Economic Analysis Division

Emerging Markets Analysis

Bi-Weekly Report

12 – 25 February 2019

NBG - Economic Analysis Division
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Emerging Markets Analysis

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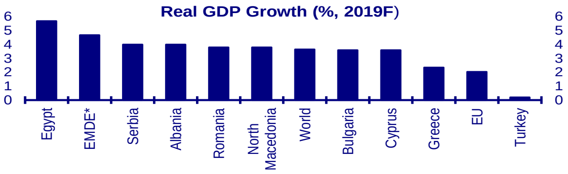
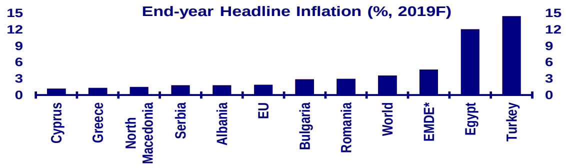


* EMDE: Emerging Market & Developing Economies



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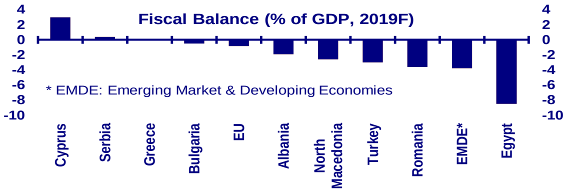
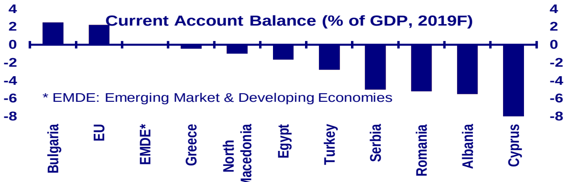
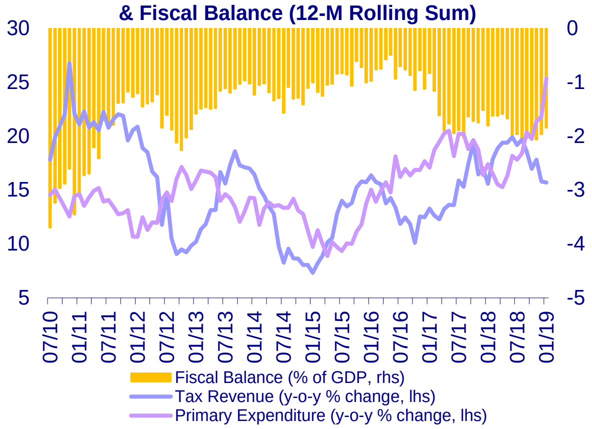




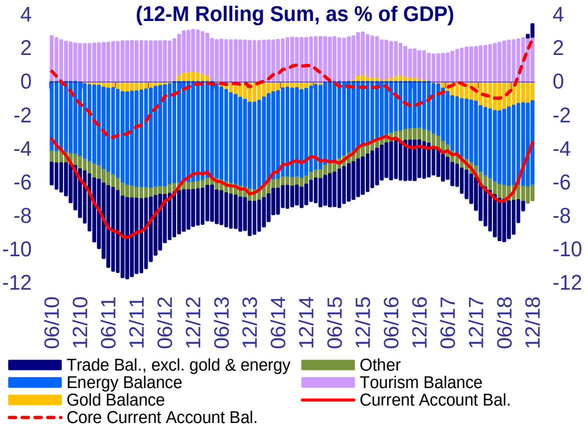
Turkey

BB- / Ba2 / BB (S&P/ Moody's / Fitch)

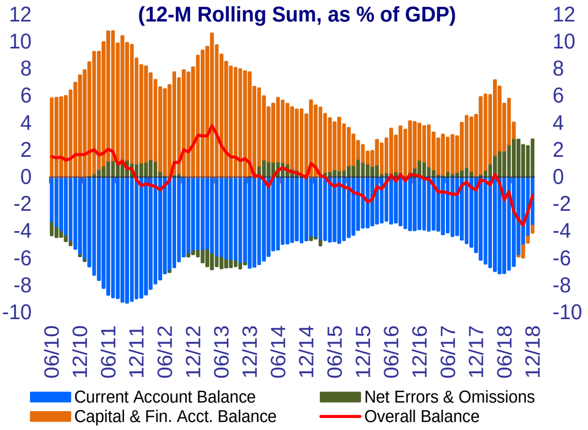
Tax Revenue, Primary Expenditure & Fiscal Balance (12-M Rolling Sum)



Current Account Balance (12-M Rolling Sum, as % of GDP)



Overall Balance (12-M Rolling Sum, as % of GDP)



	25 Feb.	3-M F	6-M F	12-M F
1-m TRIBOR (%)	24.1	23.5	22.0	18.5
TRY/EUR	6.02	6.30	6.60	6.80
Sov. Spread (2020, bps)	261	256	250	240

	25 Feb.	1-W %	YTD %	2-Y %
ISE 100	104,330	2.6	15.4	18.2

	2016	2017	2018E	2019F	2020F
Real GDP Growth (%)	3.2	7.4	2.5	0.2	3.0
Inflation (eop, %)	8.5	11.9	20.3	14.5	11.5
Cur. Acct. Bal. (% GDP)	-3.8	-5.6	-3.6	-2.8	-3.6
Fiscal Bal. (% GDP)	-1.1	-1.5	-1.9	-3.0	-3.0

A temporary improvement in the fiscal balance in January (by 0.1 pp of GDP y-o-y), due to early profit distribution by the CBRT (0.8% of GDP). The fiscal balance improved by 0.1 pp y-o-y to a surplus of 0.1% of GDP in January, as a significant rise in expenditure (up 0.6 pps of GDP y-o-y), ahead of the end-March local elections, was more than offset by a sharper increase in revenue (up 0.7 pps of GDP y-o-y), resulting mainly from early profit distribution by the CBRT (usually distributed in April) (0.8% of GDP). Note that this year's transfer was far higher than that envisaged in the budget (0.5% of GDP) and the past year's outcome (0.3% of GDP).

Specifically, the sharp rise in expenditure was mainly driven by capital expenditure, transfers to social security funds, capital transfers and lending to public enterprises. On the other hand, the decline in tax revenue (down 0.1 pp of GDP y-o-y) reflects exclusively the extension to end-March of the temporary tax cuts on white goods, automotives and furniture -- initially envisaged for the last 2 months of 2018.

The FY:19 fiscal deficit target of 1.8% of GDP is out of reach. Despite the higher-than-budgeted transfer of CBRT profits to the Treasury, the end of tax cuts at end-March and the extension of tax and illegal construction amnesties, the FY:19 fiscal deficit target appears overly optimistic in view of the January outcome, weaker-than-projected economic growth and unsupportive base effects (the impressive one-off non-tax revenue of 1.4% of GDP from tax and illegal construction amnesties and the paid military service in FY:18). Overall, in the absence of corrective measures, we see the FY:19 deficit at 3.0% of GDP -- above its target of 1.8%.

The current account deficit (CAD) declined to a 9-year low of 3.6% of GDP in FY:18. External rebalancing continued for a sixth consecutive month in December, with the 12-month rolling CAD declining to a 9-year low of 3.6% of GDP, after having widened to a 6-year high of 7.1% in June from 5.6% in December 2017. The decline in the 12-month rolling CAD between June and December (by 3.5 pps of GDP y-o-y) was driven by a stronger underlying current account balance (excluding energy and gold, up 3.5 pps of GDP y-o-y), reflecting decelerating domestic demand, more competitive Turkish goods in global markets, buoyant tourism activity and, to a lesser extent, the favourable gold balance (up 0.5 pps of GDP y-o-y), stemming from a normalization in gold imports. Not surprisingly, the energy balance deteriorated (by 0.5 pps of GDP y-o-y), due to higher global oil prices.

For this year, we expect the external adjustment to continue, albeit at a slower pace, mainly supported by favourable global oil prices and subdued domestic demand. We see the FY:19 CAD at 2.8% of GDP.

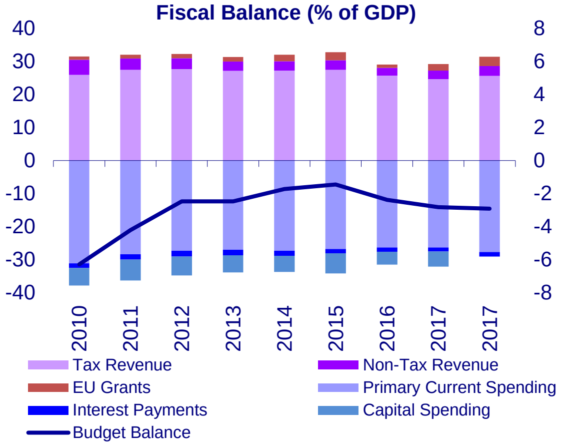
The capital and financial account (CFA) posted a deficit in FY:18, for the first time since the 2001 liquidity crisis. The CFA balance deteriorated sharply, by 5.0 pps y-o-y to a deficit of 0.5% of GDP in FY:18, due to protracted uncertainty (June snap presidential and legislative elections and the August currency crisis). The deterioration of the CFA would have been even sharper had (net) FDI inflows not strengthened (up 0.2 pps of GDP y-o-y), exclusively due to higher non-residents' real estate investments stemming from a sharp decline in house prices in USD terms. The FY:18 CAD and the CFA deficit were financed through large non-identified inflows (net errors and omissions, 2.7% of GDP) and a drawdown in FX reserves (1.4% of GDP). As a result, the country's external position deteriorated for a second consecutive year in FY:18, with gross FX reserves coverage of short-term external debt and months of imports of GNFS declining to 4.6 and 79.0%, respectively, from 5.2 and 90.0% in FY:17 and 6.0 and 104.4% in FY:16.

Romania

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

Consolidated Budget (% of GDP)	2017 Outcome	2018 Outcome	2019 Budget	2019 NBG Forecast
Total Revenue	29.3	31.5	34.2	33.5
Tax Revenue	24.7	25.7	27.9	27.2
o/w PIT/CIT	5.2	4.1	4.3	4.3
VAT	6.2	6.4	7.0	6.6
Excise Duties	3.1	3.0	3.1	3.1
Soc. Sec. Contr.	8.4	10.5	11.7	11.4
Non-Tax Revenue	4.6	5.8	6.3	6.3
o/w EU Grants	2.0	2.8	3.3	3.3
Total Expenditure	32.1	34.4	37.0	37.1
Current Spending	27.5	29.1	30.9	31.0
o/w Wages	8.1	9.2	10.3	10.3
Social Spending	10.8	10.9	11.2	11.2
Goods & Services	4.7	4.8	4.7	4.9
Other Transfers	2.0	2.3	2.3	2.2
Interest Payments	1.2	1.4	1.4	1.4
Subsidies	0.7	0.7	0.8	0.8
Capital Expend.	4.6	5.3	6.1	6.1
Fiscal Balance	-2.8	-2.9	-2.8	-3.6
Primary Balance	-1.6	-1.5	-1.4	-2.2

Fiscal Balance (% of GDP)



	25 Feb.	3-M F	6-M F	12-M F
1-m ROBOR (%)	3.4	3.0	3.0	3.0
RON/EUR	4.76	4.80	4.82	4.85
Sov. Spread (2024, bps)	146	130	120	110

	25 Feb.	1-W %	YTD %	2-Y %
BET-BK	1,531	-0.2	5.1	3.2

	2016	2017	2018E	2019F	2020F
Real GDP Growth (%)	4.8	7.0	4.1	3.8	3.4
Inflation (eop, %)	-0.5	3.3	3.3	3.0	2.8
Cur. Acct. Bal. (% GDP)	-2.1	-3.2	-4.7	-5.2	-5.5
Fiscal Bal. (% GDP)	-2.4	-2.8	-2.9	-3.6	-3.8

The FY:18 budget deficit remained within target, widening marginally to 2.9% of GDP. Specifically, current spending rose sharply in FY:18 (up 1.6 pps of GDP), mainly due to a looser incomes policy. The latter included wage hikes of up to 45% in certain public sectors and a 10% increase in pensions in July. Note that the budget impact of the wage hikes was curtailed by the shift in the burden of social security contributions (SSCs) from employers to employees.

The rise in budget spending was partly compensated by higher tax revenue (up 1.0 pp of GDP in FY:18). Indeed, revenue from SSCs rose sharply (up 2.1 pps of GDP), more than offsetting the drop in revenue from PIT (down 1.1 pp of GDP), following the cut to the related rate by 6 pps to 10%. The FY:18 budget deficit would have been higher had arrears not been accrued and VAT reimbursements not been reduced (we estimate a combined impact of c. 0.3 pps of GDP).

Tensions heighten between the President and the Government regarding the FY:19 budget. The opposition-linked President, K. Iohannis, refused to endorse the FY:19 budget and challenged it with the Constitutional Court (CC), saying it is "unrealistic and delayed". With budget issues falling, however, outside the CC's scope, we expect the budget to be eventually signed by the President, albeit with some delay.

The FY:19 budget deficit could reach excessive levels. The FY:19 budget envisages a broadly neutral fiscal stance, targeting a deficit of 2.8% of GDP. Worryingly, this target appears to be out of reach, without additional corrective measures.

Indeed, the FY:19 budget appears overly optimistic, targeting a large increase in tax revenue (excl. SCCs, up 13.3% or 1.0 pp of GDP, well above nominal GDP growth -- up 6.6%). The adopted measures (including a turnover tax on energy, telecom and gambling companies and a hike in the excise duty on tobacco) explain only a small part of the envisaged rise (c. 20%). According to the authorities, the implied shortfall (0.8 pps of GDP) should be covered by higher revenue from indirect taxes (especially VAT), due to improved tax collection. However, with no reform in tax administration, and in view of increased political uncertainty, we see little improvement in compliance, and thus, a marked underperformance in tax revenue against its budget target.

Similarly, the budgeted rise in revenue from SCCs (up 1.2 pps of GDP) appears out of reach, despite the ongoing easing in incomes policy. Note that, as of 2019, contributors are allowed to shift from the privately-managed (capital-funded) Pillar II to the publicly-managed (pay-as-you-go) Pillar I. With no strong incentive in place, however, we expect limited flow of pensioners to Pillar I and, thus, lower-than-targeted revenue from SCCs.

Non-tax revenue is also projected to rise in FY:19 (up 0.7 pps of GDP), boosted by the sale of telecommunication licenses and the transfer of 35% of SOEs' reserves to the budget as a dividend payment. It is worth nothing that the FY:19 budget does not include the controversial tax on banks' financial assets (estimated to bring in up to 0.4% of GDP). This omission may suggest that an overhaul is in the pipeline.

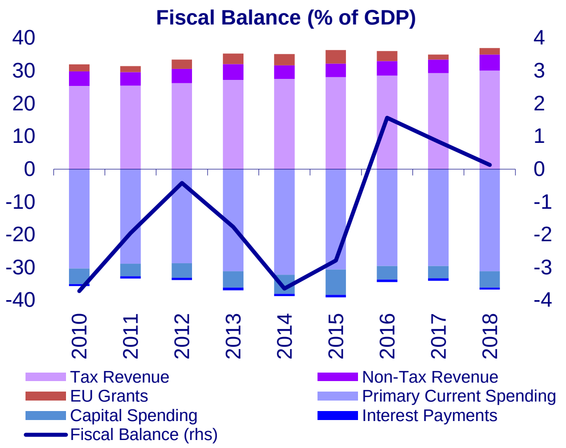
On the other side of the budget, current spending is set to accelerate (up 1.8 pps of GDP), fueled by a further easing in incomes policy. The latter includes hikes in public sector wages (up 19% on average) and a 15% increase in pensions in September. Overall, we are comfortable with the budget projection for current spending. We note, though, that in view of the high stock of arrears, the authorities will find it difficult to contain public consumption, as planned (down 0.1 pp of GDP).

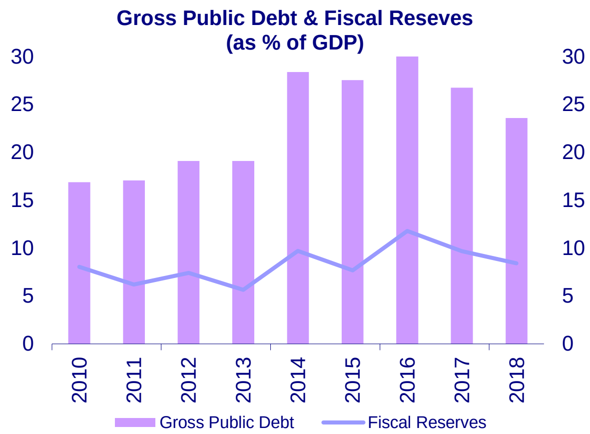
All said, unless the public investment programme is (once-again) under-executed, we see the FY:19 budget deficit (excl. the bank tax) at 3.6% of GDP, surpassing both its target and the EU threshold of 3.0%.

Bulgaria

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

Consolidated Budget (% of GDP)	2017 Outcome	2018 Outcome	2019 Budget	2019 NBG Forecast
Total Revenue	35.0	37.0	38.4	38.6
Tax Revenue	29.3	30.1	30.3	30.5
Non-Tax Rev.	4.2	4.9	5.8	5.8
Grants	1.5	2.0	2.3	2.3
Total Expenditure	34.1	36.8	38.9	39.1
Current Spending	30.4	31.8	33.0	33.2
o/w Wages	7.8	8.2	8.3	8.8
Goods & Services	3.9	4.1	4.2	4.2
Subsidies	1.9	2.8	3.4	3.0
Social Spending	15.0	15.1	15.2	15.3
Interest Payments	0.8	0.6	0.6	0.6
Capital Expend.	3.7	4.9	5.9	5.9
Contr. to the EU	0.9	1.0	1.1	1.1
Fiscal Balance	0.8	0.1	-0.5	-0.5





	25 Feb.	3-M F	6-M F	12-M F
Base Interest Rate (%)	0.0	0.0	0.0	0.1
BGN/EUR	1.96	1.96	1.96	1.96
Sov. Spread (2022, bps)	52	50	45	40

	25 Feb.	1-W %	YTD %	2-Y %
SOFIX	593	2.5	-0.2	-2.4

	2016	2017	2018E	2019F	2020F
Real GDP Growth (%)	3.9	3.8	3.3	3.6	3.2
Inflation (eop, %)	0.1	2.8	2.7	2.9	2.7
Cur. Acct. Bal. (% GDP)	2.6	6.5	4.6	2.5	1.8
Fiscal Bal. (% GDP)	1.6	0.8	0.1	-0.5	-0.5

Both current spending and public investment pushed down the consolidated budget surplus to 0.1% of GDP in FY:18 from 0.8% in FY:17. Specifically, primary current spending rose sharply in FY:18 (up 1.6 pps of GDP), mainly due to higher subsidies and a looser incomes policy. The latter included targeted hikes in public sector wages (up 9.5% in the education and defense sectors), as well as in the minimum wage (up 10.9%), and the social benefits linked to it in January, and a rise in pensions (by 3.8%) in July. On the other hand, the boost in subsidies, mainly to small energy producers, came in the aftermath of the partial liberalization of the electricity market. Public investment also accelerated in FY:18 (up 1.2 pps of GDP), yet it still underperformed its full-year budget target (by 0.7 pps of GDP), partly financed by higher EU grants (up 0.5 pps of GDP). Importantly, the bulk of the rise in budget spending was compensated by higher tax and non-tax revenue (up 0.8 and 0.7 pps of GDP in FY:18, respectively). The former was supported by a hike in the excise duty on tobacco and a 1 pp rise in the social security contributions' rate for pensions.

Fiscal policy is set to remain expansionary in FY:19. The FY:19 budget allows for further fiscal relaxation, targeting a deficit of 0.5% of GDP. Specifically, the budget foresees current spending accelerating markedly (up 1.3 pps against the FY:18 outcome), in line with a looser incomes policy and higher subsidies. Regarding incomes policy, public sector wages rose by 10% in January (with the education sector due to receive an additional 10% raise) and pensions will increase by 5.7% in July. Worryingly, the cost of these measures appears to be significantly understated in the budget. Importantly, however, the implied slippage in personnel expenses should be partly offset by lower-than-budgeted subsidies. Indeed, in view of the outlook for global energy prices, the latter appear to be overstated in the budget.

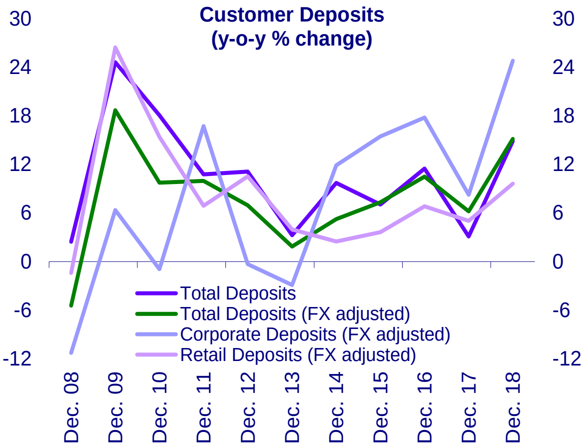
Public investment is also due to pick up strongly in FY:19 (up 1.0 pp of GDP against the FY:18 outcome), only partly financed by higher EU grants (up 0.4 pps of GDP). Recall that several major construction projects, the execution of which has been delayed on procedural grounds in FY:18, were moved to the FY:19 budget.

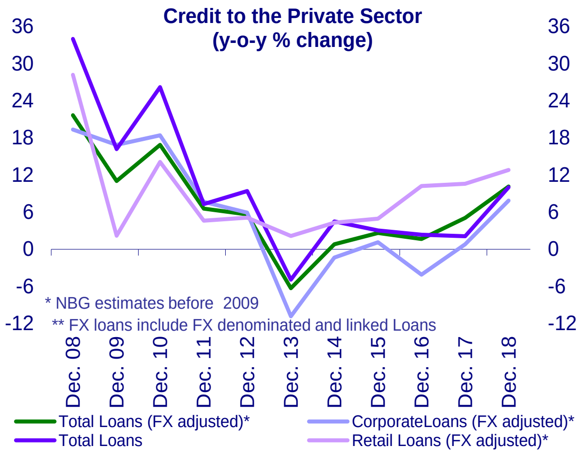
The sharp rise in budget spending should be partly compensated by higher non-tax revenue (up 0.9 pps of GDP against the FY:18 outcome, with the bulk of the rise reflecting revenue from the concession of the Sofia airport). Tax revenue is also projected to rise slightly in FY:19 (up 0.2 pps of GDP against the FY:18 outcome), following the increase in the maximum taxable income for social security contributions and an additional hike in the excise duty on tobacco. In view of recent trends and improving compliance, however, we expect tax revenue to eventually be higher than budgeted. Overall, the FY:19 budget appears broadly consistent with its target. The implied fiscal impulse (0.6 pps of GDP) should help the economy to expand at a solid pace (up 3.6% against 3.3% in FY:18).

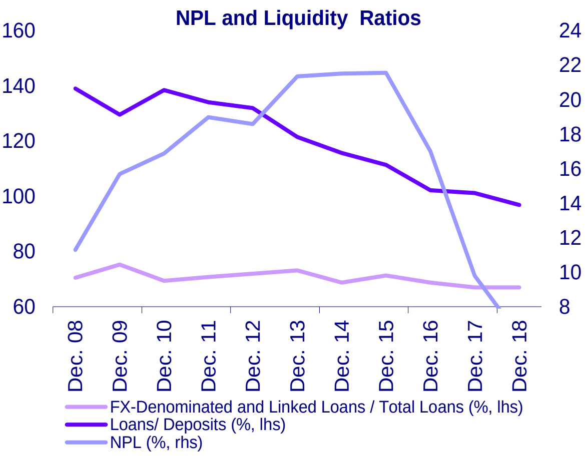
Bulgaria's already low gross public debt is set to decline further in FY:19. Bulgaria's gross financing needs are estimated at c. BGN 2.0 bn (1.8% of GDP) in FY:19. Note that the FY:19 budget law allows for new debt issuance worth up to BGN 1.0bn. The remaining financing needs are expected to be covered through depletion of fiscal reserves (currently standing at BGN 9.0bn or 8.4% of GDP). All said, in view of positive debt dynamics (*ex-post* real interest rates are negative -- currently at -1.8% for the 10-year tenure -- while the primary balance is projected to remain marginally in surplus in FY:19), gross public debt (incl. guaranteed debt) is projected to decline further to 22.8% of GDP at end-2019 from 23.6% at end-2018, remaining among the lowest in the EU (where the average stands at c. 85% of GDP).

Serbia

BB / Ba3 / BB (S&P / Moody's / Fitch)







	25 Feb.	3-M F	6-M F	12-M F
1-m BELIBOR (%)	2.7	2.9	3.1	3.5
RSD/EUR	118.1	116.5	116.0	115.0
Sov. Spread (2021, bps)	145	136	125	110

	25 Feb.	1-W %	YTD %	2-Y %
BELEX-15	684	-0.2	-10.3	-4.5

	2016	2017	2018E	2019F	2020F
Real GDP Growth (%)	3.3	2.0	4.3	4.0	3.8
Inflation (eop, %)	1.6	3.0	2.0	1.8	2.0
Cur. Acct. Bal. (% GDP)	-2.9	-5.3	-4.9	-4.6	-4.1
Fiscal Bal. (% GDP)	-1.2	1.1	0.6	0.4	-0.2

FX-adjusted customer deposit growth reached a 9-year high of 15.2% y-o-y in December, on the back of a rebound in economic activity and improved confidence in the domestic economy. Adjusted for FX variations, deposit growth rose to a 9-year high of 15.2% y-o-y in December -- up from 6.2% at end-2017. The acceleration reflects strengthening confidence in the domestic economy, on the back of buoyant economic activity (reaching a 10-year high in FY:18), macroeconomic stability, as well as progress on EU membership talks, the continued engagement with the IMF (through the Policy Co-ordination Instrument) and political stability.

The strong rebound in deposits occurred despite historically low deposit interest rates -- the interest rate on new LC term deposits fell to a record low of 2.7% in FY:18 from 2.8% in FY:17, while the interest rate on new EUR term deposits amounted to just 0.8% in FY:18.

From a segment perspective, the strong growth in (FX-adjusted) overall deposits was driven by the continued rebound in both retail and corporate deposits.

Retail deposits, accounting for a sizeable ⅔ of total deposits, rose by a 6-year high of 9.6% y-o-y in December against 5.0% at end-2017. The acceleration was driven by both LC and FC components, and was mainly attributed to stronger disposable income, as labour market conditions tightened (the unemployment rate declined to 12.7% in 9M:18 from 13.5% in FY:17, while net wages increased by 6.2% y-o-y in 9M:18 following a rise by 1.5% in FY:17). The strengthening of retail deposits was also supported by higher remittances (up 28.6% y-o-y, in EUR terms, in 9M:18 compared with a rise of 9.3% in FY:17) and strong tourism inflows (up 12.2% y-o-y, in EUR terms, in 9M:18).

Moreover, (FX adjusted) overall corporate deposits (both LC and FC) also strengthened to a post-crisis peak of 24.8% y-o-y in December, from 8.3% at end-2017, reflecting sustained strong export growth (up 7.7% y-o-y in 9M:18, in EUR terms) and rising corporate profits.

Credit growth (adjusted for FX movements) accelerated to an 8-year high in 2018, despite continued large write-offs. Adjusted for FX variations, the loan book expanded by an 8-year high of 10.1% y-o-y in December compared with a rise of 5.1% at end-2017. Importantly, the acceleration in credit activity occurred despite continued sizeable write-offs. In fact, write-offs amounted to RSD 36.0bn in FY:18 (or 1.8% of the stock of loans at end-2017) -- yet below their level of RSD 102.0bn in FY:17.

The robust lending activity was underpinned by the increase in loan demand, supported by the improving economic outlook and low lending interest rates, on the back of increasing bank competition for market shares and the easing of the monetary policy stance. Indeed, the average blended lending rate on new loans fell to a record low of 4.9% in FY:18 from 6.9% in 2014-17 and 11.7% in 2010-13.

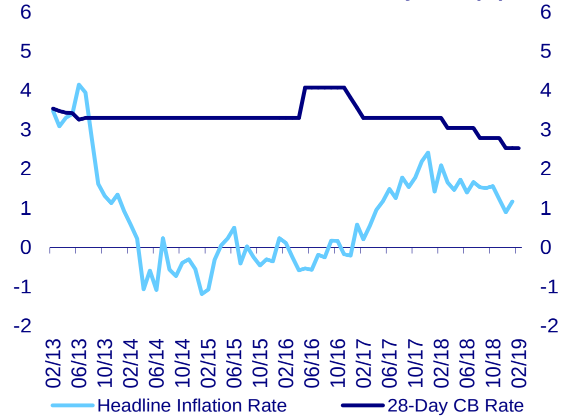
The strengthening in lending activity can also be attributed to easing credit conditions by banks, on the back of: i) the improving operating environment; ii) a strong capital base; iii) ample liquidity (see below); as well as iv) improving bank asset quality (the NPL ratio declined to 6.4% in Q3:18 from a peak of 23.0% in Q3:14, falling below the pre-crisis level of 10.2% in Q3:08).

Importantly, with deposits increasing at a faster pace than loans (for a 9th successive year), the gross loan-to-deposit ratio continued to moderate, reaching 97.0% in December -- falling below the 100% threshold -- down from 101.4% at end-2017 and a peak of 139.4% at end-2008.

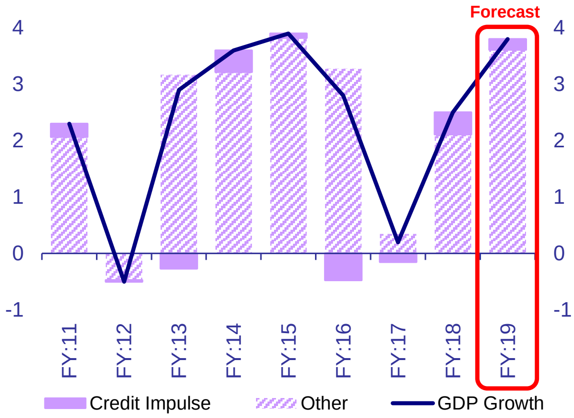
North Macedonia

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

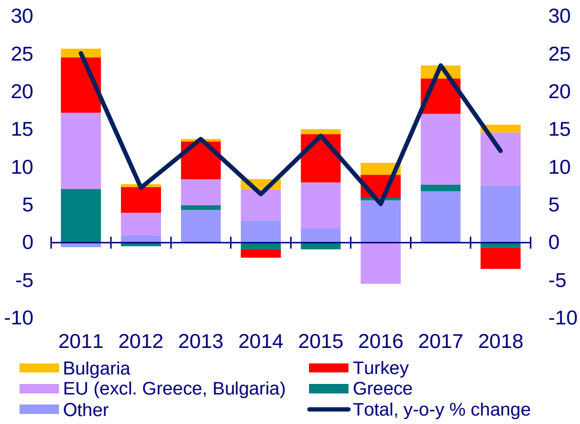
Headline Inflation & Nominal Policy Rate (%)



Contribution of Credit Impulse to GDP Growth (pps)



Contributions to Tourist Arrivals Growth (pps)



	25 Feb.	3-M F	6-M F	12-M F
1-m SKIBOR (%)	1.2	1.3	1.6	2.0
MKD/EUR	61.3	61.3	61.3	61.3
Sov. Spread (2021. bps)	208	190	178	160

	25 Feb.	1-W %	YTD %	2-Y %
MBI 100	3,705	1.5	6.8	62.5

	2016	2017	2018E	2019F	2020F
Real GDP Growth (%)	2.8	0.2	2.5	3.8	4.0
Inflation (eop. %)	-0.2	2.4	0.9	1.5	1.7
Cur. Acct. Bal. (% GDP)	-2.8	-1.0	0.3	-1.0	-2.2
Fiscal Bal. (% GDP)	-2.7	-2.7	-1.8	-2.6	-2.7

The Central Bank is likely to maintain its key rate (28-day CB bill rate) on hold at a record low of 2.5% throughout the rest of the year. The NBRM maintained its main policy rate unchanged at its February meeting, at a record low of 2.5%. The decision was motivated by the fact that the monetary policy stance is currently appropriately accommodative against a background of: i) subdued inflation (the headline figure rose modestly to 1.2% y-o-y in February from 0.9% at end-2018); ii) still moderate economic growth (GDP growth is estimated to have stood at 3.0% y-o-y for a third consecutive quarter in Q4:18); and iii) the absence of pressures on the balance of payments. Note that the NBRM proceeded with a last cut of its key rate by 25 bps in December, bringing total rate cuts to 150 bps since the initiation of a cycle of monetary policy easing in December 2016.

Looking ahead, we expect the CB to maintain its central rate unchanged at 2.5% throughout the rest of the year, in view of a benign inflation outlook, persistently negative, albeit closing, output gap (-0.4 pps on a 4-quarter rolling basis in Q4:19), continued fiscal prudence and less-than-initially-expected tightening in global financial conditions. However, the CB could initiate a new cycle of monetary tightening in the event of protracted domestic political uncertainty due to inconclusive April-May Presidential elections. Note that a presidential candidate is elected in the 1st round of voting if he secures over 50% of votes from all registered voters; otherwise, in the 2nd round, the voter turnout must be at least 40% for the result to be deemed valid.

Importantly, the current low policy rate is set to strengthen further credit activity this year. We expect lending growth to rise to 8.5% this year from 6.6% in FY:18, implying a credit impulse (defined as the change in the flow of bank credit scaled by nominal GDP) of c. 1.0 pp, which should contribute 0.2 pps to GDP growth in FY:19.

Tourist arrival growth slowed sharply to a still strong 12.2% in FY:18, mainly due to a decline in the number of visitors from Turkey -- the main source country -- and unfavourable base effects. Tourist arrival growth declined from a high of 23.5% (631k visitors) in FY:17 to 12.2% (707k visitors) in FY:18. The deceleration was mainly due to a sharp decline in tourist arrivals from Turkey (down 13.9%, subtracting 7.6 pps from overall growth), following the August currency crisis, which resulted in a sharp depreciation of the TRY and a significant slowdown in economic activity. Unfavourable base effects from a sharp rise in the number of EU visitors in FY:17, following the normalization of the domestic political environment from May 2017, also contributed to the slowdown in overall tourist arrival growth. The slowdown would have been sharper had flight connectivity not improved, supported *inter alia* by the Government's continued financial incentives towards low-cost airline companies to link the Skopje and Ohrid airports to new European destinations.

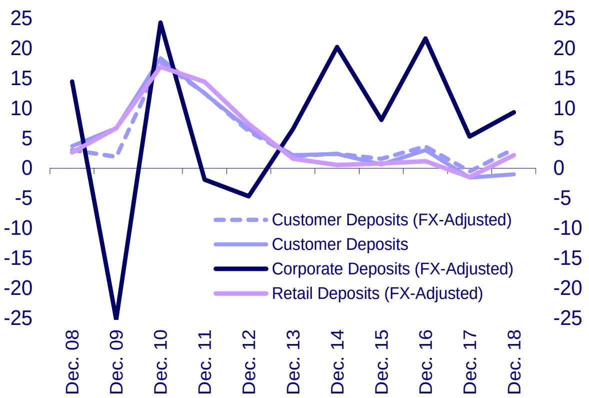
Importantly, the slowdown in tourist receipts in FY:18 (up 10.8% to a record high of c. EUR 318mn or 2.8% of GDP against a rise of 13.6% in FY:17) was milder than that in tourist arrivals. This is attributed to the rise of high-spending EU visitors in total visitors.

Looking ahead, we expect tourist arrival growth to maintain momentum this year, sustained by the Government's continued financial support to improve the tourism-related infrastructure and services, the operation of eight new routes (to Germany, Cyprus, Finland, Sweden and Italy) and a mild recovery in the number of Turkish visitors. Overall, we see tourist arrivals and receipts rising by c. 12.0% and c. 10.0%, respectively, to all-time highs of 793mn and c. EUR 350mn (3.1% of GDP) in FY:19.

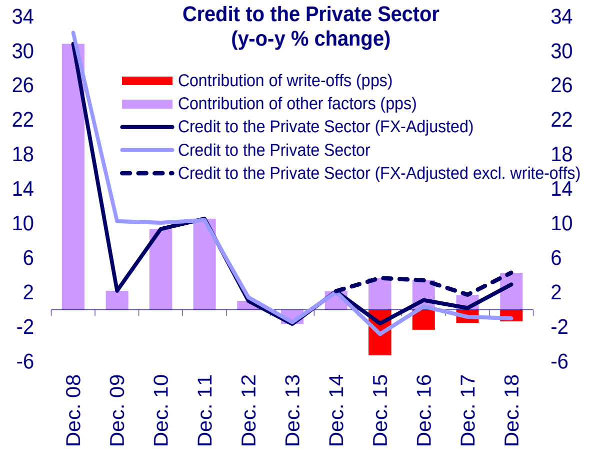
Albania

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

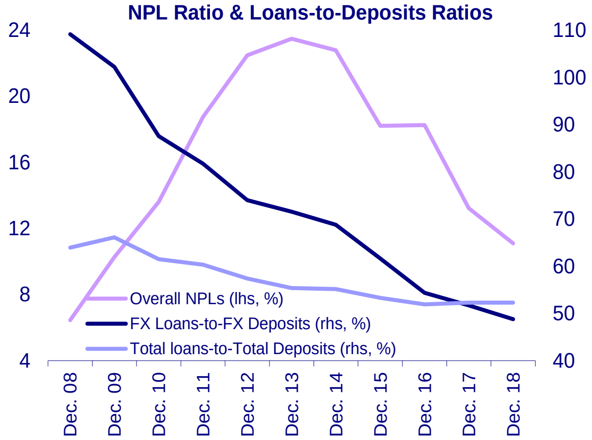
Customer Deposits (y-o-y % change)



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



NPL Ratio & Loans-to-Deposits Ratios



	25 Feb.	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	1.2	1.3	1.6	2.0
ALL/EUR	124.5	123.8	123.5	122.0
Sov. Spread (bps)	210	205	195	180

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

	2016	2017	2018E	2019F	2020F
Real GDP Growth (%)	3.4	3.8	4.3	4.0	4.2
Inflation (eop, %)	2.2	1.8	1.8	1.8	2.0
Cur. Acct. Bal. (% GDP)	-7.5	-7.5	-6.6	-5.5	-5.2
Fiscal Bal. (% GDP)	-1.8	-2.0	-1.6	-1.9	-1.8

Customer deposits (FX-adjusted) strengthened in 2018, underpinned by the rebound in economic activity. Overall deposit growth turned positive in December (up 3.2% y-o-y, adjusted for FX fluctuations, against a marginal decline of 0.5% at end-2017), mainly supported by the rise in (both LC and FC) retail deposits.

In fact, the growth rate of retail deposits (accounting for 85.0% of total deposits) turned positive (up 2.2% y-o-y in December against a decline of 1.5% at end-2017), on the back of stronger disposable income, reflecting tighter labour market conditions (the unemployment rate fell to 12.8% in 9M:18 from 14.1% in FY:17, while net wages increased by 3.0% y-o-y in 9M:18 as in FY:17), as well as the continued recovery in remittances (up 7.8% y-o-y, in EUR terms, in 9M:18).

Retail deposit growth would have been stronger had households not continued to invest in high-yielding domestic debt (Government paper held by households increased by an estimated ALL 3.4bn in FY:18, equivalent to 0.4% of the end-2017 stock of retail deposits). Indeed, the interest-rate differential, although narrowing, is still high, with the 12-month T-bill rate 130 bps higher than the 12-month deposit interest rate, which reached a low 0.1% in FY:18.

On the other hand, corporate deposit growth also rose (to 9.3% y-o-y in December from a 5-year low of 5.3% at end-2017, FX adjusted), due to the acceleration in the FC segment. The latter likely reflects stronger exports of goods (up sharply by 25.7% y-o-y, in EUR terms, in 9M:18 compared with a rise of 11.7% in FY:17) and tourism receipts (up 12.2% y-o-y, in EUR terms, in 9M:18).

Credit growth, adjusted for large write-offs and FX variations, is estimated to have reached a 7-year high of c. 4.3% in 2018. Adjusted for FX variations and loan write-offs (estimated to have amounted to ALL 11.2bn in FY:18, compared with outcomes of ALL 8.5bn in FY:17, ALL 12.6bn in FY:16 and ALL 27bn in FY:15), credit growth is estimated to have reached 4.3% y-o-y in December -- its highest level since 2011 -- up from 1.7% in FY:17. The underlying improvement could be attributed to stronger loan supply and demand.

Indeed, demand for loans was supported by the low interest rate environment (the average LC and EUR lending interest rate on new loans declined further to a record low of 6.7% and 4.1%, respectively, in FY:18 from 6.8% and 4.4% in FY:17).

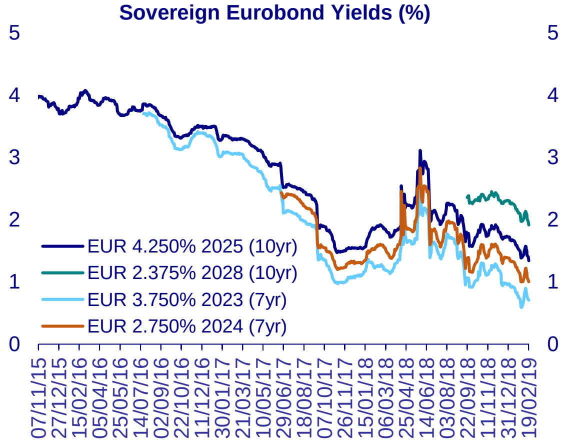
Moreover, loan supply was boosted by: i) the easing of credit standards by banks, on the back of ample liquidity in the banking sector (with the total loans-to-total deposits ratio at just 52.3% in December -- far below other SEE-5 countries), and the subsequent non-reliance on foreign financing; ii) the improving economic outlook; iii) a low loan penetration rate (at just 30.4% of GDP in December), especially in the retail segment (just 11.1% of GDP in December); and iv) improved asset quality (the NPL ratio declined significantly to 11.1% in December -- its lowest level since 2010 -- from 13.2% at end-2017 and a peak of 25.0% in mid-2014). Note that NPLs are largely concentrated in the corporate segment. Indeed, corporate NPLs amounted to 17.1% of corporate loans at end-2018 (down from a peak of 26.0% in 2013) and retail NPLs stood at 7.5% of household loans at end-2018 (down from a peak of 16.9% in 2012).

Importantly, the de-euroisation has continued, with the ratio of FC loans-to-total loans declining to 50.8% at end-2018 from 52.8% at end-2017 and a pre-crisis high of 71.3%. The decline was supported by the introduction by the BoA, in mid-2018, of differentiated reserve requirement ratios for LC and FC assets and the imposition of stricter transparency rules for (unhedged) FC lending (accounting for c. 26.0% of total lending, mainly to corporates, according to the IMF).

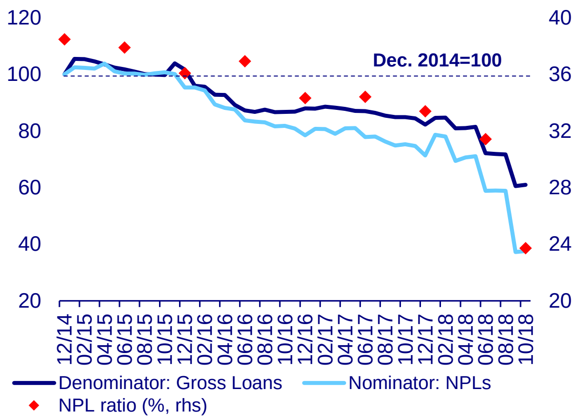
Cyprus

BBB- / Ba2 / BBB- (S&P / Moody's / Fitch)

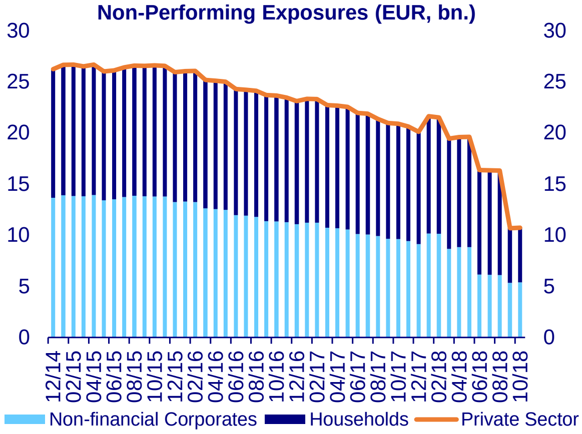
Sovereign Eurobond Yields (%)



Non-Performing Loans Ratio (Private Sector)



Non-Performing Exposures (EUR, bn.)



	25 Feb.	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.37	-0.37	-0.37	-0.37
EUR/USD	1.14	1.22	1.24	1.26
Sov. Spread (2020, bps)	115	100	92	80

	25 Feb.	1-W %	YTD %	2-Y %
CSE Index	61	-0.7	-8.1	-8.6

	2016	2017	2018E	2019F	2020F
Real GDP Growth (%)	4.8	4.2	4.0	3.6	3.2
Inflation (eop. %)	-0.3	-0.6	1.7	1.2	1.4
Cur. Acct. Bal. (% GDP)	-5.1	-8.4	-6.9	-8.0	-7.4
Fiscal Bal. (% GDP)	0.3	1.8	2.8	3.0	3.0

Cyprus issued its first ever 15-year Eurobond, worth EUR 1.0bn (4.7% of GDP), at a yield of 2.75% (241 bps over the German benchmark and 175 bps over mid-swaps). Total bids were more than eight times higher than the targeted EUR 1bn – corresponding to the largest order book since the return of the island to international markets in 2014. Recall that Cyprus issued a 10-year EUR 1.5bn Eurobond at a yield of 2.4% last September – just days after its upgrade to investment grade by S&P.

The new bond proceeds will be used to repay two loan installments of a Russian loan, in March and September, of EUR 0.3bn each, and other expensive outstanding debt. Recall that Cyprus secured a 4½-year EUR 2.5bn loan from Russia in 2011, when the country's financial crisis started to bite. This loan was restructured in 2013, so that the interest rate is reduced from 4.5% to 2.5% and the amortisation schedule is made up of 8 biannual installments between the years 2018 and 2021 instead of a single repayment in 2016.

Against this backdrop and in view of a strong primary fiscal surplus this year (c. 3.5% of GDP), the public debt-to-GDP ratio is set to decline from a peak of 104.2% at end-2018 -- inflated by the Government's issue of bonds to Cyprus Cooperative Bank (see below) -- to c. 97.0% at end-2019.

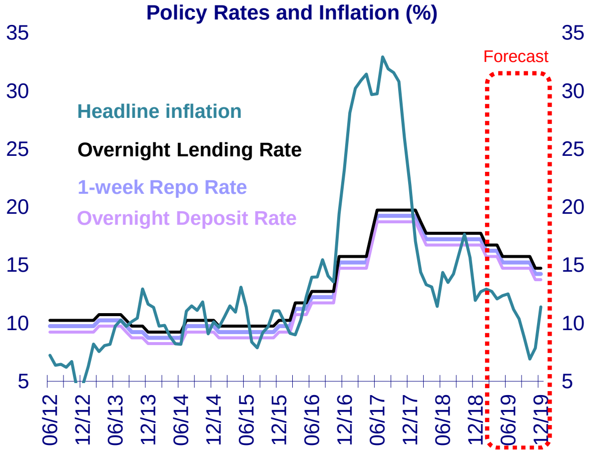
Banking sector stock of non-performing loans (NPLs) almost halved in the first 10 months of 2018, pushing down the NPL ratio to a low of 23.7%. The banking sector's stock of NPLs declined from EUR 15.7bn at end-2017 to EUR 8.3bn at end-October 2018, dragged down by the carve-out of Cyprus Cooperative Bank's (CCB) impaired loans (EUR 5.7bn) in early-September and, to a lesser extent, sales of bad loans, write-offs and debt-for-asset swaps. Recall that in July 2018, in an effort to accelerate the clean-up of banks' loan books, Parliament approved, *inter alia,* the provision of financial support to CCB (consisting of a capital injection of EUR 3.6bn mainly in the form of government bonds and state guarantees of EUR 2.6bn) to implement a sales agreement on its healthy assets and liabilities with the Hellenic Bank – HB, the country's third largest bank -- with the remaining assets transferred to CCB's residual entity (an asset management company owned and financed by the State).

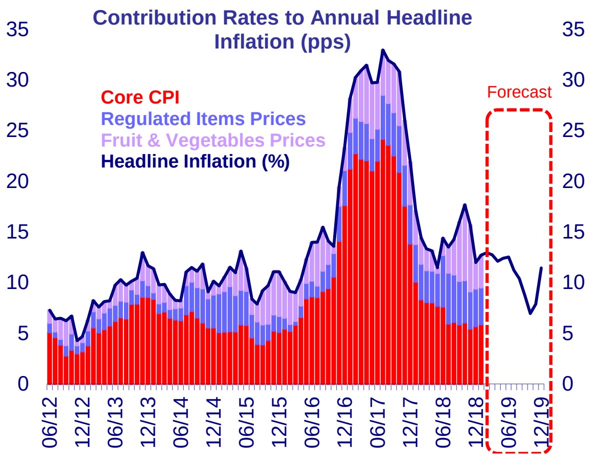
Note that the split and sale of CCB subtracted c. 8.0 pps from the overall NPL ratio and c. 9.0 pps from the overall non-performing exposures (NPE) ratio -- the EU-defined ratio for NPLs -- with most of the improvement stemming from the household sector (see chart). On the other hand, the negative NPE formation was also supported by banks' sales of bad loans (c. EUR 3.2bn), mainly related to SMEs loans. The decline in NPEs would have been sharper had there not been an upward adjustment in banks' impaired loan portfolios, due to the IFRS-9 first-time adoption on January 1st 2018.

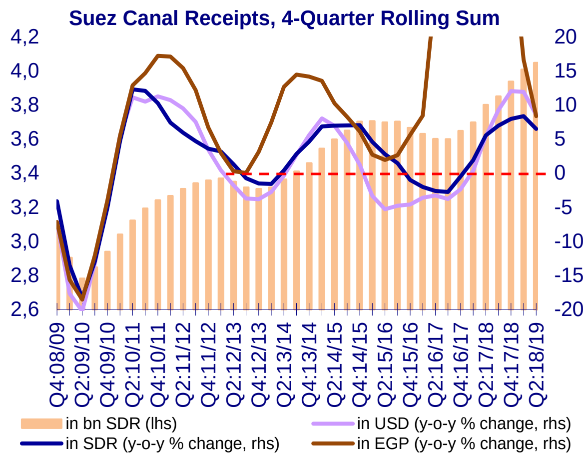
The NPE ratio is set to continue on its downward trend in the coming months, underpinned by the recent legislative measures to enhance banks' capacity to recover NPEs and improve debt payment discipline. The latter include targeted amendments to insolvency and foreclosure frameworks and the adoption of a loan securitization framework and a secondary market for NPE sales, as well as the approval of a subsidy scheme, "*Estia*", aimed at helping "vulnerable" borrowers (subject to income and wealth criteria) who are unable to repay loans secured by their primary residence, to begin servicing their debt. According to Moody's, the "*Estia*" scheme will incentivize the repayment of up to EUR 1.4bn loans classified as NPEs (c. 12.5% of end-October 2018 stock of NPEs).

Egypt

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







	25 Feb.	3-M F	6-M F	12-M F
O/N Interbank Rate (%)	15.8	15.5	14.0	12.0
EGP/USD	17.5	17.6	17.8	18.0
Sov. Spread (2020. bps)	221	210	200	180

	25 Feb.	1-W %	YTD %	2-Y %
HERMES 100	1,440	-1.3	13.4	30.9

	15/16	16/17	17/18E	18/19F	19/20F
Real GDP Growth (%)	4.3	4.2	5.3	5.5	5.8
Inflation (eop. %)	14.0	29.8	14.4	12.5	9.0
Cur. Acct. Bal. (% GDP)	-6.0	-6.0	-2.4	-1.8	-1.5
Fiscal Bal. (% GDP)	-12.5	-10.9	-9.7	-8.8	-8.2

The CBE cut its key policy rates by 100 bps; additional cuts in sight by end-year. The CBE cut its overnight deposit, 1-week repo, and overnight lending rates by 100 bps to 15.75%, 16.25%, and 16.75%, respectively, at its February 14th MPC meeting, bringing total policy rates cuts to 300 bps since the start of a new cycle of monetary policy loosening in February 2018.

The decision was motivated by the ease of inflationary pressures and the recent recovery in investor appetite for emerging markets assets. Indeed, headline inflation declined to 12.7% y-o-y in January from a high of 14.4% in June 2018, reflecting a new round of aggressive hikes in regulated prices, and core inflation (excluding fruit & vegetables and regulated items) eased to 8.6% y-o-y in January from 10.9% in June 2018 in the absence of demand-side pressures. Moreover, foreign holdings of Egyptian T-bills reversed their downward trend in January (up USD 900mn), following 9 consecutive months of decline (totaling USD 10.5bn) amid a broader global sell-off in emerging markets, and the EGP has appreciated by c. 2% against the USD since mid-January, recovering its losses between April and December 2018.

Looking ahead, in view of a benign inflation outlook, continued fiscal consolidation and a relatively stable domestic currency, we expect the CBE to proceed with two additional cuts, totaling 200 bps, by end-2019, bringing down the overnight deposit, 1-week repo, and overnight lending rates to 13.75%, 14.25%, and 14.75%, respectively. According to our baseline scenario, projecting continued strong implementation of the IMF-supported programme: i) end-year headline inflation should moderate to 11.4% y-o-y in 2019 from 12.0% in 2018, supported by the fact that the complete removal of fuel subsidies in June will have no impact on the inflation pace due to base effects; ii) the primary fiscal surplus should attain its target of 2.0% of GDP this fiscal year (up from an estimated 0.2% of GDP for FY:17/18); iii) the domestic currency should stabilise around EGP 17.6 per USD by end-2019, underpinned by the country's strengthening external position, with gross FX reserves on track to reach a record high. Note that this month, the Government raised USD 4.0bn from the USD debt market and received the fifth IMF loan tranche, worth USD 2.0bn.

Weaker support from Suez Canal receipts (SCR) to Budget revenue and current account in sight this fiscal year (ending in June). On a 4-quarter rolling basis, SDR-denominated SCR growth moderated to 6.5% y-o-y in Q2:18/19 (October-December) after having accelerated for 7 consecutive quarters, due to decelerating global trade. In fact, growth of world trade volume of goods and services is estimated to have reached 4.0% in 2018, after having rebounded to a 6-year high of 5.3% in 2017 from 2.2% in 2016, according to the latest IMF WEO Outlook -- January 2019. The performance of SCR in SDR terms solely reflects developments in (net) tonnage of ships crossing the Canal, as transit tolls have not changed since May 2013.

Looking ahead, we expect SCR to decelerate further during the rest of the fiscal year, in view of continued slowdown in global trade. Overall, we see SCR increasing for the second consecutive fiscal year in FY:18/19, albeit at a slower pace -- up c. 4.5% to a record high of SDR 4.1bn compared with a rise of 8.0% in FY:17/18.

Importantly, due to currency valuation effects (the SDR is set to depreciate by c. 2.0% against the EGP and the USD in FY:18/19, according to consensus forecasts), the contribution of SCR to: i) budget revenue (through corporate income tax and dividends) should moderate to 1.3% of GDP in FY:18/19 from an estimated 1.6% of GDP for FY:17/18; and ii) the current account should decline to 1.9% of GDP in FY:18/19 from 2.2% of GDP in FY:17/18.

Foreign Exchange Markets, February 25th 2019

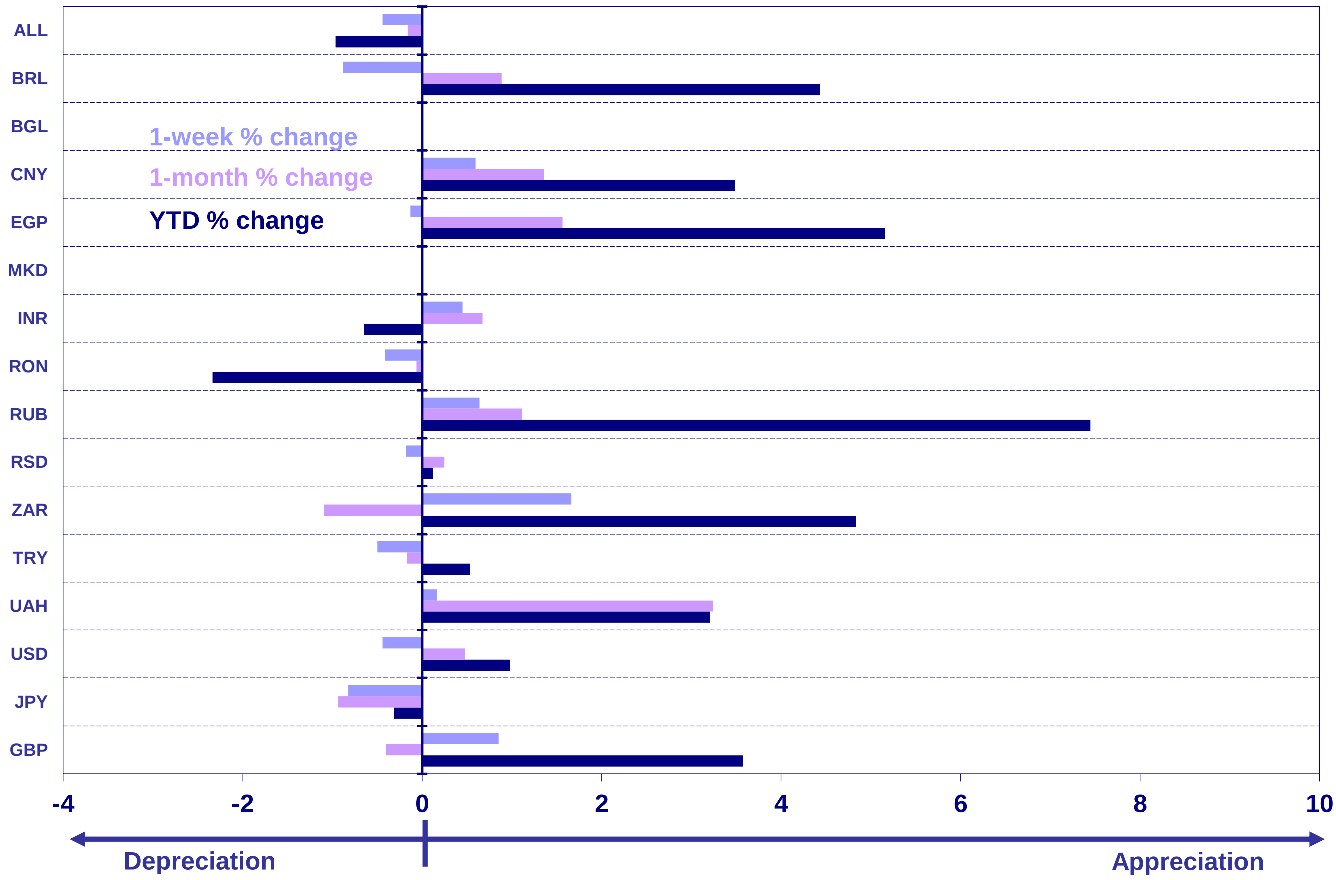
Against the EUR

	Currency	2019 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**	2018 % change*	2017 % change*
Albania	ALL	124.5	-0.4	-0.2	-1.0	6.1	123.6	125.5	124.7	124.5	123.4	7.8	1.9
Brazil	BRL	4.26	-0.9	0.9	4.4	-6.8	4.16	4.46	- - -	- - -	4.54	-10.7	-13.9
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	7.59	0.6	1.4	3.5	2.3	7.57	7.88	- - -	- - -	7.84	-0.8	-6.0
Egypt	EGP	19.81	-0.1	1.6	5.2	9.3	19.66	21.16	- - -	- - -	- - -	0.0	-9.4
North Macedonia	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	80.3	0.4	0.7	-0.6	-0.7	79.3	82.3	- - -	- - -	- - -	-3.9	-6.7
Romania	RON	4.76	-0.4	-0.1	-2.3	-2.3	4.66	4.78	4.82	4.86	4.95	0.6	-3.0
Russia	RUB	74.4	0.6	1.1	7.4	-7.8	73.9	80.1	75.9	77.3	80.4	-13.4	-6.8
Serbia	RSD	118.1	-0.2	0.2	0.1	-0.1	118.0	118.5	118.4	118.6	- - -	0.2	4.2
S. Africa	ZAR	15.7	1.7	-1.1	4.8	-9.4	15.16	16.66	16.0	16.3	16.9	-9.9	-2.7
Turkey	YTL	6.02	-0.5	-0.2	0.5	-22.5	5.91	6.47	6.37	6.69	7.32	-24.9	-18.4
Ukraine	UAH	30.7	0.2	3.2	3.2	8.5	30.44	32.66	- - -	- - -	- - -	6.0	-15.2
US	USD	1.14	-0.4	0.5	1.0	8.4	1.1	1.2	1.14	1.15	1.17	4.6	-12.4
JAPAN	JPY	126.1	-0.8	-0.9	-0.3	4.4	118.8	126.3	126.2	126.2	126.2	7.5	-8.9
UK	GBP	0.87	0.9	-0.4	3.6	1.6	0.9	0.9	0.87	0.87	0.88	-1.1	-4.1

* Appreciation (+) / Depreciation (-)

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

Currencies against the EUR (February 25th 2019)



MONEY MARKETS, FEBRUARY 25TH 2019

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	North Macedonia	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
O/N	1.1	6.4	- - -	2.6	- - -	15.8	- - -	- - -	3.6	7.7	- - -	24.2	5.6	17.1	- - -	2.4
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	3.6	7.9	2.4	- - -	6.5	- - -	- - -	- - -
S/W	1.1	6.4	- - -	2.7	-0.4	- - -	1.1	- - -	- - -	7.9	2.4	- - -	7.3	17.6	-0.4	2.4
1-Month	1.3	6.4	0.0	2.7	-0.4	- - -	1.2	6.9	3.4	8.0	2.7	24.1	7.1	19.1	-0.4	2.5
2-Month	- - -	6.4	- - -	- - -	- - -	- - -	- - -	- - -	- - -	7.8	2.8	24.0	7.1	- - -	- - -	2.6
3-Month	1.4	6.4	- - -	2.8	- - -	- - -	1.5	7.5	3.3	8.1	3.0	23.9	7.4	19.6	- - -	2.6
6-Month	1.5	6.4	- - -	2.9	- - -	- - -	1.7	- - -	3.4	8.0	3.1	23.9	7.8	- - -	- - -	2.7
1-Year	1.6	6.5	- - -	3.1	-0.1	- - -	2.0	- - -	3.5	8.9	- - -	23.8	8.2	- - -	-0.1	2.9

*For Bulgaria, the Base Interest Rate (BIR) is reported. For Egypt, the O/N Interbank Rate is reported.

LOCAL DEBT MARKETS, FEBRUARY 25TH 2019

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	North Macedonia	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	- - -	- - -	- - -	- - -	- - -	17.6	- - -	6.4	- - -	7.8	- - -	19.4	- - -	- - -	-0.5	2.5
6-Month	1.1	- - -	- - -	- - -	- - -	17.4	- - -	6.5	3.2	8.0	3.3	19.7	- - -	- - -	-0.6	2.5
12-Month	1.2	- - -	-0.1	2.4	- - -	17.2	0.9	6.6	3.2	7.6	3.1	18.9	- - -	19.0	-0.6	2.6
2-Year	1.8	- - -	- - -	2.7	- - -	- - -	1.3	6.7	3.6	7.7	- - -	18.1	7.0	- - -	-0.6	2.5
3-Year	2.0	- - -	-0.1	2.7	0.8	- - -	- - -	6.8	4.0	8.0	- - -	16.7	7.1	17.6	-0.5	2.5
5-Year	3.4	8.2	- - -	2.9	0.7	17.7	- - -	7.1	4.3	8.1	3.9	15.4	7.8	- - -	-0.4	2.5
7-Year	- - -	- - -	0.5	- - -	1.3	17.8	- - -	7.4	4.7	8.2	- - -	- - -	- - -	- - -	-0.2	2.6
10-Year	5.9	9.0	0.8	3.2	- - -	17.6	- - -	7.6	4.9	8.4	- - -	14.6	8.7	- - -	0.1	2.7
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	3.0	7.8	- - -	8.5	- - -	- - -	9.9	- - -	0.3	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	9.8	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	7.8	- - -	- - -	- - -	- - -	9.8	- - -	0.7	3.0

*For Albania. North Macedonia and Ukraine primary market yields are reported

CORPORATE BONDS SUMMARY, FEBRUARY 25TH 2019

		Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Bulgaria	**Bulgaria Energy Hld 4.875% '21**	EUR	NA/NA	2/8/2021	550	2.0	249	216
South Africa	**FirstRand Bank Ltd 4.25% '20**	USD	BB/Baa3	30/4/2020	500	4.2	167	150
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	0.9	147	119
Turkey	**Arcelik AS 3.875% '21**	EUR	BB+/NA	16/9/2021	350	3.1	367	325
	Garanti Bank 5.25% '22	USD	NA/Ba3	13/9/2022	750	6.3	385	366
	Turkiye Is Bankasi 6% '22	USD	NA/B2	24/10/2022	1,000	8.3	586	547
	Vakifbank 5.75% '23	USD	NA/B1	30/1/2023	650	7.8	527	493
	TSKB 5.5% '23	USD	NA/B2	16/1/2023	350	8.3	586	539
	Petkim 5.875% '23	USD	NA/B1	26/1/2023	500	7.5	500	471
	KOC Holding 5.25% '23	USD	BBB-/Ba2	15/3/2023	750	6.2	369	352

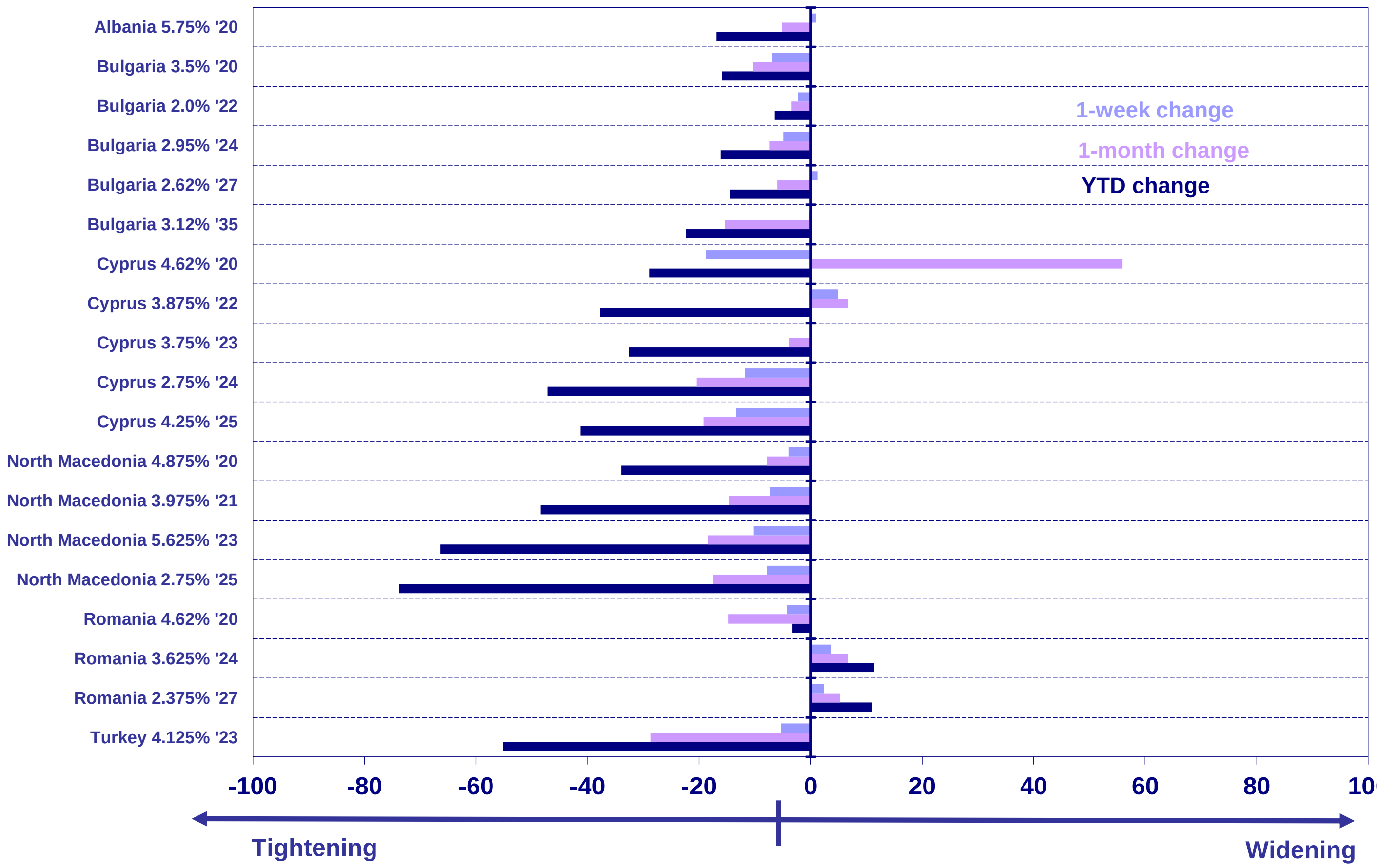
CREDIT DEFAULT SWAP SPREADS. FEBRUARY 25TH 2019

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	North Macedonia	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	161	71	52	110	368	- - -	80	108	134	116	316	183	647
10-Year	- - -	239	103	96	125	426	- - -	89	149	193	147	372	254	672

EUR-DENOMINATED SOVEREIGN EUROBOND SUMMARY. FEBRUARY 25TH 2019

	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	1.5	210	185
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	-0.1	42	15
Bulgaria 2.0% '22	EUR	BBB-/Baa2	26/3/2022	1,250	0.0	52	7
Bulgaria 2.95% '24	EUR	BBB-/Baa2	3/9/2024	1,493	0.3	55	11
Bulgaria 2.62% '27	EUR	BBB-/Baa2	26/3/2027	1,000	1.0	101	55
Bulgaria 3.12% '35	EUR	BBB-/Baa2	26/3/2035	900	2.3	192	131
Cyprus 4.62% '20	EUR	BBB-/Ba2	3/2/2020	668	0.6	115	89
Cyprus 3.875% '22	EUR	NA/Ba2	6/5/2022	1,000	0.4	97	55
Cyprus 3.75% '23	EUR	NA/Ba2	26/7/2023	1,000	0.7	108	66
Cyprus 2.75% '24	EUR	NA/Ba2	27/6/2024	850	0.9	131	82
Cyprus 4.25% '25	EUR	NA/Ba2	4/11/2025	1,000	1.3	147	109
North Macedonia 4.875% '20	EUR	BB-/NA	1/12/2020	178	0.8	141	111
North Macedonia 3.975% '21	EUR	BB-/NA	24/7/2021	500	1.6	208	467
North Macedonia 5.625% '23	EUR	BB-/NA	26/7/2023	450	2.1	250	224
North Macedonia 2.75% '25	EUR	BB-/NA	18/1/2025	500	2.4	267	217
Romania 4.62% '20	EUR	BBB-/BBB-	18/9/2020	2,000	0.0	60	31
Romania 3.625% '24	EUR	BBB-/BBB-	24/4/2024	1,250	1.1	146	102
Romania 2.375% '27	EUR	BBB-/BBB-	19/4/2027	2,000	2.4	245	191
Turkey 4.125% '23	EUR	NR/Ba3	11/4/2023	1,000	3.6	410	358

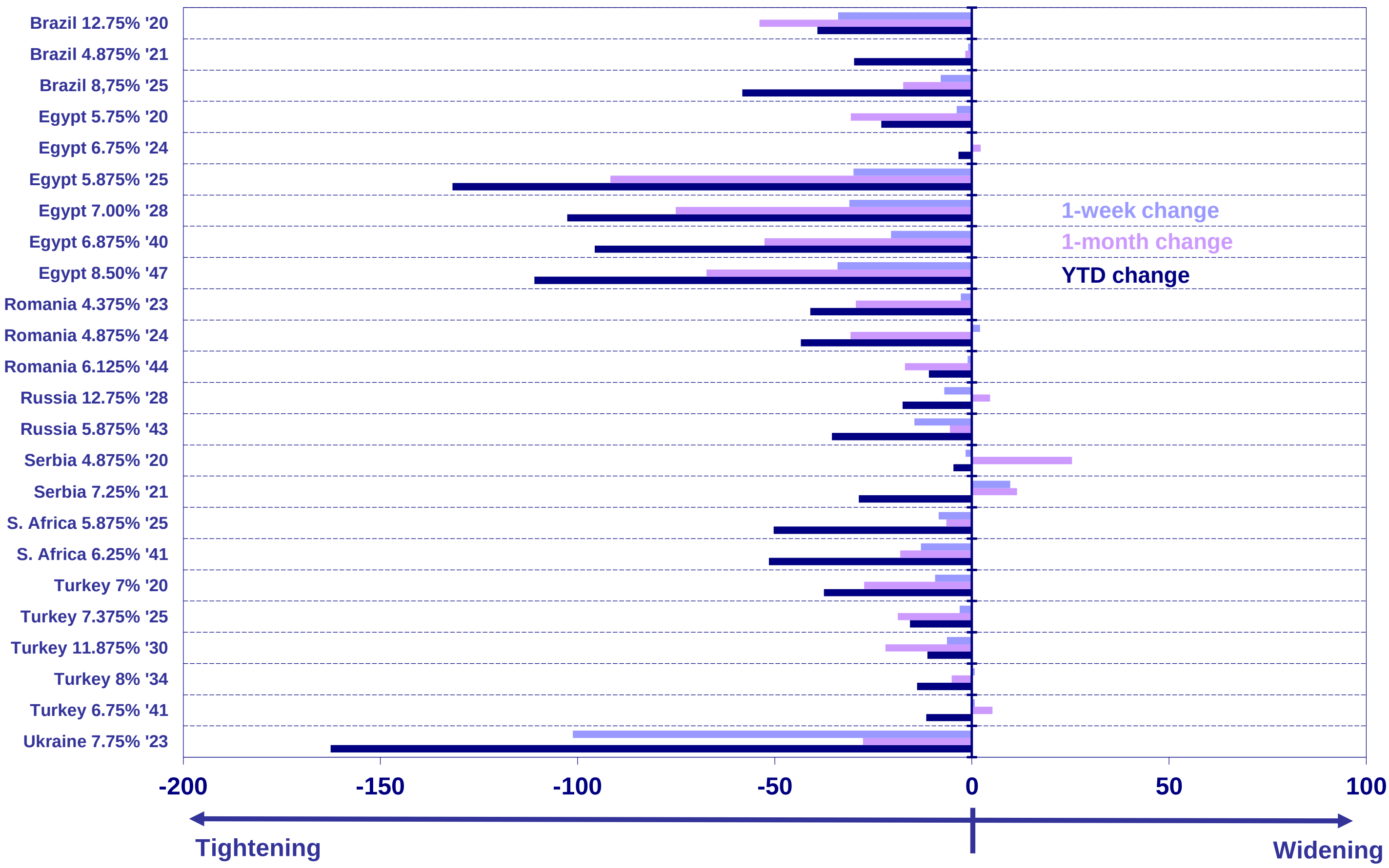
EUR-Denominated Eurobond Spreads (February 25th 2019)



USD-Denominated Sovereign Eurobond Summary. February 25th 2019

	Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Brazil 12.75% '20	USD	NA/Ba2	15/1/2020	87	2.9	37	30
Brazil 4.875% '21	USD	NA/Ba2	22/1/2021	2,713	3.4	86	77
Brazil 8.75% '25	USD	NA/Ba2	4/2/2025	688	4.0	144	164
Egypt 5.75% '20	USD	B/B3	29/4/2020	1,000	4.7	221	209
Egypt 6.75% '24	USD	NA/B3	10/11/2024	1,500	6.2	370	362
Egypt 5.875% '25	USD	B/B3	11/6/2025	500	6.3	378	366
Egypt 7.00% '28	USD	NA/B3	10/11/2028	1,000	7.2	454	442
Egypt 6.875% '40	USD	B/B3	30/4/2040	1,500	8.0	495	467
Egypt 8.50% '47	USD	NA/B3	31/1/2047	500	8.4	537	552
Romania 4.375% '23	USD	BBB-/BBB-	22/8/2023	1,500	3.8	129	125
Romania 4.875% '24	USD	BBB-/BBB-	22/1/2024	1,000	3.8	128	124
Romania 6.125% '44	USD	BBB-/BBB-	22/1/2044	1,000	5.2	218	255
Russia 12.75% '28	USD	BBB-/Baa3	24/6/2028	2,500	4.7	206	278
Russia 5.875% '43	USD	BBB-/Baa3	16/9/2043	1,500	5.1	206	239
Serbia 4.875% '20	USD	BB/Ba3	25/2/2020	1,500	4.0	143	131
Serbia 7.25% '21	USD	BB/Ba3	28/9/2021	2,000	3.9	145	141
S. Africa 5.875% '25	USD	BB/Baa3	16/9/2025	2,000	5.0	249	250
S. Africa 6.25% '41	USD	BB/Baa3	8/3/2041	750	6.0	296	318
Turkey 7.00% '20	USD	NR/Ba3	5/6/2020	2,000	5.2	261	252
Turkey 7.375% '25	USD	NR/Ba3	5/2/2025	3,250	6.5	397	401
Turkey 11.875% '30	USD	NR/Ba3	15/1/2030	1,500	7.1	445	530
Turkey 8.00% '34	USD	NR/Ba3	14/2/2034	1,500	7.3	464	463
Turkey 6.75% '41	USD	NR/Ba3	14/1/2041	3,000	7.3	431	399
Ukraine 7.75% '23	USD	B-/Caa1	1/9/2023	1,355	8.8	635	604

USD-Denominated Eurobond Spreads (February 25th 2019)



STOCK MARKETS PERFORMANCE. FEBRUARY 25TH 2019

	2019								2018		2017	
	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)	97,240	0.8	-0.4	10.6	10.9	87,536	98,589	15.3	15.0	2.5	26.9	9.5
Bulgaria (SOFIX)	593	2.5	3.4	-0.2	-13.6	560	594	-0.2	-12.3	-12.3	15.5	15.5
China (SHCOMP)	2,961	7.5	13.8	18.7	-11.1	2,441	2,962	23.0	-24.6	-25.2	6.6	-0.3
Cyprus (CSE GI)	61	-0.7	-3.0	-8.1	-12.1	60	67	-8.1	-3.9	-3.9	4.7	4.7
Egypt (HERMES)	1,440	-1.3	10.9	13.4	-5.7	1,290	1,465	15.9	-11.1	-11.1	32.0	18.7
North Macedonia (MBI)	3,705	1.5	2.8	6.8	33.8	3,467	3,708	6.8	36.6	36.6	18.9	18.9
India (SENSEX)	36,213	2.0	0.5	0.4	5.1	32,484	38,990	-0.2	5.9	1.6	27.9	19.3
Romania (BET-BK)	1,531	-0.2	7.3	5.1	-12.2	1,394	1,540	2.7	-11.6	-11.1	22.8	19.1
Russia (MOEX)	2,495	0.9	-0.1	5.8	6.0	2,350	2,552	13.1	0.9	-12.3	-16.2	-21.9
Serbia (BELEX-15)	684	-0.2	-2.3	-10.3	-9.3	668	760	-10.2	0.2	0.5	5.9	10.3
South Africa (FTSE/JSE)	55,878	1.1	3.4	6.5	-5.1	50,907	56,328	12.0	-11.4	-20.1	17.5	14.3
Turkey (ISE 100)	104,330	2.6	2.5	15.4	-12.2	87,399	105,930	15.4	-20.9	-40.5	47.6	20.5
Ukraine (PFTS)	554	-1.1	0.6	-1.0	64.2	550	567	2.3	77.5	88.1	18.8	0.8
MSCI EMF	1,068	3.0	3.4	10.9	-12.6	946	1,059	11.7	-16.6	-12.8	34.3	17.7
MSCI EAFE	1,877	1.2	3.5	9.6	-9.6	1,709	1,870	10.4	-16.1	-12.3	21.8	6.7
Greece (ASE-General)	687	2.9	8.4	13.7	-18.0	600	691	13.7	-23.6	-23.6	24.7	24.7
Germany (XETRA DAX)	11,505	1.8	2.0	9.0	-8.2	10,387	11,544	9.0	-18.3	-18.3	12.5	12.5
UK (FTSE-100)	7,184	-0.5	5.5	6.7	-1.5	6,599	7,262	10.8	-12.5	-13.5	7.6	3.2
USA (DJ INDUSTRIALS)	26,092	0.8	5.5	13.1	1.5	21,713	26,952	13.9	-5.6	-1.3	25.1	9.6
USA (S&P 500)	2,796	0.7	4.9	12.5	0.6	2,444	2,794	13.3	-6.2	-1.9	19.4	4.7

Equity Indices (February 25th 2019)