South Eastern Europe and Mediterranean Emerging Market Economies
Weekly Report

1 – 7 March 2016

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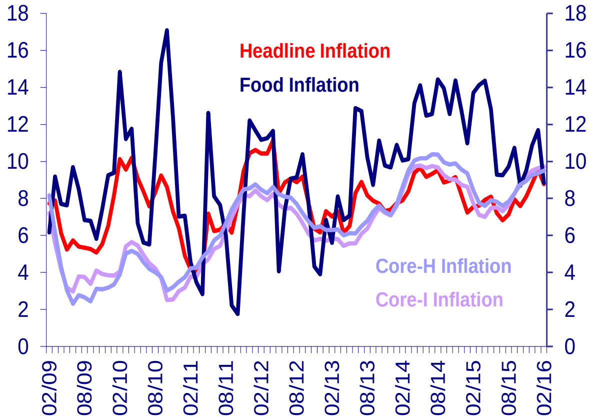
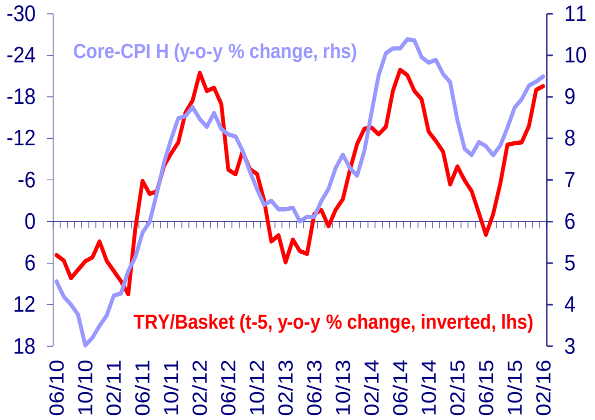
Turkey

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

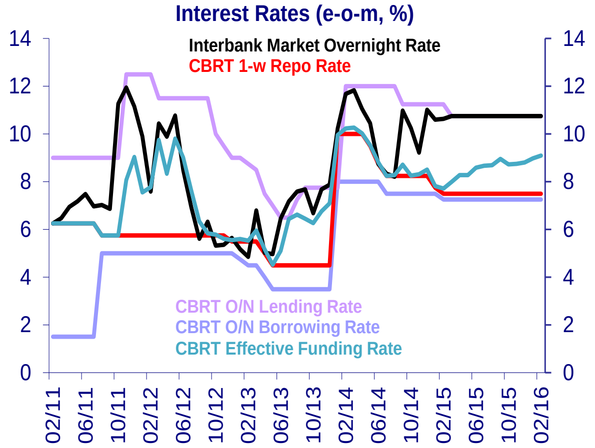
Headline & Core CPI (y-o-y % change)



Core CPI & Exchange Rate



Interest Rates (e-o-m, %)



	7 Mar.	3-M F	6-M F	12-M F
1-m TRIBOR (%)	11.9	11.5	11.0	10.5
TRY/EUR	3.21	3.32	3.34	3.40
Sov. Spread (2019, bps)	234	220	200	170

	7 Mar.	1-W %	YTD %	2-Y %
ISE 100	77.484	2.2	5.9	22.8

	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

Turkey and the EU agree on draft proposal to tackle the refugee crisis. At the EU summit in Brussels on March 7th, Turkey pledged to enhance its efforts to end "*irregular migration to Europe*". Under the proposal, all migrants arriving in Greece from Turkey would be returned. In exchange, Turkey is seeking: i) the provision of EUR 6bn – twice the amount agreed last November -- to help improve the living conditions of almost 3mn Syrian refugees; ii) the lifting of visa requirements by June 1st for Turks travelling to the EU -- 4 months earlier than agreed last November; iii) the resumption of the stalled EU accession talks; and iv) a commitment by the EU to accept one Syrian refugee directly from Turkey for every Syrian returned from Greece. EU leaders aim to seal the deal with Turkey at the next EU Summit on March 17th-18th.

Headline inflation eased to 8.8% y-o-y in February from a high of 9.6% y-o-y in January, due to a sharp correction in food prices. The rise in food prices (comprising 24.2% of the CPI basket) moderated to 8.8% y-o-y in February from 10.9% in January (shaving 0.8 pps off headline inflation between January and February), mainly on the back of a sharp decline in prices of vegetables, reflecting warmer weather, and lower meat prices, following the Government's imposition of price ceilings (in early-February).

Core inflation deteriorated further, mainly reflecting the lagged impact from a weaker TRY. The CBRT's favourite core inflation measures, i.e., CPI-H (that excludes energy, unprocessed food, alcohol, tobacco and gold) and CPI-I (that also excludes processed food) rose to 9.5% y-o-y and 9.7% y-o-y, respectively, in February from 9.4% and 9.6% in January.

Looking ahead, we expect headline inflation to ease further, mainly on the back of: i) a normalization in agricultural production, set to bring down food inflation to its long-term average of 9.0% from 10.9% in 2015; and ii) a softer depreciation of the TRY (the TRY weakened by only 0.7% y-t-d following a depreciation of 16.0% in 2015 against the basket of "50%*TRY/EUR+50%*TRY/USD"). However, the easing will be held back by protracted second-round effects from the 30% hike in the minimum wage from January 1st. Overall, we foresee headline inflation moderating further until May (to 7.8% y-o-y), on the back of base effects, and thereafter embarking on a steady upward trend, ending 2016 at 8.4% y-o-y, slightly below the end-2015 outcome of 8.8% but well above the CBRT's target of 5.0% and revised forecast of 7.5% (from 6.5%).

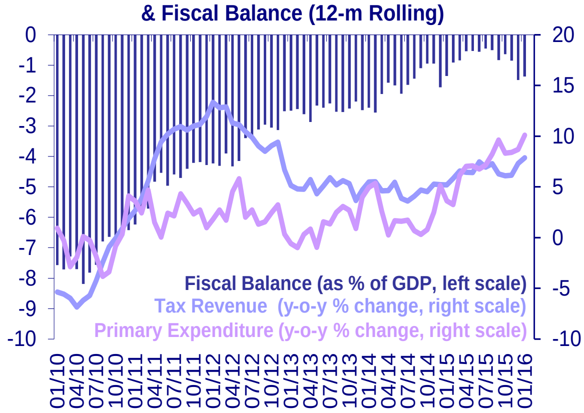
The significant moderation in headline inflation in February is not expected to lead to cuts of policy rates and simplification of the monetary policy framework at the March 24th MPC meeting, as: i) the positive headline inflation outturn was exclusively driven by (volatile) food prices; ii) both core inflation and inflation expectations continue to increase (end-year inflation expectations rose to 8.5% y-o-y in late-February from 8.2% a month earlier); and iii) global liquidity conditions remain tight. In our view, at least until the possible change in its management in April, the CBRT will: i) maintain unchanged its key rate (1-week repo rate) as well as its interest rate corridor (overnight deposit and overnight lending rates) at 7.5% and 7.25%-10.75%, respectively; and ii) continue to adjust its effective funding rate. Note that over the past 12 months, the CBRT has kept its rates on hold, but increased the effective funding rate by 130 bps to a 20-month high of 9.1%, through the reduction of the amount of lower costing 1-week repo financing, in an effort to dampen TRY volatility. As a result, the O/N interbank rate is at 10.75%.

Romania

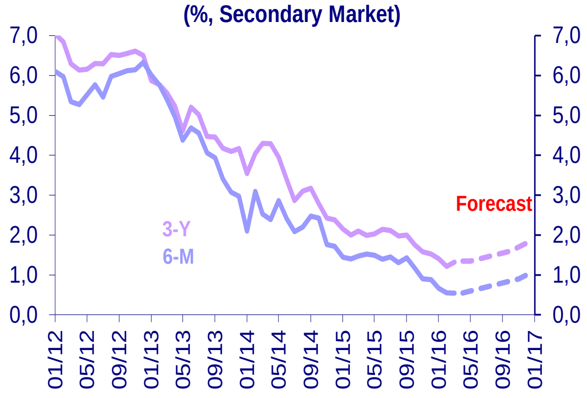
BBB- / Baa3 / BBB- (S&P / Moody's / Fitch)

Consolidated Budget (% of GDP)	2015 Outcome	1M:14	1M:15	2016 Budget	2016 NBG Forecast
Total Revenue	33.4	2.6	2.8	31.7	31.4
Tax Revenue	28.1	2.3	2.5	27.1	26.8
o/w PIT/CIT	5.8	0.4	0.4	5.6	5.5
VAT	8.2	0.8	0.9	7.2	7.1
Excise Duties	3.7	0.3	0.4	3.8	3.8
Soc. Sec. Contr.	8.2	0.7	0.7	8.5	8.4
Non-Tax Revenue	5.3	0.3	0.3	4.6	4.6
Total Expenditure	34.9	2.1	2.2	34.5	34.7
Current Spending	28.7	2.0	2.1	29.5	29.7
o/w Wages	7.5	0.5	0.6	7.8	7.9
Social Spending	10.9	0.9	0.9	10.9	11.0
Goods & Services	5.8	0.3	0.3	5.9	5.9
Interest Paym.	1.3	0.1	0.1	1.5	1.5
Capital Expend.	6.2	0.1	0.1	5.0	5.0
Fiscal Balance	-1.5	0.6	0.7	-2.8	-3.3

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



Domestic Debt Yields (%, Secondary Market)



	7 Mar.	3-M F	6-M F	12-M F
1-m ROBOR (%)	0.6	1.2	1.5	1.8
RON/EUR	4.46	4.52	4.51	4.50
Sov. Spread (2024, bps)	227	210	180	150

	7 Mar.	1-W %	YTD %	2-Y %
BET-BK	1,249	2.2	-6.9	2.3

	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	-3.3	-2.5

Fiscal performance improves temporarily in January, with the 12-month rolling budget deficit easing to 1.4% of GDP. The consolidated budget surplus widened by 0.1 pp y-o-y to 0.7% of GDP in January. The main driver was revenue from indirect taxes, which increased in January (by 0.2 pps of GDP y-o-y), despite the 4 pp cut in the standard VAT rate (excl. food items) to 20% from January 1st. The better tax revenue performance was partly offset, however, by the rise in current spending (by 0.1 pp of GDP y-o-y). This can be attributed to higher personnel expenses, on the back of the broad-based 10% hike in public sector wages at end-2015 and targeted increases in wages in the broader public sector in January.

The budget deficit is set to widen sharply in FY:16, fuelled by aggressive tax cuts and a looser incomes policy. The FY:16 budget envisages a significantly looser fiscal stance, targeting a deficit of 2.8% of GDP, much higher than the FY:15 outcome of 1.5%. According to budget projections, tax revenue is set to plunge in FY:16 (by 1.0 pp of GDP against the FY:15 outcome), due to a series of tax cuts. The latter include: i) the aforementioned cut in the VAT rate; ii) the reduction in the dividend tax rate by 9 pps to 5%; iii) higher personal tax deductions; and iv) tax incentives for SMEs to hire employees. Worryingly, the authorities appear to have overestimated the size of second-round effects of the tax cuts on consumption (the budget assumes nominal GDP growth of 6.0% compared with our forecast of 4.5%) and employment (up by a sizeable 3.5% according to budget assumptions compared with our forecast of 2.0%). As a result, we see a shortfall of 0.3 pps of GDP with respect to the FY:16 tax revenue budget target.

On the other side of the budget, current spending is projected to rise markedly in FY:16 (by 0.8 pps of GDP against the FY:15 outcome), mainly on the back of a looser incomes policy. Indeed, following the recent hikes in public sector wages, the authorities plan to proceed with an (unbudgeted) increase in the minimum wage in May (by 19% to RON 1,250). The latter is expected to also result in higher-than-budgeted expenses for social benefits and allowances. Overall, we see current spending slightly overshooting its budget target by 0.2 pps of GDP. As a result, unless corrective measures are adopted and/or the public investment programme under-executed, we expect the budget deficit to surpass the critical limit of 3.0% of GDP in FY:16 (3.3% versus 1.5% in 2015), providing a fiscal impulse of 1.8 pps of GDP.

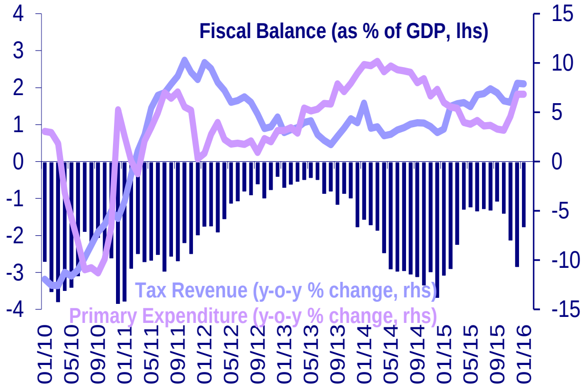
Debt financing costs to rise in FY:16. Looking ahead, debt yields are set to embark on upward trend, reflecting the increased domestic financing needs of the state (c. RON 50bn or 6.9% of GDP), on the one hand, and the envisaged tightening in monetary policy on the other. Indeed, in an effort to counterbalance the looser fiscal policy and prevent an overheating of the economy, the NBR is expected to gradually raise its key rate by 75 bps to 2.5% by end-2016. In this context, we see the yield of the 6-month T-bill and 3-year T-bond climbing to 1.0% and 1.8% at end-year, respectively, from the current low levels of 0.5% and 1.3%. Similarly, external financing costs are unlikely to ease, in view of the growing risk aversion towards emerging markets and tightening global liquidity conditions. Romania's FY:16 foreign funding target stands at EUR 4.5bn (2.8% of GDP), out of which EUR 1.5bn will come from IFIs (World Bank, EIB). Note that Romania recently raised EUR 1.25bn from international markets through the sale of 10 and 20-year Eurobonds at relatively favourable terms (mid-swap spreads stood at 200 bps and 285 bps, respectively). All said, Romania should have no problem in funding the FY:16 budget deficit and rolling over the maturing debt. We see gross public debt rising to 43.0% of GDP at end-2016 from 40.0% at end-2015, still low by EU standards.

Bulgaria

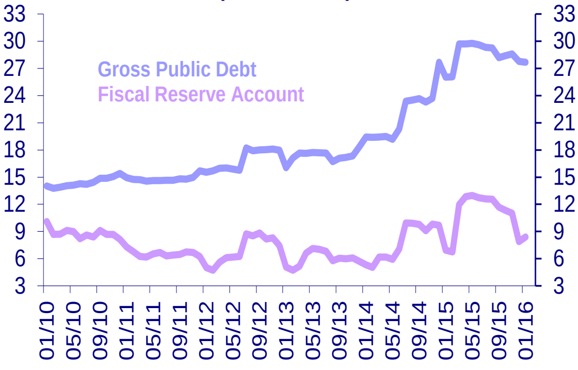
BB+ / Baa2 / BBB- (S&P / Moody's / Fitch)

Consolidated Budget (% of GDP)	2015 Outcome	1M:15	1M:16	2016 Budget	2016 NBG Forecast
Total Revenue	37.4	2.9	3.5	37.4	37.4
Tax Revenue	28.9	2.5	2.9	29.4	29.4
Non-Tax Rev.	4.3	0.3	0.4	5.1	5.1
Grants	4.2	0.0	0.2	2.9	2.9
Total Expenditure	40.3	2.8	2.4	39.4	39.4
Current Spending	32.4	2.6	2.3	32.5	32.6
o/w Wages	5.4	0.4	0.4	5.4	5.4
Goods & Services	5.2	0.3	0.3	5.4	5.4
Subsidies	1.9	0.1	0.1	1.6	1.6
Social Spending	16.2	1.3	1.3	16.3	16.3
Interest Payments	0.8	0.2	0.1	0.9	0.9
Capital Expend.	7.9	0.2	0.1	6.9	6.9
Fiscal Balance	-2.9	0.1	1.1	-2.0	-2.0

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



Gross Public Debt & Fiscal Reserves (as % of GDP)



	7 Mar.	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)	204	170	150	120

	7 Mar.	1-W %	YTD %	2-Y %
SOFIX	446	-0.2	-3.1	-26.7

	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	-2.0	-1.5

Fiscal performance improves markedly in January, with the 12-month rolling budget deficit narrowing to 1.8% of GDP from 2.9% at end-2015. The consolidated budget surplus widened by 1.0 pp y-o-y to 1.1% of GDP in January. This remarkable performance can be largely attributed to an across-the-board improvement in budget revenue (up 0.7 pps of GDP y-o-y). Specifically, tax revenue increased in January (by 0.4 pps of GDP y-o-y), reflecting the hike in the excise duty on tobacco and fuel as well as better tax collection. Moreover, non-tax revenue rose slightly in January (by 0.1 pp of GDP y-o-y), as did grants from the EU (by 0.2 pps of GDP y-o-y), on the back of base effects from delayed refunds for expenses incurred at end-2015. At the same time, budget spending was contained (by 0.3 pps of GDP y-o-y in January), but this was due to lower interest expenses and capital spending, as well as a smaller contribution to the EU budget rather than a sustained decline in primary current spending.

Fiscal consolidation is set to continue in FY:16, albeit due to once-off privatisation receipts The FY:16 budget assumes a tighter fiscal stance with respect to the FY:15 budget performance, targeting a deficit of 2.0% of GDP versus an outcome of 2.9% of GDP in 2015. Specifically, tax revenue is projected to strengthen in FY:16 (according to budget assumptions, up 0.5 pps of GDP against the FY:15 outcome), supported by increases in excise duties (see above) and improved tax compliance. Moreover, the budget is set to benefit from the (once-off) proceeds from the concession of the Sofia airport this year (projected at 0.7% of GDP).

On the other hand, the FY:16 budget foresees current spending remaining broadly flat compared with the FY:15 outcome. Indeed, higher public consumption would be offset by a cut in subsidies. At the same time, despite the hike in the minimum wage (by 10.5% to EUR 215 in January) and pensions (by 2.5% in July), social spending should remain broadly contained, in view of tighter means testing. Overall, we are comfortable with the FY:16 current spending target; we recognize, however, that the rising financing needs of the healthcare system could add pressure to the budget. In any event, any slippage from the budget target could be offset by the under-execution of the public investment programme. In fact, the latter appears optimistic, in view of no significant improvement in the absorption of EU funds this year, despite the fact that the authorities would forfeit unused EU funding allocated for use during the 2007-2013 period.

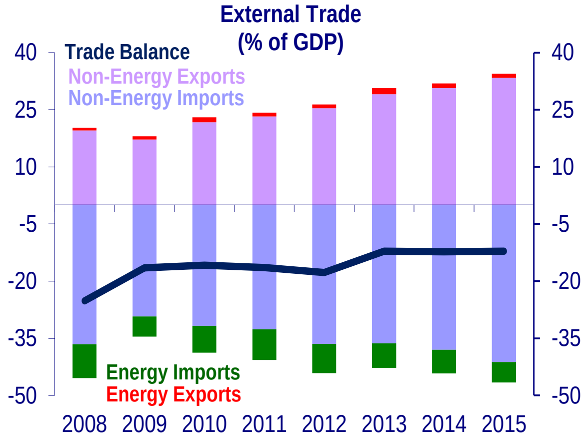
All said, we expect the FY:16 budget deficit to meet its target of 2.0% of GDP. As a result, and excluding privatisation receipts, the fiscal stance is broadly neutral, which appears appropriate, in view of the lackluster economic recovery (real GDP is projected to grow by 2.6% in FY:16 against an estimated 3.0% in FY:15, still below its long-term potential of c. 3.0%).

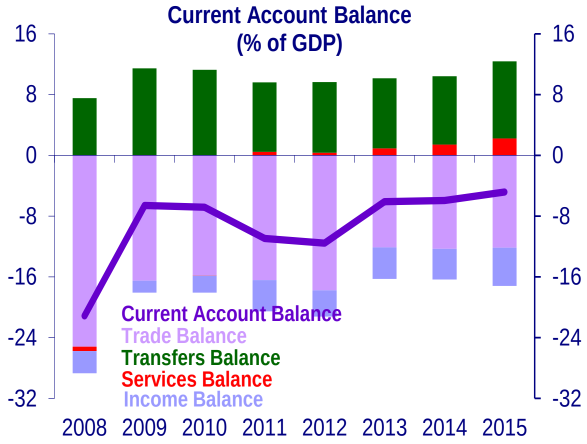
Gross public debt is projected to rise to 32.0% of GDP at end-2016. The FY:16 budget caps new debt issuance at BGN 5.3bn (EUR 2.7bn, equivalent to 6.0% of GDP). The Ministry of Finance has already selected lead managers for a Eurobond sale worth up to EUR 2.0bn over the coming months. All said, we project gross public debt to rise to 32.0% of GDP at end-2016 from 27.8% at end-2015, still far below the EU-28 average (c. 87%).

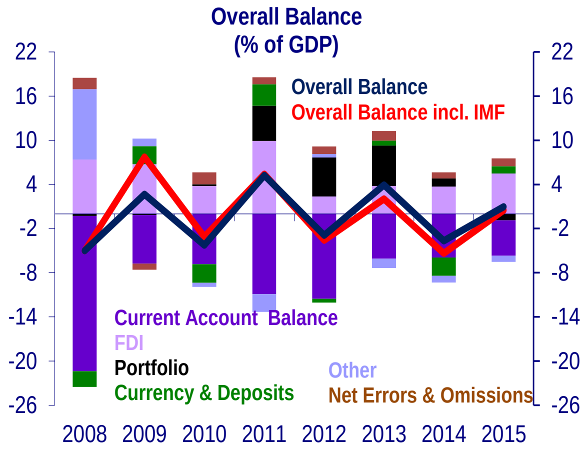
That being said, fiscal reserves currently stand at 8.4% of GDP in January 2016, well below a pre-crisis high of nearly 18%, suggesting the need for fiscal prudence in the short term and significant fiscal consolidation in the medium term so as to rebuild the fiscal buffers necessary to support the currency board arrangement.

Serbia

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







	7 Mar.	3-M F	6-M F	12-M F
1-m BELIBOR (%)	3.1	3.4	3.6	4.0
RSD/EUR	123.4	124.1	124.6	125.0
Sov. Spread (2021, bps)	330	280	240	180

	7 Mar.	1-W %	YTD %	2-Y %
BELEX-15	593	0.9	-6.0	4.0

	2013	2014	2015	2016F	2017F
Real GDP Growth (%)	2.6	-1.8	0.7	2.0	2.5
Inflation (eop, %)	2.2	1.7	1.5	2.4	2.8
Cur. Acct. Bal. (% GDP)	-6.1	-6.0	-4.8	-4.8	-5.3
Fiscal Bal. (% GDP)	-5.5	-6.6	-3.7	-3.9	-3.0

Significant external rebalancing in FY:15, with the current account deficit (CAD) narrowing by 1.2 pps y-o-y to a 13-year low of 4.8% of GDP. The CAD shrank markedly to 4.8% of GDP in FY:15 -- its lowest level since 2002 -- from 6.0% in FY:14. The improvement was supported by a strong rebound in transfers (up 1.2 pps of GDP, mainly remittances), a higher services surplus (up 0.8 pps of GDP), as well as a smaller trade deficit (by 0.2 pps of GDP).

The improvement in the trade balance was driven by the lower energy deficit (by an estimated 0.7 pps y-o-y to c. 4.3% of GDP in FY:15), due to the sharp decline in global oil prices (by 35.2% y-o-y, in EUR terms, in FY:15). Indeed, the non-energy trade deficit widened, as non-energy imports accelerated (up 7.2% y-o-y in FY:15 from just 1.8% in FY:14). The increase in non-energy imports was driven by a rise in investment-related imports (as private investment increased by a robust 8.3% y-o-y in FY:15 following a decline of 3.6% in FY:14). The non-energy trade deficit would have been larger had non-energy exports not recovered strongly (up 7.6% y-o-y in FY:15 from a weak 2.4% in FY:14). The non-energy export performance was supported by the restoration of production and transportation, after a sharp flood-induced decline in 2014, as well as the recovery in the EU (⅔ of exports and up 1.8% y-o-y in FY:15 against 1.4% in FY:14).

The CAD improvement would have been larger had profits and dividends outflows not increased (up 1.2 pps of GDP), reflecting strong FDI-related profits.

The capital and financial account (CFA) improved markedly in FY:15, fully covering the CAD. The CFA surplus strengthened by 3.3 pps y-o-y to 4.7% of GDP in FY:15 (by a sizeable 5.5 pps of GDP y-o-y excluding the EUR 750mn loan, or 2.2% of GDP, provided by the UAE in August 2014). The CFA improvement was supported by: i) large inflows of currency & deposits (due to repatriation of deposit holdings by domestic banks), amounting to 1.0% of GDP in FY:15 against outflows of 2.5% of GDP in FY:14; and ii) strongly rising FDI inflows (up 1.8 pps of GDP in FY:15, 45% of which are reinvested earnings). The CFA surplus would have been even larger had portfolio outflows not occurred (amounting to 0.9% of GDP in FY:15 against inflows of 1.1% in FY:14), due to declining T-bill yields (interest rate on 12-month T-bills fell by 260 bps y-o-y to 5.9% in FY:15) along with RSD depreciation (by 2.9% y-o-y against the EUR on average in FY:15).

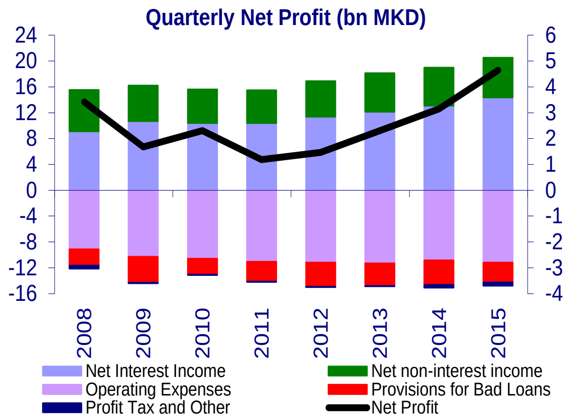
As a result, and along with large positive (net) errors & omissions (amounting to 1.1% of GDP in 2015, and reflecting unrecorded workers' remittances, tourism receipts and exports), the overall balance turned positive in FY:15 (EUR 310mn or 0.9% of GDP), allowing the repayment of EUR 145mn to the IMF, and adding EUR 0.2bn y-o-y to FX reserves. The latter (including FX valuation effect) stood at the comfortable level of EUR 10.4bn at end-2015 (covering 6.6 months of GNFS imports).

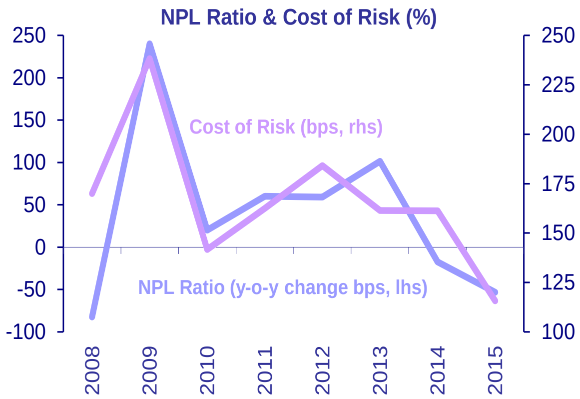
The CAD is to remain broadly flat this year. The CAD is set to remain unchanged at 4.8% of GDP in 2016, as a higher deficit in the income balance and weaker transfers should broadly offset the higher services surplus and lower trade deficit. The latter should result from the continued rebound in exports and a favourable energy balance (as global oil prices are set to decline sharply by 22.0% y-o-y in 2016, shaving an estimated 0.3 pps of GDP off the CAD).

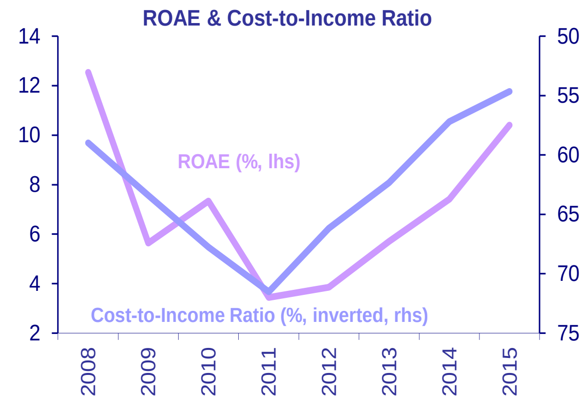
Financing the CAD should not be a problem in 2016. In fact, in the absence of debt repayments to the IMF, and projecting: i) FDI inflows moderate to a still robust 5.0% of GDP from 5.5% in FY:15); and ii) the blended rollover ratio of maturing external debt eases to 100% from 110% in FY:15, we see FX reserves strengthening by EUR 0.1bn y-o-y to EUR 10.5bn (covering 6.7 months of GNFS imports).

F.Y.R.O.M.

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







	7 Mar.	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)	592	540	450	350

	7 Mar.	1-W %	YTD %	2-Y %
MBI 100	1.806	-0.1	-1.5	2.1

	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

Banking sector bottom line surged to an all-time high in FY:15. Banking sector net profit (after tax) continued its upward trend for a fourth successive year, increasing by an impressive 47.3% y-o-y to a high of EUR 75.7mn or 0.9% of GDP in FY:15. The strong performance in 2015 was driven by a significant increase in pre-provision earnings and lower provisions (contributing 27.9 pps and 23.8 pps, respectively, to net profit growth). As a result, ROAE and ROAA improved to a 7-year high of 10.4% and 1.1%, respectively, in FY:15 from 7.4% and 0.8% in FY:14.

Pre-provision earnings (before tax) posted double-digit growth (11.9%) in FY:15. Net interest income (NII) rose by a 6-year high of 9.7%), supported by a significant increase in average interest earning assets (up 6.4% in 2015) and a modest rise in the net interest margin (NIM, up 6 bps y-o-y to 364 bps). Note that average interest rates for outstanding LC deposits and loans moderated by 0.8 pps y-o-y and 0.4 pps y-o-y, respectively, to 2.9% and 7.1% in FY:15. On the other hand, net non-interest income rose by 4.4% in FY:15, mainly due to higher net fees and commissions, and gains from foreign currency trading.

The improvement in pre-provision earnings would have been sharper had operating expenses and impairments for non-financial assets not increased in FY:15, by 3.2% and 38.5%, respectively. The former resulted from a significant increase in personnel expenses (up 5.0% y-o-y), and the latter reflects a once-off regulatory impairment charge imposed since last year -- a 20% haircut on banks' foreclosed assets per year -- acting as an incentive to the sale of foreclosed assets.

As gross operating income increased at a faster pace than operating expenses, the banking sector's efficiency improved, with the cost-to-income ratio declining by 255 bps y-o-y to an 8-year low of 54.6% in FY:15.

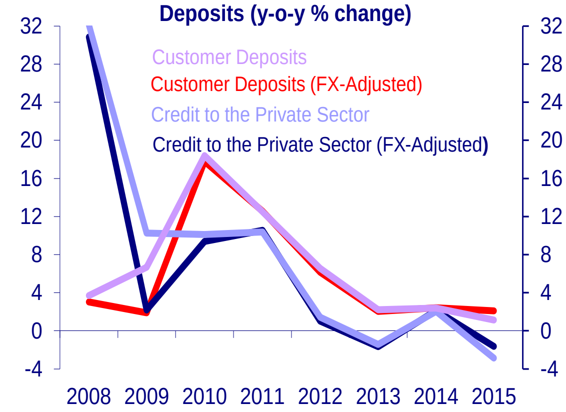
Provisions for NPLs declined sharply in FY:15, as the NPL ratio receded. P/L provisions declined by 19.8% in FY:15, in line with the drop in the NPL ratio (comprising loan balances 90 dpd), by 53 bps y-o-y (of total loans) to 10.8% in FY:15, underpinned by the improvement in economic activity (real GDP is estimated to have increased by 3.6% in FY:15) and write-offs. Note that the decline in the NPL ratio was mainly driven by the retail segment – the ratio of non-performing retail loans moderated to 5.1% in 2015 from 5.8% in 2014 – and the ratio of non-performing corporate loans eased slightly to 15.0% from 15.1% in 2014. It is also worth noting that this is the lowest NPL ratio among SEE countries (Serbia 22.0%, Albania 17.7%, Bulgaria 15.9% and Romania 11.7% in FY:15). As a result, the cost of risk (the ratio of P/L provisions-to-average gross loans) narrowed by 46 bps y-o-y to an 8-year low of 116 bps in FY:15.

Banking sector profitability is set to strengthen further in 2016, reflecting improved asset quality and stronger core income. We see the NPL ratio declining to c. 10% at end-2016, in line with a positive economic outlook (we see real GDP growth rising to 3.6% in 2016 from an estimated 3.5% in FY:15) and further progress on loan restructuring. On the other hand, profitability should also be supported by stronger core income, reflecting buoyant credit activity. The latter should continue to be supported by: i) easing credit standards by banks, on the back of the ongoing improvement in their asset quality; ii) an adequate domestic source of financing (with the LC loan-to-LC deposit ratio at a still comfortable level of 97% in January); and iii) a strong capital base (the capital adequacy ratio stood at 15.5% in Q4:15, well above the statutory level of 8%). Overall, we see (annualised) ROAE at around 12% this year from 10.4% in 2015, up from 7.4% in 2014.

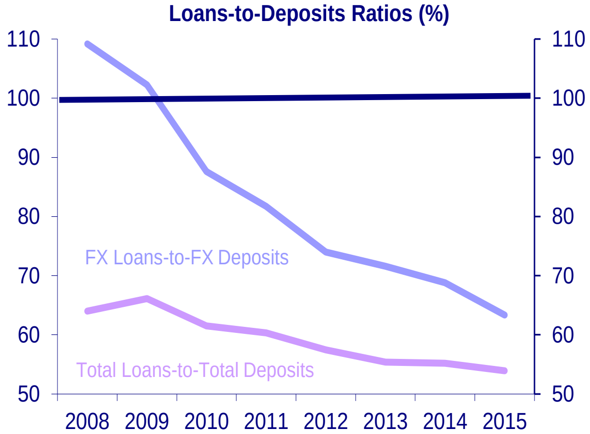
Albania

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

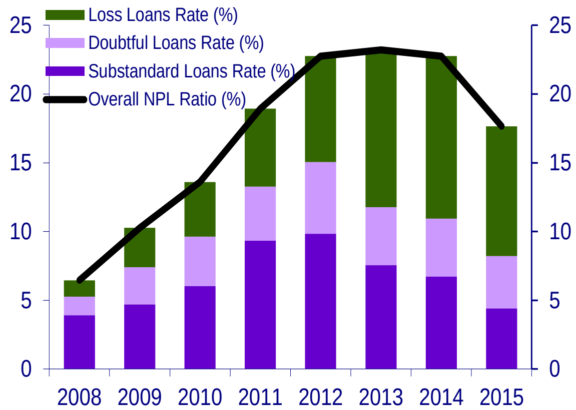
Credit to the Private Sector and Customer Deposits (y-o-y % change)



Loans-to-Deposits Ratios (%)



NPL Ratio



	7 Mar.	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

	7 Mar.	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

Adjusted for FX variations, customer deposit growth remained broadly unchanged in 2015 (up 2.1% y-o-y). Customer deposit growth slowed to (a historical low of) 1.1% y-o-y at end-2015 from 2.4% at end-2014. However, adjusted for FX variations, deposit growth stood at 2.1% y-o-y at end-2015, broadly unchanged from 2.4% at end-2014. The growth rate of retail deposits (87.6% of total deposits) remained broadly flat (up 0.7% y-o-y at end-2015 against a rise of 0.5% at end-2014, FX adjusted), as the acceleration in FC retail deposits (½ of retail deposits) was almost offset by the decline in the LC retail component. The latter was held back by households' continued preference to invest in higher-yielding domestic debt (up by ALL 19.0bn in 11M:15, equivalent to 2.3% of the end-2015 stock of retail deposits). Indeed, in FY:15, the difference between the 12-month T-bill rate and the 12-month deposit interest rate (which reached a low of 1.4% in FY:15) was 1.9 pps, widening from 1.5 pps in FY:14 and 1.0 pp in FY:13.

On the other hand, corporate deposit growth moderated significantly to a still strong 13.3% y-o-y at end-2015 from a 4-year high of 20.2% at end-2014 (FX adjusted), due to the slowdown in the LC segment. The latter likely reflects the slowdown in the clearance of government arrears (ALL 17.2bn in FY:15, or 1.8% of total deposits, following the disbursement of ALL 33.8bn in FY:14, or 3.6% of overall deposits).

Credit growth, adjusted for large write-offs and FX variations, is estimated to have posted robust growth of c. 3.5% in FY:15. Private sector credit growth turned negative, for the first time since 2013, down by 2.9% y-o-y at end-2015 against a rise of 2.0% at end-2014. However, adjusted for FX variations, the loan book declined at a slower pace, by 1.6% y-o-y at end-2015 from 2.1% in December 2014. This negative development was partly driven by loan write-offs, amounting to an estimated ALL 27bn in 2015 (5.2% of the end-2014 stock of loans), especially due to the compulsory write-off of loans held in "loss" category for more than 3 years in 2015. Excluding this once-off, credit growth is estimated to have remained positive, accelerating to a strong 3.6% y-o-y at end-2015 from 2.1% at end-2014 (FX adjusted). Note that the cleaning-up of bank balance sheets, along with the clearance of accumulated arrears by the Government, has reduced the NPL ratio sharply by 5.1 pp y-o-y to 17.7% in FY:15.

Retail lending (⅓ of total loans) remains the only source of credit growth (up 2.0% y-o-y at end-2015 from 1.4% at end-2014, FX adjusted). Note that bank lending to households has been underpinned by: i) favourable LC lending interest rates, following the sharp monetary policy easing; ii) ample liquidity in the banking sector (with the total loans-to-total deposits ratio at an 8-year low of 53.0% at end-2015) and non-reliance on foreign financing; and iii) a low loan penetration rate in the retail segment (10.4% of GDP in 2015).

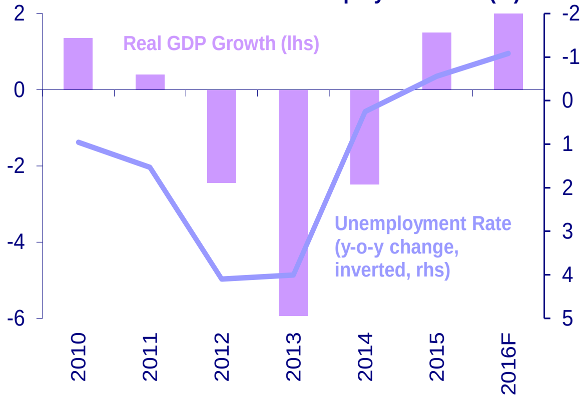
On the other hand, loan growth in the corporate segment turned negative (down 3.1% y-o-y at end-2015 against a rise of 2.5% at end-2014). This reflects continued high bank risk aversion to the corporate segment, which holds the majority of NPLs (with corporate NPLs at around 23.1% of corporate loans, well above 14.6% of household NPLs), combined with low loan demand (partly due to the liquidity provided by the payment of Government's arrears).

Credit growth to accelerate to c. 6.0% this year. The pick-up in credit is set to be supported by the relatively low interest rates, ample liquidity, reduced Government financing needs following the Eurobond issuance in Q4:15, the increase in loan demand as well as the easing of credit standards by banks, on the back of the ongoing improvement in asset quality. The latter should be supported further by the BoA's expected resolution plan for large borrowers as well as the review of the bankruptcy framework.

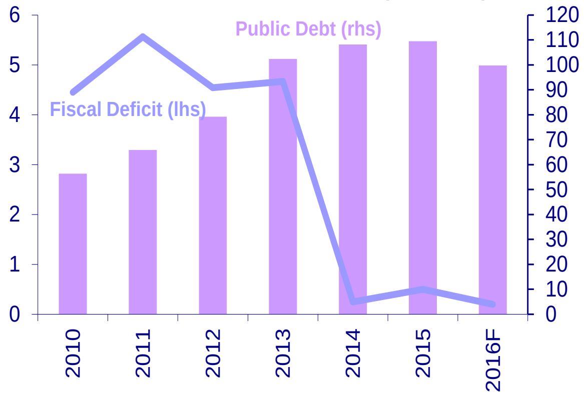
Cyprus

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

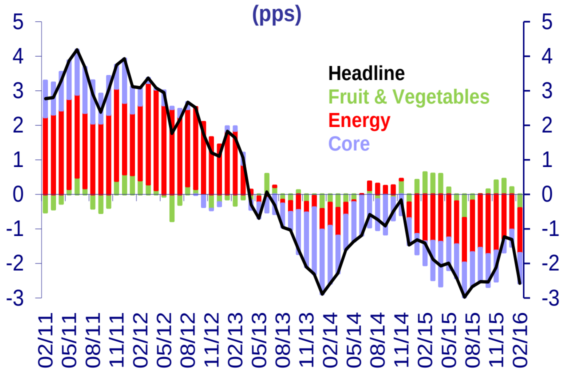
Real GDP Growth and Unemployment Rate (%)



Fiscal Deficit and Public Debt (% of GDP)



Contribution to Annual Headline CPI Inflation (pps)



	7 Mar.	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.29	-0.29	-0.29	-0.29
EUR/USD	1.10	1.07	1.06	1.06
Sov. Spread (2020. bps)	392	360	300	250

	7 Mar.	1-W %	YTD %	2-Y %
CSE Index	68	1.3	0.6	-55.3

	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

Cyprus exits its 3-year adjustment programme ahead of schedule. On March 7th, the Eurogroup approved the Cypriot Government's decision to exit its three-year economic adjustment programme.

The Eurogroup commended the Cypriot authorities on their compliance with the programme, which led to a stronger-than-initially-expected economic and fiscal performance. These positive developments helped Cyprus return to international capital markets earlier than expected and successfully issue three Eurobonds beginning in June 2014. Moreover, the Eurogroup stressed that while significant progress has been made on restructuring the Cypriot banking system, continued efforts are required to address the persistently high level of NPLs (c. 45% of total loans in November), through, *inter alia*, the rigorous implementation of the mortgage foreclosure law and the insolvency framework adopted in mid-2015.

The Eurogroup noted that the last review of the programme has not been completed, as the privatization of the Cypriot Telecommunications Authority (CYTA) -- a prior action -- has been blocked by Parliament ahead of the May legislative elections. It stressed that this privatization, combined with progress on public administration and health care reforms, would further strengthen fiscal consolidation and support sustained economic growth.

Importantly, with the end of the adjustment programme, Cyprus will likely lose eligibility for ECB quantitative easing and collateral, due to its non-investment grade rating. However, in view of its commitment to maintain prudent macroeconomic and fiscal policies and to continue promoting structural reforms, an ECB waiver should be instated -- as was the case for Greece in December 2012 (later withdrawn).

Cyprus has received EUR 7.2bn (EUR 6.2bn and EUR 1.0bn from the ESM and IMF, respectively) out of a total EUR 10bn available under the programme. Loan repayments to the IMF will commence this year and end in 2026, while loans repayments to the ESM will begin in 2025 and end in 2031.

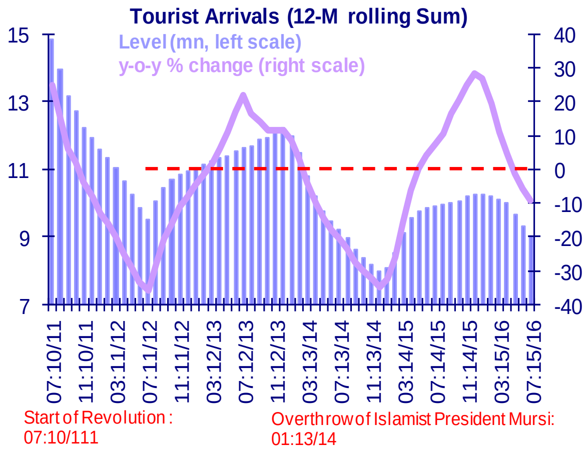
Following the exit from the programme, Cyprus will remain under post-Programme surveillance (PPS) until at least 75% of the financial assistance received has been repaid. PPS could last until 2030. Under PPS, the Commission and the European Central Bank will: i) prepare semi-annual assessments of Cyprus' economic, fiscal and financial situation; and ii) determine whether corrective measures are needed.

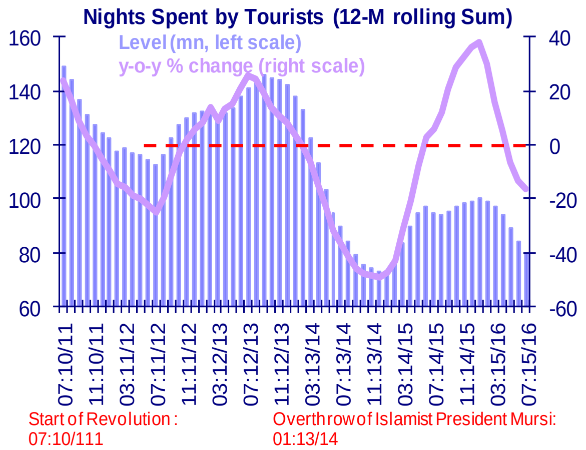
Deflation accelerated to a 6-month high of -2.6% y-o-y in February from -1.3% y-o-y in January, mainly due to a sharp decline in volatile fruit and vegetable prices and higher energy deflation. Prices of volatile fruit & vegetables declined by 11.5% y-o-y in February compared with a rise of 5.9% y-o-y in January, reflecting favourable weather conditions. At the same time, core deflation (excluding volatile food and energy prices and accounting for 87.6% of the CPI basket) accelerated to -1.0% in February from -0.6% y-o-y in January, as a slower decline in other food prices, excluding fruit & vegetables, was more than offset by a sharper decline in air transport and road fees. Furthermore, the pace of decrease in energy prices also accelerated to -14.6% y-o-y in February from -11.5% in January, in line with developments in global oil prices.

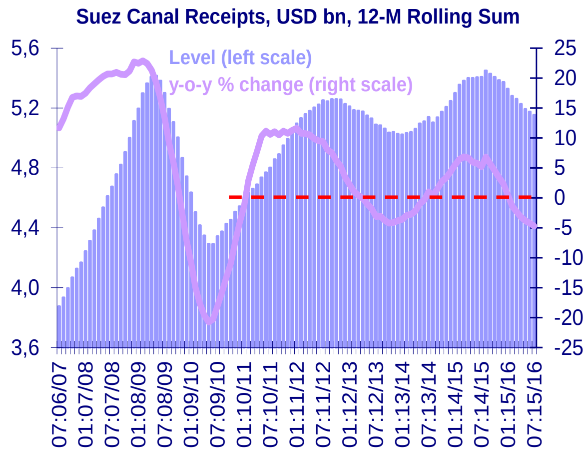
Deflation is set to ease sharply by end-2016. We expect the impact from the ongoing recovery in domestic demand (we see real GDP growth accelerating to 2.0% in FY:16 from an estimated 1.5% outcome in FY:15) to be partly offset by favourable oil prices (we project the average price of Brent to decline by around 22% in FY:16). Overall, we expect headline and core inflation to end the year at -0.2% and 1.0%, respectively, up from -1.2% and -0.4% at end-2015.

Egypt

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







	7 Mar.	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)	422	400	300	220

	7 Mar.	1-W %	YTD %	2-Y %
HERMES 100	573	2.2	-9.0	-26.8

	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

Tourism has been hit hard since October, following the terrorist bombing of a Russian plane. Tourist arrivals declined sharply, by 42.2% y-o-y during November-January, following a modest decline of 6.2% y-o-y during July-October 2015 (4M:15/16), reflecting a base effect from a surge in arrivals in the same period a year earlier (up 72.2% y-o-y). The latter was due to a calmer political climate and easing security concerns following the election of President el-Sissi in May 2014, which led several European countries to remove travel bans imposed on Egypt.

The sharp decline in arrivals during November-January followed the terrorist bombing of a Russian passenger plane on October 31st, which led Russia (the largest source country, which accounted for more than 30% of total tourists in 2014) to ban flights to Egypt, and several other countries to issue warnings against travel to Egypt. More worrying, the decline in the number of nights spent by tourists during November-January (down 59.8% y-o-y) was even sharper than that of arrivals during the same period (down 42.2% y-o-y). As a result, the 12-month rolling sum of tourist arrivals and nights spent by tourists declined by 9.1% and 16.1%, respectively, y-o-y to 9.0mn and 79.7mn in January compared with rises of 4.8% and 5.0% in October.

Looking ahead, in view of the Government's ongoing efforts to strengthen security measures and attract tourists through promotional campaigns abroad and a favourable base effect (arrivals and nights spent rose by 8.7% and 12.5% y-o-y, respectively in 8-12M:14/15 compared with rises of 28.5% and 36.1% in FY:14/15), we expect arrivals and nights spent to decline at a slower pace during the remainder of the fiscal year. Note that, on February 12th, Egypt signed a deal with the UK-based global consultancy, Control Risks, to review security at its airports, after an investigation revealed that the Russian plane crash was caused by an onboard explosive. Overall, we foresee tourist arrivals and nights spent declining by c. 22.0% and 33.0%, respectively, to 8.0mn and 66.6mn in FY:15/16. Should our forecast materialise, the tourism sector would: i) shave 1.3 pps off overall GDP growth in FY:15/16 (projected at 3.0%) after having added an estimated 1.0 pp to growth in FY:14/15 (4.2%); and ii) see its contribution to FX reserves decreasing to USD 4.5bn in FY:15/16 from USD 7.2bn in FY:14/15.

Suez Canal receipts (SCR) declined in the first 7 month of the fiscal year, due to currency valuation effects. Suez Canal revenue, one of Egypt's main foreign currency earners, fell by 6.7% y-o-y to USD 3.0bn (0.9% of GDP) in 7M:15/16 (July 2015-January 2016), following an increase of 2.4 in FY:14/15. The decline was exclusively driven by a weaker SDR – the currency unit used by the Canal Authority to collect transit fees – against the USD. Indeed, despite the ongoing slowdown in global trade (up 2.6% in 2015 against 3.4% in 2014, according to the latest IMF estimates – January 2016 WEO Update), total (net) tonnage of ships crossing the Canal remained broadly unchanged in 7M:15/16 from a year earlier (up 0.6% y-o-y), supported by tankers and LNG ships (accounting for 24.0% of total net tonnage in 7M:14/15 and up 9.7% y-o-y).

Looking ahead, we expect SCR to continue to decline, albeit at a slower pace, during the remainder of the fiscal year (February-June), mainly on the back of a milder depreciation of the SDR against the USD. Overall, SCR growth will turn negative, for the first time in 3 years, in FY:15/16. Note that, in FY:14/15, SCR rose by 2.4% in USD terms, contributing 0.12 pps to overall GDP growth (4.2%), boosting budget revenue through higher dividends (up 6.2% y-o-y or EGP 1.1bn y-o-y or 0.05% of GDP y-o-y in FY:14/15) and strengthening FX reserves (adding USD 126mn more than in FY:13/14).

FOREIGN EXCHANGE MARKETS, MARCH 7TH 2016

Against EUR

	Currency	2016										2015	2014
		SPOT	1-week %change	1-month %change	YTD %change*	1-year %change	Year-Low	Year-High	3-month Forward rate**	6-month Forward rate**	12-month Forward rate**	% change*	% change*
Albania	ALL	137.8	0.0	0.3	-0.5	1.6	137.5	139.5	138.4	138.2	137.7	0.1	2.0
Brazil	BRL	4.16	4.8	4.5	3.3	-20.3	3.99	4.55	4.76	4.76	4.75	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	7.17	-0.7	2.2	-1.8	-3.8	6.99	7.46	7.39	7.39	7.39	10.8	6.7
Egypt	EGP	8.57	-0.9	1.5	-1.0	-2.2	8.26	9.09	9.39	- - -	- - -	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	73.7	0.6	2.4	-2.6	-7.6	71.3	77.8	80.0	- - -	- - -	12.3	6.6
Romania	RON	4.46	0.2	0.7	1.3	-0.4	4.45	4.56	4.47	4.47	4.51	-0.5	-0.8
Russia	RUB	78.7	4.0	9.7	0.7	-17.1	78.1	93.8	80.6	82.4	85.9	-32.8	-15.1
Serbia	RSD	123.4	-0.1	-0.8	-1.5	-2.3	121.6	123.7	124.0	124.3	- - -	-5.6	-0.1
S. Africa	ZAR	16.8	2.7	6.2	-0.1	-22.2	16.56	18.58	17.2	17.5	18.3	3.0	-16.6
Turkey	YTL	3.21	0.4	1.4	-1.3	-11.3	3.17	3.35	3.30	3.40	3.59	4.4	-10.8
Ukraine	UAH	29.6	-0.6	-2.7	-12.1	-18.6	25.06	30.16	36.8	- - -	- - -	-40.8	-27.5
US	USD	1.10	-1.3	1.3	-1.4	-1.5	1.1	1.1	1.10	1.11	1.12	13.6	11.4
JAPAN	JPY	124.9	-2.0	4.4	4.4	4.8	122.1	132.3	125.0	124.9	124.8	-0.1	11.0
UK	GBP	0.77	1.1	-0.3	-4.6	-6.7	0.7	0.8	0.77	0.78	0.78	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, MARCH 7TH 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	7.4	- - -	- - -	0.4
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	0.4	11.0	2.8	- - -	7.4	- - -	- - -	- - -
S/W	1.9	14.1	0.0	2.3	-0.3	9.1	1.3	- - -	- - -	11.0	2.9	- - -	7.5	- - -	-0.3	0.4
1-Month	2.1	14.1	0.1	2.7	-0.3	9.3	1.5	- - -	0.6	12.3	3.1	11.9	7.2	23.1	-0.3	0.4
2-Month	- - -	14.1	0.1	- - -	-0.2	- - -	- - -	- - -	- - -	11.8	3.2	11.9	7.5	- - -	-0.2	0.5
3-Month	2.4	14.1	0.2	2.8	-0.2	9.3	1.8	8.3	0.8	11.6	3.3	12.0	8.2	23.8	-0.2	0.6
6-Month	2.6	14.1	0.4	3.0	-0.1	- - -	2.1	- - -	1.0	11.6	3.5	12.0	8.5	- - -	-0.1	0.9
1-Year	2.7	14.1	0.9	3.1	0.0	- - -	2.6	- - -	1.2	12.0	- - -	12.1	9.1	- - -	0.0	1.2

LOCAL DEBT MARKETS, MARCH 7TH 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	1.6	- - -	- - -	- - -	- - -	10.9	1.6	7.3	- - -	11.9	3.8	9.2	- - -	- - -	-0.5	0.3
6-Month	1.6	- - -	- - -	- - -	- - -	11.5	2.1	7.2	0.6	12.1	4.0	9.9	- - -	- - -	-0.5	0.5
12-Month	1.8	- - -	0.1	2.2	- - -	12.3	2.6	7.3	0.7	9.3	4.4	10.6	- - -	18.5	-0.5	0.7
2-Year	2.3	- - -	- - -	2.4	- - -	- - -	2.0	7.4	1.0	9.4	- - -	10.4	8.2	19.7	-0.5	0.9
3-Year	5.0	- - -	0.4	2.5	- - -	- - -	2.7	7.6	1.3	9.2	- - -	10.4	8.6	20.0	-0.5	1.1
5-Year	5.0	14.7	- - -	2.6	- - -	13.8	2.7	7.7	2.4	9.4	6.3	10.3	8.8	- - -	-0.4	1.4
7-Year	- - -	- - -	1.6	- - -	3.7	14.9	- - -	8.0	2.7	9.2	- - -	- - -	- - -	- - -	-0.2	1.7
10-Year	7.9	15.0	2.4	2.9	- - -	15.9	3.9	7.6	3.4	9.3	- - -	10.2	9.3	- - -	0.2	1.9
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	4.3	8.3	- - -	9.1	- - -	- - -	9.7	- - -	0.6	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	9.9	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	8.3	- - -	- - -	- - -	- - -	10.0	- - -	1.0	2.7

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

SOVEREIGN EUROBOND SUMMARY, MARCH 7TH 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	4.4	334	372
Brazil 4.875% '21	USD	BB+/Baa3	22/1/2021	2,988	5.2	374	375
Brazil 8.75% '25	USD	BB+/Baa3	4/2/2025	969	6.4	452	511
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	0.6	110	79
Bulgaria 2.0% '22	EUR	BB+/Baa2	26/3/2022	1,250	1.7	204	160
Bulgaria 2.95% '24	EUR	BB+/Baa2	3/9/2024	1,493	2.5	237	207
Bulgaria 2.62% '27	EUR	BB+/Baa2	26/3/2027	1,000	2.8	260	208
Bulgaria 3.12% '35	EUR	BB+/Baa2	26/3/2035	900	3.8	297	254
China 4.375% '23	USD	AA-/Aa3	2/5/2023	500	3.8	193	230
China 7.5% '27	USD	AA-/Aa3	28/10/2027	100	3.4	149	193
Cyprus 4.75% '19	EUR	B+/NA	25/6/2019	566	3.0	353	322
Cyprus 4.62% '20	EUR	B+/B3	3/2/2020	770	3.4	392	351
Cyprus 3.875% '22	EUR	NA/B3	6/5/2022	1,000	3.7	404	356
Cyprus 4.25% '25	EUR	NA/B1	4/11/2025	1,000	4.1	384	350
Egypt 5.75% '20	USD	B-/B3	29/4/2020	1,000	5.6	422	435
Egypt 5.875% '25	USD	B-/B3	11/6/2025	1,500	8.1	615	570
Egypt 6.875% '40	USD	B-/B3	30/4/2040	500	8.9	616	565
FYROM 4.875% '20	EUR	BB-/NA	1/12/2020	270	5.0	573	493
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	5.1	592	565
Romania 4.875% '19	EUR	BBB-/Baa3	7/11/2019	1,500	0.7	114	87
Romania 4.62% '20	EUR	BBB-/Baa3	18/9/2020	2,000	0.9	137	104
Romania 4,375% '23	USD	BBB-/Baa3	22/8/2023	1,500	3.4	172	190
Romania 3.625% '24	EUR	BBB-/Baa3	24/4/2024	1,250	2.2	227	193
Romania 6.125% '44	USD	BBB-/Baa3	22/1/2044	1,000	4.8	207	291
Russia 3.5% '19	USD	BB+/Ba1	16/1/2019	1,500	3.4	228	225
Russia 5% '20	USD	BB+/Ba1	29/4/2020	3,500	3.8	236	257
Russia 4.5% '22	USD	BB+/Ba1	4/4/2022	2,000	4.1	236	262
Russia 4.875% '23	USD	BB+/Ba1	16/9/2023	3,000	4.3	259	274
Russia 12.75% '28	USD	BB+/Ba1	24/6/2028	2,500	5.7	376	519
Russia 5.625% '42	USD	BB+/Ba1	4/4/2042	3,000	5.7	297	343
Russia 5.875% '43	USD	BB+/Ba1	16/9/2043	1,500	5.8	306	356
Serbia 4.875% '20	USD	BB-/B1	25/2/2020	1,500	4.3	289	308
Serbia 7.25% '21	USD	BB-/B1	28/9/2021	2,000	4.7	330	351
Serbia 5% '24	USD	BB-/NA	11/4/2024	125	3.8	387	356
S. Africa 6.875% '19	USD	BBB-/Baa2	27/5/2019	2,000	3.7	267	273
S. Africa 5.875% '25	USD	BBB-/Baa2	16/9/2025	2,000	5.1	321	345
S. Africa 6.25% '41	USD	BBB-/Baa2	8/3/2041	750	5.9	316	377
Turkey 5.875% '19	EUR	NR/Baa3	2/4/2019	1,250	1.8	234	210
Turkey 7% '20	USD	NR/Baa3	5/6/2020	2,000	4.0	258	291
Turkey 6.25% '22	USD	NR/Baa3	26/9/2022	2,500	4.6	286	321
Turkey 4.125% '23	EUR	NR/Baa3	11/4/2023	1,000	3.3	350	312
Turkey 5.75% '24	USD	NA/Baa3	22/3/2024	2,500	4.8	304	321
Turkey 7.375% '25	USD	NR/Baa3	5/2/2025	3,250	4.9	299	351
Turkey 4.25% '26	USD	NA/Baa3	14/4/2026	1,500	4.9	303	302
Turkey 11.875% '30	USD	NR/Baa3	15/1/2030	1,500	5.1	322	447
Turkey 8% '34	USD	NR/Baa3	14/2/2034	1,500	5.7	377	416
Turkey 6.875% '36	USD	NR/Baa3	17/3/2036	2,750	5.8	307	392
Turkey 7.25% '38	USD	NR/Baa3	5/3/2038	1,000	5.8	308	403
Turkey 6.75% '40	USD	NR/Baa3	30/5/2040	2,000	5.8	310	389
Turkey 6.75% '41	USD	NR/Baa3	14/1/2041	3,000	5.8	309	364
Ukraine 7.75% '19	USD	B-/Caa3	1/9/2019	1,155	9.9	883	826
Ukraine 7.75% '20	USD	B-/Caa3	1/9/2020	1,531	9.6	818	786
Ukraine 7.75% '21	USD	B-/Caa3	1/9/2021	1,378	9.6	817	769
Ukraine 7.75% '22	USD	B-/Caa3	1/9/2022	1,355	9.5	783	751
Ukraine 7.75% '23	USD	B-/Caa3	1/9/2023	1,330	9.6	785	739

CORPORATE BONDS SUMMARY, MARCH 7TH 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	592
	Bulgarian Telecom. 6.625% '18	EUR	B-/B1	15/11/2018	400	6.8	729	672
Cyprus	Aroundtown Property 3% '21	EUR	NA/NA	9/12/2021	200	3.7	400	345
Russia	Gazprom 8.2% '19	RUB	BB+/NA	9/4/2019	10,000	11.6	228	- - -
	Gazprom 8.9% '21	RUB	BB+/NA	26/1/2021	10,000	11.4	212	- - -
South Africa	FirstRand Bank Ltd 4.375% '16	USD	BBB-/Baa2	9/6/2016	342	3.5	319	283
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	1.0	145	111
Turkey	Vakiflar Bankasi 3.5% '19	EUR	NA/Baa3	17/6/2019	500	3.3	387	346
	Garanti Bankasi 3.38%'19	EUR	NA/Baa3	8/7/2019	500	3.1	365	324
	Arcelik AS 3.875% '21	EUR	BB+/NA	16/9/2021	350	4.1	443	398
	Turkiye Is Bankasi 6% '22	USD	NA/Ba3	24/10/2022	1,000	6.3	437	466

CREDIT DEFAULT SWAP SPREADS, MARCH 7TH 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	399	169	126	- - -	507	- - -	- - -	129	296	283	275	320	- - -
10-Year	- - -	469	216	171	- - -	519	- - -	- - -	173	350	323	329	374	- - -

STOCK MARKETS PERFORMANCE, MARCH 7TH 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)	49,246	15.1	21.3	13.6	-1.5	37,046	50,024	-0.8	-13.3	-35.3	-2.9	-2.0
Bulgaria (SOFIX)	446	-0.2	-0.8	-3.1	-6.3	441	462	-3.1	-11.7	-11.7	6.2	6.2
China (SHCOMP)	2,897	7.8	4.8	-18.9	-10.6	2,638	3,539	-19.2	9.4	16.5	52.9	69.5
Cyprus (CSE GI)	68	1.3	1.8	0.6	-15.4	64	68	0.6	-20.9	-20.9	-17.0	-17.0
Egypt (HERMES)	573	2.2	2.0	-9.0	-35.2	521	636	-12.0	-24.4	-25.7	23.5	36.6
F.Y.R.O.M (MBI)	1,806	-0.1	-0.2	-1.5	-1.8	1,776	1,842	-1.5	-0.6	-0.6	6.1	6.1
India (SENSEX)	24,646	7.1	0.1	-5.1	-16.3	22,495	29,184	-11.9	-5.0	0.7	29.9	44.7
Romania (BET-BK)	1,249	2.2	-0.2	-6.9	-8.4	1,171	1,329	-8.0	2.6	1.6	3.7	3.5
Russia (RTS)	4224	3.4	7.2	6.7	9.1	3,509	4,162	-7.4	30.3	9.5	-6.9	-37.4
Serbia (BELEX-15)	593	0.9	-0.3	-6.0	-11.7	570	637	-8.4	-3.4	-3.5	19.5	12.8
South Africa (FTSE/JSE)	52,674	6.6	5.9	3.7	-1.3	45,976	52,679	-3.5	1.9	-15.1	7.6	10.9
Turkey (ISE 100)	77,484	2.2	4.4	5.9	-3.5	68,230	77,990	0.8	-16.3	-25.4	26.4	32.0
Ukraine (PFTS)	242	0.4	2.1	0.4	-44.9	236	246	-8.6	-37.8	-54.8	28.7	-24.2
MSCI EMF	795	7.4	7.5	0.5	-18.1	687	794	-6.1	-17.0	-7.5	-4.6	8.2
MSCI EAFE	1,623	4.1	3.6	-6.1	-12.2	1,492	1,716	-9.7	-3.3	7.7	-7.3	5.8
Greece (ASE-General)	559	8.3	11.0	-8.4	-34.2	421	627	-8.4	-23.6	-23.6	-28.9	-28.9
Germany (XETRA DAX)	9,779	3.0	5.3	-9.0	-15.3	8,699	10,486	-9.0	-4.9	-4.9	2.7	2.7
UK (FTSE-100)	6,182	1.4	5.7	-1.5	-10.6	5,500	6,242	-8.9	-4.9	0.1	-2.7	4.1
Japan (NIKKEI-225)	16,911	5.5	0.5	-11.2	-10.9	14,866	18,951	-10.4	9.1	20.2	7.1	7.0
USA (DJ INDUSTRIALS)	17,074	3.4	5.4	-3.0	-4.4	15,370	18,351	-6.4	-2.2	9.3	7.5	22.2
USA (S&P 500)	2,002	3.6	6.5	-3.0	-3.4	1,810	2,135	-6.5	-0.7	10.9	11.4	26.6