



Sovereign Eurobonds: The Credit Rating Agency Perspective

Brussels

April 2014

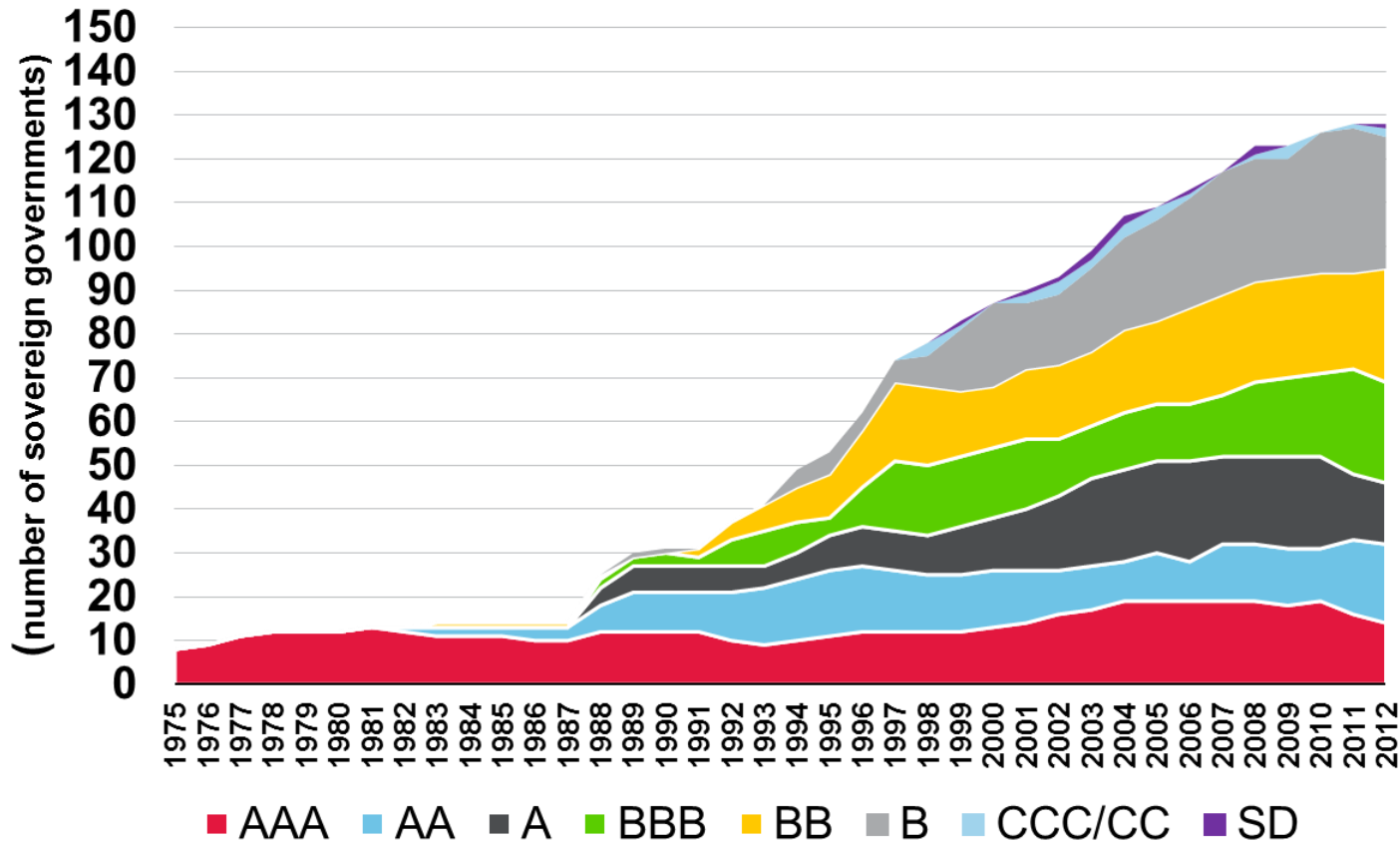
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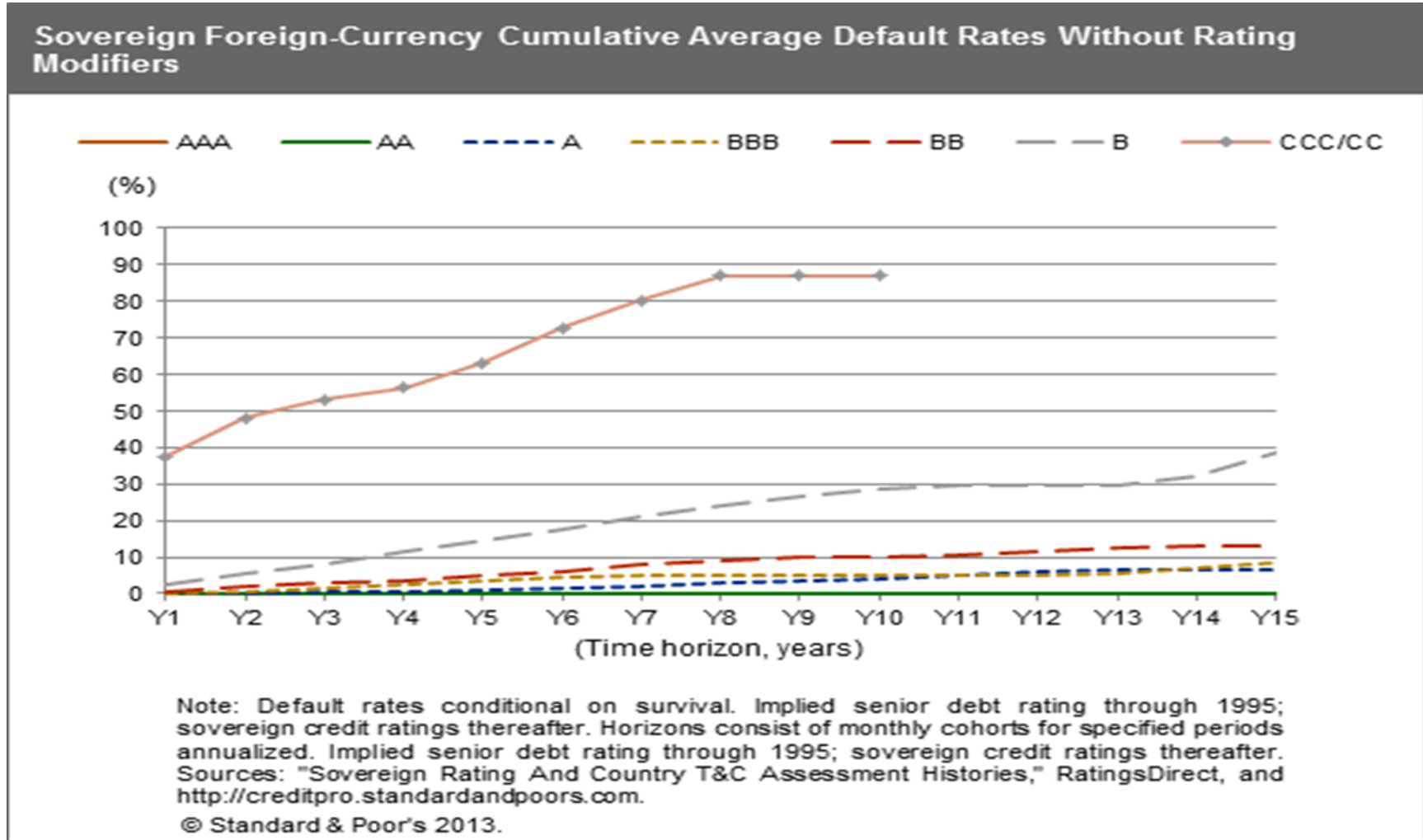
Sovereign Ratings Group

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Rising Number Of New Non-Investment Grade Sovereigns



Strong Correlation Between Sovereign Ratings And Defaults



Ratings Useful For Issuers and Investors

Borrowers/Issuers seek:

- Independent view of their creditworthiness and credit quality of their debt issues
- Expand the universe of investors
- Diversification of funding sources

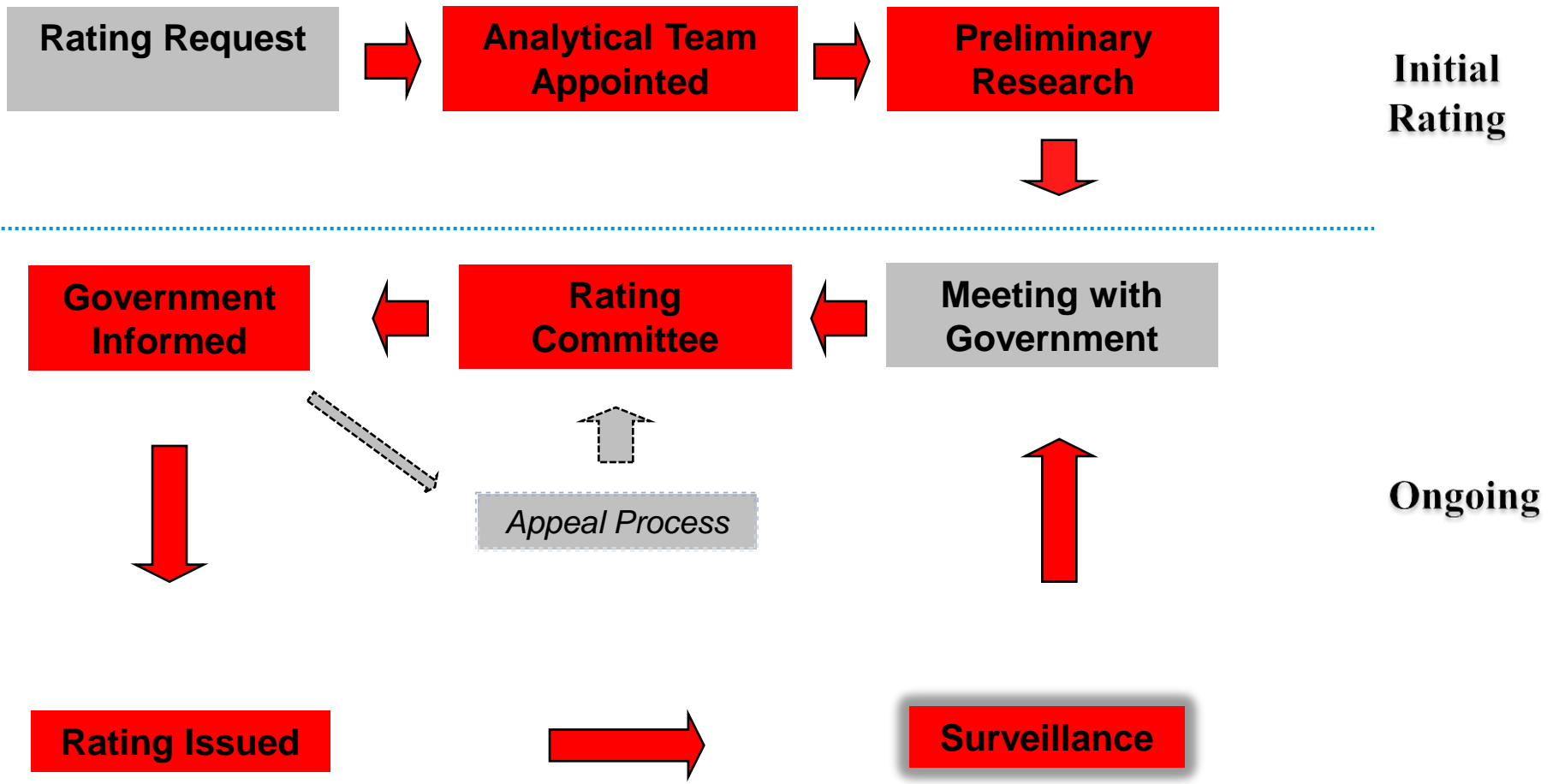
Investors seek:

- Independent opinion to help assess credit risk and to compare different issuers and debt issues
- Establish thresholds for credit risk and investment guidelines
- Diversification of investments
- Enhanced liquidity in secondary markets

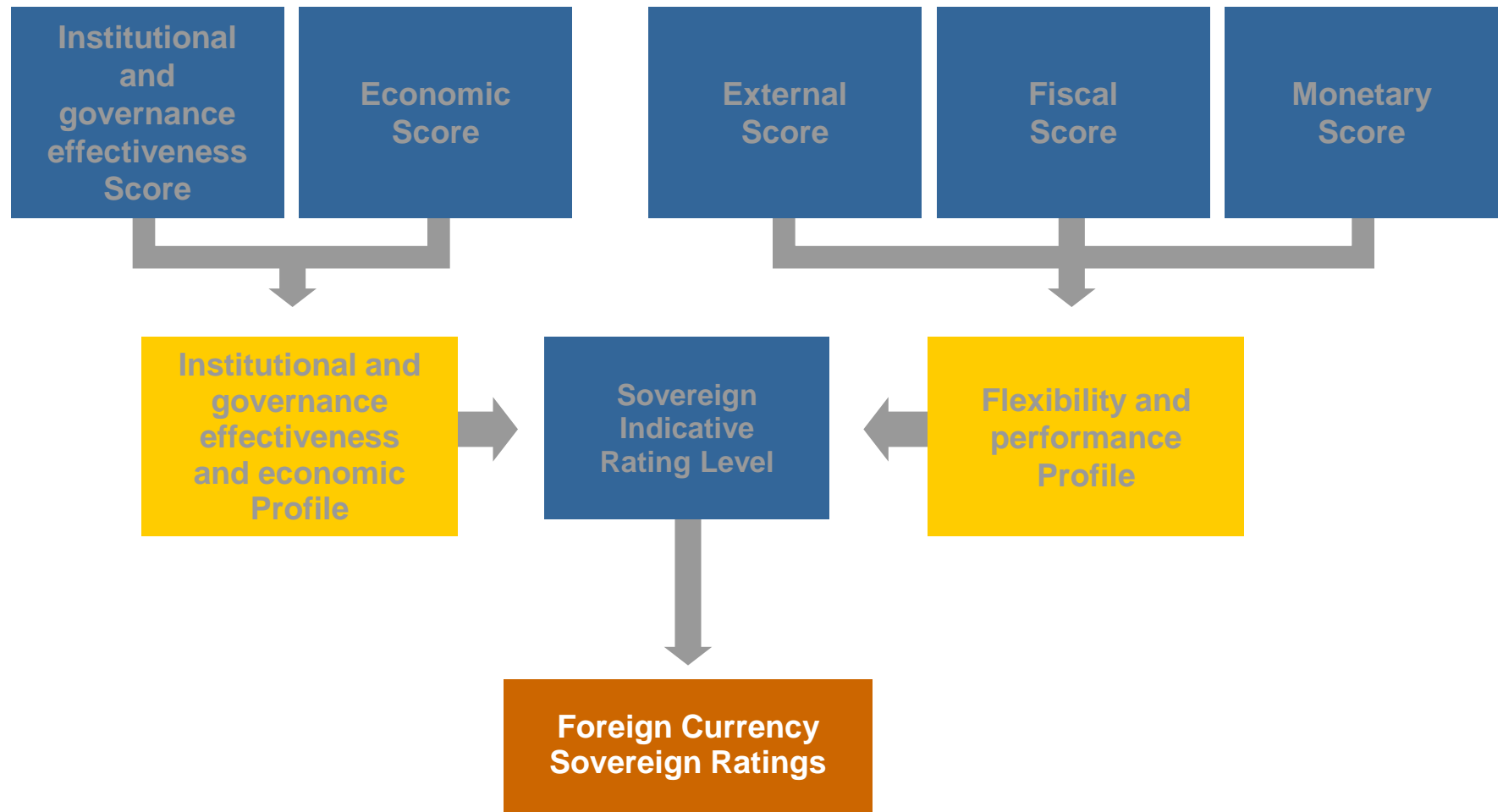
Features of Credit Ratings

- Independence
- Objectivity
- Insightful Analysis

Rating Process

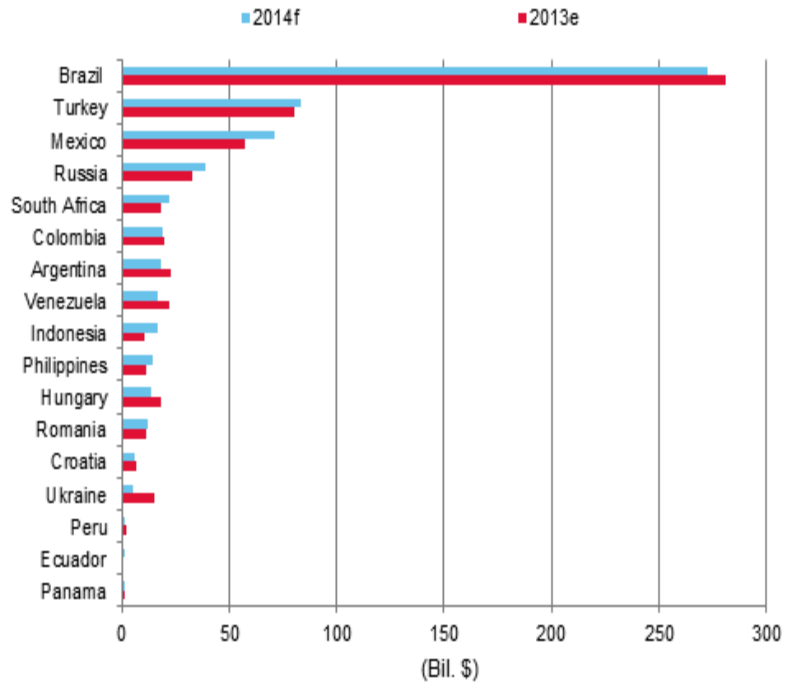


Sovereign Ratings Criteria



Global EM Borrowing To Remain Broadly Unchanged in 2014

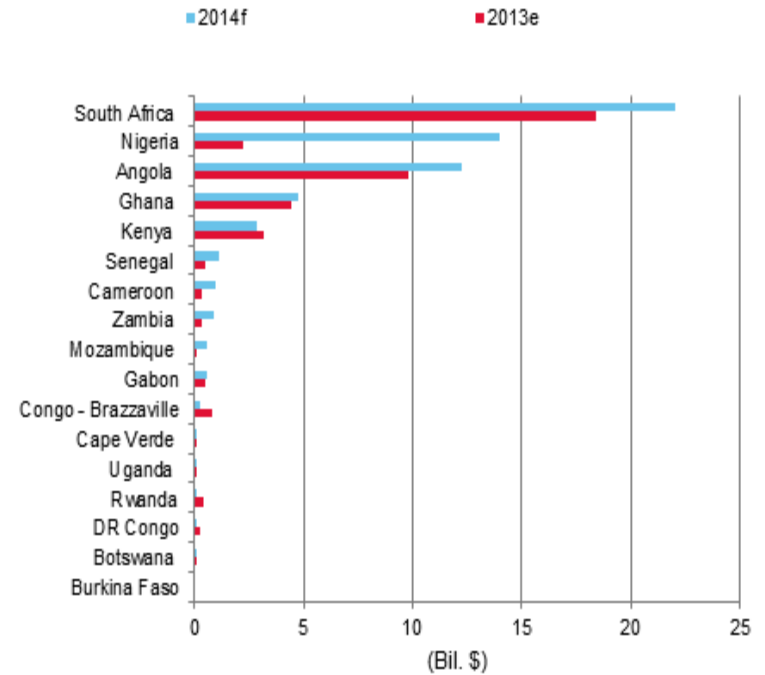
Emerging Markets Gross Long-Term Commercial Borrowing



e--Estimate. f--Forecast.

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Sub-Saharan African Gross Long-Term Commercial Borrowing



e--Estimate. f--Forecast.

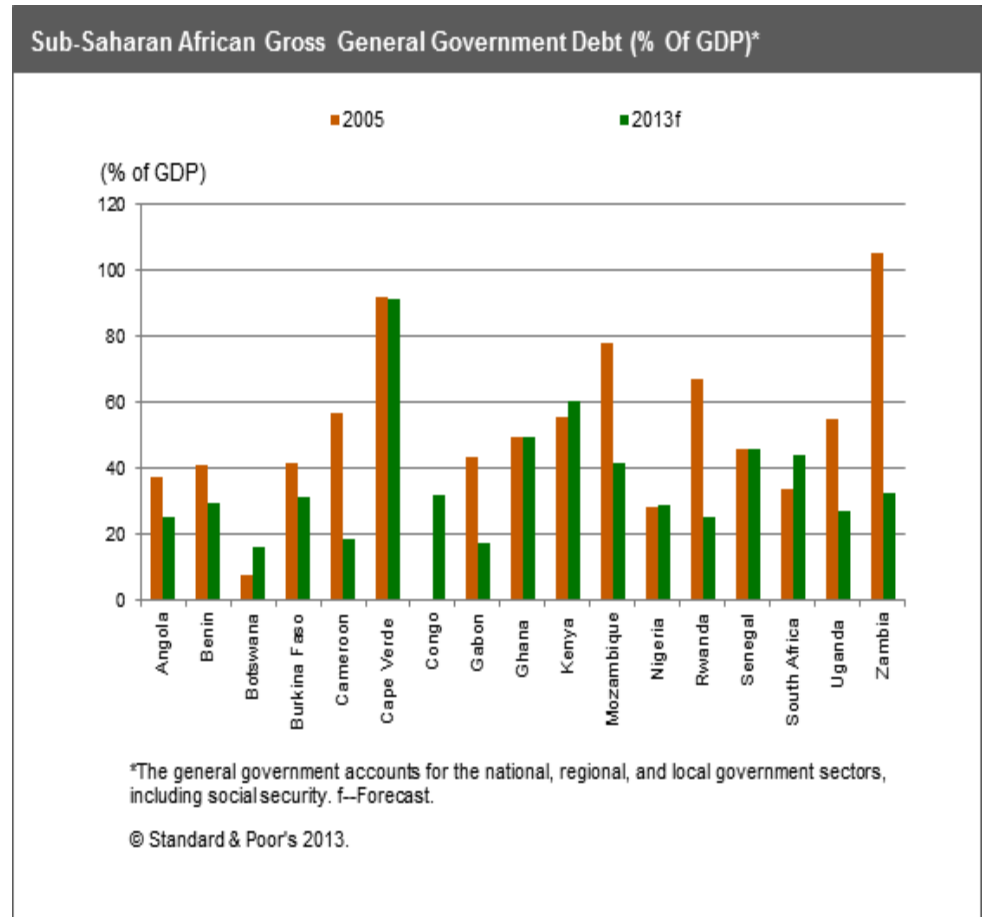
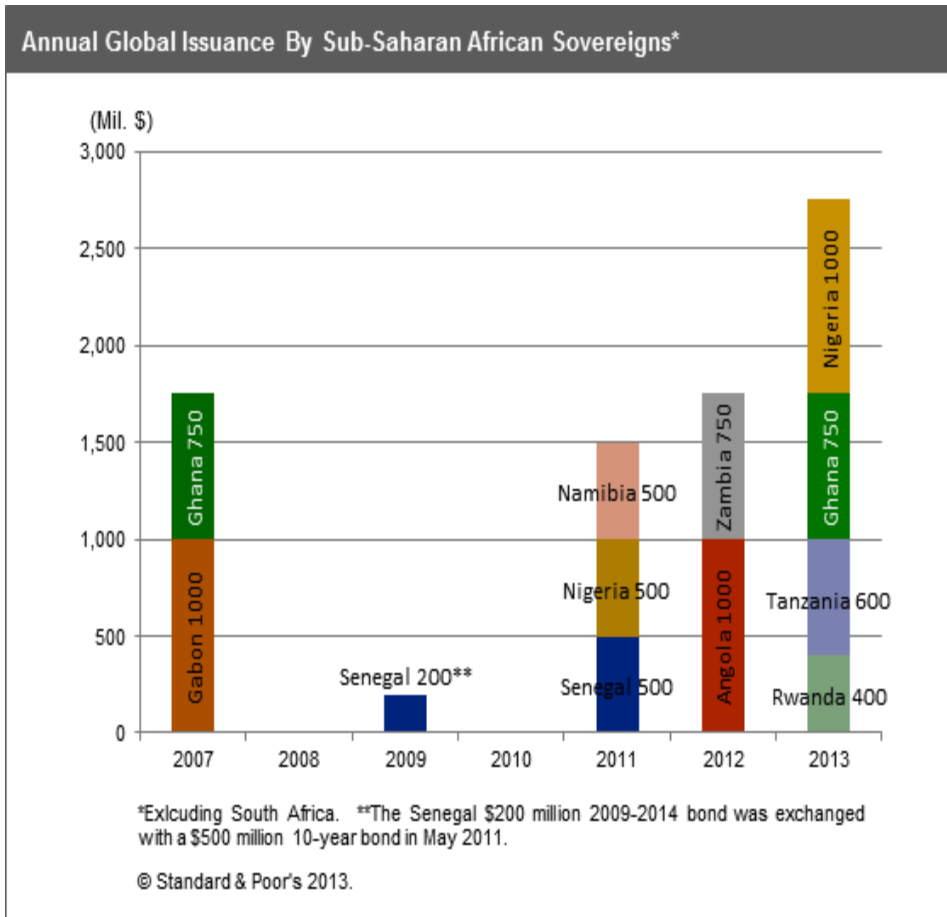
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Varying Debt Structures

Emerging Markets Central Government Debt Structure And Roll-Over Ratios

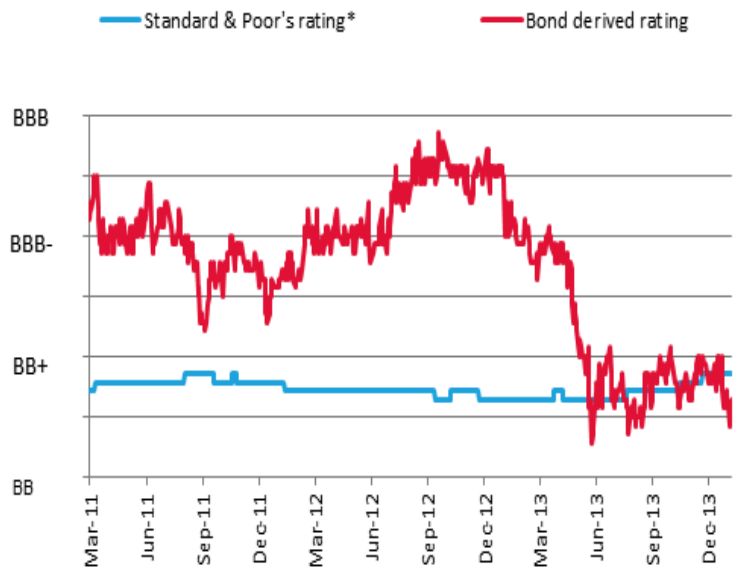
(% of total debt)	2013e						2014f			
	Commercial debt	S-T debt	FC debt	L-T fixed-rate debt	Inflation-indexed debt	Bi-/Multilateral debt	Rollover ratio	Rollover ratio (% of GDP)	Bi-/Multilateral debt	
Argentina	87.9	0.0	79.9	50.0	30.1	12.1	10.3	2.5	12.4	
Brazil	99.6	2.8	3.8	39.3	34.5	0.4	18.4	8.6	0.4	
Colombia	88.7	2.3	27.0	93.8	0.0	11.4	10.9	3.7	11.8	
Croatia	94.6	14.4	59.1	61.3	0.0	5.4	23.6	15.9	4.9	
Ecuador	48.5	0.0	100.0	78.1	0.0	51.5	10.7	2.8	62.8	
Hungary	87.3	14.5	40.7	55.0	3.4	12.7	26.0	19.6	8.6	
Indonesia	75.0	20.0	61.0	76.5	0.0	25.0	23.3	4.4	24.3	
Mexico	86.9	12.5	18.9	52.6	24.4	13.1	18.5	5.9	12.4	
Panama	76.6	2.9	100.0	84.1	0.0	23.4	4.3	1.6	25.4	
Peru	81.2	7.7	41.8	72.7	0.0	18.8	17.4	2.8	17.5	
Philippines	88.2	6.7	32.2	87.7	0.0	11.8	13.8	6.4	12.0	
Romania	74.6	4.2	53.2	88.6	0.0	25.4	17.4	6.8	23.2	
Russia	97.9	0.0	24.7	98.3	0.4	2.1	5.9	0.5	1.4	
South Africa	99.1	13.7	8.5	67.1	18.9	1.0	14.7	7.1	0.8	
Turkey	91.4	0.0	31.2	61.5	16.5	8.6	19.9	7.4	8.3	
Ukraine	82.5	0.7	56.7	83.3	0.0	17.5	12.4	4.4	14.2	
Venezuela	91.3	1.5	48.0	64.3	3.9	8.7	5.0	1.8	8.8	

Growing Allure Of Eurobonds For Africa?



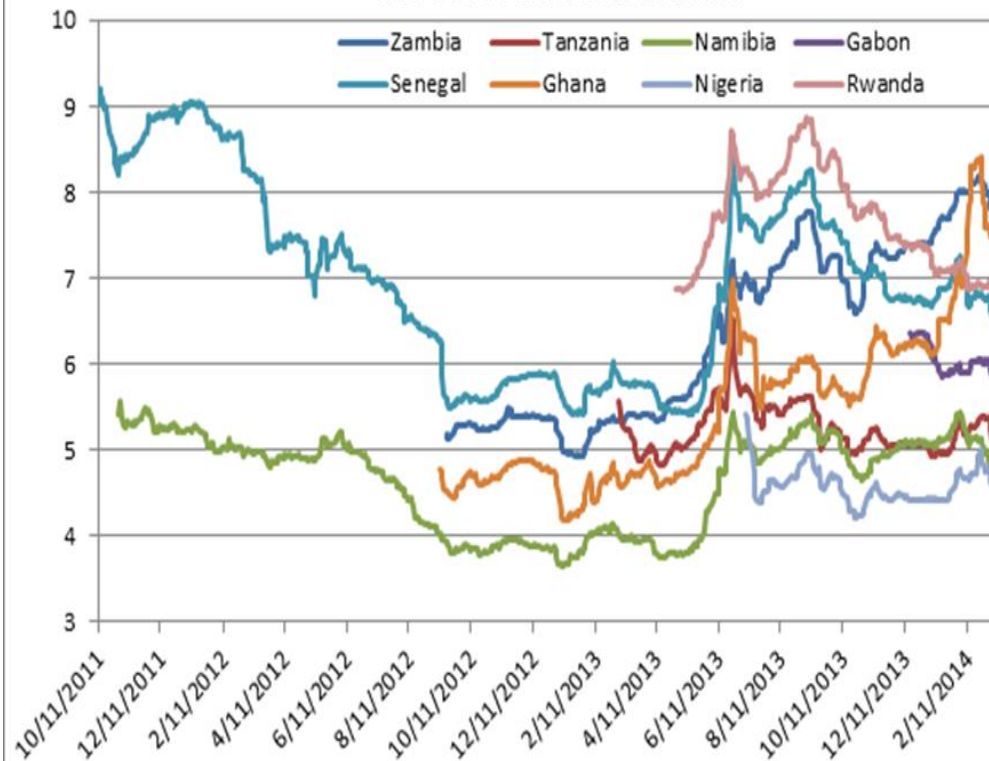
Repricing of EM Risk

Standard & Poor's Emerging Markets Sovereign Ratings Vs Bond Market-Derived Signals



*Brazil, Colombia, Egypt, Ghana, Indonesia, Mexico, Morocco, Nigeria, Pakistan, Peru, Philippines, South Africa, Thailand, and Turkey. © Standard & Poor's 2014.

SSA Eurobond Yields



Eurobonds – Pros and Cons

Pros

- **Potentially Lower Funding Cost**
- **Diversification Of Funding Sources**
- **Foreign Currency Reserves**
- **Domestic Capital Market**
 - Crowding out? Absorption capacity?
- **Transparency and outside scrutiny create confidence**

Cons

- **Volatile Investor Risk Appetite**
- **Bullet Maturities**
 - Roll-over risk?
 - Fiscal And External Obligation
 - Sinking fund?
- **Exchange Rate Risk**
- **Domestic Capital Market**
 - Liquidity?

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