



GCAB OBJECTS TO AGREEMENT BETWEEN THE ARGENTINE GOVERNMENT AND LOCAL PENSION FUNDS (AFJPs)

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The Global Committee of Argentina Bondholders (GCAB) objects to the accord apparently reached between the Argentine government and the local Argentine pension funds, as it violates the government's commitment to act in good faith by providing preferential treatment for a subgroup of defaulted creditors.

It has been reported in the press that local pension fund administrators (Grupo Santander, CitiGroup, BBVA and HSBC group) have reached an accord with Argentina to restructure US\$16 billion of defaulted sovereign bonds, thus giving the perception of endorsing the current unilateral offer proposed by Argentina to its global bondholders which has been denounced by GCAB. Argentina defaulted on a total of US\$81 billion of bond principal claims in December 2001. While Argentina has repeatedly stated publicly that it is currently unable to negotiate with creditors and has been unwilling to improve upon the exchange offer being made to its global bondholders, it apparently does not see itself as constrained in these ways when dealing with the local pension funds.

Making side arrangements with subgroups of creditors is another violation of Argentina's commitment to the global credit markets to enter into good faith negotiations. This side arrangement and Argentina's claim that it is a sign of support for its unilateral restructuring offer are particularly deplorable because the local Argentine pension funds had little latitude to refuse the government's offer given the government's regulatory control over the pension funds. While the Argentine government has not fully released terms of the accord with its captive pension fund creditors, it has been reported in the local press that the terms are significantly superior to those being offered to Argentina's global creditors. In addition to providing economic terms better than those offered to other creditors, it has been reported that Argentina will allow the pension funds to account for the new notes at prices in excess of their current market value, disguising the losses suffered by the pensioners and thereby distorting the financial records of the pension funds.

In reacting to news of the accord, Hans Humes, co-chairman of the GCAB Steering Committee stated, "Argentina is trying to create the illusion that there is growing creditor support for its unilateral restructuring offer, but gaining the support of creditors who cannot say no is hardly an accomplishment. It is no wonder Argentina's local non-pension creditors announced today that they would take legal action to annul the government's accord with the pension funds." Nicola Stock, co-chairman of the GCAB Steering Committee added, "If Argentina had to employ additional incentives to attract Argentine creditors over whom it exerts considerable regulatory control, we can only speculate on the additional incentives it should afford to reach an accord with its global creditors." The accord was denounced by the Asociación de Damnificados por la Pesificación y el Default (ADAPD), the leading non-profit organization representing Argentine bondholders,

which announced that it would take legal action to annul the government's agreement with the pension funds and is also considering action against the pension fund administrators for violating their fiduciary responsibilities to the pensioners.

GCAB reiterates that it will not endorse or accept the current unilateral offer being proposed by Argentina and described in various documents filed with the SEC. However, GCAB reaffirms that it remains ready to enter into good faith negotiations to achieve a successful debt restructuring acceptable by all parties. GCAB also reiterates that equitable treatment and a high participation rate, consistent with other sovereign debt restructurings, are key to Argentina's regaining access to the international capital markets. GCAB also reiterated that a high participation rate cannot be reached without its support.

About GCAB

GCAB was formally established in January 2004 by representatives of all the major foreign bondholder constituencies of defaulted Argentine debt, and consists of a broad-based group of holders. GCAB's Steering Committee represents holders from Germany, Italy, Japan, Switzerland, the USA and other countries. Its retail and institutional members hold approximately US\$38 billion in defaulted debt of Argentina, accounting for more than 45% of the principal amount of US\$81 billion in total principal bond claims and approximately 75% of all outstanding Argentine debt held outside Argentina.

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