Economic Analysis Division
Emerging Markets Research

Bi-Weekly Report 7 – 20 February 2017

NBG - Economic Analysis Division
https://www.nbg.gr/en/the-group/press-office/e-spot/reports

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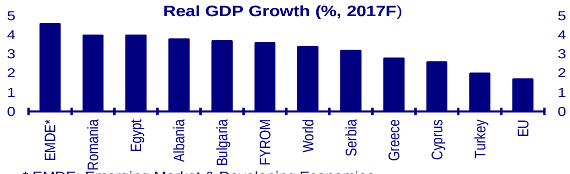
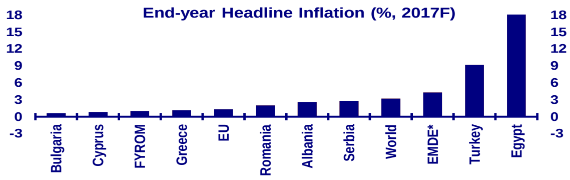
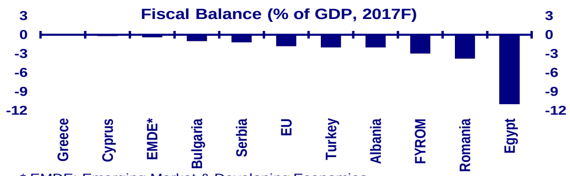


* EMDE: Emerging Market & Developing Economies





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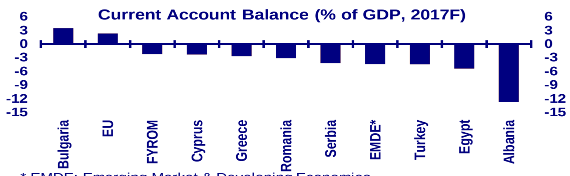
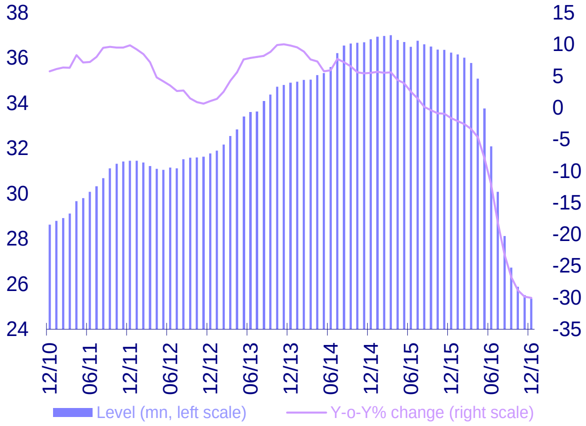


* EMDE: Emerging Market & Developing Economies

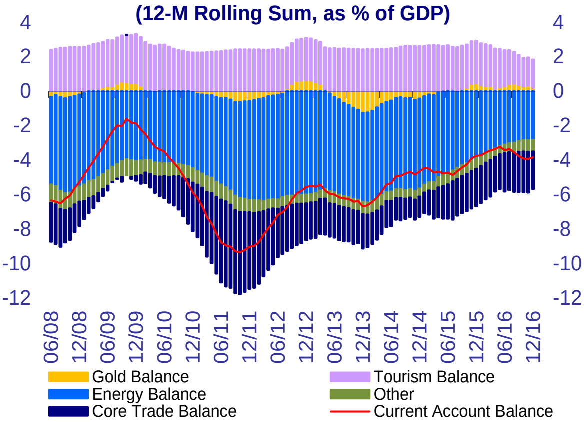
Turkey

BB+ / Ba1 / BB+ (S&P/ Moody's / Fitch)

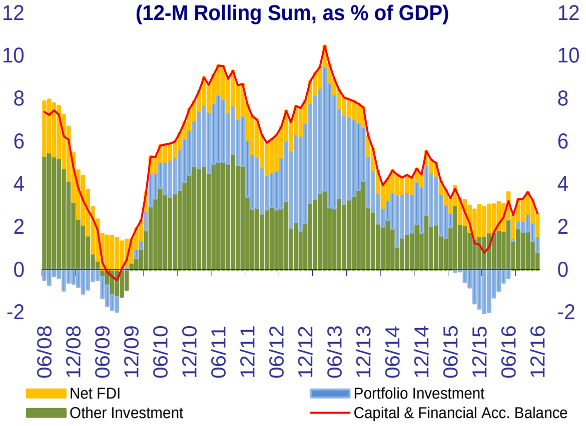
Tourist Arrivals (12-month Rolling Sum)



Current Account Balance (12-M Rolling Sum, as % of GDP)



Capital & Financial Account (12-M Rolling Sum, as % of GDP)



	20 Feb.	3-M F	6-M F	12-M F
1-m TRIBOR (%)	11.3	10.8	10.0	9.5
TRY/EUR	3.85	4.10	3.90	3.70
Sov. Spread (2019, bps)	208	275	265	240

	20 Feb.	1-W %	YTD %	2-Y %
ISE 100	88,588	0.0	13.4	3.6

	2014	2015	2016E	2017F	2018F
Real GDP Growth (%)	5.2	6.1	2.1	2.0	2.8
Inflation (eop, %)	8.2	8.8	8.5	9.2	7.8
Cur. Acct. Bal. (% GDP)	-4.7	-3.7	-3.8	-4.5	-4.5
Fiscal Bal. (% GDP)	-1.1	-1.0	-1.1	-2.0	-1.5

Tourist arrivals posted their sharpest decline in 17 years in FY:16 (down c. 30% to an 8-year low of 25.4mn), due to elevated security concerns. 102 terrorist attacks took place in 2016, including in the capital Ankara and the largest city Istanbul, killing 510 people and wounding 1,864, following the Government's involvement in the war against the ISIS and the collapse of a 2-year ceasefire with the Kurdistan Workers Party militant group in July 2015. The pace of decline in tourist arrivals would have been even sharper in FY:16 had charter flights from Russia -- the second largest source country in 2015 -- not resumed on September 2nd, following the removal of the Russian sanctions imposed in the wake of the downing of a Russian military jet in late-November 2015 (following the resumption of these flights, the pace of decline in the number of Russian tourists slowed significantly to -39.0% y-o-y in 9-12M:16 from -88.0% y-o-y in 8M:16).

The sharp deterioration in tourist activity in FY:16 weighed heavily on the performance of the Turkish economy. We estimate the tourism sector -- with total contributions (direct, indirect and induced) to GDP and employment of 12% and 9%, respectively -- accounted for 25% of the moderation in GDP growth in FY:16 (to an expected 2% from 6.1% in FY:15) and 30% of the rise in the unemployment rate in FY:16 (to an expected 10.9% from 10.3% in FY:15). Moreover, BoP data shows that the country's external position had been hit hard in FY:16 by the significant decline in tourist receipts by USD 7.9bn y-o-y (0.9 pps of GDP y-o-y) to a 9-year low of c. USD 18.7bn (2.2% of GDP).

The external adjustment came to an end in 2016, mainly due to weaker tourist receipts. The current account deficit (CAD) widened by just 0.1 pp y-o-y to 3.8% of GDP (USD 32.6bn) following significant declines totalling 3 pps of GDP during the past 2 years. Indeed, an improvement in the energy balance (by 1.1 pp of GDP), in line with global oil prices, was more than offset by lower receipts from the tourism sector (down 0.9 pps of GDP) -- hit by geopolitical and domestic security setbacks – and, to a lesser extent, by a weaker gold balance (down 0.3 pps of GDP).

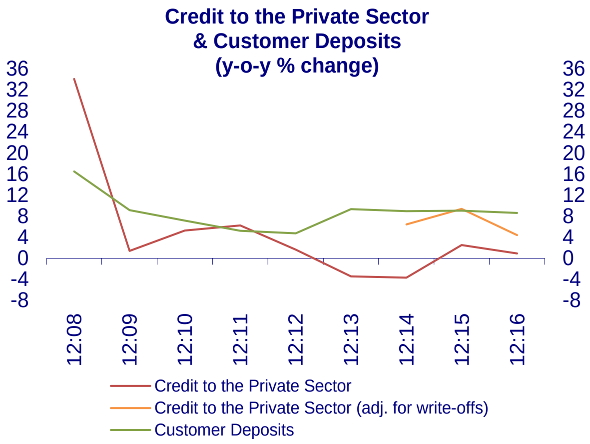
On the financing side, the capital and financial account (CFA) balance strengthened by 1.5 pps y-o-y to 2.6% of GDP (USD 22.4bn) in FY:16, despite its sharp deterioration during the last 2 months of the year (down 1 pp of GDP y-o-y), on the back of heightened uncertainty. The latter resulted mainly from the Government's renewed efforts to hold a referendum on an executive presidency (scheduled for mid-April) and a stronger involvement in the conflicts in neighbouring Syria and Iraq. The improvement of the CFA in FY:16 was primarily driven by large (net) portfolio inflows (0.8% of GDP compared with net outflows of 1.8% of GDP in FY:15).

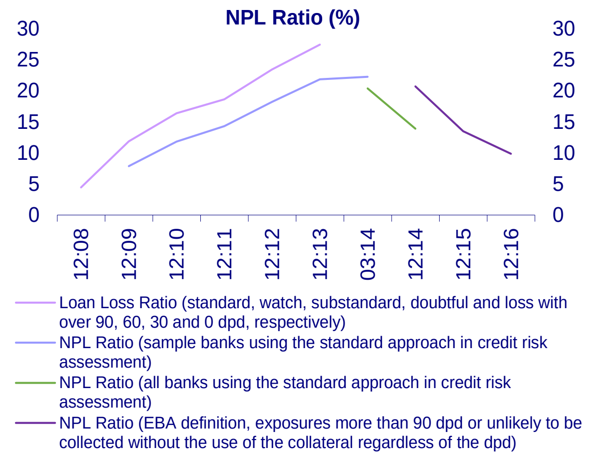
Reflecting the current account and the CFA developments and large positive (net) errors and omissions (up 0.1 pp y-o-y to 1.3% of GDP), the overall balance turned into surplus in FY:16 (0.1% of GDP from a deficit of 1.4% of GDP in FY:15). However, due to unfavourable valuation effects, FX reserves declined by USD 0.9bn y-o-y to USD 92.1bn at end-2016 -- c. 5.2 months of imports of GNFS.

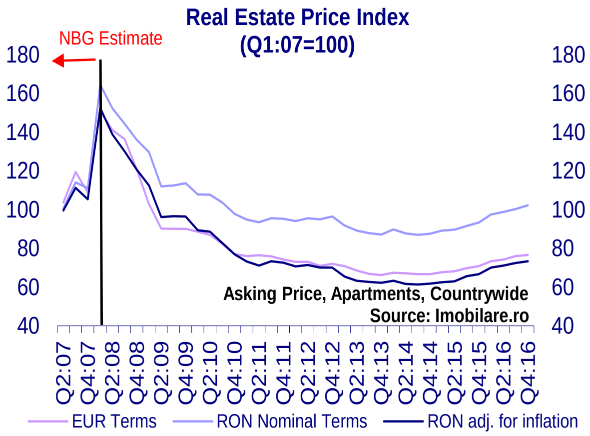
For 2017, we expect the CAD to widen significantly, due to an unfavourable oil balance, as well as a normalization in the gold balance (down 0.2 pps of GDP). However, the widening of the CAD should be contained by an improvement in the core trade balance (excluding oil and gold), due to more competitive Turkish exports (the CPI-based REER depreciated by c. 10.0% during the past 4 years), and more buoyant external demand combined with more subdued domestic demand. Overall, we see the CAD rising further to c. USD 35.0bn (4.5% of GDP) in FY:17 from USD 32.6bn (3.8%) in FY:16.

Romania

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







	20 Feb.	3-M F	6-M F	12-M F
1-m ROBOR (%)	0.6	0.9	1.2	1.5
RON/EUR	4.52	4.48	4.49	4.50
Sov. Spread (2024, bps)	202	180	165	150

	20 Feb.	1-W %	YTD %	2-Y %
BET-BK	1,473	0.5	9.6	6.9

	2014	2015	2016E	2017F	2018F
Real GDP Growth (%)	3.0	3.8	4.8	4.0	3.4
Inflation (eop, %)	0.8	-0.9	-0.5	2.0	2.6
Cur. Acct. Bal. (% GDP)	-0.7	-1.2	-2.5	-3.1	-3.5
Fiscal Bal. (% GDP)	-1.7	-1.5	-2.5	-3.8	-3.0

Credit expansion slowed in FY:16. Credit to the private sector rose by 0.9% y-o-y at end-2016 against a rise of 2.5% at end-2015. Adjusted for large write-offs and NPL sales, which have pushed down the NPL ratio to an estimated 9.9% at end-2016 from its peak of 26.8% in early-2014, the pace of expansion in credit to the private sector is estimated to have eased markedly to 4.4% y-o-y from 9.4% at end-2015. Specifically, FX lending continued to decline sharply (down 13.0% y-o-y at end-2016 following a drop of 9.8% at end-2015), reflecting tight credit standards by banks, as mandated by the NBR (affordability tests for unhedged borrowers, higher down-payments on unhedged loans). At the same time, against the backdrop of ample RON liquidity (the LC loan-to-deposit ratio stood at 69.3% at end-2016), LC lending continued to rise (up 14.6% y-o-y at end-2016 against 18.5% at end-2015). From a segment perspective, retail lending was the main driver (up 4.7% y-o-y at end-2016 against 5.7% at end-2015), supported by mortgage lending, with corporate lending declining further (by 3.1% y-o-y at end-2016 following a decline of 0.6% at end-2015), due, *inter alia*, to increased transfers of loans to "off-balance sheet vehicles".

Deposit growth maintained momentum in FY:16, underpinned by strong economic activity. Customer deposits grew by a strong 8.6% y-o-y at end-2016 following a rise of 9.0% at end-2015. Specifically, LC deposits (up 10.4% y-o-y at end-2016 against 10.1% at end-2015) continued to grow at a faster pace than FX deposits (up 4.7% y-o-y at end-2016 against a rise of 7.0% at end-2015), in line with the positive interest rate differential between LC and FX deposits (30 bps). From a segment perspective, retail deposits were the main driver (up 11.4% y-o-y at end-2016 against 6.3% at end-2015), reflecting the impact of a looser incomes policy, with corporate deposits losing pace (up 4.0% y-o-y at end-2016 against a rise of 13.7% at end-2015.

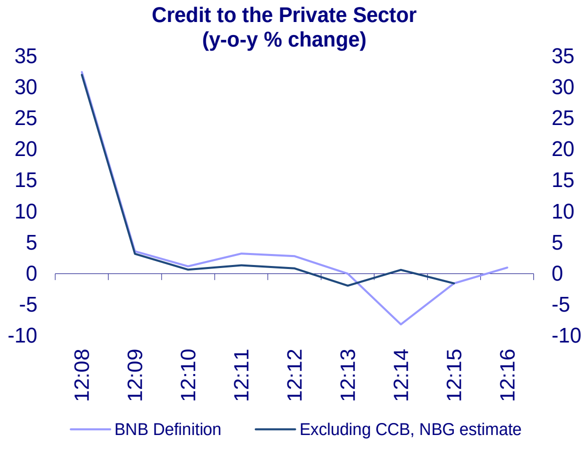
Credit activity is set to rebound in FY:17. Looking ahead, we expect credit activity to improve, in line with: i) the economic recovery; ii) the country's low lending penetration rate (28.7% of GDP against 48.7% in SEE-4); and iii) abundant liquidity (the loan-to-deposit ratio stood at 83.0% at end-2016). Note that increased NPE recognition ahead of an imminent AQR would keep the underlying ratio at current levels by end-year, despite the continuing clean-up of banks' balance sheets. All said, we see credit to the private sector expanding by 3.0-4.0% in FY:17.

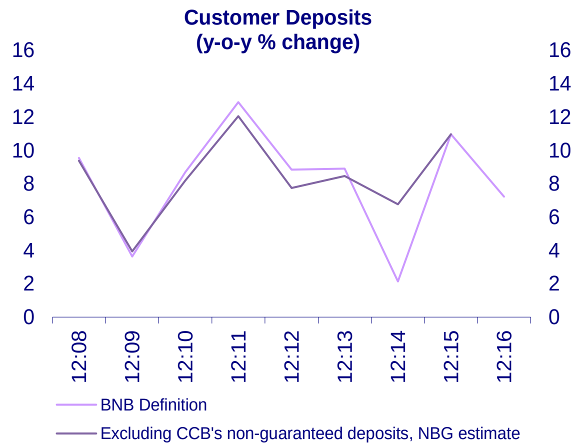
The residential real estate market continued to improve in FY:16. The index for the price of apartments increased strongly in Q4:16 (up 8.4% y-o-y in EUR terms, a pace similar to that observed in 9M:16) marking the 2nd consecutive annual rise following 6 years of decline (up 3.3% in FY:15). Indeed, real estate demand has strengthened, reflecting: i) the solid increase in gross disposable income (up by a CAGR of 9.7% in EUR terms over the past 3 years); and ii) robust mortgage lending activity (up by a CAGR of 12.7% in EUR terms over the past 3 years), supported by the First House Programme (FHP), under which the state guarantees mortgage loans for first-time buyers.

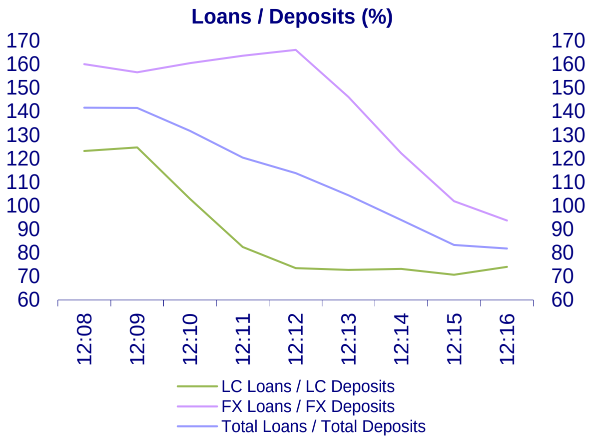
The real estate market is set to improve, on the back of limited implementation of the Debt Settlement Law (DSL). The DSL allows debtors to settle debts by forfeiting their homes. However, the impact from its implementation would be smaller than initially envisaged, as the Constitutional Court ruled that recourse to the law must be judged on a case-by-case basis, distinguishing between the borrower's willingness and ability to repay a loan. In this context, banks eased credit standards again, reversing the earlier hikes in the down-payment required for a mortgage loan. All said, in view of rapid economic recovery and the extension of the FHP, the real estate market should pick up in FY:17, with price growth hitting low double-digits.

Bulgaria

BB+ / Baa2 / BBB- (S&P / Moody's / Fitch)







	20 Feb.	3-M F	6-M F	12-M F
1-m SOFIBOR (%)	0.0	0.1	0.1	0.2
BGN/EUR	1.96	1.96	1.96	1.96
Sov. Spread (2022, bps)	141	120	116	110

	20 Feb.	1-W %	YTD %	2-Y %
SOFIX	608	0.4	3.7	24.7

	2014	2015	2016E	2017F	2018F
Real GDP Growth (%)	1.3	3.6	3.4	3.7	3.5
Inflation (eop, %)	-0.9	-0.4	0.1	0.6	1.2
Cur. Acct. Bal. (% GDP)	0.1	0.4	3.9	3.4	2.9
Fiscal Bal. (% GDP)	-3.7	-2.8	1.6	-1.0	-0.5

Lending activity improved slowly in FY:16, amid tight credit standards and weak loan demand. Credit to the private sector expanded by just 1.0% y-o-y at end-2016, following a decline of 1.6% at end-2015

Specifically, FX lending continued to decline steadily (down 11.0% y-o-y at end-2016 following a similar drop at end-2015), despite the lower interest rates offered (4.0% for FX loans against 6.0% for LC loans) and the absence of FX risk. At the same time, LC lending growth gained momentum (up 12.7% y-o-y at end-2016 following an expansion of 10.5% at end-2014), on the back of ample BGN liquidity (see below). From a segment perspective, corporate lending was the main driver (up 1.4% y-o-y at end-2016 against a decline of 1.4% at end-2015), with retail lending remaining broadly flat (against a decline of 0.9% at end-2015).

In our view, the sluggish credit activity (note that the lending growth rate has been hovering around zero since 2009) is due to both tight standards by banks and weak loan demand. Indeed, according to the latest available data, the NPE ratio eased to a still high 19.0% at end-2016 from 21.1% at end-2016, prompting banks to remain cautious, in view of still uncertain economic and financial conditions. At the same time, loan demand remained subdued, reflecting, *inter alia*, the sizeable private sector debt (53.7% of GDP against 32.6% in SEE-4).

Growth in customer deposits slowed in FY:16, due to a normalization in the corporate segment. Growth in customer deposits moderated to 5.8% y-o-y at end-2016 from 11.0% at end-2015. The slowdown in overall deposit growth is mainly driven by the corporate segment (up 4.8% y-o-y at end-2016 against 18.9% at end-2015), with the latter due, *inter alia*, to the elimination of base effects from increased deposit flows from resident and non-resident Greek companies, in the wake of the introduction of capital controls in mid-2015. At the same time, retail deposits continued to expand at a modest pace (up 6.2% y-o-y at end-2016 against 7.8% at end-2015).

Importantly, competition among banks for deposits declined in FY:16. Indeed, time deposit spreads (against respective 1-m money market rates) eased further (to -55 bps and -85 bps for LC and FX deposits in Q4:16, respectively, from -100 bps and -125 bps in Q4:15). In this context, LC deposits continued to overperform (up 8.8% y-o-y at end-2016 against 14.4% at end-2015), in line with the higher rates offered (0.6% for LC time deposits versus 0.4% for FX time deposits), with FX deposits growing at a much slower pace (up 1.4% y-o-y at end-2016 against 6.3% at end-2015).

As a result, the gross loan-to-deposit ratio for the banking system eased to 79.5% at end-2016 (71.0% on a net basis) from 83.3% at end-2015, well below its high of 146.7% in mid-2009. Importantly, the loan-to-deposit ratio in the FX segment fell well below the 100% threshold for the first time in 9 years (reaching 89.5% at end-2016 against 101.9% at end-2015). At the same time, there was ample liquidity in the LC segment (the LC loan-to-deposit ratio stood at 73.2% at end-2016 against 70.7% at end-2015).

Credit activity is set to improve slowly in 2017. Looking ahead, credit activity should be supported by: i) the continuing economic recovery; and ii) easing credit standards, in view of the decline in NPEs. At the same time, the increased transparency in the aftermath of 2016 AQR should encourage banks to increase lending, as should the introduction of negative interest rates on excess reserves by the BNB. All said, we expect credit to the private sector to expand by 3.0-4.0% in FY:17, still below deposit growth (up 5.0% in FY:17).

NATIONAL BANK OF GREECE

Serbia

BB- / B1 / BB- (S&P / Moody's / Fitch)

Consolidated Fiscal Balance (% of GDP)				
	2015*	2016**	2017 Budget	2017F NBG
Revenue	41.9	43.8	42.0	42.6
Tax Revenue	36.2	37.7	36.9	37.2
PIT	3.6	3.7	3.7	3.7
CIT	1.5	1.9	1.8	1.9
VAT	10.3	10.8	10.5	10.6
Excises	5.8	6.3	6.1	6.2
Customs	0.8	0.9	0.9	0.9
Other taxes	1.6	1.6	1.5	1.5
Soc. Contrib.	12.5	12.5	12.5	12.5
Non-Tax Rev.	5.5	5.9	4.8	5.1
Grants	0.2	0.2	0.3	0.3
Expenditure	45.6	45.2	43.7	43.8
Current Exp.	42.0	40.9	39.6	39.6
Personnel	10.4	9.9	9.8	9.8
Goods & Services	6.4	6.7	6.8	6.8
Subsidies	3.3	2.7	2.4	2.5
Social Assist.	17.6	17.1	16.3	16.3
o/w Pensions	12.1	11.8	11.5	11.5
Other	1.1	1.3	1.2	1.2
Int. Payments	3.2	3.1	3.1	3.1
Capital Exp.	2.8	3.3	3.3	3.3
Activated Guarant.	0.7	0.9	0.8	0.8
Net Lending	0.1	0.1	0.1	0.1
Fiscal Balance	-3.7	-1.4	-1.7	-1.2
Primary Balance	-0.5	1.8	1.4	1.9
Fiscal Bal. excl. once-off	-2.9	-0.8	-1.7	-1.2
Public debt (% of GDP)				
Public debt w/o restitution debt	76.0	73.7	73.9	72.4
Public debt incl. restitution debt ***	82.0	79.7	- - -	78.4

* Once-off expenses in December 2015 (0.8% of GDP) entail the payment of: i) arrears in military pensions of 0.3 pps of GDP, following a Constitutional Court ruling; and ii) the debt of the state-owned Srbijagas to NIS, amounting to 0.5 pps of GDP.
** Once-off expenses in December 2016 (0.6% of GDP) entail: i) the repayment of arrears of the state-owned petrochemical producer, Petrohemija, to its oil-supplier, NIS, by the Government (0.3 pps of GDP); and ii) the payment of a bonus for pensioners (0.2 pps of GDP).
*** Assuming the eventual payment of the restitution debt (for confiscated assets during World War II) that will add EUR 2.0bn (c. 6 pps of GDP) to public debt.

	20 Feb.	3-M F	6-M F	12-M F
1-m BELIBOR (%)	3.4	3.4	3.5	3.8
RSD/EUR	123.8	124.3	124.7	125.0
Sov. Spread (2021, bps)	225	220	190	180

	20 Feb.	0.4	YTD %	2-Y %
BELEX-15	712	1.2	-0.8	7.7

	2014	2015	2016E	2017F	2018F
Real GDP Growth (%)	-1.8	0.8	2.8	3.2	3.6
Inflation (eop, %)	1.7	1.5	1.6	2.8	3.0
Cur. Acct. Bal. (% GDP)	-6.0	-4.7	-4.0	-4.2	-4.2
Fiscal Bal. (% GDP)	-6.6	-3.7	-1.4	-1.2	-1.0

PM A. Vucic expected to win in the 1st round of the Presidential elections, set to take place in April. Capitalising on his strong personal popularity, Vucic announced he will run for President, and in view of the weak standing of his ally, the incumbent President T. Nikolic. In fact, according to recent polls, Vucic could secure 55.2% of votes in the 1st round of the Presidential elections due in April (against 36.2% for Nikolic). The successor of Vucic as PM has not yet been identified, while Vucic signalled that snap parliamentary elections -- the 2nd in a year -- could be held in conjunction with the presidential race. Despite the fact that his party, the senior ruling Serbian Progressive Party (SNS), secured an absolute parliamentary majority a year ago (158 seats in the 250-seat assembly), an early election is likely to be sought. The rationale would be to capitalize on the SNS's strong popularity. In the event, in view of Vucic's strong influence over the SNS, the popularity of the SNS party, and a fragmented opposition, the widely commented policy drive would be sustained.

Impressive fiscal consolidation in FY:16, for a second successive year. The consolidated fiscal deficit narrowed by a remarkable 2.3 pps y-o-y to an 11-year low of 1.4% of GDP in FY:16 -- significantly overperforming its FY:16 target (of 4.0%), for a 2nd successive year. More than ¾ of this improvement was due to a marked rise in revenue.

Indeed, overall revenue increased by 8.7% y-o-y in FY:16, significantly overperforming its FY:16 growth target (of 0.9%), mainly supported by stronger tax revenue. The large increase in tax revenue (by 1.5 pps of GDP y-o-y in FY:16) was driven by: i) improved compliance and the Government's efforts to fight the grey economy; ii) the strong rebound in private consumption (on the back of the fading out of the impact of cuts in public sector wages and pensions in FY:15); and iii) the introduction of the excise duty on electricity (in August 2015), and the increase in excise duties on oil (in January 2016). Moreover, non-tax revenue also contributed to the overall revenue overperformance (up 0.3 pps of GDP y-o-y), due to the (unbudgeted) once-off sale of 4G telecommunication frequencies (for RSD 12.8bn, or 0.3% of GDP).

On the other hand, expenditure remained contained. Spending increased by 3.6% y-o-y in FY:16 (down 0.2 pps of GDP y-o-y in FY:16) -- in line with the FY:16 growth target (excluding once-off, unbudgeted expenditure in FY:15 and FY:16). The rise in outlays in FY:16 was held back by expenditure-saving measures (c. 1.0 pp of GDP), consisting of: i) lower subsidies (down 0.4 pps of GDP in FY:16, excluding once-offs); and ii) the continued suspension of the indexation of public sector wages and pensions. In fact, personnel and pension expenditure declined by 0.8 pps of GDP y-o-y in FY:16. These measures broadly offset: i) higher capital expenditure (up 0.5 pps of GDP y-o-y in FY:16, exceeding its target of 2.9% of GDP); and ii) increased government consumption, partly boosted by pre-election spending (general and local elections took place at end-April).

Note that the decline in the fiscal deficit in FY:16 would have been even larger had the Government not made once-off (unbudgeted) payments of RSD 24bn or 0.6% of GDP (see Table).

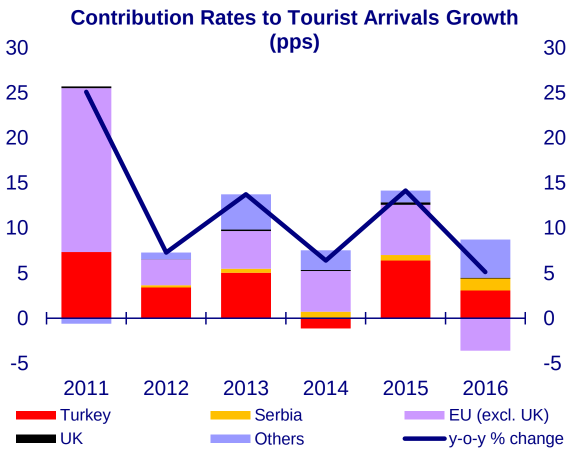
As a result, the public debt-to-GDP ratio reversed its upward trend a year ahead of schedule, declining, for the first time since 2008, to 73.7% of GDP in 2016 from a 13-year high of 76.0% in 2015.

The 2017 Budget, based on under-estimated FY:16 revenue performance, bodes well for continued fiscal consolidation. We expect a modest additional fiscal tightening this year, with the FY:17 fiscal deficit moderating to 1.2% of GDP -- its lowest level since 2005 -- 0.2 pps of GDP below the 2016 outcome and 0.5 pps below its target.

F.Y.R.O.M.

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

Consolidated Budget (% of GDP)	2015	2016	2017 Target	2017 NBG Forecast
Revenue	28.9	28.8	31.8	28.9
Tax Revenue	25.2	25.6	- - -	- - -
Personal Inc.	2.3	2.4	- - -	- - -
Corporate Inc.	2.2	1.8	- - -	- - -
VAT	7.5	7.8	- - -	- - -
Excises	3.5	3.8	- - -	- - -
Import Duties	0.8	0.8	- - -	- - -
Other Taxes	0.1	0.1	- - -	- - -
Soc. Contrib.	8.6	8.6	- - -	- - -
Non-Tax revenue	3.7	3.2	- - -	- - -
Expenditure	32.4	31.6	34.8	31.9
Cur. Expenditure	29.0	28.7	- - -	- - -
Personnel	4.4	4.4	- - -	- - -
G. & Services	3.2	2.9	- - -	- - -
Transfers	20.2	20.2	- - -	- - -
Int. Payments	1.2	1.2	1.3	1.3
Capital Expend.	3.3	2.9	- - -	- - -
Fiscal Balance	-3.5	-2.7	-3.0	-3.0
Primary Balance	-2.3	-1.6	-1.7	-1.7



	20 Feb.	3-M F	6-M F	12-M F
1-m SKIBOR (%)	1.6	1.7	1.7	1.7
MKD/EUR	61.3	61.3	61.3	61.3
Sov. Spread (2021. bps)	423	475	450	350

	20 Feb.	1-W %	YTD %	2-Y %
MBI 100	2,276	-0.7	6.6	23.9

	2014	2015	2016E	2017F	2018F
Real GDP Growth (%)	3.5	3.8	2.4	3.6	3.8
Inflation (eop. %)	-0.5	-0.3	-0.2	1.0	2.0
Cur. Acct. Bal. (% GDP)	-0.5	-2.1	-2.4	-2.2	-1.8
Fiscal Bal. (% GDP)	-4.2	-3.5	-2.7	-3.0	-2.8

Fiscal consolidation continued for a second consecutive year in FY:16 (0.8 pps of GDP), despite an unstable political environment. The fiscal deficit narrowed by 0.8 pps y-o-y to 2.7% of GDP in FY:16, after having declined by 0.7 pps of GDP in FY:15. The improvement was primarily driven by a significant decline in total expenditure (down 0.8 pps of GDP), reflecting lower capital expenditure and spending on goods and services. The spending restraint was achieved by the transitional coalition government, including both the nationalist party (VMRO-DPMNE) and the main opposition party (SDSM), which took office in October to prepare the December 11th early elections. Note that no coalition government has emerged yet from these elections. In fact, the winner, VMRO-DPMNE (which gained 51 out of 120 seats) failed in this task by the January 30th deadline and the second largest party, SDSM (49 seats), is currently trying to form a government with the 4 Albanian parties represented in the new Parliament.

The strong FY:16 fiscal performance was also underpinned by a rise in tax revenue (up 0.4 pps of GDP), despite a sharp slowdown in economic activity amid protracted political uncertainty (we estimate GDP growth to have moderated to 2.4% in FY:16 from 3.8% in FY:15). The FY:16 fiscal deficit would have been even lower had non-tax revenue not declined (down 0.5 pps of GDP), mainly due to weaker profits and dividends from public entities.

For 2017, the Budget envisages a fiscal loosening, targeting a deficit of 3.0% of GDP -- 0.3 pps of GDP higher than in FY:16. While the FY:17 deficit target looks realistic, the underlying revenue and expenditure growth assumptions (14.3% and 10.4%, respectively) appear to be overly optimistic. In our view, in the absence of new taxes, revenue should increase broadly in line with nominal GDP (c. 6.0%). Therefore, meeting the FY:17 deficit target would require a sharp downward revision of the expenditure growth target by c. 3.5 pps to 7.0%.

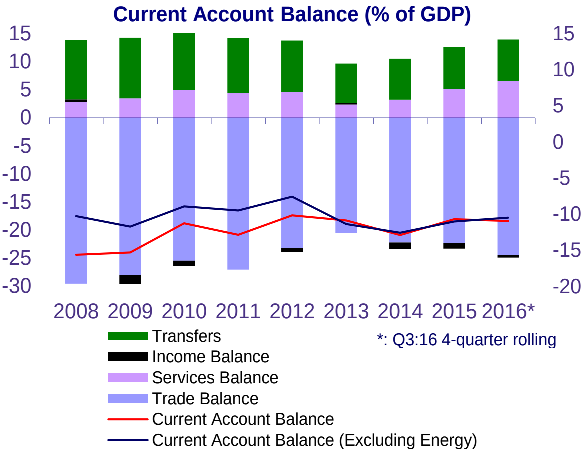
Tourist arrivals slowed in 2016, partly hit by protracted political instability both at home and in the main source country, Turkey. Tourist arrivals increased by 5.1% y-o-y to a recent high of 510.5k in FY:16, compared with increases of 14.2% y-o-y and 6.4% y-o-y, respectively, in FY:15 and FY:14. The slowdown was mainly due to a decline in arrivals from the EU (excl. UK) (down 7.3% y-o-y in FY:16) and a sharp moderation in arrivals from Turkey (the main source country, accounting for 18.7% of total tourists in FY:15 and up 16.4% y-o-y in FY:16 compared with an increase of 42.9% y-o-y in FY:15). The decline in arrivals from the EU (excl. UK) likely reflects the negative impact from the protracted domestic political instability and social unrest and would have been sharper had arrivals from neighbouring Bulgaria (6% of total arrivals in FY:15) not increased markedly (by 26.2% y-o-y in FY:16). On the other hand, the significant moderation in arrivals from Turkey partly reflects the sharp economic slowdown in that country following the July failed military coup.

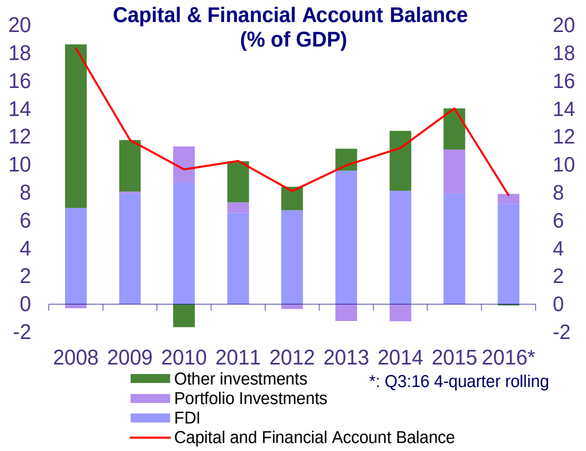
Tourist receipts increased by 7.2% y-o-y in 11M:16, reaching a recent high of EUR 237.0mn (2.5% of GDP). The performance of tourist receipts was stronger than that of tourist arrivals during the same period (up 4.8% y-o-y in 11M:16), reflecting higher average spending per tourist (up 2.3% y-o-y in 11M:16).

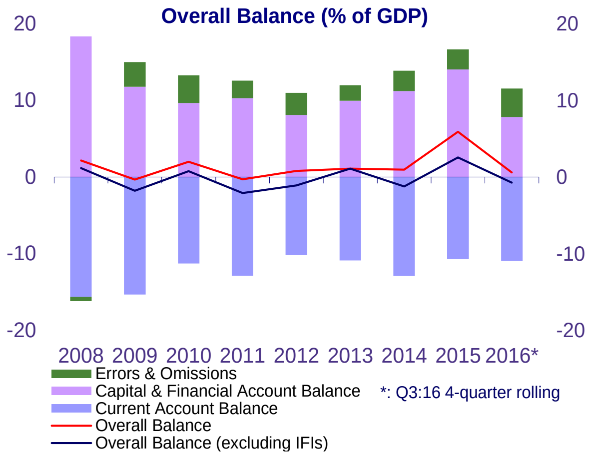
For 2017, provided that the 2-year political uncertainty ends soon and the economy of the main source country – Turkey – recovers, we expect tourist arrivals to accelerate, underpinned by the government incentives (EUR 226.0mn from the 2017 Budget). These incentives include extending the tourist season beyond summer, promoting 3 distinct destinations (Ohrid, Mavrovo and Krushevo), and improving collaborations with international tour operators.

Albania

B+ / B1 / NR (S&P / Moody's / Fitch)







	20 Feb.	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	1.8	2.2	2.2	2.2
ALL/EUR	134.9	138.5	138.7	138.0
Sov. Spread (bps)	347	340	320	300

	20 Feb.	1-W %	YTD %	2-Y %
Stock Market	- - -	- - -	- - -	- - -

	2014	2015	2016E	2017F	2018F
Real GDP Growth (%)	1.8	2.6	3.4	3.8	4.2
Inflation (eop, %)	0.7	2.0	2.2	2.6	2.8
Cur. Acct. Bal. (% GDP)	-12.9	-10.7	-11.0	-12.6	-12.1
Fiscal Bal. (% GDP)	-5.2	-3.6	-2.0	-2.0	-1.8

The negative current account trend reversed course in Q3:16, due to strong tourism inflows. The current account deficit (CAD) shrank markedly by 1.1 pp of GDP y-o-y in Q3:16, almost reversing a significant widening by a cumulative 1.4 pps of GDP y-o-y in H1:16.

The improvement reflects a marked rise in the services surplus (by 1.1 pp of GDP y-o-y in Q3:16 after strengthening slightly by 0.2 pps per quarter in H1:16), largely driven by significantly higher tourism receipts.

The improvement in the CAD was also attributed to a milder rise in the trade deficit (up 0.2 pps of GDP y-o-y in Q3:16 following a rise of 1.0 pp y-o-y per quarter in H1:16), due to both a slower decline in exports and lower investment-related imports. In fact, the decline in exports eased to -2.5% y-o-y, in EUR terms, in Q3:16 from -24.3% in H1:16, mainly due to the moderating drop in Albanian oil exports -- whose (high-cost and low-quality) production was hit by the sharp drop in global oil prices. Note that lower oil exports added c. 0.2 pps of GDP y-o-y to the CAD in Q3:16 against 0.5 pps per quarter in H1:16 CAD.

Moreover, import growth moderated to 7.5% y-o-y in Q3:16 from 12.6% in H1:16, on the back of lower imports of construction materials, as the high import content TAP construction was entered into production in H1:16 (import-intensive TAP and the Statkraft projects are estimated to have contributed 4.2 pps of GDP to the FY:16 CAD, according to the IMF). As a result, the 4-quarter rolling CAD reversed course, falling to 11.0% of GDP in Q3:16 from (a 1½-year high of) 12.1% in Q2:16, yet still slightly above a trough of 10.7% in Q4:15.

The capital and financial account (CFA) turned into a deficit in Q3:16. The CFA (excluding the IMF) recorded a marginal deficit of 0.2% of GDP in Q3:16 compared with a surplus of 2.5% per quarter in H1:16. The deterioration largely reflects higher placements of (short-term) deposits abroad by domestic banks.

As a result, the cumulative CFA surplus (of 2.3% of GDP in 9M:16) fell short of covering the cumulative CAD (of 7.2% of GDP in 9M:16). However, the resulting gap was largely filled by sizeable (positive) net errors and omissions, likely reflecting unrecorded workers' remittances (2.6% of GDP in 9M:16), and the disbursement of EUR 144.4mn (1.3% of GDP) from the IMF, leading to a moderate balance of payments deficit of EUR 105.6mn (1.0% of GDP) in 9M:16. This, along with valuation effects, led to a drop in FX reserves by EUR 115.9mn in 9M:16, to EUR 2.8bn, covering an adequate 6.8 months of GNFS imports. Excluding IMF support, FX reserves stand at EUR 2.5 bn.

The CAD is estimated to have remained unchanged on an annual basis in Q4:16, bringing the FY:16 CAD at 11.0% of GDP -- 0.3 pps above the FY:15 outcome. We estimate the Q4:16 CAD to have been more than covered by: i) FDI inflows (around 50.0%); ii) steady inflows from errors and omissions; and iii) a loan of EUR 118mn (1.1% of GDP) from the EBRD. Should our Q4:16 estimate materialise, the decline in FX reserves in 9M:16 would have been more than offset and end-2016 FX reserves would have increased by EUR 65mn y-o-y to EUR 2.9bn.

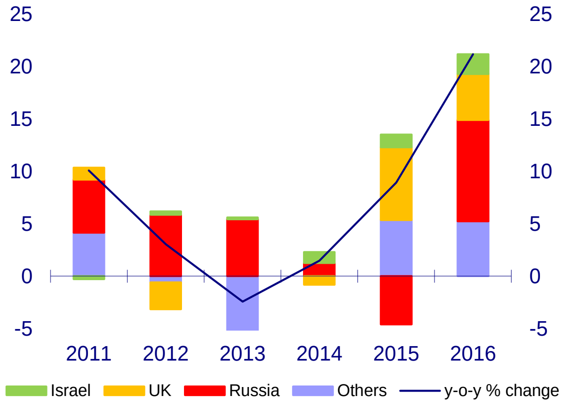
The CAD is set to widen significantly in 2017, but its financing will be manageable. For 2017, the CAD is set to widen by 1.6 pps y-o-y to 12.6% of GDP, exclusively due to larger imports related to energy projects (contributing 2.6 pps of GDP to the FY:17 CAD, according to the IMF). Regarding financing, the bulk (more than ⅔) of the CAD should continue to be covered by FDIs, as well as consistently high errors and omissions. The resulting external financing gap of EUR 195mn (1.7% of GDP) in FY:17 should, however, be filled by broadly equivalent IFI support of EUR 209mn (of which EUR 71mn will be from the IMF and EUR 88mn from the World Bank). This should leave FX reserves broadly unchanged from their end-2016 level.

Cyprus

BB / B1 / BB- (S&P / Moody's / Fitch)

Consolidated Budget (% of GDP)	2015	Revised 2016 Target	2016	2017 Target	NBG 2017 Fcst
Revenue	39.0	38.3	38.7	38.0	38.4
Tax Revenue	32.9	33.0	33.1	32.5	33.4
Indirect Taxes	14.7	14.8	14.9	14.7	15.0
Direct Taxes	9.7	9.6	9.6	9.3	9.7
Soc. Contrib.	8.4	8.6	8.6	8.5	8.7
Non-Tax revenue	6.1	5.3	5.6	5.5	5.0
Expenditure	40.1	38.6	38.7	38.6	38.7
Cur. Expenditure	36.4	35.8	35.7	35.8	35.5
G.& Services	3.9	3.5	3.7	3.5	3.5
Wag.& Salaries	12.6	12.6	12.4	12.8	12.6
Soc. Transfers	14.0	14.2	14.3	14.0	14.0
Int.Payments	2.8	2.6	2.6	2.5	2.5
Subsidies	0.4	0.6	0.5	0.6	0.5
Other	2.6	2.3	2.1	2.4	2.2
Capital Expend.	3.8	2.8	3.0	2.8	2.8
Fiscal Balance	-1.1	-0.3	0.1	-0.6	-0.2
Primary Balance	1.7	2.3	2.7	2.0	2.3

Contribution Rates to Tourist Arrivals Growth (pps)



	20 Feb.	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.37	-0.37	-0.37	-0.37
EUR/USD	1.06	1.09	1.08	1.05
Sov. Spread (2020. bps)	275	260	250	230

	20 Feb.	1-W %	YTD %	2-Y %
CSE Index	67	2.2	0.9	-12.5

	2014	2015	2016E	2017F	2018F
Real GDP Growth (%)	-1.5	1.7	2.8	2.6	2.4
Inflation (eop. %)	-1.5	-1.0	-0.3	0.8	1.5
Cur. Acct. Bal. (% GDP)	-4.3	-2.9	-2.1	-2.3	-2.2
Fiscal Bal. (% GDP)	-8.8	-1.1	0.1	-0.2	0.4

The FY:16 Budget outperformed its target on the back of better-than-projected tax revenue and continued spending restraint. The primary balance posted a surplus of 2.7% of GDP in FY:16 -- exceeding its target of 2.3% of GDP and surpassing the FY:15 outcome of 1.7% of GDP. Indeed, FY:16 revenue outpaced its target by 0.4 pps of GDP and would have been stronger had tax revenue not been dragged down by the revision of the immovable property taxation (a reduction in property tax by up to 75% in 2016 with an estimated fiscal impact of 0.3 pps of GDP) and non-tax revenue not declined (down by 0.5 pps of GDP), mainly reflecting a lower dividend payment by the Central Bank as a result of the decline in the use of Emergency Liquidity Assistance (ELA) funding (by EUR 3.4 bn y-o-y to EUR 0.4 bn at end-2016). On the other hand, spending remained contained in FY:16, in line with its target.

For 2017, the Budget envisages a fiscal loosening, targeting a primary surplus of 2.0% of GDP against a FY:16 primary surplus target of 2.3% and a FY:16 primary surplus outcome of 2.7%. According to the 2017 Budget, the deterioration will result from both the revenue and expenditure sides. Indeed, lower tax proceeds are expected following the termination of the temporary contribution of employees' emoluments at end-2016 and the abolition of the taxation of the immovable property (estimated to shave off 0.5 pps of GDP). On the other hand, higher spending is expected, due to the recruitment of 3,000 additional personnel in the security forces (set to increase the wage bill by 0.2 pps of GDP).

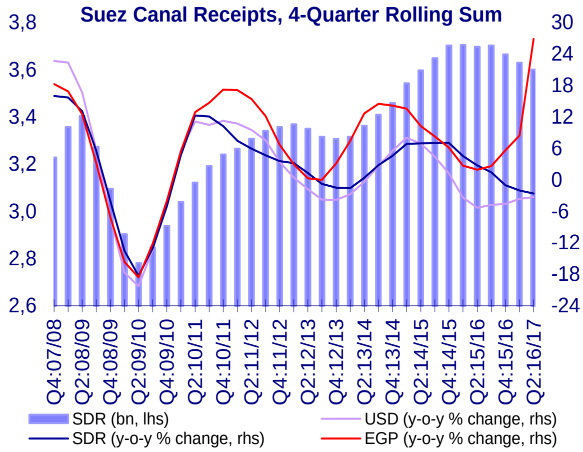
In our view, the fact that the 2017 Budget was based on an under-estimated FY:16 bodes well for the overperformance of the fiscal target this year. In fact, under no policy change, we see the FY:17 primary surplus and overall deficit at 2.3% and 0.2% of GDP, respectively, comparing favourably with their respective FY:17 targets of 2.0% and 0.6%. This would imply a lower-than-budgeted fiscal loosening (c. 0.3-0.4 pps of GDP).

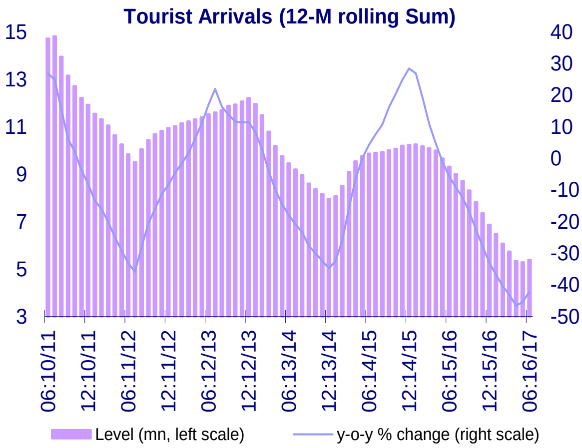
Tourist arrivals rose by more than 20% in FY:16. Tourist arrivals rose by 21.2% y-o-y to 3.2mn in 2016, following increases of 8.9% y-o-y in FY:15 and 1.5% y-o-y in FY:14. The exceptional performance in FY:16 -- the highest growth in 2½ decades -- was mainly driven by a sharp increase in arrivals from: i) Russia -- the second largest source country, accounting for 24.3% of arrivals and up 48.9% y-o-y following a decline of 17.6% in FY:15; ii) the UK -- the main source country, accounting for c. 36% of total arrivals and up 11.2% y-o-y in FY:16 following a rise by 39.2% y-o-y in FY:15; and iii) Israel -- a fast-growing market, accounting for 5% of arrivals and up 50.9% y-o-y in FY:16, maintaining momentum (with growth rates of 43.3% y-o-y and 57.6% y-o-y, respectively, in FY:15 and FY:14).

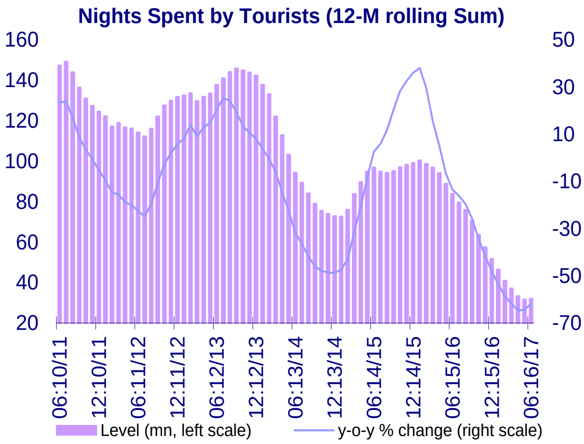
The impressive performance in tourist arrivals in FY:16 benefited mainly from efforts to extend the tourist season (reflected in a 22% y-o-y increase in Q1:16, traditionally low season) and, to a larger extent, from geopolitical tensions in neighbouring competing destinations, most notably Egypt and Turkey. Note that Egypt continues to suffer from security-related travel bans from Russia and the UK (the island's two largest source countries), while Turkey was hit hard by Russian sanctions following the downing of a Russian warplane by the Turkish air force at end-2015. With tourism accounting for c. 20.0% of GDP and employment, we estimate that the rebound in tourist activity added c. 1.0 pp to FY:16 GDP growth (estimated to have accelerated to 2.8% from 1.7% in FY:15) and shaved c. 0.5 pps off the FY:16 unemployment rate (estimated to have declined to 13.3% from 15.0% in FY:15).

Egypt

B- / B3 / B (S&P / Moody's / Fitch)







	20 Feb.	3-M F	6-M F	12-M F
O/N Interbank Rate (%)	15.3	17.0	17.0	16.5
EGP/USD	15.8	17.5	17.0	16.5
Sov. Spread (2020. bps)	331	350	300	240

	20 Feb.	1-W %	YTD %	2-Y %
HERMES 100	1,119	-2.1	2.8	28.3

	13/14	14/15	15/16	16/17F	17/18F
Real GDP Growth (%)	2.1	4.2	3.8	3.5	4.5
Inflation (eop. %)	8.2	11.4	14.0	18.2	13.5
Cur. Acct. Bal. (% GDP)	-0.8	-3.7	-5.5	-6.1	-5.0
Fiscal Bal. (% GDP)	-12.2	-11.3	-12.1	-10.0	-8.1

SDR-denominated Suez Canal receipts (SCR) boost budget revenue in H2:16/17, on the back of large currency valuation effects. SCR declined by 4.6% y-o-y to SDR 2,515mn in H1:16/17 (July-December 2016), in line with the slowdown in global trade (growth of world trade volume of goods and services moderated to 1.9% in 2016 from 2.7% in 2015, according to the latest IMF WEO Update -- January 2017). Note that the Canal Authority uses the SDR (which is a basket of currencies) as a currency unit to collect transit fees in order to avoid sharp fluctuations in its revenue. The decline in SCR in H1:16/17 reflects exclusively lower total (net) tonnage of ships crossing the Canal, as transit tolls have not been changed since May 2013.

Looking ahead, we expect SCR to more than reverse their H1:16/17 losses during the rest of the fiscal year (ending in June 2017), in view of the anticipated rebound in global trade in 2017 (up 3.8% in 2017 against a rise of 1.9% in 2016, according to the IMF). We see SCR increasing by c. 2% to SDR 3,730mn in FY:16/17, following a decline of 1% to SDR 3,660mn in FY:15/16. Importantly, due to currency valuation effects (a 2% depreciation of the SDR against the USD and a c. 65% appreciation of the SDR against the EGP in FY:16/17, according to consensus forecasts), the contribution of FY:16/17 SCR to:

i) FX reserves should remain stable at around USD 5,100mn (c. 30% of end-2015/16 stock of FX reserves) after having declined -- for the first time in 3 years -- by 4.6% (or USD 247mn) in FY:15/16; and

ii) budget revenue, through the corporate income tax and dividends, should rise sharply to EGP 47.4bn (1.5% of GDP) from EGP 29.7bn (1.1% of GDP) in FY:15/16.

The tourism crisis began to ease in November. On a 12-month rolling basis, the pace of decline of tourist arrivals and nights spent moderated slightly, for a second consecutive month, to -42.1% and -61.8% y-o-y, respectively, in December from record highs of -46.6% and -64.7% y-o-y in October (04:16/17). The improvement was supported by more competitive prices and the removal of travel bans and/or warnings by some source countries. Indeed, Egypt has become a more attractive destination, following the sharp depreciation of the domestic currency (by c. 50% to EGP 17.6 per USD since early-November). Moreover, in view of a significant improvement in security conditions in Egyptian airports, Germany and the UK -- key source countries -- resumed their charter flights, respectively, to Sharm-el-Sheikh and Luxor, in mid-October. Recall that following the terrorist bombing of a Russian passenger plane in the Sinai Peninsula on October 31st 2015: i) Russia (the largest source country, which accounted for more than 30% of total tourists in 2014) banned flights to Egypt; ii) the UK (the second largest source country, which accounted for more than 10% of total tourists in 2014) suspended all flights to Egypt's tourism flagship city of Sharm-el-Sheikh; and iii) several countries issued warnings against travel to Egypt.

Looking ahead, we expect the performance of the tourism sector to improve at a faster pace in H2:16/17 (January-June 2017), mainly following the return of Russian flights to Egypt (expected this month). We foresee tourist arrivals to rise sharply by c.100.0% y-o-y in H2:16/17 after having declined by 32.5% y-o-y in H1:16/17, implying a FY:16/17 increase of c. 15.0% to 8.0mn. Should our forecast materialise, the tourism sector -- accounting for c. one tenth of the country's GDP and representing one of the main sources of foreign currency -- would: i) add 0.3 pps to overall GDP growth in FY:16/17 (projected at 3.5%) after having shaved 0.7 pps off growth in FY:15/16 (at 3.8%); and ii) see its contribution to FX reserves improving to USD 4.5bn in FY:16/17 from USD 3.8bn in FY:15/16.

FOREIGN EXCHANGE MARKETS, FEBRUARY 20TH 2017

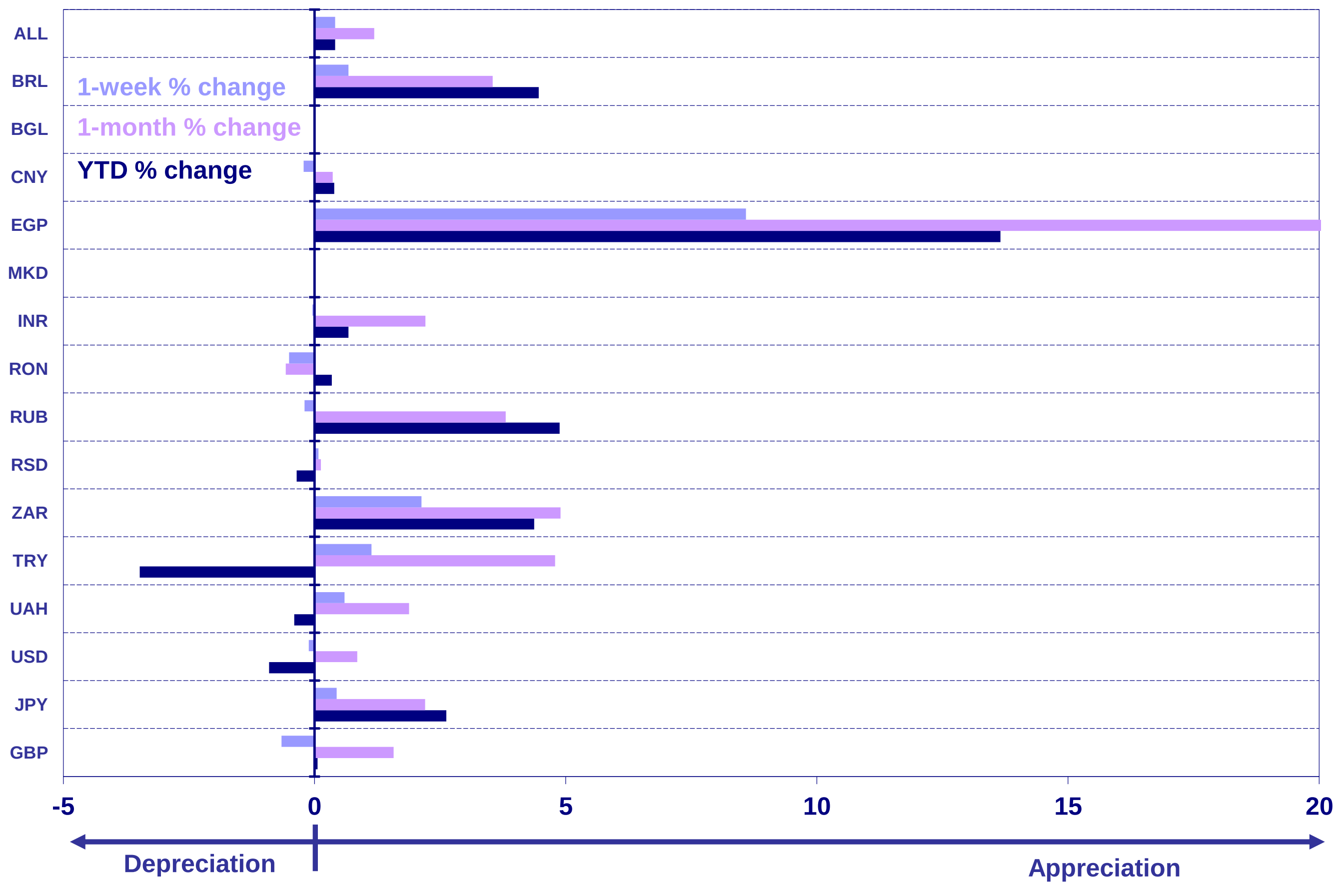
Against the EUR

		2017										2016	2015
	Currency	SPOT	1-week %change	1-month %change	YTD %change*	1-year %change	Year-Low	Year-High	3-month Forward rate**	6-month Forward rate**	12-month Forward rate**	% change*	% change*
Albania	ALL	134.9	0.4	1.2	0.4	1.9	135.4	137.3	135.2	135.6	135.8	1.2	2.0
Brazil	BRL	3.27	0.7	3.5	4.5	32.9	3.23	3.46	3.67	3.65	3.62	25.7	-25.2
Bulgaria	BGL	1.96	0.0	0.0	0.0	0.0	1.96	1.96	1.96	1.96	1.96	0.0	0.0
China	CNY	7.30	-0.2	0.4	0.4	-1.6	7.20	7.41	7.64	7.63	7.60	-4.0	6.7
Egypt	EGP	16.60	8.6	20.2	13.7	-48.2	16.69	20.32	- - -	- - -	- - -	-55.0	2.1
FYROM	MKD	61.3	0.0	0.0	0.0	0.0	61.3	61.3	61.3	61.3	61.3	0.0	0.0
India	INR	71.0	0.0	2.2	0.7	6.3	70.5	73.3	76.0	- - -	- - -	0.4	6.6
Romania	RON	4.52	-0.5	-0.6	0.3	-1.1	4.49	4.55	4.53	4.54	4.55	-0.4	-0.8
Russia	RUB	61.5	-0.2	3.8	4.9	34.5	59.8	65.1	63.0	64.6	67.4	22.9	-15.1
Serbia	RSD	123.8	0.1	0.1	-0.4	-0.5	123.3	124.1	125.3	125.9	- - -	-1.5	-0.1
S. Africa	ZAR	13.8	2.1	4.9	4.4	21.1	13.68	14.64	14.1	14.4	15.0	16.2	-16.6
Turkey	YTL	3.85	1.1	4.8	-3.5	-15.8	3.70	4.17	3.95	4.07	4.31	-14.7	-10.8
Ukraine	UAH	28.6	0.6	1.9	-0.4	-0.4	27.22	29.47	33.9	- - -	- - -	-8.6	-27.5
US	USD	1.06	-0.1	0.8	-0.9	3.9	1.0	1.1	1.07	1.07	1.08	3.3	11.4
JAPAN	JPY	120.0	0.4	2.2	2.6	3.8	119.3	123.7	120.1	120.1	120.1	6.0	11.0
UK	GBP	0.85	-0.7	1.6	0.1	-8.5	0.8	0.9	0.85	0.85	0.86	-13.5	5.3

* Appreciation (+) / Depreciation (-)

** Forward rates have been calculated using the uncovered interest rate parity for Brazil, China, Egypt, India and Ukraine

Currencies against the EUR (February 20th 2017)



MONEY MARKETS, FEBRUARY 20TH 2017

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
O/N	1.4	12.9	0.0	2.4	- - -	15.3	- - -	- - -	0.4	10.5	- - -	11.3	7.0	13.4	- - -	0.7
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	0.4	10.5	3.0	- - -	7.1	- - -	- - -	- - -
S/W	1.5	12.7	0.0	2.7	-0.4	- - -	1.3	- - -	- - -	10.5	3.0	- - -	7.4	14.5	-0.4	0.7
1-Month	1.8	12.4	0.0	4.1	-0.4	- - -	1.6	6.4	0.6	10.8	3.4	11.3	7.4	16.4	-0.4	0.8
2-Month	- - -	12.1	0.0	- - -	-0.3	- - -	- - -	- - -	- - -	10.8	3.4	11.4	7.8	- - -	-0.3	0.9
3-Month	2.5	11.9	0.1	4.3	-0.3	- - -	1.9	6.6	0.8	10.8	3.6	11.6	7.9	18.0	-0.3	1.1
6-Month	2.8	11.2	0.3	4.2	-0.2	- - -	2.2	- - -	1.1	10.4	3.7	11.9	8.2	- - -	-0.2	1.4
1-Year	3.5	10.4	0.8	4.0	-0.1	- - -	2.6	- - -	1.2	10.4	- - -	12.3	8.8	- - -	-0.1	1.7

LOCAL DEBT MARKETS, FEBRUARY 20TH 2017

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	- - -	- - -	- - -	- - -	- - -	17.0	- - -	6.2	- - -	10.1	3.1	10.4	- - -	- - -	-0.8	0.5
6-Month	2.1	- - -	- - -	- - -	- - -	17.5	- - -	6.3	0.6	10.0	3.7	11.1	- - -	- - -	-0.9	0.6
12-Month	3.1	- - -	0.0	2.9	- - -	17.5	2.1	6.4	1.1	9.0	4.0	11.3	- - -	15.3	-0.9	0.8
2-Year	3.6	- - -	- - -	2.9	- - -	- - -	2.2	6.5	0.6	8.5	- - -	11.0	7.7	- - -	-0.8	1.2
3-Year	- - -	- - -	0.4	2.9	1.4	- - -	- - -	6.6	1.7	8.4	- - -	10.9	7.9	15.7	-0.8	1.4
5-Year	- - -	10.2	- - -	3.0	- - -	16.9	- - -	7.0	2.7	8.4	5.6	10.8	8.0	- - -	-0.5	1.9
7-Year	- - -	- - -	1.1	- - -	3.2	16.9	- - -	7.0	3.3	8.3	- - -	- - -	- - -	- - -	-0.2	2.2
10-Year	- - -	10.4	2.0	3.4	3.4	17.0	3.9	6.9	3.6	8.2	- - -	10.6	8.8	- - -	0.3	2.4
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	3.8	7.5	- - -	8.4	- - -	- - -	9.2	- - -	0.5	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	9.5	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	7.5	- - -	- - -	- - -	- - -	9.6	- - -	1.1	3.0

*For Albania. FYROM and Ukraine primary market yields are reported

CORPORATE BONDS SUMMARY, FEBRUARY 20TH 2017

		Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Bulgaria	**Bulgaria Energy Hld 4.25% '18**	EUR	NA/NA	7/11/2018	500	2.1	294	235
	Bulgarian Telecom. 6.625% '18	EUR	B-/B1	15/11/2018	400	4.1	503	445
Cyprus	**Aroundtown Property 3% '21**	EUR	NA/NA	9/12/2021	200	2.4	306	236
Russia	**Gazprom 8.2% '19**	RUB	BB+/NA	9/4/2019	10,000	9.8	85	- - -
	Gazprom 8.9% '21	RUB	BB+/NA	26/1/2021	10,000	9.6	57	- - -
South Africa	**FirstRand Bank Ltd 4.25% '20**	USD	BBB-/Baa2	30/4/2020	500	3.6	208	178
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	0.4	119	46
Turkey	**Vakiflar Bankasi 3.5% '19**	EUR	NA/Baa3	17/6/2019	500	2.8	366	292
	Garanti Bankasi 3.38%'19	EUR	NA/Baa3	8/7/2019	500	2.2	303	234
	Arcelik AS 3.875% '21	EUR	BB+/NA	16/9/2021	350	2.8	328	276
	Turkiye Is Bankasi 6% '22	USD	NA/Ba3	24/10/2022	1,000	6.5	456	425

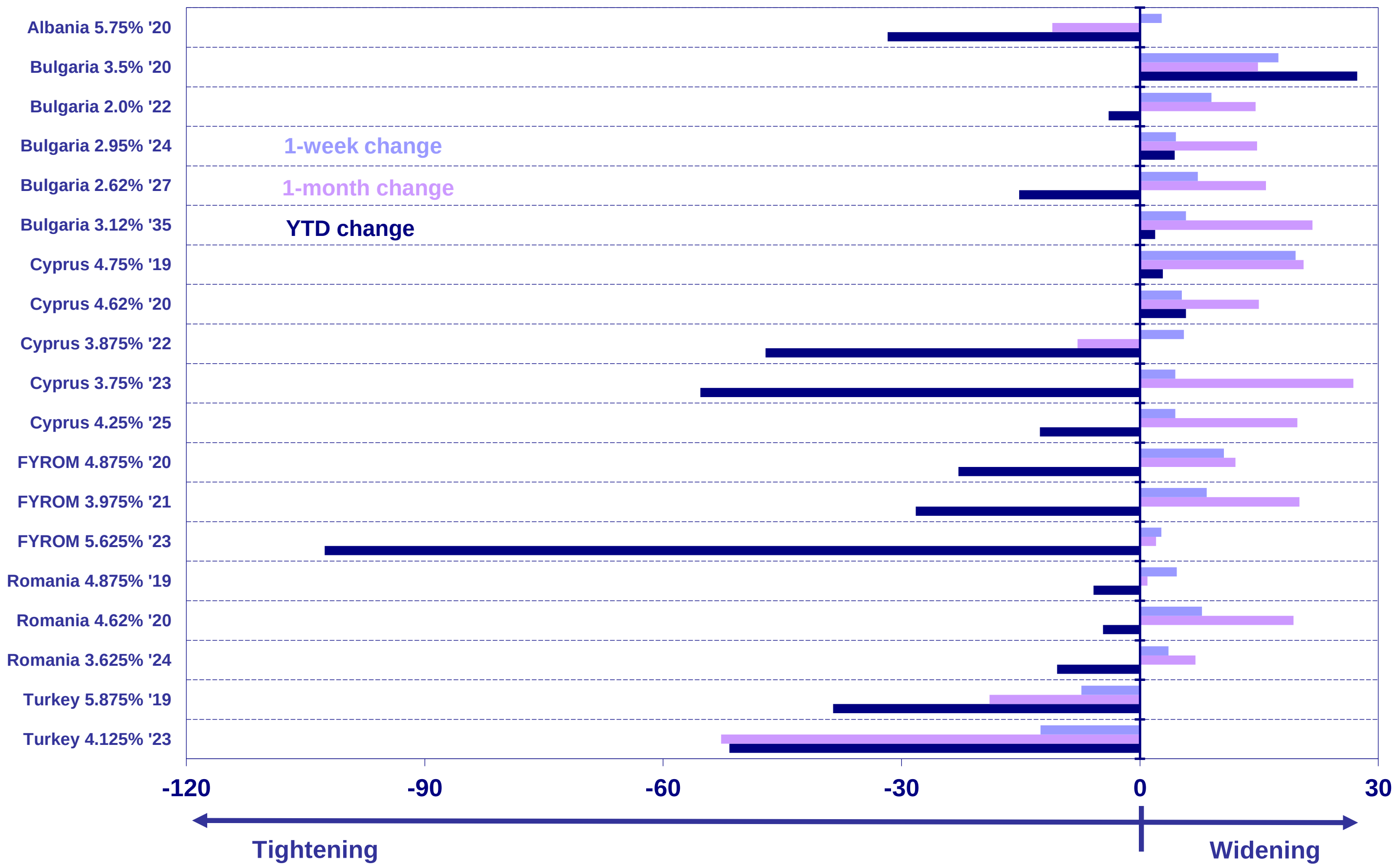
CREDIT DEFAULT SWAP SPREADS, FEBRUARY 20TH 2017

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	227	123	99	241	344	- - -	136	102	177	202	237	195	- - -
10-Year	- - -	310	166	148	267	365	- - -	144	144	253	244	317	265	- - -

EUR-DENOMINATED SOVEREIGN EUROBOND SUMMARY, FEBRUARY 20TH 2017

	Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Albania 5.75% '20	EUR	B+/B1	12/11/2020	450	2.8	347	295
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	0.7	150	79
Bulgaria 2.0% '22	EUR	BB+/Baa2	26/3/2022	1,250	0.9	141	80
Bulgaria 2.95% '24	EUR	BB+/Baa2	3/9/2024	1,493	1.7	175	131
Bulgaria 2.62% '27	EUR	BB+/Baa2	26/3/2027	1,000	2.2	193	148
Bulgaria 3.12% '35	EUR	BB+/Baa2	26/3/2035	900	3.3	249	198
Cyprus 4.75% '19	EUR	BB/NA	25/6/2019	566	1.4	226	159
Cyprus 4.62% '20	EUR	BB/B1	3/2/2020	770	1.9	275	208
Cyprus 3.875% '22	EUR	NA/B1	6/5/2022	1,000	2.9	337	277
Cyprus 3.75% '23	EUR	NA/B1	26/7/2023	1,000	3.2	357	292
Cyprus 4.25% '25	EUR	NA/B1	4/11/2025	1,000	3.4	331	290
FYROM 4.875% '20	EUR	BB-/NA	1/12/2020	270	3.2	389	329
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	3.6	423	466
FYROM 5.625% '23	EUR	BB-/NA	26/7/2023	450	4.7	502	443
Romania 4.875% '19	EUR	BBB-/Baa3	7/11/2019	1,500	0.3	111	41
Romania 4.62% '20	EUR	BBB-/Baa3	18/9/2020	2,000	0.3	99	37
Romania 3.625% '24	EUR	BBB-/Baa3	24/4/2024	1,250	1.8	202	150
Turkey 5.875% '19	EUR	NR/Ba1	11/4/2023	1,250	1.2	208	145
Turkey 4.125% '23	EUR	NR/Ba1	12/11/2020	1,000	3.1	343	286

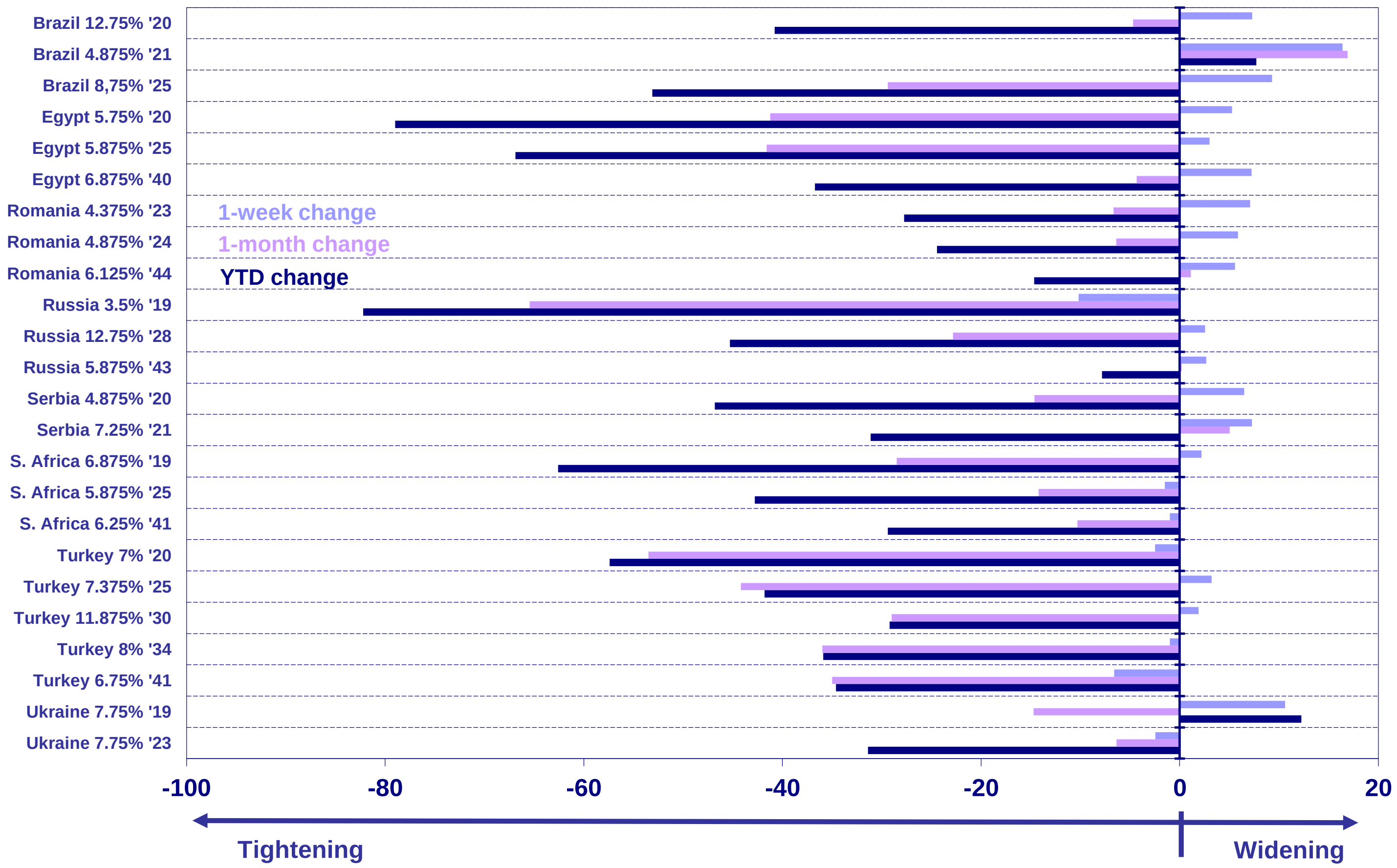
EUR-Denominated Eurobond Spreads (February 20th 2017)



USD-Denominated Sovereign Eurobond Summary, February 20th 2017

	Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Brazil 12.75% '20	USD	BB/Ba2	15/1/2020	234	3.3	178	178
Brazil 4.875% '21	USD	BB/Ba2	22/1/2021	2,988	3.7	220	182
Brazil 8.75% '25	USD	BB/Ba2	4/2/2025	969	4.8	254	286
Egypt 5.75% '20	USD	B-/B3	11/6/2025	1,000	4.8	331	302
Egypt 5.875% '25	USD	B-/B3	30/4/2040	1,500	6.6	434	411
Egypt 6.875% '40	USD	B-/B3	22/8/2023	500	7.7	467	466
Romania 4.375% '23	USD	BBB-/Baa3	22/1/2024	1,500	3.6	142	151
Romania 4.875% '24	USD	BBB-/Baa3	22/1/2044	1,000	3.7	145	153
Romania 6.125% '44	USD	BBB-/Baa3	16/1/2019	1,000	4.8	178	242
Russia 3.5% '19	USD	BB+/Ba1	24/6/2028	1,500	1.8	59	26
Russia 12.75% '28	USD	BB+/Ba1	16/9/2043	2,500	4.4	196	283
Russia 5.875% '43	USD	BB+/Ba1	25/2/2020	1,500	5.0	199	253
Serbia 4.875% '20	USD	BB-/B1	28/9/2021	1,500	3.8	233	208
Serbia 7.25% '21	USD	BB-/B1	27/5/2019	2,000	4.2	225	233
S. Africa 6.875% '19	USD	BBB-/Baa2	16/9/2025	1,748	2.7	147	113
S. Africa 5.875% '25	USD	BBB-/Baa2	8/3/2041	2,000	4.5	206	229
S. Africa 6.25% '41	USD	BBB-/Baa2	5/6/2020	750	5.2	218	278
Turkey 7% '20	USD	NR/Ba1	5/2/2025	2,000	4.1	262	240
Turkey 7.375% '25	USD	NR/Ba1	15/1/2030	3,250	5.4	321	336
Turkey 11.875% '30	USD	NR/Ba1	14/2/2034	1,500	5.9	353	456
Turkey 8% '34	USD	NR/Ba1	14/1/2041	1,500	6.2	382	404
Turkey 6.75% '41	USD	NR/Ba1	1/9/2019	3,000	6.3	322	349
Ukraine 7.75% '19	USD	B-/Caa3	1/9/2023	1,744	7.6	618	589
Ukraine 7.75% '23	USD	B-/Caa3	15/1/2020	1,355	8.4	615	599

USD-Denominated Eurobond Spreads (February 20th 2017)



STOCK MARKETS PERFORMANCE, FEBRUARY 20TH 2017

	2017								2016		2015	
	Local Currency Terms							EUR Terms	Local Currency Terms	EUR terms	Local Currency terms	EUR terms
	Level	1-week % change	1-month % change	YTD % change	1-year % change	Year-Low	Year-High	YTD % change	% change		% change	
Brazil (IBOV)	68,533	2.3	6.2	13.8	58.5	59,371	68,674	18.6	38.9	76.2	-13.3	-35.3
Bulgaria (SOFIX)	608	0.4	0.5	3.7	36.2	583	614	3.7	27.2	27.2	-11.7	-11.7
China (SHCOMP)	3,240	0.7	3.7	4.4	10.7	3,044	3,241	4.5	-12.3	-15.3	9.4	16.5
Cyprus (CSE GI)	67	2.2	-3.9	0.9	2.6	65	71	0.9	-2.0	-2.0	-20.9	-20.9
Egypt (HERMES)	1,119	-2.1	-0.6	2.8	102.0	1,088	1,183	16.0	72.7	-21.8	-24.4	-22.8
F.Y.R.O.M (MBI)	2,276	-0.7	2.8	6.6	26.1	2,135	2,310	6.6	16.5	16.5	-0.6	-0.6
India (SENSEX)	28,662	1.1	6.0	7.6	20.5	22,495	29,077	8.3	1.9	2.6	-5.0	0.7
Romania (BET-BK)	1,473	0.5	6.1	9.6	20.9	1,365	1,473	9.9	0.2	0.0	2.6	1.6
Russia (RTS)	4,698	-1.7	-2.7	-4.5	17.8	4,650	5,089	0.2	24.2	54.3	30.3	9.5
Serbia (BELEX-15)	712	1.2	1.5	-0.8	21.6	694	722	-1.1	11.4	9.7	-3.4	-3.5
South Africa (FTSE/JSE)	52,559	-0.8	0.1	3.8	7.0	50,338	53,738	8.3	-0.1	16.1	1.9	-15.1
Turkey (ISE 100)	88,588	0.0	6.6	13.4	18.3	75,657	89,583	9.4	8.9	-7.0	-16.3	-25.4
Ukraine (PFTS)	273	-0.1	1.1	2.9	13.7	265	274	2.5	10.2	1.0	-37.8	-54.8
MSCI EMF	944	0.9	5.6	9.4	25.9	858	947	8.4	8.6	12.2	-17.0	-6.9
MSCI EAFE	1,755	0.4	2.1	4.2	11.6	1,677	1,759	3.3	-1.9	1.4	-3.3	7.7
Greece (ASE-General)	646	2.7	1.1	0.4	32.4	602	670	0.4	1.9	1.9	-23.6	-23.6
Germany (XETRA DAX)	11,828	0.5	1.7	3.0	23.5	11,415	11,893	3.0	6.9	6.9	4.9	4.9
UK (FTSE-100)	7,300	0.3	1.4	2.2	20.9	7,094	7,354	2.3	14.4	-1.0	-4.9	0.1
USA (DJ INDUSTRIALS)	20,624	1.0	4.0	4.4	24.1	16,166	20,640	3.4	13.4	16.7	-2.2	9.3
USA (S&P 500)	2,351	1.0	3.5	5.0	20.9	2,245	2,351	4.0	9.5	13.2	-0.7	10.6

Equity Indices (February 20th 2017)