NATIONAL BANK OF GREECE

Economic Analysis Division
Emerging Markets Research

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NBG - Economic Analysis Division
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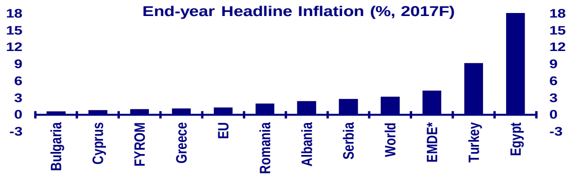
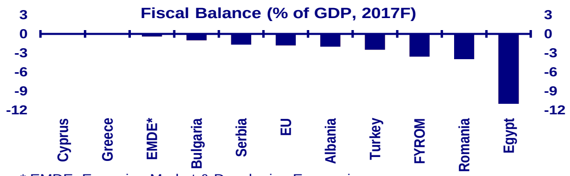
* EMDE: Emerging Market & Developing Economies





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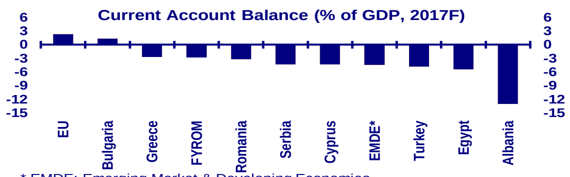
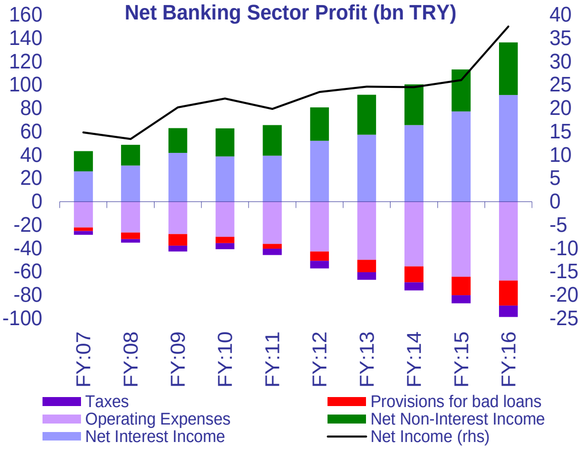
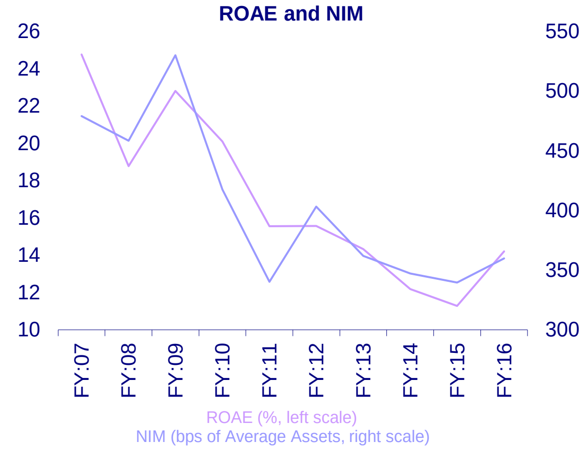


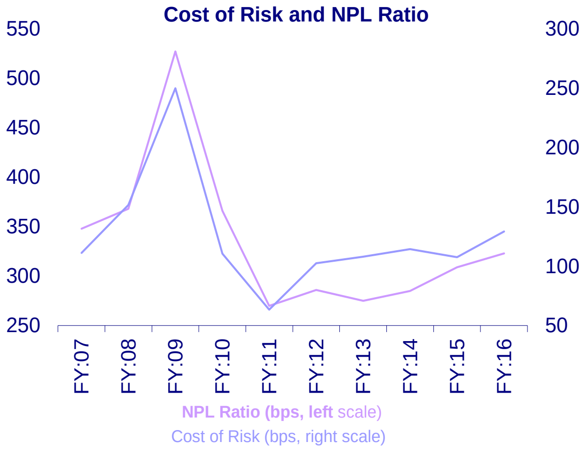
* EMDE: Emerging Market & Developing Economies

Turkey

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







	6 Feb.	3-M F	6-M F	12-M F
1-m TRIBOR (%)	11.3	10.8	10.0	9.5
TRY/EUR	3.95	4.10	3.90	3.70
Sov. Spread (2019, bps)	223	275	265	240

	6 Feb.	1-W %	YTD %	2-Y %
ISE 100	87,358	1.3	11.8	2.8

	2013	2014	2015	2016E	2017F
Real GDP Growth (%)	8.5	5.2	6.1	2.1	2.0
Inflation (eop, %)	7.4	8.2	8.8	8.5	9.2
Cur. Acct. Bal. (% GDP)	-6.7	-4.7	-3.8	-4.2	-4.8
Fiscal Bal. (% GDP)	-1.0	-1.1	-1.0	-1.1	-2.0

Banking sector bottom line posted a 7-year high in FY:16, despite strong headwinds. Banking sector net profit (after tax) rose sharply by 44.1%, to an all-time high of TRY 37.5bn in FY:16 (EUR 11.2bn or 1.4% of GDP), despite a sharp deterioration in the operating environment following the July 15th failed coup. Indeed, it is estimated that in FY:16: i) economic growth moderated markedly to a post-global crisis low of 2.1% (from 6.1% in FY:15); and ii) the unemployment rate rose to a 6-year high of 10.9% (from 10.3% in FY:15). Moreover, the domestic currency depreciated by c. 10.0% y-o-y, on average, against the USD in FY:16.

The improvement in the FY:16 bottom line was mainly driven by higher gains from core activities, lower losses from non-core business, and cost containment. As a result, ROAA and ROAE rose sharply to 3-year highs of 1.5% and 14.2%, respectively, in FY:16 from 1.1% and 11.3% FY:15.

Pre-provision earnings (before tax) rose sharply by 40.8% in FY:16, on the back of a significant rise in both net interest income (NII) and net non-interest income (NNII) as well as successful cost control. Net interest income (NII) rose by 18.1% in FY:16, due to a higher net interest margin (over average assets, up 20 bps y-o-y to 360 bps) and still strong average asset growth (up 11.5%). The improvement in the NIM reflects a wider loan-deposit interest rate spread linked to a lower overnight interbank market rate (down to 9.6% from 10.9% a year ago), as well as a larger contribution from CPI-linkers. The average CBRT effective funding rate remained flat at 8.4% in FY:16.

NNII rose at a faster pace than NII in FY:16 (up 25.5% to TRY 45.0bn), on the back of lower losses from securities and foreign currency trading (down 76.0%) and a sharp rise in income from sales of assets (up 108.8%), mostly stemming from the non-disclosed one-time gains from the shares in Visa Europe.

The strong performance of pre-provision earnings in FY:16 was also underpinned by cost containment (with operating expenses rising by a 7-year low of 5.0% y-o-y compared with average inflation of 7.8%), mainly the result of a lower headcount as well as a smaller number of bank branches (down 1.7% and 1.8%, respectively, to 213.0k and 12.0k), as well as lower general provisions (down 5.6%).

In view of an expected deterioration of loan book asset quality, banks set aside large NPL provisions in FY:16, bringing the coverage ratio to a more comfortable level. Despite a broadly unchanged NPL ratio (up 14 bps y-o-y to 3.2%), banks increased sharply their P/L specific provisions by a 4-year high of 36.1% in FY:16, in anticipation of a sharp deterioration in their loan portfolio in 2017 and beyond, when the impact of the economic downturn will become more visible. As a result, the NPL coverage ratio improved significantly, rising by 2.8 pps y-o-y to a 5-year high of 77.4%. With P/L specific provisions rising at a faster pace than gross loans in FY:16, the cost of risk rose by 22 bps y-o-y to a 7-year high of 129 bps.

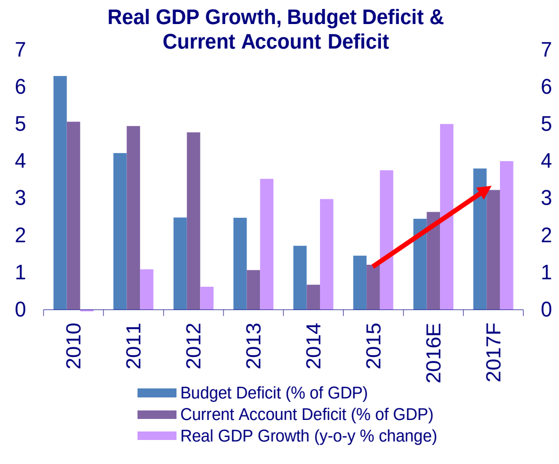
Overall, in 2016, within an adverse operating environment, profitability surprised on the upside (with ROAE rising by 2.9 pps y-o-y to 14.2%), asset quality stabilized (with the NPL ratio broadly unchanged at 3.2% and the provision coverage up 2.8 pps y-o-y to 77.4%), the capital base remained sound (with the capital adequacy ratio unchanged at 15.6% and well above the 12.0% statutory level), and liquidity pressures did not exacerbate (with the net loan-to-deposit ratio unchanged, albeit at an all-time high of 119.2%). However, the FX deposit base was inadequate to meet future FX funding needs (with the FX loan-to-deposit ratio rising to 99.5% at end-2016 from 90.5% a year earlier).

Romania

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

2016 Parliamentary Elections		Chamber of Deputies		Senate	
	Party	% of Vote	Seats	% of Vote	Seats
Ruling Coalition	PSD	45.5	154	45.7	67
	ALDE	5.6	20	6.0	9
	PNL	20.0	69	20.4	30
	USR	8.9	30	8.9	13
	UDMR	6.2	21	6.2	9
	PMP	5.4	18	5.7	8
	Minorities	1.3	17	- - -	- - -
	Other	7.3	0	7.0	0
Total		100	329	100	136

Consolidated Budget (% of GDP)	2015 Outcome	2016 Outcome	2017 NBG Forecast
Total Revenue	32.8	30.0	31.6
Tax Revenue	27.5	26.5	26.4
o/w PIT/CIT	5.7	5.8	5.9
VAT	8.0	6.9	6.8
Excise Duties	3.6	3.6	3.3
Soc. Sec. Contr.	8.1	8.2	8.4
Non-Tax Revenue	5.3	3.5	5.2
o/w EU Grants	2.4	1.0	2.8
Total Expenditure	34.2	32.4	35.4
Current Spending	28.1	28.4	29.0
o/w Wages	7.3	7.6	8.1
Social Spending	10.7	11.0	11.2
Goods & Services	5.7	5.5	5.2
Interest Paym.	1.3	1.3	1.3
Capital Expend.	6.1	4.0	6.4
Fiscal Balance	-1.5	-2.4	-3.8



	6 Feb.	3-M F	6-M F	12-M F
1-m ROBOR (%)	0.6	0.9	1.2	1.5
RON/EUR	4.50	4.48	4.49	4.50
Sov. Spread (2024, bps)	202	180	165	150

	6 Feb.	1-W %	YTD %	2-Y %
BET-BK	1,442	0.9	7.3	8.2

	2013	2014	2015	2016E	2017F
Real GDP Growth (%)	3.5	3.0	3.8	5.0	4.0
Inflation (eop, %)	1.6	0.8	-0.9	-0.5	2.0
Cur. Acct. Bal. (% GDP)	-1.1	-0.7	-1.2	-2.6	-3.2
Fiscal Bal. (% GDP)	-2.5	-1.7	-1.5	-2.4	-3.8

Government repeals controversial corruption bill, following mass protests and international rebuke, but uncertainty is set to persist. The bill, passed by the Government through an emergency decree, decriminalized corruption for damages less than RON 200k (or EUR 44.5k). According to the Minister of Justice, who subsequently resigned, the reform was aimed at easing overcrowding in prisons; however, opponents believe it would benefit PSD members convicted of corruption, including the leader of the party and the "real power" behind PM Grindeanu's Government, L. Dragnea, who is under probation for electoral fraud. Surprisingly, despite continuing protests and party disunity, following the resignation of the business and trade minister, the Government plans to introduce another version of the bill in Parliament, where it has a majority. All said, political uncertainty is unlikely to subside soon, affecting policy implementation and hurting investor confidence.

The consolidated budget deficit widened markedly by 0.9 pps to 2.4% of GDP in FY:16, but overperformed compared with its target of 2.8%. The main driver was tax revenue, which deteriorated in FY:16 (by 1.0 pp of GDP), on the back of VAT cuts (the VAT rate on food and non-food items was reduced by 4 pps to 20% and 15 pps to 9% in January 2016 and June 2015, respectively). Non-tax revenue also declined sharply in FY:16 (by 1.8 pps of GDP y-o-y), mainly due to lower grants from the EU (down 1.4 pps of GDP y-o-y), with the latter reflected in the drop in public investment (by 2.1 pps of GDP y-o-y). On the other side of the budget, current spending increased moderately in FY:16 (by 0.3 pps of GDP y-o-y), on the back of a looser incomes policy. Recall that, following a 10% hike in public sector wages at end-2015, targeted increases in wages in local government and some state institutions took place in January 2016. At the same time, pensions were raised by 5.0% and benefits were increased. Note that authorities proceeded with further targeted hikes in wages in the healthcare and education sectors, as well as in benefits in August and December 2016, the impact of which would most felt in FY:17.

The budget deficit is set to widen further in FY:17, fueled by tax cuts and a looser incomes policy, breaching the critical EU threshold of 3.0% of GDP. In our view, the new Government will struggle to keep the budget deficit below the threshold of 3.0% of GDP in FY:17. Indeed, tax revenue will be curtailed further in FY:17, due to a fresh series of tax cuts. These include: i) the reduction in the VAT rate by 1 pp to 19% from January 1st; ii) the elimination of the special excise duty on fuels and several small taxes; iii) the abolition of the tax on special constructions; iv) tax deductions for pensioners, implying a combined direct cost of c. 1.1% of GDP. At the same time, current spending is projected to increase, mainly on the back of a further easing in incomes policy. In fact, in addition to the impact of the targeted hikes in public sector wages at end-2016, the FY:17 budget will also bear the cost of a 20% rise in the minimum wage (to RON 1,450) and a 20% hike in wages in local administration in February as well as a 9.0% increase in pensions in July. The combined direct cost of these measures is estimated at c. 1.3% of GDP.

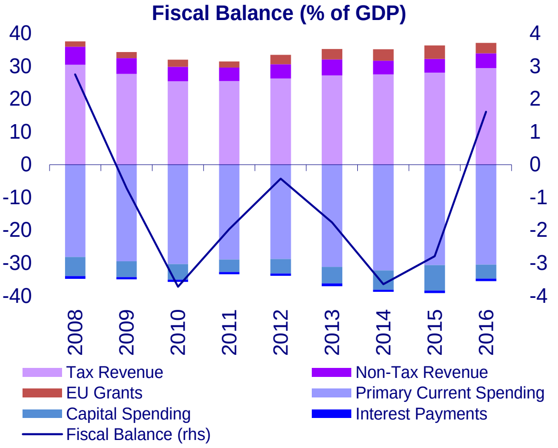
Overall, unless corrective fiscal measures are adopted and/or the public investment programme is under-executed, we see the FY:17 budget deficit widening to 3.8% of GDP, surpassing markedly both its target and the EU threshold of 3.0% and providing a fiscal impulse of 1.2 pps of GDP. The latter appears unnecessary, in view of the overheating of the economy (see chart). To this end, we expect the NBR to tighten its stance, raising its key rate by 225 bps to 4.0% by year-end.

Bulgaria

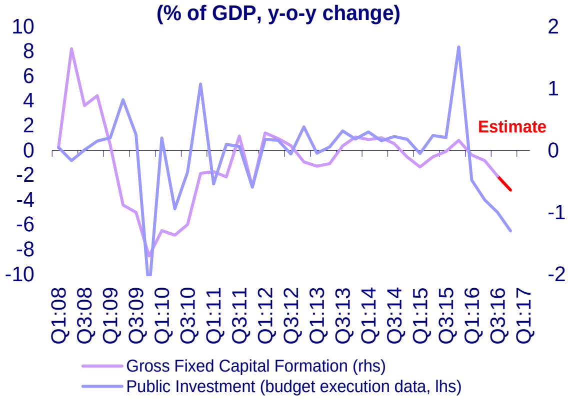
BB+ / Baa2 / BBB- (S&P / Moody's / Fitch)

Consolidated Budget (% of GDP)	2015 Outcome	2016 Outcome	2017 Budget	2017 NBG Forecast
Total Revenue	36.4	37.1	37.2	37.7
Tax Revenue	28.1	29.4	29.4	29.9
Non-Tax Rev.	4.2	4.5	5.0	5.0
Grants	4.1	3.2	2.8	2.8
Total Expenditure	39.2	35.5	38.6	38.7
Current Spending	31.5	31.3	32.1	32.2
o/w Wages	5.3	5.3	5.4	5.3
Soc. & Health Cont.	1.6	1.6	1.8	1.6
Goods & Services	5.1	5.0	5.4	5.4
Subsidies	1.9	1.8	1.8	1.8
Social Spending	15.7	15.8	15.7	15.9
Interest Payments	0.8	0.8	0.9	0.9
Capital Expend.	7.7	4.2	6.5	6.5
Fiscal Balance	-2.8	1.6	-1.4	-1.0

Fiscal Balance (% of GDP)



Gross Fixed Capital Formation & Public Investment (% of GDP, y-o-y change)



	6 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)	133	120	116	110

	6 Feb.	1-W %	YTD %	2-Y %
SOFIX	606	-0.5	3.4	21.2

	2013	2014	2015	2016E	2017F
Real GDP Growth (%)	0.9	1.3	3.6	3.4	3.7
Inflation (eop, %)	-1.6	-0.9	-0.4	0.1	0.6
Cur. Acct. Bal. (% GDP)	1.3	0.1	0.4	2.5	1.3
Fiscal Bal. (% GDP)	-1.8	-3.7	-2.8	1.6	-1.0

President appoints interim Government and sets elections for March. As expected, newly-appointed President R. Radev dissolved the Parliament and called early parliamentary elections for March 26th. Until then, O. Gerdzhikov, the former Parliament speaker, will serve as interim PM. Recall that a GERB-led coalition resigned last-November, following the defeat of its candidate in the Presidential elections. However, the risk remains that the March elections could lead to another fragmented parliament, failing to end the political stalemate. The latest opinion polls show the GERB party with a slim lead over the BSP party (32% to 29%), and far from securing an outright majority. Worryingly, a prolonged period of political uncertainty could lead to a deterioration in investor sentiment, constraining economic growth.

The FY:16 budget recorded a surplus of 1.6% of GDP, mainly due to lower capital spending. In FY:16, the fiscal balance improved by a sizeable 4.4 pps y-o-y to a surplus of 1.6% of GDP, markedly overperforming compared with its deficit target of 2.0% of GDP. Specifically, tax revenue increased sharply in FY:16 (by 1.3 pps of GDP y-o-y), reflecting the hike in the excise duty on tobacco and fuel, the rise in the presumptive insurance income threshold, as well as base effects from changes in the tax calendar. Non-tax revenue was also up in FY:16 (by 0.3 pps of GDP y-o-y), only partly offsetting the drop in grants from the EU (by 0.9 pps of GDP y-o-y). The latter was due to authorities forfeiting EU funding allocated for use during the 2007-13 programming period. At the same time, budget spending fell sharply (by 3.6 pps of GDP y-o-y in FY:16), but this was almost solely due to lower capital spending, which fell to a 5-year low of 4.2% of GDP.

Fiscal policy is set to become expansionary in FY:17. Recall that, in a bid to ensure fiscal stability ahead of the prolonged pre-election period, Parliament approved the FY:17 budget drafted by the outgoing Government, targeting a deficit of 1.4% of GDP.

Specifically, the budget forecasts current spending rising markedly in FY:17 (by 0.8 pps of GDP against the FY:16 outcome), due to higher public consumption (mainly spending related to defense) and the increasing financing needs of the healthcare system. Worryingly, current spending is unlikely to remain within the budget allocation, in view of the hike in pensions (by 2.4% in early-H2:17) and the minimum wage (by 9.5% to BGN 460 or EUR 230 in January), with the latter weighing on the cost of benefits. This slippage should be partly offset, however, by restraint in personnel expenses, which appear to be overestimated in the budget, considering that public sector wages and headcount are projected to remain broadly flat in FY:17.

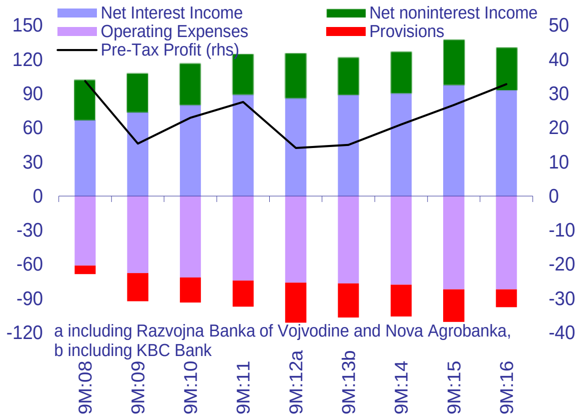
Importantly, tax revenue should overperform compared with its FY:17 budget target (unchanged compared with the FY:16 outcome), reflecting the introduction of revenue-enhancing measures and improving tax compliance. The former include a hike in excise duty on tobacco (expected to yield 0.2% of GDP) and a 1 pp increase in social security contributions for pensions (0.2% of GDP) in January.

All said, assuming no policy change from the Government that will emerge from the upcoming elections, we see the fiscal balance turning into a deficit of 1.0% of GDP in FY:17, implying a sizeable fiscal impulse of c. 2.6 pps of GDP. The latter should help the Bulgarian economy maintain a solid pace of expansion (we see FY:17 real GDP growth at 3.7%, above its long-term potential rate for a 3rd consecutive year). Note that the budget deficit could be smaller in the event the long-overdue concession of the Sofia and Plovdid airports (expected to yield 0.7% of GDP) is completed by year-end.

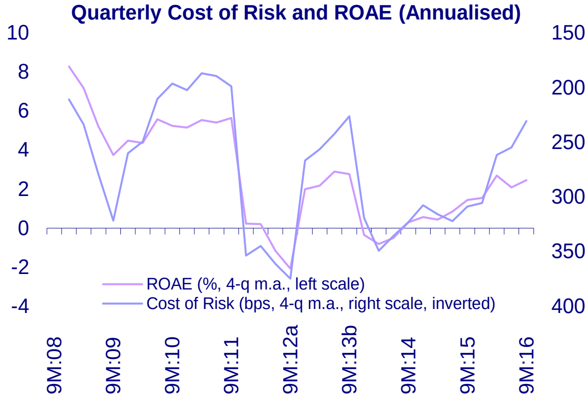
Serbia

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

9-Month Net Banking Sector Profit (bn RSD)

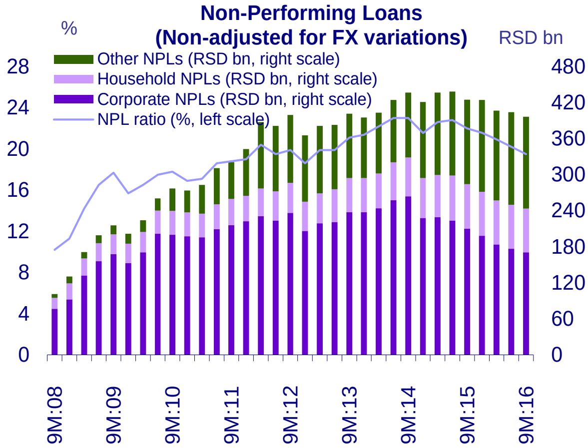


Quarterly Cost of Risk and ROAE (Annualised)



a including Razvojna Banka Vojvodine and Nova Agrobanka,
b including KBC Banka

Non-Performing Loans (Non-adjusted for FX variations)



	6 Feb.	3-M F	6-M F	12-M F
1-m BELIBOR (%)	3.3	3.4	3.5	3.8
RSD/EUR	123.8	124.3	124.7	125.0
Sov. Spread (2021, bps)	222	220	190	180

	6 Feb.	0.4	YTD %	2-Y %
BELEX-15	700	-1.6	-2.4	5.4

	2013	2014	2015	2016E	2017F
Real GDP Growth (%)	2.6	-1.8	0.8	2.8	3.0
Inflation (eop, %)	2.2	1.7	1.5	1.6	2.8
Cur. Acct. Bal. (% GDP)	-6.1	-6.0	-4.7	-4.1	-4.3
Fiscal Bal. (% GDP)	-5.5	-6.6	-3.7	-2.0	-1.7

The profitability of the banking system improved significantly in 9M:16, due to lower provisioning for problematic loans. Pre-tax profits in the banking sector rose by 23.0% y-o-y to 0.8% of GDP in 9M:16 (almost reaching its pre-crisis high in 9M:08), on the back of a sharp fall in provisioning, that outpaced the decline in the pre-provisioning income (PPI). As a result, cumulative (and annualised) ROAE and ROAA rose to highs of 6.9% and 1.4%, respectively, in 9M:16 from 5.6% and 1.2% in 9M:15, and 1.6% and 0.3% in FY:15.

The cost of risk fell sharply in 9M:16, reflecting improving asset quality. P/L provisions recorded a sharp decline in 9M:16 (almost half of their level in 9M:15), absorbing a mere ⅓ of net operating income in 9M:16 compared with a sizeable ½ in 9M:15. The decline in P/L provisions was in line with the decrease in the NPL ratio. In fact, reflecting lower formation, as well as write-offs, restructuring and sales, and supported by the rebound in credit, the NPL ratio declined by 2.5 pps y-o-y in Q3:16 to a 5-year low of 19.5% of total gross loans from a peak of 23.0% in Q3:14. Moreover, the provision coverage (according to IFRS standards) improved further to 65.4% in Q3:16 after having risen sharply to 62.3% in Q4:15 from 55.4% in Q1:15, on the back of large pre-emptive provisioning in Q4:15 (see below).

As a result, the (cumulative and annualised) cost of risk declined to 104 bps in 9M:16 -- almost half its level in 9M:15 -- from 306 bps in FY:15. The decline in banking sector provisions would have been sharper in 9M:16 had sizeable provisions in Serbia's second largest bank, the state-owned Komercijalna Banka, not taken place (amounting to almost ½ of total banking sector provisions in 9M:16), ahead of its privatisation, expected by end-2017. Furthermore, capital buffers remained high, with the CAR standing at 21.2% in 9M:16.

Pre-provision earnings deteriorated in 9M:16, mainly due to lower net interest income (NII). PPI declined by 12.4% y-o-y in 9M:16 -- the first decline since 9M:12 -- largely dragged down by a drop in NII. Indeed, NII (a sizeable 71.5% of gross operating income) fell by 4.6% y-o-y in 9M:16 -- following 3 years of increase -- as higher average interest earning assets (up 4.2% y-o-y in 9M:16) was more than offset by the compression in the NIM (down by 38 bps y-o-y to a low of 412 bps annualised in 9M:16, below the FY:15 outcome of 445 bps). The decline in the NIM is estimated to have been mainly driven by: i) the drop in the non-core NIM, in line with the fall in T-bill rates (with the 12-month T-bill rate declining by 3.4 pps y-o-y to a record low of 3.9% in 9M:16); and ii) the sharper increase in deposits (up by 12.2% y-o-y in 9M:16), at a faster pace than that of loans (up 5.9% y-o-y in 9M:16). On the other hand, operating expenses increased by just 0.2% y-o-y in 9M:16 (despite a 1.6% y-o-y increase in personnel costs).

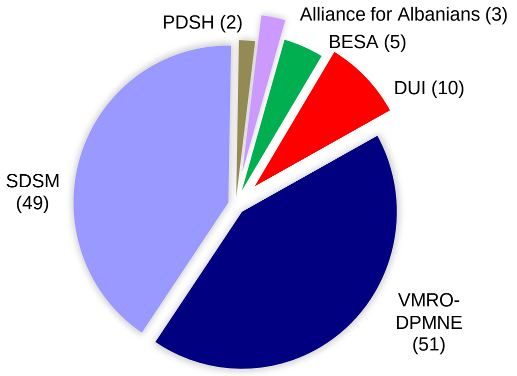
As a result, banking sector efficiency deteriorated, with the cost-to-income ratio rising by 3.2 pps y-o-y to a high 62.9% in 9M:16, slightly above the FY:15 outcome of 62.2%.

The banking sector bottom line is estimated to have continued to strengthen in Q4:16. Profitability is estimated to have improved on an annual basis in Q4:16, with the ROAE estimated to have reached 1.6% against -10.7% in Q4:15 (that reflected large pre-emptive provisions in Q4:15 in the aftermath of the asset quality Special Diagnostic Studies of banks' portfolios that prompted the reclassification of certain loans as NPLs). Lower provisioning in Q4:16 should also reflect the continued improvement in the NPL ratio, supported by the rebound in activity and the recent cleaning-up of the banking sector's balance sheet. Overall, we estimate ROAE to have reached an 8-year high of 5.5% in FY:16 -- above the FY:15 outcome of 1.6%, yet still below the pre-crisis high of 9.7% in FY:06.

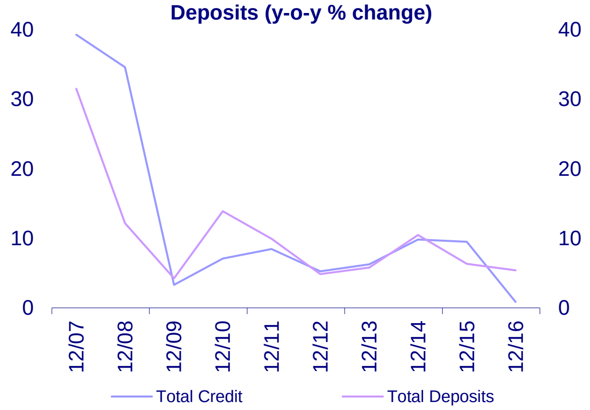
F.Y.R.O.M.

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

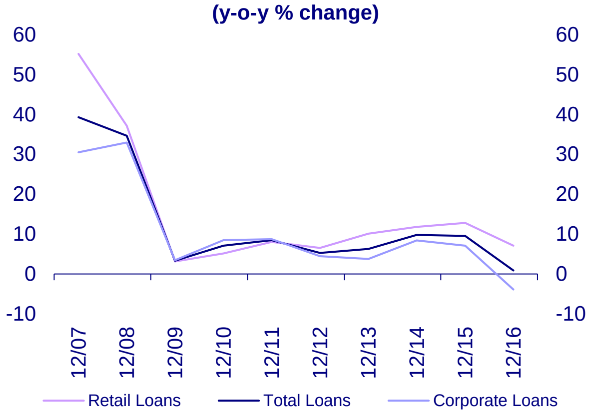
Results of December 2016 Elections (Number of Seats)



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



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



	6 Feb.	3-M F	6-M F	12-M F
1-m SKIBOR (%)	1.6	1.6	1.6	1.6
MKD/EUR	61.3	61.3	61.3	61.3
Sov. Spread (2021. bps)	415	475	450	350

	6 Feb.	1-W %	YTD %	2-Y %
MBI 100	2,249	0.2	5,3	21.3

	2013	2014	2015	2016E	2017F
Real GDP Growth (%)	2.7	3.5	3.7	2.4	3.6
Inflation (eop. %)	1.4	-0.5	-0.4	-0.2	1.0
Cur. Acct. Bal. (% GDP)	-1.6	-0.5	-2.1	-2.4	-2.8
Fiscal Bal. (% GDP)	-3.8	-4.2	-3.5	-3.6	-3.6

Domestic political impasse enters its third year. Contrary to expectations, the December general elections failed to resolve the 2-year political crisis. Indeed, the winner of the elections, the nationalist VMRO-DPMNE party (which gained 51 out of 120 seats in the new Parliament) failed to form a coalition government with the Albanian DUI party (10 seats) by the January 30th deadline. Unacceptable DUI conditions, in the context of a joint platform of the 4 Albanian parties in the new parliament, were behind the failure of the emergence of a government coalition. The Albanian platform requests, *inter alia*, the official use of the Albanian language across the country, a "*full economic parity through equal regional development*", and a debate on the change of the anthem, coat of arms and flag.

Political turbulence heightened further, when President Ivanov did not give the second largest party, SDSM (49 seats), an opportunity to form a government and announced that before entrusting to any other party such a mandate, he requires proof of a parliamentary majority (i.e. the support of 61 MPs). He added that the new Government should incorporate two key priorities: i) preserving the country's unitary character; and ii) introducing systemic security reform.

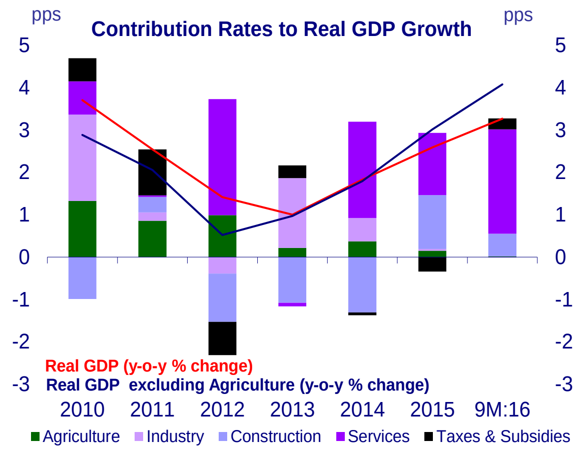
In view of the President's requests and the Albanian platform, the domestic political deadlock, which started in February 2015, is set to continue at least until new legislative elections take place -- likely in conjunction with the local elections in March.

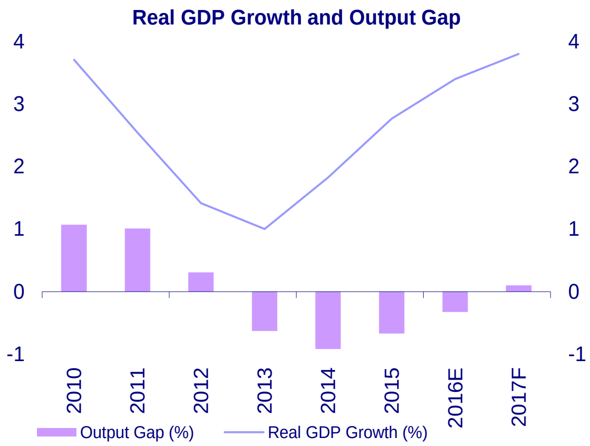
Customer deposit growth slowed to a 4-year low in 2016, driven by protracted political uncertainty. Customer deposit growth moderated slightly to a still strong 5.4% y-o-y in December 2016 from 6.4% at end-2015. The slowdown is exclusively due to retail deposits (accounting for c. 70% of total deposits and up 2.5% y-o-y compared with 4.1% at end-2015), reflecting prolonged domestic political uncertainty. On the other hand, growth in corporate deposits remained broadly unchanged from its 2015 pace (up 13.4% y-o-y in December compared with a rise of 13.0% at end-2015), reflecting solid export activity (exports rose by 10.8% y-o-y in EUR terms in 9M:16). Encouragingly, depositors' confidence in the banking system improved significantly in H2:16, after the main political parties signed an agreement in late summer to hold general elections in December, expected to put an end to 18 months of political impasse, which led to large deposit withdrawals in Q2:16 (3.6% of end-March deposit stock).

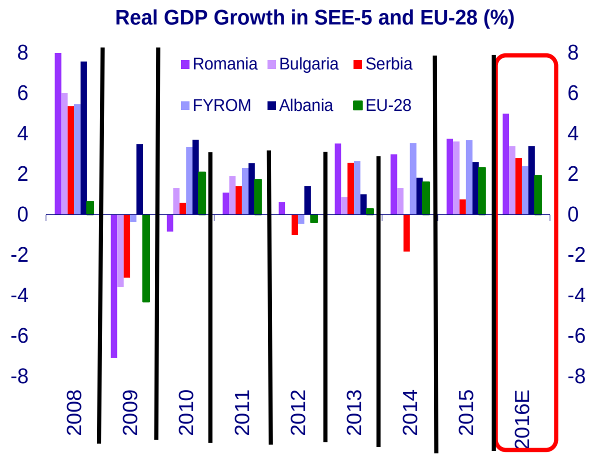
Credit to the private sector lost momentum in 2016, amid an adverse political environment. Credit to the private sector slowed sharply, up by 0.9% y-o-y in December, against an increase of 9.5% at end-2015. The deterioration is explained by both a weaker increase in lending activity to households (up 7.1% y-o-y in December compared with a rise of 12.8% at end-2015), and negative credit growth to corporates (down by 3.9% y-o-y) for the first time in 10 years. The poor credit performance reflects unfavourable demand-side and supply-side pressures. Indeed, loan demand has been adversely affected by deteriorating political and economic outlooks and the tightening of the monetary policy stance in early-May (the policy rate was hiked by 75 bps to 4.0%). On the other hand, banks held back credit in view of the anticipated slowdown in economic activity (real GDP growth eased to 2.7% in 9M:16 from 3.9% in FY:15 and is expected to reach 2.4% in FY:16). Credit tightening would have been sharper, had the quality of banks' loan portfolios not improved. Indeed, the NPL ratio declined to 6.5% in December from 10.6% at end-2015, following a central bank regulation, issued at end-2015, obliging banks to write off their fully-provisioned loans held in "loss" category for more than two years within H1:16.

Albania

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







	6 Feb.	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	1.8	2.2	2.2	2.2
ALL/EUR	135.9	138.5	138.7	138.0
Sov. Spread (bps)	343	340	320	300

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

	2013	2014	2015	2016E	2017F
Real GDP Growth (%)	1.0	1.8	2.6	3.4	3.8
Inflation (eop, %)	1.9	0.7	2.0	2.2	2.6
Cur. Acct. Bal. (% GDP)	-10.9	-12.9	-10.7	-12.4	-12.8
Fiscal Bal. (% GDP)	-5.0	-5.2	-3.6	-2.0	-2.0

An IMF mission reached a staff-level agreement with the authorities, permitting the completion of the combined last two reviews of the 3-year Extended-Fund Facility (EFF). Following its January 18-24th visit to Tirana, an IMF mission commended Albania's strong performance under the 3-year EUR 370.6mn EFF, expiring in February 2017. This is reflected in: i) the large fiscal adjustment that has put public debt on a downward trend; ii) the robust economic recovery, supported by large energy-related FDIs and the rebound in domestic demand; and iii) the good progress in implementing structural reforms. Nevertheless, the IMF underlined that maintaining political commitment to economic reforms is essential in order to boost confidence, investment and growth prospects. Main priorities also include continued efforts to expand revenue (through the strengthening of tax administration, the broadening of the tax base, and the introduction of a value-based property tax), ensure debt sustainability, and reduce NPLs. The approval of the combined 9th and 10th reviews, expected this month, will enable the disbursement of the last 2 tranches totalling EUR 72.44mn (0.6% of GDP). In view of the EFF's expiration, the IMF mission also discussed with the Albanian authorities policies under Post-Program Monitoring, that should provide an important reform drive ahead of the June 18th parliamentary elections.

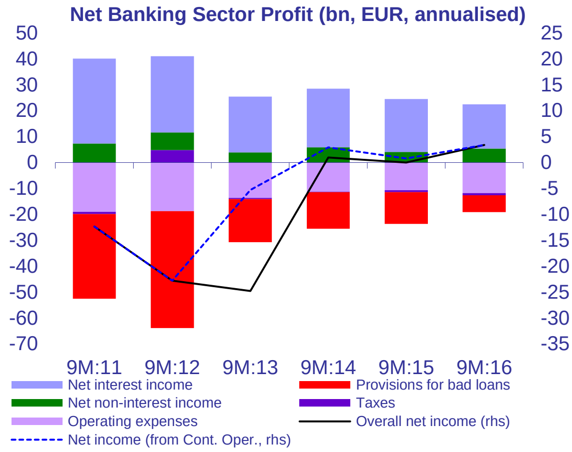
Economic growth accelerated to 3.3% y-o-y in 9M:16 from 2.6% in FY:15, despite strong external headwinds. The improvement reflects a rebound in private consumption. The latter accelerated to 2.3% y-o-y in 9M:16 from just 0.9% in FY:15 (recall that private consumption decelerated sharply in FY:15, reflecting the compulsory payment of electricity bills in H1:15, following the implementation of the power sector reform, and lower remittances from Greece in H2:15 due to the imposition of capital controls). The rebound in private consumption was also attributed to low inflation (just 1.1% y-o-y on average in 9M:16 against 1.9% in FY:15), as well as the continued improvement in the labour market (with the unemployment rate falling to 16.0% in 9M:16 from 17.5% in FY:15). Consumption was also boosted by higher tourism inflows (net receipts increased by 0.9 pps of GDP y-o-y in 9M:16, according to BoP data).

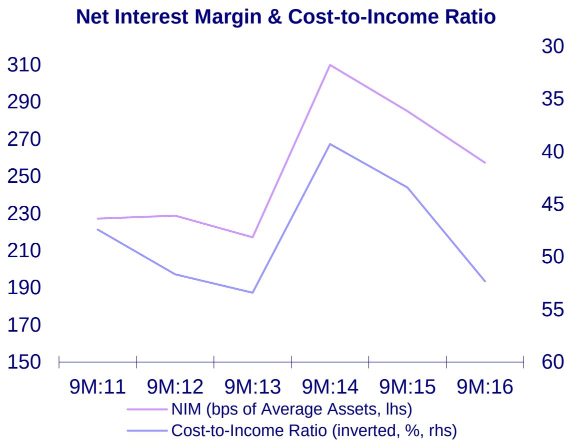
Economic growth is estimated to have reached a 6-year high of 3.4% in FY:16. Despite an adverse external environment, we estimate that economic activity strengthened further in Q4:16, expanding by 3.6% y-o-y against 1.7% y-o-y in Q4:15, bringing the FY:15 to a 6-year high of 3.4% -- the second highest FY:16 real GDP growth in SEE-5 (after Romania) -- from 2.6% in FY:15 and 1.8% in FY:14. Energy projects (the Trans-Adriatic natural gas pipeline and the two Statkraft/Devoll hydropower plants) and strong domestic demand in Q4:16 are estimated to have contributed to the acceleration.

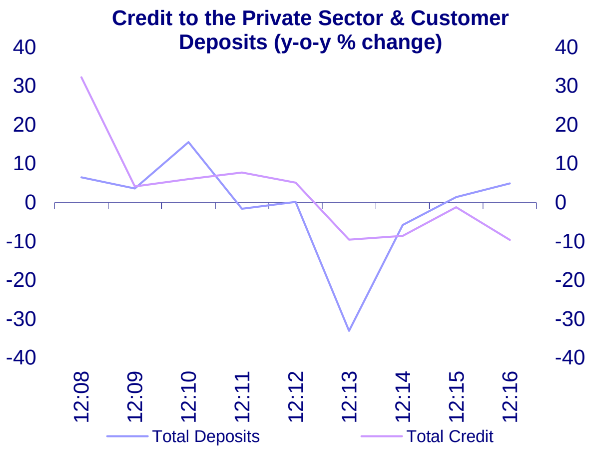
Growth is set to gather further pace in 2017, reaching 3.8%, underpinned, by *inter alia*, by the intensification in construction of the two major energy projects and the expected rebound in extraction industries (both due to recovering oil prices and the acquisition of the Canadian-based oil company, Bankers Petroleum, by China's Geo-Jade Petroleum Corporation at end-September 2016). Activity this year will also be supported by the rebound in credit, the recovery in activity in main trading partners, as well as improved confidence in the domestic economy, on the back of steady progress on structural reforms in view of the start of EU accession talks. Our projection assumes continued political stability and commitment to economic reforms after the formation of the new Government following the June general elections. Note that the output gap is set to turn marginally positive (0.1% this year) after remaining negative for 4 successive years (see chart).

Cyprus

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







	6 Feb.	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.37	-0.37	-0.37	-0.37
EUR/USD	1.07	1.07	1.06	1.06
Sov. Spread (2020. bps)	262	220	190	150

	6 Feb.	1-W %	YTD %	2-Y %
CSE Index	68	0.0	2.9	-10.6

	2013	2014	2015	2016E	2017F
Real GDP Growth (%)	-6.0	-1.5	1.7	2.8	2.4
Inflation (eop. %)	-2.3	-1.5	-1.0	-0.3	0.8
Cur. Acct. Bal. (% GDP)	-4.9	-4.3	-2.9	-2.0	-3.5
Fiscal Bal. (% GDP)	-4.7	-0.2	0.0	0.3	0.0

Banking sector bottom line reached a 6-year high in 9M:16. Net profit (after tax) rose to 1.4% of GDP in 9M:16 from broadly zero during the same period last year, driven by an improvement in both net income from discontinued operations (no losses in 9M:16 against losses of 0.3% of GDP in 9M:15, following the disposal of Russian assets of Bank of Cyprus and Hellenic Bank) and in net income from continued operations (up by 320% y-o-y). The increase in bank profitability from continued operations is attributed exclusively to lower provisioning (down by 47% y-o-y in 9M:16). As a result, (annualised) overall ROAE and ROAA stood at 4.8% and 0.5%, respectively, in 9M:16, up from -0.6% and 0% in 9M:15.

Pre-provision earnings (before tax) from continued operations declined significantly in 9M:16 on the back of weak core income and a once-off cost of voluntary retirement schemes. Pre-provision earnings (before tax) fell sharply in 9M:16 (down 23% y-o-y), reflecting lower net interest income (NII) -- down 16.1% y-o-y -- and higher operating expenses.

The negative performance of NII in 9M:16 was mainly driven by: i) a decline in average interest-earning assets (down c. 6.2% y-o-y), in line with the ongoing deleveraging (average interest-earning assets-to-GDP ratio declined to 350% in 9M:16 from 400% in FY:15 and 780% in FY:10); and ii) a weaker net interest margin (NIM, down 20 bps y-o-y to 260 bps), reflecting, *inter alia,* elevated loan restructurings, including tightening lending-deposit spreads in a more competitive interest rate environment. The deterioration in the NIM would have been sharper had banks' funding structure not improved on the back of a significant reduction in the expensive ELA funding (down by EUR 3.6bn y-o-y to EUR 1.3bn in 9M:16).

Moreover, operating expenses increased sharply (up 10.7% y-o-y in 9M:16 compared with decreases of 0.3% and 19.9%, respectively, in FY:15 and FY:14). The rise was exclusively driven by personnel expenditure (up 18.4% y-o-y in 9M:16), reflecting the effect of the once-off cost of the voluntary retirement schemes in Bank of Cyprus, Alpha Bank and the Cooperative central bank earlier in the year.

The deterioration in the top line would have been sharper had net non-interest income (NNII) not increased by 31.0% y-o-y in 9M:16, mainly on the back of non-disclosed one-time gains from the shares in Visa Europe. With operating expenses rising and top-line revenue declining, banking sector efficiency deteriorated, with the cost-to-income ratio rising by 9 pps y-o-y to 52.3% in 9M:16 -- still below the EU-average (63.0%).

P/L provisions fell sharply in 9M:16, more than compensating for the decline in pre-provision earnings. Banks reduced their P/L provisions by a sizeable 47% y-o-y in 9M:16, following a long period of overprovisioning, pushing down the (annualised) cost of risk by 98 bps y-o-y to 106 bps in 9M:16.

Customer deposit growth gained momentum in 2016. Customer deposit growth accelerated in 2016, reaching a 5-year high of 4.9% y-o-y in December (up c. EUR 2.0bn y-o-y or 10.9% of GDP y-o-y). The increase was driven by both Cypriot residents (accounting for 78% of total deposits, and up by 6.2% y-o-y at end-2016) and, to a lesser extent, by more volatile non-residents (up 0.7% y-o-y at end-2016, reversing 3 consecutive years of decline, following the bail-in of uninsured deposits of the island's two largest banks in early 2013). In fact, a slowdown in the pace of deposit growth from euro area countries (to 21.4% y-o-y in December from 37.9% at end-2015) was more than offset by a milder decline in customer deposit growth from third countries (to -7.0% y-o-y in December from -12.6% a year earlier).

Egypt

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

Fiscal Accounts (% of GDP)	2015/16 Outcome	5M: 2015/16 Outcome	5M: 2016/17 Outcome	2016/17 Budget	NBG 2016/17 Forecast
Revenue	17.6	5.8	5.1	20.7	20.1
Tax Revenue	12.2	4.1	3.6	13.8	13.2
Income Tax	4.7	1.3	1.1	4.8	4.8
Personal Income	1.6	0.5	0.5	1.6	1.6
Corporate Income	3.2	0.8	0.7	3.1	3.1
Property Taxes	1.0	0.4	0.4	1.1	1.1
Taxes on G. & S.	5.1	1.9	1.7	6.4	5.8
Taxes on Int. Trade	1.0	0.3	0.2	1.1	1.1
Other Taxes	0.4	0.2	0.1	0.5	0.5
Grants	0.2	0.1	0.0	0.1	0.1
Other Revenue	5.2	1.6	1.5	6.8	6.8
Expenditure	29.7	10.7	9.3	30.7	30.1
Wages & Salaries	7.6	3.1	2.5	6.7	6.7
Purch. of G. & S.	1.2	0.4	0.4	1.3	1.3
Interest Payments	8.7	3.5	3.3	9.2	9.2
Subsidies. grants & social benefits	7.2	2.2	1.7	7.2	7.2
Other Expenditure	4.9	1.7	1.4	6.4	5.8
Fiscal Balance	-12.1	-5.0	-4.2	-10.0	-10.0
Primary Balance	-3.4	-1.5	-0.9	-0.8	-0.8
Fiscal Balance *	-12.3	-5.1	-4.2	-10.1	-10.1
Primary Balance *	-3.6	-1.6	-0.9	-0.9	-0.9

*: Excluding grants

2016/17 Fiscal Measures* (% of GDP)	
Deficit reducing measures	3.9
Revenue	2.2
VAT	1.0
Tobacco and other excise duties	0.5
Other	0.7
Expenditure	1.8
Electricity subsidy	0.6
Fuel subsidy	0.6
Other	0.6
Deficit increasing measures	-1.0
Expenditure	-1.0
Health, education, and R&D	-0.3
Food subsidies	-0.2
Social safety nets and cash transfers	-0.5
Net impact of measures on deficit	2.9

* Measures show the difference between the programme values and baseline "zero policy change" estimates by the authorities.
Source: IMF

	6 Feb.	3-M F	6-M F	12-M F
O/N Interbank Rate (%)	15.3	17.0	17.0	16.5
EGP/USD	18.4	17.5	17.0	16.5
Sov. Spread (2020. bps)	336	350	300	240

	6 Feb.	1-W %	YTD %	2-Y %
HERMES 100	1,157	1.1	6.3	26.5

	13/14	14/15	15/16	16/17F	17/18F
Real GDP Growth (%)	2.2	4.2	3.8	4.0	4.8
Inflation (eop. %)	8.2	11.4	14.0	18.2	13.5
Cur. Acct. Bal. (% GDP)	-0.8	-3.7	-5.5	-5.2	-4.5
Fiscal Bal. (% GDP)	-12.2	-11.5	-12.1	-10.0	-8.3

The fiscal deficit narrowed significantly in the first five months of the fiscal year, mainly due to deferred payments and an under-execution of capital spending. The fiscal deficit declined by 0.8 pps y-o-y to 4.2% of GDP in 5M:16/17 (July-November 2016), as a drop in revenue (down 0.7 pps of GDP y-o-y) was more than compensated by a sharper fall in expenditure (down 1.5 pps of GDP y-o-y).

Specifically, the decline in expenditure was driven mainly by a lower wage bill, delayed capital expenditure, and deferred payments to Egypt's state buyer of subsidised basic commodities, GASC. The favourable wage bill was the result of the implementation of the new civil service law, which: i) increased the proportion of basic salaries to 80% of overall wages; ii) changed the basis on which bonuses and promotions are provided to performance rather than seniority; and iii) cut annual bonuses by 2.5 pps to 7.5% of the basic salary.

On the other hand, the negative revenue performance mainly reflects weaker corporate income tax payments and dividends from the Central Bank of Egypt (CBE), as well as lower taxes on goods & services. Note that taxes on goods & services have increased since September, when the new VAT was introduced at a rate of 13% (replacing the General Sales Tax (GST) of 10%).

As a result, the 12-month rolling fiscal deficit narrowed to 11.3% of GDP in November 2016 from 12.1% in June 2016 (end-2015/16) -- still above the FY:16/17 target of 10.0%.

Significant fiscal consolidation required this fiscal year, in the context of the IMF-supported 3-year adjustment programme. In line with its 3-year adjustment programme -- launched in early-2016/17 (last July) -- aimed at reducing the unsustainably high public debt by 9 pps to 86.0% of GDP over 3 years, the Government envisages a significant tightening of the fiscal stance in FY:16/17, targeting a deficit of 10.0% of GDP compared with an outcome of 12.1% in FY:15/16.

The targeted fiscal consolidation is set to result from the implementation of a series of revenue-enhancing and expenditure-saving measures, largely adopted ahead of the IMF Executive Board's approval of a USD 12bn 3-year extended fund facility (EFF) for Egypt last November. Specifically, on the revenue side, the introduction of the VAT at a higher rate than the previous GST, the increase in taxes on tobacco and other excise duties, more efficient tax administration, and higher dividends from profitable public agencies are projected to yield 2.2 pps of GDP. On the expenditure side, a lower public sector wage bill following the entry into force of the new civil service law, the reduction in energy subsidies (through price increases), and better targeting of social transfers are set to save 1.8 pps of GDP. Recall that electricity tariffs were increased by about 40.0% in July 2016, while gasoline and diesel prices rose by 35.0% on average in November.

However, in its efforts to soften the blow to the poor from the negative impact of the hike in energy prices, the introduction of the VAT, and the sharp depreciation of domestic currency following its flotation last November (by c. 50.0% to around EGP 18.0 per USD), the Government will direct 1 pp of GDP in fiscal saving to additional food subsidies, cash transfers to the elderly and the poor families, and other targeted social programmes.

In our view, the main risk to the targeted fiscal consolidation (2.1 pps of GDP) is a weaker-than-budgeted VAT performance. Should this risk materialize, the authorities would consider additional corrective measures in line with their commitment in the ongoing IMF programme -- including cuts of non-priority expenditure and the review of tax exemptions.

FOREIGN EXCHANGE MARKETS, FEBRUARY 6TH 2017

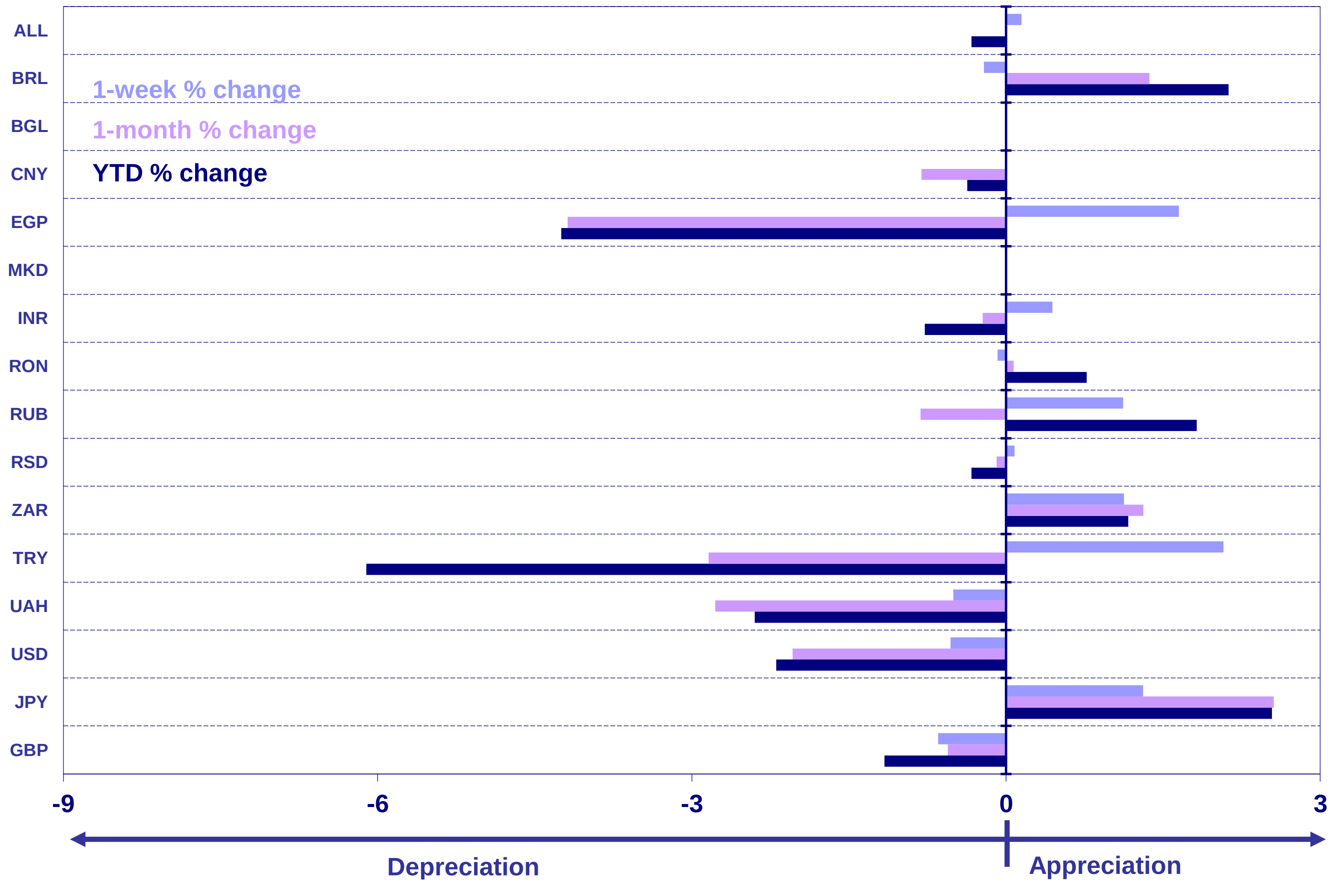
Against the EUR

	Currency	2017										2016	2015
		SPOT	1-week %change	1-month %change	YTD %change*	1-year %change	Year-Low	Year-High	3-month Forward rate**	6-month Forward rate**	12-month Forward rate**	% change*	% change*
Albania	ALL	135.9	0.1	0.0	-0.3	1.9	135.6	137.3	136.2	136.6	136.8	1.2	2.0
Brazil	BRL	3.35	-0.2	1.4	2.1	30.2	3.32	3.46	3.77	3.74	3.71	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	7.36	0.0	-0.8	-0.4	-0.2	7.20	7.41	7.68	7.67	7.65	-4.0	6.7
Egypt	EGP	19.70	1.7	-4.2	-4.2	-56.1	18.91	20.32	- - -	- - -	- - -	-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	72.1	0.4	-0.2	-0.8	5.4	70.8	73.3	77.1	- - -	- - -	0.4	6.6
Romania	RON	4.50	-0.1	0.1	0.8	-0.5	4.49	4.55	4.51	4.52	4.54	-0.4	-0.8
Russia	RUB	63.3	1.1	-0.8	1.8	38.3	62.3	65.1	65.0	66.5	69.4	22.9	-15.1
Serbia	RSD	123.8	0.1	-0.1	-0.3	-1.2	123.3	124.1	124.7	125.9	- - -	-1.5	-0.1
S. Africa	ZAR	14.3	1.1	1.3	1.2	26.7	14.18	14.64	14.6	14.9	15.5	16.2	-16.6
Turkey	YTL	3.95	2.1	-2.8	-6.1	-16.6	3.70	4.17	4.07	4.19	4.44	-14.7	-10.8
Ukraine	UAH	29.2	-0.5	-2.8	-2.4	-0.9	27.22	29.47	34.6	- - -	- - -	-8.6	-27.5
US	USD	1.07	-0.5	-2.0	-2.2	4.1	1.0	1.1	1.08	1.08	1.10	3.3	11.4
JAPAN	JPY	120.1	1.3	2.6	2.5	8.0	119.6	123.7	120.1	120.1	120.1	6.0	11.0
UK	GBP	0.86	-0.6	-0.6	-1.2	-10.0	0.8	0.9	0.86	0.87	0.87	-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 (February 6th 2017)



MONEY MARKETS, FEBRUARY 6TH 2017

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
O/N	1.4	12.9	0.0	2.3	- - -	15.3	- - -	- - -	0.5	10.3	- - -	11.3	6.8	14.6	- - -	0.7
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	0.5	10.3	3.0	- - -	6.2	- - -	- - -	- - -
S/W	1.4	12.9	0.0	2.6	-0.4	- - -	1.3	- - -	- - -	10.0	3.0	- - -	7.5	15.0	-0.4	0.7
1-Month	1.8	12.7	0.0	3.9	-0.4	- - -	1.6	6.4	0.6	10.8	3.3	11.3	7.4	16.7	-0.4	0.8
2-Month	- - -	12.4	0.0	- - -	-0.3	- - -	- - -	- - -	- - -	10.8	3.4	11.4	8.0	- - -	-0.3	0.8
3-Month	2.5	12.2	0.1	3.9	-0.3	- - -	1.9	6.6	0.8	10.8	3.5	11.5	8.1	18.2	-0.3	1.0
6-Month	2.8	11.5	0.3	3.9	-0.2	- - -	2.2	- - -	1.1	10.4	3.7	11.8	8.5	- - -	-0.2	1.3
1-Year	3.5	10.7	0.8	3.9	-0.1	- - -	2.6	- - -	1.2	10.4	- - -	12.2	8.8	- - -	-0.1	1.7

LOCAL DEBT MARKETS, FEBRUARY 6TH 2017

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	1.2	- - -	- - -	- - -	- - -	18.5	- - -	6.1	- - -	10.0	3.8	10.4	- - -	- - -	-0.8	0.5
6-Month	- - -	- - -	- - -	- - -	- - -	19.4	- - -	6.2	0.7	10.0	3.4	10.8	- - -	- - -	-0.8	0.6
12-Month	3.2	- - -	0.0	2.9	- - -	19.4	2.1	6.2	1.1	9.0	4.0	10.9	- - -	15.3	-0.8	0.8
2-Year	3.4	- - -	- - -	2.9	- - -	- - -	2.2	6.3	0.7	8.2	- - -	11.1	7.8	- - -	-0.8	1.2
3-Year	- - -	- - -	0.4	2.9	1.3	- - -	- - -	6.3	1.8	8.2	- - -	10.8	7.9	15.7	-0.8	1.4
5-Year	- - -	10.4	- - -	3.1	- - -	17.2	- - -	6.6	2.7	8.1	5.6	10.7	8.1	- - -	-0.4	1.9
7-Year	- - -	- - -	1.1	- - -	3.2	17.2	- - -	6.6	3.4	8.1	- - -	- - -	- - -	- - -	-0.1	2.2
10-Year	- - -	10.6	2.0	3.5	3.4	17.3	3.9	6.4	3.7	8.1	- - -	10.6	8.8	- - -	0.4	2.4
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	3.8	7.1	- - -	8.4	- - -	- - -	9.3	- - -	0.6	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	9.5	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	7.1	- - -	- - -	- - -	- - -	9.6	- - -	1.1	3.0

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

CORPORATE BONDS SUMMARY, FEBRUARY 6TH 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	2.4	314	262
	Bulgarian Telecom. 6.625% '18	EUR	B-/B1	15/11/2018	400	4.5	535	474
Cyprus	**Aroundtown Property 3% '21**	EUR	NA/NA	9/12/2021	200	2.7	333	266
Russia	**Gazprom 8.2% '19**	RUB	BB+/NA	9/4/2019	10,000	9.9	112	- - -
	Gazprom 8.9% '21	RUB	BB+/NA	26/1/2021	10,000	10.1	89	- - -
South Africa	**FirstRand Bank Ltd 4.25% '20**	USD	BBB-/Baa2	30/4/2020	500	3.6	213	184
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	0.4	113	46
Turkey	**Vakiflar Bankasi 3.5% '19**	EUR	NA/Baa3	17/6/2019	500	2.9	368	301
	Garanti Bankasi 3.38%'19	EUR	NA/Baa3	8/7/2019	500	2.5	330	265
	Arcelik AS 3.875% '21	EUR	BB+/NA	16/9/2021	350	3.0	341	293
	Turkiye Is Bankasi 6% '22	USD	NA/Ba3	24/10/2022	1,000	6.6	472	440

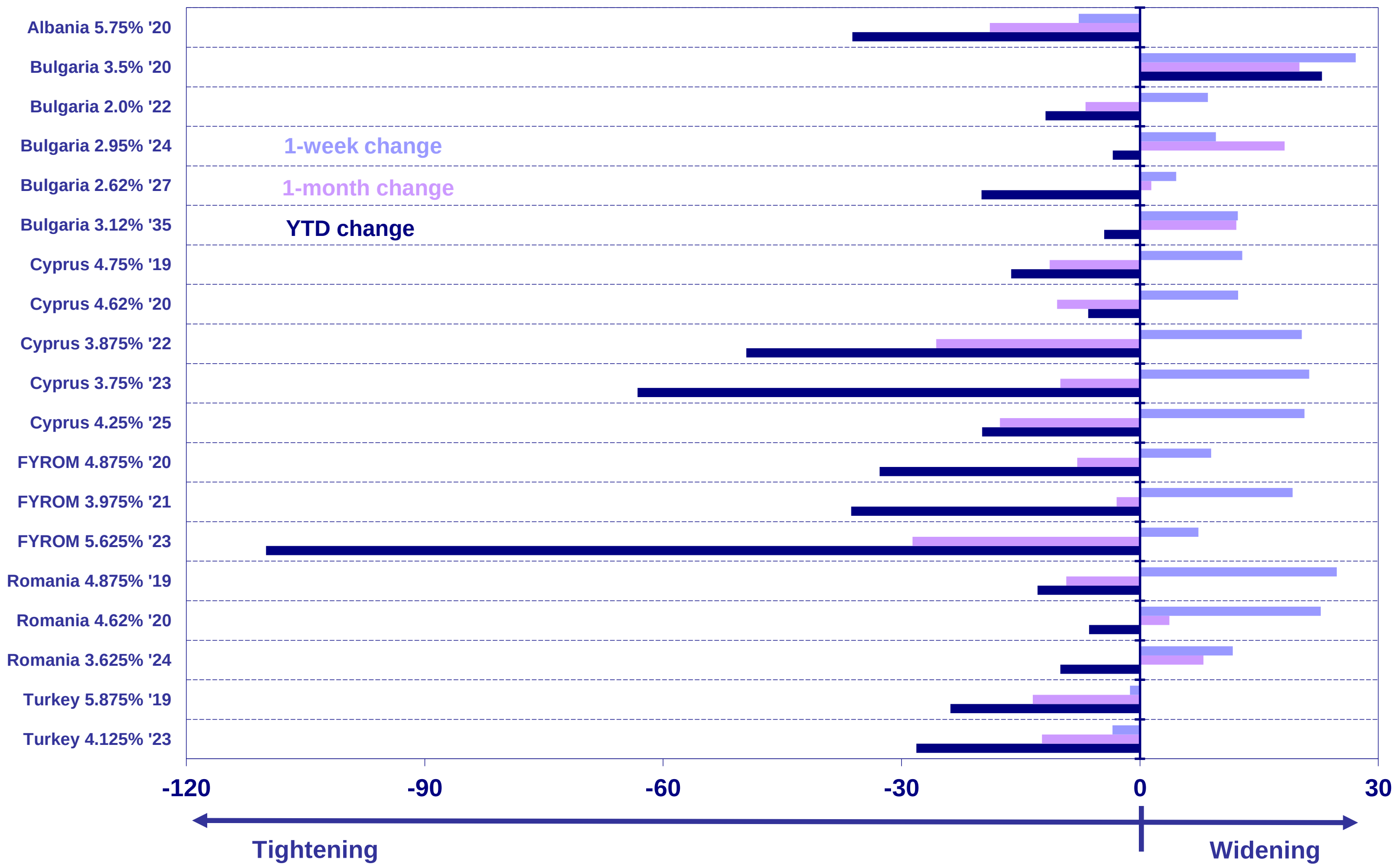
CREDIT DEFAULT SWAP SPREADS, FEBRUARY 6TH 2017

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	234	133	105	241	430	- - -	136	105	175	202	245	201	- - -
10-Year	- - -	319	179	154	267	450	- - -	144	146	251	244	323	264	- - -

EUR-DENOMINATED SOVEREIGN EUROBOND SUMMARY, FEBRUARY 6TH 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	2.8	343	295
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	0.7	145	79
Bulgaria 2.0% '22	EUR	BB+/Baa2	26/3/2022	1,250	0.9	133	78
Bulgaria 2.95% '24	EUR	BB+/Baa2	3/9/2024	1,493	1.7	167	126
Bulgaria 2.62% '27	EUR	BB+/Baa2	26/3/2027	1,000	2.3	189	146
Bulgaria 3.12% '35	EUR	BB+/Baa2	26/3/2035	900	3.3	242	193
Cyprus 4.75% '19	EUR	BB/NA	25/6/2019	566	1.3	207	147
Cyprus 4.62% '20	EUR	BB/B1	3/2/2020	770	1.9	262	201
Cyprus 3.875% '22	EUR	NA/B1	6/5/2022	1,000	2.9	334	280
Cyprus 3.75% '23	EUR	NA/B1	26/7/2023	1,000	3.2	349	278
Cyprus 4.25% '25	EUR	NA/B1	4/11/2025	1,000	3.4	323	285
FYROM 4.875% '20	EUR	BB-/NA	1/12/2020	270	3.2	379	324
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	3.5	415	461
FYROM 5.625% '23	EUR	BB-/NA	26/7/2023	450	4.7	494	441
Romania 4.875% '19	EUR	BBB-/Baa3	7/11/2019	1,500	0.3	104	39
Romania 4.62% '20	EUR	BBB-/Baa3	18/9/2020	2,000	0.4	97	40
Romania 3.625% '24	EUR	BBB-/Baa3	24/4/2024	1,250	1.9	202	153
Turkey 5.875% '19	EUR	NR/Ba1	11/4/2023	1,250	1.5	223	168
Turkey 4.125% '23	EUR	NR/Ba1	12/11/2020	1,000	3.4	367	313

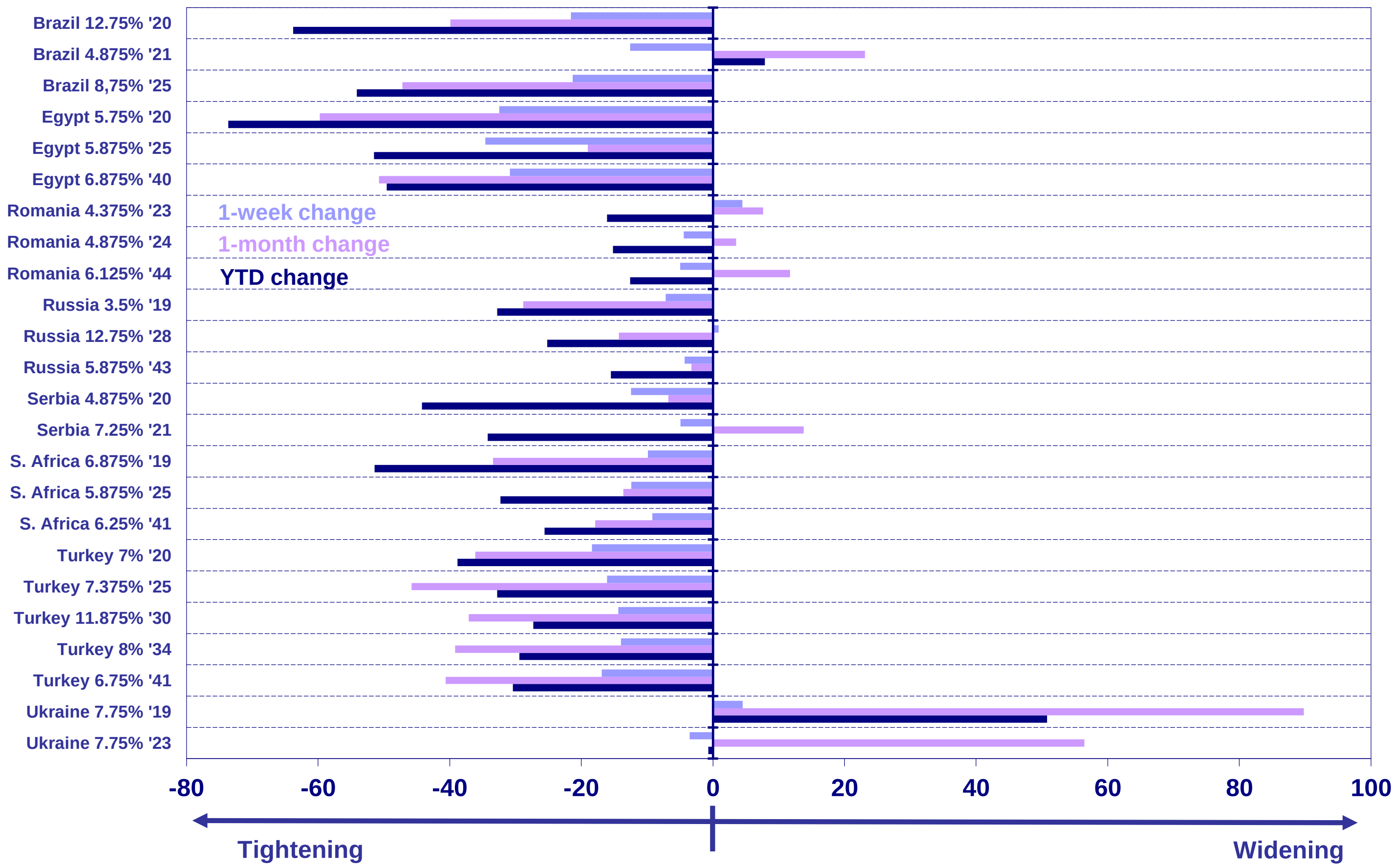
EUR-Denominated Eurobond Spreads (February 6th 2017)



USD-Denominated Sovereign Eurobond Summary, February 6th 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	3.0	155	154
Brazil 4.875% '21	USD	BB/Ba2	22/1/2021	2,988	3.6	220	183
Brazil 8.75% '25	USD	BB/Ba2	4/2/2025	969	4.7	253	287
Egypt 5.75% '20	USD	B-/B3	11/6/2025	1,000	4.8	336	309
Egypt 5.875% '25	USD	B-/B3	30/4/2040	1,500	6.7	449	423
Egypt 6.875% '40	USD	B-/B3	22/8/2023	500	7.6	454	461
Romania 4.375% '23	USD	BBB-/Baa3	22/1/2024	1,500	3.7	154	164
Romania 4.875% '24	USD	BBB-/Baa3	22/1/2044	1,000	3.7	154	164
Romania 6.125% '44	USD	BBB-/Baa3	16/1/2019	1,000	4.9	180	246
Russia 3.5% '19	USD	BB+/Ba1	24/6/2028	1,500	2.2	108	80
Russia 12.75% '28	USD	BB+/Ba1	16/9/2043	2,500	4.6	216	312
Russia 5.875% '43	USD	BB+/Ba1	25/2/2020	1,500	5.0	191	249
Serbia 4.875% '20	USD	BB-/B1	28/9/2021	1,500	3.8	236	212
Serbia 7.25% '21	USD	BB-/B1	27/5/2019	2,000	4.1	222	233
S. Africa 6.875% '19	USD	BBB-/Baa2	16/9/2025	1,748	2.7	159	128
S. Africa 5.875% '25	USD	BBB-/Baa2	8/3/2041	2,000	4.6	217	241
S. Africa 6.25% '41	USD	BBB-/Baa2	5/6/2020	750	5.3	222	283
Turkey 7% '20	USD	NR/Ba1	5/2/2025	2,000	4.2	281	260
Turkey 7.375% '25	USD	NR/Ba1	15/1/2030	3,250	5.5	330	345
Turkey 11.875% '30	USD	NR/Ba1	14/2/2034	1,500	6.0	355	460
Turkey 8% '34	USD	NR/Ba1	14/1/2041	1,500	6.3	389	410
Turkey 6.75% '41	USD	NR/Ba1	1/9/2019	3,000	6.3	327	352
Ukraine 7.75% '19	USD	B-/Caa3	1/9/2023	1,744	8.0	657	626
Ukraine 7.75% '23	USD	B-/Caa3	15/1/2020	1,355	8.6	646	626

USD-Denominated Eurobond Spreads (February 6th 2017)



Stock Markets Performance, February 6th 2017

	2017								2016		2015	
	Local Currency Terms							EUR Terms	Local Currency Terms	EUR terms	Local Currency terms	EUR terms
	Level	1-week % change	1-month % change	YTD % change	1-year % change	Year-Low	Year-High	YTD % change	% change		% change	
Brazil (IBOV)	63,993	-0.5	3.8	6.3	57.6	59,371	66,594	8.3	38.9	76.2	-13.3	-35.3
Bulgaria (SOFIX)	606	-0.5	2.4	3.4	35.4	583	614	3.4	27.2	27.2	-11.7	-11.7
China (SHCOMP)	3,157	-0.1	0.1	1.7	14.2	3,044	3,175	0.7	-12.3	-15.3	9.4	16.5
Cyprus (CSE GI)	68	0.0	0.3	2.9	2.9	65	71	2.9	-2.0	-2.0	-20.9	-20.9
Egypt (HERMES)	1,157	1.1	2.1	6.3	107.9	1,088	1,178	1.1	72.7	-21.8	-24.4	-22.8
F.Y.R.O.M (MBI)	2,249	0.2	4.9	5.3	24.3	2,135	2,251	5.3	16.5	16.5	-0.6	-0.6
India (SENSEX)	28,439	2.1	6.3	6.8	17.1	22,495	29,077	5.7	1.9	2.6	-5.0	0.7
Romania (BET-BK)	1,442	0.9	4.2	7.3	18.2	1,365	1,442	8.1	0.2	0.0	2.6	1.6
Russia (RTS)	4,962	-0.7	1.6	0.9	28.7	4,796	5,089	2.7	24.2	54.3	30.3	9.5
Serbia (BELEX-15)	700	0.4	-2.1	-2.4	17.6	694	722	-2.7	11.4	9.7	-3.4	-3.5
South Africa (FTSE/JSE)	52,151	-1.0	1.8	3.0	5.5	50,338	53,738	4.2	-0.1	16.1	1.9	-15.1
Turkey (ISE 100)	87,358	1.3	13.3	11.8	21.3	75,657	89,538	5.0	8.9	-7.0	-16.3	-25.4
Ukraine (PFTS)	270	0.0	1.7	1.7	13.9	265	271	-0.7	10.2	1.0	-37.8	-54.8
MSCI EMF	923	1.1	4.8	7.0	25.7	858	922	4.7	8.6	12.2	-17.0	-6.9
MSCI EAFE	1,731	0.0	1.0	2.8	12.5	1,677	1,742	0.5	-1.9	1.4	-3.3	7.7
Greece (ASE-General)	621	1.1	-6.0	-3.6	33.7	610	670	-3.6	1.9	1.9	-23.6	-23.6
Germany (XETRA DAX)	11,510	-1.5	-0.8	0.3	28.2	11,415	11,893	0.3	6.9	6.9	4.9	4.9
UK (FTSE-100)	7,172	0.8	-0.5	0.4	26.1	7,094	7,354	-0.8	14.4	-1.0	-4.9	0.1
USA (DJ INDUSTRIALS)	20,052	0.4	0.4	1.5	25.1	15,503	20,126	-0.8	13.4	16.7	-2.2	9.3
USA (S&P 500)	2,293	0.5	0.7	2.4	23.7	2,245	2,301	0.2	9.5	13.2	-0.7	10.6

Equity Indices (February 6th 2017)