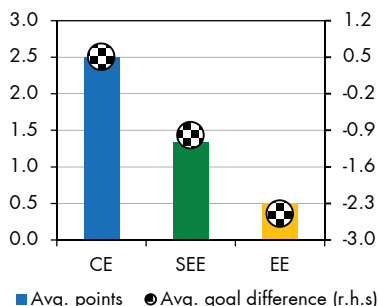


Euro2016: CEE performance*



* including all matches played until (incl.) 16 June 2016;
 CE: SK, PL, CZ, HU; SEE: RO, AL, HR, EE: RU, UA
 Source: UEFA, RBI/Raiffeisen RESEARCH

Market snapshot

| | curr.* | Sep-16 | Dec-16 | Mar-17 |
|-------------------|--------|--------|--------|--------|
| Poland | | | | |
| EUR/PLN | 4.43 | 4.30 | 4.30 | 4.25 |
| Key rate | 1.50 | 1.50 | 1.50 | 1.50 |
| 10y bond | 3.3 | 3.0 | 3.2 | 3.3 |
| Hungary | | | | |
| EUR/HUF | 314.4 | 315 | 315 | 310 |
| Key rate | 0.90 | 0.90 | 0.90 | 0.90 |
| 10y bond | 3.4 | 3.2 | 3.3 | 3.4 |
| Czech Rep. | | | | |
| EUR/CZK | 27.1 | 27.0 | 27.0 | 27.0 |
| Key rate | 0.05 | 0.05 | 0.05 | 0.05 |
| 10y bond | 0.4 | 0.6 | 0.7 | 0.9 |
| Romania | | | | |
| EUR/RON | 4.53 | 4.50 | 4.50 | 4.45 |
| Key rate | 1.75 | 1.75 | 1.75 | 1.75 |
| 10y bond | 3.6 | 3.6 | 3.8 | 3.9 |
| Croatia | | | | |
| EUR/HRK | 7.52 | 7.55 | 7.60 | 7.60 |
| 10y bond | 3.9 | 3.9 | 3.9 | 4.0 |
| Russia | | | | |
| USD/RUB | 65.4 | 65.0 | 67.0 | 67.0 |
| Key rate | 10.50 | 10.00 | 9.50 | 9.00 |
| 10y bond | 8.7 | 9.0 | 8.8 | 8.6 |
| Turkey | | | | |
| USD/TRY | 2.93 | 2.90 | 2.95 | 3.00 |
| Key rate | 7.50 | 7.50 | 7.50 | 7.00 |
| 10y bond | 9.5 | 9.0 | 8.9 | 8.6 |
| EUR/USD | 1.12 | 1.10 | 1.05 | 1.03 |

* prices as of 17 June 2016, 09:01 a.m. CEST;
 Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

Content

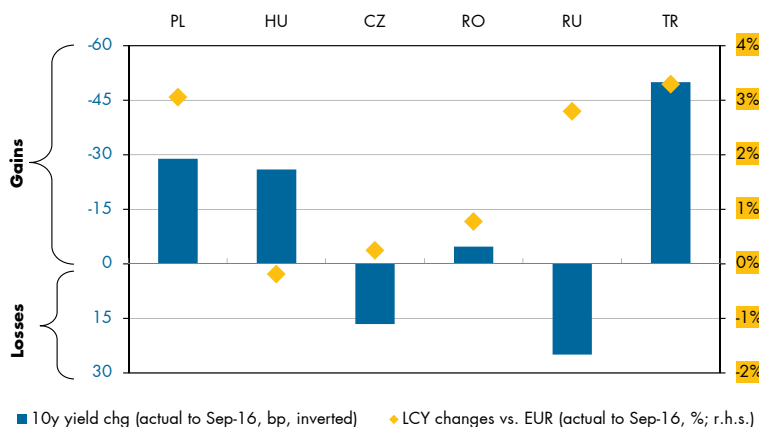
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Highlights

Key economic trends across CEE seen in recent years - i.e. firm growth with certain catching-up in CE, reoccurrence of growth in SEE, while EE countries are coming out of the woods only gradually - seem to be closely correlated to the performance at the EURO 2016 (up to now). On average four participating CE teams managed to secure 2 points per match played (avg. positive goal difference 0.5). The three SEE squads recorded 1.3 points per match with an average goal difference at -1, while EE teams just managed a 0.5 point performance per game (avg. goal difference -2.5). However, constructive EURO 2016 outcomes for CE stand in stark contrast to the regional risk position concerning UK's referendum on the EU membership. Major CE countries look more exposed due to their trade, FDI and/or remittances links. However, on a positive note the CEE region as a whole is less exposed to London/UK as a financial hub compared to global markets. Nevertheless, we would see hardly any benefits for the region in case of a "leave" vote next week (see the Focus on section). Politics in Croatia remained in the focus of attention this week. The coalition has turned out to be as fragile as expected, raising the prospect of early elections in autumn. Investors are definitely surprised by intrigues and rising irrationality given the fairly constructive dialogue the new PM had with EU authorities on stabilising and reforming the economy. However, the medium-term capabilities to push forward with reforms and structural consolidation could be constrained by the ongoing political volatility; also by rating agencies, all three majors are to review Croatia's sovereign rating in summer. Meanwhile, in the political sphere Russia is less beaten up than at the European Championship. As expected more positive momentum in Russian-EU relations is visible at the St. Petersburg International Economic Forum (SPIEF). The expected extension of EU sanctions against Russia next week is likely to come along with a lot of talk about normalisation later in 2016 or 2017. For the time being the Russian position remains, that the EU should lift sanctions first, thus a prolongation of countersanctions is currently prepared.

Financial analyst: Gunter Deuber, RBI Vienna

Expected changes until September 2016



Source: Bloomberg, RBI/Raiffeisen RESEARCH

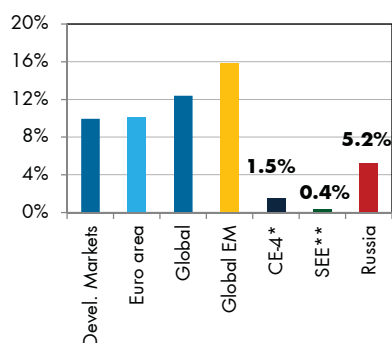
Data highlights upcoming week

| Date | Indicator | Period | est. | High | Mean | Low | Prev. |
|--------|-----------------|--------|-------|-------|-------|-------|-------|
| 21-Jun | HU: Key rate, % | Jun | 0.90 | 0.90 | 0.90 | 0.90 | 0.90 |
| 21-Jun | TR: Key rate, % | Jun | 7.50 | 7.50 | 7.50 | 7.25 | 7.50 |
| 23-Jun | UA: Key rate, % | Jun | 18.00 | 18.00 | 17.50 | 17.00 | 18.00 |

Source: Bloomberg, RBI/Raiffeisen RESEARCH

Focus on: BREXIT and UK-gearing of CEE region

Banking: UK-gearing***

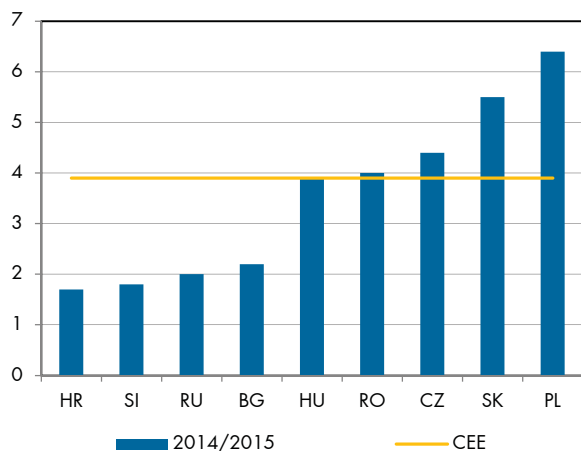


* CE-4: PL, CZ, HU, SK
 ** SEE: RO, RS, HR
 *** Q4 2015 BIS Consolidated banking statistics, share of UK in cross-border claims, in % of total
 Source: BIS, RBI/Raiffeisen RESEARCH

Market fears concerning adverse effects stemming from an (unexpected) leave vote in the upcoming "Brexit" referendum have increased lately. Market reaction in case of a "leave" vote is likely to be negative, while we think that most market participants still expect a "stay" vote to materialise (e.g. probable dominance of status quo when voters will realize the boldness of their voting or margins of errors in polls). Nevertheless, we think it is time to look at the UK gearing of the CEE region and CEE economies in order to rationalize "Brexit"-debates that are likely to stay with us for the upcoming days. The main findings of a more detailed Brexit-special we released earlier this week are the following:

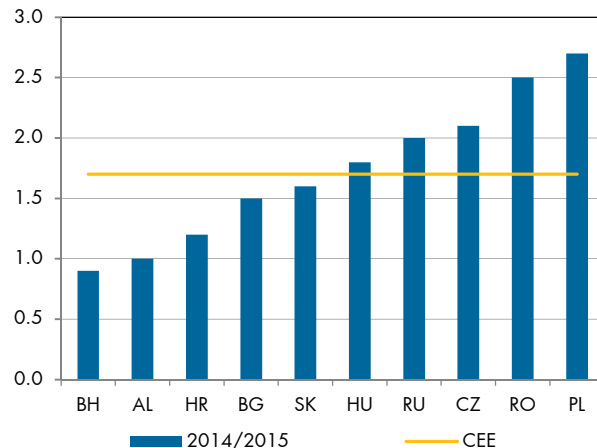
- **The UK is a notable trading partner for the CE economies, with strong export growth in recent years (and solid trade surpluses).** Hence there could be some effect on those economies. However, overall modest shares in exports and imports (2-6% of export, 1-3% in imports respectively) imply near-term consequences for CEE countries. This idea is also supported by the modest share of UK in CEE FDI, with some 3-4% in more exposed countries.
- **Especially the CE/SEE countries are much less exposed to UK/London as a financial hub compared to global markets, i.e. developed economies and global emerging markets.** This phenomenon can be explained by the very strong role of Italian and Austrian banks in the CE/SEE region. The share of UK in global cross-border bank exposures to CE/SEE is at around 1-2%, some 5% in case of Russia compared to 10-15% globally, be it in developed countries or Emerging Markets.

Share UK in exports (% of total)



Source: national sources, RBI/Raiffeisen RESEARCH

Share UK in imports (% of total)



Source: national sources, RBI/Raiffeisen RESEARCH

- **Despite some deleveraging Russia remains somewhat more exposed to the UK compared to the CE/SEE economies** via bank exposures and extensive FDI-relations (incl. UK offshoring). Nevertheless, **we think that Russia can once again prove more stable than the overall emerging market competition** within a Brexit-related short-term sell-off scenario.

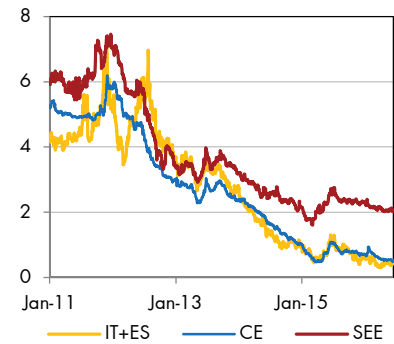
- **Tight valuations on CE Eurobond markets and EUR-selling** (and weaker CE/SEE currencies, with most selling pressure in the most liquid markets like PLN and HUF) **are from our understanding the key short-term market risks.** For LCY bond markets we are slightly more constructive. We find that certain risk premia (e.g. versus Bunds) had been rebuilt recently (e.g. compared to historical lows seen in early 2015 in the context of an ECB QE euphoria rally). We would expect potential short-term setbacks for LCY bonds (for foreign investors) to be driven mainly by the FX component. In this context we would see Romanian, Serbian and Czech LCY bonds possibly a bit less exposed due to shallower FX markets as well as tight FX/market control of their central banks. Counter-intuitively Serbia seems to be on a safer side here with an IMF agreement in place, while the carry in the LCY space still remains rather attractive.

- **We would be more cautious about a sustained outperformance (or safe-haven status) of shallower CE/SEE markets and/or non-EU SEE markets (e.g. Serbia, Albania, Macedonia) in case of more sustained selling pressure.** With regards to non-EU countries it is important to stress that increasing frictions within the EU are also likely to put a hold to the accession process of current candidates in SEE (e.g. Serbia, Albania, where the year 2020 was cited as ambitious entry date up to now).
- **With regards to potential BREXIT-related benefits for CEE we would be definitely cautious.** Historical experience shows that a complete reversal of the outward migration is unlikely (CE/SEE citizens working in the UK are likely to move to other Western European EU countries). Moreover, markets would be also closely watching political reactions to a potential leave vote (this holds especially true given an increasingly less EU-friendly course in several CE countries). Nevertheless, for the time being and with the exception of Poland we would not expect meaningful anti-EU rhetoric in most cases where this has not materialized up to now. Not to forget that markets/investors will likely see future EU funding for the CE/SEE countries being endangered as a negative factor for investor sentiment. This factor may even dent investor sentiment from a medium- to long-term perspective. Regarding this dimension Poland, Hungary and Romania (in this ordering) do look most exposed in terms of net benefits from the EU budget (in recent years).

Given the sketched situation – with more downside than upside – we hope not to write about a Brexit (i.e. not our base case scenario) in our upcoming CEE Weekly on 24 June next week.

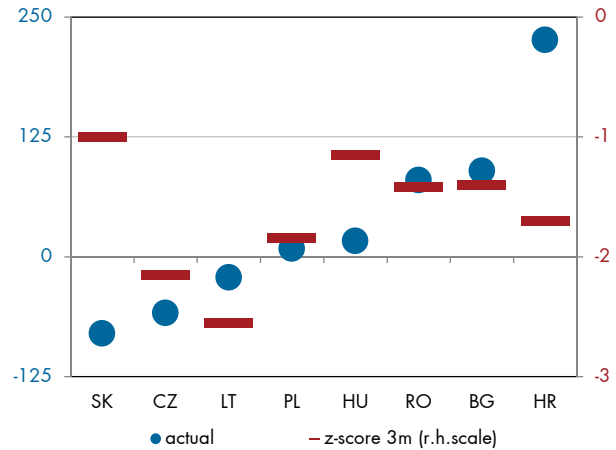
Financial analyst: Gunter Deuber, RBI Vienna.

CE and SEE vs. EU peripherals*



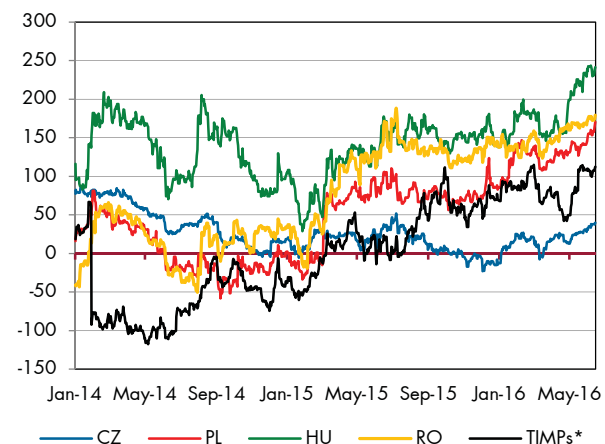
* avg. 5y bond yield (% p.a.) for Spain and Italy (IT+ES) vs. avg. for CE (Czech, Hungary, Latvia, Lithuania, Slovakia, Poland) and SEE (Bulgaria, Croatia, Romania) Eurobonds in EUR currency
Source: Bloomberg, RBI/Raiffeisen RESEARCH

Spreads and z-scores for CE/SEE to EU peripherals*



* z-scores for 3-month average adjusted by one standard deviation, CE/SEE spread to EU peripherals in bp - respective CE Eurobond average yield minus average yield of Italy+Spain; Source: Bloomberg, RBI/Raiffeisen RESEARCH

LCY bonds: CE-4 risk premia on the rise recently**



* unweighted arithmetic mean (Turkey, Indonesia, Malaysia, Philippines)
** risk premium = 10y-10y yield difference minus base rate difference (bp), all vs. Germany; Source: Bloomberg, RBI/Raiffeisen RESEARCH

Data releases and country coverage

This week, previous week: key data releases

| Indicator | Period | Actual | Forecast | Prev. | Indicator | Period | Forecast | High | Mean | Low | Prev. |
|-------------------------------|--------|--------|----------|--------|-----------------------------------|--------|----------|-------|-------|-------|-------|
| Friday, 10 June | | | | | Friday, 17 June | | | | | | |
| HR: Retail sales, % yoy final | Apr | 3.2 | 3.2 | 3.2 | PL: Retail sales, % yoy | May | 1.2 | 5.5 | 3.8 | 0.9 | 3.2 |
| RU: Key rate, % | Jun | 10.50 | 10.50 | 11.0 | PL: Industrial output sold, % yoy | May | 3.8 | 6.9 | 4.5 | 2.9 | 6.0 |
| RU: Trade balance, USD bn | Apr | 6.8 | n.a. | 7.7 | Monday, 20 June | | | | | | |
| Monday, 13 June | | | | | RU: Retail sales, % yoy real | May | n.a. | -1.0 | -4.9 | -5.3 | -4.8 |
| CZ: C/A balance, CZK bn | Apr | 0.9 | 16.0 | 32.4 | RU: Real wages, % yoy | May | n.a. | -1.0 | -1.9 | -3.0 | -1.7 |
| PL: CPI, % yoy final | May | -0.9 | -0.9 | -1.0 | Tuesday, 21 June | | | | | | |
| PL: C/A balance, EUR mn | Apr | 594.0 | 546.0 | -103.0 | HU: Key rate, % | Jun | 0.90 | 0.90 | 0.90 | 0.90 | 0.90 |
| PL: Trade balance, EUR mn | Apr | 520.0 | 617.0 | 204.0 | UA: GDP, % yoy final | Q1 | n.a. | n.a. | n.a. | n.a. | -1.4 |
| RS: CPI, % yoy | May | 0.7 | n.a. | 0.4 | TR: Key rate, % | Jun | 7.50 | 7.50 | 7.50 | 7.25 | 7.50 |
| BG: CPI, % yoy | May | -2.0 | n.a. | -2.2 | Wednesday, 22 June | | | | | | |
| SK: CPI, % yoy | May | -0.7 | n.a. | -0.4 | UA: Industrial output, % yoy | May | 6.5 | 6.5 | 3.5 | 1.7 | 3.5 |
| Tuesday, 14 June | | | | | Thursday, 23 June | | | | | | |
| RO: Industrial output, % yoy | Apr | 3.9 | n.a. | 0.2 | UA: Key rate, % | Jun | 18.00 | 18.00 | 17.50 | 17.00 | 18.00 |
| Wednesday, 15 June | | | | | HR: Unemployment rate, % | May | 14.5 | n.a. | n.a. | n.a. | 15.9 |
| RU: GDP, % yoy | Q1 | -1.2 | n.a. | -3.8 | Friday, 24 June | | | | | | |
| Thursday, 16 June | | | | | HU: C/A balance, EUR bn | Q1 | n.a. | n.a. | n.a. | n.a. | 1.0 |
| HR: CPI, % yoy | May | -1.8 | -1.6 | -1.7 | | | | | | | |
| RU: Industrial output, % yoy | May | 0.7 | n.a. | 0.5 | | | | | | | |

Source: Bloomberg, RBI/Raiffeisen RESEARCH

Croatia (HR) – Exhausted political story which started with the Prime Minister's invitation for HDZ's and MOST's leaders to step down generated one more turmoil week behind us. After the decision of the Commission for Conflict of Interest Prevention that Mr Karamarko was in a conflict of interest, Karamarko offered his resignation from the post of First Deputy PM. Simultaneously, MOST clearly confirmed their two options: either this government with PM Oreskovic or snap elections while the opposition tried to enforce pulling down the government, repeatedly calling for new elections. At the end, the first time in Croatian history an initiative of the motion of no-confidence against the Prime Minister finally finished yesterday when the members of parliament voted against PM Oreskovic. More precisely, 125 members voted against the PM out of total 142. As we assume that HDZ would not succeed in the government reshuffling we might expect early elections. At least for now even election would not bring political stability as we do not expect to see a clear winner. Therefore, the risk of delaying so needed structural measures is on the rise. Consequently, we do not exclude further credit rating downgrade as well. Regarding macroeconomic releases, the week ahead will be highlighted by labour market data. By the end of the next week the first results on ILO labour force figures in Q1 will be published. According to the Croatian Bureau of Statistics schedule, the first results on average net and gross earnings are set to be released together with registered unemployment rate in May. Due to persistent deflationary pressures (also confirmed by the latest CPI annual drop at 1.8% yoy in May) we expect that real wages in April will continue to grow on annual basis. Coming closer to the peak of the tourist season higher demand for seasonal workers could push down unemployment rate in May towards 14.5%.

Financial analyst: Tomislava Ujevic (+385 1 6174 606), Raiffeisenbank Austria d.d., Zagreb

Czech Republic (CZ) – The junior Czech governing party, ANO, threatened to leave the ruling coalition due to a proposal from its coalition partner, the social democratic interior minister, to reorganise the police. We think the threat of the ANO leaving the coalition is rather low. The reason for such a move seems to be weak and the effects for the ANO movement leaving the coalition and breaking up the government would be very risky. Therefore we take this rather as a marketing tool. The next parliamentary election is planned for autumn 2017. This year only regional and Senate elections will reveal the public's political sentiment. Next week the Czech data calendar is almost empty, and market players will clearly be focused on the UK referendum.

Financial analyst: Michal Brozka (+420 234 401 498), Raiffeisenbank a.s., Prague

Hungary (HU) – The Central Statistical Office will release wage data for the January-April period, which are particularly important in terms of the ongoing wage dynamics from which the fiscal policy could generate some upside pressure on the front of the final consumer prices too. During the January-March period, gross wages increased by 6% yoy versus 4.1% yoy a year earlier or only 1.8% yoy in 2014. For April we expect gross wages to increase further by 6% yoy, meaning

that alongside zero inflation the pace of real-wage increase likely remain at around 6-7%. The improvement is coming from the necessary wage increases in the private sector. All in all, besides such wage dynamics we see no reason why the inflation won't pick up soon, sometime during the second half. According to that, we forecast a headline figure above 2% yoy at end-2016 and also above 2% for 2017 average. There will be no other data release next week. On the HUF front, we saw roller coaster movements during the week. The EUR/HUF touched the upper end of the 310-315 trading range, while the HGB yields increased 2-7bp amidst worsening of the external market mood. The 5y CDS premium increased 24bp to 167bp, which is a bit above the one-year average, but all in all, taking the longer term view, this is still a marginal upside movement. Overall, we see no big changes ahead in mid-term trends related to the HUF or the HGBs, but of course we do not rule out even more risk awareness to come ahead to the UK referendum on Thursday.

Financial analyst: Gergely Palfy (+36 1 484 4313), Raiffeisen Bank Zrt., Budapest

Poland (PL) – Polish assets remain under strong negative pressure due to Brexit concerns. Yields of PLGBs rose to their highest levels since the turn of the year (10y to 3.3% and 2y to 1.85%). Poland's bond market will probably stay weak at least until the Brexit referendum. Its future performance depends on the voting result, yet even if "remain" wins, the PLGBs' gain will be rather short-lived.

Investors focused on global factors in spite of the fact that the calendar for the last few days was bursting with macro publications from Poland, and there were several speeches made by MPC members. The releases as well as the speeches did not change our view on economic and monetary policy. The labour market remains strong (as employment and wage dynamics showed), deflation is still quite deep, though slightly lower than in April, and Poland's C/A balance moved into the black in April as expected. Today the statistical office will publish its most important set of data releases with industrial and construction output and retail sales. While the first two should point towards improving economic conditions in Q2 (although construction will still remain significantly below 0% growth), the retail sales data could disappoint, mainly due to calendar effects. The macro calendar for the coming week in Poland is empty and the Brexit referendum will be key for Polish assets.

Financial analyst: Tomasz Regulski, (+48 22 3477597), Raiffeisen Polbank, Warsaw

Romania (RO) – The Consumer Price Index advanced by 0.3% mom in May, in line with our expectations (0.3% mom) as well as the analysts' consensus expressed in a Bloomberg survey (0.2% mom). The price increase in May was driven by the food product segment (0.6% mom), especially by the increase in prices of fruits and vegetables (around 3.6% mom). Surprisingly, the rebound in the oil price did not result in a large increase in fuel prices in May. Despite this monthly rise in consumer prices in May, the annual inflation rate decreased a bit more to -3.5% yoy, from -3.3% in April, close to our expectations (-3.4% yoy) and market consensus (-3.5% yoy). Underlying inflationary pressures have been contained during past months – the inflation rate came in below expectations a few times – thus we recently revised our annual inflation rate forecast downwards for the end of 2016 to 0.5% yoy.

Both construction works and industrial output posted an encouraging start to the second quarter, which bodes well for the economic performance during this quarter. The volume of construction work went up by 5.8% mom in April, thus almost reversing the decline posted in the first quarter (-4.0% qoq). Moreover, industrial output advanced by 3.5% mom in April, following the contraction of 1.5% qoq recorded during the first quarter.

No important macroeconomic indicators are scheduled for release on the domestic market during the upcoming week. Thus non-resident investor sentiment towards RON assets will be driven by developments on the foreign markets.

Financial analyst: Silvia Rosca (+40 799 718 083), Raiffeisen BANK S.A., Bucharest

Russia (RU) – CPI increased to 0.1% during 7-14 June, however, this period is by one day longer than usual due to public holidays. CPI in yoy remains around 7.3%. We note that for this year the CBR expects CPI in the range of 5-6% yoy (we expect it above 7%). We think that the current inflation pace along with rather high, although decreasing, inflation expectations is not in favour of a sharp key rate cut (which is priced in OFZs for example). The CBR is likely to keep a cautious approach and cut the key rate gradually. With regard to the OFZ market we think that the current yield curve looks too tight which is explained by low issuance of new OFZs and weak credit activity on the local market. Large state-owned banks already enjoying rouble excess liquidity are the key OFZs buyers. Also we saw a strong demand from foreign accounts after the release of surprisingly weak US payrolls. We do not expect the situation to change as the CBR does not intend to actively absorb excessive liquidity in the coming months and the MinFin is not going to increase borrowings on the local market. For non-residents OFZs remain attractive as yields above expected long-term CPI (6.15%) look still competitive with other local EM debt exceeding 250bp for 10y papers.

Financial analyst: Denis Poryvay (+7 495 221 9843), AO Raiffeisenbank, Moscow

Serbia (RS) – The new cabinet negotiations with the coalition seem to be on hold amid the ongoing 2w review by the IMF and the forthcoming visit of the President of the People’s Republic of China. He will be on an official visit to the country from this Friday (17 June) until Sunday. The outgoing government expects the country will sign 16 or 17 agreements with China, and projects that will be discussed with Chinese officials include the following: the construction of the Surcin-Obrenovac highway section (linking Corridor 10 and Corridor 11), the modernization of the Belgrade-Budapest railway line and cultural projects. Also during the visit, the official takeover of steel producer Zelezara Smederevo by China’s HBIS Group will take place under the EUR 46 mn deal signed in April.

Next week, Public Debt Management will hold the three MinFin T-bill auctions: 5y (EUR 75 mn), 2y (RSD 10 bn) and reopening the 3y (RSD 20 bn). Judging by the early June auctions, the appetite is still there for the higher-yielding RSD-denominated issues, whereas the EUR-denominated issues do not seem to be providing an adequate risk reward.

Financial analyst: Ljiljana Grubic (+381 11 2207178), Raiffeisenbank a.d., Belgrade

Slovakia (SK) – The Consumer Price Index surprised us in May showing a -0.8% yoy decrease, while prices remained flat on April, according to the Statistical Office. The annual decrease was mainly driven by food prices (-0.6% mom) which recorded a surprising development. We expected food prices to rise due to both traditional seasonal increases for fruit and vegetables and bad weather conditions earlier this year. The annual decrease in food prices (-4.2%) is also influenced by the lower VAT on selected foods, effective from January 2016. Fuel prices increased by 2.7% mom, but are still below their 2015 levels on a yoy basis. On the other hand, core inflation (overall inflation ex food, tobacco and energy) is slowly but steadily climbing, and is currently at 1% yoy. We forecast overall inflation will stay around -0.7% in June, and should gradually rise to +0.7% yoy towards the end of 2016.

Financial analyst: Tibor Lörincz (+421 259 192 079), Tatra bank a.s., Bratislava

Monetary policy and money markets overview

CEE key interest and money markets outlook

| Poland | curr.* | Sep-16 | Dec-16 | Mar-17 | 5y high | 5y low |
|------------------------------------|--------|--------|--------|--------|---------|--------|
| Key interest rate (% eop) | 1.50 | 1.50 | 1.50 | 1.50 | 4.75 | 1.50 |
| 3m money market rate (% eop) | 1.59 | 1.65 | 1.65 | 1.65 | 5.04 | 1.55 |
| 6m money market rate (% eop) | 1.76 | 1.75 | 1.75 | 1.75 | 5.07 | 1.56 |
| Hungary | | | | | | |
| Key interest rate (% eop) | 0.90 | 0.90 | 0.90 | 0.90 | 7.00 | 0.90 |
| 3m money market rate (% eop) | 0.99 | 1.05 | 1.05 | 1.10 | 7.65 | 0.99 |
| 6m money market rate (% eop) | 0.96 | 1.10 | 1.10 | 1.10 | 7.93 | 0.96 |
| Czech Rep. | | | | | | |
| Key interest rate (% eop) | 0.05 | 0.05 | 0.05 | 0.05 | 0.75 | 0.05 |
| 3m money market rate (% eop) | 0.29 | 0.30 | 0.30 | 0.30 | 1.25 | 0.28 |
| 6m money market rate (% eop) | 0.36 | 0.40 | 0.40 | 0.45 | 1.55 | 0.36 |
| Romania | | | | | | |
| Key interest rate (% eop) | 1.75 | 1.75 | 1.75 | 1.75 | 6.25 | 1.75 |
| 3m money market rate (% eop)** | 0.76 | 1.40 | 1.60 | 1.75 | 6.20 | 0.54 |
| 6m money market rate (% eop)** | 1.02 | 1.50 | 1.65 | 1.80 | 6.40 | 0.73 |
| Russia | | | | | | |
| Key interest rate (% eop) | 10.50 | 10.00 | 9.50 | 9.00 | 17.00 | 5.50 |
| 3m money market rate (% eop) | 11.05 | 10.80 | 10.30 | 9.80 | 29.93 | 4.21 |
| 6m money market rate (% eop) | 11.16 | 11.40 | 10.90 | 10.40 | 30.31 | 4.36 |
| Turkey | | | | | | |
| Key interest rate (% eop) | 7.50 | 7.50 | 7.50 | 7.00 | 10.00 | 4.50 |
| 3m money market rate (% eop) | 10.05 | 10.50 | 10.00 | 9.50 | 12.15 | 4.74 |
| 6m money market rate (% eop) | 10.23 | 10.60 | 10.10 | 9.60 | 12.48 | 5.12 |
| Benchmark key rates (% eop) | | | | | | |
| ECB key interest rate (% eop) | 0.00 | 0.00 | 0.00 | 0.00 | 1.50 | 0.00 |
| Fed key interest rate (% eop) | 0.52 | 0.75 | 1.00 | 1.25 | 0.69 | 0.01 |

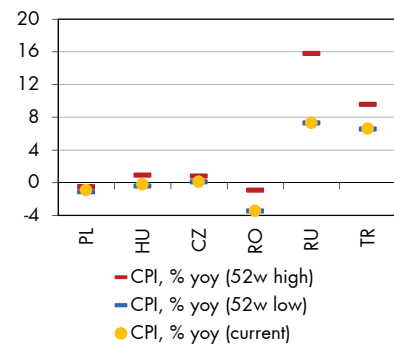
* Bid rates (for Hungary ask rates) as of 17 June 2016, 09:06 a.m. CEST; ** forecast under revision
Source: Bloomberg, RBI/Raiffeisen RESEARCH

Central bank watch

| | |
|-------------------------|--|
| Poland (NBP) | NBP disappointed by Q1 activity data, but regards it as temporary due material fiscal stimulus underway. This in conjunction with rising wage pressure should help reflation the economy. Financial stability concerns related to external, FX loan conversion and rating risks should weaken any dovish voices if not for material worsening of economic outlook. |
| Hungary (MNB) | Apart from QE measures, MNB remains ultra-loose, but has most likely finished mini rate cutting cycle (Q1 GDP weakness expected to be temporary due to fiscal relaxation policies). Since "self-financing program" is regarded as accomplished, less dovish and more orthodox CB policy expected. |
| Czech Rep. (CNB) | Exit from FX intervention regime - keeping koruna above EUR/CZK 27.00 floor - will likely get delayed towards mid-2017. Negative base/deposit rate or lifting FX cap are on the CB's agenda. NIRP could be introduced in case of excessive capital flows as ultima ratio, whilst lifting the FX floor could make sense in case of worsening inflation expectations. However, both are not our base case. |
| Romania (BNR) | Ongoing fiscal and political risks warrant monetary policy cautiousness in an election year. Exit from ultra-loose liquidity conditions obviously to be a long time coming with subsequent rate hikes only expected afterwards should reflation dynamics prove sufficient. |
| Serbia (NBS) | Central bank remained on hold for the 4th consecutive month following February's rate cut. One last rate cut possible, but most likely only after government is formed after 16 June the earliest. At the same time, NBS is confident that inflation will enter target range as early as end of this year. |
| Russia (CBR) | CBR restarted rate cuts in June on stronger than expected disinflation. Private sector inflation expectations - a tier-1 variable in CBR's reaction function - started to decline as well. However, CBR already hinted at remaining inflation risks and should therefore only gradually cut the base rate and go not as deep as some market participants expect. |
| Turkey (TCMB) | New governor Cetinkaya slashed o/n lending rate by another 50bp to 9.50% at his second meeting as governor in May which drove down average funding costs further. Further symmetrizing 7.25%-9.50% o/n corridor around 7.50% key rate at a gradual pace expected which - in fact - means moderate easing. |

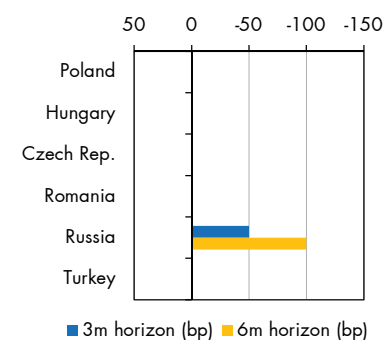
Source: RBI/Raiffeisen RESEARCH

Inflation snapshot



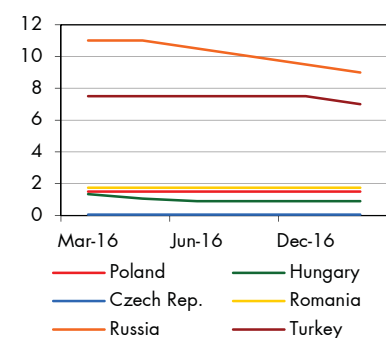
Source: Bloomberg, RBI/Raiffeisen RESEARCH

Key rate forecast (chg., bp)



Source: Bloomberg, RBI/Raiffeisen RESEARCH

Key rate trends



Source: Bloomberg, RBI/Raiffeisen RESEARCH

Rate setting meetings

| | Jun | Jul |
|------------------|-----|-----|
| Poland (NBP) | 8 | 6 |
| Hungary (MNB) | 21 | 26 |
| Czech Rep. (CNB) | 30 | |
| Romania (BNR) | 30 | |
| Serbia (NBS) | 9 | 7 |
| Russia (CBR) | 10 | 29 |
| Turkey (TCMB) | 21 | |

Source: National Central Banks, RBI/Raiffeisen RESEARCH

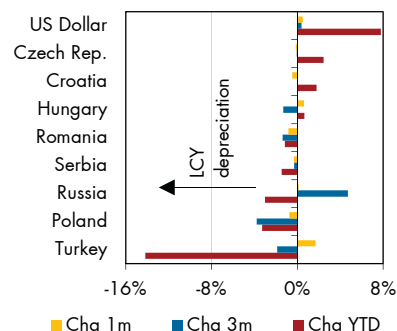
Foreign exchange market overview

FX forecasts

| EUR vs | current ¹ | Sep-16 | Dec-16 | Mar-17 | 5y high | 5y low | Comment |
|--------|----------------------|--------|--------|--------|---------|--------|--|
| PLN | 4.43 | 4.30 | 4.30 | 4.25 | 4.57 | 3.93 | Brexit as the main topic - PLN could even test its latest highs from end of May |
| HUF | 314.3 | 315.0 | 315.0 | 310.0 | 322.6 | 262.3 | Rate cutting cycle likely to have ended with latest cut - no change at the upcoming meeting; British referendum drives EUR/HUF as well |
| CZK | 27.07 | 27.00 | 27.00 | 27.00 | 28.37 | 24.06 | EUR/CZK to remain near intervention level of 27.0; FX intervention data currently does not indicate the need of the central bank to react, but speculation on negative deposit rates re-emerges from time to time; end to FX regime currently expected for H1 2017 |
| RON | 4.54 | 4.50 | 4.50 | 4.45 | 4.64 | 4.19 | Loosening fiscal policy ahead of parliamentary elections but also Brexit as a concern weakens RON |
| HRK | 7.52 | 7.55 | 7.60 | 7.60 | 7.72 | 7.37 | EUR/HRK is expected to oscillate within the range 7.51-7.54 |
| RSD | 123.2 | 123.0 | 124.0 | 123.0 | 123.7 | 99.6 | Waiting for the government formation; central bank intervenes to support RSD |
| RUB | 73.43 | 71.50 | 70.35 | 69.01 | 90.88 | 38.43 | see USD/RUB below |
| UAH | 27.91 | 29.70 | 30.45 | 29.87 | 37.78 | 9.74 | see USD/UAH below |
| BYR | 22,453 | 23,100 | 23,625 | 23,381 | 25,167 | 6,976 | see USD/BYR below |
| TRY | 3.29 | 3.19 | 3.10 | 3.09 | 3.46 | 2.19 | see USD/TRY below |
| USD | 1.12 | 1.10 | 1.05 | 1.03 | 1.45 | 1.05 | Expectation on further US Fed rate hikes to support USD against euro |
| USD vs | current ¹ | Sep-16 | Dec-16 | Mar-17 | 5y high | 5y low | |
| RUB | 65.43 | 65.00 | 67.00 | 67.00 | 82.28 | 27.51 | RUB following oil price movements - close correlation between oil price and RUB to remain for the time being but positive economic indicators support RUB in the short-term |
| UAH | 24.79 | 27.00 | 29.00 | 29.00 | 33.75 | 7.96 | Ukrainian government amended the constitution with regard to the justice system; USA signed a third USD 1 bn loan guarantee agreement with Ukraine; but IMF support remains key for FX stabilisation |
| BYR | 20,005 | 21,000 | 22,500 | 22,700 | 22,150 | 4,939 | BYR depreciation trend to remain throughout 2016 with correlation to RUB movements, we currently have our BYR forecast under revision |
| TRY | 2.93 | 2.90 | 2.95 | 3.00 | 3.06 | 1.60 | Concerns about a possible change of the constitution, tensions between Turkey and EU and renewed pressure on the central bank to cut rates might keep TRY under pressure |

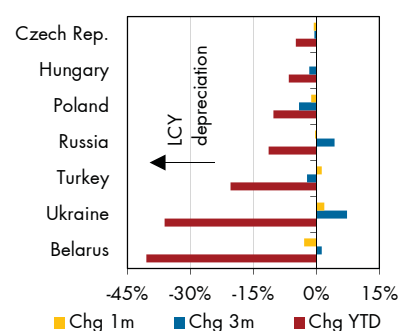
¹ as of 17 June 2016, 09:14 a.m. CEST
Source: Bloomberg, RBI/Raiffeisen RESEARCH

Change of LCY value to EUR (%)



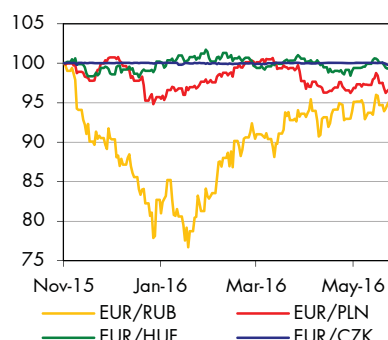
Source: Bloomberg, RBI/Raiffeisen RESEARCH

Change of LCY value to USD (%)



Source: Bloomberg, RBI/Raiffeisen RESEARCH

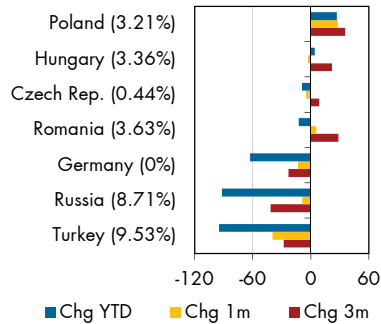
Exchange rate comparison



Indexed Nov 2015 = 100
Source: Bloomberg

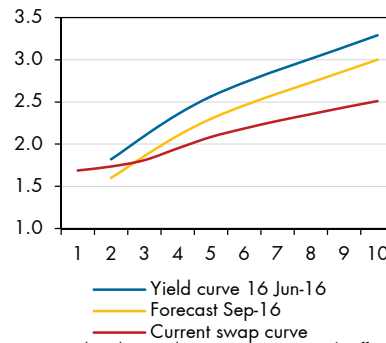
Local currency bond market overview

Change of LCY 10y bond yields (bp)



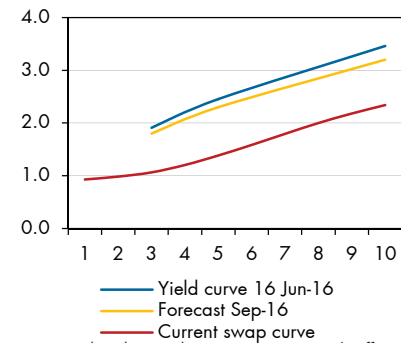
Source: Bloomberg, RBI/Raiffeisen RESEARCH

PLN yield curve



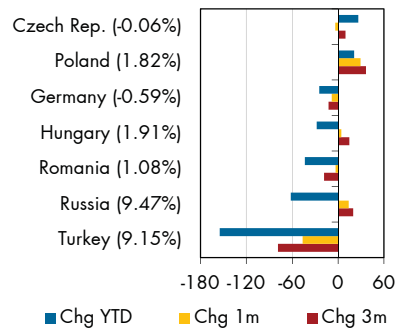
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

HUF yield curve



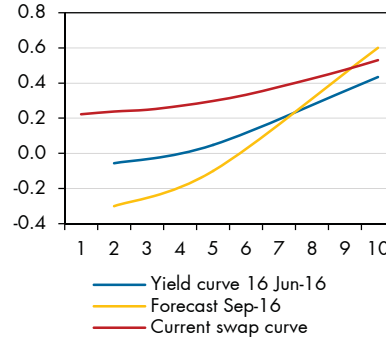
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

Change of LCY 2y bond yields (bp)



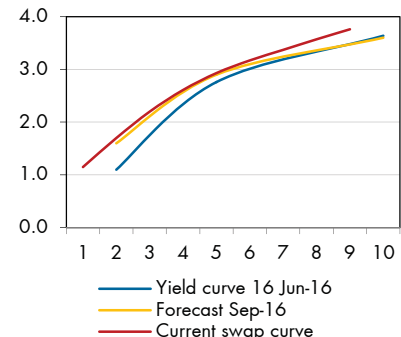
Source: Bloomberg, RBI/Raiffeisen RESEARCH

CZK yield curve



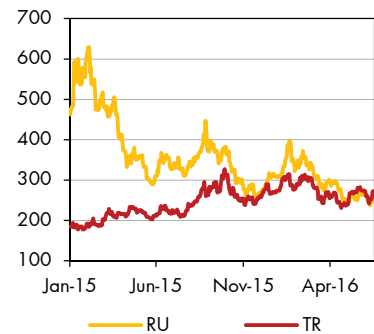
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

RON yield curve



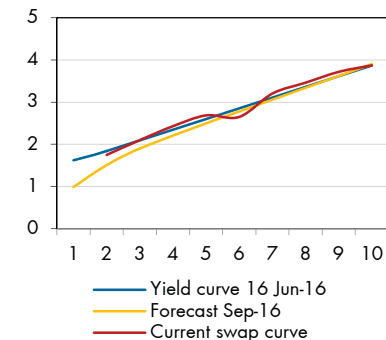
Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

5y USD CDS spreads



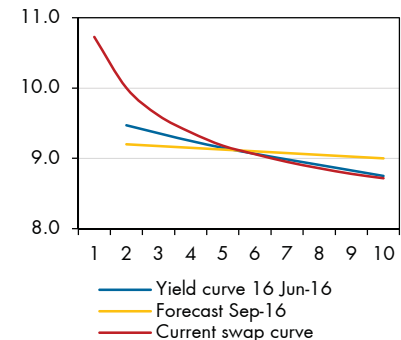
Turkey 5y high 343.7, 5y low 111.7
Russia 5y high 628.7, 5y low 119.4
Source: Bloomberg, RBI/Raiffeisen RESEARCH

HRK yield curve



Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

RUB yield curve



Source: Bloomberg, Thomson Reuters, RBI/Raiffeisen RESEARCH

Yield forecasts

| 2y T-bond yields (%) | | | | | | | 10y T-bond yields (%) | | | | | | |
|----------------------|----------|--------|--------|--------|---------|--------|-----------------------|----------|--------|--------|--------|---------|--------|
| | current* | Sep-16 | Dec-16 | Mar-17 | 5y high | 5y low | | current* | Sep-16 | Dec-16 | Mar-17 | 5y high | 5y low |
| Poland | 1.82 | 1.6 | 1.7 | 1.8 | 5.0 | 1.3 | Poland | 3.29 | 3.0 | 3.2 | 3.3 | 6.1 | 2.0 |
| Hungary** | 1.91 | 1.8 | 1.9 | 1.9 | 10.2 | 1.4 | Hungary | 3.46 | 3.2 | 3.3 | 3.4 | 10.7 | 2.7 |
| Czech Rep. | -0.06 | -0.3 | -0.4 | -0.4 | 2.0 | -0.4 | Czech Rep. | 0.43 | 0.6 | 0.7 | 0.9 | 4.3 | 0.3 |
| Romania*** | 1.10 | 1.6 | 1.8 | 2.0 | 7.3 | 0.9 | Romania | 3.64 | 3.6 | 3.8 | 3.9 | 7.6 | 2.6 |
| Croatia | 1.84 | 1.9 | 1.9 | 2.1 | 6.3 | 1.5 | Croatia | 3.87 | 3.9 | 3.9 | 4.0 | 4.3 | 3.7 |
| Russia | 9.47 | 9.2 | 8.8 | 8.5 | 17.5 | 5.5 | Russia | 8.75 | 9.0 | 8.8 | 8.6 | 16.1 | 6.5 |
| Turkey | 9.09 | 8.9 | 8.8 | 8.3 | 11.3 | 4.9 | Turkey | 9.51 | 9.0 | 8.9 | 8.6 | 11.0 | 6.0 |
| Eurozone | -0.59 | -0.5 | -0.5 | -0.5 | 1.7 | -0.6 | Eurozone | 0.00 | 0.5 | 0.8 | 0.8 | 3.0 | 0.0 |
| USA | 0.70 | 1.0 | 1.3 | 1.5 | 1.1 | 0.2 | USA | 1.60 | 2.3 | 2.5 | 2.6 | 3.2 | 1.4 |

* Bid yields as of 17 June 2016, 09:00 a.m. CEST; ** 3y, *** forecast under revision
Source: Bloomberg, RBI/Raiffeisen RESEARCH

Local currency bond market overview

CEE local currency bond market snapshot

| | Maturity | Coupon, % | Ask Price | YTM, % | Spread to Bunds, bp | MDur. | Comment |
|-----------------------|------------|-----------|-----------|--------|---------------------|-------|--|
| Poland | | | | | | | |
| PLN 2y Gov. Bond | 25/07/2018 | 2,50 | 101.57 | 1.73 | 233 | 2.0 | More market-friendly version of FX loan conversion took some pressure off, but political risks (BREXIT, EU dispute) remain embedded in Polish risk premia. Nevertheless, we maintain our Hold recommendation given solid fundamental bond market backdrop and see chances for relief next week on expected BREMAIN vote. |
| PLN 5y Gov. Bond | 25/07/2021 | 1,75 | 96.52 | 2.49 | 298 | 4.8 | |
| PLN 10y Gov. Bond | 25/07/2026 | 2,50 | 94.02 | 3.20 | 320 | 8.8 | |
| Hungary | | | | | | | |
| HUF 3y Gov. Bond | 30/10/2019 | 2,00 | 100.68 | 1.79 | 240 | 3.3 | We remain comfortable with our mildly bullish view on HGBs and see still room for further spread tightening. Nevertheless, short-term risks in form of BREXIT fears remain with potential for moderate gains next week on BREMAIN vote. |
| HUF 5y Gov. Bond | 27/10/2021 | 2,50 | 100.85 | 2.33 | 283 | 5.0 | |
| HUF 10y Gov. Bond | 27/10/2027 | 3,00 | 96.92 | 3.33 | 333 | 9.6 | |
| Czech Republic | | | | | | | |
| CZK 2y Gov. Bond | 17/03/2018 | 0,85 | 101.66 | 0.00 | 60 | 1.7 | Yield spreads couldn't follow Bunds to uncharted deep territory and we welcome the positive spread over Bunds in the sense of a risk buffer. Long-term CZK appreciation potential due to exit from FX regime, targeted for mid-2017, remains a pull factor for non-resident positioning, especially in case of BREMAIN vote next week. |
| CZK 5y Gov. Bond | 29/09/2021 | 3,85 | 120.33 | -0.01 | 49 | n.a. | |
| CZK 10y Gov. Bond | 26/06/2026 | 1,00 | 106.13 | 0.38 | 37 | 9.5 | |
| Croatia | | | | | | | |
| HRK 2y Gov. Bond | 10/07/2018 | 5,25 | 107.45 | 1.55 | 204 | 1.9 | Higher trading volume is not expected until the political situation stabilizes and not before the details on new government refinancing plan on the local market. |
| HRK 10y Gov. Bond | 14/12/2026 | 4,25 | 104.31 | 3.75 | 375 | 8.6 | |
| Romania | | | | | | | |
| RON 3y Gov. Bond | 29/04/2019 | 2,50 | 102.12 | 1.73 | 234 | 2.8 | Since liquidity tightening is apparently delayed by the central bank, our short-end yield forecasts might be too bearish. With parliamentary elections next autumn coming closer and possible election spending further weighing on fiscal outlook, ROMGBs should remain under moderate pressure. |
| RON 5y Gov. Bond | 22/03/2021 | 3,25 | 102.68 | 2.64 | 314 | 4.5 | |
| Russia | | | | | | | |
| RUB 2y Gov. Bond | 15/03/2018 | 7,50 | 97.35 | 9.39 | 999 | 1.7 | We recommended to adding OFZ exposure for medium-term investment horizon since rouble should remain fairly stable and CBR is likely to continue with rate cuts. Although the latter seem sufficiently priced-in, high carry maintains attractiveness. However, temporary pressure stems currently from Brexit tails risks. |
| RUB 5y Gov. Bond | 18/08/2021 | 7,50 | 94.55 | 9.03 | 953 | 4.2 | |
| RUB 10y Gov. Bond | 03/02/2027 | 8,15 | 97.55 | 8.68 | 868 | 7.2 | |
| Turkey | | | | | | | |
| TRY 2y Gov. Bond | 14/06/2017 | 9,60 | 100.60 | 10.49 | 1109 | 1.0 | We added speculative exposure in TURKGBs in end-May following the latest correction and see room left for gains. Ongoing political unpredictability coupled with Fed/BREXIT tail risks adds considerable uncertainty, but we jumped on the bandwagon given the favorable sentiment amongst non-resident yield-hunters. |
| TRY 5y Gov. Bond | 17/02/2021 | 10,70 | 105.25 | 9.29 | 979 | 3.8 | |
| TRY 10y Gov. Bond | 11/02/2026 | 10,60 | 106.85 | 9.50 | 950 | 6.4 | |

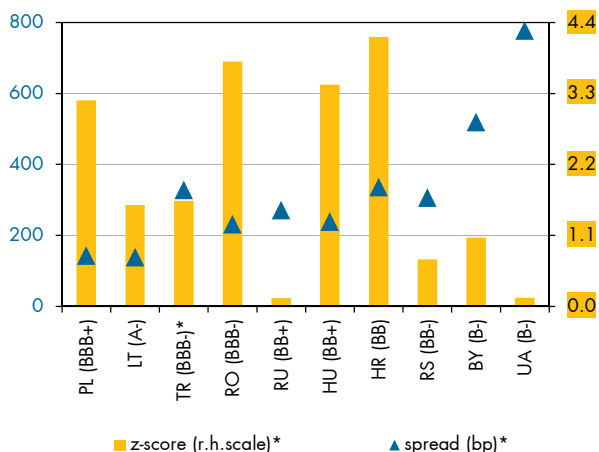
Data as of 17 June 2016, 09:23 a.m. CEST
Source: Bloomberg, RBI/Raiffeisen RESEARCH

Bond auctions

| | | ISIN | Coupon | Maturity | Volume |
|---------------------|------------|--------------|----------|-----------|-----------|
| 21 June 2016 | | | | | |
| AL | 2y T-bonds | AL0164NF2Y18 | 1.47% | 23 Jun-18 | ALL 5 bn |
| 22 June 2016 | | | | | |
| RU | T-bonds | n.a. | n.a. | n.a. | n.a. |
| 23 June 2016 | | | | | |
| HU | T-bonds | n.a. | n.a. | n.a. | n.a. |
| RS | 2y T-bonds | n.a. | floating | 2018 | n.a. |
| 24 June 2016 | | | | | |
| RS | 2y T-bonds | n.a. | 6.00% | 2019 | RSD 10 bn |

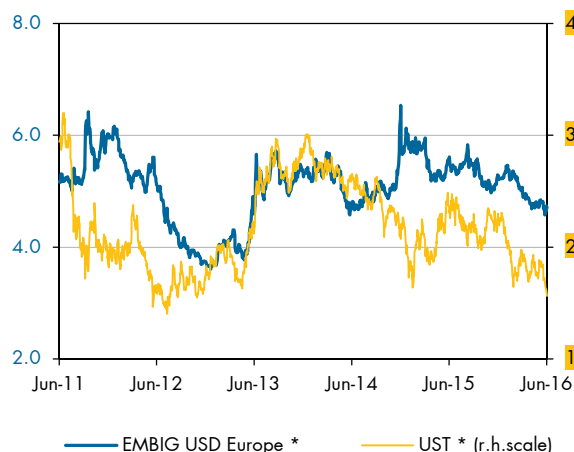
Eurobond market overview

CEE USD EMBIG spread valuation*



* z-score - EMBIG USD country spread deviation from mean normalised by 1 standard deviation, score at or below minus 1 = expensive, at or above 1 = cheap
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

CEE EMBIG USD vs. UST YTM*



* YTM - yield to maturity EMBI Global USD, UST - 10-year US Treasury note
Source: Thomson Reuters, RBI/Raiffeisen RESEARCH

| Issuer/rate/due | Market Price | | | | YTM mid. | | Spread vs. Bmk, bp | Mdur. years | ISIN |
|-----------------------|--------------|-------|-------|--------|----------|---------|--------------------|-------------|--------------|
| | Bid | Ask | w/w % | 5y max | 5y min | % p. a. | | | |
| EUR | | | | | | | | | |
| BGARIA 4 1/4 07/09/17 | 104.3 | 104.5 | 0.24 | 111.8 | 100.3 | 0.05 | 57 | 1.0 | XS0802005289 |
| CROATI 5 7/8 07/09/18 | 109.2 | 109.4 | -0.40 | 112.1 | 88.8 | 1.26 | 187 | 1.9 | XS0645940288 |
| REPHUN 5 3/4 06/11/18 | 110.8 | 111.1 | -0.05 | 115.1 | 79.7 | 0.18 | 79 | 1.9 | XS0369470397 |
| REPHUN 6 01/11/19 | 114.0 | 114.5 | -0.01 | 118.4 | 86.4 | 0.39 | 100 | 2.4 | XS0625388136 |
| LITHUN 4.85 02/07/18 | 108.1 | 108.2 | -0.05 | 114.3 | 94.5 | -0.14 | 45 | 1.6 | XS0327304001 |
| POLAND 5 5/8 06/20/18 | 111.3 | 111.7 | n.a. | 122.6 | 102.1 | -0.11 | 49 | 1.9 | XS0371500611 |
| POLAND 1 5/8 01/15/19 | 103.8 | 104.1 | -0.01 | 105.5 | 98.0 | 0.09 | 70 | 2.5 | XS0874841066 |
| POLAND 3 3/4 01/19/23 | 119.4 | 119.9 | n.a. | 125.5 | 99.9 | 0.69 | 106 | 5.9 | XS0794399674 |
| POLAND 3 3/8 07/09/24 | 116.0 | 119.0 | 0.51 | 125.6 | 99.6 | 1.09 | 133 | 7.0 | XS0841073793 |
| ROMANI 4 7/8 11/07/19 | 114.7 | 115.1 | -0.25 | 117.8 | 99.3 | 0.42 | 102 | 3.1 | XS0852474336 |
| TURKEY 5 7/8 04/02/19 | 112.1 | 112.9 | -0.32 | 119.4 | 101.2 | 1.27 | 188 | 2.6 | XS0285127329 |
| TURKEY 5 1/8 05/18/20 | 111.5 | 112.3 | -0.39 | 115.9 | 95.4 | 1.94 | 251 | 3.6 | XS0503454166 |
| USD | | | | | | | | | |
| BELRUS 8.95 01/26/18 | 103.9 | 104.8 | -0.59 | 111.2 | 70.0 | 6.06 | 544 | 1.4 | XS0583616239 |
| CROATI 6 3/8 03/24/21 | 108.1 | 108.6 | -1.03 | 117.8 | 86.7 | 4.41 | 334 | 4.1 | XS0607904264 |
| CROATI 5 1/2 04/04/23 | 104.3 | 104.9 | -1.45 | 108.6 | 94.4 | 4.69 | 334 | 5.6 | XS0908769887 |
| REPHUN 5 3/8 02/21/23 | 110.3 | 110.6 | -0.94 | 113.9 | 93.1 | 3.60 | 224 | 5.6 | US445545AH91 |
| REPHUN 7 5/8 03/29/41 | 141.8 | 142.8 | -1.86 | 150.3 | 79.5 | 4.71 | 251 | 13.0 | US445545AF36 |
| LITHUN 7 3/8 02/11/20 | 117.9 | 118.3 | -0.40 | 130.7 | 104.8 | 2.17 | 127 | 3.2 | XS0485991417 |
| LITHUN 6 5/8 02/01/22 | 120.6 | 121.0 | -0.77 | 128.6 | 101.0 | 2.61 | 143 | 4.7 | XS0739988086 |
| LATVIA 2 3/4 01/12/20 | 102.5 | 103.0 | -0.29 | 103.1 | 91.4 | 1.94 | 105 | 3.3 | XS0863522149 |
| LATVIA 5 1/4 06/16/21 | 113.8 | 114.3 | -0.29 | 117.2 | 90.9 | 2.25 | 115 | 4.4 | XS0638326263 |
| POLAND 6 3/8 07/15/19 | 113.2 | 113.5 | -0.47 | 125.9 | 107.4 | 1.88 | 104 | 2.8 | US731011AR30 |
| POLAND 3 03/17/23 | 101.1 | 101.3 | -0.56 | 103.6 | 87.6 | 2.80 | 144 | 6.0 | US731011AT95 |
| ROMANI 6 3/4 02/07/22 | 117.6 | 117.8 | -0.79 | 124.4 | 99.2 | 3.28 | 207 | 4.7 | US77586TAA43 |
| ROMANI 4 3/8 08/22/23 | 105.9 | 106.2 | -0.77 | 109.5 | 90.8 | 3.42 | 201 | 6.1 | US77586TAC09 |
| RUSSIA 4 1/2 04/04/22 | 104.7 | 105.3 | -0.33 | 114.7 | 82.0 | 3.54 | 233 | 5.0 | XS0767472458 |
| RUSSIA 7 1/2 03/31/30 | 122.1 | 122.6 | -0.19 | 128.6 | 99.6 | 2.32 | 58 | 4.1 | XS0114288789 |
| RUSSIA 5 5/8 04/04/42 | 107.5 | 108.5 | -1.33 | 124.9 | 76.0 | 5.07 | 284 | 13.9 | XS0767473852 |
| SERBIA 5 1/4 11/21/17 | 103.3 | 103.8 | -0.43 | 107.1 | 96.8 | 2.66 | 208 | 1.4 | XS0856951263 |
| SERBIA 4 7/8 02/25/20 | 102.0 | 102.6 | -0.96 | 104.6 | 89.6 | 4.19 | 328 | 3.3 | XS0893103852 |
| TURKEY 6 1/4 09/26/22 | 111.7 | 112.2 | -0.09 | 127.0 | 101.0 | 4.07 | 278 | 5.2 | US900123BZ27 |
| TURKEY 6 7/8 03/17/36 | 118.0 | 118.1 | -0.23 | 139.6 | 99.2 | 5.38 | 338 | 11.3 | US900123AY60 |
| TURKEY 6 3/4 05/30/40 | 117.2 | 117.9 | -0.39 | 139.4 | 97.3 | 5.43 | 326 | 12.7 | US900123BG46 |
| UKRAIN 7 3/4 09/01/19 | 97.0 | 97.5 | 0.23 | 99.0 | 88.0 | 8.75 | 790 | 2.7 | XS1303918269 |
| UKRAIN 7 3/4 09/01/23 | 93.8 | 94.3 | -0.22 | 97.8 | 84.6 | 8.89 | 750 | 5.2 | XS1303921487 |
| UKRAIN 7 3/4 09/01/27 | 92.1 | 92.6 | -0.59 | 97.0 | 81.2 | 8.84 | 721 | 7.0 | XS1303927179 |

* w/w - week on week, 5y - 5-year low and high, YTM mid - yield to maturity based on mid market price, Bmk - benchmark, Mdur - modified duration, ISIN - international security identification number; prices as of 17 June 2016, 11:26 a.m. CEST
Source: Bloomberg, RBI/Raiffeisen RESEARCH

Summary: Ratings & macro data

Country ratings: CE, SEE, EE

| | S&P | | | Moody's | | | Fitch | | |
|----------------|------|------|----------|---------|------|----------|-------|------|----------|
| | LCY | FCY | Outlook | LCY | FCY | Outlook | LCY | FCY | Outlook |
| CEE | | | | | | | | | |
| Poland | A- | BBB+ | negative | A2 | A2 | negative | A | A- | stable |
| Hungary | BB+ | BB+ | stable | Ba1 | Ba1 | positive | BBB- | BBB- | stable |
| Czech Republic | AA | AA- | stable | A1 | A1 | stable | AA- | A+ | stable |
| Slovakia * | A+ | A+ | stable | A2 | A2 | stable | A+ | A+ | stable |
| Slovenia * | A- | A- | positive | Baa3 | Baa3 | stable | BBB+ | BBB+ | positive |
| SEE | | | | | | | | | |
| Romania | BBB- | BBB- | stable | Baa3 | Baa3 | positive | BBB | BBB- | stable |
| Bulgaria | BB+ | BB+ | stable | Baa2 | Baa2 | stable | BBB | BBB- | stable |
| Croatia | BB | BB | negative | Ba2 | Ba2 | negative | BB+ | BB | negative |
| Serbia | BB- | BB- | stable | B1 | B1 | positive | B+ | B+ | positive |
| EE | | | | | | | | | |
| Russia | BBB- | BB+ | negative | Ba1 | Ba1 | negative | BBB- | BBB- | negative |
| Ukraine | B- | B- | stable | Caa3 | Caa3 | stable | CCC | CCC | stable |
| Belarus | B- | B- | stable | Caa1 | Caa1 | negative | B- | B- | stable |
| Kazakhstan | BBB- | BBB- | negative | Baa3 | Baa3 | negative | BBB | BBB | stable |
| Turkey | BBB- | BB+ | stable | Baa3 | Baa3 | negative | BBB | BBB- | stable |

* Euro area (Euro currency) members; positive rating/outlook changes (in previous week) in green, negative changes in red; NA - not applicable; NR - not rated
Source: rating agencies websites

Main macro data & forecasts¹

| Country | Year | GDP, % avg. yoy | CPI, % avg. yoy | Unemployment, % | Nominal wages, EUR | Fiscal balance, % GDP | Public debt, % GDP | Export ² , % GDP | C/A, % GDP | Ext. debt, % GDP | FXR ³ % ext. debt | Import cover, months |
|------------|-------|-----------------|-----------------|-----------------|--------------------|-----------------------|--------------------|-----------------------------|------------|------------------|------------------------------|----------------------|
| Croatia | 2015 | 1.6 | -0.5 | 16.3 | 1000 | -3.2 | 86.7 | 24.7 | 5.2 | 103.7 | 30.3 | 9.5 |
| | 2016e | 1.5 | -1.0 | 15.9 | 1031 | -3.0 | 87.2 | 25.5 | 2.0 | 102.2 | 29.3 | 9.0 |
| | 2017f | 1.5 | 1.5 | 15.5 | 1040 | -2.9 | 87.6 | 26.1 | 2.2 | 101.7 | 27.5 | 8.4 |
| Czech Rep. | 2015 | 4.3 | 0.3 | 6.5 | 970 | -0.4 | 41.1 | 75.0 | 1.4 | 70.6 | 51.2 | 6.1 |
| | 2016e | 2.3 | 0.7 | 5.9 | 1021 | -0.7 | 40.3 | 77.5 | 1.5 | 74.1 | 69.5 | 8.4 |
| | 2017f | 2.9 | 1.7 | 5.7 | 1089 | -0.8 | 39.5 | 79.5 | 0.8 | 76.2 | 71.1 | 8.6 |
| Hungary | 2015 | 2.9 | 0.0 | 7.0 | 800 | -2.0 | 75.5 | 83.4 | 4.4 | 105.7 | 26.5 | 4.4 |
| | 2016e | 2.2 | 0.4 | 6.2 | 840 | -2.2 | 74.9 | 84.7 | 4.5 | 98.4 | 23.6 | 3.6 |
| | 2017f | 2.9 | 2.2 | 5.7 | 915 | -2.7 | 74.5 | 82.1 | 4.1 | 87.1 | 22.9 | 3.2 |
| Poland | 2015 | 3.6 | -0.9 | 10.5 | 932 | -2.6 | 51.3 | 40.1 | -0.2 | 70.1 | 29.1 | 6.2 |
| | 2016e | 3.6 | -0.4 | 9.1 | 942 | -2.9 | 52.1 | 42.0 | -0.9 | 72.9 | 29.1 | 6.0 |
| | 2017f | 4.0 | 1.7 | 8.6 | 1007 | -3.4 | 52.6 | 41.7 | -1.2 | 73.1 | 25.0 | 5.2 |
| Romania | 2015 | 3.8 | -0.6 | 6.8 | 568 | -0.7 | 38.4 | 30.6 | -1.1 | 56.7 | 39.2 | 7.5 |
| | 2016e | 4.0 | -1.2 | 6.5 | 613 | -3.0 | 39.2 | 31.6 | -2.5 | 55.5 | 35.1 | 6.2 |
| | 2017f | 3.6 | 2.3 | 6.5 | 653 | -3.2 | 39.9 | 32.3 | -3.3 | 54.9 | 34.5 | 5.8 |
| Russia | 2015 | -3.7 | 15.6 | 5.6 | 499 | -3.6 | 12.7 | 25.9 | 5.0 | 39.3 | 73.0 | 23.3 |
| | 2016e | -0.5 | 7.5 | 6.5 | 462 | -4.4 | 13.5 | 24.3 | 4.1 | 39.5 | 82.4 | 26.6 |
| | 2017f | 1.0 | 7.2 | 6.0 | 561 | -3.3 | 14.0 | 25.9 | 4.6 | 32.2 | 87.4 | 22.5 |
| Ukraine | 2015 | -9.9 | 48.7 | 9.5 | 172 | -2.3 | 72.6 | 39.2 | -0.1 | 131.5 | 11.4 | 4.2 |
| | 2016e | 1.5 | 15.5 | 9.0 | n.a. | -3.5 | 79.3 | 38.6 | -3.4 | 142.9 | 14.5 | 5.4 |
| | 2017f | 2.0 | 12.0 | 9.0 | n.a. | -3.0 | 78.9 | 39.3 | -3.4 | 140.4 | 15.5 | 5.5 |
| Turkey | 2015 | 3.5 | 7.7 | 10.3 | n.a. | -1.2 | 34.0 | 21.2 | -4.5 | 59.9 | 26.3 | 6.8 |
| | 2016e | 3.0 | 8.3 | 10.0 | n.a. | -1.5 | 32.0 | 21.5 | -5.0 | 60.6 | 25.6 | 6.7 |
| | 2017f | 3.5 | 7.9 | 10.0 | n.a. | -1.5 | 33.0 | 20.3 | -4.9 | 56.6 | 25.8 | 6.6 |

1) only for countries regularly included in CEE Weekly; 2) Export of goods only; 3) FXR - Foreign exchange reserves
Source: Thomson Reuters, National Statistics, RBI/Raiffeisen RESEARCH

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- Figures on performance refer to the past. Past performance is not a reliable indicator for future results and the development of a financial instrument, a financial index or a securities service. This is particularly true in cases when the financial instrument, financial index or securities service has been offered for less than 12 months. In particular, this very short comparison period is not a reliable indicator for future results.
- Performance of a financial instrument, a financial index or a securities service is reduced by commissions, fees and other charges, which depend on the individual circumstances of the investor.
- The return on an investment in a financial instrument, a financial or securities service can rise or fall due to exchange rate fluctuations.
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Bonds

| Financial instruments/Company | Date of the first publication |
|-------------------------------|-------------------------------|
| Eurobonds | 01/01/2001 |
| LCY bonds | 01/01/1997 |

Recommendations history: Local currency government bonds (I: no change)*

| Date of change | CZ | | | | HU | | | | PL | | | | RO | | | | RU | | | | TR | | | |
|----------------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|------|
| | 2y | 5y | 10y | CZK | 2y | 5y | 10y | HUF | 2y | 5y | 10y | PLN | 2y | 5y | 10y | RON | 2y | 5y | 10y | RUB | 2y | 5y | 10y | TRY |
| 15/05/2015 | Hold | Buy | Buy | Hold | Buy | Hold | Hold | Sell | Hold | Hold | Hold | Hold | Hold | Hold | Hold | Buy | Hold | Hold | Sell | Buy | Hold | Hold | Hold | |
| 02/06/2015 | | Hold | Hold | | Hold | | | Hold | | | | | | | | | | | Hold | | Buy | Buy | Buy | |
| 24/06/2015 | | | Buy | | | | Sell | | | | Sell | | | | Sell | | Buy | Buy | | Sell | Sell | Sell | Sell | |
| 06/08/2015 | | | Hold | | | Sell | | | | Sell | | | | Sell | | | Hold | Hold | Hold | | Hold | | | Hold |
| 03/09/2015 | | | | | | | | | | | | | | | | | | | Buy | | | | Buy | |
| 22/09/2015 | | | | | | | | | | | | | | | | | | | | Sell | | | | |
| 04/11/2015 | | | | | Buy | Buy | Buy | | | Hold | Hold | | | Hold | Hold | | | | | Hold | Hold | Hold | Hold | |
| 17/12/2015 | | | | | | | | Buy | Buy | Buy | | | Buy | Buy | Buy | Buy | Buy | Buy | | Buy | | | | |
| 25/01/2016 | | - | Buy | | Hold | - | | Hold | | - | | | Hold | - | Hold | | - | - | - | - | | - | | |
| 11/02/2016 | | - | | | | - | | | | - | | | | - | | | Hold | - | Hold | | | - | | |
| 23/02/2016 | | - | | | | - | | | Hold | - | | | | - | | Hold | | - | | | | - | | Buy |
| 24/03/2016 | | - | Hold | | | - | | | | - | | Sell | | - | | | | - | | Sell | Sell | - | Sell | Sell |
| 26/04/2016 | | - | | | | - | | | | - | | Hold | | - | | | | - | | | Hold | - | Hold | |
| 31/05/2016 | | - | | | | - | | | | - | | | | - | | | Buy | - | Buy | Hold | Buy | - | Buy | Hold |

* recommendations based on absolute expected performance in LCY; FX vs EUR; 5y segment not covered anymore; Source: RBI/Raiffeisen RESEARCH

Recommendations history: Sovereign Eurobonds (I: no change)*

| Date of change | BG | | HR** | | CZ | | HU | | KZ | | LT | | PL | | RO | | |
|----------------|------|-----|------|------|------|------|------|------|-----|------|------|------|------|------|------|------|-----|
| | EUR | USD | EUR | USD | EUR | USD | EUR | USD | EUR | USD | EUR | USD | EUR | USD | EUR | USD | |
| 28/04/2015 | Hold | - | Hold | Hold | Hold | Hold | Hold | Hold | - | - | Buy | Buy | Buy | Hold | Buy | Buy | |
| 02/06/2015 | Sell | - | | | | | | | - | - | Hold | Hold | | Buy | Hold | Hold | |
| 24/06/2015 | Hold | - | | | | | | | - | - | | | | Hold | | | |
| 06/08/2015 | | - | Sell | Sell | | | | | - | Buy | Buy | | Hold | | | | |
| 03/09/2015 | | - | | | | | | | - | | Hold | | | | | | |
| 22/09/2015 | | - | | | | | | Buy | Buy | - | | | | Buy | | Buy | Buy |
| 04/11/2015 | | - | | | | | | | - | Hold | Buy | | | Buy | | | |
| 03/12/2015 | | - | | | | | | | - | Buy | | | | | | | |
| 17/12/2015 | | - | | | | | | | - | | Hold | | | | | | |
| 25/01/2016 | | - | Hold | Hold | | | Hold | Hold | - | Hold | | | | | Hold | Hold | |
| 23/02/2016 | | - | | | | | Buy | Buy | - | Buy | | | | | | | |
| 17/03/2016 | | - | | | | | | | - | | | | | | | | |
| 24/03/2016 | | - | | | | | Hold | Hold | - | | | | | | | | |
| 29/03/2016 | Buy | - | | | | | | | - | | Buy | | | Hold | | | |
| 20/04/2016 | | - | | | | | | | - | | | | | | | | |
| 26/04/2016 | Hold | - | | | | | | | - | Hold | Hold | | Sell | Sell | | | |
| 13/05/2016 | | - | | | | | | | - | | | | | | | | |

* recommendations based on absolute expected performance, i.e. expected spread change; ** under revision; Source: RBI/Raiffeisen RESEARCH

Recommendations history: Sovereign Eurobonds (I: no change)*

| Date of change | RU | | RS | | SK | | SI | | TR | | UA | | BY | | MK | |
|----------------|------|------|-----|------|------|-----|------|-----|------|------|------|------|-----|------|------|-----|
| | EUR | USD | EUR | USD | EUR | USD | EUR | USD | EUR | USD | EUR | USD | EUR | USD | EUR | USD |
| 28/04/2015 | Hold | Hold | - | Hold | Hold | - | Buy | - | Buy | Buy | Hold | Hold | - | Buy | Buy | - |
| 02/06/2015 | | | - | Sell | | - | | - | | | | | - | | | - |
| 24/06/2015 | | | - | | | - | | - | | Hold | | | - | | | - |
| 06/08/2015 | | | - | | | - | Hold | - | Hold | | Sell | Sell | - | Sell | Hold | - |
| 03/09/2015 | | | - | | | - | | - | | | Hold | Hold | - | | | - |
| 22/09/2015 | | | - | | | - | | - | Sell | Sell | | | - | | | - |
| 04/11/2015 | Buy | Buy | - | | | - | | - | Hold | Hold | - | | - | Hold | | - |
| 03/12/2015 | Hold | Hold | - | | | - | | - | | | - | Sell | - | | | - |
| 17/12/2015 | | | - | | | - | | - | Buy | Hold | - | | - | | | - |
| 25/01/2016 | Buy | Buy | - | | | - | Buy | - | | Buy | - | | - | | Buy | - |
| 23/02/2016 | | | - | Hold | | - | | - | | | - | | - | | | - |
| 17/03/2016 | Hold | Hold | - | | | - | | - | | | - | | - | | | - |
| 24/03/2016 | | | - | | | - | | - | | | - | | - | | | - |
| 29/03/2016 | | | - | | | - | | - | | | - | Hold | - | | | - |
| 20/04/2016 | | | - | | | - | | - | | | - | | - | | Hold | - |
| 26/04/2016 | | | - | Buy | | - | | - | | | - | | - | | | - |
| 13/05/2016 | | | - | | | - | | Buy | Hold | Hold | - | | - | | | - |

* recommendations based on absolute expected performance, i.e. expected spread change; Source: RBI/Raiffeisen RESEARCH

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