Economic Analysis Division
Emerging Markets Research

Bi-Weekly Report

16 – 29 May 2017

NBG - Economic Analysis Division
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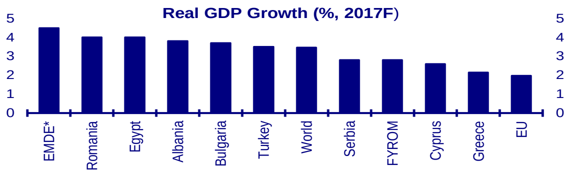
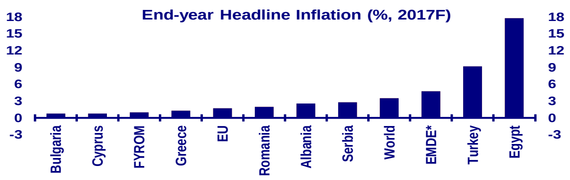
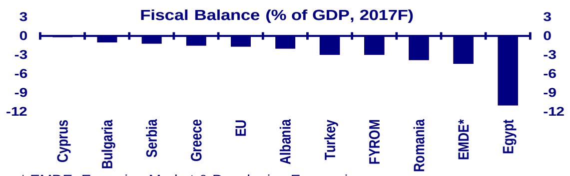


* EMDE: Emerging Market & Developing Economies





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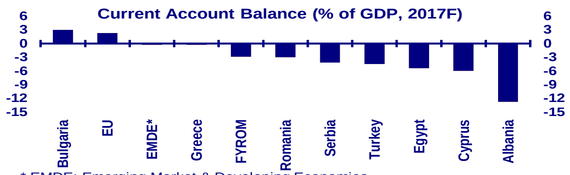
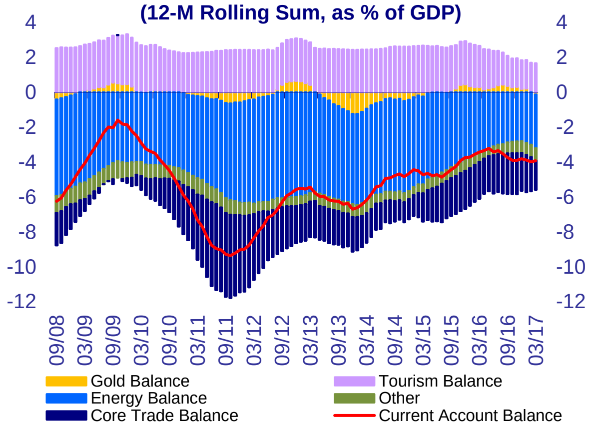


* EMDE: Emerging Market & Developing Economies

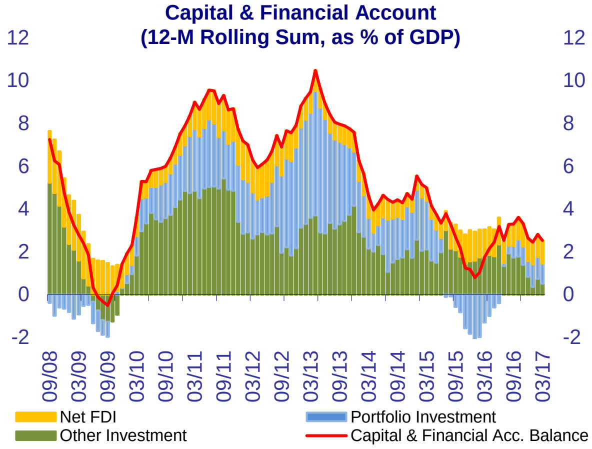
Turkey

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

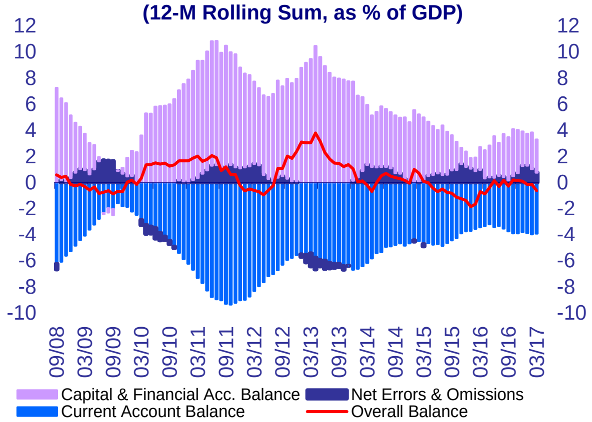
Current Account Balance (12-M Rolling Sum, as % of GDP)



Capital & Financial Account (12-M Rolling Sum, as % of GDP)



Overall Balance (12-M Rolling Sum, as % of GDP)



	29 May	3-M F	6-M F	12-M F
1-m TRIBOR (%)	12.9	12.5	11.5	10.5
TRY/EUR	3.99	3.90	3.82	3.80
Sov. Spread (2020, bps)	212	205	200	180

	29 May	1-W %	YTD %	2-Y %
ISE 100	97,726	1.4	25.1	17.8

	2014	2015	2016	2017F	2018F
Real GDP Growth (%)	5.2	6.1	2.9	3.5	4.2
Inflation (eop, %)	8.2	8.8	8.5	9.2	7.8
Cur. Acct. Bal. (% GDP)	-4.7	-3.7	-3.8	-4.3	-4.2
Fiscal Bal. (% GDP)	-1.1	-1.0	-1.1	-3.0	-2.5

President Erdogan resumes his role as Chairman of the ruling AKP party. At a special congress of the ruling AKP party, President Erdogan was elected chairman, replacing the former leader, PM Yildirim, who was appointed vice chairman. This is the first time since 1950 that a president will lead a political party. Indeed, until the amendment of the Constitution in mid-April, heads of state had to cut ties with any political party, to reflect the non-partisan role of the presidency. The move is in line with the amended Constitution, which stipulates, *inter alia*, that the President will be the head of state and the head of government and can also be the head of a political party.

As leader of the AKP, Erdogan is expected to consolidate his personal control of the party and the legislative work and proceed with a partial cabinet reshuffle. A senior AKP official reportedly stated that the management of the economy will be undertaken by one Ministry -- currently there is a Minister of Finance (Agbal) and a Minister of Economy (Zeybekci). Markets will be closely watching to see if Deputy PM Simsek, who is viewed positively by investors, remains in charge of economic policy.

Buoyant exports contain the deterioration of the current account in Q1:17 to 3.9% of GDP on a 12-month rolling basis. The current account deficit (CAD) widened by 0.1 pp y-o-y to 1% of GDP in Q1:17. Specifically, a deterioration in the energy and gold balances (each by 0.3 pps of GDP y-o-y) more than offset a significant improvement in the underlying (core) current account balance (excluding gold and energy). The negative performance of the energy balance was in line with global oil price developments, while that of the gold balance was mainly driven by a sharp rise in gold imports (up c. 290% y-o-y), reflecting heightened uncertainty ahead of the mid-April referendum.

Importantly, the underlying current account balance improved for a 2nd consecutive quarter in Q1:17, mainly on the back of the continued recovery in exports (up c. 10% y-o-y), notably to the EU, supported by strengthened competitiveness of Turkish goods in global markets (the CPI-based REER depreciated by c. 12% over the past 4 years) and firming growth in the EU-28 (2.0% y-o-y in Q1:17 against 1.9% in Q4:16 and 1.8% in FY:16). Subdued domestic demand also contributed to the positive performance of the underlying current account in Q1:17.

The capital and financial account (CFA) fell short of covering the CAD in Q1:17. The CFA balance deteriorated by 0.1 pp y-o-y to a surplus of 0.8% of GDP in Q1:17, hampered by elevated political and economic uncertainty ahead of the referendum. Specifically, lower foreign bank placements of short-term deposits at domestic banks (down 0.4 pps of GDP y-o-y) and weaker (net) borrowing (down 0.2 pps of GDP y-o-y) more than offset stronger (net) portfolio inflows (up 0.2 pps of GDP y-o-y), lower domestic bank placements of short-term deposits abroad (down 0.2 pps of GDP y-o-y) and higher (net) trade credits (up 0.1 pp of GDP y-o-y).

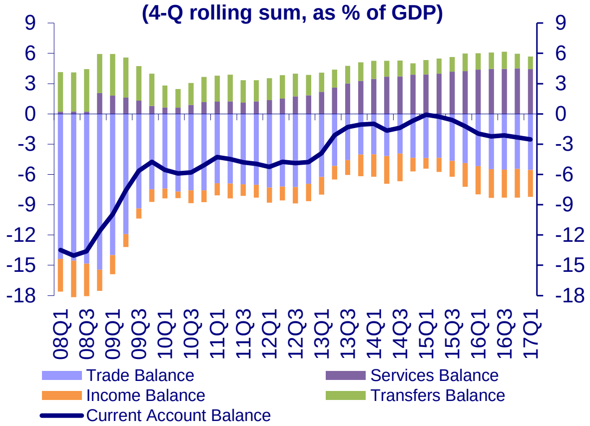
Reflecting the current account and CFA developments and large negative (net) errors and omissions (0.3% of GDP), the overall balance turned negative in Q1:17. As a result and accounting for valuation effects, FX reserves declined by USD 3.6bn q-o-q to a 4½-year low of USD 88.6bn in Q1:17 -- equivalent to 4.9 months of imports of GNFS.

Going forward, we expect the current account to deteriorate further during the rest of the year (by 0.4 pps of GDP y-o-y in Q2-Q4:17), due to persistent unfavourable global oil prices, recovering domestic demand, and weaker tourism revenue (down c. 10.0% in view of recent trends), more than offsetting buoyant external demand, especially from the EU. Overall, we see the CAD rising further to c. USD 34.6bn (4.3% of GDP) in FY:17 from USD 32.6bn (3.8%) in FY:16.

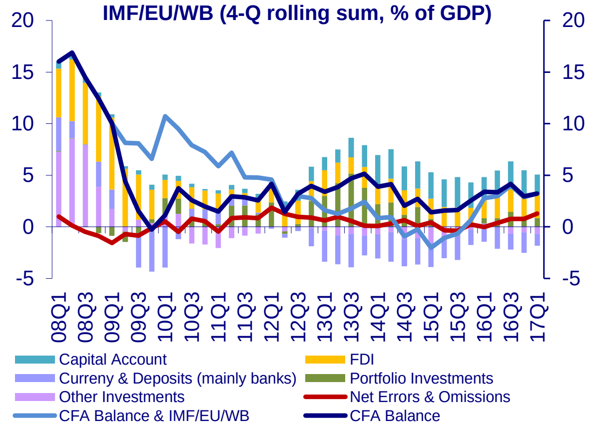
Romania

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

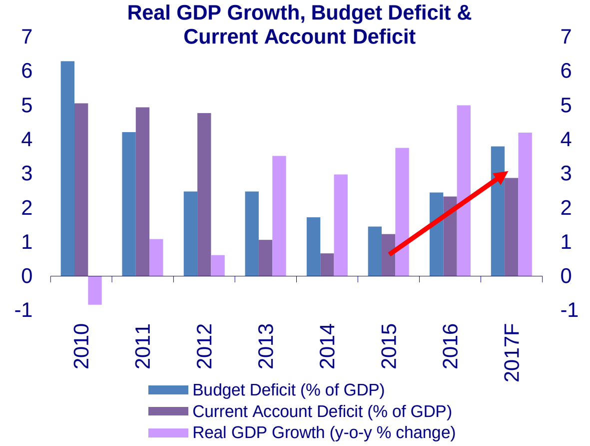
Current Account Balance (4-Q rolling sum, as % of GDP)



Capital & Financial Account (CFA) and IMF/EU/WB (4-Q rolling sum, % of GDP)



Real GDP Growth, Budget Deficit & Current Account Deficit



	29 May	3-M F	6-M F	12-M F
1-m ROBOR (%)	0.7	2.0	3.8	4.0
RON/EUR	4.56	4.53	4.51	4.50
Sov. Spread (2024, bps)	173	160	150	140

	29 May	1-W %	YTD %	2-Y %
BET-BK	1,645	1.6	22.4	18.2

	2014	2015	2016E	2017F	2018F
Real GDP Growth (%)	3.1	3.9	4.8	4.0	3.4
Inflation (eop, %)	0.8	-0.9	-0.5	2.0	2.6
Cur. Acct. Bal. (% GDP)	-0.7	-1.2	-2.4	-3.0	-3.4
Fiscal Bal. (% GDP)	-1.7	-1.5	-2.4	-3.8	-3.0

The current account deficit (CAD) widened slightly to 2.5% of GDP on a 4-quarter rolling basis in Q1:17 from 2.3% at end-2016, in line with stronger domestic demand. In Q1:17, the CAD rose by 0.2 pps y-o-y to 0.4% of GDP. Indeed, the trade deficit widened in Q1:17 (up 0.1 pp y-o-y to 1.2% of GDP) while the services surplus narrowed (down 0.1 pp y-o-y to 1.0% of GDP), in line with stronger private consumption. The latter should be attributed to tax cuts (the standard VAT rate was reduced by another 1 pp (to 19%) and the special excise duty on fuels and several small taxes were abolished in January), and a looser incomes policy. Regarding the latter, wages were increased in the healthcare and the education sectors (by 15%), as were pensions (by 5.3%) in January, followed by a rise in wages in local administration (by 20%) and the minimum wage (by 16% to RON 1,450) in February, with spillover effects on the private sector.

The capital & financial account surplus rose to 3.2% of GDP on a 4-quarter rolling basis in Q1:17 from 2.8% at end-2016, covering the CAD. Capital outflows from the banking system decelerated in Q1:17 (to 0.4% of GDP from 1.3% in Q1:16), reflecting both lower placement of deposits abroad by domestic banks and a slowdown in deleveraging by foreign banks. This improvement was partly offset, however, by a temporary decline in capital transfers from the EU (0.1% of GDP in Q1:17 against 0.8% in Q1:16, mainly due to timing issues). All said, the overall balance improved in Q1:17 (by 0.6 pps y-o-y) to a surplus of 0.3% of GDP, with FX reserves rising to EUR 34.7bn in March from EUR 34.2bn at end-2016.

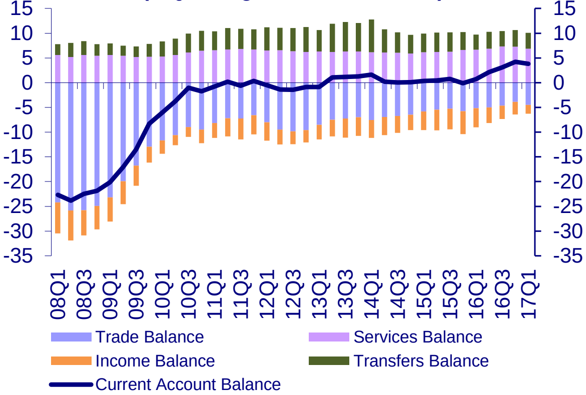
The CAD is set to widen further, to 2.9% of GDP in FY:17, reflecting stronger domestic demand. Looking ahead, the trade deficit is set to continue to widen, in view of a further build-up in domestic demand, on the back, *inter alia*, of a sizeable fiscal stimulus (1.2 pps of GDP y-o-y in Q2-Q4:17). This deterioration should be partly offset by lower profit and dividend outflows. Moreover, FX reserves could decline during the remainder of the year, in view of the resumption of debt repayment to the IFIs (0.7% of GDP against just 0.1% in FY:16) on the one hand, and the wider CAD on the other. According to our baseline scenario, assuming that: i) net FDI and portfolio investment inflows broadly remain at FY:16 levels (2.4% and 0.7% of GDP, respectively); and ii) the maturing debt rollover rate remains unchanged compared with FY:16 (at 90%), we foresee FX reserves falling to a still comfortable level of EUR 33.3bn at end-2017 from EUR 34.2bn at end-2016 (5 months of GNFS imports).

The impending adoption of the unified pay scheme of the public sector (UPS) threatens macroeconomic and financial stability. The UPS aims to reduce disparities in the public wage system by providing very large wage increases for low-income earners – up to 100% in some sectors -- over the next 5 years. According to the IMF, its gross cost amounts to 6.6% of GDP (2.6% on a net basis). The UPS has been endorsed by the Senate and will be debated in the Chamber of Deputies, which has the final say. Both the IMF and the EU have criticised the Government, calling for the adoption of counterbalancing measures. In the event the UPS is adopted in its current form, the budget deficit could widen to unsustainable levels (over 6.0% of GDP) over the coming years (from a projected 3.8% of GDP in FY:17 and 2.4% in FY:16). Worryingly, against the backdrop of tight labour market conditions, the implementation of the UPS would entail a significant spillover effect to private sector wages, exacerbating overheating pressures in the short term but also affecting the country's competitiveness in the longer term (see chart).

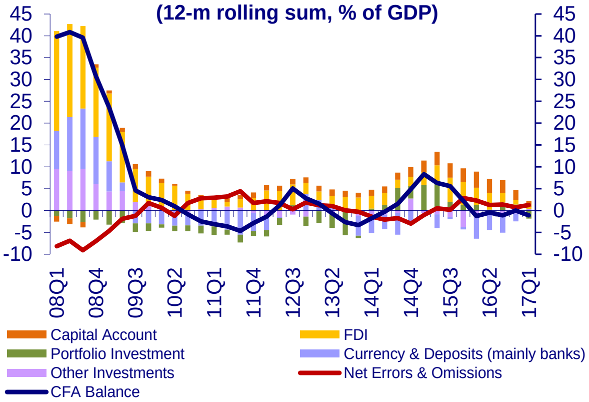
Bulgaria

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

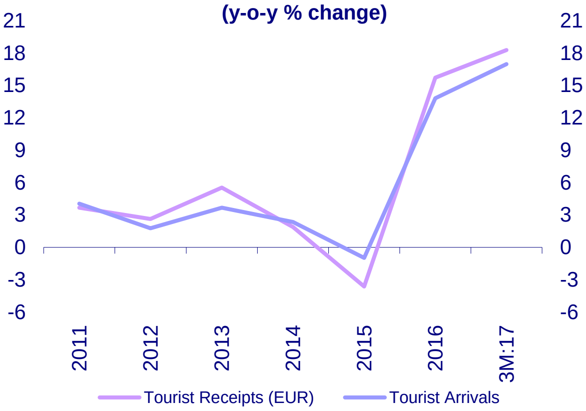
Current Account Balance (4-Q rolling sum, as % of GDP)



Capital & Financial Account (CFA) and Net Errors & Omissions (12-m rolling sum, % of GDP)



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



	29 May	3-M F	6-M F	12-M F
1-m SOFIBOR (%)	0.0	0.1	0.1	0.2
BGN/EUR	1.96	1.96	1.96	1.96
Sov. Spread (2022, bps)	106	104	102	100

	29 May	1-W %	YTD %	2-Y %
SOFIX	656	0.1	11.8	35.7

	2014	2015	2016E	2017F	2018F
Real GDP Growth (%)	1.3	3.6	3.4	3.7	3.5
Inflation (eop, %)	-0.9	-0.4	0.1	0.8	1.4
Cur. Acct. Bal. (% GDP)	0.1	0.4	3.8	3.3	2.8
Fiscal Bal. (% GDP)	-3.7	-2.8	1.6	-1.0	-0.5

The 4-quarter rolling current account surplus (CAS) narrowed to 3.8% of GDP in Q1:17 from 4.2% in Q4:16. In Q1:17, the CAS narrowed by 0.4 pps y-o-y to 0.1% of GDP. Indeed, the trade deficit widened in Q1:17 (by 0.5 pps y-o-y to 1.3% of GDP) on the back of higher oil prices (the energy trade deficit widened by 0.3 pps of GDP y-o-y in Q1:17) and stronger domestic demand. The deterioration would have been larger had non-energy exports not improved in Q1:17 (up 0.8 pps of GDP y-o-y), reflecting, *inter alia*, competitiveness gains.

The capital & financial account deteriorated in Q1:17, mainly due to temporary factors and a base effect. Capital transfers declined sharply in Q1:17 (to 0.3% of GDP from 1.2% in Q1:16), as a result of lower grants from the EU due to timing issues. At the same time, net portfolio investment declined (-0.9% of GDP in Q1:17 against 2.3% in Q1:16, with the latter, however, including proceeds from the issuance of a sovereign Eurobond worth 4.2% of GDP). Importantly, despite the continuing -- albeit modest -- deleveraging by foreign banks, capital outflows from the banking sector were curtailed in Q1:17 (-0.8% of GDP against -2.6% in Q1:16), due to lower placement of deposits abroad by domestic banks. All said, the overall balance deteriorated markedly in Q1:17 (by 1.8 pps y-o-y) to a surplus of just 0.1% of GDP.

Bulgaria is set to remain the best performer in the region in FY:17, despite the easing of the CAS to 3.7% of GDP. Pressures on the trade deficit are set to persist during the remainder of the year, mainly reflecting stronger domestic demand, on the back of a sizeable fiscal impulse (2.5 pps of GDP y-o-y in Q2-Q4:17). However, this deterioration should be partly offset by lower profit and dividend outflows and an improvement in the services surplus on the back of buoyant tourism activity.

Covering external financing needs should not be an issue, in view of the large CAS. Projecting that: i) net FDI inflows remain subdued at FY:16 levels (1.0% of GDP); ii) net portfolio investment turns negative (-1.5% of GDP against 1.4% in FY:16), due to the repayment of a sovereign Eurobond (1.9% of GDP) next July; and iii) the maturing debt rollover rate remains unchanged compared with FY:16 (at 95%), we see FX reserves rising to EUR 24.2bn at end-2017 from EUR 22.5bn at end-2016 (11 months of GNFS imports).

The tourism sector continued to overperform in Q1:17, sustaining economic growth and the CAS. Tourist arrivals rose by 17.0% y-o-y in Q1:17 following an increase of 13.8% in FY:16. At the same time, tourism receipts rose by 18.3% y-o-y in Q1:17 following an increase of 15.7% in FY:16, confirming the upward trend in spending per tourist. Regarding tourist arrivals, the improved performance was mainly driven by Greece and Romania, which are the two largest source countries, and (to a lesser extent) the UK, Israel and Italy -- accounting for 11.0%, 16.1%, 2.7%, 1.7% and 1.5%, respectively, of total arrivals in FY:16 -- up 30.9%, 26.8%, 27.5%, 48.2% and 45.3% y-o-y in Q1:17. Indeed, Bulgarian tourism appears to have strongly benefited from the security concerns in Turkey. Abundant snow in winter also boosted skiing tourism in Q1:17.

Looking ahead, in view of the country's price competitiveness, and with security concerns unlikely to ease soon in Turkey, we expect tourist activity to remain buoyant during the remainder of the year. Importantly, the impact of Brexit should not be significant, in view of the relatively small share of British tourists in total arrivals. The increase in the number of direct flights, mostly low-cost charters from northern Europe, will also help. All said, we see tourist arrivals rising by 20% to a high of 12.7mn in FY:17, with receipts growing at a slightly faster pace -- up 21.5% to EUR 4.0bn or 8.0% of GDP.

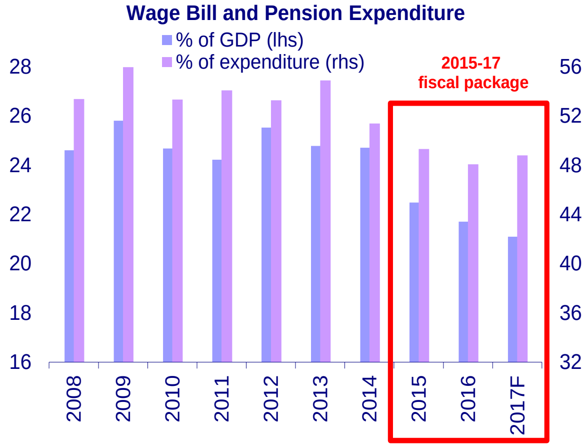
Serbia

Consolidated Fiscal Balance (% of GDP)	2016*	3M:16	3M:17	2017 Budget	2017F NBG
Revenue	43.9	9.9	10.5	41.8	42.3
Tax Revenue	37.8	8.4	9.1	36.7	37.0
PIT	3.7	0.8	0.9	3.6	3.7
CIT	1.9	0.3	0.4	1.8	1.9
VAT	10.8	2.5	2.6	10.4	10.5
Excises	6.3	1.4	1.5	6.1	6.2
Customs	0.9	0.2	0.2	0.9	0.9
Other taxes	1.6	0.4	0.4	1.5	1.5
Soc. Contrib.	12.6	2.9	3.0	12.4	12.5
Non-Tax Rev.	5.9	1.4	1.4	4.8	5.0
Grants	0.2	0.0	0.0	0.3	0.3
Expenditure	45.2	10.3	10.3	43.5	43.5
Current Exp.	40.8	9.6	9.7	39.4	39.5
Personnel	9.9	2.4	2.4	9.7	9.7
Goods & Services	6.8	1.4	1.4	6.7	6.8
Subsidies	2.7	0.4	0.4	2.4	2.5
Social Assist.	17.0	4.1	4.1	16.2	16.2
o/w Pensions	11.8	2.9	2.9	11.4	11.4
Other	1.3	0.3	0.3	1.1	1.2
Int. Payments	3.1	1.1	1.1	3.2	3.1
Capital Exp.	3.3	0.4	0.3	3.3	3.2
Activated Guarant.	0.9	0.2	0.2	0.8	0.8
Net Lending	0.1	0.0	0.1	0.1	0.1
Fiscal Balance	-1.3	-0.4	0.3	-1.7	-1.2
Primary Balance	1.8	0.7	1.4	1.4	1.9
Fiscal Bal. excl. once-off	-0.7	-0.4	0.3	-1.7	-1.2

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

* Once-off expenses in December 2016 (0.6% of GDP) entail: i) the repayment of arrears of the state-owned petrochemical producer, Petrohemija, to its oil-supplier, NIS, by the Government (0.3 pps of GDP); and ii) the payment of a bonus for pensioners (0.2 pps of GDP).

Wage Bill and Pension Expenditure



	29 May	3-M F	6-M F	12-M F
1-m BELIBOR (%)	3.4	3.4	3.5	3.8
RSD/EUR	122.6	124.3	124.7	125.0
Sov. Spread (2021, bps)	171	165	160	150

	29 May	1-W %	YTD %	2-Y %
BELEX-15	718	-3.0	0.0	1.3

	2014	2015	2016	2017F	2018F
Real GDP Growth (%)	-1.8	0.8	2.8	2.8	3.6
Inflation (eop, %)	1.7	1.5	1.6	2.8	3.0
Cur. Acct. Bal. (% GDP)	-6.0	-4.7	-4.0	-4.1	-4.1
Fiscal Bal. (% GDP)	-6.6	-3.7	-1.3	-1.2	-1.0

The reform drive is set to continue under Vucic's Presidency. The outgoing PM, A. Vucic, was sworn in as President and will name his successor by June 13th. Despite his resignation from the position of PM, Vucic is widely expected to continue to strongly influence the choices of the parliamentary majority (holding 131 seats in the 250-seat assembly), which can, on its own, approve the new cabinet. Recall that Vucic -- Serbia's PM since 2014, and leader of the senior party of the ruling coalition -- secured a 5-year term as President in a landslide victory in early April, gaining 55.1% of the vote in the 1st round (the highest since S. Milosevic's victory in 1990 with 65.3%).

The fiscal performance improved markedly in Q1:17, with the 12-month rolling deficit narrowing to 0.6% of GDP in March from 1.3% of GDP in December. In Q1:17, the cumulative consolidated fiscal balance turned positive at 0.3% of GDP from a deficit of 0.4% in Q1:16 -- significantly overperforming the target for a deficit of 0.8% of GDP under the IMF quantitative performance criteria for March. The improvement was driven by a marked rise in revenue (by 0.7 pps of GDP y-o-y in Q1:17).

Indeed, overall revenue increased considerably by 8.5% y-o-y in Q1:17, significantly overperforming its FY:17 target (of 1.3%), largely supported by stronger tax revenue. The impressive tax revenue performance was broad-based, mainly driven by: i) the improvement in tax collection, reflecting the Government's continued efforts to fight the grey economy; and ii) the strengthening of private consumption.

Moreover, expenditure restraint continued in Q1:17, despite the early-April presidential election, with spending increasing by 1.7% y-o-y in Q1:17, below the FY:17 growth target of 2.3%. As a result, the 12-month rolling deficit narrowed to 0.6% of GDP in March -- its lowest level in a decade -- from 1.3% at end-2016.

The 2017 Budget is set to overperform its target of 1.7% of GDP, by a wide margin. The 2017 Budget envisages an expansionary fiscal stance. It targets a consolidated fiscal deficit of 1.7% of GDP -- 0.3 pps above the FY:16 outcome. In our view, the FY:17 deficit target is pessimistic, as it is based on significantly under-estimated revenue.

We expect revenue to rise by 1.0% y-o-y in 4-12M:17, performing better than the budgeted decline of 1.0% in 4-12M:17 (an overperformance of 0.5 pps of GDP). The weaker revenue performance in 4-12M:17 compared with Q1:17 will likely reflect a milder boost from collection efficiency (that supported the revenue performance in FY:16) as well as lower non-tax revenue following (unusually large) dividends from state-owned companies in 2016.

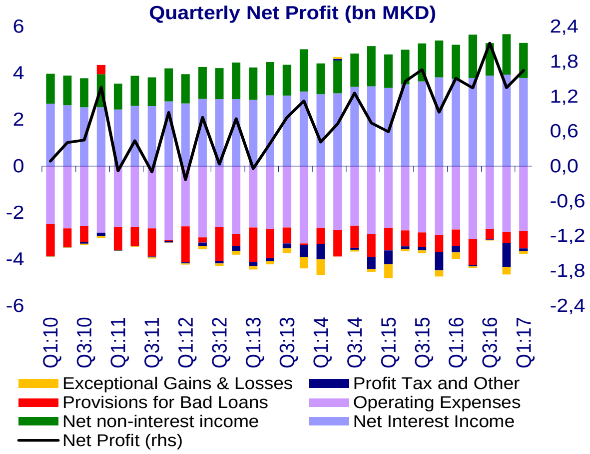
On the other hand, we expect expenditure to rise by 2.4% y-o-y in 4-12M:17, in line with the Budget, supported by a moderate 1.5% increase in pensions and a targeted 3-6% rise in public sector wages, agreed with the IMF (with a fiscal impact of 0.2% of GDP and 0.4% of GDP, respectively, in FY:17). Thus, the budget deficit for 4-12M:17 will be 1.5% of GDP.

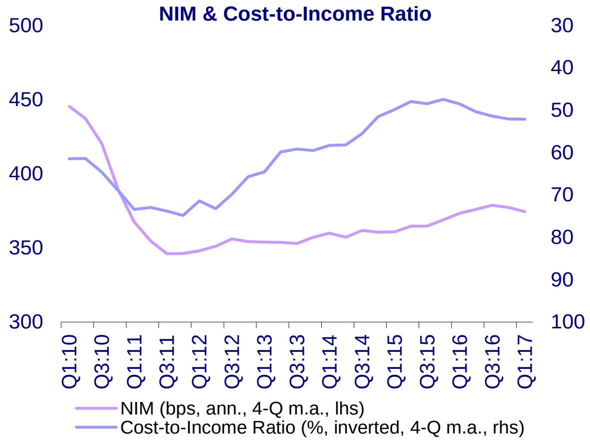
Overall, we expect modest fiscal tightening this year, with the FY:17 fiscal deficit moderating to 1.2% of GDP -- its lowest level since 2005 -- 0.2 pps of GDP below the 2016 outcome and significantly overperforming its target of 1.7% of GDP -- a 3rd successive year of overperformance versus target.

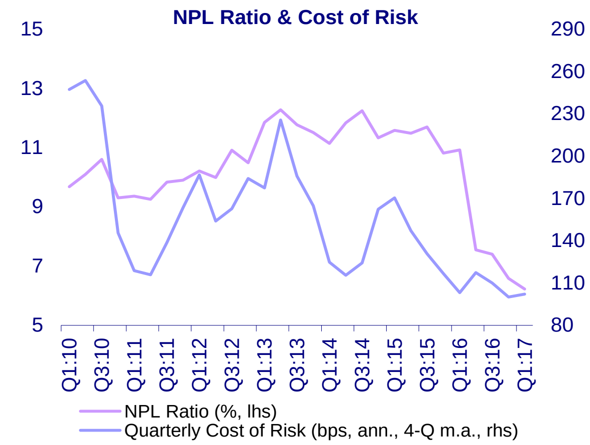
Should our FY:17 fiscal deficit forecast materialise, the public debt-to-GDP ratio should decline for a 2nd successive year, to 72.8% of GDP -- still the highest in SEE-5 -- from 74.1% in FY:16 and a 13-year high of 76.0% at end-2015.

F.Y.R.O.M

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







	29 May	3-M F	6-M F	12-M F
1-m SKIBOR (%)	1.5	1.8	2.3	2.8
MKD/EUR	61.3	61.3	61.3	61.3
Sov. Spread (2021. bps)	387	475	450	350

	29 May	1-W %	YTD %	2-Y %
MBI 100	2,251	-1.6	5.4	36.3

	2014	2015	2016	2017F	2018F
Real GDP Growth (%)	3.5	3.9	2.4	3.2	3.6
Inflation (eop. %)	-0.5	-0.3	-0.2	1.0	2.0
Cur. Acct. Bal. (% GDP)	-0.5	-2.1	-3.1	-3.0	-2.9
Fiscal Bal. (% GDP)	-4.2	-3.5	-2.6	-3.0	-2.8

A new Government finally takes office. Parliament approved the new Government of Prime Minister-designate and Social Democratic Union of Macedonia (SDSM) leader, Zaev. The new cabinet consists of 17 ministers from the SDSM and 8 ministers from two ethnic-Albanian parties -- the Democratic Union for Integration (DUI) and the Alliance for Albanians (AA). Among the nominees for key positions are Tevdovski as Finance Minister and Osmani as deputy PM in charge of European integration. The new coalition government controls a slim parliamentary majority of 62 seats out of a total of 120. Encouragingly, domestic political tensions have eased, with the opposition party, the conservative VMRO-DPMNE, fully participating in the new Parliament. Currently, lawmakers are discussing changes to the Electoral Code in order to hold the delayed local elections in early October -- initially scheduled for mid-May -- and extend the terms of majors and council members until that date.

Banking sector profitability improved in Q1:17, suggesting that the political turmoil has not affected activity. The banking sector bottom line rose by 9.1% y-o-y to a 1½-year high of EUR 26.9mn (0.3% of GDP) in Q1:17. The improvement was driven by lower exceptional losses (consisting mainly of impairment charges on foreclosed non-financial assets) and, to a lesser extent, a rise in pre-provision income (PPI). As a result, ROAE and ROAA (annualised) rose to 13.8% and 1.5%, respectively, in Q1:17 from 13.0% and 1.4% in Q1:16.

Lower exceptional losses contributed significantly to Q1:17 profitabilty. Exceptional losses declined by c. 58.6% y-o-y in Q1:17, mainly consisting of impairment charges on foreclosed non-financial assets. The latter reflects the reduction in the regulatory charge -- imposed since 2013 and comprising a 20% haircut on the net value (the initial book value less the total amount of impairment) of banks' foreclosed assets per year so as to incentivise the sale of foreclosed assets. The decline in Q1:17 is exclusively due to lower net value.

PPI (before tax) remained almost flat on an annual basis in Q1:17. PPI (before tax) rose by just 0.9% y-o-y in Q1:17, largely reflecting a moderate increase in net interest income (NII). The latter rose by 1.1% y-o-y in Q1:17, as the expansion in average interest-earning assets (up 4.3% y-o-y) was tempered by a weaker net interest rate margin (NIM, down 11 bps y-o-y to 358 bps in Q1:17). The negative performance of the NIM is mainly attributed to the fact that the blended lending rate declined at a faster rate than the blended deposit rate, reflecting tighter competition among banks for lending market shares on the one hand, and improving liquidity conditions on the other (the loan-to-deposit ratio fell to 93.2% in Q1:17 from 96.5% in Q1:16).

Net non-interest income (NNII, up 2.6% y-o-y) rose at a faster pace than NII, largely supported by higher FX gains.

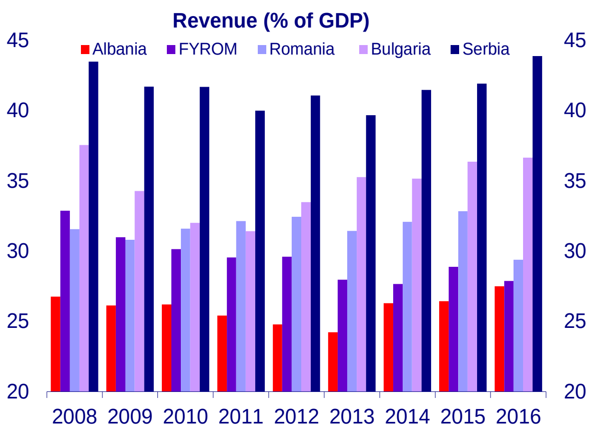
The Q1:17 top line performance was also sustained by a moderate increase in operating expenses (up 2.1% y-o-y), supported by flat personnel expenses on an annual basis.

NPL provisions were increased in Q1:17. Banks increased their provisions for NPLs by 7.6% y-o-y in Q1:17, in line with a sharp decline in the NPL ratio by 4.5 pps y-o-y to a multi-year low of 6.4% -- the lowest among the SEE-5 countries. Note that NPL coverage declined by 3.2 pps q-o-q and 9.4 pps y-o-y, to a still comfortable 77.1%, due to large write-offs which had not been fully provided. The significant annual decline in the NPL ratio in Q1:17 was the result of a central bank regulation, which required banks to write off their fully-provisioned loans held in "loss" category for more than 2 years in Q2:16. As a result, the cost of risk rose by 8 bps to 110 bps in Q1:17.

Albania

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

Consolidated Fiscal Balance (% of GDP)	2016	4M:16	4M:17	2017 Budget	NBG 2017F
Revenue	27.5	8.9	8.9	27.8	27.6
Tax Revenue	25.0	8.1	8.3	25.4	25.4
PIT	2.1	0.7	0.7	2.3	2.3
CIT	2.0	0.9	0.9	1.9	2.3
VAT	8.9	2.7	2.7	9.0	8.7
Excises	2.8	0.8	0.8	3.0	2.8
Customs	0.4	0.1	0.1	0.4	0.4
Other taxes	8.8	2.8	3.1	8.8	8.9
Grants	1.0	0.2	0.1	0.9	0.9
Non-Tax Rev.	1.5	0.6	0.5	1.6	1.4
Expenditure	29.3	7.8	8.2	29.8	29.2
Current Exp.	24.9	7.0	7.3	24.9	24.6
Personnel	4.6	1.5	1.4	4.8	4.7
Operational	3.0	0.6	0.7	2.9	3.0
Subsidies	0.1	0.0	0.0	0.1	0.1
Social Insur.	10.3	3.0	3.2	10.3	10.6
Local Budget	2.9	0.6	0.8	2.6	2.4
Other Exp.	1.5	0.4	0.4	1.5	1.5
Int. Payments	2.4	0.8	0.6	2.7	2.3
Capital Exp.	4.0	0.7	0.9	4.7	4.4
Net Lending	0.4	0.1	0.0	0.1	0.1
Contingency Reser.	0.0	0.0	0.0	0.1	0.0
Fiscal Bal.	-1.8	1.1	0.7	-2.0	-1.5
Primary Bal.	0.6	1.9	1.4	0.7	0.8



	29 May	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	1.7	2.2	2.2	2.2
ALL/EUR	134.1	138.5	138.7	138.0
Sov. Spread (bps)	310	310	280	250

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

	2014	2015	2016	2017F	2018F
Real GDP Growth (%)	1.8	2.6	3.5	3.8	4.2
Inflation (eop, %)	0.7	2.0	2.2	2.6	2.8
Cur. Acct. Bal. (% GDP)	-12.9	-10.7	-9.5	-11.1	-10.6
Fiscal Bal. (% GDP)	-5.2	-4.1	-1.8	-1.5	-1.6

The opposition ended their Parliamentary boycott, and voted for a caretaker Government ahead of the June 25th parliamentary elections. The opposition ended a 3-month boycott of Parliament as part of the past week's agreement with the ruling coalition that was mediated by EU and US diplomats.

Joining the ruling coalition, the opposition approved a caretaker Government, in which it nominated seven technocrat ministers (including the interior, finance and justice ministers and one deputy PM). Parliament also approved opposition nominees for the positions of head of the election commission and the ombudsman. The reconvened Parliament also passed the long-awaited vetting law, pushing ahead judicial reform -- a key reform for EU membership negotiations.

The fiscal balance deteriorated slightly in 4M:17, due to pre-election expenditure slippage. The cumulative fiscal surplus narrowed to 0.7% of GDP in 4M:17 from 1.1% in 4M:16, due to higher expenditure (up 0.4 pps of GDP y-o-y). Specifically, spending increased markedly (up by 11.1% y-o-y in 4M:17, above a FY:17 growth target of 7.8%). The slippage was driven by higher local government and capital spending (each up by 0.2 pps of GDP y-o-y), ahead of the legislative elections. Spending was also boosted by higher expenses for property compensation related to the communist era (up 0.2 pps of GDP y-o-y).

On the other hand, revenue rose by a robust 6.6% y-o-y in 4M:17 (up 0.1 pp of GDP y-o-y), yet slightly below the FY:17 target of 7.2%. The revenue performance was supported by revenue-enhancing measures (of 0.7 pps of GDP in FY:17). The latter includes once-off revenue (0.5 pps of GDP), consisting of the collection of excise debt on diluent for oil extraction and higher tax income on the back of incentives for compliance (yielding 0.2 pps and 0.2 pps of GDP, respectively, according to the IMF).

The FY:17 fiscal deficit is set to overperform both its target and the FY:16 outcome, assuming expenditure is brought back on track after the elections. The 2017 Budget envisages an expansionary fiscal stance, targeting a deficit of 2.0% of GDP compared with a deficit of 1.8% in FY:16. In our view, the FY:17 deficit target is pessimistic, as it is based on over-estimated FY:16 spending.

In our view, due to base effects from FY:16 and assuming a correction of the spending slippage after the June 25th parliamentary elections, FY:17 expenditure should be lower than budgeted. We expect spending to increase by only 3.5% in 5-12M:17 -- below the implied target growth of 6.6% in 5-12M:17 (implying savings of 0.7 pps of GDP). Expenditure under-execution should result mainly from the expected weaker capital and interest expenditure (each by c. 0.3 pps of GDP). The impact from moderate increases in public wages and pensions (of 7.0% and 3.0%, respectively, from March) is likely to be fully offset by that from the pension reform and the employment freeze regarding vacancies.

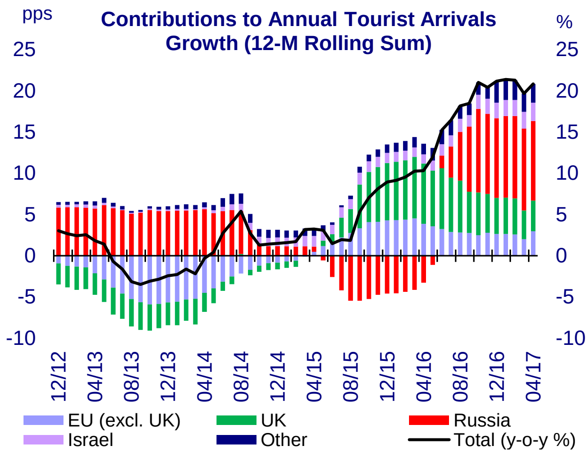
On the other hand, we expect a slight revenue underperformance, despite the anticipated strong tax revenue performance (in line with its target). For the rest of the year, we foresee revenue improving at the same pace as in 4M:17 (up 6.4% y-o-y in 5-12M:17, following 6.6% y-o-y in 4M:17), albeit weaker than the targeted 7.5% y-o-y in 5-12M:17 (implying a slight revenue shortfall of 0.2 pps of GDP), due to an over-estimated FY:16 non-tax revenue.

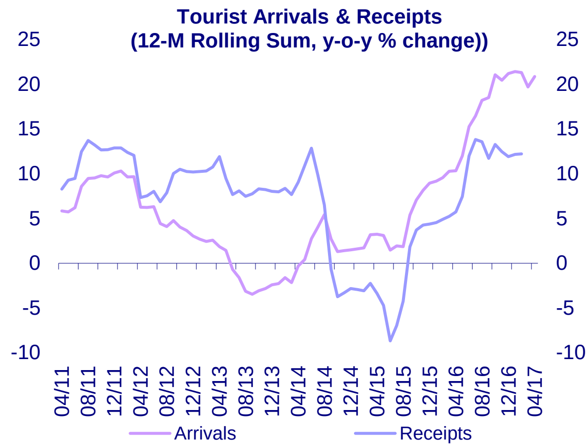
Overall, we expect the FY:17 deficit to outperform both its target and the FY:16 outcome, standing at a record low of 1.5% of GDP -- implying fiscal consolidation of 0.3 pps of GDP y-o-y in this election year.

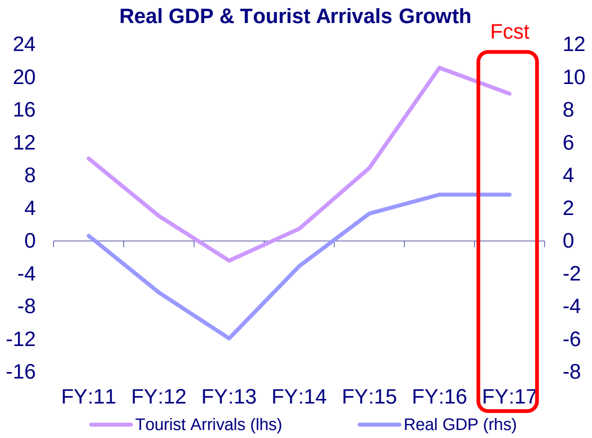
Should our fiscal deficit forecast materialise, the public debt-to-GDP ratio would remain on a downward trend, initiated in 2016, narrowing by 3.0 pps to 68.6% in 2017, following a decline by 2.0 pps in FY:16.

Cyprus

BB+ / B1 / BB- (S&P / Moody's / Fitch)







	29 May	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.37	-0.37	-0.37	-0.37
EUR/USD	1.12	1.09	1.08	1.05
Sov. Spread (2020. bps)	201	210	190	160

	29 May	1-W %	YTD %	2-Y %
CSE Index	77	0.3	16.1	-4.9

	2014	2015	2016	2017F	2018F
Real GDP Growth (%)	-1.5	1.7	2.8	2.8	2.5
Inflation (eop. %)	-1.5	-1.0	-0.3	0.8	1.5
Cur. Acct. Bal. (% GDP)	-4.3	-2.9	-5.3	-6.0	-5.8
Fiscal Bal. (% GDP)	-8.8	-1.2	0.4	0.2	0.4

A good start to the year for the tourism sector. On a 12-month rolling basis, the pace of increase in tourist arrivals has remained broadly unchanged at the strong level of c. 20% y-o-y in the first 4 months of the year. Specifically, a slowdown in arrivals from the UK, the main source country, was offset by an acceleration in arrivals from the EU (excluding the UK) and Israel. Arrivals from Russia (the second largest source country, accounting for 24.3% of arrivals in FY:16) have seen their contribution to overall growth unchanged at 9.7 pps from December to April (on a 12-month rolling basis).

The number of visitors from the EU-excluding UK and Israel (accounting for 23.3% and 4.6%, respectively, of total arrivals in FY:16) contributed 3.0 pps and 2.2 pps to overall growth in April on a 12-month rolling basis, compared with 2.6 pps and 1.9 pps in December.

Arrivals from the UK (the main source country, accounting for 35.9% of arrivals in FY:16) have seen their contribution to overall arrivals growth moderating significantly to 3.7 pps in April on a 12-month rolling basis from 4.4 pps in December.

Looking ahead, we expect growth in tourist arrivals to slow during the remainder of the year, mainly due to the gradual return of Russian tourists to competing neighbouring countries, Turkey and Egypt. Note that Russia is expected to soon lift its ban on flights to Egypt following the improvement of security conditions at Egyptian airports. Moreover, the number of Russian tourists visiting Turkey has been on a sharp upward trend since the resumption of charter flights from Russia in September 2016, following the removal of the Russian sanctions imposed in the wake of the downing of a Russian military jet in late-November 2015. The slowdown in total arrivals should, however, be tempered by continued efforts to extend the tourist season (tourist arrivals rose by 12.9% y-o-y during the November-April traditionally low season), better flight connectivity, and focused tourist campaigns. Overall, we see tourist arrivals rising by c. 18.0% to an all-time high of 3.8mn in FY:17, up from 3.2mn in FY:16.

Moreover, the pace of increase in tourist receipts has remained broadly unchanged at the robust level of c. 12.0% y-o-y on a 12-month rolling basis between December and March.

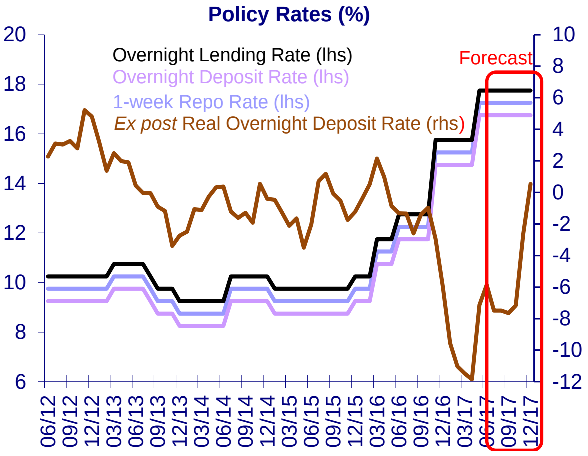
The performance of tourist receipts has remained strong, as a slowdown in arrivals (up 19.7% y-o-y in March on a 12-month rolling basis against a rise of 21.2% in December) was broadly offset by a milder decline in average spending per tourist (down 6.2% y-o-y in March on a 12-month rolling basis against a decline of 8.0% in December). The milder drop in average spending per tourist reflects a slower decline in both the average length of stay (down 5.3% y-o-y in March on a 12-month rolling basis compared with a drop of 6.5% in December) and the average spending per tourist per day (down 1% y-o-y in March on a 12-month rolling basis compared with a drop of 2.1% in December).

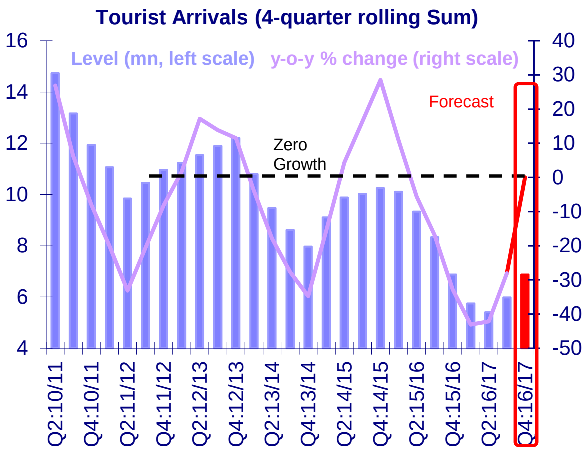
Going forward, based on our arrivals forecasts and recent trends of length of stay, we expect tourist receipts to decline during the rest of the year. Overall, we see the pace of growth of tourist receipts moderating to c. 9.5% in FY:17 from 11.9% in FY:16.

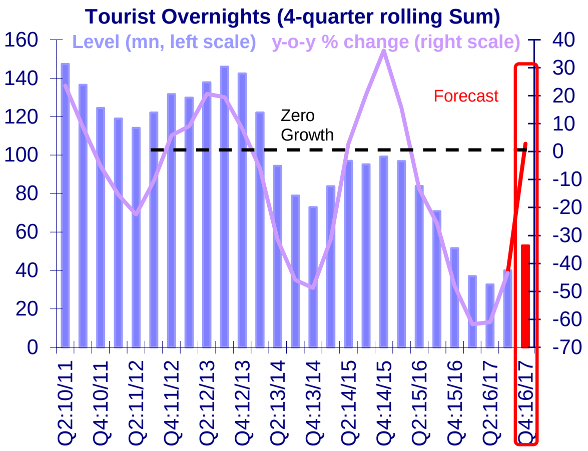
With tourism accounting for 21.4% of GDP and 22% of employment (according to the World Travel & Tourism Council – WTTC -- 2017 report), we estimate that tourist activity will add c. 0.8 pps to FY:17 GDP growth (projected to remain unchanged from FY:16 at 2.8%) and shave c. 0.4 pps off FY:17 unemployment rate (projected to decline to 11.8% from 13.0% in FY:16).

Egypt

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







	29 May	3-M F	6-M F	12-M F
O/N Interbank Rate (%)	17.7	17.0	17.0	16.5
EGP/USD	18.1	17.8	18.0	18.0
Sov. Spread (2020. bps)	304	270	265	240

	29 May	1-W %	YTD %	2-Y %
HERMES 100	1,193	4.4	9.6	49.7

	13/14	14/15	15/16	16/17F	17/18F
Real GDP Growth (%)	2.9	4.4	4.3	3.5	4.5
Inflation (eop. %)	8.2	11.4	14.0	25.6	13.5
Cur. Acct. Bal. (% GDP)	-0.8	-3.7	-5.5	-6.5	-5.0
Fiscal Bal. (% GDP)	-12.2	-11.5	-12.5	-10.7	-9.2

The CBE proceeded with an across-the board hike of its policy rates by 200 bps to dampen increasing demand-side pressures and anchor inflation expectations. The CBE raised the overnight deposit rate, the overnight lending rate and the 1-week repo rate by 200 bps to 16.75%, 17.75% and 17.25%, respectively. Recall that the CBE preemptively increased these rates by 300 bps last November in anticipation of mounting inflationary pressures following the floatation of the domestic currency.

The CBE stated that the rate hikes should dampen increasing demand-side pressures and anchor inflation expectations and, therefore, reduce underlying inflation from its current high levels. Note that core inflation rose from 15.3% y-o-y in October to 30% in January and has remained broadly unchanged since. The rise is mainly attributed to the pass-through of a weaker currency to prices (the EGP depreciated by c. 50% against the USD since its flotation last November) and the second-round effects from a rise in regulated fuel and natural gas prices (by 35%-87% last November). The CBE also noted that the build-up in demand-side pressures is visible through the acceleration in GDP growth (to 3.9% y-o-y in Q3:16/17 from 3.8% and 3.4% in the past 2 quarters) and the decline in the unemployment rate (to 12.0% in Q3:16/17 from 12.4% and 12.6% in the past 2 quarters).

Looking ahead, in view of a positive inflation outlook, we expect the CBE to keep its key rates at their current levels until the end of 2017. Indeed, headline inflation is set to fluctuate within the 27%-30% range until October, before declining sharply to 17.6% in December, on the back of the fading impact of the November-December 2016 EGP depreciation and energy price increases. Should our forecasts materialise, the overnight deposit rate, the overnight lending rate and the 1-week repo rate, in *ex post*, compounded and real terms, would stand at 0.5%, 1.5% and 1.0%, respectively, in December (up from estimated -7.1%, -6.2% and -6.7% in May).

The tourism sector is emerging from a deep crisis, mainly supported by more competitive prices and improved security conditions. On a 4-quarter rolling basis, the pace of decline of tourist arrivals and nights spent moderated, for the first time in 7 quarters, to -28.1% and -43.4% y-o-y, respectively, in Q3:16/17 (January-March 2017), after having remained at record declines of -42.0% and -61.0% y-o-y in Q2:16/17. The positive development in Q2-Q3:16/17 was mainly supported by more competitive prices and the gradual removal of travel bans and/or warnings by key source countries, with the exception of Russia and the UK, since end-October (following a significant improvement in security conditions in Egyptian airports). Recall that following the terrorist bombing of a Russian passenger plane in the Sinai Peninsula on October 31st 2015: i) Russia banned flights to Egypt; ii) the UK suspended all flights to Egypt's tourism flagship city of Sharm-el-Sheikh; and iii) several countries issued warnings against travel to Egypt.

Looking ahead, the performance of the tourism sector is set to improve further in Q4:16/17 (April-June 2017), with tourist arrivals expected to increase by c. 75.0% y-o-y in Q4:16/17 following a rise of 51.0% y-o-y in Q3:16/17. However, the sharp improvement in H2:16/17 would offset the significant deterioration in H1:16/17, leaving the FY:16/17 tourist arrivals at the previous fiscal year level of 6.9mn. Importantly, should our forecast materialise, the contribution of the tourism sector to overall GDP growth and FX reserves would be zero in FY:16/17 from -0.7 pps in FY:15/16. Note that the tourism sector shaved 0.7 pps off growth in FY:15/16 (at 4.5%) and its contribution to FX reserves declined by USD 3.6bn y-o-y to USD 3.8bn in FY:15/16.

FOREIGN EXCHANGE MARKETS, MAY 15TH 2017

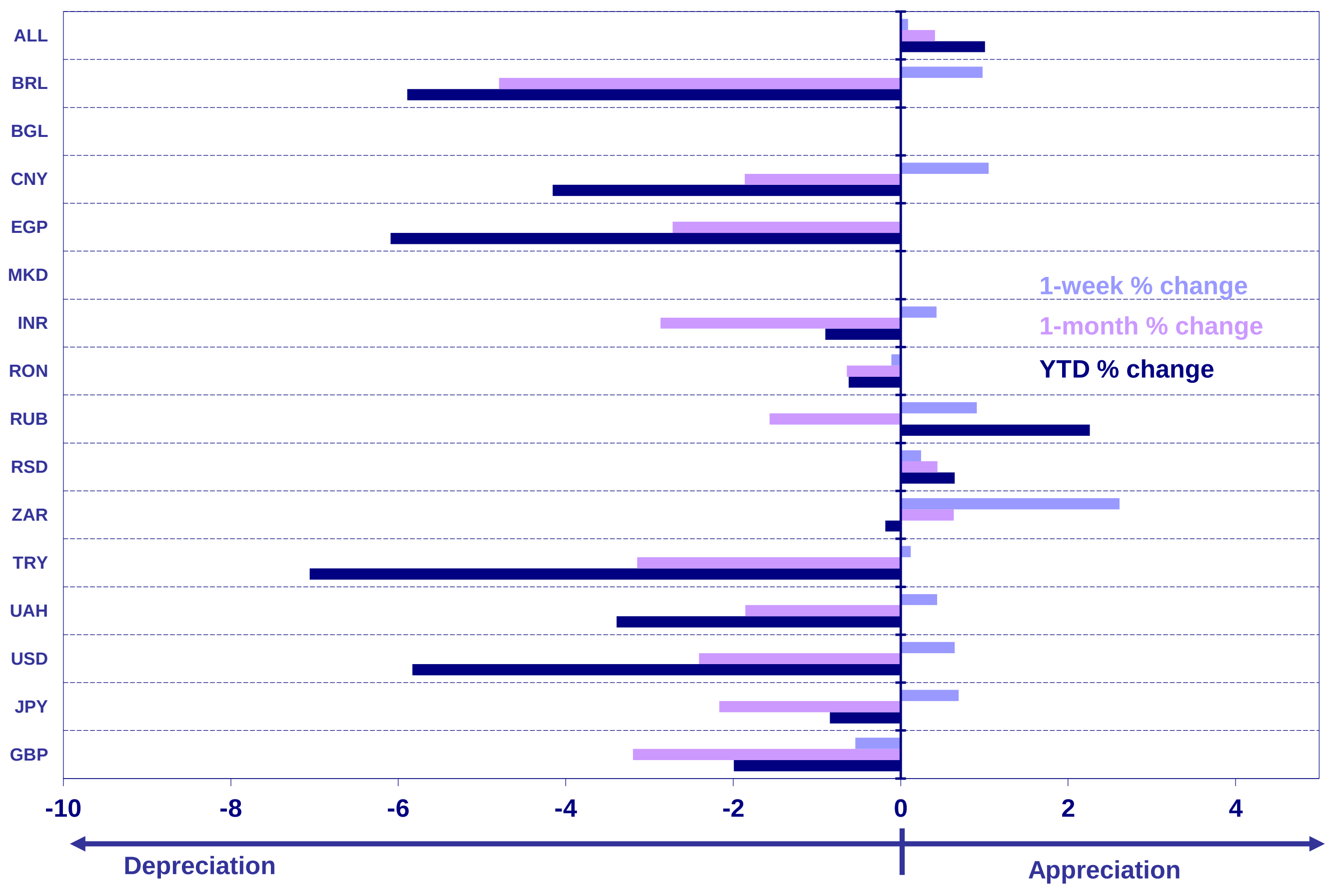
Against the EUR

	Currency	2017										2016	2015
		SPOT	1-week %change	1-month %change	YTD %change*	1-year %change	Year-Low	Year-High	3-month Forward rate**	6-month Forward rate**	12-month Forward rate**	% change*	% change*
Albania	ALL	134.1	0.1	0.4	1.0	2.9	134.2	137.3	134.4	134.4	133.7	1.2	2.0
Brazil	BRL	3.63	1.0	-4.8	-5.9	9.5	3.23	3.79	4.01	3.99	3.97	25.7	-25.2
Bulgaria	BGL	1.96	0.0	0.0	0.0	0.0	1.96	1.96	1.96	1.96	1.96	0.0	0.0
China	CNY	7.65	1.1	-1.9	-4.2	-4.2	7.20	7.76	8.02	8.01	7.99	-4.0	6.7
Egypt	EGP	20.09	0.0	-2.7	-6.1	-50.9	16.62	20.40	- - -	- - -	- - -	-55.0	2.1
FYROM	MKD	61.3	0.0	0.0	0.0	0.0	61.3	61.3	61.3	61.3	61.3	0.0	0.0
India	INR	72.2	0.4	-2.9	-0.9	3.5	68.2	73.3	77.2	- - -	- - -	0.4	6.6
Romania	RON	4.56	-0.1	-0.6	-0.6	-1.5	4.49	4.58	4.57	4.58	4.60	-0.4	-0.8
Russia	RUB	63.1	0.9	-1.6	2.3	16.2	59.5	65.1	64.6	66.1	68.8	22.9	-15.1
Serbia	RSD	122.6	0.2	0.4	0.6	0.4	122.6	124.1	123.2	123.5	- - -	-1.5	-0.1
S. Africa	ZAR	14.5	2.6	0.6	-0.2	21.8	13.38	15.10	14.8	15.0	15.6	16.2	-16.6
Turkey	YTL	3.99	0.1	-3.1	-7.1	-17.6	3.70	4.17	4.12	4.24	4.49	-14.7	-10.8
Ukraine	UAH	29.5	0.4	-1.9	-3.4	-5.2	27.22	29.66	34.4	- - -	- - -	-8.6	-27.5
US	USD	1.12	0.6	-2.4	-5.8	-0.2	1.0	1.1	1.12	1.13	1.14	3.3	11.4
JAPAN	JPY	124.2	0.7	-2.2	-0.8	-0.4	114.9	125.8	124.3	124.3	124.4	6.0	11.0
UK	GBP	0.87	-0.5	-3.2	-2.0	-12.5	0.8	0.9	0.87	0.87	0.88	-13.5	5.3

* Appreciation (+) / Depreciation (-)

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

Currencies against the EUR (May 29th 2017)



Money Markets, May 15th 2017

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
O/N	1.4	11.1	0.0	2.6	- - -	17.7	- - -	- - -	0.5	9.3	- - -	12.7	8.0	12.7	- - -	0.9
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	0.5	9.3	3.0	- - -	8.5	- - -	- - -	- - -
S/W	1.4	11.0	0.0	2.9	-0.4	- - -	1.2	- - -	- - -	9.5	3.0	- - -	8.5	13.2	-0.4	0.9
1-Month	1.7	10.4	0.0	4.1	-0.4	- - -	1.5	6.5	0.7	9.5	3.4	12.9	8.0	14.6	-0.4	1.0
2-Month	- - -	10.2	0.0	- - -	-0.3	- - -	- - -	- - -	- - -	9.5	3.5	12.9	7.9	- - -	-0.3	1.1
3-Month	2.2	10.0	0.1	4.5	-0.3	- - -	1.8	6.6	0.9	9.3	3.5	12.9	8.0	16.3	-0.3	1.2
6-Month	2.6	9.4	0.3	4.4	-0.3	- - -	2.0	- - -	1.0	9.0	3.7	13.0	8.0	- - -	-0.3	1.4
1-Year	3.1	9.2	0.8	4.3	-0.1	- - -	2.4	- - -	1.2	9.0	- - -	13.1	8.1	- - -	-0.1	1.7

Local Debt Markets, May 29th 2017

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	- - -	- - -	- - -	- - -	- - -	20.5	- - -	6.3	- - -	8.9	3.2	10.8	- - -	- - -	-0.9	0.9
6-Month	1.6	- - -	- - -	- - -	- - -	20.5	1.9	6.4	0.8	8.8	2.8	10.7	- - -	- - -	-0.7	1.0
12-Month	2.0	- - -	0.1	3.5	- - -	19.7	1.9	6.5	1.1	8.5	4.0	11.4	- - -	14.9	-0.8	1.1
2-Year	2.3	- - -	- - -	3.7	- - -	- - -	2.2	6.5	1.5	8.2	- - -	10.9	7.5	- - -	-0.7	1.3
3-Year	- - -	- - -	0.3	3.7	1.3	- - -	- - -	6.7	1.5	8.3	- - -	10.7	7.5	14.9	-0.7	1.5
5-Year	- - -	10.6	- - -	3.7	2.4	18.6	- - -	6.9	2.5	7.9	5.6	10.6	7.6	- - -	-0.4	1.8
7-Year	- - -	- - -	1.4	- - -	- - -	18.6	- - -	6.9	3.3	7.9	- - -	- - -	- - -	- - -	-0.1	2.1
10-Year	- - -	10.8	2.0	3.7	- - -	18.6	- - -	6.7	3.7	7.6	- - -	10.4	8.6	- - -	0.3	2.3
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	3.8	7.4	- - -	7.8	- - -	- - -	9.1	- - -	0.5	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	9.6	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	7.4	- - -	- - -	- - -	- - -	9.7	- - -	1.1	2.9

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

Corporate Bonds Summary, May 29th 2017

		Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Bulgaria	**Bulgaria Energy Hld 4.25% '18**	EUR	NA/NA	7/11/2018	500	1.2	198	156
	Bulgarian Telecom. 6.625% '18	EUR	B-/B1	15/11/2018	400	3.1	319	276
Cyprus	**Aroundtown Property 3% '21**	EUR	NA/NA	9/12/2021	200	3.0	362	293
Russia	**Gazprom 8.2% '19**	RUB	BB+/NA	9/4/2019	10,000	12.2	376	- - -
	Gazprom 8.9% '21	RUB	BB+/NA	26/1/2021	10,000	9.0	52	- - -
South Africa	**FirstRand Bank Ltd 4.25% '20**	USD	BBB-/Baa2	30/4/2020	500	3.4	198	177
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	1.1	179	121
Turkey	**Vakiflar Bankasi 3.5% '19**	EUR	NA/Baa3	17/6/2019	500	2.3	302	248
	Garanti Bankasi 3.38%'19	EUR	NA/Baa3	8/7/2019	500	1.6	231	178
	Arcelik AS 3.875% '21	EUR	BB+/NA	16/9/2021	350	2.6	313	254
	Turkiye Is Bankasi 6% '22	USD	NA/Ba3	24/10/2022	1,000	5.8	403	386

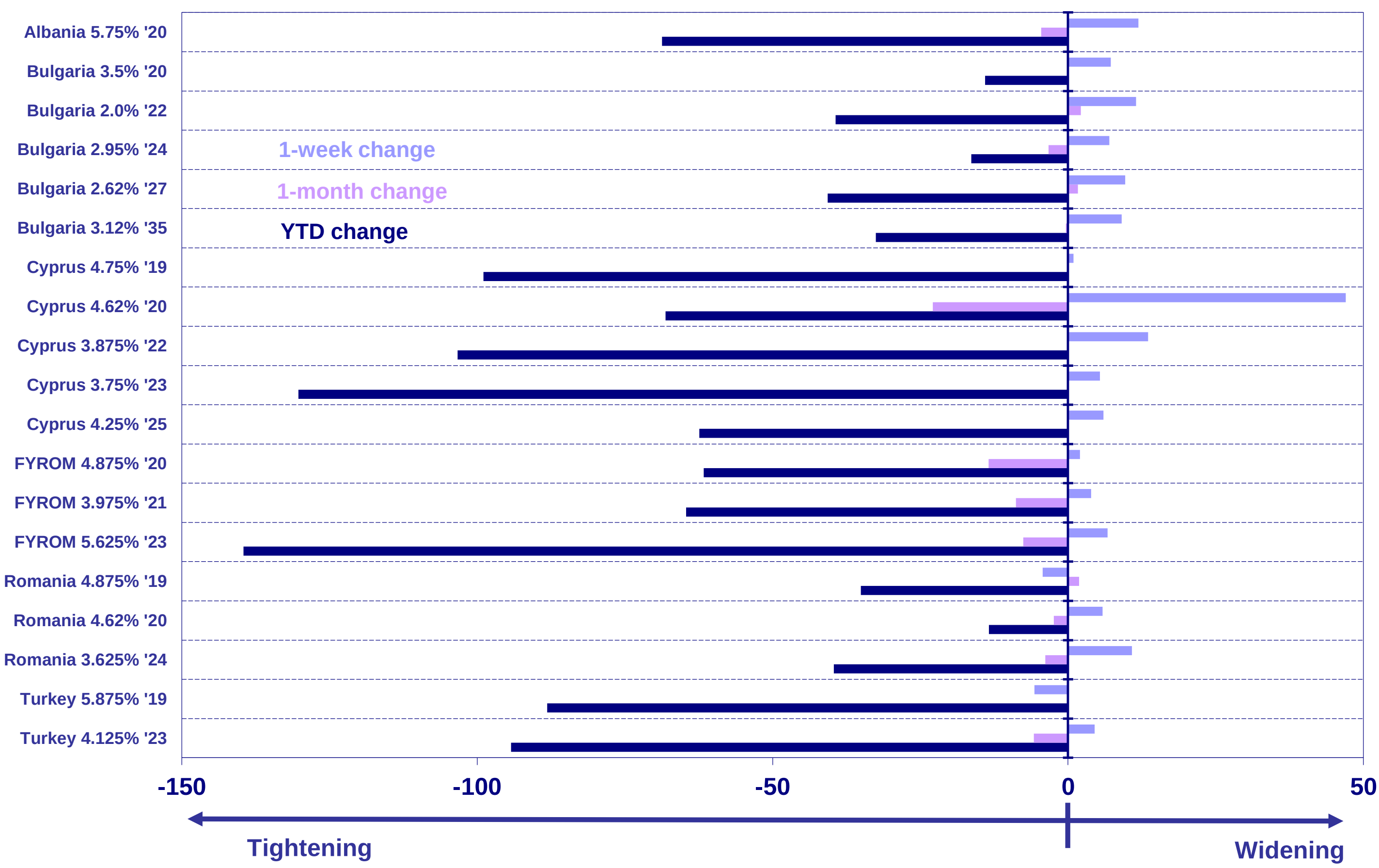
Credit Default Swap Spreads, May 29th 2017

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	232	115	78	204	327	- - -	80	104	145	178	194	182	- - -
10-Year	- - -	326	160	128	236	364	- - -	86	145	218	219	276	249	- - -

EUR-DENOMINATED SOVEREIGN EUROBOND SUMMARY, MAY 29TH 2017

	Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Albania 5.75% '20	EUR	B+/B1	12/11/2020	450	2.5	310	270
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	0.4	108	50
Bulgaria 2.0% '22	EUR	BB+/Baa2	26/3/2022	1,250	0.6	106	50
Bulgaria 2.95% '24	EUR	BB+/Baa2	3/9/2024	1,493	1.4	154	101
Bulgaria 2.62% '27	EUR	BB+/Baa2	26/3/2027	1,000	2.0	168	125
Bulgaria 3.12% '35	EUR	BB+/Baa2	26/3/2035	900	3.0	214	170
Cyprus 4.75% '19	EUR	BB/NA	25/6/2019	566	0.5	124	73
Cyprus 4.62% '20	EUR	BB/B1	3/2/2020	770	1.3	201	148
Cyprus 3.875% '22	EUR	NA/B1	6/5/2022	1,000	2.4	280	228
Cyprus 3.75% '23	EUR	NA/B1	26/7/2023	1,000	2.5	282	225
Cyprus 4.25% '25	EUR	NA/B1	4/11/2025	1,000	2.9	281	245
FYROM 4.875% '20	EUR	BB-/NA	1/12/2020	270	2.9	350	304
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	3.3	387	461
FYROM 5.625% '23	EUR	BB-/NA	26/7/2023	450	4.4	465	417
Romania 4.875% '19	EUR	BBB-/Baa3	7/11/2019	1,500	0.1	82	24
Romania 4.62% '20	EUR	BBB-/Baa3	18/9/2020	2,000	0.2	90	27
Romania 3.625% '24	EUR	BBB-/Baa3	24/4/2024	1,250	1.6	173	127
Turkey 5.875% '19	EUR	NR/Ba1	11/4/2023	1,250	0.9	159	115
Turkey 4.125% '23	EUR	NR/Ba1	12/11/2020	1,000	2.7	301	254

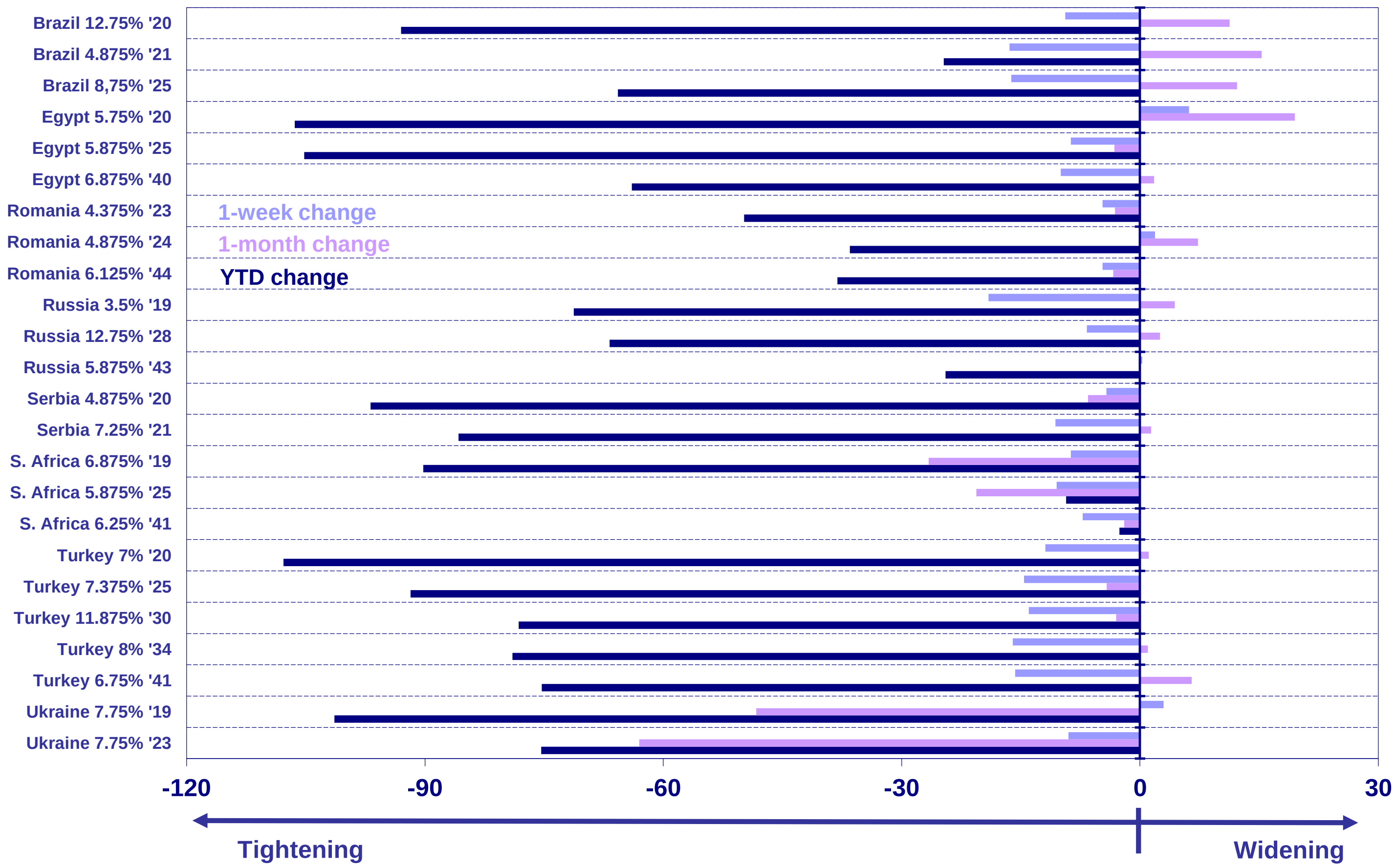
EUR-Denominated Eurobond Spreads (May 29th 2017)



USD-Denominated Sovereign Eurobond Summary, May 29th 2017

	Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Brazil 12.75% '20	USD	BB/Ba2	15/1/2020	234	2.7	125	125
Brazil 4.875% '21	USD	BB/Ba2	22/1/2021	2,988	3.3	188	161
Brazil 8.75% '25	USD	BB/Ba2	4/2/2025	969	4.5	241	276
Egypt 5.75% '20	USD	B-/B3	11/6/2025	1,000	4.5	304	285
Egypt 5.875% '25	USD	B-/B3	30/4/2040	1,500	6.0	396	383
Egypt 6.875% '40	USD	B-/B3	22/8/2023	500	7.3	440	461
Romania 4.375% '23	USD	BBB-/Baa3	22/1/2024	1,500	3.3	120	132
Romania 4.875% '24	USD	BBB-/Baa3	22/1/2044	1,000	3.4	133	144
Romania 6.125% '44	USD	BBB-/Baa3	16/1/2019	1,000	4.5	155	230
Russia 3.5% '19	USD	BB+/Ba1	24/6/2028	1,500	2.0	70	52
Russia 12.75% '28	USD	BB+/Ba1	16/9/2043	2,500	4.0	174	257
Russia 5.875% '43	USD	BB+/Ba1	25/2/2020	1,500	4.7	182	248
Serbia 4.875% '20	USD	BB-/B1	28/9/2021	1,500	3.3	183	167
Serbia 7.25% '21	USD	BB-/B1	27/5/2019	2,000	3.5	171	181
S. Africa 6.875% '19	USD	BBB-/Baa2	16/9/2025	1,748	2.5	120	100
S. Africa 5.875% '25	USD	BBB-/Baa2	8/3/2041	2,000	4.5	240	245
S. Africa 6.25% '41	USD	BBB-/Baa2	5/6/2020	750	5.4	245	307
Turkey 7% '20	USD	NR/Ba1	5/2/2025	2,000	3.6	212	199
Turkey 7.375% '25	USD	NR/Ba1	15/1/2030	3,250	4.8	271	292
Turkey 11.875% '30	USD	NR/Ba1	14/2/2034	1,500	5.3	304	405
Turkey 8% '34	USD	NR/Ba1	14/1/2041	1,500	5.6	339	372
Turkey 6.75% '41	USD	NR/Ba1	1/9/2019	3,000	5.7	282	329
Ukraine 7.75% '19	USD	B-/Caa3	1/9/2023	1,744	6.3	504	477
Ukraine 7.75% '23	USD	B-/Caa3	15/1/2020	1,355	7.8	571	570

USD-Denominated Eurobond Spreads (May 29th 2017)



STOCK MARKETS PERFORMANCE, MAY 29TH 2017

	2017								2016		2015	
	Local Currency Terms							EUR Terms	Local Currency Terms	EUR terms	Local Currency terms	EUR terms
	Level	1-week % change	1-month % change	YTD % change	1-year % change	Year-Low	Year-High	YTD % change	% change		% change	
Brazil (IBOV)	63,761	3.4	-2.5	5.9	30.2	59,371	69,488	-0.6	38.9	76.2	-13.3	-35.3
Bulgaria (SOFIX)	656	0.1	-0.3	11.8	48.6	583	671	11.8	27.2	27.2	-11.7	-11.7
China (SHCOMP)	3,110	1.1	-1.4	0.2	10.2	3,017	3,295	-4.5	-12.3	-15.3	9.4	16.5
Cyprus (CSE GI)	77	0.3	7.8	16.1	14.6	65	79	16.1	-2.0	-2.0	-20.9	-20.9
Egypt (HERMES)	1,193	4.4	4.4	9.6	74.5	1,071	1,193	2.2	72.7	-21.8	-24.4	-22.8
F.Y.R.O.M (MBI)	2,251	-1.6	3.5	5.4	30.3	2,135	2,316	5.4	16.5	16.5	-0.6	-0.6
India (SENSEX)	31,109	1.8	4.0	16.8	16.4	25,718	31,214	15.9	1.9	2.6	-5.0	0.7
Romania (BET-BK)	1,645	1.6	6.2	22.4	40.3	1,365	1,645	21.6	0.2	0.0	2.6	1.6
Russia (RTS)	4,146	-0.5	-6.4	-15.7	-3.3	4,112	5,089	-13.8	24.2	54.3	30.3	9.5
Serbia (BELEX-15)	718	-3.0	-0.4	0.0	17.2	694	753	0.7	11.4	9.7	-3.4	-3.5
South Africa (FTSE/JSE)	53,944	-1.1	0.2	6.5	-1.0	50,338	54,717	6.3	-0.1	16.1	1.9	-15.1
Turkey (ISE 100)	97,726	1.4	3.2	25.1	24.4	75,657	98,795	16.2	8.9	-7.0	-16.3	-25.4
Ukraine (PFTS)	278	-0.1	0.6	4.8	27.9	265	278	1.3	10.2	1.0	-37.8	-54.8
MSCI EMF	1,015	1.1	3.8	17.7	25.7	858	1,017	10.9	8.6	12.2	-17.0	-6.9
MSCI EAFE	1,884	-0.5	2.7	11.9	12.7	1,677	1,893	5.3	-1.9	1.4	-3.3	7.7
Greece (ASE-General)	777	-1.4	9.1	20.7	21.2	602	800	20.7	1.9	1.9	-23.6	-23.6
Germany (XETRA DAX)	12,629	0.1	1.5	10.0	22.2	11,415	12,842	10.0	6.9	6.9	4.9	4.9
UK (FTSE-100)	7,548	0.7	4.8	5.7	20.4	7,094	7,534	3.1	14.4	-1.0	-4.9	0.1
USA (DJ INDUSTRIALS)	21,080	0.9	0.7	6.7	17.9	16,166	21,169	0.3	13.4	16.7	-2.2	9.3
USA (S&P 500)	2,416	0.9	1.3	7.9	15.1	2,245	2,419	1.4	9.5	13.2	-0.7	10.6

Equity Indices (May 29th 2017)