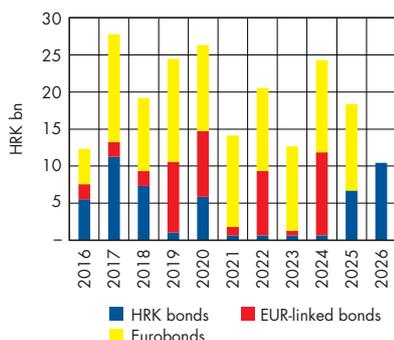


New Domestic Bond Issuance

Government bond maturities (principal and interest)



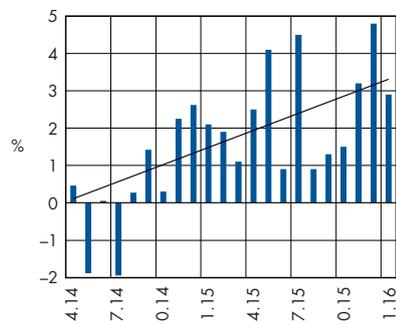
* converted at mid-FX rate on 21st March 2016
Sources: MoF, Raiffeisen RESEARCH

CPI and PPI, annual changes (%)



Sources: CBS, Raiffeisen RESEARCH

Retail trade, real annual changes (%)



Sources: CBS, Raiffeisen RESEARCH

Last week was marked with a **new Government borrowing** on the domestic capital market. The MoF successfully tapped the existing 2026 HRK bond by issuing the 2nd tranche in the total amount of HRK 4bn (YTM 3.99%). The majority in allocation were pension funds. Given that, according to the 2016 Budget proposal, the total bond issuance is planned in the amount of HRK 17.7bn, of which HRK 10bn in LCY, it is obvious that this is not the last Government's entry on the domestic capital market this year. Furthermore, due to the favorable conditions on the international markets, we are rather certain that the Government will tap the international market before the summer. On the **secondary domestic bond market**, after the new issuance, the price of pure HRK 2026 bond recorded a noticeable increase (+0.50% on a weekly basis) with the total weekly volume of HRK 220mn. On the Eurobond markets, it was confirmed that the Croatian Eurobonds follow more the CEE regional sentiment rather than the one-time domestic fundamental announcements. Furthermore, the Moody's downgrad of Croatia's long-term debt ratings was obviously priced in as two other credit rating agencies have already (in 2015) put Croatia's LT credit rating two notches below investment grade. Therefore, on the wings of the falling yields on the CEE market, the Croatian Eurobonds experienced a rather strong price increase, especially the USD denominated issues (0.8% on the average). This week we expect higher trading volumes on the domestic bonds market while the still present higher demand for CEE debt papers will impact the downward pressures on the yields curve and positively affect the Croatian Eurobonds. A positive trend prevails on the **FX market** as well where the kuna appreciated against the euro up to 7.53 kuna per euro (lowest since August 2015) due to a higher FCY supply from foreign banks and institutional investors. In the week to come a slight appreciation pressure on HRK is expected to continue due to the upcoming Easter holidays. Finally, on the last week's T-bills auction yields remained unchanged (1y pure HRK stood at 0.99%).

As regards economic releases, the **CPI figures** for February declined again (-1.4%yoy), representing an intensification of negative growth rates and confirming the trend of deflationary pressures that has lasted since February 2014 with sporadic interruptions. Retail trade in January (based on w. d. a. indices) advanced 2.9%yoy in real terms, rising for the eighteenth consecutive month. In the (pre)holiday week ahead, as regards economic indicators, **labor market data** are due for release. The monthly decline in the number of unemployed in February will be reflected probably in the fall of registered unemployment rate for February (18.2%) which is in line with the usual seasonal employment. Namely, given the earlier beginning of the low tourist season (due to the earlier timing of Easter this year), preparing for the tourist pre-season and an increased demand for seasonal workers has already begun. Hence, we expect the decrease in the number of unemployed to continue in the coming months. The first results of real average gross and net wages in January might show more growth on the annual level, driven by the lack of inflationary pressures and at the same time resulting in higher disposable income.

Financial analyst: Elizabeta Sabolek Resanović
(+385 1 46 95 099), Raiffeisenbank Austria d. d., Zagreb

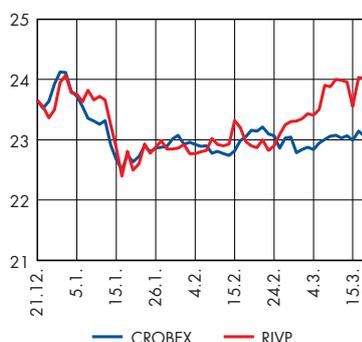
Dividends in focus

Janaf (3 m)



Sources: ZSE, Raiffeisen RESEARCH

Valamar Riviera (3 m)



Sources: ZSE, Raiffeisen RESEARCH

Trading comment

The continuing trend of poor turnover on the Zagreb Stock Exchange is on-going, and only HRK 6.1 mn of regular turnover on average daily has been achieved which is at the level of the week before. Hrvatski Telekom stock was the most traded one in regular turnover for the fifth week in a row, with HRK 4.7 mn turnover, while the Valamar Riviera followed with a turnover of HRK 4.1 mn. General indices CROBEX and CROBEX10 continue on a positive note with an increase of 1.05% and 1.74% respectively, while all sector indices ended the week in the red with the largest decline of 5.57% achieved by the index CROBEXtransport who had the highest growth of 5.17% the week before. Among CROBEX constituents, shares of Optima Telekom increased the most while shares of RIZ Odašiljači lost the most. The majority of stock indices in the region had positive performance led by Romanian BETI index.

Company news

Ericsson Nikola Tesla Supervisory and Management Board proposed to the General Assembly the regular dividend payment to the amount of HRK 20 per share and extraordinary dividend to the amount of HRK 80 per share. General Assembly Meeting will be held on 31st of May. **Ericsson Nikola Tesla** and Armenian operator Ucom signed a frame contract for 4G/LTE network roll-out throughout Armenia. The value of the first phase of the contract is more than HRK 41 mn. **Janaf's** Supervisory and Management Board proposed that at the General Assembly Meeting the dividend payment to the amount of HRK 66.10 per share is adopted, what is in total HRK 66.6 mn. **Croatia Osiguranje** has informed that it has acquired additional stake in the Slovenian reinsurance company Sava Re, and now owns 14.17% of the share capital and 14.81% in voting rights. Before this acquisition, Croatia Osiguranje had 10.20% in voting rights. Valamar Riviera intends to invest HRK 196.7 mn in Family Life Bellevue Resort 4* for the season 2017. The branding and the standards of the project will be done in cooperation with TUI in period 2017–2019. In destination Rabac by 2018 Valamar plans to invest total of EUR 56 mn. The dividend proposition amounts to HRK 0.6 per share and Valamar also intends to buyout up to 1% of own shares.

In this week

We expect continuation of low trading activity in share turnover on the Zagreb Stock Exchange and small changes of leading stock indices.

Financial analyst Damjan Suttić (+385 1 55 75 733)

Market performance

Index	1w %	ytd %	Value on*
18.3.2016			
BETI (RO)	3.41	-2.45	6,833
NTX (SEE,CE,EE)	2.71	1.74	976
WIG30 (PL)	2.60	5.37	2,187
MICEX (RU)	2.05	8.73	1,915
ATX (AT)	1.78	-3.01	2,325
BUX (HU)	1.19	8.34	25,914
CROBEX (HR)	1.05	-3.51	1,630
BELEX15 (RS)	0.60	-6.53	602
SOFIX (BG)	0.59	-2.76	448
PX (CZ)	0.51	-4.61	912
SBITOP (SI)	0.35	2.61	714
SASX10 (BH)	-0.23	-2.59	681

* as at 16:30 CET. Source: Bloomberg

Top/Flop – CROBEX index

Share	1w %	Price on*	Share	1w %	Price on*
18.3.2016					
OT–Optima T.	9.34	2	Zagrebačka Banka	-1.07	39
Podravka	5.17	325	Ingra	-1.11	3
Ericsson NT	4.15	1,042	Atlantic Grupa	-1.22	800
Adris Grupa (P)	3.56	367	Arenaturist	-1.49	330
Končar El	2.16	649	Đuro Đaković H.	-1.96	36
Valamar Riviera	1.71	24	AD Plastik	-1.98	99
Ina	1.23	2,390	Kraš	-2.21	530
Luka Ploče	0.00	600	Petrokemija	-2.71	11
Luka Rijeka	0.00	42	Belje	-8.89	19
Tankerska NG	-0.07	74	Atlantska Plov.	-9.25	103
HT	-0.07	143	Dalekovod	-9.63	11
Maistra	-0.70	213	RIZ Odašiljači	-9.64	75

* as at 16:30 CET. Source: ZSE, Raiffeisen RESEARCH

Economic RESEARCH

Raiffeisenbank Austria d.d. Zagreb (abbreviated as "RBA")

Economic Research

Zrinka Živković Matijević, MSc, Head of Department; tel: +385 1/61 74 338, email: zrinka.zivkovic-matijevic@rba.hr
 Elizabeta Sabolek Resanović, Economic Analyst; tel: +385 1/46 95 099, e-mail: elizabeta.sabolek-resanovic@rba.hr
 Tomislava Ujević, Economic Analyst; tel: + 385 1/61 74 606, email: tomlava.ujevic@rba.hr
 Mate Rosan, Economic Analyst; tel: + 385 1/61 74 388, email: mate.rosan@rba.hr

Financial Advisory

Nada Harambašić Nereau, MSc, Financial Analyst; tel.: + 385 1/61 74 870, email nada.harambasic-nereau@rba.hr
 Damjan Sutlić, Financial Analyst; tel: +385 1/55 75 733, email: damjan.sutlic@rba.hr

Markets and Investment Banking

Robert Mamić, Executive Director; tel: +385 1/46 95 076, email: robert.mamic@rba.hr

Abbreviations

avg – average	EUR – Euro	MoF – Ministry of Finance
bp – basis points	FCY – foreign currency	mom – month over month
C/A – current account	FED – Federal Reserve System	ON – overnight
CBRD – Croatian Bank for Reconstruction and Development	FI – financial institutions	MM – money market
CBS – Croatian Bureau of Statistics	FY – full year	MFEA – Ministry of Foreign and European Affairs
CES – Croatian Employment Service	GDP – Gross Domestic Product	qoq – quarter over quarter
CNB – Croatian National Bank	GFCF – Gross fixed capital formation	RBA – Raiffeisenbank Austria d.d.
DPS – dividend per share	ILO – International Labour Organisation	RoC – Republic of Croatia
EC – European Commission	IMF – International Monetary Fund	SMP – Securities markets programme
ECB – European Central Bank	kn, HRK – Kuna	SNA – System of national accounts
EDP – Excessive Deficit Procedure	LSE – London Stock Exchange	USD – Dollar
EM – Emerging Markets	MIP – Macroeconomic imbalance procedure	w.d.a – working day adjusted
eop – end of period		yoy – year over year

Publisher

Raiffeisenbank Austria d.d. Zagreb
 Petrinjska 59, 10000 Zagreb
 www.rba.hr
 tel. ++385 1/45 66 466
 fax: ++385 1/48 11 626

Publication finished on March 18th, 2016

Disclaimer Financial Analysis

Publisher: Raiffeisenbank Austria d. d. (abbreviated as "RBA")

RBA is a credit institution according to §5 Credit Institution Act with the registered office Petrinjska 59, 10000 Zagreb, Croatia.

Research and analysis is an organisational unit of RBA.

Supervisory authority: Croatian Financial Services Supervisory Agency (HANFA), Miramarska 24b, 10 000 Zagreb and Croatian national bank, Trg hrvatskih velikana 3, 10 002 Zagreb, Republic of Croatia. Unless set out herein explicitly otherwise, references to legal norms refer to norms enacted by the Republic of Croatia. This document is for information purposes and may not be reproduced or distributed to other persons. This document constitutes neither a solicitation of an offer nor a prospectus in the sense of the Croatian Capital Market Act (CMA) or any other comparable act or foreign law. An investment decision in respect of a security, financial product or investment must be made on the basis of an approved, published prospectus or the complete documentation for the security, financial product or investment in question, and not on the basis of this document. This document does not constitute any kind of recommendation to buy, hold or sell financial instruments in the sense of the CMA. Neither this document nor any of its components shall form the basis for any kind of contract or commitment whatsoever. This document is not a substitute for the necessary advice on the purchase, hold or sale of a security, investment or other financial product. In respect of the sale, hold or purchase of securities, investments or financial products, authorized investment advisor can provide individualised advice which is suitable for investments and financial products. This analysis is fundamentally based on generally available information. Unless otherwise expressly stated in this publication, RBA deems all of the information to be reliable, but does not make any assurances regarding its accuracy and completeness. In emerging markets, there may be higher settlement and custody risk as compared to markets with established infrastructure. The liquidity of stocks/financial instruments can be influenced by the number of market makers. Both of these circumstances can result in elevated risk in relation to the safety of investments made on the basis of the information contained in this document. The information in this publication is current, up to the creation date of the document. It may be outdated by future developments, without the publication being changed. The user of this publication acknowledges, agrees and is consented that, to the fullest extent permitted by law, none of the Croatian banking association ("HUB") as coordinator, or ZIBOR contributor banks or Thomson Reuters as supplier of the data which ZIBOR reference rate is calculated from:

1. Does not accept any responsibility or liability for the frequency and accuracy of ZIBOR rates used by the user, whether or not arising from the negligence of any of the HUB, the ZIBOR contributor banks or Thomson Reuters;
2. Shall not be liable for any loss of business or profits nor any direct, indirect or consequential loss or damage resulting from any such irregularity, inaccuracy or use of the information.

Disclosure of interest and conflict of interest:

RBA and/or related persons of the RBA and/or employee of the RBA which has participated in the preparation of this publication, and/or RBA employee who had access to this publication before its distribution, may have or has or have had a significant financial interest in one or more issuers mentioned in this publication.

RBA and/or related persons of the RBA and/or employee of the RBA which has participated in the preparation of this publication, and/or RBA employee who had access to this publication before its distribution, may be or are in conflict of interest with the issuer that is mentioned in this publication.

There is a possibility that the RBA or any related person of the RBA is:

- currently performing or has acted in the past as the main arranger or co-hosted a process of offering of financial instruments of an issuer mentioned in this publication; and/or
- currently or has in the past acted as market maker or other liquidity provider for an issuer mentioned in this publication; and/or
- has signed an agreement with an issuer mentioned in this publication, relating to the provision of investment banking services; and/or
- has signed an agreement relating to matters of making recommendations for an issuer mentioned in this publication.

RBA may have affected an own account transaction in any investment mentioned herein or related investments and or may have a position or holding in such investments as a result. RBA may have been, or might be, acting as a manager or co-manager of a public offering of any securities mentioned in this report or in any related security. RBA may have been, or might be, acting as a market maker or liquidity provider for company or securities mentioned in this report. Unless otherwise expressly stated, the analysts employed by RBA are not compensated for specific investment banking transactions. Compensation of the author or authors of this report is based (amongst other things) on the overall profitability of RBA, which includes, inter alia, earnings from investment banking and other transactions of RBA. In general, RBA forbids its analysts and persons reporting to the analysts from acquiring securities or other financial instruments of any enterprise which is covered by the analysts, such acquisition must be authorised in advance by RBA's Compliance Department. Analyst investment portfolios are disclosed at www.limun.hr RBA has put in place the following organisational and administrative agreements, including information barriers, to impede or prevent conflicts of interest in relation to recommendations: RBA has designated fundamentally binding confidentiality zones. Confidentiality zones are typically units within credit institutions, which are isolated from other units by organisational measures governing the exchange of information, because compliance-relevant information is continuously or temporarily handled in these zones. Compliance-relevant information may fundamentally not leave a confidentiality zone and is to be treated as strictly confidential in internal business operations, including interaction with other units. This does not apply to the transfer of information necessary for usual business operations. Such transfer of information is limited, however, to what is absolutely necessary (need-to-know principle). The exchange of compliance-relevant information between two confidentiality zones may only occur with the involvement of the Compliance Officer. This document does not constitute either a public offer in the meaning of the Kapitalmarktgesetz ("KMG") nor a prospectus in the meaning of the KMG or of the Börsengesetz. Furthermore this document does not intend to recommend the purchase or the sale of securities or investments in the meaning of the Wertpapieraufsichtsgesetz. This document shall not replace the necessary advice concerning the purchase or the sale of securities or investments. For any advice concerning the purchase or the sale of securities of investments kindly contact your RAIFFEISENBANK. **SPECIAL REGULATIONS FOR THE UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN IRELAND (UK):** this publication has been either approved or issued by Raiffeisen Bank International AG (RBI) in order to promote its investment business. Raiffeisen Bank International AG, London Branch is authorised by the Austrian Financial Market Authority and subject to limited regulation by the Financial Conduct Authority ("FCA"). Details about the extent of our regulation by the Financial Conduct Authority are available from us on request. This publication is not intended for investors who are Retail Customers within the meaning of the FCA rules and should therefore not be distributed to them. Neither the information nor the opinions expressed herein constitute or are to be construed as an offer or solicitation of an offer to buy (or sell) investments. RBI may have affected an Own Account Transaction within the meaning of FCA rules in any investment mentioned herein or related investments and or may have a position or holding in such investments as a result. RBI may have been, or might be, acting as a manager or co-manager of a public offering of any securities mentioned in this report or in any related security. **SPECIFIC RESTRICTIONS FOR THE UNITED STATES OF AMERICA AND CANADA:** This document may not be transmitted to, or distributed within, the United States of America or Canada or their respective territories or possessions, nor may it be distributed to any U. S. person or any person resident in Canada, unless it is provided directly through RB International Markets (USA) LLC, a U. S. registered broker-dealer ('RBIM'), and subject to the terms set forth below. **SPECIFIC INFORMATION FOR THE UNITED STATES OF AMERICA AND CANADA:** This research document is intended only for institutional investors and is not subject to all of the independence and disclosure standards that may be applicable to research documents prepared for retail investors. This report was provided to you by RB International Markets (USA) LLC, a U. S. registered broker-dealer ('RBIM'), but was prepared by our non-U. S. affiliate, Raiffeisen Bank International AG (RBI). Any order for the purchase or sale of securities covered by this report must be placed with RBIM. You can reach RBIM at 1133 Avenue of the Americas, 16th Floor, New York, NY 10036, 212-600-2588. This document was prepared outside the United States by one or more analysts who may not have been subject to rules regarding the preparation of reports and the independence of research analysts comparable to those in effect in the United States. The analyst or analysts who prepared this research (i) are not registered or qualified as research analysts with the Financial Industry Regulatory Authority (FINRA) in the United States, and (ii) are not allowed to be associated persons of RBIM and are therefore not subject to FINRA regulations, including regulations related to the conduct or independence of research analysts. The opinions, estimates and projections contained in this report are those of RBI only as of the date of this report and are subject to change without notice. The information contained in this report has been compiled from sources believed to be reliable by RBI, but no representation or warranty, express or implied, is made by RBI or its affiliated companies or any other person as to the report's accuracy, completeness or correctness. Securities which are not registered in the United States may not be offered or sold, directly or indirectly, within the United States or to U. S. persons (within the meaning of Regulation S under the Securities Act of 1933 [the 'Securities Act']), except pursuant to an exemption under the Securities Act. This report does not constitute an offer with respect to the purchase or sale of any security within the meaning of Section 5 of the Securities Act and neither shall this report nor anything contained herein form the basis of, or be relied upon in connection with, any contract or commitment whatsoever. This report provides general information only. In Canada it may only be distributed to persons who are resident in Canada and who, by virtue of their exemption from the prospectus requirements of the applicable provincial or territorial securities laws, are entitled to conduct trades in the securities described herein. **INFORMATION REGARDING THE PRINCIPALITY OF LIECHTENSTEIN:** COMMISSION DIRECTIVE 2003/125/EC of 22 December 2003 implementing Directive 2003/6/EC of the European Parliament and of the Council as regards the fair presentation of investment recommendations and the disclosure of conflicts of interest has been incorporated into national law in the Principality of Liechtenstein by the Finanzanalyse-Marktmisbrauchs-Verordnung.

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