Economic Analysis Division
Emerging Markets Analysis

Bi-Weekly Report

14 – 27 August 2018

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

Emerging Markets Analysis

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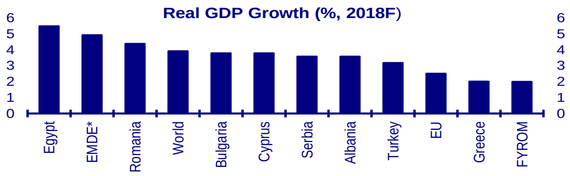
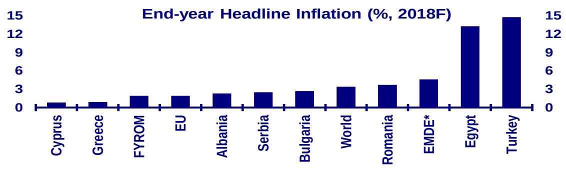


* EMDE: Emerging Market & Developing Economies



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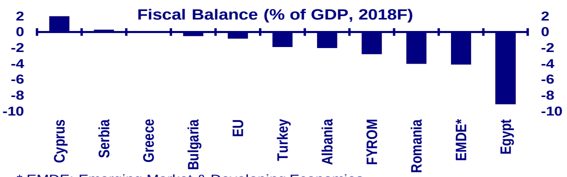

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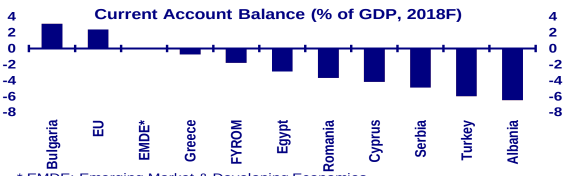
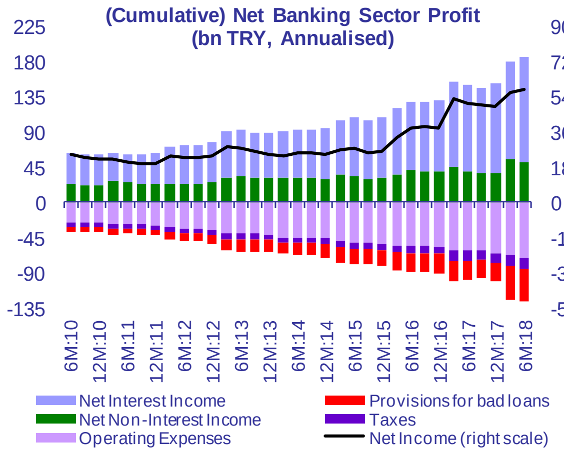
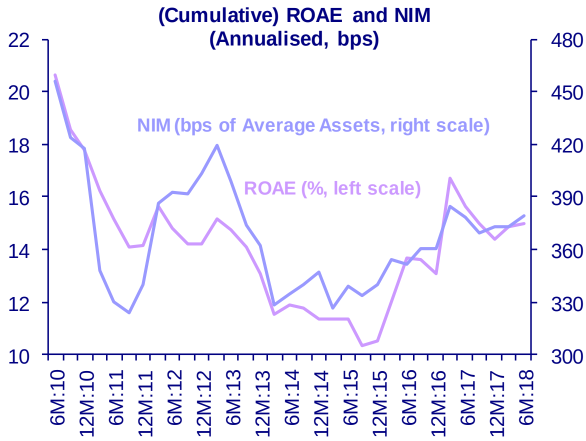


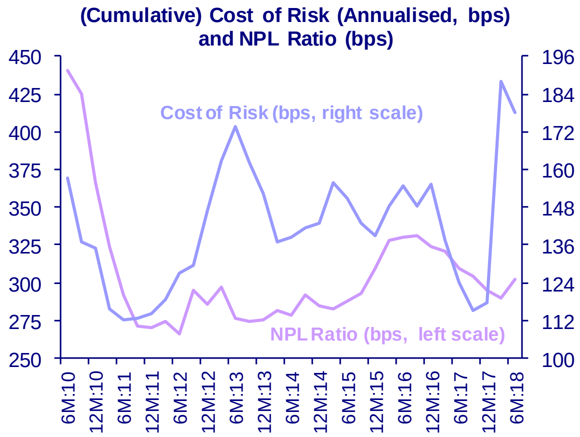
* EMDE: Emerging Market & Developing Economies

Turkey

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







	27 July	3-M F	6-M F	12-M F
1-m TRIBOR (%)	21.8	19.0	18.0	16.5
TRY/EUR	7.15	7.00	6.90	6.80
Sov. Spread (2020, bps)	589	400	300	180

	27 July	1-W %	YTD %	2-Y %
ISE 100	91,284	1.2	-20.9	18.4

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	6.1	3.2	7.4	3.2	2.5
Inflation (eop, %)	8.8	8.5	11.9	14.8	12.0
Cur. Acct. Bal. (% GDP)	-3.7	-3.8	-5.6	-6.0	-5.4
Fiscal Bal. (% GDP)	-1.0	-1.1	-1.5	-1.9	-1.5

Banking sector bottom line growth to turn negative for the first time in 4 years in FY:18, following a strong performance in H1:18. Banking sector net profit (after tax) rose by 14.0% y-o-y to TRY 28.9bn in H1:18 (EUR 5.8bn or 0.8% of projected 2018 GDP), as the increase in pre-provision earnings more than compensated that in provisions for bad loans. With average assets and average equity rising at a faster pace than net income, ROAA and ROAE (annualised) declined to 1.6% and 15.1%, respectively, in H1:18 from 1.7% and 15.7% in H1:17.

Pre-provision earnings (before tax) rose by 30.0% y-o-y to TRY 28.4bn in H1:18, due to a sharp increase in the top line. Net interest income (NII) rose significantly by 20.9% y-o-y to TRY 66.8bn in H1:18, exclusively on the back of strong average asset growth as the net interest margin (NIM, over average assets) remained unchanged on an annual basis (at 379 bps annualised). Note that the significant rise in average assets was largely supported by the sharp depreciation of the domestic currency (c. 25% y-o-y against the USD at end-H1:18).

The stabilisation of the NIM reflects the fact that the negative impact from increasingly unfavourable funding costs was offset by higher gains from inflation-linked bonds (average inflation rose by 0.6 pps y-o-y to 11.5% in H1:18) and banks' faster repricing of loans in an environment of increasing interest rates. Note that the CBRT's average effective funding rate rose by 2.9 pps y-o-y to 13.8% in H1:18 while average interest rates on TRY and USD deposits reached multi-year highs of 13.0% and 3.0%, respectively, in H1:18 – up from 10.5% and 2.5% in H1:17 – in line with a tighter monetary policy stance and liquidity conditions (total and local currency loans-to-deposits ratios reached record highs of 122.8% and 149.1%, respectively, at end-H1:18).

Moreover, net non-interest income (NNII) rose sharply by 30.4% y-o-y to TRY 25.8bn in H1:18, largely supported by a reversal of losses from securities trading.

The performance of pre-provision earnings in H1:18 would have been stronger had operating expenses not increased significantly (up 14.4% y-o-y to TRY 35.8bn), indicating a less strict cost discipline, especially as inflation averaged 11.5% y-o-y during H1:18. Note that operating expenses would have been even higher had the headcount as well as the number of bank branches not been reduced by 1.0% and 1.4% y-o-y, respectively, to 208.5k and 11.6k in H1:18.

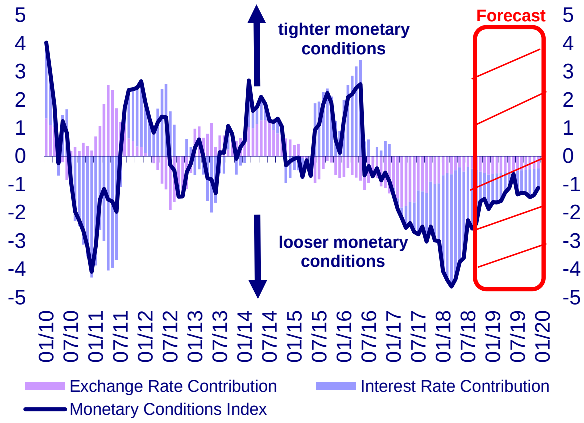
Provisions charges rose sharply in H1:18 -- up c. 74.0% y-o-y to TRY 20.9bn – in view of the deteriorating operating environment and the implementation of IFRS 9. Provision charges rose sharply despite the stabilisation of the NPL ratio at end-H1:18 (up 7 bps y-t-d and down 7 bps y-o-y to 3.0%). The rise reflects: i) the increase in "stage 2 exposures" ("Watch" loans), due to the implementation of IFRS 9 from January 1st; and ii) expectations of a significant rise in NPLs in the coming quarters, due to a sharp weakening of the TRY (by c. 37.0% y-t-d and c. 42.0% y-o-y against the USD as at August 24th) and a sharp slowdown in economic activity (we expect GDP growth to slow to 3.2% in FY:18 from 7.4% in FY:17). Note that the NPL ratio is understated in view of the recent big ticket restructurings, such as Bereket (energy), Dogus (diversified), Gama (diversified), OTAS (telecom) and Yildiz (consumer). As a result, the cost of risk was up by 54 bps y-o-y to 178 bps in H1:18.

The banking sector performance and fundamentals are set to weaken significantly in H2:18, on strong domestic and external headwinds. Banking sector profitability, asset quality and the capital base are set to deteriorate in H2:18, mainly due to a sharp economic slowdown, a marked depreciation of the TRY and higher funding costs. The capital adequacy ratio stood at 16.3% at end-H1:18.

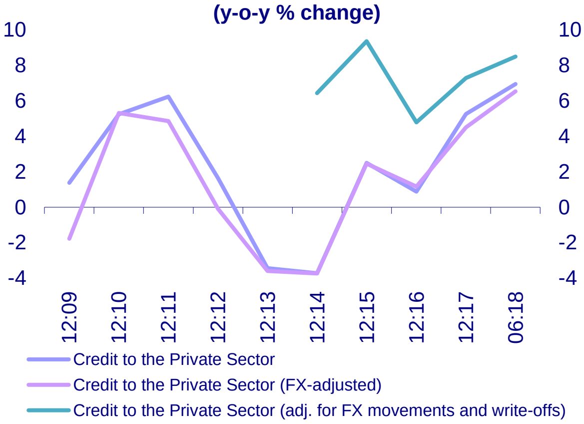
Romania

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

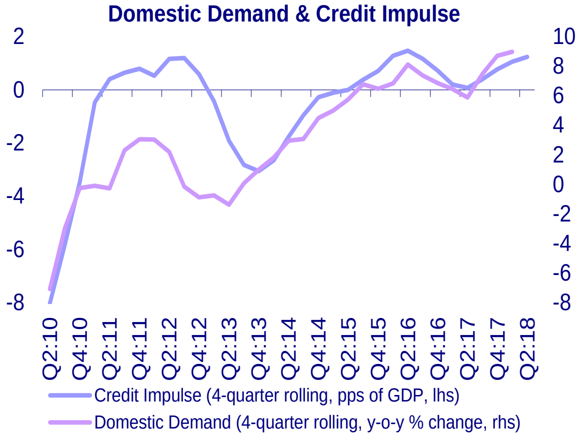
Monetary Conditions Index



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



Domestic Demand & Credit Impulse



	27 Aug.	3-M F	6-M F	12-M F
1-m ROBOR (%)	2.8	2.9	2.9	3.0
RON/EUR	4.64	4.64	4.65	4.68
Sov. Spread (2024, bps)	132	125	120	110

	27 Aug.	1-W %	YTD %	2-Y %	
BET-BK	1,619	-0.4	-2.0	37.9	
	2015	**2016**	**2017**	**2018F**	**2019F**
Real GDP Growth (%)	3.9	4.8	7.0	4.4	3.8
Inflation (eop, %)	-0.9	-0.5	3.3	3.7	3.4
Cur. Acct. Bal. (% GDP)	-1.2	-2.1	-3.3	-3.7	-4.5
Fiscal Bal. (% GDP)	-1.5	-2.4	-2.8	-4.0	-4.3

The NBR maintained its key rate at 2.5% in August. Recall that the NBR has raised its 1-week repo rate by 75 bps since the beginning of the year. The extent of the monetary policy tightening carried out is, however, much larger. It amounts to c. 150 bps, considering the hike in money market rates (MMRs), following the absorption of excess liquidity in the market by the NBR, in April, through deposit taking operations and, more recently, through large FX interventions (estimated at c. EUR 3.5bn in May-June). The latter were aimed at sustaining the RON, which has remained unchanged against the EUR since the beginning of the year compared with losses of c. 4.0% and 3.0% for the Hungarian forint and the Polish zloty, respectively. Overall, monetary conditions still remain loose, with the *ex-post* real 1-month MMR estimated at -1.2%, well below its 7-year average of 0.8%.

The NBR needs to raise rates further to attenuate overheating pressures. The economy appears to be overheating, with GDP growth (projected at 4.4% in FY:18) well above its long-term potential (of c. 3.0%) for a 4th consecutive year, headline inflation at high levels (projected at 3.7% at end-2018, slightly above the target of 2.5±1%) and the current account deficit up sharply (to a projected 3.7% of GDP in FY:18 from a low of 0.4% in FY:14). At the same time, fiscal policy remains expansionary (the budget deficit is set to rise to 4.0% of GDP in FY:18 from 2.8% in FY:17, above the EU threshold of 3.0%).

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. Overall, we see the NBR raising its key rate by another 25 bps in FY:18 and by 75 bps in FY:19.

Credit expansion strengthened in H1:18, despite the ongoing tightening in monetary policy. Credit to the private sector increased by 7.0% y-o-y in June against 5.3% at end-2017. Note that headline credit growth is understated, due to large (NBR-motivated) write-offs, which have pushed down the NPL ratio to an estimated 5.9% in June from 8.3% a year ago and a peak of 26.8% in 2014. Adjusted for FX movements and write-offs, credit to the private sector expanded at a faster pace of 8.5% y-o-y in June from 7.3% at end-2017.

Importantly, the acceleration in credit expansion came despite the ongoing tightening in monetary policy (see above). Note that the pass-through of higher funding costs to lending rates (especially in the retail segment) has been prompt, despite abundant liquidity in the system (see below). Nevertheless, the pace of credit expansion picked up in H1:18, not only suggesting stronger demand-side pressures, but also confirming that the NBR is significantly behind the curve.

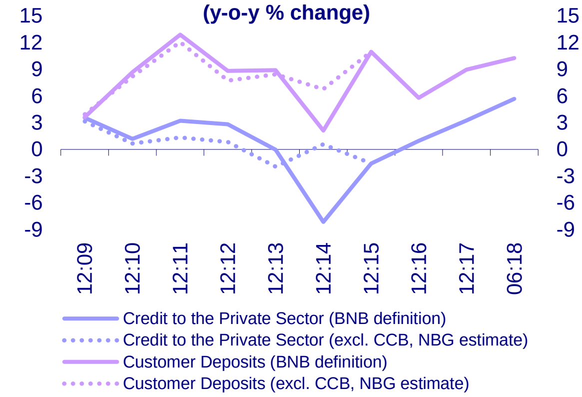
The deposit base continued to expand in H1:18, in line with economic activity. Customer deposits grew by a strong 12.1% y-o-y in June (up 11.3% y-o-y in FX-adjusted terms), following an increase of 10.1% at end-2017. Deposit growth would have been even stronger had deposit yields not been subdued, due to abundant liquidity.

Credit expansion is set to maintain its momentum during the remainder of the year, adding to overheating pressures. Against the backdrop of lending under-penetration (a loan-to-GDP ratio of 26.3%, below the SEE-4 average of 46.9%) and ample liquidity (the loan-to-deposit ratio stood at 80.0% in June) on the one hand, and in view of the NBR's hesitancy on the other, we expect credit activity to maintain its momentum in H2:18. As a result, we see credit to the private sector expanding by c. 8.0% in FY:18 against 5.1% in FY:17.

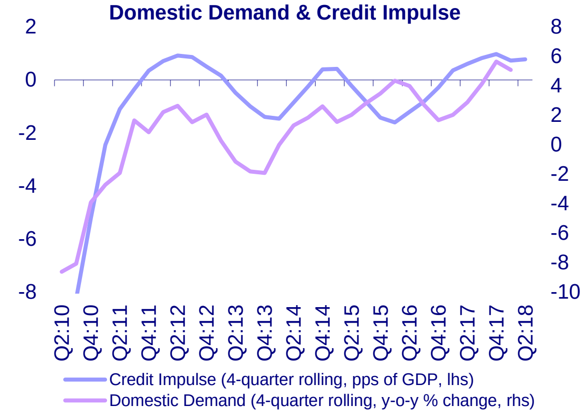
Bulgaria

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

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

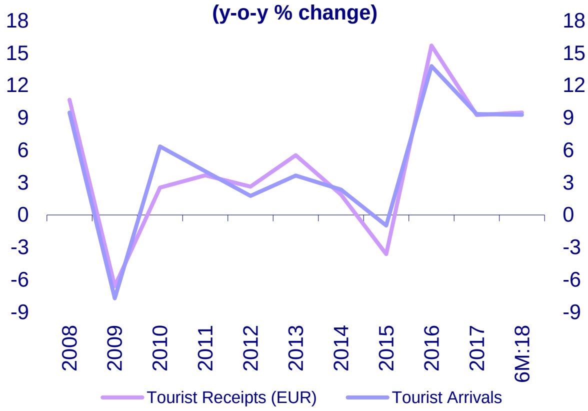


Domestic Demand & Credit Impulse



*Adjusted for the bankruptcy of CCB in 2014

Tourist Receipts & Arrivals (y-o-y % change)



	27 Aug.	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)	62	44	42	40

	27 Aug.	1-W %	YTD %	2-Y %
SOFIX	639	-1.1	-5.6	45.6

	2015	2016	2017E	2018F	2019F
Real GDP Growth (%)	3.6	3.9	3.6	3.8	3.5
Inflation (eop, %)	-0.4	0.1	2.8	2.7	2.6
Cur. Acct. Bal. (% GDP)	0.0	2.3	4.5	3.1	1.7
Fiscal Bal. (% GDP)	-2.8	1.6	0.9	-0.5	-0.3

Credit expansion strengthened modestly in H1:18, providing support to the economic recovery. Credit to the private sector rose by 5.7% y-o-y in June against 3.3% at end-2017. As a result, the loan-to-GDP ratio reached 52.1% -- well above the SEE-4 average (30.2%). 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 together with the gradual decline in the NPL ratio (to 9.1% in June 2018 from 12.1% in June 2017, still double the EU average) have increased banks' appetite for lending. The introduction of negative interest rates by the BNB and the increased transparency in the aftermath of the 2016 AQR have also helped.

Customer deposits maintained momentum in H1:18, in line with solid economic growth. Customer deposits expanded by 10.3% y-o-y in June following an increase of 9.0% at end-2017. Deposit growth would have been even stronger had deposit yields not been subdued, due to abundant liquidity, thus favouring other asset classes, like real estate (where rental yields are as high as 6.0%).

Credit activity is set to improve in FY:18. Against the backdrop of increased liquidity in the system (the loan-to-deposit ratio stood at 76.7% in June), we expect the pace of credit expansion to pick up, in line with the continuing economic recovery and the sustained drop in NPLs (to 7.5% by end-2018). Stronger demand for real estate, together with the continuation of a government loan subsidy progamme aimed at improving the energy efficiency of residential buildings should also help (note that 1 out of every 3 new retail loans is granted under this scheme). Note, however, that the high level of non-financial corporate indebtedness (estimated by the IMF at c. 80% of GDP -- the highest in the region) remains a stumbling block to credit expansion. All said, we expect credit to the private sector to increase by 7.0% in FY:18, still below deposit growth (up 9.5%).

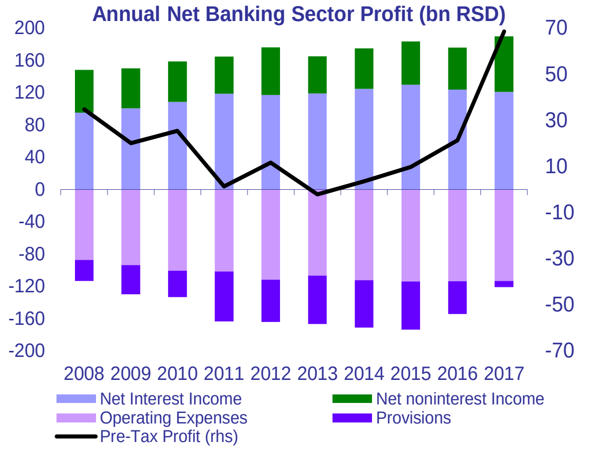
Tourism activity remained strong in H1:18, sustaining economic growth and the current account surplus. Tourist arrivals rose by 9.3% y-o-y in H1:18, broadly the same pace as in FY:17. At the same time, tourist receipts increased by 9.5% y-o-y following a similar rise in FY:17, suggesting broadly steady spending per tourist. The solid tourism activity in H1:18 should be attributed to abundant snow during the winter season, which boosted skiing tourism, and -- to a lesser extent -- the launch of direct, low-cost flights to the resorts Burgas and Varna in the summer season.

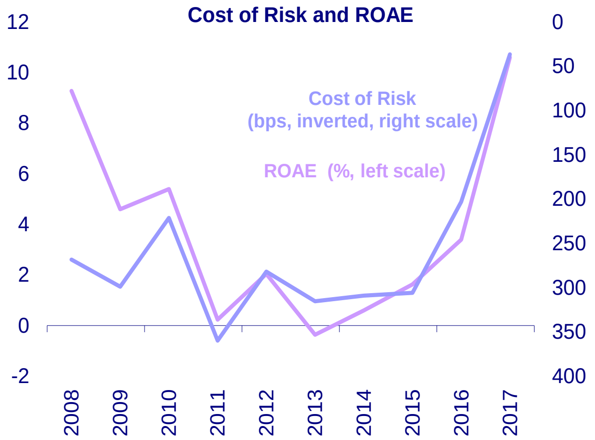
Regarding tourist arrivals, the strong performance was mainly driven by non-EU countries, especially Turkey (which rose to 2nd place in terms of arrivals in FY:17, with a share of 12.4% of total -- up 12.5% y-o-y in H1:18 against 6.2% in FY:17) and Serbia (accounting for 4.7% of total arrivals in FY:17 -- up 17.2% y-o-y in H1:18 against 7.2% in FY:17). Tourism activity would have been stronger had not been a negative base effect from the return of EU tourists to Turkey and Egypt, due to improved domestic security concerns and more competitive prices. Indeed, growth in tourist arrivals from the EU to Bulgaria (accounting for 59% of total arrivals in FY:17) decelerated in H1:18 (to 8.0% y-o-y from 13.3% in FY:17).

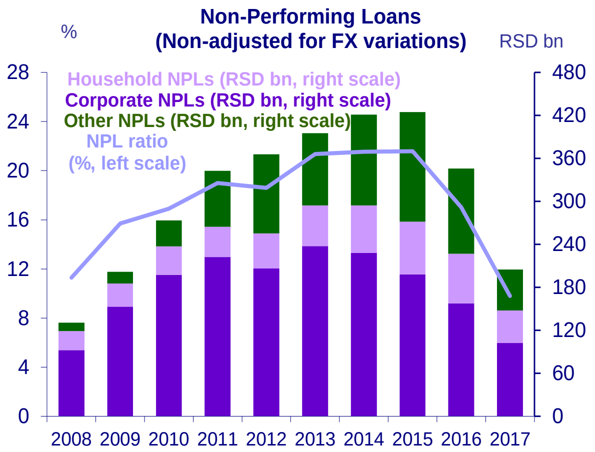
In view of the country's price competitiveness, we expect tourism activity to remain strong throughout the year, sustaining economic growth (the tourism sector contributes roughly 13.0% and 12.0%, respectively, to GDP and employment) and the current account surplus (projected at 3.1% of GDP in FY:18). All said, we see tourist arrivals rising by 9.0% (to a record high of 12.6mn) in FY:18, with receipts growing at a similar pace to EUR 3.9bn (7.3% of GDP).

Serbia

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







	27 Aug.	3-M F	6-M F	12-M F
1-m BELIBOR (%)	2.6	2.9	3.1	3.5
RSD/EUR	118.1	117.9	117.6	117.4
Sov. Spread (2021, bps)	149	132	126	120

	27 Aug.	1-W %	YTD %	2-Y %
BELEX-15	734	0.4	-3.3	18.1

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	0.8	2.8	1.9	4.0	3.8
Inflation (eop, %)	1.5	1.6	3.0	2.5	2.8
Cur. Acct. Bal. (% GDP)	-3.7	-3.1	-5.7	-4.9	-4.8
Fiscal Bal. (% GDP)	-3.7	-1.3	1.2	0.3	0.1

The profitability of the banking system improved markedly in FY:17, with ROAE reaching double digits for the first time on record, due to lower provisioning. Pre-tax profits in the banking sector rose, for a 4th successive year, reaching a record high of RSD 68.7bn (equivalent to 1.5% of GDP) in FY:17 -- more than three times their level of RSD 21.3bn in FY:16 and double their pre-crisis high of RSD 34.7bn in FY:08. As a result, ROAE and ROAA rose to 10.6% and 2.1%, respectively, in FY:17 from 3.4% and 0.7% in FY:16 and above the pre-crisis high of 9.7% and 1.7% in FY:06.

P/L provisions were reduced significantly in FY:17. P/L provisions declined sharply in FY:17, amounting to just 18% of their level in FY:16 (absorbing a mere 10% of net operating income in FY:17 compared with 66% in FY:16). The decline was partly due to base effects stemming from large provisions in FY:16 by two state-owned banks (namely Komercijalna and Postanka Banka -- accounting for almost 60% of total banking sector provisions in FY:16). 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 2nd successive year, by a sizeable 7.2 pps y-o-y in FY:17 to a record low of 9.8% (since the introduction of a uniform definition in 2008) from a peak of 21.6% in FY:15, well below its pre-crisis level (of 11.3% in FY:08). This positive development reflects: i) lower NPL formation; ii) restructuring; iii) sizeable write-offs (c. RSD 102bn in FY:17, or 2.3% 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 a recent NBS regulation). As a result, the cost of risk declined sharply to a record low of 36 bps in FY:17, just ⅕ of its FY:16 level (of 203 bps).

Pre-provision income (PPI) improved in FY:17. PPI increased by a strong 22.8% y-o-y in FY:17 – following a decline in FY:16 -- boosted by higher (net) non-interest income. The latter rose by 32.1% y-o-y in FY:17, reflecting larger "other operating income" and, to a lesser extent, higher income from fees & commissions. The rise in "other operating income" was driven by exceptional gains from: i) the partial write-off of Marfin Bank's debt in Q1:17 by Cyprus Popular Bank, in view of Marfin's sale to the Czech Expobank (RSD 2.0bn); ii) the acquisition of BNP Paribas' subsidiary by Findomestic Bank Serbian Direktna Bank in Q3:17 (RSD 2.5bn); and iii) the purchase of Jubanka by AIK Bank in Q4:17 (RSD 8.6bn). Importantly, even excluding these once-off items, PPI rose by 1.7% y-o-y in FY:17.

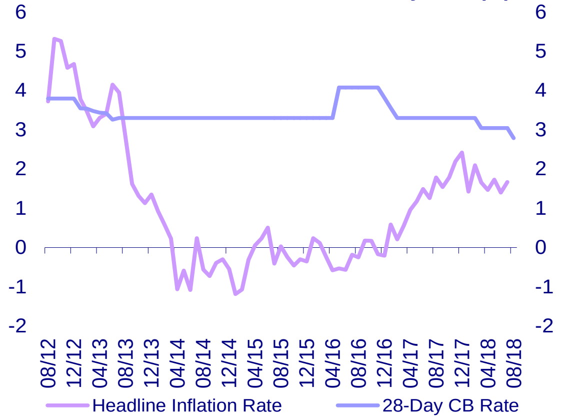
On a negative note, PPI continued to be dragged down by lower net interest income (NII). In fact, NII declined by 2.4% y-o-y in FY:17, albeit at a slower pace, compared with a drop of 4.6% in FY:16. This negative performance reflects the continued sharp compression in NIM (down by 29 bps y-o-y to a low of 377 bps in FY:17) that more than offset the robust rise in average interest earning assets (up 4.7% y-o-y in FY:17). The decline in NIM is estimated to have been mainly driven by: i) tighter lending-deposit spreads, exacerbated by a faster pace of deposit growth than loan growth and higher competition among banks; as well as ii) the fall in T-bill rates (with the 12-month T-bill rate declining by 0.4 pps y-o-y to a low of 3.5% in FY:17).

On the other hand, operating expenses remained broadly unchanged (down 0.3% y-o-y in FY:17 compared with inflation of 3.2%), partly due to the continued downsizing of the banking sector (with the number of employees and agencies declining by 3.3% and 5.4% y-o-y, respectively, in FY:17). As a result, banking sector efficiency improved, with the cost-to-income ratio easing by 4.9 pps y-o-y to a still high 59.9% in FY:17.

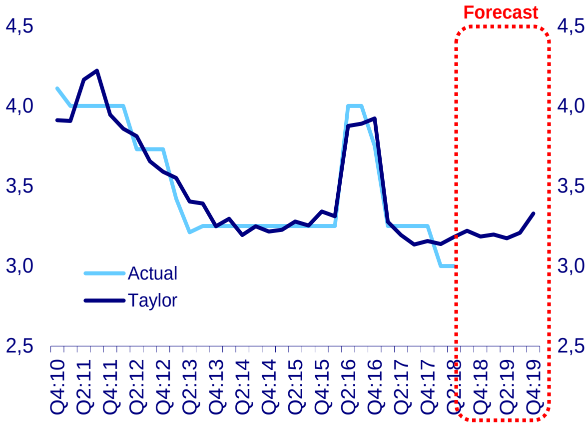
F.Y.R.O.M

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

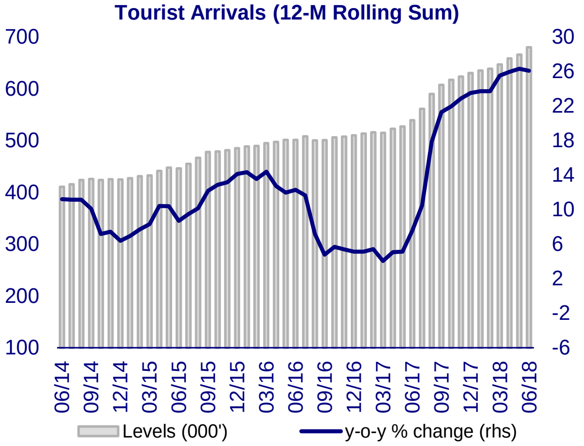
Headline Inflation & Nominal Policy Rate (%)



Policy Rate (%)



Tourist Arrivals (12-M Rolling Sum)



	27 Aug.	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)	191	210	190	160

	27 Aug.	1-W %	YTD %	2-Y %
MBI 100	3,380	0.7	33.1	72.9

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	3.9	2.9	0.0	2.0	3.8
Inflation (eop. %)	-0.3	-0.2	2.4	1.9	2.0
Cur. Acct. Bal. (% GDP)	-1.9	-2.7	-1.3	-1.8	-2.2
Fiscal Bal. (% GDP)	-3.5	-2.7	-2.7	-2.8	-2.8

The Central Bank proceeded with an additional 25 bp cut to its key rate to a record low of 2.75%. Following a 25 bp cut in March, the CB lowered its key 28-day CB rate by a further 25 bps at its August MPC meeting, to an all-time low of 2.75%. With the latest move, cumulative cuts have amounted to 125 bps since the initiation of the cycle of monetary policy easing in December 2016.

The resumption of the cycle of monetary policy loosening in August was motivated by: i) a benign inflation outlook (headline inflation has remained broadly unchanged at 1.7% y-o-y between March and July --- slightly below the end-2017 outcome of 2.4% y-o-y -- and is projected to rise to 1.9% by end-year); ii) a negative output gap at end-year (-0.6% on a 4-quarter rolling basis in Q4:18); iii) expectations of continued fiscal prudence (in view of sharper-than-expected fiscal consolidation year-to-date); iv) the absence of pressures on external accounts (FX reserves are expected to increase by EUR 0.4bn to EUR 2.8bn at end-2018, mainly supported by the proceeds of a EUR 0.5bn or 4.8% of GDP sovereign bond-issue in early-January); and v) still weak economic activity (GDP growth is projected to rise slightly to 2.0% in FY:18 from a 5-year low of 0.0% in FY:17).

The Central Bank set to keep its key rate on hold until the initiation of a new cycle of monetary policy tightening in Q3:19. According to our Taylor rule, projecting: i) a still negative, albeit closing, output gap by end-2019 (-0.1% in Q4:19 from -0.6% in Q2:18 on a 4-quarter rolling basis); ii) relatively stable inflation (up slightly to 2.0% y-o-y at end-2019 from 1.9% at end-2018); and iii) the initiation of a new cycle of monetary policy tightening by the ECB in Q3:19, we expect the Central Bank to maintain its key policy on hold before increasing it gradually by a cumulative 50 bps to 3.25% in H2:19.

Importantly, the current record low policy rate should boost credit activity amid an improving political and economic environment and easier credit standards by banks. According to our conservative forecast for FY:18 lending growth (accelerating to 7% from 3% in FY:17), the credit impulse (defined as the change in the flow of bank credit scaled by nominal GDP) should return to positive territory this year (to an estimated 1.7 pps from -0.6 pps in FY:17) and consequently boost economic activity. Our model shows that the credit impulse should contribute 0.8 pps to headline GDP growth this year after having subtracted 0.3 pps from the past year's overall growth.

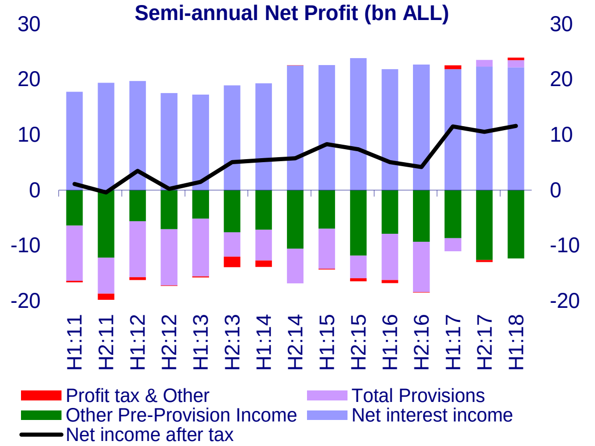
Tourist arrivals rose sharply in H1:18, mainly due to supportive base effects. Tourist arrivals' growth rose to a robust 26.1% y-o-y on a 12-month rolling basis in June from 23.5% in December and a 5-year low of 5.1% at end-2016. The improved tourist performance in the first half of the year was broad-based and reflected a favourable base effect from H1:17, when heightened domestic political uncertainty deterred a large number of foreign visitors. Recall that there was a political vacuum in 5M:17, as the ruling coalition Government took office 5½ months after the general elections in mid-December 2016.

Looking ahead, we expect tourist arrivals to lose momentum during the remainder of the year, as base effects will turn unsupportive starting in July. The slowdown should, however, be tempered by increased flight connectivity supported, *inter alia*, by the Government's continued financial incentives towards low-cost airline companies to link Skopje's and Ohrid's airports to new European destinations. Tourist activity should also benefit from Government financial support (including EU grants of EUR 18.0mn or 0.2% of GDP) aimed at improving tourism-related infrastructure and services. Overall, we see tourist arrivals rising by c. 13.0% to an all-time high of 1.1mn in FY:18 -- the 2nd highest growth performance in 10 years.

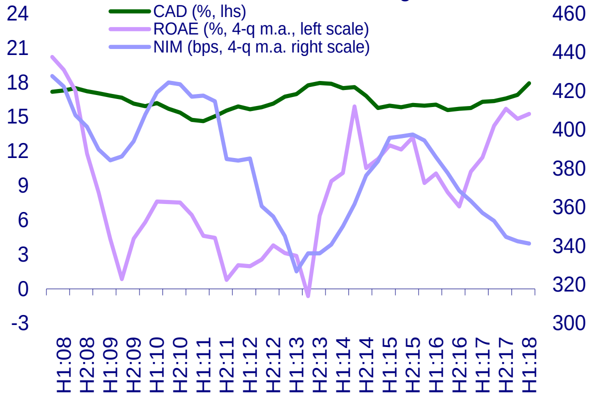
Albania

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

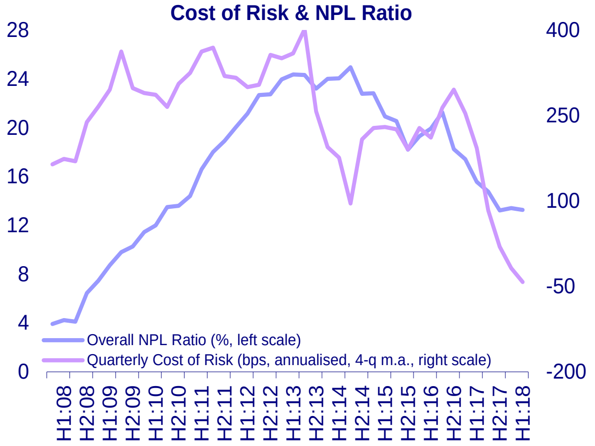
Semi-annual Net Profit (bn ALL)



Return on Average Equity, Capital Adequacy Ratio & Net Interest Margin



Cost of Risk & NPL Ratio



	27 Aug.	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	1.5	1.5	1.6	1.8
ALL/EUR	125.8	127.0	128.2	126.0
Sov. Spread (bps)	194	190	185	180

	27 Aug.	1-W %	YTD %	2-Y %
Stock Market	- - -	- - -	- - -	- - -

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	2.2	3.4	3.8	3.6	3.9
Inflation (eop, %)	2.0	2.2	1.8	2.3	2.5
Cur. Acct. Bal. (% GDP)	-8.6	-7.5	-6.9	-6.5	-5.5
Fiscal Bal. (% GDP)	-4.1	-1.8	-2.0	-2.0	-1.9

The banking sector's ROAE remained strong at 15% in H1:18. Net profit (after tax) rose marginally by 0.8% y-o-y to a high ALL 11.6bn (EUR 92.2mn or 0.7% of GDP) in H1:18, as lower provisions more than offset the drop in pre-provision income (PPI), reflecting a negative impact from securities revaluation and higher operating expenses. As a result, (annualised) ROAE and ROAA stood at 15.0% and 1.7%, respectively, in H1:18 -- remaining in double digits for a 6th successive quarter -- from (a 2-year high of) 16.7% and 1.5% in H1:17, and the corresponding levels of 15.7% and 1.5% in FY:17.

A reversal of provisions offset the negative impact of declining PPI on the bottom line in H1:18. P/L provisions turned negative in H1:18 (amounting to minus ALL 1.3bn), 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 by 2.3 pps y-o-y to 13.3% in H1:18 (returning to its end-2010 level) -- 11.7 pps below its post-crisis peak in Q3:14 (of 25.0%).

The sharp decline in NPLs between end-2014 and 2017 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 3 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 47.8bn in 2015-17, or ⅓ of end-2014 NPLs); and iii) the repayment of loans in the NPL portfolio. Recall that the sharp drop 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.

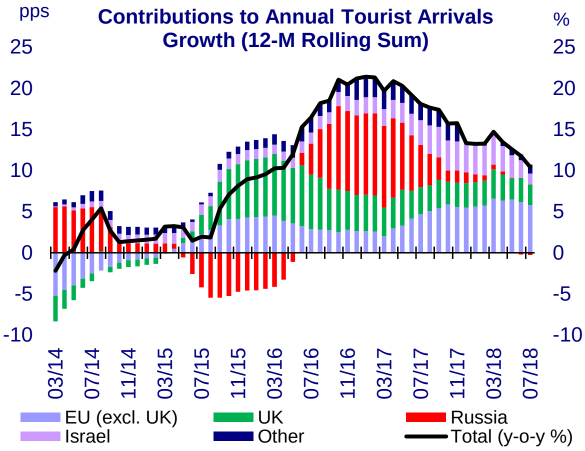
Pre-provision earnings declined in H1:18. PPI was down by 25.4% y-o-y in H1:18, mainly due to a weaker (net) non-interest income (NNII), reflecting negative securities revaluation and higher operating expenses. The latter resulted from larger personnel expenditure up 4.3% y-o-y in H1:18 and "other expenditure" up by 8.0% y-o-y in H1:18 due to the payment of banks' annual contribution to the Resolution Fund in January and April (totalling ALL 632mn for FY:18).

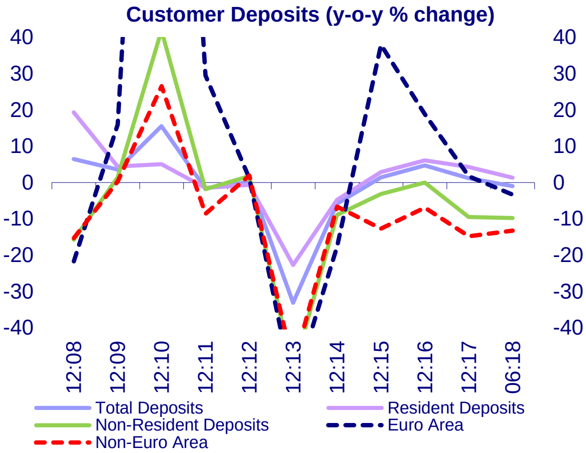
On a positive note, the continued decline in net interest income (NII) throughout FY:16 and FY:17 came to an end. Indeed, NII rose slightly by 1.5% y-o-y in H1:18 (following declines of 0.8% in FY:17 and 4.1% in FY:16), as the slight compression of the NIM (down 7 bps y-o-y to 337 bps in H1:18 following a sharper drop of 22 bps in FY:17 and 36 bps in FY:16) was more than offset by higher average interest earning assets (up 3.4% in H1:18). Recall that the compression of the NIM in 2016-17 reflected both: i) the narrowing of the loan spreads at a faster pace than deposit spreads (in an environment of falling interest rates and strong competition for lending market share); and ii) the sharp drop in public domestic debt yields at that time.

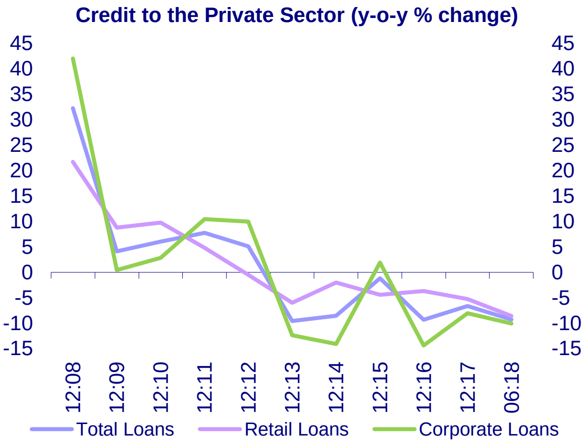
Furthermore, the banking sector remains well capitalised (CAD at 17.9% in H1:18 -- above the regulatory floor of 12% -- up from 16.6% in FY:17 and 15.7% in FY:16). Moreover, its liquidity is sound, with little reliance on foreign currency financing (with the ratios of total loans-to-total deposits and FX loans-to-FX deposits at just 53.0% and 51.0%, respectively, in H1:18).

Cyprus

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







	27 Aug.	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.37	-0.37	-0.37	-0.37
EUR/USD	1.17	1.22	1.24	1.26
Sov. Spread (2020. bps)	72	55	52	50

	27 Aug.	1-W %	YTD %	2-Y %
CSE Index	74	0.6	6.6	10.1

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	2.0	3.4	3.9	3.8	3.6
Inflation (eop. %)	-1.0	-0.3	-0.6	0.8	1.0
Cur. Acct. Bal. (% GDP)	-1.5	-4.9	-6.7	-4.8	-4.5
Fiscal Bal. (% GDP)	-1.2	0.5	1.8	2.0	1.9

Tourist arrivals to reach a record high this year, despite increasing competition from neighbouring Turkey and Egypt. Tourist arrivals' growth slowed to a still strong 10.4% y-o-y on a 12-month rolling basis in July from 13.3% in December. The deceleration was mainly due to a decline in arrivals from Russia (second largest source country, subtracting 1.6 pps from overall growth between December and July) and a slowdown in arrivals from the UK and Israel (together shaving 3.7 pps from total arrivals' growth). The weaker support from Russian and British 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. Note that direct flights between Russia and Egypt resumed on April 11th, following a cooperation agreement on civil aviation security between the two countries at end-December, aimed at removing Russia's travel ban imposed after the downing of a Russian passenger plane in the Sinai Peninsula in October 2015.

On the other hand, the slowdown in arrivals from Israel (to a still solid 22.1% y-o-y on a 12-month rolling basis in July from 76.1% in December) reflects a normalization in the number of visitors from a fast-growing market (with a CAGR of c. 45.0% during 2012-17) which has become Cyprus' third largest source country (accounting for 7.2% of total visitors in FY:17 compared with 1.6% of total arrivals in FY:12).

Furthermore, with less support from tourist arrivals and a larger decline in expenditure per tourist, exclusively due to lower spending per tourist per day, the pace of growth in tourist receipts also moderated (to 7.4% y-o-y in May on a 12-month rolling basis from 11.7% in December).

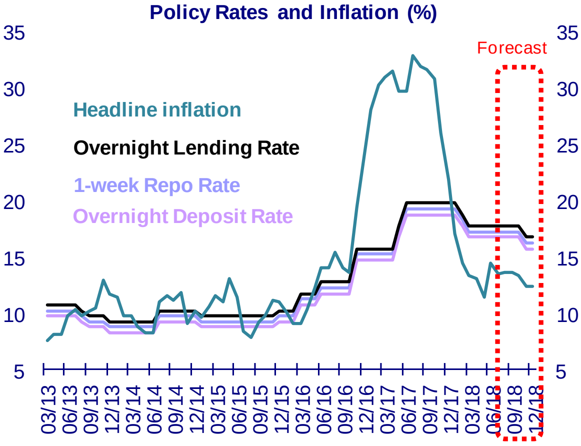
Looking ahead, we expect the gradual return of Russian and British visitors to Turkey and Egypt, along with unsupportive base effects related to Israeli visitors, to continue to weigh on tourist arrivals' growth during the remainder of the year. Overall, we foresee tourist arrivals rising by c. 9.0% to a record high of 3.9mn in FY:18.

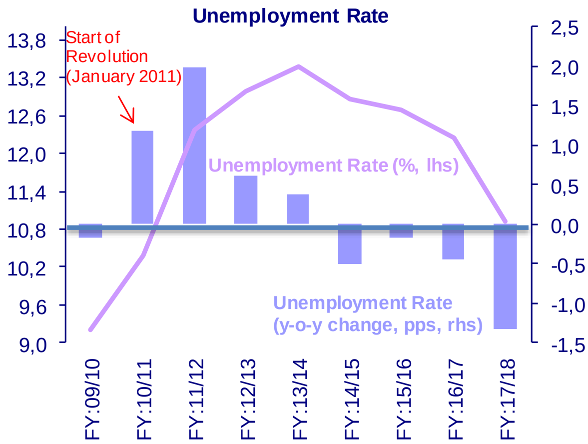
Customer deposits declined in June, amid pressures on the customer base of Cyprus Cooperative Bank (CCB) ahead of the House of Parliament's vote on its sale to Hellenic Bank (HB). Customer deposits declined by 1.0% y-o-y in June against a rise of 1.3% at end-2017. The decline was driven by heightened depositor uncertainty, mainly among residents (see chart), at end-June over whether CCB's sale agreement with HB, which included the transfer of CCB's "healthy" assets to HB and the provision of EUR 2.6bn in state guarantees to CCB, would be approved by the House of Parliament in July. Recall that a decline in overall deposits already took place in March due to depositor concerns over CCB's solvency ahead of its privatisation; but was reversed following an emergency deposit by the Government at the bank in April (EUR 2.5bn).

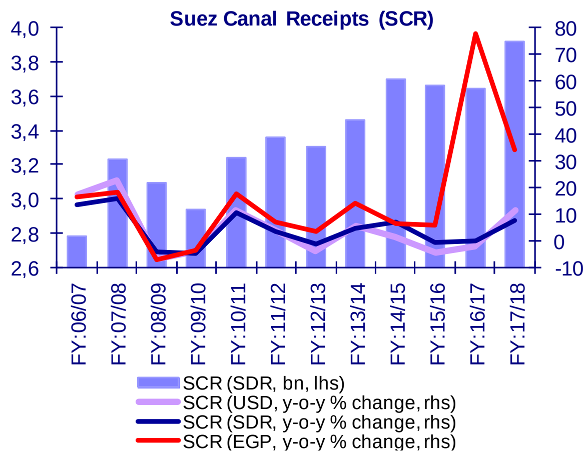
Credit deleveraging accelerated in H1:18, reflecting banks' increased efforts to reduce their NPLs. Credit to the private sector fell by 9.3% y-o-y in June, compared with a decline of 6.6% at end-2017. The faster decline in lending activity was driven by both households and corporates (down 8.6% y-o-y and 10.0% y-o-y, respectively, in June against smaller declines of 5.3% and 8.0% in December) and reflected banks' increased write-offs and debt-for-asset swaps and, to a lesser extent, the sale of NPLs to outside debt-servicing companies. The stronger pace of credit contraction was also driven by a decline in new corporate loans (down 19.6% y-o-y to c. EUR 1.5bn in H1:18) and would have been worse had new retail loans not increased (up 22.4% y-o-y to c. EUR 0.7bn H1:18), benefiting from banks' eased credit conditions to households and a benign economic environment.

Egypt

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







	27 July	3-M F	6-M F	12-M F
O/N Interbank Rate (%)	16.9	18.0	17.0	15.0
EGP/USD	17.9	17.8	18.0	18.0
Sov. Spread (2020. bps)	250	168	152	140

	27 July	1-W %	YTD %	2-Y %
HERMES 100	1,475	-0.3	2.6	102.8

	14/15	15/16	16/17	17/18E	18/19F
Real GDP Growth (%)	4.4	4.3	4.2	5.2	5.8
Inflation (eop. %)	11.4	14.0	29.8	12.8	14.2
Cur. Acct. Bal. (% GDP)	-3.7	-6.0	-6.5	-2.8	-3.0
Fiscal Bal. (% GDP)	-11.4	-12.5	-10.9	-9.8	-8.4

The CBE is likely to keep key rates on hold until its November or December MPC meetings. The CBE maintained the overnight deposit, 1-week repo, and overnight lending rates unchanged at 16.75%, 16.25%, and 17.75%, respectively, at its August 16th MPC meeting, in its efforts to dampen depreciation pressures on the EGP and anchor inflation expectations. Note that since April, amid a broader global sell-off in emerging markets, foreign investment in the Egyptian domestic debt market is estimated to have declined by USD 5bn to USD 18bn and the EGP has lost c. 2% of its value against the USD. Moreover, headline inflation accelerated to 14.4% y-o-y in June after having eased for 10 consecutive months to a 26-month low of 11.5% in May, due to the implementation of a new series of subsidy cuts (through price increases) in mid-June.

Looking ahead, the expected decline in headline inflation to below its mid-target range of 10%-16% by year-end (to 12.4%) should strengthen the CBE's hand to resume its cycle of monetary policy loosening, started last February, either on November 15th or December 27th, with a 100 bp cut to its key interest rates – bringing total cuts to 300 bps.

The unemployment rate reached an 8-year low of 10.9% in FY:17/18. The unemployment rate continued on its downward trend in FY:17/18, reaching an 8-year low of 10.9%. Importantly, the pace of decline accelerated to -1.3 pps y-o-y in FY:17/18 from -0.5 pps in FY:16/17 and -0.2 pps in FY:15/16, reflecting strengthening confidence in the domestic economy, on the back of the steady implementation of the ongoing IMF-supported programme. The acceleration in the annual decline in the unemployment rate was in line with developments in economic activity. Indeed, GDP growth is estimated to have risen to 5.2% in FY:17/18 from 4.2% in FY:16/17.

However, despite 4 consecutive years of decline (by a cumulative 2.4 pps from a peak of 13.4%), the unemployment rate remains above the pre-Revolution level of 9.0% (end-2010). Based on the IMF's estimate of the employment-growth elasticity (58.0%) and long-term projections of GDP growth (a CAGR of 5.8% for the next 4 fiscal years) and taking into account the fact that around 700k people will join the labour market each year in the coming years, our simulations show that the unemployment rate will fall below its pre-Revolution level in 4 years (to 8.5% in FY:21/22).

SDR-denominated Suez Canal receipts (SCR) posted positive growth for the first time in 3 years, reaching a record high in 2017/18, on the back of a rebound in global trade. SCR increased by a 7-year high of 7.5% to a record high of SDR 3.9bn in FY:17/18, following declines of 1.0% and 0.5%, respectively, in FY:15/16 and FY:16/17. The rebound was supported by the recovery in global trade. In fact, growth of world trade volume of goods & services is expected to reach 4.8% in 2018 after having rebounded to a 6-year high of 5.1% in 2017, according to the latest IMF World Economic Outlook -- July 2018. The strong performance of SCR in SDR terms solely reflects developments in (net) tonnage of ships crossing the Canal, as transit tolls have not been changed since May 2013.

Importantly, with favourable currency valuation effects (the SDR appreciated by c. 25% against the EGP and c. 4.0% against the USD in FY:17/18), the contribution of SCR to: i) budget revenue (through corporate income tax and dividends) is estimated to have risen by c. 35.0% to c. EGP 70.0bn (1.6% of GDP) in FY:17/18 from EGP 52.0bn (1.5% of GDP) in FY:16/17; and ii) the current account is estimated to have increased by c. 12.0% to c. USD 5.6bn (2.2% of GDP) in FY:17/18 from USD 5.0bn (2.0% of GDP) in FY:16/17.

FOREIGN EXCHANGE MARKETS, AUGUST 27TH 2018

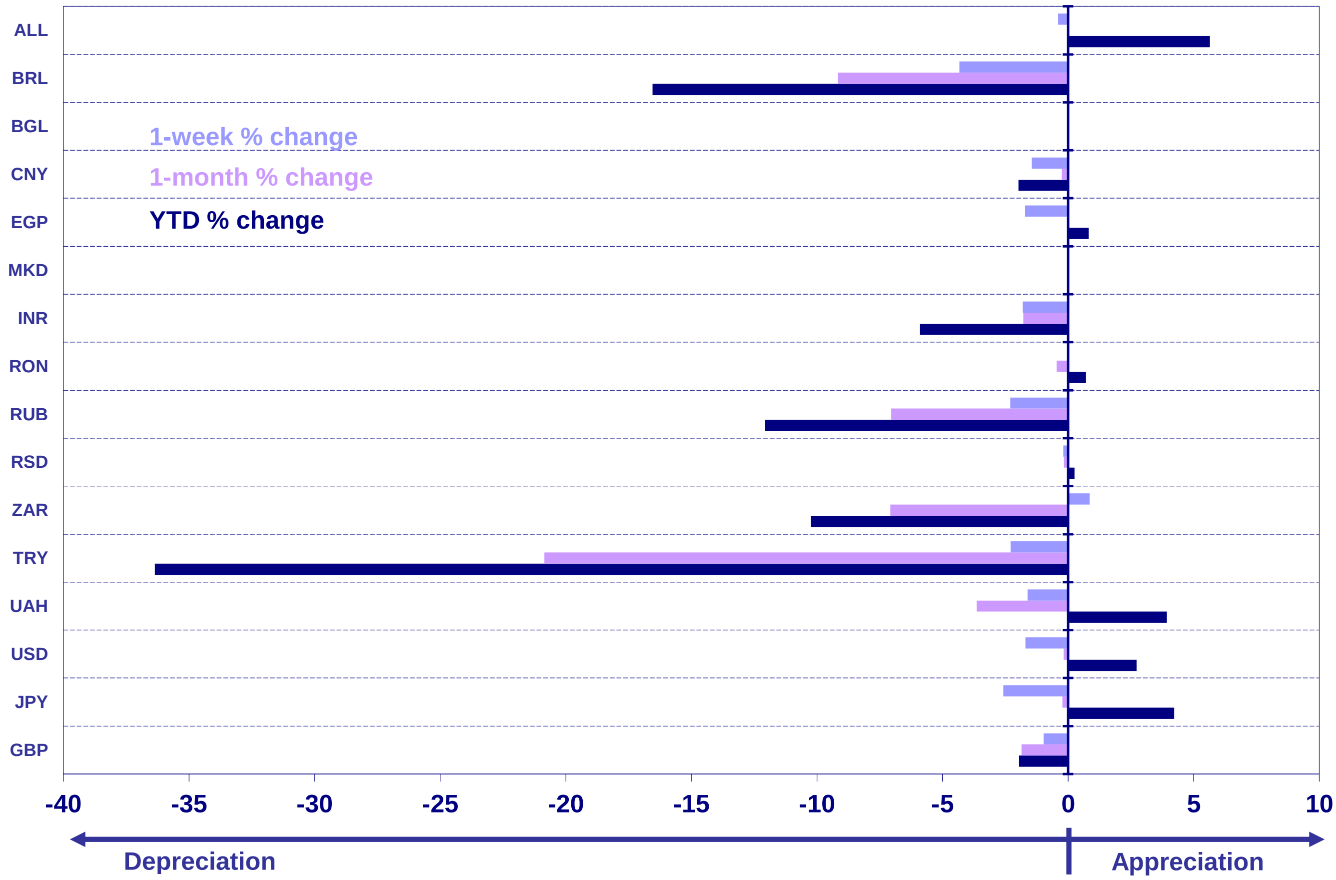
Against the EUR

	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	125.8	-0.4	0.0	5.6	5.5	124.5	134.0	126.0	126.0	125.3	1.9	1.2
Brazil	BRL	4.76	-4.3	-9.2	-16.5	-20.3	3.85	4.80	5.09	5.12	5.15	-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	7.96	-1.4	-0.3	-2.0	-0.5	7.39	8.02	8.21	8.23	8.25	-6.0	-4.0
Egypt	EGP	20.66	-1.7	0.0	0.8	1.8	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	81.5	-1.8	-1.8	-5.9	-6.1	75.9	82.0	87.8	- - -	- - -	-6.7	0.4
Romania	RON	4.64	0.0	-0.5	0.7	-1.1	4.62	4.68	4.68	4.72	4.79	-3.0	-0.4
Russia	RUB	78.7	-2.3	-7.0	-12.1	-11.1	67.7	80.5	79.9	81.2	84.1	-6.8	22.9
Serbia	RSD	118.1	-0.2	-0.2	0.3	0.8	117.6	119.1	118.4	119.3	- - -	4.2	-1.5
S. Africa	ZAR	16.5	0.9	-7.1	-10.2	-5.5	14.18	17.09	16.9	17.2	17.9	-2.7	16.2
Turkey	YTL	7.15	-2.3	-20.9	-36.4	-42.3	4.48	8.21	7.66	8.20	9.36	-18.4	-14.7
Ukraine	UAH	32.3	-1.6	-3.6	3.9	-5.5	30.18	36.11	38.3	- - -	- - -	-15.2	-8.6
US	USD	1.17	-1.7	-0.2	2.7	2.6	1.1	1.3	1.18	1.19	1.20	-12.4	3.3
JAPAN	JPY	129.7	-2.6	-0.2	4.2	0.9	124.6	137.5	129.8	129.8	129.9	-8.9	6.0
UK	GBP	0.91	-1.0	-1.9	-2.0	2.2	0.9	0.9	0.91	0.91	0.92	-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 (August 27th 2018)



MONEY MARKETS, AUGUST 27TH 2018

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
O/N	1.3	6.4	- - -	2.4	- - -	16.9	- - -	- - -	2.8	7.3	- - -	19.2	8.0	16.7	- - -	1.9
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	2.8	7.3	2.3	- - -	7.6	- - -	- - -	- - -
S/W	1.3	6.4	- - -	2.6	-0.4	- - -	1.0	- - -	- - -	6.2	2.3	- - -	7.7	17.1	-0.4	2.0
1-Month	1.5	6.4	0.0	2.8	-0.4	- - -	1.2	7.0	3.2	6.4	2.6	21.8	7.6	17.8	-0.4	2.1
2-Month	- - -	6.5	- - -	- - -	-0.3	- - -	- - -	- - -	- - -	6.5	2.8	22.7	7.9	- - -	-0.3	2.2
3-Month	1.8	6.6	- - -	2.9	-0.3	- - -	1.5	7.4	3.3	6.6	2.9	23.2	7.9	18.3	-0.3	2.3
6-Month	2.0	7.2	- - -	3.2	-0.3	- - -	1.7	- - -	3.4	6.9	3.1	25.0	8.3	- - -	-0.3	2.5
1-Year	2.3	8.0	- - -	3.5	-0.2	- - -	2.1	- - -	3.6	7.0	- - -	26.0	8.4	- - -	-0.2	2.8

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

LOCAL DEBT MARKETS, AUGUST 27TH 2018

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	- - -	- - -	- - -	- - -	- - -	19.1	- - -	6.8	- - -	7.3	- - -	20.7	- - -	- - -	-0.6	2.1
6-Month	- - -	- - -	- - -	- - -	- - -	19.3	- - -	7.0	3.4	7.4	3.3	21.6	- - -	- - -	-0.6	2.2
12-Month	1.7	- - -	-0.1	2.8	- - -	19.1	1.0	7.3	3.5	7.3	3.0	23.8	- - -	17.8	-0.6	2.4
2-Year	2.2	- - -	- - -	3.1	- - -	- - -	- - -	7.7	3.8	7.9	- - -	23.1	7.6	- - -	-0.6	2.6
3-Year	- - -	- - -	0.1	3.3	0.5	- - -	- - -	7.7	4.0	8.2	- - -	27.6	7.8	16.4	-0.5	2.7
5-Year	4.9	11.1	- - -	3.4	1.4	18.4	- - -	7.9	4.4	8.4	3.8	25.5	8.3	- - -	-0.2	2.7
7-Year	- - -	- - -	0.7	- - -	1.9	18.3	- - -	8.1	4.5	8.5	- - -	- - -	- - -	- - -	0.0	2.8
10-Year	- - -	11.9	1.3	3.6	- - -	18.0	- - -	7.9	4.8	8.7	- - -	21.0	8.9	- - -	0.4	2.9
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	3.0	8.2	- - -	8.7	- - -	- - -	9.9	- - -	0.7	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	9.7	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	8.2	- - -	- - -	- - -	- - -	9.7	- - -	1.0	3.0

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

CORPORATE BONDS SUMMARY, AUGUST 27TH 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	2.2	267	229
South Africa	**FirstRand Bank Ltd 4.25% '20**	USD	BBB-/Baa2	30/4/2020	500	4.4	173	152
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	1.2	181	144
Turkey	**Arcelik AS 3.875% '21**	EUR	BB+/NA	16/9/2021	350	3.4	391	341
	Garanti Bank 5.25% '22	USD	NA/Ba3	13/9/2022	750	7.4	459	420
	Turkiye Is Bankasi 6% '22	USD	NA/B2	24/10/2022	1,000	10.2	735	650
	Vakifbank 5.75% '23	USD	NA/Ba3	30/1/2023	650	8.7	590	530
	TSKB 5.5% '23	USD	NA/Ba3	16/1/2023	350	9.1	630	558
	Petkim 5.875% '23	USD	NA/B1	26/1/2023	500	8.5	567	513
	KOC Holding 5.25% '23	USD	BB+/Ba1	15/3/2023	750	6.7	398	365

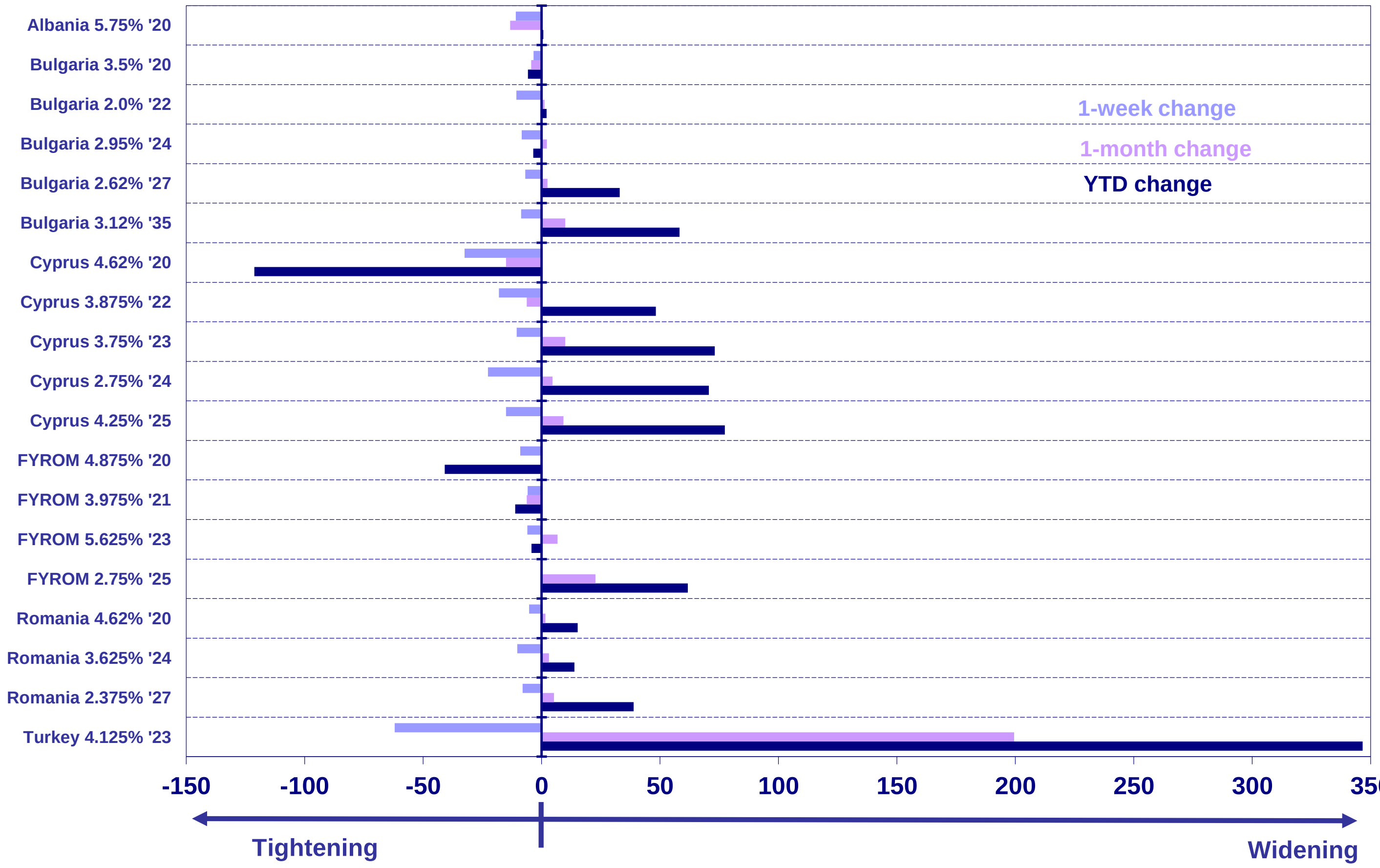
CREDIT DEFAULT SWAP SPREADS, AUGUST 27TH 2018

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	279	66	56	149	344	- - -	80	92	161	110	476	207	505
10-Year	- - -	364	102	101	170	390	- - -	89	132	227	146	470	276	534

EUR-DENOMINATED SOVEREIGN EUROBOND SUMMARY, AUGUST 27TH 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	194	156
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	0.0	62	25
Bulgaria 2.0% '22	EUR	BBB-/Baa2	26/3/2022	1,250	0.0	39	-5
Bulgaria 2.95% '24	EUR	BBB-/Baa2	3/9/2024	1,493	0.5	58	6
Bulgaria 2.62% '27	EUR	BBB-/Baa2	26/3/2027	1,000	1.3	103	58
Bulgaria 3.12% '35	EUR	BBB-/Baa2	26/3/2035	900	2.5	189	127
Cyprus 4.62% '20	EUR	BB+/Ba2	3/2/2020	668	0.1	72	40
Cyprus 3.875% '22	EUR	NA/Ba2	6/5/2022	1,000	1.4	174	134
Cyprus 3.75% '23	EUR	NA/Ba2	26/7/2023	1,000	1.7	199	148
Cyprus 2.75% '24	EUR	NA/Ba2	27/6/2024	850	1.9	199	150
Cyprus 4.25% '25	EUR	NA/Ba2	4/11/2025	1,000	2.2	221	176
FYROM 4.875% '20	EUR	BB-/NA	1/12/2020	178	0.9	153	111
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	1.4	191	464
FYROM 5.625% '23	EUR	BB-/NA	26/7/2023	450	2.4	265	230
FYROM 2.75% '25	EUR	BB-/NA	18/1/2025	500	2.9	299	234
Romania 4.62% '20	EUR	BBB-/BBB-	18/9/2020	2,000	0.1	66	22
Romania 3.625% '24	EUR	BBB-/BBB-	24/4/2024	1,250	1.1	119	76
Romania 2.375% '27	EUR	BBB-/BBB-	19/4/2027	2,000	2.3	203	152
Turkey 4.125% '23	EUR	NR/Ba3	11/4/2023	1,000	5.7	597	519

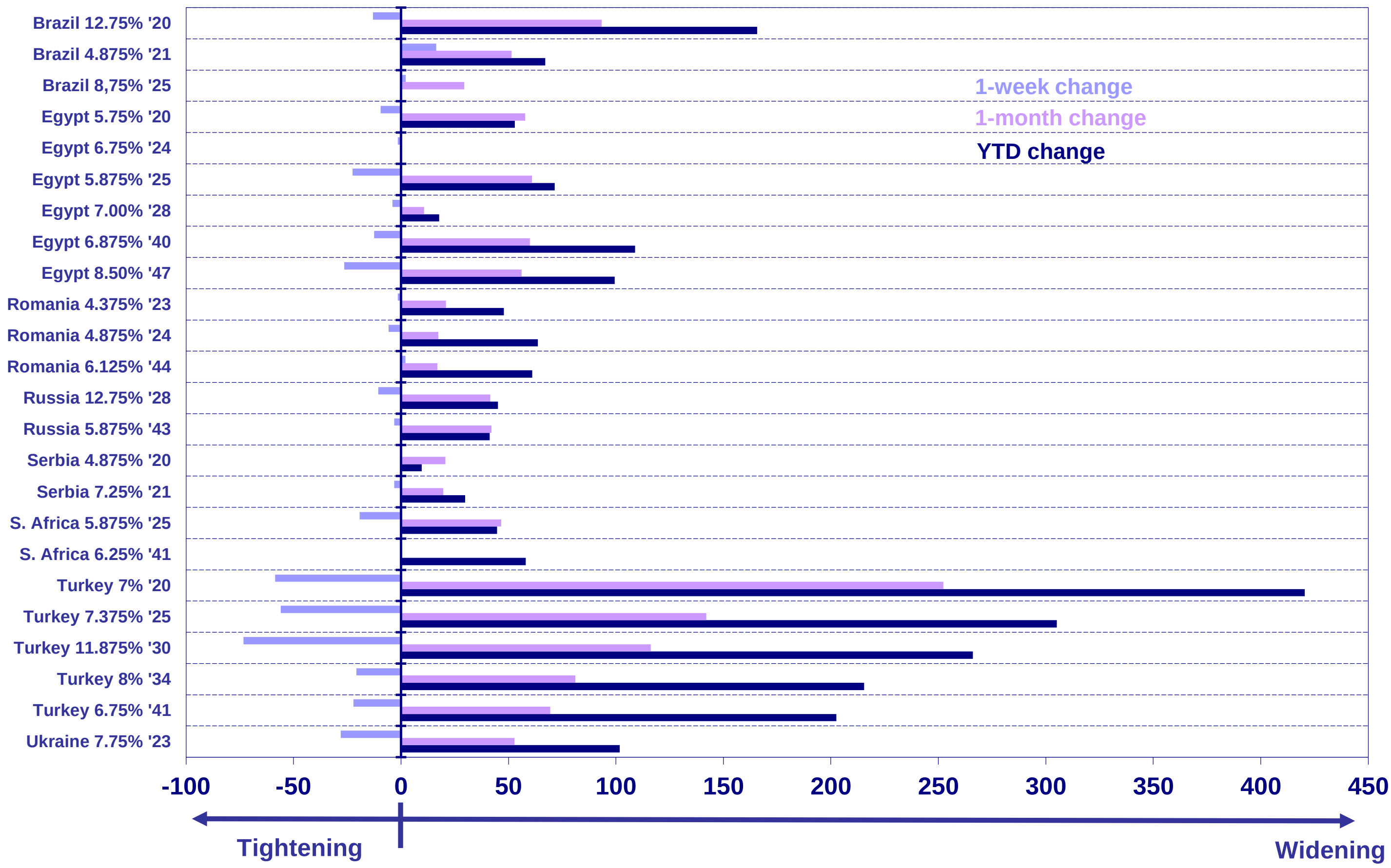
EUR-Denominated Eurobond Spreads (August 27th 2018)



USD-Denominated Sovereign Eurobond Summary, August 27th 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	4.1	163	141
Brazil 4.875% '21	USD	NA/Ba2	22/1/2021	2,713	4.2	151	130
Brazil 8.75% '25	USD	NA/Ba2	4/2/2025	688	5.0	216	229
Egypt 5.75% '20	USD	B/B3	29/4/2020	1,000	5.1	250	233
Egypt 6.75% '24	USD	NA/B3	10/11/2024	1,500	6.1	334	326
Egypt 5.875% '25	USD	B/B3	11/6/2025	500	6.9	413	384
Egypt 7.00% '28	USD	NA/B3	10/11/2028	1,000	6.7	386	376
Egypt 6.875% '40	USD	B/B3	30/4/2040	1,500	8.2	516	464
Egypt 8.50% '47	USD	NA/B3	31/1/2047	500	8.5	550	545
Romania 4.375% '23	USD	BBB-/BBB-	22/8/2023	1,500	4.1	132	118
Romania 4.875% '24	USD	BBB-/BBB-	22/1/2024	1,000	4.1	137	123
Romania 6.125% '44	USD	BBB-/BBB-	22/1/2044	1,000	5.1	213	233
Russia 12.75% '28	USD	BBB-/Ba1	24/6/2028	2,500	4.9	208	268
Russia 5.875% '43	USD	BBB-/Ba1	16/9/2043	1,500	5.4	245	253
Serbia 4.875% '20	USD	BB/Ba3	25/2/2020	1,500	3.9	125	112
Serbia 7.25% '21	USD	BB/Ba3	28/9/2021	2,000	4.2	149	137
S. Africa 5.875% '25	USD	BB/Baa3	16/9/2025	2,000	5.4	264	254
S. Africa 6.25% '41	USD	BB/Baa3	8/3/2041	750	6.2	323	323
Turkey 7.00% '20	USD	NR/Ba3	5/6/2020	2,000	8.5	589	554
Turkey 7.375% '25	USD	NR/Ba3	5/2/2025	3,250	8.3	549	517
Turkey 11.875% '30	USD	NR/Ba3	15/1/2030	1,500	8.4	560	625
Turkey 8.00% '34	USD	NR/Ba3	14/2/2034	1,500	8.3	549	518
Turkey 6.75% '41	USD	NR/Ba3	14/1/2041	3,000	8.2	517	431
Ukraine 7.75% '23	USD	B-/Caa2	1/9/2023	1,355	8.0	525	499

USD-Denominated Eurobond Spreads (August 27th 2018)



STOCK MARKETS PERFORMANCE, AUGUST 27TH 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)	77,930	2.1	-2.4	2.0	9.7	69,069	88,318	-15.3	26.9	9.5	38.9	76.2
Bulgaria (SOFIX)	635	0.1	0.4	-6.3	-11.1	621	721	-6.3	15.5	15.5	27.2	27.2
China (SHCOMP)	2,781	3.1	-3.2	-15.9	-17.3	2,653	3,587	-17.5	6.6	-0.3	-12.3	-15.3
Cyprus (CSE GI)	74	0.6	-2.7	6.6	-2.9	65	77	6.6	4.7	4.7	-2.0	-2.0
Egypt (HERMES)	1,475	-0.3	-0.4	2.6	24.8	1,429	1,741	4.1	32.0	18.7	72.7	-21.8
F.Y.R.O.M (MBI)	3,380	0.7	0.0	33.1	28.1	2,536	3,494	33.1	18.9	18.9	16.5	16.5
India (SENSEX)	38,694	1.1	3.6	13.6	21.9	31,082	38,737	6.2	27.9	19.3	1.9	2.6
Romania (BET-BK)	1,626	0.6	1.3	-1.6	-2.2	1,573	1,802	-0.8	22.8	19.1	0.2	0.0
Russia (RTS)	4,253	0.2	-1.9	3.2	-0.1	4,017	4,617	-9.3	-16.2	-21.9	24.2	54.3
Serbia (BELEX-15)	734	0.4	-1.5	-3.3	1.3	724	785	-3.1	5.9	10.3	11.4	9.7
South Africa (FTSE/JSE)	59,656	4.4	4.4	0.3	5.5	53,027	61,777	-10.0	17.5	14.3	-0.1	16.1
Turkey (ISE 100)	91,284	1.2	-4.5	-20.9	-17.3	84,655	121,532	-49.6	47.6	20.5	8.9	-7.0
Ukraine (PFTS)	530	1.9	4.9	68.3	85.1	315	531	74.9	18.8	0.8	10.2	1.0
MSCI EMF	1,069	3.4	-2.1	-7.7	-1.5	1,014	1,279	-5.2	34.3	17.7	8.6	12.2
MSCI EAFE	1,976	2.0	-1.7	-3.6	2.3	1,911	2,187	-1.0	21.8	6.7	-1.9	1.4
Greece (ASE-General)	736	3.3	-2.0	-8.2	-12.2	700	896	-8.2	24.7	24.7	1.9	1.9
Germany (XETRA DAX)	12,538	1.7	-2.5	-2.9	3.4	11,727	13,597	-2.9	12.5	12.5	11.6	11.6
UK (FTSE-100)	7,577	-0.2	-1.6	-1.4	2.4	6,867	7,904	-3.2	7.6	3.2	14.4	-1.0
USA (DJ INDUSTRIALS)	26,050	1.1	2.4	5.4	19.4	21,674	26,617	8.3	25.1	9.6	13.4	16.7
USA (S&P 500)	2,897	1.4	2.8	8.3	18.5	2,533	2,876	11.3	19.4	4.7	9.5	13.2

Equity Indices (August 27th 2018)