



**STANDARD & POOR'S
RATINGS SERVICES**

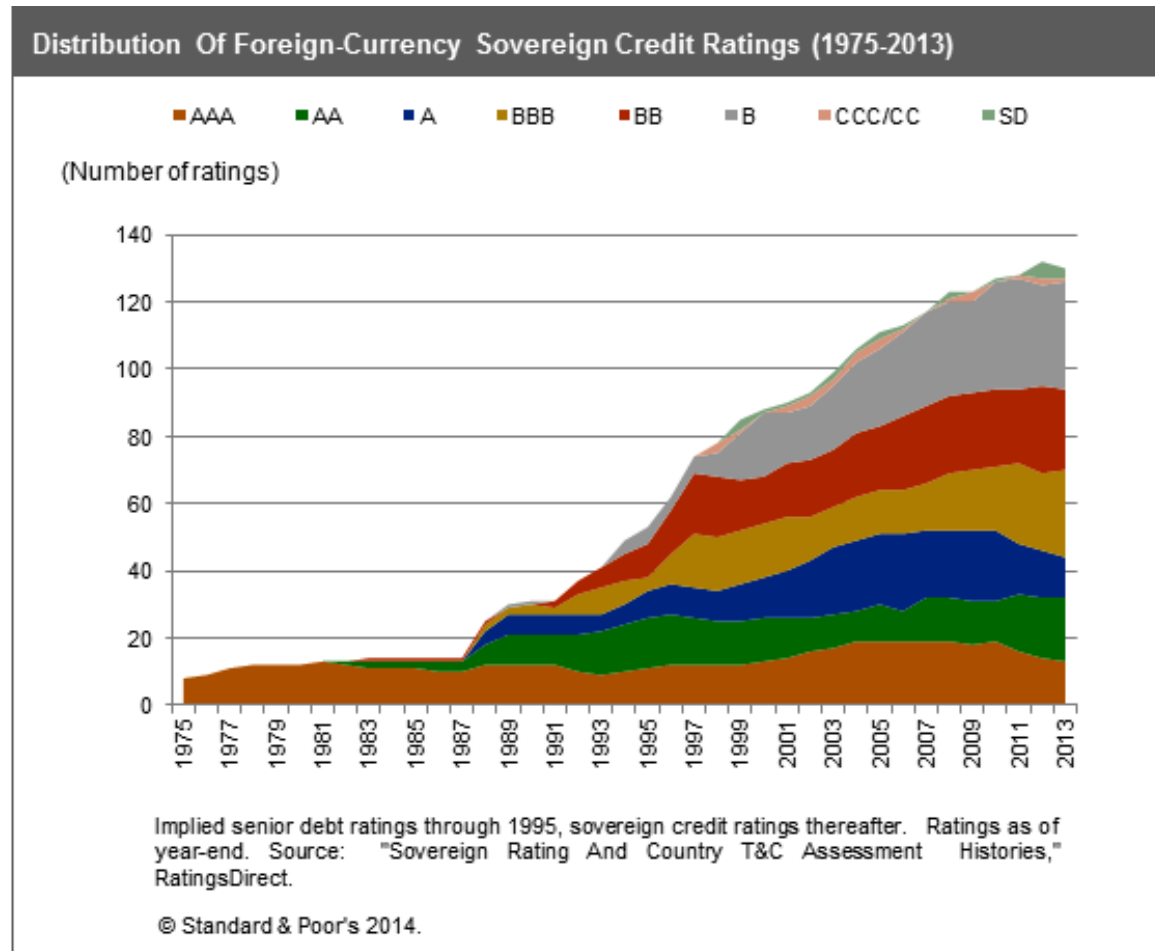
McGRAW HILL FINANCIAL

Sovereign Eurobonds: The Credit Rating Agency Perspective

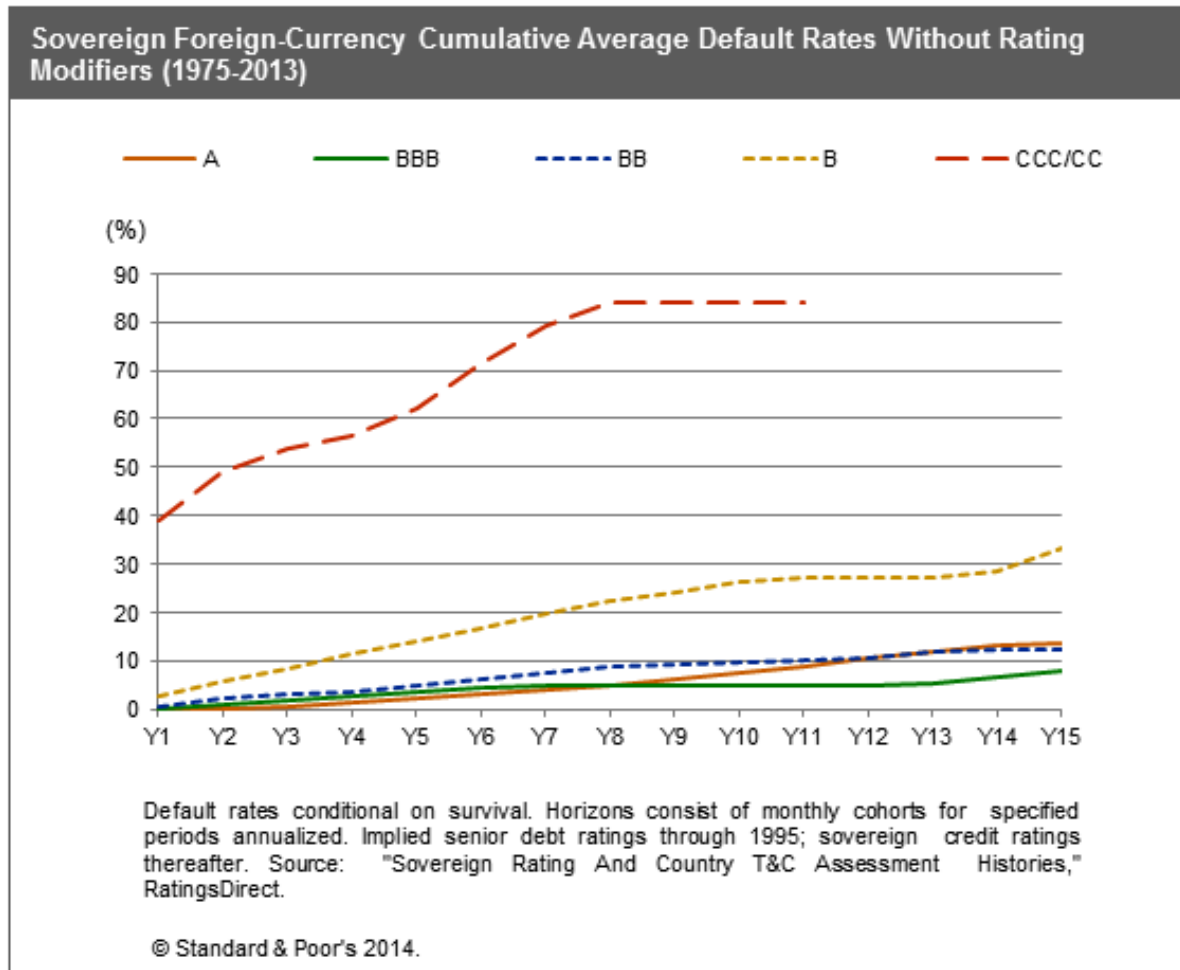
**Christian Esters, CFA
Senior Director
Sovereign Ratings EMEA Emerging Markets**

September 2014

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

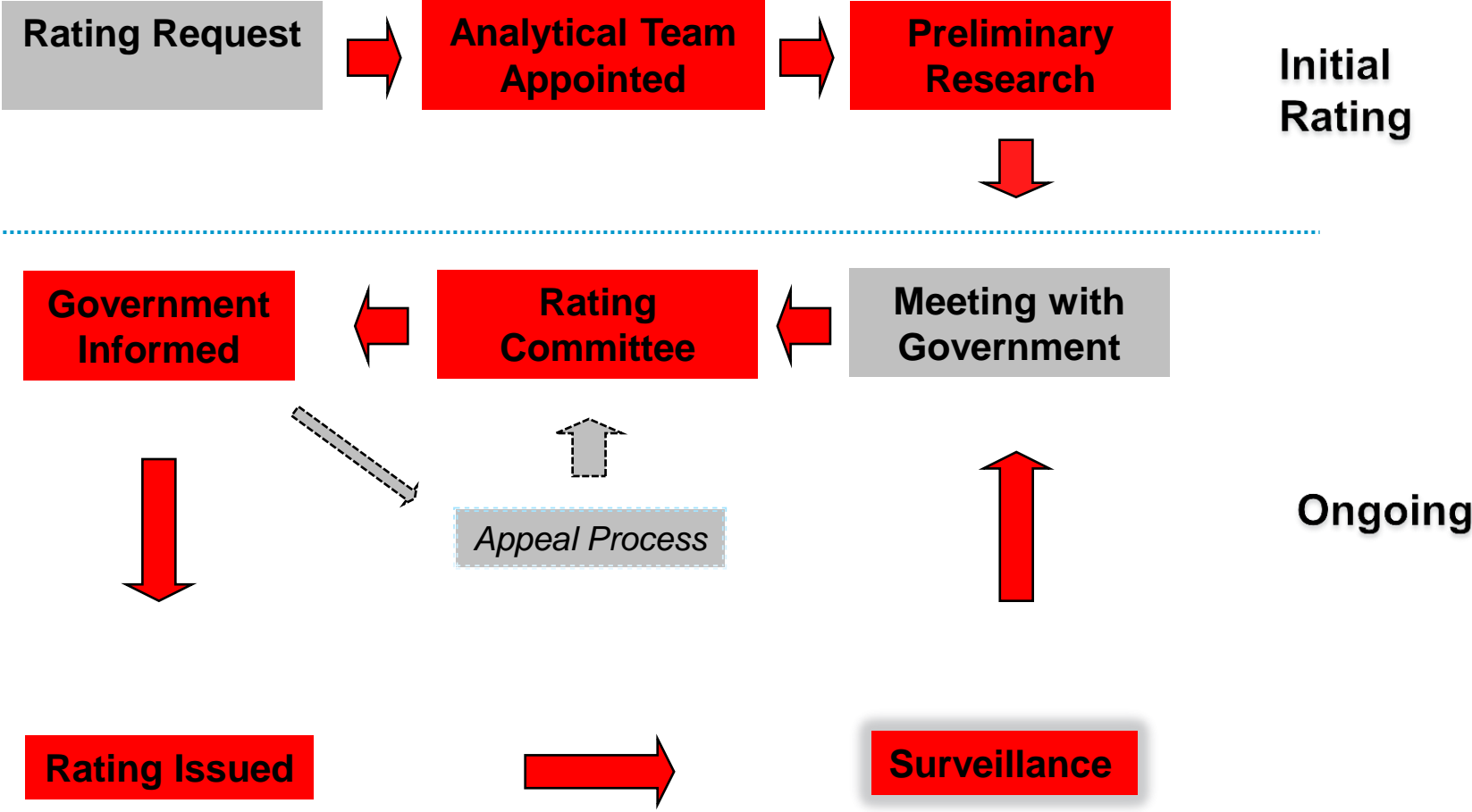
Investors seek:

- 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

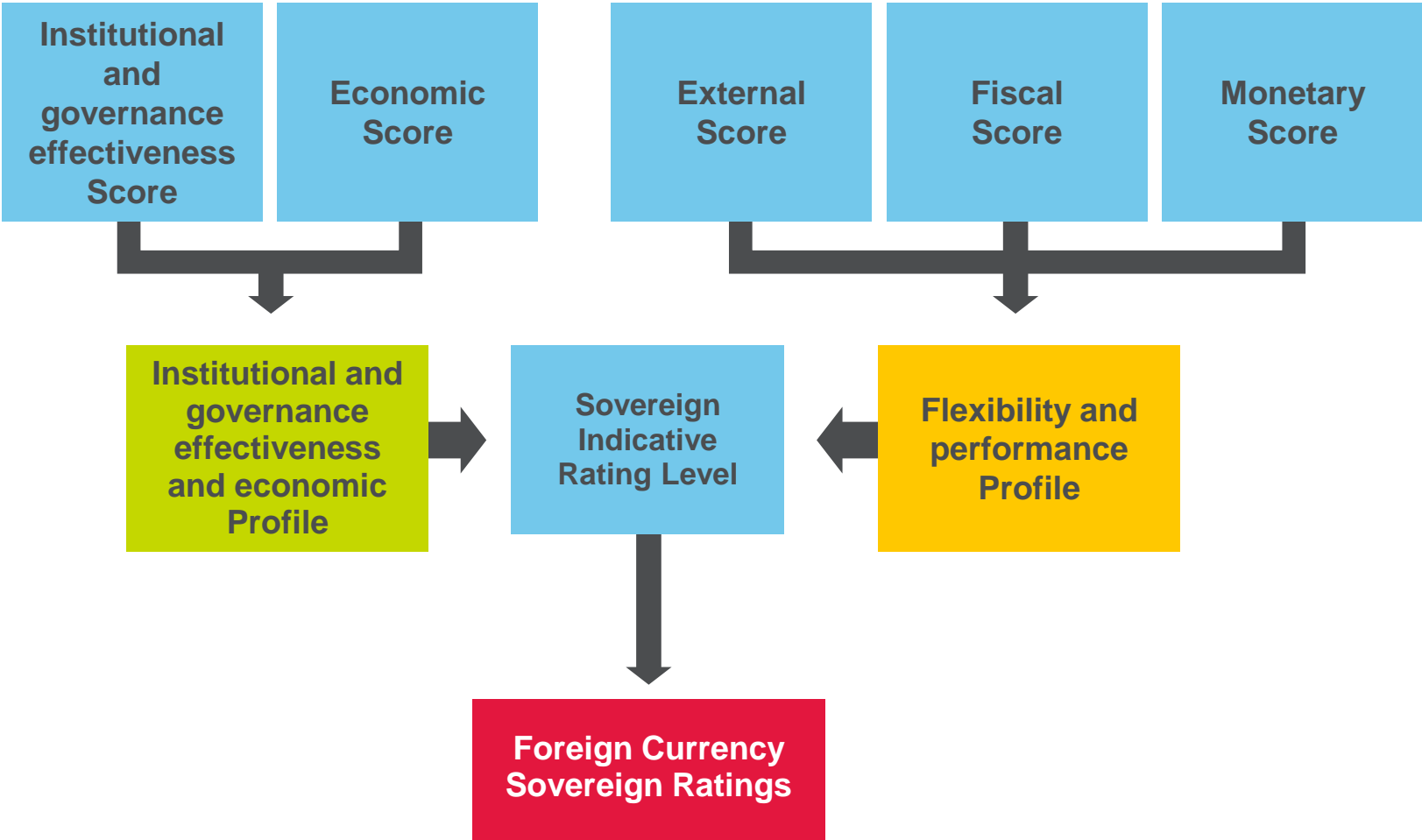
Features of Credit Ratings

- Independence
- Objectivity
- Insightful Analysis

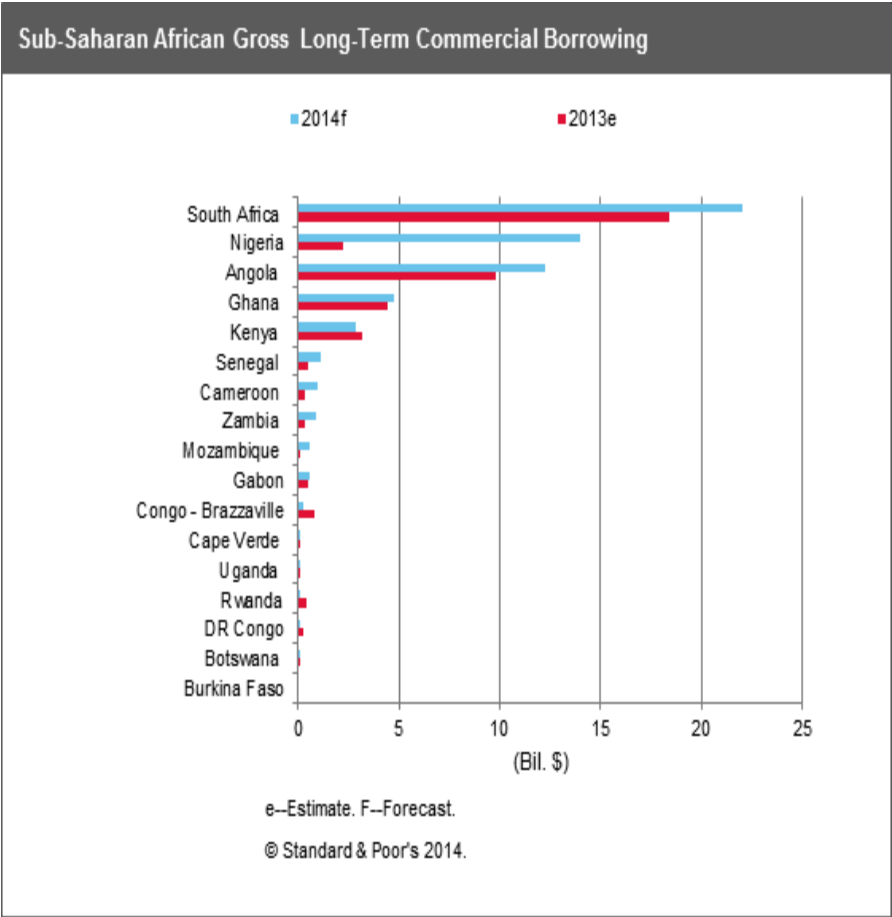
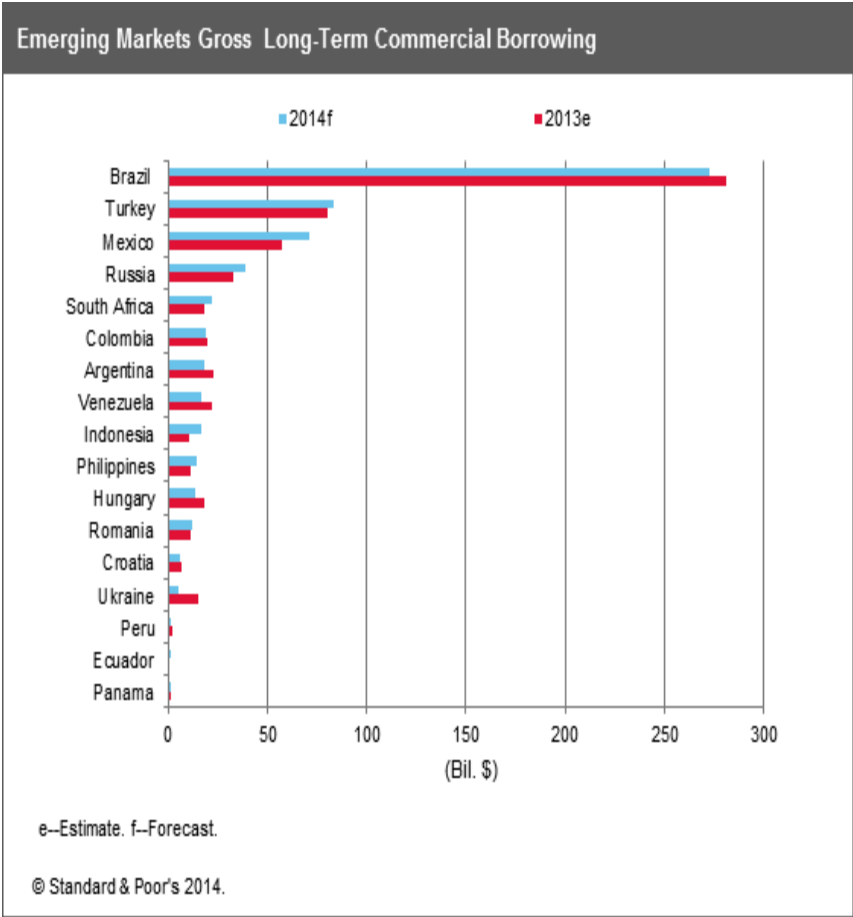
Rating Process



Sovereign Ratings Criteria



Global EM Borrowing To Remain Broadly Unchanged in 2014

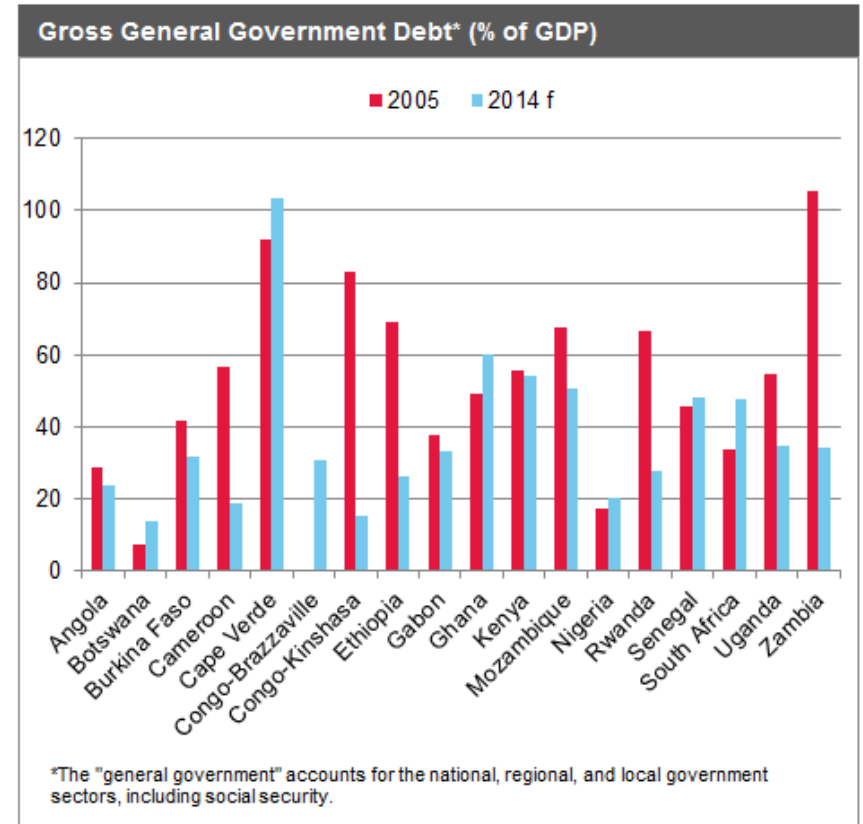
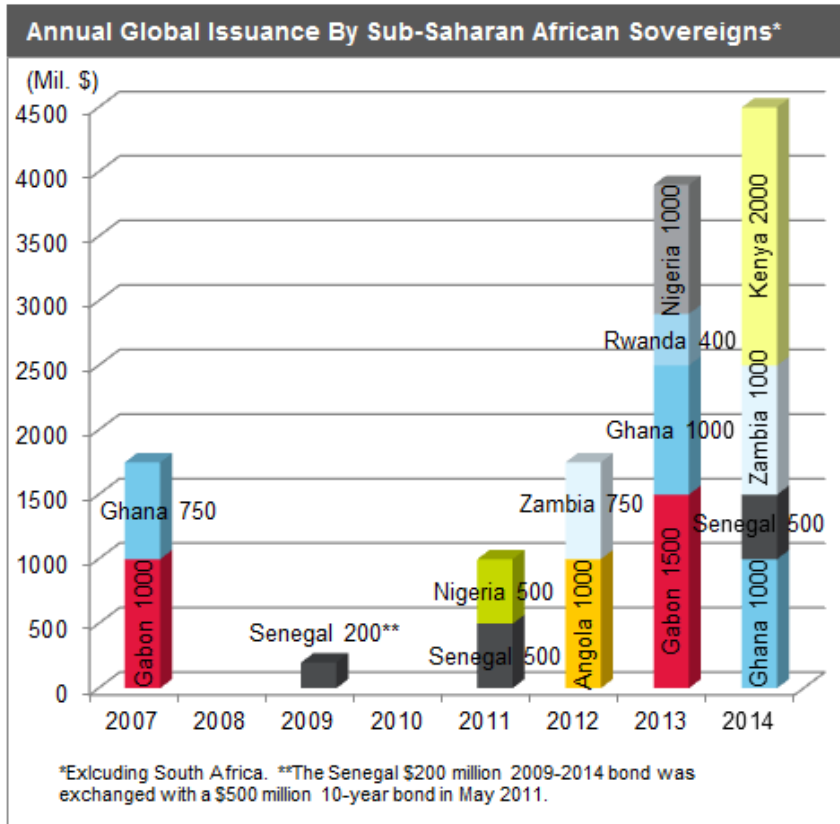


Varying Debt Structures

Emerging Markets Central Government Debt Structure And Roll-Over Ratios

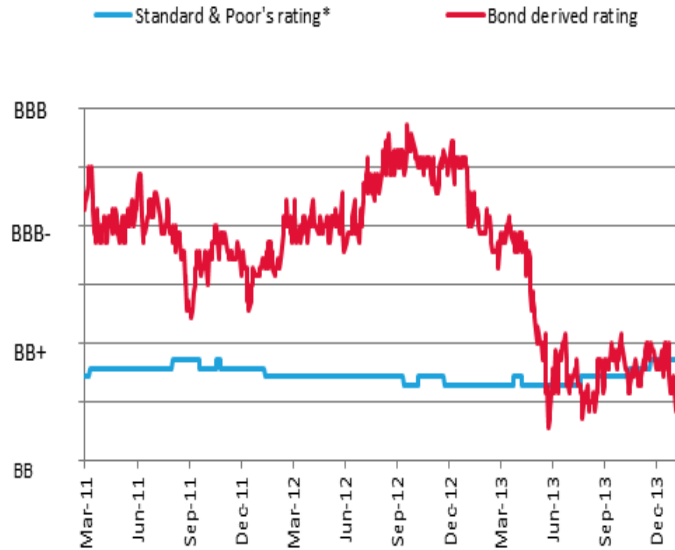
(% of total debt)	2013e						2014f			
	Commercial debt	S-T debt	FC debt	L-T fixed-rate debt	Inflation-indexed debt	Bi-/Multilateral debt	Rollover ratio	Rollover ratio (% of GDP)	Bi-/Multilateral debt	
Argentina	87.9	0.0	79.9	50.0	30.1	12.1	10.3	2.5	12.4	
Brazil	99.6	2.8	3.8	39.3	34.5	0.4	18.4	8.6	0.4	
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?



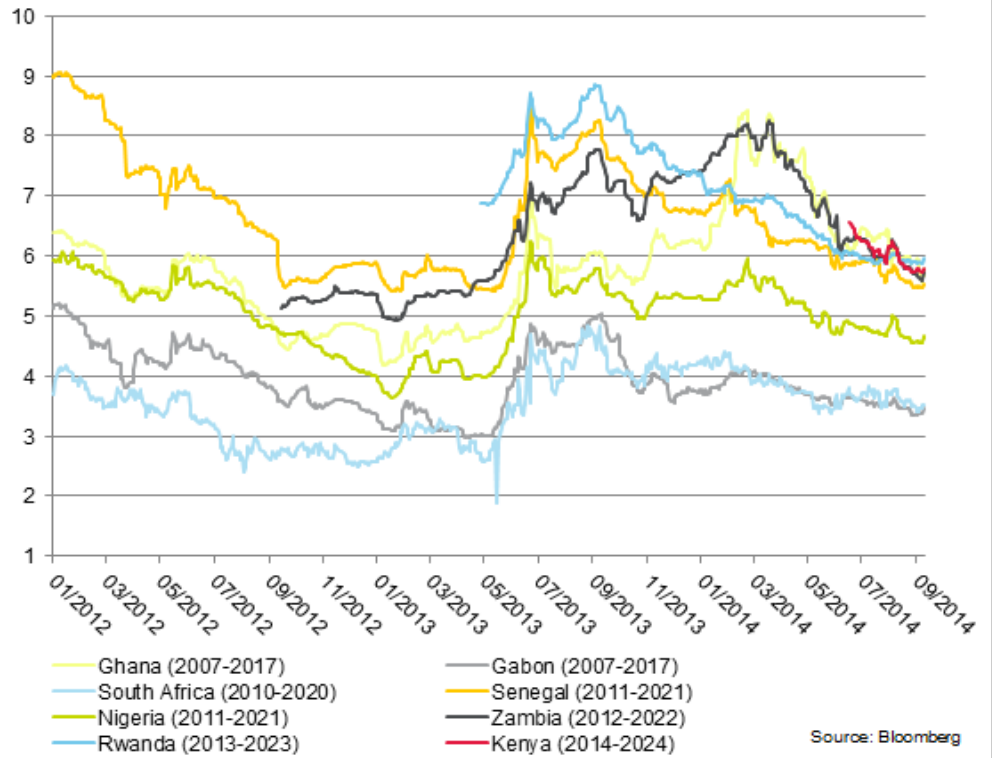
Repricing of EM Risk

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.

Sub-Saharan African Bond 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?



**STANDARD & POOR'S
RATINGS SERVICES**

McGRAW HILL FINANCIAL

Thank You

Christian Esters, CFA

Senior Director

T: +49 69 33 999 242

christian.esters@standardandpoors.com



**STANDARD & POOR'S
RATINGS SERVICES**

McGRAW HILL FINANCIAL

Copyright © 2014 by Standard & Poor's Financial Services LLC. All rights reserved.

No content (including ratings, credit-related analyses and data, valuations, model, software or other application or output therefrom) or any part thereof (Content) may be modified, reverse engineered, reproduced or distributed in any form by any means, or stored in a database or retrieval system, without the prior written permission of Standard & Poor's Financial Services LLC or its affiliates (collectively, S&P). The Content shall not be used for any unlawful or unauthorized purposes. S&P and any third-party providers, as well as their directors, officers, shareholders, employees or agents (collectively S&P Parties) do not guarantee the accuracy, completeness, timeliness or availability of the Content. S&P Parties are not responsible for any errors or omissions (negligent or otherwise), regardless of the cause, for the results obtained from the use of the Content, or for the security or maintenance of any data input by the user. The Content is provided on an "as is" basis. S&P PARTIES DISCLAIM ANY AND ALL EXPRESS OR IMPLIED WARRANTIES, INCLUDING, BUT NOT LIMITED TO, ANY WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE, FREEDOM FROM BUGS, SOFTWARE ERRORS OR DEFECTS, THAT THE CONTENT'S FUNCTIONING WILL BE UNINTERRUPTED OR THAT THE CONTENT WILL OPERATE WITH ANY SOFTWARE OR HARDWARE CONFIGURATION. In no event shall S&P Parties be liable to any party for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses (including, without limitation, lost income or lost profits and opportunity costs or losses caused by negligence) in connection with any use of the Content even if advised of the possibility of such damages.

Credit-related and other analyses, including ratings, and statements in the Content are statements of opinion as of the date they are expressed and not statements of fact. S&P's opinions, analyses and rating acknowledgment decisions (described below) are not recommendations to purchase, hold, or sell any securities or to make any investment decisions, and do not address the suitability of any security. S&P assumes no obligation to update the Content following publication in any form or format. The Content should not be relied on and is not a substitute for the skill, judgment and experience of the user, its management, employees, advisors and/or clients when making investment and other business decisions. S&P does not act as a fiduciary or an investment advisor except where registered as such. While S&P has obtained information from sources it believes to be reliable, S&P does not perform an audit and undertakes no duty of due diligence or independent verification of any information it receives.

To the extent that regulatory authorities allow a rating agency to acknowledge in one jurisdiction a rating issued in another jurisdiction for certain regulatory purposes, S&P reserves the right to assign, withdraw or suspend such acknowledgment at any time and in its sole discretion. S&P Parties disclaim any duty whatsoever arising out of the assignment, withdrawal or suspension of an acknowledgment as well as any liability for any damage alleged to have been suffered on account thereof.

S&P keeps certain activities of its business units separate from each other in order to preserve the independence and objectivity of their respective activities. As a result, certain business units of S&P may have information that is not available to other S&P business units. S&P has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process.

S&P may receive compensation for its ratings and certain analyses, normally from issuers or underwriters of securities or from obligors. S&P reserves the right to disseminate its opinions and analyses. S&P's public ratings and analyses are made available on its Web sites, www.standardandpoors.com (free of charge), and www.ratingsdirect.com and www.globalcreditportal.com (subscription), and may be distributed through other means, including via S&P publications and third-party redistributors. Additional information about our ratings fees is available at www.standardandpoors.com/usratingsfees.

STANDARD & POOR'S, S&P, GLOBAL CREDIT PORTAL and RATINGSDIRECT are registered trademarks of Standard & Poor's Financial Services LLC.