



Decide with Confidence

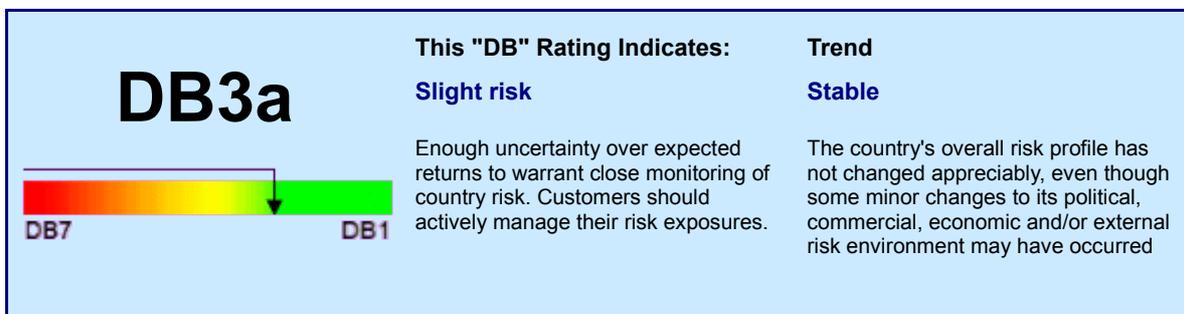
D&B Country RiskLine Report

POLAND

Region : Eastern Europe

Edition : June 2012

D&B Country Risk Indicator



The 'DB' risk indicator provides a comparative, cross-border assessment of the risk of doing business in a country and encapsulates the risk that country-wide factors pose to the predictability of export payments and investment returns over a two year time horizon. The 'DB' risk indicator is a composite index of four over-arching country risk categories:

Political risk - internal and external security situation, policy competency and consistency, and other such factors that determine whether a country fosters an enabling business environment;

Commercial risk - the sanctity of contract, judicial competence, regulatory transparency, degree of systemic corruption, and other such factors that determine whether the business environment facilitates the conduct of commercial transactions;

External risk - the current account balance, capital flows, FX reserves, size of external debt and all such factors that determine whether a country can generate enough FX to meet its trade and foreign investment liabilities;

Macroeconomic risk - the inflation rate, government balance, money supply growth and all such macroeconomic factors that determine whether a country is able to deliver sustainable economic growth to provide further expansion in business opportunities.

The DB risk indicator is divided into seven bands, ranging from DB1 through DB7. Each band is subdivided into quartiles (a-d), with an 'a' designation representing slightly less risk than a 'b' designation and so on. Only the DB7 indicator is not divided into quartiles.

Key Facts

| | |
|------------------------------------|----------------------------|
| Population: | 37.2m |
| Surface area (sq km): | 312,690 |
| Capital: | Warsaw |
| Timezone: | GMT +01:00 |
| Official language: | Polish |
| Head of government: | Prime Minister Donald TUSK |
| GDP (USD): | 430.1bn |
| GDP per capita (USD): | 11,562 |
| Life expectancy (years): | 75 |
| Literacy (% of adult pop.): | 99.9 |

Country Overview:

Poland is located in Central Europe, east of Germany and west of Belarus and Ukraine, with 500 kilometres of Baltic Sea coastline. Since the end of communist rule in 1989, Poland has had freely elected governments that have generally fostered the country's transition towards democracy and a market economy. However, a stable party system has yet to emerge, and coalition and policy patterns remain erratic.

Poland's EU accession in 2004 spurred a surge of economic growth. Tariff-free access to the vast Western European market and the additional legal security conferred by EU membership, combined with Poland's comparatively low labour costs, have attracted foreign manufacturing investment. These new companies (often export-oriented) have turned Poland into an open, internationally integrated economy. Partly as a result, Poland did not escape the effects of the global slowdown, although domestic demand remained supportive and the economy avoided recession. That said, per capita income is only around half that of Western European EU member states, and productivity gains have bypassed many domestically-oriented service providers and the large agricultural sector.

Trade & Commercial Environment

Trade Terms

| | |
|-----------------------|----|
| Minimum Terms: | SD |
|-----------------------|----|

The minimum form of documentation or trading method that D&B advises its customers to consider when pursuing export trade with the stated country.

| | |
|---------------------------|----|
| Recommended Terms: | SD |
|---------------------------|----|

D&B's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

| | |
|---------------------|------------|
| Usual Terms: | 30-60 days |
|---------------------|------------|

Normal period of credit associated with transactions with companies in the stated country.

Transfer Situation

| | |
|----------------------|------------|
| Local Delays: | 0-2 months |
|----------------------|------------|

The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

FX/Bank Delays:

0-2 months

The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.

Trade & Commercial Environment

According to the Polish National Bank's latest quarterly bank survey, published in May, loan requirements are set to tighten further, and banks expect loan demand to fall as well. Banks reported that they had tightened lending policy in Q1 2012 (in particular on long-term loans to large companies) and increased spreads. Looking ahead, Polish banking institutions have reported that they will continue to reduce lending in all market segments. Meanwhile, according to data published by the central statistical office, Polish companies are withstanding the renewed European economic downturn very well, with net profits rising by 17.4% year on year in 2011. Overall, D&B expects credit risk will be a source of concern, as financial market volatility could lead to possible delays in payment.

Export Credit Agencies

| | |
|------------------------|---|
| | |
| US Eximbank | Full cover available, no discretionary limits |
| Atradius | Full cover available |
| ECGD | Full cover available |
| Euler Hermes UK | Full ST cover available |

Economic Indicators

| | 2009 | 2010 | 2011 | 2012f | 2013f |
|---------------------------------|------|------|------|-------|-------|
| Real GDP growth, % | 1.6 | 3.9 | 4.3 | 3.0 | 4.0 |
| Inflation, annual ave, % | 4.0 | 2.7 | 3.9 | 2.9 | 2.5 |
| Govt balance, % GDP | -7.3 | -7.8 | -5.8 | -4.0 | -3.0 |
| Unemployment, % | 8.2 | 9.7 | 9.7 | 12.0 | 11.8 |
| C/A balance, % GDP | -4.0 | -4.7 | -4.9 | -5.9 | -6.3 |

Inflation and unemployment are based on EU-harmonised data.

Currency Information

Exchange Rates

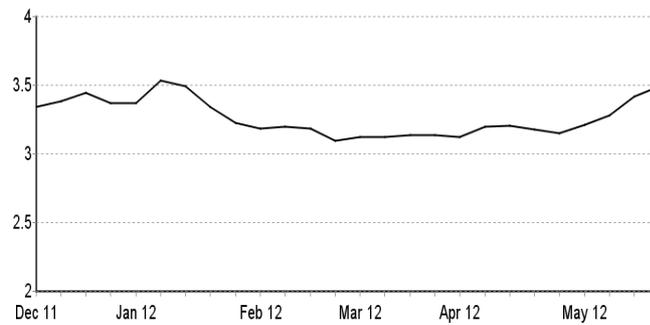
(London, 21 May 12)

| | |
|------|--------|
| EUR | 4.3424 |
| GBP | 5.3954 |
| JPY* | 4.3065 |
| USD | 3.4133 |

*(x 100)

Local Currency

(Zloty [PLN]: USD)

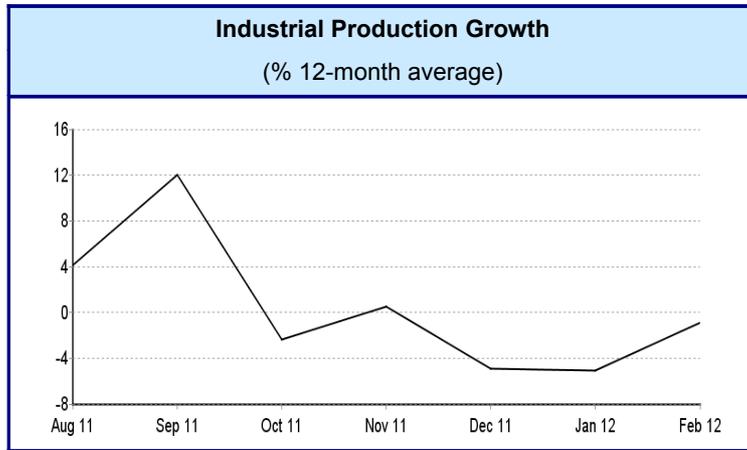


Local Currency

(Zloty [PLN]: USD)

| | Dec 11 | Jan 12 | Feb 12 | Mar 12 | Apr 12 | May 12 |
|---------------|--------|--------|--------|--------|--------|--------|
| Week 1 | 3.338 | 3.366 | 3.180 | 3.117 | 3.119 | 3.210 |
| Week 2 | 3.377 | 3.528 | 3.194 | 3.117 | 3.196 | 3.280 |
| Week 3 | 3.445 | 3.489 | 3.178 | 3.131 | 3.200 | 3.413 |
| Week 4 | 3.366 | 3.340 | 3.095 | 3.131 | 3.173 | 3.493 |
| Week 5 | | 3.223 | | | 3.148 | |

Industrial Production Growth



| Data Table | | | | | | |
|------------|--------|--------|--------|--------|--------|--------|
| Aug 11 | Sep 11 | Oct 11 | Nov 11 | Dec 11 | Jan 12 | Feb 12 |
| 4.1 | 12.0 | -2.4 | 0.5 | -4.9 | -5.1 | -0.9 |

Risk Factor

While Poland is in a better position to weather the ongoing euro-zone debt crisis than most other European countries, it remains vulnerable to a Greek exit as a result of the Polish banking sector's dependence on foreign capital. The country's larger lenders would face difficulties were they not able to count on parent banks for funds. Moreover, the steep depreciation of the zloty that would follow a rise in global risk aversion would increase the debt-servicing burden of corporate loans and mortgages taken out in foreign currency, of which the Polish banking sector holds a substantial amount. This, in turn, puts household budgets under strain and constrains businesses from investing. Positively, the banking system is profitable and well capitalised (with the Tier 1 capital adequacy ratio at 13.8% in March 2012), while the value of non-performing loans has begun to decrease, falling to 8.4% in March. The country has also built up significant buffers in terms of FX reserves and has access to a USD30bn precautionary Flexible Credit Line at the IMF. Overall, we believe that, while conditions may deteriorate, the system is capable of withstanding even the more pessimistic scenarios.

The National Bank of Poland opted to increase the policy rate in May by 0.25 percentage points to 4.75%, despite the worsening global economic outlook. The bank cited high inflationary pressures (in April the CPI stood at 4.0% year-on-year (y/y), above the 3.5% upper limit of the bank's target band) and relatively high economic activity in Q1 in Poland as the main reasons for the hike. Another concern is that persistently high inflation (it has exceeded the 3.5% limit since January 2011) will lead to a corresponding increase in inflation expectations. The high level of inflation can largely be blamed on high global energy and food prices and tax increases; however, the depreciating zloty has added to price pressures. In recent months, the National Bank of Poland has intervened repeatedly in the FX market to stem the zloty's fall. Positively, the interest rate hike will strengthen the national currency. Nevertheless, D&B expects exchange rate risk to be an area requiring particular attention over the short and medium term. Due to the comparatively good liquidity of the Polish financial market relative to its regional peers, the zloty responds more markedly to external news than other regional currencies. It is particularly sensitive to euro-zone news, as most of the banking sector is owned by euro-zone banks.

Meanwhile, high frequency economic data remains encouraging. Industrial production increased by 4.9% in Q1 relative to the same period of 2011, while preliminary central bank balance of payments data show that exports have increased by 5.9% in y/y terms in March 2012 and continue to outpace imports (which increased by 3.3%).

Glossary & Definitions

DEFINITIONS

Minimum Terms:

The minimum form of documentation or trading method that D&B advises its customers to consider when pursuing export trade with the stated country.

Recommended Terms:

D&B's recommended means of payment. The use of recommended terms, which are generally more stringent than minimum terms, is appropriate when a customer's payment performance cannot be easily assessed or when an exporter may wish to limit the risk associated with a transaction made on minimum terms.

Usual Terms:

Normal period of credit associated with transactions with companies in the stated country.

Local Delays:

The time taken beyond agreed terms for a customer to deposit money in their local bank as payment for imports.

F/X Bank Delays:

The average time between the placement of payment by the importer in the local banking system and the receipt of funds by the exporter. Such delays may be dependent on FX controls, FX availability and the efficiency of the local banking system.

C/A (current account) balance, % GDP:

Part of the balance of payments that records a nation's exports and imports of goods and services, and income and transfer payments.

DSR (debt service ratio), %:

Annual interest and principal payments on a country's external debts as a percentage of exports of goods and services.

Govt balance, % GDP:

The balance of government expenditure and receipts.

Real GDP growth, %:

GDP adjusted for inflation.

Inflation, %:

The increase in prices over a given period.

GLOSSARY

| | |
|-----|----------------------------|
| CiA | Cash in Advance |
| CLC | Confirmed Letter of Credit |
| CWP | Claims Waiting Period |
| FX | Foreign Exchange |
| LC | Letter of Credit |
| LT | Long term |
| MT | Medium term |
| OA | Open Account |
| SD | Sight Draft |
| ST | Short term |

Customer Service & Support

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