South Eastern Europe and Mediterranean Emerging Market Economies

Weekly Report

7 – 13 June 2016

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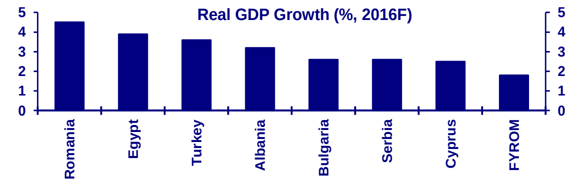

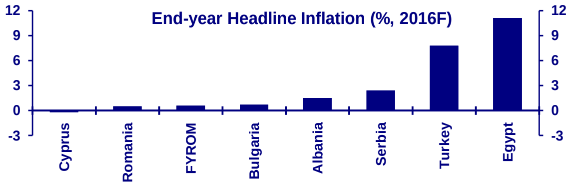

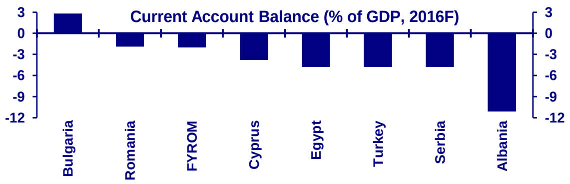

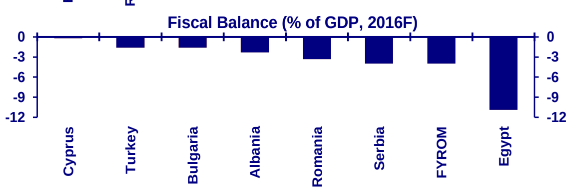

TURKEY 1

Economic growth, albeit decelerating, remained strong at 4.8% y-o-y in Q1:16

External rebalancing continues in 4M:16, mainly reflecting a still favourable energy bill

ROMANIA 2

Real GDP growth gains momentum in Q1:16, rising by 4.3% y-o-y

BULGARIA 3

Economic growth maintains momentum in Q1:16 (up 3.0% y-o-y)

SERBIA 4

Profitability of the banking system improves significantly in FY:15

FYROM 5

Real GDP growth moderates sharply to a 7-quarter low of 2.0% y-o-y in Q1:16 amid rising domestic political uncertainty

ALBANIA 6

Banking sector's bottom line weakens on an annual basis in Q1:16, due to higher provisioning

CYPRUS 7

Real GDP growth reaches a 7-year high of 2.6% y-o-y in Q1:16

EGYPT 8

Headline inflation rises sharply by 2.0 pps to 12.3% y-o-y between April and May, due to higher core inflation and, to lesser extent, accelerating regulated prices

CBE to proceed with measured hikes of its policy rates by September, in an effort to contain the ongoing economic slowdown

APPENDIX: FINANCIAL MARKETS 9

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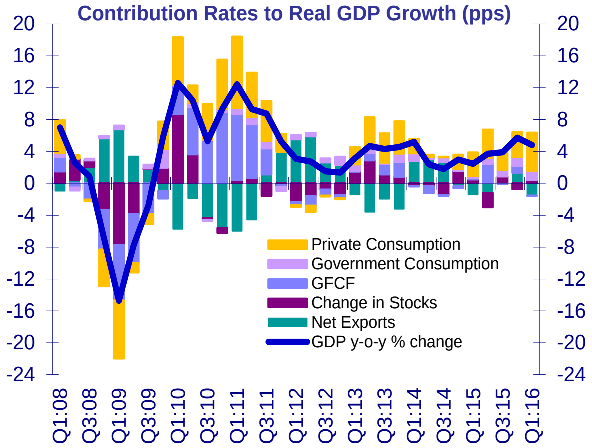
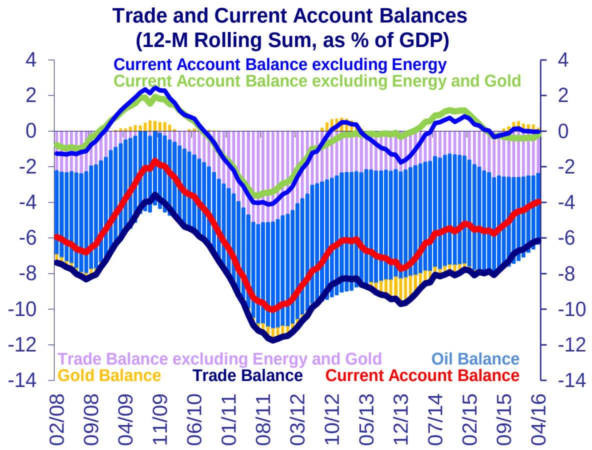
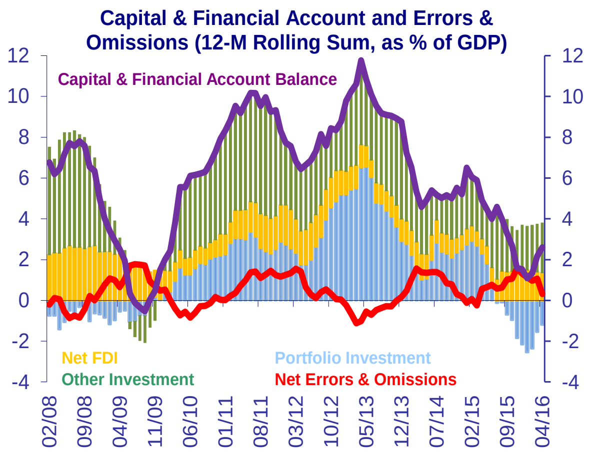
Turkey

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







	13 June	3-M F	6-M F	12-M F
1-m TRIBOR (%)	10.0	10.5	10.2	9.8
TRY/EUR	3.30	3.35	3.32	3.30
Sov. Spread (2019, bps)	198	212	190	170

	13 June	1-W %	YTD %	2-Y %
ISE 100	76,534	-2.6	4.6	-3.1

	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	-1.6	-1.2

Economic growth, albeit decelerating, remained strong at 4.8% y-o-y in Q1:16. Economic growth decelerated from a 17-quarter high of 5.7% y-o-y in Q4:15 to a still strong 4.8% y-o-y in Q1:16 -- the second highest rate in the past 8 quarters -- as a sharp deterioration in net exports more than offset a significant improvement in domestic demand. The surge in domestic demand in Q1:16 was mainly driven by private consumption, mainly supported by: i) sharp hikes in real wages (the rise in real wages in manufacturing, trade & services, and construction accelerated to 9.3%, 12.7%, and 6.0% y-o-y, respectively in Q1:16 from 5.6%, 4.1%, and -4.0% y-o-y in FY:15, following the 30% increase of the minimum wage on January 1st); and ii) spending by the large number of Syrian migrants (estimated at around 2.7 mn). The improvement in domestic demand was also underpinned by stock rebuilding.

Net exports were a drag on overall growth in Q1:16, as imports of goods and services strengthened significantly, in line with domestic demand, while exports of goods and services remained subdued.

Looking ahead, we expect activity to lose momentum in Q2-Q4:16. Indeed, increasing domestic security concerns and a challenging domestic political backdrop, combined with weaker-than-initially-expected global growth and tighter global liquidity conditions (in view of the resumption of rate hikes by the Fed in H2:16) should weigh on both domestic demand and exports. We expect real GDP growth to decelerate to 3.6% in FY:16 -- a slower pace than the Government's forecast of 4.5% -- from 4.0% in FY:15.

External rebalancing continued in 4M:16, mainly reflecting a still favourable energy bill. The current account deficit (CAD) narrowed by 0.5 pps y-o-y to 1.5% of GDP in 4M:16. Specifically, a significant adjustment in the energy balance (by 0.7 pps of GDP y-o-y), in line with global oil price developments, combined with a slightly improved underlying current account balance (excluding energy and gold, by 0.2 pps of GDP y-o-y, see below) more than offset a deterioration in the gold balance (by 0.4 pps of GDP y-o-y), reflecting a base effect from a spike in gold exports in Q1:15.

Importantly, the underlying current account balance (excluding energy and gold) improved in 4M:16 after having been in the red for the past four quarters, despite a sharp decline in tourism receipts (down 19.7% y-o-y or 0.2 pps of GDP y-o-y in 4M:16) -- hit by geopolitical and domestic security setbacks. This positive development resulted partly from a recovery in exports of goods to the EU (up 6.5% y-o-y).

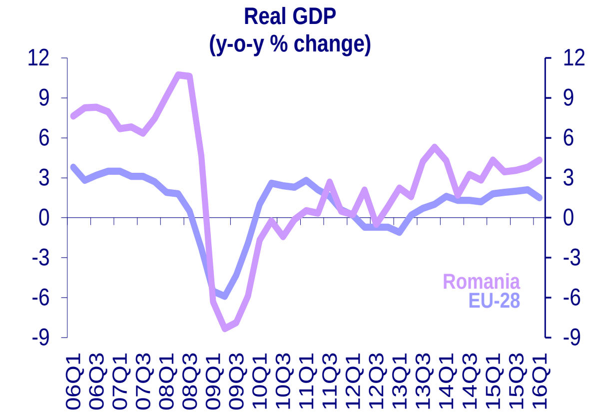
On the financing side, the capital and financial account (CFA) balance improved significantly, by 1.1 pp y-o-y to a surplus of 1.7% of GDP in 4M:16, supported by strengthening global risk appetite in the second half of February. Indeed, (net) portfolio inflows rose sharply (up 0.9 pps of GDP y-o-y) in 4M:16, driven by net inflows to the equity and public debt markets (up 0.3 and 0.6 pps of GDP y-o-y, respectively). Moreover, non-bank corporates' net borrowing from abroad rose significantly, by 0.4 pps of GDP y-o-y in 4M:16.

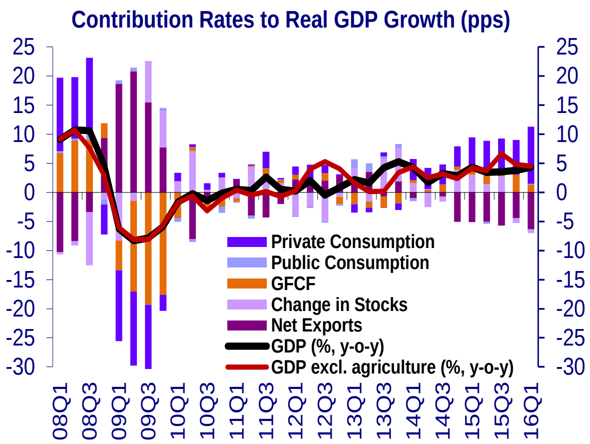
With the CFA surplus more than covering the CAD and positive (net) errors and omissions (0.1% of GDP), the overall balance turned positive in 4M:16 (0.3% of GDP against -0.2% in 4M:15). The latter, along with valuation effects, boosted FX reserves by USD 3.3bn y-t-d to USD 96.2bn at end April -- c. 5.4 months of imports of GNFS.

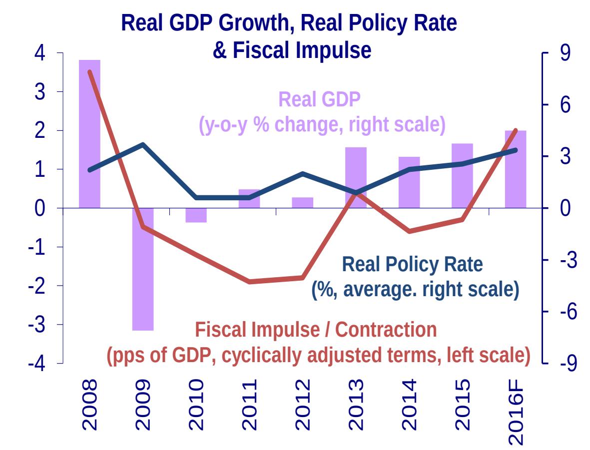
Going forward, we expect the current account to more than reverse its 4M:16 gains during the rest of the year, as the support from the oil balance is set to weaken significantly, tourist receipts will decline sharply, and the gold balance will continue to normalize. Overall, we see the CAD widening to USD 35.0bn (4.8% of GDP) in 2016 from USD 32.1bn (4.5%) in 2015.

Romania

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







	13 June	3-M F	6-M F	12-M F
1-m ROBOR (%)	0.6	0.9	1.2	1.5
RON/EUR	4.51	4.48	4.49	4.50
Sov. Spread (2024, bps)	235	210	180	150

	13 June	1-W %	YTD %	2-Y %
BET-BK	1,172	-2.8	-12.6	-5.6

	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

Real GDP growth gains momentum in Q1:16, rising by 4.3% y-o-y. On a sequential basis, real GDP accelerated to 1.6% q-o-q s.a. in Q1:16 from 1.1% in Q4:15. As a result, the annual pace of economic growth rose sharply to 4.3% y-o-y in Q1:16 from 3.8% in Q4:15.

Private consumption continues to provide the main impetus to growth, more than offsetting the slowdown in investment activity. Against the backdrop of record-low inflation (-2.6% y-o-y in Q1:16), on the back of the 4 pp cut in the VAT rate (to 20.0%, excl. food items), private consumption strengthened further in Q1:16 (up 9.6% y-o-y against 7.0% in Q4:15), supported by a looser incomes policy (a broad-based 10.0% hike in public sector wages at end-2015 was followed by a 5.0% rise in pensions and targeted increases in wages in the broader public sector in January). The pick-up in private consumption more than offset the slowdown in investment activity (up by a still strong 7.0% y-o-y in Q1:16 against 17.0% in Q4:15). At the same time, the drawdown in inventories continued (subtracting 0.6 pps of GDP from overall growth for a 2nd consecutive quarter in Q1:16), though this item also contains statistical discrepancies and could reflect weaker domestic absorption.

On a negative note, the drag from net exports on overall growth increased markedly in Q1:16 (to 6.4 pps of GDP from 4.4 pps in Q4:15). Indeed, import growth accelerated in Q1:16 (to 8.0% y-o-y from 6.5% in Q4:15), in line with stronger private consumption, more than offsetting the pick-up in export growth (to 2.9% y-o-y in Q1:16 from 1.0% in Q4:15), despite the sluggish recovery in the country's main trade partner, the EU.

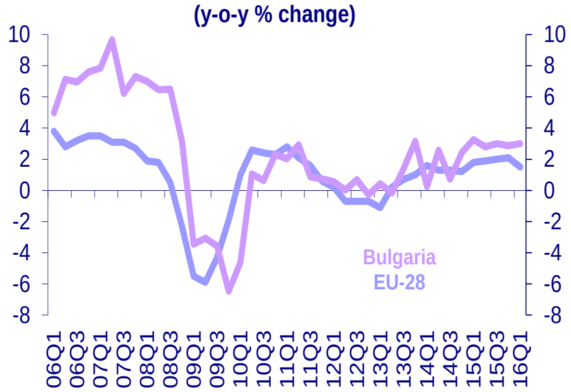
Economic growth to remain strong in FY:16, but increasingly unbalanced. Looking ahead, private consumption should continue to expand at a strong pace, reflecting: i) a looser incomes policy (including, in addition to the hikes in public sector wages and pensions, a 19% rise in the minimum wage in May and further targeted increases in wages in August) and its spillover to the private sector; ii) persistently low inflation; and iii) tighter labour market conditions in the context, *inter alia*, of a continuous decline in the working-age population. At the same time, fixed investment should gain momentum, assisted by improving business confidence, despite the decline in the EU funds available in FY:16. We estimate that domestic absorption will contribute an unsustainable 10 pps to growth in FY:16. Worryingly, in view of stagnant growth in the EU, net exports will remain a large drag on overall growth, in line with stronger domestic demand. Despite tight monetary conditions (we see the *ex-post* real policy rate easing to 3.0% in Q2-4:16 from 4.5% in Q1:16, however, still higher than in FY:15 -- 2.5%), the policy mix is clearly supportive of growth, in view of the large fiscal impulse (an additional 0.5 pps of GDP y-o-y on average per quarter in Q2-4:16 following 0.3 pps in Q1:16). All said, we project real GDP growth increasing to 4.5% in FY:16, from 3.8% in FY:15, well above its long-term potential of c. 3.0%. Output growth will also be supported by base effects from the sharp decline in agricultural production in FY:15, contributing more than 0.5 pps to GDP growth after having subtracted 0.8 pps in FY:15.

Risks to the economic outlook are broadly balanced. Indeed, a stronger-than-expected recovery in the EU and faster absorption of EU funds could boost Romania's economic growth. On the other hand, renewed political instability could hurt investor confidence. Note that although a broadly-backed technocrat Government is currently in office, tensions could rise between the two largest parliamentary parties, i.e. the centre-left PSD and the centre-right PNL, ahead of the parliamentary elections scheduled for end-2016.

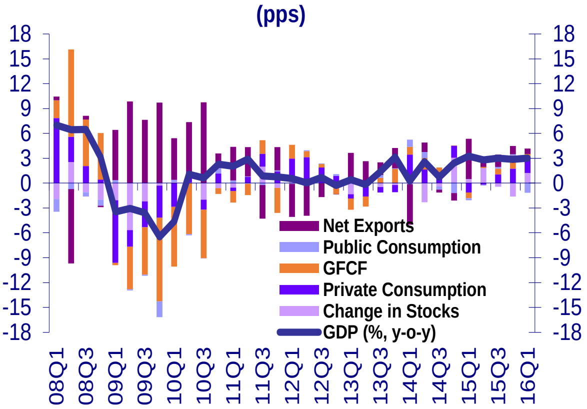
Bulgaria

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

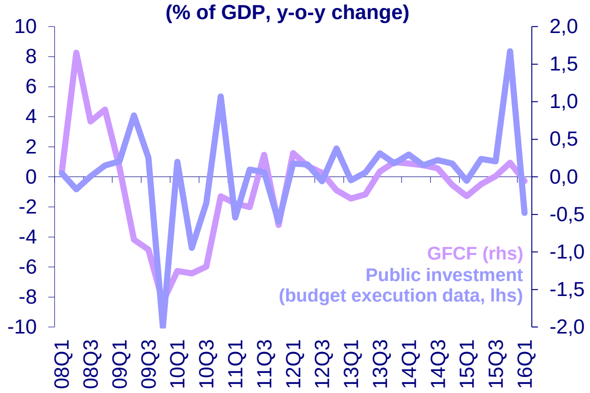
Real GDP (y-o-y % change)



Contribution Rates to Real GDP Growth (pps)



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



	13 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)	205	180	160	130

	13 June	1-W %	YTD %	2-Y %
SOFIX	448	0.9	-2.7	-21.6

	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

Economic growth maintains momentum in Q1:16 (up 3.0% y-o-y). On a sequential basis, real GDP rose by solid 0.7% q-o-q s.a. for a 4th consecutive quarter in Q1:16. As a result, the annual pace of economic expansion remained broadly flat at 3.0% y-o-y in Q1:16.

Stock-rebuilding and stronger private consumption broadly compensate for weaker investment activity and the decline in public consumption. Private consumption continued to improve in Q1:16 (up 2.6% y-o-y following 2.4% in Q4:15), supported by: i) deepening deflation; ii) tighter labour market conditions (the LFS unemployment rate fell to a 6½-year low of 7.3% in March from 7.7% at end-2015); and iii) stronger consumer confidence (the relevant index stood at -28.7 in Q1:16 against a historical average of -36.0). Moreover, after 2 consecutive quarters of de-stocking, inventories were replenished in Q1:16 (incl. statistical discrepancies, contributing 1.2 pps of GDP to overall growth after having subtracted 1.6 pps in Q4:15).

On the other hand, however, public consumption declined sharply in Q1:16 (shaving 1.2 pps off overall growth against a positive contribution of 0.2 pps in Q4:15), on the back of a tighter fiscal stance (the budget surplus, excluding the capital budget, widened by 0.8 pps of GDP y-o-y in Q1:16). At the same time, investment activity weakened (up 1.4% y-o-y in Q1:16 against 7.2% in Q4:15).

The contribution of net exports to overall growth, albeit still positive, moderated slightly in Q1:16 (to 0.7 pps of GDP from 1.0 pp in Q4:15). Specifically, the slowdown in import growth (to 2.4% y-o-y in Q1:16 from 4.3% in Q4:15), in line with weaker domestic absorption, was more than offset by the deceleration in export growth (to 3.5% y-o-y in Q1:16 from 6.4% in Q4:15), reflecting the sluggish recovery in the EU, Bulgaria's main trade partner.

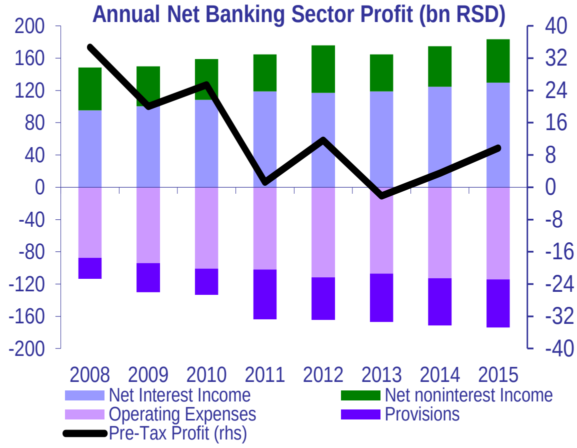
Real GDP growth to moderate slightly to a still solid 2.6% in FY:16 from 3.0% in FY:15. Looking ahead, we expect the growth momentum to ease somewhat during the remainder of the year, with the driver of domestic demand shifting from private consumption to investment. Indeed, considering the low investment-to-GDP ratio (currently at 21.3% against a pre-crisis high of 32.0%) and the increasing capacity utilization rate in the industrial sector (currently at 75.2% against a historical average of c. 70.0%), as well as favourable domestic liquidity conditions (the gross loan-to-deposit ratio stood at 83.2% in March, well below its mid-2009 peak of 146.7%), we expect fixed investment to gain momentum during the remainder of the year, despite the slowdown in the implementation of EU co-financed projects. On the other hand, private consumption should gradually weaken, in view of a slowdown in job creation, on the back, *inter alia*, of structural problems in the labour market (persistently high long-term unemployment -- estimated at c. 7.0%, close to current levels -- skills mismatches).

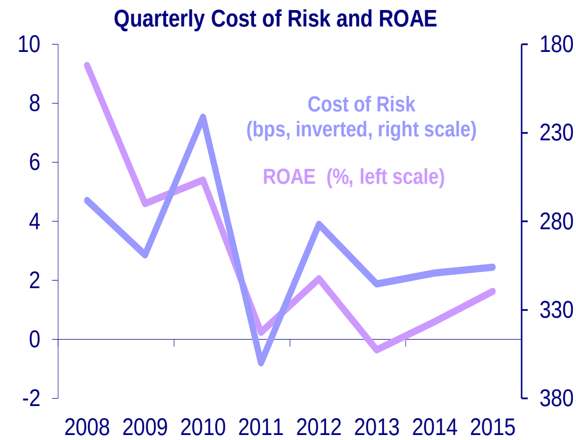
Importantly, despite stagnant growth in the EU, net exports should continue to support overall growth, reflecting the improving competitiveness of the economy (real GDP per employee has risen by 7.0% since end-2011, while the BGN has been stable in real terms in the same period). Overall, we see real GDP growth moderating to 2.6% in FY:16 from 3.0% in FY:15.

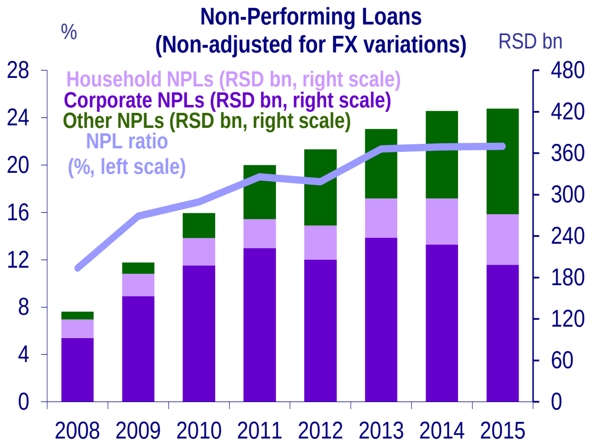
Risks to the economic outlook are tilted to the downside, reflecting the heightened political uncertainty. Recall that the ruling coalition, led by the GERB and also comprising the Reformist Bloc, has lost majority in the Parliament after the ABV withdrew its support in May. As a result, PM Borissov is seeking parliamentary support on a case-by-case basis. Worryingly, we expect tensions within the ruling coalition and its supporters (namely the Patriotic Front and the Bulgarian Democratic Centre) to escalate ahead of the October Presidential elections.

Serbia

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







	13 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)	296	250	220	180

	13 June	1-W %	YTD %	2-Y %
BELEX-15	626	1.4	-0.9	6.6

	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

The profitability of the banking system improved significantly in FY:15. Pre-tax profits in the banking sector rose to a 3-year high of RSD 9.7bn (0.2% of GDP) in FY:15. The strong improvement in bank profitability was mainly driven by a sharp rise in net interest income (NII). As a result, ROAE and ROAA rose to an albeit still low 1.6% and 0.3%, respectively, in FY:15 from 0.6% and 0.1% in FY:14.

Pre-provision income (PPI) strengthened in FY:15, on the back of higher NII. PPI rose by 11.8% y-o-y in FY:15, on the back of a significant increase in NII (accounting for a sizeable 70.0% of gross operating income and up by 4.1% y-o-y in FY:15). The improvement in NII occurred due to higher average interest earning assets (up 4.4% y-o-y in FY:15), despite a broadly unchanged NIM (445 bps in FY:15). Note that the latter is estimated to have been supported by the improvement in the core NIM, on the back of the ongoing cycle of monetary policy loosening (by a cumulative 750 bps since May 2013), including a faster repricing of deposits. In fact, the average LC (term) deposit interest rate fell by 3.1 pp y-o-y (to a historical low of 3.8%) in FY:15, while the average LC lending interest rate declined by 1.8 pps y-o-y (to 13.0%) in FY:15. The overall NIM would have been stronger had the non-core NIM not declined, in line with the drop in T-bill interest rates (with the 12-month T-bill interest rate declining by 2.6 pps y-o-y to a record low of 5.9% in FY:15).

On another positive note, operating expenditure remained contained (up 1.3% y-o-y in FY:15), mainly on the back of: i) the continued downsizing of the banking sector (note that the number of employees and agencies continued to decline by 3.4% and 3.2% y-o-y, respectively, in FY:15); and ii) base effects from the large extraordinary once-off expenses by the state-owned Srpska banka in FY:14. With operating expenses rising at a slower pace than top-line revenue, banking sector efficiency improved slightly, with the cost-to-income ratio falling by 2.3 pps y-o-y to a still high 62.2%.

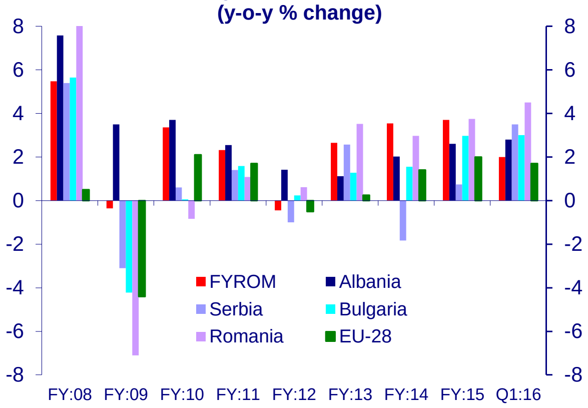
The cost of risk remained high in FY:15, due to asset quality tests. P/L provisions rose by 1.9% y-o-y in FY:15, despite the continued stabilisation in the NPL ratio (to 21.6% of total gross loans), absorbing a sizeable 86.0% of net operating income. Note that high provisions in both FY:14 and FY:15 were due to once-offs, i.e. large extraordinary provisions by Srpska banka in FY:14 (RSD 10.0bn, or 17.0% of provisions in FY:14), and the (partial and not yet disclosed) implementation of the NBS recommendation to banks to reclassify certain loans as NPLs, in the aftermath of the asset quality Special Diagnostic Studies, conducted in Q4:15, for the 14 largest Serbian banks (accounting for 88% of the sector's total assets). The diagnostic tests of banks' portfolios were conducted according to very conservative standards and their full impact should increase NPLs by 4.7 pps, prompting additional (net) loan-loss provisions of RSD 12.6bn (0.3% of GDP). As a result, the cost of risk remained broadly unchanged at 306 bps in FY:15.

The banking sector bottom line is set to strengthen further this year. We expect profitability to be supported by lower provisioning, reflecting large pre-emptive provisions in FY:15, following the asset quality tests, as well as a drop in the NPL ratio. The latter should be supported by the rebound in activity (we expect real GDP growth to rise to 2.6% this year from 0.7% in FY:15) and the past years' cleaning-up of the banking sector's balance sheet. The PPI will also be supported by continued expenditure restraint as well as the continued easing of the monetary policy stance and the gradual reduction in RRRs on FX liabilities (by 6 pps through February 2016). Overall, we see ROAE reaching an 8-year high 6.0% in FY:16 -- above the FY:15 outcome of 1.6% and close to the pre-crisis high of 9.3% in FY:08.

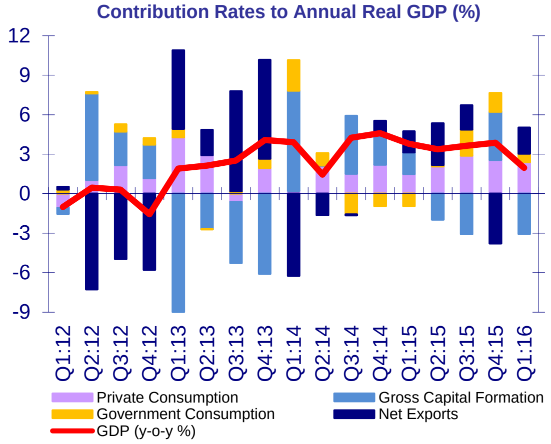
F.Y.R.O.M.

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

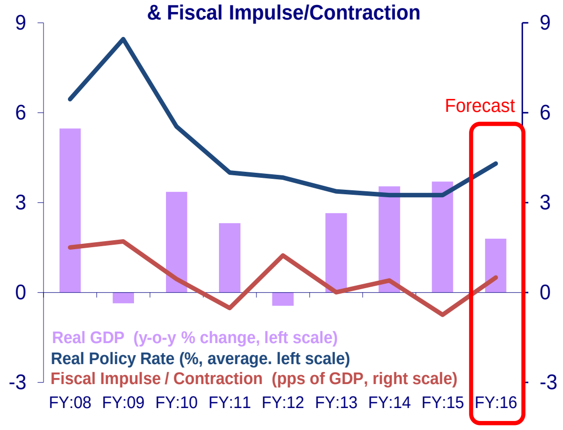
Real GDP growth in SEE-5 and EU-28 (y-o-y % change)



Contribution Rates to Annual Real GDP (%)



Real GDP Growth, Real Policy Rate & Fiscal Impulse/Contraction



	13 June	3-M F	6-M F	12-M F
1-m SKIBOR (%)	1.8	1.8	1.8	1.8
MKD/EUR	61.3	61.3	61.3	61.3
Sov. Spread (2021. bps)	543	520	450	350

	13 June	1-W %	YTD %	2-Y %
MBI 100	1,776	4.0	-3.1	2.3

	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

Real GDP growth moderated sharply to a 7-quarter low of 2.0% y-o-y in Q1:16 amid rising domestic political uncertainty. The annual pace of economic expansion slowed to a 7-quarter low of 2.0% y-o-y in Q1:16 – the weakest performance among SEE-5 countries -- from 3.9% in Q4:15 and 3.6% in FY:15.

The slowdown of the economy in Q1:16 was likely led by private investment. Gross capital formation (including gross fixed capital formation, changes in inventories and statistical discrepancies) declined sharply in Q1:16 (down 9.3% y-o-y against an increase of 10.9% y-o-y in Q4:15). While a breakdown of gross capital formation is not available, we believe the bulk of the decline resulted from a sharp decline in private investment, due to the exacerbation of the domestic political crisis in mid-Q1:16. The latter followed Parliament's postponement of early legislative elections to June 5th from April 24th, in response to a boycott threat by the main opposition party, the SDSM, which was supported by the EU and the US.

Public consumption also contributed, albeit to a lesser extent, to the slowdown in Q1:16 (up 4.2% y-o-y against a rise of 9.7% y-o-y in Q4:15), in line with a planned tightening of the fiscal stance.

On a positive note, private consumption maintained momentum in Q1:16 (up 3.5% y-o-y, as in Q4:15), underpinned by: i) improving labour market conditions (employment increased by 2.5% y-o-y and net wages rose by 2.9%, in real terms, in Q1:16); ii) a looser incomes policy, including, in addition to the 5% hike in public sector pensions, effective since October 2015, a 14.7% increase in the minimum wage to EUR 179 from January 1st; iii) strong retail lending growth (up 13.5% y-o-y in real terms at end-Q1:16); and iv) favourable global oil prices.

The slowdown in activity in Q1:16 would have been even sharper had the contribution of net exports to overall growth not turned positive in Q1:16 (2.0 pps) from -3.9 pps in Q4:15. The improvement was driven by exports of goods and services, following the past years' extension of the country's export base, mostly in the technological industrial development zones. Moreover, imports of goods and services slowed, in line with weaker domestic demand.

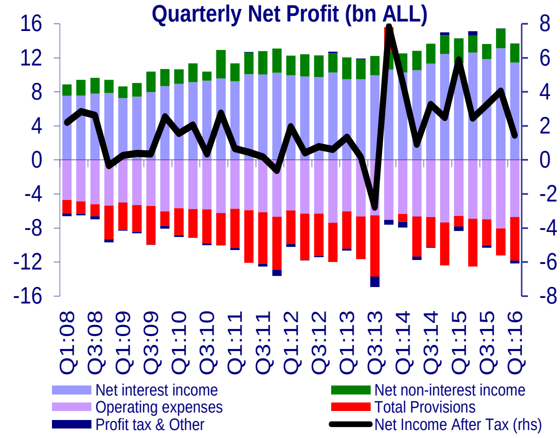
Economic growth to moderate to a 4-year low of 1.8% in FY:16, hindered by protracted domestic political uncertainty. Looking ahead, we expect a further deterioration in domestic demand in Q2-Q4:16, in view of the protracted domestic political crisis, which is unlikely to end before the autumn. Encouragingly, the main opposition party, the SDSM, announced its intention to return to the negotiating table following President Ivanov's revocation of his controversial mid-April decision to pardon 56 officials prosecuted over their involvement in a wiretapping scandal, thus increasing hopes for the holding of elections in Q4:16.

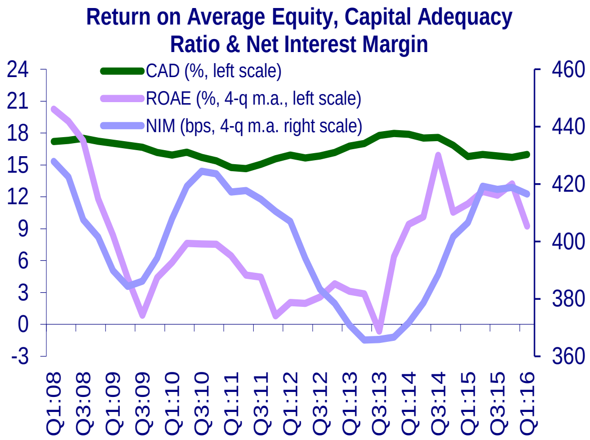
Moreover, the impact of the policy mix on activity should be neutral, as an expansionary fiscal stance (we project a fiscal impulse of 0.5 pps of GDP this year against a fiscal contraction of 0.7 pps of GDP in FY:15) should be offset by a less accommodative monetary policy stance (we foresee the real policy rate rising to 3.9% this year from 2.9% in FY:15). Note that amid escalating domestic political uncertainty in early-Q2:16, following President Ivanov's pardoning decision, large withdrawals of deposits from domestic banks banks (c. 1.8% of total deposits in April according to the Governor of the Central Bank) and rumours of a sharp devaluation of the MKD, prompted the central bank to hike sharply its central rate by 75 bps to 4.0%.

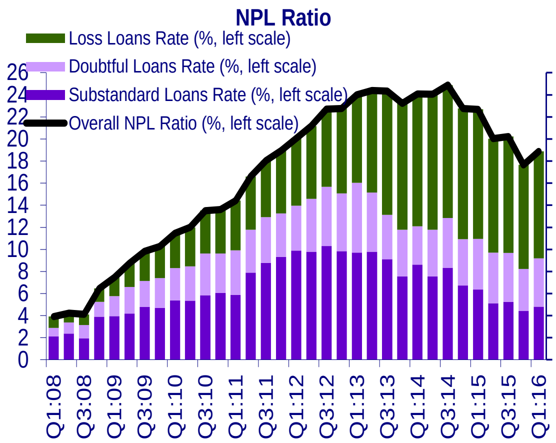
Overall, in view of the weaker-than-expected Q1:16 performance and recent trends, we revise down our FY:16 real GDP growth to 1.8% (from 3.6% previously) -- significantly below the FY:15 outcome of 3.7% and the country's long-term potential rate of 3.5%.

Albania

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







	13 June	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	1.7	2.2	2.2	2.2
ALL/EUR	137.9	139.2	138.2	139.0
Sov. Spread (bps)	462	430	400	350

	13 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 banking sector's bottom line weakened on an annual basis in Q1:16, due to higher provisioning. Net profit (after tax) moderated to a 7-quarter low of ALL 1.4bn (EUR 10.3mn or 0.1% of GDP) in Q1:16, a quarter of its level in Q1:15. The poor performance was due to higher provisions, prompted by the possible bankruptcy of two large corporates. As a result, (annualised) ROAE and ROAA declined to (a 10-quarter low of) 4.5% and 0.4%, respectively, in Q1:16 from (a 7-year high of) 20.3% and 1.8% in Q1:15, and below the corresponding levels of 13.2% and 1.2% in FY:15.

The cost of risk increased on a y-o-y basis in Q1:16. P/L provisions rose sharply in Q1:16, and on an annual basis, were more than 4 times above their level in Q1:15 (absorbing 72.2% of pre-provision earnings in Q1:16, well above the 15.6% in Q1:15 and 42.1% in FY:15). This occurred due to the expected bankruptcy of: i) Turkey's Kurum, Albania's only steelmaker, whose possible bankruptcy would increase the NPL ratio by 1.0 pp, according to the BoA; as well as ii) the (15% state-owned) oil refiner, ARMO.

Note that the NPL ratio (the share of substandard, doubtful and loss loans in total loans) declined sharply, by 3.8 pps y-o-y to 18.9% in Q1:16 from its peak of 24.9% in Q3:14. This was supported by: i) the 2015 regulation mandating the obligatory write-off of loans held in "loss" category for more than three years; and ii) the Government's clearance of a large part of its accumulated arrears in 2014-15 (whose impact will be visible in 2016, due to loan reclassification lags).

As a result, the (annualised) cost of risk increased to (a 10-quarter high of) 351 bps in Q1:16, well above the FY:15 outcome of 223 bps, while the NPL coverage ratio strengthened to 71.5% in Q1:16 from 68.8% in Q1:15 (despite the large write-offs).

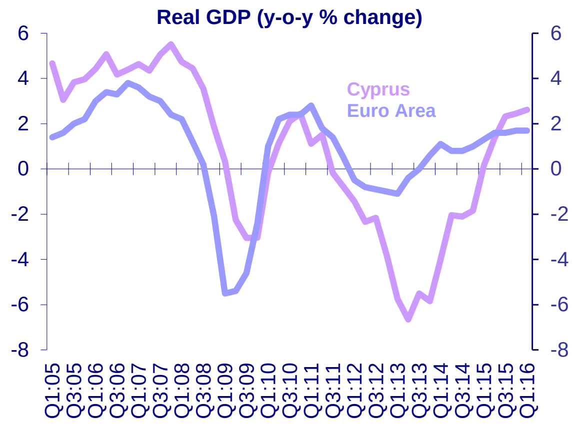
Pre-provision income was weak in Q1:16. Lower pre-provision earnings (declining by 9.6% y-o-y in Q1:16) reinforced the negative impact of higher provisions on the bottom line. This was due to weaker FX gains in Q1:16 (just ⅓ of their level in Q1:15) and broadly unchanged net interest income (NII). Indeed, NII increased slightly, by 0.7% y-o-y in Q1:16, as higher average interest earning assets (up 3.2% y-o-y in Q1:16) was broadly offset by the compression of the NIM (down 10 bps y-o-y to a 7-quarter low of 386 bps in Q1:16 down from 421 bps in FY:15). The decline in the NIM occurred as the estimated improvement in the core NIM, on the back of a faster repricing of deposits, was more than offset by the decline in non-core NIM, in line with the drop in government domestic debt yields (the 12-month T-bill rate declined by 1.7 pps y-o-y to a low of 1.9% in Q1:16), due to reduced Government financing needs following the issuance of a Eurobond in November. In fact, net interest income from customers (accounting for 55.7% of the NII) increased by 5.7% y-o-y in Q1:16, while net interest income from T-bills and securities declined by 4.5% y-o-y in Q1:16.

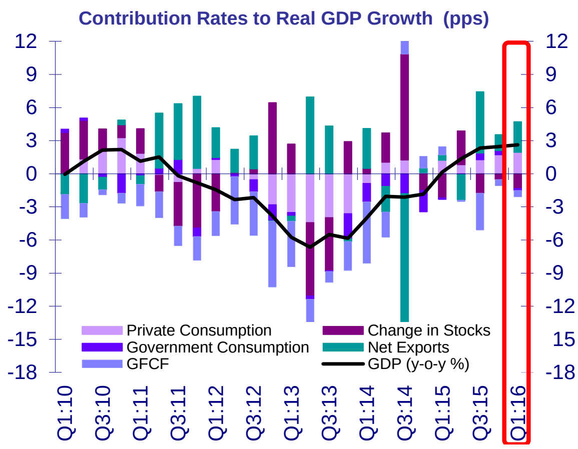
With operating income declining and operating expenses rising by 1.8% y-o-y in Q1:16 (including a 2.2% y-o-y rise in personnel expenditure), the cost-to-income ratio rose by 2.9 pps y-o-y to 48.9% in Q1:16, though remaining unchanged from the FY:15 outcome of 49.2%.

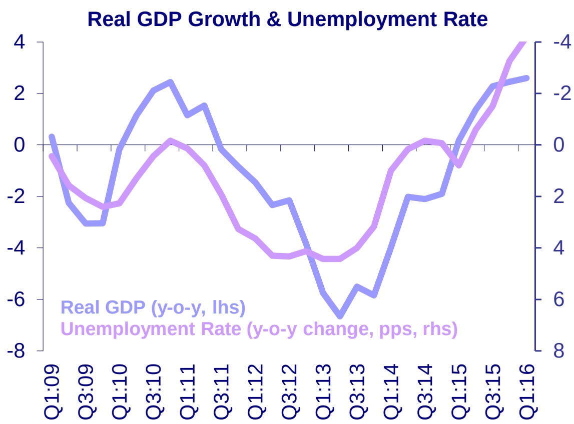
Banking sector profitability is set to be weaker-than-initially expected this year, due to the higher-than-expected provisioning. We foresee profitability this year to be weaker-than-initially expected, as the anticipated Kurum bankruptcy could trigger higher NPL provisions in Q2-Q4:16. Meanwhile, the NII should continue to be negatively affected by the drop in net interest income from T-bills and securities, in line with the continued decline in T-bill rates. Overall, we foresee FY:16 ROAE returning to single digits, after being in double-digits for two successive years.

Cyprus

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







	13 June	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.35	-0.35	-0.35	-0.35
EUR/USD	1.13	1.08	1.06	1.05
Sov. Spread (2020. bps)	333	300	260	250

	13 June	1-W %	YTD %	2-Y %
CSE Index	68	-1.4	1.1	-39.6

	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	-0.2	0.2

Real GDP growth reached a 7-year high of 2.6% y-o-y in Q1:16. Real GDP growth rose sharply to 0.9% q-o-q in Q1:16, on a sequential seasonally-adjusted basis, following an increase of 0.5% q-o-q in the past two quarters. As a result, the annual pace of economic expansion rose to a 7-year high of 2.6% y-o-y in Q1:16 from 2.5% in Q4:15.

Strengthening external demand compensated for weakening domestic demand in Q1:16. The contribution of net exports to overall growth rose significantly to 2.8 pps of GDP in Q1:16 from 1.4 pps of GDP in Q4:15, as exports of goods and services strengthened. Specifically, export growth accelerated to 8.8% y-o-y in Q1:16 from 7.3% in Q4:15, mainly due to stronger tourist activity (tourist receipts rose by an impressive 18.7% y-o-y in nominal terms and 21.3% y-o-y in real terms in Q1:16). On the other hand, import growth slowed to 2.2% y-o-y in Q1:16 from 4.6% y-o-y in Q4:15, due to a larger drawdown in inventories (shaving 1.3 pps off overall growth in Q1:16 after having subtracted 0.5 pps in Q4:15) and, to a lesser extent, a slight deceleration in domestic absorption.

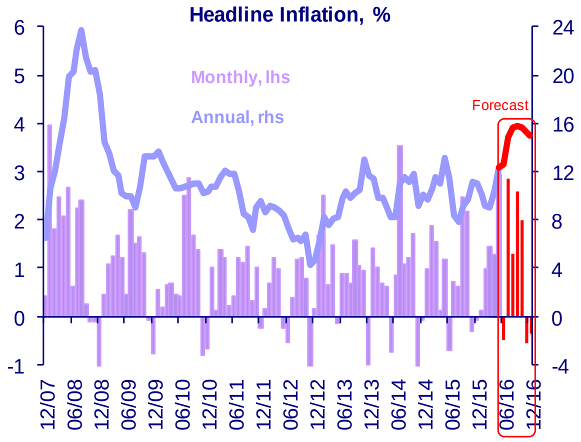
Domestic absorption weakened in Q1:16 (up 1.1% y-o-y against a rise of 1.5% in Q4:15), on the back of a sharp decline in public consumption (down 1.1% y-o-y against a rise of 1.8% in Q4:16), reflecting a tighter budget execution (a fiscal contraction of 0.9 pps of GDP in Q1:16). The slowdown in domestic absorption would have been sharper in Q1:16 had private consumption not recovered further (up 2.6% in Q1:16 against a rise of 2.4% in Q4:15), supported, *inter alia,* by: i) improving labour market conditions (the s.a. unemployment rate declined by 4.2 pps y-o-y to 12.6% in Q1:16); and ii) favourable energy prices (the price of Brent declined by 35.2% in EUR terms in Q1:16).

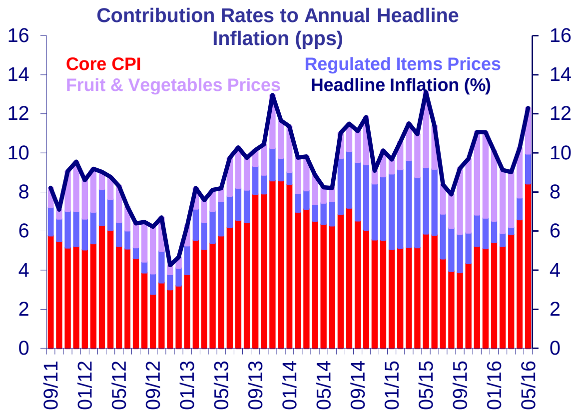
Economic activity is set to accelerate to 2.5% this year -- significantly above the consensus forecast of 1.7% and the FY:15 outcome of 1.6%. Looking ahead, external demand should continue to expand at a strong pace, supported by more buoyant tourist activity, benefiting from heightening security concerns in neighbouring competitors -- Turkey and Egypt. We foresee tourist receipts rising by around 10.0%, to an all-time high of EUR 2.3bn (13.1% of GDP) in FY:16, from EUR 2.1mn in FY:15. On the other hand, domestic demand should improve. Indeed, despite the negative impact of higher debt servicing due to the higher pace of NPL restructuring, private consumption should remain strong, supported by: i) improving labour market conditions; ii) strengthening consumer and business confidence, following the country's "clean exit" from its 3-year adjustment programme at end-Q1:16 (the Economic Sentiment Indicator (ESI) has increased to 113.3 in April from 108.1 in Q1:16 and 104.0 in FY:16); and iii) the rebound in the construction sector (up 22% y-o-y in Q1:16 compared with increases of 8.9% y-o-y and 2.9% y-o-y, respectively, in Q4:15 and Q3:15, following almost 7 consecutive years of decline).

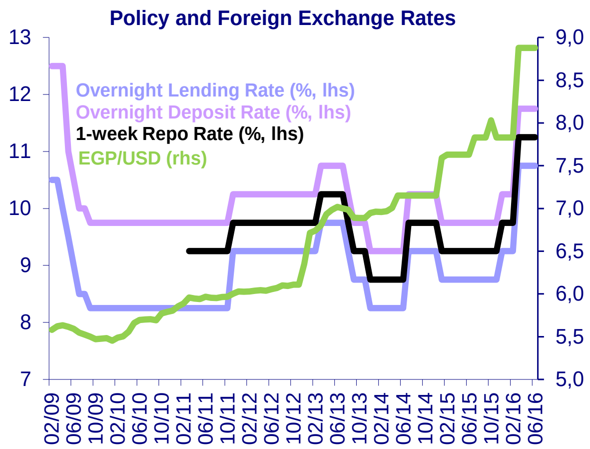
However, there are downside risks to our above-consensus growth forecast for FY:16. Indeed, the possible Brexit -- which is widely expected to weaken sharply economic activity and the domestic currency in the UK in 2016 – would weigh heavily on the island's external demand, as the UK is the country's largest source of tourism (accounting for c. 40.0% of total arrivals in FY:15) and second largest trading partner, behind Greece. At the same time, delays in the implementation of the pending structural reforms could hurt investor confidence and impede growth. Note that the reinvigoration of the reform process will not be easy, due to a greater fragmentation of parliament following the May 22nd general elections.

Egypt

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







	13 June	3-M F	6-M F	12-M F
O/N Interbank Rate (%)	10.9	10.8	10.8	10.5
EGP/USD	8.88	8.95	9.20	9.50
Sov. Spread (2020. bps)	471	400	300	220

	13 June	1-W %	YTD %	2-Y %
HERMES 100	696	0.1	10.5	-20.2

	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

Headline inflation rose sharply by 2.0 pps to 12.3% y-o-y between April and May, due to higher core inflation and, to lesser extent, accelerating regulated prices. Core inflation rose to a 7-year high of 12.2% y-o-y in May from 9.5% y-o-y in April, reflecting a sharp increase in demand for food ahead of Ramadan, a continued pass-through from the mid-March devaluation of the domestic currency, and exacerbating supply shortages. Recall that amid an acute USD shortage, the Central Bank of Egypt (CBE) imposed stricter rules on financing imports in early-January (prioritising the import of basic goods), aimed at reducing the country's import bill by 25% to USD 60bn in 2016. Moreover, in its efforts to reduce a fast-growing black market amid deepening foreign currency shortages, the CBE devalued the EGP against the USD by 12.7% to EGP 8.85 per USD on March 14th.

Moreover, regulated prices rose at a faster pace in May (up 8.1% y-o-y against 5.9% in April), mainly reflecting an unexpected sharp increase in health prices (up 31.5% y-o-y from 13.8% in April), following the government's approval of a 20.0% increase in prices of drugs.

Headline inflation would have been even higher in May had volatile prices of fruit & vegetables not continued to normalize (up 19.0% y-o-y against 21.8% in April) after having reached a 55-month high in December (42.4%).

Headline inflation to reverse its upward trend in October and end the year at 15.0%. Looking ahead, we expect headline inflation to continue on its upward trend until September, mainly due to: i) the long-awaited replacement of the current complex sales taxes by a VAT on July 1st (set to add 1.2 pps to headline inflation); and ii) another sharp devaluation of the domestic currency, likely in September (by c. 12.5% to EGP 10.5 per USD). Note that these moves are envisaged in the Government's 3-year economic programme, set to start next month (July), and could be the basis for talks on a much-needed agreement with the IMF, which will allow the country to return to international capital markets. Overall, we foresee headline inflation reaching a peak of 15.8% y-o-y in September and ending the year at 15.0% y-o-y -- well above the end-2015 outcome of 11.1%. Core inflation should end 2016 at 15.5% y-o-y against the end-2015 outcome of 7.2%.

The CBE to proceed with measured hikes of its policy rates by September, in an effort to contain the ongoing economic slowdown. In its efforts to curb inflationary pressures from the replacement of sales taxes by a VAT in early-July and another sharp devaluation of the domestic currency in September, as well as to enhance demand for the EGP, the CBE is set to increase its policy rates further by end-September. However, the size of the hike will be constrained by the ongoing slowdown of the domestic economy. Indeed, real GDP growth is set to slow significantly to 3.0% this fiscal year from 4.2% in FY:14/15, due, *inter alia*, to: i) the expected sharp decline in tourism activity (with a total contribution of 11.4% to GDP in 2015 according to the World Travel & Tourism Council), due to heightening security concerns (we expect the number of nights spent by tourists to decline sharply by c. 50.0% this fiscal year); ii) the difficult access to international capital markets; and iii) the absence of financial support from Gulf countries.

We expect the CBE to increase its policy rates by 200 bps by September, bringing total hikes to 450 bps since the initiation of the cycle of monetary policy tightening last December. As a result, the overnight deposit, 1-week repo, and overnight lending rates should stand at multi-year highs of 12.75%, 13.25%, and 13.75%, respectively, at end-2016 (-1.2%, -0.7% and -0.2% in *ex post*, real and compounded terms, as at end-2015).

FOREIGN EXCHANGE MARKETS, JUNE 13TH 2016

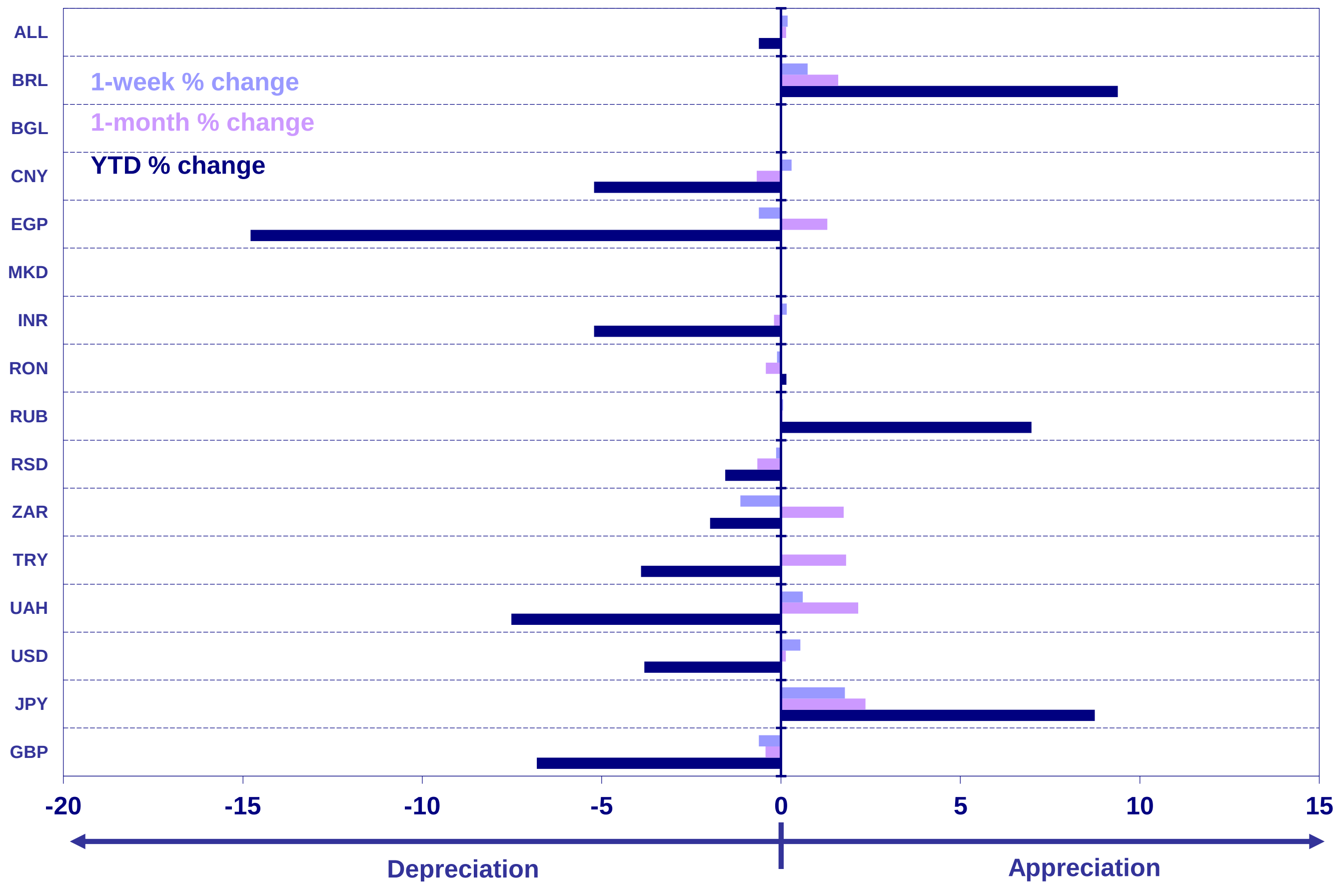
Against the EUR

	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	137.9	0.2	0.1	-0.6	2.1	137.5	139.5	138.3	138.1	136.6	2.0	0.1
Brazil	BRL	3.93	0.7	1.6	9.4	-10.3	3.81	4.55	4.50	4.48	4.45	-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	0.3	-0.7	-5.2	-6.2	6.99	7.52	7.67	7.66	7.65	6.7	10.8
Egypt	EGP	9.96	-0.6	1.3	-14.8	-14.5	8.26	10.23	- - -	- - -	- - -	2.1	10.6
FYROM	MKD	61.3	0.0	0.0	0.0	0.0	61.3	61.3	61.3	61.3	61.3	0.0	0.0
India	INR	75.8	0.2	-0.2	-5.2	-4.8	71.3	77.8	81.4	- - -	- - -	6.6	12.3
Romania	RON	4.51	-0.1	-0.4	0.2	-0.6	4.45	4.56	4.52	4.53	4.56	-0.8	-0.5
Russia	RUB	74.1	0.1	0.0	7.0	-17.0	72.3	93.8	76.1	77.9	81.5	-15.1	-32.8
Serbia	RSD	123.4	-0.1	-0.7	-1.6	-2.5	121.6	123.7	124.1	124.3	- - -	-0.1	-5.6
S. Africa	ZAR	17.1	-1.1	1.7	-2.0	-18.3	16.02	18.58	17.5	17.9	18.7	-16.6	3.0
Turkey	YTL	3.30	0.0	1.8	-3.9	-6.4	3.12	3.39	3.38	3.46	3.63	-10.8	4.4
Ukraine	UAH	28.2	0.6	2.2	-7.5	-14.2	25.06	30.16	34.3	- - -	- - -	-27.5	-40.8
US	USD	1.13	0.5	0.1	-3.8	-0.1	1.1	1.2	1.13	1.14	1.14	11.4	13.6
JAPAN	JPY	120.0	1.8	2.4	8.7	16.0	119.0	132.3	119.8	119.8	119.6	11.0	-0.1
UK	GBP	0.79	-0.6	-0.4	-6.8	-8.6	0.7	0.8	0.80	0.80	0.80	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 13th 2016)



Money Markets, June 13th 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	- - -	10.9	- - -	- - -	0.4	11.5	- - -	10.0	7.5	17.5	- - -	0.4
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	0.4	11.5	2.9	- - -	7.7	- - -	- - -	- - -
S/W	1.5	14.1	0.0	2.3	-0.4	- - -	1.3	- - -	- - -	10.5	2.9	- - -	7.8	18.3	-0.4	0.4
1-Month	1.7	14.1	0.0	2.8	-0.4	- - -	1.8	7.0	0.6	11.2	3.2	10.0	7.7	20.0	-0.4	0.4
2-Month	- - -	14.1	0.1	- - -	-0.3	- - -	- - -	- - -	- - -	11.5	3.3	10.0	7.8	- - -	-0.3	0.5
3-Month	1.8	14.1	0.1	2.9	-0.3	- - -	2.1	7.1	0.7	11.2	3.4	10.1	8.6	21.5	-0.3	0.7
6-Month	1.8	13.8	0.3	3.0	-0.2	- - -	2.4	- - -	1.0	11.2	3.6	10.2	8.7	- - -	-0.2	0.9
1-Year	1.9	13.1	0.8	3.1	0.0	- - -	3.0	- - -	1.2	11.1	- - -	10.3	9.2	- - -	0.0	1.3

Local Debt Markets, June 13th 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	0.9	- - -	- - -	- - -	- - -	12.7	1.5	6.8	- - -	11.4	3.4	8.7	- - -	- - -	-0.6	0.3
6-Month	1.0	- - -	- - -	- - -	- - -	13.5	2.3	6.9	0.7	11.4	3.7	9.1	- - -	- - -	-0.6	0.4
12-Month	1.3	- - -	0.1	2.4	- - -	13.8	2.6	7.0	0.8	9.9	4.3	9.4	- - -	17.50	-0.5	0.5
2-Year	1.6	- - -	- - -	2.6	- - -	- - -	2.0	7.1	0.7	9.3	- - -	9.1	7.8	- - -	-0.5	0.7
3-Year	- - -	- - -	0.5	2.6	2.5	- - -	2.7	7.2	1.9	9.2	- - -	9.1	8.2	- - -	-0.5	0.8
5-Year	- - -	12.5	- - -	2.8	- - -	15.7	2.7	7.4	2.7	9.0	7.0	9.4	8.5	- - -	-0.4	1.1
7-Year	- - -	- - -	1.9	- - -	3.5	17.1	- - -	7.7	3.1	8.8	- - -	- - -	- - -	- - -	-0.3	1.4
10-Year	- - -	12.7	2.5	3.0	3.9	17.3	3.9	7.5	3.6	8.6	- - -	9.6	9.1	- - -	0.0	1.6
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	4.3	7.9	- - -	8.7	- - -	- - -	9.5	- - -	0.2	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	9.8	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	7.9	- - -	- - -	- - -	- - -	9.9	- - -	0.6	2.4

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

Corporate Bonds Summary, June 13th 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	5.1	578	513
	Bulgarian Telecom. 6.625% '18	EUR	B-/B1	15/11/2018	400	5.2	574	542
Cyprus	**Aroundtown Property 3% '21**	EUR	NA/NA	9/12/2021	200	2.4	293	248
Russia	**Gazprom 8.2% '19**	RUB	BB+/NA	9/4/2019	10,000	10.4	102	- - -
	Gazprom 8.9% '21	RUB	BB+/NA	26/1/2021	10,000	10.5	110	- - -
South Africa	**FirstRand Bank Ltd 4.25% '20**	USD	BBB-/Baa2	30/4/2020	500	4.0	289	298
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	1.0	148	112
Turkey	**Vakiflar Bankasi 3.5% '19**	EUR	NA/Baa3	17/6/2019	500	2.9	341	302
	Garanti Bankasi 3.38%'19	EUR	NA/Baa3	8/7/2019	500	2.4	294	257
	Arcelik AS 3.875% '21	EUR	BB+/NA	16/9/2021	350	3.2	385	326
	Turkiye Is Bankasi 6% '22	USD	NA/Ba3	24/10/2022	1,000	5.8	470	456

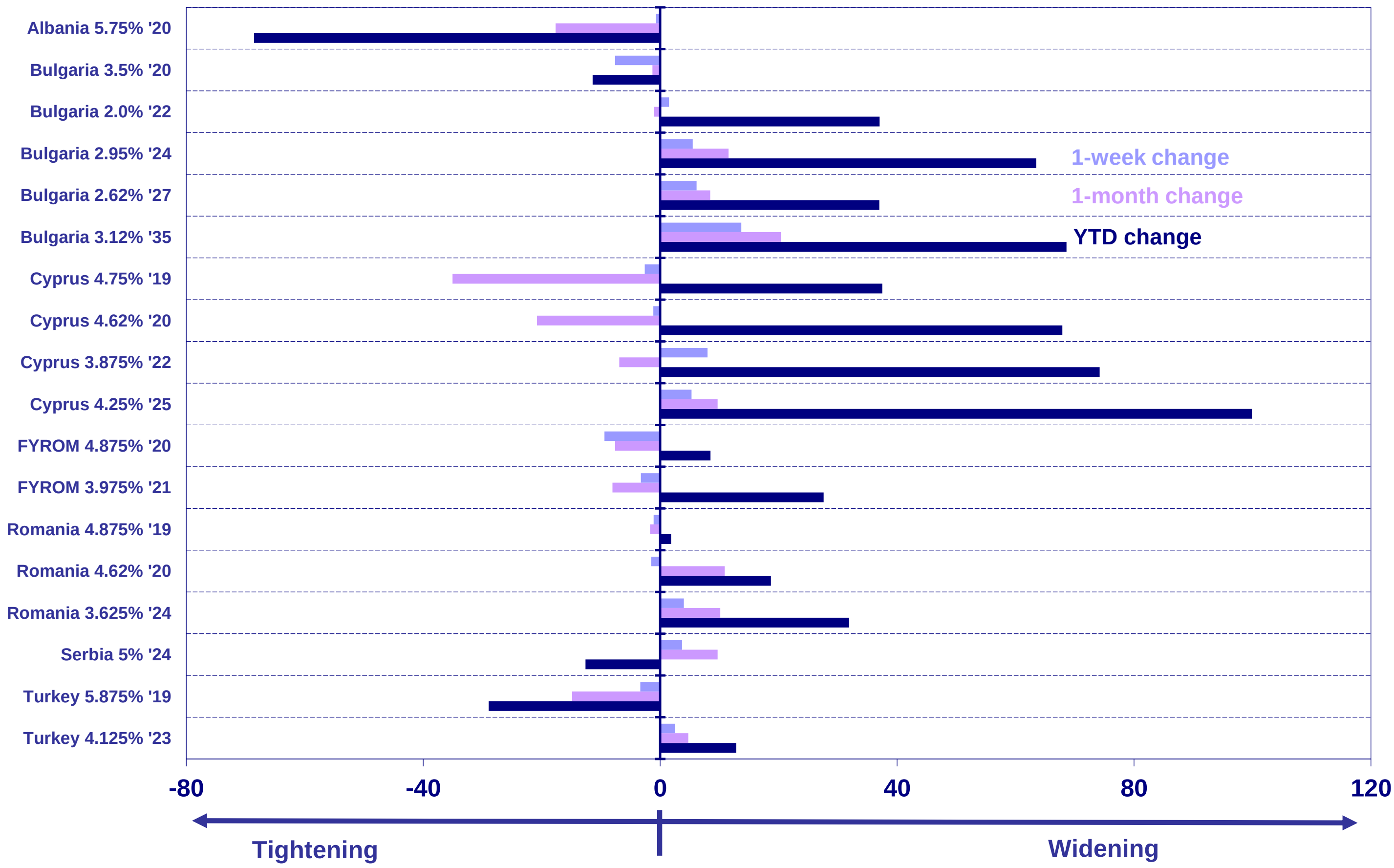
Credit Default Swap Spreads, June 13th 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	345	154	126	- - -	488	- - -	- - -	116	250	253	252	292	- - -
10-Year	- - -	415	199	172	- - -	499	- - -	- - -	157	302	299	307	347	- - -

EUR-DENOMINATED SOVEREIGN EUROBOND SUMMARY, JUNE 13TH 2016

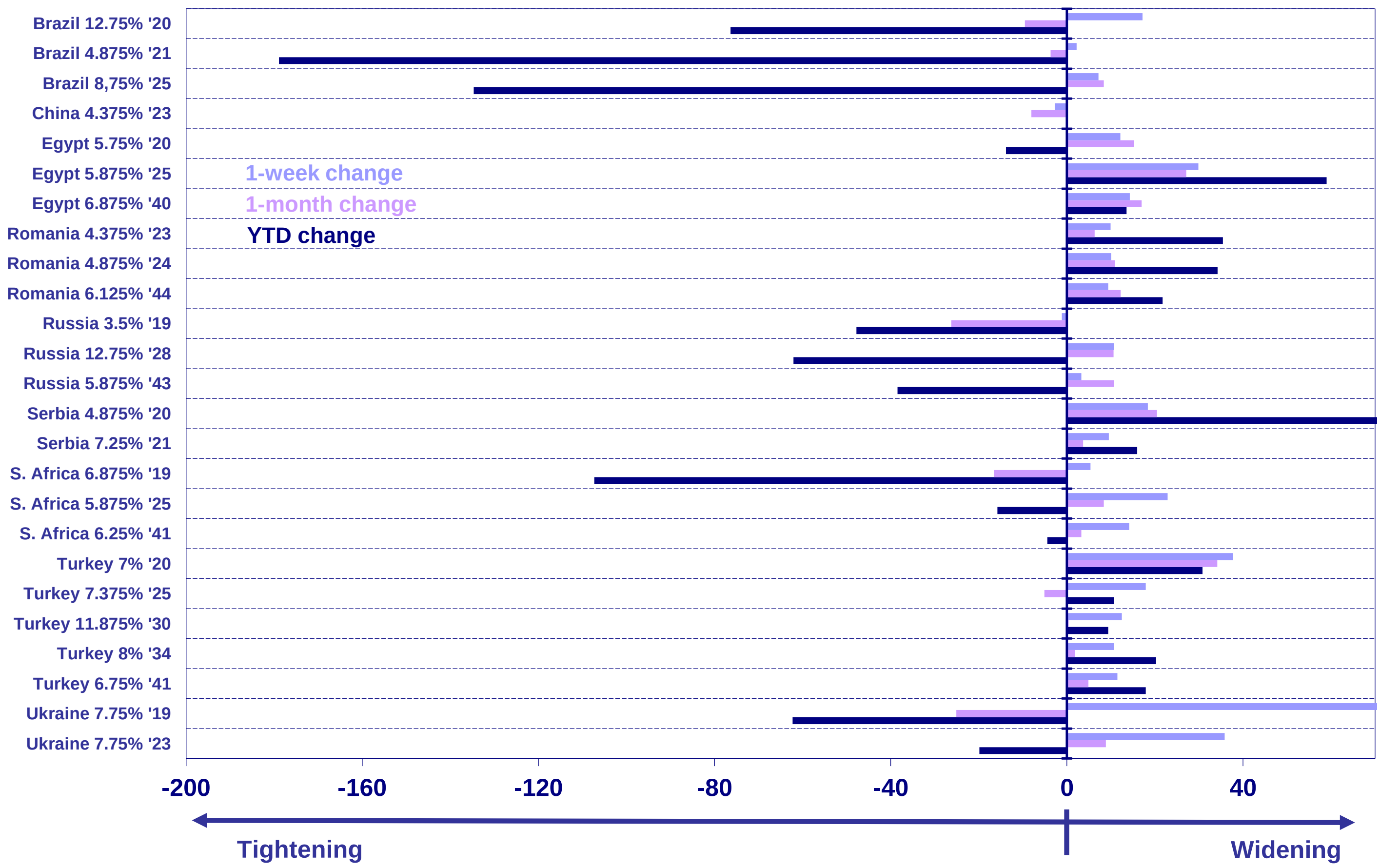
	Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Albania 5.75% '20	EUR	B/B1	12/11/2020	450	4.1	462	430
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	0.8	130	96
Bulgaria 2.0% '22	EUR	BB+/Baa2	26/3/2022	1,250	1.7	205	163
Bulgaria 2.95% '24	EUR	BB+/Baa2	3/9/2024	1,493	2.3	255	207
Bulgaria 2.62% '27	EUR	BB+/Baa2	26/3/2027	1,000	2.6	262	206
Bulgaria 3.12% '35	EUR	BB+/Baa2	26/3/2035	900	3.6	320	256
Cyprus 4.75% '19	EUR	B+/NA	25/6/2019	566	2.5	307	276
Cyprus 4.62% '20	EUR	B+/B3	3/2/2020	770	2.8	333	303
Cyprus 3.875% '22	EUR	NA/B3	6/5/2022	1,000	3.5	389	347
Cyprus 4.25% '25	EUR	NA/B1	4/11/2025	1,000	3.9	393	348
FYROM 4.875% '20	EUR	BB-/NA	1/12/2020	270	4.5	525	458
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	4.6	543	568
Romania 4.875% '19	EUR	BBB-/Baa3	7/11/2019	1,500	0.5	101	66
Romania 4.62% '20	EUR	BBB-/Baa3	18/9/2020	2,000	0.8	133	99
Romania 3.625% '24	EUR	BBB-/Baa3	24/4/2024	1,250	2.1	235	199
Serbia 5% '24	EUR	BB-/NA	11/4/2024	125	3.7	390	358
Turkey 5.875% '19	EUR	NR/Baa3	2/4/2019	1,250	1.5	198	171
Turkey 4.125% '23	EUR	NR/Baa3	11/4/2023	1,000	2.9	321	285

EUR-Denominated Eurobond Spreads (June 13th 2016)



USD-DENOMINATED SOVEREIGN EUROBOND SUMMARY, JUNE 13TH 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	3.8	289	320
Brazil 4.875% '21	USD	BB+/Baa3	22/1/2021	2,988	4.1	300	306
Brazil 8,75% '25	USD	BB+/Baa3	4/2/2025	969	5.4	373	443
China 4.375% '23	USD	AA-/Aa3	2/5/2023	500	3.4	177	216
Egypt 5.75% '20	USD	B-/B3	29/4/2020	1,000	5.6	471	449
Egypt 5.875% '25	USD	B-/B3	11/6/2025	1,500	7.9	631	589
Egypt 6.875% '40	USD	B-/B3	30/4/2040	500	8.4	600	568
Romania 4.375% '23	USD	BBB-/Baa3	22/8/2023	1,500	3.4	196	213
Romania 4.875% '24	USD	BBB-/Baa3	22/1/2024	1,000	3.4	200	218
Romania 6.125% '44	USD	BBB-/Baa3	22/1/2044	1,000	4.6	218	305
Russia 3.5% '19	USD	BB+/Ba1	16/1/2019	1,500	2.6	180	173
Russia 12.75% '28	USD	BB+/Ba1	24/6/2028	2,500	4.8	315	451
Russia 5.875% '43	USD	BB+/Ba1	16/9/2043	1,500	5.1	265	334
Serbia 4.875% '20	USD	BB-/B1	25/2/2020	1,500	4.1	320	305
Serbia 7.25% '21	USD	BB-/B1	28/9/2021	2,000	4.1	296	318
S. Africa 6.875% '19	USD	BBB-/Baa2	27/5/2019	2,000	3.1	221	223
S. Africa 5.875% '25	USD	BBB-/Baa2	16/9/2025	2,000	4.8	313	342
S. Africa 6.25% '41	USD	BBB-/Baa2	8/3/2041	750	5.5	302	374
Turkey 7% '20	USD	NR/Baa3	5/6/2020	2,000	3.5	270	267
Turkey 7.375% '25	USD	NR/Baa3	5/2/2025	3,250	4.5	288	342
Turkey 11.875% '30	USD	NR/Baa3	15/1/2030	1,500	4.8	315	440
Turkey 8% '34	USD	NR/Baa3	14/2/2034	1,500	5.3	368	412
Turkey 6.75% '41	USD	NR/Baa3	14/1/2041	3,000	5.4	301	365
Ukraine 7.75% '19	USD	B-/Caa3	1/9/2019	1,646	9.1	827	784
Ukraine 7.75% '23	USD	B-/Caa3	1/9/2023	1,330	8.9	750	722

USD-Denominated Eurobond Spreads (June 13th 2016)



STOCK MARKETS PERFORMANCE, JUNE 13TH 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)	49,661	-1.5	-4.1	14.6	-6.5	37,046	54,978	26.1	-13.3	-35.3	-2.9	-2.0
Bulgaria (SOFIX)	448	0.9	1.7	-2.7	-8.2	432	462	-2.7	-11.7	-11.7	6.2	6.2
China (SHCOMP)	2,833	-3.4	0.2	-20.7	-44.0	2,638	3,539	-24.3	9.4	16.5	52.9	69.5
Cyprus (CSE GI)	68	-1.4	0.8	1.1	-12.3	64	70	1.1	-20.9	-20.9	-17.0	-17.0
Egypt (HERMES)	696	0.1	1.6	10.5	-7.8	521	716	7.1	-24.4	-25.7	23.5	36.6
F.Y.R.O.M (MBI)	1,776	4.0	1.8	-3.1	8.5	1,699	1,842	-3.1	-0.6	-0.6	6.1	6.1
India (SENSEX)	26,397	-1.4	3.6	1.7	-0.7	22,495	28,578	-2.6	-5.0	0.7	29.9	44.7
Romania (BET-BK)	1,172	-2.8	-1.2	-12.6	-13.7	1,165	1,329	-12.4	2.6	1.6	3.7	3.5
Russia (RTS)	4,283	0.1	2.4	8.1	13.6	3,509	4,393	18.0	30.3	9.5	-6.9	-37.4
Serbia (BELEX-15)	626	1.4	1.0	-0.9	-9.2	570	637	-2.3	-3.4	-3.5	19.5	12.8
South Africa (FTSE/JSE)	52,512	-2.7	1.8	3.4	2.4	45,976	54,704	2.6	1.9	-15.1	7.6	10.9
Turkey (ISE 100)	76,534	-2.6	-1.6	4.6	-3.1	68,230	86,931	1.2	-16.3	-25.4	26.4	32.0
Ukraine (PFTS)	221	-0.5	0.8	-8.2	-37.0	215	256	-14.9	-37.8	-54.8	28.7	-24.2
MSCI EMF	809	-1.7	1.7	2.3	-16.6	687	856	-1.0	-17.0	-7.5	-4.6	8.2
MSCI EAFE	1,610	-4.0	-1.3	-6.8	-13.8	1,492	1,717	-9.8	-3.3	7.7	-7.3	5.8
Greece (ASE-General)	595	-7.0	-4.5	-2.7	-19.5	421	659	-2.7	-23.6	-23.6	-28.9	-28.9
Germany (XETRA DAX)	9,657	-4.6	-3.0	-10.1	-12.1	8,699	10,486	-10.1	-4.9	-4.9	2.7	2.7
UK (FTSE-100)	6,045	-3.6	-1.5	-3.7	-9.9	5,500	6,427	-10.1	-4.9	0.1	-2.7	4.1
Japan (NIKKEI-225)	16,019	-3.4	-2.4	-15.8	-21.4	14,866	18,951	-7.6	9.1	20.2	7.1	7.0
USA (DJ INDUSTRIALS)	17,732	-1.0	1.1	0.7	-0.3	15,370	18,189	-2.5	-2.2	9.3	7.5	22.2
USA (S&P 500)	2,079	-1.4	1.6	0.8	-0.3	1,810	2,133	-2.5	-0.7	10.9	11.4	26.6

Equity Indices (June 13th 2016)