

ACRA AFFIRMS BBB(RU) TO THE TOMSK REGION, CHANGES OUTLOOK TO POSITIVE, AND AFFIRMS BBB(RU) TO BOND ISSUES

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The credit rating of the **Tomsk Region** (hereinafter, the Region) is based on the moderate debt load in relation to the Region's operating revenues, average regional economic development compared to the national average, moderate budget profile indicators, and low liquidity.

The credit rating outlook has been changed due to an expected change in the debt repayment schedule as a result of processes to replace part of the Region's commercial debt with a long-term budget loan and reduce medium-term risks of refinancing debt obligations.

The Tomsk Region is located in the Siberian Federal District and is home to 1.1 mln people (0.7% of the Russian population). In 2019, the Region's GRP amounted to RUB 623 bln, about 0.7% of the total GRP for all regions of the Russian Federation. Almost a third of the Region's territory is unpopulated due to the large area of wetlands and forests. Tomsk is a major educational center and in 2019 the Region ranked third after St. Petersburg and Moscow in terms of the number of students per 10,000 inhabitants among Russia's regions.

KEY ASSESSMENT FACTORS

Moderate debt load and an expected decline in debt refinancing risks. According to the Agency's assessments, in 2021 the ratio of the Region's debt to current revenues (as per ACRA's methodology) may amount to around 60%, which indicates a moderate debt load.

In 2021, the Russian Government restructured a budget loan provided to the Region the year before to finance a Federal Treasury Department (FTD) loan. In addition, around 60% of the Region's commercial debt will be replaced by a long-term budget loan. Part of the commercial debt that is to be replaced comprises bonds that the Region will have to buy back.

These measures will help to reduce the risks of refinancing the Region's debt obligations and lower interest expenses on servicing debts. The averaged¹ level of interest expenses in 2018–2022 currently equals 3% of total budget expenses (excluding subventions).

As of October 1, 2021, bonds accounted for 39% of the Region's debt obligations, while budget loans that are to be repaid by 2034 accounted for the remaining share of debt. As of the same date, the Region has to repay around a quarter of its debt in 2021–2022.

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

The Region also issues bonds that are available for purchase by the general public and may be repaid before their maturity date. These bonds accounted for 19% of the Region's total bonds as of October 1, 2021.

Account balances exceeded the regional budget's average monthly expenses in 8M 2021 by more than 2x as of October 1, 2021. This increase in the size of account balances is largely due to the time lag between receiving the budget loan and repaying commercial borrowings. The Region uses short-term budget loans from the FTD to manage liquidity.

Moderate budget profile indicators. The averaged share of internal revenues of the Region in 2018–2022 will equal 72%. The averaged share of capital expenses in the aforementioned period will amount to around 15% of total expenses (excluding subventions). In 2018–2022, the averaged ratio of the balance of current operations to current revenues (according to ACRA's methodology) will stand at 6%, and the ratio of the averaged modified budget deficit to operating revenues will amount to -7%. These indicators show that although operating revenues are sufficient to cover current expenses, it will be necessary to resort to borrowing to finance capital expenses.

The 2021 budget law foresees execution of the budget with a 10% deficit of tax and non-tax revenues (TNTR). Over 8M 2021, budget revenues increased by 11% compared to the same period in 2020, and TNTR grew by 16%. Expenses grew by 5% in the aforementioned period. The Region recorded an intermediate deficit of RUB 2 bln as of 8M 2021 (vs. a RUB 4.8 bln intermediate deficit as of 8M 2020).

The Region's economy is dependent on oil production. More than a quarter of the Region's GRP (27.5% in 2019) comes from mining operations, mainly oil. Deterioration in the structure of remaining reserves, production in highly developed fields, and an increase in the share of hard-to-recover reserves have led to a decline in oil production in the Region over the past six years. GRP per capita remains below the national average (89% in 2019). Unemployment in the Region fell from 9.1% in 2011 to 5.5% in 2019. However, in 2020 it grew to 8.7%. The average monthly wage to subsistence wage ratio for the working-age population in the Region exceeded 3.8x in 2020.

KEY ASSUMPTIONS

- Using the budget loan received to replace commercial debt solely to repay the Region's commercial borrowings;
- Execution of the budget in 2021 with a deficit of no more than 12% of TNTR;
- TNTR growing by 28% in 2021 and 4% in 2022;
- Reduction of capital expenses if the revenue target is not achieved.

POTENTIAL OUTLOOK OR RATING CHANGE FACTORS

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

A positive rating action may be prompted by:

- Improved debt repayment schedule (lower risk of refinancing a significant portion of the debt to be repaid within two years);
- Lower reliance on external sources of liquidity;
- Debt load falling below 55% of operating revenues.

A negative rating action may be prompted by:

- A shift in the Region’s debt policy toward using short-term debt instruments;
- Debt load exceeding 80% of current revenues.

ISSUE RATINGS

Tomsk Region, 34055 (ISIN RU000A0JW1K9), maturity date: June 19, 2023, issue volume: RUB 7 bln — **BBB(RU)**.

Tomsk Region, 34062 (ISIN RU000A0ZYMJ7), maturity date: December 19, 2024, issue volume: RUB 7 bln — **BBB(RU)**.

Tomsk Region, 35067 (ISIN RU000A1024L7), maturity date: July 23, 2027, issue volume: RUB 20 bln — **BBB(RU)**.

Rationale. In ACRA’s opinion, the bonds of the Tomsk Region are senior unsecured debt instruments, the credit ratings of which correspond to the credit rating of the **Tomsk Region**.

REGULATORY DISCLOSURE

The credit ratings of the Tomsk Region and the bond issues of the Tomsk Region (RU000A0JW1K9, RU000A0ZYMJ7, RU000A1024L7) have been assigned under the national scale for the Russian Federation based on the [Methodology for Assigning Credit Ratings to Regions and Municipal Entities of the Russian Federation](#) and the [Key Concepts Used by the Analytical Credit Rating Agency Within the Scope of Its Rating Activities](#). The [Methodology for Assigning Credit Ratings to Individual Issues of Financial Instruments on the National Scale for the Russian Federation](#) was also applied to assign credit ratings to the above issues.

The credit rating of the Tomsk Region and the credit ratings of the government securities of the Tomsk Region (RU000A0JW1K9, RU000A0ZYMJ7, RU000A1024L7) were published by ACRA for the first time on April 10, 2018, April 10, 2018, April 10, 2018, and May 13, 2021, respectively. The credit rating of the Tomsk Region and its outlook and the credit ratings of the government securities of the Tomsk Region (RU000A0JW1K9, RU000A0ZYMJ7, RU000A1024L7) are expected to be revised within 182 days following the publication date of this press release as per the [Calendar of sovereign credit rating revisions and publications](#).

The credit ratings were assigned based on data provided by the Administration of the Tomsk Region, information from publicly available sources (the Ministry of Finance, the Federal State Statistics Service, and the Federal Tax Service), and ACRA’s own databases. The credit ratings are solicited, and the Administration of the Tomsk Region 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 Administration of the Tomsk Region. No conflicts of interest were discovered in the course of credit rating assignment.

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