Economic Analysis Division

Emerging Markets Analysis

Bi-Weekly Report

30 April – 13 May 2019

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

Emerging Markets Analysis

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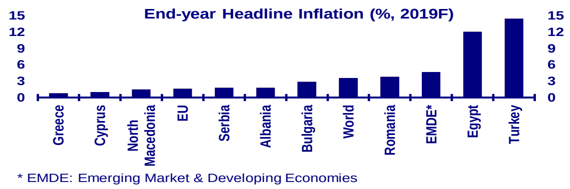
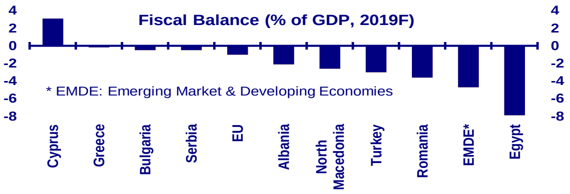
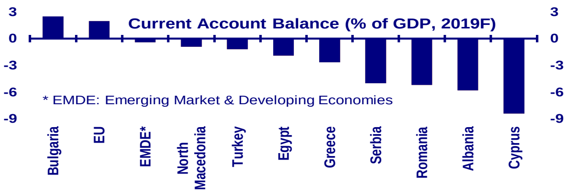


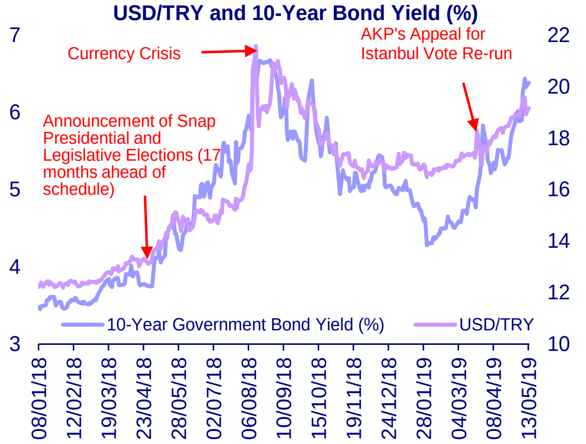




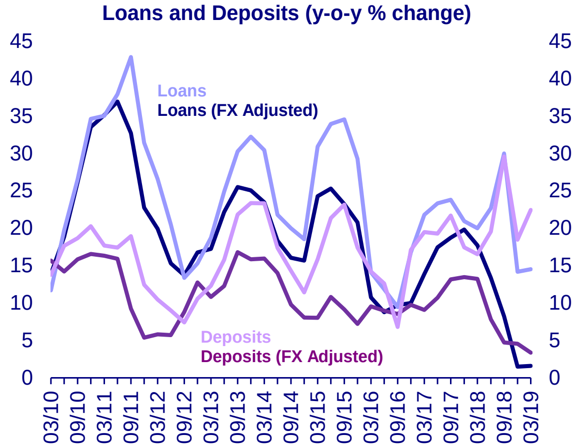
Turkey

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

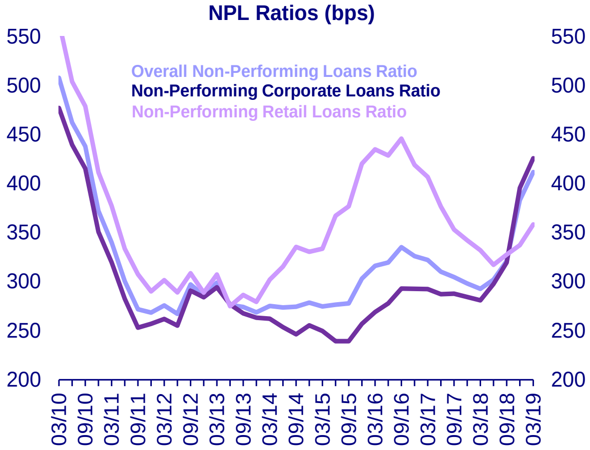
USD/TRY and 10-Year Bond Yield (%)



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



NPL Ratios (bps)



	13 May	3-M F	6-M F	12-M F
1-m TRIBOR (%)	26.0	24.0	22.0	19.5
TRY/EUR	6.80	6.75	6.70	6.80
Sov. Spread (2025, bps)	600	540	480	400

	13 May	1-W %	YTD %	2-Y %
ISE 100	86,283	-7.2	-4.6	-9.2

	2016	2017	2018	2019F	2020F
Real GDP Growth (%)	3.2	7.4	2.6	-1.2	2.0
Inflation (eop, %)	8.5	11.9	20.3	16.5	12.5
Cur. Acct. Bal. (% GDP)	-3.8	-5.6	-3.6	-1.2	-2.5
Fiscal Bal. (% GDP)	-1.1	-1.5	-1.9	-3.0	-3.0

Increased uncertainty, following the decision to re-run Istanbul elections. Following a challenge by President Erdogan's AK Party to the March 31st election result in Istanbul, which showed a narrow victory for the opposition CHP party, the High Election Board (HEB) ruled to re-run Istanbul elections on June 23rd, on the grounds that results documents from the end-March election were unsigned and some ballot box officials were not civil servants. Not surprisingly, markets reacted negatively to the HEB's decision, as it is set to delay further the implementation of a much-needed economic package to stabilise the economy and attract foreign investors. Indeed, since the HEB's ruling, the TRY has depreciated against the USD by c. 2.0% to a 7-month low of TRY 6.05 per USD, the 10-year bond rose by 1.5 pps to a 6-month high of 20.2%, the spread of the 10-year (USD) Eurobond rose by 40 bps to an 8-month high of 500 bps, the 5-year CDS spread increased by 60 bps to a 5-month high of 493 bps and the main BIST100 share index (.XU100) has declined by 8.2% to a 4-month low.
In view of more protracted uncertainty than initially expected, we revise our 2019 forecasts for growth, end-year inflation and the current account deficit-to-GDP ratio to -1.2%, 16.5% and 1.2%, respectively, from 0.2%, 14.5% and 2.8%.

State-owned banks prevented a decline in (FX-adjusted) lending activity in Q1:19. A downward trend in FX-adjusted lending growth (from a peak of 19.8% y-o-y at end-Q4:17 to a 9-year low of 1.5% y-o-y at end-Q4:18) was halted at end-Q1:19 by state-owned banks. In fact, FX-adjusted lending growth in Q1:19 (1.6% y-o-y) remained broadly unchanged from end-Q4:18, as state-owned banks stepped up their lending activity for the first time in 7 quarters (up 15.4% y-o-y against 12.6% at end-Q4:18) compensating for a sharper decline in private banks' lending (down 6.9% y-o-y against -5.2% at end-Q4:18).
Specifically, private banks continued to scale back their lending activity, due to limited access to external financing, tighter liquidity conditions (the loans-to-deposits ratio reached a record high of c. 125.0% at end-2018), higher domestic borrowing costs (the CBRT's average effective funding rate rose by 11.3 pps y-o-y to 24.1% in Q1:19), rising NPLs (the NPL ratio increased by 1.3 pps y-o-y to an 8½-year high of 4.3% at end-2018) and a bleak economic outlook (real GDP growth is expected to move to a negative territory this year after having posted a sharp slowdown last year).
On the other hand, despite the adverse operating environment, state-owned banks boosted their lending activity in Q1:19, as they were urged by the Erdogan administration to offer cheaper loans in a bid to contain the deterioration in economic activity ahead of the local elections. As a result, average interest rates on TRY retail loans, TRY corporate loans and USD corporate loans eased from multi-year highs of 31.9%, 30.5% and 6.6%, respectively, in Q4:18 to 27.9%, 24.3% and 6.1% in Q1:19.

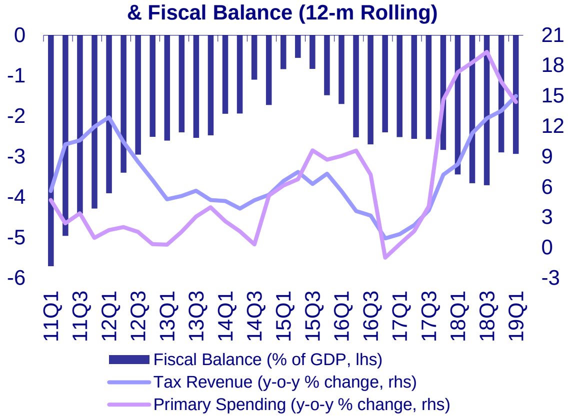
Deposit dollarization increased sharply in Q1:19, mainly due to heightening political and economic uncertainty ahead of the end-March local elections. Growth in customer deposits, adjusted for FX variations, declined to a 10-year low of 3.4% y-o-y at end-Q1:19 from 4.5% at end-Q4:18, mainly hindered by a recessionary environment. The deceleration in (FX-adjusted) deposits was also driven by lower deposit remuneration rates, with average interest rates on TRY and USD deposits declining to 20.3% and 3.3%, respectively, in Q1:19 from 23.2% and 4.2% in Q4:18. Worryingly, deposit dollarization, adjusted for valuation effects, increased sharply to 32.2% at end-Q1:19 from 29.2% at end-Q4:18, weakening the effectiveness of monetary policy.

Romania

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

Consolidated Budget (% of GDP)					
	2018 Outcome	Q1:18	Q1:19	2019 Budget	2019 NBG Forecast
Total Revenue	31.3	7.0	7.4	33.6	33.3
Tax Revenue	25.5	6.1	6.5	27.4	27.1
o/w PIT/CIT	4.1	1.1	1.0	4.2	4.1
VAT	6.3	1.4	1.5	6.9	6.6
Excise Duties	3.0	0.6	0.6	3.1	3.1
Soc. Sec. Contr.	10.4	2.3	2.6	11.5	11.6
Non-Tax Revenue	5.8	0.9	0.9	6.2	6.2
o/w EU Grants	2.8	0.4	0.4	3.2	3.2
Total Expenditure	34.2	7.5	7.9	36.4	36.7
Current Spending	28.9	6.6	7.2	30.4	30.9
o/w Wages	9.1	2.0	2.4	10.1	10.3
Social Spending	10.7	2.6	2.8	11.0	11.2
Goods & Services	4.7	0.9	1.0	4.6	4.7
Interest Paym.	1.4	0.3	0.3	1.3	1.3
Subsidies	0.7	0.3	0.2	0.8	0.7
Capital Expend.	5.3	0.9	0.7	6.0	6.0
Fiscal Balance	-2.9	-0.5	-0.5	-2.8	-3.6
Primary Balance	-1.5	-0.2	-0.2	-1.5	-1.3

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



	13 May	3-M F	6-M F	12-M F
1-m ROBOR (%)	3.1	3.0	3.0	3.0
RON/EUR	4.76	4.80	4.82	4.85
Sov. Spread (2024, bps)	138	128	120	110

	13 May	1-W %	YTD %	2-Y %
BET-BK	1,597	0.8	9.6	3.5

	2016	2017	2018	2019F	2020F
Real GDP Growth (%)	4.8	7.0	4.1	3.8	3.4
Inflation (eop, %)	-0.5	3.3	3.3	3.8	3.2
Cur. Acct. Bal. (% GDP)	-2.1	-3.2	-4.6	-5.2	-5.5
Fiscal Bal. (% GDP)	-2.4	-2.8	-2.9	-3.6	-3.8

The 4-quarter rolling budget deficit stood at 2.9% of GDP in Q1:19, unchanged compared with Q4:18, but still marginally close to the critical EU threshold of 3.0%. In Q1:19, the budget deficit stood at 0.5% of GDP, unchanged compared with the same period in 2018.

Worryingly, current spending rose sharply in Q1:19 (up 0.6 pps of GDP y-o-y), mainly due to a looser incomes policy. Indeed, in addition to a 10% rise in pensions in July 2018, the authorities proceeded with further hikes in public sector wages (up 20% on average) in January. The increase in current spending was partly offset by (temporarily) lower public investment (down 0.2 pps of GDP y-o-y), as the delay in the approval of the FY:19 budget distorted the spending pattern.

On a positive note, tax revenue improved in Q1:19 (up 0.4 pps of GDP y-o-y), helping contain the budget. The main driver was revenue from social security contributions (SSCs), which rose sharply in Q1:19 (up 0.3 pps of GDP y-o-y), in line with the looser incomes policy and its spillover to the private sector amid a very tight labour market (the LFS unemployment rate fell to a historical low of 3.8% in Q1:19).

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

Indeed, current spending should expand rapidly during the remainder of the year, fueled by the loose incomes policy. Note that, in addition to the aforementioned measures, pensions are set to rise by 15% in September (at a cost of 0.3 pps of GDP). Moreover, the authorities could find it difficult to curtail public consumption as planned (down 0.1 pp of GDP), in view of ongoing trends and the high accumulated stock of related arrears. As a result, current spending is unlikely to remain within the budget allocation.

At the same time, tax revenue could fail to compensate for the envisaged slippage in current spending. In fact, the FY:19 tax revenue budget target appears overly optimistic (excl. revenue from SSCs, up 13.3%, which is well above nominal GDP growth, up 7.6%). However, the adopted measures (including a turnover tax on energy, telecom and gambling companies and a hike in the excise duty on tobacco) explain only a small part of the envisaged rise (c. 30%). According to the authorities, the implied shortfall (0.6 pps of GDP) should be covered by higher revenue from indirect taxes (especially VAT), due to improved tax collection. The latter has been disappointing so far, however, with indirect tax revenue up just 0.1 pp of GDP y-o-y in Q1:19 against a targeted FY:19 budget increase of 0.7 pps. More worryingly, the need to reduce the stock of unpaid VAT refunds, which increased markedly in FY:18 (up c. 0.2 pps of GDP), could weigh on tax revenue during the remainder of the year.

Note that the FY:19 budget should benefit from once-off measures, including the sale of telecommunication licenses and the transfer of 35% of State-Owned Enterprise reserves to the budget as a dividend payment (projected to yield a combined 0.7 pps of GDP).

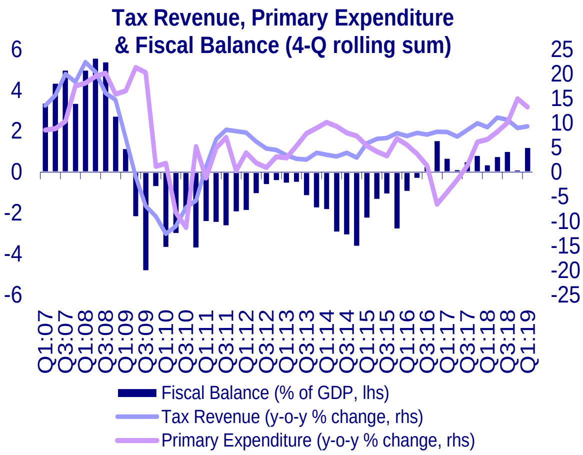
The controversial tax on banks' assets, which was recently watered down by the Government and is not included in the FY:19 budget, is set to provide minor boost to budget revenue (c. 0.1 pp of GDP).

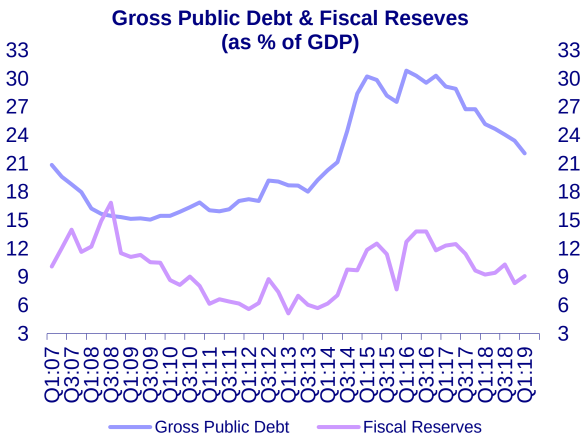
All said, unless extreme measures are adopted (note that personnel expenses and social spending currently account for c. 80% of tax revenue, thus, limiting significantly budget flexibility) and/or the public investment programme is (once-again) under-executed, we see the FY:19 budget deficit at 3.6% of GDP, surpassing both its target and the EU threshold of 3.0%.

Bulgaria

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

Consolidated Budget (% of GDP)	2018 Outcome	Q1:18	Q1:19	2019 Budget	2019 NBG Forecast
Total Revenue	36.7	8.5	9.5	38.2	38.6
Tax Revenue	29.9	7.2	7.4	30.1	30.5
Non-Tax Rev.	4.9	1.2	1.6	5.8	5.8
Grants	2.0	0.1	0.5	2.3	2.3
Total Expenditure	36.5	8.0	7.9	38.7	39.1
Current Spending	31.6	7.5	7.4	32.9	33.3
o/w Wages	8.1	1.9	2.0	8.2	8.5
Goods & Services	4.1	0.9	0.8	4.2	4.2
Subsidies	2.8	0.5	0.4	3.4	3.2
Social Spending	15.0	3.6	3.6	15.1	15.2
Interest Payments	0.6	0.3	0.3	0.6	0.6
Capital Expend.	4.9	0.5	0.5	5.8	5.8
Fiscal Balance	0.1	0.5	1.6	-0.5	-0.5





	13 May	3-M F	6-M F	12-M F
Base Interest Rate (%)	0.0	0.0	0.0	0.1
BGN/EUR	1.96	1.96	1.96	1.96
Sov. Spread (2022, bps)	56	45	43	40

	13 May	1-W %	YTD %	2-Y %
SOFIX	575	0.0	-3.2	-12.6

	2016	2017	2018	2019F	2020F
Real GDP Growth (%)	3.9	3.8	3.1	3.6	3.2
Inflation (eop, %)	0.1	2.8	2.7	2.9	2.7
Cur. Acct. Bal. (% GDP)	2.6	6.5	4.6	2.5	1.8
Fiscal Bal. (% GDP)	1.6	0.8	0.1	-0.5	-0.5

Higher grants from the EU and non-tax revenue pushed up (temporarily) the 4-quarter rolling budget surplus to 1.2% of GDP in Q1:19 from 0.1% in Q4:18. In Q1:19, the consolidated budget surplus widened markedly by 1.1 pp to 1.6% of GDP. The main factors behind this improvement were EU grants and non-tax revenue, which rose sharply in Q1:19 (both up 0.4 pps of GDP y-o-y). The rise in non-tax revenue was mainly due to a base effect from the change in the mechanism of revenue collection and redistribution under the budget of the Electricity System Security Fund (EPSF), effective as of July 2018. Note that the impact of this change on the budget balance is neutral, as both non-tax revenue and subsidies are raised equally, albeit with different timing. Tax revenue also improved in Q1:19 (up 0.2 pps of GDP y-o-y), mainly driven by higher VAT revenue.

On the other side of the budget, despite the looser incomes policy (public sector wages rose by 10% in January, with the education sector receiving an additional 10% raise), current spending was contained in Q1:19 (down 0.1 pp of GDP y-o-y), reflecting (temporarily) lower subsidies and a slowdown in public consumption

Fiscal policy is set to turn expansionary during the remainder of the year. The FY:19 budget allows for significant fiscal relaxation, targeting a deficit of 0.5% of GDP against the marginal surplus of 0.1% achieved in FY:18.

In this context, we expect public investment to pick up strongly during the remainder of the year, reflecting, *inter alia*, higher EU funding.

Similarly, current spending is set to accelerate, fueled by the loose incomes policy (in addition to the hikes in public sector wages, pensions will rise by 5.7% in July), as well as higher public consumption (mainly spending related to defense). The upward adjustment in subsidies, to reflect the higher revenue received y-t-d under the EPSF budget, could also weigh on current spending. Worryingly, the cost of the incomes policy measures appears to be somewhat understated in the budget (personnel expenses and social spending are up 0.1 pp of GDP y-o-y in Q1:19 against a targeted FY:19 rise of just 0.2 pps).

The envisaged slippage in budget spending should, however, be offset by the overperformance in tax revenue (already up 0.2 pps of GDP y-o-y in Q1:19 against an equivalent targeted increase in the FY:19 budget). Indeed, we expect the latter to improve further during the remainder of the year, reflecting strong consumption-driven economic growth and better tax compliance. The increase in the maximum taxable income for social security contributions should also help.

Non-tax revenue (excl. revenue under the EPSF budget) is also projected to increase during the remainder of the year, boosted by revenue from the concession of Sofia airport (0.6% of GDP).

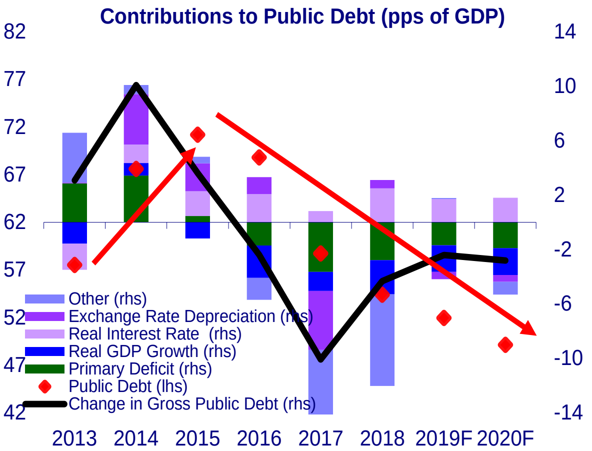
All said, the FY:19 budget appears broadly consistent with its target. The implied fiscal impulse (0.6 pps of GDP) should help the economy to expand at a solid pace (up 3.6% against 3.1% in FY:18).

Bulgaria's already low gross public debt is set to decline further in FY:19. Bulgaria's gross financing needs are estimated at 1.8% of GDP in FY:19. The FY:19 budget law allows for new debt issuance worth up to 0.9% of GDP, with the remaining needs covered through depletion of fiscal reserves (8.4% of GDP at end-2018). As a result, in view of positive debt dynamics (*ex-post* real interest rates are negative -- currently at -3.0% for the 10-year tenure -- while the primary balance is projected to remain marginally in surplus in FY:19), gross public debt (incl. guaranteed debt) is projected to drop further to 22.6% of GDP at end-2019 from 23.4% at end-2018, remaining among the lowest in the EU (where the average stands at c. 85%).

Serbia

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

Consolidated Fiscal Balance (% of GDP)	2018	Q1:18	Q1:19	2019 Budget	2019F NBG
Revenue	41.6	9.4	9.9	40.0	40.4
Tax Revenue	36.0	8.3	8.6	35.5	35.6
PIT	3.5	0.8	0.8	3.5	3.6
CIT	2.2	0.5	0.6	2.3	2.2
VAT	9.9	2.2	2.4	9.7	9.6
Excises	5.7	1.5	1.3	5.7	5.8
Customs	0.9	0.2	0.2	0.9	0.9
Other taxes	1.5	0.3	0.4	1.4	1.5
Soc. Contrib.	12.2	2.8	2.9	12.0	12.0
Non-Tax Rev.	5.3	1.0	1.2	4.3	4.5
Grants	0.3	0.0	0.0	0.2	0.3
Expenditure	41.0	9.3	9.7	40.5	40.8
Current Exp.	36.5	8.6	8.9	36.2	36.3
Personnel	9.3	2.3	2.3	9.3	9.3
Goods & Services	6.8	1.3	1.4	6.7	6.8
Subsidies	2.2	0.4	0.4	2.3	2.2
Social Assist.	14.7	3.6	3.7	14.8	14.8
o/w Pensions	10.4	2.5	2.6	10.4	10.4
Other	1.4	0.2	0.3	1.3	1.3
Int. Payments	2.1	0.8	0.9	1.8	1.9
Capital Exp.	3.9	0.6	0.7	3.9	4.3
Activated Guarant.	0.4	0.1	0.0	0.2	0.2
Net Lending	0.1	0.0	0.0	0.2	0.1
Fiscal Balance	0.6	0.1	0.2	-0.5	-0.5
Primary Balance	2.8	0.9	1.1	1.3	1.4



	13 May	3-M F	6-M F	12-M F
1-m BELIBOR (%)	2.6	2.7	2.8	3.0
RSD/EUR	117.9	116.5	116.0	115.0
Sov. Spread (2021, bps)	118	116	113	110

	13 May	1-W %	YTD %	2-Y %
BELEX-15	733	-1.4	-3.8	0.9

	2016	2017	2018	2019F	2020F
Real GDP Growth (%)	3.3	2.0	4.3	3.6	3.8
Inflation (eop, %)	1.6	3.0	2.0	1.8	2.0
Cur. Acct. Bal. (% GDP)	-2.9	-5.3	-5.2	-5.0	-4.5
Fiscal Bal. (% GDP)	-1.2	1.1	0.6	-0.5	-0.4

The fiscal balance improved slightly on an annual basis in Q1:19. The consolidated fiscal surplus increased slightly by 0.1 pp y-o-y to 0.2% of GDP in Q1:19, as higher revenue (up 0.5 pps of GDP y-o-y) more than offset the rise in expenditure (by 0.4 pps of GDP y-o-y).

Indeed, the positive overall revenue performance was driven by an improvement in both tax revenue and non-tax revenue (up 0.3 pps and 0.2 pps of GDP y-o-y, respectively, in Q1:19). The increase in tax revenue was supported by: i) higher VAT revenue, in line with the continued improvement in disposable income (reinforced by the 8.6% rise in the minimum wage) and accelerating employment; and ii) corporate income tax, reflecting improved corporate profitability in FY:18 (that was supported by lower funding costs and increased demand).

On the other hand, the rise in spending in Q1:19 resulted from higher capital expenditure, pensions (see below) and subsidies (each up by 0.1 pp of GDP y-o-y).

The expected expansionary fiscal stance in FY:19 will not reverse the downward trend of the public debt-to-GDP ratio. The 2019 Budget envisages a fiscal loosening for a 2nd successive year (after 4 years of significant consolidation under the IMF programme in 2015-17). Recall that the fiscal loosening in 2018-19 is the result of a large fiscal space following stronger-than-expected consolidation under the IMF programme in 2015-17. In fact, the 2019 Budget targets a fiscal deficit of 0.5% of GDP -- 1.1 pp above the FY:18 outcome.

The elevated FY:19 deficit target should be met and result from an expected significant expansionary fiscal stance during the rest of the year (1.2 pps of GDP y-o-y in Q2-Q4:19), reflecting exclusively lower revenue.

Specifically, we foresee overall revenue weakening (by 1.7 pps y-o-y in Q2-Q4:19), largely driven by significantly lower non-tax revenue (down by a sizeable 1.2 pps of GDP y-o-y in Q2-Q4:19), reflecting unsupportive base effects (unusual large dividend payments from state-owned companies and other once-offs in FY:18). Moreover, the decline in tax revenue should explain the other ⅓ decline in total revenue in Q2-Q4:19, due to: i) the abolition of the 0.75% unemployment benefit contribution (with a fiscal impact of 0.2 pps of GDP in FY:19); and ii) a milder boost from collection efficiency.

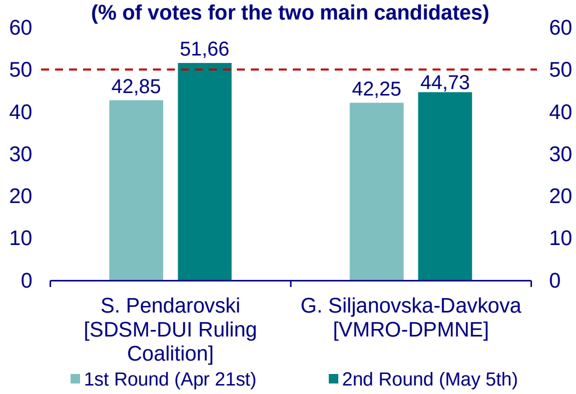
This negative revenue performance in Q2-Q4:19 is expected to be partly offset by the drop in expenditure (by 0.5 pps of GDP y-o-y in the remainder of the year), despite: i) the abolishment of the temporary pension reductions, introduced in 2014, and a 7%-12% rise in public sector wages this year (each with an estimated fiscal impact of 0.6% of GDP in FY:19); and ii) unbudgeted expenses related to the recently-adopted bill, envisaging the conversion of CHF-indexed mortgage loans into EUR and a 38% write-off of principal, with the state reportedly set to cover 15 pps of the debt waiver and provide tax relief of 2%-3% to banks (with an estimated fiscal cost of 0.2 pps-0.3 pps of GDP). The rise in outlays in FY:19 should be held back by lower interest payments (down by an estimated 0.3 pps of GDP y-o-y in Q2-Q4:19), due to the decline in public debt (see below), lower assistance to state-owned companies, the continued public sector employment ban, as well as lower social assistance outlays (following the expected decline in the unemployment rate this year). Overall, we see the FY:19 fiscal balance turning into a deficit of 0.5% of GDP -- in line with its deficit target -- and resulting in a fiscal impulse of 1.1 pp of GDP.

Importantly, despite the expansionary fiscal stance, the public debt-to-GDP ratio is set to ease further, for a 4th successive year to (an 8-year low of) 51.7% of GDP in FY:19 from 54.4% in FY:18 and a 12-year high of 71.2% at end-2015.

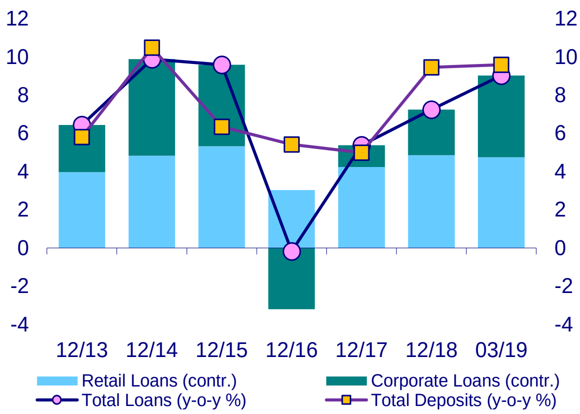
North Macedonia

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

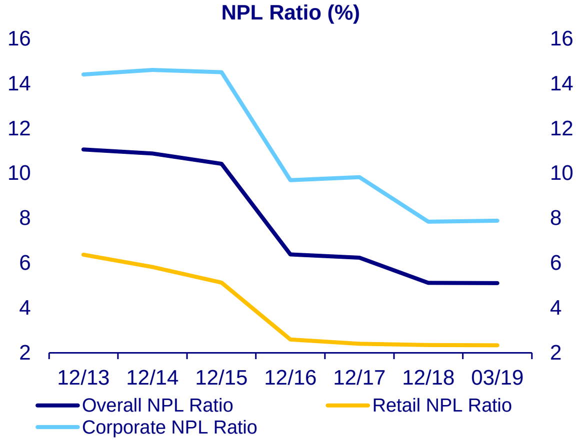
2019 Presidential Elections
Results of First and Second Rounds
(% of votes for the two main candidates)



Credit to the Private Sector & Customer Deposits



NPL Ratio (%)



	13 May	3-M F	6-M F	12-M F
1-m SKIBOR (%)	1.2	1.8	2.3	2.8
MKD/EUR	61.3	61.3	61.3	61.3
Sov. Spread (2021. bps)	184	210	190	160

	13 May	1-W %	YTD %	2-Y %
MBI 100	3,740	2.7	7.8	69.4

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

A long period of political turbulence ends with the election of a pro-European President. The government-backed Presidential candidate, S. Pendarovski, won the second round of Presidential elections held on May 5th, securing 51.7% of vote. His rival G. Siljanovska-Dankova, supported by the conservative opposition VMRO-DPMNE, won 44.7%. The voter turnout stood at 46.7% -- well above the threshold of 40% of registered votes needed for the election outcome to be valid.

Importantly, the election of the pro-European Pendarovski ends a long period of political turbulence, boosts confidence in the domestic economy and increases the chances of the country starting European accession talks and joining NATO by the end of this year. Recall that the outgoing nationalist, G. Ivanov, was fiercely opposed to the Prespa Agreement.

A strong rebound in lending to corporates pushed overall credit growth to a 13-quarter high of 9.0% y-o-y in Q1:19. Growth of credit to the private sector accelerated further to 9.0% y-o-y in Q1:18 from 7.2% at end-2018, 5.4% at end-2017 and a low of -0.2% at end-2016. The improved performance in Q1:19 was driven exclusively by the continued recovery in the corporate segment (up 8.4% y-o-y from 4.5% at end-2018 and a subdued rise of 2.1% at end-2017). Retail loan growth remained close to double digits (up 9.7% y-o-y at end-Q1:19 against 10.2% at end-Q4:18).

Higher lending to corporates reflected both higher supply and demand for loans. The strong demand for corporate loans was supported by stronger business confidence, following the finalisation of the name agreement with Greece in January – expected to open the door to EU accession talks this year. More favourable lending rates (the blended lending interest rate fell by 42 bps y-o-y to 5.3% in Q1:19), on the back of strong competition for lending market shares among banks and a low policy rate environment, also enhanced corporate demand for credit. Banks' supply of loans to corporates was supported by strengthening economic activity (see Table) and a declining non-performing corporate loans ratio (7.9% at end-Q1:19 -- down from a peak of c. 15.0% at end-2014).

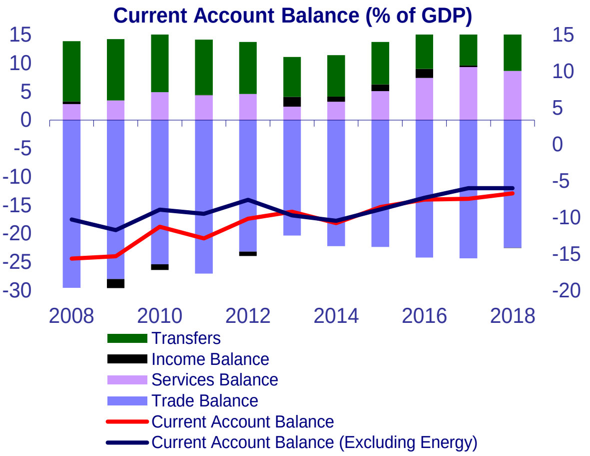
On the other hand, solid growth in retail loans in Q1:19 was supported by still low credit risk (the non-performing retail loans ratio has been broadly unchanged at c. 2.5% since end-2016). Note that the sharp decline in the overall NPL ratio from a peak of 11.1% at end-2013 to 5.1% in Q1:18 was largely due to the entry into force of the end-2015 Central Bank regulation, requiring banks to write-off their fully-provisioned loans held in "loss" category for more than two years.

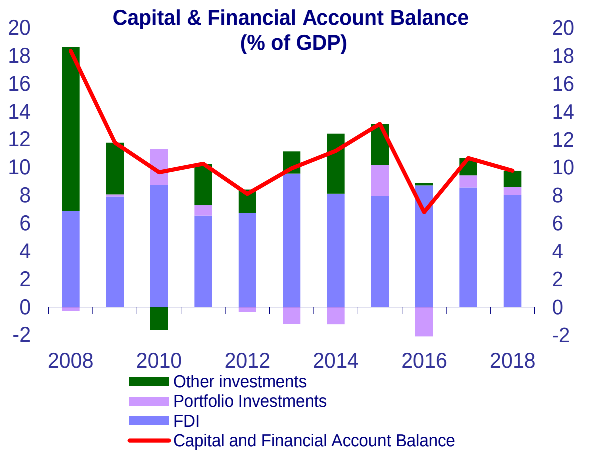
Looking ahead, we expect credit activity to gain momentum by end-year (up c. 10.0% against 7.2% at end-2018), underpinned by: i) adequate domestic sources of funding (the LC loan-to-LC deposit ratio stood at c. 96.0% at end-Q1:19); ii) banks' improved quality of loan books (see above); iii) a moderate penetration rate (48.0% of GDP); and iv) a brighter political and economic outlook.

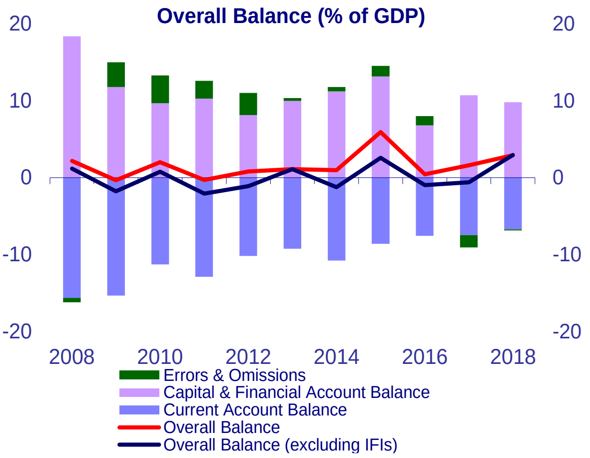
Customer deposit growth maintained momentum in Q1:19 (up 9.6% y-o-y), underpinned by the corporate segment. Deposit growth stood at 9.6% y-o-y at end-Q1:19 – broadly unchanged from end-Q4:18 (9.5%). The stabilisation of overall deposit growth reflects the fact that an acceleration in corporates' deposits (up 12.1% y-o-y at end-Q1:19 from 9.5% at end-Q4:18) was broadly offset by a deceleration in the retail deposit base (up 8.7% y-o-y at end-Q1:19 against a rise of 9.5% at end-Q4:18). Deposit growth would have been stronger had deposit remuneration rates not continued to decline (the blended deposit rate fell by 8 bps y-o-y to 1.4% in Q1:19).

Albania

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







	13 May	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	1.2	2.2	2.2	2.2
ALL/EUR	123.1	123.8	123.5	122.0
Sov. Spread (bps)	176	215	200	180

	13 May	1-W %	YTD %	2-Y %
Stock Market	- - -	- - -	- - -	- - -

	2016	2017	2018	2019F	2020F
Real GDP Growth (%)	3.3	3.8	4.1	3.8	4.0
Inflation (eop, %)	2.2	1.8	1.8	1.8	2.0
Cur. Acct. Bal. (% GDP)	-7.6	-7.5	-6.7	-5.8	-5.6
Fiscal Bal. (% GDP)	-1.8	-2.0	-1.6	-2.1	-2.1

The IMF mission concludes Albania's second Post-Programme Monitoring (PPM) review. The IMF mission underlined that Albania's medium-term economic outlook is broadly favourable. Nevertheless, it urged the authorities to: i) proceed with larger and front-loaded fiscal adjustment, in order to build fiscal buffers and ensure a faster reduction of the public debt-to-GDP ratio, through the introduction of revenue-enhancing measures and the reversal of currently implemented measures that are weakening the tax base; ii) prevent the build-up of new arrears (c. 1.8% of GDP at end-2018); and iii) contain fiscal risks stemming from the (quasi-public) energy sector and the Public-Private Partnerships.

The current account deficit (CAD) continued on its downward trend, for a 4th consecutive year, narrowing to a 12-year low of 6.7% of GDP in FY:18. The CAD declined by 0.7 pps to (a 12-year low of) 6.7% of GDP in FY:18, due to a narrower trade deficit (down by a sizeable 1.9 pps of GDP), reflecting both a strong export performance, as well as lower investment-related imports.

In fact, exports continued to record double-digit growth (up 23.7%, in EUR terms in FY:18), reflecting a rebound in oil and electricity exports after 4 consecutive years of sharp decline. The latter rose sharply in FY:18, in line with electricity production, due to abundant rainfall, following a drought in FY:17. The pick-up in energy exports is estimated to have reduced the negative impact of the energy balance on the CAD from -1.5 pps of GDP in FY:17 to -0.7 pps in FY:18.

On the other hand, imports rose at a slower pace (up 6.5% in FY:18, compared with a rise of 9.2% in FY:17), despite the rebound in private consumption and the strong of the ALL. The slowdown in imports can be attributed to lower imports related to energy projects (i.e., TAP and the Statkraft/Devoll hydropower projects) -- contributing 1.6 pps of GDP to the FY:18 CAD against 2.3 pps in FY:17, according to the IMF -- as the largest part of TAP was completed in FY:17.

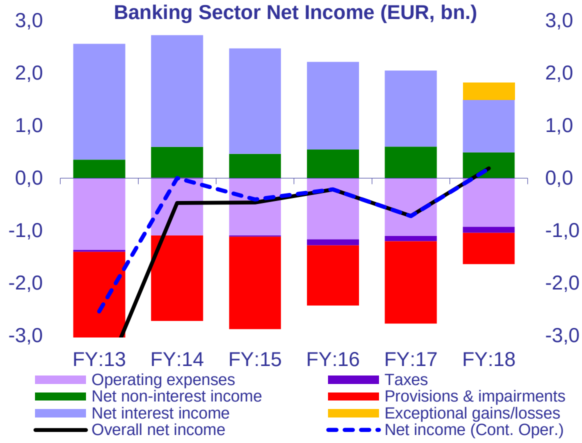
The capital and financial account (CFA) surplus, excluding IMF disbursements, narrowed in FY:18, but fully covered the CAD. The CFA balance (excluding the disbursement of the last two tranches from the IMF, totalling EUR 73.2mn, or 0.6% of GDP, in FY:17) deteriorated marginally by 0.3 pps to a surplus of 9.8% of GDP in FY:18. Importantly, although (net) FDIs declined (down 0.5 pps to a still high by regional standards of 8.0% of GDP in FY:18), as energy projects approach their final stage, they covered 120% of the FY:18 CAD. The CFA was also supported by: i) the issuance of the EUR 500mn Eurobond in October (of which EUR 200mn was used for the pay-back of a Eurobond maturing in 2020); and ii) the disbursement of the first tranche of EUR 118mn (0.9% of GDP) of a total loan of EUR 218mn from the EBRD to the state-owned electricity producer, KESH.

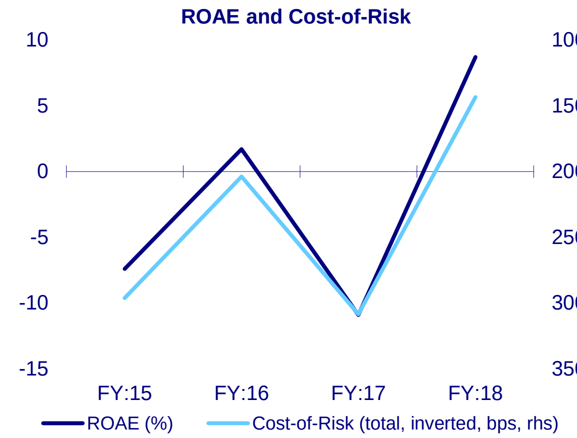
Reflecting the current account and CFA developments, almost zero net errors and omissions and valuation effects, FX reserves rose by a sizeable EUR 403mn (or 3.2% of GDP) in FY:18 to a record high EUR 3.4bn, covering an adequate 7.0 months of GNFS imports.

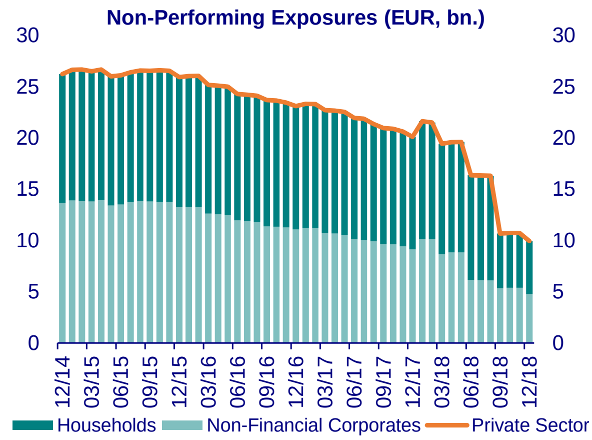
The CAD is set to narrow further this year and be fully covered through large FDIs. For 2019, the CAD is expected to continue on its downward trend, declining by 0.9 pps to a record low of 5.8% of GDP. The improvement should result from: i) lower imports related to energy projects (0.8% of GDP in FY:19 against 1.6% in FY:18, according to the IMF); and ii) a rise in the services surplus, driven by higher tourism receipts. Regarding financing, despite their decline (by an expected 0.5 pps to 7.5% of GDP this year) following the completion of energy projects, (net) FDI inflows should more than cover the FY:19 CAD and other financing needs, boosting further FX reserves by c. EUR 200mn y-o-y to a record high of EUR 3.3bn at end-2019.

Cyprus

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







	13 May	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.37	-0.37	-0.37	-0.37
EUR/USD	1.12	1.22	1.24	1.26
Sov. Spread (2025. bps)	119	130	120	100

	13 May	1-W %	YTD %	2-Y %
CSE Index	70	-0.1	6.1	-11.5

	2016	2017	2018	2019F	2020F
Real GDP Growth (%)	4.8	4.5	3.9	3.6	3.2
Inflation (eop. %)	-0.3	-0.6	1.7	1.0	1.2
Cur. Acct. Bal. (% GDP)	-5.1	-8.4	-7.0	-8.4	-7.8
Fiscal Bal. (% GDP)	0.3	1.8	-4.8	3.1	3.0

The banking sector turned profitable for the first time in 8 years in FY:18, supported by a sharp decline in the cost of risk and an exceptional accounting gain related to the Hellenic Bank's (HB) acquisition of the operations of Cyprus Cooperative Bank's (CCB). The banking sector bottom line turned into a surplus of EUR 186mn (0.9% of GDP) in FY:18 from a loss of EUR 721mn (3.7% of GDP) in FY:17. This positive development was mainly due to a sharp decline in banks' provisions (down 62%) and an exceptional accounting gain ("*negative goodwill*") amounting to EUR 298mn, related to HB's acquisition of CCB in early-September. The latter resulted from the transfer of CCB's performing assets and liabilities (worth EUR 9.3bn) to HB's books at an 80% discount on their net fair value. Recall that, in July 2018, in an effort to accelerate the clean-up of banks' loan books, Parliament approved, *inter alia*, the transfer of CCB's non-performing exposures (NPEs of EUR 5.7bn) to a "residual entity" owned and financed by the State, the sale of CCB's remaining assets and liabilities to HB, and the provision of State guarantees amounting to EUR 2.3bn. As a result, banking sector profitability improved, with the ROAE and ROAA rising to 8.7% and 0.4%, respectively, in FY:18 from -10.9% and -1.1% in FY:17.

The cost of risk declined significantly in FY:18, in line with a sharp decrease in banks' stocks of NPEs. Indeed, banks' stocks of NPEs halved to EUR 10.4bn at end-December -- their lowest level since the inception of the database by the EBA in December 2014. This positive performance was due to the carve-out of CCB's NPEs (mainly comprising mortgage loans to the household sector) and, to a lesser extent, sales of bad loans (mainly related to SMEs loans), write-offs and debt-for-asset swaps. Note that, during the past year, banks engaged more intensely with third-party debt servicing companies to outsource NPE recovery activities, with the country's largest bank -- Bank of Cyprus -- announcing in H2:18 sales of NPEs worth EUR 2.7bn (c. 6.0% of the end-2017 stock of total gross loans or c. 14% of the end-2017 stock of NPEs) to be completed in Q2:19. As a result, the overall NPE ratio declined to 30.5% at end-December from 42.5% at end-2017 and a peak of 49.0% in May 2016. Against the backdrop of negative NPE formation, banks lowered loan loss provisions. As a result, the (4-quarter rolling) cost of risk declined sharply from 303 bps in Q4:17 to a multi-quarter low of 138 bps in Q4:18.

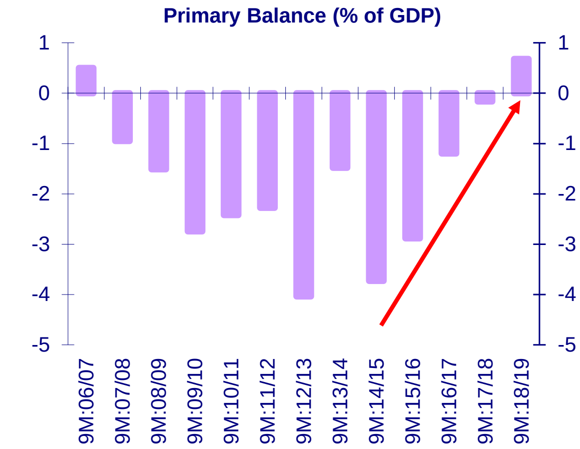
Pre-provision earnings fell modestly (down 6.4%) in FY:18, as a sharp drop in the top line was tempered by lower operating expenses. Net interest income (NII) declined by 30.7% in FY:18 due to a weaker net interest margin (NIM, down 58 bps to 170 bps) and lower average interest-earning assets (down 7.1% to 285% of GDP), stemming mainly from large sales of NPEs, write-offs and continued deleveraging. Net non-interest income (NNII) also declined in FY:18 (down 18.2%), reflecting, *inter alia*, losses from the revaluation and disposal of banks' investment properties, lower net fees and commission income (down 13.3%, due, *inter alia*, to migration of certain NPE-related commission income under new IFRS 9 accounting standards) and a base effect from a once-off gain (EUR 19.0mn) from HB's divesture of its arrears management unit last year.

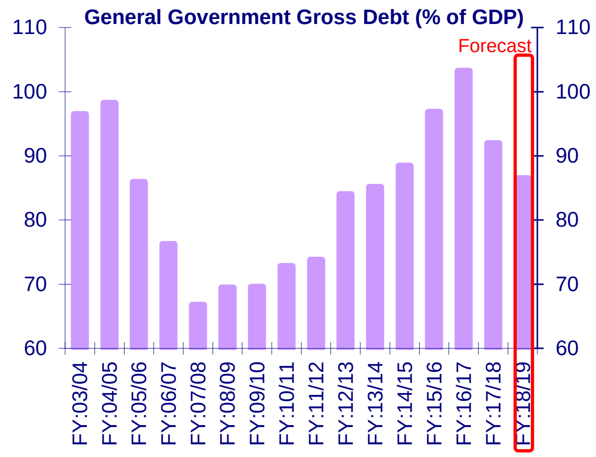
The deterioration in FY:18 pre-provision income was tempered by the decline in operating expenses (down 15.6%), reflecting mainly lower staff costs (down 17.3%). The latter resulted mainly from the voluntary early exit scheme of HB at end-Q4:17 (EUR 41.3mn) and the closure of the CCB in early-September. As a result, the cost-to-income ratio increased by 8.4 pps on an annual basis to 62.1% in FY:18 -- still lower than the EU-average of 64.6%.

Egypt

B / B2 / B+ (S&P / Moody's / Fitch)

Fiscal Accounts (% of GDP)	2017/18 Estimate	9M: 2017/18 Outcome	9M: 2018/19 Outcome	2018/19 Budget	NBG 2018/19 Forecast
Revenue	18.1	11.2	11.4	18.8	18.6
Tax Revenue	14.1	9.1	8.9	14.7	14.3
Other Revenue	4.0	2.1	2.5	4.1	4.3
Expenditure	27.9	17.4	16.8	27.2	27.1
Wages & Salaries	5.3	3.9	3.7	5.1	5.1
Purch. of G. & S.	1.1	0.7	0.8	1.1	1.2
Interest Payments	9.8	6.1	6.0	10.3	10.2
Subsidies, grants & social benefits	7.4	4.3	3.3	6.3	6.3
Other Expenditure	4.2	2.5	2.9	4.3	4.3
Fiscal Balance	-9.7	-6.2	-5.4	-8.4	-8.5
Primary Balance	0.1	-0.2	0.7	2.0	1.7





	13 May	3-M F	6-M F	12-M F
O/N Interbank Rate (%)	15.9	15.5	14.0	12.0
EGP/USD	17.0	17.6	17.8	18.0
Sov. Spread (2025, bps)	429	350	330	290

	13 May	1-W %	YTD %	2-Y %
HERMES 100	1,344	-2.0	5.8	14.9

	15/16	16/17	17/18	18/19F	19/20F
Real GDP Growth (%)	4.3	4.2	5.3	5.5	5.8
Inflation (eop. %)	14.0	29.8	14.4	12.5	9.0
Cur. Acct. Bal. (% GDP)	-6.0	-6.0	-2.4	-2.0	-1.8
Fiscal Bal. (% GDP)	-12.5	-10.9	-9.7	-8.6	-7.2

The envisaged fiscal consolidation for this fiscal year -- 1.3 pps of GDP -- is on track. The fiscal balance improved significantly, by 0.8 pps y-o-y to a deficit of 5.4% of GDP in 9M:18/19 (July 2018-March 2019), mainly on the back of lower expenditure (down 0.6 pps of GDP y-o-y). The latter resulted from a sharp decline in current expenditure (down 1.2 pps of GDP y-o-y) and would have been much lower had capital expenditure not increased (up 0.4 pps of GDP y-o-y). The decline in current expenditure was driven by further cuts in energy and food subsidies (down 1.0 pp of GDP y-o-y), envisaged in the 3-year IMF-supported programme and, to a lesser extent, a more favourable wage bill (down 0.2 pps of GDP y-o-y), in line with the October 2016 new civil service law -- designed to curb large increases in salaries by placing a ceiling on annual allowances and encourage early retirement.

The positive fiscal performance in 9M:18/19 was also underpinned by higher revenue (up 0.2 pps of GDP y-o-y), reflecting buoyant economic activity and better tax collection. Note that the decline in tax revenue in 9M:18/19 (down 0.2 pps of GDP y-o-y) is not a cause for concern, as it reflects the postponement of tax payments on T-bills to the Treasury by the Central Bank (0.3 pps of GDP – to occur by the end of the current fiscal year (June)).

Importantly, the 9-month primary fiscal balance turned, for the first time in 12 fiscal years, into a surplus this fiscal year (0.7% of GDP) and was in line with the IMF target.

Looking ahead, we expect the recent positive trends to continue during the rest of the fiscal year, bringing the overall fiscal deficit to 8.5% of GDP in FY:18/19 – well below the FY:17/18 outcome (9.7% of GDP) and broadly in line of its target (8.4% of GDP).

The expected fiscal consolidation this fiscal year (1.2 pps of GDP), along with high nominal GDP growth, will help reduce further the general government debt to 86.5% of GDP from 92.5% in 2017/18 and an all-time high of 103.0% in 2016/17.

Fiscal consolidation to continue in FY:19/20 and meet its target of 1.3 pps of GDP. The 2019/20 draft Budget envisages further fiscal tightening, targeting a deficit of 7.2% of GDP compared with our FY:18/19 deficit forecast of 8.5%.

The draft Budget sees expenditure rising by 11.0% with respect to our FY:18/19 forecast (down 1.5 pps to 25.5% of GDP in FY:19/20), mainly due to another round of cuts in energy subsidies (fuel and electricity subsidies are expected to be cut by 40.5% and 75.0% in June/July and set to contribute to the reduction of total subsidies and social welfare payments by 1.0 pp to 5.3% of GDP in FY:19/20), the implementation of the civil service law (bringing the wage bill down to 4.9% of GDP in FY:19/20 from 5.1% in FY:18/19) and the expected loosening of the monetary policy stance (projected to reduce interest rates on government bills and bonds to 15.5% in FY:19/20 from 18.0% in the current fiscal year and resulting in a decline in interest payments by 1.0 pp to 9.2% of GDP in FY:19/20).

The draft Budget also sees revenue declining by 16.2% with respect to our FY:18/19 forecast (down 0.2 pps to 18.4% of GDP in FY:19/20), due to stronger economic activity (real GDP growth up to 6.0% from 5.6% in FY:18/19), better tax collection through further progress in the formalisation of the informal sector, and larger privatisation proceeds.

In our view, both revenue and expenditure growth targets for FY:19/20 are attainable and are set to bring the fiscal deficit down to an 11-year low of 7.2% of GDP – in line with its target and below our forecast of 8.5% of GDP for FY:18/19.

FOREIGN EXCHANGE MARKETS, MAY 13TH 2019

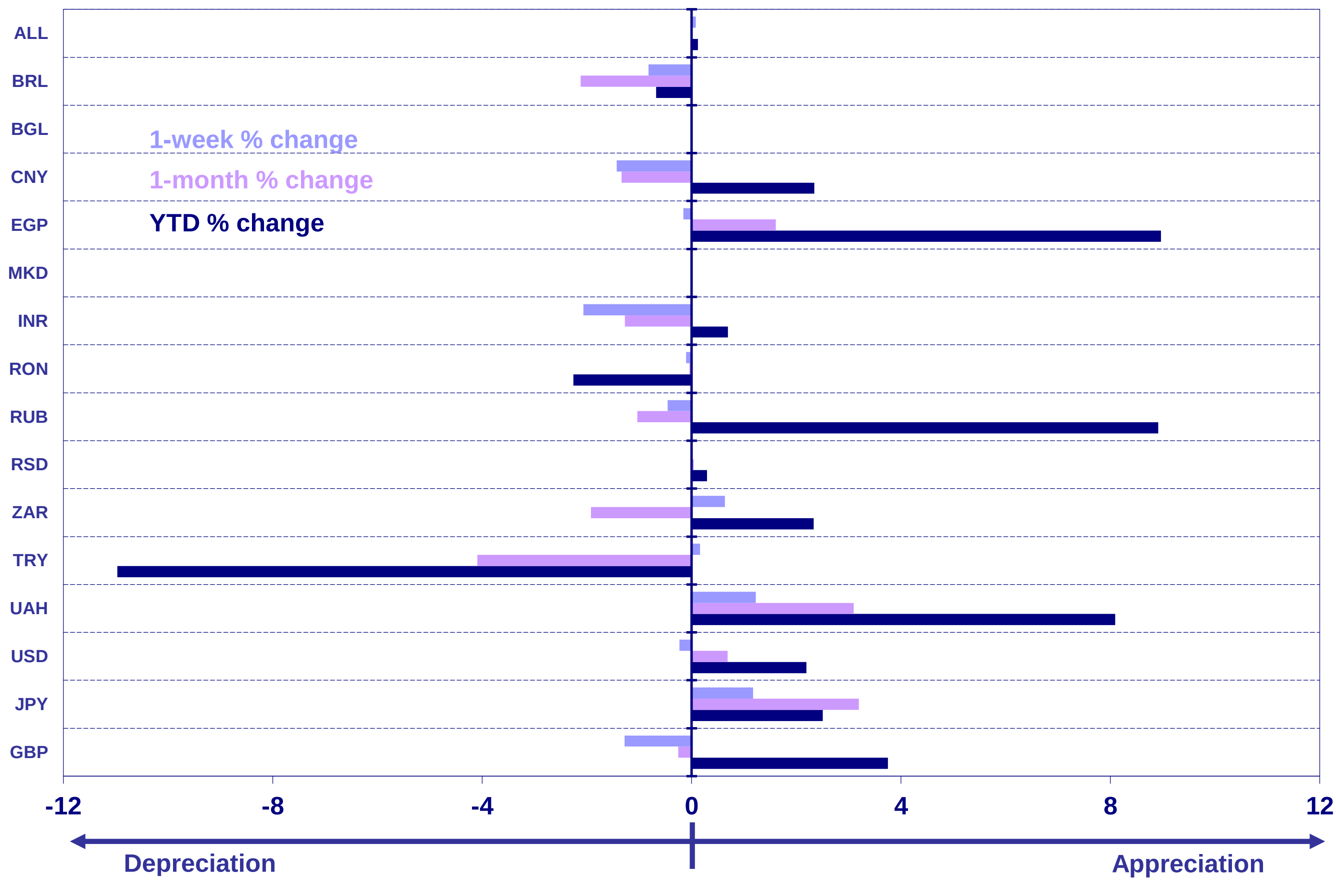
Against the EUR

	Currency	SPOT	1-week %change	1-month %change	YTD %change*	1-year %change	Year-Low	Year-High	3-month Forward rate**	6-month Forward rate**	12-month Forward rate**	2018 % change*	2017 % change*
		2019										2018	2017
Albania	ALL	123.1	0.1	0.0	0.1	3.2	123.4	125.9	123.4	123.2	122.0	7.8	1.9
Brazil	BRL	4.48	-0.8	-2.1	-0.7	-3.6	4.16	4.51	- - -	- - -	4.78	-10.7	-13.9
Bulgaria	BGL	1.96	0.0	0.0	0.0	0.0	1.96	1.96	1.96	1.96	1.96	0.0	0.0
China	CNY	7.68	-1.4	-1.3	2.3	-1.6	7.49	7.88	- - -	- - -	7.93	-0.8	-6.0
Egypt	EGP	19.12	-0.2	1.6	9.0	11.0	19.17	21.16	- - -	- - -	- - -	0.0	-9.4
North Macedonia	MKD	61.3	0.0	0.0	0.0	0.0	61.3	61.3	61.3	61.3	61.3	0.0	0.0
India	INR	79.3	-2.1	-1.3	0.7	1.9	76.8	82.3	- - -	- - -	- - -	-3.9	-6.7
Romania	RON	4.76	-0.1	0.0	-2.3	-2.9	4.75	4.78	4.81	4.86	4.97	0.6	-3.0
Russia	RUB	73.4	-0.5	-1.0	8.9	0.5	71.4	80.1	74.9	76.4	79.3	-13.4	-6.8
Serbia	RSD	117.9	0.0	0.0	0.3	0.2	117.9	118.5	118.2	118.5	- - -	0.2	4.2
S. Africa	ZAR	16.1	0.6	-1.9	2.3	-8.6	15.16	16.66	16.4	16.7	17.3	-9.9	-2.7
Turkey	YTL	6.80	0.2	-4.1	-11.0	-23.4	5.91	7.03	7.28	7.82	8.96	-24.9	-18.4
Ukraine	UAH	29.3	1.2	3.1	8.1	6.6	29.31	32.66	- - -	- - -	- - -	6.0	-15.2
US	USD	1.12	-0.2	0.7	2.2	6.3	1.1	1.2	1.13	1.14	1.16	4.6	-12.4
JAPAN	JPY	122.6	1.2	3.2	2.5	6.6	118.8	127.5	122.6	122.7	122.7	7.5	-8.9
UK	GBP	0.87	-1.3	-0.3	3.8	1.6	0.8	0.9	0.87	0.87	0.88	-1.1	-4.1

* Appreciation (+) / Depreciation (-)

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

Currencies against the EUR (May 13th 2019)



MONEY MARKETS, MAY 13TH 2019

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	North Macedonia	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
O/N	1.1	6.4	- - -	2.2	- - -	15.8	- - -	- - -	2.6	7.7	- - -	26.0	8.0	16.8	- - -	2.3
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	2.6	8.1	2.3	- - -	7.1	- - -	- - -	- - -
S/W	1.1	6.4	- - -	2.6	-0.4	- - -	1.1	- - -	- - -	8.1	2.3	- - -	7.4	17.3	-0.4	2.4
1-Month	1.2	6.4	0.0	2.7	-0.4	- - -	1.2	6.8	3.1	8.0	2.6	26.0	7.0	19.1	-0.4	2.4
2-Month	- - -	6.4	- - -	- - -	- - -	- - -	- - -	- - -	- - -	8.3	2.7	26.3	7.3	- - -	- - -	2.5
3-Month	1.4	6.4	- - -	2.9	- - -	- - -	1.5	7.2	3.3	8.3	3.0	26.8	7.4	19.4	- - -	2.5
6-Month	1.4	6.4	- - -	2.9	- - -	- - -	1.7	- - -	3.4	8.2	3.1	27.3	7.8	- - -	- - -	2.6
1-Year	1.6	6.5	- - -	3.2	-0.1	- - -	2.0	- - -	3.5	8.0	- - -	27.8	7.8	- - -	-0.1	2.7

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

LOCAL DEBT MARKETS, MAY 13TH 2019

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	North Macedonia	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	- - -	- - -	- - -	- - -	- - -	17.5	- - -	6.5	- - -	7.7	- - -	23.1	- - -	- - -	-0.5	2.4
6-Month	1.0	- - -	- - -	- - -	- - -	17.4	- - -	6.5	3.3	7.7	3.3	23.2	- - -	- - -	-0.5	2.4
12-Month	1.2	- - -	-0.2	2.6	- - -	17.3	0.9	6.5	3.2	7.4	2.9	25.0	- - -	19.2	-0.6	2.3
2-Year	1.5	- - -	- - -	2.9	- - -	- - -	1.3	6.6	3.5	7.6	- - -	25.7	6.6	- - -	-0.6	2.2
3-Year	1.8	- - -	0.0	3.0	0.2	- - -	- - -	7.0	4.0	7.9	- - -	24.3	7.1	18.0	-0.6	2.2
5-Year	- - -	8.5	- - -	3.2	0.6	16.3	- - -	7.2	4.3	7.9	3.9	23.5	7.7	- - -	-0.5	2.2
7-Year	- - -	- - -	0.4	- - -	0.8	16.2	- - -	7.3	4.8	8.1	- - -	- - -	- - -	- - -	-0.4	2.3
10-Year	5.2	8.9	0.6	3.3	- - -	16.1	- - -	7.4	5.0	8.2	- - -	19.7	8.5	- - -	-0.1	2.4
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	3.0	7.6	- - -	8.4	- - -	- - -	9.9	- - -	0.2	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	9.8	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	7.6	- - -	- - -	- - -	- - -	9.7	- - -	0.6	2.8

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

CORPORATE BONDS SUMMARY, MAY 13TH 2019

		Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Bulgaria	**Bulgaria Energy Hld 4.875% '21**	EUR	NA/NA	2/8/2021	550	1.6	222	186
South Africa	**FirstRand Bank Ltd 4.25% '20**	USD	BB/Baa3	30/4/2020	500	3.7	133	121
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	0.9	142	113
Turkey	**Arcelik AS 3.875% '21**	EUR	BB+/NA	16/9/2021	350	3.7	433	386
	Garanti Bank 5.25% '22	USD	NA/Ba3	13/9/2022	750	8.0	588	545
	Turkiye Is Bankasi 6% '22	USD	NA/B2	24/10/2022	1,000	11.6	943	836
	Vakifbank 5.75% '23	USD	NA/B1	30/1/2023	650	10.1	799	719
	TSKB 5.5% '23	USD	NA/B2	16/1/2023	350	10.4	826	735
	Petkim 5.875% '23	USD	NA/B1	26/1/2023	500	8.3	615	573
	KOC Holding 5.25% '23	USD	BBB-/Ba2	15/3/2023	750	6.8	464	439

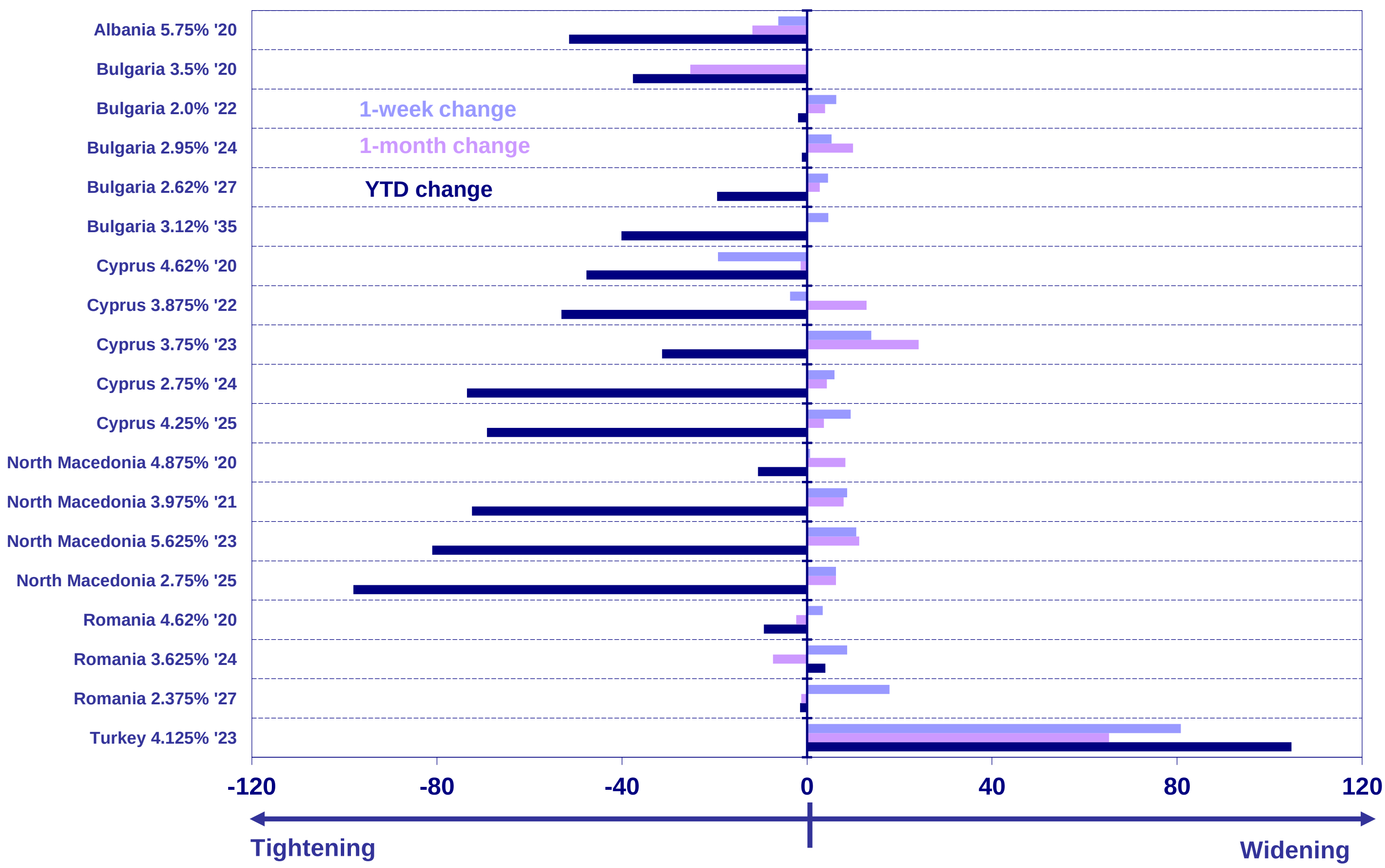
CREDIT DEFAULT SWAP SPREADS, MAY 13TH 2019

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	North Macedonia	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	175	76	47	90	362	- - -	95	87	130	121	493	191	651
10-Year	- - -	253	104	85	103	410	- - -	103	132	192	148	509	254	673

EUR-DENOMINATED SOVEREIGN EUROBOND SUMMARY, MAY 13TH 2019

	Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Albania 5.75% '20	EUR	B+/B1	12/11/2020	450	1.1	176	148
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	-0.4	21	-9
Bulgaria 2.0% '22	EUR	BBB-/Baa2	26/3/2022	1,250	-0.1	56	10
Bulgaria 2.95% '24	EUR	BBB-/Baa2	3/9/2024	1,493	0.2	70	23
Bulgaria 2.62% '27	EUR	BBB-/Baa2	26/3/2027	1,000	0.7	96	49
Bulgaria 3.12% '35	EUR	BBB-/Baa2	26/3/2035	900	1.9	174	120
Cyprus 4.62% '20	EUR	BBB-/Ba2	3/2/2020	668	0.3	96	68
Cyprus 3.875% '22	EUR	NA/Ba2	6/5/2022	1,000	0.2	82	37
Cyprus 3.75% '23	EUR	NA/Ba2	26/7/2023	1,000	0.5	109	50
Cyprus 2.75% '24	EUR	NA/Ba2	27/6/2024	850	0.6	104	59
Cyprus 4.25% '25	EUR	NA/Ba2	4/11/2025	1,000	0.8	119	81
North Macedonia 4.875% '20	EUR	BB-/NA	1/12/2020	178	1.0	164	134
North Macedonia 3.975% '21	EUR	BB-/NA	24/7/2021	500	1.2	184	487
North Macedonia 5.625% '23	EUR	BB-/NA	26/7/2023	450	1.8	235	201
North Macedonia 2.75% '25	EUR	BB-/NA	18/1/2025	500	2.0	243	196
Romania 4.62% '20	EUR	BBB-/BBB-	18/9/2020	2,000	0.0	54	27
Romania 3.625% '24	EUR	BBB-/BBB-	24/4/2024	1,250	0.9	138	98
Romania 2.375% '27	EUR	BBB-/BBB-	19/4/2027	2,000	2.1	233	181
Turkey 4.125% '23	EUR	NR/Ba3	11/4/2023	1,000	5.1	570	504

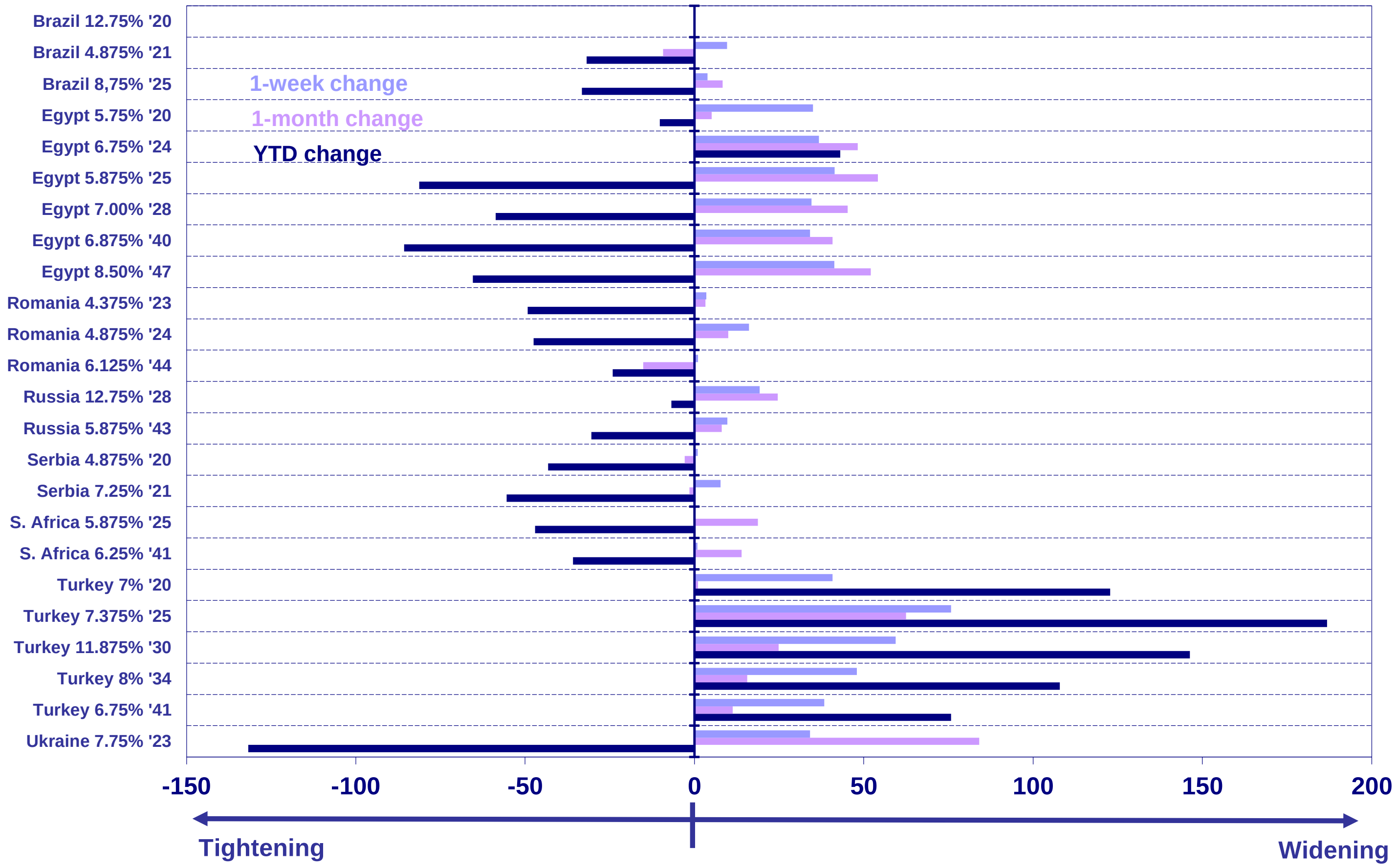
EUR-Denominated Eurobond Spreads (May 13th 2019)



USD-DENOMINATED SOVEREIGN EUROBOND SUMMARY, MAY 13TH 2019

	Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Brazil 12.75% '20	USD	NA/Ba2	15/1/2020	87	2.5	---	---
Brazil 4.875% '21	USD	NA/Ba2	22/1/2021	2,713	3.0	84	72
Brazil 8.75% '25	USD	NA/Ba2	4/2/2025	688	3.9	169	185
Egypt 5.75% '20	USD	B/B2	29/4/2020	1,000	4.7	233	220
Egypt 6.75% '24	USD	NA/B2	10/11/2024	1,500	6.3	416	409
Egypt 5.875% '25	USD	B/B2	11/6/2025	500	6.6	429	417
Egypt 7.00% '28	USD	NA/B2	10/11/2028	1,000	7.4	498	486
Egypt 6.875% '40	USD	B/B2	30/4/2040	1,500	7.9	505	487
Egypt 8.50% '47	USD	NA/B2	31/1/2047	500	8.7	583	592
Romania 4.375% '23	USD	BBB-/BBB-	22/8/2023	1,500	3.4	121	121
Romania 4.875% '24	USD	BBB-/BBB-	22/1/2024	1,000	3.4	124	124
Romania 6.125% '44	USD	BBB-/BBB-	22/1/2044	1,000	4.9	205	257
Russia 12.75% '28	USD	BBB-/Baa3	24/6/2028	2,500	4.6	217	298
Russia 5.875% '43	USD	BBB-/Baa3	16/9/2043	1,500	4.9	211	256
Serbia 4.875% '20	USD	BB/Ba3	25/2/2020	1,500	3.4	104	90
Serbia 7.25% '21	USD	BB/Ba3	28/9/2021	2,000	3.4	118	117
S. Africa 5.875% '25	USD	BB/Baa3	16/9/2025	2,000	4.8	252	260
S. Africa 6.25% '41	USD	BB/Baa3	8/3/2041	750	6.0	312	343
Turkey 7.00% '20	USD	NR/Ba3	5/6/2020	2,000	6.6	422	407
Turkey 7.375% '25	USD	NR/Ba3	5/2/2025	3,250	8.2	600	572
Turkey 11.875% '30	USD	NR/Ba3	15/1/2030	1,500	8.4	602	682
Turkey 8.00% '34	USD	NR/Ba3	14/2/2034	1,500	8.3	586	560
Turkey 6.75% '41	USD	NR/Ba3	14/1/2041	3,000	8.0	518	460
Ukraine 7.75% '23	USD	B-/Caa1	1/9/2023	1,355	8.8	666	638

USD-Denominated Eurobond Spreads (May 13th 2019)



STOCK MARKETS PERFORMANCE, MAY 13TH 2019

	2019								2018		2017	
	Local Currency Terms							EUR Terms	Local Currency Terms	EUR terms	Local Currency terms	EUR terms
	Level	1-week % change	1-month % change	YTD % change	1-year % change	Year-Low	Year-High	YTD % change	% change		% change	
Brazil (IBOV)	91,727	-3.5	-1.2	4.4	7.6	87,536	100,439	3.4	15.0	2.5	26.9	9.5
Bulgaria (SOFIX)	567	-0.7	-1.4	-4.6	-12.0	560	622	-4.6	-12.3	-12.3	15.5	15.5
China (SHCOMP)	2,904	-0.1	-8.9	16.4	-8.5	2,441	3,288	18.7	-24.6	-25.2	6.6	-0.3
Cyprus (CSE GI)	70	-0.1	-0.3	6.1	5.5	60	71	6.1	-3.9	-3.9	4.7	4.7
Egypt (HERMES)	1,344	-2.0	-7.6	5.8	-17.3	1,290	1,467	12.1	-11.1	-11.1	32.0	18.7
North Macedonia (MBI)	3,740	2.7	1.8	7.8	27.3	3,467	3,740	7.8	36.6	36.6	18.9	18.9
India (SENSEX)	37,091	-3.9	-4.3	2.8	4.3	33,292	39,487	3.9	5.9	1.6	27.9	19.3
Romania (BET-BK)	1,565	-1.3	-1.2	7.5	-8.7	1,394	1,602	5.1	-11.6	-11.1	22.8	19.1
Russia (MOEX)	2,509	-2.7	-2.0	6.4	6.4	2,350	2,600	15.3	0.9	-12.3	-16.2	-21.9
Serbia (BELEX-15)	733	-1.4	-0.5	-3.8	-0.7	668	760	-3.6	0.2	0.5	5.9	10.3
South Africa (FTSE/JSE)	56,374	-4.0	-3.5	7.5	-3.8	50,907	59,545	10.3	-11.4	-20.1	17.5	14.3
Turkey (ISE 100)	86,283	-7.2	-10.1	-4.6	-16.5	85,447	105,930	-15.5	-20.9	-40.5	47.6	20.5
Ukraine (PFTS)	570	0.3	6.2	1.9	20.4	530	582	10.2	77.5	88.1	18.8	0.8
MSCI EMF	1,016	-4.3	-6.7	5.6	-13.0	946	1,099	7.6	-16.6	-12.8	34.3	17.7
MSCI EAFE	1,849	-3.0	-3.5	8.0	-10.5	1,709	1,928	10.0	-16.1	-12.3	21.8	6.7
Greece (ASE-General)	725	-3.9	-5.4	20.0	-11.2	600	785	20.0	-23.6	-23.6	24.7	24.7
Germany (XETRA DAX)	11,877	-3.3	-1.0	12.5	-8.5	10,387	12,436	12.5	-18.3	-18.3	12.5	12.5
UK (FTSE-100)	7,164	-2.9	-3.7	6.4	-7.1	6,599	7,529	10.7	-12.5	-13.5	7.6	3.2
USA (DJ INDUSTRIALS)	25,325	-4.2	-4.1	9.8	1.7	21,713	26,952	11.9	-5.6	-1.3	25.1	9.6
USA (S&P 500)	2,812	-4.1	-3.3	13.1	3.0	2,444	2,954	15.3	-6.2	-1.9	19.4	4.7

Equity Indices (May 13th 2019)