South Eastern Europe and Mediterranean Emerging Market Economies

Weekly Report

15 – 21 March 2016

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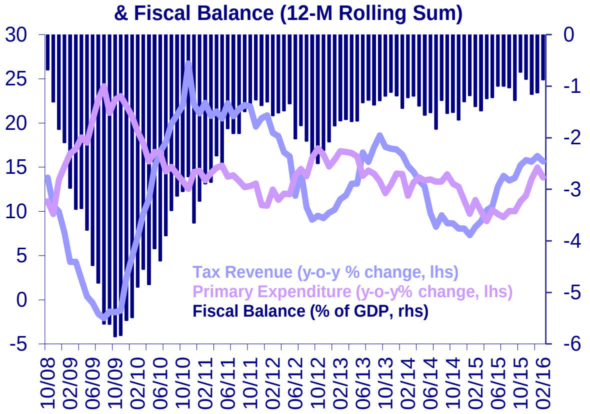
Turkey

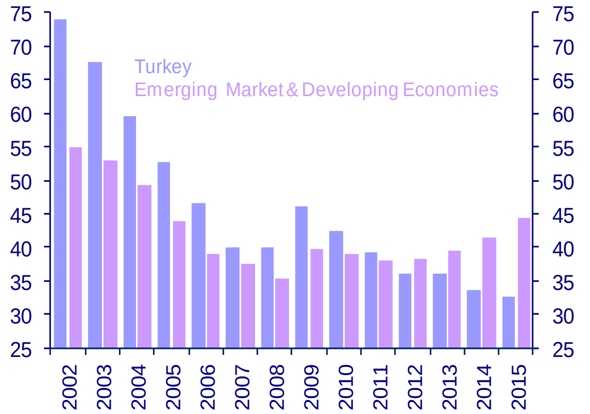
BB+ / Baa3 / BBB- (S&P/ Moody's / Fitch)

Consolidated Budget (% of GDP)					
	2015 Outcome	2M:15	2M:16	2016 Budget	2016 NBG Forecast
Total Revenue	24.7	4.1	4.2	24.8	24.6
Tax Revenue	20.8	3.6	3.6	21.0	20.8
Non-Tax Rev.	3.9	0.5	0.6	3.8	3.8
Total Expenditure	25.9	4.0	3.9	26.1	26.5
Current Exp.	23.0	3.8	3.8	23.7	24.1
o/w Interest Pay.	2.8	0.6	0.5	2.5	2.5
Capital Exp.	2.9	0.2	0.1	2.4	2.4
Primary Balance	1.6	0.7	0.8	1.2	0.6
Fiscal Balance	-1.2	0.1	0.3	-1.3	-1.9

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



Public Debt (% of GDP)



	21 Mar.	3-M F	6-M F	12-M F
1-m TRIBOR (%)	11.7	11.5	11.0	10.5
TRY/EUR	3.22	3.32	3.34	3.40
Sov. Spread (2019, bps)	213	220	200	170

	21 Mar.	1-W %	YTD %	2-Y %
ISE 100	83.403	4.1	13.9	29.1

	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	-1.9	-1.6

Turkey and the EU reach an agreement on the refugee crisis in exchange for financial aid and political concessions. According to the agreement, which came into effect on March 20th, Turkey will take back all illegal migrants who cross to Greece. This will first require their registration and the processing of their asylum claim. In return, the EU will: i) relocate to Europe one Syrian migrant directly from Turkey for every Syrian returned from Greece, with priority given to those who have not tried to enter the EU illegally (the number is capped at 72k); ii) speed up the disbursement of EUR 3bn already pledged in support for the refugees in Turkey and provide a further EUR 3bn by 2018; iii) accelerate Turkey's EU membership process through, *inter alia*, the opening of a new Chapter (Chapter 33, on financial and budgetary provisions) during The Netherlands' presidency; and iv) lift visa requirements by end-June for Turks travelling to the Schengen passport-free zone, provided that all benchmarks have been met. Turkey has so far fulfilled 30 out of 72 requirements for the visa-free regime with the EU.

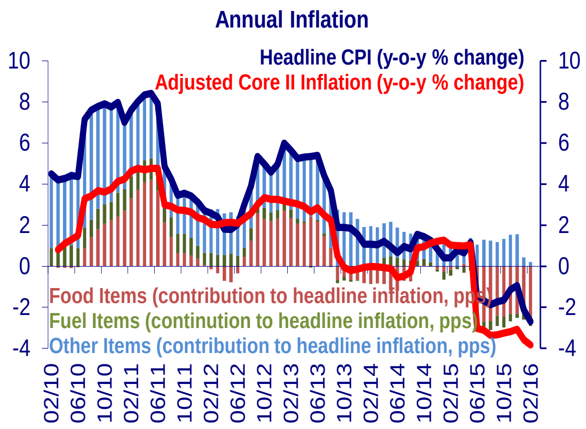
The fiscal balance improved in the first two months of the year, supported by capital spending restraint and large privatisation proceeds. The overall fiscal balance improved by 0.2 pps y-o-y during the first two months of the year, to a surplus of 0.3% of GDP, as the rise in primary spending (up 12.2% y-o-y) was weaker than that for revenue (up 13.9% y-o-y) and interest payments receded (down 18.2% y-o-y). Importantly, primary spending rose in 2M:16 at a slower pace than its FY:16 growth target of 13.6%, as strong increases in the wage bill and the Government's social security contribution were largely compensated by large cuts in capital spending. On the other hand, overall revenue increased in 2M:16 at a faster pace than its FY:16 growth target of 11.9%, on the back of large non-tax proceeds (up 24.4% y-o-y), reflecting the payment of the last tranche from the sale of the 4.5G mobile network. Encouragingly, tax revenue (up 12.3% y-o-y in 2M:16) rose at a faster pace than nominal GDP (11.8% y-o-y), following the implementation of a series of measures from January 1st. These included the hikes in: i) the minimum wage (by 30.0% to TRL1.3k); and ii) taxes on tobacco, alcoholic beverages and mobile phones (up 10%, 15% and 30%, respectively). Indeed, personal income tax and special consumption tax increased by 13.8% and 13.3% y-o-y, respectively, in 2M:16.

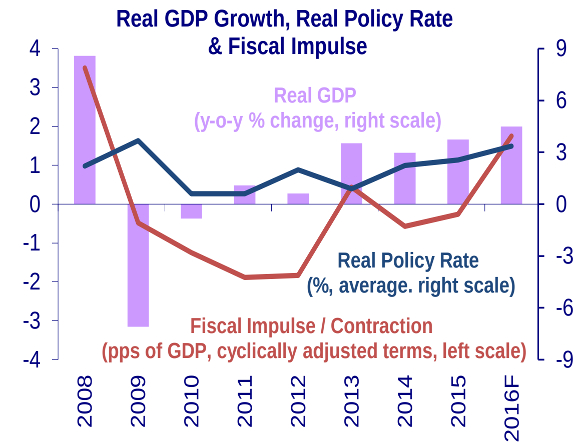
Looking ahead, the fiscal performance is expected to deteriorate by the end of the year, due to a higher-than projected net burden of pre-election promises (we see it at 0.6 pps of GDP against a budgeted 0.4 pps) and higher-than-budgeted defense and security expenditure. The latter is due to rising geopolitical and domestic security risks. Note that on March 19th, a suicide bomb attack in central Istanbul killed 5 people and wounded 39, bringing the number of deadly terrorist attacks to seven since July 2015. Recall that the pre-election pledges, expected to cost TRY 22.0bn (1.0% of GDP), include: i) the compensation to private sector employers for 40.0% of the cost of the hike in the minimum wage; ii) the exemption from income tax for 3 years for young people starting a new business; iii) support of up to TRY 50k to young people who want to start a business; iv) the payment of wages of first-time employed young people for 1 year; and v) interest-free loans to small businesses. The impact on tax revenue from the EU financial aid for refugees in Turkey (EUR 6bn or 0.9% of GDP for the period 2016-2018) should be minor (less than 0.1 pp of GDP in 2016).

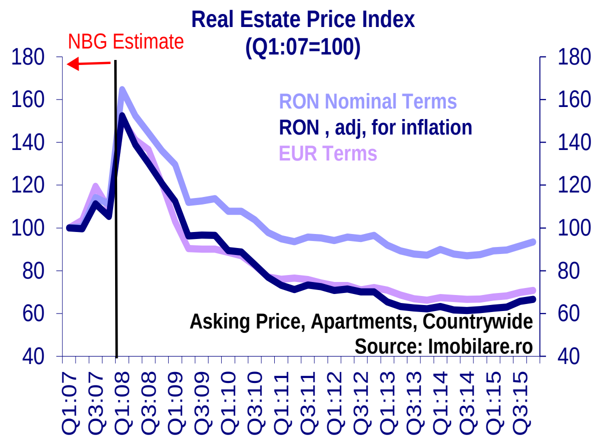
Overall, we see the primary surplus and fiscal deficit at 0.6% and 1.9% of GDP, respectively, in FY:16, compared with their respective targets of 1.2% and 1.3% of GDP, and their respective FY:15 outcomes of 1.6% and 1.2% of GDP.

Romania

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







	21 Mar.	3-M F	6-M F	12-M F
1-m ROBOR (%)	0.5	1.2	1.5	1.8
RON/EUR	4.47	4.52	4.51	4.50
Sov. Spread (2024, bps)	219	210	180	150

	21 Mar.	1-W %	YTD %	2-Y %
BET-BK	1,268	0.0	-5.5	6.9

	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

Headline inflation declines to a low of -2.7% y-o-y in February from -2.1% in January, mainly reflecting lower prices for fuel and telecommunications. The pace of decline in fuel prices accelerated in February (to -6.0% y-o-y from -2.9% in January), in line with developments in global oil markets (the price of Brent was down 40.9% y-o-y in RON terms in February against a decline of 30.7% in January). At the same time, the (euro-denominated) price of telecommunications plunged (by -2.1% y-o-y in February against a rise of 0.9% in January), reflecting the delayed pass-through of the January cut in VAT (by 4 pps to 20%), as well as the impact of the stronger RON against the EUR (up 1.5% y-t-d). Excluding volatile and regulated prices, adjusted core II inflation fell to -3.8% y-o-y in February from -3.6% in January.

Headline inflation to remain subdued until end-2016, due to supply-side shocks. Looking ahead, positive base effects from the increase in food prices in early-2015, should push headline inflation down further to -3.5% y-o-y by mid-year. Thereafter, stronger demand-side pressures, together with negative base effects from the June 2015 VAT cut on food (by 15 pps to 9%) and a softer decline in fuel prices (we project the price of Brent to drop by 38.0% on average in RON terms in H1:16 against a decline of 20.7% in FY:16), would bring it to 0.5% by end-2016. At the same time, adjusted core II inflation is set to converge towards headline inflation (0.8% at end-2016).

The NBR is expected to embark on a tightening cycle later in the year. Despite the subdued inflation outlook, we expect the NBR to tighten gradually its monetary policy stance. Importantly, fiscal policy is expected to ease significantly, through the ongoing loosening in incomes policy, together with a series of tax cuts, pushing up the budget deficit to 3.3% of GDP in FY:16 from 1.5% in FY:15. In fact, we see real GDP growth picking up to 4.5% in FY:16 from 3.7% in FY:15, with the already positive output gap rising by 0.7 pps to 0.8 pps in FY:16. All said, we expect the NBR to maintain its 1-week repo rate at its current level of 1.75% until mid-Q2:16, before considering a gradual increase to 2.5% by end-2016 (2.0% in real *ex-post* and compounded terms), with the balance of risks on the side of a more aggressive tightening of monetary policy.

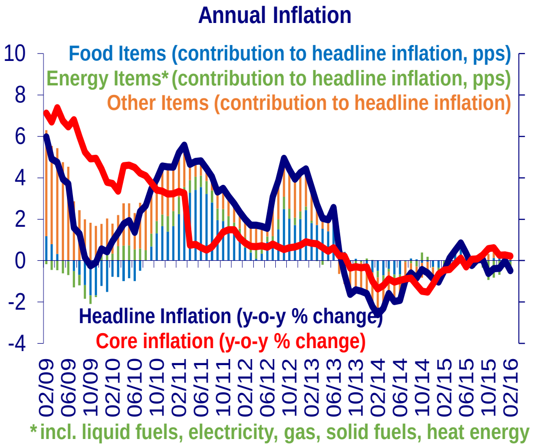
The residential real estate market improves. The index for the price of apartments rose by 6.1% y-o-y in EUR terms in Q4:15, marking the fifth consecutive quarterly increase (up by 4.9% y-o-y in Q3:15 and 1.7% in Q2:15, following a weak rise of 0.6% in Q4:14-Q1:15) after 6 years of decline. Indeed, demand for real estate has strengthened, reflecting: i) the solid increase in gross disposable income (up by a CAGR of 6.0% in EUR terms over the past 3 years); and ii) robust activity in mortgage lending (up by a CAGR of 11.0% in EUR terms over the past 3 years, supported by a government housing scheme).

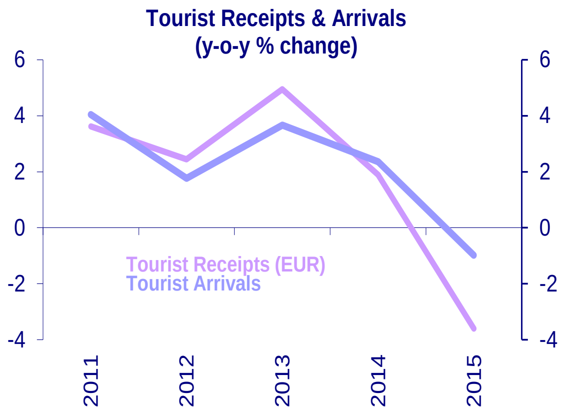
Looking ahead, we expect residential real estate prices to continue on their upward trend, in line with: i) the strong economic recovery; and ii) easier credit standards, in view of the sharp decline in NPLs (accounting for 13.6% of total loans at end-2015, down from an estimated peak of 26.8% in early-2014). Note that the Romanian real estate market is still relatively undervalued, with the price-to-income ratio estimated at 10.8 compared with 12.8 for the region.

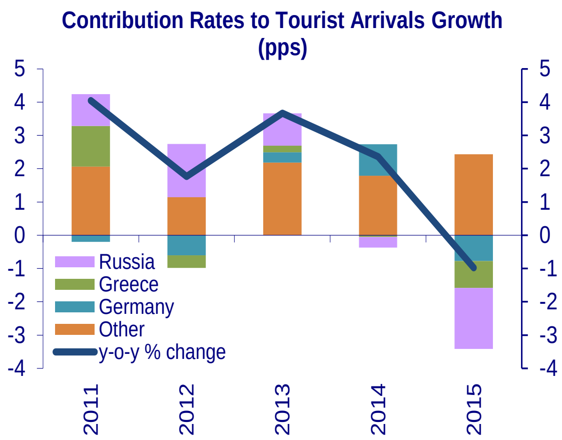
Risks to this outlook are, however, tilted to the downside. Indeed, mortgage lending could be significantly curtailed, should the pending "Debt Settlement Law" (DSL) come into effect. The DSL limits eventual seizures by banks to the underlying collateral. The NBR and banks have opposed the law on the basis that it will make borrowing more expensive, thus prompting the latter to increase the required down-payment on new mortgage loans.

Bulgaria

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







	21 Mar.	3-M F	6-M F	12-M F
1-m SOFIBOR (%)	0.0	0.3	0.3	0.3
BGN/EUR	1.96	1.96	1.96	1.96
Sov. Spread (2017, bps)	198	170	150	120

	21 Mar.	1-W %	YTD %	2-Y %
SOFIX	447	-0.3	-3.0	-24.5

	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)	1.3	0.9	1.4	2.2	1.5
Fiscal Bal. (% GDP)	-1.8	-3.7	-2.9	-2.0	-1.5

Headline inflation declines to -0.5% y-o-y in February from 0% in January, due to lower food and fuel prices. Food inflation declined sharply in February (to -0.2% y-o-y from 0.5% in January), due to weaker-than-usual seasonal patterns (fruit and vegetable prices rose by 3.0% m-o-m in February against an average increase of 4.7% in the same month over the past 5 years). Moreover, energy deflation accelerated in February (to -3.1% y-o-y from -1.8% in January), in line with developments in global oil markets (the price of Brent was down 41.5% y-o-y in BGN terms in February against a decline of 31.4% in January).

As a result, adjusting for food and oil prices, core inflation (accounting for 49.1% of the CPI basket) remained broadly flat at 0.2% y-o-y in February. Note that core inflation has been hovering around zero for almost 5 years, reflecting the absence of demand-side pressures, spare production capacity and imported low inflation.

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

The tourism sector was a drag on FY:15 economic growth for the first time in 6 years. Tourist receipts declined sharply by 3.6% in FY:15 to EUR 2.9bn or 6.5% of GDP, following an increase of 1.9% in FY:14. At the same time, tourist arrivals fell by only 1.0% y-o-y to 9.3mn in FY:15 against a rise of 2.4% in FY:14, suggesting a sharp decline in spending per tourist during that period.

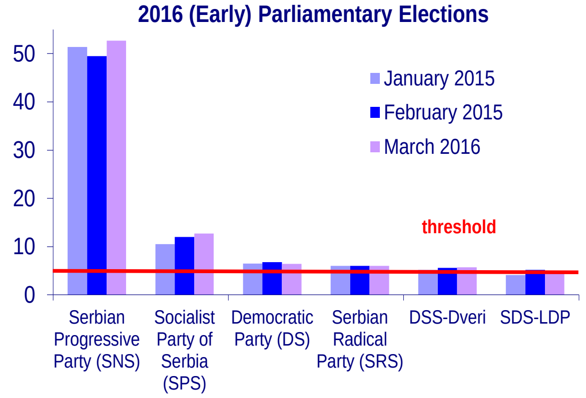
Regarding tourist arrivals, the negative performance was mainly driven by: i) Russia -- accounting for 7.1% of total arrivals in FY:14 -- down 25.9% y-o-y in FY:15, on the back of the sharp depreciation of the RUB against the BGN (by 24.9% y-o-y in FY:15) and the severe recession of the Russian economy (-3.7% in FY:15); ii) Greece -- accounting for 11.7% of total arrivals in FY:14 -- down 6.9% y-o-y in FY:15, in the wake of the introduction of capital controls in mid-year; and iii) Germany -- accounting for 9.6% of total arrivals in FY:14 -- down 8.1% y-o-y in FYM:15, likely reflecting a base effect from a sharp increase in 2014 following a promotion campaign in Germany. Note that Bulgaria posted the worst performance in FY:15 in terms of tourist arrivals among its neighbouring competitors, FYROM, Serbia and Romania (up 14.2%, 11.2% and 17.2%, respectively).

For this year, we expect tourism activity to improve, sustaining the economic recovery (tourism contributed 13.0% and 12.0%, respectively, to GDP and employment in FY:14). Indeed, Bulgarian tourism should benefit, *inter alia*, from: i) the suspension of flights to Egypt by Russia and the UK following the terrorist bombing of a Russian plane in Sinai in October 2015; ii) the Russian sanctions against Turkey, following the downing of a Russian warplane by the Turkish air force in November 2015; and iii) heightening security concerns in Turkey. At the same time, in a bid to attract visitors, domestic authorities announced their intention to simplify visa requirements and reduce all relevant fees, as well as increase the number of direct flights. All said, we see tourist arrivals rising by 3.0% in FY:16, with receipts increasing at a relatively slower pace -- up 2.0% to EUR 3.0bn -- in line with recent trends.

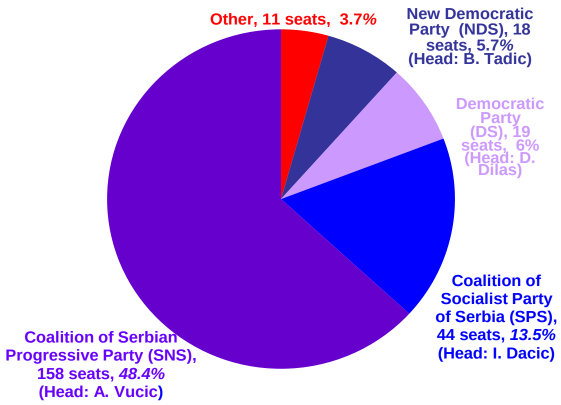
Serbia

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

Opinion Poll Results, ahead of the April 24th 2016 (Early) Parliamentary Elections



Results of 2014 Parliamentary Elections
Number of Seats, *% of the vote*



Key Dates in Serbia's Path towards EU Membership	
14 December 2015	Negotiations open on two Chapters of the *acquis*: Chapter 32 on Financial control and Chapter 35 on the Normalization of relations with Kosovo
21 January 2014	Opening of Accession Negotiations
1 September 2013	The Stabilisation and Association Agreement (SAA) between the EU and Serbia enters into force
1 March 2012	The European Council grants Serbia EU candidate status
1 February 2010	Entry into force of the Interim Agreement on Trade
19 December 2009	Entry into force of the Visa liberalisation with Serbia

	21 Mar.	3-M F	6-M F	12-M F
1-m BELIBOR (%)	3.1	3.4	3.6	4.0
RSD/EUR	122.8	124.1	124.6	125.0
Sov. Spread (2021, bps)	336	280	240	180

	21 Mar.	1-W %	YTD %	2-Y %
BELEX-15	608	1.7	-3.7	7.9

	2013	2014	2015	2016F	2017F
Real GDP Growth (%)	2.6	-1.8	0.7	2.6	3.0
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

The pro-Presidential Serbian Progressive Party (SNS) is set to secure a landslide victory in the April 24th snap parliamentary elections. The Serbian President, T. Nikolic, dissolved Parliament and called for early legislative elections, to be held on April 24th, in conjunction with provincial and local elections. The vote -- two years ahead of schedule -- was sought by the PM and leader of the pro-Presidential SNS, A. Vucic, in view of the need for a strong mandate for tough decisions to ensure Serbia's EU membership in 2020. Recall that the senior party of the outgoing Government coalition, SNS, not only holds an absolute majority in parliament (158 out of 250 seats), but also has the support of the Socialist Party (SPS) as well as independent MPs (totalling 52). Despite the strong parliamentary support, Vucic appears to have decided to take advantage of favourable opinion polls.

In fact, according to polls, the SNS enjoys strong public support (around 50.0%, broadly unchanged from the 48.4% secured in the 2014 election), outpacing its competitors by a wide margin, despite the implementation of unpopular fiscal consolidation measures in 2015 (including sizeable pension and public sector wages cuts and tax hikes). The SNS rating has benefited from its pro-EU agenda (that led to the opening of the first two negotiating Chapters in December) and its efforts in the fight against corruption and tax evasion, as well as the strong personal popularity of Vucic. The SNS' high popularity suggests that Vucic will secure a new four-year term as PM, while maintaining an absolute majority in the new parliament.

The SPS, the junior party of the outgoing coalition, led by the deputy PM and Foreign Minister, I. Dacic, enjoys around 12.5% of intention of the vote (slightly below the 13.5% secured in the last election).

The main opposition parties are fragmented and lag far behind. The Democratic Party (DS) -- the main opposition party, currently headed by B. Bajtic, enjoys only around 6.5% of intention of the vote. The party's popular support weakened when the former President and former DS leader, B. Tadic, withdrew and formed a new party, the Social Democratic Party (SDS), on the eve of the 2014 election. Note that after its alliance with the Liberal Democratic Party (LDP), Tadic's SDS could enter the new parliament (it currently enjoys around 5.0% of intention of the vote -- the threshold needed to enter Parliament).

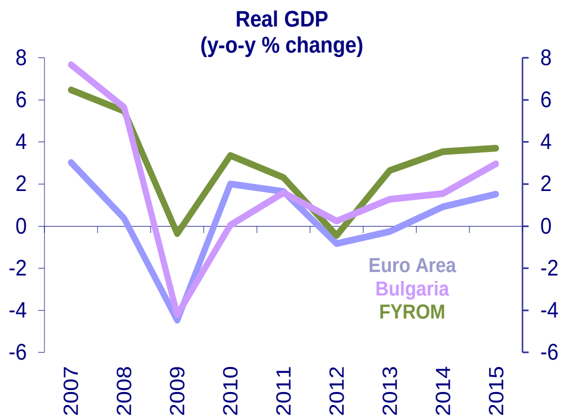
Two nationalist parties -- that did not succeed in entering parliament in 2014 – may also pass the 5.0% threshold: i) the Serbian Radical Party, SRD, and ii) the Democratic Party of Serbia, founded by the former PM V. Kostunica, DSS (with 6.0% and 5.5% of intention of the vote, respectively).

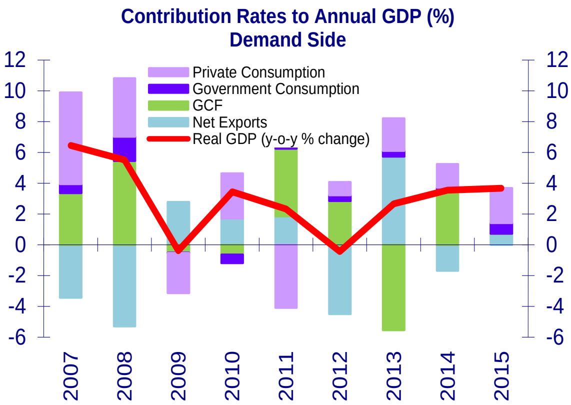
It is important to note that if no more than four parties manage to enter parliament, the SNS would secure a constitutional majority (two-thirds of seats), narrowly missed in the 2014 election.

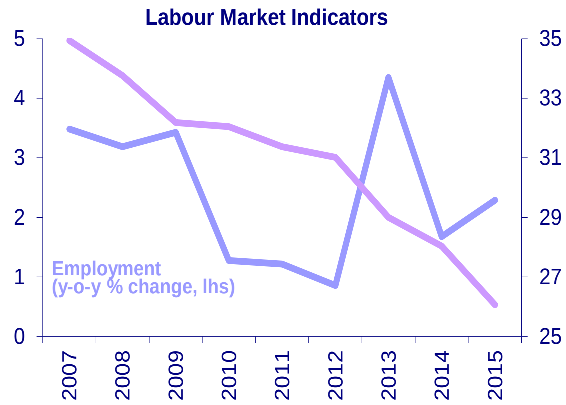
Reform momentum is expected to improve after the election. The strong mandate should enable the SNS implement long-awaited IMF-supported structural reforms, needed to contain the fiscal deficit and reverse the worsening public debt dynamics. Painful reforms agreed with the IMF include: i) public employment rightsizing (by 10.8% by 2017); ii) the continued freeze in public sector wages and pensions until 2018; and iii) the resolution of 500 loss-making state-owned enterprises (through bankruptcy or privatisation), as well as reforms in large public utilities and transport companies. Note that financial aid in the form of subsidies, net lending and amortisation of "called" guarantees of public enterprises amounted to 2.2% of GDP in FY:14. Moreover, the Government, with the strong support of the new Parliament, will accelerate a wide-range of EU-related reforms to meet its EU membership date target (2020).

F.Y.R.O.M.

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







	21 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)	570	520	450	350

	21 Mar.	1-W %	YTD %	2-Y %
MBI 100	1.791	-0.6	-2.3	3.0

	2013	2014	2015E	2016F	2017F
Real GDP Growth (%)	2.7	3.5	3.7	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	-3.5	-3.2	-3.0

Real GDP growth reached a 7-year high of 3.7% in FY:15. The pace of economic expansion accelerated to a 7-year high of 3.7% in FY:15 – the best performance among the SEE-5 in FY:15 along with Romania – above the FY:14 outcome and its long-term potential of 3.5%.

The acceleration in activity in FY:15 was driven by a significant improvement in external demand. The contribution of net exports to overall growth turned positive (0.7 pps of GDP) in FY:15 from -1.7 pps of GDP in FY:14. This was due to the fact that the increase in exports of goods and services (up 4.6% and contributing 2.3 pps to overall growth in FY:15), following the recent large extension of the country's export base, mostly in the technological industrial development zones, more than offset that of imports of goods and services (up 2.4% y-o-y and contributing 1.6 pps to overall growth).

Domestic demand decelerated in FY:15, contributing 3.0 pps to overall growth in FY:15 compared with 5.2 pps in FY:14. The deceleration in domestic demand was driven by gross capital formation (including gross fixed capital formation, changes in inventories and statistical discrepancies), contributing 0 pps to overall growth in FY:15, compared with 3.6 pps in FY:14. While a breakdown of gross capital formation is not available, in view of the strong construction activity (up 16.8%, in real terms, in FY:15), we believe the deceleration resulted from stock drawdowns, and to a lesser extent, lower FDI inflows (down 0.4 pps to 1.9% of GDP in FY:15).

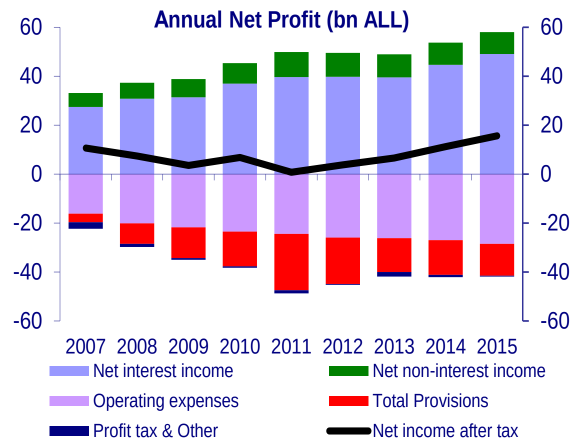
The deceleration in domestic demand in FY:15 would have been sharper had private and public consumption not strengthened. Indeed, private consumption contributed 2.3 pps to FY:15 growth compared with 1.5% in FY:14, mainly supported by: i) improving labour market conditions (employment increased by 2.3% y-o-y in FY:15 and net wages rose by 2.7%, in real terms, in FY:15, following increases of 1.7% and 1.4%, respectively, in FY:14); ii) favourable global oil prices (-35.2% in MKD terms in FY:15); and iii) looser credit conditions (growth in average total retail balance strengthened to 12.7% y-o-y, in real terms, in FY:15 from 11.9% y-o-y in FY:14). On the other hand, public consumption contributed 0.7 pps to overall growth in FY:15 compared with 0.1 pp in FY:14, reflecting higher public spending on goods and services (up 16.9% in FY:15 compared with a rise of 4.0% in FY:14).

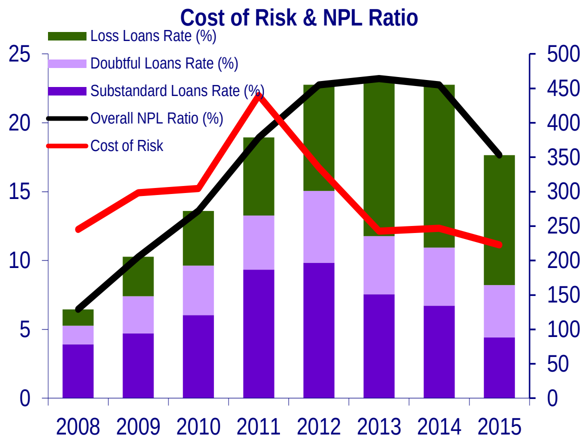
Economic growth to remain robust in FY:16, underpinned by domestic demand. Looking ahead, private consumption should continue to expand at a strong pace, supported by: i) a looser incomes policy (including, in addition to the 5% hike in public sector pensions, effective since October 2015, a 14.7% increase in the minimum wage to EUR 179 from January 1st), and its spillover to the private sector; and iii) improving labour market conditions. The policy mix should be broadly neutral, as the impact of the expected fiscal consolidation (by 0.3 pps of GDP in FY:16) should be offset by that of a more accommodative monetary policy stance (we foresee the real policy rate easing to 3.3% on average in FY:16 from 3.6% in FY:15, in line with higher inflation). The contribution of net exports to overall growth should moderate but remain positive, as imports should improve, in line with the recovery in domestic demand and the high import content of exports. All said, we see real GDP growth at 3.6% in FY:16, broadly unchanged from the FY:15 outcome.

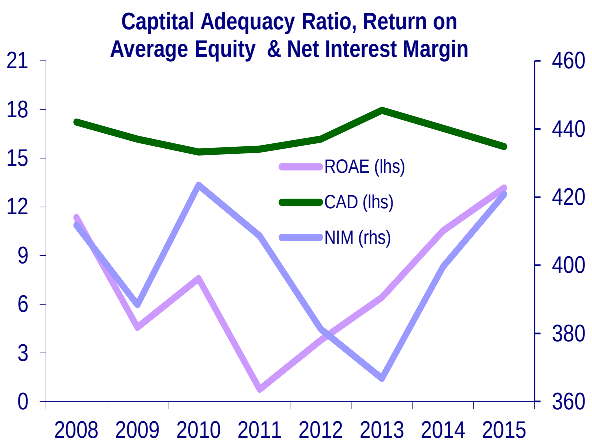
Risks to the economic outlook are broadly balanced. Indeed, the stronger-than-expected economic recovery in the EU could stimulate further the country's economic growth. On the other hand, renewed political instability, after the June 5th snap general elections, would hurt consumer and business confidence, and therefore economic growth.

Albania

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







	21 Mar.	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	2.0	2.2	2.2	2.2
ALL/EUR	138.1	139.2	138.2	139.0
Sov. Spread (bps)	516	500	450	400

	21 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

The banking sector's return on average equity (ROAE) reached an 8-year high in FY:15. Net profit (after tax) surged by 40.3% in FY:15, reaching a record high of ALL 15.7bn (EUR 112.5mn or 1.1% of GDP). The strong FY:15 performance was driven by both higher pre-provision earnings (contributing 27.1 pps to net profitability growth in FY:15) and a drop in provisions (contributing 10.4 pps to net profit growth). As a result, ROAE and ROAA increased to an 8-year high of 13.2% and 1.2%, respectively, in FY:15 from the corresponding levels of 10.5% and 0.9% in FY:14 and a mere 6.4% and 0.5% in FY:13.

Pre-provision earnings rose significantly in FY:15, mainly due to stronger net interest income (NII). Pre-provision earnings rose by 10.8% y-o-y in FY:15. The improvement was almost exclusively attributed to strong NII (accounting for a sizeable 84.5% of gross operating income), up sharply by 9.8% y-o-y in FY:15. This performance reflects: i) higher average interest earning assets (up 4.2% y-o-y in FY:15); as well as ii) the continued improvement in net interest margin (up 21 bps y-o-y to a 5-year high of 421 bps in FY:15). The latter resulted from additional monetary policy easing (the 1-week repo rate was cut by 0.5 pps to a low of 1.75% in 2015), combined with a faster repricing of deposits. In fact, the 12-month interest rate for new LC deposits and the average interest rate for new LC lending for 6-12 months moderated by 0.5 pps y-o-y and 0.1 pp y-o-y, respectively, to 1.4% and 7.9% in FY:15. The strengthening of the NIM was also supported by declining share of higher-costing time deposits (65.7% of total deposits at end-2015 from 72.2% at end-2014). Note that NII would have been stronger had the stock of securities and T-bills not declined (by 11.3% y-o-y to 28.9% of total assets in FY:15 from 33.2% of assets in FY:14), mainly in Q4:15, due to reduced Government financing needs following the issuance of a Eurobond in November.

With operating expenses rising at a slower pace than operating income (up 5.6% y-o-y in FY:15, including a 4.1% y-o-y rise in personnel expenditure), the cost-to-income ratio fell to 49.2% in FY:15, below the FY:14 outcome of 50.3%.

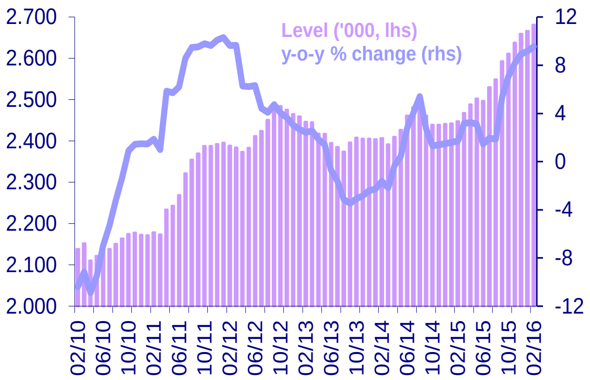
The cost of risk receded in FY:15, as the NPL ratio declined sharply. P/L provisions declined by 8.1% in FY:15, following a slight rise of 3.3% in FY:14, in line with the sharp drop in the NPL ratio (the share of substandard, doubtful and loss loans in total loans). Indeed, the NPL ratio fell by 5.1 pps y-o-y to a 5-year low of 17.7% in FY:15. This was supported by: i) the obligatory write-off of loans held in "loss" category for more than three years, as of January 1st 2015; ii) the Government's clearance of a large part of its accumulated arrears; and, to a lesser extent, iii) loan restructuring encouraged by the BoA, following the facilitation of write-offs, and the simplification of collateral enforcement since end-2013. As a result, the cost of risk fell by 21 bps y-o-y to an 8-year low of 223 bps in FY:15, below the FY:14 outcome of 247 bps, while the NPL coverage ratio strengthened to 74.5% in FY:15 from 69.0% in FY:14 (despite the write-offs).

Banking sector profitability should strengthen further this year, primarily on the back of a sharp improvement in bank asset quality. Profitability is set to continue to improve this year, with the ROAE rising to an estimated 15.0% in FY:16 -- its highest level since the pre-crisis high of 20.7% in 2007. This should primarily be driven by lower NPL provisions, on the back of a sustained drop in the NPL ratio, supported by a continuing rebound in economic activity, the BoA's expected resolution plan for large borrowers, as well as the review of the bankruptcy framework. Profitability should also be underpinned by a pick-up in credit activity, supported by low interest rates, abundant bank liquidity, reduced Government financing needs, the increase in loan demand and easing credit conditions by banks.

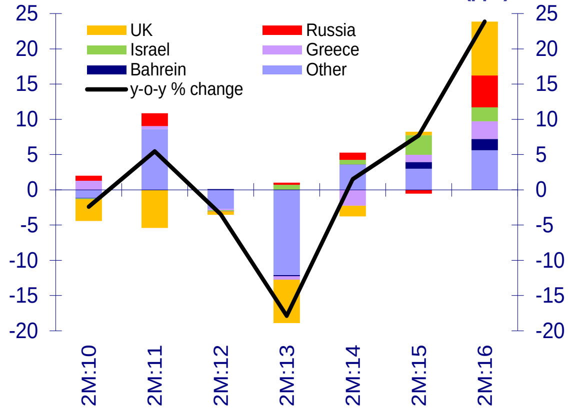
Cyprus

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

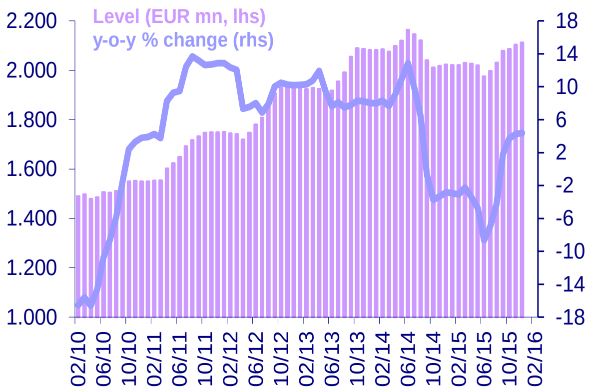
Tourist Arrivals (12-M Rolling Sum)



Contribution Rates to Tourist Arrivals Growth (pps)



Tourist Receipts (12-M Rolling Sum)



	21 Mar.	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.33	-0.33	-0.33	-0.33
EUR/USD	1.12	1.07	1.06	1.06
Sov. Spread (2020. bps)	375	340	300	250

	21 Mar.	1-W %	YTD %	2-Y %
CSE Index	68	-1.6	1.0	-43.0

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

Tourist arrivals rose sharply in the first two months of the year, due to heightening security concerns in neighbouring competitors -- Turkey and Egypt. Tourist arrivals rose by an impressive 23.9% y-o-y to an 8-year high of 114.6mn in January-February, following increases of 16.9% y-o-y and 8.9%, respectively, in Q4:15 and FY:15. This strong performance was mainly due to a sharp increase in arrivals from the UK -- the main source country, accounting for 39.3% in FY:15 – and Russia -- the second largest source country with a share of 20.0% in FY:15.

Indeed, the number of British tourists increased by 23.8% y-o-y in 2M:16 (with a 7.6 pp contribution to the annual increase in 2M:16), following an increase of 19.0% in FY:15. On the other hand, the number of Russians tourists rose by a high 49.7% y-o-y in 2M:16, following a decline of 18.2% in FY:15, contributing 4.5 pps to the overall annual rise in 2M:16. The sharp increase in Russian and British tourists came in the aftermath of: i) the terrorist bombing of a Russian passenger plane in the Sinai Peninsula in late October, which led Russia and UK to ban flights to Egypt and several countries to issue warnings against travel to Egypt; ii) the Russian sanctions against Turkey following the downing of a Russian warplane by the Turkish air force near Syria's border in late November; and iii) heightening security concerns in Turkey, with six deadly terrorist attacks between July and February, following the Government's involvement in the war against the ISIS and the collapse of a 2-year ceasefire with the Kurdistan Workers Party militant group last July. Available data shows that during December-January, Russian arrivals to Turkey fell sharply by 51.9% y-o-y and Russian arrivals to Cyprus rose by 38.3% y-o-y.

Tourist arrivals, excluding British and Russians, also accelerated (up 19.9% y-o-y in 2M:16 following a rise of 13.9% in FY:15), benefiting from the island's reputation as a safe destination. This strong performance was mainly driven by a sharp increase in arrivals from Israel, Greece and Bahrain – accounting for 3.6%, 5.0% and 0.7%, respectively, of arrivals in 2M:15 – by 33%, 16.9% and 164.6%, with a 6.1 pp contribution to the annual increase in 2M:16. Note that arrivals from Israel have been on an upward trend since 2013.

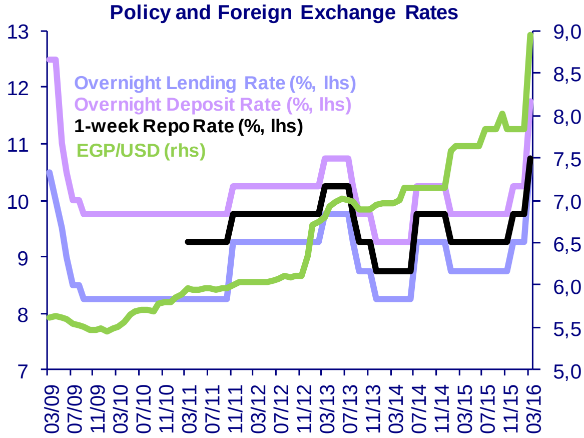
Tourist arrival growth set to rise to c. 15% in 2016. We expect tourist arrivals to gain momentum this year, benefiting mainly from accelerating security concerns in neighbouring countries – Turkey and Egypt. The acceleration in tourist arrivals should also be supported by: i) an increase in the number of direct flights, mostly low-cost (charters), due, *inter alia*, to the ongoing harmonisation of Cyprus' external aviation policy with that of the EU; specifically, the implementation of the "Open Skies" policy in an effort to extend both the number of originating airports, as well as aircraft operators; and ii) tourist agencies' efforts to attract tourists by offering special packages, aiming to extend the tourist period to cover the months of December to March. All said, we foresee tourist arrivals rising by around 15.0% to an all-time high of 3.1mn in FY:16 from a 14-year high of 2.7mn in FY:15.

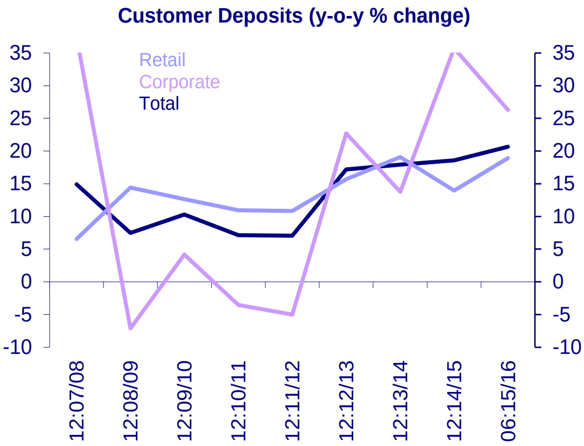
In view of the expected surge in arrivals and with tourism accounting for roughly 21% of GDP and 23% of employment, there are upside risks to our FY:16 real GDP growth forecast of 2.0% and downside risks to our FY:16 unemployment rate of 14.5%.

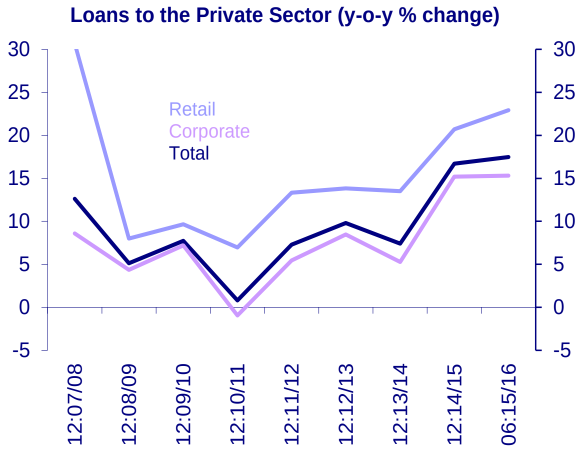
Finally, in view of a decline in spending per tourist in line with recent trends, we expect tourist receipts to rise (by around 10.0%) at a slower pace than arrivals (15.0%) in FY:16. Should our forecasts materialize, tourist receipts would reach an all-time high of EUR 2.3bn (13.1% of GDP), up from a 14-year high of EUR 2.1bn in FY:15.

Egypt

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







	21 Mar.	3-M F	6-M F	12-M F
1-m CAIBOR (%)	9.3	8.3	8.0	8.8
EGP/USD	8.88	8.95	9.20	9.50
Sov. Spread (2020, bps)	413	400	300	220

	21 Mar.	1-W %	YTD %	2-Y %
HERMES 100	670	5.8	6.4	-20.1

	12/13	13/14	14/15	15/16F	16/17F
Real GDP Growth (%)	2.1	2.1	4.2	3.0	4.5
Inflation (eop, %)	9.8	8.2	11.4	12.5	10.5
Cur. Acct. Bal. (% GDP)	-2.2	-0.9	-3.7	-5.0	-3.5
Fiscal Bal. (% GDP)	-13.0	-12.2	-11.5	-11.8	-10.0

The CBE proceeds with a sharp hike of its policy rates to contain inflationary pressures and support the domestic currency. In a bid to curb inflationary pressures from the recent sharp devaluation of the domestic currency and enhance demand for the EGP, the CBE increased aggressively its policy rates by 150 bps at its March 17th MPC meeting. This was the second hike since December, when the CBE initiated a cycle of monetary policy tightening, hiking its rates by 50 bps. As a result, the overnight deposit, 1-week repo, and overnight lending rates reached 7-year highs of 10.75%, 11.25%, and 11.75%, respectively (2.1%, 2.6% and 3.1% in *ex post*, real and compounded terms). Recall that in its efforts to reduce a fast-growing black market amid deepening foreign currency shortages, the CBE devalued the EGP against the USD by 12.7% to EGP 8.85 per USD on March 14th and has sold USD 1.9bn at three exceptional auctions the same week (compared with USD 0.1bn in normal weeks). The CBE's moves have reduced sharply the gap between the official and the black markets to 4.8% from 24.2%.

Customer deposit growth accelerated to a high of 20.7% y-o-y at end-H1:15/16 (December), supported by the gradual return of confidence. Customer deposit growth rose to 20.7% y-o-y in December from 18.6% in June (end-2014/15), underpinned by the gradual return of confidence in the Egyptian economy since President el-Sissi was elected in May 2014. The acceleration was driven by the retail segment (representing 80% of total deposits), which surged by 18.9% y-o-y in December compared with an increase of 13.9% y-o-y in June. The corporate segment deteriorated, increasing by a still strong 26.3% y-o-y in December compared with a sharp rise of 35.7% in June. Note that since the election of el-Sissi, the dollarization of deposits has receded significantly, by 2.2 bps to an all-time low of 17.4%.

Growth in credit to the private sector reached an all-time high of 17.5% y-o-y at end-H1:15/16, driven by the retail segment. Private sector credit gained momentum, increasing by 17.5% y-o-y in December compared with a rise of 16.7% in June. The acceleration reflects both improving loan demand and supply. Indeed, it appears that both households and corporates, which were the main buyers of the Suez Canal certificates in September 2014, continued to use the accompanying right to contract a loan worth up to 90% of their certificates' value. Recall that, in view of fully financing the Suez Canal expansion project, the authorities collected EGP 64bn or 2.6% of GDP in summer 2014 through the sale of attractive tax-free investment certificates to Egyptian individuals, corporations and legal entities.

On the other hand, the significant improvement in bank asset quality during the past 4 years also appears to have encouraged banks to ease their credit conditions. Indeed, between June 2011 and September 2015, the NPL ratio declined by 3.3 pps to 7.2% and the provision coverage of NPLs rose by 4.5 pps to 99.0%.

The retail segment (representing 26% of total loans and up 22.9% y-o-y in December compared with a rise of 20.7% in June) was the driver of the acceleration in lending activity. Indeed, following the purchase of the bulk of Suez Canal certificates (82%), households continued to be the major beneficiaries of the right to contract a loan worth up to 90% of their certificates' value.

Note, however, that credit growth continues to lag behind deposit growth, mainly due to banks' increased investments in domestic public debt (which stood at 80.8% of GDP at end 2014/15). As a result, the share of government securities held by banks and overall loans in total deposits stood at 64.6% and 40.3%, respectively, in December compared with 40.8% and 48.8% on the eve of the January 2011 Revolution.

FOREIGN EXCHANGE MARKETS, MARCH 21ST 2016

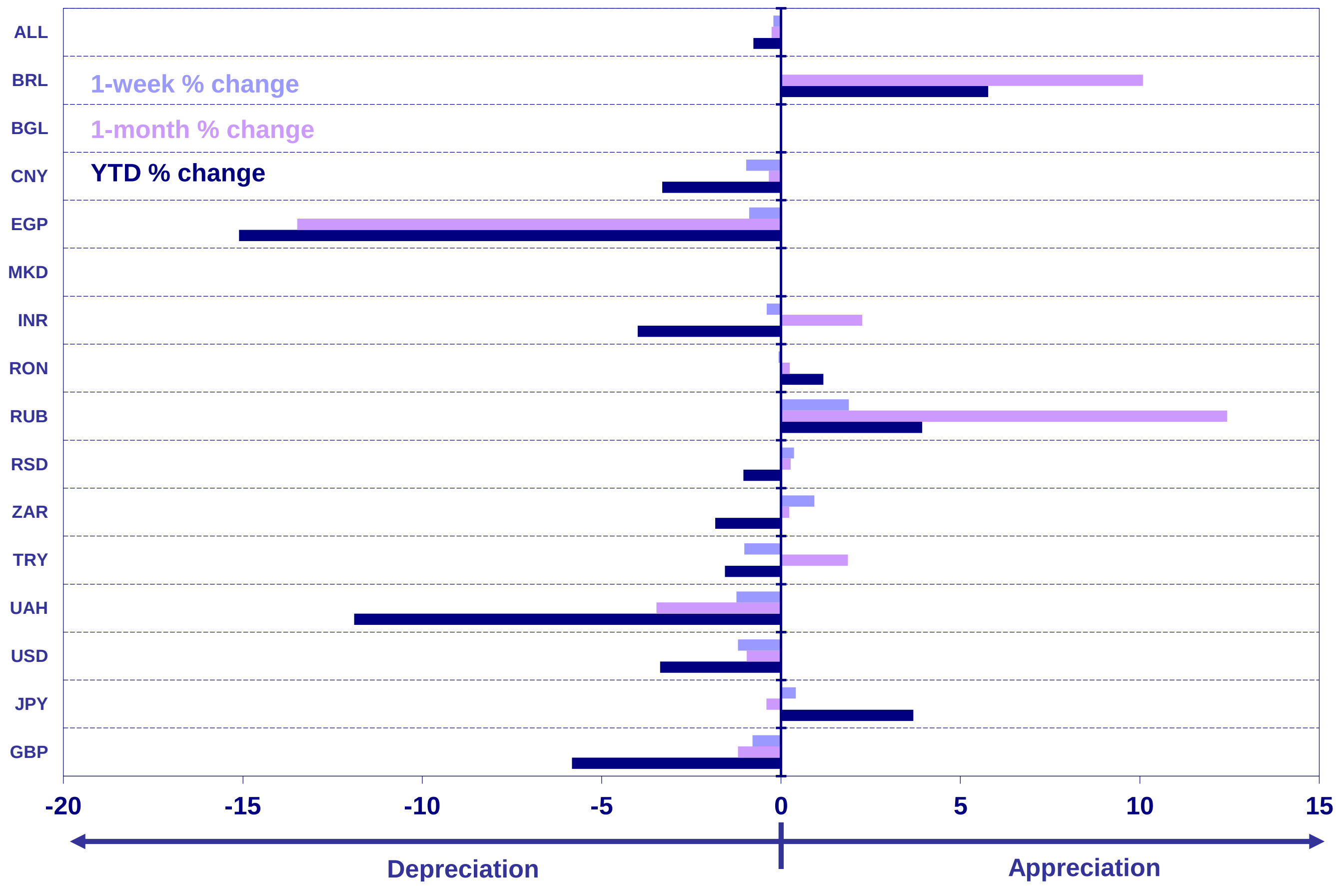
Against the EUR

	Currency	2016 SPOT	1-week %change	1-month %change	YTD %change*	1-year %change	Year-Low	Year-High	3-month Forward rate**	6-month Forward rate**	12-month Forward rate**	2015 % change*	2014 % change*
Albania	ALL	138.1	-0.2	-0.3	-0.8	1.5	137.5	139.5	138.7	138.4	137.1	2.0	0.1
Brazil	BRL	4.07	0.0	10.1	5.8	-15.7	3.95	4.55	4.65	4.64	4.62	-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	7.28	-1.0	-0.3	-3.3	-8.1	6.99	7.46	7.50	7.50	7.50	6.7	10.8
Egypt	EGP	10.00	-0.9	-13.5	-15.1	-17.9	8.26	10.00	10.95	- - -	- - -	2.1	10.6
FYROM	MKD	61.3	0.0	0.0	0.0	0.0	61.3	61.3	61.3	61.3	61.3	0.0	0.0
India	INR	74.8	-0.4	2.3	-4.0	-9.3	71.3	77.8	81.1	- - -	- - -	6.6	12.3
Romania	RON	4.47	-0.1	0.2	1.2	-1.7	4.45	4.56	4.48	4.49	4.51	-0.8	-0.5
Russia	RUB	76.3	1.9	12.4	3.9	-15.7	75.8	93.8	78.0	80.2	83.8	-15.1	-32.8
Serbia	RSD	122.8	0.4	0.3	-1.1	-2.2	121.6	123.7	123.7	124.6	- - -	-0.1	-5.6
S. Africa	ZAR	17.1	0.9	0.2	-1.8	-23.8	16.29	18.58	17.5	17.8	18.6	-16.6	3.0
Turkey	YTL	3.22	-1.0	1.9	-1.6	-13.6	3.12	3.35	3.31	3.40	3.58	-10.8	4.4
Ukraine	UAH	29.6	-1.2	-3.5	-11.9	-17.3	25.06	30.16	36.7	- - -	- - -	-27.5	-40.8
US	USD	1.12	-1.2	-1.0	-3.4	-2.6	1.1	1.1	1.13	1.13	1.14	11.4	13.6
JAPAN	JPY	125.8	0.4	-0.4	3.7	4.1	122.1	132.3	125.8	125.8	125.7	11.0	-0.1
UK	GBP	0.78	-0.8	-1.2	-5.8	-6.6	0.7	0.8	0.78	0.79	0.79	5.3	7.0

* Appreciation (+) / Depreciation (-)

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

Currencies against the EUR (March 21st 2016)



MONEY MARKETS, MARCH 21ST 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
O/N	1.7	14.1	-0.1	2.0	- - -	8.9	- - -	- - -	0.4	11.3	- - -	11.3	7.5	19.6	- - -	0.4
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	0.4	11.1	2.8	- - -	7.4	- - -	- - -	- - -
S/W	1.8	14.1	0.0	2.3	-0.3	9.1	1.3	- - -	- - -	10.9	2.9	- - -	7.5	20.8	-0.3	0.4
1-Month	2.0	14.1	0.0	2.7	-0.3	9.3	1.5	8.0	0.5	11.7	3.1	11.7	7.6	23.2	-0.3	0.4
2-Month	- - -	14.1	0.1	- - -	-0.3	- - -	- - -	- - -	- - -	11.8	3.2	11.7	7.7	- - -	-0.3	0.5
3-Month	2.4	14.1	0.2	2.8	-0.2	9.3	1.8	8.2	0.8	11.9	3.3	11.8	7.8	23.8	-0.2	0.6
6-Month	2.5	13.9	0.4	2.9	-0.1	- - -	2.1	- - -	1.1	11.5	3.5	11.8	8.1	- - -	-0.1	0.9
1-Year	2.6	13.6	0.9	3.1	0.0	- - -	2.6	- - -	1.2	12.1	- - -	11.8	8.9	- - -	0.0	1.2

LOCAL DEBT MARKETS, MARCH 21ST 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	- - -	- - -	- - -	- - -	- - -	11.1	1.6	7.2	- - -	11.8	3.8	9.1	- - -	- - -	-0.5	0.3
6-Month	1.3	- - -	- - -	- - -	- - -	11.9	2.3	7.2	0.5	12.0	4.0	10.0	- - -	- - -	-0.4	0.5
12-Month	1.6	- - -	0.1	2.2	- - -	12.5	2.6	7.3	0.7	9.4	4.4	10.3	- - -	- - -	-0.4	0.7
2-Year	2.1	- - -	- - -	2.4	- - -	- - -	2.0	7.4	1.0	9.4	- - -	10.3	8.2	19.6	-0.5	1.0
3-Year	- - -	- - -	0.5	2.5	3.1	- - -	2.7	7.6	1.3	9.4	- - -	10.0	8.6	20.0	-0.4	1.2
5-Year	- - -	14.2	- - -	2.6	- - -	14.1	2.7	7.8	2.3	9.5	6.3	9.9	8.8	- - -	-0.3	1.5
7-Year	- - -	- - -	1.6	- - -	3.6	15.3	- - -	8.0	2.7	9.5	- - -	- - -	- - -	- - -	-0.1	1.8
10-Year	- - -	14.5	2.5	2.9	4.0	16.2	3.9	7.6	3.3	9.5	- - -	9.9	9.3	- - -	0.3	2.0
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	4.3	8.2	- - -	9.4	- - -	- - -	9.7	- - -	0.6	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	9.9	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	8.2	- - -	- - -	- - -	- - -	10.0	- - -	1.0	2.7

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

CORPORATE BONDS SUMMARY, MARCH 21ST 2016

		Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Bulgaria	**Bulgaria Energy Hld 4.25% '18**	EUR	NA/NA	7/11/2018	500	5.8	623	567
	Bulgarian Telecom. 6.625% '18	EUR	B-/B1	15/11/2018	400	5.3	574	541
Cyprus	**Aroundtown Property 3% '21**	EUR	NA/NA	9/12/2021	200	3.7	392	341
Russia	**Gazprom 8.2% '19**	RUB	BB+/NA	9/4/2019	10,000	11.0	173	- - -
	Gazprom 8.9% '21	RUB	BB+/NA	26/1/2021	10,000	11.0	177	- - -
South Africa	**FirstRand Bank Ltd 4.25% '20**	USD	BBB-/Baa2	30/4/2020	500	4.5	316	325
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	1.0	142	111
Turkey	**Vakiflar Bankasi 3.5% '19**	EUR	NA/Baa3	17/6/2019	500	3.2	362	325
	Garanti Bankasi 3.38%'19	EUR	NA/Baa3	8/7/2019	500	3.0	343	306
	Arcelik AS 3.875% '21	EUR	BB+/NA	16/9/2021	350	4.0	422	382
	Turkiye Is Bankasi 6% '22	USD	NA/Ba3	24/10/2022	1,000	6.2	429	461

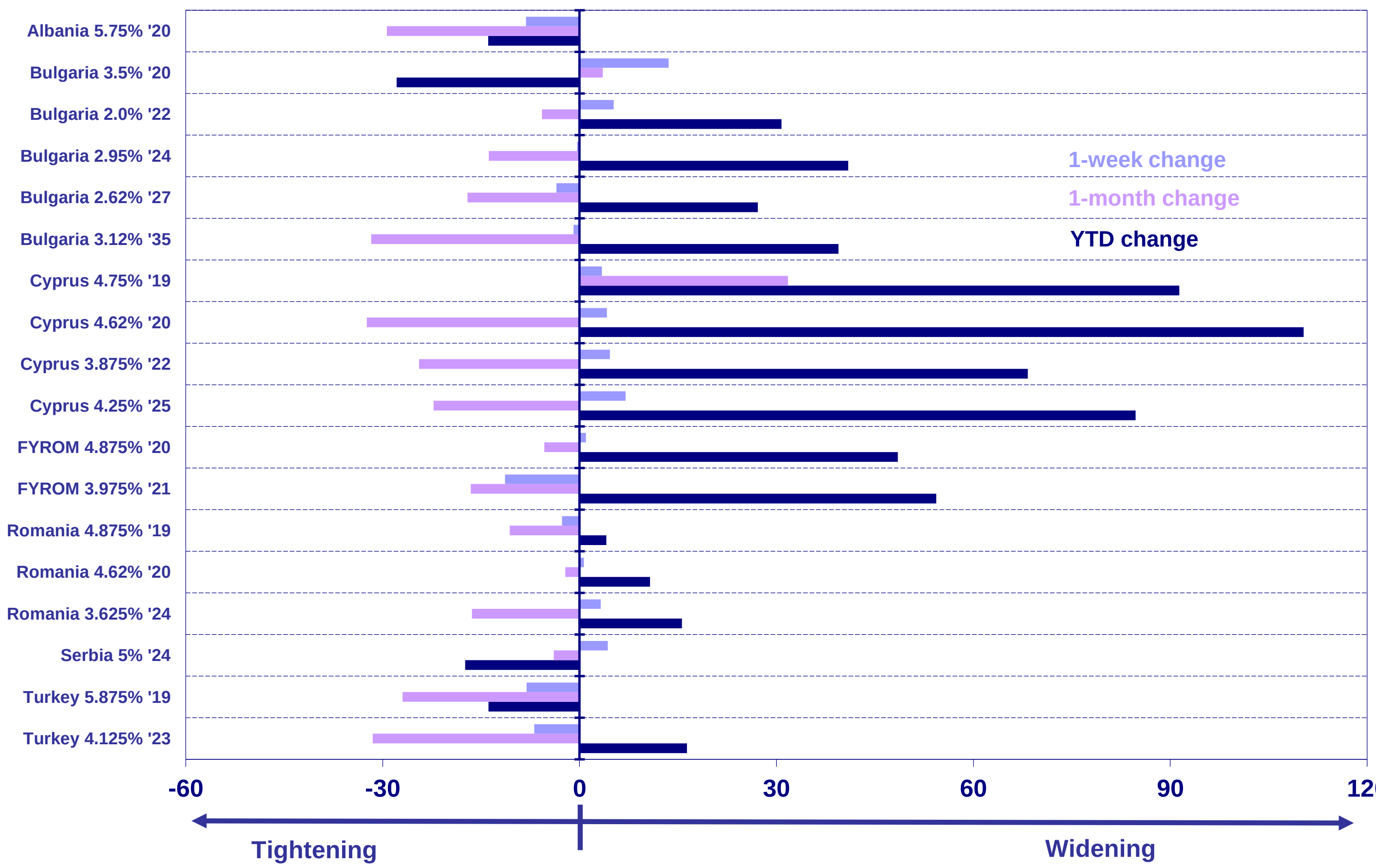
CREDIT DEFAULT SWAP SPREADS, MARCH 21ST 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	361	167	122	- - -	507	- - -	- - -	126	312	273	250	311	- - -
10-Year	- - -	425	213	170	- - -	517	- - -	- - -	168	339	313	301	364	- - -

EUR-DENOMINATED SOVEREIGN EUROBOND SUMMARY, MARCH 21ST 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	4.6	516	464
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	0.7	113	85
Bulgaria 2.0% '22	EUR	BB+/Baa2	26/3/2022	1,250	1.7	198	158
Bulgaria 2.95% '24	EUR	BB+/Baa2	3/9/2024	1,493	2.4	232	201
Bulgaria 2.62% '27	EUR	BB+/Baa2	26/3/2027	1,000	2.8	252	202
Bulgaria 3.12% '35	EUR	BB+/Baa2	26/3/2035	900	3.7	291	246
Cyprus 4.75% '19	EUR	B+/NA	25/6/2019	566	3.2	361	332
Cyprus 4.62% '20	EUR	B+/B3	3/2/2020	770	3.3	375	338
Cyprus 3.875% '22	EUR	NA/B3	6/5/2022	1,000	3.6	383	341
Cyprus 4.25% '25	EUR	NA/B1	4/11/2025	1,000	4.0	378	344
FYROM 4.875% '20	EUR	BB-/NA	1/12/2020	270	5.0	565	489
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	5.0	570	542
Romania 4.875% '19	EUR	BBB-/Baa3	7/11/2019	1,500	0.6	103	79
Romania 4.62% '20	EUR	BBB-/Baa3	18/9/2020	2,000	0.9	125	95
Romania 3.625% '24	EUR	BBB-/Baa3	24/4/2024	1,250	2.1	219	185
Serbia 5% '24	EUR	BB-/NA	11/4/2024	125	3.8	385	355
Turkey 5.875% '19	EUR	NR/Baa3	2/4/2019	1,250	1.7	213	191
Turkey 4.125% '23	EUR	NR/Baa3	11/4/2023	1,000	3.1	324	289

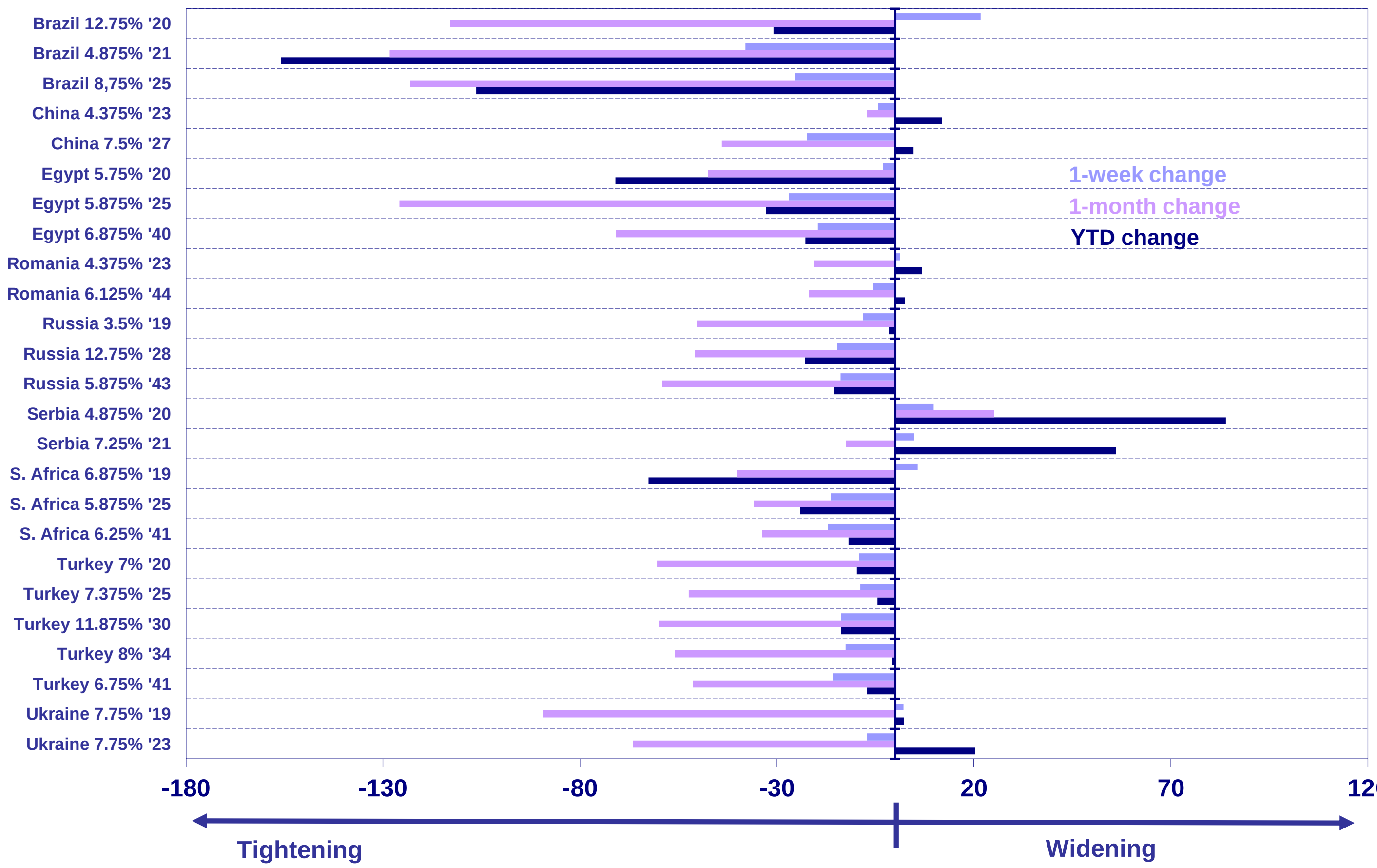
EUR-Denominated Eurobond Spreads (March 21st 2016)



USD-DENOMINATED SOVEREIGN EUROBOND SUMMARY, MARCH 21ST 2016

	Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Brazil 12.75% '20	USD	BB+/Baa3	15/1/2020	234	4.4	335	371
Brazil 4.875% '21	USD	BB+/Baa3	22/1/2021	2,988	4.6	323	327
Brazil 8,75% '25	USD	BB+/Baa3	4/2/2025	969	5.9	401	469
China 4.375% '23	USD	AA-/Aa3	2/5/2023	500	3.8	189	229
China 7.5% '27	USD	AA-/Aa3	28/10/2027	100	3.1	119	161
Egypt 5.75% '20	USD	B-/B3	29/4/2020	1,000	5.5	413	426
Egypt 5.875% '25	USD	B-/B3	11/6/2025	1,500	7.3	539	519
Egypt 6.875% '40	USD	B-/B3	30/4/2040	500	8.4	564	542
Romania 4.375% '23	USD	BBB-/Baa3	22/8/2023	1,500	3.4	167	186
Romania 6.125% '44	USD	BBB-/Baa3	22/1/2044	1,000	4.7	199	285
Russia 3.5% '19	USD	BB+/Ba1	16/1/2019	1,500	3.3	226	222
Russia 12.75% '28	USD	BB+/Ba1	24/6/2028	2,500	5.5	354	495
Russia 5.875% '43	USD	BB+/Ba1	16/9/2043	1,500	5.6	288	344
Serbia 4.875% '20	USD	BB-/B1	25/2/2020	1,500	4.4	333	317
Serbia 7.25% '21	USD	BB-/B1	28/9/2021	2,000	4.7	336	355
S. Africa 6.875% '19	USD	BBB-/Baa2	27/5/2019	2,000	3.7	266	270
S. Africa 5.875% '25	USD	BBB-/Baa2	16/9/2025	2,000	5.0	305	333
S. Africa 6.25% '41	USD	BBB-/Baa2	8/3/2041	750	5.7	295	362
Turkey 7% '20	USD	NR/Baa3	5/6/2020	2,000	3.7	229	259
Turkey 7.375% '25	USD	NR/Baa3	5/2/2025	3,250	4.7	273	328
Turkey 11.875% '30	USD	NR/Baa3	15/1/2030	1,500	4.8	292	413
Turkey 8% '34	USD	NR/Baa3	14/2/2034	1,500	5.4	347	390
Turkey 6.75% '41	USD	NR/Baa3	14/1/2041	3,000	5.5	276	340
Ukraine 7.75% '19	USD	B-/Caa3	1/9/2019	1,330	10.0	891	833
Ukraine 7.75% '23	USD	B-/Caa3	1/9/2023	1,330	9.6	790	744

USD-Denominated Eurobond Spreads (March 21st 2016)



STOCK MARKETS PERFORMANCE, MARCH 21ST 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)	51,172	4.7	23.2	18.0	-1.4	37,046	51,370	25.7	-13.3	-35.3	-2.9	-2.0
Bulgaria (SOFIX)	447	-0.3	0.8	-3.0	-11.0	441	462	-3.0	-11.7	-11.7	6.2	6.2
China (SHCOMP)	3,019	5.6	5.6	-15.5	-18.1	2,638	3,539	-17.7	9.4	16.5	52.9	69.5
Cyprus (CSE GI)	68	-1.6	5.7	1.0	-14.7	64	70	1.0	-20.9	-20.9	-17.0	-17.0
Egypt (HERMES)	670	5.8	23.4	6.4	-20.4	521	674	6.4	-24.4	-25.7	23.5	36.6
F.Y.R.O.M (MBI)	1,791	-0.6	-0.7	-2.3	0.5	1,776	1,842	-2.3	-0.6	-0.6	6.1	6.1
India (SENSEX)	25,285	1.9	6.6	-2.6	-10.3	22,495	29,095	-5.3	-5.0	0.7	29.9	44.7
Romania (BET-BK)	1,268	0.0	5.0	-5.5	-4.5	1,171	1,329	-4.2	2.6	1.6	3.7	3.5
Russia (RTS)	4,274	2.6	8.8	7.9	18.3	3,509	4,326	13.3	30.3	9.5	-6.9	-37.4
Serbia (BELEX-15)	608	1.7	4.8	-3.7	-7.2	570	637	-4.6	-3.4	-3.5	19.5	12.8
South Africa (FTSE/JSE)	53,824	2.6	10.0	5.9	2.4	45,976	53,827	4.9	1.9	-15.1	7.6	10.9
Turkey (ISE 100)	83,403	4.1	14.2	13.9	-0.4	68,230	83,524	13.0	-16.3	-25.4	26.4	32.0
Ukraine (PFTS)	249	-0.9	3.9	3.5	-41.1	236	256	-8.6	-37.8	-54.8	28.7	-24.2
MSCI EMF	829	3.2	11.9	4.7	-15.0	687	828	1.9	-17.0	-7.5	-4.6	8.2
MSCI EAFE	1,653	0.0	6.2	-4.3	-13.0	1,492	1,716	-7.0	-3.3	7.7	-7.3	5.8
Greece (ASE-General)	542	-4.3	12.7	-11.3	-29.3	421	627	-11.3	-23.6	-23.6	-28.9	-28.9
Germany (XETRA DAX)	9,949	-0.4	6.0	-7.4	-16.4	8,699	10,486	-7.4	-4.9	-4.9	2.7	2.7
UK (FTSE-100)	6,185	0.2	3.9	-1.4	-12.1	5,500	6,242	-7.1	-4.9	0.1	-2.7	4.1
Japan (NIKKEI-225)	16,725	-3.0	4.7	-12.1	-15.3	14,866	18,951	-7.9	9.1	20.2	7.1	7.0
USA (DJ INDUSTRIALS)	17,624	2.3	7.5	0.1	-2.7	15,370	18,351	-2.6	-2.2	9.3	7.5	22.2
USA (S&P 500)	2,052	1.6	7.0	-0.6	-2.5	1,810	2,135	-3.3	-0.7	10.9	11.4	26.6

Equity Indices (March 21st 2016)