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Key rating assessment  
factors

## ACRA affirms A+(RU) to the Samara Region, outlook Stable, and to bonds issued by the Samara Region

The credit rating of the [Samara Region](#) (the Region) is based on the stable regional economy with a well-diversified sectoral profile, high budget self-sufficiency and high budget liquidity. The debt to operating balance ratio exerts some pressure on the rating.

The Region is located in the Vlga Federal District and ranks 11<sup>th</sup> in the Russian Federation by the gross regional product (GRP). The Region's population is 3.2 mln, 2.6 mln of which reside in the Samara-Togliatti metropolitan area that ranks third in Russia by population after Moscow and St. Petersburg. The Region includes the Togliatti special economic area.

**Well-diversified economy.** The Region's economy hinges on the manufacturing industries and the mining sector (23.4% and 15.4% of the GRP, respectively, in 2016). The manufacturing sector is dominated by automotive, chemical and food industries (35.4%, 16.2% and 12.2%, respectively, of the total production output in 2016). Products manufactured in the Region are in demand on both federal and international markets (exports amount to about 30% of the GRP). According to data for 2014–2017, the average per capita income and the GRP per capita is below the Russian averages by 10% and 12%, respectively. The rate of unemployment (according to ILO methodology) is much lower than the national average.

**Well-balanced budget policy.** According to actual data for 2014–2016 and estimated data for 2017, the tax and non-tax revenues (TNTR) account for about 88% of the total budget revenues in the Region (except subventions), which indicates a high self-sufficiency of budget revenues. In 2014–2016, the share of profit tax in the TNTR was 33.3% and the share of personal income tax was 31.2%. The share of mandatory (as per ACRA methodology) expenditures was 70.6%. The operating balance was stable in 2014–2016 (19% of the regular revenues on average). According to ACRA estimates, the average development budget is 16%. Budget deficit (as percentage of the TNTR) declined from 13.4% in 2014 to 4.8% in 2016. The budget deficit approved for 2017 is 2.5%. According to ACRA estimates, the Region may execute the 2017 budget with a surplus of about 5% of the TNTR.

**The debt to operating balance ratio is at a medium risk level.** The debt portfolio of the Region is dominated by bond loans (63% as of December 01, 2017; maturities fall before 2024). As the Key Rate goes down, the fixed coupon rates under bonds issued earlier do not allow the Region to save much on debt service costs. The share of budget loans is about 32.8% of the total debt portfolio. 34.3% of budget loans will mature in 2023–2035, and another 65.7% of budget loans are expected to be restructured in 2017, after which their maturities would be extended by up to seven years. In 2017, the Region has managed to push down the bank loan debt from RUB 17.2 bln (as of January 01, 2017) to RUB 2.4 bln (as of December 01, 2017), which allowed the Region to save about RUB 1 bln on debt service costs.

**High budget liquidity.** The Region places free budget funds on deposits, which gives additional earnings (about RUB 680 mln in 2017). The amount of undrawn credit facilities was RUB 9 bln as of December 26, 2017.

Key assumptions

- Regular budget revenues exceeding mandatory expenditures;
- Further maintaining the proactive liquidity management policy;
- Restructuring budget loans.

Potential outlook or  
rating change factors

The **Stable outlook** assumes that the rating will most likely stay unchanged within the 12 to 18-month horizon.

**A positive rating action may be prompted by:**

- Economic growth indicators (per capita) outpacing the national average;
- A substantial decline in the debt to operating balance ratio.

**A negative rating action may be prompted by:**

- A declining production output due to deteriorating market conditions;
- A substantial decline in the operating balance;
- An increase in the share of mandatory (as per ACRA methodology) expenditures in the budget profile.

**Issue ratings****ACRA assigned A+(RU) to:**

[The Samara Region, 35009 \(ISIN RU000A0JU2H5\)](#); maturity date: July 31, 2020, issue volume: RUB 8.3 bln;

[The Samara Region, 35010 \(ISIN RU000A0JUQP7\)](#); maturity date: July 01, 2021, issue volume: RUB 12.0 bln;

[The Samara Region, 34011 \(ISIN RU000A0JVK00\)](#); maturity date: June 18, 2020, issue volume: RUB 7.0 bln;

[The Samara Region, 35012 \(ISIN RU000A0JWM56\)](#); maturity date: June 21, 2024, issue volume: RUB 10.0 bln;

[The Samara Region, 35013 \(ISIN RU000A0JXT41\)](#); maturity date: May 31, 2024, issue volume: RUB 10.0 bln.

**Credit rating rationale.** Bonds issued by the Samara Region are a senior unsecured debt, and their credit rating is on par with rating of the [Samara Region](#).

**Regulatory disclosure**

The credit ratings were assigned to the Samara Region and the bonds (ISIN RU000A0JU2H5, RU000A0JUQP7, RU000A0JVK00, RU000A0JWM56, RU000A0JXT41) issued by the Samara Region 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 Analytical Credit Rating Agency within the Scope of Its Rating Activities](#). To assign credit ratings to the bond issues above, ACRA also used the Methodology for Assigning Credit Ratings to Individual Issues of Financial Instruments under the National Scale of the Russian Federation.

The credit rating assigned to the Samara Region was first published by ACRA on December 28, 2016. The credit rating of the Samara Region and its outlook are expected to be revised within 182 days following the rating action date (December 26, 2017) as per the [2017-2018 Calendar of planned sovereign credit rating revisions and publications](#).

The credit rating assigned to the government bonds (ISIN RU000A0JU2H5, RU000A0JUQP7, RU000A0JVK00, RU000A0JWM56) issued by the Samara Region was first published by ACRA on July 07, 2017. The credit rating is expected to be revised within 182 days following the rating action date (December 26, 2017) as per the [2017-2018 Calendar of planned sovereign credit rating revisions and publications](#).

The credit rating assigned to the government bond (ISIN RU000A0JXT41) issued by the Samara Region was first published by ACRA on June 05, 2017. The credit rating is expected to be revised within 182 days following the rating action date (December 26, 2017) as per the [2017-2018 Calendar of planned sovereign credit rating revisions and publications](#).

The credit ratings are based on the data provided by the Samara Region, information from publicly available sources (the Ministry of Finance, the Federal State Statistics Service, and the Federal Tax Service), as well as ACRA's own databases. The credit ratings are solicited, and the Government of the Samara Region participated in their assignment and affirmation.

No material discrepancies between the provided data and the data officially disclosed by the Samara Region in its financial statements have been discovered.

ACRA provided no additional services to the Government of the Samara Region. No conflicts of interest were discovered in the course of credit rating assignment and affirmation.

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