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Incumbent PM E. Rama is expected to serve a 4th term after the upcoming May 11th Parliamentary election

Further progress with EU accession remains key priority for the Government as it would help accelerate the pace of economic convergence with the bloc

APPENDIX:

DETAILED MACROECONOMIC DATA 4

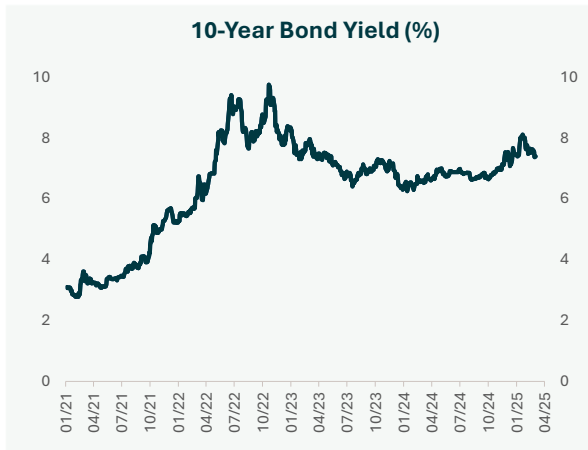
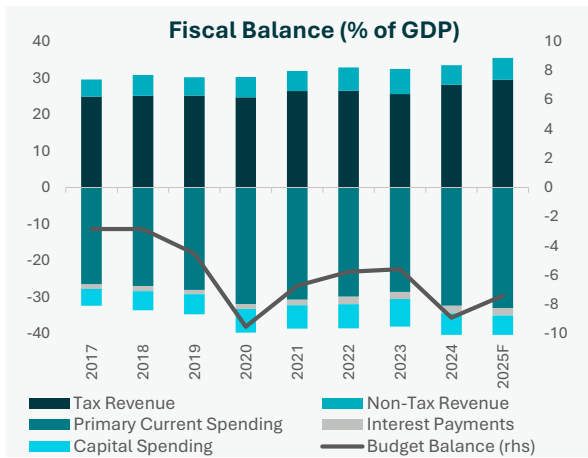
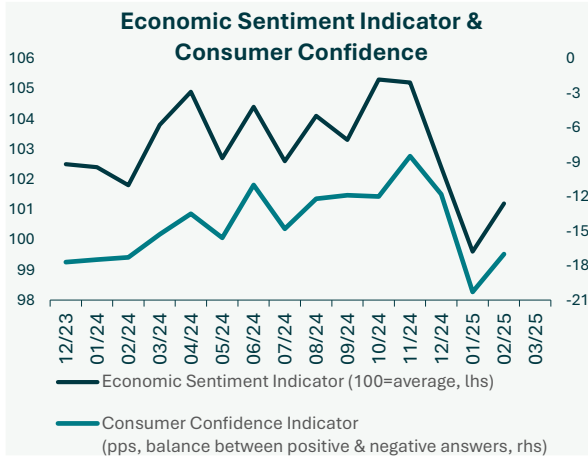
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Romania

BBB- / Baa3 / BBB- (S&P / Moody's / Fitch)



	3 Mar.	3-M F	6-M F	12-M F
1-M ROBOR(%)	5.8	5.8	5.3	4.8
RON/EUR	4.97	5.00	5.01	5.05
Sov. Spread (2029, bps)	241	235	210	180

	3 Mar.	1-W %	YTD %	2-Y %
BET-BK	3,283	-0.6	4.6	38.0

	2022	2023	2024E	2025F	2026F
Real GDP Growth (%)	4.0	2.4	0.9	2.5	3.5
Inflation (eop, %)	16.4	6.7	5.1	4.0	3.2
Cur. Acct. Bal. (% GDP)	-9.5	-6.6	-8.5	-8.0	-7.5
Fiscal Bal. (% GDP)	-5.8	-5.6	-8.9	-7.4	-6.6

Sources: Reuters, BNRO, Ministry of Finance & NBG estimates

President K. Iohannis steps down amid turmoil over annulled Presidential election. The President's move came in the wake of the far-right opposition's bid to impeach him, due to remaining in office after the Constitutional Court (CC) annulled the November Presidential race, which saw right-wing, pro-Russian C. Georgescu unexpectedly winning the 1st round. The decision came after intelligence information showed that Georgescu had benefitted from an unfair social media campaign allegedly directed by Russia. The new vote is scheduled for May 4, with opinion polls placing Georgescu first (the CC's verdict over his potential disqualification from the election is pending), ahead of independent centrist N. Dan and the ruling coalition's candidate, C. Antonescu. The Head of the Senate, I. Bolojan, will be serving as interim President until the new vote.

All said, given that the PSD-led ruling coalition (also comprising the PNL and the Hungarian minority party, UDMR) controls only a slim majority in Parliament, and considering the challenges lying ahead (see below), maintaining political stability would be an uphill battle, especially in the event the next President comes within the ranks of far-right opposition. Note that the 2-month-old pro-EU Government has already survived a no-confidence motion submitted by the far-right opposition.

Political uncertainty has weighed on sentiment, jeopardizing economic momentum. Following a plunge to a c. 1½-year low (of 99.6) in January, the Economic Sentiment Indicator (ESI) returned to expansionary territory (101.2) in February, remaining, however, below its a post-pandemic November peak of 105.2 and the 12-month rolling average of 103.3. The breakdown details provided little comfort, however, as consumer confidence, which had fallen to a c. 2-year low (of -20.3) in January from a 3½-year high (of -8.6) in November, due to political uncertainty and the announcement of fiscal consolidation measures (see below), improved in February (to -17.0), yet remaining well below the 12-month rolling average (of -13.5). At the same time, sluggish GDP growth in the EU (especially Germany), still high energy prices and global trade tensions kept the industrial confidence indicator in negative territory for a 10th consecutive month in February (at -1.6, below the 12-month rolling average of -0.5). Albeit improving marginally in February, the retail and services confidence indicators were below their 12-month rolling averages, with construction confidence falling to its lowest level since mid-2023, at the same time. All said, we maintain our FY:25 GDP growth forecast at 2.5%, recognizing, however, that risks are more tilted to the downside than before.

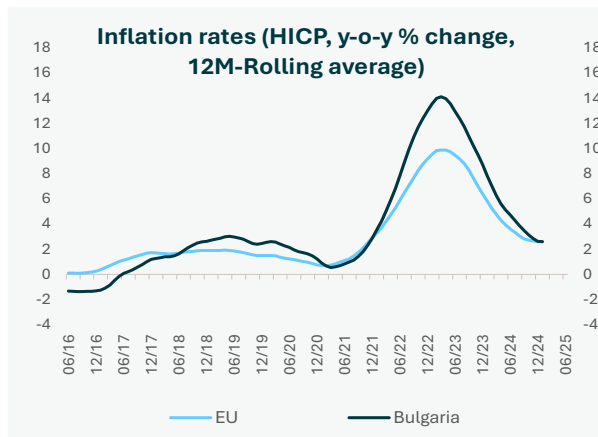
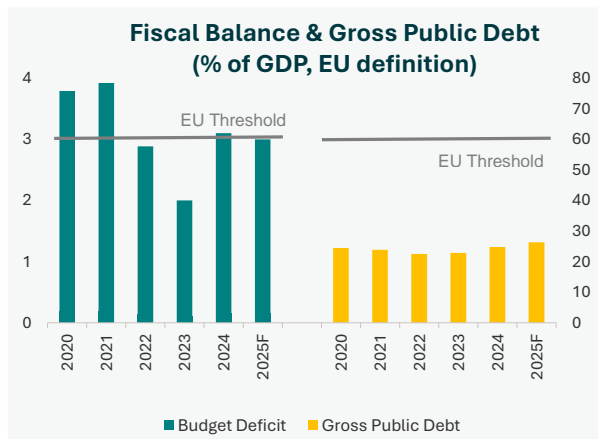
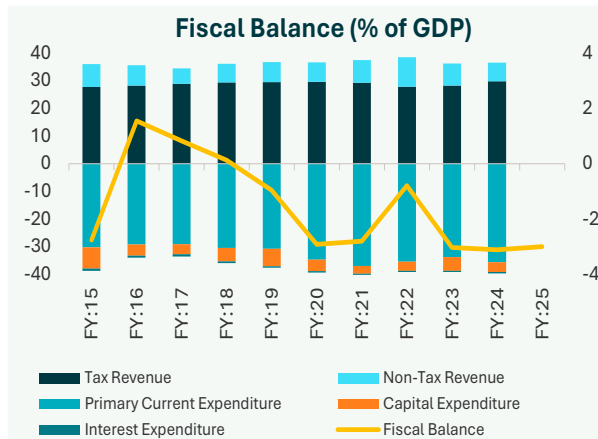
Political stability is key condition for much-needed fiscal consolidation to resume. Fiscal consolidation was reversed in FY:24, with the budget deficit ballooning to 8.9% of GDP -- the highest in the EU -- from 5.6% in FY:23, driven by a pre-election spending spree, including public wage hikes and pension increases ahead of the reform of the pension system.

The FY:25 budget deficit target is set at 7.0% of GDP, implying a significant consolidation effort, which, in our view, is unlikely to be achieved in the absence of additional measures. At end-2024, the Government approved measures to shore up tax revenue (through hiking the dividend tax rate, lowering the tax threshold for SMEs and levying a tax on the value of corporate buildings), while capping several expenses (incl. the public wage bill), with a combined impact of c. 2.0 pps of GDP. However, these savings should not suffice to bring the deficit down to target, given the full-year impact of the recent pension hikes, leaving a gap of c. ½ pp of GDP. Worryingly, political uncertainty is likely to deter authorities from adopting corrective measures, at least until the Presidential election is over.

Markets are concerned over the prospect of fiscal consolidation amid a fragile political environment, with the 10-year RGB yield currently standing c. 80 bps above its pre-election level. These concerns have been echoed by Fitch and S&P's, which changed their outlook on Romania's credit rating (currently at the lowest investment grade) to negative from stable.

Bulgaria

BBB / Baa1 / BBB (S&P / Moody's / Fitch)



	3 Mar.	3-M F	6-M F	12-M F
Base Interest Rate (%)	2.6	2.3	2.1	2.0
BGN/EUR	1.96	1.96	1.96	1.96
Sov. Spread (2030, bps)	75	70	65	55

	3 Mar.	1-W %	YTD %	2-Y %
SOFIX	904	0.8	1.3	44.8

	2022	2023	2024E	2025F	2026F
Real GDP Growth (%)	4.0	1.9	2.3	3.1	3.1
Inflation (eop, %)	16.9	4.7	2.2	3.2	2.5
Cur. Acct. Bal. (% GDP)	-2.6	0.9	0.2	-0.1	-0.6
Fiscal Bal. (% GDP)	-0.8	-3.0	-3.1	-3.0	-3.0

Sources: Reuters, NSI, Eurostat & NBG estimates

Successive shocks and political uncertainty have shifted fiscal policy to a much more expansionary stance. The period prior to pandemic (2016-19) was characterized by fiscal prudence, witnessing an average budget surplus of c. 0.4% of GDP. Subdued public investment, combined with rising tax revenue (from a low base), on the back, *inter alia*, of improving tax collection, and higher EU grants, underpinned this impressive performance. Unsurprisingly, following global trends, the fiscal stance turned expansionary in 2020-21, with the budget moving into an average deficit of 2.9% of GDP to mitigate the impact of the pandemic. Higher EU grants, following disbursements under the RRF, together with the relatively small cost of the measures implemented to alleviate the burden of high energy prices (compared with the measures taken during the pandemic), drove the budget deficit down to 0.8% of GDP in 2022. Despite the phasing-out of the energy-crisis measures (completed by end-2023), the budget deficit widened markedly to c. 3.0% of GDP 2023 and 3.1% in 2024, impacted by political uncertainty. Recall that Bulgaria has seen 7 elections over the past 3½ years, having been governed by caretaker Governments for most that time. Indeed, sharp increases in the public wage bill (to 10.3% of GDP in 2024 from 9.3% in 2023 and 8.7% in 2022) and social spending (to 17.7% of GDP in 2024 from 16.2% in 2023 and 15.3% in 2022), as well as lower EU grants (c. 2.0% of GDP on average in 2023-24, down from 3.6% in 2022, due, *inter alia*, to delays in meeting agreed milestones under the RRF plan) have been the main drivers behind the fiscal slippage.

The budget deficit is set to hover around the EU threshold of 3.0% of GDP in 2025-26. Further hikes in public sector wages (up 5.0%) and pensions (up 8.0%) should keep current spending under pressure this year as well. Nonetheless, stronger tax revenue, especially from social security contributions, which are due to benefit from past solid wage gains, and, to a lesser extent, from direct taxes, thanks to economic recovery, should broadly compensate for higher current spending. Importantly, public investment is set to pick-up, in line with faster absorption of EU funds. The overall picture is unlikely to change much in 2026.

Public debt should remain on an upward trend. Despite a favourable -- but diminishing -- snowball effect, the public debt-to-GDP ratio should continue rising, fueled by large budget deficits, hitting 28.0% by end-2026, yet remaining among the lowest in the EU and well below the critical threshold of 60.0% of GDP.

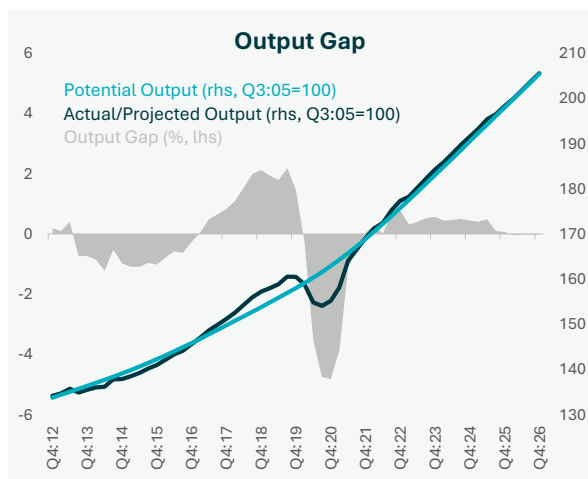
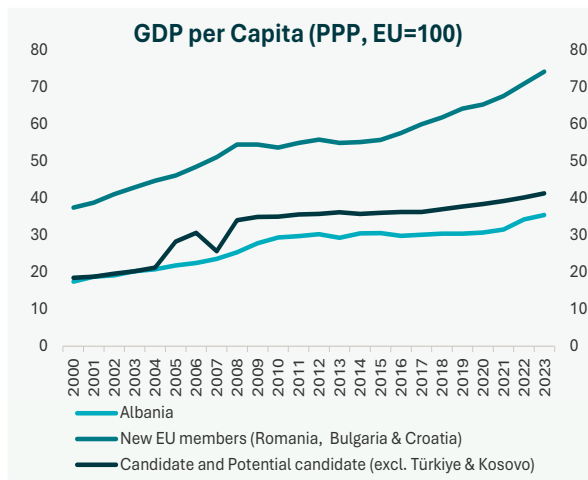
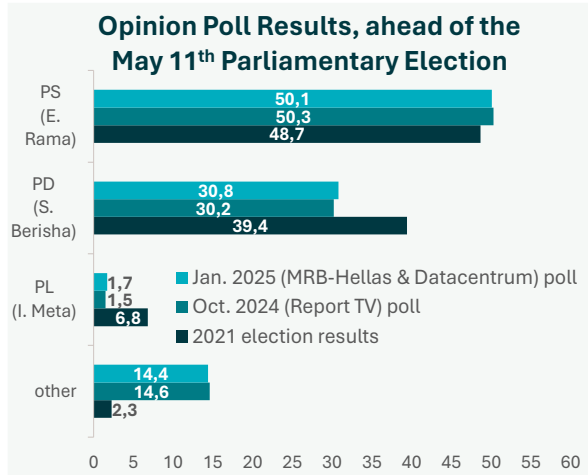
Bulgaria requested the EC and the ECB to prepare extraordinary convergence reports, paving the way for Euro adoption. Recall Bulgaria has been long meeting all the criteria for euro adoption but one, that of price stability. However, following recent downtrend, Bulgaria's inflation is estimated to have fallen marginally within the provided range, i.e. 1.5 pps above that of the 3 best-performing EU states, and is expected to remain within range in the short-term, in view of favourable base effects. Still, concerns over the prospect of sustainable inflation convergence remain, considering that prices in Bulgaria stand at c. 60% of the euro area average. At the same time, although the country is not under excessive deficit procedure, we recognize that fiscal sustainability risks have increased.

All said, we expect competent authorities to show some compromise, eventually allowing Bulgaria to join the euro area. Given the time needed for the remaining technical preparations to be completed, we see accession taking place on January 1, 2026.

Note that joining the euro area (*per se*) should bring no fundamental change in macroeconomic policies, given Bulgaria's currency board and high euroization of the economy. Note that Bulgaria's integration with the euro area financial system has been advancing since joining the Banking Union and its key mechanisms (SSM, SRM) in 2020. Still, euro area membership should entail significant benefits for Bulgaria, including lower transaction and funding costs, while cementing investor confidence, though bolstering financial stability (following BNB gaining access to the ECB's facilities) and reducing the risks of financial contagion and a balance of payments crisis.

Albania

BB- / Ba3 / NR (S&P / Moody's / Fitch)



	3 Mar.	3-M F	6-M F	12-M F
1-M TRIBOR (%)	3.3	3.3	3.3	3.3
ALL/EUR	98.7	100.0	100.0	100.0
Sov. Spread (2031, bps)	195	200	195	190

	3 Mar.	1-W %	YTD %	2-Y %
Stock Market	---	---	---	---

	2022	2023	2024E	2025F	2026F
Real GDP Growth (%)	4.8	3.9	4.0	3.6	3.6
Inflation (eop, %)	7.4	4.0	2.1	2.8	2.6
Cur. Acct. Bal. (% GDP)	-5.9	-1.2	-1.7	-2.1	-2.3
Fiscal Bal. (% GDP)	-3.6	-1.3	-1.8	-2.0	-2.0

Sources: Reuters, Eurostat & NBG estimates

Incumbent PM E. Rama is expected to serve a 4th term after the upcoming May 11th Parliamentary election. According to recent opinion polls, the left-wing ruling Socialist Party (SP) of incumbent PM, E. Rama, is set to win the election by a significant margin (polling above 50.0% against the 2021 election outcome of 48.7%), retaining an outright majority in the 140-seat assembly.

Indeed, the SP retains strong public support, capitalizing on steady progress with the EU agenda, which peaked with the long-awaited opening of two negotiating clusters in October 2024, robust economic performance (with Albania’s GDP per capita in PPP terms having almost doubled over the past decade, despite the triple shocks -- i.e. the 2019 earthquake, COVID-19 pandemic and the energy crisis -- supported by a booming tourism sector) amid prudent macroeconomic policies.

Its main rival, the main opposition right-wing Democratic Party (PD), of former PM and President S. Berisha -- who was released at end-2024 from a year-long house arrest on corruption charges -- lags far behind, polling around 31% of votes (down from 39.4% in the 2021 election). The PD has seen its support waning, due to persistent deep internal infighting since the resignation of S. Berisha -- its historical leader -- in 2013, resulting in leadership changes and party splits. The DP’s low rating may also reflect the political cost of its “civil disobedience campaign” against SP (including regular anti-government protests and disruptions in Parliament’s functioning), impeding the adoption of EU-related legislation and weakening confidence amid increasing polarization.

The approval rating of the 2nd largest opposition party, the leftist Freedom Party (PL) of former PM and President I. Meta -- arrested in October 2024 also on corruption allegations -- is also declining (polling around 1.5% after gaining 6.8% of the vote in the 2021 election). While other older small parties seem unlikely to enter the new assembly after the May election, new political movements have emerged (with the recently formed Albania Becomes (SB) moving to 3rd place, polling around 8%). Note that diaspora voters will be allowed to vote for the first time in the upcoming election, following amendments to the Electoral Code in mid-2024.

Further progress with EU accession remains key priority for the Government as it would help accelerate the pace of economic convergence with the bloc. Albeit on an upward trend, Albania’s GDP per capita (PPP) stands at just 36.0% of the EU average -- the lowest among EU candidate countries. Moreover, although Albanian economy has exhibited above-trend growth since 2021 -- outperforming neighbouring peers -- on the back of buoyant tourism (and its spillovers to the economy), the positive output gap is expected to close by 2026, as tourism growth normalizes, with GDP growth returning to its long-term potential of c. 3¼% (see chart). The latter is markedly lower than estimated prior to the pandemic, largely reflecting the impact of shrinking labour supply (with the country’s population having dropped by c. 14.0% in 2011-23), due to continued migration and rapidly ageing population. Meanwhile, although gradually increasing, labor and total factor productivity remain well below that of EU.

Progress with EU accession negotiations should help boost Albania’s potential GDP growth, through deep structural and institutional reforms (addressing productivity bottlenecks, infrastructure gap and governance shortcomings) largely financed by the EU. Available EU funding includes: i) the Instrument for Pre-Accession Assistance III (IPA III), amounting to c. EUR 880mn (equivalent to 3.7% of FY:24 GDP) in 2024-27; ii) the Reform & Growth Facility for the Western Balkans, with total indicative allocations of EUR 0.9bn to Albania in 2024-27 (equivalent to 3.6% of its FY:24 GDP); and iii) investments under the Western Balkans Investment Framework (WBIF). According to the IMF, effective use of these funds and implementation of EU-mandated structural reforms could result in a double pace of convergence with the EU.

DETAILED MACROECONOMIC DATA

ROMANIA					
	2022	2023	2024e	2025f	2026f
Real Sector					
Nominal GDP (EUR million)	281,971	324,552	343,837	365,080	386,162
GDP per capita (EUR)	14,808	17,032	18,150	19,386	20,634
GDP growth (real, %)	4.0	2.4	0.9	2.5	3.5
Unemployment rate(ILO definition, %, aop)	5.6	5.5	5.4	5.3	5.1
Prices and Banking					
Inflation (% eop)	16.4	6.7	5.1	4.0	3.2
Inflation (% aop)	13.7	10.5	5.6	4.4	3.4
Loans to the Private Sector (% change, eop)	11.2	5.9	8.2		
Customer Deposits (% change, eop)	6.7	12.6	9.9		
Loans to the Private Sector (% of GDP)	25.0	23.0	23.3		
Retail Loans (% of GDP)	12.3	10.8	11.1		
Corporate Loans (% of GDP)	12.7	12.1	12.2		
Customer Deposits (% of GDP)	35.3	34.4	35.5		
Loans to Private Sector (% of Deposits)	71.0	66.8	65.8		
Foreign Currency Loans (% of Total Loans)	29.9	29.9	27.6		
External Accounts					
Merchandise exports (EUR million)	86,594	86,530	86,324	91,101	96,723
Merchandise imports (EUR million)	118,065	115,542	119,191	125,026	132,000
Trade balance (EUR million)	-32,071	-29,012	-32,867	-33,924	-35,277
Trade balance (% of GDP)	-11.4	-8.9	-9.6	-9.3	-9.1
Current account balance (EUR million)	-26,828	-21,492	-29,371	-29,100	-28,796
Current account balance (% of GDP)	-9.5	-6.6	-8.5	-8.0	-7.5
Net FDI (EUR million)	9,354	6,364	5,697	6,039	6,401
Net FDI (% of GDP)	3.3	2.0	1.7	1.7	1.7
International reserves (EUR million)	46,636	59,770	62,135	63,073	64,078
International reserves (Months ^a)	4.0	5.1	5.1	4.9	4.7
Public Finance					
Primary balance (% of GDP)	-3.7	-3.7	-6.8	-5.5	-4.8
Fiscal balance (% of GDP)	-5.8	-5.6	-8.9	-7.4	-6.6
Gross public debt ^b (% of GDP)	47.7	48.6	54.0	57.8	60.8
External Debt					
Gross external debt (EUR million)	153,768	183,239	203,575	220,873	237,104
Gross external debt (% of GDP)	54.5	56.5	59.2	60.5	61.4
External debt service (EUR million)	21,581	21,081	21,000	21,250	21,500
External debt service (% of reserves)	46.3	35.3	33.8	33.7	33.6
External debt service (% of exports)	17.7	16.7	16.7	16.0	15.2
Financial Markets					
Policy rate (1-w repo rate, %, eop)	6.8	7.0	6.5	5.8	4.8
Policy rate (1-w repo rate, %, aop)	4.4	7.0	6.8	6.3	5.0
10-Y Bond Yield (% eop)	8.4	6.3	7.5	7.0	6.1
Exchange rate: EUR (eop)	4.940	4.972	4.972	5.050	5.090
Exchange rate: EUR (aop)	4.928	4.944	4.972	5.011	5.070

f: NBG forecasts; a: months of imports of GNFS; b: ESA 2010

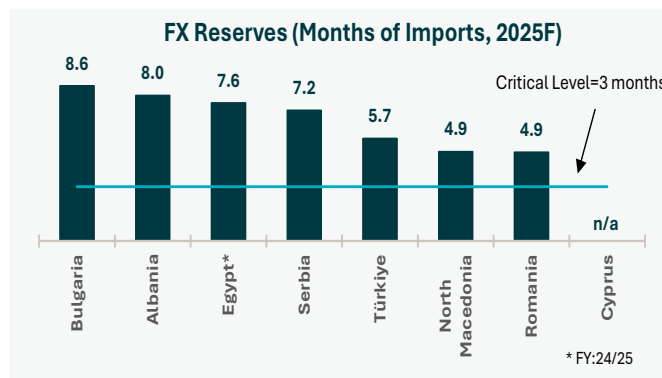
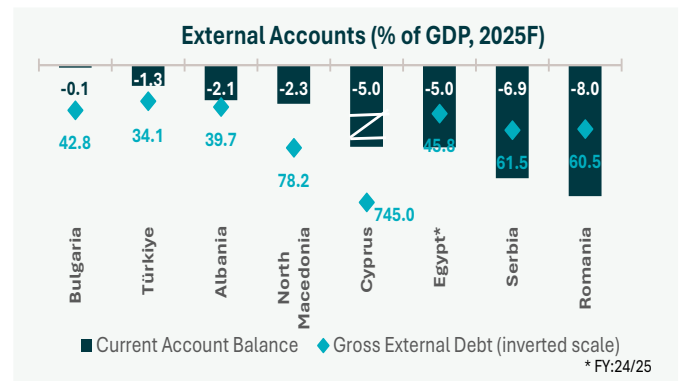
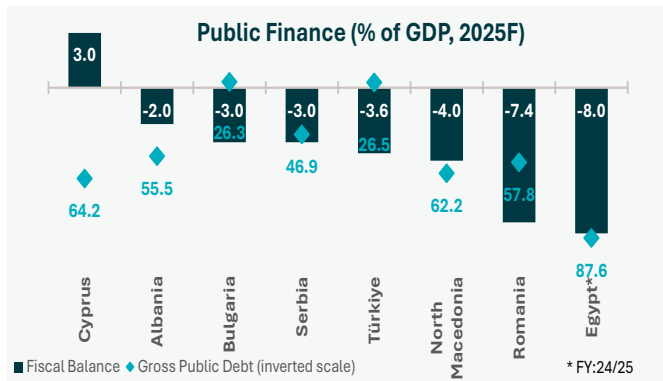
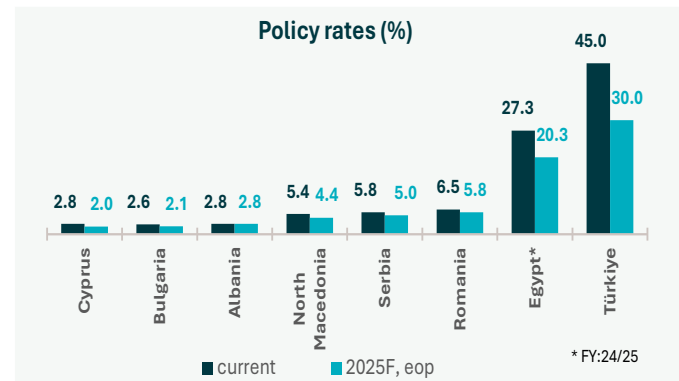
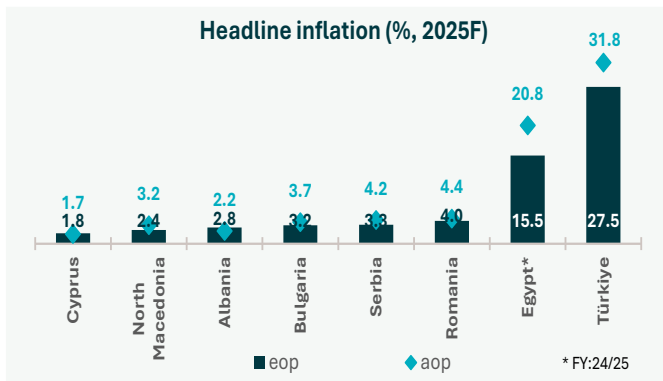
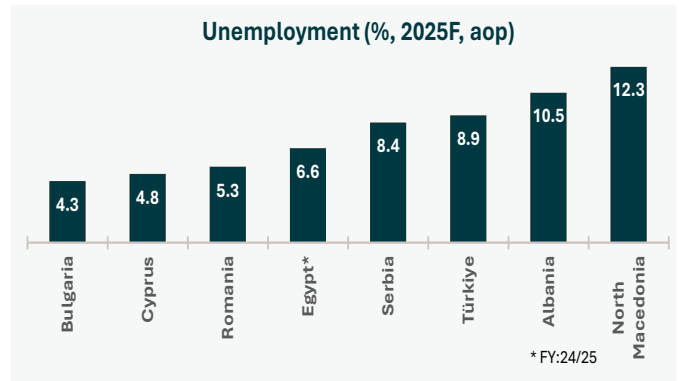
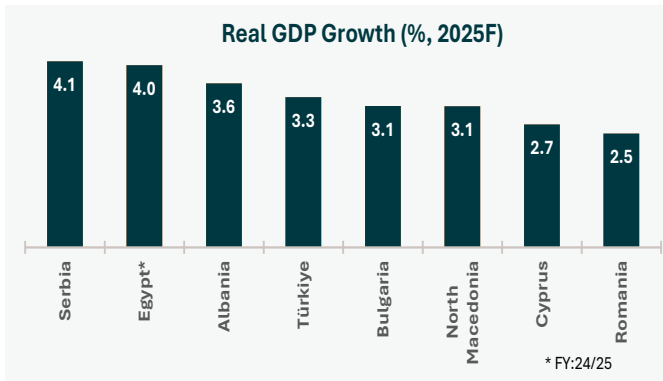
BULGARIA					
	2022	2023	2024e	2025f	2026f
Real Sector					
Nominal GDP (EUR million)	86,081	94,708	100,686	107,699	113,309
GDP per capita (EUR)	13,350	14,695	15,851	17,204	18,246
GDP growth (real, %)	4.0	1.9	2.3	3.1	3.1
Unemployment rate(ILO definition, %, aop)	4.2	4.3	4.3	4.3	4.2
Prices and Banking					
Inflation (% eop)	16.9	4.7	2.2	3.2	2.5
Inflation (% aop)	15.2	9.6	2.4	3.7	2.1
Loans to the Private Sector (% change, eop)	12.2	11.1	15.0		
Customer Deposits (% change, eop)	14.4	9.6	9.8		
Loans to the Private Sector (% of GDP)	44.1	44.6	48.2		
Retail Loans (% of GDP)	19.4	20.5	23.3		
Corporate Loans (% of GDP)	24.7	24.0	24.9		
Customer Deposits (% of GDP)	65.3	65.0	67.1		
Loans to Private Sector (% of Deposits)	67.6	68.6	71.9		
Foreign Currency Loans (% of Total Loans)	25.7	23.4	20.5		
External Accounts					
Merchandise exports (EUR million)	47,145	43,540	42,434	44,615	46,387
Merchandise imports (EUR million)	52,229	47,467	47,905	50,343	52,603
Trade balance (EUR million)	-5,084	-3,927	-5,470	-5,728	-6,216
Trade balance (% of GDP)	-5.9	-4.1	-5.4	-5.3	-5.5
Current account balance (EUR million)	-2,232	0,839	0,225	-0,161	-0,644
Current account balance (% of GDP)	-2.6	0.9	0.2	-0.1	-0.6
Net FDI (EUR million)	3,402	2,644	1,043	1,526	1,895
Net FDI (% of GDP)	4.0	2.8	1.0	1.4	1.7
International reserves (EUR million)	38,424	41,706	40,991	41,343	41,640
International reserves (Months ^a)	7.8	9.1	8.9	8.6	8.2
Public Finance					
Primary balance (% of GDP)	-0.4	-2.5	-2.6	-2.6	-2.6
Fiscal balance (% of GDP)	-0.8	-3.0	-3.1	-3.0	-3.0
Gross public debt ^b (% of GDP)	22.5	22.9	24.8	26.3	27.5
External Debt					
Gross external debt (EUR million)	43,617	45,080	49,019	46,095	46,117
Gross external debt (% of GDP)	50.7	47.6	48.7	42.8	40.7
External debt service (EUR million)	6,200	6,900	7,300	8,100	8,700
External debt service (% of reserves)	16.1	16.5	17.8	19.6	20.9
External debt service (% of exports)	10.3	11.8	12.7	13.5	13.9
Financial Markets					
Base Interest Rate (% eop)	1.3	3.8	3.0	2.1	1.8
Base Interest Rate (% aop)	0.2	2.9	3.4	2.6	2.0
10-Y Bond Yield (% eop)	6.0	4.5	3.9	3.5	3.3
Exchange rate: EUR (eop)	1.956	1.956	1.956	1.956	1.956
Exchange rate: EUR (aop)	1.956	1.956	1.956	1.956	1.956

f: NBG forecasts; a: months of imports of GNFS; b: ESA 2010

ALBANIA					
	2022	2023	2024e	2025f	2026f
Real Sector					
Nominal GDP (EUR million)	18,116	21,858	24,989	25,923	28,535
GDP per capita (EUR)	6,522	7,909	9,060	9,417	10,387
GDP growth (real, %)	4.8	3.9	4.0	3.6	3.6
Unemployment rate (% aop)	11.3	11.2	10.9	10.5	10.1
Prices and Banking					
Inflation (% eop)	7.4	4.0	2.1	2.8	2.6
Inflation (% aop)	6.7	4.8	2.2	2.2	3.0
Loans to the Private Sector (% change, eop)	7.1	5.0	12.2		
Customer Deposits (% change, eop)	4.4	2.4	3.7		
Loans to the Private Sector (% of GDP)	31.4	29.9	31.7		
Retail Loans (% of GDP)	12.2	12.1	12.9		
Corporate Loans (% of GDP)	19.2	17.8	18.7		
Customer Deposits (% of GDP)	56.6	52.6	51.5		
Loans to Private Sector (% of Deposits)	55.4	56.8	61.5		
Foreign Currency Loans (% of Total Loans)	48.2	43.3	41.9		
External Accounts					
Merchandise exports (EUR million)	1,933	1,836	1,809	1,827	1,881
Merchandise imports (EUR million)	6,201	6,376	6,982	7,505	8,031
Trade balance (EUR million)	-4,269	-4,540	-5,173	-5,679	-6,149
Trade balance (% of GDP)	-23.6	-20.8	-20.7	-21.2	-21.6
Current account balance (EUR million)	-1,063	-0,264	-0,428	-0,572	-0,654
Current account balance (% of GDP)	-5.9	-1.2	-1.7	-2.1	-2.3
Net FDI (EUR million)	1,190	1,256	1,287	1,332	1,419
Net FDI (% of GDP)	6.6	5.7	5.2	5.0	5.0
International reserves (EUR million)	4,952	5,847	6,264	6,784	7,109
International reserves (Months ^a)	6.9	7.3	8.0	8.0	7.9
Public Finance					
Primary balance (% of GDP)	-1.8	0.7	1.4	0.6	0.5
Fiscal balance (% of GDP)	-3.6	-1.3	-0.7	-2.0	-2.0
Gross public debt (% of GDP)	65.2	58.4	56.4	55.5	54.5
External Debt					
Gross external debt (EUR million)	9,766	10,075	10,225	10,625	11,025
Gross external debt (% of GDP)	53.9	46.1	40.9	39.7	38.8
External debt service (EUR million)	0,328	0,352	0,380	0,380	0,380
External debt service (% of reserves)	6.6	6.0	6.1	5.6	5.3
External debt service (% of exports)	3.5	3.9	4.3	4.2	4.1
Financial Markets					
Policy rate (1-week repo rate, % eop)	2.8	3.3	2.8	2.8	2.8
Policy rate (1-week repo rate, % aop)	1.5	3.0	3.1	2.8	2.8
1-Y T-bill rate ^b (% eop)	5.5	3.8	4.7	4.5	4.5
Exchange rate: EUR (eop)	114.0	103.4	97.8	99.0	99.0
Exchange rate: EUR (aop)	118.7	108.4	100.4	102.5	99.0

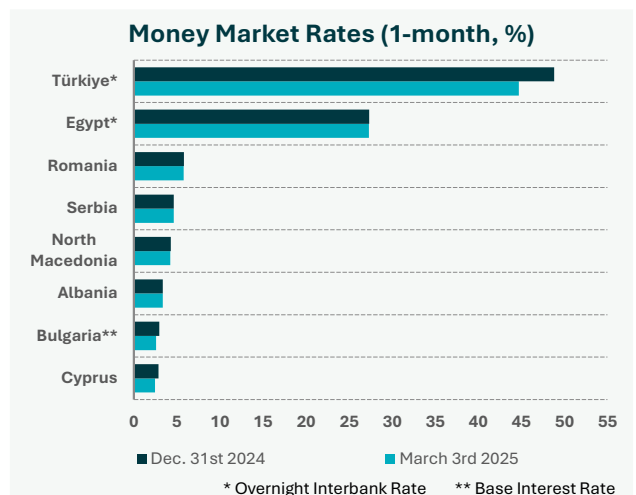
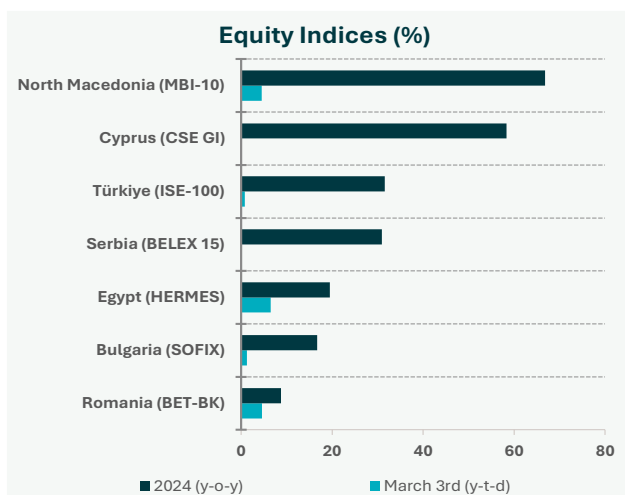
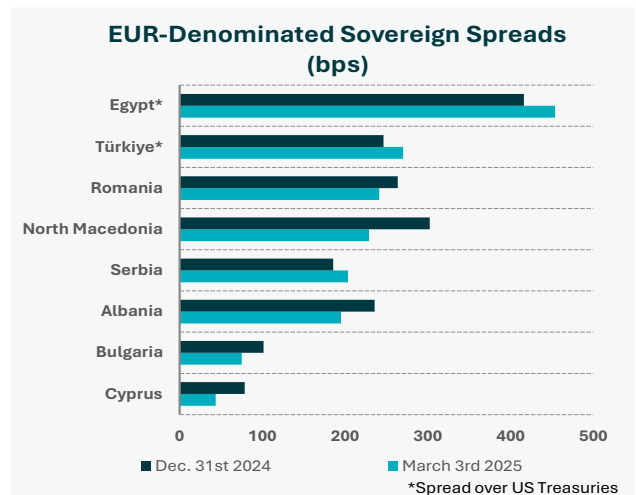
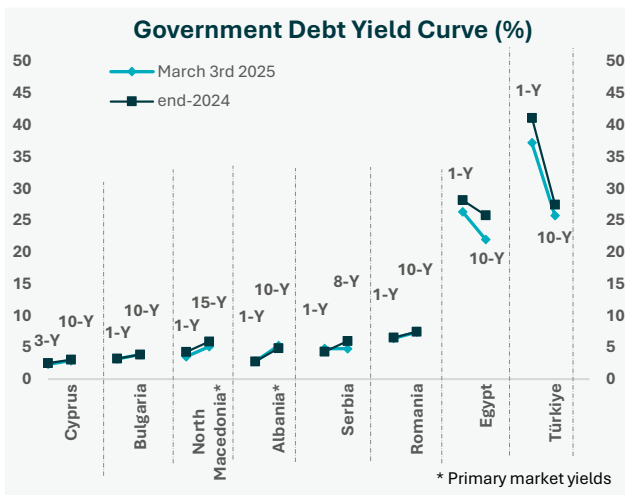
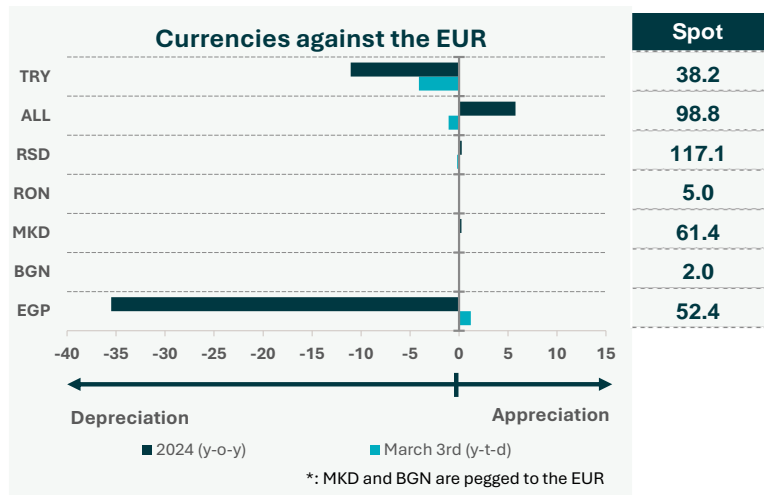
f: NBG forecasts; a: months of imports of GNFS; b: primary market

REGIONAL SNAPSHOT: MACROECONOMIC INDICATORS



Sources: National Sources & NBG estimates

REGIONAL SNAPSHOT: FINANCIAL MARKETS



Sources: Reuters & NBG estimates



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