

Fitch Assigns City of Buenos Aires Proposed Bond 'CCC(EXP)' Expected Rating

Fitch Ratings-Monterrey-10 February 2015. Fitch Ratings has assigned an expected long-term rating of 'CCC(exp)' to the City of Buenos Aires's (CBA) new bond.

The bond will be issued up to USD500 million under a USD2.3 billion EMTN Program. This note is denominated in USD, to accrue a fixed interest rate to be determined at issuance and payable on a semi-annual basis. The maturity of the bond will be six years, having annual payments in the last three years. The bond will be a senior unsecured obligation of the CBA.

The City intends to use the net proceeds of the issue under the Series 11 Notes to make the bullet payment of the Series 8 issue for an amount of USD475 million, due in April 6, 2015.

KEY RATING DRIVERS

Fitch has assigned a long-term rating of 'CCC(exp)' in line with the city's IDR ('CCC'). The rating of the CBA considers its adequate fiscal and budgetary performance, generating sound operating margins over the last years despite the pressures on operating expenditures; it maintains high financial flexibility, adequate leverage and sustainability ratios; and it is Argentina's primary economic and financial center. The CBA's ratings are constrained by the sovereign's country ceiling.

Regarding debt, at year-end 2014, CBA's outstanding direct debt amounted to ARS 18,302 million, 53.4% higher than 2013. The CBA's unfavourable debt structure, having 96.9% in foreign currency, is a limitation since debt growth is mostly explained by ARS depreciation over 30% against the USD in 2014, but at the same time this has been somewhat mitigated by a high inflationary environment that has fuelled tax growth. Debt represented 33.9% of the current revenues and 2.8 times the operating balance budgeted for 2014, which still compares favourably with the provincial average of 38.8% and 4.5x (2013), respectively.

The city's direct debt has been increasing since 2009, largely associated with the execution of investment projects; however, its debt profile is still adequate and in line with the current rating level.

Currently, the largest debt service payments are scheduled for 2015 and 2017 due to the maturity of notes paying face value on those years (Series 8 and 10). This new bond will liberate

financial pressures to the City and will improve its debt maturity profile.

RATING SENSITIVITIES

The final rating is contingent upon the receipt of final documents conforming to information already received.

A rating action would be triggered in the event of a rating action on the issuer.

The presale report is available at www.fitchratings.com.

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