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City of Buenos Aires' Proposed Notes For Up To \$500 Million Rated 'CCC-'

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NEW YORK (Standard & Poor's) Feb. 9, 2015--Standard & Poor's Ratings Services said today it assigned its 'CCC-' issue-level rating to the city of Buenos Aires' (CCC-/Negative/--) proposed up to \$500 million senior unsecured notes. The amortizing notes, pursuant to the city of Buenos Aires' medium-term note program (series 11), will mature in 2021 and will be denominated in dollars. The proceeds of the note issuance will be used to pay off the city's \$475 million notes due April 6, 2015.

The foreign currency rating on the city of Buenos Aires reflects our 'CCC-' transfer and convertibility (T&C) risk assessment for the country. Therefore, we cap our ratings on the city and on its notes at the same level as that on the T&C assessment. Despite the significant foreign exchange restrictions prevailing in Argentina, public and private entities have not faced direct constraints to access foreign exchange to pay down international notes. However, pressure continues on Argentina's external liquidity, particularly due to the sovereign's prolonged default since July 30, 2014. In our view, we have fully incorporated these risks in our 'CCC-' foreign currency rating on the city.

Including the \$500 million issuance, we expect the city's total debt stock to surpass Argentine peso (ARP) \$22.6 billion or about 36% of the city's estimated 2014 operating revenues, compared with 29% estimated at the end of 2014. However, this increase in the city's debt stock will reverse once the city repays its \$475 million notes in April of this year. Therefore, we don't believe this additional debt will hurt the city's financial profile, and we

expect the city's low debt levels will continue to support its creditworthiness.

The rating on the city of Buenos Aires also reflects the challenges of operating amid low GDP growth, high inflation, and a significant degree of uncertainty over the central government's medium-term financial policies. Additionally, the rating reflects the city's good fiscal performance, with operating balances of about 15% of operating revenues expected over the next three years, and a high degree of fiscal independence from the central government.

RATINGS LIST

City of Buenos Aires

Foreign currency	CCC-/Negative/--
Local currency	CCC-/Negative/--

Ratings Assigned

Sen unsecured nts for up to \$500 mil due 2021 CCC-

RELATED CRITERIA AND RESEARCH

Criteria

- Institutional Framework Assessment For Non-U.S. Local And Regional Governments, June 30, 2014
- Methodology for Rating Non-U.S. Local and Regional Governments, June 30, 2014
- Ratings Above The Sovereign—Corporate and Government Ratings: Methodology And Assumptions, Nov. 19, 2013
- Criteria for Assigning 'CCC+', 'CCC', 'CCC-' And 'CC' Ratings, Oct. 1, 2012
- Methodology And Assumptions For Analyzing The Liquidity Of Non-U.S. Local and Regional Governments And Related Entities And For Rating Their Commercial Paper Programs, Oct. 15, 2009
- Methodology: Criteria for Determining Transfer and Convertibility Assessments, May 18, 2009
- Methodology: Rating A Regional Or Local Government Higher Than Its Sovereign, Sept. 9, 2009

Research

- Credit FAQ: How Argentina's Selective Default Is Affecting The Economy And Subnational Governments' Credit Quality, Aug. 29, 2014
- Local Currency Ratings On Four Argentinean Subnational Governments Cut To 'CCC-' From 'CCC+' On Restricted Liquidity, Aug. 20, 2014

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