

# Trends In CEE International Borrowings

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**EMEA Corporate Ratings**

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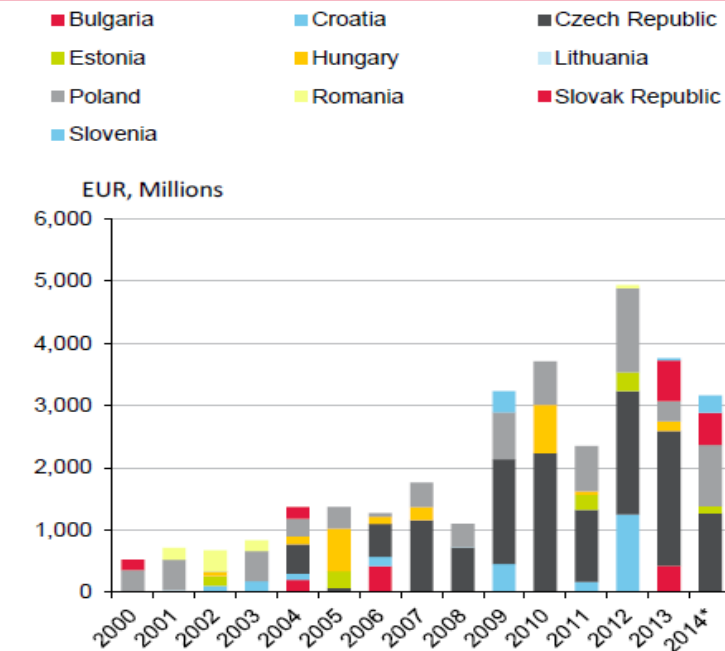
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## Overview

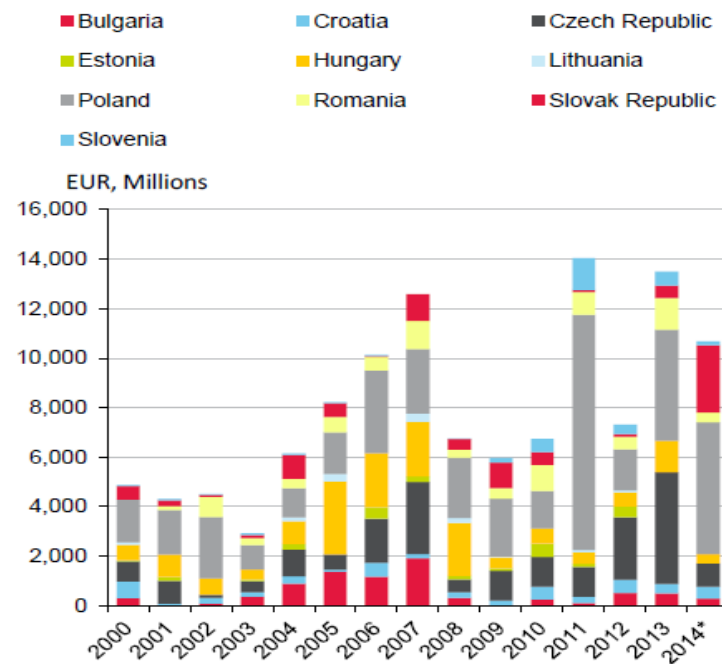
- Corporate lending activity in CEE is strong and continues to grow
- Companies in CEE are increasingly tapping both the domestic and international bond markets to diversify their funding sources.

**CHART 4 | CEE DOMESTIC AND INTERNATIONAL BOND ISSUANCE**



Source: Thomson Reuters. \*To Aug 31, 2014.

**CHART 5 | TOTAL SYNDICATED LENDING TO CEE COMPANIES**



Source: Dealogic. \*To Aug 31, 2014.

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# Trends In CEE International Borrowings

## What is driving the growth?

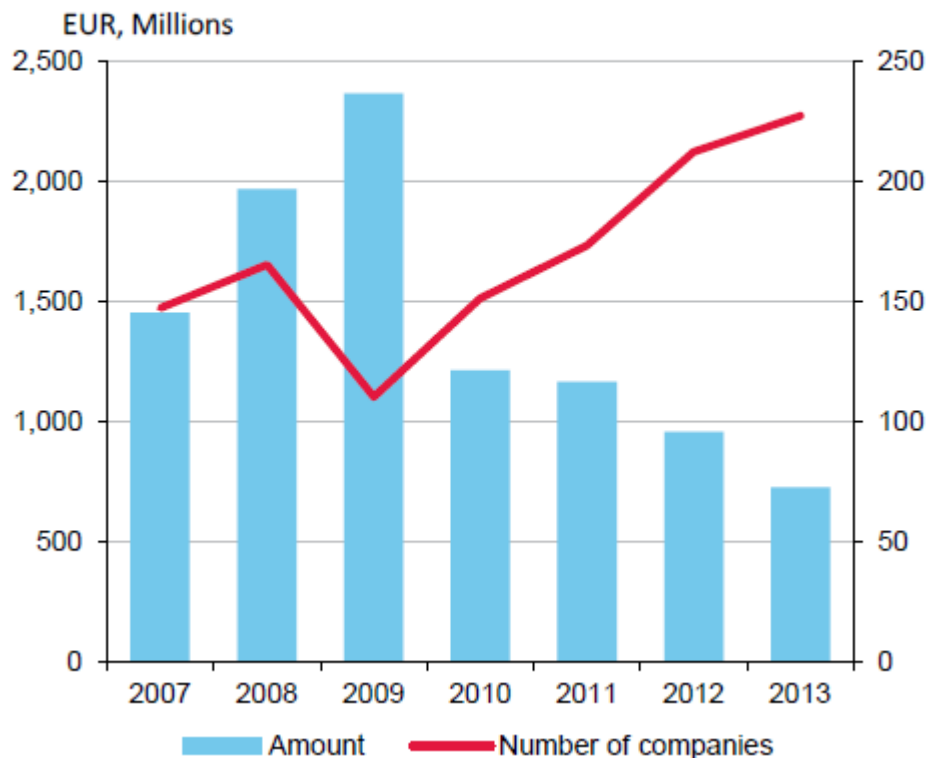
- CEE offers an attractive hybrid of emerging markets with elements of developed economies
- Low interest rate environment also attracting new investors to CEE looking for decent yields
- CEE Companies are pursuing both organic and acquisitive growth and seek growth funding for both domestic and international expansion.

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## What is driving the growth?

- CEE unique pool of assets may increasingly tempt private equity funds and financial sponsors

**CHART 7 | ANNUAL INVESTMENTS IN THE CEE REGION, 2007-2013 BY AMOUNT AND NUMBER OF COMPANIES**

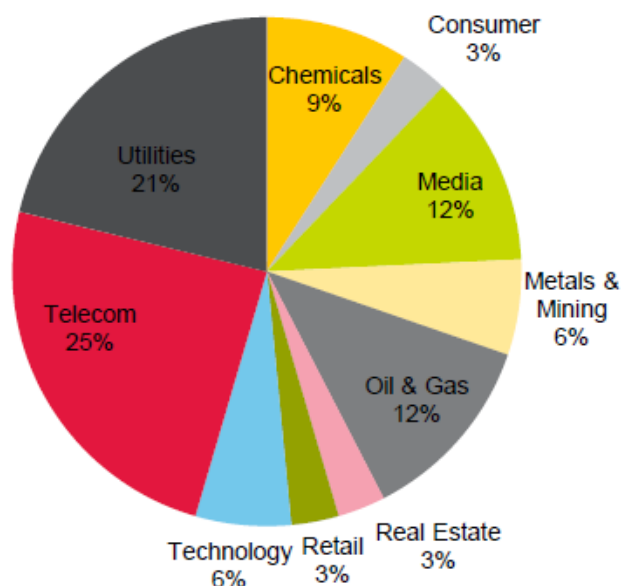


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## CEE Companies Well Placed To Participate In International Capital Markets

- Portfolio of CEE companies rated by S&P is growing strongly and is diversified across many industry sectors, albeit with a bias on Telecoms, Utilities and Media sectors

**CHART 8 | DISTRIBUTION OF STANDARD & POOR'S RATED CORPORATES IN CEE BY SECTOR**



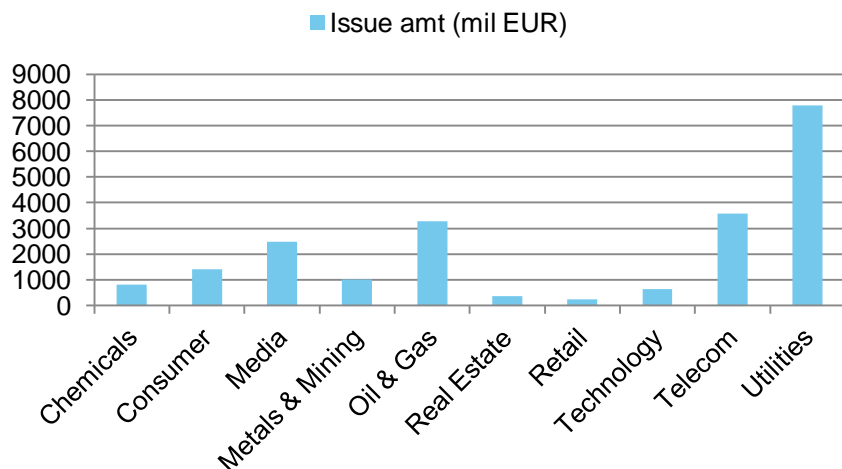
Source: S&P Ratings. \* Status as of September 16, 2014

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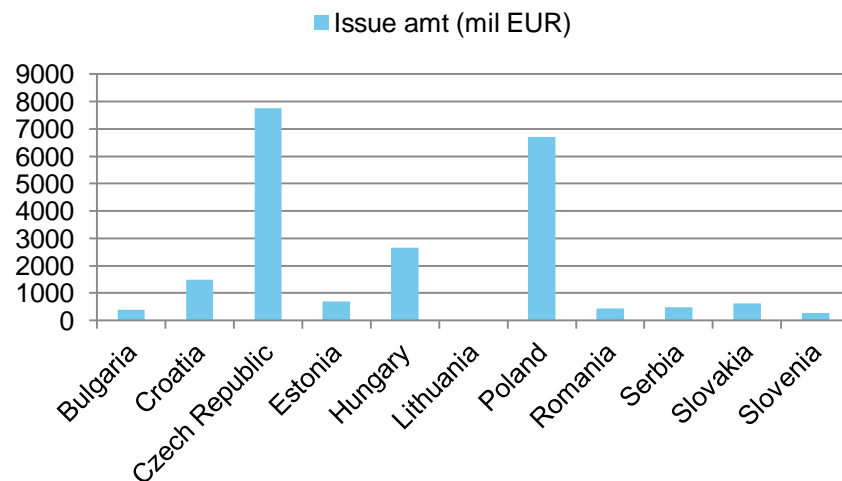
## CEE Companies Well Placed To Participate In International Capital Markets

- Amount of S&P rated issuance similarly biased towards Utilities, Telecoms, Oil & Gas and Media
- Geographically, rated issuance is concentrated in Czech Republic, Poland and Hungary

**Issue amt (mil EUR) by industry**



**Issue amt (mil EUR) by country**

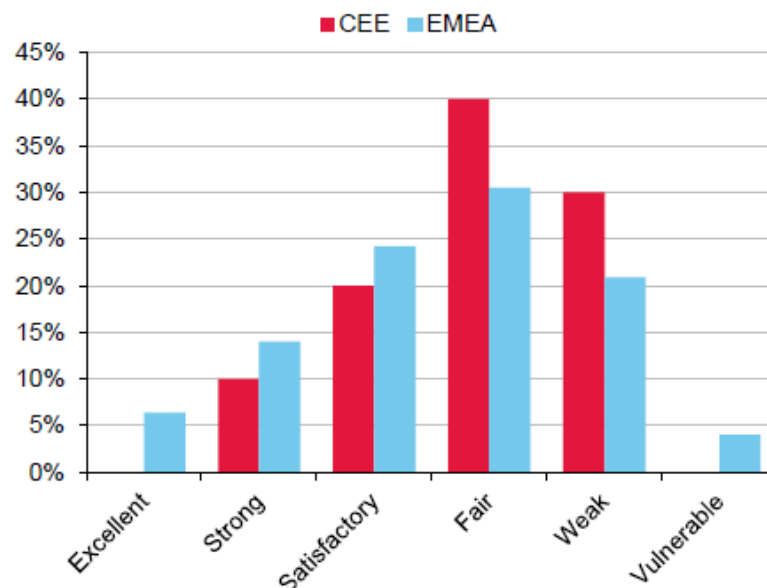


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## CEE Companies Well Placed To Participate In International Capital Markets

- Average strength and robustness of our rated issuers in the CEE similar to those in developed markets
- Distribution of CEE business risk profiles also very similar to that of the EMEA wide portfolio

**CHART 9 | COMPARISON OF BUSINESS RISK PROFILES BETWEEN CEE AND EMEA**



Source: S&P Ratings. \* Status as of end-July, 2014

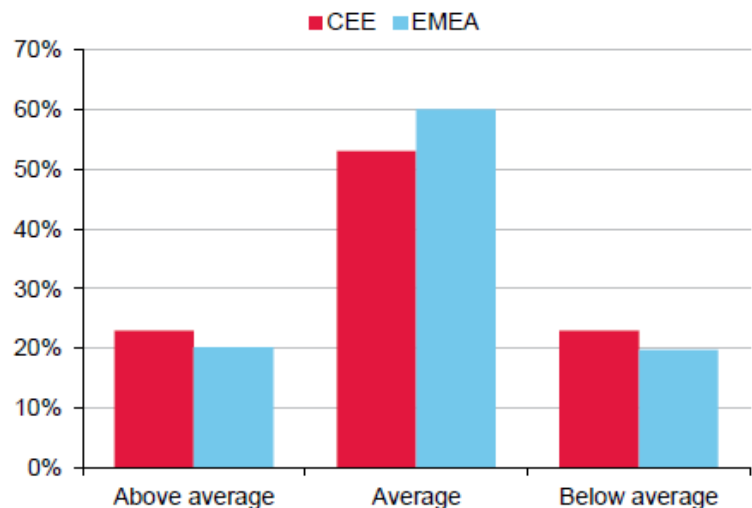


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## CEE Companies Well Placed To Participate In International Capital Markets

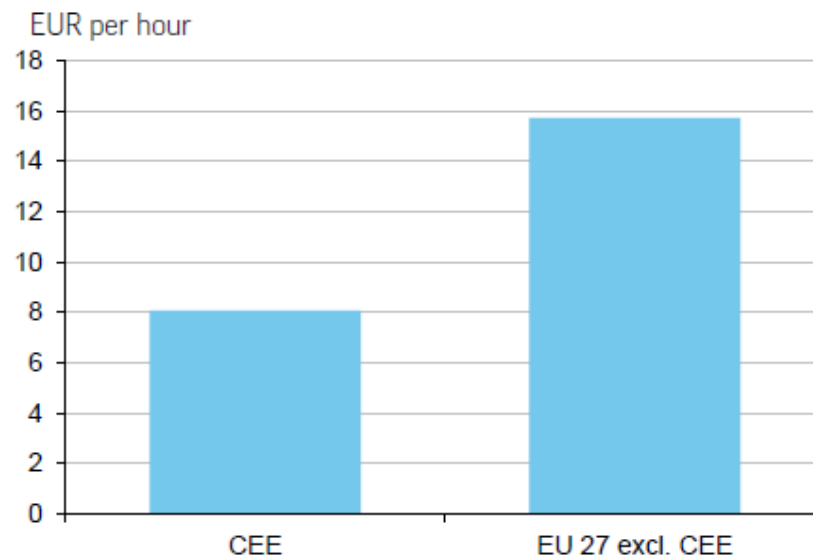
- CEE companies profitability comparable those in wider EMEA region, underpinned by higher labour productivity

**CHART 10 | ABSOLUTE PROFITABILITY COMPARISON CEE VERSUS EMEA**



Source: S&P Ratings. \* Status as of end-July, 2014

**CHART 11 | LABOUR COST LEVELS CEE VS. EU27 EXCL. CEE**



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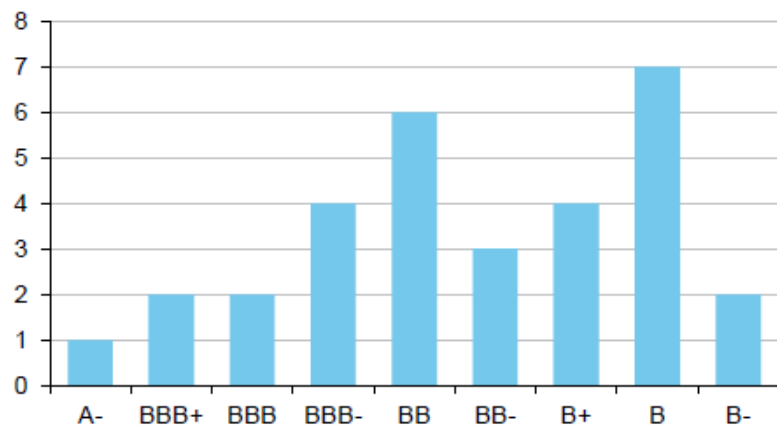
- Management and Governance is weaker than in the rest of Europe
- Financial reporting is on par with Western Europe
- Liquidity of CEE companies also on par with EMEA corporates
- CEE issuers typically better capitalised than their EMEA wide peers

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## CEE Companies Well Placed To Participate In International Capital Markets

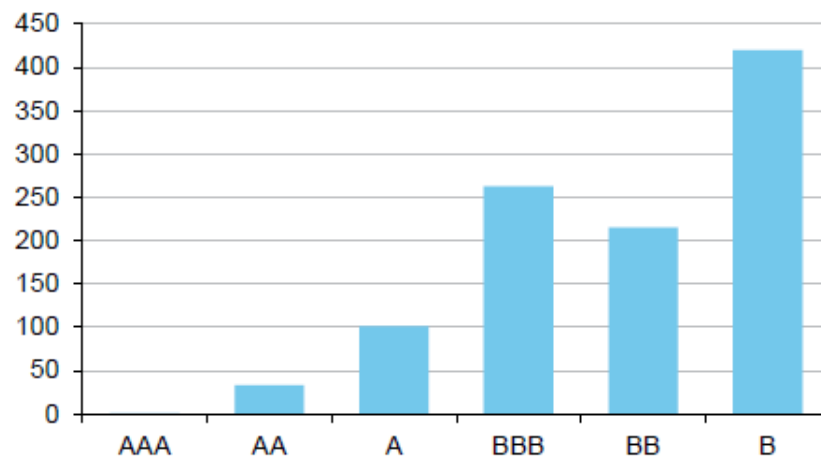
- Overall CEE companies ratings are well distributed across the rating spectrum.

**CHART 25 | CEE CORPORATE RATING DISTRIBUTION AS OF 16 SEPT 2014**



Source: S&P Ratings. \* Status as of September 16, 2014.

**CHART 26 | EMEA ISSUER CREDIT RATINGS**



Source: S&P Ratings. \* Status as of June 27, 2014.

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## CEE Companies Well Placed To Participate In International Capital Markets

- We expect the positive growth in CEE International Borrowings to continue supported by:
  - Attractive market for investors
  - Relatively stable economic outlook for most of the region
  - Capital spending expected to grow from 2014
- Long-term Infrastructure needs in the region may leave a USD 100 billion public funding shortfall that could present private investors and non-traditional lenders the opportunity to fill the gap.

## Thank You

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