NATIONAL BANK OF GREECE

Economic Analysis Division
Emerging Markets Analysis

Bi-Weekly Report 12 – 25 June 2018

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Emerging Markets Analysis

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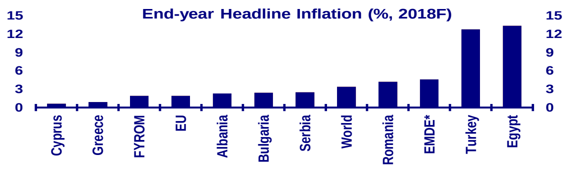
* EMDE: Emerging Market & Developing Economies



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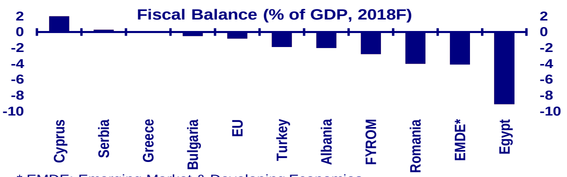

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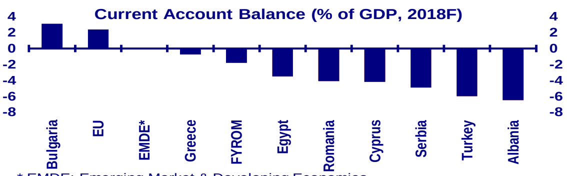


* EMDE: Emerging Market & Developing Economies

TURKEY 1

The victory of incumbent President Erdogan and his Justice and Development Party in the presidential and parliamentary elections is not sufficient to restore confidence

The unemployment rate is set to embark on an upward trend from Q2:18 following 5 consecutive quarters of decline

ROMANIA 2

L. Dragnea, leader of the ruling PSD, sentenced for corruption

Albeit easing sharply, the pace of economic expansion remained strong at 4.0% y-o-y in Q1:18

BULGARIA 3

The profitability of the banking system deteriorated in Q1:18, due to lower pre-provision net operating income

SERBIA 4

The IMF reached a staff-level agreement with the Serbian authorities on a 30-month (non-financing) Policy Coordination Instrument

The unemployment rate rose in Q1:18, on a strong increase in the labour force participation rate

FYROM 5

A provisional agreement on the "name issue" with Greece paves the way to the start of EU membership talks and joining NATO

The current account deficit stood at 1.4% of GDP on a 4-quarter rolling basis -- broadly unchanged from a 2¼-year low of 1.3% in Q4:17

House Price Index rose by a multi-quarter high of 7.2% y-o-y in Q1:18, supported by dissipated political uncertainty and brighter economic prospects

ALBANIA 6

The current account deficit remained flat on an annual basis in Q1:18

The capital and financial account surplus narrowed slightly in Q1:18, but fully covered the CAD

CYPRUS 7

Economic growth remained in the range of 3.8%-4.0%, for the sixth consecutive quarter, in Q1:18

EGYPT 8

A new cabinet headed by newly-appointed Prime Minister M. Madbouly was sworn in before President A.-F. el-Sissi

Customer deposits (FX-adjusted) gained momentum in 8M:17/18, underpinned by strengthening confidence in the Egyptian economy and higher EGP remuneration rates

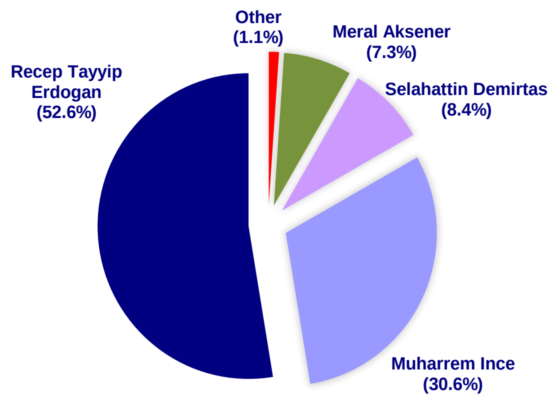
Credit to the private sector (FX-adjusted) lost momentum in 8M:17/18, on the back of higher lending interest rates

APPENDIX: FINANCIAL MARKETS 9

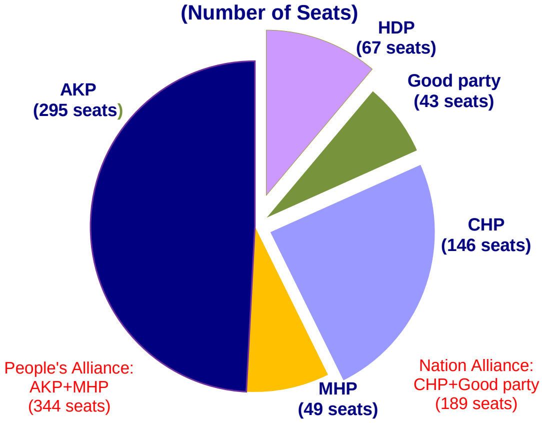
Turkey

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

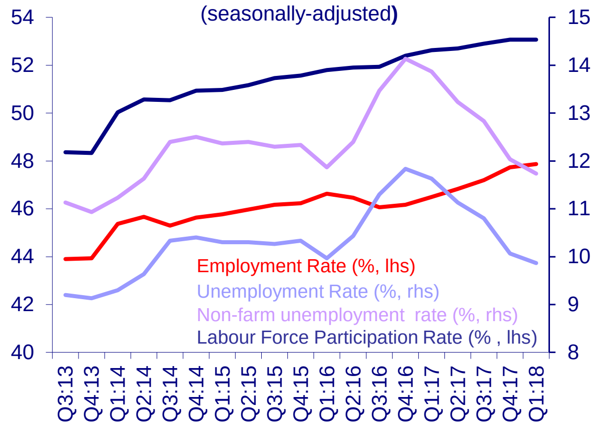
Results of Presidential Elections (% of Votes)



Structure of Parliament (Number of Seats)



Labour Market Indicators (seasonally-adjusted)



	25 June	3-M F	6-M F	12-M F
1-m TRIBOR (%)	19.0	17.8	17.8	16.5
TRY/EUR	5.48	5.30	5.20	5.30
Sov. Spread (2020, bps)	335	280	240	180

	25 June	1-W %	YTD %	2-Y %
ISE 100	94,008	1.0	-18.5	24.7

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	6.1	3.2	7.4	4.2	4.4
Inflation (eop, %)	8.8	8.5	11.9	12.8	10.2
Cur. Acct. Bal. (% GDP)	-3.7	-3.8	-5.6	-6.0	-5.4
Fiscal Bal. (% GDP)	-1.0	-1.1	-1.5	-1.9	-1.5

The victory of incumbent President Erdogan and his Justice and Development Party (AKP) in the presidential and parliamentary elections is not sufficient to restore confidence. Outgoing President Erdogan, head of the ruling (AKP), secured 52.6% of the vote, well ahead of his main challenger, leader of the secularist Republican People's Party (CHP), Ince, who garnered 30.6%. The candidates of the pro-Kurdish party HDP, Demirtas, and the Good Party, Aksener, won 8.4% and 7.3%, respectively. Importantly, in accordance with the April 2017 referendum, endorsing the shift to an executive presidency from a parliamentary system, President Erdogan will not only be the head of state, but also the head of government. He will have the power to dissolve the national assembly, appoint cabinet ministers without requiring a confidence vote from parliament, impose states of emergency, propose budgets, and nominate 12 out of 15 Supreme Court judges.

Moreover, the ruling AKP emerged as the major political force in the new 600-seat parliament, winning 295 seats, but falling to secure an absolute majority. The Nationalist Movement Party, MHP, performed far better than expected following the formation of an alliance with the AKP ahead of the election, the "People's Alliance", garnering 49 seats. With 344 seats, the "People's Alliance" controls the new Parliament; but falls short of the qualified majority (360 seats) needed for calling a referendum and the constitutional majority (400 seats) required for changing the constitution without holding a referendum. The CHP and the Good Party, which run under the name "Nation Alliance" with 2 other small parties (Felicity party and Democrat party), won 146 and 43 seats, respectively. The HDP, though it has opted to run solo and its co-leader Demirtas was imprisoned on political and security charges, succeeded to bypass the 10% national threshold needed to enter the Assembly and emerge as the second largest opposition force in the new Parliament, gaining 67 seats.

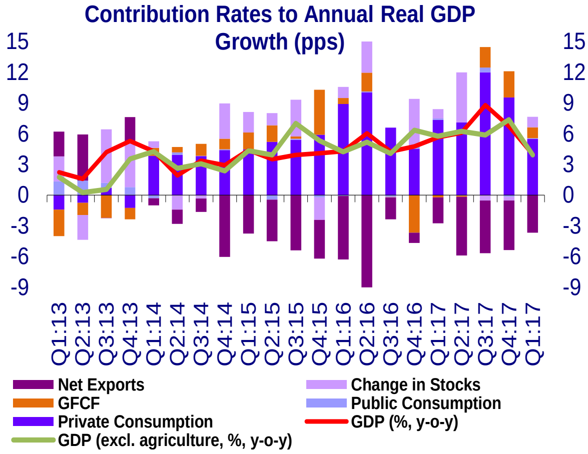
Importantly, although it has removed political uncertainty, the election outcome has not so far not resulted in a rally in domestic asset markets. It appears that the markets have taken a "wait-and-see" mode until the unveiling of the policy agenda of the new government. Indeed, in view of: i) the country's deteriorating twin deficits (the fiscal deficit reached a 5½-year high of 1.7% of GDP in May and the current account deficit stood at a 6½-year high of 6.7% of GDP in April, on a 12-month rolling basis); ii) stubbornly high inflation (12.1% y-o-y in May); iii) the already vulnerable external position (FY:18 financing is estimated at c. 25% of GDP); and iv) an increasingly less-friendly global environment for emerging markets, restoring market confidence will hinge on the new Cabinet's commitment to the implementation of a consistent policy mix and bold structural reforms.

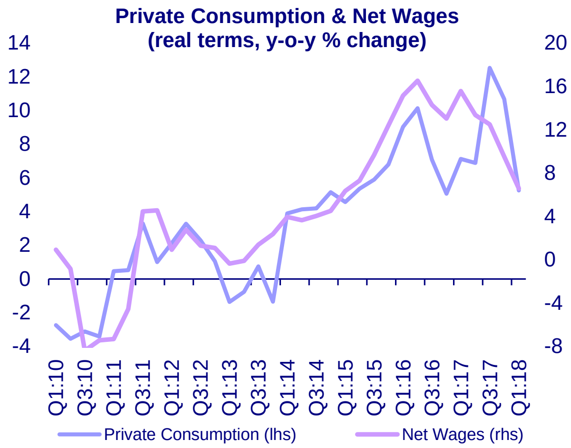
The unemployment rate is set to embark on an upward trend from Q2:18, following 5 consecutive quarters of decline. The seasonally-adjusted unemployment rate declined for a 5th successive quarter from a peak of 11.8% in Q4:16 to a 3½-year low of 9.9% in Q1:18, in line with a sharp rebound in economic activity. Indeed, GDP CAGR rose to 7.4% y-o-y in Q1:17-Q1:18 from a post global crisis low of 3.2% in FY:16, mainly supported by a strong fiscal and quasi-fiscal stimulus.

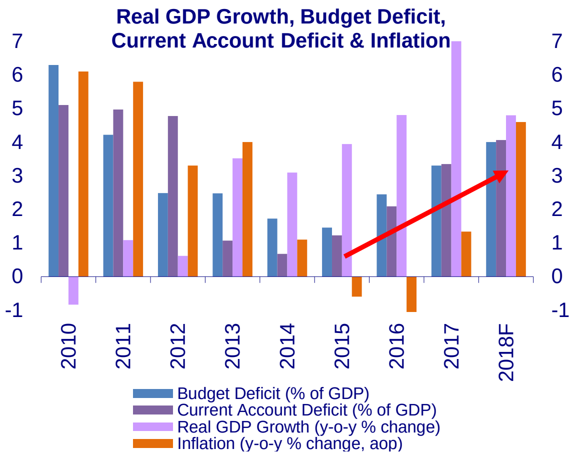
Looking ahead, we expect the unemployment rate to reverse its downward trend in Q2:18, as economic momentum slows. We see GDP growth easing to 3.1% y-o-y in Q2-Q4:18 from 7.4% y-o-y in Q1:18 and 8.0% y-o-y in Q2-Q4:17, mainly due to tighter domestic and global liquidity conditions and more limited fiscal stimulus. Overall, we expect the unemployment rate to rise to an 8-year high of 11.3% in FY:18 from 10.9% in FY:17.

Romania

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







	25 June	3-M F	6-M F	12-M F
1-m ROBOR (%)	3.1	2.9	2.9	3.0
RON/EUR	4.64	4.64	4.65	4.68
Sov. Spread (2024, bps)	141	130	120	110

	25 June	1-W %	YTD %	2-Y %
BET-BK	1,594	-2.1	-3.5	38.5

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	4.0	4.8	7.0	4.4	3.8
Inflation (eop, %)	-0.9	-0.5	3.3	4.2	3.7
Cur. Acct. Bal. (% GDP)	-1.2	-2.1	-3.3	-4.1	-4.5
Fiscal Bal. (% GDP)	-1.5	-2.4	-2.8	-4.0	-4.3

L. Dragnea, leader of the ruling PSD, sentenced for corruption. Romania's highest court found Dragnea guilty of intervening to keep two PSD members on the public payroll, during his tenure as President of a county council in 2008-10, and he was sentenced to 3½ years in prison. Dragnea, who has been barred from becoming a PM due to a previous suspended sentence for voter manipulation, is the "real power" behind PM Dancila's Government. Dragnea refused to resign from both the helm of the PSD and the post of the Speaker of the Senate, saying that he would appeal the court's verdict.

Dragnea's conviction comes at a time when the Government is trying to tighten its grip on power through a controversial judicial and legislative reform. This initiative has drawn strong criticism both domestically and internationally, having led to the departure of two PMs in a year.

Worryingly, political uncertainty is unlikely to ease soon. On the one hand, Dragnea's conviction should take its toll on the popularity of his party and, at the same time, spark a power struggle within its ranks. Recall that the ruling coalition's parliamentary majority has already been eroded by the defection of a number of its MPs to the newly-formed Pro Romania Party. On the other hand, we expect tensions between the PSD and the opposition to escalate. Indeed, the PSD is reportedly preparing to impeach the opposition-linked President, K. Iohannis. The latter has been stalling on a constitutional court ruling, calling him to endorse the dismissal of the head of the anti-corruption authority, at the Government's request. All said, economic sentiment is set to deteriorate, threatening macroeconomic and financial stability.

Albeit easing sharply, the pace of economic expansion remained strong at 4.0% y-o-y in Q1:18. Economic activity lost further momentum, with GDP remaining flat on a sequential basis in Q1:18 against a marginal rise of 0.3% in Q4:17 and an impressive hike of 2.1% on average in 9M:17. As a result, the annual pace of economic expansion moderated to 4.0% y-o-y in Q1:18 from 6.7% in Q4:17.

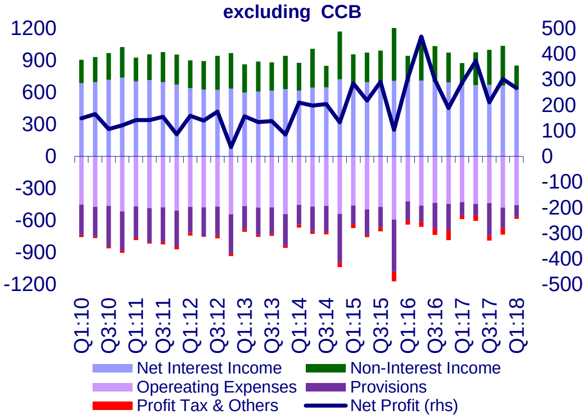
Private consumption remained the main engine of growth, but weakened sharply in Q1:18. Incomes policy continued to ease in Q1:18, with public sector wages rising by 25% in January, and certain sub-sectors receiving another 20% increase in March. Its impact on disposable income was, however, curtailed by the shift in the bulk of the social security contributions' burden onto employees. Indeed, net wage growth decelerated in Q1:18 (to c. 6.0% y-o-y in real terms from 10.0% in Q4:17). As a result, private consumption continued to grow in Q1:18 (up by a solid 5.3% y-o-y), but at a slower pace compared with Q4:17 (up 10.7% y-o-y). Moreover, fixed investment temporarily lost steam (up 4.8% y-o-y in Q1:18 against a rise of 10.0% in Q4:17), driven by the construction sector (the latter's gross value added was down 2.3% y-o-y in real terms), which was hit by bad weather conditions. As expected, albeit still highly negative, the contribution of net exports to overall growth diminished in Q1:18 (to -3.7 pps of GDP from -4.9 pps in Q4:17), on the back of weaker domestic absorption.

GDP growth is set to recover during the remainder of the year, supported by stronger investment activity. Fixed investment should strengthen during the remainder of the year, driven by the public sector (the budget sees public investment rising by 1.2 pps of GDP y-o-y in Q2-Q4:18). At the same time, despite high inflation, private consumption should continue to expand at a solid pace (comparable with that observed in Q1:18), helped by a further easing in incomes policy (pensions will rise by 10.0% in July). Reflecting the economic imbalances, net exports could remain a drag on growth, albeit less compared with FY:17. Overall, we see GDP growth easing to 4.4% in FY:18 from 7.0% in FY:17, still above its long-term potential of 3.0%.

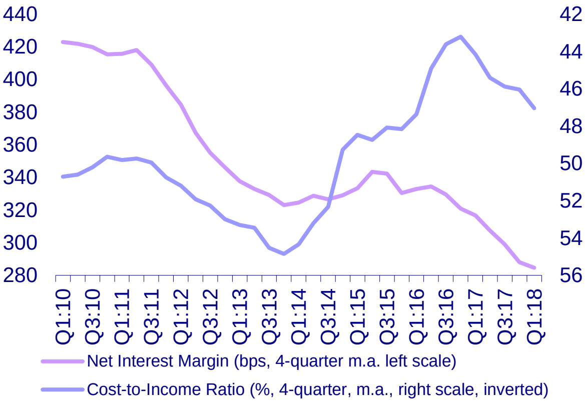
Bulgaria

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

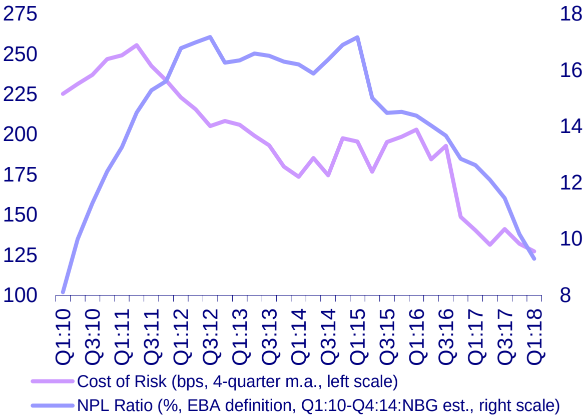
Quarterly Net Profit (BGN mn) excluding CCB



Net Interest Margin & Cost-to-Income Ratio



NPL Ratio & Cost of Risk



	25 June	3-M F	6-M F	12-M F
1-m SOFIBOR (%)	-0.1	0.1	0.1	0.2
BGN/EUR	1.96	1.96	1.96	1.96
Sov. Spread (2022, bps)	58	52	48	40

	25 June	1-W %	YTD %	2-Y %
SOFIX	632	0.3	-6.6	38.6

	2015	2016	2017E	2018F	2019F
Real GDP Growth (%)	3.6	3.9	3.6	3.8	3.5
Inflation (eop, %)	-0.4	0.1	2.8	2.4	2.6
Cur. Acct. Bal. (% GDP)	0.0	2.3	4.5	3.1	1.7
Fiscal Bal. (% GDP)	-2.8	1.6	0.9	-0.5	-0.3

The profitability of the banking system deteriorated in Q1:18, due to lower pre-provision net operating income. Net profit (after tax) declined by 7.1% y-o-y in Q1:18 to BGN 267mn (EUR 137mn or 0.3% of GDP). As a result, annualised ROAA and ROAE eased to 1.1% and 8.7%, respectively, in Q1:18 from 1.2% and 9.5% in Q1:17.

Pre-provision net operating income weakened in Q1:18, as net interest income (NII) continued to decline and operating expenses rose sharply. NII declined for a 6th consecutive quarter in Q1:18 (down 3.7% y-o-y following a decline of 4.4% in Q4:17 -- down 4.6% in FY:17) as the expansion in average interest earning assets (up 5.6% y-o-y) was more than offset by a lower net interest rate margin (down 26 bps y-o-y to 271 bps in Q1:18). The latter should be mainly attributed to the sharp decline in lending rates, reflecting tighter competition among banks for market shares against the backdrop of increased liquidity in the system. Indeed, the loan-to-deposit ratio fell further to 76.4% in Q1:18 from 80.1% in Q1:17 and its peak of 146.7% in mid-2009.

At the same time, net non-interest income (NNII) remained broadly flat (up 0.8% y-o-y in Q1:18 against a rise of 33.1% in Q4:16 -- up 11.4% in FY:17), as the increase in net fees and commissions income offset the decline in trading gains.

On a negative note, operating expenses continued to increase at a fast pace in Q1:18 (up 6.6% y-o-y following an increase of 7.7% in Q4:17 -- up 1.5% in FY:16), due to higher general & administrative costs as well as personnel expenses. Indeed, against the backdrop of a very tight labour market, gross wage growth in the sector accelerated to 6.8% y-o-y in Q1:18 from 4.4% in Q4:18 (up 3.9% in FY:17). As a result, the efficiency of the banking system deteriorated, with the cost-to-income ratio rising by 460 bps y-o-y to 53.6% in Q1:18 (46.0% in FY:17), albeit still better than the EU average (over 60.0%).

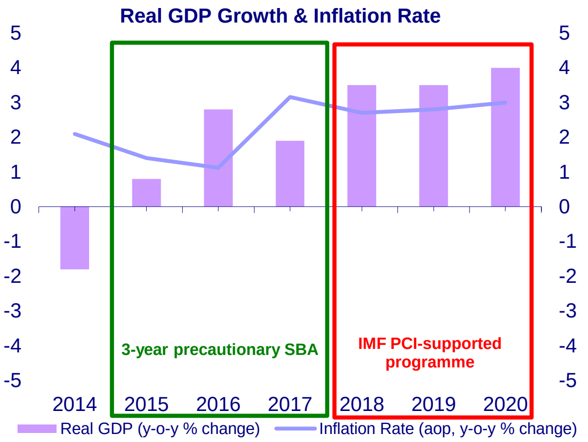
The lower NPL ratio prompted banks to cut provisioning in Q1:18. The NPL ratio (EBA definition) continued to decline, reaching 9.3% in Q1:18 (still double the EU average) against 12.6% in Q1:17. As a result, provisioning declined further in Q1:18 (down 14.6% y-o-y following a decline of 19.9% in Q4:17 – down 9.6% in FY:17), pushing down the cost of risk to 75 bps (down 16 bps y-o-y) at the same time (127 bps on a 4-quarter rolling basis against 132 bps in FY:17).

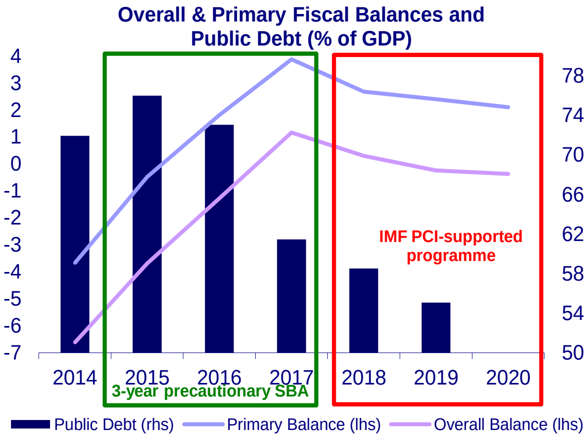
Importantly, the NPL coverage ratio rose to 61.9% in Q1:18 from 52.8% in Q4:17. This sharp improvement should be attributed to the boost in the stock of provisions in the aftermath of the implementation of the new tighter IFRS-9 accounting standards as of January 2018. Recall that IFRS-9 moves from the concept of incurred loss to that of expected loss, thus requiring banks to increase provisions significantly. Note, however, that their capital impact is directly on equity and does not affect profits. As a result, the system's capital adequacy ratio declined to 20.9% in Q1:18 from 22.1% in Q4:17, still far above the minimum regulatory level of 13.5%

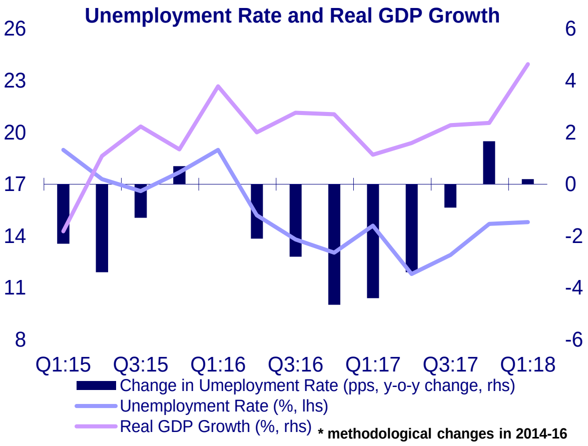
A recovery in pre-provision income, together with lower provisioning, is set to sustain profitability during the remainder of the year. Looking ahead, we expect pre-provision income to recover, driven by the pick-up in credit activity (up 5.0% on average in FY:18 against 3.5% in FY:17). Indeed, against the backdrop of increased liquidity in the system, the pace of credit expansion should pick up, reflecting solid economic growth and strong demand for real estate (prices are currently up 9.0% y-o-y). At the same time, in light of the high NPL coverage and in view of the continuing drop in NPLs (to 7.5% by end-2018), we expect provisioning to decelerate further. All said, we see ROAE improving to slightly over 10.0% in FY:18 from 9.5% in FY:17.

Serbia

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







	25 June	3-M F	6-M F	12-M F
1-m BELIBOR (%)	2.6	2.9	3.1	3.5
RSD/EUR	118.0	117.3	117.6	117.4
Sov. Spread (2021, bps)	159	145	135	120

	25 June	1-W %	YTD %	2-Y %
BELEX-15	729	-0.8	-4.0	19.9

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	0.8	2.8	1.9	3.6	3.6
Inflation (eop, %)	1.5	1.6	3.0	2.5	2.8
Cur. Acct. Bal. (% GDP)	-4.7	-3.1	-5.7	-5.0	-4.8
Fiscal Bal. (% GDP)	-3.7	-1.3	1.2	0.3	0.1

The IMF reached a staff-level agreement with the Serbian authorities on a 30-month (non-financing) Policy Coordination Instrument (PCI). Following the completion of its 3-year EUR 1.1bn precautionary SBA (2.7% of 2018 GDP) in February 2018, Serbia remained engaged with the IMF through the (recently-introduced, non-financing) PCI. The agreed policies and reforms supported by the PCI programme aim to:

i) maintain macroeconomic stability. In fact, under the PCI, GDP growth is set to reach a post-crisis high of 3.5% this year (up from 1.9% in 2017), while inflation is set to remain subdued, at a low of 2.0% y-o-y by end-2018 -- well within the NBS' target band. Under the PCI-supported programme, the IMF expects a fiscal surplus in 2018 -- for a 2nd successive year -- and small fiscal deficits for 2019-20, aiming to reduce the public debt-to-GDP ratio to below 50% by the expiration of the programme (from 61.5% at end-2017). Fiscal policies under the PCI include: i) rises in pensions and public wages, reversing the temporary pension and public wage cuts imposed under the 2015-17 SBA (while ensuring the continued reduction of the share of public wage and pension bills in GDP); ii) the increase in capital spending; and iii) targeted tax reductions (for businesses and labour).

ii) advance an ambitious structural reform agenda, including a comprehensive public administration reform, the strengthening of fiscal rules, employment and wage system reforms, the improvement of public infrastructure, the fight against the grey economy, the improvement of the business climate, the reform or resolution of SOEs, as well as tax administration and financial sector reforms.

The approval of the PCI by the IMF Board is expected in mid-July. Although the new 30-month arrangement with the IMF in the form of a PCI will not provide financial support to Serbia, it should: i) improve confidence in the domestic economy, by signalling commitment to the agreed reform agenda under regular monitoring of economic policies by the IMF (resulting in Board discussion); and ii) provide a buffer against external shocks (as it facilitates access to IMF funds).

The unemployment rate rose in Q1:18, on the back of a strong increase in the labour force participation rate. Following a marked drop for five 5 years (by an average 2.1 pps per year in 2013-17), the unemployment rate rose slightly by 0.2 pps y-o-y to 14.8% in Q1:18. The slight increase in the unemployment rate reflects the fact that the number of entrants to the labour market surpassed that of jobs created. However, despite the uptick, the unemployment rate is almost half its peak of 23.9% in FY:12 and close to its pre-crisis low of 13.6% in FY:08.

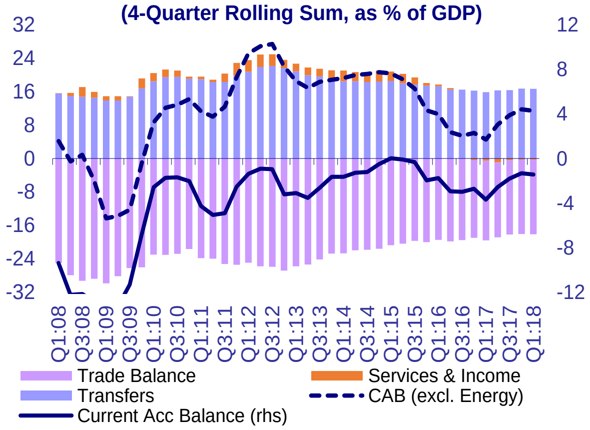
In fact, the labour force participation rate rose by 1.8 pps y-o-y to 65.8% in Q1:18 -- well above its pre-crisis level of 51.5% in FY:08. The rise reflects a more attractive labour market, amid vibrant economic growth (GDP accelerated to 4.6% y-o-y in Q1:18 from 1.1% in Q1:17 and 1.9% in FY:17), rising wages (boosted by a 10% increase in the minimum wage as of January 2018), as well as of a series of Government measures encouraging people to join the labour market. The measures comprise *inter alia*: i) strengthening the capacities of local employment offices; ii) providing incentives for self-employment, hiring those who have been unemployed for more than 6 months, young and women, and setting up retraining programmes; and iii) making the labour market more flexible.

The unemployment rate would have been even higher in Q1:18 had employment not increased by 1.4% y-o-y. Note that a large part of employment remains informal (18.6% of total employment), mainly in the agricultural sector (accounting for ⅔ of the informal employment).

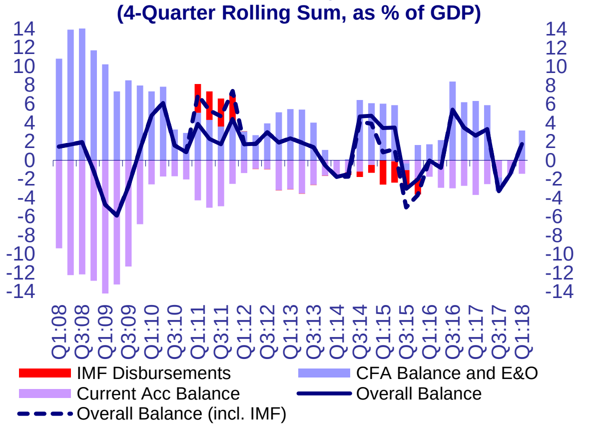
F.Y.R.O.M

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

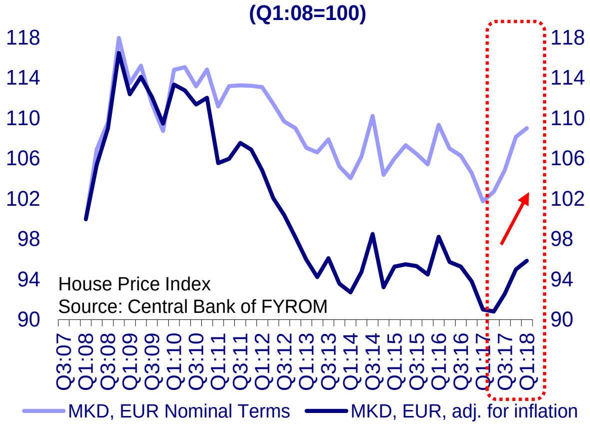
Current Account Balance (4-Quarter Rolling Sum, as % of GDP)



Balance of Payments (4-Quarter Rolling Sum, as % of GDP)



Real Estate Price Index (Q1:08=100)



	25 June	3-M F	6-M F	12-M F
1-m SKIBOR (%)	1.2	1.8	2.3	2.8
MKD/EUR	61.3	61.3	61.3	61.3
Sov. Spread (2021. bps)	255	210	190	160

	25 June	1-W %	YTD %	2-Y %
MBI 100	3,492	8.7	37.5	104.0

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	3.9	2.9	0.0	2.0	3.8
Inflation (eop. %)	-0.3	-0.2	2.4	1.9	2.0
Cur. Acct. Bal. (% GDP)	-1.9	-2.7	-1.3	-1.8	-2.2
Fiscal Bal. (% GDP)	-3.5	-2.7	-2.7	-2.8	-2.8

A provisional agreement on the "name issue" with Greece paves the way to the start of EU membership talks and joining NATO. Foreign Ministers of Greece, N. Kotzias, and FYROM, N. Dimitrov, signed a provisional agreement to rename "*the Former Yugoslav Republic of Macedonia*" "*the Republic of North Macedonia*", paving the way for the country's start of EU accession talks and adhesion to NATO. However, the finalisation of the agreement faces serious challenges. Indeed, the agreement must: i) first be ratified by FYROM's Parliament; ii) approved by referendum in FYROM in the autumn; iii) ratified by Greece's Parliament by the end of the year once 150 changes have been made to FYROM's constitution.

So far, the SDSM-led coalition government has secured Parliamentary approval of the agreement, but the country's conservative President, G. Ivanov, has exercised a one-time option to block the accord. However, Parliament is expected to endorse the agreement in a second round by June 27th, and thus President Ivanov will have to accept it and the country should secure a date for the start of EU accession talks at the EU summit on June 28th and an invitation to join NATO on July 11th.

The current account deficit (CAD) stood at 1.4% of GDP on a 4-quarter rolling basis -- broadly unchanged from a 2¼-year low of 1.3% in Q4:17. In Q1:18, the CAD widened marginally by 0.1 pp y-o-y to 1.5% of GDP, as the improvement in the trade balance (by 0.1 pp of GDP y-o-y) was more than offset by the deterioration in the balances of services and transfers (by 0.1 pp of GDP y-o-y each).

The capital and financial account (CFA) surplus rose sharply by 3.4 pps y-o-y to 4.1% of GDP in Q1:18, fully covering the CAD and boosting FX reserves. The improvement was due to a sharp increase in (net) portfolio investments (to a sizeable 3.5% of GDP in Q1:18 from 0.2% of GDP in Q1:17), following the placement of a 7-year sovereign Eurobond in early-Q1:18 (EUR 500mn or 4.8% of GDP) and, to a lesser extent, stronger (net) FDI inflows (up 1.1 pp y-o-y to 2.2% of GDP), reflecting improved investor confidence, following the normalization of the political environment (see below).

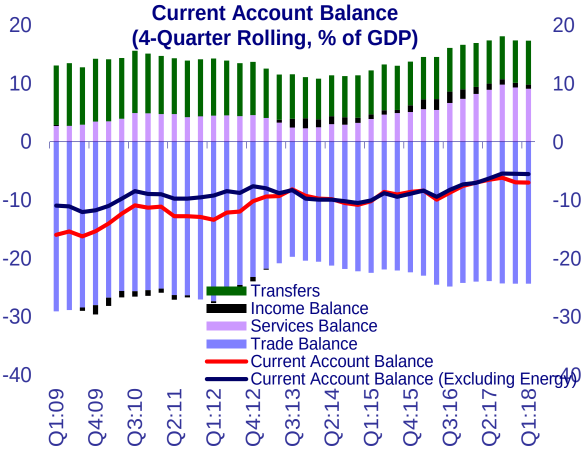
Reflecting CAD and CFA developments, negative (net) errors and omissions (minus 0.1% of GDP) and FX valuation effects, FX reserves rose by 2.3% of GDP y-t-d (EUR 241mn) to EUR 2.6bn in March, covering 4.4 months of imports.

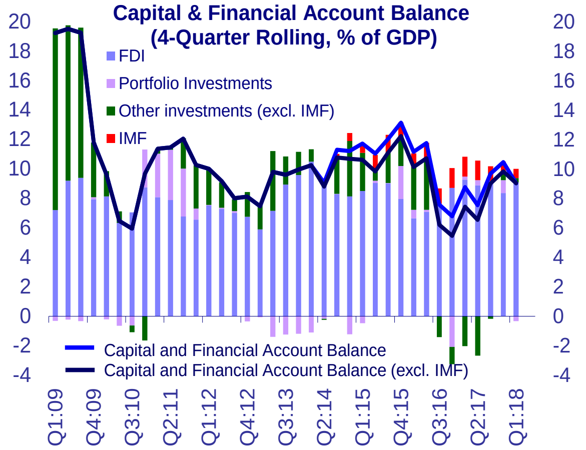
Looking forward, we see the CAD widening by 0.4 pps of GDP y-o-y in Q2-Q4:18, mainly on the back of a deterioration in the trade balance, stemming from a rebound in domestic demand (we see GDP growth accelerating to 2.6% y-o-y in Q2-Q4:18 from 0.1% in Q1:18) and an unfavourable energy bill. Overall, we see the FY:18 CAD rising to a still manageable level of 1.8% of GDP from 1.3% of GDP in FY:17.

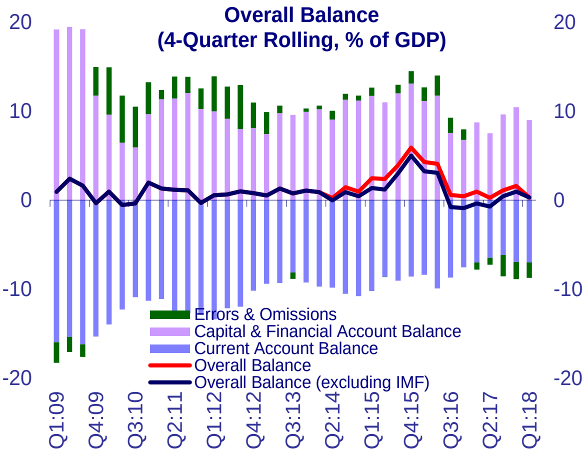
The House Price Index (HPI) rose by a multi-quarter high of 7.2% y-o-y in Q1:18, supported by dissipated political uncertainty and brighter economic prospects. The Central Bank's HPI increased by 7.2% y-o-y in Q1:18, continuing to recover steadily from a trough a year earlier, prompted by the culmination of domestic political uncertainty. Recall that the coalition Government took office 5½ months after the mid-December 2016 general elections and the protracted political and economic uncertainty dissipated only after it secured a landslide victory in the October 2017 local elections. The strong HPI performance in Q1:18 was also underpinned by brighter economic prospects, following the Government's bold moves in January to put an end to its disputes with neighbouring Greece and Bulgaria to secure a start date for EU accession talks and receive an invitation to join NATO in mid-2018.

Albania

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







	25 June	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	1.5	2.2	2.2	2.2
ALL/EUR	125.8	132.0	131.3	130.0
Sov. Spread (bps)	226	210	200	180

	25 June	1-W %	YTD %	2-Y %
Stock Market	- - -	- - -	- - -	- - -

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	2.2	3.4	3.8	3.6	3.9
Inflation (eop, %)	2.0	2.2	1.8	2.3	2.5
Cur. Acct. Bal. (% GDP)	-8.6	-7.5	-6.9	-6.5	-5.5
Fiscal Bal. (% GDP)	-4.1	-1.8	-2.0	-2.0	-1.9

The current account deficit (CAD) remained flat on an annual basis in Q1:18. The CAD stood at 1.3% of GDP in Q1:18, unchanged from its Q1:17 level, as the deterioration in the services balance, due to lower "other services exports", was offset by the improvement in the trade balance, reflecting a strong export performance.

In fact, the trade deficit narrowed (by 0.2 pps of GDP y-o-y in Q1:18), due to the continued strong double-digit growth in exports (up 20.6% y-o-y, in EUR terms in Q1:18), reflecting: i) a recovery in exports of construction material and metals (mainly to Italy and Kosovo); as well as ii) the rebound in oil and electricity exports (mainly to Spain), after 4 consecutive years of sharp decline.

On the other hand, imports rose at a slower pace (up 8.4% y-o-y in Q1:18, compared with rises of 9.0% in Q1:17 and 9.2% in FY:17), despite the rebound in private consumption and higher energy imports. The slowdown in imports can be attributed to lower imports related to energy projects (namely TAP and the Statkraft/Devoll hydropower projects) -- contributing 1.6 pps of GDP to the FY:18 CAD against 2.3 pps in FY:17, according to the IMF -- as the largest part of TAP was completed in FY:17.

Nevertheless, the improved performance in the trade balance was offset by a less favourable services balance (a decline in the service surplus by 0.3 pps y-o-y to 2.0% of GDP in Q1:18), following exceptionally high construction services throughout FY:17, related to the TAP project.

As a result, the 4-quarter rolling CAD widened slightly, to 7.0% of GDP in Q1:18 from 6.9% in Q4:17. Note that the underlying CAD (excluding energy) also remained flat on an annual basis at 5.5% of GDP in Q1:18.

The capital and financial account (CFA) surplus narrowed slightly in Q1:18, but fully covered the CAD. The CFA surplus (excluding the disbursement of the last two tranches from the IMF, totalling EUR 73.2mn, or 0.6% of GDP, in Q1:17) declined by 0.8 pps y-o-y (to 1.3% of GDP) in Q1:18. The deterioration reflects lower (net) portfolio inflows (virtually zero in Q1:18 against inflows of 1.2% of GDP in Q1:17, that reflected a spike in domestic paper yields in Q1:17). On a positive note, (net) FDIs strengthened (up 0.6 pps y-o-y reaching 2.3% of GDP in Q1:18), almost double the Q1:18 CAD.

Although the CFA surplus covered the CAD, the overall balance turned negative (-1.1% of GDP in Q1:18), due to (unusual) large negative net errors and omissions (-1.1% of GDP, likely reflecting unclassified imports). As a result, FX reserves declined (by EUR 163mn, or 1.3% of GDP in Q1:18) to a still comfortable level of EUR 2.8bn, covering an adequate 6.2 months of GNFS imports.

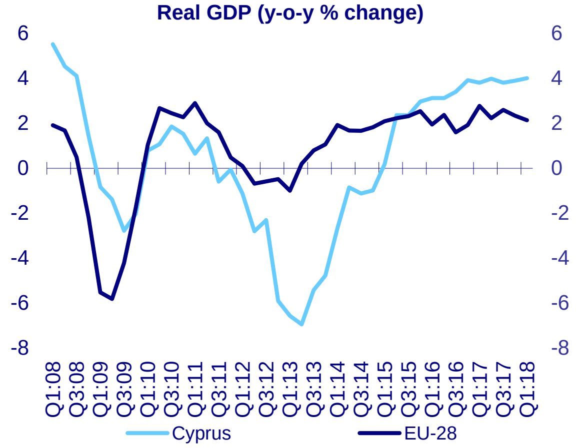
The CAD is set to narrow in Q2-Q4:18, and be fully covered through large FDI and concessional loans. The expected improvement in Q2-Q4:18 (by c. 0.6 pps of GDP y-o-y) should result from lower imports related to energy projects, following the completion of high import-content energy projects. Overall, we expect the CAD to continue on its downward trend, for a 4th consecutive year, narrowing to a 14-year low of 6.5% of GDP in FY:18 from 6.9% in FY:17.

Regarding financing, we expect the FY:18 external financing gap to be contained at EUR 79mn (0.6% of GDP), on the back of continued positive developments of the CAD and FDI in Q2-Q4:18, and largely covered by a modest drawdown in FX reserves (EUR 67mn). However, FX reserves would increase should the Government proceed with the issuance of a new Eurobond, amid still favourable global market conditions and the country's brighter economic prospects in view of the expected launch of EU accession talks by the end of this year.

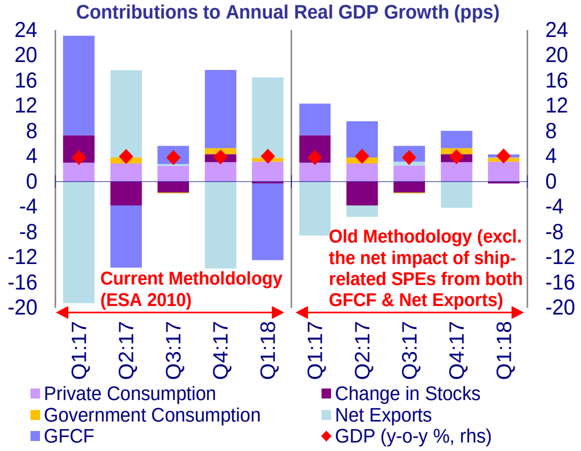
Cyprus

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

Real GDP (y-o-y % change)



Contributions to Annual Real GDP Growth (pps)



Real GDP Growth & Unemployment Rate (%)

	25 June	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.37	-0.37	-0.37	-0.37
EUR/USD	1.17	1.22	1.24	1.26
Sov. Spread (2020. bps)	125	55	52	50

	25 June	1-W %	YTD %	2-Y %
CSE Index	69	1.7	-0.1	5.3

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	2.0	3.4	3.9	3.8	3.6
Inflation (eop. %)	-1.0	-0.3	-0.6	0.6	1.0
Cur. Acct. Bal. (% GDP)	-1.5	-4.9	-6.7	-4.2	-4.5
Fiscal Bal. (% GDP)	-1.2	0.5	1.8	2.0	1.9

Economic growth remained in the range of 3.8%-4.0%, for a sixth consecutive quarter, in Q1:18. GDP growth accelerated slightly to 4.0% y-o-y in Q1:18 from 3.8% in Q1:17 and 3.9% in FY:17 -- comparing favourably with the EU-28 Q1:18 outcome of 2.1%.

Net exports were the main engine of growth in Q1:18, contributing 12.7 pps to overall growth, as the rise in exports (up 29.5% y-o-y) largely surpassed that of imports (up 3.6% y-o-y). The sharp rise in exports was driven by strong exports of ships and, to a lesser extent, buoyant tourist activity, while the subdued rise in imports reflects mainly weaker investments (see below). Excluding ships, however, the contribution of net exports to overall growth was almost zero (0.1 pp).

Private consumption was the second largest driver of GDP growth in Q1:18 – up 4.3% y-o-y and contributing 3.1 pps to overall growth -- mainly underpinned by strengthening real disposable income, in line with improving labour market conditions and subdued inflation. Importantly, employment in the public sector rose by 2.5% y-o-y in Q1:18, following the approval by the House of Parliament, last summer, of a law regulating exemptions to the freeze in public sector hiring (enacted at the start of the crisis). Moreover, the public sector wage bill rose by c. 6.0% y-o-y in Q1:18, following the resumption of wage indexation to prices (currently limited at 50%) and wage increments linked to seniority on January, as well as higher employment.

Not surprisingly, public consumption was the third largest driver of GDP growth in Q1:18 – up 4.2% y-o-y and adding 0.6 pps to headline growth -- amid the political cycle (February Presidential elections).

Gross fixed capital formation (GFCF) was the major drag on overall growth in Q1:18 – down 53.3% y-o-y and shaving 12.2 pps off headline growth – mainly due to a strong base effect (GFCF rose sharply by c. 197% in Q1:17). However, excluding ships (in line with the old methodology), GFCF rose by 2.9% y-o-y and added 0.5 pps to overall growth in Q1:18. Inventory depletion was also a drag on overall growth in Q1:18, subtracting 0.3 pps.

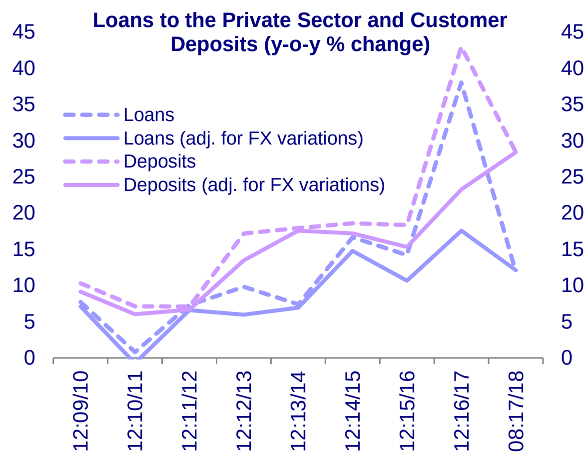
GDP growth to decelerate slightly during the rest of the year, as a result of a slowdown in private consumption and tourist activity. The slowdown in private consumption growth will mainly be driven by increased household debt servicing, in line with more aggressive loan restructuring by banks, following increased supervisory pressure to accelerate NPL resolution, and in view of the imminent amendments to the insolvency and foreclosure frameworks to improve household debt payment discipline. The deceleration in private consumption will, however, be tempered by a gradual reversal of public sector payroll cuts imposed in the wake of the crisis -- starting this July – following a recent agreement of the Government with labour unions and its spill-over to the private sector.

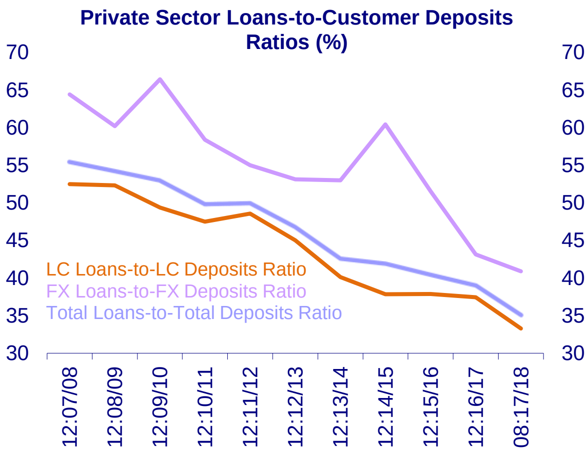
Tourist activity is also set to slow, hindered by a significant reduction in tourist arrivals from Russia and the UK -- the island's main source countries (accounting for c. 60% of total foreign visitors) -- due to their gradual return to more competitive neighbouring countries -- Turkey and Egypt. Note that direct flights between Russia and Egypt resumed on April 11th, following a cooperation agreement on civil aviation security between the two countries at end-December, aimed at removing Russia's travel ban imposed after the downing of a Russian passenger plane in the Sinai Peninsula in October 2015.

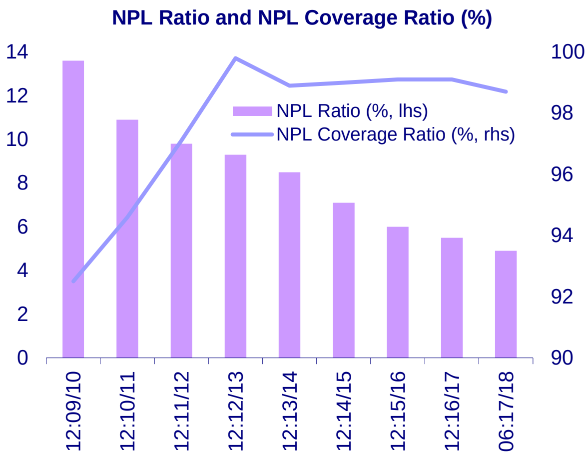
All said, we see GDP growth moderating slightly to 3.7% y-o-y in Q2-Q4:18 from 3.9% y-o-y in Q2-Q4:17, which will bring the FY:18 outcome to a still strong 3.8%.

Egypt

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







	25 June	3-M F	6-M F	12-M F
O/N Interbank Rate (%)	17.1	18.0	17.0	15.0
EGP/USD	17.8	17.8	18.0	18.0
Sov. Spread (2020. bps)	228	168	152	140

	25 June	1-W %	YTD %	2-Y %
HERMES 100	1,592	1.4	10.8	139.7

	14/15	15/16	16/17	17/18F	18/19F
Real GDP Growth (%)	4.4	4.3	4.2	5.2	5.8
Inflation (eop. %)	11.4	14.0	29.8	12.8	14.2
Cur. Acct. Bal. (% GDP)	-3.7	-6.0	-6.6	-3.4	-3.6
Fiscal Bal. (% GDP)	-11.4	-12.5	-10.9	-9.8	-8.4

A new cabinet headed by newly-appointed PM M. Madbouly was sworn in before President A.-F. el-Sissi. At the beginning of his second term as President, A.-F. el-Sissi appointed M. Madbouly, the Housing Minister in the former Government, as PM and gave him the task of forming the new cabinet. A total of 12 ministerial positions out of 33 changed hands, including those of interior, defense and finance. The nomination of deputy finance minister in the outgoing cabinet, M. Maeet, as finance minister was welcome by investors, as it ensures the continuation of the 3-year IMF-supported reform programme, launched in November 2016.

Customer deposits (FX-adjusted) gained momentum in 8M:17/18, underpinned by strengthening confidence in the Egyptian economy and higher EGP remuneration rates. Adjusted for FX fluctuations, growth in customer deposits accelerated to a multi-year high of 28.4% y-o-y at end-8M:17/18 (February 2018) from 23.3% at end-2016/17 (June 2017), reaching 70.7% of GDP.

From a segment perspective, the acceleration in (FX-adjusted) overall deposits was driven by the retail segment. The latter increased by 32.8% y-o-y in February compared with a rise of 29.1% in June 2017, supported by strengthening confidence in the domestic economy following the solid implementation of the loan agreement with the IMF and a more attractive remuneration of deposits (interest rates on 1 to 3 months, 4 to 6 months and 7 to 12 months EGP-denominated deposits rose by 2.3 pps, 1.0 pp and 1.3 pps, respectively, to 13.5%, 13.6% and 13.5% between June 2017 and February 2018).

A recovery in workers' remittances from abroad and tourist receipts also contributed to the acceleration in overall deposits (FX-adjusted). Indeed, tourist receipts rose by c. 215% y-o-y to a post-January 2011 Revolution high of 2.0% of GDP in H1:17/18, due not only to more competitive prices (the EGP had depreciated against the USD by c. 35.0% y-o-y in H1:17/18 and c. 50.0% since the flotation), but also to the removal of travel bans and/or warnings by key source countries following a significant improvement in security conditions. Moreover, workers' remittances increased by c. 30% y-o-y to an all-time high of 5.2% of GDP in H1:17/18, continuing on the upward trend started in Q2:16/17, when the Central Bank floated the domestic currency.

Credit to the private sector (FX-adjusted) lost momentum in 8M:17/18, on the back of higher lending interest rates. Adjusted for FX movements, lending growth eased to 12.1% y-o-y at end-8M:17/18 from 17.6% at end-2016/17. The deceleration in (FX-adjusted) overall lending was driven by the corporate segment. The latter lost momentum (up 11.0% y-o-y in February compared with a rise of 19.7% June 2017), mainly due to a further increase of already prohibitive lending interest rates (rates on up to 12 months EGP-denominated loans rose by 1.7 pps to 19.7% between June 2017 and February 2018) arising from a tighter monetary policy framework. As a result, bank liquidity conditions eased further, with the loan-to-deposit ratio declining to 35.1% in February from 39.0% in June 2017.

Looking ahead, lending activity is set to accelerate. Indeed, banks are expected to ease credit conditions, in view of their ample liquidity (see above), good asset quality metrics (the NPL ratio stood at a multi-year low of 4.9% and the NPL coverage ratio remained close to the 100% threshold at end-H1:17/18) and a strong capital base (the capital adequacy ratio reached a multi-year high of 15.2% at end-H1:17/18). Moreover, households and corporates are set to increase their demand for loans, against a backdrop of easing monetary policy, a very low lending penetration rate (loans amounted to 24.8% of GDP at end-8M:17/18) and accelerating economic activity.

FOREIGN EXCHANGE MARKETS, JUNE 25TH 2018

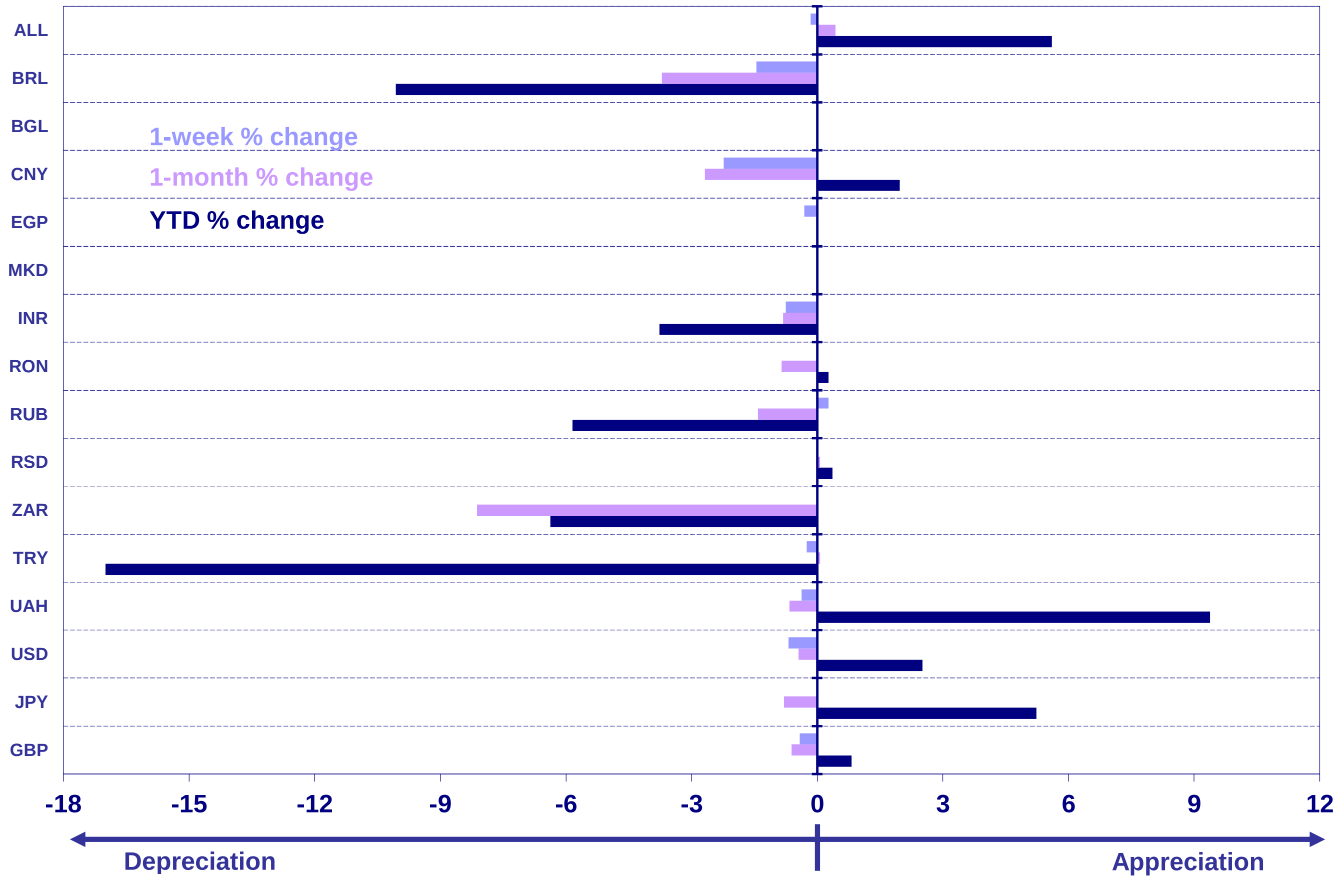
Against the EUR

	Currency	2018										2017	2016
		SPOT	1-week %change	1-month %change	YTD %change*	1-year %change	Year-Low	Year-High	3-month Forward rate**	6-month Forward rate**	12-month Forward rate**	% change*	% change*
Albania	ALL	125.8	-0.2	0.4	5.6	4.8	124.5	134.0	126.1	126.1	125.4	1.9	1.2
Brazil	BRL	4.42	-1.5	-3.7	-10.1	-16.6	3.85	4.68	4.72	4.74	4.78	-13.9	25.7
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	7.65	-2.2	-2.7	2.0	0.1	7.39	7.96	8.00	8.00	8.00	-6.0	-4.0
Egypt	EGP	20.83	-0.3	0.0	0.0	-3.9	20.59	22.13	- - -	- - -	- - -	-9.4	-55.0
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	79.7	-0.8	-0.8	-3.8	-9.6	75.9	81.8	85.8	- - -	- - -	-6.7	0.4
Romania	RON	4.66	0.0	-0.8	0.3	-2.0	4.62	4.68	4.72	4.74	4.80	-3.0	-0.4
Russia	RUB	73.5	0.3	-1.4	-5.8	-10.6	67.7	80.5	74.6	75.8	78.4	-6.8	22.9
Serbia	RSD	118.0	0.0	0.1	0.4	2.9	117.6	119.1	118.3	118.5	- - -	4.2	-1.5
S. Africa	ZAR	15.8	0.0	-8.1	-6.4	-9.3	14.18	16.17	16.2	16.5	17.1	-2.7	16.2
Turkey	YTL	5.48	-0.3	0.1	-17.0	-28.6	4.48	5.76	5.73	6.01	6.60	-18.4	-14.7
Ukraine	UAH	30.7	-0.4	-0.7	9.4	-4.8	30.18	36.11	36.4	- - -	- - -	-15.2	-8.6
US	USD	1.17	-0.7	-0.4	2.5	-4.5	1.2	1.3	1.18	1.19	1.21	-12.4	3.3
JAPAN	JPY	128.5	0.0	-0.8	5.2	-2.7	124.6	137.5	128.5	128.5	128.6	-8.9	6.0
UK	GBP	0.88	-0.4	-0.6	0.8	-0.3	0.9	0.9	0.88	0.89	0.89	-4.1	-13.5

* Appreciation (+) / Depreciation (-)

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

Currencies against the EUR (June 25th 2018)



MONEY MARKETS, JUNE 25TH 2018

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
O/N	1.1	6.4	-0.2	2.6	- - -	17.1	- - -	- - -	3.5	7.2	- - -	18.4	7.5	16.4	- - -	1.9
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	3.5	7.3	2.3	- - -	7.0	- - -	- - -	- - -
S/W	1.2	6.4	-0.2	2.8	-0.4	- - -	1.0	- - -	- - -	6.4	2.3	- - -	7.3	16.7	-0.4	2.0
1-Month	1.5	6.4	-0.1	4.1	-0.4	- - -	1.2	7.1	3.1	7.3	2.6	19.0	7.3	17.8	-0.4	2.1
2-Month	- - -	6.5	-0.1	- - -	-0.3	- - -	- - -	- - -	- - -	7.3	2.7	19.1	7.1	- - -	-0.3	2.2
3-Month	1.7	6.6	0.0	4.3	-0.3	- - -	1.5	7.4	3.1	7.3	2.9	19.3	7.8	18.1	-0.3	2.3
6-Month	2.2	7.1	0.1	4.3	-0.3	- - -	1.8	- - -	3.2	7.3	3.1	19.8	7.3	- - -	-0.3	2.5
1-Year	2.4	8.0	0.5	4.4	-0.2	- - -	2.2	- - -	3.3	7.0	- - -	20.4	7.8	- - -	-0.2	2.8

LOCAL DEBT MARKETS, JUNE 25TH 2018

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	- - -	- - -	- - -	- - -	- - -	19.4	- - -	6.5	- - -	7.1	- - -	15.4	- - -	- - -	-0.6	1.9
6-Month	- - -	- - -	- - -	- - -	- - -	19.4	- - -	6.9	3.2	7.1	3.3	17.3	- - -	- - -	-0.6	2.1
12-Month	2.0	- - -	-0.1	3.3	- - -	19.2	1.0	7.0	3.3	6.9	3.0	19.1	- - -	16.1	-0.7	2.3
2-Year	2.6	- - -	- - -	3.4	- - -	- - -	1.6	7.4	3.9	7.1	- - -	18.5	7.6	- - -	-0.7	2.5
3-Year	- - -	- - -	0.1	3.4	0.8	- - -	1.8	7.7	4.2	7.4	- - -	17.9	7.9	16.0	-0.6	2.6
5-Year	5.5	10.9	- - -	3.5	1.3	17.1	- - -	7.9	4.8	7.4	3.9	16.9	8.3	- - -	-0.3	2.7
7-Year	5.7	- - -	0.8	- - -	1.7	17.0	- - -	8.1	5.0	7.6	- - -	- - -	- - -	- - -	-0.1	2.8
10-Year	- - -	11.8	1.1	3.6	- - -	17.0	- - -	7.8	5.2	7.7	- - -	16.4	8.9	- - -	0.3	2.9
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	3.5	8.1	- - -	7.8	- - -	- - -	9.9	- - -	0.7	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	9.8	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	4.9	8.1	- - -	- - -	- - -	- - -	9.7	- - -	1.1	3.0

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

CORPORATE BONDS SUMMARY, JUNE 25TH 2018

		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	2.2	280	234
South Africa	**FirstRand Bank Ltd 4.25% '20**	USD	BBB-/Baa2	30/4/2020	500	4.3	173	147
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	0.3	104	61
Turkey	**Arcelik AS 3.875% '21**	EUR	BB+/NA	16/9/2021	350	3.2	382	324
	Garanti Bank 5.25% '22	USD	NA/Ba1	13/9/2022	750	6.9	412	377
	Turkiye Is Bankasi 6% '22	USD	NA/Ba3	24/10/2022	1,000	9.2	641	575
	Vakifbank 5.75% '23	USD	NA/Ba1	30/1/2023	650	8.8	605	541
	TSKB 5.5% '23	USD	NA/Ba1	16/1/2023	350	9.0	630	557
	Petkim 5.875% '23	USD	NA/B1	26/1/2023	500	8.3	552	500
	KOC Holding 5.25% '23	USD	BBB-/Baa3	15/3/2023	750	6.5	375	344

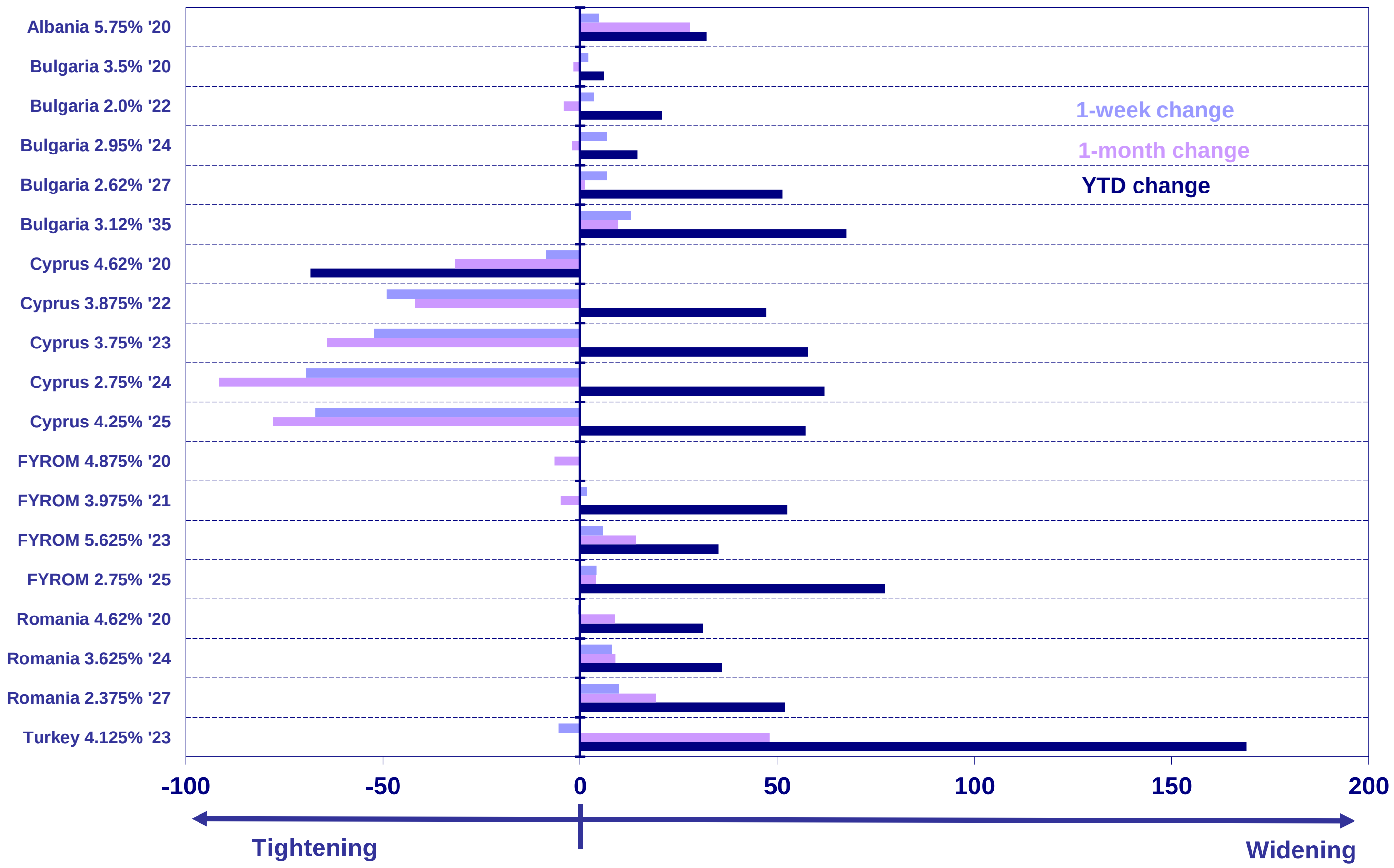
CREDIT DEFAULT SWAP SPREADS, JUNE 25TH 2018

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	259	66	60	144	358	- - -	80	93	143	110	305	206	397
10-Year	- - -	349	102	102	181	401	- - -	89	131	207	146	387	295	427

EUR-DENOMINATED SOVEREIGN EUROBOND SUMMARY, JUNE 25TH 2018

	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	1.7	226	189
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	0.0	73	31
Bulgaria 2.0% '22	EUR	BBB-/Baa2	26/3/2022	1,250	0.1	58	4
Bulgaria 2.95% '24	EUR	BBB-/Baa2	3/9/2024	1,493	0.7	76	32
Bulgaria 2.62% '27	EUR	BBB-/Baa2	26/3/2027	1,000	1.4	121	70
Bulgaria 3.12% '35	EUR	BBB-/Baa2	26/3/2035	900	2.7	198	139
Cyprus 4.62% '20	EUR	BB+/Ba3	3/2/2020	668	0.6	125	84
Cyprus 3.875% '22	EUR	NA/Ba3	6/5/2022	1,000	1.3	173	124
Cyprus 3.75% '23	EUR	NA/Ba3	26/7/2023	1,000	1.5	184	123
Cyprus 2.75% '24	EUR	NA/Ba3	27/6/2024	850	1.7	190	134
Cyprus 4.25% '25	EUR	NA/Ba3	4/11/2025	1,000	2.1	200	162
FYROM 4.875% '20	EUR	BB-/NA	1/12/2020	178	1.3	194	151
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	1.9	255	467
FYROM 5.625% '23	EUR	BB-/NA	26/7/2023	450	2.7	304	265
FYROM 2.75% '25	EUR	BB-/NA	18/1/2025	500	3.1	314	254
Romania 4.62% '20	EUR	BBB-/Baa3	18/9/2020	2,000	0.1	82	29
Romania 3.625% '24	EUR	BBB-/Baa3	24/4/2024	1,250	1.2	141	91
Romania 2.375% '27	EUR	BBB-/Baa3	19/4/2027	2,000	2.4	216	158
Turkey 4.125% '23	EUR	NR/Ba1	11/4/2023	1,000	3.9	419	364

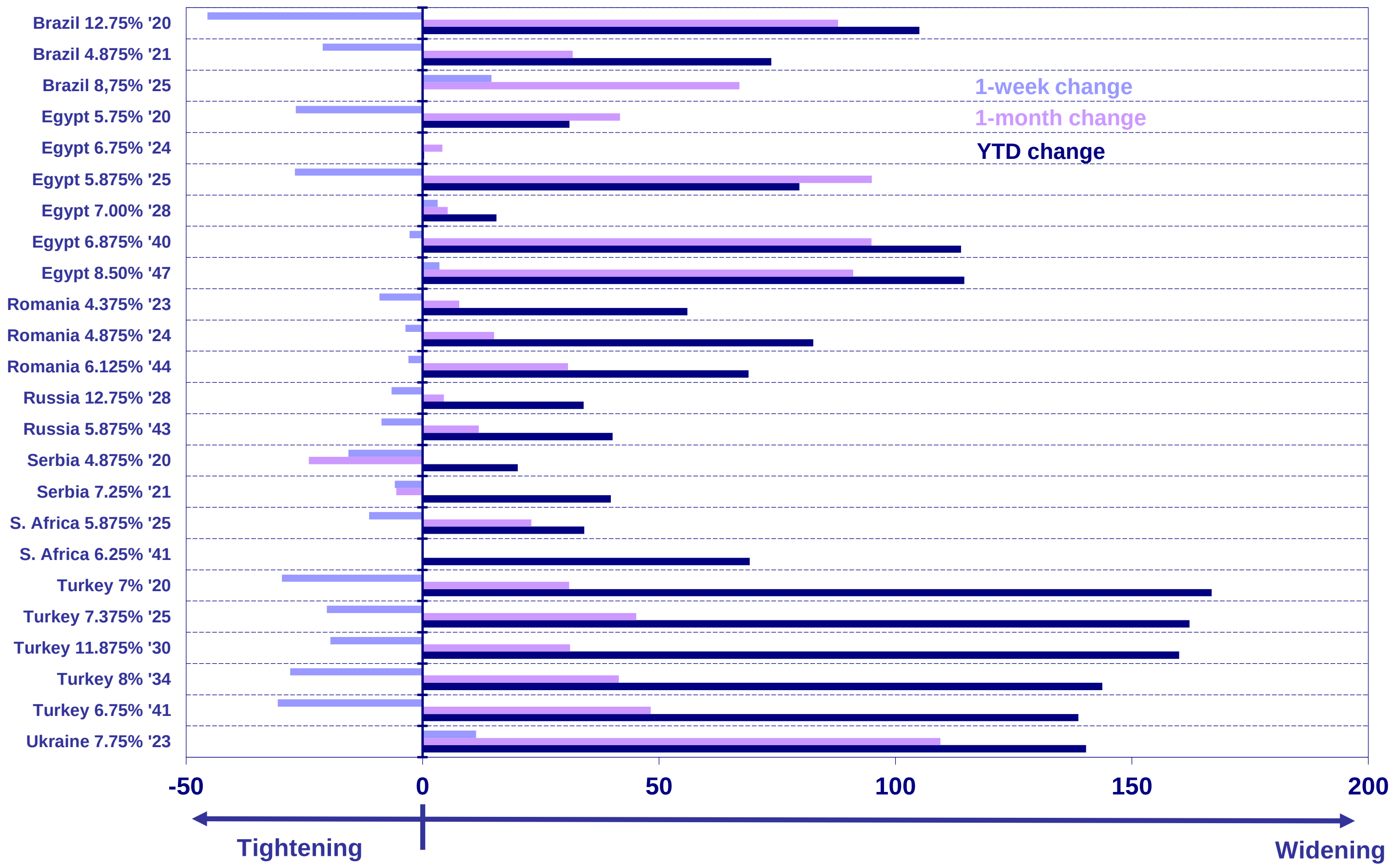
EUR-Denominated Eurobond Spreads (June 25th 2018)



USD-Denominated Sovereign Eurobond Summary, June 11th 2018

	Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Brazil 12.75% '20	USD	BB-/NA	15/1/2020	87	3.6	102	89
Brazil 4.875% '21	USD	BB-/NA	22/1/2021	2,713	4.2	158	136
Brazil 8.75% '25	USD	BB-/NA	4/2/2025	688	5.3	250	265
Egypt 5.75% '20	USD	B-/B3	29/4/2020	1,000	4.8	228	203
Egypt 6.75% '24	USD	NA/B3	10/11/2024	1,500	6.2	334	327
Egypt 5.875% '25	USD	B-/B3	11/6/2025	500	7.1	421	391
Egypt 7.00% '28	USD	NA/B3	10/11/2028	1,000	6.7	383	375
Egypt 6.875% '40	USD	B-/B3	30/4/2040	1,500	8.2	521	467
Egypt 8.50% '47	USD	NA/B3	31/1/2047	500	8.7	565	555
Romania 4.375% '23	USD	BBB-/Baa3	22/8/2023	1,500	4.2	141	125
Romania 4.875% '24	USD	BBB-/Baa3	22/1/2024	1,000	4.3	156	141
Romania 6.125% '44	USD	BBB-/Baa3	22/1/2044	1,000	5.2	221	241
Russia 12.75% '28	USD	BB+/Ba1	24/6/2028	2,500	4.8	197	257
Russia 5.875% '43	USD	BB+/Ba1	16/9/2043	1,500	5.5	244	255
Serbia 4.875% '20	USD	BB-/B1	25/2/2020	1,500	3.9	136	114
Serbia 7.25% '21	USD	BB-/B1	28/9/2021	2,000	4.2	159	140
S. Africa 5.875% '25	USD	BBB-/Baa2	16/9/2025	2,000	5.4	253	245
S. Africa 6.25% '41	USD	BBB-/Baa2	8/3/2041	750	6.4	334	329
Turkey 7.00% '20	USD	NR/Ba1	5/6/2020	2,000	5.9	335	309
Turkey 7.375% '25	USD	NR/Ba1	5/2/2025	3,250	6.9	406	398
Turkey 11.875% '30	USD	NR/Ba1	15/1/2030	1,500	7.4	454	531
Turkey 8.00% '34	USD	NR/Ba1	14/2/2034	1,500	7.6	477	468
Turkey 6.75% '41	USD	NR/Ba1	14/1/2041	3,000	7.6	454	398
Ukraine 7.75% '23	USD	B-/Caa3	1/9/2023	1,355	8.4	563	531

USD-Denominated Eurobond Spreads (June 25th 2018)



STOCK MARKETS PERFORMANCE, JUNE 25TH 2018

	2018								2017		2016	
	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)	70,953	1.6	-10.1	-7.1	14.1	69,069	88,318	-16.9	26.9	9.5	38.9	76.2
Bulgaria (SOFIX)	632	0.3	-1.5	-6.6	-8.5	626	721	-6.6	15.5	15.5	27.2	27.2
China (SHCOMP)	2,859	-5.4	-9.0	-13.5	-10.2	2,837	3,587	-11.8	6.6	-0.3	-12.3	-15.3
Cyprus (CSE GI)	69	1.7	4.8	-0.1	-7.7	65	71	-0.1	4.7	4.7	-2.0	-2.0
Egypt (HERMES)	1,592	1.4	-2.0	10.8	31.0	1,429	1,741	11.5	32.0	18.7	72.7	-21.8
F.Y.R.O.M (MBI)	3,492	8.7	19.2	37.5	53.2	2,536	3,492	37.5	18.9	18.9	16.5	16.5
India (SENSEX)	35,470	-0.2	1.6	4.2	13.9	30,681	36,444	0.1	27.9	19.3	1.9	2.6
Romania (BET-BK)	1,594	-2.1	-1.5	-3.5	-0.1	1,574	1,802	-3.2	22.8	19.1	0.2	0.0
Russia (RTS)	4,383	1.4	-2.3	6.3	8.4	4,017	4,579	0.1	-16.2	-21.9	24.2	54.3
Serbia (BELEX-15)	729	-0.8	-1.9	-4.0	2.7	725	785	-3.7	5.9	10.3	11.4	9.7
South Africa (FTSE/JSE)	55,889	-2.4	-1.8	-6.1	9.0	53,027	61,777	-12.1	17.5	14.3	-0.1	16.1
Turkey (ISE 100)	94,008	1.0	-8.9	-18.5	-5.7	92,289	121,532	-32.3	47.6	20.5	8.9	-7.0
Ukraine (PFTS)	458	-1.1	2.4	45.5	60.0	315	478	59.1	18.8	0.8	10.2	1.0
MSCI EMF	1,071	-3.2	-5.8	-7.5	5.1	1,077	1,279	-5.2	34.3	17.7	8.6	12.2
MSCI EAFE	1,954	-1.5	-3.0	-4.7	3.1	1,962	2,187	-2.3	21.8	6.7	-1.9	1.4
Greece (ASE-General)	777	0.8	2.8	-3.2	-5.1	736	896	-3.2	24.7	24.7	1.9	1.9
Germany (XETRA DAX)	12,270	-4.4	-5.2	-5.0	-3.9	11,727	13,597	-5.0	12.5	12.5	11.6	11.6
UK (FTSE-100)	7,510	-1.6	-2.9	-2.3	0.8	6,867	7,904	-1.5	7.6	3.2	14.4	-1.0
USA (DJ INDUSTRIALS)	24,253	-2.9	-2.0	-1.9	13.3	21,197	26,617	0.6	25.1	9.6	13.4	16.7
USA (S&P 500)	2,717	-2.0	-0.2	1.6	11.4	2,533	2,873	4.2	19.4	4.7	9.5	13.2

Equity Indices (June 25th 2018)