South Eastern Europe and Mediterranean Emerging Market Economies
Weekly Report

22 – 28 March 2016

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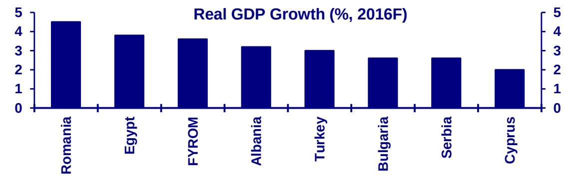
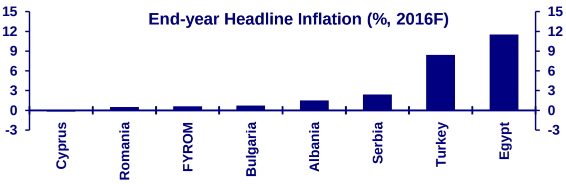
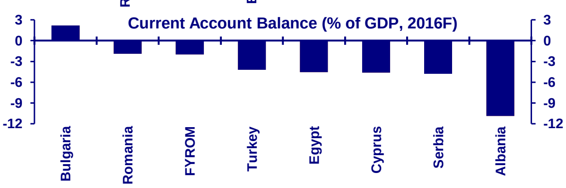
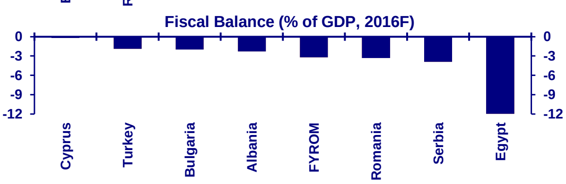


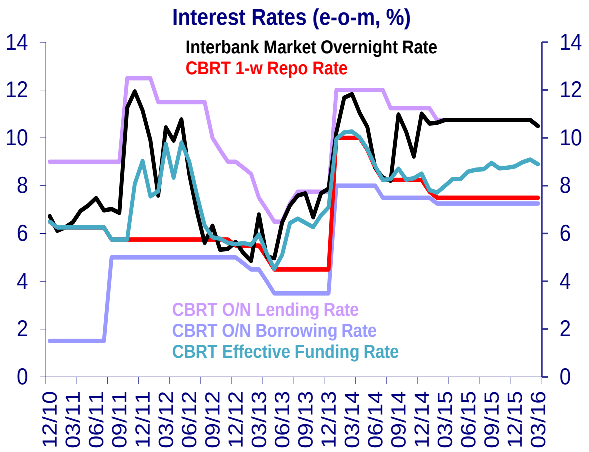


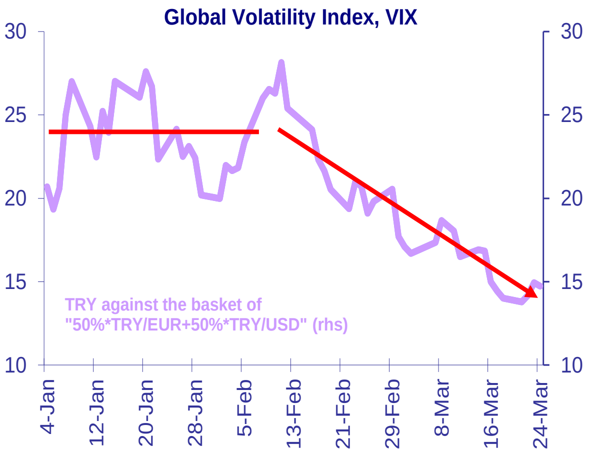


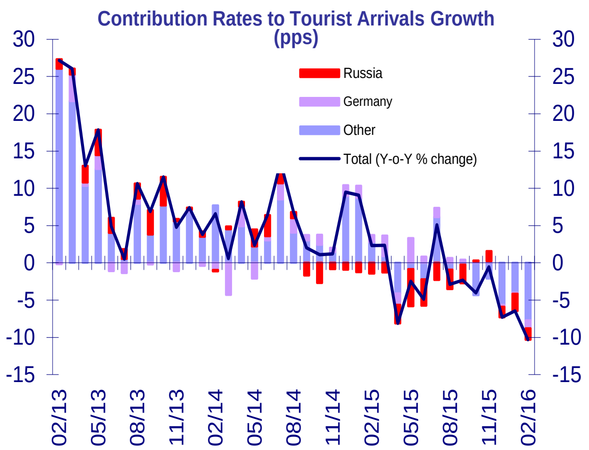


Turkey

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







	28 Mar.	3-M F	6-M F	12-M F
1-m TRIBOR (%)	11.2	11.5	11.0	10.5
TRY/EUR	3.20	3.32	3.34	3.40
Sov. Spread (2019, bps)	213	220	200	170

	28 Mar.	1-W %	YTD %	2-Y %
ISE 100	81,345	-2.5	11.1	17.7

	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

Domestic political uncertainty is expected to heighten in the coming months. PM Davutoğlu confirmed on March 27th that a "constitution committee" has been established within the ruling AK Party to draft a new Constitution. It will include a shift to a presidential political system from the current parliamentary one, and should be finalised in May.

As a result, domestic political tensions are likely to escalate by the end of the year. The AKP will need to call a referendum for the approval of a new Constitution or snap elections in the hope of securing the required constitutional majority to amend the Constitution directly by the Parliament (a ⅔ majority). Clearly, the opposition parties are strongly opposed to a change in the Constitution.

In a surprise move, the CBRT proceeded with a cut in its overnight lending rate for the first time in 13 months. Contrary to consensus forecasts, the CBRT proceeded with a 25 bp cut in the upper bound of its interest rate corridor to 10.5%. It maintained its central policy rate (1-week repo rate) unchanged as well as the lower bound of its interest rate corridor (the overnight borrowing rate) at 7.5% and 7.25%, respectively.

The CBRT stated that this move was a measured step towards the long-awaited simplification of its monetary policy framework (set to gradually achieve a narrower and symmetric corridor around the 1-week repo rate, with the final aim of having a single interest policy rate). The move was supported by the recent decline in global volatility, which has reduced the need for a wide corridor (see chart).

Importantly, the CBRT also reiterated that it will maintain a tight liquidity stance, as the improvement in core inflation remains limited, hinting that it would maintain its effective funding rate around its current level (8.9%), by providing little liquidity to the banking system from the cheaper 1-week repo financing facility (7.5%).

Going forward, as long as global volatility remains subdued and depreciation pressures on the domestic currency are not renewed (the TRY has strengthened by 3.4% against the basket of "50%*EUR/TRY+50%*USD/TRY" since mid-February, reversing its losses in the first 6 weeks of the year), the CBRT should proceed with further cuts to its overnight lending rate. However, these cuts should be measured, as a narrower corridor leaves the TRY vulnerable to a sudden deterioration in the global risk appetite and/or the domestic political backdrop.

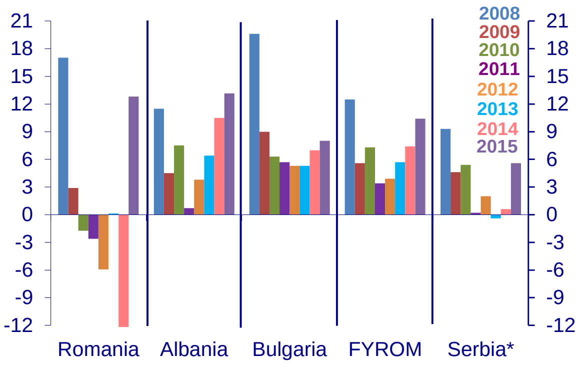
Tourist arrivals declined by 8.5% y-o-y in the first two months of the year, due to persisting tensions with Russia and rising security concerns. Arrivals from Russia -- the second largest source country after Germany, accounting for around 10.0% of total arrivals in 2015 – declined sharply by 54.4% y-o-y in 2M:16 (shaving 1.9 pps off overall arrivals growth), reflecting the recent Russian sanctions following Turkey's downing of a Russian military jet in late-November. More worrying, arrivals from other countries also declined by 6.8% y-o-y in 2M:16, due to heightening domestic security concerns. Indeed, eight deadly terrorist attacks took place between July and March.

For the year as a whole, in view of recent trends, we expect tourist arrivals to post the sharpest decline since 1999 (down by around 20.0% to an 8-year low of 26.7mn). More worrying, tourist receipts – a major source of foreign currency – could decline at a faster pace than tourist arrivals (down by around 30.0% y-o-y or USD 8.0bn y-o-y to USD 18.6bn or 20.0% of end-2015 stock of FX reserves), reflecting mainly the sharp decline in the number of high-spending Russian tourists and the reduction in prices of holiday packages in an effort to make the country a more attractive destination.

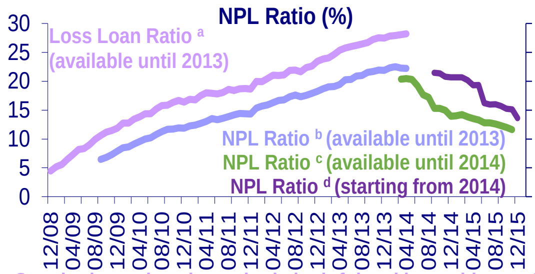
Romania

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

Return on Average Equity (%)

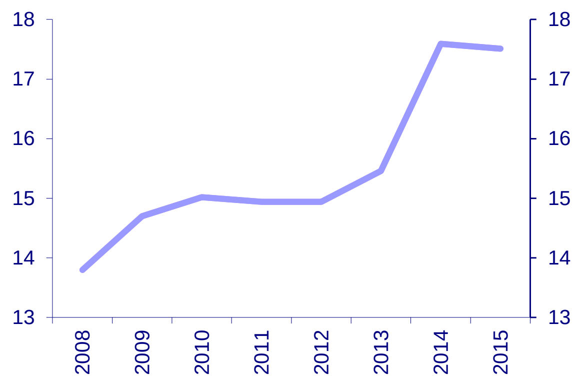


* 9M:15 (annualised) for Serbia



a: Standard, watch, substandard, doubtful and loss with over 90, 60, 30, 15 and 0 dpd, respectively
b: Sample Banks using the standard approach in credit risk assessment
c: All Banks using the standard approach in credit risk assessment
d: EBA definition; exposures more than 90 dpd or unlikely to be collected without use of the collateral regardless of the dpd

Capital Adequacy Ratio (%)



	28 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)	228	210	180	150

	28 Mar.	1-W %	YTD %	2-Y %
BET-BK	1,267	0.0	-5.5	6.5

	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

The banking system moves "into the black" in FY:15, more than reversing the sharp losses in FY:14, due to lower loan loss provisioning. Net profits reached RON 4.9bn (EUR 1.1bn equivalent to 0.7% of GDP) in FY:15 against sizeable net losses of RON 4.4bn in FY:14. As a result, ROAA and ROAE improved sharply to 1.4% and 12.8%, respectively, from -1.3% and -12.5% in FY:14. Specifically, the country's 3 largest banks -- BCR, BRD and Banca Transilvania (BT), altogether controlling 38.1% of the system's total assets – reported net profits of RON 2.1bn in FY:15 (adjusted for the acquisition of Volksbank Romania by BT) compared with losses of RON 2.3bn in FY:14.

Provisioning decelerated in FY:15, in line with the sharp decline in NPLs. The NPL ratio (EBA definition) continued to decline at a fast pace, reaching 13.6% at end-2015 against 20.7% at end-2014. This development came largely on the back of massive write-offs of (fully-provisioned) NPLs, and to a lesser extent, NPL sales. In this context, banks eased the pace of provisioning, pushing down the cost of risk. Recall that banks were forced by the NBR to increase provisions in FY:14, especially for the categories of loans with a low probability of recovery (i.e. loans overdue for more than a year and loans to companies undergoing insolvency procedures). Specifically, we estimate the cost of risk for the 3 largest banks to have declined sharply to 100 bps in FY:15 from a sizeable 640 bps in FY:14.

Pre-provision profit continued to be held back by weak net interest income (NII) in FY:15. Despite the revival in credit activity (up 2.7% y-o-y in FY:15 against a decline of 3.7% in FY:14), we estimate NII to have remained subdued in FY:15, reflecting increased pricing competition among banks amid an environment of low interest rates. Indeed, the NBR cut its key rate by a substantial 100 bps in FY:15 (to 1.75%), following cuts of 125 bps in FY:14. All said, NII for the 3 largest banks declined further by 2.6% in FY:15, following a drop of 8.7% in FY:14

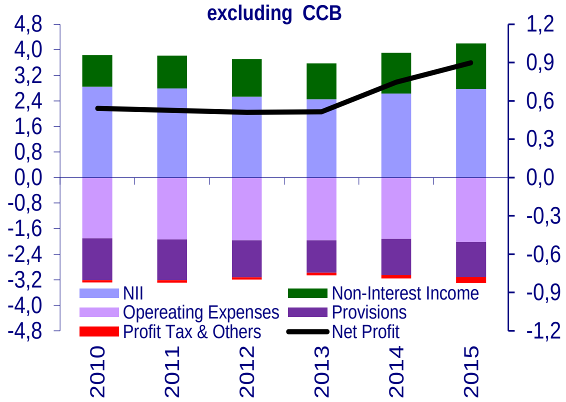
At the same time, profitability was likely supported by the decline in operating expenses, due to the continued -- albeit at a slower pace -- downsizing of the banking system (the number of personnel and branches were reduced by 0.7k and 105, respectively, between June 2014 and June 2015 to c. 57.3k and 5.2k). Note that operating expenses for the 3 largest banks (after adjusting for the expenses incurred by BT for the integration of Volksbank) remained broadly flat in FY:15 against a decline of 4.6% in FY:14.

The performance of the banking system should deteriorate in FY:16, in the aftermath of the adoption of the pending "Debt Settlement Law" (DSL). The DSL allows debtors to settle debts by giving up their homes (effectively a no-recourse framework). The law applies only to individuals and for credits up to EUR 150k (note that 99% of mortgage borrowers fall under this threshold). With LTV ratios significantly above 100%, the cost to banks could be significant. The IMF/EU, NBR and banks have opposed the DSL. In the event, we see credit to the private sector remaining broadly flat in FY:16 against a rise of 2.7% in FY:15. Note that the DSL has been passed by the Senate and is now pending in the Chamber of Deputies. All said, assuming the approval of the DSL in its current form, we see the banking system's ROAE declining to single-digit figures in FY:16 from 12.8% in FY:15. Otherwise, ROAE should remain at current high levels, reflecting the solid economic recovery and the country's low credit penetration rate (30.0% of GDP -- the lowest in the region).

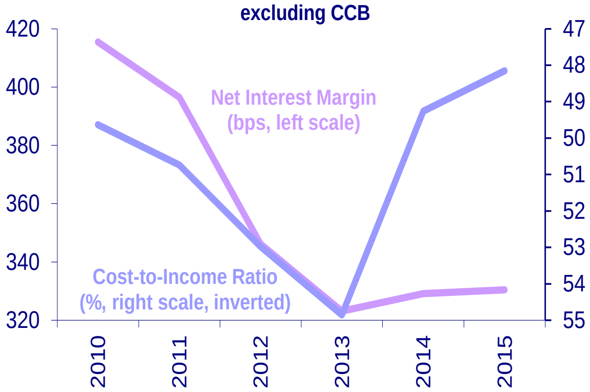
Bulgaria

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

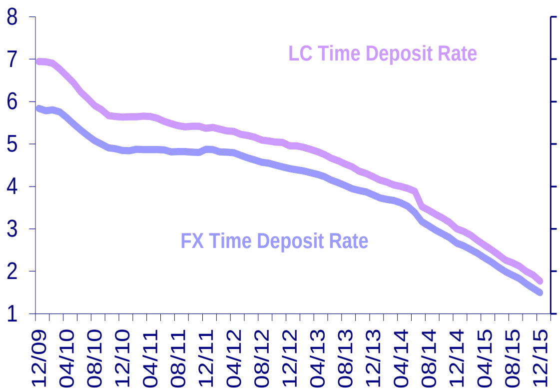
Quarterly Net Profit (BGN bn) excluding CCB



Net Interest Margin & Cost-to-Income Ratio excluding CCB



Deposit Rates* (%)



	28 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)	200	170	150	120

	28 Mar.	1-W %	YTD %	2-Y %
SOFIX	444	-0.7	-3.6	-26.0

	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

The profitability of the banking system improved in FY:15, due to lower provisioning and higher pre-provision earnings. Net profit (after tax) increased by a sizeable 20.4% y-o-y in FY:15 to a 7-year high of BGN 898mn (EUR 459mn equivalent to 1.0% of GDP). As a result, ROAA and ROAE improved to 1.0% and 8.0% in FY:15, respectively, from 0.9% and 7.0% in FY:14. Note that the performance of the banking system would have been even better, without the (once-off) contribution of BGN 82mn to the Bank Restructuring Fund (shaving 0.8 pps from FY:15 ROAE), which was set up following the collapse of the Corporate Commercial Bank in 2014.

Provisioning declined in FY:15. Banks reduced NPL provisions in FY:15, bringing the annualised cost of risk to 200 bps in FY:15, slightly down from 210 bps in FY:14. Note that the implementation of the EU's Regulation on Supervisory Reporting by the central bank (BNB), as of January 2015, has brought changes in the reporting of loans, which, in turn, make difficult comparisons with data prior to 2015. According to the new reporting standards, the NPL ratio stood at 15.9% at end-2015, slightly lower compared with early-2015 (16.5%), with the NPL coverage ratio reaching 68.5% at the same time, up from 58.4% at end-2014. In our view, the slowdown in provisioning is mainly attributed to base effects from past overprovisioning and capital building rather than a sustained decline in NPL formation. Importantly, the banking system remains well-capitalised, with a capital adequacy ratio of 22.2% in Q4:15, far above the minimum regulatory level of 13.5%.

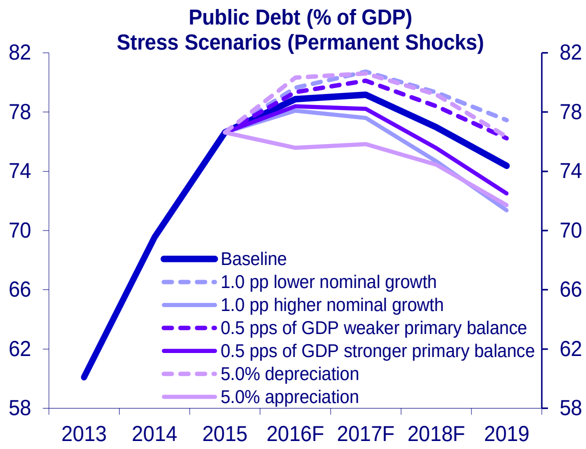
Pre-provision earnings strengthened in FY:15, supported by improved net interest income (NII) and net non-interest income (NNII). NII rose by 5.3% y-o-y in FY:15, in line with the expansion in average interest earning assets (up 2.1%) and a higher net interest margin (330 bps in FY:15 compared with 316 bps in FY:14). The latter should be mainly attributed to the sharp decline in deposit rates, reflecting improved liquidity conditions in the banking system (see chart). Indeed, following a long period of strong deposit growth (a CAGR of more than 9.0% over the past 4 years), the gross loan-to-deposit ratio fell below the threshold of 100% (83.3% at end-2015 from 94.0% at end-2014 and a peak of c. 150% in mid-2009). It is significantly lower on a net of provisions basis. At the same time, NNII continued to increase at a solid pace (up 12.2% in FY:15), on the back of higher trading gains and, to a lesser extent, net fees and commission income.

Importantly, costs remained contained (operating expenses rose by a low 0.8% in FY:15 against a decline of 1.9% in FY:14). As a result, the efficiency of the banking system improved further, with the cost-to-income ratio reaching 48.2% in FY:15 against 49.3% in FY:14.

Lower provisioning and stronger NII are set to support profitability in FY:16. In view of the continuing -- albeit modest -- economic recovery, we expect the NPL ratio to improve further, reaching 14.5% at end-2016. Assuming that banks raise their NPL coverage ratio to 75.0% at end-2016 (from 68.5% at end-2015), we see the cost of risk at 170 bps in FY:16 (down from 200 bps in FY:15). Profitability should be also supported by a pick-up in credit activity. Indeed, we expect credit to the private sector to expand by 3.0% in FY:16 (against a decline of 1.6% in FY:15), with LC lending the main driver, as FX lending will remain constrained by the liquidity shortage in FX and limited support from parent banks. All said, ROAE should rise to double-digits in FY:16 from 8.0% in FY:15.

Serbia

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



Fiscal Consolidation Measures 2015-18 (pps of GDP)	
2015	*2.5*
Public sector wage cuts	0.9
Pension cut	0.6
Solidarity tax	0.2
Wage and pension freeze	0.4
Lower subsidies, cuts in goods & services	0.2
Tax hikes (introduction of the gas transit fee and of the electricity excise duty)	0.3
2016	*1.3*
(Partial) Wage and pension freeze	0.4
Public sector rightsizing	0.2
Lower subsidies, cuts in Good & Services	0.4
Introduction of the electricity excise duty	0.3
2017	*1.0*
Wage and pension freeze	0.5
Public sector rightsizing	0.3
Amendments to Local Government financing	0.2
2018	*0.6*
Wage and pension freeze	0.4
Public sector rightsizing	0.1
cuts in Good & Services	0.1
Cumulative 2015-18	*5.4*

	28 Mar.	3-M F	6-M F	12-M F
1-m BELIBOR (%)	3.1	3.4	3.6	4.0
RSD/EUR	122.7	124.1	124.6	125.0
Sov. Spread (2021, bps)	345	290	240	180

	28 Mar.	1-W %	YTD %	2-Y %
BELEX-15	605	-0.5	-4.2	7.0

	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

Public debt reached a worrying level (of 76.6% of GDP) in 2015. Public debt rose sharply to 76.6% of GDP in 2015 (its highest level since 2003) from 69.5% at end-2014. The rise was driven by: i) a primary deficit (of 0.5% of GDP in FY:15); ii) the depreciation of the RSD (by 10.4% and 0.1%, respectively, in FY:15 against the USD and the EUR), adding an estimated 2.5-3.0 pps of GDP to the rise in the public debt-to-GDP ratio y-o-y (a respective 32.9% and 39.8% of public debt is USD and EUR-denominated); and iii) high funding costs, well above nominal GDP growth (5.5% and 1.7%, respectively, in FY: 15), adding an estimated 3.0 pps of GDP y-o-y to the change in the public debt-to-GDP ratio.

Currently, the public debt-to-GDP ratio is well above its ceiling of 45% and more than double its pre-crisis level (of 33.1% at end-2008). It has surged by a sizeable 30.8 pps between 2011 and 2015 -- almost triple the average rise in the other SEE-5 countries -- reflecting a systematically weak fiscal performance. Moreover, the eventual restitution of confiscated assets during World War II -- likely in 2017-18 -- should add another c. 6.0 pps to this ratio.

Bold steps have been taken to reverse the negative public debt dynamics. The Government has adopted corrective fiscal measures for 2015-18 in order to contain the fiscal deficit and curb the rise in the public debt, amounting to a cumulative 5.4 pps of GDP. The fiscal package primarily focuses on expenditure-saving measures (accounting for 85% of the adjustment), as the revenue-enhancing measures introduced in 2013-14 (including VAT and excise hikes, rises in the tax levy on interest, dividends and capital gains and a rise in the corporate tax rate with a fiscal impact of c. 3.7 pps of GDP) have left little room for further measures from the revenue side. In fact, tax revenue-to-GDP in Serbia is the highest in SEE-5 countries (36.9%), ahead of Bulgaria (28.9%), Romania (28.1%), FYROM (26.0%), and Albania (23.5%) in 2015.

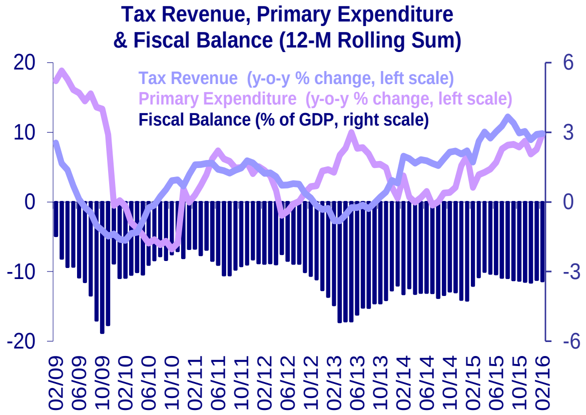
The adjustment was frontloaded, with 2.5 pps of GDP of corrective fiscal measures already implemented in 2015. In view of the fact that Serbia has the highest share of pensions and public sector salaries in total expenditure (50%, against an average of 40% in other SEE-5 countries), a series of measures were introduced to reduce them. Specifically, in 2015: i) public sector wages exceeding RSD 25k were cut by 10% (saving 0.9 pps of GDP); ii) pensions higher than RSD 25k were subject to progressive cuts (by an average 5%, but leaving unaffected 60% of pensioners), saving 0.6 pps of GDP; and iii) the indexation of public sector wages and pensions was frozen (0.4 pps of GDP).

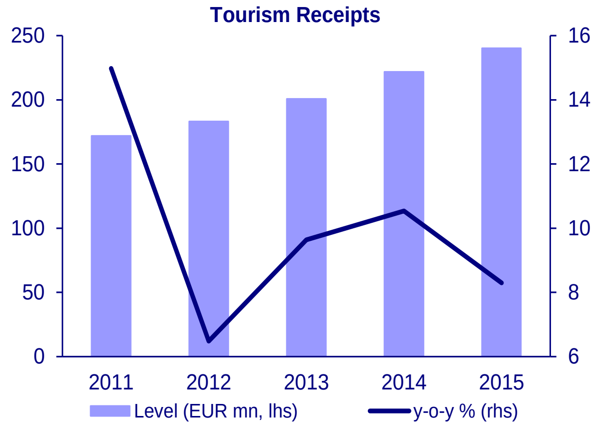
This year's corrective fiscal measures, amounting to 1.3 pps of GDP, include: i) the continued (partial) freeze in public sector wages and pensions (0.4 pps of GDP); ii) public employment rightsizing (by 5%, saving 0.2 pps of GDP); and iii) lower subsidies (0.3 pps of GDP). The Government is also aiming to restructure and resolve 500 loss-making state-owned enterprises (through bankruptcy or privatisation), as well as reform 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 (c. 2.2% of GDP in FY:14).

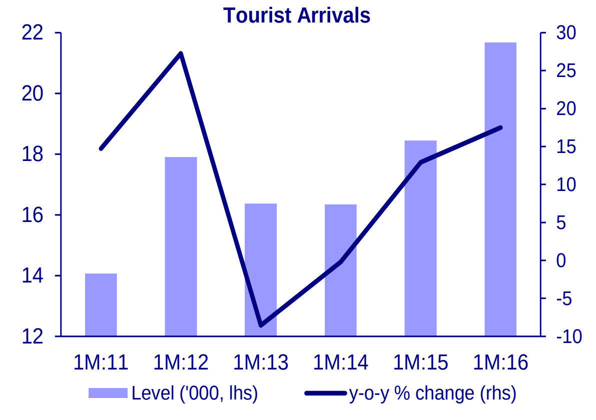
Further fiscal consolidation measures are foreseen for 2017-18 (equivalent to 1.6 pps of GDP), including the continued freeze in public sector wages and pensions by 2018 (0.9 pps of GDP in 2017-18) and further public employment rightsizing (0.4 pps of GDP in 2017-18). Despite the adopted fiscal consolidation measures, the public debt-to-GDP ratio is set to continue to increase (albeit at a slower pace) peaking at c. 79.0% of GDP in 2017, before embarking on a downward trend in 2018.

F.Y.R.O.M.

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







	28 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)	569	520	450	350

	28 Mar.	1-W %	YTD %	2-Y %
MBI 100	1.780	-0.6	-2.9	3.4

	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

The fiscal performance improved slightly in 2M:16, with the 12-month rolling budget deficit narrowing to 3.4% of GDP from 3.5% at end-2015. The general government budget deficit narrowed by 0.1 pp y-o-y to 0.7% of GDP in 2M:16, due to an across-the-board improvement in budget revenue (up 0.3 pps of GDP y-o-y). Specifically, tax revenue increased significantly (by 0.2 pps y-o-y), mainly due to higher VAT revenue, reflecting the recovery in private consumption (up 3.6% y-o-y in Q4:15 against 3.2% in FY:15). Moreover, non-tax revenue was up slightly in 2M:16 (by 0.1 pp of GDP y-o-y), on the back of higher capital revenue.

The better tax revenue performance was partly offset, however, by the rise in non-interest expenditure (by 0.2 pps of GDP y-o-y), mainly due to a 5% increase in social assistance and agricultural subsidies, both effective since January 1st. As a result, the 12-month rolling deficit eased to 3.4% of GDP in February from 3.5% in December.

The observance of the FY:16 deficit target of 3.2% of GDP will require expenditure cuts. The FY:16 budget envisages a tighter fiscal stance, targeting a deficit of 3.2% of GDP -- 0.3 pps below the FY:15 outcome.

Revenue and expenditure are projected to increase by 10.0% and 8.7%, respectively, compared with the 2015 outcome. In our view, these targets are overly optimistic. Specifically, though the tax revenue growth target (7.0%) is in line with our nominal GDP growth, the non-tax revenue target of 30.4% appears unattainable in view of a historical average rise of 0.5% and the FY:15 surge of 22.6%. However, the revenue shortfall (estimated at 0.8 pps of GDP) could be offset by under-execution of the public investment programme, as happened in previous years. Specifically, FY:16 capital expenditure growth should be contained to 12% y-o-y – 25.0 pps below its target, but still double the 2010-15 average of 6.0%. Overall, in view of the authorities' track record, we expect the FY:16 budget deficit to meet its target of 3.2%, implying fiscal contraction of 0.3 pps of GDP y-o-y.

Tourist receipts reached a record high of EUR 240.4mn (2.5% of GDP) in FY:15. Tourist receipts rose by 8.3% y-o-y in FY:15 to EUR 240.4mn or 2.5% of GDP, following an increase of 10.5% in FY:14. However, tourist receipts rose at a slower pace than arrivals in the same period (14.2% y-o-y in FY:15), due to weaker spending per tourist (down 5.1% y-o-y to EUR 495 in January) and a declining average stay (down to 1.8 days in January 2016 from 1.9 days in January 2015). The decline in spending per tourist reflects, *inter alia*, favourable prices of hotels and restaurants in an effort to make the country a more attractive destination.

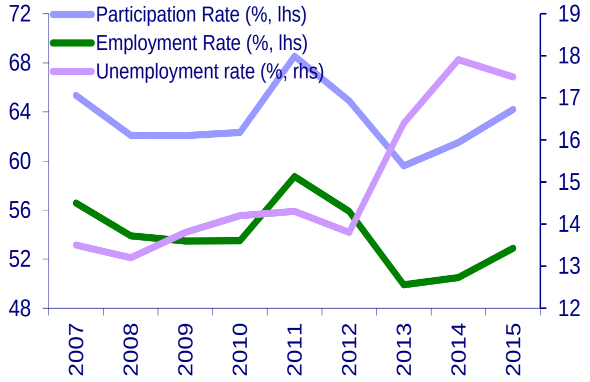
Tourist arrivals reached an all-time high of 21.7k in January. Tourist arrivals increased by 17.5% y-o-y to a high 21.7k in January, following a rise of 14.2% in FY:15. The strong performance was mainly due to a sharp increase in arrivals from: i) Turkey -- the main source country, accounting for 18.7% of total tourists in 2015 -- up 24.2% y-o-y in January; and ii) neighbouring countries Albania, Bulgaria and Serbia, accounting for 3.8%, 6.0% and 9.0%, respectively, in FY:15 – up 46.6% y-o-y, 19.7% and 12.2% in January.

Looking ahead, we expect tourism activity to improve further in 2016. We foresee tourist arrivals continuing on their upward trend during the remainder of the year, supported, *inter alia*, by: i) the ongoing establishment of tourism development zones; ii) tourist agency efforts to attract tourists through special packages; and iii) an increase in the number of direct flights from March, mostly low-cost charters. All said, we foresee growth in tourist arrivals rising by 10% to 534k in 2016 from 14.2% (485.5k) in 2015, with receipts increasing at a slower pace – up 6% to EUR 264mn or 2.7% of GDP – in line with recent trends.

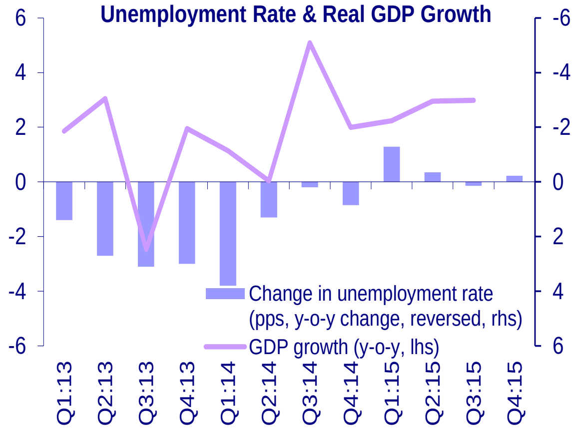
Albania

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

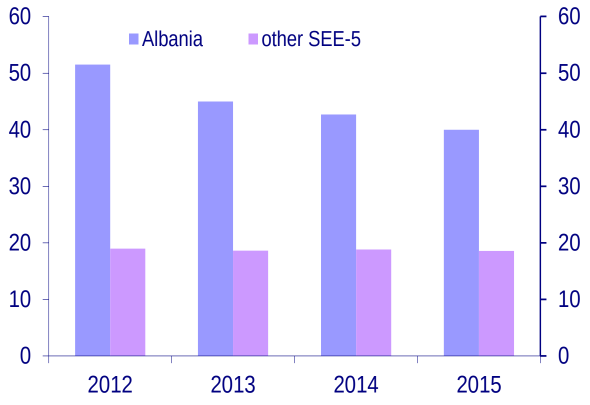
Unemployment, Employment & Labour Force Participation Rate (%)



Unemployment Rate & Real GDP Growth



Employment in Agricultural Sector (%)



	28 Mar.	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	2.0	2.2	2.2	2.2
ALL/EUR	138.3	139.2	138.2	139.0
Sov. Spread (bps)	525	500	450	400

	28 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 IMF reached a staff-level agreement on the 7th review of Albania's Extended Fund Facility (EFF). Following a 2-week visit that ended on March 22nd, the IMF mission confirmed that Albania's economic programme is on track, with all quantitative targets being met and the implementation of structural reforms remaining strong (including the energy sector reform). Nonetheless, two indicative targets were missed by small margins, and three structural benchmarks on public financial management and tax administration reform were delayed. The mission stressed the need for faster implementation of structural reforms, especially on property rights, governance and the judiciary. It also underlined risks on revenue shortfalls in 2016, stemming from falling oil prices, as well as the need to broaden the tax base and improve tax compliance in order to sustain fiscal consolidation.

The approval of the 7th review by the Executive Board is expected in May. This would enable the disbursement of a tranche of EUR 35.9mn (0.3% of GDP), bringing total disbursements to EUR 262.8mn since the approval of the 36-month EUR 370.6mn EFF at end-February 2014.

The unemployment rate declined in 2015, for the first time in 3 years. The unemployment rate declined to a still high 17.5% in FY:15 from a peak of 17.9% in FY:14, after rising for two successive years. This improvement was mainly drive by stronger economic growth (an estimated 2.7% in 2015 from 2.0% in FY:14 and an annual average increase of 1.3% in 2012-13).

It is important to note that, although declining, the unemployment rate remains above its average level of 13.8% in 2007-12, reflecting the return of Albanian migrants, mainly during 2012-13 (especially from Greece, accounting for c. 46.0% of Albanian migrants in 2012, and 70.8% of returnees in 2009-13).

On another positive note, employment continued to recover, boosted by the Government's large campaign, initiated last August, to minimize the large informal employment (estimated at 40% of employment outside agriculture by the EU) as well as the economic recovery. In fact, employment rose by 5.1% in FY:15, following a modest increase of 1.9% in FY:14. This rise was broad based, with employment in the services, industry and construction sectors (representing 40.7%, 11.9% and 7.1% of total employment, respectively) up by 8.5%, 13.8% and 16.8% y-o-y, respectively.

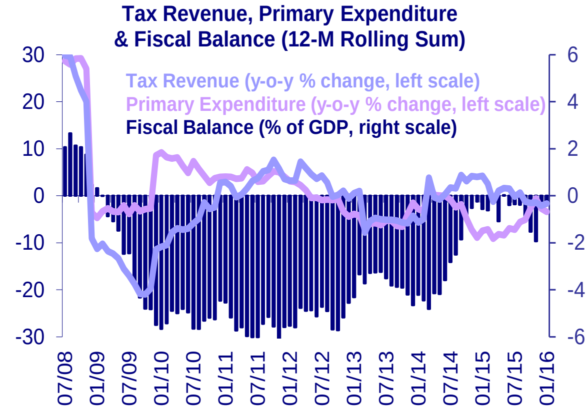
Unsurprisingly, in line with the modernization of the economy, employment in the agricultural sector (accounting for 40.0% of total employment) continued to decline, down by 1.7% and shaving 0.7 pps off overall employment growth in FY:15. However, despite its continued decline, employment in agriculture in Albania remains high compared with that in neighbouring countries (c. 18.0% of total employment in other SEE-5 countries).

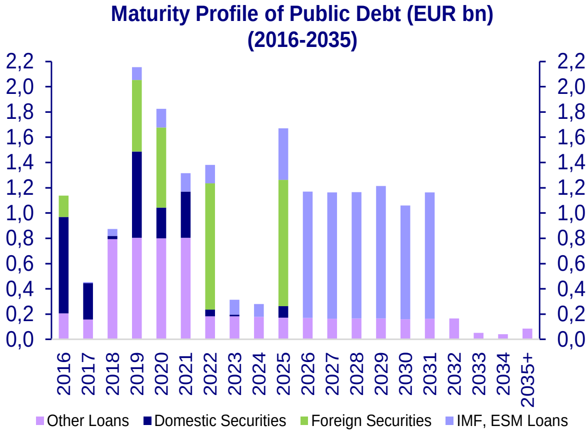
Note that although the slack in the labour market remains, it has been declining recently. In fact, the employment rate improved, for a second successive year, reaching 52.9% -- up from 50.5% in FY:14 and a trough of 49.9% in FY:13, yet still below its peak of 58.7% in 2011.

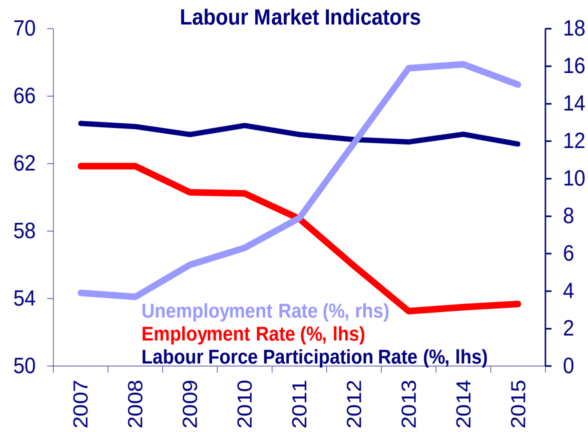
For 2016, we expect unemployment to fall further, to 16.8%, reflecting: i) stronger real activity; ii) sustained high FDI inflows, supported by the intensification in construction of three major energy projects, EU membership prospects and efforts to improve the business climate; as well as iii) the recent launch of a large-scale campaign against informality, that should increase significantly the number of registered employed. Employment will be also supported by the labour market flexibility that has helped maintain low ULCs, as well as the country's strengthened competitiveness, due to transition-driven productivity gains.

Cyprus

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







	28 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	1.08	1.06	1.06
Sov. Spread (2020. bps)	377	340	300	250

	28 Mar.	1-W %	YTD %	2-Y %
CSE Index	68	-1.0	0.0	-42.8

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

The fiscal performance improved slightly in January, with the 12-month rolling fiscal deficit easing to 0.4% of GDP. The fiscal surplus widened by 0.1 pp y-o-y to 0.6% of GDP in January, due to significant spending restraint. Specifically, primary expenditure narrowed in January (by 0.3 pps of GDP y-o-y), on the back of lower subsidies and personnel expenditure; the latter reflecting lower gratuities due to a decline in the number of retirements.

The better expenditure performance was, however, partly offset by the decrease in revenue (by 0.2 pps of GDP y-o-y). Indeed, tax revenue declined in January, mainly due to lower revenue from capital gains tax. As a result, the 12-month rolling deficit eased to 0.4% of GDP in January from 0.5% in December.

The FY:16 fiscal outcome could surprise positively. This year's Budget foresees a tighter fiscal stance, envisaging a balanced budget following a deficit of 0.5% of GDP in FY:15.

The FY:16 fiscal balance could outperform its target, in view of: i) a stronger-than-expected recovery in activity (we see FY:16 real GDP growth at 2.0%, 0.4 pps stronger than the 2015 outcome); and ii) continued spending restraint. All said, we see the fiscal balance at 0.2% of GDP -- better than its target of 0% of GDP and the FY:15 outcome of -0.5% of GDP. This positive performance should help the public debt-to-GDP ratio to reverse course, for the first time in 8 years (down to 106.4% in 2016 from 108.7% in 2015).

Importantly, this year's net financing requirements (excluding short-term government securities) amounting to EUR 1bn (7.7% of GDP) should be easily covered, despite: i) the absence of IMF-ESM support, following the Government's decision to exit its financial assistance programme in early-March; and ii) the non-eligibility for participation in the ECB's quantitative easing programme, due to the country's rating of non-investment grade. In fact, this year's net financing requirements will be covered by a government cash buffer of an equivalent amount, accumulated following two Eurobond issues, each of EUR 1bn, in April and October 2015. However, the new Government that emerges from the May general elections must resume the reform process, including the privatisation process of the two semi-government companies (Telecom-CYTA and Electricity-EAC), which should help the achievement of investment grade and the return to capital markets.

The unemployment rate declined in 2015, for the first time in 6 years. The unemployment rate declined by 1.1 pp y-o-y to 15.0% in FY:15, after having reached an all-time high of 16.1% in 2014. The improved performance was largely supported by the recovery in economic activity, especially in the labour-intensive tourism sector (accounting for c. 23% of total employment). Indeed, tourist arrivals increased by 8.9% y-o-y to a 14-year high of 2.6mn in FY:15, following a rise of 1.5% to 2.4mn in FY:14.

The annual 1.1 pp decline in the unemployment rate in FY:15 reflects the fact that the employment rate increased (up 0.2 pps y-o-y to 53.7%), while the participation rate declined (down 0.6 pps y-o-y to 63.2%).

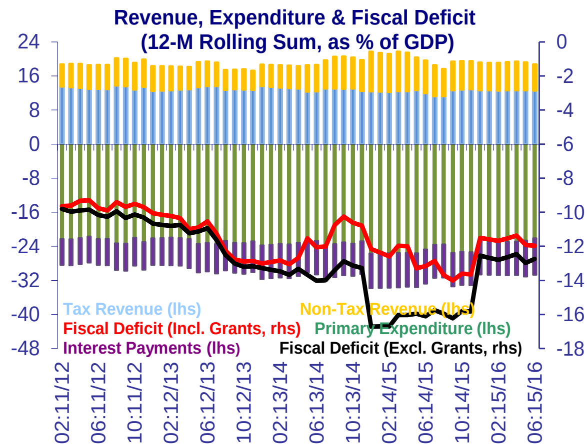
Looking ahead, the unemployment rate is set to improve further this year, by c. 1 pp y-o-y to 14.0%, again mainly on the back of the expected recovery in tourism activity. Indeed, we foresee tourist arrivals rising by around 15% to an all-time high of 3.1mn in FY:16 from a 14-year high of 2.7mn in FY:15, benefiting mainly from rising geopolitical and domestic security risks in neighbouring competitors – Turkey and Egypt.

Egypt

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

Fiscal Accounts (% of GDP)	2014/15 Outcome	H1: 2014/15 Outcome	H1: 2015/16 Outcome	2015/16 Budget	NBG 2015/16 Forecast
Revenue	19.1	6.8	6.8	22.0	19.7
Tax Revenue	12.6	4.7	4.9	15.0	13.6
Income Tax	5.3	1.6	1.6	5.6	5.8
Personal Income	1.6	0.6	0.6	1.8	1.9
Corporate Income	3.8	1.0	1.0	3.8	3.9
Property Taxes	0.9	0.4	0.4	1.5	1.2
Taxes on G. & S.	5.1	2.3	2.3	6.5	5.9
Taxes on Int. Trade	0.9	0.4	0.4	1.0	1.1
Other Taxes	0.4	0.0	0.2	0.4	0.6
Grants	1.0	0.3	0.1	0.1	0.1
Other Revenue	5.5	1.8	1.8	7.0	6.0
Expenditure	30.6	12.2	12.7	30.9	31.5
Wages & Salaries	8.2	4.0	3.7	7.7	7.7
Purch. of G. & S.	1.3	0.5	0.5	1.5	1.5
Interest Payments	7.9	3.3	4.0	8.6	8.9
Subsidies, grants & social benefits	8.2	2.4	2.5	8.2	8.5
Other Expenditure	5.1	2.0	2.0	4.9	4.9
Fiscal Balance	-11.5	-5.4	-5.9	-8.9	-11.8
Primary Balance	-3.6	-2.1	-1.9	-0.2	-2.9
Fiscal Balance *	-12.5	-5.8	-6.0	-9.0	-11.9
Primary Balance *	-4.6	-2.5	-2.0	-0.3	-3.0

*: Excluding grants



	28 Mar.	3-M F	6-M F	12-M F
O/N Interbank Rate (%)	10.8	10.8	10.8	10.5
EGP/USD	8.88	8.95	9.20	9.50
Sov. Spread (2020. bps)	411	400	300	220

	28 Mar.	1-W %	YTD %	2-Y %
HERMES 100	682	1.8	8.3	-17.7

	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

A negative fiscal performance in the first half of the fiscal year, with the underlying 12-month rolling deficit reaching the unsustainable level of 12.7% of GDP in December. The fiscal deficit widened significantly, by 0.5 pps y-o-y to 5.9% of GDP in H1:15/16 (July-November 2015), due exclusively to higher expenditure.

The rise in expenditure reflects: i) a sharp increase in interest payments (up 0.7 pps of GDP y-o-y), on the back of a ballooning stock of public debt and rising cost of borrowing; and, to a smaller extent, ii) higher grants to the pension Fund (up 0.1 pp of GDP y-o-y). Expenditure would have been even higher had the wage bill not declined (down 0.3 pps of GDP y-o-y), on the back of the implementation of the new civil service law. Recall that in an effort to contain the public-sector wage bill and send a strong signal to investors ahead of Egypt's International Economic Conference, President el-Sissi signed, in the absence of Parliament, a new civil service law in March 2015. The new law: i) sets transparent rules for vacancies and applicants; ii) increases the proportion of basic salaries to 80% of overall wages; iii) bases bonuses and promotions on performance rather than seniority; and iv) cuts annual bonuses by 5 pps to 5.0%. The law is estimated to save as much as EGP 22.0bn (0.8% of GDP) in this fiscal year.

As a result, the 12-month rolling fiscal deficit widened to 12.0% of GDP in December from 11.5% in June (end-2014/15) – far above the FY:15/16 target of 8.9%. Without the support from Gulf countries, the 12-month rolling deficit would have increased to 12.7% of GDP in December from 12.5% of GDP at end-2014/15.

The FY:15/16 is set to exceed not only its target of 8.9% of GDP, but also the past year's outcome of 11.5% of GDP. The 2015/16 Budget targets a deficit of 8.9% of GDP compared with the FY:14/15 outcome of 11.5%. In view of the negative y-t-d performance, unrealistic 2015/16 Budget assumptions, and the negative impact of the recent devaluation of the domestic currency on interest payments and subsidies, the fiscal deficit target is set to be missed by a wide margin.

Indeed, the envisaged increase in tax revenue (up 38.1% versus the FY:14/15 outcome) appears highly over-optimistic, in view of the projected nominal GDP growth (16.2%) and the absence of significant revenue-enhancing measures. The only measure envisaged for this fiscal year is the replacement of Egypt's current complex sales taxes by a VAT (projected to boost budget revenue by EGP 32.0bn or 1.7% of GDP). However, the implementation of this measure, set to take effect last July (early-2015/16), was postponed until after the general elections (which ended on December 18th). Even under the assumption that the new VAT takes effect from April 1st, we expect a revenue shortfall of 2.3 pps of GDP.

On the other hand, the expenditure target (up 17.9% compared with the FY:14/15 outcome) also appears unattainable, in view of higher-than-budgeted subsidies and interest payments. Indeed, the positive impact on fuel subsidies from weaker-than-projected global oil prices will be more than offset by the negative impact from the sharp devaluation of the domestic currency (by 12.7% to EGP 8.85 per USD on March 14th), especially on food subsidies (the authorities will bear the brunt of the devaluation on basic household goods). Moreover, interest payments will largely exceed their target, following the CBE's sharp hike of its policy rates by 150 bps, 3 days after the devaluation.

Overall, without new measures and/or additional assistance from Gulf countries (down 0.9 pps y-o-y to 0.1% of GDP this fiscal year), we see the FY:15/16 fiscal deficit at 11.8% of GDP, exceeding not only its target of 8.9% of GDP, but also the FY:14/15 outcome of 11.5% of GDP. However, excluding grants, the deficit is set to ease to 11.9% of GDP in FY:15/16 from 12.5% in FY:14/15.

FOREIGN EXCHANGE MARKETS, MARCH 28TH 2016

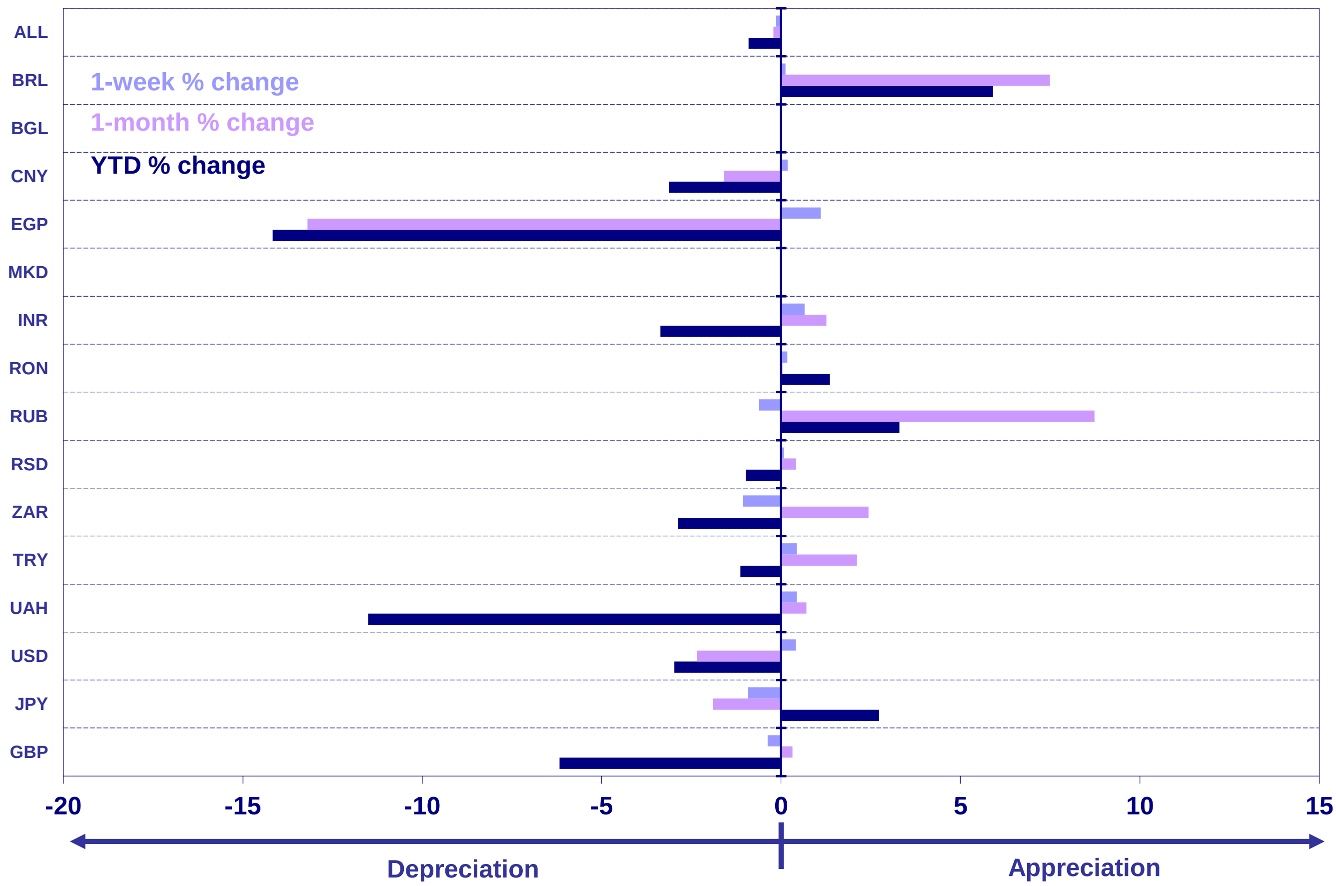
Against the EUR

	Currency	2016										2015	2014
		SPOT	1-week %change	1-month %change	YTD %change*	1-year %change	Year-Low	Year-High	3-month Forward rate**	6-month Forward rate**	12-month Forward rate**	% change*	% change*
Albania	ALL	138.3	-0.1	-0.2	-0.9	1.3	137.5	139.5	138.9	138.6	137.2	2.0	0.1
Brazil	BRL	4.06	0.1	7.5	5.9	-13.8	3.95	4.55	4.64	4.63	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	7.27	0.2	-1.6	-3.1	-7.4	6.99	7.46	7.49	7.49	7.49	6.7	10.8
Egypt	EGP	9.89	1.1	-13.2	-14.2	-16.9	8.26	10.00	10.83	- - -	- - -	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	74.3	0.7	1.3	-3.4	-8.9	71.3	77.8	74.5	- - -	- - -	6.6	12.3
Romania	RON	4.46	0.2	0.0	1.4	-1.3	4.45	4.56	4.47	4.47	4.48	-0.8	-0.5
Russia	RUB	76.7	-0.6	8.7	3.3	-18.7	75.3	93.8	78.8	80.6	84.3	-15.1	-32.8
Serbia	RSD	122.7	0.1	0.4	-1.0	-2.3	121.6	123.7	123.4	124.4	- - -	-0.1	-5.6
S. Africa	ZAR	17.3	-1.1	2.4	-2.9	-23.8	16.29	18.58	17.7	18.0	18.8	-16.6	3.0
Turkey	YTL	3.20	0.4	2.1	-1.1	-11.9	3.12	3.35	3.29	3.38	3.57	-10.8	4.4
Ukraine	UAH	29.4	0.4	0.7	-11.5	-13.6	25.06	30.16	36.5	- - -	- - -	-27.5	-40.8
US	USD	1.12	0.4	-2.3	-3.0	-3.2	1.1	1.1	1.12	1.13	1.13	11.4	13.6
JAPAN	JPY	127.0	-0.9	-1.9	2.7	2.4	122.1	132.3	127.0	127.0	126.9	11.0	-0.1
UK	GBP	0.79	-0.4	0.3	-6.2	-6.9	0.7	0.8	0.79	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 28th 2016)



MONEY MARKETS, MARCH 28TH 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
O/N	1.7	14.1	0.0	2.0	- - -	10.8	- - -	- - -	0.4	11.2	- - -	11.0	7.8	19.6	- - -	0.4
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	0.4	11.2	2.9	- - -	7.4	- - -	- - -	- - -
S/W	1.8	14.1	0.0	2.3	-0.3	- - -	1.3	- - -	- - -	11.0	2.9	- - -	7.5	20.8	-0.3	0.4
1-Month	2.0	14.1	0.0	2.7	-0.3	- - -	1.5	8.1	0.6	11.7	3.1	11.2	7.6	23.2	-0.3	0.4
2-Month	- - -	14.1	0.1	- - -	-0.3	- - -	- - -	- - -	- - -	11.8	3.2	11.3	7.7	- - -	-0.3	0.5
3-Month	2.4	14.1	0.1	2.8	-0.2	- - -	1.8	8.1	0.8	11.9	3.3	11.4	8.3	24.2	-0.2	0.6
6-Month	2.5	14.0	0.3	2.9	-0.1	- - -	2.1	- - -	1.0	11.9	3.5	11.4	8.5	- - -	-0.1	0.9
1-Year	2.6	13.7	0.7	3.1	0.0	- - -	2.6	- - -	1.2	12.1	- - -	11.5	9.1	- - -	0.0	1.2

LOCAL DEBT MARKETS, MARCH 28TH 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	- - -	- - -	- - -	- - -	- - -	12.1	1.6	7.3	- - -	11.8	3.0	9.5	- - -	- - -	-0.5	0.3
6-Month	1.3	- - -	- - -	- - -	- - -	13.2	2.1	7.2	0.6	12.0	3.4	9.9	- - -	- - -	-0.4	0.5
12-Month	1.6	- - -	0.1	2.2	- - -	13.5	2.6	7.2	0.8	9.8	4.1	10.2	- - -	- - -	-0.5	0.6
2-Year	2.1	- - -	- - -	2.3	- - -	- - -	2.0	7.3	1.0	9.4	- - -	9.9	8.3	19.6	-0.5	0.9
3-Year	- - -	- - -	0.5	2.3	3.0	- - -	2.7	7.4	1.3	9.4	- - -	9.8	8.7	20.0	-0.5	1.0
5-Year	- - -	13.6	- - -	2.5	- - -	15.7	2.7	7.6	2.7	9.3	6.7	9.8	8.8	- - -	-0.3	1.4
7-Year	- - -	- - -	1.7	- - -	3.5	16.9	- - -	7.8	2.7	9.3	- - -	- - -	- - -	- - -	-0.2	1.7
10-Year	- - -	13.9	2.6	2.9	3.9	17.2	3.9	7.5	3.4	9.2	- - -	9.9	9.4	- - -	0.2	1.9
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	4.3	8.0	- - -	9.3	- - -	- - -	9.8	- - -	0.5	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	10.0	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	7.9	- - -	- - -	- - -	- - -	10.1	- - -	0.9	2.6

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

CORPORATE BONDS SUMMARY, MARCH 28TH 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	641	583
	Bulgarian Telecom. 6.625% '18	EUR	B-/B1	15/11/2018	400	5.7	619	580
Cyprus	**Aroundtown Property 3% '21**	EUR	NA/NA	9/12/2021	200	3.8	402	349
Russia	**Gazprom 8.2% '19**	RUB	BB+/NA	9/4/2019	10,000	11.1	177	- - -
	Gazprom 8.9% '21	RUB	BB+/NA	26/1/2021	10,000	10.9	162	- - -
South Africa	**FirstRand Bank Ltd 4.25% '20**	USD	BBB-/Baa2	30/4/2020	500	4.5	314	321
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	1.0	143	111
Turkey	**Vakiflar Bankasi 3.5% '19**	EUR	NA/Baa3	17/6/2019	500	3.2	368	330
	Garanti Bankasi 3.38%'19	EUR	NA/Baa3	8/7/2019	500	3.1	354	316
	Arcelik AS 3.875% '21	EUR	BB+/NA	16/9/2021	350	4.0	424	383
	Turkiye Is Bankasi 6% '22	USD	NA/Ba3	24/10/2022	1,000	6.3	441	468

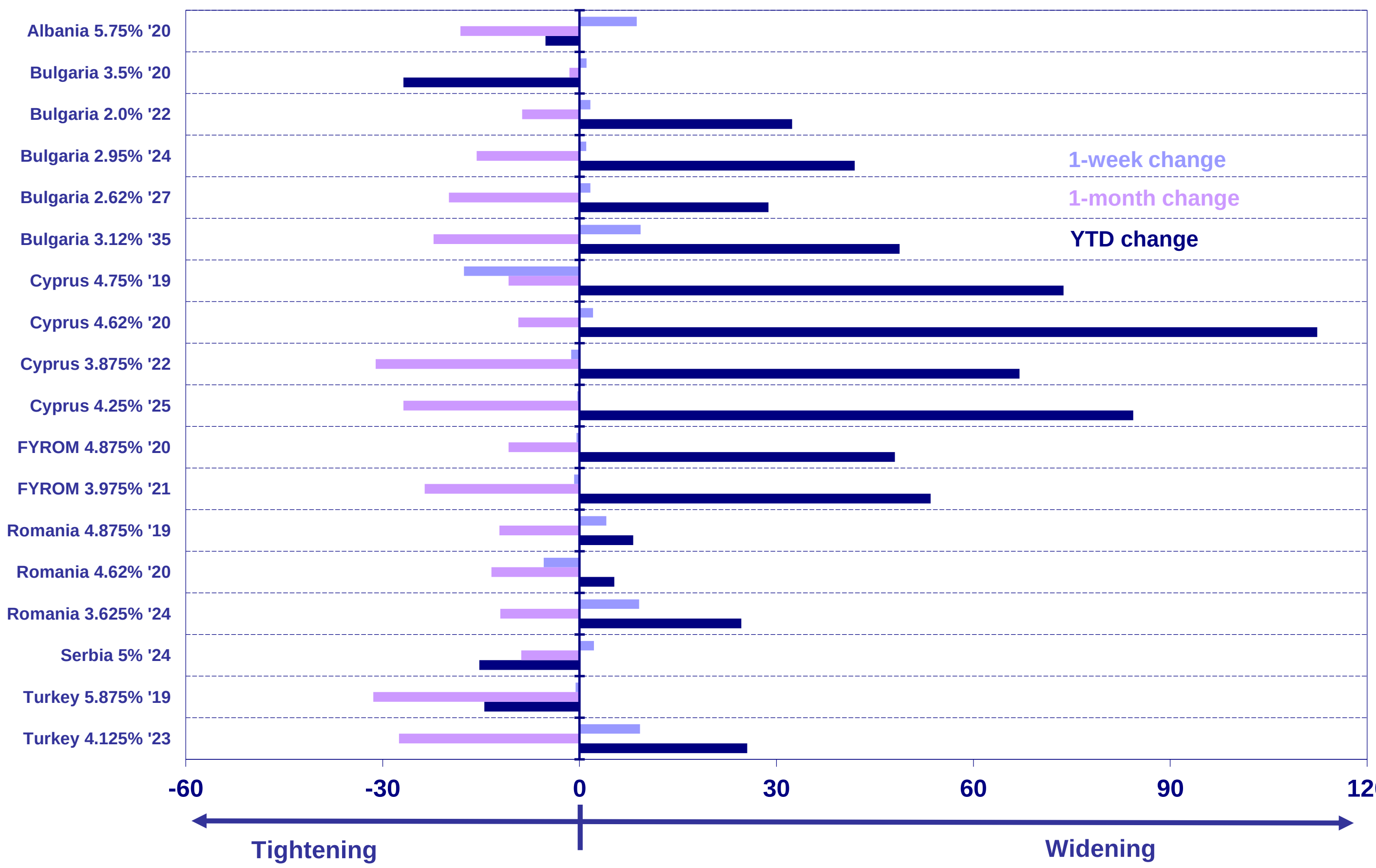
CREDIT DEFAULT SWAP SPREADS, MARCH 28TH 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	369	166	128	- - -	507	- - -	- - -	125	295	271	265	316	- - -
10-Year	- - -	434	212	175	- - -	517	- - -	- - -	166	346	314	319	370	- - -

EUR-DENOMINATED SOVEREIGN EUROBOND SUMMARY, MARCH 28TH 2016

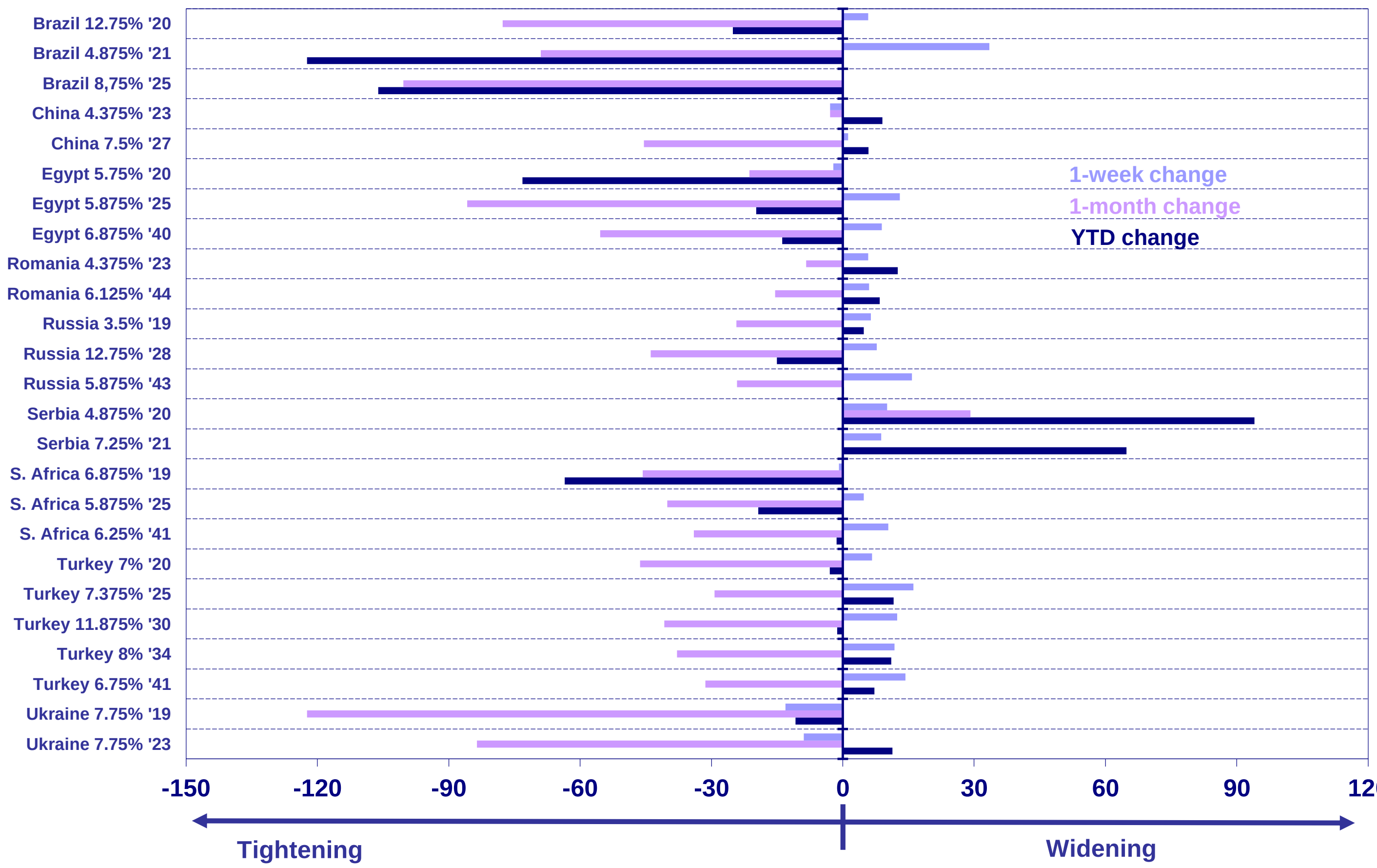
	Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Albania 5.75% '20	EUR	B/B1	12/11/2020	450	4.6	525	470
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	0.8	114	85
Bulgaria 2.0% '22	EUR	BB+/Baa2	26/3/2022	1,250	1.7	200	159
Bulgaria 2.95% '24	EUR	BB+/Baa2	3/9/2024	1,493	2.4	233	201
Bulgaria 2.62% '27	EUR	BB+/Baa2	26/3/2027	1,000	2.7	254	202
Bulgaria 3.12% '35	EUR	BB+/Baa2	26/3/2035	900	3.7	300	251
Cyprus 4.75% '19	EUR	B+/NA	25/6/2019	566	3.0	344	315
Cyprus 4.62% '20	EUR	B+/B3	3/2/2020	770	3.3	377	340
Cyprus 3.875% '22	EUR	NA/B3	6/5/2022	1,000	3.6	382	340
Cyprus 4.25% '25	EUR	NA/B1	4/11/2025	1,000	4.0	378	343
FYROM 4.875% '20	EUR	BB-/NA	1/12/2020	270	5.0	564	488
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	4.9	569	545
Romania 4.875% '19	EUR	BBB-/Baa3	7/11/2019	1,500	0.7	107	83
Romania 4.62% '20	EUR	BBB-/Baa3	18/9/2020	2,000	0.8	120	89
Romania 3.625% '24	EUR	BBB-/Baa3	24/4/2024	1,250	2.2	228	193
Serbia 5% '24	EUR	BB-/NA	11/4/2024	125	3.8	387	356
Turkey 5.875% '19	EUR	NR/Baa3	2/4/2019	1,250	1.7	213	190
Turkey 4.125% '23	EUR	NR/Baa3	11/4/2023	1,000	3.2	334	297

EUR-Denominated Eurobond Spreads (March 28th 2016)



USD-DENOMINATED SOVEREIGN EUROBOND SUMMARY, MARCH 28TH 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	341	375
Brazil 4.875% '21	USD	BB+/Baa3	22/1/2021	2,988	4.9	357	356
Brazil 8,75% '25	USD	BB+/Baa3	4/2/2025	969	5.9	402	465
China 4.375% '23	USD	AA-/Aa3	2/5/2023	500	3.7	186	222
China 7.5% '27	USD	AA-/Aa3	28/10/2027	100	3.1	120	159
Egypt 5.75% '20	USD	B-/B3	29/4/2020	1,000	5.5	411	421
Egypt 5.875% '25	USD	B-/B3	11/6/2025	1,500	7.4	552	526
Egypt 6.875% '40	USD	B-/B3	30/4/2040	500	8.4	573	545
Romania 4.375% '23	USD	BBB-/Baa3	22/8/2023	1,500	3.4	173	189
Romania 6.125% '44	USD	BBB-/Baa3	22/1/2044	1,000	4.7	205	288
Russia 3.5% '19	USD	BB+/Ba1	16/1/2019	1,500	3.4	233	226
Russia 12.75% '28	USD	BB+/Ba1	24/6/2028	2,500	5.5	362	502
Russia 5.875% '43	USD	BB+/Ba1	16/9/2043	1,500	5.7	303	352
Serbia 4.875% '20	USD	BB-/B1	25/2/2020	1,500	4.5	343	325
Serbia 7.25% '21	USD	BB-/B1	28/9/2021	2,000	4.8	345	362
S. Africa 6.875% '19	USD	BBB-/Baa2	27/5/2019	2,000	3.7	265	268
S. Africa 5.875% '25	USD	BBB-/Baa2	16/9/2025	2,000	5.0	310	335
S. Africa 6.25% '41	USD	BBB-/Baa2	8/3/2041	750	5.7	305	368
Turkey 7% '20	USD	NR/Baa3	5/6/2020	2,000	3.7	236	263
Turkey 7.375% '25	USD	NR/Baa3	5/2/2025	3,250	4.8	289	340
Turkey 11.875% '30	USD	NR/Baa3	15/1/2030	1,500	4.9	304	426
Turkey 8% '34	USD	NR/Baa3	14/2/2034	1,500	5.5	358	401
Turkey 6.75% '41	USD	NR/Baa3	14/1/2041	3,000	5.5	290	350
Ukraine 7.75% '19	USD	B-/Caa3	1/9/2019	1,646	9.9	878	821
Ukraine 7.75% '23	USD	B-/Caa3	1/9/2023	1,330	9.5	781	735

USD-Denominated Eurobond Spreads (March 28th 2016)



STOCK MARKETS PERFORMANCE, MARCH 28TH 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)	50,838	-0.7	22.2	17.3	-0.8	37,046	51,370	25.0	-13.3	-35.3	-2.9	-2.0
Bulgaria (SOFIX)	444	-0.7	-0.4	-3.6	-13.0	441	462	-3.6	-11.7	-11.7	6.2	6.2
China (SHCOMP)	2,958	-2.0	6.9	-17.2	-21.9	2,638	3,539	-19.4	9.4	16.5	52.9	69.5
Cyprus (CSE GI)	68	-1.0	0.6	0.0	-15.0	64	70	0.0	-20.9	-20.9	-17.0	-17.0
Egypt (HERMES)	682	1.8	23.2	8.3	-17.1	521	681	8.3	-24.4	-25.7	23.5	36.6
F.Y.R.O.M (MBI)	1,780	-0.6	-0.8	-2.9	0.8	1,775	1,842	-2.9	-0.6	-0.6	6.1	6.1
India (SENSEX)	24,966	-1.3	7.8	-3.8	-10.8	22,495	29,095	-6.3	-5.0	0.7	29.9	44.7
Romania (BET-BK)	1,267	0.0	2.7	-5.5	-4.1	1,171	1,329	-4.1	2.6	1.6	3.7	3.5
Russia (RTS)	4,133	-3.3	2.6	4.4	13.2	3,509	4,326	8.9	30.3	9.5	-6.9	-37.4
Serbia (BELEX-15)	605	-0.5	2.5	-4.2	-8.8	570	637	-5.0	-3.4	-3.5	19.5	12.8
South Africa (FTSE/JSE)	52,324	-2.8	5.9	3.0	-0.3	45,976	53,827	1.3	1.9	-15.1	7.6	10.9
Turkey (ISE 100)	81,345	-2.5	8.6	11.1	-1.0	68,230	83,524	10.7	-16.3	-25.4	26.4	32.0
Ukraine (PFTS)	225	-9.7	-6.4	-6.6	-45.8	222	256	-17.1	-37.8	-54.8	28.7	-24.2
MSCI EMF	813	-1.9	9.9	2.7	-16.1	687	831	0.3	-17.0	-7.5	-4.6	8.2
MSCI EAFE	1,632	-1.3	4.7	-5.6	-12.8	1,492	1,716	-7.8	-3.3	7.7	-7.3	5.8
Greece (ASE-General)	557	2.8	9.8	-8.8	-27.9	421	627	-8.8	-23.6	-23.6	-28.9	-28.9
Germany (XETRA DAX)	9,851	-1.0	3.6	-8.3	-18.5	8,699	10,486	-8.3	-4.9	-4.9	2.7	2.7
UK (FTSE-100)	6,106	-1.3	0.2	-2.7	-11.4	5,500	6,242	-9.1	-4.9	0.1	-2.7	4.1
Japan (NIKKEI-225)	17,134	2.4	5.8	-10.0	-11.7	14,866	18,951	-6.6	9.1	20.2	7.1	7.0
USA (DJ INDUSTRIALS)	17,535	-0.5	5.4	-0.4	-2.5	15,370	18,351	-2.7	-2.2	9.3	7.5	22.2
USA (S&P 500)	2,037	-0.7	4.6	-1.3	-2.4	1,810	2,135	-3.6	-0.7	10.9	11.4	26.6

Equity Indices (March 28th 2016)