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# Moody's for Polish and CEE borrowers

# Broad Market Coverage

## Global Staffing



**1,500**  
analysts



**25**  
countries



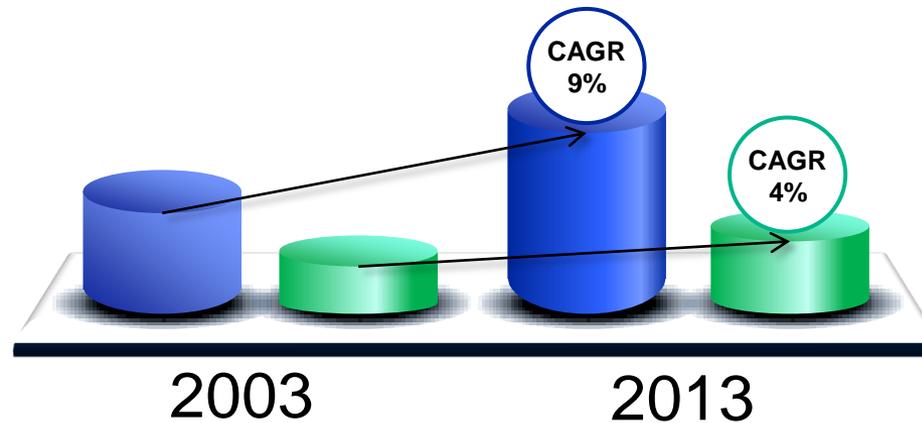


# Expand Your Potential Investor Base And Deal Size

## Rated vs. Unrated Deal Size

Rated Issuance Deal Size\*

Unrated Issuance Deal Size



Many investors include ratings in their investment guidelines

Unrated deals therefore exclude significant population of investors

Sources: Dealogic, Moody's Investors Service. \* Rated by Moody's, S&P or Fitch, vs. not rated by either of the three CRAs

# Consistent Predictive Value Of Moody's

Consistently strong advance warning of default means less chance of a post-issuance **“surprise”** for CFOs and Treasurers



Five-Year Performance of Non-Financial Corporate Debt Ratings as of December 2013

Moody's credit ratings rank-order credit risk and assign low ratings to defaulters well in advance of default

Moody's default studies show consistently strong performance for fundamental issuers for over 100 years

Source: Moody's Investors Service. Report: Moody's: Non-financial corporate debt ratings perform well in 2009-13 (March 5, 2014)

# Investors Read Moody's Research

610,000

document views from following corporate/  
investment banks in 2013



90,000

document views from following asset managers in

2013



1

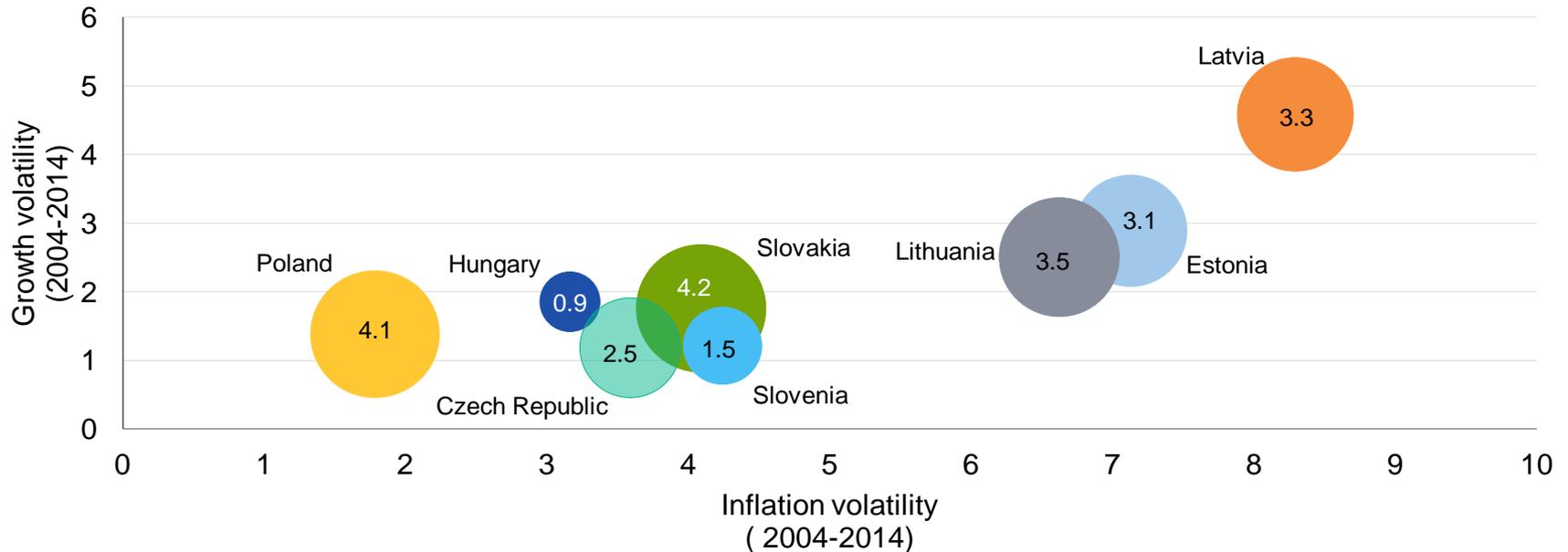
Relatively stable operating environment – sovereign, banking

# Low Volatility of Growth and Inflation

- » Compared with other CEE countries, Poland registered the lowest volatility in growth and inflation in the decade 2004 to 2013
- » Moreover, Poland still displayed a notable 4.1% average GDP growth over that period

## Growth Volatility vs Inflation Volatility

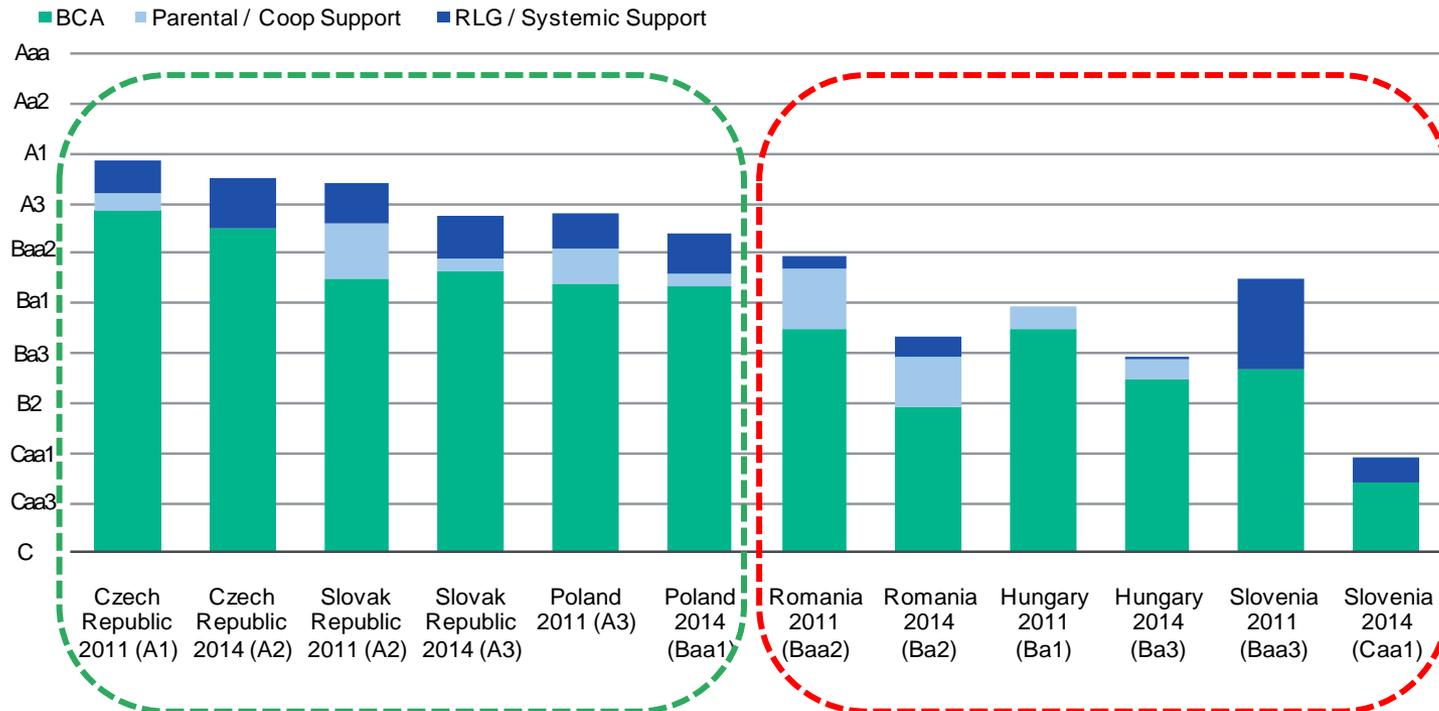
Average growth over the period 2004-2013 is represented by the ball dimension



Source: Moody's

# Current CEE bank ratings flag a two-tier system...

Change in average bank ratings in CEE6 countries 2011 vs. 2014



Source: Moody's Investors Service, Ratings as of June 2014

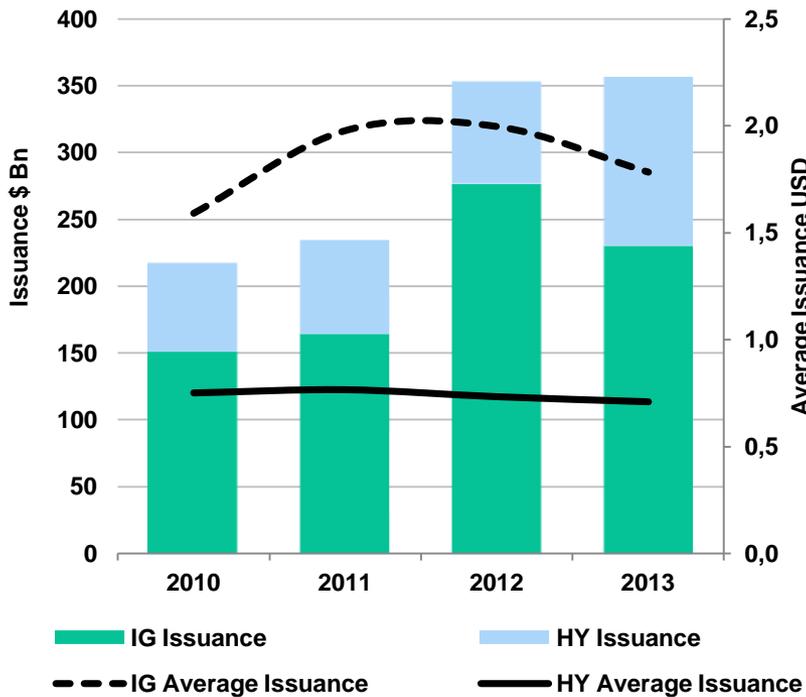
Note: BCA - baseline credit assessment

# 2

## Increasing Disintermediation for Corporates in Europe

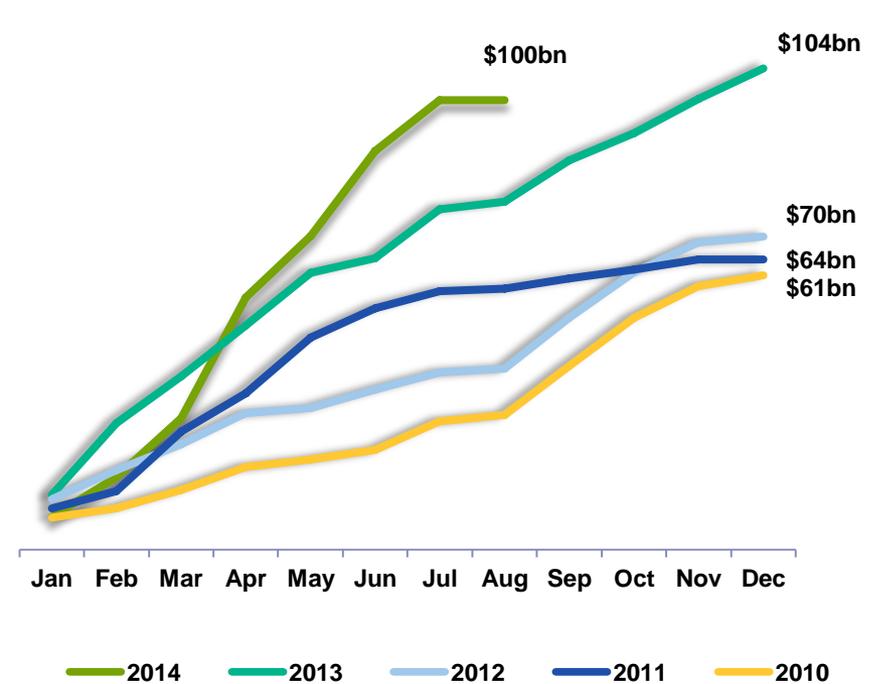
# High issuance levels expected to remain healthy

CFG total rated issuance in USD billion



Source: Moody's

High Yield rated issuance in USD billion

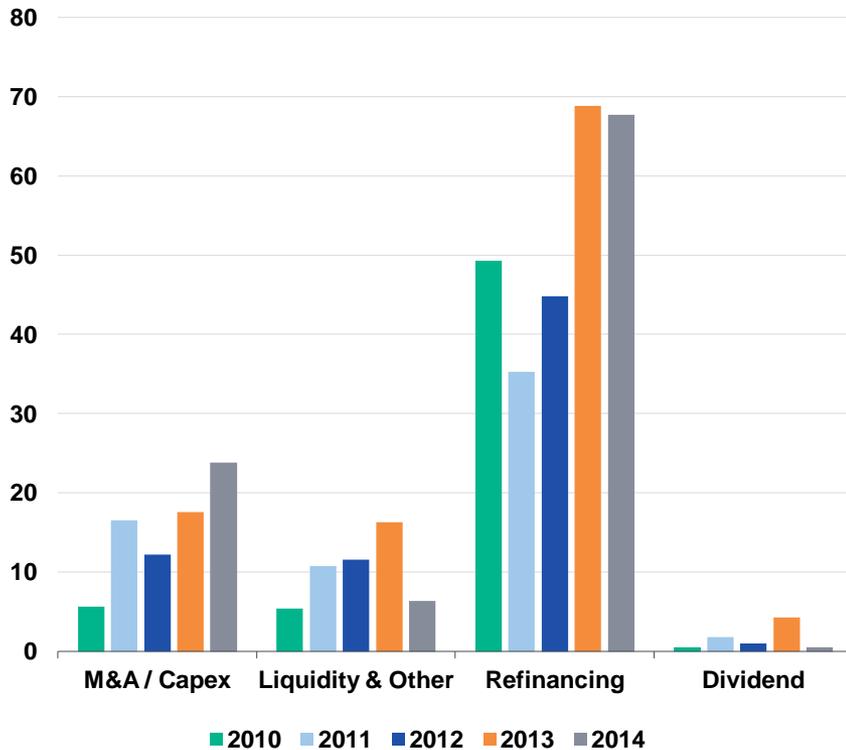


Source: Moody's

- » Positive momentum carrying into 2014
- » High Yield issuance could exceed \$130 billion in 2014

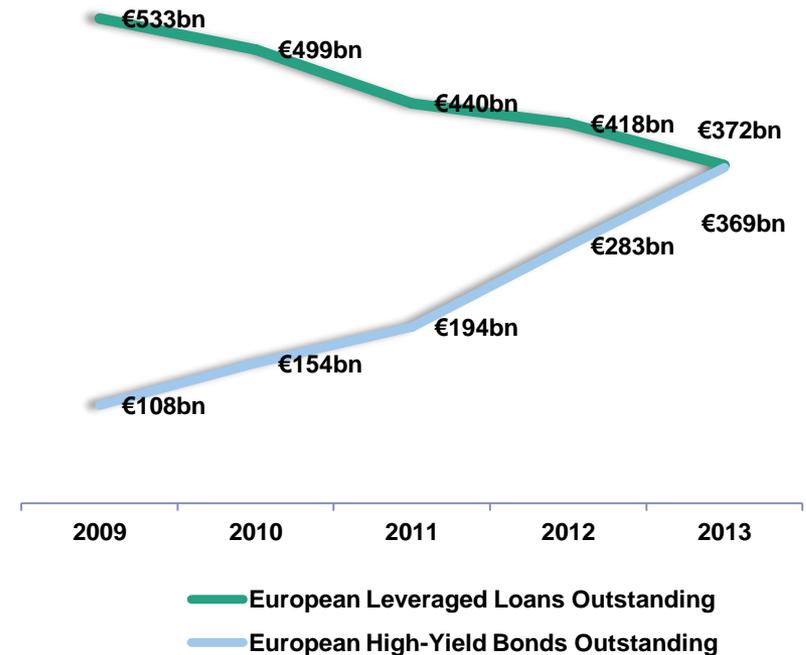
# Main driver behind HY issuance has been loan-for-bond transformation

HY debt issuance by type in USD billion



Source: Moody's

European leveraged Loans vs. HY Bonds Outstanding



Source: Credit Suisse

# 3

Positive credit trends likely to continue through 2014

# Mixed developments for the world economy but improving 2015 prospects

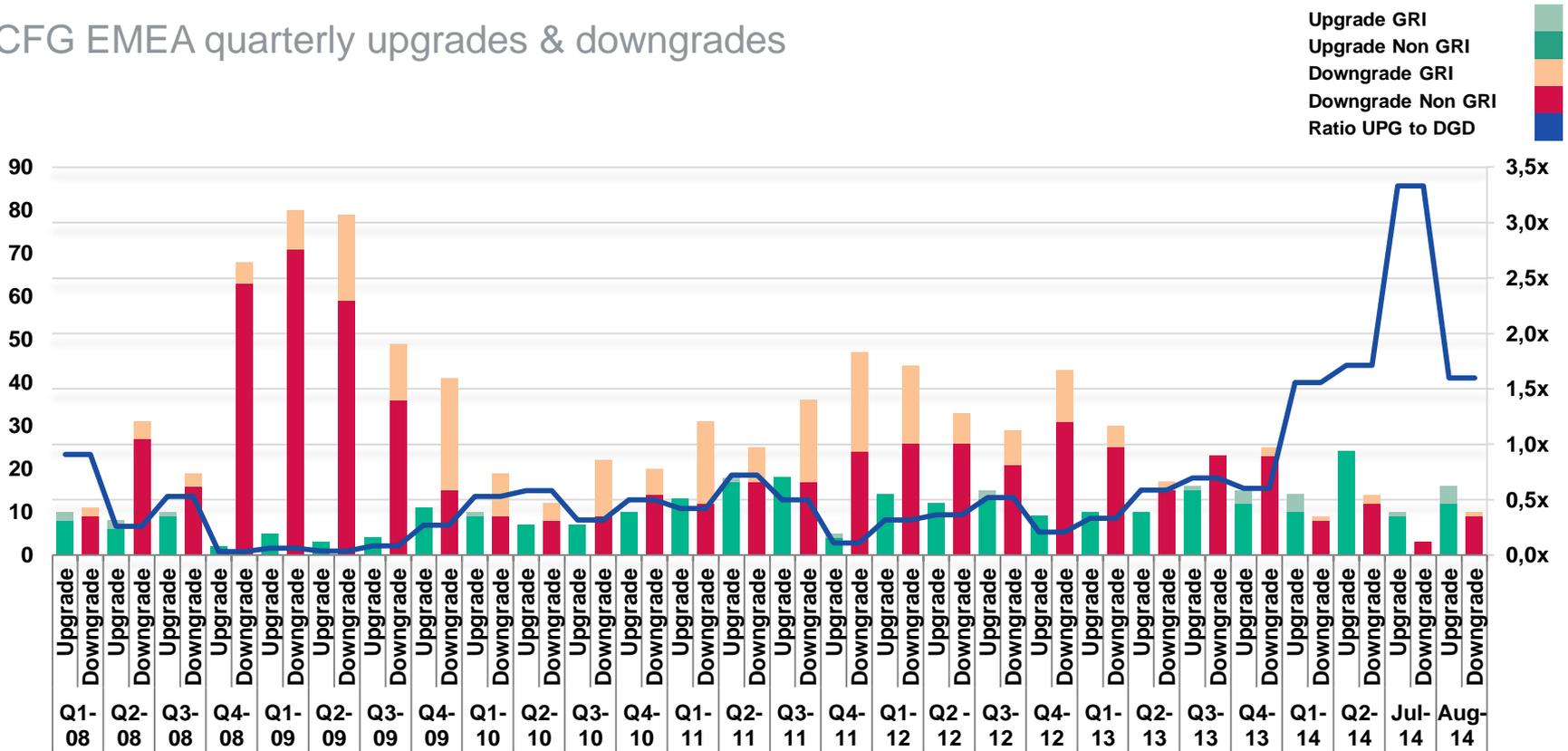
- » Downward revisions dominate the growth outlook
  - Mainly for emerging markets
  - Mainly for 2014 but with some countries' 2015 forecasts revised down too
- » 2014 GDP growth for the G20 is forecast at 2.8%, little changed from 2013.
- » 2015 GDP growth will still be below pre-crisis averages

Countries	Past Growth		2014F		2015F	
	2012	2013	Growth central range	Unemp't central range	Growth central range	Unemp't central range
Argentina	0.9	3.0	-2.5/-1.5	--	-0.5/0.5	--
Australia	3.7	2.4	2.5/3.5	5.5/6.5	2.5/3.5	5.0/6.0
Brazil	1.0	2.5	1.0/2.0	--	1.0/2.0	--
China	7.7	7.7	6.5/7.5	--	6.5/7.5	--
Euro area	-0.6	-0.4	0.5/1.5	--	1.0/2.0	--
France	0.0	0.2	0.0/1.0	10.0/11.0	1.0/2.0	9.5/10.5
Germany	0.7	0.4	1.0/2.0	5.0/6.0	1.0/2.0	4.5/5.5
India	4.5	4.7	4.5/5.5	--	5.0/6.0	--
Indonesia	6.3	5.8	5.0/6.0	--	5.5/6.5	--
Italy	-2.4	-1.9	-0.5/0.5	12.5/13.5	0.5/1.5	12.0/13.0
Japan	1.4	1.5	0.5/1.5	3.0/4.0	1.0/2.0	3.0/4.0
Mexico	3.9	1.1	2.0/3.0	--	2.5/3.5	--
Russia	3.4	1.3	-1.5/-0.5	--	-0.5/0.5	--
Saudi Arabia	5.8	3.8	4.0/5.0	--	3.5/4.5	--
South Africa	2.5	1.9	1.0/2.0	--	2.5/3.5	--
South Korea	2.3	3.0	3.0/4.0	--	3.0/4.0	--
Turkey	2.1	4.0	2.5/3.5	--	2.5/3.5	--
UK	0.3	1.7	2.5/3.5	6.0/7.0	2.0/3.0	6.0/7.0
US	2.8	1.9	1.5/2.5	6.0/7.0	2.5/3.5	5.5/6.5
G-20 All	3.0	2.7	2.5/3.5	--	3.0/4.0	--
G-20 Advanced	1.7	1.4	1.5/2.5	--	2.0/3.0	--
G-20 Emerging	5.3	5.1	4.0/5.0	--	4.5/5.5	--

Source: MIS Macroboard August 2014

# Slowly navigating towards calmer waters

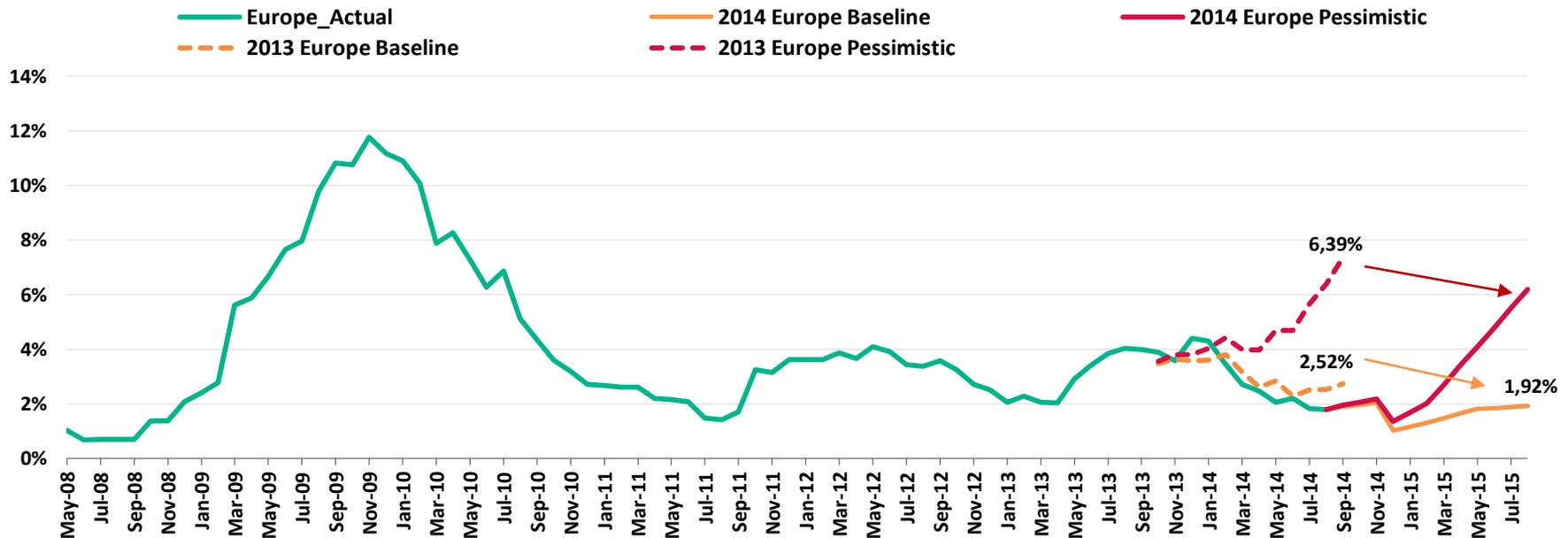
## CFG EMEA quarterly upgrades & downgrades



Source: Moody's

» 2014: First quarters with more upgrades than downgrades since 2008

# Liquidity improvements for non-financial corporates support our overall baseline expectation that the default rate will continue to be low over the coming year



Source: Moody's

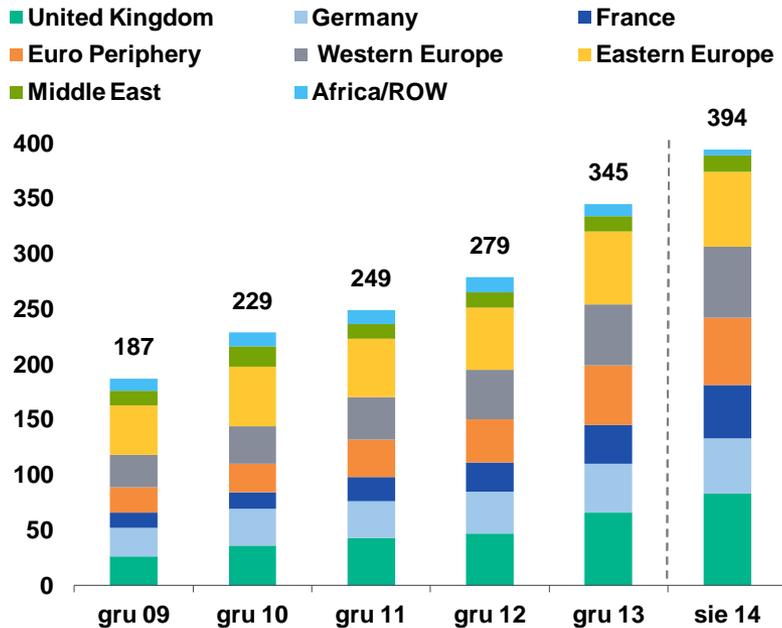
- » Last year has seen a modest rebound in EU sovereign credit quality, a gradual macroeconomic recovery, a period of relative stability for banks and buoyant market access, which has allowed most issuers to address any impending liquidity challenges

# 3

## Rated Corporates in Central and Eastern Europe (CEE) with focus on Poland

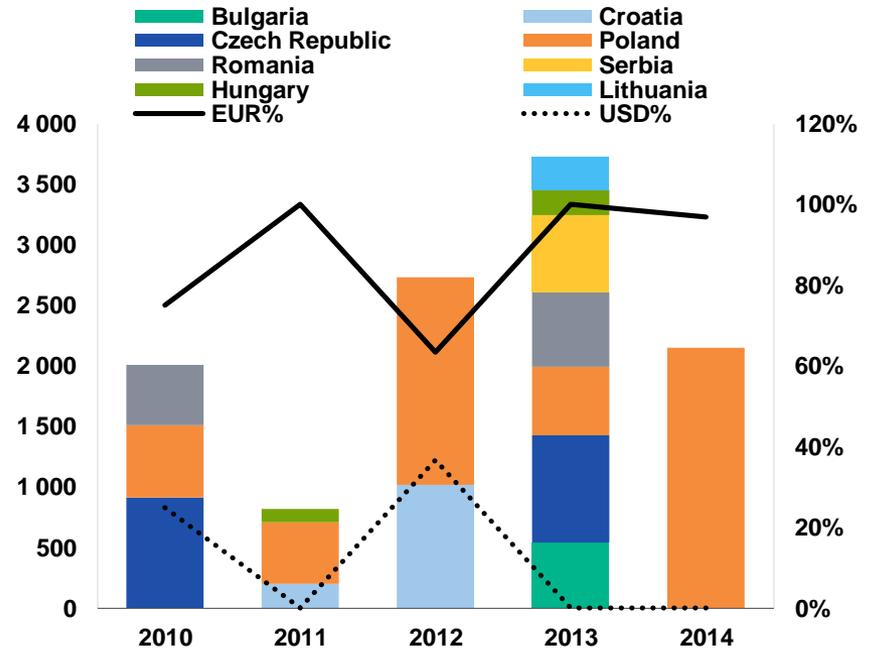
# Issuance levels in the CEE region

High-Yield Issuers by Region in USD billion



Source: Moody's

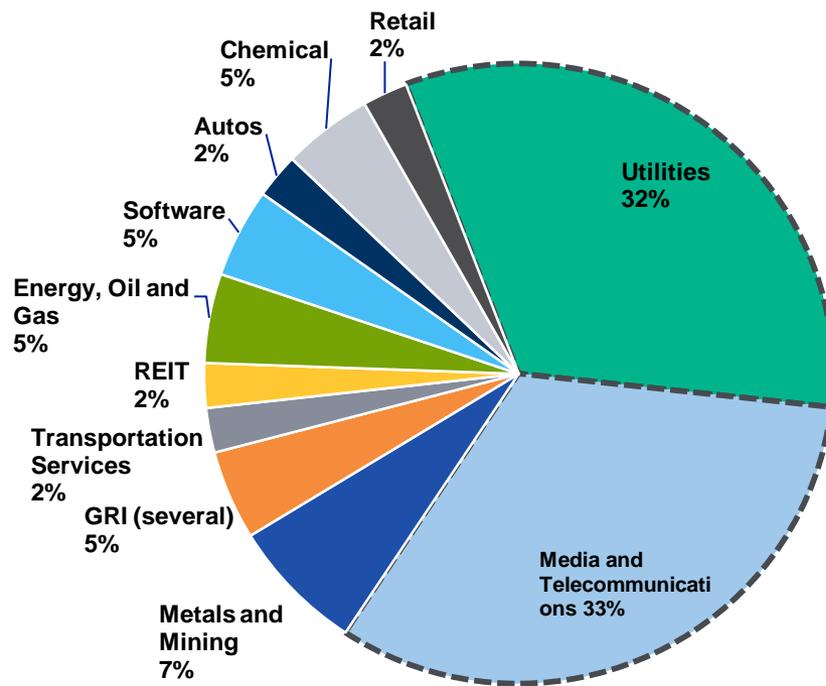
Issuance for selected countries in CEE region in USD million



Source: Moody's

» CEE issuance accounted for 17% of total YTD August 2014 HY issuance

# Rated CEE Non-Financial Corporates by Industry



Source: Moody's

» Two thirds of the rated universe in CEE still relates to Media/Telecoms and Utilities

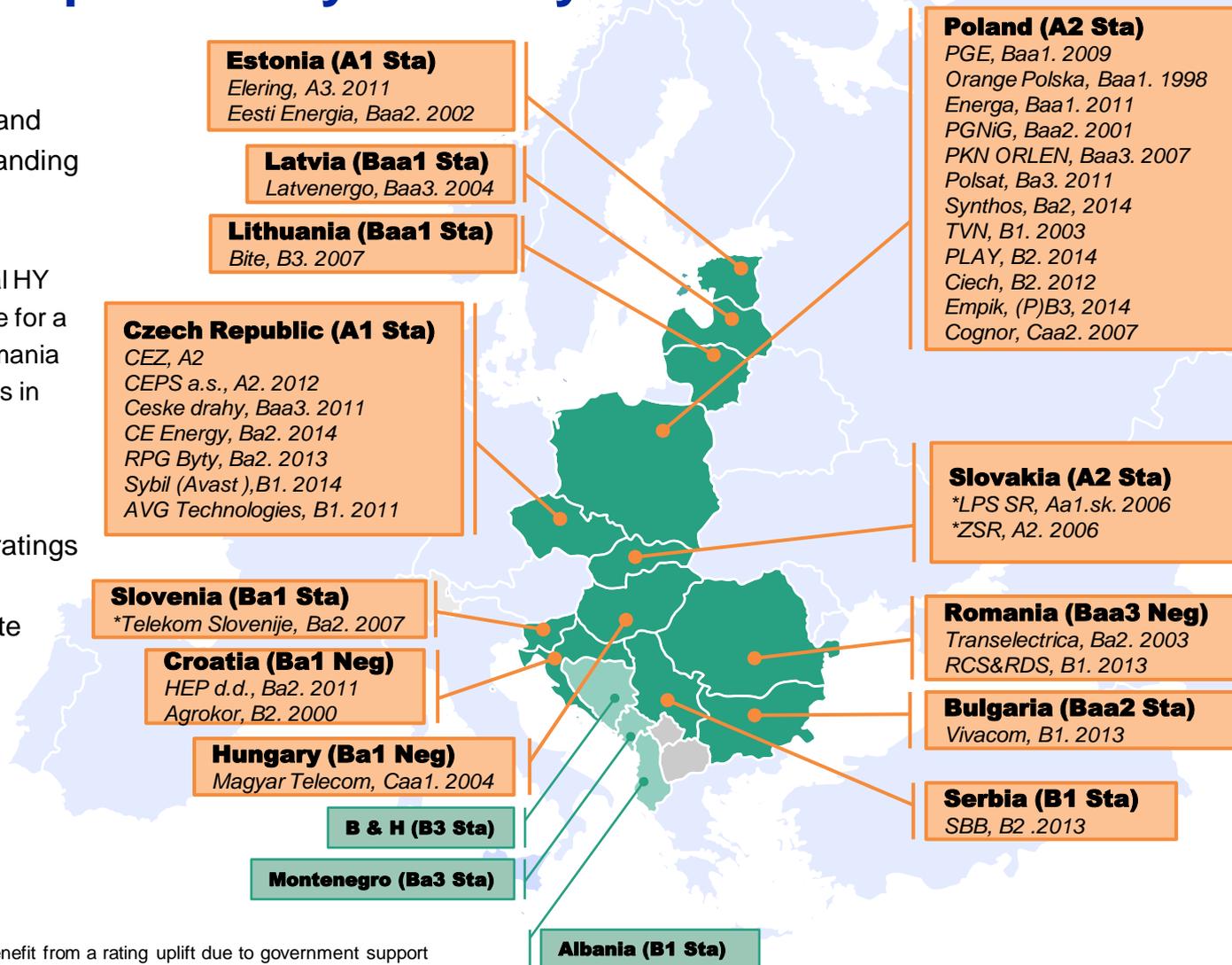
# Rated CEE Corporates by Country

» We rate 38 issuers in CEE and over USD34 Billion of outstanding debt

- Rated first international HY transaction in a decade for a business based in Romania
- Rated eight new ratings in 2013 and 2014

» Sovereign ratings provide a starting point for corporate ratings

» Expectation of new corporate ratings in 2014



Ratings as of 23 September 2014

\*Government-related Issuers which may benefit from a rating uplift due to government support

# Concluding Remarks

- » Refinancing wall in Western Europe has been addressed thanks to record HY bond issuance
- » Liquidity improvements support our expectation of default rates sustained at low levels
- » Recent M&A activity may be a catalyst for further activity, especially for loan issuance
- » Good fundamentals as well as investors' search for yield should support increasing issuance in Poland

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