



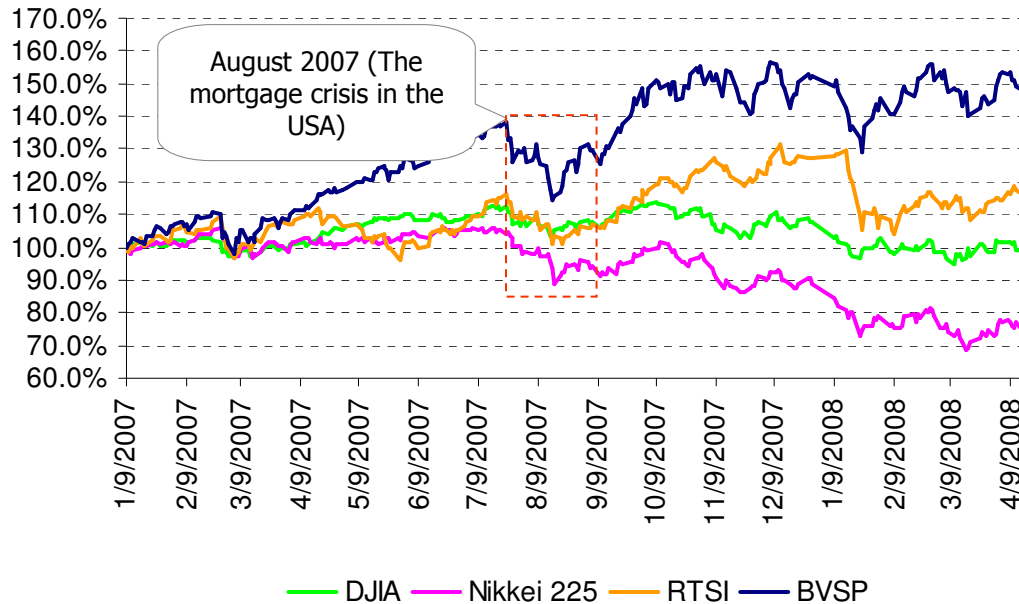
Global credit crunch: myth or reality?

Influence on the Russian banking system and
economy

**The Second Banking Forum CIS Countries and Eastern Europe
Vienna, 24-27 April 2008**

Global capital market crisis is a reality!

Global indexes performance 2008 to date (January 9th 2007 = 100%)



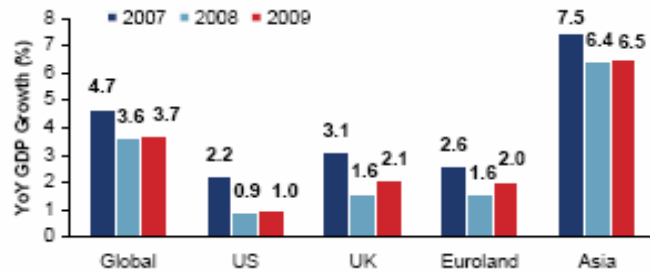
- Since August 2007 both DJIA and Nikkei 225 indexes were bearish
- DJIA has performed a 5.5% decrease, while Nikkei 225 has dropped by 20% (to the levels of 2005)
- Amid the US and Japanese stock markets, BRIC countries seemed to be a safe harbour for investors, trying to safe their money

Current situation on the markets

- Equity markets are down and volatility continues
- Speculative commodity prices are performing their historical maximums
- The recession in the USA will drive the world economy down
- Increased inflation has negative impact on the industrial production
- Current and future write downs of banks

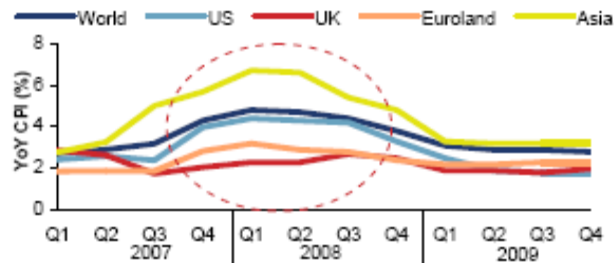
Macroeconomic conditions for 2008

GDP growth rates



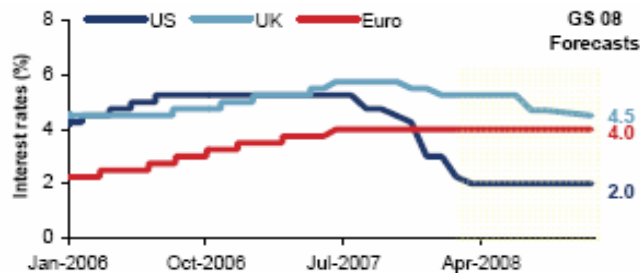
- Global economy growth is still around 3.6% in 2008 only thanks to Asian and BRIC economies growth
- Two-fold slow down in the USA economy in 2008

Inflation rates



- Higher inflation will result in lower GDP growth rates

Central Banks actions to cope crisis



- Crucial role of Fed and other Central Banks

Source: Bloomberg, Goldman Sachs, ACP own research

Credit concerns continue to weight on the valuation of many banks

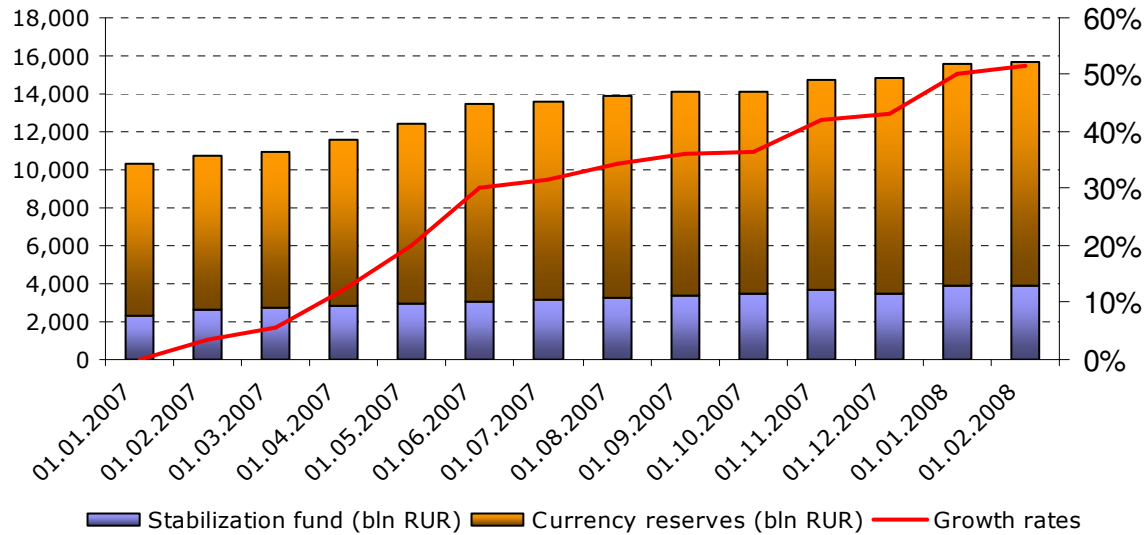
Writedowns and losses on Banks' balance sheets 2007/ 2008 YTD (\$ bn)			
Company	Writedown	Credit Loss	Total
 UBS	38		38
 Merrill Lynch	25.1		25.1
 Citigroup	21.4	2.5	23.9
 HSBC	3	9.4	12.4
 Morgan Stanley	11.7		11.7
 IKB Deutsche Industriebank	9		9
 Bank of America	7.3	0.9	8.2
 CRÉDIT AGRICOLE S.A.	6.5		6.5
 CREDIT SUISSE	6.4		6.4
 Washington Mutual, Inc.®	0.3	5.5	5.8
 JPMorgan	2.9	2.1	5
 WACHOVIA	2.9	2	4.9
 CIBC	4.1		4.1
 SOCIÉTÉ GÉNÉRALE Corporate & Investment Banking	3.8		3.8
Total Market	205	26	231

- According to Bloomberg data, the total writedowns of banks in 2007-April 2008 were US\$ 205 billion and credit losses of US\$ 26 billion
- Goldman Sachs quantifies total losses for subprime, commercial real estate and other mortgage loans to amount over US\$ 490 billion
- According to ACP data, total losses from credit crunch are expected at over US\$ 1.2 trillion!

Source: Bloomberg, 1 April 2008

Russia as a safe harbour

Stabilization fund and currency reserves, in billion RUR



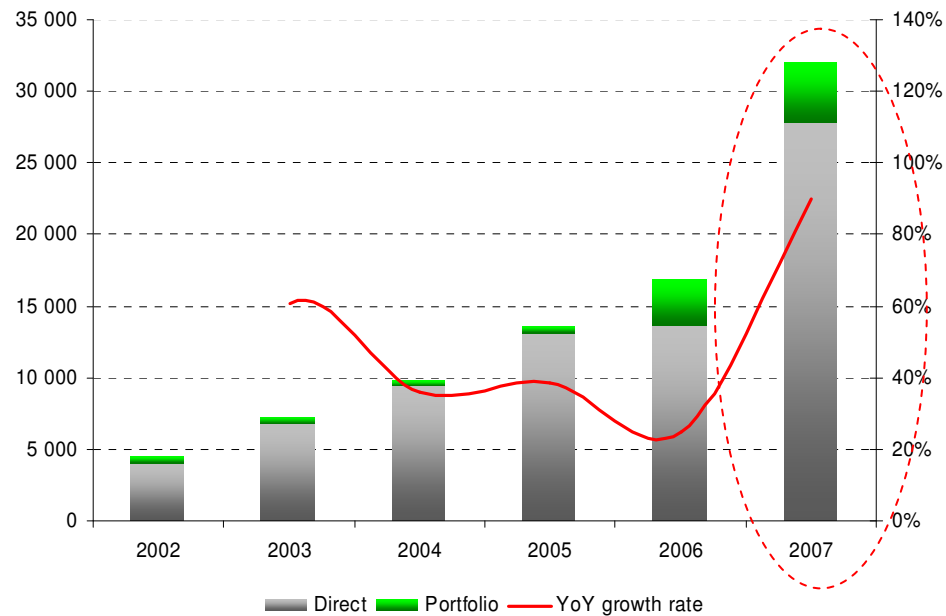
Source: Central Bank of Russia, Finance Ministry

- Russian Federation has one of the largest currency reserves in the world
- In 2007, total reserves accumulated in the Stabilization Fund (ca. US\$ 156.81 billion*) and Currency Reserves (ca. US\$ 476.39 billion*) increased by 50%
- Current reserves amount to ca. 47% of the 2007 GDP

* @ 1 US\$ = 24.55 RUR

Russia as a safe harbour

Foreign direct and portfolio investments, in million US\$

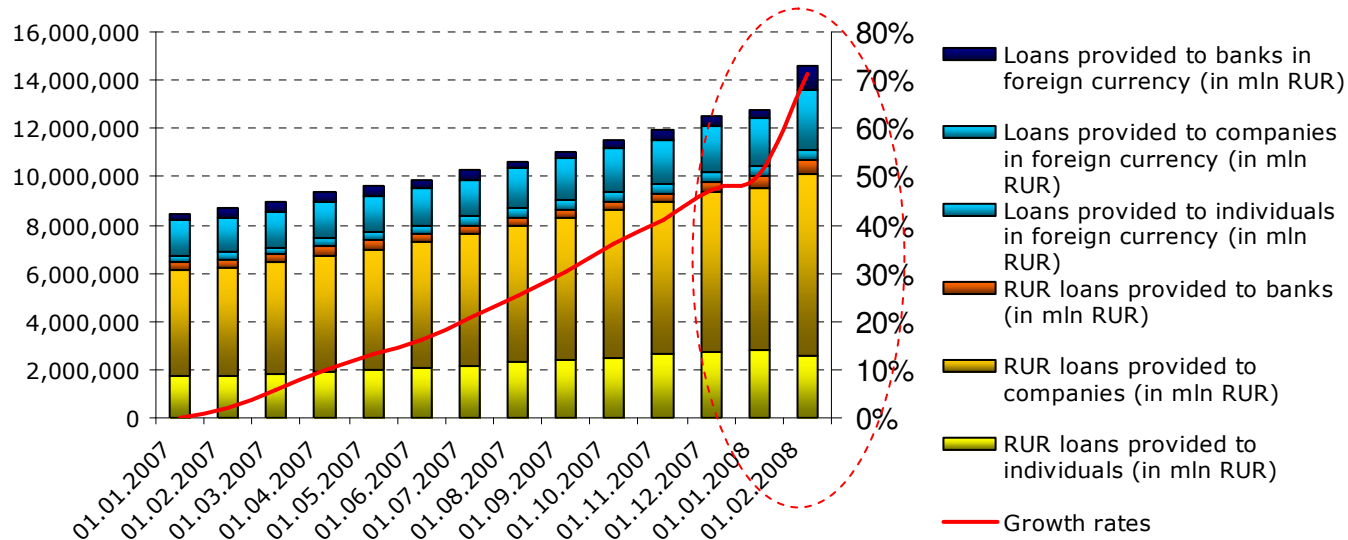


Source: Rosstat

- Amid the global financial instability, Russia enjoyed stable growth of foreign direct and portfolio investments
- Foreign direct investments more than doubled in 2007
- Seven-fold growth of portfolio investments in 2006 and 32% growth in 2007

Russia as a safe harbour

Provided loans, in million RUR

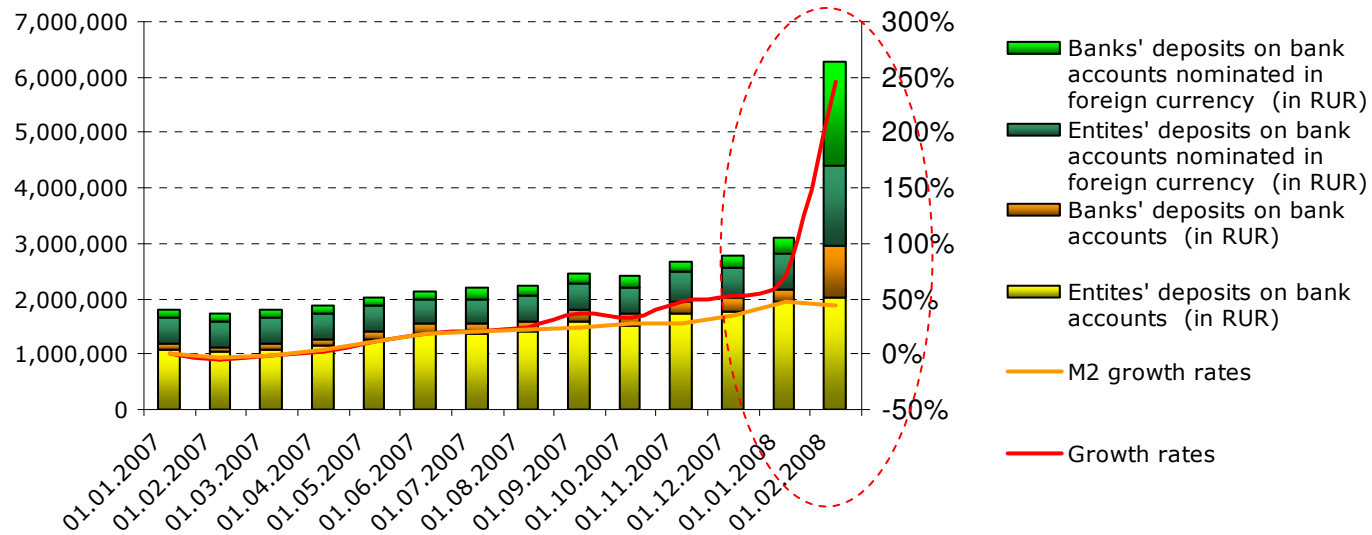


Source: Central Bank of Russia

- The amount of provided loans to Russian entities and individuals has increased by 71% since January 2007
- Russian banking system does not experience any rouble liquidity shortage
- Only 26% of loans are nominated in foreign currencies
- Loans provided in foreign currencies account for only 8% of the 2007 GDP

Russia as a safe harbour

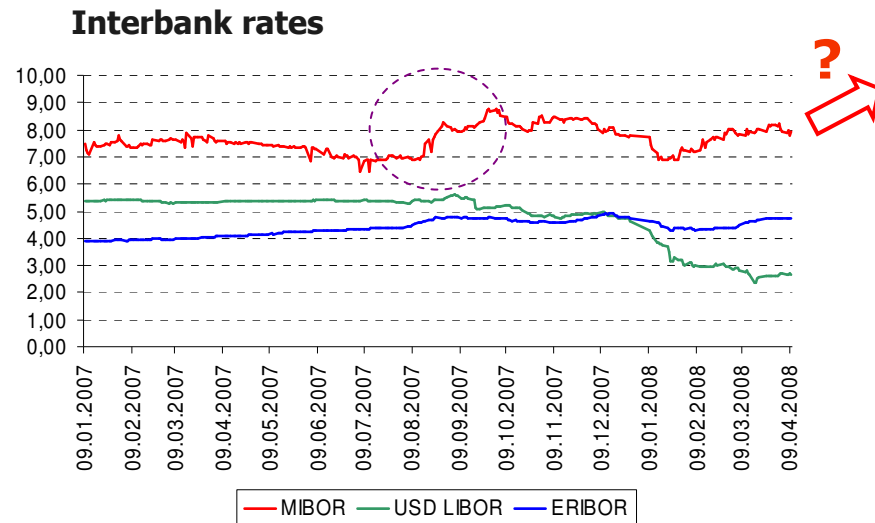
Deposits in bank accounts, in million RUR



Source: Central Bank of Russia

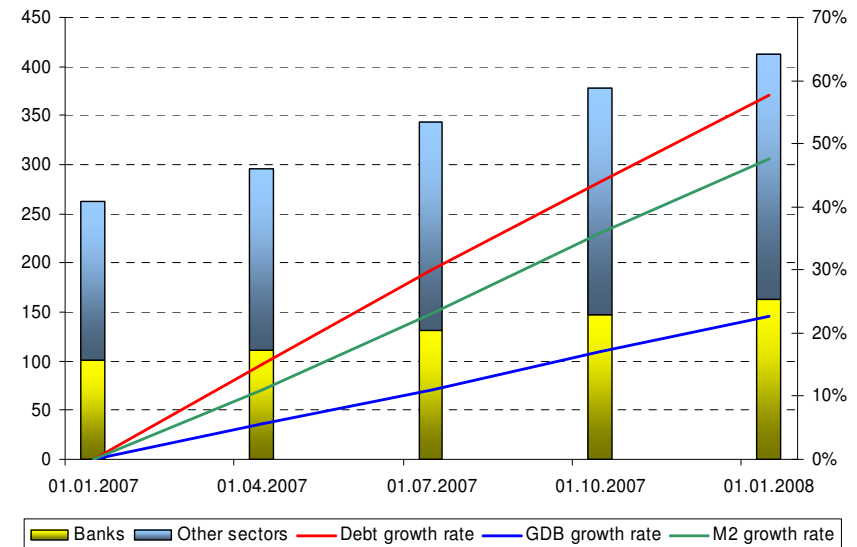
- Stable growth rates of deposits amounts in bank accounts, higher than growth rates of loans provided and higher than growth rates of M2, hence more liquidity on the market
- Small impact of global liquidity crisis in October 2007
- Significant increase of foreign currencies nominated bank deposits in 2008

Russia as a safe harbour. For how long?



Source: Central Bank of Russia, BBA, Euribor.com

Foreign debt of banking and non-banking sectors, in billion US\$



Source: Central Bank of Russia, Rosstat

- Interbank loans in Russia are becoming more expensive. Even the best lenders experience difficulties with debt financing
- Foreign debt of Russian banks and other private and state owned corporates is growing faster (58% increase in 2007) than nominal GDP (19%) and M2 (48%)
- Russia's dependence on commodities prices on the global markets may lead to a crisis should the prices go down
- Taking into account the high risks, global investors may decide to withdraw the funds from all emerging markets

Russia as a safe harbour. For how long?

INFLUENCE FACTORS TO CONSIDER

- Increasing dependence on the global economic and banking system: Russian markets are part of the global picture. Real inflation in Russia
- Growing pressure from negative global trends on relatively stable Russian environment
- Availability of financing from global capital markets
- Structure of the Russian economy still fragile (cluster risks: no solid small and mid-size enterprises economy basis)

BUT

- Will positive hard facts in the Russian economy prevail over i.a.
 - Growing psychological pressure from the outer world?
 - Social behavior factors of the investment community («herd-like» behavior pattern)?

ERGO

- Crucial role of the State incl. the Central Bank as crisis manager and lender of last resort

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