South Eastern Europe and Mediterranean Emerging Market Economies

Weekly Report

2 – 8 February 2016

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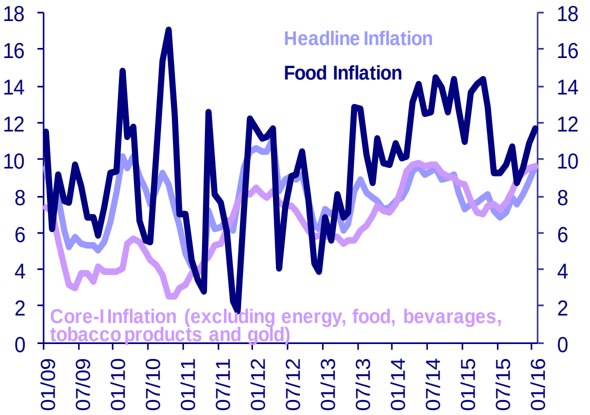
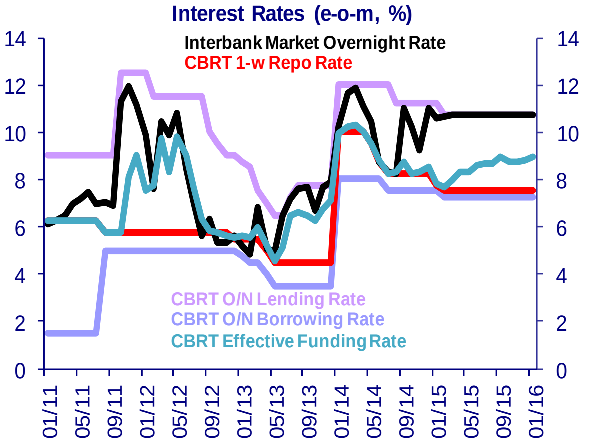
Turkey

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

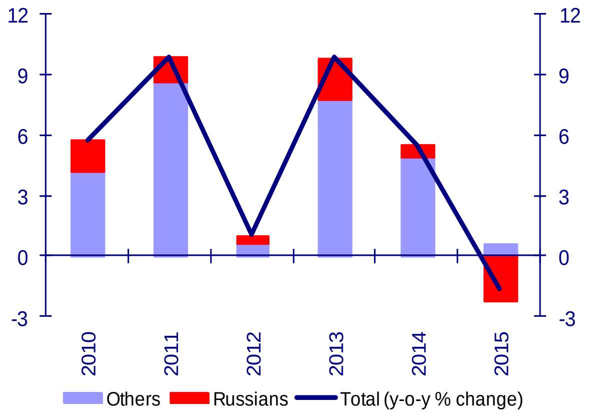
Headline & Core CPI (y-o-y % change)



Interest Rates (e-o-m, %)



Contribution Rates to Tourist Arrivals Growth (pps)



	8 Feb.	3-M F	6-M F	12-M F
1-m TRIBOR (%)	11.9	11.5	11.0	10.5
TRY/EUR	3.30	3.32	3.34	3.40
Sov. Spread (2019, bps)	233	220	200	170

	8 Feb.	1-W %	YTD %	2-Y %
ISE 100	72,005	-2.0	-1.6	11.4

	2013	2014	2015E	2016F	2017F
Real GDP Growth (%)	4.2	2.9	3.4	3.2	3.6
Inflation (eop, %)	7.4	8.2	8.8	8.4	7.5
Cur. Acct. Bal. (% GDP)	-7.9	-5.8	-4.5	-4.2	-5.0
Fiscal Bal. (% GDP)	-1.2	-1.3	-1.2	-1.5	-1.2

Headline inflation rises to a 20-month high of 9.6% y-o-y in January from 8.8% in December. The main factors behind the sharp increase were the pass-through from a weak exchange rate, as well as higher food prices and tax hikes. Indeed, food inflation rose to 11.7% y-o-y in January from 10.9% in December, reflecting adverse weather conditions and rising meat prices. Moreover, prices of tobacco and alcoholic beverages rose by 11.2% y-o-y in January against an increase of 5.7% in December, due to higher tax rates.

Core inflation deteriorated further, on the back of a stronger pass-through from a weaker TRY (the depreciation of the TRY against the basket accelerated to 19.5% y-o-y from 16.0% y-o-y in December). The CBRT's favourite core inflation measures, i.e., CPI-H and CPI-I rose to a 12-month high of 9.4% y-o-y and a 17-month high of 9.6% y-o-y, respectively, in January from 9.3% and 9.5% in December.

Looking ahead, we expect inflation to ease, mainly on the back of: i) a normalization in agricultural production, set to bring down food inflation to its long-term average of 9.0%; and ii) a softer depreciation of the TRY. However, the easing will be held back by protracted second-round effects from the 30% hike of the minimum wage from January 1st. Overall, we see headline inflation ending 2016 at 8.4% y-o-y, slightly below the end-2015 outcome of 8.8% but well above the CBRT's target of 5.0% and revised forecast of 7.5% (from 6.5%).

Despite the challenging inflation outlook and the tightening of global liquidity conditions, the CBRT appears reluctant to hike its interest rates and simplify its monetary policy framework. In our view, at least until the possible change in its management in April, the CBRT will: i) maintain unchanged its key rate (1-week repo rate) and interest rate corridor (overnight deposit and overnight lending rates) at 7.5% and 7.25%-10.75%, respectively; and ii) increase further its effective funding rate (currently at 9.1%) towards the upper bound of its interest rate corridor (10.75%) in an effort to dampen TRY volatility.

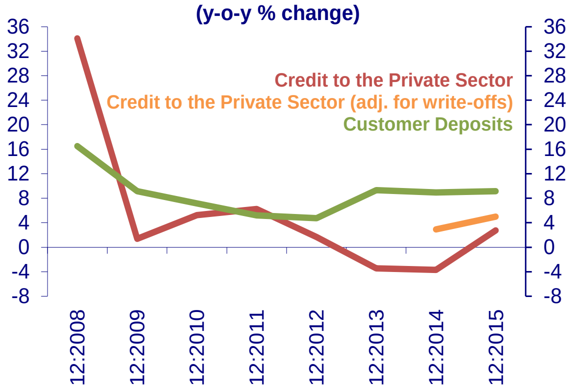
The tourism industry posted the worst performance in 9 years in 2016, due to the Russian economic downturn and security concerns. Tourist arrivals declined by 1.6% to 36.2mn in FY:15, following a rise of 5.5% in FY:14. The negative performance in FY:15 was due to a sharp decline in arrivals from Russia -- the second largest source country after Germany, accounting for 12.2% of total arrivals in 2014 – and a significant slowdown in arrivals from other countries. Indeed, the number of Russian tourists declined sharply by 18.5% y-o-y in FY:15 (shaving 2.3 pps off overall arrivals growth) following an increase of 4.9% in 10M:14. The decline reflects the sharp economic recession in Russia (-3.7% in FY:15), the significant depreciation of the RUB (37.0% and 22.0% y-o-y, respectively, against the USD and the TRY in FY:15), and the recent Russian sanctions following Turkey's downing of a Russian military jet in late-November. Tourist arrivals, excluding Russians, rose by a mere 0.7% y-o-y in FY:15 compared with an increase of 5.6% in FY:14, due to heightening security concerns, especially after the Government's involvement in the war against the ISIS and the collapse of a 2-year ceasefire with the PKK militant group.

Available tourist receipts figures show that the decline in tourist arrivals in 11M:15 was accompanied by an even sharper decrease in spending per tourist (by 8.5% y-o-y to USD 732 in the same period), leading to a decline in overall revenue of 9.7% y-o-y in 11M:15. The slide in spending per tourist reflects the fall in the number of high-spending Russian tourists and a reduction in prices of holiday packages in an effort to make the country a more attractive destination. We estimate overall tourism receipts to have receded by around 10.0% y-o-y or USD 2.9bn y-o-y to USD 26.6bn (3.7% of GDP) in FY:15.

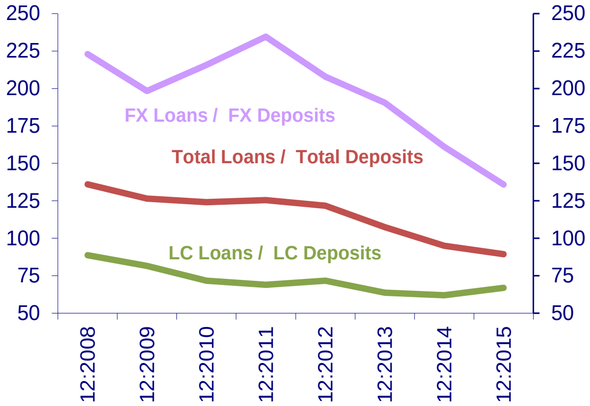
Romania

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

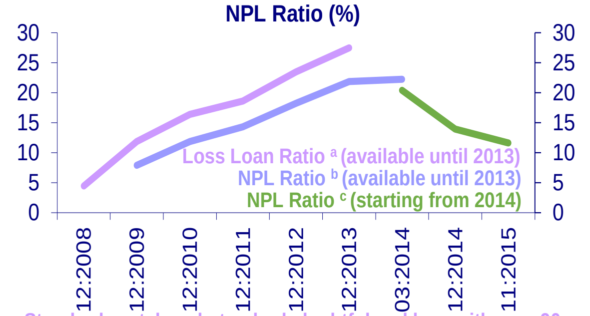
Credit to the Private Sector & Customer Deposits (y-o-y % change)



Loans / Deposits (%)



NPL Ratio (%)



a: Standard, watch, substandard, doubtful and loss with over 90, 60, 30, 15 and 0 dpd, respectively

b: Sample Banks using the standard approach in credit risk assessment

c: All Banks using the standard approach in credit risk assessment

	8 Feb.	3-M F	6-M F	12-M F
1-m ROBOR (%)	0.5	1.2	1.5	1.8
RON/EUR	4.48	4.52	4.51	4.50
Sov. Spread (2024, bps)	226	210	180	150

	8 Feb.	1-W %	YTD %	2-Y %
BET-BK	1,220	-2.0	-9.1	-2.6

	2013	2014	2015E	2016F	2017F
Real GDP Growth (%)	3.4	2.8	3.6	4.5	3.4
Inflation (eop, %)	1.6	0.8	-0.9	0.0	2.0
Cur. Acct. Bal. (% GDP)	-1.1	-0.5	-1.0	-1.9	-2.4
Fiscal Bal. (% GDP)	-2.5	-1.9	-1.2	-3.0	-2.3

Credit to the private sector, adjusted for large write-offs and NPL sales, is estimated to have posted robust growth of c. 5.0% in FY:15. Credit to the private sector expanded by 2.7% y-o-y at end-2015 compared with a decline of 3.7% at end-2014. However, adjusted for large write-offs and NPL sales, which have pushed down the NPL ratio to 11.7% in November from its estimated peak of 20.7% in early-2014, the pace of expansion in credit to the private sector is estimated to be understated by c. 2.5 pps.

From a currency perspective, despite the interest rate differential between LC and FX loans (115 bps), FX lending continued to decline (down 17.8% y-o-y at end-2015 following a drop of 14.2% at end-2014), reflecting the NBR's measures to curtail FX lending (strict stress tests for unhedged borrowers and higher down-payments on unhedged FX mortgage loans). At the same time, LC lending gained momentum (up 18.8% y-o-y at end-2015 against 7.9% at end-2014), on the back of the continuing decline in lending rates (down by 105 bps in 11M:15 following a decline of 130 bps in FY:14). The latter is attributed to the NBR's monetary policy easing (the policy rate was reduced by 100 bps in FY:15 following cuts of 125 bps in FY:14) and ample RON liquidity (see below). From a segment perspective, retail lending picked up (up 5.7% y-o-y at end-2015 against a decline of 1.1% at end- 2014), with corporate lending also showing signs of improvement (down 0.1% y-o-y at end-2015 following a decline of 6.1% at end-2014).

Deposit growth maintains its momentum in FY:15, in line with strong economic activity. Customer deposits rose by 9.1% y-o-y at end-2015 following a broadly similar increase at end-2014. Specifically, LC deposits (up 10.1% y-o-y at end-2015 against 10.9% at end-2014) continued to grow at a faster pace than FX deposits (up 7.2% y-o-y at end-2015 against 5.1% at end-2014), in line with the positive interest rate differential between LC and FX deposits (65 bps on time deposits). From a segment perspective, corporate deposits remained the main driver (up 13.9% y-o-y at end-2015 against 13.6% at end-2014), with retail deposits growing at a slower pace (up 6.3% y-o-y at end-2015 following a broadly similar increase at end-2014).

As a result, the gross loan-to-deposit ratio stood at 89.5% at end-2015 (79.0% on a net basis) compared with 95.0% at end-2014 and its peak of 126.7% in mid-2012. From a currency perspective, the RON deposit base remained more than adequate to meet the LC funding needs (the LC loan-to-deposit ratio reached 66.9% at end-2015 against 62.0% at end-2014). At the same time, albeit improving, the mismatch on the FX side remained large (the FX loan-to-deposit ratio fell to 135.8% at end-2015 from 161.1% at end-2014 and 232.4% in mid-2012).

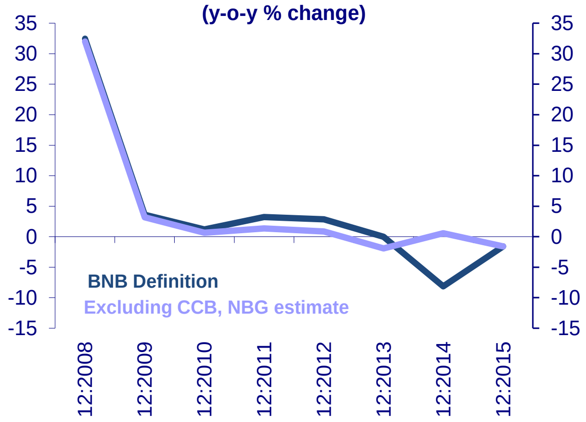
Credit activity is set to gain momentum in FY:16. Looking ahead, lending activity is set to improve, in line with the country's low penetration rate (c. 30.0% of GDP) and the expected response from banks to the continued decline in NPLs. The envisaged portfolio clean-up, in the aftermath of the ongoing asset quality review (AQR), should also encourage banks to increase lending. All said, we expect credit to the private sector to expand by 5.0-6.0% in FY:16 (up 6.5-8.0% adjusted for write-offs and NPL sales).

Growth in credit to the private sector could be curtailed significantly, however, should the "Giving in Payment Law" (GPL) come into force. The GPL limits eventual seizures by banks to the underlying collateral. The NBR and banks have opposed the law, on the basis that it will make borrowing more expensive, thus prompting the latter to increase the required down-payment on new mortgage loans. Note that the adoption of the GPL is still pending, as the President has returned it to Parliament for review.

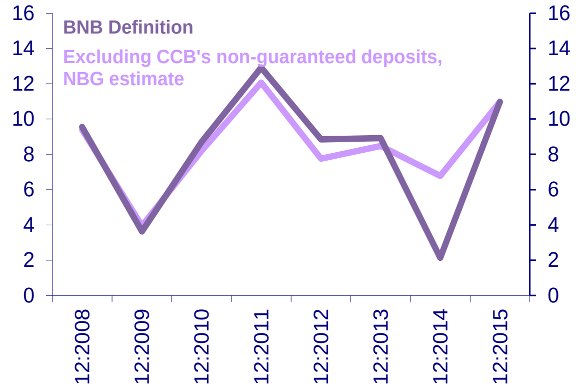
Bulgaria

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

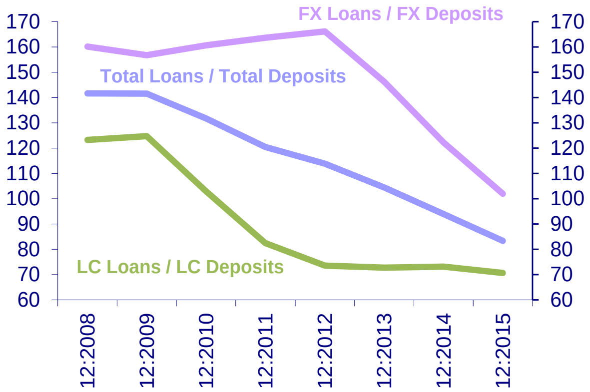
Credit to the Private Sector (y-o-y % change)



Customer Deposits (y-o-y % change)



Loans / Deposits (%)



	8 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)	189	170	150	120

	8 Feb.	1-W %	YTD %	2-Y %
SOFIX	448	-1.3	-2.8	-20.2

	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	1.0	1.8	1.1
Fiscal Bal. (% GDP)	-1.8	-3.7	-2.7	-2.0	-1.5

Lending activity remains constrained in FY:15 due to tight credit standards and weak loan demand. Credit to the private sector contracted by 1.6% y-o-y at end-2015 following a drop of 8.2% at end-2014. Recall that the sharp decline in credit activity at end-2014 was due to the exclusion of the Corporate Commercial Bank (CCB) from the central bank's data, following the former's bankruptcy. Adjusting for CCB, credit to the private sector was up by a mere 0.6% at end-2014.

Specifically, FX lending continued to decline sharply (down 11.4% y-o-y at end-2015 following a decline of 5.4% at end-2014), despite the lower interest rates offered (4.6% for FX loans against 7.0% for LC loans) and the absence of FX risk. At the same time, LC lending growth maintained its momentum (up 10.5% y-o-y at end-2015 against 9.1% at end-2014), on the back of ample BGN liquidity (see below). From a segment perspective, lending to both the retail and corporate sectors declined at end-2015 (by 0.9% and 1.9% y-o-y, respectively, against a decline of 1.2% and a rise of 1.6% at end-2014).

In our view, the sluggish credit activity is due to both tight standards by banks and weak loan demand. Indeed, although the NPL ratio must have reached its peak, it is yet to show signs of sustained easing. Note that the implementation of the EU's Regulation on Supervisory Reporting by the BNB as of January 2015 brought changes to the reporting of loans, which, in turn, makes it difficult to compare with data prior to 2015. According to the new reporting standards, the NPL ratio stood at 15.9% at end-2015, only slightly lower compared with early-2015 (16.5%). In this context, banks continued to hold back credit in view of the need to restore the health of their balance sheets, as well as still uncertain economic and financial conditions. At the same time, loan demand remained subdued, reflecting, *inter alia*, the sizeable debt of the private sector (57% of GDP against 35% in SEE-4).

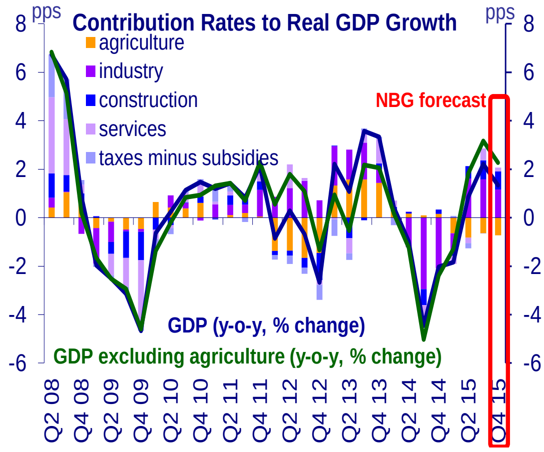
Growth in customer deposits picks up steam in FY:15. Customer deposits expanded by a strong 11.0% y-o-y at end-2015, following a rise of 2.1% (6.8% when adjusting for the "bail-in" of CCB's uninsured depositors) at end-2014, despite reduced competition by banks for deposits. Indeed, deposit spreads continued to ease (to -17 bps and -70 bps for LC and FX deposits in Q4:15, respectively, from -70 bps and -135 bps in Q4:14). In this context, LC deposits remained the main driver (up 14.4% y-o-y at end-2015), in line with the higher rates offered (1.3% for LC time deposits versus 1.1% for FX time deposits), with FX deposits growing at a slower pace (up 6.3% y-o-y at end-2015). From a segment perspective, corporate deposits emerged as the main driver (up 18.9% y-o-y at end-2015 against 7.8% for retail deposits).

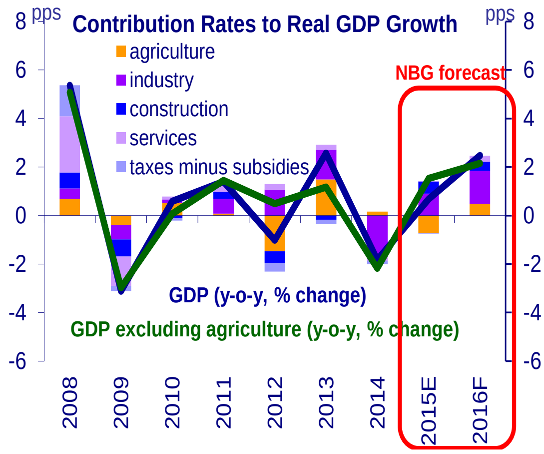
As a result, the gross loan-to-deposit ratio for the banking system stood at 88.3% at end-2015 (estimated c. 80.0% on a net basis), down from 94.0% at end-2014 and well below its mid-2009 level of 146.7%. This improvement was driven by the FX segment (the FX loan-to-deposit ratio fell to 101.9% at end-2015 from 122.3% at end-2014). At the same time, liquidity in the LC segment remained ample (the LC loan-to-deposit ratio stood at 70.7% at end-2015 against 73.2% at end-2014).

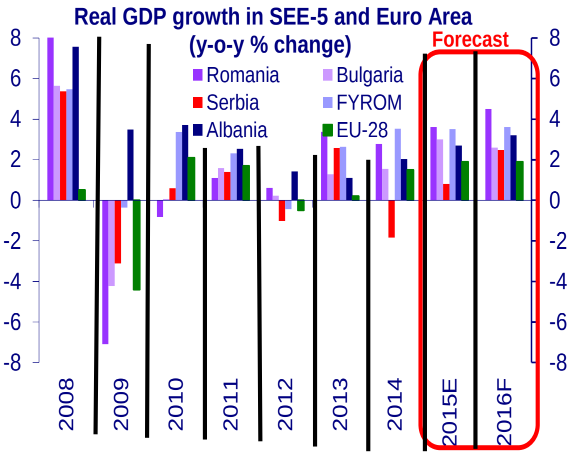
Credit activity is set to improve slowly in 2016. Looking ahead, we expect credit activity to recover moderately, supported by: i) the continuing, albeit modest, economic recovery; and ii) easing credit standards, in view of the decline in NPLs. The envisaged portfolio clean-up, in the aftermath of the pending asset quality review (AQR), should also encourage banks to increase lending. Against this backdrop, LC lending should remain the main driver, as FX lending will be constrained by the liquidity shortage in FX and limited support from foreign parent banks. All said, we expect credit to the private sector to expand by 3.0% in FY:16, still below deposit growth (up 8.0%).

Serbia

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







	8 Feb.	3-M F	6-M F	12-M F
1-m BELIBOR (%)	3.2	3.4	3.6	4.0
RSD/EUR	122.3	124.1	124.6	125.0
Sov. Spread (2021, bps)	357	280	240	180

	8 Feb.	1-W %	YTD %	2-Y %
BELEX-15	596	-2.0	-5.6	4.5

	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

Economic activity posted positive growth for a third consecutive quarter in Q4:15 (1.3% y-o-y). Activity grew by 1.3% y-o-y in Q4:15, according to the flash estimate, following a rise of 0.5% in 9M:15. This outcome brought FY:15 GDP growth to a positive (albeit weak) 0.8%, following a (flood-related) decline of 1.8% in FY:14. The FY:15 performance would have been even stronger had agricultural output not contracted (subtracting an estimated 0.7 pps from GDP growth in 2015 after having contributed 0.2 pps in 2014) and had significant fiscal consolidation measures not been implemented (including cuts in pensions and public sector wages and employment, as well as other cost-saving measures). Note that, despite the recovery, the 4-quarter rolling GDP remains 1.2% below its level before the devastating May 2014 floods and 0.8% below the pre-crisis peak in Q4:08.

A continued broad-based recovery in activity in Q4:15, with the exception of the agricultural sector. Though a detailed breakdown of the composition of output is not due until end-February, the construction sector is estimated to have provided a strong boost to activity in Q4:15, likely rising by double digits, after 3 years of decline. Construction is estimated to have been supported by the introduction, in April, of a law aimed at simplifying and accelerating the issuance of construction permits, and the intensification of infrastructure projects (with capital expenditure surging by 50% y-o-y in Q4:15, following a rise of just 1.7% in 9M:15), mainly in the transport infrastructure.

The pick-up in activity in Q4:15 was also underpinned by the full restoration of production (especially in coal extraction and energy), following the devastating May 2014 floods. In fact, industrial production figures suggest a surge in power generation and mining production (c. 18% and 10%, respectively, of industrial production, rising sharply by 35.0% and 22.5% y-o-y, respectively, in Q4:15 up from 13.4% and 6.5% in 9M:15).

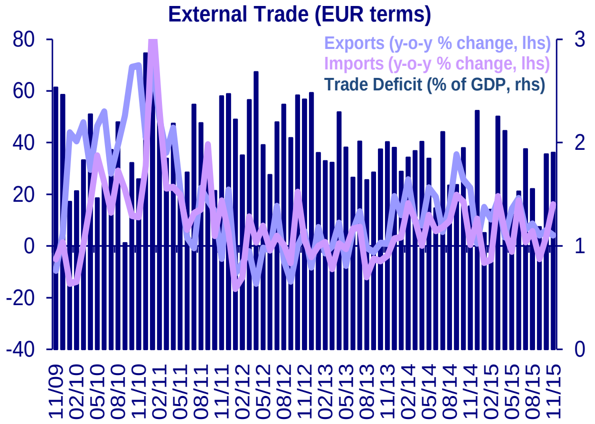
Moreover, the contribution of the service sector (51.1% of GDP) to overall growth is estimated to have turned positive in Q4:15, notwithstanding the continued fiscal tightening. This improvement reflects the positive impact from a looser monetary policy stance (an average *ex-post* real policy rate of 3.1% in Q4:15, far below 5.4% in 9M:15), combined with a continued plunge in oil prices and higher remittances and tourism inflows.

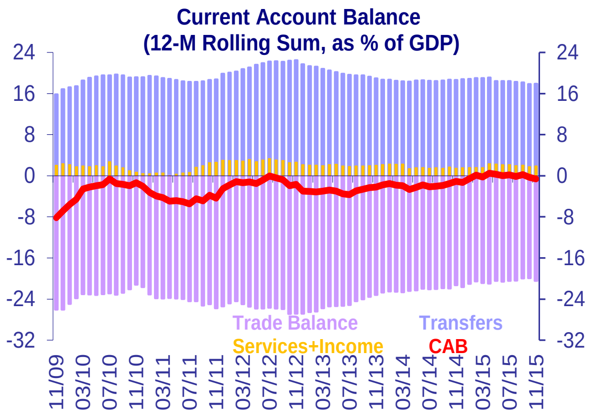
The Q4:15 performance would have been even stronger had agricultural output not suffered a persistent drought throughout the year. Excluding agriculture, real GDP is estimated to have grown at a faster pace, up 2.3% in Q4:15 against an increase of 1.3% in 9M:15.

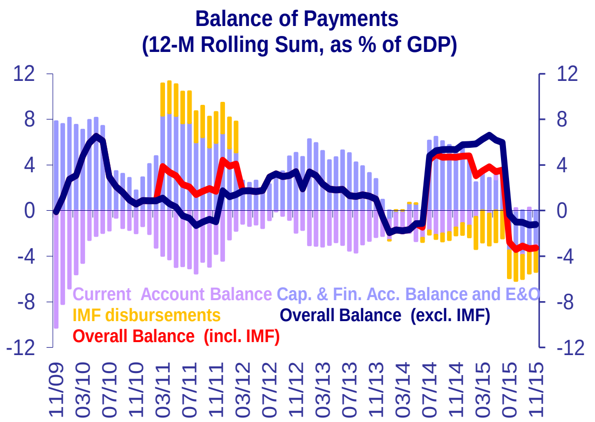
Economic activity is set to accelerate further this year. The acceleration in activity should be supported by: i) a less contractionary fiscal stance (with the primary fiscal deficit set to remain broadly stable in 2016 following a sharp contraction of 3.2 pps y-o-y in FY:15); ii) significant monetary policy easing (an estimated average *ex-post* real policy rate of 3.4% in FY:16, well below the 4.8% in FY:15); iii) improved agricultural production (set to contribute 0.5 pps to GDP growth this year after subtracting an estimated 0.7 pps in 2015); and iv) a continued recovery in the industrial sector. The latter is set to be driven by increased production in Serbia's steel plant Smederevo, following the launch of production in its second furnace in mid-October, combined with more favourable production costs (in line with low oil prices), the strengthening of investor confidence, assuming continued good relations with the IMF, structural reforms as well as improved EU prospects following the opening of the first EU membership Chapters in mid-December. Overall, we see FY:16 real GDP growth accelerating to (a 3-year high) of 2.0% from 0.8% in 2015 – slightly above the latest IMF forecast (of 1.8%).

F.Y.R.O.M.

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







	8 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)	573	520	450	350

	8 Feb.	1-W %	YTD %	2-Y %
MBI 100	1.809	-1.5	-1.3	6.2

	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

The current account deficit (CAD) narrowed by 0.7 pps y-o-y to 0.3% of GDP in 11M:15, mainly on the back of a strong trade performance. The CAD narrowed to 0.3% of GDP in 11M:15 from 1% in the same period of 2014. The main factor behind this improvement was the trade deficit, which narrowed markedly in 11M:15 (by 1.2 pps y-o-y to 18.1% of GDP), due to a significant increase in exports of goods (by 1.9 pps y-o-y to 31.6% of GDP). The latter benefited from the large extension of the country's export base, following the past years' significant FDI, mostly in the technological industrial development zones, in the flourishing sectors of machinery & transport equipment and chemical products (contributing 1.2 pps and 0.7 pps, respectively, to export growth). The export performance was also supported by stronger demand from Germany -- the country's main trading partner -- absorbing c. 45% of FYROM's exports (up 16.4% y-o-y in 11M:15). The narrowing in the trade deficit would have been larger, had non-energy imports not increased sharply (by 2.3 pps of GDP y-o-y in 11M:15), mainly reflecting the large import content of exports. The increase in overall imports was, however, contained by the significant decline in imports of energy (by 1.6 pps of GDP y-o-y), on the back of favourable global oil prices (the average price of Brent declined by 35.5% y-o-y, in EUR terms, in 11M:15). As a result, the 12-month rolling CAD narrowed to 0.6% of GDP in November from 1.3% at end-2014.

FX reserves declined in 11M:15, due to a base effect and the repayment of obligations to the IMF. The CFA balance deteriorated by 7.6 pps y-o-y to a deficit of 1.6% of GDP in 11M:15, mainly due to a significant decrease in (net) portfolio investment (to -0.3% of GDP from 5.7% of GDP in 11M:14), reflecting strong base effects from the placement of a sovereign Eurobond worth EUR 500mn (5.8% of GDP) in July 2014 (the country's largest ever Eurobond issue).

As a result, the overall balance posted a deficit of EUR 132.9mn (1.5% of GDP). The repayment, however, of the country's obligations to the IMF (amounting to EUR 157.6mn or 1.8% of GDP against an initially-planned EUR 115mn for this year or 1.3% of GDP), along with valuation effects, led FX reserves to decline by EUR 233mn y-t-d to EUR 2.2bn in November, covering 4.5 months of imports of GNFS.

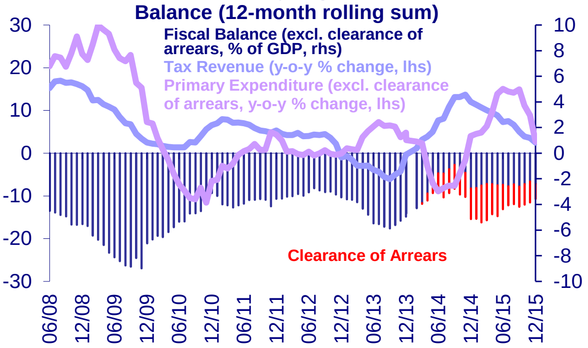
The CAD is set to widen to 1.0% of GDP in FY:16 from an estimated 0.4% of GDP in FY:15, in line with the recovery in domestic demand. Despite subdued global oil prices (the energy balance is projected to narrow by c. 0.6 pps of GDP in FY:16, assuming the average price of Brent declines to EUR 38/bbl from EUR 48/bbl in FY:15), we expect pressures on the trade deficit to increase gradually, reflecting the recovery in domestic demand.

Importantly, with no debt repayments to the IMF in FY:16 (against 1.8% of GDP in FY:15), filling the external financing gap should be manageable. Projecting that: i) net FDI inflows remain broadly unchanged (2.5% of GDP in FY:16 against an estimated 2.6% of GDP in FY:15), in view, *inter alia*, of the creation of two new plants by the automotive companies, Johnson Matthey (US) and Teknohose (Italy); ii) net portfolio investment retreats (to c. 0% of GDP in FY:16 from a projected 1.3% of GDP in FY:15 (note that a EUR 270mn Eurobond, equivalent to 3.1% of GDP, was issued at the beginning of December in view of the repayment of a maturing Eurobond on December 8th, worth EUR 150mn); and iii) the maturing external debt rollover rate remains broadly unchanged at FY:15 levels (92%), we foresee FX reserves declining moderately, by EUR 40mn to EUR 2.2bn at end-2016 (covering 4.4 months of GNFS imports), following an estimated decline of EUR 175mn in FY:15.

Albania

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

Tax Revenue, Primary Expenditure & Fiscal Balance (12-month rolling sum)



Consolidated Fiscal Balance (% of GDP)	2014	2015 Revised Budget	2015	2016 Budget	NBG 2016F
Revenue	26.2	27.2	25.8	27.4	26.1
Tax Revenue	24.0	24.3	23.5	24.7	23.9
PIT	2.1	2.2	2.0	2.1	1.9
CIT	1.5	1.6	1.7	1.6	1.7
VAT	8.8	9.0	8.6	9.1	8.7
Excises	2.9	3.1	2.7	2.9	2.5
Customs	0.4	0.4	0.4	0.4	0.4
Other taxes	8.2	8.1	8.1	8.6	8.6
Grants	0.7	0.8	0.6	0.9	0.6
Non-Tax Rev.	1.5	2.1	1.7	1.9	1.6
Expenditure	31.3	31.2	29.4	29.7	28.4
Current Exp.	24.4	25.1	23.7	25.2	24.3
Personnel	5.1	5.1	4.9	4.7	4.7
Operational	2.2	2.8	2.9	2.9	3.0
Subsidies	0.1	0.1	0.1	0.1	0.1
Social Insur.	9.9	9.8	9.4	10.0	9.7
Local Budget	2.3	2.8	2.3	3.2	2.7
Other Exp.	1.8	1.7	1.4	1.5	1.3
Int. Payments	2.9	2.8	2.6	2.8	2.8
Capital Exp.	4.3	4.3	4.1	4.0	3.8
Net Lending / Arrears	2.5	1.4	1.2	0.6	0.6
Contingency Reser.	0.0	0.3	0.3	0.2	0.0
Fiscal Bal.	-5.2	-4.0	-3.6	-2.3	-2.3
Primary Bal.	-2.3	-1.2	-0.9	0.6	0.6
Fiscal Bal. [a]	-2.7	-2.6	-	-2.3	-2.3
Primary Bal. [a]	0.1	0.2	0.3	0.6	0.6

a: excluding the clearance of arrears

	8 Feb.	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	2.3	2.2	2.2	2.2
ALL/EUR	138.4	139.2	138.2	139.0
Sov. Spread (bps)	561	500	450	400

	8 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 fiscal deficit outperformed its FY:15 target, as the revenue underperformance was offset by primary expenditure restraint and lower interest payments. The fiscal deficit (excluding the repayment of arrears) narrowed to 2.4% of GDP in FY:15 from 2.7% in FY:14 -- below its (revised) target of 2.6% of GDP. In fact, weaker-than-targeted revenue (down 0.4 pps of GDP y-o-y and 1.3 pps below the FY:15 target) was more than offset by lower-than-budgeted primary expenditure (0.5 pps of GDP below the FY:14 outcome and 1.4 pps below the target) and lower-than-projected interest payments (0.2 pps of GDP below the FY:15 target and the FY:14 outcome).

The poor revenue performance resulted from weak tax revenue (down 0.5 pps of GDP y-o-y and 1.3 pps below their target), despite the adoption of revenue-enhancing measures from January 1st (that were estimated to yield 1.1 pp of GDP). These measures comprised mainly increases in: i) the tax rate on income from bank deposits, dividends and capital gains, and gambling by 5 pps to 15% (0.3 pps of GDP); ii) the fuel tax (0.4 pps of GDP); and iii) the excise tax on cigarettes (0.3 pps of GDP). The poor revenue performance reflects: i) the decline in VAT revenue (by 0.3 pps of GDP y-o-y), driven by the drop in final consumption; ii) lower excise taxes (down 0.3 pps of GDP y-o-y); iii) weakness in administration and tax collection as well as tax compliance; and iv) lower royalties from the oil sector (down c. 53% y-o-y in 9M:15 to 0.3% of GDP), due to the decline in oil prices and production. The FY:15 revenue performance would have been worse had non-tax revenue not increased (up 0.3 pps of GDP y-o-y), supported by the sale of a telecom licence for ALL 1.8bn, or 0.1% of GDP.

On the other hand, the decline in primary expenditure (excluding the clearance of arrears) occurred despite the June 21st local elections and was broad-based. The positive spending performance resulted mainly from: i) lower capital spending (0.3 pps of GDP below the FY:14 outcome and its target); ii) lower social insurance (0.5 and 0.4 pps of GDP, respectively, below the FY:14 outcome and its target); iii) lower social assistance (0.4 and 0.3 pps below the FY:14 outcome and its target, respectively); and iv) lower spending by local governments (0.4 pps of GDP below the target).

Note that the fiscal deficit including the repayment of accumulated arrears (unpaid bills to businesses and VAT refunds) of ALL 17.2bn in FY:15 (1.2% of GDP, half the amount paid in FY:2014) narrowed at a faster pace. It moderated significantly, by 1.6 pps y-o-y to 3.6% of GDP in FY:15 -- below its target of 4.0% of GDP. Note that since March 2014, the Government has repaid arrears totalling ALL 51.0bn out of ALL 71.5bn (or 4.9% of 2015 GDP).

Meeting the 2016 fiscal deficit target requires expenditure restraint. The 2016 Budget targets a deficit of 2.3% of GDP, 0.1 pp below the FY:15 outcome (excluding arrears paid in FY:15).

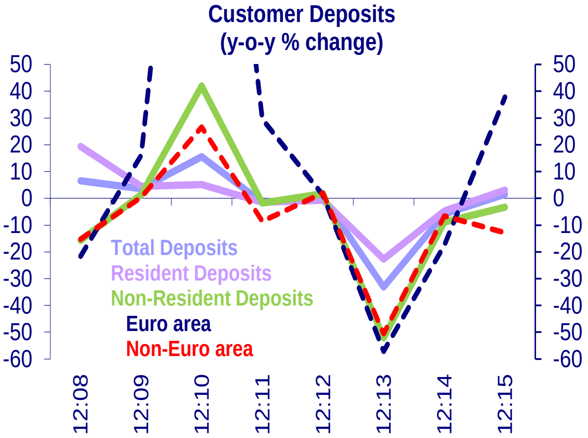
The Budget revenue growth target of 10.4% looks overly optimistic. In the absence of new tax measures, we expect FY:16 revenue growth at 4.0% y-o-y, broadly in line with our nominal GDP growth of 4.6%, implying a revenue shortfall of 1.3 pps of GDP.

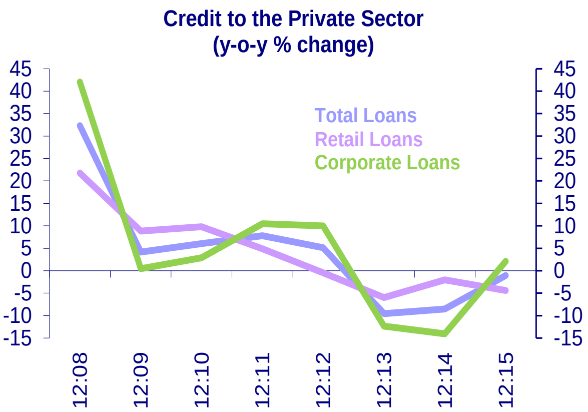
Therefore, meeting the FY:16 fiscal deficit target will once again require a significant under-execution of spending (a flat spending growth -- excluding arrears paid in FY:15 -- versus the target of 5.0%). Overall, we expect the FY:16 deficit to be in line with its target of 2.3% of GDP, implying a marginal fiscal consolidation of 0.1 pp of GDP y-o-y (excluding arrears).

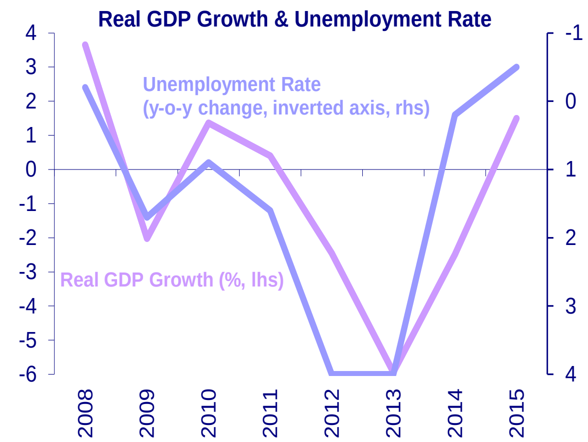
Should our FY:16 fiscal deficit forecast materialise, the public debt-to-GDP ratio is set to narrow, for the first time in 5 years, to 70.2% this year from an estimated 14-year high of 73.3% in 2015.

Cyprus

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







	8 Feb.	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.24	-0.24	-0.24	-0.24
EUR/USD	1.12	1.07	1.06	1.06
Sov. Spread (2020. bps)	316	300	240	200

	8 Feb.	1-W %	YTD %	2-Y %
CSE Index	66	-1.2	-1.7	-36.0

	2013	2014	2015E	2016F	2017F
Real GDP Growth (%)	-5.9	-2.5	1.5	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	-0.2	0.2

Customer deposit growth returned to positive territory in 2015. In the aftermath of the bail-in of uninsured-deposits of the two largest banks in early 2013 (Bank of Cyprus and Laiki Bank), customer deposit growth finally returned to positive territory, up 1.5% y-o-y in December 2015 from -5.8% at end-2014 and -33.1% y-o-y at end-2013.

The increase in overall deposits was driven by residents, accounting for 77% of total deposits -- up 3% y-o-y in December against a decline of 4.7% y-o-y a year earlier – despite the removal of all restrictions on transferring money abroad since early-April 2015 and moderating interest rates. Non-resident deposits continued to be a drag on total deposits; however less than in 2014 (down 3.3% y-o-y in December compared with a decline of 8.9% y-o-y a year earlier). Importantly, deposits from euro area countries rose sharply (up 37.9% y-o-y in December against a decline of 17.9% y-o-y in December 2014), on the back of increasing confidence in the Cypriot economy and attractive interest rates for households, largely compensating for the decline in deposits from third countries (down 12.8% y-o-y in December against a decline of 6.6% y-o-y a year earlier), mainly due to a deeper recession in Russia and Ukraine.

Banking sector deleveraging eased significantly in 2015. Credit to the private sector declined by just 1.1% y-o-y in December 2015 compared with declines of 8.6% y-o-y and 9.6% y-o-y, respectively, in December 2014 and December 2013.

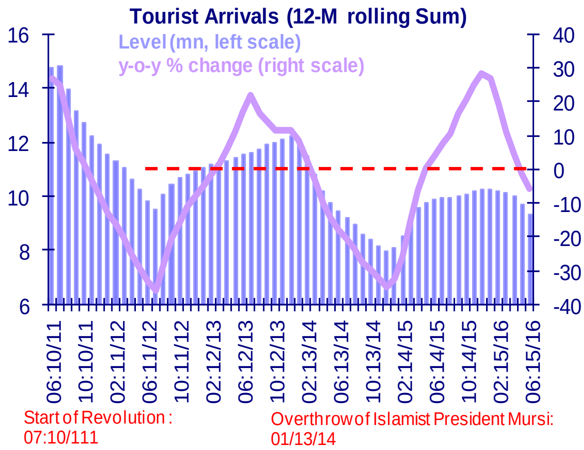
Unexpectedly, corporate credit activity expanded significantly (up 2.1% y-o-y in December 2015 compared with a decline of 14.1% y-o-y a year earlier), despite tight liquidity conditions (the loan-to-deposit ratio stood at 126% in December) and persistently poor asset quality (the NPL ratio reached 47.3% at end-December). Note however, that the increase in corporate credit activity was mainly driven by: i) one foreign bank, whose name has not been disclosed by the Central Bank -- but likely the Russian subsidiary, RCB, a member of VTB Group; and, to a lesser extent; ii) the participation of the two largest Cypriot banks in the EIB and EBRD co-financing programmes to SMEs and development projects. On the other hand, the decline in retail lending accelerated (-4.4% y-o-y in December 2015 against -2.0% y-o-y a year earlier), as Cypriot households are deleveraging (the household debt-to-GDP ratio stands at 137.3% of GDP currently).

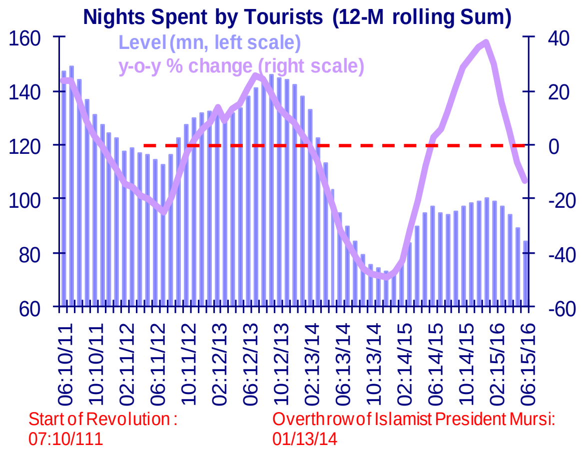
Unemployment eased significantly in 2015. The unemployment rate declined by 0.5 pps y-o-y to 15.6% in 2015, after having reached an all-time high of 16.1% in 2014. The improved performance was largely supported by the recovery in economic activity (1.2% in 9M:15 against -2.3% in FY:14) and stronger activity in the labour-intensive tourism sector (accounting for c. 22% of total employment). Indeed, tourist arrivals increased by 8.9% y-o-y to a 14-year high of 2.6mn in FY:15, following a rise of 1.5% to 2.4mn in FY:14.

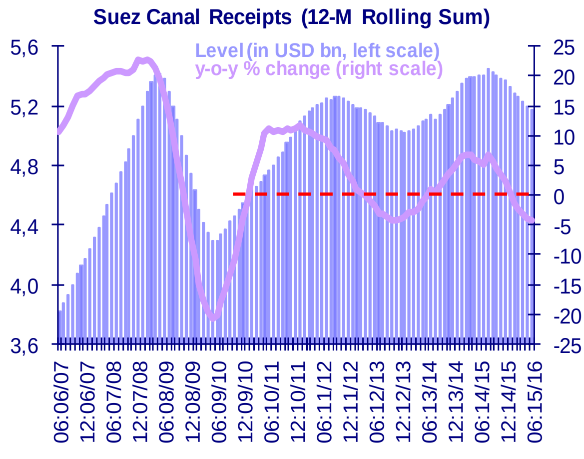
For 2016, we expect the unemployment rate to decline further, by c. 1.0 pp y-o-y to 14.5%, again due to strong tourism activity. Indeed, we expect tourist arrivals to increase by around 6.0% in FY:16, benefiting, *inter alia*, from: i) the suspension of flights to Egypt from Russia and the UK – Cyprus' largest source countries, with shares of 26% and 36%, respectively, in 2015 -- following the terrorist bombing of a Russian plane in the Sinai Peninsula in late October; ii) the Russian sanctions against Turkey following the downing of a Russian warplane by the Turkish air force near Syria's border in late November; and iii) promotional efforts to attract tourists through special packages and a higher number of direct flights. We project employment to increase by 0.8% in FY:16, following a broadly flat performance in FY:15, in line with the recovery in economic activity (we foresee real growth rebounding to 2.0% this year from an estimated 1.5% in FY:15).

Egypt

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







	8 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	8.25	8.50
Sov. Spread (2020. bps)	475	400	300	220

	8 Feb.	1-W %	YTD %	2-Y %
HERMES 100	557	3.2	-11.6	-24.7

	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	13.5	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	-11.8

Tourist activity has been hit hard, following the terrorist bombing of a Russian plane in late-October. Tourist arrivals declined by 40.6% y-o-y in November-December following a modest drop of 6.2% y-o-y in July-October 2015 (4M:15/16), reflecting a base effect from a surge in arrivals in the same period a year earlier (up 72.2% y-o-y). The latter was due to a calmer political climate and easing security concerns following the election of President el-Sissi in May 2014, which led several European countries to remove travel bans imposed on Egypt.

The sharp decline in arrivals during November-December followed the terrorist bombing of a Russian passenger plane on October 31st, which led Russia (the largest source country, which accounted for more than 30% of total tourists in 2014) to ban flights to Egypt, and several countries to issue warnings against travel to Egypt. More worrying, the decline in the number of nights spent by tourists in November-December (down 58.7% y-o-y) was even sharper than that of arrivals during the same period (down 40.6% y-o-y).

Looking ahead, despite the Government's ongoing efforts to strengthen security measures and attract tourists through promotional campaigns abroad and a favourable base effect (arrivals and nights spent rose by 8.2% and 5.3% y-o-y, respectively in H2:14/15 compared with 28.5% and 36.1% in FY:14/15), we expect the performance of the tourism sector to deteriorate in H2:15/16. We foresee tourist arrivals and nights spent declining by c. 22.0% and 33.0%, respectively, to 8.0mn and 66.6mn in FY:15/16. 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) shave 1.2 pps off overall GDP growth in FY:15/16 (projected at 3.8%) after having added an estimated 1.0 pp to growth in FY:14/15 (estimated at 4.2%); and ii) see its contribution to FX reserves decreasing to USD 4.5bn in FY:15/16 from USD 7.2bn in FY:14/15.

Suez Canal receipts (SCR) declined in the first half of the new fiscal year (July-December 2015), despite the inauguration of the expansion of the Canal in early-August. Suez Canal revenue, one of Egypt's main foreign currency earners, fell by 7.0% y-o-y to USD 2.6bn (0.7% of GDP) in H1:15/16 (July-December 2015), following a decline of 4.2% y-o-y in Q4:14/15 (April-June 2015). The deterioration reflects lower net tonnage of non-petroleum & gas products, in line with weaker global trade (up 2.6% in 2015 against 3.4% in 2014, according to the latest IMF estimates – January 2016 WEO Update), as well as a weaker SDR – the currency unit used by the Canal Authority to collect transit fees – against the USD. Note, however, that net tonnage of tankers and LNG ships rose by 11.0% and 7.9% y-o-y, respectively, in H1:15/16.

Looking ahead, we expect the recent negative trends to continue during the remainder of the fiscal year (H2:15/16). Recall that the new 72 km artificial waterway should allow 97 vessels to navigate the Canal simultaneously (from 49 previously). The Government expects the expansion will increase annual receipts to USD 12-13bn by 2023 from an all-time high of USD 5.4bn in FY:14/15. We foresee SCR posting negative growth, for the first time in 3 years, in FY:15/16. Note that, in FY:14/15, SCR rose by 2.4%, contributing 0.1 pp to overall GDP growth (estimated at 4.2%), boosting budget revenue through higher dividends (up 6.2% y-o-y or EGP 1.1bn y-o-y or 0.05% of GDP y-o-y in FY:14/15) and strengthening FX reserves (adding USD 126mn more than in FY:13/14).

FOREIGN EXCHANGE MARKETS, FEBRUARY 8TH 2016

Against EUR

	Currency	2016										2015	2014
		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	138.4	-0.4	-0.4	-1.0	1.1	137.5	139.5	139.0	138.9	138.3	2.0	0.1
Brazil	BRL	4.36	-1.1	0.9	-1.4	-27.8	4.28	4.55	4.99	4.99	5.00	-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	7.35	-2.6	-2.2	-4.2	-3.5	6.99	7.39	7.58	7.59	7.59	6.7	10.8
Egypt	EGP	8.66	-2.5	-2.9	-2.0	-0.9	8.26	9.09	9.48	- - -	- - -	-1.1	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	76.0	-2.7	-4.0	-5.5	-7.6	71.3	76.4	82.2	- - -	- - -	6.6	12.3
Romania	RON	4.48	1.0	1.1	0.9	-1.4	4.48	4.56	4.48	4.48	4.49	-0.8	-0.5
Russia	RUB	87.5	-3.8	-6.7	-9.5	-13.6	85.0	93.8	90.1	92.5	96.5	-15.1	-32.8
Serbia	RSD	122.3	0.4	-0.3	-0.7	-0.5	121.6	123.4	122.8	123.3	- - -	-0.1	-5.6
S. Africa	ZAR	18.1	-4.3	-1.6	-7.2	-27.9	16.72	18.58	18.4	18.8	19.7	-16.6	3.0
Turkey	YTL	3.30	-2.7	0.1	-3.9	-14.9	3.17	3.35	3.39	3.49	3.69	-10.8	4.4
Ukraine	UAH	28.9	-4.2	-9.4	-10.0	-2.2	25.06	29.16	35.9	- - -	- - -	-27.5	-40.8
US	USD	1.12	-2.8	-2.4	-3.0	1.1	1.1	1.1	1.12	1.13	1.13	11.4	13.6
JAPAN	JPY	129.7	1.6	-1.0	0.6	3.9	126.2	132.3	129.5	129.4	129.3	11.0	-0.1
UK	GBP	0.78	-2.8	-3.0	-5.0	-4.4	0.7	0.8	0.78	0.78	0.78	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 8TH 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EA	US
O/N	1.9	14.1	0.0	2.0	- - -	8.9	- - -	- - -	0.4	11.8	- - -	11.3	6.9	19.1	- - -	0.4
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	0.4	10.6	2.9	- - -	7.1	- - -	- - -	- - -
S/W	2.0	14.1	0.0	2.4	-0.3	9.1	1.3	- - -	- - -	10.6	2.9	- - -	7.3	20.7	-0.3	0.4
1-Month	2.3	14.1	0.1	3.1	-0.2	9.3	1.5	7.3	0.5	12.3	3.2	11.9	7.3	22.7	-0.2	0.4
2-Month	- - -	14.2	0.1	- - -	-0.2	- - -	- - -	- - -	- - -	12.1	3.3	11.9	7.6	- - -	-0.2	0.5
3-Month	2.5	14.2	0.2	3.1	-0.2	9.3	1.8	8.0	0.8	12.3	3.4	11.9	7.8	23.8	-0.2	0.6
6-Month	2.6	14.4	0.5	3.1	-0.1	- - -	2.2	- - -	1.1	12.2	3.6	12.0	8.2	- - -	-0.1	0.9
1-Year	2.8	14.6	0.9	3.3	0.0	- - -	2.6	- - -	1.2	12.0	- - -	12.1	8.5	- - -	0.0	1.1

LOCAL DEBT MARKETS, FEBRUARY 8TH 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	1.6	- - -	- - -	- - -	- - -	11.3	- - -	7.3	- - -	12.0	3.5	9.8	- - -	- - -	-0.4	0.3
6-Month	2.0	- - -	- - -	- - -	- - -	11.7	2.1	7.3	0.5	12.1	3.9	10.0	- - -	- - -	-0.4	0.4
12-Month	2.1	- - -	0.1	2.4	- - -	12.0	2.5	7.3	0.7	10.2	4.4	10.9	- - -	7.0	-0.5	0.5
2-Year	4.0	- - -	- - -	2.5	- - -	- - -	2.0	7.4	1.0	10.3	- - -	10.8	8.2	- - -	-0.5	0.7
3-Year	- - -	- - -	0.4	2.6	- - -	- - -	2.7	7.5	1.2	10.4	- - -	10.8	8.6	- - -	-0.5	0.8
5-Year	- - -	15.8	- - -	2.7	- - -	13.6	2.7	7.7	2.1	10.4	6.3	10.6	8.8	- - -	-0.3	1.2
7-Year	- - -	- - -	1.6	- - -	3.4	14.9	- - -	7.9	2.4	10.3	- - -	- - -	- - -	- - -	-0.1	1.5
10-Year	- - -	16.1	2.6	2.9	- - -	15.8	3.8	7.7	3.3	10.4	- - -	10.5	9.3	- - -	0.2	1.7
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	4.0	8.2	- - -	10.2	- - -	- - -	9.8	- - -	0.5	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	10.0	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	8.3	- - -	- - -	- - -	- - -	10.1	- - -	0.9	2.6

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

SOVEREIGN EUROBOND SUMMARY, FEBRUARY 8TH 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	5.0	561	497
Brazil 12.75% '20	USD	BB+/Baa3	15/1/2020	234	5.1	432	473
Brazil 4.875% '21	USD	BB+/Baa3	22/1/2021	2,988	6.1	494	473
Brazil 8.75% '25	USD	BB+/Baa3	4/2/2025	969	7.1	532	576
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	1.1	154	122
Bulgaria 2.0% '22	EUR	BB+/Baa2	26/3/2022	1,250	1.6	189	147
Bulgaria 2.95% '24	EUR	BB+/Baa2	3/9/2024	1,493	2.4	233	200
Bulgaria 2.62% '27	EUR	BB+/Baa2	26/3/2027	1,000	2.8	263	209
Bulgaria 3.12% '35	EUR	BB+/Baa2	26/3/2035	900	3.9	309	258
China 4.375% '23	USD	AA-/Aa3	2/5/2023	500	3.8	201	237
China 7.5% '27	USD	AA-/Aa3	28/10/2027	100	3.4	160	195
Cyprus 4.75% '19	EUR	B+/NA	25/6/2019	566	2.6	302	276
Cyprus 4.62% '20	EUR	B+/B3	3/2/2020	770	2.7	316	288
Cyprus 3.875% '22	EUR	NA/B3	6/5/2022	1,000	3.4	363	321
Cyprus 4.25% '25	EUR	NA/B1	4/11/2025	1,000	3.9	368	334
Egypt 5.75% '20	USD	B-/B3	29/4/2020	1,000	5.9	475	479
Egypt 5.875% '25	USD	B-/B3	11/6/2025	1,500	8.4	663	598
Egypt 6.875% '40	USD	B-/B3	30/4/2040	500	9.0	635	568
FYROM 4.875% '20	EUR	BB-/NA	1/12/2020	270	5.0	565	487
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	5.0	573	568
Romania 4.875% '19	EUR	BBB-/Baa3	7/11/2019	1,500	0.7	110	83
Romania 4.62% '20	EUR	BBB-/Baa3	18/9/2020	2,000	0.9	116	96
Romania 4,375% '23	USD	BBB-/Baa3	22/8/2023	1,500	3.5	197	206
Romania 3.625% '24	EUR	BBB-/Baa3	24/4/2024	1,250	2.2	226	189
Romania 6.125% '44	USD	BBB-/Baa3	22/1/2044	1,000	4.8	226	302
Russia 3.5% '19	USD	BB+/Ba1	16/1/2019	1,500	3.6	278	267
Russia 5% '20	USD	BB+/Ba1	29/4/2020	3,500	4.0	288	303
Russia 4.5% '22	USD	BB+/Ba1	4/4/2022	2,000	4.4	296	310
Russia 4.875% '23	USD	BB+/Ba1	16/9/2023	3,000	4.7	318	318
Russia 12.75% '28	USD	BB+/Ba1	24/6/2028	2,500	5.9	417	556
Serbia 4.875% '20	USD	BB-/B1	25/2/2020	1,500	4.3	316	330
Serbia 7.25% '21	USD	BB-/B1	28/9/2021	2,000	4.7	357	371
Serbia 5% '24	USD	BB-/NA	11/4/2024	125	3.8	384	351
S. Africa 6.875% '19	USD	BBB-/Baa2	27/5/2019	2,000	4.3	351	352
S. Africa 5.875% '25	USD	BBB-/Baa2	16/9/2025	2,000	5.6	386	395
S. Africa 6.25% '41	USD	BBB-/Baa2	8/3/2041	750	6.2	368	406
Turkey 5.875% '19	EUR	NR/Baa3	2/4/2019	1,250	1.9	233	214
Turkey 7% '20	USD	NR/Baa3	5/6/2020	2,000	4.2	301	326
Turkey 6.25% '22	USD	NR/Baa3	26/9/2022	2,500	4.7	326	351
Turkey 4.125% '23	EUR	NR/Baa3	11/4/2023	1,000	3.4	355	315
Turkey 7.375% '25	USD	NR/Baa3	5/2/2025	3,250	5.0	331	376
Turkey 11.875% '30	USD	NR/Baa3	15/1/2030	1,500	5.3	359	478
Turkey 8% '34	USD	NR/Baa3	14/2/2034	1,500	5.8	405	432
Turkey 6,875% '36	USD	NR/Baa3	17/3/2036	2,750	5.9	332	406
Turkey 7.25% '38	USD	NR/Baa3	5/3/2038	1,000	5.9	332	417
Turkey 6.75% '40	USD	NR/Baa3	30/5/2040	2,000	5.9	335	402
Ukraine 7.75% '19	USD	B-/Caa3	1/9/2019	1,155	11.1	1033	944
Ukraine 7.75% '20	USD	B-/Caa3	1/9/2020	1,531	10.9	973	900
Ukraine 7.75% '21	USD	B-/Caa3	1/9/2021	1,378	10.7	959	868
Ukraine 7.75% '22	USD	B-/Caa3	1/9/2022	1,355	10.4	892	825
Ukraine 7.75% '23	USD	B-/Caa3	1/9/2023	1,330	10.2	874	795

CORPORATE BONDS SUMMARY, FEBRUARY 8TH 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	5.8	622	568
	Bulgarian Telecom. 6.625% '18	EUR	B-/B1	15/11/2018	400	7.4	783	721
Cyprus	Aroundtown Property 3% '21	EUR	NA/NA	9/12/2021	200	3.3	359	310
Russia	Gazprom 8.2% '19	RUB	BB+/NA	9/4/2019	10,000	11.7	150	- - -
	Gazprom 8.9% '21	RUB	BB+/NA	26/1/2021	10,000	11.4	125	- - -
South Africa	FirstRand Bank Ltd 4.375% '16	USD	BBB-/Baa2	9/6/2016	342	4.3	397	374
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	1.0	147	112
Turkey	Vakiflar Bankasi 3.5% '19	EUR	NA/Baa3	17/6/2019	500	3.2	367	330
	Garanti Bankasi 3.38%'19	EUR	NA/Baa3	8/7/2019	500	3.0	350	313
	Arcelik AS 3.875% '21	EUR	BB+/NA	16/9/2021	350	4.2	441	397
	Turkiye Is Bankasi 6% '22	USD	NA/Ba3	24/10/2022	1,000	6.2	448	476

CREDIT DEFAULT SWAP SPREADS, FEBRUARY 8TH 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	467	173	137	322	484	- - -	- - -	126	346	287	303	387	- - -
10-Year	- - -	533	220	182	352	495	- - -	- - -	170	346	327	354	438	- - -

STOCK MARKETS PERFORMANCE, FEBRUARY 8TH 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)	40,592	0.1	0.0	-6.4	-16.8	37,046	43,349	-6.9	-13.3	-35.3	-2.9	-2.0
Bulgaria (SOFIX)	448	-1.3	-2.0	-2.8	-10.5	441	462	-2.8	-11.7	-11.7	6.2	6.2
China (SHCOMP)	2,763	2.8	-13.3	-22.7	-10.2	2,638	3,539	-25.2	9.4	16.5	52.9	69.5
Cyprus (CSE GI)	66	-1.2	1.3	-1.7	-13.1	65	68	-1.7	-20.9	-20.9	-17.0	-17.0
Egypt (HERMES)	557	3.2	-10.8	-11.6	-39.2	521	636	-11.6	-24.4	-25.7	23.5	36.6
F.Y.R.O.M (MBI)	1,809	-1.5	-0.8	-1.3	-2.4	1,776	1,842	-1.3	-0.6	-0.6	6.1	6.1
India (SENSEX)	24,287	-2.2	-2.6	-6.4	-15.4	23,840	30,025	-10.8	-5.0	0.7	29.9	44.7
Romania (BET-BK)	1,220	-2.0	-6.0	-9.1	-8.5	1,171	1,329	-8.1	2.6	1.6	3.7	3.5
Russia (RTS)	3,854	-2.2	-1.6	-2.7	0.7	3,509	3,982	-11.0	30.3	9.5	-6.9	-37.4
Serbia (BELEX-15)	596	-2.0	-5.9	-5.6	-10.3	570	637	-6.2	-3.4	-3.5	19.5	12.8
South Africa (FTSE/JTS)	49,430	0.8	2.8	-2.7	-4.9	45,976	50,694	-8.6	1.9	-15.1	7.6	10.9
Turkey (ISE 100)	72,005	-2.0	2.0	-1.6	-15.3	68,230	74,767	-4.8	-16.3	-25.4	26.4	32.0
Ukraine (PFTS)	237	-0.3	-3.7	-1.6	-39.2	237	246	-11.2	-37.8	-54.8	28.7	-24.2
MSCI EMF	734	-1.2	-0.8	-7.2	-25.0	687	794	-9.4	-17.0	-7.5	-4.6	8.2
MSCI EAFE	1,539	-4.1	-4.5	-10.9	-15.1	1,518	1,716	-13.0	-3.3	7.7	-7.3	5.8
Greece (ASE-General)	464	-16.7	-20.8	-24.0	-42.2	461	627	-24.0	-23.6	-23.6	-28.9	-28.9
Germany (XETRA DAX)	8,979	-8.0	-8.8	-16.4	-17.2	8,938	10,486	-16.4	-4.9	-4.9	2.7	2.7
UK (FTSE-100)	5,689	-6.1	-3.8	-9.3	-17.0	5,640	6,242	-13.8	-4.9	0.1	-2.7	4.1
Japan (NIKKEI-225)	17,004	-4.8	-3.9	-10.7	-3.7	16,017	18,951	-9.2	9.1	20.2	7.1	7.0
USA (DJ INDUSTRIALS)	16,027	-2.6	-2.0	-9.0	-10.1	15,370	18,351	-11.1	-2.2	9.3	7.5	22.2
USA (NASDAQ 100)	1,853	-4.4	-3.6	-10.2	-9.8	1,812	2,135	-12.3	-0.7	10.9	11.4	26.6