

April 30, 2021

Lead analysts:

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

Ilya Tsypkin, Senior Analyst
+7 (495) 139-0345
ilya.tsypkin@acra-ratings.ru

Key rating assessment factors

Key assumptions

Potential outlook or rating change factors

ACRA affirms AAA(RU) to Saint Petersburg, outlook Stable, and AAA(RU) to bond issues

The credit rating of [Saint Petersburg](#) (hereinafter, the City) is based on the City's well-developed economy, balanced budget structure, low debt load, and high budget liquidity.

Saint Petersburg is a city of federal importance and home to 3.7% of Russia's population. The City's gross regional product is about 5% of Russia's total GRP.

Low current and projected debt load. In 2020, the City's debt to current revenues ratio (as per ACRA's methodology) grew from 5% to 13%, which was caused by the need to cover the budget deficit of RUB 40 bln that arose due to higher (+9%) expenditures to fight the pandemic. As of the end of 2021, this ratio may go up to 27% in view of new borrowings to finance the budget deficit stipulated by the City's budget law. Such ratio indicates a low debt load. ACRA expects that the City's debt load will remain below 50% of TNTR in 2021–2023. As of April 1, 2021, the City's debt was composed exclusively of bond loans with maturities in 2022–2028. Debt service costs are not burdensome for the City's budget.

High budget liquidity. The City fulfills its expenditure obligations on time and regularly deposits temporarily free funds with banks and via repo transactions secured by federal bond loans and the City's bonds. As of April 1, 2021, the City's temporarily free funds were comparable to average monthly budget expenditures for 2020.

Balanced budget structure and sufficient budget discipline. The City's budget is highly self-sustainable. For 2017–2021, the averaged¹ ratio of TNTR to internal revenues (excluding subventions) should amount to 97%. Capital expenditures should average 18% of total spending (excluding subventions) for the aforementioned period. In 2017–2021, the average current account balance to current revenues ratio should equal 10%, and the ratio of the average modified budget deficit to current revenues should amount to -6%. These indicators show that current revenues is sufficient to cover current expenditures and indicate the need for borrowing to finance capital expenditures.

The City's highly developed economy provides for a diversified tax base. Per-capita GRP in Saint Petersburg is consistently higher than the national average by 30–50%. Tax revenue is highly diversified in terms of sectors: according to ACRA, the average estimate of the maximum share of one industry in the City's tax revenues in 2017–2020 did not exceed 16%. Unemployment is consistently low and did not exceed 3% in the aforementioned period (2017–2020). The average monthly wage was five times higher than the City's subsistence minimum in 2020.

- 1% increase in the City's TNTR in 2021 compared to 2020;
- The 2021 budget deficit of no more than 15% of TNTR;
- Lower expenditures should actual revenues decline compared to target revenues;
- Maintaining a conservative debt policy;
- Maintaining a high budget liquidity.

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:

- Debt load going above 30% of the City's current revenues;
- Significant fall in available liquidity.

¹ Hereinafter, averages are calculated according to the [Methodology for Credit Ratings Assignment to Regional and Municipal Authorities of the Russian Federation](#).

Issue ratings

[Saint Petersburg, 35001 \(ISIN RU000A0ZYHX8\)](#); maturity date: May 28, 2025, issue volume: RUB 30 bln — **AAA(RU)**.

[Saint Petersburg, 35002 \(ISIN RU000A0ZYKJ1\)](#); maturity date: December 4, 2026, issue volume: RUB 25 bln — **AAA(RU)**.

[Saint Petersburg, 35003 \(ISIN RU000A102A15\)](#); maturity date: April 13, 2027, issue volume: RUB 30 bln — **AAA(RU)**.

[Saint Petersburg, 35004 \(ISIN RU000A102K88\)](#); maturity date: September 28, 2028, issue volume: RUB 30 bln — **AAA(RU)**.

Rationale. In ACRA's opinion, the bonds of Saint Petersburg are senior unsecured debt instruments, the credit ratings of which correspond to the credit rating of [Saint Petersburg](#).

Regulatory disclosure

The credit ratings have been assigned to Saint Petersburg and the bonds (ISIN RU000A0ZYHX8, RU000A0ZYKJ1, RU000A102A15, RU000A102K88) issued by Saint Petersburg 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](#). To assign credit ratings to the above bond issues, the [Methodology for Assigning Credit Ratings to Individual Issues of Financial Instruments under the National Scale for the Russian Federation](#) was also applied.

The credit ratings of Saint Petersburg and the bonds (ISIN RU000A0ZYHX8, RU000A0ZYKJ1, RU000A102A15, RU000A102K88) issued by Saint Petersburg were published by ACRA for the first time on June 27, 2017, December 4, 2017, December 12, 2017, October 22, 2020, and December 17, 2020, respectively. The credit ratings of Saint Petersburg and the bonds (RU000A0ZYHX8, RU000A0ZYKJ1, RU000A102A15, RU000A102K88) issued by Saint Petersburg are expected to be revised within 182 days following the publication date of this press release as per the [Calendar of planned sovereign credit rating revisions and publications](#).

The credit ratings were assigned based on the data provided by Saint Petersburg, 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 Saint Petersburg participated in their assignment.

In assigning the credit ratings, ACRA used only information, the quality and reliability of which was, in ACRA's opinion, appropriate and sufficient to apply the methodologies.

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

(C) 2021

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 bln. 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 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 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.com/criteria.

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 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 legislation of the Russian Federation.