

The Potential of Capital in the CEE Region

Iwona Sroka
President & CEO

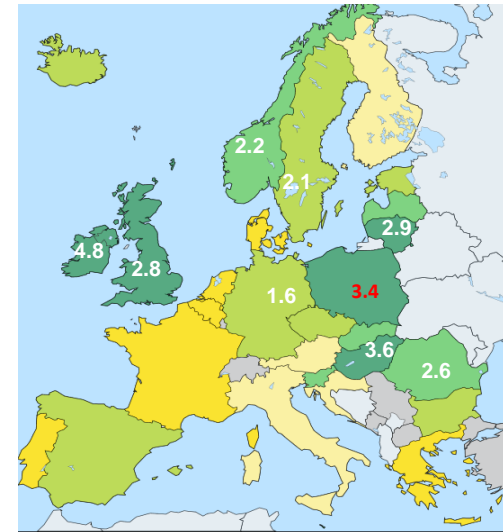
Warsaw, 18 June 2015

Key Economic Figures in EU

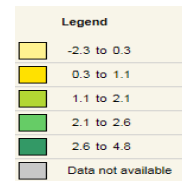
COUNTRY	POPULATION (mln person)	REAL GDP GROWTH RATE - volume (% change on previous year)	REAL GDP PER CAPITA GROWTH RATE (EUR per capita)	GDP at market prices (mln EUR)	INVESTMENTS (mln EUR)	EXPORT of goods and services (in % of GDP)
Austria	8.5	0.3	36	328 885,60	73	53.4
Bulgaria	7.2	1.7	5.4	42 010,50	9	67.9
Czech Republic	10.5	2.0	15.2	154 929,60	39	83.6
Greece	11	0.8	17	179 080,60	21	33
Hungary	9.8	3.6	10.5	103 302,80	22	91.1
Poland	38.5	3.4	10.5	413 133,90	81	46.9
Romania	20	2.6	6.9	150 018,50	33	41.1
Slovenia	2.0	2.6	17.5	37 246,40	8	76.8
Slovakia	5.4	2.4	13.4	75 214,90	16	91.9
EU (28 countries)	507	1.3	25.8	13 920 541,20	2,685,229	42.9

Source: Eurostat, 2014

2014 EU REAL GDP Growth Rate

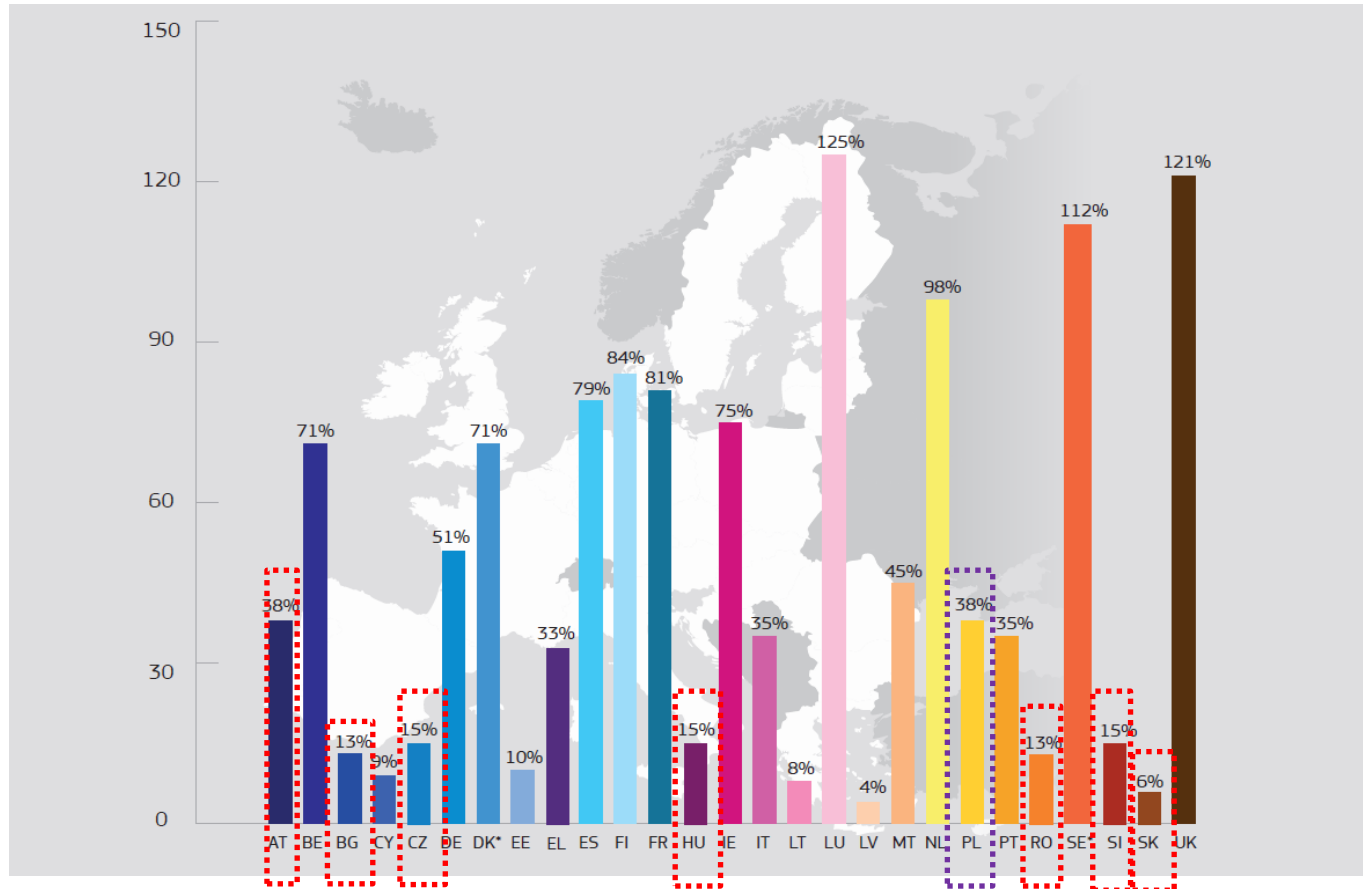


Source: Eurostat, 2014



- Poland has the EU's largest population with about 38,5 mln people, equal to **7,6%** of the population of the EU Member States and **34%** of the population of the CEE region (included Austria).
- Poland had the EU's 8th largest GDP in 2014 and the largest in the CEE region. GDP of Poland in 2014 was **413 133,9 mln EUR**, equal to **3%** of the GDP of the EU Member States and **28%** of the GDP of the CEE region (included Austria). 2nd place belongs to Austria, 3rd place to Greece, 4th to Czech Republic.

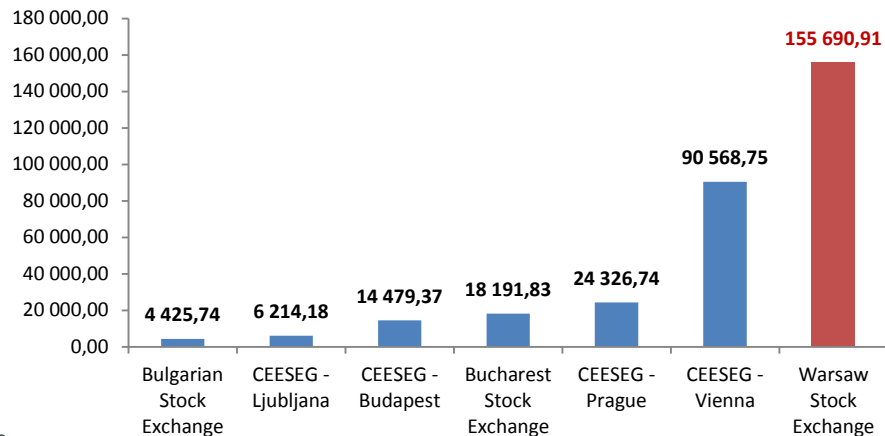
Market Capitalisation vs. GDP in EU



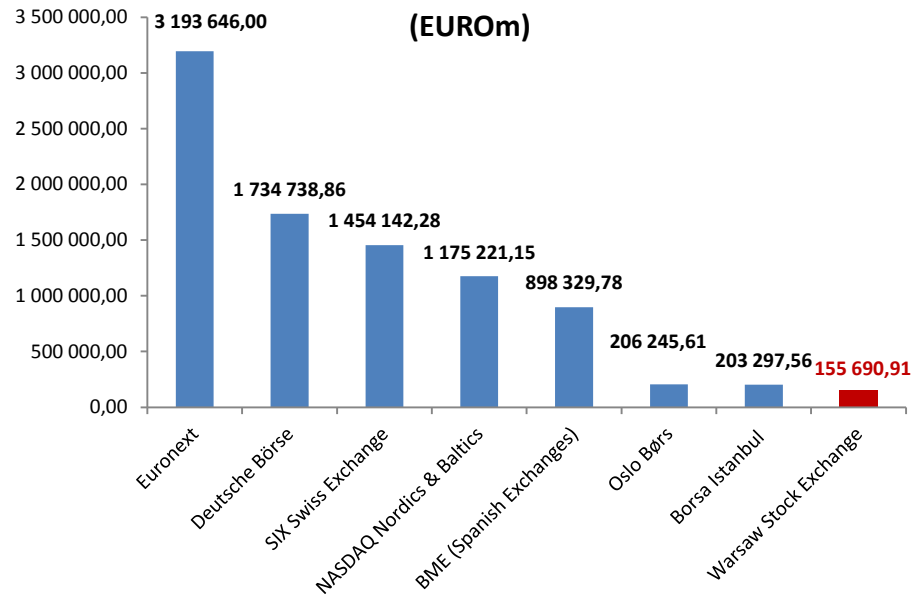
Sources: European Commission, 2014



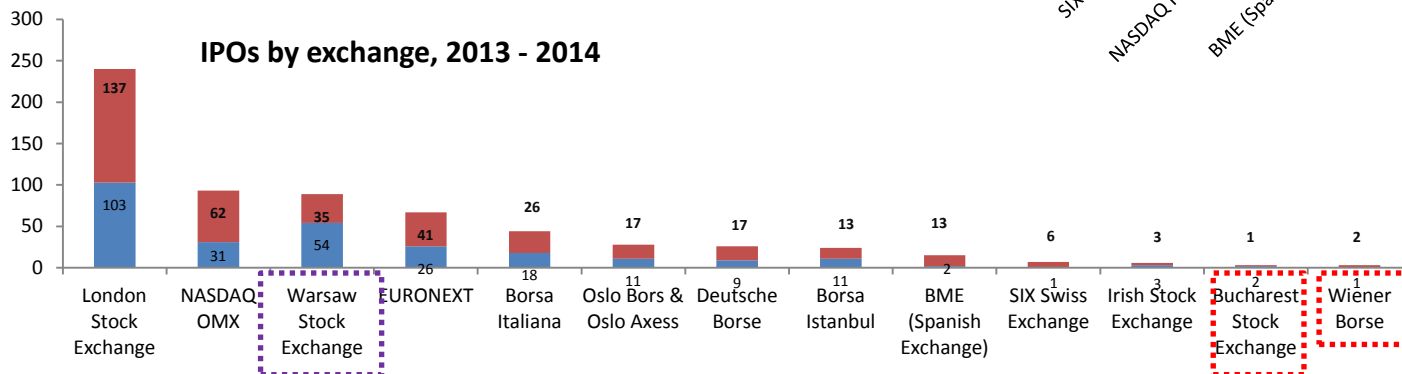
Market Capitalisation in the CEE region, March 2015 (EUROm)



Market Capitalisation in Europe, March 2015 (EUROm)



IPOs by exchange, 2013 - 2014



Value of share turnover (in %)

Market Operator	2013	2014
London Stock Exchange Group	20,56	20,74
BATS Chi-X Europe	21,75	19,55
Euronext	15,21	14,62
Deutsche Börse	12,29	11
BME (Spanish Exchanges)	7,48	8,25
Turquoise	7,47	8,48
SIX Swiss Exchange	6,28	5,97
NASDAQ Nordics & Baltics	5,72	5,41
Borsa Istanbul	3,70	2,95
Oslo Børs	1,11	1,11
Warsaw Stock Exchange	0,64	0,49
Equiduct	-	0,45
Athens Exchange	0,15	0,27
CEESEG - Vienna	0,23	0,15
CEESEG - Budapest	0,09	0,06
CEESEG - Prague	0,08	0,06
Bucharest Stock Exchange	0,01	0,01
CEESEG - Ljubljana	0	0,01
Bulgarian Stock Exchange	0,01	0
Bratislava Stock Exchange	0	0

Source: FESE, Electronic Order Book

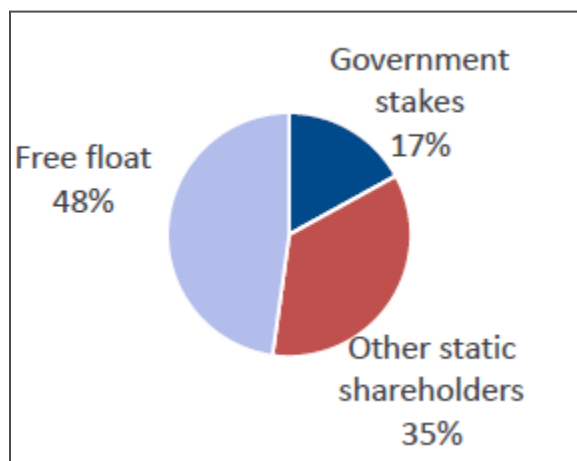
Number of index futures contracts

Exchange	No. of contracts 2013	No. of contracts 2014
EUREX	327 431 218	368 207 104
Euronext	82 669 104	46 788 940
NASDAQ OMX Nordic	30 898 516	32 947 880
Spanish Exchanges (BME)	7 565 969	9 990 916
Warsaw Stock Exchange	8 339 534	6 159 158
ATHEX Derivatives Market	2 324 227	4 134 012
Oslo Børs	3 505 681	3 408 114
Budapest Stock Exchange	402 264	330 239
Σ	436 136 513	471 966 363

Source: FESE, Electronic Order Book

December 2014	WSE	CEESEG	WB	PSE	BSE	LJSE
Capitalisation of the stock market (bn EUR)	139	121	80	22,6	12	6,4
Free Float (bn EUR)	66,7	50,8	33,7	8,3	5,8	3
Free Float in capitalisation	48%	42%	42%	37%	48%	47%
Foreign investors:						
in the free float	n/a	53%	52%	57%	74%	18%
in the stock market capitalisation	43%	n/a	n/a	n/a	n/a	n/a
Stock market liquidity	33%	27%	27%	31%	26%	9%

WSE market capitalisation structure

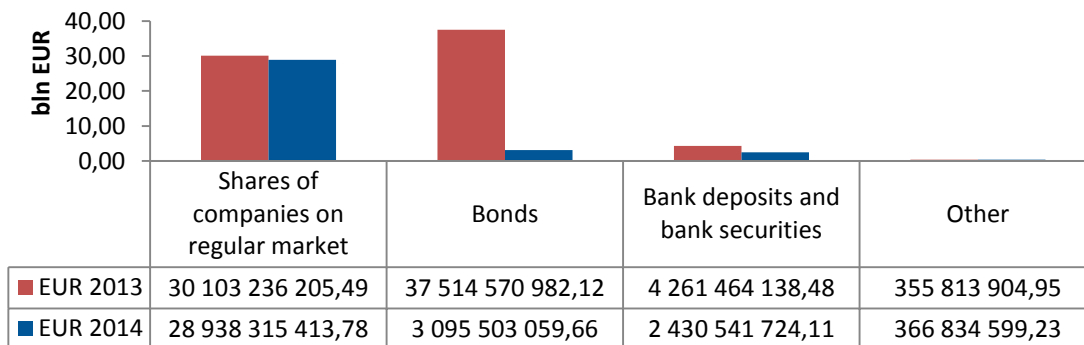


- **CEESEG markets:** relatively high share of foreign investors in the free float (52%-74%).
- **Foreign investors on WSE:** 43% of market capitalisation and 49% share in turnover.
- **WSE and BSE:** the highest in the key CEE markets.
- **Pension funds freeze a large part of the free float on the WSE (42%).**

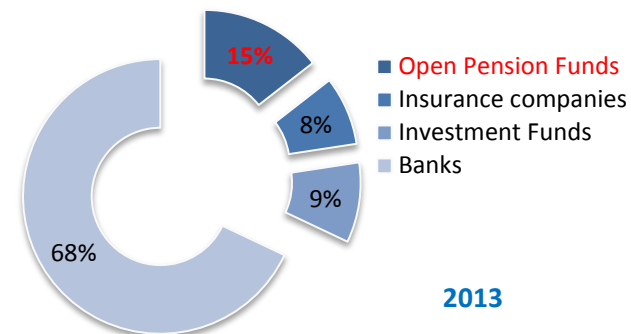
Open Pension Funds Portfolio After Changes

Source: Polish Financial Supervision Authority (UKNF), 2015

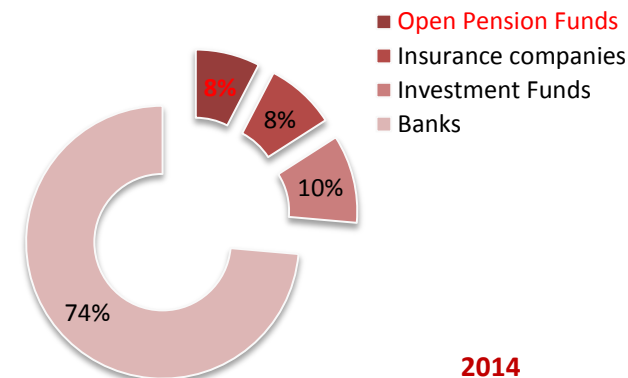
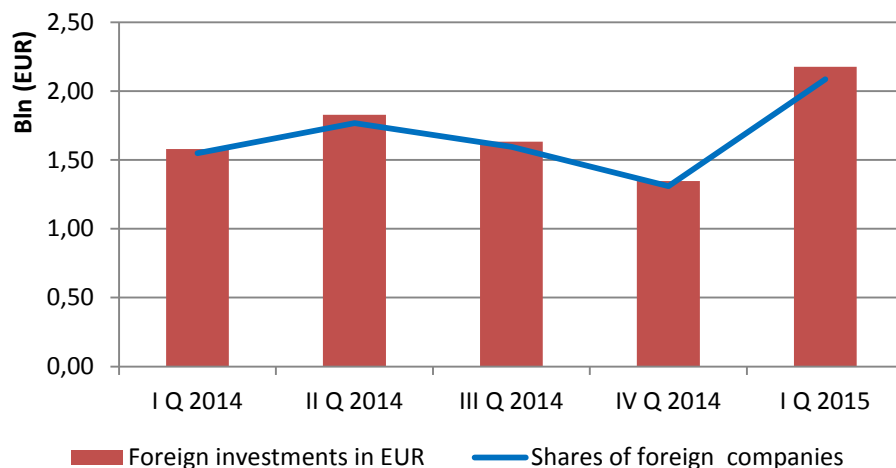
Open Pension Funds Investment Portfolio (EUR)



Non - Credit Assets of Financial Institutions



Open Pension Funds Foreign Investments (EUR)



Initiatives of financial market regulators change the landscape and model of capital markets in Europe

EU financial market legislation includes:

- Post-trade infrastructure: **CCP – EMIR, MIFID/MIFIR, CSD – CSDR**
- Trading venues and investment firms: **MIFID II/MIFIR, SSR**
- Credit institutions: **CRD/CRR, banking union – including rules for the Recovery and Resolution of Banks**
- Asset management: **AIFMD, UCITS V, MMF**
- New EU initiative: **CAPITAL MARKETS UNION** – improving the cross-border flow of capital from investors to enterprises, in particular SMEs

Impact:

- Increase in the cost of financial market infrastructure, increased competition, lower risk profile related to higher capital requirements
- Post-trade infrastructure is becoming key in ensuring the stability of financial systems
- Ensuring companies have easier access to capital, financing for growth and diversification of means to finance the economy

- **Current and future investment appeal of markets in the CEE region compared with other EM and developed markets.**
- **A review of strategic changes by Polish private pension funds, covering multiple investment strategies.**
- **Polish institutional investors - how they assess investing in Poland, the region and the world as part of their investment strategy portfolio?**
- **Foreign investors - how they assess the attractiveness of investment in Poland when compared with other emerging markets?**
- **New infrastructure solutions supporting investment in the Polish market (UTP trading system, algorithmic trading, CCP, netting, omnibus...)**

www.kdpw.eu

www.kdpwccp.eu