

**Announcement: Moody's rates Province of Buenos Aires' US\$250 mm bonds B3/A3.ar**

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**Global Credit Research - 19 Jul 2011**

Buenos Aires, July 19, 2011 -- Moody's Investors Service has assigned a rating of B3 (Global Scale, foreign currency) to US\$250 million senior unsecured global bonds issued by the Province of Buenos Aires. Moody's Latin America has assigned a rating of A3.ar (Argentina National Scale) to these bonds. The bonds are to be offered as a second reopening of a US\$550 million senior unsecured global issue that was sold in October 2010 (rated B3/A3.ar). The first reopening was also sold in October 2010 and comprised US\$250 million bonds. The original issue and the two subsequent additional offers form together a single series of US\$1.05 billion bonds.

**RATINGS RATIONALE**

This second additional bond issuance has been authorized by the provincial executive branch of the province and approved by the Argentine Ministry of Economy. The bullet-maturity bonds, which constitute direct, unconditional, unsecured and unsubordinated obligations of the province, are denominated in US dollars and will pay a fixed annual interest rate of 11.75% on a semi-annual basis, beginning in October 2011.

"The ratings assigned to the bonds are in line with the province's issuer ratings (B3/A3.ar), which reflect structural fiscal imbalances and ongoing spending pressures facing the province. This has been reflected in the province's weaker financial performance since 2005", said Moody's Analyst Patricio Esnaola. "The ratings also take into account the province's financial dependence on the federal government (rated B3, stable), including both the importance of federal transfers in the provinces' revenue stream as well as its reliance on federal debt financing to pay off debt as it matures", said Esnaola.

This additional bond issuance represents less than 2% of the province of Buenos Aires' total debt and has already been factored into the province's rating, as has Moody's expectation that the province will borrow up to an additional AR\$4 billion this year. According to the 2011 fiscal year budget, the province has been authorized to contract debt up to the amount of AR\$8.1 billion (equivalent to approximately 15% of total debt as of December 2010), of which approximately AR\$3 billion was issued in January of this year. The current offer will account for approximately another AR\$1 billion, leaving an additional AR\$4 billion in authorized borrowing. Moody's will closely monitor the impact of any further debt increases in the province's credit profile.

The ratings are also constrained by the operating environment for regional and local governments in Argentina, which is characterized by a GDP per capita that is high for a developing country, very high GDP volatility, and a very low ranking on the World Bank's Government Effectiveness Index, indicating a high level of systemic risk.

This environment is wed to an institutional framework under which regional and local governments carry significant responsibility for public services. At the same time, nearly all rely heavily on automatic federal transfers of tax share revenues, which limits their fiscal flexibility.

Moody'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 ".ar" for Argentina. For further information on Moody's approach to national scale ratings, please refer to Moody's Rating Implementation Guidance published in August 2010 entitled "Mapping Moody's National Scale Ratings to Global Scale Ratings."

**REGULATORY DISCLOSURES**

Information sources used to prepare the credit rating are the following: parties involved in the ratings, parties not involved in the ratings, public information.

Moody's Investors Service considers the quality of information available on the issuer or obligation satisfactory for the purposes of assigning a credit rating.

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