Economic Analysis Division
Emerging Markets Analysis

Bi-Weekly Report

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NBG - Economic Analysis Division
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Emerging Markets Analysis

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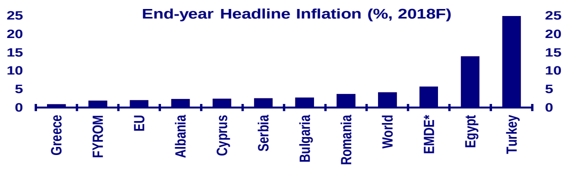
* EMDE: Emerging Market & Developing Economies



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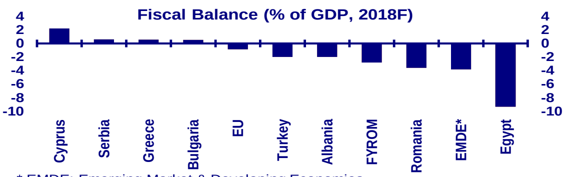

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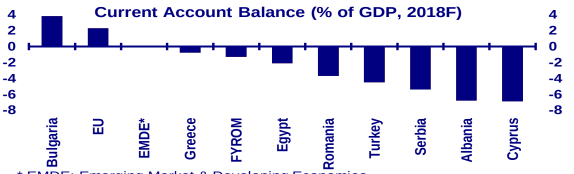


* EMDE: Emerging Market & Developing Economies

TURKEY 1

- External rebalancing intensified in September, with the 12-month rolling current account deficit narrowing to 5.8% of GDP from 6.5% in August
- The seasonally-adjusted unemployment rate rose for a 2nd consecutive quarter in Q3:18, reaching a 5-quarter high of 11.2%
- Turkey rose fourteen places to 43rd in the World Bank's Ease of Doing Business ranking for 2019

ROMANIA 2

- Headline inflation reached 4.3% y-o-y in October against 3.3% at end-2017, due to higher energy prices and (to a lesser extent) stronger domestic demand
- The NBR needs to raise rates further to attenuate overheating pressures

BULGARIA 3

- Stronger tax revenue offset pressures on current spending and public investment, keeping the 4-quarter rolling budget surplus at 0.9% of GDP in Q3:18, broadly unchanged compared with the Q4:17 outcome
- Fiscal policy is set to become more expansionary in FY:19

SERBIA 4

- Serbia's competitiveness improved in 2018
- FX-adjusted customer deposit growth accelerated in 9M:18, reaching 8.3% y-o-y in September, on the back of strengthening economic activity
- Credit growth (adjusted for FX movements) accelerated in 9M:18, reaching an 8-year high of 6.9% y-o-y in September, despite continued large write-offs

FYROM 5

- Banking sector net income rose sharply in 9M:18, by 66.2% y-o-y to an all-time high of EUR 125.0mn (1.2% of GDP)
- FYROM ranked 10th out of 190 countries in this year's World Bank's Ease of Doing Business 2019 Report

ALBANIA 6

- The banking sector's ROAE weakened on an annual basis to a still solid level of 12.9% in 9M:18

CYPRUS 7

- Customer deposits declined in 9M:18, due to increased depositor uncertainty in H1:18
- Real estate prices maintained their momentum in Q2:18
- Cyprus fell 3 places to 57th in the World Bank's Ease of Doing Business Ranking 2019

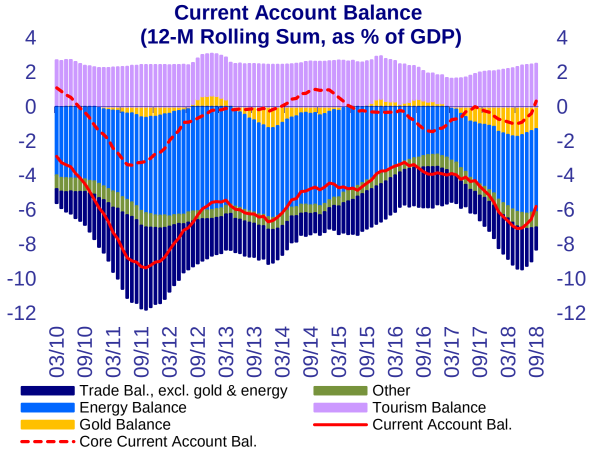
EGYPT 8

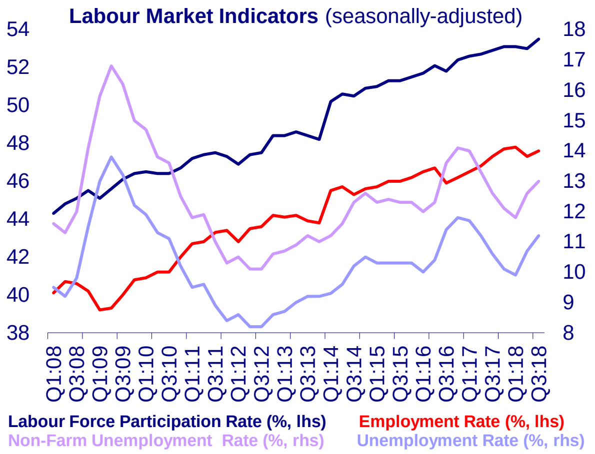
- The FY:18/19 fiscal deficit is set to miss its target of 8.4% of GDP, due to higher-than-budgeted interest payments and energy subsidies
- The CBE is likely to remain in a "wait-and-see" mode until the ongoing emerging market volatility eases
- Egypt rose nine places to 120th in the World Bank's Ease of Doing Business ranking for 2019

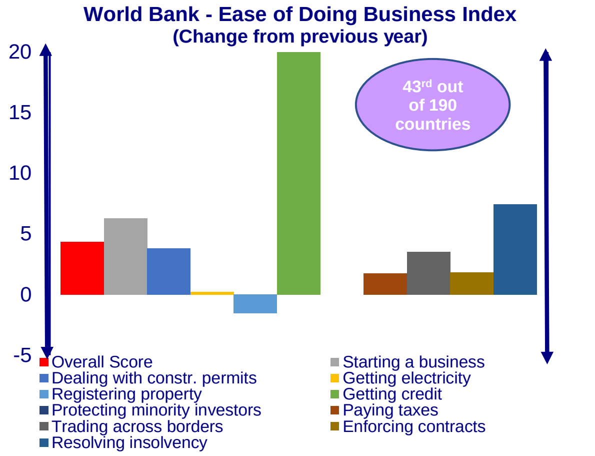
APPENDIX: FINANCIAL MARKETS 9

Turkey

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







	19 Nov.	3-M F	6-M F	12-M F
1-m TRIBOR (%)	25.1	25.0	22.0	20.0
TRY/EUR	6.09	6.30	6.60	6.80
Sov. Spread (2020, bps)	357	340	310	280

	19 Nov.	1-W %	YTD %	2-Y %
ISE 100	94,571	3.4	-18.0	25.0

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	6.1	3.2	7.4	3.2	1.0
Inflation (eop, %)	8.8	8.5	11.9	25.0	16.5
Cur. Acct. Bal. (% GDP)	-3.7	-3.8	-5.6	-4.5	-3.0
Fiscal Bal. (% GDP)	-1.0	-1.1	-1.5	-2.0	-2.0

External rebalancing intensified in September, with the 12-month rolling current account deficit (CAD) narrowing to 5.8% of GDP from 6.5% in August. The current account balance posted the sharpest annual improvement on record in September, moving to a surplus of 0.2% of GDP from a deficit of 0.5% a year earlier. The improvement was driven by a stronger underlying current account balance (excluding energy and gold, up 0.7 pps of GDP y-o-y), reflecting decelerating domestic demand, more competitive Turkish goods in global markets, as well as buoyant tourism activity, and to a lesser extent, the favourable gold balance (up 0.1 pp of GDP y-o-y), stemming from a normalization in gold imports. Not surprisingly, the energy balance deteriorated (by 0.1 pp of GDP y-o-y), due to higher global oil prices. Importantly, the August outcome confirms that a sharp external adjustment is underway since June (a cumulative 1.4 pps of GDP y-o-y) following 9 consecutive months of deterioration.

The improvement in the current account balance was more than offset by the deterioration in the capital and financial account (CFA) in September. The CFA balance deteriorated in September, as the impact of the August currency crisis had not yet faded. Indeed, the CFA balance turned into a deficit of 0.6% of GDP in September from a surplus of 0.7% a year earlier, due to large (net) loan repayments by banks and (net) portfolio outflows (0.8 pps and 0.5 pps of GDP y-o-y, respectively). As a result, FX reserves, excluding gold, declined by USD 3.5bn m-o-m and 24.5bn y-t-d to USD 67.0bn in September (3.1 months of imports of GNFS).

Looking ahead, we expect the recent trends to continue throughout the rest of the year, bringing the 12-month rolling CAD to 4.5% of GDP in December from 5.8% in September and a 6-year high of 7.2% in May.

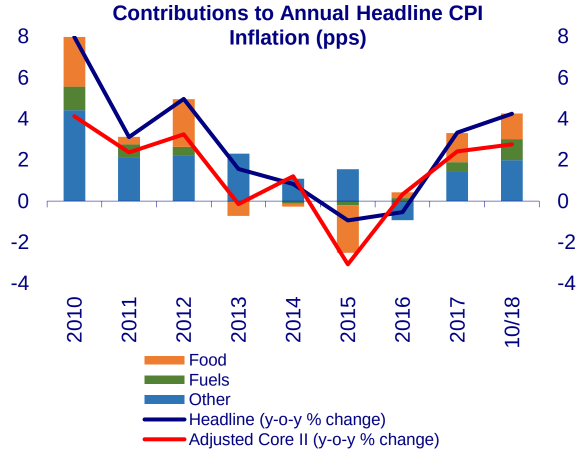
The seasonally-adjusted (s.a.) unemployment rate rose for a 2nd consecutive quarter in Q3:18, reaching a 5-quarter high of 11.2%. Following 5 successive quarters of decline to a low of 9.9% in Q1:18, the s.a. unemployment rate rose to 10.7% in Q2:18 and 11.2% in Q3:18. The deterioration in Q2-Q3:18 reflects heightened uncertainty since the unexpected announcement of presidential and parliamentary elections in early-Q2:18 – held on June 24th (17 months ahead of schedule). Uncertainty reached a peak in mid-Q3:18, with the culmination of the currency crisis, due to the absence of an adequate policy response to the country's alarming imbalances and heightened tensions with the US. The rise in the unemployment rate in Q2-Q3:18 also reflects a base effect from a strong fiscal and quasi-fiscal stimulus ahead of the mid-April 2017 controversial constitutional referendum. Non-farm unemployment rate rose broadly in line with the overall unemployment rate in Q2-Q3:18 – up 1.2 pps to 13.0%.

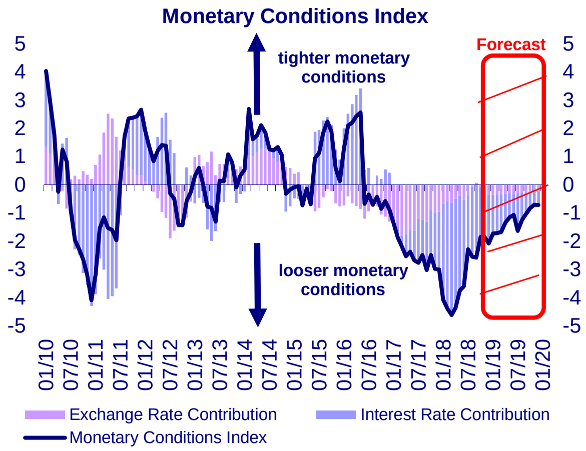
Looking ahead, we expect the s.a. unemployment rate to rise at a faster pace, to 12.8% in Q4:18, as economic growth is set to enter negative territory (-1.6% y-o-y), mainly due to tighter domestic and global liquidity conditions and limited fiscal stimulus. Overall, we expect the unemployment rate to rise to an 8-year high of 11.2% in FY:18 from 10.9% in FY:17.

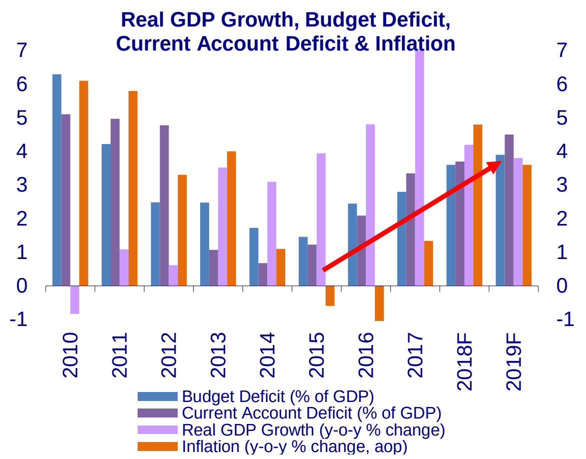
Turkey rose fourteen places to 43rd in the World Bank's Ease of Doing Business ranking for 2019. Turkey came 43rd among 190 countries in this year's World Bank's Ease of Doing Business ranking. The amelioration was broad-based (see chart). The area of "Getting credit" posted the largest improvement, on the back of better access to credit information and enhanced rights of secured creditors in bankruptcy proceedings. "Registering property" was the only area that recorded a deterioration, due to increasing costs of transferring property.

Romania

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







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

	19 Nov.	1-W %	YTD %	2-Y %
BET-BK	1,607	0.8	-2.7	24.6

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	3.9	4.8	7.0	4.2	3.8
Inflation (eop, %)	-0.9	-0.5	3.3	3.9	3.3
Cur. Acct. Bal. (% GDP)	-1.2	-2.1	-3.2	-3.7	-4.5
Fiscal Bal. (% GDP)	-1.5	-2.4	-2.8	-3.6	-3.9

Headline inflation reached 4.3% y-o-y in October against 3.3% at end-2017, due to higher energy prices and (to a lesser extent) stronger domestic demand. The main driver was the energy bill (up 8.8% y-o-y in October against 6.9% at end-2017), which rose sharply, on the back of: i) hikes in regulated gas prices (adding 0.6 pps to headline inflation); and ii) adverse developments in global oil markets (the price of Brent was up 45.4% y-o-y in RON terms in October against 6.7% at end-2017). At the same time, domestic demand strengthened, as suggested by adjusted core inflation (rising to 2.8% y-o-y in October from 2.4% at end-2017). The latter was fueled by the loose incomes policy (public wages rose by up to 45% in certain sectors and pensions by 10%) and, to a lesser extent, the depreciation of the RON (down 1.6% y-o-y against the EUR in October). Note that the impact of the loose incomes policy was tempered by the shift in the bulk of the social security contributions' burden onto employees.

Headline inflation should struggle to fall within the NBR's target range (2.5±1%) by end-2019. We expect headline inflation to ease slightly by end-year, driven by lower energy inflation, in line with developments in global oil markets (we project the price of Brent to rise by 8.0% y-o-y in RON terms at year-end against 45.4% in October). Lower imported inflation from the EU, due to the stabilisation of the exchange rate, should also help. As a result, we see headline inflation ending the year at 3.9%, higher than its end-2017 outcome of 3.3%. Headline inflation is set to maintain its downward trend throughout next year. Indeed, softer demand-side pressures, on the back, *inter alia*, of a smaller fiscal impulse, combined with tighter monetary conditions should push lower core inflation in FY:19. Favourable global oil prices (up c. 2.5% y-o-y in RON terms at end-2019 against a rise of 8.0% at end-2018), together with a positive base effect from the hike in gas prices in FY:18, should also sustain the disinflation process. All said, we see headline inflation falling to 3.3% at end-2019, within the NBR's target range, with adjusted core inflation trailing behind at 3.0%.

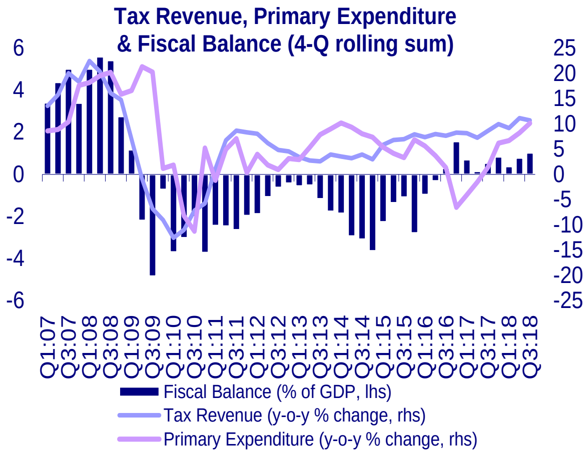
The NBR remains on hold. At its last meeting for FY:18, the NBR maintained its 1-week repo rate flat at 2.5%. Recall that the NBR has raised its key rate by 75 bps since the beginning of the year. However, the extent of the policy tightening carried out is larger. It amounted to 190 bps between January and July, considering the hike in money market rates (MMRs), following the absorption of excess liquidity in the market by the NBR, in Q2:18, through deposit taking operations, and later, through FX interventions. Nevertheless, the NBR has eased its stance since then and has restarted the provision of liquidity via repo operations, with MMRs falling by 40 bps from their August peak. All said, the *ex-post* real 1-month MMR stands at -1.1%, below its 7-year average of 0.8%, suggesting that monetary conditions are still loose.

The NBR needs to raise rates further to attenuate overheating pressures. The economy appears to be overheating, with GDP growth projected above its long-term potential (c. 3.0%) for a 7th consecutive year in FY:19, inflation struggling to fall within target and the current account deficit up sharply. At the same time, fiscal policy remains expansionary, with the budget deficit projected to surpass the critical threshold of 3.0% for a 2nd consecutive year in FY:19 (see table). Against this backdrop, the NBR appears to be behind the curve. Our "Taylor rule" estimates suggest that rates should be raised to 4.5% to address these challenges. However, in view of the authorities' reluctance to proceed with aggressive rate hikes, especially in the context of limited or no tightening by other central banks in the region, we expect the NBR to tighten its stance gradually, raising its key rate by 75 bps to 3.5% by end-2019.

Bulgaria

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

Consolidated Budget (% of GDP)	2017 Outcome	9M:17	9M:18	2018 Budget	2018 NBG Forecast
Total Revenue	35.0	25.9	27.1	35.5	36.6
Tax Revenue	29.3	21.6	22.3	28.9	30.0
Non-Tax Rev.	4.2	3.2	3.6	4.4	4.7
Grants	1.5	1.0	1.2	2.2	1.9
Total Expenditure	33.2	23.5	24.6	36.5	36.1
Current Spending	31.1	22.1	22.6	30.9	31.7
o/w Wages	7.8	5.6	5.9	7.8	8.2
Goods & Services	3.9	2.5	2.5	4.3	4.0
Subsidies	1.9	1.5	1.7	2.0	2.2
Social Spending	15.0	11.1	11.2	14.9	15.2
Interest Payments	0.8	0.7	0.6	0.7	0.7
Capital Expend.	3.7	1.4	2.0	5.6	4.4
Fiscal Balance	0.8	2.4	2.5	-1.0	0.5



Consolidated Budget (% of GDP)	2017 Outcome	2018 NBG Forecast	2019 Budget	2019 NBG Forecast
Total Revenue	35.0	36.6	38.3	38.4
Tax Revenue	29.3	30.0	30.2	30.3
Non-Tax Rev.	4.2	4.7	5.8	5.8
Grants	1.5	1.9	2.3	2.3
Total Expenditure	33.2	36.1	38.8	38.9
Current Spending	31.1	31.7	33.0	33.1
o/w Wages	7.8	8.2	8.3	8.7
Goods &Services	3.9	4.0	4.2	4.2
Subsidies	1.9	2.2	3.4	3.0
Social Spending	15.0	15.2	15.2	15.3
Interest Payments	0.8	0.7	0.6	0.6
Capital Expend.	3.7	4.4	5.8	5.8
Fiscal Balance	0.8	0.5	-0.5	-0.5

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

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

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	3.5	3.9	3.8	3.3	3.6
Inflation (eop, %)	-0.4	0.1	2.8	3.3	3.0
Cur. Acct. Bal. (% GDP)	0.0	2.6	6.5	3.8	2.1
Fiscal Bal. (% GDP)	-2.8	1.6	0.8	0.5	-0.5

Stronger tax revenue offset pressures on current spending and public investment, keeping the 4-quarter rolling budget surplus at 0.9% of GDP in Q3:18, broadly unchanged compared with the Q4:17 outcome. In 9M:18, the budget surplus widened marginally (up 0.1 pp y-o-y) to 2.5% of GDP. Specifically, primary current spending accelerated in 9M:18 (up 0.6 pps of GDP y-o-y), mainly due to a looser incomes policy. Recall that, in addition to the targeted hikes in public sector wages (up 9.5% in the education and defense sectors) as well as the minimum wage (up 10.9%), and the social benefits linked to it in January, pensions also rose in July (by 3.8%). At the same, public investment increased (up 0.6 pps of GDP y-o-y in 9M:18), partly due to higher EU grants (up 0.2 pps of GDP). Importantly, the rise in budget spending was offset by higher tax and non-tax revenue (up 0.7 pps and 0.4 pps of GDP y-o-y in 9M:18, respectively). The former was supported by a hike in the excise duty on tobacco and a 1 pp rise in the social security contributions' rate for pensions.

The fiscal performance is set to deteriorate in Q4:18, leading to a slightly smaller full-year budget surplus compared with the previous year. The main driver behind the envisaged fiscal deterioration is public investment, which is projected to accelerate in Q4:18 (yet still to underperform its FY:18 budget target -- a highly optimistic 5.9% of GDP against the FY:17 outcome of 3.8%).

Current spending should also pick up in Q4:18, mainly reflecting the need to close the financing gap of the pension and healthcare system and higher public consumption (mainly spending related to defense).

All said, we see the budget surplus narrowing to 0.5% of GDP in FY:18 from 0.9% in FY:17, overperforming, however, compared with its deficit target of 1.0%. Note, however, that a large part of the envisaged overperformance is attributed to the overly pessimistic tax revenue projections in the FY:18 budget (the latter was based on underestimated FY:17 tax revenue -- an outcome of 30.0% of GDP against a projection of 28.4%).

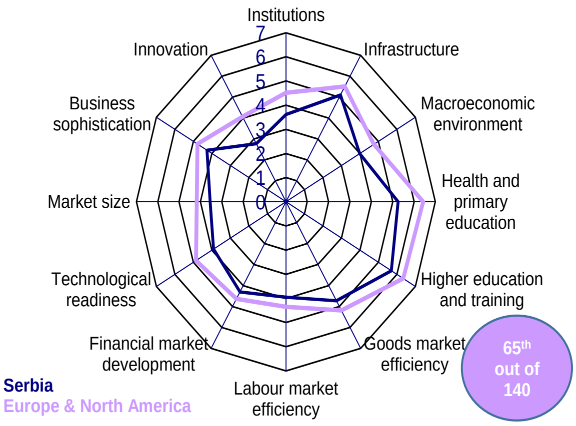
Fiscal policy is set to become more expansionary in FY:19. The Government adopted the draft budget for FY:19, targeting a deficit of 0.5% of GDP. Specifically, next year's budget foresees current spending accelerating markedly (up 1.3 pps against the projected FY:18 outcome), in line with a looser incomes policy and higher subsidies. Regarding incomes policy, public sector wages will rise by 10% in January (with the education sector receiving an additional 10% raise) and pensions will increase by 4.6% in July. Worryingly, the cost of these measures appears to be understated in the budget. Importantly, the envisaged slippage should be offset by lower-than-budgeted subsidies. Indeed, in view of recent trends, the latter appear to be overstated in the budget, notwithstanding the higher financing needs of the state-owned power company, NEK.

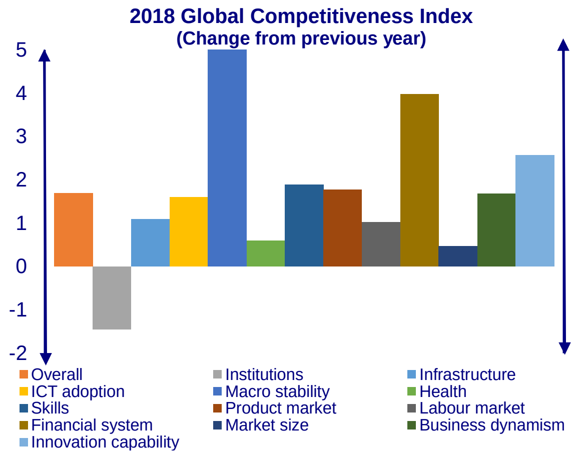
Public investment is also due to pick up strongly in FY:19 (up 1.3 pps of GDP against the projected FY:18 outcome), only partly financed by higher EU grants (up 0.4 pps of GDP). Indeed, several major construction projects, the execution of which has been delayed on procedural grounds in FY:18, were moved to the FY:19 budget.

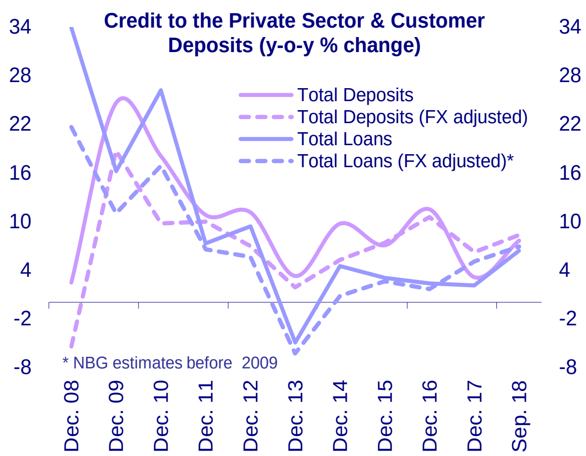
The sharp rise in budget spending should be tempered by higher non-tax revenue (up 1.1 pp of GDP against the projected FY:18 outcome, with the bulk of the rise reflecting revenue from the concession of the Sofia airport). Tax revenue is also set to rise slightly (up 0.2 pps of GDP), due to improved compliance. Overall, the FY:19 budget is broadly consistent with its target deficit. The implied fiscal impulse (1.0 pp of GDP) should help the economy expand at a solid pace (up 3.6%).

Serbia

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







	19 Nov.	3-M F	6-M F	12-M F
1-m BELIBOR (%)	2.7	2.9	3.1	3.5
RSD/EUR	118.2	117.9	117.6	117.4
Sov. Spread (2021, bps)	168	132	126	120

	19 Nov.	1-W %	YTD %	2-Y %
BELEX-15	745	0.0	-2.0	10.6

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

Serbia's competitiveness improved in 2018. According to the WEF Global Competitiveness Index, Serbia rose 5 places in 2018, ranking 65th among 140 economies. Serbia recorded the largest improvement in SEE-5 and is currently the third most competitive economy among regional peers, behind Bulgaria and Romania (ranking 51st and 52nd, respectively).

The improved macroeconomic performance was the main driver of Serbia's rise in the competitiveness index, especially due to the significant fiscal consolidation and the decline in the public-debt-to GDP ratio (by a sizeable 10.6 pps y-o-y to a 4-year low of 62.5% of GDP in FY:17). Reinforced financial sector stability (due to a further reduction in NPLs, see below) and improved innovation capability (due to the transfer of foreign technology through large FDIs) also contributed significantly to the improvement of the country's competitiveness this year.

FX-adjusted customer deposit growth accelerated in 9M:18, reaching 8.3% y-o-y in September, on the back of strengthening economic activity. Adjusted for FX variations, deposit growth reached 8.3% y-o-y in September up from 6.2% in December. The acceleration reflects strengthening confidence in the domestic economy, on the back of buoyant economic activity, macroeconomic stability, as well as progress on EU membership talks, continued engagement with the IMF (through the Policy Co-ordination Instrument) and political stability.

From a segment perspective, the acceleration in (FX-adjusted) overall deposits was driven by the continued rebound in (both LC and FC) retail deposits. The latter rose by a 6-year high of 8.8% y-o-y in September against an increase of 5.1% in December, on the back of stronger disposable income, as labour market conditions tightened (the unemployment rate declined to 11.9% in Q2:18 from 13.5% in FY:17, while net wages increased by 3.7% y-o-y in H1:18 following a rise by 1.2% in H1:17). The strengthening of retail deposits was also supported by higher remittances (up 24.5% y-o-y, in EUR terms, in 7M:18 compared with 9.3% in FY:17).

Credit growth (adjusted for FX movements) accelerated in 9M:18, reaching an 8-year high of 6.9% y-o-y in September, despite continued large write-offs. Adjusted for FX variations, the loan book expanded by an 8-year high of 6.4% y-o-y in September compared with rises of 5.1% at end-2017 and a mere 1.7% at end-2016. Importantly, the acceleration in credit activity occurred despite continued sizeable write-offs. In fact, write-offs amounted to an estimated RSD 42.7bn in 9M:18 (or 2.1% of the stock of loans at end-2017) -- yet below their level of RSD 66.5bn in 9M:17. Adjusting for write-offs and FX fluctuations, the loan book expanded at an even faster pace (by an estimated 11.9% y-o-y) in September as well as at end-2017.

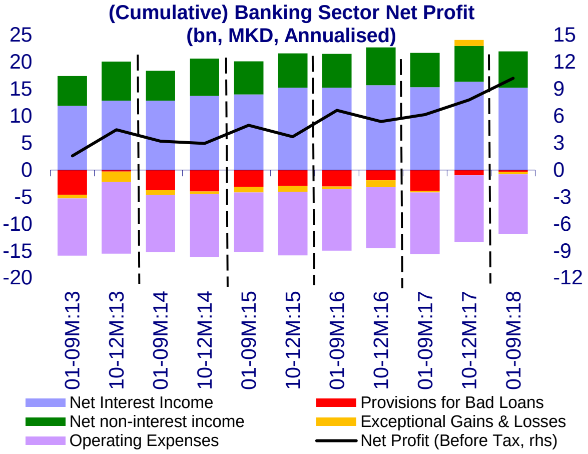
The strong lending activity was underpinned by the increase in loan demand, supported by low lending interest rates, on the back of increasing bank competition for market shares. Indeed, the average blended lending rate on new loans fell to a record low of 5.1% in 9M:18 from 6.9% in 2014-17 and 11.7% in 2010-13.

The robust lending activity can also be attributed to easing credit conditions by banks, on the back of: i) the improving economic outlook; ii) a strong capital base; iii) ample liquidity (with the loan-to-deposit ratio amounting to 102.5% at end-Q3:08); as well as iv) improving asset quality (the NPL ratio declined to 7.8% in Q2:18 from a peak of 23.0% in Q3:14, falling below the pre-crisis level of 10.2% in Q3:08).

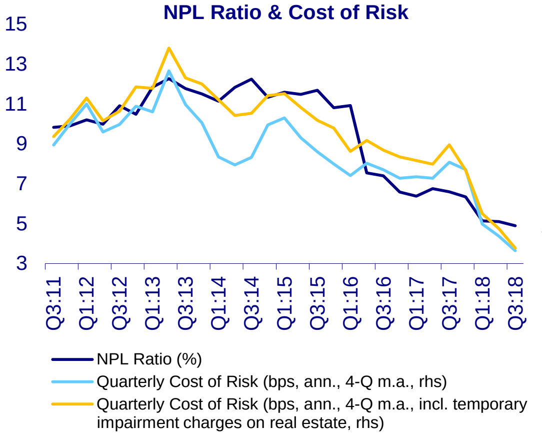
F.Y.R.O.M

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

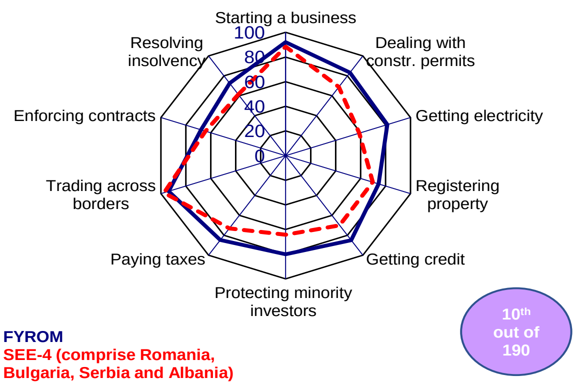
(Cumulative) Banking Sector Net Profit (bn, MKD, Annualised)



NPL Ratio & Cost of Risk



World Bank - Ease of Doing Business Index (Score: 0 - 100)



	19 Nov.	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)	255	210	190	160

	19 Nov.	1-W %	YTD %	2-Y %
MBI 100	3,560	-0.6	40.2	57.0

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

Banking sector net income rose sharply in 9M:18, by 66.2% y-o-y to an all-time high of EUR 125.0mn (1.2% of GDP). The impressive performance was due to a sharp decline in banks' loan loss provisions (down 92.3% y-o-y) and, to a lesser extent, higher pre-provision income. As a result, the (annualised) ROAE and ROAA rose to 19.5% and 2.2%, respectively, in 9M:18, from 12.6% and 1.4% in 9M:17.

Lower provisions in 9M:18 pushed down the cost of risk to historical lows. The decline in provisions reflects not only continued negative NPL formation and an exceptional large-scale reversal of provisions for bad corporate loans by country's largest bank (Komercijalna Bank, accounting for ½ of the overall ROAE increase), but also base effects from elevated provisions in 9M:17 (up 25.0% y-o-y) stemming from protracted political and economic uncertainty. Note that the NPL ratio declined by 1.7 pps y-o-y to a multi-year low of 4.9% at end-9M:18, down from 6.3% at end-2017 and a peak of 12.3% in mid-2016, supported, *inter alia*, by a 2016 Central Bank regulation requiring banks to write off their fully-provisioned loans held in "loss" category for more than two years.

As a result, the cost of risk declined to an all-time low of 15 bps, on a 4-quarter rolling basis, in Q3:18 from 110 bps in Q4:17.

Pre-provision income (PPI, before tax) rose by a 2-year high of 7.0% y-o-y in 9M:18, mainly on the back of a cut in the deposit insurance premium rate and higher net fees and commissions. Net interest income (NII) fell marginally in 9M:18 (down 0.8% y-o-y), as the rise in average interest-earning assets (up 7.3% y-o-y), driven by strong credit growth to households (up 10.1% y-o-y), was more than offset by the compression of the NIM (down 27 bps y-o-y to 334 bps). The weaker NIM reflects a drop in both: i) core NIM, as the decline in the blended lending rate (down 40 bps y-o-y to 550 bps) outpaced that of the blended deposit rate (down 10 bps y-o-y to 140 bps); and ii) non-core NIM, in line with moderating domestic debt yields (the 12-m T-bill rate fell to 1.1% in 9M:18 from 1.9% in 9M:17).

The improved PPI (before tax) performance in 9M:18 was, in fact, driven by both higher net non-interest income (NNII) and lower operating expenses. NNII rose by 6.0% y-o-y in 9M:18, underpinned by higher net income from fees & commissions and gains from foreign exchange operations. On the other hand, operating expenses fell by 4.0% y-o-y in 9M:18, mainly on the back of lower payments of deposit insurance premiums, reflecting a cut in the deposit insurance premium rate by 0.15 pps to 0.25 pps since January 1st.

As a result, the efficiency of the banking system improved on an annual basis in 9M:18, with the cost-to-income ratio down by 2.6 pps y-o-y to 50.0%.

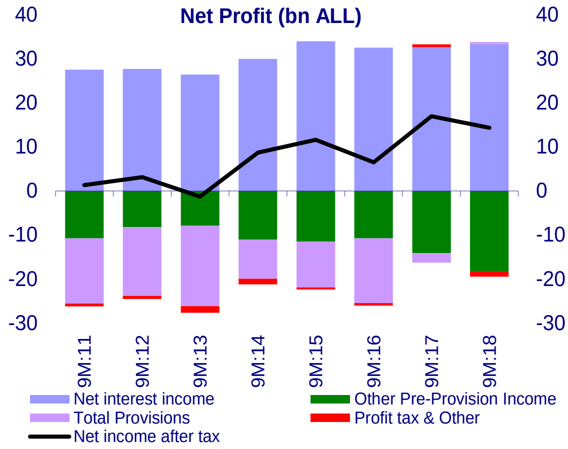
The rise in the 9M:18 profitability would have been stronger had it not been for extraordinary losses linked to banks' foreclosed assets. The latter resulted from a CB regulation imposing to banks a haircut on the net value of their foreclosed property assets, as a means to incentivize their sale within 5 years after foreclosure. Excluding these losses, ROAE stood at 20.5% in 9M:18.

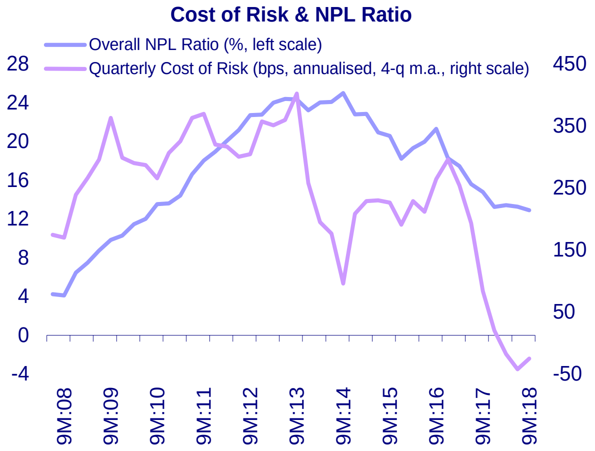
FYROM ranked 10th out of 190 countries in this year's World Bank's Ease of Doing Business 2019 Report. Importantly, FYROM's ranking remained almost unchanged over the past three years and far better than that of its neighbouring countries -- Romania (52nd), Bulgaria (59th), Serbia (48th) and Albania (63rd).

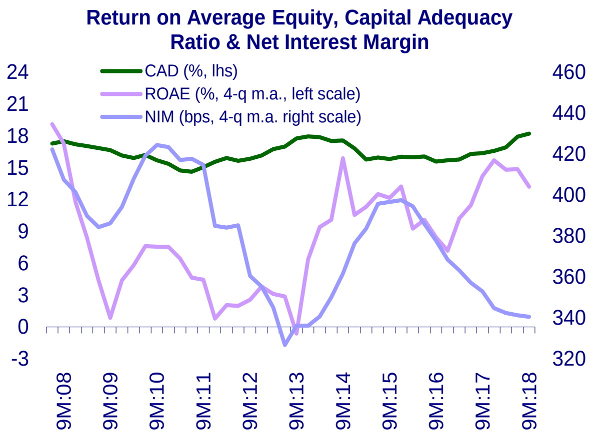
FYROM's ranking among the 10 best performers this year was supported by almost all the 10 components of the overall index, with that of "dealing with construction permits" posting the largest improvement due to reduced costs in getting a construction permit.

Albania

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







	19 Nov.	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	1.3	2.2	2.2	2.2
ALL/EUR	124.3	132.0	131.3	130.0
Sov. Spread (bps)	248	210	200	180

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

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

The banking sector's ROAE weakened on an annual basis to a still solid level of 12.9% in 9M:18. Net profit (after tax) declined by 15.5% y-o-y to a still high ALL 14.3bn (EUR 113.5mn or 0.9% of GDP) in 9M:18, despite lower provisions, reflecting the negative impact from securities revaluation and higher operating expenses.

As a result, (annualised) ROAE and ROAA moderated to a still strong 12.9% and 1.5%, respectively, in 9M:18 -- remaining in double digits for a 7th successive quarter -- from (a record high of) 16.3% and 1.6% in 9M:17, and the corresponding levels of 15.7% and 1.5% in FY:17.

Pre-provision income (PPI) declined in 9M:18. PPI was down by 24.2% y-o-y in 9M:18, mainly due to weaker (net) non-interest income (NNII), reflecting negative securities revaluation and higher operating expenses. The latter resulted from larger personnel expenditure (up 3.6% y-o-y in 9M:18 -- above the 2.1% y-o-y average inflation in 9M:18) and "other expenditure" (up by 7.9% y-o-y in 9M:18), partly due to the payment of the annual contribution to the Resolution Fund (totalling ALL 632mn for FY:18).

On a positive note, the continued decline in net interest income (NII) throughout FY:16 and FY:17 came to an end. Indeed, NII (amounting for c. 82.6% of gross operating income) rose slightly by 2.0% y-o-y in 9M:18 (following declines of 0.8% in FY:17 and 4.1% in FY:16), as the slight compression of NIM (down 7 bps y-o-y to 332 bps in 9M:18 following sharper declines of 22 bps in FY:17 and 36 bps in FY:16) was more than offset by higher average interest earning assets (up 4.2% in 9M:18). Recall that the compression of NIM reflects both: i) the narrowing of the loan spreads at a faster pace than deposit spreads (in an environment of declining interest rates and strong competition for lending market share); and ii) the sharp drop in public domestic debt yields.

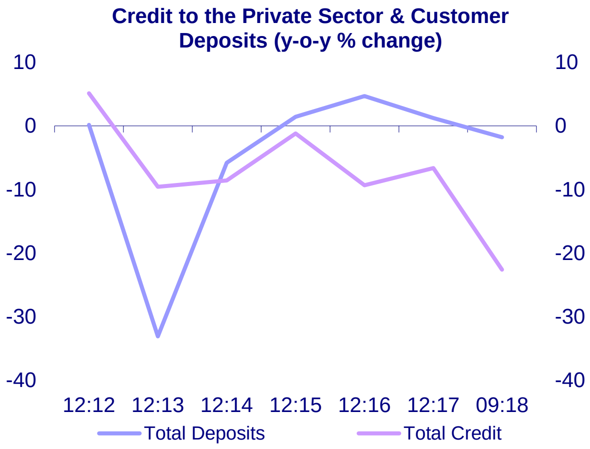
A reversal of provisions partly dampened the negative impact of declining PPI on the bottom line in 9M:18. P/L provisions turned negative in 9M:18 (amounting to minus ALL 0.5bn), reflecting the repayment and the restructuring of loans included in the NPL portfolio (reinforced by improved economic prospects, rising wages, the marked ALL appreciation and low interest rates), as well as the continued decline in the NPL ratio. Note that the latter fell for a 7th successive quarter, by 1.9 pps y-o-y to 12.9% in Q3:18 (returning to its mid-2010 level) -- half its post-crisis peak in Q3:14 (of 25.0%).

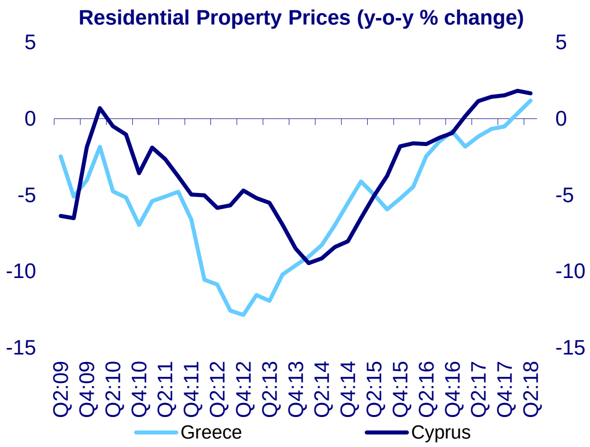
The sharp decline in NPLs between end-2014 and Q3:18 occurred despite: i) the bankruptcy of two large companies (namely, Albania's only steelmaker, Turkey's Kurum, and the 15% state-owned oil refiner, ARMO), and the concomitant pressure on related companies; and ii) strengthened supervision by the BoA that led to NPL reclassifications in FY:16. The marked decline in the NPL ratio over the past 4 years was supported by: i) strengthening economic activity and improved collection; ii) credit restructuring, as well as large write-offs (with the latter amounting to ALL 51bn in 2015-H1:18, or more than ⅓ of end-2014 NPLs); and iii) the repayment of loans in the NPL portfolio. The sharp decline in the NPL ratio was also reinforced by the 2015 regulation, mandating the obligatory write-off of loans held in "loss" category for more than three years, as well as the mandatory build-up in provisions, in line with the duration a loan is past due. The Government's clearance of a large part of its accumulated arrears in 2014-15 was another impetus for NPL reduction.

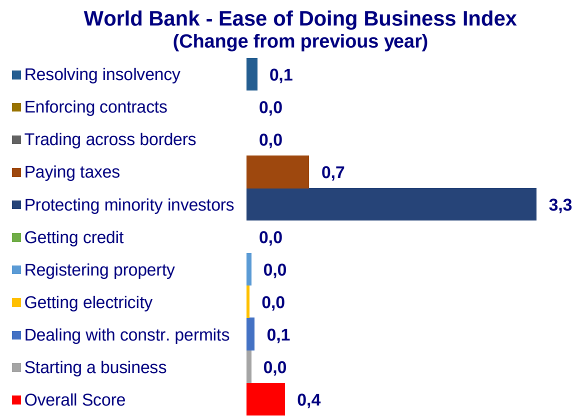
Note that, in addition to high profitability, the Albanian banking sector enjoys a strong capital base (with the capital adequacy ratio at 18.2% in Q3:18 -- above the regulatory floor of 12%) and abundant liquidity (with the ratio of total loans-to-total deposits at just 53.0% in Q3:18).

Cyprus

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







	19 Nov.	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.37	-0.37	-0.37	-0.37
EUR/USD	1.15	1.22	1.24	1.26
Sov. Spread (2020. bps)	108	55	52	50

	19 Nov.	1-W %	YTD %	2-Y %
CSE Index	67	-1.1	-4.2	-0.7

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

Customer deposits declined in 9M:18, due to increased depositor uncertainty in H1:18 -- ahead of the privatisation of Cyprus Cooperative Bank (CCB). Customer deposits declined by 1.8% y-o-y in September against a rise of 1.3% at end-2017, mainly due to a slowdown in residents' deposits (up 0.6% y-o-y against an increase of 4.3% at end-2017). The deterioration reflects heightened depositor uncertainty over the privatisation of CCB -- the island's second largest bank – until the Parliamentary approval of its sale to Hellenic Bank in July.

Banking sector deleveraging accelerated sharply in 9M:18, mainly due to the carve-out of CCB's NPLs. Credit to the private sector dropped by 22.6% y-o-y in September following a milder decline of 6.6% at end-2017, reflecting mainly the transfer of CCB's NPLs (EUR 5.7bn or 15.0% of end-2017 private sector loans or 28.0% of the NPL stock) to a publicly-owned "residual entity", as part of a set of measures, approved by Parliament in July, aiming to reduce significantly the banking sector's NPLs. The sharp credit contraction in 9M:18 also reflects banks' increased write-offs and debt-for-asset swaps as well as a decline in new corporate loans (down 20.6% y-o-y in September). Note that credit contraction would have been sharper in September had new retail loans not increased (up 9.8% y-o-y in September).

Importantly, reflecting developments in banks' loans and deposits at end-September, liquidity conditions improved significantly, with the overall loan-to-deposit (L/D) ratio moderating to 81.0% from 100.4% at end-2017 and a peak of 133.0% at end-2013.

Real estate prices maintained their momentum in Q2:18. The Central Bank's Residential Property Price Index (RPPI) rose by 1.7% y-o-y in Q2:18 – broadly as in Q1:18 (up 1.8% y-o-y). Importantly, this was the sixth consecutive quarter of positive growth following 32 successive quarters of decline. The increase in Q2:18 RPPI was supported by still solid demand from overseas buyers (comprising almost ½ of total sales -- up 11.2% y-o-y) and would have been sharper had it not been for the imposition of VAT (19%), from January 1st, on the disposal of undeveloped building land intended for the construction of buildings as part of business activity.

Looking ahead, we expect the recovery in the RPPI to continue throughout the rest of the year, benefiting, *inter alia*, from a benign economic environment and solid residential investment in areas with high demand (up 12.3% y-o-y in H1:18 in real terms), reflecting the island's pipeline of ongoing and new residential and tourism projects. The recovery will, however, be tempered by weaker demand from overseas buyers, following a recent amendment to the government's Citizenship by Investment programme (requiring property purchases exceeding EUR 2.0mn), which limits the number of beneficiaries to 700 per year -- down from over 1,000 in FY:17 (according to press reports).

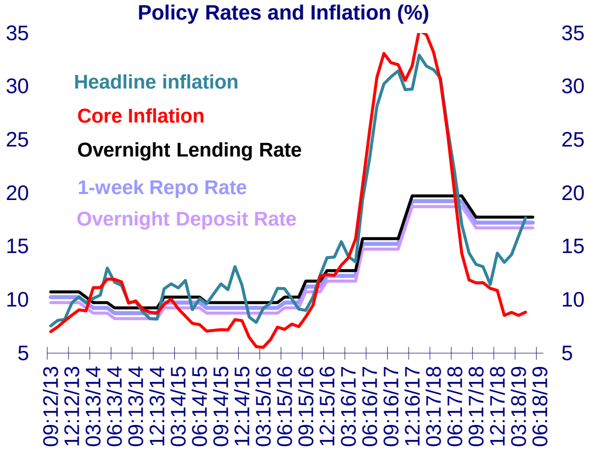
Cyprus fell 3 places to 57th in the World Bank's Ease of Doing Business Ranking 2019. Cyprus slipped 3 places to 57th among 190 countries in this year's World Bank's Ease of Doing Business Ranking, as only 2 of the 10 areas covered by the index displayed an improvement over the previous year (see chart). Indeed, Cyprus: i) strengthened minority investor protections by "*increasing disclosure of related-party transactions and strengthening shareholders' rights and role in major corporate decisions*"; and ii) made paying taxes easier mainly through the abolishment of the immovable property tax and the introduction of an online system for filing VAT returns and VAT refund claims.

Egypt

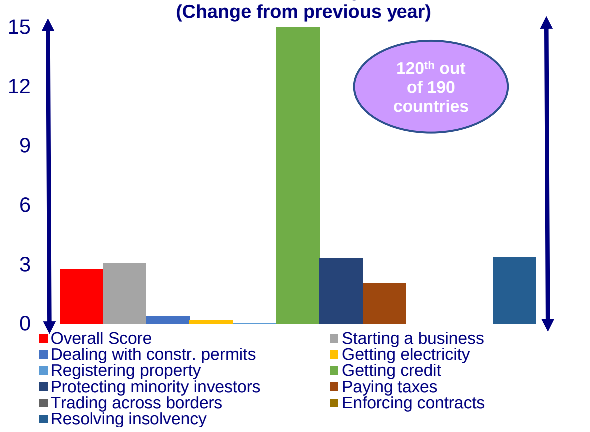
B / B3 / B (S&P / Moody's / Fitch)

Fiscal Accounts (% of GDP)	2017/18 Estimate	2M: 2017/18 Outcome	2M: 2018/19 Outcome	2018/19 Budget	NBG 2018/19 Forecast
Revenue	18.2	1.7	1.9	18.8	18.8
Tax Revenue	14.1	1.3	1.6	14.7	14.7
Other Revenue	4.1	0.4	0.3	4.1	4.1
Expenditure	27.9	3.4	3.5	27.2	28.2
Wages & Salaries	5.4	0.8	0.9	5.1	5.1
Purch. of G. & S.	1.1	0.1	0.1	1.1	1.1
Interest Payments	9.8	1.3	1.6	10.3	10.9
Subsidies, grants & social benefits	7.5	0.5	0.5	6.3	6.8
Other Expenditure	4.2	0.6	0.4	4.3	4.3
Fiscal Balance	-9.7	-1.7	-1.6	-8.4	-9.4
Primary Balance	0.1	-0.3	0.0	2.0	1.5

Policy Rates and Inflation (%)



World Bank - Ease of Doing Business Index
(Change from previous year)



	19 Nov.	3-M F	6-M F	12-M F
O/N Interbank Rate (%)	16.8	18.0	17.0	15.0
EGP/USD	17.9	17.8	18.0	18.0
Sov. Spread (2020. bps)	265	188	162	140

	19 Nov.	1-W %	YTD %	2-Y %
HERMES 100	1,339	1.4	-6.8	36.3

	14/15	15/16	16/17	17/18E	18/19F
Real GDP Growth (%)	4.4	4.3	4.2	5.3	5.6
Inflation (eop. %)	11.4	14.0	29.8	14.4	12.5
Cur. Acct. Bal. (% GDP)	-3.7	-6.0	-6.0	-2.4	-1.8
Fiscal Bal. (% GDP)	-11.4	-12.5	-10.9	-9.7	-9.0

The FY:18/19 fiscal deficit is set to miss its target of 8.4% of GDP, due to higher-than-budgeted interest payments and energy subsidies. The fiscal deficit declined by 0.1 pp y-o-y to 1.6% of GDP in 2M:18/19 (July-August 2018), 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 0.2 pps of GDP y-o-y). Specifically, the strong revenue performance was mainly driven by taxes on goods & services (up 0.2 pps of GDP y-o-y), reflecting stronger economic activity and better collection. On the other hand, the increase in expenditure reflects mainly higher interest payments (up 0.3 pps of GDP y-o-y), due to rising outstanding public debt and stubbornly high funding costs.

Looking ahead, despite the 2M:18/19 positive performance and continued revenue overperformance during the rest of the fiscal year, the envisaged reduction of the fiscal deficit to 8.4% of GDP in FY:17/18 from an estimated 9.7% in FY:17/18 is unattainable, due to higher-than-planned spending (by an estimated 1.0 pp of GDP). The expected expenditure slippage should result from: i) higher-than-budgeted energy subsidies (by 0.5 pps of GDP), reflecting over-optimistic Budget projections for the price of Brent/barrel (USD 67.0 compared with the consensus forecast of USD 77.0); and ii) higher-than-planned interest payments (by 0.6 pps of GDP). Overall, in the absence of corrective fiscal measures, we see the FY:18/19 fiscal deficit at 9.4% of GDP -- well above its target of 8.4% but below the FY:17/18 outcome of 9.7%.

The CBE is likely to remain in a "wait-and-see" mode until the ongoing emerging market volatility eases. As widely expected, the CBE maintained its overnight deposit, 1-week repo, and overnight lending rates unchanged at 16.75%, 16.25%, and 17.75%, respectively, at its November 15th MPC meeting, in its efforts to dampen depreciation pressures on the EGP and anchor inflation expectations. Indeed, amid a broader global sell-off in emerging markets, foreign holdings of Egyptian T-bills had declined sharply to EGP 235bn (USD 13.1bn) in September from a peak of EGP 380bn (c. 21.2bn) in March and the EGP has lost c. 2% of its value against the USD since end-March. Moreover, headline inflation rose for a third consecutive month in October, reaching an 11-month high of 17.7% y-o-y – well above the upper band of the CBE's Q4:18 target range of 10%-16%. Importantly, the CBE refrained from hiking its key rates, due to contained underlying inflationary pressures (between July and October, core inflation rose by only 0.4 pps to 8.9% y-o-y, while headline inflation rose sharply by 4.2 pps due to prices of fruit & vegetables).

Looking ahead, despite a still negative output gap and continued fiscal consolidation, we do not expect the CBE to resume its cycle of monetary policy loosening, started last February (with a total cut of 200 bps to its rates), until the ongoing emerging market volatility subsides.

Egypt rose nine places to 120th in the World Bank's Ease of Doing Business ranking for 2019. Egypt rose to 120th place among 190 countries in this year's World Bank's Ease of Doing Business ranking. The improvement was broad-based (see chart). Specifically: i) the process of starting a new business became easier following the removal of the requirement to obtain a bank certificate and the establishment of a "one-stop" shop; ii) the access to credit was facilitated, through the strengthening of legal rights of borrowers and lenders; iii) the protection for minority investors was stepped up by expanding shareholders' role in company management and "increasing corporate transparency"; iv) resolving insolvency was made easier by allowing debtors to initiate the reorganization procedure and granting creditors greater participation in the proceedings; and v) tax payment was also made easier, mainly due to the improved VAT refund process.

FOREIGN EXCHANGE MARKETS, NOVEMBER 19TH 2018

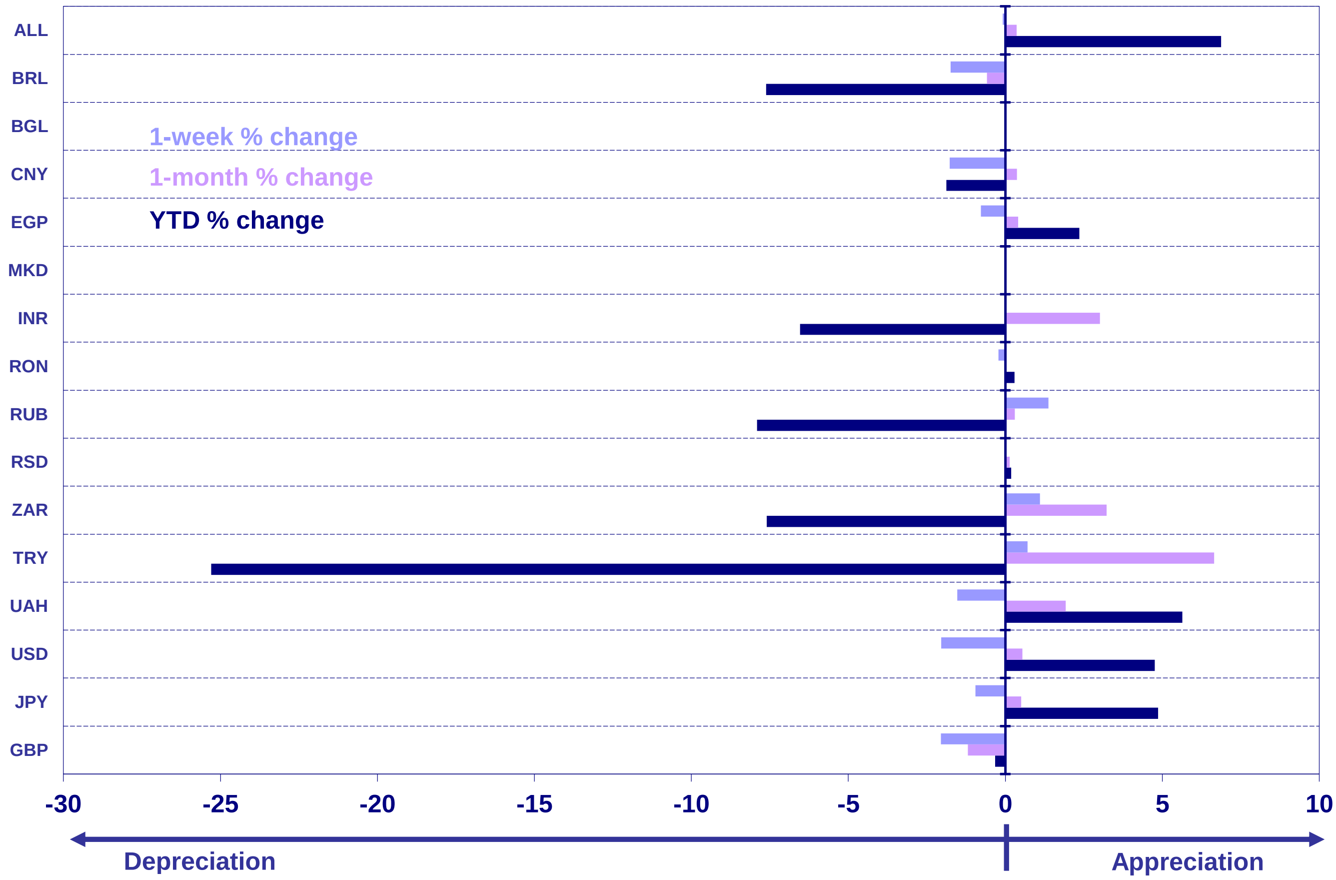
Against the EUR

	Currency	2018										2017	2016
		SPOT	1-week %change	1-month %change	YTD %change*	1-year %change	Year-Low	Year-High	3-month Forward rate**	6-month Forward rate**	12-month Forward rate**	% change*	% change*
Albania	ALL	124.3	-0.1	0.4	6.9	7.3	124.5	134.0	124.6	124.5	123.9	1.9	1.2
Brazil	BRL	4.30	-1.7	-0.6	-7.6	-11.2	3.85	4.93	4.59	4.59	4.60	-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	7.95	-1.8	0.4	-1.9	-2.0	7.39	8.11	8.22	8.23	8.24	-6.0	-4.0
Egypt	EGP	20.35	-0.8	0.4	2.4	2.4	19.50	22.13	- - -	- - -	- - -	-9.4	-55.0
FYROM	MKD	61.3	0.0	0.0	0.0	0.0	61.3	61.3	61.3	61.3	61.3	0.0	0.0
India	INR	82.0	0.0	3.0	-6.5	-6.9	75.9	86.0	88.5	- - -	- - -	-6.7	0.4
Romania	RON	4.66	-0.2	0.0	0.3	-0.4	4.62	4.68	4.71	4.75	4.85	-3.0	-0.4
Russia	RUB	75.1	1.4	0.3	-7.9	-7.2	67.7	81.9	76.5	78.1	81.3	-6.8	22.9
Serbia	RSD	118.2	0.0	0.1	0.2	0.3	117.6	119.1	118.5	118.8	- - -	4.2	-1.5
S. Africa	ZAR	16.1	1.1	3.2	-7.6	2.6	14.18	18.12	16.4	16.7	17.3	-2.7	16.2
Turkey	YTL	6.09	0.7	6.7	-25.3	-24.3	4.48	8.21	6.46	6.86	7.65	-18.4	-14.7
Ukraine	UAH	31.8	-1.5	1.9	5.6	-2.0	30.18	36.11	38.0	- - -	- - -	-15.2	-8.6
US	USD	1.15	-2.0	0.5	4.8	2.5	1.1	1.3	1.15	1.16	1.18	-12.4	3.3
JAPAN	JPY	128.9	-0.9	0.5	4.9	2.5	124.6	137.5	128.9	128.9	128.9	-8.9	6.0
UK	GBP	0.89	-2.1	-1.2	-0.3	-0.5	0.9	0.9	0.89	0.90	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 (November 19th 2018)



MONEY MARKETS, NOVEMBER 19TH 2018

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
O/N	1.1	6.4	- - -	2.6	- - -	16.8	- - -	- - -	2.6	7.6	- - -	24.1	5.4	18.0	- - -	2.2
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	2.6	6.8	2.4	- - -	5.4	- - -	- - -	- - -
S/W	1.2	6.4	- - -	2.6	-0.4	- - -	1.1	- - -	- - -	7.0	2.5	- - -	6.1	18.2	-0.4	2.2
1-Month	1.3	6.4	0.0	2.7	-0.4	- - -	1.2	7.1	3.2	7.5	2.7	25.1	6.7	18.8	-0.4	2.3
2-Month	- - -	6.4	- - -	- - -	-0.3	- - -	- - -	- - -	- - -	7.4	2.8	25.1	6.9	- - -	-0.3	2.5
3-Month	1.6	6.5	- - -	3.0	-0.3	- - -	1.5	7.6	3.2	7.5	3.0	25.3	7.1	19.3	-0.3	2.6
6-Month	1.8	6.5	- - -	3.3	-0.3	- - -	1.7	- - -	3.4	8.4	3.1	26.1	7.4	- - -	-0.3	2.9
1-Year	2.1	6.8	- - -	3.6	-0.1	- - -	2.0	- - -	3.6	8.5	- - -	26.2	7.9	- - -	-0.1	3.1

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

LOCAL DEBT MARKETS, NOVEMBER 19TH 2018

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	- - -	- - -	- - -	- - -	- - -	19.6	- - -	6.9	- - -	7.6	- - -	18.4	- - -	- - -	-0.7	2.4
6-Month	1.3	- - -	- - -	- - -	- - -	19.8	- - -	7.1	3.3	7.8	3.3	19.7	- - -	- - -	-0.7	2.5
12-Month	1.5	- - -	0.0	2.7	- - -	19.9	1.0	7.3	3.3	7.7	3.1	21.0	- - -	19.0	-0.7	2.7
2-Year	2.2	- - -	- - -	2.9	- - -	- - -	- - -	7.4	3.7	7.9	- - -	19.4	6.4	- - -	-0.6	2.8
3-Year	- - -	- - -	0.1	3.0	0.8	- - -	- - -	7.5	3.9	8.3	- - -	17.9	7.5	18.2	-0.5	2.8
5-Year	4.4	9.1	- - -	3.2	1.3	18.4	- - -	7.7	4.6	8.4	3.7	16.6	8.4	- - -	-0.2	2.9
7-Year	- - -	- - -	0.7	- - -	1.9	18.2	- - -	7.8	4.7	8.5	- - -	- - -	- - -	- - -	0.0	3.0
10-Year	6.5	10.1	0.9	3.4	- - -	17.9	- - -	7.8	4.9	8.7	- - -	16.6	9.1	- - -	0.4	3.1
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	3.0	8.0	- - -	8.8	- - -	- - -	9.9	- - -	0.7	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	10.0	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	8.0	- - -	- - -	- - -	- - -	10.0	- - -	1.1	3.3

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

CORPORATE BONDS SUMMARY, NOVEMBER 19TH 2018

		Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Bulgaria	**Bulgaria Energy Hld 4.875% '21**	EUR	NA/NA	2/8/2021	550	2.1	264	222
South Africa	**FirstRand Bank Ltd 4.25% '20**	USD	BBB-/Baa2	30/4/2020	500	4.5	174	156
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	0.9	152	114
Turkey	**Arcelik AS 3.875% '21**	EUR	BB+/NA	16/9/2021	350	4.1	466	405
	Garanti Bank 5.25% '22	USD	NA/Ba3	13/9/2022	750	7.5	465	424
	Turkiye Is Bankasi 6% '22	USD	NA/B2	24/10/2022	1,000	11.2	829	723
	Vakifbank 5.75% '23	USD	NA/Ba3	30/1/2023	650	9.6	678	601
	TSKB 5.5% '23	USD	NA/Ba3	16/1/2023	350	10.5	760	660
	Petkim 5.875% '23	USD	NA/B1	26/1/2023	500	8.2	539	491
	KOC Holding 5.25% '23	USD	BB+/Ba1	15/3/2023	750	6.9	404	371

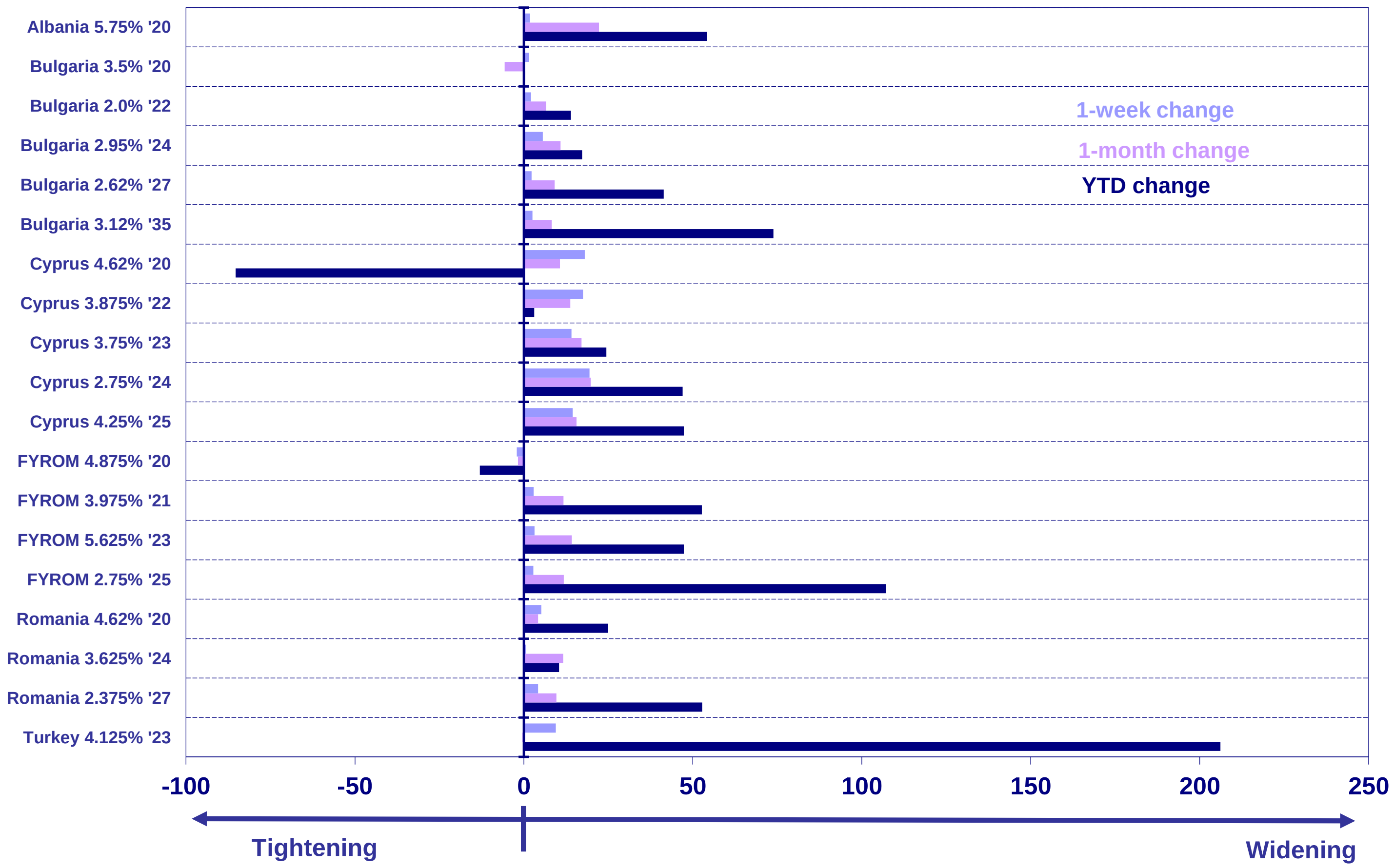
CREDIT DEFAULT SWAP SPREADS. NOVEMBER 19TH 2018

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	204	71	69	139	361	- - -	80	99	152	116	367	226	514
10-Year	- - -	279	103	113	157	404	- - -	89	138	208	147	396	286	540

EUR-DENOMINATED SOVEREIGN EUROBOND SUMMARY. NOVEMBER 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	1.8	248	205
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	0.0	68	29
Bulgaria 2.0% '22	EUR	BBB-/Baa2	26/3/2022	1,250	0.1	51	4
Bulgaria 2.95% '24	EUR	BBB-/Baa2	3/9/2024	1,493	0.7	79	26
Bulgaria 2.62% '27	EUR	BBB-/Baa2	26/3/2027	1,000	1.4	111	63
Bulgaria 3.12% '35	EUR	BBB-/Baa2	26/3/2035	900	2.7	204	140
Cyprus 4.62% '20	EUR	BBB-/Ba2	3/2/2020	668	0.4	108	70
Cyprus 3.875% '22	EUR	NA/Ba2	6/5/2022	1,000	0.9	128	85
Cyprus 3.75% '23	EUR	NA/Ba2	26/7/2023	1,000	1.3	150	108
Cyprus 2.75% '24	EUR	NA/Ba2	27/6/2024	850	1.6	175	125
Cyprus 4.25% '25	EUR	NA/Ba2	4/11/2025	1,000	1.9	191	143
FYROM 4.875% '20	EUR	BB-/NA	1/12/2020	178	1.2	181	134
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	2.0	255	463
FYROM 5.625% '23	EUR	BB-/NA	26/7/2023	450	2.9	317	283
FYROM 2.75% '25	EUR	BB-/NA	18/1/2025	500	3.3	344	272
Romania 4.62% '20	EUR	BBB-/BBB-	18/9/2020	2,000	0.1	75	29
Romania 3.625% '24	EUR	BBB-/BBB-	24/4/2024	1,250	1.0	115	70
Romania 2.375% '27	EUR	BBB-/BBB-	19/4/2027	2,000	2.4	217	162
Turkey 4.125% '23	EUR	NR/Ba3	11/4/2023	1,000	4.3	456	403

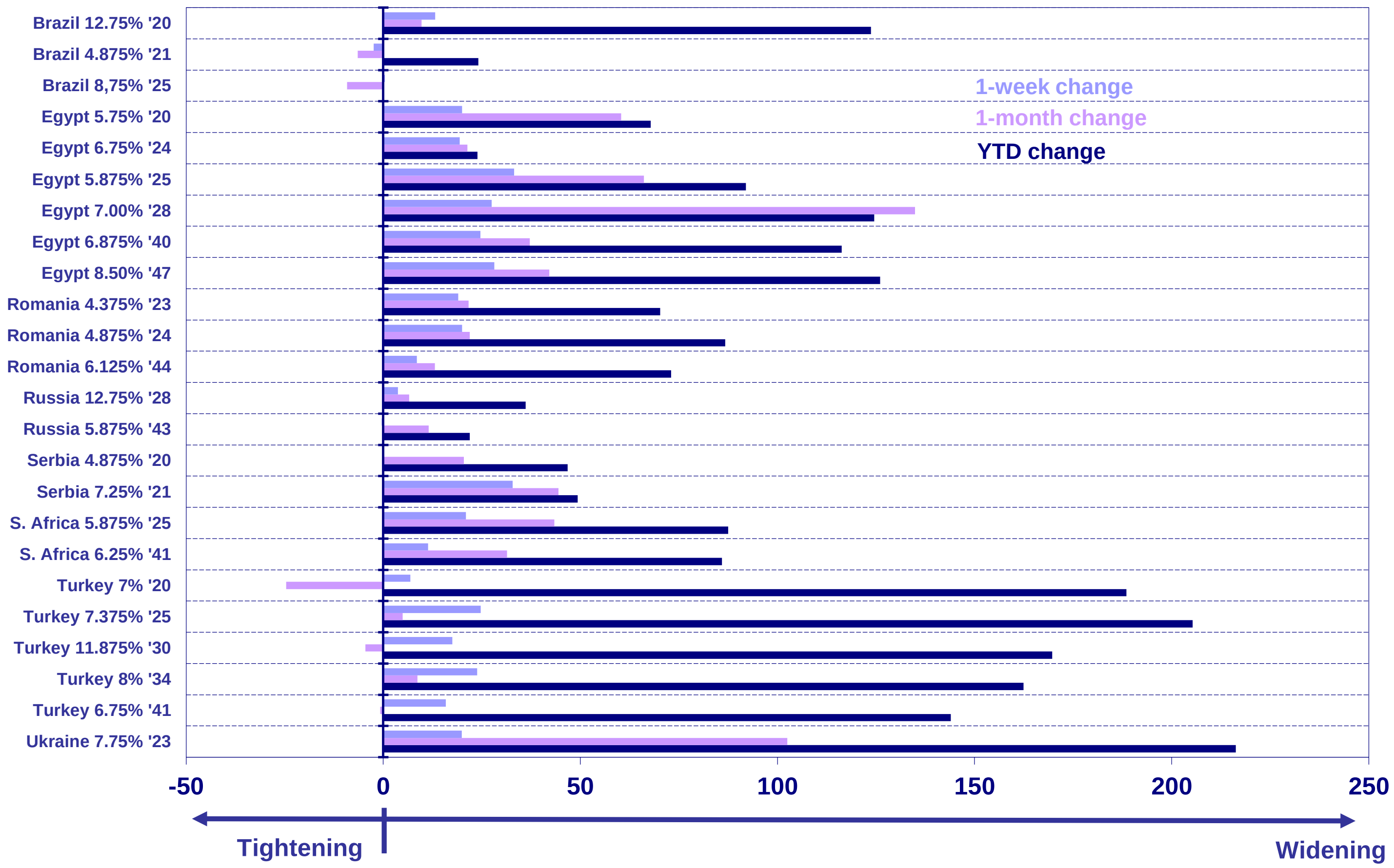
EUR-Denominated Eurobond Spreads (November 19th 2018)



USD-Denominated Sovereign Eurobond Summary. November 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	NA/Ba2	15/1/2020	87	3.9	121	102
Brazil 4.875% '21	USD	NA/Ba2	22/1/2021	2,713	3.9	108	90
Brazil 8.75% '25	USD	NA/Ba2	4/2/2025	688	4.8	180	193
Egypt 5.75% '20	USD	B/B3	29/4/2020	1,000	5.3	265	235
Egypt 6.75% '24	USD	NA/B3	10/11/2024	1,500	6.5	358	348
Egypt 5.875% '25	USD	B/B3	11/6/2025	500	7.3	433	402
Egypt 7.00% '28	USD	NA/B3	10/11/2028	1,000	8.0	492	458
Egypt 6.875% '40	USD	B/B3	30/4/2040	1,500	8.6	524	463
Egypt 8.50% '47	USD	NA/B3	31/1/2047	500	9.1	577	551
Romania 4.375% '23	USD	BBB-/BBB-	22/8/2023	1,500	4.4	155	139
Romania 4.875% '24	USD	BBB-/BBB-	22/1/2024	1,000	4.5	160	145
Romania 6.125% '44	USD	BBB-/BBB-	22/1/2044	1,000	5.6	225	245
Russia 12.75% '28	USD	BBB-/Ba1	24/6/2028	2,500	5.1	199	259
Russia 5.875% '43	USD	BBB-/Ba1	16/9/2043	1,500	5.6	225	239
Serbia 4.875% '20	USD	BB/Ba3	25/2/2020	1,500	4.3	162	136
Serbia 7.25% '21	USD	BB/Ba3	28/9/2021	2,000	4.5	168	157
S. Africa 5.875% '25	USD	BB/Baa3	16/9/2025	2,000	6.1	306	292
S. Africa 6.25% '41	USD	BB/Baa3	8/3/2041	750	6.9	351	338
Turkey 7.00% '20	USD	NR/Ba3	5/6/2020	2,000	6.4	357	337
Turkey 7.375% '25	USD	NR/Ba3	5/2/2025	3,250	7.5	449	435
Turkey 11.875% '30	USD	NR/Ba3	15/1/2030	1,500	7.7	464	535
Turkey 8.00% '34	USD	NR/Ba3	14/2/2034	1,500	8.0	496	474
Turkey 6.75% '41	USD	NR/Ba3	14/1/2041	3,000	7.9	459	397
Ukraine 7.75% '23	USD	B-/Caa2	1/9/2023	1,355	9.3	639	593

USD-Denominated Eurobond Spreads (November 19th 2018)



STOCK MARKETS PERFORMANCE. NOVEMBER 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)	87,901	2.8	4.4	15.1	19.7	69,069	89,598	5.8	26.9	9.5	38.9	76.2
Bulgaria (SOFIX)	593	-0.6	-2.5	-12.5	-11.4	592	721	-12.5	15.5	15.5	27.2	27.2
China (SHCOMP)	2,704	2.8	6.0	-18.3	-20.3	2,449	3,587	-19.7	6.6	-0.3	-12.3	-15.3
Cyprus (CSE GI)	67	-1.1	-1.2	-4.2	-7.0	65	77	-4.2	4.7	4.7	-2.0	-2.0
Egypt (HERMES)	1,339	1.4	3.4	-6.8	3.1	1,236	1,741	-4.0	32.0	18.7	72.7	-21.8
F.Y.R.O.M (MBI)	3,560	-0.6	2.2	40.2	39.6	2,536	3,692	40.2	18.9	18.9	16.5	16.5
India (SENSEX)	35,775	2.8	4.3	5.0	7.2	32,484	38,990	-1.9	27.9	19.3	1.9	2.6
Romania (BET-BK)	1,630	-1.1	0.4	-1.3	-0.8	1,573	1,802	-1.0	22.8	19.1	0.2	0.0
Russia (RTS)	4,264	-1.5	1.1	3.4	-0.8	4,017	4,617	-4.7	-16.2	-21.9	24.2	54.3
Serbia (BELEX-15)	745	0.0	0.8	-2.0	1.5	719	785	-1.8	5.9	10.3	11.4	9.7
South Africa (FTSE/JSE)	52,424	0.3	0.6	-11.9	-13.4	50,033	61,777	-18.6	17.5	14.3	-0.1	16.1
Turkey (ISE 100)	94,571	3.4	-2.0	-18.0	-9.0	84,655	121,532	-38.7	47.6	20.5	8.9	-7.0
Ukraine (PFTS)	580	-3.2	3.5	84.0	91.5	315	609	94.3	18.8	0.8	10.2	1.0
MSCI EMF	988	2.3	1.7	-14.7	-13.0	930	1,279	-10.6	34.3	17.7	8.6	12.2
MSCI EAFE	1,813	-0.3	-2.0	-11.6	-8.8	1,778	2,187	-7.4	21.8	6.7	-1.9	1.4
Greece (ASE-General)	617	-2.8	-1.2	-23.1	-13.1	610	896	-23.1	24.7	24.7	1.9	1.9
Germany (XETRA DAX)	11,245	-0.7	-2.7	-13.0	-13.9	11,051	13,597	-13.0	12.5	12.5	11.6	11.6
UK (FTSE-100)	7,001	-0.7	-0.7	-8.9	-5.3	6,852	7,904	-9.2	7.6	3.2	14.4	-1.0
USA (DJ INDUSTRIALS)	25,017	-1.5	-1.7	1.2	6.8	23,345	26,952	6.0	25.1	9.6	13.4	16.7
USA (S&P 500)	2,691	-1.3	-2.8	0.6	4.2	2,533	2,941	5.4	19.4	4.7	9.5	13.2

Equity Indices (November 19th 2018)