



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

Fitch Ratings-Monterrey-18 May 2016: Fitch Ratings has assigned an expected long-term rating of 'B(exp)' to the City of Buenos Aires's (the CBA) proposed bond.

The bond will be issued up to USD890 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 is estimated to be of 10 years, with equal annual payments of USD296.7 million 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 new issue under the Series 12 Notes for infrastructure investments and for the refinancing of Series 10 Notes in up to USD390 million, out of the USD415 million due on March 1, 2017.

KEY RATING DRIVERS

Fitch has assigned a long-term rating of 'B(exp)' in line with the issuer's long-term rating ('B'/Stable Outlook). The rating of the CBA considers its adequate fiscal and budgetary performance, generating good operating margins that averaged 12.9% of its current revenues over the last five years despite the pressures on operating expenditures. The CBA maintains manageable debt and sustainability ratios and it is Argentina's primary political and economic center. The main constraints of the rating are the sovereign rating and the CBA's unfavourable debt structure, having 92.1% in unhedged foreign currency.

At year-end 2015, debt grew by 71.7% compared to 2014, due to higher debt on government securities and the effect of currency devaluation. According to preliminary information, outstanding direct debt totalled ARS31,432.3 million, which represented 38.9% of current revenues and 3.6x of the current balance. In Fitch's opinion, even though the growth was significant, debt levels are still appropriate. Also, considering the use of authorized debt for 2016, debt will represent 32% of budgeted operating revenues.

The city's direct debt has been increasing since 2009, largely associated with the execution of investment on public works in a macroeconomic context of limited capital sources. Nonetheless, the CBA's debt profile is still in line with its current rating level. On average, during the last five years, CBA's capital expenditure represented 14.7% of its total expenses. The new issuance will alleviate debt service pressure in the short term and extend 2017 maturities towards a longer and more manageable term, according to the CBA's projections.

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.

Contact:
Primary Analyst
Humberto Panti

+52 81 8399 9100
Senior Director
Prol. Alfonso Reyes 2612
Monterrey, N.L. Mexico

Natalia Etienne
Analyst
+52 81 8399 9100

Committee Chairperson
Christophe Parisot
Managing Director
+33 1 44 29 91 34

Media Relations: Elizabeth Fogerty, New York, Tel: +1 (212) 908 0526, Email:
elizabeth.fogerty@fitchratings.com.

Date of Relevant Rating Committee: March 29, 2016.

Additional information is available at 'www.fitchratings.com'.

Applicable Criteria

International Local and Regional Governments Rating Criteria - Outside the United States - Effective from 18 May 2015 – 18 April 2016 (pub. 18 May 2015)

([https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?](https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=865254&cft=eyJ0eXAiOiJKV1QiLCJhbGciOiJIUzI1NiJ9.eyJleHAiOiE0NjM3Mjg5NDEsInNlc3Npb25LZXkiOiJHU0xRTVhRSE1BSU9XREJEVzEyRjBMVUROTExCVVBWk5DQ1dYUTNXIn0.jsZtXdlTvfz_qSYOhE32FWZg2fsyUsBwnzgQ3rWslN8)

[rpt_id=865254&cft=eyJ0eXAiOiJKV1QiLCJhbGciOiJIUzI1NiJ9.eyJleHAiOiE0NjM3Mjg5NDEsInNlc3Npb25LZXkiOiJHU0xRTVhRSE1BSU9XREJEVzEyRjBMVUROTExCVVBWk5DQ1dYUTNXIn0.jsZtXdlTvfz_qSYOhE32FWZg2fsyUsBwnzgQ3rWslN8](https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=865254&cft=eyJ0eXAiOiJKV1QiLCJhbGciOiJIUzI1NiJ9.eyJleHAiOiE0NjM3Mjg5NDEsInNlc3Npb25LZXkiOiJHU0xRTVhRSE1BSU9XREJEVzEyRjBMVUROTExCVVBWk5DQ1dYUTNXIn0.jsZtXdlTvfz_qSYOhE32FWZg2fsyUsBwnzgQ3rWslN8))

Tax-Supported Rating Criteria -- Effective August 14, 2012 to April 18, 2016 (pub. 14 Aug 2012)

([https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?](https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=686015&cft=eyJ0eXAiOiJKV1QiLCJhbGciOiJIUzI1NiJ9.eyJleHAiOiE0NjM3Mjg5NDEsInNlc3Npb25LZXkiOiJHU0xRTVhRSE1BSU9XREJEVzEyRjBMVUROTExCVVBWk5DQ1dYUTNXIn0.jsZtXdlTvfz_qSYOhE32FWZg2fsyUsBwnzgQ3rWslN8)

[rpt_id=686015&cft=eyJ0eXAiOiJKV1QiLCJhbGciOiJIUzI1NiJ9.eyJleHAiOiE0NjM3Mjg5NDEsInNlc3Npb25LZXkiOiJHU0xRTVhRSE1BSU9XREJEVzEyRjBMVUROTExCVVBWk5DQ1dYUTNXIn0.jsZtXdlTvfz_qSYOhE32FWZg2fsyUsBwnzgQ3rWslN8](https://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=686015&cft=eyJ0eXAiOiJKV1QiLCJhbGciOiJIUzI1NiJ9.eyJleHAiOiE0NjM3Mjg5NDEsInNlc3Npb25LZXkiOiJHU0xRTVhRSE1BSU9XREJEVzEyRjBMVUROTExCVVBWk5DQ1dYUTNXIn0.jsZtXdlTvfz_qSYOhE32FWZg2fsyUsBwnzgQ3rWslN8))

Additional Disclosures

Solicitation Status (https://www.fitchratings.com/gws/en/disclosure/solicitation?pr_id=1004680)

Endorsement Policy (<https://www.fitchratings.com/jsp/creditdesk/PolicyRegulation.faces?context=2&detail=31>)

ALL FITCH CREDIT RATINGS ARE SUBJECT TO CERTAIN LIMITATIONS AND DISCLAIMERS. PLEASE READ THESE LIMITATIONS AND DISCLAIMERS BY FOLLOWING THIS LINK:

[HTTP://FITCHRATINGS.COM/UNDERSTANDINGCREDITRATINGS](http://fitchratings.com/understandingcreditratings)

(<http://fitchratings.com/understandingcreditratings>). IN ADDITION, RATING DEFINITIONS AND THE TERMS OF USE OF SUCH RATINGS ARE AVAILABLE ON THE AGENCY'S PUBLIC WEBSITE 'WWW.FITCHRATINGS.COM'. PUBLISHED RATINGS, CRITERIA AND METHODOLOGIES ARE AVAILABLE FROM THIS SITE AT ALL TIMES. FITCH'S CODE OF CONDUCT, CONFIDENTIALITY, CONFLICTS OF INTEREST, AFFILIATE FIREWALL, COMPLIANCE AND OTHER RELEVANT POLICIES AND PROCEDURES ARE ALSO AVAILABLE FROM THE 'CODE OF CONDUCT' SECTION OF THIS SITE. FITCH MAY HAVE PROVIDED ANOTHER PERMISSIBLE SERVICE TO THE RATED ENTITY OR ITS RELATED THIRD PARTIES. DETAILS OF THIS SERVICE FOR RATINGS FOR WHICH THE LEAD ANALYST IS BASED IN AN EU-REGISTERED ENTITY CAN BE FOUND ON THE ENTITY SUMMARY PAGE FOR THIS ISSUER ON THE FITCH WEBSITE.

Endorsement Policy - Fitch's approach to ratings endorsement so that ratings produced outside the EU may be used by regulated entities within the EU for regulatory purposes, pursuant to the terms of the EU Regulation with respect to credit rating agencies, can be found on the EU Regulatory Disclosures (<https://www.fitchratings.com/regulatory>) page. The endorsement status of all International ratings is provided within the entity summary page for each rated entity and in the transaction detail pages for all structured finance transactions on the Fitch website. These disclosures are updated on a daily basis.