Economic Analysis Division

Emerging Markets Research

Bi-Weekly Report

29 August – 11 September 2017

NBG - Economic Analysis Division
https://www.nbg.gr/en/the-group/press-office/e-spot/reports

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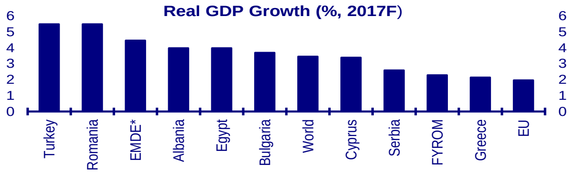
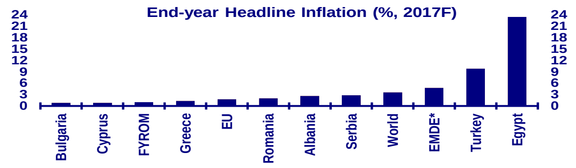


* EMDE: Emerging Market & Developing Economies



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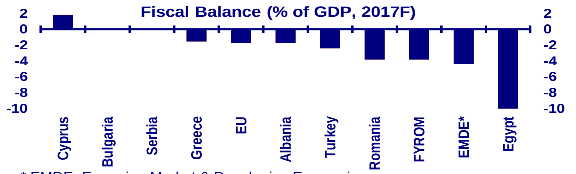

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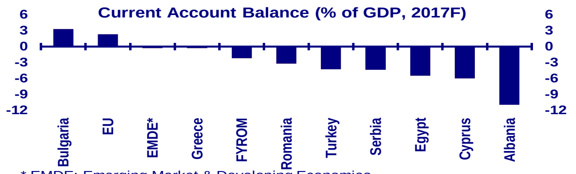
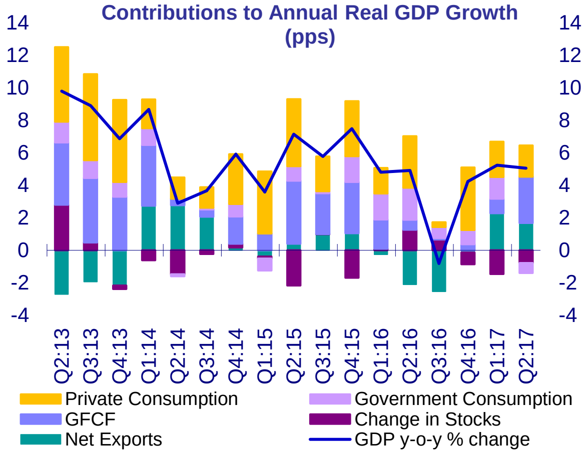
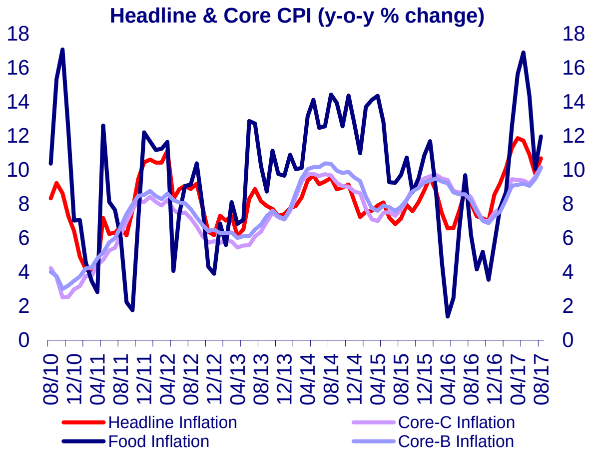


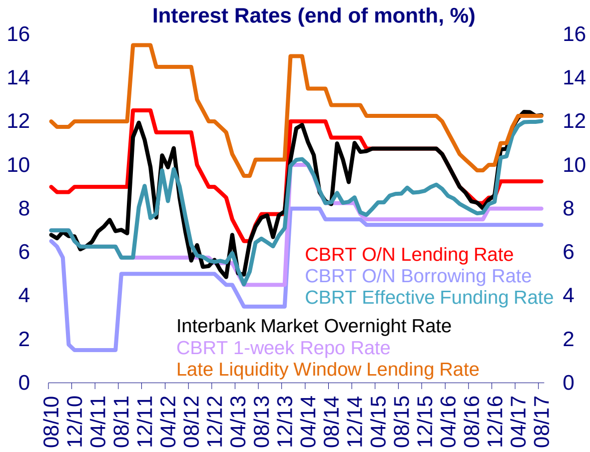
* EMDE: Emerging Market & Developing Economies

Turkey

BB / Ba1 / BB+ (S&P/ Moody's / Fitch)







	11 Sep.	3-M F	6-M F	12-M F
1-m TRIBOR (%)	13.0	12.5	12.0	11.0
TRY/EUR	4.07	4.18	4.28	4.36
Sov. Spread (2020, bps)	164	158	155	150

	11 Sep.	1-W %	YTD %	2-Y %
ISE 100	109,458	-0.5	40.1	53.4

	2014	2015	2016	2017F	2018F
Real GDP Growth (%)	5.2	6.1	3.2	5.5	4.0
Inflation (eop, %)	8.2	8.8	8.5	9.8	8.0
Cur. Acct. Bal. (% GDP)	-4.7	-3.7	-3.8	-4.3	-4.2
Fiscal Bal. (% GDP)	-1.1	-1.0	-1.1	-2.4	-1.8

Strong GDP growth momentum maintained in Q2:17 (5.1% y-o-y), supported by buoyant external demand and continued fiscal and quasi-fiscal stimulus. Economic activity posted robust growth for a second consecutive quarter in Q2:17 (5.1% y-o-y against 5.2% in Q1:17). Domestic demand was the main growth driver (contributing 3.4 pps to overall growth against 3.0 pps in Q1:17), underpinned by continued supportive fiscal measures (tax cuts) and quasi-fiscal measures (credit guarantee fund loans). Specifically, gross fixed capital formation (GFCF) rose sharply by a 6-quarter high of 9.5% y-o-y in Q2:17 from 3.0% in Q1:17, mainly supported by an acceleration in corporate lending. The latter benefited from the credit guarantee fund, established by the Government in Q3:16 to stimulate lending to SMEs.

Encouragingly, despite a significant rebound in imports in Q2:17 (up 2.3% y-o-y against a rise of 0.9% in Q1:17) on the back of stronger domestic demand, the contribution of net exports to overall growth deteriorated moderately (to 2.2 pps in Q2:17 from 2.5 pps in Q1:17). The deterioration was contained by sustained growth of exports (up 10.5% y-o-y in Q2:17 against 10.9% in Q1:17), reflecting stronger external demand, higher price competitiveness and the recovering tourism sector.

Looking ahead, we expect economic growth to accelerate to 5.9% y-o-y in H2:17 from 5.1% in H1:17, despite a less accommodative policy mix, in response to the growing twin deficits and stubbornly high inflation. Indeed, the CBRT's effective funding rate (EFR), in *ex post*, compounded real terms, is expected to rise to 1.8% in H2:17 from 1.0% in H1:17. Moreover, the credit guarantee scheme is nearly exhausted in Q3:17 and tax cuts on consumer durables are set to expire at end-Q3:17. The acceleration in economic activity in H2:17 should result mainly from a very weak base (GDP contracted by 1.3% y-o-y in Q3:16, following the mid-July 2016 failed coup) and strong exports. Overall, we foresee economic activity accelerating to 5.5% in FY:17 from a post-global crisis low of 3.2% in FY:16, with the current account deficit widening to 4.3% of GDP in FY:17 from 3.8% in FY:16, and the fiscal deficit deteriorating to 2.4% of GDP in 2017 from 1.1% in 2016.

Headline inflation returned to double digits in August and is expected to remain there until November. Headline inflation rose to 10.7% y-o-y in August from 9.8% in July. The deterioration was mainly driven by an acceleration in food prices (comprising 21.8% of the CPI basket and up 12.0% y-o-y in August compared with 10.1% in July), primarily reflecting a weak base.

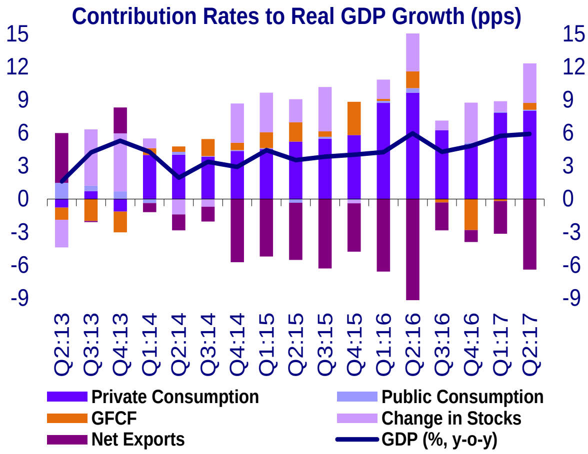
The negative inflation performance in August was also driven by core inflation. Indeed, core inflation displayed a sharp deterioration, with the CBRT's favourite measure, i.e., CPI-C reaching double digits for the first time in 12 years – 10.2% y-o-y in August against 9.6% in July. The acceleration in core inflation reflects stronger domestic demand and the continued impact from FX pass-through to prices – stemming from the sharp weakening of the TRY ahead of the mid-April referendum (between October 2016 and April 2017, the depreciation of the TRY against the USD-EUR basket rose to a 19-month high of 20.1%).

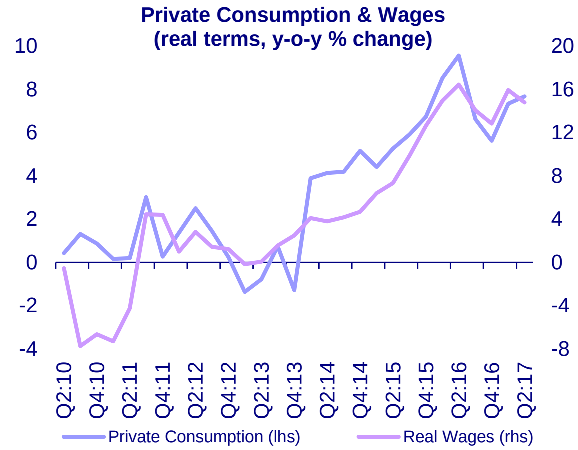
Looking ahead, strong domestic demand and unfavourable base effects are set to keep headline inflation in double digits until November. We see headline inflation reaching a cyclical high in October (11.6% y-o-y) and returning to single digits only in December (9.8% y-o-y -- yet above the end-2016 outcome of 8.5%, as well as the CBRT's recently-revised end-year forecast of 8.7% from 8.5% previously).

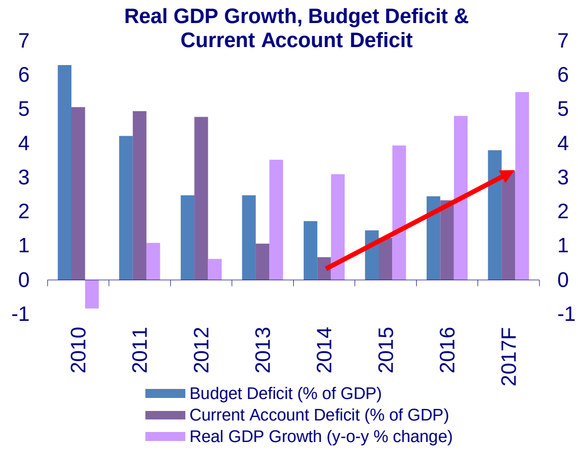
In view of stubbornly high headline inflation until the end of the year, we expect the CBRT to refrain from reducing its EFR – currently at 12.0% or 1.8% in *ex post*, compounded and real terms – before January 2017.

Romania

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







	11 Sep.	3-M F	6-M F	12-M F
1-m ROBOR (%)	0.7	1.0	1.3	2.0
RON/EUR	4.59	4.57	4.55	4.55
Sov. Spread (2024, bps)	127	122	126	110

	11 Sep.	1-W %	YTD %	2-Y %
BET-BK	1,653	1.5	23.0	22.7

	2014	2015	2016	2017F	2018F
Real GDP Growth (%)	3.1	3.9	4.8	5.5	4.3
Inflation (eop, %)	0.8	-0.9	-0.5	2.0	2.6
Cur. Acct. Bal. (% GDP)	-0.7	-1.2	-2.3	-3.2	-3.6
Fiscal Bal. (% GDP)	-1.7	-1.5	-2.4	-3.8	-4.5

Political turmoil over fresh Government bid to reform the judiciary. The planned overhaul gives the Minister of Justice control over the judicial inspection unit, which is currently managed by the country's independent judicial watchdog, and deprives the President of the power to appoint senior prosecutors, including those of the anti-corruption authority (DNA).

The Government's reform plan has drawn strong criticism both domestically and internationally, including from the EU. Worryingly, Romania has yet to comply with the benchmarks set out in the EU's Cooperation and Verification Mechanism (mainly focusing on the reform of the judicial system and fight against corruption), 10 years after their initiation.

Note that the Government's initiative comes just 7 months after massive protests that forced the PSD-led ruling coalition to withdraw a decree, which decriminalized some acts of corruption. According to the opposition, the initiative would benefit PSD members convicted of corruption, including the leader of the party and the "real power" behind PM Tudose's Government, L. Dragnea, who is under probation for electoral fraud. All said, political uncertainty is unlikely to subside soon, hindering policy implementation and hurting investor confidence.

Economic activity continued to overperform in Q2:17. Seasonally-adjusted GDP rose by a solid 1.6% q-o-q in Q2:17, following broadly similar increases over the past 2 quarters. As a result, the annual pace of economic activity accelerated slightly to 5.9% y-o-y in Q2:17 -- the highest in the EU -- from 5.7% in Q1:17.

Private consumption remained the main growth driver in Q2:17. Private consumption strengthened further in Q2:17 (up 7.7% y-o-y following a rise of 7.3% in Q1:17), in line with: i) a looser incomes policy (including wage hikes of more than 20% in some public sectors, as well as a 5.3% rise in pensions) and its spillover to the private sector; and ii) tighter labour market conditions (the LFS unemployment rate fell by 0.5 pps y-o-y to a post-crisis low of 4.2% in Q2:17). At the same time, after declining for 3 consecutive quarters, fixed investment expanded in Q2:17 (by 2.4% y-o-y), driven by the public sector (public investment was up 0.3 pps of GDP y-o-y). Note that the build-up in inventories continued in Q2:17 (adding 3.6 pps of GDP to overall growth), though this item also contains statistical discrepancies and could reflect stronger domestic absorption. Unsurprisingly, net exports were a large drag on overall growth in Q2:17 (subtracting a sizeable 6.4 pps of GDP against 3.0 pps in Q1:17), on the back of stronger domestic demand.

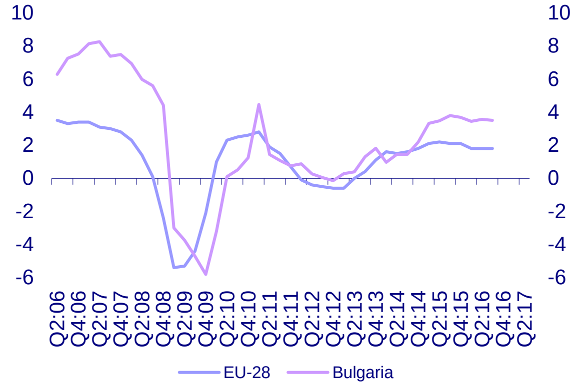
GDP growth is set to ease during the remainder of the year. In the context of a loose incomes policy (note that pensions rose by an additional 9.0% in July), private consumption should continue to expand at a solid pace, albeit weaker than in H1:17, due to base effects and higher inflation (we see headline inflation rising to 1.6% in H2:17 from 0.4% in H1:17). At the same time, fixed investment should pick up, assisted by improving business confidence and better absorption of EU funds. Worryingly, despite the continuing recovery in the EU, net exports are set to remain a drag on overall growth, reflecting strong domestic demand. As a result, we see real GDP growth reaching a post-crisis high of 5.5% in FY:17 against 4.8% in FY:16.

Persisting overheating pressures -- as suggested by economic growth running well above its long-term potential for a 3rd consecutive year, the current account deficit more than quadrupling in just 4 years (projected at 3.2% of GDP in FY:17 against 0.7% in FY:14), and the fiscal deficit widening to 3.8% of GDP from 2.4% of GDP in 2016 -- highlight the need for a countercyclical policy mix (monetary as well as fiscal). Recall that monetary policy is relatively loose, with the real policy rate at 0.5%.

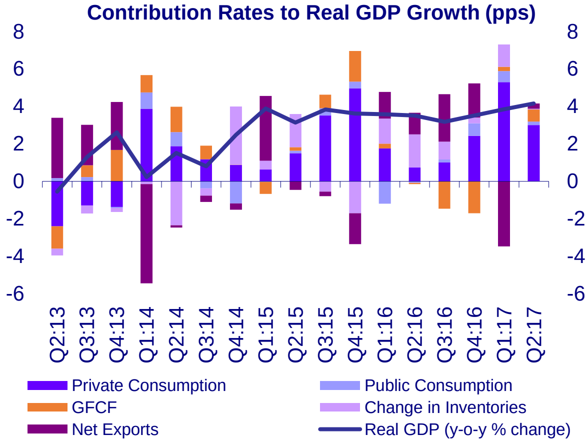
Bulgaria

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

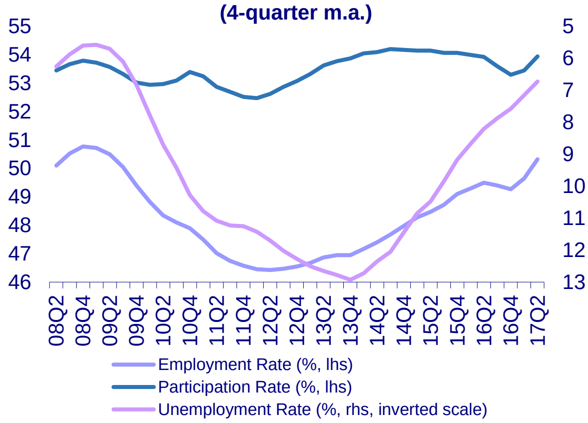
Real GDP
(seasonally adjusted, y-o-y % change)



Contribution Rates to Real GDP Growth (pps)



Labour Market Indicators
(4-quarter m.a.)



	11 Sep.	3-M F	6-M F	12-M F
1-m SOFIBOR (%)	0.0	0.1	0.1	0.2
BGN/EUR	1.96	1.96	1.96	1.96
Sov. Spread (2022, bps)	55	53	52	50

	11 Sep.	1-W %	YTD %	2-Y %
SOFIX	700	-0.7	19.4	55.0

	2014	2015	2016	2017F	2018F
Real GDP Growth (%)	1.3	3.6	3.4	3.7	3.5
Inflation (eop, %)	-0.9	-0.4	0.1	0.8	1.4
Cur. Acct. Bal. (% GDP)	0.1	-0.1	4.2	3.3	2.5
Fiscal Bal. (% GDP)	-3.7	-2.8	1.6	-1.0	-0.5

Economic growth gained momentum in Q2:17. On a sequential basis, GDP rose by a solid 1.0% s.a., broadly similar to that observed over the past 2 quarters. As a result, annual GDP growth rose sharply to a 4½-year high of 4.2% y-o-y in Q2:17 from 3.9% in Q1:17.

A rebound in net exports more than compensated for the moderation in private consumption and the halt in stock-building in Q2:17. Surprisingly, despite tighter labour market conditions (see below), growth in private consumption moderated in Q2:17 (to 4.3% y-o-y from 6.7% in Q1:17), reflecting rising inflation (2.3% y-o-y in Q2:17 against 1.7% in Q1:17 and -0.8% in FY:16), on the back of higher food and energy prices, and weaker consumer confidence. The slowdown in private consumption was partly offset by the pick-up in fixed investment (up 2.9% y-o-y in Q2:17 against 1.3% in Q1:17), driven by the construction sector (adding 0.4 pps of GDP to overall growth against 0.1 pp in Q1:17). Inventories remained flat on an annual basis in Q2:17, following strong growth over the past 5 quarters (including a contribution of 1.2 pps to GDP to overall growth in Q1:17). Importantly, the contribution by net exports to overall growth improved markedly in Q2:17 (to 0.3 pps of GDP from -3.5 pps in Q1:17), as export growth accelerated (to 6.3% y-o-y in Q2:17 from 5.8% in Q1:17), while import growth decelerated sharply (to 5.7% y-o-y from 10.1% in Q1:17), in line with weaker domestic demand.

GDP growth is set to ease in H2:17, albeit with stronger support from investment. Looking ahead, we expect fixed investment to pick up, reflecting, *inter alia*, favourable domestic liquidity conditions (the loan-to-deposit ratio stands at 80.0%) and better absorption of EU funds. At the same time, private consumption should lose further momentum, in line with slower employment growth (see below). Importantly, net exports will continue to sustain overall growth -- albeit marginally -- reflecting the recovery in the EU and still favourable terms of trade. Overall, we see GDP growth at a post-crisis high of 3.7% in FY:17 against 3.4% in FY:16.

Labour market conditions tighten further in Q2:17. Against the backdrop of solid economic growth, the unemployment rate fell sharply by 1.7 pps y-o-y to 6.3% in Q2:17. Indeed, employment rose sharply in Q2:17 (up 4.6% y-o-y following a rise of 2.1%), pushing up the employment rate to a high of 52.2% (up 2.7 pps y-o-y). Note that the participation rate rose in Q2:17 (up 0.6 pps y-o-y to 55.8%, which is slightly higher than that of the region), while the working-age population continued to decline steadily (down 1.1% y-o-y).

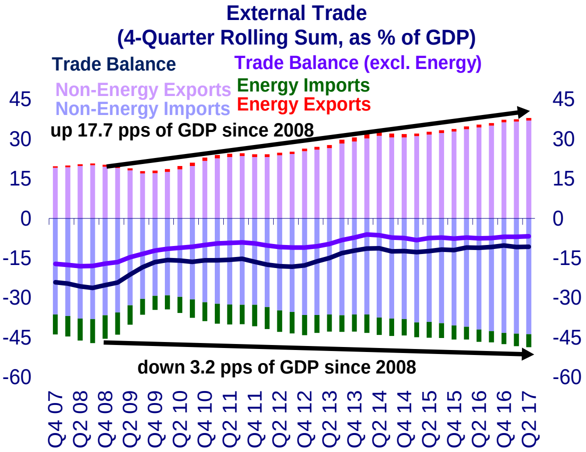
Tighter labour market conditions have translated into wage pressures. Indeed, real wages continued to rise at a fast pace (up 7.5% y-o-y for a 2nd consecutive quarter in Q2:17, albeit slower compared with FY:16 – up 8.6%), surpassing by far productivity gains (real GDP per employee has been rising at an annual pace of c. 3% over the past 3 years).

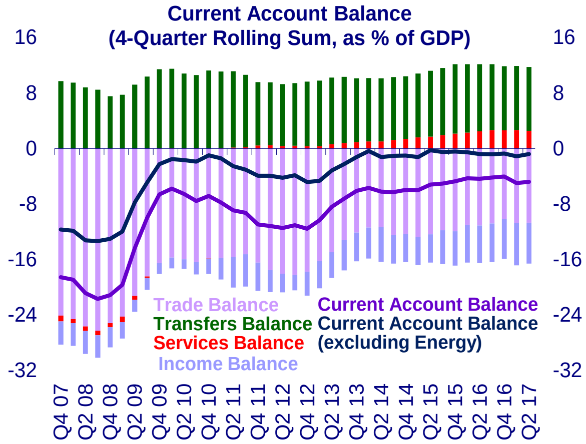
Structural problems cloud the outlook for the labour market. Long-term unemployment remains high (at 5.0%, above the EU average of 4.0%), reflecting labour market rigidities and skills mismatches, as well as poor activation policies. At the same time, the labour force is shrinking due to outward migration and ageing. In this context, and despite strong economic activity, we expect labour market conditions to improve at a slower pace in H2:17, with employment rising by 2.5% in FY:17 and the unemployment rate falling by 1.4 pps to 6.2%.

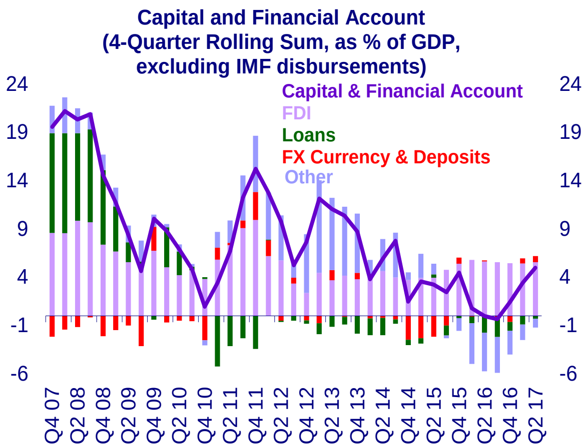
Concomitantly, wage pressures are set to persist in H2:17. However, this is not a major cause for concern. Indeed, with total hourly costs being one-sixth of the EU-28 average, competitiveness remains strong as reflected in the large current account surplus (projected at 3.3% of GDP in FY:17).

Serbia

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







	11 Sep.	3-M F	6-M F	12-M F
1-m BELIBOR (%)	3.1	3.4	3.5	3.8
RSD/EUR	119.3	119.8	120.8	120.3
Sov. Spread (2021, bps)	127	126	124	120

	11 Sep.	1-W %	YTD %	2-Y %
BELEX-15	729	0.2	1.6	14.7

	2014	2015	2016	2017F	2018F
Real GDP Growth (%)	-1.8	0.8	2.8	2.6	3.6
Inflation (eop, %)	1.7	1.5	1.6	2.8	3.0
Cur. Acct. Bal. (% GDP)	-6.0	-4.7	-4.0	-4.4	-4.3
Fiscal Bal. (% GDP)	-6.6	-3.7	-1.3	0.0	0.0

The IMF Executive Board completed the 7th review of the ongoing 3-year EUR 1.2bn precautionary SBA (3.3% of 2017 GDP). The IMF Board commended Serbia's progress under the SBA, which was approved 2½ years ago. This is reflected in: i) the continued strengthening in economic activity -- exceeding pre-crisis levels; ii) the larger fiscal consolidation; and iii) good progress on reforms. Nonetheless, it underlined that further structural reforms are needed, especially in the areas of tax administration, the strengthening of the judicial system, and the restructuring unviable state-owned enterprises and state-owned banks. Although the completion of the review enables the disbursement of EUR 64.9mn (0.2% of GDP), bringing total funds available to EUR 918.5mn (2.5% of GDP), the Serbian authorities intend to continue to treat the arrangement as precautionary.

The external adjustment reversed course in H1:17, due to an unfavourable energy bill. The current account deficit (CAD) widened by 0.7 pps y-o-y to 2.8% of GDP in H1:17, largely driven by rising energy imports, adding an estimated 0.7 pps of GDP to the H1:17 CAD. This was the result of both: i) rising global oil prices (up 33.0% y-o-y in H1:17); and ii) higher energy import volumes, due to the unusually cold winter. Non-energy imports also accelerated (up 10.6% y-o-y in H1:17 from 9.9% in H1:16), due to the recovery in consumption and higher export-related imports.

The deterioration in the trade deficit was contained by strong exports, up 11.3% y-o-y in H1:17, as in H1:16. Exports were mainly boosted by stronger metal exports (contributing 4.2 pps to export growth), reflecting higher exports of the steel plant, Smederevo, following its privatisation a year ago, as well as a rise in metal prices.

As a result, the 4-quarter rolling CAD reversed course in H1:17, rising to 4.8% of GDP from a 14-year low of 4.0% in Q4:16. Note that the underlying CAD (excluding energy) stood at 0.8% of GDP in H1:17 on a 4-quarter rolling basis, unchanged from its level in Q4:16.

The capital and financial account (CFA) improved in H1:17, and covered half of the CAD. The CFA turned into a surplus of 1.4% of GDP in H1:17 from a deficit of 2.3% in H1:16. Importantly, FDIs remained strong, at 2.7% of GDP in H1:17, almost fully covering the CAD. In addition: i) portfolio outflows were lower (amounting to -0.5% of GDP in H1:17 against a sizeable -2.1% of GDP in H1:16), reflecting improved confidence; and ii) currency & deposits experienced inflows (of 0.3% of GDP in H1:17 against outflows 1.0% in H1:16), due to repatriation of deposit holdings by domestic banks.

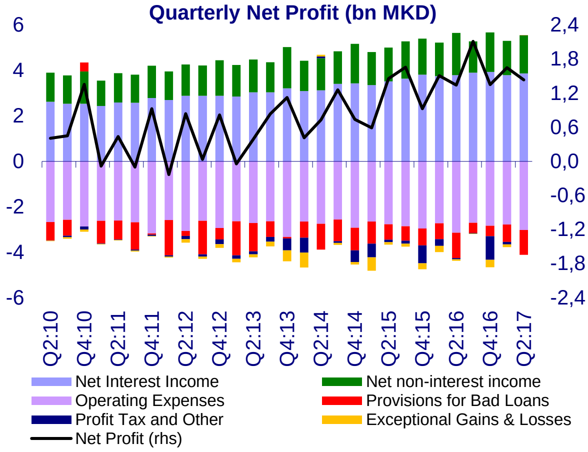
Reflecting CAD and CFA developments in H1:17, and despite large positive (net) errors & omissions (of 0.6% of GDP), the overall balance was negative at -0.6% of GDP. As a result, FX reserves (including FX valuation effects) fell by EUR 0.5bn since the beginning of the year to a still comfortable level of EUR 9.7bn (covering 5.5 months of imports).

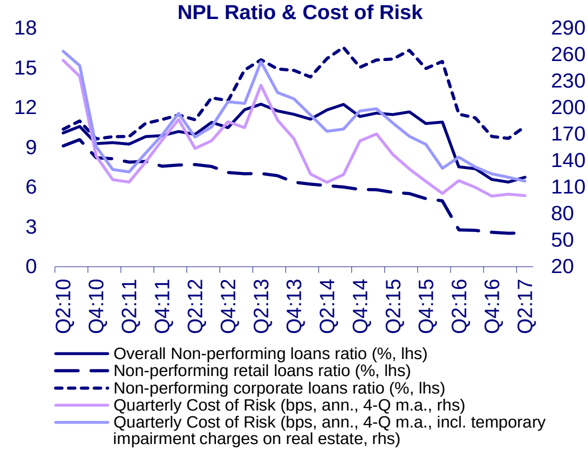
The CAD is likely to reverse its upward trend in H2:17, ending 2017 at 4.4% of GDP. The CAD is set to narrow by 0.4 pps y-o-y in H2:17 -- partly offsetting the widening in H1:17. The anticipated improvement in the CAD in H2:17 should mainly reflect a broad-based rebound in exports. The latter should be supported by: i) higher metal exports; ii) past years' FDIs; and iii) the recovery in external demand. Despite the improvement in H2:17, the CAD is set to rise to 4.4% of GDP in FY:17 from a 14-year low of 4.0% of GDP in FY:16.

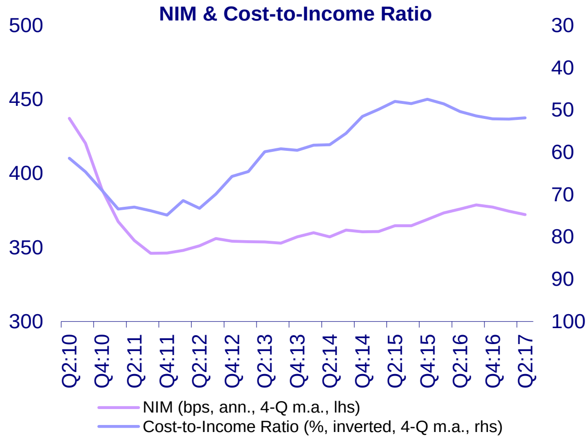
Regarding financing, the bulk of the CAD in H2:17 should continue to be fully covered by large FDI inflows. Moreover, assuming marginally negative (net) capital inflows of -0.4% of GDP in H2:17 (including the repayment of a USD 750mn Eurobond, or 2.0% of GDP in November), we see FX reserves remaining unchanged at their end-2016 level.

F.Y.R.O.M

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







	11 Sep.	3-M F	6-M F	12-M F
1-m SKIBOR (%)	1.5	1.8	2.3	2.8
MKD/EUR	61.3	61.3	61.3	61.3
Sov. Spread (2021. bps)	291	280	260	240

	11 Sep.	1-W %	YTD %	2-Y %
MBI 100	2,661	0.9	24.6	59.3

	2014	2015	2016	2017F	2018F
Real GDP Growth (%)	3.5	3.9	2.4	2.3	3.7
Inflation (eop. %)	-0.5	-0.3	-0.2	1.0	2.0
Cur. Acct. Bal. (% GDP)	-0.5	-2.1	-3.1	-2.2	-1.9
Fiscal Bal. (% GDP)	-4.2	-3.5	-2.6	-3.8	-2.8

Banking sector profitability rose by a solid 6.6% y-o-y in Q2:17. The banking sector net profit (after tax) rose by 6.6% y-o-y to EUR 23.4mn (0.2% of GDP) in Q2:17, despite elevated political uncertainty until the formation of the new Government in late-May. The improved performance was driven by lower provisioning and a mild increase in pre-provision income (PPI, before tax). As a result, (annualised) quarterly ROAE and ROAA rose to 11.7% and 1.3%, respectively, in Q2:17 from 11.4% and 1.3% in the same quarter a year ago, bringing the (annualised) cumulative ROAE and ROAA to 12.7% and 1.4%, respectively, in H1:17.

A reduction in a regulatory impairment charge related to banks' accumulated foreclosed assets contributed significantly to Q2:17 profitability. Banks reported an exceptional gain of 0.1% of GDP in Q2:17 against an exceptional loss of 0.7% of GDP in Q2:16. This positive development was mainly driven by lower impairment charges on banks' foreclosed property, due to higher sales ahead of the end-2017 regulatory deadline to dispose their foreclosed non-financial assets. 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 their foreclosed assets (the initial book value less the total amount of impairment), as a means to incentivise the sale of foreclosed assets.

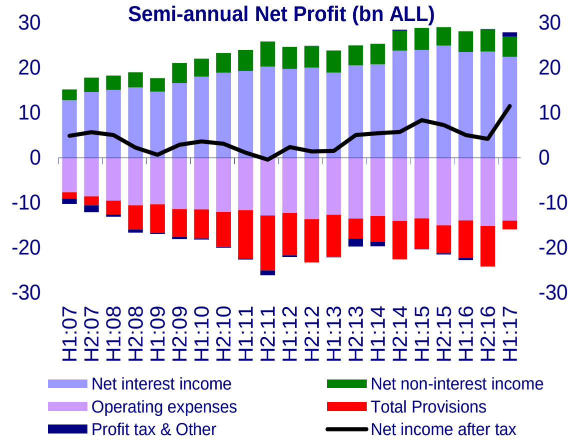
PPI (before tax) remained almost flat on an annual basis in Q2:17. PPI (before tax) rose by just 0.3% y-o-y in Q2:17, as a moderate increase in net interest income (NII) and lower operating expenses was almost offset by a sharp decline in net non-interest income (NNII). NII rose by 2.1% y-o-y in Q2:17, as the expansion in average interest-earning assets (up 5.4% y-o-y) was tempered by a weaker net interest margin (NIM, down 9 bps y-o-y to 367 bps in Q2:17). The negative performance of the NIM is mainly attributed to the fact that the blended lending rate declined at a faster rate than the blended deposit rate, reflecting tighter competition among banks for lending market shares on the one hand, and improving liquidity conditions on the other (the loan-to-deposit ratio fell to 94.6% in Q2:17 from 96.0% in Q2:16). PPI (before tax) in Q2:17 would have been stronger had NNII not declined significantly (down 10.2% y-o-y), reflecting, *inter alia*, an unfavourable base effect from payments of penalties on early withdrawals of deposits in Q2:16, when the domestic political crisis culminated. The Q2:17 top line performance was also underpinned by lower operating expenses (down 3.8% y-o-y), reflecting continued strict cost control.

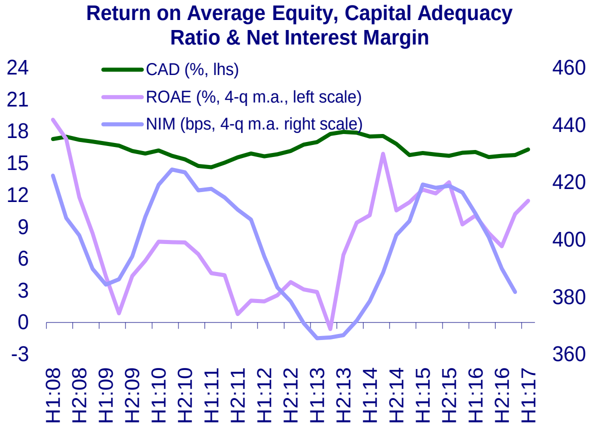
NPL provisions declined in Q2:17, in line with a drop in the NPL ratio. Banks lowered provisions for NPLs by 1.6% y-o-y in Q2:17, against a large precautionary overprovisioning in Q2:16 (up 63.8% y-o-y), in view of the negative spill-over of the protracted domestic political crisis on the operating environment at that time, and in line with a steady drop in the NPL ratio. Indeed, the NPL ratio declined by 0.7 pps y-o-y to 6.8% in Q2:17.

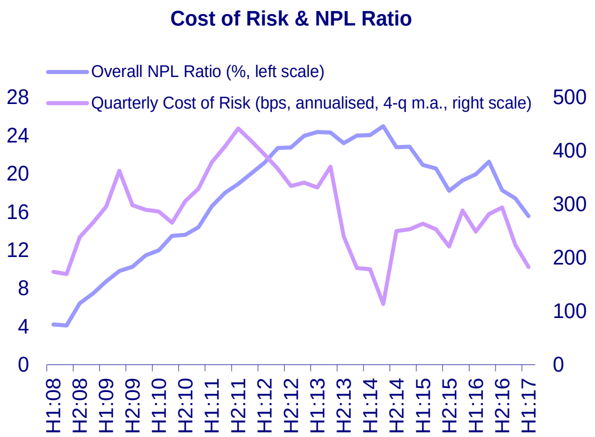
Profitability is set to strengthen during the remainder of the year supported by demand-side and supply-side factors. We expect a further improvement in the bottom line in H2:17, underpinned by a gradual normalization of the political and economic environment as well as increased lending activity. The latter should be supported by: i) easing credit standards following the significant clean-up of banks' balance sheets in FY:16; ii) adequate domestic sources of financing; and iii) a strong capital base (the CAD ratio stood at 15.8% in H1:17, well above the statutory limit of 8%). Should our forecasts materialize, the banking system's ROAE would increase to c. 15.0% in FY:17 from 12.7% in H1:17 (annualised) and 13.6% in FY:16.

Albania

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







	11 Sep.	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	1.6	2.2	2.2	2.2
ALL/EUR	133.1	132.3	131.7	130.7
Sov. Spread (bps)	238	220	210	200

	11 Sep.	1-W %	YTD %	2-Y %
Stock Market	- - -	- - -	- - -	- - -

	2014	2015	2016	2017F	2018F
Real GDP Growth (%)	1.8	2.2	3.4	4.0	4.4
Inflation (eop, %)	0.7	2.0	2.2	2.6	2.8
Cur. Acct. Bal. (% GDP)	-12.9	-10.8	-9.6	-11.0	-10.3
Fiscal Bal. (% GDP)	-5.2	-4.1	-1.8	-1.7	-1.6

The banking sector's bottom line strengthened markedly on an annual basis in H1:17, with ROAE returning to double digits. Net profit (after tax) increased to ALL 11.5bn (EUR 87.1mn or 0.7% of GDP) in H1:17, more than double its level in H1:16 (of ALL 5.1bn) and exceeding the FY:16 gains (of ALL 9.3bn). The strong performance was almost exclusively due to lower provisions, following a sharp rise in FY:16 prompted by the bankruptcy of two large corporates. As a result, (annualised) ROAE and ROAA returned to double digits, up to (a 2-year high of) 16.7% and 1.6%, respectively, in H1:17 from the corresponding levels of 8.0% and 0.8% in H1:16, and 7.2% and 0.7% in FY:16.

The cost of risk eased significantly on an annual basis in H1:17, in line with the sharp improvement in bank asset quality. P/L provisions declined sharply in H1:17, and amounted to just ⅕ of their level in H1:16 (absorbing just 13.5% of pre-provision earnings in H1:17, well below the 58.1% in H1:16 and 59.8% in FY:16).

This occurred due to the normalization in provisioning, following a once-off sharp rise in FY:16, due to: i) the bankruptcy of two large companies (namely, Albania's only steelmaker, Turkey's Kurum, and the 15% state-owned oil refiner, ARMO), and the concomitant pressure on related companies; and ii) strengthened supervision by the BoA that led to NPL reclassifications in FY:16. The decline in provisions also reflects a receding NPL ratio, as well as reversals (write-backs) of NPL provisions (supported by credit restructuring). Note that the NPL ratio (the share of substandard, doubtful and loss loans in total loans) fell sharply, by 3.7 pps y-o-y to a 6-year low of 15.6% in Q2:17 from 18.3% in Q4:16 and almost 10 pps below the post-crisis peak in Q3:14. This was supported by: i) the 2015 regulation mandating the obligatory write-off of loans held in "loss" category for more than three years (total write-offs amounted to ALL 40bn in 2015-16, or 7.8% of end-2016 stock of loans); and ii) improved collection and loan restructuring.

As a result, the (4-quarter rolling) cost of risk fell sharply, by 66 bps y-o-y to (a 3-year low of) 183 bps in Q2:17 from 295 bps in Q4:16.

Pre-provision earnings weakened in H1:17. Pre-provision earnings were down by 1.9% y-o-y in H1:17 following declines of 12.0% in H1:16 and 6.4% in FY:16, due to the continued fall in net interest income (NII). Indeed, NII (83.2% of gross operating income) fell by 4.6% y-o-y in H1:17 following a drop of 3.7% in FY:16, as higher average interest earning assets (up 6.3% y-o-y in H1:17, supported by a sharp rise in securities) were more than offset by the compression of the NIM (down 42 bps y-o-y to 354 bps in H1:17 -- its lowest level on record -- from 384 bps in FY:16). The compression of the NIM occurred as the improvement in core NIM, on the back of the declining share of higher-costing time deposits (55.7% of total deposits in H1:17 from 63.2% in H1:16 and 57.3% at end-2016), was more than offset by the decline in non-core NIM, in line with the drop in government domestic debt yields.

Furthermore, a strict cost control continued, with operating expenses rising only marginally, up 0.4% y-o-y in H1:17 (including a 1.5% rise in personnel expenditure in H1:17) -- well below the 2.2% y-o-y average inflation in the same period. Nevertheless, with operating income declining and operating expenses rising, the cost-to-income ratio rose by 2.4 pps to 51.9% in H1:17, above the FY:16 outcome of 51.3%.

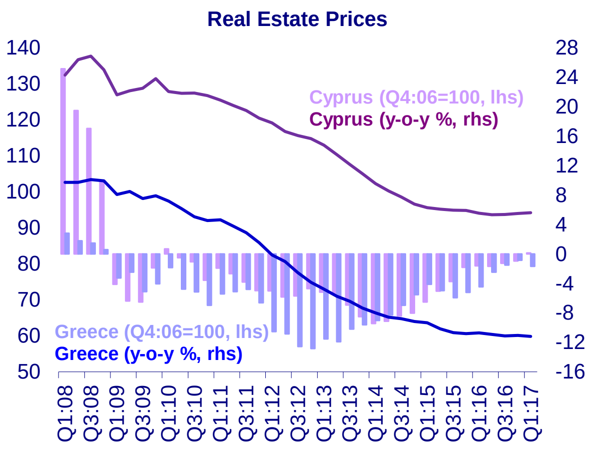
Banking sector profitability set to reach a post global crisis high in FY:17. Profitability is set to improve on an annual basis in H2:17 as well, with the ROAE rising to an estimated 9.0% in H2:17 from 6.2% in H2:16. This should be primarily driven by continued lower NPL provisions, following a once-off increase in FY:16 and a declining NPL ratio. Overall, we foresee FY:16 ROAE returning to double digits, rising to an estimated c. 13.0% from 7.1% in FY:16.

Cyprus

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

General Government Fiscal Balance (% of GDP)

	2016	7M:16	7M:17	2017 Target	NBG 2017 Forecast
Revenue	39.2	20.6	22.1	38.6	40.9
Tax Revenue	33.7	17.8	19.2	32.8	35.1
Indirect Taxes	15.3	8.2	8.9	15.1	16.1
Direct Taxes	9.8	4.7	5.1	9.0	10.2
Soc. Contrib.	8.6	4.9	5.1	8.7	8.8
Non-Tax revenue	5.6	2.8	2.9	5.8	5.8
Expenditure	38.9	21.1	20.9	38.4	40.1
Cur. Expenditure	35.9	19.9	19.9	n.a	36.1
G. & Services	3.6	1.8	1.9	3.5	3.8
Wag.& Salaries	12.6	6.8	6.8	12.5	12.6
Soc. Transfers	14.3	8.0	7.9	13.9	14.4
Int.Payments	2.6	1.8	1.8	2.5	2.5
Subsidies	0.5	0.3	0.1	n.a	0.5
Other	2.2	1.3	1.4	n.a	2.3
Capital Expend.	3.0	1.2	1.0	n.a	3.0
Fiscal Balance	0.4	-0.5	1.2	0.2	1.8
Primary Balance	3.0	1.2	3.0	2.6	4.3



	11 Sep.	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.37	-0.37	-0.37	-0.37
EUR/USD	1.20	1.19	1.18	1.20
Sov. Spread (2020. bps)	117	105	95	80

	11 Sep.	1-W %	YTD %	2-Y %
CSE Index	76	-0.8	14.5	-1.7

	2014	2015	2016	2017F	2018F
Real GDP Growth (%)	-1.5	1.7	2.8	3.4	2.6
Inflation (eop. %)	-1.5	-1.0	-0.3	0.8	1.5
Cur. Acct. Bal. (% GDP)	-4.3	-2.9	-5.3	-6.0	-5.8
Fiscal Bal. (% GDP)	-8.8	-1.2	0.4	1.8	1.8

The fiscal performance improved markedly in 7M:17 (by 1.7 pps y-o-y), due to an across-the-board improvement in tax revenue. The fiscal balance turned into a surplus of 1.2% of GDP in 7M:17 from a deficit of 0.5% of GDP in 7M:16, supported by an impressive tax revenue performance. Indeed, indirect taxes (including VAT, excise taxes and taxes on imports) and direct taxes (including personal and corporate income taxes) increased by 0.7 pps y-o-y and 0.4 pps y-o-y, respectively, in 7M:17, in line with a sharp increase in nominal GDP. The latter stood at 5.6% y-o-y in H1:17 against only 0.6% y-o-y in H1:16 – driven by both stronger real GDP growth (3.6% y-o-y in H1:17 against 2.7% y-o-y in H1:16) and a very favourable GDP deflator (up 1.9% y-o-y in H1:17 against a decline of 2.1% y-o-y in H1:16). Moreover, social security contributions rose by 0.2 pps y-o-y in 7M:17, reflecting improving labour market conditions (the unemployment rate fell to 11.8% in H1:17 from 13.0% in H1:16, while employment growth rose to 4.1% y-o-y in Q1:17 from 3.7% in Q4:16 and 2.5% in FY:16).

Note that tax revenue would have been even stronger in 7M:17 had: i) the temporary contribution of employees (levied in response to the crisis) not been terminated; ii) the immovable property tax not been partially abolished; and iii) new "place-of-supply" rules on electronic commercial transactions not been introduced.

Looking ahead, we foresee the fiscal balance deteriorating in 8-12M:17, but remaining in surplus (0.6% of GDP against 0.9% in 8-12M:16). The deterioration should result from a slowdown in nominal GDP and less strict spending control in H2:17 -- ahead of the February 2018 presidential elections. Overall, we see the fiscal surplus reaching 1.8% of GDP -- surpassing its target of 0.2% of GDP and the FY:16 outcome of 0.4% of GDP. This positive performance should help the public debt-to-GDP ratio to embark on a downward trend for the first time in 9 years, moderating to c. 102.0% at end-2017 from 107.8% at end-2016.

Real estate prices posted positive growth in Q1:17 (0.2% y-o-y) for the first time in nine years, mainly supported by foreign buyers. The Central Bank's Residential Property Price Index (RPPI) rose by 0.2% y-o-y in Q1:17 against declines of 0.9% y-o-y and 1.4% in Q4:16 and FY:16, respectively, and a trough of -8.8% in FY:14. Importantly, this is the first positive growth in property prices following eight consecutive years of an accumulated decline (c. 30%).

The improved performance in Q1:17 reflects a sharp rise in property sales to overseas buyers (comprising 25.7% of total sales and up 32.2% y-o-y), largely supported by increasing investor confidence following the country's exit from the 3-year adjustment economic programme in late-Q1:16, and a government investment scheme providing (a) permanent residence to foreigners for property purchases exceeding EUR 300k, and (b) citizenship for property purchases exceeding EUR 5mn (reduced to EUR 2mn since September 2016).

The rise in RPPI in Q1:17 also reflects an increase in property sales to domestic buyers (up 3.9% y-o-y), underpinned by the solid economic recovery and the gradual improvement in mortgage lending activity (down 1.5% y-o-y in Q1:17 compared with a decline of 2.4% in FY:16), assisted, *inter alia*, by moderating interest rates (interest rates on new mortgages fell by 15 bps y-o-y in Q1:17 to 3.29%).

The improved RPPI performance in Q1:17 was also supported by government incentives through tax reforms introduced in mid-2016, according to which the immovable property tax was reduced by 75% immediately, and abolished from 2017 onwards. Banks' persistent reluctance to implement aggressively the new foreclosure law, in an effort to limit over-supply, also contributed to the gradual recovery in property prices in Q1:17.

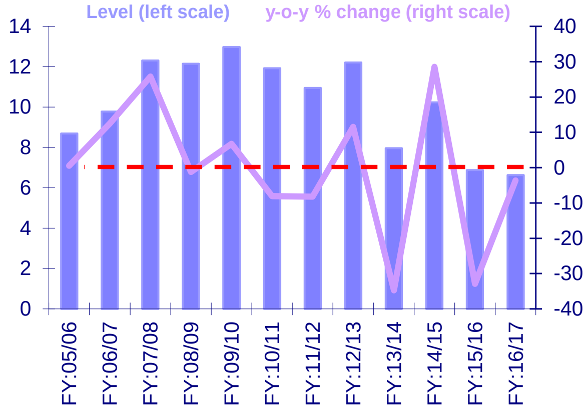
Egypt

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

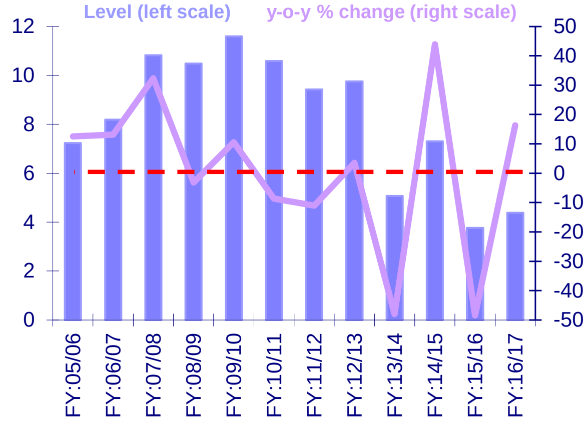
Real GDP, y-o-y % change	FY: 15/16	9M: 15/16	9M: 16/17	FY: 16/17E
GDP	4.3	4.2	3.8	3.5
Final Consumption	4.5	5.3	4.2	3.4
Private Consumption	4.6	5.5	4.4	3.6
Government Consumption	3.9	3.6	2.4	2.0
Gross Capital Formation	11.2	5.6	13.6	15.0
Gross Fixed Capital Formation	13.0	7.6	15.0	16.0
Change in Stocks *	-0.2	-0.2	-0.1	-0.1
Net Exports *	-1.6	-1.5	-2.1	-2.1
Exports of goods & services	-14.5	-19.2	72.4	70.0
Imports of goods & services	-1.9	-4.9	47.0	47.5

*: Contribution to overall real GDP growth, pps

Tourist Arrivals (mn)



Tourism Revenue (bn USD)



	11 Sep.	3-M F	6-M F	12-M F
O/N Interbank Rate (%)	18.8	19.0	18.0	17.0
EGP/USD	17.6	17.8	18.0	18.0
Sov. Spread (2020. bps)	240	250	240	220

	11 Sep.	1-W %	YTD %	2-Y %
HERMES 100	1,222	1.0	12.2	92.7

	13/14	14/15	15/16	16/17E	17/18F
Real GDP Growth (%)	2.9	4.4	4.3	3.5	4.5
Inflation (eop. %)	8.2	11.4	14.0	29.8	13.5
Cur. Acct. Bal. (% GDP)	-0.8	-3.7	-5.5	-6.0	-5.0
Fiscal Bal. (% GDP)	-12.2	-11.5	-12.5	-10.5	-9.5

GDP growth slowed to 3.8% y-o-y in 9M:16/17 (July 2016-March 2017) from 4.2% a year earlier, mainly on the back of a tight fiscal stance. A significant fiscal adjustment in 9M:16/17 (c. 1.4 pps of GDP y-o-y), in line with the 3-year IMF-supported programme, largely contributed to the slowdown in private and public consumption (up 4.4% and 2.4% y-o-y, respectively, compared with rises of 5.5% and 3.6% in 9M:15/16). However, the contribution of domestic demand to output remained broadly unchanged, supported by a sharp rise in investments (up 15.0% y-o-y against a rise of 7.6% a year earlier), reflecting the return of confidence in the Egyptian economy, following steady reform implementation in the context of the IMF-supported 3-year economic programme (signed in mid-Q2:16/17). These reforms include: i) the floatation of the domestic currency; ii) cuts in fuel and gas subsidies; iii) the introduction of the long-awaited VAT at 13.0%; and iv) the entry into force of the civil service law (set to contain the wage bill). Note that during the first 9 months of the fiscal year 2016/17, the public wage bill rose by only 1.4% y-o-y, while inflation averaging 21.0% y-o-y. Regarding the external sector, exports rose by an impressive 72.4% y-o-y -- a faster pace than imports (47.0% y-o-y) -- following the floatation of the EGP in mid-Q2:16/17 (leading to a depreciation of the EGP against the USD of c. 42.0% y-o-y in 9M:16/17) and a strong rebound in tourism activity. Indeed, the tourism sector is estimated to have contributed 0.2 pps to overall GDP growth, after having shaved 0.7 pps off growth in FY:15/16. Overall, the drag on GDP growth from net exports increased in 9M:16/17 (shaving 2.1 pps off overall growth against only 1.5 pps a year earlier), reflecting the weak export base (11.3% of GDP and 53.6% of imports in FY:15/16).

We estimate the recent trends to have continued in Q4:16/17 (April-June 2017), bringing FY:16/17 growth to 3.5% -- in line with the latest IMF forecast and below the FY:15/16 outcome of 4.3%. Encouragingly, the 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 tourism sector emerged from a deep crisis, mainly supported by a cheaper domestic currency and improved security conditions. The pace of decline of tourist arrivals eased sharply to -3.6% in FY:16/17 from -32.9% in FY:15/16, while the number of nights spent posted positive growth of c. 10.0% in FY:16/17 after having declined by 48.0% a year earlier. These positive developments were mainly supported by more competitive prices (the EGP has depreciated by c. 50% to EGP 18.0 per USD since early-November) and a significant improvement in security conditions in Egyptian airports, which has led to a gradual removal of travel bans and/or warnings by key source countries, with the exception of Russia and the UK, since end-October. Recall that following the terrorist bombing of a Russian passenger plane in the Sinai Peninsula in October 2015: i) Russia (the largest source country in 2014) banned flights to Egypt; ii) the UK (the second largest source country in 2014) suspended all flights to Egypt's tourism flagship city of Sharm-el-Sheikh; and iii) several countries issued warnings against travel to Egypt. A campaign to promote tourism to Egypt (which was launched in 11 countries in September 2016 and cost USD 28mn in the following 10 months) has also contributed to the recovery of tourism sector.

As a result, tourism receipts rose by c. 16.0% to USD 4.4bn in FY:16/17, after having experienced a sharp decline of 48.4% to USD 3.8bn a year earlier, tempering the deterioration in the current account deficit (estimated to have widened by to 6.0% of GDP in FY:16/17 from 5.5% a year earlier).

FOREIGN EXCHANGE MARKETS, SEPTEMBER 11TH 2017

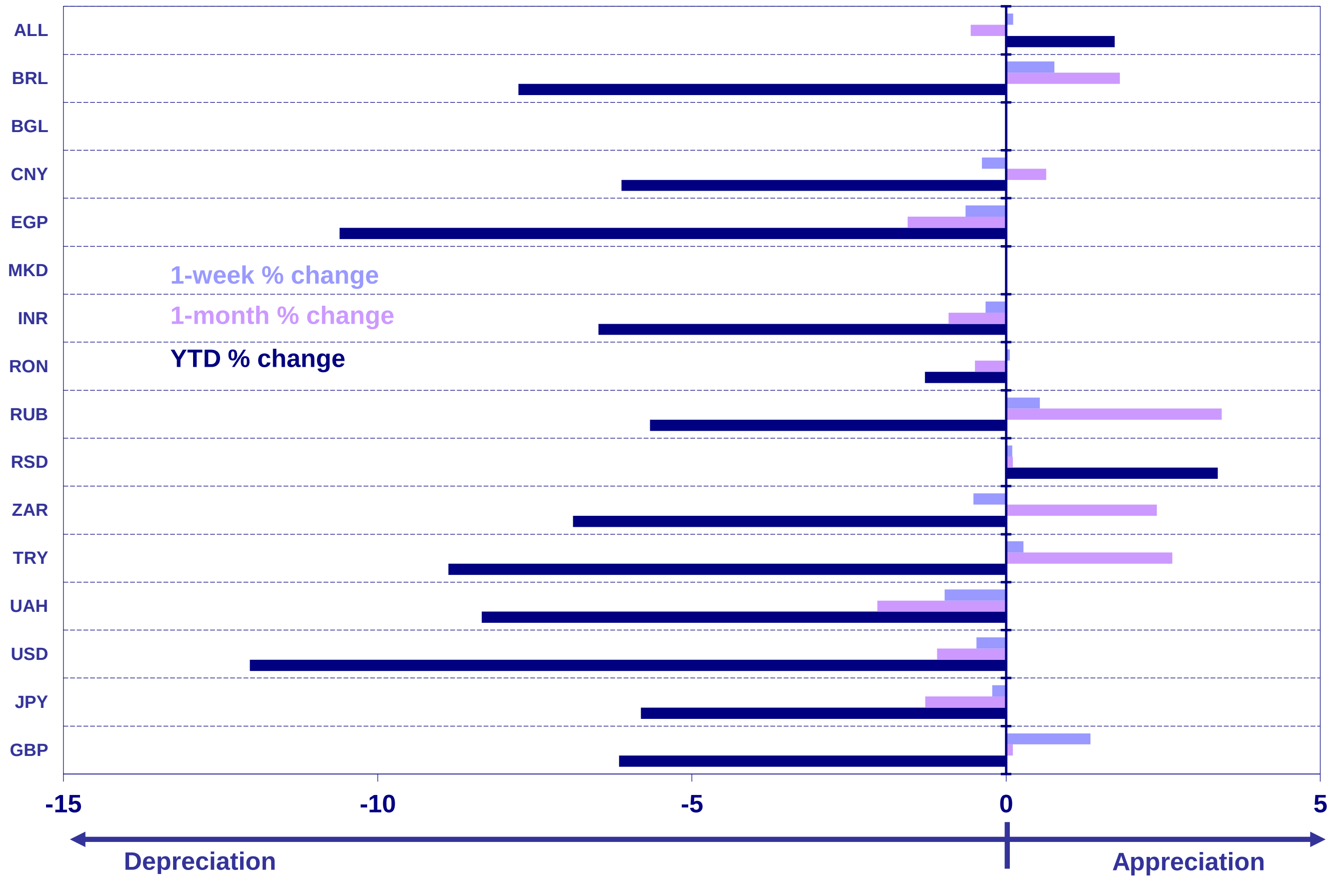
Against the EUR

	Currency	2017										2016	2015
		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	133.1	0.1	-0.6	1.7	3.2	132.1	137.3	133.5	133.4	132.9	1.2	2.0
Brazil	BRL	3.71	0.8	1.8	-7.8	-1.7	3.23	3.82	4.01	3.99	3.99	25.7	-25.2
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	7.81	-0.4	0.6	-6.1	-4.0	7.20	7.99	8.18	8.18	8.17	-4.0	6.7
Egypt	EGP	21.11	-0.6	-1.6	-10.6	-52.9	16.62	21.29	- - -	- - -	- - -	-55.0	2.1
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	76.5	-0.3	-0.9	-6.5	-1.9	68.2	77.2	81.6	- - -	- - -	0.4	6.6
Romania	RON	4.59	0.1	-0.5	-1.3	-3.3	4.49	4.61	4.60	4.61	4.64	-0.4	-0.8
Russia	RUB	68.3	0.5	3.4	-5.7	6.2	59.5	72.1	69.8	71.3	74.1	22.9	-15.1
Serbia	RSD	119.3	0.1	0.1	3.4	3.2	119.0	124.1	119.8	120.1	- - -	-1.5	-0.1
S. Africa	ZAR	15.5	-0.5	2.4	-6.9	3.0	13.38	15.94	15.8	16.1	16.7	16.2	-16.6
Turkey	YTL	4.07	0.3	2.6	-8.9	-18.2	3.70	4.21	4.19	4.32	4.57	-14.7	-10.8
Ukraine	UAH	31.1	-1.0	-2.0	-8.3	-3.9	27.22	31.45	36.2	- - -	- - -	-8.6	-27.5
US	USD	1.20	-0.5	-1.1	-12.0	-6.0	1.0	1.2	1.20	1.21	1.22	3.3	11.4
JAPAN	JPY	130.7	-0.2	-1.3	-5.8	-12.5	114.9	131.7	130.8	130.9	130.9	6.0	11.0
UK	GBP	0.91	1.3	0.1	-6.2	-7.2	0.8	0.9	0.91	0.91	0.92	-13.5	5.3

* Appreciation (+) / Depreciation (-)

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

Currencies against the EUR (September 11th 2017)



MONEY MARKETS, SEPTEMBER 11TH 2017

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
O/N	1.3	8.1	0.0	2.6	- - -	18.8	- - -	- - -	0.6	8.8	- - -	12.9	7.0	13.0	- - -	1.2
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	0.6	8.9	2.7	- - -	7.0	- - -	- - -	- - -
S/W	1.4	8.1	0.0	2.8	-0.4	- - -	1.2	- - -	- - -	7.9	2.7	- - -	7.1	13.4	-0.4	1.2
1-Month	1.6	8.1	0.0	3.9	-0.4	- - -	1.5	6.2	0.7	9.0	3.1	13.0	7.2	14.6	-0.4	1.2
2-Month	- - -	8.0	0.1	- - -	-0.3	- - -	- - -	- - -	- - -	9.0	3.2	13.0	7.0	- - -	-0.3	1.3
3-Month	1.9	7.8	0.1	4.4	-0.3	- - -	1.7	6.3	1.0	9.0	3.4	13.1	7.2	16.1	-0.3	1.3
6-Month	2.2	7.4	0.3	4.4	-0.3	- - -	2.0	- - -	1.2	8.7	3.6	13.1	7.5	- - -	-0.3	1.4
1-Year	2.8	7.5	0.6	4.4	-0.2	- - -	2.4	- - -	1.3	8.8	- - -	13.3	7.7	- - -	-0.2	1.7

LOCAL DEBT MARKETS, SEPTEMBER 11TH 2017

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	- - -	- - -	- - -	- - -	- - -	19.0	- - -	6.1	- - -	8.5	3.5	11.3	- - -	- - -	-0.7	1.0
6-Month	1.7	- - -	- - -	- - -	- - -	18.9	1.6	6.2	0.7	8.5	3.8	11.3	- - -	- - -	-0.8	1.2
12-Month	2.3	- - -	-0.1	3.5	- - -	18.6	1.9	6.3	0.9	7.7	4.5	11.6	- - -	13.9	-0.8	1.2
2-Year	2.5	- - -	- - -	3.5	- - -	- - -	- - -	6.3	1.5	7.6	- - -	11.3	6.9	- - -	-0.8	1.3
3-Year	- - -	- - -	0.1	3.5	0.6	- - -	- - -	6.4	1.9	7.7	- - -	11.0	7.1	14.5	-0.7	1.4
5-Year	- - -	9.4	- - -	3.6	1.5	16.8	- - -	6.5	2.7	7.5	5.4	10.9	7.3	- - -	-0.4	1.7
7-Year	- - -	- - -	1.0	- - -	- - -	16.8	- - -	6.7	3.4	7.6	- - -	- - -	- - -	- - -	-0.1	2.0
10-Year	- - -	9.8	1.8	3.6	- - -	16.8	- - -	6.6	3.9	7.5	- - -	10.3	8.4	- - -	0.3	2.1
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	3.8	7.1	- - -	7.7	- - -	- - -	9.1	- - -	0.5	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	9.7	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	7.2	- - -	- - -	- - -	- - -	9.8	- - -	1.1	2.7

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

CORPORATE BONDS SUMMARY, SEPTEMBER 11TH 2017

		Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Bulgaria	**Bulgaria Energy Hld 4.25% '18**	EUR	NA/NA	7/11/2018	500	1.0	182	138
	Bulgarian Telecom. 6.625% '18	EUR	B-/B1	15/11/2018	400	0.9	160	128
Cyprus	**Aroundtown Property 3% '21**	EUR	NA/NA	9/12/2021	200	- - -	- - -	- - -
Russia	**Gazprom 8.2% '19**	RUB	BB+/NA	9/4/2019	10,000	8.5	80	- - -
	Gazprom 8.9% '21	RUB	BB+/NA	26/1/2021	10,000	9.3	169	- - -
South Africa	**FirstRand Bank Ltd 4.25% '20**	USD	BBB-/Baa2	30/4/2020	500	3.2	195	167
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	1.0	178	120
Turkey	**Vakiflar Bankasi 3.5% '19**	EUR	NA/Baa3	17/6/2019	500	2.0	277	229
	Garanti Bankasi 3.38%'19	EUR	NA/Baa3	8/7/2019	500	1.1	184	136
	Arcelik AS 3.875% '21	EUR	BB+/NA	16/9/2021	350	2.1	269	217
	Turkiye Is Bankasi 6% '22	USD	NA/Ba3	24/10/2022	1,000	5.6	384	375

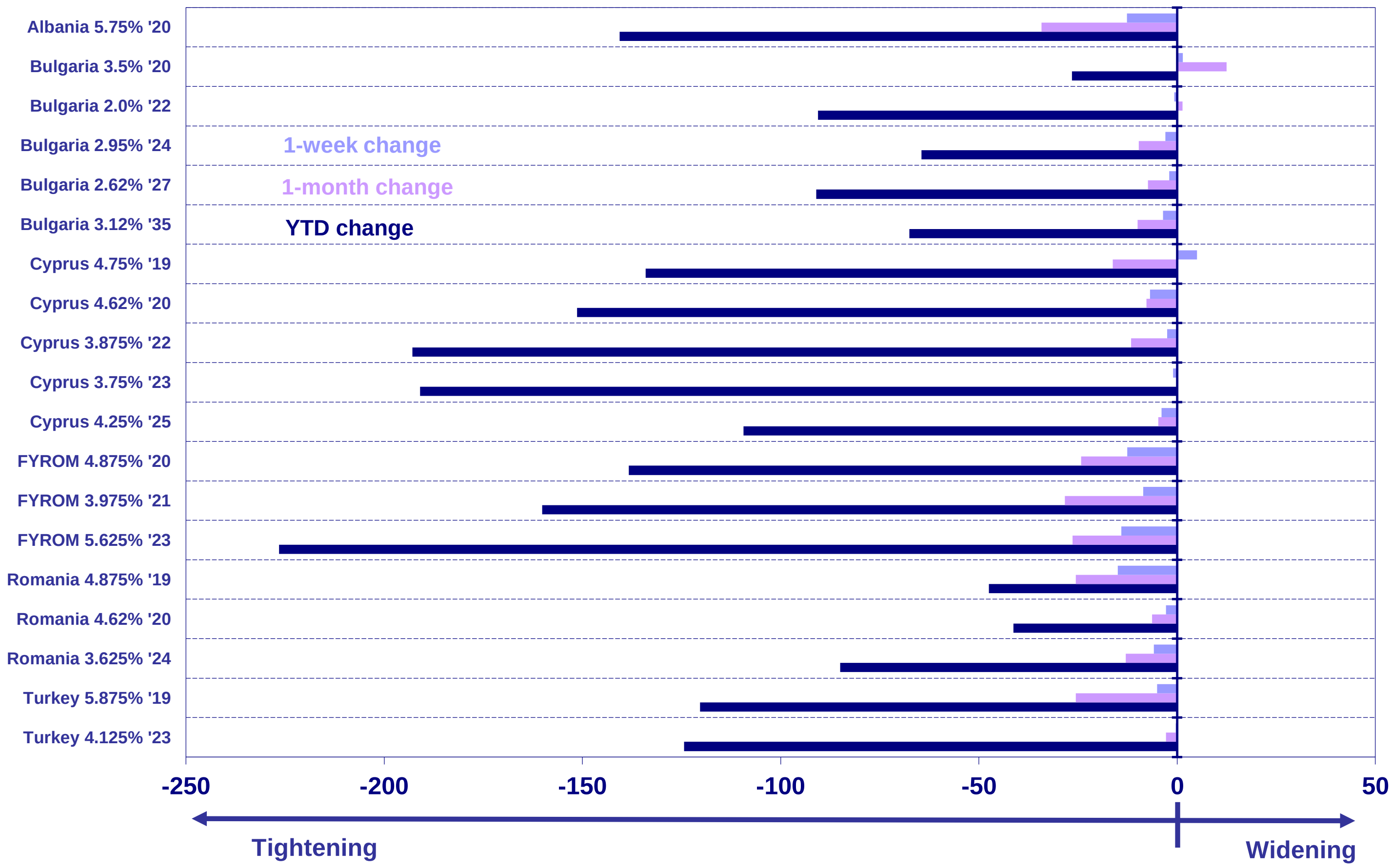
CREDIT DEFAULT SWAP SPREADS, SEPTEMBER 11TH 2017

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	178	110	60	188	379	- - -	80	98	137	144	159	166	- - -
10-Year	- - -	289	156	103	220	415	- - -	89	137	209	185	246	240	- - -

EUR-DENOMINATED SOVEREIGN EUROBOND SUMMARY, SEPTEMBER 11TH 2017

	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	238	190
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	0.2	96	38
Bulgaria 2.0% '22	EUR	BB+/Baa2	26/3/2022	1,250	0.2	55	10
Bulgaria 2.95% '24	EUR	BB+/Baa2	3/9/2024	1,493	0.9	106	57
Bulgaria 2.62% '27	EUR	BB+/Baa2	26/3/2027	1,000	1.5	117	82
Bulgaria 3.12% '35	EUR	BB+/Baa2	26/3/2035	900	2.6	179	136
Cyprus 4.75% '19	EUR	BB/NA	25/6/2019	566	0.1	89	41
Cyprus 4.62% '20	EUR	BB/B1	3/2/2020	770	0.4	117	62
Cyprus 3.875% '22	EUR	NA/B1	6/5/2022	1,000	1.5	191	152
Cyprus 3.75% '23	EUR	NA/B1	26/7/2023	1,000	1.9	221	178
Cyprus 4.25% '25	EUR	NA/B1	4/11/2025	1,000	2.4	234	193
FYROM 4.875% '20	EUR	BB-/NA	1/12/2020	270	2.0	274	222
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	2.3	291	443
FYROM 5.625% '23	EUR	BB-/NA	26/7/2023	450	3.5	378	343
Romania 4.875% '19	EUR	BBB-/Baa3	7/11/2019	1,500	-0.1	69	13
Romania 4.62% '20	EUR	BBB-/Baa3	18/9/2020	2,000	-0.1	62	3
Romania 3.625% '24	EUR	BBB-/Baa3	24/4/2024	1,250	1.1	127	86
Turkey 5.875% '19	EUR	NR/Ba1	11/4/2023	1,250	0.5	127	85
Turkey 4.125% '23	EUR	NR/Ba1	12/11/2020	1,000	2.4	271	231

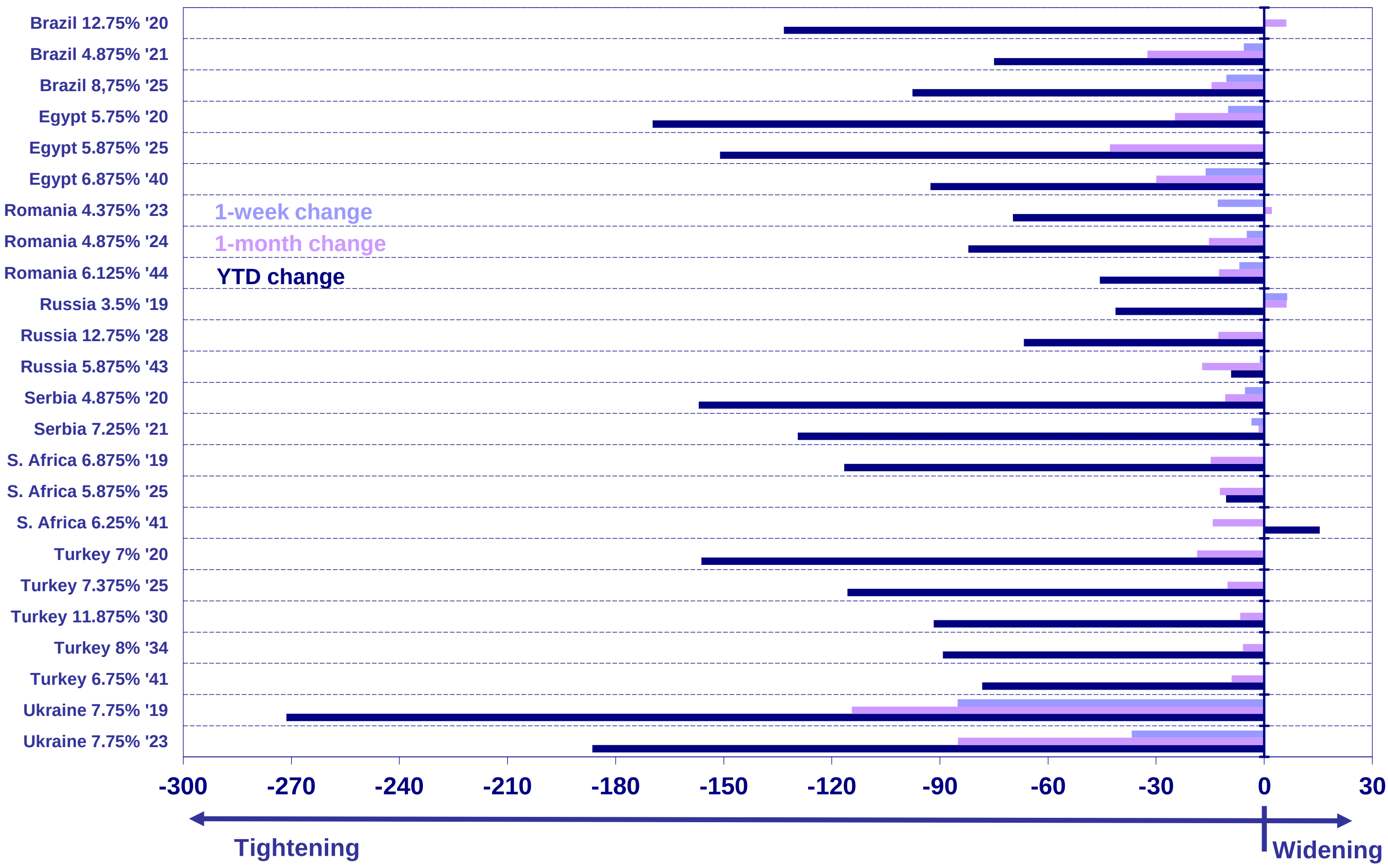
EUR-Denominated Eurobond Spreads (September 11th 2017)



USD-Denominated Sovereign Eurobond Summary, September 11th 2017

	Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Brazil 12.75% '20	USD	BB/Ba2	15/1/2020	234	2.2	85	68
Brazil 4.875% '21	USD	BB/Ba2	22/1/2021	2,988	2.8	137	118
Brazil 8.75% '25	USD	BB/Ba2	4/2/2025	969	4.0	209	244
Egypt 5.75% '20	USD	B-/B3	11/6/2025	1,000	3.8	240	227
Egypt 5.875% '25	USD	B-/B3	30/4/2040	1,500	5.5	350	349
Egypt 6.875% '40	USD	B-/B3	22/8/2023	500	6.9	411	443
Romania 4.375% '23	USD	BBB-/Baa3	22/1/2024	1,500	2.7	100	90
Romania 4.875% '24	USD	BBB-/Baa3	22/1/2044	1,000	2.8	87	101
Romania 6.125% '44	USD	BBB-/Baa3	16/1/2019	1,000	4.2	147	219
Russia 3.5% '19	USD	BB+/Ba1	24/6/2028	1,500	2.2	100	74
Russia 12.75% '28	USD	BB+/Ba1	16/9/2043	2,500	3.9	174	258
Russia 5.875% '43	USD	BB+/Ba1	25/2/2020	1,500	4.7	197	258
Serbia 4.875% '20	USD	BB-/B1	28/9/2021	1,500	2.7	123	110
Serbia 7.25% '21	USD	BB-/B1	27/5/2019	2,000	3.0	127	137
S. Africa 6.875% '19	USD	BBB-/Baa2	16/9/2025	1,748	2.3	93	76
S. Africa 5.875% '25	USD	BBB-/Baa2	8/3/2041	2,000	4.3	238	247
S. Africa 6.25% '41	USD	BBB-/Baa2	5/6/2020	750	5.4	263	319
Turkey 7% '20	USD	NR/Ba1	5/2/2025	2,000	3.1	164	154
Turkey 7.375% '25	USD	NR/Ba1	15/1/2030	3,250	4.4	247	272
Turkey 11.875% '30	USD	NR/Ba1	14/2/2034	1,500	5.0	290	391
Turkey 8% '34	USD	NR/Ba1	14/1/2041	1,500	5.4	329	364
Turkey 6.75% '41	USD	NR/Ba1	1/9/2019	3,000	5.5	279	325
Ukraine 7.75% '19	USD	B-/Caa3	1/9/2023	1,744	4.7	334	317
Ukraine 7.75% '23	USD	B-/Caa3	15/1/2020	1,355	6.5	460	479

USD-Denominated Eurobond Spreads (September 11th 2017)



STOCK MARKETS PERFORMANCE, SEPTEMBER 11TH 2017

	2017								2016		2015	
	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)	74,319	3.0	10.3	23.4	26.9	59,371	73,646	13.6	38.9	76.2	-13.3	-35.3
Bulgaria (SOFIX)	700	-0.7	-3.4	19.4	48.7	583	733	19.4	27.2	27.2	-11.7	-11.7
China (SHCOMP)	3,376	-0.1	5.2	8.8	11.7	3,017	3,391	1.8	-12.3	-15.3	9.4	16.5
Cyprus (CSE GI)	76	-0.8	-1.0	14.5	11.4	65	79	14.5	-2.0	-2.0	-20.9	-20.9
Egypt (HERMES)	1,222	1.0	-0.1	12.2	67.0	1,071	1,255	-0.4	72.7	-21.8	-24.4	-22.8
F.Y.R.O.M (MBI)	2,661	0.9	2.1	24.6	35.2	2,135	2,663	24.6	16.5	16.5	-0.6	-0.6
India (SENSEX)	31,882	0.6	2.1	19.7	12.4	25,718	32,686	11.9	1.9	2.6	-5.0	0.7
Romania (BET-BK)	1,653	1.5	1.1	23.0	27.0	1,365	1,665	21.4	0.2	0.0	2.6	1.6
Russia (RTS)	4,370	1.4	3.0	-11.2	-4.7	3,838	5,089	-16.2	24.2	54.3	30.3	9.5
Serbia (BELEX-15)	729	0.2	0.6	1.6	15.0	694	753	5.0	11.4	9.7	-3.4	-3.5
South Africa (FTSE/JSE)	56,009	-0.5	1.5	10.6	6.1	50,338	56,897	3.0	-0.1	16.1	1.9	-15.1
Turkey (ISE 100)	109,458	-0.5	2.3	40.1	42.1	75,657	110,531	27.7	8.9	-7.0	-16.3	-25.4
Ukraine (PFTS)	291	1.3	1.2	9.8	27.7	265	292	0.7	10.2	1.0	-37.8	-54.8
MSCI EMF	1,099	1.5	5.4	27.5	23.6	858	1,095	12.1	8.6	12.2	-17.0	-6.9
MSCI EAFE	1,965	1.7	2.5	16.7	16.4	1,677	1,955	2.7	-1.9	1.4	-3.3	7.7
Greece (ASE-General)	806	-0.3	-2.1	25.2	44.6	602	860	25.2	1.9	1.9	-23.6	-23.6
Germany (XETRA DAX)	12,475	3.1	3.8	8.7	19.6	11,415	12,952	8.7	6.9	6.9	4.9	4.9
UK (FTSE-100)	7,414	0.0	1.4	3.8	10.6	7,094	7,599	-2.6	14.4	-1.0	-4.9	0.1
USA (DJ INDUSTRIALS)	22,057	0.3	0.9	11.6	20.4	17,884	22,179	-1.8	13.4	16.7	-2.2	9.3
USA (S&P 500)	2,488	0.5	1.9	11.1	15.2	2,245	2,491	-2.2	9.5	13.2	-0.7	10.6

Equity Indices (September 11th 2017)