

# Report on Provincial Debt

## Province Of Buenos Aires

AS OF DECEMBER 31, 2016

May 12, 2017

# Officials

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UNDERSECRETARY OF FINANCE: **SEBASTIÁN KATZ**

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# Abbreviations used in the Report

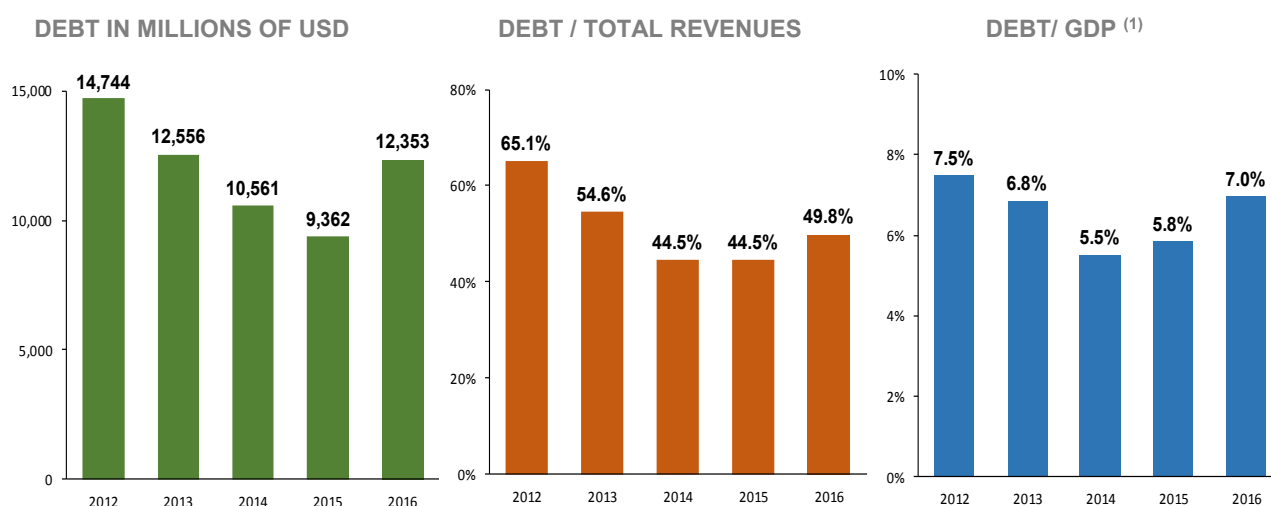
<b>AF</b>	Financial Assistance from the Federal Government
<b>BP21</b>	USD 899 million Bond 9.95% due 2021
<b>BP19</b>	USD 750 million Bond 5.75% due 2019
<b>BP27</b>	USD 1,000 million Bond 7.875% due 2027
<b>CER</b>	Reference Stabilization Coefficient
<b>FFFIR</b>	Federal Fiduciary Fund for Regional Infrastructure
<b>FFDP</b>	Provincial Development Fiduciary Fund
<b>SGF</b>	Sustainable Guaranty Fund
<b>OECD</b>	Organization for Economic Co-operation and Development
<b>PBA</b>	Province of Buenos Aires
<b>Provincial GDP</b>	Provincial Gross Domestic Product
<b>ARS</b>	Pesos (National Argentine Currency)
<b>USD</b>	American Dollars
<b>CHF</b>	Swiss Francs
<b>JPY</b>	Japanese Yen
<b>EUR</b>	Euros
<b>DMFAS</b>	Debt Management and Financial Analysis System

# Executive Summary

- As of year-ended 2016, the debt of the Province of Buenos Aires amounted to ARS196.3 billion, equivalent to USD12.4 billion at the exchange rate as of December 31, 2016.

## PUBLIC DEBT INDICATORS

PROVINCE OF BUENOS AIRES CHART N° 1



**(1) GDP Data:** The real percentage 2012 provincial GDP (36.8%), calculated under the previous methodology, over the Argentine GDP was applied to the federal GDP. For the 2013 through 2016 provincial GDP was estimated by applying the average share percentage 2009-2012 of the provincial GDP over the federal GDP, of 35.8%, calculated under the previous methodology, to the Argentine GDP data for the released by INDEC and the Fiscal Macro Framework used in the 2017 Federal Budget Bill.

**Source:** Provincial Office of Debt and Public Credit, Under-secretariat of Finance.

- As of year-ended 2016, approximately 60% of PBA's debt was held by international bondholders whereas 23.0% was owned by the Federal Government. In turn, local bondholders accounted for 10.9%. Together, these three categories accounted for 93.7% of the total debt. The remainder was explained by debts with multilateral credit agencies (5.2%) and OECD loans (1.1%).
- PBA's public debt denominated in foreign currency accounted for 66.2% of the total (55.4% in USD, 10.3% in EUR and 0.5% in other currencies), whereas the remaining 33.6% was denominated in ARS including a small portion in ARS+CER (0.3%).
- In terms of the debt maturity profile, as of December 31, 2016, the bulk of PBA's debt services was concentrated in the medium term (49.5%), followed by long term (39.2%) and short term (11.3%).

## 1. Public debt of the Province of Buenos Aires as of December 31, 2016

As of December 31, 2016 the public debt stock amounted to ARS196.3 billion, equal to USD12.4 billion at the exchange rate of USD1=ARS15.89. During the fourth quarter, PBA's public debt rose by ARS 15.7 billion which accounted for an increase of USD 556.1. Table N°1 shows the items comprising the debt stock at the end of the fourth quarter as compared with the previous quarter:

<b>PUBLIC DEBT STOCK as of December 31, 2016</b>				
PROVINCE OF BUENOS AIRES   In millions of current pesos				TABLE N° 1
CONCEPT	Debt Stock			Q Variation
	12/31/15 (a)	9/30/16 (b)	12/31/16 (c)	ARS (c)-(b)
<b>1. Debt in pesos - adjusted by CER</b>	<b>391.1</b>	<b>499.9</b>	<b>520.3</b>	<b>20.4</b>
Pymes Bond (Law N° 12,421)	391.1	499.9	520.3	20.4
<b>2. Debt in foreign currency</b>	<b>70,665.3</b>	<b>116,385.9</b>	<b>129,914.5</b>	<b>13,528.5</b>
Multilateral Credit Agencies	9,825.4	10,490.0	10,301.6	-188.4
OECD Loans <sup>(1)</sup>	1,735.7	2,154.4	2,129.1	-25.3
Dollar - denominated Long Term Par Bond	6,359.6	7,466.7	7,749.5	282.9
Euro - denominated Long Term Par Bond	8,187.9	9,939.9	9,682.6	-257.3
Dollar - denominated Medium Term Par Bond	830.6	975.2	1,012.2	36.9
Euro - denominated Medium Term Par Bond	8,105.5	9,839.8	9,585.2	-254.7
Dollar - denominated Discount Bond	1,306.2	1,022.4	530.6	-491.8
Euro - denominated Discount Bond	588.7	476.4	232.0	-244.4
Eurobonds (Untendered Holdings) <sup>(1)</sup>	763.9	923.9	907.7	-16.2
USD 475 M Bond – 9.375% due 2018-	6,194.0	7,272.3	7,547.8	275.5
USD 400 M Bond – 9.625% due 2028-	5,216.0	6,124.0	6,356.0	232.0
USD 750 M Bond – 10.875% due 2021-	9,780.0	11,482.5	11,917.5	435.0
USD 899 M Bond – 9.95% due 2021-	11,729.2	13,771.0	14,292.7	521.7
USD 1.250 M Bond – 9.125% due 2024-	-	19,137.5	19,862.5	725.0
USD 750 M Bond – 5.75% due 2019-	-	7,655.0	11,917.5	4,262.5
USD 1,000 M Bond – 7.875% due 2027-	-	7,655.0	15,890.0	8,235.0
Provincial Bond due 2016	42.6	-	-	-
<b>3. Debt in Pesos</b>	<b>51,028.4</b>	<b>63,729.4</b>	<b>65,859.6</b>	<b>2,130.2</b>
P.D.F.	29,497.4	30,772.1	31,195.4	423.3
2015 Financial Assistance	10,840.9	10,442.2	7,022.8	-3,419.5
2010 FFDP Loan	62.0	15.0	-	-15.0
2011 FFDP Loan	457.4	371.7	343.2	-28.6
FFFIR	274.9	300.1	294.3	-5.8
Flood Relief Loan - ARS 1,973 M	1,037.2	1,335.5	-	-1,335.5
FGS Loan –Agreement among the Federal Government and the Provinces dated May 18, 2016	-	6,207.0	6,207.0	-
Debt Cancellation Bonds due 2016 –Series A and B-	200.1	-	-	-
Debt Cancellation Bonds Issued February 5, 2016 (Suppliers' Bond)	-	7,997.3	7,997.3	-
Treasury Bills	4,258.9	3,266.9	6,986.2	3,719.3
Housing Trust Fund	296.0	283.8	279.5	-4.3
Law N° 14,315 – Series B-	44.0	-	-	-
Law N° 14,315-Series C-	220.0	88.0	44.0	-44.0
Law N° 14,315-Series D-	490.0	280.0	210.0	-70.0
Law N° 14,315-Series E-	453.5	305.7	254.8	-51.0
2015 Local Program Series I Class I	787.7	-	-	-
2015 Local Program Series I Class II	105.2	105.2	105.2	-
2015 Local Program Series II Class I	738.4	738.4	-	-738.4
2015 Local Program Series II Class II	168.7	126.5	84.4	-42.2
2015 Local Program Series III	995.3	995.3	995.3	-
2016 Local Program Series I-Class I	-	-	314.3	314.3
2016 Local Program Series I- Class II	-	-	2,995.3	2,995.3
2016 Local Program Series II	-	-	430.8	430.8
Others	100.8	98.5	99.9	1.4
<b>TOTAL (1 + 2 + 3)</b>	<b>122,084.8</b>	<b>180,615.3</b>	<b>196,294.3</b>	<b>15,679.1</b>

EXCHANGE RATES	12/31/2015	9/30/2016	12/31/2016
ARS / USE	15.04	15.31	15.89
ARS / JPY	0.11	0.15	0.14
ARS / CHF	15.04	15.77	15.02
ARS / EUR	14.16	17.19	16.75
CER	5.04	6.54	6.84

(1) Excluding past and due interest as of December 2001.

Source: Provincial Office of Debt and Public Credit, Under-secretariat of Finance

## 1.1. Causes of public debt variation – fourth quarter 2016-

As of December 31, 2016, PBA's debt increased to ARS15.7 billion, which accounts for an 8.7% higher than the consolidated debt stock as of September 30, 2016.

The following table breaks down the set of effects that, with increases and reductions, generated such net increase in the provincial debt stock between September 30, 2016 vs December 31, 2016.

<b>CAUSES OF PUBLIC DEBT VARIATION, FOURTH QUARTER 2016</b>	
PROVINCE OF BUENOS AIRES   In millions of current pesos	
TABLE N° 2	
<b>CONCEPT</b>	<b>VARIATION</b>
<b>Debt Increases</b>	<b>25,677.5</b>
Debt Issues in the international capital markets	11,386.3
Debt Issues in domestic capital markets	9,644.0
Exchange rate effect <sup>(1)</sup>	3,442.2
Disbursements of federal government's loans	637.5
Interest capitalization	519.5
Inflation effect	38.1
Disbursements of multilateral loans	9.9
<b>Debt Reduction</b>	<b>-9,998.4</b>
Amortization of federal government's loans	-5,554.7
Amortization in domestic capital markets	-3,133.8
Amortization in the international capital markets	-736.3
Amortization of multilateral credit agencies	-573.7
<b>Debt Stock Variation</b>	<b>15,679.1</b>

**Note:** (1) Includes the ARS depreciation against the USD, as well as the ARS appreciation against EUR, CHF and JPY.  
**Source:** Provincial Office of Debt and Public Credit, Under-secretariat of Finance.

### The following items led to the provincial debt stock increase:

- The reopening of the 5.75% bond due 2019 (BP19) for USD 250 million and the 7.875% Bond due 2027 (BP27) for USD 500 million in the international capital markets represented the largest debt stock increase as they accounted for 44.3% of the total gross increase during fourth quarter in 2016;
- The debt issuances denominated in pesos in the local capital market in the fourth quarter of 2016 accounted for 37.6% of the total gross increase. These issuances include Treasury Bills for ARS 5.9 billion and the 2016 Local Issuance Program for ARS 3.7 billion;
- The exchange rate effect for ARS 3.4 billion accounted for 13.4% of the total gross increase as the ARS depreciated against USD and appreciated against EUR, CHF and JPY;
- New disbursements from the federal Government for ARS 637.5 million, mainly explained by the remainder of the Flood Relief Loan for ARS 572 million under the Treasury Fund distribution Agreement signed between PBA and the Federal Government. These disbursements accounted for 2.5% of the total gross increase;
- Capitalized interest by ARS 519.5 million resulting from the grace period on the debt with the Federal Government, which accounted for 2.0% of the total gross increase;



- The inflation effect on debts denominated in ARS and adjusted by CER, which accounted for a debt stock increase of ARS 38.1 million (0.2% of the total gross increase); and
- Disbursements from multilateral credit agencies for ARS 9.9 million.

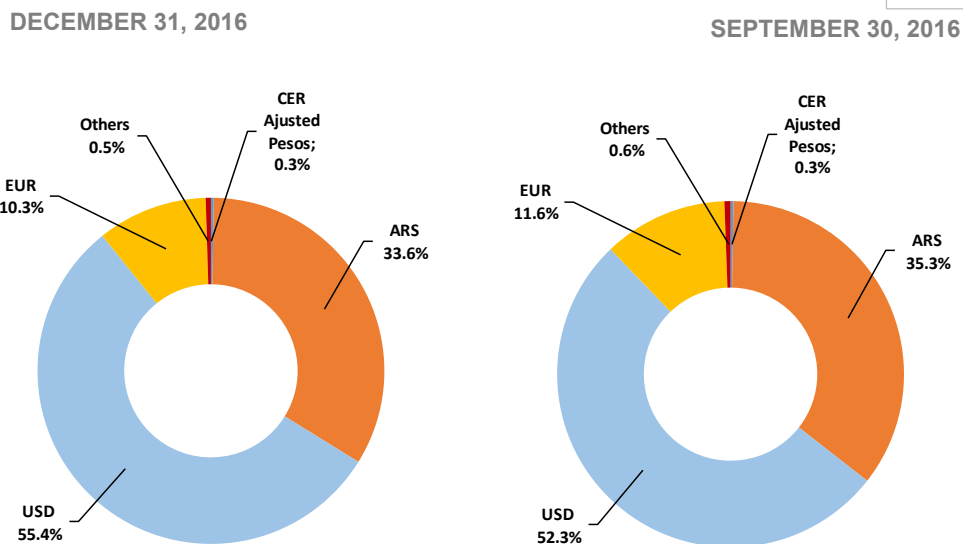
**These increases were partially offset by:**

- Amortizations of debt held with the Federal Government, which amounted to ARS 5.6 billion and accounted for 55.5% of the reductions, explained by the cancellation of 2015 Financial Assistance Loan for ARS 3.5 billion and the cancellation of the Flood Relief Loan for ARS 1.9 billion.
- Amortizations of the debt issued in the local capital market which amounted to ARS 3.1 billion and accounted for 31.4% of the reductions, explained by (i) ARS 2.2 billion in Treasury bill amortizations, (ii) ARS 780.5 million in amortizations of the bonds under the 2015 Local Issuance Program, (iii) ARS 165.0 million in amortizations of the Bond Law N° 14.315 -Series C, D and E, (iv) ARS 4.0 million in other debt reimbursements;
- Amortization of the debt issued in the international capital markets for ARS 736.3 million, USD and EUR denominated Discount Bonds, which represented 7.4% of the reductions; and
- Payment of the debts held with the Multilateral Organisms ARS 573.7 million, which accounted for 5.7% of the total gross reduction.

## 1.2. Public debt composition by currency as of December 31, 2016

At the end of the fourth quarter in 2016, the portion of the debt denominated in USD increased at the expense of the debt denominated in ARS. This increase was due to the reopening of the BP19 and BP27 Bonds in October 2016 for a total amount of USD 750 million. In addition, the Treasury Fund Distribution Agreement, signed in December 2016, meant canceling two debts held with the Federal Government, the 2015 unamortized financial agreement and the Flood Relief Loan anticipated cancelation.

**PUBLIC DEBT COMPOSITION BY CURRENCY AS OF DECEMBER 31, 2016**  
 PROVINCE OF BUENOS AIRES CHART N° 2

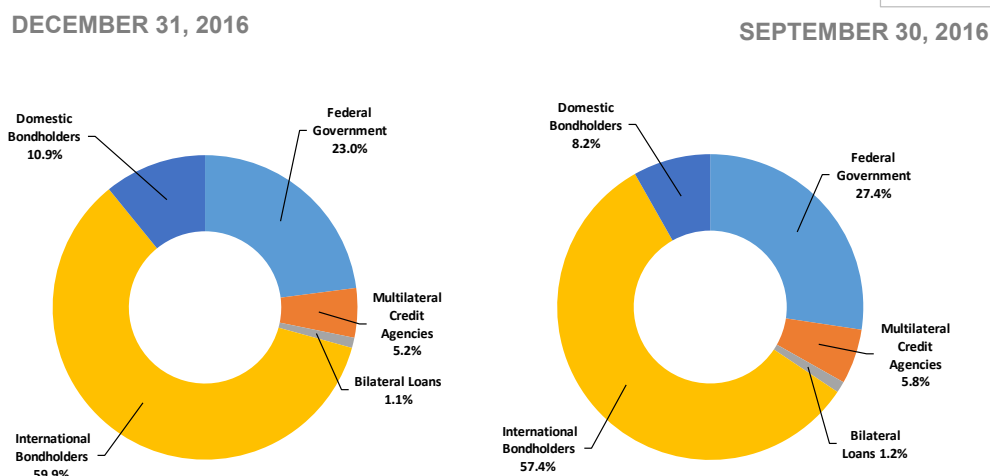


Source: Provincial Office of Debt and Public Credit, Under-secretariat of Finance

## 1.3. Public debt composition by instrument type as of December 31, 2016

As the BP19 and BP27 Bonds were reopened, the share of the international bondholders on the debt stock rose by 2.5 percentage points, whereas the Federal Government's share decreased by 4.4 percentage points as the two loan lines were cancelled for a total amount of ARS 5.5 billion. In addition, the local bondholders' share had a relative increase of 2.7 percentage points.

**PUBLIC DEBT COMPOSITION BY INSTRUMENT TYPE AS OF DECEMBER 31,**  
 PROVINCE OF BUENOS AIRES CHART N°3



Source: Provincial Office of Debt and Public Credit, Under-secretariat of Finance

## 2. Public debt services fourth quarter 2016

As of the fourth quarter of 2016, the total debt services amounted to ARS 17.8 billion, which were explained, to a larger extent, by amortization services (56.2%) rather than interest services (43.8%). The main debt services corresponded to debt service payments of bonds issued in the local capital market and other minor debts (42.8%) followed by debt payments with the Federal Government (35.2%), the payment of the bonds issued in the international capital markets (18.4%) and the payment of multilateral credit lines (3.6%).

PUBLIC DEBT SERVICES –fourth quarter 2016-			
PROVINCE OF BUENOS AIRES   In millions of current pesos <sup>(1)</sup>			TABLE N°3
ITEM	AMORTIZATION	INTEREST	TOTAL
Domestic Bondholders and others debts <sup>(2)</sup>	3,154.1	4,469.7	<b>7,623.9</b>
International Bondholders	736.3	2,542.1	<b>3,278.4</b>
Federal Government	5,554.7	716.0	<b>6,270.7</b>
Multilateral Credits Agencies	573.7	73.1	<b>646.8</b>
<b>TOTAL</b>	<b>10,018.8</b>	<b>7,800.9</b>	<b>17,819.7</b>

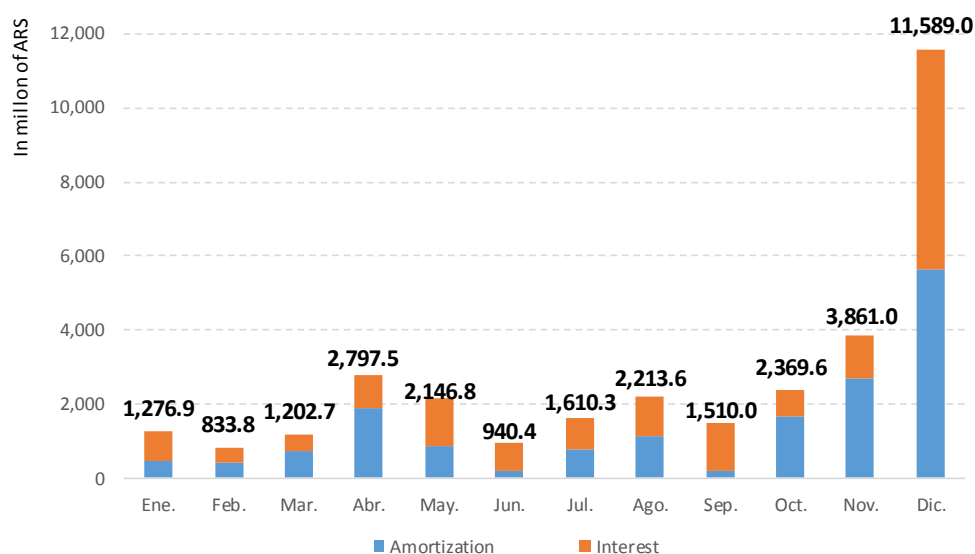
(1) Debt services denominated in foreign currency were converted into ARS using the exchange rate of the payment date.

(2) Includes debt services for the payment in cash of the Consolidation Bond Law N° 12836 for ARS 20.4 million in amortization and ARS 3.4 million in interest.

Source: Own elaboration based on Data from DMFAS. Provincial Office of Debt and Public Credit, Under-secretariat of Finance.

As for the debt service annual distribution, the largest payments in December are described as follows: the cancelation of two debts with Federal Government, under the Treasury Support Funds Agreement, for total amount of ARS5.5 billion, the interest payment of *Letras Previsionales* <sup>(1)</sup> for ARS2.7 billion and the interest payment of international bondholders for ARS2.2 billion.

**PUBLIC DEBT SERVICES MONTHLY DISTRIBUTION as of Dec 31, 2016**  
PROVINCE OF BUENOS AIRES



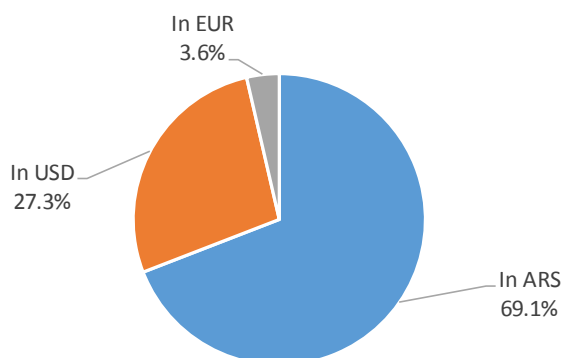
(1) *Letras Previsionales* is a financial instrument delivered by PBA to the Pension Fund of the Province (IPS) on account of its financial surpluses and whose interest is paid at the end of the year.

Source: Provincial Office of Debt and Public Credit, Under-secretariat of Finance

## DEBT SERVICE COMPOSITION BY CURRENCY as of Dec 31, 2016

PROVINCE OF BUENOS AIRES

CHART N°5



Source: Provincial Office of Debt and Public Credit, Under-secretariat of Finance

### 3. Maturity Profile

As of December 31, 2016, the bulk of PBA's debt services was concentrated in the medium term (49.5%), followed by long term (39.2%) and short term (11.3%).

As for short-term maturities in 2017, 64.2% corresponds to obligations in ARS and 29.1% to obligations in USD and 6.7% in EUR.

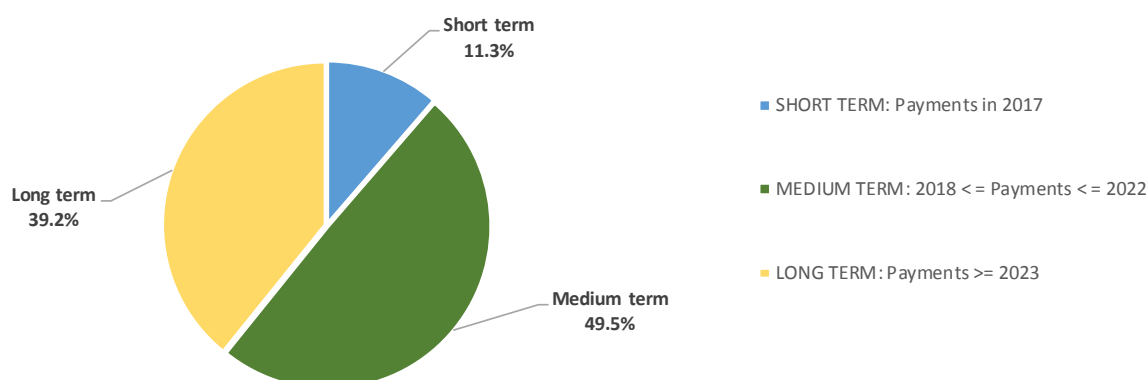
As for payments on medium-term debt services, 72.1% consists of obligations in foreign currency and the remainder in ARS.

As for long-term debt services, 70.1% is denominated in foreign currency whereas the remainder is mainly denominated in ARS and a small amount in ARS+CER.

## PUBLIC DEBT MATURITY PROFILE COMPOSITION BY TERM as of DEC 31, 2016

PROVINCE OF BUENOS AIRES

CHART N°6



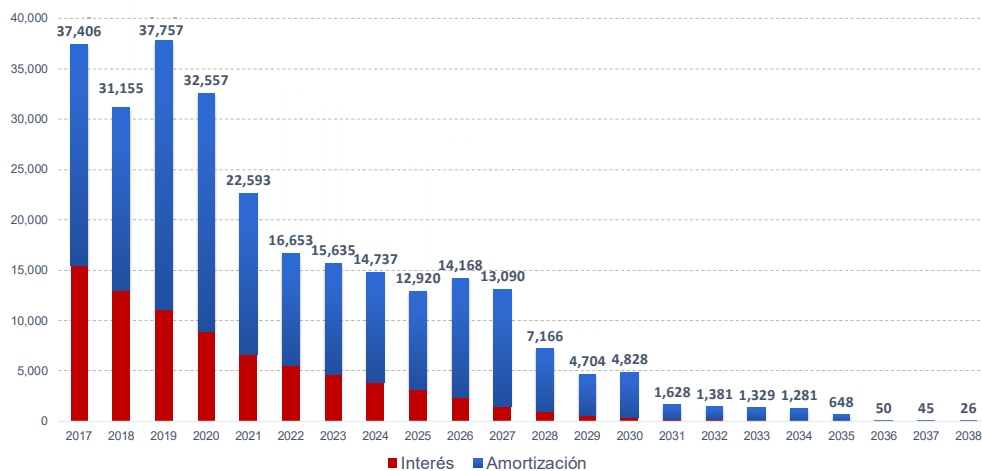
Source: Provincial Office of Debt and Public Credit, Under-secretariat of Finance

# PUBLIC DEBT MATURITY PROFILE as of DEC 31, 2016

PROVINCE OF BUENOS AIRES | In millions of ARS

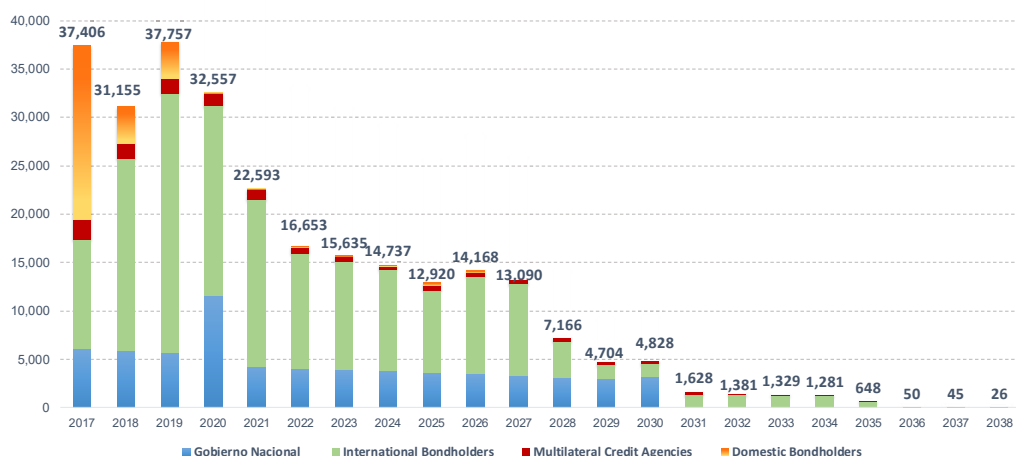
## BY SERVICE TYPE

CHART N°7



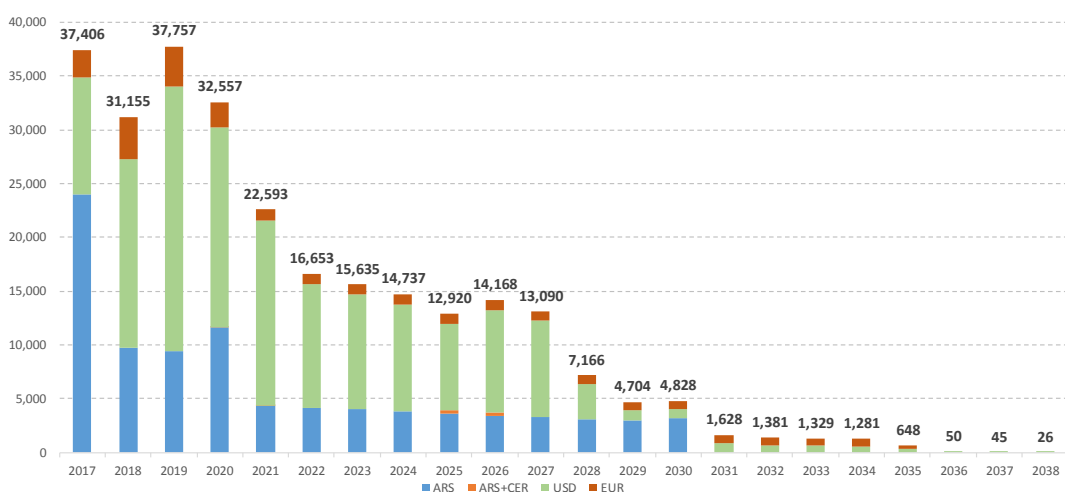
## BY INSTRUMENT TYPE

CHART N°8



## BY CURRENCY

CHART N°9



Note: calculated with the exchange rate as of December 31, 2016 ARS/USD =15.89 and ARS/EUR=16.75  
Source: Provincial Office of Debt and Public Credit, Under-secretariat of Finance

## APPENDIX Debt Indicators

	Average 2007-2011	2012	2013	2014	2015	2016
<b>Debt Indicators</b>						
Total Public Debt / Total Revenues	86.5%	65.1%	54.6%	44.5%	44.5%	49.8%
Total Public Debt / GDP	9.5%	7.5%	6.8%	5.5%	5.8%	7.0%
Average Life -including interest- (in years)	-	6.6	6.0	5.5	5.4	4.7
Roll-over -Amortization Indicator (t+1) / Total Public Debt (t)	9.6%	10.8%	13.0%	22.0%	13.4%	11.3%
Debt in Foreign Currency / Exports	22.9%	25.9%	30.2%	28.1%	40.2%	47.5%
<b>Debt Services Indicators</b>						
Total Paid Services / Total Revenues	10.4%	6.1%	8.1%	8.6%	10.9%	8.2%
Paid Interest / Total Revenues	2.6%	3.2%	2.9%	3.3%	3.6%	4.1%
Public Debt Services in Foreign Currency / Exports	1.5%	2.1%	2.4%	2.7%	6.8%	3.7%
<b>Interest Rate Composition</b>						
% Fixed Rate Debt	91.3%	85.9%	87.3%	86.7%	83.2%	83.5%
% Variable Rate Debt	8.7%	14.1%	12.7%	13.3%	16.8%	16.5%
<b>Composition by Currency</b>						
<b><u>PUBLIC DEBT</u></b>						
% in ARS -includes ARS+CER-	60.1%	55.5%	48.7%	42.4%	42.1%	33.8%
% in USD	24.6%	32.2%	36.7%	42.6%	43.0%	55.4%
% in EUR	14.7%	11.7%	14.0%	14.4%	14.3%	10.3%
% in other currency	0.6%	0.5%	0.5%	0.6%	0.6%	0.5%
<b><u>DEBT SERVICES</u></b>						
% in ARS	76.3%	62.4%	71.9%	70.9%	58.4%	69.1%
% in USD	20.0%	32.4%	23.7%	24.3%	39.0%	27.3%
% in EUR	3.8%	5.2%	4.4%	4.8%	2.6%	3.6%
<b>Composition by Creditor</b>						
% Federal Government	58.3%	47.9%	43.5%	37.5%	34.5%	23.0%
% International Bonds	31.8%	35.7%	41.6%	46.5%	48.4%	59.9%
% Domestic Bonds	2.3%	9.5%	7.0%	6.9%	7.6%	10.9%
% Multilateral Credit Agencies	6.4%	5.9%	6.9%	7.8%	8.0%	5.2%
% Bilateral Loans	1.2%	1.0%	1.1%	1.3%	1.4%	1.1%
<b>Debt adjusted by inflation (% over Total Debt)</b>						
	22.4%	0.4%	0.4%	0.4%	0.3%	0.3%
<b>Composition by Type of Debt</b>						
Loans	65.9%	54.8%	51.5%	46.5%	44.0%	29.3%
Bonds	34.1%	45.2%	48.5%	53.5%	56.0%	70.7%
<b>Composition by Applicable Law</b>						
Local Law	60.6%	57.4%	50.4%	44.4%	42.2%	33.8%
Foreign Law	39.4%	42.6%	49.6%	55.6%	57.8%	66.2%
<b>Weighted Average Interest Rate (annual % broken down by currency)</b>						
USD	-	8.0%	7.7%	7.4%	7.5%	7.8%
ARS	-	7.6%	7.3%	8.0%	12.5%	12.3%
EUR	-	4.4%	3.4%	3.8%	3.7%	3.6%

Public Debt Stock Annual Variation Rate	12.8%	19.2%	12.9%	10.3%	35.2%	60.8%
Total Revenues Annual Variation Rate	27.4%	23.4%	34.7%	35.3%	35.1%	43.7%
Nominal Provincial GDP Variation Rate	24.5%	24.1%	23.5%	36.8%	27.6%	35.0%
Exchange Rate ARS/USD	3.74	4.92	6.52	8.55	13.04	15.89
Exchange Rate ARS/EUR	5.16	6.49	8.98	10.40	13.04	16.75
CER Annual Increase Rate	8.8%	10.5%	10.5%	24.3%	15.0%	35.8%

Source: Provincial Office of Debt and Public Credit. Under-secretariat of Finance.

[http://www.ec.gba.gov.ar/areas/finanzas/deuda/reporte\\_trimestral.php](http://www.ec.gba.gov.ar/areas/finanzas/deuda/reporte_trimestral.php)