Economic Analysis Division

Emerging Markets Research

NATIONAL BANK OF GREECE

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6 – 19 February 2018

NBG - Economic Analysis Division
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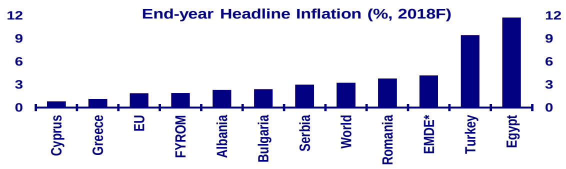
* EMDE: Emerging Market & Developing Economies



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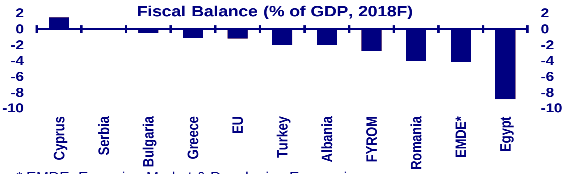

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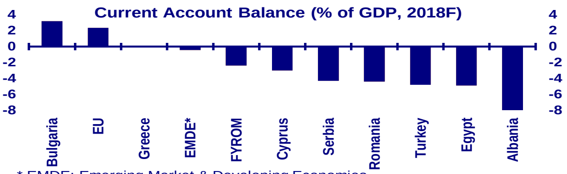

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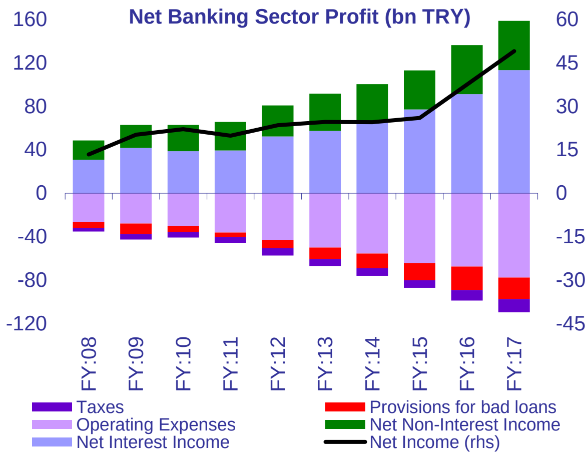
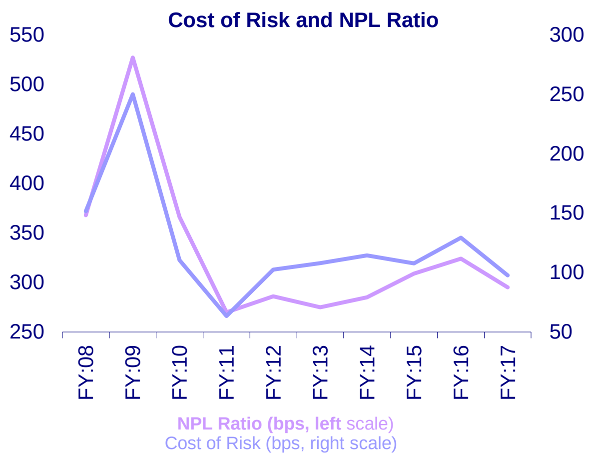
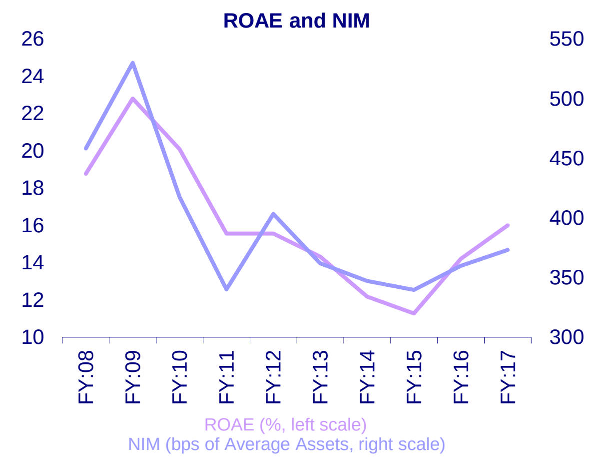
Turkey

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







	19 Feb.	3-M F	6-M F	12-M F
1-m TRIBOR (%)	13.6	13.5	13.0	12.0
TRY/EUR	4.66	4.75	4.80	5.00
Sov. Spread (2020, bps)	185	170	160	150

	19 Feb.	1-W %	YTD %	2-Y %
ISE 100	115,882	0.9	0.5	58.7

	2015	2016	2017E	2018F	2019F
Real GDP Growth (%)	6.1	3.2	7.0	4.8	4.2
Inflation (eop, %)	8.8	8.5	11.9	9.5	8.2
Cur. Acct. Bal. (% GDP)	-3.7	-3.8	-5.5	-4.8	-4.6
Fiscal Bal. (% GDP)	-1.0	-1.1	-1.5	-1.9	-2.3

Banking sector bottom line reached a record high in FY:17, mainly due to the authorities' strong support to credit activity. Net profit (after tax) rose sharply, by c. 31.0% to TRY 49.1bn in FY:17 (EUR 12.0bn or 1.6% of GDP), on the back of a sharp rise in net interest income (NII) and, to a lesser extent, a decline in provision charges. As a result, ROAA and ROAE rose to a 5-year high of 1.6% and an 8-year high of 16.0%, respectively, in FY:17 from 1.5% and 14.2% a year ago.

Pre-provision earnings posted solid growth of 18.0% in FY:17, mainly on the back of a significant rise in NII. NII increased by 24.2% in FY:17, due to stronger average asset growth (up 19.7%) and higher net interest margin (up 13 bps to 373 bps over average assets).

The rise in average gross loans was even stronger (up 20.6%), mainly reflecting the authorities' efforts to boost economic activity, which had slowed sharply in FY:16, following the July 2016 failed coup. Indeed, the BRSA relaxed some of the macro-prudential measures implemented over the previous 5 years (to prevent an overheating of the economy and preserve financial stability). Specifically, the BRSA increased the maximum term limits for consumer loans and credit cards, and lowered the provisioning on unsecured retail loans. More importantly, in March, the Government increased significantly the amount allocated to the credit guarantee fund (CGF) – established in the early 90s to stimulate lending to SMEs -- to TRY 25bn from TRY 2bn (implying a loan extension to up to TRY 250bn -- c. 15% of end-2016 banking sector loans -- from TRY 20bn). An additional incentive of CGF loans is that they bear zero risk weight while the Treasury underwrites credit risk for up to 7% of the total fund limit. Thus, loans under guarantee reached TRY 200bn in FY:17 (80% of total or 12% of end-2016 banking sector loans) -- up from an estimated TRY 20bn in FY:16.

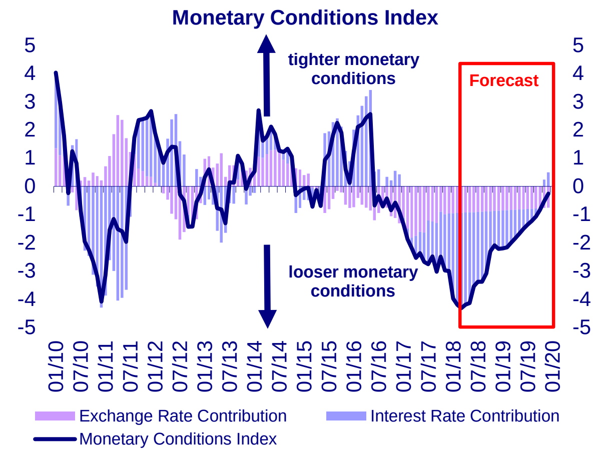
The improvement in NIM was underpinned by higher yields from CPI-linkers (average inflation rose by 3.3 pps to 11.1% in FY:17) and would have been stronger had funding costs not risen significantly. Indeed, the CBRT's effective funding rate was hiked by 3.1 pps to 11.5% in FY:17 compared with FY:16, in an effort to dampen increasing depreciation pressures on the TRY, while banks increased deposit interest rates as their funding gap widened (total and local currency loan-to-deposit ratios rose to 121.6% and 146.3%, respectively, at end-2017 from 118.3% and 131.8% a year ago) due to the sharp rise in lending activity. Interest rates on TRY, USD and EUR deposits rose by 102 bps, 66 bps and 7 bps, respectively, to 10.2%, 2.7% and 1.2% in FY:17.

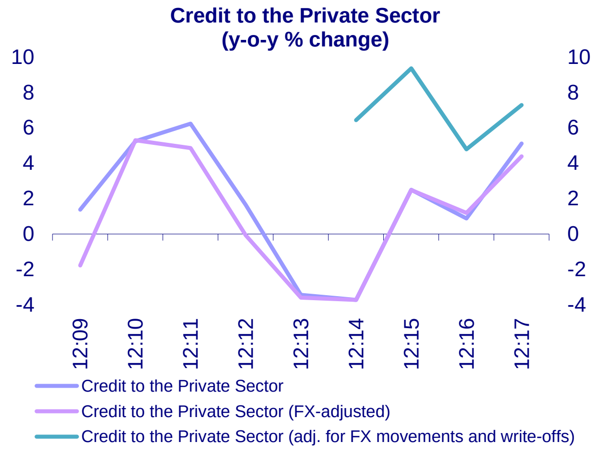
P/L specific provisions declined for the first time in 6 years, by 8.0% in FY:17, as NPL formation slowed significantly. NPL growth declined to 9.9% in FY:17, after having fluctuated within the range of 22.0%-28.0% during the previous 5 years. The deceleration was mainly supported by: i) relaxed regulations on the restructuring of corporate loans in the shipping, tourism and energy industries; ii) a buoyant collection performance; and iii) regular sales of retail unsecured NPLs by private banks. As a result: i) the NPL ratio declined to 3.0% at end-2017 from a 6-year high of 3.3% a year ago; ii) the NPL coverage ratio improved by 1.9 pps to a 6-year high of 79.4% at end-2017; and iii) the cost of risk was down by 32 bps to a 6-year low of 98 bps in FY:17.

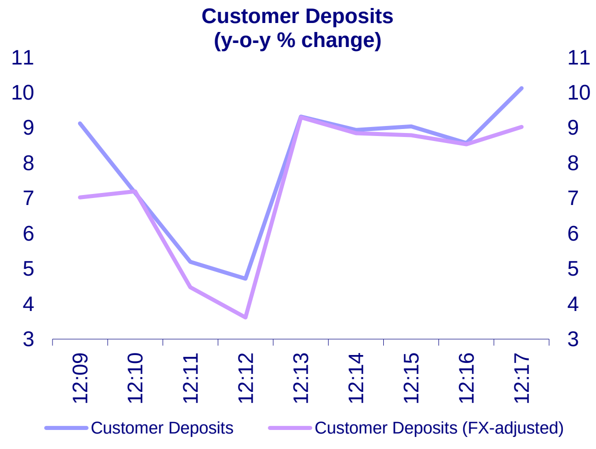
Bank profitability set to weaken in FY:18. The expected weaker bottom line should result from: i) slower credit growth, even if the remaining Treasury guarantees for CGF loans allocated for FY:17 are utilised (TRY 50bn out of a total of TRY 250bn or 2.6% of end-2017 loans); ii) narrower NIM, due to rising funding costs against a backdrop of tightening global and domestic liquidity conditions; and iii) a higher corporate income tax (up 2 pps to 22.0% from January 1st).

Romania

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







	19 Feb.	3-M F	6-M F	12-M F
1-m ROBOR (%)	1.6	2.4	2.6	2.8
RON/EUR	4.66	4.63	4.62	4.60
Sov. Spread (2024, bps)	98	94	102	110

	19 Feb.	1-W %	YTD %	2-Y %
BET-BK	1,744	1.3	5.6	44.5

	2015	2016	2017E	2018F	2019F
Real GDP Growth (%)	3.9	4.8	7.0	4.8	3.8
Inflation (eop, %)	-0.9	-0.5	3.5	3.8	3.4
Cur. Acct. Bal. (% GDP)	-1.2	-2.1	-3.6	-4.4	-4.7
Fiscal Bal. (% GDP)	-1.5	-2.4	-2.9	-4.0	-4.3

The NBR hiked its key rate by a further 25 bps to 2.25%. In early-February, the NBR raised its 1-week repo rate by 25 bps to 2.25%, bringing the total rate hikes to 50 bps since January. Nevertheless, monetary conditions remain relatively loose (see our MCI), mainly reflecting excess liquidity in the system (the *ex-post* real 1-month money market rate is estimated at -3.0%, well below its 7-year average of 0.8%).

The NBR is set to continue to raise rates in an effort to address overheating. The economy appears to be overheating, with GDP growth (projected at 4.8% in FY:18 against an estimated 7.0% in FY:17) well above its long-term potential (of c. 3.0%), headline inflation rising (to a projected 3.8% at end-2018, above the NBR's inflation target of 2.5±1%, from 3.5% at end-2017) and the current account deficit up sharply (to a projected 4.4% of GDP in FY:18 from 3.6% in FY:17 and a low of 0.7% in FY:14). At the same time, fiscal policy remains expansionary (the budget deficit is projected to rise to 4.0% of GDP in FY:18 from 2.9% in FY:17, well above the EU threshold of 3.0%).

Against this backdrop, the NBR appears to be significantly behind the curve. Our "Taylor rule" estimates suggest that the policy rate should be raised to 4.5% to address these challenges, from 2.25% currently. In the event, we forecast that the central bank will tighten its stance in a gradual manner (another 100 bps in FY:18 and 125 bps in FY:19).

Credit expansion strengthened in FY:17, sustaining economic activity. Credit to the private sector rose by 5.1% y-o-y at end-2017 against 0.9% at end-2016. Note that our calculations are somewhat understated due to large write-offs, which have pushed down the NPL ratio to 6.4% at end-2017 from 9.6% at end-2016 and a peak of 26.8% in early-2014. Adjusted for FX movements and write-offs, credit to the private sector is estimated to have expanded at a faster pace of 7.2% y-o-y at end-2017 from 4.8% at end-2016.

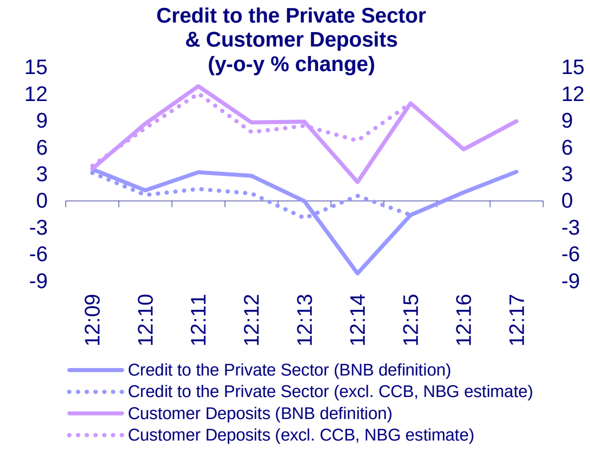
Specifically, FX lending continued to decline (down 11.7% y-o-y in FX-adjusted terms at end-2017, albeit at a milder pace compared with end-2016 -- down 13.3%), due to the restrictive measures implemented by the NBR (including tougher affordability tests, higher down-payments on unhedged FX loans). At the same time, against the backdrop of ample RON liquidity (the LC loan-to-deposit ratio stood at 73.7%), LC lending continued to rise at a solid pace (up 15.7% y-o-y at end-2017 against a rise of 14.6% at end-2016).

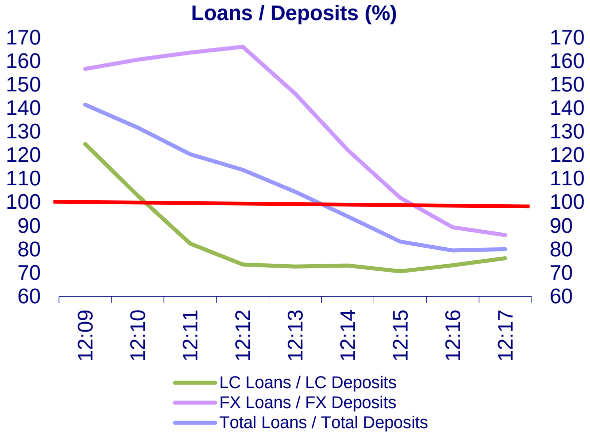
The deposit base continued to expand strongly in FY:17, in line with economic activity. Customer deposits grew by a strong 10.1% y-o-y (up 9.0% in FX-adjusted terms) at end-2017, following an increase of 8.6% at end-2016. In light of the pressure on the RON (down 3.0% y-o-y against the EUR at end-2017), FX deposits accelerated (up 9.7% y-o-y in FX-adjusted terms at end-2017 against a rise of 4.3% at end-2016), slightly outpacing LC deposits (up 8.8% y-o-y at end-2017 against an increase of 10.5% at end-2016), despite the lower rates offered (0.3% for FX time deposits against 0.8% for LC time deposits).

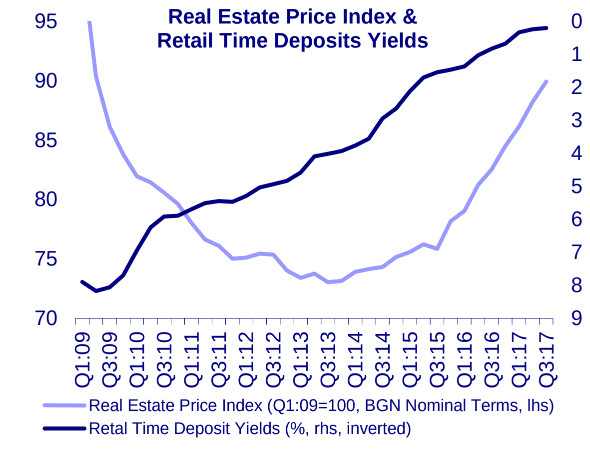
Credit expansion is set to maintain momentum in FY:18. Against the backdrop of lending under-penetration (a loan-to-GDP ratio of 27.3%, well below the SEE-4 average of 46.8%) and ample liquidity (the loan-to-deposit ratio stands at 79.2%), we expect credit activity to maintain its momentum in FY:18, despite tighter monetary conditions. All said, we see credit to the private sector expanding by c. 8.0% in FY:18 against 5.1% in FY:17.

Bulgaria

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







	19 Feb.	3-M F	6-M F	12-M F
1-m SOFIBOR (%)	-0.1	0.1	0.1	0.2
BGN/EUR	1.96	1.96	1.96	1.96
Sov. Spread (2022, bps)	42	42	41	40

	19 Feb.	1-W %	YTD %	2-Y %
SOFIX	692	-0.7	2.2	56.0

	2015	2016	2017E	2018F	2019F
Real GDP Growth (%)	3.6	3.9	3.8	3.8	3.3
Inflation (eop, %)	-0.4	0.1	2.8	2.4	2.6
Cur. Acct. Bal. (% GDP)	0.0	5.3	3.9	2.6	1.4
Fiscal Bal. (% GDP)	-2.8	1.6	0.8	-0.5	-0.3

Credit expansion accelerated in FY:17, providing support to the economic recovery. Credit to the private sector expanded by 3.3% y-o-y at end-2017 against 1.0% at end-2016. As a result, the loan-to-GDP ratio reached 50.9% at end-2017, well above the SEE-4 average (31.3%)

Specifically, FX lending continued to decline (down 11.8% y-o-y at end-2017, following a similar decline at end-2016), despite the lower interest rates offered (3.4% for FX loans against 5.4% for LC loans) and the absence of FX risk. At the same time, LC lending strengthened (up 15.0% y-o-y at end-2017 following a rise of 12.7% at end-2016), on the back of ample liquidity (the LC loan-to-deposit ratio stood at 75.7%).

In our view, the pick-up in credit expansion is due to the gradual easing in credit standards by banks. Indeed, the solid economic growth, combined with the introduction of negative interest rates and the increased transparency in the aftermath of the 2016 AQR, as well as the continuing gradual decline in the NPL ratio (to 10.2% at end-2017 from 12.9% at end-2016 and 14.5% at end-2015), appear to have increased banks' appetite for lending.

Customer deposits gained momentum in FY:17, due to solid economic growth. Growth in customer deposits strengthened to 9.0% y-o-y at end-2017 from 5.8% at end-2016. Specifically, despite comparable rates offered (0.2% for both LC and FX time deposits), LC deposits (up 11.2% y-o-y at end-2017 against 8.8% at end-2016) continued to overperform against FX deposits (up 5.5% y-o-y at end-2017 against 1.4% at end-2016), pointing to a declining deposit euroisation (FX deposits accounted for 38% of total deposits at end-2017 against a peak of 54% at end-2009).

Credit activity is set to improve further in FY:18. Against the backdrop of increased liquidity in the banking system (the loan-to-deposit ratio stood at 75.4% at end-2017), we expect the pace of credit expansion to pick up, in line with the continuing economic recovery and the sustained drop in NPLs (to 7.0% by end-2018). Stronger demand for real estate should also help. All said, we expect credit to the private sector to expand by 6.0% in FY:18, still below deposit growth (up 8%).

The residential real estate market maintained its strong momentum in Q3:17. The NSI Housing Price Index increased strongly in Q3:17 (up 9.0% y-o-y, a pace broadly similar to that observed in the past 4 quarters). As a result, the index is now at mid-2009 levels, down 22% from its mid-2008 peak, but up 23% from its mid-2013 trough.

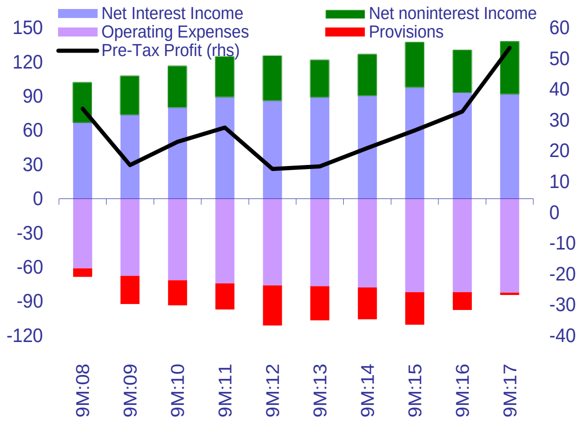
In our view, in addition to the solid economic recovery, an important factor for the improvement in the residential real estate market is the continuing decline in retail deposit interest rates (to 0.4% and 0.3% for LC and FX deposits, respectively, in Q3:17 from 2.7% and 2.2% at end-2014), which has, in turn, increased the attractiveness of the real estate sector as an asset class (substitution effect). Note that rental yields in Sofia stood at over 6.0% in Q3:17 against 5.0% at end-2014, highlighting the mismatch between supply and demand for real estate. Against this backdrop, growth in retail deposits has slowed (up by a CAGR of 6.1% in Q1:15-Q3:17 against a CAGR of 12.3% in Q1:10-Q4:14), with investments in real estate picking up.

Looking ahead, we expect residential real estate prices to continue on an upward trend, in line with: i) the strong economic recovery; ii) easing credit standards by banks, in view of the continuing drop in the NPL ratio in the segment (currently at 13.6% against a peak of 22.7% at end-2013); and iii) higher FDI inflows to the sector. Note that the Bulgarian real estate market is undervalued compared with the region, with the price-to-income ratio estimated at 8.6 against 10.7 for the SEE-4.

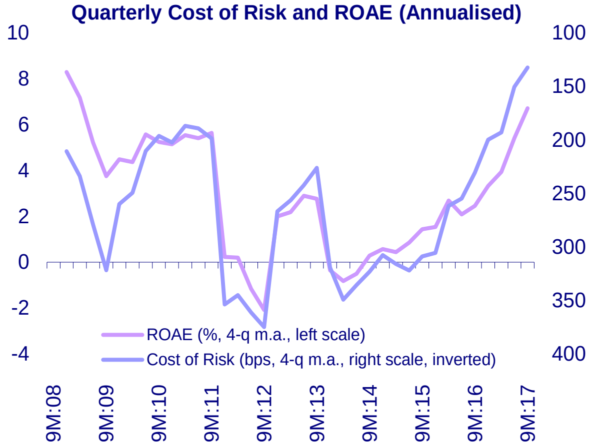
Serbia

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

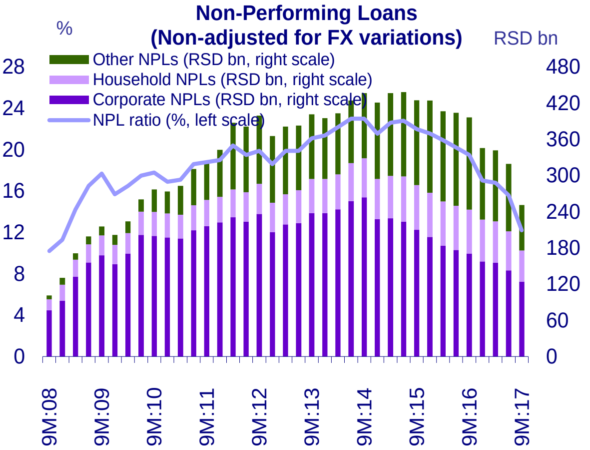
9-Month Net Banking Sector Profit (bn RSD)



Quarterly Cost of Risk and ROAE (Annualised)



Non-Performing Loans (Non-adjusted for FX variations)



	19 Feb.	3-M F	6-M F	12-M F
1-m BELIBOR (%)	2.8	3.2	3.4	3.8
RSD/EUR	118.2	118.6	118.6	118.5
Sov. Spread (2021, bps)	137	128	124	120

	19 Feb.	1-W %	YTD %	2-Y %
BELEX-15	758	-1.4	-0.2	30.7

	2015	2016	2017E	2018F	2019F
Real GDP Growth (%)	0.8	2.8	2.0	3.6	3.6
Inflation (eop, %)	1.5	1.6	3.0	3.0	3.0
Cur. Acct. Bal. (% GDP)	-4.7	-3.1	-4.4	-4.3	-4.1
Fiscal Bal. (% GDP)	-3.7	-1.3	0.0	0.0	0.7

The profitability of the banking system is estimated to have improved markedly in FY:17, with ROAE reaching double digits for the first time on record. Pre-tax profits in the banking sector rose to a record high of RSD 53.5bn (1.2% of GDP) in 9M:17 -- exceeding the FY:16 gains of RSD 21.3bn and the pre-crisis high of RSD 34.7bn in FY:08. As a result, (annualised) ROAE and ROAA rose to 11.0% and 2.2%, respectively, in 9M:17 from 6.9% and 1.4% in 9M:16.

P/L provisions were reduced significantly in 9M:17. P/L provisions recorded a sharp drop in 9M:17, amounting to just 15% of their level in 9M:16. The decline was partly due to base effects stemming from large provisions in 9M:16 by two state-owned banks (namely Komercijalna and Postanka Banka). Importantly, even excluding this once-off, provisions declined in line with a steady decrease in the NPL ratio. In fact, the NPL ratio declined, for a 7th successive quarter, by a sizeable 7.3 pps y-o-y in Q3:17 to a 9-year low of 12.2% from a peak of 23.0% in Q3:14, almost returning to its pre-crisis level (of 11.3% in Q4:08). This positive development reflects: i) lower NPL formation; ii) restructuring; iii) large write-offs (c. RSD 66.5bn in 9M:17, or 1.5% of GDP); iv) the sale of NPLs to non-banking sector entities; and v) the transfer of the NPLs that are 100% provisioned to off-balance sheets by end-Q3:17 (following the recent NBS regulation). As a result, the cost of risk declined sharply by 98 bps y-o-y to a record low of 132 bps, on a 4-quarter rolling basis, in Q3:17 from 203 bps in Q4:16. Note that lower provisioning prompted a decline in the provision coverage by 3.2 pps y-o-y to a still high 62.2% in 9M:17 (according to IFRS standards).

Pre-provision income (PPI) improved in 9M:17. PPI increased by a strong 14.9% y-o-y in 9M:17 -- after declining throughout FY:16 -- boosted by higher (net) non-interest income. The latter rose by 24.0% y-o-y, reflecting: i) a once-off increase in "other operating income" (exceptional gain), due to the partial write-off of RSD 2.0bn of Marfin Bank's debt in Q1:17 by Cyprus Popular Bank, in view of Marfin's sale to the Czech Expobank; ii) an RSD 2.5bn increase in "other operating income" (exceptional gain) of the Serbian Direktna Bank, following the acquisition of (BNP Paribas' subsidiary) Findomestic Bank in Q3:17; and iii) higher income from fees & commissions. Importantly, even excluding the two once-off items, PPI rose by 11.9% y-o-y in 9M:17.

On a negative note, PPI continued to be dragged down by lower net interest income (NII). In fact, NII declined by 1.6% y-o-y in 9M:17, albeit at a slower pace, compared with a drop of 4.6% in FY:16. This negative performance reflects the continued sharp compression in NIM (down by 26 bps y-o-y to a low of 386 bps annualised in 9M:17, below the FY:16 outcome of 406 bps) that more than offset the robust rise in average interest earning assets (up 5.1% y-o-y in 9M:17). The decline in NIM is estimated to have been mainly driven by tighter lending-deposit spreads, exacerbated by a faster pace of deposit growth than loan growth and higher competition among banks.

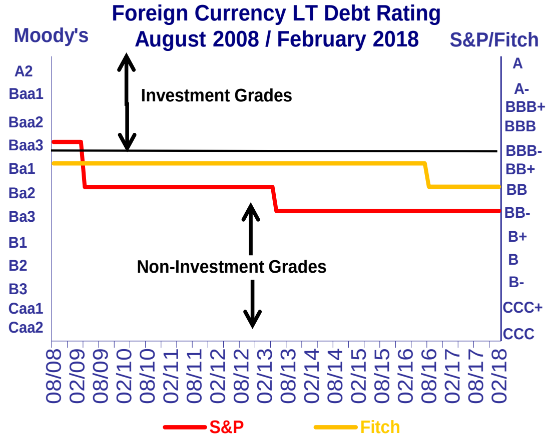
Operating expenses rose by just 0.3% y-o-y in 9M:17, well below inflation of 3.0%. As a result, banking sector efficiency improved, with the cost-to-income ratio declining by 3.2 pps y-o-y to 59.7%.

The banking sector bottom line is estimated to have continued to strengthen in Q4:17. Profitability is estimated to have improved on an annual basis in Q4:17, with the ROAE having turned positive to 8.0% from -7.3% in Q4:16. Profitability is estimated to have strengthened on the back of lower provisioning, reflecting not only a strong base effect (large provisions in Q4:16 by the two state-owned banks mentioned above). Overall, we estimate ROAE reached double digits in FY:17 -- for the first time on record -- c. 10.0%, above the FY:16 outcome of 3.4% and the pre-crisis high of 9.7% in FY:06.

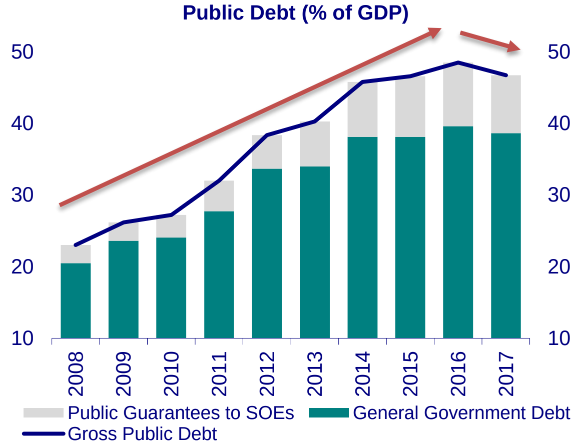
F.Y.R.O.M

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

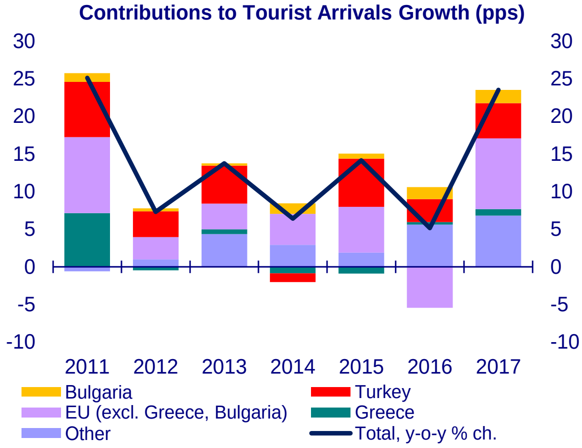
Foreign Currency LT Debt Rating
August 2008 / February 2018



Public Debt (% of GDP)



Contributions to Tourist Arrivals Growth (pps)



	19 Feb.	3-M F	6-M F	12-M F
1-m SKIBOR (%)	1.4	1.8	2.3	2.8
MKD/EUR	61.3	61.3	61.3	61.3
Sov. Spread (2021. bps)	183	170	165	160

	19 Feb.	1-W %	YTD %	2-Y %
MBI 100	2,769	0.6	9.1	53.5

	2015	2016	2017E	2018F	2019F
Real GDP Growth (%)	3.9	2.9	0.5	3.5	3.7
Inflation (eop. %)	-0.3	-0.2	2.4	1.9	2.0
Cur. Acct. Bal. (% GDP)	-1.9	-2.7	-2.2	-2.4	-2.5
Fiscal Bal. (% GDP)	-3.5	-2.7	-2.7	-2.8	-2.8

Fitch upgraded FYROM's outlook to positive and affirmed its "BB" status. Fitch revised the country's outlook to positive from negative, while affirming the "BB" long-term sovereign credit rating -- two notches below investment grade.

The agency underlined that the key drivers for the upgrade were the easing of domestic political uncertainty and the improvement of "*key international relations*" since the formation of the new coalition Government last May and its landslide victory in the October local elections.

The upgrade also reflects the Government's commitment to implementing structural reforms and improving public finances, with a view to putting public debt on a downward trajectory (estimated to have declined for the first time in 10 years to 47.7% of GDP in FY:17, from 48.5% of GDP in FY:16). Note that, despite lower-than-targeted revenue due to the protracted political crisis, the fiscal deficit stood at 2.7% of GDP in FY:17 -- overperforming its target of 2.9% -- on the back of spending restraint.

Importantly, the agency describes the triggers for a rating upgrade as: i) political tensions not escalating, jeopardizing the Government's reform drive; and ii) the maintenance of fiscal prudence and the safeguarding of public finances from contingent liabilities, resulting in a firmly declining trend in the public debt-to-GDP ratio.

Note that S&P currently rates FYROM (BB-) one notch below Fitch.

Tourist activity gained momentum in FY:17, contributing significantly to the improvement in the current account balance. Tourist arrivals rose by an impressive 23.5% to a record high of 630k visitors in FY:17, following a weaker increase of 5.1% in FY:16 (510k visitors). The improvement was across the board, supported by both the normalization in the domestic political environment from end-May and a benign external backdrop. Indeed, the sharp pace of growth in arrivals from Turkey (the main source country, accounting for ¼ of total arrivals) continued in FY:17, with the number of Turkish visitors rising by 22.7%, up from 16.4% in FY:16, benefiting from improved economic conditions at home and contributing 4.7 pps to the overall increase in arrivals. The increase in tourist arrivals was also underpinned by a strong rebound from the EU-28 (up 26.4% in FY:17 against a decline of 6.9% in FY:16, contributing 12.0 pps to overall growth), reflecting a favourable base effect and, to a lesser extent, the stronger-than-initially-expected economic performance (GDP growth is estimated to have reached a 10-year high of 2.4% in FY:17, upwardly-revised from 2.3%, according to the latest EC winter 2018 interim forecast). Note that arrivals from key EU-countries, Greece and Bulgaria, accelerated (up 17.3% in FY:17 from 13.7% in FY:16, contributing 2.6 pps to total arrivals growth).

The rise in tourist arrivals in FY:17 was also supported by better flight connectivity and improved collaborations with international tour operators.

Moreover, tourist receipts are estimated to have increased by a robust 15.0% or EUR 38.0mn (0.3 pps of GDP) to a record high of EUR 290.4mn (2.9% of GDP) in FY:17 – albeit at a slower pace than arrivals (23.5%). The weaker growth in tourist receipts reflects exclusively lower spending per tourist per day (down by an estimated 6.5%).

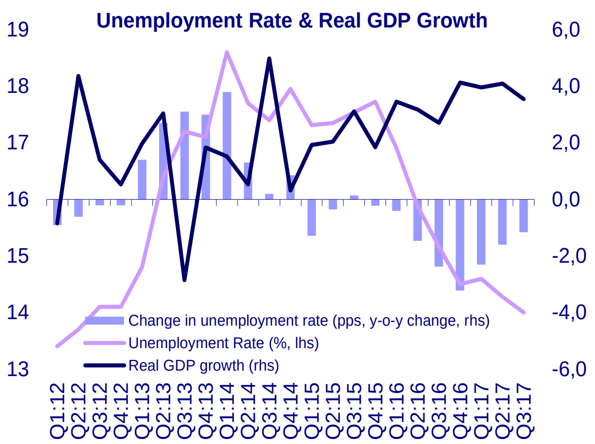
Importantly, tourist receipts are estimated to have been supportive of external accounts, contributing significantly to the narrowing of the current account deficit to an estimated 2.2% of GDP in FY:17, from 2.7% of GDP in FY:16.

Albania

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

Key Dates in Albania's Path towards EU Membership	
Nov. 2016	European Commission (EC) recommends the opening of accession negotiations, subject to concrete progress on the enactment of the judiciary reform
Jun. 2014	European Council grants Albania the status of candidate country for EU membership
Oct. 2013	EC identifies 5 key priorities for opening accession negotiations
Oct. 2013	EC recommends Tirana EU candidate status on the understanding that Albania continues to take action in the fight against organised crime and corruption
Oct. 2012	EC recommends Tirana EU candidate status subject to completion of key measures in certain areas
Oct. 2011	EC again denies Tirana EU candidate status
Dec. 2010	Entry into force of the Visa liberalisation
Nov. 2010	EC denies Tirana EU candidate status
May 2010	EC starts "Opinion process" on Albania's EU membership application
Apr. 2010	Albania files the questionnaire on its readiness to join the EU
Dec. 2009	EC hands Albania questionnaire in order to assess country's readiness for EU membership
Nov. 2009	EU Foreign Ministers agree to proceed with Albania's membership application
Apr. 2009	Albania submits its application for EU membership
Apr. 2009	Entry into force of the SAA
June 2006	Signing of the SAA

Source: Directorate General for Enlargement



	19 Feb.	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	1.6	2.2	2.2	2.2
ALL/EUR	132.3	132.0	131.3	130.0
Sov. Spread (bps)	170	168	166	160

	19 Feb.	1-W %	YTD %	2-Y %
Stock Market	- - -	- - -	- - -	- - -

	2015	2016	2017E	2018F	2019F
Real GDP Growth (%)	2.2	3.4	4.0	4.3	4.2
Inflation (eop, %)	2.0	2.2	1.8	2.3	2.5
Cur. Acct. Bal. (% GDP)	-8.6	-7.6	-8.5	-8.0	-6.9
Fiscal Bal. (% GDP)	-4.1	-1.8	-2.2	-2.0	-1.9

Albania is on track to secure a non-conditional recommendation in April to open EU accession talks, according to the European Commission's (EC) 2018 Enlargement Strategy. This positive development would be an acknowledgement of the country's significant progress towards fulfilling all of the 5 key areas for the launch of EU membership negotiations, i.e.:

i) enactment of judiciary reform, in view of the ongoing assessment of property holdings and professional efficiency of 800 judges and prosecutors ("vetting"), the establishment of two major governing justice bodies and the election of an interim prosecutor general.

ii) progress in the fight against corruption, with the implementation of the "decriminalisation law" that bans criminal offenders from public offices (resulting, *inter alia*, in the dismissal of two MPs).

iii) progress in fighting organised crime, with a solid track record of operations (including against drug cultivation), while the Government recently adopted a draft law on "vetting" police officers.

iv) continued implementation of public administration reform, with the adherence to the organic budget law and the prevention of arrears accumulation in an election year.

v) the respect of fundamental rights.

Recall that the EC granted Albania -- a candidate country since mid-2014 -- a conditional recommendation to start EU membership talks in November 2016, subject to concrete progress on the enactment of the judicial reform, especially the re-evaluation of judges and prosecutors.

In our view, even if the country secures a positive recommendation in April and the European Council endorses the opening of accession negotiations in June, Albania is not expected to join the EU before 2025 -- the EC's indicative date for the accession of most advanced countries (Serbia and Montenegro). Nevertheless, the accession process should provide an important policy anchor and reform drive.

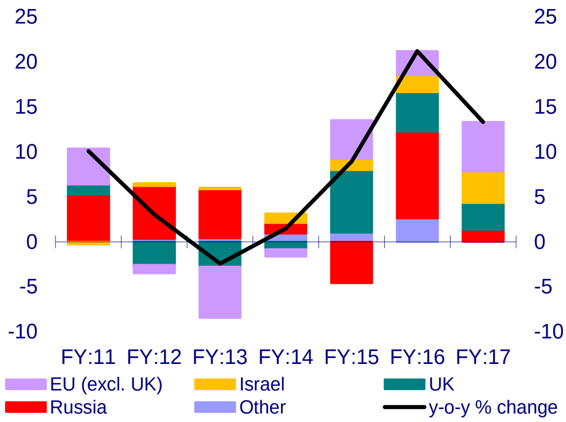
The unemployment rate is estimated to have declined for a 3rd successive year to a 5-year low of 14.2% in FY:17. The unemployment rate declined markedly, by 1.2 pps y-o-y, to a still high 14.0% in Q3:17, following a decline of 2.0 pps y-o-y in H1:17 and 1.9 pps in FY:16. As a result, the unemployment rate has broadly returned to its average level of 13.8% in 2007-12, after having reached a peak of 18.6% in Q1:14. This improvement was mainly driven by the continued recovery in employment. In fact, employment rose by 1.3% y-o-y in Q3:17, following a rise of 3.1% y-o-y in H1:17 and a strong 6.1% in FY:16 (that had been boosted by the Government's large-scale campaign against informality, initiated in Q3:15). The rise in employment in Q3:17 was driven by the services and industry sectors (representing 43.0% and 19.5% of total employment, respectively, and up 8.0% and 0.8% y-o-y). Employment was boosted by: i) the continued strengthening in economic growth (up 3.9% y-o-y in 9M:17 from 3.4% in FY:16 and a CAGR of 1.6% in 2012-15); ii) the construction of two large energy projects (i.e. TAP and the two Statkraft/Devoll hydropower plants), boosted by large FDI inflows; and iii) the strong expansion in the tourism sector. Agriculture was, however, the only sector where the number of employees declined (down 3.8% y-o-y in Q3:17, following a drop of 1.6% in H1:17), with its share in total employment continuing to contract (38.1% of total employment in Q3:17 from 40.2% in FY:16).

Although labour market slack remains, it has been declining. In fact, the employment rate improved further, rising by 0.6 pps y-o-y to 57.7% in Q3:17 from 56.2% in Q4:16 and a trough of 47.1% in Q4:14, and approaching the peak of 58.7% reached in Q4:11. Moreover, the labour force participation rate stood at 67.1% in Q3:17, well above its trough of 57.9% in Q1:14, and close to its high of 68.5% in Q4:11.

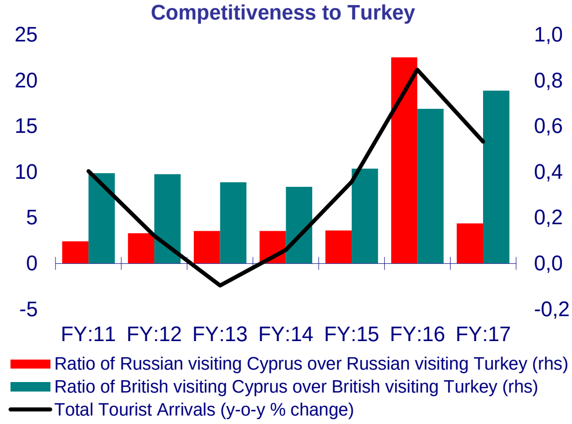
Cyprus

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

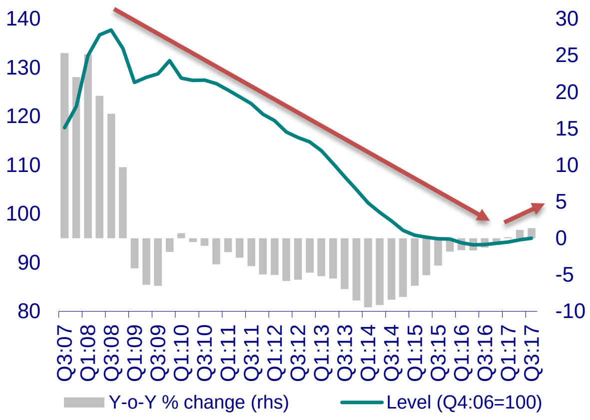
Contributions to Tourist Arrivals' Growth (pps)



Tourist Arrivals' Growth and Relative Competitiveness to Turkey



Real Estate Prices



	19 Feb.	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.37	-0.37	-0.37	-0.37
EUR/USD	1.24	1.22	1.25	1.30
Sov. Spread (2020. bps)	57	55	52	50

	19 Feb.	1-W %	YTD %	2-Y %
CSE Index	70	0.1	0.6	8.3

	2015	2016	2017E	2018F	2019F
Real GDP Growth (%)	2.0	3.0	3.9	3.4	3.2
Inflation (eop. %)	-1.0	-0.3	-0.6	0.8	1.2
Cur. Acct. Bal. (% GDP)	-1.5	-4.9	-3.8	-3.0	-3.2
Fiscal Bal. (% GDP)	-1.2	0.4	1.5	1.5	1.8

Buoyant tourist activity in FY:17, despite increasing competition from neighbouring Turkey and Egypt. Tourist arrivals posted solid growth of 13.3% to 3.7mn in FY:17 – a slower pace than in FY:16 (up 21.2%).

The deceleration in tourist arrivals was mainly driven by a slowdown from the two largest source countries -- the UK and Russia (accounting for c. 60% of total arrivals, and increasing by 8.3% and 5.5%, respectively in FY:17, against sharper rises of 11.2% and 48.9% in FY:16). The slowdown in British and Russian visitors can largely be attributed to their gradual return to neighbouring countries, Turkey and Egypt, due to easing domestic security concerns and more competitive prices. Indeed, the number of Russians visiting Turkey rose sharply (up c. 440.0% in FY:17, albeit from a very low base), following the resumption of charter flights from Russia in September 2016 after the removal of Russian sanctions, leading to the normalization of the number of Russians visiting Cyprus (see 2nd chart). On the other hand, improved security conditions and a sharp depreciation of the domestic currency in Egypt have likely contributed to the deceleration in the number of Russians and British visiting Cyprus.

The slowdown in overall tourist arrival growth in FY:17 was, however, tempered by an increase in the number of visitors from the EU (excl. the UK) and Israel (accounting for 23.3% and 4.6%, respectively, of total visitors and contributing 5.5 pps and 3.5 pps to overall growth, up from 2.6 pps and 1.9 pps in FY:16).

Importantly, despite the deceleration in tourist arrivals, we estimate tourist receipts to have maintained momentum, increasing by c. 11.5% to EUR 2.6bn (13.8% of GDP) in FY:17, broadly as in FY:16 (up 11.9%), on the back of higher spending per tourist (supported by both average length of stay and spending per tourist per day).

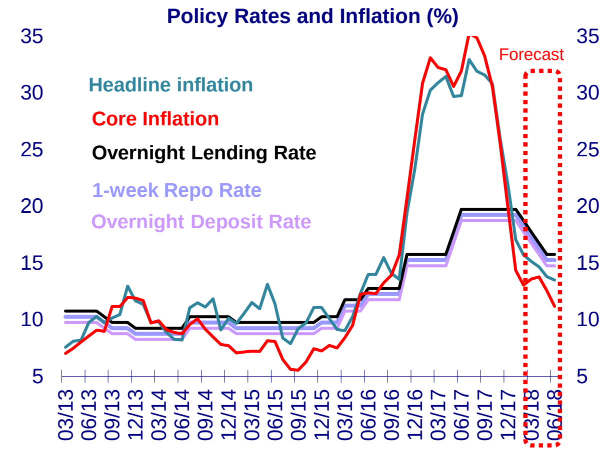
For this year, we expect the pace of growth in tourist arrivals to slow to single digits, as the return of Russian and British visitors to Egypt and Turkey gains momentum and capacity constraints become more binding, despite the ongoing construction of large luxury projects (marinas and casinos). Note that direct flights between Egypt and Russia are expected to resume on February 20th, following a cooperation agreement on civil aviation security between the two countries in late-December. However, the moderation stemming from the main source countries is likely to be partly offset by a benign environment in the EU (excl. the UK) – where economic activity is set to expand by a robust 2.5% in FY:18 from an estimated 2.6% in FY:17, upwardly-revised from 2.4%, according to the latest EC 2018 winter interim forecast. All said, we see tourist arrivals rising by c. 8.0% to a record high of 3.9mn in FY:18.

Property prices maintained momentum, rising by 1.4% y-o-y in Q3:17. The Central Bank's Residential Property Price Index (RPPI) rose by 1.4% y-o-y in Q3:17, following a milder increase of 0.6% y-o-y in H1:17 and eight consecutive years of decline (totalling c. 30%).

The improved performance in Q3:17 was supported by strong rises in property sales to both domestic and overseas buyers. Indeed, property sales to overseas buyers (comprising ¼ of total sales, mainly in the luxury market) rose by 10.0% y-o-y, supported by increasing investor confidence and a government investment scheme providing (a) permanent residence to foreign buyers for property purchases exceeding EUR 300k, and (b) citizenship for property purchases exceeding EUR 2mn. Moreover, property sales to domestic buyers rose sharply by 37.6% y-o-y, underpinned, *inter alia*, by the island's strong economic performance.

Egypt

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



Fiscal Accounts (% of GDP)					
	2016/17 Outcome	4M: 2016/17 Outcome	4M: 2017/18 Outcome	2017/18 Budget	NBG 2017/18 Forecast
Revenue	19.0	3.8	4.2	20.4	21.1
Tax Revenue	13.3	2.6	3.3	14.7	15.4
Income Tax	5.3	0.9	0.9	5.1	5.4
Personal Income	1.5	0.3	0.4	1.6	1.7
Corporate Income	3.8	0.5	0.5	3.5	3.7
Property Taxes	1.0	0.3	0.3	1.2	1.1
Taxes on G. & S.	5.7	1.2	1.8	7.1	7.5
Taxes on Int. Trade	0.8	0.2	0.2	0.9	0.9
Other Taxes	0.7	0.0	0.1	0.4	0.5
Grants	0.5	0.0	0.0	0.0	0.0
Other Revenue	5.2	1.2	0.9	5.6	5.6
Expenditure	29.9	6.9	7.0	29.4	30.6
Wages & Salaries	6.5	2.0	1.8	5.8	5.8
Purch. of G. & S.	1.2	0.2	0.2	1.3	1.3
Interest Payments	9.1	2.2	2.6	9.3	9.8
Subsidies, grants & social benefits	8.0	1.3	1.3	8.1	8.8
Other Expenditure	5.1	1.1	1.1	4.9	4.9
Fiscal Balance	-10.9	-3.1	-2.8	-9.0	-9.5
Primary Balance	-1.8	-0.9	-0.3	0.2	0.3

	19 Feb.	3-M F	6-M F	12-M F
O/N Interbank Rate (%)	17.8	18.0	17.0	15.0
EGP/USD	17.6	17.8	18.0	18.0
Sov. Spread (2020. bps)	188	168	152	140

	19 Feb.	1-W %	YTD %	2-Y %
HERMES 100	1,504	2.1	4.7	177.1

	14/15	15/16	16/17E	17/18F	18/19F
Real GDP Growth (%)	4.4	4.3	4.2	4.6	5.2
Inflation (eop. %)	11.4	14.0	29.8	13.5	10.2
Cur. Acct. Bal. (% GDP)	-3.7	-6.0	-6.6	-5.4	-4.4
Fiscal Bal. (% GDP)	-11.4	-12.5	-10.9	-9.5	-8.2

The CBE initiated a cycle of monetary policy loosening, cutting its key interest rates by 100 bps. The CBE cut its overnight deposit, 1-week repo, and overnight lending rates by 100 bps to 17.75%, 18.25%, and 18.75%, respectively, ending a 26 month-long cycle of monetary policy tightening, during which key rates had been raised by 1000 bps.

The CBE decision was motivated by the sharp drop in headline inflation to a 15-month low of 17.1% y-o-y in January from a 3-decade high of 33.0% in July 2017. Recall that the July peak was due to: i) further adjustments in regulated prices (prices of fuel and electricity rose by up to 50% and 42%, respectively, on July 1st); ii) a rise in the VAT rate (by 1 pp to 14% on July 1st), in the context of the ongoing IMF-supported programme; and iii) the flotation of the currency, leading to a depreciation of the EGP against the USD by c. 50% y-o-y in July 2017.

The 15.9 pp drop in headline inflation between July and January had been supported by sharp policy rate hikes, the absorption of excess liquidity through open market operations, the rise in the reserve requirement ratio (up 4 pps to 14.0% in October), and the stable EGP.

Looking ahead, we expect the CBE to proceed with additional cuts of its key rates, totalling 300 bps, by June (end-2017/18), as headline inflation is on track to ease further to a 3-year low of 13.5% y-o-y in June -- well within the CBE's (announced Q2:18/19) target range of 10%-16%. Should our forecasts materialise, the overnight deposit, 1-week repo, and overnight lending rates would reach 14.75%, 15.25%, and 15.75%, respectively, at end-2017/18 (or 2.1%, 2.6% and 3.1%, respectively, in *ex post*, real and compounded terms).

The fiscal deficit narrowed in the first 4 months of the fiscal year, mainly due to an overperformance in tax revenue. The fiscal deficit declined by 0.3 pps y-o-y to 2.8% of GDP in 4M:17/18 (July-October 2017), as a rise in expenditure (up 0.1 pp of GDP y-o-y) was more than offset by a sharper increase in revenue (up 0.4 pps of GDP y-o-y).

Specifically, the strong revenue performance was exclusively driven a surge in taxes on goods & services (up 0.6 pps of GDP y-o-y), reflecting a higher VAT rate (up 1 pp to 14.0% last July) and, to a large extent, better collection. On the other hand, the rise in expenditure reflects exclusively higher interest payments (up 0.4 pps of GDP y-o-y), due to a ballooning public debt (estimated at 103.3% at end-2016/17 against 96.9% a year earlier) and rising interest rates (average yield on 364-day T-bills rose by 3.3 pps y-o-y to 19.3% in 4M:17/18).

The envisaged fiscal consolidation of 1.9 pps of GDP for 2017/18 is unlikely to be achieved in this election year. The 2017/18 Budget (started on July 1st) envisaged further fiscal tightening, targeting a deficit of 9.0% of GDP compared with the FY:17/18 deficit of 10.9%.

Despite the 4M:17/18 positive performance and continued revenue overperformance during the rest of the fiscal year, the FY:17/18 deficit target is set to be missed, due to higher-than-planned spending (by an estimated 1.2 pps of GDP). The expected expenditure slippage should result from: i) higher-than-budgeted food and energy subsidies (by 0.7 pps of GDP), reflecting over-optimistic Budget projections for the exchange rate (EGP 16.0 per USD compared with the consensus forecast of EGP 17.4 per USD) and the price of Brent/barrel (USD 55.0 compared with the consensus forecast of USD 60.0) and ii) higher-than-planned interest payments (by 0.5 pps of GDP). On the other hand, we project revenues to overperform their target by 0.7 pps of GDP. All said, the primary balance would turn into a surplus for the first time in FY:17/18 (0.3% of GDP -- broadly in line with its target of 0.2% and comparing favourably with the FY:16/17 primary deficit of 1.8%) and would help reverse the negative trend of the public debt-to-GDP ratio (to 92.0% from 103.3% in FY:16/17).

FOREIGN EXCHANGE MARKETS, FEBRUARY 19TH 2018

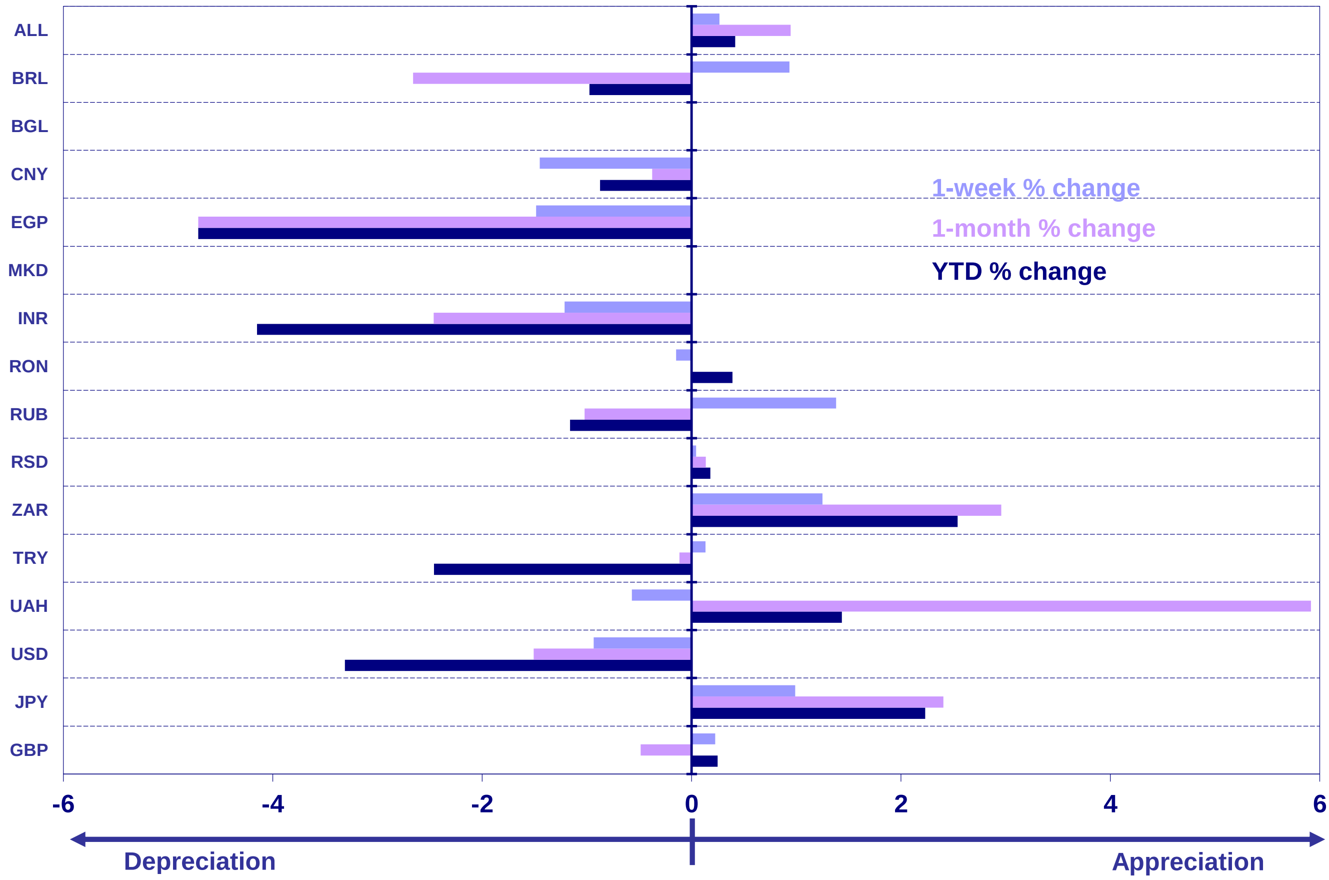
Against the EUR

	Currency	2018 SPOT	2018 1-week %change	2018 1-month %change	2018 YTD %change*	2018 1-year %change	2018 Year-Low	2018 Year-High	2018 3-month Forward rate**	2018 6-month Forward rate**	2018 12-month Forward rate**	2017 % change*	2016 % change*
Albania	ALL	132.3	0.3	0.9	0.4	1.9	132.4	134.0	132.7	132.9	132.8	1.9	1.2
Brazil	BRL	4.01	0.9	-2.7	-1.0	-18.4	3.85	4.08	4.29	4.29	4.29	-13.9	25.7
Bulgaria	BGL	1.96	0.0	0.0	0.0	0.0	1.96	1.96	1.96	1.96	1.96	0.0	0.0
China	CNY	7.87	-1.5	-0.4	-0.9	-7.2	7.69	7.96	7.89	7.89	7.88	-6.0	-4.0
Egypt	EGP	21.86	-1.5	-4.7	-4.7	-24.1	20.59	22.13	- - -	- - -	- - -	-9.4	-55.0
FYROM	MKD	61.3	0.0	0.0	0.0	0.0	61.3	61.3	61.3	61.3	61.3	0.0	0.0
India	INR	80.0	-1.2	-2.5	-4.2	-11.2	75.9	80.4	80.2	- - -	- - -	-6.7	0.4
Romania	RON	4.66	-0.1	0.0	0.4	-3.0	4.62	4.68	4.68	4.72	4.82	-3.0	-0.4
Russia	RUB	70.0	1.4	-1.0	-1.2	-12.2	67.7	71.8	71.2	72.3	74.6	-6.8	22.9
Serbia	RSD	118.2	0.0	0.1	0.2	4.7	118.0	119.1	118.6	118.9	- - -	4.2	-1.5
S. Africa	ZAR	14.5	1.3	3.0	2.5	-4.4	14.39	15.16	14.7	15.0	15.6	-2.7	16.2
Turkey	YTL	4.66	0.1	-0.1	-2.5	-17.5	4.48	4.73	4.82	4.97	5.33	-18.4	-14.7
Ukraine	UAH	33.1	-0.6	5.9	1.4	-13.6	32.80	36.11	39.1	- - -	- - -	-15.2	-8.6
US	USD	1.24	-0.9	-1.5	-3.3	-14.5	1.2	1.3	1.25	1.26	1.28	-12.4	3.3
JAPAN	JPY	132.2	1.0	2.4	2.2	-9.3	131.6	137.5	132.3	132.3	132.4	-8.9	6.0
UK	GBP	0.89	0.2	-0.5	0.2	-3.9	0.9	0.9	0.89	0.89	0.90	-4.1	-13.5

* Appreciation (+) / Depreciation (-)

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

Currencies against the EUR (February 19th 2018)



Money Markets, February 19th 2018

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
O/N	1.4	6.6	-0.1	2.7	- - -	17.8	- - -	- - -	1.3	7.1	- - -	13.3	8.1	15.1	- - -	1.4
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	1.3	6.9	2.5	- - -	8.1	- - -	- - -	- - -
S/W	1.4	6.6	-0.1	2.9	-0.4	- - -	1.2	- - -	- - -	6.9	2.5	- - -	7.1	15.8	-0.4	1.5
1-Month	1.6	6.6	-0.1	4.1	-0.4	- - -	1.4	6.4	1.6	6.8	2.8	13.6	7.6	17.0	-0.4	1.6
2-Month	- - -	6.6	0.0	- - -	-0.3	- - -	- - -	- - -	- - -	8.5	3.0	13.8	7.3	- - -	-0.3	1.7
3-Month	2.1	6.6	0.0	4.7	-0.3	- - -	1.7	7.2	2.1	7.3	3.1	13.9	7.9	17.8	-0.3	1.9
6-Month	2.7	6.6	0.1	4.7	-0.3	- - -	2.0	- - -	2.4	7.2	3.2	14.4	7.4	- - -	-0.3	2.1
1-Year	3.2	6.8	0.7	4.7	-0.2	- - -	2.4	- - -	2.5	7.2	- - -	15.0	8.1	- - -	-0.2	2.4

Local Debt Markets, February 19th 2018

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	- - -	- - -	- - -	- - -	- - -	17.8	- - -	6.4	- - -	6.9	3.3	12.4	- - -	- - -	-0.7	1.6
6-Month	2.0	- - -	- - -	- - -	- - -	17.5	1.5	6.5	2.2	6.8	3.3	12.7	- - -	- - -	-0.7	1.8
12-Month	2.7	- - -	-0.1	3.4	- - -	16.6	1.9	6.7	2.5	6.4	3.5	13.4	- - -	16.2	-0.6	2.0
2-Year	3.3	- - -	- - -	3.5	- - -	- - -	- - -	6.9	2.9	6.5	- - -	12.6	6.8	- - -	-0.6	2.2
3-Year	- - -	- - -	0.2	3.6	0.5	- - -	2.4	7.2	3.6	6.4	- - -	12.4	7.0	15.7	-0.4	2.4
5-Year	- - -	9.3	- - -	3.8	0.9	14.6	- - -	7.4	4.0	6.7	4.3	12.0	7.4	- - -	0.0	2.6
7-Year	- - -	- - -	0.8	- - -	1.7	14.6	- - -	7.7	4.5	6.9	- - -	- - -	- - -	- - -	0.3	2.8
10-Year	- - -	9.9	1.3	3.9	- - -	14.3	- - -	7.6	4.7	7.1	- - -	11.6	8.1	- - -	0.7	2.9
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	3.8	8.0	- - -	7.3	- - -	- - -	9.9	- - -	0.9	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	9.1	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	7.9	- - -	- - -	- - -	- - -	9.1	- - -	1.4	3.1

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

Corporate Bonds Summary, February 19th 2018

		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	1.7	231	200
	Bulgarian Telecom. 6.625% '18	EUR	B-/B1	15/11/2018	400	6.7	751	730
Russia	**Gazprom 8.2% '19**	RUB	BB+/NA	9/4/2019	10,000	8.1	171	- - -
	Gazprom 8.9% '21	RUB	BB+/NA	26/1/2021	10,000	7.3	90	- - -
South Africa	**FirstRand Bank Ltd 4.25% '20**	USD	BBB-/Baa2	30/4/2020	500	3.7	147	117
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	0.4	93	58
Turkey	**Vakiflar Bankasi 3.5% '19**	EUR	NA/Baa3	17/6/2019	500	1.7	235	202
	Garanti Bankasi 3.38%'19	EUR	NA/Baa3	8/7/2019	500	0.9	155	122
	Arcelik AS 3.875% '21	EUR	BB+/NA	16/9/2021	350	2.0	216	184
	Turkiye Is Bankasi 6% '22	USD	NA/Ba3	24/10/2022	1,000	6.0	339	325

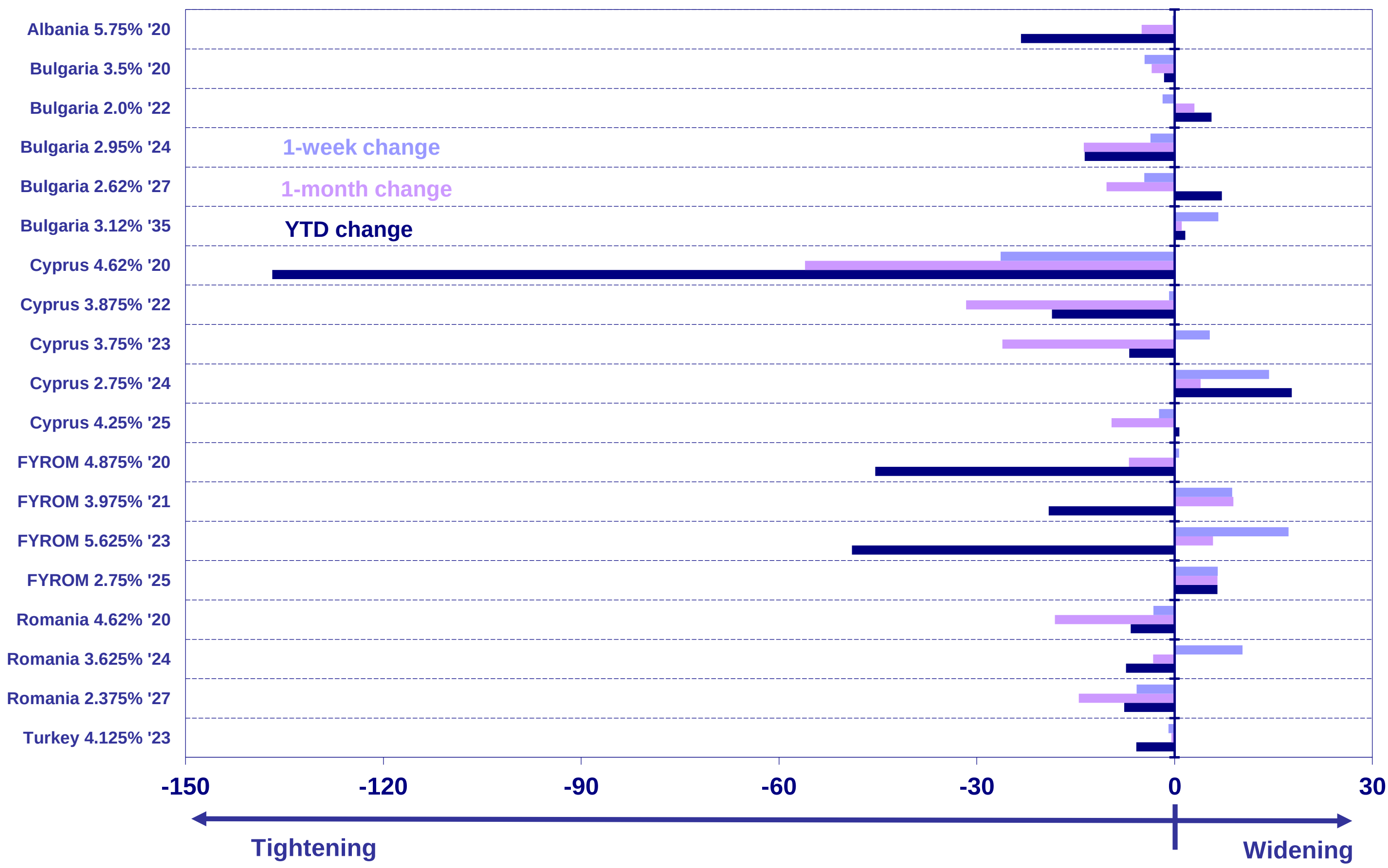
Credit Default Swap Spreads, February 19th 2018

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	150	66	59	115	263	- - -	80	85	113	119	162	141	- - -
10-Year	- - -	246	110	98	162	311	- - -	89	129	184	155	252	234	- - -

EUR-DENOMINATED SOVEREIGN EUROBOND SUMMARY, FEBRUARY 19TH 2018

	Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Albania 5.75% '20	EUR	B+/B1	12/11/2020	450	1,3	170	139
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	0,2	66	32
Bulgaria 2.0% '22	EUR	BBB-/Baa2	26/3/2022	1,250	0,2	42	-6
Bulgaria 2.95% '24	EUR	BBB-/Baa2	3/9/2024	1,493	0,9	48	15
Bulgaria 2.62% '27	EUR	BBB-/Baa2	26/3/2027	1,000	1,4	77	37
Bulgaria 3.12% '35	EUR	BBB-/Baa2	26/3/2035	900	2,4	132	87
Cyprus 4.62% '20	EUR	BB+/Ba3	3/2/2020	668	0,1	57	22
Cyprus 3.875% '22	EUR	NA/Ba3	6/5/2022	1,000	0,9	107	61
Cyprus 3.75% '23	EUR	NA/Ba3	26/7/2023	1,000	1,3	119	82
Cyprus 2.75% '24	EUR	NA/Ba3	27/6/2024	850	1,7	146	101
Cyprus 4.25% '25	EUR	NA/Ba3	4/11/2025	1,000	1,9	144	116
FYROM 4.875% '20	EUR	BB-/NA	1/12/2020	178	1,1	148	113
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	1,7	183	400
FYROM 5.625% '23	EUR	BB-/NA	26/7/2023	450	2,3	220	191
FYROM 2.75% '25	EUR	BB-/NA	18/1/2025	500	2,8	243	198
Romania 4.62% '20	EUR	BBB-/Baa3	18/9/2020	2,000	0,1	44	7
Romania 3.625% '24	EUR	BBB-/Baa3	24/4/2024	1,250	1,2	98	58
Romania 2.375% '27	EUR	BBB-/Baa3	19/4/2027	2,000	2,2	157	112
Turkey 4.125% '23	EUR	NR/Ba1	11/4/2023	1,000	2,5	245	210

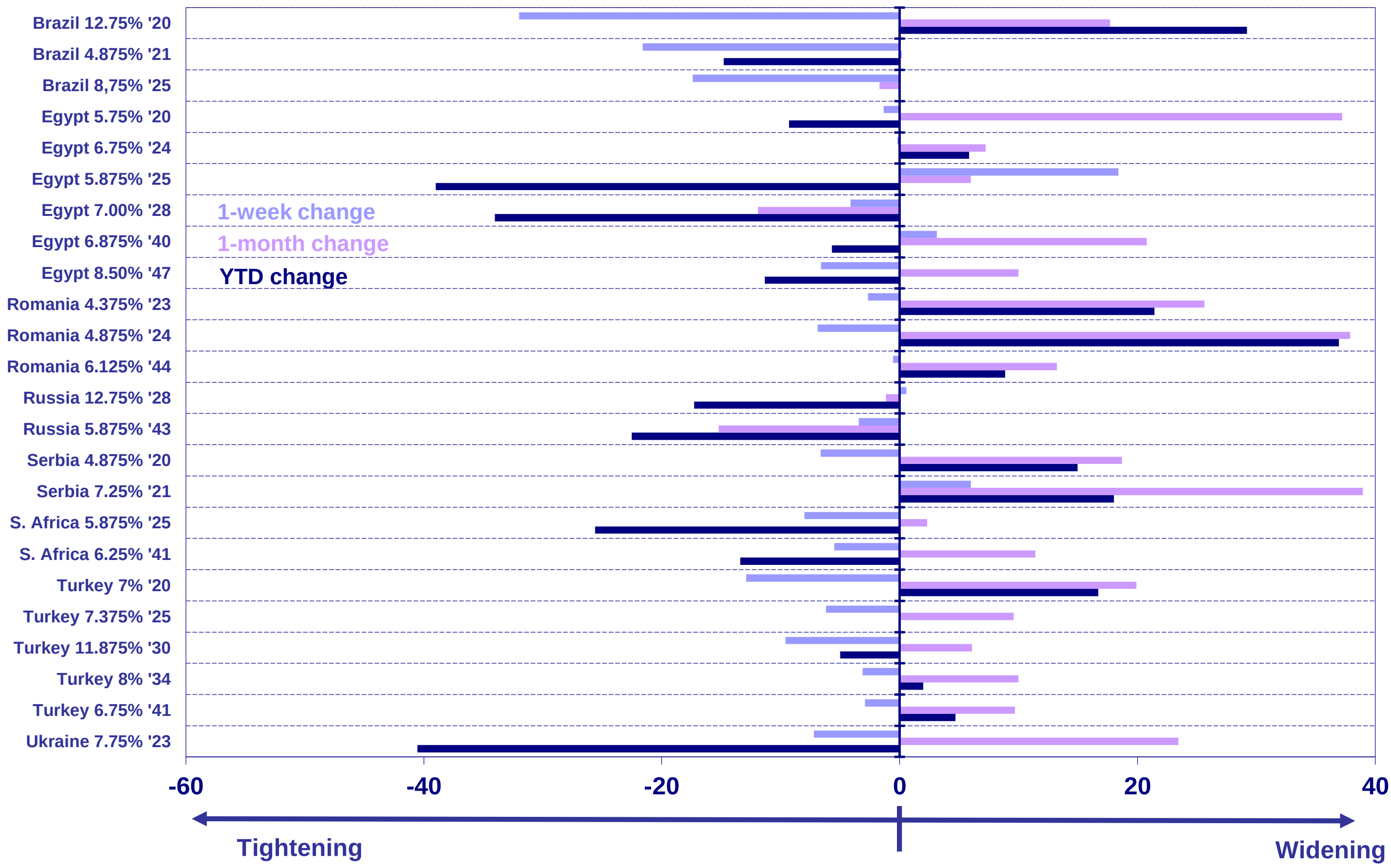
EUR-Denominated Eurobond Spreads (February 19th 2018)



USD-DENOMINATED SOVEREIGN EUROBOND SUMMARY, FEBRUARY 19TH 2018

	Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Brazil 12.75% '20	USD	BB-/NA	15/1/2020	87	2.5	26	3
Brazil 4.875% '21	USD	BB-/NA	22/1/2021	2,713	3.1	69	50
Brazil 8.75% '25	USD	BB-/NA	4/2/2025	688	4.2	143	165
Egypt 5.75% '20	USD	B-/B3	29/4/2020	1,000	4.1	188	160
Egypt 6.75% '24	USD	NA/B3	10/11/2024	1,500	6.2	339	340
Egypt 5.875% '25	USD	B-/B3	11/6/2025	500	5.8	302	296
Egypt 7.00% '28	USD	NA/B3	10/11/2028	1,000	6.2	334	337
Egypt 6.875% '40	USD	B-/B3	30/4/2040	1,500	7.1	402	400
Egypt 8.50% '47	USD	NA/B3	31/1/2047	500	7.5	440	485
Romania 4.375% '23	USD	BBB-/Baa3	22/8/2023	1,500	3.7	106	95
Romania 4.875% '24	USD	BBB-/Baa3	22/1/2024	1,000	3.7	110	99
Romania 6.125% '44	USD	BBB-/Baa3	22/1/2044	1,000	4.7	161	197
Russia 12.75% '28	USD	BB+/Ba1	24/6/2028	2,500	4.3	146	203
Russia 5.875% '43	USD	BB+/Ba1	16/9/2043	1,500	4.9	181	210
Serbia 4.875% '20	USD	BB-/B1	25/2/2020	1,500	3.5	131	105
Serbia 7.25% '21	USD	BB-/B1	28/9/2021	2,000	3.7	137	118
S. Africa 5.875% '25	USD	BBB-/Baa2	16/9/2025	2,000	4.7	193	196
S. Africa 6.25% '41	USD	BBB-/Baa2	8/3/2041	750	5.7	252	275
Turkey 7.00% '20	USD	NR/Ba1	5/6/2020	2,000	4.0	185	159
Turkey 7.375% '25	USD	NR/Ba1	5/2/2025	3,250	5.2	244	258
Turkey 11.875% '30	USD	NR/Ba1	15/1/2030	1,500	5.8	289	372
Turkey 8.00% '34	USD	NR/Ba1	14/2/2034	1,500	6.2	335	357
Turkey 6.75% '41	USD	NR/Ba1	14/1/2041	3,000	6.3	320	319
Ukraine 7.75% '23	USD	B-/Caa3	1/9/2023	1,355	6.4	382	377

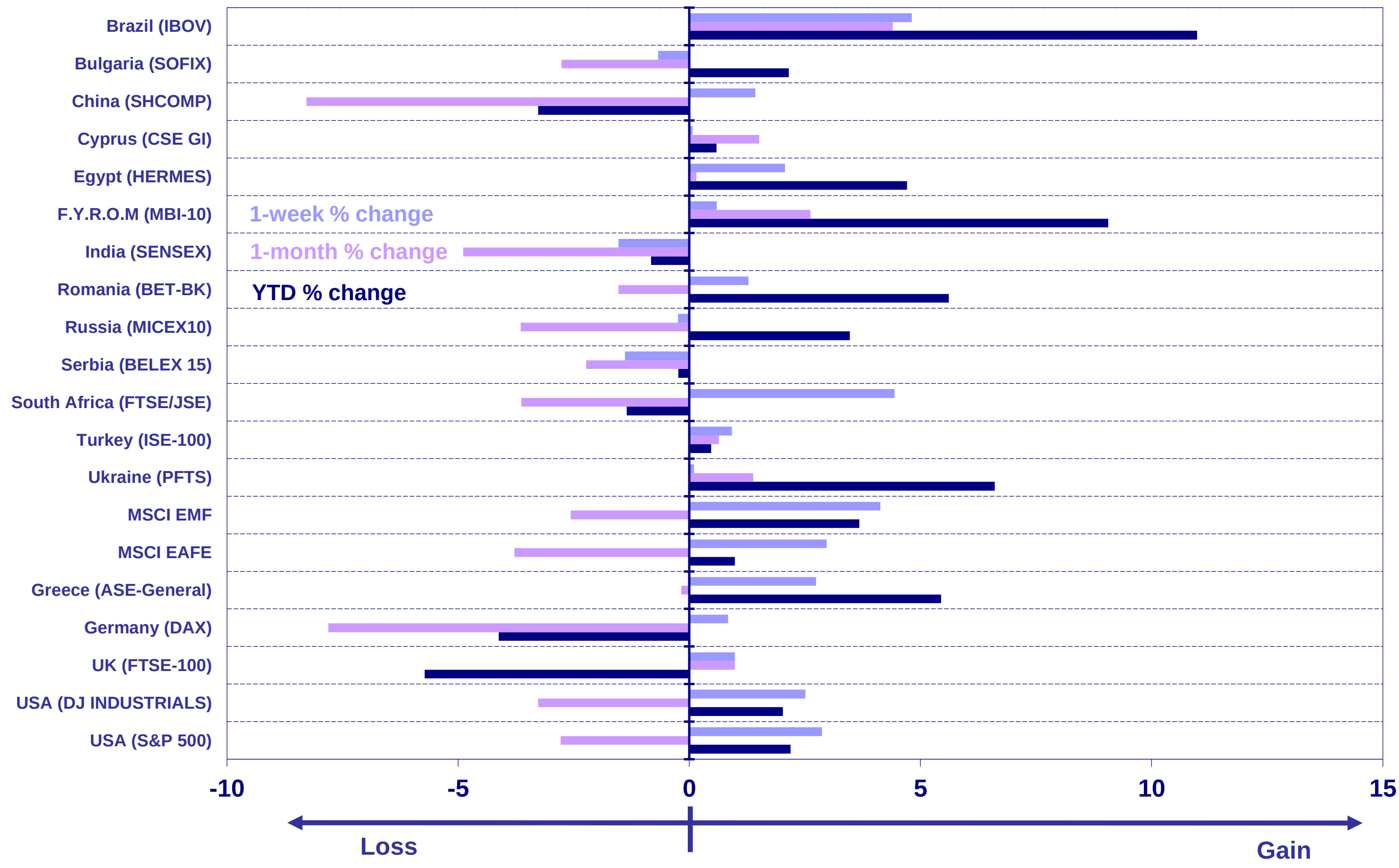
USD-Denominated Eurobond Spreads (February 19th 2018)



STOCK MARKETS PERFORMANCE, FEBRUARY 19TH 2018

	2018								2017		2016	
	Local Currency Terms							EUR Terms	Local Currency Terms	EUR terms	Local Currency terms	EUR terms
	Level	1-week % change	1-month % change	YTD % change	1-year % change	Year-Low	Year-High	YTD % change	% change		% change	
Brazil (IBOV)	84,793	4.8	4.4	11.0	23.7	76,403	86,213	9.4	26.9	9.5	38.9	76.2
Bulgaria (SOFIX)	692	-0.7	-2.8	2.2	13.8	677	721	2.2	15.5	15.5	27.2	27.2
China (SHCOMP)	3,199	1.4	-8.3	-3.3	-1.3	3,063	3,587	-4.4	6.6	-0.3	-12.3	-15.3
Cyprus (CSE GI)	70	0.1	1.5	0.6	4.3	68	71	0.6	4.7	4.7	-2.0	-2.0
Egypt (HERMES)	1,504	2.1	0.2	4.7	34.4	1,429	1,523	0.4	32.0	18.7	72.7	-21.8
F.Y.R.O.M (MBI)	2,769	0.6	2.6	9.1	21.7	2,536	2,848	9.1	18.9	18.9	16.5	16.5
India (SENSEX)	33,775	-1.5	-4.9	-0.8	17.8	28,716	36,444	-4.7	27.9	19.3	1.9	2.6
Romania (BET-BK)	1,744	1.3	-1.5	5.6	18.4	1,675	1,802	6.0	22.8	19.1	0.2	0.0
Russia (RTS)	4,266	-0.2	-3.6	3.5	-9.2	4,128	4,511	2.3	-16.2	-21.9	24.2	54.3
Serbia (BELEX-15)	758	-1.4	-2.2	-0.2	6.5	743	785	-0.1	5.9	10.3	11.4	9.7
South Africa (FTSE/JSE)	58,701	4.4	-3.6	-1.3	11.7	55,090	61,777	1.2	17.5	14.3	-0.1	16.1
Turkey (ISE 100)	115,882	0.9	0.6	0.5	30.8	111,107	121,532	-2.0	47.6	20.5	8.9	-7.0
Ukraine (PFTS)	336	0.1	1.4	6.6	23.1	315	337	8.1	18.8	0.8	10.2	1.0
MSCI EMF	1,201	4.1	-2.6	3.7	27.3	1,136	1,279	0.2	34.3	17.7	8.6	12.2
MSCI EAFE	2,071	3.0	-3.8	1.0	18.0	1,992	2,187	-2.4	21.8	6.7	-1.9	1.4
Greece (ASE-General)	846	2.7	-0.2	5.4	31.0	802	896	5.4	24.7	24.7	1.9	1.9
Germany (XETRA DAX)	12,386	0.8	-7.8	-4.1	4.7	12,003	13,597	-4.1	12.5	12.5	11.6	11.6
UK (FTSE-100)	7,248	1.0	-6.2	-5.7	-0.7	7,073	7,793	-5.5	7.6	3.2	14.4	-1.0
USA (DJ INDUSTRIALS)	25,219	2.5	-3.3	2.0	22.3	20,380	26,617	-1.3	25.1	9.6	13.4	16.7
USA (S&P 500)	2,732	2.9	-2.8	2.2	16.2	2,533	2,873	-1.2	19.4	4.7	9.5	13.2

Equity Indices (February 19th 2018)



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