MOODY'S
INVESTORS SERVICE

Announcement: Moody's assigns positive outlook to Uruguay's sovereign ratings

Global Credit Research - 26 Jan 2012

New York, January 26, 2012 -- Moody's Investors Service has revised its rating outlook to positive from stable for the Ba1 rating of the government of Uruguay.

Moody's current ratings of Uruguay, Government of are:

Long Term Issuer (domestic and foreign currency) ratings of Ba1

Senior Unsecured (domestic and foreign currency) ratings of Ba1

Senior Unsecured Shelf (foreign currency) ratings of (P)Ba1

The positive outlook is based on:

A steady improvement in Uruguay's sovereign credit profile as a result of a strong and continued commitment by the government to fiscal discipline, a condition that has led to moderate deficits and declining debt metrics.

The authorities' ability to reduce credit vulnerabilities embedded in the government debt structure through liability management operations that have lowered refinancing risks by extending average maturities while simultaneously decreasing the share of foreign currency-denominated debt.

Additional contributing factors to Uruguay's positive credit outlook include: (i) sustained economic growth supported by structural elements that have reinforced medium-term potential growth prospects, (ii) increased government financial buffers backed by an ample cash reserve, (iii) a transition toward a more diversified export structure, and, last but not least (iv) a track record of policy continuity coupled with increased policy predictability.

"Along with an enhanced ability to manage adverse economic and financial conditions, the government's credit profile has been improving gradually -- but steadily -- moving closer in line with that present in higher-rated sovereigns," says Moody's.

Even though Uruguay's sovereign credit profile is much stronger than in the past, certain elements give rise to potential credit vulnerabilities that pose important challenges, according to Moody's.

Accordingly, as the external environment is likely to be associated with an extended period of low global growth and persistent global financial turmoil in the near future, Moody's will closely monitor developments during the next 12-18 months in order to assess the country's ability to manage these conditions.

Particular attention will be given to regional contagion events and the potential credit implications of still-relatively high government debt dollarization (i.e., foreign currency-denominated debt) and financial dollarization (i.e., foreign currency-denominated bank deposits).

Since Uruguay - as well as other Latin America countries - is likely to be tested in the coming months, Moody's will take the opportunity to assess the country's credit resilience during this period of time to determine if it is comparable to that typically associated with investment grade-rated sovereigns.

The outlooks of Uruguay's country ceilings for foreign currency bonds and for deposits have been also changed to positive from stable.

The principal methodology used in this rating was Sovereign Bond Ratings published in September 2008. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

REGULATORY DISCLOSURES

Although this credit rating has been issued in a non-EU country which has not been recognized as endorsable at this date, this credit rating is deemed "EU qualified by extension" and may still be used by financial institutions for regulatory purposes until 30 April 2012. Further information on the EU endorsement status and on the Moody's office that has issued a particular Credit Rating is available on www.moodys.com.

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Information sources used to prepare the rating are the following : parties involved in the ratings, parties not involved in the ratings, public information, and confidential and proprietary Moody's Investors Service information.

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