[Press release]

CCXI assigns Russia's sovereign credit rating of BBB^{+}_{g}. The rating outlook is stable.

Beijing, May 12 2025 – China Chengxin International Credit Rating Co., Ltd (CCXI) issued an announcement that the sovereign credit rating of the Russian Federation is BBB^{+}_{g}. The rating outlook is stable.

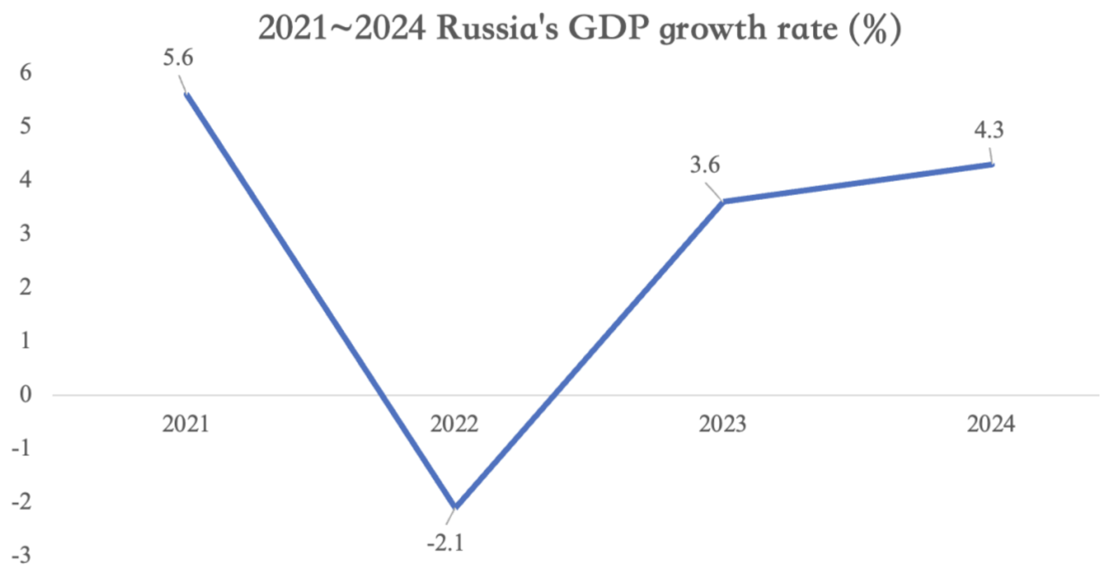
CCXI believes that the Russian economy is now gradually adapting to the deep sanctions environment and demonstrating some resilience to shocks. The Government's prudent financial and monetary policies, sufficient international reserves and the National Wealth Fund provide strong support for the country's ability to service its external debt. At the same time, the method of external debt repayment under Russian legislation is clearly harmonized, and the domestic political situation is generally stable. Geopolitical risks have tended to stabilize against the backdrop of a largely settled Russia–Ukraine conflict situation. But at the same time, CCXI is concerned about the risk of supply-demand imbalances in the context of high government spending and labour shortages, as well as the intensifying pressure of high inflation on Russia's overall credit position.

Benefiting from government spending and domestic demand growth, Russia's economy maintained strong growth momentum under sanctions pressure during 2023–2024, although it faces labor shortages and high inflationary pressures in the short term.

In 2023, the Russian economy grew by 3.6%, driven by government support for enterprises to rebuild supply chains, increased government spending to stimulate domestic demand and channeling oil and gas exports to "friendly countries" to mitigate Western influence on the Russian oil price ceiling. In 2024, Russian government spending remains strong and military-related industries continued to show growth, fueling increased production, consumption and investment, with the economy achieving more than expected growth of 4.3% during the year. In terms of inflation, rising labour prices in the country, driven by high government spending and military subsidies, as well as the devaluation of the rouble as a result of sanctions, have kept inflationary pressures at bay, with an overall inflation rate of 9.5% in 2024. To contain inflation, the Bank of Russia gradually raised its key rate from 7.5% in July 2023 to 21% in October 2024, reaching its highest level in 25 years.

Looking ahead to 2025, whether the Russia-Ukraine conflict continues or not, Russia will maintain high government spending to avoid recession and continue to build up military reserves, while the labour shortage problem could be further exacerbated with tighter migration policies. Inflation is expected to slow slightly under the pressure of high interest rates. Nevertheless, high interest rates may exert some restraint on domestic economic activity, and economic growth is expected to moderate throughout the year.

From a long-term perspective, the substantial expansion of Russia's industrial sector during the conflict has reduced the economy's reliance on the energy sector. Benefiting from the establishment of upstream and downstream military-industrial supply chains, Russia is positioned to gradually exit its wartime economic model over time and progressively restore civilian economic development on the basis of these industrial supply chains.

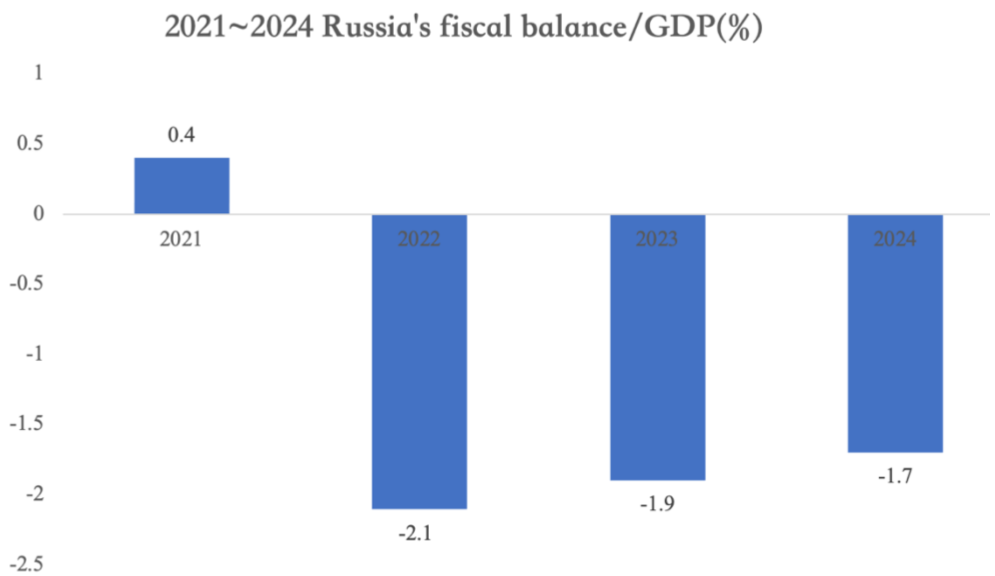


Data source: CCXI

Russia's budget deficit in 2023-2024 has continued to decline, domestic financing and sovereign funds have played a role in reducing the budget deficit, and public debt levels are very low.

In 2023, economic growth has been strong, in addition to the government's imposition of corporate income tax on enterprises in commodity industries such as fuel and energy, metals, from the second half of the year, annual revenue increased by nearly 5% year-on-year. Over the same period, government spending increased by about 4% year-on-year on the back of high defense spending, and the budget deficit narrowed from 2.3% in 2022 to 1.9% in 2023. The share of defense spending in budget expenditures has increased to about 30% in 2024 amid intensifying conflict, while at the same time the government is averting fiscal risks by accepting domestic public donations, raising import duties, income tax and personal income tax. In this context, fiscal revenue and expenditure grew by about 24% and 22% year-on-year, respectively, while the fiscal deficit narrowed further to 1.7%. Looking ahead to 2025, the Russian government plans to further increase defense spending and increase taxes, while the budget deficit in the neutral scenario is expected to remain unchanged year-on-year.

On the debt-burden front, the government has primarily filled its fiscal deficit by issuing bonds on the domestic market and withdrawing from the National Sovereign Wealth Fund, with state - owned banks as the main purchasers. Since the outbreak of the Russia–Ukraine conflict, the government's leverage ratio has risen slightly from a low base; as of end-2024, general government debt stood at about 15% of GDP, a very low level. Meanwhile, Russia's fiscal buffers remain ample—by March 2025, the National Wealth Fund had reached approximately USD 140.4 billion, providing robust support for government withdrawals.



Data source: CCXI

Russia has maintained a current account surplus for years, with available foreign exchange reserves and its National Wealth Fund providing full coverage for external debt maturing in 2025~2026.

In 2023, high oil and gas prices receded and imports rose, causing the current-account surplus to narrow by 78.7% year-on-year to USD50.2 billion, though it still represented 2.4% of GDP. In 2024, complications in foreign-trade settlements, import-substitution policies, and ruble-exchange-rate volatility[1] led to a slight year-on-year drop in imports while exports remained relatively stable; as a result, the current-account surplus grew by

[1] The Russian ruble depreciated by over 15% during 2024. In June 2024, U.S. sanctions on the Moscow Exchange, and in November, sanctions announced by the U.S. Department of the Treasury's Office of Foreign Assets Control (OFAC) against Gazprombank, further accelerated the ruble's decline.

26% year-on-year to over USD62.3 billion, or 2.5% of GDP.

Russia's external debt is very low—USD312.4 billion as of end-March 2025, under 16% of GDP. Usable foreign exchange reserves exceed USD110 billion[2], and about USD40 billion in liquid assets sits in the National Wealth Fund—ample to cover the less-than-USD10 billions of sovereign external debt due in 2025~2026. The method of repayment of the outstanding external debt is clearly defined under the Russian law[3].Russia continues to fulfil its sovereign debt obligations, including sovereign Eurobonds, in full and on time. At the same time, the Russian Ministry of Finance completed the operation to replace Russian Federation government securities[4], further bolstering its external-debt–servicing capacity.

The domestic political situation in Russia is generally stable, and the Russia–Ukraine conflict has reached a de facto stalemate. Since Donald Trump's inauguration, a new geopolitical configuration has begun to take shape.

In March 2024, Putin was successfully re-elected President of Russia, inaugurating a new six-year term, the continuity of Russia's domestic and foreign policy is maintained, and socio-economic development measures in the post-conflict phase will be consistently implemented. Geopolitical risk remains, but as Russia adapts to deep sanctions, the balance of forces in the conflict has largely solidified. U.S.–Russia relations have also thawed relative to U.S.–Ukraine ties, further stabilizing Russia's geopolitical outlook. Since early 2025, under U.S. mediation, Russia and Ukraine have pressed ahead with peace talks, and a first unconditional, direct meeting is slated for mid-May in Istanbul, with positive progress expected by year-end. Given the entrenched nature of the conflict, whether it ends in a peace agreement will have little impact on Russia's overall geopolitical risk. CCXI will pay close attention to the trajectory of Western sanctions relief and its effect on Russia's sovereign credit.

FACTORS THAT COULD LEAD TO AN UPGRADE OF THE RATING:

Tapering or removal of Western sanctions, a marked decline in Russia's geopolitical risk, better-than-expected economic growth prospects, and reduced external-debt–servicing disruptions could lead CCXI to consider raising Russia's sovereign credit rating.

FACTORS THAT COULD LEAD TO A DOWNGRADE OF THE RATING:

An escalation of the Russia–Ukraine conflict that disrupts Russia's economic outlook, a sharp rise in

[2] At the end of 2024, Russia's foreign exchange reserves totaled USD418.4 billion, of which about USD300 billion is frozen.

[3] Putin's Decree No 665 of 9 September 2023 states: Foreign investors holding Russian Eurobonds may provide the National Settlement Depository (NSD) with proof of their ownership of the relevant European bonds; upon registration, the NSD will make payments to foreign investors. In particular, until 14 December 2023, payments will be made in rubles and foreign investors will be able to convert rubles into foreign currency outside Russia without restrictions. From 15 December 2023, payments to foreign investors will be made in foreign currency. From the date of submission of the Euroclear/Clearstream payment order to NSD, Russia will be deemed to have officially fulfilled its obligations to make payments to foreign investors.

[4] In accordance with Putin's Decree No 677 of 8 August 2024, Eurobond holders can transfer their Russian Eurobonds to the account of Russia's central depository body and in return receive alternative sovereign bonds issued in Russia, regulated by Russian law, with similar coupons, maturities and face value. Also, the Ministry of Finance of the Russian Federation will continue to fulfil its obligations to redeem the bonds that have not yet been replaced (https://minfin.gov.ru/ru/press-center?id_4=39503).

government leverage under geopolitical stress, severe erosion of fiscal buffers, significant weakening of governance prospects, or material changes to the debt-servicing framework causing effective sovereign default would prompt CCXI to consider lowering Russia’s sovereign credit rating.