CEE Research

May 18, 2007

Fixed Income and Foreign Exchange

CEE Insights

- **Croatia:** Appreciation pressures on kuna still to come
- **Czech Republic:** Current account in surplus for third consecutive month in March
- **Hungary:** Central bank rate setting meeting key event next week
- **Poland:** Inflation dipped back below CB target in April and corporate wages cooled down
- **Slovakia:** We no longer expect cuts, due to changed outlook for Eurozone

ERSTE BANK

Overview

http://global.treasury.erstebank.com

Croatia:

- CPI inflation accelerated to 2.3% y/y in April
- Unemployment rate (ILO methodology) declined sharply to 10.5% in 2H06
- Appreciation pressures on kuna still to come

Czech Republic:

- CNB board likely to keep rates on hold
- Current account in surplus for third consecutive month in March
- CB board member interviews provide some insight

Hungary:

- Central bank rate setting meeting key event next week
- 1Q07 GDP figure caused positive surprise

Poland:

- Inflation dipped back below CB target in April…
- …and corporate wages cooled down…
- …opening leeway for central bank to assume wait-and-see stance
- Markets to eye Minutes from April CB meeting next week

Slovakia:

- Economic growth surprised on downside, but remains strong
- CPI inflation stayed flat in April
- We no longer expect cuts, due to changed outlook for Eurozone

Rainer Singer
(Chief Fixed Income Analyst CEE)
rainer.singer@erstebank.at

Thursday's close		Current	w/w	m/m	ytd	Spreads vs. Euroland current	Spreads vs. Euroland - 1m	Spreads vs. Euroland 02/01/2007
Czech Republic	EUR/CZK	28.17	0.3%	-0.8%	-2.0%			
	3Y (yield bp)	3.61	10	0	40	-67	-85	-66
	10Y (yield bp)	4.28	5	14	57	-3	-4	-23
Croatia	EUR/HRK	7.33	0.0%	1.1%	0.3%			
	3Y (yield bp)	4.09	11	-34	-45	-19	30	66
	10Y (yield bp)	5.01	5	2	n/a	69	81	n/a
Hungary	EUR/HUF	249.96	-0.1%	-1.6%	0.6%			
	3Y (yield bp)	6.97	6	-9	-58	269	294	368
	10Y (yield bp)	6.56	4	-9	27	225	247	276
Poland	EUR/PLN	3.78	-0.2%	0.5%	1.3%			
	3Y (yield bp)	4.93	1	1	28	64	79	78
	10Y (yield bp)	5.33	0	-9	15	101	117	124
Romania	EUR/RON	3.27	0.1%	1.7%	3.4%			
Slovakia	EUR/SKK	33.73	-0.3%	-1.1%	2.2%			
	3Y (yield bp)	4.16	2	2	-22	-12	2	50
	12Y (yield bp)	4.50	3	10	19	18	21	38

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

Trading Ideas

http://global.treasury.erstebank.com

Positions

Currently, there are no open trading ideas.

Rationale at inception

Currently, there are no open trading ideas.

#	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%

To be included in the trading ideas mailing list, please, mail to rainer.singer@erstebank.at, subject: trading ideas

Forecasts

http://global.treasury.erstebank.com

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	28.1		7.33		251		3.79		3.28		33.7		2.50	3.50	8.00	4.25	7.25	4.25
Jun-07	27.7	28.1	7.25	7.25	248	252	3.85	3.79	3.30	3.29	33.9	33.7	2.50	3.50	7.50	4.25	7.00	4.25
Sep-07	27.6	28.0	7.40	7.40	251	253	3.80	3.80	3.32	3.32	32.7	33.7	2.75	3.50	7.00	4.25	7.00	4.25
Dec-07	27.2	27.9	7.40	7.40	253	256	3.75	3.80	3.30	3.34	31.9	33.7	3.00	3.50	6.75	4.25	6.75	4.25
Mar-08	26.9	27.8	7.30	7.30	255	259	3.73	3.80	3.35	3.36	32.2	33.6	3.25	3.50	6.50	4.50	6.75	4.25

	3m Money Market Rate										10y Govt. Yield				
	CZ	Forward	HU	Forward	PL	Forward	RO	Forward	SK	Forward	CZ	HR	HU	PL	SK
Spot	2.77		7.77		4.44		7.64		4.20		4.28	5.01	6.57	5.33	4.50
Jun-07	2.63	2.98	7.60	7.78	4.40	4.51	7.30	7.36	4.20	4.06	4.15	4.90	6.50	5.25	4.70
Sep-07	2.88	3.19	7.00	7.45	4.40	4.75	6.85	6.96	4.25	4.16	4.50	4.85	6.30	5.10	4.80
Dec-07	3.13	3.35	6.70	7.03	4.55	4.92	6.55	6.74	4.25	4.25	4.50	4.95	6.10	5.10	4.90
Mar-08	3.30	3.43	6.50	6.78	4.70	4.94	6.45	6.02	4.25	4.26	4.75	4.80	5.90	4.85	4.90

Long-term forecasts

GDP growth (%)	2005	2006	2007f	2008f
Czech Republic	6.1	6.1	5.1	3.5
Croatia	4.3	4.8	4.5	4.6
Hungary	4.2	3.9	2.5	3.2
Poland	3.6	6.1	5.7	5.6
Romania	4.4	7.7	6.5	6.3
Slovakia	6.0	8.3	8.9	6.5

C/A (%GDP)	2005	2006	2007f	2008f
Czech Republic	-2.5	-4.0	-3.5	-2.7
Croatia	-6.4	-8.0	-8.7	-9.8
Hungary	-6.9	-5.8	-4.5	-4.0
Poland	-1.7	-2.3	-2.6	-3.0
Romania	-8.7	-10.3	-11.4	-11.4
Slovakia	-8.6	-8.3	-3.7	-2.4

CPI (%), eoy	2005	2006	2007f	2008f
Czech Republic	2.2	1.7	3.3	3.4
Croatia	3.6	2.0	3.0	3.0
Hungary	3.3	6.5	5.2	3.4
Poland	0.7	1.4	2.3	2.3
Romania	8.6	4.9	3.7	4.2
Slovakia	3.7	4.2	2.8	3.3

Budget Balance (%GDP)	2005	2006	2007f	2008f
Czech Republic	-2.2	-3.3	-4.0	-3.1
Croatia	-4.2	-3.0	-2.8	-3.0
Hungary	-7.8	-9.2	-6.5	-5.0
Poland	-4.3	-3.9	-3.4	-3.2
Romania	-0.8	-1.6	-2.8	-2.7
Slovakia	-3.1	-2.5	-1.7	-1.7

Diaries

http://global.treasury.erstebank.com

Looking ahead

Country	Date	Release/event/figures	Our expectation	Consensus*
Czech Republic	May-21	Retail Sales (03/2007)	6.1%	6.5%
Croatia	22-May	Unemployment rate	16.2% y/y	
	22-May	Industrial production	7.8% y/y	
Hungary	May-21	NBH rate setting meeting	25bp cut (7.75%)	split between hold and -25bp
	May-24	March Retail sales	-0.2% y/y	-
Poland	May-21	Industrial output (4/2007)	14.2% y/y	15.8% y/y
	May-21	PPI (4/2007)	2.6% y/y	2.6% y/y
	May-24	Minutes from CB meeting on rates (04/2007)		
	May-25	Retail sales (4/2007)	18.2% y/y	18.5% y/y
Romania	No data releases scheduled			
Slovakia	No data releases scheduled			

**Sources: Bloomberg, Reuters*

Auction diary

Country	Code	Auction-date	Pay-date	Maturity	Cupon	Offer	Forecast
Czech Republic		No auction scheduled					
Hungary		May-22	May-30	Aug-29-2007	-	HUF 30bn	7.60%
		May-24	May-30	April-12-2010	6.75%	HUF 75bn	7.00%
Poland		No auction scheduled (auction of T-bills has been called off)					
Romania		23-May-07	25-May-07	1 Y	-	100,000,000	7.10%
Slovakia		No auction scheduled					

Major Markets

http://global.treasury.erstebank.com

Major markets

Leading indicators to remain strong

The estimate of German GDP growth in the first quarter came in above expectations, posting a solid +0.5% q/q, in spite of the VAT hike in January. On the other hand, +0.5% q/q for France and +0.2% q/q for Italy were slightly disappointing. For Euroland as a whole, the first estimate showed +0.6% q/q, better than we had expected. Next week, sentiment indicators will be in focus. The ZEW Survey will be released on Tuesday, with the Ifo Index and French business climate index on Thursday. In between, the Belgium business indicator will be reported. All data available at the moment points in the direction of ongoing strong growth in Germany and the highly-related neighbors, so one can expect the indices to remain at high levels or even increase a bit. Therefore, next week's data will hardly bring relief to the battered bond markets, as the technical picture has worsened since Monday as well.

Housing market data most important release

This week's most important data was the CPI release, which showed the expected moderate development. However, this could not brighten the sentiment on the bond market; in our view, less important indications from following releases were taken as selling opportunities. This was reinforced by upwardly moving yields in Euroland. Next week's data is concentrated towards the end of the week. New home sales are scheduled for Thursday, with existing home sales to be released the following day. Positive news from the housing market is had to imagine. In our view, the best possible outcome would be a stable number of unit sales. We see the risk tilted towards a further downturn. Given the current bearish mood on the bond market, it is hard to predict how markets will react to poor data from the housing market. In our view, yields at current levels are not supported by fundamentals, so we do expect yields to decrease in the course of next week.

Veronika Lammer, veronika.lammer@erstebank.at
Rainer Singer, rainer.singer@erstebank.at

Forecasts

	Intervention Rate		3m Money Market Rate				10y Govt. Yield		FX	
	EUL	USA	EUL	Forwards	USA	Forwards	EUL	USA	EUR/USD	Forwards
Spot	3.75	5.25	4.07		5.36		4.31	4.74	1.349	
Jun-07	4.00	5.25	4.15	4.19	5.20	5.35	4.30	4.50	1.350	1.350
Sep-07	4.25	5.00	4.35	4.37	4.90	5.25	4.50	4.50	1.330	1.355
Dec-07	4.25	4.75	4.35	4.48	4.60	5.11	4.60	4.60	1.330	1.358
Mar-08	4.25	4.50	4.30	4.46	4.30	5.01	4.70	4.70	1.300	1.360

Croatia

CPI inflation accelerated to 2.3% y/y in April

April CPI posted a slightly higher rate than we expected, as consumer prices increased by 0.7% m/m and 2.3% y/y (the first monthly observation above 2% in 2007). The main drivers behind the slightly higher rate were the greater than expected increase of food and beverage prices (1.1% m/m) and clothing and footwear prices (+3.4% m/m). As expected, transport prices rose by 0.8% m/m, due to the hike in oil prices. Nevertheless, inflation remained within the broadly expected band around 2% for 1H07.

Unemployment rate (ILO methodology) declined sharply to 10.5% in 2H06

The 2H06 unemployment rate (measured by ILO methodology) presented a positive surprise, recording a decline of 1.3pp compared to 1H06. The number of unemployed people declined to below 200ths, standing at 191ths (-15ths with respect to 1H06). A more detailed look at the figures shows an increase of both the active and employed population in 2H06, by 60ths and 76ths, respectively (compared to 1H06), resulting in an increase of the activity rate (49.8%, +1.5pp) and employment rate (44.5%, +1.9pp). Official (Croatian Employment Service) monthly figures indicated solid trends on the labor market. However, our expectations were a little less optimistic. In 2007, we see a continuation of the positive trends and a further decline of the unemployment rate.

Appreciation pressures still to come

The kuna recently stabilized, after firming in the region of 0.5% over the last two weeks. However, even though tourist season is approaching, appreciation pressures have still not piled up. While movements in the appreciation direction are expected, intensity and volatility (which usually trigger CNB FX interventions) are low. Also, with the currently low market liquidity and kuna MM rates at their highest levels this year, appreciation pressures remain weak. It looks as though the serious appreciation pressures could come a little bit later, with the first large tourist arrivals in June. The bond market also reacted to the poor liquidity, with yields increasing slightly.

Alen Kovac, akovac2@erstebank.com

Czech Republic

CNB board likely to keep rates on hold

Next week will see only one release, that of retail sales for March. Our expectation is growth of 6.1% y/y, whereas the market estimate is 6.5% y/y. This is one more piece of data the CNB will be putting somewhere in its when-to-hike-rates puzzle. Stronger growth would probably be something the CNB would need to weigh seriously before its May 31 rate setting meeting. However, we still think the banking board - although probably divided over the issue - will wait a while longer before raising the rates, as some board members will want to see undisputable evidence that the economy is overheating.

Current account in surplus for third consecutive month in March

Last week, we had data on PPI, the current account and industrial production. PPI came in higher than expected (0.6% m/m), but with no impact on the market. We also do not expect any tangible impact on the monetary policy decision-making, since the link between PPI and CPI in the Czech Republic is tenuous, at best. As for the current account, this showed a surplus of CZK 8.3bn in March (mainly due to the good trade balance), marking the third month in a row with the current account ending in a surplus. However, for the year, we expect the current account to end in a deficit of roughly 3.5% GDP. Industrial production grew at a double-digit rate for the third month in a row, providing another indication that we are not going to see any dramatic slowdown of the Czech economy this year.

CB board member interviews provide some insight

Last week brought two interviews with members of the banking board that are extremely important, given that there is no clear consensus on the market as to when the hike will come. Specifically, on Monday, Mojmir Hampl - who was absent from the April monetary policy meeting when a 25bps raise in the key rate was voted on - said that the CNB "need not panic over a sharper than expected pick-up in inflation and can wait for more data before resuming monetary tightening." He said that he does not yet see any clear inflationary trend, even though he does see some risks and generally believes that inflation will be on the projected trajectory (that is, on the path forecasted by the staff) in 2008. All in all, Hampl does see the need to raise interest rates, but does not think there is a need to "slam on the brakes tomorrow or after tomorrow." In my view, these are not the words of a person who would vote for higher rates anytime soon. However, it is unclear how many of his fellow policymakers share this view. In a related development, two of the members of the policy-making body of the CNB (Tomšík and Singer) hinted that the rates will indeed go up, although they did not elaborate on the exact timing.

As we stated last week, we maintain our forecast of a 25bps interest rate hike in July, although we admit that the risks are skewed towards earlier hikes (even though we do not think it is going to be as soon as in May, as some analysts predict). This month's voting (May 31) and the board's discussion will be crucial in determining the distribution of votes and how many members feel that an immediate rate hike is a must.

Martin Lobotka, mlobotka@csas.cz

Hungary

Central bank rate setting meeting key event next week

Next week, investors will eagerly focus on the central bank's rate setting meeting on Monday, at which the decision is more uncertain than usual. The council is expected to discuss the "hold" option and that of a 25bp rate reduction. Our view is that the relatively favorable market environment, falling risk premium in the recent period and the country's promising fundamental picture in the mid run (improving economic balance situation and slowing inflation) seem to be strong bases for starting the rate cutting process sooner. The April CPI inflation figures (published last week) reinforced the notion that the March 9% figure marked the inflation peak this year, while the slowing core CPI rate did not suggest strong second-round price-increasing pressure among core factors. Thus, rate cut expectations had intensified among investors after the publication. However, the picture has changed since then, as this week's wage data was disappointing, at least from the inflation point of view. In March, the gross average wage growth in the economy accelerated to 8.4% y/y (from 5.7% y/y in February), within which the gross average wage in the private sector increased by 10.2% y/y (after 7.9% y/y in February). In addition, regular (ex bonuses) private sector gross wage growth - which is closely monitored by the central bank - also accelerated, to 11.6% y/y, from 10.5% y/y in February. Thus, the question again arose whether the sharp gross wage increases mean increasing (cost) inflationary pressure or the accommodation of the private sector to stricter administrative rules by removing more employees from grey zones of the economy to the legal one. 10-20% y/y wage increases in such fields as the construction industry and certain kinds of market services suggest the latter scenario. However, the central bank may want to see more evidence of this. Nevertheless, Thursday's wage data significantly decreased the likelihood of a 25bp rate cut on Monday. Despite the current short-term uncertainties around the decision, we continue to predict a 125bp rate reduction during the year, with the base rate standing at 6.75% at the end of 2007.

The bank's Report on Inflation will also be published on Monday. The February Report had forecasted a 3.4% y/y average inflation rate for 2008, and we think that a marginal change took place in this prediction in May. In addition, the report will contain a forecast for the 2009 average CPI inflation rate for the first time. The bank analysts' views on the mid-term inflation outlook and possible risks around the inflation path could also be decisive factors for the council in the rate decision.

1Q07 GDP figure caused positive surprise

Looking back on this week, the 1Q07 GDP figure caused a positive surprise. According to the CSO's flash estimate, GDP rose 2.9% y/y in the first quarter of 2007, exceeding both our expectation of 2.5% y/y and the market consensus of 2.3% y/y. Calendar-adjusted data showed GDP growth of 3% y/y in 1Q07. Compared to the previous quarter, GDP rose 0.7%. The breakdown of the figures will be available later (June 8). However, we think that the good 1Q07 figure can basically be explained by the higher than expected gap between exports and imports - i.e. more positive net exports. The formation of household consumption in the period is basically the main question, while we still think that investments could show a negative y/y change, partly because of the high 1Q06 base figures.

The forint started to depreciate towards the end of the day on Thursday. There was no domestic reason behind the weakening, in my view. The recent movements can basically be explained by some changes on the international and regional markets. As the global risk appetite does not seem to have deteriorated, no further significant weakening is expected. In addition, the moderating rate cut expectations may stabilize the forint exchange rate in the short run. The FI market has not been affected much by the forint movements; bond yields are mainly stagnant. Next week, after the Monday rate decision, investors are expected to focus on the Thursday 3-year bond auction.

Orsolya.Nyeste, orsolya.nyeste@erstebank.hu

Poland

Inflation dipped back below CB target in April…

The inflation rate slowed down to 2.3% in April, slipping back below the central bank's target (2.5%). Such an outcome constituted no surprise for the market, as it matched the consensus (and our) expectation. Base effects were the main factor behind the disinflation process. Gas prices jumped in April 2006 by quite a great margin (14.1%). As this did not repeat this year, the dynamics of the category of electricity and gas slumped by 2 percentage points to 3.1% y/y. Favorable base effects were also observed in the category of fuels, which increased by 3.8% m/m (due to the rise in world oil prices), but this was a smaller rise than in the same period of last year; hence, the annual dynamics slowed down. The main drivers of the monthly increase in the price levels were food (fresh seasonal supply of fruit and vegetables), fuels and household goods. The latter might be a reflection of the stronger purchasing power of households. Inflation should ease even more until summer, aided by a higher comparison base in fuels and food and the stronger zloty. For the year-end, we predict that inflation will hover around 2.3% y/y. Net inflation (headline adjusted for food and fuels) slowed down to 1.5% y/y, according to our calculations. However, the above-mentioned base effect in gas prices was an important factor here. Therefore, lower net core inflation does not imply easing in underlying demand pressures and is not a sound reason for becoming dovish, in our view. The central bank will likely take into account the remaining core inflation indicators (to be released later this month) and other macroeconomic trends (wages, GDP) when deciding on rate setting.

…and corporate wages cooled down…

Wages in the corporate sphere declined 2.3% m/m in April. Consequently, the annual dynamics moderated to 8.4% y/y, from the 9.1% y/y recorded a month ago. This outcome was below the market consensus of 8.6%, although slightly higher than our optimistic forecast of 8.0% y/y. In the wake of the solid economic expansion seen across many sectors of the economy, the labor market continued to develop favorably, with employment in the enterprise sector increasing by 0.3% m/m and 4.4% y/y. Putting these numbers together and adjusting for inflation, the real wage bill growth slightly moderated to 10.7% y/y, from 11.2% in March. This still represents solid support for the purchasing power of households. However, the potential inflationary impact might be mitigated by the fact that productivity is still rising faster and companies are thus not under pressure to pass higher wage costs onto consumers.

…opening leeway for central bank to assume wait-and-see stance

Wage data is critical for the MPC when discussing rate setting. As the overall dynamics remain robust, the central bank will remain on alert. However, the recent slowdown in their dynamics and return of inflation back to below the target allows the central bankers to pull their metaphorical finger back from the trigger for now. We still see key interest rates staying flat this year and increasing by 50bp next year, with the risks tilted towards an additional hike this year in the case of a further significant wage surge or irresponsible fiscal policy. Statements from several MPC members this week basically underlined our assumption that the mood within the MPC is still vigilant, but the majority wants time to observe trends in the economy before delivering any further rate change.

Markets to eye Minutes from April CB meeting next week

The zloty continued to drift weaker this week. Technical indicators suggest that weakness should persist next week, with 3.80 and 3.83-3.84 EUR/PLN representing strong psychological barriers. Hand in hand with the zloty depreciation, FRA contracts moved visibly higher this week. However, the bond curve was affected only at the 1Y maturity, as the rest of the tenors slid lower w/w, both in spread and absolute terms. Next week will again bring a handful of data releases and events. We see industrial output expanding a notch more slowly than the market average (14.2% y/y, vs. 15.8% y/y). However, the pace will be solid, with a pickup in productivity helping to compensate for the brisk wage growth. Retail sales (our estimate: 18.2% y/y) have been surprising the market rather on the upside over the last couple of months. Another higher than expected figure could unnerve the market and hurt bonds, due to fears that higher consumption could show up in inflation. The markets will also monitor the Minutes from the April rate setting meeting. The Polish central bank is now starting the practice of publishing the Minutes on a monthly basis. The very first publication will be interesting, as it is expected to shed light on the discussion by the MPC during the meeting that resulted in a rate hike.

Mária Fehérová, mfeherova@csas.cz

Slovakia

Economic growth surprised on downside, but remains strong

According to the Statistical Office's flash estimate, real GDP growth reached 8.9% y/y in 1Q07 (down from 9.6% in 4Q06). The figure was below both our estimate and the average market forecast of 10.6%. The structure of the growth will only be released on June 1, so it is difficult to identify the source of the surprise at this point, as the monthly statistics did not point to a deceleration of growth dynamics. The Statistical Office indicated that the growth was supported by both foreign and domestic demand, which matches our assumptions. In nominal terms, GDP growth reached 12.3%, which was close to our estimate of 12.6%. Hence, deflators of export/import or inventories could have evolved less positively than we assumed. However, the broader economic picture remains positive and the economy continues to grow strongly. We are not changing our outlook for GDP growth yet and maintain our full-year estimate at 8.9%.

CPI inflation stayed flat in April

April inflation increased a notch above the market forecast and our expectation, rising 0.2% m/m and 2.7% y/y, which is the same level as was seen in both March and February. This was above our and the market's forecast of 2.6% y/y, as food prices grew more strongly compared to their usual seasonal pattern. Positively, inflation ex volatile food, fuels and imputed rents (our preferred proxy for demand inflation pressures) actually declined to 1.3% y/y, down from the 1.4% seen in March. Looking ahead, HICP inflation should still stand below 2% at the end of the year (in line with the CB's target), and fulfillment of the Maastricht inflation criterion should not be threatened.

We no longer expect cuts, due to changed outlook for Eurozone

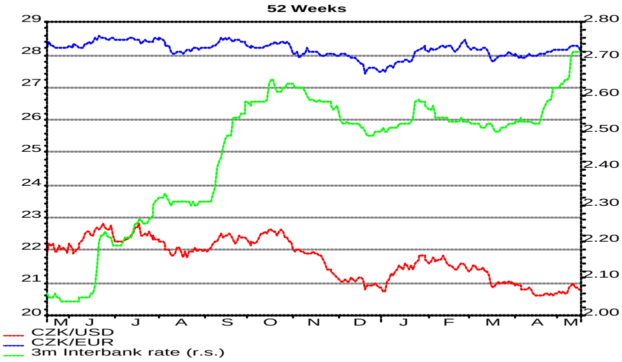
In response to the change of our view on the Eurozone outlook, we also revised our assumptions for Slovak interest rates, as we do no think the Slovak central bank would like to cross the ECB rate. Please note that CB Governor Ivan Sramko suggested in April that Slovak rates should optimally converge to Eurozone levels as soon as possible. Hence, we expect the Slovak base rate to remain on hold at 4.25% for the foreseeable future (as the ECB rate should converge to the same level from the bottom). On the currency market, the koruna slightly decelerated this week, trading near 33.75 EUR/SKK on Friday. In the coming weeks, we expect some weakening towards 34 EUR/SKK, due to dividend season. However, the longer-term outlook remains favorable, in our view.

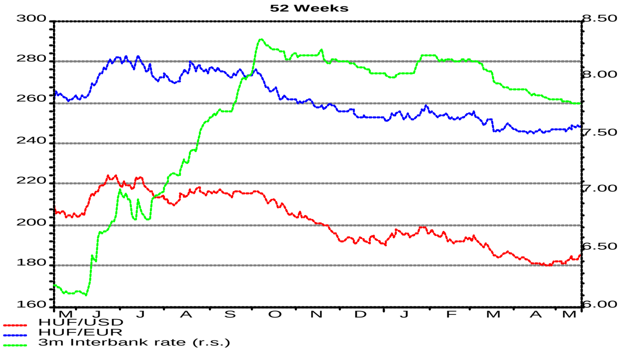
Michal Mušák, musak.michal@slsp.sk
Mária Valachyová, valachyova.maria@slsp.sk

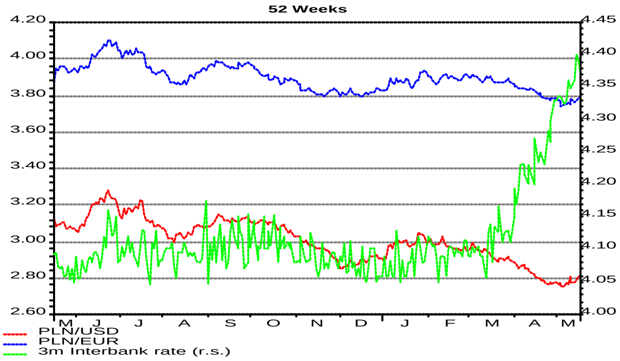
Appendix Charts

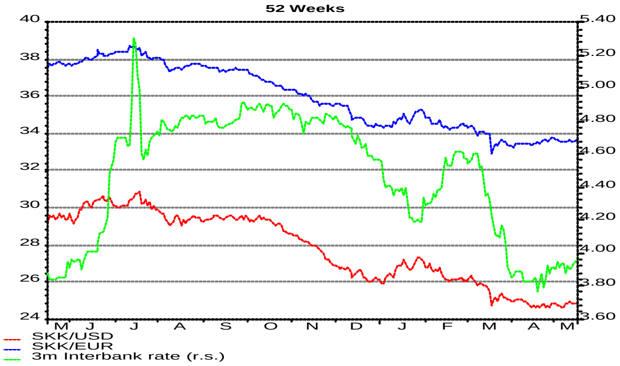
http://global.treasury.erstebank.com

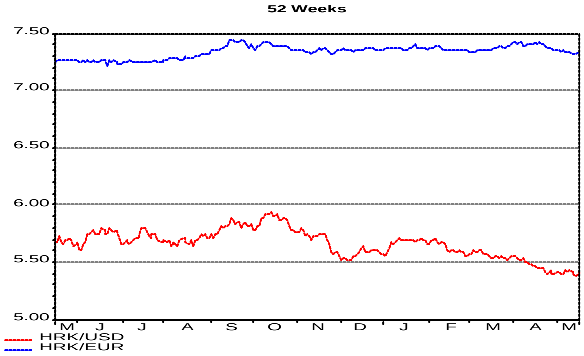
Exchange rates and interest rates (52 weeks)

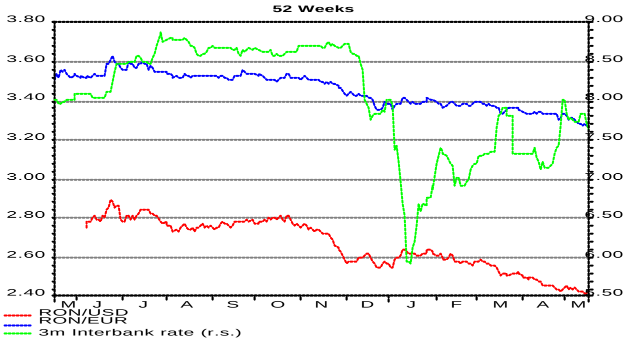








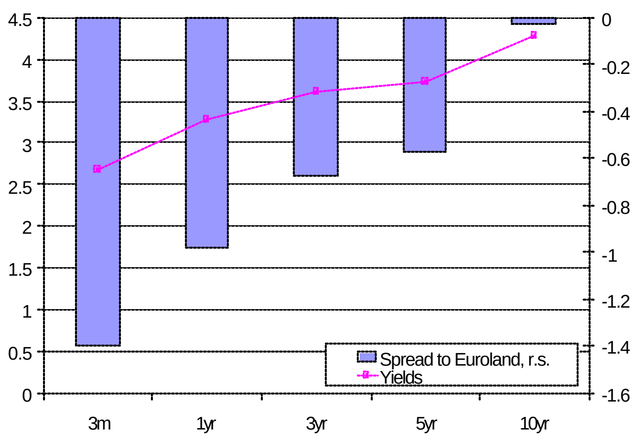




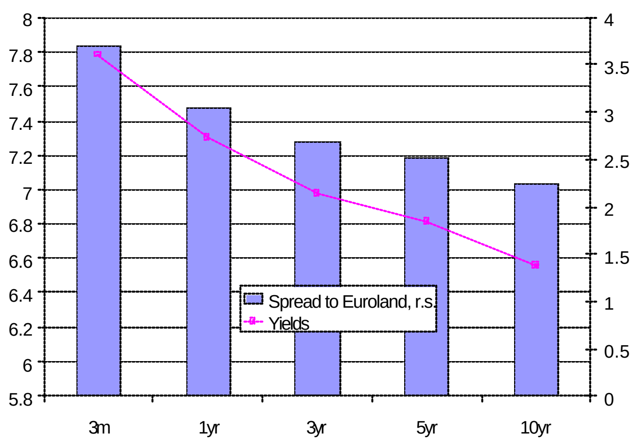
Source: Datastream

Benchmarks

Czech Republic



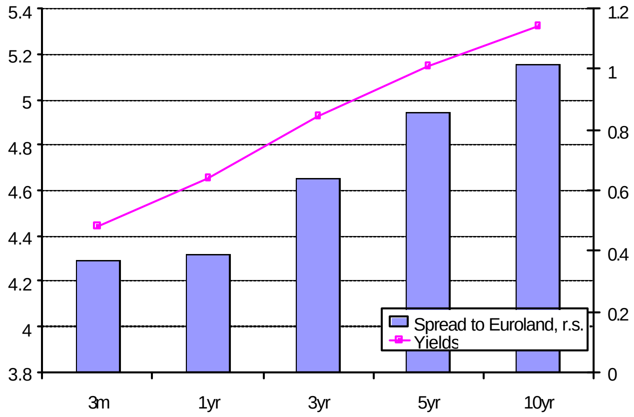
Hungary



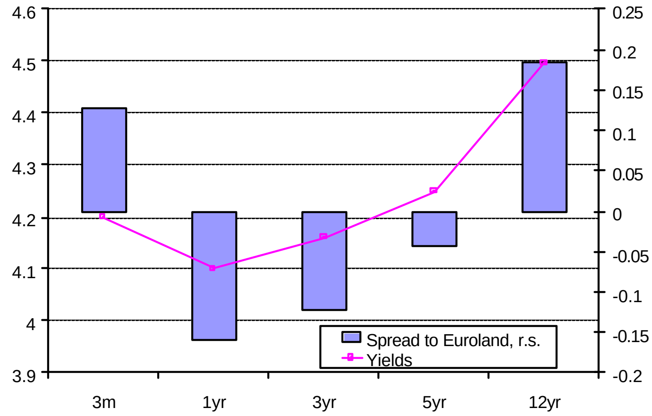
Appendix Forwards

http://global.treasury.erstebank.com

Poland



Slovakia



Published by Erste Bank der oesterreichischen Sparkassen AG Börsegasse 14, OE 543 A-1010 Vienna, Austria. Tel. +43 (0)50100-ext.

Erste Bank Homepage: www.erstebank.at On Bloomberg please type: ERBK <GO>.

Contacts

http://global.treasury.erstebank.com

Group Research

Head of Group Research	
Friedrich Mostböck, CEFA	+43 (0)50 100-11902
CEE Equity Research	
Co-Head: Günther Artner, CFA	+43 (0)50 100-11523
Co-Head: Henning Eßkuchen	+43 (0)50 100-19634
Günter Hohberger *(Banks)*	+43 (0)50 100-17354
Franz Hörl, CFA *(Steel, Construction)*	+43 (0)50 100-18506
Gernot Jany *(Banks, Real Estate)*	+43 (0)50 100-11903
Daniel Lion *(IT)*	+43 (0)50 100-17420
Martina Pasching, MBA *(Transp., Paper)*	+43 (0)50 100-11913
Tamás Pletser, CFA *(Oil & Gas)*	+361 235-5133
Christoph Schultes *(Insurance, Utilities)*	+43 (0)50 100-16314
Vera Sutedja, CFA *(Telecom)*	+43 (0)50 100-11905
Vladimira Urbankova *(Pharma)*	+4202 24 995 940
Gerald Walek, CFA *(Machinery)*	+43 (0)50 100-16360
International Equities	
Hans Engel *(Market strategist)*	+43 (0)50 100-19835
Ronald Stöferle	+43 (0)50 100-11723
Jürgen Rene Ulamec	+43 (0)50 100-16574
Macro/Fixed Income Research	
Head: Veronika Lammer (*Euroland,SW*)	+43 (0)50 100-11909
Veronika Posch (*Corporates*)	+43 (0)50 100-19633
Rainer Singer (*US, Japan*)	+43 (0)50 100-11185
Elena Statelov, CIIA (*Corporates*)	+43 (0)50 100-19641
Macro/Fixed Income Research CEE	
Rainer Singer (*Chief Analyst CEE)*	+43 (0)50 100-11185
Editor Research CEE	
Brett Aarons	+420 224 995 904
Research, Croatia	
Damir Cukman *(Equity)*	+385 62 37 28 12
Alen Kovac *(Fixed income)*	+385 62 37 13 83
Research, Czech Republic	
Head: Viktor Kotlan *(Fixed income)*	+420 224 995-217
Petr Bartek *(Equity)*	+420 224 995 227
Maria Feherova *(Fixed income)*	+420 224 995 232
Jan Hajek, CFA *(Equity)*	+420 224 995 324
Radim Kramule *(Equity)*	+420 224 995 213
Martin Lobotka *(Fixed income)*	+420 224 995 192
Lubos Mokras *(Fixed income)*	+420 224 995 456
David Navratil (*Fixed income*)	+420 224 995 439
Jakub Zidon *(Equity)*	+420 224 995 340
Research, Hungary	
József Miró *(Equity)*	+361 235-5131
Orsolya Nyeste *(Fixed income)*	+361 373-2830
Research, Poland	
Artur Iwanski *(Equity)*	+48 22 3306253
Magda Jagodzinska *(Equity)*	+48 22 3306250
Piotr Lopaciuk *(Equity)*	+48 22 3306252
Marek Czachor *(Equity)*	+48 22 3306254
Grzegorz Zawada, CFA *(Equity)*	+4822 538 6200
Research, Romania	
Head: Lucian Claudiu Anghel	+4021 312 6773
Bogdan Aldea *(Fixed income)*	+4021 312 6773 1028
Mihai Caruntu (*Equity*)	+4021 311 27 54
Dumitru Dulgheru *(Fixed income)*	+4021 312 6773 1028
Cristian Mladin *(Fixed income)*	+4021 312 6773 1028
Loredana Oancea (*Equity*)	+4021 311 27 54
Research, Serbia	
Mladen Dodig	+381 11 201 50 53
Research, Slovakia	
Head: Juraj Kotian *(Fixed income)*	+421 2 59 57 4139
Michal Musak *(Fixed income)*	+421 2 59 57 4512
Maria Valachyova *(Fixed income)*	+421 2 59 57 4185

Institutional Sales

Head of Sales Equities & Derivatives	
Michal Rizek	+4420 7623-4154
Brigitte Zeitlberger-Schmid	+43 (0)50 100-83123
Equity Sales Vienna XETRA & CEE	
Hind Al Jassani	+43 (0)50 100-83111
Werner Fuerst	+43 (0)50 100-83114
Josef Kerekes	+43 (0)50 100-83122
Ana Milatovic	+43 (0)50 100-83131
Stefan Raidl	+43 (0)50 100-83113
Simone Rentschler	+43 (0)50 100-83124
Sales Derivatives	
Christian Luig	+43 (0)50 100-83181
Manuel Kessler	+43 (0)50 100-83182
Sabine Kircher	+43 (0)50 100-83161
Christian Klikovich	+43 (0)50 100-83162
Armin Pfingstl	+43 (0)50 100-83171
Roman Rafeiner	+43 (0)50 100-83172
Equity Sales, London	
Dieter Benesch	+4420 7623-4154
Tatyana Dachyshyn	+4420 7623 4154
Jarek Dudko, CFA	+4420 7623 4154
Federica Gessi-Castelli	+4420 7623-4154
Declan Wooloughan	+4420 7623-4154
Sales, Croatia	
Zeljka Kajkut *(Equity)*	+385 62 37 28 11
Damir Eror *(Equity)*	+385 62 37 28 13
Sales, Czech Republic	
Michal Brezna (*Equity*)	+420 224 995-523
Ondrej Cech *(Fixed income)*	+420 224 995-577
Michal Rizek	+420 2 2499 5537
Jiri Smehlik (*Equity*)	+420 224 995-510
Pavel Zdichynec *(Fixed income)*	+420 224 995-590
Sales, Hungary	
Róbert Barlai (*Fixed income*)	+361 235-5844
Gregor Glatzer (*Equity*)	+361 235-5144
Krisztián Kandik (*Equity*)	+361 235-5140
Zoltán Szabó (*Fixed income*)	+361 235-5144
Sales, Poland	
Head: Andrzej Tabor	+4822 330 62 03
Pawel Czuprynski *(Equity)*	+4822 330 62 12
Lukasz Mitan *(Equity)*	+4822 330 62 13
Jacek Krysinski *(Equity)*	+4822 330 62 18
Sales, Slovakia	
Head: Dusan Svitek	+421 2 5050-5620
Rado Stopiak *(Derivatives)*	+421 2 5050-5601
Andrea Slesarova *(Client sales)*	+421 2 5050-5629

Treasury - Erste Bank Vienna

Sales Retail & Sparkassen	
Head: Manfred Neuwirth	+43 (0)50100-84250
Equity Retail Sales	
Head: Kurt Gerhold	+43 (0)50100-84232
Domestic Sales Fixed Income	
Head: Thomas Schaufler	+43 (0)50100-84225
Treasury Domestic Sales	
Head: Gottfried Huscava	+43 (0)50100-84130
Corporate Desk	
Head: Leopold Sokolicek	+43 (0)50100-84601
Alexandra Blach	+43 (0)50100-84141
Roman Friesacher	+43 (0)50100-84143
Helmut Kirchner	+43 (0)50100-84144
Christian Skopek	+43 (0)50100-84146
Fixed Income Institutional Desk	
Head: Thomas Almen	+43 (0)50100-84323
Martina Fux	+43 (0)50100-84113
Michael Konczer	+43 (0)50100-84121
Ingo Lusch	+43 (0)50100-84111
Ulrich Inhofner	+43 (0)50100-84324
Karin Rauscher	+43 (0)50100-84112
Michael Schmotz	+43 (0)50100-84114