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Research Update:

Russian Federation Ratings Placed On CreditWatch Negative On Review Of Monetary Flexibility And Weakening Economy

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Overview

- We are reviewing our assessment of Russia's monetary flexibility and the impact of the weakening economy on its financial system.
- As a result, we are placing our long-term sovereign credit ratings on Russia on CreditWatch with negative implications.
- We expect to resolve the CreditWatch upon the conclusion of our review, which we expect by mid-January.

Rating Action

On Dec. 23, 2014, Standard & Poor's Ratings Services placed its 'BBB-/A-3' long- and short-term foreign-currency sovereign ratings and 'BBB/A-2' local-currency sovereign credit ratings on Russia on CreditWatch with negative implications.

Rationale

The CreditWatch placement stems from what we view as a rapid deterioration of Russia's monetary flexibility and the impact of the weakening economy on its financial system.

CreditWatch

The placement of the rating on CreditWatch with negative implications reflects Standard & Poor's view that there is at least a one-in-two likelihood of a negative rating action within 90 days.

We plan to resolve the CreditWatch placement by mid-January.

Related Criteria And Research

Related Criteria

- National And Regional Scale Credit Ratings, Sept. 22, 2014
- Sovereign Government Rating Methodology And Assumptions, June 24, 2013
- Methodology For Linking Short-Term And Long-Term Ratings For Corporate,

Insurance, And Sovereign Issuers, May 7, 2013

- Criteria for Determining Transfer and Convertibility Assessments, May 18, 2009

Related Research

- Sovereign Risk Indicators, Dec. 15, 2014 (an interactive version can be found at www.spratings.com/SRI)
- Russia's Economic Risks Will Compound Weak Local And Regional Government Finances, Dec. 14, 2014
- Standard & Poor's Revises Its Crude Oil Price Assumptions; Natural Gas Assumptions Unchanged, Dec. 16, 2014
- Sovereign Rating And Country T&C Assessment Histories, Dec. 4, 2014
- Sovereign Ratings Score Snapshot, Dec. 4, 2014
- Emerging Markets Sovereign Rating Trends Third Quarter 2014 Update, Oct. 8, 2014
- Risks Mount For A Longer Downturn In Russia, Oct. 8, 2014
- The Fallout Between Russia And The West Puts European Corporates In A Bind , Sept. 18, 2014
- Sanctions Will Increasingly Weigh On Russian Banks' Funding And Liquidity Profiles, Sept. 18, 2014
- Sovereign Defaults And Rating Transition Data, 2013 Update, Sept. 17, 2014
- Understanding Standard & Poor's Russia National Scale Ratings, Sept. 14, 2014
- Banking Industry Country Risk Assessment: Russia, June 17, 2014
- Russia Foreign Currency Ratings Lowered To 'BBB-/A-3' On Risk Of Marked Deterioration In External Financing; Outlook Neg, April 25, 2014
- What Is Threatening Russian Local And Regional Government Ratings, April 23, 2014
- Credit FAQ: What's Behind Standard & Poor's Outlook Revision On Several Russian Corporate GRES? April 10, 2014
- What's Behind Standard & Poor's Outlook Revision On Several Russian Corporate GRES?, April 10, 2014
- Russia-Ukraine: An Unfolding Crisis, March 28, 2014
- Russian Federation Outlook Revised To Negative On Rising Geopolitical And Economic Risks; Ratings Affirmed, March 20, 2014
- Policy Risks, Not Tapering, Are Key To Emerging Market Sovereign Ratings, March 5, 2014
- Emerging Markets Sovereign Debt Report 2014: Borrowing To Remain Broadly Unchanged This Year, Feb. 17, 2014
- Outlooks: The Sovereign Credit Weathervane, Year-End 2013 Update, Feb. 4, 2014
- Global Sovereign Credit Trends: Downgrades Are Likely To Outnumber Upgrades Again In 2014, Dec. 17, 2013
- Russian Federation, July 8, 2013
- Change At The Helm Of Russia's Central Bank Has No Effect On The Sovereign Rating, March 13, 2013
- Opening Of Russian Domestic Government Bond Market To Foreign Investors Has No Impact On The Sovereign Rating, Feb. 7, 2013
- Can Russia Drop Its "Spend To Befriend" Fiscal Policy?, Oct. 15, 2012

- Hooked On Oil: Russia's Vulnerability To Oil Prices, March 26, 2012

In accordance with our relevant policies and procedures, the Rating Committee was composed of analysts that are qualified to vote in the committee, with sufficient experience to convey the appropriate level of knowledge and understanding of the methodology applicable (see 'Related Criteria And Research'). At the onset of the committee, the chair confirmed that the information provided to the Rating Committee by the primary analyst had been distributed in a timely manner and was sufficient for Committee members to make an informed decision.

After the primary analyst gave opening remarks and explained the recommendation, the Committee discussed key rating factors and critical issues in accordance with the relevant criteria. Qualitative and quantitative risk factors were considered and discussed, looking at track-record and forecasts.

The chair ensured every voting member was given the opportunity to articulate his/her opinion. The chair or designee reviewed the draft report to ensure consistency with the Committee decision. The views and the decision of the rating committee are summarized in the above rationale and outlook. The weighting of all rating factors is described in the methodology used in this rating action (see 'Related Criteria And Research').

Ratings List

Ratings Placed On CreditWatch Negative

	To	From
Russian Federation		
Sovereign Credit Rating		
Foreign Currency	BBB-/Watch Neg/A-3	BBB-/Negative/A-3
Local Currency	BBB/Watch Neg/A-2	BBB/Negative/A-2
Senior Unsecured		
Foreign Currency	BBB-/Watch Neg	BBB-
Local Currency	BBB/Watch Neg	BBB

Ratings Affirmed

Russian Federation	
National-Scale Credit Rating	ruAAA
Transfer & Convertibility Assessment	BBB-

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Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com and at spcapitaliq.com. All ratings affected by

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