NATIONAL BANK

South Eastern Europe and Mediterranean Emerging Market Economies
Weekly Report

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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 1

Dollarization of deposits accelerates in 2015, reflecting increased uncertainty

Although loan growth (FX-adjusted) slows in 2015 (up 12.9% against an increase of 16.0% in 2014), the banking sector's liquidity shortfall continues to grow

ROMANIA 2

Current account deficit widens to 0.8% of GDP on a 12-month rolling basis in November from 0.6% at end-2014, in line with stronger domestic demand

BULGARIA 3

Current account surplus remains high at 1.0% of GDP, on a 12-month rolling basis, in November

Tourist arrivals decline for the first time in six years (down 1.2% y-o-y in 11M:15)

SERBIA 4

Banking system profitability improves, on an annual basis, in Q3:15

FYROM 5

Deflation remains broadly unchanged at -0.3% y-o-y in December compared with -0.5% a year earlier

Customer deposit growth, albeit moderating, remains strong in 2015

Credit to the private sector maintains momentum in 2015

ALBANIA 6

Economic growth strengthens to 3.0% y-o-y in Q3:15

CYPRUS 7

Tourist arrivals exceed the 2.6mn mark in 2015, for the first time since 2001

EGYPT 8

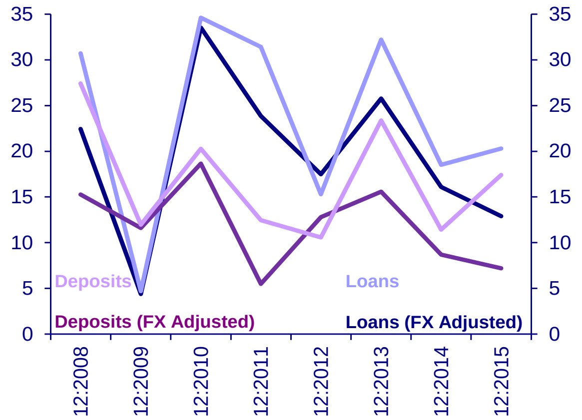
A disappointing start to the year on the fiscal front, with the 12-month rolling (underlying) deficit remaining unchanged at the unsustainable level of 12.5% of GDP in the first 4 months of the new fiscal year

APPENDIX: FINANCIAL MARKETS 9

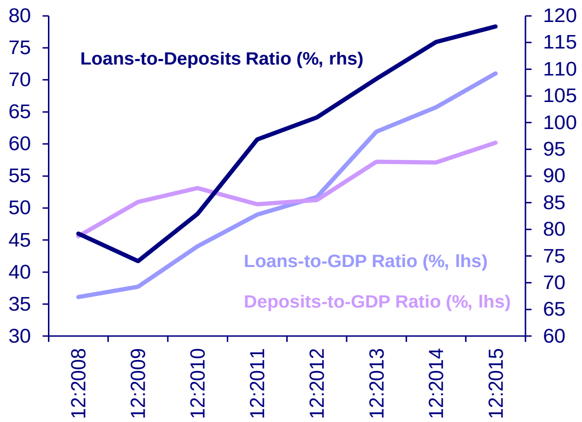
Turkey

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

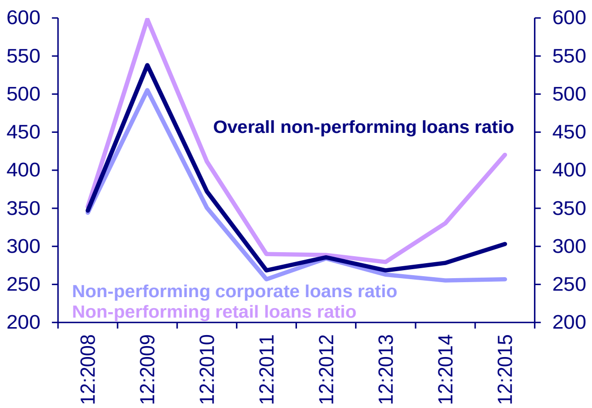
Loans and Deposits (y-o-y % change)



Penetration and Liquidity Indicators



NPL Ratios (bps)



	25 Jan.	3-M F	6-M F	12-M F
1-m TRIBOR (%)	11.9	11.5	11.0	10.5
TRY/EUR	3.28	3.32	3.34	3.40
Sov. Spread (2017, bps)	137	135	132	120

	25 Jan.	1-W %	YTD %	2-Y %
ISE 100	70,539	-0.7	-3.6	9.5

	2012	2013	2014	2015E	2016F
Real GDP Growth (%)	2.1	4.2	2.9	3.4	3.2
Inflation (eop, %)	6.2	7.4	8.2	8.8	8.4
Cur. Acct. Bal. (% GDP)	-6.2	-7.9	-5.8	-4.5	-5.0
Fiscal Bal. (% GDP)	-2.1	-1.2	-1.3	-1.2	-1.5

Dollarization of deposits accelerated in 2015, reflecting increased uncertainty. Customer deposits growth accelerated significantly to 17.4% y-o-y in December 2015 from 11.4% a year ago. However, adjusted for FX variations, it eased to 7.2% y-o-y in December 2015 from 8.7% a year earlier, in view of the relatively large share of FX-denominated deposits in total deposits (37.0% at end-2014) and the stronger depreciation of the TRY against the USD (by 20.5% y-o-y at end-2015 against 7.7% at end-2014). The deceleration in overall deposits (FX-adjusted) was driven by both the corporate segment (c. 42.0% of total deposits at end-2014 and up 3.9% y-o-y at end-2015 against a rise of 5.7% end-2014) and the retail segment (up 9.6% y-o-y end-2015 against a rise of 10.9% end-2014). Unsurprisingly, amid increasing uncertainty in this election year and the subsequent heightening of TRY volatility, both households and corporates' preference shifted to deposits in foreign currency (FX-adjusted, up 7.8% and 5.5% y-o-y, respectively, at end-2015 from 6.2% and -1.1% at end-2014) to the detriment of deposits in domestic currency (up 10.4% and 3.2%, respectively, at end-2015 against rises of 13.0% and 9.3% at end-2014). As a result, the deposit penetration rate (customer deposits-to-GDP ratio) rose by 3.1 pps y-o-y to 60.2% in 2015. Moreover, in line with the sharp depreciation of the domestic currency in 2015, the dollarization of the economy accelerated significantly, with the FX-denominated deposits-to-overall deposits ratio rising by 5.3 pps y-o-y to an 11-year high of 42.2%.

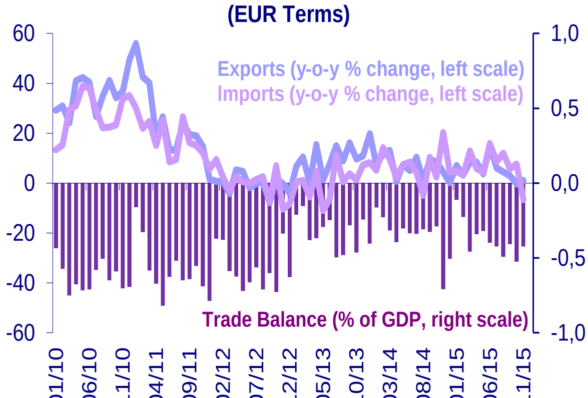
Although loan growth (FX-adjusted) slowed in 2015 (up 12.9% against an increase of 16.0% in 2014), the banking sector's liquidity shortfall continues to grow. Lending growth accelerated to 20.3% y-o-y in December 2015 from 18.5% a year ago. However, adjusting for FX movements, overall lending growth moderated sharply to 12.9% y-o-y in December from 16.1% a year earlier, standing well below the CBRT's reference level of 15.0%. The corporate segment (c. 69.0% of total loans at end-2014) was the driver of the sharp deceleration in FX-adjusted lending. Indeed, its growth moderated to 14.6% y-o-y in December 2015 from 21.3% a year earlier, reflecting four consecutive years of high growth (CAGR of 23.2%) and corporates' hesitance to borrow in highly volatile foreign currency. Unexpectedly, the retail segment recovered (up 9.6% y-o-y in December 2015 from a multi-year low rise of 7.0% a year ago), despite persistently high lending interest rates (average consumer -- personal, auto, and mortgages -- lending rate rose by 60 bps y-o-y to 14.8% in 2015) and the maintenance of the previous years' macro-prudential measures, aimed at containing overall lending growth at 15.0% in an effort to prevent an overheating of the economy and preserve financial stability. As a result, the lending penetration rate (loans-to-GDP ratio) rose by 5.3 pps to 71.0% in 2015 versus 38.7% in SEE-5 and liquidity pressures strengthened, with the loan-to-deposit ratio rising by 2.9 pps y-o-y to an all-time high of 118.0% in 2015 versus 93.0% in SEE-5 from 80% five years ago.

Overall NPL ratio deteriorated slightly in 2015 (up 20 bps y-o-y to 3.0%). Importantly, the NPL ratio in the corporate segment remained unchanged from its 2014 level of 2.8%, despite its high exposure the sharp depreciation of the domestic currency (45.0% of corporate loans are FX-denominated). The culprit was the retail segment, which saw its NPL ratio rise to 4.2% in 2015 from 3.3% in 2014. The rise in the unemployment rate for a 3rd consecutive year (up 0.4 pps y-o-y to 10.2% in 10M:15 following a cumulative 1.6 pps in 2013-14) and households' increasing leverage (loans-to-GDP ratio rose by 4.4 pps to 20.0% in the past 5 years) contributed to the deterioration.

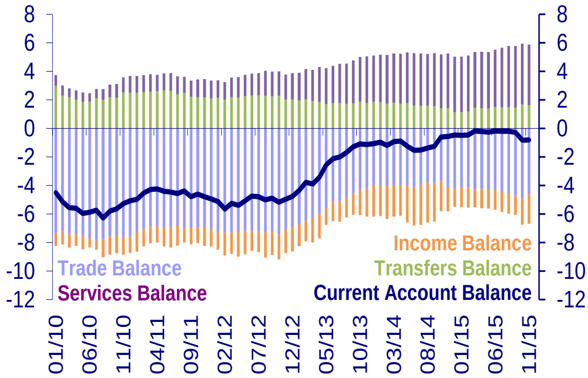
Romania

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

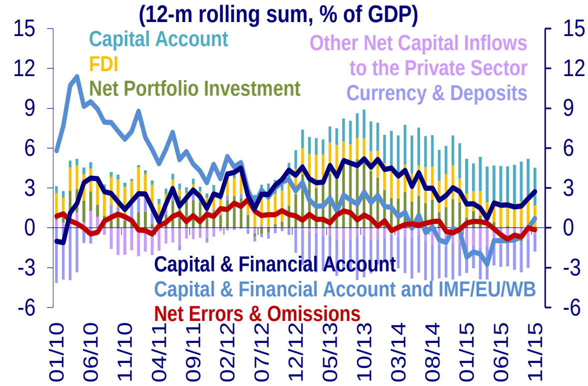
External Trade (EUR Terms)



Current Account Balance (12-m rolling sum, % of GDP)



Capital & Financial Account, IMF and Net Errors & Omissions (12-m rolling sum, % of GDP)



	25 Jan.	3-M F	6-M F	12-M F
1-m ROBOR (%)	0.6	1.2	1.5	1.8
RON/EUR	4.53	4.52	4.51	4.50
Sov. Spread (2023, bps)	186	180	170	165

	25 Jan.	1-W %	YTD %	2-Y %
BET-BK	1,225	4.6	-8.7	-4.2

	2012	2013	2014	2015E	2016F
Real GDP Growth (%)	0.6	3.4	2.8	3.6	4.5
Inflation (eop, %)	5.0	1.6	0.8	-0.9	0.0
Cur. Acct. Bal. (% GDP)	-4.8	-1.1	-0.5	-1.0	-1.9
Fiscal Bal. (% GDP)	-2.5	-2.5	-1.9	-1.2	-3.0

The current account deficit (CAD) widened to 0.8% of GDP on a 12-month rolling basis in November from 0.6% at end-2014, in line with stronger domestic demand. The CAD rose to 0.6% of GDP in 11M:15 from 0.3% in 11M:14. The main factor behind this deterioration was the income deficit, which widened markedly in 11M:15 (by 0.8 pps y-o-y to 2.1% 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 0.5 pps of GDP y-o-y in 11M:15), the trade deficit widened significantly in 11M:15 (by 0.4 pps y-o-y to 4.1% 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 widened in 11M:15 (by 0.5 pps y-o-y to 1.6% of GDP), on the back of higher official transfers from the EU (comprising subsidies to the agricultural sector and transfers from the Social Fund) and the services surplus increased (by 0.4 pps y-o-y to 4% of GDP in 11M:15), mainly due to higher revenue from transportation services.

FX reserves declined slightly in 11M:15, mainly due to large repayments to the IMF/EU. Specifically, capital outflows from the banking system continued in 11M:15, but at a slower pace (1.8% of GDP compared with 3.1% in 11M:15), 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 0.4% of GDP in 11M:15, albeit lower than in 11M:14 -- 1.0% of GDP), suggesting that corporates' access to external financing remains constrained. At the same time, net portfolio investment deteriorated, but this was due to base effects (no inflows were recorded in 11M:15 against inflows of 1.9% in 11M: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 0.3 pps y-o-y) to a surplus of 1.3% of GDP in 11M:15. The repayment, however, of EUR 3.0bn (1.9% of GDP) to the IMF/EU, along with valuation effects, led FX reserves to decline slightly to EUR 32.1bn in November from EUR 32.2bn at end-2014.

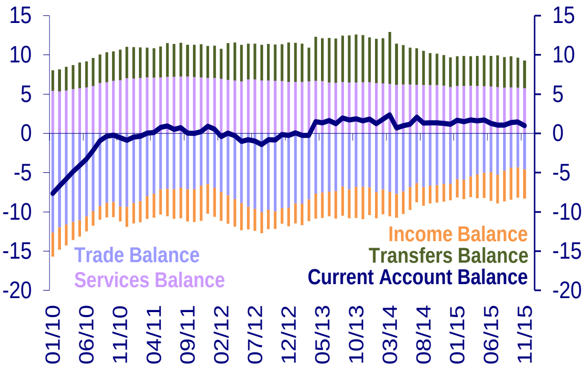
The CAD is set to widen markedly, to 1.9% of GDP in FY:16 from an estimated 1.0% in FY:15, due to a further strengthening in domestic demand. Despite subdued global oil prices (the energy trade balance is set to narrow by c. 0.2 pps of GDP in FY:16, assuming the average price of Brent declines to EUR 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 3.6% in FY:15, supported by a sizeable fiscal stimulus -- 1.8 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. Projecting that: i) net FDI inflows remain broadly unchanged compared with FY:15 (at 2.0% of GDP); ii) the rollover of the EUR-denominated debt falling due this year (1.9% of GDP) contains net portfolio investment close to zero for a second consecutive year; iii) the maturing external debt rollover rate remains at FY:15 levels (85%); and iv) capital transfers decline (to 2.5% of GDP in FY:16 from a projected 3.0% 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 0.2bn -- after remaining broadly flat in FY:15 -- to a still comfortable level of EUR 32.0bn at end-2016 (covering more than 5 months of GNFS imports).

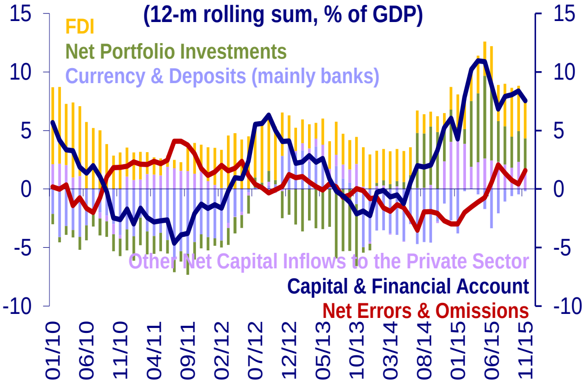
Bulgaria

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

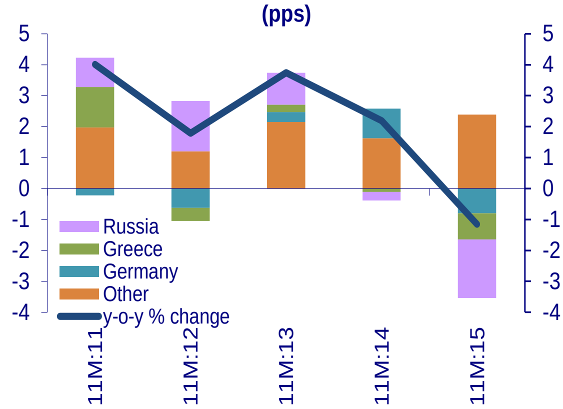
Current Account Balance (12-m rolling sum, as % of GDP)



Capital & Financial Account and Net Errors & Omissions (12-m rolling sum, % of GDP)



Contribution Rates to Tourist Arrivals Growth (pps)



	25 Jan.	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)	183	178	170	160

	25 Jan.	1-W %	YTD %	2-Y %
SOFIX	444	-0.5	-3.7	-18.3

	2012	2013	2014	2015E	2016F
Real GDP Growth (%)	0.2	1.3	1.5	3.0	2.6
Inflation (eop, %)	4.2	-1.6	-0.9	-0.4	0.7
Cur. Acct. Bal. (% GDP)	-0.3	1.8	1.2	1.0	1.8
Fiscal Bal. (% GDP)	-0.4	-1.8	-3.7	-2.7	-2.0

The current account surplus (CAS), albeit easing, remains high at 1.0% of GDP on a 12-month rolling basis in November. The CAS narrowed slightly to 1.8% of GDP in 11M:15 from 2.0% in 11M:14. Indeed, the income deficit widened markedly in 11M:15 (by 1.6 pps of GDP y-o-y), reflecting higher profit and dividend outflows. Similarly, the services surplus narrowed in 11M:15 (by 0.2 pps of GDP y-o-y), due, *inter alia*, to a decline in tourism activity (see below), as did the transfers surplus (down 0.2 pps of GDP y-o-y). The bulk of these negative developments was, however, offset by the narrowing of the trade deficit (by 1.8 pps of GDP y-o-y in 11M:15), on the back of the sharp decline in global oil prices.

External financing conditions improve in 11M:15, pushing FX reserves to record levels. Net FDI inflows rose in 11M:15 (to 3.3% of GDP from 1.8% in 11M:14), due to base effects from lower direct investments abroad, as did capital transfers (to 2.7% of GDP in 11M:15 from 1.9% in 11M:14), on the back of the better absorption of EU Funds. At the same time, the repatriation of deposits placed abroad by domestic banks continued, offsetting the deleveraging by foreign parent banks (net inflows to the banking system stood at 0.1% of GDP against -2.4% in 11M:14). All said, the overall balance strengthened (by 5.9 pps y-o-y) to 9.2% of GDP in 11M:15, with FX reserves rising to EUR 19.4bn in November from EUR 15.3bn at end-2014.

Bulgaria is set to remain the best performer in the region, with the CAS widening to 1.8% of GDP in FY:16 from a projected 1.0% in FY:15. Lower income outflows and favourable global oil prices (the energy trade balance is set to narrow by c. 0.7 pps of GDP in FY:16, assuming an average Brent price of EUR 38/bbl, down from EUR 48/bbl in FY:15) should push up the CAS in FY:16.

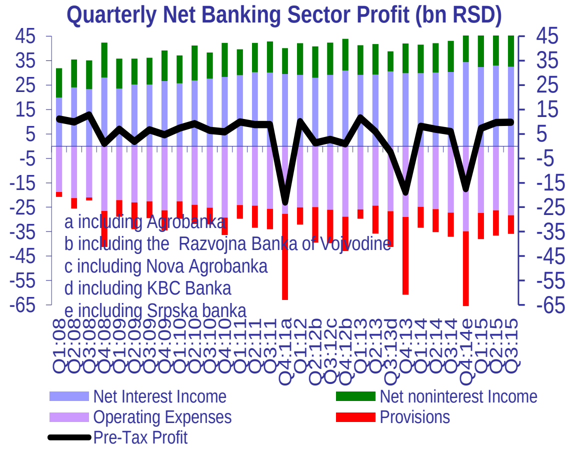
Filling the external financing gap should not be a problem, in view of lower external debt payments (18.0% of GDP in FY:16 against 24.0% in FY:15). Projecting that: i) FDI inflows remain unchanged compared with FY:15 (at 3.4% of GDP); ii) the maturing debt rollover rate remains at FY:15 levels (95%); and iii) capital transfers decline (to 2.8% of GDP in FY:16 from a projected 3.3% in FY:15), following the completion of the 2007-13 programming period of EU funding, we see FX reserves rising by EUR 3.0bn in FY:16, following an increase of EUR 3.7bn in FY:15, to EUR 22.0bn (10 months of GNFS imports).

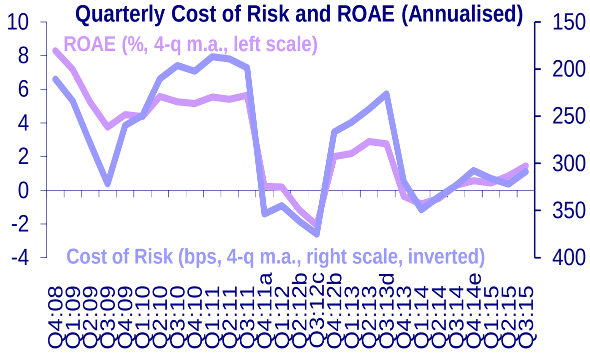
Tourist arrivals decline for the first time in 6 years (down 1.2% y-o-y in 11M:15). Tourist arrivals fell by 1.2% y-o-y to 8.9mn in 11M:15 against a rise of 2.2% in 11M:14. The negative performance was mainly due to a decline in arrivals from: i) Russia -- accounting for 7.1% of total arrivals in FY:14 -- down 25.9% y-o-y in 11M:15, on the back of the sharp depreciation of the RUB against the BGN (by 26.7% y-o-y in 11M:15); ii) Greece -- accounting for 11.7% of total arrivals in FY:14 -- down 7.4% y-o-y in 11M:15, in the wake of the introduction of capital controls; and iii) Germany -- accounting for 9.6% of total arrivals in FY:14 -- down 8.1% y-o-y in 11M:15, likely reflecting a base effect from a sharp increase in 2014 following a promotion campaign in Germany. Note that Bulgaria posted the worst y-t-d performance in terms of tourist arrivals among its neighbouring competitors, FYROM (up 13.9% y-o-y in 11M:15) and Romania (up 16.9% y-o-y in 10M:15).

For 2016, tourist arrivals are set to rise, albeit at a slow pace (up 2.0% against an estimated drop of 1.0% in FY:15), sustaining economic growth (tourism accounts for 13% of GDP). Indeed, we expect Bulgarian tourism to benefit, *inter alia*, from the suspension of flights to Egypt by Russia and the UK following the terrorist bombing of a Russian plane in Sinai in October 2015 and the Russian sanctions against Turkey following the downing of a Russian warplane by the Turkish air force in November 2015.

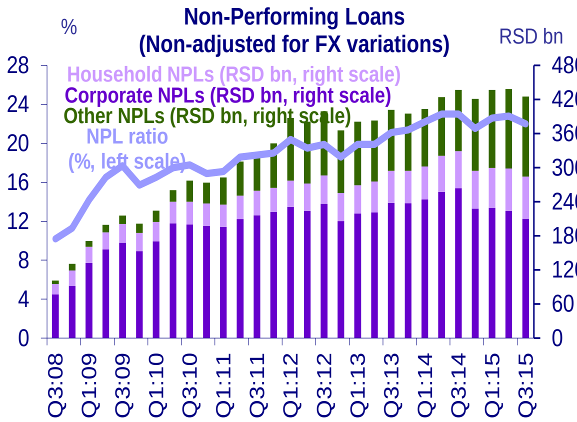
Serbia

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





a including Agrobanka, b including Razvojna Banka Vojvodine, c including Nova Agrobanka, d including KBC Banka, e including Srpska banka



	25 Jan.	3-M F	6-M F	12-M F
1-m BELIBOR (%)	3.3	3.4	3.6	4.0
RSD/EUR	123.1	119.8	120.1	120.3
Sov. Spread (2021, bps)	332	270	240	180

	25 Jan.	1-W %	YTD %	2-Y %
BELEX-15	577	-2.2	-8.6	0.0

	2012	2013	2014	2015E	2016F
Real GDP Growth (%)	-1.0	2.6	-1.8	0.8	2.5
Inflation (eop, %)	12.2	2.2	1.7	1.5	2.4
Cur. Acct. Bal. (% GDP)	-11.6	-6.1	-6.0	-4.5	-4.4
Fiscal Bal. (% GDP)	-6.8	-5.5	-6.7	-4.1	-3.9

The profitability of the banking system improved, on an annual basis, in Q3:15. Pre-tax profits in the banking sector rose to (a 2½-year high of) RSD 9.8bn (0.2% of GDP) in Q3:15, driven by a sharp fall in provisioning as well as a strong rise in net interest income (NII). As a result, the cumulative (and annualised) ROAE and ROAA rose to 5.6% and 1.2%, respectively, in 9M:15 from 4.6% and 1.0% in 9M:14.

Pre-provision income (PPI) strengthened in Q3:15, on the back of higher NII. PPI continued to rise, by 9.2% y-o-y in Q3:15, on the back of a significant increase in NII (accounting for a sizeable 71% of gross operating income, rising by 6.8% y-o-y in Q3:15). The improvement in NII occurred due to higher average interest earning assets (up 4.6% y-o-y in Q3:15), and stronger NIM (up 9 bps y-o-y to 446 bps, annualised, in Q3:15). The latter was supported by the ongoing cycle of monetary policy loosening (by a cumulative 725 bps since May 2013) combined with a faster repricing of deposits. In fact, the average LC deposit interest rate fell by 2.0 pps y-o-y in Q3:15, while the average LC lending interest rate declined by 1.3 pps y-o-y in Q3:15.

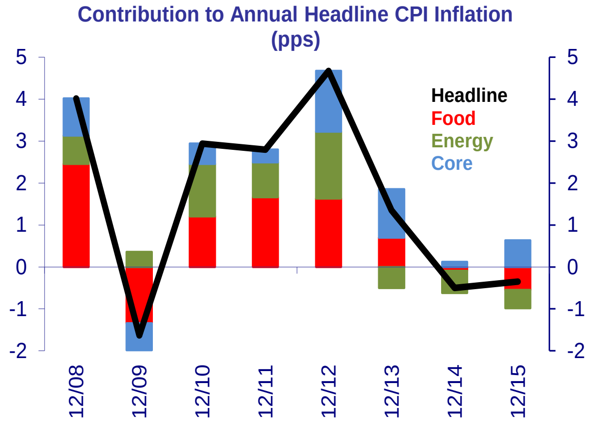
On the other hand, PPI was dragged down by higher operating expenses (up 4.0% y-o-y in Q3:15), despite the continued downsizing of the banking sector. Note that the number of employees and agencies continued to decline by 4.0% and 5.3% y-o-y, respectively, in 9M:15. The rise in expenses was driven by the damage prompted by the NBS decision, on February 24th, requiring banks to offer favourable terms to holders of CHF-denominated mortgage loans, in an effort to limit the rise in CHF-related NPLs. On a positive note, on the back of the stronger rise in top-line revenue, banking sector efficiency improved slightly, with the cost-to-income ratio falling by 1.1 pp y-o-y to (a still high) 62.0% in Q3:15.

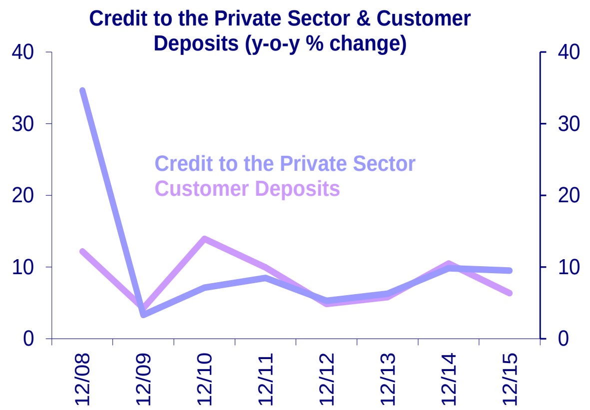
The cost of risk fell sharply in Q3:15, reflecting the decline in the NPL ratio. P/L provisions recorded a sharp decline of 23.9% y-o-y in Q3:15, following a rise of 17.5% y-o-y in H1:15. As a result, the cost of risk declined by 56 bps y-o-y to a 2½-year low of 158 bps (annualised) in Q3:15 from 220 bps in H1:15 and an estimated 255 bps in FY:14 (excluding extraordinary provisions by the state-owned Srpska banka in Q4:14). The decline in provisions was in line with the decrease in the NPL ratio (by 1.0 pp y-o-y in Q3:15, to 22.0% of total gross loans). Note that, despite the decline in provisioning, the NPL provision coverage ratio improved to 57.0% in Q3:15, according to IFRS standards, up from 52.0% in Q3:14. On another positive note, capital buffers remained high, with the CAR standing at 21.2% in Q3:15.

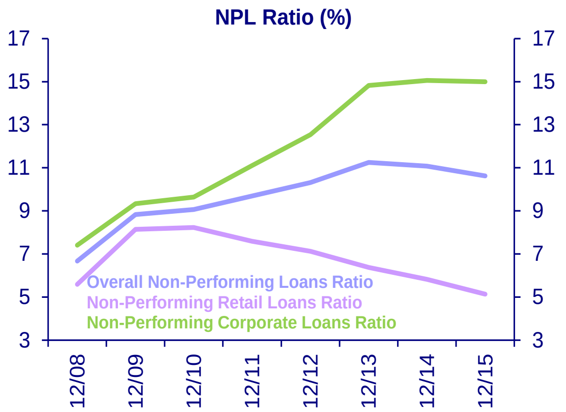
The banking sector bottom line is estimated to have strengthened, on an annual basis, in Q4:15. Profitability is estimated to have continued to improve in Q4:15, with ROAE reaching an estimated 4.0% against -11.3% in Q4:14 (that reflected large extraordinary losses by Srpska banka in Q4:14). Even excluding once-off provisions in Q4:14, underlying ROAE is estimated to have strengthened from an estimated -1.2% in Q4:14. Note that our estimate assumes the partial implementation in Q4:15 of the NBS recommendation to banks to reclassify some loans to NPLs, following the recently-conducted asset quality Special Diagnostic Studies for the 14 largest Serbian banks (accounting for 88% of the sector's total assets). The diagnostic tests of banks portfolios were conducted according to more conservative standards and their full impact would increase NPLs by 4.7 pps, prompting additional (net) loan-loss provisions of RSD 12.6bn (0.3% of GDP). Our baseline scenario assumes additional increases of 1.9 pps in the NPL ratio and RSD 5.3bn in provisioning in Q4:15. Overall, we see ROAE at a 5-year high of c. 5.2% in FY:15 -- well above the FY:14 outcome of 0.6% (an underlying ROAE of 3.3% excluding Srpska banka).

F.Y.R.O.M.

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







	25 Jan.	3-M F	6-M F	12-M F
1-m SKIBOR (%)	1.4	1.4	1.4	1.4
MKD/EUR	61.3	61.3	61.3	61.3
Sov. Spread (2021. bps)	517	470	400	300

	25 Jan.	1-W %	YTD %	2-Y %
MBI 100	1.805	1.5	-1.5	6.0

	2012	2013	2014	2015E	2016F
Real GDP Growth (%)	-0.4	2.7	3.5	3.5	3.6
Inflation (eop. %)	4.7	1.4	-0.5	-0.3	0.6
Cur. Acct. Bal. (% GDP)	-3.0	-1.8	-1.3	-0.4	-1.4
Fiscal Bal. (% GDP)	-3.8	-3.8	-4.2	-3.7	-3.2

Deflation remained broadly unchanged at -0.3% y-o-y in December compared with -0.5% a year earlier. The acceleration in food deflation during 2015, driven by a sharp decline in volatile fruit and vegetables prices, and to a smaller extent, lower energy inflation, were more than offset by a significant increase in core inflation (excluding food and energy prices). The latter reflects increasing demand side pressures (private consumption growth accelerated to 3.0% y-o-y in 9M:15 from 2.1% in FY:14).

Headline inflation to remain subdued this year. Looking ahead, inflation should embark on a mild upward trend, reflecting: i) the gradual normalization of volatile food prices; ii) a softer decline in fuel prices (we project the price of Brent to decline by 22.0%, on average, in MKD terms in FY:16 against a decline of 35.5% in FY:15); iii) the continued recovery in domestic demand (we see real GDP growth picking up to 3.6% in FY:16 from an estimated 3.5% in FY:15); and iv) the ongoing relaxation of the incomes policy -- a 5% hike in public sector pensions, effective from September 2015. Overall, we see headline and core inflation ending 2016 at 0.6% and 1.9% y-o-y, respectively, up from -0.3% and 1.4% at end-2015.

Customer deposit growth, albeit moderating, remained strong in 2015. Following a 2-year upward trend, customer deposit growth moderated to a still strong 6.4% y-o-y in December 2015 from 10.5% in December 2014. The deceleration in overall deposit growth was mainly driven by retail deposits, accounting for 75% of total deposits -- up 4.1% y-o-y in December against 8.9% a year earlier, likely reflecting increased uncertainty arising from domestic political developments. Growth in corporate deposits remained broadly unchanged from its 2014 pace (up 13.0% in December compared with a rise of 15.7% in December 2014), underpinned by the recovery in net exports (contributing 2.0 pps to GDP growth in 9M:15 compared with -1.7 pps in FY:14).

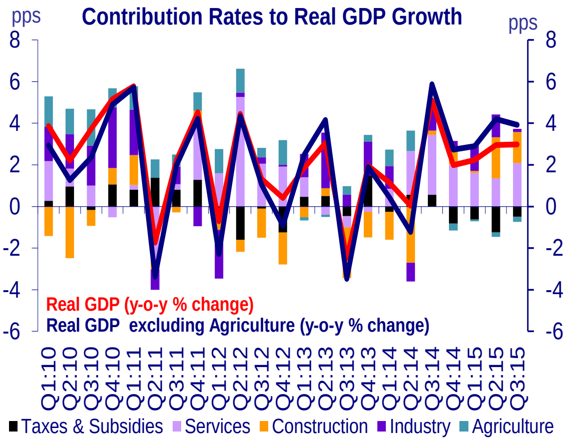
Credit to the private sector maintained momentum in 2015. Credit to the private sector expanded by a strong 9.5% y-o-y in December, following a rise of 9.8% y-o-y a year earlier.

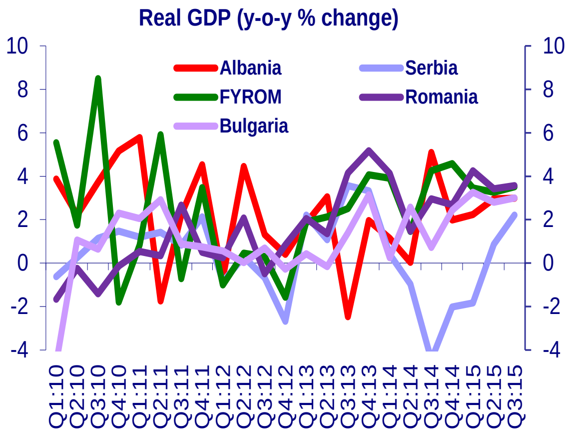
From a segment perspective, the acceleration in retail loan growth (to 12.8% y-o-y in December from 11.8% in December 2014) almost offset the deceleration in corporate loan growth (up 7.1% y-o-y in December from 8.4% December 2014). The strong credit activity was underpinned, *inter alia*, by the gradually improving quality of banks' loan portfolios. Indeed, the NPL ratio declined to 10.6% in December 2015 from 11.1% in December 2014 as the ratio for non-performing retail loans moderated to 5.0% in December 2015 from 5.8% in December 2014, and the ratio of non-performing corporate loans eased slightly to 15.0% in December 2015 from 15.1% in December 2014.

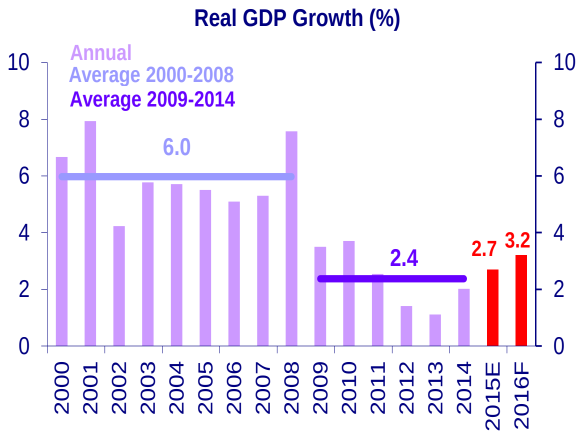
Credit activity to post double-digit growth in 2016. Looking ahead, lending activity is set to strengthen in 2016, supported by: i) a positive economic outlook (we see real GDP growth rising by 3.6% in 2015); ii) easing credit standards, in view of an improvement in bank asset quality in line, *inter alia,* with further progress in loan restructuring; iii) a two-year extension of the reduction of the reserve requirement base in LC for newly-approved loans to net exporters and domestic producers of electricity; iv) an adequate domestic source of financing (with the LC loan-to-LC deposit ratio at a still comfortable level of 96% in December); and v) a strong capital base (the capital adequacy ratio stood at 16.1% in Q3:15, well above the statutory level of 8%). Overall, we see credit to the private sector expanding by c. 10%-12% in 2016, as in 2015.

Albania

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







	25 Jan.	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	2.2	2.2	2.2	2.2
ALL/EUR	137.1	139.2	138.2	139.0
Sov. Spread (bps)	540	500	450	400

	25 Jan.	1-W %	YTD %	2-Y %
Stock Market	- - -	- - -	- - -	- - -

	2012	2013	2014	2015E	2016F
Real GDP Growth (%)	1.4	1.1	2.0	2.7	3.2
Inflation (eop, %)	2.4	1.9	0.7	2.0	1.5
Cur. Acct. Bal. (% GDP)	-10.2	-10.9	-12.9	-11.4	-11.0
Fiscal Bal. (% GDP)	-3.4	-5.0	-5.2	-3.4	-1.8

Economic growth strengthened to 3.0% y-o-y in Q3:15. Real GDP accelerated by 3.0% y-o-y in Q3:15, after having expanded by 2.6% in H1:15, despite a strong negative base effect (real GDP growth accelerated to 5.1% y-o-y in Q3:14 from 0.5% in H1:14). This brought 9M:15 growth to 2.7% y-o-y -- well above the 9M:14 outcome of 2.0%.

The services and construction sectors were the main drivers of the rebound in Q3:15. Activity in the services sector expanded by 4.5% y-o-y in Q3:15 against 3.4% in H1:15 (contributing 2.1 pp to GDP growth in Q3:15 compared with 1.5 pps per quarter in H1:15), due largely to the rebound in private consumption in Q3:15. The latter rose by 1.9% y-o-y in Q3:15 following a decline of 2.1% in H1:15, reflecting the compulsory payment of electricity bill arrears, following the entry into force of the power sector reform.

The acceleration in real GDP growth in Q3:15 was also due to the strengthening of the construction sector. Indeed, growth in construction accelerated to 16.5% y-o-y in Q3:15 from 13.8% in H1:15 (contributing 1.5 pps to overall GDP growth in Q3:15 compared with an average 1 pp per quarter in H1:15). It is important to note that construction growth has turned positive since Q3:14, following 3 successive years of decline, supported by the gradual payment of Government arrears for infrastructure projects (amounting to 1.1% of GDP in Q1:14-Q3:15). The surge in construction also reflects the initiation of construction and restoration of roads and bridges, in July, needed for the Trans-Adriatic natural gas pipeline (TAP), as well as other energy projects.

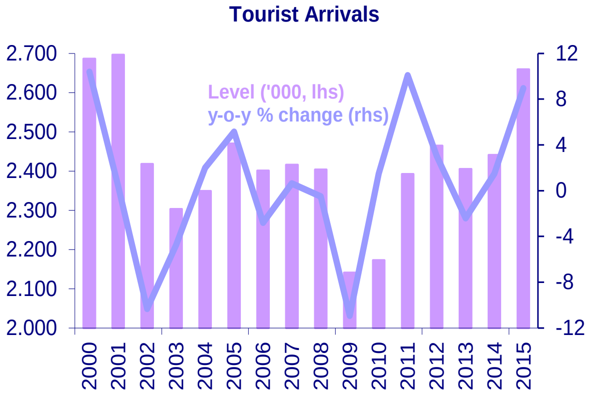
The expansion in activity in Q3:15 was, however, held back by the sharp slowdown in industrial output (up just 1.1% y-o-y in Q3:15 against 9.4% in H1:15, and contributing a mere 0.1 pp to overall real GDP growth in Q3:15 against a quarterly average of 1.2 pps in H1:15). The poor industrial sector performance in Q3:15 is largely attributed to the drop in production in the oil industry sub-sector -- a key growth driver since 2010. In fact, the average crude oil production of Bankers Petroleum -- that extracts the bulk of Albania's oil -- fell at a faster pace, by 10.4% y-o-y in Q3:15 following a decline of 1.8% in H1:15, due to lower demand for low-quality Albanian oil and plunging global oil prices.

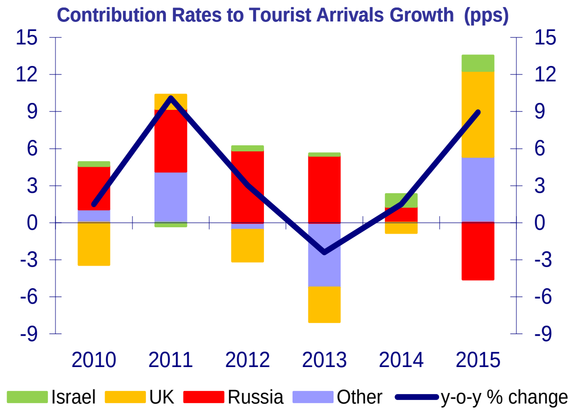
Economic growth is set to accelerate further, to 3.2% in 2016, from an estimated 5-year high of 2.7% in 2015. We estimate that economic activity maintained its momentum in Q4:15 (with the quarterly seasonally-adjusted real GDP estimated to have expanded by 1.1% q-o-q in Q4:15, as in Q3:15, but above a quarterly average of 0.2% in H1:15), underpinned by: i) TAP construction and other energy projects; ii) continued liquidity injection through the clearance of arrears; and iii) robust electricity generation, following heavy rainfall in Q4:15. Monetary policy is estimated to have supported growth (an average *ex post* real policy rate of -0.2% in Q4:15, far below 1.1% in Q4:14), in contrast to the fiscal policy which turned neutral. Overall, activity in Q4:15 is estimated to have expanded by 2.5% y-o-y, bringing the FY:15 to a 5-year high of 2.7% from 2.0% in FY:14 and a trough of 1.1% in FY:13.

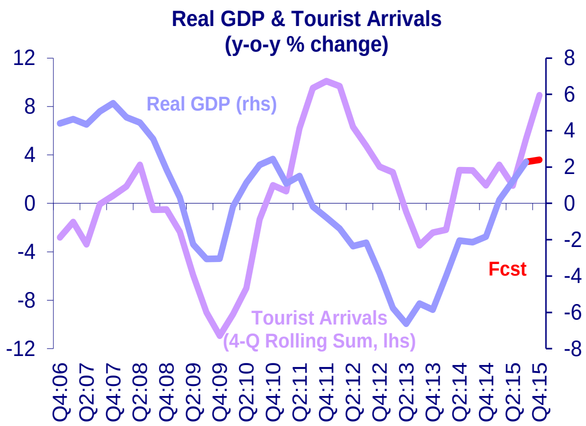
For this year, despite the difficult external environment, we expect activity to strengthen further, supported by: i) the intensification in construction of three major energy projects, i.e. TAP, Ionian-Adriatic Pipeline (IAP) and the Statkraft/Devoll hydropower plant; along with ii) improved confidence in the domestic economy on the back of large external financial support and EU membership prospects. Overall, we see GDP growth accelerating to a 6-year high of 3.2% in FY:16 from an estimated 2.7% for FY:15 -- broadly in line with the latest IMF projection (of 3.4%). Note that, despite its acceleration this year, Albania's real GDP growth will remain below its potential of 4% and the pre-crisis pace (a CAGR of 6% in 2000-08).

Cyprus

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







	25 Jan.	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.23	-0.23	-0.23	-0.23
EUR/USD	1.08	1.07	1.06	1.06
Sov. Spread (2020. bps)	308	290	240	200

	25 Jan.	1-W %	YTD %	2-Y %
CSE Index	66	-0.2	-2.1	-38.7

	2012	2013	2014	2015E	2016F
Real GDP Growth (%)	-2.4	-5.9	-2.5	1.5	2.0
Inflation (eop. %)	1.1	-2.3	-1.5	-1.2	-0.2
Cur. Acct. Bal. (% GDP)	-5.6	-4.5	-4.6	-5.3	-4.8
Fiscal Bal. (% GDP)	-4.6	-4.7	-0.2	-0.5	0.0

Tourist arrivals exceed the 2.6mn mark in 2015, for the first time since 2001. 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. The strong performance in FY:15 was mainly driven by a sharp increase in arrivals from: i) the UK -- the main source country, accounting for 35.7% in FY:14 – up 19.5% y-o-y in FY:15, following a decline of 2.2% in FY:14; and ii) Israel – a fast-growing market, accounting for 3% in FY:14 -- up 43.3% in FY:15 following a rise of 57.6% in FY:14. The main driver was the strengthening of the GBP and the ILS against the EUR (by 11.0% y-o-y and 10.1% y-o-y, respectively, in FY:15). Excluding British and Israeli tourists, total arrivals increased modestly in FY:15 (up 1.4% y-o-y), as a sharp decline in tourist arrivals from crisis-hit Russia -- the second largest source country with a share of 26.0% in FY:14 -- by 17.6% y-o-y, was broadly offset by a significant increase in arrivals from other countries -- up 15.1% y-o-y in FY:15 compared with a broadly flat performance in FY:14 (+0.3%).

Tourist receipts reached a 14-year high of EUR 2mn (11.5% of GDP) in 10M:15. Tourist receipts increased by 3.3% y-o-y in 10M:15 to a 14-year high of EUR 2mn or 11.5% of GDP following decreases of 3.6% y-o-y and 2.8%, respectively, in 10M:14 and FY:14. However, the performance of tourist receipts was weaker than that of arrivals in the same period (7.4% y-o-y in 10M:15), due to lower average spending per tourist (down 3.8% y-o-y to EUR 800 in 10M:15), mainly reflecting the sharp decline in arrivals and spending by Russian tourists. Indeed, Russian arrivals declined by 19.3% y-o-y in 10M:15, while spending per Russian tourist was down by 14.4% y-o-y in the same period. Note that excluding Russians, tourist receipts rose by an impressive 18.4% y-o-y in 9M:15, underpinned by both arrivals and spending per tourist (up 17.5% and 0.8% y-o-y, respectively). The impact of the rebound in tourist activity on overall economic activity should be large this year (adding 1.0 pp to GDP growth), helping real GDP growth to turn positive (1.5%), following 3 consecutive years of recession.

We expect the upward trend in the tourism sector to continue in 2016. We expect tourist arrivals to increase this year, 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) a higher number of direct flights, mostly low-cost (charters), due, *inter alia*, to the ongoing harmonisation of Cyprus's external aviation policy with that of the EU, in the context of the Troika's action plan to improve the tourism business model; and iv) tourist agencies' efforts to attract tourists by offering special packages, aiming to extend the tourist period beyond the summer season. 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:14.

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. Finally, we expect FY:16 tourist receipts to reach EUR 2.2bn (12.6% of GDP) -- 2.5% higher than in FY:15.

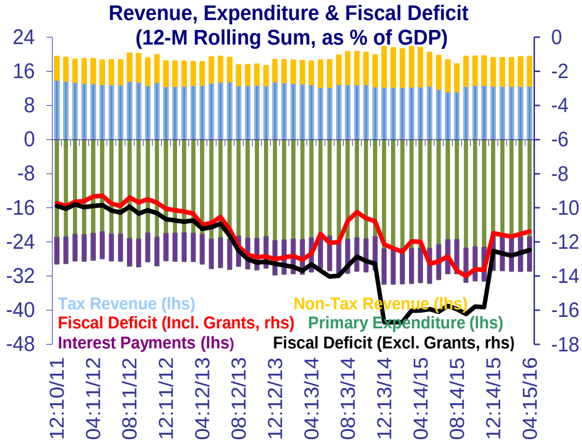
Egypt

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

Fiscal Accounts (% of GDP)	2014/15 Outcome	4M: 2014/15 Outcome	4M: 2015/16 Outcome	2015/16 Budget	NBG 2015/16 Forecast
Revenue	19.1	4.2	4.7	22.0	19.6
Tax Revenue	12.6	2.9	3.2	15.0	13.5
Income Tax	5.3	1.1	1.2	5.6	5.8
Personal Income	1.6	0.4	0.4	1.8	1.9
Corporate Income	3.8	0.7	0.8	3.8	3.9
Property Taxes	0.9	0.3	0.3	1.5	1.2
Taxes on G. & S.	5.1	1.3	1.5	6.5	5.9
Taxes on Int. Trade	0.9	0.3	0.3	1.0	1.1
Other Taxes	0.4	0.0	0.0	0.4	0.6
Grants	1.0	0.0	0.1	0.1	0.1
Other Revenue	5.5	1.2	1.4	7.0	6.0
Expenditure	30.6	7.6	8.1	30.9	31.5
Wages & Salaries	8.2	2.7	2.5	7.7	7.9
Purch. of G. & S.	1.3	0.3	0.3	1.5	1.5
Interest Payments	7.9	2.3	2.3	8.6	8.6
Subsidies, grants & social benefits	8.2	1.4	1.8	8.2	8.4
Other Expenditure	5.1	1.0	1.3	4.9	5.0
Fiscal Balance	-11.5	-3.5	-3.4	-8.9	-11.8
Primary Balance	-3.6	-1.2	-1.1	-0.2	-3.2
Fiscal Balance *	-12.5	-3.5	-3.5	-9.0	-11.9
Primary Balance *	-4.6	-1.2	-1.2	-0.3	-3.3

*: Excluding grants

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



	25 Jan.	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)	472	400	300	220

	25 Jan.	1-W %	YTD %	2-Y %
HERMES 100	535	-0.4	-15.0	-25.3

	11/12	12/13	13/14	14/15E	15/16F
Real GDP Growth (%)	2.2	2.1	2.1	4.2	3.8
Inflation (eop. %)	7.3	9.8	8.2	11.4	13.5
Cur. Acct. Bal. (% GDP)	-3.7	-2.2	-0.9	-3.7	-5.0
Fiscal Bal. (% GDP)	-10.8	-13.7	-12.8	-11.5	-11.8

A disappointing start to the year on the fiscal front, with the 12-month rolling underlying deficit remaining unchanged at the unsustainable level of 12.5% of GDP in the first 4 months of the new fiscal year (July-September 2015). The fiscal deficit narrowed slightly, by 0.1 pp y-o-y to 3.4% of GDP in 4M:15/16 (July-September 2015), as increases in tax revenue, dividends from the Central Bank and grants (by 0.3 pps, 0.2 pps and 0.1 pp of GDP y-o-y, respectively) and a lower wage bill (down 0.2 pps of GDP y-o-y) were not sufficient to compensate for higher subsidies and capital spending (up 0.4 pps and 0.3 pps of GDP y-o-y, respectively).

As a result, the 12-month rolling fiscal deficit retreated to 11.4% of GDP in October from 11.5% in June (end-2014/15) – far above the FY:15/16 target of 8.9%. Without the support from Gulf countries, the 12-month rolling deficit would have remained unchanged in October from its end-2014/15 level of 12.5% of GDP.

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

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

On the other hand, the expenditure target (up 17.9% compared with the FY:14/15 outcome) also appears unattainable, as: i) social spending and capital expenditure are set to surpass their targets in this election year; ii) no reduction in subsidies through the increase in fuel prices is envisaged in the new Budget; and iii) the implementation of the new civil service law was postponed from July to November.

Recall that in an effort to contain the public-sector wage bill (c. 26% of total spending in FY:14/15) and send a strong signal to investors ahead of Egypt's International Economic Conference, President el-Sissi signed, in the absence of Parliament, a new civil service law last March. The new law aims to reform Egypt's administrative apparatus, tackling issues of hiring and wages in government bodies. The law: i) sets transparent rules for vacancies and applicants; ii) increases the proportion of basic salaries to 80% of overall wages; iii) bases bonuses and promotions on performance rather than seniority; and iv) cuts annual bonuses by 5 pps to 5.0%. The law is estimated to save as much as EGP 22.0bn (0.8% of 2015/16 GDP) this fiscal year (therefore only 0.5% due to the 4-month delay of its implementation).

Overall, unless additional revenue-enhancing and expenditure-saving measures are introduced by June (end-2015/16), the fiscal deficit is set to exceed not only its target of 8.9% of GDP, but also the FY:14/15 outcome of 11.5% of GDP. Without additional measures and in the absence of assistance from Gulf countries (down 0.9 pps y-o-y to 0.1% of GDP this fiscal year), we see the fiscal deficit at 11.8% of GDP. However, excluding grants, the deficit is set to slow slightly to 11.9% of GDP from 12.5% in FY:14/15.

FOREIGN EXCHANGE MARKETS, JANUARY 25TH 2016

Against EUR

	Currency	SPOT (2016)	1-week %change (2016)	1-month %change (2016)	YTD %change* (2016)	1-year %change (2016)	Year-Low (2016)	Year-High (2016)	3-month Forward rate** (2016)	6-month Forward rate** (2016)	12-month Forward rate** (2016)	% change* (2015)	% change* (2014)
Albania	ALL	137.1	1.6	-0.3	-0.1	1.8	137.5	139.5	137.7	137.7	136.8	2.0	0.1
Brazil	BRL	4.44	-0.5	-2.4	-3.1	-34.8	4.28	4.55	5.08	5.09	5.10	-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	7.14	0.3	-0.4	-1.4	-1.0	6.99	7.29	7.37	7.37	7.37	6.7	10.8
Egypt	EGP	8.37	1.6	1.1	1.4	1.3	8.26	8.84	9.16	- - -	- - -	-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	73.4	0.3	-1.5	-2.2	-5.7	71.3	74.7	79.2	- - -	- - -	6.6	12.3
Romania	RON	4.53	0.0	0.0	-0.2	-1.1	4.51	4.54	4.54	4.55	4.58	-0.8	-0.5
Russia	RUB	86.8	-0.4	-10.9	-8.7	-17.5	78.2	93.8	88.9	91.4	96.6	-15.1	-32.8
Serbia	RSD	123.1	0.0	-1.3	-1.3	-0.2	121.6	123.2	123.9	124.1	- - -	-0.1	-5.6
S. Africa	ZAR	17.9	2.4	-6.6	-6.5	-28.8	16.72	18.58	18.3	18.7	19.5	-16.6	3.0
Turkey	YTL	3.28	0.9	-2.6	-3.3	-19.7	3.17	3.35	3.37	3.47	3.67	-10.8	4.4
Ukraine	UAH	26.8	-0.4	-6.1	-2.6	-34.4	25.06	27.07	33.4	- - -	- - -	-27.5	-40.8
US	USD	1.08	0.4	1.2	0.1	3.3	1.1	1.1	1.09	1.09	1.10	11.4	13.6
JAPAN	JPY	128.3	-0.4	2.8	1.7	2.9	126.2	130.8	128.4	128.5	128.5	11.0	-0.1
UK	GBP	0.76	0.5	-3.8	-3.2	-1.7	0.7	0.8	0.76	0.76	0.77	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, JANUARY 25TH 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	10.2	2.9	- - -	6.8	- - -	- - -	- - -
S/W	2.0	14.1	0.0	2.4	-0.3	9.1	1.3	- - -	- - -	10.3	2.9	- - -	7.0	20.5	-0.3	0.4
1-Month	2.2	14.1	0.1	3.0	-0.2	9.3	1.5	7.3	0.6	12.3	3.3	11.9	7.3	22.8	-0.2	0.4
2-Month	- - -	14.2	0.1	- - -	-0.2	- - -	- - -	- - -	- - -	12.1	3.4	12.0	7.6	- - -	-0.2	0.5
3-Month	2.5	14.3	0.2	3.0	-0.2	9.3	1.8	7.8	0.9	12.1	3.5	12.0	8.0	24.7	-0.2	0.6
6-Month	2.7	14.6	0.5	3.1	-0.1	- - -	2.1	- - -	1.2	12.4	3.7	12.0	8.2	- - -	-0.1	0.9
1-Year	3.0	14.9	1.1	3.3	0.0	- - -	2.6	- - -	1.4	12.0	- - -	12.1	9.0	- - -	0.0	1.2

LOCAL DEBT MARKETS, JANUARY 25TH 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	2.6	- - -	- - -	- - -	- - -	0.0	- - -	7.3	- - -	11.9	3.5	10.1	- - -	- - -	-0.5	0.3
6-Month	2.0	- - -	- - -	- - -	- - -	0.0	2.1	7.3	0.7	12.1	3.8	10.3	- - -	- - -	-0.4	0.4
12-Month	2.2	- - -	0.1	2.3	- - -	0.0	2.5	7.2	0.9	10.2	4.4	11.1	- - -	7.0	-0.4	0.5
2-Year	4.0	- - -	- - -	2.5	- - -	- - -	2.0	7.3	1.2	10.6	- - -	10.8	8.4	- - -	-0.4	0.9
3-Year	- - -	- - -	0.5	2.6	- - -	- - -	2.7	7.5	1.4	10.8	- - -	10.9	8.9	- - -	-0.4	1.1
5-Year	- - -	16.5	- - -	2.7	- - -	0.0	2.7	7.7	2.2	10.6	6.3	10.8	9.1	- - -	-0.2	1.5
7-Year	- - -	- - -	1.6	- - -	3.4	0.0	- - -	7.9	2.6	10.7	- - -	- - -	- - -	- - -	0.0	1.8
10-Year	- - -	16.8	2.5	2.8	- - -	0.0	3.8	7.8	3.5	10.8	- - -	10.8	9.6	- - -	0.5	2.0
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	4.0	8.2	- - -	10.7	- - -	- - -	10.0	- - -	0.8	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	10.2	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	8.2	- - -	- - -	- - -	- - -	10.3	- - -	1.2	2.8

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

SOVEREIGN EUROBOND SUMMARY, JANUARY 25TH 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	5.2	540	506
Brazil 6% '17	USD	BB+/Baa3	17/1/2017	2,277	2.7	229	202
Brazil 4.875% '21	USD	BB+/Baa3	22/1/2021	2,988	6.2	478	459
Brazil 8.75% '25	USD	BB+/Baa3	4/2/2025	969	7.1	506	553
Bulgaria 4.25% '17	EUR	BB+/Baa2	9/7/2017	950	0.2	61	37
Bulgaria 2.0% '22	EUR	BB+/Baa2	26/3/2022	1,250	1.7	183	143
Bulgaria 2.95% '24	EUR	BB+/Baa2	3/9/2024	1,493	2.4	210	183
Bulgaria 2.62% '27	EUR	BB+/Baa2	26/3/2027	1,000	2.9	241	191
Bulgaria 3.12% '35	EUR	BB+/Baa2	26/3/2035	850	3.9	277	232
China 4.375% '23	USD	AA-/Aa3	2/5/2023	500	3.9	191	227
China 7.5% '27	USD	AA-/Aa3	28/10/2027	100	3.4	139	178
Cyprus 4.75% '16	EUR	NA/NA	25/2/2016	25	2.8	---	---
Cyprus 4.75% '19	EUR	B+/NA	25/6/2019	750	2.6	299	273
Cyprus 4.62% '20	EUR	B+/B3	3/2/2020	990	2.8	308	283
Cyprus 3.875 '22	EUR	NA/B3	6/5/2022	1,000	3.4	345	305
Egypt 3.5% '16	USD	NA/NA	1/7/2016	1,000	---	---	---
Egypt 5.75% '20	USD	B-/B3	29/4/2020	1,000	6.2	472	477
Egypt 5.875% '25	USD	B-/B3	11/6/2025	1,500	8.5	651	588
Egypt 6.875% '40	USD	B-/B3	30/4/2040	500	9.1	629	562
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	5.1	517	562
Romania 6.5% '18	EUR	BBB-/Baa3	18/6/2018	1,500	0.4	84	55
Romania 4.62% '20	EUR	BBB-/Baa3	18/9/2020	2,000	1.0	120	96
Romania 4,375% '23	USD	BBB-/Baa3	22/8/2023	1,500	3.6	186	198
Romania 3.625% '24	EUR	BBB-/Baa3	24/4/2024	1,250	2.3	217	180
Romania 6.125% '44	USD	BBB-/Baa3	22/1/2044	1,000	4.9	215	291
Russia 3.25% '17	USD	BB+/Ba1	4/4/2017	2,000	3.2	280	244
Russia 3.5% '19	USD	BB+/Ba1	16/1/2019	1,500	3.9	281	274
Russia 5% '20	USD	BB+/Ba1	29/4/2020	3,500	4.3	280	297
Russia 4.875% '23	USD	BB+/Ba1	16/9/2023	3,000	4.9	310	313
Russia 12.75% '28	USD	BB+/Ba1	24/6/2028	2,500	6.1	410	550
Serbia 5.25% '17	USD	BB-/B1	21/11/2017	750	3.3	241	240
Serbia 5.875% '18	USD	BB-/B1	3/12/2018	1,000	4.1	299	306
Serbia 4.875% '20	USD	BB-/B1	25/2/2020	1,500	4.4	292	310
Serbia 7.25% '21	USD	BB-/B1	28/9/2021	2,000	4.8	332	349
Serbia 5% '24	USD	BB-/NA	1/11/2024	125	3.8	368	335
S. Africa 6.875% '19	USD	BBB-/Baa2	27/5/2019	2,000	4.5	339	342
S. Africa 5.875% '25	USD	BBB-/Baa2	16/9/2025	2,000	5.7	362	376
S. Africa 6.25% '41	USD	BBB-/Baa2	8/3/2041	750	6.2	344	387
Turkey 7% '16	USD	NR/Baa3	26/9/2016	2,000	2.3	187	161
Turkey 5.5% '17	EUR	NR/Baa3	16/2/2017	1,500	1.0	137	114
Turkey 5.875% '19	EUR	NR/Baa3	2/4/2019	1,250	1.9	231	213
Turkey 7% '20	USD	NR/Baa3	5/6/2020	2,000	4.3	283	313
Turkey 6.25% '22	USD	NR/Baa3	26/9/2022	2,500	4.9	306	335
Turkey 7.375% '25	USD	NR/Baa3	5/2/2025	3,250	5.2	317	364
Turkey 11.875% '30	USD	NR/Baa3	15/1/2030	1,500	5.4	337	458
Turkey 8% '34	USD	NR/Baa3	14/2/2034	1,500	5.9	384	416
Turkey 6,875% '36	USD	NR/Baa3	17/3/2036	2,750	6.0	317	392
Turkey 7.25% '38	USD	NR/Baa3	5/3/2038	1,000	6.0	317	402
Turkey 6.75% '40	USD	NR/Baa3	30/5/2040	2,000	6.0	318	387
Ukraine 7.75% '19	USD	B-/Caa3	1/9/2019	1,155	10.0	889	828
Ukraine 7.75% '20	USD	B-/Caa3	1/9/2020	1,531	9.8	839	798
Ukraine 7.75% '21	USD	B-/Caa3	1/9/2021	1,378	9.8	833	774
Ukraine 7.75% '22	USD	B-/Caa3	1/9/2022	1,355	9.6	778	742
Ukraine 7.75% '23	USD	B-/Caa3	1/9/2023	1,330	9.6	778	727

Corporate Bonds Summary, January 25th 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	5.6	603	552
	Bulgarian Telecom. 6.625% '18	EUR	B-/B1	15/11/2018	400	7.1	747	691
Cyprus	Hellenic Bank 0.026% '19	EUR	NA/NA	10/3/2019	90	- - -	- - -	- - -
	Aroundtown Property 3% '21	EUR	NA/NA	9/12/2021	200	3.3	343	297
Russia	Gazprom 8.2% '19	RUB	BB+/NA	9/4/2019	10,000	11.7	117	6
	Gazprom 8.9% '21	RUB	BB+/NA	26/1/2021	10,000	11.4	87	- - -
South Africa	FirstRand Bank Ltd 4.375% '16	USD	BBB-/Baa2	9/6/2016	342	4.2	379	355
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	1.1	142	110
Turkey	Vakiflar Bankasi 3.5% '19	EUR	NA/Baa3	17/6/2019	500	3.5	390	352
	Garanti Bankasi 3.38%'19	EUR	NA/Baa3	8/7/2019	500	3.3	364	333
	Arcelik AS 3.875% '21	EUR	BB+/NA	16/9/2021	350	4.4	453	407
	Turkiye Is Bankasi 6% '22	USD	NA/Ba3	24/10/2022	1,000	6.4	444	470

Credit Default Swap Spreads, January 25th 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	485	166	126	321	468	- - -	- - -	130	344	276	285	360	1,059
10-Year	- - -	536	214	171	351	480	- - -	- - -	174	383	317	332	406	- - -

Stock Markets Performance, January 25th 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)	38,031	0.2	-13.6	-12.3	-22.0	37,046	43,349	-14.1	-13.3	-35.3	-2.9	-2.0
Bulgaria (SOFIX)	444	-0.5	-0.9	-3.7	-10.7	441	462	-3.7	-11.7	-11.7	6.2	6.2
China (SHCOMP)	2,939	0.8	-19.0	-17.8	-12.3	2,845	3,539	-18.3	9.4	16.5	52.9	69.5
Cyprus (CSE GI)	66	-0.2	0.7	-2.1	-16.9	65	68	-2.1	-20.9	-20.9	-17.0	-17.0
Egypt (HERMES)	535	-0.4	-13.1	-15.0	-41.0	521	636	-15.0	-24.4	-25.7	23.5	36.6
F.Y.R.O.M (MBI)	1,805	1.5	0.5	-1.5	-3.3	1,776	1,833	-1.5	-0.6	-0.6	6.1	6.1
India (SENSEX)	24,486	1.2	-5.2	-5.7	-16.4	23,840	30,025	-6.8	-5.0	0.7	29.9	44.7
Romania (BET-BK)	1,225	4.6	-8.5	-8.7	-8.0	1,171	1,329	-8.7	2.6	1.6	3.7	3.5
Russia (RTS)	3,804	5.3	-2.4	-3.9	3.6	3,509	3,962	-11.4	30.3	9.5	-6.9	-37.4
Serbia (BELEX-15)	577	-2.2	-7.4	-8.6	-12.4	570	637	-9.7	-3.4	-3.5	19.5	12.8
South Africa (FTSE/JTS)	47,210	0.7	-8.0	-7.1	-5.2	45,976	50,694	-12.0	1.9	-15.1	7.6	10.9
Turkey (ISE 100)	70,539	-0.7	-4.9	-3.6	-22.3	68,230	73,011	-6.2	-16.3	-25.4	26.4	32.0
Ukraine (PFTS)	239	-1.1	-0.7	-0.7	-39.1	238	246	-3.1	-37.8	-54.8	28.7	-24.2
MSCI EMF	716	1.8	-11.0	-9.5	-27.7	687	794	-8.8	-17.0	-7.5	-4.6	8.2
MSCI EAFE	1,569	1.3	-8.8	-9.2	-12.3	1,518	1,716	-8.5	-3.3	7.7	-7.3	5.8
Greece (ASE-General)	535	-1.5	-13.7	-12.5	-36.4	519	627	-12.5	-23.6	-23.6	-28.9	-28.9
Germany (XETRA DAX)	9,736	2.3	-9.2	-9.4	-8.6	9,315	10,486	-9.4	-4.9	-4.9	2.7	2.7
UK (FTSE-100)	5,877	1.7	-6.0	-6.3	-14.0	5,640	6,242	-9.2	-4.9	0.1	-2.7	4.1
Japan (NIKKEI-225)	17,111	0.9	-8.8	-10.1	-2.3	16,017	18,951	-7.7	9.1	20.2	7.1	7.0
USA (DJ INDUSTRIALS)	15,885	-0.6	-9.5	-9.8	-10.1	15,370	18,351	-9.1	-2.2	9.3	7.5	22.2
USA (NASDAQ 100)	1,877	-0.2	-8.9	-9.0	-8.5	1,812	2,135	-8.3	-0.7	10.9	11.4	26.6