NATIONAL BANK

South Eastern Europe and Mediterranean Emerging Market Economies
Weekly Report

21 – 27 June 2016

NBG - Economic Analysis Division

Paul Mylonas, ***NBG Group Chief Economist***
☎ : +30 210 33 41 521
✉ : pmylonas@nbg.gr

Emerging Markets Research

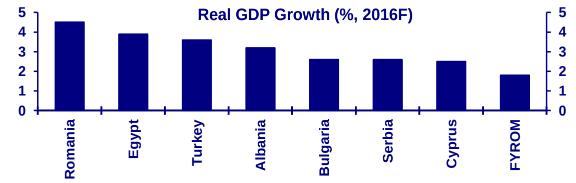
Head: **Michael Loufir**
☎ : +30 210 33 41 211
✉ : mloufir@nbg.gr

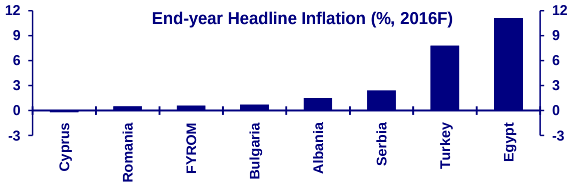
Analysts:

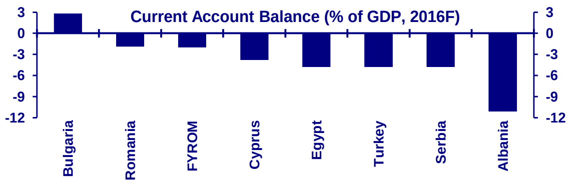
Evlabia Fetsi
☎ : +30 210 33 41 667
✉ : efetsi@nbg.gr

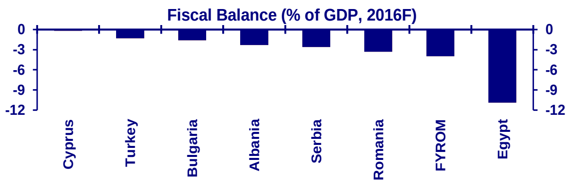
Konstantinos Romanos-Louizos
☎ : +30 210 33 41 225
✉ : romanos.louizos.k@nbg.gr

Louiza Troupi
☎ : +30 210 33 41 696
✉ : troupi.louiza@nbg.gr



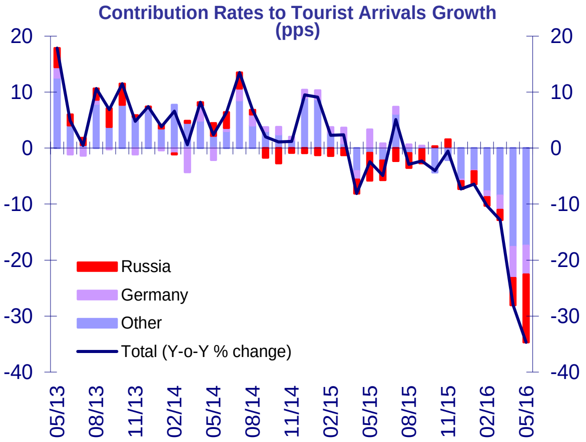


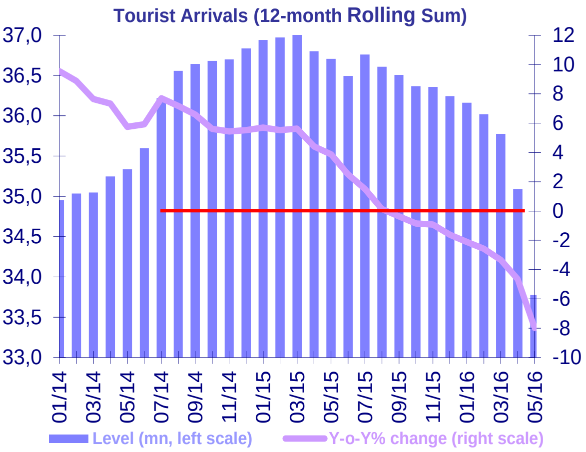


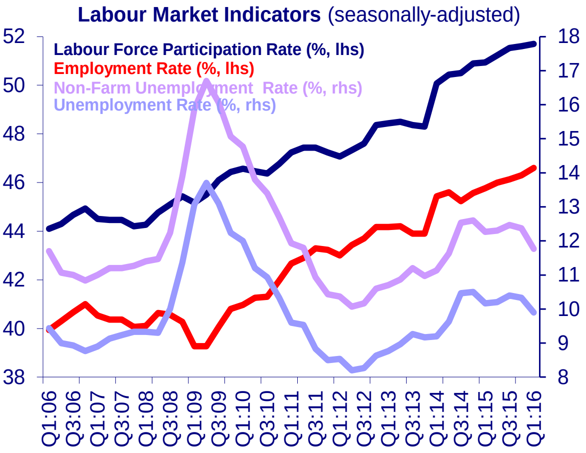


Turkey

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







	27 June	3-M F	6-M F	12-M F
1-m TRIBOR (%)	9.6	10.5	10.2	9.8
TRY/EUR	3.24	3.35	3.32	3.30
Sov. Spread (2019, bps)	207	212	190	170

	27 June	1-W %	YTD %	2-Y %
ISE 100	75,161	-3.0	2.7	-4.2

	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

Tourism industry crisis deepens in May, due to rising security concerns and persisting tensions with Russia. Indeed, the drop in tourist arrivals accelerated sharply in May, plunging by 34.7% y-o-y, following a decline of 16.5% y-o-y in the first four months of the year. The worsening performance was mainly driven by Russia, the second largest source country (c. 10.0% of total arrivals in 2015), whose arrivals plunged by 91.8% y-o-y in May following a decline of 67.7% y-o-y in 4M:16, mainly reflecting the Russian sanctions after Turkey's downing of a Russian military jet in late-November. Equally worrying, arrivals from other countries also declined sharply (by 26.0% y-o-y in May), following a drop of 14.2% y-o-y in 4M:16, reflecting heightening domestic security concerns. Indeed, 54 terrorist attacks (including the June 28th attack at Istanbul's Ataturk Airport) have been perpetrated since July 2015, killing 391 and wounding 1,325 people, following the Government's involvement in the war against the ISIS and the collapse of a 2-year ceasefire with the Kurdistan Workers Party militant group.

Note that the accelerating decline in arrivals from other countries in May was mainly driven by the sharp drop in arrivals from Germany and the UK (the largest and third largest source countries, respectively). Arrivals from Germany (c. 15.0% of total arrivals in 2015) and the UK (c. 7.0% of total arrivals in 2015) fell by 31.5% and 29.5% y-o-y in May.

Looking ahead, we expect tourist arrivals to continue to decline, albeit at a slower pace, during the rest of the year, as the impact of the Brexit vote should be more than offset by a gradual return of Russian tourists, in view of the imminent normalization of Russia-Turkey relations. Note that President Erdogan on June 27th expressed his "regret and sorrow" to Russian President Putin following the November incident, finally meeting Russia's condition for the restoration of bilateral ties with Turkey. Nevertheless, we expect tourist arrivals to post their sharpest decline since 1999 (down by around 20.0% to an 8-year low of 26.7mn) this year, in view of the year-to-date performance (down 22.9% y-o-y in 5M:16) and persisting domestic security concerns.

The seasonally-adjusted (s.a.) unemployment rate declines to a 7-quarter low of 9.9% in Q1:16. The s.a. unemployment rate retreated to 9.9% in Q1:16 from 10.3% in Q4:15, mainly supported by the dissipation of domestic political uncertainty after a long election cycle and strengthening economic activity. Non-farm unemployment (s.a.) also retreated, albeit at a faster pace, to 11.8% in Q1:16 from 12.4% in Q4:15.

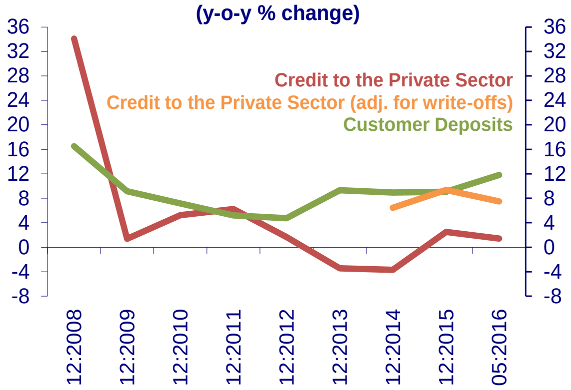
The quarterly 0.4 pps decline in the s.a. unemployment in Q1:16 reflects the fact that the number of jobs created (284k q-o-q or 1.1% q-o-q) surpassed the number of new entrants to the labour force (148k q-o-q or 0.5% q-o-q). Note that the labour force participation ratio and the employment rate reached record levels of 51.7% and 46.6%, respectively, in Q1:16. The quarterly improvement in s.a. employment in Q1:16 (by 1.1% q-o-q or 284k q-o-q) was driven by services (up 2.5% q-o-q or 279k q-o-q) and to a lesser extent by the construction sector (up 3.1% q-o-q or 61k q-o-q). Employment in industry declined (by 1.0% q-o-q or 52k q-o-q) while that in agriculture remained broadly unchanged (down 0.1% q-o-q or 4k q-o-q) in Q1:16.

Looking ahead, we expect the gain in the s.a. unemployment rate in Q1:16 to be overturned during the rest of the year, reflecting exacerbating crisis in the labour-intensive tourism sector and rising labour cost, following the January 1st sharp hike of the minimum wage (nominal growth of gross wages in the sectors of industry, services&trade, and construction accelerated to 18.7%, 22.4%, and 15.1% y-o-y, respectively, in Q1:16 from 13.7%, 12.1%, and 3.4% in FY:15). Overall, we see FY:16 unemployment at 10.3% -- unchanged from FY:15.

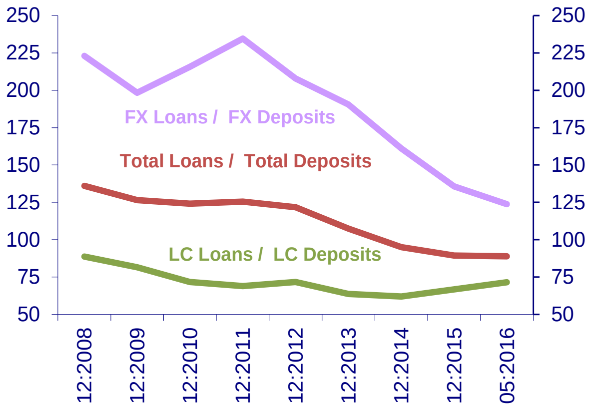
Romania

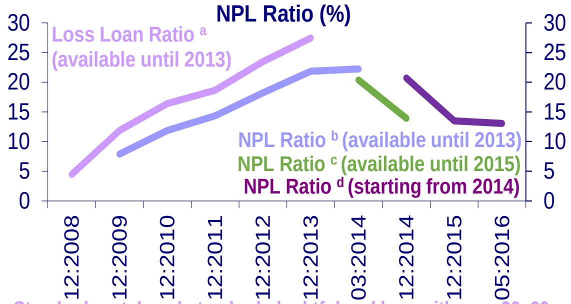
BBB- / Baa3 / BBB- (S&P / Moody's / Fitch)

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



Loans / Deposits (%)





a: Standard, watch, substandard, doubtful and loss with over 90, 60, 30, 15 and 0 dpd, respectively

b: Sample Banks using standard approach in credit risk assessment

c: All Banks using the standard approach in credit risk assessment

d: EBA definition; exposures more than 90 dpd or unlikely to be collected without use of the collateral regardless of the dpd

	27 June	3-M F	6-M F	12-M F
1-m ROBOR (%)	0.7	0.9	1.2	1.5
RON/EUR	4.52	4.48	4.49	4.50
Sov. Spread (2024, bps)	255	210	180	150

	27 June	1-W %	YTD %	2-Y %
BET-BK	1,150	-2.6	-14.3	-8.0

	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	-3.0

Albeit still strong, underlying growth in credit to the private sector shows signs of slowdown in May (up 7.5% y-o-y). Credit to the private sector expanded by 1.4% y-o-y in May following an increase of 2.5% at end-2015. However, adjusted for large write-offs and NPL sales, which have pushed down the NPL ratio to an estimated 13.0% in May from its peak of 26.8% in early-2014, the pace of expansion in credit to the private sector is estimated to be understated by c. 6.0 pps.

Specifically, despite the large interest rate differential between LC and FX loans (110 bps), FX lending continued to decline sharply in May (down 12.8% y-o-y following a drop of 9.8% at end-2015), reflecting the NBR's measures to curtail FX lending (stress tests for unhedged borrowers and higher down-payments on unhedged FX mortgage loans). At the same time, LC lending maintained its momentum (up 18.0% y-o-y in May against 18.5% at end-2015), on the back of the lower lending rates (down 30 bps y-o-y in 5M:16 following a drop of 85 bps in FY:15). The latter is attributed to the NBR's accommodative monetary policy stance and ample RON liquidity.

From a segment perspective, retail lending remained the main driver in May (up 4.7% y-o-y against 5.7% at end-2015), supported by mortgage lending (up 16.4% y-o-y in May following a similar increase at end-2015, sustained by the First House (FH) state-subsidized programme), while corporate lending tightened again (down -1.9% y-o-y in May following a decline of 0.1% at end-2015).

Deposit growth gains steam in May, underpinned by strong economic activity. Customer deposits expanded by a strong 11.8% y-o-y in May following a rise of 9.0% at end-2015. Specifically, LC deposits (up 13.8% y-o-y in May against 10.1% at end-2015) continued to grow at a faster pace than FX deposits (up 8.1% y-o-y in May following a rise of 7.0% at end-2015), in line with the positive interest rate differential between LC and FX deposits (40 bps on time deposits).

From a segment perspective, corporate deposits picked-up sharply in May (up 18.3% y-o-y against 13.7% at end-2015), reflecting abundant liquidity in the sector, with retail deposits growing at a slower pace (up 8.4% y-o-y in May following a rise of 6.3% at end-2015).

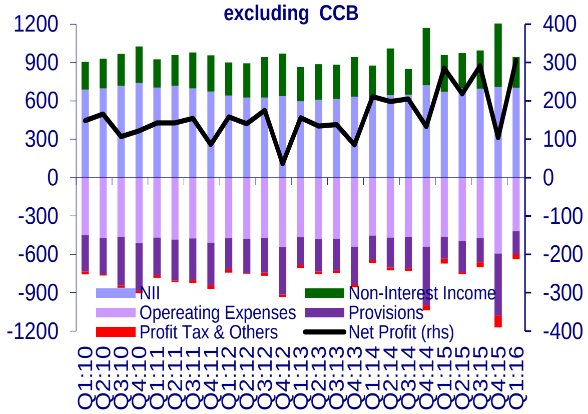
As a result, the gross loan-to-deposit ratio rose slightly to 88.9% in May (76.5% on a net basis) from 89.5% at end-2015, well below its peak of 126.7% in mid-2012. Specifically, the RON deposit base remained more than adequate to meet the LC funding needs (the LC loan-to-deposit ratio stood at 71.5% in May), while the mismatch on the FX side, albeit narrowing, remained large (the FX loan-to-deposit ratio fell to 123.7% in May from 135.8% at end-2015 and 232.4% in mid-2012).

The recently-adopted "Debt Settlement Law" (DSL) is set to hinder credit activity. The DSL allows debtors to settle debts by giving up their property (effectively a no-recourse framework). The law applies only to individuals and for credits up to EUR 250k, but excludes loans granted under the FH programme (c. 42% of total mortgage loans). In this context, banks tightened significantly their credit standards. Indeed, most of them have already increased the down payment required for mortgage loans to 30.0-40.0% of the loan value from 15.0% before, while some have also reduced the loan repayment period. Note that recourse to the DSL is still limited, due to the high tax cost of transferring a property back to the bank which is borne by the borrower (though, to be abolished soon) and the uncertainty surrounding its implementation (note that the law was recently challenged in the Constitutional Court). All said, assuming implementation of the DSL in its current form, we see credit to the private sector remaining flat in FY:16 (up 4.0% adjusted for write-offs and NPL sales) against a rise of 2.5% in FY:15 (up 9.4% adjusted for write-offs and NPL sales).

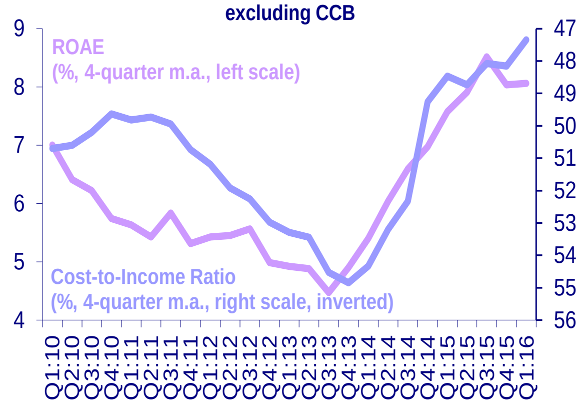
Bulgaria

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

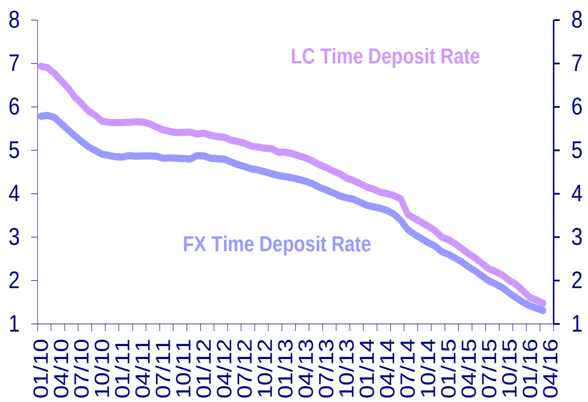
Quarterly Net Profit (BGN mn)
excluding CCB



ROAE & Cost-to-Income Ratio
excluding CCB



Deposit Rates (%)



	27 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)	214	180	160	130

	27 June	1-W %	YTD %	2-Y %
SOFIX	454	-0.9	-1.5	-12.9

	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

The profitability of the banking system improved in Q1:16, due to higher pre-provision net operating income. Net profit (after) tax rose by 7.1% y-o-y in Q1:16 to BGN 305mn (EUR 156mn or 0.3% of GDP). As a result, the annualised ROAA and ROAE improved marginally to 1.4% and 10.6%, respectively, in Q1:16 from 1.3% and 10.4% in Q1:15.

Pre-provision net operating income strengthened further in Q1:16, as net interest income (NII) continued to recover and operating costs declined sharply. NII rebounded in Q1:15 (by 4.5% y-o-y against a decline of 2.1% in Q4:15 and an increase of 5.3% in FY:15), in line with the expansion in average interest earning assets (up 1.3% y-o-y) and a higher net interest rate margin (up 11 bps y-o-y to 332 bps in Q1:16, broadly unchanged compared with FY:15). The latter should be mainly attributed to the sharp decline in deposit rates, reflecting improved liquidity conditions in the banking system (see chart). Indeed, following a long period of strong deposit growth (a CAGR of more than 9.0% over the past 4 years), the gross loan-to-deposit ratio fell below the threshold of 100% (83.2% in March 2016 -- estimated at 76.0% on a net basis -- against a peak of 146.7% in mid-2009). At the same time, despite stronger net fees and commissions income, net non-interest income (NNII) declined in Q1:16 (by 15.5% y-o-y against increases of 26.9% in Q4:15 and 12.2% in FY:15), due to lower trading gains and losses from non-financial activities.

Importantly, amid an environment of persistent deflation, cost controls tightened further in Q1:16 (operating expenses dropped 8.8% y-o-y following a decline of 5.3% in Q4:15 -- though up 0.8% in FY:15), driven by lower G&A costs. As a result, the efficiency of the banking system improved further, with the cost-to-income ratio declining by 360 bps y-o-y to 44.6% in Q1:16, much better than the EU average (62.8% in FY:15).

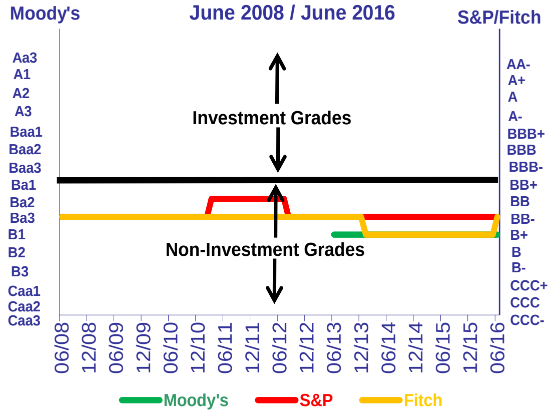
Banks continued to build provisions in Q1:16, despite the (slow) decline in NPLs. The NPL ratio continued to decline, albeit at a relatively slow pace, reaching 15.3% in Q1:16 against 16.5% a year ago (data prior to 2015 are not available). However, in the context of still uncertain economic and financial conditions, banks continued to build provisions in view of the need to restore the health of their balance sheets, especially at a time when an asset quality review (AQR) is ongoing. As a result, banks increased provisions slightly in Q1:16 (by 1.3% y-o-y), with the annualised cost of risk reaching 131 bps (up 5 bps y-o-y) at the same time (203 bps on a 4-quarter rolling basis, broadly unchanged compared with end-2015). That being said, the NPL coverage ratio improved further to 70.0% in Q1:16. Importantly, the banking system remains well-capitalised, with a capital adequacy ratio of 22.9% in Q1:16, far above the minimum regulatory level of 13.5%.

Lower provisioning and (to a lesser extent) stronger NII are set to support profitability in FY:16. In view of the continuing -- albeit modest -- economic recovery, we expect the NPL ratio to improve further, reaching 14.0% at end-2016. Assuming that banks raise their NPL coverage ratio to 77.0% at end-2016 (from 70.0% at end-2015), we see the cost of risk at 175 bps in FY:16 (down from 200 bps in FY:15). Profitability should be also supported, albeit marginally, by the resumption in credit activity (we expect credit to the private sector to expand by 0.0-2.0% in FY:16 against a decline of 1.6% in FY:15). Indeed, the envisaged portfolio clean-up in the aftermath of the AQR as well as the introduction of negative interest rates by the BNB in early-2016 should encourage banks to increase lending. All said, ROAE should rise to double-digits in FY:16, for the first time since the beginning of the crisis, from 8.0% in FY:15 (or 8.8% when adjusting for the once-off contribution of banks to the Bank Restructuring Fund).

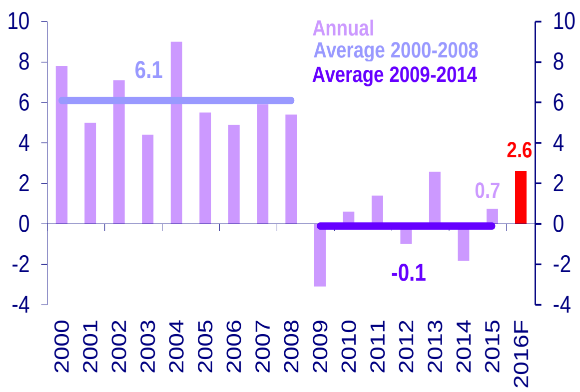
Serbia

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

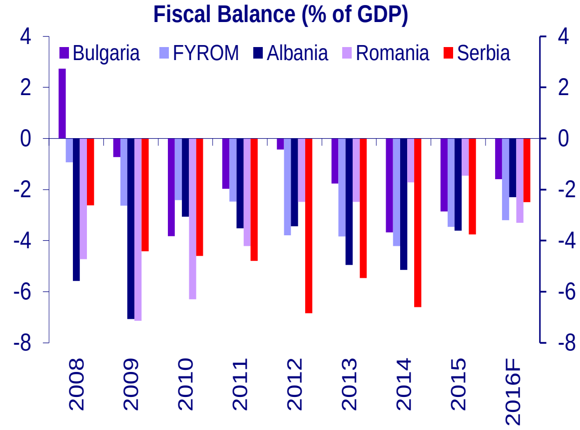
Foreign Currency LT Debt Rating June 2008 / June 2016



Real GDP Growth (%)



Fiscal Balance (% of GDP)



	27 June	3-M F	6-M F	12-M F
1-m BELIBOR (%)	3.3	3.2	3.4	3.8
RSD/EUR	123.9	123.2	124.0	125.0
Sov. Spread (2021, bps)	331	250	220	180

	27 June	1-W %	YTD %	2-Y %
BELEX-15	600	-2.8	-4.9	5.4

	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	-2.6	-2.8

Fitch upgraded Serbia's long-term sovereign debt rating to BB-. Fitch raised Serbia's long-term sovereign debt rating by one notch to BB- (3 notches below investment grade), bringing it on a par with S&P's rating. The move reflects mainly retreating: i) domestic imbalances, on the back of sustained fiscal consolidation and positive investment and export-driven real GDP growth, which should put public debt on a downward trajectory from 2017; and ii) external imbalances, with continued decline in the current account deficit (CAD), on the back of strengthening export base, and sustained increase in non-debt generating FDI inflows, supported by improving business environment. The upgrade was also underpinned by the formal opening of EU accession talks, the robustness of the banking sector, the stable political environment, and the government's strong commitment to reforms.

The IMF reached a staff-level agreement with the authorities on the 4th and 5th reviews of the ongoing 3-year EUR 1.2bn precautionary SBA (3.6% of GDP). Following a 2-week visit that ended on June 21st, the IMF mission commended Serbia's continued strong progress under the SBA. This is reflected in:

i) 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% (broadly in line with our forecast of 2.6%), supported by robust investment and higher net exports.

ii) the strong fiscal performance, with the consolidated fiscal deficit markedly overperforming the programme targets. Assuming continued improvement in revenue collection and prudent expenditure execution in the remainder of this year, the IMF expects the fiscal deficit to significantly overperform, for a 2nd successive year, reaching 2.5% of GDP this year, well below a budgeted 4.0%. This should lead to a lower-than-expected public debt-to-GDP ratio, which, according to our estimations, is set to peak at 77.5% this year against an initially-expected 78.9%, before embarking on a downward trend in 2017.

iii) the significant external rebalancing. In fact, the CAD is expected to stand at a 14-year low (of 4.8% of GDP) this year, remaining at single-digits for a 4th successive year, due to robust exports. Equally important, the financing of the CAD continues to rely on large non-debt generating FDI inflows (we expect that the CAD should continue to be more than covered by FDIs this year, for a 2nd successive year).

iv) a well anchored inflation. Inflation was downwardly revised to 1.3%, half its initial forecast, and well below the NBS' target range of 2.5-5.5%, due to lower-than-expected imported and food prices. The mission supports the NBS' cautious accommodative monetary policy stance, and indicated that further easing would depend on continued progress on fiscal consolidation, external financing environment and inflation expectations.

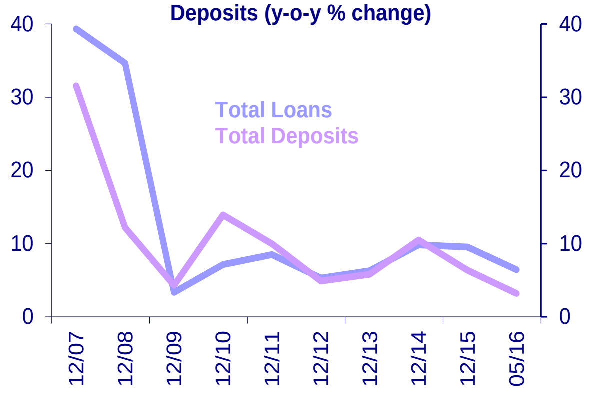
Regarding structural reforms, the mission commended the Government's commitment to proceed with public administration reform as well as the important progress made in resolving some of the strategically important (loss-making) state-owned companies (SOEs). Nonetheless, it stressed the need for more decisive restructuring of large SOEs, including large utility and mining companies. These efforts should support fiscal consolidation and put Serbia's high public debt on a firm downward path.

The approval of the combined reviews by the IMF Board is expected in late August. However, although this completion will enable the disbursement of an additional EUR 147mn (0.4% of GDP, bringing total funds available to EUR 762mn since the approval of the SBA at 1½ year ago), the Serbian authorities are expected to continue to treat the arrangement as precautionary.

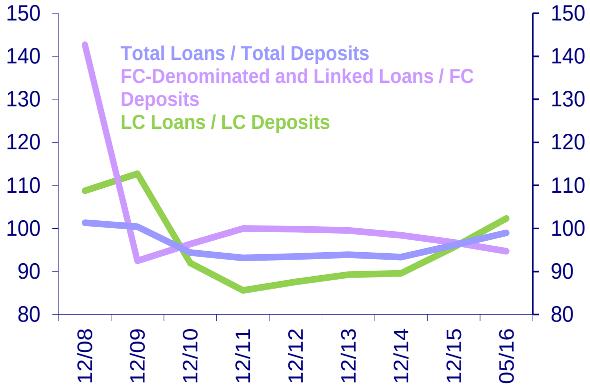
F.Y.R.O.M.

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

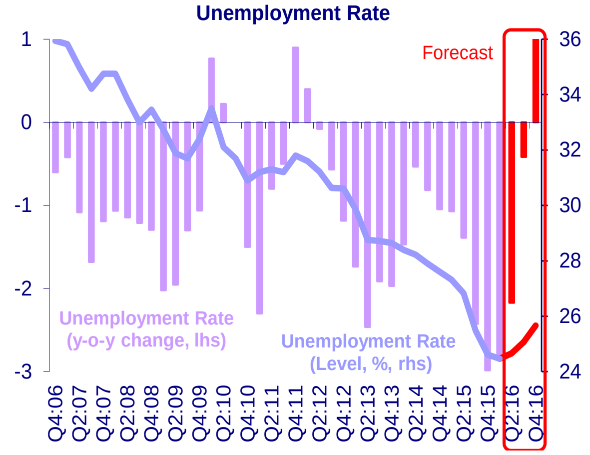
Credit to the Private Sector & Customer Deposits (y-o-y % change)



Loans / Deposits (%)



Unemployment Rate



	27 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)	559	520	450	350

	27 June	1-W %	YTD %	2-Y %
MBI 100	1,712	-1.1	-6.6	5.1

	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

Customer deposit growth weakens markedly in the first five months of the year, amid deepening domestic political crisis. Growth in customer deposits slowed to 3.2% y-o-y in May from 6.4% y-o-y in December 2015. The deceleration in overall deposit growth reflects large withdrawals from domestic banks in April-May due to heightening uncertainty, following the violation of the terms of the July 2015 EU-mediated Przino agreement, set to end the 14 month-long domestic political impasse. Recall that under the accord, a special prosecutor was appointed to investigate a wiretapping scandal and elections were scheduled for June 5th. However, in April, President Ivanov pardoned prominent politicians alleged to be involved in the wiretapping affair and Parliament speaker, T. Veljanovski, called for early parliamentary elections, while two conditions for ensuring fair elections, stipulated in the Przino agreement, have not yet been fulfilled (media reform and the conduct of a thorough review of the electoral roll).

Indeed, deposit withdrawals in April-May reached MKD 8.9bn (3.1% of end-March stock of deposits) and would have been even larger had the Central Bank not increased sharply its key rate by 75 bps to 4.0%.

Lending activity also loses steam in 5M:15, on the back of weakening loan demand and supply. Growth in credit activity eased to 6.4% y-o-y in May from 9.5% in December 2015. The sluggish credit activity is due to both weak loan demand and supply. Indeed, loan demand has been negatively affected by deteriorating political and economic outlook and the tightening of the monetary policy stance in early-May. On the other hand, banks held back credit due to: i) tighter liquidity conditions, with the loan-to-deposit ratio rising to 99.0% in May from 96.0% in December 2015; and ii) fears of an acceleration in NPL formation, in view of the anticipated sharp slowdown in economic activity (real GDP growth is expected to moderate sharply to 1.8% in FY:16 from 2.0% y-o-y in Q1:16 and 3.7% in FY:15) and the higher cost of borrowing.

Unemployment rate declines to a record low of 24.5% and employment growth reaches 2.5% y-o-y in Q1:16. The unemployment rate retreated by 2.9 pps y-o-y to a record low (since the inception of the time series) of 24.5% in Q1:16, as the employment rate increased (up 1.0 pp y-o-y to an all-time high of 42.6%) and the participation rate receded (down 0.9 pps y-o-y to 56.4%).

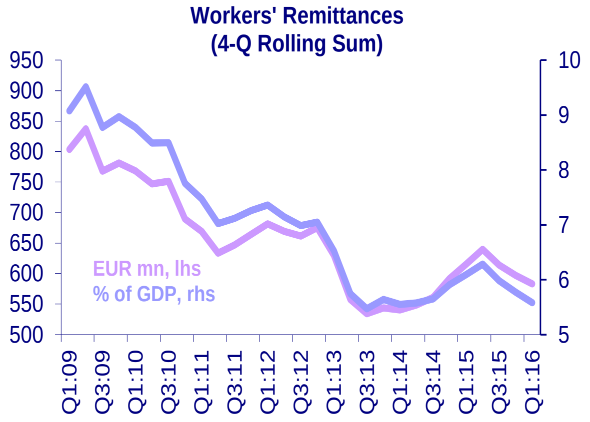
Importantly, despite the slowdown in economic activity (real GDP growth moderated to 2.0% y-o-y in Q1:16 from 3.7% in FY:15), employment gained steam in Q1:16, rising by 2.5% y-o-y in Q1:16 (17.2k jobs created) against an increase of 2.3% y-o-y in FY:15. The acceleration in overall employment in Q1:16 was driven by the sectors of construction and services (up 6.9% and 5.9% y-o-y, respectively, against rises of 3.6% and 3.2% in FY:15). The agricultural and industrial dragged down employment in Q1:16 (down 4.9% and 0.6% y-o-y, respectively, against changes of -1.0% and +2.5% y-o-y in FY:15). Note that the unemployment rate has been on a downward trend since 2007 (down 11.4 pps to 24.5%), on the back, *inter alia*, of a reduction in the aggregate social contribution rate – a long-standing impediment to employment – by 5.6 pps to 26.4% and significant structural reforms (including, *inter alia,* tax cuts, tax exemptions and subsidies for employers' labour costs).

Looking ahead, we expect the persisting political deadlock to take its toll on the labour market throughout the rest of the year, with the unemployment rate reversing its downward trend and the employment growth easing from Q2:16. We see the unemployment rate and the employment growth at c. 25.0% and 1.4% y-o-y, respectively, in FY:16 compared with 26.1% and 2.3% y-o-y in 2015.

Albania

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

Balance of Payments (% of GDP)	FY:15	3M:15	3M:16	FY:16F
Current Account Balance	-11.2	-2.3	-2.4	-12.2
Trade Balance	-22.2	-4.7	-5.3	-23.2
o/w Energy Balance	*0.3*	*0.1*	*-0.3*	*-0.4*
Exports	7.5	1.7	1.2	6.5
o/w Energy Exports	*4.5*	*1.0*	*0.5*	*3.5*
Imports	29.7	6.4	6.5	29.7
o/w Energy Imports	*4.2*	*1.0*	*0.8*	*3.9*
Services Balance	5.1	1.1	1.6	5.1
Income Balance	-1.4	-0.5	-0.2	-1.4
Transfers Balance	7.4	1.7	1.5	7.4
Workers' Remittances	5.8	1.4	1.2	5.8
Capital & Financial Account (excluding IMF)	13.6	2.4	0.5	9.6
FDI	8.4	2.5	1.3	7.8
Portfolio Investments	3.1	0.7	-1.0	0.0
o/w Eurobond	*1.5*	*0.0*	*0.0*	*0.0*
Other Investments	2.0	-0.8	0.1	1.8
Currency & Deposits	-0.8	-0.1	0.0	-1.0
Loans	1.4	-0.9	-0.1	2.6
Other	1.4	0.2	0.2	0.2
Errors & Omissions	2.6	0.4	0.8	2.4
Overall Balance	5.0	0.5	-1.1	-0.2
IMF Disbursements	0.9	0.6	0.7	1.3
Change in Reserves (+ denotes increase)	5.9	1.1	-0.5	1.2



	27 June	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	1.7	2.2	2.2	2.2
ALL/EUR	136.8	139.2	138.2	139.0
Sov. Spread (bps)	470	430	400	350

	27 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

The current account deficit (CAD) remained broadly flat on an annual basis in Q1:16. The CAD widened slightly by 0.1 pp (to 2.4% of GDP) y-o-y in Q1:16, as the deterioration in trade and transfers balances was broadly offset by the improvement in services and primary income balances. In fact, the trade deficit increased (by 0.6 pps of GDP y-o-y in Q1:16), due to the continued decline in exports (down 27.1% y-o-y, in EUR terms in Q1:16), reflecting the sustained sharp decline in mineral and oil exports (c. 40% of total exports), on the back of the significant drop in oil prices, as well as the sharp drop in oil production. On the other hand, imports accelerated (up 6.2% y-o-y in Q1:16 agaisnt a mere rise of 0.4% in Q1:15), on the back of high import content of rebounding investments (with TAP and the Statkraft estimated to add 3.5 pps of GDP in the FY:16 CAD, according to the IMF) and reviving consumption. Moreover, transfers declined, for a 3rd successive quarter, by 0.3 pps of GDP y-o-y in Q1:16, due to the continued drop in workers' remittances since Q3:15, likely due to waning inflows from Greece (accounting for a large share of Albanian migrants) following the imposition of capital controls in late-June 2015.

The deterioration in the CAD would have been stronger had the services surplus not increased by 0.5 pps of GDP y-o-y in Q1:16, on the back of an improvement in the tourism balance and re-exporting industries (mainly labour-intensive footwear & textiles exports, especially to Italy), each up by 0.2 pps of GDP y-o-y in Q1:16.

The deterioration in the CAD was also held back by lower repatriation of profits and dividends (down by 0.3 pps of GDP y-o-y in Q1:16).

As a result, the 4-quarter rolling CAD stood at 11.2% of GDP in Q1:16, broadly unchanged from Q4:15.

The capital and financial account (CFA) surplus narrowed in Q1:15, and fell short of covering the CAD. The CFA surplus (excluding the IMF) narrowed, by 1.9 pps y-o-y to 0.5% of GDP in Q1:16, mainly due to lower FDI inflows (amounting to 1.3% of GDP in Q1:16, half their level in Q1:15, but still covering 56.0% of the CAD).

As a result, the CFA surplus fell short of covering the CAD. However, the resulting gap was largely filled by sizeable (positive) net errors and omissions, likely reflecting unrecorded workers' remittances (0.8% of GDP in Q1:16) and the disbursement of 2 combined tranches from the IMF in February (totalling EUR 72.4mn, or 0.7% of GDP), leading to a moderate balance of payments deficit of EUR 49.6mn (0.5% of GDP) in Q1:16. This, along with valuation effects, led to a drop in FX reserves by EUR 76.2mn q-o-q, to EUR 2.8bn, in Q1:16, covering an adequate 7.3 months of GNFS imports.

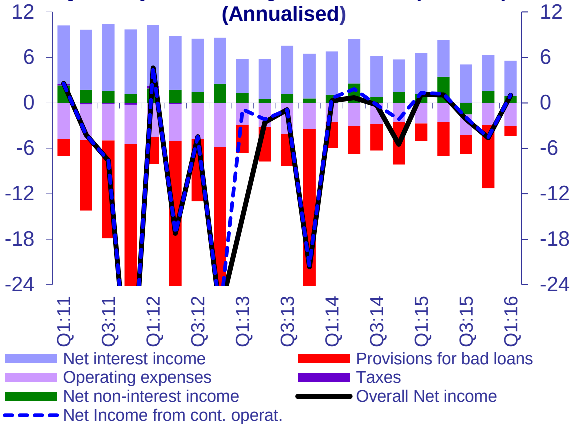
The CAD is set to widen in Q2-Q4:16. The expected deterioration in Q2-Q4:16 (by 1.0 pp of GDP y-o-y) should result mainly from: i) higher investment-related imports; and ii) a less favourable energy balance. Overall, we expect the CAD to reverse its positive trend in FY:16, rising by 1.0 pp y-o-y to 12.2% of GDP. Note that, excluding import-intensive TAP and the Statkraft projects, the FY:16 CAD would have eased to c. 8.7% of GDP this year from 9.3% in FY:15.

Regarding financing, the bulk (around ⅔) of the CAD should continue to be covered by large, albeit moderating, non-debt generating FDI inflows (expected at 7.8% of GDP this year, down from 8.4% in FY:15), supported by the above-mentioned energy projects, but constrained by lower investments in the oil sector. Moreover, assuming steady and consistently high inflows from errors and omissions (c. 2.4% of GDP), we see an external financing gap of EUR 275mn (2.6% of GDP), which will, however, be filled by sizeable IFI support of 3.7% of GDP this year (of which EUR 144mn from the IMF, USD 175mn from the World Bank and EUR 100mn from the EBRD). This should strengthen further FX reserves by EUR 127mn y-o-y to EUR 3.0bn.

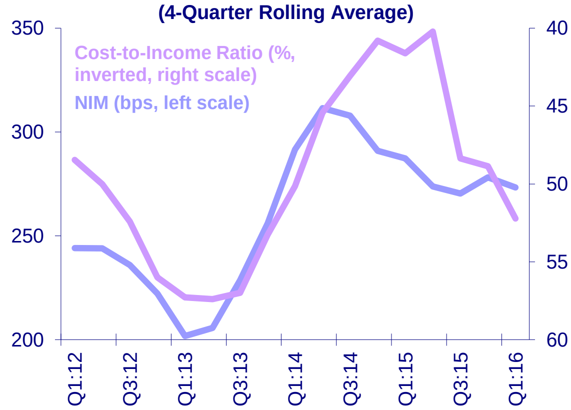
Cyprus

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

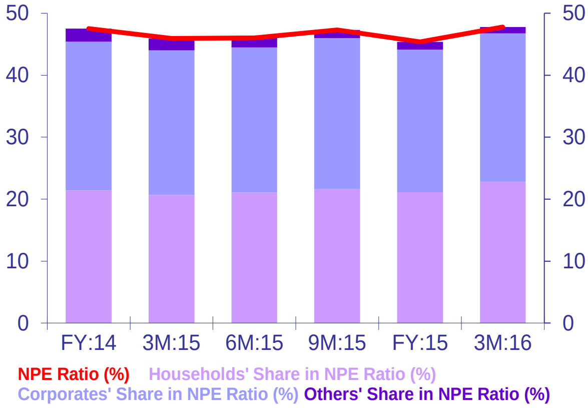
Quarterly Net Banking Sector Profit (bn, EUR) (Annualised)



NIM and Cost-to-Income Ratio (4-Quarter Rolling Average)



Non-performing Exposure (NPE) Ratio



	27 Apr.	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.36	-0.36	-0.36	-0.36
EUR/USD	1.10	1.08	1.06	1.06
Sov. Spread (2020. bps)	344	340	300	250

	27 Apr.	1-W %	YTD %	2-Y %
CSE Index	65	-4.9	-3.2	-42.5

	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 banking sector's bottom line weakened on an annual basis in Q1:16, mainly due to lower net interest income (NII) and higher personnel expenses. Net profit (after tax) declined, albeit moderately (down 7.8% y-o-y to EUR 101.6mn or 0.6% of GDP) in Q1:16, as the negative impact from a sharp drop in net income from continued operations (down 22.5% y-o-y) was contained by better net income from discontinued operations (EUR 0 in Q1:16 against losses of EUR 20.9mn in Q1:15, following the disposal of Russian assets of Bank of Cyprus and Hellenic Bank). The deterioration in bank profitability from continued operations was driven by a sharp decline in pre-provision earnings before tax, which was, however, contained by a marked decrease in provisions. As a result, (annualised) overall ROAE and ROAA stood at 6.0% and 0.6%, respectively, in Q1:16 -- unchanged from their Q1:15 levels. Excluding discontinued overseas operations, ROAA and ROAE retreated to 6.0% and 0.6%, respectively, in Q1:16 from 7.2% and 0.7% in Q1:15.

Pre-provision earnings (before tax) from continued operations declined sharply in Q1:16. Pre-provision earnings (before tax) plunged in Q1:16 (down 34.5% y-o-y), reflecting lower NII and net non-interest income (NNII) -- down 13.6% y-o-y and 22.3% y-o-y, respectively -- and higher operating expenses.

The negative performance of NII in Q1:16 was mainly driven by: i) a decline in average interest-earning assets (down c. 6.0% y-o-y in Q1:16), in line with the ongoing deleveraging (interest-earning assets-to-GDP ratio declined to 370% in Q1:16 from 430% in Q1:15 and 780% in FY:10); and ii) a weaker net interest margin (NIM, down 20 bps y-o-y to 273 bps), reflecting, *inter alia,* tightening lending-deposit spreads, especially following the Central Bank of Cyprus' decision to reduce the maximum deposit rate (effective since February 2015). The deterioration in the NIM in Q1:16 would have been sharper had the expensive ELA funding not been significantly reduced (down by EUR 3.6bn y-o-y to EUR 3.3bn in Q1:16).

On another negative note, operating expenses increased sharply (up 12.5% y-o-y in Q1:16 compared with decreases of 0.3% and 19.9%, respectively, in FY:15 and FY:14), mainly due to a significant rise in personnel expenditure following a rise in the number of employees, in an effort to accelerate loan restructuring and collection.

With operating expenses rising and top-line revenue declining, banking sector efficiency deteriorated significantly, with the cost-to-income ratio rising by 13.4 pps y-o-y to a 13-quarter high of 54.6% -- still below the EU-average (62.8% in FY:15)

Provisioning declined in Q1:16, despite an unfavourable NPE ratio. Non-performing exposures (NPEs), mainly comprising loan balances (90 dpd), restructured loan balances (60 dpd), as well as all performing restructured balances for a 1-year probation period after the restructuring date, declined by 8.5% y-o-y in Q1:16 to EUR 26.3bn (or 150% of GDP), with the drop being more pronounced in corporates (down 10% y-o-y) compared to households (down 3% y-o-y). However, due to a faster decline in gross loans (down 12% y-o-y -- in line with the ongoing extensive deleveraging), the NPE ratio increased by 183 bps to a record high of 47.8% in Q1:16 compared with 45.9% in Q1:15 and 45.4% in FY:15 (c. EUR 26.3bn or 151% of GDP).

Despite the annual increase in the non-performing exposure (NPE) ratio in Q1:16, P/L provisions were reduced by a sizeable 42.6% y-o-y in Q1:16, reflecting the past quarters' over-provisionning. As a result, the (annualised) cost of risk (the ratio of P/L provisions-to-average gross loans) declined by 448 bps q-o-q and 80 bps y-o-y to 90 bps in Q1:16.

Egypt

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

Fiscal Accounts (% of GDP)	2014/15 Outcome	9M: 2014/15 Outcome	9M: 2015/16 Outcome	2015/16 Budget	NBG 2015/16 Forecast
Revenue	19.1	13.2	11.8	22.5	19.0
Tax Revenue	12.6	9.8	8.8	15.2	13.1
Income Tax	5.3	4.3	3.1	5.7	5.4
Personal Income	1.6	1.2	1.2	1.8	1.6
Corporate Income	3.8	3.0	1.9	3.9	3.8
Property Taxes	0.9	0.7	0.8	1.5	0.9
Taxes on G. & S.	5.1	4.0	4.0	6.6	5.2
Taxes on Int. Trade	0.9	0.7	0.6	1.0	1.1
Other Taxes	0.4	0.1	0.2	0.4	0.4
Grants	1.0	0.3	0.1	0.1	0.1
Other Revenue	5.5	3.0	2.9	7.1	5.8
Expenditure	30.6	22.7	21.7	31.5	30.8
Wages & Salaries	8.2	6.5	6.1	7.9	7.7
Purch. of G. & S.	1.3	0.9	0.9	1.5	1.3
Interest Payments	7.9	5.8	6.9	8.8	9.1
Subsidies, grants & social benefits	8.2	6.0	4.4	8.3	7.7
Other Expenditure	5.1	3.6	3.4	5.0	4.8
Fiscal Balance	-11.5	-9.5	-9.8	-9.1	-11.8
Primary Balance	-3.6	-3.7	-3.0	-0.3	-2.7

Fiscal Accounts (% of GDP)	2014/15 Outcome	NBG 2015/16 Forecast	2016/17 Budget	NBG 2016/17 Forecast
Revenue	19.1	19.0	19.6	19.6
Tax Revenue	12.6	13.1	13.5	13.5
Income Tax	5.3	5.4	- - -	- - -
Personal Income	1.6	1.6	- - -	- - -
Corporate Income	3.8	3.8	- - -	- - -
Property Taxes	0.9	0.9	- - -	- - -
Taxes on G. & S.	5.1	5.2	- - -	- - -
Taxes on Int. Trade	0.9	1.1	- - -	- - -
Other Taxes	0.4	0.4	- - -	- - -
Grants	1.0	0.1	0.1	0.1
Other Revenue	5.5	5.8	6.1	6.1
Expenditure	30.6	30.8	29.6	30.6
Wages & Salaries	8.2	7.7	7.1	7.2
Purch. of G. & S.	1.3	1.3	1.2	1.2
Interest Payments	7.9	9.1	9.1	9.8
Subsidies, grants & social benefits	8.2	7.7	6.5	7.2
Other Expenditure	5.1	4.8	5.6	5.3
Fiscal Balance	-11.5	-11.8	-9.9	-11.0
Primary Balance	-3.6	-2.7	-0.8	-1.2

	27 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)	512	400	300	220

	27 June	1-W %	YTD %	2-Y %
HERMES 100	632	-3.9	0.3	-21.8

	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	-11.0

The FY:15/16 deficit is set to surpass not only its target of 8.9% of GDP but also the past year's outcome of 11.5% of GDP. The overall fiscal deficit widened to 9.8% of GDP in the first nine months of the fiscal year (July 2015-April 2016) from 9.5% in 9M:14/15, due to a sharp increase in interest payments (up 1.1 pp y-o-y to 6.9% of GDP), reflecting the ballooning stock of public debt and rising cost of borrowing. The widening of the overall fiscal deficit in 10M:15/16 would have been even sharper had the primary fiscal deficit not narrowed. The latter receded by 0.8 pp y-o-y to 3.0% of GDP, as the decline in overall revenue (down 1.4 pps y-o-y to 11.8% of GDP) was more than compensated by lower primary expenditure (down 2.2 pps y-o-y to 14.3% of GDP).

Specifically, the decline in primary expenditure in 10M:15/16 was mainly driven by delays in disbursements of subsidies to the Egyptian Petroleum Company (EGPC, 0% of GDP in 10M:15/16 against 1.8 pps of GDP in 10M:14/15) and a favourable wage bill following the implementation of the new civil service law, estimated to save as much as EGP 22.0bn (0.8% of 2015/16 GDP) this fiscal year.

On the other hand, the decline in overall revenue in 10M:15/16 reflects almost exclusively delays in payments of the corporate income tax and dividends by the EGPC (0% of GDP in 10M:15/16 against a total of 1.6 pps of GDP in 10M:15/16). Importantly, even under the assumption of no change in net payments to the EGPC (+0.2 pps of GDP) in 10M:15/16 from 10M:14/15, the primary deficit narrowed by 0.6 pps of GDP y-o-y.

Looking ahead, in view of the y-t-d performance, recent trends, and the postponement of the replacement of Egypt's current complex sales taxes by a VAT (the only revenue-enhancing measure envisaged for this fiscal year and projected to boost budget revenue by EGP 32.0bn or 1.7% of GDP), we see the FY:15/16 overall fiscal deficit at 11.8% of GDP – above its target of 8.9% of GDP and the FY:15/16 outcome of 11.5% of GDP.

The envisaged fiscal consolidation in 2016/17 is out reach without additional corrective fiscal measures. The 2016/17 Budget envisages a fiscal tightening, targeting a deficit of 9.9% of GDP compared with our FY:15/16 deficit forecast of 11.8%. In our view, the fiscal deficit target is set to be missed once again in FY:16/17, due to an over-optimistic expenditure target (up 11.5%). The latter should be surpassed by c. 3.8 pps, on the back of higher-than-budgeted subsidies and interest payments, reflecting the negative impact of: i) weakening domestic currency on largely subsidised food and energy imports; and ii) tightening monetary policy stance on the cost of borrowing. We expect the CBE to increase its policy rates by 100 bps by September, bringing total hikes to 450 bps since the initiation of the cycle of monetary policy tightening last December, in its efforts to dampen heightening inflationary pressures. Moreover, we see the CBE proceeding with a second sharp devaluation of the domestic currency (by c. 12.5% to EGP 10.5 per USD), likely in September, bringing the total loss of the EGP against the USD to c.25.% since mid-March, in a bid to reduce a fast-growing black market amid deepening foreign currency shortages. On a positive note, the 2016/17 Budget revenue target appears to be within reach (up 20.1%). This target should be attained in view of the realistic nominal GDP growth assumption (c. 16.0%) and the entry in force of the long-delayed VAT in early 2016/17 (July 1st).

Overall, we see the fiscal deficit receding moderately to 11.0% of GDP in FY:16/17 from an estimated outcome of 10.8% of GDP in FY:15/16; but missing its target of 9.9% of GDP unless further corrective fiscal measures are introduced.

FOREIGN EXCHANGE MARKETS, JUNE 27TH 2016

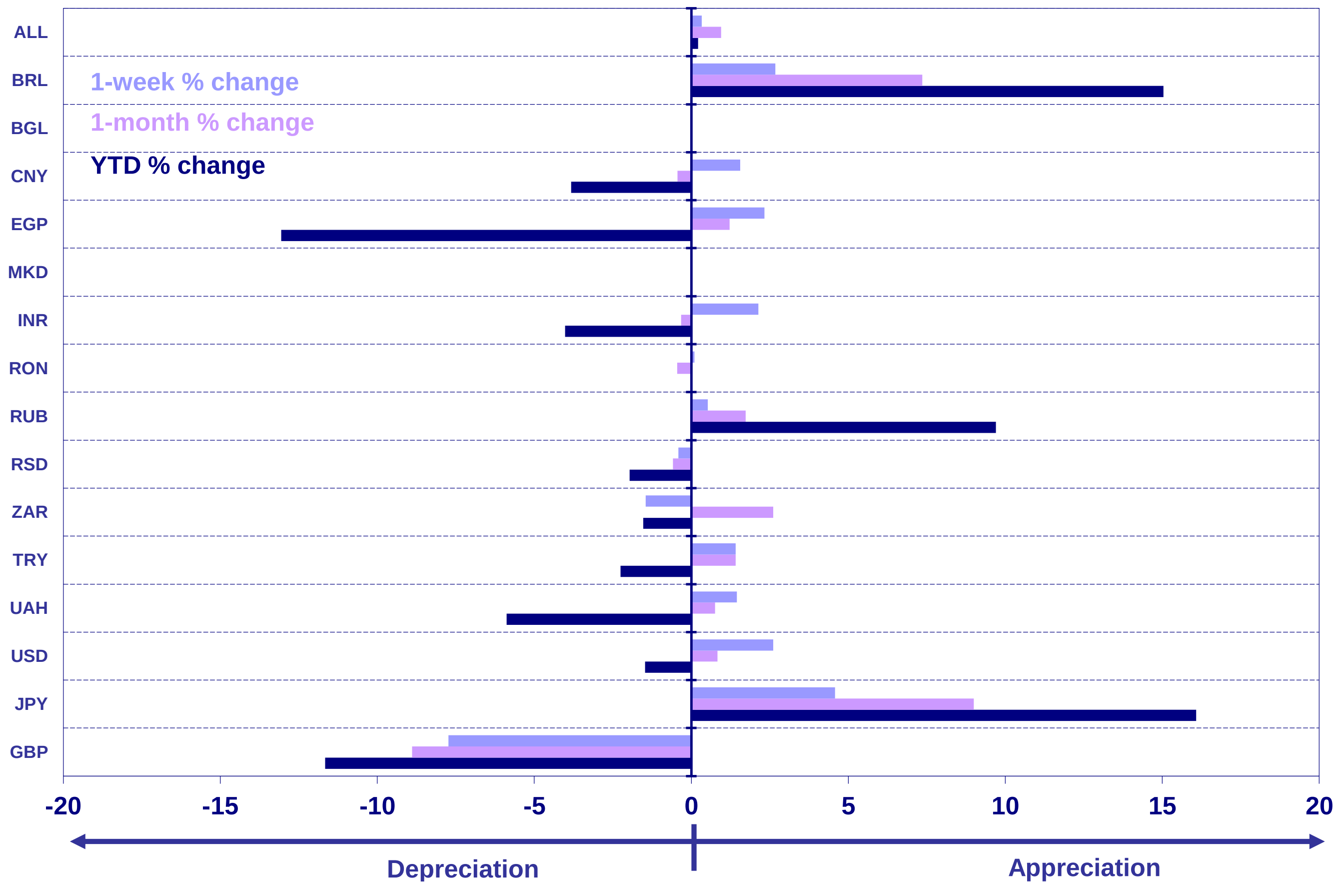
Against the EUR

	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	136.8	0.3	1.0	0.2	2.5	137.1	139.5	137.2	136.9	135.4	2.0	0.1
Brazil	BRL	3.74	2.7	7.4	15.0	-6.3	3.65	4.55	4.28	4.26	4.23	-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	7.32	1.6	-0.4	-3.8	-4.8	6.99	7.52	7.56	7.55	7.55	6.7	10.8
Egypt	EGP	9.76	2.3	1.2	-13.1	-12.9	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	74.8	2.1	-0.3	-4.0	-4.7	71.3	77.8	80.4	- - -	- - -	6.6	12.3
Romania	RON	4.52	0.1	-0.5	0.0	-0.5	4.45	4.56	4.53	4.54	4.55	-0.8	-0.5
Russia	RUB	72.2	0.5	1.7	9.7	-13.3	71.0	93.8	74.0	75.6	78.7	-15.1	-32.8
Serbia	RSD	123.9	-0.4	-0.6	-2.0	-2.8	121.6	124.3	124.8	125.9	- - -	-0.1	-5.6
S. Africa	ZAR	17.0	-1.4	2.6	-1.5	-19.3	16.02	18.58	17.3	17.7	18.5	-16.6	3.0
Turkey	YTL	3.24	1.4	1.4	-2.3	-6.3	3.12	3.39	3.30	3.38	3.54	-10.8	4.4
Ukraine	UAH	27.7	1.4	0.8	-5.9	-15.1	25.06	30.16	33.5	- - -	- - -	-27.5	-40.8
US	USD	1.10	2.6	0.8	-1.5	1.9	1.1	1.2	1.11	1.11	1.12	11.4	13.6
JAPAN	JPY	112.4	4.6	9.0	16.1	22.5	109.6	132.3	112.4	112.3	112.3	11.0	-0.1
UK	GBP	0.83	-7.7	-8.9	-11.7	-14.3	0.7	0.8	0.84	0.84	0.84	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 27th 2016)



MONEY MARKETS, JUNE 27TH 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
O/N	1.4	14.1	0.0	2.0	- - -	11.8	- - -	- - -	0.6	11.3	- - -	9.5	8.3	17.3	- - -	0.4
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	0.6	11.3	3.0	- - -	8.3	- - -	- - -	- - -
S/W	1.4	14.1	-0.1	2.4	-0.4	- - -	1.4	- - -	- - -	10.4	3.0	- - -	8.4	18.3	-0.4	0.4
1-Month	1.7	14.1	0.0	2.9	-0.4	- - -	1.7	7.0	0.7	11.8	3.3	9.6	8.0	19.7	-0.4	0.5
2-Month	- - -	14.1	0.1	- - -	-0.3	- - -	- - -	- - -	- - -	11.5	3.4	9.6	8.3	- - -	-0.3	0.5
3-Month	1.8	14.1	0.1	3.0	-0.3	- - -	2.1	7.1	0.8	11.3	3.5	9.7	8.5	20.8	-0.3	0.6
6-Month	1.8	13.7	0.3	3.0	-0.2	- - -	2.4	- - -	1.1	11.4	3.7	9.8	8.6	- - -	-0.2	0.9
1-Year	1.9	13.1	0.8	3.1	0.0	- - -	3.0	- - -	1.2	11.3	- - -	9.9	9.3	- - -	0.0	1.2

LOCAL DEBT MARKETS, JUNE 27TH 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	0.9	- - -	- - -	- - -	- - -	13.7	1.5	6.7	- - -	11.0	3.1	8.4	- - -	- - -	-0.6	0.3
6-Month	1.0	- - -	- - -	- - -	- - -	14.5	2.3	6.8	0.7	11.1	3.7	8.7	- - -	- - -	-0.6	0.3
12-Month	1.3	- - -	0.1	2.4	- - -	14.5	2.6	7.0	0.8	9.8	4.7	8.9	- - -	17.5	-0.6	0.5
2-Year	1.5	- - -	- - -	2.5	- - -	- - -	2.0	7.0	0.9	9.4	- - -	8.8	7.8	- - -	-0.6	0.6
3-Year	- - -	- - -	0.7	2.6	2.8	- - -	2.7	7.1	2.0	9.2	- - -	8.7	8.2	- - -	-0.6	0.7
5-Year	- - -	12.1	- - -	2.7	- - -	16.6	2.7	7.4	2.8	8.7	7.0	9.1	8.4	- - -	-0.5	1.0
7-Year	- - -	- - -	2.0	- - -	3.6	17.5	- - -	7.6	3.3	8.7	- - -	- - -	- - -	- - -	-0.4	1.3
10-Year	- - -	12.3	2.6	2.9	3.9	18.0	3.9	7.5	3.6	8.6	- - -	9.3	9.1	- - -	-0.1	1.5
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	4.3	7.8	- - -	8.7	- - -	- - -	9.5	- - -	0.0	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	9.8	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	7.8	- - -	- - -	- - -	- - -	9.8	- - -	0.4	2.3

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

CORPORATE BONDS SUMMARY, JUNE 27TH 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	4.6	530	469
	Bulgarian Telecom. 6.625% '18	EUR	B-/B1	15/11/2018	400	6.4	693	647
Cyprus	**Aroundtown Property 3% '21**	EUR	NA/NA	9/12/2021	200	2.8	341	287
Russia	**Gazprom 8.2% '19**	RUB	BB+/NA	9/4/2019	10,000	10.1	65	- - -
	Gazprom 8.9% '21	RUB	BB+/NA	26/1/2021	10,000	10.5	114	- - -
South Africa	**FirstRand Bank Ltd 4.25% '20**	USD	BBB-/Baa2	30/4/2020	500	3.9	290	301
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	0.9	152	112
Turkey	**Vakiflar Bankasi 3.5% '19**	EUR	NA/Baa3	17/6/2019	500	3.0	358	315
	Garanti Bankasi 3.38%'19	EUR	NA/Baa3	8/7/2019	500	2.6	321	279
	Arcelik AS 3.875% '21	EUR	BB+/NA	16/9/2021	350	3.3	401	338
	Turkiye Is Bankasi 6% '22	USD	NA/Ba3	24/10/2022	1,000	5.9	490	478

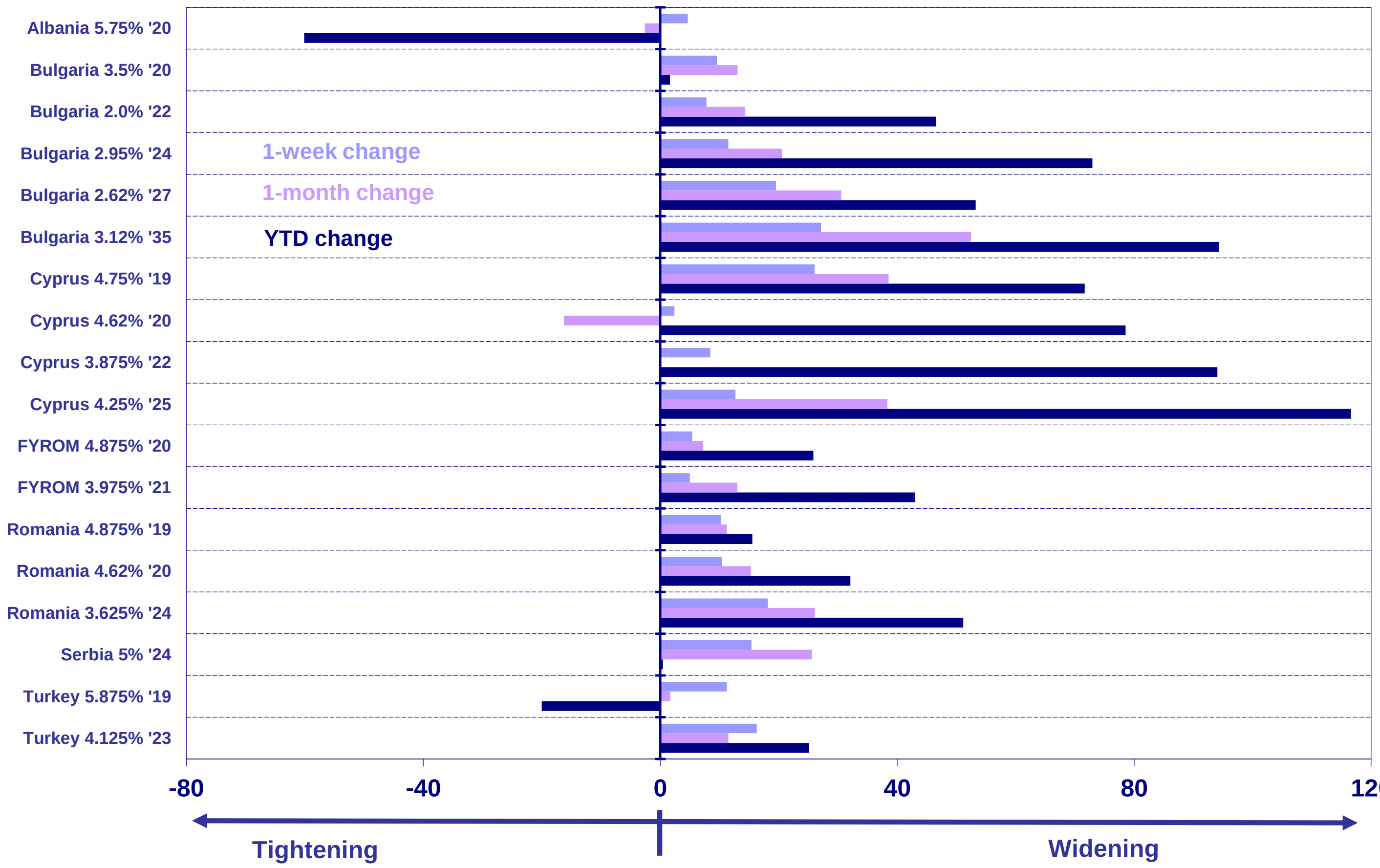
CREDIT DEFAULT SWAP SPREADS, JUNE 27TH 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	337	166	130	320	488	- - -	152	127	259	260	260	299	- - -
10-Year	- - -	407	211	176	343	498	- - -	162	168	310	305	318	354	- - -

EUR-Denominated Sovereign Eurobond Summary, June 27th 2016

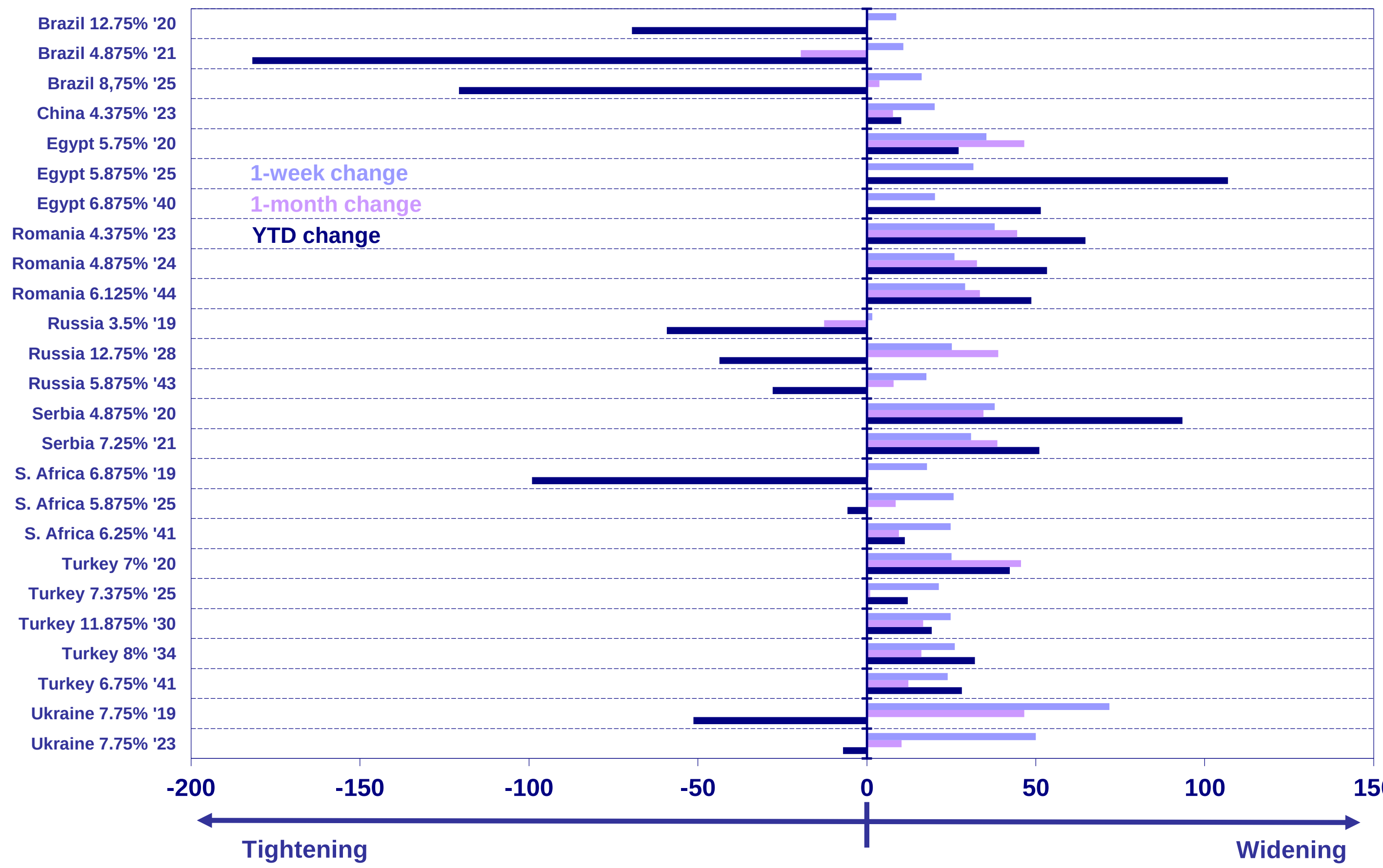
	Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Albania 5.75% '20	EUR	B/B1	12/11/2020	450	4.1	470	435
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	0.8	143	105
Bulgaria 2.0% '22	EUR	BB+/Baa2	26/3/2022	1,250	1.7	214	168
Bulgaria 2.95% '24	EUR	BB+/Baa2	3/9/2024	1,493	2.3	264	213
Bulgaria 2.62% '27	EUR	BB+/Baa2	26/3/2027	1,000	2.7	278	219
Bulgaria 3.12% '35	EUR	BB+/Baa2	26/3/2035	900	3.7	345	274
Cyprus 4.75% '19	EUR	B+/NA	25/6/2019	566	2.8	341	307
Cyprus 4.62% '20	EUR	B+/B3	3/2/2020	770	2.8	344	310
Cyprus 3.875% '22	EUR	NA/B3	6/5/2022	1,000	3.6	409	361
Cyprus 4.25% '25	EUR	NA/B1	4/11/2025	1,000	3.9	410	361
FYROM 4.875% '20	EUR	BB-/NA	1/12/2020	270	4.6	542	470
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	4.7	559	590
Romania 4.875% '19	EUR	BBB-/Baa3	7/11/2019	1,500	0.5	115	78
Romania 4.62% '20	EUR	BBB-/Baa3	18/9/2020	2,000	0.9	146	109
Romania 3.625% '24	EUR	BBB-/Baa3	24/4/2024	1,250	2.2	255	214
Serbia 5% '24	EUR	BB-/NA	11/4/2024	125	3.7	403	367
Turkey 5.875% '19	EUR	NR/Baa3	2/4/2019	1,250	1.4	207	176
Turkey 4.125% '23	EUR	NR/Baa3	11/4/2023	1,000	2.9	333	293

EUR-Denominated Eurobond Spreads (June 27th 2016)



USD-DENOMINATED SOVEREIGN EUROBOND SUMMARY, JUNE 27TH 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	3.6	296	326
Brazil 4.875% '21	USD	BB+/Baa3	22/1/2021	2,988	4.0	297	306
Brazil 8,75% '25	USD	BB+/Baa3	4/2/2025	969	5.3	387	458
China 4.375% '23	USD	AA-/Aa3	2/5/2023	500	3.3	187	227
Egypt 5.75% '20	USD	B-/B3	29/4/2020	1,000	5.8	512	486
Egypt 5.875% '25	USD	B-/B3	11/6/2025	1,500	8.2	679	624
Egypt 6.875% '40	USD	B-/B3	30/4/2040	500	8.7	638	590
Romania 4.375% '23	USD	BBB-/Baa3	22/8/2023	1,500	3.5	225	241
Romania 4.875% '24	USD	BBB-/Baa3	22/1/2024	1,000	3.5	219	237
Romania 6.125% '44	USD	BBB-/Baa3	22/1/2044	1,000	4.7	245	330
Russia 3.5% '19	USD	BB+/Ba1	16/1/2019	1,500	2.4	169	163
Russia 12.75% '28	USD	BB+/Ba1	24/6/2028	2,500	4.8	333	476
Russia 5.875% '43	USD	BB+/Ba1	16/9/2043	1,500	5.0	275	345
Serbia 4.875% '20	USD	BB-/B1	25/2/2020	1,500	4.1	343	327
Serbia 7.25% '21	USD	BB-/B1	28/9/2021	2,000	4.3	331	353
S. Africa 6.875% '19	USD	BBB-/Baa2	27/5/2019	2,000	3.0	230	232
S. Africa 5.875% '25	USD	BBB-/Baa2	16/9/2025	2,000	4.7	324	354
S. Africa 6.25% '41	USD	BBB-/Baa2	8/3/2041	750	5.5	318	391
Turkey 7% '20	USD	NR/Baa3	5/6/2020	2,000	3.5	281	280
Turkey 7.375% '25	USD	NR/Baa3	5/2/2025	3,250	4.4	289	345
Turkey 11.875% '30	USD	NR/Baa3	15/1/2030	1,500	4.7	325	455
Turkey 8% '34	USD	NR/Baa3	14/2/2034	1,500	5.3	379	427
Turkey 6.75% '41	USD	NR/Baa3	14/1/2041	3,000	5.4	311	376
Ukraine 7.75% '19	USD	B-/Caa3	1/9/2019	1,646	9.1	838	796
Ukraine 7.75% '23	USD	B-/Caa3	1/9/2023	1,330	8.9	763	736

USD-Denominated Eurobond Spreads (June 27th 2016)



Stock Markets Performance, June 27th 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)	49,246	-2.2	0.4	13.6	-7.1	37,046	54,978	31.5	-13.3	-35.3	-2.9	-2.0
Bulgaria (SOFIX)	454	-0.9	3.4	-1.5	-6.0	432	462	-1.5	-11.7	-11.7	6.2	6.2
China (SHCOMP)	2,896	0.2	2.6	-19.0	-28.6	2,638	3,539	-21.5	9.4	16.5	52.9	69.5
Cyprus (CSE GI)	65	-4.9	-3.1	-3.2	-15.3	64	70	-3.2	-20.9	-20.9	-17.0	-17.0
Egypt (HERMES)	632	-3.9	-8.5	0.3	-14.9	521	716	-2.7	-24.4	-25.7	23.5	36.6
F.Y.R.O.M (MBI)	1,712	-1.1	-0.9	-6.6	4.4	1,699	1,842	-6.6	-0.6	-0.6	6.1	6.1
India (SENSEX)	26,403	-1.7	-0.9	1.7	-4.5	22,495	28,578	-1.3	-5.0	0.7	29.9	44.7
Romania (BET-BK)	1,150	-2.6	-2.0	-14.3	-14.7	1,150	1,329	-14.1	2.6	1.6	3.7	3.5
Russia (RTS)	4,107	-3.0	-3.9	3.7	10.6	3,509	4,393	14.9	30.3	9.5	-6.9	-37.4
Serbia (BELEX-15)	600	-2.8	-1.3	-4.9	-7.9	570	637	-6.7	-3.4	-3.5	19.5	12.8
South Africa (FTSE/JSE)	50,087	-5.6	-7.4	-1.4	-3.7	45,976	54,704	-1.7	1.9	-15.1	7.6	10.9
Turkey (ISE 100)	75,161	-3.0	-3.7	2.7	-8.1	68,230	86,931	1.1	-16.3	-25.4	26.4	32.0
Ukraine (PFTS)	221	0.4	2.2	-8.2	-37.1	215	256	-13.4	-37.8	-54.8	28.7	-24.2
MSCI EMF	795	-3.2	-1.7	0.4	-17.2	687	856	-0.5	-17.0	-7.5	-4.6	8.2
MSCI EAFE	1,521	-8.0	-8.9	-12.0	-18.0	1,492	1,717	-12.7	-3.3	7.7	-7.3	5.8
Greece (ASE-General)	519	-11.5	-18.5	-15.0	-34.9	421	659	-15.0	-23.6	-23.6	-28.9	-28.9
Germany (XETRA DAX)	9,269	-7.0	-9.9	-13.7	-16.4	8,699	10,486	-13.7	-4.9	-4.9	2.7	2.7
UK (FTSE-100)	5,982	-3.6	-4.6	-4.7	-9.6	5,500	6,427	-15.7	-4.9	0.1	-2.7	4.1
Japan (NIKKEI-225)	15,309	-4.1	-9.1	-19.6	-23.9	14,864	18,951	-5.7	9.1	20.2	7.1	7.0
USA (DJ INDUSTRIALS)	17,140	-3.7	-4.1	-2.6	-2.6	15,370	18,168	-3.5	-2.2	9.3	7.5	22.2
USA (S&P 500)	2,001	-4.0	-4.7	-3.0	-2.8	1,810	2,133	-3.9	-0.7	10.9	11.4	26.6

Equity Indices (June 27th 2016)