Economic Analysis Division
Emerging Markets Analysis

Bi-Weekly Report *23 October – 5 November 2018*

NBG - Economic Analysis Division
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Emerging Markets Analysis

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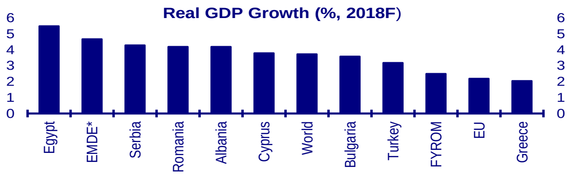
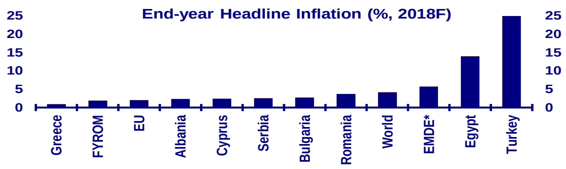


* EMDE: Emerging Market & Developing Economies



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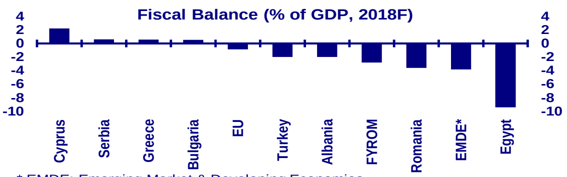

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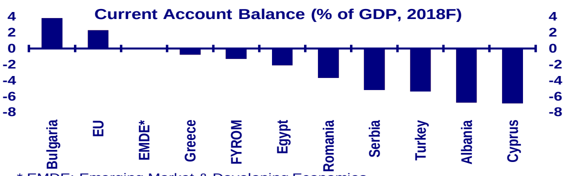


* EMDE: Emerging Market & Developing Economies

Lending activity (FX-adjusted) slowed significantly in 9M:18, on the back of elevated uncertainty and the fading impact of the Credit Guarantee Fund scheme

Customer deposits (FX-adjusted) decelerated markedly in 9M:18, hampered by weakening confidence in the domestic economy

Turkey slipped 3 places to 61st in the 2018 Global Competitiveness Index of the World Economic Forum

Political uncertainty heightened following the Government's call for the removal of the General Prosecutor

Romania's competitiveness improves slightly in 2018

Credit expansion strengthened modestly in 9M:18, providing support to the economic recovery

Customer deposits maintained momentum in 9M:18, in line with solid economic growth

Bulgaria's external competitiveness improves slowly in 2018

The underlying profitability of the banking system improved on an annual basis in Q1:18, keeping ROAE in double digits for a 5th successive quarter

The fiscal deficit narrowed temporarily by 0.7 pps y-o-y to 1.1% of GDP in 9M:18, mainly due to under-executed capital spending

FYROM behind the South Eastern Europe-4 (Bulgaria, Romania, Serbia and Albania) according to the 2018 WEF Competitiveness Report

Albania's competitiveness improves in 2018

Customer deposits (FX-adjusted) strengthened in 9M:18, underpinned by the rebound in economic activity

Credit growth, adjusted for large write-offs and FX variations, is estimated to have posted strong growth of c. 2.4% at end-Q3:18

Net earnings of the banking sector returned to positive territory for the first time in 2 years in H1:18, due to lower provisioning

Cyprus ranked 44th in this year's World Economic Forum Global Competitiveness Index

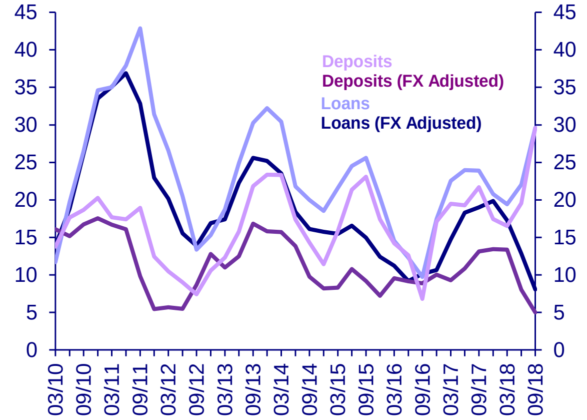
GDP growth reached a 10-year high of 5.3% in FY:17/18, with a significant rebalancing from consumption towards investment and exports

Egypt ranked 94th in the World Economic Forum's 2018 Global Competitiveness Index

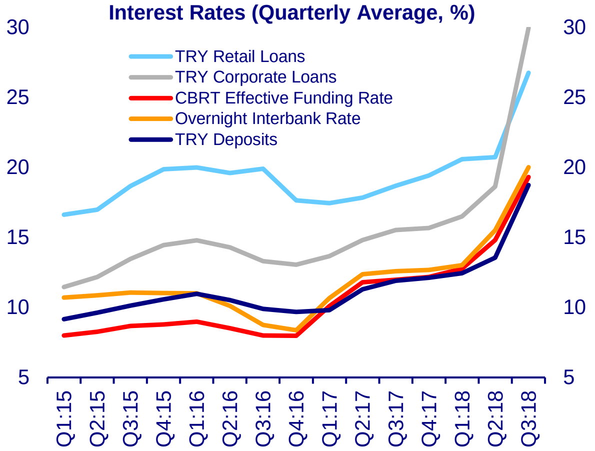
Turkey

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

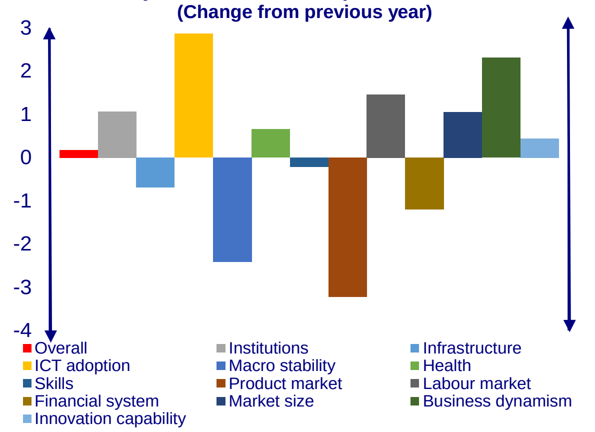
Loans and Deposits (y-o-y % change)



Interest Rates (Quarterly Average, %)



Turkey - 2018 Global Competitiveness Index (Change from previous year)



	5 Nov.	3-M F	6-M F	12-M F
1-m TRIBOR (%)	25.5	25.0	22.0	20.0
TRY/EUR	6.06	6.45	6.60	6.80
Sov. Spread (2020, bps)	351	340	310	280

	5 Nov.	1-W %	YTD %	2-Y %
ISE 100	95,948	6.0	-16.8	29.2

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	6.1	3.2	7.4	3.2	1.0
Inflation (eop, %)	8.8	8.5	11.9	25.0	16.5
Cur. Acct. Bal. (% GDP)	-3.7	-3.8	-5.6	-5.4	-3.4
Fiscal Bal. (% GDP)	-1.0	-1.1	-1.5	-2.0	-2.0

Lending activity (FX-adjusted) slowed significantly in 9M:18, on the back of elevated uncertainty and the fading impact of the Credit Guarantee Fund (CGF) scheme. Lending growth, adjusted for FX variations, declined markedly to 8.1% y-o-y in September from a 4-year high of 19.8% at end-2017 – well below the CBRT's implicit reference level of 15.0%.

The deceleration reflects the dissipating boost from the CGF. Indeed, in an effort to preserve economic and financial stability -- jeopardised by more visible signs of overheating and a weakening global appetite for Turkish assets -- the authorities refrained from raising the ceiling of the CGF this year, thus reducing the total amount of loans granted under State guarantee to TRY 50bn in FY:18 from TRY 200bn in FY:17 (12% of end-2016 banking sector loans).

The deceleration in lending activity in 9M:18 also resulted from weaker supply and demand for loans, reflecting heightened uncertainty ahead of the June presidential and parliamentary elections and, to a greater extent, the culmination of the currency crisis in mid-Q3:18, due to the absence of an adequate policy response to the country's alarming imbalances and heightened tensions with the US.

Indeed, banks scaled back their lending activity in 9M:18, due to more limited access to external financing (with their external debt already declining in Q2:18 after 5 consecutive quarters of increase), tighter liquidity conditions (total and local currency loans-to-deposits ratios reached record highs of 122.3% and 147.0%, respectively, at end-December), higher domestic borrowing costs (the CBRT's average effective funding rate rose by 4.3 pps y-o-y to 15.6% in 9M:18) and rising non-performing loans (the NPL ratio increased to a 4½-year high of 3.2% in Q3:18 from a 7-quarter low of 2.9% in Q1:18).

On the other hand, household and corporate demand for loans decelerated in 9M:18, due to increasingly prohibitive lending rates and pessimistic growth prospects. Indeed, average interest rates on TRY retail loans, TRY corporate loans and USD corporate loans reached multi-year highs of 20.6%, 22.7% and 5.4%, respectively, in 9M:18 – up from 18.0%, 15.7% and 4.4% in 9M:17 – and economic growth is expected to decline from 6.2% y-o-y in H1:18 to 0.8% in H2:18 and -1.5% in H1:19.

Customer deposits (FX-adjusted) decelerated markedly in 9M:18, hampered by weakening confidence in the domestic economy. Growth in customer deposits, adjusted for FX variations, declined to 5.0% y-o-y in September from a 4-year high of 13.4% y-o-y at end-2017, hindered by deteriorating confidence in the Turkish economy. The deceleration in (FX-adjusted) deposits would have been even sharper had deposit remuneration rates not been increased. Specifically, average interest rates on TRY and USD deposits reached multi-year highs of 14.9% and 3.3%, respectively, in 9M:18 – up from 11.0% and 2.6% in 9M:17.

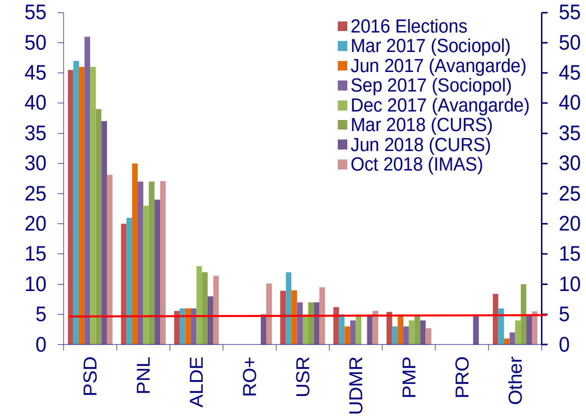
Turkey slipped 3 places to 61st in the 2018 Global Competitiveness Index (GCI) of the World Economic Forum. The deterioration was mainly driven by three key components of the GCI (see chart). Indeed, the "Product Market" pillar weakened, mainly due to the complexity of tariffs and distortive effects from taxes and subsidies on competition. Moreover, the "Macro Stability" pillar was hindered by the sharp rise in inflation, which reached a 15-year high of 25% y-o-y in October. Finally, the "Financial System" pillar also deteriorated, as the sharp depreciation of the TRY since the beginning of the year and the ongoing slowdown in economic activity are expected to take their toll on the performance and the fundamentals of the banking system.

Romania

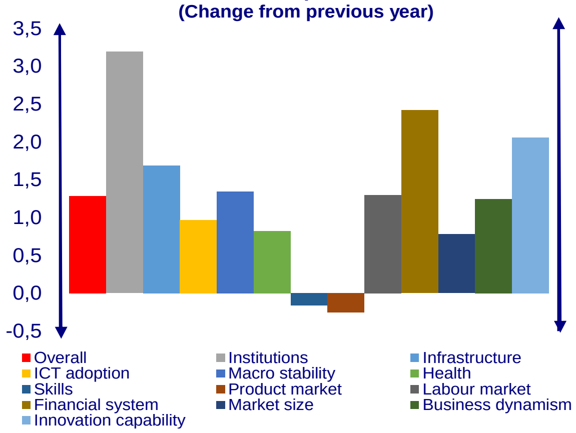
BBB- / Baa3 / BBB- (S&P / Moody's / Fitch)

Composition of Parliament		Chamber of Deputies	Senate
	Party	Seats	Seats
Ruling Coalition	PSD	149	71
	ALDE	19	12
	PNL	67	25
	USR	27	13
	UDMR	21	9
	PMP	13	- - -
	Minorities	17	- - -
	Independent MPs	16	6
Total		329	136

Election Polls (%)



WEF- Global Competitiveness Index
(Change from previous year)



	5 Nov.	3-M F	6-M F	12-M F
1-m ROBOR (%)	3.2	3.2	3.0	3.0
RON/EUR	4.66	4.67	4.68	4.68
Sov. Spread (2024, bps)	108	130	120	110

	5 Nov.	1-W %	YTD %	2-Y %
BET-BK	1,607	0.8	-2.7	24.6
	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	3.9	4.8	7.0	4.2	3.8
Inflation (eop, %)	-0.9	-0.5	3.3	3.7	3.4
Cur. Acct. Bal. (% GDP)	-1.2	-2.1	-3.2	-3.7	-4.5
Fiscal Bal. (% GDP)	-1.5	-2.4	-2.8	-3.6	-3.9

Political uncertainty heightened following the Government's call for the removal of the General Prosecutor (GP). Justice Minister, T. Tudorel, sought the dismissal of the GP, A. Lazar, in the past week, accusing him of exceeding his authority, mismanaging the anti-corruption authority (DNA), which is under his jurisdiction, and defying the Constitutional Court (CC).

The Government's initiative to dismiss the GP follows the removal of the head of the DNA a few months ago. The opposition-linked President had then refused to endorse the dismissal; however, a ruling by the CC forced him to comply with the Government's request.

Lazar has been a strong critic of the Government's controversial judicial and legislative reforms. These judicial reforms included granting control to the Ministry of Justice the judicial inspection unit (then managed by an independent watchdog) and depriving the President of the power to appoint senior judges. On the other hand, the proposed changes to the Criminal and Criminal Procedure Codes decriminalise several graft offenses and raise significantly the burden of evidence on all criminal investigations, making convictions harder to obtain. Note that the majority of the proposed legislative changes were rejected by the CC and need to be revised by the Government. Critics believe the changes would benefit convicted PSD members, including the party leader and the "real power" behind PM Dancila's Government, L. Dragnea. The Government's initiatives have drawn strong criticism both domestically and internationally, having led to the resignation of two PMs in one year.

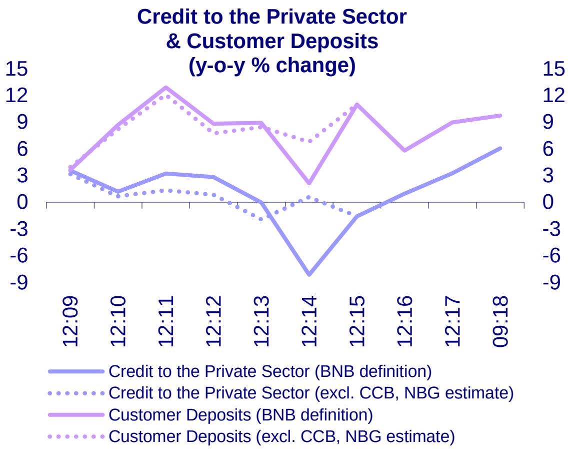
All said, political uncertainty is unlikely to ease soon. Indeed, despite its slim majority in the Chamber of Deputies, we expect the PSD-ALDE ruling coalition, which has seen its popularity falling sharply over the past months, to continue with its controversial reform plan, in an effort to tighten further its grip on power. As a result, the EC, which is already seeking sanctions against Poland and Hungary for breaching the rule of law, is set to add pressure to Romania to reverse policy. Note that Romania has yet to comply with the benchmarks set 12 years ago by the EU's Cooperation and Verification Mechanism (mainly focusing on the reform of the judicial system and fight against corruption). At the same time, tensions between the Government and the opposition are set to escalate, especially ahead of the next year's Presidential elections. Against this backdrop, we expect investor sentiment to deteriorate further, threatening macroeconomic and financial stability.

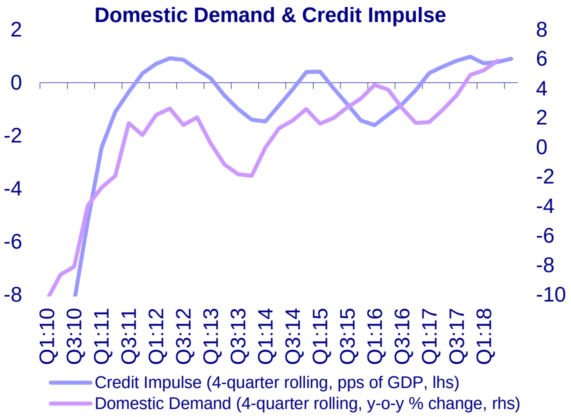
Romania's competitiveness improves slightly in 2018. Romania remained in 52nd place in the latest ranking of the World Economic Forum's Global Competitiveness Index, with its score improving moderately (up 1.3 points to 63.5). The main drivers were the improvement in the institutional framework, which, nevertheless, still remains below EU standards, and the strengthening of the financial system, mainly on the back of the sharp drop in the NPL ratio. Other factors include the upgrade of the country's transportation network and a higher innovation capability, due to increased R&D spending.

All said, Romania remains the 2nd most competitive economy in the region -- behind Bulgaria (ranking 51st) and ahead of Serbia, Albania and FYROM (ranking 65th, 76th and 84th, respectively) -- but 3rd last in the EU. Key challenges to competitiveness include: i) strengthening financial intermediation, which remains very low, with a loan-to-GDP ratio of just 26%; ii) further improving the institutional framework, especially through the reduction of the burden of government regulation; and iii) upgrading the education system, which suffers from the lowest school life expectancy in the EU.

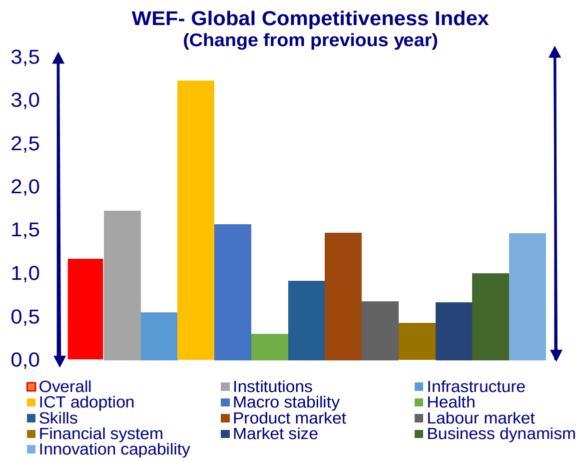
Bulgaria

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





*Adjusted for the bankruptcy of CCB in 2014



	5 Nov.	3-M F	6-M F	12-M F
Base Interest Rate (%)	0.0	0.1	0.1	0.2
BGN/EUR	1.96	1.96	1.96	1.96
Sov. Spread (2022, bps)	47	44	42	40

	5 Nov.	1-W %	YTD %	2-Y %
SOFIX	597	-0.9	-11.9	12.5

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	3.5	3.9	3.8	3.6	3.4
Inflation (eop, %)	-0.4	0.1	2.8	3.0	2.7
Cur. Acct. Bal. (% GDP)	0.0	2.6	6.5	3.8	2.1
Fiscal Bal. (% GDP)	-2.8	1.6	0.8	0.5	-0.5

Credit expansion strengthened modestly in 9M:18, providing support to the economic recovery. Credit to the private sector rose by 6.1% y-o-y in September against 3.3% at end-2017. As a result, the loan-to-GDP ratio reached 50.9% -- above the SEE-4 average (30.1%).

Specifically, FX lending continued to decline (down 4.7% y-o-y in September), albeit at a significantly slower pace compared with end-2017 (down 10.5%), despite the lower interest rates offered (3.1% for FX loans against 5.0% for LC loans) and the absence of FX risk. At the same time, LC lending maintained its momentum (up 13.0% y-o-y in September following a rise of 15.0% at end-2017), on the back of ample liquidity (the LC loan-to-deposit ratio stood at 79.8%).

In our view, the pick-up in credit expansion is due to the gradual easing in credit standards by banks. Indeed, solid economic growth, together with the gradual decline in the NPL ratio (to 8.5% in September from 11.4% a year ago, still double the EU average), have increased banks' appetite for lending. The introduction of negative interest rates by the BNB and the increased transparency in the aftermath of the 2016 AQR have also helped.

Customer deposits maintained momentum in 9M:18, in line with solid economic growth. Customer deposits expanded by 9.7% y-o-y in September following a broadly similar increase at end-2017. Deposit growth would have been even stronger had deposit yields not been subdued, due to abundant liquidity, thus favouring other asset classes, like real estate (where rental yields are as high as 6.0%).

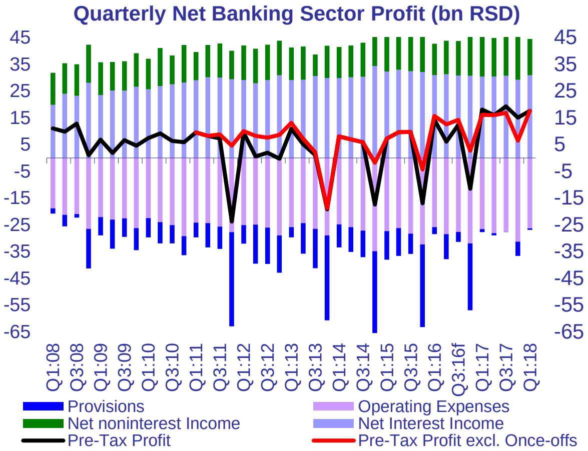
From a currency perspective, FX deposits rose (up 9.2% y-o-y in September against 5.5% at end-2017) at a faster pace than LC deposits (up 10.1% y-o-y in September against 11.2% at end-2017).

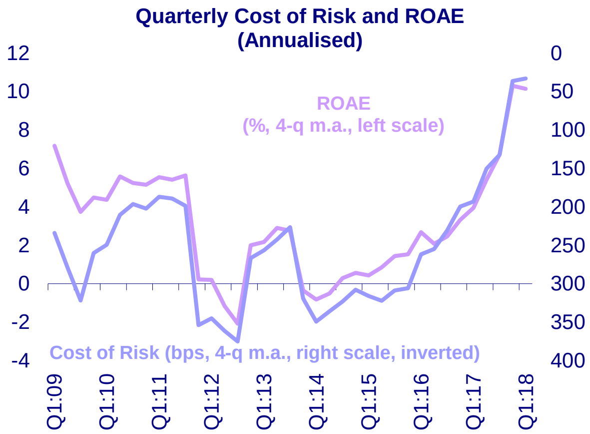
Credit activity is set to improve in 2018-2019. Against the backdrop of increased liquidity in the system (the loan-to-deposit ratio stands at 75.8%), we expect the pace of credit expansion to pick up, in line with the continuing economic recovery and the sustained drop in NPLs (to 6.0% by end-2019). Stronger demand for real estate, together with the continuation of a state loan subsidy programme aimed at improving the energy efficiency of residential buildings should also help (in fact, 1 out of every 3 new retail loans is granted under this scheme). Note, however, that the high level of non-financial corporate indebtedness (estimated by the IMF at c. 80% of GDP -- the highest in the region) remains a stumbling block to credit expansion. All said, we expect credit to the private sector to increase by 7.0%-8.0% in FY:18-FY:19, still below deposit growth (up 9.0%-10.0% in FY:18-FY:19).

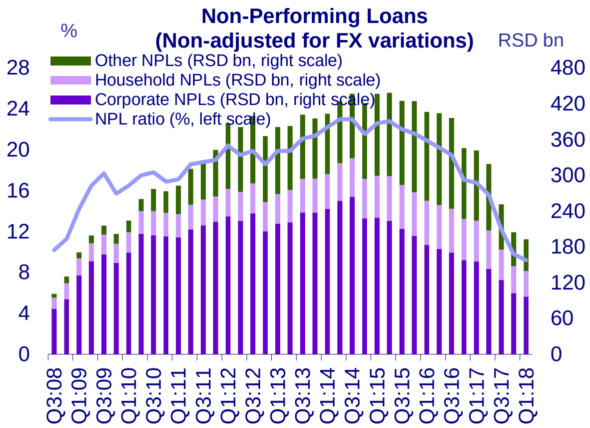
Bulgaria's external competitiveness improves slowly in 2018. According to the ranking of the World Economic Forum's Global Competitiveness Index, Bulgaria remained in 51st place for a 2nd consecutive year in 2018, with its score improving slightly (up 1.2 pts to 63.6). Indeed, Bulgaria's competitiveness continued to strengthen -- albeit sluggishly -- reflecting: i) a higher information and communication technology adoption rate; ii) an improved institutional framework, which, nonetheless, still lags significantly behind that of the EU; iii) macroeconomic stability; iv) a more effective product market, due to easier regulation; and v) stronger innovation drive. On the other hand, significant bottlenecks remain in the labour market, which suffers from rigidities, skills mismatches and poor activation policies, and the financial system, mainly due to the relatively high NPL ratio. All said, Bulgaria remains the most competitive economy in SEE-5, followed by Romania, Serbia, Albania and FYROM (ranking 52nd, 65th, 76th and 84th, respectively), but 4th last in the EU.

Serbia

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







	5 Nov.	3-M F	6-M F	12-M F
1-m BELIBOR (%)	2.7	2.9	3.1	3.5
RSD/EUR	118.3	117.9	117.6	117.4
Sov. Spread (2021, bps)	143	132	126	120

	5 Nov.	1-W %	YTD %	2-Y %
BELEX-15	741	0.6	-2.5	11.0

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	0.8	2.8	1.9	4.3	4.0
Inflation (eop, %)	1.5	1.6	3.0	2.5	2.8
Cur. Acct. Bal. (% GDP)	-3.7	-3.1	-5.7	-5.2	-4.9
Fiscal Bal. (% GDP)	-3.7	-1.3	1.2	0.6	0.4

The underlying profitability of the banking system improved on an annual basis in Q1:18, keeping ROAE in double digits for a 5th successive quarter. Excluding sizeable exceptional gains in Q1:17 (following the partial write-off of Marfin Bank's debt by Cyprus Popular Bank, in view of Marfin's sale to the Czech Expobank, amounting to RSD 2.0bn, in Q1:17), pre-tax profits in the banking sector rose by 9.0% y-o-y, reaching RSD 17.6bn (c. 0.4% of GDP) in Q1:18. As a result, (annualised) ROAE and ROAA rose to 10.5% and 2.1%, respectively, in Q1:18 from an estimated 10.2% and 2.0% in Q1:17 – excluding the above-mentioned once-off item in Q1:17.

P/L provisions were reduced significantly in Q1:18, mainly due to a steady decline in the NPL ratio. P/L provisions continued to decline in Q1:18, amounting to just half their level in Q1:17. The decline was in line with the decrease in the NPL ratio. In fact, the NPL ratio declined, for a 12th successive quarter, by a sizeable 7.6 pps y-o-y in Q1:18 to a record low 9.2% (since the introduction of a uniform definition in 2008) from a peak of 23.0% in Q3:14, well below its pre-crisis level (of 10.2% in Q3:08). This positive development reflects lower NPL formation, restructuring, large write-offs (c. RSD 7.7bn in Q1:18, or 0.2% of GDP), and the sale of NPLs to non-banking sector entities (c. RSD 2.6bn in Q1:18). As a result, the cost of risk declined further by 160 bps y-o-y to a record low of 33 bps, on a 4-quarter rolling basis, in Q1:18.

Excluding non-recurrent revenue in Q1:17, (underlying) pre-provision income (PPI) improved on an annual basis in Q1:18. Excluding extraordinary once-offs (entailing the write-off of part of Marfin Bank's debt in view of its acquisition by the Czech Expobank CZ in Q1:17), (underlying) PPI increased by 4.6% y-o-y in Q1:18, mainly due to higher net interest income (NII).

In fact, NII rose by 1.3% y-o-y in Q1:18 (after declining for two successive years, by 2.4% and 4.6%, respectively in FY:17 and FY:16). This performance occurred despite the continued compression in the NIM (down by 13 bps y-o-y to a low of 377 bps (annualised) in Q1:18), driven by: i) the drop in non-core NIM, in line with the fall in T-bill rates; and ii) tightening lending-deposit spreads (the drop in interest rates on loans is more pronounced than that on deposits), exacerbated by a faster pace of deposit growth (up 3.0% y-o-y in Q1:18) than loan growth (up 2.1% y-o-y in Q1:18) and higher competition among banks. This negative impact was more than offset by the rise in average interest earning assets (up 4.5% y-o-y in Q1:18). On the other hand, operating expenses declined slightly, by 0.9% y-o-y in Q1:18, partly due to the continued downsizing of the banking sector (with the number of employees and branches declining by 3.0% and 4.8% y-o-y, respectively, in Q1:18). As a result, banking sector efficiency improved, with the cost-to-income ratio (adjusting for once-off revenue in Q1:17) declining by 1.3 pps y-o-y to a record low 59.2% in Q1:18 from 64.4% in FY:17.

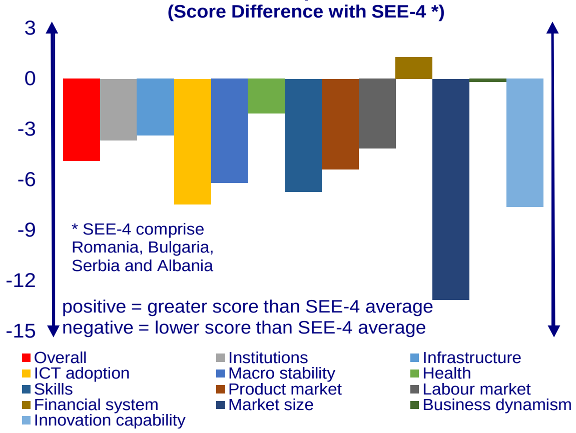
The banking sector bottom line is set to strengthen further in Q2-Q4:18. Profitability is set to improve on an annual basis in Q2-Q4:18, with the ROAE rising to an estimated c. 9.8% from 8.1% in Q2-Q4:17, excluding large exceptional gains in Q2-Q4:17 due to bank takeovers -- including the acquisition of BNP Paribas' subsidiary, Findomestic Bank, by the Serbian Direktna Bank in Q3:17 (RSD 2.5bn) and the purchase of Jubanka by AIK Bank in Q4:17 (RSD 8.6bn). Profitability is expected to be supported by lower provisioning, and, to a lesser extent, by higher NII. Overall, we expect ROAE to reach a post-global crisis peak of c. 10.0% in FY:18 – up from 8.5% in FY:17 (10.6% including the once-offs).

F.Y.R.O.M.

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

Consolidated Budget (% of GDP)	2017	9M:17	9M:18	2018 Budget	2018 NBG Fcst
Revenue	29.1	21.2	21.3	30.2	29.5
Tax Revenue	25.5	18.9	19.3	26.5	26.0
Personal Inc.	2.5	1.7	1.8	2.6	2.6
Corporate Inc.	1.8	1.5	1.8	2.1	2.0
VAT (Net)	7.8	5.8	5.5	8.0	7.7
Excises	3.7	2.8	2.9	4.0	3.9
Import Duties	0.8	0.6	0.6	0.8	0.8
Other Taxes	0.1	0.1	0.1	0.1	0.1
Soc. Contrib.	8.6	6.2	6.4	8.6	8.7
Non-Tax revenue	3.6	2.3	2.0	3.6	3.5
Expenditure	31.9	23.0	22.4	33.0	32.3
Cur. Expenditure	28.7	21.2	21.4	29.3	28.8
Personnel	4.2	3.2	3.1	4.2	4.2
G. & Services	2.5	1.7	1.6	2.7	2.5
Transfers	20.6	11.3	11.7	20.9	21.2
Int. Payments	1.4	1.0	0.9	1.4	1.2
Capital Expend.	3.2	1.8	1.0	3.7	3.2
Fiscal Balance	-2.7	-1.8	-1.1	-2.8	-2.8
Primary Balance	-1.4	-0.8	-0.2	-1.5	-1.4

WEF- Global Competitiveness Index
(Score Difference with SEE-4 *)



	5 Nov.	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)	251	210	190	160

	5 Nov.	1-W %	YTD %	2-Y %
MBI 100	3,582	0.8	41.1	72.1

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	3.9	2.8	0.2	2.5	3.8
Inflation (eop. %)	-0.3	-0.2	2.4	1.9	2.0
Cur. Acct. Bal. (% GDP)	-1.9	-2.7	-1.3	-1.3	-1.8
Fiscal Bal. (% GDP)	-3.5	-2.7	-2.7	-2.8	-2.8

The fiscal deficit narrowed temporarily by 0.7 pps y-o-y to 1.1% of GDP in 9M:18, mainly due to under-executed capital spending. The fiscal deficit eased to 1.1% of GDP in 9M:18 from 1.8% a year earlier, due to lower expenditure (down 0.6 pps of GDP y-o-y) and, to a lesser extent, higher revenue (up 0.1 pp of GDP y-o-y). The decline in expenditure reflects mainly under-executed capital spending (c. 27.0% of end-year target), stemming from delays in the clearance of "*administrative obstacles*" to the resumption of country's key infrastructure projects, originated in the past year's political crisis. The decline in expenditure would have been sharper had it not been for a rise in transfers (up 0.4 pps of GDP y-o-y), reflecting not only base effects from the postponement of payments of social transfers and subsidies during the political vacuum in 5M:17, but also higher farm subsidies, including payments of 0.2% of GDP to tobacco producers. On the other hand, the increase in overall revenue in 9M:18 was driven by tax revenue (up 0.4 pps of GDP y-o-y) and would have been higher had non-tax revenue not weakened (down 0.3 pps of GDP y-o-y). The strong tax revenue was mainly due to higher direct taxes and social contributions, reflecting strengthening economic activity and tightening labour market conditions. The weak non-tax revenue was due to lower income from "special revenue accounts", attributed to postponed revenue of the Ministry of Transport and Telecommunications. As a result, the 12-month rolling fiscal deficit narrowed to 2.0% of GDP in September from 2.7% in December, well below the revised FY:18 target of 2.8%.

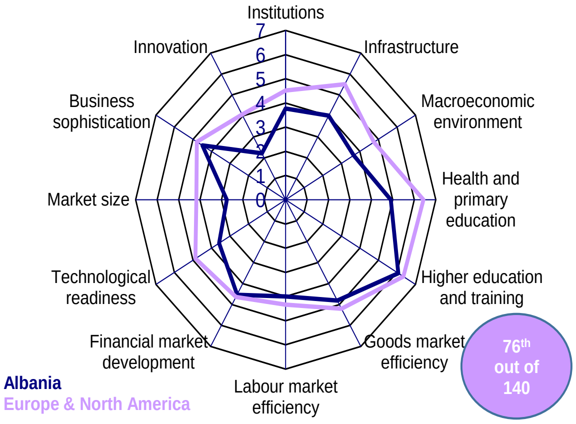
Although the fiscal policy is set to turn expansionary in Q4:18, the FY:18 deficit target of 2.8% of GDP is likely to be attained. In view of the year-to-date fiscal performance and weaker-than-expected economic activity (the Ministry of Finance revised down FY:18 GDP growth to 2.8% from 3.2% earlier), the Government submitted to Parliament a draft supplementary 2018 budget (to soon be approved by Parliament), revising down both target revenue and expenditure (each by 0.5 pps of GDP) and therefore leaving the FY:18 fiscal deficit target unchanged at 2.8% of GDP.

The draft supplementary budget envisages a large fiscal loosening in Q4:18 (0.8 pps of GDP y-o-y), which is expected to result from higher-than-initially-budgeted transfers (0.5% of GDP), reflecting the Government's plan to support municipalities to service their outstanding debt obligations, as well as efforts to make up for delays in the execution of capital spending in 9M:18. The draft supplementary Budget also envisages a realistic revenue growth target of 5.9% (against 7.7% previously), which is in line with FY:18 nominal GDP growth. In our view, the revised revenue and expenditure targets are realistic. We expect the year-to-date fiscal tightening of 0.7 pps of GDP y-o-y to be fully offset in Q4:18, leading to a full-year fiscal deficit of 2.8% of GDP – in line with its target and implying a broadly neutral fiscal stance for a second consecutive year.

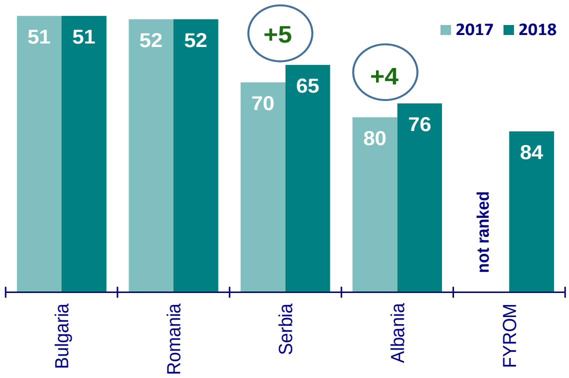
FYROM stands behind the South Eastern Europe-4 (Bulgaria, Romania, Serbia and Albania) according to the 2018 WEF Competitiveness Report. FYROM was ranked 84th out of 140 countries in the 2018 WEF's global competitiveness index – well behind Bulgaria (51st), Romania (52nd), Serbia (65th) and Albania (72nd). The relatively unfavourable position of the country reflects weaknesses in all constituent "pillars" of the index, apart from the "financial system" (see chart). FYROM's relatively better "financial system" score reflects mainly its low NPL ratio in the banking sector (5.1% at end-H1:18) compared with that of Romania (5.7%), Bulgaria (12.4%), Serbia (9.2%) and Albania (13.2%).

Albania

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

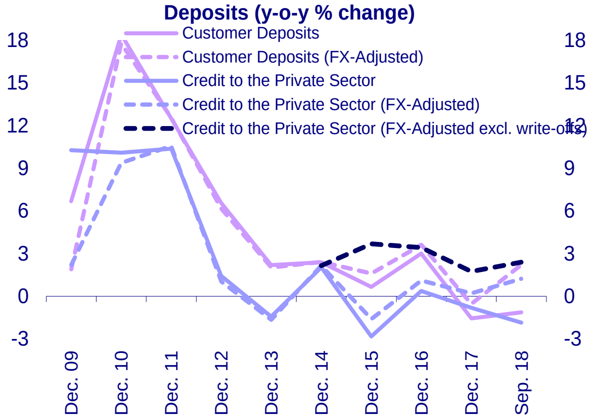


WEF- 2018 Global Competitiveness Index SEE-5 Countries' Ranking *



* Inverted Scale

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



	5 Nov.	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	1.3	2.2	2.2	2.2
ALL/EUR	124.4	132.0	131.3	130.0
Sov. Spread (bps)	239	210	200	180

	5 Nov.	1-W %	YTD %	2-Y %
Stock Market	- - -	- - -	- - -	- - -

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	2.2	3.4	3.8	4.2	4.0
Inflation (eop, %)	2.0	2.2	1.8	2.3	2.5
Cur. Acct. Bal. (% GDP)	-8.6	-7.5	-7.5	-6.8	-5.8
Fiscal Bal. (% GDP)	-4.1	-1.8	-2.0	-2.0	-1.9

Albania's competitiveness improved in 2018. According to the WEF Global Competitiveness Index, Albania rose 4 places, ranking 76th among 140 economies in 2018. It recorded the second largest improvement in SEE-5, behind Serbia (that rose 5 places), while it reduced its competitiveness gap with the 2 most competitive SEE countries -- Bulgaria and Romania (ranking 51st and 52nd, respectively, see chart). The positive performance reflects: i) a better capacity to generate and adopt new technologies, likely reflecting the transfer of foreign technology (through large energy-related FDIs); ii) improved workforce skills, likely due to enhanced vocational training and active labour market policies; and iii) lower market distortions, due to lower non-tariff barriers, likely reflecting improved administrative procedures and reduced regulatory burden.

Key bottlenecks to Albania's competitiveness comprise: i) an underdeveloped financial market (including the lack of a stock exchange); ii) infrastructure gap -- the largest in SEE-5; iii) its small market size; and iv) low levels of technological readiness and innovation capability.

Customer deposits (FX-adjusted) strengthened in 9M:18, underpinned by the rebound in economic activity. Overall deposit growth turned positive in September (up 2.2% y-o-y, adjusted for FX fluctuations, against a marginal decline of 0.5% at end-2017), mainly driven by the rise in (both LC and FC) retail deposits.

In fact, the growth rate of retail deposits (accounting for 85.0% of total deposits) turned positive, up 1.3% y-o-y in September against a decline of 1.5% at end-2017, on the back of tighter labour market conditions (the unemployment rate fell to 13.0% in H1:18 from 14.3% in H1:17), as well as the continued recovery in tourism inflows and remittances. Note that retail deposit growth would have been stronger had households not continued to invest heavily in high-yielding domestic debt (up by ALL 7.3bn in H1:18, equivalent to 0.9% of the end-2017 stock of retail deposits). Indeed, in September, the 12-month T-bill rate was 100 bps higher than the 12-month deposit interest rate, which reached a low 0.6%.

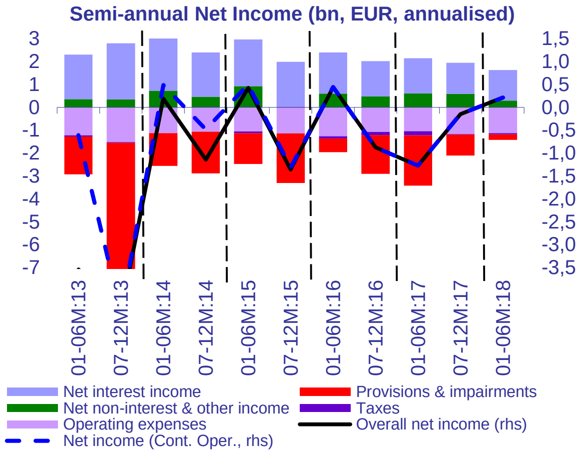
On the other hand, corporate deposit growth also rose (to 7.4% y-o-y in September from a 5-year low of 5.3% at end-2017, FX adjusted), due to the acceleration in the FC segment. The latter likely reflects stronger exports.

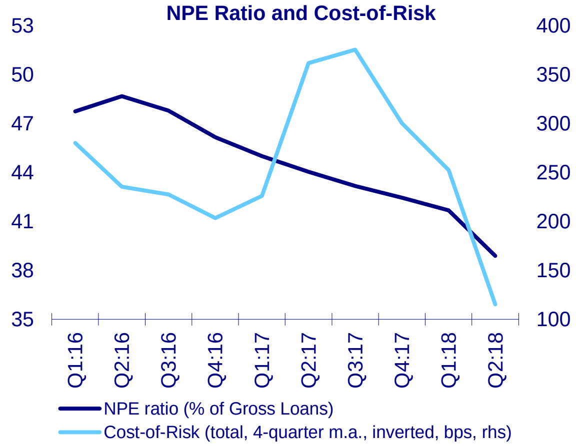
Credit growth, adjusted for large write-offs and FX variations, is estimated to have posted strong growth of c. 2.4% at end-Q3:18. Adjusted for FX variations and loan write-offs (estimated to have amounted to ALL 4.6bn in 9M:18, compared with outcomes of ALL 8.5bn in FY:17, 12.6bn in FY:16 and ALL 27bn in FY:15), credit growth is estimated to have accelerated to 2.4% y-o-y in September from 1.7% in FY:17. The underlying improvement could be attributed to stronger loan supply and demand.

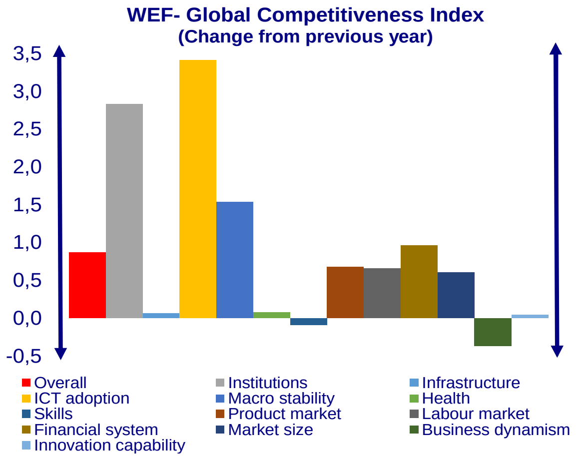
Indeed, loan supply was boosted by: i) the easing of credit standards by banks, on the back of ample liquidity in the banking sector (with the total loans-to-total deposits ratio at just 53.0% in September), and non-reliance on foreign financing; ii) improved asset quality (the NPL ratio declined significantly to 12.9% in August -- its lowest level since mid-2010 -- from 15.3% at end-2017 and a peak of 25.0% in mid-2014); iii) the improving economic outlook; and iv) a low loan penetration rate (31% of GDP in September). Moreover, demand for loans was supported by the low interest rate environment (the average LC and EUR lending interest rate on new loans declined to a record low of 6.7% and 4.1%, respectively, in 9M:18 from a corresponding 6.8% and 4.5% in 9M:17).

Cyprus

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







	5 Nov.	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.37	-0.37	-0.37	-0.37
EUR/USD	1.14	1.22	1.24	1.26
Sov. Spread (2020. bps)	87	70	58	50

	5 Nov.	1-W %	YTD %	2-Y %
CSE Index	67	-0.2	-4.3	-0.1

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	2.0	4.8	4.2	3.8	3.6
Inflation (eop. %)	-1.0	-0.3	-0.6	2.4	2.0
Cur. Acct. Bal. (% GDP)	-1.5	-5.1	-8.4	-6.9	-8.1
Fiscal Bal. (% GDP)	-1.2	0.5	1.8	2.2	1.9

Net earnings of the banking sector returned to positive territory for the first time in 2 years in H1:18, due to lower provisioning. The banking sector posted profits of EUR 108mn (0.5% of GDP) in H1:18, against losses of EUR 635mn (3.2% of GDP) in H1:17, on the back of a sharp decline in banks' provisions (down 89.0% y-o-y). As a result, the (annualised) ROAE and ROAA improved to 3.9% and 0.3%, respectively, in H1:18, from -17.7% and -1.9% in H1:17.

Lower provisioning in H1:18 was in line with a sharp decline in the ratio of non-performing exposures (NPEs). Indeed, banks' stock of NPEs contracted by 26.0% y-o-y to EUR 16.9bn or 81.8% of GDP at end-H1:18 -- c. 42.0% off their peak in February 2015 -- mainly due to sales of bad loans, write-offs and debt-for-asset swaps. Note that the island's largest two banks, Bank of Cyprus (BoC) and Hellenic Bank (HB), engaged in NPL sales, amounting to 13.1% and 0.7% of GDP, respectively, in H1:18 (equivalent to c. 6.0% of the end-2017 stock of total gross loans or c. 14.0% of the respective NPE stock). As a result, the overall NPE ratio declined to 38.9% at end-H1:18 from 44.1% a year earlier and a peak of 49.0% in May 2016. Against this backdrop and despite increased impairment requirements due to IFRS-9 first-time adoption, banks lowered loan loss provisions. As a result, the (4-quarter rolling) cost of risk declined by 247 bps y-o-y to a multi-quarter low of 115 bps in Q2:18.

Pre-provision earnings more than halved in H1:18, due to lower revenue and higher operating costs. Net interest income declined sharply, by 12.8% y-o-y, in H1:18 due to: i) lower average interest-earning assets (down 3.7% y-o-y to 295% of GDP), in line with the ongoing deleveraging; and ii) a weaker net-interest margin (NIM down 10 bps y-o-y to 230 bps), reflecting, *inter alia*, higher restructurings and tighter loan-deposit spreads. Net non-interest and other income also declined markedly in H1:18 (down 51.7% y-o-y), mainly due to an exceptional accounting loss (0.7% of GDP) related to BoC's NPE sales transaction (see above) and a base effect from a once-off gain (0.1% of GDP) from HB's divesture of its arrears management unit last year. Excluding these once-offs, net non-interest and other income declined slightly (down 1.5% y-o-y), mainly reflecting lower net fees and commission income, due, *inter alia*, to migration of certain NPE-related commission income under new IFRS-9 accounting standards.

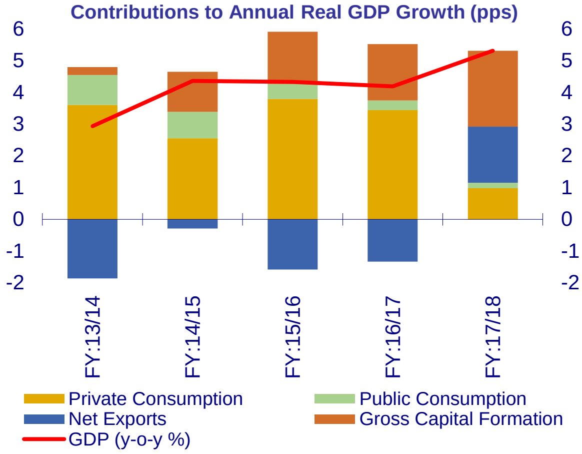
On the other hand, operating expenses rose by 8.1% y-o-y in H1:18, exclusively due to elevated general & administrative expenses (up 25.7% y-o-y), reflecting increased advisory costs related to banks' NPE sales and the carrying out of stress tests early in the year. Staff costs remained flat on an annual basis. As a result, the cost-to-income ratio increased by 23 pps y-o-y to 70.9% in H1:18. However, excluding the BoC's once-off loss and HB's once-off gain, the deterioration in the cost-to-income ratio on an annual basis is milder (up 6.7 pps y-o-y to 56.0% -- lower than the EU-average of 63.8%).

Cyprus ranked 44th in this year's World Economic Forum Global Competitiveness Index. The country improved its overall score by 0.9 pps y-o-y to 65.6, keeping its ranking almost unchanged from last year (44th among 140 countries). Indeed, there was a broad-based improvement in the "pillars" of the competitiveness index (see chart). "Skills" and "business dynamism" were the only pillars that posted a slight deterioration from the previous year. The latter reflects hurdles to entrepreneurship, stemming from bureaucracy, as was recently stressed by the EC/ECB's latest Post-Programme Surveillance mission. Importantly, the island's improved institutions and higher absorption of information technology helped to narrow its competitiveness gap with the European and North American average.

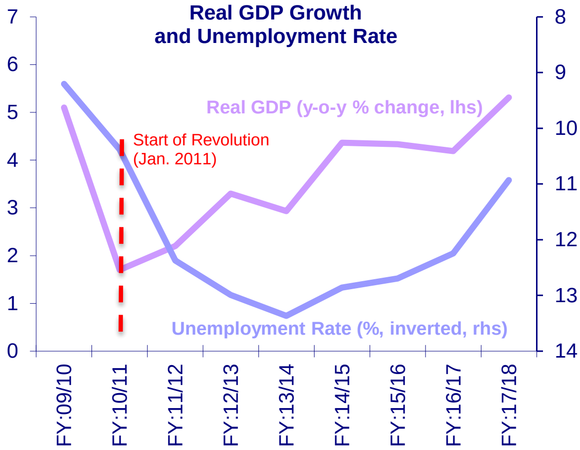
Egypt

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

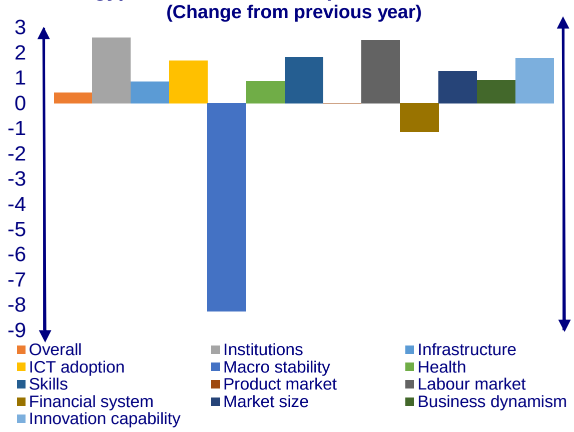
Contributions to Annual Real GDP Growth (pps)



Real GDP Growth and Unemployment Rate



Egypt - 2018 Global Competitiveness Index (Change from previous year)



	5 Nov.	3-M F	6-M F	12-M F
O/N Interbank Rate (%)	16.8	18.0	17.0	15.0
EGP/USD	17.9	17.8	18.0	18.0
Sov. Spread (2020. bps)	229	188	162	140

	5 Nov.	1-W %	YTD %	2-Y %
HERMES 100	1,274	1.9	-11.3	62.4

	14/15	15/16	16/17	17/18E	18/19F
Real GDP Growth (%)	4.4	4.3	4.2	5.3	5.6
Inflation (eop. %)	11.4	14.0	29.8	14.4	12.5
Cur. Acct. Bal. (% GDP)	-3.7	-6.0	-6.0	-2.4	-1.8
Fiscal Bal. (% GDP)	-11.4	-12.5	-10.9	-9.8	-9.0

GDP growth reached a 10-year high of 5.3% in FY:17/18, with a significant rebalancing from consumption towards investment and exports. GDP growth accelerated to 5.3% in FY:17/18 (July 2017-June 2018) from 4.2% in FY:16/17, underpinned by the return of confidence in the Egyptian economy following the steady implementation of the IMF-supported programme. Note that on October 31st, an IMF staff team and the Egyptian authorities reached a staff-level agreement on the 4th review of the country's economic reform programme, which is supported by the IMF's 3-year USD 12bn Extended Fund Facility arrangement. The completion of this review by the IMF's Executive Board is expected in the coming weeks and will allow the authorities to draw the equivalent of USD 2bn, bringing total disbursements under the programme to c. USD 10bn.

Importantly, the ongoing adjustment programme is shifting the structure of economic growth from consumption towards exports and investments, which bodes well for strong and sustainable growth in the coming years. The main measures of this programme are: i) the flotation of the domestic currency; ii) cuts in fuel and gas subsidies (through price increases); iii) the introduction of the long-awaited VAT and the increase of other taxes; and iv) the containment of the wage bill (through a new civil service law).

Specifically, private consumption growth moderated sharply to 1.1% in FY:17/18 from 4.2% a year earlier, contributing 1.0 pp to overall growth in FY:17/18 against 3.4 pps a year earlier.

Gross capital formation growth accelerated to 15.7% in FY:17/18 from 11.3% a year earlier, contributing 2.4 pps to overall growth in FY:17/18 against 1.8 pps a year earlier.

Net exports have become a key driver of overall growth in FY:17/18, after having been a drag for 4 consecutive years -- contributing 1.8 pps to headline growth in FY:17/18 after having subtracted 1.3 pps a year earlier. The positive net exports performance reflects the fact that exports of goods and services not only rose by an impressive 32.2% in FY:17/18 but also expanded at a faster pace than imports (11.3%), following the flotation of the EGP in mid-Q2:16/17 (that halved the EGP value) and a strong rebound in tourism activity. Indeed, the number of nights spent by tourists rose sharply by c. 95.0% in FY:17/18, on the back of a cheaper domestic currency and improved security conditions. Note that, in line with the rebound in economic activity, the FY:17/18 unemployment rate declined to an 8-year low of 10.9% -- down from 12.2% in FY:16/17 and a peak of 13.4% in FY:13/14.

With high frequency indicators pointing to the continuation of recent trends in 4M:18/19 and projecting continued strong implementation of the ongoing IMF-supported programme, we expect GDP growth to accelerate further to 5.6% in FY:18/19 from 5.3% in FY:17/18 -- broadly in line with the latest IMF forecast of 5.5%.

Egypt ranked 94th in the World Economic Forum's 2018 Global Competitiveness Index. Although there was a broad-based improvement in the pillars of the index, Egypt's ranking remained unchanged from last year due to a deterioration in the "Macro Stability" and "Financial System" pillars.

The "Institutions" and the "Labour Market" pillars strengthened significantly as a result of sustained progress in property rights, the efficiency of the legal framework in settling disputes and challenging regulations, the judicial independence, the hiring and firing practices and the female participation in the labour force. The poor performance of the "Macro Stability" and "Financial System" pillars resulted from a sharp rise in inflation and a widening credit gap (the difference between the lending penetration rate and its long-term trend).

FOREIGN EXCHANGE MARKETS, NOVEMBER 5TH 2018

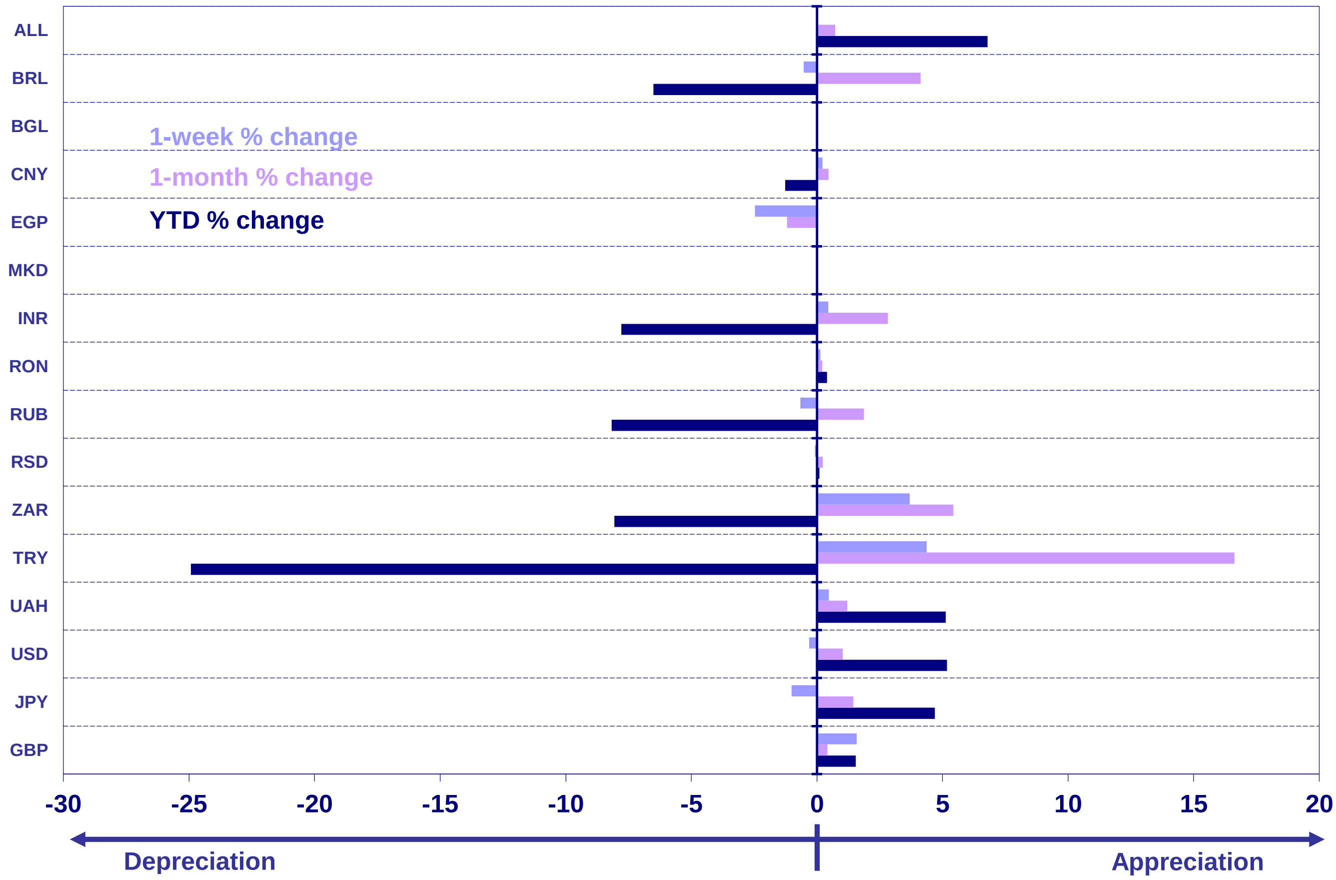
Against the EUR

	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	124.4	0.0	0.7	6.8	7.1	124.5	134.0	124.7	124.6	123.9	1.9	1.2
Brazil	BRL	4.25	-0.5	4.1	-6.5	-11.2	3.85	4.93	4.54	4.54	4.56	-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	7.90	0.2	0.5	-1.3	-2.7	7.39	8.11	8.16	8.18	8.19	-6.0	-4.0
Egypt	EGP	20.83	-2.5	-1.2	0.0	-2.2	19.50	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	83.1	0.5	2.8	-7.8	-9.7	75.9	86.0	89.7	- - -	- - -	-6.7	0.4
Romania	RON	4.66	0.1	0.2	0.4	-1.5	4.62	4.68	4.70	4.75	4.85	-3.0	-0.4
Russia	RUB	75.4	-0.7	1.9	-8.2	-10.2	67.7	81.9	76.7	78.1	81.3	-6.8	22.9
Serbia	RSD	118.3	-0.1	0.2	0.1	0.1	117.6	119.1	118.7	118.9	- - -	4.2	-1.5
S. Africa	ZAR	16.1	3.7	5.4	-8.1	1.4	14.18	18.12	16.5	16.8	17.5	-2.7	16.2
Turkey	YTL	6.06	4.4	16.6	-24.9	-26.5	4.48	8.21	6.43	6.81	7.50	-18.4	-14.7
Ukraine	UAH	31.9	0.5	1.2	5.1	-2.1	30.18	36.11	38.2	- - -	- - -	-15.2	-8.6
US	USD	1.14	-0.3	1.0	5.2	1.8	1.1	1.3	1.15	1.16	1.18	-12.4	3.3
JAPAN	JPY	129.1	-1.0	1.5	4.7	2.2	124.6	137.5	129.2	129.2	129.3	-8.9	6.0
UK	GBP	0.87	1.6	0.4	1.5	0.7	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 (November 5th 2018)



MONEY MARKETS, NOVEMBER 5TH 2018

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
O/N	1.1	6.4	- - -	2.5	- - -	16.8	- - -	- - -	1.7	7.5	- - -	24.7	6.6	17.8	- - -	2.2
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	1.7	7.5	2.3	- - -	6.6	- - -	- - -	- - -
S/W	1.2	6.4	- - -	2.6	-0.4	- - -	1.1	- - -	- - -	7.1	2.3	- - -	7.9	18.2	-0.4	2.2
1-Month	1.3	6.4	0.0	2.7	-0.4	- - -	1.3	7.1	3.3	7.9	2.6	26.6	6.9	18.7	-0.4	2.3
2-Month	- - -	6.5	- - -	- - -	-0.3	- - -	- - -	- - -	- - -	7.9	2.8	27.0	7.0	- - -	-0.3	2.4
3-Month	1.6	6.5	- - -	2.9	-0.3	- - -	1.5	7.5	3.3	8.4	2.9	28.2	7.4	18.9	-0.3	2.5
6-Month	1.8	6.7	- - -	3.3	-0.3	- - -	1.7	- - -	3.5	8.4	3.1	28.9	7.8	- - -	-0.3	2.7
1-Year	2.2	7.3	- - -	3.5	-0.2	- - -	2.0	- - -	3.6	8.4	- - -	29.6	8.4	- - -	-0.2	3.0

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

LOCAL DEBT MARKETS, NOVEMBER 5TH 2018

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	- - -	- - -	- - -	- - -	- - -	19.4	- - -	6.9	- - -	7.5	- - -	21.5	- - -	- - -	-0.8	2.3
6-Month	1.3	- - -	- - -	- - -	- - -	19.7	- - -	7.2	3.3	7.9	3.3	21.2	- - -	- - -	-0.7	2.5
12-Month	1.6	- - -	-0.1	2.8	- - -	19.8	1.0	7.5	3.3	7.7	3.3	22.0	- - -	19.0	-0.7	2.7
2-Year	2.2	- - -	- - -	3.1	- - -	- - -	- - -	7.5	3.9	7.8	- - -	21.3	6.5	- - -	-0.6	2.9
3-Year	- - -	- - -	0.2	3.2	0.8	- - -	- - -	7.6	4.0	8.3	- - -	18.3	7.6	- - -	-0.5	3.0
5-Year	4.5	9.3	- - -	3.4	1.1	18.5	- - -	7.8	4.6	8.3	3.7	17.5	8.5	- - -	-0.2	3.0
7-Year	- - -	- - -	0.7	- - -	1.8	18.3	- - -	7.8	4.7	8.5	- - -	- - -	- - -	- - -	0.0	3.1
10-Year	6.5	10.1	0.9	3.6	- - -	18.0	- - -	7.8	4.8	8.6	- - -	15.8	9.2	- - -	0.4	3.2
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	3.0	8.0	- - -	8.6	- - -	- - -	9.9	- - -	0.7	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	10.0	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	8.1	- - -	- - -	- - -	- - -	10.0	- - -	1.1	3.4

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

CORPORATE BONDS SUMMARY, NOVEMBER 5TH 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	2.1	265	224
South Africa	**FirstRand Bank Ltd 4.25% '20**	USD	BBB-/Baa2	30/4/2020	500	4.6	174	157
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	0.9	152	114
Turkey	**Arcelik AS 3.875% '21**	EUR	BB+/NA	16/9/2021	350	4.2	474	414
	Garanti Bank 5.25% '22	USD	NA/Ba3	13/9/2022	750	7.3	427	390
	Turkiye Is Bankasi 6% '22	USD	NA/B2	24/10/2022	1,000	11.6	862	744
	Vakifbank 5.75% '23	USD	NA/Ba3	30/1/2023	650	9.2	617	550
	TSKB 5.5% '23	USD	NA/Ba3	16/1/2023	350	10.5	749	649
	Petkim 5.875% '23	USD	NA/B1	26/1/2023	500	8.2	517	471
	KOC Holding 5.25% '23	USD	BB+/Ba1	15/3/2023	750	6.9	388	355

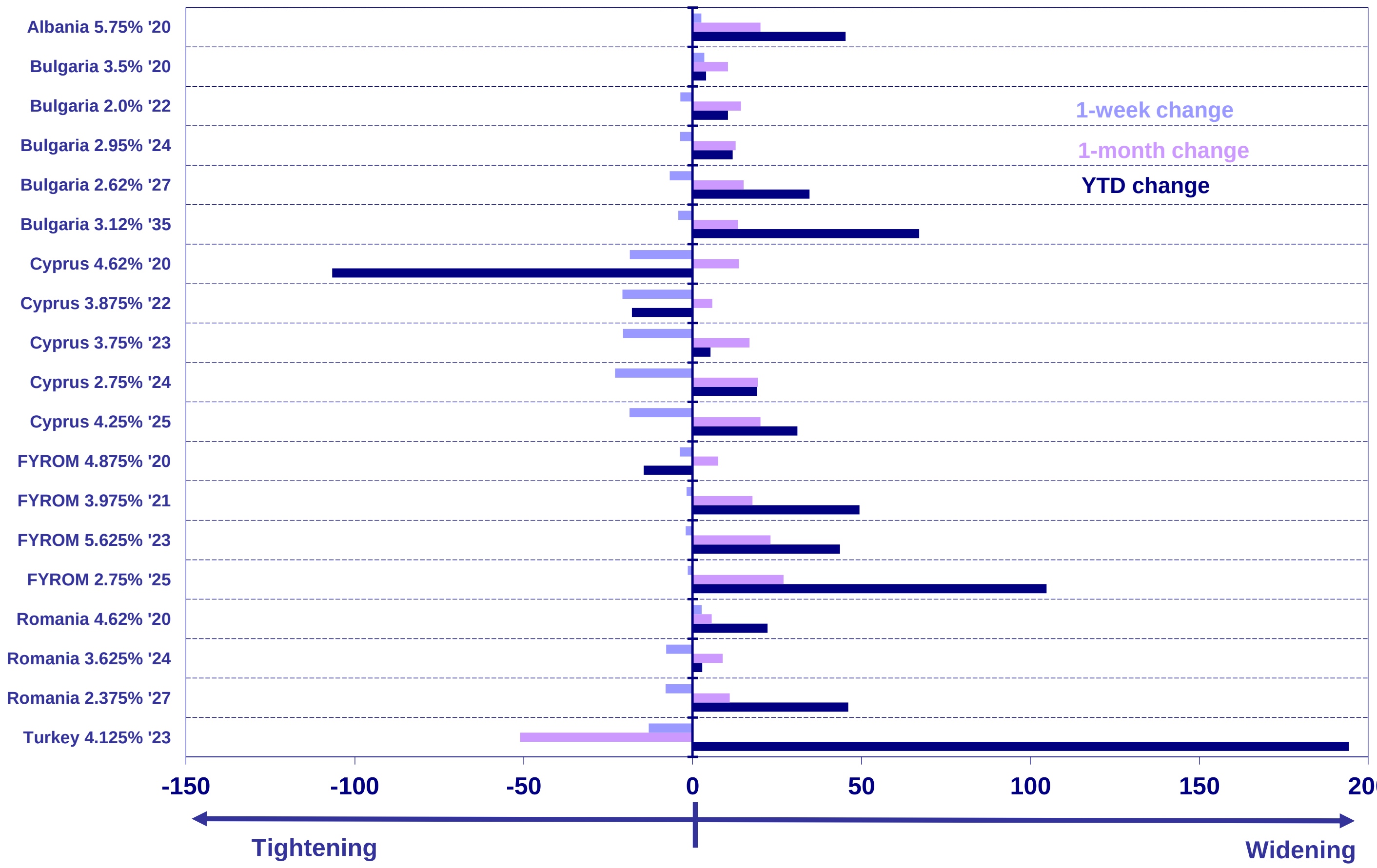
CREDIT DEFAULT SWAP SPREADS. NOVEMBER 5TH 2018

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	193	71	68	139	359	- - -	80	98	141	116	363	219	514
10-Year	- - -	270	103	113	157	402	- - -	89	137	201	147	391	281	540

EUR-Denominated Sovereign Eurobond Summary. November 5th 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	239	197
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	0.1	71	32
Bulgaria 2.0% '22	EUR	BBB-/Baa2	26/3/2022	1,250	0.1	47	3
Bulgaria 2.95% '24	EUR	BBB-/Baa2	3/9/2024	1,493	0.7	73	22
Bulgaria 2.62% '27	EUR	BBB-/Baa2	26/3/2027	1,000	1.3	105	59
Bulgaria 3.12% '35	EUR	BBB-/Baa2	26/3/2035	900	2.7	198	134
Cyprus 4.62% '20	EUR	BBB-/Ba2	3/2/2020	668	0.2	87	48
Cyprus 3.875% '22	EUR	NA/Ba2	6/5/2022	1,000	0.7	107	65
Cyprus 3.75% '23	EUR	NA/Ba2	26/7/2023	1,000	1.1	131	95
Cyprus 2.75% '24	EUR	NA/Ba2	27/6/2024	850	1.4	147	100
Cyprus 4.25% '25	EUR	NA/Ba2	4/11/2025	1,000	1.8	174	128
FYROM 4.875% '20	EUR	BB-/NA	1/12/2020	178	1.2	179	134
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	2.0	251	445
FYROM 5.625% '23	EUR	BB-/NA	26/7/2023	450	3.0	313	282
FYROM 2.75% '25	EUR	BB-/NA	18/1/2025	500	3.4	342	272
Romania 4.62% '20	EUR	BBB-/BBB-	18/9/2020	2,000	0.1	73	27
Romania 3.625% '24	EUR	BBB-/BBB-	24/4/2024	1,250	1.0	108	65
Romania 2.375% '27	EUR	BBB-/BBB-	19/4/2027	2,000	2.4	210	157
Turkey 4.125% '23	EUR	NR/Ba3	11/4/2023	1,000	4.3	445	394

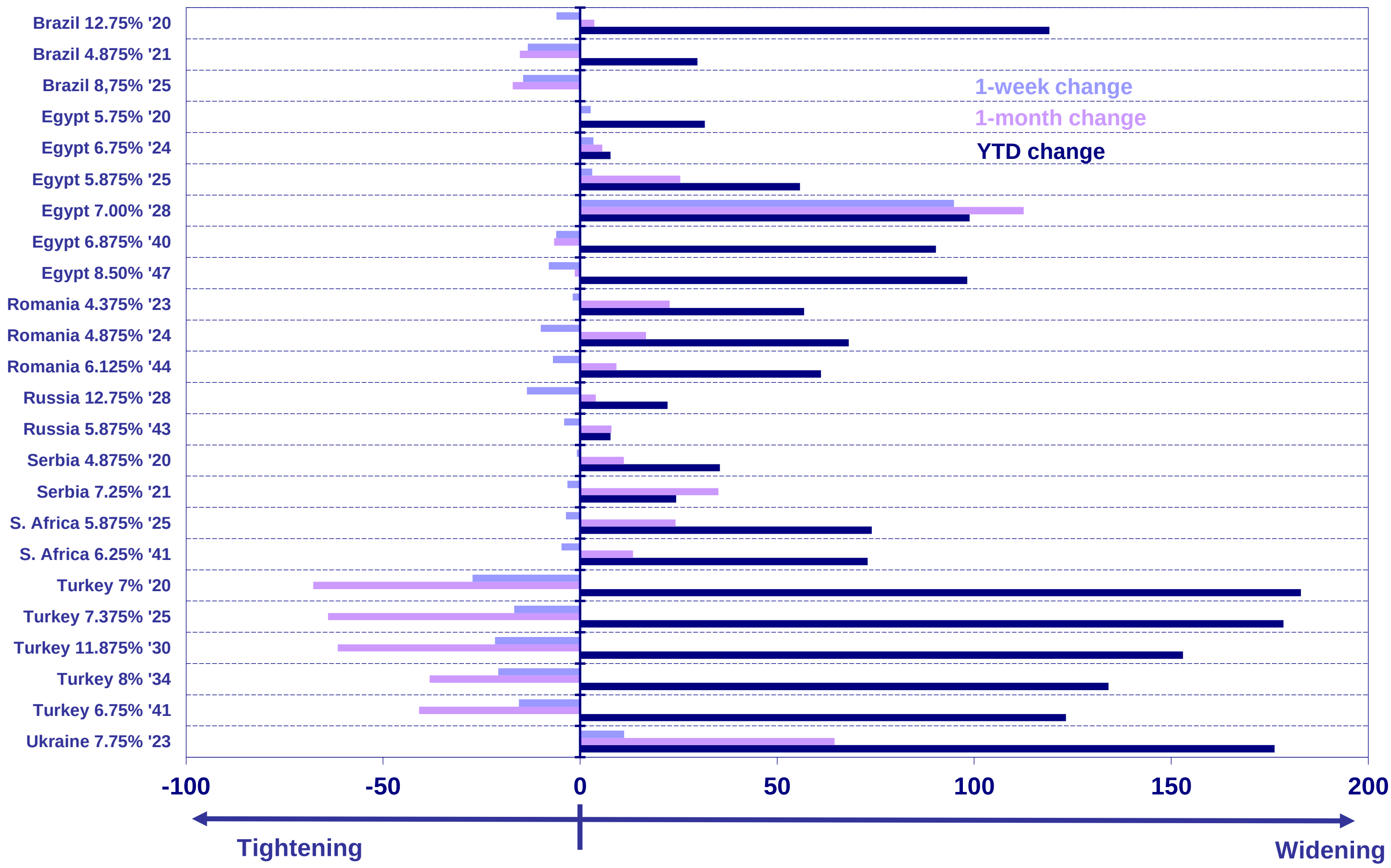
EUR-Denominated Eurobond Spreads (November 5th 2018)



USD-DENOMINATED SOVEREIGN EUROBOND SUMMARY. NOVEMBER 5TH 2018

	Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Brazil 12.75% '20	USD	NA/Ba2	15/1/2020	87	3.8	116	92
Brazil 4.875% '21	USD	NA/Ba2	22/1/2021	2,713	4.0	114	93
Brazil 8.75% '25	USD	NA/Ba2	4/2/2025	688	4.8	173	184
Egypt 5.75% '20	USD	B/B3	29/4/2020	1,000	5.2	229	212
Egypt 6.75% '24	USD	NA/B3	10/11/2024	1,500	6.5	341	330
Egypt 5.875% '25	USD	B/B3	11/6/2025	500	7.1	397	368
Egypt 7.00% '28	USD	NA/B3	10/11/2028	1,000	7.9	467	435
Egypt 6.875% '40	USD	B/B3	30/4/2040	1,500	8.4	498	445
Egypt 8.50% '47	USD	NA/B3	31/1/2047	500	8.9	549	531
Romania 4.375% '23	USD	BBB-/BBB-	22/8/2023	1,500	4.4	141	125
Romania 4.875% '24	USD	BBB-/BBB-	22/1/2024	1,000	4.4	141	127
Romania 6.125% '44	USD	BBB-/BBB-	22/1/2044	1,000	5.6	213	231
Russia 12.75% '28	USD	BBB-/Ba1	24/6/2028	2,500	5.1	186	240
Russia 5.875% '43	USD	BBB-/Ba1	16/9/2043	1,500	5.5	211	224
Serbia 4.875% '20	USD	BB/Ba3	25/2/2020	1,500	4.2	151	117
Serbia 7.25% '21	USD	BB/Ba3	28/9/2021	2,000	4.4	143	131
S. Africa 5.875% '25	USD	BB/Baa3	16/9/2025	2,000	6.0	293	279
S. Africa 6.25% '41	USD	BB/Baa3	8/3/2041	750	6.8	338	326
Turkey 7.00% '20	USD	NR/Ba3	5/6/2020	2,000	6.4	351	332
Turkey 7.375% '25	USD	NR/Ba3	5/2/2025	3,250	7.3	423	409
Turkey 11.875% '30	USD	NR/Ba3	15/1/2030	1,500	7.7	447	516
Turkey 8.00% '34	USD	NR/Ba3	14/2/2034	1,500	7.9	468	450
Turkey 6.75% '41	USD	NR/Ba3	14/1/2041	3,000	7.8	438	381
Ukraine 7.75% '23	USD	B-/Caa2	1/9/2023	1,355	9.0	599	558

USD-Denominated Eurobond Spreads (November 5th 2018)



STOCK MARKETS PERFORMANCE. NOVEMBER 5TH 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)	89,598	6.9	8.8	17.3	20.6	69,069	89,598	9.1	26.9	9.5	38.9	76.2
Bulgaria (SOFIX)	597	-0.9	-4.3	-11.9	-11.3	592	721	-11.9	15.5	15.5	27.2	27.2
China (SHCOMP)	2,665	4.9	-5.5	-19.4	-21.3	2,449	3,587	-20.4	6.6	-0.3	-12.3	-15.3
Cyprus (CSE GI)	67	-0.2	-6.4	-4.3	-9.8	65	77	-4.3	4.7	4.7	-2.0	-2.0
Egypt (HERMES)	1,274	1.9	-4.6	-11.3	-4.3	1,236	1,741	-10.7	32.0	18.7	72.7	-21.8
F.Y.R.O.M (MBI)	3,582	0.8	8.2	41.1	37.3	2,536	3,692	41.1	18.9	18.9	16.5	16.5
India (SENSEX)	34,951	2.6	1.7	2.6	3.6	32,484	38,990	-5.7	27.9	19.3	1.9	2.6
Romania (BET-BK)	1,607	0.8	-0.9	-2.7	-1.4	1,573	1,802	-2.3	22.8	19.1	0.2	0.0
Russia (RTS)	4,255	3.2	-3.9	3.2	-1.7	4,017	4,617	-5.2	-16.2	-21.9	24.2	54.3
Serbia (BELEX-15)	741	0.6	1.3	-2.5	1.5	719	785	-2.4	5.9	10.3	11.4	9.7
South Africa (FTSE/JSE)	54,916	7.0	0.9	-7.7	-8.4	50,033	61,777	-15.2	17.5	14.3	-0.1	16.1
Turkey (ISE 100)	95,948	6.0	1.1	-16.8	-16.0	84,655	121,532	-37.5	47.6	20.5	8.9	-7.0
Ukraine (PFTS)	579	4.3	5.8	83.8	93.6	315	579	93.3	18.8	0.8	10.2	1.0
MSCI EMF	992	6.2	-0.8	-14.3	-12.3	930	1,279	-9.9	34.3	17.7	8.6	12.2
MSCI EAFE	1,830	2.5	-5.0	-10.8	-8.8	1,778	2,187	-6.2	21.8	6.7	-1.9	1.4
Greece (ASE-General)	619	-3.3	-6.1	-22.9	-18.8	610	896	-22.9	24.7	24.7	1.9	1.9
Germany (XETRA DAX)	11,495	1.4	-5.1	-11.0	-14.7	11,051	13,597	-11.0	12.5	12.5	11.6	11.6
UK (FTSE-100)	7,104	1.1	-2.9	-7.6	-6.1	6,852	7,904	-6.2	7.6	3.2	14.4	-1.0
USA (DJ INDUSTRIALS)	25,462	4.2	-3.7	3.0	8.1	23,243	26,952	8.3	25.1	9.6	13.4	16.7
USA (S&P 500)	2,738	3.7	-5.1	2.4	5.7	2,533	2,941	7.7	19.4	4.7	9.5	13.2

Equity Indices (November 5th 2018)