Economic Analysis Division
Emerging Markets Research
Bi-Weekly Report
20 March – 2 April 2018

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Emerging Markets Research

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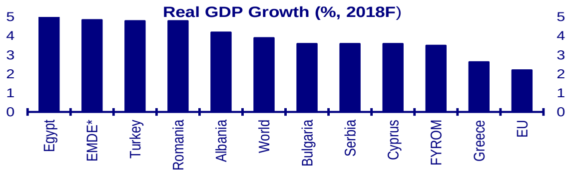
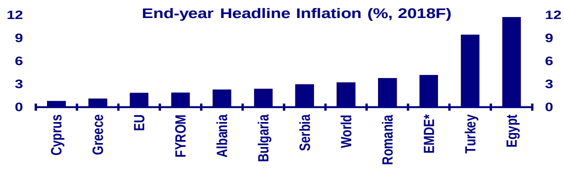


* EMDE: Emerging Market & Developing Economies



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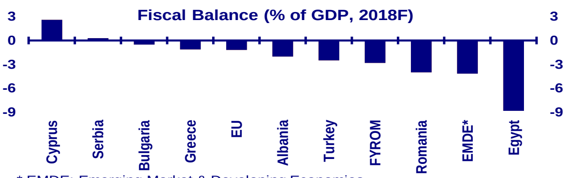

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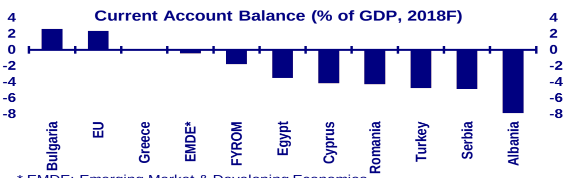

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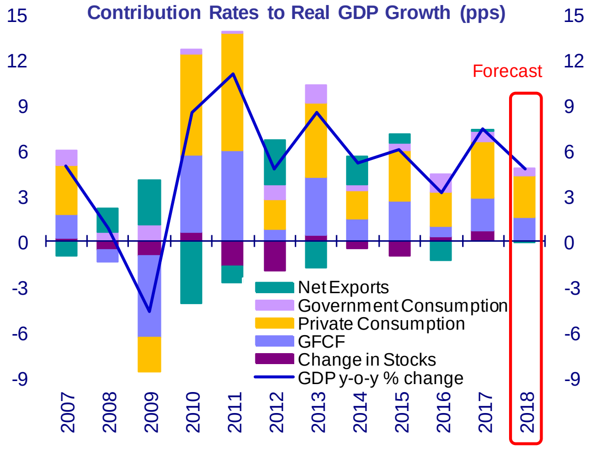
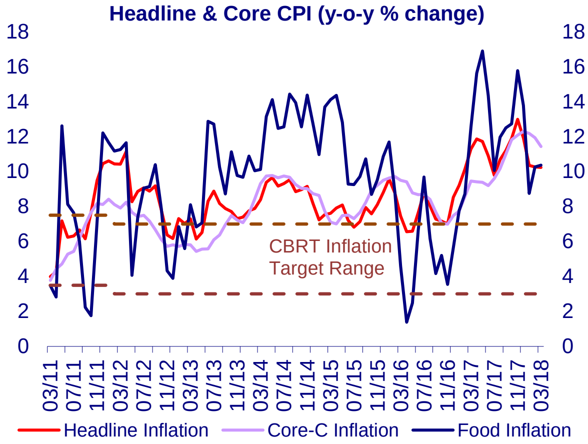
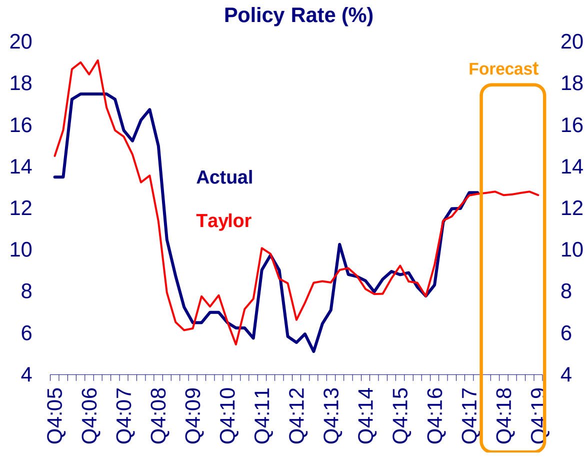
Turkey

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







	2 Apr.	3-M F	6-M F	12-M F
1-m TRIBOR (%)	13.6	13.5	13.0	12.5
TRY/EUR	4.89	4.90	4.94	5.00
Sov. Spread (2020, bps)	186	180	160	150

	2 Apr.	1-W %	YTD %	2-Y %
ISE 100	115,450	-2.5	0.1	39.2

	2015	2016	2017E	2018F	2019F
Real GDP Growth (%)	6.1	3.2	7.4	4.8	4.2
Inflation (eop, %)	8.8	8.5	11.9	9.5	8.2
Cur. Acct. Bal. (% GDP)	-3.7	-3.8	-5.5	-4.8	-4.6
Fiscal Bal. (% GDP)	-1.0	-1.1	-1.5	-2.5	-2.5

GDP growth reached a 4-year high of 7.4% in FY:17, on strong stimulus measures and a favourable global backdrop. GDP growth picked up sharply to a 4-year high of 7.4% in FY:17 from a post global crisis low of 3.2% in FY:16. The rebound was supported by a strong fiscal and quasi-fiscal stimulus ahead of the mid-April 2017 referendum (resulting in a fiscal impulse of 0.8 pps and a credit impulse 4.0 pps of GDP) and, to a smaller extent, a benign global backdrop.

The strong growth performance in FY:17 was largely driven by domestic absorption (contributing 6.6 pps to overall growth). Specifically, private consumption rose by a 5-year high of 6.3%, largely supported by high employment and tax cuts on consumer durables. Gross fixed capital formation increased by a 2-year high of 9.3%, mainly underpinned by the acceleration in lending to SMEs through the credit guarantee fund. Public consumption expanded by 5.0%**.**

Stock rebuilding was the second largest driver of the strong growth performance in FY:17, contributing 0.7 pps to headline growth.

Importantly, despite a significant rise in imports in FY:17 (up by a 6-year high of 10.4%y) on the back of stronger domestic demand, the contribution of net exports to overall growth was positive (0.2 pps), as exports rose at a faster pace (up by a 6-year high of 12.0%). The latter reflects a buoyant external demand, strong price competitiveness and the recovery of the tourism sector.

For 2018, we expect GDP growth to ease to a more sustainable 4.8%, mainly due to more limited fiscal and quasi-fiscal stimulus, in response to the growing twin deficits and stubbornly high inflation, and tighter global liquidity conditions.

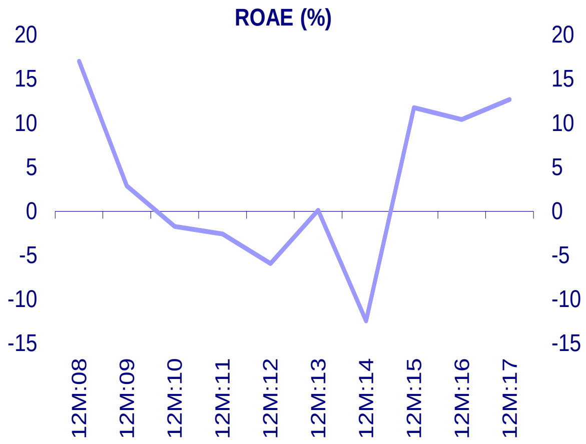
Headline inflation remained broadly unchanged for the third consecutive month in March (at 10.2% y-o-y), despite favourable base effects. Headline inflation moderated slightly to 10.2% y-o-y in March from 10.3% in February, largely reflecting broadly unchanged food inflation and mildly receding core inflation. Indeed, despite supportive base effects, food prices (c. 23.0% of the CPI basket) rose slightly, by 10.4% y-o-y in March against a rise of 10.3% in February, while the CBRT's favourite core inflation measure, i.e., CPI-C retreated to a still elevated level of 11.4% y-o-y in March from 11.9% in February.

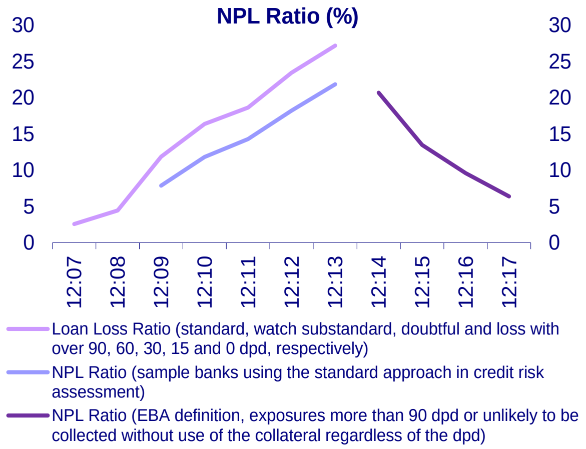
Looking ahead, despite the anticipated slowdown in economic activity this year, we do not expect headline inflation to return to single digits before December, mainly due to the weaker TRY and deteriorating inflation expectations. We see headline inflation ending the year at 9.5% -- well above the upper bound of the CBRT's target range of 3-7%, as well as the CBRT's upwardly-revised end-year forecast of 7.9%.

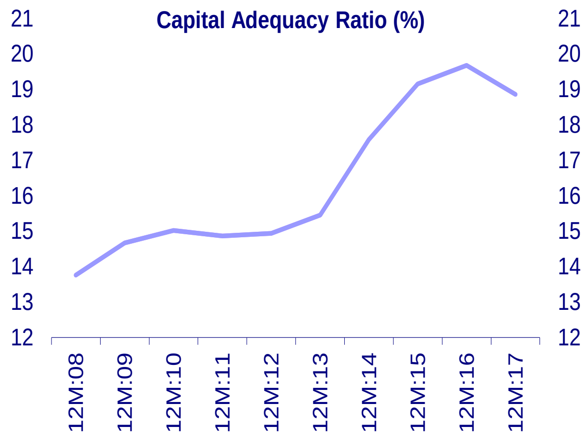
The CBRT to keep its key monetary policy instrument on hold at 12.75% at least until December 2019. According to our Taylor rule (see chart), projecting: i) a declining positive output gap (from 0.8% at end-2017 to 0.1% at end-2019); ii) moderating headline inflation (from 11.9% at end-2017 to 8.2% at end-2019); iii) easing TRY depreciation (from 13% at end-2017 to 5% at end-2019 against the equally-weighted USD/EUR basket – consensus forecast); and iv) a sharp rise in the FED rate (from 1.25% at end-2017 to 2.75% at end-2019 – consensus forecast), the CBRT should maintain policy on hold at least until end-2019. However, should the TRY experience a sharper than currently expected depreciation or global liquidity conditions turn tighter than currently expected, the CBRT will be forced to tighten its stance. This will occur through the hike of the more relevant late liquidity window (LLW) lending rate -- currently at 12.75%. Note that the latter instrument has become the only central bank funding source since the CBRT ceased access to the 1-week repo facility (8%) in January 2017 and the overnight facility (9.25%) in November 2017.

Romania

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







	2 Apr.	3-M F	6-M F	12-M F
1-m ROBOR (%)	1.7	2.4	2.6	2.8
RON/EUR	4.66	4.63	4.62	4.60
Sov. Spread (2024, bps)	115	114	112	110

	2 Apr.	1-W %	YTD %	2-Y %
BET-BK	1,768	0.0	7.1	40.1

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	4.0	4.8	7.0	4.8	3.8
Inflation (eop, %)	-0.9	-0.5	3.3	3.8	3.4
Cur. Acct. Bal. (% GDP)	-1.2	-2.1	-3.4	-4.3	-4.6
Fiscal Bal. (% GDP)	-1.5	-2.4	-2.8	-4.0	-4.3

The banking sector bottom line improved further in FY:17, mainly due to a slowdown in provisioning. In FY:17 net profit after tax rose by 22.5% y-o-y to RON 5.3bn (EUR 1.2bn or 0.7% of GDP). As a result, ROAA and ROAE improved to 1.3% and 12.7%, respectively, from 1.1% and 10.4% in FY:16 (with the latter, however, inflated by large -- non-disclosed -- once-off gains from the sale of Visa Europe in mid-2016).

The positive performance in FY:17 can be largely attributed to a slowdown in provisioning, in line with the sharp decline in NPLs. In fact, the NPL ratio (EBA definition) fell to 6.4% at end-2017 from 9.6% at and-2016, and a high of 21.5% at end-2014, on the back of large (NBR-instigated) write-offs and NPL sales (amounting to a combined of more than 2.5% of GDP over the past 3 years or c. 10.0% of the current stock of total gross loans). Moreover, following the Constitutional Court's ruling that precludes the retrospective application of the Debt Settlement Law (effectively a no-recourse framework), banks proceeded with the reversal of the provisions made for this purpose, further sustaining profitability. That being said, the NPL coverage ratio remained broadly stable at c. 60.0%, the highest in the EU.

At the same time, pre-provision operating income is estimated to have remained broadly flat in FY:17. Indeed, on the one hand, net interest income (NII) is estimated to have increased in FY:17, in line with faster credit expansion (average balances rose 4.4% in FY:17 against 1.2% in FY:16), in an environment of increased liquidity and low interest rates. On the other hand, net non-interest income dropped in FY:17, due to a decline in net fees and commission income, following a reduction in (regulated) interchange fees at the beginning of 2017 and increased competition among banks.

Profitability has also been affected by the increase in operating expenses in FY:17, due to the upgrade of banks' IT systems and rising inflation (up 1.3% on average in FY:17 against a decline of 1.5% in FY:16). All said, the efficiency of the banking system deteriorated, with the cost-to-income ratio rising by 190 bps to 54.9% in FY:17, still better, however, than the EU average (over 60%).

Profitability to remain strong in FY:18, on higher pre-provision income (PPI). Looking ahead, PPI should strengthen, reflecting higher NII. Indeed, against the backdrop of a favourable environment (as reflected in the country's low lending penetration rate -- 27.3% of GDP -- and the system's ample liquidity -- the loan-to-deposit ratio stands at 79%), we expect credit expansion to gain steam in FY:18 (up 6.6% on average against 4.4% in FY:17), despite the envisaged tightening in monetary policy (we see the NBR raising its key rate to 3.5% at end-2018 from 2.25% currently and 1.75% at end-2017).

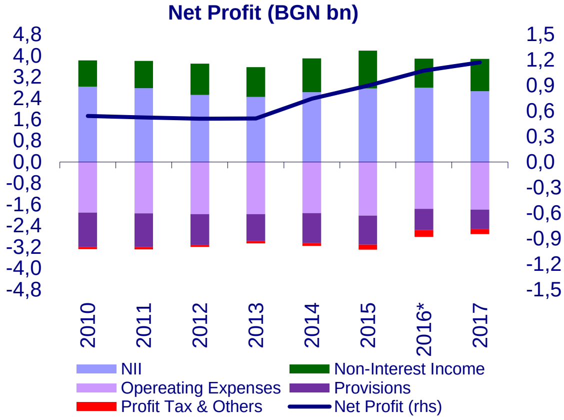
Stronger PPI should more than offset the impact on provisioning of increased NPL recognition ahead of an AQR. Note that the implementation of the new tighter accounting standards, IFRS 9, as of the beginning of 2018, is expected to have a minor impact on capital (less than 1 pp on the capital adequacy ratio fully phased in, NBR estimate, June 2017). Importantly, the system remains well capitalised, with a capital adequacy ratio of 18.9%, well above the minimum regulatory threshold of 8.0%.

Finally, the adoption of a law limiting interest rate deductibility for loans from associates as of January 2018 could take its toll on the profitability of the subsidiaries of foreign banks. All said, we expect ROAE to improve slightly to c. 14.0% in FY:18 from 12.7% in FY:17.

Bulgaria

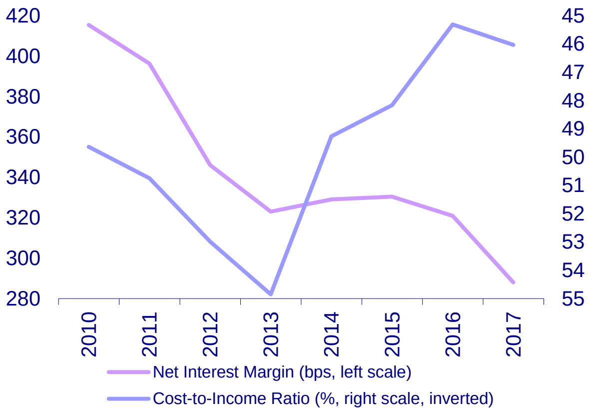
BB+ / Baa2 / BBB- (S&P / Moody's / Fitch)

Net Profit (BGN bn)

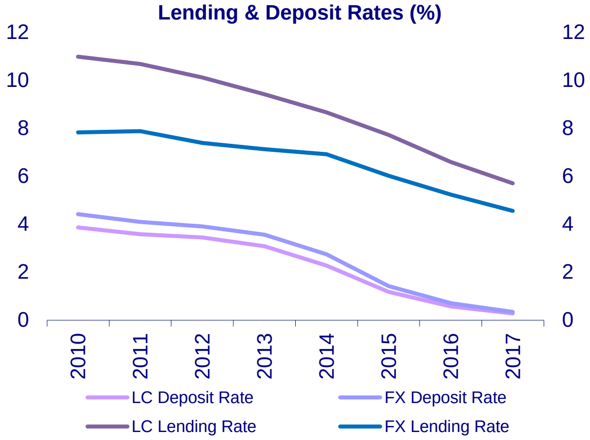


*adjusted for the sale of the stakes held by Bulgarian banks in VISA Europe

Net Interest Margin & Cost-to-Income Ratio



Lending & Deposit Rates (%)



	2 Apr.	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)	49	47	45	40

	2 Apr.	1-W %	YTD %	2-Y %
SOFIX	649	-0.7	-4.2	45.5

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	3.6	3.9	3.6	3.6	3.3
Inflation (eop, %)	-0.4	0.1	2.8	2.4	2.6
Cur. Acct. Bal. (% GDP)	0.0	5.3	3.9	2.6	1.4
Fiscal Bal. (% GDP)	-2.8	1.6	0.9	-0.5	-0.3

The profitability of the banking system strengthened in FY:17, mainly due to lower provisioning. Net profit (after tax) increased by 9.2% in FY:17 to BGN 1.2bn (EUR 0.6bn or 1.2% of GDP), adjusted for large once-off gains from the sale of Visa Europe in mid-2016. As a result, ROAA and ROAE improved slightly to 1.2% and 9.5%, respectively, in FY:17, from 1.2% and 9.1% in FY:16.

The lower NPL ratio prompted banks to cut provisioning in FY:17. The NPL ratio (EBA definition) continued to decline, albeit at a slow pace, reaching 10.2% at end-2017 (still more than double the EU average) against 12.9% at end-2016, mainly reflecting NPL write-offs and sales following the completion of an Asset Quality Review in 2016. As a result, provisioning declined further in FY:17 (down 9.6% y-o-y), albeit at a slower pace compared with FY:16 (down 25.9%), pushing down the cost of risk to 132 bps in FY:17 from 149 bps in FY:16. That being said, the NPL coverage ratio stood at 52.8% at end-2017, broadly unchanged compared with end-2016, but still well above the EU average (c. 45.0%).

Pre-provision net operating income weakened slightly in FY:17, mainly due to lower net interest income (NII) and to a lesser extent higher operating expenses. NII declined in FY:17 (by 4.6% against an increase of 1.2% in FY:16), as the expansion in average interest earning assets (up 6.3%) was more than offset by a lower net interest margin (down 33 bps y-o-y to 288 bps). The latter is due to the drop 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 75.4% at end-2017 from 79.5% at end-2016 and its peak of 146.7% in mid-2009.

The drop in NII was partly offset by the rebound in net non-interest income (up 11.4% y-o-y in FY:17 against a decline of 23.8% in FY:16), mainly on the back of higher net fees and commission income.

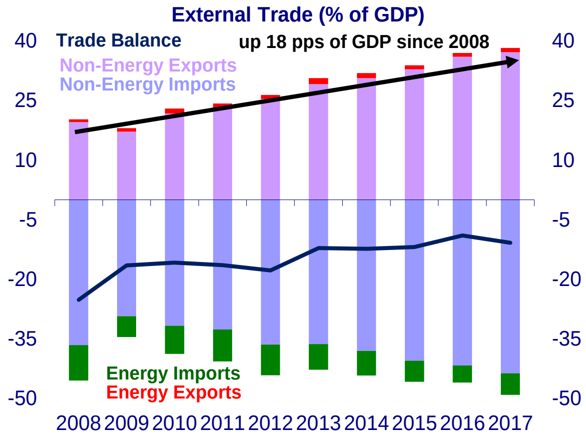
At the same time, against the backdrop of rising inflation (up 2.1% on average in FY:17 against a decline of 0.8% in FY:16), operating expenses increased in FY:17 (up 1.5% against broadly no change in FY:16). As a result, the efficiency of the banking system deteriorated slightly, with the cost-to-income ratio rising by 75 bps to 46.0% in FY:17, still far better, however, than the EU average (over 60%).

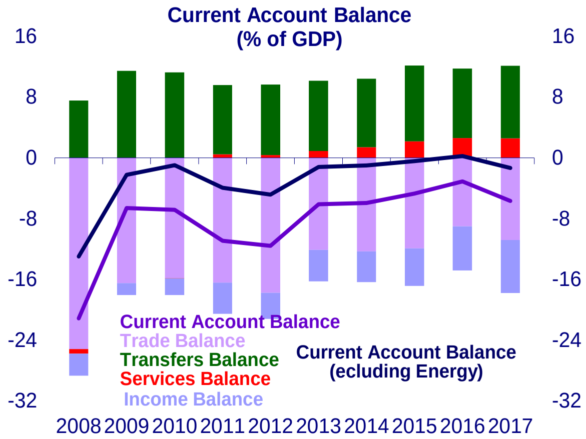
The implementation of IFRS 9 should lead to an increase in provisions and significant, but manageable, capital losses. Recall that from January 2018, EU banks are subject to the new tighter accounting standards, IFRS 9. The new standards move from the concept of incurred loss to that of expected loss, thus requiring banks to increase provisions significantly. The IMF estimated that the implementation of IFRS 9 could shave up to 5 pps off the capital adequacy ratio (CAR) fully phased in. Note, however, that institutions are allowed to phase in the impact on capital of the impairment requirements resulting from the implementation of IFRS 9 over a 5-year period and the capital impact is directly on equity and does not affect profits. More importantly, the banking system remains well-capitalised, with a CAR of 22.2%, far above the minimum threshold of 13.5%.

Regarding profitability, we expect pre-provision income to recover, in line with the pick-up in credit activity (up 5.0% on average in FY:18 against a rise of 3.5% in FY:17). Indeed, against the backdrop of increased liquidity in the system and negative interest rates by the BNB, the pace of credit expansion should strengthen, reflecting solid economic growth and stronger demand for real estate (prices are currently up c. 9.0% y-o-y) as well as the sustained decline in the NPL ratio (to 7.0% by end-2018). All said, we see ROAE strengthening to c.11% from 9.5% in FY:17.

Serbia

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





External Financing (EUR bn)			
	2016	2017	2018F*
Financing Needs	4.3	6.8	5.4
Current Account Deficit	1.1	2.1	2.0
Amortisations & Other	3.2	4.8	4.2
o/w Eurobond	0.2	0.8	0.9
Financing Sources	4.1	6.6	6.2
FDI	1.9	2.4	2.4
Loans & Other	2.2	4.2	3.7
o/w Eurobond	0.0	0.0	0.0
External Financing Balance	-0.2	-0.2	0.0
IMF	0.0	0.0	0.0
Change in FX Reserves	-0.2	-0.2	0.0

* Assuming a new arrangement with the IMF in the form of Policy Coordination Instrument (PCI), to be signed by mid-year

	2 Apr.	3-M F	6-M F	12-M F
1-m BELIBOR (%)	2.7	2.9	3.1	3.5
RSD/EUR	118.1	118.6	118.6	118.5
Sov. Spread (2021, bps)	137	132	128	120

	2 Apr.	1-W %	YTD %	2-Y %
BELEX-15	746	-0.4	-1.9	22.5

	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	3.0	3.0
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 current account deficit (CAD) widened temporarily in FY:17, mainly due to an unfavourable energy bill. The CAD increased to 5.7% of GDP in FY:17 from a 15-year low of 3.1% in FY:16. The deterioration reflects: i) a higher deficit in the income balance (up 1.1 pp y-o-y in FY:17), due to large FDI-related repatriation of dividends and profits; and ii) higher energy imports.

In fact, energy imports rose sharply (up 31.1%, in EUR terms, in FY:17), contributing an estimated 1.1 pp of GDP to the widening of the CAD in FY:17. This was the result of both: i) rising global oil prices (up 19.2% y-o-y in FY:17 in EUR terms); and ii) higher energy import volumes, largely due to weather-related domestic supply disruptions and stronger demand from the industrial sector. Note that the underlying CAD (excluding energy) also widened, but at a slower pace, by 1.6 pps y-o-y to 1.4% of GDP in FY:17, as non-energy imports remained strong.In fact, non-energy imports were up 12.0% in FY:17, due to the recovery in consumption and higher export-related imports.

The deterioration in the trade deficit was, however, contained by strong export growth, despite a drought-induced drop in agricultural exports. In fact, exports rose by 10.0% in FY:17, mainly boosted by: i) stronger metal exports, reflecting higher exports of the steel plant, Smederevo, following its privatisation a year ago, as well as a rise in metal prices; ii) the recovery in external demand supported by the stronger-than-expected growth in the EU; and iii) past years' FDIs (diversified, and largely directed towards export-oriented sectors).

It is important to note that, since the pre-global crisis in 2008, the export base (exports of goods/GDP) has increased by 18 pps to 38.3% (almost doubling in 10 years), while the share of imports in GDP has increased by a mere 3.6 pps to 49.1% (see chart).

The capital and financial account (CFA) improved markedly and almost covered the CAD in FY:17. The CFA surplus rose to 5.2% of GDP in FY:17 from just 0.7% in FY:16, on the back of: i) (net) currency & deposits inflows (up 2.3 pps of GDP), mainly due to repatriation of deposit holdings abroad by domestic banks; ii) (net) loans inflows (up 1.4 pps of GDP), largely reflecting bank (net) borrowing; and iii) (net) FDIs (up 1.1 pp to 6.6% of GDP -- more than covering the CAD).

Reflecting CAD and CFA developments in FY:17, as well as large positive (net) errors & omissions (of 1.1% of GDP), the overall balance turned positive and was 0.6% of GDP. Nevertheless, FX reserves declined by EUR 240mn (0.7% of GDP), to a still comfortable level of EUR 10.0bn (covering 5.3 months of imports), due to FX valuation effects (note that USD-denominated FX reserves accounted for $^{1}/_{3}$ of total FX reserves at end-2016 and the USD depreciated by 12.4% y-o-y against the EUR at end-2017).

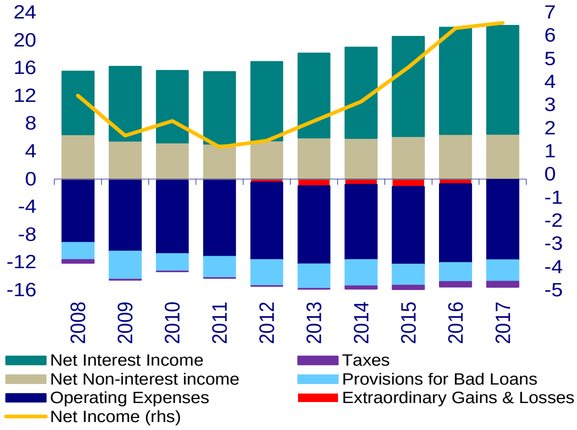
The CAD to reverse its upward trend, moderating to c. 5.0% in FY:18. The CAD is set to narrow by 0.7 pps y-o-y in FY:18, reflecting persistently high exports (supported by the rebound in agricultural exports), the normalization in the income deficit (following high dividend payments on investment income in FY:17) and the fade-out of the impact of electricity production disruptions in FY:17 on imports.

Its financing should not be an issue. Indeed, projecting: i) robust FDI inflows (of 6.1% of GDP in FY:18) -- more than covering the CAD; and ii) negative (net) capital inflows of 1.2% of GDP in FY:18 (largely due to the repayment of a USD 1.0bn Eurobond, or 2.0% of GDP), we see FX reserves broadly unchanged at their end-2017 level. Note that the expected engagement with the IMF through the (non-financing) Policy Coordination Instrument should provide a buffer against external shocks, while an external financing surplus would materialise in the event a new Eurobond is issued (to roll-over the maturing one).

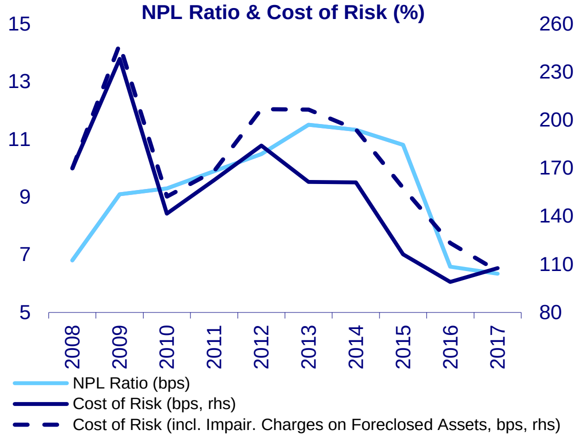
F.Y.R.O.M

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

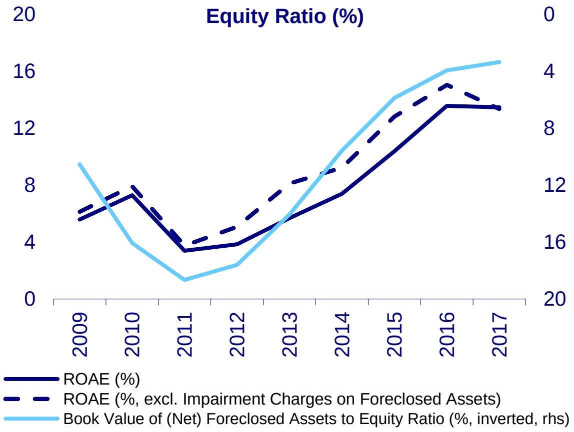
Quarterly Net Profit (bn MKD)



NPL Ratio & Cost of Risk (%)



ROAE & Book Value of Foreclosed Assets to Equity Ratio (%)



	2 Apr.	3-M F	6-M F	12-M F
1-m SKIBOR (%)	1.3	1.8	2.3	2.8
MKD/EUR	61.3	61.3	61.3	61.3
Sov. Spread (2021. bps)	214	170	165	160

	2 Apr.	1-W %	YTD %	2-Y %
MBI 100	2,787	-0.7	9.8	56.1

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	3.9	2.9	0.0	3.5	3.7
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

Banking sector ROAE remained flat at a post-global crisis high of 13.5% in FY:17, despite strong domestic headwinds. Banking sector net profit (after tax) continued on its upward trend for a 6th consecutive year in FY:17, rising modestly by 3.6% (or EUR 3.7mn) to EUR 106.9mn (1.1% of GDP). As a result, ROAE and ROAA stood at their post-global crisis highs of 13.5% and 1.4%, respectively, in FY:17 -- broadly unchanged from FY:16.

The rise in banking sector net profit in FY:17 was driven by a reversal in the past year's extraordinary losses. Indeed, extraordinary net income turned positive in FY:17 (a gain of EUR 0.8mn) from negative in FY:16 (a loss of EUR 11.2mn), supported by the sale of foreclosed non-financial assets and the subsequent reduction in the impairment charge on banks' foreclosed property. Recall that banks were required, within a 5-year period starting in 2013, to proceed with a 20% annual haircut on the net value of the foreclosed assets, as a means to incentivize the sale of foreclosed assets. As a result, banks' book value of (net) foreclosed assets-to-equity ratio declined to a post-global crisis low of 3.3% at end-2017 from a peak of 18.6% at end-2011. Note that since its entry in force in 2013, the regulation on foreclosed non-financial assets has led in an increase of the cost-of-risk in the range of 25-45 bps annually, and a decrease of ROAE in the range of 1.2-2.4 pps annually.

Pre-provision income (PPI, before tax) remained almost flat in FY:17. PPI (before tax) remained broadly unchanged in FY:17 (down 0.9%), as a moderate increase in net interest income (NII) was offset by a mild decline in net non interest income (NNII) and modestly higher operating expenses.

NII rose by 1.6% in FY:17, as the expansion in average interest-earning assets (up 4.4%) was tempered by a weaker net interest margin (NIM, down 10 bps to 359 bps). The former benefited mainly from a recovery in credit activity (up 5.7% against a subdued rise of 0.8% in FY:16). The deterioration in the latter is estimated to have occurred on the back of a drop in both: i) core NIM, as the blended lending rate declined at a faster pace than the blended deposit rate in an environment of moderating interest rates and strong competition for lending market shares, and ii) non-core NIM, in line with lower public domestic debt yields.

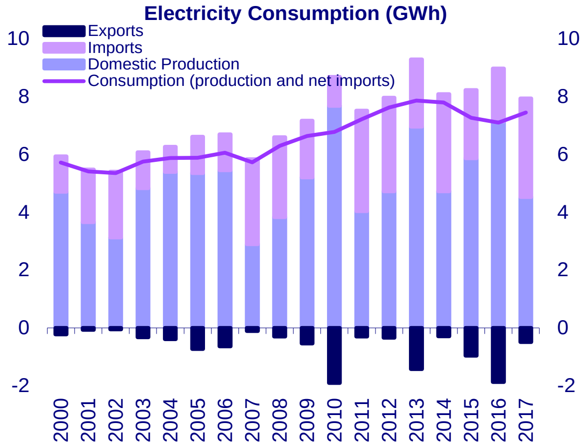
PPI was, however, hurt by a mild decline in NNII (down 0.7%), despite higher net fees and commissions income (up 2.8%), and a modest rise in operating expenses (up 2.6%), linked to non-personnel expenses.

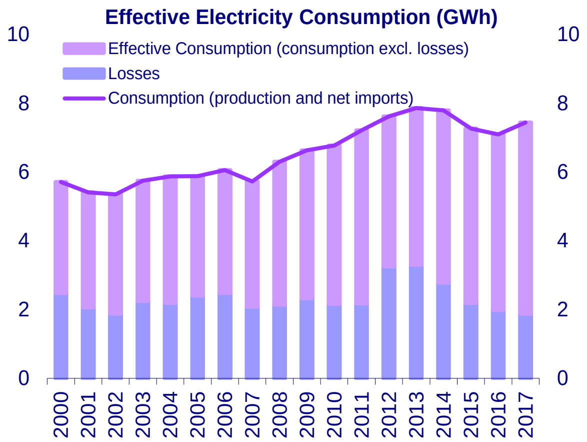
P/L provisions increased significantly in FY:17 (up 13.2%), as a result of protracted political and economic uncertainty in 9M:17. The increase in FY:17 P/L provisions would have been much sharper had P/L provisions not been reduced significantly, by 47.8% y-o-y in Q4:17, with the dissipation of political and economic uncertainty. Recall that the current coalition Government took office 5½ months after the mid-December 2016 general elections and could not proceed with its ambitious reform programme (due to its slim majority in Parliament) until it secured a landslide victory in the October local elections. As a result, the cost of risk rose by 9 bps to 108 in FY:17.

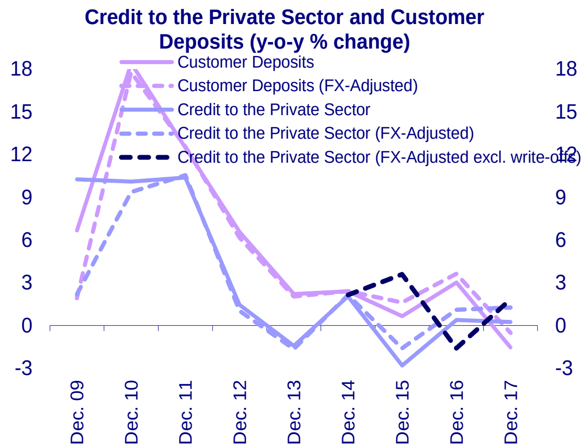
Bank profitability set to strengthen significantly in FY:18. For this year, we expect banking sector ROAE to rise by 2.5 pps y-o-y to 16.0%, underpinned by lower provisions for non-performing loans, on the back of a broad-based economic recovery and the normalization of the political situation, as well as a pick-up in lending activity. The latter should be supported by: i) easing credit standards following the past years' significant clean-up of banks' balance sheets; ii) adequate liquidity; and iii) a strong capital base (15.7% in December).

Albania

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







	2 Apr.	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	1.6	2.2	2.2	2.2
ALL/EUR	129.8	132.0	131.3	130.0
Sov. Spread (bps)	171	210	200	180

	2 Apr.	1-W %	YTD %	2-Y %
Stock Market	- - -	- - -	- - -	- - -

	2015	2016	2017E	2018F	2019F
Real GDP Growth (%)	2.2	3.4	3.9	4.2	4.3
Inflation (eop, %)	2.0	2.2	1.8	2.3	2.5
Cur. Acct. Bal. (% GDP)	-8.6	-7.6	-6.9	-6.4	-5.4
Fiscal Bal. (% GDP)	-4.1	-1.8	-2.0	-2.0	-1.9

Electricity generation declined markedly in FY:17, due to adverse weather conditions. Domestic electricity production fell by 36.6% (to a 6-year low of 4.5 GWh) in FY:17 after increasing considerably for two successive years (by 21.7% in FY:16 and 24.1% in FY:15 as a result of heavy rainfall). The deterioration reflects lower rainfall and several months of summer drought (recall that Albania's electricity generation remains totally dependent on hydroelectric production). The sharp decline in domestic electricity production led to a plunge in electricity exports by 73.9% in FY:17 and a surge in imports by 86.3% (covering almost half of total consumption in FY:17). Large imports were also needed to cover increased energy demand by both households and corporates (up 2.6% and 15.4% y-o-y, respectively, in FY:17).

The adverse weather conditions took their toll on: i) GDP growth (with the drop in electricity production estimated to have subtracted 0.5 pps from overall growth in FY:17); ii) the current account deficit (with the impact from higher electricity imports estimated at 0.8 pps of GDP in FY:17); and iii) public finances (with the financial support to the energy sector estimated at 0.4 pps of GDP in FY:17). Note that recurrent power shortages (the average duration of interruptions amounted to 96 hours in 2016, according to the IMF) also damage investments, as insecure electricity supply is considered a major bottleneck for business growth.

On a positive note, the strong implementation of the electricity sector reform (launched at end-2014 with the support of the World Bank) continues to bring about good results. As a result, large unbilled electricity, reflecting not only technical losses (due to the low quality of the electricity network), but most importantly large non-technical losses, due to extensive electricity theft, has been gradually reduced. Indeed, (unbilled) distribution losses fell to 23.1% of total consumption in FY:17 from 25.3% in FY:16 and a peak of 40.4% in FY:12, with non-technical losses declining to 25.1% of total losses in FY:17 from a high 62.8% in FY:12.

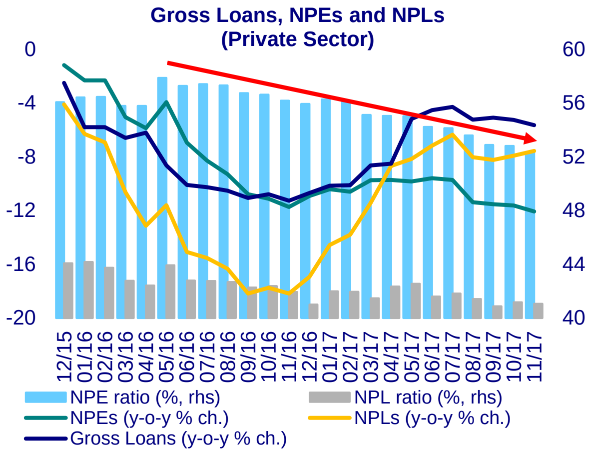
Customer deposits (FX-adjusted) remained subdued in 2017, due to households' preference for high-yielding domestic debt. Overall deposits declined slightly (by 0.5% y-o-y, adjusted for FX fluctuations, at end-2017), due to the drop in households' LC term deposits (26.7% of total deposits). This reflects households' continued preference to invest in more attractive domestic debt. Indeed, the difference between the 12-month T-bill rate and the 12-month deposit interest rate was 170 bps in 2017, widening from 100 bps in 2016.

Credit growth, adjusted for large write-offs and FX variations, is estimated to have reached c. 1.8% in 2017. Adjusted for FX variations and loan write-offs (estimated to have amounted to ALL 16bn in FY:17, compared with outcomes of ALL 12.6bn in FY:16 and ALL 27bn in FY:15), credit growth is estimated to have turned positive, up 1.8% y-o-y at end-2017 against a decline of 1.6% at end-2016.

The underlying improvement could be attributed to stronger loan demand and supply. Indeed, demand for loans was supported by the low interest rate environment (the average LC lending interest rate on new loans declined further to 6.8% in 2017 from 7.3% in 2016). 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 54.5% at end-2017), and non-reliance on foreign financing; ii) improved asset quality (the NPL ratio declined significantly to 13.2% in Q4:17 -- its lowest level since 2010 -- from 18.3% in FY:16 and a peak of 25.0% in Q3:14); iii) the improving economic outlook; and iv) a low loan penetration rate (11.5% of GDP in the retail segment and 22.3% in the corporate segment at end-2017).

Cyprus

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



Balance of Payments (% of GDP)				
	FY:15A	FY:16A	FY:17A	FY:18F
Current Acc.Bal. (CAB)	-1.5	-4.9	-6.7	- - -
CAB, excl. Ships	-1.1	-0.6	-1.5	-1.2
Trade Balance (TB)	-16.7	-21.2	-23.5	- - -
Exports	16.2	14.2	12.9	- - -
Imports	33.0	35.5	36.4	- - -
Ship Balance	-0.4	-4.2	-5.2	- - -
Ship Exports	7.3	5.4	4.0	- - -
Ship Imports	7.6	9.6	9.2	- - -
Energy Balance	-4.1	-3.5	-4.3	-4.0
Energy Exports	2.2	2.4	3.3	4.7
Energy Imports	6.3	5.8	7.5	8.7
TB., excl. Ships and Energy	-12.3	-13.5	-14.1	-14.2
Exp., excl. Ships and Energy	6.8	6.5	5.6	5.8
Imp., excl. Ships and Energy	19.0	20.0	19.7	20.0
Services Balance	17.5	20.4	21.6	22.0
Tourism	7.2	7.8	8.5	8.2
Income Balance	0.6	-1.6	-2.5	-2.7
Transfers Balance	-2.9	-2.5	-2.2	-2.3
Capital & Financial Account (excl. IMF)	-3.8	7.5	2.6	- - -
Errors & Omissions	-0.4	-2.7	4.1	- - -
Overall Balance	0.0	-0.1	0.0	- - -

	2 Apr.	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.37	-0.37	-0.37	-0.37
EUR/USD	1.23	1.22	1.25	1.30
Sov. Spread (2020. bps)	97	55	52	50

	2 Apr.	1-W %	YTD %	2-Y %
CSE Index	67	-1.0	-3.7	-0.8

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	2.0	3.4	3.9	3.6	3.3
Inflation (eop. %)	-1.0	-0.3	-0.6	0.8	1.2
Cur. Acct. Bal. (% GDP)	-1.5	-4.9	-6.7	-4.2	-4.5
Fiscal Bal. (% GDP)	-1.2	0.5	1.9	2.6	2.8

EC/ECB Post-Programme Review sees reforms momentum as key to sustaining growth in the medium term. At the end of the fourth Post Programme Surveillance (PPS) mission to Cyprus, the EC and ECB welcomed the island's strengthening and broad-based growth, increasing employment across most sectors and rapidly declining unemployment. However, it stressed that maintaining balanced and durable growth in the medium-term requires continued fiscal discipline, meaningful reductions of NPLs and a renewed reform momentum.

i) Fiscal prudence has produced a sizeable fiscal surplus, but slippage risks remain. Indeed, the FY:17 budget posted a surplus of 1.9% of GDP -- above its target of 1.0% of GDP -- helping reduce the public debt-to-GDP ratio below the 100% threshold for the first time in 5 years -- to 97.5% at end-2017. According to the mission, continued fiscal discipline is required to preserve public debt ratio's downward trajectory and create fiscal space to absorb contingent fiscal liabilities.

ii) Progress in reducing NPLs has been made, but more ambitious and targeted measures are "urgently" needed. The mission underlined the "*pressing*" need for a faster reduction of banks' NPLs (standing at EUR 16.5bn or 85.9% of GDP or 34.0% of gross loans in November), which continue to weigh on bank profitability and new lending activity. To this end, the mission proposed a comprehensive list of policy measures, including: i) legal amendments in the insolvency and foreclosure frameworks to make debt collection more efficient; and ii) the creation of a secondary market for loans and promotion of loan securitisation.

iii) Regaining reform momentum is critical to maintain growth and fiscal sustainability over the medium-term. The mission underlined the need to: i) complete the reforms in the justice system and public administration; ii) proceed with the ongoing health care and electricity market reforms within fiscal limits; iii) establish an efficient title deeds issuance and transfer system; and iv) improve the business environment to attract growth-enhancing investment.

The current account deficit (CAD) widened sharply by 1.8 pps to a 7-year high of 6.7% of GDP in FY:17, exclusively on wider energy and ship trade deficits. Indeed, the underlying (core) current account balance (CAB, excluding ships) increased by 0.8% of GDP to a deficit of 1.5% of GDP in FY:17. The improvement in services and transfers balances was fully offset by a large income deficit and a higher core (excluding ships) trade deficit as well as higher energy imports.

The services surplus rose by 1.1 pp of GDP in FY:17, mainly due to higher receipts from tourism (up 0.6 pps of GDP) and other business services. The former reflected a buoyant tourism activity, with foreign arrivals posting solid growth of 13.3% in FY:17, despite strong base effects and increasing competition from Turkey and Egypt.

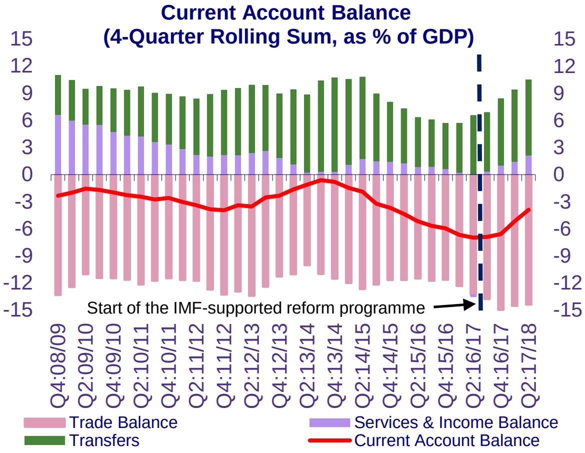
The FY:17 current account performance was, however, tempered by a wider income deficit (up 1.0 pp of GDP), reflecting higher profits and dividends outflows, and wider core (excl. energy & ships) trade deficit (by 0.5 pps of GDP), due to both a drop in exports (down 9.2%) and a rise in imports (up 3.7%). The increase in (core) imports was in line with a build-up in domestic demand, reflecting strengthening economic activity. The energy deficit widened by 0.8 pps of GDP in FY:17, mainly due to unfavourable oil price developments (the average price of Brent oil rose by 19.2% in EUR terms).

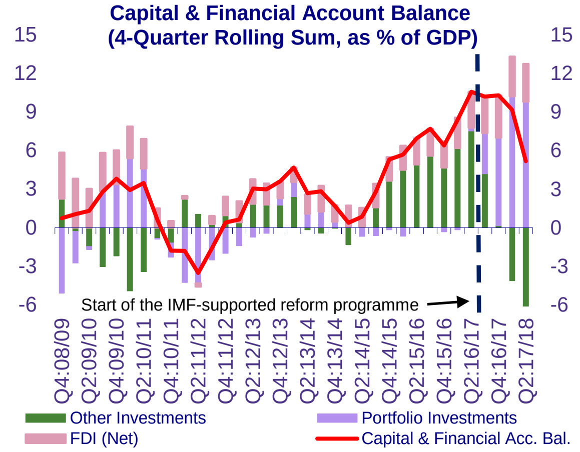
The rise in the overall CAD by 1.8 pps to a 7-year high of 6.7% of GDP in FY:17 was driven mainly by a wider ship trade deficit, which rose by 1.0 pp of GDP, exclusively on lower exports of ships.

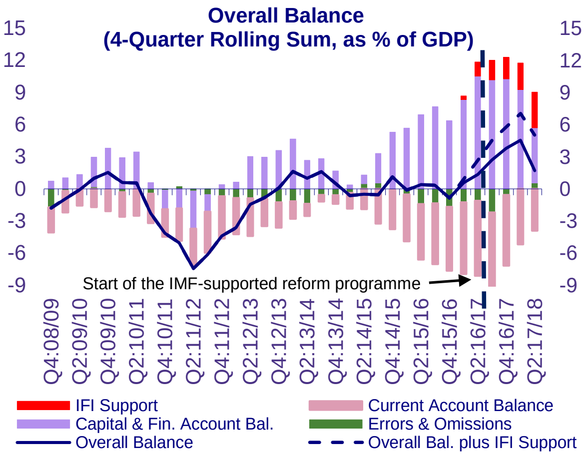
For this year, we expect the core CAD to narrow by 0.3 pps to 1.2% of GDP on lower trade deficit and higher services surplus.

Egypt

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







	2 Apr.	3-M F	6-M F	12-M F
O/N Interbank Rate (%)	16.9	18.0	17.0	15.0
EGP/USD	17.6	17.8	18.0	18.0
Sov. Spread (2020. bps)	225	168	152	140

	2 Apr.	1-W %	YTD %	2-Y %
HERMES 100	1,687	3.2	17.4	145.5

	14/15	15/16	16/17E	17/18F	18/19F
Real GDP Growth (%)	4.4	4.3	4.2	4.8	5.5
Inflation (eop. %)	11.4	14.0	29.8	13.5	10.2
Cur. Acct. Bal. (% GDP)	-3.7	-6.0	-6.6	-3.4	-3.6
Fiscal Bal. (% GDP)	-11.4	-12.5	-10.9	-9.5	-8.2

Incumbent President A.-F. el-Sissi easily secured a second 4-year term. In a landslide victory, the outgoing President el-Sissi won 97% of the vote at the March 26th-28th presidential elections against his only rival, a little known politician, M.-M. Moussa. This outcome is investor friendly, as ensures the continuation of the 3-year IMF-supported reform programme, launched in November 2016. Note that, in its second review of the programme at end-December, the IMF Executive Board hailed the country's progress on economic reforms and underlined that "*the country's economic outlook is favourable, provided prudent macroeconomic policies are maintained and the scope of growth-enhancing reforms is broadened*".

External adjustment has accelerated since the flotation of the EGP in mid-Q2:16/17 (November 2016), with the 4-quarter rolling current account deficit (CAD) narrowing to 3.9% of GDP in Q2:17/18 from 6.6% in Q4:16/17 and a 30-year high of 7.0% in Q2:16/17. The CAD narrowed by 2.6 pps y-o-y to 1.3% of GDP in H1:17/18 (July-December 2017) after having reversed a 2½-year long negative trend in H2:16/17 (down 0.5 pps of GDP y-o-y), largely supported by the flotation of the domestic currency in mid-Q2:16/17, ahead of the signing of the IMF-supported 3-year reform programme.

The significant improvement in the current account in H1:17/18 was mainly driven by tourist receipts and workers' remittances from abroad. Indeed, tourist receipts rose by 1.3 pps 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 0.9 pps 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 decided to float the domestic currency. In fact, before the flotation, remittances through the banking sector had been hindered by the attractive rates offered in the flourishing parallel FX market. On another positive, the trade deficit narrowed by 0.6 pps y-o-y to 7.4% of GDP in H1:17/18, as exports rose (up 15.4%) at a faster pace than imports (up 4.5%).

The capital and financial account (CFA), excluding IFI support, covered the CAD and boosted FX reserves in H1:17/18. The CFA balance, excluding IFI support, posted a surplus of 2.6% of GDP in H1:17/18, underpinned by the return of foreign investor confidence in the Egyptian economy following the solid implementation of the loan agreement with the IMF. The bulk of the surplus resulted from net portfolio investment inflows, which surged to 3.2% of GDP in H1:17/18 from 0.1% of GDP in the same period a year ago, due almost exclusively to large investment by foreigners in the very attractive domestic debt market. As a result and accounting for (negative) net errors & omissions (-0.6% of GDP), the overall balance recorded a surplus of 2.2% of GDP in H1:17/18. This, combined with IFI support (USD 4.0bn or 1.6 of GDP from the IMF) and valuation effects, brought FX reserves to an all-time high of USD 37.0bn at end-H1:17/18 (7.2 months of imports of GNFS) – slightly above the pre-Revolution high of USD 36.0bn (in December 2010).

Looking ahead, we expect the CAD to continue to narrow during the rest of the fiscal year, albeit at a slower pace, as the increasingly favourable "J-curve" effect is set to be tempered by the normalization of workers' remittances and tourism receipts, as well as higher repatriation of profits. Overall, we see the CAD easing to 3.4% of GDP in FY:17/18 from a 34-year high of 6.6% in FY:16/17.

FOREIGN EXCHANGE MARKETS, APRIL 2ND 2018

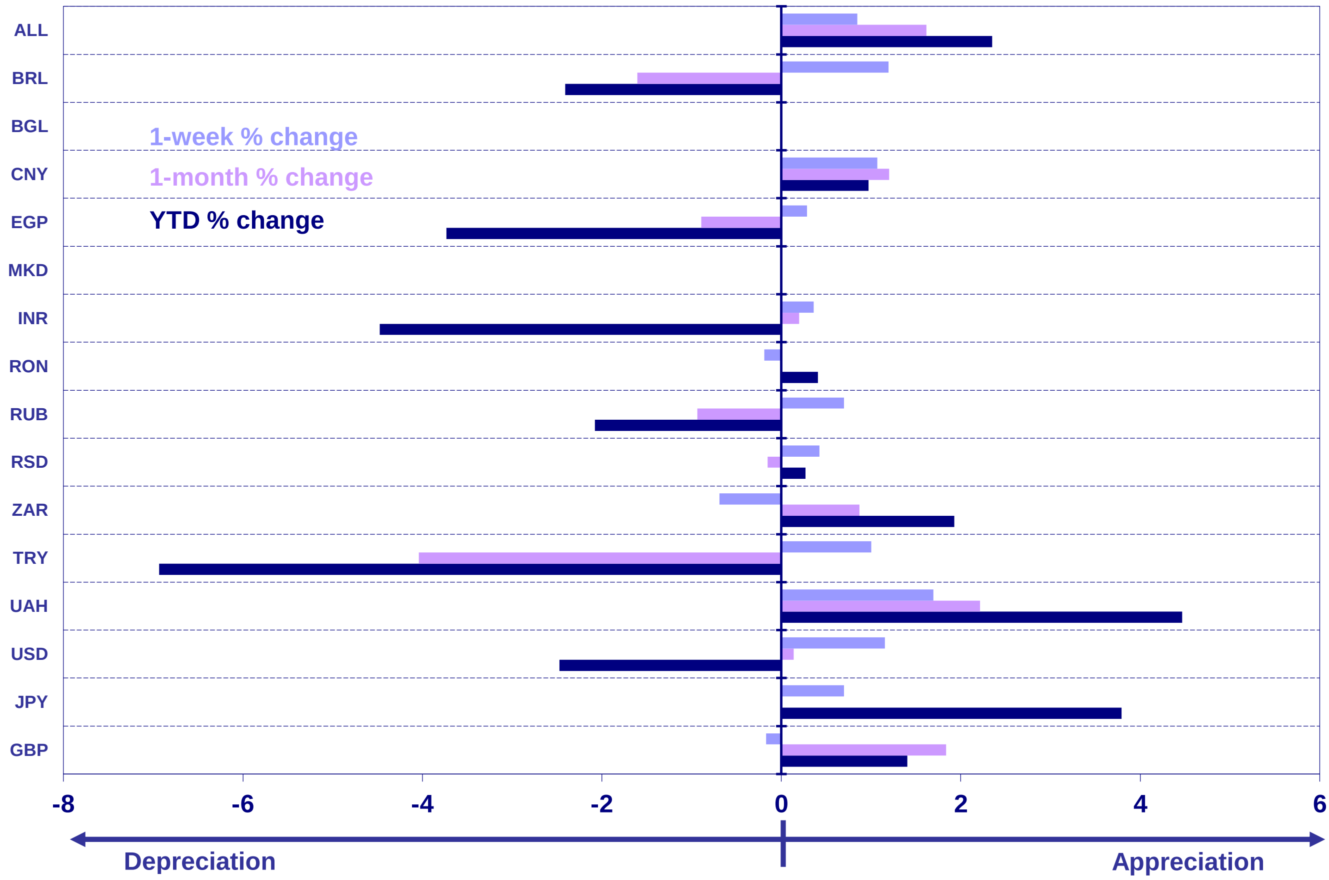
Against the EUR

	Currency	2018 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**	2017 % change*	2016 % change*
Albania	ALL	129.8	0.8	1.6	2.3	4.4	129.7	134.0	130.2	130.4	130.0	1.9	1.2
Brazil	BRL	4.07	1.2	-1.6	-2.4	-18.4	3.85	4.14	4.34	4.34	4.34	-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	7.72	1.1	1.2	1.0	-5.0	7.69	7.96	8.10	8.10	8.10	-6.0	-4.0
Egypt	EGP	21.64	0.3	-0.9	-3.7	-11.4	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	80.2	0.4	0.2	-4.5	-13.6	75.9	81.0	80.5	- - -	- - -	-6.7	0.4
Romania	RON	4.66	-0.2	0.0	0.4	-2.4	4.62	4.68	4.68	4.72	4.80	-3.0	-0.4
Russia	RUB	70.7	0.7	-0.9	-2.1	-15.3	67.7	71.8	71.8	73.0	75.2	-6.8	22.9
Serbia	RSD	118.1	0.4	-0.2	0.3	4.7	117.6	119.1	118.4	118.6	- - -	4.2	-1.5
S. Africa	ZAR	14.6	-0.7	0.9	1.9	0.3	14.18	15.16	14.8	15.1	15.7	-2.7	16.2
Turkey	YTL	4.89	1.0	-4.0	-6.9	-20.4	4.48	4.97	5.05	5.23	5.63	-18.4	-14.7
Ukraine	UAH	32.1	1.7	2.2	4.5	-10.2	31.86	36.11	38.0	- - -	- - -	-15.2	-8.6
US	USD	1.23	1.2	0.1	-2.5	-13.3	1.2	1.3	1.24	1.25	1.27	-12.4	3.3
JAPAN	JPY	130.2	0.7	0.0	3.8	-9.2	129.0	137.5	130.4	130.4	130.6	-8.9	6.0
UK	GBP	0.88	-0.2	1.8	1.4	-2.5	0.9	0.9	0.88	0.88	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 (April 2nd 2018)



MONEY MARKETS, APRIL 2ND 2018

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
O/N	1.3	6.4	-0.1	2.6	- - -	16.9	- - -	- - -	1.5	7.2	- - -	13.3	8.0	16.3	- - -	1.7
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	1.5	7.4	2.3	- - -	7.5	- - -	- - -	- - -
S/W	1.3	6.4	-0.1	2.9	-0.4	- - -	1.1	- - -	- - -	6.5	2.4	- - -	7.5	16.8	-0.4	1.7
1-Month	1.6	6.4	-0.1	4.2	-0.4	- - -	1.3	7.6	1.7	7.4	2.7	13.6	7.7	17.6	-0.4	1.9
2-Month	- - -	6.4	-0.1	- - -	-0.3	- - -	- - -	- - -	- - -	7.3	2.8	13.8	7.3	- - -	-0.3	2.0
3-Month	2.0	6.3	0.0	4.4	-0.3	- - -	1.6	7.5	2.1	7.2	2.9	14.0	7.7	17.8	-0.3	2.3
6-Month	2.5	6.2	0.2	4.5	-0.3	- - -	1.8	- - -	2.4	7.3	3.1	14.5	7.4	- - -	-0.3	2.5
1-Year	2.9	6.3	0.6	4.6	-0.2	- - -	2.2	- - -	2.5	7.0	- - -	15.1	8.5	- - -	-0.2	2.7

LOCAL DEBT MARKETS, APRIL 2ND 2018

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	- - -	- - -	- - -	- - -	- - -	17.6	- - -	6.1	- - -	6.9	- - -	12.8	- - -	- - -	-0.8	1.7
6-Month	- - -	- - -	- - -	- - -	- - -	17.6	- - -	6.3	2.1	6.8	3.3	12.9	- - -	- - -	-0.7	1.9
12-Month	2.5	- - -	-0.1	3.3	- - -	16.6	1.2	6.6	2.4	6.1	3.5	13.7	- - -	17.2	-0.7	2.1
2-Year	3.0	- - -	- - -	3.5	- - -	- - -	1.6	6.8	2.8	6.3	- - -	13.7	6.8	- - -	-0.6	2.2
3-Year	- - -	- - -	0.2	3.6	0.8	- - -	1.8	7.1	3.2	6.5	- - -	13.7	7.0	16.1	-0.5	2.4
5-Year	- - -	8.9	- - -	3.7	0.9	14.9	- - -	7.3	4.0	6.5	4.1	12.9	7.4	- - -	-0.1	2.5
7-Year	5.9	- - -	0.9	- - -	1.5	14.9	- - -	7.5	4.2	6.8	- - -	- - -	- - -	- - -	0.1	2.7
10-Year	- - -	9.5	1.3	3.7	- - -	14.8	- - -	7.4	4.5	7.1	- - -	12.3	8.0	- - -	0.5	2.7
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	3.2	7.6	- - -	7.3	- - -	- - -	9.9	- - -	0.8	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	8.9	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	7.6	- - -	- - -	- - -	- - -	8.9	- - -	1.2	3.0

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

CORPORATE BONDS SUMMARY, APRIL 2ND 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	1.9	238	195
South Africa	**FirstRand Bank Ltd 4.25% '20**	USD	BBB-/Baa2	30/4/2020	500	4.3	209	174
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	- - -	- - -	- - -
Turkey	**Arcelik AS 3.875% '21**	EUR	BB+/NA	16/9/2021	350	2.0	245	197
	Garanti Bank 5.25% '22	USD	NA/Ba1	13/9/2022	750	5.5	292	273
	Turkiye Is Bankasi 6% '22	USD	NA/Ba3	24/10/2022	1,000	6.5	396	372
	Vakifbank 5.75% '23	USD	NA/Ba1	30/1/2023	650	- - -	- - -	- - -
	TSKB 5.5% '23	USD	NA/Ba1	16/1/2023	350	- - -	- - -	- - -
	Petkim 5.875% '23	USD	NA/B1	26/1/2023	500	- - -	- - -	- - -
	KOC Holding 5.25% '23	USD	BBB-/Baa3	15/3/2023	750	5.0	248	232

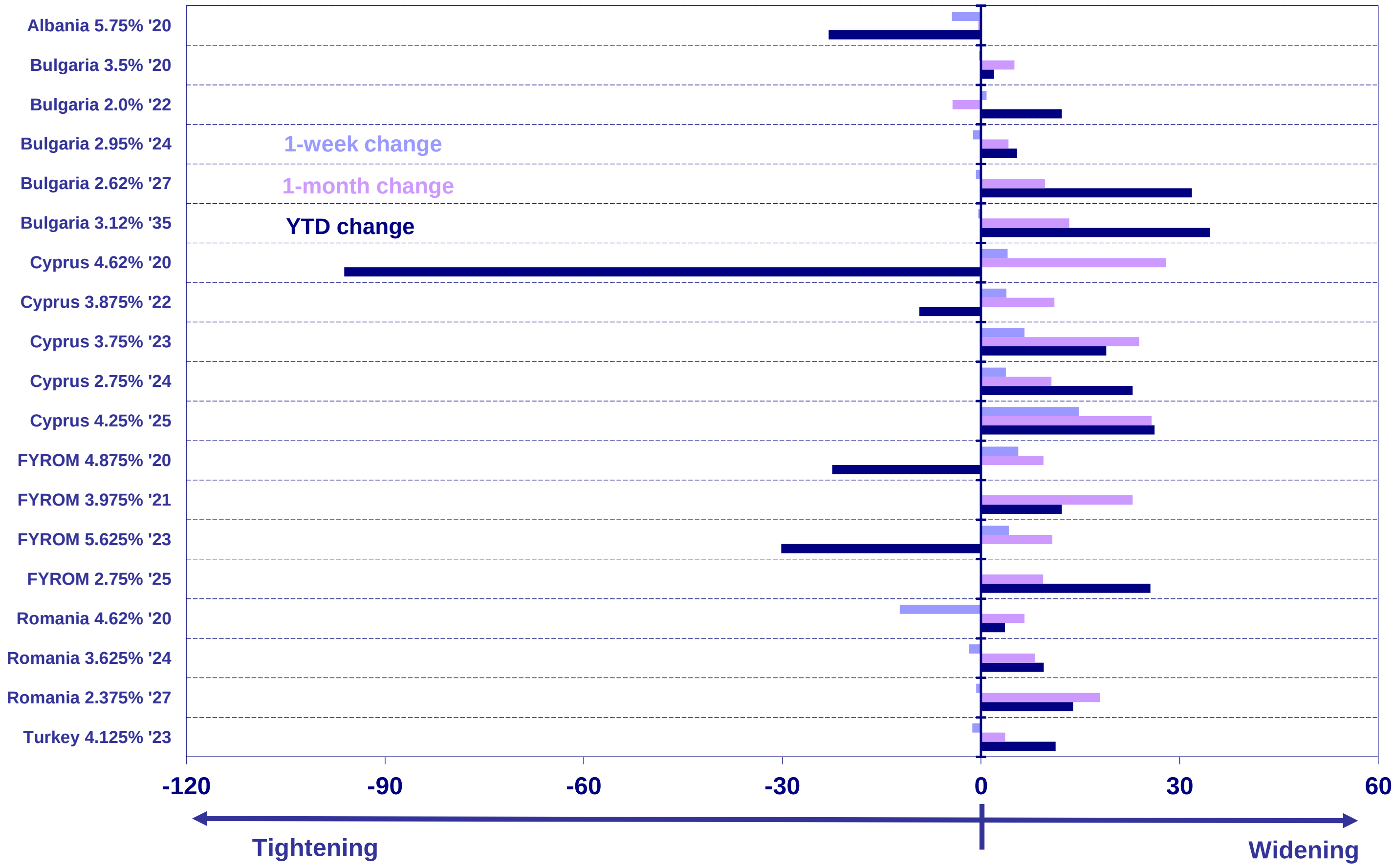
CREDIT DEFAULT SWAP SPREADS, APRIL 2ND 2018

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	164	66	65	- - -	254	- - -	80	88	123	120	191	149	374
10-Year	- - -	256	102	108	- - -	302	- - -	89	130	189	151	277	239	404

EUR-DENOMINATED SOVEREIGN EUROBOND SUMMARY, APRIL 2ND 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	1.2	171	139
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	0.1	69	33
Bulgaria 2.0% '22	EUR	BBB-/Baa2	26/3/2022	1,250	0.2	49	2
Bulgaria 2.95% '24	EUR	BBB-/Baa2	3/9/2024	1,493	0.8	67	28
Bulgaria 2.62% '27	EUR	BBB-/Baa2	26/3/2027	1,000	1.4	102	57
Bulgaria 3.12% '35	EUR	BBB-/Baa2	26/3/2035	900	2.5	165	116
Cyprus 4.62% '20	EUR	BB+/Ba3	3/2/2020	668	0.4	97	62
Cyprus 3.875% '22	EUR	NA/Ba3	6/5/2022	1,000	0.9	116	71
Cyprus 3.75% '23	EUR	NA/Ba3	26/7/2023	1,000	1.3	145	101
Cyprus 2.75% '24	EUR	NA/Ba3	27/6/2024	850	1.5	151	102
Cyprus 4.25% '25	EUR	NA/Ba3	4/11/2025	1,000	1.9	169	136
FYROM 4.875% '20	EUR	BB-/NA	1/12/2020	178	1.3	171	138
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	1.7	214	408
FYROM 5.625% '23	EUR	BB-/NA	26/7/2023	450	2.3	239	206
FYROM 2.75% '25	EUR	BB-/NA	18/1/2025	500	2.8	262	211
Romania 4.62% '20	EUR	BBB-/Baa3	18/9/2020	2,000	-0.1	54	4
Romania 3.625% '24	EUR	BBB-/Baa3	24/4/2024	1,250	1.2	115	71
Romania 2.375% '27	EUR	BBB-/Baa3	19/4/2027	2,000	2.2	178	129
Turkey 4.125% '23	EUR	NR/Ba1	11/4/2023	1,000	2.5	262	222

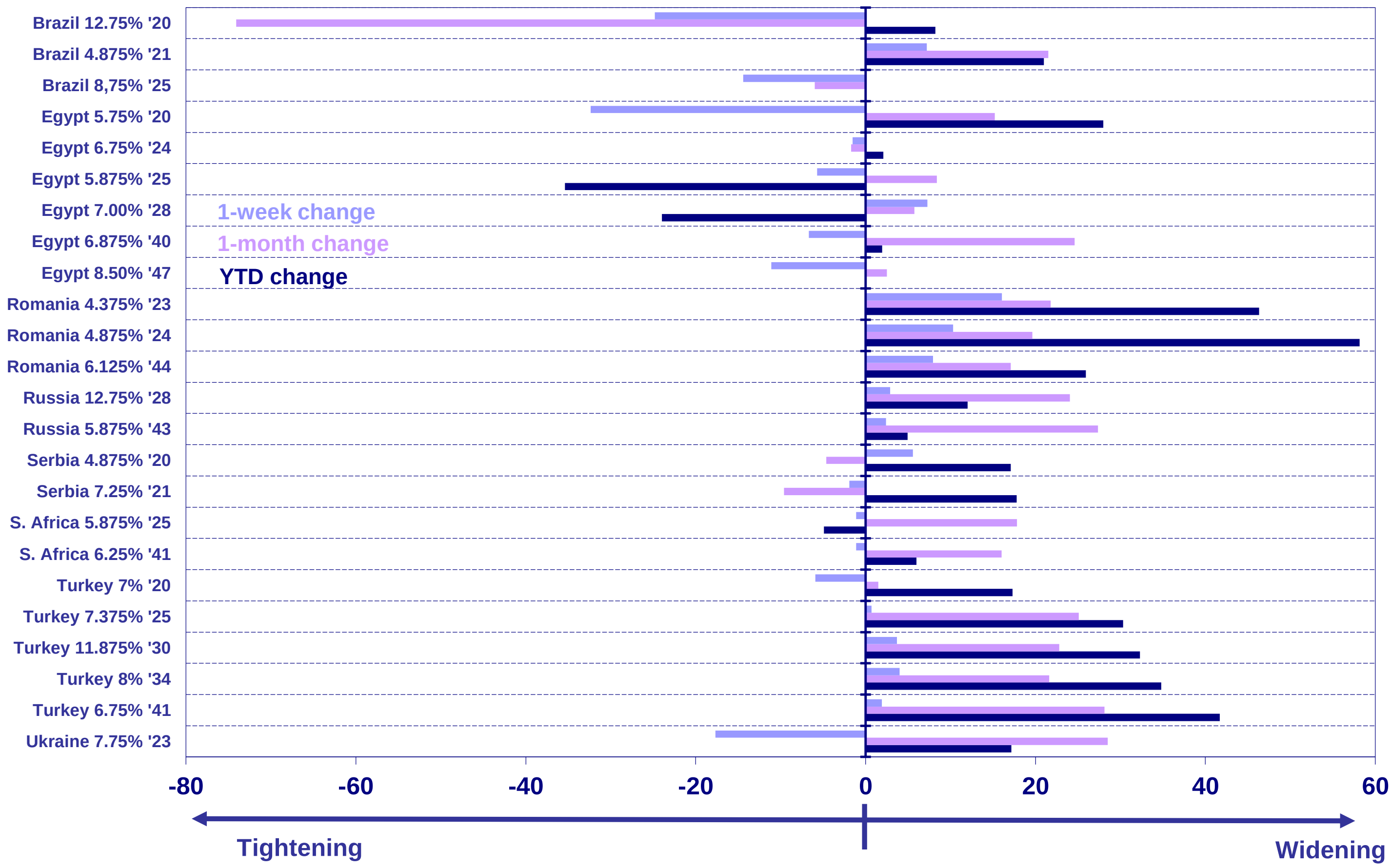
EUR-Denominated Eurobond Spreads (April 2nd 2018)



USD-Denominated Sovereign Eurobond Summary, April 2nd 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	2.3	5	-24
Brazil 4.875% '21	USD	BB-/NA	22/1/2021	2,713	3.4	105	79
Brazil 8.75% '25	USD	BB-/NA	4/2/2025	688	4.2	150	168
Egypt 5.75% '20	USD	B-/B3	29/4/2020	1,000	4.5	225	193
Egypt 6.75% '24	USD	NA/B3	10/11/2024	1,500	6.0	336	333
Egypt 5.875% '25	USD	B-/B3	11/6/2025	500	5.7	306	297
Egypt 7.00% '28	USD	NA/B3	10/11/2028	1,000	6.2	344	346
Egypt 6.875% '40	USD	B-/B3	30/4/2040	1,500	7.1	409	408
Egypt 8.50% '47	USD	NA/B3	31/1/2047	500	7.5	451	496
Romania 4.375% '23	USD	BBB-/Baa3	22/8/2023	1,500	3.9	131	116
Romania 4.875% '24	USD	BBB-/Baa3	22/1/2024	1,000	3.9	131	120
Romania 6.125% '44	USD	BBB-/Baa3	22/1/2044	1,000	4.7	178	215
Russia 12.75% '28	USD	BB+/Ba1	24/6/2028	2,500	4.5	175	236
Russia 5.875% '43	USD	BB+/Ba1	16/9/2043	1,500	5.1	208	235
Serbia 4.875% '20	USD	BB-/B1	25/2/2020	1,500	3.6	133	105
Serbia 7.25% '21	USD	BB-/B1	28/9/2021	2,000	3.8	137	114
S. Africa 5.875% '25	USD	BBB-/Baa2	16/9/2025	2,000	4.8	214	215
S. Africa 6.25% '41	USD	BBB-/Baa2	8/3/2041	750	5.7	271	294
Turkey 7.00% '20	USD	NR/Ba1	5/6/2020	2,000	4.1	186	157
Turkey 7.375% '25	USD	NR/Ba1	5/2/2025	3,250	5.5	274	282
Turkey 11.875% '30	USD	NR/Ba1	15/1/2030	1,500	6.0	326	409
Turkey 8.00% '34	USD	NR/Ba1	14/2/2034	1,500	6.5	368	387
Turkey 6.75% '41	USD	NR/Ba1	14/1/2041	3,000	6.6	357	346
Ukraine 7.75% '23	USD	B-/Caa3	1/9/2023	1,355	7.0	440	426

USD-Denominated Eurobond Spreads (April 2nd 2018)



STOCK MARKETS PERFORMANCE, APRIL 2ND 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)	84,666	-0.5	-1.3	10.8	29.8	76,403	88,318	7.7	26.9	9.5	38.9	76.2
Bulgaria (SOFIX)	649	-0.7	-5.0	-4.2	2.5	645	721	-4.2	15.5	15.5	27.2	27.2
China (SHCOMP)	3,163	0.9	-2.8	-4.4	-1.8	3,063	3,587	-3.3	6.6	-0.3	-12.3	-15.3
Cyprus (CSE GI)	67	-1.0	-3.0	-3.7	-0.9	67	71	-3.7	4.7	4.7	-2.0	-2.0
Egypt (HERMES)	1,687	3.2	10.6	17.4	44.0	1,429	1,675	13.8	32.0	18.7	72.7	-21.8
F.Y.R.O.M (MBI)	2,787	-0.7	-0.2	9.8	23.8	2,536	2,877	9.8	18.9	18.9	16.5	16.5
India (SENSEX)	33,255	0.6	-2.3	-2.4	11.2	29,241	36,444	-6.7	27.9	19.3	1.9	2.6
Romania (BET-BK)	1,768	0.0	1.3	7.1	15.5	1,675	1,802	7.5	22.8	19.1	0.2	0.0
Russia (RTS)	4,402	0.2	-0.8	6.8	-0.3	4,128	4,566	4.6	-16.2	-21.9	24.2	54.3
Serbia (BELEX-15)	746	-0.4	-0.3	-1.9	2.1	728	785	-1.6	5.9	10.3	11.4	9.7
South Africa (FTSE/JSE)	55,475	-1.2	-3.9	-6.8	5.8	54,572	61,777	-4.9	17.5	14.3	-0.1	16.1
Turkey (ISE 100)	114,442	-1.7	-2.1	-0.8	29.1	111,107	121,532	-7.7	47.6	20.5	8.9	-7.0
Ukraine (PFTS)	358	0.9	2.5	13.8	31.4	315	360	18.9	18.8	0.8	10.2	1.0
MSCI EMF	1,169	-1.1	-1.1	0.9	21.2	1,136	1,279	-1.5	34.3	17.7	8.6	12.2
MSCI EAFE	2,005	0.8	0.0	-2.2	12.3	1,990	2,187	-4.6	21.8	6.7	-1.9	1.4
Greece (ASE-General)	781	-1.2	-4.0	-2.7	17.0	777	896	-2.7	24.7	24.7	1.9	1.9
Germany (XETRA DAX)	12,097	2.6	1.5	-6.4	-1.3	11,727	13,597	-6.4	12.5	12.5	11.6	11.6
UK (FTSE-100)	7,057	2.4	-0.2	-8.2	-3.1	6,867	7,793	-7.1	7.6	3.2	14.4	-1.0
USA (DJ INDUSTRIALS)	23,644	-2.3	-3.6	-4.3	14.5	20,380	26,617	-6.7	25.1	9.6	13.4	16.7
USA (S&P 500)	2,582	-2.9	-4.1	-3.4	9.5	2,533	2,873	-5.8	19.4	4.7	9.5	13.2

Equity Indices (April 2nd 2018)