

April 29, 2019

Lead analysts:

Elena Anisimova, Associate Director
+7 (495) 139-0486
elena.anisimova@acra-ratings.ru

Maxim Pershin, Senior Analyst
+7 (495) 139-0485
maxim.pershin@acra-ratings.ru

Key rating assessment factors

ACRA affirms AA+(RU) to the Republic of Tatarstan, changes outlook to Positive

The credit rating of the [Republic of Tatarstan](#) (hereinafter, the Republic) is based on the minimum refinancing risk, high regional economy indicators against national averages, and the high self-sufficiency and flexibility of the regional budget. The rating outlook has been changed on the better assessment of the need to grant targeted financial support to companies and financial institutions of strategic importance for the Republic's economy or those heavily relying on the republican budget. The Agency also notes that the liquidity of the republican budget has grown over the last six months.

The Republic of Tatarstan is a part of the Volga Federal District. The Region's population is 3.9 mln people (2.7% of the Russian population). In 2017, the Republic's GRP amounted to around 2.8% of the total GRP of the Russian regions.

Low credit risk. The Republic's government debt (RUB 94.2 bln as of April 1, 2019) includes budget loans (90% of the total debt) and guarantees (10%) issued by the Republic in 2005 to cover the obligations of [KAMAZ PTC \(ACRA rating: A+\(RU\), outlook Stable\)](#) before the federal budget. In the period under review, the republican debt was lower than the annual operating balance of the Republic, which indicates a low level of credit risk. Almost all liabilities of the Republic fall due in 2023–2036. The debt service costs of the Republic do not exceed 0.1% of the operational balance of the budget. As of April 1, 2019, the amount of funds deposited by the Republic with banks covered 51% of the republican debt.

Well-balanced budget with high self-sufficiency and high capital expenditures. The 2018 budget of the Republic was executed with a surplus of RUB 4.6 bln or 2% of tax and non-tax revenues (TNTR). The high budget self-sufficiency is evidenced by the 86% share of internal revenues (excl. subventions) in the total budget. The share of capital expenditures is traditionally high (38% on average in 2015–2018). According to the current budget law for 2019 (as amended on March 20, 2019), the republican budget deficit is planned at 11.1% of TNTR (RUB 22.9 bln), which will be financed from cash reserves held on budget accounts, without recourse to debt financing. In the last 12 months, the average amount of funds deposited by the Republic with commercial banks has been 1.9 times higher than the planned budget deficit.

Key assumptions

- A limited likelihood of financial support from the Republic to companies and financial institutions of strategic importance for the regional economy or those heavily relying on the republican budget;
- The 2019 budget will be executed without the need to borrow commercial loans.

Potential outlook or rating change factors

The Positive outlook assumes that the rating will most likely be changed within the 12 to 18-month horizon.

A positive rating action may be prompted by:

- Higher transparency and predictability of relations between the Republic and the companies (including financial institutions) of strategic importance for its economy and those heavily relying on the republican budget.

A negative rating action may be prompted by:

- Growing likelihood of extraordinary support by the Republic to public sector companies and financial institutions;
- A significant growth of mandatory budget expenditures;
- A breach of budget loan restructuring rules by the Republic.

Regulatory disclosure

The credit rating was assigned to the Republic of Tatarstan under the national scale for the Russian Federation based on the [Methodology for Credit Ratings Assignment to Regional and Municipal Authorities of the Russian Federation](#) and the [Key Concepts Used by the Analytical Credit Rating Agency Within the Scope of Its Rating Activities](#).

For the first time, the credit rating assigned to the Republic of Tatarstan was published by ACRA on November 17, 2017. The credit rating and credit rating outlook are expected to be revised within 182 days following the publication date of this press release in compliance with the [Calendar of planned sovereign credit rating revisions and publications](#).

The credit rating was assigned based on the data provided by the Government of the Republic of Tatarstan, information from publicly available sources (the Ministry of Finance of Russia, the Federal State Statistics Service, and the Federal Tax Service), as well as ACRA's own databases. The credit rating is solicited, and the Government of the Republic of Tatarstan participated in the rating process.

No material discrepancies between the data provided and the data officially disclosed by the Republic of Tatarstan in its financial reports have been discovered.

ACRA provided no additional services to the Government of the Republic of Tatarstan. No conflicts of interest were discovered in the course of credit rating assignment.

(C) 2019

Analytical Credit Rating Agency (Joint-Stock Company), ACRA (JSC)
75, Sadovnicheskaya embankment, Moscow, Russia
www.acra-ratings.com

The Analytical Credit Rating Agency (ACRA) was founded in 2015, with its 27 shareholders representing major Russian corporate and financial institutions and its authorized capital exceeding RUB 3 bn. ACRA's main objective is to provide the Russian financial market with high-quality rating products. Methodologies and internal documents of ACRA are developed in compliance with the Russian legislation and with regard to global rating industry best practices.

The provided information, including, without limitation, credit and non-credit ratings, rating assessment factors, detailed credit analysis results, methodologies, models, forecasts, analytical reviews and materials, as well as other information placed on the ACRA website (further referred to as Information), coupled with the ACRA website software and other applications, are intended for information purposes only. Information must not be modified, reproduced or distributed by any means, in any way or form, either in whole, or in part, in marketing materials, as part of public relations events, in news bulletins, in commercial materials or reports without a prior written consent from, and reference to, ACRA. Any use of Information in violation of these requirements or the law is prohibited.

ACRA credit ratings reflect ACRA's opinion about the ability of a rated entity to meet its financial obligations or about the credit risk of individual financial obligations and instruments of a rated entity at the time of publication of the relevant Information.

Non-credit ratings reflect ACRA's opinion about certain non-credit risks assumed by interested parties interacting with a rated entity.

The assigned credit and non-credit ratings reflect all material information pertaining to a rated entity and known by ACRA (including the information received from third parties), the quality and reliability of which ACRA considers appropriate. ACRA shall not be responsible for the accuracy of information provided by clients or relevant third parties. ACRA does not audit or otherwise verify the provided data and shall not be held responsible for their accuracy and completeness. ACRA conducts rating analysis of information provided by customers using its own methodologies, with the texts thereof available on ACRA's website – www.acra-ratings.ru/criteria.

No credit rating and/or credit rating outlook is regulated by the Central Bank of the Russian Federation, unless distributed so that such credit rating and/or credit rating outlook is in the public domain.

The only source that reflects the latest Information, including the one about credit and non-credit ratings assigned by ACRA, is ACRA's official website – www.acra-ratings.com. Information is provided on an "as is" basis.

Information shall be considered by users exclusively as ACRA's statement of opinion and must not be regarded as advice, recommendation or suggestion to buy, hold or sell securities or other financial instruments of any kind, nor shall it be viewed as an offer or advertisement.

Neither ACRA, nor its employees and persons affiliated with ACRA (further referred to as the ACRA Parties) provide any direct or implied guarantee expressed in any form or by any means regarding the accuracy, timeliness, completeness or applicability of Information for making investment and other decisions. ACRA does not act as a fiduciary, auditor, investment or financial advisor. Information must be regarded solely as one of the factors affecting an investment decision or any other business decision made by any person who uses ACRA's information. It is essential that each of such persons conduct their own research and evaluation of a financial market participant, as well as an issuer and its debt obligations that may be regarded as an object of purchase, sale or possession. Users of Information shall make decisions on their own, involving their own independent advisors, if they deem it necessary.

ACRA Parties shall not be responsible for any action taken by users based on Information provided by ACRA. ACRA Parties shall under no circumstances be responsible for any direct, indirect or consequential damages or losses resulting from interpretations, conclusions, recommendations and other actions taken by third parties and directly or indirectly connected with such information.

Information provided by ACRA is valid only as of the date of preparation and publication of materials and may be amended by ACRA in the future. ACRA shall not be obliged to update, modify or supplement Information or inform anyone about such actions, unless the latter was recorded separately in a written agreement or is required by the legislation of the Russian Federation.

ACRA does not provide advisory services. ACRA may provide additional services, if this does not create a conflict of interest with rating activities.

ACRA and its employees take all reasonable measures to protect all confidential and/or material non-public information in their possession from fraud, theft, unlawful use or inadvertent disclosure. ACRA provides protection of confidential information obtained in the course of its business activities as required by the legislation of the Russian Federation.