October 25, 2007

Fixed Income and Foreign Exchange

CEE Insights

- **Czech Republic:** Rates left on hold
- **Hungary:** Central Bank might cut the base rate on Monday
- **Poland:** New government is being formed under the lead of Civic Platform
- **Romania:** NBR to hike rates next week
- **Slovakia:** Fiscal data revision milder than expected but unanswered questions remain

Overview

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Czech Republic:

- Rates left on hold

Hungary:

- Central Bank might cut the base rate on Monday
- Another short week ahead in Hungary

Poland:

- New government is being formed under the lead of Civic Platform
- More fiscal discipline and Euro target date...
- ...which brings a wind of hope to the markets
- Central bank to leave rates flat next week

Romania:

- Unemployment rate flat in September
- NBR to hike rates next week
- Short term interest rates repositioned above the key rate (7.0%)
- MinFin keeps on rejecting bids to its debt issues

Slovakia:

- Fiscal data revision milder than expected but unanswered questions remain
- Statistical Office upped nominal GDP data, 2006 growth
- Central bank to leave rates on hold

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Thursday's close		Current	w/w	m/m	ytd	Spreads vs. Euroland		
						current	- 1m	02/01/2007
Czech Republic	EUR/CZK	27.06	1.0%	1.9%	2.1%			
	3Y (yield bp)	3.88	-8	0	67	-11	-13	-66
	10Y (yield bp)	4.51	-8	-8	80	34	26	-23
Croatia	EUR/HRK	7.34	-0.3%	-0.6%	0.1%			
	3Y (yield bp)	4.53	-2	-3	-1	54	44	66
	10Y (yield bp)	5.17	-10	-18	n/a	100	102	n/a
Hungary	EUR/HUF	250.85	-0.1%	0.0%	0.2%			
	3Y (yield bp)	6.85	-2	-8	-70	286	287	368
	10Y (yield bp)	6.53	-7	-6	15	237	226	276
Poland	EUR/PLN	3.63	1.6%	3.8%	5.5%			
	3Y (yield bp)	5.48	-9	9	83	150	134	78
	10Y (yield bp)	5.46	-33	-6	28	130	138	124
Romania	EUR/RON	3.35	0.0%	1.3%	1.1%			
Slovakia	EUR/SKK	33.32	0.3%	2.3%	3.4%			
	3Y (yield bp)	4.54	-5	0	16	53	42	50
	12Y (yield bp)	4.83	-5	3	52	67	45	38

Source: Reuters, Bloomberg (+ means strengthening / - means easing of the exchange rate)

Trading Ideas

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Positions

#	Position	Date of opening	Instruments	Entry values	Today's values	flat P/L (%)	flat P/L inc. carry (%)	P/L p.a. inc. carry (%)	Target values	Target P/L flat inc. carry (%)	Target P/L p.a. (%)
12	short EUR/SKK	04/06/07	6m Bribid/ 6m Euribor	3,9/ 4,28%			1.6%	4.0%	32.8	3.2%	6.4%
			EUR/SKK	33.92	33.34	1.73%					

Rationale at inception

12) The Slovak koruna might soon become an attractive buy. While we do not rule out short-term weakening, we see these eventual dips into the 34.0-34.2 EUR/SKK range as a good opportunity to buy the Slovak currency, as we expect it to strengthen in the euro run-up. We advise profit taking at 32.8 EUR/SKK, as the previous ERM-2 band at 32.69 EUR/SKK could be defended by the central bank. The expected time horizon is six months.

Closed positions

#	Recommendation	opened	closed	P/L inc.carry
1	long: PLGB10y / 4m Euribor	16/09/2005	27/10/2005	-3%
2	short: CZGB15y / 6m PRIBID	16/09/2005	21/11/2005	5.97%
5	long: SKK/CZK	09/11/2005	20/01/2006	1.90%
3	short EUR/SKK	29/09/2005	07/02/2006	3.45%
4	EUR/PLN options	21/10/2005	28/07/2006	-2.69%
6	SKK/CZK long	23/03/2006	30/10/2006	2.16%
7	FRA 9*12 short	28/07/2006	08/11/2006	8bp
8	long HUGB 5y	13/10/2006	29/01/2006	5.70%
9	short CZGB/ long GDBR	09/01/2007	27/02/2007	1.80%
10	long CZK/EUR	27/02/2007	19/03/2007	2.30%
11	short CZGB/ long PLGB	07/03/2007	10/05/2007	5.5%
14	long SKKFRA 9x12, short EURF	16/07/2007	13/08/2007	30 bp
13	short EUR/CZK	07/06/2007	14/09/2007	3.0%

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Forecasts

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Capital markets forecasts

	Exchange Rate vs EUR												Intervention Rate					
	CZK	Forward	HRK	Forward	HUF	Forward	PLN	Forward	RON	Forward	SKK	Forward	CZ	HR	HU	PL	RO	SK
Spot	27.2		7.34		251		3.64		3.37		33.3		3.25	3.50	7.50	4.75	7.00	4.25
Dec-07	27.2	27.1	7.40	7.40	253	252	3.72	3.65	3.30	3.39	32.5	33.2	3.25	3.50	7.00	5.00	7.50	4.25
Mar-08	27.3	27.1	7.30	7.30	255	254	3.70	3.65	3.25	3.42	32.4	33.2	3.50	3.50	6.75	5.00	8.00	4.25
Jun-08	27.1	27.0	7.25	7.25	255	255	3.75	3.66	3.21	3.44	32.5	33.2	3.50	3.50	6.75	5.25	8.00	4.25
Sep-08	26.8	27.0	7.25	7.25	256	257	3.70	3.67	3.22	3.47	32.5	33.2	3.50	3.50	6.50	5.25	7.50	4.25

	3m Money Market Rate										10y Govt. Yield					5y Yield
	CZ	Forward	HU	Forward	PL	Forward	RO	Forward	SK	Forward	CZ	HR	HU	PL	SK	RO
Spot	3.57		7.43		5.16		7.74		4.34		4.51	5.17	6.53	5.48	4.74	7.00
Dec-07	3.30	3.64	7.00	7.11	5.20	5.34	7.60	8.53	4.30	4.41	4.55	5.20	6.30	5.65	4.70	7.30
Mar-08	3.40	3.75	6.80	6.76	5.30	5.45	8.20	7.91	4.30	4.46	4.80	5.10	6.00	5.70	4.80	7.40
Jun-08	3.55	3.84	6.70	6.54	5.40	5.50	8.20	6.00	4.35	4.21	4.90	5.10	5.90	5.76	4.80	7.40
Sep-08	3.60	3.91	6.50	6.46	5.57	5.39	7.70	7.18	4.35	4.50	4.80	5.20	5.80	5.85	4.80	7.30

Long-term forecasts

GDP growth (%)	2006	2007e	2008f	2009f
Czech Republic	6.4	5.4	4.1	4.8
Croatia	4.8	5.9	4.7	4.9
Hungary	3.9	2.2	3.0	3.9
Poland	6.2	6.5	5.5	6.0
Romania	7.7	6.0	6.1	6.0
Slovakia	8.3	8.9	7.2	5.3

CPI (%), eoy	2006	2007e	2008f	2009f
Czech Republic	2.5	3.9	4.9	3.2
Croatia	2.0	4.0	3.0	3.0
Hungary	6.5	6.2	3.6	2.3
Poland	1.4	2.7	2.9	2.7
Romania	4.9	5.7	4.1	3.9
Slovakia	4.2	3.0	3.5	3.5

C/A (%GDP)	2006	2007e	2008f	2009f
Czech Republic	-3.0	-3.5	-3.7	-2.8
Croatia	-7.8	-8.1	-8.0	-8.3
Hungary	-6.5	-5.0	-4.4	-3.9
Poland	-3.2	-4.1	-4.5	-4.9
Romania	-10.3	-13.7	-14.7	-14.7
Slovakia	-7.3	-3.4	-2.4	-1.9

Budget Balance (%GDP)	2006	2007e	2008f	2009f
Czech Republic	-3.3	-4.0	-3.3	-2.8
Croatia	-3.0	-2.6	-3.0	-3.0
Hungary	-9.2	-6.0	-4.2	-4.1
Poland	-3.9	-3.2	-3.5	-3.4
Romania	-1.6	-2.7	-2.7	-2.7
Slovakia	-3.4	-2.9	-2.4	-2.6

Diaries

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Looking ahead

Country	Date	Release/event/figures	Our expectation	Consensus*
Czech Republic	Nov-02	Trade Balance	-	-
Croatia	31-Oct	Trade balance	€ -825mn	
Hungary	Oct-29	Central Bank rate-setting meeting	-25bp (to 7.25%)	split between -25bp and hold
	Oct-30	Sept Industrial producer prices	-1.9% y/y	-2.0% y/y
Poland	Oct-31	Central Bank rate-setting meeting	no change (4.75%)	no change (4.75%)
Romania	31-Oct-07	Central Bank monetary policy meeting	rate hike from 7% to 7.50%	
Slovakia	Oct-30	NBS Base rate	no change (4.25%)	no change (4.25%)

**Sources: Bloomberg, Reuters*

Auction diary

Country	Code	Auction-date	Pay-date	Maturity	Cupon	Offer	Forecast
Czech Republic		Nov-01	Nov-02	2008-Feb-01		CZK 7 bn.	
Hungary		Oct-30	Nov-07	Feb-06-2008	-	HUF 30bn	7.20%
		Oct-31	Nov-07	April-09-2008	-	HUF 25bn	7.10%
		Oct-31	Nov-07	Oct-22-2008	-	HUF 40bn	7.00%
Poland		No auction scheduled					
Romania		No auction scheduled					
Slovakia		Oct-29	Oct-31	May-12	5.3%	-	4.85%

Major Markets

Major markets

Important data next week will shape capital markets in the subsequent weeks

Next week will be packed with important events. Consumer confidence on Tuesday will probably be the least important one. The FOMC meeting is scheduled for Wednesday, however. We see the chance for an unchanged interest rate as greater than the market consensus, which gives a 25bp cut the highest probability. We think the Fed will opt to wait until December as recent indicators from the labour market and retail sales showed stable development, albeit at muted levels. So, the economy is steering clear of a recession. A cut now would shape expectations about the pace of future monetary easing and would signal deep concerns about the US economy. Both are things the Fed will not want to communicate to markets, especially in an environment of an already very low dollar. The following day GDP data for 3Q should confirm the picture that monthly indicators have already given. While the advance estimate only gives a first indication, we think that the market might be a bit too optimistic on this figure. Also on Thursday, the ISM index will show the current state of US manufacturing. We agree with the market is expecting a value barely above the 50 points threshold. Finally, the labour market report for October is scheduled for Friday. Non-farm payroll gains were probably less then the 110,000 posted for September. But we expect the trend of previous months to be continued showing moderate employment gains. With so many important events taking place next week, it is extremely difficult to predict where markets will stand by the end of the week. We think that the markets' assessment of the US economy is currently too bearish and could very well imagine higher yields and a stronger US dollar.

Euroland markets will look across the Atlantic

For Euroland only a few releases are scheduled, the most important being the purchasing manager indices at the end of the week. We expect a slight further deterioration due to the still insecure economic environment. We see the risk for these releases on the upside, and any stabilisation would surprise markets positively. The recent - better than expected - Ifo Index has increased the likelihood of this outcome. Labour market data for Germany on Tuesday is likely to only receive mild attention by markets. Overall, Euroland bond markets should be determined by the US-market and consequent spread trading next week.

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Forecasts

	Intervention Rate		3m Money Market Rate				10y Govt. Yield		FX	
	EUL	USA	EUL	Forwards	USA	Forwards	EUL	USA	EUR/USD	Forwards
Spot	4.00	4.75	4.61		5.01		4.16	4.34	1.432	
Dec-07	4.25	4.50	4.35	4.77	4.60	4.87	4.40	4.60	1.40	1.433
Mar-08	4.25	4.25	4.30	4.46	4.30	4.39	4.70	4.60	1.36	1.433
Jun-08	4.25	4.00	4.30	4.39	4.30	4.22	4.70	4.70	1.33	1.434
Sep-08	4.25	4.00	4.30	4.14	4.20	4.21	4.70	4.70	1.33	1.433

Czech Republic

Rates left on hold

At the recent rate-setting meeting of the Czech National Bank rates remained unchanged, as we had anticipated and was the market consensus. While at the time this note went to press the exact contents of the new prognosis unveiled at the meeting were unknown, we suspect that the re-evaluation of outlook for the Koruna provided a powerful argument for not rushing headlong into a hiking. The medium-term outlook remains clear - rates in the Czech Republic are still relatively low and the economy still strong enough to justify higher rates. However, the fast rise in rates as projected in the July prognosis in all likelihood will not materialise since most of the factors that appeared to threaten inflation back then have weakened (demand inflation is still low, the CZK has appreciated, fiscal reform will lower consumption next year and Eurozone outlook is uncertain). With only the labour market being a clear pro-inflationary factor, a cautious approach is justified.

As for the coming week, we only have the Trade balance, but we do not foresee any impact on the markets. Bonds and the CZK should receive more of an impact from events abroad - sentiment towards the region is positive at the moment. We expect the CZK to trade around 27.20 without any clear trend.

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Hungary

Central Bank might cut the base rate on Monday

The most watched event of the coming week (another short one) will be the Central Bank's rate-setting meeting on Monday. Regarding the outcome of the meeting, opinions are expected to remain divided between keeping the base rate on hold and a 25bp rate reduction until the very last moment. Uncertainties around the ongoing food and oil price shocks and their possible long-lasting effects on price developments as well as wage formation in the private sector (wage negotiations have just started) in 2008, could all demand for a cautious approach. Furthermore, as it seems sure now that the mid-term inflation goal will again be missed in 2008, a rate reduction in this situation could even jeopardise the overall creditability of the Central Bank, according to some opinions. In addition, by keeping the base rate on hold, the Central Bank could demonstrate its cautious approach and would reinforce the message that the September rate reduction had not been the start of a rate-cutting process. Although the above provide very strong arguments for not changing the base rate, a 25bp rate reduction may still come next Monday, in our view. Our argument is that as presently there is a dovish majority in the council, the current GDP downturn and its mid-run disinflation effect could also be important factors in the rate decision. Some dovish members tend to suggest that keeping the base rate at a very high level for a long time could increase the likelihood of the economy turning towards recession. And, last but not least, the global investment environment will again be a key factor in the final decision. Although, sentiment on global markets has become gloomier in recent days, the regional situation is "not bad" - partly due to Poland. The forint is seen as strong, while short-term rates have more or less priced a cut in.

As for the market consensus, according to the latest Reuters poll published on Thursday afternoon, 14 analysts expect rates to remain on hold, while 13 expect a 25bp cut on Monday, which is a complete split over. FX dealers, however, are braver with 11 out of 15 dealers expecting a rate reduction next Monday. One thing is sure: the communication of either decision could once again prove a great challenge for the Central Bank.

Another short week ahead in Hungary

The outcome of the rate-setting meeting will be the most important event next week, and then domestic markets will be closed from Thursday. The forint should remain in range during the next short week, while some profit taking and upward correction may come in bond yields with lower turnover in the run-up to the four-day holiday. As the Fed rate decision will be announced only on Wednesday evening, its effect could lead to a more volatile exchange rate with domestic markets closed in the second half of the week.

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Poland

New government is being formed under the lead of Civic Platform

The official results of Sunday's parliamentary elections were in line with rankings seen in the opinion polls. Contrary to the quite fragmented scene during the previous term, only four parties won a ticket to Parliament this time. Civic Platform (PO) became the election winner with a large margin, scoring 41.5% (209 seats in the 460-seat Parliament). It has thus overtaken Kaczynski's Law and Justice (PiS) which gathered a mere 32.1% (166 seats). Leftist-leaning Left and Democrats (LiD) ended third with 13.2% (53 seats). The Peasant's Party was the last party to make it into Parliament with 8.9% (31 seats). One seat will be given to German minorities.

PO party has already started negotiations with the Peasants Party, which seem to be proceeding well and agreement on a coalition is a very likely outcome of these talks. The chronological sequence of events is as follows: we should know the names of new Ministers by next Tuesday, PM Kaczynski will resign on November 5, the president has 14 days to nominate a PM (PO leader Donald Tusk is the natural candidate) and the new cabinet has a further 14 days to win a vote of confidence.

More fiscal discipline and Euro target date

So what are the possible impacts on the economy and markets? The election outcome gives great hope for political stability in Poland, not seen for a long time. Not only has the number of parties in Parliament reduced, but also the populists stayed behind the gates. It is positive that the PiS has won less than two fifths of MP seats and thus will not be able to block Parliament (with the help of the President's veto). From an economic point of view, we are not yet convinced that all of the points of PO's economic programme will be brought to life. In particular, it might be hard to win agreement on the tax simplification proposed (flat tax). However, there are some theses that the two parties seem to be able to agree on. First of all, both recognise necessity for a more responsible fiscal policy. Instead of anchoring the budget deficit (as was the practice of the previous government), PO wants to take advantage of the buoyant economic growth to consolidate public finances and put a restraint on expenditures (inflation plus 3%). The party has ambitions to compress next year's deficit roughly to PLN 20bn instead of PLN 28.6bn planned in the draft budget and will strive to achieve a balanced budget within four years. The second important area is the adoption of the Euro. Practically all of the parties except for PiS (including LiD which plans to stay in the opposition) fancy the idea of EMU entry and 2012-2013 are mentioned as possible target dates. This will provide an important anchor for the market and will also act as a disciplining factor for fiscal policies. We think that some minor reform steps are possible as well. Moreover, the privatisation process should resume.

… which brings a wind of hope to the markets

Overall, we judge the implications of these elections on the market as positive. In the very short term (over the next fortnight), there is a possibility of a temporary correction following the zloty rally seen recently. Technical indicators show that the zloty is overbought. However, the zloty should continue to appreciate in the mid term and the level of 3.60 PLN/EUR should be reached by the end of this year (we plan to revise our current mid-term forecasts).

On the fixed income front, there is space for a resumption of the convergence play on bonds once the target date for Euro adoption is set. Additionally, the new government is keen to restart the privatisation process, which means lower bond issuance even if the borrowing needs stayed at the same level. Hence the spreads on bonds should be gradually narrowing both on the middle and long segment of the curve. The short end might stay elevated in the next couple of months as we doubt that rate hike expectations will evaporate quickly, though some mild decline cannot be excluded also at these tenors.

Central bank to leave rates flat next week

The monetary policy council of the Central Bank will gather next week to discuss the setting of the key interest rates. Only three analysts out of 23 forecast a rate rise. Even though hawkish-leaning MPC members have clearly stepped up their rhetoric recently, we think that the majority of the council would prefer to wait at least one more month before hiking to gauge inflation risks more properly. Among other things, the programme of the government and its fiscal plans will be clearer in November. Also, the quarterly statistics on aggregate wages in the economy will be to hand. Thus, together with this month's fresh quarterly prognosis, the MPC will have a more reasonable base to up rates in our view. Though the recent surge of the zloty might blunt the hiking appetite a little of some Central Bankers, we think that given the positive output gap and persisting inflation risks stemming from robust domestic demand, tight labour market and food prices, the Central Bank will yet hike the rates this year, most likely in November. However, the zloty could limit the expected scope of tightening next year.

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Romania

Unemployment rate flat in September

There were no surprises in the September labour market figures - the unemployment rate remained flat at 3.9% (against 4.9% in September 2006). Companies are now facing difficulties in attracting good specialists. In the past many Romanians went to other EU countries seeking higher salaries in construction and agriculture, but also in high skilled areas like engineering or health. As a result, the labour market has tightened, with a shortage of skilled workforce and minimal prospects for solving the problem in the near future. Nominal average gross earnings increased by 24.3% between August 2006 and August 2007 and the catching up process with EU standards seems faster in this case as compared to other macro indicators, which are also part of the convergence process. We estimate an unemployment rate of 4.4% for end-2007.

NBR to hike rates next week

The refusal of the Ministry of Economy and Finance to sell state securities in the last month was immediately sanctioned by market players, who reacted by closing some of their positions on the RON. Another reason for the hard RON sell-off resides in a rebound in risk aversion globally, which persuaded investors to take a close look at the RON's fundamentals, deteriorated by the large current account gap. The domestic currency gradually retrieved earlier losses in the subsequent days, as investors needed the leu for their quarterly payments to the state budget, which had to be finalised by October 25. The local currency was also supported by the recovery of the short-term interbank interest rates in the proximity of the key rate, as a new mandatory reserve period had started.

We believe that the RON might appreciate next week towards the 3.30 zone as the market is expecting the NBR to increase the restrictiveness of monetary policy on October 31. As the inflation outlook has worsened lately in Romania and the NBR is likely to miss this year's inflation target (4.0% ± 1pp), we expect that the Administrative Board of the NBR will decide to hike the key rate by 50 basis points to 7.50%, while consensus estimates point to a 25 bps increase.

Short term interest rates repositioned above the key rate (7.0%)

Short tender deposits were quoted at low interest rates in the first two days of the week, with bids dropping to the 2.0% threshold (level of NBR's facility rate) on October 23, the last day of the current reserve period. The Central Bank held its regular 2-week tender deposit auction on Monday at the 7.0% fixed monetary policy rate. Banks were extremely prudent, as they preferred to keep their liquidities at disposal for the quarterly payments to the state budget, and thus avoiding a liquidity crunch as happened previously. Also, banks priced in the fact that a new reserve period was starting on Wednesday and interest rates were about to recover in the proximity of the key rate. The scenario was confirmed and the short-term interest rates climbed to 7.1/7.9% bids/asks on October 24. Interest rates to short tenor deposits are likely to maintain unchanged until the end of the week, as the Central Bank will continue to sterilise the excess liquidity.

MinFin keeps on rejecting bids to its debt issues

We expect the interbank interest rates to stay at around 7.0% and even to increase slightly above should the NBR confirm the expectations of the market and hike the key rate at its last monetary policy meeting this year, due on October 31.

After refusing to issue state debt instruments for more than a month, the Ministry of Economy and Finance continued its behaviour on October 24. The MinFin held an auction for selling treasury bills at one-year maturity for an indicative RON 100mn. The primary dealers had a modest offer of RON 180mn - the lowest amount submitted this year at the state securities auctions - out of which RON 120mn was mandatory, as all primary dealers have to participate at the auctions held by the Ministry of Economy and Finance, according to the regulations in force. The limited interest shown for the last state securities auctions, reveals investors' unwillingness to place their liquidities below the key rate (7.0%), all the more so as inflation had sparked lately reaching 6.0% in September. We consider that the MinFin will begin to attract liquidity from the domestic market starting in November as it will need money to finance the elections for the EU parliament.

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Slovakia

Fiscal data revision milder than expected but unanswered questions remain

This week Eurostat published a revision of fiscal data for previous years. More accurate data on interest revenues, the inclusion of public media and some other methodological changes led to a revision of the 2006 fiscal shortfall from 3.4% of GDP to 3.7% of GDP. The National Highway Company NHC (which probably has the biggest impact) remains out of public finances. Thus, the revised deficit is smaller than the previously reported 4.1% of GDP (the NHC was expected to be included in the fiscal data). However, it still remains unanswered as to whether the NHC will be included at some later date, which would increase the Euro-important 2007 fiscal deficit.

The Ministry of Finance later said that it sees the 2007 fiscal gap at 2.5% of GDP. The potential inclusion of the NHC would increase the deficit by 0.2% of GDP, putting the general government shortfall at 2.7% of GDP. We believe that the government (which lists Euro adoption among its top priorities) has the tools to fulfill fiscal criteria even if additional items were included into the deficit. Some spending cuts might be necessary to achieve the goal. We estimate Euro adoption at the beginning of 2009 with a probability of 70-80%.

Statistical Office upped nominal GDP data, 2006 growth

The Slovak Statistical Office revised GDP data up to 2006. Instead of the previously reported 2006 GDP growth of 8.3% y/y, the Statistical Office now states the growth at 8.8% y/y. Nominal GDP is estimated to have reached SKK 1659bn in 2006 (up 1.4% from a previously reported SK 1636bn). Changes include the introduction of volume chaining, different accrual recording of taxes and social contributions, recent foreign trade revision and other matters.

Central bank to leave rates on hold

Next Tuesday the Slovak Central Bank will hold an interest rate meeting. In line with the whole market, we expect that rates will stay on hold (the Central Bank's last rate cut was delivered in April). The overall economic situation has not changed significantly since last month. Also, CB Board member Ludovit Odor suggested last week that rates are close to optimal level. We expect the Central Bank to remain in waiting mode (for further ECB moves) and keep rates stable at least for the next couple of months.

Sentiment improved on the FX market and the Slovak koruna reached 33.19 SKK/EUR on Thursday, its strongest level since late July. The milder-than-expected fiscal data revision by Eurostat might have aided appreciation, while a market-supportive result from the Polish elections might have also spilled over into the Slovak FX market. We continue to expect further appreciation of the koruna to around 32.5 SKK/EUR by the year-end.

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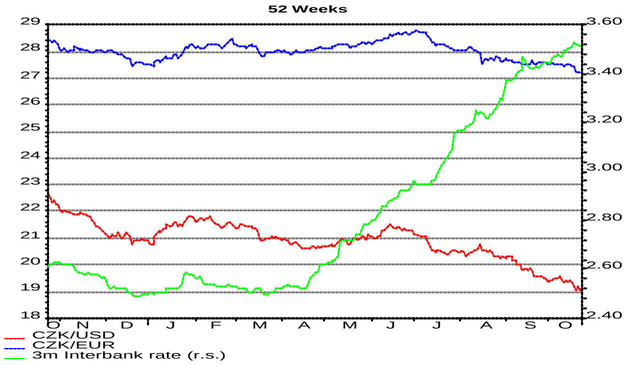
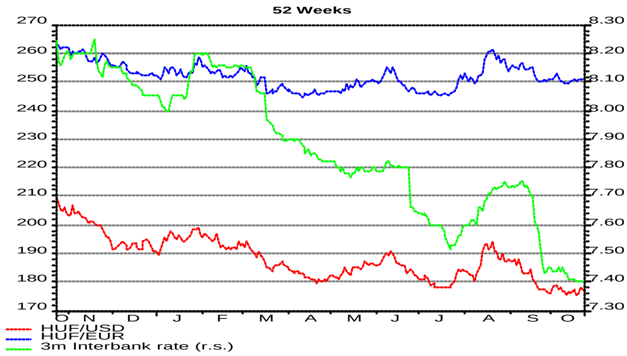
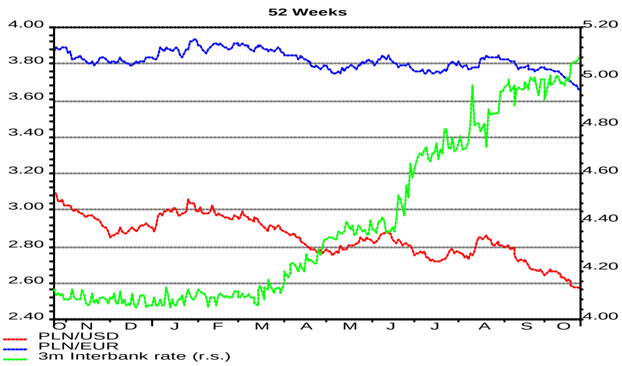
Appendix Charts

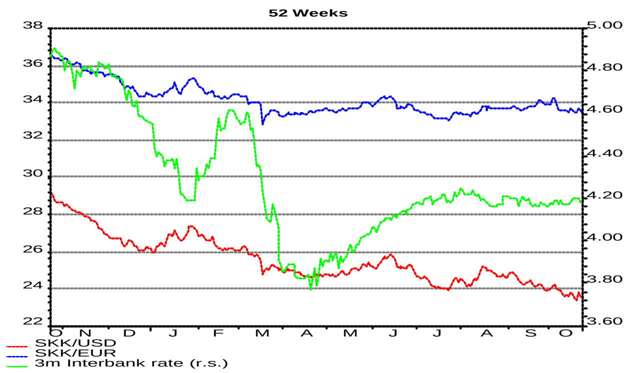
http://global.treasury.erstebank.com

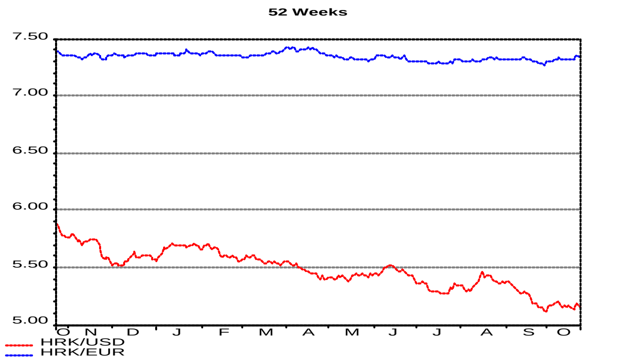
Exchange rates and interest rates (52 weeks)

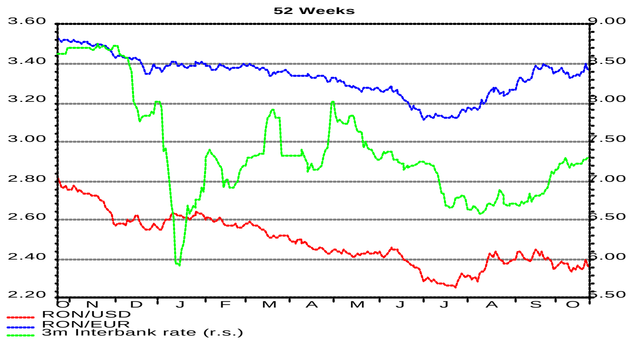








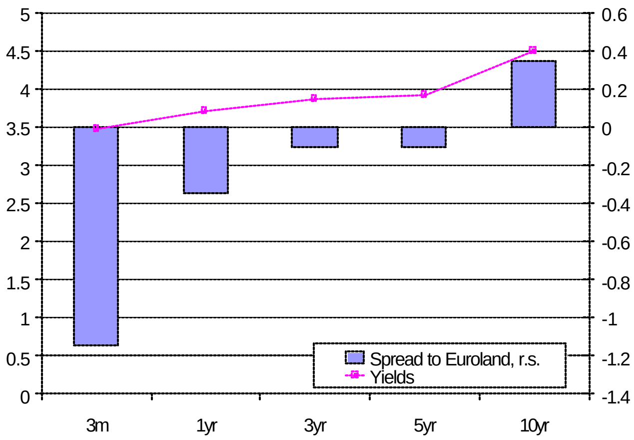




Source: Datastream

Benchmarks

Czech Republic



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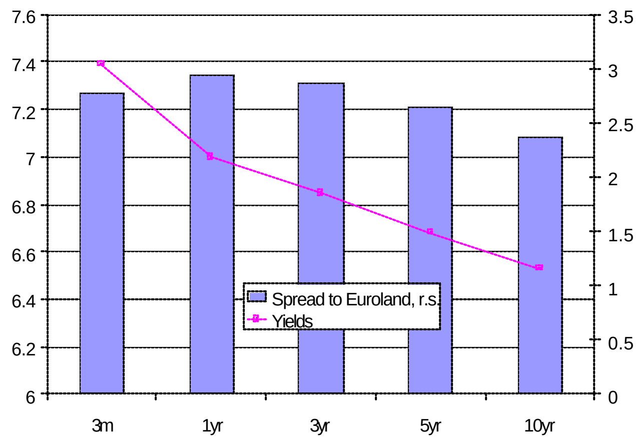

Appendix Forwards

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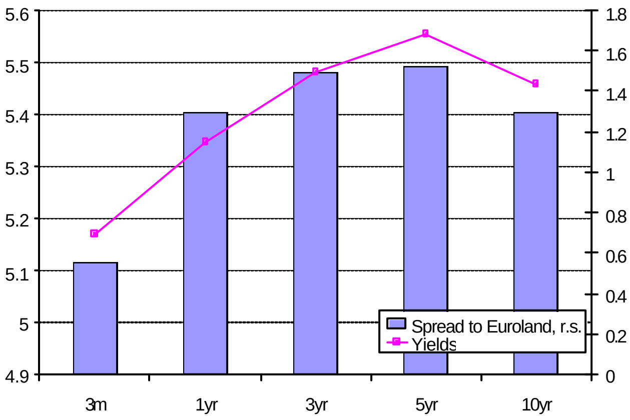

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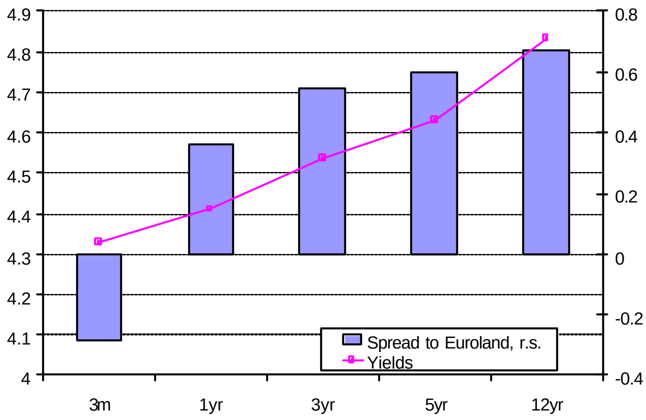

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