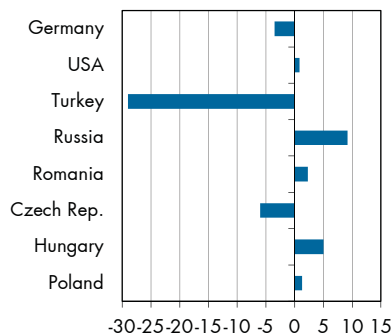


10y bond yield (bp change over wtd)



Source: Bloomberg

Market snapshot

	curr.*	Sep-14	Dec-14	Mar-15
Poland				
EUR/PLN	4.14	4.15	4.10	4.05
Key rate	2.50	2.50	2.50	2.50
10y bond	3.6	3.6	3.9	4.3
Hungary				
EUR/HUF	305.6	310	315	315
Key rate	2.40	2.20	2.20	2.20
10y bond	4.3	4.5	4.8	5.0
Czech Rep.				
EUR/CZK	27.5	27.3	27.2	27.2
Key rate	0.05	0.05	0.05	0.05
10y bond	1.5	1.7	2.0	2.2
Romania				
EUR/RON	4.39	4.42	4.45	4.40
Key rate	3.50	3.50	3.50	3.50
10y bond	4.4	4.7	5.0	5.4
Croatia				
EUR/HRK	7.58	7.64	7.68	7.66
10y bond	4.1	4.5	4.5	4.5
Russia				
USD/RUB	34.3	36.3	37.0	37.4
Key rate	7.50	7.50	7.00	7.00
10y bond	8.5	8.9	8.8	9.4
Turkey				
USD/TRY	2.14	2.10	2.10	2.15
Key rate**	9.50	9.50	9.00	9.00
10y bond**	8.9	9.0	9.5	9.7
EUR/USD	1.36	1.32	1.30	1.30

* prices as of 20 June 2014, 11:04 a.m. CET

** under revision

Source: Thomson Reuters, Raiffeisen RESEARCH

Content

Focus on	p. 2 – 3
Data releases, country coverage	p. 4 – 5
Monetary policy, money markets	p. 6
FX markets	p. 7
Local currency bond markets	p. 8 – 9
Ratings, main macro forecasts	p. 10
Eurobond Market Overview	p. 11

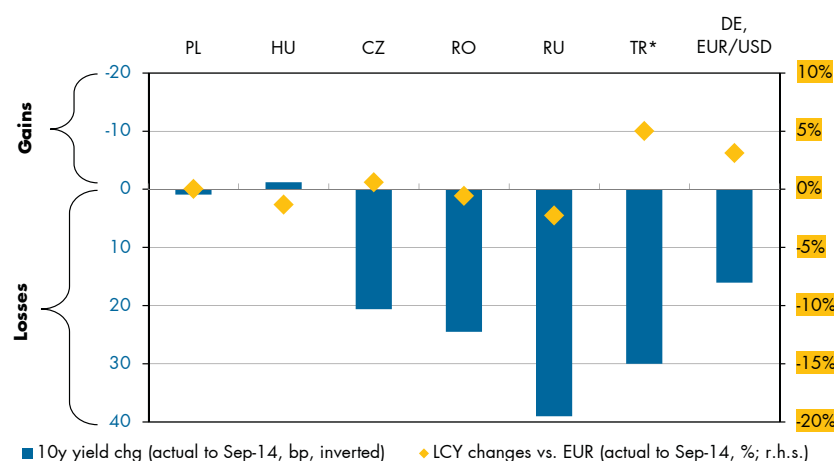
Highlights

After the so called tape scandal in Poland there appear first rumours on possible early elections. In any case the repercussions can be seen on the Polish markets with the zloty retreating from recent highs at 4.1 to the euro and we would not rule out some more pressure in the coming weeks, also due to some weaker industrial production figures for May that seem to underpin the disappointing PMI data last seen.

Meanwhile there appeared rumours that Ukraine could be thinking about a restructuring of its foreign debt, which showed first negative reaction on Ukrainian bond market. At the same time the fighting in eastern Ukraine continues, underpinning that the situation is still far off from a sustainable sedation. In connection with this there have been renewed threats especially from US side about further sanctions against Russia on concerns about an escalation of the armed conflict. Despite these risks the Russian rouble has decoupled considerably from such threats and has stabilized at comparably strong levels in the middle of its target range for now. However, we see high risk of renewed pressure on RUB for the third quarter.

Next week the CEE data focus is likely to be on the interest rate meetings. Whereas the rate decision and wording by the Czech central bank is bound to bring no change, the Hungarian central bank is expected to continue its rate cutting cycle with another 10bp rate cut to then 2.3%. Given the stable forint and the low consumer price inflation the rate cutting cycle is bound to continue in July. Biggest uncertainty will be for the rate decision in Turkey, where the chances for a rate cut are counteracted by the most recent events in Iraq that put a big question mark on rate cut speculations.

Expected changes until September 2014



* under revision

Source: Bloomberg, Raiffeisen RESEARCH

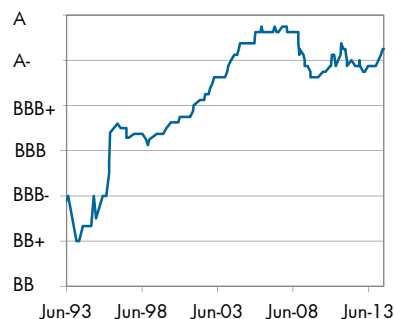
Data highlights upcoming week

Date	Indicator	Period	est.	High	Mean	Low	Prev.
24-Jun	HU: Key rate, %	Jun	2.30	2.40	2.30	2.30	2.40
24-Jun	TR: Key rate, %	Jun	n.a.	9.50	9.00	9.00	9.50
26-Jun	CZ: Key rate, %	Jun	0.05	0.05	0.05	0.05	0.05
26-Jun	PL: Retail sales, % yoy	May	8.2	8.3	6.5	4.6	8.4
27-Jun	HR: Industrial output, % yoy	May	n.a.	n.a.	n.a.	n.a.	0.6

Source: Bloomberg, Raiffeisen RESEARCH

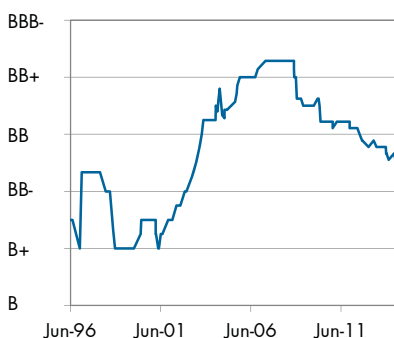
Focus on CEE rating review reloaded

CE rating drift (S&P ratings) *



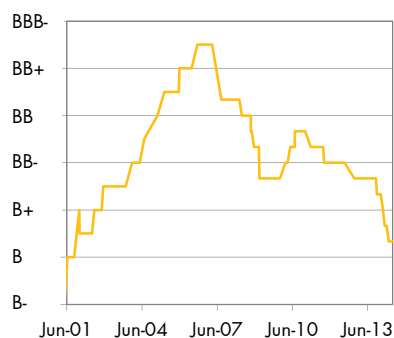
* S&P ratings, rating drift is a simple average of existing ratings (numeric rating scale: 1 to 22 - from D/SD to AAA)
 CE: Poland, Hungary, Czech Rep., Slovakia, Slovenia, Latvia, Lithuania, Estonia
 Source: Standard and Poor's, Raiffeisen RESEARCH

SEE rating drift (S&P ratings) *



* S&P ratings, rating drift is a simple average of existing ratings (numeric rating scale: 1 to 22 - from D/SD to AAA)
 SEE: Bulgaria, Croatia, Romania, Serbia, Montenegro, Macedonia, Bosnia.H., Albania, Turkey
 Source: Standard and Poor's, Raiffeisen RESEARCH

CIS rating drift (S&P ratings) *



* S&P ratings, rating drift is a simple average of existing ratings (numeric rating scale: 1 to 22 - from D/SD to AAA)
 CIS narrow - Russia, Ukraine, Belarus
 Source: Standard and Poor's, Raiffeisen RESEARCH

The arguments and assumptions we presented in our special publication on CEE sovereign ratings released on 10 March 2014 have proven to be correct. Initially, we predicted a stronger rating outlook for CE, but a weaker outlook for SEE and, especially, for CIS. Indeed, looking at the recent rating actions, the Central Europe (CE) sub-region has outperformed in terms of upgrade and outlook strength. S&P recently upgraded the ratings of Latvia (A-) and Lithuania (A-) by one notch and two notches, respectively, on the back of positive fundamental developments underpinned by adopting the euro. At the same time, our anticipation of an outlook upgrade for Hungary has fully materialised, with S&P lifting its outlook from negative to stable. Although Slovenia might be a concern, we see no worsening of its credit profile, and the elections should be good for boosting reforms. In nearly all CE countries, we find that economic performance remains fairly good and is supported by the stronger EU outlook, while public finances are improving in a number of countries thanks to tighter fiscal reins. In Slovakia, the public debt growth problem might be offset by state policies, including the constitutional law that sets the debt ceiling and triggers austerity measures, so we expect no change in Slovakia's rating. Following the recent upgrades, the average CE rating is moving from A- to A with a stable outlook, which should support the investment appeal of CE.

On the other hand, our concerns about the negative rating path in South East Europe (SEE) were fully justified. Most recently, S&P downgraded Bulgaria's sovereign rating from BBB to BBB- with a stable outlook, citing political hurdles and insufficient economic growth as negative pressures on the rating. The ratings of Serbia and Croatia also remain under pressure from a combination of lax fiscal policies and mounting debt, aggravated by lacklustre economic performance. In January, Fitch downgraded Serbia deeper into junk territory from BB- to B+, while S&P preferred to leave the negative outlook on Serbia's BB- rating intact during its April review. Although we were hopeful that Serbia's new government would push forward strongly with fiscal reforms, we believe that the recent natural disaster (massive flooding) will make it difficult to balance the budget and might require additional spending, which will delay the consolidation plan. As a result, Serbia's rating may remain unchanged at best, while the outlook on it will remain negative over a 3-6 month perspective. Meanwhile, Croatia is still the most difficult story in SEE, with its rating remaining under strong negative pressure due to fiscal policy failures and anaemic economic growth which have further curtailed the state's ability to consolidate public finances. By contrast, our anticipation of Romania's rating upgrade materialised after S&P upped Romania to BBB- putting its rating in line with the other two agencies which rate Romania in the lower investment grade territory. On a positive note, Moody's also upgraded the rating outlook for Romania from negative to stable on the debt cuts and responsible fiscal policy. As we predicted earlier, the SEE rating path remains under pressure, although we expect the SEE outlook to return to stable, signalling the end of the negative rating story by the end of 2014. Although we expect some improvements in Serbia to help it avoid more downgrades, the downgrade risk in Croatia will remain strong until the end of 2014. Overall, the average SEE rating will remain in the lower BB range, while we expect the outlook to turn from negative to stable by Q4. In this respect, speaking of investment appeal, SEE will continue to lose market competition to the higher rated CE.

Finally, our vision of the CIS rating perspectives expressed in a special report dated March 2014 also proved to be correct. The Ukraine-Russia conflict will

continue to exert strong negative pressures on the ratings of key economies, including even uninvolved Kazakhstan and Belarus. The higher dependence of the Kazakh BBB+ rated economy on Russia already led to the outlook downgrade from stable to negative from S&P. In particular, the agency cited the slowing economic growth as undermining the efficiency of the monetary policy toolkit, while slowing economic growth in Russia will present additional challenges for Kazakhstan. Similarly, Belarusian economic dependence on Russia can amplify the usual balance of payment and international liquidity problems, as Russia remains the major source of financing for Belarus too. In Ukraine, the military stand-off in the east prolongs the political crisis imposing substantial costs on the domestic economy. This will continue to exert strong negative pressure on Ukraine's rating, despite Western financial support. Last, but not least, Russia's rating will remain under strong negative pressure from the increasing threat of broader economic sanctions after escalation of the crisis in eastern Ukraine and the looming economic recession which will curb Russia's financial capabilities. S&P already lowered Russia's rating from BBB to BBB- in April, and in our opinion the negative rating outlook points in the direction of another downgrade over a 1-3 month horizon. In another story, despite low public debt we note that Russia's private sector remains highly leveraged on foreign financing with about USD 85 bn of short-term debt falling due in June-December. In 2015, the short-term debt is estimated at USD 82 bn with the lion's share belonging to the private sector too. Although we see no immediate danger at this stage, the risk of short-term financing pressures in Russia should not be underestimated. In terms of the CIS rating perspective, we see the possibility of a single-notch downgrade for Russia and Kazakhstan. Meanwhile, Ukraine's sovereign rating will remain at a very low CCC. Moreover, the rating outlook will remain strongly negative for the entire CIS region due to the ongoing Ukraine-Russia crisis which will continue to affect other CIS countries. Consequently, Russia's sovereign rating may be downgraded from BBB- to BB+, or one notch below the investment grade, while Kazakhstan should retain its investment rating after a single-notch downgrade at BBB. As a result, if Russia is downgraded, the average CIS rating is likely to drop from BB- to B+, while the narrower CIS rating, including only Russia, Ukraine and Belarus will remain at single B.

Currently, the CEE Eurobond market rating-spread valuations suggest there are few countries whose bonds could be appealing as relatively cheap. Indeed, the Eurobond market z-scores for many CEE reach minus 2 points (+/- 0.5). The least expensive markets include the riskier countries such as Croatia, Ukraine and Russia, and also include recently downgraded Bulgaria and volatile Turkey. A similar picture can be seen in the rating-spread (country's EMBIG spread minus a respective rating bracket spread), where only Russia, Kazakhstan and Ukraine trade outside the rating bracket, while the majority of CEE issuers trade at a premium to their current ratings. Accordingly, we see buying possibilities as being limited to an opportunistic strategy, depending on the outlook for a solution in the Ukraine-Russia crisis. Despite the relatively expensive market, we continue to like Hungary due to good prospects of a rating upgrade over a 6-12 month horizon.

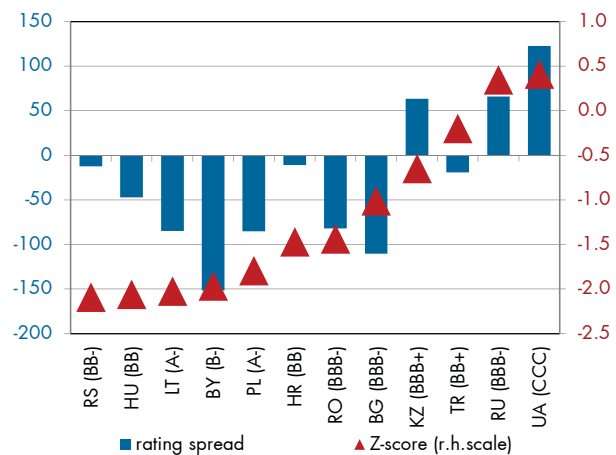
Financial analyst: Gintaras Shlizhyus (+431 717 07 1343)

CEE ratings direction

	rating *	RBI view**
CE:		
CZ	AA-/A1/A+	↔
SK	A/A2/A+	↔
PL	A-/A2/A-	↔
SI	A-/Ba1/BBB+	↔
HU	BB/Ba1/BB+	↑
SEE:		
RO	BBB-/Baa3/BBB-	↔
BG	BBB-/Baa2/BBB-	↔
TR	BB+u/Baa3/BBB-	↓↔
HR	BB/Ba1/BB+	↓
RS	BB-/B1/B+	↑↔
AL	B/B1/n.r.	↔
BH	B/B3/n.r.	↔
CIS:		
KZ	BBB+/Baa2/BBB+	↓↔
RU	BBB-/Baa1/BBB	↓
BY	B-/B3/n.r.	↓↔
UA	CCC/Caa3/CCC	↔

* rating - S&P/Moody's/Fitch
 ** RBI view - likely direction of rating change in 3-12 months perspective
 ↔ no change
 ↑ upgrade possible
 ↓ downgrade possible
 Source: Rating agencies, Raiffeisen RESEARCH

Rating spread & z-scores *



* CEE rating spread - EMBIG USD spread minus respective rating bracket spread, z-score - deviation of actual spread from its 3m average normalised by 1 stdev
 Source: Thomson Reuters, Raiffeisen RESEARCH

Data calendar and country coverage

This week, previous week: key data releases

Indicator	Period	Actual	Forecast	Prev.	Indicator	Period	est.	High	Mean	Low	Prev.
Monday, 16 June					Friday, 20 June						
PL: Core CPI, % yoy	May	0.8	0.9	0.8	HU: Economic Sentiment Index	Jun	n.a.	n.a.	n.a.	n.a.	-1.2
CZ: PPI, % yoy	May	-0.1	0.1	-0.3	RU: Retail sales, % yoy	May	2.0	3.5	2.7	2.0	2.6
SK: HCPI, % yoy	May	0.0	n.a.	-0.2	RU: Unemployment rate, %	May	n.a.	5.5	5.1	5.0	5.3
HR: CPI, % yoy	May	-0.2	n.a.	-0.5	Monday, 23 June						
RU: GDP, % yoy	Q1	0.9	n.a.	0.9	HR: Unemployment rate, %	May	19.7	n.a.	n.a.	n.a.	21.1
RU: Key rate, %	Jun	7.50	7.50	7.50	SK: Unemployment rate, %	May	n.a.	n.a.	n.a.	n.a.	13.0
Tuesday, 17 June					Tuesday, 24 June						
PL: Gross wages, % yoy	May	4.8	4.7	3.8	HU: Key rate, %	Jun	2.30	2.40	2.30	2.30	2.40
PL: Employment, % yoy	May	0.7	0.7	0.7	HU: C/A balance, EUR mn nsa	Q1	850.0	760.0	544.0	440.0	637.0
SI: Unemployment rate, %	Apr	13.4	n.a.	13.9	TR: Key rate, %	Jun	n.a.	9.50	9.00	9.00	9.50
Wednesday, 18 June					Thursday, 26 June						
PL: Industrial output, % yoy	May	4.4	7.9	5.4	CZ: Key rate, %	Jun	0.05	0.05	0.05	0.05	0.05
RU: Industrial output, % yoy	May	2.8	2.0	2.4	PL: Retail sales, % yoy	May	8.2	8.3	6.5	4.6	8.4
UA: Industrial output, % yoy	May	-2.1	n.a.	-6.0	PL: Unemployment rate, %	May	12.4	12.6	12.5	12.4	13.0
Thursday, 19 June					Friday, 27 June						
RU: PPI, % yoy	May	8.9	n.a.	7.2	HR: Industrial output, % yoy	May	0.8	n.a.	n.a.	n.a.	0.6
Friday, 20 June					Friday, 27 June						
SI: PPI, % yoy	May	-1.1	n.a.	-1.4	HU: Unemployment rate, %	May	7.7	8.4	7.7	7.6	8.1
					RU: C/A balance final, USD bn	Q1	n.a.	n.a.	n.a.	n.a.	27.6

Source: Bloomberg, Raiffeisen RESEARCH

Croatia (HR) – In the shorter week behind us due to the holiday, the May CPI data which was released on Monday was the only event worth mentioning. According to the national statistical office, the deflation trend at the annual level continued for the fourth month in a row (-0.2%), but with a slightly weaker rate compared to the April figure (-0.5% yoy). Next week features labour market data, i.e. unemployment rate (May) and wages (Apr), along with industrial output (May) on Friday. In line with the usual seasonal movements, the decline in the number of unemployed in May will be confirmed by a lower unemployment rate (19.7%). As for industrial production, we expect continuation of the slightly positive growth rate which – given last year's extremely low base – may be a possible consequence of a decrease in inventories from the previous period and more pronounced foreign demand as well.

Financial analyst: Elizabeta Sabolek Resanovic (+385 1 4695 099), Raiffeisenbank Austria d.d., Zagreb

Czech Republic (CZ) – In our revised outlook, we forecast that the Czech National Bank will keep controlling EUR/CZK above 27.0 until Q4 2015. The data we expect suggest that the CNB could quite comfortably leave the current FX control regime in place until mid-2015. However, we think that the CNB will rather hesitate with this important step during the low market activity in the summer and will leave the decision until a new forecast is published in November 2015. However, if there is significant market pressure, the CNB might allow CZK to appreciate sooner than that, to avoid an unwanted increase in FX reserves. For Q4 2015 we expect CZK will appreciate by about 2.5%. Any stronger jump would be probably hindered by the CNB.

Financial analyst: Michal Brozka (+420 234 401 498), Raiffeisenbank a.s., Prague

Hungary (HU) – The Supreme Court of Hungary announced this week their ruling on four questions regarding household FX-debt. The key take-away here is that the Court gave ample room for the government to introduce legislation on the topic. However, in the days thereafter the government and ruling party officials postponed any such measures until the autumn. The risk is high that prospective measure will mean heavy losses for the banking sector and therefore dampen financial market sentiment. Nevertheless, yesterday's auction saw record issuance as holders of liquid two-week CB bills are being channelled into the HGB market (for more details, see our Special on Hungarian debt markets 13 June 2014).

On Tuesday, the Hungarian Monetary Council will the lower main interest rate by 10 basis points once again to 2.3%. The stance of the communication became more dovish lately as inflation this year is running lower than anticipated and the European Central Bank introduced a set of easing measures. MNB Vice-Governor Balog said in an interview that this gives them more room to manoeuvre. It should also be noted that high ranking MNB officials published an article this week with the message that interest rates are expected to remain low for an extended period (effectively replicating the forward guidance statement of the ECB). The MNB will also publish its inflation report, which will most probably include a downward revision in inflation and an upward revision in the GDP growth rate.

Financial analyst: Ádám Keszeg (+36 1 484 43 13), Raiffeisen Bank Zrt., Budapest

Poland (PL) – Despite an increase in the Polish trade balance in April to a record high of above EUR 800 mn, recent data seem to provide more reasons for the MPC to consider interest rate cuts, especially in light of another lower-than-expected inflation reading of merely 0.2% yoy. Furthermore, the recent surprisingly low industrial output growth added to the worrying signals indicated by the drop of the PMI to 50.8 points in May. As a result, the current low levels of Polish yields should be sustained at least until the July MPC meeting, while the recent ECB decision also continues to support appetite for Polish debt. On the other hand, the latest tape scandal in Poland including the recorded discussions of the Minister of Interior and NBP Governor limited the drop in yields as it makes significant policy easing less likely.

Financial analyst: Dorota Strauch (+48609920663), Raiffeisen Polbank, Warsaw

Romania (RO) – Public budget execution for May is due to be published next week. The focus should still be mainly on the dynamics of public revenues which have underperformed since the beginning of the year. The government wants to reduce social security contributions paid by employers by 5pp starting October, after it already decided to exempt companies from taxation on profits reinvested in new equipment (effective from July). The measures have the potential to threaten the budget deficit targets set for 2014 and for 2015, if there is no visible improvement in public revenues in the second half of the year. In fact, the government has not convinced the IMF's technical staff that it can accommodate the reduction of social contributions within the limits of the current public budget deficit targets for 2014 and 2015. Accordingly, no consensus was reached between the IMF team and the government on a new Letter of Intent following the regular review which ended last week. Discussions and negotiations will continue until the next review due in November. Failure to have signed a new Letter of Intent with the IMF had no impact on the financial markets.

Financial analyst: Nicolae Covrig (+40213061262), Raiffeisen BANK S.A., Bucharest

Russia (RU) – While industrial production accelerated significantly in May (+2.8% yoy), we do not consider this as a fundamental improvement. These positive dynamics are purely explained by statistical effects (primarily the low base effect, as IP dropped by 0.5% yoy in May 2013). We estimate that out of the 2.8 pp of IP growth in May 2014, roughly 2.5 pp. is attributable to gains in the manufacturing segment (+4.4% yoy in May vs. +3.9% yoy in April), which is logical, given that the drop of manufacturing production in May 2013 was the most pronounced (-1.9% yoy). A detailed analysis of manufacturing sub-segments demonstrates that there was no improvement in the leading industries. The overall increase is explained by completion of production of river and lake vessels, ship engines, gas turbines which have a long production cycle. As they have large weights in the IP index, their reflection in statistics results in temporary overestimation of IP index. Apart from these factors, the increase in passenger car production also added to IP improvement. As we do not believe that the May figures constitute an upward trend, we stick to our forecast of zero IP growth in 2014.

Financial analyst: Maria Pomelnikova (+7 495 221-9845), ZAO Raiffeisenbank, Moscow

Monetary policy and money markets overview

CEE key interest and money markets outlook

Poland	curr.*	Sep-14	Dec-14	Mar-15	5y high	5y low
Key interest rate (% eop)	2.50	2.50	2.50	2.50	4.75	2.50
1 m money market rate (% eop)	2.50	2.62	2.62	2.63	4.82	2.40
3m money market rate (% eop)	2.58	2.72	2.72	2.77	5.04	2.51
6m money market rate (% eop)	2.60	2.74	2.80	2.92	5.07	2.51
Hungary						
Key interest rate (% eop)	2.40	2.20	2.20	2.20	9.50	2.40
1 m money market rate (% eop)	2.40	2.40	2.40	2.40	9.60	2.40
3m money market rate (% eop)	2.43	2.60	2.65	2.70	9.66	2.42
6m money market rate (% eop)	2.44	2.65	2.75	2.85	9.69	2.44
Czech Republic						
Key interest rate (% eop)	0.05	0.05	0.05	0.05	1.50	0.05
1 m money market rate (% eop)	0.03	0.05	0.05	0.20	1.56	0.03
3m money market rate (% eop)	0.04	0.10	0.20	0.35	1.81	0.04
6m money market rate (% eop)	0.42	0.10	0.30	0.50	2.33	0.42
Romania						
Key interest rate (% eop)	3.50	3.50	3.50	3.50	9.50	3.50
1 m money market rate (% eop)	1.56	2.20	2.60	2.80	11.49	1.11
3m money market rate (% eop)	2.14	2.40	2.65	2.85	10.62	1.69
6m money market rate (% eop)	2.38	2.40	2.60	2.70	10.38	2.20
Russia						
Key interest rate (% eop)	7.50	7.50	7.00	7.00	7.50	5.50
1 m money market rate (% eop)	9.18	9.70	8.85	8.60	10.97	3.23
3m money market rate (% eop)	9.49	9.80	9.30	9.10	12.33	3.73
6m money market rate (% eop)	9.74	10.00	9.50	9.30	13.16	4.12
Turkey						
Key interest rate (% eop)	9.50	9.50	9.00	9.00	10.00	4.50
1 m money market rate (% eop)	9.64	10.00	9.50	9.40	11.99	4.61
3m money market rate (% eop)	9.57	10.10	9.60	9.50	12.15	4.74
6m money market rate (% eop)	9.53	9.80	9.70	9.60	12.48	5.12
Benchmark key rates (% eop)						
ECB key interest rate (% eop)	0.15	0.15	0.15	0.15	1.50	0.15
Fed key interest rate (% eop)	0.09	0.25	0.25	0.50	0.31	0.01

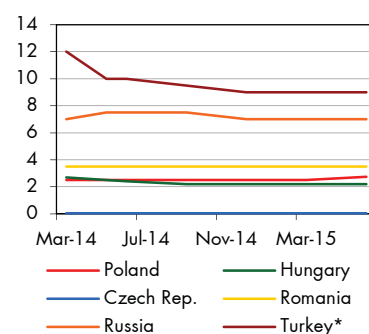
* Bid rates (for Hungary ask rates) as of 20 June 2014, 11:09 a.m. CET ; ** under revision
Source: Bloomberg, Raiffeisen RESEARCH

Central bank watch

Poland (NBP)	Start of rate hiking cycle delayed to Q2-2015 due to stubbornly low inflation
Hungary (MNB)	Communication of monetary policy lately has become somewhat more dovish. We expect 10 basis points cut on Tuesday.
Czech Republic (CNB)	CNB should stick to exit its FX intervention regime until late-2015, whilst quasi-zero-rate environment likely to prevail throughout 2015
Romania (BNR)	NBR clearly indicated that it is finished with rate cuts despite low domestic inflationary pressure; however, more easing in the pipeline through the likely cut of MRR later this year in an attempt to boost lending.
Serbia (NBS)	NBS slashed base rate by another 50 bp. Rate cutting cycle should end deeper than initially expected.
Russia (CBR)	Given the recent deterioration in Russia's risk profile and deterioration in the inflation outlook risks to the partly reversal of crisis-induced rate hikes became tilted to the upside.
Turkey (TCMB)	Recent surprise rate cut justified from a financial stability perspective, as Turkey's risk premium decreased. In light of still rising inflation, however, risky. Another 50bp cut likely in the upcoming months in line with decreasing inflation.

Source: Bloomberg, Reuters, Raiffeisen RESEARCH

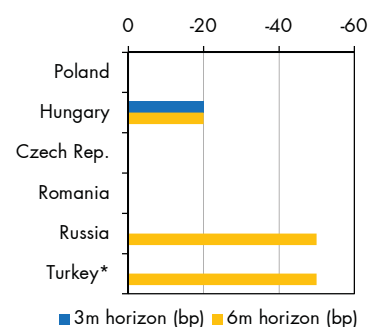
Key rate trends (%)*



* under revision

Source: Bloomberg, Raiffeisen RESEARCH

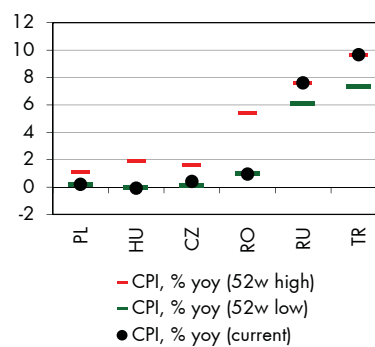
Key rate forecast (chg., bp)*



*under revision

Source: Bloomberg, Raiffeisen RESEARCH

Inflation snapshot



Source: Bloomberg, Raiffeisen RESEARCH

Rate setting meetings

	Jun	Jul
Poland (NBP)	4	2
Hungary (MNB)	24	22
Czech Rep. (CNB)	26	31
Romania (BNR)	-	1
Serbia (NBS)	12	10
Russia (CBR)	16	25
Turkey (TCMB)	24	17

Source: National Central Banks, Raiffeisen RESEARCH

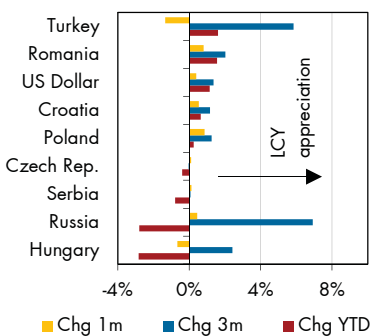
Foreign exchange market overview

FX forecasts

EUR vs	current ¹	Sep-14	Dec-14	Mar-15	5y high	5y low	Comment
PLN	4.15	4.15	4.10	4.05	4.57	3.83	After the depreciation due to higher risk appetite and political turmoil in Poland EUR/PLN should stabilize close to 4.15.
HUF	305.9	310.0	315.0	315.0	320.4	261.3	As the household FX-debt scheme will most probably not be agreed upon before the autumn HUF is performing better.
CZK	27.47	27.30	27.20	27.20	27.69	23.99	EUR/CZK to remain in current trading range until further signs of economic recovery and inflation pick-up
RON	4.39	4.42	4.45	4.40	4.64	4.06	Appreciation potential limited although sentiment of foreign investors improved
HRK	7.58	7.64	7.68	7.66	7.67	7.18	Next week we see EUR/HRK rate in 7,560-7,590 range.
RSD	115.5	115.0	117.0	118.0	119.1	92.4	NBS might prevent major volatility; EUR/RSD to remain in the range of 115-116
RUB	46.81	47.88	48.11	48.68	50.96	37.45	see rouble basket below
UAH	16.20	15.31	14.95	14.69	17.65	9.47	see USD/UAH below
BYR	13,863	14,388	14,950	15,470	13,945	3,607	see USD/BYR below
TRY	2.91	2.77	2.73	2.80	3.19	1.91	see USD/TRY below
USD	1.36	1.32	1.30	1.30	1.51	1.20	Speculations on earlier interest rate hikes of the US Fed might support USD appreciation against EUR
USD vs	current ¹	Sep-14	Dec-14	Mar-15	5y high	5y low	Comment
RUB	34.39	36.28	37.00	37.44	36.63	27.28	see rouble basket below
UAH	11.91	11.60	11.50	11.30	12.71	7.63	UAH stable below 12 against USD
BYR	10,145	10,900	11,500	11,900	10,190	2,711	Steady BYR depreciation to continue throughout 2014
TRY	2.14	2.10	2.10	2.15	2.34	1.40	Possible further rate cuts and concerns about conflict in Iraq should result in weaker lira
RUB basket	39.92	41.50	42.00	42.50	43.07	32.94	Expectation for RUB returning to longer-term depreciation trend as uncertainties have been priced out since March

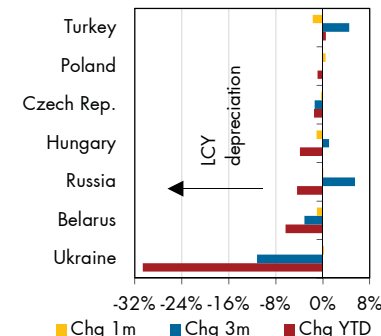
¹ as of 20 June 2014, 11:10 a.m. CET;
Source: Bloomberg, Raiffeisen RESEARCH

Change of LCY value to EUR (%)



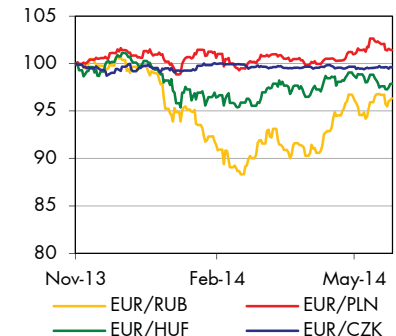
Source: Bloomberg

Change of LCY value to USD (%)



Source: Bloomberg

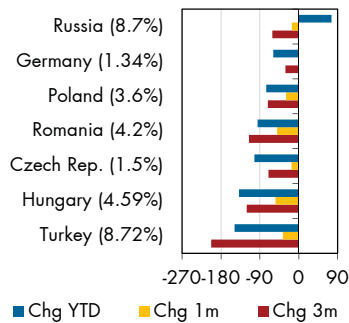
Exchange rate comparison



Indexed September 2013 = 100
Source: Bloomberg

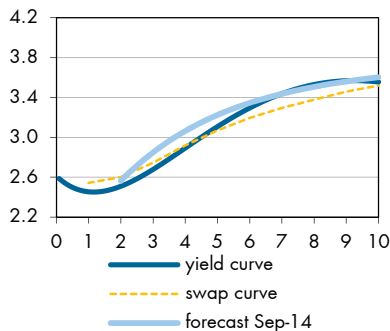
Local currency bond market overview

Change of LCY 10y bond yields (bp)



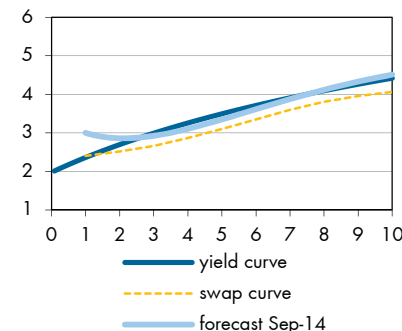
Source: Bloomberg

PLN yield curve



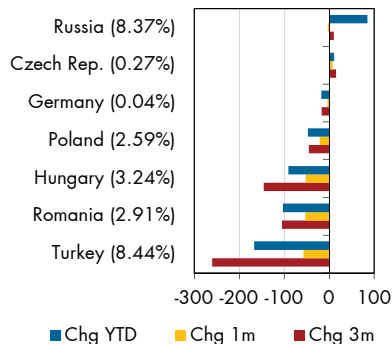
Source: Bloomberg

HUF yield curve



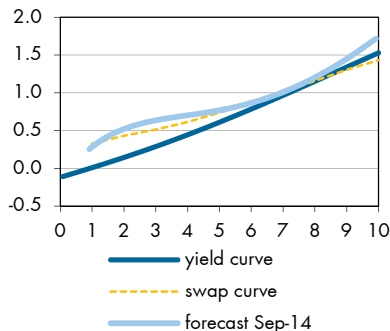
Source: Bloomberg

Change of LCY 2y bond yields (bp)



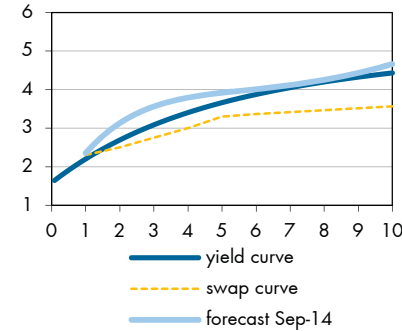
Source: Bloomberg

CZK yield curve



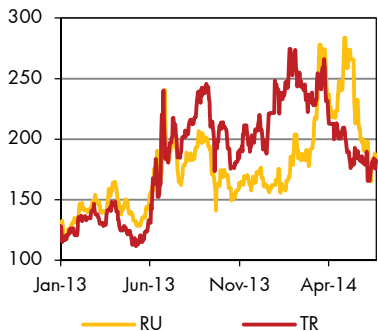
Source: Bloomberg

RON yield curve



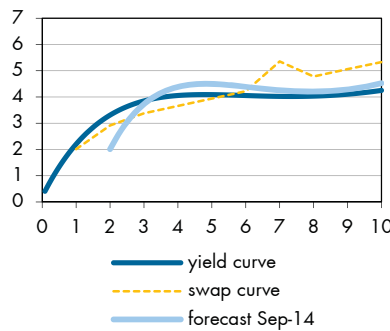
Source: Bloomberg

5y USD CDS spreads



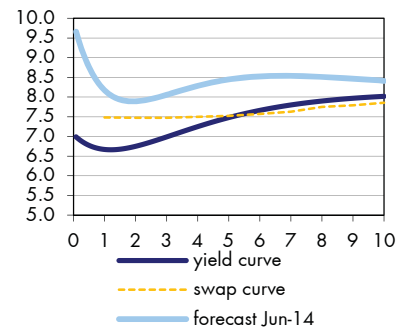
Turkey 5y high 343.7, 5y low 111.7; Hungary 5y high 735, 5y low 167.1; Russia 5y high 375.5, 5y low 118.7
Source: Bloomberg, Raiffeisen RESEARCH

HRK yield curve



Source: Bloomberg

RUB yield curve



Source: Bloomberg

Yield forecasts

	2y T-bond yields (%)						10y T-bond yields (%)						
	current*	Sep-14	Dec-14	Mar-15	5y high	5y low	current*	Sep-14	Dec-14	Mar-15	5y high	5y low	
Poland	2.56	2.6	3.0	3.4	5.4	2.5	Poland	3.59	3.6	3.9	4.3	6.5	3.1
Hungary	3.13	2.9	2.9	3.0	10.2	2.9	Hungary	4.51	4.5	4.8	5.0	10.7	4.3
Czech Rep.	0.25	0.3	0.3	0.5	2.9	0.0	Czech Rep.	1.49	1.7	2.0	2.2	5.2	1.4
Romania	2.70	3.2	3.5	3.9	7.3	2.8	Romania	4.40	4.7	5.0	5.4	7.6	4.4
Croatia	2.50	3.2	3.5	3.5	9.7	2.5	Croatia	4.07	4.5	4.5	4.5	8.4	4.1
Russia	6.38	8.3	8.0	8.0	8.7	5.5	Russia	8.46	8.9	8.8	9.4	9.7	6.5
Turkey	8.34	7.8	8.1	8.4	12.7	4.9	Turkey	8.70	9.0	9.5	9.7	11.0	6.0
Eurozone	0.04	0.1	0.1	0.2	1.9	-0.1	Eurozone	1.34	1.5	1.8	2.0	3.5	1.2
USA	0.45	0.6	0.8	1.2	1.3	0.2	USA	2.63	2.9	3.3	3.5	4.0	1.4

* Ask yields as of 20 June 2014, 10:10 a.m. CET
Source: Bloomberg, Raiffeisen RESEARCH

Local currency bond market overview

CEE local currency bond market snapshot

	Maturity	Coupon, %	Ask Price	YTM, %	Spread to Bunds, bp	MDur.	Comment
Poland							
PLN 2y Gov. Bond	25/07/2016	0.00	94.87	2.56	252	2.1	Borrowing needs for this year may be lower than initially assumed and cyclical rise in core market yields and related pressure should come with a delay; POLGBs to remain well anchored in the short term.
PLN 5y Gov. Bond	25/07/2019	3.25	100.48	3.15	276	4.6	
PLN 10y Gov. Bond	25/10/2023	4.00	103.21	3.59	225	7.8	
Hungary							
HUF 3y Gov. Bond	25/04/2018	4.00	103.31	3.07	299	3.6	MNB redesigned MP framework also aimed at strengthening resident demand for HUF bonds. This and the increasing likelihood of more MP easing locally, but also by the ECB should lend continued support to HGBs.
HUF 5y Gov. Bond	24/06/2019	6.50	114.14	3.38	299	4.2	
HUF 10y Gov. Bond	24/06/2025	5.50	109.16	4.43	309	8.3	
Czech Republic							
CZK 2y Gov. Bond	11/04/2015	3.80	103.03	0.02	-2	0.8	Czech government bond yields to remain stable in the short run given that cyclical rise in BUND yields is very likely to come later than initially anticipated.
CZK 5y Gov. Bond	11/04/2019	5.00	121.01	0.55	16	4.4	
CZK 10y Gov. Bond	25/05/2024	5.70	138.59	1.49	15	8.2	
Croatia							
HRK 5y Gov. Bond	10/07/2018	5.25	105.42	3.79	340	3.6	Prices of Croatian eurobonds have started falling due to careful view of investors after Argentine court issue.
HRK 8y Gov. Bond	05/03/2020	6.75	113.50	4.07	273	4.9	
Romania							
RON 3y Gov. Bond	26/07/2017	5.90	108.12	3.10	302	2.8	ROMGB market remains fairly stable; the bulk of the increase in longer tenors to come with a delay, whilst extent should be relatively moderate.
RON 5y Gov. Bond	26/07/2017	5.90	108.12	3.10	271	2.8	
Russia							
RUB 2y Gov. Bond	11/05/2016	6.00	99.50	6.38	634	1.8	Consolidation of OFZ market is set to hold only in the short run with especially longer tenors to face increasing pressure from US rate hike speculations as the year progresses.
RUB 5y Gov. Bond	03/08/2016	6.90	97.95	8.12	773	1.9	
RUB 10y Gov. Bond	24/11/2021	7.00	90.40	8.54	720	5.7	
Turkey							
TRY 2y Gov. Bond	24/02/2016	10.70	103.67	8.31	827	1.6	TRY debt market, especially front end of the curve, performed much better than we expected; given upcoming presidential elections and the building-up Iraq conflict, however, political risks overly priced-out we believe.
TRY 5y Gov. Bond	14/02/2018	6.30	93.75	8.31	792	3.3	
TRY 10y Gov. Bond	20/03/2024	10.40	110.95	8.71	737	6.6	

Prices as of 20 June 2014, 10:22 a.m. CET;
Source: Bloomberg, Raiffeisen RESEARCH

Bond auctions

	ISIN	Coupon	Maturity	Volume		
23 June 2014						
RO		9y T-bonds	n.a.	5.85	26 Apr-23	RON 200 mn
BG		2y T-bonds	n.a.	n.a.	26 Sep-16	BGN 50 mn
24 June 2014						
RS		2y RSD T-bonds	n.a.	floating	n.a.	RSD 10 bn
25 June 2014						
RS		5y T-bonds	n.a.	n.a.	n.a.	n.a.
RU		OFZ-bonds	n.a.	n.a.	n.a.	n.a.
26 June 2014						
HU		T-bonds	n.a.	n.a.	n.a.	n.a.

Summary: Ratings & macro data

Country ratings: CE, SEE, CIS

	S&P			Moody's			Fitch		
	LCY	FCY	Outlook	LCY	FCY	Outlook	LCY	FCY	Outlook
CEE									
Poland	A	A-	stable	A2	A2	stable	A	A-	positive
Hungary	BB	BB	stable	Ba1	Ba1	negative	BBB-	BB+	stable
Czech Republic	AA	AA-	stable	A1	A1	stable	AA-	A+	stable
Slovakia *	A	A	stable	A2	A2	negative	A+	A+	stable
Slovenia *	A-	A-	stable	Ba1	Ba1	negative	BBB+	BBB+	negative
SEE									
Romania	BBB-	BBB-	stable	Baa3	Baa3	stable	BBB	BBB-	stable
Bulgaria	BBB-	BBB-	stable	Baa2	Baa2	stable	BBB	BBB-	stable
Croatia	BB	BB	stable	Ba1	Ba1	negative	BBB-	BB+	negative
Serbia	BB-	BB-	negative	B1	B1	stable	B+	B+	stable
CIS									
Russia	BBB	BBB-	negative	Baa1	Baa1	stable	BBB	BBB	negative
Ukraine	B-	CCC	negative	Caa1	Caa3	negative	B-	CCC	negative
Belarus	B-	B-	stable	B3	B3	negative	not rated	not rated	not rated
Kazakhstan	BBB+	BBB+	negative	Baa2	Baa2	positive	A-	BBB+	stable
Turkey	BBB	BB+	negative	Baa3	Baa3	negative	BBB	BBB-	stable

* Euro area (Euro currency) members; positive rating/outlook changes (in previous week) in green, negative changes in red
Source: rating agencies websites

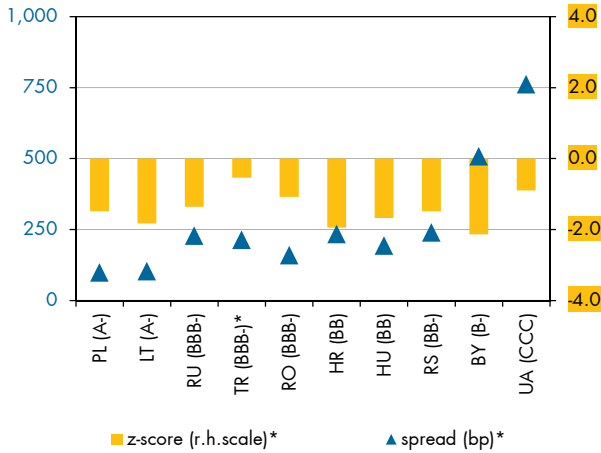
Main macro data & forecasts*

Country	Year	GDP, % avg. yoy	CPI, % avg. yoy	Unemployment, %	Nominal wages, EUR	Fiscal balance, % GDP	Public debt, % GDP	Export**, % GDP	C/A, % GDP	Ext. debt, % GDP	FXR*** % ext. debt	Import cover, months
Croatia	2013	-0.9	2.2	17.2	1044	-4.9	67.4	21.1	1.3	105.8	28.3	10.0
	2014e	-0.8	0.6	17.4	1030	-4.8	70.8	22.3	1.2	106.6	27.5	9.6
	2015f	1.0	2.0	17.2	1030	-4.5	73.2	22.2	0.7	104.2	27.6	9.6
Czech Rep.	2013	-0.9	1.4	7.7	967	-1.5	46.0	68.3	-1.4	54.2	50.3	5.2
	2014e	2.6	0.8	7.5	942	-1.5	45.7	75.5	0.4	55.6	51.3	4.9
	2015f	2.4	2.2	7.4	980	-2.5	46.5	79.0	0.3	53.9	52.3	4.7
Hungary	2013	1.1	1.7	10.4	778	-2.3	79.2	83.6	3.0	123.5	27.3	5.3
	2014e	2.7	0.7	7.4	783	-2.8	81.5	85.8	3.4	118.2	28.2	5.1
	2015f	2.5	3.0	6.2	794	-2.9	81.0	87.7	3.5	112.6	27.2	4.6
Poland	2013	1.6	0.9	13.6	870	-4.3	57.0	40.1	-1.3	70.8	28.0	6.0
	2014e	3.3	0.4	13.1	909	-3.3	50.7	42.0	-1.1	69.2	29.6	6.1
	2015f	3.3	2.3	12.7	987	-2.9	50.4	44.0	-2.1	68.0	29.9	5.6
Romania	2013	3.5	4.0	7.3	490	-2.3	38.4	34.8	-1.1	67.5	33.9	7.4
	2014e	3.5	1.9	7.2	510	-2.5	38.5	36.0	-2.0	62.8	33.2	6.4
	2015f	3.5	3.0	7.1	539	-2.3	38.2	36.7	-2.5	61.3	32.5	5.9
Russia	2013	1.3	6.8	5.6	692	-1.0	11.3	24.9	1.6	34.1	63.7	15.9
	2014e	-0.3	6.7	5.8	685	-0.5	11.5	26.3	2.3	39.0	58.6	16.3
	2015f	1.0	5.3	5.8	725	-0.4	12.0	26.0	2.0	39.3	55.8	15.3
Ukraine	2013	0.0	-0.2	7.5	313	-6.5	40.3	36.1	-9.1	78.9	11.9	2.4
	2014e	-7.0	11.3	8.5	260	-7.0	54.0	49.6	-3.0	106.8	11.9	2.4
	2015f	1.5	9.0	8.0	284	-4.5	54.5	50.7	-3.1	98.0	12.8	2.3
Turkey	2013	4.1	7.5	9.5	351	-2.2	39.4	19.6	-7.8	45.0	28.6	5.3
	2014e	3.5	8.5	9.5	330	-2.5	0.0	20.3	-6.3	52.5	24.7	5.4
	2015f	4.0	7.4	9.0	371	-2.5	0.0	18.9	-6.0	48.4	21.5	4.7

* only for countries included in CEE bond market weekly; ** Export of Goods only; *** FXR - Foreign exchange reserves
Source: Thomson Financial Datastream, National Statistics

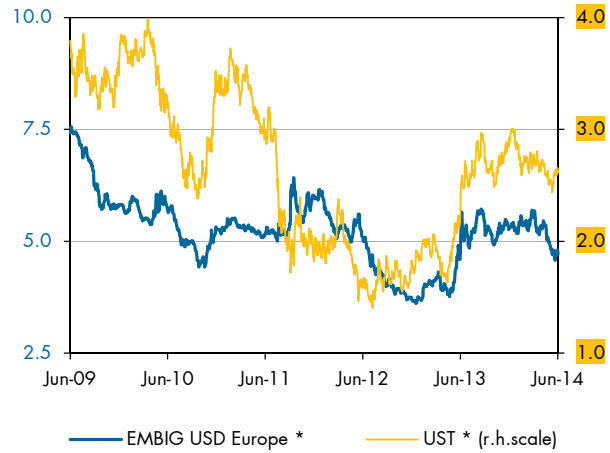
Eurobond market overview

CEE USD EMBIG spread valuation*



* z-score - EMBIG USD country spread deviation from mean normalised by 1 standard deviation, score at or below minus 1 = expensive, at or above 1 = cheap
Source: Thomson Reuters, Raiffeisen RESEARCH

CEE EMBIG USD vs. UST YTM*



* YTM - yield to maturity EMBI Global USD, UST - 10-year US Treasury note
Source: Thomson Reuters, Raiffeisen RESEARCH

Issuer/rate/du	Market Price				YTM mid. % p. a.	Spread vs. Bmk, bp	Mdur. years	ISIN	
	Bid	Ask	w/w %	5y max					
EUR									
BGARIA 4 1/4 07/09/17	108.3	108.5	-0.27	110.5	100.3	1.42	131	2.8	XS0802005289
CROATI 6 1/2 01/05/15	102.7	103.0	-0.26	112.7	97.5	1.08	107	0.5	XS0431967230
CROATI 5 7/8 07/09/18	111.6	112.3	-0.54	112.2	87.7	2.71	246	3.5	XS0645940288
REPHUN 3 1/2 07/18/16	103.4	103.9	-0.43	104.0	77.1	1.66	163	1.9	XS0240732114
REPHUN 5 3/4 06/11/18	113.1	113.8	-0.60	113.8	76.0	2.17	194	3.6	XS0369470397
REPHUN 6 01/11/19	115.4	116.1	-0.41	115.9	77.9	2.31	197	4.0	XS0625388136
LITHUN 4.85 02/07/18	112.6	113.6	-0.33	113.1	85.9	1.14	96	3.3	XS0327304001
POLAND 3 5/8 02/01/16	105.2	105.4	-0.16	109.0	88.8	0.30	27	1.6	XS0242491230
POLAND 1 5/8 01/15/19	102.8	103.2	-0.13	103.0	98.0	0.95	61	4.4	XS0874841066
POLAND 3 3/4 01/19/23	114.5	115.2	-0.29	114.9	99.5	1.86	77	7.3	XS0794399674
POLAND 3 3/8 07/09/24	110.3	111.0	-0.14	110.6	99.3	2.18	83	8.3	XS0841073793
ROMANI 5 1/4 06/17/16	107.6	108.1	-0.21	109.2	95.5	1.20	116	1.9	XS0638742485
ROMANI 4 7/8 11/07/19	113.0	113.8	-0.14	113.4	99.0	2.20	174	4.7	XS0852474336
TURKEY 5 7/8 04/02/19	113.8	114.8	0.05	118.9	96.2	2.65	228	4.2	XS0285127329
TURKEY 5 1/8 05/18/20	111.0	112.0	-0.01	115.9	95.2	2.97	244	5.1	XS0503454166
USD									
BGARIA 8 1/4 01/15/15	104.0	104.3	-0.07	120.5	104.1	0.78	73	0.5	XS0145623624
BELRUS 8 3/4 08/03/15	103.1	104.1	-0.19	106.1	70.7	5.35	520	1.0	XS0529394701
BELRUS 8.95 01/26/18	107.6	108.6	0.28	111.2	70.0	6.38	521	3.0	XS0583616239
CROATI 6 3/8 03/24/21	110.4	111.0	-0.39	117.8	86.7	4.52	236	5.5	XS0607904264
CROATI 5 1/2 04/04/23	104.3	105.0	-0.30	108.6	94.4	4.84	237	6.9	XS0908769887
REPHUN 5 3/8 02/21/23	107.0	107.5	0.09	108.1	93.1	4.36	191	6.8	US445545AH91
REPHUN 7 5/8 03/29/41	127.0	127.8	0.06	127.5	79.5	5.63	229	12.8	US445545AF36
LITHUN 7 3/8 02/11/20	122.8	123.4	-0.50	130.7	98.8	2.90	103	4.6	XS0485991417
LITHUN 6 5/8 02/01/22	121.6	122.2	-0.63	128.6	101.0	3.34	103	6.0	XS0739988086
LATVIA 2 3/4 01/12/20	99.1	99.7	-0.10	101.1	91.4	2.87	102	5.0	XS0863522149
LATVIA 5 1/4 06/16/21	112.6	113.2	0.01	117.2	90.9	3.18	96	5.9	XS0638326263
POLAND 3 7/8 07/16/15	103.5	103.8	0.00	107.8	100.3	0.44	31	1.0	US731011AS13
POLAND 6 3/8 07/15/19	118.7	119.0	-0.19	125.9	101.4	2.39	68	4.3	US731011AR30
POLAND 3 03/17/23	96.5	97.0	-0.76	101.1	87.6	3.43	97	7.5	US731011AT95
ROMANI 6 3/4 02/07/22	119.6	120.1	-0.27	124.4	99.2	3.73	143	6.0	US77586TAA43
ROMANI 4 3/8 08/22/23	102.6	103.1	-0.33	105.5	90.8	3.99	147	7.4	US77586TAC09
RUSSIA 4 1/2 04/04/22	101.7	102.5	-0.51	114.7	94.1	4.18	185	6.5	XS0767472458
RUSSIA 7 1/2 03/31/30	115.6	115.7	-0.29	128.7	97.3	4.23	135	4.6	XS0114288789
RUSSIA 5 5/8 04/04/42	102.6	103.5	-2.19	124.9	89.0	5.41	203	14.0	XS0767473852
SERBIA 5 1/4 11/21/17	105.1	105.7	-0.42	107.1	96.8	3.56	246	3.1	XS0856951263
SERBIA 4 7/8 02/25/20	102.4	103.1	-0.93	103.9	89.6	4.33	245	4.8	XS0893103852
TURKEY 6 1/4 09/26/22	112.3	112.9	-0.18	127.0	101.0	4.41	201	6.5	US900123BZ27
TURKEY 6 7/8 03/17/36	116.0	116.9	-0.78	139.6	92.4	5.56	243	11.8	US900123AY60
TURKEY 6 3/4 05/30/40	115.3	116.2	-0.65	139.4	95.0	5.59	229	13.1	US900123BG46
UKRAIN 7 3/4 09/23/20	93.9	95.0	-0.99	108.0	80.8	8.92	689	4.7	XS0543783194
UKRAIN 7.8 11/28/22	91.6	92.4	-1.01	106.6	79.3	9.18	676	5.9	XS0858358236
UKRAIN 7 1/2 04/17/23	91.0	92.0	-0.42	101.7	78.8	8.90	643	6.1	XS0917605841

* w/w - week on week, 5y - 5 year, YTM mid - yield to maturity based on mid market price, Bmk - benchmark, Mdur - modified duration, ISIN - international security identification number; prices as of 20 June 2014, 08:45 a.m. CET
Source: Bloomberg, Raiffeisen RESEARCH

Risk notifications and explanations

Warnings

- Figures on performance refer to the past. Past performance is not a reliable indicator of the future results and development of a financial instrument, a financial index or a securities service. This is particularly true in cases when the financial instrument, financial index or securities service has been offered for less than 12 months. In particular, this very short comparison period is not a reliable indicator for future results.
- Performance is reduced by commissions, fees and other charges, which depend on the individual circumstances of the investor.
- The return on an investment can rise or fall due to exchange rate fluctuations.
- Forecasts of future performance are based purely on estimates and assumptions. Actual future performance may deviate from the forecast. Consequently, forecasts are not a reliable indicator for the future results and development of a financial instrument, a financial index or a securities service.

A description of the concepts and methods which are used in the preparation of financial analyses can be found at: www.raiffeisenresearch.at/conceptsandmethods

Detailed information on sensitivity analyses (procedure for checking the stability of the assumptions made in this document) can be found at: www.raiffeisenresearch.at/sensitivityanalysis

Raiffeisenbank International AG is responsible for the information and recommendations in this publication which are prepared by analysts from subsidiary banks who are listed in this publication.

Albania: Raiffeisen Bank Sh.A.
Joan Canaj
Valbona Gjeka

Belarus: Priorbank Open Joint-Stock Company
Oleg Leontev
Vasily Pirogovsky
Olga Laschevskaya
Mariya Keda

Bosnia & Herzegovina: Raiffeisen Bank dd Bosna i Hercegovina
Ivona Zamefica
Srebrenko Fatusic

Bulgaria: Raiffeisenbank (Bulgaria) Sole-owned Joint Stock Company
Hristiana Vidinova

Croatia: Raiffeisenbank Austria d.d.
Anton Starcevic
Zrinka Zivkovic Matijevic
Nada Harambasic-Nereau
Ana Franin
Elizabeta Sabolek-Resanović

Czech Republic: Raiffeisenbank a.s.
Michal Brozka
Vaclav France
Helena Horska
Lenka Kalivodova

Hungary: Raiffeisen Bank Zrt.
Zoltán Török
Ádám Keszeg
Levente Blahó

Kosovo: Raiffeisen Bank Kosovo J.S.C.
Fisnik Latifi

Poland: Raiffeisen Bank Polska S.A.
Marta Petka-Zagajewska
Dorota Strauch
Tomasz Regulski
Paweł Radwański
Piotr Jelonek
Michał Burek

Romania: RAIFFEISEN BANK S.A.
Ionut Dumitru
Nicolae Covrig
Gabriel Bobeica
Anca Jelea
Alexandru Combei
Iuliana Mocanu
Catalin Diaconu

Russia: ZAO Raiffeisenbank Austria
Anastasia Baykova
Denis Poryvay
Anton Pletenev
Maria Pomelnikova
Rita Tsovan
Irina Alizarovskaya
Konstantin Yuminov
Sergey Libin
Andrey Polischuk
Fedor Kornachev
Natalia Kolupaeva

Serbia: Raiffeisen banka a.d. Beograd
Ljiljana Grubic

Slovakia: Tatra banka, a.s.
Robert Prega
Juraj Valachy
Boris Fojtik

Slovenia: Raiffeisen Bank d.d.
Primoz Kovacic

Ukraine: Raiffeisen Bank Aval Public Joint Stock Company
Dmytro Sologub
Ludmila Zagoruyko
Olga Nikolaieva

Company Research: Raiffeisen Centrobank AG
Stefan Maxian (Head)

Daniel Damaska
Natalia Frey
Oleg Galbur
Mario Gallop
Jakub Krawczyk
Bartłomiej Kubicki
Bernd Maurer
Dominik Niszc
Markus Remis
Teresa Schinwald
Jovan Sikimic
Arno Supper
Iryna Trygub-Kainz

Disclaimer

Publisher: Raiffeisen Bank International AG

Supervisory authority: Austrian Financial Market Authority (FMA)

This document is for information purposes and may not be reproduced or distributed to other persons. This document constitutes neither a solicitation of an offer nor a prospectus in the sense of the Austrian Capital Market Act (KMG) or the Stock Exchange Act or any other comparable foreign law. An investment decision in respect of a security, financial product or investment must be made on the basis of an approved, published prospectus or the complete documentation for the security, financial product or investment in question, and not on the basis of this document.

This document does not constitute a personal recommendation to buy or sell financial instruments in the sense of the Securities Supervision Act. Neither this document nor any of its components shall form the basis for any kind of contract or commitment whatsoever. This document is not a substitute for the necessary advice on the purchase or sale of a security, investment or other financial product. In respect of the sale or purchase of securities, investments or financial products, your banking advisor can provide individualised advice which is suitable for investments and financial products.

This analysis is fundamentally based on generally available information and not on confidential information which the party preparing the analysis has obtained exclusively on the basis of his/her client relationship with a person.

Unless otherwise expressly stated in this publication, RBI deems all of the information to be reliable, but does not make any assurances regarding its accuracy and completeness.

In emerging markets, there may be higher settlement and custody risk as compared to markets with established infrastructure. The liquidity of stocks/financial instruments can be influenced by the number of market makers. Both of these circumstances can result in elevated risk in relation to the safety of investments made on the basis of the information contained in this document.

The information in this publication is current, up to the creation date of the document. It may be outdated by future developments, without the publication being changed.

Unless otherwise expressly stated (<http://www.raiffeisenresearch.at/spezialvergütung>), the analysts employed by Raiffeisen Bank International AG are not compensated for specific investment banking transactions. Compensation of the author or authors of this report is based (amongst other things) on the overall profitability of RBI, which includes, inter alia, earnings from investment banking and other transactions of RBI. In general, RBI forbids its analysts and persons reporting to the analysts from acquiring securities or other financial instruments of any enterprise which is covered by the analysts, unless such acquisition is authorised in advance by RBI's Compliance Department.

RBI has put in place the following organisational and administrative agreements, including information barriers, to impede or prevent conflicts of interest in relation to recommendations: RBI has designated fundamentally binding confidentiality zones. Confidentiality zones are typically units within credit institutions, which are delimited vis-à-vis other units by organisational measures covering the exchange of information, because compliance-relevant information is continuously or temporarily handled there. Compliance-relevant information may fundamentally not leave a confidentiality zone and is to be treated as strictly confidential in internal business operations, including interaction with other units. This does not apply to the transfer of information necessary for usual business operations. Such transfer of information is limited, however, to what is absolutely necessary (need-to-know principle). The exchange of compliance-relevant information between two confidentiality zones may only occur with the involvement of the Compliance Officer.

SPECIAL REGULATIONS FOR THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND (UK) AND JERSEY (CHANNEL ISLANDS): This publication has been approved or issued by Raiffeisen Bank International AG (RBI) in order to promote its investment business. RBI London Branch is authorised by the Austrian Financial Market Authority (FMA) and subject to limited regulation by the Financial Services Authority (FSA). Details on the extent of the London branch's regulation by the Financial Services Authority are available on request. This publication is not intended for investors who are retail customers within the meaning of the FSA regulations and should therefore not be distributed to them. Neither the information contained in this document nor the opinions expressed herein constitute or are to be construed as an offer or a solicitation to purchase (or sell) investments. RBI may have effected own-account transactions within the meaning of the FSA regulations in any investment mentioned herein or related investments and may thus have a position or holding in such investments as a result. RBI may act or have acted as the manager or co-manager of a public offering of any security mentioned in this report or any related security. The RBI Jersey marketing representative office is not regulated by the Jersey Financial Services Commission as it does not perform any financial services in Jersey as defined by the Financial Services (Jersey) Law 1998 (FSJL).

SPECIFIC RESTRICTIONS FOR THE UNITED STATES OF AMERICA AND CANADA: This document may not be transmitted to, or distributed within, the United States of America or Canada or their respective territories or possessions, nor may it be distributed to any U.S. person or any person resident in Canada, unless it is provided directly through RB International Markets (USA) LLC, a U.S. registered broker-dealer ('RBIM'), and subject to the terms set forth below.

SPECIFIC INFORMATION FOR THE UNITED STATES OF AMERICA AND CANADA: This research document is intended only for institutional investors and is not subject to all of the independence and disclosure standards that may be applicable to research documents prepared for retail investors. This report was provided to you by RB International Markets (USA) LLC, a U.S. registered broker-dealer ('RBIM'), but was prepared by our non-U.S. affiliate, Raiffeisen Bank International AG (RBI). Any order for the purchase or sale of securities covered by this report must be placed with RBIM. You can reach RBIM at 1133 Avenue of the Americas, 16th Floor, New York, NY 10036, 212-600-2588. This document was prepared outside the United States by one or more analysts who may not have been subject to rules regarding the preparation of reports and the independence of research analysts comparable to those in effect in the United States. The analyst or analysts who prepared this research (i) are not registered or qualified as research analysts with the Financial Industry Regulatory Authority (FINRA) in the United States, and (ii) are not allowed to be associated persons of RBIM and are therefore not subject to FINRA regulations, including regulations related to the conduct or independence of research analysts.

The opinions, estimates and projections contained in this report are those of RBI only as of the date of this report and are subject to change without notice. The information contained in this report has been compiled from sources believed to be reliable by RBI, but no representation or warranty, express or implied, is made by RBI or its affiliated companies or any other person as to the report's accuracy, completeness or correctness. Securities which are not registered in the United States may not be offered or sold, directly or indirectly, within the United States or to U.S. persons (within the meaning of Regulation S under the Securities Act of 1933 [the 'Securities Act']), except pursuant to an exemption under the Securities Act. This report does not constitute an offer with respect to the purchase or sale of any security within the meaning of Section 5 of the Securities Act and neither shall this report nor anything contained herein form the basis of, or be relied upon in connection with, any contract or commitment whatsoever. This report provides general information only. In Canada it may only be distributed to persons who are resident in Canada and who, by virtue of their exemption from the prospectus requirements of the applicable provincial or territorial securities laws, are entitled to conduct trades in the securities described herein.

If any term of this Disclaimer is found to be illegal, invalid or unenforceable under any applicable law, such term shall, insofar as it is severable from the remaining terms, be deemed omitted from this Disclaimer; it shall in no way affect the legality, validity or enforceability of the remaining terms.

Acknowledgements

Global Head of Research:

Peter Brezinschek (1517)

Top-Down CEE Banking Sector:

Gunter Deuber (5707), Elena Romanova (1378)

Research Sales:

Werner Weingraber (5975)

Economics, Fixed Income, FX:

Valentin Hofstätter (Head, 1685), Jörg Angelé (1687), Eva Bauer (5644), Gunter Deuber (5707), Wolfgang Ernst (1500), Stephan Imre (6757), Lydia Kranner (1609), Matthias Reith (6741); Andreas Schwabe (1389), Gintaras Shlizhyus (1343), Gottfried Steindl (1523), Martin Stelzeneder (1614)

Credit/Corporate Bonds:

Christoph Klaper (Head, 1652), Michael Ballauf (2904), Jörg Bayer (1909), Igor Kovacic (6732), Martin Kutny (2013), Peter Onofrej (2049), Manuel Schreiber (3533), Lubica Sikova (2139), Jürgen Walter (5932)

Stocks:

Helge Rechberger (Head, 1533), Aaron Alber (1513), Christian Hinterwallner (1633), Jörn Lange (5934), Hannes Loacker (1885), Johannes Mattner (1463), Christine Nowak (1625), Leopold Salcher (2176), Andreas Schiller (1358), Connie Schümann (2178), Christoph Vahs (5889)

Quant Research/Emerging Markets:

Veronika Lammer (Head, 3741), Björn Chyba (8161), Judith Galter (1320), Dagmar König (8017), Andreas Mannsparth (8133), Manuel Schuster (1529), Stefan Theußl (1593)

Technical Analysis:

Robert Schittler (1537), Stefan Memmer (1421)

Layout:

Birgit Bachhofner (3518), Kathrin Rauchlatner (1518)

Translation:

David Wietstruk (6781), William Burton, Ventsislav Mishev, Sarah Fleissner, Benjamin-Zsolt Zombori

Publisher: Raiffeisen RESEARCH GmbH, A-1030 Vienna, Am Stadtpark 9, Phone: +43 1 717 07-1521

Editorial Department: Raiffeisen RESEARCH / RBI A-1030 Vienna, Am Stadtpark 9, Phone: +43 1 717 07 - 1521

Raiffeisen Bank International AG

Investment Banking Units

Head of Institutional Sales:

Stefan Steurer Tel: +431 71707-1102

Corporate Sales Desk:

Tel: +431 713 08 01

New York: RB International Markets (USA) LLC

Stefan Gabriele Tel: +1 212 600 2588

Belgrade: Raiffeisenbank a.d. Serbia

Zoran Petrovic Tel: +381 11 2207006

Bratislava: Tatra banka, a.s.

Peter Augustin Tel: +421 2 59191440

Bucharest: Raiffeisen Capital & Investment S.A.

James Stewart Tel: +40 21 302 0082

Budapest: Raiffeisen Bank Zrt.

Lázló Volosinovský Tel: +36 1 484 4639

Kiev: Raiffeisen Bank Aval JSC

Christian Altenriederer Tel: +38044 499-1516
Vladimir Kravchenko Tel: +380 44 495-4220

Maribor: Raiffeisen Banka d.d.

Gvido Jemensek Tel: +386 2 229 3111

Minsk: Priorbank JSC

Andrey Filazafovich Tel: +375 17 289 9 213

Moscow: ZAO Raiffeisenbank

Nikita Patrakhin Tel: +7 495 721 2834

Tirana: Raiffeisen Bank Sh.a.

Elona Shuperka Tel: +355 4 2381 444

Prague: Raiffeisenbank a.s.

Jan Pudil Tel: +420 234 401 863

Sarajevo: Raiffeisen BANK d.d. Bosnia and Herzegovina

Sanja Korene Tel: +387 33 287 122

Sofia: Raiffeisenbank (Bulgaria) EAD

Evelina Miltenova Tel: +359 2 91985 451

Warsaw: Raiffeisen Bank Polska S.A.

Krzysztof Lubkiewicz Tel: +48 691 335 510

Zagreb: Raiffeisenbank Austria d.d.

Ivan Zizic Tel: +385 1 45 66 466

Raiffeisen CENTROBANK AG

Institutional Equity Sales, Vienna

Head: Wilhelm Celeda Tel: +43 1 515 20 402
Sales: Klaus della Torre Tel: +43 1 515 20 472

Merger & Aquisitions

Gerhard Grund Tel: +43 1 51520-302
Henning von Stechow Tel: +43 1 51520-760

Commercial banks

Raiffeisen Bank International AG, Vienna

Corporate Customers: Joseph Eberle Tel: +43 1 71707 1487
Financial Institutions: Axel Summer Tel: +43 1 71707 1476

RBI London Branch

Graham Page Tel: +44 20 7933 8108
Matthias Renner Tel: +44 20 7933 8001

Raiffeisen Malta Bank plc., Sliema

Anthony Schembri Tel: +356 21 320 942

RBI Beijing Branch

Terence Lee Tel: +86 10 8531-9007

RBI Singapore Branch

Klaus Krombass Tel: +65 6305 6024

International Desk

Vienna: Raiffeisen Bank International AG

Rudolf Lercher Tel: +43 1 71707 3537

Belgrade: Raiffeisen banka a.d.

Sofija Davidovic Tel: +381 11 220 7807

Bratislava: Tatra banka, a.s.

Henrieta Hudecova Tel: +421 2 5919 1849

Bucharest: Raiffeisen Bank S.A.

Reinhard Zeitlberger Tel: +40 21 306 1564

Budapest: Raiffeisen Bank Zrt.

László Volosinovský Tel: +36 1 484 4639

Kiev: Raiffeisen Bank Aval

Oksana Volchko Tel: +38 044 230 0348

Maribor: Raiffeisen Banka d.d.

Simona Vizintin Tel: +386 2 22 93 159

Minsk: Priorbank JSC

Anna Hmaruk Tel: +375 17 289 9321

Moscow: ZAO Raiffeisenbank Austria

Maria Maevskaya Tel: +7 495 775 5230

Prague: Raiffeisenbank a.s.

Roman Lagler Tel: +420 234 40 1728

Pristina: Raiffeisen Bank Kosovo J.S.C.

Anita Sopi Tel: +381 38 22 22 22 184

Sofia: Raiffeisenbank (Bulgaria) EAD

Yavor Russinov Tel: +3592 9198 5136

Sarajevo: Raiffeisen Bank d.d. Bosna i Hercegovina

Vildana Sijamhodzic Tel: +387 33 287 283

Tirana: Raiffeisen Bank Sh.a.

Jorida Zaimi Tel: +355 4 2381 445 2865

Warsaw: Raiffeisen Bank Polska S.A.

Zuzanna Szatkowska Tel: +48 22 585 2431

Zagreb: Raiffeisenbank Austria d.d.

Wolfgang Wöhry Tel: +385 1 4566 462