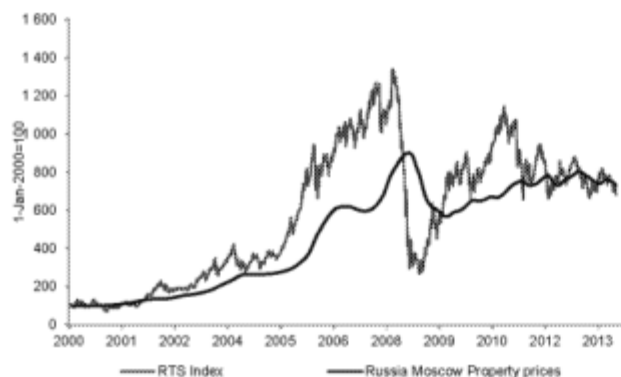




2014 vs. 2008: fundamentals are different

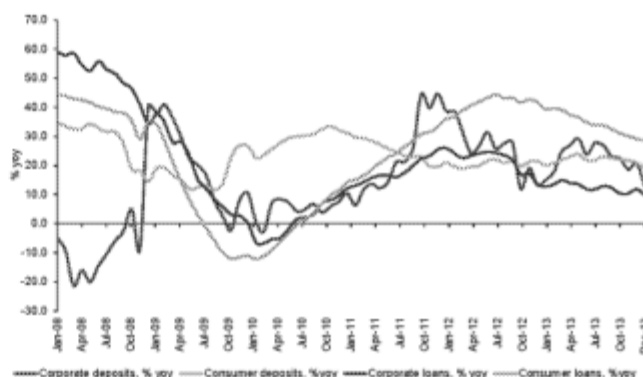
In terms of domestic economic development, the key difference now compared to 2008 is that the economy is not overheated. Back in 2008 the pre-crisis period was characterised by massive net capital inflows, a booming stock market and real estate segment growth, as well as high growth rates in GDP and lending. This time Russia's financial markets are less overheated and growth is approaching zero, with growth in lending decelerating.

Figure 3: RTS Index vs. Moscow Property Prices



Source: Bloomberg Finance LP, Deutsche Bank

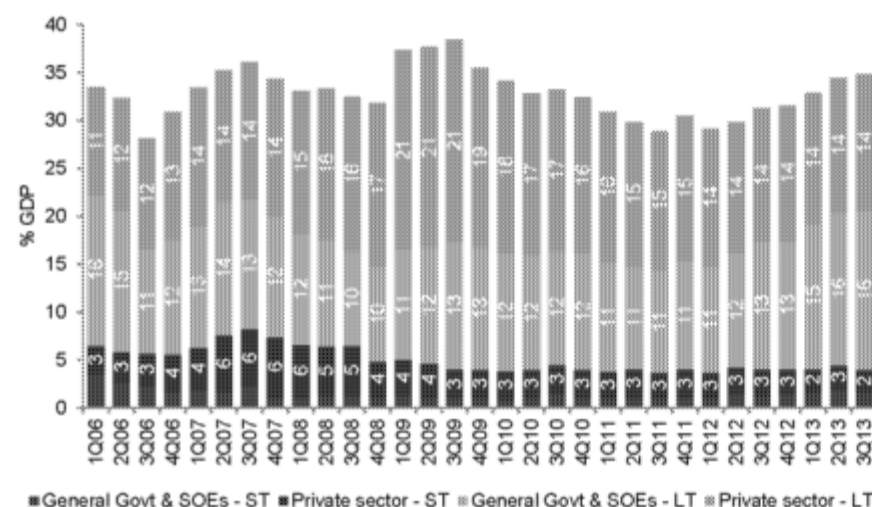
Figure 4: Russia's banking sector trends



Source: CBR, Deutsche Bank

In terms of debt levels, Russia's sovereign balance sheet is strong, even though the susceptibility to lower oil prices has remained high, as evidenced by the level of the non-oil budget deficit, which exceeded 10% of GDP last year. On the corporate side, the maturity of debt is less short term than in 2008 and has less currency mismatches. At the same time, overall debt levels in the corporate sector remain significant, while the balance sheet of Russia's households is arguably more problematic now than in 2008 (to the degree that it represents one of the macro risks and concerns for the CBR) after Russia's household debt grew at a rapid pace in the past several years.

Figure 5: Russia's external debt profile, % GDP, 2006-2013



Source: CBR, Deutsche Bank