NATIONAL BANK OF GREECE

Economic Analysis Division

Emerging Markets Research

Bi-Weekly Report

23 January – 5 February 2018

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

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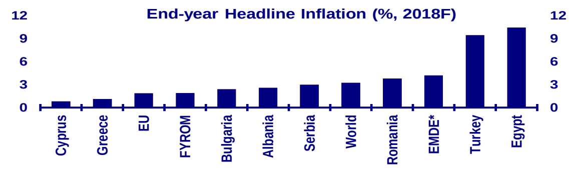
* EMDE: Emerging Market & Developing Economies



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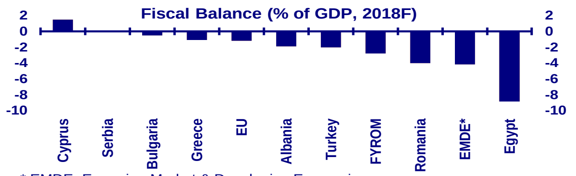

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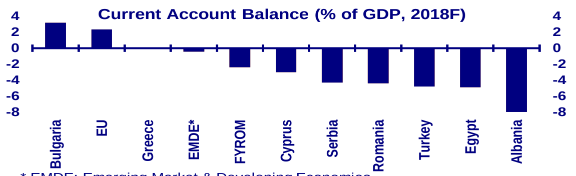


* EMDE: Emerging Market & Developing Economies

- Lending activity (FX-adjusted) rose sharply in 2017, largely benefiting from the Government's credit guarantees and relaxed macro-prudential measures
- Customer deposits (FX-adjusted) accelerated in 2017, supported by dissipating uncertainty after the mid-April referendum and more attractive remuneration rates
- The tourism sector emerged from a deep crisis, due to the return of Russian tourists, as well as easing domestic security concerns and competitive prices

- The budget deficit widened to 2.9% of GDP in FY:17 from 2.4% in FY:16, due to tax cuts and a looser incomes policy
- The FY:18 budget deficit could reach excessive levels, due to a further easing in incomes policy and a tax overhaul

- Lower grants from the EU and (to a lesser extent) higher current spending pushed down the budget surplus to 0.8% of GDP in FY:17 from 1.6% in FY:16, which is far better than the deficit target of 1.4%
- Fiscal policy is set to become more expansionary in FY:18

- Inflationary pressures heightened in 2017, due to unfavourable food prices, but remained well anchored
- NBS to initiate a new cycle of monetary policy tightening in Q3:18

- The 2017 Budget outperformed its target, coming in at 2.7% of GDP
- Credit activity picked up in FY:17, due to the return of political stability
- Customer deposits maintained momentum in FY:17, supported by tighter labour market conditions

- The fiscal balance deteriorated by 1.3 pps of GDP in 11M:17, due to pre-election expenditure slippage
- Despite the negative 11M:17 performance, the FY:17 deficit target of 2.0% of GDP is estimated to have been met

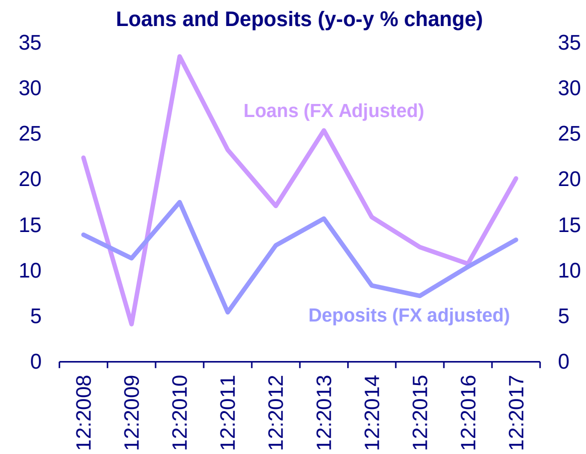
- President N. Anastasiades secured a second term in office, receiving a strong mandate to resume reforms
- The slowdown in deleveraging continued in 2017, on the back of stronger credit to corporates
- Strengthening customer deposits helped improve banks' liquidity in 2017

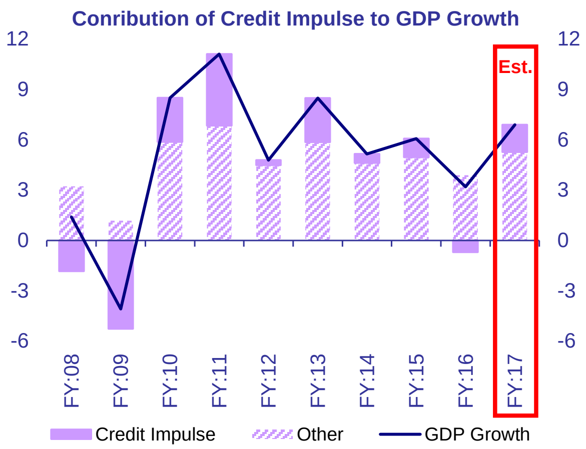
- Outgoing President el-Sissi is widely expected to win the upcoming presidential elections in the first round
- SDR-denominated Suez Canal receipts (SCR) set to post positive growth for the first time in 3 years and reach a record high in 2017/18, on the back of a rebound in global trade

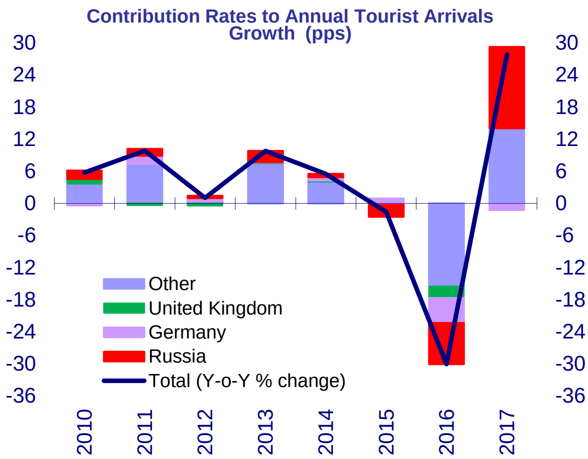
23 January – 5 February 2018

Turkey

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







	5 Feb.	3-M F	6-M F	12-M F
1-m TRIBOR (%)	13.6	13.5	13.0	12.0
TRY/EUR	4.69	4.75	4.80	5.00
Sov. Spread (2020, bps)	171	168	160	150

	5 Feb.	1-W %	YTD %	2-Y %
ISE 100	116,853	-3.3	1.3	57.5

	2015	2016	2017E	2018F	2019F
Real GDP Growth (%)	6.1	3.2	6.9	4.2	3.8
Inflation (eop, %)	8.8	8.5	11.9	9.5	8.2
Cur. Acct. Bal. (% GDP)	-3.7	-3.8	-5.5	-4.8	-4.6
Fiscal Bal. (% GDP)	-1.0	-1.1	-1.5	-2.0	-2.2

Lending activity (FX-adjusted) rose sharply in 2017, largely benefiting from the Government's credit guarantees and relaxed macro-prudential measures. Lending growth, adjusted for FX variations, rose to a 4-year high of 20.1% y-o-y at end-2017 from 10.7% at end-2016 – largely surpassing the CBRT's implicit reference level of 15.0%. The rise mainly reflects the authorities' efforts to boost economic activity, which had slowed sharply in FY:16, following the mid-July 2016 failed coup.

Indeed, in the aftermath of the failed coup, the BRSA relaxed some of the macro-prudential measures implemented over the previous 5 years. Specifically, the BRSA increased the maximum term limits for consumer loans and credit cards, and lowered the provisioning on unsecured retail loans. Moreover, in March, the Government increased significantly the amount allocated to the credit guarantee fund (CGF) – established in the early 90s to stimulate lending to SMEs -- to TRY 25bn from TRY 2bn, bringing Treasury credit guarantees to TRY 250bn (c. 15% of end-2016 banking sector loans) from TRY 20bn. Loans under guarantee are subject to a preferential risk weighting of 0% and the Treasury takes credit risk for up to 7% of the total fund limit.

Importantly, loans under guarantee reached TRY 200bn in 2017 (80% of total or 12% of end-2016 banking sector loans) -- up from an estimated TRY 20bn in FY:16 -- largely accounting for the sizeable credit impulse of 4% of GDP in FY:17. According to our model, the latter contributed 1.6 pps to the estimated FY:17 GDP growth of c. 7.0% (see chart).

Customer deposits (FX-adjusted) accelerated in 2017, supported by dissipating uncertainty after the mid-April referendum and more attractive remuneration rates. Growth in customer deposits, adjusted for FX variations, rose to a 4-year high of 13.4% y-o-y at end-2017 from 10.4% at end-2016, underpinned by restored confidence in the Turkish economy following the mid-April referendum and higher deposit remuneration rates, due to tighter liquidity conditions. Indeed, with the sharp increase in lending activity, the bank deposit funding gap widened further (total and local currency loans-to-deposits ratios rose to 121.6% and 146.3%, respectively, at end-2017 from 118.3% and 131.8% a year ago), leading to a significant increase in deposit interest rates. Worryingly, banks stepped up the less healthy source of financing -- foreign borrowing -- to meet the sharp rise in lending, with their external debt increasing to USD 157.0bn (18.4% of GDP) at end-Q3:17 from USD 148.5bn (17.2% of GDP) at end-2016.

The tourism sector emerged from a deep crisis, due to the return of Russian tourists, as well as easing domestic security concerns and competitive prices. Tourist arrivals rose sharply by 27.8%, but still at a 5-year low of 32.4mn in 2017, following a significant decline of 30.1% a year earlier. Specifically, the number of Russian tourists was up c. 440.0% in 2017, more than reversing the past year's loss (down 76.0%) and reaching an all-time high of 4.7mn. The rebound was mainly the result of the resumption of charter flights from Russia in September 2016, after the removal of the sanctions imposed in the wake of the downing of a Russian military jet in late-November 2015. Furthermore, arrivals from other countries picked up in 2017 (up 13.1% compared with a decline of 24.9% in 2016), reflecting easing domestic security concerns and more competitive prices.

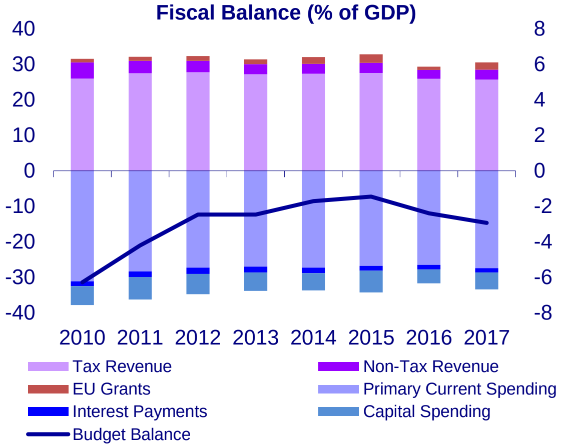
In view of recent trends of spending per tourist, we estimate tourist receipts to have increased by c. 20.0% or USD 3.8bn or 0.5 pps of GDP to USD 22.5bn in 2017 (3.1% of GDP) -- containing the widening of the current account deficit to an estimated 5.5% of GDP, albeit still up on 3.8% of GDP in 2016.

Romania

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

Consolidated Budget (% of GDP)	2016 Outcome	2017 Outcome	2018 Budget	2018 NBG Forecast
Total Revenue	29.4	30.6	31.8	31.3
Tax Revenue	26.0	25.7	26.2	25.7
o/w PIT/CIT	5.7	5.4	4.0	4.1
VAT	6.8	6.5	6.8	6.6
Excise Duties	3.5	3.2	3.4	3.4
Soc. Sec. Contr.	8.1	8.7	10.1	9.6
Non-Tax Revenue	3.4	4.8	5.6	5.6
o/w EU Grants	1.0	2.1	3.2	3.2
Total Expenditure	31.8	33.5	34.8	35.3
Current Spending	27.9	28.7	28.8	29.3
o/w Wages	7.5	8.4	9.0	8.9
Social Spending	10.7	11.2	11.0	11.5
Goods & Services	5.4	4.9	4.4	4.6
Interest Payments	1.3	1.2	1.3	1.3
Subsidies	0.9	0.8	0.8	0.8
Capital Expend.	3.9	4.8	6.0	6.0
Fiscal Balance	-2.4	-2.9	-3.0	-4.0
Primary Balance	-1.1	-1.7	-1.7	-2.7

Fiscal Balance (% of GDP)



	5 Feb.	3-M F	6-M F	12-M F
1-m ROBOR (%)	1.5	2.4	2.6	2.8
RON/EUR	4.64	4.63	4.62	4.60
Sov. Spread (2024, bps)	90	95	100	110

	5 Feb.	1-W %	YTD %	2-Y %
BET-BK	1,747	-3.0	5.8	39.7

	2015	2016	2017E	2018F	2019F
Real GDP Growth (%)	3.9	4.8	6.8	4.8	3.8
Inflation (eop, %)	-0.9	-0.5	3.5	3.9	3.4
Cur. Acct. Bal. (% GDP)	-1.2	-2.1	-3.6	-4.4	-4.7
Fiscal Bal. (% GDP)	-1.5	-2.4	-2.9	-4.0	-4.5

The budget deficit widened to 2.9% of GDP in FY:17 from 2.4% in FY:16, due to tax cuts and a looser incomes policy. The main driver was current spending, which accelerated markedly in FY:17 (up 0.8 pps of GDP y-o-y), due to a looser incomes policy (incl. wage hikes of up to 20% in some public sub-sectors and a 14.8% rise in pensions). At the same time, tax revenue declined (down 0.3 pps of GDP y-o-y in FY:17), reflecting tax cuts (the VAT rate was reduced by 1 pp to 19% and the special excise duty on fuels was abolished during 9M:17 -- but reinstated in October). The decline in tax revenue would have been larger had revenue from social security contributions (SCCs) not risen sharply in FY:17 (up 0.7 pps of GDP y-o-y), mainly on the back of higher employment and nominal wages. Note that non-tax revenue strengthened significantly in FY:17, mainly due to higher grants from the EU (up 1.1 pp of GDP y-o-y). The bulk of the latter was spent on higher public investment (up 0.9 pps of GDP y-o-y). Importantly, the implied FY:17 fiscal impulse is very large (1.1 pp of GDP).

The FY:18 budget deficit could reach excessive levels, due to a further easing in incomes policy and a tax overhaul. The FY:18 budget envisages a neutral stance, targeting a deficit of 3.0% of GDP. Without additional measures, we believe this budget target is not attainable.

Indeed, current spending is projected to rise sharply in FY:18 due to a looser incomes policy. The latter includes a 25% hike in public sector wages in January, with the education and healthcare sectors receiving a further 20% raise in March. The budgetary impact of the wage hikes will be curtailed significantly, however, by an increase in SCCs of employees by 18.5 pps (and a reduction of that for employers by 20.5 pps). Recall that, until end-2017, SCCs (amounting to 39.25%) were jointly paid by employers (22.75%) and employees (16.5%). Other incomes policy measures include raising pensions by 10% in July. We are comfortable with the FY:18 budget projection for the public wage bill (up 0.6 pps of GDP against the FY:17 outcome); nevertheless, we believe the projection for social spending is unrealistic (down 0.2 pps of GDP). At the same time, the authorities will find it difficult to implement the planned large cut in public consumption (down 0.5 pps of GDP against its FY:17 outcome). Overall, we see current spending falling short of its FY:18 budget target by 0.5 pps of GDP and surpassing its FY:17 outcome by 0.6 pps of GDP.

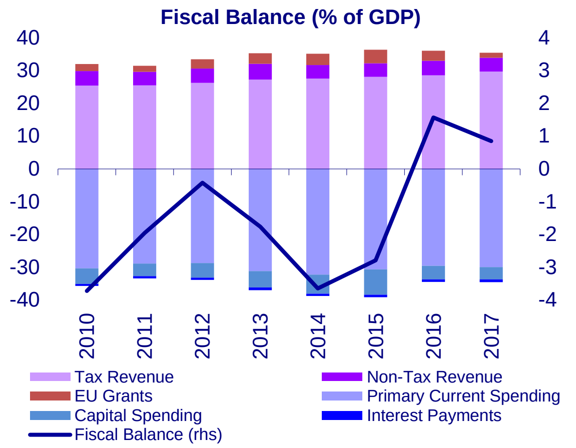
On the other side of the budget, a fresh series of tax cuts is set to keep tax revenue under pressure in FY:18. These include a 6 pp cut in the PIT rate to 10% and a 2 pp cut in SCCs to 37.25%. Moreover, the FY:18 budget is based on highly optimistic macroeconomic assumptions (i.e. employment and real wages up 4.2% and 7.5%, respectively, against our forecasts of 2.0% and 4.0%), making its projections difficult to reach (especially that on revenue from SCCs). The authorities appear to have also overestimated the impact of the measures taken to improve VAT collection (incl. a split-payment mechanism, assumed to yield 0.4 pps of GDP). As a result, we see tax revenue underperforming its FY:18 budget target by 0.5 pps of GDP and remaining unchanged with respect to its FY:17 outcome.

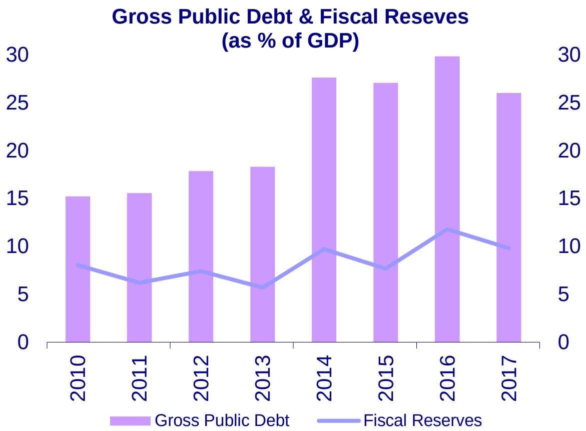
Overall, unless corrective measures are adopted and/or the public investment programme is under-executed, we see the FY:18 budget deficit at 4.0% of GDP, surpassing both its target and the EU threshold of 3.0% and providing a sizeable fiscal impulse of 1.3 pps of GDP. The latterwill complicate policy, in view of the overheating of the economy, thus necessitating significant monetary policy tightening. In fact, our "Taylor rule" estimates suggest that the policy rate must be raised to 4.5% from 2.25% currently.

Bulgaria

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

Consolidated Budget (% of GDP)	2016 Outcome	2017 Outcome	2018 Draft Budget	2018 NBG Forecast
Total Revenue	36.1	35.4	36.0	37.0
Tax Revenue	28.6	29.7	29.3	30.3
Non-Tax Rev.	4.4	4.2	4.4	4.4
Grants	3.1	1.5	2.2	2.2
Total Expenditure	34.5	34.5	37.0	37.5
Current Spending	30.4	30.8	31.2	31.7
o/w Wages	7.6	7.9	7.8	8.3
Goods & Services	4.0	4.0	4.4	4.4
Subsidies	1.7	2.0	2.0	2.0
Social Spending	15.4	15.2	15.3	15.3
Interest Payments	0.8	0.8	0.7	0.7
Capital Expend.	4.1	3.7	5.8	5.8
Contr. to the EU	0.9	0.9	1.1	1.1
Fiscal Balance	1.6	0.8	-1.0	-0.5





	5 Feb.	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)	33	35	38	40

	5 Feb.	1-W %	YTD %	2-Y %
SOFIX	716	0.9	5.7	59.1

	2015	2016	2017E	2018F	2019F
Real GDP Growth (%)	3.6	3.9	3.8	3.6	3.2
Inflation (eop, %)	-0.4	0.1	2.6	2.8	3.0
Cur. Acct. Bal. (% GDP)	0.0	5.3	4.5	3.2	2.0
Fiscal Bal. (% GDP)	-2.8	1.6	0.8	-0.5	-0.3

Lower grants from the EU and (to a lesser extent) higher current spending pushed down the budget surplus to 0.8% of GDP in FY:17 from 1.6% in FY:16, which is far better than the deficit target of 1.4%. Budget revenue declined in FY:17 (down 0.7 pps of GDP y-o-y), on the back of lower grants from the EU (down 1.6 pps of GDP y-o-y, mainly due to a negative base effect from the substantial reimbursements received in early-2016 for projects financed under the previous EU programming period). However, the latter was partly offset by the overperformance in tax revenue (up 1.1 pp of GDP y-o-y in FY:17 against a decline of 0.5 pps projected in the budget), following the implementation of revenue-enhancing measures (incl. a hike in the excise duty on tobacco and a 1 pp rise in social security contributions for pensions) and exceptionally strong employment (up 4.1% y-o-y in 9M:17) and wage figures (up 9.8% y-o-y in nominal terms in 9M:17). On the other hand, current spending rose in FY:17 (up 0.4 pps of GDP y-o-y), due to higher personnel expenses and subsidies.

Fiscal policy is set to become more expansionary in FY:18. The FY:18 budget deficit target has been set at 1.0% of GDP in FY:18, allowing for a significant fiscal relaxation. The main driver behind the envisaged fiscal deterioration is public investment, which is projected to rise sharply in FY:18 (to an optimistic 3-year high of 5.8% of GDP from 3.7% in FY:17). Indeed, several major construction projects, which had been cancelled by the caretaker Government in office in early-2017 on procedural grounds, are set to be revived in FY:18.

At the same time, the budget forecasts current spending to rise further in FY:18 (by 0.4 pps of GDP against the FY:17 outcome), due to higher public consumption, mainly spending related to defense. Worryingly, current spending is unlikely to remain within the budget allocation, in view of: i) targeted hikes in public sector wages (up 9.5% on average in the education and security and defense sectors) as well as the minimum wage (by 10.9% to BGN 510), and the social benefits to which they are linked; and ii) the increase in pensions (by 3.8% in July). However, the envisaged slippage in current spending should be more than offset by the overperformance in tax revenue. Indeed, with the FY:18 budget projections based on an underestimated FY:17 tax revenue (see above), and in view of the implementation of additional revenue-enhancing measures (incl. a new hike in the excise duty on tobacco and a 1 pp rise in social security contributions for pensions, yielding a total of 0.4% of GDP) and improving tax compliance, we expect tax revenue to be well ahead of the FY:18 budget.

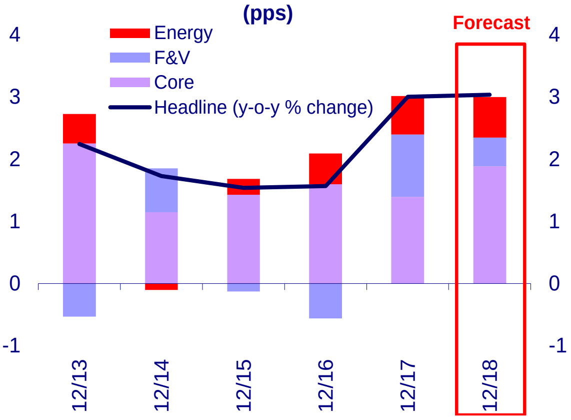
Overall, we see the fiscal balance turning into a deficit of 0.5% of GDP in FY:18 (assuming that the targeted 2pp of GDP increase in capital spending occurs) from a surplus of 0.8% in FY:17, overperforming, however, compared with its deficit target of 1.0% of GDP. The sizeable implied fiscal impulse (1.4 pps of GDP), if it were to occur, would help the Bulgarian economy maintain a solid pace of expansion (we see FY:18 real GDP growth at 3.8%, above its long-term potential rate for a 4th consecutive year).

Bulgaria's already low gross public debt is set to recede further in FY:18. Bulgaria's gross financing needs are estimated at BGN 1.9 bn (1.8% of GDP) in FY:18, including domestic debt repayments worth BGN 1.2bn. Note that the FY:18 budget law allows for new debt issuance worth up to BGN 1.0bn. The remaining financing needs are expected to be covered through depletion of fiscal reserves (currently standing at EUR 5.0bn or 9.8% of GDP). All said, gross public debt is projected to recede to c. 25.0% of GDP at end-2017 from 26.7% at end-2017, remaining among the lowest in the EU (where the average stands at c. 83% of GDP).

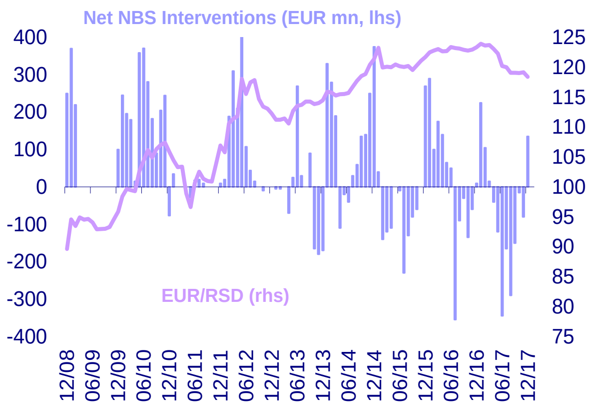
Serbia

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

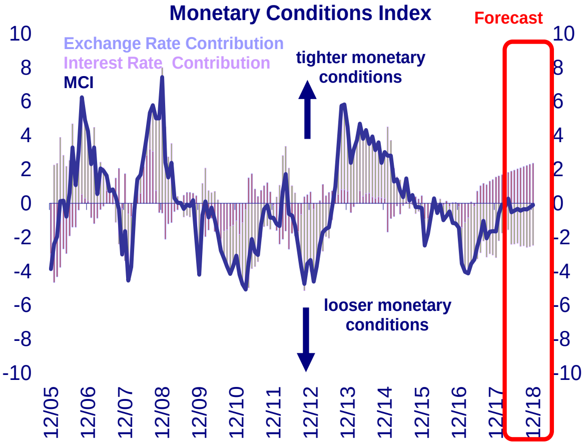
Contributions to Annual Headline CPI Inflation (pps)



NBS Interventions & Exchange Rate



Monetary Conditions Index



	5 Feb.	3-M F	6-M F	12-M F
1-m BELIBOR (%)	2.8	3.2	3.4	3.8
RSD/EUR	118.5	118.6	118.6	118.5
Sov. Spread (2021, bps)	117	118	119	120

	5 Feb.	1-W %	YTD %	2-Y %
BELEX-15	775	0.6	2.0	30.3

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

Inflationary pressures heightened in 2017, due to unfavourable food prices, but remained well anchored. End-year headline inflation rose to a 5-year high of 3.0% y-o-y in 2017 from 1.6% in 2016. Notably, inflation returned to within the NBS (new) target band (of 3±1.5%) in 2017, after persistently undershooting the NBS lower bound (for 4 successive years). Recall that the NBS lowered its inflation target range to 3 (±1.5%) in 2017 from 4 (±1.5%) during 2013-16, due to strengthened macroeconomic fundamentals (with reduced inflation, sizeable fiscal consolidation and narrowing external imbalances), as well as stronger NBS credibility.

Elevated inflationary pressures between end-2017 and end-2016 almost solely reflect the pick-up in fruit & vegetable prices from their end-2016 low (due to a bumper harvest in 2016), combined with adverse weather conditions in 2017 (an unusually cold winter, that was followed by months of protracted drought), contributing 1.0 pp to end-2017 inflation after subtracting 0.6 pps at end-2016.

Importantly, core inflation (that excludes prices of fruit & vegetables and energy, and accounts for 77.5% of the CPI basket) remained subdued, moderating slightly to a low of 1.8% y-o-y at end-2017 from 2.1% at end-2016. This occurred due to: i) stable non-energy regulated prices; ii) a stronger dinar (appreciating by 4.2% against the EUR at end-2017); and iii) still subdued demand-side pressures due to a markedly tight fiscal and monetary policy stance and a widening negative output gap (-0.6% in FY:17 from -0.2% in FY:16).

Inflation is set to end 2018 at 3.0%. Looking ahead, inflation is set to embark on a downward trend in early-2018, converging towards the lower bound of the NBS target band and reaching a trough of 1.3% y-o-y in April, mainly due to a normalization in volatile prices of fruit & vegetables following a weather-induced pick-up in early-2017. We expect inflation to rise gradually thereafter, solely due to the rebound in domestic demand, reaching a 3.0% y-o-y at end-2018 -- still well within its target band -- and unchanged from the end-2017 outcome.

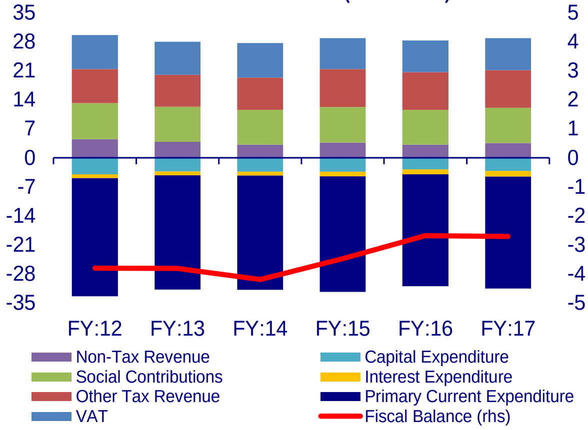
NBS to initiate a new cycle of monetary policy tightening in Q3:18. The NBS maintained its 2-week repo rate unchanged, for a 4th successive month, at its February meeting, at a record low of 3.5% (albeit still the highest in SEE-5), following two (unexpected) cuts in September and October by a cumulative 50 bps. Recall that the NBS proceeded with the two central rate cuts -- after a pause of more than a year -- due to low core inflation (see above), weaker-than-expected economic activity, and appreciation pressures on the RSD. The latter were prompted by the gradual return of confidence, and despite large NBS purchases (EUR 1.2bn between April and November -- equivalent to 11.8% of end-2016 FX reserves -- and EUR 0.7bn in FY:17). With the recent moves, cumulative cuts have been 825 bps since the initiation of the cycle of monetary policy easing in May 2013.

Going forward, in view of persistently low inflation in H1:18 (set to fluctuate close to the lower bound of the NBS target band), we expect the NBS to keep its policy rate on hold until June 2018, in a bid to dampen the ongoing appreciation pressures on the RSD, which are hindering the export-driven growth. Thereafter, monetary policy tightening is set to resume in H2:18, in view of mounting inflationary pressures. In fact, we expect the NBS to gradually increase the key policy rate, by a cumulative 75 bps in H2:18, to 4.25%. Despite the fact that the domestic currency is likely to appreciate further, our MCI (see chart) shows that our forecasts for policy rate hikes should maintain accommodative monetary conditions -- needed to boost economic growth, which has remained well below its long-term potential of 3.5% since the beginning of the global crisis of 2008.

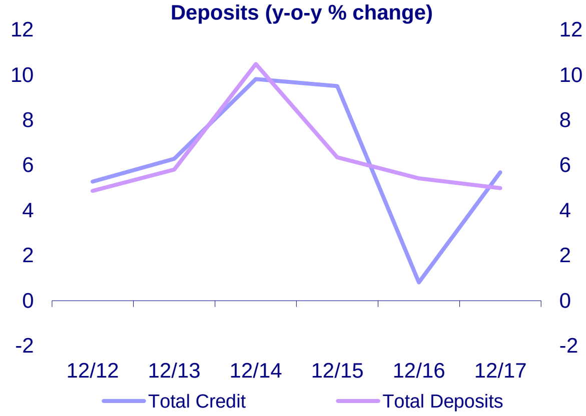
F.Y.R.O.M

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

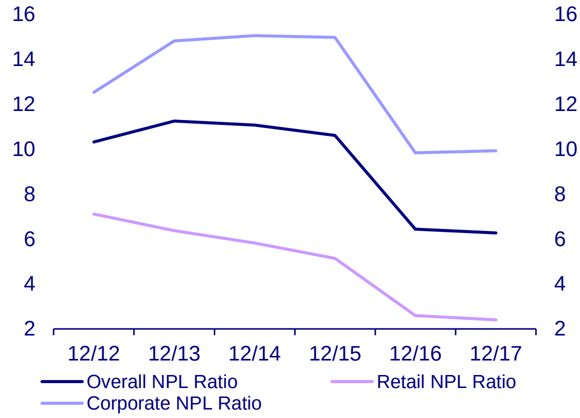
Fiscal Balance (% of GDP)



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



NPL Ratio (%)



	5 Feb.	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)	163	162	161	160

	5 Feb.	1-W %	YTD %	2-Y %
MBI 100	2,829	1.5	11.4	56.3

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

The 2017 Budget outperformed its target, coming in at 2.7% of GDP. The fiscal deficit stood at 2.7% of GDP in FY:17, below its target of 2.9% of GDP and unchanged compared with the FY:16 outcome. Indeed, a weaker-than-initially-expected revenue performance (up 6.1% y-o-y against a projected 9.1%), due to weaker-than-projected economic activity, reflecting the protracted political crisis, was more than offset by under-execution of expenditure (up 6.0% y-o-y against a projected 9.7%).

Importantly, the rise in revenue in FY:17 (up 0.6 pps of GDP) was broad-based, with an improved performance for both tax revenue and non-tax revenue, despite subdued economic activity. At the same time, the rise in expenditure (up 0.6 pps of GDP) was mainly driven by more generous social transfers and subsidies, partly reflecting the payment of accumulated arrears over the 5-month period between the December 2016 elections and the formation of the new Government in late-May.

An almost neutral target fiscal stance is achievable in FY:18 (2.8% of GDP). The FY:18 Budget targets a deficit of 2.8% of GDP -- 0.1 pp higher than the FY:17 outcome -- in an effort to return the general government debt-to-GDP ratio on a downward trajectory (from an estimated peak of 39.4% at end-2017). In our view, the challenges in attaining the FY:18 deficit target are the overestimated FY:17 revenue (29.9% of GDP against an outcome of 28.8%). In fact, in the absence of new tax measures (except an announced hike in excise taxes on fuel, expected to yield 0.3 pps of GDP), we see revenue increasing at a weaker-than-projected pace (by c. 6.0% against 7.7% compared with the FY:17 outcome, broadly in line with nominal GDP growth). Meeting the revenue shortfall would therefore require a downward revision in the expenditure growth target (by c. 1.3 pps to 6.4%), leading to savings of 0.5 pps of GDP. According to the IMF, public spending efficiency can be improved through a policy mix of "*subsidy rationalization and better targeting of social spending*", originating in new Government's pre-election programme and realised in this year's budget.

Credit activity picked up in FY:17, due to the return of political stability. Credit to the private sector accelerated sharply to a solid 5.7% y-o-y at end-2017 from 0.8% at end-2016, implying a softer credit impulse contraction (defined as the change in the flow of credit scaled by nominal GDP) of -0.6 pps compared with -1.9 pps in the previous year. The improved performance was driven by higher lending to both the retail and corporate segments (up 9.2% y-o-y and 2.6% y-o-y, respectively, from 7.1% and -4.0% at end-2016) and was supported by the gradual improvement in economic confidence since the formation of the new pro-reform coalition Government in late-May. Indeed, on a monthly basis, the pace of credit growth accelerated from a weak 0.1% m-o-m average in 5M:17 to 0.7% m-o-m average in 6-12M:17. The pick-up in lending activity was underpinned, *inter alia*, by the past years' clean-up of banks' balance sheets (the overall NPL ratio stood at a record low of 6.3% in December, down from a peak of 11.3% at end-2013).

Customer deposits maintained momentum in FY:17, supported by tighter labour market conditions. Customer deposits grew by a solid 5.0% y-o-y at end-2017, broadly similar to end-2016 (up 5.4%), exclusively on the back of elevated household deposits (up 6.1% y-o-y in December from 2.5% y-o-y at end-2016). The acceleration in retail deposits was underpinned by tighter labour market conditions and would have been even stronger had deposit remuneration rates not declined, reflecting adequate liquidity conditions.

Albania

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

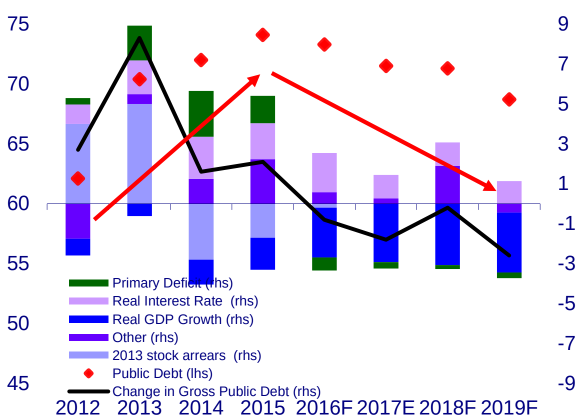
Consolidated Fiscal Balance (% of GDP)

	2016	11M:16	11M:17	2017 Revised Budget	NBG 2017F
Revenue	27.6	25.0	25.0	28.1	27.8
Tax Revenue	25.1	22.9	23.2	25.6	25.6
o/w VAT	8.9	8.1	8.1	9.0	9.0
Grants	1.0	0.7	0.5	0.9	0.9
Non-Tax Rev.	1.5	1.4	1.2	1.6	1.3
Expenditure	29.4	24.4	25.7	30.1	30.1
Current Exp.	25.0	21.5	22.0	24.8	25.3
o/w interest	2.5	2.3	1.9	2.4	2.0
Capital Exp.	4.0	2.7	3.3	4.7	4.4
Net Lending	0.4	0.2	0.4	0.3	0.3
Contingency	0.0	0.0	0.0	0.2	0.1
Fiscal Bal.	-1.8	0.6	-0.7	-2.0	-2.2
Primary Bal.	0.7	2.9	1.2	0.4	-0.3

Consolidated Fiscal Balance (% of GDP)

	2016	2017 Revised Budget	NBG 2017E	2018 Budget	NBG 2018F
Revenue	27.6	28.1	27.8	28.0	27.8
Tax Revenue	25.1	25.6	25.6	25.6	25.6
o/w VAT	8.9	9.0	9.0	9.1	9.1
Grants	1.0	0.9	0.9	0.9	0.9
Non-Tax Rev.	1.5	1.6	1.3	1.6	1.3
Expenditure	29.4	30.1	30.1	29.9	29.8
Current Exp.	25.0	24.8	25.3	24.6	25.2
Capital Exp.	4.0	4.7	4.4	5.2	4.6
Net Lending	0.4	0.3	0.3	0.0	0.0
Contingency	0.0	0.2	0.1	0.2	0.0
Fiscal Bal.	-1.8	-2.0	-2.2	-2.0	-2.0
Primary Bal.	0.7	0.4	-0.3	0.6	0.1

Contributions to Public Debt (pps of GDP)



	5 Feb.	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	1.6	2.2	2.2	2.2
ALL/EUR	133.2	132.0	131.3	130.0
Sov. Spread (bps)	164	168	172	180

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

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

The fiscal balance deteriorated by 1.3 pps of GDP in 11M:17, due to pre-election expenditure slippage. The cumulative fiscal balance turned into a deficit of 0.7% of GDP in 11M:17 from a surplus of 0.6% in 11M:16, due to higher expenditure (up 1.2 pps of GDP y-o-y).

Specifically, spending increased markedly (up 11.5% y-o-y in 11M:17, surpassing the FY:17 (revised) growth target of 8.3%). The slippage was driven by higher local government and capital expenditure (each up by 0.6 pps of GDP y-o-y), due to pre-election spending ahead of the June 25th legislative elections. Higher expenditure was also the result of an increase in net lending for energy (due to the rise in energy imports, following a prolonged drought that limited hydropower production), as well as higher expenses for property compensation related to the communist era (together up 0.3 pps of GDP). Note that the increase in spending would have been even stronger had interest payments not declined (down 0.4 pps of GDP y-o-y in 11M:17), due to the declining stock of public debt (see below).

On the other hand, revenue rose by a robust 6.0% y-o-y in 11M:17, similar to the same period a year ago, but below the FY:17 (revised) target of 7.7%. This occurred due to delays in non-tax collection. On a positive note, despite large VAT refunds, the tax revenue performance was strong, rising by 7.7% y-o-y in 11M:17 (up 0.3 pps of GDP y-o-y), broadly in line with the FY:17 (revised) target of 8.2%. Tax revenue was supported by the economic recovery, as well as revenue-enhancing measures, including once-off revenue (of 0.5 pps of GDP in FY:17), consisting of the collection of excise debt on diluent for oil extraction and higher income tax payments on the back of incentives for compliance (each yielding 0.2 pps of GDP, according to the IMF).

As a result, the 12-month rolling fiscal deficit widened to 3.0% of GDP in November from 1.8% at end-2016.

In view of the negative 11M:17 performance, the FY:17 deficit target of 2.0% of GDP is estimated to have been missed slightly (0.2 pps of GDP). We estimate that (mostly capital) spending was cut by 0.6 pps of GDP y-o-y in December (following an average monthly rise by 0.1 pp of GDP y-o-y in 11M:17). The sizeable expenditure restraint in December is realistic in view of the significantly front-loaded spending ahead of the end-H1:17 general elections and the commitment of the (recently re-elected) pro-reform Government to fiscal consolidation. Moroever, projecting an improvement in revenue in December (up 0.2 pps of GDP y-o-y after remaining flat in 11M:17), mainly supported by the delayed disbursement of grants, we estimate that the FY:17 revenue target to have been under-performed slightly (a small revenue shortfall of 0.2 pps of GDP in FY:17). Overall, we estimate the FY:17 deficit to have reached 2.2% of GDP -- slightly surpassing its target of 2.0% and implying a fiscal impulse of 0.6 pps of GDP.

Importantly, the public debt-to-GDP ratio is estimated to have remained on its downward trend, initiated in 2016. It narrowed by 1.8 pps to a 5-year low of 70.5% in 2017 following a decline by 0.8 pps in FY:16 and a cumulative rise of 14.7 pps of GDP in 2012-15 (see chart).

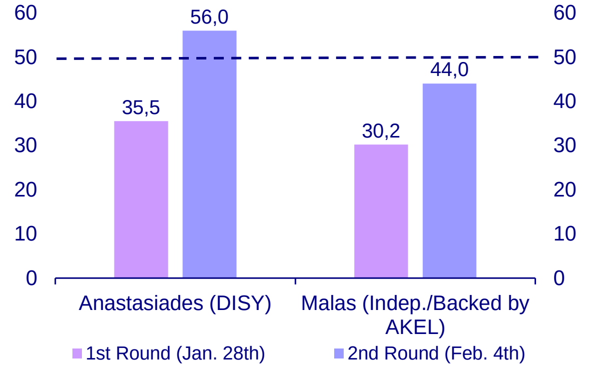
Fiscal prudence to be observed in 2018. The 2018 Budget envisages a tighter fiscal stance, targeting a deficit of 2.0% of GDP -- compared with our estimate of 2.2% for FY:17. In our view, the FY:18 deficit target of 2.0% of GDP should be attained without difficulty, as it is based on realistic macroeconomic assumptions (a GDP growth of 4.2% and an average inflation of 2.7%).

Importantly, the public debt-to-GDP ratio is set to narrow further, albeit at a slower pace, to c. 71.3% of GDP in FY:18.

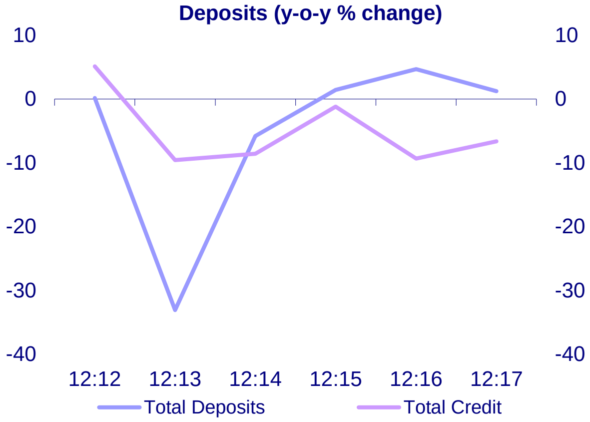
Cyprus

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

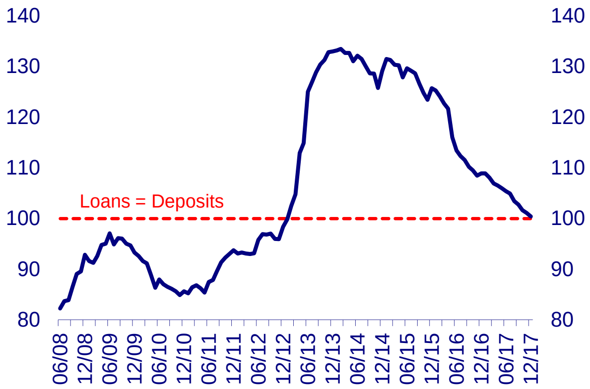
2018 Presidential Elections
Results of First and Second Rounds
(% of votes for the two main candidates)



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



Loans-to-Deposits Ratio (%)



	5 Feb.	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.37	-0.37	-0.37	-0.37
EUR/USD	1.24	1.22	1.25	1.30
Sov. Spread (2020. bps)	83	82	81	80

	5 Feb.	1-W %	YTD %	2-Y %
CSE Index	70	1.1	0.9	5.1

	2015	2016	2017E	2018F	2019F
Real GDP Growth (%)	2.0	3.0	3.7	3.4	3.2
Inflation (eop. %)	-1.0	-0.3	-0.6	0.8	1.2
Cur. Acct. Bal. (% GDP)	-1.5	-4.9	-3.8	-3.0	-3.2
Fiscal Bal. (% GDP)	-1.2	0.4	1.5	1.5	1.8

President N. Anastasiades secures a second term in office, receiving a strong mandate to resume reforms. As expected, N. Anastasiades, of the ruling conservative party (DISY), won an overwhelming majority (56.0%) in the run-off of the Presidential elections held on February 4th. He beat the independent candidate, S. Malas (44.0%), who was supported by the communist party (AKEL).

As the island operates a presidential political system -- the President appoints the Cabinet -- N. Anastasiades will appoint the new cabinet on February 28th. Not surprisingly, ahead of the cabinet reshuffle, Anastasiades reiterated his commitment to continue progress on structural reforms as well as the current macroeconomic and financial policies. The main challenges facing the new Government include: i) the maintenance of fiscal prudence and the reduction of public sector debt (estimated to have declined to 98.5% of GDP at end-2017 from 107.1% of GDP at end-2016 and a peak of 110.7% of GDP at end-H1:14); ii) a further reduction of unemployment (the unemployment rate stood at a post-crisis low of 11.3% in FY:17 and is expected to decline further to 10.3% in FY:18 and to single-digits by end-2019); and iii) a faster resolution of banks' high stocks of non-performing loans (standing at EUR 16.5bn or 87.2% of GDP or 33.9% of gross loans in September).

The slowdown in deleveraging continued in 2017, on the back of stronger credit to corporates. Credit to the private sector fell by 6.6% y-o-y in December against a larger decline of 9.3% at end-2016. As a result, the loan-to-GDP ratio declined to 224.4% at end-2017 from 250.5% at end-2016 and a peak of 314.3% at end-2012. The deceleration was exclusively driven by a weaker decline in lending to corporates (down 8.0% y-o-y at end-2017 against a larger drop of 14.4% at end-2016), reflecting banks' efforts to expand their loan books through new loan originations to corporates of a low credit risk profile (mostly in trade and tourism).

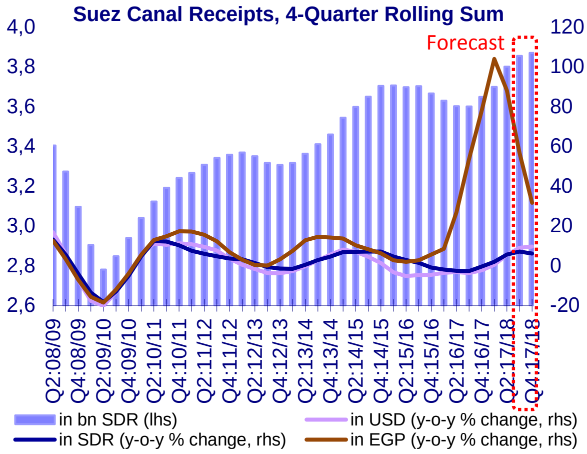
The rise in new loans to corporates was encouraged by: i) the island's bright economic outlook (GDP growth is estimated to have reached a post-crisis high of 3.7% in FY:17 and moderate to a still strong 3.4% this year -- well above its long-term potential of 2.0%); ii) more favourable interest rates (average interest rates on long-term corporates loans have declined by 41 bps y-o-y to 382 bps in FY:17); iii) improving liquidity conditions (see below); and iv) a gradual reduction in banks' non-performing exposures (NPEs down to 43.2% of gross loans in September, from 47.0% at end-2016 and a peak of 49.7% in May 2016).

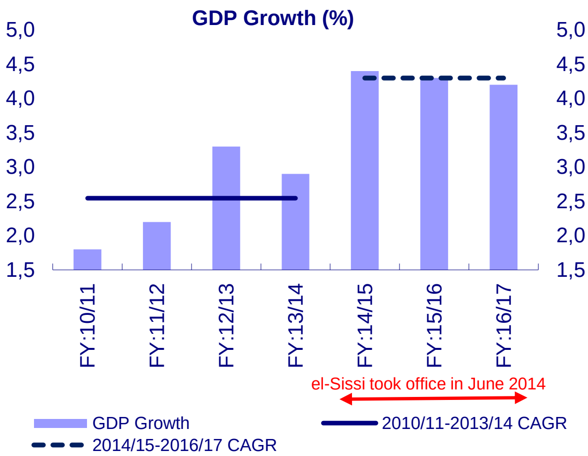
Strengthening customer deposits helped improve banks' liquidity in 2017, bringing the loan-to-deposit (L/D) ratio close to the 100% threshold. Customer deposits increased by 1.3% y-o-y in December, following solid growth of 4.7% at end-2016. The deceleration was mainly driven by non-residents (accounting for c. 22% of total deposits and down 9.5% y-o-y in December against 0.0% at end-2016) and, to a lesser extent, by Cypriot residents (up by a still robust 4.3% y-o-y at end-2017 against a rise of 6.1% in December).

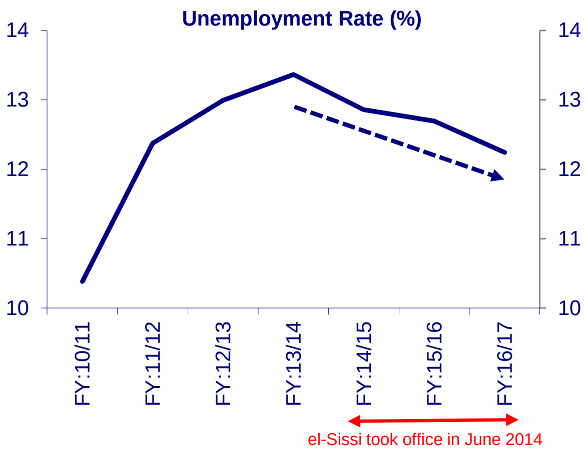
Importantly, reflecting developments in banks' loans and deposits, liquidity pressures eased further in FY:17, with the loan-to-deposit (L/D) ratio decreasing to 100.4% at end-2017 from 108.9% at end-2016 and a peak of 133.0% at end-2013 -- closer to its pre-crisis levels and the 100% threshold and comparing favourably with the EU-average (117.2% in September).

Egypt

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







	5 Feb.	3-M F	6-M F	12-M F
O/N Interbank Rate (%)	18.9	18.0	17.0	15.0
EGP/USD	17.6	17.8	18.0	18.0
Sov. Spread (2020. bps)	166	162	152	140

	5 Feb.	1-W %	YTD %	2-Y %
HERMES 100	1,488	-1.5	3.6	165.0

	14/15	15/16	16/17E	17/18F	18/19F
Real GDP Growth (%)	4.4	4.3	4.2	4.6	5.2
Inflation (eop. %)	11.4	14.0	29.8	13.5	9.8
Cur. Acct. Bal. (% GDP)	-3.7	-6.0	-6.6	-5.4	-4.4
Fiscal Bal. (% GDP)	-11.4	-12.5	-10.9	-9.5	-8.2

Outgoing President el-Sissi is widely expected to win the upcoming presidential elections in the first round. The National Elections Authority (NEA) announced on January 31st that the incumbent President, A.F. el-Sissi, and the chairman of the pro-government centrist Ghad party, M.M. Moussa, were the only candidates to have submitted the required papers and endorsements within the deadline. According to the Egyptian Constitution, as well as the presidential elections law, presidential hopefuls must secure the recommendation of at least 20 MPs or 25,000 citizens across 15 governorates to qualify as candidates. The NEA revealed that the incumbent President el-Sissi was endorsed by 549 MPs in the House of Representatives (c. 92% of the body) and 161,707 citizens from across the country, while the Ghad Party leader Moussa received endorsements from 20 MPs.

Note that, in recent weeks, several well-known public figures, who had announced their intention to run for president, ended their bids for various reasons. They include the former PM and leader of the Egyptian Patriotic Movement and 2012 presidential candidate, A. Shafik; the leftist human rights lawyer and 2012 presidential candidate, K. Ali; the chairman of the New Wafd Party, S. el-Badawi; the chairman of the Reform and Development Misruna Party, A.E. Sadat; the lawyer and MP, M. Mansour; and a former Army Chief of Staff, S.H. Anan.

In the absence of a serious challenger, outgoing President el-Sissi is widely expected to be reelected in the first round set to take place in the second half of March (on 26-28 March in Egypt, with expats voting at Egyptian embassies and consulates around the world from 16-18 March). He will be given credit for the ease in security concerns, the strengthened economic growth (CAGR of 4.3% in 2014/15-2016/17 against 2.5% in 2010/11-2013/14), and the decline in unemployment (down to 12.1% in 2016/17 from an all-time high of 13.4% in 2013/14).

SDR-denominated Suez Canal receipts (SCR) set to post positive growth for the first time in 3 years and reach a record high in 2017/18, on the back of a rebound in global trade. SCR continued to recover in Q2:17/18 (up 5.5% y-o-y, in SDR terms, compared with a rise of 1.9% in Q1:17/18, on a 4-quarter rolling basis, after having reached a 2-year low in Q3:16/17), on the back of the ongoing recovery in global trade. In fact, growth of world trade volume of goods & services is estimated to have rebounded to 4.2% in 2017, according to the latest IMF WEO Update -- January 2018. Importantly, the rebound in SCR in SDR terms solely reflects developments in (net) tonnage of ships crossing the Canal, as transit tolls have not been changed since May 2013.

Looking ahead, we expect SCR to improve further during the rest of the fiscal year (ending in June 2018), in view of the continued strength in global trade in 2018 (according to the latest IMF forecasts, the world trade volume of goods & services is set to maintain momentum, growing by 4.0% in 2018). We see SCR increasing by c. 6.0% to a record high of SDR 3.9bn in FY:17/18, following declines of 1.0% and 0.5%, respectively, in FY:15/16 and FY:16/17.

Importantly, due to currency valuation effects (the SDR is set to appreciate by c. 20% against the EGP in FY:17/18, according to consensus forecasts), SCR should post a stronger increase in EGP terms – c. 32.0%, to an all-time high of EGP 97.0bn. As a result, SCR should see its contribution to budget revenue stabilising in FY:17/18 at the previous fiscal year's level of 1.5 pps of GDP (through corporate income tax and dividends).

FOREIGN EXCHANGE MARKETS, FEBRUARY 5TH 2018

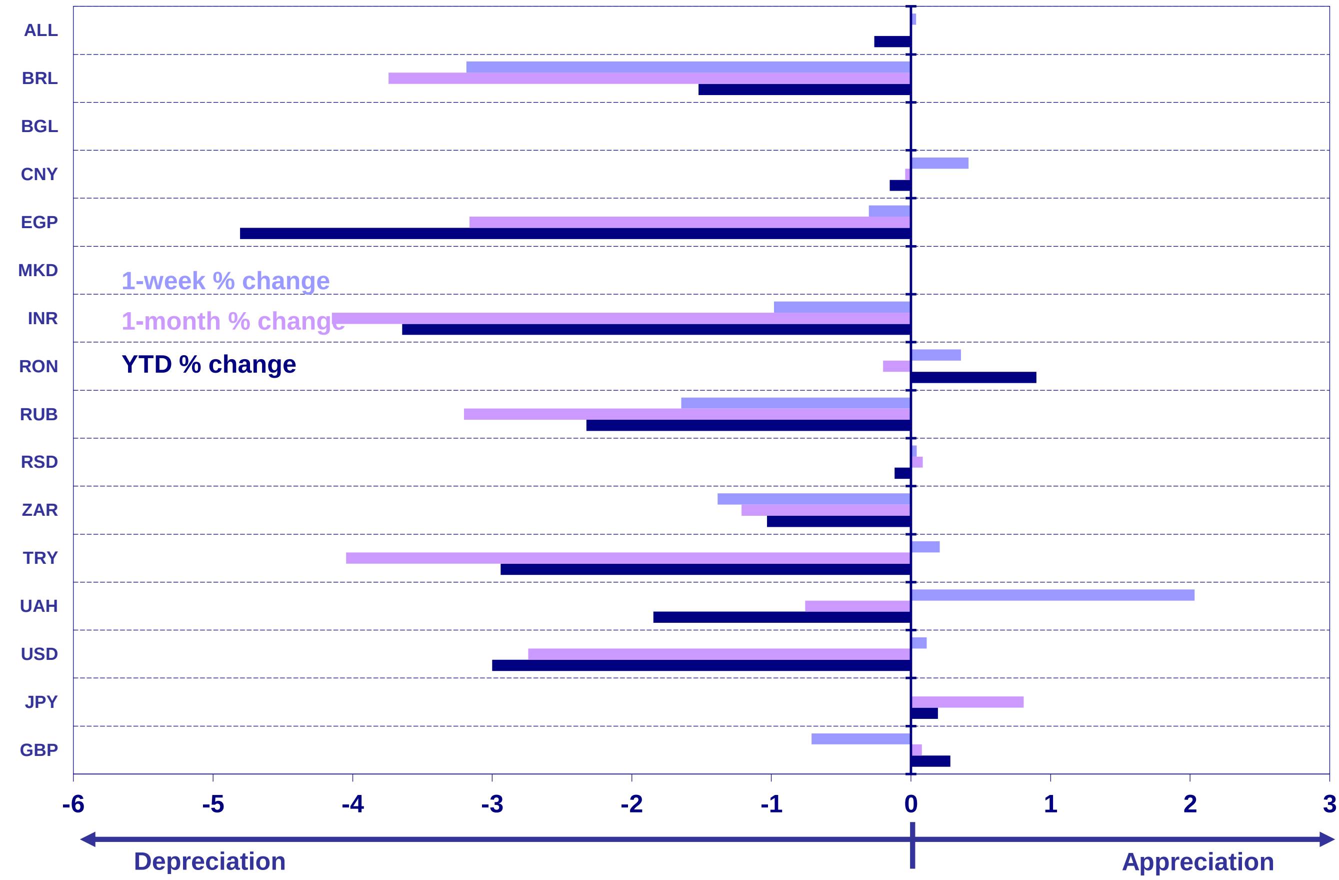
Against the EUR

	Currency	2018										2017	2016
		SPOT	1-week %change	1-month %change	YTD %change*	1-year %change	Year-Low	Year-High	3-month Forward rate**	6-month Forward rate**	12-month Forward rate**	% change*	% change*
Albania	ALL	133.2	0.0	0.0	-0.3	2.0	133.0	134.0	133.6	133.8	133.9	1.9	1.2
Brazil	BRL	4.03	-3.2	-3.7	-1.5	-17.0	3.85	4.06	4.32	4.31	4.32	-13.9	25.7
Bulgaria	BGL	1.96	0.0	0.0	0.0	0.0	1.96	1.96	1.96	1.96	1.96	0.0	0.0
China	CNY	7.81	0.4	0.0	-0.2	-5.8	7.77	7.92	8.21	8.20	8.20	-6.0	-4.0
Egypt	EGP	21.88	-0.3	-3.2	-4.8	-9.9	20.59	22.00	- - -	- - -	- - -	-9.4	-55.0
FYROM	MKD	61.3	0.0	0.0	0.0	0.0	61.3	61.3	61.3	61.3	61.3	0.0	0.0
India	INR	79.6	-1.0	-4.1	-3.6	-9.4	75.9	80.1	85.5	- - -	- - -	-6.7	0.4
Romania	RON	4.64	0.4	-0.2	0.9	-2.9	4.62	4.68	4.66	4.68	4.76	-3.0	-0.4
Russia	RUB	70.8	-1.6	-3.2	-2.3	-10.6	67.7	71.2	72.2	73.4	76.0	-6.8	22.9
Serbia	RSD	118.5	0.0	0.1	-0.1	4.4	118.1	119.1	118.9	119.3	- - -	4.2	-1.5
S. Africa	ZAR	15.0	-1.4	-1.2	-1.0	-4.8	14.67	15.16	15.3	15.6	16.2	-2.7	16.2
Turkey	YTL	4.69	0.2	-4.0	-2.9	-15.6	4.48	4.71	4.85	5.01	5.36	-18.4	-14.7
Ukraine	UAH	34.2	2.0	-0.8	-1.8	-14.7	33.49	36.11	40.5	- - -	- - -	-15.2	-8.6
US	USD	1.24	0.1	-2.7	-3.0	-13.1	1.2	1.3	1.25	1.25	1.27	-12.4	3.3
JAPAN	JPY	134.9	0.0	0.8	0.2	-11.0	133.1	137.5	135.2	135.3	135.4	-8.9	6.0
UK	GBP	0.89	-0.7	0.1	0.3	-2.7	0.9	0.9	0.89	0.89	0.90	-4.1	-13.5

* Appreciation (+) / Depreciation (-)

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

Currencies against the EUR (February 5th 2018)



MONEY MARKETS, FEBRUARY 5TH 2018

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
O/N	1.4	6.9	0.0	2.5	- - -	18.9	- - -	- - -	1.2	7.0	- - -	13.3	8.5	14.9	- - -	1.4
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	1.2	6.9	2.5	- - -	8.0	- - -	- - -	- - -
S/W	1.4	6.8	0.0	2.8	-0.4	- - -	1.2	- - -	- - -	6.7	2.5	- - -	7.9	15.7	-0.4	1.5
1-Month	1.6	6.7	0.0	4.1	-0.4	- - -	1.5	6.4	1.5	6.8	2.8	13.6	7.6	17.1	-0.4	1.6
2-Month	- - -	6.7	0.0	- - -	-0.3	- - -	- - -	- - -	- - -	8.5	3.0	13.8	7.4	- - -	-0.3	1.7
3-Month	2.2	6.6	0.0	4.7	-0.3	- - -	1.7	7.2	2.0	7.4	3.1	13.9	7.7	18.0	-0.3	1.8
6-Month	2.6	6.6	0.1	4.7	-0.3	- - -	2.0	- - -	2.3	7.5	3.2	14.4	7.4	- - -	-0.3	2.0
1-Year	3.2	7.0	0.7	4.7	-0.2	- - -	2.4	- - -	2.4	7.6	- - -	15.0	8.0	- - -	-0.2	2.3

LOCAL DEBT MARKETS, FEBRUARY 5TH 2018

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	1.5	- - -	- - -	- - -	- - -	17.7	- - -	6.4	- - -	7.0	3.3	12.3	- - -	- - -	-0.7	1.5
6-Month	2.0	- - -	- - -	- - -	- - -	17.2	1.5	6.5	1.8	7.0	3.3	12.7	- - -	- - -	-0.7	1.6
12-Month	2.7	- - -	-0.1	3.5	- - -	16.5	1.9	6.7	2.2	6.7	3.4	13.4	- - -	16.2	-0.6	1.9
2-Year	3.2	- - -	- - -	3.6	- - -	- - -	- - -	6.9	2.9	6.9	- - -	12.5	7.1	- - -	-0.6	2.1
3-Year	- - -	- - -	0.2	3.6	0.5	- - -	2.4	7.2	3.5	6.8	- - -	12.4	7.4	15.7	-0.4	2.3
5-Year	- - -	9.5	- - -	3.9	0.9	14.4	- - -	7.4	3.9	6.9	4.3	11.7	7.8	- - -	0.0	2.5
7-Year	- - -	- - -	0.4	- - -	- - -	14.4	- - -	7.7	4.4	7.0	- - -	- - -	- - -	- - -	0.3	2.7
10-Year	- - -	9.9	1.3	3.9	- - -	14.4	- - -	7.6	4.6	7.2	- - -	11.4	8.5	- - -	0.7	2.8
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	3.8	8.0	- - -	7.4	- - -	- - -	9.9	- - -	0.9	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	9.6	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	7.9	- - -	- - -	- - -	- - -	9.6	- - -	1.4	3.1

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

CORPORATE BONDS SUMMARY, FEBRUARY 5TH 2018

		Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Bulgaria	**Bulgaria Energy Hld 4.25% '18**	EUR	NA/NA	7/11/2018	500	2.2	281	251
	Bulgarian Telecom. 6.625% '18	EUR	B-/B1	15/11/2018	400	5.9	749	722
Russia	**Gazprom 8.2% '19**	RUB	BB+/NA	9/4/2019	10,000	7.7	99	- - -
	Gazprom 8.9% '21	RUB	BB+/NA	26/1/2021	10,000	8.8	201	- - -
South Africa	**FirstRand Bank Ltd 4.25% '20**	USD	BBB-/Baa2	30/4/2020	500	3.4	136	107
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	0.4	98	56
Turkey	**Vakiflar Bankasi 3.5% '19**	EUR	NA/Baa3	17/6/2019	500	1.6	211	185
	Garanti Bankasi 3.38%'19	EUR	NA/Baa3	8/7/2019	500	1.1	162	135
	Arcelik AS 3.875% '21	EUR	BB+/NA	16/9/2021	350	1.9	210	180
	Turkiye Is Bankasi 6% '22	USD	NA/Ba3	24/10/2022	1,000	5.8	338	323

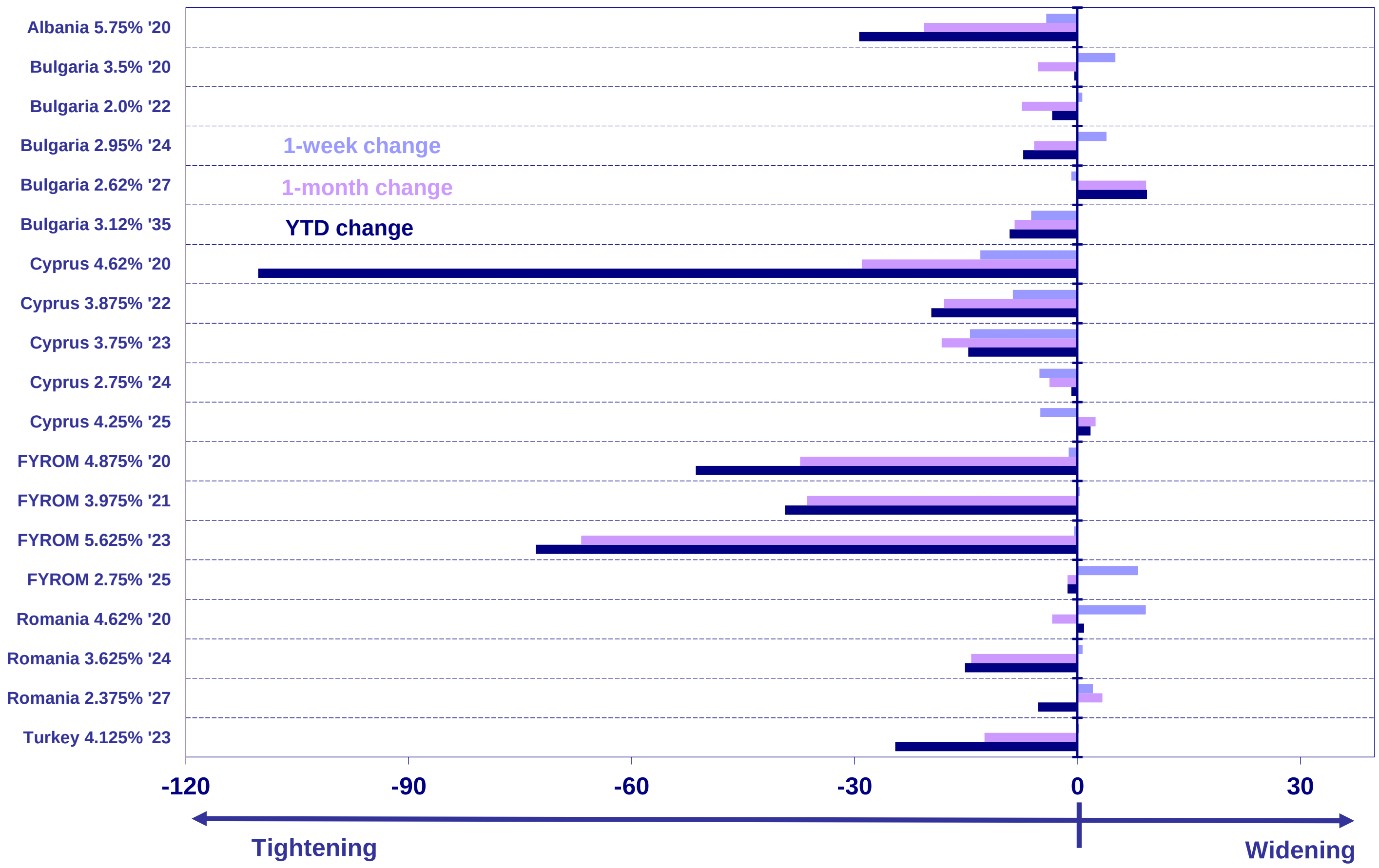
CREDIT DEFAULT SWAP SPREADS, FEBRUARY 5TH 2018

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	158	66	59	115	257	- - -	80	85	107	119	167	147	- - -
10-Year	- - -	245	110	98	162	310	- - -	89	130	178	155	256	241	- - -

EUR-Denominated Sovereign Eurobond Summary, February 5th 2018

	Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Albania 5.75% '20	EUR	B+/B1	12/11/2020	450	1.3	164	133
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	0.1	67	26
Bulgaria 2.0% '22	EUR	BBB-/Baa2	26/3/2022	1,250	0.2	33	-14
Bulgaria 2.95% '24	EUR	BBB-/Baa2	3/9/2024	1,493	0.8	54	13
Bulgaria 2.62% '27	EUR	BBB-/Baa2	26/3/2027	1,000	1.3	79	35
Bulgaria 3.12% '35	EUR	BBB-/Baa2	26/3/2035	900	2.3	121	87
Cyprus 4.62% '20	EUR	BB+/Ba3	3/2/2020	668	0.3	83	43
Cyprus 3.875% '22	EUR	NA/Ba3	6/5/2022	1,000	0.9	106	61
Cyprus 3.75% '23	EUR	NA/Ba3	26/7/2023	1,000	1.2	111	81
Cyprus 2.75% '24	EUR	NA/Ba3	27/6/2024	850	1.5	127	89
Cyprus 4.25% '25	EUR	NA/Ba3	4/11/2025	1,000	1.9	145	110
FYROM 4.875% '20	EUR	BB-/NA	1/12/2020	178	1.0	142	107
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	1.5	163	386
FYROM 5.625% '23	EUR	BB-/NA	26/7/2023	450	2.1	196	172
FYROM 2.75% '25	EUR	BB-/NA	18/1/2025	500	2.6	235	183
Romania 4.62% '20	EUR	BBB-/Baa3	18/9/2020	2,000	0.1	51	16
Romania 3.625% '24	EUR	BBB-/Baa3	24/4/2024	1,250	1.2	90	57
Romania 2.375% '27	EUR	BBB-/Baa3	19/4/2027	2,000	2.1	159	110
Turkey 4.125% '23	EUR	NR/Ba1	11/4/2023	1,000	2.4	226	197

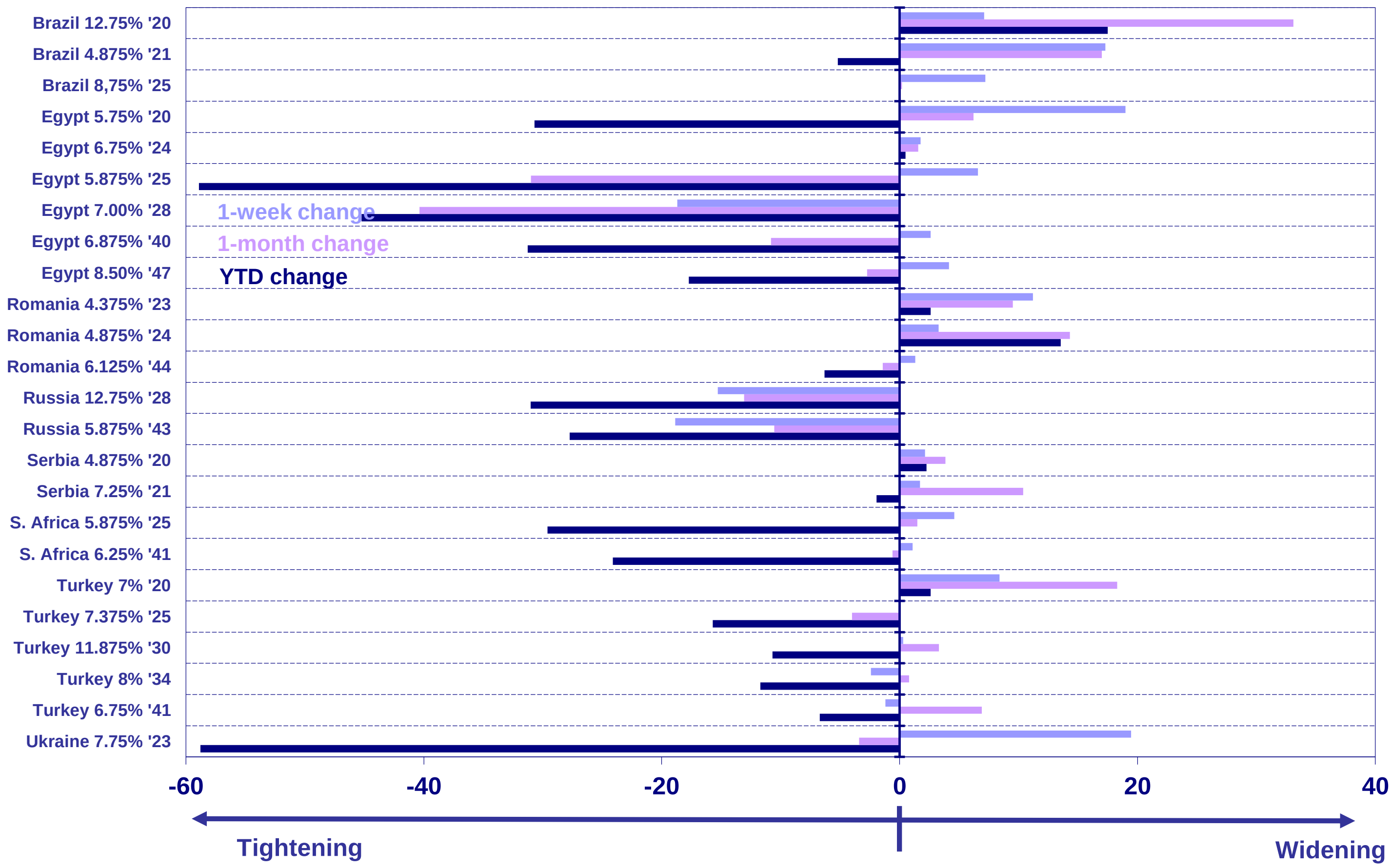
EUR-Denominated Eurobond Spreads (February 5th 2018)



USD-DENOMINATED SOVEREIGN EUROBOND SUMMARY, FEBRUARY 5TH 2018

	Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Brazil 12.75% '20	USD	BB-/NA	15/1/2020	87	87	2.3	14
Brazil 4.875% '21	USD	BB-/NA	22/1/2021	2,713	2,713	3.1	79
Brazil 8.75% '25	USD	BB-/NA	4/2/2025	688	688	4.2	151
Egypt 5.75% '20	USD	B-/B3	29/4/2020	1,000	1,000	3.7	166
Egypt 6.75% '24	USD	NA/B3	10/11/2024	1,500	1,320	6.0	334
Egypt 5.875% '25	USD	B-/B3	11/6/2025	500	1,500	5.4	282
Egypt 7.00% '28	USD	NA/B3	10/11/2028	1,000	1,320	6.1	323
Egypt 6.875% '40	USD	B-/B3	30/4/2040	1,500	500	6.8	376
Egypt 8.50% '47	USD	NA/B3	31/1/2047	500	2,500	7.4	433
Romania 4.375% '23	USD	BBB-/Baa3	22/8/2023	1,500	1,500	3.3	87
Romania 4.875% '24	USD	BBB-/Baa3	22/1/2024	1,000	1,000	3.4	87
Romania 6.125% '44	USD	BBB-/Baa3	22/1/2044	1,000	1,000	4.6	146
Russia 12.75% '28	USD	BB+/Ba1	24/6/2028	2,500	2,500	4.2	132
Russia 5.875% '43	USD	BB+/Ba1	16/9/2043	1,500	1,500	4.9	176
Serbia 4.875% '20	USD	BB-/B1	25/2/2020	1,500	1,500	3.3	118
Serbia 7.25% '21	USD	BB-/B1	28/9/2021	2,000	2,000	3.5	117
S. Africa 5.875% '25	USD	BBB-/Baa2	16/9/2025	2,000	2,000	4.6	189
S. Africa 6.25% '41	USD	BBB-/Baa2	8/3/2041	750	750	5.5	241
Turkey 7.00% '20	USD	NR/Ba1	5/6/2020	2,000	2,000	3.8	171
Turkey 7.375% '25	USD	NR/Ba1	5/2/2025	3,250	3,250	5.0	228
Turkey 11.875% '30	USD	NR/Ba1	15/1/2030	1,500	1,500	5.6	283
Turkey 8.00% '34	USD	NR/Ba1	14/2/2034	1,500	1,500	6.0	322
Turkey 6.75% '41	USD	NR/Ba1	14/1/2041	3,000	3,000	6.2	308
Ukraine 7.75% '23	USD	B-/Caa3	1/9/2023	1,355	1,355	6.2	364

USD-Denominated Eurobond Spreads (February 5th 2018)



STOCK MARKETS PERFORMANCE, FEBRUARY 5TH 2018

	2018								2017		2016	
	Local Currency Terms							EUR Terms	Local Currency Terms	EUR terms	Local Currency terms	EUR terms
	Level	1-week % change	1-month % change	YTD % change	1-year % change	Year-Low	Year-High	YTD % change	% change		% change	
Brazil (IBOV)	81,861	-3.3	3.5	7.1	27.9	76,403	86,213	5.0	26.9	9.5	38.9	76.2
Bulgaria (SOFIX)	716	0.9	3.4	5.7	18.1	677	721	5.7	15.5	15.5	27.2	27.2
China (SHCOMP)	3,487	-1.0	2.8	5.5	10.5	3,314	3,587	5.9	6.6	-0.3	-12.3	-15.3
Cyprus (CSE GI)	70	1.1	0.9	0.9	2.7	68	71	0.9	4.7	4.7	-2.0	-2.0
Egypt (HERMES)	1,488	-1.5	4.1	3.6	28.6	1,429	1,523	-0.7	32.0	18.7	72.7	-21.8
F.Y.R.O.M (MBI)	2,829	1.5	8.5	11.4	25.8	2,536	2,848	11.4	18.9	18.9	16.5	16.5
India (SENSEX)	34,757	-4.2	1.8	2.1	22.2	28,102	36,444	-1.5	27.9	19.3	1.9	2.6
Romania (BET-BK)	1,747	-3.0	3.3	5.8	21.1	1,675	1,802	6.8	22.8	19.1	0.2	0.0
Russia (RTS)	4,371	-0.3	0.8	6.0	-11.9	4,128	4,511	3.6	-16.2	-21.9	24.2	54.3
Serbia (BELEX-15)	775	0.6	2.9	2.0	10.7	743	785	1.9	5.9	10.3	11.4	9.7
South Africa (FTSE/JSE)	57,114	-6.1	-4.4	-4.0	9.5	57,047	61,777	-5.0	17.5	14.3	-0.1	16.1
Turkey (ISE 100)	116,853	-3.3	0.2	1.3	33.8	111,107	121,532	-1.7	47.6	20.5	8.9	-7.0
Ukraine (PFTS)	337	0.7	6.4	7.0	24.9	315	337	5.0	18.8	0.8	10.2	1.0
MSCI EMF	1,209	-4.6	0.7	4.4	31.0	1,158	1,279	1.3	34.3	17.7	8.6	12.2
MSCI EAFE	2,088	-3.9	-0.6	1.8	20.6	2,051	2,187	-1.3	21.8	6.7	-1.9	1.4
Greece (ASE-General)	854	-3.7	2.9	6.4	37.5	802	896	6.4	24.7	24.7	1.9	1.9
Germany (XETRA DAX)	12,687	-4.8	-4.7	-1.8	10.2	12,622	13,597	-1.8	12.5	12.5	11.6	11.6
UK (FTSE-100)	7,335	-4.4	-5.0	-4.6	2.3	7,335	7,793	-4.3	7.6	3.2	14.4	-1.0
USA (DJ INDUSTRIALS)	24,346	-7.9	-3.8	-1.5	21.4	20,003	26,617	-4.5	25.1	9.6	13.4	16.7
USA (S&P 500)	2,649	-7.2	-3.4	-0.9	15.5	2,682	2,873	-3.9	19.4	4.7	9.5	13.2

Equity Indices (February 5th 2018)