Economic Analysis Division

Emerging Markets Research

Bi-Weekly Report

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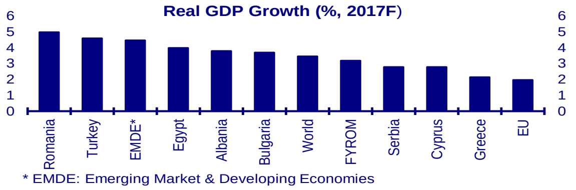
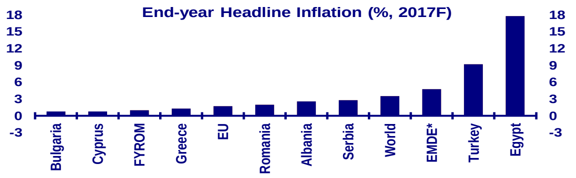
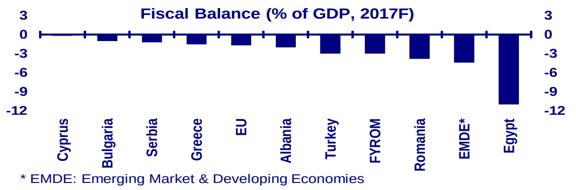
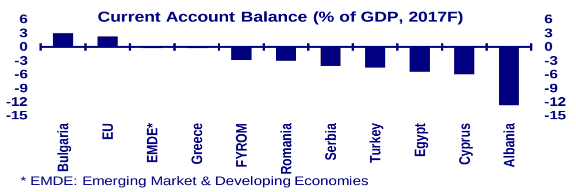




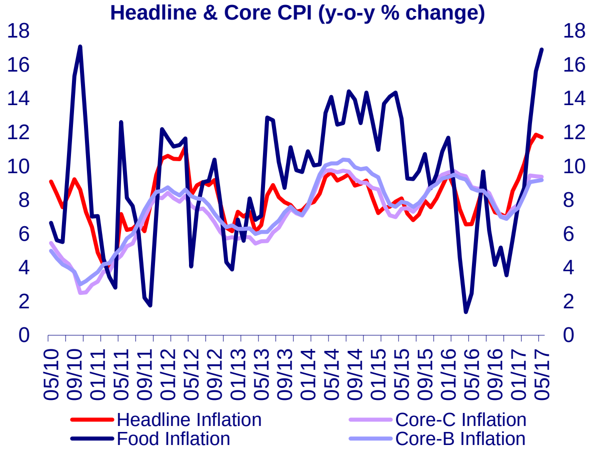




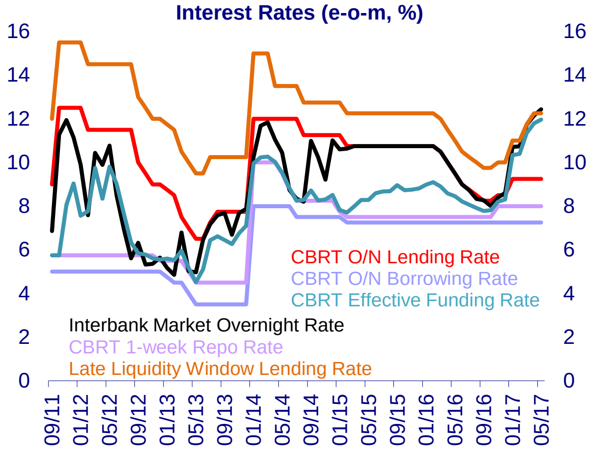
Turkey

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

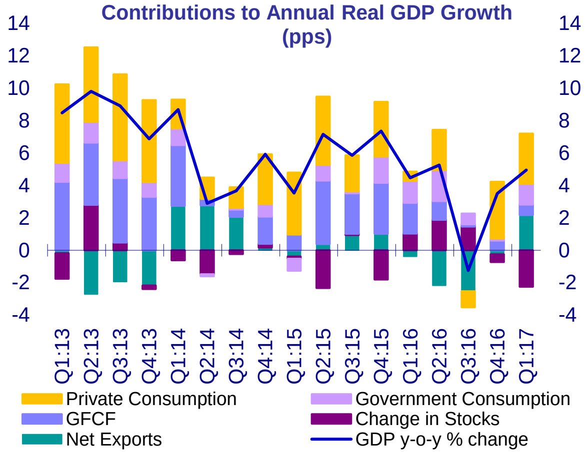
Headline & Core CPI (y-o-y % change)



Interest Rates (e-o-m, %)



Contributions to Annual Real GDP Growth (pps)



	12 June	3-M F	6-M F	12-M F
1-m TRIBOR (%)	12.9	12.5	11.5	10.5
TRY/EUR	3.94	3.90	3.82	3.80
Sov. Spread (2020, bps)	203	205	200	180

	12 June	1-W %	YTD %	2-Y %
ISE 100	99,442	1.3	27.3	23.5

	2014	2015	2016	2017F	2018F
Real GDP Growth (%)	5.2	6.1	2.9	4.6	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

Headline inflation declined, for the first time in 7 months, to 11.7% y-o-y in May. Headline inflation declined slightly, to 11.7% y-o-y in May following five consecutive months of increase to an 8½-year high of 11.9% in April. The improvement was mainly driven by lower core inflation and favourable energy prices and would have been larger had food inflation not continued to rise. Indeed, transportation prices rose by 15.8% y-o-y in May compared with 17.4% in April, reflecting both favourable global oil prices and the recovery of the domestic currency. Most importantly, core inflation continued on its downward trend, started in April, with the CBRT's favourite measure, i.e., CPI-C declining slightly, to 9.3% y-o-y in May from 9.4% in April. The deceleration in core inflation reflects the fading impact of FX pass-through to prices from the sharp weakening of the domestic currency ahead of the referendum. Headline inflation would have been even lower in May had food prices not increased further, reaching a 6½-year high of 16.9% y-o-y in May – up from 15.6% in April and a low of 3.6% in November -- mainly due to unfavourable unprocessed food prices.

Looking ahead, despite an expected normalization in food prices and waning FX pass-through, we see inflation returning to single digits on a sustainable basis only in December. Indeed, stronger domestic demand and base effects are set to keep headline inflation in double digits for most of the rest of the year. Overall, we see headline inflation at 9.2% y-o-y in December -- above the end-2016 outcome of 8.5% and the CBRT's revised end-year forecast of 8.5% (from 8.0% previously).

With headline inflation likely to remain stubbornly high until the end of the year, we expect the CBRT to refrain from reducing its effective funding rate (EFR) – currently at 12.0% or 0.9% in *ex post*, compounded and real terms – before December.

GDP growth accelerated to 5.0% y-o-y in Q1:17, supported by buoyant external demand and a counter-cyclical fiscal policy. GDP growth rose to 5.0% y-o-y in Q1:17 from 3.5% in Q3:16, after having contracted for the first time in 6 years in Q3:16 (down 1.3% y-o-y), mainly due to heightened uncertainty following the July 15th failed coup. The significant improvement in growth in Q1:17 was mainly driven by net exports, mainly on the back of a sharp rise in exports of goods and services. The latter rose by 10.6% y-o-y in Q1:17 following a mild increase of 2.3% in Q4:16, reflecting stronger demand from the country's main trading partner – the EU – and, to a lesser extent, the recovery in the tourism sector. Higher price competitiveness also boosted exports (the real effective exchange rate has depreciated by c. 13% over the past 5 years)

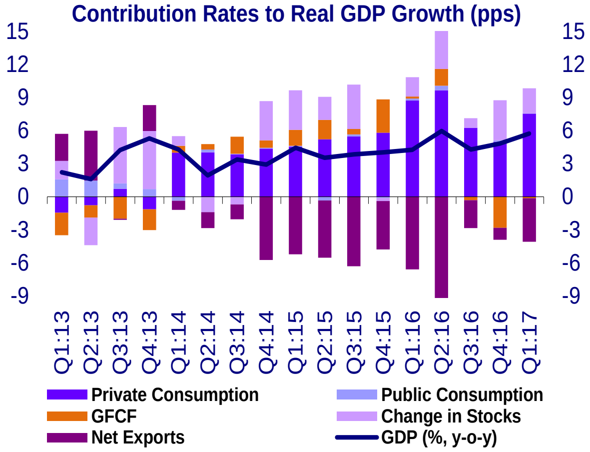
Stronger domestic absorption also contributed to the rebound in activity in Q1:17, supported by a larger fiscal impulse ahead of the mid-April referendum. Importantly, the improvement in domestic absorption was exclusively driven by public consumption (up 9.4% y-o-y in Q1:17 against a rise of 0.8% in Q4:16). However, despite the fiscal stimulus, private consumption decelerated in Q1:17 (up 5.1% y-o-y against a rise of 5.7% in Q4:16), hindered by deteriorating real disposable income. Indeed, average inflation rose sharply (to 10.2% y-o-y in Q1:17 from 7.6% in Q4:16), employment growth declined (to 1.6% y-o-y in Q1:17 from 2.3% in Q4:16), while nominal wages in manufacturing, trade & services, and construction rose at a slower pace.

Looking ahead, we expect sequential growth to slow gradually from 1.4% q-o-q s.a. in Q1:17 to a quarterly average of 0.7% in Q2-Q4:17, due to tighter global liquidity conditions and a less accommodative policy mix in response to the growing twin deficits and stubbornly high inflation. Overall, we foresee economic activity accelerating to 4.6% in FY:17 from a post-global crisis low of 2.9% in FY:16.

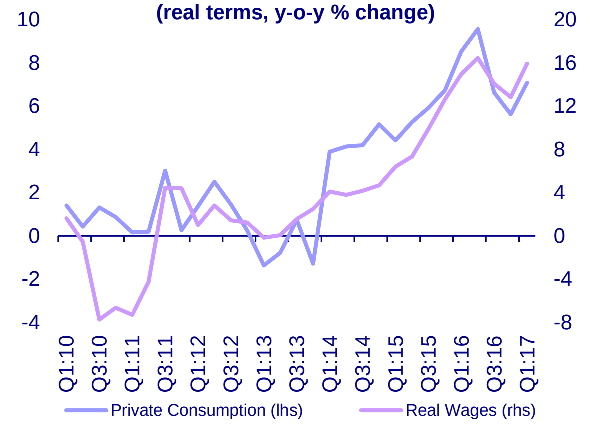
Romania

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

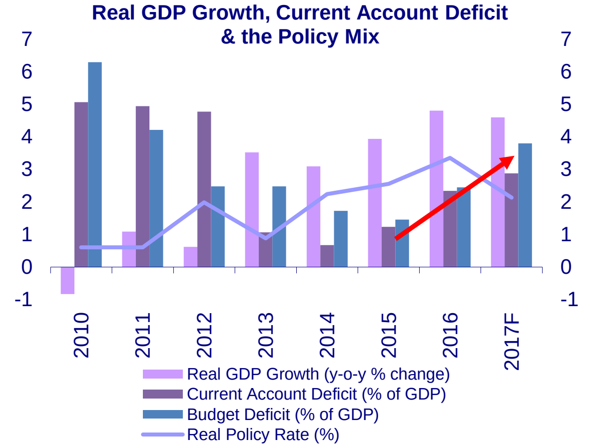
Contribution Rates to Real GDP Growth (pps)



Private Consumption & Wages (real terms, y-o-y % change)



Real GDP Growth, Current Account Deficit & the Policy Mix



	12 June	3-M F	6-M F	12-M F
1-m ROBOR (%)	0.6	2.0	3.8	4.0
RON/EUR	4.56	4.53	4.51	4.50
Sov. Spread (2024, bps)	163	160	150	140

	12 June	1-W %	YTD %	2-Y %
BET-BK	1,620	-2.3	20.5	18.5

	2014	2015	2016E	2017F	2018F
Real GDP Growth (%)	3.1	3.9	4.8	5.0	4.2
Inflation (eop, %)	0.8	-0.9	-0.5	2.0	2.6
Cur. Acct. Bal. (% GDP)	-0.7	-1.2	-2.3	-2.9	-3.3
Fiscal Bal. (% GDP)	-1.7	-1.5	-2.4	-3.8	-4.5

GDP growth rose sharply in Q1:17. Seasonally-adjusted GDP rose by a solid 1.7% q-o-q in Q1:17, following an increase of 1.5% in Q4:16. As a result, the annual pace of economic expansion accelerated to 5.7% y-o-y in Q1:17 – the highest in the EU -- from 4.8% in Q4:16.

Private consumption remained the main growth driver in Q1:17. Private consumption strengthened in Q1:17 (up 7.1% y-o-y against 5.6% in Q4:16), in line with: i) a loose incomes policy (including wage hikes of more than 20.0% in some public sectors, as well as a 5.3% rise in pensions) and its spillover to the private sector (see chart); ii) tighter labour market conditions (the LFS unemployment rate fell by 0.9 pps y-o-y to a post-crisis low of 5.4% in Q1:17); and iii) improving consumer confidence. At the same time, with no help from the public sector (public investment was down 0.1 pp of GDP y-o-y in Q1:17), fixed investment dropped in Q1:17, albeit marginally (down 0.7% y-o-y against a decline of 14.2% in Q4:16, with the latter due to negative base effects from lower absorption of EU funds). Note that the build-up in inventories continued in Q1:17 (adding 2.3 pps of GDP to overall growth), though this item also contains statistical discrepancies and could reflect stronger domestic absorption. Unsurprisingly, net exports remained a large drag on overall growth (subtracting 4.0 pps of GDP against 1.1 pp in Q4:16), on the back of stronger domestic demand.

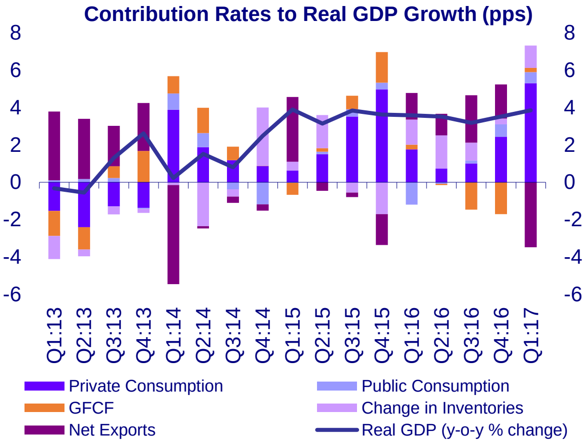
GDP growth is set to ease during the remainder of the year. In the context of a loose incomes policy (note that pensions are due to rise by an additional 9.0% in July), private consumption should continue to expand at a solid pace, albeit weaker than in Q1:17, due to base effects and higher inflation (we see headline inflation rising to 1.3% in Q2-Q4:17 from 0.2% in Q1:17 and -1.5% in FY:16). At the same time, fixed investment should pick up, assisted by improving business confidence and better absorption of EU funds. Worryingly, despite the continuing recovery in the EU, net exports are set to remain a drag on overall growth, reflecting strong domestic demand. In light of the stronger-than-expected Q1:17 outcome, we revise our FY:17 GDP growth forecast to 5.0% (from 4.0% previously), slightly higher than the FY:16 outcome of 4.8%.

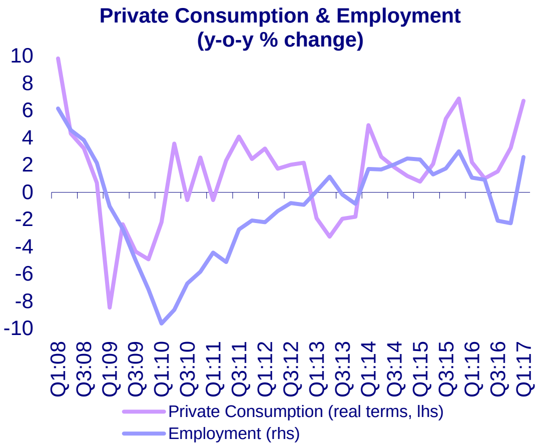
All said, persisting overheating pressures -- as suggested by economic growth running well above its long-term potential for a 3rd consecutive year and the current account deficit more than quadrupling (albeit from a low base) in just 4 years (projected at 2.9% of GDP in FY:17 against 0.7% in FY:14) -- highlight the need for a countercyclical policy mix.

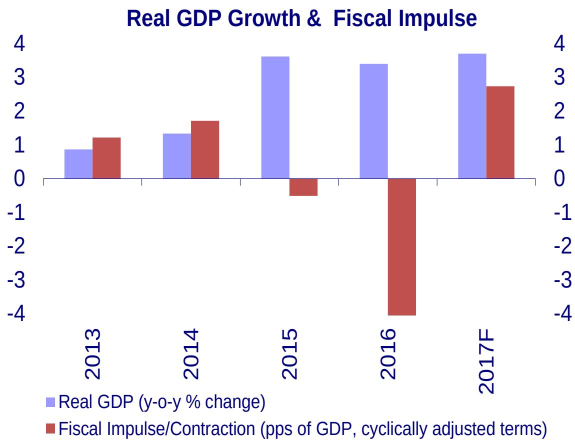
PM Grindeanu refuses to resign after his ruling Social Democratic Party (PSD) withdrew its support for his Cabinet (in power since January). Delays and failures in the implementation of the PSD's governing programme was cited as the main reason behind the party's decision, which also prompted all cabinet ministers to file their resignations. Should PM Grindeanu continue to refuse to step down, the ruling coalition will have no other option but to submit a vote of "no confidence". In the event, President Iohannis would nominate a new PM after consultation with political parties. The mandate holder would then need to secure a vote of confidence in Parliament, where the PSD, together with its ally, the Alliance of Liberals and Democrats (which has also withdrawn its support for Grindeanu's Cabinet), hold a relatively comfortable majority (250 out of 465 seats). However, in our view, the political situation will not normalize should the opposition-linked President give the mandate to a non-PSD-affiliated candidate. Worryingly, a lengthy period of political uncertainty, would hamper policy making and hurt investor sentiment.

Bulgaria

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







	12 June	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)	97	92	88	80

	12 June	1-W %	YTD %	2-Y %
SOFIX	681	1.1	16.2	39.4

	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	0.1	4.2	3.7	3.2
Fiscal Bal. (% GDP)	-3.7	-2.8	1.6	-1.0	-0.5

Economic growth maintained its momentum in Q1:17. On a sequential basis, GDP rose by a solid 0.9% s.a. for a second consecutive quarter in Q1:17. As a result, the annual pace of economic expansion picked up to 3.9% y-o-y in Q1:17 from 3.5% in Q4:16.

Domestic demand (especially private consumption) strengthened in Q1:17, more than compensating for unfavourable net exports. Private consumption rose sharply in Q1:17 (up 6.7% y-o-y against 3.3% in Q4:16), reflecting tighter labour market conditions (employment rose by 2.1% y-o-y in Q1:17 against a decline of 1.8% in Q4:16) and better consumer confidence (the NSI's relevant indicator improved to a post-crisis high of -25.4 in Q1:17 from -27.9 in Q4:16). Importantly, with no support from the public sector, fixed investment expanded in Q1:17 (by 1.3% y-o-y against a decline of 7.4% in Q4:16), in line with the increasing capacity utilization in the industrial sector (74.0% on a 4-quarter rolling basis in Q1:17 against 73.6% a year ago and a low of 66.8% at end-2013). Note that the build-up in inventories continued in Q1:17 (adding 1.2 pps of GDP to overall growth), though this item also contains statistical discrepancies and could reflect stronger domestic absorption. On the other hand, after supporting headline growth for one year, net exports turned into a drag in Q1:17 (subtracting a sizeable 3.5 pps of GDP), due to stronger domestic demand.

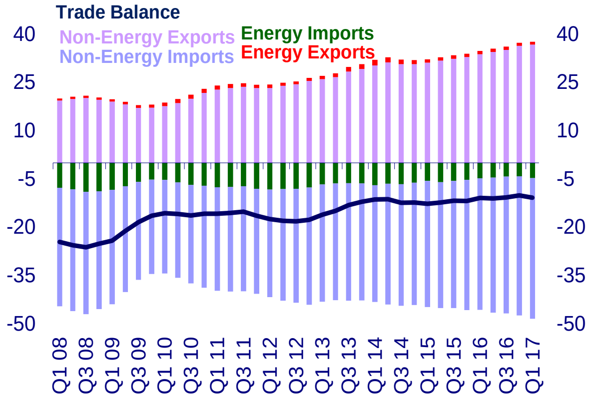
GDP growth is set to remain strong, with a shift from private consumption to investment. Looking ahead, we expect fixed investment to pick up, reflecting, *inter alia*, favourable domestic liquidity conditions (the loan-to-deposit ratio stands at 80.0%) and better absorption of EU funds. At the same time, private consumption should lose momentum, in line with slower employment growth, due to structural problems in the labour market (high long-term unemployment, skills mismatches), and high inflation (projected at 1.7% in Q2-Q4:17, broadly unchanged compared with Q1:17, but much higher than in FY:16; -0.8%). The slowdown in private consumption should be partly offset, however, by higher public consumption, on the back of a looser fiscal stance (the budget deficit is projected to widen by 1.7 pps of GDP y-o-y in Q2-Q4:17). Against the backdrop of strong domestic demand, net exports will remain a drag on overall growth, despite improving competitiveness (GDP per employee has risen by 9.5% since end-2011, while the BGN was stable in real terms during the same period). Overall, we see GDP growth at a post-crisis high of 3.7% in FY:17 against 3.4% in FY:16, still above its long-term potential of c. 3.0%.

Rating agencies upgraded Bulgaria's outlook. Both S&P and Fitch revised Bulgaria's outlook to positive from stable, while affirming their "BB+" and "BBB-" long-term sovereign credit ratings (one notch below and at investment grade, respectively). Solid fiscal and external metrics were cited as the triggers for the upgrade. Indeed, Bulgaria's fiscal imbalances remain contained (the budget is projected to turn into a deficit of 1.0% of GDP in FY:17 from a surplus of 1.6% in FY:17, still well below the EU threshold of 3.0%), keeping public debt at low levels (projected at c. 30.0% at end-2017, the third lowest in the EU). At the same time, Bulgaria maintains a strong external position (the current account surplus is projected to decline to a still sizeable 3.7% of GDP in FY:17 from 4.2% in FY:16, with import coverage improving further to 11 months). All said, both rating agencies acknowledged that the re-election of the GERB Government offers policy continuity and stressed that a sustained economic recovery combined with a reduction in the banking sector's NPL ratio (currently at 12.6%) could lead to a credit rating upgrade over the next 12 months. Note that Moody's rates Bulgaria at "Baa2" (one notch above investment grade) with a stable outlook.

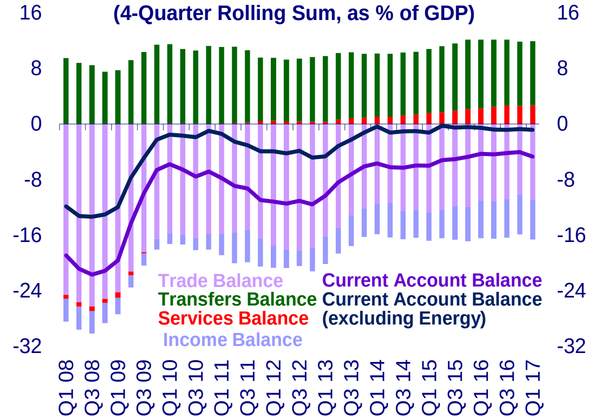
Serbia

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

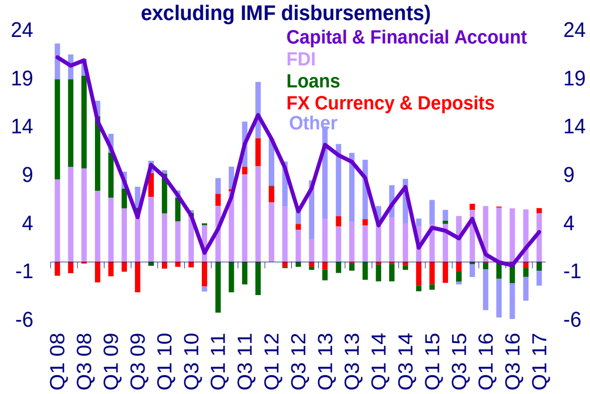
External Trade
(4-Quarter Rolling Sum, as % of GDP)



Current Account Balance
(4-Quarter Rolling Sum, as % of GDP)



Capital and Financial Account
(4-Quarter Rolling Sum, as % of GDP, excluding IMF disbursements)



	12 June	3-M F	6-M F	12-M F
1-m BELIBOR (%)	3.4	3.4	3.5	3.8
RSD/EUR	122.3	124.3	124.7	125.0
Sov. Spread (2021, bps)	146	156	154	150

	12 June	1-W %	YTD %	2-Y %
BELEX-15	724	0.9	0.9	4.5

	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	-4.4	-4.3
Fiscal Bal. (% GDP)	-6.6	-3.7	-1.3	-1.2	-1.0

President Vucic nominated an independent, A. Brnabic, for the post of Prime Minister. The outgoing PM and new President, A. Vucic, nominated the little-known A. Brnabic -- outgoing minister of state administration and local self-government and non-affiliated with any party -- as his successor for the position of PM. This nomination will be largely endorsed next week by Parliament, which is dominated by the SNS – the senior party of the Government coalition -- controlling 131 seats in the 250-seat assembly. The new president and SNS leader, Vucic, is widely expected to guide the new Government's policy decisions, as B. Tadic did during his presidency in 2004-12.

The external adjustment reversed course in Q1:17, driven by higher energy imports. The current account deficit (CAD) widened by 0.6 pps y-o-y to 1.7% of GDP in Q1:17, after having narrowed by 0.2 pps y-o-y per quarter in FY:16. This performance was solely driven by the widening in the trade deficit (by 0.6 pps of GDP y-o-y in Q1:17 after shrinking by 0.4 pps y-o-y per quarter in FY:16). This was largely attributed to rising energy imports, adding an estimated 0.5 pps of GDP to the Q1:17 CAD. This was the result of both: i) rising global oil prices (up 61.4% y-o-y in Q1:17 against a decline of 35.2% in Q1:16 and 15.7% in FY:16); and ii) higher energy import volumes, due to the unusually cold winter. Non-energy imports also accelerated (up 11.7% y-o-y in Q1:17 from 7.7% in Q1:16), due to the recovery in consumption and higher export-related imports.

The deterioration in the trade deficit was contained by strong exports, increasing by 9.6% y-o-y in Q1:17, albeit at a slower pace compared with 13.6% in Q1:16 and 12.1% in FY:16. The moderation in exports partly reflects transportation disruptions due to the one-month suspension in shipping due to the freezing over of the river Danube.

As a result, the 4-quarter rolling CAD reversed course in Q1:17, rising to 4.7% of GDP from a 14-year low of 4.0% in Q4:16.

The capital and financial account (CFA) improved, but remained marginally negative in Q1:17. The CFA deficit narrowed to 0.2% of GDP in Q1:17 from 1.9% in Q1:16, largely due to inflows of currency & deposits of 0.2% of GDP in Q1:17 (due to repatriation of deposit holdings by domestic banks) against outflows 1.0% in Q1:16.

Reflecting CAD and CFA developments in Q1:17, and despite large positive (net) errors & omissions (0.6% of GDP), the overall balance was negative at -1.3% of GDP. As a result, FX reserves declined by EUR 0.5bn since the beginning of the year to a still comfortable level of EUR 9.7bn (covering 5.7 months of GNFS imports).

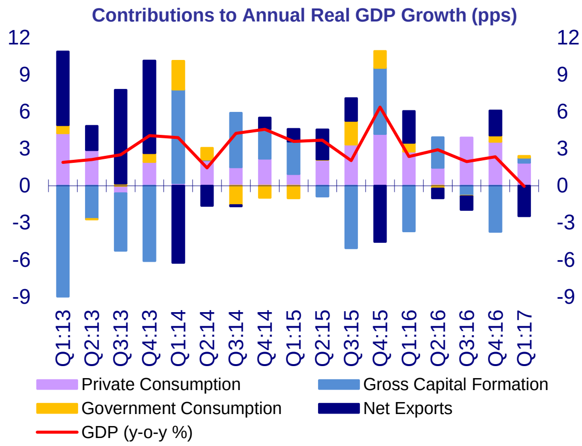
The CAD is likely to reverse its upward trend in Q2-Q4:17, ending 2017 at 4.4% of GDP. The CAD is set to narrow by 0.3 pps y-o-y in Q2-Q4:17 -- partly offsetting the widening in Q1:17. The anticipated improvement in the CAD in Q2-Q4:17 should mainly reflect a broad-based rebound in exports. The latter should be supported by: i) higher exports of the steel plant, Smederevo, following its privatisation a year ago; ii) past years' FDIs; iii) the pay-back from the negative impact of the cold wave in Q1:17; and iv) the recovery in external demand (with neighboring CEFTA countries and Russia, together accounting for ¼ of Serbia's exports, set to rebound strongly in FY:17).

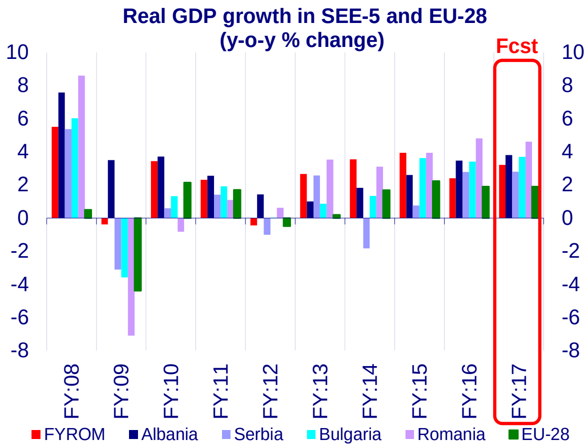
Despite the improvement in Q2-Q4:17, the CAD is set to rise to 4.4% of GDP in FY:17 from a 14-year low of 4.0% of GDP in FY:16.

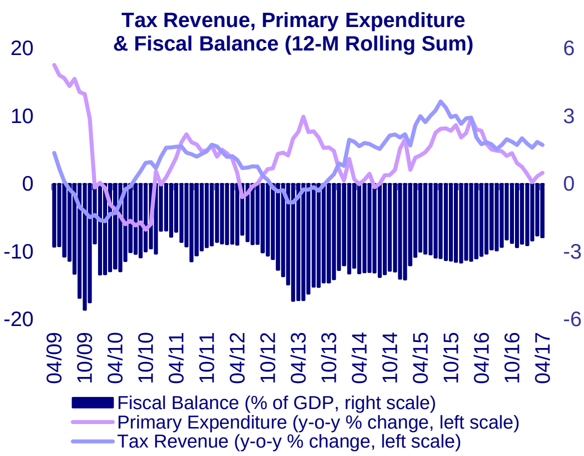
Financing the CAD should not be a problem. In fact, the bulk of the CAD in Q2-Q4:17 should be more than covered by large FDI inflows. Moreover, assuming marginally negative (net) capital inflows of -0.4% of GDP in Q2-Q4:17 (including the repayment of a USD 750mn Eurobond, or 2.0% of GDP, maturing in November), we see FX reserves remaining broadly unchanged at their end-2016 level.

F.Y.R.O.M

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







	12 Jun.	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)	345	475	450	350

	12 Jun.	1-W %	YTD %	2-Y %
MBI 100	2,297	0.4	7.6	39.2

	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

FYROM temporarily experienced a sharp economic slowdown in Q1:17, due to a surge in imports. GDP growth declined to a 17-quarter low of 0.0% y-o-y in Q1:17 from 2.4% in FY:16 and a 7-year high of 3.9% in FY:15.

The slowdown in economic activity in Q1:17 was driven by a sizeable drag from net external demand. The contribution of net exports to GDP growth turned negative in Q1:17 (subtracting 2.5 pps against a contribution of 0.7 pps in FY:16). The deterioration was driven by a significant increase in imports (up 10.7% y-o-y), likely linked to a rebuilding of inventories (see below), which more than offset a robust export growth (up 9.0% y-o-y), reflecting the expansion of the country's export base, especially in the technological industrial development zones (TIDZ).

The negative impact of external demand on the Q1:17 performance was, however, fully offset by an improvement in domestic demand (contributing 2.4 pps to overall growth against 1.7 pps in FY:16). Importantly, stronger domestic demand was likely the result of a large inventory build-up (note that the breakdown of gross capital formation is not provided). We estimate that gross fixed capital formation had deteriorated in Q1:17 due to weaker business confidence and a tight fiscal stance. The protracted domestic political uncertainty, following the December 11th inconclusive parliamentary elections, appears to have led corporates -- especially export-oriented ones -- to strengthen their inventories. Recall that President Ivanov had repeatedly denied Zaev, the leader of the second political party (SDSM), the mandate to form a government, following the failure to do so by the largest political party (VMRO-DPMNE), on the grounds that he had endorsed the "unacceptable" Albanian platform -- supported by 4 Albanian parties.

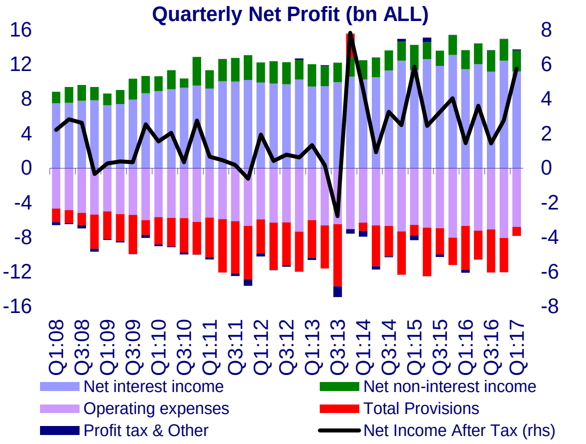
Unsurprisingly, amid an adverse political environment, both private and public consumption deteriorated in Q1:17, with their respective contributions to overall growth declining to 1.9 pps and 0.1 pp from 3.0 pps and 0.2 pps in FY:16.

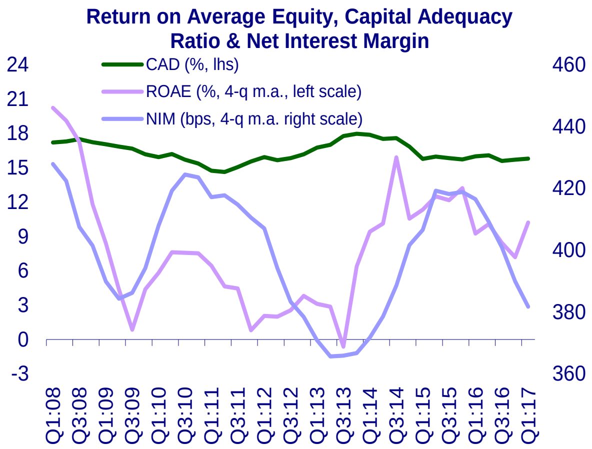
GDP growth is set to accelerate during the remainder of the year, bringing FY:17 growth to 3.2%. The rebound in economic activity should be driven by a gradual return of consumer and investor confidence against the backdrop of a positive political and economic outlook after the new SDSM-led coalition government took office and pledged to kick-start bold reforms to secure EU and NATO membership. Overall, economic activity is set to rise by a robust 4.2% y-o-y in Q2-Q4:17, bringing FY:17 growth to 3.2% -- above the FY:16 outcome of 2.4% and closer to the long-term potential of 3.5%.

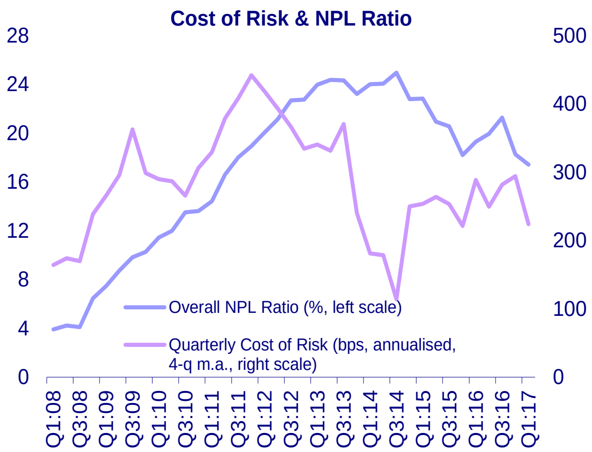
Significant fiscal consolidation in 4M:17, mainly on the back of postponed public transfers. The fiscal deficit narrowed by 0.3 pps y-o-y to 0.6% of GDP in 4M:17. The improvement was driven exclusively by a decline in primary expenditure (down 0.6 pps of GDP y-o-y), reflecting mainly postponed transfers, due to legal restrictions linked to the post-December-election political vacuum. The new Government has announced that delayed agricultural subsidies, pensions and scholarships, worth 0.8% of GDP, are in the pipeline for payment. As a result, the 12-month rolling fiscal deficit declined to 2.4% of GDP in April from 2.6% in December -- below the FY:17 target of 3.0%. Looking ahead, we expect the new Government to revise the FY:17 Budget in the coming weeks, in view of its unrealistic revenue and expenditure growth targets (10.8% and 11.2%, respectively, with respect to the FY:16 outcomes) and the need to fulfil some of the pre-election pledges. The latter include, *inter alia*, a 13% rise in the minimum wage (to EUR 260), as well as increases in public sector wages and social protection and healthcare expenditure.

Albania

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







	12 June	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	1.6	2.2	2.2	2.2
ALL/EUR	133.3	138.5	138.7	138.0
Sov. Spread (bps)	304	295	280	250

	12 June	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 banking sector's bottom line strengthened markedly on an annual basis in Q1:17, with ROAE returning to double digits due to lower provisioning. Net profit (after tax) increased to an 8-quarter high of ALL 5.8bn (EUR 42.5mn or 0.4% of GDP) in Q1:17, 4 times higher than in Q1:16. The strong performance was almost exclusively due to lower provisions, following a sharp rise in FY:16 prompted by the bankruptcy of two large corporates. As a result, (annualised) ROAE and ROAA returned to double digits, rising to (a 2-year high of) 16.6% and 1.6%, respectively, in Q1:17 from 4.5% and 0.4% in Q1:16, more than double the corresponding levels of 7.2% and 0.7% in FY:16.

The cost of risk eased significantly on an annual basis in Q1:17, in line with the sharp improvement in bank asset quality. P/L provisions declined sharply in Q1:17, and amounted to just ⅕ of their level in Q1:16 (absorbing just 14.3% of pre-provision earnings in Q1:17, well below the 72.2% in Q1:16 and 59.8% in FY:16).

This occurred due to the normalization in provisioning, following a once-off sharp rise in FY:16, due to: 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 decline in provisions also reflects improved economic activity, as well as reversals (write-backs) of NPL provisions (supported by credit restructuring). Note that the NPL ratio (the share of substandard, doubtful and loss loans in total loans) declined sharply, by 1.9 pps y-o-y to a 5-year low of 17.4% in Q1:17 from 18.2% in Q4:16 and a post-crisis peak of 25.0% in Q3:14. This was supported by: i) the 2015 regulation mandating the obligatory write-off of loans held in "loss" category for more than three years (total write-offs amounted to ALL 40bn in 2015-16, or 7.8% of end-2016 stock of loans); and ii) improved collection and loan restructuring.

As a result, the (annualised) cost of risk fell sharply to (a 3-year low of) 70 bps in Q1:17 from 351 bps in Q1:16 and 295 bps in FY:16.

Pre-provision earnings rose slightly in Q1:17. Pre-provision earnings increased (for the first time since Q2:15) by 2.9% y-o-y in Q1:17 following a decline of 9.6% in Q1:16 and 6.4% in FY:16. The improvement was attributed to higher earnings from fees and commissions that more than offset the continued decline in net interest income (NII) and higher operating expenses.

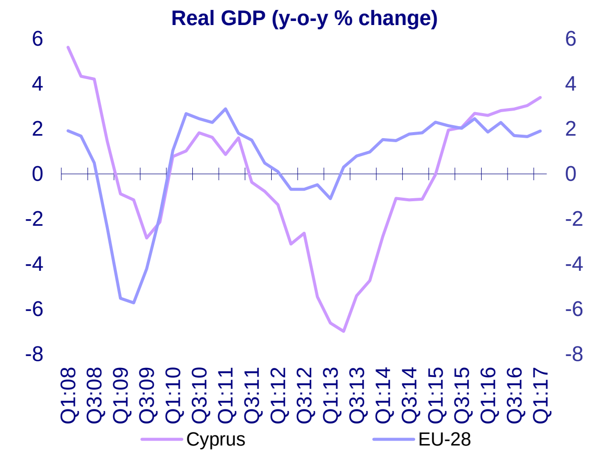
Indeed, NII (accounting for a sizeable 82.1% of gross operating income) fell by 2.2% y-o-y in Q1:17, as higher average interest earning assets (up 6.9% y-o-y in Q1:17) was broadly offset by the compression of the NIM (down 33 bps y-o-y to 353 bps in Q1:17 -- its lowest level on record -- down from 384 bps in FY:16). The decline in the NIM occurred as the improvement in the core NIM, on the back of a faster repricing of deposits combined with the declining share of higher-costing time deposits, was more than offset by the decline in non-core NIM, in line with the drop in government domestic debt yields.

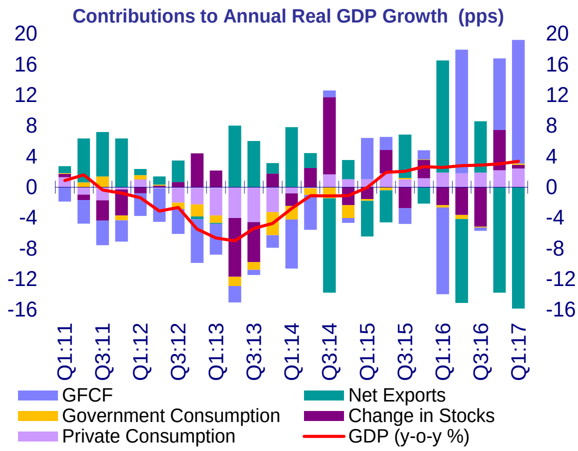
With operating expenses up 1.8% y-o-y in Q1:17 (yet lower than the 2.4% y-o-y average inflation in the same period), rising at a faster pace than operating income, the cost-to-income ratio rose by 1.0 pp y-o-y to 49.9% in Q1:17, yet below the FY:16 outcome of 51.3%.

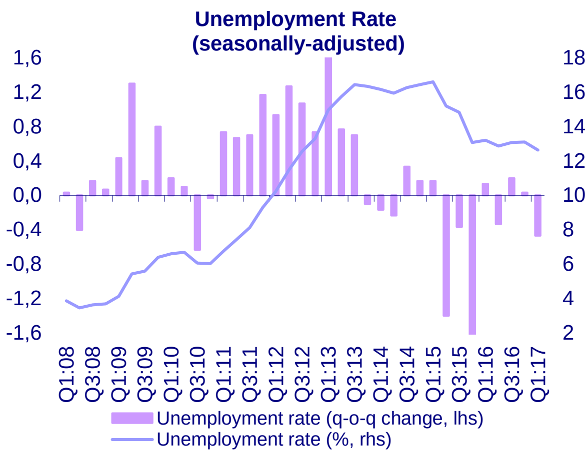
Banking sector profitability should remain strong in Q2-Q4:17. Profitability is set to improve on an annual basis in Q2-Q4:17, with the ROAE rising to an estimated 10.5% in Q2-Q4:17 from 8.0% in Q2-Q4:16. This should be primarily driven by lower NPL provisions, following a once-off increase in FY:16 and the continuing rebound in economic activity. Overall, we foresee FY:16 ROAE returning to double digits, rising to an estimated 12.0% from 7.1% in FY:16.

Cyprus

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







	12 Jun.	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)	165	210	190	160

	12 Jun.	1-W %	YTD %	2-Y %
CSE Index	76	-1.2	14.9	-4.0

	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

GDP growth reached a post-global crisis high of 3.4% y-o-y in Q1:17. GDP growth rose to 3.4% y-o-y in Q1:17 from 3.0% in Q4:16 and 2.8% in FY:16 -- comparing favourably with the EU-28 outcome of 1.9%. The acceleration in economic activity in Q1:17 was driven by an across-the-board improvement in the main components of domestic demand (the latter has seen its contribution to overall growth increasing to 19.2 pps in Q1:17 from 16.8 pps in Q4:16). The rebound in domestic demand in Q1:17 was driven by gross capital formation (contributing 16.6 pps to headline growth compared with 14.6 pps in Q4:16). Importantly, the strong gross capital formation performance in Q1:17 is attributed to a rise in GFCF (contributing 16.2 pps to headline growth compared with 9.4 pps in Q4:16), largely due to large (net) investments in transport equipment (which is mostly imported). Excluding the latter, the contribution of GFCF to overall growth rose to 3.6 pps in Q1:17 from 2.7 pps in Q4:16, supported by improving business confidence.

Private consumption contributed 2.5 pps of GDP to overall growth in Q1:17 compared with 2.2 pps in Q4:16, underpinned, *inter alia*, by strengthening consumer and improving labour market conditions. Public consumption has also seen its contribution to headline growth improving by 0.3 pps between Q4:16 and Q1:17, as the fiscal stance turned slightly expansionary in Q1:17 from neutral in Q4:16.

On the other hand, the drag from net exports on overall growth worsened in Q1:17 (subtracting a sizeable 15.8 pps compared with -13.8 pps in Q4:16), exclusively due to a faster decline in exports of goods and services (down 11.6% y-o-y against a drop of 3.1% in Q4:16). Importantly, the drag from net exports, excluding exports and imports of transport equipment, on overall growth declined in Q1:17 (subtracting 3.3 pps compared with -7.1 pps in Q4:16), mainly supported by stronger tourism activity and weaker domestic demand (excluding (net) investments in transport equipment).

Economic activity is set to moderate slightly during the rest of the year. The slowdown will be driven, *inter alia*, by: i) a moderation in private consumption growth stemming from higher debt servicing, in line with banks' more efficient restructuring amid a more effective legal framework; ii) a normalization in fixed investment; and iii) a less buoyant tourism sector. The latter will be driven by the gradual return by Russian visitors -- the island's second largest source country – to neighbouring Turkey. All said, we see GDP growth moderating slightly to 2.7% y-o-y in Q2-Q4:17 from 2.9% y-o-y in Q2-Q4:16, bringing FY:17 growth on par with the FY:16 outcome of 2.8%.

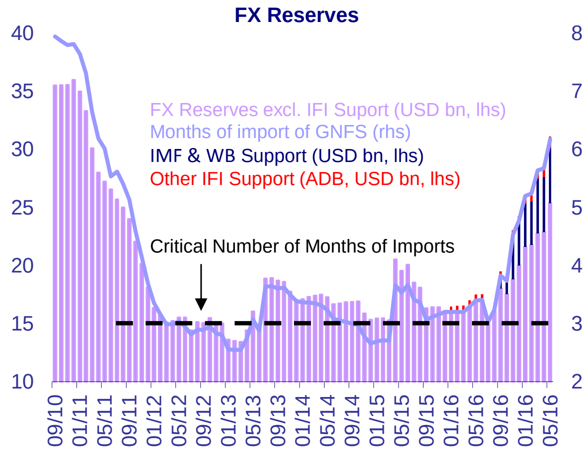
Downside risks to our forecasts stem from the worse-than-initially-expected impact of Brexit on economic activity and British Pound – the island's main source of tourists and second largest trading partner after Greece -- following the June 8th parliamentary election.

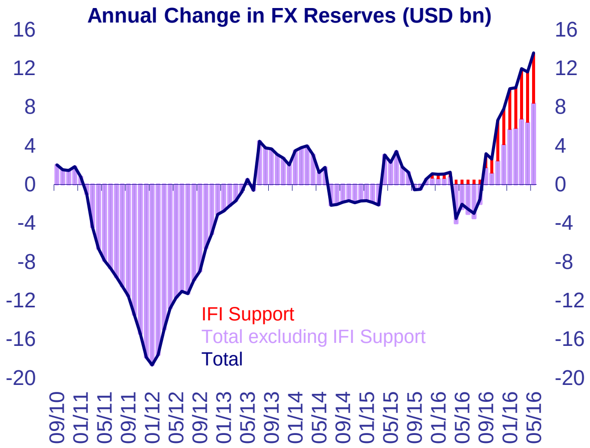
Unemployment eased further in Q1:17, mainly on the back of stronger activity in the tourism and construction sectors. The seasonally-adjusted unemployment rate declined by 0.5% q-o-q or 0.6% y-o-y to a 19-quarter low of 12.6% in Q1:17. The improved performance in Q1:17 was supported by the pick-up in economic growth, mainly reflecting stronger activity in the labour-intensive tourism sector (accounting for 22% of employment in FY:16) and the construction sector (accounting for c. 8.0% of employment in FY:16 and rising sharply by 21.0% y-o-y in Q1:17 after having increased for the first time in 8 years in FY:16 by 9.3%).

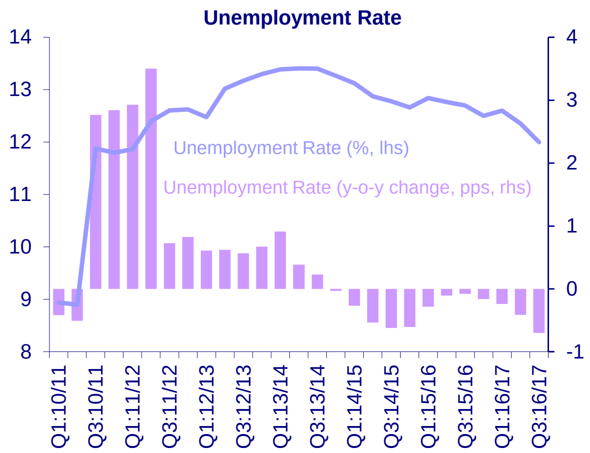
Looking ahead, in view of the robust, albeit moderating, economic expansion, we expect the unemployment rate to continue on its downward trend. Overall, we see the unemployment rate declining to 11.8% in FY:17 from 13.1% in FY:16 and 14.9% in FY:15.

Egypt

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







	12 June	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)	311	290	270	240

	12 June	1-W %	YTD %	2-Y %
HERMES 100	1,209	-0.1	11.0	57.8

	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

FX reserves have risen sharply, by USD 12.1bn to USD 31.1bn, following the signing of the 3-year EEF with the IMF last November. The sharp rise was supported by: i) the disbursement of an initial USD 2.8bn by the IMF as part of a USD 12.0bn loan in November; ii) the successful issuance of USD 7.0bn in Eurobonds (USD 4.0bn in January and USD 3.0bn in May); iii) the release of the second USD 0.5bn tranche from a USD 1.5bn loan package from the African Development Bank in March; iii); and iv) the disbursement of the second USD 1.0bn tranche from a USD 3.0bn WB loan in March. The pick-up in FX reserves was also underpinned by large foreign investments in domestic bonds and bills, which rose sharply to USD 8.4bn in the 6 months following the floatation of the EGP in early-November, according to the Deputy Finance Minister.

Moreover, tourist receipts also boosted FX reserves, with arrivals and average number of nights spent rising sharply, by 50.0% y-o-y and 108.0% y-o-y, respectively, to 1.7mn and 14.2mn in Q1:17, after having sharply declined in the past 6 quarters (on average by c. 32.0% y-o-y and 48.0 y-o-y, respectively). The recovery in tourism activity was driven by very competitive prices and the removal of travel bans and/or warnings by key source countries – except Russia and the UK -- following an improvement in security conditions in Egyptian airports.

A significant recovery in workers' remittances from abroad also contributed to the sharp rise in FX reserves, following the floatation of the domestic currency. Indeed, according to the CBE's estimates, workers' remittances have increased by 13.8% y-o-y (or USD 1.0bn y-o-y) to USD 8.0bn since November (in the 5 months to April), following 6 consecutive quarters of decline. In fact, before the floatation of the EGP, attractive rates offered in the flourishing parallel FX market (where the USD was traded at a premium of c. 40.0% over its official rate in Q1:16/17) had diverted a large number of Egyptian workers abroad from channeling their transfers through the banking system.

For the last month of the current fiscal year (June), we expect FX reserves to decline slightly, due to repayments of arrears worth USD 1.5bn to foreign oil companies operating in the country and an instalment of USD 0.7bn to the Paris Club. We see FX reserves at c. USD 30.0bn or 6.0 months of imports of GNFS at end-June -- up from USD 17.5bn (3.4 months of imports of GNFS) a year earlier.

The unemployment rate declined significantly, by 0.7 pps y-o-y to a 5½-year low of 12.0% in Q3:16/17 (January-March 2017). Importantly, the pace of decline in the unemployment rate accelerated to -0.7 pps y-o-y in Q3:16/17 from -0.4 pps in Q2:16/17 and -0.2 pps in Q1:16/17. The acceleration reflects strengthening confidence in the domestic economy, on the back of the steady implementation of the ongoing IMF-supported programme, as well as the recovery in the labour-intensive tourism sector.

Note that the IMF and the Egyptian authorities reached a staff-level agreement, on May 12^{th}, on the first review of the 3-year USD 12bn IMF-supported programme, paving the way for the disbursement of a second tranche, worth USD 1.25bn, by end-June. Following the conclusion of the review, the Chief of the IMF mission stated that "*this agreement is a vote of confidence by the IMF staff in the continued implementation of the Egyptian authorities' programme*".

Looking ahead, we expect the unemployment rate to continue to decline at a faster pace in Q4:16/17 (April-June 2017) -- down 0.9 pps y-o-y – in line with recent trends. Overall, we see the unemployment rate declining to a 6-year low of 12.1% in FY:16/17 – down from 12.7% a year ago, but still well above the pre-January 2011 Revolution level of 9.0%.

FOREIGN EXCHANGE MARKETS, JUNE 12TH 2017

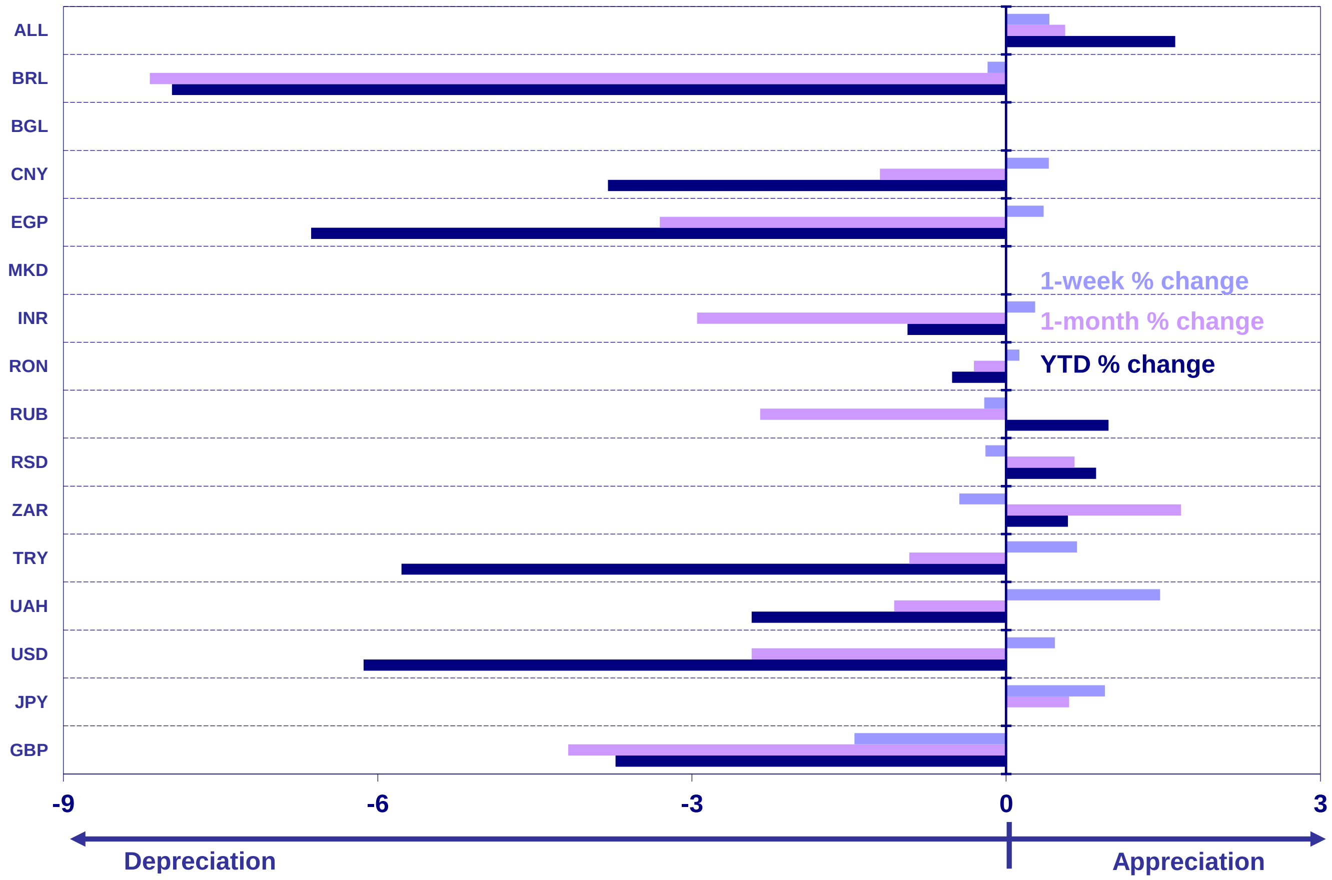
Against the EUR

	Currency	SPOT	1-week %change	1-month %change	YTD %change*	1-year %change	Year-Low	Year-High	3-month Forward rate**	6-month Forward rate**	12-month Forward rate**	2016 % change*	2015 % change*
		2017										2016	2015
Albania	ALL	133.3	0.4	0.6	1.6	3.5	133.6	137.3	133.6	133.6	132.9	1.2	2.0
Brazil	BRL	3.72	-0.2	-8.2	-8.0	5.8	3.23	3.79	4.08	4.06	4.05	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	7.62	0.4	-1.2	-3.8	-2.6	7.20	7.76	7.99	7.97	7.96	-4.0	6.7
Egypt	EGP	20.21	0.4	-3.3	-6.6	-50.7	16.62	20.46	- - -	- - -	- - -	-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	0.3	-3.0	-0.9	4.9	68.2	73.3	76.9	- - -	- - -	0.4	6.6
Romania	RON	4.56	0.1	-0.3	-0.5	-1.0	4.49	4.58	4.57	4.57	4.59	-0.4	-0.8
Russia	RUB	63.9	-0.2	-2.3	1.0	16.0	59.5	65.1	65.4	66.8	69.6	22.9	-15.1
Serbia	RSD	122.3	-0.2	0.7	0.9	0.9	122.1	124.1	122.8	123.2	- - -	-1.5	-0.1
S. Africa	ZAR	14.4	-0.4	1.7	0.6	19.2	13.38	15.10	14.6	14.9	15.5	16.2	-16.6
Turkey	YTL	3.94	0.7	-0.9	-5.8	-16.3	3.70	4.17	4.06	4.18	4.41	-14.7	-10.8
Ukraine	UAH	29.2	1.5	-1.1	-2.4	-3.5	27.22	29.66	29.2	- - -	- - -	-8.6	-27.5
US	USD	1.12	0.5	-2.4	-6.1	0.8	1.0	1.1	1.13	1.13	1.14	3.3	11.4
JAPAN	JPY	123.1	0.9	0.6	0.0	-2.6	114.9	125.8	123.2	123.3	123.3	6.0	11.0
UK	GBP	0.88	-1.4	-4.2	-3.7	-10.7	0.8	0.9	0.89	0.89	0.89	-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 (June 12th 2017)



MONEY MARKETS, JUNE 12TH 2017

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
O/N	1.3	10.1	0.0	2.8	- - -	17.7	- - -	- - -	0.5	9.3	- - -	12.8	7.6	12.4	- - -	0.9
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	0.5	9.3	3.0	- - -	7.8	- - -	- - -	- - -
S/W	1.4	10.1	0.0	2.9	-0.4	- - -	1.2	- - -	- - -	9.5	3.0	- - -	7.6	13.1	-0.4	1.1
1-Month	1.6	10.1	0.0	4.6	-0.4	- - -	1.5	6.5	0.6	9.5	3.4	12.9	7.8	14.3	-0.4	1.1
2-Month	- - -	10.0	0.1	- - -	-0.3	- - -	- - -	- - -	- - -	9.9	3.4	13.0	7.8	- - -	-0.3	1.2
3-Month	2.1	9.8	0.1	4.8	-0.3	- - -	1.8	6.6	0.8	9.9	3.5	13.0	7.8	16.2	-0.3	1.2
6-Month	2.4	9.3	0.3	4.5	-0.3	- - -	2.0	- - -	1.0	9.7	3.7	13.1	7.7	- - -	-0.3	1.4
1-Year	2.9	9.1	0.8	4.4	-0.1	- - -	2.4	- - -	1.2	9.0	- - -	13.1	8.1	- - -	-0.1	1.7

LOCAL DEBT MARKETS, JUNE 12TH 2017

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	- - -	- - -	- - -	- - -	- - -	20.3	- - -	6.3	- - -	8.9	3.0	10.4	- - -	- - -	-0.9	1.0
6-Month	1.5	- - -	- - -	- - -	- - -	20.3	1.5	6.3	0.6	8.8	2.8	10.6	- - -	- - -	-0.7	1.1
12-Month	2.0	- - -	0.0	3.7	- - -	20.3	1.8	6.4	0.8	8.2	4.0	11.2	- - -	14.1	-0.7	1.2
2-Year	2.3	- - -	- - -	3.7	- - -	- - -	2.1	6.4	1.3	8.2	- - -	10.7	7.3	- - -	-0.7	1.4
3-Year	- - -	- - -	0.2	3.6	1.4	- - -	- - -	6.5	1.4	8.3	- - -	10.5	7.4	14.4	-0.7	1.5
5-Year	- - -	10.5	- - -	3.6	2.1	18.3	- - -	6.7	2.5	7.9	5.6	10.4	7.5	14.6	-0.4	1.8
7-Year	- - -	- - -	1.3	- - -	- - -	18.4	- - -	6.7	3.2	7.9	- - -	- - -	- - -	- - -	-0.2	2.0
10-Year	- - -	10.7	2.0	3.6	- - -	18.4	- - -	6.5	3.7	7.6	- - -	10.2	8.4	- - -	0.3	2.2
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	3.8	7.1	- - -	7.9	- - -	- - -	9.0	- - -	0.5	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	9.4	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	7.1	- - -	- - -	- - -	- - -	9.5	- - -	1.1	2.9

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

CORPORATE BONDS SUMMARY, JUNE 12TH 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	- - -	- - -	- - -
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

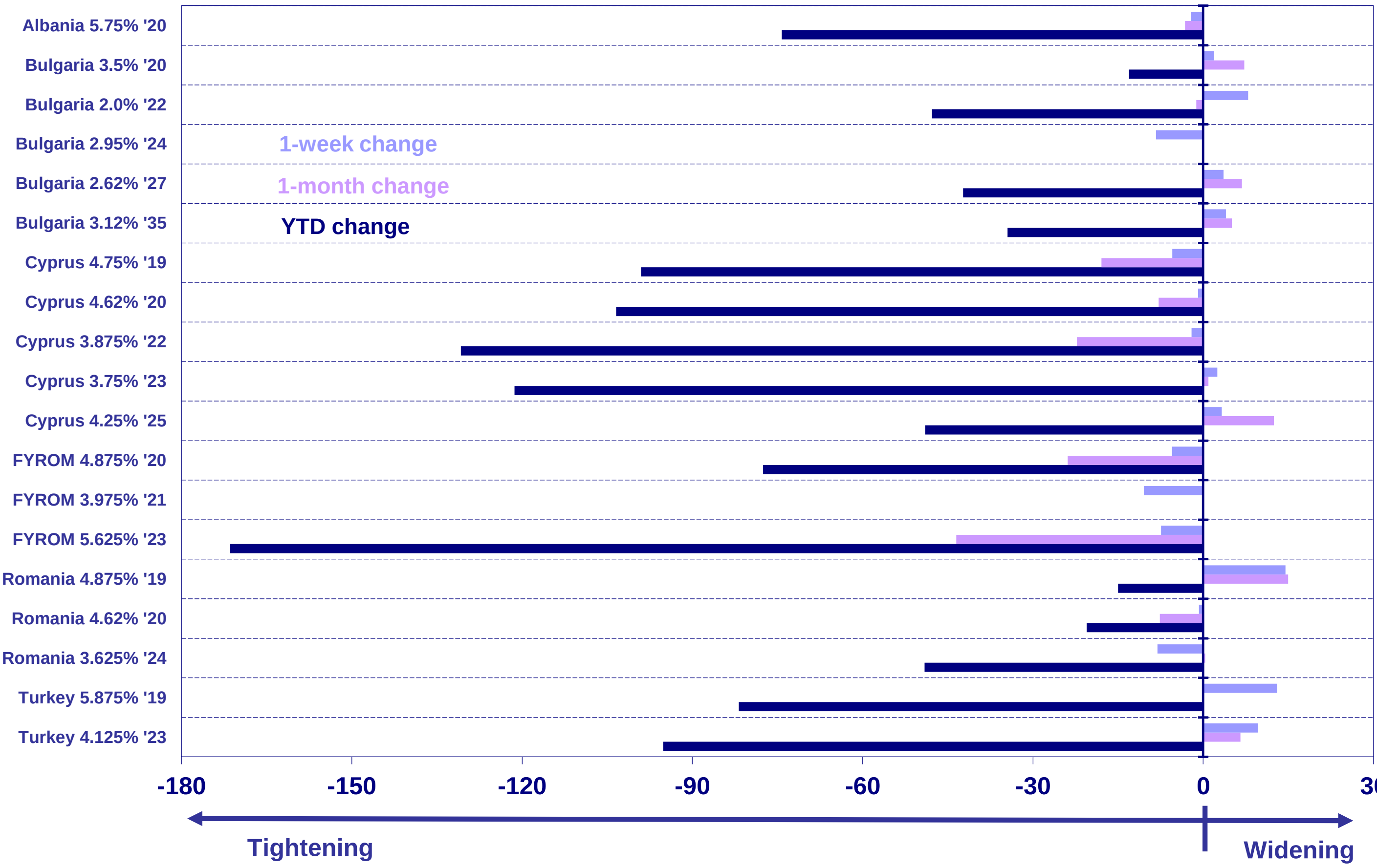
CREDIT DEFAULT SWAP SPREADS, JUNE 12TH 2017

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	234	115	70	204	327	- - -	80	104	145	178	194	182	- - -
10-Year	- - -	325	160	120	236	364	- - -	86	145	218	219	276	249	- - -

EUR-DENOMINATED SOVEREIGN EUROBOND SUMMARY, JUNE 12TH 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	2.4	304	256
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	0.4	109	56
Bulgaria 2.0% '22	EUR	BB+/Baa2	26/3/2022	1,250	0.5	97	43
Bulgaria 2.95% '24	EUR	BB+/Baa2	3/9/2024	1,493	1.2	140	89
Bulgaria 2.62% '27	EUR	BB+/Baa2	26/3/2027	1,000	1.9	166	123
Bulgaria 3.12% '35	EUR	BB+/Baa2	26/3/2035	900	2.9	212	168
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	1.0	165	116
Cyprus 3.875% '22	EUR	NA/B1	6/5/2022	1,000	2.1	253	204
Cyprus 3.75% '23	EUR	NA/B1	26/7/2023	1,000	2.6	291	236
Cyprus 4.25% '25	EUR	NA/B1	4/11/2025	1,000	2.9	294	250
FYROM 4.875% '20	EUR	BB-/NA	1/12/2020	270	2.7	335	281
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	2.9	345	467
FYROM 5.625% '23	EUR	BB-/NA	26/7/2023	450	4.0	433	391
Romania 4.875% '19	EUR	BBB-/Baa3	7/11/2019	1,500	0.3	102	46
Romania 4.62% '20	EUR	BBB-/Baa3	18/9/2020	2,000	0.1	83	24
Romania 3.625% '24	EUR	BBB-/Baa3	24/4/2024	1,250	1.5	163	120
Turkey 5.875% '19	EUR	NR/Ba1	11/4/2023	1,250	0.9	165	122
Turkey 4.125% '23	EUR	NR/Ba1	12/11/2020	1,000	2.7	300	256

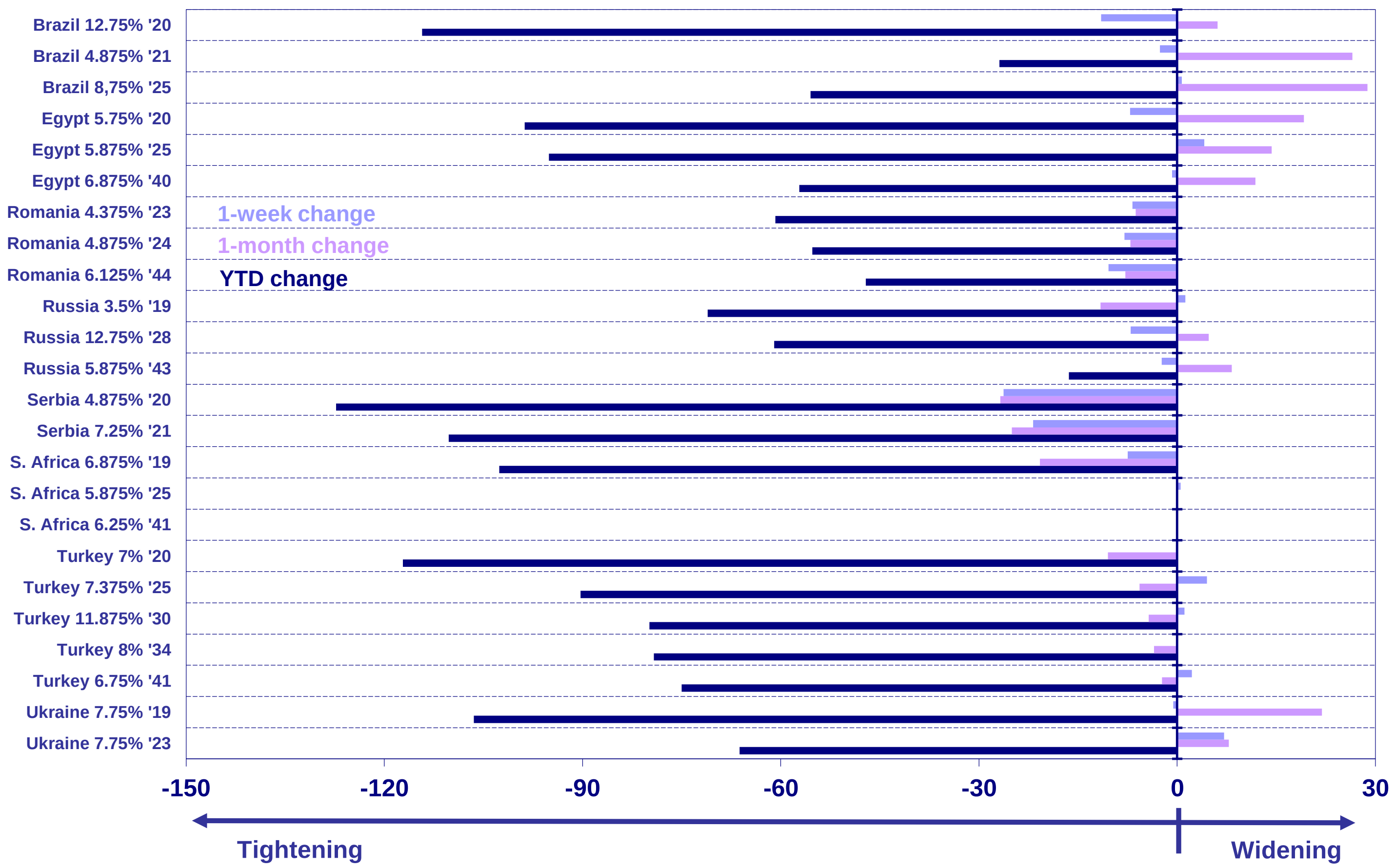
EUR-Denominated Eurobond Spreads (June 12th 2017)



USD-DENOMINATED SOVEREIGN EUROBOND SUMMARY, JUNE 12TH 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	2.5	104	105
Brazil 4.875% '21	USD	BB/Ba2	22/1/2021	2,988	3.4	185	164
Brazil 8.75% '25	USD	BB/Ba2	4/2/2025	969	4.5	251	286
Egypt 5.75% '20	USD	B-/B3	11/6/2025	1,000	4.6	311	296
Egypt 5.875% '25	USD	B-/B3	30/4/2040	1,500	6.1	406	392
Egypt 6.875% '40	USD	B-/B3	22/8/2023	500	7.3	447	467
Romania 4.375% '23	USD	BBB-/Baa3	22/1/2024	1,500	3.1	109	120
Romania 4.875% '24	USD	BBB-/Baa3	22/1/2044	1,000	3.1	114	124
Romania 6.125% '44	USD	BBB-/Baa3	16/1/2019	1,000	4.3	146	223
Russia 3.5% '19	USD	BB+/Ba1	24/6/2028	1,500	2.1	70	55
Russia 12.75% '28	USD	BB+/Ba1	16/9/2043	2,500	4.0	180	265
Russia 5.875% '43	USD	BB+/Ba1	25/2/2020	1,500	4.7	190	256
Serbia 4.875% '20	USD	BB-/B1	28/9/2021	1,500	3.0	153	141
Serbia 7.25% '21	USD	BB-/B1	27/5/2019	2,000	3.2	146	156
S. Africa 6.875% '19	USD	BBB-/Baa2	16/9/2025	1,748	2.4	107	92
S. Africa 5.875% '25	USD	BBB-/Baa2	8/3/2041	2,000	4.5	247	252
S. Africa 6.25% '41	USD	BBB-/Baa2	5/6/2020	750	5.4	250	313
Turkey 7% '20	USD	NR/Ba1	5/2/2025	2,000	3.5	203	193
Turkey 7.375% '25	USD	NR/Ba1	15/1/2030	3,250	4.7	272	293
Turkey 11.875% '30	USD	NR/Ba1	14/2/2034	1,500	5.2	302	405
Turkey 8% '34	USD	NR/Ba1	14/1/2041	1,500	5.6	339	373
Turkey 6.75% '41	USD	NR/Ba1	1/9/2019	3,000	5.7	282	330
Ukraine 7.75% '19	USD	B-/Caa3	1/9/2023	1,744	6.3	499	477
Ukraine 7.75% '23	USD	B-/Caa3	15/1/2020	1,355	7.8	580	577

USD-Denominated Eurobond Spreads (June 12th 2017)



STOCK MARKETS PERFORMANCE, JUNE 12TH 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)	61,700	-1.2	-9.6	2.4	24.2	59,371	69,488	-5.9	38.9	76.2	-13.3	-35.3
Bulgaria (SOFIX)	681	1.1	4.0	16.2	52.0	583	685	16.2	27.2	27.2	-11.7	-11.7
China (SHCOMP)	3,140	1.6	1.8	1.2	10.8	3,017	3,295	-3.0	-12.3	-15.3	9.4	16.5
Cyprus (CSE GI)	76	-1.2	-3.5	14.9	11.8	65	79	14.9	-2.0	-2.0	-20.9	-20.9
Egypt (HERMES)	1,209	-0.1	3.3	11.0	73.7	1,071	1,221	2.9	72.7	-21.8	-24.4	-22.8
F.Y.R.O.M (MBI)	2,297	0.4	4.1	7.6	29.3	2,135	2,316	7.6	16.5	16.5	-0.6	-0.6
India (SENSEX)	31,096	-0.7	3.0	16.8	17.8	25,718	31,430	15.5	1.9	2.6	-5.0	0.7
Romania (BET-BK)	1,620	-2.3	1.2	20.5	38.2	1,365	1,658	19.9	0.2	0.0	2.6	1.6
Russia (RTS)	4,070	0.5	-6.4	-17.3	-5.0	3,991	5,089	-16.5	24.2	54.3	30.3	9.5
Serbia (BELEX-15)	724	0.9	-0.3	0.9	15.6	694	753	1.7	11.4	9.7	-3.4	-3.5
South Africa (FTSE/JSE)	51,564	-2.5	-4.6	1.8	-1.8	50,338	54,717	2.4	-0.1	16.1	1.9	-15.1
Turkey (ISE 100)	99,442	1.3	4.7	27.3	29.9	75,657	99,707	19.9	8.9	-7.0	-16.3	-25.4
Ukraine (PFTS)	284	1.0	2.8	7.0	28.4	265	284	4.4	10.2	1.0	-37.8	-54.8
MSCI EMF	1,009	-0.9	0.7	17.0	24.6	858	1,023	9.8	8.6	12.2	-17.0	-6.9
MSCI EAFE	1,886	-1.3	1.0	12.0	17.2	1,677	1,916	5.1	-1.9	1.4	-3.3	7.7
Greece (ASE-General)	785	-0.3	-0.6	21.9	32.0	602	800	21.9	1.9	1.9	-23.6	-23.6
Germany (XETRA DAX)	12,690	-1.0	-0.6	10.5	31.4	11,415	12,879	10.5	6.9	6.9	4.9	4.9
UK (FTSE-100)	7,512	-0.2	1.0	5.2	24.3	7,094	7,599	1.2	14.4	-1.0	-4.9	0.1
USA (DJ INDUSTRIALS)	21,236	0.2	1.6	7.5	19.8	16,166	21,305	0.9	13.4	16.7	-2.2	9.3
USA (S&P 500)	2,429	-0.3	1.6	8.5	16.9	2,245	2,446	1.9	9.5	13.2	-0.7	10.6

Equity Indices (June 12th 2017)