

Fitch Upgrades US\$12.7bn in Collateralized Brady Bonds

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Fitch Upgrades US\$12.7bn in Collateralized Brady Bonds 14 Dec 2005 8:19 AM (EST) Fitch Ratings-London/New York-14 December 2005: Fitch Ratings has today upgraded the ratings of 27 collateralized Brady bonds issued by 11 sovereigns with an aggregate value of US\$12.7 billion. The 11 issuers are: Argentina, Brazil, Dominican Republic, Ecuador, Panama, Peru, Philippines, Poland, Uruguay, Venezuela, and Vietnam. Performing Brady bonds with adequate collateral are now rated either one or two notches above their respective sovereign Issuer Default rating. The ratings on all other bonds issued by these sovereigns remain unchanged - including those of uncollateralized Brady bonds. The action follows the assignment today of Issuer Default ratings to all sovereigns and of Recovery ratings to sovereigns with Issuer Default ratings of 'B+' or lower. The upgrades of the collateralized Brady bonds reflect Fitch's view that in the event of default the recoveries on these securities are likely to exceed the recoveries of senior unsecured bonds, an assessment based on a review of actual recoveries in recent sovereign bond exchanges. Incremental recovery is estimated based on the value of their collateral with an adjustment to face value in respect of expected cash collateral received. In the case of Argentina, which has outstanding unsecured and collateralized bonds in default as well as unsecured bonds not in default, the effect of applying Recovery ratings to its bonds generates two rating changes. For issues currently in default, the application of the Recovery ratings methodology generates a change in their ratings to 'CC' for unsecured notes and to 'CCC-' for collateralized Brady bonds in recognition of their respective average and above-average expected recoveries. The ratings on bonds not currently in default are unchanged. A full report explaining the methodology for Recovery Ratings on collateralized Brady bonds titled "Collateralized Brady Bonds Upgraded" is available on the agency's public website, www.fitchratings.com. The following issues are upgraded as detailed: Argentina USD Par 2023 to 'CCC-' Argentina DEM Par 2023 to 'CCC-' Argentina USD Discount 2023 to 'CCC-' Argentina DEM Discount 2023 to 'CCC-' Brazil Par 2024 to 'BB' Brazil Discount 2024 to 'BB' Dominican Republic Discount 2024 to 'B' Ecuador Discount 2025 to 'B' Ecuador Par 2025 to 'B' Panama Discount 2026 to 'BBB-' Panama Par 2026 to 'BBB-' Peru Discount 2027 to 'BB+' Peru Par 2017 to 'BB+' Philippines Par A 2018 to 'BB+' Philippines Par B 2017 to 'BBB-' Poland RSTA 2024 to 'A-' Poland Par 2024 to 'A-' Uruguay Fixed A 2021 to 'BB-' Venezuela USD Discount 2020 to 'BB' Venezuela DEM Discount 2020 to 'BB+' Venezuela DEM Par 2020 to 'BB+' Venezuela FRF Par 2020 to 'BB+' Venezuela ITL Par 2020 to 'BB' Venezuela CHF Par 2020 to 'BB+' Venezuela USD Par A 2020 to 'BB' Venezuela USD Par B 2020 to 'BB' Vietnam Discount 2028 to 'BB' Contacts: Roger M. Scher, New York +1 212 908 0820; David Riley, London +44 20 7417 6338. Media Relations: Jon Laycock, London, Tel: +44 20 7417 4327. Fitch's rating definitions and the terms of use of such ratings are available on the agency's public site, www.fitchratings.com. Published ratings, criteria and methodologies are available from this site, at all times. Fitch's code of conduct, confidentiality, conflicts of interest, affiliate firewall, compliance and other relevant policies and procedures are also available from the 'Code of Conduct' section of this site.