

Inside Moody's

Focus on Central & Eastern Europe

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FEATURES

Sovereign Credit Risk in Eurozone Countries Under Stress

Although the Eurozone as a whole continues to be characterised by significant financial strength, Moody's has recently downgraded the ratings of Ireland, Greece, Spain and Portugal. [full story – page 3](#)

Estonia: Country Ceilings Withdrawn on Euro Adoption

Moody's Investors Service withdrew all of its country ceilings for Estonia following the country's adoption of the euro currency on 1 January 2011. This action is in line with Moody's past practice for countries that have joined the Eurozone. [full story – page 3](#)

Hungary: Government Bond Ratings at Baa3 With Negative Outlook

Moody's downgraded Hungary's foreign and local-currency government bond ratings by two notches to Baa3 from Baa1 in December 2010. The rating action reflected increased concerns about the country's medium to long-term fiscal sustainability and its higher external vulnerabilities. [full story – page 4](#)

Poland: Stable Outlook on Banks

Moody's has a stable outlook on Poland's banking system, primarily reflecting the system's relative resilience to the global financial crisis and that it is poised to enter a more predictable and sustainable operating environment. [full story – page 5](#)

EMEA Corporates: Credit Quality Stabilising in 2011 Amid Challenges

Credit quality among non-financial corporates in Europe, the Middle East and Africa (EMEA) is likely to continue the gradual stabilising trend seen throughout 2010. This forecast is in line with Moody's macroeconomic forecast of a sluggish rebound in advanced economies in 2011. However, this stabilising trend could be hampered by the exposure of corporates to the ongoing sovereign turmoil, and their dependence on the speed and depth of the economic recovery at global and regional levels. [full story – page 6](#)

Introduction



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Ladies and gentlemen, clients and friends,

It has already been more than five years since Moody's, the oldest rating agency in the world, established its operations in Central and Eastern Europe (CEE) by acquiring a local rating agency and opening its hub in Prague in the Czech Republic. Moody's locally based commercial team covers 17 countries in all of Central Europe, from the Baltic states to Albania and serves as the first point of contact for any issuers or investors interested in an independent assessment of the creditworthiness of individual market players or debt instruments. Moody's analysts based in Prague or in other Moody's offices cover all major sectors and are always available to answer any questions you may have about the rating process or individual methodologies relevant for your sector.

Given the above-mentioned anniversary of our operations in CEE, we are pleased to invite you to read our first CEE newsletter, which provides a summary of all major research that Moody's has published in respect of the CEE region as well as globally focused comments that are relevant to the region. For example, this newsletter offers an overview of Moody's recent views on the sovereign creditworthiness of Eurozone countries under stress. You may also be also interested in our EMEA Corporate Outlook for 2011. Moody's has also published its view on risk factors influencing the creditworthiness of CEE utilities.

Moody's is the largest rating agency active in the CEE, with more than 150 actively monitored ratings and broad experience across the countries and sectors it covers. In addition to today's conference, we would like to point out that we regularly present our views and explain our rating approaches to issuers' creditworthiness at various events held across the CEE region during the course of the year. We would be very pleased for you to attend these events as they offer an ideal forum for discussion in the region. Feel free to visit our updated website at www.moodys.com or the our local website dedicated to CEE region at www.moodyscentraleurope.com for more information.

The CEE team and I look forward to cooperating with you,

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Sovereign Credit Risk in Eurozone Countries Under Stress



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Although the Eurozone as a whole continues to be characterised by significant financial strength, Moody's has recently downgraded the ratings of Ireland, Greece, Spain and Portugal.

We believe that policymakers in the Eurozone have sufficient resources and will use them as necessary to restore financial stability. As the key decision makers agree that even one sovereign debt default or restructuring would give rise to intolerable contagion effects, we believe that liquidity support will be available to Eurozone sovereigns and their banking systems as long as market confidence remains challenged.

However, several EU members experienced a deterioration in economic and financial strength, reflected in (i) a significant deterioration in public finances and a sharp rise in public debt; (ii) banking system problems requiring government financial support; (iii) an uncertain outlook for economic growth and long-term debt sustainability under current policy parameters; and (iv) large external imbalances and economy-wide risks from heavy foreign borrowing.

These developments have potential long-term credit implications. While we recognise that broad extended access to liquidity support remains in place for EU sovereigns and banks, the availability of longer-term fiscal support from the EU for sovereigns has always been less certain. Moreover, recent statements by policymakers suggest that, if support needs to be provided in order to restore sovereign solvency, any debt restructuring will include private sector participation. Taking those factors together, it is important that Moody's ratings on individual EU sovereigns attempt to look beyond the current period of market distress and anticipate the potential risk of default that might remain after market stability has been restored. ■

For a copy of the report entitled "Sovereign Credit Risk in Eurozone Countries Under Stress", please contact Moody's client services desk on 44.20.7772.5454 or by email to clientservices@moodys.com.

Estonia's Country Ceilings Withdrawn on Euro Adoption



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Moody's Investors Service withdrew all of its country ceilings for Estonia following the country's adoption of the euro currency on 1 January 2011. This action is in line with Moody's past practice for countries that have joined the Eurozone.

In Moody's opinion, the negligible risk of a moratorium now being imposed in Estonia, as in other Eurozone members, is reflected by the Eurozone's regional Aaa ceilings for bonds and bank deposits.

Specifically, the ceilings that have been withdrawn are Estonia's Aa1/P-1 country ceilings for foreign currency bonds, A1/P-1 country ceilings for foreign currency bank deposits, Aaa country ceiling for local currency bonds and Aa1 country ceiling for local currency bank deposits. Estonia's local and foreign currency government bond ratings remain in place and are unchanged at A1 with a stable outlook. ■

For a copy of Moody's research on Estonia, please contact Moody's client services desk on 44.20.7772.5454 or by email to clientservices@moodys.com.



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Hungary's Government Bonds Rated Baa3 With Negative Outlook



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In December 2010, Moody's downgraded Hungary's foreign and local-currency government bond ratings by two notches to Baa3 from Baa1. The rating action reflected increased concerns about the country's medium- to long-term fiscal sustainability and its higher external vulnerabilities.

The Hungarian government has witnessed a gradual but significant loss of financial strength, as its strategy largely relies on temporary measures rather than sustainable fiscal consolidation policies. As a consequence, the country's structural budget deficit is set to deteriorate.

These temporary measures consist of extra levies on financial institutions and other selected sectors. The government also intends to transfer to the public pension fund (until the end of 2011) the part of pension contributions that is normally transferred to the private pension pillar. This will result in one-off revenue inflow in 2011 as well as a reduction in outstanding debt, as bonds currently held by the pension funds are cancelled. However, even if the near-term deficit targets are met by means of pension changes, the longer-term implications of the weakening of the private savings scheme are negative for public finances. This is because the government will assume responsibility for future pension liabilities in exchange for the inflow from ongoing contributions.

The downgrade also reflects Hungary's high external vulnerability as the absence of more permanent fiscal consolidation poses heightened risks to medium to long-term fiscal sustainability. In addition, the government, banking system and private sector each carry substantial external debt. Hungary's levels of external debt are high relative to those of its rated peers, especially non-European ones. The government also depends on purchases of its debt issuance by non-resident investors, implying that the maintenance of confidence among foreign investors is vital.

There are, however, certain key strengths of Hungary that merit attention. Hungary benefits from a significant level of economic and financial integration with Europe, which supports two-way trade and attracts foreign direct investment (FDI). Recently announced FDI projects reflect that Hungary remains well-positioned in the location-based competition for investment. Moreover, as an EU member, Hungary can rely on the availability of substantial external support – as illustrated by the 2008 EU/IMF support package – a feature that supports the credit. An additional strength of Hungary is the high share of foreign-owned banks within the banking system, adding to the resilience of the financial sector. ■

For a copy of the report entitled "Key Drivers of Hungary's Downgrade to Baa3", please contact Moody's client services desk on 44.20.7772.5454 or by email to clientservices@moodys.com.

Stable Outlook on Polish Banking System



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Moody's changed its outlook for Poland's banking system to stable from negative in Q4 2010, primarily reflecting the system's relative resilience to the global financial crisis and that it is poised to enter a more predictable and sustainable operating environment.

The operating environment for Polish banks has stabilised, while asset-quality deterioration has slowed. Moreover, we expect the recovery in economic growth to continue in the near to medium term, which improves the outlook for the banks' earnings and capital generation.

Lending in the system will likely resume growth after contracting during the recent financial crisis. Importantly, the banking system has solid aggregate capital resources and sufficient funding to support such growth. Due to the increase in lending activity we forecast that pre-provision profitability will improve in 2011 compared with 2010. Margins are expected to remain stable for most banks due to significant upward repricing of loan portfolios, which largely offsets sustained elevated funding costs.

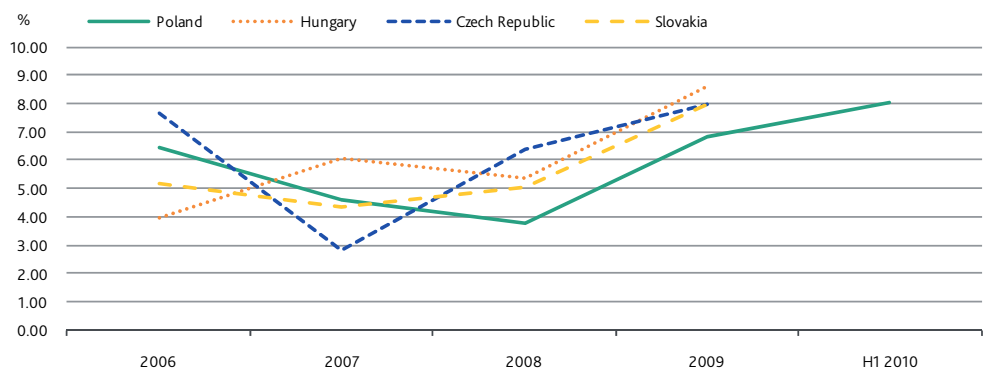
Nevertheless, there is a risk that some pockets of weakness may persist. From a macro-economic point of view there is a degree of dependence on its major European trading partners, and unemployment trends have not stabilised yet. Moreover, the volatility of the Zloty, the most widely-traded currency in the Central European region, can affect the funding and hedging costs of banks. We recognise, however, that due to predominantly upward pressure on the currency in 2010, this risk has been less material for the banks, which was not the case in 2009 when the Zloty weakened against major currencies.

At micro-level, the loan prolongation and restructuring efforts by banks, which are difficult to quantify, may mask the true level of asset-quality problems in the system. In unsecured consumer lending, the large volume of non-performing loans illustrates the excesses of aggressive pre-crisis lending decisions by banks.

Overall, however, Moody's considers that the Polish banking system entered the financial crisis with relatively healthy fundamentals compared with other regional countries, and sustained itself without the need for significant external recapitalisation or government-led bailouts. Having experienced a degree of retrenchment during 2009, the system is poised to operate under a more favourable and predictable environment. ■

FIGURE 1

Non-Performing Loans in CE4 (rated banks)



Source: Moody's

For a copy of the report entitled "Banking System Outlook: Poland", please contact Moody's client services desk on 44.20.7772.5454 or by email to clientservices@moodys.com.

EMEA Corporates: Credit Quality Continues to Stabilise in 2011, but Challenges Ahead



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Credit quality among non-financial corporates in Europe, the Middle East and Africa (EMEA) is likely to continue the gradual stabilising trend seen throughout 2010. This forecast is in line with Moody's macroeconomic forecast of a sluggish rebound in advanced economies in 2011. However, this stabilising trend could be hampered by the exposure of corporates to the ongoing sovereign turmoil, and their dependence on the speed and depth of the economic recovery at global and regional levels.

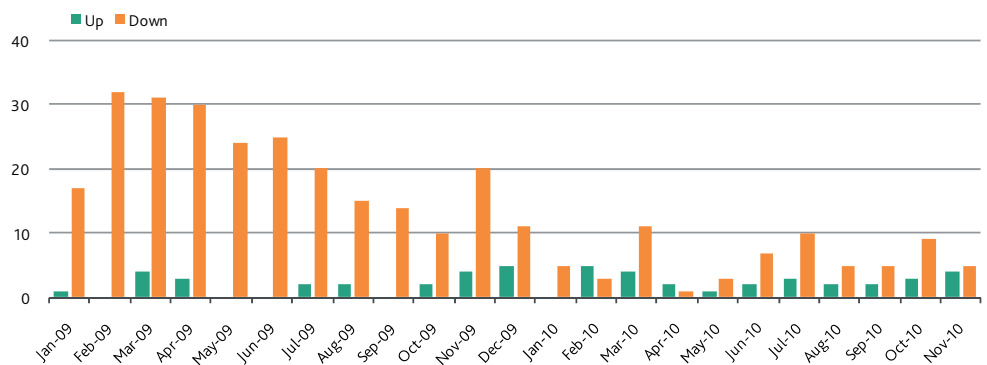
The ratings of investment-grade EMEA corporates should remain stable in 2011 with few, if any, upgrades, while some speculative-grade corporates should continue to strengthen their financial profiles by using free cash-flow to reduce debt. This trend could lead to upgrades at the very low end of the rating scale, and also among 'fallen angels' – i.e. issuers whose ratings have fallen from investment grade to speculative grade.

Throughout 2010, there has been an easing in the negative pressure on the ratings and outlooks of corporates in EMEA. As a result, the proportion of stable rating outlooks (71%) among EMEA corporates is now at its highest level in two years.

Although the number of downgrades of EMEA corporates has gradually come down in 2010, it is still far from matching the number of upgrades. A significant proportion of corporate downgrades involved government-related issuers (GRIs), reflecting the downgrades of sovereign ratings during the year.

Apart from reviewing credit trends among EMEA corporates in 2010 and providing an outlook for 2011, Moody's new report also analyses trends among speculative-grade corporates as well as those in EMEA's emerging markets (the Middle East, C&EE and the CIS). ■

FIGURE 2
Number of Monthly Upgrades and Downgrades in EMEA Since January 2009



Source: Moody's Investors Service

For a copy of the report entitled "Corporates in EMEA: 2011 Outlook – Continued Progress Towards Credit Stabilisation, But Challenges Along the Way", please contact Moody's client services desk on 44.20.7772.5454 or by email to clientservices@moodys.com.

Ratings of European Infrastructure Companies Could Exceed Those of Sovereign



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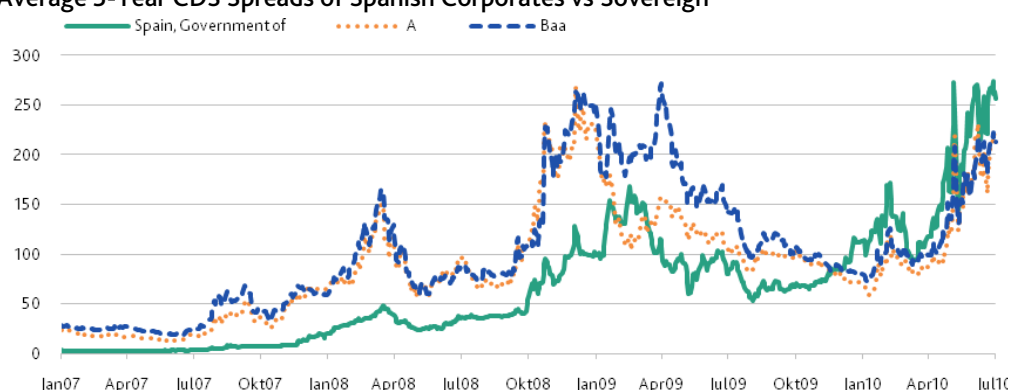
There are circumstances under which the ratings of European infrastructure and utility companies (infrastructure companies) could be higher than those of the sovereign country in which they are located. More specifically, the ratings of infrastructure companies could be affected by shifts in sovereign credit quality.

Infrastructure companies are likely to be rated at the level of the sovereign rating or up to two rating levels higher. Therefore as sovereign ratings decline they will start to have a compression affect on infrastructure company ratings.

Declining sovereign credit quality is often indicative of stress in the local economy and is likely to result in domestic banking system problems and disruptions in capital markets. Nevertheless, the relative credit quality of infrastructure companies may suggest ratings higher than the sovereign.

European infrastructure companies could potentially be resilient to the effects of declining sovereign credit quality. Some of the mitigants of rising country risk include: (i) the sophistication of the local capital markets; (ii) the strength of an infrastructure company's banking group; (iii) an absence of past political interference; and / or (iv) an economic regulation/contractual framework that might isolate a company from unexpected additional costs/loss of revenue. ■

FIGURE 3
Average 5-Year CDS Spreads of Spanish Corporates vs Sovereign



Data as of 7/2/2010
Source: Markit, Moody's

For a copy of the report entitled "Moody's Rating Approach for European Infrastructure & Utility Companies in an Environment of Declining Sovereign Credit Quality", please contact Moody's client services desk on 44.20.7772.5454 or by email to clientservices@moodys.com.

Financial Performance of CEE Utilities Could Come Under Pressure



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Across Central and Eastern Europe (CEE), as weak energy prices persist and demand recovers only modestly, regional utilities will likely come under financial pressure over the medium term.

CEE utilities sustained relatively solid fundamental credit profiles over the recent recession, reflected by the stable outlooks held by Moody's on all the CEE utility ratings. However, the expectation of modest demand recovery, persistent weak power prices and ongoing gas/oil price differential are expected to challenge their financial profile and pressure their ratings. Furthermore, CEE utilities have been gradually transitioning from predominantly state-owned, highly regulated dominant players on protected local markets to partially or fully privatised, mid or small-size regional players.

The gradual liberalisation of electricity and gas markets is exposing CEE utilities to increasing domestic and foreign competition, fluctuating energy prices and market-share reductions. In addition, the capital investments needed to upgrade infrastructure could constrain the financial profiles and the liquidity of most CEE utilities.

The development of the financial profile and ratings of CEE utilities will significantly depend on (i) their strategic choices how to respond to those challenges; and (ii) their ability and willingness to adjust business plans and strategies to support their credit strengths and capital structures.

In addition, the policies of CEE governments (and their sovereign ratings) continue to affect the credit profiles and ratings of CEE utilities, as government ownership remains high among CEE utilities despite a decreasing trend. ■

FIGURE 4
Government Related Issuers in Moody's Rated CEE Utility Portfolio

Issuer Name	State ownership	Rating	Outlook	BCA ¹	Country	Sovereign Rating	Outlook	Support	Dependence
Eesti Energia AS	100%	A3	STA	8	ESTONIA	A1	STA	STRONG	HIGH
Slovensky Plynarensky Priemysel, a.s.	51%	A1	STA	7	SLOVAKIA	A1	STA	STRONG	MODERATE
CEZ, a.s.	70%	A2	STA	7	CZECH REP	A1	STA	STRONG	MODERATE
PGNiG SA	73%	Baa1	STA	9	POLAND	A2	STA	STRONG	HIGH
PGE Polska Grupa Energetyczna SA	70%	A3	STA	8	POLAND	A2	STA	STRONG	VERY HIGH
Latvenergo AS	100%	Baa3	NEG	11	LATVIA	Baa3	STA	HIGH	VERY HIGH
Transelectrica S.A.	87%	Baa3	STA	13	ROMANIA	Baa3	STA	HIGH	VERY HIGH
Hydroelectrica S.A.	100%	Ba1	STA	14	ROMANIA	Baa3	STA	HIGH	HIGH

Source: Moody's Investors Service, Companies' information

For a copy of the report entitled "CEE Utilities: Weak Energy Prices And Modest Recovery Exert Pressure On Key Metrics", please contact Moody's client services desk on 44.20.7772.5454 or by email to clientservices@moody.com.

¹ The baseline risk assessment (BCA) for a GRI measures the likelihood that the issuer will require an extraordinary bailout and is based on credit profile of the GRI as a stand-alone entity.

A Short Guide to Covered Bonds



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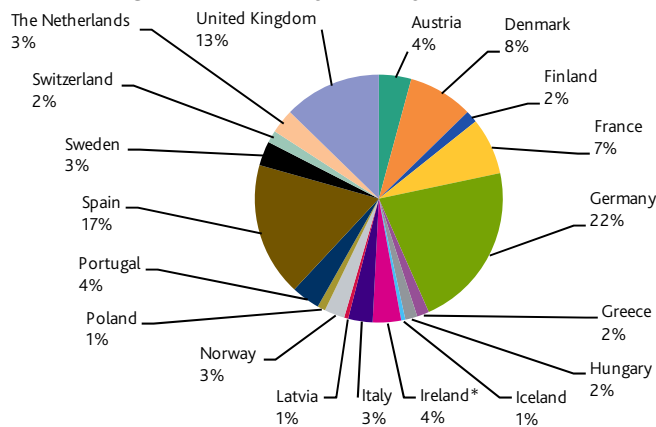
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Challenges facing traditional US mortgage finance markets in the wake of the credit crisis have highlighted the need to develop complementary financing techniques. While the initial reaction to the shock to securitization markets in 2007 was often to adopt a “wait and see” stance, interest is beginning to converge on covered bonds.

Although securitisation remains at a standstill in Europe, nearly €90 billion of covered bonds were issued during the first quarter of 2010 (Source: Dealogic). These instruments have a long and strong history in Europe, but have been essentially unknown to the US financial markets (to date, only two US banks have issued covered bonds). Yet covered bonds are different from securitized products and offer several distinct advantages to investors and issuers, particularly in the current market environment — they are “dual recourse”, have dynamic collateral pools, and are highly liquid.

As the non-GSE residential mortgage market has continued to experience liquidity problems, regulators and market participants have expressed increased interest in expanding the US covered bond market as a source of additional funding and liquidity. And on the legislative front, U.S. Representative Scott Garrett of New Jersey in March introduced H.R. 4884, “The United States Covered Bond Act of 2010,” into the U.S. House of Representatives, proposing a comprehensive framework for U.S. covered bonds. The bill, if enacted as proposed, would satisfactorily address some of the main uncertainties for U.S. covered bonds by providing predictability and clarity on how the cover pool would be treated following an issuer’s insolvency. ■

FIGURE 5
Rated Covered Bond Programs in EMEA by Country at the end of 2009



*including Anglo Irish Bank's covered bond program under UK law.
 Source: Markit, Moody's

For a copy of the report entitled “Structured Finance in Focus: A short guide to covered bonds”, please contact Moody’s client services desk on 44.20.7772.5454 or by email to clientservices@moodys.com.

Moody's Upcoming Events

Moody's has organised numerous events throughout Central and Eastern Europe. In 2010, we held our annual conferences in Warsaw (Poland) and Bratislava (Slovakia) as well as a series of roundtables in the region. In 2011 – apart from today's fifth annual Moody's Credit Risk Conference on 4 May in Prague – we will also hold a roundtable on regional and local governments in Skopje (Macedonia) on 22 June, and a further roundtable event for financial, corporate and municipal sectors in Warsaw on 4 October. Moreover, Moody's analysts will also speak at third-party conferences such as the Municipal Forum in Warsaw, events at the Warsaw Stock Exchange, the Energy Forum in Poland, and the Baltic Financial Forum in Riga (Latvia).

Picture from Annual Moody's Credit Risk Conference in Warsaw, Poland



Moody's 5th Annual CEE Credit Risk Conference

4 May 2011, Prague, Hilton Old Town

09.00 – 09.15	Welcome Address
09.15 – 10.00	Differentiating Credit Risk in Central & Eastern Europe
10.00 – 10.40	Surviving the Global Financial Crisis: Lessons from RLGs
11.10 – 11.50	Central European Banking Systems: an Update
11.50 – 12.20	Covered Bonds – Gaining Ground in Central and Eastern Europe
12.20 – 13.00	Credit Trends for EMEA and CEE Corporates
14.00 – 14.30	Perspectives of CEE Countries Catching Up
14.30 – 15.00	CEE After the Crisis
15.00 – 16.00	Workshop Sessions: <ul style="list-style-type: none"> » Aaa, Baa3, P-1 ... How to Assign a Rating to Regional and Local Governments: Moody's Approach » Moody's Methodologies for Corporates and Utilities – Practical Application of Moody's Approach to Government-Related Issuers

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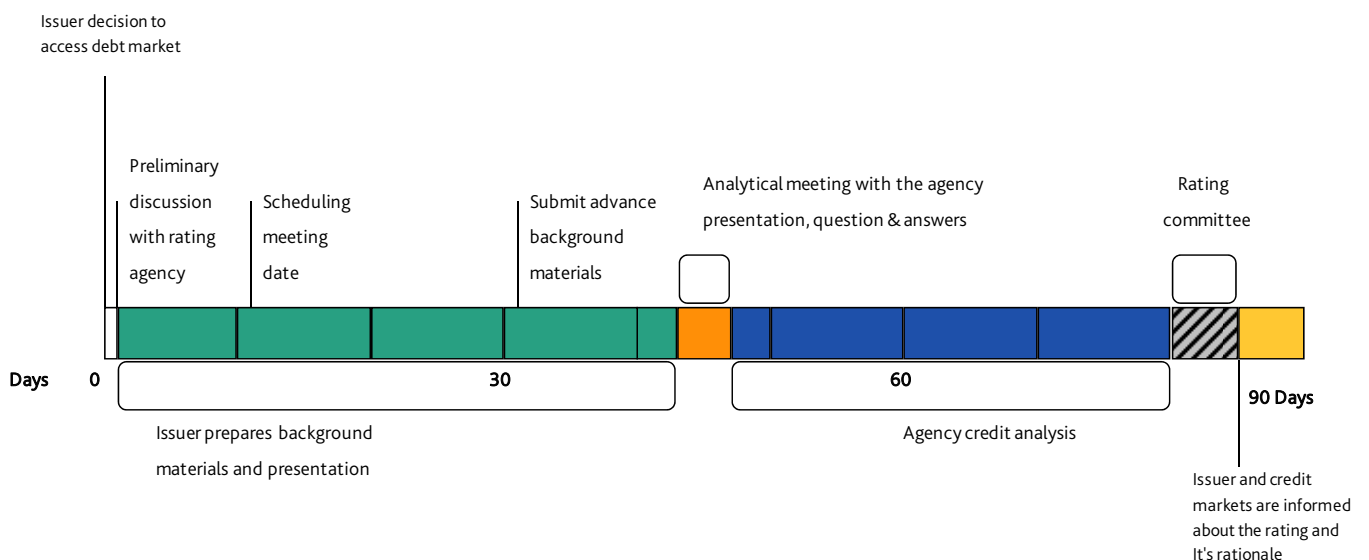
Rating Scale

Moody's Rating Scale

Long Term	Short Term	
Aaa	Prime-1	Investment Grade
Aa1		
Aa2		
Aa3		
A1		
A2		
A3		
Baa1		
Baa2		
Baa3	Prime-2	Speculative Grade
Ba1	Prime-3	
Ba2		
Ba3		
B1	Not Prime	
B2		
B3		
Caa1		
Caa2		
Caa3		
Ca		
C		

Rating Process

Typical Time Scale for First-Time Rating



* Rating process may be accelerated in order to accommodate tighter financing schedules. The same process may differ in structured finance deals.

Ratings in Central and Eastern Europe, April 2011

Moody's Investors Service

April 2011

ISSUER	LT RATING	OUTLOOK	SPECIFIC INDUSTRY	DOMICILE
Banka Kombetare Tregtare Sh.a.	B2	STA	NON-U.S. BANK	ALBANIA
Credins Bank Sh.a.	B2	STA	NON-U.S. BANK	ALBANIA
Albania, Government of	B1	STA	SOVEREIGN	ALBANIA
Bosnia and Herzegovina, Government of	B2	STA	SOVEREIGN	BOSNIA AND HERZEGOVINA
Corporate Commercial Bank AD	Ba3	STA	NON-U.S. BANK	BULGARIA
DSK Bank PLC	Baa3	NEG	NON-U.S. BANK	BULGARIA
International Asset Bank AD	B1	STA	NON-U.S. BANK	BULGARIA
Petrol AD	Caa3	NEG	OIL	BULGARIA
Raiffeisenbank (Bulgaria) EAD	Baa3	STA(m)	NON-U.S. BANK	BULGARIA
Bulgaria, Government of	Baa3	RUR	SOVEREIGN	BULGARIA
Agrokor D.D.	B2	POS	FOOD DISTRIBUTOR	CROATIA
Croatian Bank for Reconstruction & Develop.	Baa3	STA	NON-U.S. BANK	CROATIA
Croatia, Government of	Baa3	STA	SOVEREIGN	CROATIA
Zagreb, City of	Baa3	STA	REGIONAL AND LOCAL GOVERNMENT	CROATIA
Zagrebacki Holding D.O.O.	Baa3	STA	SOVEREIGN RELATED INDUSTRIAL CO.	CROATIA
BH Securities, a.s.	Baa3.cz	NEG	NON-U.S. BANK	CZECH REPUBLIC
Ceska Sportitelna, a.s.	A1	NEG	NON-U.S. BANK	CZECH REPUBLIC
Ceskoslovenska Obchodni Banka, a.s.	A1	STA	NON-U.S. BANK	CZECH REPUBLIC
CET 21 spol. s r.o.	Ba3	NOO	MEDIA	CZECH REPUBLIC
Czech Export Bank, a.s.	A1	STA	NON-U.S. BANK	CZECH REPUBLIC
Hyundai Motor Manufacturing Czech s.r.o.	Baa2	STA	AUTOMOTIVES	CZECH REPUBLIC
Komercni Banka a.s.	A1	STA	NON-U.S. BANK	CZECH REPUBLIC
Pojistovaci maklerstvi INPOL a.s.	Baa1.cz	STA	INSURANCE BROKERAGE	CZECH REPUBLIC
Beroun, City of	Aa1.cz	NEG	REGIONAL AND LOCAL GOVERNMENT	CZECH REPUBLIC
Brno, City of	A2	STA	REGIONAL AND LOCAL GOVERNMENT	CZECH REPUBLIC
Ceska Lipa, City of	Aa1.cz	STA	REGIONAL AND LOCAL GOVERNMENT	CZECH REPUBLIC
CEZ, a.s.	A2	STA	INTEGRATED ELECTRIC UTILITY	CZECH REPUBLIC
Czech Republic, Government of	A1	STA	SOVEREIGN	CZECH REPUBLIC
Jihlava, City of	Aa1.cz	STA	REGIONAL AND LOCAL GOVERNMENT	CZECH REPUBLIC
Klatovy, City of	Aa1.cz	STA	REGIONAL AND LOCAL GOVERNMENT	CZECH REPUBLIC
Liberec, City of	Aa2.cz	STA	REGIONAL AND LOCAL GOVERNMENT	CZECH REPUBLIC
Liberec, Region of	Aa1.cz	STA	REGIONAL AND LOCAL GOVERNMENT	CZECH REPUBLIC
Moravian-Silesian, Region of	A2	STA	REGIONAL AND LOCAL GOVERNMENT	CZECH REPUBLIC
Ostrava, City of	A2	STA	REGIONAL AND LOCAL GOVERNMENT	CZECH REPUBLIC
Prague, City of	A1	STA	REGIONAL AND LOCAL GOVERNMENT	CZECH REPUBLIC
Pribram, City of	Aa1.cz	STA	REGIONAL AND LOCAL GOVERNMENT	CZECH REPUBLIC
Prostejov, City of	Aa1.cz	STA	REGIONAL AND LOCAL GOVERNMENT	CZECH REPUBLIC
SFDI	A1	STA	SOVEREIGN RELATED FINANCIAL CO. (NON BANK)	CZECH REPUBLIC
Sprava a udrzba silnic Jihomoravskeho kraje	Aa1.cz	STA	SOVEREIGN RELATED INDUSTRIAL CO.	CZECH REPUBLIC
Sprava a udrzba silnic Pardubickeho kraje	Aa1.cz	STA	SOVEREIGN RELATED INDUSTRIAL CO.	CZECH REPUBLIC
Trebic, City of	Aa1.cz	STA	REGIONAL AND LOCAL GOVERNMENT	CZECH REPUBLIC

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ISSUER	LT RATING	OUTLOOK	SPECIFIC INDUSTRY	DOMICILE
Uherske Hradiste, City of	Aa1.cz	STA	REGIONAL AND LOCAL GOVERNMENT	CZECH REPUBLIC
Usti, Region of	Aa1.cz	STA	REGIONAL AND LOCAL GOVERNMENT	CZECH REPUBLIC
Zdar nad Sazavou, City of	Aa1.cz	STA	REGIONAL AND LOCAL GOVERNMENT	CZECH REPUBLIC
Eesti Energia AS	A3	STA	ELECTRIC	ESTONIA
Tallinn, City of	A3	STA	REGIONAL AND LOCAL GOVERNMENT	ESTONIA
Budapest Bank Rt.	Baa3	STA(m)	NON-U.S. BANK	HUNGARY
Erste Bank Hungary Rt	Ba1	STA(m)	NON-U.S. BANK	HUNGARY
FHB Mortgage Bank Co. Plc.	Ba1	NEG	NON-U.S. BANK	HUNGARY
Kereskedelmi & Hitel Bank Rt.	Baa3	NEG	NON-U.S. BANK	HUNGARY
MFB Hungarian Development Bank Ltd.	Baa3	NEG	NON-U.S. BANK	HUNGARY
MKB Bank Rt.	Ba2	NEG(m)	NON-U.S. BANK	HUNGARY
OTP Bank NyRt	Baa3	NEG(m)	NON-U.S. BANK	HUNGARY
OTP Jelzalogbank Rt (OTP Mtge Bk)	Baa3	NEG(m)	NON-U.S. BANK	HUNGARY
Budapest, City of	Baa3	NEG	REGIONAL AND LOCAL GOVERNMENT	HUNGARY
Hungary, Government of	Baa3	NEG	SOVEREIGN	HUNGARY
M6 Duna Autopalya Koncessziós Zrt.	Aa3	STA	TOLL ROADS	HUNGARY
National Bank of Hungary	Baa3	NEG	CENTRAL GOVERNMENT AGENCY	HUNGARY
Baltic International Bank	B3	NEG	NON-U.S. BANK	LATVIA
Mortgage and Land Bank of Latvia	Baa3	STA	NON-U.S. BANK	LATVIA
PrivatBank AS	B2	RUR	NON-U.S. BANK	LATVIA
SC Citadele Banka	Ba3	STA	NON-U.S. BANK	LATVIA
Trasta Komercbanka	B3	NEG	NON-U.S. BANK	LATVIA
Latvenergo AS	Baa3	STA	INTEGRATED ELECTRIC UTILITY	LATVIA
Latvia, Government of	Baa3	STA	SOVEREIGN	LATVIA
Riga, City of	Baa3	STA	REGIONAL AND LOCAL GOVERNMENT	LATVIA
Siauliu Bankas, AB	B1	STA	NON-U.S. BANK	LITHUANIA
Lithuania, Government of	Baa1	STA	SOVEREIGN	LITHUANIA
Strumica, Municipality of	B1	STA	REGIONAL AND LOCAL GOVERNMENT	MACEDONIA
Veles, Municipality of	B1	STA	REGIONAL AND LOCAL GOVERNMENT	MACEDONIA
Atlas Bank AD Podgorica	B1	STA	NON-U.S. BANK	MONTENEGRO
Montenegro, Government of	Ba3	STA	SOVEREIGN	MONTENEGRO
Bank BPH S.A.	Baa2	STA	NON-U.S. BANK	POLAND
Bank Gospodarki Zywnosciowej S.A.	A3	RUR	NON-U.S. BANK	POLAND
Bank Handlowy w Warszawie S.A.	Baa1	NEG	NON-U.S. BANK	POLAND
Bank Millennium S.A.	Baa3	NEG(m)	NON-U.S. BANK	POLAND
Bank Polska Kasa Opieki S.A.	A2	STA	NON-U.S. BANK	POLAND
Bank Zachodni WBK S.A.	Baa1	STA	NON-U.S. BANK	POLAND
Bre Bank Hipoteczny	Baa3	STA	NON-U.S. BANK	POLAND
BRE Bank S.A.	Baa1	STA	NON-U.S. BANK	POLAND
Central European Distribution Corporation	B1	RUR	FOOD DISTRIBUTOR	POLAND
Getin Noble Bank S.A.	Ba2	STA	NON-U.S. BANK	POLAND
ING Bank Slaski S.A.	A2	NEG(m)	NON-U.S. BANK	POLAND
Lukas Bank S.A.	A3	NEG	NON-U.S. BANK	POLAND
Polski Koncern Naftowy Orlen S.A.	Ba1	STA	OIL	POLAND
Polskie Gornictwo Naftowe I Gazownictwo SA	Baa1	STA	GAS TRANSMISSION/DISTRIBUTION	POLAND
Powszechna Kasa Oszczednosci Bank Polski S.A.	A2	STA(m)	NON-U.S. BANK	POLAND
Telekomunikacja Polska S.A.	A3	STA	TELECOMMUNICATIONS	POLAND

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ISSUER	LT RATING	OUTLOOK	SPECIFIC INDUSTRY	DOMICILE
TVN S.A.	B1	STA	BROADCASTING	POLAND
Zlomrex S.A.	Caa3	NEG	METALS/MINING	POLAND
PGE Polska Grupa Energetyczna S.A.	A3	STA	ELECTRIC	POLAND
Poland, Government of	A2	STA	SOVEREIGN	POLAND
Poznan, City of	A3	STA	REGIONAL AND LOCAL GOVERNMENT	POLAND
Warsaw, City of	A2	STA	REGIONAL AND LOCAL GOVERNMENT	POLAND
Banca Comerciala Romana S.A.	Baa3	STA	NON-U.S. BANK	ROMANIA
BRD - Groupe Societe Generale	Baa3	STA	NON-U.S. BANK	ROMANIA
Raiffeisen Bank SA	Baa3	POS(m)	NON-U.S. BANK	ROMANIA
RCS & RDS S.A.	Ba3	NEG	MEDIA	ROMANIA
Hidroelectrica S.A.	Ba1	STA	ELECTRIC	ROMANIA
Romania, Government of	Baa3	STA	SOVEREIGN	ROMANIA
Transelectrica S.A.	Baa3	STA	ELECTRIC TRANSMISSION UTILITY	ROMANIA
Kraljevo, City of	B1	STA	REGIONAL AND LOCAL GOVERNMENT	SERBIA
Novi Sad, City of	Ba3	STA	REGIONAL AND LOCAL GOVERNMENT	SERBIA
Valjevo, City of	B1	STA	REGIONAL AND LOCAL GOVERNMENT	SERBIA
Bratislavská vodárenská spoločnosť, a.s.	Baa2	STA	WATER	SLOVAK REPUBLIC
Ceskoslovenská obchodná banka (Slovakia)	A3	STA	NON-U.S. BANK	SLOVAK REPUBLIC
OTP Banka Slovensko, a.s. (OBS)	Baa3	NEG	NON-U.S. BANK	SLOVAK REPUBLIC
Privatbanka a.s.	B2	STA	NON-U.S. BANK	SLOVAK REPUBLIC
Slovenský Plynárenský priemysel, a.s.	A1	STA	GAS TRANSMISSION/DISTRIBUTION	SLOVAK REPUBLIC
Tatra banka, a.s.	A2	NEG	NON-U.S. BANK	SLOVAK REPUBLIC
Tatra-Leasing, s.r.o.	Aa3.sk	NEG	NON-U.S. BANK	SLOVAK REPUBLIC
UniCredit Bank Slovakia a.s.	A3	STA	NON-U.S. BANK	SLOVAK REPUBLIC
Všeobecná úverová banka, a.s.	A1	STA	NON-U.S. BANK	SLOVAK REPUBLIC
Bernolákovo, City of	Aa2.sk	STA	REGIONAL AND LOCAL GOVERNMENT	SLOVAK REPUBLIC
Kosice, City of	Aa3.sk	NEG	REGIONAL AND LOCAL GOVERNMENT	SLOVAK REPUBLIC
Kosice, Region of	Baa1	STA	REGIONAL AND LOCAL GOVERNMENT	SLOVAK REPUBLIC
LPS SR, s.p.	Aaa.sk	STA	AIRPORT	SLOVAK REPUBLIC
Malacky, City of	Aa2.sk	STA	REGIONAL AND LOCAL GOVERNMENT	SLOVAK REPUBLIC
Prešov, City of	Aa2.sk	STA	REGIONAL AND LOCAL GOVERNMENT	SLOVAK REPUBLIC
Prievidza, City of	Aa3.sk	NEG	REGIONAL AND LOCAL GOVERNMENT	SLOVAK REPUBLIC
Slovakia, Government of	A1	STA	SOVEREIGN	SLOVAK REPUBLIC
Spisska Nova Ves, City of	Aa1.sk	NEG	REGIONAL AND LOCAL GOVERNMENT	SLOVAK REPUBLIC
Turčianske Teplice, City of	Aa2.sk	STA	REGIONAL AND LOCAL GOVERNMENT	SLOVAK REPUBLIC
Železnice Slovenskej republiky	A1	STA	RAILROADS	SLOVAK REPUBLIC
Abanka Vipava d.d.	Baa1	RUR	NON-U.S. BANK	SLOVENIA
Factor Banka d.d.	Aa2	NEG	NON-U.S. BANK	SLOVENIA
Nova Kreditna banka Maribor d.d.	Baa1	RUR	NON-U.S. BANK	SLOVENIA
Nova Ljubljanska banka d.d.	A3	RUR	NON-U.S. BANK	SLOVENIA
SID banka, d.d., Ljubljana	Aa2	STA	NON-U.S. BANK	SLOVENIA
Telekom Slovenije d.d.	Baa1	NEG	TELECOMMUNICATIONS	SLOVENIA
Slovenia, Government of	Aa2	STA	SOVEREIGN	SLOVENIA

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