South Eastern Europe and Mediterranean Emerging Market Economies
Weekly Report

23 – 29 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:

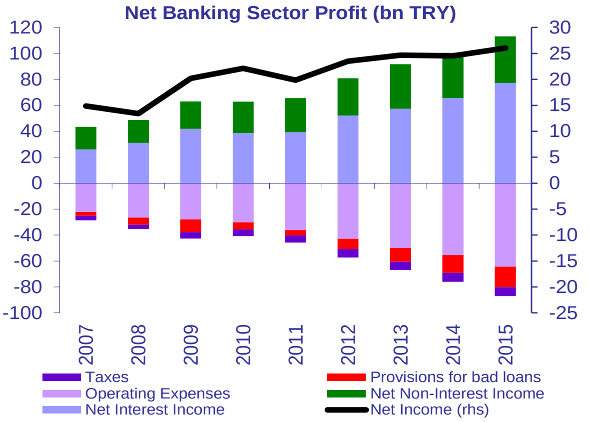
Evlabia Fetsi
☎ : +30 210 33 41 667
✉ : efetsi@nbg.gr

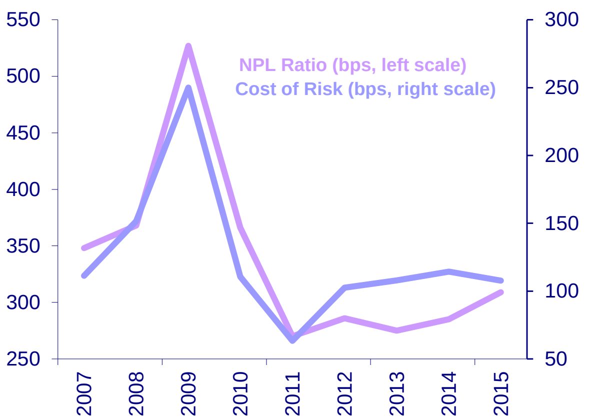
Konstantinos Romanos-Louizos
☎ : +30 210 33 41 225
✉ : romanos.louizos.k@nbg.gr

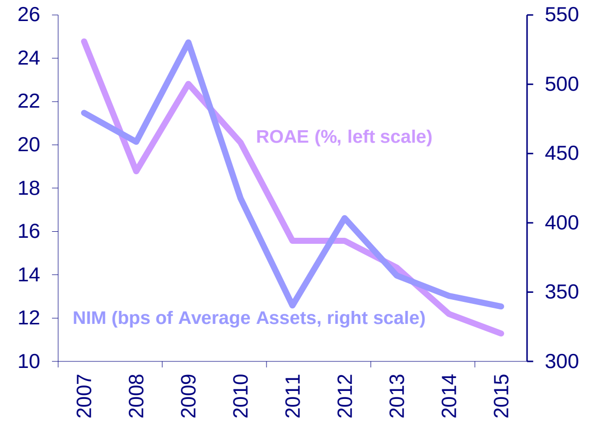
Louiza Troupi
☎ : +30 210 33 41 696
✉ : troupi.louiza@nbg.gr

Turkey

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







	29 Feb.	3-M F	6-M F	12-M F
1-m TRIBOR (%)	11.9	11.5	11.0	10.5
TRY/EUR	3.22	3.32	3.34	3.40
Sov. Spread (2019, bps)	244	220	200	170

	29 Feb.	1-W %	YTD %	2-Y %
ISE 100	75,817	1.2	3.6	21.2

	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

Banking sector bottom line remained resilient in FY:15, despite strong headwinds. Banking sector net profit (after tax) rose by 6.1% to an all-time high of TRY 26.1bn in FY:15 (EUR 8.6bn or 1.3% of GDP), as buoyant pre-provision earnings (contributing 15.5 pps to net profit growth) more than compensated for higher specific provisions and profit tax (shaving 8.7 pps and 0.6 pps, respectively, off net income growth). Net profit in private banks declined by a mere 0.7% to TRY 15.4bn, while that in state banks rose by 17.1% to TRY 10.7bn. Within private banks, following the BRSA's reclassification of Garanti Bank from domestic to foreign (as BBVA became the controlling shareholder), the bottom line in domestic banks declined by 26.2% to TRY 9.1bn, while that in foreign banks rose sharply by 99.7% to TRY 6.3bn.

Pre-provision earnings (before tax) posted strong growth in FY:15, due to a significant increase in net interest income (NII). Pre-provision earnings (before tax) rose by 8.4% y-o-y in FY:15, as a strong increase in NII (up by a 3-year high of 17.9%), combined with a modest rise in net non-interest income (NNII, up 2.5%), more than compensated for a surge in operating expenses (up 15.9%, more than double average annual inflation).

The significant improvement in NII was supported by a strong increase in average assets (up 20.6%). Note that the rise in average gross loans was even sharper (up 25.0% y-o-y), despite continued tight macro-prudential measures by the CBRT and the BRSA. The increase in NII would have been stronger had the net interest margin (NIM, over average assets) not receded by 8 bps y-o-y to 340 bps. The deterioration in the NIM largely reflects increasing funding costs, with the average overnight interbank market rate rising to 10.9% from 10.0% in FY:14, in line with the CBRT's tightening of liquidity conditions. Without loan repricing and loan portfolio remix towards higher margin retail segments, the NIM would have been even weaker.

On the other hand, the small rise in NNII was due to large losses from foreign currency trading, reflecting the sharp depreciation of the TRY amid increasing domestic and global uncertainty.

Operating expenses rose sharply, mainly on the back of general provision requirements and "fee rebates to retail customers", despite a moderate increase in personnel expenses by 10.9% (a 3-year low).

As a result, banking sector efficiency improved, with the cost-to-income ratio easing by 2.7 pps y-o-y to a 5-year low of 48.6% in FY:15.

Provisions for NPLs rose significantly in FY:15, bringing the coverage ratio to a more comfortable level. P/L specific provisions rose by 15.7% in FY:15, as the NPL ratio increased by 24 bps y-o-y to 3.1% -- still comparing very favourably with the CEEMEA and EU-27 averages of 8.4% and 10.5%, respectively. Note that the increase in the NPL ratio in FY:15 was exclusively driven by the retail segment. Indeed, non-performing retail loans increased by 40.7% compared with a moderate rise of 9.6% in overall retail loans, resulting in a pick-up in the non-performing retail loan ratio by 90 bps y-o-y to 4.2%.

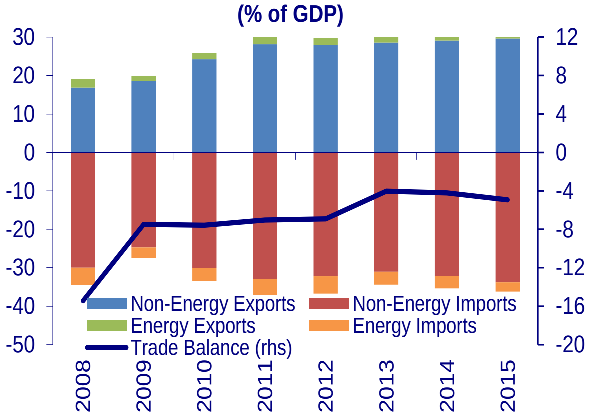
The increase in P/L specific provisions for NPLs improved the NPL coverage ratio – up to 74.6% from 73.9% in FY:14. However, with gross loans rising at a faster pace than P/L specific provisions, the cost of risk declined by 7 bps y-o-y to its 2013 level of 108 bps.

Overall, 2015, within an adverse operating environment, profitability continued to decline (ROAE at 11.3% from 20.1% five years ago), asset quality deteriorated (NPL ratio at 3.1% and provision coverage at 74.6%), and domestic source of financing declined (domestic deposits covered 84.0% of net loans compared with 117.0% five years ago). However, the capital base remains sound (capital adequacy ratio at 15.6%, well above the 12.0% statutory level).

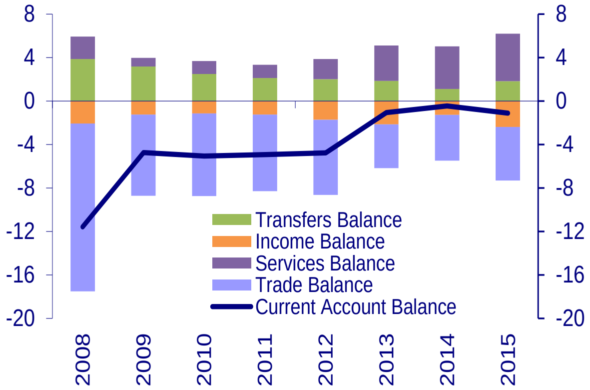
Romania

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

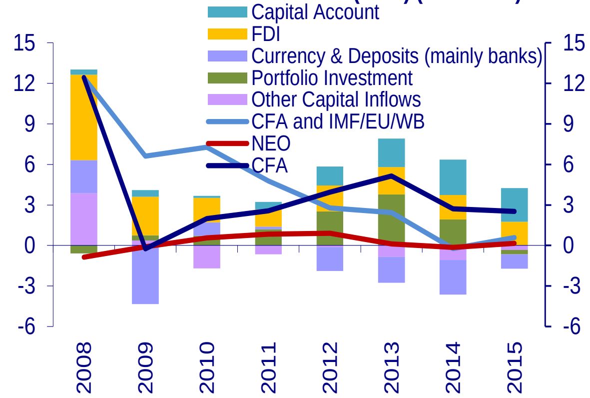
External Trade (% of GDP)



Current Account Balance (% of GDP)



Capital & Financial Account (CFA), IMF/EU/WB and Net Errors & Omissions (NEO) (% of GDP)



	29 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)	240	210	180	150

	29 Feb.	1-W %	YTD %	2-Y %
BET-BK	1,222	0.3	-8.9	-0.4

	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

The current account deficit (CAD) widened to 1.1% of GDP in FY:15 from a low of 0.5% in FY:14, due to stronger domestic demand and higher income outflows. The main factor behind this deterioration was the income deficit, which widened markedly in FY:15 (by 1.1 pp y-o-y to 2.4% of GDP), due to higher profit and dividend outflows, partly reflecting a base effect from the tax exemption for reinvested earnings (effective from July 2014). At the same time, despite favourable global oil prices (the energy trade deficit narrowed by an estimated 0.4 pps of GDP y-o-y in FY:15), the trade deficit widened significantly in FY:15 (by 0.7 pps y-o-y to 4.9% of GDP), in line with stronger domestic demand. Indeed, a 15 pp cut in VAT on food in June (to 9%), together with a looser incomes policy, boosted private consumption in FY:15. The CAD would have been larger had the transfers surplus not improved in FY:15 (by 0.7 pps y-o-y to 1.8% of GDP), on the back of higher official transfers from the EU (comprising subsidies to the agricultural sector and transfers from the Social Fund). Moreover, the services surplus increased (by 0.5 pps y-o-y to 4.4% of GDP in FY:15), mainly due to higher revenue from transportation services.

Repayments to the IMF/EU prevented a large increase in FX reserves in FY:15. Specifically, capital outflows from the banking system continued in FY:15, but at a slower pace (1.1% of GDP compared with 2.6% in FY:14), due to net placements of deposits abroad by domestic banks. Similarly, net lending to the non-financial private sector remained weak (with net repayments of 0.3% of GDP in FY:15, albeit lower than in FY:14 -- 0.9% of GDP), suggesting that corporates' access to external financing still remains constrained. At the same time, net portfolio investment deteriorated, but this was due to base effects (outflows of 0.3% of GDP were recorded in FY:15 against inflows of 1.9% in FY:14, with the latter, however, including the proceeds from the placement of Eurobonds worth 1.8% of GDP). All said, the overall balance deteriorated slightly (by 0.5 pps y-o-y) to a surplus of 1.6% of GDP in FY:15. The latter was offset, however, by the repayment of EUR 3.0bn (1.9% of GDP) to the IMF/EU and valuation effects, keeping FX reserves at EUR 32.2bn at end-2015, broadly unchanged compared with end-2014.

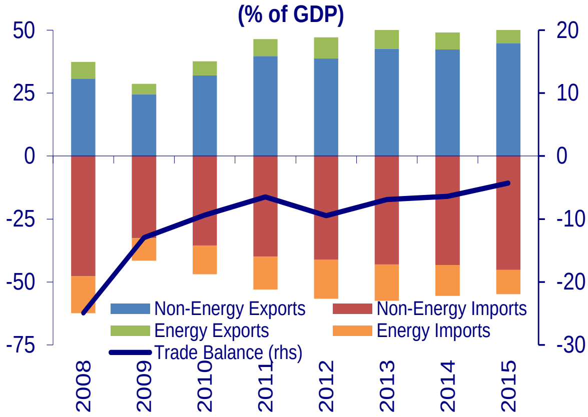
The CAD is set to widen further, to 1.9% of GDP in FY:16 from 1.1% in FY:15, due to a further strengthening in domestic demand. Despite subdued global oil prices (the energy trade balance is set to narrow by c. 0.2 pps of GDP in FY:16, assuming the average price of Brent declines to EUR 38/bbl from EUR 48/bbl in FY:15), we expect pressures on the trade deficit to increase, in view of a further build-up in domestic demand (we see real GDP growth picking up to 4.5% in FY:16 from 3.7% in FY:15, supported by a sizeable fiscal stimulus -- 1.7 pps of GDP).

Importantly, with no debt repayments to IFIs in FY:16 (against 1.9% of GDP in FY:15), filling the external financing gap should not be a problem. According to our baseline scenario, projecting that: i) net FDI inflows remain broadly unchanged compared with FY:15 (at 1.9% of GDP); ii) the rollover of maturing sovereign external debt (1.9% of GDP) contains net portfolio investment close to zero for a second consecutive year in FY:16; iii) the maturing private external debt rollover rate remains at FY:15 levels (85%); and iv) capital transfers decline (to 2.0% of GDP in FY:16 from 2.5% in FY:15), as authorities forfeit EU funding allocated for use during the 2007-13 programming period, we foresee FX reserves declining slightly by EUR 0.3bn to a still comfortable level of EUR 31.9bn at end-2016 (covering more than 5 months of GNFS imports).

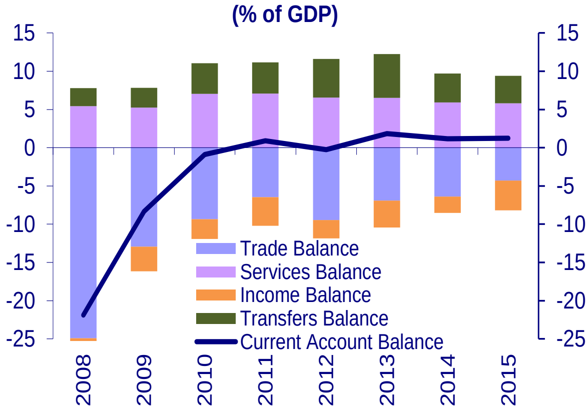
Bulgaria

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

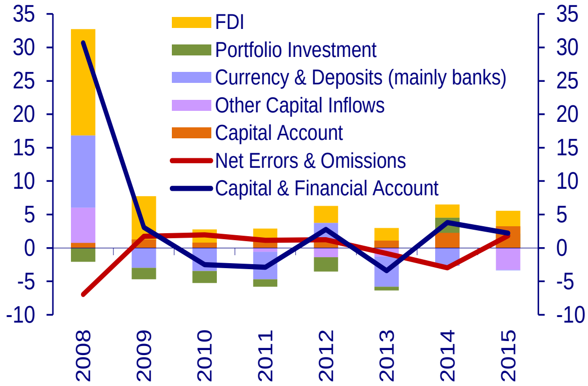
External Trade (% of GDP)



Current Account Balance (% of GDP)



Capital & Financial Account and Net Errors & Omissions (% of GDP)



	29 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 (2017, bps)	209	170	150	120

	29 Feb.	1-W %	YTD %	2-Y %
SOFIX	447	0.2	-2.9	-24.7

	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

The current account surplus (CAS) stands at 1.2% of GDP in FY:15, unchanged compared with FY:14, as higher income outflows broadly offset the better trade performance. Most importantly, the trade deficit narrowed in FY:15 (by 2.1 pps y-o-y to 4.3% of GDP) due to the sharp decline in global oil prices (the energy trade deficit narrowed by an estimated 1.7 pps of GDP y-o-y in FY:15). However, the income deficit widened markedly in FY:15 (by 1.8 pps y-o-y to 3.9% of GDP), due to increased repatriation of FDI-related earnings. Moreover, the transfers surplus narrowed slightly in FY:15 (by 0.2 pps y-o-y to 3.6% of GDP), as did the services surplus (by 0.1 pp to 5.8% of GDP). Indeed, the impact of the plunge in tourist arrivals from Russia and, to a lesser extent, from Greece and Germany (the tourism services surplus narrowed by 0.6 pps y-o-y to 4.2% of GDP in FY:15), was compensated by lower net imports of construction services.

External financing improves in FY:15, pushing FX reserves to record levels. Net FDI inflows increased in FY:15 (to 3.4% of GDP from 2.0% in FY:14), largely due to base effects from lower direct investments abroad (mainly intercompany lending), as did capital transfers (3.2% of GDP in FY:15 against 2.2% in FY:14), on the back of the better absorption of EU Structural & Cohesion funds. At the same time, the repatriation of deposits placed abroad by domestic banks continued, offsetting the deleveraging by foreign parent banks (net outflows stood at 0.1% of GDP in FY:15 against 2.7% in FY:14).

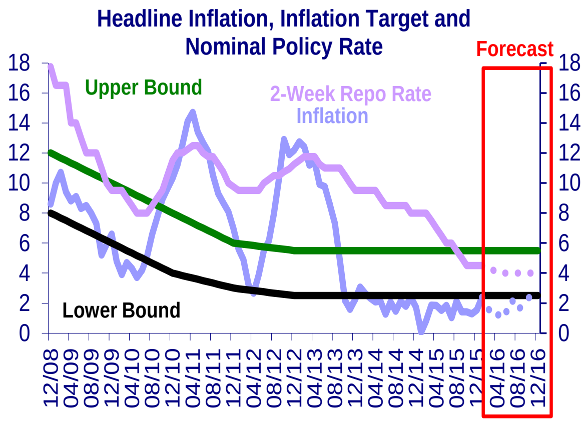
On the other hand, capital flows to non-financial corporates deteriorated in FY:15 (with net lending of 0.2% of GDP against 1.8% in FY:14), suggesting that access to external financing remains constrained. Moreover, net portfolio investment declined in FY:15 (to 2.1% of GDP from 2.7% in FY:14), despite large sovereign debt issuance (4.9% of GDP in net terms). All said, the overall balance improved markedly (by 4.3 pps y-o-y) to a surplus of 8.5% of GDP in FY:15, despite the early repayment of a bridge loan, worth 3.5% of GDP, by the Government. This loan helped the Government to cover, *inter alia*, the cost of the resolution of the Corporate Commercial Bank at end-2014. As a result, FX reserves surged to EUR 19.4bn at end-2015 from EUR 15.3bn at end-2014.

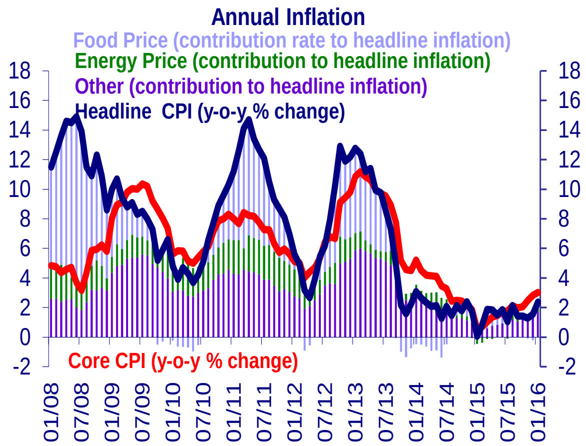
Bulgaria is set to remain the best performer in the region in FY:16, with the CAS widening to 2.0% of GDP. Amid weak domestic demand, the trade deficit should decline further in FY:16, reflecting: i) favourable global oil prices (the energy trade balance is projected to narrow by c. 0.6 pps of GDP in FY:16, assuming an average brent price of EUR 38/bbl, down from EUR 48/bbl in FY:14); and ii) improving competitiveness (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). At the same time, lower profit and dividend outflows should support the current account.

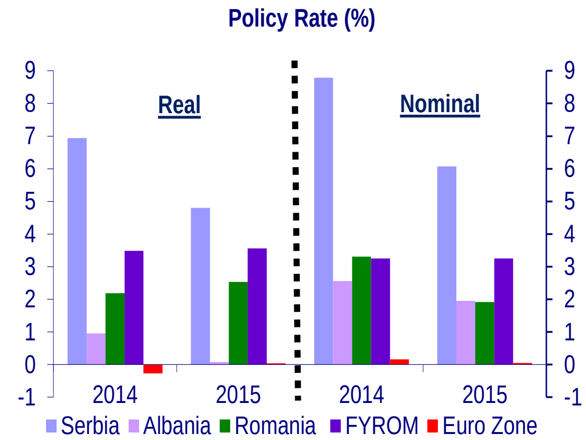
Filling the external financing gap should not be a problem, in view of lower external debt payments (18% of GDP in FY:16 against 24% in FY:15). Projecting that: i) FDI inflows moderate in FY:16 (to 3.0% of GDP from 3.4% in FY:15); ii) portfolio investment remains unchanged compared with FY:15 (at 2.1% of GDP), due to continued sovereign debt issuance on international markets; iii) the maturing debt rollover rate returns to more normal levels (90% in FY:16 against 105% in FY:15); and iv) capital transfers drop (to 2.5% of GDP in FY:16 from 3.2% in FY:15), following the completion of the 2007-13 programming period of EU funding, we see FX reserves rising further by EUR 2.9bn to EUR 21.9bn at end-2016 (covering c. 10 months of GNFS imports).

Serbia

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







	29 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)	345	280	240	180

	29 Feb.	1-W %	YTD %	2-Y %
BELEX-15	588	0.4	-6.9	3.5

	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

The completion of the 4th review of the 3-year EUR 1.2bn precautionary SBA with the IMF was deferred to after the legislative elections. Following a 10-day visit that ended on February 26th, the IMF mission commended Serbia's strong progress in 2015 under the SBA approved a year ago. In fact, all quantitative performance targets were met, most of them by a large margin. However, due to the snap parliamentary elections (likely to be held in late April), discussions on the 4th review were postponed to after the formation of the new Government. The mission stressed the need for: i) the acceleration and full implementation of the public employment rightsizing plan, that suffered from delays; and ii) the rapid restructuring of loss-making state-owned companies.

Headline inflation rose temporarily to 2.4% y-o-y in January, due to higher volatile fruit and vegetable prices. Inflation rose to (a 14-month high of) 2.4% y-o-y in January from 1.5% in December and a trough of 0.1% in January 2015. Despite the pick-up, headline inflation remained below the lower bound of the NBS target band (4±1.5%) for a 23rd successive month. The acceleration in January inflation resulted from the increase in food prices (with a 31% share in the CPI basket, contributing 0.5 pps to headline annual inflation in January after subtracting 0.2 pps in December). This was largely driven by a spike in volatile prices of fruit and vegetables (up 10.3% m-o-m compared with the usual seasonal rise of 3.3% m-o-m witnessed during January). Moreover, core inflation (that excludes food and energy prices, and accounts for 54% of the CPI basket) remained on an upward trend. It rose to 3.0% y-o-y in January from 2.8% in December and a record low of 0.6% in January 2015. The rise in core inflation was driven by higher (non-energy) administered prices. The latter (accounting for 25.0% of the core CPI basket) contributed an estimated 1.9 pps to January core inflation compared with 1.3 pps in December.

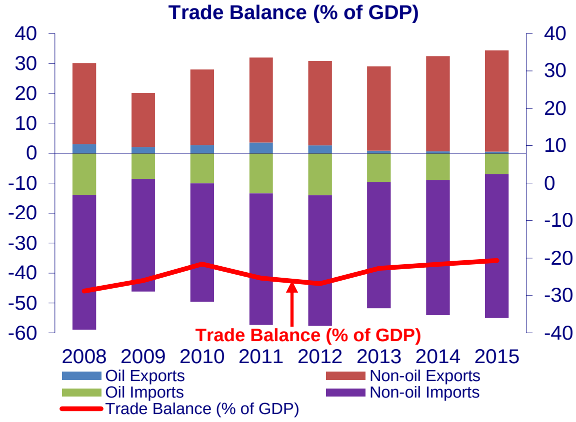
Inflation is set to reach the lower bound of the NBS target range by end-2016. Following a temporary rise in January, inflation is set to remain subdued in the remainder of H1:16, fluctuating around 1.4% -- well below the lower bound of the NBS target range. Thereafter, inflation should embark on a mild upward trend, reaching the NBS lower bound of 2.4% by end-2016. The increase will result from: i) the gradual normalization of food prices from their end-2015 low; ii) a further rise in regulated prices (including a 7.0% electricity price hike, contributing 0.6 pps to the inflation); iii) oil excise tax hikes; and iv) the narrowing of the output gap (to- 0.6% in 2016 from -1.2% in 2015).

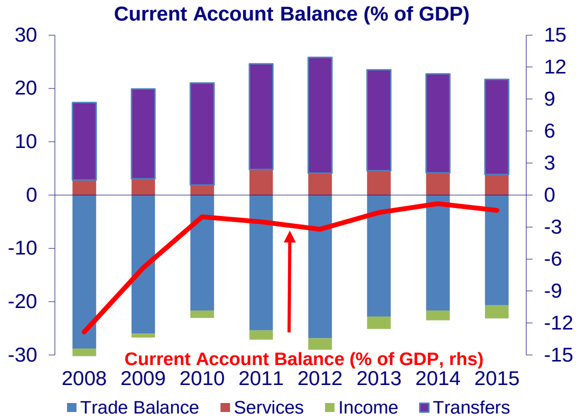
The NBS proceeded with a further rate cut of 25 bps. The NBS, at its February meeting, proceeded with a further 25 bp cut to its 2-week repo rate to a record low of 4.25% after a 3-month pause. This move brought cumulative cuts to 750 bps since the initiation of the cycle of monetary policy easing in May 2013. Scope for the resumption of the loosening was provided by: i) a benign inflation outlook, supported by low oil and commodity prices; and ii) weak domestic demand expected in H1:16. Note that further monetary policy easing has been provided through the reduction in RRRs on FX liabilities since last September, when the NBS announced that both RRRs on long-term (over two years) and short-term FX liabilities will be gradually cut by 6 pps to 13% and 20%, respectively, through February.

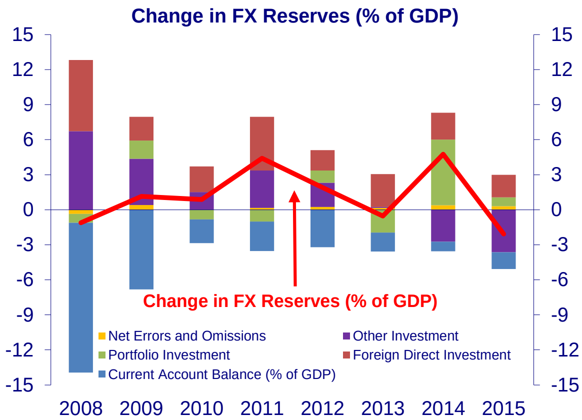
Going forward, another rate cut is on the cards, in view of benign inflationary pressures during the rest of H1:16. In fact, we expect the NBS to lower its key policy rate by an additional 25 bps by end H1:16, to (a historical low of) 4.0%, and thereafter maintain it unchanged until end-year. Should our forecast materialise, the average *ex post* policy rate, in real and compounded terms, would stand at 2.2% at end-2016, below its 2007-15 average of 4.0%.

F.Y.R.O.M.

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







	29 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)	593	540	450	350

	29 Feb.	1-W %	YTD %	2-Y %
MBI 100	1.808	0.2	-1.4	2.2

	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)	-1.6	-0.8	-1.4	-2.0	-2.5
Fiscal Bal. (% GDP)	-3.8	-4.2	-3.6	-3.2	-3.0

Parliament postpones early legislative elections to June 5th. Parliament pushed back the date of the elections, which are being held 2 years ahead of schedule. They were moved to June 5th from April 24th in response to a boycott threat by the main opposition party, SDSM, which was supported by the EU and the US. According to the SDSM, two conditions for fair elections, stipulated in the Przino agreement mediated by the EU Enlargement Commissioner, J. Hahn, in early-July, cannot be fulfilled by April 24th: i) media reform, to reduce government influence; and ii) the conduct of a thorough review of the electoral roll. The expected completion of these conditions by June 5th would help end two years of domestic political uncertainty.

The current account deficit (CAD) widened to 1.4% of GDP in 2015 from an 8-year low of 0.8% of GDP in 2014. The monthly CAD widened by 0.6 pps y-o-y to 0.8% of GDP in December, bringing the FY:15 CAD to 1.4% of GDP, significantly above the FY:14 outcome of 0.8% of GDP. The main factor behind the deterioration was the transfers surplus, which narrowed markedly (by 0.7 pps y-o-y to 17.8% of GDP), mainly on the back of lower private transfers. Moreover, the income and services balances also deteriorated significantly in FY:15 (by 0.9 pps y-o-y), mainly due to higher profits and dividend outflows.

The CAD would have been larger had the trade deficit not narrowed markedly in FY:15 (by 1.0 pp y-o-y to a 9-year low of 20.6% of GDP). Indeed, exports rose significantly in FY:15 (by 2.0 pps y-o-y to 34.4% of GDP in FY:15), reflecting: i) the broadening of the country's export base, following the past years' significant FDI; and ii) stronger demand from Germany -- the country's main trading partner -- absorbing c. 45% of FYROM's exports. On the other hand, overall imports rose moderately in FY:15 (up 1.0 pp y-o-y to 55.0% of GDP in FY:15), as the impact from strengthening domestic demand and high import content of exports was partly offset by that of declining imports of energy (by 1.7 pps of GDP y-o-y).

FX reserves retreated in 2015, due to a base effect and the repayment of obligations to the IMF. The capital and financial account surplus deteriorated by 5.3 pps y-o-y to 0.7% of GDP in FY:15, mainly due to a significant decrease in (net) portfolio investment (to 0.8% of GDP from 5.6% of GDP in FY:14), reflecting strong base effects from the placement of a sovereign Eurobond worth EUR 500mn (5.8% of GDP) in July 2014.

Reflecting current account and CFA developments and positive (net) errors and omissions in FY:15, the overall balance posted a deficit of EUR 25.8mn (0.3% of GDP). This, along with the repayment 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) and valuation effects, led to a decline of EUR 175mn y-o-y to EUR 2.3bn in FX reserves.

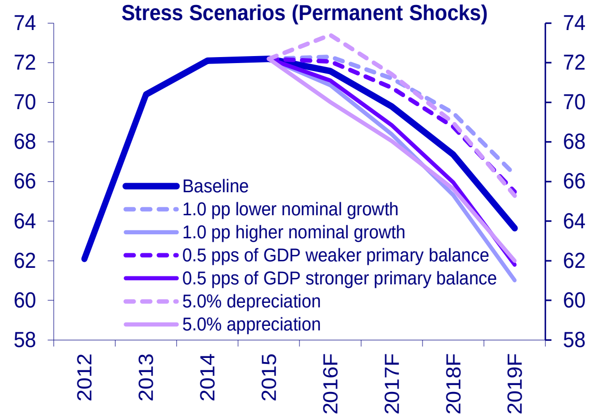
The CAD is set to widen further to 2.0% of GDP in 2016, in line with the recovery in domestic demand. For 2016, the improvement in the oil balance should be partly offset by a deterioration in the non-oil balance, reflecting the continued recovery in domestic demand.

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 (1.8% of GDP in FY:16 against 1.9% of GDP in FY:15); ii) net portfolio investment declines (to c. 0% of GDP in FY:16 from 0.8% of GDP in FY:15; and iii) the maturing external debt rollover rate remains broadly unchanged at FY:15 levels (96%), we foresee FX reserves declining moderately, by EUR 40mn in 2016, following a decline of EUR 175mn in 2015, bringing down FX reserves to EUR 2.2bn at end-2016 (covering 4.4 months of GNFS imports).

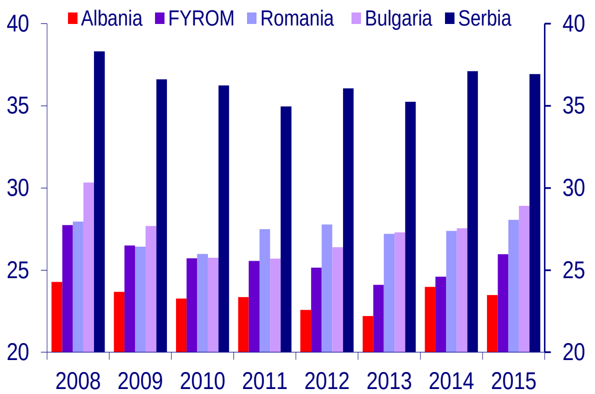
Albania

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

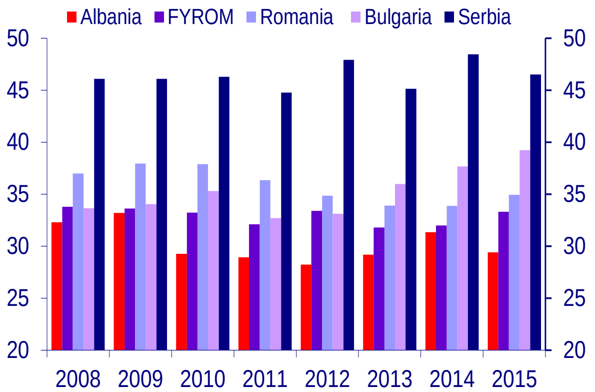
Public Debt (% of GDP)
Stress Scenarios (Permanent Shocks)



Tax Revenue (% of GDP)



Expenditure (% of GDP)



	29 Feb.	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	2.1	2.2	2.2	2.2
ALL/EUR	137.8	139.2	138.2	139.0
Sov. Spread (bps)	543	500	450	400

	29 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

Public debt-to-GDP ratio broadly stabilised at 72.2% in 2015, after having surged by a cumulative 14.4 pps of GDP in the past 4 years. Public debt remained broadly flat, rising by a mere 0.1 pp y-o-y to 72.2% of GDP in FY:15 (its highest level since 2001), against a rise by 1.7 pps in FY:14 and a sizeable increase by 8.3 pps in FY:13 (that partly reflected the recognition of domestic arrears and unpaid bills of 4.8% of GDP). The stabilization in 2015 was mainly driven by: i) a lower primary deficit (of 0.9% of GDP against 2.3% in 2014); ii) higher nominal GDP growth (4.6% against 3.7% in FY:14), slightly above funding costs (estimated at 4.5%); and iii) less arrears in clearance.

Fiscal needs were financed through an increase in external borrowing (up 4.4 pps y-o-y to 34.0% of GDP in FY:15), mainly reflecting: i) the EUR 250mn (2.4% of GDP) loan from Deutsche Bank, guaranteed by the World Bank, agreed in July; ii) the issuance of the country's second EUR 450mn Eurobond in November that more than covered the repayment of the maturing EUR 300mn Eurobond in the same month (adding net 1.4 pps of GDP to the public debt-to-GDP ratio); and ii) the disbursement of 3 tranches from the IMF (totalling EUR 94.7mn, or 0.9% of GDP). The increase in external borrowing was, however, broadly offset by a commensurate drop in borrowing in the domestic market. The latter is largely held by commercial banks (holding 58.2% of domestic debt in 2015, yet down from 61.5% in 2014).

Bold measures have been introduced since early-2014 to hold back the rise in government debt. The new Government, formed in late 2013, has embarked on a significant fiscal adjustment, backed by an IMF Extended Fund Facility, in place since February 2014. In view of the little scope for expenditure cuts (Albania has the lowest expenditure-to-GDP ratio in SEE-5), the adjustment concentrated on the revenue side (where Albania significantly underperforms its regional peers).

In fact, the Government introduced ambitious revenue-enhancing measures in 2014 (equivalent to a sizeable 2.0 pps of GDP), entailing the removal of VAT and excise tax exemptions (0.3 pps of GDP), as well as rises in: i) the profit tax rate by 5 pps to 15% (0.5 pps of GDP); ii) excise taxes (0.4 pps of GDP); iii) fuel tax by c. 6.5% (0.4 pps of GDP); and iv) property tax (0.1 pp of GDP).

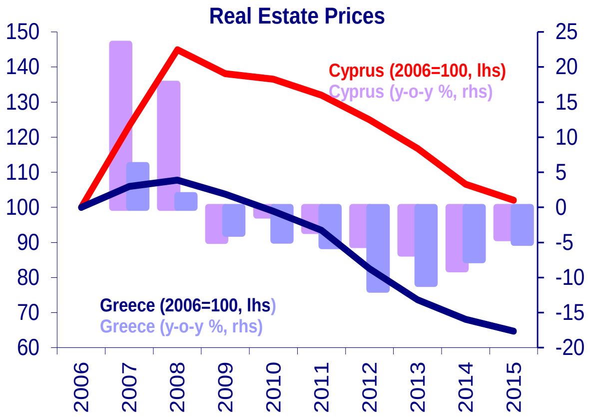
A second-round of revenue-enhancing measures was implemented in 2015 (estimated to yield 1.1 pp of GDP). These measures comprised mainly increases in: i) the tax rate on income from bank deposits, dividends and capital gains, and gambling by 5 pps to 15% (0.3 pps of GDP); ii) the fuel tax (0.4 pps of GDP); and iii) the excise tax on cigarettes (0.3 pps of GDP).

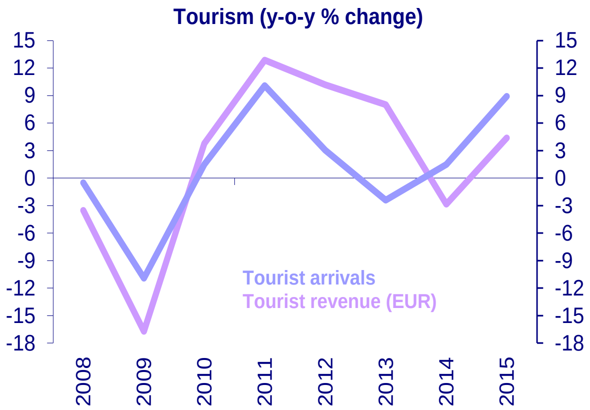
For this year, additional measures were adopted, aiming mainly to narrow the tax base (equivalent to 1.0 pp of GDP). They include: i) broadening the tax base for property tax and for social contributions by self-employed (0.2 pps of GDP); ii) increase in social contributions from newly-registered employees (0.3 pps of GDP), following a large-scale campaign against informality, launched in early September; iii) local tax increases (0.12 pps of GDP); as well as iv) reduced support to the electricity sector (0.3 pps of GDP).

As a result, the public debt-to-GDP ratio is set to embark on a downward trend this year, narrowing for the first time in 6 years, to an estimated 71.6% from a 15-year high of 72.2% in 2015. The public debt is gradually expected to fall below 60% by 2020, supported by the implementation of structural reforms yielding fiscal savings over time -- including the pension reform, the expected elimination of public support to the energy sector by 2020, tax and customs administration reforms, the fiscal cadastre, public financial management, as well as the continued effort against tax evasion, non-compliance and informality.

Cyprus

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





	29 Feb.	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.27	-0.27	-0.27	-0.27
EUR/USD	1.09	1.07	1.06	1.06
Sov. Spread (2020. bps)	387	360	300	250

	29 Feb.	1-W %	YTD %	2-Y %
CSE Index	67	2.7	-0.7	-52.0

	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	-0.2	0.2

The decline in real estate prices slowed, for the first time in 5 years, to 4.3% y-o-y in 2015. The Residential Property Price Index (RPPI) fell by 4.3% y-o-y in 2015 compared with decreases of 8.8% in 2014 and 6.5% in 2013, posting the lowest pace of decline in five years. This moderation reflects, *inter alia*: i) a significant increase in property sales to overseas buyers (up by 13.1% y-o-y to 1,349 in 2015), partly on the back of a government programme providing (a) permanent residence to foreigners for property purchases exceeding EUR 300k and (b) citizenship for property purchases surpassing EUR 5mn; ii) a rise in property sales to domestic buyers (up 8.1% y-o-y to 3,603 in 2015), reflecting a brighter economic outlook, improving confidence and a 50% decline in transfer fees for property purchases; iii) large FDI inflows to the real estate sector (up 11.5% y-o-y to EUR 136mn or 0.8% of GDP in 9M:15). With the 2015 outcome, prices reverted to their 2006 levels, down 29.6% from their peak in 2008.

Going forward, we expect real estate prices to continue to decline slowly in 2016, due, *inter alia*, to: i) the postponement of a planned sharp increase in property taxation (through re-evaluation of property prices from 1980's prices to those of 2013 and the hike in tax rates); and ii) lower-than-initially-expected excess supply. Indeed, the implementation of the recent mortgage foreclosure law appears to have boosted the restructuring of NPLs and reduced the number of strategic defaulters, limiting excess supply.

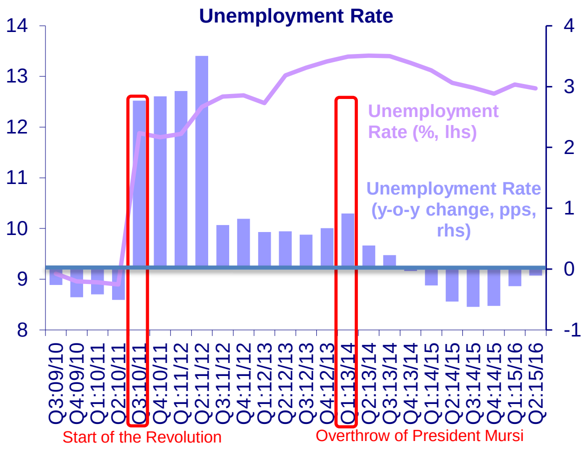
Tourist receipts reached a 14-year high of EUR 2.1bn (12.2% of GDP) in FY:15. Tourist receipts increased by 4.4% in FY:15 to a 14-year high of EUR 2.1bn or 12.2% of GDP, following a decrease of 2.8% in FY:14. However, the performance of tourist receipts was weaker than that of arrivals in the same period (up 8.9% y-o-y in FY:15), due a sharp decline in arrivals from the crisis-hit Russia – the second largest source country with a share of 26% in FY:14 -- and spending by Russian tourists. Indeed, Russian arrivals declined sharply by 18.2% in FY:15, while spending per Russian tourist declined by 15.3% in the same period. Note that excluding Russians, tourist receipts soared by 18.7% in FY:15, underpinned by both arrivals and spending per tourist (up 18.3% and 0.4%, respectively).

Going forward, we expect tourism activity to increase further this year. Tourist arrivals should benefit largely 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) heightening security concerns in Turkey. However, the positive momentum is set to weaken slightly this year, due to base effects from the sharp increase in FY:15 and the fact that the island is an expensive tourist destination compared with its neighbouring competitors (Turkey and Egypt). All said, we foresee growth in tourist arrivals moderating to around 6.0% in FY:16 -- the 2nd highest growth rate since 2011 -- from 8.9% in FY:15. We expect tourist receipts to increase at a slower pace than arrivals this year, as spending per tourist is set to decline further in line with recent trends. We see FY:16 tourism receipts at EUR 2.2mn (12.6% of GDP) – 3.5% higher than the FY:15 outcome.

Against this backdrop, and with tourism accounting for roughly 22% of GDP, we maintain our 2016 real GDP growth forecast of 2.0%, up from our FY:15 estimate of 1.5%. Moreover, with tourism accounting for roughly 23% of employment, we see unemployment declining to 15.0% in FY:16 from 15.6% in FY:15 and 16.1% in FY:14.

Egypt

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



Real GDP					
Y-o-Y % Change	FY 13/14	FY 14/15	Q1 14/15	Q1 15/16	FY 15/16 F
Primary Sector	-1.0	-1.0	-2.2	0.4	0.5
Secondary Sector	4.8	3.0	11.5	-0.5	1.4
Construction Sector	7.4	9.7	9.9	7.5	7.8
Services Sector	2.6	4.7	5.4	5.5	3.8
o/w Tourism	*-44.9*	*19.5*	*50.3*	*-9.1*	*-28.0*
Gross Value Added	2.2	3.1	4.5	3.0	2.7
Indirect Taxes minus Subsidies	---	---	---	---	---
GDP	2.2	4.2	5.6	3.0	3.0

Contributions to Overall GDP Growth, pps	FY 13/14	FY 14/15	Q1 14/15	Q1 15/16	FY 15/16 F
Primary Sector	-0.3	-0.3	-0.6	0.1	0.1
Secondary Sector	0.9	0.6	2.0	-0.1	0.3
Construction Sector	0.3	0.4	0.4	0.3	0.4
Services Sector	1.4	2.5	2.7	2.7	2.0
o/w Tourism	*-1.3*	*0.3*	*0.7*	*-0.2*	*-0.5*
Gross Value Added	2.3	3.2	4.4	3.0	2.8
Indirect Taxes minus Subsidies	-0.1	1.0	1.2	0.0	0.2
GDP	2.2	4.2	5.6	3.0	3.0

	29 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)	433	400	300	220

	29 Feb.	1-W %	YTD %	2-Y %
HERMES 100	560	1.1	-11.0	-29.9

	12/13	13/14	14/15	15/16F	16/17F
Real GDP Growth (%)	2.1	2.1	4.2	3.0	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

The unemployment rate declined by 0.1 pp y-o-y to 12.8% in Q2:15/16. On an annual basis, the unemployment rate declined for a sixth successive quarter in Q2:15/16 (October-December 2015), following a long period of increase starting in early-Q3:10/11 (January 2011 Revolution). However, the pace of decline moderated to 0.1 pp y-o-y in Q2:15/16 from 0.3 pps y-o-y in Q1:14/15 and a quarterly average of 0.5 pps y-o-y in FY:14/15, due to: i) a base effect from a broad-based improvement in economic activity in FY:14/15, on the back of dissipating violence and security concerns; and ii) the terrorist bombing of a Russian passenger plane over the Sinai desert 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.

Looking ahead, the positive unemployment rate trend should reverse again and begin to increase from this quarter (Q3:15/16). Indeed, the Egyptian economy, and particularly the tourism sector which accounts for around 11% of total employment, will suffer further from the terrorist bombing of the Russian plane and continued ISIS Egyptian branch attacks, despite the Government's efforts to strengthen security measures and attract tourists through promotional campaigns abroad.

Quarterly real GDP growth moderated sharply to 3.0% y-o-y in Q1:15/16 (July-September 2015) from a multi-year high of 5.6% a year earlier. The slowdown was driven by the secondary sector and the construction sector. Indeed, activity in the secondary sector declined by 0.5% y-o-y following a sharp rise of 11.5% in Q1:14/15 on the back of restored business confidence, a calmer political climate, and eased security concerns following el-Sissi's landslide victory in the presidential elections. Activity in the construction sector also slowed in Q1:15/16 (up 7.5% y-o-y against 9.9% in Q1:14/15), mainly due to a base effect from the start of the expansion of the Suez Canal in Q1:14/15.

Reflecting developments in activity and the postponement of a second round of tax increases and subsidy cuts, due to the long-awaited parliamentary elections (that ended in December), net indirect taxes have seen their contribution to overall growth shrinking to zero in Q1:15/16 from 1.2 pps a year earlier. Recall that a first round of tax increases and subsidy cuts in the context of an ambitious 3-year fiscal reform programme was launched in early-Q1:14/15 (July 2014), when President el-Sissi took office, aiming at putting public finances on a strong footing (fiscal deficit excluding grants from Gulf countries and public sector debt stood at the sustainable levels of 16.7% and 92.2% of GDP, respectively, in FY:13/14).

FY:15/16 headline growth to reach 3.0% -- well below the Government's downwardly-revised 4.0% (from 5.0%) and the past year's outcome of 4.2%. Looking ahead, despite a less pronounced base effect, we expect economic activity to continue to decelerate in Q2-Q4:15/16, hampered, *inter alia*, by a more adverse external environment, acute security concerns and a stalled reform process. Indeed, financial assistance from the country's primary benefactors, Saudi Arabia, Kuwait and the UAE had ceased at end-2014/15 and workers' remittances from oil-rich Gulf countries are set to decline sharply, due to a further weakening in global oil prices. The sub-sector of tourism is also expected to be hit hard, especially following the bombing of the Russian passenger plane (we expect it to shave 0.5 pps off headline growth this fiscal year after having contributed 0.3 pps a year earlier). Moreover, the second-round of tax increases and subsidy cuts is unlikely to be introduced before the last quarter of this fiscal year (implying a delay of three quarters).

FOREIGN EXCHANGE MARKETS, FEBRUARY 29TH 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	137.8	-0.3	0.4	-0.5	1.8	137.5	139.5	138.3	138.3	137.7	0.1	2.0
Brazil	BRL	4.37	-0.3	-0.8	-1.5	-27.2	4.28	4.55	5.00	4.99	4.99	1.0	-25.2
Bulgaria	BGL	1.96	0.0	0.0	0.0	0.0	1.96	1.96	1.96	1.96	1.96	0.0	0.0
China	CNY	7.12	0.9	0.1	-1.1	-1.4	6.99	7.46	7.34	7.34	7.34	10.8	6.7
Egypt	EGP	8.50	1.1	-0.7	-0.1	0.6	8.26	9.09	9.31	- - -	- - -	10.6	2.1
FYROM	MKD	61.3	0.0	0.0	0.0	0.0	61.3	61.3	61.3	61.3	61.3	0.0	0.0
India	INR	74.1	1.8	-0.9	-3.1	-6.9	71.3	77.8	80.5	- - -	- - -	12.3	6.6
Romania	RON	4.47	0.0	1.9	1.1	-0.8	4.46	4.56	4.48	4.49	4.51	-0.5	-0.8
Russia	RUB	81.8	1.0	-0.1	-3.2	-15.9	78.1	93.8	84.2	86.3	90.7	-32.8	-15.1
Serbia	RSD	123.2	0.0	-0.5	-1.4	-2.6	121.6	123.7	123.7	124.2	- - -	-5.6	-0.1
S. Africa	ZAR	17.3	-2.9	-0.3	-2.7	-24.4	16.56	18.58	17.6	18.0	18.8	3.0	-16.6
Turkey	YTL	3.22	0.5	-0.7	-1.7	-12.9	3.17	3.35	3.32	3.41	3.61	4.4	-10.8
Ukraine	UAH	29.5	-3.3	-5.9	-11.6	0.7	25.06	30.16	36.5	- - -	- - -	-40.8	-27.5
US	USD	1.09	1.4	-0.3	-0.1	3.0	1.1	1.1	1.09	1.09	1.10	13.6	11.4
JAPAN	JPY	122.5	1.6	7.1	6.5	9.3	122.1	132.3	122.7	122.6	122.5	-0.1	11.0
UK	GBP	0.78	-0.2	-2.6	-5.6	-7.1	0.7	0.8	0.78	0.79	0.79	7.0	5.3

* Appreciation (+) / Depreciation (-)

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

MONEY MARKETS, FEBRUARY 29TH 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	2.0	- - -	8.9	- - -	- - -	0.4	11.8	- - -	11.3	7.1	19.6	- - -	0.4
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	0.4	11.9	2.9	- - -	7.6	- - -	- - -	- - -
S/W	1.9	14.1	0.0	2.3	-0.3	9.1	1.3	- - -	- - -	10.7	2.9	- - -	7.7	20.8	-0.3	0.4
1-Month	2.1	14.2	0.1	2.8	-0.3	9.3	1.5	7.3	0.5	11.8	3.1	11.9	7.7	23.1	-0.3	0.4
2-Month	- - -	14.2	0.1	- - -	-0.2	- - -	- - -	- - -	- - -	11.8	3.2	11.9	7.9	- - -	-0.2	0.5
3-Month	2.4	14.2	0.2	2.9	-0.2	9.3	1.8	8.3	0.8	11.8	3.3	12.0	8.3	23.8	-0.2	0.6
6-Month	2.6	14.2	0.4	3.0	-0.1	- - -	2.1	- - -	1.0	12.3	3.5	12.0	8.5	- - -	-0.1	0.9
1-Year	2.7	14.3	0.9	3.2	0.0	- - -	2.6	- - -	1.2	12.0	- - -	12.1	9.1	- - -	0.0	1.2

LOCAL DEBT MARKETS, FEBRUARY 29TH 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	1.6	- - -	- - -	- - -	- - -	11.0	1.6	7.3	- - -	11.9	3.2	9.3	- - -	- - -	-0.5	0.3
6-Month	1.6	- - -	- - -	- - -	- - -	11.5	2.1	7.2	0.5	12.1	3.4	9.8	- - -	- - -	-0.4	0.5
12-Month	1.8	- - -	0.0	2.3	- - -	12.2	2.6	7.3	0.7	9.8	4.4	10.7	- - -	18.5	-0.5	0.6
2-Year	2.3	- - -	- - -	2.5	- - -	- - -	2.0	7.4	1.0	9.8	- - -	10.7	8.3	19.7	-0.6	0.8
3-Year	5.0	- - -	0.4	2.5	- - -	- - -	2.7	7.6	1.3	9.7	- - -	10.7	8.7	20.0	-0.5	0.9
5-Year	5.0	15.5	- - -	2.7	- - -	13.8	2.7	7.7	2.3	9.8	6.3	10.5	8.9	- - -	-0.4	1.2
7-Year	- - -	- - -	1.6	- - -	3.8	14.9	- - -	8.0	2.7	9.7	- - -	- - -	- - -	- - -	-0.3	1.5
10-Year	7.9	15.9	2.5	2.9	- - -	15.9	3.7	7.6	3.5	9.7	- - -	10.3	9.4	- - -	0.1	1.7
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	4.3	8.3	- - -	9.6	- - -	- - -	9.8	- - -	0.4	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	10.1	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	8.3	- - -	- - -	- - -	- - -	10.1	- - -	0.8	2.6

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

SOVEREIGN EUROBOND SUMMARY, FEBRUARY 29TH 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	4.7	543	482
Brazil 12.75% '20	USD	BB+/Baa3	15/1/2020	234	5.1	418	466
Brazil 4.875% '21	USD	BB+/Baa3	22/1/2021	2,988	5.5	426	421
Brazil 8.75% '25	USD	BB+/Baa3	4/2/2025	969	6.8	502	560
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	0.6	116	82
Bulgaria 2.0% '22	EUR	BB+/Baa2	26/3/2022	1,250	1.7	209	163
Bulgaria 2.95% '24	EUR	BB+/Baa2	3/9/2024	1,493	2.5	249	214
Bulgaria 2.62% '27	EUR	BB+/Baa2	26/3/2027	1,000	2.8	274	219
Bulgaria 3.12% '35	EUR	BB+/Baa2	26/3/2035	900	3.9	322	272
China 4.375% '23	USD	AA-/Aa3	2/5/2023	500	3.6	189	231
China 7.5% '27	USD	AA-/Aa3	28/10/2027	100	3.4	166	213
Cyprus 4.75% '19	EUR	B+/NA	25/6/2019	566	3.0	354	326
Cyprus 4.62% '20	EUR	B+/B3	3/2/2020	770	3.4	387	353
Cyprus 3.875% '22	EUR	NA/B3	6/5/2022	1,000	3.8	413	363
Cyprus 4.25% '25	EUR	NA/B1	4/11/2025	1,000	4.2	405	365
Egypt 5.75% '20	USD	B-/B3	29/4/2020	1,000	5.6	433	444
Egypt 5.875% '25	USD	B-/B3	11/6/2025	1,500	8.1	638	591
Egypt 6.875% '40	USD	B-/B3	30/4/2040	500	8.9	628	578
FYROM 4.875% '20	EUR	BB-/NA	1/12/2020	270	5.0	575	494
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	5.0	593	578
Romania 4.875% '19	EUR	BBB-/Baa3	7/11/2019	1,500	0.7	119	90
Romania 4.62% '20	EUR	BBB-/Baa3	18/9/2020	2,000	0.9	133	109
Romania 4,375% '23	USD	BBB-/Baa3	22/8/2023	1,500	3.4	181	201
Romania 3.625% '24	EUR	BBB-/Baa3	24/4/2024	1,250	2.2	240	203
Romania 6.125% '44	USD	BBB-/Baa3	22/1/2044	1,000	4.8	220	308
Russia 3.5% '19	USD	BB+/Ba1	16/1/2019	1,500	3.5	257	253
Russia 5% '20	USD	BB+/Ba1	29/4/2020	3,500	3.8	261	281
Russia 4.5% '22	USD	BB+/Ba1	4/4/2022	2,000	4.1	262	288
Russia 4.875% '23	USD	BB+/Ba1	16/9/2023	3,000	4.3	280	294
Russia 12.75% '28	USD	BB+/Ba1	24/6/2028	2,500	5.8	405	556
Russia 5.625% '42	USD	BB+/Ba1	4/4/2042	3,000	5.8	319	364
Russia 5.875% '43	USD	BB+/Ba1	16/9/2043	1,500	5.9	328	377
Serbia 4.875% '20	USD	BB-/B1	25/2/2020	1,500	4.4	314	332
Serbia 7.25% '21	USD	BB-/B1	28/9/2021	2,000	4.7	345	368
Serbia 5% '24	USD	BB-/NA	11/4/2024	125	3.8	396	362
S. Africa 6.875% '19	USD	BBB-/Baa2	27/5/2019	2,000	4.0	311	319
S. Africa 5.875% '25	USD	BBB-/Baa2	16/9/2025	2,000	5.2	350	374
S. Africa 6.25% '41	USD	BBB-/Baa2	8/3/2041	750	6.0	339	399
Turkey 5.875% '19	EUR	NR/Baa3	2/4/2019	1,250	1.9	244	223
Turkey 7% '20	USD	NR/Baa3	5/6/2020	2,000	4.1	282	314
Turkey 6.25% '22	USD	NR/Baa3	26/9/2022	2,500	4.6	310	345
Turkey 4.125% '23	EUR	NR/Baa3	11/4/2023	1,000	3.3	361	320
Turkey 5.75% '24	USD	NA/Baa3	22/3/2024	2,500	4.8	329	346
Turkey 7.375% '25	USD	NR/Baa3	5/2/2025	3,250	4.9	318	373
Turkey 4.25% '26	USD	NA/Baa3	14/4/2026	1,500	4.9	320	321
Turkey 11.875% '30	USD	NR/Baa3	15/1/2030	1,500	5.2	345	476
Turkey 8% '34	USD	NR/Baa3	14/2/2034	1,500	5.7	396	435
Turkey 6.875% '36	USD	NR/Baa3	17/3/2036	2,750	5.8	319	409
Turkey 7.25% '38	USD	NR/Baa3	5/3/2038	1,000	5.8	321	421
Turkey 6.75% '40	USD	NR/Baa3	30/5/2040	2,000	5.8	322	405
Turkey 6.75% '41	USD	NR/Baa3	14/1/2041	3,000	5.8	321	379
Ukraine 7.75% '19	USD	B-/Caa3	1/9/2019	1,155	10.9	1001	922
Ukraine 7.75% '20	USD	B-/Caa3	1/9/2020	1,531	10.5	927	871
Ukraine 7.75% '21	USD	B-/Caa3	1/9/2021	1,378	10.3	911	841
Ukraine 7.75% '22	USD	B-/Caa3	1/9/2022	1,355	10.3	872	818
Ukraine 7.75% '23	USD	B-/Caa3	1/9/2023	1,330	10.2	865	797

CORPORATE BONDS SUMMARY, FEBRUARY 29TH 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	654	593
	Bulgarian Telecom. 6.625% '18	EUR	B-/B1	15/11/2018	400	7,2	771	710
Cyprus	**Aroundtown Property 3% '21**	EUR	NA/NA	9/12/2021	200	3,6	397	342
Russia	**Gazprom 8.2% '19**	RUB	BB+/NA	9/4/2019	10,000	11,6	179	- - -
	Gazprom 8.9% '21	RUB	BB+/NA	26/1/2021	10,000	11,4	166	- - -
South Africa	**FirstRand Bank Ltd 4.375% '16**	USD	BBB-/Baa2	9/6/2016	342	3,7	341	308
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	1,0	149	112
Turkey	**Vakiflar Bankasi 3.5% '19**	EUR	NA/Baa3	17/6/2019	500	3,3	387	347
	Garanti Bankasi 3.38%'19	EUR	NA/Baa3	8/7/2019	500	3,2	370	331
	Arcelik AS 3.875% '21	EUR	BB+/NA	16/9/2021	350	4,2	451	404
	Turkiye Is Bankasi 6% '22	USD	NA/Ba3	24/10/2022	1,000	6,3	457	488

CREDIT DEFAULT SWAP SPREADS, FEBRUARY 29TH 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	446	171	135	- - -	499	- - -	- - -	129	319	283	293	349	- - -
10-Year	- - -	515	219	179	- - -	511	- - -	- - -	173	369	323	347	403	- - -

STOCK MARKETS PERFORMANCE, FEBRUARY 29TH 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)	42794	-1.0	5.9	-1.3	-17.0	37046	43601	-0.8	-13.3	-35.3	-2.9	-2.0
Bulgaria (SOFIX)	447	0.2	-0.2	-2.9	-8.3	441	462	-2.9	-11.7	-11.7	6.2	6.2
China (SHCOMP)	2688	-8.2	-1.8	-24.8	-18.8	2638	3539	-19.2	9.4	16.5	52.9	69.5
Cyprus (CSE GI)	67	2.7	-0.5	-0.7	-14.5	64	68	-0.7	-20.9	-20.9	-17.0	-17.0
Egypt (HERMES)	560	1.1	2.4	-11.0	-34.4	521	636	-12.0	-24.4	-25.7	23.5	36.6
F.Y.R.O.M (MBI)	1808	0.2	-1.4	-1.4	-1.9	1776	1842	-1.4	-0.6	-0.6	6.1	6.1
India (SENSEX)	23002	-3.3	-7.5	-11.4	-21.7	22495	30025	-11.9	-5.0	0.7	29.9	44.7
Romania (BET-BK)	1222	0.3	-1.4	-8.9	-10.3	1171	1329	-8.0	2.6	1.6	3.7	3.5
Russia (RTS)	4084	2.4	3.0	3.1	3.9	3509	4084	-7.4	30.3	9.5	-6.9	-37.4
Serbia (BELEX-15)	588	0.4	-2.3	-6.9	-10.7	570	637	-8.4	-3.4	-3.5	19.5	12.8
South Africa (FTSE/JSE)	49415	0.6	0.6	-2.7	-7.4	45976	50694	-3.5	1.9	-15.1	7.6	10.9
Turkey (ISE 100)	75814	1.2	3.2	3.6	-9.9	68230	76017	0.8	-16.3	-25.4	26.4	32.0
Ukraine (PFTS)	241	0.3	1.2	0.0	-45.9	236	246	-8.6	-37.8	-54.8	28.7	-24.2
MSCI EMF	740	-1.2	-0.3	-6.5	-25.2	687	794	-6.1	-17.0	-7.5	-4.6	8.2
MSCI EAFE	1558	-0.9	-2.1	-9.8	-17.4	1492	1716	-9.7	-3.3	7.7	-7.3	5.8
Greece (ASE-General)	517	5.9	-6.5	-15.4	-41.3	421	627	-15.4	-23.6	-23.6	-28.9	-28.9
Germany (XETRA DAX)	9495	-0.8	-3.1	-11.6	-16.7	8699	10486	-11.6	-4.9	-4.9	2.7	2.7
UK (FTSE-100)	6097	1.0	0.2	-2.8	-12.2	5500	6242	-8.9	-4.9	0.1	-2.7	4.1
Japan (NIKKEI-225)	16027	-0.5	-8.5	-15.8	-14.7	14866	18951	-10.4	9.1	20.2	7.1	7.0
USA (DJ INDUSTRIALS)	16517	-0.6	0.3	-6.2	-8.9	15370	18351	-6.4	-2.2	9.3	7.5	22.2
USA (S&P 500)	1932	-0.7	-0.4	-6.4	-8.2	1810	2135	-6.5	-0.7	10.9	11.4	26.6