South Eastern Europe and Mediterranean Emerging Market Economies

Weekly Report

24 – 30 May 2016

NBG - Economic Analysis Division

Paul Mylonas, ***NBG Group Chief Economist***
☎ : +30 210 33 41 521
✉ : pmylonas@nbg.gr

Emerging Markets Research

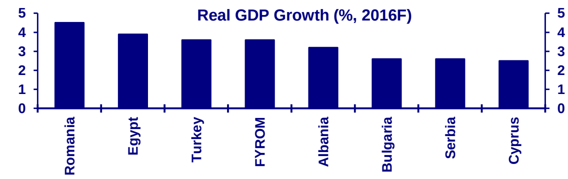
Head: **Michael Loufir**
☎ : +30 210 33 41 211
✉ : mloufir@nbg.gr

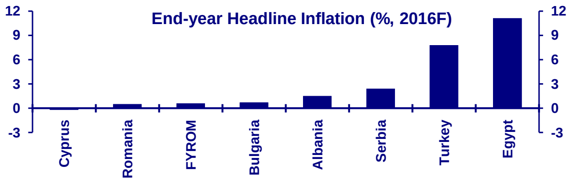
Analysts:

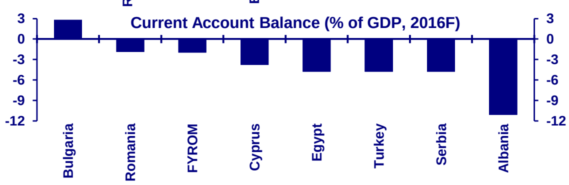
Evlabia Fetsi
☎ : +30 210 33 41 667
✉ : efetsi@nbg.gr

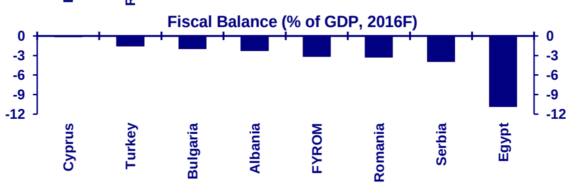
Konstantinos Romanos-Louizos
☎ : +30 210 33 41 225
✉ : romanos.louizos.k@nbg.gr

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









TURKEY 1

Banking sector bottom line improves significantly in Q1:16, despite continued tight macro-prudential measures and persistent funding cost pressures

ROMANIA 2

Current account deficit rises to 2.4% of GDP on a 4-quarter rolling basis in Q1:16 from 1.1% Q4:15, mainly due to higher income outflows

BULGARIA 3

A better trade performance and lower income outflows push up the current account surplus to 1.6% of GDP on a 4-quarter rolling basis in Q1:16 from 1.4% in Q4:15

SERBIA 4

External rebalancing continues in Q1:16, with the 12-month rolling deficit declining to 4% of GDP, supported by favourable energy prices and buoyant exports

FYROM 5

General elections unlikely to take place before December

Fiscal performance improves in 4M:16, with the 12-month rolling budget deficit narrowing to 3.2% of GDP from 3.5% at end-2015

ALBANIA 6

IMF Executive Board approves the 7th review of Albania's Extended-Fund Facility

Customer deposit growth (FX-adjusted) moderates slightly in Q1:16 (up 1.5% y-o-y) compared with 2.1% at end-2015

Credit growth, adjusted for large write-offs and FX variations, is estimated to have posted robust growth of c. 3.0% in Q1:15

CYPRUS 7

Tourist arrivals rise sharply in November-April, mainly due to heightening security concerns in neighbouring competitors -- Turkey and Egypt

Tourist receipts strengthen in November-February, but at a slower pace than arrivals

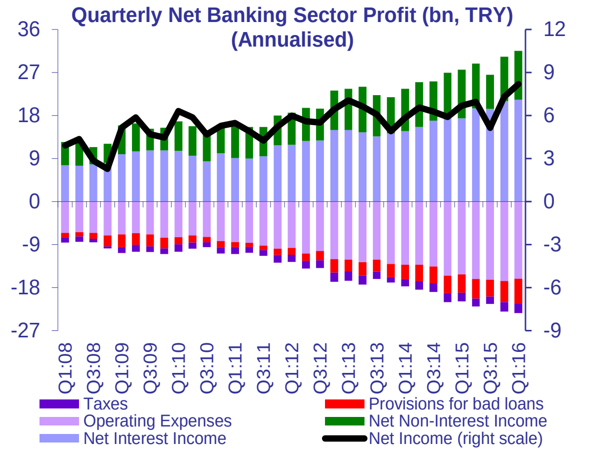
EGYPT 8

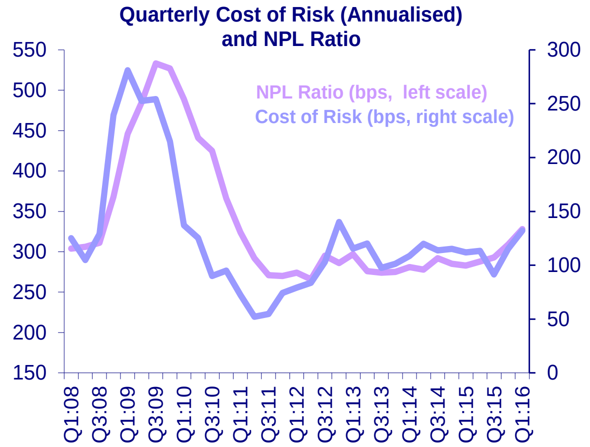
Real GDP growth moderated to 3.5% y-o-y in H1:15/16 (July-December 2015) from a multi-year high of 4.8% a year earlier

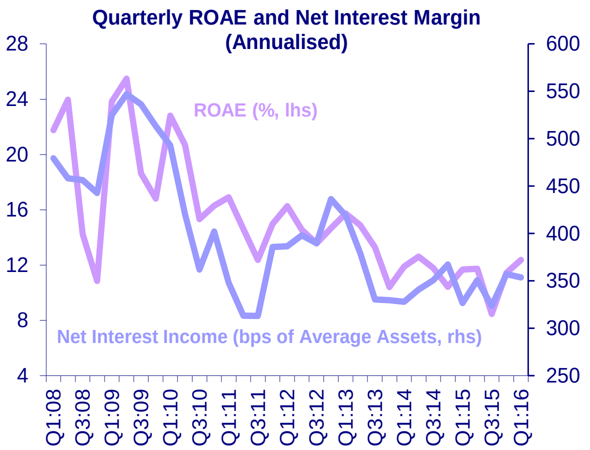
APPENDIX: FINANCIAL MARKETS 9

Turkey

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







	30 May	3-M F	6-M F	12-M F
1-m TRIBOR (%)	10.1	10.5	10.2	9.8
TRY/EUR	3.29	3.35	3.32	3.30
Sov. Spread (2019, bps)	206	212	190	170

	30 May	1-W %	YTD %	2-Y %
ISE 100	78,535	2.3	7.3	-1.0

	2013	2014	2015	2016F	2017F
Real GDP Growth (%)	4.2	3.0	4.0	3.6	3.8
Inflation (eop, %)	7.4	8.2	8.8	7.8	7.0
Cur. Acct. Bal. (% GDP)	-7.7	-5.5	-4.5	-4.8	-5.2
Fiscal Bal. (% GDP)	-1.2	-1.3	-1.2	-1.6	-1.2

Banking sector bottom line improved significantly in Q1:16, despite continued tight macro-prudential measures and persistent funding cost pressures. Banking sector net profit (after tax) rose by 22.6% y-o-y to an all-time high of TRY 8.2bn in Q1:16 (EUR 2.5bn or 0.4% of projected 2016 GDP), as the increase in pre-provision earnings before tax (contributing 35.6 pps to net income growth) largely offset that in provisions for NPLs (shaving 15.9 pps off net income growth). As a result, (annualised) ROAA and ROAE rose to 1.4% and 12.4%, respectively, in Q1:16 from 1.3% and 11.7% in the same quarter a year ago. Note that in terms of profitability, state banks continued to outperform private banks in Q1:16 (with respective net profits rising by 31.4% and 17.5% y-o-y to TRY 3.2bn and TRY 5.0bn). Within private banks, following the BRSA's reclassification of Garanti Bank from domestic to foreign in late 2015 (as BBVA became the controlling shareholder), the bottom line in domestic private banks declined by 11.0% y-o-y to TRY 3.0bn, while that in foreign banks rose sharply by 126.6% y-o-y to TRY 2.0bn.

Pre-provision earnings (before tax) posted strong growth in Q1:16, mainly on the back of a significant increase in net interest income (NII). The improvement in NII in Q1:16 (up 22.5% y-o-y) was driven by both average assets (up 13.1% y-o-y) and the net interest margin (over average assets, up by 27 bps y-o-y to 354 bps annualised, supported by an upward repricing of loans and, to a smaller extent, a lower cost of swap funding). Note that the rise in average gross loans was even sharper (up 14.8% y-o-y), despite continued tight macro-prudential measures by the CBRT and the BRSA, aimed at holding back the current account deficit and stabilizing the exchange rate.

Net non-interest income (NNII) remained broadly unchanged on an annual basis in Q1:16, as an increase in losses from securities trading was compensated by a rise in gains from foreign currency trading and higher fees and commissions.

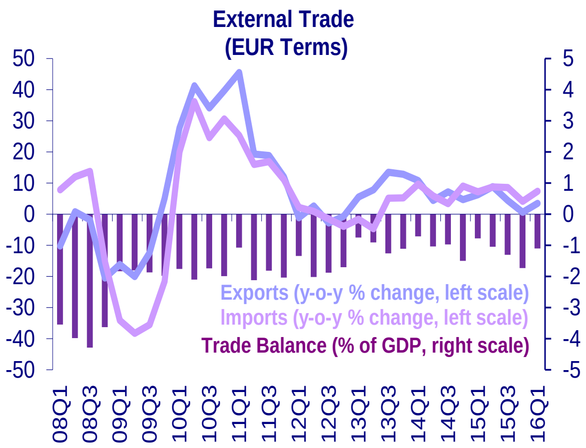
The strong performance of pre-provision earnings in Q1:16 was also supported by a milder increase in operating expenses (up by a 7-quarter low of 5.8% y-o-y), mainly due to a sharp decline in general provisions (down 57.2% y-o-y). The latter reflects perceptions of a better operating environment this year following the end of a long election cycle at end-2015. As a result, banking sector efficiency improved significantly, with the cost-to-income ratio easing by 7.0 pps y-o-y to a 24-quarter low of 45.6% in Q1:16.

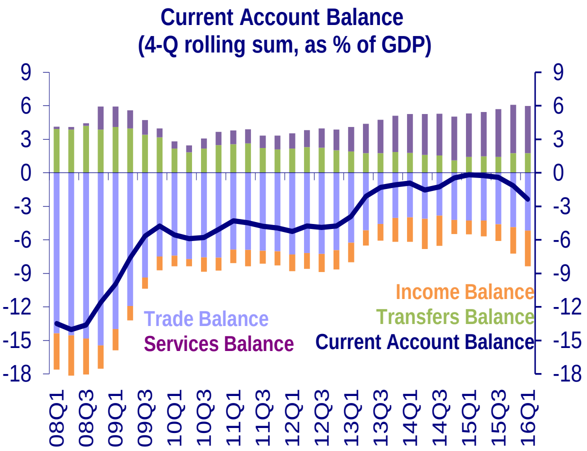
Provisions for NPLs rose significantly in Q1:16, bringing the coverage ratio to a more comfortable level. P/L specific provisions rose by a 6-quarter high of 35.7% y-o-y in Q1:16, as the NPL ratio increased by 45 bps y-o-y to a 5-year high of 3.3% -- still comparing favourably with the CEEMEA and EU-27 averages of 8.0% and 9.9%, respectively. Note that the increase in the NPL ratio in Q1:16 was largely driven by the retail segment, which has borne the brunt of the recent changes in regulations. Indeed, non-performing retail loans increased by 40.7% y-o-y compared with a moderate rise of 6.6% in overall retail loans, resulting in a pick-up in the non-performing retail loan ratio by 102 bps y-o-y to 4.4%. On the other hand, non-performing corporate loans increased by 27.3% y-o-y compared with a rise of 17.9% in overall corporate loans, bringing the non-performing corporate loan ratio up to 2.7%.in Q1:16 from 2.5% a year earlier.

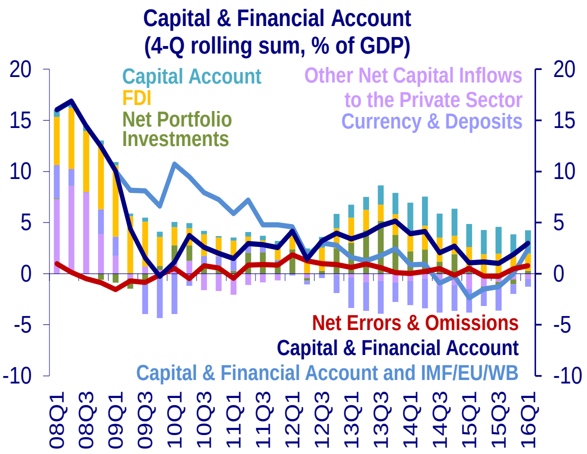
The increase in P/L specific provisions for NPLs improved the NPL coverage ratio – up 215 bps y-o-y to a 9-quarter high of 75.2% in Q1:16. However, with P/L specific provisions rising at a faster pace than gross loans, the cost of risk soared by 20 bps y-o-y to a 14-quarter high of 132 bps in Q1:16.

Romania

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







	30 May	3-M F	6-M F	12-M F
1-m ROBOR (%)	0.6	0.9	1.2	1.5
RON/EUR	4.50	4.48	4.49	4.50
Sov. Spread (2024, bps)	229	210	180	150

	30 May	1-W %	YTD %	2-Y %
BET-BK	1,172	0.3	-12.6	-4.3

	2013	2014	2015	2016F	2017F
Real GDP Growth (%)	3.5	3.0	3.8	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 current account deficit (CAD) rose to 2.4% of GDP on a 4-quarter rolling basis in Q1:16 from 1.1% at end-2015, mainly due to higher income outflows. The current account shifted to a deficit of 0.9% of GDP in Q1:16 from a surplus of 0.3% in Q1:15. The main factor behind this deterioration was the income deficit, which widened markedly in Q1:16 (by 0.8 pps y-o-y to 1.1% of GDP), mainly due to base effects from deferred EU subsidies and, to a lesser extent, higher profit outflows, which were, however, largely reinvested in the country (see below). Moreover, the trade deficit widened in Q1:16 (by 0.3 pps y-o-y to 1.1% of GDP), in line with stronger domestic demand. Indeed, massive tax cuts (the VAT rate on food and non-food items was reduced by 15.0 pps (to 9.0%) and 4.0 pps (to 20.0%), respectively, in June 2015 and January 2016), together with a looser incomes policy (a broad-based 10.0% hike in public sector wages at end-2015 was followed by a 5.0% rise in pensions and targeted increases in wages in the broader public sector and social benefits in January), have boosted private consumption.

FX reserves remain under pressure in Q1:16, mainly due to continued capital outflows from the banking system. Capital outflows from the banking system continued in Q1:16, albeit at a slower pace (reaching 1.0% of GDP against 1.3% in Q1:15), due to the placement of deposits abroad by domestic banks and deleveraging from foreign banks. Moreover, net lending to the non-financial private sector remained weak in Q1:16 (with net repayments of 0.5% of GDP, broadly unchanged compared with Q1:15), suggesting that corporates' access to external financing remains constrained. On the other hand, net portfolio investments increased, but this was due to base effects (inflows reached 0.2% of GDP in Q1:16 against outflows of 0.5% in Q1:15, with the latter including net sovereign debt repayments worth 0.8% of GDP). Note that net FDI inflows remained unchanged compared with the previous year (at 0.5% of GDP in Q1:16), but the structure of flows has changed, with higher reinvested earnings and equity investments compensating for the drop in intercompany lending. All said, the overall balance (excluding debt repayments to the IMF/EU) improved (by 0.5 pps y-o-y), but remained in deficit (0.4% of GDP in Q1:16). As a result, FX reserves declined to EUR 31.3bn in Q1:16 from EUR 32.2bn at end-2015.

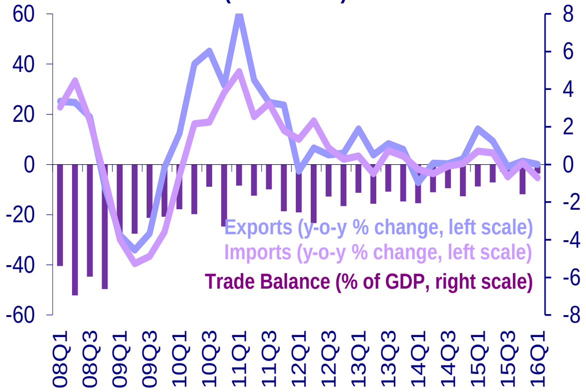
The CAD is set to widen markedly to 1.9% of GDP in FY:16 from 1.1% in FY:15, in line with stronger domestic demand. Pressures on the trade deficit should increase during the remainder of the year, in view of a further build-up in domestic demand, on the back, *inter alia*, of a sizeable fiscal stimulus (1.0 pp of GDP y-o-y in Q2-4:16). Note that Romania, a small net importer of energy, will benefit only marginally from the decline in global fuel prices this year. The deterioration in the trade deficit should be offset, however, by the improvement in the income deficit, on the back of strong base effects.

Importantly, with virtually no debt repayments to IFIs in FY:16 (just 0.1% of GDP against 1.9% in FY:15), filling the external financing gap should not be a problem. According to our baseline scenario, projecting that: i) net FDI inflows remain broadly unchanged compared with FY:15 (at 1.9% of GDP); ii) the rollover of maturing sovereign external debt (1.9% of GDP) contains net portfolio investments close to zero for a second consecutive year in FY:16; and iii) the maturing private external debt rollover rate remains at FY:15 levels (c. 85%), we foresee FX reserves declining slightly by EUR 0.3bn to a still comfortable level of EUR 31.9bn at end-2016 (covering more than 5 months of GNFS imports and 170% of short-term external debt excluding trade credits).

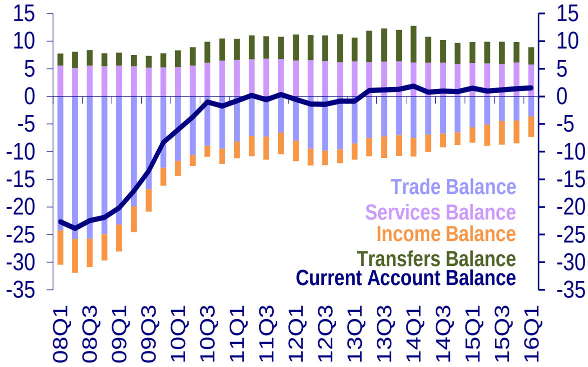
Bulgaria

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

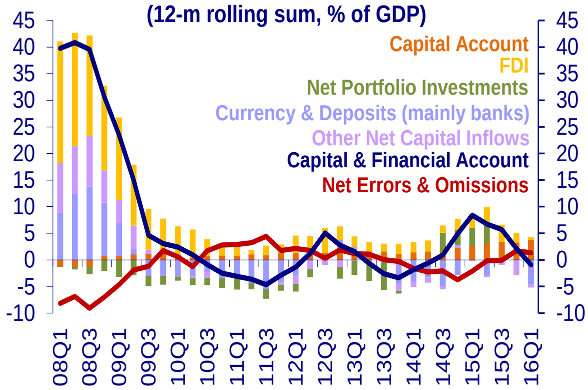
External Trade (EUR Terms)



Current Account Balance (4-Q rolling sum, as % of GDP)



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



	30 May	3-M F	6-M F	12-M F
1-m SOFIBOR (%)	0.0	0.1	0.1	0.1
BGN/EUR	1.96	1.96	1.96	1.96
Sov. Spread (2017, bps)	200	180	160	130

	30 May	1-W %	YTD %	2-Y %
SOFIX	441	0.4	-4.3	-27.1

	2013	2014	2015	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	2.8	2.1
Fiscal Bal. (% GDP)	-1.8	-3.7	-2.9	-2.0	-1.5

A better trade performance and lower income outflows push up the current account surplus (CAS) to 1.6% of GDP on a 4-quarter rolling basis in Q1:16 from 1.4% at end-2015. The CAS strengthened by 0.2 pps y-o-y to 0.4% of GDP in Q1:16. Specifically, the trade deficit narrowed sharply in Q1:16 (by 0.7 pps y-o-y to 0.5% of GDP), reflecting the sharp decline in global oil prices (the energy trade deficit narrowed by an estimated 0.4 pps of GDP y-o-y in Q1:16) and; ii) gains in competitiveness (see below). Similarly, following its sharp deterioration in FY:15, the income deficit narrowed in Q1:16 (by 0.4 pps y-o-y to 0.5% of GDP), on the back of lower profit and dividend outflows. These favourable developments were partly offset, however, by (temporarily) lower transfers from the EU (down 0.6 pps y-o-y to 0.6% of GDP in Q1:16), and the narrowing of the services surplus (by 0.3 pps y-o-y to 0.3% of GDP in Q1:16), due to lower exports of manufacturing and business-related services.

Eurobond proceeds and higher capital transfers keep the capital and financial account "in the black" in Q1:16. Continued sovereign debt issuance in international capital markets kept portfolio investments markedly high in Q1:16 (at 2.4% of GDP against 2.5% in Q1:15, including net Eurobond proceeds worth 4.4% and 4.8% of GDP, respectively). At the same time, the capital account improved (to 1.2% of GDP in Q1:16 from 0.7% in Q1:15), due to delayed refunds from the EU for expenses incurred at end-2015.

Nevertheless, the financing picture for the private sector was less favourable. Indeed, capital outflows from the banking system resumed in Q1:16 (reaching 3.0% of GDP against inflows of 1.9% in Q1:15), largely due to the placement of deposits abroad by domestic banks. Note that, following strong deposit growth in recent years, domestic banks had placed a significant part of their excess liquidity abroad (the banking system's loan-to-deposit ratio currently stands at 82.5%, down from its peak of c. 150% at end-2008). Moreover, net lending to the non-financial private sector remained weak in Q1:16 (with net repayments of 0.1% of GDP against inflows of 1.0% in Q1:15), suggesting that corporates' access to external financing remains constrained. Worryingly, net FDI inflows plunged in Q1:16 (to 0.8% of GDP from 1.3% in Q1:15), mainly on the back of lower intercompany lending. All said, the overall balance deteriorated markedly (by 2.8 pps y-o-y), but remained in surplus (2.0% of GDP in Q1:16), with FX reserves rising to EUR 20.0bn in Q1:16 from EUR 19.9bn at end-2015.

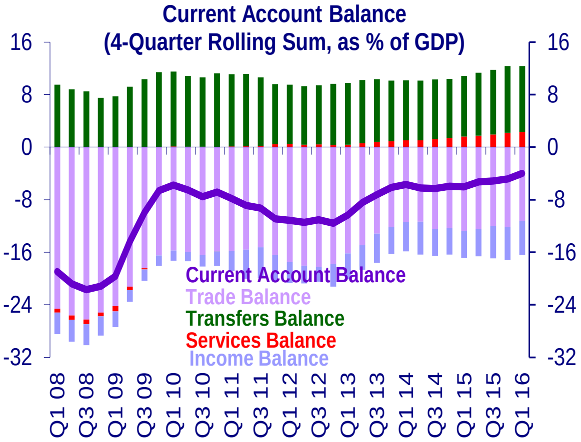
Bulgaria is set to remain the best performer in the region in FY:16, with the CAS widening to 2.8% of GDP. Amid relatively weak domestic demand, the trade deficit should decline further in FY:16, reflecting: i) favourable global oil prices (the energy trade balance is projected to narrow by c. 0.4 pps of GDP in Q2-4:16, assuming an average Brent price of EUR 44/bbl); and ii) improving competitiveness (real GDP per employee has risen by 7% since end-2011, while the BGN has remained broadly stable in real terms during the same period). At the same time, lower profit and dividend outflows and the recovery in tourism activity should support the current account.

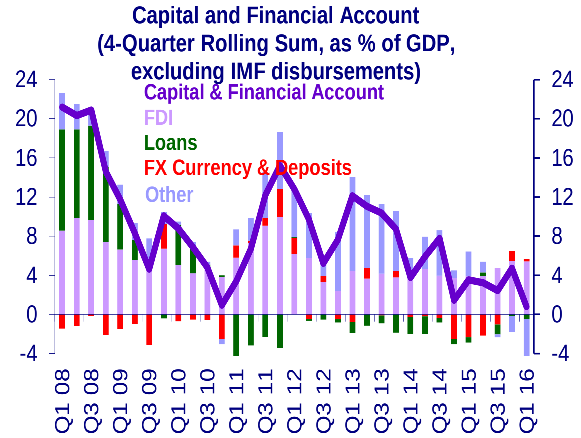
Filling the external financing gap should not be a problem, in view of lower external debt payments (18% of GDP in FY:16 against 24% in FY:15). Projecting that: i) FDI inflows moderate in FY:16 (to 2.8% of GDP from 3.4% in FY:15); ii) portfolio investment increases (to 2.0% of GDP in FY:16 from 1.3% in FY:15); and iii) the maturing debt rollover rate returns to more normal levels (90% in FY:16 against 105% in FY:15), we see FX reserves rising further by EUR 3.0bn to a high of EUR 22.0bn at end-2016 (covering c. 11 months of GNFS imports and 300% of short-term external debt excluding trade credits).

24 – 30 May 2016

Serbia

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





External Financing (EUR bn)	2014	2015	2016F
Financing Needs	5.6	5.1	4.8
Current Account Deficit	2.0	1.6	1.6
Amortisations + Other	3.6	3.5	3.2
Financing Sources	4.9	5.7	4.9
FDI	1.2	1.8	1.8
Loans & Other	3.7	3.9	3.1
External Financing Balance	-0.7	0.6	0.1
IMF	-0.6	-0.1	0.0*
Change in FX Reserves	-1.3	0.5	0.1

* Assuming no disbursements from the IMF

	30 May	3-M F	6-M F	12-M F
1-m BELIBOR (%)	3.1	3.2	3.4	3.8
RSD/EUR	123.0	123.2	124.0	125.0
Sov. Spread (2021, bps)	292	250	220	180

	30 May	1-W %	YTD %	2-Y %
BELEX-15	612	-1.5	-3.0	4.4

	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	-3.8	-4.0	-3.0

External rebalancing continued in Q1:16, with the 12-month rolling deficit declining to 4% of GDP, supported by favourable energy prices and buoyant exports. The current account deficit (CAD) improved markedly in Q1:16, reaching 0.7% of GDP -- less than half of its Q1:15 level (1.6%). The improvement was almost exclusively supported by a smaller trade deficit (by 0.9 pps y-o-y to 2.2% of GDP in Q1:16), driven by both the strong rebound in exports and a slowdown in energy imports. In fact, energy imports (accounting for c. 10.0% of total imports) declined by 31.1% y-o-y, in EUR terms, in Q1:16, due to falling global oil prices (by 35.2% y-o-y, in EUR terms, in Q1:16), shaving an estimated 0.5 pps of GDP off the CAD in Q1:16. Non-energy imports, however, grew by a robust 7.6% y-o-y in Q1:16, mainly on the back of large intermediate imports (contributing a sizeable 10.2 pps to total non-energy import growth), mainly reflecting investment-related imports. The narrowing trade deficit was also supported by the strong acceleration in exports (up 13.4% y-o-y in Q1:16 against a rise of 6.6% in FY:15), largely driven by strong: i) chemical exports (increasing by 38.0% y-o-y and contributing 1.8 pps to export growth in Q1:16); and ii) vehicle and electrical equipment exports (increasing by 17.1% y-o-y and contributing 3.4 pps to export growth in Q1:16). As a result, the 4-quarter rolling current account deficit (CAD) narrowed further, to a 14-year low of 4.0% of GDP in Q1:16 from 4.8% at end-2015.

The capital and financial account (CFA) deteriorated significantly in Q1:16. The CFA balance turned into a deficit of 2.2% of GDP in Q1:16 from a surplus of 1.7% in Q1:15. The CFA deterioration was due to large portfolio outflows (amounting to 1.1% of GDP in Q1:16) against robust inflows (of 1.4% of GDP in Q1:15), that reflected the return of confidence following the approval of a new (precautionary) SBA with the IMF at end-February 2015. Portfolio outflows were also exacerbated by declining T-bill yields (interest rate on 12-month T-bills fell by 436 bps y-o-y to a record low of 4.1% in Q1:16 from 5.9% in FY:15) along with RSD depreciation (by 2.1% y-o-y against the EUR on average in Q1:16). As a result, the overall balance was negative in Q1:16 (-2.5% of GDP), and fully financed through a drawdown in FX reserves corresponding to (EUR 0.9bn). Nevertheless, the stock of FX reserves remained at the comfortable level of EUR 9.5bn (covering 6.0 months of GNFS imports, down from 6.6 months in FY:15).

The CAD is set to continue on a downward trend until end-H1:16, assisted by favourable international oil prices. The CAD is set to continue to decline in Q2:16, due to favourable global oil prices (an expected sharp decline by 28.0% y-o-y, to EUR 42.0/bbl, in Q2:16).

The CAD is set to widen in H2:16, due to less favourable global oil prices (we expect a rise of 3.5% y-o-y in EUR terms in H2:16), a rebound in imports due to the recovery in consumption, as well as the moderation in exports (reflecting a base effect from their surge in H2:15, supported by the restoration of production and transportation, after a sharp flood-induced decline in 2014). Overall, for FY:16, the CAD is set to remain broadly flat at 4.8% of GDP.

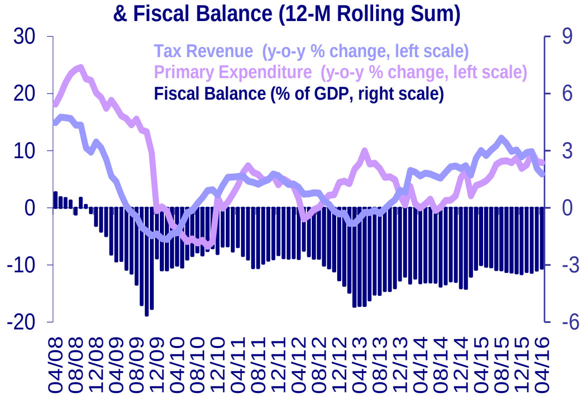
Financing the CAD should not be a problem in 2016. In fact, in the absence of debt repayments to the IMF, and projecting that: i) FDI inflows moderate to a still robust 5.3% of GDP (from 5.5% in FY:15); and ii) the blended rollover ratio of maturing external debt eases to 100% (from 110% in FY:15), we see FX reserves strengthening by EUR 0.1bn y-o-y to EUR 10.5bn (covering 6.4 months of GNFS imports), following an increase of EUR 0.5bn y-o-y in FY:15. The envisaged issuance of a EUR 1bn Eurobond or the expected EUR 750mn loan from the UAE would strengthen further FX reserves this year. Recall that the UAE had provided EUR 750mn loan in 2014.

F.Y.R.O.M.

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

Consolidated Fiscal Balance (% of GDP)	2015	4M:15	4M:16	2016 Budget	NBG 2016 Forecast
Revenue	28.8	9.3	9.3	29.6	29.0
Tax Revenue	25.2	8.3	8.2	25.2	25.2
Personal Inc.	2.3	0.7	0.7	2.3	2.3
Corporate Inc.	2.2	1.1	0.7	1.8	1.8
VAT	7.4	2.3	2.6	8.0	8.0
Excises	3.5	1.1	1.1	3.4	3.4
Import Duties	0.8	0.2	0.3	0.9	0.9
Other Taxes	0.4	0.2	0.2	0.6	0.6
Soc. Contrib.	8.6	2.7	2.6	8.2	8.2
Non-Tax revenue	3.6	1.0	1.0	4.4	3.8
Expenditure	32.2	10.4	10.1	32.8	32.2
Cur. Expenditure	28.9	9.4	9.4	28.5	28.5
Personnel	4.4	1.4	1.4	4.3	4.3
G. & Services	3.2	1.0	0.8	3.3	3.3
Transfers	20.1	6.7	6.9	19.9	19.9
Int.Payments	1.2	0.3	0.3	1.0	1.0
Capital Expend.	3.3	1.0	0.7	4.3	3.7
Fiscal Balance	-3.5	-1.1	-0.8	-3.2	-3.2
Primary Balance	-2.3	-0.8	-0.6	-2.2	-2.2

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



	30 May	3-M F	6-M F	12-M F
1-m SKIBOR (%)	1.7	1.7	1.7	1.7
MKD/EUR	61.3	61.3	61.3	61.3
Sov. Spread (2021. bps)	546	520	450	350

	30 May	1-W %	YTD %	2-Y %
MBI 100	1.728	-0.5	-5.8	-1.8

	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

General elections unlikely to take place before December. The domestic political crisis deepened, with the removal by the VMRO-DPNE and DUI of the members of the main opposition party, SDSM, from the interim Government, formed to prepare for the June 5th elections, which have now been postponed. Recall that in line with the terms of the July 2015 EU-mediated Przino agreement, PM Gruevski stepped down and an interim Government, including the SDSM, was formed in early-2016 ahead of elections.

Encouragingly, the ruling coalition Government, including VMRO-DPMNE and DUI, has suggested to the SDSM: i) the date of elections will be suggested by the SDSM; and ii) another interim coalition Government, including the SDSM, could be formed 100 days before this date. In our view, despite this positive development, the elections are unlikely to take place before December, even if the stumbling blocks for holding elections are removed. The obstacles are: i) the non-fulfillment of two conditions, stipulated in the Przino agreement, for ensuring fair elections (media reform and the conduct of a thorough review of the electoral roll); and ii) President Ivanov's decision in the past month to pardon 56 officials, including prominent politicians, who had been prosecuted over their involvement in a wiretapping scandal. Under persistent international pressure, especially from the EU, all the demands of the opposition should be met soon, paving the way for the holding of the elections in December.

The fiscal performance improved in 4M:16, with the 12-month rolling budget deficit narrowing to 3.2% of GDP from 3.5% at end-2015. The fiscal deficit narrowed by 0.3 pps y-o-y to 0.8% of GDP in 4M:16, following a decline of 0.7 pps y-o-y in FY:15. The improvement was exclusively driven by a significant decline in capital expenditure (down by 0.3 pps of GDP y-o-y), reflecting under-execution of the public investment programme. As a result, the 12-month rolling fiscal deficit eased to a 10-month low of 3.2% of GDP in April from 3.5% in December 2015, in line with the FY:16 target (3.2%).

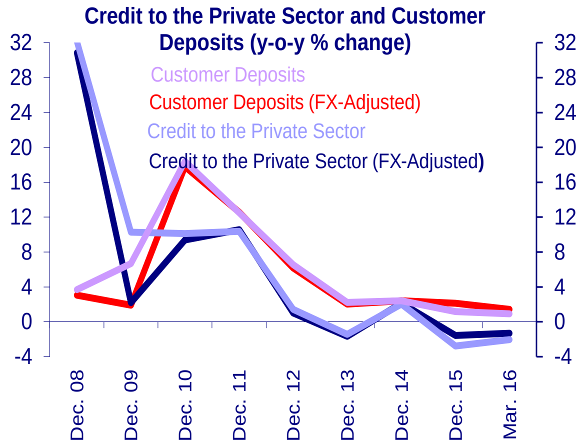
Meeting the 2016 Budget deficit target of 3.2% of GDP will require expenditure restraint. The 2016 budget envisages further fiscal consolidation, targeting a fiscal deficit of 3.2% of GDP -- 0.3 pps below the FY:15 outcome. The 2016 budget projects revenue and expenditure growth rates at 10.0% and 8.7%, respectively, compared with the 2015 outcome.

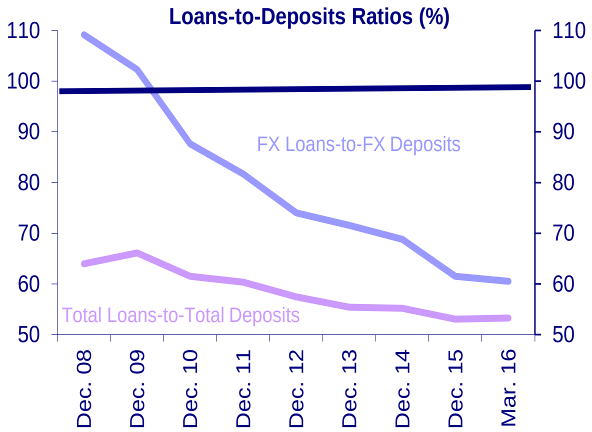
In our view, these targets are overly optimistic. Specifically, though the tax revenue growth target (7.0%) is broadly in line with our nominal GDP growth, the non-tax revenue target of 30.4% appears unattainable in view of a historical average rise of 0.5% and the FY:15 surge of 22.6%. Overall, we expect non-tax revenue to underperform significantly its FY:16 target growth of 30.4% by c. 20.0 pps.

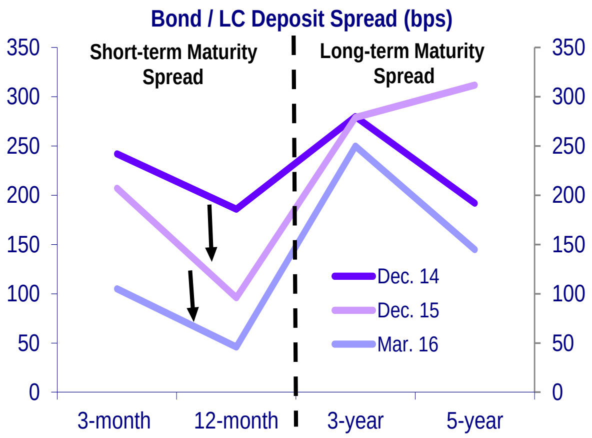
The revenue shortfall (estimated at 0.6 pps of GDP) should, however, be offset by expenditure restraint, via a supplementary budget, likely to occur in September, as happened in previous years. Overall, expenditure growth should be contained at 6.5% at most, compared with the FY:16 target of 8.7%. We expect spending cuts to come mainly from continued under-execution of capital expenditure, despite the country's high infrastructure needs. Specifically, FY:16 capital expenditure growth should be contained to 17% y-o-y -- 20.0 pps below its target, but still double the 2010-15 average of 6.0%. Overall, in view of the authorities' track record and barring significant negative spillovers from the ongoing political crisis on budget revenue, interest payments and discretionary expenditure, 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.

Albania

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







	30 May	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	1.7	2.2	2.2	2.2
ALL/EUR	138.0	139.2	138.2	139.0
Sov. Spread (bps)	473	500	450	400

	30 May	1-W %	YTD %	2-Y %
Stock Market	- - -	- - -	- - -	- - -

	2013	2014	2015	2016F	2017F
Real GDP Growth (%)	1.1	2.0	2.6	3.2	3.6
Inflation (eop, %)	1.9	0.7	2.0	1.5	2.0
Cur. Acct. Bal. (% GDP)	-10.9	-12.8	-11.2	-12.2	-12.0
Fiscal Bal. (% GDP)	-5.0	-5.2	-3.6	-2.3	-2.0

The IMF Executive Board approves the 7th review of Albania's Extended-Fund Facility (EFF). The completion of the review enabled the disbursement of EUR 36.1mn (0.3% of GDP), bringing total disbursements to EUR 263.7mn since the approval of the 36-month EUR 330.9mn EFF two years ago.

The IMF Board praised the authorities for their strong commitment to the programme, the implementation of difficult structural and fiscal reforms (including significant reforms in the electricity sector) as well as the impressive progress in arrears clearance. The authorities were also commended for their intention to continue fiscal consolidation through broadening the tax base, and to tackle fiscal risks through the strengthening of the budgetary framework and public investment management. Nevertheless, the IMF stressed the need to speed up reforms required to improve the business environment (by focusing on judicial reform, strengthening property rights and improving infrastructure and education), and tackle NPLs to revive credit (by approving the Bankruptcy Law and the Private Bailiffs Law).

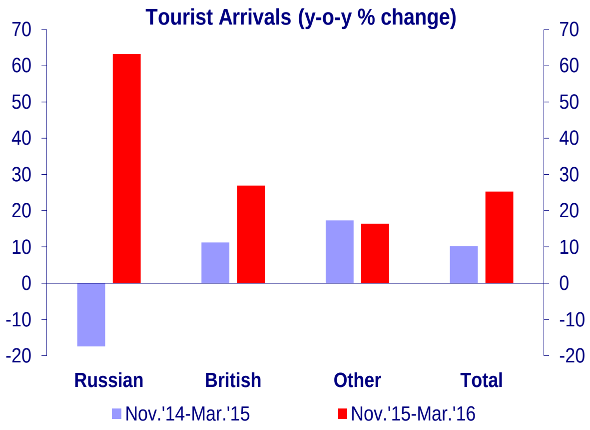
Customer deposit growth (FX-adjusted) moderated slightly in Q1:16 (up 1.5% y-o-y) compared with 2.1% at end-2015. The weakening in (FX adjusted) overall deposits in Q1:16 was driven by the slowdown in LC deposits (in both the retail and corporate segments), while the FC component growth remained broadly unchanged (in both segments). In fact, LC retail deposits (accounting for 44.0% of total deposits) declined by 3.7% y-o-y in Q1:16 against a drop of 2.9% at end-2015, driven by the withdrawal of term deposits (accounting for 74.9% of LC retail deposits). This reflects households' continued preference to invest in higher-yielding domestic debt. Indeed, the interest-rate differential is still high, especially in longer-term bonds, with the difference between the 3-year bond rate and the 3-year deposit interest rate at 2.3 pps in Q1:16. On the other hand, LC corporate deposit growth turned negative for the first time since 2011, down by 1.0% y-o-y in Q1:16 against a robust rise of 4.6% at end-2015, due to the completion of the clearance of government arrears (following the disbursement of ALL 7.4bn in Q1:15, or 7.1% of corporate deposits).

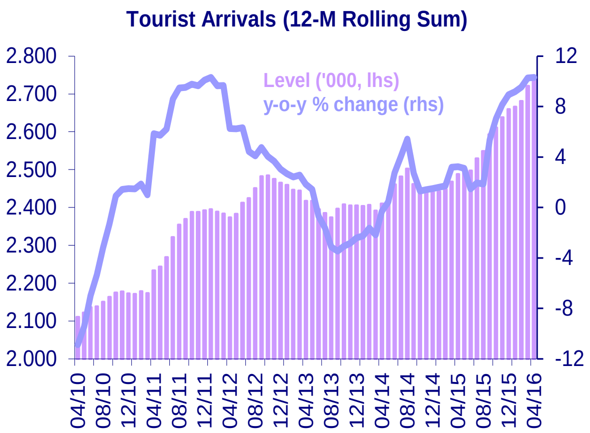
Credit growth, adjusted for large write-offs and FX variations, is estimated to have posted robust growth of c. 3.0% in Q1:15. Adjusted for only FX variations, the loan book declined for a third successive quarter in Q1:16 (down 1.3% y-o-y against -1.6% at end-2015 and -2.0% at end-Q3:15). The decline was mainly driven by loan write-offs, amounting to an estimated ALL 27bn in 2015 (5.3% of the end-2015 stock of loans), especially due to the compulsory write-off of loans held in "loss" category for more than 3 years in 2015, and further write-offs in Q1:16. Excluding this once-off, credit growth is estimated to have remained positive, at 3.2% y-o-y in Q1:16, broadly unchanged from 3.0% at end-2015 (FX adjusted).

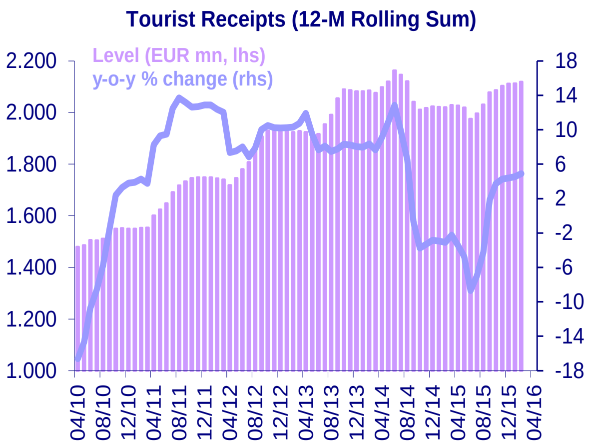
Credit growth, adjusted for write-offs and FX variations, is set to maintain momentum this year (up c. 3.0%). The loan book, adjusted for FX variations, is set to post a positive growth at end-2016 (c. 1.0% at end-2016) after having receded by 1.6% a year earlier. The pick-up in credit is set to be supported by the relatively low interest rates, ample liquidity, reduced Government financing needs following the Eurobond issuance in Q4:15, the increase in loan demand, in line with the recovery in activity, as well as the easing of credit standards by banks, on the back of the ongoing improvement in asset quality. The latter should be underpinned further by the BoA's expected resolution plan for large borrowers, and the review of the bankruptcy framework (aiming to facilitate collateral execution and out-of-court restructuring). Adjusted for large, albeit declining, write-offs, credit growth is set to gather steam, ending the year at c. 3.0%.

Cyprus

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







	30 May	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.35	-0.35	-0.35	-0.35
EUR/USD	1.11	1.08	1.06	1.05
Sov. Spread (2020. bps)	360	300	260	250

	30 May	1-W %	YTD %	2-Y %
CSE Index	67	-1.2	-0.4	-36.1

	2013	2014	2015E	2016F	2017F
Real GDP Growth (%)	-5.9	-2.5	1.6	2.5	2.6
Inflation (eop. %)	-2.3	-1.5	-1.2	-0.2	1.0
Cur. Acct. Bal. (% GDP)	-4.5	-4.6	-3.6	-3.8	-4.2
Fiscal Bal. (% GDP)	-4.7	-0.3	0.0	-0.2	0.2

Tourist arrivals rose sharply in November-April, mainly due to heightening security concerns in neighbouring competitors -- Turkey and Egypt. Tourist arrivals rose by an impressive 25.3% y-o-y during November-April (corresponding to the low season -- a historical average of 24% of total tourists during this 6-month period). This strong performance was mainly due to a sharp increase in arrivals from the UK -- the main source country, accounting for c. 39.0% in FY:15 -- and Russia -- the second largest source country with a share of 20.0% in FY:15. Indeed, the number of British and Russian tourists increased by 26.9% y-o-y and 63.2%, respectively, in November-April, contributing 10.2 pps and 6.6 pps to the overall annual rise in the corresponding period. 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 to ban flights to Egypt, the UK to suspend all flights to Egypt's tourism flagship city of Sharm el-Sheikh and several other countries to issue warnings against travel to Egypt; ii) Russian sanctions against Turkey following the downing of a Russian warplane by the Turkish air force near Syria's border in late November; iii) persisting security concerns in Turkey, with 50 deadly terrorist attacks in the past 11 months, 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; and iv) the hijacking of an Egyptian flight in late March, by a passenger wearing a fake suicide belt by, which led Russia to postpone the resumption of flights to Egypt just days after it announced that it would soon restore them. Note that that Russian arrivals to Turkey fell sharply by 64.8% y-o-y, while Russian arrivals to Cyprus rose by 55.7% y-o-y during December-April. Tourist arrivals, excluding British and Russians, also increased significantly (up 16.4% y-o-y in November-April, reflecting the island's reputation as a safe destination. As a result, the 12-month rolling sum of tourist arrivals increased by 10.3% y-o-y to 2.7mn in April compared with a rise of 7.1% October.

Tourist receipts strengthened in November-February, but at a slower pace than arrivals. Available figures for tourist receipts show a sharp increase in November-February -- up 19.8% y-o-y. However, the performance of tourist receipts was weaker than that of arrivals in the same period (up 30.4% y-o-y in November-February), due to lower average spending per tourist (down 8.2% y-o-y to EUR 668 in November-February), mainly reflecting a decline in spending by Russian tourists. Indeed, Russian arrivals increased sharply by 74.3% in November-February, while spending per Russian tourist declined by 27.1% in the same period.

Tourist arrivals growth is set to reach c. 20% in 2016. Looking ahead, in view of the y-t-d performance (up 21.9% y-o-y) and recent trends, we expect the positive momentum in tourist arrivals to continue during the remainder of the year, mainly on the back of significant gains from heightening security concerns in neighbouring countries – Turkey and Egypt. Recall, that the disappearance of an Egypt Air passenger jet in mid-May, carrying 66 people from Paris to Cairo, is expected to deal another blow to the Egyptian tourism industry. Overall, we foresee tourist arrivals rising by around 20.0% to an all-time high of 3.2mn in FY:16, from a 14-year high of 2.7mn in FY:15.

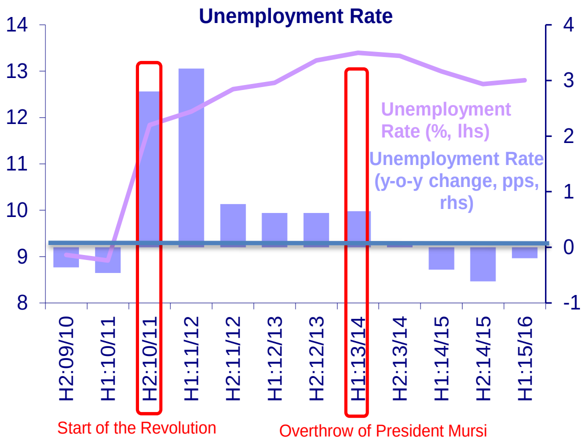
With tourism accounting for roughly 19.0% of GDP, we see real GDP growth accelerating to 2.5% in FY:16 -- above the EC's recently revised forecast of 1.7% -- from 1.6% in 2015. Moreover, with tourism accounting for roughly 20.0% of employment, we see unemployment retreating to 14.5% in FY:16 from 15.4% in FY:15. Finally, in view of the recent trends of spending per tourist, we expect tourist receipts to reach EUR 2.3bn (13.1% of GDP) -- 10% higher than in FY:15.

Egypt

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

Real GDP					
Y-o-Y % Change	FY 13/14	H1 14/15	FY 14/15	H1 15/16	FY 15/16 F
Primary Sector	-1.0	-1.8	-1.0	-0.6	0.0
o/w Gas extraction	-9.4	-12.3	-10.4	-10.4	-9.0
Secondary Sector	4.8	8.4	3.0	0.5	-1.0
Construction Sector	7.4	9.5	9.7	10.7	7.8
Services Sector	2.6	5.3	4.7	4.4	3.8
o/w Tourism	-44.9	43.7	19.5	-15.0	-36.0
GDP at Factor Cost	2.2	4.1	3.1	2.6	2.1
Indirect Taxes minus Subsidies	- - -	- - -	- - -	-- - -	- - -
GDP at Market Prices	2.2	4.8	4.2	3.5	3.0

Contrib. to Overall GDP Growth, pps	FY 13/14	H1 14/15	FY 14/15	H1 15/16	FY 15/16 F
Primary Sector	-0.3	-0.5	-0.3	-0.2	0.0
o/w Gas extraction	-0.8	-0.9	-0.8	-0.6	-0.6
Secondary Sector	0.9	1.5	0.6	0.1	-0.2
Construction Sector	0.3	0.4	0.4	0.5	0.4
Services Sector	1.4	2.7	2.5	2.2	2.0
o/w Tourism	-1.3	0.7	0.3	-0.4	-0.6
GDP at Factor Cost	2.2	4.2	3.2	2.7	2.2
Indirect Taxes minus Subsidies	-0.1	0.6	1.0	0.9	0.8
GDP at Market Prices	2.2	4.8	4.2	3.5	3.0



	30 May	3-M F	6-M F	12-M F
O/N Interbank Rate (%)	10.9	10.8	10.8	10.5
EGP/USD	8.88	8.95	9.20	9.50
Sov. Spread (2020. bps)	465	400	300	220

	30 May	1-W %	YTD %	2-Y %
HERMES 100	684	0.8	8.6	-16.4

	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	11.5	10.0
Cur. Acct. Bal. (% GDP)	-2.2	-0.9	-3.7	-5.6	-4.0
Fiscal Bal. (% GDP)	-13.0	-12.2	-11.5	-11.8	-10.0

Real GDP growth moderated to 3.5% y-o-y in H1:15/16 (July-December 2015) from a multi-year high of 4.8% a year earlier. The slowdown in H1:15/16 reflects mainly: i) deteriorating confidence in the Egyptian economy, as the ambitious 3-year fiscal reform programme, launched in early-H1:14/15, has been frozen since early-H1:15/16, due to the parliamentary elections (that ended in December); and ii) exacerbating FX shortages in H1:15/16, which reduced imported inputs and created backlogs that hampered production. The FX crisis was the result of the end of financial assistance from the country's primary benefactors, Saudi Arabia, Kuwait and the UAE at end-2014/15, the sharp decline in tourism activity, and the difficult access to international capital markets (see below). Note that in line with the economic slowdown, the unemployment rate declined by only 0.2 pps y-o-y to 12.8% in H1:15/16 compared with declines of 0.6 and 0.4 pps y-o-y, respectively, in H2:14/15 and H1:14/15.

The slowdown in H1:15/16 was driven by the secondary sector and, to a smaller extent, the services sector. Indeed, disruptions in the production process of the import-dependent manufacturing sector led to a sharp slowdown in the secondary sector (accounting for c. 20% of total value added and up 0.5% y-o-y in H1:15/16 against 8.4% a year earlier). Activity in the services sector (accounting for c. 52% of total value added) also slowed, expanding by 4.4% y-o-y in H1:15/16 against 5.3% a year earlier, hampered by the tourism sub-sector. The latter, already hit by security concerns, received a blow following the terrorist bombing of a Russian plane in late-October, which led Russia (the largest source country, that accounted for more than 30% of total tourists in 2014) to ban flights to the country, and several countries to issue warnings against travel to Egypt.

The slowdown in H1:15/16 would have been even sharper had the performance of the primary and construction sectors not improved. In fact, activity in the primary sector (accounting for c. 25% of total value added) posted a milder decline in H1:15/16 (-0.6% y-o-y) than in the same period a year earlier (-1.8%), exclusively on the back of a softer drop in gas extraction. Moreover, activity in the construction sector (accounting for c. 5% of total value added) accelerated in H1:15/16 (up 10.7% y-o-y against a rise of 9.5% in H1:14/15), on the back of a surge in social housing, supported by the Government in view of the dire need to build 500k new homes every year to meet the demand of a population expanding at a rate of 2.0% per year.

FY:15/16 headline growth to moderate to 3.0% -- well below the Government's downwardly-revised 4.4% (from 5.0%) and the past year's outcome of 4.2%. Looking ahead, despite a less pronounced base effect, we expect economic activity to decelerate further in H2:15/16, hampered, *inter alia*, by deepening FX shortages, acute security concerns, and a stalled reform process.

Indeed, despite the sharp devaluation of the domestic currency (to EGP 8.85 from EGP 7.73 per USD) and the significant hike of the CBE's key rates (by 150 bps) in mid-H2:15/16, the FX crisis has not eased, with the gap between the official and the parallel FX markets currently at its pre-devaluation level of c. 25%. The deepening of the currency crisis is underpinned by the sharp decline in exports and the accelerating decline in tourism activity. The latter is set to worsen in H2:15/16, due to the disappearance of an Egypt Air passenger jet in the Mediterranean on May 19th. We expect the tourism sector to shave 0.6 pps off overall GDP growth in FY:15/16 (projected at 3.0%) after having added an estimated 0.3 pps to growth in FY:14/15 (at 4.2%). Moreover, investor confidence and access to official funding and international capital markets are not set to be restored before end-H2:15/16.

FOREIGN EXCHANGE MARKETS, MAY 30TH 2016

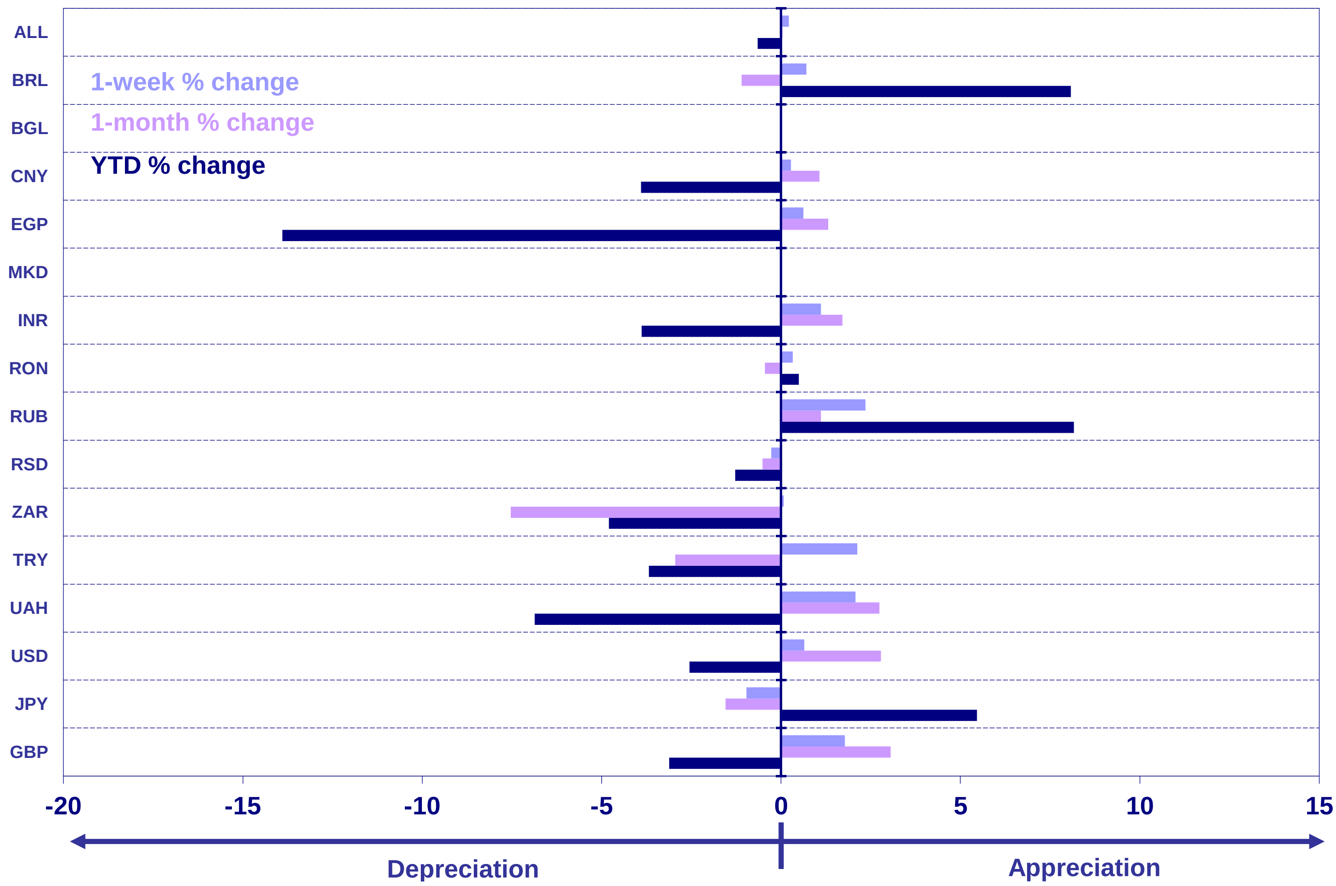
Against the EUR

	Currency	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*
		2016											
Albania	ALL	138.0	0.2	0.0	-0.7	2.1	137.5	139.5	138.4	138.3	136.6	2.0	0.1
Brazil	BRL	3.98	0.7	-1.1	8.1	-12.9	3.90	4.55	4.55	4.54	4.51	-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	7.33	0.3	1.1	-3.9	-7.7	6.99	7.52	7.56	7.56	7.55	6.7	10.8
Egypt	EGP	9.86	0.6	1.3	-13.9	-15.6	8.26	10.23	- - -	- - -	- - -	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	74.7	1.1	1.7	-3.9	-7.2	71.3	77.8	80.3	- - -	- - -	6.6	12.3
Romania	RON	4.50	0.3	-0.5	0.5	-1.2	4.45	4.56	4.50	4.51	4.52	-0.8	-0.5
Russia	RUB	73.3	2.4	1.1	8.2	-20.2	72.6	93.8	75.1	76.7	80.9	-15.1	-32.8
Serbia	RSD	123.0	-0.3	-0.5	-1.3	-2.0	121.6	123.7	123.4	123.8	- - -	-0.1	-5.6
S. Africa	ZAR	17.6	0.1	-7.5	-4.8	-24.0	16.02	18.58	18.0	18.4	19.2	-16.6	3.0
Turkey	YTL	3.29	2.1	-2.9	-3.7	-10.9	3.12	3.39	3.38	3.46	3.64	-10.8	4.4
Ukraine	UAH	28.0	2.1	2.7	-6.9	-17.6	25.06	30.16	33.9	- - -	- - -	-27.5	-40.8
US	USD	1.11	0.6	2.8	-2.5	-2.0	1.1	1.2	1.12	1.12	1.13	11.4	13.6
JAPAN	JPY	123.7	-1.0	-1.5	5.5	10.2	121.5	132.3	123.8	123.7	123.6	11.0	-0.1
UK	GBP	0.76	1.8	3.1	-3.1	-5.5	0.7	0.8	0.76	0.76	0.77	5.3	7.0

* Appreciation (+) / Depreciation (-)

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

Currencies against the EUR (May 30th 2016)



MONEY MARKETS, MAY 30TH 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
O/N	1.5	14.1	0.0	2.0	- - -	10.9	- - -	- - -	0.4	11.0	- - -	10.0	7.9	17.8	- - -	0.4
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	0.5	11.0	2.9	- - -	7.9	- - -	- - -	- - -
S/W	1.5	14.1	0.0	2.3	-0.4	- - -	1.3	- - -	- - -	11.3	2.9	- - -	7.8	18.3	-0.4	0.4
1-Month	1.7	14.1	0.0	2.8	-0.3	- - -	1.6	7.0	0.6	11.2	3.1	10.1	8.2	20.0	-0.3	0.5
2-Month	- - -	14.1	0.1	- - -	-0.3	- - -	- - -	- - -	- - -	11.3	3.2	10.2	8.0	- - -	-0.3	0.6
3-Month	1.9	14.1	0.1	2.9	-0.3	- - -	2.0	7.2	0.8	11.4	3.3	10.3	8.2	21.0	-0.3	0.7
6-Month	1.9	13.9	0.3	3.0	-0.2	- - -	2.4	- - -	1.0	11.5	3.5	10.4	8.6	- - -	-0.2	1.0
1-Year	2.0	13.3	0.8	3.1	0.0	- - -	3.0	- - -	1.2	11.7	- - -	10.5	9.1	- - -	0.0	1.3

LOCAL DEBT MARKETS, MAY 30TH 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	0.9	- - -	- - -	- - -	- - -	12.9	1.5	6.8	- - -	11.4	3.4	8.8	- - -	- - -	-0.6	0.3
6-Month	1.0	- - -	- - -	- - -	- - -	13.7	2.3	6.9	0.7	11.5	3.7	9.1	- - -	- - -	-0.6	0.5
12-Month	1.3	- - -	0.2	2.3	- - -	13.8	2.6	7.0	0.8	9.6	4.3	9.5	- - -	16.9	-0.5	0.7
2-Year	1.6	- - -	- - -	2.6	- - -	- - -	2.0	7.1	0.8	9.5	- - -	9.2	8.1	- - -	-0.5	0.9
3-Year	- - -	- - -	0.5	2.6	2.5	- - -	2.7	7.2	1.9	9.4	- - -	9.2	8.5	18.7	-0.5	1.1
5-Year	- - -	12.7	- - -	2.8	- - -	15.7	2.7	7.4	2.7	9.1	7.0	9.6	8.8	- - -	-0.4	1.4
7-Year	- - -	- - -	1.6	- - -	3.4	17.0	- - -	7.6	3.2	9.1	- - -	- - -	- - -	- - -	-0.2	1.7
10-Year	- - -	13.0	2.4	3.0	3.8	17.2	3.9	7.5	3.7	8.9	- - -	9.8	9.5	- - -	0.2	1.9
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	4.3	7.9	- - -	8.9	- - -	- - -	9.9	- - -	0.4	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	10.1	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	7.8	- - -	- - -	- - -	- - -	10.1	- - -	0.9	2.7

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

CORPORATE BONDS SUMMARY, MAY 30TH 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	5.1	576	513
	Bulgarian Telecom. 6.625% '18	EUR	B-/B1	15/11/2018	400	5.4	597	562
Cyprus	**Aroundtown Property 3% '21**	EUR	NA/NA	9/12/2021	200	2.5	295	252
Russia	**Gazprom 8.2% '19**	RUB	BB+/NA	9/4/2019	10,000	10.4	92	- - -
	Gazprom 8.9% '21	RUB	BB+/NA	26/1/2021	10,000	10.8	82	- - -
South Africa	**FirstRand Bank Ltd 4.25% '20**	USD	BBB-/Baa2	30/4/2020	500	4.1	275	284
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	1.0	145	111
Turkey	**Vakiflar Bankasi 3.5% '19**	EUR	NA/Baa3	17/6/2019	500	3.0	350	312
	Garanti Bankasi 3.38%'19	EUR	NA/Baa3	8/7/2019	500	2.6	306	270
	Arcelik AS 3.875% '21	EUR	BB+/NA	16/9/2021	350	3.5	404	343
	Turkiye Is Bankasi 6% '22	USD	NA/Ba3	24/10/2022	1,000	6.1	478	460

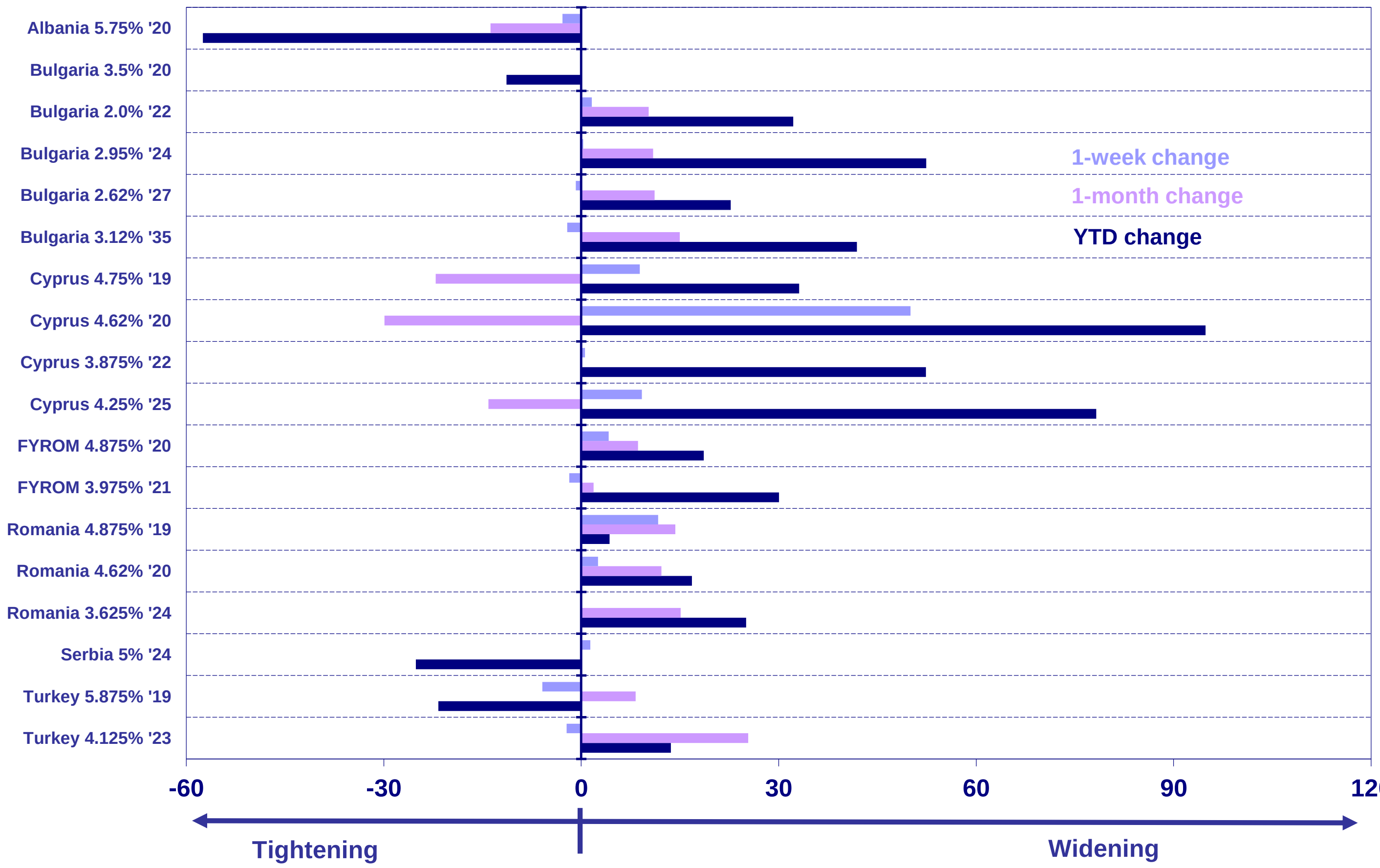
CREDIT DEFAULT SWAP SPREADS, MAY 30TH 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	341	151	123	- - -	488	- - -	- - -	115	256	253	266	309	- - -
10-Year	- - -	410	197	168	- - -	500	- - -	- - -	156	302	299	321	365	- - -

EUR-DENOMINATED SOVEREIGN EUROBOND SUMMARY, MAY 30TH 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	4.1	473	429
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	0.8	130	98
Bulgaria 2.0% '22	EUR	BB+/Baa2	26/3/2022	1,250	1.7	200	162
Bulgaria 2.95% '24	EUR	BB+/Baa2	3/9/2024	1,493	2.4	244	201
Bulgaria 2.62% '27	EUR	BB+/Baa2	26/3/2027	1,000	2.6	248	197
Bulgaria 3.12% '35	EUR	BB+/Baa2	26/3/2035	900	3.6	293	242
Cyprus 4.75% '19	EUR	B+/NA	25/6/2019	566	2.5	303	275
Cyprus 4.62% '20	EUR	B+/B3	3/2/2020	770	3.1	360	322
Cyprus 3.875% '22	EUR	NA/B3	6/5/2022	1,000	3.4	367	330
Cyprus 4.25% '25	EUR	NA/B1	4/11/2025	1,000	3.8	372	332
FYROM 4.875% '20	EUR	BB-/NA	1/12/2020	270	4.7	535	468
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	4.7	546	558
Romania 4.875% '19	EUR	BBB-/Baa3	7/11/2019	1,500	0.5	103	71
Romania 4.62% '20	EUR	BBB-/Baa3	18/9/2020	2,000	0.9	131	98
Romania 3.625% '24	EUR	BBB-/Baa3	24/4/2024	1,250	2.2	229	197
Serbia 5% '24	EUR	BB-/NA	11/4/2024	125	3.7	378	350
Turkey 5.875% '19	EUR	NR/Baa3	2/4/2019	1,250	1.6	206	181
Turkey 4.125% '23	EUR	NR/Baa3	11/4/2023	1,000	3.0	322	289

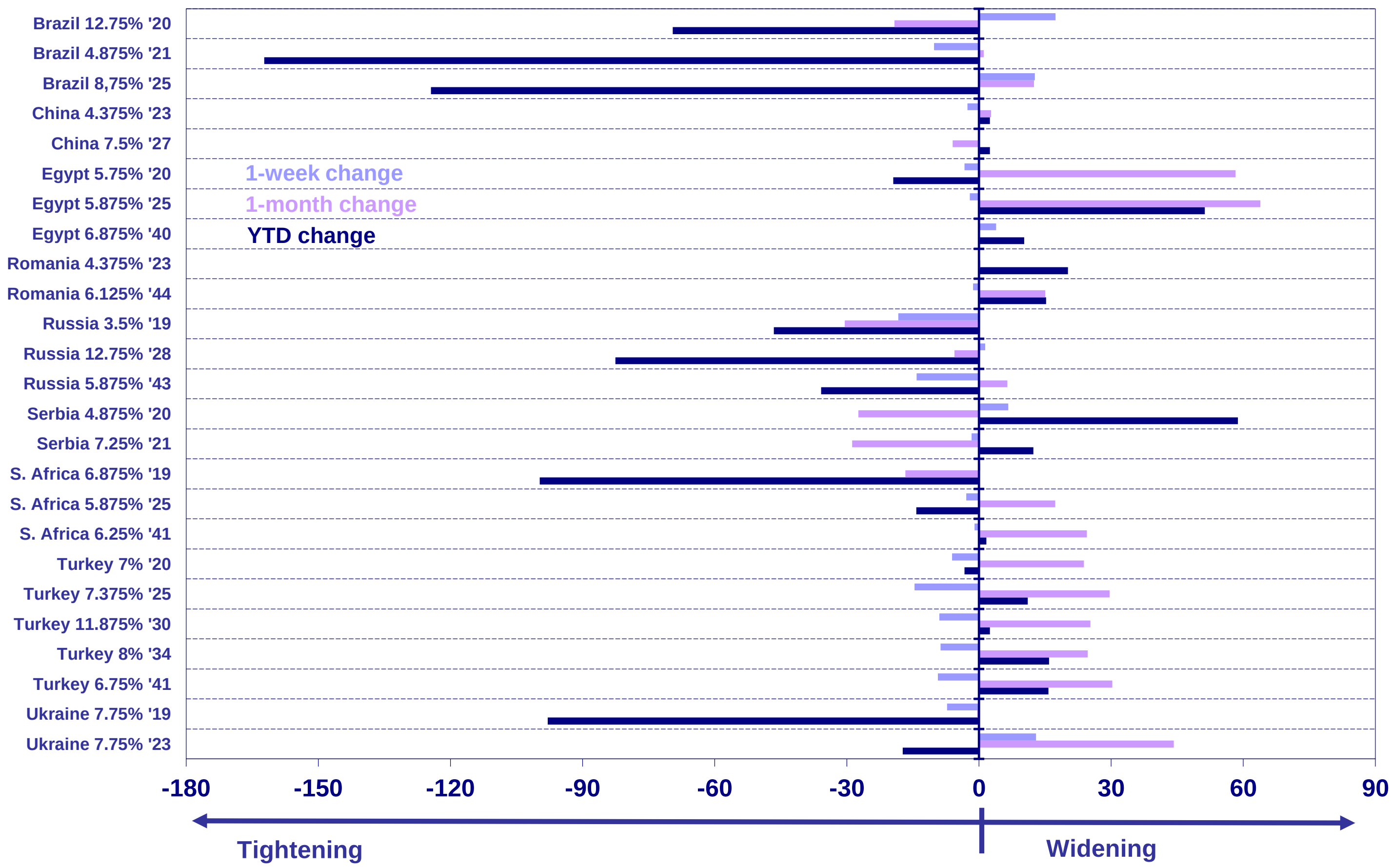
EUR-Denominated Eurobond Spreads (May 30th 2016)



USD-Denominated Sovereign Eurobond Summary, May 30th 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	4.0	296	323
Brazil 4.875% '21	USD	BB+/Baa3	22/1/2021	2,988	4.6	317	320
Brazil 8,75% '25	USD	BB+/Baa3	4/2/2025	969	5.7	383	450
China 4.375% '23	USD	AA-/Aa3	2/5/2023	500	3.6	180	217
China 7.5% '27	USD	AA-/Aa3	28/10/2027	100	3.0	117	156
Egypt 5.75% '20	USD	B-/B3	29/4/2020	1,000	5.7	465	438
Egypt 5.875% '25	USD	B-/B3	11/6/2025	1,500	8.1	623	580
Egypt 6.875% '40	USD	B-/B3	30/4/2040	500	8.6	597	558
Romania 4.375% '23	USD	BBB-/Baa3	22/8/2023	1,500	3.5	180	199
Romania 6.125% '44	USD	BBB-/Baa3	22/1/2044	1,000	4.8	211	294
Russia 3.5% '19	USD	BB+/Ba1	16/1/2019	1,500	2.9	181	173
Russia 12.75% '28	USD	BB+/Ba1	24/6/2028	2,500	4.8	294	426
Russia 5.875% '43	USD	BB+/Ba1	16/9/2043	1,500	5.3	267	329
Serbia 4.875% '20	USD	BB-/B1	25/2/2020	1,500	4.1	308	289
Serbia 7.25% '21	USD	BB-/B1	28/9/2021	2,000	4.3	292	312
S. Africa 6.875% '19	USD	BBB-/Baa2	27/5/2019	2,000	3.4	229	228
S. Africa 5.875% '25	USD	BBB-/Baa2	16/9/2025	2,000	5.0	315	342
S. Africa 6.25% '41	USD	BBB-/Baa2	8/3/2041	750	5.7	309	371
Turkey 7% '20	USD	NR/Baa3	5/6/2020	2,000	3.8	236	260
Turkey 7.375% '25	USD	NR/Baa3	5/2/2025	3,250	4.7	288	341
Turkey 11.875% '30	USD	NR/Baa3	15/1/2030	1,500	4.9	308	430
Turkey 8% '34	USD	NR/Baa3	14/2/2034	1,500	5.5	363	405
Turkey 6.75% '41	USD	NR/Baa3	14/1/2041	3,000	5.6	299	356
Ukraine 7.75% '19	USD	B-/Caa3	1/9/2019	1,646	9.0	791	749
Ukraine 7.75% '23	USD	B-/Caa3	1/9/2023	1,330	9.2	753	721

USD-Denominated Eurobond Spreads (May 30th 2016)



Stock Markets Performance, May 30th 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)	48,964	-0.7	-9.2	13.0	-7.7	37,046	54,978	22.9	-13.3	-35.3	-2.9	-2.0
Bulgaria (SOFIX)	441	0.4	-0.3	-4.3	-9.3	432	462	-4.3	-11.7	-11.7	6.2	6.2
China (SHCOMP)	2,822	-0.7	-3.9	-21.0	-41.5	2,638	3,539	-23.6	9.4	16.5	52.9	69.5
Cyprus (CSE GI)	67	-1.2	0.4	-0.4	-17.0	64	70	-0.4	-20.9	-20.9	-17.0	-17.0
Egypt (HERMES)	684	0.8	-3.0	8.6	-12.5	521	716	8.6	-24.4	-25.7	23.5	36.6
F.Y.R.O.M (MBI)	1,728	-0.5	-1.1	-5.8	4.1	1,728	1,842	-5.8	-0.6	-0.6	6.1	6.1
India (SENSEX)	26,726	5.9	4.4	2.9	-4.0	22,495	28,578	-0.1	-5.0	0.7	29.9	44.7
Romania (BET-BK)	1,172	0.3	-3.2	-12.6	-15.8	1,165	1,329	-12.1	2.6	1.6	3.7	3.5
Russia (RTS)	4,289	3.8	0.0	8.3	16.4	3,509	4,393	18.4	30.3	9.5	-6.9	-37.4
Serbia (BELEX-15)	612	-1.5	-0.9	-3.0	-13.3	570	637	-4.1	-3.4	-3.5	19.5	12.8
South Africa (FTSE/JSE)	54,474	3.5	2.9	7.2	4.6	45,976	54,501	3.4	1.9	-15.1	7.6	10.9
Turkey (ISE 100)	78,535	2.3	-8.0	7.3	-2.4	68,230	86,931	4.1	-16.3	-25.4	26.4	32.0
Ukraine (PFTS)	217	-0.8	-3.3	-9.7	-37.5	215	256	-15.6	-37.8	-54.8	28.7	-24.2
MSCI EMF	808	2.4	-3.9	2.0	-19.5	687	856	0.1	-17.0	-7.5	-4.6	8.2
MSCI EAFE	1,671	2.6	-1.3	-3.2	-11.6	1,492	1,717	-5.1	-3.3	7.7	-7.3	5.8
Greece (ASE-General)	641	-1.2	9.8	4.9	-22.3	421	652	4.9	-23.6	-23.6	-28.9	-28.9
Germany (XETRA DAX)	10,333	5.0	2.9	-3.8	-9.6	8,699	10,486	-3.8	-4.9	-4.9	2.7	2.7
UK (FTSE-100)	6,271	2.2	0.5	-0.1	-9.8	5,500	6,427	-3.0	-4.9	0.1	-2.7	4.1
Japan (NIKKEI-225)	17,068	2.5	2.4	-10.3	-17.0	14,866	18,951	-4.5	9.1	20.2	7.1	7.0
USA (DJ INDUSTRIALS)	17,873	2.2	0.6	1.5	-0.9	15,370	18,190	-0.2	-2.2	9.3	7.5	22.2
USA (S&P 500)	2,099	2.5	1.6	1.7	-0.6	1,810	2,133	0.0	-0.7	10.9	11.4	26.6

Equity Indices (May 30th 2016)