NATIONAL BANK

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Weekly Report

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NBG - Economic Analysis Division
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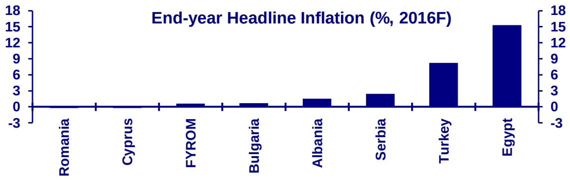
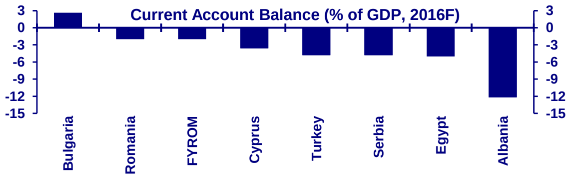
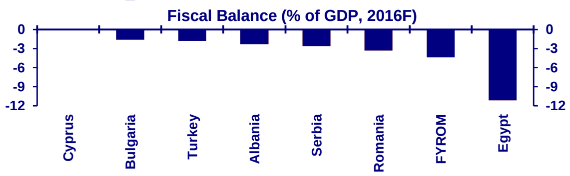
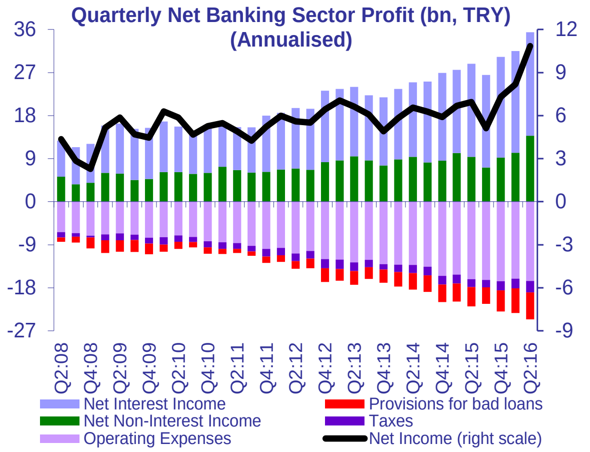


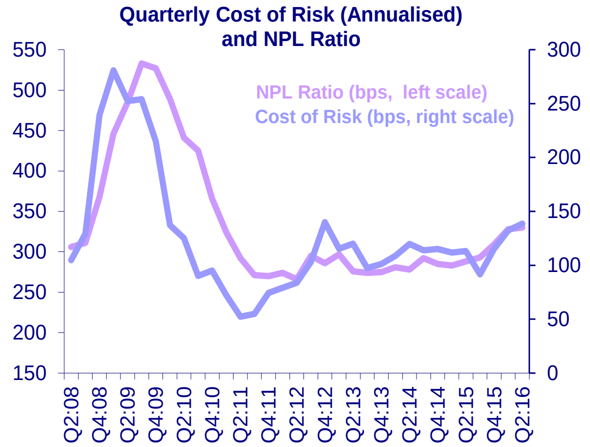


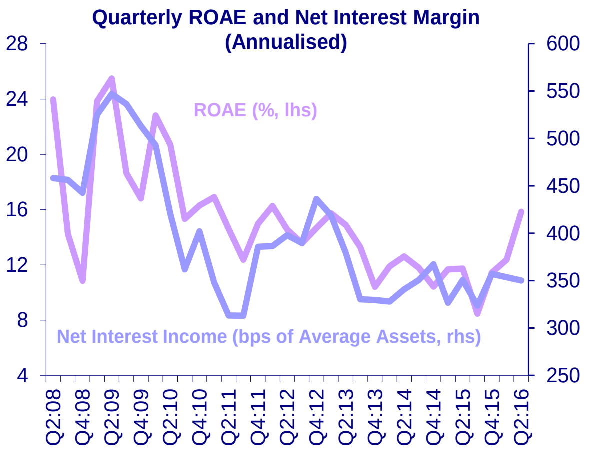


Turkey

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







	29 Aug.	3-M F	6-M F	12-M F
1-m TRIBOR (%)	9.0	9.2	9.5	9.8
TRY/EUR	3.30	3.36	3.32	3.30
Sov. Spread (2019, bps)	261	250	230	200

	29 Aug.	1-W %	YTD %	2-Y %
ISE 100	76,119	-2.4	4.0	-5.2

	2013	2014	2015	2016F	2017F
Real GDP Growth (%)	4.2	3.0	4.0	3.2	3.0
Inflation (eop, %)	7.4	8.2	8.8	8.2	7.5
Cur. Acct. Bal. (% GDP)	-7.7	-5.5	-4.5	-4.8	-5.2
Fiscal Bal. (% GDP)	-1.2	-1.3	-1.2	-1.8	-2.0

Banking sector bottom line reached a high in Q2:16, mainly due to higher gains from non-core activities. Banking sector net profit (after tax) surged by 56.1% y-o-y to a high of TRY 10.8bn in Q2:16 (EUR 3.3bn or 0.5% of projected 2016 GDP), on the back of lower losses from securities and foreign currency trading and stronger income from sales of assets (mainly one-off gains from Visa Europe). As a result, (annualised) ROAA and ROAE rose to 1.8% and 15.8%, respectively, in Q2:16 from 1.4% and 12.4% in Q1:16 and 1.3% and 11.7% in the same quarter a year ago. Note that in terms of profitability growth, private banks outperformed state banks in Q2:16 (with respective net profits rising by 65.3% and 41.4% y-o-y to TRY 7.0bn and TRY 3.8bn). Within private banks, following the BRSA's reclassification of Garanti Bank from domestic to foreign in late 2015 (as BBVA became the controlling shareholder), the bottom line in domestic private banks rose moderately by 16.2% y-o-y to TRY 4.0bn, while that in foreign banks rose sharply by 262.8% y-o-y to TRY 3.0bn.

Pre-provision earnings (before tax) posted strong growth in Q2:16 (up 48.2% y-o-y to TRY 18.7bn), on the back of a significant increase in net non-interest income (NNII) and successful cost control. NNII rose by 47.1% y-o-y, mainly supported by a surge in income from sales of assets (up 616.2% y-o-y to TRY 2.2bn), mostly stemming from the non-disclosed one-time gains from the shares in Visa Europe and lower losses from securities and foreign currency trading (down 68.2% y-o-y to TRY 0.5bn).

Net interest income (NII) rose moderately in Q2:16 (up 11.2% y-o-y to TRY 21.7bn), broadly in line with average assets (up by 11.4% y-o-y), as the net interest margin (over average assets, remained broadly unchanged on an annual basis (down 1 bp y-o-y to 350 bps annualised). Note that asset growth has moderated significantly over the past 3 years, in line with credit activity. The latter was the result of the implementation of tight macro-prudential measures by the CBRT and the BRSA, aimed at holding back the current account deficit and stabilizing the exchange rate.

The strong performance of pre-provision earnings in Q2:16 was also supported by a milder increase in operating expenses (up by 2.5% y-o-y to TRY 16.6bn), mainly due to a moderate increase in personnel expenses (up by 7.2% y-o-y) and the number of branches as well as a decline in general provisions (down 24.8% y-o-y), reflecting perceptions of a better operating environment this year following the end of a long election cycle at end-2015.

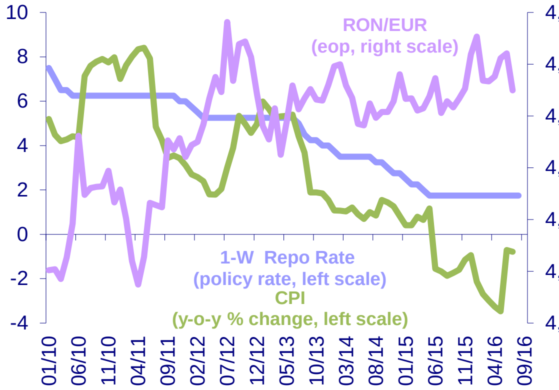
NPL provisions rose significantly in Q2:16, bringing the coverage ratio to a more comfortable level. P/L specific provisions rose by a 7-quarter high of 38.1% y-o-y to TRY 5.6bn in Q2:16, as the NPL ratio increased by 42 bps y-o-y to a 5½-year high of 3.3% -- still comparing favourably with the CEEMEA and EU-27 averages of 8.0% and 9.9%, respectively. The increase in the NPL ratio in Q2:16 was largely driven by the retail segment, which has borne the brunt of the recent changes in regulations. Indeed, non-performing retail loans increased by 25.1% y-o-y compared with a moderate rise of 6.4% in overall retail loans, resulting in a pick-up in the non-performing retail loan ratio by 62 bps y-o-y to 4.3%. On the other hand, non-performing corporate loans increased by 33.6% y-o-y compared with a rise of 14.6% in overall corporate loans, bringing the non-performing corporate loan ratio up to 2.8% in Q2:16 from 2.4% a year earlier.

The increase in P/L specific provisions for NPLs improved the NPL coverage ratio – up 170 bps y-o-y to a 9-quarter high of 76.2% in Q2:16. However, with P/L specific provisions rising at a faster pace than gross loans, the cost of risk soared by 25 bps y-o-y to a 15-quarter high of 139 bps in Q2:16.

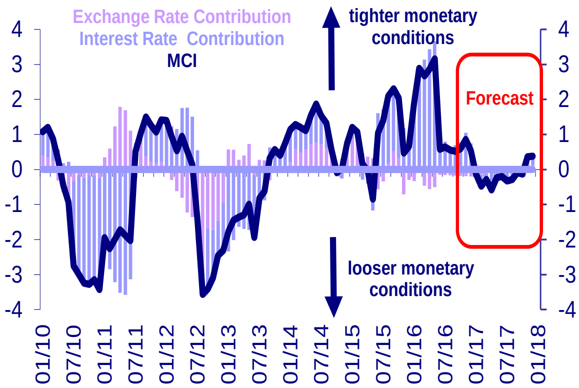
Romania

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

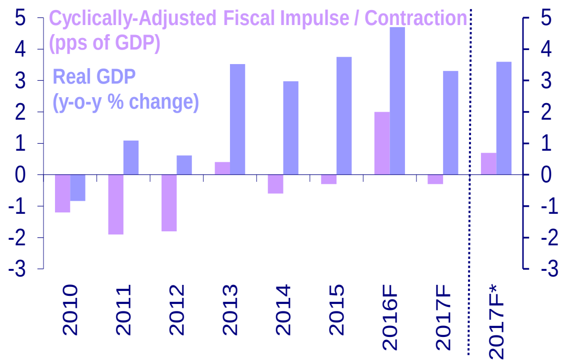
Policy Rate, Exchange Rate & Inflation



Monetary Conditions Index



Real GDP Growth & Fiscal Impulse



*Assuming that the proposed cuts in social security contributions get passed by the Parliament

	29 Aug.	3-M F	6-M F	12-M F
1-m ROBOR (%)	0.6	0.9	1.2	1.5
RON/EUR	4.45	4.48	4.49	4.50
Sov. Spread (2024, bps)	195	190	170	150

	29 Aug.	1-W %	YTD %	2-Y %
BET-BK	1,304	2.0	-2.8	0.9

	2013	2014	2015	2016F	2017F
Real GDP Growth (%)	3.5	3.0	3.8	4.7	3.5
Inflation (eop, %)	1.6	0.8	-0.9	-0.2	2.0
Cur. Acct. Bal. (% GDP)	-1.1	-0.5	-1.1	-2.0	-2.8
Fiscal Bal. (% GDP)	-2.5	-1.7	-1.5	-3.3	-3.0

The NBR remains on hold, despite the subdued inflation outlook. The NBR Board maintained its 1-week repo rate unchanged at 1.75% in August, as expected. As a result, with the *ex-post* real policy rate (estimated at c. 2.3%) well above its historical average (1.8%), monetary conditions remain tight (see our MCI), despite the weak RON in real terms (the CPI-based REER is down 1.5% y-o-y). The latter can be attributed to persistent deflation (-0.8% y-o-y in July) on the back of the 4 pp cut in the standard VAT rate (excluding food items) to 20.0% in January and low imported food and fuel inflation.

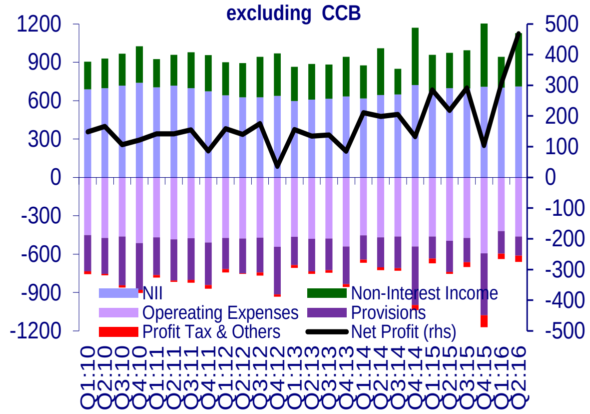
The NBR is likely to embark on a tightening cycle later in the year. Amid subdued inflation (headline inflation should pick up modestly to -0.2% at year-end -- revised down from 0.5% previously), we expect the NBR to gradually tighten its policy stance, in an effort to prevent an overheating of the economy. In fact, we see GDP growth picking up to 4.7% in FY:16 (already up 5.2% y-o-y in H1:16, flash estimate) from 3.8% in FY:15, markedly higher than its long-term potential of c. 3.0%, supported by a sizeable (pre-election) fiscal stimulus. Recall that the ongoing loosening in incomes policy (with large hikes in public wages -- exceeding 15.0% in some sectors -- pensions – up 5.0% -- and benefits), together with a series of tax cuts (also including the reduction in the dividend tax rate by 9 pps to 5.0% and higher personal tax deductions), are set to widen the budget deficit by 1.8 pps to 3.3% of GDP in FY:16 (already up 1.1 pp of GDP y-o-y in 6M:16), above the Government's target and the EU threshold (set at 2.8% and 3.0% of GDP, respectively). As a result, we see the NBR raising its key rate by 50 bps to 2.25% by end-2016 (2.5% in real and compounded terms). Looking further ahead, the projected acceleration in headline inflation (to 2.0% at end-2017, within the NBR's target range of 2.5±1%), combined with persistent fiscal imbalances, should prompt the NBR to continue with rate hikes. Recall that the already approved 1 pp cut in the VAT rate to 19%, together with the abolition of the special property tax and reductions in excise duties, are set to keep the budget deficit high at 3.0% of GDP in FY:17. More worryingly, in the event that Parliament passes the proposed cuts in social security contributions for employers and employees (by 2 pps and 3 pps, respectively) -- a vote is expected later this month -- the FY:17 budget deficit could reach up to 4.0% of GDP. All said, we see the NBR hiking its key rate by another 175 bps to 4.0% (2.0% in real and compounded terms) by end-2017. However, we expect interbank rates to converge to the policy rate before a rate hike is considered. Indeed, interbank rates are stuck at the bottom of the NBR's interest rate corridor (defined by the overnight deposit rate and the Lombard rate, currently at ±1.5 pps around the policy rate), reflecting the liquidity surplus in the market. To this end, Governor Isarescu has hinted that the NBR stands ready to narrow further the interest rate corridor to ±1.0 pp around the policy rate.

Credit activity could be hindered by tighter credit standards, in the aftermath of the adoption of the "Debt Settlement Law" (DSL). The DSL, which allows debtors to settle debts by giving up their property, has prompted banks to tighten significantly their credit standards. Indeed, most banks have increased the down payment required for mortgage loans to 30.0-40.0% of the loan value from 15.0% previously, while some have also shortened the loan repayment period. As a result, despite ample liquidity in the banking system (the loan-to-deposit ratio currently stands at 88.2%) and more favourable lending rates (down 30 bps y-o-y in 6M:16 following a drop of 85 bps in FY:15), we see credit to the private sector remaining broadly flat in FY:16 (up 4.0% adjusted for write-offs) and picking up slightly in FY:17 (up 3.0% or 5.0% adjusted for write-offs) against a rise of 2.5% in FY:15 (up 9.4% adjusted for write-offs).

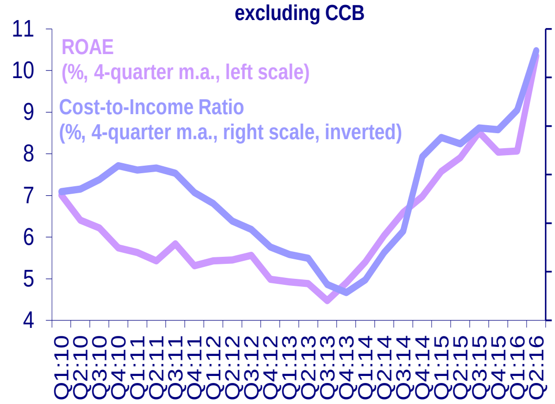
Bulgaria

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

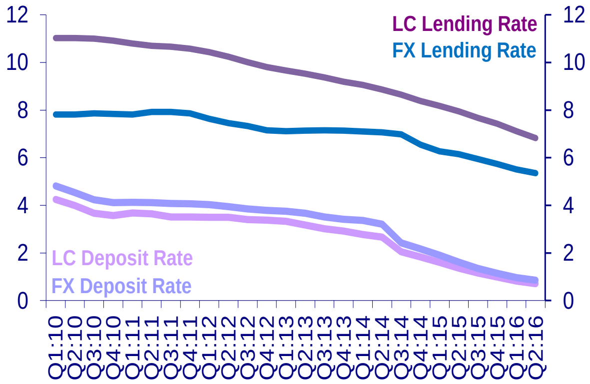
Quarterly Net Profit (BGN mn)
excluding CCB



ROAE & Cost-to-Income Ratio
excluding CCB



Lending & Deposit Rates (%)



	29 Aug.	3-M F	6-M F	12-M F
1-m SOFIBOR (%)	0.0	0.1	0.1	0.1
BGN/EUR	1.96	1.96	1.96	1.96
Sov. Spread (2022, bps)	142	140	135	130

	29 Aug.	1-W %	YTD %	2-Y %
SOFIX	471	0.2	2.3	-14.2

	2013	2014	2015	2016F	2017F
Real GDP Growth (%)	1.3	1.5	3.0	2.5	2.2
Inflation (eop, %)	-1.6	-0.9	-0.4	0.7	1.4
Cur. Acct. Bal. (% GDP)	1.3	0.9	1.4	2.6	1.5
Fiscal Bal. (% GDP)	-1.8	-3.7	-2.9	-1.6	-1.2

Asset Quality Review (AQR) and stress tests confirm the strength of the banking system. The BNB recently released the results of its first AQR and stress test, covering all 22 licensed banks, with the exception of the 6 foreign banks' branches operating in Bulgaria.

The AQR resulted in aggregate adjustments worth BGN 665mn (0.8% of GDP or 1.3% of risk-weighted assets, RWA) mainly due to the reclassification of performing assets worth BGN 3.7bn (7.1% of RWA) into non-performing exposures (NPEs). At the same time, the common equity tier 1 ratio (CET 1) of the system declined slightly to 18.9% as at end-2015 from 20.0% previously, still well above its minimum regulatory threshold of 4.5% and the EU average of 13.2%. Under the baseline scenario, the CET 1 ratio would rise to 22.2% by 2018, while under the adverse scenario the ratio would fall to a still comfortable 14.4%. Follow-up plans have been developed in line with individual results, with measures varying from recommendations to improve certain policies and procedures to requirements for reducing RWA and rebuilding capital buffers (Fibank, Investbank). All said, the stress tests confirmed the strong capital adequacy of the system and its resilience to market shocks.

The profitability of the banking system improved sharply in Q2:16. Net profit (after tax) surged by 114.6% y-o-y in Q2:16 to BGN 468mn (0.5% of GDP), bringing H1:16 profit to BGN 773mn (up 53.7% y-o-y). As a result, the annualised ROAA and ROAE improved to 1.8% and 13.3%, respectively, in H1:16 from 1.2% and 9.3% in H1:15.

Pre-provision net operating income surged on the back of higher net non-interest income (NNII) and strict cost control in Q2:16. Net interest income rose further in Q2:16, albeit at a slower pace (up 2.1% y-o-y following increases of 4.5% in Q1:16 and 5.3% in FY:15), broadly in line with the expansion in average interest earning assets (mostly in cash balances and relatively low yielding debt securities). Note that the net interest rate margin has stabilized at FY:15 levels (330 bps), as the continuing decline in deposit rates, on the back, *inter alia*, of improved liquidity conditions in the banking system, has fully passed into lending rates. At the same time, NNII rebounded (by 50.7% y-o-y in Q2:16 following a decline of 15.5% in Q1:16), mainly due to higher trading gains. Importantly, amid an environment of persistent deflation, operating expenses dropped further in Q2:16 (by 6.7% y-o-y following a decline of 8.8% in Q1:16 -- albeit up 0.8% in FY:15), driven by lower G&A costs. As a result, the efficiency of the banking system continued to improve, with the cost-to-income ratio falling by 990 bps y-o-y to 40.9% in Q2:16.

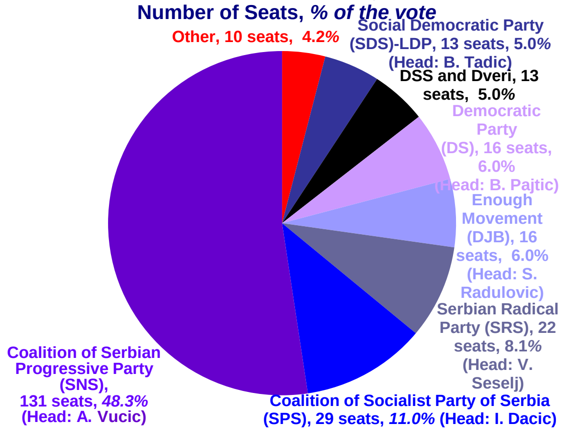
Provisioning declined sharply in Q2:16. Banks reduced NPE provisions sharply in Q2:16 (by 38.0% y-o-y following increases of 1.3% in Q1:16 and 13.4% in H2:15), bringing the annualised cost of risk to 130 bps in Q2:15 (185 bps on a 4-quarter rolling basis). In our view, this slowdown is mainly attributed to base effects from past overprovisioning ahead of the AQR rather than a decline in NPEs (which stood at 20.5% for the private non-financial sector in Q2:16, broadly unchanged compared with the same period in 2015).

AQR adjustments to put a significant burden on FY:16 profitability. We estimate that the compulsory full implementation of the adjustments produced by the AQR by end-year will shave c. 5.5 pps from FY:16 ROAE (mainly through higher provisioning). On a positive note, the increased transparency in the aftermath of the AQR, as well as the negative interest rates imported from the ECB in early-2016, should encourage banks to increase lending (up 0.0%-2.0% in FY:16 against a decline of 1.6% in FY:15). All said, we see ROAE declining to 5.0% in FY:16 from 8.0% in FY:15.

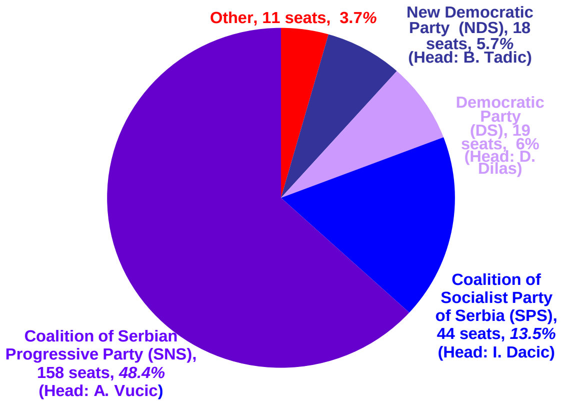
Serbia

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

Results of 2016 Parliamentary Elections
Number of Seats, *% of the vote*



Results of 2014 Parliamentary Elections
Number of Seats, *% of the vote*



Key Dates in Serbia's Path towards EU Membership	
18 July 2016	Negotiations open on two more Chapters: Chapter 23 on Judiciary and fundamental rights and Chapter 24 on Justice, freedom and security
14 December 2015	Negotiations open on two Chapters of the *acquis*: Chapter 32 on Financial control and Chapter 35 on the Normalization of relations with Kosovo
21 January 2014	Opening of Accession Negotiations
1 September 2013	The Stabilisation and Association Agreement (SAA) between the EU and Serbia enters into force
1 March 2012	The European Council grants Serbia EU candidate status
1 February 2010	Entry into force of the Interim Agreement on Trade
19 December 2009	Entry into force of the Visa liberalisation with Serbia

	29 Aug.	3-M F	6-M F	12-M F
1-m BELIBOR (%)	3.3	3.4	3.5	3.8
RSD/EUR	123.2	125.1	125.4	125.7
Sov. Spread (2021, bps)	257	245	220	180

	29 Aug.	1-W %	YTD %	2-Y %
BELEX-15	622	0.3	-1.4	-1.2

	2013	2014	2015	2016F	2017F
Real GDP Growth (%)	2.6	-1.8	0.7	2.5	2.7
Inflation (eop, %)	2.2	1.7	1.5	2.4	2.8
Cur. Acct. Bal. (% GDP)	-6.1	-6.0	-4.8	-4.8	-5.0
Fiscal Bal. (% GDP)	-5.5	-6.6	-3.8	-2.6	-2.8

A pro-EU coalition Government took office on August 11th. Parliament endorsed a new coalition Government on August 11th (almost 4 months after the parliamentary elections on April 24th), comprising the parties of the outgoing coalition. The new Government is headed by the pro-Presidential Serbian Progressive Party (SNS) of A. Vucic, who remains as PM for a 4-year term, and continues his coalition with the Socialist Party (SPS), led by I. Dacic, and the Alliance of Vojvodina Hungarians (the largest minority party in the parliament). The SNS-led coalition Government commands a strong 163-seat majority in the 250-seat assembly. It is important to note that the senior party of the Government coalition, the SNS, alone holds an outright majority in the new parliament, with 131 seats. Its coalition with junior partners provides it a stronger mandate and broader political support for the implementation of much-needed difficult reforms.

The 19-member cabinet includes 8 new ministers, with Dacic retaining the post of first Deputy PM and Foreign Affairs Minister. Importantly, the former World Bank official, D. Vujovic, was re-appointed as Finance Minister, signalling a continuity in policy implementation and confirming Vucic's commitment to IMF-related reforms, including fiscal consolidation measures and the implementation of structural reforms. Note that despite the SNS's absolute majority, it took only 9 ministries in the 19-member cabinet.

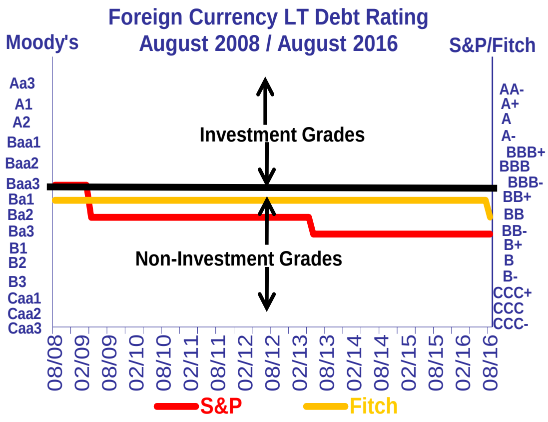
Recall that the election -- held 2 years before schedule -- was sought by the SNS, amid strong popularity, in view of the need for a strong 4-year mandate in order to be able to make tough decisions to ensure Serbia's EU membership in 2020. However, despite a landslide victory in the parliamentary elections (it gained 48.3% of the vote -- unchanged from the 2014 legislative elections), it lost 27 seats in the new assembly, due to the entry of several new parties to parliament (7 against 4 in 2014 elections, excluding minorities).

The new Cabinet is well positioned to continue the implementation of reforms. The strong mandate should enable the SNS-led Government to continue the implementation of structural reforms, agreed with the IMF under the ongoing 3-year EUR 1.2bn precautionary SBA (3.6% of GDP), approved 1½ years ago. The agreed reforms aim to contain the fiscal deficit further and reverse the worsening public debt dynamics, through *inter alia*: i) public employment rightsizing; ii) the continued freeze in public sector wages and pensions until 2018; and iii) more decisive progress in resolving 500 (loss-making) state-owned enterprises, as well as reforms in large public utilities and transport companies. Note that the IMF mission commended Serbia's continued strong progress under the SBA at end-June, as reflected in the faster-than-expected economic recovery (with the real GDP growth forecast revised up by 0.7 pps for 2016, to an 8-year high of 2.5%), the strong fiscal performance (with the fiscal deficit set to reach 2.5% of GDP this year, well below the budgeted 4.0%), the significant external rebalancing, a well anchored inflation, and the Government's commitment to proceed with structural reforms.

With the strong support of the new Parliament, the Government, is set to accelerate a wide-range of EU-related reforms, aimed at the completion of the 35 Chapters of the *acquis* (including enhanced efforts in the normalization of its relations with Kosovo), to meet its EU membership date target (2020). Membership by 2020, however, is out of reach in our view, as Serbia has formally opened only four Chapters in EU accession negotiations so far, while accession negotiations could last 6-7 years, based on the Croatian experience, and the ratification by all member states could take a further 2 years. We do not expect Serbia to join the EU before 2022; nevertheless, EU membership talks will strengthen the reform momentum.

F.Y.R.O.M.

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



Consolidated Fiscal Balance (% of GDP)	2015	7M:15	7M:16	2016 Rev. Budget	NBG 2016 Forecast
Revenue	28.8	16.5	16.5	29.7	28.8
Tax Revenue	25.2	14.6	14.7	25.5	24.9
Personal Inc.	2.3	1.3	1.3	2.4	2.3
Corporate Inc.	2.2	1.5	1.1	1.7	1.5
VAT	7.4	4.4	4.8	8.1	7.9
Excises	3.5	2.0	2.0	3.4	3.4
Import Duties	0.8	0.4	0.5	0.8	0.8
Other Taxes	0.4	0.2	0.2	0.6	0.4
Soc. Contrib.	8.6	4.9	4.8	8.5	8.5
Non-Tax revenue	3.6	1.9	1.8	4.2	3.9
Expenditure	32.2	18.5	18.0	33.3	33.0
Cur. Expenditure	28.9	16.9	16.7	29.5	29.6
Personnel	4.4	2.5	2.6	4.5	4.5
G. & Services	3.2	1.8	1.5	3.3	3.2
Transfers	20.1	11.8	11.9	20.4	20.7
Int.Payments	1.2	0.8	0.7	1.2	1.2
Capital Expend.	3.3	1.6	1.3	3.8	3.4
Fiscal Balance	-3.5	-2.0	-1.5	-4.0	-4.2
Primary Balance	-2.3	-1.2	-0.8	-2.8	-3.0

	29 Aug.	3-M F	6-M F	12-M F
1-m SKIBOR (%)	1.7	1.7	1.7	1.7
MKD/EUR	61.3	61.3	61.3	61.3
Sov. Spread (2021. bps)	498	475	450	350

	29 Aug.	1-W %	YTD %	2-Y %
MBI 100	1,963	2.3	7,1	14.5

	2013	2014	2015	2016F	2017F
Real GDP Growth (%)	2.7	3.5	3.7	1.8	3.6
Inflation (eop. %)	1.4	-0.5	-0.3	0.6	1.3
Cur. Acct. Bal. (% GDP)	-1.6	-0.8	-1.4	-2.0	-2.5
Fiscal Bal. (% GDP)	-3.8	-4.2	-3.5	-4.2	-3.5

Fitch downgraded FYROM's long-term sovereign debt rating by one notch to BB (two notches below investment grade) with a negative outlook. The move was the result of: i) the persisting domestic political deadlock, started in February 2015; and ii) the recent deterioration in macroeconomic conditions. The agency: i) revised down real GDP growth for 2016 to 2.5% from 3.6% previously, significantly below the 3.5% 5-year average of its peers; ii) expects the fiscal deficit to underperform its recently-revised 2016 target of 3.6% of GDP and public debt to embark on a strong upward trend; and iii) sees the current account deficit widening by 0.5 pps to 1.9% of GDP this year. Worryingly, Fitch foresees a further downgrade in the coming months if the ongoing political crisis escalates. Note that Fitch currently rates FYROM one notch above S&P.

The fiscal performance is set to deteriorate significantly during the remainder of the year, pushing the FY:16 budget deficit to a 2-year high of 4.2% of GDP. In view of the negative impact on the economy from the protracted domestic political crisis, Parliament approved a revised 2016 Budget in late-June, envisaging lower-than-initially-projected revenue (by 0.5 pps of GDP) and expenditure (by 0.1 pp of GDP), thereby raising the fiscal deficit target to 3.6% of GDP from 3.2%. Worryingly, the revised fiscal deficit target is set to be revised up to 4.0% of GDP in the coming days, following the parliamentary approval of an additional increase in expenditure (EUR 36.4mn or 0.4% of GDP), through a new supplementary budget, to be used for the compensation of recent flood damages. Nevertheless, the budget deficit narrowed significantly to 3.0% of GDP, on a 12-month rolling basis, in July from 3.5% in December. In 7M:16, the fiscal deficit narrowed by 0.5 pps y-o-y to 1.5% of GDP. The improvement was driven by a significant cut in capital expenditure (down 0.3 pps of GDP y-o-y), reflecting under-execution of the public investment programme as well as lower current expenditure (down 0.2 pps of GDP y-o-y), due to a significant decline in spending on goods and services.

Despite the positive y-t-d fiscal performance, the observance of the revised 2016 Budget target of 4.0% is out of reach, in view of the sharp slowdown in economic activity (we see FY:16 real GDP growth easing to 1.8% from 3.7% in FY:15) and the compensation for flood damages. We see a revenue shortfall of 0.9 pps of GDP for FY:16. On the other hand, the Government is unlikely to proceed with the necessary spending cuts during the rest of the year to make up for the shortfall, as the domestic political uncertainty is unlikely to dissipate before the December early-parliamentary elections. All said, we project a budget deficit of 4.2% of GDP in FY:16, far exceeding its revised target and the FY:15 outcome of 4.0% of GDP and 3.5% of GDP, respectively.

Covering public sector financing needs in 2016 is not, however, a cause for concern. Indeed, despite the persisting domestic political crisis, the authorities have secured their financing needs this year and next in both the domestic and the foreign debt markets; though at high costs. Until July, the domestic debt market was the main source of financing, as yields increased significantly following the Central Bank's decision to hike its key rate sharply by 75 bps to 4.0% in early-April, when the political crisis reached its high. In late July, the authorities successfully tapped international capital markets, raising EUR 450mn (4.7% of GDP) at a coupon of 5.625%. The country's 7-year EUR-denominated bond was priced at c. 580 bps over mid-swaps and is set cover the rest of public sector financing needs this year and next.

Should our FY:16 fiscal deficit forecast materialize, the general government debt will rise sharply to a 16-year high of c. 43.8% of GDP at end-2016 from 37.8% at end-2015 -- still below the SEE-5 average of 50.0% of GDP.

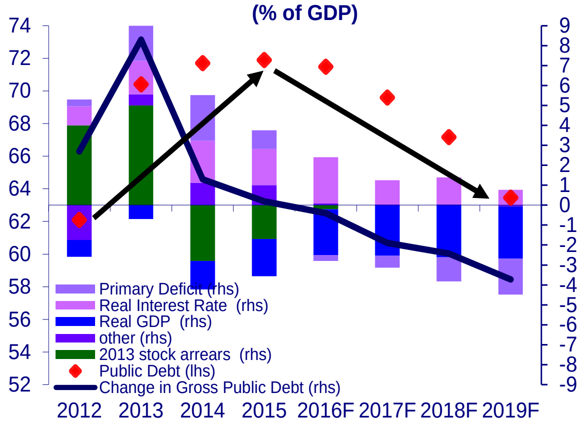
Albania

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

Consolidated Fiscal Balance (% of GDP)	2015	7M:15	7M:16	2016 Budget	NBG 2016F
Revenue	26.4	15.1	15.6	27.9	27.3
Tax Revenue	24.0	13.4	14.3	25.1	24.7
PIT	2.0	1.1	1.3	2.1	2.1
CIT	1.7	1.1	1.2	1.6	1.8
VAT	8.7	4.8	5.0	9.2	8.9
Excises	2.7	1.5	1.6	3.0	2.9
Customs	0.4	0.2	0.2	0.4	0.4
Other taxes	8.3	4.7	5.0	8.8	8.8
Grants	0.6	0.4	0.3	0.9	0.8
Non-Tax Rev.	1.8	1.3	1.0	1.9	1.6
Expenditure	30.0	16.2	14.5	30.2	29.3
Current Exp.	24.2	13.5	12.9	25.7	25.4
Personnel	5.0	2.9	2.6	4.8	4.8
Operational	3.0	1.5	1.4	2.9	3.0
Subsidies	0.1	0.1	0.1	0.1	0.1
Social Insur.	9.6	5.4	5.5	10.2	10.2
Local Budget	2.4	1.3	1.3	3.3	3.1
Other Exp.	1.5	0.8	0.8	1.6	1.4
Int. Payments	2.7	1.5	1.4	2.9	2.8
Capital Exp.	4.1	1.8	1.6	4.0	3.8
Net Lending/Arrears	1.3	1.0	0.0	0.3	0.3
Contingency Reser.	0.3	0.0	0.0	0.2	0.0
Fiscal Bal.	-3.6	-1.1	1.1	-2.3	-2.0
Primary Bal.	-0.9	0.4	2.5	0.6	0.8
Fiscal Bal. [a]	-2.4	-0.2	1.1	-2.3	-2.0
Primary Bal. [a]	0.3	1.4	2.5	0.6	0.8

a: excluding the clearance of arrears

Debt Creating Inflows & Public Debt (% of GDP)



	29 Aug.	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	1.6	2.2	2.2	2.2
ALL/EUR	137.3	138.5	138.7	139.0
Sov. Spread (bps)	397	430	400	350

	29 Aug.	1-W %	YTD %	2-Y %
Stock Market	- - -	- - -	- - -	- - -

	2013	2014	2015	2016F	2017F
Real GDP Growth (%)	1.0	1.8	2.8	3.1	3.2
Inflation (eop, %)	1.9	0.7	2.0	1.5	2.0
Cur. Acct. Bal. (% GDP)	-10.9	-12.9	-11.2	-12.2	-12.4
Fiscal Bal. (% GDP)	-5.0	-5.2	-3.6	-2.0	-2.0

Significant fiscal consolidation in 7M:16 -- 1.3% of GDP on a 12-month rolling basis -- due to a strong tax revenue performance as well as expenditure restraint. The cumulative fiscal balance (excluding the repayment of arrears) turned into a surplus of 1.1% of GDP in 7M:16 from a deficit of 0.2% in 7M:15, due to higher revenue (up by 0.6 pps of GDP y-o-y in 7M:16) and lower expenditure (excluding arrears, down 0.7 pps of GDP y-o-y).

Specifically, the tax revenue performance was impressive (up 0.9 pps of GDP y-o-y), more than offsetting the drop in non-tax revenue (down 0.3 pps of GDP y-o-y). The improvement in tax revenue in 7M:16 was broad-based, mainly supported by: i) the rebound in private consumption (following a sharp drop in H1:15, due to payments of electricity bill arrears); and ii) the success of the Government's large-scale campaign against tax evasion. The latter was launched in September 2015 and targeted companies that are unregistered, understating payrolls, not using cash registers or not issuing invoices. As a result, VAT, social contributions, profit and personal income tax revenue increased (together up 0.7 pps of GDP). Moreover, excise tax revenue also increased (by 0.1 pp of GDP y-o-y), due to a surge in tobacco imports (that remained low during the same period a year ago, due to advance imports ahead of the increase in the excise tax on cigarettes from January 1st 2015).

The increase in overall revenue would have been even stronger had: i) non-tax revenue not declined, due to a base effect from the (once-off) sales of mobile telecom licences (for 0.4% of GDP) in early 2015; and ii) royalties not declined (by 54.5% y-o-y to 0.1% of GDP in H1:16), reflecting the decline in global oil prices and domestic production.

On the other hand, expenditure restraint resulted mainly from lower personnel spending (down by 0.3 pps of GDP y-o-y in 7M:16, supported by a freeze in public sector wages and restricted hiring (set to save 0.2 pps of GDP in FY:16), and lower capital expenditure (down by 0.2 pps of GDP y-o-y in 7M:16).

As a result, the 12-month rolling fiscal deficit (excluding the repayment of arrears) narrowed to an almost 2-year low of 1.0% of GDP in July from 2.4% at end-2015. Note that, including the clearance of accumulated arrears (down to 0.0 pps of GDP in 7M:16 from 1.0 pp in 7M:15), the 12-month rolling deficit narrowed at a faster pace, to a 9½-year low of 1.3% of GDP in July from 3.6% at end-2015.

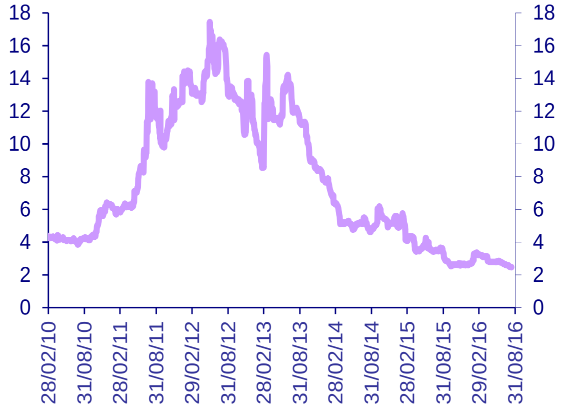
FY:16 fiscal deficit to overperform both its target and the FY:15 outcome. The 2016 Budget envisages a broadly neutral stance, targeting a deficit of 2.3% of GDP, 0.1 pp below the FY:15 outcome, excluding arrears paid (a contractionary fiscal stance, projecting a deficit of 2.3% of GDP this year against an outcome of 3.6% in FY:15, including the clearance of arrears).

Looking ahead, we expect revenue to continue to improve, but at a slower pace (up 0.3 pps of GDP y-o-y against an implied target of 1.1 pp of GDP y-o-y in 8-12M:16 following a rise of 0.6 pps of GDP in 7M:16), due to: i) the fading impact of the Government's campaign against the grey economy; and ii) lower royalties from the oil sector, as well as lower profit income tax from oil industries. On the other hand, expenditure performance (excluding arrears) should deteriorate (up 1.4 pps of GDP y-o-y against an implied target of 2.4 pps of GDP y-o-y in 8-12M:16, following a contraction of 0.7 pps of GDP in 7M:16), due the y-t-d under-execution of the planned spending. Overall, we foresee the FY:16 deficit, excluding arrears, reaching 2.0% of GDP -- overperforming both its target of 2.3% of GDP and the FY:15 outcome of 2.4% of GDP. Should our FY:16 fiscal deficit forecast materialise, the public debt-to-GDP ratio would narrow, for the first time in 6 years, to 70.4% from a 15-year high of 71.9% in 2015..

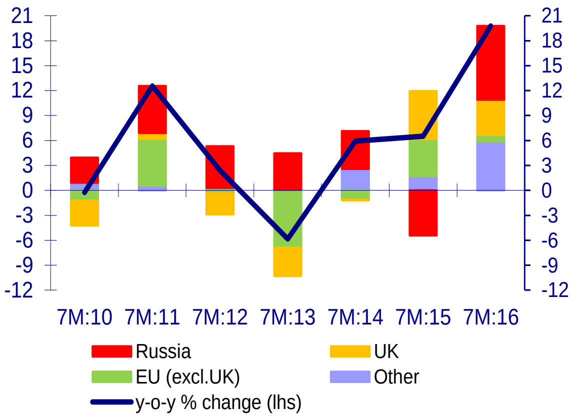
Cyprus

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

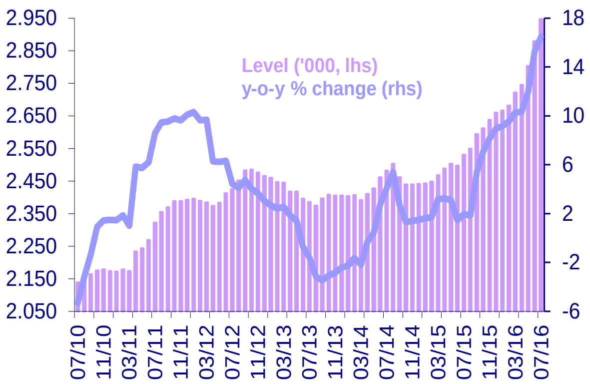
EUR 4.625% '20 Yield (%)



Contribution Rates to Tourist Arrivals Growth (pps)



Tourist Arrivals (12-M Rolling Sum)



	29 Aug.	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.37	-0.37	-0.37	-0.37
EUR/USD	1.12	1.11	1.08	1.05
Sov. Spread (2020. bps)	331	300	280	250

	29 Aug.	1-W %	YTD %	2-Y %
CSE Index	68	1.3	0.0	-42.8

	2013	2014	2015	2016F	2017F
Real GDP Growth (%)	-5.9	-2.5	1.6	2.4	2.1
Inflation (eop. %)	-2.3	-1.5	-1.2	-0.2	1.0
Cur. Acct. Bal. (% GDP)	-4.5	-4.6	-3.6	-3.6	-4.5
Fiscal Bal. (% GDP)	-4.7	-0.3	0.0	0.0	0.2

Cyprus successfully tapped international markets. Cyprus raised a 7-year EUR 1bn (5.7% of GDP) Eurobond at 3.8% on July 19th, the lowest yield ever paid by the country for such a maturity. It is worth noting that the new issue was oversubscribed by 150%, with foreign investors accounting for over 90% of total demand. The issue will be used to redeem more expensive Eurobonds and/or costlier domestic borrowing maturing in 2019 and 2020, where there is a concentration of repayments.

This is the first time Cyprus tapped capital markets since exiting its 3-year adjustment programme. Recall that the island regained market access in 2014 and the last time it turned to international markets, in October 2015, it issued a 10-year EUR 1bn Eurobond at 4.25%.

The relatively favourable yield of the new issue was supported by the authorities' "clean-exit" from the programme, with a stronger-than-initially-expected economic and fiscal performance. Note that since the exit of the economic adjustment programme and despite the country's non-eligibility for ECB quantitative easing (due to its non-investment grade), the yield of the 5-year sovereign bond, maturing in 2020, declined by 90 bps, to a recent low of 2.46%.

Tourist arrivals exceed the 1.7mn mark in 7M:16, mainly due to heightening security concerns in neighbouring competitors -- Turkey and Egypt. Tourist arrivals rose by an impressive 19.8% y-o-y to a record high of 1.7mn in 7M:16, following a rise of 8.9% to 3.2mn in FY:15. This strong performance was mainly driven by a sharp increase in arrivals from Russia -- the second largest source country with a share of 20% in FY:15 -- and the UK -- the main source country, accounting for c. 39% in FY:15. Indeed, the number of Russian and British tourists increased by 43.2% y-o-y and 11.0%, respectively, in 7M:16 and contributing 8.9 pps and 4.2 pps to the overall annual rise in the corresponding period.

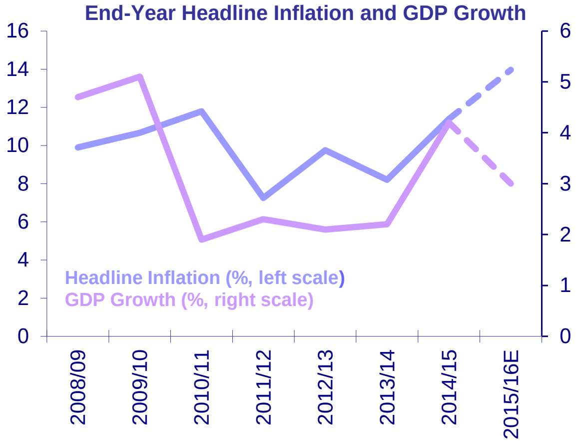
The sharp increase in Russian and British tourists came in the aftermath of: i) Russia's ban on all flights to Egypt and the UK's suspension of flights to the tourism flagship city of Sharm el-Sheikh, following the terrorist bombing of a Russian passenger plane in the Sinai Peninsula in late October; ii) Russian sanctions against Turkey following the downing of a Russian warplane by the Turkish airforce in late November; and iii) persisting security concerns in Turkey, with several deadly terrorist attacks in the past 13 months. Moreover, tourist arrivals from third countries (excluding the UK and Russia) also increased significantly (up 12.9% y-o-y in 7M:16), reflecting the island's reputation as a safe destination.

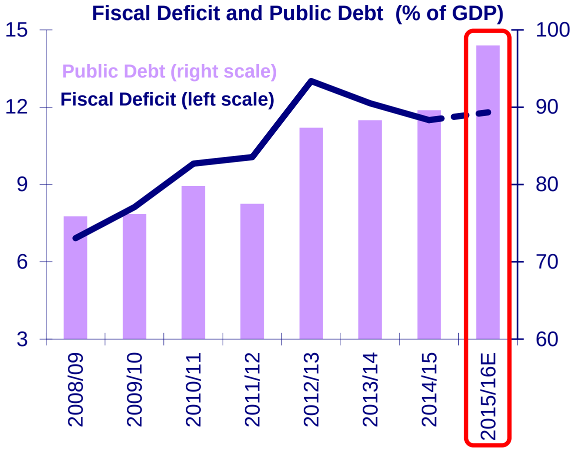
Tourist arrivals growth is set to reach c. 20% in 2016. Looking ahead, in view of the y-t-d performance and recent trends, we expect the positive momentum in tourist arrivals to continue during the remainder of the year, mainly on the back of significant gains from heightening security concerns in neighbouring countries – Turkey and Egypt. Note that, despite the recent normalization of Russia-Turkey relations, a 3-month state of emergency in Turkey, following a failed military coup in mid-July, is set to delay the return of Russians tourists to Turkey. Furthermore, although the UK is the country's second largest source of tourism, the impact from the Brexit vote is expected to be modest this year due to the fact that the season's holidays have largely been pre-sold. Overall, we foresee tourist arrivals rising by around 20.0% to an all-time high of 3.2mn in FY:16, from a 14-year high of 2.7mn in FY:15.

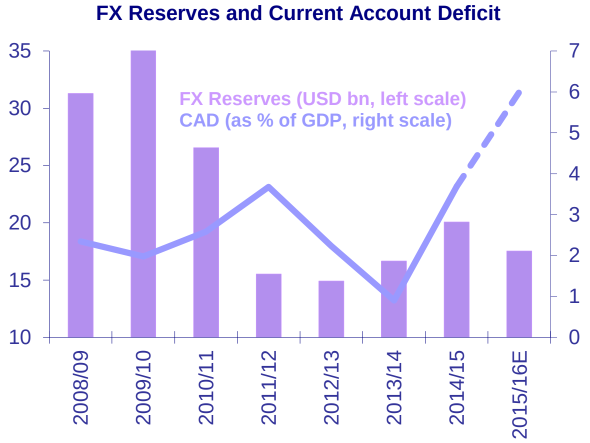
With tourism accounting for roughly 19.0% of GDP, we see real GDP growth accelerating to 2.4% in FY:16 from 1.6% in 2015. Moreover, with tourism accounting for c. 20.0% of employment, we see unemployment declining to 11.2% in FY:16 from 15.0% in FY:15.

Egypt

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







	29 Aug.	3-M F	6-M F	12-M F
O/N Interbank Rate (%)	11.8	11.8	12.8	11.5
EGP/USD	8.88	10.5	10.5	11.5
Sov. Spread (2020. bps)	415	400	300	220

	29 Aug.	1-W %	YTD %	2-Y %
HERMES 100	719	-2.5	14.2	-22.2

	12/13	13/14	14/15	15/16E	16/17F
Real GDP Growth (%)	2.1	2.1	4.2	3.0	4.5
Inflation (eop. %)	9.8	8.2	11.4	14.0	12.5
Cur. Acct. Bal. (% GDP)	-2.2	-0.9	-3.7	-6.0	-4.0
Fiscal Bal. (% GDP)	-13.0	-12.2	-11.5	-11.8	-10.5

Egypt signed a preliminary agreement for a USD 12bn IMF lending programme. The IMF agreed in principle to grant Egypt a USD 12bn (SDR 8.6bn or 422% of Egypt's quota) 3-year extended fund facility (EFF) to support the financing of a USD 21bn 3-year government reform programme. The latter aims to restore confidence in the domestic economy, revive growth, bring down the budget deficit and government debt, ease the acute foreign currency shortage, and reduce inflation to single digits.

However, the approval of the agreement by the IMF Executive Board is dependent on the Government securing the financing of the remaining gap (USD 9bn). Encouragingly, the IMF's mission chief for Egypt said recently that the Fund will be "*working together with the Egyptian authorities in the coming weeks to secure this financing from the World Bank, the bond market, and bilateral accords*". Note that: i) Egypt agreed last December a USD 3bn World Bank (WB) loan programme and a USD 1.5bn African Development Bank (AfDB) programme, both to be disbursed over 3 years and are part of the remaining USD 9bn gap; ii) the United Arab Emirates agreed on August 22nd to provide Egypt's central bank with a USD 1bn deposit for a duration of 6 years; and iii) the Ministry of Finance selected, on August 18th, 4 foreign investment banks to issue a USD 3bn Eurobond in the international capital market.

The government reform programme comprises *inter alia*:

i) the implementation of additional cuts in energy subsidies. The 2016/17 Budget (effective from July 1st) envisages, *inter alia*, the resumption of cuts in fuel subsidies, following a pause in 2015/16 due to the general elections. The 2016/17 Budget projects a further 43.0% reduction in fuel subsidies; but the Government has not yet specified when and by how much fuel prices will rise.

ii) the introduction of the long-awaited VAT, initially expected to take place in July 2014. Encouragingly, the VAT, set to replace the current complex sales taxes, was approved by Parliament on August 29th at a rate of 13% and expected to boost tax revenue by an additional EGP 30bn (1.0% of GDP). Importantly, the entry in force of the VAT -- a prior action -- will pave the way for the disbursement of the delayed first USD 1bn tranche from the USD 3bn 3-year loan agreement with the WB.

iii) a gradual move towards a more flexible exchange rate policy, focused on achieving a market-clearing rate. We expect the CBE to proceed with a second sharp devaluation of the domestic currency (by c. 12.5% to EGP 10.5 per USD) by end-H2:16, in a bid to eliminate the gap between the official and parallel foreign exchange markets (currently at around 40%). Recall that in mid-March, the CBE devalued the home currency by 12.7% to EGP 8.85 per USD; and

iv) the tightening of the monetary policy stance to bring down inflation to single digits (from 14.0% in July). We expect the CBE to increase its policy rates further by end-H2:16 in its efforts to contain inflationary pressures and to enhance demand for the domestic currency. However, the hike could be constrained by the ongoing slowdown of the domestic economy. Thus, we foresee the CBE increasing its policy rates by 200 bps by end-H2:16, bringing total hikes to 500 bps since the initiation of the cycle of monetary policy tightening last December. As a result, the overnight deposit, 1-week repo, and overnight lending rates should stand at multi-year highs of 13.75%, 14.25%, and 14.75%, respectively, at end-2016 (-0.5%, 0.0% and 0.5% in *ex post*, real and compounded terms, up from estimated -2.0%, -1.5%, and -1.0% for August).

All said, we expect the authorities to secure the financing of the remaining gap by end-September and subsequently the approval of the EFF by the IMF Executive Board and the disbursement of the first USD 2.5bn tranche.

FOREIGN EXCHANGE MARKETS, AUGUST 29TH 2016

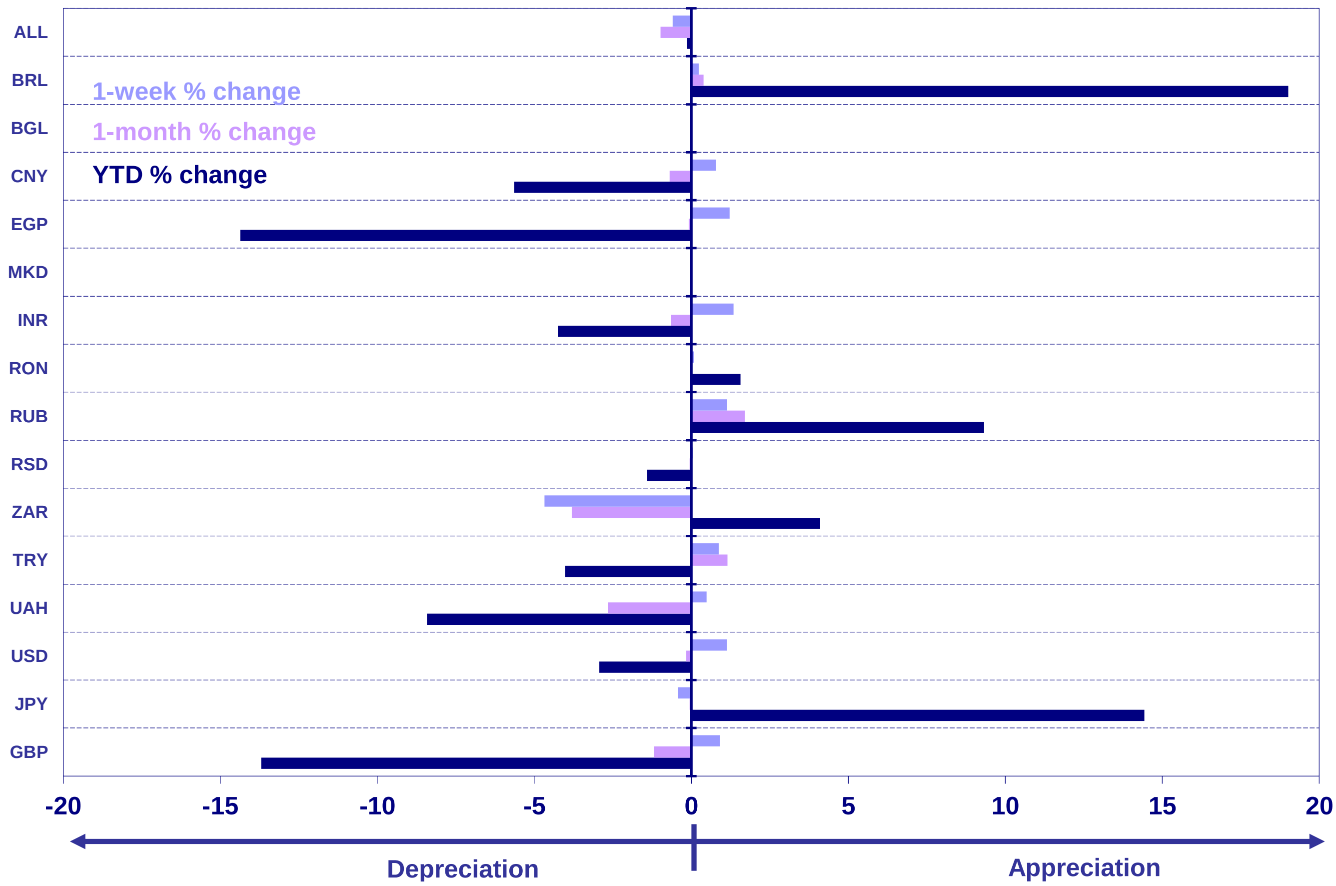
Against the EUR

	Currency	2016										2015	2014
		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	137.3	-0.6	-1.0	-0.1	1.6	135.9	139.5	137.6	137.4	136.2	2.0	0.1
Brazil	BRL	3.61	0.2	0.4	19.0	12.3	3.48	4.55	4.13	4.12	4.09	-25.2	1.0
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	7.46	0.8	-0.7	-5.6	-4.2	6.99	7.56	7.69	7.69	7.69	6.7	10.8
Egypt	EGP	9.91	1.2	-0.1	-14.4	-12.1	8.26	10.23	- - -	- - -	- - -	2.1	10.6
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	75.0	1.3	-0.6	-4.2	-0.7	71.3	77.8	80.4	- - -	- - -	6.6	12.3
Romania	RON	4.45	0.1	0.0	1.6	-0.5	4.45	4.56	4.46	4.46	4.49	-0.8	-0.5
Russia	RUB	72.5	1.1	1.7	9.3	-1.2	69.4	75.1	74.3	76.1	79.7	-15.1	-32.8
Serbia	RSD	123.2	0.0	-0.1	-1.4	-2.4	121.6	124.3	123.7	124.1	- - -	-0.1	-5.6
S. Africa	ZAR	16.1	-4.7	-3.8	4.1	-7.7	14.77	18.58	16.5	16.8	17.6	-16.6	3.0
Turkey	YTL	3.30	0.9	1.2	-4.0	-1.0	3.12	3.41	3.38	3.46	3.62	-10.8	4.4
Ukraine	UAH	28.4	0.5	-2.7	-8.4	-13.2	25.06	30.16	34.1	- - -	- - -	-27.5	-40.8
US	USD	1.12	1.1	-0.2	-2.9	0.2	1.1	1.2	1.12	1.13	1.14	11.4	13.6
JAPAN	JPY	114.0	-0.4	-0.1	14.4	19.2	109.6	132.3	114.0	114.0	113.9	11.0	-0.1
UK	GBP	0.85	0.9	-1.2	-13.7	-14.4	0.7	0.9	0.86	0.86	0.86	5.3	7.0

* Appreciation (+) / Depreciation (-)

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

Currencies against the EUR (August 29th 2016)



MONEY MARKETS, AUGUST 29TH 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
O/N	1.3	14.1	0.0	2.0	- - -	11.8	- - -	- - -	0.6	10.5	- - -	8.7	7.5	15.8	- - -	0.4
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	0.6	10.5	3.0	- - -	8.0	- - -	- - -	- - -
S/W	1.4	14.1	0.0	2.4	-0.4	- - -	1.3	- - -	- - -	10.4	3.0	- - -	8.2	16.3	-0.4	0.4
1-Month	1.6	14.1	0.0	2.7	-0.4	- - -	1.7	6.8	0.6	10.9	3.3	9.0	7.7	18.0	-0.4	0.5
2-Month	- - -	14.1	0.1	- - -	-0.3	- - -	- - -	- - -	- - -	10.9	3.5	9.1	7.8	- - -	-0.3	0.7
3-Month	1.7	14.1	0.2	2.8	-0.3	- - -	2.1	6.9	0.8	11.0	3.6	9.4	8.6	19.7	-0.3	0.8
6-Month	1.8	13.9	0.3	2.9	-0.2	- - -	2.5	- - -	1.0	11.1	3.8	9.7	8.4	- - -	-0.2	1.2
1-Year	1.9	13.1	0.8	3.0	-0.1	- - -	3.0	- - -	1.2	10.9	- - -	9.8	9.3	- - -	-0.1	1.5

LOCAL DEBT MARKETS. AUGUST 29TH 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	0.9	- - -	- - -	- - -	- - -	13.4	1.6	6.6	- - -	10.9	3.3	8.2	- - -	- - -	-0.8	0.3
6-Month	0.9	- - -	- - -	- - -	- - -	15.1	2.3	6.7	0.5	10.9	3.3	8.4	- - -	- - -	-0.6	0.5
12-Month	1.5	- - -	0.1	2.1	- - -	15.8	2.6	6.8	0.7	9.1	3.9	8.7	- - -	16.2	-0.6	0.6
2-Year	1.7	- - -	- - -	2.4	- - -	- - -	2.0	6.8	0.6	9.0	- - -	8.9	7.8	- - -	-0.6	0.8
3-Year	- - -	- - -	0.3	2.4	2.4	- - -	2.7	6.9	1.6	9.0	- - -	8.6	8.0	- - -	-0.6	0.9
5-Year	- - -	12.1	- - -	2.6	- - -	17.1	2.7	7.0	2.2	8.7	7.0	9.5	8.3	- - -	-0.5	1.2
7-Year	- - -	- - -	1.3	- - -	3.6	17.4	- - -	7.1	2.5	8.4	- - -	- - -	- - -	- - -	-0.4	1.4
10-Year	- - -	12.1	2.1	2.8	3.9	17.6	3.8	7.1	2.9	8.3	- - -	9.7	9.0	- - -	-0.1	1.6
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	4.3	7.3	- - -	8.4	- - -	- - -	9.4	- - -	0.1	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	9.6	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	7.3	- - -	- - -	- - -	- - -	9.6	- - -	0.5	2.2

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

CORPORATE BONDS SUMMARY. AUGUST 29TH 2016

		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	2.6	328	287
	Bulgarian Telecom. 6.625% '18	EUR	B-/B1	15/11/2018	400	4.8	552	524
Cyprus	Aroundtown Property 3% '21	EUR	NA/NA	9/12/2021	200	2.2	285	237
Russia	Gazprom 8.2% '19	RUB	BB+/NA	9/4/2019	10,000	9.9	92	- - -
	Gazprom 8.9% '21	RUB	BB+/NA	26/1/2021	10,000	9.8	81	- - -
South Africa	FirstRand Bank Ltd 4.25% '20	USD	BBB-/Baa2	30/4/2020	500	3.4	217	223
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	0.9	155	111
Turkey	Vakiflar Bankasi 3.5% '19	EUR	NA/Baa3	17/6/2019	500	3.4	398	349
	Garanti Bankasi 3.38%'19	EUR	NA/Baa3	8/7/2019	500	3.0	363	315
	Arcelik AS 3.875% '21	EUR	BB+/NA	16/9/2021	350	3.6	431	370
	Turkiye Is Bankasi 6% '22	USD	NA/Ba3	24/10/2022	1,000	5.9	471	458

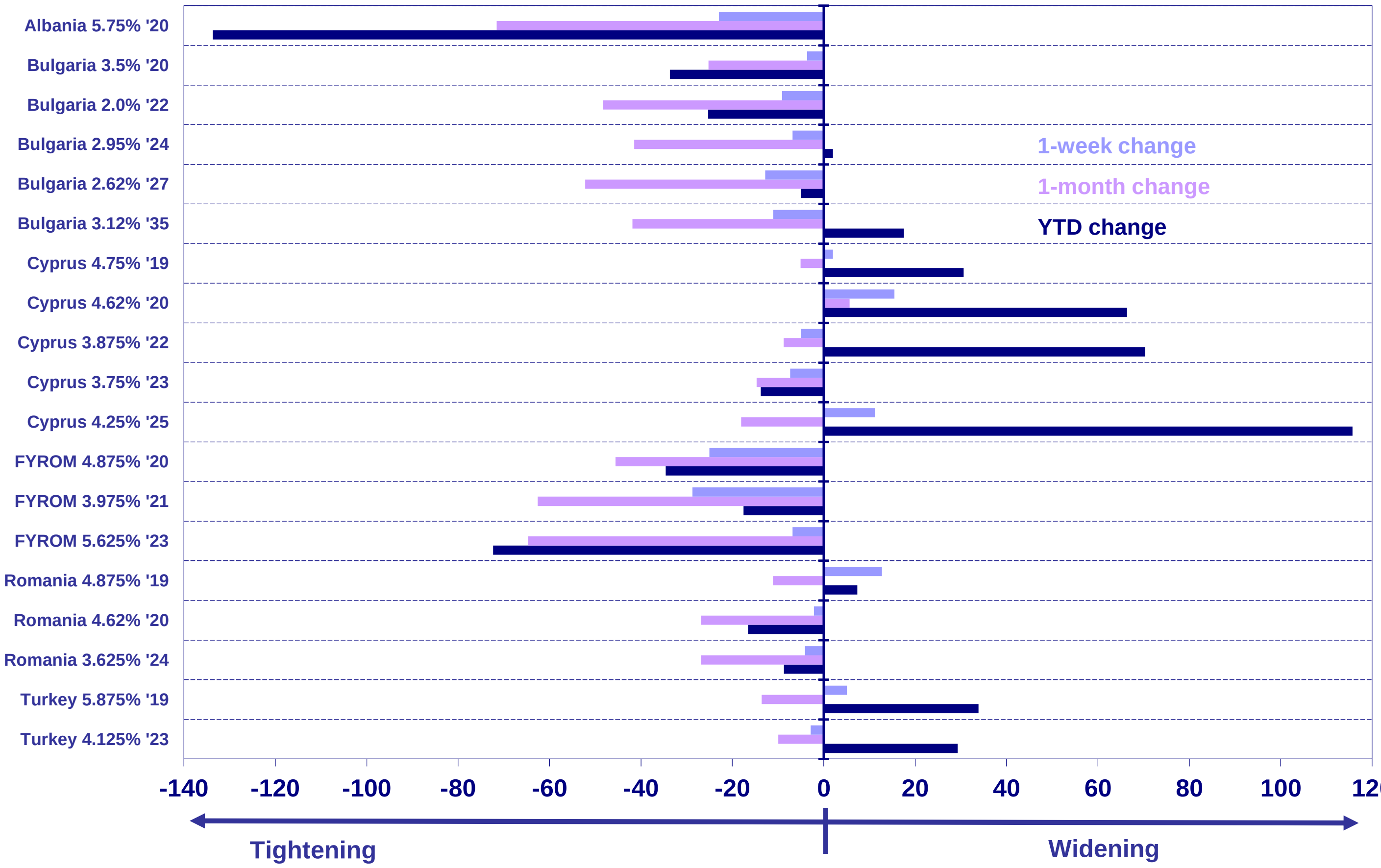
CREDIT DEFAULT SWAP SPREADS. AUGUST 29TH 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	252	139	101	267	488	- - -	134	110	220	238	236	241	- - -
10-Year	- - -	326	185	148	308	498	- - -	144	151	278	284	292	299	- - -

EUR-DENOMINATED SOVEREIGN EUROBOND SUMMARY. AUGUST 29TH 2016

	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	3.3	397	365
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	0.4	108	65
Bulgaria 2.0% '22	EUR	BB+/Baa2	26/3/2022	1,250	0.9	142	104
Bulgaria 2.95% '24	EUR	BB+/Baa2	3/9/2024	1,493	1.6	193	159
Bulgaria 2.62% '27	EUR	BB+/Baa2	26/3/2027	1,000	2.0	220	171
Bulgaria 3.12% '35	EUR	BB+/Baa2	26/3/2035	900	3.0	269	228
Cyprus 4.75% '19	EUR	BB-/NA	25/6/2019	566	2.4	300	263
Cyprus 4.62% '20	EUR	BB-/B1	3/2/2020	770	2.7	331	294
Cyprus 3.875% '22	EUR	NA/B1	6/5/2022	1,000	3.4	385	346
Cyprus 3.75% '23	EUR	NA/NA	26/7/2023	1,000	3.6	398	350
Cyprus 4.25% '25	EUR	NA/B1	4/11/2025	1,000	3.9	409	368
FYROM 4.875% '20	EUR	BB-/NA	1/12/2020	270	4.2	482	436
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	4.2	498	529
FYROM 5.625% '23	EUR	BB-/NA	26/7/2023	450	4.9	532	494
Romania 4.875% '19	EUR	BBB-/Baa3	7/11/2019	1,500	0.4	106	66
Romania 4.62% '20	EUR	BBB-/Baa3	18/9/2020	2,000	0.3	98	56
Romania 3.625% '24	EUR	BBB-/Baa3	24/4/2024	1,250	1.6	195	168
Turkey 5.875% '19	EUR	NR/Baa3	11/4/2023	1,000	2.9	337	304
Turkey 4.125% '23	EUR	B+/B1	12/11/2020	450	3.3	397	365

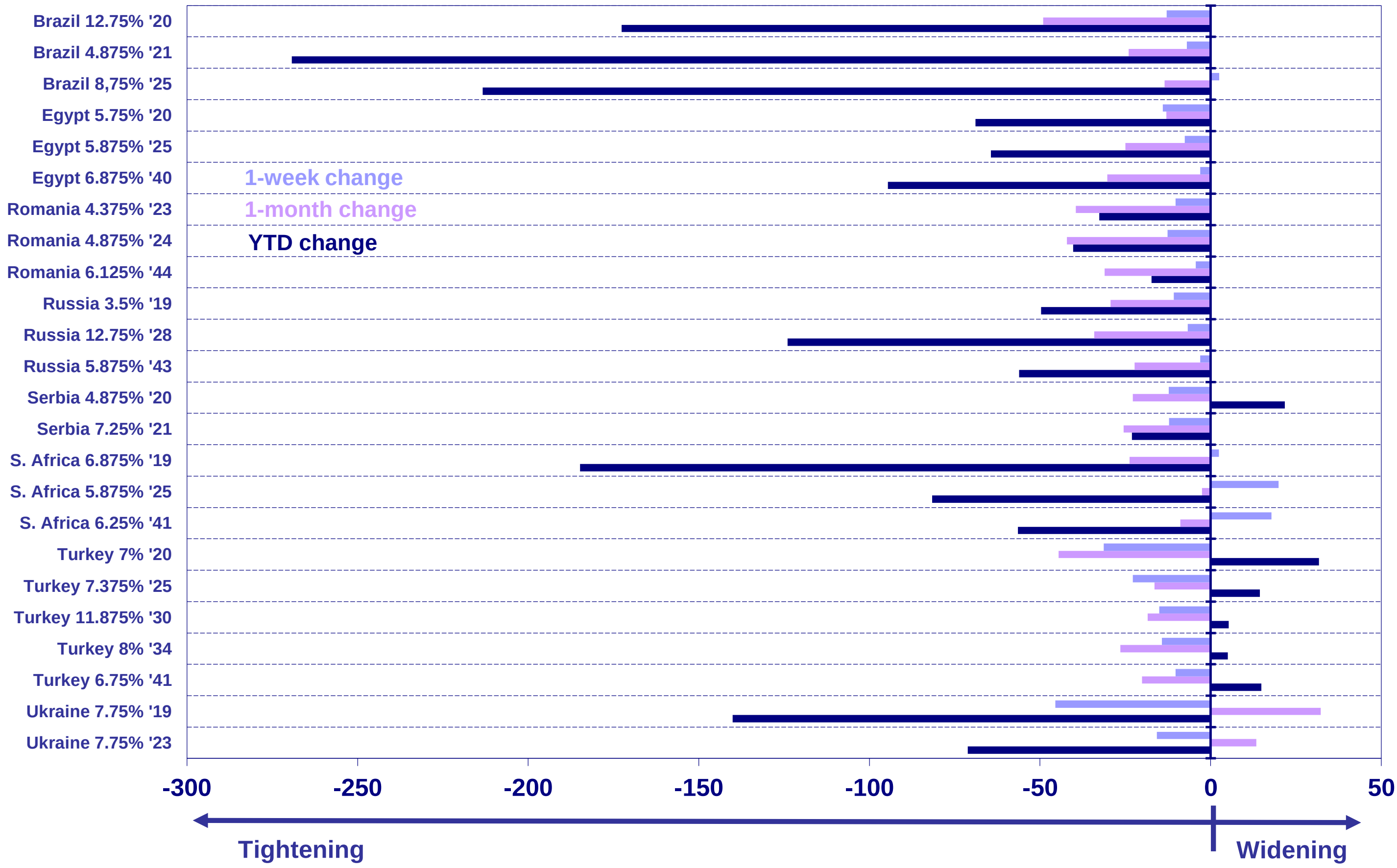
EUR-Denominated Eurobond Spreads (August 29th 2016)



USD-DENOMINATED SOVEREIGN EUROBOND SUMMARY. AUGUST 29TH 2016

	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	2.9	193	202
Brazil 4.875% '21	USD	BB/Ba2	22/1/2021	2,988	3.3	210	215
Brazil 8.75% '25	USD	BB/Ba2	4/2/2025	969	4.4	294	350
Egypt 5.75% '20	USD	B-/B3	11/6/2025	1,500	6.7	507	500
Egypt 5.875% '25	USD	B-/B3	30/4/2040	500	7.1	492	529
Egypt 6.875% '40	USD	BBB-/Baa3	22/8/2023	1,500	2.7	128	148
Romania 4.375% '23	USD	BBB-/Baa3	22/1/2024	1,000	2.7	126	147
Romania 4.875% '24	USD	BBB-/Baa3	22/1/2044	1,000	4.0	179	283
Romania 6.125% '44	USD	BB+/Ba1	16/1/2019	1,500	2.6	178	153
Russia 3.5% '19	USD	BB+/Ba1	24/6/2028	2,500	4.1	253	382
Russia 12.75% '28	USD	BB+/Ba1	16/9/2043	1,500	4.7	247	333
Russia 5.875% '43	USD	BB-/B1	25/2/2020	1,500	3.6	271	253
Serbia 4.875% '20	USD	BB-/B1	28/9/2021	2,000	3.8	257	275
Serbia 7.25% '21	USD	BBB-/Baa2	27/5/2019	2,000	2.4	144	134
S. Africa 6.875% '19	USD	BBB-/Baa2	16/9/2025	2,000	4.1	248	283
S. Africa 5.875% '25	USD	BBB-/Baa2	8/3/2041	750	4.7	250	345
S. Africa 6.25% '41	USD	NR/Baa3	5/6/2020	2,000	3.6	271	262
Turkey 7% '20	USD	NR/Baa3	5/2/2025	3,250	4.4	292	330
Turkey 7.375% '25	USD	NR/Baa3	15/1/2030	1,500	4.7	311	445
Turkey 11.875% '30	USD	NR/Baa3	14/2/2034	1,500	5.1	352	416
Turkey 8% '34	USD	NR/Baa3	14/1/2041	3,000	5.2	298	374
Turkey 6.75% '41	USD	B-/Caa3	1/9/2019	1,744	8.4	749	710
Ukraine 7.75% '19	USD	B-/Caa3	1/9/2023	1,355	8.4	699	686
Ukraine 7.75% '23	USD	BB/Ba2	15/1/2020	234	2.9	193	202

USD-Denominated Eurobond Spreads (August 29th 2016)



STOCK MARKETS PERFORMANCE. AUGUST 29TH 2016

	2016								2015		2014	
	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)	58,610	1.4	2.3	35.2	25.7	37,046	59,418	61.9	-13.3	-35.3	-2.9	-2.0
Bulgaria (SOFIX)	471	0.2	2.9	2.3	2.6	432	475	2.3	-11.7	-11.7	6.2	6.2
China (SHCOMP)	3,070	-0.5	3.0	-14.1	-4.2	2,638	3,539	-18.4	9.4	16.5	52.9	69.5
Cyprus (CSE GI)	68	1.3	0.5	0.0	-14.0	64	70	0.0	-20.9	-20.9	-17.0	-17.0
Egypt (HERMES)	719	-2.5	-0.9	14.2	9.9	521	750	10.7	-24.4	-25.7	23.5	36.6
F.Y.R.O.M (MBI)	1,963	2.3	5.8	7.1	17.8	1,699	1,963	7.1	-0.6	-0.6	6.1	6.1
India (SENSEX)	27,903	-0.3	-0.5	7.5	6.2	22,495	28,290	4.0	-5.0	0.7	29.9	44.7
Romania (BET-BK)	1,304	2.0	3.9	-2.8	-2.5	1,150	1,329	-1.2	2.6	1.6	3.7	3.5
Russia (RTS)	4,479	0.6	3.7	13.1	16.2	3,509	4,492	24.9	30.3	9.5	-6.9	-37.4
Serbia (BELEX-15)	622	0.3	-2.0	-1.4	-1.9	570	647	-2.7	-3.4	-3.5	19.5	12.8
South Africa (FTSE/JSE)	53,564	1.4	1.5	5.4	7.2	45,976	54,704	11.2	1.9	-15.1	7.6	10.9
Turkey (ISE 100)	76,119	-2.4	0.9	4.0	1.2	68,230	86,931	0.5	-16.3	-25.4	26.4	32.0
Ukraine (PFTS)	223	0.7	-0.3	-7.4	-32.6	215	256	-15.0	-37.8	-54.8	28.7	-24.2
MSCI EMF	896	-0.9	2.6	13.2	9.4	687	919	10.6	-17.0	-7.5	-4.6	8.2
MSCI EAFE	1,688	-0.8	-0.1	-2.3	-2.8	1,492	1,717	-4.5	-3.3	7.7	-7.3	5.8
Greece (ASE-General)	562	-0.8	-1.7	-8.1	-10.0	421	659	-8.1	-23.6	-23.6	-28.9	-28.9
Germany (XETRA DAX)	10,544	0.5	2.0	-1.8	2.8	8,699	10,802	-1.8	-4.9	-4.9	2.7	2.7
UK (FTSE-100)	6,838	0.1	1.7	9.0	9.4	5,500	6,955	-5.7	-4.9	0.1	-2.7	4.1
Japan (NIKKEI-225)	16,737	0.8	1.0	-12.1	-11.4	14,864	18,951	1.6	9.1	20.2	7.1	7.0
USA (DJ INDUSTRIALS)	18,503	-0.1	0.4	5.1	11.9	15,451	18,668	2.7	-2.2	9.3	7.5	22.2
USA (S&P 500)	2,180	-0.1	0.3	5.7	10.6	1,810	2,194	3.2	-0.7	10.9	11.4	26.6

Equity Indices (August 29th 2016)