Economic Analysis Division
Emerging Markets Research

Bi-Weekly Report

2 – 15 May 2017

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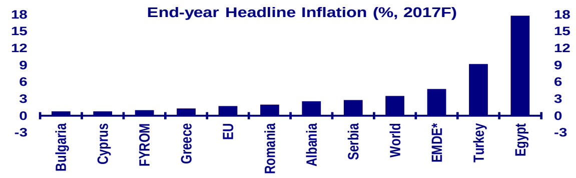
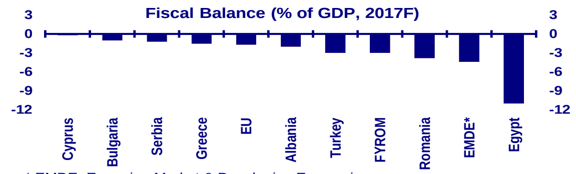
* EMDE: Emerging Market & Developing Economies





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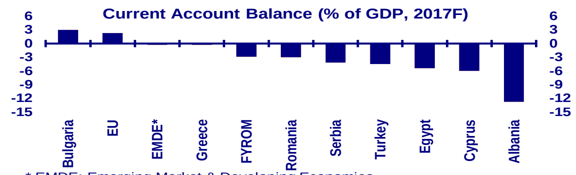
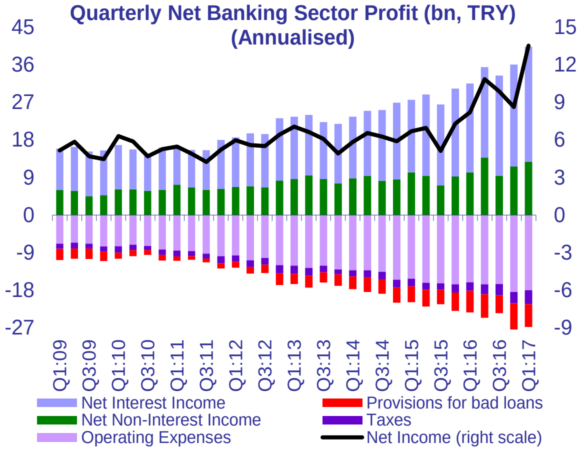


* EMDE: Emerging Market & Developing Economies

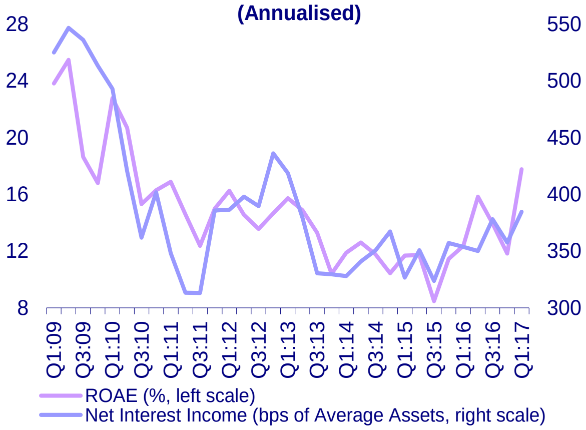
Turkey

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

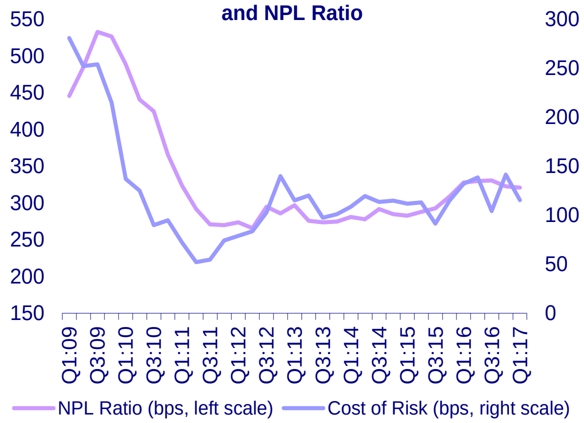
Quarterly Net Banking Sector Profit (bn, TRY) (Annualised)



Quarterly ROAE and Net Interest Margin (Annualised)



Quarterly Cost of Risk (Annualised) and NPL Ratio



	15 May	3-M F	6-M F	12-M F
1-m TRIBOR (%)	12.8	12.5	11.5	10.5
TRY/EUR	3.89	3.85	3.82	3.80
Sov. Spread (2020, bps)	213	205	200	180

	15 May	1-W %	YTD %	2-Y %
ISE 100	95,588	1.9	22.3	9.1

	2014	2015	2016	2017F	2018F
Real GDP Growth (%)	5.2	6.1	2.9	3.5	4.2
Inflation (eop, %)	8.2	8.8	8.5	9.2	7.8
Cur. Acct. Bal. (% GDP)	-4.7	-3.7	-3.8	-4.5	-4.5
Fiscal Bal. (% GDP)	-1.1	-1.0	-1.1	-3.0	-2.5

Banking sector bottom line improved significantly in Q1:17, despite an adverse operating environment. Banking sector net profit (after tax) rose sharply, by 65.0% y-o-y to an all-time high of TRY 13.5bn in Q1:17 (EUR 3.4bn or 0.5% of GDP), as a surge in pre-provision earnings before tax (contributing 85.2 pps to net income growth) largely offset rises in NPL provisions and profit tax (shaving 3.7 pps and 16.5 pps, respectively, off net income growth). As a result, (annualised) ROAA rose by 0.5 pps y-o-y to a 4-year high of 1.9% and ROAE improved by 5.4 pps y-o-y to an almost 7-year high of 17.8% in Q1:17.

Pre-provision earnings (before tax) posted strong growth in Q1:17, on the back of a significant rise in both net interest income (NII) and net non-interest income (NNII). NII rose significantly by 29.5% y-o-y in Q1:17, due to strong average asset growth (up 19.0% y-o-y) and higher net interest margin (up 31 bps y-o-y to a 4-year high of 385 bps annualised). Note that the rise in average gross loans was even sharper (up 21.0% y-o-y), supported by the BRSA's loosening of macro-prudential measures and Government's credit guarantees, aimed at reviving economic activity, which has slowed sharply since the mid-July failed coup. Indeed, the BRSA increased the term limits for consumer loans and credit cards and lowered the provisioning on unsecured retail loans, while the Government established the Credit Guarantee Fund to stimulate lending to SMEs. The improvement in the NIM was largely underpinned by favourable funding costs through TRY deposits (down 117 bps y-o-y to 9.8% in Q1:17) and high CPI linker gains (average inflation rose by 160 bps y-o-y to 10.2% in Q1:17). The improvement in the NIM would have been higher had the CBRT effective funding rate not increased (up 112 bps y-o-y to 10.1% in Q1:17).

Net non-interest income (NNII) also rose significantly by 25.1% y-o-y in Q1:17, supported, *inter alia*, by lower losses from foreign currency trading and higher fees and commissions.

The performance of pre-provision earnings was hurt by rising operating expenses, up by a 1½-year high of 11.6% y-o-y. This significant rise is not, however, a cause for concern, as it reflects largely a base effect from a temporary cut in general provisions in Q1:16 (down 57.2% y-o-y), due to perceptions of a better operating environment following the end of a long election cycle at end-2015. Adjusting for this effect, operating expenses rose by only 8.9% y-o-y in Q1:17, pointing to continued cost control, especially as inflation during Q1 averaged 10.2%.

Provision burden was contained in Q1:17, on the back of a slowdown in NPL formation. P/L specific provisions rose by a multi-quarter low of 5.8% y-o-y in Q1:17, as the stock of NPLs posted its slowest growth in almost 4 years in Q1:17 (up 18.1% y-o-y). The slowdown in the stock of NPLs in Q1:17 was mainly supported by: i) relaxed regulations on the restructuring of corporate loans in shipping, tourism and energy industries; ii) a buoyant collection performance; and iii) regular sales of retail unsecured NPLs by private banks. As a result, i) the NPL ratio declined, for the first time in 3 years, by 7 bps y-o-y to 3.2%; ii) the cost of risk was down by 17 bps y-o-y to 116 bps; and iii) the NPL coverage ratio improved by 273 bps y-o-y to a 4-year high of 77.9% in Q1:17.

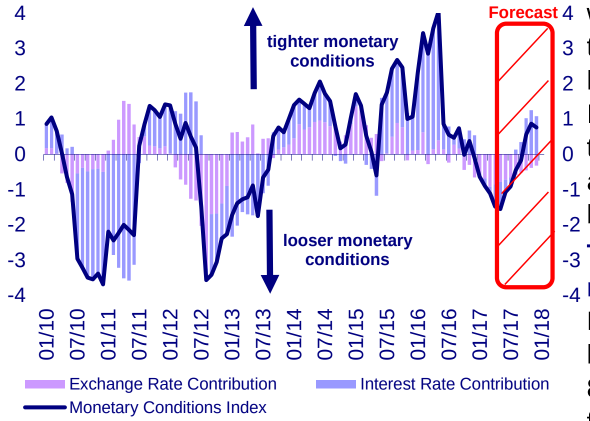
Overall, in Q1:17, within an adverse operating environment, profitability surprised on the upside (with ROAE rising by 5.4 pps y-o-y to 17.8%), asset quality stabilized (with the NPL ratio broadly unchanged at 3.2% and the provision coverage up 2.7 pps y-o-y to 77.9%), and the capital base remained solid (with the capital adequacy ratio up 0.6 pps y-o-y to 16.1%, well above the 12.0% statutory level). However, liquidity pressures intensified (with the net loan-to-deposit ratio rising by 1.9 pps y-o-y to an all-time high of 120.6%).

Romania

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

Consolidated Budget (% of GDP)	2016 Outcome	Q1:16	Q1:17	2017 Budget	2017 NBG Forecast
Total Revenue	29.4	7.3	7.4	31.8	31.5
Tax Revenue	26.0	6.6	6.6	26.5	26.2
o/w PIT/CIT	5.7	1.4	1.5	5.8	5.9
VAT	6.8	1.9	1.6	7.1	6.6
Excise Duties	3.5	0.8	0.7	3.7	3.6
Property Tax	0.8	0.3	0.4	0.6	0.7
Soc. Sec. Contr.	8.0	1.9	2.1	8.7	8.8
Non-Tax Revenue	3.4	0.7	0.8	5.3	5.3
o/w EU Grants	1.0	0.1	0.3	2.8	2.8
Total Expenditure	31.8	6.9	7.2	34.8	35.3
Current Spending	27.9	6.3	6.7	28.5	29.0
o/w Wages	7.5	1.8	2.0	8.0	8.3
Social Spending	10.7	2.6	2.7	11.0	11.2
Other Transfers	1.4	0.3	0.4	1.4	1.4
Goods & Services	5.4	1.1	1.0	5.1	5.1
Interest Paym.	1.3	0.3	0.3	1.3	1.3
Subsidies	0.9	0.1	0.2	0.9	1.0
Capital Expend.	3.9	0.6	0.5	6.3	6.3
Fiscal Balance	-2.4	0.4	0.2	-3.0	-3.8
Primary Balance	-1.1	0.7	0.5	-1.7	-2.5

Monetary Conditions Index



	15 May	3-M F	6-M F	12-M F
1-m ROBOR (%)	0.7	2.0	3.8	4.0
RON/EUR	4.55	4.49	4.49	4.50
Sov. Spread (2024, bps)	163	160	150	140

	15 May	1-W %	YTD %	2-Y %
BET-BK	1,611	3.2	19.8	16.1

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

The 4-quarter rolling budget deficit widened to 2.6% of GDP in Q1:17 from 2.4% at end-2016 due to a looser incomes policy. In Q1:17, the consolidated budget surplus narrowed by 0.2 pps y-o-y to 0.2% of GDP. The main driver was current spending, which picked up in Q1:17 (up 0.4 pps of GDP y-o-y), due to a looser incomes policy. Indeed, the hike in wages in the healthcare and education sectors (by 15%) in January was followed by a rise in wages in local administration (by 20%) and the minimum wage (by 16% to RON 1,450) in February. In addition, pensions were raised (by 5.3%) in January and the minimum guaranteed pension was increased (by 30% to RON 520) in March.

On the other side of the budget, tax revenue was flat in Q1:17, despite tax cuts. Recall that the VAT rate was reduced by 1 pp (to 19%) and the special excise duty on fuels was abolished in January. In fact, the decline in revenue from VAT and excise duties (down 0.3 pps and 0.1 pp of GDP y-o-y in Q1:17, respectively) was broadly offset by the rise in revenue from personal income tax and social security contributions (up 0.1 pp and 0.2 pps of GDP y-o-y, respectively), reflecting higher incomes.

The fiscal performance is set to deteriorate further during the remainder of the year, pushing the FY:17 budget deficit well above the EU threshold of 3.0% of GDP. Looking ahead, current spending should continue to rise at a rapid pace, fueled by the loose incomes policy. Note that the authorities plan to proceed with an additional hike in pensions (by 9.0%) in July, costing 0.3% of GDP. The rising financing needs of the healthcare system could also weigh on the budget.

At the same time, tax revenue will remain under pressure, reflecting the impact of the above-mentioned tax cuts. Worryingly, the authorities have overestimated the size of second-round effects of the tax cuts on consumption (the budget foresees nominal GDP growth at 7.5% compared with our forecast of 5.4%).

All said, under no policy change, we see the FY:17 budget deficit widening to 3.8% of GDP, breaching 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. Indeed, real GDP growth is seen at 4.0% in FY:17, well above its long-term potential of c. 3.0% for a 3rd consecutive year, while the current account deficit is projected to more than quadruple, albeit from a low base, in just 4 years (3.0% of GDP in FY:17 against 0.7% in FY:14).

The NBR kept its key interest rate on hold, but cut its reserve requirement rate (RRR) on FX liabilities. At its May meeting, the NBR Board left its 1-week repo rate flat at 1.75%, but reduced its RRR on FX liabilities by 2 pps to 8%, while maintaining that on RON liabilities at 8%. In our view, since new lending is predominantly in RON, the liquidity freed up by the RRR cut is unlikely to affect monetary conditions and will probably be used for the purchase of future sovereign eurobond issues. In fact, monetary conditions remain loose, reflecting low interest rates (the *ex-post* real policy rate stands at 1.1%, below its historical average of 1.8%) and the weak RON (down 3.5% y-o-y in real terms).

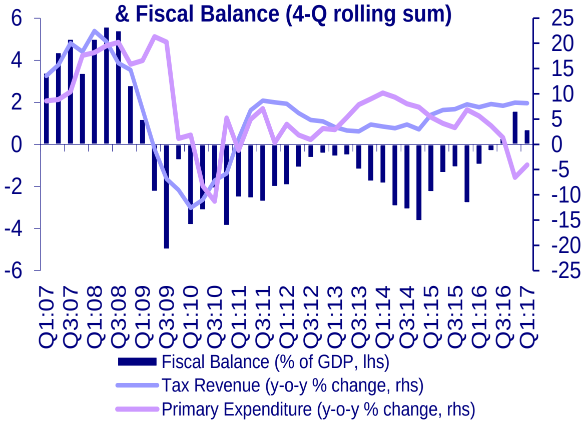
The NBR is set to embark on a tightening cycle later this year. The projected pick-up in headline inflation (to 2.0% at end-year from 0.6% currently), combined with the fiscal slippage, should prompt the NBR to tighten its stance. In this context, the NBR could raise its key rate by 300 bps to 4.75% by end-2017. This would bring the MCI to levels signaling tight monetary conditions. Importantly, we expect interbank rates, which are stuck at the bottom of the NBR's interest rate corridor (IRC, ±1.5 pps around the policy rate), to converge to the policy rate before a rate hike is considered. In this context, Governor Isarescu has hinted that the NBR stands ready to narrow the IRC to ±1.0 pp around the policy rate.

Bulgaria

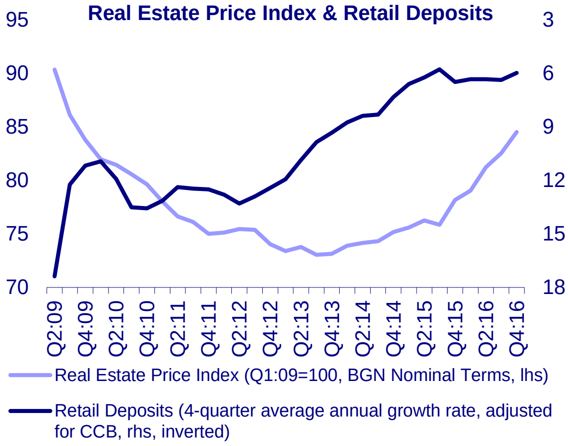
BB+ / Baa2 / BBB- (S&P / Moody's / Fitch)

Consolidated Budget (% of GDP)	2016 Outcome	Q1:16	Q1:17	2017 Budget	2017 NBG Forecast
Total Revenue	36.7	9.8	9.1	36.4	37.3
Tax Revenue	29.0	7.1	7.5	28.8	29.7
Non-Tax Rev.	4.5	1.3	1.2	4.9	4.9
Grants	3.1	1.4	0.4	2.7	2.7
Total Expenditure	35.0	7.8	8.0	37.7	38.3
Current Spending	30.9	7.4	7.6	31.4	32.0
o/w Wages	5.2	1.2	1.2	5.2	5.3
Goods & Services	5.0	1.1	1.1	5.3	5.3
Subsidies	1.8	0.3	0.5	1.8	1.8
Social Spending	15.7	3.8	3.8	15.4	16.0
Interest Payments	0.8	0.3	0.4	0.8	0.8
Capital Expend.	4.1	0.4	0.4	6.3	6.3
Contr. to the EU	0.9	0.3	0.2	1.0	1.0
Fiscal Balance	1.6	2.0	1.1	-1.4	-1.0

Tax Revenue, Primary Expenditure & Fiscal Balance (4-Q rolling sum)



Real Estate Price Index & Retail Deposits



	15 May	3-M F	6-M F	12-M F
1-m SOFIBOR (%)	0.0	0.1	0.1	0.2
BGN/EUR	1.96	1.96	1.96	1.96
Sov. Spread (2022, bps)	99	104	102	100

	15 May	1-W %	YTD %	2-Y %
SOFIX	656	-0.8	11.8	35.1

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

Temporarily lower grants from the EU and higher current spending pushed down the 4-quarter rolling budget surplus to 0.7% of GDP in Q1:17 from 1.6% at end-2016. In Q1:17, the budget surplus narrowed by 0.9 pps y-o-y to 1.1% of GDP in Q1:17. Specifically, budget revenue declined (down 0.7 pps of GDP y-o-y), on lower grants from the EU (down 1.0 pp of GDP y-o-y, mainly due to timing issues). However, the latter was partly offset by the increase in tax revenue (up 0.4 pps of GDP y-o-y in Q1:17), on the back of the hike in the excise duty on tobacco and the 1 pp rise in social security contributions for pensions, as well as improving tax compliance. On the other side of the budget, primary current spending (excl. contributions to the EU budget) rose in Q1:17 (up 0.2 pps of GDP y-o-y), mainly due to higher subsidies.

Fiscal policy to remain expansionary during the remainder of the year. We expect current spending to accelerate during the remainder of the year, in line with higher public consumption (mainly spending related to defense) and social spending. Regarding the latter, recall that the minimum wage was increased in January (by 9.5% to BGN 460), weighing on the cost of benefits, while pensions are set to rise in July (by 2.4%). In addition, the new Government committed to proceed with a significant hike in the minimum pension (up by 25% in two steps – July, October) and raise wages in the education sector (by 15% in September), at a total (unbudgeted) cost of c. 0.2% of GDP.

Importantly, tax collection should continue to overperform, more than offsetting the envisaged slippage in current spending. Indeed, the revenue-enhancing measures introduced earlier this year, combined with improving tax compliance (as a result of enforced collection of overdue liabilities, tax inspections and electronic tax reporting), should maintain the strong tax revenue during the remainder of the year.

All said, assuming full execution of the (highly optimistic) public investment programme, we see the fiscal balance turning into a deficit of 1.0% of GDP in FY:17 from a surplus of 1.6% in FY:16, albeit slightly overperforming compared with its deficit target of 1.4% of GDP. This sizeable fiscal impulse (2.6 pps of GDP) should help the economy maintain a solid pace of expansion (up 3.7%).

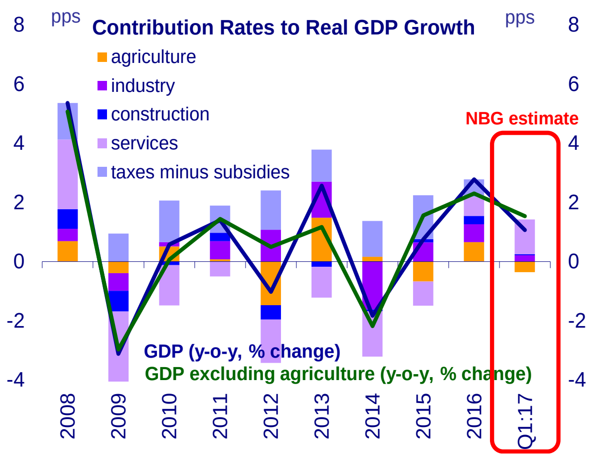
The recovery in the residential real estate market improved in FY:16. The NSI Housing Price Index increased strongly in Q4:16 (up 8.1% y-o-y, a pace broadly similar to that observed in Q3:16, but above that of H1:17 -- up 5.6%). As a result, FY:16 house price growth reached 7.0%, marking the 3rd consecutive annual rise (up by 2.8% in FY:15 and 1.4% in FY:14), following 5 years of decline.

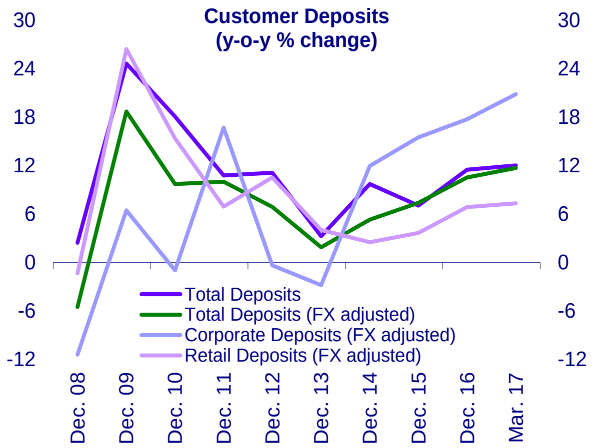
In our view, in addition to the solid economic recovery (GDP growth was above its long-term potential for a 2nd consecutive year in FY:16), an important factor for the pick-up in the residential real estate market was the sharp drop in retail deposit interest rates (to 0.5% and 0.4% for LC and FX deposits, respectively, at end-2016 from 2.7% and 2.2% at end-2014), which has, in turn, increased the attractiveness of the real estate sector as an asset class (substitution effect). Note that rental yields in Sofia rose to 6.0% in FY:16 from 5.0% in FY:14, highlighting the mismatch between supply and demand for real estate. Against this backdrop, growth in retail deposits has slowed (up by a CAGR of 5.7% in 2014-16 against a CAGR of 11.4% in 2010-13), with investments in real estate picking up at the same time.

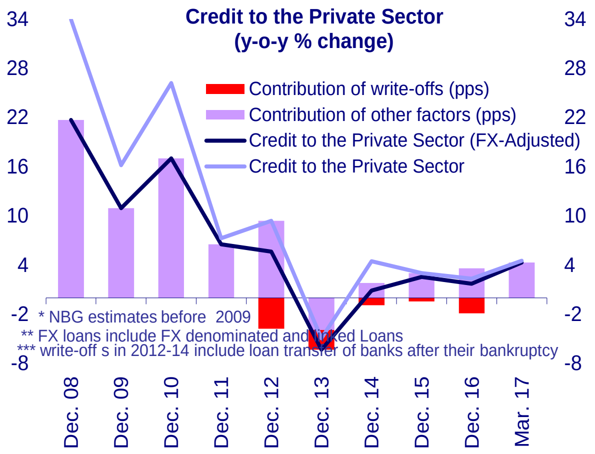
Looking ahead, we expect residential real estate prices to continue on an upward trend, in line with: i) the strong economic recovery; ii) easing credit standards by banks, in view of the continuing drop in NPEs; and iii) higher FDI inflows to the sector. Note that the Bulgarian real estate market is undervalued compared with other markets in the region, with the price-to-income ratio estimated at 9.0 against 11.5 for the SEE-4.

Serbia

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







	15 May	3-M F	6-M F	12-M F
1-m BELIBOR (%)	3.3	3.4	3.5	3.8
RSD/EUR	123.0	124.3	124.7	125.0
Sov. Spread (2021, bps)	171	165	160	150

	15 May	1-W %	YTD %	2-Y %
BELEX-15	729	1.8	1.6	1.0

	2014	2015	2016	2017F	2018F
Real GDP Growth (%)	-1.8	0.8	2.8	2.8	3.6
Inflation (eop, %)	1.7	1.5	1.6	2.8	3.0
Cur. Acct. Bal. (% GDP)	-6.0	-4.7	-4.0	-4.2	-4.2
Fiscal Bal. (% GDP)	-6.6	-3.7	-1.4	-1.2	-1.0

Activity slowed sharply in Q1:17, mainly due to unfavourable agricultural output. GDP growth declined to 1.0% y-o-y in Q1:17 (according to the flash estimate), from a post-global crisis high of 2.8% in FY:16 -- well below our and consensus forecasts (of 2.9% and 2.6%, respectively). The outcome stems largely from weaker-than-expected agricultural output. Moreover, we estimate that the industrial sector (20.5% of GDP) lost momentum (up 0.6% y-o-y in Q1:17 compared with flood-induced growth of 4.7% in FY:16).

The pace of GDP growth is set to remain robust at 2.8% in FY:17, despite a large drag from the agricultural sector. Looking ahead, output growth is set to strengthen to 3.3% y-o-y in Q2-Q4:17 compared with 2.4% y-o-y in Q2-Q4:17, despite a negative performance in the agricultural sector. Activity should be supported throughout the rest of the year by: i) strong private consumption, on the back of the increase in public sector wages and pensions and their spillover to the private sector (set to contribute 0.8 pps to FY:17 GDP growth, according to the NBS); and ii) higher production in the steel plant, Smederevo, following its privatisation in April 2016.

Economic activity should also be supported by a less contractionary fiscal stance (the fiscal deficit is set to narrow by 0.2 pps of GDP y-o-y in FY:17 following a sharp contraction of 2.3 pps of GDP y-o-y in FY:16) and significant monetary policy easing (an estimated average *ex-post* real policy rate of 1.1% in FY:17, below the 3.1% of FY:16).

Overall, we see FY:17 real GDP growth remaining flat at 2.8% -- revised down by 0.4 pps, in view of the weaker-than-initially-expected agricultural performance. Importantly, excluding agriculture, real GDP growth is set to strengthen to a post-crisis high of 3.3% y-o-y in FY:17 against an increase of 2.3% in FY:16.

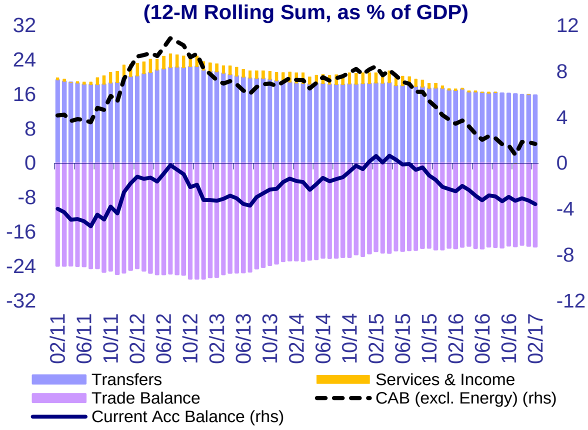
FX-adjusted customer deposit growth reached an 8-year high of 11.7% y-o-y in March. Adjusted for FX variations, deposit growth reached an 8-year high of 11.7% y-o-y in March from 10.5% in December 2016. The acceleration occurred despite the record low interest rates, and reflects strengthening consumer and business confidence, on the back of progress on EU membership negotiations, good relations with the IMF, and an improving operating environment. From a segment perspective, the acceleration in (FX-adjusted) overall deposits was driven by the continued rebound in both retail and corporate deposits. Retail deposits, accounting for a sizeable ⅔ of total deposits, rose by a 5-year high of 7.3% y-o-y in March compared with an increase of 6.9% in December, on the back of an improvement in labour market conditions (the unemployment rate fell to an 8-year low of 15.3% in FY:16 from 17.7% in FY:15, while net wages increased by 4.2% y-o-y in Q1:17 following a robust rise by 3.7% in FY:16). Moreover, (FX adjusted) overall corporate deposits also strengthened to a post-crisis peak of 20.9% y-o-y in March from 17.7% in December, likely reflecting strong exports (rising by 13.6% y-o-y in Q1:17 following an increase of 11.5% in FY:16, in EUR terms).

Credit growth (adjusted for FX movements) accelerated further in Q1:17, reaching a 5-year high of 4.3% y-o-y. Adjusted for FX variations, lending growth accelerated strongly to 4.3% y-o-y in Q1:17 from 1.7% at end-2016. Even adjusting for large write-offs in FY:16 (amounting to RSD 46bn in FY:16), the loan book expanded by 4.3% y-o-y in March compared with an estimated 3.6% at end-2016 (adjusting for FX movements). The strengthening in lending activity reflects: i) low (both LC and FC) lending interest rates (lending rates on new loans fell by 0.8 pps y-o-y to a historical low of 5.4% in Q1:17); and ii) improved bank asset quality (the NPL ratio declined to 17.0% in Q4:16 from a peak of 23.0% in Q3:14, returning to its end-2010 level).

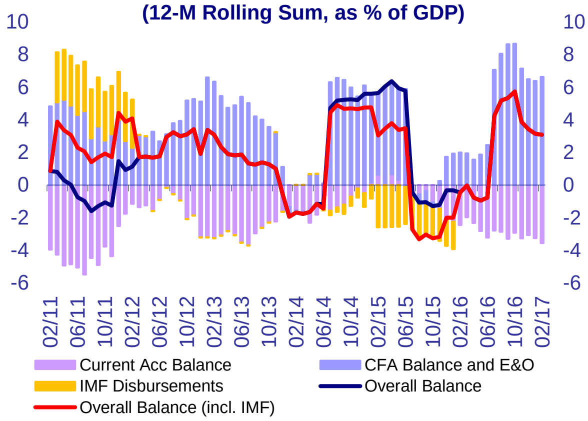
F.Y.R.O.M

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

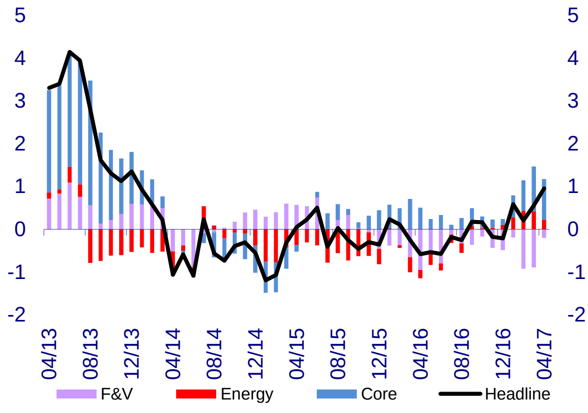
Current Account Balance (12-M Rolling Sum, as % of GDP)



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



Contribution to Headline CPI Inflation (pps)



	15 May	3-M F	6-M F	12-M F
1-m SKIBOR (%)	1.5	1.8	2.3	2.8
MKD/EUR	61.3	61.3	61.3	61.3
Sov. Spread (2021. bps)	402	475	450	350

	15 May	1-W %	YTD %	2-Y %
MBI 100	2,212	1.0	3.6	31.4

	2014	2015	2016	2017F	2018F
Real GDP Growth (%)	3.5	3.9	2.4	2.8	3.4
Inflation (eop. %)	-0.5	-0.3	-0.2	1.0	2.0
Cur. Acct. Bal. (% GDP)	-0.5	-2.1	-3.1	-2.9	-2.8
Fiscal Bal. (% GDP)	-4.2	-3.5	-2.6	-3.0	-2.8

An SDSM-led Government to take office. Under increasing pressure from the international community and a threat from the new Parliament speaker, Xhaferi from the Albanian-minority DUI party, to call a parliamentary session on May 20th to elect a new government, President Ivanov finally granted Zaev, the leader of the second largest party in Parliament (SDSM), the mandate to form a Government. Recall that Ivanov had refused to grant Zaev the mandate since end-January, on the grounds that he had endorsed the "unacceptable Albanian platform", which, in its most extreme version, calls for a change of the national emblems, full bilingualism, Albanian veto rights over public spending and an apology for genocide.

When he finally agreed, President Ivanov stated that *"the obstacle for giving the mandate has now been removed"*, while Zaev guaranteed to respect the sovereignty of the country and its Constitution.

According to the Constitution, the new SDSM-led coalition Government must be formed by June 6th. If all ethnic Albanian signatories of the platform (DUI, BESA and the Alliance of Albanians) support the new coalition, it will control 67 seats in the 120-seat Parliament. Note, however, that the participation of the would-be coalition partner BESA (5 seats) in the new Government is still uncertain, as it opposed the election of Xhaferi as Parliament Speaker.

The current account deficit (CAD) rose to 3.6% of GDP in February from 3.1% in December on a 12-month rolling basis, mainly due to a wider trade deficit. The trade deficit widened by 0.4 pps y-o-y to 2.7% of GDP in 2M:17, as a significant rise in exports was more than offset by a stronger increase in imports. Exports were up 0.6 pps of GDP y-o-y in 2M:17 (16.4% y-o-y), reflecting the country's expanding export base and competitive technological and industrial zones. On the other hand, imports rose at a faster pace by 1.0 pp of GDP y-o-y in 2M:17 (18.9% y-o-y), due to a sharp rise in both energy and non-energy imports (0.6 and 0.4 pps of GDP y-o-y, respectively). The latter reflects mainly the higher import content of exports, while the former was in line with developments in global oil prices.

The capital and financial account was balanced in 2M:17 through trade credits. Amid protracted political uncertainty, lower net FDI inflows (down 1.0 pp of GDP y-o-y in 2M:17) and net borrowing were compensated by a sharp rise in trade-credit (by 1.2 pps of GDP y-o-y in 2M:17). As a result and accounting for valuation effects, FX reserves declined by EUR 50mn to EUR 2.6bn in February from end-2016 (4.8 months of imports of GNFS). Worryingly, in view of the recent trends, the FY:17 CAD could reach the unsustainable level of 6.0% of GDP, if political uncertainty persists throughout the rest of the year.

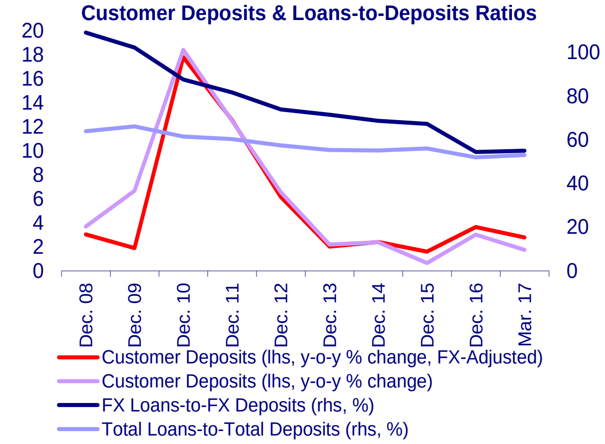
Headline inflation rose to 1.0% y-o-y in April from -0.2% at end-2016, on the back of higher core inflation. Core inflation (excluding volatile food and energy prices and accounting for 80% of the CPI basket) rose to 1.2% y-o-y in April, up from 0.2% at end-2016. The increase reflects, *inter alia*: i) improving labour market conditions (employment increased by 2.5% in FY:16); ii) solid consumer credit growth (up 13.4% y-o-y in Q1:17); and iii) higher imported inflation.

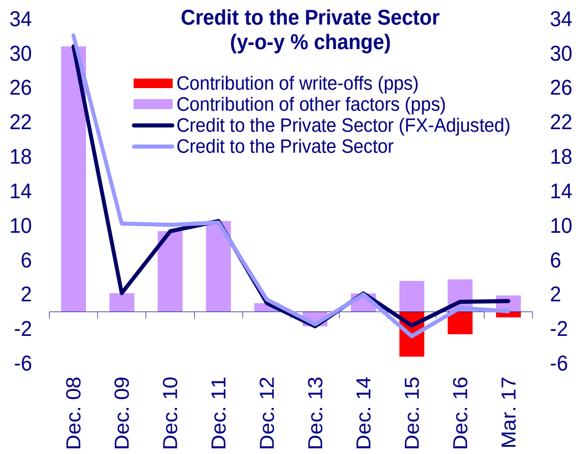
Looking ahead, we expect continued inflationary pressures from recovering domestic demand to be tempered by a sharp slowdown in energy prices throughout the rest of the year. Overall, we see headline and core inflation ending FY:17 at 1.0% and 0.8%, respectively, up from -0.2% and 0.2% at end-FY:16.

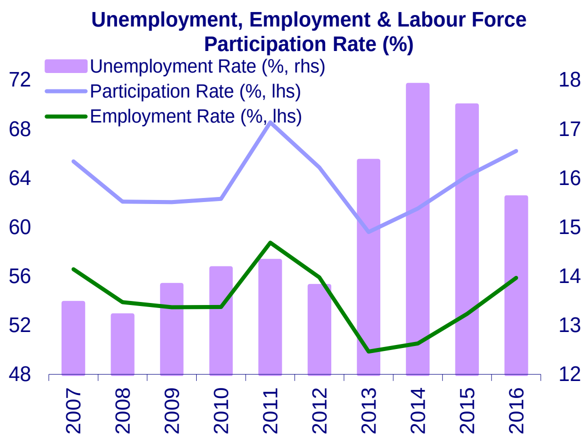
In view of the positive inflation outlook, the Central Bank has room to cut its key rate (standing currently at 3.25%) by the end of the year. However, such as a move is contingent on the normalization of the domestic political situation.

Albania

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







	15 May	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	1.7	2.2	2.2	2.2
ALL/EUR	134.1	138.5	138.7	138.0
Sov. Spread (bps)	308	310	280	250

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

	2014	2015	2016	2017F	2018F
Real GDP Growth (%)	1.8	2.6	3.5	3.8	4.2
Inflation (eop, %)	0.7	2.0	2.2	2.6	2.8
Cur. Acct. Bal. (% GDP)	-12.9	-10.7	-9.5	-11.2	-10.7
Fiscal Bal. (% GDP)	-5.2	-4.1	-1.7	-1.5	-1.6

Political parties reached an agreement to end the 3-month political deadlock. Following intensive meetings with western diplomats, the opposition -- that has refused to run in next month's parliamentary election despite several extensions to the registration deadline -- agreed to participate in the vote.

The date of the vote was postponed by one week (to June 25th) to allow the opposition to register its candidates by May 26th, while a by-mayoral election that was postponed earlier this month (due to the opposition's boycott) will also take place on the same day. It was also agreed that the opposition will end its boycott of Parliament (initiated in February), in order to pass a Bill to push ahead with the judicial reform -- a key reform for the launch of EU membership negotiations.

In return, a partial Government reshuffle will take place, with the opposition appointing seven technocrat ministers (including the interior, finance and justice ministers and one deputy PM). The opposition will also nominate the head of the election commission and will be allowed to monitor the election process.

Recall that the opposition -- that has seen its support waning in the latest local elections held in 2015 -- had boycotted Parliament for the past three months, had refused to participate in the general elections, threatening to block voter participation, and had been demanding the Government's resignation and the appointment of a caretaker Government ahead of the elections to ensure "free and fair" elections.

Customer deposit growth (FX-adjusted) moderated slightly in March, to 2.8% y-o-y compared with 3.7% at end-2016. The weakening in (FX adjusted) overall deposits in March was mainly driven by the slowdown in LC retail deposits (42.0% of total deposits) to 0.5% y-o-y in March from 1.2% in December, driven by the withdrawal of term deposits. This reflects households' continued preference to invest in higher-yielding domestic debt. Indeed, the interest-rate differential, although narrowing, is still high, especially in longer-term bonds.

Credit growth, adjusted for large write-offs and FX variations, is estimated to have posted strong growth of c. 1.9% in March. Adjusted for FX variations and loan write-offs (estimated to have amounted to ALL 5bn in Q1:17, compared with outcomes of ALL 12.6bn in FY:16 and ALL 27bn in FY:15), credit growth is estimated to have turned positive, up 1.9% y-o-y in Q1:17 against a decline of 1.9% at end-2016. The underlying improvement could be attributed to the increase in loan demand, supported by the low interest rate environment, as well as the easing of credit standards by banks, on the back of ample liquidity in the banking sector (with the total loans-to-total deposits ratio at just 52.6% in March), improved asset quality (the NPL ratio declined significantly to 17.4% in Q1:17 -- its lowest level since mid-2011 -- from 18.3% in FY:16) and the improving economic outlook.

The unemployment rate declined for a second successive year to 15.6% in FY:16. The unemployment rate was down markedly by 1.9 pps y-o-y to (a still high) 15.6% in FY:16, following a decline of 0.4 pps y-o-y in FY:15. This improvement was mainly driven by the continued recovery in employment, for a 3rd successive year.

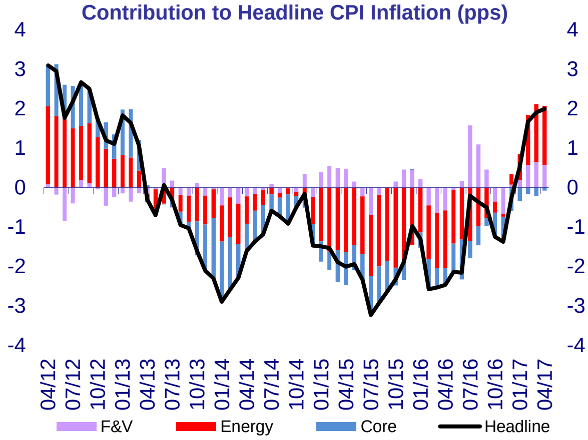
In fact, employment rose by 6.1% y-o-y in FY:16, following an increase of 4.9% in FY:15 and a modest rise of 1.6% in FY:14. The rise in employment in FY:16 was driven by the services and industry sectors (representing 40.4% and 12.7% of total employment, respectively, and up by 7.5% and 9.0% y-o-y). Employment has been boosted by: i) the continued strength in economic growth (up by a high 3.5% y-o-y in FY:16 from 2.6% in FY:15 and a CAGR of 1.4% in 2012-14); and ii) the Government's campaign, initiated in August 2015, to minimize large informal employment.

Cyprus

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

General Government Fiscal Balance (% of GDP)	2016	3M:16	3M:17	2017 Target	NBG 2017 Forecast
Revenue	39.2	9.1	9.2	38.6	38.6
Tax Revenue	33.7	7.8	8.1	32.8	33.4
Indirect Taxes	15.3	3.4	3.6	15.1	15.2
Direct Taxes	9.8	2.2	2.2	9.0	9.4
Soc. Contrib.	8.6	2.1	2.3	8.7	8.8
Non-Tax revenue	5.6	1.4	1.1	5.8	5.2
Expenditure	38.9	8.3	8.1	38.4	38.4
Cur. Expenditure	35.9	8.1	7.8	n.a.	35.2
G.& Services	3.6	0.7	0.7	3.5	3.5
Wag.& Salaries	12.6	2.9	2.8	12.5	12.5
Soc. Transfers	14.3	3.3	3.2	13.9	14.0
Int.Payments	2.6	0.5	0.5	2.5	2.5
Subsidies	0.5	0.2	0.0	n.a.	0.5
Other	2.2	0.6	0.6	n.a.	2.2
Capital Expend.	3.0	0.3	0.3	n.a.	3.2
Fiscal Balance	0.4	0.8	1.1	0.2	0.2
Primary Balance	3.0	1.3	1.6	2.6	2.7

Contribution to Headline CPI Inflation (pps)



	15 May	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.37	-0.37	-0.37	-0.37
EUR/USD	1.10	1.09	1.08	1.05
Sov. Spread (2020. bps)	173	210	190	160

	15 May	1-W %	YTD %	2-Y %
CSE Index	78	3.2	17.5	0.8

	2014	2015	2016	2017F	2018F
Real GDP Growth (%)	-1.5	1.7	2.8	2.6	2.4
Inflation (eop. %)	-1.5	-1.0	-0.3	0.8	1.5
Cur. Acct. Bal. (% GDP)	-4.3	-2.9	-5.3	-6.0	-5.8
Fiscal Bal. (% GDP)	-8.8	-1.2	0.4	-0.2	0.4

The fiscal surplus increased to 0.7% of GDP in Q1:17 on a 4-quarter rolling basis, from 0.4% in Q4:16. The stronger performance in Q1:17 is attributed to both higher revenue (up 0.1 pp of GDP y-o-y) and lower expenditure (down 0.2 pps of GDP y-o-y). Indeed, higher VAT receipts in Q1:17 (up 18.3% y-o-y or 0.3 pps of GDP), in line with buoyant economic activity, more than compensated for a decline in non-tax revenue (down 0.2 pps of GDP), reflecting base effects from an early dividend payment by the Central Bank in Q1:16. On the other hand, current expenditure declined by 0.3 pps of GDP y-o-y in Q1:17, on the back of delayed payments of subsidies (down 0.2 pps of GDP) and lower social transfers, with the latter reflecting lower unemployment and redundancy payments, amid improving labour market conditions.

The FY:17 fiscal surplus target of 0.2% of GDP is attainable. The Government's 2017-20 Stability Programme, released in April, envisages a slight fiscal easing this year, projecting a surplus of 0.2% of GDP -- 0.2 pps of GDP lower than in FY:16. This is expected to result from lower tax revenue and continued spending restraint. Indeed, tax revenue is set to decline by 0.6 pps of GDP in FY:17, mainly due to the termination of the temporary contribution of employees levied in response to the crisis (with an impact of 0.4 pps of GDP), the partial abolition of the immovable property tax (0.1 pp of GDP), and lower VAT revenue stemming from new "place-of-supply" rules on electronic commercial transactions (0.1 pp of GDP).

On the other hand, despite the negative impact from the expiration of the freeze on public sector wage increments and the recruitment of additional personnel for security forces, total expenditure is projected to continue to decline in FY:17 (down 0.5 pps of GDP). The reduction in expenditure is expected to result from the continuing decline in social transfers (as explained above).

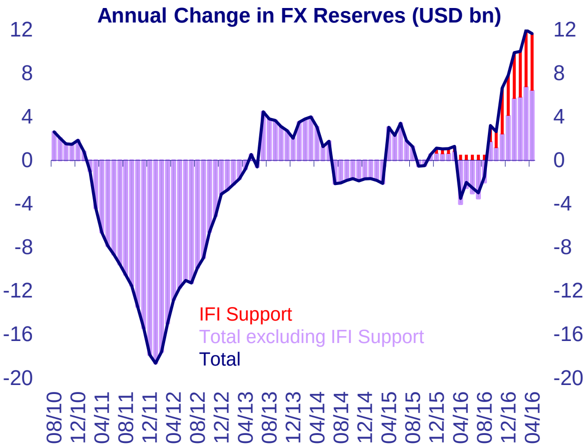
In view of the Q1:17 performance and the Government's commitment to fiscal restraint, we expect the FY:17 budget to meet its target of 0.2% of GDP. In the event, this year's financing needs would stand at EUR 1.2bn -- amortisations (EUR 0.8bn) and cash accumulation (EUR 0.4bn) for pre-financing 2018. These needs should be easily covered, mainly through the placement of a Eurobond (EUR 0.5bn) later this year, the domestic 7-year bond (EUR 0.3bn) issued in January (at a 3.25% coupon rate), and the rollover of treasury bills (EUR 0.3bn). Moreover, the public-to-GDP ratio will embark on a downward trend for the first time in 9 years -- to c. 104.0% from 107.8% at end-2016.

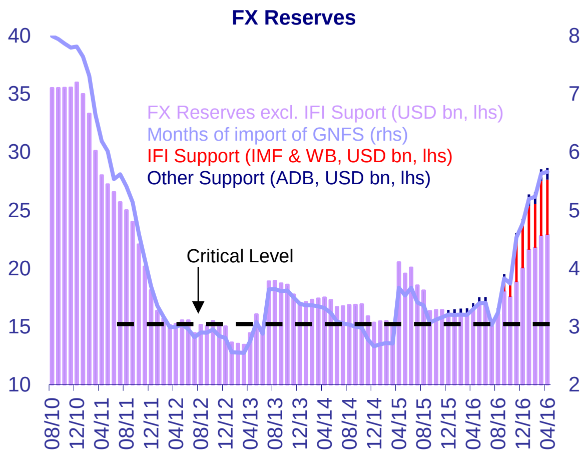
Headline inflation reached a peak of 2.0% in April. The headline figure reached a 4½-year high of 2.0% in April, up from -0.3% at end-2016. The acceleration was driven by an across-the-board deterioration of its key components. Indeed, energy prices rose by 19.4% y-o-y in April compared with an increase of 3.2% y-o-y in December, in line with developments in global oil prices. Volatile fruit and vegetables and core inflation (which excludes volatile energy and food prices) contributed modestly to the rise in headline inflation between December and April.

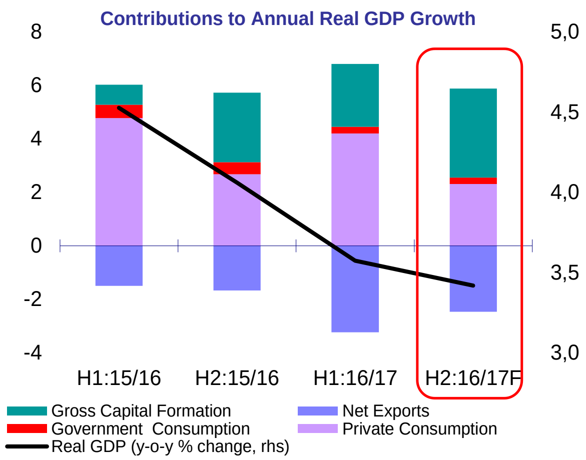
For the rest of the year, we expect headline inflation to embark on a downward trend on the back of favourable energy prices (Brent is projected to remain broadly at current levels throughout the year, implying an almost zero annual growth rate at end-year compared with 31.2% y-o-y in April in euro terms), which will more than offset upward pressures stemming from recovering domestic demand (in line with a positive output gap for the first time in 5-years in FY:17) and higher imported inflation. Overall, we see headline and core inflation ending FY:17 at 0.8% and 0.7%, respectively, up from -0.3% and -0.7% at end-2016.

Egypt

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







	15 May	3-M F	6-M F	12-M F
O/N Interbank Rate (%)	15.6	17.0	17.0	16.5
EGP/USD	18.1	17.8	18.0	18.0
Sov. Spread (2020. bps)	292	270	265	240

	15 May	1-W %	YTD %	2-Y %
HERMES 100	1,164	-0.2	6.9	56.2

	13/14	14/15	15/16	16/17F	17/18F
Real GDP Growth (%)	2.1	4.2	3.8	3.5	4.5
Inflation (eop. %)	8.2	11.4	14.0	25.6	13.5
Cur. Acct. Bal. (% GDP)	-0.8	-3.7	-5.5	-6.1	-5.0
Fiscal Bal. (% GDP)	-12.0	-11.4	-12.5	-10.7	-9.2

FX reserves have increased sharply, by USD 9.6bn to USD 28.6bn, through higher foreign borrowing, following the signing of the 3-year EEF with the IMF. The sharp rise was supported by: i) the disbursement of an initial USD 2.8bn by the IMF as part of a USD 12.0bn loan in November; ii) the release of the second USD 0.5bn tranche from a USD 1.5bn loan package from the African Development Bank (ADB) in January; iii) the successful issuance of USD 4.0bn in Eurobonds in February; and iv) the release of the second USD 1.0bn tranche from a USD 3.0bn World Bank loan in March. However, despite their sharp rise over the past 6 months, FX reserves remain c. 20.0% lower than their pre-revolution high of USD 36.0bn (December 2010).

The pick-up in FX reserves was also underpinned by a recovery of workers' remittances from abroad and tourism activity, following the floatation of the domestic currency in early-November. Indeed, workers' remittances have increased by 13.8% y-o-y (or USD 1.0bn y-o-y) to USD 8.0bn since November (in the 5 months to April) following 6 consecutive quarters of decline. In fact, before the floatation of the EGP, attractive rates offered in the flourishing parallel FX market (where the USD was traded at a premium of c. 40% over its official rate of EGP 8.88 in Q1:16/17) had diverted a large number of Egyptian workers abroad from channeling their transfers through the banking system.

Moreover, tourist arrivals and the average number of nights spent rose sharply, by 50.0% y-o-y and 1.9 y-o-y, respectively, to 1.7mn and 7.9 in Q1:17, after having sharply dropped in the past 6 quarters, on the back of very competitive prices and the removal of travel bans and/or warnings by key source countries – except Russia and the UK -- following a significant improvement in security conditions in Egyptian airports.

Looking ahead, in view of the FY:16/17 external financing gap, estimated at c. USD 11.5bn, the pledged large international support for the IMF-supported programme and the recent Eurobond issuance, FX reserves could reach USD 30.0bn (or 6.0 months of imports of GNFS) at end 2016/17 (June 2017) -- up from USD 17.5bn a year earlier. Note that for this fiscal year, in addition to the envisaged disbursement of USD 4.0bn by the IMF, financing assurances amounting to USD 10.2bn were secured from the World Bank, the ADB, Afreximbank, the UAE, China, Germany, the UK, France and Japan.

Real GDP growth slowed to 3.6% y-o-y in H1:16/17 (July-December 2016) from 4.5% a year earlier, on the back of a tight fiscal stance. A significant fiscal adjustment in H1:16/17 (c. 1.0 pp of GDP y-o-y), in line with the 3-year IMF-supported programme, largely contributed to the slowdown in private and public consumption (up 4.9% and 2.2% y-o-y, respectively, compared with rises of 5.7% and 4.3% in H1:15/16). The drag on GDP growth from net exports was larger in H1:16/17 (shaving 3.2 pps off overall growth against only 1.5 pps a year earlier) due to a surge in imports following the relaxation of their financing in the wake of the flotation of the EGP.

The slowdown in H1:16/17 was, however, contained by a sharp rise in investments (up 17.6% y-o-y against a rise of 10.3% a year earlier), reflecting the return of confidence in the Egyptian economy, following the implementation of strong reforms ahead of the signing of the IMF-supported 3-year economic programme in early-November. These reforms include: i) the floatation of the domestic currency; ii) cuts in fuel and gas subsidies (through price increases); iii) the introduction of the long-awaited VAT at 13.0%; and iv) entry into force of the controversial civil service law (set to contain the wage bill).

Looking ahead, we expect the recent trends to continue in H2:16/17, leading to full-fiscal year growth of 3.5% -- in line with the latest IMF forecast and below the FY:15/16 outcome of 4.3%.

FOREIGN EXCHANGE MARKETS, MAY 15TH 2017

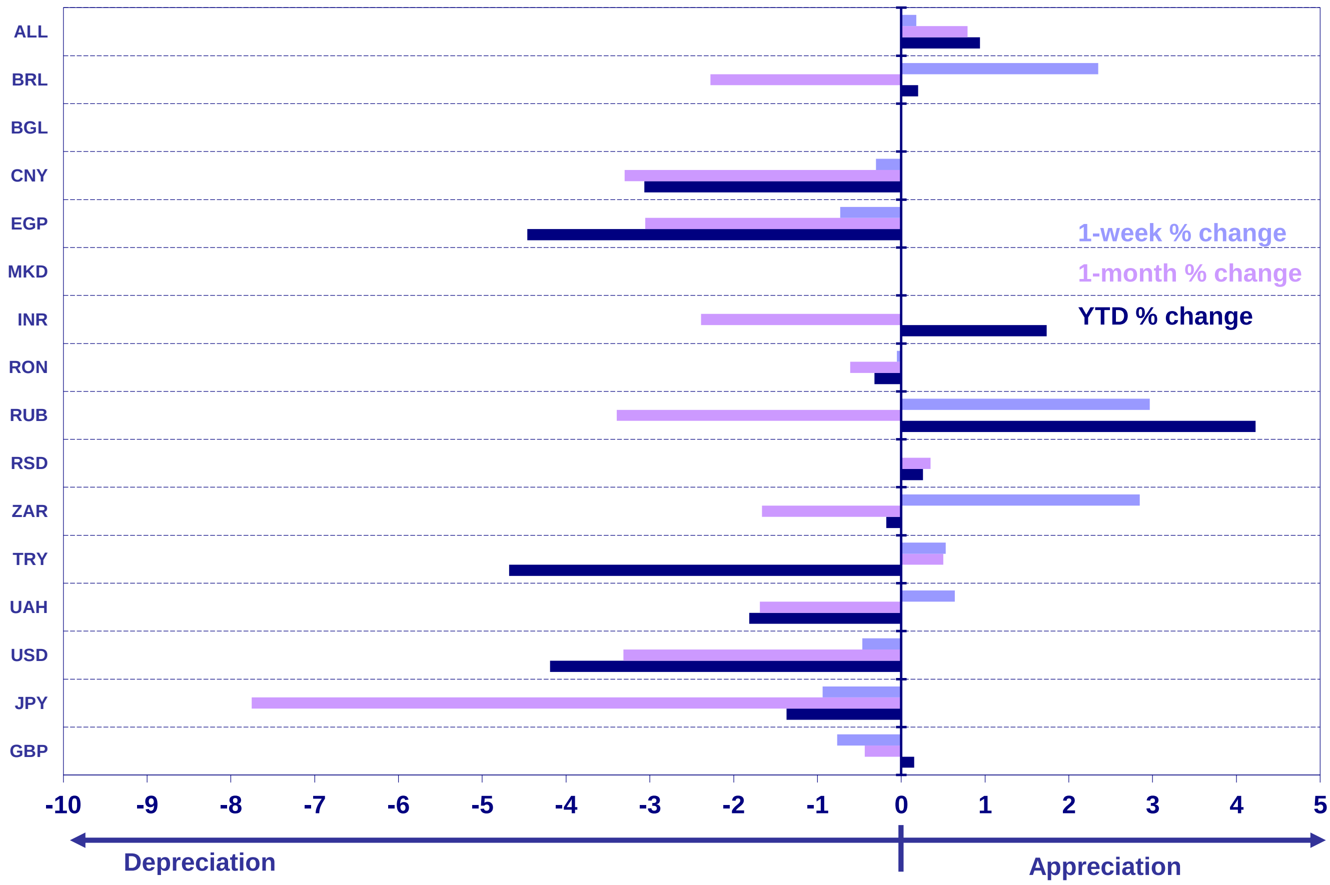
Against the EUR

	Currency	2017 SPOT	1-week %change	1-month %change	YTD %change*	1-year %change	Year-Low	Year-High	3-month Forward rate**	6-month Forward rate**	12-month Forward rate**	2016 % change*	2015 % change*
Albania	ALL	134.1	0.2	0.8	0.9	2.9	134.3	137.3	134.5	134.5	133.7	1.2	2.0
Brazil	BRL	3.41	2.3	-2.3	0.2	16.0	3.23	3.51	3.77	3.74	3.72	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	7.56	-0.3	-3.3	-3.1	-2.6	7.20	7.59	7.92	7.92	7.90	-4.0	6.7
Egypt	EGP	19.75	-0.7	-3.1	-4.5	-49.2	16.62	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	70.3	0.0	-2.4	1.7	7.6	68.2	73.3	75.2	- - -	- - -	0.4	6.6
Romania	RON	4.55	-0.1	-0.6	-0.3	-1.5	4.49	4.57	4.56	4.57	4.59	-0.4	-0.8
Russia	RUB	61.9	3.0	-3.4	4.2	18.7	59.5	65.1	63.4	64.7	63.1	22.9	-15.1
Serbia	RSD	123.0	0.0	0.3	0.3	-0.3	123.0	124.1	123.5	123.9	- - -	-1.5	-0.1
S. Africa	ZAR	14.5	2.8	-1.7	-0.2	22.4	13.38	15.05	14.8	15.1	15.7	16.2	-16.6
Turkey	YTL	3.89	0.5	0.5	-4.7	-13.5	3.70	4.17	4.01	4.14	4.37	-14.7	-10.8
Ukraine	UAH	29.0	0.6	-1.7	-1.8	-0.7	27.22	29.55	34.0	- - -	- - -	-8.6	-27.5
US	USD	1.10	-0.5	-3.3	-4.2	3.1	1.0	1.1	1.10	1.11	1.12	3.3	11.4
JAPAN	JPY	124.9	-0.9	-7.8	-1.4	-1.2	114.9	125.0	124.8	124.9	124.9	6.0	11.0
UK	GBP	0.85	-0.8	-0.4	0.2	-7.6	0.8	0.9	0.85	0.85	0.86	-13.5	5.3

* Appreciation (+) / Depreciation (-)

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

Currencies against the EUR (May 15th 2017)



MONEY MARKETS, MAY 15TH 2017

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
O/N	1.4	11.1	0.0	2.7	- - -	15.6	- - -	- - -	0.5	9.8	- - -	12.7	7.0	12.7	- - -	0.9
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	0.5	9.8	3.0	- - -	7.4	- - -	- - -	- - -
S/W	1.4	11.1	0.0	2.9	-0.4	- - -	1.2	- - -	- - -	9.4	3.0	- - -	7.5	13.1	-0.4	0.9
1-Month	1.7	10.8	0.0	4.0	-0.4	- - -	1.5	6.5	0.7	10.3	3.3	12.8	7.6	15.1	-0.4	1.0
2-Month	- - -	10.3	0.1	- - -	-0.3	- - -	- - -	- - -	- - -	10.2	3.4	12.8	7.6	- - -	-0.3	1.1
3-Month	2.3	10.1	0.1	4.4	-0.3	- - -	1.8	6.6	0.9	10.0	3.5	12.8	7.7	16.7	-0.3	1.2
6-Month	2.6	9.4	0.3	4.4	-0.3	- - -	2.0	- - -	1.1	10.0	3.7	12.9	7.8	- - -	-0.3	1.4
1-Year	3.2	9.0	0.8	4.3	-0.1	- - -	2.4	- - -	1.3	9.2	- - -	13.1	8.0	- - -	-0.1	1.7

LOCAL DEBT MARKETS, MAY 15TH 2017

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	- - -	- - -	- - -	- - -	- - -	19.3	- - -	6.3	- - -	9.2	3.3	11.1	- - -	- - -	-0.9	0.9
6-Month	1.6	- - -	- - -	- - -	- - -	19.4	1.9	6.4	0.8	9.1	3.1	11.1	- - -	- - -	-0.7	1.0
12-Month	2.0	- - -	0.2	3.4	- - -	19.4	1.9	6.4	0.9	8.3	4.0	11.6	- - -	14.9	-0.7	1.1
2-Year	2.2	- - -	- - -	3.6	- - -	- - -	2.2	6.6	1.5	8.1	- - -	11.2	7.5	- - -	-0.7	1.3
3-Year	- - -	- - -	0.3	3.7	1.5	- - -	- - -	6.7	1.6	8.1	- - -	10.8	7.5	14.9	-0.6	1.5
5-Year	- - -	9.6	- - -	3.7	- - -	17.4	- - -	7.0	2.6	7.8	5.6	10.6	7.7	- - -	-0.3	1.9
7-Year	- - -	- - -	1.4	- - -	0.0	17.3	- - -	7.0	3.4	7.7	- - -	- - -	- - -	- - -	0.0	2.1
10-Year	- - -	10.1	2.0	3.7	0.0	17.3	- - -	6.8	3.8	7.5	- - -	10.3	8.7	- - -	0.4	2.3
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	3.8	7.5	- - -	7.8	- - -	- - -	9.2	- - -	0.7	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	9.7	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	7.4	- - -	- - -	- - -	- - -	9.8	- - -	1.2	3.0

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

CORPORATE BONDS SUMMARY, MAY 15TH 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	2.0	265	229
	Bulgarian Telecom. 6.625% '18	EUR	B-/B1	15/11/2018	400	3.5	414	369
Cyprus	**Aroundtown Property 3% '21**	EUR	NA/NA	9/12/2021	200	3.0	362	293
Russia	**Gazprom 8.2% '19**	RUB	BB+/NA	9/4/2019	10,000	8.9	57	- - -
	Gazprom 8.9% '21	RUB	BB+/NA	26/1/2021	10,000	9.4	106	- - -
South Africa	**FirstRand Bank Ltd 4.25% '20**	USD	BBB-/Baa2	30/4/2020	500	3.7	217	198
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	0.5	112	58
Turkey	**Vakiflar Bankasi 3.5% '19**	EUR	NA/Baa3	17/6/2019	500	2.4	309	256
	Garanti Bankasi 3.38%'19	EUR	NA/Baa3	8/7/2019	500	1.7	238	186
	Arcelik AS 3.875% '21	EUR	BB+/NA	16/9/2021	350	2.6	307	253
	Turkiye Is Bankasi 6% '22	USD	NA/Ba3	24/10/2022	1,000	5.9	404	390

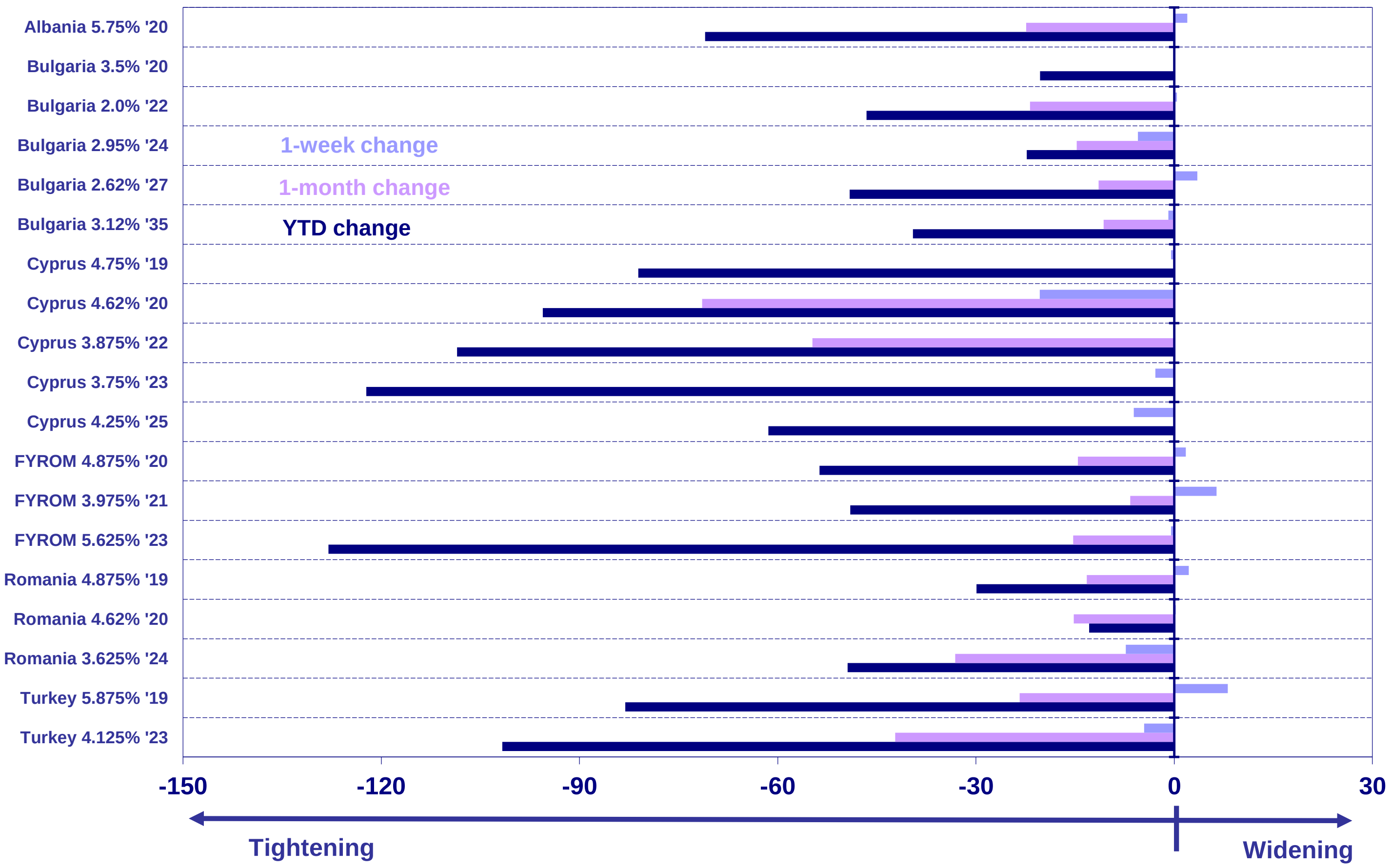
CREDIT DEFAULT SWAP SPREADS, MAY 15TH 2017

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	195	115	79	204	327	- - -	80	104	151	193	203	188	- - -
10-Year	- - -	291	160	129	236	363	- - -	86	145	224	233	284	256	- - -

EUR-DENOMINATED SOVEREIGN EUROBOND SUMMARY, MAY 15TH 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	2.6	308	274
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	0.4	102	50
Bulgaria 2.0% '22	EUR	BB+/Baa2	26/3/2022	1,250	0.7	99	51
Bulgaria 2.95% '24	EUR	BB+/Baa2	3/9/2024	1,493	1.5	148	102
Bulgaria 2.62% '27	EUR	BB+/Baa2	26/3/2027	1,000	2.0	159	123
Bulgaria 3.12% '35	EUR	BB+/Baa2	26/3/2035	900	3.0	207	169
Cyprus 4.75% '19	EUR	BB/NA	25/6/2019	566	0.7	142	93
Cyprus 4.62% '20	EUR	BB/B1	3/2/2020	770	1.1	173	126
Cyprus 3.875% '22	EUR	NA/B1	6/5/2022	1,000	2.4	275	230
Cyprus 3.75% '23	EUR	NA/B1	26/7/2023	1,000	2.7	290	244
Cyprus 4.25% '25	EUR	NA/B1	4/11/2025	1,000	3.1	282	251
FYROM 4.875% '20	EUR	BB-/NA	1/12/2020	270	3.1	358	317
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	3.6	402	458
FYROM 5.625% '23	EUR	BB-/NA	26/7/2023	450	4.6	476	433
Romania 4.875% '19	EUR	BBB-/Baa3	7/11/2019	1,500	0.2	87	37
Romania 4.62% '20	EUR	BBB-/Baa3	18/9/2020	2,000	0.3	91	33
Romania 3.625% '24	EUR	BBB-/Baa3	24/4/2024	1,250	1.6	163	124
Turkey 5.875% '19	EUR	NR/Ba1	11/4/2023	1,250	1.0	164	122
Turkey 4.125% '23	EUR	NR/Ba1	12/11/2020	1,000	2.8	293	253

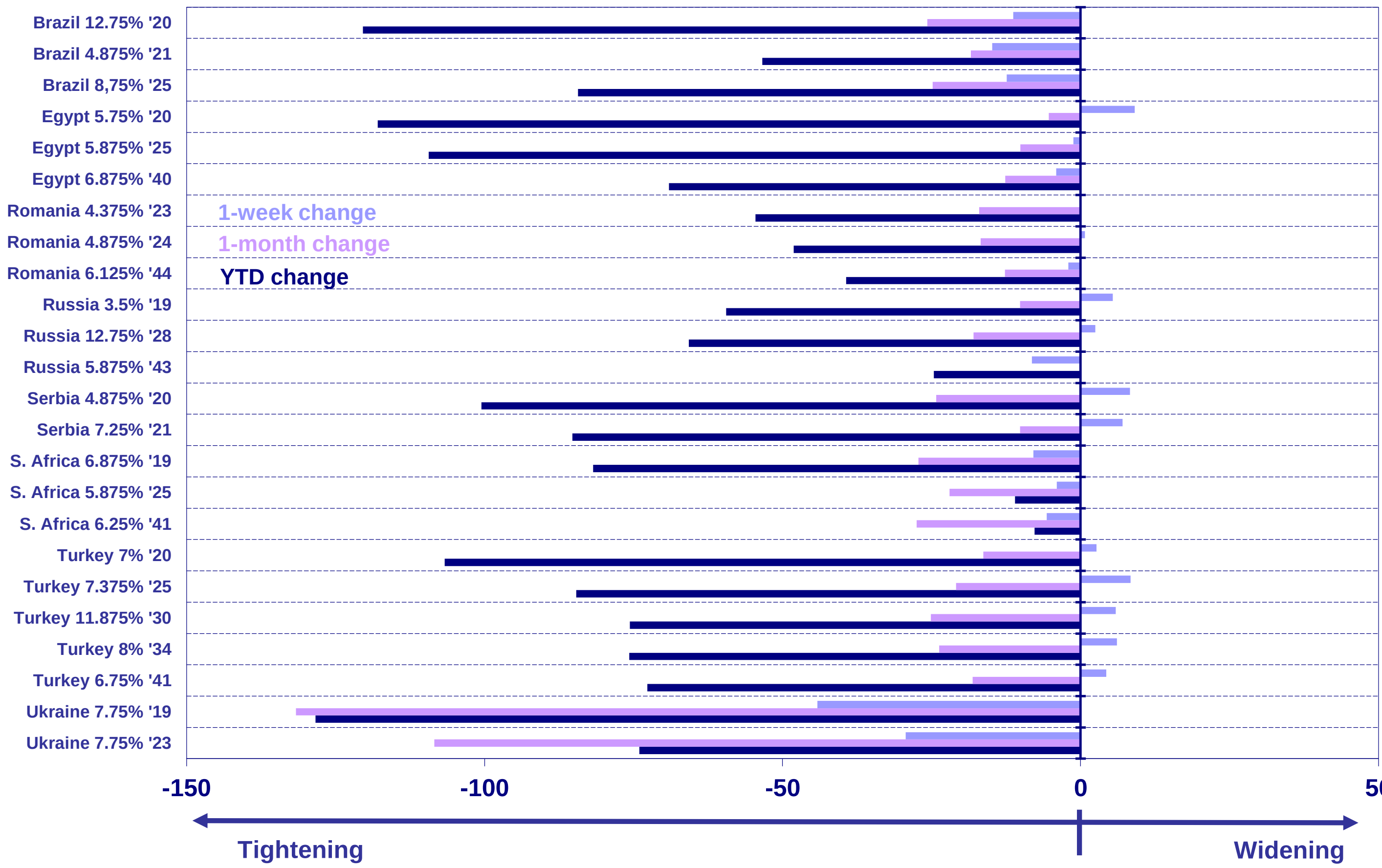
EUR-Denominated Eurobond Spreads (May 15th 2017)



USD-Denominated Sovereign Eurobond Summary, May 15th 2017

	Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Brazil 12.75% '20	USD	BB/Ba2	15/1/2020	234	2.5	98	99
Brazil 4.875% '21	USD	BB/Ba2	22/1/2021	2,988	3.1	159	134
Brazil 8.75% '25	USD	BB/Ba2	4/2/2025	969	4.4	222	260
Egypt 5.75% '20	USD	B-/B3	11/6/2025	1,000	4.4	292	276
Egypt 5.875% '25	USD	B-/B3	30/4/2040	1,500	6.1	391	382
Egypt 6.875% '40	USD	B-/B3	22/8/2023	500	7.4	435	458
Romania 4.375% '23	USD	BBB-/Baa3	22/1/2024	1,500	3.3	115	131
Romania 4.875% '24	USD	BBB-/Baa3	22/1/2044	1,000	3.4	121	135
Romania 6.125% '44	USD	BBB-/Baa3	16/1/2019	1,000	4.5	154	232
Russia 3.5% '19	USD	BB+/Ba1	24/6/2028	1,500	2.1	81	63
Russia 12.75% '28	USD	BB+/Ba1	16/9/2043	2,500	4.1	175	263
Russia 5.875% '43	USD	BB+/Ba1	25/2/2020	1,500	4.8	182	250
Serbia 4.875% '20	USD	BB-/B1	28/9/2021	1,500	3.3	180	166
Serbia 7.25% '21	USD	BB-/B1	27/5/2019	2,000	3.6	171	185
S. Africa 6.875% '19	USD	BBB-/Baa2	16/9/2025	1,748	2.6	128	109
S. Africa 5.875% '25	USD	BBB-/Baa2	8/3/2041	2,000	4.5	238	246
S. Africa 6.25% '41	USD	BBB-/Baa2	5/6/2020	750	5.4	239	306
Turkey 7% '20	USD	NR/Ba1	5/2/2025	2,000	3.6	213	203
Turkey 7.375% '25	USD	NR/Ba1	15/1/2030	3,250	4.9	278	302
Turkey 11.875% '30	USD	NR/Ba1	14/2/2034	1,500	5.4	306	412
Turkey 8% '34	USD	NR/Ba1	14/1/2041	1,500	5.8	342	377
Turkey 6.75% '41	USD	NR/Ba1	1/9/2019	3,000	5.9	284	332
Ukraine 7.75% '19	USD	B-/Caa3	1/9/2023	1,744	6.1	477	451
Ukraine 7.75% '23	USD	B-/Caa3	15/1/2020	1,355	7.9	573	573

USD-Denominated Eurobond Spreads (May 15th 2017)



STOCK MARKETS PERFORMANCE, MAY 15TH 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)	68,474	4.5	9.0	13.7	32.2	59,371	69,488	13.7	38.9	76.2	-13.3	-35.3
Bulgaria (SOFIX)	656	-0.8	-0.3	11.8	48.9	583	671	11.8	27.2	27.2	-11.7	-11.7
China (SHCOMP)	3,090	0.4	-4.8	-0.4	8.4	3,017	3,295	-3.9	-12.3	-15.3	9.4	16.5
Cyprus (CSE GI)	78	3.2	11.9	17.5	14.8	65	79	17.5	-2.0	-2.0	-20.9	-20.9
Egypt (HERMES)	1,164	-0.2	0.1	6.9	73.1	1,071	1,187	1.4	72.7	-21.8	-24.4	-22.8
F.Y.R.O.M (MBI)	2,212	1.0	-1.6	3.6	26.8	2,135	2,316	3.6	16.5	16.5	-0.6	-0.6
India (SENSEX)	30,322	1.3	2.9	13.9	18.2	25,181	30,366	15.8	1.9	2.6	-5.0	0.7
Romania (BET-BK)	1,611	3.2	4.7	19.8	36.0	1,365	1,611	19.4	0.2	0.0	2.6	1.6
Russia (RTS)	4,335	-0.7	3.9	-11.9	3.1	4,151	5,089	-8.2	24.2	54.3	30.3	9.5
Serbia (BELEX-15)	729	1.8	-0.4	1.6	18.7	694	753	1.9	11.4	9.7	-3.4	-3.5
South Africa (FTSE/JSE)	54,052	0.7	1.0	6.7	3.1	50,338	54,445	6.5	-0.1	16.1	1.9	-15.1
Turkey (ISE 100)	95,588	1.9	6.1	22.3	24.1	75,657	96,491	16.6	8.9	-7.0	-16.3	-25.4
Ukraine (PFTS)	277	0.5	1.7	4.3	25.9	265	278	2.4	10.2	1.0	-37.8	-54.8
MSCI EMF	1,010	2.5	5.2	17.2	26.7	858	1,004	12.2	8.6	12.2	-17.0	-6.9
MSCI EAFE	1,875	0.4	5.5	11.3	14.5	1,677	1,868	6.7	-1.9	1.4	-3.3	7.7
Greece (ASE-General)	782	2.5	14.4	21.5	26.1	602	799	21.5	1.9	1.9	-23.6	-23.6
Germany (XETRA DAX)	12,807	0.9	5.8	11.5	28.7	11,415	12,832	11.5	6.9	6.9	4.9	4.9
UK (FTSE-100)	7,454	2.1	1.7	4.4	21.2	7,094	7,447	4.5	14.4	-1.0	-4.9	0.1
USA (DJ INDUSTRIALS)	20,982	-0.1	2.6	6.2	18.5	16,166	21,169	1.7	13.4	16.7	-2.2	9.3
USA (S&P 500)	2,402	0.1	3.2	7.3	16.2	2,245	2,404	2.8	9.5	13.2	-0.7	10.6

Equity Indices (May 15th 2017)