GSS Newsletter

March 2015

Issue 167

Life is full of ups and downs.
We're there for both.

Welcome to UniCredit

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EDITORIAL

ELIZAVETA SOTNICHENKO
HEAD OF GSS UKRAINE

Dear Clients, Partners and Friends,

Let me start by saying that I am pleased to have the opportunity to address you in this Newsletter Editorial.

Ukraine is passing through really difficult times these days, which is reflected in all aspects of economic and political life in the country. The new Ukrainian Government was appointed at the end of 2014 after the extraordinary Parliament elections that were held in October. Earlier that year, Petro Poroshenko was elected to be the new President of the State as a result of extraordinary presidential elections. All those processes were taking place under the conditions of an ongoing conflict in the East of Ukraine and occupation of part of the Ukrainian territory.

Ukrainian authorities are focused on the development and implementation of general internal reforms, including, in particular, a reform of the financial sector, as well as insuring the prerequisites for European integration. The financial sector reforms are aimed at integration into the global capital markets, harmonisation with European practices, as well as bringing the requirements for stock market participants in line with EU directives. The Association Agreement with the EU was ratified by Ukrainian and European Parliaments in September 2014.

The composition of the board of the main stock market regulator National Securities and Stock Market Commission (NSSMC) was changed by the presidential order based on the Law on Lustration of 2014. On January 30, new members of NSSMC were appointed with Tymur Khromayev (co-founder of the investment company-Arta) as the new Commission Head. Market participants expect the new Commission members, being practicing market professionals, to bring positive changes to the stock market. At the end of last year, a new stock market development programme for the years 2015-2017 was adopted with a focus on balancing the interests of issuers and investors.

On the infrastructure side, a recently implemented depository reform (introduced based on the Law on Depository System) split, the previously combined within the All-Ukrainian Securities Depository (AUSD), settlement/clearing functions and depository record-keeping. As a result, a single CSD and a Settlement Centre were created to provide services for corporate securities. For government securities and municipal bonds the National Bank of Ukraine (NBU) will maintain the depository function. Among the other changes brought on by the reform, it is worth special mentioning of the migration to the entirely non-documentary equities environment with full dematerialisation of documentary securities issued by many joint-stock companies back in the 1990s to the early 2000s. That is combined with the new requirement for all owners of now dematerialised securities to enter into securities servicing relationships with local custodians.

A recent development in CSD Law is the adjustment of the dividend payment mechanism, which translates into a structure where dividends are centrally distributed through the cash account structure of a CSD at the Settlement Centre with further filtering to the custodians' deponents. It is the issuer's liability to calculate and withhold relevant taxes combined with providing relevant information with the payment. This is seen as a rather positive change for our clients as this mechanism is now standardised and increases efficiency for professional investors with various positions in their portfolios.

As a custodian we had to bring all our procedures as well as contractual agreements with our clients in line with the legislation changes.

Among other key regulatory changes we are very closely monitoring, we have a special interest in ones which are related to the currency control limitations of the National Bank of Ukraine – such as a hold up period of at least three days when buying foreign currency for a client and the mandatory sale of 75% of the incoming foreign currency. Moreover, starting from 4 March, NBU temporarily prohibited foreign currency purchase with the purpose of repatriation of dividends as well as funds from sales of securities of Ukrainian issuers (exception: debt securities via the stock exchange) and corporate rights with the exception of shares.

Considering the serious deterioration of basic economic indicators and local currency decline in 2014-2015, NBU is taking measures targeted at Hryvnia (UAH) rate stabilisation. In February 2015, NBU announced changes to its monetary policy. According to a press release of the regulator, the National Bank discount rate was raised

first from 14% to 19.5% and then up to 30% in March 2015. In the meantime, the regulator has abandoned the practice of daily FX auctions, where an indicative exchange rate for the national currency was set; the UAH exchange rate is now to be defined by banks themselves based on actual FX bid/offer balance.

There are some expectations in the market that there might be at least a short term positive impact on the UAH after the launch of a new International Monetary Fund (IMF) financing programme in 2015. According to the IMF Managing Director in February 2015, a staff-level agreement with the Ukrainian government on a new economic reform programme was reached. It would be supported by an Extended Fund Facility from the IMF, as well as by additional funds from the international community. The programme is to be implemented after approval by the IMF Executive Board, which is currently scheduled for 11 March.

As a final word, I would like to say that despite the challenging times for the Ukrainian economy and market, we see this period as an opportunity for a positive change and a significant overhaul of the country's social sphere and economy.

The GSS Team in Kiev stays at your disposal and we are looking forward to working with you.

Elizaveta Sotnichenko
Head of GSS Ukraine

AUSTRIA

Market Capitalisation	EUR 81.2 bn
YTD Dev. of Market Capitalisation	-1.4%
Number of SE Transactions p.m.	N/A
YTD Dev. of SE Transactions	N/A
SE Turnover (Vienna SE)	EUR 4.4 bn
Monthly Index Performance (ATX/VSE)	1.4%
Upcoming Holidays	6 April

Source: UniCredit, National Statistics

First signs of improvement in Austrian economy

The economic climate in Austria brightened somewhat at the start of 2015. However, the upturn was just strong enough to exit negative territory. According to UniCredit Bank Austria's chief economist Stefan Bruckbauer, the latest Bank Austria Business Indicator now sits at exactly 0 points, which means that at the start of 2015 barely anything has changed regarding the sluggish economic development of previous months. The economic prospects for the first quarter of 2015 are still clear despite the marginal improvement in sentiment. Yet, Bruckbauer confirms that he expects to see a moderate revival in economic activity beginning in spring as the tailwind from abroad will support the Austrian economy.

The clear reduction in inflation should facilitate a continued improvement in consumer sentiment. Inflation in Austria is set to fall to roughly 0.5% by the middle of the year. Given the much lower price of oil than in the previous year, sitting at just over USD 50 per barrel on average, the economists at Bank Austria only expect an average inflation rate of 0.9% in 2015. This would generate an increase in real incomes while the fall in the oil price creates more purchasing power, which will lend more momentum to private consumption.

In the coming months the Austrian export industry should be able to make increased use of the sound global demand and the recovery that is slowly taking root in Europe. This will be facilitated by the lower oil price and the weak euro both providing support for economic activity in the coming months. The abrupt increase in price competitiveness in many sales markets will boost export growth in the course of 2015 and therefore stimulate investment activity.

Following weak GDP growth in the first quarter of 2015, the recovery of the Austrian economy should gain some momentum throughout the rest of the year. In light of the developments described above, UniCredit Bank Austria has raised our 2015 growth outlook from 0.7% to 0.9%. For 2016, Bruckbauer still expects an increase in GDP by 1.5%. Political factors, such as the Ukraine crisis and the outstanding debt solution for Greece, constitute significant downside risks to the forecast, while the surprisingly good economy in Germany is an upside risk.

From the euro, which has lost some 20% of its value compared to 2014, an additional growth effect of roughly 0.5 percentage points for the Austrian economy can be expected. The low oil price will then add about another 0.4 percentage points as a positive growth factor. Overall, external conditions, which have improved compared to the previous year, will account for roughly two thirds of the economic growth generated through the end of 2015, totalling roughly 1.5% yoy, according to Bruckbauer.

The economists at Bank Austria do not believe that the continued loosening of monetary policy as part of quantitative easing and the ECB's new securities' purchasing programme beginning in March 2015 will bring any further significant improvements to the economy. However, the weakening of the euro, which will be a key growth factor in 2015, is also a direct consequence of the ECB's policy. It thus seems that the low interest rate in Europe will support the economy for a lengthy period, while in the USA an interest rate hike cycle is likely to start in just a few months, which should maintain the weak euro rate and its positive impact on exports for a longer time. However, further fiscal boosts would be necessary to strengthen the recovery in Europe and to facilitate a sustainable revival of the Austrian economy, by helping to reverse the scepticism of both producers and consumers.

Impact on investors

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BOSNIA AND HERZEGOVINA

Market Capitalisation (Sarajevo SE)	BAM 4.8 bn
YTD Dev. of Market Capitalisation	-0.7%
Number of SE Transactions p.m.	354
YTD Dev. of SE Transactions	-43.6%
SE Turnover (SASE)	BAM 6.7 mn
Monthly Index Performance (SASX-10/SASE)	3.9%
Market Capitalisation (Banja Luka SE)	BAM 4.4 bn
YTD Dev. of Market Capitalisation	-1.2%
Number of SE Transactions p.m.	1,099
YTD Dev. of SE Transactions	-49.5%
SE Turnover (BLSE)	BAM 23.3 mn
Monthly Index Performance (BIRS/BLSE)	-1.7%
Upcoming Holidays	–

Source: UniCredit, National Statistics

Foreign trade results for 2014

The Foreign Trade Chamber of Bosnia and Herzegovina and the Agency for Statistics of Bosnia and Herzegovina announced the foreign trade results for 2014.

In 2014 exports amounted to BAM 8.684 billion, which is 3.6% higher compared with the same period of 2013. Imports amounted to BAM 16.199 billion, which is 6.8% higher than in the same period of last year. The coverage of import by export was 53.6% and the foreign trade in goods deficit amounted to BAM 7.516 billion.

Exports to CEFTA countries amounted to BAM 1.358 billion, which is 1.7% higher compared with the same period of 2013, while imports amounted to BAM 1.863 billion, which is 10.9% higher than in the same period of last year. The coverage of import by export was 72.9%.

Exports to EU countries amounted to BAM 6.269 billion, which is 1.6% lower than in the same period of 2013, while imports amounted to BAM 9.544 billion, which is 4.8% higher than in the same period of last year. The coverage of import by export was 65.7%.

The largest export market for Bosnia and Herzegovina remains Germany, followed by Italy and Croatia. Bosnia and Herzegovina mostly imported from Croatia, Serbia and Germany.

The most exported products were car seats, followed by aluminium and shoes. The most imported products were crude oil, petroleum products and automobiles.

Impact on investors

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Extraordinary revisions of Sarajevo Stock Exchange Indices

The Sarajevo Stock Exchange performed extraordinary revisions of the SASE main Index SASX-10 and the Primary Free Market Index SASX-30.

The extraordinary revision of SASX-10 was conducted on 6 February 2015 due to changes in the free-float factor of IK Banka d.d. Zenica (IKBZRK2) by more than 10%. The composition of SASX-10 remains unchanged. Changed are participation rates of issuers.

The extraordinary revision of SASX-30 conducted on 30 January 2015 impacted the index composition. Issuer Staklenici d.d. Čapljina (STAKR) is delisted and issuer BOR Banka d.d. Sarajevo (BORBRK3) is included in the composition of SASX-30.

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

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BULGARIA

Market Capitalisation	BGN 8.50 bn
YTD Dev. of Market Capitalisation	-15.3%
Number of SE Transactions p.m.	14,540
YTD Dev. of SE Transactions	34.1%
SE Turnover (Bulgarian Stock Exchange)	BGN 212.50 mn
Monthly Index Performance (SOFIX)	-4.17%
Upcoming Holidays	2 and 3 March

Source: UniCredit, National Statistics

Ratification of the FATCA Agreement

On 5 February the Council of Ministers approved a draft law for the ratification of the Foreign Account Tax Compliance Act (FATCA) by the National Assembly of the Republic of Bulgaria. A Model 1 Intergovernmental Agreement (IGA) between the Government of the Republic of Bulgaria and the Government of the United States of America on the implementation of FATCA was previously signed on 5 December 2014. The agreement will enter into force after the ratification of the daft law by the National Assembly and its promulgation in the State Gazette.

Impact on investors

This agreement will enable intergovernmental exchange of information and contribute to the enhancement of international banking and tax transparency and improve measures against tax evasion.

Regional securities trading infrastructure project is developing

At the beginning of February, the SEE LINK project Steering Committee met in Skopje, Macedonia to discuss the progress of the project.

In December 2014, the project had been presented to members of the participating stock exchanges during a road show at the local markets.

In February, SEE LINK published an Invitation to Tender for Order-routing IT Platform. The tendering process will end on 1 April 2015.

The SEE LINK project is supported by the European Bank for Reconstruction and Development, which has provided a grant to fund the establishment of an electronic system for order-routing with a single entry point for the submission of orders through a standard interface to facilitate trading securities listed in Bulgaria, Macedonia and Croatia.

SEE Link was established in 2014 as a joint stock company seated in Skopje, Macedonia by Bulgarian Stock Exchange AD-Sofia (BSE), Macedonian Stock Exchange (MSE) and Zagreb Stock Exchanges (ZSE), each holding an equal share of ownership, with the purpose of creating a regional infrastructure for trading securities listed on the three markets.

Impact on investors

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CROATIA

Market Capitalisation	HRK 206.51 bn
YTD Dev. of Market Capitalisation	2.2%
Number of SE Transactions p.m.	19,529
YTD Dev. of SE Transactions	41.5%
SE Turnover (Zagreb SE)	HRK 316.50 mn
Monthly Index Performance (Crobex/ZSE)	1.1%
Upcoming Holidays	–

Source: UniCredit, National Statistics

Amendments to the Decision on payments and collections in foreign means

In order to stimulate payments and collection in foreign means of payment in Croatia and to make local UCITS funds more accessible, the Croatian National Bank's Council adopted amendments to the "Decision on payments and collections in foreign means of payments in Croatia", originally adopted in 2005.

The most significant change in the cited amendments, in force as of 19 February 2015, is that residents and non-residents investing in Croatia will be able to buy units in UCITS funds established in Croatia also in foreign currency. Before the amendment the conversion of the foreign currency into Croatian kuna had been required.

Further amendments are related to payments and collections of insurance premiums and the payment of claims in foreign currency as well as the payments and collections in foreign currency related to trade in goods and services.

Impact on investors

Payments in Croatia are becoming liberalised.

S&P and Fitch affirm Croatia's credit rating with stable outlook

Standard & Poor's (S&P) Ratings Services affirmed its long- and short-term foreign and local currency sovereign credit ratings on Croatia of 'BB/B', with a stable outlook, forecasting that the Croatian economy will overcome the recession in the second half of 2015.

The ratings reflect S&P analysts' view that the absence of structural and fiscal reforms continues to drag on economic growth and cast doubts over the long-term sustainability of the country's public finances. Croatia also still lacks economic competitiveness, noting that wage and price rigidities undermine labour flexibility. On the other hand, the ratings are supported by the medium-term opportunities stemming from Croatia's recent EU accession in terms of addressing key growth areas, improving competitiveness, accessing external funding, and meeting productivity challenges.

Fitch Ratings affirmed Croatia's long-term foreign and local currency Issuer Default Ratings (IDR) at 'BB' and 'BB+' respectively, and their stable outlooks.

The latest data indicates that more buoyant revenues, chiefly higher VAT receipts, more than offset upward pressure on expenditure and delivered an estimated general government deficit (GGD) of 5% of GDP for 2014, marginally down from 5.2% in 2013, but above the Excessive Deficit Procedure (EDP) target of 4.6%.

Impact on investors

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Exports in 2014 up 8.4%

Croatian commodity exports in 2014 totalled HRK 78.68 billion, HRK 6.1 billion or 8.4% more than the year before. Imports in 2014 totalled HRK 129.7 billion, 3.7% or 4.6 billion more than in 2013.

The foreign trade deficit was HRK 51.05 billion, 2.7% or HRK 1.4 billion down from 2013. Coverage of imports by exports improved from 58.1% in 2013 to 60.7%.

Croatia exported 63.6% of its commodities to EU countries, totalling HRK 50.1 billion or 11.8% up from 2013. Imports from EU countries accounted for 76.3% of all imports, reached HRK 98.9 billion, a 7% increase from 2013. Commodity exports to non-EU countries amounted to HRK 28.57 billion, up 2.8% compared to the year before. Imports from non-EU countries totalled HRK 30.8 billion, 5.6% down from 2013.

Impact on investors

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CZECH REPUBLIC

Market Capitalisation	CZK 1.0 trn
YTD Dev. of Market Capitalisation	0.3%
Number of SE Transactions p.m.	n.a
YTD Dev. of SE Transactions	n.a
SE Turnover (Prague SE)	CZK 51.8 bn
Monthly Index Performance (PX)	0.96%
Upcoming Holidays	6 April

Source: UniCredit, National Statistics

Government debt management report 2014

The Ministry of Finance presented The Czech Republic Government Debt Management Annual Report 2014 to the public, which includes a summary of events related to state debt management and the management of treasury single accounts liquidity, evaluation of the issuance activity of the state and the situation on financial markets in the context of Czech Republic's financing, analysis of the development of state debt and related state budget expenditure on debt service, the evaluation of meeting the targets set for the risk management of net debt portfolio, and the liquidity position of the central government.

Czech Republic's sovereign credit rating

The Czech Republic is among the exceptionally reliable issuers and enjoys considerable interest from domestic and foreign investors, as confirmed by its high credit rating with a stable outlook from all the major credit rating agencies. In 2014 the Japan Credit Rating Agency improved the Czech Republic's credit rating to AA- with a stable outlook for long-term debt in foreign currencies, and to A+ with a stable outlook for long-term debt in the domestic currency. The Czech Republic has the highest total rating of all the countries in Central and Eastern Europe and has had a higher rating than the Euro area countries average for several years.

Financing needs and sources of the central government

The financing needs of the central government are determined by standard components, which must be financed in the given year using monetary resources, i.e. the budgeted state budget deficit and all redemptions, early redemptions and buybacks, and exchanges of nominal value of state debt, including the related derivatives. Financing operations in terms of state financial assets and liquidity management operations take place on the side of funding sources, which may be involved in covering financing needs parallel to the state's lending operations on financial markets.

Medium-term and long-term government bonds

In the area of domestic issuance activity, the total nominal value of the gross issue of CZK denominated medium-term and long-term government bonds amounted to CZK 153.3 billion. This resulted in the use of 66.6% of the annual maximum issuance limit for this type of financing, thus financing 43.8% of the planed gross borrowing requirement of the central government within the alternative scenario of the 2014 funding programme. On the domestic market of medium-term and long-term government bonds, a total of 26 primary auctions were carried out in 2014. Medium-term and long-term government bonds for a total nominal value of CZK 144.3 billion were sold through primary auctions. According to the strategy, fixed-rate and variable-rate medium-term and long-term government bonds were issued in primary auctions.

Impact on investors

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HUNGARY

Market Capitalisation	HUF 27.198 bn
YTD Dev. of Market Capitalisation	38.29%
Number of SE Transactions p.m.	140,307 prompt market: 128,352 derivatives: 11,955
YTD Dev. of SE Transactions	20.3%
SE Turnover (Budapest SE)	HUF 444,504 mn prompt market: HUF 141,504.6 mn derivatives: HUF 302,999 mn)
Monthly Index Performance (BUX)	0.62%
Upcoming Holidays	–

Source: UniCredit, National Statistics

Summary and status update on KELER Group developments

The Hungarian CSD – KELER – has recently issued client information including a summary of the developments completed in the second half of 2014 and planned for 2015.

Among parallel running developments the Strategic Modernisation Programme (SMP) has recently been in the main focus. The SMP was launched in 2012 with the goal to replace the account management system of KELER and simultaneously join TARGET2-Securities (T2S) by assessing and implementing the requirements to the systems of KELER and by evolving a business strategy for the CSD.

System replacement project

In 2013, KELER contracted Tata Consulting Services to replace its current account management system with BaNCS Market Infrastructure. By September 2014 the specification of the new system was completed and following internal system tests, client tests are planned. The go-live of the new system is planned for 4 May.

T2S

In October 2014, depositories and central banks which had joined the T2S project started the test phase, as a result of which, securities transaction volumes of 24 European depositories will be migrated to the central settlement infrastructure in 4 waves. The test phase is expected to take 2.5 years. Hungary is scheduled to join T2S in the third wave, in September 2016.

EMIR compliance

Due to the European regulation – European Market Infrastructure Regulation (EMIR) - which entered into force in August 2012, European clearing houses had to re-apply for a licence by 15 September 2013 in order to be able to serve their markets properly. The licensing process required changes to regulations (investor protection services, e.g. individual segregation, option to select reserve clearing member) and IT developments, which are primarily aimed at ensuring automatism related to the below mentioned regulatory changes.

On 4 July 2014 KELER CCP Ltd. received its European Union license in line with EMIR.

CSDR compliance

In 2014, a new directive and regulation on settlement and CSDs was adopted in the European Union with the aim of creating a uniform market, increasing competition and ensuring free choice in respect of post trade infrastructures. The new regulation is called Central Securities Depositories Regulation (CSDR).

KELER has started preparations to be in compliance with the new regulation i.e. to obtain the new license of operation. The Technical Standards with specific details of CSDR prepared and accepted by the European Securities and Market Authority (ESMA) and the Committees are expected to be published during the summer of 2015.

FATCA compliance

In 2010, the Foreign Account Tax Compliance Act (FATCA) was adopted in the United States in order to enhance transparency with respect to US taxpayers through the monitoring of foreign investments of US citizens by the US tax authority. The Hungarian and US governments concluded a so-called Inter-Governmental Agreement to facilitate compliance with FATCA by simplifying the reporting provisions through the Hungarian authorities.

In order to be fully compliant with the requirements of FATCA the KELER Group introduced new client identification, due diligence and registration processes.

KID modernisation project

KELER started the modernisation of the KID communication system in 2011. This modernisation includes technological and functional modernisation, as well as creating a user-friendly, multilingual communication platform (eKID).

The project was completed in September 2014 as a result of which the client communication interface of the KELER Group has been fully renewed and adjusted to the actual requirements.

WARP Order Routing System

WARP is an integrated platform functioning as an order routing and clearing system that creates a direct link between the fund manager and the distributor (managing the subscription and redemption of investment fund units), the entity clearing the daily issuance and cancellation, and KELER that clears and administers the movement of investment fund units.

With the extension of the WARP system to the full market on 8 December 2014 all domestic investment fund unit trade related transactions are now settled through WARP. Some additional development and modification needs which have arisen in connection with the introduction of WARP are planned to be completed in the course of the spring of 2015.

Migration to the T+2 settlement cycle
A significant technical development of 2014 was the switch to the T+2 settlement cycle of equities from T+3.

The system developments required for the migration were finalised and went live on 6 October 2014.

Multi-level clearing membership system introduction in the gas market
The introduction of the multi-level clearing membership system would enable all clients with risk management policies prohibiting direct clearing membership to join the multi-level system. Trading members who are not clearing members can have access to clearing via a general clearing member.

The assessment of the necessary system developments and evaluation of the offers are in progress, once these processes have been completed the specification of the new system can begin.

Website change project
In the second half of 2014, KELER Group decided to replace its website with the goal of creating a user-friendly, structured interface with ergonomic design.

Following the evaluation of the offers the development of the website was started. The project is expected to be concluded in the second quarter of 2015.

Impact on investors
Simultaneous to running the testing related to the depository system change and preparing for the T2S, KELER completed numerous further developments, which aim to ensure that CSD provides modernised services at an enhanced level.

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POLAND

Market Capitalisation	PLN 595.6 bn
YTD Dev. of Market Capitalisation	0.7%
Number of SE Transactions p.m.	1,312,300
YTD Dev. of SE Transactions	19,3%
SE Turnover (WSE)	PLN 18.7 bn
Monthly Index Performance (WIG20)	1.08%
Monthly Index Performance (WIG)	1.33%
Upcoming Holidays	–

Source: UniCredit, National Statistics

WSE statistical summary of 2014

The number of companies listed on the Warsaw Stock Exchange Main Market (WSE Main Market) increased in 2014 from 450 at the end of 2013 to 471 at the end of 2014.

There were 28 new listings in 2014, compared to 23 in 2013. The total value of IPOs and SPOs on the WSE Main Market was PLN 4.6 billion in 2014 (PLN 7.8 billion in 2013, when the offerings of PKP Cargo and Energa alone stood at nearly PLN 4 billion). The capitalisation of domestic companies on the Main Market was PLN 591.2 billion at the end of 2014 and the total capitalisation of domestic and foreign companies was PLN 1,253.0 billion (an increase of 48.0% year on year).

There were 22 new listings on NewConnect in 2014 while 10 companies, the biggest number ever in the history of the market, transferred to the WSE Main Market. This affected the number of companies listed on the alternative market: 431 companies were listed at the end of 2014, compared to 445 at the end of 2013. The total capitalisation of domestic and foreign companies was PLN 9.1 billion at the end of 2014 (a decrease of 17.3% year on year). The total value of offerings on NewConnect was PLN 422.6 million in 2014 (PLN 623.8 million in 2013).

In 2014, more foreign companies decided to become listed on Warsaw Stock Exchange. Five foreign companies were newly listed on the WSE Main Market: Talanx, Buwog, JJ Auto CG, Fenghua SoleTech, and Banco Santander. At the end of December 2014, both WSE equity markets listed 61 foreign companies, including 51 on the Main Market and 10 on NewConnect.

Bonds of 52 issuers were newly listed on Catalyst in 2014. The number of issuers increased from 176 in 2013 to 193 in 2014. The total value of listed bonds was PLN 544.6 billion (PLN 619.1 billion in 2013). The number of issuers of corporate bonds increased to 147 in 2014 compared to 132 in 2013, the number of issuers of municipal bonds increased to 20 from 18 in 2013, and the number of issuers of co-operative bonds and mortgage bonds remained stable at 22 and 2, respectively. The number of listed bond series increased by 17.0% to 517 in 2014 from 442 in 2013. The number of corporate bond series increased from 291 to 357 during the year, co-operative bond series increased from 34 to 37, municipal bond series increased from 57 to 60, and mortgage bond series increased from 26 to 33. The average value of a corporate bond series (excluding BGK) increased to PLN 94.8 million in 2014 compared to PLN 83.7 million in 2013.

The total volume of trading on the electricity markets of the Polish Power Exchange was 186,722,616 MWh (an increase of 5.7% year on year), including 23,745,309 MWh on the spot market (Day Ahead Market and Intraday Market, an increase of 6.7% year on year) and 162,977,307 MWh on the Commodity Forward Instruments Market (an increase of 5.6% year on year). The total volume of trading on the natural gas market was 111,618,809 MWh an increase of nearly 47 times compared to the 2013 volume. The volume of trading in fuel was 6,543,251 MWh on the spot gas market (Day Ahead Market in gas and Intraday Market in gas, an increase by a factor of 16 year on year) and 105,075,558 MWh on the Commodity Forward Instruments Market (increased by a factor of 54 year on year). PolPX had 64 members at the end of 2014.

Impact on investors

The capital market in Poland develops continuously year on year. Growth of listings can be observed not only on the Main Market of WSE but also on NewConect – a very actively developing alternative market in Poland that attracts small dynamic companies with great aspirations to be listed on the WSE Main Market.

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ROMANIA

Market Capitalisation	RON 128 bn
YTD Dev. of Market Capitalisation	-5.9%
Number of SE Transactions p.m.	87,713
YTD Dev. of SE Transactions	-9.15%
SE Turnover (Bucharest SE)	RON 761 mn
Monthly Index Performance (BET/BSE)	-0.70%
Upcoming Holidays	–

Source: UniCredit, National Statistics

BNR decreased monetary policy rate to a new record low

The Board of the National Bank of Romania (BNR) decided to lower the monetary policy rate again, from 2.5% to 2.25% per year, a new record-low level effective as of 5 February 2015.

Another change concerns the narrowing of the symmetrical corridor of interest rates on BNR's standing facilities around the policy rate to ±2 percentage points from ±2.25 percentage points. Hence, as of 5 February 2015, the interest rate on the BNR's lending facility (Lombard) will be lowered to a yearly 4.25% from 4.75%, while its deposit facility rate will remain at 0.25% per year.

With regards to the minimum reserve requirement ratios on liabilities of credit institutions, the BNR Board has decided to maintain the current levels: 14% for foreign currency denominated liabilities and 10% for RON denominated liabilities.

Impact on investors

For information purposes only.

Draft for the new tax code presented

The Romanian Government has released a draft of the new Tax Code which proposes a series of fiscal measures including a diminution of the VAT, a reduced flat tax, as well as lower social security contributions for both employers and employees.

According to the new version of the Tax Code, the VAT rate will go down from 24% to 20% in 2016, while the VAT on certain categories of goods, such as meat, fish, vegetables, and fruits will be dropped to 9%. Furthermore, the government plans to reduce the excise duties on fuel, tobacco, and alcohol products. The provisions of the new Tax Code target the domestic capital market too, as one of the recommended measures concerns the elimination of the tax on dividend payments, which shall come into effect in 2016.

The draft of the Tax Code is currently undergoing public consultation procedure.

Impact on investors

The Romanian Government intends to eliminate the tax on dividend payments.

Romania's GDP grew by 2.9% in 2014

Romania's Gross Domestic Product (GDP) increased by 2.9% last year, after a 0.5% advance in the last quarter of 2014 compared to the previous three months, according to a report released by the National Institute of Statistics (INSSE).

For 2015, the European Commission has revised upwards the estimations on Romania's GDP from 2.4% to 2.7%, according to the Winter Economic Forecast. The EU institution's prognosis indicates a recovery in both private and public investments. In 2015, private consumption is expected to remain strong as the purchasing power of households is supported by growing salaries, low inflation, falling interest rates and improving market conditions. Local currency lending is projected to continue growing based on easing credit conditions and an anticipated slowdown in the deleveraging process.

Impact on investors

For information purposes only.

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RUSSIA

Market Capitalisation	RUB 30.8 trn
YTD Dev. of Market Capitalisation	14.07%
Number of SE Transactions p.m. (MOEX)	8,598,541
YTD Dev. of SE Transactions	-34.0%
SE Turnover (MOEX)	RUB 11.98 trn
Monthly Index Performance (MOEX)	13.9%
Upcoming Holidays	9 March

Source: UniCredit, National Statistics

Russia's key interest rate cut to 15%

On 2 February, the Central Bank of Russia (CBR) decreased the country's key interest rate from 17% to 15% per year.

The key rate was cut by CBR in order to prevent further economic slowdown.

Impact on investors
For information purposes only.

CBR will join IOSCO

On 11 February, the International Organisation of Securities Commissions (IOSCO) approved the application of CBR to become signatory of the Multilateral Memorandum of Understanding Concerning Consultation and Cooperation and the Exchange of Information (IOSCO MMoU).

Upon completing an official IOSCO MMoU signing procedure, CBR will be included in Appendix A of the IOSCO MMoU, which lists all the IOSCO MMoU current signatories, and therefore will allow CBR to begin information exchange within the framework of the IOSCO MMoU.

IOSCO is an international organisation with more than 120 members, which define approaches to securities market regulation using the best international practices. IOSCO MMoU was implemented in 2002, aiming to promote information exchange among the securities market regulators holding IOSCO membership, as well as to prevent violations in the financial market. Currently 103 members have signed the IOSCO MMoU.

Impact on investors
Joining the IOSCO MMoU will increase the effectiveness of CBR regulatory functions and improve cooperation with foreign securities market regulators.

Rating agencies activity to be supervised by CBR

The draft law "On the Activity of Rating Agencies in the Russian Federation" has been submitted to the Financial Market Committee of the State Duma.

The draft law sets the main definitions of rating activities and conditions of their conduct. Russian legal entities as well as foreign legal entities with standalone divisions in the Russian Federation carrying out rating activities are recognised as rating agencies. Since 1 September 2013, the Central Bank of Russian Federation (CBR) is authorised to control non-credit financial institutions, including rating agencies.

In accordance with the law, CBR will approve the procedure and the accreditation of rating agencies and keep records of rating agencies, conduct inspections, etc.

Impact on investors
CBR will control rating agencies' activity in Russia.

FTSE will calculate indexes on the basis of MOEX's closing auction prices

Starting from 13 April 2015, FTSE, the British provider of stock market indexes and associated data services, plans to use MOEX's closing auction prices to calculate indexes for listed Russian securities.

MOEX implemented the closing auction in September 2013 to increase the liquidity of the stock market in line with its ongoing programme to bring the Russian market infrastructure closer to the best international standards.

FTSE will continue to use the last traded price as the closing price for Russian securities listed on MOEX until 10 April.

Impact on investors
This novelty aims to achieve greater liquidity during the closing auction as well as continuous trading sessions.

MOEX will provide admission to trade via TMX Atrium's global infrastructure

MOEX plans to use its international presence to offer its clients network admission to trade via TMX Atrium's global infrastructure system.

MOEX will provide this service using low latency access over a high capacity fibre network owned and operated by TMX Atrium. Therefore, the exchange's clients will be able to make a connection using the exchange's trading and information systems via more than 20 points of presence (POPs) across the globe, including top financial centres in London, Chicago, New York, Frankfurt, Tokyo, etc.

TMX Atrium, established in 2006, is a leading low latency venue-neutral infrastructure provider for financial services participants all over the world, providing connectivity to over 30 major trading floors and offering low latency access to over 500 data sources.

Impact on investors

Admission to trade via TMX Atrium's system will effectively reduce operating costs, increase reach and provide high performance to MOEX Clients.

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SERBIA

Market Capitalisation	RSD 801.7 bn
YTD Dev. of Market Capitalisation	0.6%
Number of SE Transactions p.m.	12,501
YTD Dev. of SE Transactions	-26.2%
SE Turnover (Belgrade SE)	RSD 953.58 bn
Monthly Index Performance (Belex 15)	-0.4%
Upcoming Holidays	–

Source: UniCredit, National Statistics

Inflation continues to retreat

Y-o-y inflation continued to move below the lower bound of the target tolerance band in Q4. Consumer prices decreased 0.6% in Q4, with lower prices for unprocessed food, petroleum products and cigarettes as the main contributors.

GDP declined 1.6% in real y-o-y terms in Q4 2014, according to an estimate by the Serbian Statistical Office.

Industrial production was down 6.5% while exports and imports were up 1.4% and 0.4% respectively in 2014.

Impact on investors

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SLOVAK REPUBLIC

Market Capitalisation	EUR 42.3 bn
YTD Dev. of Market Capitalisation	2.7%
Number of SE Transactions p.m.	823.0
YTD Dev. of SE Transactions	-56.5%
SE Turnover (Bratislava SE)	EUR 0.8 bn
Monthly Index Performance (SAX/BSSE)	2.3%
Upcoming Holidays	–

Source: UniCredit, National Statistics

Bratislava Stock Exchange trading results for January 2015

In January 2015, the members of the Bratislava Stock Exchange (BSSE) accessed the electronic trading system during 20 business days. A total of 823 transactions were concluded in this period, in which 694,998,546 units of securities were traded and the achieved financial volume exceeded EUR 800.4 million. In comparison with the previous month this is a decrease in the amount of traded securities (-10.95%), with a decrease of the total financial volume (-18.14%) and a decrease in the number of concluded transactions (-56.48%). On a year-on-year basis we recorded a decrease in the number of transactions by 27.62%, whereas both the amount of traded securities and the achieved financial volume increased (+105.81% and +73.61%, respectively). Similar to previous periods, January 2015 saw negotiated deals dominate over electronic order book transactions (i.e. price-setting deals), with the former accounting for 98.22% of the total trading volume. A total of 202 negotiated deals (in a volume of EUR 786.18 million) were concluded, as opposed to 621 electronic order book transactions (in a financial volume of EUR 14.23 million).

In January 2015, investors continued to focus on debt securities, as bond transactions generated 99.93% of the achieved volume. A total of 521 bond transactions were concluded in the period under review, in which 694,960,643 units of securities were traded and the financial volume exceeded EUR 799.84 million. The number of transactions increased compared to December 2014 (+2.36%), while the amount of traded securities and the achieved financial volume went down (-10.66% and -15.3%, respectively). On a year-on-year basis we recorded a 2.25% decrease in the number of transactions, with a 106.19% increase in the number of traded securities and a 78.42% growth of the achieved financial volume. Continuing the trend of previous periods, negotiated deals in bonds (in a financial volume of EUR 786.18 million) significantly dominated over electronic order book transactions (in a volume of EUR 13.66 million).

Transactions concluded by non-residents in January 2015 accounted for 74.44% of the total trading volume. Out of that, the buy side represented 75.67% and the sell side 73.21%. The SAX index ended the month of January 2015 at 227.37 points, representing a 2.27% increase on a month-on-previous-month basis and a 15.74% increase year on year.

Impact on investors

For information purposes only.

Revision of SAX Index base

A regular revision of the base composition of the SAX Index was done on 12 January 2015 in compliance with the Rules of Construction of the SAX Index. The revision was aimed at evaluating the development of trading SAX Index basic components in the second half of 2014 and setting a base for the next 6 month period.

The new base of the SAX Index is applicable as of 1 February 2015.

SAX Index base before and after revision:

	BEFORE REVISION	AFTER REVISION
Name of company	Number of securities in issue	Number of securities in issue
Biotika	983,199	902,199
OTP Banka Slovensko	11,503,166	11,503,166
SES Tlmače	1,565,345	1,565,345
Slovnaft	1,365,719	2,049,618
VÚB	517,664	590,012
Tatry mountain resorts	2,129,310	2,607,305
Best Hotel Properties	3,517,087	4,594,840

Impact on investors

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SLOVENIA

Market Capitalisation	EUR 23.728 bn
YTD Dev. of Market Capitalisation	6.168
Number of SE Transactions p.m.	3,871
YTD Dev. of SE Transactions	-43.23%
SE Turnover (Ljubljana SE)	EUR 26.847 mn
Monthly Index Performance (SBI TOP)	0.79%
Upcoming Holidays	3 April

Source: UniCredit, National Statistics

Ministry of Finance published the Financing Programme of the government budget and a calendar of auctions for government treasury bills

The Ministry of Finance has published the Financing Programme of the Republic of Slovenia's central government budget and calendar of auctions for government treasury bills in 2015. The Financing Programme represents the basic operational document for the execution of the central government budget's financing as well as for the execution of debt management transactions.

Taking into account the prefinancing in year 2014 and proceeds from the sale of equities in 2014 in a total amount of EUR 3 billion, there is no need to borrow for the 2015 budget. Surplus in an amount of EUR 0.4 billion is predicted. The maximal borrowing size permitted by law for 2015 is the sum of due debt in year 2016 and 2017, which is EUR 5.1 billion. The primary instruments for financing due debt in the following years will be bonds and T-bills.

The bonds will be issued through syndicates or auctions. A new process for the auction issue of bonds is in preparation. The issues of T-bills will remain the same as in 2014; 3-month, 6-months, 12-months and 18-months T-bills will be issued.

Impact on investors

The ministry of Finance published the Financing Programme of the Republic of Slovenia government budget and the calendar of auctions for government treasury bills.

AIFM legislation

The Ministry of Finance has prepared a draft version of the Alternative Investment Fund Managers Act for discussion by the National Assembly. The new act will implement the EU AIFM Directive and regulate funds which are not covered by the UCITS Directive and are offered to professional investors.

The act will:

- define and regulate the entities which are involved into AIF and private investment funds (PIF), and authorised, qualified and registered AIFM, PIF and AIF custodians. Registration at the Securities Market Agency (SMA) is stipulated for small AIFM, in a line with the directive;
- divide PIFs into specialised investment funds and other regulated funds;
- in terms of the free float of capital, regulate AIF managers from EU and third countries which execute AIF services in Slovenia and Slovene AIF managers which execute AIF services in EU and third countries.
- define capital requirements, accounting and data secrecy;
- regulate liquidation and bankruptcy of AIF manager;
- market AIFs in line with the directive and passport regime for the marketing of EU AIF by authorised EU AIFMs in Slovenia.
- execute the supervision of AIF managers by the Securities Market Agency.

A single custodian must be appointed for each AIF, which could be a bank, a credit institution, a brokerage company, an investment company and for certain AIF, a notary. There is no passport for the custodian. The act will likely be adopted in the second quarter of 2015.

Impact on investors

Implementation of AIFM Directive.

UCITS legislation

The Ministry of Finance has prepared a draft version of the Investments Funds and Management Companies Act, which will replace the currently valid act and regulate all public funds. The new act will implement UCITS Directive 2009/65/ES, partly implement Directive 2013/14/EU, and amend Directive 2003/41/ES and Directive 2011/61/EU.

The act will regulate public funds and will clearly differentiate UCITS funds from AI funds. The eligible forms of AIFs, regulated by the act, will be:

- alternative mutual fund,
- alternative umbrella fund,
- investment company.

The procedure, in case of abolishment of the fund management or the custodian's license, will be prepared. The act will likely be adopted in the second quarter of 2015.

Impact on investors

Regulation of all public funds in Slovenia.

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UKRAINE

Market Capitalisation (UX)	UAH 230.0 bn
YTD Dev. of Market Capitalisation (UX)	-2.6%
Number of SE Transactions p.m. (UX)	18,177
YTD Dev. of SE Transactions (UX)	-42.7%
SE Turnover (UX)	UAH 0.3 bn
Monthly Index Performance (UX)	-4.1%
Upcoming Holidays	–

Source: UniCredit, National Statistics

IMF to issue USD 17.5 billion credit to Ukraine

According to a statement by the Managing Director of the International Monetary Fund (IMF), Ms. Christine Lagarde, dated 12 February 2015, the IMF team working in Kiev has reached a staff-level agreement with the Ukrainian government on a new economic reform programme that would be supported by an Extended Fund Facility of SDR 12.35 billion (about USD 17.5 billion or EUR 15.5 billion) from the IMF, as well as by additional resources from the international community.

The change in the IMF-supported programme (from Stand-By Arrangement to Extended Fund Facility) will itself provide more funding, more time, more flexibility, and better financing terms for Ukraine to implement its reform agenda.

This new four-year arrangement would support the immediate economic stabilisation in Ukraine as well as a set of bold policy reforms aimed at restoring robust growth over the medium term and improving living standards for the Ukrainian people.

This programme can be implemented after approval by the Executive Board of the IMF.

Impact on investors
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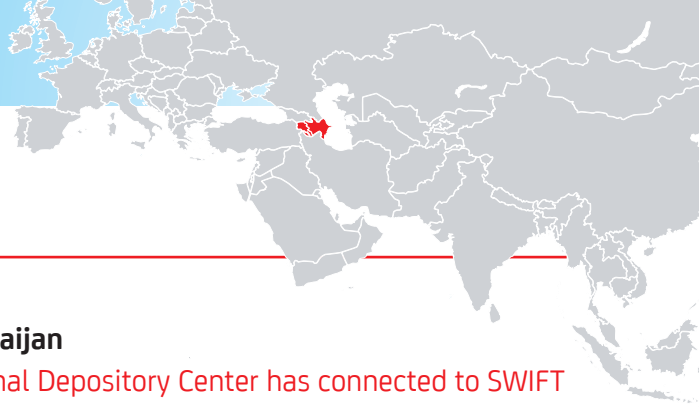

ARMENIA · AZERBAIJAN

Armenia

Armenia's key refinancing rate increased to 10.5%

On 10 February, the Central Bank of Armenia raised its benchmark interest rate again, from 9.5% to 10.5%, for the third time in recent months in order to reduce the impact of exchange rate fluctuations and to stabilise the country's financial system.

The previous increase of key refinancing up to 9.5% was in January 2015 and the preceding escalation from 6.75% to 8.5% occurred in December 2014.

Impact on investors

The increase of the main interest rate should reduce negative impacts of exchange rate fluctuations and strengthen the Armenian financial system.

Fitch Ratings has downgraded Armenia's ratings

Fitch Ratings, a leading provider of credit ratings, downgraded Armenia's long-term foreign and local currency Issuer Default Ratings from "BB-" to "B+", but affirmed its 'Sstable' outlook. Also, the rating agency reconsidered and downgraded the issue ratings on Armenia's senior unsecured foreign and local currency bonds from 'BB-' to 'B+' while the country ceiling was lowered from 'BB' to 'BB-'. The short-term foreign currency IDR was affirmed at 'B'.

Impact on investors

For information purposes only.

Azerbaijan

National Depository Center has connected to SWIFT

The National Depository Center (NDC) of Azerbaijan has announced the completion of the first phase of connecting to SWIFT, the global provider of secure financial messaging services, and the beginning of the second stage which involves the elaboration of internal procedures and regulations along with integration of SWIFT software to NDC accounting system.

SWIFT technological capabilities will enable NDC to conduct its business operations with a high level of speed, certainty and confidence, as well as to automate and standardise financial transactions, which lead to lower costs and reduce operational risk.

Impact on investors

Azerbaijan takes a new step towards the integration of its securities market into the world's financial system.

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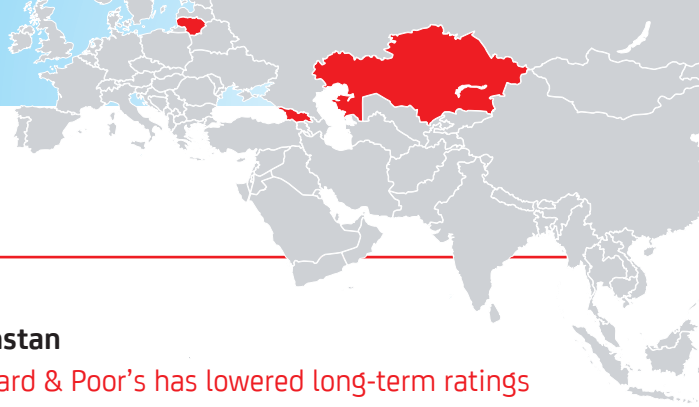

BELARUS · GEORGIA · KAZAHSTAN

Belarus

Market Capitalisation	BYR 16 trn
YTD Dev. of Market Capitalisation	n.a.
Number of SE Transactions p.m. (BCSE)	615
YTD Dev. of SE Transactions	-46.0%
SE Turnover (BCSE)	BYR 8,982.04 bn
Monthly Index Performance (BCSE State Securities)	-73.47%
Upcoming Holidays	–

Source: UniCredit, National Statistics

Georgia

Central Bank raises key interest rate

On 11 February, the National Bank of Georgia raised its main interest rate from 4% to 4.5% as part of efforts to preserve financial stability, control inflation and support the lari (GEL) currency. The rate was unchanged since February 2014, when it was lifted from 3.75 % to 4%.

The next rate revision is scheduled for 25 March.

Impact on investors

The raising of the main interest rate should stabilise the country's financial system and support the national currency.

Kazahstan

Standard & Poor's has lowered long-term ratings

On 9 February, the international rating agency Standard & Poor's lowered its long-term foreign and local currency sovereign credit ratings on Kazakhstan from 'BBB+' to 'BBB' with a 'negative' outlook. The agency affirmed the short-term foreign and local currency sovereign credit ratings on Kazakhstan at 'A-2'. In addition the country's national scale rating was downgraded to 'kzAA+'.

Impact on investors

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