

# GPS Press

Group Prime Services

Winter Edition 2023



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## It all worked out

What, in the eyes of a dynamic team, makes a year successful? I guess that all the achievements made by GPS in 2023 hold an answer to this question.

We upgraded our client offer distinctly by merging the Brokerage desk into the former GIS department and delivering the full value chain out of one hand. As a side effect, we can now provide direct access to our home markets in CEE both on the front-end to the stock exchanges and on the post-trading side to the CSDs.

Moreover, we have introduced a forward-looking management concept that relies on product owners in development questions, thus overcoming the sturdy walls of department structures.

We are honored to wrap up the year with an interview with the newest Board member of Raiffeisen Bank International, Valerie Brunner. In her responsibility for

CIB Customer Coverage there will be a lot of interaction with GPS in the future.

Our focus markets this time are Hungary and Croatia, both of which have shown economic recovery lately. Gábor Horváth, CEO of KELER, on the occasion of its 30<sup>th</sup> anniversary discussed with GPS Press what it takes for the CSD to compete with international competitors. Gordan Šumanović, President of the Board of Raiffeisen Mandatory and Voluntary Pension Funds Management Company (RMF), sheds light upon the importance of pension funds for the local economy.

I would like to express my thanks to our esteemed clients for all your inspiration along the successful remodelling of our business line. Enjoy the Holidays!

### Bettina Janoschek

Head of Prime Services Sales,  
RM & Market Intelligence

## Customer first

Following the reorganization of the CIB Division within RBI, Valerie Brunner joined the Management Board. In her talk with GPS Press, she set out her view on the role of GPS within the Bank.

**Valerie, congratulations on your appointment to the Management Board of RBI. How have your workdays changed during the first few weeks in your new position?**

Thank you very much. I was and I am still overwhelmed by the torrential positive messages that I received from customers and colleagues the day of my appointment. My first weeks as the first woman in the Management Board have been quite challenging, e.g., my first extraordinary general meeting. The best thing about my new position is that together with all my colleagues, we can build a true solid fundament for the one business bank and shape our future.

**The CIB Customer Coverage board area that you are overseeing now has been newly introduced. Can you explain us what it encompasses?**

Certainly. The corporate and investment banking business has been relaunched with two newly formed board divisions, working hand in hand, with common business goals and targets. Together with my teams I am dedicated to servicing and developing the relationships with our corporate and institutional clients. The Board Division CIB Products & Solutions headed by Łukasz Januszewski is providing and continuously developing a modern range of banking products and services, crucial in the age of disruptive technologies and changing client needs. We are committed to working closely together, ensuring superior customer experience throughout RBI Group with our teams.

**What is RBI's message to clients and stakeholders with this new structure in the Management Board?**

As the requirements of our partners change, so do we in RBI. We have

reorganized our CIB to reinforce our position as a leading CIB relationship bank offering modern banking solutions in Austria and the CEE region, which is especially important now in the age of opportunities created by disruptive technologies such as AI.

In CIB Customer Coverage, we follow the motto "customer first" and thereby reinforce our strength. With service excellence we are ensuring a personalized and best possible experience for our customers.

**How will it affect RBI's network banks abroad?**

In the context of our groupwide CIB activities, the RBI head office is playing a crucial role. It is exercising comprehensive strategic, steering and servicing functions for the Group. Therefore, the creation of One CIB in Austria is a very special transformation project, which will also benefit our group-wide CIB business.

**Already in your previous role as Head of Institutional Clients you had a lot of interaction with GPS. What are your expectations towards GPS from your new position?**

The Managing Board of RBI considers Group Prime Services a key product. It is not only a stable revenue generator, but more importantly, it serves as a backbone for many other products we are offering.

I am convinced that in its new set-up that includes the brokerage business, through which we can offer the entire value chain of the securities business, the customer experience will reach an even higher level. Having taken over responsibility for corporate customers in addition to institutional clients in my position at Board



level, I expect the corporate client area to be covered even better by the valuable GPS offer. Additional tailored products will suit corporate customers' needs and foster growth for both RBI and our clients.

GPS, after its latest remodelling, reflects RBI's vision to build a bridge from east to west and vice versa. We service clients from our home markets in Central and Eastern Europe looking to invest in global markets and, at the same time, present ourselves as a strong partner for institutional investors from all over the world who are engaged in Central and Eastern Europe.

Considering GPS enjoys a distinctive reputation for being an innovation frontrunner inside RBI, it is prepared to continue these dynamics while guaranteeing high quality service delivery and flawless customer experience.

**What are your prospects for the GPS business line for the next two to three years?**

In light of the ongoing consolidation process in the securities services sector

globally, which is accompanied by exits of several competing providers, I am convinced that RBI GPS has the most sustainable model.

Our much-appreciated direct market access to the CSDs of the most important CEE markets has been completed by direct access to the respective stock exchanges, which I consider a success guarantee for the years to come.

The GPS team boasts of an outstanding market know-how and experience, which puts it in an excellent position when it comes to serving an increasingly sophisticated investor base in all our home markets.

**This publication has featured you before, and in all your interviews you left no doubt about how important you consider ESG compliance in the daily business. Will ESG continue to be a focus of yours also at Board level?**

Sustainability and ESG are very important to us, to our subsidiaries in Austria and equally to our network banks in Central and Eastern Europe. Steps are being taken on an ongoing basis to offer sustainable products and to provide ESG advisory for our customers.

In our Business Bank 2025 project we agreed on four focus areas for our business – one of them is further strengthening ESG and sustainability. So yes, ESG will continue to be a focus of mine also at Board level.

I am very much looking forward to working with my colleagues on the Management Board of RBI, and in particular, of course, to the joint One Business Bank project with Łukasz Januszewski. I am convinced that with this set-up we will be able to further strengthen RBI's position as the relationship bank in Austria and CEE.





## Hungary: Recession is over

The Hungarian economy got out of a lengthy recession that lasted three quarters. This recovery was facilitated by the good performance of the agriculture business and various service sectors, most notably healthcare.

We expect stronger growth figures to be released in the coming quarters. After an estimated 0.3% contraction of the Hungarian economy, in 2024 we already foresee a 3% GDP growth. An important element of the turnaround is the expected increase of household consumption driven by a positive real income, the ongoing strong investment activity in the car and battery industries and the opening of new production capacities. Additionally, we calculate with the partial release of so far blocked EU funds and an increase in public sector infrastructure development.

The manufacturing industry suffered from weak domestic demand and the unsupportive external business environment. Especially the poor performance of the German economy is troublesome as it represents Hungary's most important export market with 27% share. Nevertheless, there are two industrial subsectors with double-digit growth: the car industry grew by 12% yoy, and the electronics industry by 16.4% yoy in the period January-September. Given their recently announced investment plans, strong growth is expected to be delivered by both in the coming years as well.

Apparently, Hungary is substantially benefiting from the nearshoring trend (i.e., German car producers have increased their activities in Hungary) and the country is well positioned to be one of the winners of the transformation of the European car industry with large EV battery production plants of leading South Korean and Chinese companies. Over the past 3-4 years the investment projects announced in the car and battery industry was over EUR 20 bn int total.

These huge investments require massive infrastructure upgrades as well, both in terms of transport (road, railway, logistics hubs) and utilities (electricity and water system). Related infrastructure developments should also boost growth in coming years.

### **Labor market: supply shortages resurface**

Despite the recession, the labor market proved to be rather resilient. The unemployment rate increased only a little, from 3.6% in the first nine months' average in 2022 to 3.9% in 2023 during the same period. Interestingly though, the number of employed also grew by

0.6%. This could happen only due to the overall larger plus in the economically active population (+1%). As opposed to general complaints from employers over the past few years about labor supply shortages, in 2023 there were reportedly balanced conditions. Going forward, we expect that due to economic recovery, an increase in labor demand will steer us back to the status of shortages in 2024 in some industries.

The government aims to mitigate the lack of workforce with targeted measures including tax holidays for various social groups with low participation rates, training programs, directing investments to areas with excess labor supply and more flexible rules for guest workers from abroad. As a result, labor shortage should be resolved in most cases.

Real wages were in the negative territory (-6.6%) in the period between September 2022 and August 2023. This was mainly due to the super-high inflation peak in this period. In 2024 nominal wage increase is expected to be in the range of 8-9% versus the sub-6% inflation expectations, which would result in around 2-3% real wage growth. December brought a 15%



minimum wage increase and a 10% guaranteed wage minimum increase (the latter is applied for job positions requiring secondary education qualifications).

## **External accounts: from hell to heaven**

The massive rebalancing of the external account was the hot story of 2023. As European energy prices normalized, the painfully large energy import bills started to decrease, and Hungary's trade balance moved quickly from deep negative in 2022 to increasing surpluses month by month. While in the first nine months the cumulated trade deficit was EUR 6.5 bn in 2022, there was a EUR 6.8 bn surplus in 2023 in the same period. Energy price development explains a large part of the improvement but not all. Other factors include the recession (i.e., decreasing domestic demand for imported consumer and investment goods) and increasing export capacities in the car and battery industry.

In 2023 the current account balance is foreseen to come in with a small surplus versus the 8% deficit (in GDP %) in 2022. While the expected pick-up of domestic demand certainly induces some growth in the import bills, growing export capacities counterbalance it, therefore current

account is seen to stay in the positive territory also in 2024.

## **Inflation: a nightmare left behind**

Inflation was clearly the public enemy number one over the outgoing year. Hungarian inflation has been well above regional peers as it peaked above 25% in the first quarter of 2023. The reasons for the extraordinary inflation environment: (1) elevated domestic inflationary pressure coming from loose fiscal and monetary policy stance in the pre-2022 years; (2) administrative price and tax actions that distorted market mechanism; (3) the fast depreciation of the HUF; (4) imported inflation. These factors either faded away by now or even turned around.

Inflation is on a decreasing path, reaching a single-digit territory (9.9% yoy) in October. We expect inflation to fall below 7% yoy in December and it is seen to further decrease in 2024, although in a less spectacular manner. Average inflation for 2024 is expected to remain below 6%.

During 2023, the external inflation environment has normalized, the HUF stabilized (even strengthened) and domestic consumption demand got weaker. As neither the HUF exchange rate

is expected to deliver a major negative surprise in 2024, nor the external inflation environment is prospected to return to elevated levels, no upside risk is penciled in coming from these sources. However, as consumption is seen to gradually recover, the demand side may push retailers and service providers to be more aggressive in their repricing activities.

## **Zoltán Török**

*Head of Research, Raiffeisen Bank Zrt.*



## Stability as the pivotal asset

Gábor Horváth, CEO of KELER Ltd., told GPS Press about the success story of the Hungarian CSD, which celebrated its 30<sup>th</sup> birthday. He stressed the contribution of the clients to making KELER what it is today.

### **Mr. Horváth, three decades of KELER have made a huge impact on the Hungarian market. What is your personal take on this?**

The founding of KELER coincides with the rebirth of the Hungarian capital market. After a 42-years' break, the Hungarian stock exchange reopened its doors after the political regime change in 1990, allowing KELER to be founded on 12 October 1993. Over the past 30 years, KELER has developed alongside the domestic capital market, becoming one of its key and unavoidable infrastructure components. In 1993, it set up its organization almost from scratch, and today it is still evolving. From the initial simple, manual registry, we have now moved on to the level of a European-standard CSD with a robust IT background.

While the main challenges at the outset were the delivery and secure storage of physical securities and the management of the risks associated with the five-day settlement cycle, the most important task today is the stable and continuous development of a secure IT backbone to serve market participants. We have moved from paper-based securities and settlement to a nearly paperless era, in line with one of our clients' key expectations of a high degree of digitization.

Today it is already history, but it was an important event in 1998 when the first dematerialized securities were created in Hungary by converting KELER's own physical shares.

### **Which significant achievements of KELER would you point out?**

Looking back over the last 30 years, it is safe to say that KELER's story has

been characterized by continuous adaptation, development and renewal. Our achievements are the result of close cooperation with the domestic capital market players, so our successes are intertwined with the results of the domestic capital market, and our development goes hand in hand with the market. I would like to stress that we could not have done all of this without the support of our clients, partners and owners.

If I had to pick out important milestones from the recent past, I would highlight our successful accession to the EU's Target-2 Securities settlement system and the fact that, as a result of a multi-year preparation project, KELER obtained its license to operate under the CSDR at the end of 2020. Subsequently, we completed one of the company's most significant projects, the KELER Service Development Programme, and introduced a penalty mechanism to promote the efficiency and safety of the settlement system within the framework of the EU regulation.

However, I consider one of the greatest, if not the most significant, successes to be the fact that KELER has always been able to smoothly perform its most important task, the issuance of domestic securities and the clearing and settlement processes in the capital markets, with accuracy and precision, while fulfilling numerous professionally challenging tasks. The primary performers of all these tasks and originator of our successes are our colleagues at KELER, to whom on this occasion I would like to express my gratitude for their outstanding professionalism and dedication.



### **When the Covid-19 epidemic was coming to an end and the light at the end of the tunnel was beginning to show, the Russian-Ukrainian war broke out, which changed the economic environment significantly. What impact have these extreme circumstances had on KELER's operations?**

At the beginning of 2022, the world was just emerging from the difficulties caused by the coronavirus epidemic, and it looked like a more predictable year for both the economy and KELER. However, the happenings in February suddenly dashed all previous positive expectations. The outbreak of war, sanctions and their consequences have fundamentally changed the international, and with it the Hungarian, financial, capital and energy markets. Runaway energy prices, a tightening monetary and fiscal policy outlook, and a changed interest rate environment have led to a very different direction than previously expected. However, intense capital market activity

in the wake of market uncertainty had a positive impact on transaction numbers, while the increased demand for safe government securities boosted the volume of securities issued.

For these reasons, all of these effects, despite all the difficulties of the market environment, also imply the potential for financial growth for a central depository, and in the case of KELER this has been reflected in the financial results.

I am proud to say that our financial plans were outperformed in 2022. As a result of stable operations, KELER's earnings before tax reached HUF 2.234 bn, and our subsidiary KELER CCP was close to HUF 3.9 bn. Based on the preliminary results, the financial year 2023 will even surpass last year's results.

### **What are KELER's main strategic directions?**

The directions of KELER's five-year strategy starting in 2023 have been defined based on its core values, the main pillars of which are stable and reliable operations, professionalism and prudent and transparent operations. In addition to these, innovation, openness to development and further strengthening client focus remain important values over that period.

The focus of the new strategy will be on the development of business lines related to KELER's core activities, and the continuation of the IT modernization has already started. The achievement of these objectives will be supported by the implementation of internationally recognized best practice, further harmonization, and digitalization. Our operating models are continuously reviewed and analyzed to ensure that we provide the capital market with reliable and stable services that are efficient and capable of supporting our growth objectives.

To achieve our goals, we will also need the support of our clients, which we will build on through regular dialogue with market players, professional consultations and by strengthening our openness to development to meet client needs.

HID, the umbrella project for achieving domestic excellence, was launched in the second half of 2023. Its brand-name refers to the Hungarian word for bridge (híd), which points to its: harmonization, innovation, digitalization. We aim to improve and automate our core business activities, mainly in the areas of issuer services and corporate action management, settlement services and back-office processes (e.g., fee calculation, billing). It is our hope that these improvements will enable us to become and remain a competitive, profitable and sustainable CSD on a long term, and that they will enable us to achieve not only a higher level of automation but also more efficient day-to-day operations.

We are confident that our ambitions will become clear and visible to our clients, bringing positive changes to the client experience of our services, in addition to the secure operation of issuance and settlement processes.

### **What are the means to achieve these strategic objectives?**

Our success is guaranteed by our highly professional, cohesive and committed staff. The knowledge and know-how acquired over the years, together with a stable ownership base, ensure that KELER will be able to continue to effectively support the high level of functioning of the domestic financial and capital markets in the years to come, and to create the professional and financial results for the coming years. We will do our utmost to ensure that our colleagues work in a modern but family-like environment, with appropriate challenges and professional recognition.

In recent years, knowledge transfer, professional development and cross-training within the KELER Group have become particularly important to increase the number of in-house experts and to ensure the retention of qualified and experienced colleagues. For a company providing unique services such as KELER, one of the most important aspects is stability. That is why I consider it an outstanding asset to have colleagues who have been with us since KELER was founded, but we also have many colleagues who have been strengthening KELER Group for up to 25 years.

### **For the near future, what do you see as your personal goal?**

The company's main objective is to successfully implement KELER's strategy from 2023 to 2027, with the involvement of our clients and together with our employees, in order to make KELER an efficient and sustainably profitable central depository, able to compete with its international competitors.

I am also committed to ensuring that KELER provides all the support to its subsidiary, KELER CCP, which will also work on the implementation of its new strategy in the coming period.

Having said that, my personal goal is to do our job at KELER in the same way we have done it for the past 30 years: in the background, but reliably and efficiently!

The logo features the number '30' in a large, blue, geometric font. To its right, the words 'YEARS OF' are written in a smaller, blue, sans-serif font, and 'keler' is written in a larger, bold, blue, sans-serif font below them.





## Croatia: The euro and its blessings

It has been almost a year since Croatia joined the eurozone. One of the most visible effects of the adoption of the single European currency was a mitigated inflationary pressure. Croatia's economy flourished in 2023.

Changing the local currency on 1 January was a huge step, anxiously awaited by all citizens and legal entities, as it required everybody to do adaptations regarding their everyday life and work. Croatia introduced the euro in the middle of the supply shock (delivery bottlenecks, war in Ukraine, energy and food price increase), right when inflation in both Croatia and the euro area was at a historic peak.

The fear that the euro itself would cause higher prices proved to be (once again) irrational. Namely, it is difficult or almost impossible to determine whether and to what extent inflationary pressure in the second half-year of 2022 was the consequence of the announcement of the introduction of the euro (in mid-2022), or whether it can purely be attributed to the overall global trend of the supply shock inflation.

The March 2023 research published by the Croatian National Bank and the ECB showed that the impact of the euro changeover on consumer prices in Croatia has been relatively small so far and of the same order of magnitude as

that observed in other countries that adopted the single European currency. Notably, despite a more challenging inflationary environment. The impact was found to be a plus of just 0.4 percentage points.

### **New currency curbed inflation**

Like in other EU markets, inflation peaked around the beginning of 2023, with 13.1%, from where it has been coming down to more acceptable percentages. Comparing inflation in Croatia with surrounding non-euro countries reveals that, thanks to the euro, inflation hit much less. Dual listing of prices was imposed as a safety mechanism during the whole 2023 so the public could get used to new prices but from January 2024 we will be completely and only in euro.

Around summer things normalized. Although prices in the tourism sector had significantly risen, the summer season was a record breaking one (9.2% more guests comparing to previous year). Given tourism makes almost 20% of the Croatian GDP, the year looked much better. As private consumption

was growing too, now with invoices showing higher figures due to inflation, the state's tax income was higher than expected.

In the third quarter, comparing to the same period last year, the Croatian GDP rose by 2.8%. That was the best result among all EU countries. Also, it was the eleventh quarter in a row with a growing GDP in Croatia. The biggest growth factors were personal consumption and rising investments in fixed capital. The economy is going in the right direction, as confirmed during 2023 by all three major rating agencies, which upgraded the outlook from stable to positive, reflecting Croatia's fiscal and governance strength. This positive perspective was also supported by the excellent performance of the main stock index on the Zagreb Stock Exchange, gaining 24% since January.

### **A true European market**

Being a member of the eurozone, the Croatian CSD (SKDD) in September joined and successfully commenced operations on the TARGET2-Securities platform (T2S) as a full member. With



this step, it achieved the long-term goal of integrating the financial market of the Republic of Croatia into European platforms.

One of the driving forces behind was the will to enable Croatian government bonds to be eligible to be used within the European collateral management system (ECMS). The goal was achieved and T2S brought many changes for market participants. For example, settlement of local transactions now take place in T2S, transaction accounts have been implemented and there will be fees for safekeeping of the asset directly in CSD (called account maintenance fee), which target all accounts with positions amounting more than EUR 5 mn. In the first month of the implementation around 60% of those accounts were transferred to transactional accounts with a market participant (broker or custodian).

The SKDD plans to slowly reduce the asset threshold for charging the fee from EUR 5 mn to 1 mn, nudging investors to use a professional market participant as a gateway to SKDD. The CSD currently has more than 350,000 accounts of private individuals open and would like to

gradually reduce the number of accounts to the smallest possible number. However, the legislation is not quite there yet, considering any individual can open and maintain an account directly with SKDD.

### **Embedded in international structures**

Croatia has joined NATO in 2009, the EU 2013 and the eurozone in 2023. The government's next target, at an international level, is joining the Organisation for Economic Co-operation and Development (OECD). Preparations are going according to schedule, and the plan is to be part of OECD by 2026.

In March, the government issued its first 3-year-"peoples bond" targeting Croatian citizens, and in November, the first treasury bill aiming at Croatian residents followed. Both issues were well accepted in public, around 43,000 residents bought the bond and 37,000 residents invested into the treasury bill, totalling EUR 2.3 bn of investments. Deposit rates at local banks carry a much lower interest rate, making such government securities, bearing yields of 3.65% and 3.75%, respectively, a perfect substitution.

Croatian residents currently hold more than EUR 37 bn on bank accounts, so there is plenty of idle money waiting to be invested. The government already announced similar issues in the future.

2024 is an election year for Croatia. We are going to have presidential, parliamentary, and European elections. The dates are yet to be defined, but it is expected that parliamentary elections are going to be held in first or second quarter, while the President will probably be elected towards the end of the year. There is no visible tendency as to who might win, which makes it hard to predict where the journey will go.

### **Mensur Hodžić**

*Head of GPS Croatia*



## The attractiveness of pension savings

Croatia is in a category of countries with sizeable pension savings that significantly contribute to the sustainability of its pension system. Gordan Šumanović, President of the Board of Raiffeisen Mandatory and Voluntary Pension Funds Management Company (RMF), delivered GPS Press some background.

**Mr. Šumanović, the pension funds, due to their size and long-term investing horizon, are extremely important for the Croatian economy and the capital market. Can you give us an overview?**

There are currently 2.2 mn members in the second pillar and another 436,000 invested in the third pillar pension funds system. Capitalized pension savings in Croatia have grown to roughly EUR 20.5 bn since the start of the pension reform in 2002.

The size of the accumulated pension savings, expressed as a percentage of GDP, currently stands at 28%. This year the financial services company Mercer and the global association of investment professionals CFA have included Croatia in their Global Pension Index. According to their analysis Croatia ranked 24th out of 47 countries covered, finishing ahead of France, Spain, Poland, Italy and Austria amongst others. Pension savings are a pool of assets invested with a long-term horizon, and play, in my opinion, a strategically important role for the Croatian capital market. Pension funds have long been anchor investors in key domestic IPOs, as well as in government and corporate bonds on primary auctions. Furthermore, they have also been instrumental in improving corporate governance practices of large Croatian corporations that listed their securities on the Zagreb Stock Exchange

**Can you share recent numbers that describe the market?**

The pension funds managed by our company have recently exceeded EUR 6 bn of assets under management and are distributed across eight different funds. Three of them are mandatory pension funds, one is an open-ended voluntary pension fund and four of them are closed-ended occupational pension funds. We



have close to 740,000 members in total, with more than 630,000 coming from mandatory pension funds. Long-term performances of these pension savings plans are strong, currently exceeding the expectations defined more than 20 years ago.

If we take our largest and oldest pension fund, the Raiffeisen mandatory pension fund category B, as an example, as of the end of November we delivered a 5.1% nominal return per annum to our clients since its inception in April 2002

**The Raiffeisen mandatory pension funds occupy a market share of around 30%. Can you share the secret of your success?**

Our mission is to honor the trust that our clients have placed in us on a daily basis. Apart from delivering solid long-term returns relative to the risk exposures of our funds, we strive to invest in knowledge of our staff, as well as in

tools through which we can put that knowledge to work, improve channels of communication with our clients and raise awareness of the importance of pension savings through our initiatives in improvement of financial literacy in Croatia.

**The third pillar, voluntary pension savings, has become increasingly popular, as people get used to them as savings mechanism. What is the future of such savings in Croatia?**

One of the ways in which we can increase the adequacy of our pensions is by raising the contribution ratios relative to our salaries. Third pillar pension plans, through the combination of their tax treatment, government subsidy and long-term returns of the funds, represent a vehicle designed to supplement combined pensions from the first and second mandatory pillar, effectively by increasing contribution ratios vs. salaries.



**Compared to the market capitalization of listed securities on Zagreb Stock Exchange, the size of pension funds is relatively large. Is that becoming a limiting factor for your investments?**

Our investment universe is actually broad and comprises of listed securities in EU member states and OECD countries. As long as the Croatian kuna was our currency, we did experience some hurdles in utilizing this universe, mostly due to the currency risk and legal binding of exposure to assets denominated in domestic currency. However, since the adoption of the euro in Croatia, European monetary union countries are basically our domestic market, at least in terms of currency. We have long invested in developed markets, and internationalization of our portfolios is an ongoing process.

**Do you prefer domestic investments? Or are you merely oriented towards financial indicators?**

We are always looking for good investment opportunities within our investment universe. Certainly, we are particularly pleased if such opportunities arise on our local market.

**In which way did the implementation of the euro as national currency influence your business?**

Apart from allowing us to utilize our investment universe more efficiently, the adoption of the euro in Croatia had a significant impact on the risk profiles of our funds, namely by diminishing the currency risk. In terms of secondary effects, it also had a positive impact on the credit risk of our funds due to the improved credit rating of Croatia. A better rating resulted in tighter spreads between Croatian government bonds and German benchmark bonds, which has been a main reason for their excellent performance relative to regional peers. Regarding the fixed income segment of our portfolios, we are now, due to spreads, more focused on opportunities in foreign securities.

**What in your opinion does the Croatian market need to become more attractive for foreign investors? Is Croatia too small an economy for large international players?**

This question is currently dealt with by a working group headed by the Ministry of Finance, aided by the Croatian CFA organization. It has mobilized key stakeholders to participate in the process of devising a strategy to develop the local capital market. In my opinion, a first, but crucial step in improving the attractiveness of the Croatian market in the long run will be to boost market capitalization and liquidity. A bold move by the Government would be to strive for the Emerging market status is a goal. This would surely put Croatia on the map of large institutional investors from abroad.

**Do you expect a new wave of privatizations in Croatia?**

Bringing sizeable new listings on the Zagreb Stock Exchange would be a clear goal if we were to target the Emerging market status. Given the relative size of our public sector, some companies could indeed be listed. However, I do not want to speculate whether such decisions are imminent or not.

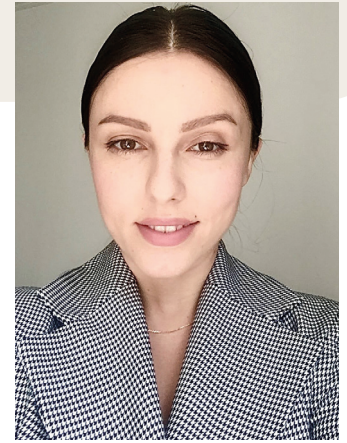
**We have been living with the euro as national currency for a year now, the GDP grew by 2.8% in the third quarter, and inflation is slowly getting back to expected levels – what are your predictions for the Croatian economy for next few years?**

Croatia is on a strong path in terms of macroeconomic development. Leading macroeconomic indicators suggest that we will keep this course in the near future. Looking further ahead and given that some of the key drivers of our strong performance are derived from better absorption of EU funds, which will boost consumption, it will depend on the use of these funds and the ability to convert them in higher future exports of goods and services. Only by doing that diligently

can we expect to continue our path of convergence towards core EU countries.

**What are the latest innovations presented by your company?**

We have recently launched a standalone mobile application for our existing and future clients. This app has some distinct functionalities which, in our opinion make it the most sophisticated digital tool in Croatian pension industry at the moment. Our clients can use it to calculate the expected values of their future pensions, or they can define what their desired pension would be and calculate what would be the necessary payments to achieve it given certain assumptions. Furthermore, members of our voluntary pension fund can make payments into the fund through the app. It includes a host function for other features, and we invite all readers of GPS Press a with a Croatian IDs to download the app from Google Play or App store and discover its possibilities. Just look for "Raiffeisen mirovinski fondovi"!



## More room to move for Russian investors

Russian investors will be allowed to sell blocked assets to non-residents. At the same time, the NSD is about to gradually cut off access to the SWIFT system for its clients.

### **Compromise on exchange of blocked assets between Russian and foreign investors**

In light of discussions led by the Russian Government since August (as reported on in our previous GPS Press issue), on 8 November the President of the Russian Federation signed a decree on the exchange of Russian investors' assets frozen in foreign infrastructure. Accordingly, they shall have the possibility to sell blocked assets, which are currently safekept by the National Settlement Depository of Russia in foreign depositories, to non-residents, who in turn will be allowed to use S-type account balances for such purchases. The transactions are to be executed via on-exchange trading.

The total value of assets which can be sold is limited up to RUB 100,000 per portfolio, which reflects the initial approach to aid retail investors. The procedure of calculating the value of portfolios and conditions for trading and settlement of blocked assets will be established by the Russian Government Commission for Control of Foreign Investments.

Meanwhile, the Central Bank of Russia published the procedure of interaction between brokers and investors, between brokers/trustee and exchange, the specifics of identification of non-residents and the regime of the special owner's transit custody account. The whole process will be voluntary for both Russian and foreign investors.

Blocked assets acquired by non-residents are to be credited to the so-called special owner's transit custody accounts opened by Russian custodians. The assets can be written off from the special owner's transit custody account to an account opened with foreign depositories, or to the special owner's transit custody accounts opened in the name of another non-resident investor.

Furthermore, the decree allows Russian residents to conduct transactions in foreign securities with "unfriendly" non-residents, provided such securities are held in a foreign depository, settlements are made through accounts opened in the name of Russian residents outside the Russian Federation, and information about those accounts is disclosed by Russian residents to tax authorities.

### **Decommissioning of the SWIFT system by the CSD**

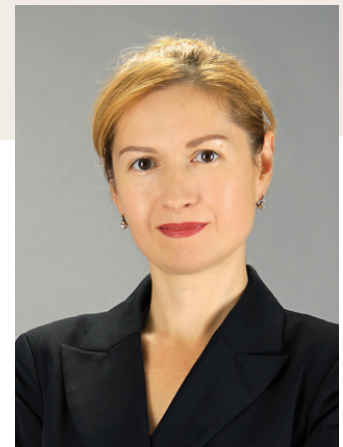
The National Settlement Depository of Russia earlier announced plans on decommissioning of SWIFT system as an electronic client document management channel for banking services and depository services (except for interaction between NSD and foreign depositories) by the end of the year. However, timeframe has shifted for depository services from 1 January to 1 May 2024.

All clients of NSD are encouraged to consider switching to alternative channels of interaction for banking services (i.e., to WEB-cabinet for banking services, WEB-service, or the Financial Message Transmission System of the Bank of Russia, SPFS) and for depository services (i.e., to WEB-cabinet for depository and clearing services or the NSD Integration Gateway software, also called WEB-service).

WEB-service used for electronic document management within depository activities shall be supporting SWIFT system formats.

### **Ekaterina Goloviznina**

*Network Manager,  
GPS Russia*



# E-voting: Revolutionizing shareholder participation in Ukraine

External factors accelerated the introduction of remote meetings and electronic voting systems.

Plans to modernize the voting system at general meetings in Ukraine had long been around. With the start of the pandemic, immediate action was necessary to enable shareholders to exercise their rights and ensure the seamless functioning of joint-stock companies. Eventually, remote meetings were implemented, whereby shareholders launch their votes via the servicing custodian, who then forwards this information to the CSD. This urgent measure gave shareholders the chance to have their voices heard while prioritizing safety.

Later, when the war started, an urgent need emerged for bondholders to make decisions related to the restructuring of corporate obligations and new terms of issuance and redemption via an electronic voting system, as envisaged by the Law on Capital Markets. The CSD implemented this task successfully in December 2022, and, thus, became ready for a more ambitious project: electronic voting for general shareholder meetings.

### E-voting in war times

The new process required developing a software capable of conducting a remote electronic identification and verification of the shareholder, supporting the voting process, summarizing the results, and forming the protocols. The necessity for such a tool is especially important during times of war, when the safety concerns come first. Apart from that, e-voting offers numerous advantages, including convenience, efficiency, and manufacturability. The dedicated software minimizes the human factor and reduces the possibility of abuse or corporate conflicts.

E-voting allows participants to join meetings from anywhere in the world, using their phones or other devices. This ex-territorial accessibility significantly increases convenience and reduces the associated costs of travel and accommodation. The quality of corporate management also improves thanks to the streamlined decision-making process and the ability to gather input from a diverse range of shareholders. Finally, the set-up is much cheaper for the issuers when compared to a traditional physical meeting. Considering one of the primary concerns regarding e-voting is the

integrity of information and the prevention of data leaks, special measures were put in place to safeguard against distortion or unauthorized access. The new structure of the register ensures that voting information is accurately recorded and participation can be verified through the qualified electronic signatures (QES) or the NBU Bank ID.

Provisions ensuring the specific right to participate and vote must be mentioned in the power of attorney of the shareholder representative. Then it is the task of the custodian to activate the shareholder representative's status in the depository system and ensure that relevant information appears on the company's register of shareholders. The e-voting system presented by the CSD even facilitates partial voting, thus allowing shareholders to exercise their rights more effectively.

The CSD is currently holding a series of webinars introducing the new service to the market participants. A wide-scale testing initiative allows all willing parties to familiarize themselves with the system and identify and rectify any potential issues. The service will be fully implemented from January, providing ample time for market participants to adapt before the peak season of annual general meetings in spring.

The scope of e-voting extends beyond joint-stock companies and includes limited liability companies (LLCs) which will become CSD-eligible from January. This streamlined and efficient voting process is expected to serve as an additional incentive for LLCs to transfer their stakes to the CSD system.

The modernization of Ukraine's voting system shows an emphasis on safety, efficiency, and convenience. E-voting empowers shareholders and improves corporate governance. With proper safeguards in place, Ukraine is ready to revolutionize shareholder participation and pave the way for a more inclusive and transparent business environment.

**Bohdana Yefremova**  
*Head of GPS Ukraine*



# Making the delivery possible

Nobody can imagine how many interfaces the GPS business line entertains within the Bank. A new, product-oriented management approach designed to reduce this complexity has started bearing fruit. GPS Press sat down with all five product owners for an informative talk about how they assess their tasks.

Although the hurdles of reporting lines and fee split policies are long gone at RBI, considering has operated as an agile organization for a few years already, not all organizational headaches had vanished for GPS's management. But in the meantime a real breakthrough leading to ultimate efficiency has been achieved with the new product ownership concept.

The idea was to cover product creation in its entirety out of one hand. To this end, one industry expert has been assigned to each of the five products of GPS with the task to oversee the developments from a meta perspective and engage with other

relevant parties outside GPS. This ensures that all processes work properly and can be fine-tuned efficiently.

By involving all stakeholders that contribute to a new creation including Operations and IT from its very beginning, expectations will be met to the point and lengthy discussions about workarounds are a thing of the past.

The first months of the product ownership concept have shown that having a single and yet knowledgeable point of contact is extremely useful for all parties involved. The timespan from the first concept to ex-

ecution has shortened distinctly, which is an advantage much appreciated by GPS's clients.

GPS still has a few things to tackle in terms of enhancing our system and slimming down the structure. But at the end of the data will become even more useful and approachable for clients, which will inevitably create a more analytical mindset.

### Radek Ignatowicz (Custody)



Both RBI's clients and RBI itself can benefit from the new management philosophy at GPS.

My task is to make the structure, the processes, the linkages between the parties lean and less human work intense. We optimized our set-up in a way that we can achieve deliveries that are more scalable and need less workforce to run the business. I would like to point out that the exercise was not about reducing staff, but about delivering more without having to replicate the number of people involved.

In Custody we follow two principles. One is to take the complexity out of the way by re-modelling and simplifying the operational processes with the use of available system functionalities. Along with this, we put pressure on processes automation, that refers to both inside and outside of the core system developments, through which we minimize manual effort, decrease operational risk and make the whole structure lighter and more effective.

The field of Custody is actually quite large. Besides my team inside RBI, we rely on Raiffeisen Service Center (RSC), where the settlement processes and the asset services part are located. But thanks to our agile structure we have excellent joint routines and planning tools. The beauty of the agile approach is the engagement of the operational people in the improvement of their own work area. They are in the lead for the change and without their knowledge and experience we would not be able to achieve these results.

One of the big achievements of the past four years since I have taken over responsibility for Custody was to restructure the process in a way that we managed to consolidate custody operations in one core custody system, eliminating the fragmented system structure used before and reducing number of interfaces.

Along with this, we improved the setup of our direct market access to local CSDs, which is one of our flagship offerings.

What was a mix of subcustodian and direct access before became one consolidated product, which is quicker and closer to the market.

Finally, we implemented a completely new billing system for our custody services, which complimented the custody infrastructure, adding new features and multiplying capacity.

### **Asset servicing automation**

We invested a lot in upgrading our asset servicing side with the aim of outsourcing and automating certain areas in which we are not specialising. For instance, we outsourced proxy voting process completely. We have also set up an external partner for automating and expanding our tax reclaim services.

Moreover, we address client specific demands. Our setup allowed us to offer clients, which are not SRD2 native, to use our service for ISO 2022 messaging. We provided them an ability to use us as a hub for their disclosure, which is something unique. It went even beyond the SRD2 scope as we are able now to process all kind of not mandatory disclosure requests received from the issuers or their agents. Unlike some other providers we do not ignore them, as we are of the opinion that although they are not mandatory but can sometimes be most valid for clients. Our mechanism passes on information to our clients, which if applicable they can respond using RBI provided functionality.

A lot of effort was devoted to making sure that the Custody data is properly presented in our GIG platform. We observe that GIG is increasingly becoming the key information channel between us and our clients. We look at it also as a future integration platform that can enable link up with our clients' systems to provides a live data stream, through which we could differentiate ourselves from the competition by a wide margin.



**Tobias Prinz**  
**(Fund administration)**



At Fund administration we calculate the net asset value (NAV) for over 400 funds worldwide. GPS has assets under management worth EUR 43 bn and we are ready to take more.

Thanks to the Product ownership concept we have been able to develop a top in class service for asset managers seeking to outsource certain services. Thanks to our know-how and innovative power we are able to offer an unparalleled service catalogue which is so elaborate that we can fulfil the service level agreements that our clients have versus their own clients. This encompasses the crucial task of delivering the quotes timely and in impeccable quality.

Being a Product owner allows me to deal with tasks outside of the daily operations such as introducing new transaction types into RBI's systems. These are often IT-related issues, for which we need support from departments outside the GPS scope. The Product owner role allows you

to structure the tasks better by defining priorities and improving the output by interacting with other departments efficiently.

Knowledge transfer within our team between the veterans and the newcomers, all of whom have a different mindset, is a decisive factor within our team.

Our team is devoted to innovation and automation, which allows us to increase the volume of transactions within ever smaller periods of time. As a result, we have built the preconditions and capacities to onboard new clients easily.

## ➤ Stefan Kucera (Fund brokerage)



In my role as Product owner Fund brokerage I oversee Fund Platform providing our client access to an ever growing fund universe.

Considering we deal with various types of clients with different demands we saw a need to streamline the processes including vis-à-vis Operations and IT. Now we have the complete value chain starting from data request all the way to securities order execution under one roof. Newly issued funds can easily jump on this platform and benefit from the new setup right away.

In doing so, we are not only introducing automation and bringing down the cost, we also could make the product itself more attractive. When placing their orders, our clients benefit from the new direct connection to the securities broker-

age desk. Thanks to this new approach, not only trading itself becomes more cost effective, but also the trailer commission. The equation is simple, also for the clients: the more business, the higher the income.

In my role I discuss with our clients issues outside of the daily routine, so that we are able to meet their demands as precisely as possible. It enables us to come up with tailor made products and fee structures.

Believe it or not, the fax transmission still exists in our business. Not all transfer agents use SWIFT, which is a costly application that only makes sense for those with large trading volumes. But we at GPS even are finding ways to consider this type of order placement within our systems, and when the original order with the wet ink on it arrives by post, we are long settled.

## ➤ Moritz Welsner (GIG)



When the Global Investor Gate (GIG) was initiated five years ago, it was already planned within an agile framework. From today's perspective it is fair to say that we would never have been able to realize such a comprehensive platform done in an old-fashioned management style.

The GIG is a unique web application for clients through which they can do anything trading related, from collecting pre-trade information, placing their orders and monitoring them, and through which the post-trading activities are processes as well. It delivers full transparency about their securities accounts with RBI, including the cost aspect.

Moreover, the GIG acts as a reporting tool for asset management companies, through which they can observe transactions, trading volumes, details about their investors etc. It not only replaced the 20-years old e-Custody system, it is able to do much more than its predecessor. Although the GIG could not be any more agile, GPS decided to implement a Product owner for it. The team has grown to 16 experts such as developers, designers

and business analysts in the meantime, As a Product owner I keep the overview over the product development. It is my task to collect ideas, to set priorities, to engage with the countless stakeholders that are involved in its development. Through a constant exchange with our clients I have a good understanding of what they require. My counterpart at the IT department, the newly installed IT Delivery lead, is my direct contact. In doing so, I can free the team from distraction and help them be more efficient. As a matter of fact, the GIG as a compact source of information is not only a blessing for our clients, but also for our colleagues in the back office located at RSC. Things have become much clearer now, and we need much less email contact to research open questions which do sometimes occur in a trading process.

The GIG continues to grow, and we will soon present new features. For example, there will be an SSI finder, which makes and end to manual search. Moreover, we plan to come up with a tool for corporate action instructions, and there will be much more!



## Daniel Stippel (TORO platform)



In contrast to GIG, which is the client facing platform, TORO builds a smart and efficient internal trading layer in a greenfield approach to overcome drawbacks of existing vendor driven legacy systems.

I am in charge of this agile product stream, which includes manifold stakeholders ranging from traders to the back-office and their IT counterparts. Being the product owner gives me the possibility to explore new solutions with an end-to-end perspective and drive continuous innovation.

Among other, it gives me the possibility to share with everyone the purpose and meaning of the developments and the impact for other stakeholders, which makes a big difference in terms of engagement and efficiency.

Originally started as a greenfield brokerage system in cooperation with our colleagues in Moscow, the plan was to streamline our vendor-driven IT landscape and free ourselves from depen-

dence on the countless legacy systems that we had accumulated over the years. At first we launched the exchange traded derivatives business, for which we wanted to build a seamless bridge from the trading desk all the way to the post-trading space located at RSC. As a result, the colleagues at the back-office experience automated and comprehensive information on trades and allocation.

While we have since been busy automating and digitizing the derivatives business, we have always had other asset classes in mind. We will start examining the possibility of an overall order process architecture as of the first quarter of 2024, which shall give us clarity on the future scope of the TORO platform.

Having been a securities trader myself in the past, I possess a deep insight into the demands of a trading desk, which helps me drive forward the development together with colleagues in Vienna and at MIT, RBI's delivery center in Poland.

## Meeting culture

From prestigious conferences to cultural celebrations, the GPS team experienced a whirlwind of activities in the past months that showcased our dedication and unity. Join us as we take you on a journey along the highlights.

### Wiener Wiesn with Austrian clients

Following a presentation of our newest product developments aimed at clients from the financial sector at the RBI's Sky Lounge, we immersed ourselves in the vibrant atmosphere of the Wiener Wiesn, Vienna's legendary version of the Oktoberfest. While having Austrian banks as our guests, we created an unforgettable experience that celebrated local popular culture including swinging folk music and hearty delicacies.

Together, we forged new connections and strengthened existing relationships within the financial sector. By embracing the joy of Oktoberfest, we showcased our commitment to fostering exchange and collaboration among industry peers.



### Workshop with network banks

In a two-day workshop held at RBI's head office in Vienna, our team gathered with representatives of network banks in Central and Eastern Europe to explore vital topics such as securities brokerage, fund administration, and innovative solutions for retail customer investments.

Through interactive sessions and knowledge-sharing, we fostered collaboration and explored new avenues for growth. This gathering exemplified our dedication to staying ahead of the curve and providing innovative solutions to our valued customers.







## Christmas Party

At RBI's company Christmas party, Team "GPS" had a blast participating in the fashion contest for the most unique and crazy jumper. We went all out, showcasing our creativity and sense of humour through our eccentric outfits. The crowd was amazed at our unconventional outfit, which secured us the winning prize.

As we reflect on our achievements as Team "GPS" in the last quarter of 2023, it is evident that our dedication and united spirit have propelled us to new heights. Our active participation in industry events, collaboration with esteemed partners, and commitment to innovation are the key drivers of our growth. Stay tuned for more updates!

## Oleksandra Kucher

*GPS Sales & Market Intelligence*

## Best in class!

We proudly collected our award at the Asset Servicing Times ceremony in London

Being acknowledged for our achievements by third parties with industry knowledge is always something special.

RBI is the Central and Eastern European Custodian of the Year according to an expert jury consisting of representatives of the independent thought leadership forum Securities Services Advisory Group (TSSAG) and of Asset Servicing Times.

Bettina Janoschek and Radek Ignatowicz, in the name of the Group Prime Services team, received the prestigious award during a ceremony held at the Plaisterers' Hall in the City of London.





## Diving into GPS

Theodor Till, Senior Electronic Sales Trader at GPS in Vienna, provides an insight into his profession.

### Where it all began

My professional journey began when I finished my basic military service and I decided to join Raiffeisen Landesbank NÖ/Wien in 2008. I started as a bank teller, learning everything from scratch related to banking business with retail customers. Soon I became a customer consultant, helping clients with their financial decisions and a few years later I took over as deputy bank manager.

When I realized that my interest had shifted towards the equity business, I changed within the Raiffeisen group and moved to Raiffeisen Centrobank (RCB), where I started as an Equity Sales Trader with a focus on low touch execution. My main tasks over the following eight years included monitoring low touch and algo orders, executing manual orders from institutional clients worldwide with focus on CEE region, quoting ETFs on large orders and developing business relationships with existing and prospective clients.

Having accumulated more and more responsibilities, like working on new projects, initiatives, processes, systems and service improvements, I eventually became deputy head of our team. Following the merger of our business from RCB into RBI, we joined the Group Capital Markets division as of December 2020. This year, our team was integrated into the new GPS set-up with the aim to offer out of one division the perfect broker-to-custody product.

### My RBI experience

I have been working for Raiffeisen for more than 15 years now, and all entities I have seen always stood for professionalism and values. I have experienced that

we always strive to be innovative and to satisfy our client's needs. Especially during the last few months I recognized a lot of changes into the right direction, which have made us fit for the future.

### Challenges ahead I see for GPS

The new GPS structure gives us the unique opportunity to service all our different kinds of clients in the best way. We can offer a real broker-to-custody solution out of one legal entity, while nearly all competitors need to cover this business out of two legal entities minimum.

Client-wise one challenge will be to present our new services and product range to all our existing clients, to evaluate the potential cross selling and bring them an added value. Additionally, we want to get new clients out of the improved offering. Harmonization and optimization of our current IT infrastructure will be a big challenge ahead. This means that additional changes are needed to get the set-up right.

### Balancing life and work

Sports is a very important part of my life. My favorite hobby is skydiving, which I have been doing for more than 8 years already. It gives me the chance to see everything from a different angle.

I love the free fall out of an airplane and the speed you can reach. My maximum speed was more than 420 km/h. Next to that I did already several flights with a wingsuit (I do not do base jumping, as this is way riskier than jumping out of an airplane).

Another hobby of mine, which gives me a similar opportunity, although from a dif-



ferent angle, is scuba diving. Just that instead of the speed of skydiving you have the silence and peace under water.

Last but definitely not least I love to spend my time with my girlfriend and our dog.

### A glimpse of home

I was born in Vienna, and I grew up in Vienna and Lower Austria, so I had to chance to get the best out of big city life and country life.

Now I live in a pleasant part of Vienna which combines both city life and country life splendidly.

## A veteran newcomer in Prague

Pavel Zeman, Custody & Securities Expert at Raiffeisenbank in Czechia, provides an insight into his profession.

### Where it all began

I started my career in 1992 in a local retail bank. After three years I moved to its headquarters, where I joined financial markets back-office team. A year and a half later, I decided to improve my English language and quit the job to move to London. When I returned to Prague I joined ING's back-office, where I held various roles. In 2004, I transitioned to the front-office as a member of the securities services product team. This move presented a notable challenge, yet it proved to be a strategic and discerning decision. Nine years later, ING Bank decided to sell the securities services business to Citi, where I continued to work until I joined Raiffeisen Bank Prague in fall 2023.

### My RBI experience

The corporate culture at Raiffeisen Bank is a live embodiment of positivity. Having joined just recently, from day one, I felt welcomed into an environment that values innovation and inclusivity. The emphasis on real-time open communication and accessible feedback channels creates a workplace where everyone's voice is considered. In a professional world often marked by competition, Raiffeisen Bank stands out as a place where collaboration is not just encouraged but embedded in the culture.

### Challenges ahead I see for GPS

As financial regulations continue to evolve globally, regulatory and compliance requirements require persistent attention. The rapid pace of technological innovation introduces both opportunities and challenges. Embracing emerging technologies such as blockchain and artificial intelligence while managing the potential risks and ensuring compatibility with existing systems will be a delicate balancing act. The industry may witness increased consolidation, leading to a competitive landscape where adaptability and efficiency become critical. I am confident that GPS team will effectively surmount any challenges that may arise.

### Balancing life and work

Depending on the seasons, I prefer to be active in my leisure time. I like to go for bike ride, go for run or just walk. But also enjoy watching Netflix series where my current favorite show is The Crown. In addition to that I like to play chess, read a book or listening a podcast and of course having a good time with family and friends. Notably, my spouse and I have recently embarked on a journey into the realm of classical dance through enrollment in dance classes. This endeavor not only serves to learn dance steps but also delivers a considerable amount of enjoyment for both of us.



### A glimpse of home

Hailing from the heart of Europe, Prague, my roots are intertwined with the cobblestone streets and centuries-old charm of this enchanting city. When I was a child, I lived with my parents in an apartment in just opposite of the Astronomical Clock directly in city center on Old Town Square. It's a privilege to call Prague home, where every street corner is a portal to a different era, and every sunset over the Charles Bridge is a reminder of the timeless beauty that defines this captivating city.



The astronomical clock



Opposite the astronomical clock

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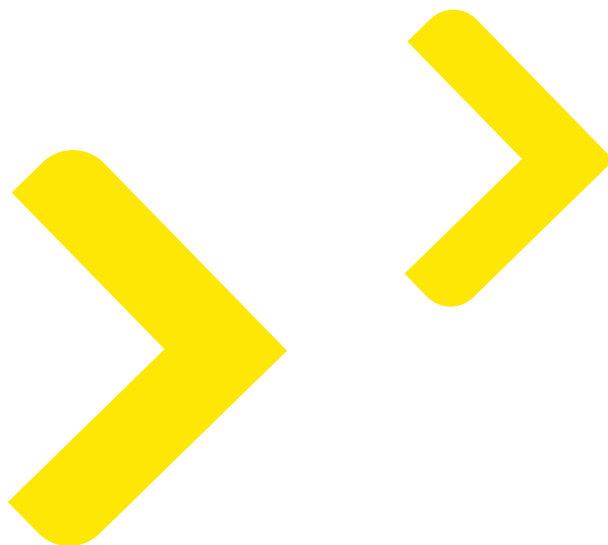
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# Imprint & Disclaimer

## Imprint

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**Company Register Number:** FN 122119m at the Commercial Court of Vienna

**VAT Identification Number:** UID ATU 57531200

**S.W.I.F.T.-Code:** RZBA AT WW

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**Publisher of GPS Press:** Raiffeisen Bank International AG, Am Stadtpark 9, A-1030 Vienna

**Media Owner of GIS Press:** Zentrale Raiffeisenwerbung, Am Stadtpark 9, A-1030 Vienna

**Producer:** Group Marketing, Raiffeisen Bank International AG, Am Stadtpark 9, A-1030 Vienna

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