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Key rating assessment
factors

ACRA affirms AAA(RU) to the Tyumen Region, outlook Stable

The credit rating assigned to the [Tyumen Region](#) (hereinafter, the Region) is based on the Region's minimal level of debt load and high budget liquidity. The rating is supported by high flexibility, a balanced budget with a large share of capital expenses, and substantial financial budget reserves.

The Tyumen Region is located in the Urals Federal District. The Region includes the Khanty-Mansiysk Autonomous Okrug-Yugra (KhMAO-Yugra) and the Yamal-Nenets Autonomous Okrug (YaNAO), which are equal administrative subjects of the Russian Federation. The Region's population is 1.5 million (1% of the population of the Russian Federation), not including the population of the autonomous okrugs. The Region's GRP amounts to 1.3% of the total GRP for all regions of the Russian Federation, not including autonomous okrugs.

The single account balance regularly exceeds the accumulated amount of debt. On November 1, 2018, the Region's debt amounted to RUB 2.29 bln. and 89% of it consists of provided guarantees. The remaining 11% (RUB 321 mln.) of the debt portfolio consists of budget loans which are subject to repayment from 2025 to 2034. ACRA draws attention to the large amount of funds in the deposit accounts of the Region, which exceeds several times over the total amount of its debt. As a result, the Region's debt carries a very low level of risk.

Well-balanced budget with a high degree of flexibility and self-sufficiency. The high resistance level of the regional budget to negative external factors is based on its substantial financial reserves. According to the current version of the budget law (dated October 25, 2018), in 2018, the Region's budget will be executed with a deficit of 9.9% of tax and non-tax revenues (RUB 16.4 bln.). The deficit will be financed by the budget account balances without debt financing. However, according to ACRA's assessments, it will not reach its planned values in 2018 due to the growth in tax revenues from oil production companies resulting from the high dollar price of oil and the low ruble exchange rate.

Well-developed economy with large resource potential. The economy of the Tyumen Region is based on hydrocarbon production and processing, which provides for most of the tax revenues. Wholesale trade also accounts for a large share of these revenues, as well as transport, telecommunications, financial activity, and operations in real estate and the provision of services. In addition, major investment projects are conducted in the Region in sectors such as petrochemical, oil refining, oil production, pharmaceuticals, as well as the agricultural industry. Between the public authorities of the Tyumen Region and the autonomous districts exists an agreement (prolonged until December 31, 2025) which regulates, among other things, the implementation of regional programs of social, infrastructure and investment orientation, the results of which can be used by the entire population of the Region (including residents of KhMAO-Yugra and YaNAO). According to this agreement, 29.5% of the financing directed to the Regions budget for the abovementioned programs comes from tax revenues collected from KhMAO-Yugra and YaNAO.

Key assumptions

- Maintaining the agreement between the public authorities of the Tyumen Region and the autonomous districts and retaining until at least December 31, 2025, the current proportions of tax revenue distribution (collected from KhMAO-Yugra and YaNAO) to the Region's budget.
- Balanced policy on budget expenses;
- Conservative debt policy.

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 negative rating action may be prompted by:

- A change in budget expense management policy in favor of increasing current expenses;
- A significant change in the configuration of inter-budgetary relations in the Russian Federation.

Regulatory disclosure

The credit rating was assigned to the Tyumen 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 the Analytical Credit Rating Agency Within the Scope of Its Rating Activities](#).

The credit rating of the Tyumen Region was first published by ACRA on November 21, 2017. The credit rating and its outlook are expected to be revised within 182 days following the rating action date (November 16, 2018) in accordance with the [2018 Calendar of planned sovereign credit rating revisions and publications](#).

The assigned credit rating is based on the data provided by the Tyumen Region Government, 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 rating is solicited, and the Tyumen Region Government participated in its assignment.

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

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

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