

Fitch Ratings has downgraded Bogota to 'BBB-'; Outlook Remains Negative

Fitch Ratings – Mexico City- 03 Apr 2020: Fitch Ratings has downgraded Bogota to 'BBB-' from 'BBB'; Long-Term Foreign Currency (LT FC) and Local Currency (LT LC) Issuer Default Rating (IDR) to 'BBB-' from 'BBB'. The Rating Outlook remains Negative.

In addition, Fitch downgraded to 'BBB-' from 'BBB' senior unsecured Colombian-peso denominated notes for USD300 million and fixed interest rate of 9.75% due 2028.

Fitch did not review the local governments' National Ratings.

KEY RATING DRIVERS

The downgrade is due to Fitch' recent rating action on the Colombian sovereign rating on April 1, 2020. For more information please see Fitch's press release 'Fitch Downgrades Colombia's Rating to 'BBB-'; Outlook Remains Negative' at <https://www.fitchratings.com/research/structured-finance/fitch-downgrades-colombia-rating-to-bbb-outlook-remains-negative-01-04-2020>

The Local and Foreign Currency IDRs of Bogota are capped by the sovereign rating (BBB-/Negative) **reflecting Fitch's view that a subnational in Colombia cannot be rated above the sovereign**, in recognition of a certain degree of interdependence between subnational finances; given the centralized framework in Colombia. The risk profile and debt sustainability score and thus the standalone credit profile (SCP) remain unchanged. Bogota's SCP is 'a', above the sovereign rating. Sovereign Cap: Yes, lowered with high weight.

RATING SENSITIVITIES

Rating Outlook is Negative. Consequently, given that IDR is constrained by the sovereign level (BBB-/Negative), a stabilization of the Outlook would be possible only if the sovereign Outlook is stabilized. A downgrade of the sovereign rating could result in a downgrade of the ratings of Bogota.

A downgrade is also possible if the SCP is downgraded because of debt sustainability score deterioration to 'bbb', which would result from a debt payback ratio exceeding 9x along with a debt service coverage ratio below 1.5x, under Fitch's rating case.

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