GSS Newsletter

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EDITORIAL

VANDA MOČNIK-KOHEK
HEAD OF GSS SLOVENIA

Dear Clients, Partners, and Friends,

It is a pleasure for me to address you with this month's issue of the GSS Newsletter Editorial – right after the Holiday Season. Memories of events in the past year are still alive and we already have some vision of what is to come.

Last year was very challenging for Slovenia, both politically and economically. After several months of continuous political demonstrations our tenth government lost parliament support and in March, the next one led by Prime Minister Alenka Bratušek was sworn in, which continued to follow the austerity package measures to reduce the budget deficit. GDP growth was negative in 2012 and a further decrease is expected in 2013 and 2014, domestic consumption has weakened three years in a row with the only positive signals coming from the export oriented industry. Non-performing loans in the Slovenian domestic banks increased to 17.5% at the end of June 2013 as a result of the economic crisis and the inter-linkages and cross-ownership of Slovenian banks and companies.

In line with the European Council's recommendations, a stress test exercise was executed in 10 local banks and the results, published on 12 December 2013, showed a capital shortfall of EUR 4.8 billion. The State has already covered the immediate need for capital in the amount of EUR 3 billion in the three biggest banks. Additional capital was provided by the state to two smaller banks in a process of liquidation and to the Bank Asset Management Corporation (BAMC). Other banks involved in the stress tests have been obliged to fulfil various capital requirements up to the middle of 2014.

However, due to the strong governmental cash buffer (EUR 5 billion), the bailout scenario which was in discussion following the crisis in Cyprus, is not a topic any more. UniCredit Banka Slovenija d.d. participated in the stress tests and showed the strongest results among all participating banks, with no immediate capital need.

The recession is expected to bottom out in 2014 with a slow but steady export-led recovery. For Slovenia, privatisation is a key going forward. The Parliament approved the Government's plans for further privatisation of 15 state-owned companies, including the telecommunications provider Telekom Slovenije, the biggest local insurance company Zavarovalnica Triglav, the second biggest bank Nova KBM, and the airport Aerodrom Ljubljana. So far the progress has been slow, with only one company being sold. Further fiscal efforts will be required to bring balance to public finances. The Government's budget plan for 2014 predicts between EUR 3.5 billion to maximum EUR 7.7 billion of refinancing with prevailing issuance of USD nominated bonds.

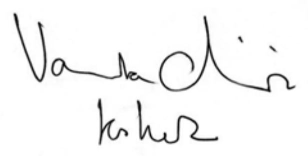
2013 started with an increased tax rate of 25% for income paid to individuals, which is also applicable to other non-disclosed beneficial owners. The review of the KYC documentation of the underlying clients of our customers was a time-consuming exercise, which required a lot of effort from our clients and the GSS team. KDD has continued with the T2S project. Four major types of corporate actions (mandatory reorganisations, voluntary reorganisations, payments – dividend and interest, issues, and redemptions of securities) and draft changes to the Dematerialised Securities Act and the Takeover Act were prepared for discussion.

The financial market in Slovenia does not differ from the markets in the rest of the EU under the strong impact of new regulations, with the implementation of EMIR on-going. In July 2014, FATCA will enter into force and the signing of the Model 1 IGA between the IRS and Slovenia is in process and expected to be completed before the end of June. UniCredit will be FATCA compliant. Slovenia is among the 11 EU countries which agreed to implement the European FTT and although that was expected to take place on 1 July 2014 it is not clear yet if it will happen at all. This year we will also see further progress in the T2S implementation. The harmonisation of corporate actions processes with international standards is a burning topic. The Ministry of Finance has, after continuous pressure from the T2S NUG at the beginning of the year, established a working group to support and speed up the process.

The Slovenian Global Securities Services team together with colleagues from other departments within the Bank will continue to represent the interests of our clients on the market and to lobby for the implementation of regulations and market practices which are in line with international standards.

On behalf of the entire GSS Team in Slovenia I would like to take this opportunity to thank all our clients for the excellent cooperation during 2013, especially for their extraordinary efforts and understanding during the KYC documentation review at the end of 2012 and 2013. We very much look forward to working with you during the new year and hope to see you soon.

Sincerely yours,



Vanda Močnik Kohek
Head of GSS Slovenia

JOHN'S CORNER

JOHN GUBERT ON PLANNING AHEAD FOR THE 2030'S

What will the market look like when the current leadership group of 40 -50 year olds retire? Will the largest custodian bank be an American or a Chinese one? What will their product range be? How will technology support their business model? What infrastructure will be around? And will custody actually continue as a product? One month into the New Year, it is worth thinking forward to the 2030's before they actually loom into the long term planning horizon.

Change is inevitable. And change can be dramatic. My custodian lifecycle started in the late 1980's and continues today – a span of some twenty five years. In the late 1980's we had just received the earth shattering G30 report urging us to opt for dematerialisation, or even immobilisation, in CSDs, to promote the first securities ISO standards, adopt a same day payment convention for settlement or support that new visionary product of stock lending. Custodians were primarily domestic with a small segment of their assets in international securities. The fiduciary role existed but was truly nascent and often embedded in a distinct trust company. Compare that world to the globalised, consolidated, infrastructure rich, product diversified, and highly regulated environment of today to understand the likely scale of change to come. Momentum alone will create change, but regulation, demographics, risk appetite, technological revolution, and economic growth patterns will make such change even more vibrant.

The geography of investment is likely to change. Economic growth forecasts indicate that China will have a larger economy than the US in the not too distant future, although equality at the per capita GDP measure is still generations away. More importantly, China and other BRIC or quasi BRIC economies are likely to continue to operate trade surpluses with a labour force that will be still in the wealth accumulation phase. Conversely, much of the West will be operating net trade deficits and a large segment of its populations will be in a wealth realisation phase. Assuming a capitalist style economy persists in China and other people intensive growth economies, new capital demand will be substantial. But supply will increase exponentially and it is likely to continue to increase ahead of local demand; thus those states will be exporters of private capital to allow individual wealth creation, just as today they are exporters of state based wealth to allow them to deploy the product of trade surpluses.

If the new economies become the prime drivers for surplus private sector capital flows in this fashion, they will undoubtedly follow a classical custodian lifecycle. Phase one will be essentially domestic with investment in former state enterprises or entrepreneur style corporations. Phase two will be investment overseas using a global agent to learn about markets and products; that generally is where we are today. One suspects, for the future top ten custodians from outside the current magic circle, this phase will be shorter than many believe and it will lead to self-sufficiency either through organic growth and development or a future acquisition of one or another of the then declining titans of today's markets. In reality, it is safe to assume that the top ten players of the future will not be based around anything like the current incumbents from the USA and Europe. And that ignores the potential for alliances across distinct segments, technology centric institutions, infrastructures, and banks as examples.

Products are also likely to be different. One suspects that this will be driven by two key trends. First, there can be expected a material change in risk allocation and secondly a change in market infrastructures. The regulatory approach to risk allocation is going to impact the capital required to support custodian, and administrator, services. Quite simply the concept of risk absorption enshrined in regulation such as AIFMD is unsustainable. The fragmented nature of market infrastructures, both in terms of duplication of function and complexity of interlinking, within asset classes and across them, is also unsustainable. The major question is what is likely to be the design in the future? It is not illogical to assume that many more investors could be direct holders of their assets at end of line CSDs, whilst custodians or administrators will continue to be independent fiduciaries, albeit in a less opaque legal environment, and record keepers or validators rather than legal owners.

At the same time the number of CSDs will contract and there could develop a series of hub CSDs across the world acting both as feeder CSD to smaller ones and infrastructure operators for some of them. CSDs will focus on their notary function and core asset servicing, although this will be broader than implied by today's definition to include aspects such as collateral, asset finance, transaction matching, or standardised asset servicing.

There should also be a sharp decline in settlement activity which will be more and more consolidated into CCPs which will be capable of handling agent as well as principal flows in the future. The custodian or administrator will operate much more integrated platforms, somewhat akin, although broader in product and functional reach, to those of the leading prime brokerage houses of today. This would allow them to accommodate investor demand for access to a wider based infrastructure covering a range of classical listed, unlisted, collective, derivative, and special purpose investments. And the surviving private sector suppliers will differentiate themselves by the quality of their information and analytics as well as their ability to react fast to changed demand rather than through the efficiency of their processing, for the latter will be a given.

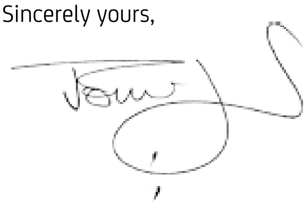
It would take a really brave commentator to identify the technology platform of the future. Indeed many in the market are still dependent on technology that is aged, archaic, and sub optimal. That, indeed, is why there is likely to be revolution across providers, for a like for like replacement of that delinquent set-up, within a modern IT architectural design, allied to the needed development of new services, is beyond the financial reach of the majority of firms. Thus the technology footprint of the future will be materially different.

At a guess, it will be much more cloud based with pricing moving to usage based models. Bandwidth and storage will cease to be an issue and latency will be seen as a challenge of the noughties rather than an issue of the time. Time to market will be much reduced with highly modular environments, but user knowledge will be a material challenge. However, the true cost of technology will increase from today despite the structural improvements to be expected as the cost of security will increase with a likely material growth in cybercrime.

The world of the future is not an evolution from the world of today. It has to involve a dramatic and revolutionary metamorphosis of the current distributed, duplicated, risk tolerant, and fragmented environment to become a streamlined, process automated, integrated business straddling financial instruments and facilities. The key people will continue to be focused on production, delivery, and development, but their skill set, by comparison with those of today, will be as different as that of space technologists to the inventors of the original internal combustion engine.

The people with the real challenge are those at the start of their careers in this industry for they need the adaptability to move their skill sets accordingly. And they should not emulate the management generation of the early 1980's. Many of those retired early as they struggled, and failed, to understand why paper should be replaced by data. Tomorrow's generation will need to resolve how data can really be managed in a global, interconnected, same day process with more instruments, more structures, more liability as well as more analytics, reporting, and information management.

Sincerely yours,



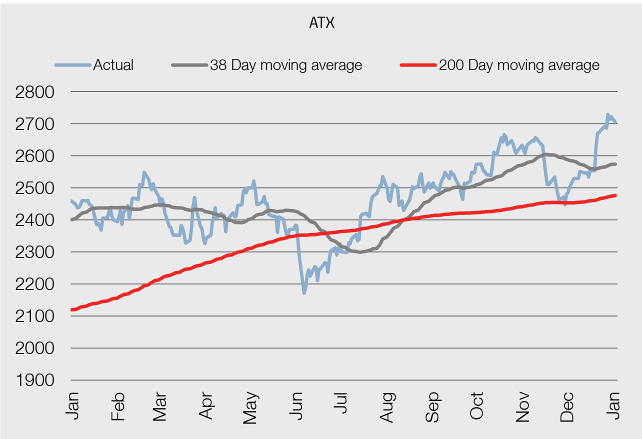
John Gubert
Chairman
Global Securities Services
Executive Committee

John Gubert also appears on blog.globalcustodian.com

AUSTRIA

Market Capitalisation	EUR 82.3bn
YTD Dev. of Market Capitalisation	6.0%
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)	-3.8%
GDP per Capita (2014 in EUR)	38,305
GDP Real 2014 (Change against prev. year in %)	2.0
3-Month Money Market Rate (current in %)	0.25
Inflation in 2014 (HVPI yearly average in %)	1.7
Upcoming Holidays	none

Source: UniCredit, National Statistics



Source: UniCredit, National Statistics

Vienna Stock Exchange in 2013

Vienna Stock Exchange completed a successful 2013, with the turnover in the equity market increasing with 20% – 30% as compared to the volumes of 2012, mostly due to the increasing interest of investors in the Austrian market. Institutional investors from the UK and the US represented the strongest group of foreign investors, complemented by increasing interest from investors domiciled in growing markets such as the CEE markets, Mexico and Australia.

Throughout 2013 there were eight capital increases of Austrian companies through Vienna Stock Exchange with a total volume of EUR 1.6 billion – almost three times the volume of capital increases in 2012.

Following the sizable growth of 26.9% in 2012, ATX further increased by 3.3% in 2013 with an average monthly turnover of EUR 3.2 billion.

In 2014 Vienna Stock Exchange expects a continued interest from investors and trading members.

Impact on investors

Acting as gateway to CEE, Vienna Stock Exchange offers unique opportunities to investors in the region.

New tasks for the Financial Market Authority (FMA)

The Austrian financial market faces major changes and challenges in 2014. In the coming year, banking regulation and supervision within the euro area will be put on a completely new footing, with the European Central Bank (ECB) and national supervisory institutions working closely together within the framework of a decentralised system.

The new supervisory system will be supplemented by EU-wide rules applying to the recovery and resolution of banks, as well as by harmonised regulations governing deposit guarantees. Furthermore, in Austria a new macroprudential authority, the "Financial Market Stability Board", will be responsible for the analysis of systemic risks. In addition, the FMA will take up operative supervision of alternative investment fund managers (AIFMs) and begin enforcement of the accounting standards applying to capital market-based companies, in this way closing major gaps within the regulatory system.

As of November 2014, the European Central Bank will assume supervision of all banks within the euro area as part of the Single Supervisory Mechanism (SSM); the ECB will subsequently conduct supervision in close cooperation with national supervisory institutions within the framework of a decentralised system. Prior to this, a comprehensive assessment of the balance sheets and risk situations of Europe's major banking groups will need to be completed.

In the future the most significant credit institutions within the euro area, numbering roughly 130, will be subject to direct supervision by the ECB, while all other banks will remain the direct responsibility of national supervisors. Yet, in accordance with the principle of proportionality, the same supervisory criteria will apply to all banks. It is anticipated that six Austrian groups of credit institutions (comprising in total 150 independent banks) will come under direct supervision by the ECB. Conversely, roughly 650 banks will continue to be under the direct oversight of the FMA. Supervision at both levels will nonetheless be conducted in very close cooperation between the ECB and the national institutions. This step will utilise existing expertise to the furthest possible extent and take full advantage of synergy effects.

The Banking Intervention and Restructuring Act (BIRG; Bankeninterventions- und-restrukturierungsgesetz), passed by Austrian legislators in 2013, is the first step at the national level towards establishing a single European regime for the restructuring and resolution of banks. According to the new law, banks are required, as a preventive measure, to draw up recovery and resolution plans, while the FMA is authorised to order appropriate recovery and restructuring measures at an early stage. The legal basis for a Europe-wide regime and system for bank resolution is currently under final negotiation within the EU legislative process. Ongoing efforts are also aimed at finalising harmonised rules for deposit guarantees to apply Europe-wide.

The Financial Market Stability Board, a macroprudential authority, will become operative in 2014. Its mandate is to identify and analyse systemic risks and to respond to any developments in Austria that might threaten stability. The Board is made up of representatives of the Ministry of Finance, the FMA, the Oesterreichische Nationalbank (OeNB), and the Fiscal Council (Fiskalrat). The Board may also initiate appropriate measures to combat systemic risks, for example, by proposing higher capital requirements for financial institutions of major systemic importance as a means of combating speculative bubbles or of bolstering the risk-bearing capacity of the financial system.

The Alternative Investment Fund Managers Act (AIFMG; Alternatives Investmentfonds Manager-Gesetz) specifies the conditions under which managers of alternative investment funds (i.e. hedge funds, private equity funds, venture capital funds, real estate funds, and similar funds) may carry out business. The transition period for registering as an AIFM expires on 21 July 2014. As of that date, every AIFM must be registered or, with funds beyond a specified volume, licensed and subject to supervision by the FMA; in all other cases it will be illegal to manage or sell units of an AIF after that date.

Impact on investors
For information purposes only.

Günter Schnaitt (UniCredit Bank Austria, Head of GSS Austria), Dr. Werner Frey (AFME, chairman of E-MIG - Corporate Actions), Viktor Spitzer (UniCredit Bank Austria, Chairman of CANIG)

E-MIG workshop in Vienna

In January, a workshop of the European Market Implementation Group (E-MIG) took place at UniCredit Bank Austria's head offices in Vienna. Over 30 participants represented 17 European markets at this event.

Implementation of the Market Standard for Corporate Actions Processing was the main topic of the first day. Werner Frey, E-MIG's chairman for Corporate Actions, hosted a panel discussion about the obstacles of implementing the Market Standards in Europe. The main goal is to harmonise the processing of corporate actions in Europe and thus eliminate the Giovannini Barrier 3.

The second day was dedicated to the processing of General Meetings. Markus Kaum (Munich Re), E-MIG's chairman for General Meetings, discussed the structured fact finding exercise of the current market practices in Europe with the participants. France, UK, Turkey (CSD MKK) and Bulgaria (CSD) introduced their solution of a web-based platform for general meetings information and processing for their domestic market.

The next E-MIG workshop, scheduled for September 2014, will be held in Budapest or Amsterdam.

Impact on investors
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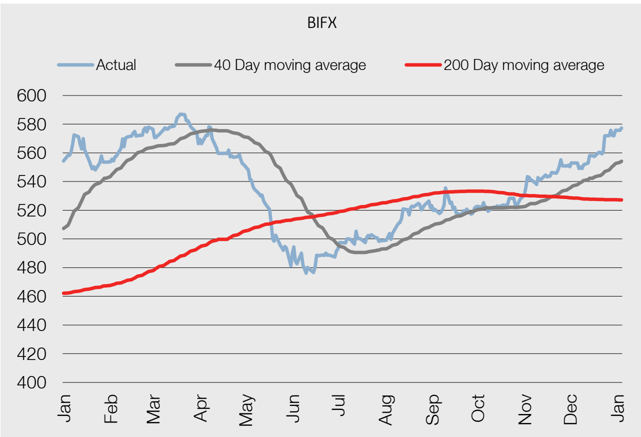
BOSNIA AND HERZEGOVINA

Market Capitalisation (Sarajevo SE)	BAM 4.7bn
YTD Dev. of Market Capitalisation	5.1%
Number of SE Transactions p.m.	747
YTD Dev. of SE Transactions	18.3%
SE Turnover (SASE)	BAM 53.0mn
Monthly Index Performance (SASX-10/SASE)	-1.4%
Market Capitalisation (Banja Luka SE)	BAM 4.1bn
YTD Dev. of Market Capitalisation	8.0%
Number of SE Transactions p.m.	2,687
YTD Dev. of SE Transactions	21.0%
SE Turnover (BLSE)	BAM 58.9mn
Monthly Index Performance (BIRS/BLSE)	-1.2%
GDP per Capita (2014 in EUR)	4,125
GDP Real 2014 (Change against prev. year in %)	3.8
3-Month Money Market Rate (current in %)	n.a.
Inflation in 2014 (yearly average in %)	2.4
EUR/BAM	1.96
Upcoming Holidays	none

Source: UniCredit, National Statistics



Source: Bloomberg

Sarajevo Stock Exchange conducted regular index revisions

In January, the Sarajevo Stock Exchange conducted regular revisions of the Main Index SASX-10 and the Primary Free Market Index SASX-30.

The calculation of SASX-10 is now performed using free-float methodology, according to which the market capitalization of the index includes only shares which are readily available in the market and excludes shares held by governments and investors who hold 5% or more of the total number of issued shares.

During the revision, issuers' participation rates in the index changed. However, there were no changes in the composition of SASX-10.

The new calculation methodology has been applied as of 13 January 2014. During the revision of SASX-30 a list of companies included in the Primary Free Market was updated. A list of companies included in SASX-10 with updated participation rates and the updated list of companies included in SASX-30 can be found on the official web page of SASE.

Impact on investors

For information purposes only.

Sarajevo and Banja Luka Stock Exchanges published their 2013 results

The total turnover on the Sarajevo Stock Exchange in 2013 amounted to BAM 245 million with 9,200 concluded transactions. Compared with the figures from 2012, the total turnover decreased by 34.35% over the previous year.

Market capitalisation at the end of 2013 amounted to BAM 4.7 billion and increased by 5.6% compared with the end of 2012. Value of the SASE main index, SASX-10, decreased by 2.06% over the previous year. The Investment Funds Index, BIFX, decreased by 0.45% as well as the Primary Free Market Index, SASX-30, whose value decreased by 4.71%.

The Banja Luka Stock Exchange reported that total turnover amounted to BAM 376 million with 30,636 concluded transactions. The total turnover increased by 44 % over the previous year. Market capitalisation of BLSE amounted to BAM 4.1 billion and increased by 7.98 % over the end of 2012. Compared with end of 2012, the value of the BLSE main index, BIRS, decreased by 7.91% as well as the value of the Electric Energy Sector Index, ERS10, which decreased by 12.44%. The value of the Investment Funds Index, FIRS, was increased by 2.95% over the previous year.

Impact on investors

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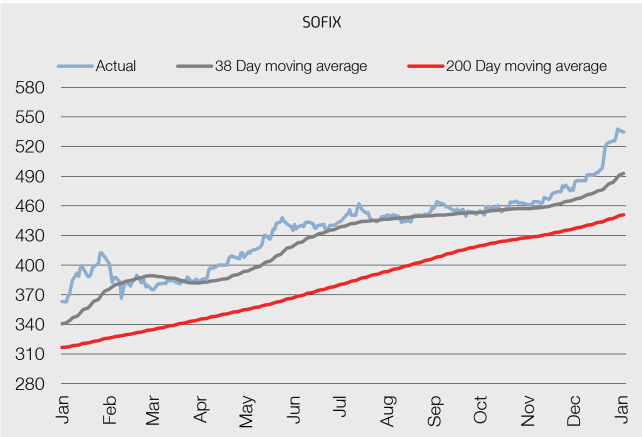
BULGARIA

Market Capitalisation	BGN 9.9bn
YTD Dev. of Market Capitalisation	-4.4%
Number of SE Transactions p.m.	16,130
YTD Dev. of SE Transactions	-33.9%
SE Turnover (Bulgarian Stock Exchange)	BGN 500.9mn
Monthly Index Performance (SOFIX)	4.9%
GDP per Capita (2014 in EUR)	6,532
GDP Real 2014 (Change against prev. year in %)	4.0
3-Month Money Market Rate (current in %)	0.63
Inflation in 2014 (yearly average in %)	3.5
EUR/BGN	1.96
Upcoming Holidays	none

Source: UniCredit, National Statistics



Source: Thomson Datastream

Act on relations with tax haven companies in force

An Act on the economic and financial relations with companies incorporated in preferential tax treatment jurisdictions (tax haven companies) and their actual owners has been approved by the National Assembly. The Act aims to regulate the state's economic and financial relationship with the tax haven companies, their related parties, and their actual owners, including the state's right to prevent tax haven companies from accessing public funds and managing funds if this would harm the public interest and lead to tax evasion.

The Act also provides that tax haven companies will not be admitted either directly or indirectly in procedures for granting a license to operate as or to participate in a credit institution, insurance company, pension insurance company, broker, asset manager, etc.

The above restrictions will not apply when:

- official evidence has been provided that the shares of the tax haven company are admitted to trading on a regulated market in the Republic of Bulgaria, another EU member state, a state which is a contracting party to the Agreement on the European Economic Area, etc., and its actual individual owners are known;
- the tax haven company has been licensed to operate as a private equity fund, investment fund, or similar structure and is part of an economic group whose parent company is resident for tax purposes in a state that has signed a Double Taxation Treaty or an Agreement on Exchange of Information with the Republic of Bulgaria;
- the tax haven company is part of an economic group whose parent company or subsidiary is a Bulgarian resident company and its actual individual owners are known.

The Act became effective as of 1 January 2014.

Impact on investors

Relations between tax haven companies and the state have been explicitly regulated.

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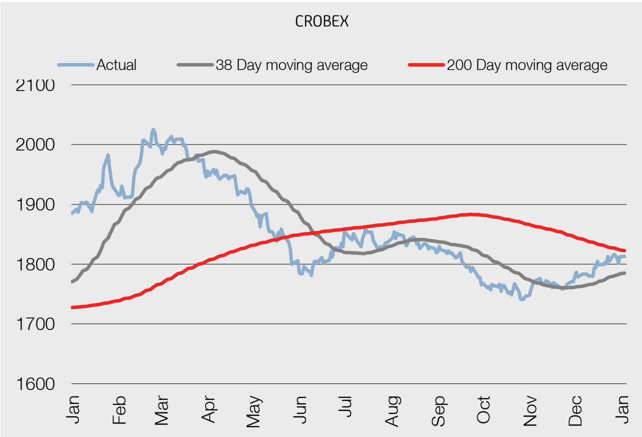
CROATIA

Market Capitalisation	HRK 183.8bn
YTD Dev. of Market Capitalisation	-4.1%
Number of SE Transactions p.m.	20,494
YTD Dev. of SE Transactions	25.1%
SE Turnover (Zagreb SE)	HRK 256.9mn
Monthly Index Performance (Crobex/ZSE)	1.3%
GDP per Capita (2014 in EUR)	12,552
GDP Real 2014 (Change against prev. year in %)	2.5
3-Month Money Market Rate (current in %)	0.65
Inflation in 2014 (yearly average in %)	2.5
EUR/HRK	7.64
Upcoming Holidays	none

Source: UniCredit, National Statistics



Source: Thomson Datastream

SKDD-CCP Smart Clear Inc. applies for authorisation

As announced in mid-December, SKDD established SKDD-CCP Smart Clear Inc. as central counterparty that will be assuming the responsibilities for clearing transactions with financial instruments.

The new entity has now submitted to HANFA an application for authorisation to provide the services of a central counterparty.

SKDD-CCP Smart Clear Inc. will also subsequently request from ESMA a license to operate under the rules of EMIR.

Impact on investors

The Croatian market is on the way of setting up a separate clearing agent, which will function in line with the requirements of EMIR.

World Bank forecasts Croatia's exit from recession

According to the World Bank's latest EU11 Regular Economic Report, covering the 11 youngest members in the European Union, the World Bank envisages Croatia making a mild recovery from a five-year recession in 2014. The country is expected to experience a growth of 0.8%, while the World Bank forecasted a -0.8% downturn in 2013.

According to the report, economic activity in the EU11 region started strengthening in the second quarter amid improved confidence triggered by signs of a recovery in the Euro Area, which exited from recession in the second quarter. Overall, GDP increased by 0.3% in the EU11 in the first half of 2013.

An noteworthy event for Croatia in 2013 was the country's admission to the Union on 1 July 2013 and its automatic departure from the Central European Free Trade Agreement (CEFTA).

Impact on investors

For information purposes only.

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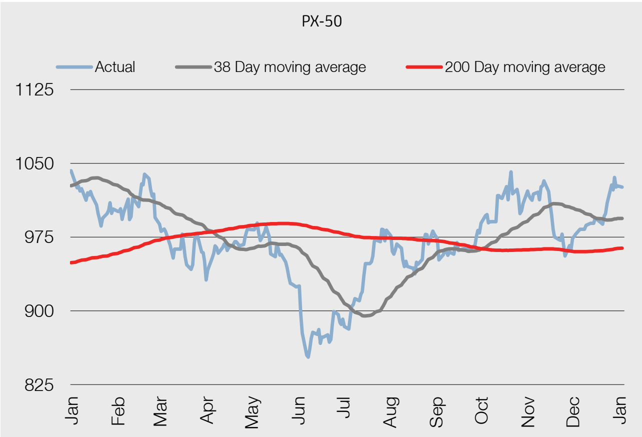
CZECH REPUBLIC

Market Capitalisation	CZK 1.1trn
YTD Dev. of Market Capitalisation	-4.3%
Number of SE Transactions p.m.	n.a.
YTD Dev. of SE Transactions	n.a.
SE Turnover (Prague SE)	CZK 72.4bn
Monthly Index Performance (PX)	-4.2%
GDP per Capita (2014 in EUR)	17,264
GDP Real 2014 (Change against prev. year in %)	3.5
3-Month Money Market Rate (current in %)	0.20
Inflation in 2014 (yearly average in %)	2.0
EUR/CZK	27.55
Upcoming Holidays	none

Source: UniCredit, National Statistics



Source: Thomson Datastream

PX Group in 2013

Twentieth anniversary of the re-opening of the Prague Stock Exchange, new foreign members, 2 new IPOs, record-breaking trading volumes and market share in electricity trading, and a new gas market – these are just some of the highlights of 2013.

In 2013, the Prague Stock Exchange celebrated 20 years since its re-opening. On this occasion, the Exchange created a dedicated website at http://20let.pse.cz, where visitors are guided through the rich history of the Czech capital market, dating back to 1871. In 2013, the Prague Stock Exchange welcomed two foreign members – Raiffeisen Centrobank AG and DB Securities S.A. There were also two new issues; Borealis Exploration Limited entered the Prime Market, while Stock Spirits Group PLC followed with a dual listing on the START market.

The main Prague Exchange PX index reported a slight decrease by 4.78 % in 2013. Trading volumes totalled CZK 174.74 billion. As of the last trading day (30 December), market capitalisation amounted to CZK 1.093 trillion. The bond market recorded a trading volume of CZK 1.93 billion, while the market of structured products posted CZK 0.12 billion.

In 2013, Power Exchange Central Europe again successfully strengthened its position as an electricity trading leader in the CEE region. The most liquid was the market of Czech futures, reaching a volume of 25,289,919 MWh, followed by the Hungarian market with 3,502,434 MWh and the Slovak product market totalling 877,840 MWh. Total trading volumes thus reached nearly 30,000,000 MWh. PXE also started working with the European Commodity Clearing (ECC) and since 2 September 2013, ECC has been the partner for the clearing and settlement of all trades carried out at PXE. Furthermore, PXE extended its commodity portfolio by the Czech gas futures on 9 December 2013, in cooperation with the Central European Gas Hub (CEGH).

Impact on investors

For information purposes only.

CNB and MoF recommend not to set euro adoption date yet

The Czech National Bank and the Ministry of Finance have recommended not to set a target date for adopting the euro yet and thus not to attempt to enter ERM II in 2014. This joint recommendation, based on the "Assessment of the Fulfilment of the Maastricht Convergence Criteria and the Degree of Economic Alignment of the Czech Republic with the Euro Area", was adopted by the government at its meeting on 18 December 2013.

With regards to the fulfilment of the formal requirements for euro adoption (the "Maastricht criteria"), the Czech Republic is approaching a situation where it will be compliant with all these criteria except the exchange rate criterion. The Czech Republic is currently compliant with the criterion on price stability and the criterion on the convergence of interest rates. The Czech Republic is not currently compliant with criterion on the government financial position, as it is still subject to the excessive deficit procedure. However, it is expected to fulfil this criterion in 2014. The Czech Republic is not compliant with the criterion on participation in the exchange rate mechanism because, at its own decision, it does not yet participate in this mechanism.

The situation in recent years has been strongly affected by the impacts of the global financial, economic, and subsequently European debt crisis. The Czech economy has stopped catching up with the euro area economic level. On the other hand, though, it is now showing increased business cycle alignment with the euro area. The main obstacles to the Czech Republic's readiness to adopt the euro are still the unfinished process of real economic convergence, the still insufficient scope for the stabilising role of public budgets, and some persisting shortcomings in the flexibility of the Czech labour market. Going forward, it is therefore necessary to guarantee that the medium-term budgetary objective is met, to complete the reforms aimed at ensuring public finance sustainability, and to further increase the flexibility of the Czech labour market.

The financial market situation has calmed over the last year, but there is persisting uncertainty related to the debt problems of many euro area countries. This does not depict a favourable environment for early adoption of the euro in the Czech Republic. In addition, new European institutions and mechanisms which increase the costs of euro adoption have been established in response to the debt crisis in some euro area countries.

It can be expected that euro area entry will also be conditional on participation in these new institutions and mechanisms. Based on the current information, the costs relating to joining the European Stability Mechanism (ESM) would be particularly substantial upon the Czech Republic's entry into the euro area. At present, other initiatives are currently under discussion (by the banking union) which is significantly adding to the uncertainty regarding the future conditions for euro area entry. Owing to the ongoing changes, the present and planned future shape of the framework for the functioning of the euro area is moving further and further away from the situation that existed when the Czech Republic entered the EU and committed to adopt the euro.

In this situation, therefore, it is impossible to conclude that the Czech Republic has made sufficient progress in laying the groundwork for euro adoption to allow it to set a target date for entry into the euro area.

Impact on investors

No target date set for the adoption of EUR in the Czech Republic.

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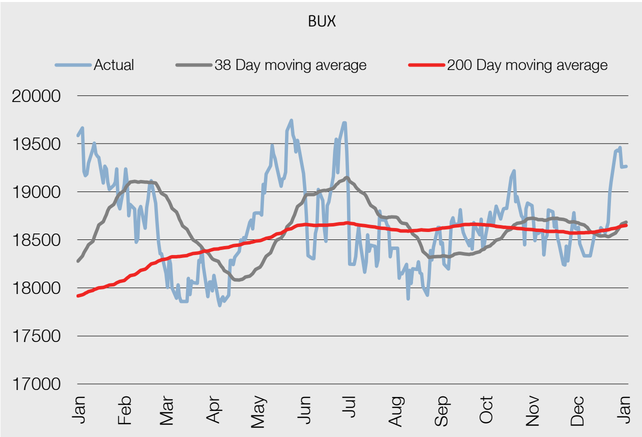
HUNGARY

Market Capitalisation	HUF 17,753bn
YTD Dev. of Market Capitalisation	5.7%
Number of SE Transactions p.m.	111,310
YTD Dev. of SE Transactions	5.5%
SE Turnover (Budapest SE)	HUF 375,406mn
Monthly Index Performance (BUX)	-2.2%
GDP per Capita (2014 in EUR)	13,481
GDP Real 2014 (Change against prev. year in %)	4.2
3-Month Money Market Rate (current in %)	2.24
Inflation in 2014 (yearly average in %)	2.7
EUR/HUF	302.54
Upcoming Holidays	none

Source: UniCredit, National Statistics



Source: Thomson Datastream

Hungarian T2S White Paper has been published

In 2006, the European Central Bank undertook the task of establishing a new European securities settlement platform, Target2-Securities (T2S), which will be operated by four European central banks – Germany, France, Italy, and Spain. The global objective of the project is to consolidate the securities settlement system across all countries in Europe. After signing the Framework Agreement in June 2012, KELER took part in the negotiation process, where ECB together with the 24 CSDs committed to T2S established the schedule for when each CSD shall become a T2S member. According to the plan, the new platform shall supply centralized delivery versus payment (DVP) settlement in central bank money across all European securities markets.

The major aim of the new platform is to reduce the costs of cross-border securities and to increase the efficiency of the settlement process while decreasing the risk for the parties involved. The implementation of the new platform will positively impact the investors who benefit from these achievements through their service providers. T2S will bring significant changes to the industry; among others, the cross-border settlement will be harmonized across the joining markets, which brings lower prices while increasing efficiency and service quality.

Furthermore, the cross-border settlements will be as safe as the domestic ones since the settlements are to be conducted in central bank money. An indirect effect of T2S will be that the harmonized asset services and all the member countries must adhere to the Corporate Action standards set up by the Corporate Action Joint Working Group, which will result in an investor friendly environment in the European capital markets.

T2S will be the central settlement infrastructure platform for cross-border and domestic securities settlement in most European countries with the following key parameters:

- T2S will be a service offered by the Eurosystem to the Central Securities Depositories (CSD) whereby the settlement function of local CSDs will be outsourced to T2S while CSDs will remain legally responsible for all CSD activities;
- T2S will provide CSDs with a centralized service for DVP settlement in central bank money;
- In T2S a single set of rules and standards will be applied to all transactions on all T2S markets;
- The platform will be operated by four central banks of the Eurosystem;
- As for the securities leg, the T2S platform will settle via the securities accounts of connected CSDs;
- The local CSD will remain the contractual counterpart for its customers and continue to maintain securities accounts for them.

In line with the T2S migration plan KELER, the Hungarian CSD, published the T2S White Paper in December 2013, which is essentially a summary of the T2S platform, including the conditions of the accession, the available services, and a brief plan of the joining process. The document includes all major information about the T2S platform and the migration of the services of KELER Ltd. (KELER) to it.

T2S will go live with the first wave of participants in June 2015, while Hungary will join in the third wave in September 2016. Migration is to take place in June-September 2016 and KELER starts its live operation with T2S on 12 September 2016. In Hungary, the market players, with the leadership of KELER, established the Hungarian National User Group in 2011 with two working groups: the Settlement Working Group and the Corporate Actions Working Group. All the efforts of these working groups ensure that the Hungarian market will be ready to join the T2S platform and tackle the challenges that the new securities and post-trading environment can bring to the market.

It was an important joint decision by the Central Bank of Hungary (CBH) and KELER in June 2012 to join T2S only with the Hungarian ISINs; however, the Hungarian currency, HUF, will not be brought into the T2S platform from its start. This is the Partial Entry Model (PEM), wherein only the EUR settlement volume will be routed through T2S and domestic settlement in HUF will be settled by KELER using an omnibus accounts model. According to the PEM, as of the migration date, KELER is to partially outsource the core settlement services to T2S which requires real-time reconciliation and daily consistency checks between T2S and KELER. The settlement calendar and daily processing schedule of KELER must also be harmonized with T2S.

As for connectivity, there will be two options for the market players to connect to T2S: indirect or direct. In the first case, the Indirectly Connected Party (ICP) can reach out to T2S through KELER by using its communication platform. A Directly Connected Party (DCP) has direct access to T2S and it can use the securities settlements platform of T2S without connection to CSD thus a DCP can communicate with T2S without using KELER; however, they will need authorisation from KELER to become DCPs in T2S.

The above transactions denominated in EUR are to be settled in T2S while HUF DVPs and FOPs (free of payment settlements) between two ICPs will remain in KELER's domestic settlement system since they do not impact T2S omnibus balances. Place of settlement can vary as follows:

- DVP settlement in T2S currency: place of settlement is exclusively T2S.
- DVP settlement in non-T2S currency: place of settlement can be T2S via Conditional Securities Delivery FOP functionality or it can be KELER via real DVP transaction.
- FOP Settlement: place of settlement can be either T2S or KELER.

KELER is planning the following account types in T2S:

For safekeeping of securities:

- omnibus securities account
- investor CSD securities account
- DCP securities account
- Individual ICP securities account.

For issuance purpose:

- issuance account: to be opened in T2S to reflect the total volume of securities in Hungary.
- distribution account: will be used for the management of the issuance process.

In line with Hungarian and international legal requirements, KELER will hold securities in a segregated manner by distinguishing proprietary and client assets in dedicated accounts. Securities deposited as collateral are also to be held in a segregated account. Further segregation is not a legal obligation but it is supported by KELER.

The life cycle management and matching in KELER is to be harmonized with T2S for those instructions that will be submitted to the T2S platform. The process consists of the following steps:

- Business validation: checking the consistency of instructions.
- Matching: comparing the settlement details provided by the seller and the buyer. KELER will implement T2S matching rules in case of T2S settlement.
- Allegement: KELER will improve its allegement functionality to comply with the T2S standards.

- Instruction maintenance: i) hold and release mechanisms to allow participants to hold back or release instructions for settlement. ii) process indicator can be amended until an instruction is settled or cancellation occurs. iii) instructions can be cancelled depending on the status and the type of instruction.
- Optimisation and recycling: T2S settlement, optimisation, and recycling procedures will maximise the volume and value of settlement with the available securities and cash resources and minimise the number and value of unsettled transactions.
- Provision check for and the posting of settlement:in T2S each and every transaction will be booked on a gross basis. Booking shall take place only if the provision check on the accounts stated in the settlement instruction or on the accounts predetermined by default is satisfactory.
- Auto-collateralisation: will be offered to financial institutions or clients that are as eligible for that service. This function is to be available for participants who have insufficient cash on their T2S cash accounts to settle their transactions.

A number of new transaction types will become available to KELER customers in T2S, most of which are to be implemented for domestic settlement staring in October 2014. These include:

- Conditional Securities Delivery (CoSD): allows a settlement to be performed in T2S with the requirement to fulfil a condition outside T2S before finalising a booking.
- Settlement restrictions: Reservation, Blocking, and Earmarking
- Linked instructions: link settlement instructions and restrictions together.

In order to adopt the T2S settlement process, KELER will restructure its daily processing schedule. As a special credit institution, KELER is permitted to maintain cash accounts in HUF and foreign currencies on behalf of its clients.

KELER CCP provides central counterparty services for Budapest Stock Exchange, MTF operated by the BSE, and MTS Hungary where the settlement of transactions take place in KELER on a BIS model 3 DVP basis i.e. multilateral netting for both cash and securities. KELER CCP will not become a DCP from the start of T2S; it can connect to T2S via KELER. Currently KELER is offering repo processing, securities lending and borrowing service, and DVD settlement on the market as ancillary settlement services but these are not supported by the T2S settlement engine. According to the plans, KELER will continue to offer these services after joining T2S if it is required by the market. Regarding the investment funds order routing platform, in the T2S environment, WARP platform is expected to remain as it is and it will be available through indirect connectivity.

KELER has a 3-phase implementation plan for joining the T2S platform. Last year KELER launched its System Modernisation Programme (SMP) with the aim of replacing its almost 20 year old account management system and ensuring that the new application is fully compliant with T2S functionalities by September 2016. In the first phase of the implementation plan, KELER selected the vendor and system called BaNCS. In the second phase the new system will be implemented and in the third phase KELER plans to participate in the T2S testing process and migrate to the T2S platform with BaNCS. After the implementation of the new software, KELER will start T2S testing activities as follows:

- connectivity testing with ECB in Q4 2014-Q1 2015
- bilateral interoperability testing (T2S-KELER business processes testing and CSD acceptance testing) in June 2015-February 2016
- community testing (testing of daily process with clients) in February-July 2016
- business day testing in August 2016

According to the plan, the migration is to take place in June-September 2016; a detailed testing and migration plan will be published. KELER will start live operation with T2S on 12 September 2016.

Impact on investors

The T2S White Paper of Hungary includes a short introduction summary of the T2S platform, the conditions of the accession, the available services, and a brief plan of the joining process.

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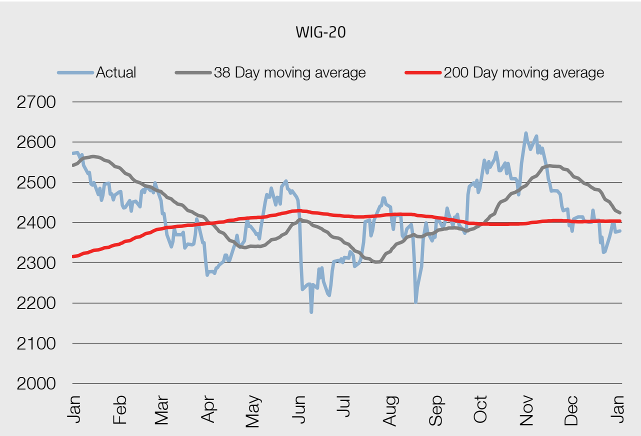
POLAND

Market Capitalisation	PLN 589.0bn
YTD Dev. of Market Capitalisation	15.3%
Number of SE Transactions p.m.	911,631
YTD Dev. of SE Transactions	24.0%
SE Turnover (WSE)	PLN 28.3bn
Monthly Index Performance (WIG20)	-7.1%
Monthly Index Performance (WIG)	-6.3%
GDP per Capita (2014 in EUR)	12,294
GDP Real 2014 (Change against prev. year in %)	3.5
3-Month Money Market Rate (current in %)	2.52
Inflation in 2014 (yearly average in %)	3.0
EUR/PLN	4.16
Upcoming Holidays	none

Source: UniCredit, National Statistics



Source: Thomson Datastream

Seventh edition of the RESPECT Index

Warsaw Stock Exchange has announced the new portfolio of the socially responsible companies index – RESPECT Index. There are four new index participants: BZWBK, WSE, RAFAKO, and TAURON. The new index portfolio includes a record-high number of 23 companies and is available on the WSE web page.

As announced by the Exchange the classification procedure of companies for the index portfolio and the frequency of the survey have changed. Now companies are reviewed from the perspective of their sectors in three areas: environmental, social, and governance activity. In the new format, the company survey and index revision are performed annually in the second half of the year and index participants may include foreign companies. It covers the companies listed on the WSE Main Market. The participating companies are screened by WSE and the Association of Listed Companies (SEG) in a three-stage process of review of all these factors and additionally audited by Deloitte. The project was initiated by Warsaw Stock Exchange in 2009 when the first index portfolio was published.

The UN Sustainable Stock Exchanges initiative (SSE) was founded in 2009 by the United Nations to exchange experience of stock exchanges in the development and promotion of corporate social responsibility and responsible investment among investors, listed companies, regulators, and capital market infrastructure institutions. The RESPECT Index is Central and Eastern Europe's first social responsibility index. The SSE partner exchanges are NYSE Euronext, NASDAQ OMX, the Istanbul Stock Exchange, Bovespa (Brazil), the Bombay Stock Exchange, the Egyptian Exchange, and the Johannesburg Exchange.

Impact on investors

For information purposes only.

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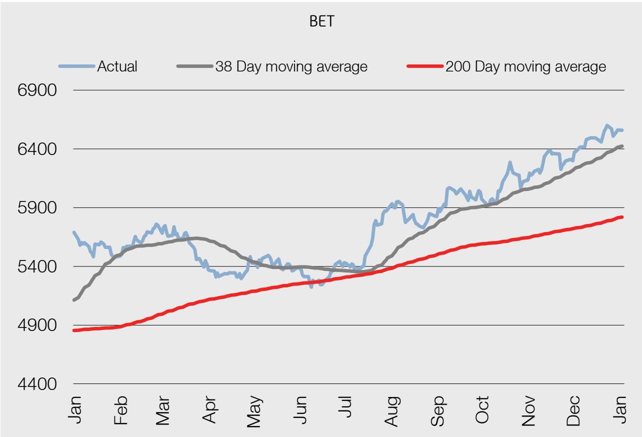
ROMANIA

Market Capitalisation	RON 134bn
YTD Dev. of Market Capitalisation	36%
Number of SE Transactions p.m.	75,038
YTD Dev. of SE Transactions	32.5%
SE Turnover (Bucharest SE)	RON 1,305mn
Monthly Index Performance (BET/BSE)	2.5%
GDP per Capita (2014 in EUR)	8,069
GDP Real 2014 (Change against prev. year in %)	4.5
3-Month Money Market Rate (current in %)	1.75
Inflation in 2014 (yearly average in %)	3.6
EUR/RON	4.53
Upcoming Holidays	none

Source: UniCredit, National Statistics



Source: Thomson Datastream

National Bank of Romania decided to decrease the monetary policy rate

In its meeting on 8 January, the Board of the National Bank of Romania decided to lower the monetary policy rate to 3.75% per annum from 4.0% starting with 9 January 2014. Other decisions made were: pursue adequate liquidity management in the banking system, to cut the minimum reserve requirements ratio on leu-denominated liabilities of credit institutions to 12% from 15%, and lower the minimum reserve ratio on foreign-currency denominated liabilities of credit institutions to 18% from 20% starting with the 24 January – 23 February 2014 maintenance period.

The National Bank of Romania reiterates that the sufficient use of its available tools while closely monitoring domestic and global economic developments is aimed at ensuring financial stability and price stability over the medium term.

Impact on investors

For information purposes only.

EBRD invested EUR 510 million in 32 Romanian projects last year

The European Bank for Reconstruction and Development (EBRD) invested around EUR 510 million in 32 individual projects in Romania last year, a record number of projects for the lender in the eastern European country. An EBRD spokesman said he expected another strong year in 2014.

The list of EBRD investments in Romania last year includes the acquisition of a 1.9% stake in state-run natural gas producer Romgaz via an initial public offering on the Bucharest Stock Exchange, a EUR 225 million syndicated loan to telecom operator Cosmote Romania, as well as several projects aimed at improving water supply services in various localities in the country.

Impact on investors

The European Bank for Reconstruction and Development committed to large investments in Romanian projects.

IMF mission to visit Romania for first and second reviews of stand-by agreement

A mission of the International Monetary Fund (IMF) is currently visiting Bucharest for talks on the combined first and second reviews of the new stand-by agreement (SBA), which was approved in September last year. In September 2013, Romania and the IMF agreed upon a EUR 1.98 billion two-year precautionary loan program, the third financial package the eastern European country has received in the last four years.

The mission, headed by Andrea Schaechter, will take place jointly with teams from the European Commission and the World Bank.

The IMF officials will also meet with representatives of political parties, trade unions, business associations, banks, and civil society organizations.

The new arrangement has a duration of two years and the Romanian authorities intend to treat the SBA as precautionary.

Impact on investors
For information purposes only.

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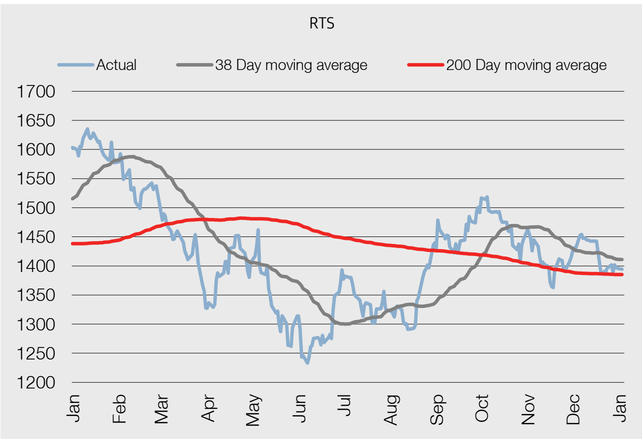
RUSSIA

Market Capitalisation	RUB 25.9trn
YTD Dev. of Market Capitalisation	0.8%
Number of SE Transactions p.m. (MICEX)	5,919,078
YTD Dev. of SE Transactions	-11.2%
SE Turnover (MICEX)	RUB 12.8trn
Monthly Index Performance (MICEX)	0.6%
GDP per Capita (2014 in EUR)	11,476
GDP Real 2014 (Change against prev. year in %)	3.6
3-Month Money Market Rate (current in %)	6.55
Inflation in 2014 (yearly average in %)	5.7
EUR/RUB	45.98
Upcoming Holidays	none

Source: UniCredit, National Statistics



Source: Thomson Datastream

CBR reduces requirements for professional participants' own capital

The Central Bank of Russia (CBR) plans to reduce requirements for own capital of professional participants on the securities market.

On 17 January 2014, the Financial Markets Service of CBR published a draft order with the new requirements for own capital of professional participants on the securities market. They are reduced from RUB 60 million to RUB 10 million for depositories and from RUB 35 million to RUB 1 million for dealers and brokers controlling together not more 15% of the securities market. Furthermore, the requirements for clearing brokers managing the funds on their clients' cash accounts, with market share estimated at about 85%, will also reduced from RUB 35 million to RUB 10 million. The requirement for trustees is changed from RUB 35 million to RUB 5 million. But in this case and with clearing brokers, trustees should participate in Self-Regulatory Organizations (SROs) setting the professional activities standards and maintaining a registry of violations

Impact on investors

Reducing requirements for own capital of professional participants on the securities market should improve the investments climate in Russia.

Rostelecom is planned to be privatised in 2015

The government of the Russian Federation plans to privatise telecoms giant Rostelecom in 2015 after the company completes a reorganisation.

The government's reorganisation plan presupposes the merger of the national telecoms holding Svyazinvest and the country's long-distance operator Rostelecom in 2013-2014.

The order, approved by Former Russian President Dmitry Medvedev, stipulates that the Russian government and the country's national development bank, Vnesheconombank (VEB), will own over 50% to keep control of the new company, which will work under the Rostelecom brand name.

Impact on investors

The merger of two main Russian telecom companies is the next step of the privatisation plan, which will increase the investment possibilities for investors.

Foreign nominee accounts regulation updates

In accordance with the Federal Law No. 379-FZ dated 21 December 2013, the following amendments regarding the regulation on foreign nominee accounts and income distributions came into force from 1 January 2014:

- The Central Bank of Russia (CBR) can stop the operations of a Foreign Nominee Holder (FNH) only to the extent of those securities where beneficial owners are not disclosed.
- FNHs and Foreign Authorized Holders (FAHs) should make a reasonable effort to provide to its sub-custodian the list of final beneficiaries and the holdings on their securities accounts according to the Russian Tax Authorities requirements.
- FNHs and local sub-custodians are not liable for the incorrect disclosure of information provided by their clients.
- The timeframe for local custodians to distribute income payments (on fixed-income securities and equities) among their clients (cascade process) was extended from 5 to 7 working days.

The Law also introduces amendments to the definitions of the record dates (RD):

- For dividends: the RD must be set between 10 and 20 days after the AGM/EGM approving the dividends payment.
- For General Meetings: the list of shareholders entitled to attend the meeting should be identified between 10 and 50 days before the AGM/EGM date.

Impact on investors

The novelties in FNA and income distribution regulations will make the Russian securities market more transparent and allow better protection of investors rights.

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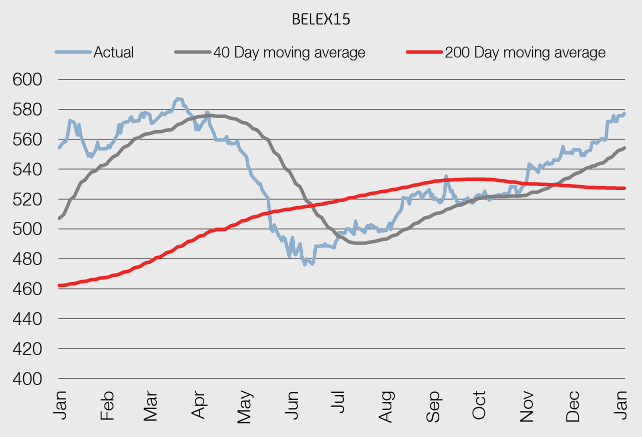
SERBIA

Market Capitalisation	RSD 772.7bn
YTD Dev. of Market Capitalisation	-3.3%
Number of SE Transactions p.m.	25,536
YTD Dev. of SE Transactions	-37.7%
SE Turnover (Belgrade SE)	RSD 1.1bn
Monthly Index Performance (Belex 15)	3.0%
GDP per Capita (2014 in EUR)	5,871
GDP Real 2014 (Change against prev. year in %)	3.0
3-Month Money Market Rate (current in %)	8.30
Inflation in 2014 (yearly average in %)	5.7
EUR/RSD	115.70
Upcoming Holidays	17 Feb

Source: UniCredit, National Statistics



Source: Bloomberg

Fitch downgrades Serbia's Long-Term Rating to B+

Fitch Ratings downgraded Serbia's long-term foreign and local currency issuer default ratings to B+ from BB-.

Fitch Ratings said that Serbia fails to manage its public debt and expects it to grow to 70% of its GDP over the next year up from the current 63%, which is significantly higher than other similarly rated countries. Also, real GDP grew 2.3% in 2013, mostly driven by an increase in automotive exports.

The agency expects average growth to be below 2% for the next two years. Fitch also took into account the fact that Serbia might have elections in the first half of the year, even though it expects that a new Serbian government would be formed relatively quickly.

Impact on investors

For information purposes only.

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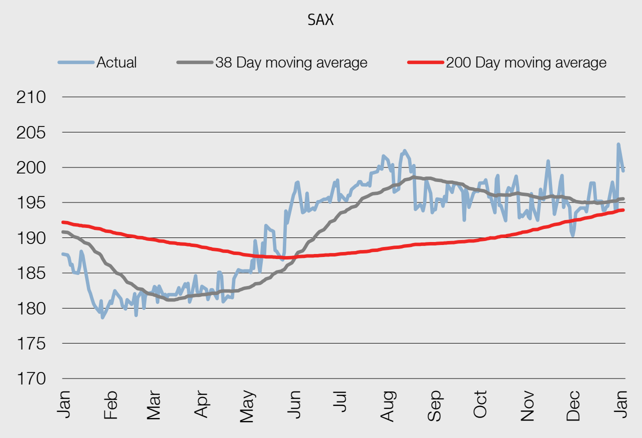
SLOVAK REPUBLIC

Market Capitalisation	EUR 38.6bn
YTD Dev. of Market Capitalisation	0.5%
Number of SE Transactions p.m.	988.0
YTD Dev. of SE Transactions	-7.3%
SE Turnover (Bratislava SE)	EUR 0.7bn
Monthly Index Performance (SAX/BSSE)	-22.2%
GDP per Capita (2014 in EUR)	15,454
GDP Real 2014 (Change against prev. year in %)	4.7
3-Month Money Market Rate (current in %)	n.a.
Inflation in 2014 (yearly average in %)	3.3
Upcoming Holidays	none

Source: UniCredit, National Statistics



Source: Thomson Datastream

Bratislava Stock Exchange trading results in December

In December 2013, the members of the Bratislava Stock Exchange (BSSE) used the electronic trading system during 19 business days. A total of 988 transactions were concluded in this period, in which 508,723,665 units of securities were traded and the achieved financial volume totalled EUR 667.387 million.

In comparison with the previous month this is a decrease in the amount of traded securities (-28.89%), with a 25.51% decrease in the total financial volume and a 7.32% decrease in the number of transactions. The number of transactions fell on a year-on-year basis by 4.82%, whereas the amount of traded securities rose by 28.16% and the achieved financial volume increased by 52.98%. Similar to previous periods, December 2013 saw negotiated deals dominate over electronic order book transactions (i.e. price-setting deals), with the former accounting for 97.96% of the total trading volume. A total of 195 negotiated deals (totaling EUR 653.764 million) were concluded, as opposed to 793 electronic order book transactions totaling of EUR 13.622 million.

Transactions concluded by non-residents in December 2013 accounted for 50.39% of the total trading volume.

The SAX index ended the month of December 2013 at 197.76 points, representing a 1.2% increase on a month-on-previous-month basis and a 2.89% increase year on year.

Impact on investors

For information purposes only.

New Slovak benchmark bond

The Slovak Republic announced a new 15-year benchmark bond issuance. The number of investors has increased to more than 170 and the total value of the orders reached EUR 4 billion. The Agency for Debt and Liquidity Management (ARDAL) issued bonds with a small premium over the existing yield curve, at the level of 1.05% p.a.. The coupon reached a very favourable level with a rate of 3.625% p.a.. Half of the current issue of the new 15-year bonds in the amount of EUR 1.5 billion was bought by investors from Germany and Austria. Domestic investors acquired 16%, followed by buyers from the UK (along with Ireland) and France with a share consistently over 11% of the total volume.

Strong participation by investors reaffirmed their recognition of the quality and attractiveness of the Slovak Republic as an issuer. This is the first issue with a maturity of 15 years in Central and Eastern Europe in the past three years. The issue was also successful thanks to the position of Slovakia in the euro area, faster economic growth than the EU average, a healthy banking sector, and one of the lowest public debts in the euro area.

Managers of the issue were Natixis, Slovak Savings Bank, and UniCredit Bank.

Impact on investors
For information purposes only.

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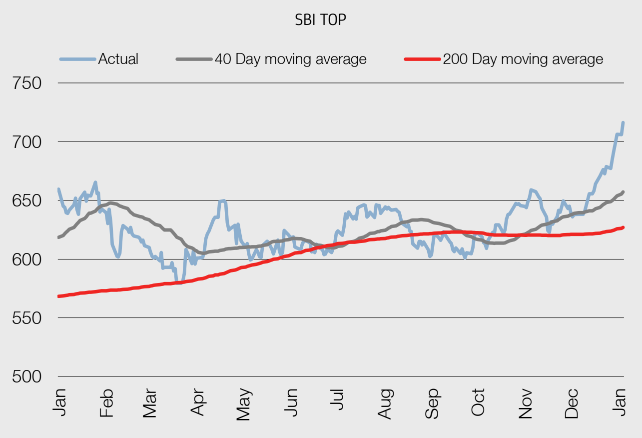
SLOVENIA

Market Capitalisation	EUR 19,143mn
YTD Dev. of Market Capitalisation	9.0%
Number of SE Transactions p.m.	4,766
YTD Dev. of SE Transactions	-1.0%
SE Turnover (Ljubljana SE)	EUR 42,238mn
Monthly Index Performance (SBI TOP)	1.9%
GDP per Capita (2014 in EUR)	21,266
GDP Real 2014 (Change against prev. year in %)	2.5
3-Month Money Market Rate (current in %)	0.25
Inflation in 2014 (yearly average in %)	2.4
Upcoming Holidays	8 Feb

Source: UniCredit, National Statistics



Source: Thomson Datastream

Moody's raises outlook on Slovenia

The rating agency Moody's retained its rating on Slovenia at Ba1, but raised its outlook to stable from negative. The revision of the outlook is due to the results of the recent bank stress test which reduced uncertainty about banks.

Moody's expressed that the bank resolution also alleviated uncertainty about the government's ability to borrow and reduced the need for external aid.

The overall rating remains low based on the bleak outlook for the economy, which Moody's projects will contract by 0.7% after a 2% drop in 2013. The agency does not expect improvement in the short term, quoting an IMF estimate that reforms will exert positive effects in the medium term and will consider upgrading the rating, if progress is made on propping up domestic demand and fiscal consolidation. In the event that macroeconomic indicators worsen or access to borrowing is tightened, the rating could be downgraded.

Impact on investors

For information purposes only.

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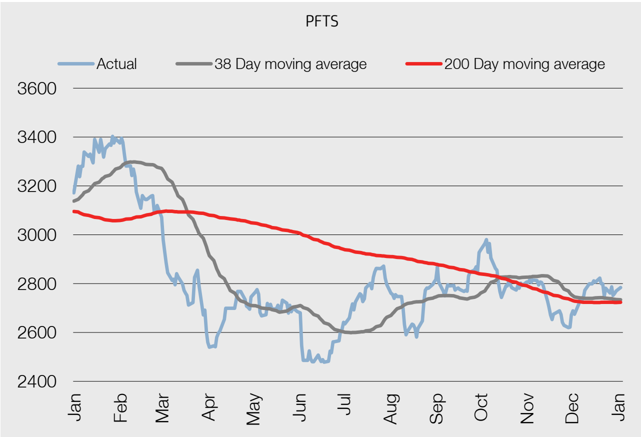
UKRAINE

Market Capitalisation (UX)	UAH 248.5bn
YTD Dev. of Market Capitalisation (UX)	53.0%
Number of SE Transactions p.m. (UX)	27,357
YTD Dev. of SE Transactions (UX)	-47.2%
SE Turnover (UX)	UAH 0.5bn
Monthly Index Performance (UX)	4.5%
GDP per Capita (2014 in EUR)	5,292
GDP Real 2014 (Change against prev. year in %)	4.6
3-Month Money Market Rate (current in %)	9.63
Inflation in 2014 (yearly average in %)	7.3
EUR/UAH	11.37
Upcoming Holidays	none

Source: UniCredit, National Statistics



Source: Thomson Datastream

Ukraine gets USD 15 billion loan from Russian Federation

In December 2013, the presidents of Ukraine and Russia agreed on giving Ukraine a USD 15 billion loan. The loan is to be provided through the purchase of Ukrainian government bonds by the Russian government. According to market observers, Ukraine will be able to solve the problem of foreign currency debt refinancing.

The first tranche of USD 3 billion was already issued at the end of December 2013. Ukraine plans to get USD 2 billion in the second tranche of the loan by the end of January 2014.

Russia has also given Ukraine a discount on Russian natural gas.

Impact on investors

The receipt of financing is expected to have a positive impact on the Ukrainian economy.

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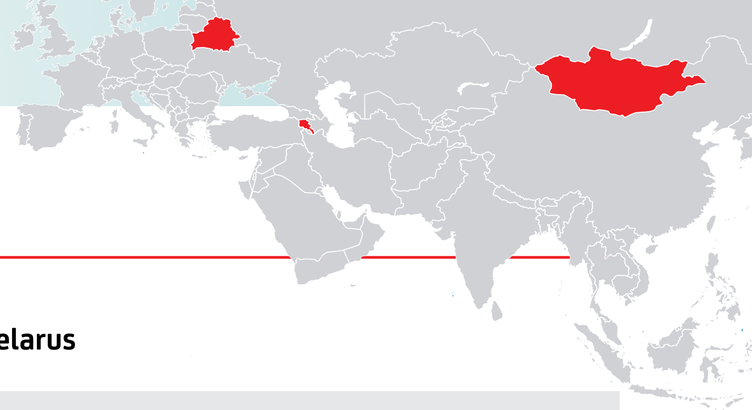

ARMENIA · BELARUS · MONGOLIA

Armenia

Central Depository of Armenia and Russian NSD to cooperate

The Central Depository of Armenia (CDA) and National Settlement Depository (NSD), Russia's Central Securities Depository, have signed a Memorandum of Cooperation aimed at the further development and strengthening of mutually beneficial relations.

CDA and NSD agreed to expand bilateral cooperation for the creation of an efficient and reliable system of record keeping for trans-border securities settlements, to make their best efforts to cooperate on the mutual exchange of information on static data, markets' news, business operating models, opportunities for their improvement, etc.

According to the Memorandum, the depositories plan to establish close business relations and to organize the exchange of information regarding serviced securities, changes in the legislative acts regulating the system of securities safekeeping, technologies, standards, etc. Moreover, the parties will also conduct bilateral consultations on all issues of cooperation.

Impact on investors

The signing of the Memorandum is a step towards the further integration of CDA in the international post-trading floor.

Belarus

Market Capitalisation	BYR 14.6tr
YTD Dev. of Market Capitalisation	n.a.
Number of SE Transactions p.m. (BCSE)	1,462
YTD Dev. of SE Transactions	41.8%
SE Turnover (BCSE)	BYR 3,946.7bn
Monthly Index Performance (BCSE)	-5.2%
GDP per Capita (2014 in EUR)	411
GDP Real 2014 (Change against prev. year in %)	0.90
3-Month Money Market Rate (current in %)	n.a.
Inflation in 2014 (yearly average in %)	2.4
BYR/EUR	0.00008
Upcoming Holidays	none

Source: UniCredit, National Statistics

Mongolia

Securities Market Law legislation updates

A number of important legislative acts, which aim to attract capital to Mongolia, came into force recently:

- The Investment Law took effect on 1 November 2013. The Law determines several tax incentives and non-tax incentives for investments. Moreover, it defines measures to protect investors' interests in Mongolia.
- The Securities Market Law took effect on 1 January 2014. Implementation of this Law brings more transparency for Mongolian companies, their reporting requirements, etc. The amended Law also introduces a legal framework for the creation and operation of local and sub-custodian banks.

The draft of Custodian Regulation, based on the Securities Market Law, is still under debate by the local authorities.

Impact on investors

The Introduction of the Investment Law and the Securities Market Law are a great step towards the development of the Mongolian securities market.

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TURKMENISTAN · UZBEKISTAN

Turkmenistan

Privatisation of state property will begin in July 2014

In accordance with the law adopted in December 2013, the process of de-nationalisation and privatisation of state property will begin 1 July 2014.

The law defines and describes the main principles of de-nationalisation and privatisation including the equality of rights of citizens, ensuring the social protection of employees, and state and public control while implementing measures for state property's privatisation and, new forms of de-nationalisation and privatisation, such as the sale of the state-owned shares on the stock exchanges, the direct sale of privatisation facilities, and sale of state-owned facilities used on lease terms.

Furthermore, the law presupposes the transformation of state-owned enterprises into joint stock companies or companies of another legal form established by the state.

Impact on investors

Privatisation of state property will allow the refinancing of Turkmenistan's economy and an increase in the investment possibilities for investors.

Uzbekistan

Professional participants will provide information on own capital within 30 days

The decree by the General Director of the Centre for Coordination and Development of Securities Market under the State Committee of Uzbekistan on privatisation, de-monopolisation, and competition development made changes to the decree "On approval of Regulations on mandatory standards system of securities market professional participants".

According to these amendments the securities market participants should provide information about their own capital to the authorized state agency on a quarterly basis: not later than the 30th day of the month following the reporting month.

Impact on investors

The timeframe for providing the information on own capital of securities market participants was extended.

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