

Report on Provincial Debt

Province Of Buenos Aires

AS OF JUNE 30, 2016

OCTOBER 3, 2016

Officials

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Abbreviations used in the Report

AF	Financial Assistance from the federal government
BCRA	Central Bank of the Republic of Argentina
BP19	USD 500 million Bond 5.75% due 2019
BP27	USD 500 million Bond 7.875% due 2027
CER	Reference Stabilization Coefficient
DMFAS	Debt Management and Financial Analysis System
FFFIR	Federal Fiduciary Fund for Regional Infrastructure
FFDP	Provincial Development Fiduciary Fund
OECD	Organization for Economic Co-operation and Development
PBA	Province of Buenos Aires
PDF	Federal Refinancing Program
Provincial GDP	Provincial Gross Domestic Product
ARS	Pesos (National Argentine Currency)
USD	American Dollars
CHF	Swiss Francs
JPY	Japanese Yen
EUR	Euros

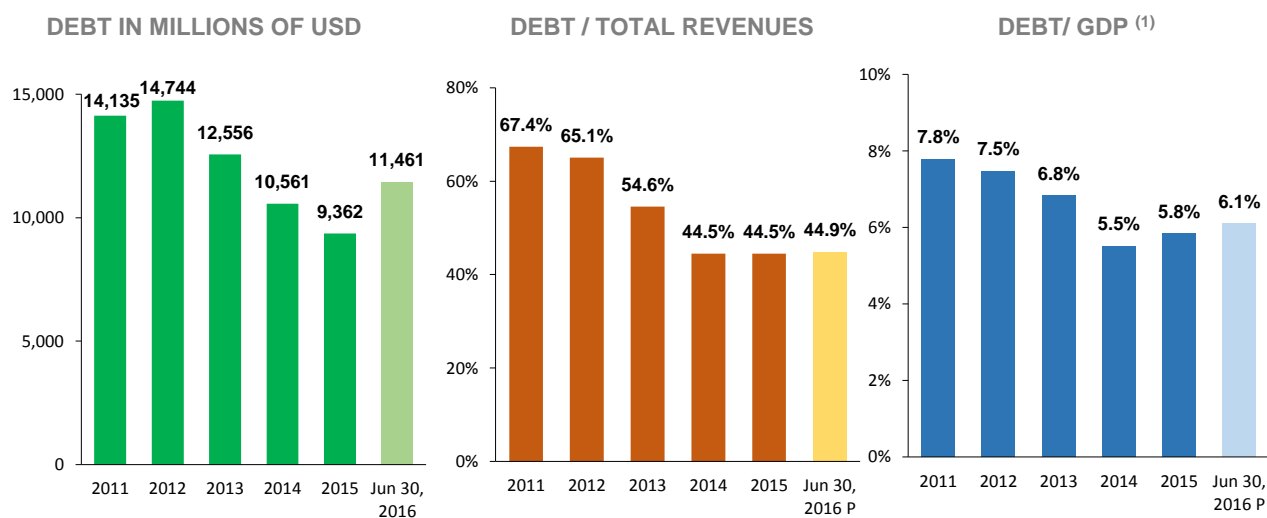
Executive Summary

As of June 30, 2016, the debt of the Province of Buenos Aires amounted to ARS172.4 billion, equivalent to USD11.5 billion at the exchange rate of the end of first half.

PUBLIC DEBT INDICATORS 1H2016

PROVINCE OF BUENOS AIRES

CHART N° 1



P = projected

(1) GDP Data: The real percentage of the 2011 and 2012 provincial GDP (35.9% and 36.8% respectively) over the Argentine GDP was applied to the federal GDP for the 2004 base. 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%, to the Argentine GDP data for the 2004 base released by INDEC and the Fiscal Macro Framework used in the Federal Budget Bill for 2017.

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

As of that date, approximately 59% of PBA's debt was held by international bondholders and a quarter by the federal government, which together accounted for 83.7% of the total debt. The remaining was composed by debts held by domestic bondholders (8.9%), multilateral credit agencies (6.1%) and OECD loans (1.2%).

PBA's public debt denominated in foreign currency accounted for 66.3% of the total, whereas the rest was denominated in ARS (33.4%) and a small portion in ARS+CER (0.3%).

As for the maturity profile as of June 30, 2016, the largest portion was concentrated on the medium term debt (47.0%) followed by long term obligations (39.5%). In addition, short term maturities, those lower than or up to one year, barely accounted for 13.5% of the total.

1. Public debt of the Province of Buenos Aires 1H2016

As of June 30, 2016 the public debt stock was ARS172.4 billion, equivalent to USD11.5 billion at the exchange rate of USD1=ARS15.04. During the second quarter, the PBA's public debt rose by ARS 19.0 billion (12.4%) whereas its variation in USD was USD 1.0 billion (+9.9%). Table N°1 shows the items that comprise the debt stock at the end of 2Q2016 as compared with the previous quarter:

PUBLIC DEBT STOCK 1H2016			
PROVINCE OF BUENOS AIRES In millions of current pesos			TABLE N° 1
CONCEPT	Debt Stock		Variation
	6/30/16 (a)	3/31/16 (b)	ARS (c)= (a)-(b)
1. Debt in pesos - adjusted by CER	466.5	429.9	36.6
Pymes Bond (Law N° 12,421)	466.5	429.9	36.6
2. Debt in foreign currency	114,282.2	98,818.5	15,463.7
Multilateral Credit Agencies	10,597.6	10,860.9	-263.3
OECD Loans ⁽¹⁾	2,101.8	2,003.1	98.7
Dollar - denominated Long Term Par Bond	7,335.0	7,169.2	165.8
Euro - denominated Long Term Par Bond	9,608.9	9,673.8	-64.9
Dollar - denominated Medium Term Par Bond	958.0	936.4	21.7
Euro - denominated Medium Term Par Bond	9,512.2	9,576.5	-64.2
Dollar - denominated Discount Bond	1,004.4	1,472.5	-468.1
Euro - denominated Discount Bond	460.6	695.5	-234.9
Eurobonds (Untendered Holdings) ⁽¹⁾	895.6	897.8	-2.2
USD 475 M Bond – 9.375% due 2018-	7,144.0	6,982.5	161.5
USD 400 M Bond – 9.625% due 2028-	6,016.0	5,880.0	136.0
USD 750 M Bond – 10.875% due 2021-	11,280.0	11,025.0	255.0
USD 899 M Bond – 9.95% due 2021-	13,528.1	13,222.3	305.8
USD 1.250 M Bond – 9.125% due 2024-	18,800.0	18,375.0	425.0
USD 500 M Bond – 5.75% due 2019-	7,520.0	-	7,520.0
USD 500 M Bond – 7.875% due 2027-	7,520.0	-	7,520.0
Provincial Bond due 2016	-	48.1	- 48.1
3. Debt in Pesos	57,623.5	54,098.9	3,524.6
P.D.F.	30,344.1	29,920.8	423.3
2015 Financial Assistance	10,345.1	10,750.5	-405.5
2010 FFDP Loan	30.7	46.3	-15.6
2011 FFDP Loan	400.3	428.9	-28.6
FFFIR	307.1	298.1	9.0
Flood Relief Loan - ARS 1,973 M	1,284.1	1,103.6	180.5
Debt Cancellation Bonds due 2016 - SERIES B	14.4	57.1	-42.7
Debt Cancellation Bonds Issue February 5°, 2016 (Suppliers' Bond)	7,953.8	3,550.0	4,403.8
Treasury Bills	2,919.3	3,760.0	-840.7
Housing Trust Fund	288.0	292.0	-4.1
Law N° 14,315-Series C	132.0	176.0	-44.0
Law N° 14,315-Series D	350.0	420.0	-70.0
Law N° 14,315-Series E	356.7	404.4	-47.8
2015 Local Program Series I class I	787.7	787.7	-
2015 Local Program Series I class II	105.2	105.2	-
2015 Local Program Series II class I	738.2	738.4	-
2015 Local Program Series II class II	168.7	168.7	-
2015 Local Program Series III	995.3	995.3	-
Others	102.7	95.7	7.0
TOTAL (1 + 2 + 3)	172,372.2	153,347.3	19,024.9

EXCHANGE RATES	6/30/2016	3/31/2016
ARS / USD	15.04	14.70
ARS / JPY	0.15	0.13
ARS / CHF	15.36	15.32
ARS / EUR	16.62	16.73
CER	6.09	5.56

(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 2Q2016

In 2Q2016, PBA's debt increased ARS19.0 billion. The main cause for this variation was the simultaneous issuance of two bonds in the international capital market on June 15, 2016 for USD 1 billion. Followed, in order of importance were issuances in the domestic capital market and those resulting from the effect of the exchange rate variations. The following table describes the effects that account for the provincial debt stock net increase between March 31, 2016 and June 30, 2016.

CAUSES OF PUBLIC DEBT VARIATION 2Q2016 VS. 1Q2016

PROVINCE OF BUENOS AIRES | In millions of current pesos

TABLE N° 2

CONCEPT	VARIATION
Debt Increases	21,943.2
Debt Issue in international capital markets	13,756.8
Debt Issues in domestic capital markets	4,417.2
Exchange rate effect ⁽¹⁾	2,958.2
Interest capitalization	519.4
Disbursements of federal government's loans	180.5
Inflation effect	68.4
Disbursements of multilateral loans	42.7
Debt Reduction	-2,918.4
Amortization in domestic capital markets	-1,106.8
Amortization in international capital markets	-707.0
Amortization of federal government's loans	-564.3
Amortization of multilateral credit agencies	-540.3
Debt Stock Variation	19,024.9

Note: (1) Includes the ARS depreciation against the USD, JPY, CHF and appreciation against the EUR.

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

The provincial debt stock increased for the following reasons:

- The issuance of a bond in the international capital markets for USD 500 million at 5.75% due 2019 (BP19) and another bond for USD 500 million with a coupon of 7.875% due 2027(BP27), which was the cause for the highest public debt increase, and accounted for 62.7% of the gross increase in 2Q2016 (See Special Section of this Report);
- The issuances in the local market accounted for 20.1% of the total gross increase. This is primarily due to the issuance of Debt Cancellation Bonds of the Province (Supplier's Bond) for ARS 4.4 billion which accounts for a total issued amount of ARS 7.9 billion, followed by the issuance of a Bond Law N°14315 – E series -for ARS 3.2 million and other minor issuances totaling ARS 10.2 million;
- Following in order of importance, the exchange rate effect accounted for 13.5% of the gross

increase, for an amount of ARS 2.9 billion. This resulted from the ARS depreciation against the USD, and to a lesser extent to JPY and CHF, which was offset by a small appreciation of the ARS against the EUR;

- Capitalized interest for ARS 519.4 million as a result of the grace period with the federal government's debt which accounted for 2.4% of the increase;
- New disbursements from the federal government for ARS 180.5 million, which accounted for 0.8% of the total gross increase;
- Inflation effect on the debt denominated in ARS and adjusted by CER which accounted for a debt stock increase of ARS 68.4 million (0.3%); and;
- Multilateral credit agencies disbursements for a total of ARS 42.7 million that accounted for less than 0.2% of the increase.

These effects were partially offset by the following:

- Amortization payments in the local capital markets, which amounted to ARS 1.1 billion and accounted for 37.9% of the total debt reductions. This amount includes (i) ARS 840.7 million in Treasury Bills amortizations, (ii) ARS 165 million to amortize Bonds law 14315, -C, D and E series- (iii) ARS 46.8 million to amortize the Provincial Bond due 2016, (iv) ARS 42.7 million to amortize Debt Cancellation Bonds due 2016 and (v) ARS 11.6 million in other debts;
- Amortizations of debts issued in the international capital markets, which amounted to ARS 707 million (24.2%);
- Debt repayment with the federal government for ARS 564.3 million, mainly explained by the partial amortization of 2015 AF for ARS 501.6 million; and;
- Amortization payments of multilateral credit lines for ARS 540.3 million (18.5%).

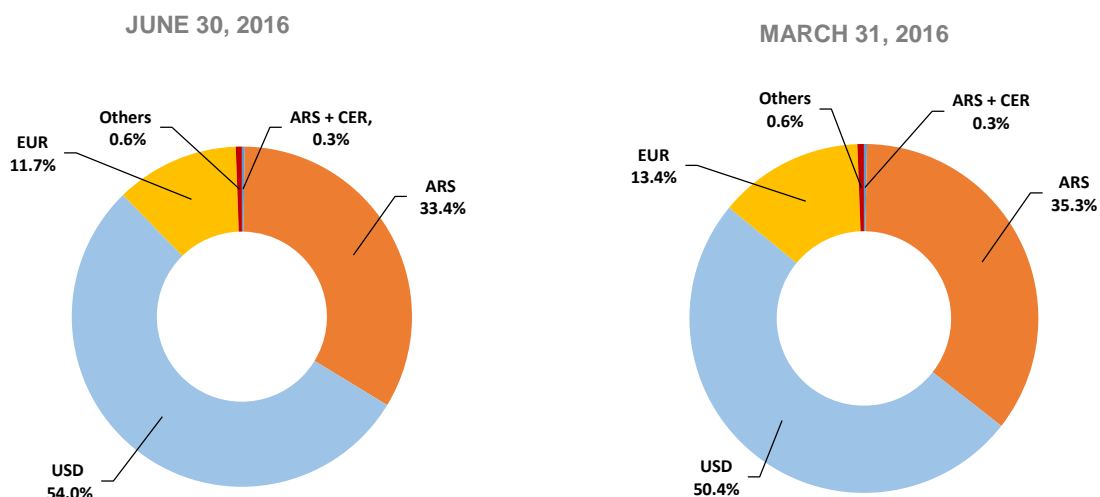
1.2. Public debt composition by currency 2Q2016

As of June 30, 2016, 33.4% was denominated in ARS whereas 54.0% was denominated in USD, 11.7% in EUR and 0.6% in JPY and CHF. In 2Q2016, the portion of the debt denominated in USD increased primarily due to the issuance of BP19 and BP27, in the international capital markets for a total of USD 1 billion.

PUBLIC DEBT COMPOSITION BY CURRENCY 2Q2016 and 1Q2016

PROVINCE OF BUENOS AIRES

CHART N° 2



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

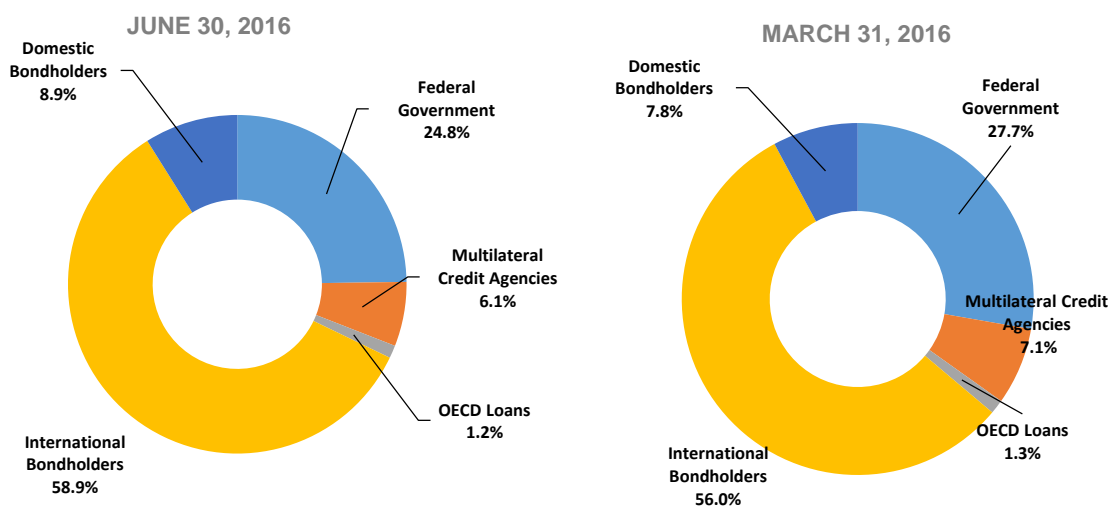
1.3. Public debt composition by creditor 2Q2016

As a result of the two issuances in the international capital markets, the share of the debt held by international bondholders increased by 2.9 percentage points primarily to the detriment of the debts with the federal government and the rest of the creditors, except for the local bondholders whose share increased by 1.1 percentage point due to the issuance of the suppliers' bond.

PUBLIC DEBT COMPOSITION BY CREDITOR 2Q2016 and 1Q2016

PROVINCE OF BUENOS AIRES

CHART N°3



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

2. Public debt services 2Q2016

As of 2Q2016, the total debt services amounted to ARS 5.9 billion, half of which were explained by amortization services (49.6%) and the other half represented interest services (50.4%). The main debt services corresponded to debt service payments of bonds issued in the local capital market and others minor debts (40.9%) followed by payments of bonds issued in the international capital markets (37.0%), the payment to the debt held with federal government (11.8%) and payments of several multilateral credit lines (10.4%).

PUBLIC DEBT SERVICES 2Q2016

PROVINCE OF BUENOS AIRES | In millions of current pesos ⁽¹⁾

TABLE N°3

ITEM	AMORTIZATION	INTEREST	TOTAL
Domestic Bondholders and others debts	1,106.8	1,297.2	2,404.0
International Bondholders	707.0	1,469.1	2,176.2
Federal Government	564.3	128.7	693.0
Multilateral Credits Agencies	540.3	71.2	611.5
TOTAL	2,918.4	2,966.3	5,884.7

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

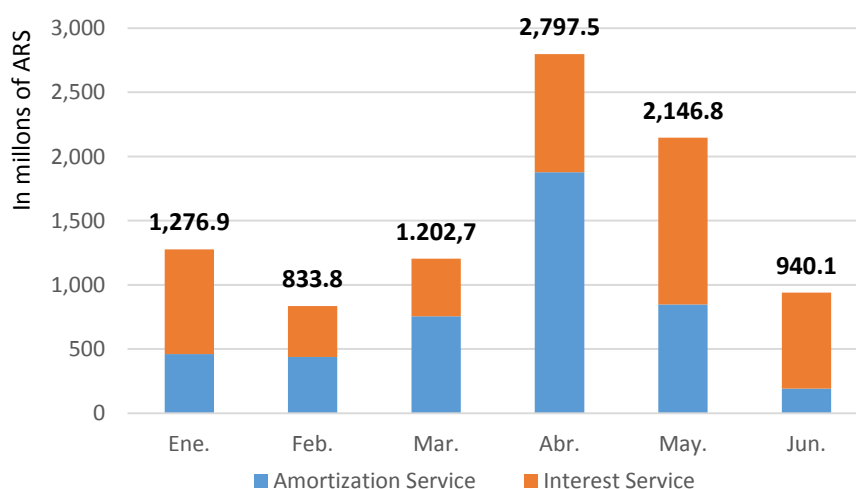
Source: Own elaboration based on Data from DMFAS. Provincial Office of Debt and Public Credit, Under-secretariat of Finance.

As for the monthly distribution of accumulated debt services as of 1H2016, the most significant payments were made in April due to the impact generated by the amortization and interest payment on the discount bonds in USD and EUR and the interest payment on medium term par bonds in USD and EUR and the BP28.

PUBLIC DEBT SERVICES MONTHLY DISTRIBUTION 2Q2016

PROVINCE OF BUENOS AIRES

CHART N°4

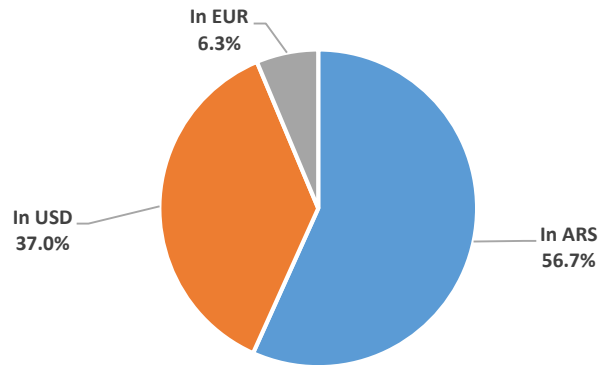


Source: Provincial Office of Debt and Public Credit, Under-secretariat of Finance.

DEBT SERVICE COMPOSITION BY CURRENCY IN 1H2016

PROVINCE OF BUENOS AIRES

CHART N°5



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

3. Maturity Profile

As of June 30, 2016, the bulk of PBA's debt services was concentrated in the medium term (47.0%), followed by long term (39.5%) and short term (13.5%).

As for the short-term debt maturities, lower or equal to one year, approximately two thirds (66.4%) corresponds to obligations in ARS and a third (33.6%) to obligations in foreign currency.

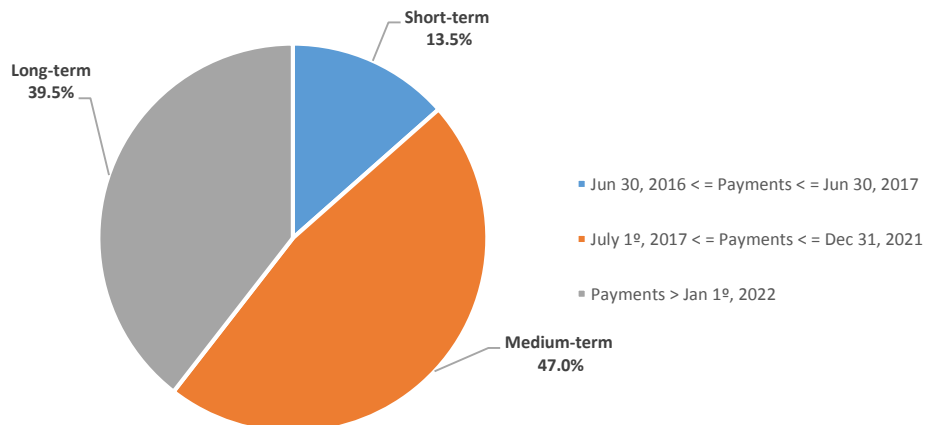
Payments on medium-term debt services primarily consist of obligations in foreign currency (74.3%), mainly explained by the international bond payments (92.9%) and, to a lesser extent, debts with multilateral credit agencies (7.1%). The rest of the medium term obligations comprise services in ARS (25.7%), mainly explained by federal government's payments (74.6%) and local bonds (25.4%).

As for long-term debt services, 67.3% is denominated in foreign currency and the remainder in ARS.

MATURITY PROFILE COMPOSITION BY TERM 1H2016

PROVINCE OF BUENOS AIRES

CHART N°6

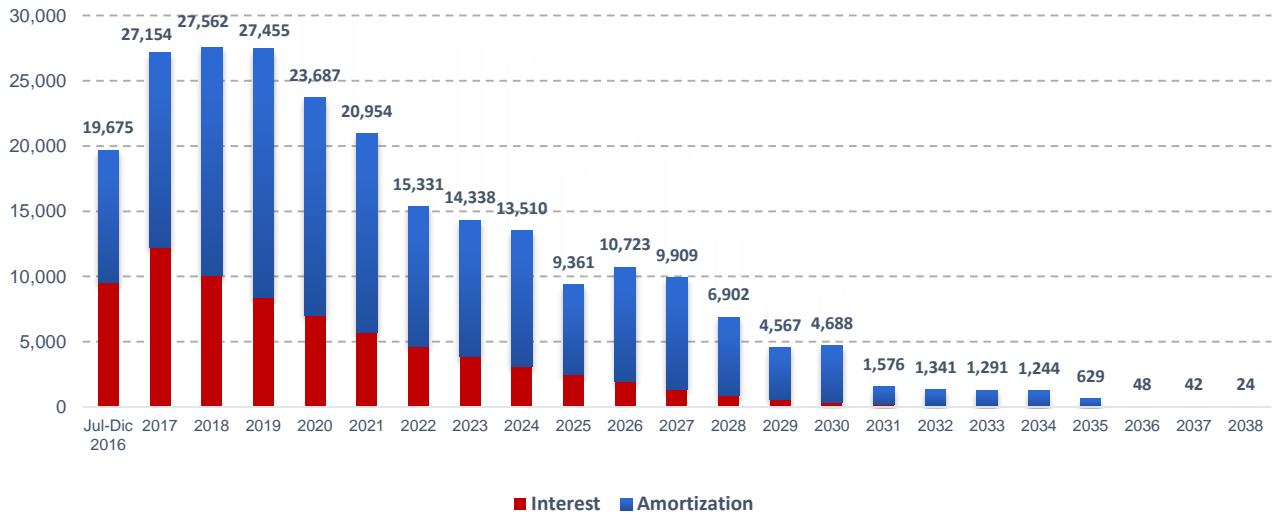


Source: Provincial Office of Debt and Public Credit, Under-secretariat of Finance

PUBLIC DEBT MATURITY PROFILE BY SERVICE TYPE 1H2016

PROVINCE OF BUENOS AIRES | In millions of current pesos

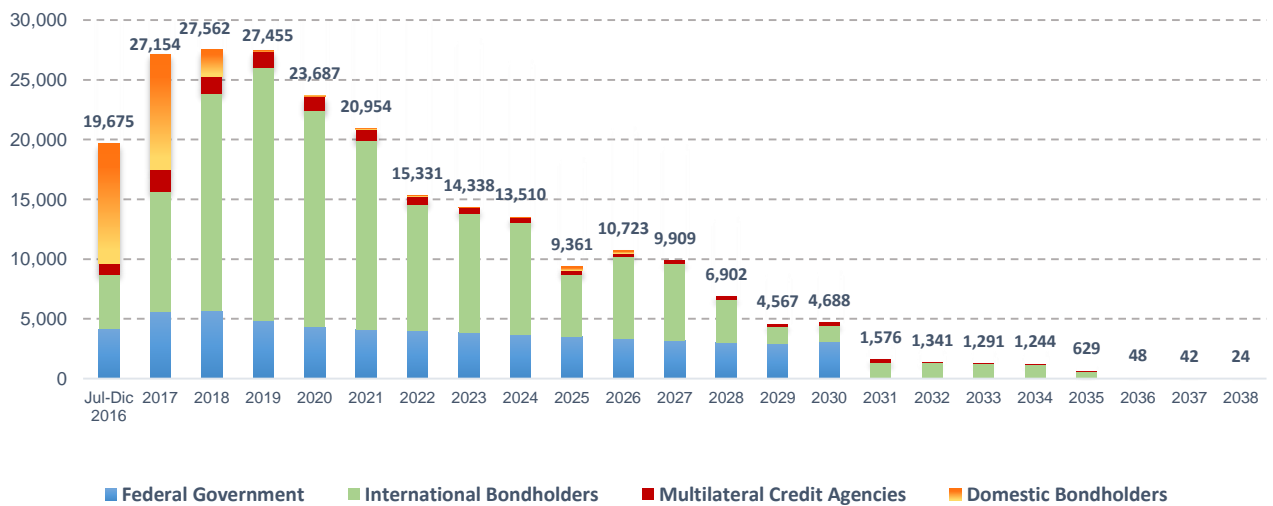
CHART N°7



MATURITY PROFILE BY CREDITOR 1H2016

PROVINCE OF BUENOS AIRES | In millions of current pesos

CHART N°8



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

Special Section

BP19 – BP27 “Bonds of the Province of Buenos Aires at 5.75% due 2019 and at 7.875% due 2027”

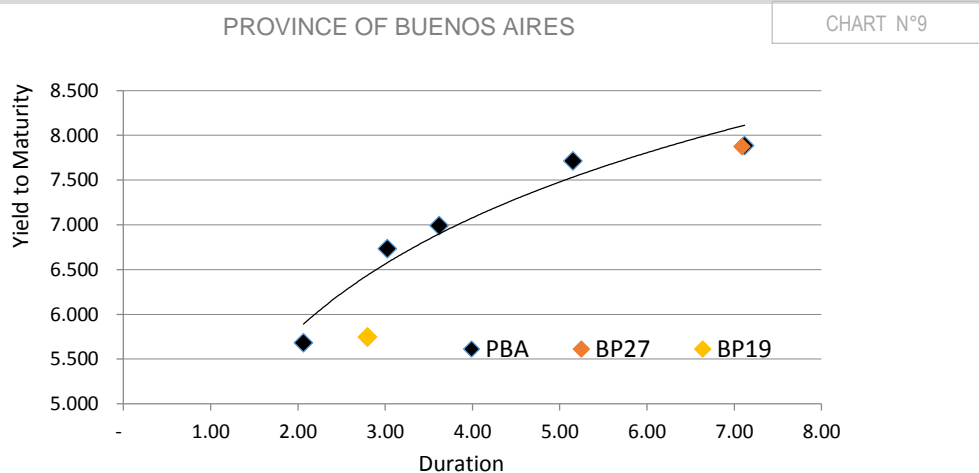
In order to primarily finance public investment in infrastructure projects, the Province simultaneously issued two Bonds in the international capital market for USD 1 billion on June 15, 2016.

The shorter-term bond with a coupon of 5.75% due 2019 was issued at par for USD 500 million. Principal is repayable in one single installment on June 15, 2019 and its coupon in USD is the lowest that PBA has ever obtained in its recent history as an issuer of the international capital markets.

The longer-term bond with a coupon of 7.875% is due 2027. It was also issued at par for USD 500 million. In this case, PBA chose a three-year amortizing structure in 2025 (33.33%), in 2026 (33.33%) and in 2027 (33.34%). The coupon of this bond, with an average ten-year life, has the second lowest coupon in USD ever obtained by PBA (only higher than the shorter-term bond mentioned above).

The demand (the book) was almost four times oversubscribed, which helped significantly to reduce borrowing costs. Considering the Provincial securities’ market value at the time of the issuances, the bonds’ yield also meant a negative new issue premium (NIP)¹ on both instruments. Therefore, PBA attained yields that were 69bps and 23bps below the yield curve for the BP19 and the BP27 bonds, respectively.

PBA’S COMPARABLE YIELD CURVE DURING THE PRICING



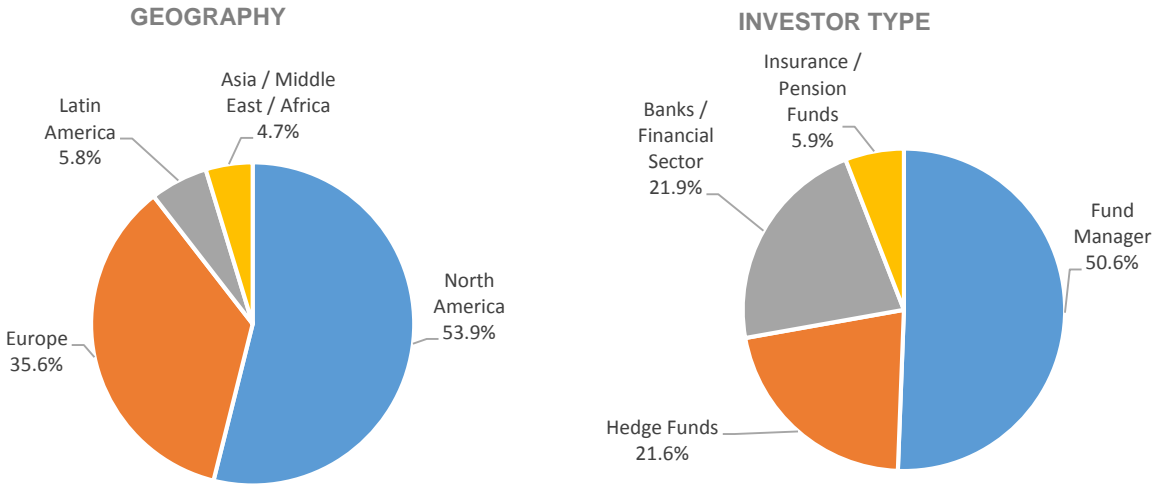
Source: Provincial Office of Debt and Public Credit, Under-secretariat of Finance.

¹ Nip is the additional yield that investors demand from the issuer above the secondary market benchmark yield, given the significantly higher volume involved in the transaction in the primary market.

Most of the funds raised by the Province came from American investors. Asset management funds played a significant role in this issuance as described in the following charts:

BP19 y BP27: BREAKDOWN BY GEOGRAPHY AND INVESTOR TYPE

PROVINCE OF BUENOS AIRES CHART N°10



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

“Bonds of the Province of Buenos Aires at 5.75% due 2019”

- Currency: USD;
- Issue amount: USD 500 million;
- Issue date: June 15, 2016;
- Tenor: 3 years;
- Annual interest rate: 5.75%;
- Interest Payment frequency: semiannual;
- Principal Amortization: one single installment in 2019;
- Listing: Euro MTF Market of the Luxembourg Stock Exchange, Mercado de Valores de Buenos Aires Sociedad Anónima y Mercado Abierto Electrónico Sociedad Anónima.

“Bonds of the Province of Buenos Aires at 7.875% due 2027”

- Currency: USD;
- Issue amount: USD 500 million;
- Issue date: June 15, 2016;
- Tenor: 11 years;
- Annual interest rate: 7.875%;
- Interest Payment frequency: semiannual;
- Principal Amortization: 3 annual installments in 2025; 2026 and 2027;
- Listing: Euro MTF Market of the Luxembourg Stock Exchange, Mercado de Valores de Buenos Aires Sociedad Anónima y Mercado Abierto Electrónico Sociedad Anónima.

<http://www.ec.gba.gov.ar/areas/finanzas/index.php>