

Rating Action: Moody's Interfax takes rating actions on Russian sub-sovereigns

Global Credit Research - 22 Oct 2014

Moscow, October 22, 2014 -- Moody's Interfax Rating Agency has today affirmed the national scale ratings of 17 Russian regions and municipalities, and one government-related issuer. These rating actions follow Moody's downgrade of Russia's government bond rating to Baa2 from Baa1 on 17 October 2014. For additional information, please refer to the related announcement: https://www.moody's.com/research/--PR_310632.

A full list of affected issuers and credit ratings can be found at the end of this press release.

Please see ratings tab on the issuer/entity page on moodys.com for information on Global Scale Rating.

RATINGS RATIONALE

---RATIONALE FOR AFFIRMATION

Moody's Interfax has affirmed the national scale ratings of Moscow City, St. Petersburg City, SUE Vodokanal of St. Petersburg, Moscow Oblast, Khanty-Mansiysk AO, Samara Oblast, Belgorod Oblast, Chuvashia Republic, Komi Republic, Krasnodar Krai, Krasnoyarsk Krai, Nizhniy Novgorod Oblast, Omsk Oblast, Vologda Oblast, Mordovia Republic, Krasnodar City, Omsk City and Volgograd City. The rating action reflects these entities' capacity to withstand moderate systemic pressure.

Moody's Interfax notes that Russian regions usually demonstrate adequate capacity to manage short-term refinancing risks during periods of greater systemic risk, aided both by the national government's liquidity access mechanism for RLGs (which helps to offset immediate liquidity pressures) and by ongoing lending from state-owned banks. The RLGs' debt structure, which is almost free of foreign currency risk, and the lengthening of maturities on local currency borrowings also help mitigate refinancing risks.

WHAT COULD CHANGE THE RATINGS UP/DOWN

Downward pressure may arise from a rapid deterioration in financial metrics, leading to increasing idiosyncratic risks.

In turn, upward pressure for non-Aaa.ru issuers could result from improving individual financial profiles of the above-mentioned sub-sovereigns, such as a significant debt reduction and/or structurally balanced budgets and improving liquidity profiles.

RATINGS AFFECTED

Moscow, City of: issuer rating of Aaa.ru affirmed.

St.Petersburg, City of: issuer and debt ratings of Aaa.ru affirmed.

SUE Vodokanal of St. Petersburg: issuer rating of Aaa.ru affirmed.

Belgorod, Oblast of: issuer and debt ratings of Aa2.ru affirmed.

Krasnodar, Krai of: issuer and debt ratings of Aa1.ru affirmed.

Khanty-Mansiysk AO: issuer rating of Aaa.ru affirmed.

Samara, Oblast of: issuer and debt ratings of Aa1.ru affirmed.

Chuvashia, Republic of: issuer and debt ratings of Aa2.ru affirmed.

Komi, Republic of: issuer rating of Aa2.ru affirmed.

Krasnoyarsk, Krai of: issuer rating of Aa2.ru affirmed.

Moscow, Oblast of: issuer rating of Aa2.ru affirmed.

Nizhniy Novgorod, Oblast: issuer rating of Aa2.ru affirmed.

Omsk, Oblast of: issuer rating of Aa2.ru affirmed.

Vologda, Oblast of: issuer rating of Aa3.ru affirmed.

Mordovia, Republic of: issuer and debt ratings of A1.ru affirmed.

Krasnodar, City of: issuer rating of Aa2.ru affirmed.

Omsk, City of: issuer rating of Aa3.ru affirmed.

Volgograd, City of: issuer rating of Aa3.ru affirmed.

The sovereign action required the publication of this credit rating action on a date that deviates from the previously scheduled release date in the sovereign release calendar, published on www.moody.com.

Specific economic indicators as required by EU regulation are not applicable for these entities.

On 17 October 2014, a rating committee was called to discuss the ratings of Russian sub-sovereign entities. The main points raised during the discussion were: The systemic risk in which the issuers operate has materially increased.

The principal methodology used in rating Russia RLGs was Regional and Local Governments published in January 2013. The principal methodology used in rating Russia GRIs was Government-Related Issuers: Methodology Update published in July 2010. Please see the Credit Policy page on www.moody.com for a copy of these methodologies

The weighting of all rating factors is described in the methodology used in this rating action, if applicable.

Moody's Interfax Rating Agency's National Scale Ratings (NSRs) are intended as relative measures of creditworthiness among debt issues and issuers within a country, enabling market participants to better differentiate relative risks. NSRs differ from Moody's global scale ratings in that they are not globally comparable with the full universe of Moody's rated entities, but only with NSRs for other rated debt issues and issuers within the same country. NSRs are designated by a ".nn" country modifier signifying the relevant country, as in ".ru" for Russia. For further information on Moody's approach to national scale ratings, please refer to Moody's Rating Methodology published in June 2014 entitled "Mapping Moody's National Scale Ratings to Global Scale Ratings".

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Moody's Interfax Credit rating Agency (MIRA) specializes in credit risk analysis in Russia. MIRA is a joint-venture between Moody's Investors Service, a leading provider of credit ratings, research and analysis covering debt instruments and securities in the global capital markets, and the Interfax Information Services Group. Moody's Investors Service is a subsidiary of Moody's Corporation (NYSE: MCO).

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Vladlen Kuznetsov
Vice President - Senior Analyst
Sub-Sovereign Group
Moody's Interfax Rating Agency
7th floor, Four Winds Plaza
21 1st Tverskaya-Yamskaya St.
Moscow 125047
Russia
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

David M Rubinoff
MD - Sub-Sovereigns
Sub-Sovereign Group
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

Releasing Office:
Moody's Interfax Rating Agency
7th floor, Four Winds Plaza
21 1st Tverskaya-Yamskaya St.
Moscow 125047
Russia
JOURNALISTS: 44 20 7772 5456
SUBSCRIBERS: 44 20 7772 5454

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