GSS NEWSLETTER

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EDITORIAL

Alexander Nazarov
Head of GSS Russia

Dear Clients, Partners and Friends,

This is the first year that the Russian securities market is living with a central securities depository, as the National Settlement Depository (NSD) was appointed as such on November 6, 2012. Since that time we have completed the transfer of all tradable assets from the registrars and the Depository Clearing Company (DCC). For your tremendous help and cooperation in doing this I would like to thank you once again.

With the gradual adaptation to the new settlement process and formats, also catalysed by the beginning of direct activities in the market by Euroclear and Clearstream, we can see growing volumes of our international clients in all market segments, in particular in the government bonds market, as the share of foreign market players increased from 5% to almost 20% by the middle of the year.

Starting from the end of 2012, eligible foreign institutions can open new types of accounts for safekeeping of assets held on behalf of their clients, and we are glad to see an increasing interest in this option. Still, a lot of questions related to the process are left open, such as the details of the underlying clients' disclosure procedures or the custodian's new function as tax agent for dividends and income payments, which are expected to enter into force starting from 1 January 2014. UniCredit is taking an active part in the discussion of these questions with market regulators to achieve full clarity of the process for its clients.

Also this year the Moscow Exchange commenced implementation of the new trading mode T+2 with partial pre-funding in line with the world's leading market standards. Starting from September 2, 2013 all stocks and government bonds (OFZ) will only become available for trading in the main market segment on T+2 basis.

In 2013 we have also evidenced a further integration process in the custody business, as the acquisition of ING's custody business by Citi has brought new challenges to market players, to which we have responded by further increasing the efficiency of our work and improving our tailor-made service process.

Still a lot of things have to be done to make the Russian market more attractive to foreign investors, especially in the areas of corporate actions, full STP processing, income taxation and trading process streamlining. The GSS team at UniCredit Russia is fully aware of it and thus makes its every effort to be your service provider of choice. With this in mind I consider my recent appointment to the Supervisory Board of NSD as a good chance to promote our clients' and partners' interests.

Please let me thank you all for looking at us as your trustworthy partner in the Russian market and let me assure you that I am looking forward to our new common projects.

Yours sincerely,

Alexander Nazarov
Head of GSS Russia

Russian Securities Forum 2013

UniCredit GSS once again showed its commitment to the Russian market by supporting the 10th Russian Securities Forum held in Moscow in June.

This annual ICBI conference represents the most important industry event for players in the Russian post-trade environment, giving market leaders the opportunity to debate business principles with their counterparts from the West. An impressive speaker line-up from leading custodians, asset management houses, exchanges, CSDs, brokers, regulators and technological innovators discussed topical issues such as regulatory developments, risk monitoring and CSD evolution.

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JOHN'S CORNER

At NeMa, several speakers raised the topical question of outsourcing. This ranged from advocacy of a traditional post-trade (and in some cases earlier) land grab by custodians through to thoughtful debate about component-based outsourcing.

One of the challenges we currently face is that of language. Outsourcing is seen as a mega project, usually entailing the migration of substantial activities to a third party. In effect, this is a model of the last decade. Today, markets contemplate component-based, regional based, country-based or modular outsourcing propositions ranging from single function through to full service.

When outsourcing, it is critical to differentiate between the value-added and non-value added services undertaken within any firm. The distinction does not imply any commoditisation of non- value added services. They are simply the services needed to deliver one's core value added rather than being product differentiators in their own right. Thus, a fund manager may outsource their entire post-trade environment to a third party global custodian, whilst recognising that quality delivery in this area is still an imperative and thus a value. The core competencies of a fund manager are, though, managing fund range, fund structure, fund performance and distribution - not operations processing.

Similarly, global custodians outsource local custody to their agents. This is driven by necessity as few have the wide coverage of multiple domestic markets which would allow them to interact with all the indigenous infrastructures. That does not detract from the fact that the action is an outsourcing. This is best encapsulated in the view that the local agent is the local back office of the global custodian. As such, they are not just a service supplier but a partner. And the difference between the two is meaningful. A service provider seeks to deliver excellence within a given pre-defined range of services. A partner does likewise, but also aims to add value through an understanding of client need in all aspects of their local market. This is the advocacy role, the problem solving dimension, the mapping of local change to each relevant client need and, above all, going that extra mile whenever there is an issue.

Looking across the value chain, the potential outsourcing components are multiple. Scale will drive many to look for multiple-provider outsourcing to avoid concentration risk. Back-up providers have become more common. Some interpret the stringent, if still vague, contingency and business recovery requirements of regulators to require them to either split their business or appoint shadow suppliers.

John Gubert on the post-trade challenge

The reality is that the more parties there are to a single client proposition, the more difficult the process, the greater the potential points of failure and the riskier the process. Effectively component based outsourcing sounds logical but the allocation of components and their interaction needs to be carefully considered.

Institutions can easily segment their outsource proposition, both by component and by fund structure. It appears logical to avoid a split within a fund as distinct from across funds. A split has obviously financial implications as scale creates discounts. But the driver for multiple outsourcing has to be risk rather than cost.

At the component level, the easiest conceptual split is between custody, fund administration and transfer agency. Splitting off transfer agency is the easiest decision. Its links into the other two are modest, although critically it has to feed them the cash product of creation and liquidations as well as garnering from them the NAV at which to execute transactions. In practise, transfer agents have an umbilical cord to the fund administrator. But from a fund perspective, transfer agency is different as it touches directly its client base. Its efficiency will always be measured by the investor experience and it is not surprising that the fund company client management function and transfer agents have often turbulent relationships.

The more difficult decision lies in truncating, or not, the fund administration and global custodian functions. The major rationale for commingling these lies in the fact that they both use a similar, but not uniform, core database. The fund administrator will operate a trade-date based portfolio whilst the custodian operates a settlement-date driven one. The delta between the two is evidenced by the pending trades in the custodian records, although these are usually identified later than in the administrator records; and may even be initially captured through a message from that entity. The fund administrator also treats cash and accruals differently. Their valuation methodologies may differ with the administrator using clean prices to create a daily NAV and the custodian using unadjusted ones primarily for fee billing purposes. But the reality is that there is substantial overlap and thus inefficiency in separating the two functions.

And the inefficiencies, and added costs, of bifurcated outsourcing, do not stop there. There is cost in two providers operating separate securities databases, dual data feeds, dual incidences of SWIFT standard messaging, duplicative contingency, overlapping functions, especially in the labour-intensive asset servicing area, and, above all, duplicative client support.

And we should not overlook the fact that the investment banking community are also looking for options to outsource. Too much of their cost base and capital is tied into the non-trading arena. Do broker dealers need to operate monolithic structures to support their core competencies of trading, origination, corporate and market analysis, distribution and client service? Outsourcing is easier for an agency rather than a principal dealer. Regional structures are more logical than global ones, especially if the package includes regulatory reporting. Cost is a driver as much as risk. But risk is the key. Broker outsourcing has a substantial reputational risk component for the outsource providers. The broker dealer business model is higher risk than the financial institutional one. And the regulatory world of the broker dealer is far more complex, embracing those three core stages of a transaction life cycle, namely pre-trade, trade as well as post-trade.

As all in our sector cover ever more complex a range of instruments and spread of geographies, with an IT infrastructure that will remain turbulent, outsourcing will provide solutions, whether component- or full-service based. The reality is that few will be able, or willing, to offer an end-to-end total service, or at least be able to offer one to the quality that clients rightfully demand. It looks, despite its high cost and identifiable risks, as if component outsourcing based by function or geography is here to stay!

Best regards,

John

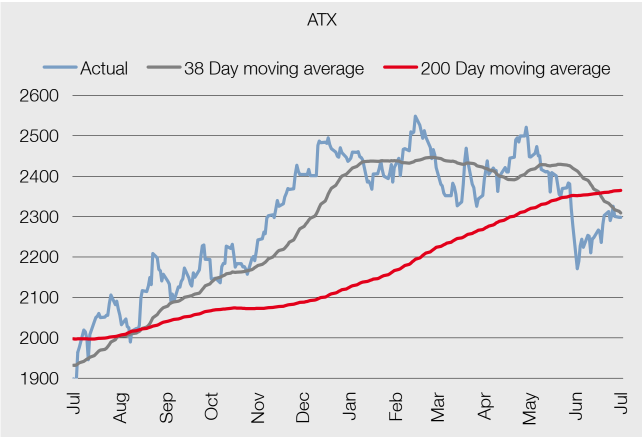
John Gubert
Chairman
Global Securities Services
Executive Committee

John Gubert also appears on blog.globalcustodian.com

AUSTRIA

Market Capitalisation	EUR 100.1bn
YTD Dev. of Market Capitalisation	-4.1%
Number of SE Transactions p.m.	n.a.
YTD Dev. of SE Transactions	n.a.
SE Turnover (Vienna SE)	EUR 1.6bn
Monthly Index Performance (ATX/VSE)	-8.0%
GDP per Capita (2013 in EUR)	37,343
GDP Real 2013 (Change against prev. year in %)	0.4
3-Month Money Market Rate (current in %)	0.17
Inflation in 2013 (HVPI yearly average in %)	1.9
Upcoming Holidays	15 August

Source: UniCredit, National Statistics



Source: Thomson Datastream

FMA welcomes financial market laws

The Austrian Financial Market Authority (FMA) welcomes the parliamentary decisions taken on July 5 on fundamental financial market legislation such as the Banking Intervention and Restructuring Act (BIRG), the Alternative Investment Fund Managers Act (AIFMG), as well as the legal transposition of decisive measures pertaining to the new European supervisory regime, known as Basel III.

The Austrian Banking Intervention and Restructuring Act (BIRG) is considered an important first step towards the new European regulation on the recovery and resolution of banks. This has been indispensable and complements the new uniform system of European banking supervision through the Single Supervisory Mechanism (SSM) established at the European Central Bank (ECB). In addition, the measures also decided upon regarding the implementation of Basel III form a further foundation to strengthen banks' capitalisation and liquidity, and provide supervisors with additional tools to make credit institutions more resilient to crises and shocks. The AIFMG, finally, closes a regulatory and supervisory gap which brings the Austrian financial market a crucial step closer to the G 20 heads of government principle that no market, no provider and no product should escape supervision any longer.

Impact on investors

Measures to improve the investment and banking environment to be implemented.

FMA's Klaus Kumpfmüller elected to ESMA Management Board

Klaus Kumpfmüller, Executive Director at the Austrian Financial Market Authority (FMA), has been elected member of the Management Board of the European Securities and Markets Authority (ESMA). He will therefore serve on the Board for two and a half years.

The Management Board is responsible for ensuring that ESMA fulfills the tasks assigned to it. Kumpfmüller's responsibilities will include budgeting, staffing and work programme. The Board consists of the ESMA Chairperson Steven Maijoor and six further members who are elected by the Board of Supervisors (BoS). These are, alongside Kumpfmüller, Julie Galbo (Denmark), Kostas Botopoulos (Greece), Gérard Rameix (France), Jean Guill (Luxembourg) und Martin Wheatley (UK).

Impact on investors

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BELARUS

Market Capitalisation	BYR 13tr
YTD Dev. of Market Capitalisation	n.a.
Number of SE Transactions p.m. (BCSE)	841
YTD Dev. of SE Transactions	70.2%
SE Turnover (BCSE)	BYR 1,602.9bn
Monthly Index Performance (BCSE)	1.5%
GDP per Capita (2013 in EUR)	396
GDP Real 2013 (Change against prev. year in %)	1.10
3-Month Money Market Rate (current in %)	n.a.
Inflation in 2013 (yearly average in %)	0.3
BYR/EUR	0.00009
Upcoming Holidays	none

Source: UniCredit, National Statistics

NBRB to regulate main part of Belarusian financial market

In July 2013 at a meeting held in Minsk (Belarus) the Board of the National Bank of the Republic of Belarus (NBRB) and representatives of foreign diplomatic missions discussed the present monetary management policy of the Republic of Belarus.

It was announced that the National Bank will regulate the main part of the financial market. NBRB plans to develop a regulation and supervision of the financial market and to prepare the legal base, which will include new financial instruments such as microfinance organisations, the forex market or leasing operations.

Impact on investors

The new powers will strengthen the position of NBRB as a mega-regulator and will contribute to the effective development of the Belarusian financial market.

New investments law passed by House of Representatives

The House of Representatives of the Republic of Belarus passed in the second reading the draft law on investments, which had been modified in terms of terminology, determinations etc.

In accordance with the draft law investments only include property and other objects of civil law, which are used by investors for purposes not related to personal, family, household or other similar use.

The law will regulate investments in Belarus, excepting investments in non-profit organisations, the founders of which have no ownership or other property rights. The regulations refer to the purchase of securities (except shares), issuance of loans and their repayment, placement of funds in deposits, etc.

The law defines state regulation including the competence of the President of Belarus, the Council of Ministers and other government agencies regarding investment activities.

Impact on investors

The law on investments is a new step towards improving the legislation of the financial market in Belarus.

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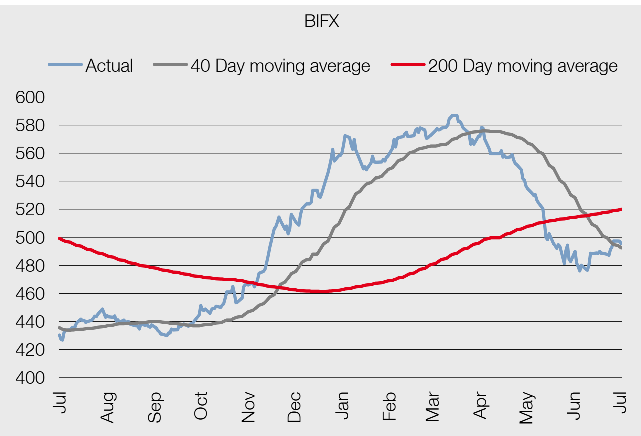
BOSNIA AND HERZEGOVINA

Market Capitalisation (Sarajevo SE)	BAM 4.6bn
YTD Dev. of Market Capitalisation	3.0%
Number of SE Transactions p.m.	716
YTD Dev. of SE Transactions	-21.7%
SE Turnover (SASE)	BAM 10.1mn
Monthly Index Performance (SASX-10/SASE)	-1.5%
Market Capitalisation (Banja Luka SE)	BAM 4.1bn
YTD Dev. of Market Capitalisation	7.6%
Number of SE Transactions p.m.	1,993
YTD Dev. of SE Transactions	-10.3%
SE Turnover (BLSE)	BAM 9.7mn
Monthly Index Performance (BIRS/BLSE)	-3.2%
GDP per Capita (2013 in EUR)	3,884
GDP Real 2013 (Change against prev. year in %)	3.3
3-Month Money Market Rate (current in %)	n.a.
Inflation in 2013 (yearly average in %)	2.6
EUR/BAM	1.96
Upcoming Holidays	8,9 August

Source: UniCredit, National Statistics



Source: Bloomberg

Sarajevo Stock Exchange reviews indices

The Sarajevo Stock Exchange has made a regular revision of the main indices SASX-10 and SASX 30, as well of the list of the issuers included in the Primary Free Market of Sarajevo Stock Exchange.

The new list of companies included in the SASX-10 and SASX-30 as well as the Primary Free Market can be found on the official web page of the Sarajevo Stock Exchange.

Impact on investors

For information purposes only.

Draft amendments to Law on Investment Funds

On June 27, 2013 the National Assembly of the Republic of Srpska adopted the Draft Law on Amendments to the Law on Investment Funds and the Conclusion to put the Draft Law for public discussion. The public discussion will be held within the 90 days from the day of the adoption. The Ministry of Finance of the Republic of Srpska invites all interested entities to send their proposals and suggestions on the announced Draft. The exact time for public discussion will be announced at a later stage.

The Draft to the Law on Amendments to the Law on Investment Funds can be found on the official web page of the Securities Commission of the Republic of Srpska and Banja Luka Stock Exchange. Currently, the only version available is in local language.

Impact on investors

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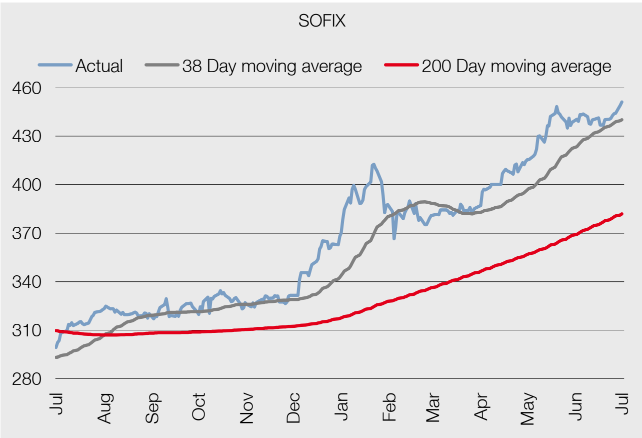
BULGARIA

Market Capitalisation	BGN 10.5bn
YTD Dev. of Market Capitalisation	1.4%
Number of SE Transactions p.m.	14,768
YTD Dev. of SE Transactions	-39.5%
SE Turnover (Bulgarian Stock Exchange)	BGN 175.0mn
Monthly Index Performance (SOFIX)	3.2%
GDP per Capita (2013 in EUR)	6,022
GDP Real 2013 (Change against prev. year in %)	3.8
3-Month Money Market Rate (current in %)	0.97
Inflation in 2013 (yearly average in %)	3.2
EUR/BGN	1.96
Upcoming Holidays	none

Source: UniCredit, National Statistics



Source: Thomson Datastream

Amendments to Central Depository Rules and Regulations

The Financial Supervision Commission has approved amendments to the Central Depository AD (CDAD) Rules and Regulations.

Among the most important amendments are:

- Split of CDAD functions into Register of financial instruments (RFI) and System for Clearing and Settlement (SCS). Financial instruments accounts shall be opened in both the RFI and the SCS with the link between the RFI and the SCS effected via operators in the RFI.

- Communication between CDAD and its members shall be based on ISO 15022 standard.

- Types of CDAD membership: clearing, direct and non-clearing members.

  Clearing members shall be entitled to operate in the SCS for their own account, on behalf of and for the account of their clients, non-clearing members and non-clearing members' clients. Clearing members shall also be entitled to act as operators in the RFI and registration agents. Only banks licensed for investment activities and registered in the EU can become clearing members.

  Direct members shall be entitled to operate in the SCS for their own account, as well as on behalf of and for the account of their clients. Direct members shall also be entitled to act as operators in the RFI and registration agents.

  Non-clearing members shall only operate in the SCS and the RFI through a clearing member.

- A Settlement Guarantee Fund shall be established to guarantee the settlement conclusion of on-exchange deals only when settlement has been delayed by four business days. The funding sources shall include initial and monthly contribution by each CDAD member, sanctions for delayed settlement as well as other sources. The Bulgarian Stock Exchange's Guarantee Fund assets may also serve as a funding source.

- Upon receipt of information on general meetings, CDAD shall distribute such information to CDAD members.

- Market claims and buyer protection shall be facilitated/regulated by CDAD.

- Matching criteria shall include: settlement date, number of financial instruments, deal price, settlement amount, stock exchange deal number, issue, counterparty.

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- Settlement finality shall be defined as the moment of matching of settlement instructions.
- Settlement instructions shall be cancelled by CDAD if not settled within 10 business days after settlement date.
- CDAD shall establish and maintain a centralised lending pool to facilitate short sales and securities lending.
- CDAD's Board of Directors shall accept operating rules for its systems and registers, which will be binding for all CDAD members.

The Board of Directors of CDAD will additionally decide on the plan and the implementation schedule of the amendments.

Impact on investors
The approved amendments in CDAD Rules and Regulations bring significant changes to the post-trading market infrastructure in Bulgaria.

Fitch affirmed Bulgaria's credit ratings
The international credit rating agency Fitch Ratings has affirmed Bulgaria's long-term foreign and local currency Issuer Default Ratings at 'BBB-' and 'BBB', respectively, with Stable Outlook on both ratings. In its Rating Action Commentary Fitch notes that the "Stable Outlook reflects Fitch's assessment that upside and downside risks to the rating are currently well balanced". "Bulgaria will continue to pursue prudent fiscal and monetary policies consistent with the currency board agreement", Fitch further assumes.

Impact on investors
Bulgaria has maintained prudent fiscal and monetary policies.

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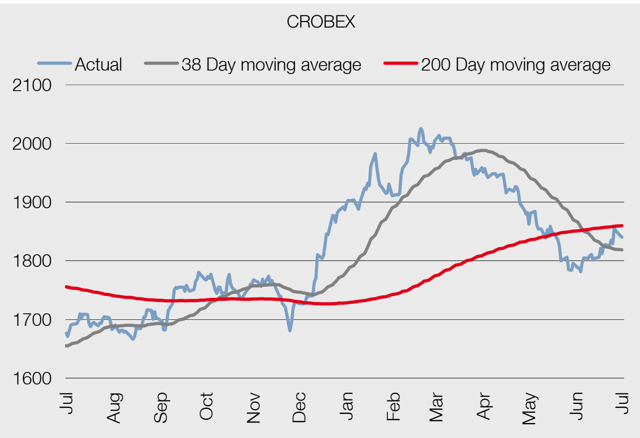
CROATIA

Market Capitalisation	HRK 194.6bn
YTD Dev. of Market Capitalisation	1.6%
Number of SE Transactions p.m.	21,220
YTD Dev. of SE Transactions	29.5%
SE Turnover (Zagreb SE)	HRK 394.1mn
Monthly Index Performance (Crobex/ZSE)	-2.7%
GDP per Capita (2013 in EUR)	11,954
GDP Real 2013 (Change against prev. year in %)	2.5
3-Month Money Market Rate (current in %)	1.55
Inflation in 2013 (yearly average in %)	2.8
EUR/HRK	7.50
Upcoming Holidays	5 August

Source: UniCredit, National Statistics



Source: Thomson Datastream

CDCC increased share capital

Croatian Central Depository & Clearing Company Inc. (CDCC) has increased its share capital to HRK 57 million. This capital increase has been recorded in the Commercial Court in Zagreb on June 26, 2013 and has been completed in the Central depository on July 4, 2013, after the approval of the CDCC's General Assembly held on May 23, 2013.

Pursuant to the General Assembly's decision, share capital has been increased from the amount of HRK 22.5 million by HRK 34.5 million to HRK 57 million, and is divided into 60,000 ordinary shares, without nominal value.

The increase of share capital has been executed by the conversion of retained profits and other reserves into share capital.

Impact on investors

For information purposes only.

EBRD adopts new strategy for Croatia

The European Bank for Reconstruction and Development (EBRD) has adopted a new strategy for Croatia ahead of the country's accession to the European Union on July 1, 2013, setting out priorities for the 2013 – 2016 period, including restoration of sustainable growth.

In order to make best use of the benefits EU membership can bring, the EBRD will concentrate on selected areas where EU Structural Funds and EBRD financing can be combined, including the municipal sector. The bank will work with the authorities to accelerate the reform of publicly owned companies in the infrastructure sector to strengthen the absorption capacity for EU funds.

To date the EBRD has signed some 150 projects in Croatia for a total amount of EUR 2.75 billion. The bank's investments are split between the industry, commerce and agribusiness sectors, the energy sector, the financial sector and the infrastructure sector. This year alone the EBRD plans to invest some EUR 230 million in Croatia focusing on corporates, municipalities and support for cross-border initiatives.

Impact on investors

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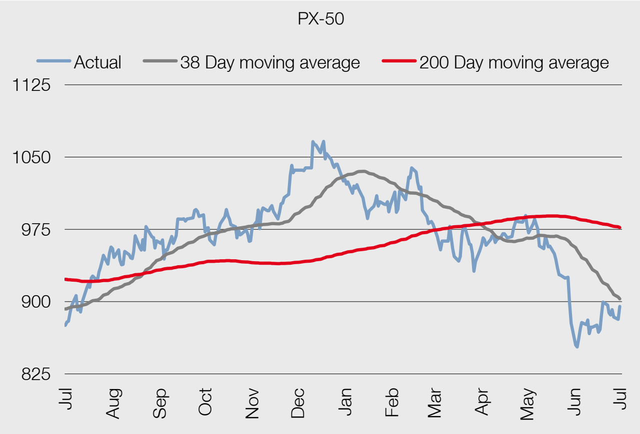
CZECH REPUBLIC

Market Capitalisation	CZK 0.9trn
YTD Dev. of Market Capitalisation	-9.5%
Number of SE Transactions p.m.	n.a.
YTD Dev. of SE Transactions	n.a.
SE Turnover (Prague SE)	CZK 52.5bn
Monthly Index Performance (PX)	-8.3%
GDP per Capita (2013 in EUR)	16,406
GDP Real 2013 (Change against prev. year in %)	3.5
3-Month Money Market Rate (current in %)	0.13
Inflation in 2013 (yearly average in %)	2.5
EUR/CZK	25.92
Upcoming Holidays	none

Source: UniCredit, National Statistics



Source: Thomson Datastream

Czech National Bank keeps interest rates unchanged
The Czech National Bank (CNB) Bank Board decided at its meeting on June 27 to keep interest rates unchanged. The two-week repo rate was maintained at 0.05%, the discount rate at 0.05% and the Lombard rate at 0.25%.

Impact on investors
CNB as the responsible authority for the monetary policy kept the interest rates unchanged to maintain the stability of the Czech economy.

Prague Stock Exchange celebrates 20 years of existence in the new era
The Prague Stock Exchange (PSE) completed 20 years of its modern history. The stock trades concluded on PSE have increased to a total of CZK 7.631 trillion during the past two decades. Although the first trading day in the modern history of PSE was on April 6, 1993, the real trading started after the listing of 622 issues from the first wave of voucher privatisation on June 22, 1993. Stocks worth a total of CZK 7.631 trillion have been traded during 4,824 trading days. The value of the main PX index has grown from 335.2 points to the current 877.53 points, i.e. by 161.79% during the past 20 years.

The value of the trades settled by the Central Securities Depository, which is PSE's subsidiary, exceeded CZK 52 trillion.

The Power Exchange Central Europe, also a subsidiary of PSE and the organiser of the Czech electricity market since 2007 (including Slovakia from 2008 and Hungary from 2009), has also reached an interesting volume of trades during its existence.

The securities market was established in Prague on April 17, 1871. Trading continued until July 27, 1914 without interruption, when it was suspended as a consequence of World War I just like in other European countries. Activities of the Prague Exchange were launched again after the termination of war. The inter-war period was very successful for the Prague Exchange – at that time the Exchange enjoyed strong support from the state, which used the Exchange extensively in the collection of finances for building the new independent state. After World War II trading was not resumed. Through a decree of the Czechoslovak Ministry of Finance the Exchange was closed and all its property was confiscated.

Impact on investors
For information purposes only.

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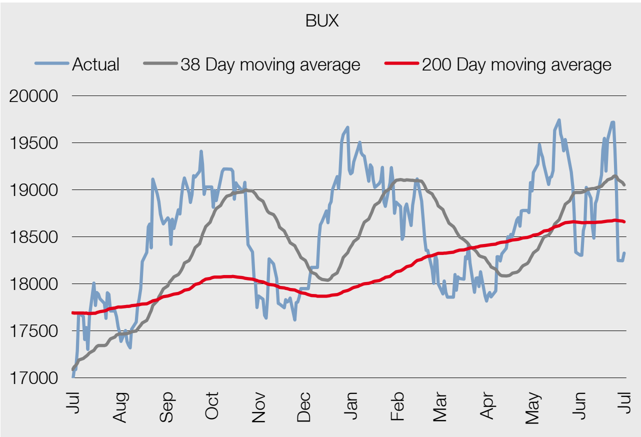
HUNGARY

Market Capitalisation	HUF 17,936bn
YTD Dev. of Market Capitalisation	6.8%
Number of SE Transactions p.m.	139,704
YTD Dev. of SE Transactions	32.5%
SE Turnover (Budapest SE)	HUF 477,545mn
Monthly Index Performance (BUX)	-1.2%
GDP per Capita (2013 in EUR)	12,381
GDP Real 2013 (Change against prev. year in %)	4.8
3-Month Money Market Rate (current in %)	3.67
Inflation in 2013 (yearly average in %)	3.3
EUR/HUF	296.50
Upcoming Holidays	none

Source: UniCredit, National Statistics



Source: Thomson Datastream

ECB provides feedback on the new supervisory structure

The Hungarian Parliament passed a bill on the merger of the Hungarian Financial Supervisory Authority (HFSA) into the National Bank of Hungary (NBH). The date set for the full merger is October 1, 2013, which means that HFSA ceases to exist as of this day as a separate entity and NBH will continue with all of the supervisory, consumer protection and market surveillance roles as the new regulator of the market.

The bill on the new supervision structure was sent to the European Central Bank (ECB) for consultation. According to the feedback received ECB agrees with the integration of the HFSA with the central bank, however, ECB also formulated criticism regarding the planned move.

The main concerns of the ECB are threefold. First of all, the integration of the HFSA into the NBH would transfer obligations stemming from HFSA's previous decisions to the central bank. This gives reasons for concern from the aspect of the central bank's financial independence, therefore it is recommended that the Hungarian state takes over these payment obligations, not the NBH.

Also, after the integration the NBH – similarly to the HFSA – would finance its supervisory activity from market players' contributions, the supervisory fee. In the view of ECB, if the central bank wants to maintain its independence, it would need to fix the size of the contribution and report it as a separate item in its books. Finally ECB suggests that the central bank's autonomy is also put in jeopardy by the fact that the NBH will take over all employees of the HFSA as of October 1.

The above concerns will need to be taken care of in the near future, however, the Hungarian Government as well as the management of the NBH is confident that with this move the new joint organisation will have the power and independence necessary to control the financial sector, a key priority in systemic risk management. A central bank with greater power will be able to place these organisations under tighter, targeted supervisory control and systemic risks will be more easily managed and monetary policy could become more efficient. Furthermore, the integration is seen as beneficial in terms of creating a balance between policies aiming at the individual stability and safety of each financial organisation versus managing and mitigating systemic risks in the financial system.

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The merger could be supportive of monetary policy as well, especially as regards secondary objectives, such as economic stimulus. Having integrated the supervisory authority, the NBH will have more direct information at its fingertips about financial markets and monetary transmission, which could possibly support monetary policymaking.

Impact on investors

Once the integration of HFSA into the NBH takes place, investors are expected to find a more streamlined and stronger regulatory control in Hungary, especially in the financial sector.

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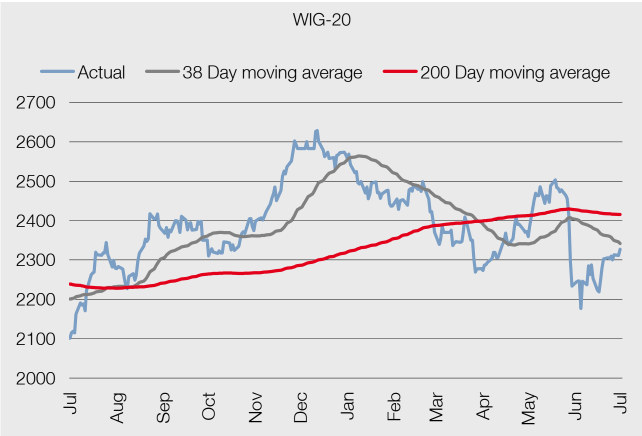
POLAND

Market Capitalisation	PLN 514.8bn
YTD Dev. of Market Capitalisation	-1.1%
Number of SE Transactions p.m.	1,289,819
YTD Dev. of SE Transactions	23.6%
SE Turnover (WSE)	PLN 106.2bn
Monthly Index Performance (WIG20)	-9.6%
Monthly Index Performance (WIG)	-6.4%
GDP per Capita (2013 in EUR)	11,664
GDP Real 2013 (Change against prev. year in %)	4.0
3-Month Money Market Rate (current in %)	2.55
Inflation in 2013 (yearly average in %)	3.2
EUR/PLN	4.21
Upcoming Holidays	15 August

Source: UniCredit, National Statistics



Source: Thomson Datastream

Changes to the NDS' automatic securities lending programme

As of July 10, 2013 the National Depository for Securities (NDS) has amended its Rules and its Detailed Regulations in order to enhance the automatic securities lending system.

The programme had been originally designed to facilitate securities settlement and minimise the number of failing on-exchange trades. Each broker who executes trades on the Warsaw Stock Exchange (i.e. in 'organised trading') or local custodian performing the function of a clearing agent for foreign WSE remote brokers is obliged to participate in the system.

In case such an entity is short and is not able to settle the on-exchange trade on the contractual settlement date, NDS will attempt to arrange a loan to allow for settlement. Obviously, such a loan is dependent on the availability of a lending pool. The maximum duration of a loan is five working days and its cost is 0.1% of the value of the trade, but not less than PLN 500 (which is still three times less expensive than a fee for suspended trade). 80% of the remuneration goes to the lender, while NDS keeps 20% of the fee.

Although the system had been working quite efficiently in the past, recently less and less NDS participants have been offering their assets to the pool and in practice very few loans have been arranged.

In order to cope with this situation NDS has proposed some amendments that – in their opinion – should optimise the programme and increase lenders' interest:

1) Elimination of the principle of anonymity of the parties to the loan. Now both parties can see who is their counterparty

2) Possibility to return the loan partially. It should be noted that the lender cannot oppose to a partial return initiated by the borrower

3) Changes to the rules governing the situation in which the borrower cannot return the loan within five days. So far NDS arranged a buy-in trade – using the collateral – to close a deal. In accordance with the new regulations, NDS will simply pass on the collateral to the lender, who will not be obliged to execute a buy-in, which should minimise the cost of such operation.

The above changes also correspond with proposals addressed by participants and there is common believe that they may indeed help to reinstate lending pools and, in consequence, minimise the number of suspended trades and related costs.

Impact on investors

NDS implemented changes to its mandatory automatic lending programme that have been designated to increase lending pools and optimise the system. If this plan is successful, remote WSE brokers would have a higher chance for covering their failing trade and avoiding suspension fees.

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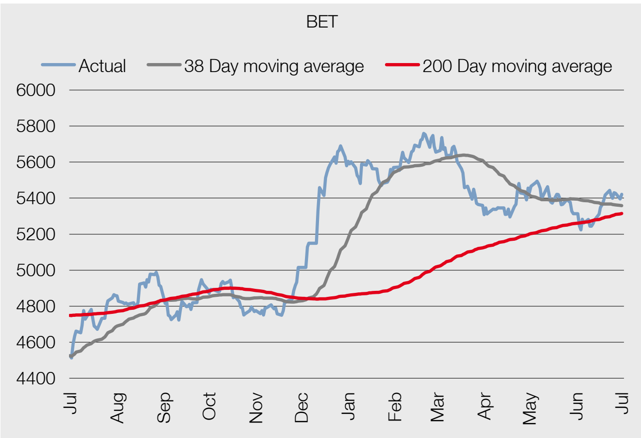
ROMANIA

Market Capitalisation	RON 95bn
YTD Dev. of Market Capitalisation	24%
Number of SE Transactions p.m.	52,137
YTD Dev. of SE Transactions	-22.5%
SE Turnover (Bucharest SE)	RON 1,029mn
Monthly Index Performance (BET/BSE)	-2.5%
GDP per Capita (2013 in EUR)	7,301
GDP Real 2013 (Change against prev. year in %)	4.0
3-Month Money Market Rate (current in %)	4.16
Inflation in 2013 (yearly average in %)	4.0
EUR/RON	4.41
Upcoming Holidays	none

Source: UniCredit, National Statistics



Source: Thomson Datastream

Electrica listing in preparation
The time for submitting intermediary offers with regard to the listing of the state-owned company Electrica has expired. So far only one consortium submitted their offer, the consortium comprised of Citigroup, Raiffeisen Capital & Investment, BRD, Societé Générale and Swiss Capital.

The Romanian State intends to sell on the Bucharest Stock Exchange a big package of newly issued shares representing 105% of Electrica's share capital, shares issued in a capital increase process.

Currently, Electrica is fully owned by the Ministry of Economy and has an equity capital of RON 2.06 billion.

Five of the eight Electrica distribution branches have been privatised during 2004 – 2008, being taken over by Czech, Italian and German groups.

The state-owned company has three more distribution branches, one for energy supply and a maintenance subsidiary.

Electrica has a national coverage, serving about 3.5 million clients, as stipulated in the announcement for the selection of a listing intermediary.

Impact on investors
New IPO on the horizon of BSE.

Union blocks Nuclearelectrica listing
Nuclearelectrica trade union has initiated legal action against the listing of Nuclearelectrica. The official motivation is based on the fact that Franklin Templeton had no legal right to vote for the share capital increase in the General Shareholders Meeting, as the trade union does not recognise Franklin Templeton's authority as the Fund Manager for Fondul Proprietatea.

The documents for the legal action were submitted by the trade union to the Trade Registry.

The intermediaries selected for the listing of Nuclearelectrica are the brokerage companies Swiss Capital and BT Securities. The prospectus has been finalised and is awaiting the Financial Supervisory Authority's approval in order to launch the offer.

In order for the Financial Supervisory Authority to be able to approve the prospectus, it is necessary for the company to register its General Shareholders Meeting Decision, which approves the capital increase, to the Trade Registry.

Impact on investors
Possible delays in the IPO launch for Nuclearelectrica.

UniCredit

IMF's Christine Lagarde visited Romania
On a visit to Bucarest in July, Christine Lagarde, Managing Director of the International Monetary Fund (IMF), delivered a speech regarding Romania and Eastern Europe, focusing on identifying a new growth paradigm for the region. She once again stressed the geographic importance and advantage that Romania has.

Lagarde outlined that the International Monetary Fund is ready to sign another agreement with Romania but she also drew the attention to the challenges that Romania is facing in order to restart the growth process.

Following the visit and given that all conditions have been met so far, Romania is expecting to get a new precautionary IMF agreement for a two-year loan that is to be signed in October.

Impact on investors
Positive feed-back for Romania by IMF.

Central Depository to adopt new software
Adriana Tanasoiu, General Manager of the Central Depository has announced that CSD intends to acquire a new settlement software that will separate the trading from the settlement.

The estimated implementation date of the new software is mid-2015, simultaneous with Target2-Securities. The testing version will be available sooner.

Impact on investors
The new software aims to ease brokers' trading tasks.

SIF Muntenia Invest to be managed by SIF Banat - Crisana
The Financial Supervisory Authority has approved the takeover of the asset management of SIF Muntenia by SIF Banat – Crisana under the authority of Mr. Dragos Bilteanu. It was underlined that the two SIF companies will not merge, but SIF Banat – Crisana will manage SIF Muntenia.

The cumulated assets will arise to RON 2.4 billion.

The transaction, which required the approval of the Competition Council, is a breakthrough for Romanian markets.

Impact on investors
Management consolidation of SIF companies.

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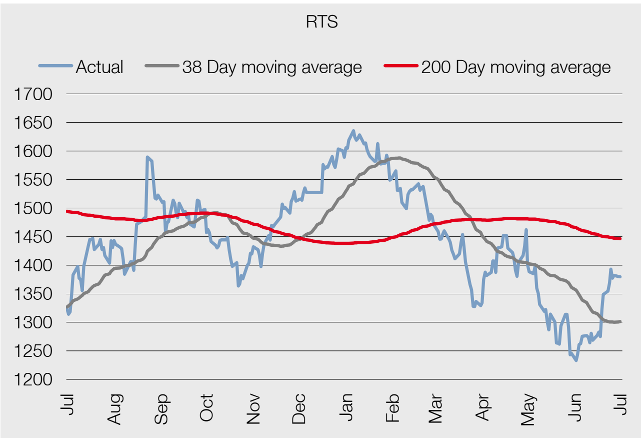
RUSSIA

Market Capitalisation	RUB 24.6trn
YTD Dev. of Market Capitalisation	8.4%
Number of SE Transactions p.m. (MICEX)	7,667,406
YTD Dev. of SE Transactions	1.0%
SE Turnover (MICEX)	RUB 20.3trn
Monthly Index Performance (MICEX)	7.5%
GDP per Capita (2013 in EUR)	10,754
GDP Real 2013 (Change against prev. year in %)	3.8
3-Month Money Market Rate (current in %)	7.02
Inflation in 2013 (yearly average in %)	6.4
EUR/RUB	42.82
Upcoming Holidays	none

Source: UniCredit, National Statistics



Source: Thomson Datastream

Russian legislation updates

Russian President Vladimir Putin signed a law on the regulation of banking groups and bank holding companies, which will be the legal base of banking supervision and disclosure of information in line with current international practice.

The law establishes the basis for cooperation of the Central Bank of Russia (CBR) and other agencies with respect to the supervision of banking groups and stipulates the right of the Central Bank to limit the interest rate on banking deposits.

The law also specifies that banks' reporting should be carried out according to the International Financial Reporting Standards (IFRS).

According to the law the threshold for share purchase transactions and establishment of control, which require the consent of the CBR, will be reduced from 20% to 10%. CBR will be able to refuse the purchase of 10% of shares in the absence of a positive decision of the Federal Antimonopoly Service of Russia (FAS) and in case of the buyer's bad financial situation, among other reasons.

Russian President Putin also signed a law clarifying the powers of CBR in the appointment of their representatives in credit organisations. In accordance with the amendments to the law "On the Central Bank", CBR will be able to appoint CBR's representatives in credit organisations if the value of their assets is equal or more than RUB 50 billion and (or) the amount of deposits attracted from individuals is more than RUB 10 billion.

Furthermore, CBR has the right to appoint its representatives in credit organisations to prevent bankruptcy of the banks in accordance with the law „On Additional Measures to Support the Financial System of the Russian Federation".

Russian Prime Minister Dmitry Medvedev signed a decree establishing the National Council to Maintain Financial Stability.

The decree provides the establishment of the National Council of Financial Stability as a permanent advisory body to discuss problems of financial stability at government level, to identify systemic risks and to develop proposals of their reduction.

The decree approves the regulations of the Council established taking into account the functioning of the Inter-country Financial Stability Board and the European Systemic Risk Board.

Organisational, technical and information support of the Council will be provided by the Ministry of Finance of the Russian Federation.

Impact on investors

The amendments to the laws should be the legal base on banking activity and on financial stability in line with best international practice and will improve the efficient functioning of the Russian banking system.

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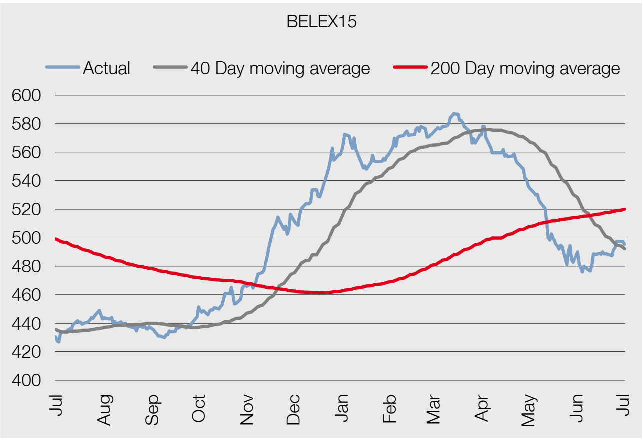
SERBIA

Market Capitalisation	RSD 755.6bn
YTD Dev. of Market Capitalisation	-5.4%
Number of SE Transactions p.m.	17,784
YTD Dev. of SE Transactions	-56.6%
SE Turnover (Belgrade SE)	RSD 0.6bn
Monthly Index Performance (Belex 15)	-8.5%
GDP per Capita (2013 in EUR)	5,453
GDP Real 2013 (Change against prev. year in %)	3.0
3-Month Money Market Rate (current in %)	9.00
Inflation in 2013 (yearly average in %)	5.8
EUR/RSD	113.87
Upcoming Holidays	none

Source: UniCredit, National Statistics



Source: Bloomberg

Benchmark interest rate unchanged

The National Bank of Serbia (NBS) keeps its key policy rate unchanged at 11% p.a. A decrease in year-on-year inflation was the main argument for keeping the level of the benchmark interest rate. According to the NBS, a favourable agricultural season and developments on the international agricultural markets are expected to bring down food prices in Serbia, while the slowdown in credit activity and of the growth in wages and pensions provide that low demand will remain a key disinflationary factor over the coming period.

Impact on investors

For information purposes only.

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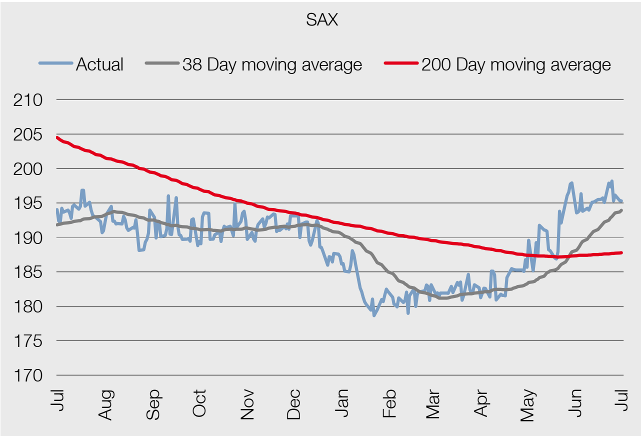
SLOVAK REPUBLIC

Market Capitalisation	EUR 41.3bn
YTD Dev. of Market Capitalisation	0.7%
Number of SE Transactions p.m.	741.0
YTD Dev. of SE Transactions	-19.5%
SE Turnover (Bratislava SE)	EUR 1.4bn
Monthly Index Performance (SAX/BSSE)	1.1%
GDP per Capita (2013 in EUR)	14,478
GDP Real 2013 (Change against prev. year in %)	4.3
3-Month Money Market Rate (current in %)	n.a.
Inflation in 2013 (yearly average in %)	3.4
Upcoming Holidays	none

Source: UniCredit, National Statistics



Source: Thomson Datastream

Financial Stability Report of National Bank of Slovakia

The National Bank of Slovakia as the central bank published a Financial Stability Report focusing on the identification of main risks to the stability of the Slovak financial sector. The report's most recent issue shows that the Slovak financial sector has a relatively high degree of stability and self-sufficiency. The Slovak banking sector is outperforming a majority of other EU countries' banking sectors in several key areas, such as capitalisation, profitability, asset credit quality, and long-term liquidity. The sector has better results than other banking sectors in the EU in almost all areas important for the stability and resilience of banks.

Despite a year-on-year decline in profits, the domestic banking sector generates higher returns on both assets and equity. The financial sector has also benefited significantly from the price increase of domestic government bonds. Another positive indicator is the above-average capital adequacy ratio.

As for developments in core banking activities, the sector reports the strongest lending growth to households within the EU. Lending to enterprises declined in year-on-year terms, in line with trends observed in other banking sectors. On the other hand, the percentage of domestic government bonds in total assets is high in the domestic banking sector (one of the highest in the EU). In the area of credit risk, domestic banks report far better results than the majority of EU banking sectors, due mainly to the small ratio of non-performing loans and their higher coverage by provisions. The domestic banking sector reports even better results for liquidity. The dependence of domestic banks on the financial markets is minimal, since their activities are financed primarily from customer deposits.

Impact on investors

Compared with other EU countries, the Slovak banking sector shows trends that contribute significantly to its stability.

Bratislava Stock Exchange trading results in June
In June 2013, the members of the Bratislava Stock Exchange (BSSE) used the electronic trading system in 20 business days. A total of 741 transactions were concluded in this period, in which 1,194,703,135 units of securities were traded and the achieved financial volume exceeded EUR 1.42 billion. In comparison with the previous month this represents an increase in the amount of traded securities (+71.20%) and in the financial volume (+74.86%), with a decrease in the number of concluded transactions (-19.54%). On a year-on-year basis we recorded a 38.86% decrease in the number of transactions, whereas both the amount of traded securities and the achieved financial volume increased (+40.61% and +49.44%, respectively). Continuing the trend of previous periods, negotiated deals again significantly dominated over electronic order book transactions (i.e. price-setting deals) with the former accounting for 99.61% of the total trading volume. A total of 284 negotiated deals (in a volume of EUR 1,415.79 million) were concluded in June 2013, as opposed to 457 electronic order book transactions (in a financial volume of EUR 5.46 million).

In June 2013 investors continued to focus on debt securities, as bond transactions generated over 97.73% of the achieved volume. A total of 391 bond transactions were concluded in the month under review, in which 1,193,882,180 units of securities were traded and the financial volume exceeded EUR 1.389 billion. The number of transactions increased against May 2013 by 18.48%, the amount of traded securities went up by 71.13% and the achieved financial volume surged by 71.48%. All three indicators increased on a year-on-year basis: the number of transactions by 33.45%, the amount of traded securities by 40.55% and the achieved financial volume by 46.72%. Similar to previous periods, negotiated deals in bonds (in a financial volume of EUR 1 386.29 million) again significantly dominated over electronic order book transactions (in a volume of EUR 2.73 million).

Transactions concluded by non-residents in June 2013 accounted for 54.29% of the total trading volume, out of which the buy side represents 52.89% and the sell side 55.69%.

The SAX index ended the month of June 2013 at 193.79 points, representing a 1.07% increase on a month-on-previous-month basis and a 3.26% increase year on year.

Impact on investors
For information purposes only.

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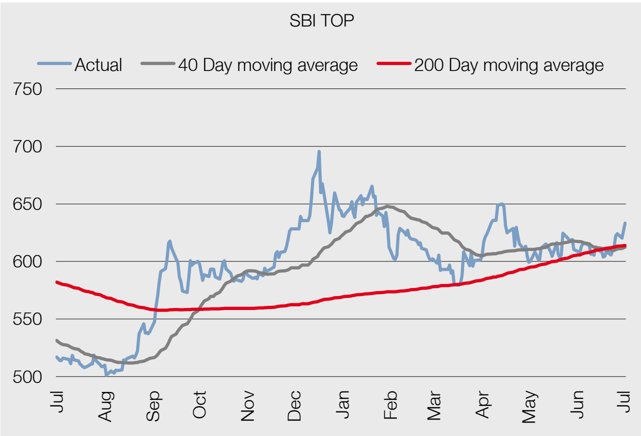
SLOVENIA

Market Capitalisation	EUR 17,075mn
YTD Dev. of Market Capitalisation	-3.3%
Number of SE Transactions p.m.	3,696
YTD Dev. of SE Transactions	-21.5%
SE Turnover (Ljubljana SE)	EUR 26,867mn
Monthly Index Performance (SBI TOP)	0.7%
GDP per Capita (2013 in EUR)	20,321
GDP Real 2013 (Change against prev. year in %)	2.5
3-Month Money Market Rate (current in %)	0.17
Inflation in 2013 (yearly average in %)	2.6
Upcoming Holidays	15 August

Source: UniCredit, National Statistics



Source: Thomson Datastream

Slovenian Parliament passed amended budget for 2013

The main reason for amendments to the budget for 2013 was the worsening macro-economic forecasts in comparison to the forecasts relevant when the 2013 budget was originally drawn up, when the revenue forecast was assessed too optimistically in view of the current situation.

The deficit cap for the 2013 budget was raised to EUR 1,547.4 million or 4.4% of GDP. The total budget revenues were lowered to EUR 8,068.7 million, which is EUR 542 million less than previously predicted. The budget expenditure was increased by EUR 10.5 million to EUR 9,631.6 million.

The budget cuts will mainly be made in the areas of agriculture and environment, infrastructure and spatial planning, economic development and technology, justice, health and foreign affairs.

Meanwhile, additional funding was granted for pensions to the amount of EUR 114 million and another EUR 122 million to repay debt. The funds for Bad Banks were increased by EUR 300 million, which brings the total amount to EUR 1,200 million. The amendment also increases funds for public sector employees' salaries and for public institutions.

Impact on investors
Additional measures were implemented to ensure stable public finances in Slovenia.

New Governor of Bank of Slovenia

Boštjan Jazbec, a senior adviser with the IMF, was appointed new governor of Slovenia's central bank. He succeeded Marko Kranjec, who has retired.

His six-year term as a banking regulator starts at a time when banks are preparing to start cleaning up their balance sheets to get rid of accumulated non-performing loans and when the government intends to sell the second largest bank in Slovenia.

Impact on investors
For information purposes only.

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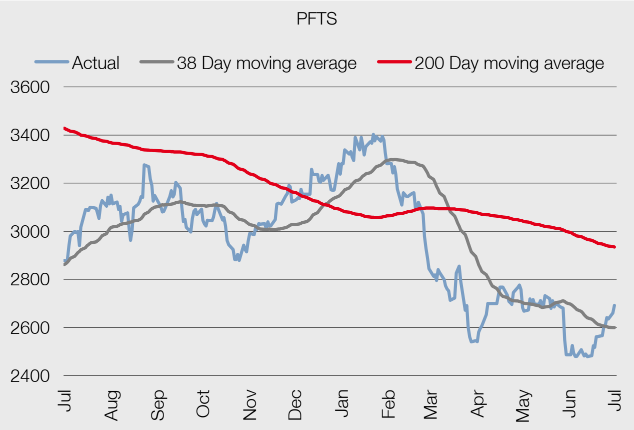
UKRAINE

Market Capitalisation (PFTS)	UAH 387.8bn
YTD Dev. of Market Capitalisation (PFTS)	131.0%
Number of SE Transactions p.m. (PFTS)	26,414
YTD Dev. of SE Transactions (PFTS)	-49.1%
SE Turnover (PFTS)	UAH 0.5bn
Monthly Index Performance (PFTS)	-0.1%
GDP per Capita (2013 in EUR)	4,241
GDP Real 2013 (Change against prev. year in %)	4.4
3-Month Money Market Rate (current in %)	9.00
Inflation in 2013 (yearly average in %)	8.7
EUR/UAH	10.77
Upcoming Holidays	none

Source: UniCredit, National Statistics



Source: Thomson Datastream

Stock Exchanges' merger update

The Moscow Exchange decided on the way forward for the merger of its two Ukrainian subsidiaries – PFTS (50%+1 share) and UX (43%).

Moscow Exchange will support the merger, upon which shareholders will no longer be allowed to present their papers for purchase to the issuer. According to the Law on Joint-stock companies, the issuer should purchase the shares from its shareholders in case they do not support the merger, the changes to the statute capital and the approval of sizeable deals.

The only option that meets the requirements of the Russian partners is an exchange of the PFTS and the UX shares with the shares of an additional issue of Ukrainian stock exchange holding LLC, where Moscow Exchange is an owner. As a result, Ukrainian stock exchange holding LLC will possess 100% of both stock exchanges; herewith the current shareholders will become minor shareholders of the holding. After this, one of the exchanges will cancel its license and pass its client base to another one. If this option is approved, the Ukrainian stock exchange holding LLC will be transformed into a joint-stock company.

The shareholders of the stock exchanges will form the management body according to their shareholders' rights and participate in the administration of the stock exchange infrastructure.

Impact on investors

Two main Ukrainian Stock Exchanges are to be merged.

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UniCredit

KYRGYZSTAN · TAJIKISTAN

KYRGYZSTAN

Long-term programme for development of securities market to be worked out in Kyrgyzstan
The country's Financial Supervision Agency is planning to develop a long-term development programme for the securities market in Kyrgyzstan.

Government experts, representatives of CJSC "Kyrgyz Stock Exchange" and professional securities market participants jointly identified priority directions for the development of the securities market, such as transferring 5 – 15% of shares of state-owned enterprises in free float, placement and circulation of state securities only on the stock exchange, the creation of a center for information disclosure and a national rating agency.

Impact on investors
The long-term development programme will allow creating a new infrastructure for the securities market in Kyrgyzstan.

TAJIKISTAN

New stock exchange registered in Tajikistan
In June a new stock exchange was registered with the Tax Committee of Tajikistan. It will replace the previous stock exchange, the operating license of which expired in February 2013.

The first stage in the creation of the new stock exchange includes preparatory work and the set up of the technical and software equipment.

One of the main requirements for joint stock companies for admission to trade on the new stock exchange will be the transfer to International Financial Reporting Standards (IFRS).

Impact on investors
The creation of an efficient stock exchange is the first step towards to the development of the financial market of Tajikistan.

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