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Russian City of Novosibirsk Seven-Year RUB5 Billion Bond Rated 'BB/ruAA'

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MOSCOW (Standard & Poor's) July 30, 2013--Standard & Poor's Ratings Services said today that it had assigned its 'BB' long-term and 'ruAA' Russia national scale issue ratings to the amortizing senior unsecured seven-year bond of Russian ruble (RUB) 5 billion (about \$160 million) to be issued by Russia's City of Novosibirsk (BB/Positive /--; Russia national scale 'ruAA').

The bond will have 25 quarterly fixed-rate coupons and an amortizing repayment schedule. In 2014, 15% of the bond is scheduled for redemption, a further 10% should be repaid in 2015, 25% in 2017, 25% in 2018, 15% in 2019, and the remaining 10% in 2020.

The ratings on Novosibirsk are constrained by what we see as limited financial flexibility and predictability, mostly resulting from Russia's developing and unbalanced public finance system, and low economic productivity. These constraints are mitigated by Novosibirsk's moderate debt, "neutral" liquidity supported by prudent debt management, and the city's improved budgetary performance achieved through cost discipline.

The positive outlook on Novosibirsk reflects our opinion of the increased likelihood that Novosibirsk will continue its budgetary and liquidity policies over the next 18-24 months, despite spending pressure and a cycle of elections starting in 2014. The outlook also factors in higher chances of improving liquidity thanks to the city's stronger cash generation capacity.

RELATED CRITERIA AND RESEARCH

- Methodology For Rating International Local And Regional Governments, Sept. 20, 2010

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