South Eastern Europe and Mediterranean Emerging Market Economies

Weekly Report

14 – 20 June 2016

NBG - Economic Analysis Division

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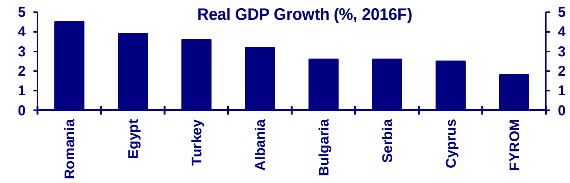
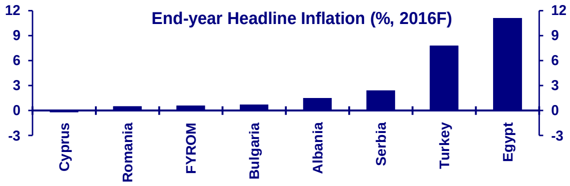
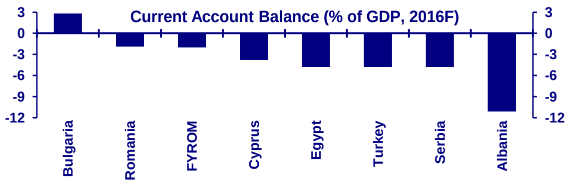
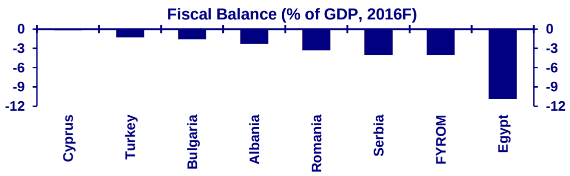








TURKEY 1

CBRT cuts its overnight lending rate by 50 bps to 9.0%

Primary fiscal balance improves in 5M:16, due to large non-recurring proceeds and capital spending cuts

ROMANIA 2

Headline inflation falls to a low of -3.5% y-o-y in May, due to lower food and energy prices

Current account deficit jumps to 2.4% of GDP on a 12-month rolling basis in April, mainly due to higher income outflows

BULGARIA 3

Headline inflation at -2.0% y-o-y in May on higher food prices

Current account surplus rises to 2.3% of GDP in April on a 12-month rolling basis on improved trade and income balances

SERBIA 4

Headline inflation embarks on a mild upward trend, rising to 0.7% y-o-y in May

FYROM 5

Tourist arrivals rise by 12.5% y-o-y to an all-time high of 111.3k in 4M:16

Headline deflation remains stable at -0.7% y-o-y in May

ALBANIA 6

Headline inflation picks up to 0.7% y-o-y in May, due to a deterioration in food and core inflation

The cycle of monetary policy easing has likely come to an end

CYPRUS 7

Fiscal performance improves in the first four months of the year, on the back of early dividend payments by the Central Bank

Tourist arrivals rise sharply in November-May, mainly due to heightening security concerns in neighbouring competitors

EGYPT 8

Tourist arrivals continue to experience a sharp decline due to security concerns

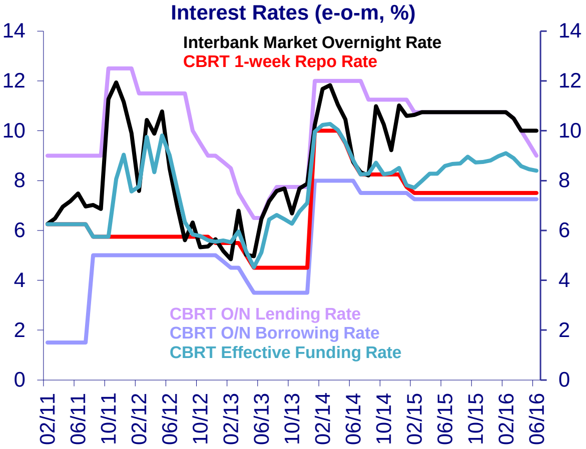
Customer deposit growth reaches a high of 19.1% y-o-y in March, supported by the gradual return of confidence

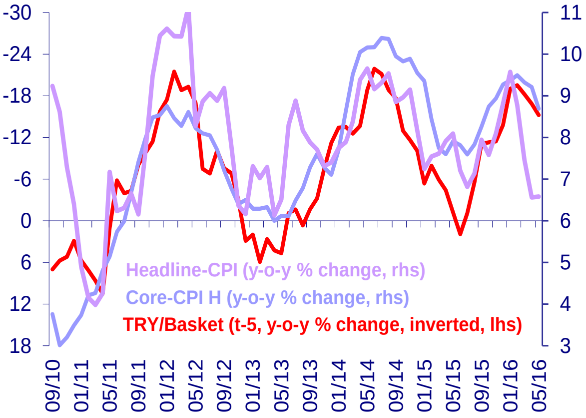
Credit to the private sector posts the 2nd historical high growth in March (15.6% y-o-y), on improving loan demand and supply

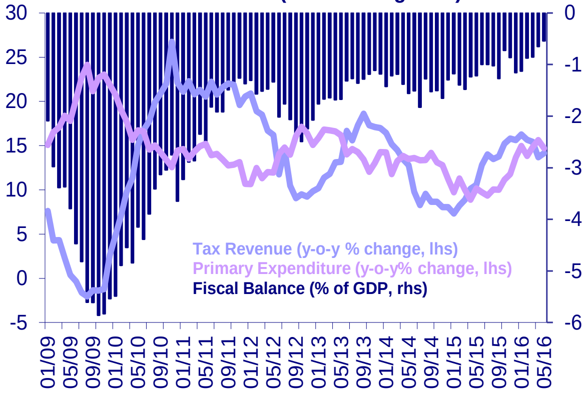
APPENDIX: FINANCIAL MARKETS 9

Turkey

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







	20 June	3-M F	6-M F	12-M F
1-m TRIBOR (%)	10.0	10.5	10.2	9.8
TRY/EUR	3.29	3.35	3.32	3.30
Sov. Spread (2019, bps)	196	212	190	170

	20 June	1-W %	YTD %	2-Y %
ISE 100	77,523	1.3	5.9	-1.1

	2013	2014	2015	2016F	2017F
Real GDP Growth (%)	4.2	3.0	4.0	3.6	3.8
Inflation (eop, %)	7.4	8.2	8.8	7.8	7.0
Cur. Acct. Bal. (% GDP)	-7.7	-5.5	-4.5	-4.8	-5.2
Fiscal Bal. (% GDP)	-1.2	-1.3	-1.2	-1.3	-1.0

The CBRT cut its overnight lending rate by 50 bps to 9.0%. The CBRT cut the upper bound of the interest rate corridor (the overnight lending rate) by 50 bps to 9.0%, as expected, following three cuts in the previous three months totaling 125 bps. Moreover, the central policy rate (1-week repo rate) as well as the lower bound of the interest rate corridor (the overnight borrowing rate) were maintained unchanged for a 16th consecutive month, at 7.5% and 7.25%, respectively. The move was supported by lower-than-projected headline and core inflation in May, strengthening domestic currency (the TRY appreciated by 2.8% against the basket of "50%*USD/TRY+50%*EUR/TRY" since the May MPC meeting), and a slower-than-expected rate hike path by the Fed.

Importantly, despite a significant decline in headline inflation on the back of a sharp correction in unprocessed food prices and a decline in core inflation, the CBRT reiterated the need for the maintenance of tight liquidity conditions, as services inflation and unit labour costs remain high.

Going forward, barring excessive global market volatility, we expect the CBRT to proceed with a 50 bp cut to the overnight lending rate to 8.5% before shifting to a single policy rate. The latter should stand at c. 8.0%, as was recently hinted by the CBRT at its regular meeting with economists. It would be gradually achieved through a reduction of the effective funding rate (currently at 8.4%) and subsequently the hike of the 1-week repo rate (currently at 7.5%).

The primary fiscal balance improved in 5M:16, due to large non-recurring proceeds and capital spending cuts. The overall fiscal balance strengthened by 0.5 pps y-o-y to a surplus of 0.4% of GDP in 5M:16, on the back of an improved primary fiscal balance (by 0.2 pps of GDP y-o-y) and lower interest payments (by 0.3 pps of GDP y-o-y), mainly reflecting their non-uniform distribution throughout the year.

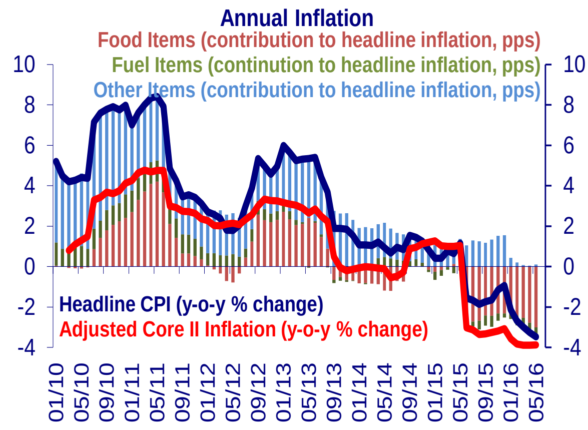
Indeed, overall revenue increased significantly by 16.7% y-o-y in 5M:16, on the back of large non-tax proceeds (up 42.1% y-o-y, reflecting payments from the past year's privatisation transactions and a sharp rise in transfers of CBRT profits to the Treasury). Tax revenue (up 11.5% y-o-y in 5M:16) underperformed slightly its FY:16 target (up 12.7%) and rose at the same pace as nominal GDP (up by an estimated 11.7% y-o-y), despite the implementation of a series of revenue-enhancing measures from January 1st. These include hikes in: i) the minimum wage (by 30.0% to TRL1.3k); and ii) taxes on tobacco, alcoholic beverages and mobile phones (up 10%, 15% and 30%, respectively).

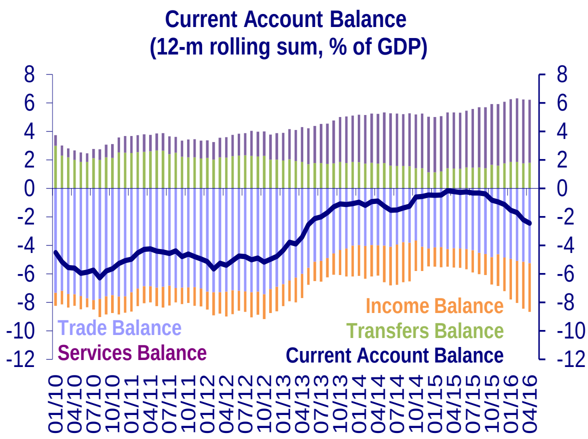
Moreover, despite large cuts in capital spending (down c. 26.0% y-o-y), primary spending rose by 14.7% y-o-y in 5M:16, surpassing its FY:16 target (up 13.6%), mainly on the back of strong increases in the wage bill and transfers (to finance the social security deficit).

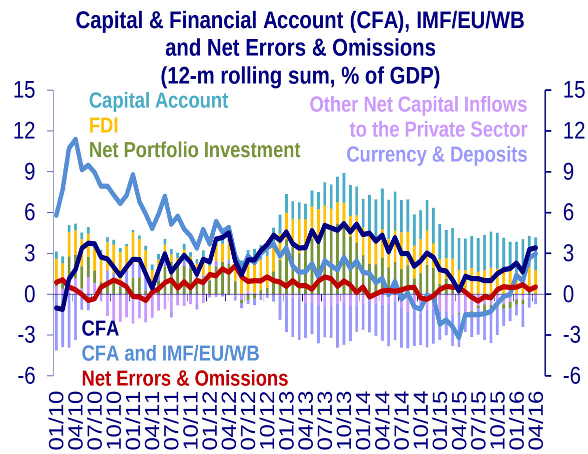
Looking ahead, we expect the year-to-date positive fiscal performance to be overturned during the rest of the year, due to a higher-than-projected impact of the November 2015 pre-election promises (0.6 pps of GDP against a budgeted 0.4 pps), larger interest payments as a payback to their sharp decline in 5M:16, and higher-than-budgeted defense and security expenditure, due to persisting geopolitical and domestic security risks. Overall, we foresee the 12-month rolling overall fiscal deficit rising from 0.5% of GDP in May to its target of 1.3% in December, and the primary fiscal surplus declining from 1.9% of GDP in May to its target of 1.2% in December -- implying a measured easing of the fiscal stance (FY:15 overall fiscal deficit and primary fiscal surplus stood at 1.2% and 1.6% of GDP, respectively).

Romania

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







	20 June	3-M F	6-M F	12-M F
1-m ROBOR (%)	0.6	0.9	1.2	1.5
RON/EUR	4.52	4.48	4.49	4.50
Sov. Spread (2024, bps)	237	210	180	150

	20 June	1-W %	YTD %	2-Y %
BET-BK	1,181	0.7	-12.0	-4.3

	2013	2014	2015	2016F	2017F
Real GDP Growth (%)	3.5	3.0	3.8	4.5	3.4
Inflation (eop, %)	1.6	0.8	-0.9	0.5	2.0
Cur. Acct. Bal. (% GDP)	-1.1	-0.5	-1.1	-1.9	-2.4
Fiscal Bal. (% GDP)	-2.5	-1.7	-1.5	-3.3	-2.5

Headline inflation falls to a low of -3.5% y-o-y in May from -3.3% in April, due to lower food and energy prices. Food inflation fell further in May (to -8.0% y-o-y from -7.4% in April), mainly driven by the sharp decline in prices of fruit and vegetables (-6.2% y-o-y in May against -4.2% in April). The latter is due to strong agricultural production this year and lower costing imports from the EU amid a Russian ban on agricultural imports. At the same time, despite a milder decline in global oil prices, fuel deflation deepened in May (to -7.1% y-o-y from -6.6% in April), mainly due to base effects. Excluding volatile and regulated prices, adjusted core II inflation was flat at -3.9% y-o-y in May.

Headline inflation is set to increase in June, due to base effects, but remain contained until end-2016. Negative base effects from the June 2015 VAT cut on food (by 15 pps to 9.0%) should push back headline inflation to c. -0.5% next month. Thereafter, stronger demand-side pressures, on the back of a looser incomes policy in the public sector and its spillover to the private sector, together with a milder decline in global oil prices (we project the price of Brent to decline by just 1.6% y-o-y in RON terms in 6-12M:16 against a drop of 32.4% in 5M:16), would gradually bring headline inflation to 0.5% by end-2016. In turn, adjusted core II inflation is set to surpass headline inflation (0.8% at end-2016).

The current account deficit (CAD) rises to 2.4% of GDP on a 12-month rolling basis in April from 1.1% at end-2015, mainly due to higher income outflows. The current account shifted to a deficit of 1.1% of GDP in 4M:16 from a surplus of 0.2% in 4M:15. The main factor was the income deficit, which widened in 4M:16 (by 1.0 pp y-o-y to 1.5% of GDP), due to base effects from deferred EU subsidies and, to a lesser extent, higher profit outflows, which were, however, largely reinvested in the country. Moreover, the trade deficit widened in 4M:16 (by 0.4 pps y-o-y to 1.5% of GDP), in line with stronger private demand.

Capital outflows from the private sector keep FX reserves under pressure in 4M:16. Capital outflows from the banking system continued in 4M:16, albeit at a slower pace (reaching 1.1% of GDP against 1.6% in 4M:15), mainly due to the placement of deposits abroad by domestic banks, while net lending to the non-financial private sector declined further (with net repayments of 0.8% of GDP in 4M:16 against 0.5% in 4M:15). All said, the overall balance (excl. debt repayments to the IMF/EU) improved (by 0.8 pps y-o-y), but remained in deficit (-0.3% of GDP in 4M:16). As a result, FX reserves declined to EUR 31.5bn in April from EUR 32.2bn at end-2015.

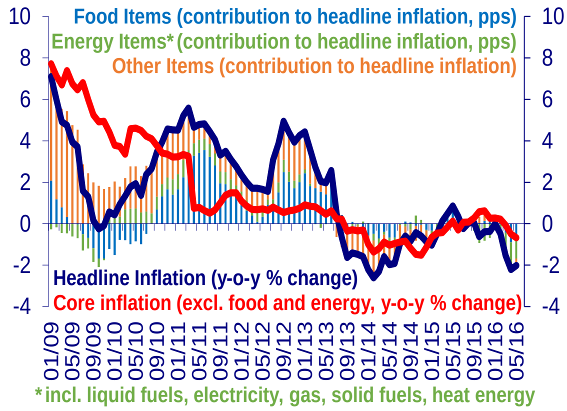
The CAD is set to widen to 1.9% of GDP in FY:16 from 1.1% in FY:15, in line with stronger domestic demand. Pressures on the trade deficit should increase during the remainder of the year, in view of a further build-up in domestic demand, on the back, *inter alia*, of a sizeable fiscal stimulus (1.0 pp of GDP y-o-y in 5-12M:16). The deterioration in the trade deficit should be offset, however, by the improvement in the income deficit, on the back of strong base effects.

With virtually no debt repayments to IFIs in FY:16 (just 0.1% of GDP against 1.9% in FY:15), filling the external financing gap should not be a problem. Projecting that: i) net FDI inflows remain broadly unchanged compared with FY:15 (at 1.9% of GDP); ii) the rollover of maturing sovereign external debt (1.9% of GDP) contains net portfolio investments close to zero for a 2nd consecutive year in FY:16; and iii) the maturing private external debt rollover rate remains at FY:15 levels (c. 85%), we see FX reserves declining by EUR 0.3bn to a still comfortable level of EUR 31.9bn at end-2016 (5 months of GNFS imports and 170% of short-term external debt, excluding trade credits).

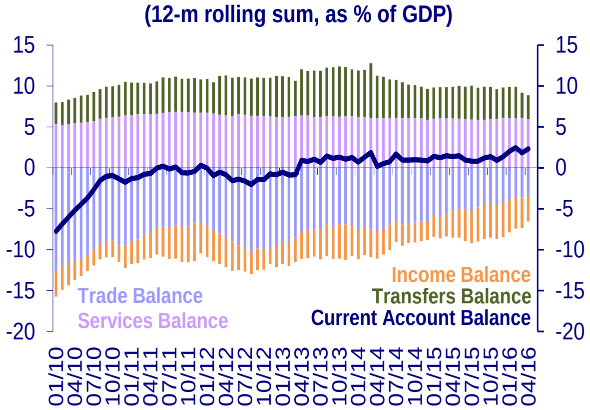
Bulgaria

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

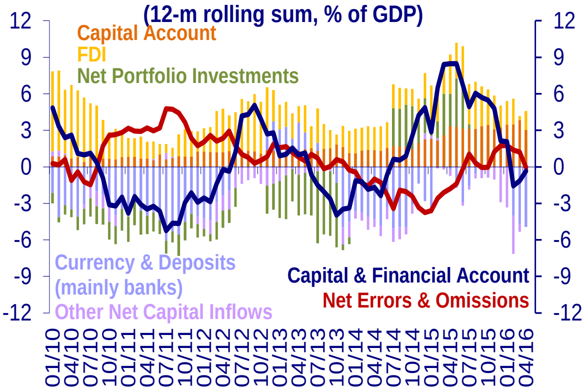
Annual Inflation



Current Account Balance
(12-m rolling sum, as % of GDP)



Capital & Financial Account
and Net Errors & Omissions
(12-m rolling sum, % of GDP)



	20 June	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 (2017, bps)	206	180	160	130

	20 June	1-W %	YTD %	2-Y %
SOFIX	458	2.2	-0.6	-15.0

	2013	2014	2015	2016F	2017F
Real GDP Growth (%)	1.3	1.5	3.0	2.6	2.6
Inflation (eop, %)	-1.6	-0.9	-0.4	0.7	1.4
Cur. Acct. Bal. (% GDP)	1.3	0.9	1.4	2.8	2.1
Fiscal Bal. (% GDP)	-1.8	-3.7	-2.9	-1.6	-1.2

Headline inflation at -2.0% y-o-y in May from -2.2% in April on the back of higher food prices. Food deflation eased in May (to -1.7% y-o-y from -2.7% in April), following a rebound in volatile food prices (prices of fruit and vegetables were down 5.4% y-o-y, albeit by less than in April – down 10.1%). The hike in food inflation was partly offset by the pick-up in energy deflation (to -6.3% y-o-y in May from -6.1% in April), despite a milder decline in global oil prices, and the drop in telecommunications inflation (to -4.7% y-o-y in May from -3.3% in April), likely due to tighter competition. The latter was the main driver behind the decline in core inflation to -0.7% y-o-y in May from -0.5% in April.

Headline inflation to remain subdued at least until end-2016. Despite lackluster domestic demand, we expect headline inflation to continue on an upward trend, reflecting: i) a softer decline in global oil prices (we project the price of Brent to drop by 2.6% y-o-y in BGN terms in 6-12M:16 against a decline of 33.1% in 5M:16); and ii) further correction in volatile food prices. All said, we see headline inflation at 0.7% at end-2016, still well below its long-term average. Core inflation should converge towards headline inflation, ending 2016 at 0.5%.

A better trade performance and lower income outflows push up the current account surplus (CAS) to 2.3% of GDP on a 12-month rolling basis in April from 1.4% at end-2015. The current account balance moved to a surplus of 0.5% of GDP in 4M:16 from a deficit of 0.5% in 4M:15. Specifically, the trade deficit narrowed in 4M:16 (by 0.9 pps y-o-y to 0.7% of GDP), reflecting favourable oil prices and gains in competitiveness (see below). Moreover, following its sharp deterioration in FY:15, the income deficit narrowed in 4M:16 (by 1.1 pp y-o-y to 0.6% of GDP), on the back of lower profit outflows. These developments were partly offset, however, by (temporarily) lower transfers from the EU (down 0.8 pps y-o-y to 0.6% of GDP in 4M:16).

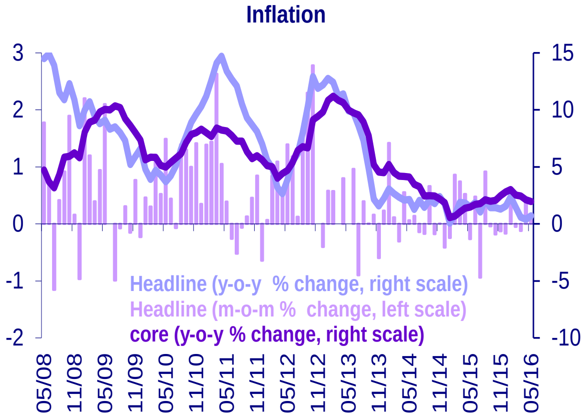
Eurobond proceeds keep the capital and financial account "in the black" in 4M:16. Continued sovereign debt issuance in global capital markets kept portfolio investments high in 4M:16 (at 2.6% of GDP, unchanged compared with 4M:15, with net Eurobond proceeds amounting to 4.4% of GDP in 4M:16 and 4.8% in 4M:15). Nevertheless, the financing picture for the private sector was less favourable. Indeed, capital outflows from the banking system resumed in 4M:16 (reaching 3.2% of GDP against inflows of 2.0% in 4M:15), largely due to the placement of deposits abroad, and net FDI inflows declined sharply (to 0.9% of GDP in 4M:16 from 1.8% in 4M:15), on the back of lower intercompany lending. All said, the overall balance deteriorated (by 3.5 pps y-o-y), but remained in surplus (2.6% of GDP in 4M:16), with FX reserves rising to EUR 20.2bn in April from EUR 19.9bn at end-2015.

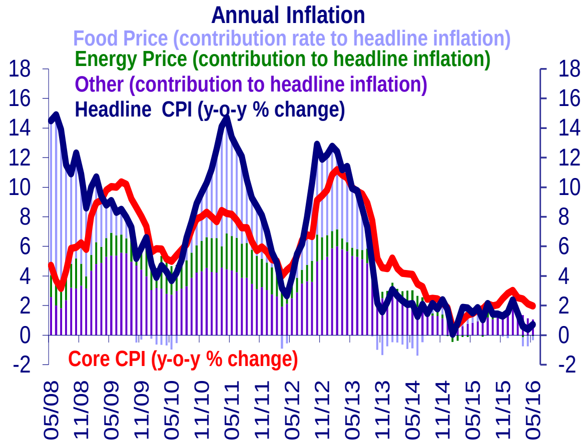
Bulgaria is set to remain the best performer in the region in FY:16, with the CAS strengthening to 2.8% of GDP. Looking ahead, the trade deficit should decline further, reflecting: i) favourable global oil prices (the energy trade deficit is projected to narrow by 0.4 pps of GDP in 5-12M:16); and ii) improving productivity (real GDP per employee has risen by 7% since end-2011, while the BGN has remained stable in real terms during the same period). At the same time, lower profit outflows and the recovery in tourism activity should support the CAS.

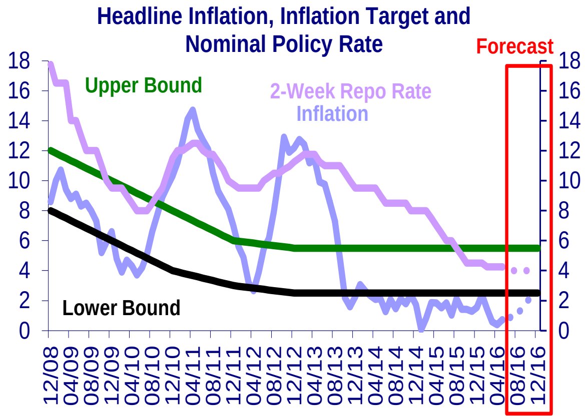
Filling the external financing gap should not be an issue, in view of lower external debt payments (23% of GDP in FY:16 against 33% in FY:15). Projecting that: i) FDI inflows moderate in FY:16 (to 2.8% of GDP from 3.4% in FY:15); ii) portfolio investment rises (to 2.0% of GDP from 1.3% in FY:15); and iii) the maturing debt rollover rate returns to normal levels (90% against 105% in FY:15), we see FX reserves rising by EUR 3.0bn to EUR 22.0bn at end-2016 (11 months of GNFS imports and 300% of short-term external debt, excluding trade credits).

Serbia

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







	20 June	3-M F	6-M F	12-M F
1-m BELIBOR (%)	3.2	3.2	3.4	3.8
RSD/EUR	123.4	123.2	124.0	125.0
Sov. Spread (2021, bps)	300	250	220	180

	20 June	1-W %	YTD %	2-Y %
BELEX-15	618	-1.3	-2.1	7.5

	2013	2014	2015	2016F	2017F
Real GDP Growth (%)	2.6	-1.8	0.7	2.6	3.0
Inflation (eop, %)	2.2	1.7	1.5	2.4	2.8
Cur. Acct. Bal. (% GDP)	-6.1	-6.0	-4.8	-4.8	-5.3
Fiscal Bal. (% GDP)	-5.5	-6.6	-3.8	-4.0	-3.0

Headline inflation embarked on a mild upward trend, rising to 0.7% y-o-y in May. Headline inflation increased slightly to (a still low) 0.7% y-o-y in May from 0.4% in April. Despite the rise, inflation has remained below the lower bound of the NBS target band (of 4±1.5%) for more than 2½ years.

The increase in May inflation resulted from the easing in the decline of food prices (with a 28.6% share in the CPI basket, subtracting 0.9 pps from annual headline inflation in May against 2.4 pps in April). This was almost exclusively driven by the milder drop in volatile vegetable prices, reflecting their gradual normalization. The deterioration in food inflation was also attributed to higher international food prices (by 5.6% y-o-y in RSD terms in May compared with a rise of 0.6% in April).

Moreover, core inflation (that excludes food and energy prices, and accounts for 55.8% of the CPI basket) remained low. It stood at 1.1% y-o-y in May, broadly unchanged from 1.2% in April. The subdued level of core inflation continues to be supported by mild increases in non-energy) administered prices (accounting for 13.8% of the CPI basket, that contributed an estimated 1.6 pps to May core inflation as in April), as well as RSD stability.

Inflation is set to gradually converge towards the lower bound of the NBS target range by end-2016. Inflation should remain on a mild upward trend during the remainder of this year, reaching the NBS lower bound of 2.4% by end-2016. The increase will result from: i) the continued normalization of food prices from their end-2015 low; ii) the gradual rebound in consumption in H2:16; iii) the easing in the decline in global oil prices (down by an estimated 1.4% y-o-y in RSD terms in 6-12M:16 against a drop of 31.9% in 5M:16); and iv) the impact of the expected 7.0% hike in electricity prices, likely in the summer, set to add 0.4 pps to the inflation.

The NBS is set to end its long cycle of monetary policy loosening. The NBS maintained its 2-week repo rate unchanged, for a 4th successive month, at its June meeting at 4.25% following a 25 bp cut in February. In fact, despite low inflation (undershooting the NBS' target), it appears that the NBS refrained from a policy rate cut, as a new Government has not yet been formed, following the April 24th legislative elections.

Note that cumulative rate cuts since the initiation of the cycle of monetary policy easing in May 2013 have reached 750 bps. Moreover, further monetary policy easing has been provided through the reduction in RRRs on FX liabilities since last September, when the NBS announced that RRRs on both long-term (over two years) and short-term FX liabilities will be gradually cut by 6 pps to 13% and 20%, respectively, by February.

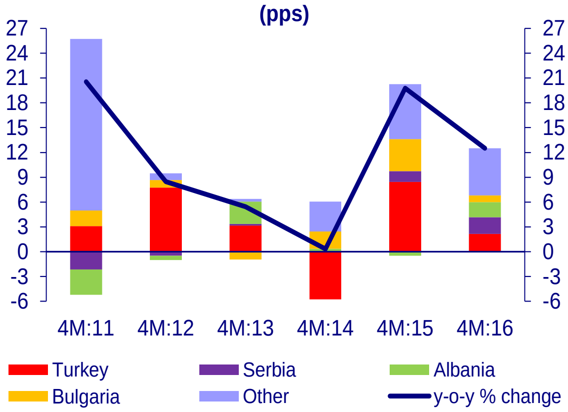
Going forward, another rate cut is on the cards, in view of a benign inflation near-term outlook, and the resumption of IMF-related reforms, following the formation of the new Government (likely next week). Recall that the Serbian Progressive Party (SNS) of PM, A. Vucic, gained 131 seats in the 250-seat assembly in the April vote. Despite retaining an outright majority, Vucic had announced his intention to form a coalition -- as he did in the wake of the 2014 elections -- in order to have broader support for his reforms. Note that at the end of a two-week visit to Belgrade on June 21st, an IMF mission completed successfully the combined 4th and 5th reviews under the country's precautionary SBA.

Thus, we expect the NBS to lower its key policy rate by an additional 25 bps in July, to a historical low of 4.0%, and thereafter maintain it unchanged until end-year. Should our forecast materialise, the average *ex post* policy rate, in real and compounded terms, would stand at 2.8% in 2016, below its 2007-15 average of 4.0%.

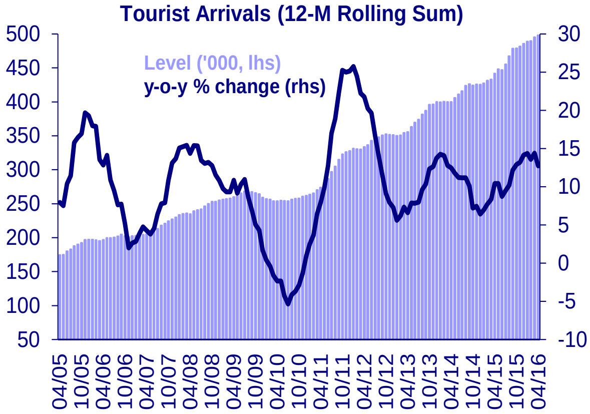
F.Y.R.O.M.

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

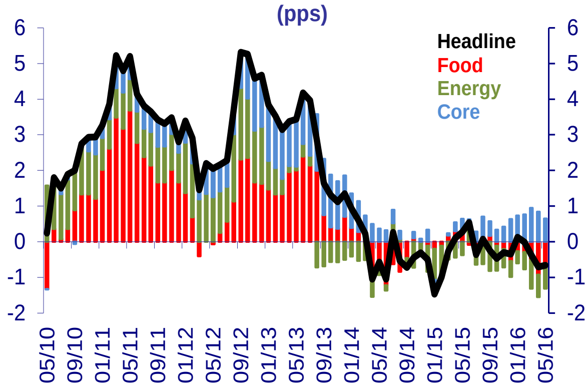
Contribution Rates to Tourist Arrivals Growth (pps)



Tourist Arrivals (12-M Rolling Sum)



Contribution to Annual Headline CPI Inflation (pps)



	20 June	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)	554	520	450	350

	20 June	1-W %	YTD %	2-Y %
MBI 100	1,730	-2.6	-5.6	3.8

	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	-4.0	-3.4

Tourist arrivals rose by 12.5% y-o-y to an all-time high of 111.3k in 4M:16. Tourist arrivals increased by 12.5% y-o-y to a record high 111.3k in the first four months of the year, following a rise of 14.2% in FY:15. The strong performance was mainly due to a sharp increase in arrivals from: i) Turkey – the main source country, accounting for 18.7% of total tourist in FY:15 -- up 13.6% y-o-y in 4M:16; and ii) neighbouring countries Serbia, Albania and Bulgaria -- accounting for 9.0%, 3.8% and 6.0%, respectively, of total tourists in 2015 -- up 21.1% y-o-y, 30.4% y-o-y and 8.5% in 4M:16. These gains offset a significant decline in tourist arrivals from Greece (by 7.7% y-o-y), accounting for 8.0% of total tourists in FY:15. Note that this performance was better than that of Bulgaria (up 8.1% y-o-y in 4M:16) but worse than that of neighbouring Romania and Serbia (up 15.7% y-o-y and 15.1% y-o-y, respectively, in 4M:16).

Importantly, the number of nights spent by tourists during 4M:16 also increased (up 12.6% y-o-y).

Tourist receipts reached EUR 44.7mn (0.5% of GDP) in Q1:16. Tourist receipts rose by 10.6% y-o-y in Q1:16 to EUR 44.7mn or 0.5% of GDP, following an increase of 8.3% y-o-y in FY:15. The rise in tourist receipts in Q1:16 would have been even stronger had spending per tourist not receded (down 4.4% y-o-y to EUR 620.9).

Going forward, we foresee tourist arrivals maintaining their positive trend in the coming months, supported, *inter alia*, by: i) an increase in the number of direct flights from March, mostly low-cost charters from northern Europe; ii) an extensive advertising campaign abroad; iii) the ongoing establishment of tourism development zones; and iv) tourist agency efforts to attract tourists through special packages, especially in religious and monastic, cultural, lake-based and medical tourism.

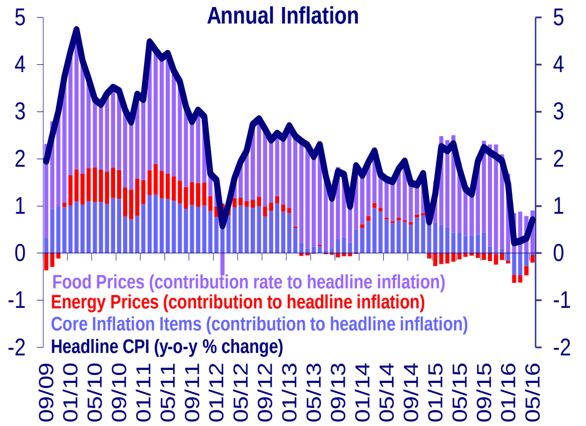
However, the positive momentum is set to weaken slightly this year due to base effects from the sharp increase in FY:15. All said, we see tourist arrivals rising by 10.0% to 534k in 2016 against an increase of 14.2% (485.5k) in 2015, with receipts increasing at a slower pace -- up c. 6.0% to EUR 255mn or 2.7% of GDP -- resulting in a strengthening in FX reserves (adding EUR 15mn more than in FY:15). With tourism accounting for roughly 5% of GDP, we maintain our 2016 real GDP growth forecast of 1.8%, significantly below the FY:15 outcome (3.7%), hindered by protracted domestic political uncertainty. Moreover, with tourism accounting for roughly 5% of employment, we foresee unemployment declining to 25.0% in FY:16 from 26.5% in FY:15.

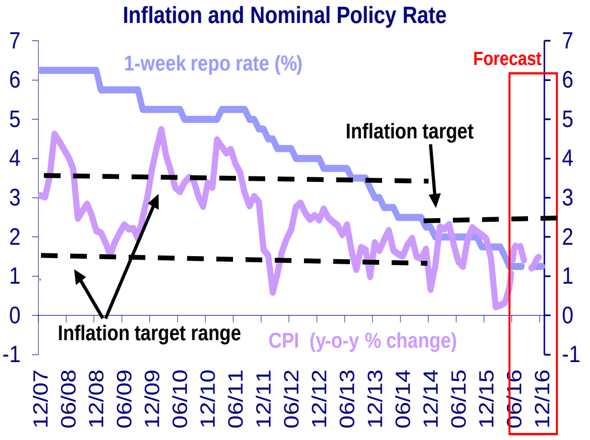
Headline deflation remained stable at -0.7% y-o-y in May. Food prices declined by -1.5% y-o-y in May compared with a decrease of 2.3% y-o-y in April, due to a slower decrease in prices of volatile fruit & vegetables. However, the slower decline in food prices was offset by: i) a higher decrease in energy prices (down 4.9% y-o-y in May compared with a decrease of 4.3% y-o-y in April), despite a slower decline in global oil prices; and ii) a milder core inflation (up 1.5% y-o-y in May against 1.9% in April), reflecting easing demand-side pressures due to heightening domestic political uncertainty.

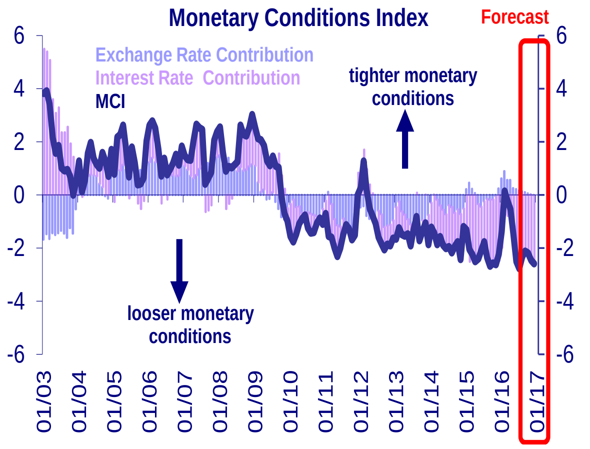
Annual headline inflation is expected to rise to 0.6% by end-2016. Looking ahead, inflation should embark on an upward trend in June, on the back of: i) the planned increase in the excise duty on cigarettes from July 1st (by MKD 0.20 per cigarette and expected to add 0.3 pps to headline inflation); ii) the gradual normalization of volatile food prices from their current lows; and iii) a softer decline in fuel prices (we project the price of Brent to decline by 0.4% y-o-y in MKD terms in 6-12M:16 against a drop of 33.1% y-o-y in 5M:16). Overall, we expect headline and core inflation to rise throughout the rest of the year, reaching 0.6% and 2.3% y-o-y, respectively, in December -- up from -0.3% and 1.4% at end-2015.

Albania

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







	20 June	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	1.8	2.2	2.2	2.2
ALL/EUR	137.2	139.2	138.2	139.0
Sov. Spread (bps)	466	430	400	350

	20 June	1-W %	YTD %	2-Y %
Stock Market	- - -	- - -	- - -	- - -

	2013	2014	2015	2016F	2017F
Real GDP Growth (%)	1.1	2.0	2.6	3.2	3.6
Inflation (eop, %)	1.9	0.7	2.0	1.5	2.0
Cur. Acct. Bal. (% GDP)	-10.9	-12.8	-11.2	-12.2	-12.0
Fiscal Bal. (% GDP)	-5.0	-5.2	-3.6	-2.3	-2.0

Headline inflation picked up to 0.7% y-o-y in May, due to a deterioration in food and core inflation. Headline inflation embarked on a mild upward trend, rising to a (4-month high of) 0.7% y-o-y in May from (a record low of) 0.3% in April. It is important to note that, despite the rise, headline inflation has remained well below the BoA's target of 3.0% for more than two years. The increase was driven partly by a slight acceleration in food prices (comprising 39.3% of the CPI basket) to 2.3% y-o-y in May from a low of 2.0% in April, reflecting a base effect (food inflation reached a 20-month high in April 2015, due to devastating floods in February-April 2015). Food inflation was also boosted by the gradual rise in global food prices (by 1.7% y-o-y in ALL terms in May against a drop of 3.2% in April).

Inflationary pressures were also reinforced by a deterioration in core inflation (that excludes food and energy, and accounts for 53.2% of the CPI basket). Indeed, although remaining in negative territory, core inflation rose to -0.1% y-o-y in May from -0.5% in April, in line with the gradual recovery in domestic demand. The favourable trend of core inflation has, so far, been supported by low imported inflation combined with a relatively stable exchange rate, a persistent negative output gap and spare production capacity.

Headline inflation is set to end 2016 at 1.5% -- below the 2015 outcome and the BoA's target. Inflation is set to remain on a mild upward trend during the remainder of the year, reflecting the gradual recovery in domestic demand (which posted negative growth in FY:15) and less favourable global oil prices (we forecast a 1.1% y-o-y decline in global oil prices in ALL terms in 6-12M:16 compared with a decline of 34.1% in 5M:16).

Nevertheless, inflationary pressures during the remainder of the year should be contained by: i) favourable imported inflation, combined with the absence of depreciation pressures on the domestic currency; ii) a persistent negative output gap (-0.4% in FY:16 against -0.6% in FY:15); and iii) a tight fiscal policy stance. Overall, we see headline inflation ending 2016 at 1.5% -- half the BoA's target, and 0.5 pps below the end-2015 outcome, and to rise further to 2% by end-2017.

The cycle of monetary policy easing has likely come to an end. Despite benign inflation (far below the BoA's target of 3.0%), the BoA maintained its key policy rate (1-week repo) unchanged in June, albeit at a record low 1.25%, following two consecutive cuts in April and May by a cumulative 50 bps.

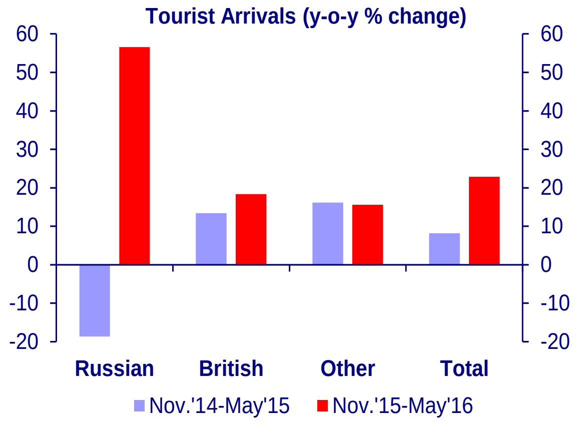
Note that since the initiation of the cycle of monetary policy easing in September 2011, the policy rate has been cut by a sizeable 400 bps. The aggressive monetary policy easing has helped: i) lower LC lending rates significantly, boosting LC lending (up 4.3% y-o-y compared with a 6.1% decline in foreign currency lending in April); as well as ii) reduce sharply the funding cost of domestic public debt. Indeed, the average yield of 12-month T-bills had declined by 100 bps since the turn of the year, to a historical low of 1.3% in June, and by 640 bps between August 2011 and June 2016 (this decline was also reinforced, since November, by ample liquidity provided in the wake of the issuance of a net of EUR 150mn, or 1.5% of GDP, Eurobond last November).

Looking ahead, the BoA is expected to raise its 1-week repo rate in late H2:16/early H1:17, despite low imported inflation, a tight fiscal policy stance and stable local currency. We project the BoA to tighten monetary policy by 50 bps in late H2:16/early H1:17, reflecting increasing inflationary pressures from June and an attempt to prevent the overheating of the economy (real GDP growth is projected to accelerate to a 6-year high of 3.2% in 2016 and to 3.6% in 2017). Should our forecasts materialise, the monetary policy stance in 2016 would still remain accommodative, as it was in 2015 (see MCI chart).

Cyprus

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

General Government Fiscal Balance (% of GDP)	2015	4M:15	4M:16	Revised 2016 Target	NBG 2016 Forecast
Revenue	39.0	11.3	11.7	38.2	38.5
Tax Revenue	33.1	10.1	10.0	32.7	33.0
Indirect Taxes	14.8	4.7	4.6	14.6	- - -
Direct Taxes	9.9	2.7	2.7	9.6	- - -
Soc. Contrib.	8.5	2.8	2.7	8.5	- - -
Non-Tax revenue	5.9	1.2	1.7	5.5	5.5
Expenditure	39.1	11.5	11.4	38.6	38.5
Cur. Expenditure	36.3	10.9	10.8	35.9	36.2
G.& Services	3.7	0.9	0.9	3.6	- - -
Wag.& Salaries	12.8	4.0	3.8	12.6	- - -
Soc. Transfers	14.1	4.1	4.4	14.1	- - -
Int.Payments	2.8	0.7	0.6	2.6	2.6
Subsidies	0.4	0.2	0.2	0.4	- - -
Other	2.4	0.9	0.8	2.6	- - -
Capital Expend.	2.7	0.6	0.6	2.7	2.3
Fiscal Balance	0.0	-0.1	0.4	-0.4	0.0
Primary Balance	2.8	0.6	1.0	2.2	2.6



	20 June	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.36	-0.36	-0.36	-0.36
EUR/USD	1.13	1.08	1.06	1.05
Sov. Spread (2020. bps)	341	300	260	250

	20 June	1-W %	YTD %	2-Y %
CSE Index	69	0.7	1.8	-41.3

	2013	2014	2015	2016F	2017F
Real GDP Growth (%)	-5.9	-2.5	1.6	2.5	2.6
Inflation (eop. %)	-2.3	-1.5	-1.2	-0.2	1.0
Cur. Acct. Bal. (% GDP)	-4.5	-4.6	-3.6	-3.8	-4.2
Fiscal Bal. (% GDP)	-4.7	-0.3	0.0	0.0	0.2

The fiscal performance improved in the first four months of the year, on the back of early dividend payments by the Central Bank. The fiscal balance improved by 0.5 pps y-o-y to a surplus of 0.4% of GDP in 4M:16, mainly due to higher revenue. However, the latter was driven by a significant increase in non-tax revenue in 4M:16 (up 0.5 pps of GDP y-o-y), reflecting the early dividend payment by the Central Bank (EUR 93mn or 0.5% of GDP). Tax revenue declined slightly (down 0.1 pp of GDP y-o-y), due to lower VAT revenue.

The positive fiscal performance was also supported by primary expenditure restraint (down 0.1 pp of GDP y-o-y). Specifically, the wage bill and interest payments declined in 4M:16, more than offsetting a rise in social transfers, due to base effects from the delayed payment of the minimum guaranteed income benefit in 2015 (in May and June).

Although the fiscal performance is set to deteriorate during the remainder of the year, the FY:16 fiscal deficit should overperform its revised target of 0.4% of GDP. The FY:16 fiscal balance could outperform its target (recently revised down to -0.4% of GDP from 0% initially), in view of: i) a stronger-than-expected recovery in activity (we see FY:16 real GDP growth at 2.5%, significantly above the consensus forecast of 1.7% and the FY:15 outcome of 1.6%); and ii) continued spending restraint. Overall, we see the fiscal balance at 0% of GDP in FY:16, unchanged from the FY:15 outcome but better than its target of -0.4% of GDP. This positive performance should help the public debt-to-GDP ratio to reverse course, for the first time in 8 years (down to 106.2% in 2016 from 108.7% in 2015).

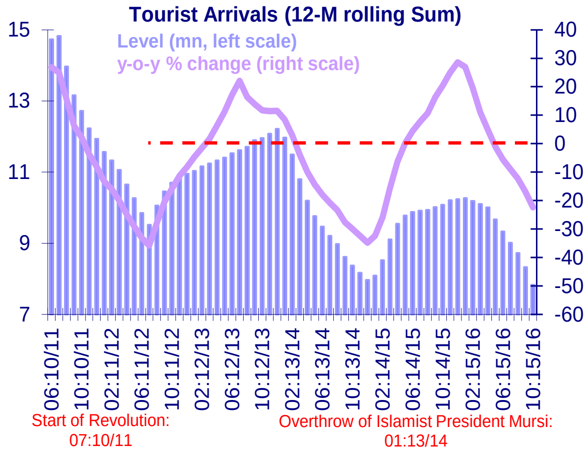
Tourist arrivals rose sharply in November-May, mainly due to heightening security concerns in neighbouring competitors -- Turkey and Egypt. Tourist arrivals rose by an impressive 22.9% y-o-y during November-May (corresponding to the low season -- a historical average of 36% of total tourists during this 7-month period). This strong performance was mainly due to a sharp increase in arrivals from Russia -- the second largest source country with a share of 20.0% in FY:15 -- and the UK -- the main source country, accounting for c. 39.0% in FY:15. Indeed, the number of Russian and British tourists increased by 56.6% y-o-y and 18.3%, respectively, in November-May, contributing 8.5 pps and 7.1 pps to the overall annual rise in the corresponding period. The sharp increase in Russian and British tourists came in the aftermath of: i) Russian sanctions against Turkey following the downing of a Russian warplane by the Turkish airforce near Syria's border in late November; and ii) 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. Tourist arrivals, excluding British and Russians, also increased significantly (up 15.6% y-o-y in November-May, reflecting the island's reputation as a safe destination. As a result, the 12-month rolling sum of tourist arrivals increased by 12.0% y-o-y to 2.8mn in May compared with a rise of 7.1% in October.

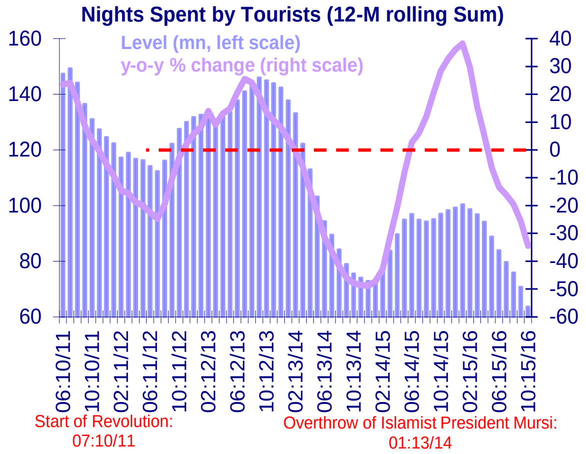
Tourist arrivals growth is set to reach c. 20% in 2016. Looking ahead, in view of the y-t-d performance (+20.5%) and recent trends, we expect the positive momentum in tourist arrivals to continue during the remainder of the year, mainly on the back of significant gains from heightening security concerns in neighbouring countries – Turkey and Egypt. 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.

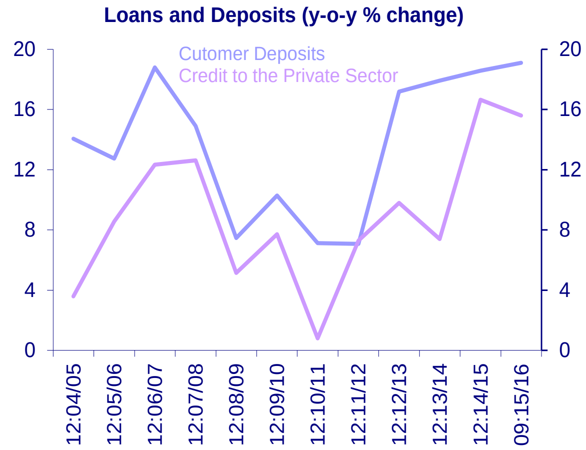
With tourism accounting for roughly 19.0% of GDP, we see real GDP growth accelerating to 2.5% in FY:16 -- above the EC's recently revised forecast of 1.7% -- from 1.6% in 2015. Moreover, with tourism accounting for c. 20.0% of employment, we see unemployment declining to 14.5% in FY:16 from 15.4% in FY:15.

Egypt

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







	20 June	3-M F	6-M F	12-M F
O/N Interbank Rate (%)	11.8	11.8	11.8	11.5
EGP/USD	8.88	8.95	9.20	9.50
Sov. Spread (2020. bps)	476	400	300	220

	20 June	1-W %	YTD %	2-Y %
HERMES 100	658	-5.5	4.4	-20.7

	12/13	13/14	14/15	15/16F	16/17F
Real GDP Growth (%)	2.1	2.1	4.2	3.0	4.5
Inflation (eop. %)	9.8	8.2	11.4	12.5	13.5
Cur. Acct. Bal. (% GDP)	-2.2	-0.9	-3.7	-5.6	-4.0
Fiscal Bal. (% GDP)	-13.0	-12.2	-11.5	-11.8	-10.0

Tourist arrivals continue to experience a sharp decline due to security concerns. Tourist arrivals declined sharply, by 45.9% y-o-y during November-April, following the terrorist bombing of a Russian passenger plane in the Sinai peninsula on October 31st and the hijacking of a domestic flight by a passenger wearing a fake suicide belt on March 29th. The terrorist attack on the Russian plane led: i) Russia (the largest source country, which accounted for more than 30% of total tourists in 2014) to ban flights to Egypt; ii) the UK (the second largest source country, which accounted for more than 10% of total tourists in 2014) to suspend all flights to Egypt's tourism flagship city of Sharm el-Sheikh; and iii) several other countries to issue warnings against travel to Egypt. More worrying, the decline in the number of nights spent by tourists during November-April (down 65.0% y-o-y) was even sharper than that of arrivals during the same period (down 45.9% y-o-y). As a result, the 12-month rolling sum of tourist arrivals and nights spent by tourists declined by 22.4% and 34.4% y-o-y, respectively, to 7.8mn and 63.7mn in April compared with rises of 4.8% and 5.0% in October 2015.

Looking ahead, despite the Government's ongoing efforts to strengthen security measures, the recent negative trends of tourist arrivals and nights spent are set to worsen during the remainder of this fiscal year (May-June), following the disappearance of an Egypt Air passenger jet in the Mediterranean on May 19th, carrying 66 passengers from Paris to Cairo. Overall, we foresee tourist arrivals and nights spent declining sharply, by around 32.0% and 48.0%, respectively, to 7.0mn and 52.0mn in FY:15/16. Should our forecasts materialise, the tourism sector would: i) shave 1.3 pps off overall GDP growth in FY:15/16 (projected at 3.0%) after having added 0.3 pps to growth in FY:14/15 (4.2%); and ii) see its contribution to FX reserves decline sharply to a 13-year low of USD 3.9bn in FY:15/16 from USD 7.4bn in FY:14/15.

Customer deposit growth reached a high of 19.1% y-o-y in March, supported by the gradual return of confidence. Customer deposit growth accelerated to 19.1% y-o-y in March from 18.6% at end-2014/15 (June 2015), underpinned by the gradual return of confidence in the Egyptian economy since President el-Sissi was elected in May 2014. The acceleration was driven by the retail segment (representing 80% of total deposits), which surged by 18.6% y-o-y in March compared with an increase of 13.9% y-o-y in June 2015.

Credit to the private sector posted the second historical high growth in March (15.6% y-o-y), on the back of improving loan demand and supply. It appears that both households and corporates, which were the main buyers of the Suez Canal certificates in September 2014, continued to use the accompanying right to contract a loan worth up to 90% of their certificates' value. Recall that, in view of fully financing the ambitious Suez Canal expansion project, the authorities collected EGP 64bn or 2.6% of GDP in summer 2014 through the sale of attractive tax-free investment certificates to Egyptian individuals, corporations and legal entities.

Moreover, the significant improvement in bank asset quality during the past 4 years also appears to have encouraged banks to ease their credit conditions. In fact, between June 2011 and December 2015, the NPL ratio declined by 3.7 pps to 6.8% and the provision coverage of NPLs rose by 4.5 pps to 99.0%.

Note, however, that credit growth continues to lag behind deposit growth, mainly due to banks' increased investments in domestic public debt (which stood at 80.8% of GDP at end 2014/15). As a result, the share of government securities held by banks and overall loans in total deposits stood at 66.1% and 40.5%, respectively, in March compared with 25.1% and 63.0% twelve years ago.

FOREIGN EXCHANGE MARKETS, JUNE 20TH 2016

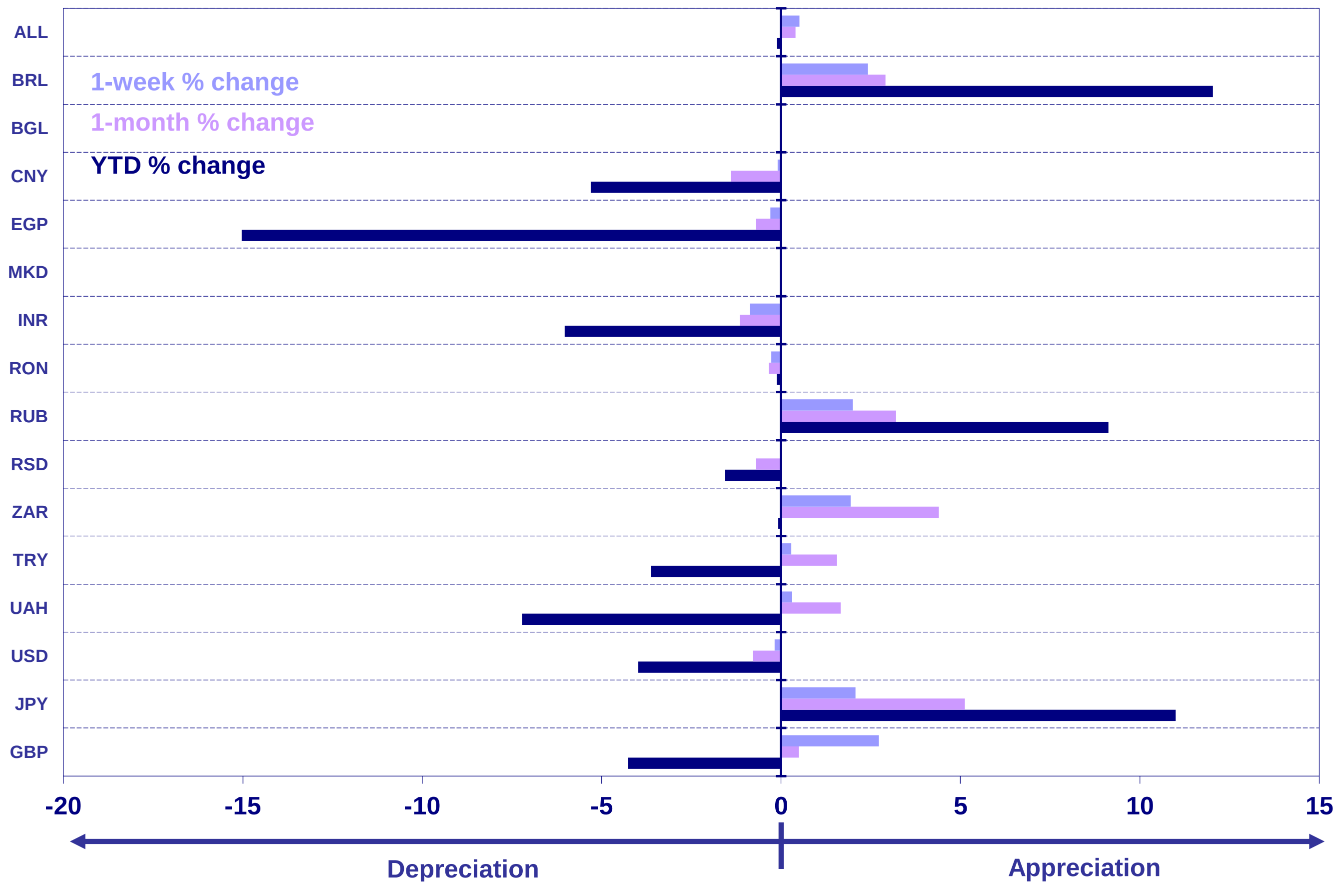
Against the EUR

	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	137.2	0.5	0.4	-0.1	2.4	137.5	139.5	137.6	137.4	135.9	2.0	0.1
Brazil	BRL	3.84	2.4	2.9	12.0	-9.0	3.81	4.55	4.39	4.38	4.35	-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	7.43	-0.1	-1.4	-5.3	-5.2	6.99	7.52	7.67	7.67	7.66	6.7	10.8
Egypt	EGP	9.99	-0.3	-0.7	-15.0	-14.1	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	76.4	-0.9	-1.2	-6.0	-5.6	71.3	77.8	82.1	- - -	- - -	6.6	12.3
Romania	RON	4.52	-0.3	-0.3	-0.1	-0.9	4.45	4.56	4.53	4.55	4.57	-0.8	-0.5
Russia	RUB	72.6	2.0	3.2	9.1	-15.7	72.3	93.8	74.4	76.4	79.0	-15.1	-32.8
Serbia	RSD	123.4	0.0	-0.7	-1.6	-2.3	121.6	123.7	123.9	124.2	- - -	-0.1	-5.6
S. Africa	ZAR	16.8	1.9	4.4	-0.1	-18.3	16.02	18.58	17.2	17.5	18.3	-16.6	3.0
Turkey	YTL	3.29	0.3	1.6	-3.6	-8.0	3.12	3.39	3.36	3.44	3.61	-10.8	4.4
Ukraine	UAH	28.1	0.3	1.7	-7.2	-14.8	25.06	30.16	28.1	- - -	- - -	-27.5	-40.8
US	USD	1.13	-0.2	-0.8	-4.0	0.3	1.1	1.2	1.13	1.14	1.15	11.4	13.6
JAPAN	JPY	117.5	2.1	5.1	11.0	19.0	115.5	132.3	117.4	117.4	117.3	11.0	-0.1
UK	GBP	0.77	2.7	0.5	-4.3	-7.0	0.7	0.8	0.77	0.78	0.78	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 (June 20th 2016)



Money Markets, June 20th 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
O/N	1.4	14.1	-0.1	2.0	- - -	11.8	- - -	- - -	0.4	11.5	- - -	10.0	7.8	17.8	- - -	0.4
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	0.4	11.5	2.9	- - -	7.8	- - -	- - -	- - -
S/W	1.5	14.1	-0.1	2.4	-0.4	- - -	1.4	- - -	- - -	10.7	2.9	- - -	7.8	18.3	-0.4	0.4
1-Month	1.8	14.1	0.0	2.9	-0.4	- - -	1.7	7.0	0.6	11.2	3.2	10.0	8.3	20.0	-0.4	0.4
2-Month	- - -	14.1	0.1	- - -	-0.3	- - -	- - -	- - -	- - -	11.3	3.3	10.0	7.8	- - -	-0.3	0.5
3-Month	2.1	14.1	0.1	3.0	-0.3	- - -	2.1	7.2	0.8	11.4	3.4	10.1	8.3	20.8	-0.3	0.6
6-Month	2.1	13.9	0.3	3.0	-0.2	- - -	2.5	- - -	1.0	11.5	3.6	10.2	8.6	- - -	-0.2	0.9
1-Year	2.1	13.2	0.8	3.1	0.0	- - -	3.0	- - -	1.2	11.7	- - -	10.3	9.0	- - -	0.0	1.3

Local Debt Markets, June 20th 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	0.9	- - -	- - -	- - -	- - -	13.2	1.5	6.8	- - -	11.0	3.1	8.4	- - -	- - -	-0.6	0.3
6-Month	1.0	- - -	- - -	- - -	- - -	14.2	2.3	6.9	0.7	11.1	3.5	8.8	- - -	- - -	-0.6	0.4
12-Month	1.3	- - -	0.1	2.4	- - -	14.1	2.6	7.0	0.8	9.7	4.7	9.1	- - -	17.5	-0.5	0.5
2-Year	1.6	- - -	- - -	2.6	- - -	- - -	2.0	7.1	0.8	9.4	- - -	8.9	7.7	- - -	-0.6	0.7
3-Year	- - -	- - -	0.5	2.6	2.6	- - -	2.7	7.2	1.9	9.2	- - -	8.9	8.1	- - -	-0.6	0.9
5-Year	- - -	12.5	- - -	2.8	- - -	16.6	2.7	7.4	2.7	8.9	7.0	9.1	8.4	- - -	-0.5	1.2
7-Year	- - -	- - -	1.9	- - -	3.5	17.5	- - -	7.6	3.2	8.7	- - -	- - -	- - -	- - -	-0.3	1.5
10-Year	- - -	12.7	2.5	3.0	3.9	18.0	3.9	7.5	3.7	8.6	- - -	9.3	9.0	- - -	0.1	1.7
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	4.3	7.9	- - -	8.7	- - -	- - -	9.4	- - -	0.2	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	9.7	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	7.9	- - -	- - -	- - -	- - -	9.8	- - -	0.7	2.5

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

Corporate Bonds Summary, June 20th 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	4.5	517	460
	Bulgarian Telecom. 6.625% '18	EUR	B-/B1	15/11/2018	400	5.1	557	523
Cyprus	**Aroundtown Property 3% '21**	EUR	NA/NA	9/12/2021	200	2.5	306	259
Russia	**Gazprom 8.2% '19**	RUB	BB+/NA	9/4/2019	10,000	10.8	145	- - -
	Gazprom 8.9% '21	RUB	BB+/NA	26/1/2021	10,000	10.5	115	- - -
South Africa	**FirstRand Bank Ltd 4.25% '20**	USD	BBB-/Baa2	30/4/2020	500	4.1	293	301
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	1.0	149	113
Turkey	**Vakiflar Bankasi 3.5% '19**	EUR	NA/Baa3	17/6/2019	500	2.8	335	297
	Garanti Bankasi 3.38%'19	EUR	NA/Baa3	8/7/2019	500	2.3	285	248
	Arcelik AS 3.875% '21	EUR	BB+/NA	16/9/2021	350	3.2	381	324
	Turkiye Is Bankasi 6% '22	USD	NA/Ba3	24/10/2022	1,000	5.8	458	442

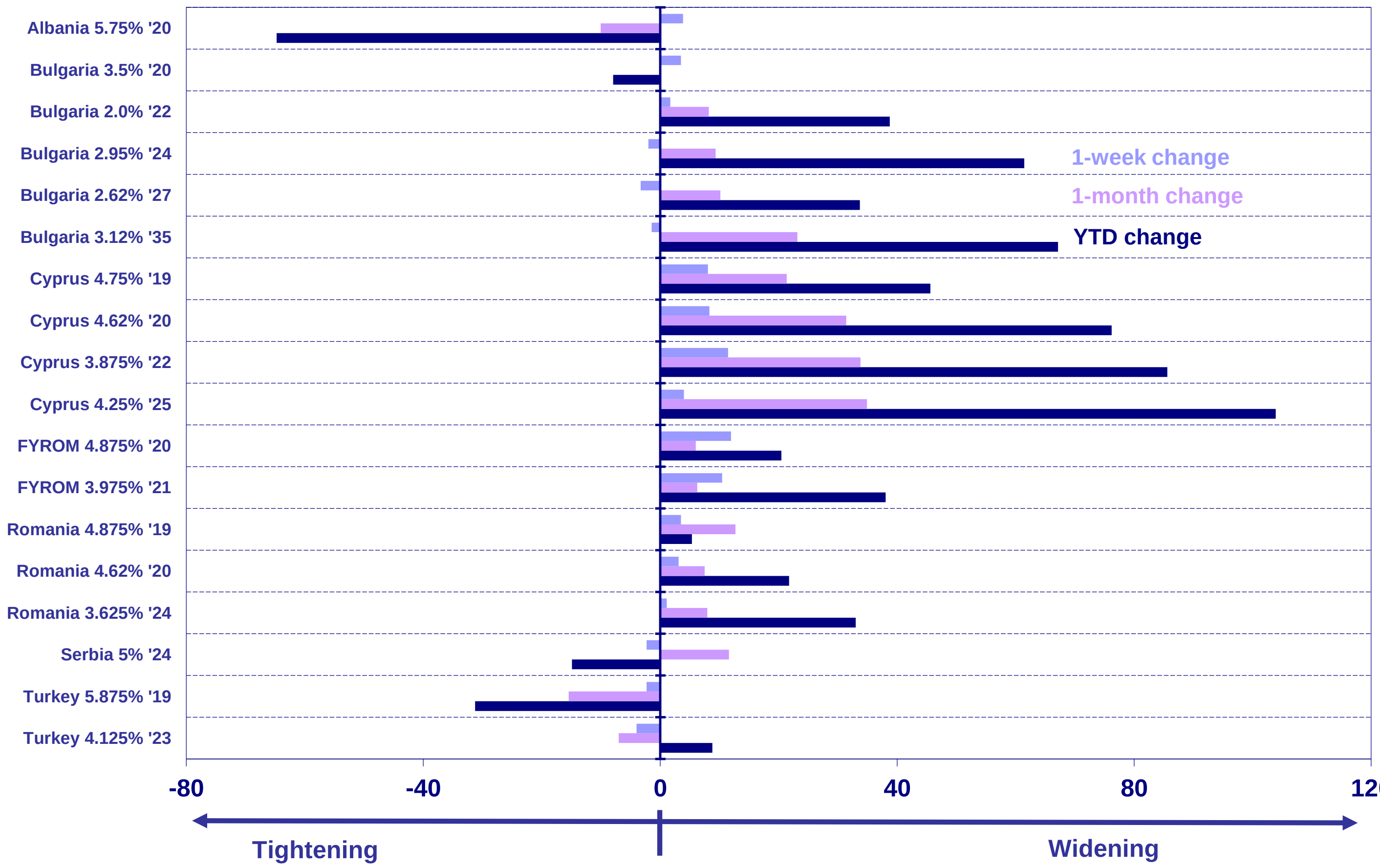
Credit Default Swap Spreads, June 20th 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	323	158	124	294	488	- - -	153	122	246	245	247	286	- - -
10-Year	- - -	393	204	170	319	500	- - -	162	163	298	292	302	342	- - -

EUR-Denominated Sovereign Eurobond Summary, June 20th 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	4.1	466	434
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	0.8	133	100
Bulgaria 2.0% '22	EUR	BB+/Baa2	26/3/2022	1,250	1.7	206	166
Bulgaria 2.95% '24	EUR	BB+/Baa2	3/9/2024	1,493	2.3	253	207
Bulgaria 2.62% '27	EUR	BB+/Baa2	26/3/2027	1,000	2.6	259	205
Bulgaria 3.12% '35	EUR	BB+/Baa2	26/3/2035	900	3.6	318	254
Cyprus 4.75% '19	EUR	B+/NA	25/6/2019	566	2.6	315	285
Cyprus 4.62% '20	EUR	B+/B3	3/2/2020	770	2.9	341	311
Cyprus 3.875% '22	EUR	NA/B3	6/5/2022	1,000	3.6	401	358
Cyprus 4.25% '25	EUR	NA/B1	4/11/2025	1,000	4.0	397	353
FYROM 4.875% '20	EUR	BB-/NA	1/12/2020	270	4.6	537	468
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	4.7	554	574
Romania 4.875% '19	EUR	BBB-/Baa3	7/11/2019	1,500	0.5	104	71
Romania 4.62% '20	EUR	BBB-/Baa3	18/9/2020	2,000	0.8	136	102
Romania 3.625% '24	EUR	BBB-/Baa3	24/4/2024	1,250	2.2	237	202
Serbia 5% '24	EUR	BB-/NA	11/4/2024	125	3.7	388	358
Turkey 5.875% '19	EUR	NR/Baa3	2/4/2019	1,250	1.4	196	169
Turkey 4.125% '23	EUR	NR/Baa3	11/4/2023	1,000	2.9	317	282

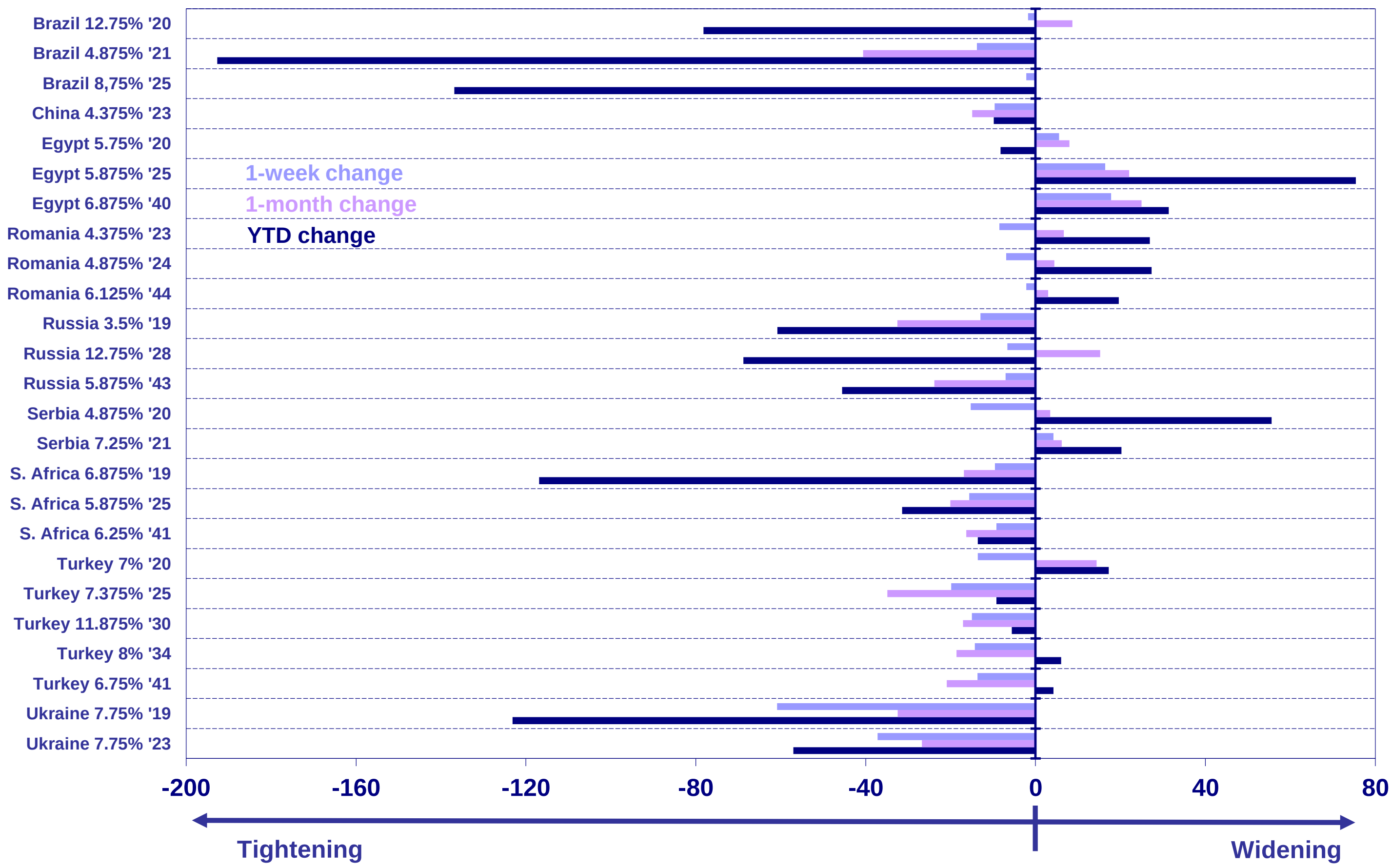
EUR-Denominated Eurobond Spreads (June 20th 2016)



USD-DENOMINATED SOVEREIGN EUROBOND SUMMARY, JUNE 20TH 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+/Baa3	15/1/2020	234	3.7	287	316
Brazil 4.875% '21	USD	BB+/Baa3	22/1/2021	2,988	4.0	286	293
Brazil 8,75% '25	USD	BB+/Baa3	4/2/2025	969	5.4	371	440
China 4.375% '23	USD	AA-/Aa3	2/5/2023	500	3.4	167	206
Egypt 5.75% '20	USD	B-/B3	29/4/2020	1,000	5.6	476	452
Egypt 5.875% '25	USD	B-/B3	11/6/2025	1,500	8.1	647	597
Egypt 6.875% '40	USD	B-/B3	30/4/2040	500	8.7	618	574
Romania 4.375% '23	USD	BBB-/Baa3	22/8/2023	1,500	3.3	187	204
Romania 4.875% '24	USD	BBB-/Baa3	22/1/2024	1,000	3.4	193	210
Romania 6.125% '44	USD	BBB-/Baa3	22/1/2044	1,000	4.6	216	302
Russia 3.5% '19	USD	BB+/Ba1	16/1/2019	1,500	2.5	167	161
Russia 12.75% '28	USD	BB+/Ba1	24/6/2028	2,500	4.8	308	442
Russia 5.875% '43	USD	BB+/Ba1	16/9/2043	1,500	5.1	258	327
Serbia 4.875% '20	USD	BB-/B1	25/2/2020	1,500	3.9	305	290
Serbia 7.25% '21	USD	BB-/B1	28/9/2021	2,000	4.2	300	320
S. Africa 6.875% '19	USD	BBB-/Baa2	27/5/2019	2,000	3.0	212	211
S. Africa 5.875% '25	USD	BBB-/Baa2	16/9/2025	2,000	4.7	298	326
S. Africa 6.25% '41	USD	BBB-/Baa2	8/3/2041	750	5.4	293	364
Turkey 7% '20	USD	NR/Baa3	5/6/2020	2,000	3.4	256	251
Turkey 7.375% '25	USD	NR/Baa3	5/2/2025	3,250	4.4	268	321
Turkey 11.875% '30	USD	NR/Baa3	15/1/2030	1,500	4.7	300	420
Turkey 8% '34	USD	NR/Baa3	14/2/2034	1,500	5.2	353	397
Turkey 6.75% '41	USD	NR/Baa3	14/1/2041	3,000	5.4	287	352
Ukraine 7.75% '19	USD	B-/Caa3	1/9/2019	1,646	8.5	766	732
Ukraine 7.75% '23	USD	B-/Caa3	1/9/2023	1,330	8.6	713	693

USD-Denominated Eurobond Spreads (June 20th 2016)



STOCK MARKETS PERFORMANCE, JUNE 20TH 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)	50,329	1.3	1.2	16.1	-6.6	37,046	54,978	30.9	-13.3	-35.3	-2.9	-2.0
Bulgaria (SOFIX)	458	2.2	4.3	-0.6	-5.0	432	462	-0.6	-11.7	-11.7	6.2	6.2
China (SHCOMP)	2,889	2.0	2.2	-19.1	-35.5	2,638	3,539	-22.9	9.4	16.5	52.9	69.5
Cyprus (CSE GI)	69	0.7	1.4	1.8	-11.9	64	70	1.8	-20.9	-20.9	-17.0	-17.0
Egypt (HERMES)	658	-5.5	-3.3	4.4	-12.8	521	716	1.2	-24.4	-25.7	23.5	36.6
F.Y.R.O.M (MBI)	1,730	-2.6	-0.8	-5.6	5.5	1,699	1,842	-5.6	-0.6	-0.6	6.1	6.1
India (SENSEX)	26,867	1.8	6.2	3.5	-3.1	22,495	28,578	-1.6	-5.0	0.7	29.9	44.7
Romania (BET-BK)	1,181	0.7	1.2	-12.0	-12.8	1,165	1,329	-12.2	2.6	1.6	3.7	3.5
Russia (RTS)	4,233	-1.2	1.8	6.9	10.7	3,509	4,393	17.9	30.3	9.5	-6.9	-37.4
Serbia (BELEX-15)	618	-1.3	-0.9	-2.1	-8.5	570	637	-3.5	-3.4	-3.5	19.5	12.8
South Africa (FTSE/JSE)	53,032	1.0	0.7	4.4	1.6	45,976	54,704	5.7	1.9	-15.1	7.6	10.9
Turkey (ISE 100)	77,523	1.3	1.5	5.9	-7.1	68,230	86,931	2.8	-16.3	-25.4	26.4	32.0
Ukraine (PFTS)	220	-0.4	0.2	-8.6	-37.6	215	256	-14.9	-37.8	-54.8	28.7	-24.2
MSCI EMF	821	1.4	4.6	3.8	-16.8	687	856	0.3	-17.0	-7.5	-4.6	8.2
MSCI EAFE	1,653	2.7	1.2	-4.3	-14.0	1,492	1,717	-7.5	-3.3	7.7	-7.3	5.8
Greece (ASE-General)	587	-1.4	-8.3	-4.0	-21.7	421	659	-4.0	-23.6	-23.6	-28.9	-28.9
Germany (XETRA DAX)	9,962	3.2	0.5	-7.3	-13.1	8,699	10,486	-7.3	-4.9	-4.9	2.7	2.7
UK (FTSE-100)	6,204	2.6	0.8	-1.1	-9.1	5,500	6,427	-5.3	-4.9	0.1	-2.7	4.1
Japan (NIKKEI-225)	15,965	-0.3	-4.6	-16.1	-21.8	14,866	18,951	-6.0	9.1	20.2	7.1	7.0
USA (DJ INDUSTRIALS)	17,805	0.4	1.7	1.1	-1.7	15,370	18,189	-2.3	-2.2	9.3	7.5	22.2
USA (S&P 500)	2,083	0.2	1.5	1.0	-1.9	1,810	2,133	-2.4	-0.7	10.9	11.4	26.6

Equity Indices (June 20th 2016)