

FITCH UPGRADES BOGOTA, CAPITAL DISTRICT OF COLOMBIA'S INTERNATIONAL RATINGS; OUTLOOK STABLE

Fitch Ratings-Monterrey-17 January 2014: Fitch Ratings has upgraded Bogota's ratings as follows:

- Long term Issuer Default Rating (IDR) to 'BBB' from 'BBB-';
- Local currency Long term IDR to 'BBB+' from 'BBB';
- US\$300 million equivalent, 9.75% Colombian Peso-denominated notes due 2028, to 'BBB' from 'BBB-'.

Fitch has revised the Ratings Outlook to Stable from Positive.

KEY RATING DRIVERS

According to Fitch the ratings of the District are capped by Colombia's sovereign risk [Long-term IDR 'BBB'; Long-term local currency IDR 'BBB+']. The upgrade in Bogota's ratings is the result of the same action taken by Fitch on the Sovereign last Dec. 10, 2013. Bogota's credit strengths remain, including: the sound financial performance that Bogota has shown over the past years, as well as manageable debt metrics; the strong socio-economic profile of the District and weight in the national economy in terms of GDP contribution.

The upgrade also incorporates the political risk associated with the instability caused by the Mayor's restitution process. Fitch expects that the District maintain the financial strength that has shown over the past years, considering that the administration works according with its Development Plan Bogota Humana, this plan defines the infrastructure projects and financing strategy in the period of the administration (2012-2016). Fitch will monitor the process and its impact over the financial performance of Bogota.

The main risks or limitations for Bogota are the increasing social and infrastructure needs of a growing population, particularly those related to transportation; and the contingent liabilities regarding pension and retirement payments of employees that have been funded partially.

Regarding debt, Bogota's direct debt balance continue with a declining trend, registering COP1.5 billion (USD776.2 million), as of December 31, 2013. Of such balance, 20% is internal debt and 80% is external debt, where most of it is hedged to currency risk. The main risk associated to the debt portfolio such as exchange rate exposure, variable interest rates, debt payout concentration, and liquidity levels, are subject to constant surveillance by the District under prudent practices to mitigate such risks.

The ratings also consider that on September 7th the Council approved new debt for Bogota by COP3.037 billion, of which 84% will be used for mobility and 16% for investments in education, health and culture. Also were incorporated COP0.8 billion for the first metro line in Bogota, project to be financed with the Nation. The resources will be procured according to the cash flow of the investment. Fitch will analyze the development of those projects and the financing plans, which is not expected to press the entity's financial flexibility due to the prudent financial policy that it has followed.

KEY ASSUMPTIONS AND SENSITIVITIES

The Stable Outlook reflects that Fitch's sensitivity analysis does not foresee any developments that would lead to a rating action.

An upgrade of the sovereign rating, accompanied by Bogota's solid operating performance, could trigger a positive rating action. The main factors that individually or collectively, lead to a negative rating action include: a significant debt increase (short-term and/or long-term), a substantial deterioration in its operating margins and cash levels, and persistent budget deficits.

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Applicable criteria and related research:

--'Tax Supported Rating Criteria' (Aug. 14, 2012);

--'International Local and Regional Governments Rating Criteria, Outside the United States' (April 9, 2013).

Applicable Criteria and Related Research:

Tax-Supported Rating Criteria

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=686015

International Local and Regional Governments Rating Criteria

http://www.fitchratings.com/creditdesk/reports/report_frame.cfm?rpt_id=704438

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