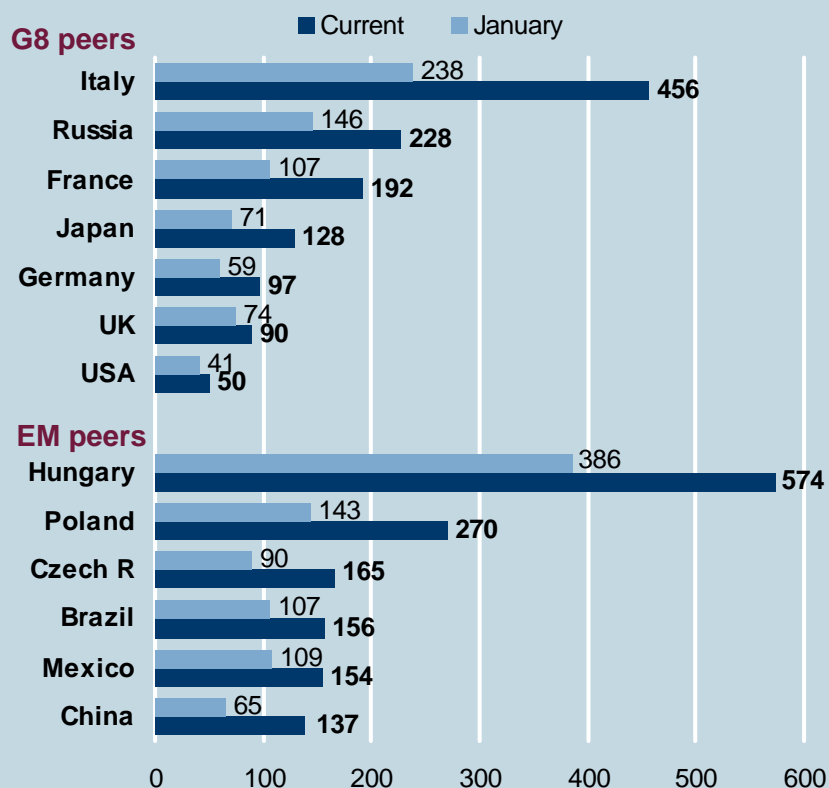
Limited issuance windows in H2 amid ongoing market uncertainty



While Russia's robust fundamentals supported relative secondary trading resilience...

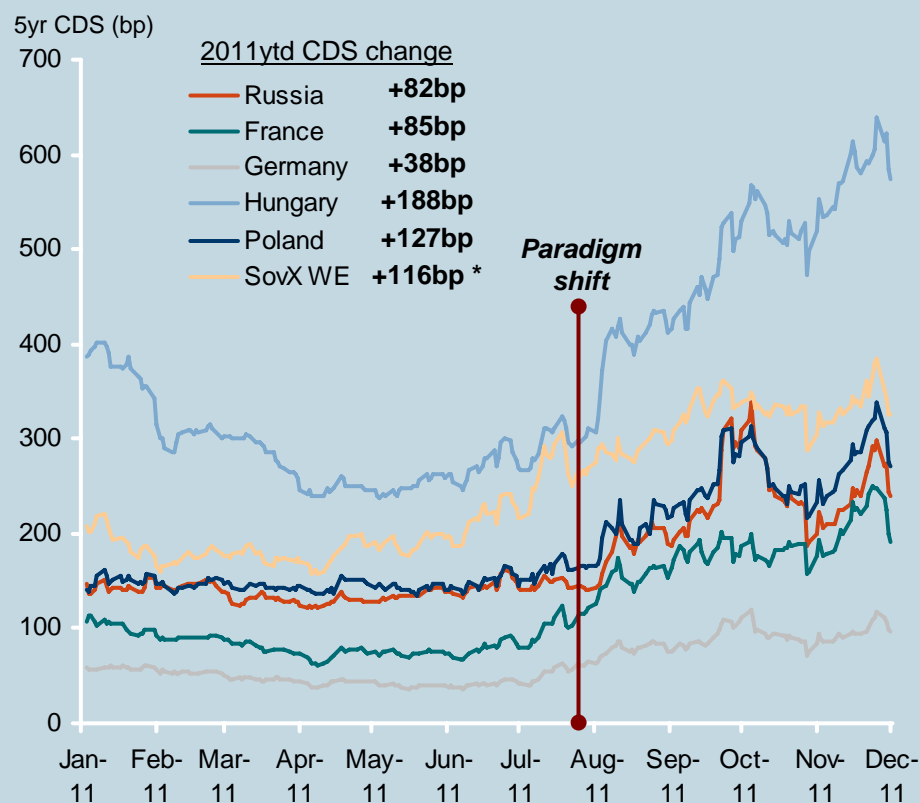
- **Russia demonstrated relative resilience.** Robust economic metrics, in particular low debt/GDP ratios and economic growth amid commodity rally, supported Russia's strong trading dynamics throughout the year vs. better rated European peers
- **Delayed contagion to Western Europe and the EM region.** Yield and CDS widening has spread to non-peripheral European sovereigns in late August as headlines around Greece default intensified

5-year CDS snapshot



Source: Bloomberg 5-year CDS as of 1 January 2011 and 2 December 2011

CDS trading dynamics in 2011ytd



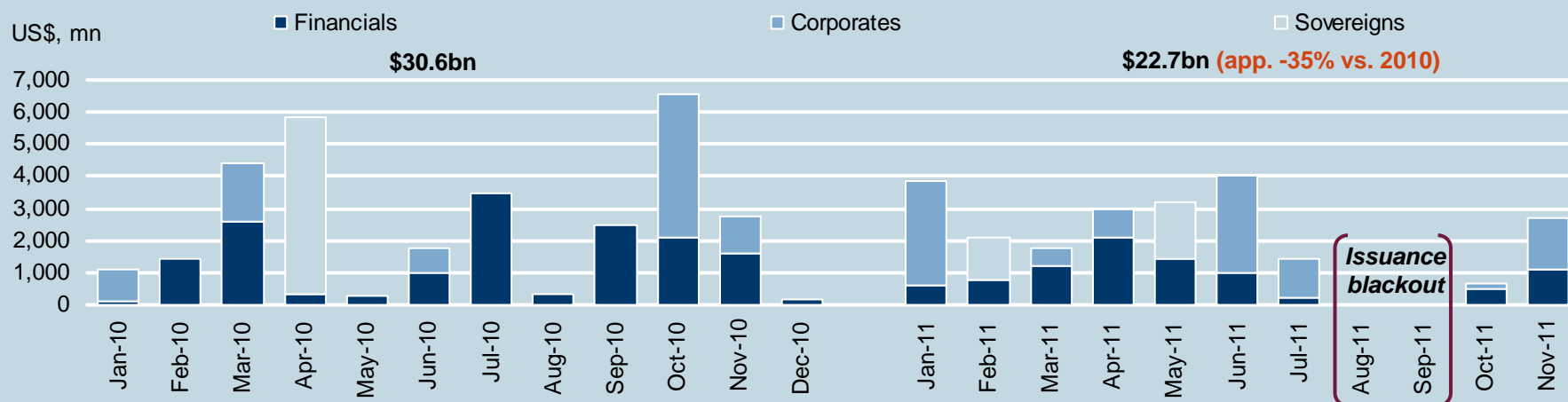
Source: Bloomberg 5-year CDS, 2 December 2011

* Composite index of 15 Eurozone region sovereign 5 year CDS levels

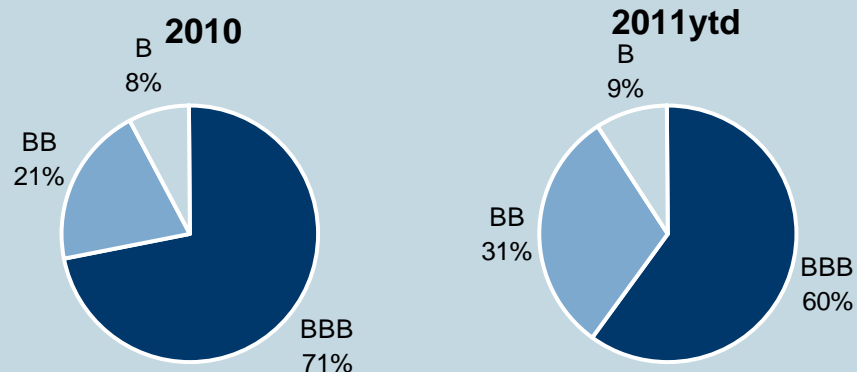
...primary market activity has been severally impacted in H2 2011 as investor appetite for EM risk decreased

- ➔ **Contagion impacted on the overall issuance volumes in H2.** Russian 2011ytd volumes were app. 35% down vs. 2010 as sovereign volatility narrowed execution windows

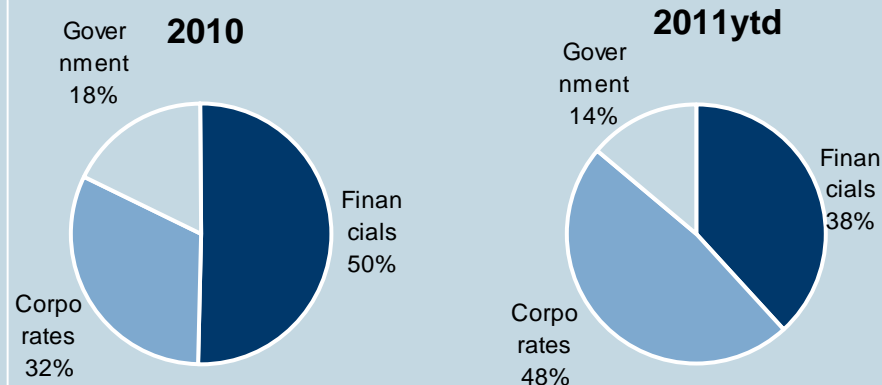
Monthly primary market supply out of Russia (*international issuance*)



Split by issuer rating



Split by issuer type

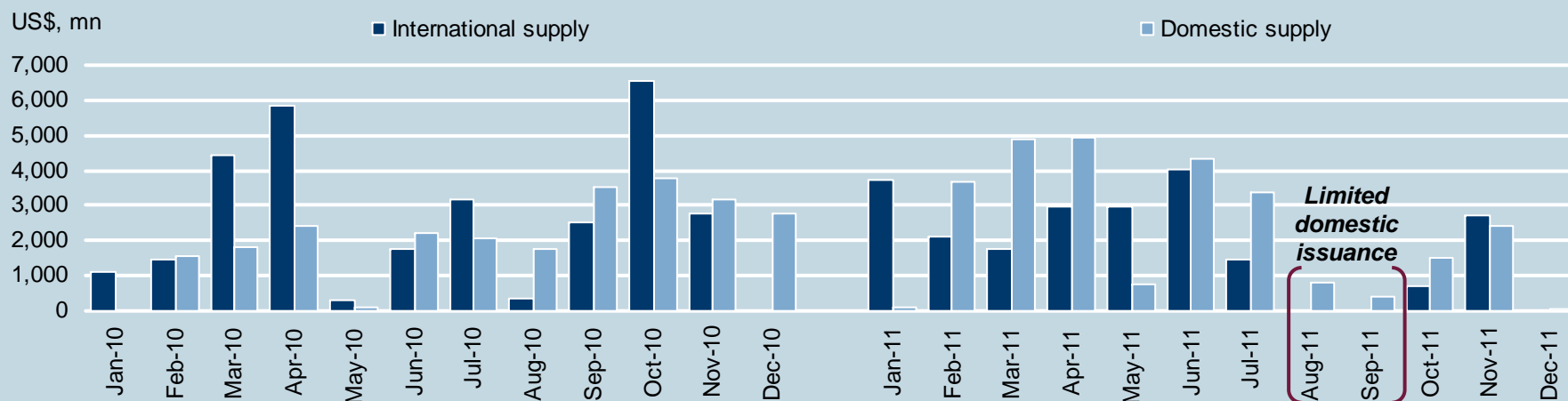


Source: Barclays Capital Dealogic Bondware, December 2011

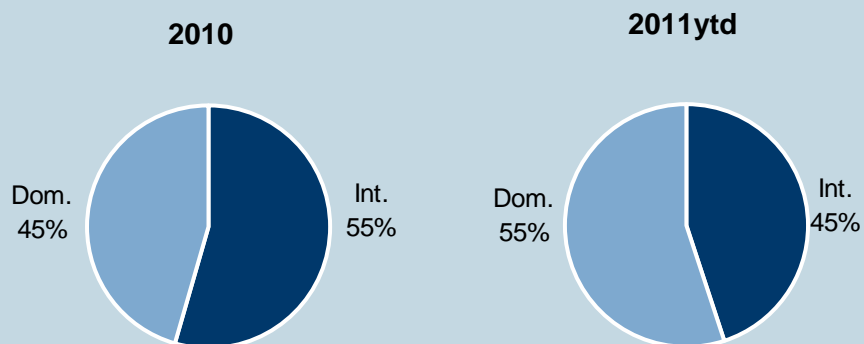
Russian issuers have access domestic market liquidity at times of reduced international market access

- International issuance continues to provide considerable liquidity, in particular for longer dated issuance. Overall international volumes vs. domestic have decreased by app. 10% since 2010 as domestic markets proved relatively more resilient to external shocks

Russian supply dynamics: domestic vs. international (excl. sovereign issuance)

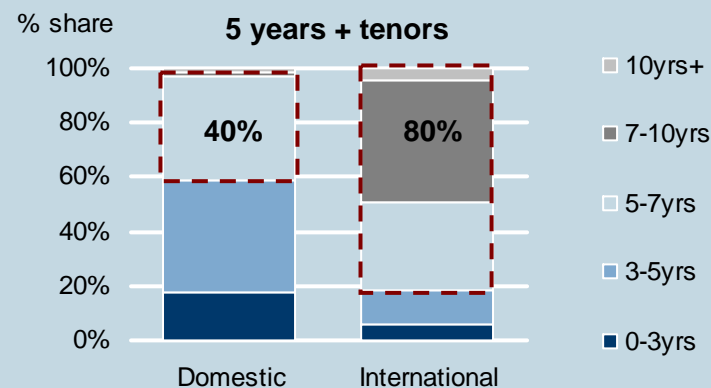


Domestic vs. International issuance split



Source: Dealogic Bondware, December 2011

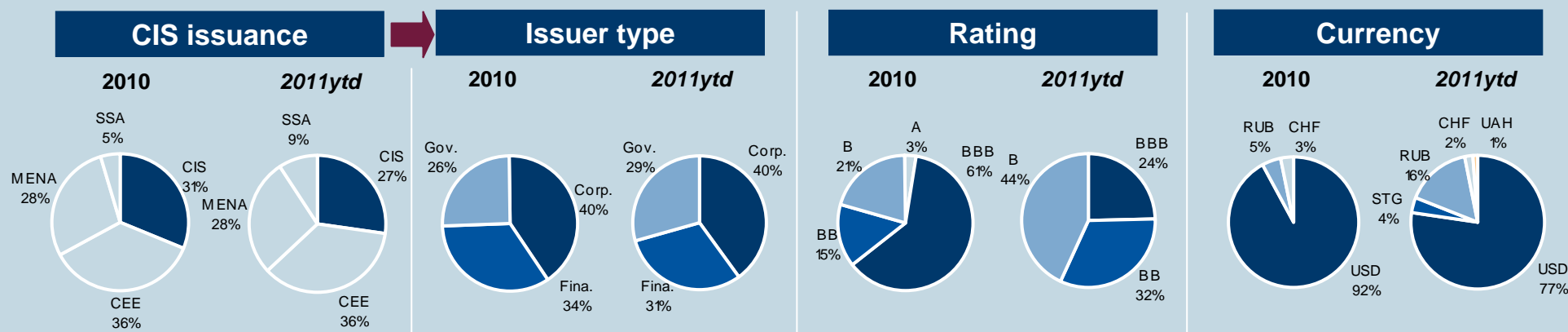
Maturity dynamics (2011ytd)



Increasing contribution of the CIS region to the overall CEEMEA volumes

- **The CIS region showed the greatest volume increase in 2010**, driven by Russia's strong recovery from the recession and pent-up financing demand met with strong investor interest
- **2011 marked another landmark year** for the CIS region, with the Russian MinFin issuing a debut Rouble Eurobond and Ukraine sovereign accessing the market twice with sizeable USD Eurobonds

International hard currency issuance by sub-region

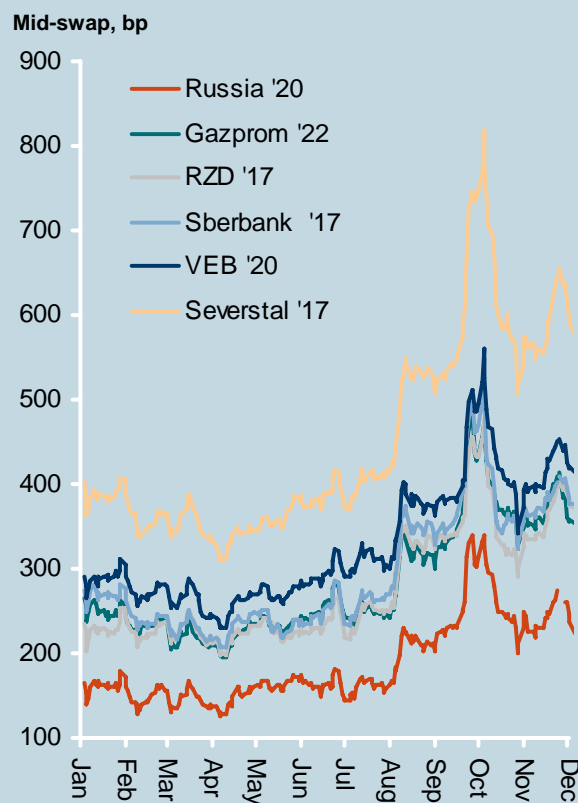


Source: Dealogic Bondware hard currency international issuance. December 2011

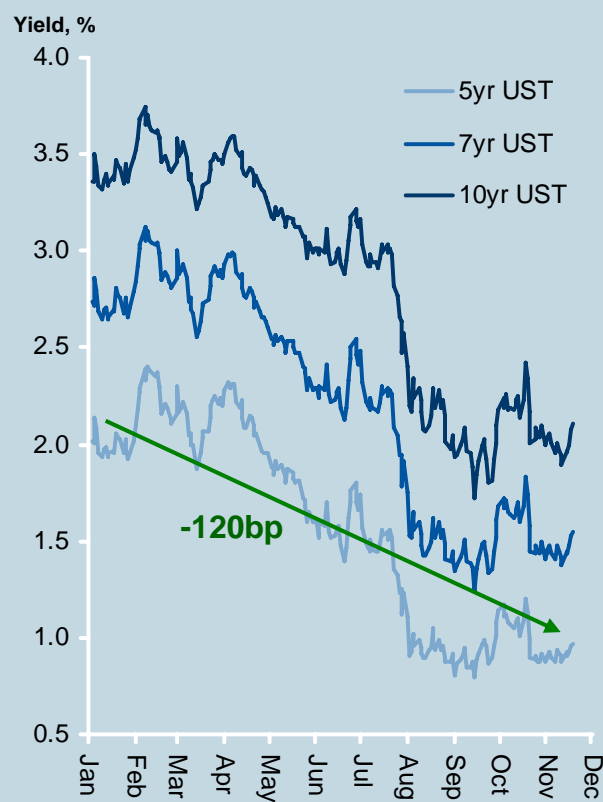
Russian spreads remained volatile in H2 as European contagion spread to the EM region

- ➡ **Russian credit spread volatility has been 'softened' by US Treasury rate tightening.** While credit spreads have widened considerably, with investors repositioning away from 'risky' assets, the overall effect on yields has been compensated by the 120bp tightening year-to-date in the underlying rates as investors seek safety of the US Treasuries

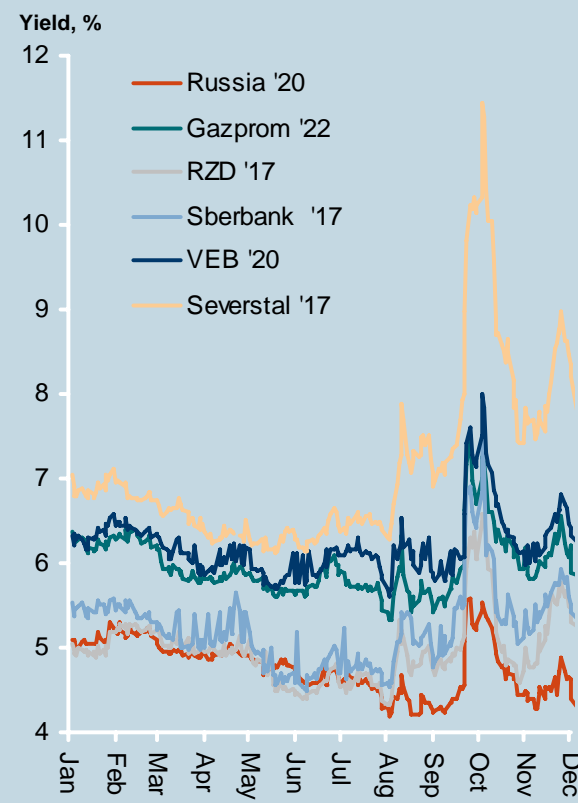
Credit spread widening in H2



UST rates at historic lows



Net effect on all-in yields



Source: Bloomberg, December 2011

Key considerations for prospective borrowers in 2012

Navigating narrow execution windows and competing supply in early 2012

Accessing alternative currency markets to benefit from different demand dynamics

Long dated maturities available at attractive all-in funding costs supported by US Treasuries at historic lows

Consider global distribution to tap the widest investor distribution and minimize execution risk

Establishing funding programmes to allow opportunistic and more flexible, ad-hoc, market timing

Barclays Capital – proven execution leadership in a volatile market environment

Russian hard currency issuance - Q3 2011

	Bookrunner	No. of issues	Total (\$, bn)	Share (%)
1	Barclays Capital	11	2,019	13.68
2	Goldman Sachs	8	1,688	11.43
3	Citi	9	1,495	10.13
4	RBS	9	1,491	10.10
5	BNP Paribas	9	1,485	10.06

Russian international currency issuance - Q3 2011

	Bookrunner	No. of issues	Total (\$, bn)	Share (%)
1	VTB Capital	12	2,449	12.62
2	JPMorgan	9	2,024	10.43
3	Barclays Capital	11	2,019	10.41
4	Goldman Sachs	8	1,688	8.70
5	Deutsche Bank	7	1,591	8.20

League Tables: source, Dealogic Q3 2011 Russian issuance



**Best Debt
House in Russia**



2011



GAZPROMBANK

Gazprombank

CHF 420mn
due 2013

*Joint Bookrunner
November 2011*



Severstal

USD 500mn
due 2016

*Joint Bookrunner
July 2011*



VimpelCom

VimpelCom

USD 500mn due 2017
USD 1,500mn due 2022
USD 200mn FRN due 2014

*Joint Bookrunner
June 2011*



RSHB

USD 800mn LT2
10NC5 due 2021

*Joint Bookrunner
June 2011*



Russian Railways

STG 350mn and
STG 300mn tap
due 2031

*Joint Bookrunner
March / June 2011*



VimpelCom

VimpelCom

USD 500mn due 2016
USD 1,000mn due 2021

*Joint Bookrunner
January 2011*



VNESHECONOMBANK

Vnesheconombank

CHF 500mn
due 2016

*Joint Bookrunner
January 2011*



TMK

USD 500mn
due 2018

*Joint Bookrunner
January 2011*

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