NATIONAL BANK

South Eastern Europe and Mediterranean Emerging Market Economies
Weekly Report

16 – 22 February 2016

NBG - Economic Analysis Division

Director: **Paul Mylonas**
☎ : +30 210 33 41 521
✉ : pmylonas@nbg.gr

Emerging Markets Research

Head: **Michael Loufir**
☎ : +30 210 33 41 211
✉ : mloufir@nbg.gr

Analysts:

Evlabia Fetsi
☎ : +30 210 33 41 667
✉ : efetsi@nbg.gr

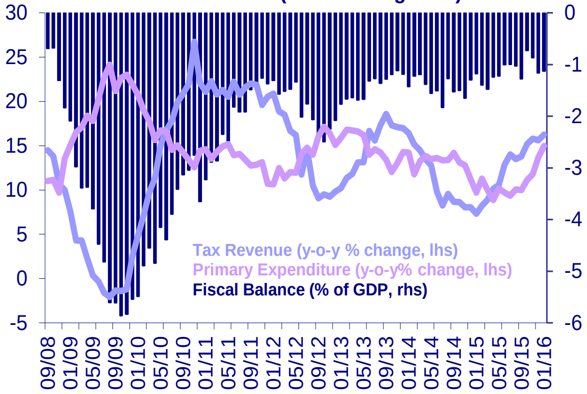
Konstantinos Romanos-Louizos
☎ : +30 210 33 41 225
✉ : romanos.louizos.k@nbg.gr

Louiza Troupi
☎ : +30 210 33 41 696
✉ : troupi.louiza@nbg.gr

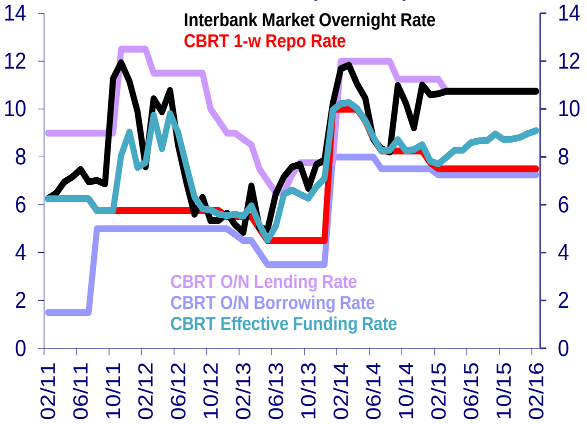
Turkey

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

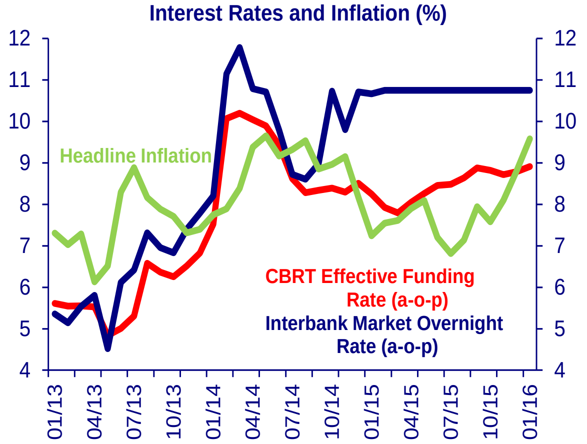
Tax Revenue, Primary Expenditure & Fiscal Balance (12-M Rolling Sum)



Interest Rates (e-o-m, %)



Interest Rates and Inflation (%)



	22 Feb.	3-M F	6-M F	12-M F
1-m TRIBOR (%)	11.9	11.5	11.0	10.5
TRY/EUR	3.24	3.32	3.34	3.40
Sov. Spread (2019, bps)	240	220	200	170

	22 Feb.	1-W %	YTD %	2-Y %
ISE 100	74,894	5.5	2.3	17.2

	2013	2014	2015E	2016F	2017F
Real GDP Growth (%)	4.2	2.9	3.8	3.0	3.6
Inflation (eop, %)	7.4	8.2	8.8	8.4	7.5
Cur. Acct. Bal. (% GDP)	-7.7	-5.5	-4.5	-4.2	-5.0
Fiscal Bal. (% GDP)	-1.2	-1.3	-1.2	-1.5	-1.2

Capital spending restraint and privatisation proceeds prevented a negative fiscal performance in January. The primary and overall fiscal balances remained unchanged in January from their respective levels of +0.5% and +0.2% of GDP in the same month a year earlier.

Specifically, primary spending rose by 17.8% y-o-y in January, mainly due to higher agricultural subsidies and Government's social security contribution. The rise would have been even sharper had the Government not braked capital spending.

On the other hand, overall revenue increased by 16.5% y-o-y in January, supported by both tax and non-tax proceeds (up 13.8% and 34.5% y-o-y, respectively). Importantly, tax revenue rose at a faster pace than nominal GDP (11.8% y-o-y), reflecting the impact of a series of measures implemented from January 1st, including the hikes of: i) the minimum wage (by 30.0% to TRL1.3k); and ii) taxes on tobacco, alcoholic beverages, and mobile phones (up 10%, 15%, and 30%, respectively). Indeed, personal income tax and special consumption tax rose by 14.8% and 26.0% y-o-y, respectively. The surge in non-tax revenue is attributed to privatisation proceeds (0.1% of GDP – TRY 2bn -- against 0% in the same month last year), likely reflecting the payment of the last tranche from the past year's sale of the 4.5G mobile network.

Looking ahead, the fiscal performance is expected to deteriorate by the end of the year, due to the delivery on election promises, expected to cost TRY 22.0bn (1.0% of GDP). The pledges include: i) the compensation to private sector employers for 40.0% of the cost of the hike in the minimum wage; ii) the exemption from income tax for 3 years for young people starting a new business; iii) support of up to TRY 50k to young people who want to start a business; iv) the removal of VAT on fertilizers; v) the payment of wages of first-time employed young people for 1 year; and vi) interest-free loans to small businesses.

We expect the deterioration of the primary balance this year to be sharper than budgeted, due to the Government's optimistic estimate of the net burden of the promises (0.4 pps of GDP against our estimate of 0.6 pps of GDP). Overall, we see the primary surplus and fiscal deficit at 1.0% and 1.5% of GDP, respectively, this year, compared with their respective targets of 1.2% and 1.3% of GDP, and their respective FY:15 outcomes of 1.6% and 1.2% of GDP.

The CBRT remains in a "wait-and-see" mode for a twelfth consecutive month. As expected, at its February MPC meeting, the CBRT maintained its central policy rate (1-week repo rate) unchanged as well as the interest rate corridor (the overnight borrowing and overnight lending rates) at 7.5% and 7.25%-10.75%, respectively.

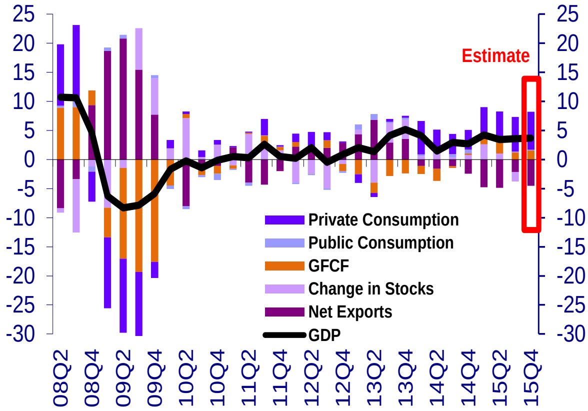
The CBRT reiterated that the "*the tight liquidity stance will be maintained as long as deemed necessary*", hinting that it would increase further its effective funding rate (currently at 9.1%, through the reduction of the amount of lower costing 1-week repo financing -- 7.5%) towards the upper bound of its interest rate corridor (10.75%). The CBRT appears to feel comfortable with an O/N interest rate of 10.75% (2.1% in *ex post*, compounded and real terms), suggesting relatively tight liquidity conditions, which are also reflected in TRY time deposit rates of 12.9%.

Going forward, despite the challenging inflation outlook (we see end-year inflation at 8.4%, well above the CBRT's forecast of 7.5%) and the tightening of global liquidity conditions, the CBRT is unlikely to hike its interest rates and simplify its monetary policy framework before the possible change in its management in April. Until then, depreciation pressures on the domestic currency should be dampened through liquidity management (via the effective funding rate).

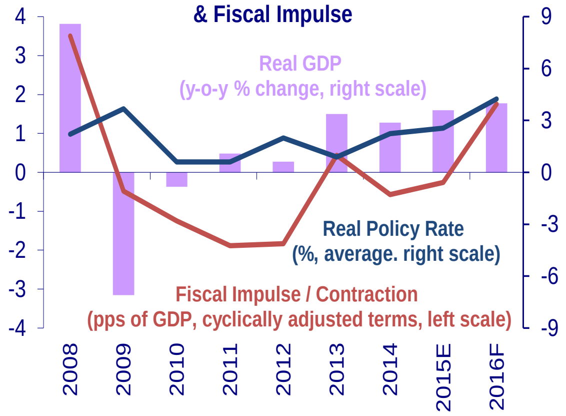
Romania

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

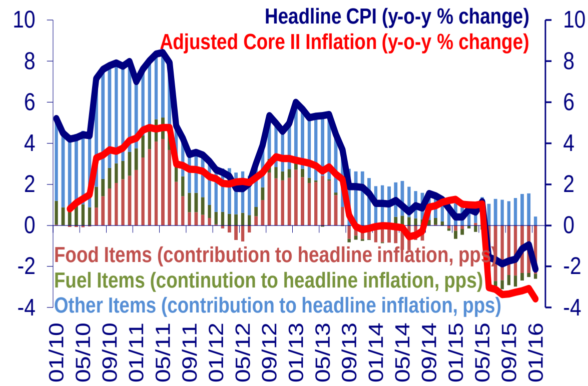
Contribution Rates to Real GDP Growth (pps)



Real GDP Growth, Real Policy Rate & Fiscal Impulse



Annual Inflation



	22 Feb.	3-M F	6-M F	12-M F
1-m ROBOR (%)	0.5	1.2	1.5	1.8
RON/EUR	4.47	4.52	4.51	4.50
Sov. Spread (2024, bps)	236	210	180	150

	22 Feb.	1-W %	YTD %	2-Y %
BET-BK	1,218	1.8	-9.2	-2.8

	2013	2014	2015E	2016F	2017F
Real GDP Growth (%)	3.5	3.0	3.7	4.5	3.4
Inflation (eop, %)	1.6	0.8	-0.9	0.5	2.0
Cur. Acct. Bal. (% GDP)	-1.1	-0.5	-1.1	-1.9	-2.4
Fiscal Bal. (% GDP)	-2.5	-1.7	-1.5	-3.2	-2.5

Real GDP growth remains solid in Q4:15 at 3.7% y-o-y. Real GDP rose by 1.1% q-o-q s.a. (flash estimate) in Q4:15, following a strong 1.5% in Q3:15. As a result, the annual pace of economic growth rose to 3.7% y-o-y in Q4:15 from 3.6% in Q3:15, bringing FY:15 growth to 3.7%, well above the (upwardly revised) FY:14 outcome of 3.0%.

Domestic demand remains the main engine of growth in Q4:15. Against the backdrop of persistent deflation (-1.2% y-o-y in Q4:15), we expect private consumption to have strengthened in Q4:15, supported by a looser incomes policy (public sector wages rose by 10.0% in December, with the education and healthcare sectors receiving even larger salary increases – up 25.0% and 15.0% in October and December, respectively) and easing credit conditions (adjusting for write-offs of NPLs, growth in consumer credit is estimated to have turned positive after having declined for more than 2 years). Similarly, in view of positive base effects, fixed investment likely expanded further in Q4:15, driven by the public sector (according to budget data, public investment was up 1.0 pp of GDP y-o-y). On the other hand, the drag of net exports on overall growth likely worsened in Q4:15, reflecting the pick-up in import growth, in line with stronger domestic demand.

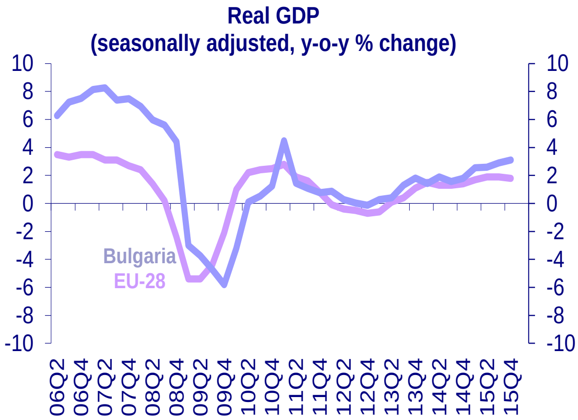
Economic growth set to remain robust in FY:16, underpinned by private consumption. Looking ahead, private consumption should continue to expand at a strong pace, reflecting: i) higher disposable income, on the back of a looser incomes policy (including, in addition to the hike in public sector wages at end-2015, targeted increases in the wages in the broader public sector and a 19% rise in the minimum wage in May); ii) persistent deflation (see below); and iii) improving labour market conditions. Fixed investment should also remain solid, helped, *inter alia,* by improving business confidence, despite the expected slowdown in the absorption of EU funds in FY:16, when authorities forfeit EU funding allocated for use during the 2007-13 programming period. Worryingly, net exports should remain a large drag on overall growth, in view of stronger domestic demand. All said, we see real GDP growth at 4.5% in FY:16 (also supported by base effects from the plunge in agricultural production in FY:15 due to the drought – which subtracted an estimated 0.7 pps from overall growth), well above its long-term potential of c. 3.0%, with the output gap jumping to 0.9% in FY:16 from 0% in FY:15.

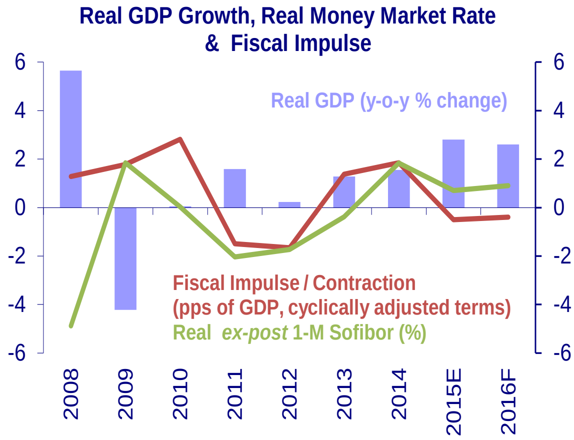
Headline inflation falls to a record low of -2.1% y-o-y in January, following the 4 pp cut in the standard VAT rate. Headline inflation declined sharply to -2.1% y-o-y in January from -0.9% at end-2015, mainly on the back of the 4 pp cut in the standard VAT rate (excluding food items and services) to 20% in January. Importantly, the January outcome was 0.6 pps higher than consensus forecasts, suggesting that the pass-through rate is lower than that derived from the empirical literature (c. 60%). We estimate it at 45%. Excluding volatile and regulated prices, adjusted core II inflation fell to -3.6% y-o-y in January from -3.1% in December 2015.

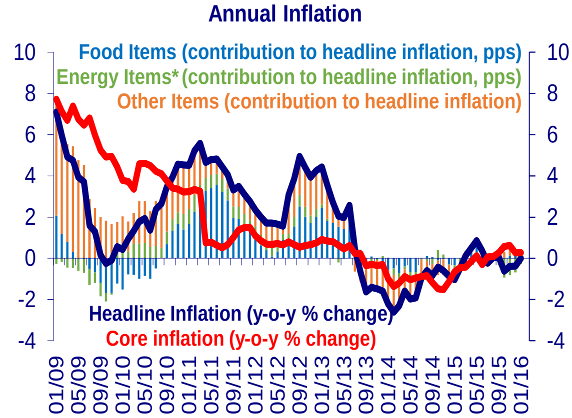
Headline inflation to remain subdued until end-2016, due to supply-side shocks. Looking ahead, as the pass-through of the cut in the general VAT rate having not yet been completed and in view of the positive base effects from the increase in food prices in early-2015, we expect headline inflation to decline further to -3.5% y-o-y by mid-year. Thereafter, stronger demand-side pressures, together with negative base effects from the June 2015 VAT cut on food (by 15 pps to 9%) and a softer decline in fuel prices (we project the price of Brent to drop by 21% on average in RON terms in FY:16 against a decline of 35.2% in FY:15), should bring it to 0.5% by end-2016 (revised upwards from 0%). At the same time, adjusted core II inflation is set to converge towards headline inflation (0.8% at end-2016).

Bulgaria

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







*incl. liquid fuels, electricity, gas, solid fuels, heat energy

	22 Feb.	3-M F	6-M F	12-M F
1-m SOFIBOR (%)	0.1	0.3	0.3	0.3
BGN/EUR	1.96	1.96	1.96	1.96
Sov. Spread (2022, bps)	204	170	150	120

	22 Feb.	1-W %	YTD %	2-Y %
SOFIX	447	0.5	-3.1	-23.8

	2013	2014	2015E	2016F	2017F
Real GDP Growth (%)	1.3	1.5	3.0	2.6	2.6
Inflation (eop, %)	-1.6	-0.9	-0.4	0.7	1.4
Cur. Acct. Bal. (% GDP)	1.8	1.2	1.2	2.0	1.3
Fiscal Bal. (% GDP)	-1.8	-3.7	-2.9	-2.4	-1.7

Economic growth maintains a strong pace in Q4:15 (3.1% y-o-y). Real GDP rose by a solid 0.8% q-o-q s.a. (flash estimate) in Q4:15 following a broadly similar increase in Q3:15. As a result, the annual pace of economic expansion picked up slightly to 3.1% y-o-y s.a. in Q4:15 from 2.9% in Q3:15, bringing FY:15 growth to a post-crisis high of 3.0% y-o-y, well above the FY:14 outcome of 1.5%.

Domestic demand provides the main impetus to economic growth in Q4:15. Fixed investment expanded at a strong pace in Q4:15, driven by the public sector. Indeed, according to budget execution data, public investment was up by a sizeable 1.7 pps of GDP y-o-y in Q4:15, mainly on the back of an acceleration in the absorption of EU funds ahead of the closing of the 2007-13 programming period. At the same time, we expect private consumption to have improved further, supported by lower inflation (-0.5% y-o-y in Q4:15 against 0% in Q3:15) and better labour market conditions (employment rose by a strong 2.4% y-o-y in Q4:15, marking the 8th consecutive quarter of increase). On the other hand, the contribution of net exports' to overall growth, albeit still positive, is estimated to have moderated in Q4:15, in line with stronger domestic demand.

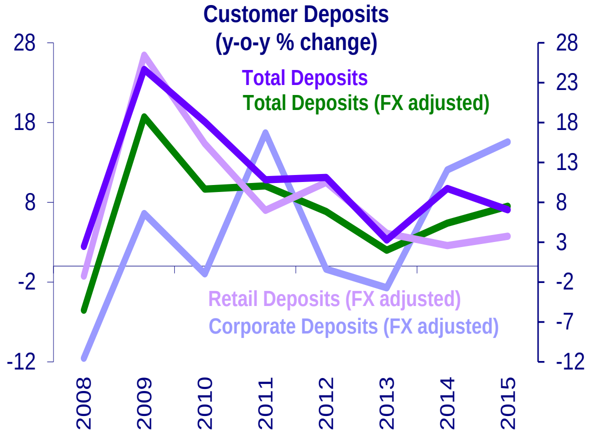
Economic growth is set to maintain its momentum, supported by fixed investment activity. Considering the low investment-to-GDP ratio (currently at 21%, with construction comprising 33% of total investment against a pre-crisis high of 32%, with construction comprising 23% of total investment) and the increasing capacity utilization rate in the industrial sector (currently at 74% against a historical average of 70%), as well as favourable domestic financing conditions, we expect business fixed investment to gain momentum in FY:16, despite the envisaged slowdown in the implementation of EU co-financed projects. At the same time, private consumption should improve gradually, in view of a slowdown in job creation, limited wage growth and slightly higher inflation (see below). In this context, despite stagnant economic growth in the country's main trade partner, the EU, net exports should continue to support Bulgaria's growth, reflecting, *inter alia*, the improving competitiveness of the economy (real GDP per employee has risen by 7% since end- 2011, while the BGN has remained broadly stable in real terms during the same period). The policy mix should be broadly neutral, as fiscal consolidation is expected to pause (adjusting for once-off privatizations receipts, the budget deficit is projected to remain close to 3% of GDP for a second consecutive year in FY:16) and monetary conditions remain accommodative. Overall, we expect real GDP growth to moderate slightly to 2.6% in FY:16, below its long-term average of 3.0%, and the output gap easing slightly to 0.2% in FY:16 from 0.3% in FY:15.

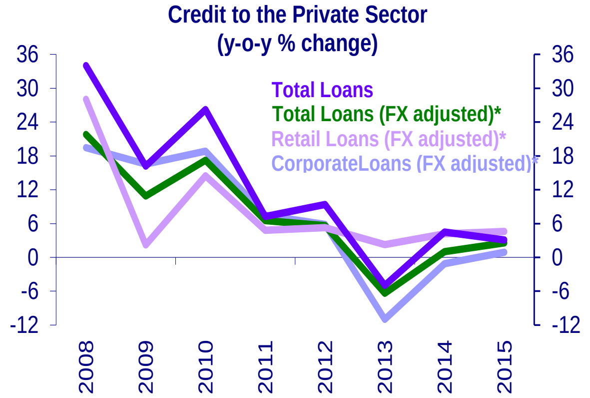
Headline inflation rises to 0% y-o-y in January from -0.4% in December, solely due to a tax hike on fuel. Despite the continuing decline in international fuel prices, energy deflation eased sharply in January (to -1.8% y-o-y from -4.2% in December), reflecting a hike in the excise duty on heating fuel. Thus, adjusting for food and energy prices, core inflation remained broadly flat at 0.3% y-o-y in January.

Headline inflation to remain contained until end-2016. Looking ahead, inflation should embark on a mild upward trend, reflecting a softer decline in fuel prices (we project the price of Brent to drop by 22.0% on average in BGN terms in FY:16 against a decline of 35.2% in FY:15), the gradual normalization of volatile food prices and, to a lesser extent, the impact of the weaker EUR against the USD. All said, we see headline inflation reaching 0.7% at end-2016, still well below its long-term average. At the same time, core inflation should converge towards headline inflation (0.5% at end-2016).

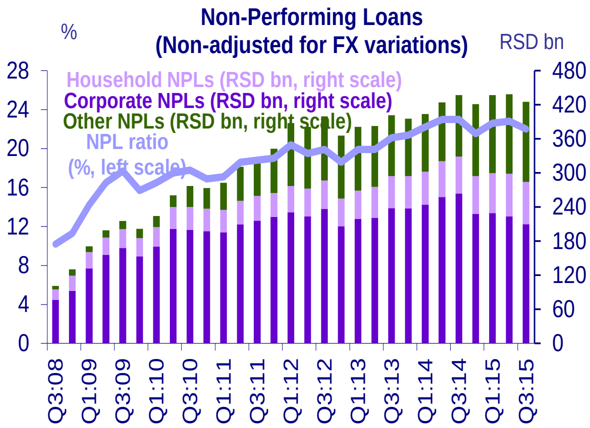
Serbia

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





* NBG estimates before 2009
** FX loans include FX denominated and linked Loans



	22 Feb.	3-M F	6-M F	12-M F
1-m BELIBOR (%)	3.1	3.4	3.6	4.0
RSD/EUR	123.2	124.1	124.6	125.0
Sov. Spread (2021, bps)	349	280	240	180

	22 Feb.	1-W %	YTD %	2-Y %
BELEX-15	586	0.4	-7.2	2.5

	2013	2014	2015E	2016F	2017F
Real GDP Growth (%)	2.6	-1.8	0.8	2.0	2.5
Inflation (eop, %)	2.2	1.7	1.5	2.4	2.8
Cur. Acct. Bal. (% GDP)	-6.1	-6.0	-4.5	-4.5	-5.0
Fiscal Bal. (% GDP)	-5.5	-6.7	-3.7	-3.9	-3.0

FX-adjusted customer deposit growth strengthened to a 4-year high of 7.5% y-o-y in 2015. Customer deposit growth decelerated to 7.1% y-o-y at end-2015 from 9.7% at end-2014. However, adjusted for FX variations, deposits accelerated to (a 4-year high of) 7.5% y-o-y at end-2015 from 5.4% at end-2014, in view of the relatively large share of FX-denominated deposits in total deposits (72.3%) and the slower depreciation of the RSD against the EUR (by a mere 0.1% y-o-y against the EUR in 2015 compared with 5.6% in 2014).

From a segment perspective, the acceleration in (FX adjusted) overall deposits was driven by the continued rebound in both the retail and corporate segments. Retail deposits, accounting for a sizeable 68.3% of total deposits, rose by 3.7% y-o-y at end-2015 against 2.5% at end-2014. The acceleration was driven by both LC and FC components, and despite significant fiscal consolidation measures (including cuts in pensions and public sector wages). The strengthening of retail deposits likely reflects a recovery in remittances (up 12.4% y-o-y in 11M:15 against a drop of 13.7% in FY:14), as well as an improvement in the labour market (the unemployment rate fell to a 5-year low of 16.7% in Q3:15 from 18.1% in Q3:14). Moreover, (FX adjusted) overall corporate deposits (both the LC and FC component) also accelerated (to a 4-year high of 15.6% y-o-y at end-2015 from 12.0% in December 2014), likely reflecting a strong rebound in exports (rising by 6.9% y-o-y in 11M:15 against a mere 1.2% in FY:14, in EUR terms).

FX-adjusted credit activity growth accelerated slightly in 2015 (2.6% y-o-y). Lending activity slowed to 3.1% y-o-y at end-2015 from 4.5% in December 2014. However, adjusted for FX variations, the loan book expanded by 2.6% y-o-y at end-2015 from a weak 1.0% in December 2014. The strengthening in lending activity solely reflects the rebound in FC credit, after two consecutive years of decline.

In fact, FC-denominated and indexed loans (71.4% of total loans) increased in both segments (up by a 3½-year high of 6.8% y-o-y at end-2015 compared with a decline of 7.4% at end-2014, FX adjusted). This improvement likely reflects: i) banks' easing credit conditions to (hedged) export-oriented companies, in view of the positive export performance; ii) the stabilisation of the RSD; iii) the decline in the NPL ratio (to 22.0% in Q3:15 from a peak of 23.0% in Q3:14); and iv) increasing demand for lower interest-bearing FX denominated and linked loans, following the phasing-out of the state subsidised credit support programme (EUR lending rates on new loans declined by 94 bps y-o-y to an average 5.0% in FY:15, remaining 771 bps below the RSD lending rate on new loans). Note that the credit support programme targeted LC-denominated loans and amounted to RSD 136.1bn, 7.3% of the stock of loans in FY:14 (of which 80.0% was repaid in 2015). As a result, LC lending growth turned negative (a drop of 5.4% y-o-y at end-2015 against a strong rise of 21.7% at end-2014).

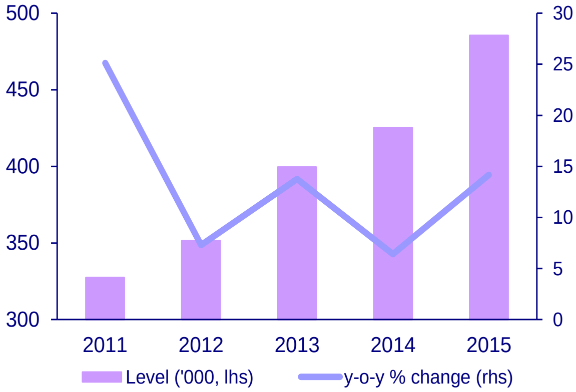
With deposits increasing at a faster pace than loans (for a 5th successive year), the loan-to-deposit ratio moderated further to a still high 111.5% in 2015 from 115.8% in 2014 -- well below the peak of 146.5% in Q1:09.

Growth in credit activity set to accelerate to c. 6.5% this year (FX-adjusted). Credit growth should continue to be supported by the easing of the monetary policy stance and the continued decline in LC lending interest rates, the gradual reduction in RRRs on FX liabilities (by 6 pps through February), the rebound in activity and stronger demand for loans. The envisaged partial implementation of the NBS recommendation to banks to reclassify some loans to NPLs, in the aftermath of the recently-conducted asset quality Special Diagnostic Studies for the 14 largest Serbian banks (88% of the sector's total assets) in Q4:15, should also encourage banks to increase lending.

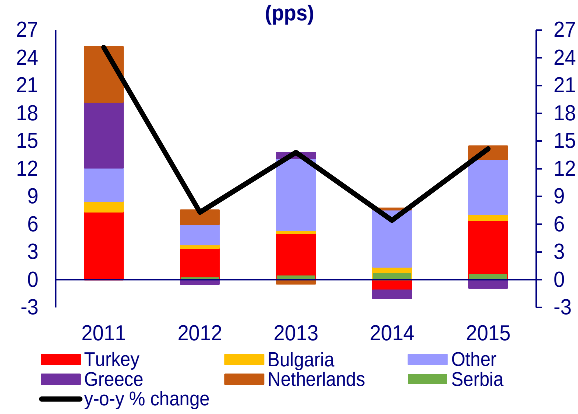
F.Y.R.O.M.

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

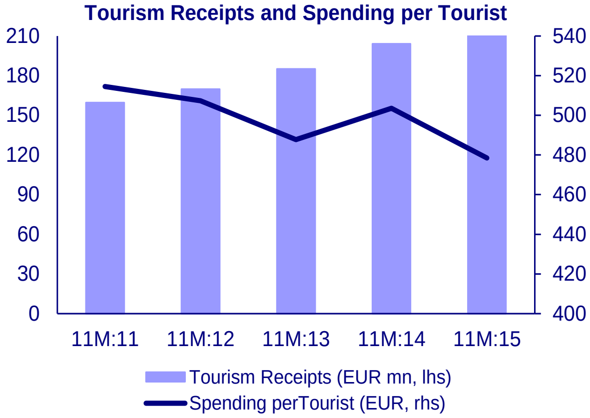
Tourist Arrivals



Contribution Rates to Tourist Arrivals Growth (pps)



Tourism Receipts and Spending per Tourist



	22 Feb.	3-M F	6-M F	12-M F
1-m SKIBOR (%)	1.5	1.5	1.5	1.5
MKD/EUR	61.3	61.3	61.3	61.3
Sov. Spread (2021. bps)	586	530	450	350

	22 Feb.	1-W %	YTD %	2-Y %
MBI 100	1.804	0.3	-1.6	4.8

	2013	2014	2015E	2016F	2017F
Real GDP Growth (%)	2.7	3.5	3.5	3.6	3.4
Inflation (eop. %)	1.4	-0.5	-0.3	0.6	1.3
Cur. Acct. Bal. (% GDP)	-1.8	-1.3	-0.4	-1.0	-2.0
Fiscal Bal. (% GDP)	-3.8	-4.2	-3.6	-3.2	-3.0

Tourist arrivals reached an all-time high of 485.5k in 2015. Tourist arrivals increased by 14.2% y-o-y to a high 485.5k in FY:15, following a rise of 6.4% to 425.3k in FY:14.

The strong performance in FY:15 was mainly due to a sharp increase in arrivals from: i) Turkey -- the main source country, accounting for 15% of total tourists in 2014 -- up c. 42.9% y-o-y in FY:15; and ii) The Netherlands and Bulgaria, accounting for 6.1% and 6.2%, respectively, in FY:14 – up 23.4% and 10.7% in FY:15. Excluding Turkish, Dutch and Bulgarian tourists, total arrivals increased by a still solid 7.8% y-o-y in FY:15 – hindered by a decline in tourist arrivals from Greece (by 9.0% y-o-y), accounting for 10% of total tourists in FY:14. The FY:15 rebound in tourist arrivals was mainly driven by an extensive advertising campaign abroad.

Note that the country posted the best performance in terms of tourist arrivals among its neighbouring competitors in 2015. Indeed, tourist arrivals increased by 12.9% y-o-y in Montenegro in 2015 and by 12.7% y-o-y in Albania in H1:15, and declined by 13.6% y-o-y and 1.0% y-o-y, respectively, in Serbia and Bulgaria in 2015.

Tourist receipts reached a record high of EUR 220.9mn (2.5% of GDP) in 11M:15. Tourist receipts rose by 8.2% y-o-y in 11M:15 to EUR 220.9mn or 2.5% of GDP, following increases of 10.3% y-o-y and 10.5%, respectively, in 11M:14 and FY:14. However, tourist receipts were weaker than arrivals in the same period (13.9% y-o-y in 11M:15), due to a decline in spending per tourist (down 5.0% y-o-y to EUR 478 in 11M:15). The slide in spending per tourist mainly reflects a reduction in prices of hotels and restaurants in an effort to make the country a more attractive destination.

We expect the tourism activity to improve further in 2016. We foresee tourist arrivals strengthening further this year, benefiting, *inter alia*, from: i) the ongoing establishment of tourism development zones; ii) tourist agency efforts to attract tourists through special packages, especially in religious and monastic tourism (FYROM disposes 4.3k archaeological sites and 1.0k churches and monasteries); iii) an increase in the number of direct flights from March, mostly low-cost (charters); and iv) the promotion of medical tourism. Regarding the latter, a law was approved by Parliament, in late January, providing subsidies and tax incentives to new investments in health care zones for foreigners.

However, the positive momentum is set to weaken slightly this year, due to base effects from the sharp increase in FY:15. All said, we foresee growth in tourist arrivals slowing to around 10% to 534k this year from 14.2% (485.5k) in 2015.

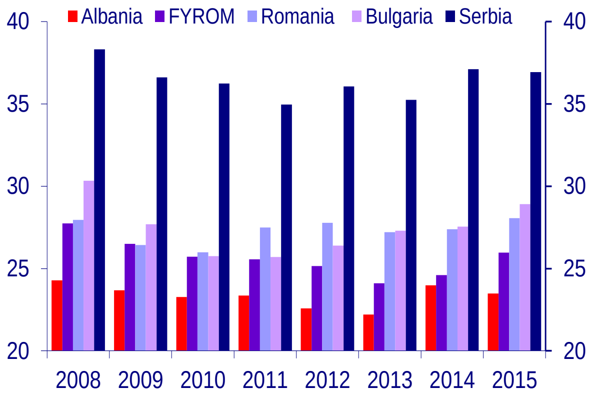
With tourism accounting for roughly 5% of GDP (tourism's direct, indirect, and induced effects amount to 1.4%, 2.9%, and 0.9% of GDP, respectively, in FY:14, according to the World Travel & Tourism Council), we maintain our 2016 real GDP growth forecast of 3.6%, broadly unchanged from our FY:15 estimate (3.5%). Moreover, with tourism accounting for roughly 5% of employment (tourism's direct, indirect, and induced contributions amount to 1.3%, 2.6%, and 0.8% of total employment, respectively, in FY:14, according to the World Travel & Tourism Council), we foresee unemployment declining to 25.0% in FY:16 from 26.5% in FY:15.

We expect tourist receipts to increase at a slower pace than arrivals again this year, as spending per tourist is set to decline further in line with recent trends. FY:16 tourism receipts are foreseen at EUR 257mn (2.8% of GDP) – 6% higher than the estimated FY:15 outcome (EUR 242mn or 2.7% of GDP) – strengthening FX reserves (adding EUR 15mn more than in FY:15).

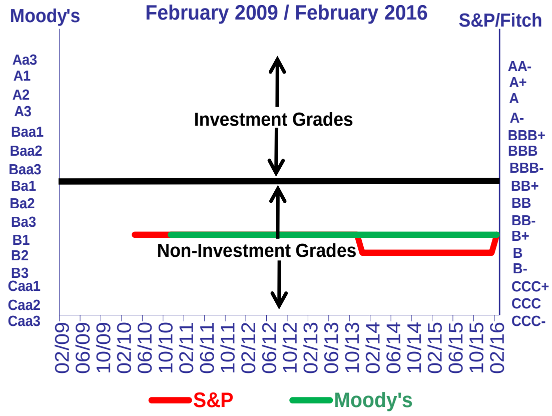
Albania

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

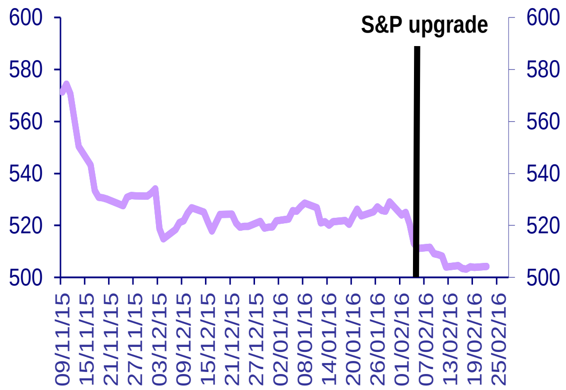
Tax Revenue (% of GDP)



Foreign Currency LT Debt Rating February 2009 / February 2016



Eurobond Spread - AL EUR 5.75 2020



	22 Feb.	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	2.1	2.2	2.2	2.2
ALL/EUR	137.4	139.2	138.2	139.0
Sov. Spread (bps)	546	500	450	400

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

	2013	2014	2015E	2016F	2017F
Real GDP Growth (%)	1.1	2.0	2.7	3.2	3.6
Inflation (eop, %)	1.9	0.7	2.0	1.5	2.0
Cur. Acct. Bal. (% GDP)	-10.9	-12.8	-11.3	-10.9	-10.7
Fiscal Bal. (% GDP)	-5.0	-5.2	-3.6	-2.3	-2.0

The IMF Executive Board completes the 5th and 6th reviews of Albania's Extended-Fund Facility (EFF). The completion of the combined reviews enabled the disbursement of EUR 72.4mn (0.7% of GDP), bringing total disbursements to EUR 226.8mn since the approval of the 36-month EUR 330.9mn EFF two years ago.

The IMF Board confirmed that Albania's economic programme is on track, with the observation of all quantitative targets under the programme and the implementation of difficult structural reforms (including significant reforms in the electricity sector). The authorities were praised for their adoption of a fiscal strategy based on broadening the tax base and improving tax compliance and administration, in view of Albania's weak revenue-raising ability (Albania's tax revenue-to-GDP ratio stands at just 23.5%, far lower than in other SEE-5 countries, see chart). It also praised their intention to tackle fiscal risks through, *inter alia*, the strengthening of public financing management.

Nonetheless, the IMF stressed the need to build on the substantial progress made so far on reforms, in order to boost the country's growth potential and maintain macroeconomic stability. The need for timely and forceful implementation of the planned strategy to tackle NPLs, in an attempt to revive credit, was stressed. Finally, further reforms are required in the areas of improving corporate governance and the business environment.

S&P upgraded Albania's long-term sovereign debt rating to B+, citing improving fiscal performance. S&P upgraded Albania's long-term sovereign debt rating by one notch to B+ (4 notches below investment grade), bringing it on a par with Moody's rating. The move prompted a decline in Albania's recently-issued Eurobond spread (see chart).

The upgrade reflects the country's declining fiscal deficit and the expectation that fiscal performance will remain strong over the period 2016-19, on the back of steady implementation of the IMF programme. S&P notified that the Government has taken measures to reduce tax evasion, address administrative deficiencies, and strengthen tax collection and compliance. This should put public debt on a downward trajectory over the next 4 years (to be under 60% of GDP in 2019 from about 70% in 2015). It should also ease fiscal financing risks.

The agency also praised the Government's reforms in several areas over recent years, including the successful energy sector reform, the pension reform (that entered into force on January 1st 2015) and local government reform. Along with the implementation of the judiciary reform -- currently under preparation -- these measures should boost Albania's progress toward opening EU accession negotiations and improving the business climate.

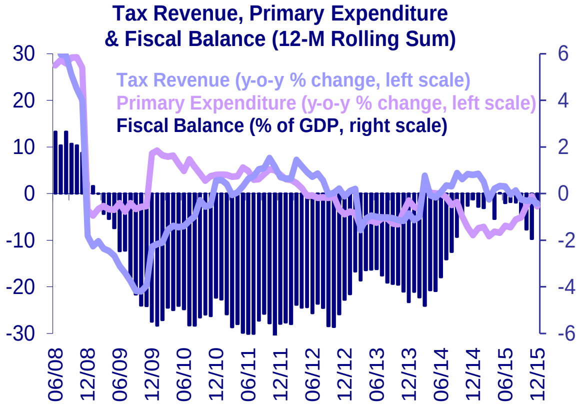
According to S&P, major projects in the hydropower sector and the Trans-Adriatic Pipeline project should significantly boost (non-debt generating) FDI inflows in 2016-18, funding most of the country's current account deficit (projected at 11.0% of GDP over 2016-18).

Government efforts to write-off NPLs, improve the realization of collateral and change the legal system in order to reinforce the reduction in NPLs should support lending and boost growth. Meanwhile the deposit-funded financial sector is highly capitalised.

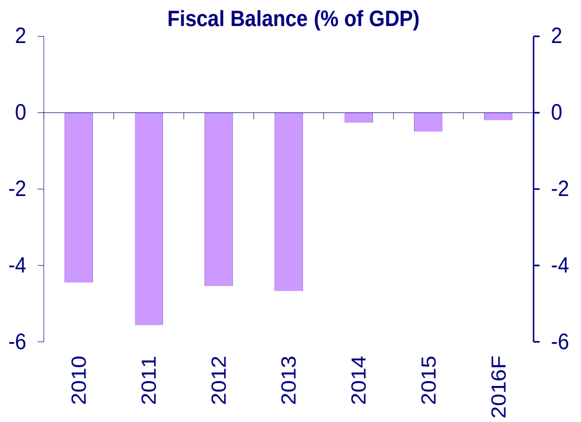
The outlook is stable, reflecting balanced risks to the rating, with the underlying assumption that the country will continue to comply with the IMF EFF. An upgrade in the rating would be triggered by a faster reduction in public debt, or if structural reforms strengthen fiscal consolidation and growth prospects. A rating downgrade would occur following a deterioration in public finances (as was the case at end-2013) or a rise in external financing pressures.

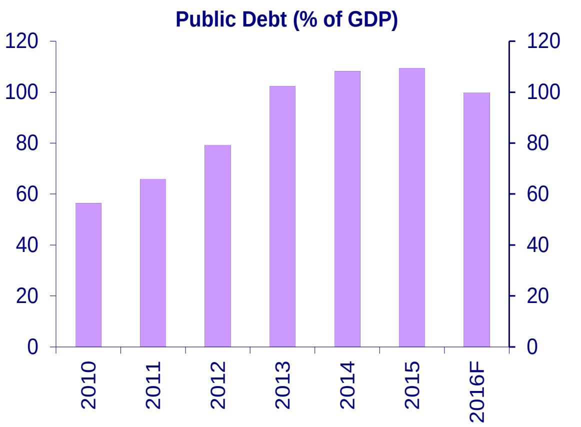
Cyprus

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



*On an accrual basis since January 2014





	22 Feb.	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.26	-0.26	-0.26	-0.26
EUR/USD	1.10	1.07	1.06	1.06
Sov. Spread (2020. bps)	408	350	300	250

	22 Feb.	1-W %	YTD %	2-Y %
CSE Index	65	2.3	-3.3	-54.0

	2013	2014	2015E	2016F	2017F
Real GDP Growth (%)	-5.9	-2.5	1.6	2.0	2.2
Inflation (eop. %)	-2.3	-1.5	-1.2	-0.2	1.0
Cur. Acct. Bal. (% GDP)	-4.5	-4.6	-5.3	-4.6	-4.8
Fiscal Bal. (% GDP)	-4.7	-0.3	-0.5	0.0	0.2

The authorities met their FY:15 fiscal deficit target of 0.5% of GDP, despite higher-than-budgeted interest payments. The outcome of the primary balance (2.7% of GDP) was better than expected (2.4% of GDP). A strong revenue performance (0.3 pps of GDP) mainly reflects a better-than-expected macroeconomic outturn. In fact, the pace of economic expansion accelerated to 1.6% in FY:15 (flash estimate) compared with the Troika's revised estimate in January of 1.4% (from -0.5% initially) and the FY:14 outcome of -2.5%.

Primary expenditure was slightly better than targeted, reflecting under-execution in capital spending (2.7% of GDP compared with a target of 3.0% of GDP) and a lower-than-projected wage bill (12.9% of GDP compared with a target of 13.1% of GDP). These more than offset higher-than-planned social transfers and other current expenditure (14.7% of GDP and 2.6%, respectively, compared with targets of 14.5% of GDP and 2.3%), ahead of the May 2016 parliamentary elections.

Interest spending (3.2% of GDP) was higher than budgeted in FY:15 (2.8% of GDP), due to a shift in payment dates in the context of a bond buyback programme. Recall that in late October, Cyprus issued a 10-year EUR 1bn (5.8% of GDP) Eurobond at 4.25%, the lowest yield ever paid by the country for a 10-year bond – of which EUR 450mn was used to redeem more expensive Eurobonds maturing in 2019 (4.75%) and 2020 (4.625% and 6.5%).

As a result, the overall fiscal deficit reached 0.5% of GDP in FY:15 -- in line with its revised target and slightly above the FY:14 outcome of 0.3% of GDP. Moreover, the public debt-to-GDP ratio rose moderately to a high of 109.5% of GDP at end-2015 -- in line with its revised target -- from 108.2% at end-2014.

The FY:16 fiscal outcome could surprise positively. This year's Budget foresees a slight tightening of the fiscal stance, envisaging a fiscal deficit of 0.2% of GDP compared with the FY:15 outcome of 0.5% of GDP.

The FY:16 fiscal deficit is likely to overperform its target, in view of: i) a stronger-than-expected recovery in activity (we see FY:16 real GDP growth at 2.0%, 0.6 pps higher than the Troika's recently revised forecast and 0.4 pps stronger than the estimated 2015 outcome); and ii) continued spending restraint. Overall, we see the FY:16 fiscal balance at 0.0% of GDP, better than its target of -0.2% of GDP and the FY:15 outcome of -0.5% of GDP. Should our forecast materialise, the public debt-to-GDP ratio would reverse course, for the first time in 8 years, declining to 99.5% in 2016 from 109.5% in 2015.

Importantly, according to the ongoing adjustment programme, FY:16 net financing requirements should stand at EUR 1.3bn (7.7% of GDP) and be covered through privatisation proceeds (EUR 0.8bn) and official financing sources (EUR 2.5bn and EUR 3.5bn, respectively, from the IMF and ESM). In fact, Cyprus will no longer have IMF-ESM support this year, as it is set to exit from its 3-year assistance programme at end-March without completing the last review. Against this backdrop, the new Government that emerges from the May general elections must unblock the privatisation process, which should send a positive signal to markets and pave the way for the return to capital markets. Recall that the stumbling block for the completion of the last review is the refusal by the opposition parties, which control the majority of seats in Parliament, of the privatisation of the two semi-government companies (Telecom-CYTA and Electricity-EAC) ahead of the elections.

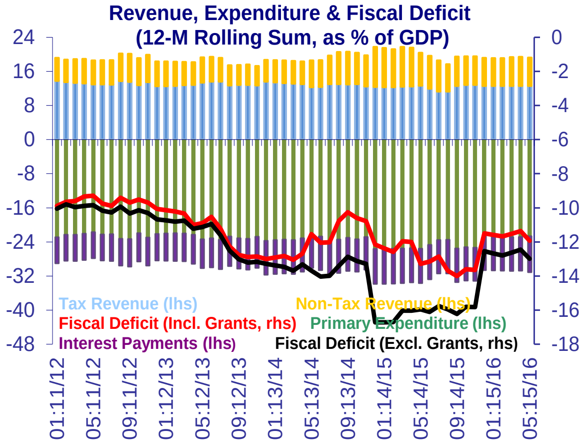
Egypt

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

Fiscal Accounts (% of GDP)	2014/15 Outcome	5M: 2014/15 Outcome	5M: 2015/16 Outcome	2015/16 Budget	NBG 2015/16 Forecast
Revenue	19.1	5.2	5.6	21.9	19.5
Tax Revenue	12.6	3.8	4.0	14.9	13.5
Income Tax	5.3	1.3	1.3	5.6	5.6
Personal Income	1.6	0.5	0.5	1.8	1.8
Corporate Income	3.8	0.8	0.8	3.8	3.8
Property Taxes	0.9	0.3	0.3	1.5	1.2
Taxes on G. & S.	5.1	1.8	1.9	6.5	5.9
Taxes on Int. Trade	0.9	0.3	0.3	1.0	1.1
Other Taxes	0.4	0.0	0.1	0.4	0.6
Grants	1.0	0.0	0.1	0.1	0.1
Other Revenue	5.5	1.4	1.6	7.0	6.2
Expenditure	30.6	9.6	10.5	30.8	31.3
Wages & Salaries	8.2	3.3	3.0	7.7	7.7
Purch. of G. & S.	1.3	0.4	0.4	1.5	1.5
Interest Payments	7.9	2.8	3.4	8.6	8.8
Subsidies, grants & social benefits	8.2	1.8	2.1	8.1	8.4
Other Expenditure	5.1	1.4	1.6	4.9	4.9
Fiscal Balance	-11.5	-4.4	-4.9	-8.9	-11.8
Primary Balance	-3.6	-1.6	-1.5	-0.2	-3.0
Fiscal Balance *	-12.5	-4.5	-5.0	-9.0	-11.9
Primary Balance *	-4.6	-1.7	-1.6	-0.3	-3.0

*: Excluding grants

Revenue, Expenditure & Fiscal Deficit (12-M Rolling Sum, as % of GDP)



	22 Feb.	3-M F	6-M F	12-M F
1-m CAIBOR (%)	9.3	8.3	8.0	8.8
EGP/USD	7.83	8.10	8.50	9.00
Sov. Spread (2020. bps)	461	400	300	220

	22 Feb.	1-W %	YTD %	2-Y %
HERMES 100	554	4.4	-12.0	-29.0

	12/13	13/14	14/15	15/16F	16/17F
Real GDP Growth (%)	2.1	2.1	4.2	3.8	4.5
Inflation (eop. %)	9.8	8.2	11.4	12.5	10.5
Cur. Acct. Bal. (% GDP)	-2.2	-0.9	-3.7	-5.0	-3.5
Fiscal Bal. (% GDP)	-13.0	-12.2	-11.5	-11.8	-10.0

A negative fiscal performance in the first 5 months of the fiscal year, with the underlying 12-month rolling deficit reaching the unsustainable level of 13.0% of GDP in November. The fiscal deficit widened by 0.5 pp y-o-y to 4.9% of GDP in 5M:15/16 (July-November 2015), as expenditure rose at a faster pace than revenue.

The rise in expenditure reflects: i) a sharp increase in interest payments, on the back of ballooning stock of public debt and rising cost of borrowing; ii) higher electricity & food subsidies and grants to the pension Fund; and iii) higher capital spending, in an election year. Expenditure would have been even higher had the wage bill not increased at a slower pace (down 0.3 pps of GDP y-o-y), on the back of a base effect from the sharp hike in the minimum wage for the public sector by 70% to EGP 1.2k (EUR 126) in early-H2:13/14 (January 2014), estimated to have cost 1.8 pps of GDP.

The positive revenue performance was driven by: i) higher CBE dividends; ii) improved tax on goods & services; and iii) full disbursement of grants from Gulf countries planned for FY:15/16 (a mere 0.1 pp of GDP in 5M:15/16 against 0% in 5M:14/15.

As a result, the 12-month rolling fiscal deficit widened to 11.9% of GDP in November from 11.5% in June (end-2014/15) – far above the FY:15/16 target of 8.9%. Without the support from Gulf countries, the 12-month rolling deficit would have increased to 13.0% of GDP in November from 12.5% of GDP at end-2014/15.

The envisaged fiscal consolidation in 2015/16 requires additional corrective fiscal measures. The 2015/16 Budget envisages a fiscal tightening, targeting a deficit of 8.9% of GDP compared with the FY:14/15 outcome of 11.5%. In view of the negative y-t-d performance and unrealistic 2015/16 Budget assumptions, the fiscal deficit target is set to be missed by a wide margin.

Indeed, the envisaged increase in tax revenue (up 38.1% versus the FY:14/15 outcome) appears highly over-optimistic, in view of the projected nominal GDP growth (16.2%) and the absence of significant revenue-enhancing measures. The only measure envisaged for this fiscal year is the replacement of Egypt's current complex sales taxes by a VAT (projected to boost budget revenue by EGP 32.0bn or 1.7% of GDP). However, the implementation of this measure, set to take effect last July (early-2015/16), was postponed until after the general elections (held between October 17th and December 18th). Even under the assumption that the new VAT takes effect from March 1st, we expect a revenue shortfall of 2.4 pps of GDP.

On the other hand, the expenditure target (up 17.9% compared with the FY:14/15 outcome) also appears unattainable, in view of higher-than-budgeted subsidies, social benefits, and interest payments. Indeed, the positive impact on fuel subsidies from weaker-than-projected global oil prices will be more than offset by the negative impact from the anticipated devaluation of the domestic currency, especially on food subsidies (the authorities will bear the brunt of the devaluation on basic household goods). Moreover, interest payments will exceed their target, as the CBE remains on a tightening bias and the stock of debt continues to increase. Social benefits are also expected to surpass their target in this election year.

Overall, unless additional revenue-enhancing and expenditure-saving measures are introduced by June, the fiscal deficit is set to exceed not only its target of 8.9% of GDP, but also the FY:14/15 outcome of 11.5% of GDP. Without additional measures and in the absence of assistance from Gulf countries (down 0.9 pps y-o-y to 0.1% of GDP this fiscal year), we see the fiscal deficit at 11.8% of GDP. However, excluding grants, the deficit is set to slow slightly to 11.9% of GDP from 12.5% in FY:14/15.

FOREIGN EXCHANGE MARKETS, FEBRUARY 22ND 2016

Against EUR

	Currency	2016 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**	2015 % change*	2014 % change*
Albania	ALL	137.4	0.6	-0.2	-0.2	2.1	137.5	139.5	138.0	137.9	137.3	2.0	0.1
Brazil	BRL	4.35	2.7	1.5	-1.2	-25.0	4.28	4.55	4.98	4.97	4.97	-25.2	1.0
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	7.18	0.8	-1.1	-2.0	-1.4	6.99	7.46	7.41	7.41	7.42	6.7	10.8
Egypt	EGP	8.59	1.3	-2.1	-1.3	0.5	8.26	9.09	9.41	- - -	- - -	2.1	10.6
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	75.5	0.5	-3.5	-4.9	-6.4	71.3	77.8	81.8	- - -	- - -	6.6	12.3
Romania	RON	4.47	-0.1	1.3	1.1	-0.3	4.46	4.56	4.48	4.49	4.51	-0.8	-0.5
Russia	RUB	82.7	3.8	2.0	-4.1	-15.1	78.1	93.8	85.0	87.1	91.8	-15.1	-32.8
Serbia	RSD	123.2	-0.4	-0.3	-1.4	-2.4	121.6	123.4	124.1	125.0	- - -	-0.1	-5.6
S. Africa	ZAR	16.8	4.7	6.0	0.2	-20.9	16.71	18.58	17.1	17.5	18.2	-16.6	3.0
Turkey	YTL	3.24	1.4	0.0	-2.2	-13.9	3.17	3.35	3.33	3.42	3.62	-10.8	4.4
Ukraine	UAH	28.5	0.5	-7.1	-8.5	7.4	25.06	29.36	35.3	- - -	- - -	-27.5	-40.8
US	USD	1.10	1.2	-2.1	-1.5	3.2	1.1	1.1	1.11	1.11	1.12	11.4	13.6
JAPAN	JPY	124.5	2.7	3.0	4.8	8.8	123.5	132.3	124.4	124.4	124.2	11.0	-0.1
UK	GBP	0.78	-0.8	-2.8	-5.4	-5.2	0.7	0.8	0.78	0.78	0.79	5.3	7.0

* Appreciation (+) / Depreciation (-)

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

MONEY MARKETS, FEBRUARY 22ND 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EA	US
O/N	1.8	14.1	0.0	1.9	- - -	8.9	- - -	- - -	0.4	- - -	- - -	11.3	7.1	19.3	- - -	0.4
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	0.4	- - -	2.8	- - -	7.3	- - -	- - -	- - -
S/W	1.9	14.1	0.0	2.3	-0.3	9.1	1.2	- - -	- - -	- - -	2.9	- - -	7.6	20.5	-0.3	0.4
1-Month	2.1	14.1	0.1	2.8	-0.3	9.3	1.5	7.3	0.5	- - -	3.1	11.9	7.2	22.5	-0.3	0.4
2-Month	- - -	14.2	0.1	- - -	-0.2	- - -	- - -	- - -	- - -	- - -	3.2	11.9	7.5	- - -	-0.2	0.5
3-Month	2.5	14.2	0.2	2.9	-0.2	9.3	1.8	8.1	0.8	- - -	3.3	12.0	8.2	23.8	-0.2	0.6
6-Month	2.6	14.2	0.5	3.1	-0.1	- - -	2.1	- - -	1.0	- - -	3.5	12.0	8.1	- - -	-0.1	0.9
1-Year	2.8	14.3	1.1	3.2	0.0	- - -	2.6	- - -	1.2	- - -	- - -	12.1	8.8	- - -	0.0	1.2

LOCAL DEBT MARKETS, FEBRUARY 22ND 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	- - -	- - -	- - -	- - -	- - -	11.0	- - -	7.3	- - -	12.0	3.2	9.4	- - -	- - -	-0.4	0.3
6-Month	1.6	- - -	- - -	- - -	- - -	11.5	2.1	7.3	0.5	12.1	3.5	10.1	- - -	- - -	-0.4	0.5
12-Month	1.9	- - -	0.1	2.3	- - -	11.8	2.5	7.3	0.7	9.8	4.4	10.9	- - -	6.3	-0.5	0.5
2-Year	3.0	- - -	- - -	2.5	- - -	- - -	2.0	7.4	1.0	9.9	- - -	10.9	8.1	- - -	-0.5	0.8
3-Year	- - -	- - -	0.4	2.6	- - -	- - -	2.7	7.6	1.3	10.1	- - -	10.7	8.5	- - -	-0.5	0.9
5-Year	- - -	15.2	- - -	2.7	- - -	13.7	2.7	7.8	2.2	10.0	6.3	10.6	8.7	- - -	-0.3	1.2
7-Year	- - -	- - -	1.6	- - -	3.8	14.9	- - -	8.1	2.7	10.1	- - -	- - -	- - -	- - -	-0.2	1.5
10-Year	- - -	15.5	2.5	2.9	- - -	15.8	3.8	7.8	3.5	10.1	- - -	10.5	9.2	- - -	0.2	1.8
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	4.0	8.3	- - -	9.9	- - -	- - -	9.6	- - -	0.5	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	9.9	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	8.4	- - -	- - -	- - -	- - -	10.0	- - -	0.9	2.6

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

SOVEREIGN EUROBOND SUMMARY, FEBRUARY 22ND 2016

	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	4.8	546	483
Brazil 12.75% '20	USD	BB+/Baa3	15/1/2020	234	5.4	448	497
Brazil 4.875% '21	USD	BB+/Baa3	22/1/2021	2,988	5.8	451	444
Brazil 8.75% '25	USD	BB+/Baa3	4/2/2025	969	7.0	524	576
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	0.6	110	75
Bulgaria 2.0% '22	EUR	BB+/Baa2	26/3/2022	1,250	1.8	204	160
Bulgaria 2.95% '24	EUR	BB+/Baa2	3/9/2024	1,493	2.5	246	212
Bulgaria 2.62% '27	EUR	BB+/Baa2	26/3/2027	1,000	2.9	269	216
Bulgaria 3.12% '35	EUR	BB+/Baa2	26/3/2035	900	4.0	322	272
China 4.375% '23	USD	AA-/Aa3	2/5/2023	500	3.7	196	236
China 7.5% '27	USD	AA-/Aa3	28/10/2027	100	3.4	163	207
Cyprus 4.75% '19	EUR	B+/NA	25/6/2019	566	2.8	329	300
Cyprus 4.62% '20	EUR	B+/B3	3/2/2020	770	3.6	408	372
Cyprus 3.875% '22	EUR	NA/B3	6/5/2022	1,000	3.8	408	359
Cyprus 4.25% '25	EUR	NA/B1	4/11/2025	1,000	4.2	400	362
Egypt 5.75% '20	USD	B-/B3	29/4/2020	1,000	5.8	461	471
Egypt 5.875% '25	USD	B-/B3	11/6/2025	1,500	8.4	665	607
Egypt 6.875% '40	USD	B-/B3	30/4/2040	500	9.0	635	577
FYROM 4.875% '20	EUR	BB-/NA	1/12/2020	270	5.0	570	489
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	5.0	586	577
Romania 4.875% '19	EUR	BBB-/Baa3	7/11/2019	1,500	0.7	114	83
Romania 4.62% '20	EUR	BBB-/Baa3	18/9/2020	2,000	0.9	127	103
Romania 4,375% '23	USD	BBB-/Baa3	22/8/2023	1,500	3.4	188	205
Romania 3.625% '24	EUR	BBB-/Baa3	24/4/2024	1,250	2.3	236	199
Romania 6.125% '44	USD	BBB-/Baa3	22/1/2044	1,000	4.8	221	305
Russia 3.5% '19	USD	BB+/Ba1	16/1/2019	1,500	3.7	277	273
Russia 5% '20	USD	BB+/Ba1	29/4/2020	3,500	3.9	270	292
Russia 4.5% '22	USD	BB+/Ba1	4/4/2022	2,000	4.3	278	301
Russia 4.875% '23	USD	BB+/Ba1	16/9/2023	3,000	4.5	299	309
Russia 12.75% '28	USD	BB+/Ba1	24/6/2028	2,500	5.8	405	552
Russia 5.625% '42	USD	BB+/Ba1	4/4/2042	3,000	6.0	337	371
Russia 5.875% '43	USD	BB+/Ba1	16/9/2043	1,500	6.1	347	384
Serbia 4.875% '20	USD	BB-/B1	25/2/2020	1,500	4.3	308	328
Serbia 7.25% '21	USD	BB-/B1	28/9/2021	2,000	4.7	349	371
Serbia 5% '24	USD	BB-/NA	11/4/2024	125	3.8	389	356
S. Africa 6.875% '19	USD	BBB-/Baa2	27/5/2019	2,000	4.0	306	315
S. Africa 5.875% '25	USD	BBB-/Baa2	16/9/2025	2,000	5.2	341	365
S. Africa 6.25% '41	USD	BBB-/Baa2	8/3/2041	750	5.9	329	388
Turkey 5.875% '19	EUR	NR/Baa3	2/4/2019	1,250	1.9	240	217
Turkey 7% '20	USD	NR/Baa3	5/6/2020	2,000	4.1	290	323
Turkey 6.25% '22	USD	NR/Baa3	26/9/2022	2,500	4.7	317	351
Turkey 4.125% '23	EUR	NR/Baa3	11/4/2023	1,000	3.4	356	316
Turkey 5.75% '24	USD	NA/Baa3	22/3/2024	2,500	4.9	337	350
Turkey 7.375% '25	USD	NR/Baa3	5/2/2025	3,250	5.0	325	378
Turkey 4.25% '26	USD	NA/Baa3	14/4/2026	1,500	5.0	326	322
Turkey 11.875% '30	USD	NR/Baa3	15/1/2030	1,500	5.3	352	481
Turkey 8% '34	USD	NR/Baa3	14/2/2034	1,500	5.8	403	438
Turkey 6.875% '36	USD	NR/Baa3	17/3/2036	2,750	5.9	327	411
Turkey 7.25% '38	USD	NR/Baa3	5/3/2038	1,000	5.9	328	422
Turkey 6.75% '40	USD	NR/Baa3	30/5/2040	2,000	5.9	330	407
Turkey 6.75% '41	USD	NR/Baa3	14/1/2041	3,000	5.9	327	379
Ukraine 7.75% '19	USD	B-/Caa3	1/9/2019	1,155	10.7	981	908
Ukraine 7.75% '20	USD	B-/Caa3	1/9/2020	1,531	10.4	913	862
Ukraine 7.75% '21	USD	B-/Caa3	1/9/2021	1,378	10.3	904	836
Ukraine 7.75% '22	USD	B-/Caa3	1/9/2022	1,355	10.2	867	813
Ukraine 7.75% '23	USD	B-/Caa3	1/9/2023	1,330	10.1	857	791

CORPORATE BONDS SUMMARY, FEBRUARY 22ND 2016

		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	6.0	647	587
	Bulgarian Telecom. 6.625% '18	EUR	B-/B1	15/11/2018	400	7.3	777	713
Cyprus	Aroundtown Property 3% '21	EUR	NA/NA	9/12/2021	200	3.7	396	341
Russia	Gazprom 8.2% '19	RUB	BB+/NA	9/4/2019	10,000	10.6	93	- - -
	Gazprom 8.9% '21	RUB	BB+/NA	26/1/2021	10,000	11.4	136	- - -
South Africa	FirstRand Bank Ltd 4.375% '16	USD	BBB-/Baa2	9/6/2016	342	4.4	409	377
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	1.0	148	111
Turkey	Vakiflar Bankasi 3.5% '19	EUR	NA/Baa3	17/6/2019	500	3.3	382	341
	Garanti Bankasi 3.38%'19	EUR	NA/Baa3	8/7/2019	500	3.2	373	332
	Arcelik AS 3.875% '21	EUR	BB+/NA	16/9/2021	350	4.2	446	399
	Turkiye Is Bankasi 6% '22	USD	NA/Ba3	24/10/2022	1,000	6.4	460	489

CREDIT DEFAULT SWAP SPREADS, FEBRUARY 22ND 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	447	170	134	- - -	484	- - -	- - -	129	319	284	293	332	- - -
10-Year	- - -	516	218	178	- - -	496	- - -	- - -	173	373	325	346	387	- - -

STOCK MARKETS PERFORMANCE, FEBRUARY 22ND 2016

	2016								2015		2014	
	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)	43,235	7.8	13.7	-0.3	-15.6	37,046	43,349	-0.8	-13.3	-35.3	-2.9	-2.0
Bulgaria (SOFIX)	447	0.5	0.5	-3.1	-8.5	441	462	-3.1	-11.7	-11.7	6.2	6.2
China (SHCOMP)	2,927	6.6	0.4	-18.1	-9.8	2,638	3,539	-19.2	9.4	16.5	52.9	69.5
Cyprus (CSE GI)	65	2.3	-2.0	-3.3	-14.6	64	68	-3.3	-20.9	-20.9	-17.0	-17.0
Egypt (HERMES)	554	4.4	6.4	-12.0	-36.6	521	636	-12.0	-24.4	-25.7	23.5	36.6
F.Y.R.O.M (MBI)	1,804	0.3	-0.3	-1.6	-1.7	1,776	1,842	-1.6	-0.6	-0.6	6.1	6.1
India (SENSEX)	23,789	1.0	-2.6	-8.4	-18.6	22,600	30,025	-11.9	-5.0	0.7	29.9	44.7
Romania (BET-BK)	1,218	1.8	-1.1	-9.2	-11.6	1,171	1,329	-8.0	2.6	1.6	3.7	3.5
Russia (RTS)	3,988	4.9	4.3	0.7	0.6	3,509	3,982	-2.4	30.3	9.5	-6.9	-37.4
Serbia (BELEX-15)	586	0.4	1.6	-7.2	-11.4	570	637	-8.4	-3.4	-3.5	19.5	12.8
South Africa (FTSE/JTS)	49,113	-1.5	3.0	-3.3	-7.4	45,976	50,694	-1.9	1.9	-15.1	7.6	10.9
Turkey (ISE 100)	74,894	5.5	6.6	2.3	-12.4	68,230	74,894	0.8	-16.3	-25.4	26.4	32.0
Ukraine (PFTS)	240	0.6	0.1	-0.3	-44.6	236	246	-8.6	-37.8	-54.8	28.7	-24.2
MSCI EMF	749	3.1	5.5	-5.3	-23.9	687	794	-6.1	-17.0	-7.5	-4.6	8.2
MSCI EAFE	1,573	2.2	0.3	-8.9	-15.7	1,492	1,716	-9.7	-3.3	7.7	-7.3	5.8
Greece (ASE-General)	488	0.0	-8.7	-20.1	-42.9	421	627	-20.1	-23.6	-23.6	-28.9	-28.9
Germany (XETRA DAX)	9,574	4.0	-2.0	-10.9	-13.4	8,699	10,486	-10.9	-4.9	-4.9	2.7	2.7
UK (FTSE-100)	6,038	3.7	2.3	-3.8	-12.7	5,500	6,242	-8.9	-4.9	0.1	-2.7	4.1
Japan (NIKKEI-225)	16,111	0.6	-5.0	-15.4	-12.1	14,866	18,951	-10.4	9.1	20.2	7.1	7.0
USA (DJ INDUSTRIALS)	16,621	4.0	3.3	-5.6	-8.4	15,370	18,351	-6.4	-2.2	9.3	7.5	22.2
USA (NASDAQ 100)	1,946	4.3	2.0	-5.7	-7.8	1,810	2,135	-6.5	-0.7	10.9	11.4	26.6