Erste Group Research
CEE Insights | Fixed Income | Central and Eastern Europe
27 March 2017

CEE Insights

Fixed Income and Foreign Exchange

Looking ahead this week…

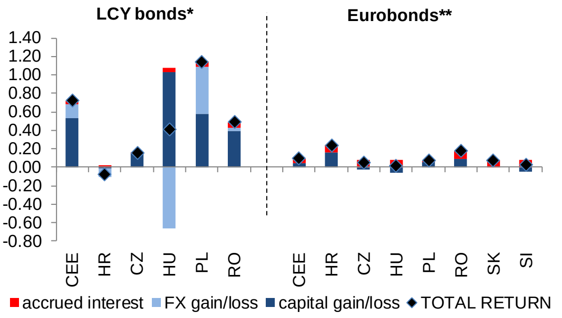
Monday	Tuesday	Wednesday	Thursday	Friday
RS: Wages	**HU**: No rate change **SK**: PPI, Current Account	**HU**: Unemployment	**CZ**: No rate change **HR**: Retail Sales	**SI, PL**: Inflation **RS**: Industry, Retail Sales, Trade Balance

Click for: this week's detailed releases/events, market forecasts, macro forecasts

The upcoming week offers more than the previous one. We will have the Hungarian central bank deciding on rates, and while the policy rate will surely remain 0.9%, the more interesting question is the cap on the 3M deposit facility and new GDP and inflation forecasts. As for the deposit facility, we think the new target for end-2Q17 will be lowered to HUF 500bn from the HUF 750bn earmarked for end-March. The Czech central bank will also have a rate setting meeting on Thursday, and while we do not expect an exit from the FX commitment just yet, markets could be nervously watching the rate decision. Romania could issue EUR 200mn to the local market on Monday, reopening an issue maturing in 2021 (the auction last year saw a yield-to-maturity of around 1%), and Serbia will see the first round of presidential elections on Sunday, April 2. Although current PM Aleksandar Vucic is a sure winner, it can easily happen that a second round of voting will be needed, two weeks later.

In case you missed it last week…

- S&P affirmed sovereign credit rating of Croatia at 'BB' with a stable outlook
- Czech president said it is no secret that FX commitment would be abandoned in 1H17, possibly earlier
- Slovak government would like debt-financed investments excluded from debt legislation limits
- Poland now covered more than 50% of financing needs with PLN 5bn of papers sold last week
- Gross wages grew 10% y/y in February in Hungary, current account surplus reached 4.9% of GDP in 2016
- For other events last week, please check respective countries: HR, CZ, HU, PL, RO, TR, SI, SK, SR



On Radar

When trying to ascertain the outlook for private investments, it is hard not to bump into EU funds, which is very much a help to private capital formation as well, and not just to public investments (which are also strongly reliant on EU funds). Therefore, we have good news, given that EU funds are to pick up this year, after last year's notable slowdown. EU funds are positive in that they provide 'automatic funding' on the capital account, reducing external financing needs and thus the riskiness of such growth. The longer-run effects of EU funds are more mixed, however, given that investments funded in such a way may be sub-optimal in terms profitability and long-term sustainability vs. other forms (we did not forget the notable exception of domestic public funding, of course). Countries may report 2-8% increases in private investments in upcoming years (with Serbia and Croatia having the highest figures), which could be a moderate uptick from last year. The GDP share of private investments may only slightly increase this year, but economies in the region are expected to be boosted by private consumption as well. The picture also underpins why we expect a relatively minor deterioration in current account balances, with the average current account balance still mildly in positive territory in CEE in 2017, with only a slight worsening vs. 2016. (For further details, see the next page.)

Not just public, but also private investments rely heavily on EU funds

Investment dynamics could pick up moderately this year

'How much pickup can we expect in private investments in 2017 & 2018?'

Croatia: In Croatia, we see total investment dynamics in the 5-7% y/y region in the mid run, which will lead to the strongest contribution to the overall growth figure in 10 years (the last 5% y/y increase was recorded in 2007). Although an acceleration of EU funds will be supportive for some public investment projects, we see the biggest push coming from the private sector. As key supportive factors, we see improving economic conditions, rising sentiment, a lower profit tax burden, some red tape cuts, a stronger slowdown of the deleveraging process and a gradual recovery of corporate loans. There are already some big ticket privately-financed tourist projects in the pipeline whose realization is expected in the coming period.

Czech Republic: In recent years, private investment in the Czech Republic has become more and more linked to the ability of the country to tap EU funds. Therefore, negative y/y figures in 2016 were to a large extent due to a high basis in 2015, when we saw a last-minute effort to exhaust the remaining balance in EU funds for the 2007-13 programming period. Investment is likely to rebound in 2017 and 2018 to around 2% and almost 3%, respectively. The main driver of this rebound will again be improved tapping of EU funds - those for the new programming period (2014-20). Pressures in the same direction will come from strengthening foreign demand. This positive pattern will be limited to a certain extent, mitigated by household investment, where saturation from previous years and stricter regulation will cause household demand for homes to weaken.

Hungary: Investments, including private investments, have been largely dependent on the absorption of EU funds. Should the utilization of structural funds pick up in 2017 and 2018, both public and private sector investments could rebound. However, there is a risk that the process may be slower than expected, which could result in enervated investment activity. Since there are no publicly known steps from the EconMin to foster competitiveness and reduce the administrative burden for companies, we see no underlying reason for private investments to significantly strengthen without the boosting effect of the EU funds.

Poland: The private sector remains cautious in planning new investments this year. According to the latest NBP survey, only one in three companies is about to begin new investments - that is the lowest share since the crisis. The relatively high level of uncertainty related to the recent political development is seen as the main reason for companies holding off investment activity. As opposed to last year, when low EU funds were behind the drop of investment, this year, higher absorption of EU funds should be positive for private investment activity. All in all, we see investment growing 4.3% in 2017.

Romania: The share of private sector investments in GDP could remain almost constant at 21.5-22% in 2017-18, in line with a gradual increase in corporate lending and better absorption of EU funds. Private investments in the residential sector are likely to remain elevated in 2017, as mortgage lending in LCY is growing fast at present, spurred by a state-subsidized program and still low interest rates. On a less positive note, public investments in infrastructure could be weak in 2017, due to limited local funding available for new projects, which in turn is likely to restrain the growth of private investments in equipment.

Serbia: Serbia was one of the top performers in the Doing Business scale and was pronounced one of the top 5 investment destinations by Ernst & Young in 2016, due to legislative changes in recent years aimed at improvement of the business climate (investment law, bankruptcy law, etc.). In addition, investor-friendly bilateral agreements between the Serbian government and foreign investors started to attract FDI and, according to NBS reports, in 2016 most of the FDI was directed at the manufacturing sector. More favorable regulations, a recovery of lending activity and stronger economic footprint are also supportive for domestic private investments. All that said, we see investment activity expanding around a robust 8% y/y in the years ahead.

Slovakia: Investment was a drag on growth last year, as the anticipated correction after 2015's rapid EU funds utilization materialized. Public investments marked a substantial y/y decrease, which could not be compensated for by private sector investment. This year and the next, we expect investment growth to pick up somewhat, aided by the good economic environment and sentiment, still accommodative monetary policy and better EU fund absorption from the new programming period. In the private sector, investments in industry such as building of the new Jaguar Land Rover plant in western Slovakia should contribute considerably. Nevertheless, the ratio of private investment to GDP has fallen since 2006 and, despite the anticipated pickup, is unlikely to be substantially above 20% of GDP in the near future.

Slovenia: Slovenia's investment profile has been and (in our view) will remain mostly shaped by EU fund related projects, realized through public or public-private partnership deals. However, we expect private manufacturers, mostly exporters, to keep their active role and continue to contribute to the overall investment activity, especially as the economic outlook in most of the trading partners has become more favorable. Thus, we see investments at around +5% y/y in 2017 and 2018, vs. a negative result in 2016 (caused by a glitch in EU funds between two EU budget cycles).

Looking ahead

Date	Time	Ctry	Release	Period	Survey	Erste	Prior	Pre Comment
27. Mar	12:00	**RS**	**Wages (y/y)**	Feb			0.2%	
28. Mar	9:00	**SK**	**PPI (y/y)**	Feb		*0.6%*	0.4%	*Producer prices could increase marginally faster than in January, due to reappearing inflationary pressures and base effects at play*
	14:00	**HU**	**Target Rate**	Mar 28	***0.9%***	*0.9%*	0.9%	*We expect 3M depo cap to be slashed by HUF 250bn to HUF 500bn by end of 2Q17; wording of statement should remain dovish*
	14:30	**SK**	**Current Account Balance (monthly)**	Jan			-426.37	
29. Mar	9:00	**HU**	**Unemployment Rate**	Feb		*4.2%*	4.3%	*Tightening of labor market may continue, seasonal effects may be muted*
30. Mar	11:00	**HR**	**Retail Sales (y/y)**	Feb P		*2.5%*	2.6%	*Stabilizing labor market conditions and improving consumer sentiment supporting consumption pattern*
	13:00	**CZ**	**Target Rate**	Mar 30	***0.05%***	*0.05%*	0.05%	*We expect no movement in CNB interest rates; however, CNB will exit from FX cap in 2Q (likely in April), in our view*
31. Mar		**HR**	**Current Account Balance (quarterly)**	4Q			3344.7	
		RS	**Current Account Balance (monthly)**	Jan			-256.3	
	8:00	**RO**	**Unemployment Rate**	Feb			4.8%	
	9:00	**CZ**	**GDP (q/q)**	4Q F	***0.25%***	*0.2%*	0.4%	*GDP growth is probably negatively affected by significant volume of imports absorbed by solid domestic demand*
	9:00	**CZ**	**GDP (y/y)**	4Q F	***1.77%***	*1.7%*	1.9%	*Despite relatively low GDP growth in 4Q16, cyclical position remains solid, in our view*
	9:00	**HU**	**PPI (y/y)**	Feb			2.2%	
	10:30	**SI**	**CPI (y/y)**	Mar		*1.8%*	2.2%	*March inflation is seen staying positive, though at somewhat lower levels vs. February release*
	10:30	**SI**	**CPI (m/m)**	Mar			1%	
	10:30	**SI**	**Retail Sales (y/y)**	Feb			15.4%	
	11:00	**HR**	**Industrial Production (y/y)**	Feb		*5.5%*	4%	*Industrial production seen maintaining strong footprint in February*
	11:00	**HR**	**Wages (y/y)**	Jan			1.7%	
	12:00	**RS**	**Industrial Production (y/y)**	Feb		*8%*	2.8%	*Industrial production performance mostly shaped by seasonal factors*
	12:00	**RS**	**Retail Sales (y/y)**	Feb		*5%*	4.1%	*Retail keeping its solid pace*
	12:00	**RS**	**Trade Balance**	Feb			-299.7	
	14:00	**PL**	**CPI (y/y)**	Mar P	***2.3%***	*2.4%*	2.2%	*Inflation rate is likely to rise further, as base effects are still in place, pushing number up*
	14:00	**PL**	**CPI (m/m)**	Mar P		*0.2%*	0.3%	

Sources: Bloomberg, Reuters

Major markets

Rainer Singer
rainer.singer@erstegroup.com

- The first flash estimate for Eurozone inflation in March will be released March 31. In February, Eurozone inflation reached the highest level to date with +2.0% y/y. The main driver was energy prices, where base effects had a positive impact. In addition, food prices showed strongly positive dynamics. By way of contrast, core inflation consolidated at +0.9% y/y in January as well as in February. Due to the decreasing base effect relating to the oil price, we expect the inflation dynamics of the energy component to wane in March. As a result, we expect a slightly lower headline inflation at around +1.7% to 1.8% y/y in March. In the coming months, we forecast a further marginal decline of inflation rates, based on the lighter inflation pressure from energy prices.
- The British government is expected to formally apply to exit the EU on March 29 by triggering Article 50 of the Lisbon treaty. Official negotiations can then start. The treaty allows the negotiations to last a maximum of two years. Representatives from the EU have already hinted that it might take several weeks until the remaining 27 EU member states have agreed on a common negotiating line.
- Based on our assessment, negotiations will focus on future trade relations between the UK and EU. Prime Minister May already stated in autumn that she is prepared to give up access to the single market in order to clamp down on the free movement of people and in order to be able to leave the jurisdiction of the European Court. It seems as if the UK is aiming for a comprehensive free trade agreement with the EU for the period after March 29, 2019. Experts, however, believe that two years will not be sufficient to reach such an agreement. It might thus be necessary to agree on transitional rules or times. A free trade agreement also means that the UK (depending on which sectors or industries would be covered) will have to stick to or keep EU law and minimum standards in place.

Croatia

Alen Kovac
akovac2@erstebank.com

Ivana Rogic
irogic@erstebank.com

- In the rather uneventful week behind us, only the February unemployment rate attracted interest - the headline figure landed a few notches above our expectation, but nevertheless showed a 0.1pp lower figure on the monthly level by landing at 15.3%, while also continuing to trend down by 2.5pp on an annual basis. With the summer months approaching, we see the favorable seasonal pattern kicking in and bringing a further decline in the unemployment rate trajectory.
- Markets showed limited moves throughout the week. After being under temporary upside pressures following the latest Eurobond issuance, the exchange rate moved back towards the lower part of the 7.40-7.45 band. Yields maintained a broadly stable pattern across the board, with the longer end of the LCY curve remaining unchanged w/w around the 2.90% mark (HRK 2028 tenor).
- Following the outlook upgrade to 'stable', S&P expectedly remained on hold in March, in our view, waiting for further evidence on sustainability of positive trends on economic and fiscal front. We continue to expect rating upgrade coming later in 2017, hence seeing more positive outlook concerning GDP and fiscal indicators as encouraging and aligning with our baseline scenario. Correspondingly we see room for additional spread compression down the road.

Czech Republic

David Navrátil
dnavratil@csas.cz

- Czech President Milos Zeman also played a part in the FX interventions. After speaking with the CNB governor, he said that 'it is no secret that leaving of the FX commitment is expected in the first half of 2017 and it is possible even earlier.' Although Zeman acknowledged that 'such a decision should be left to the CNB board', forward rates rose. The intervention amount, however, is not different from the average from the beginning 2017. We still do not expect the CNB to leave the commitment earlier than in April.

Hungary

Orsolya Nyeste
orsolya.nyeste@erstebank.hu

Gergely Ürmössy
Gergely.Urmossy@erstebank.hu

- Nominal wages rose by 10% y/y in January, both in gross and net terms. The rise was thanks to the tight labor market and the substantial minimum wage increase. Real wages grew 7.5% y/y in January.
- The current account surplus amounted to EUR 688mn in 4Q16 and to EUR 5.5bn (4.9% of GDP) in 2016. The massive surplus was thanks to the trade surplus, while the primary and secondary income lines remained negative.

Poland

Katarzyna Rzentarzewska
katarzyna.rzentarzewska@erstegroup.com

- The unemployment rate dropped to 8.5% in February, in contrast with the usual seasonal pattern. Despite continuous tightening on the labor market, wage pressures remain relatively low.
- This translates into limited demand pressure and low core inflation. We thus share the view of the majority of the MPC members who support stability of rates this year. According to the MPC minutes, this is the most likely scenario this year; however, there are a few MPC members who would consider discussing a rate hike if the inflation pressure increases.
- The Ministry of Finance has more than 50% of this year's borrowing needs financed after Thursday's auction, at which PLN 5bn of Treasury papers was sold.

Romania

Eugen Sinca
eugen.sinca @bcr.ro

- Non-government loans in RON (outstanding) increased by 13.9% y/y in February against the backdrop of a strong rise in the retail component (+24% y/y). Corporate lending in RON gained speed to 4.4% y/y in February, the strongest growth rate in the last seven months. FX loans were persistently weak (-11.5%), as almost all banks have shifted retail lending to the LCY component and the deleveraging process continued. We foresee this year's economic growth at 4.3%. Household consumption will be a key economic driver, helped by a loose fiscal policy and sustained growth of retail lending.
- The Romanian government might receive a windfall revenue of EUR 401mn (0.2% of GDP) this year from a multinational energy company present on the local market. This payment is related to the privatization process of a local power distributor from 2007 and comes after a decision of the International Court of Arbitration in Paris. While this

might relieve part of the pressure on this year's budget deficit, we maintain our view that reaching a 3% budget deficit would be extremely challenging

Serbia

Alen Kovac
akovac2@erstebank.com

Milan Deskar-Skrbic
mdskrbic@erstebank.com

- With no macro releases last week, the focus was on politics, ahead of presidential elections on Sunday, April 2. The political situation got slightly more interesting, as the latest polls show that SNS presidential candidate Vucic has below 50% support, meaning that there could be a second round of elections. Although Vucic is a favorite and almost certainly a major winner in a second round, these polls are not 'welcome' among the ruling party or Vucic himself.
- On the bond market, we could see the benchmark RSD 2022 bond yield steadily moving around 5.55%, unchanged from the week before.
- On the FX market, the EUR/RSD moved around the 123.95 mark, with no NBS interventions on the FX market.

Slovakia

Katarina Muchova
muchova.katarina@slsp.sk

- The Slovak debt management agency conducted two auctions of government bonds (with a competitive and non-competitive round in each). Slovakia sold EUR 103.1mn worth of government bonds due in November 2023 at an average yield of 0.54%. Another auction saw EUR 214.7mn of bonds maturing in January 2027 sold at an average yield of 1.18%. The bid-cover ratio was high, reaching 3.75 and 2.8 in the two competitive rounds, respectively.
- Unemployment, as measured by the labor bureaus, fell by 0.25pp (6800 persons) to 8.39% in February, as employment growth kept lending a helping hand. The number of job vacancies increased further; we thus expect the favorable development of a falling unemployment rate to continue in the coming months.
- Finance Minister Kažimír did not manage to get the opposition parties' support for the coalition's proposal of an investment exemption from the debt brake legislation. The government would like to have debt-financed investments excluded from the current debt-legislation limits, but lacks the necessary number of votes needed for a constitutional law change in the matter. The opposition opines that money to finance strategic investments can be found elsewhere, for example by cost-cutting and more effective use of public finances

Slovenia

Alen Kovac
akovac2@erstebank.com

Ivana Rogic
irogic@erstebank.com

- January industrial production kept its positive tone, though the growth somewhat decelerated to 3.3% y/y in January (vs. double-digit expansion in December 2016), while the detailed structure revealed that support came from practically every sector of production. We see positive trends remaining in place in the following months, keeping in mind the steady external support and reviving domestic demand outlook.
- There was another calm week for the bond market behind us, with yields showing no changes, as the EUR 2026 stayed put around the 1% mark.

Capital market forecasts

Government bond yields	current	2017Q2	2017Q3	2017Q4	2018Q1
Croatia 10Y	2.77	2.70	2.80	2.80	2.90
spread (bps)	232	227	227	213	208
Czech Rep. 10Y	0.89	0.80	0.84	0.83	0.88
spread (bps)	44	37	31	16	6
Hungary 10Y	3.61	3.60	3.67	3.67	3.67
spread (bps)	317	317	314	300	285
Poland 10Y	3.72	3.65	3.82	3.98	4.11
spread (bps)	328	322	329	331	329
Romania10Y	4.05	4.25	4.35	4.50	4.75
spread (bps)	360	382	382	383	393
Slovakia 10Y	1.19	1.20	1.23	1.25	1.40
spread (bps)	75	77	70	58	58
Slovenia 10Y	1.47	1.10	1.20	1.30	1.30
spread (bps)	102	67	67	63	48
Serbia 7Y	5.55	5.80	6.00	6.25	6.25
DE10Y (BBG)*	***0.45***	***0.43***	***0.53***	***0.67***	***0.82***

3M Money Market Rate	current	2017Q2	2017Q3	2017Q4	2018Q1
Croatia	0.61	0.45	0.45	0.45	0.50
3M forwards		-	-	-	-
Czech Republic	0.28	0.27	0.27	0.26	0.26
3M forwards		0.33	0.37	0.43	0.58
Hungary	0.23	0.05	0.05	0.05	0.05
3M forwards		0.36	0.47	0.61	0.76
Poland	1.73	1.75	1.79	1.83	1.99
3M forwards		1.79	1.84	1.89	1.97
Romania	0.84	1.30	1.50	1.90	2.10
3M forwards		1.02	1.41	1.77	2.39
Serbia	3.53	3.60	3.80	4.00	4.00
3M forwards		-	-	-	-
Eurozone	-0.33	-0.25	-0.25	-0.25	-0.25

FX	current	2017Q2	2017Q3	2017Q4	2018Q1
EURHRK	7.41	7.42	7.50	7.55	7.55
forwards		7.41	7.42	7.44	7.46
EURCZK	27.02	26.50	26.40	26.30	26.20
forwards		26.92	26.89	26.87	26.81
EURHUF	308.7	315.0	315.0	315.0	315.0
forwards		309.3	309.9	310.6	311.1
EURPLN	4.28	4.34	4.29	4.27	4.28
forwards		4.31	4.33	4.35	4.38
EURRON	4.56	4.57	4.60	4.62	4.65
forwards		4.58	4.59	4.62	4.64
EURRSD	124.0	124.0	124.5	124.5	124.5
forwards		-	-	-	-
EURUSD	1.08	1.08	1.10	1.12	1.12

Key Interest Rate	current	2017Q2	2017Q3	2017Q4	2018Q1
Croatia	0.50	0.30	0.30	0.30	0.30
Czech Republic	0.05	0.05	0.05	0.05	0.05
Hungary	0.90	0.90	0.90	0.90	0.90
Poland	1.50	1.50	1.50	1.50	1.75
Romania	1.75	1.75	1.75	1.75	1.75
Serbia	4.00	4.00	4.25	4.50	4.50
Eurozone	0.00	0.00	0.00	0.00	0.00

Macro forecasts

Real GDP growth (%)	2015	2016f	2017f	2018f
Croatia	1.6	2.9	3.2	2.9
Czech Republic	4.6	2.3	2.7	2.9
Hungary	3.1	2.0	3.4	2.8
Poland	3.6	2.8	3.3	3.4
Romania	3.9	4.8	4.3	2.8
Serbia	0.8	2.8	3.1	3.4
Slovakia	3.8	3.3	3.1	3.7
Slovenia	2.3	2.5	3.1	3.0
CEE8 average	**3.5**	**3.0**	**3.3**	**3.1**

Average inflation (%)	2015	2016f	2017f	2018f
Croatia	-0.5	-1.1	1.5	1.9
Czech Republic	0.3	0.7	2.7	1.9
Hungary	-0.1	0.4	2.5	3.4
Poland	-0.9	-0.6	1.8	1.9
Romania	-0.6	-1.5	1.4	2.7
Serbia	1.4	1.1	2.4	3.1
Slovakia	-0.3	-0.5	1.0	2.0
Slovenia	-0.5	-0.1	1.6	2.0
CEE8 average	**-0.4**	**-0.4**	**1.9**	**2.2**

Unemployment (%)	2015	2016f	2017f	2018f
Croatia	16.3	12.8	10.6	9.4
Czech Republic	5.1	4.1	3.6	3.6
Hungary	6.8	5.1	4.3	4.1
Poland	10.6	8.9	7.9	7.7
Romania	6.8	6.0	5.9	5.8
Serbia	17.7	16.0	15.3	14.1
Slovakia	11.5	9.7	8.7	7.8
Slovenia	9.0	7.9	7.4	6.9
CEE8 average	**9.3**	**7.7**	**6.9**	**6.6**

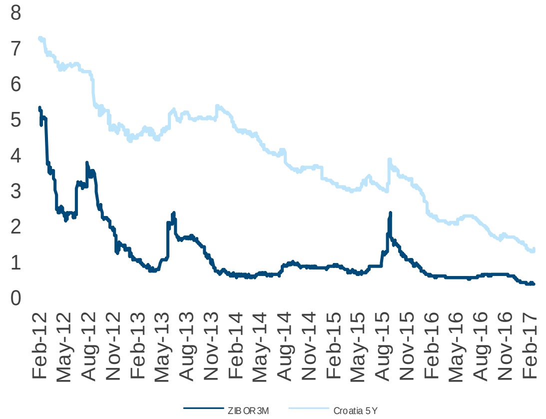
Public debt (% of GDP)	2015	2016f	2017f	2018f
Croatia	86.7	84.0	81.6	79.2
Czech Republic	40.3	37.2	35.7	35.9
Hungary	74.7	74.3	74.0	72.5
Poland	51.5	52.6	53.1	52.9
Romania	37.9	37.1	39.2	40.8
Serbia	74.7	70.7	69.4	68.9
Slovakia	52.7	52.3	52.1	51.2
Slovenia	83.4	79.2	77.9	75.9
CEE8 average	**53.7**	**52.9**	**52.8**	**52.6**

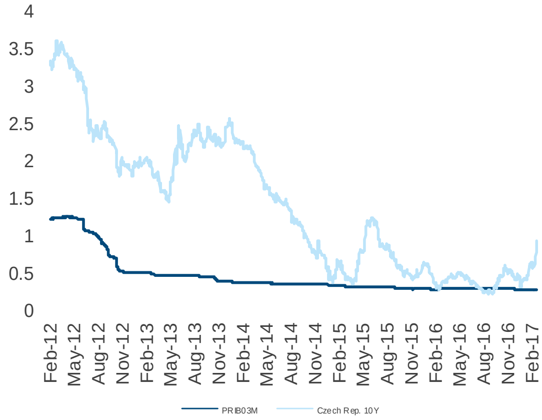
C/A (%GDP)	2015	2016f	2017f	2018f
Croatia	5.1	2.9	2.4	1.5
Czech Republic	0.9	2.1	1.2	1.4
Hungary	3.4	4.4	4.2	3.9
Poland	-0.2	-0.3	-0.6	-0.9
Romania	-1.2	-2.4	-3.3	-3.8
Serbia	-4.8	-4.2	-4.6	-4.8
Slovakia	-1.3	1.0	1.9	3.2
Slovenia	5.2	6.8	6.4	5.8
CEE8 average	**0.4**	**0.6**	**0.2**	**0.1**

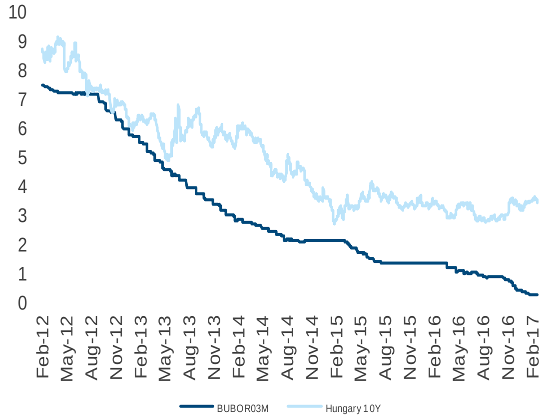
Budget Balance (%GDP	2015	2016f	2017f	2018f
Croatia	-3.2	-1.4	-1.6	-1.6
Czech Republic	-0.4	0.5	-0.6	-0.6
Hungary	-2.0	-2.2	-2.7	-2.5
Poland	-2.5	-2.5	-3.0	-2.9
Romania	-0.8	-2.8	-3.5	-3.6
Serbia	-3.8	-1.4	-1.2	-1.0
Slovakia	-2.7	-2.2	-1.5	-1.2
Slovenia	-2.9	-2.0	-1.7	-1.5
CEE8 average	**-2.0**	**-1.9**	**-2.4**	**-2.3**

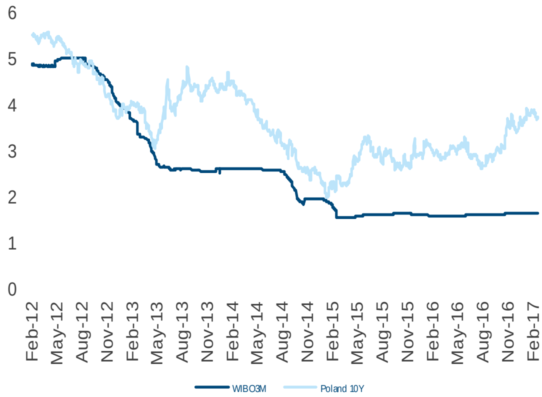
Note:*Information on past performance is not a reliable indicator for future performance. Forecasts are not a reliable indicator for future performance.

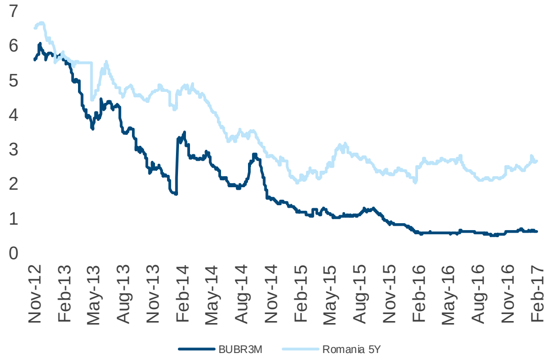
Appendix

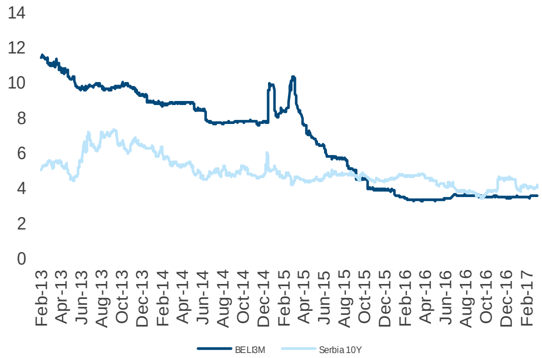


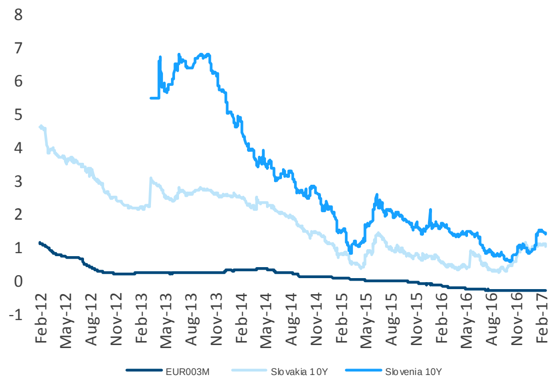












Note:*Information on past performance is not a reliable indicator for future performance. Forecasts are not a reliable indicator for future performance.

Contacts

Group Research

Head of Group Research	
Friedrich Mostböck, CEFA	+43 (0)5 0100 11902
Major Markets & Credit Research	
Head: Gudrun Egger, CEFA	+43 (0)5 0100 11909
Ralf Burchert, CEFA (Agency Analyst)	+43 (0)5 0100 16314
Hans Engel (Senior Analyst Global Equities)	+43 (0)5 0100 19835
Christian Enger, CFA (Covered Bonds)	+43 (0)5 0100 84052
Margarita Grushanina (Economist AT, Quant Analyst)	+43 (0)5 0100 11957
Peter Kaufmann, CFA (Corporate Bonds)	+43 (0)5 0100 11183
Stephan Lingnau (Global Equities)	+43 (0)5 0100 16574
Carmen Riefler-Kowarsch (Covered Bonds)	+43 (0)5 0100 19632
Rainer Singer (Senior Economist Euro, US)	+43 (0)5 0100 17331
Bernadett Povazsai-Römhild (Corporate Bonds)	+43 (0)5 0100 17203
Elena Statelov, CIIA (Corporate Bonds)	+43 (0)5 0100 19641
Gerald Walek, CFA (Economist Euro, CHF)	+43 (0)5 0100 16360
Macro/Fixed Income Research CEE	
Head CEE: Juraj Kotian (Macro/FI)	+43 (0)5 0100 17357
Zoltan Arokszallasi, CFA (Fixed income)	+43 (0)5 0100 18781
Katarzyna Rzentarzewska (Fixed income)	+43 (0)5 0100 17356
CEE Equity Research	
Head: Henning Eßkuchen	+43 (0)5 0100 19634
Daniel Lion, CIIA (Technology, Ind. Goods&Services)	+43 (0)5 0100 17420
Christoph Schultes, MBA, CIIA (Real Estate)	+43 (0)5 0100 11523
Vera Sutedja, CFA, MBA (Telecom)	+43 (0)5 0100 11905
Thomas Unger, CFA (Banks, Insurance)	+43 (0)5 0100 17344
Vladimira Urbankova, MBA (Pharma)	+43 (0)5 0100 17343
Martina Valenta, MBA (Real Estate)	+43 (0)5 0100 11913
Editor Research CEE	
Brett Aarons	+420 956 711 014
Research Croatia/Serbia	
Head: Mladen Dodig (Equity)	+381 11 22 09178
Head: Alen Kovac (Fixed income)	+385 72 37 1383
Anto Augustinovic (Equity)	+385 72 37 2833
Milan Deskar-Skrbic (Fixed income)	+385 72 37 1349
Magdalena Dolenec (Equity)	+385 72 37 1407
Ivana Rogic (Fixed income)	+385 72 37 2419
Davor Spoljar, CFA (Equity)	+385 72 37 2825
Research Czech Republic	
Head: David Navratil (Fixed income)	+420 956 765 439
Head: Petr Bartek (Equity)	+420 956 765 227
Vit Machacek (Fixed income)	+420 956 765 456
Jiri Polansky (Fixed income)	+420 956 765 192
Roman Sedmera (Fixed income)	+420 956 765 391
Michal Skorepa (Fixed income)	+420 956 765 172
Pavel Smolik (Equity)	+420 956 765 434
Jan Sumbera (Equity)	+420 956 765 218
Research Hungary	
Head: József Miró (Equity)	+361 235 5131
Gergely Ürmössy (Fixed income)	+361 373 2830
András Nagy (Equity)	+361 235 5132
Orsolya Nyeste (Fixed income)	+361 268 4428
Tamás Pletser, CFA (Oil&Gas)	+361 235 5135
Research Poland	
Head: Magdalena Komaracka, CFA (Equity)	+48 22 330 6256
Marek Czachor (Equity)	+48 22 330 6254
Tomasz Duda (Equity)	+48 22 330 6253
Mateusz Krupa (Equity)	+48 22 330 6251
Karol Brodziński (Equity)	+48 22 330 6252
Research Romania	
Head: Mihai Caruntu (Equity)	+40 3735 10427
Head: Dumitru Dulgheru (Fixed income)	+40 3735 10433
Chief Analyst: Eugen Sinca (Fixed income)	+40 3735 10435
Dorina Ilasco (Fixed Income)	+40 3735 10436
Research Slovakia	
Head: Maria Valachyova, (Fixed income)	+421 2 4862 4185
Katarina Muchova (Fixed income)	+421 2 4862 4762

Treasury - Erste Bank Vienna

Group Markets Retail Sales	
Head: Christian Reiss	+43 (0)5 0100 84012
Markets Retail a. Sparkassen Sales AT	
Head: Markus Kaller	+43 (0)5 0100 84239
Equity a. Fund Retail Sales	
Head: Kurt Gerhold	+43 (0)5 0100 84232
Fixed Income a. Certificate Sales	
Head: Uwe Kolar	+43 (0)5 0100 83214
Markets Corporate Sales AT	
Head: Christian Skopek	+43 (0)5 0100 84146

Fixed Income Institutional Sales

Group Markets Financial Institutions	
Head: Manfred Neuwirth	+43 (0)5 0100 84250
Bank and Institutional Sales	
Head: Jürgen Niemeier	+49 (0)30 8105800 5503
Institutional Sales Western Europe AT, GER, FRA, BENELUX	
Head: Thomas Almen	+43 (0)5 0100 84323
Charles-Henry de Fontenilles	+43 (0)5 0100 84115
Marc Pichler	+43 (0)5 0100 84118
Rene Klasen	+49 (0)30 8105800 5521
Dirk Seefeld	+49 (0)30 8105800 5523
Bernd Bollhof	+49 (0)30 8105800 5525
Bank and Savingsbanks Sales	
Head: Marc Friebertshäuser	+49 (0)711 810400 5540
Sven Kienzle	+49 (0)711 810400 5541
Michael Schmotz	+43 (0)5 0100 85542
Ulrich Inhofner	+43 (0)5 0100 85544
Klaus Vosseler	+49 (0)711 810400 5560
Andreas Goll	+49 (0)711 810400 5561
Mathias Gindele	+49 (0)711 810400 5562
Institutional Sales CEE and International	
Head: Jaromir Malak	+43 (0)5 0100 84254
Central Bank and International Sales	
Head: Margit Hraschek	+43 (0)5 0100 84117
Christian Kössler	+43 (0)5 0100 84116
Bernd Thaler	+43 (0)5 0100 84119
Institutional Sales PL and CIS	
Pawel Kielek	+48 22 538 6223
Michal Jarmakowicz (Fixed Income)	+43 50100 85611
Institutional Sales Slovakia	
Head: Peter Kniz	+421 2 4862 5624
Sarlota Sipulova	+421 2 4862 5619
Monika Smelikova	+421 2 4862 5629
Institutional Sales Czech Republic	
Head: Ondrej Cech	+420 2 2499 5577
Milan Bartos	+420 2 2499 5562
Barbara Suvadova	+420 2 2499 5590
Institutional Asset Management Sales Czech Republic	
Head: Petr Holecek	+420 956 765 453
Martin Perina	+420 956 765 106
Petr Valenta	+420 956 765 140
David Petracek	+420 956 765 809
Institutional Sales Croatia	
Head: Antun Buric	+385 (0)7237 2439
Željko Pavičić	+385 (0)7237 1494
Ivan Jelavic	+385 (0)7237 1638
Institutional Sales Hungary	
Attila Hollo	+36 1 237 8209
Borbala Csizmadia	+36 1 237 8205
Institutional Sales Romania	
Head: Ciprian Mitu	+43 (0)50100 85612
Stefan Mortun Racovita	+40 373 516 531
Business Support	
Tamara Fodera	+43 (0)50100 12614
Bettina Mahoric	+43 (0)50100 86441

Disclaimer

This publication was prepared by Erste Group Bank AG or any of its consolidated subsidiaries (together with consolidated subsidiaries "Erste Group") independently and objectively as other information pursuant to the Circular of the Austrian Financial Market Authority regarding information including marketing communication pursuant to the Austrian Securities Supervision Act. This publication serves interested investors as additional source of information and provides general information, information about product features or macroeconomic information without emphasizing product selling marketing statements. This publication does not constitute marketing communication pursuant to Art. 36 (2) Austrian Securities Supervision Act as no direct buying incentives were included in this publication, which is of information character. This publication does not constitute investment research pursuant to § 36 (1) Austrian Securities Supervision Act. It has not been prepared in accordance with legal requirements designed to promote the independence of investment research and it is not subject to the prohibition on dealing ahead of the dissemination of investment research. The information only serves as non-binding and additional information and is based on the level of knowledge of the person in charge of drawing up the information on the respective date of its preparation. The content of the publication can be changed at any time without notice. This publication does not constitute or form part of, and should not be construed as, an offer, recommendation or invitation to subscribe for or purchase any securities, and neither this publication nor anything contained herein shall form the basis of or be relied on in connection with or act as an inducement to enter into any contract or inclusion of a security or financial product in a trading strategy. Information provided in this publication are based on publicly available sources which Erste Group considers as reliable, however, without verifying any such information by independent third persons. While all reasonable care has been taken to ensure that the facts stated herein are accurate and that the forecasts, opinions and expectations contained herein are fair and reasonable, Erste Group (including its representatives and employees) neither expressly nor tacitly makes any guarantee as to or assumes any liability for the up-to-dateness, completeness and correctness of the content of this publication. Erste Group may provide hyperlinks to websites of entities mentioned in this document, however the inclusion of a link does not imply that Erste Group endorses, recommends or approves any material on the linked page or accessible from it. Neither a company of Erste Group nor any of its respective managing directors, supervisory board members, executive board members, directors, officers of other employees shall be in any way liable for any costs, losses or damages (including subsequent damages, indirect damages and loss of profit) howsoever arising from the use of or reliance on this publication. Any opinion, estimate or projection expressed in this publication reflects the current judgment of the author(s) on the date of publication of this document and do not necessarily reflect the opinions of Erste Group. They are subject to change without prior notice. Erste Group has no obligation to update, modify or amend this publication or to otherwise notify a reader thereof in the event that any matter stated herein, or any opinion, projection, forecast or estimate set forth herein, changes or subsequently becomes inaccurate. The past performance of securities or financial instruments is not indicative for future results. No assurance can be given that any financial instrument or issuer described herein would yield favorable investment results or that particular price levels may be reached. Forecasts in this publication are based on assumptions which are supported by objective data. However, the used forecasts are not indicative for future performance of securities or financial instrument. Erste Group, its affiliates, principals or employees may have a long or short position or may transact in the financial instrument(s) referred to herein or may trade in such financial instruments with other customers on a principal basis. Erste Group may act as a market maker in the financial instruments or companies discussed herein and may also perform or seek to perform investment services for those companies. Erste Group may act upon or use the information or conclusion contained in this publication before it is distributed to other persons. This publication is subject to the copyright of Erste Group and may not be copied, distributed or partially or in total provided or transmitted to unauthorized recipients. By accepting this publication, a recipient hereof agrees to be bound by the foregoing limitations.

Published by:

Erste Group Bank AG
Group Research
1100 Vienna, Austria, Am Belvedere 1
Head Office: Wien
Commercial Register No: FN 33209m
Commercial Court of Vienna

Erste Group Homepage: www.erstegroup.com