South Eastern Europe and Mediterranean Emerging Market Economies

Weekly Report

NBG - Economic Analysis Division
https://www.nbg.gr/en/the-group/press-office/e-spot/reports

Paul Mylonas, PhD
✉ : pmylonas@nbg.gr

Emerging Markets Research

***Head:* Michael Loufir**
✉ : mloufir@nbg.gr

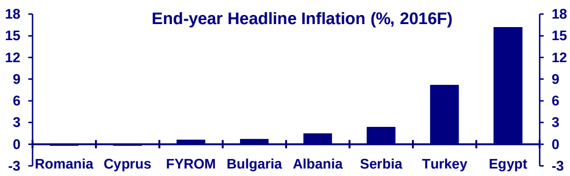
Analysts:

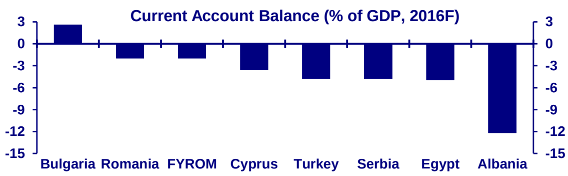
Evlabia Fetsi
✉ : efetsi@nbg.gr

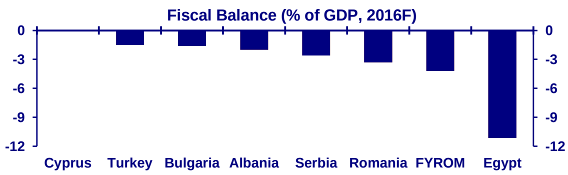
Konstantinos Romanos-Louizos
✉ : romanos.louizos.k@nbg.gr

Louiza Troupi
✉ : troupi.louiza@nbg.gr

Lampousis Athanasios
✉ : lampousis.athanasios@nbg.gr





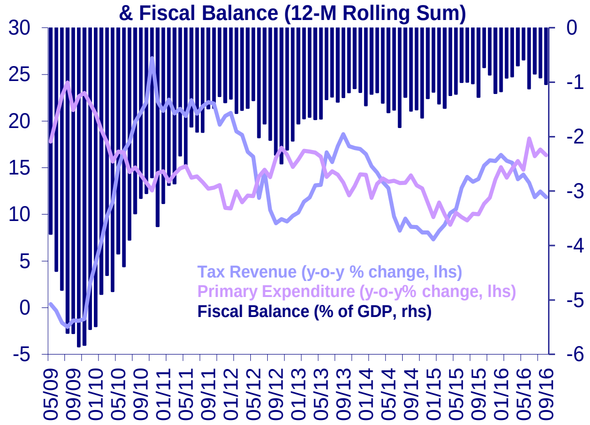


18 – 24 October 2016

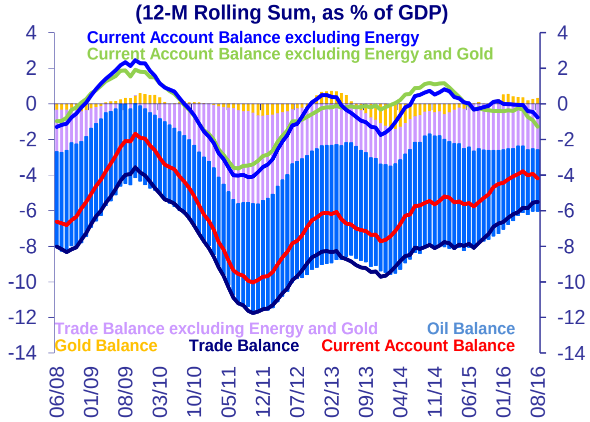
Turkey

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

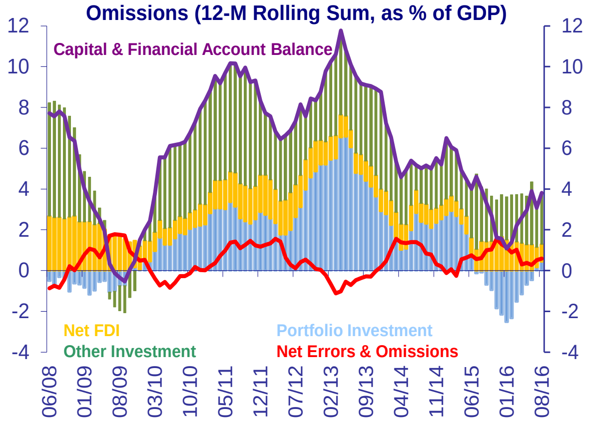
Tax Revenue, Primary Expenditure & Fiscal Balance (12-M Rolling Sum)



Trade and Current Account Balances (12-M Rolling Sum, as % of GDP)



Capital & Financial Account and Errors & Omissions (12-M Rolling Sum, as % of GDP)



	24 Oct.	3-M F	6-M F	12-M F
1-m TRIBOR (%)	8.8	9.2	9.5	9.8
TRY/EUR	3.35	3.36	3.32	3.30
Sov. Spread (2019, bps)	252	250	230	200

	24 Oct.	1-W %	YTD %	2-Y %
ISE 100	79,933	3.2	9.2	0.6

	2013	2014	2015	2016F	2017F
Real GDP Growth (%)	4.2	3.0	4.0	3.2	3.0
Inflation (eop, %)	7.4	8.2	8.8	8.2	7.5
Cur. Acct. Bal. (% GDP)	-7.7	-5.5	-4.5	-4.8	-5.2
Fiscal Bal. (% GDP)	-1.2	-1.3	-1.2	-1.6	-2.2

A looser fiscal stance in sight in Q4:16, to temper the economic slowdown. The primary fiscal balance weakened by 0.3 pps y-o-y to a surplus of 1.4% of GDP in 9M:16, as primary expenditure rose at a faster pace than revenue. At the same time, the overall fiscal balance improved by 0.1 pp y-o-y to a deficit of 0.6% of GDP, on the back of lower interest payments (down 0.4 pps of GDP y-o-y), largely reflecting a sharp decline in funding costs. Moreover, the quality of spending worsened, with cuts in capital spending (down c. 4.0% y-o-y), and a significant rise in primary spending (up 17.1% y-o-y in 9M:16), mainly on the back of strong increases in the wage bill and transfers (to finance the social security deficit). On the other hand, overall revenue increased by a solid 14.2% y-o-y in 9M:16, albeit on the back of large non-tax proceeds (up 35.0% y-o-y, mainly reflecting payments from the past year's privatisation transactions and a sharp rise in transfers of CBRT profits to the Treasury). Indeed, tax revenue rose only moderately by 10.3% y-o-y in 9M:16, reflecting the ongoing slowdown in economic activity.

Looking ahead, we expect both the overall and the primary fiscal balances to deteriorate sharply in Q4:16 (each by 0.5 pps of GDP y-o-y), in line with the forecast of the recently-unveiled new Medium-Term Programme (MTP). This reflects the desire to use fiscal policy to support economic growth. As a result, the FY:16 overall fiscal and primary fiscal balances should be -1.6% and +0.8% of GDP, respectively, and underperform their FY:15 outcomes of -1.2% and +1.6% of GDP. This would imply a fiscal stimulus of c. 0.4 pps of GDP to the economy, on a cyclically-adjusted basis, in FY:16.

The current account deteriorated significantly in August, due to a less favourable energy bill and a sharp decline in tourist receipts. The current account balance deteriorated significantly, by 0.3 pps y-o-y to a deficit of 0.2% of GDP in August, after having improved by a cumulative 0.6 pps of GDP y-o-y in 7M:16. The negative performance resulted mainly from a slower adjustment in the energy balance (in annualized terms, down 0.7 pps of GDP y-o-y in August against a decline of 2.0 pps y-o-y in 7M:16) in line with global oil price developments, and weaker tourist receipts (in annualized terms, down 2.6 pps of GDP y-o-y in August against a decline of 1.0 pp of GDP y-o-y in 7M:16), reflecting the exacerbating crisis in the tourism sector. With the August outcome, the cumulative current account deficit (CAD) declined by 0.3 pps y-o-y to 3.1% of GDP in 8M:16.

On the financing side, despite large capital outflows in the second half of July in the wake of the failed coup, the capital and financial account (CFA) balance improved significantly, by 2.2 pps y-o-y to a surplus of 3.8% of GDP in 8M:16, supported by still strong global risk appetite for emerging markets (VIX eased for a second consecutive month and reached a y-t-d low of 12.4 in August).

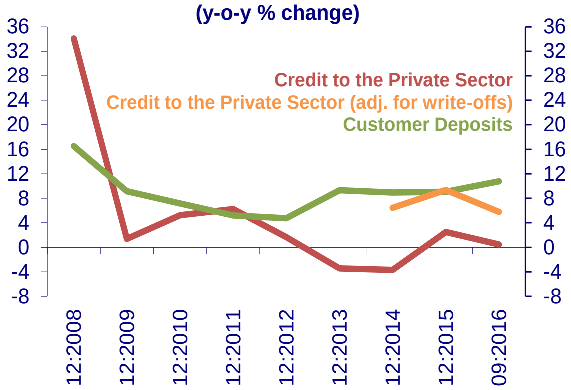
With the CFA surplus more than covering the CAD and positive (net) errors and omissions (0.7% of GDP), the overall balance turned positive in 8M:16 (1.4% of GDP or USD 10.5bn against -0.4% in 8M:15). The latter, along with valuation effects, boosted FX reserves by USD 9.9bn y-t-d to USD 102.8bn at end-August -- c. 5.8 months of imports of GNFS.

Going forward, we expect the current account to more than reverse its 8M:16 gains (0.3 pps of GDP y-o-y) during the rest of the year, as the support from the oil balance will cease and tourist receipts will continue to decline, albeit at a slower pace, following the resumption of Russian charter flights on September 2nd (by another 0.4 pps of GDP y-o-y in 8-12M:16). Overall, we see the 12-month rolling CAD widening to USD 35.0bn (4.8% of GDP) in December from USD 31.0bn (4.2% of GDP) in August and USD 32.2bn (4.5% of GDP) a year ago.

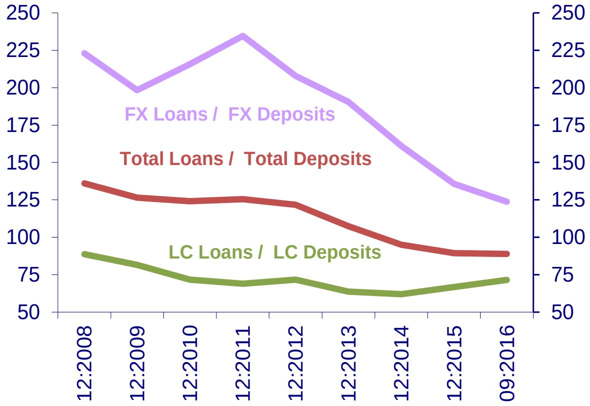
Romania

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

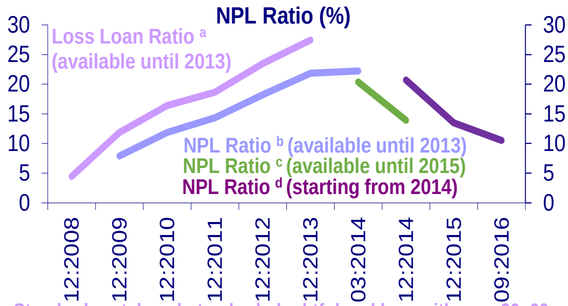
Credit to the Private Sector & Customer Deposits (y-o-y % change)



Loans / Deposits (%)



NPL Ratio (%)



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

	24 Oct.	3-M F	6-M F	12-M F
1-m ROBOR (%)	0.6	0.9	1.2	1.5
RON/EUR	4.50	4.48	4.49	4.50
Sov. Spread (2024, bps)	177	180	170	150

	24 Oct.	1-W %	YTD %	2-Y %
BET-BK	1,312	0.5	-2.2	1.9

	2013	2014	2015	2016F	2017F
Real GDP Growth (%)	3.5	3.0	3.8	5.0	3.5
Inflation (eop, %)	1.6	0.8	-0.9	-0.2	2.0
Cur. Acct. Bal. (% GDP)	-1.1	-0.7	-1.2	-2.6	-3.2
Fiscal Bal. (% GDP)	-2.5	-1.7	-1.5	-3.3	-3.0

Underlying growth in credit to the private sector, albeit strong, showed signs of a slowdown in September, due to weaker demand for corporate credit. Credit to the private sector expanded slightly by 0.5% y-o-y in September against a rise of 2.5% at end-2015. Adjusted for large write-offs and NPL sales, which have pushed down the NPL ratio to an estimated 10.4% in September from its peak of 26.8% in early-2014, the pace of expansion in credit to the private sector eased to a still solid 5.8% y-o-y from 9.4% at end-2015. Specifically, despite the large interest rate differential between LC and FX loans (105 bps), FX lending continued to decline sharply in September (down 12.3% y-o-y following a drop of 9.8% at end-2015), reflecting the NBR's measures to curtail FX lending (affordability tests for unhedged borrowers and higher down-payments on unhedged FX mortgage loans). At the same time, against the backdrop of ample RON liquidity (see below), LC lending continued to increase, albeit at slower pace (up 13.3% y-o-y in September against 18.5% at end-2015). From a segment perspective, retail lending continued to overperform in September (up 6.3% y-o-y against 5.7% at end-2015), supported by mortgage lending (up 16.2% y-o-y in September following a similar increase at end-2015, sustained by the First House state-subsidized programme, FHP), with corporate lending tightening further (down 5.3% y-o-y in September following a decline of 0.6% at end-2015). That latter should be attributed to weaker demand from corporates, reflecting abundant liquidity in the sector (see below).

Deposit growth improves in September, underpinned by strong economic activity. Customer deposits expanded by a strong 10.8% y-o-y in September following a rise of 9.0% at end-2015. Specifically, LC deposits (up 13.6% y-o-y in September against 10.1% at end-2015) continued to grow at a faster pace than FX deposits (up 5.6% y-o-y in September against a rise of 7.0% at end-2015), in line with the positive interest rate differential between LC and FX deposits (30 bps). From a segment perspective, corporate deposits remained the main driver (up 13.5% y-o-y in September following a similar rise at end-2015) with retail deposits growing at a relatively slower pace (up 9.3% y-o-y in September against 6.3% at end-2015). As a result, the gross loan-to-deposit ratio eased to 87.3% in September (c. 78.5% on a net basis) from 89.3% at end-2015, well below its peak of 126.7% in mid-2012.

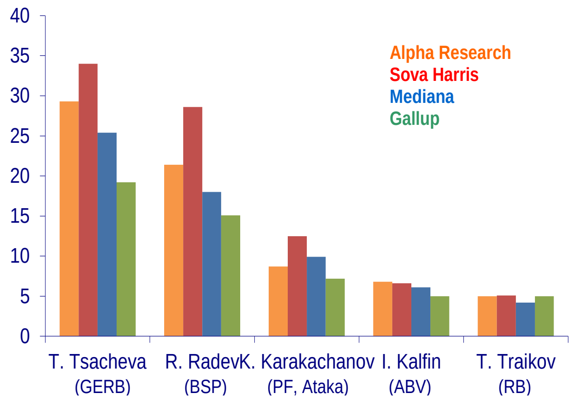
The Debt Settlement Law (DSL) is set to hinder credit activity. The DSL, which allows debtors to settle debts by giving up their property, applies to individuals and for credits up to EUR 250k, but excludes loans granted under the FHP (c. 42% of total mortgage loans). In this context, banks tightened significantly their credit standards, with the majority increasing the down payment required for mortgage loans to 30.0-40.0% of the loan value from 15.0% previously. Recourse to the DSL is still limited, however, due to the high tax cost of transferring a property back to the bank, which is borne by the borrower (to be abolished soon), and the uncertainty surrounding its implementation (the law will be returned to Parliament for revision, as the Constitutional Court ruled it partially unconstitutional on October 25th).

The negative impact of the DSL on mortgage lending should be moderated, however, by the extension of the FHP. Indeed, the Government recently supplemented the FY:16 programme budget (amounting to EUR 500mn or 0.3% of GDP) with EUR 110mn, and plans to extend the programme's duration by 5 years. All said, we see credit to the private sector remaining broadly flat in FY:16 (up 5.0% adjusted for write-offs and NPL sales) and expanding modestly in FY:17 (by 2.0-3.0% or 5.0-7.0% adjusted for write-offs and NPL sales).

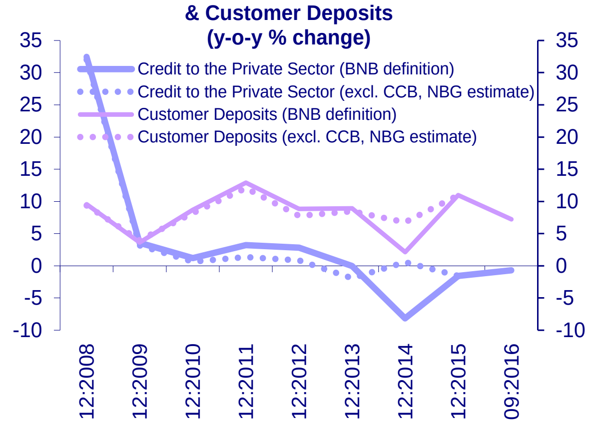
Bulgaria

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

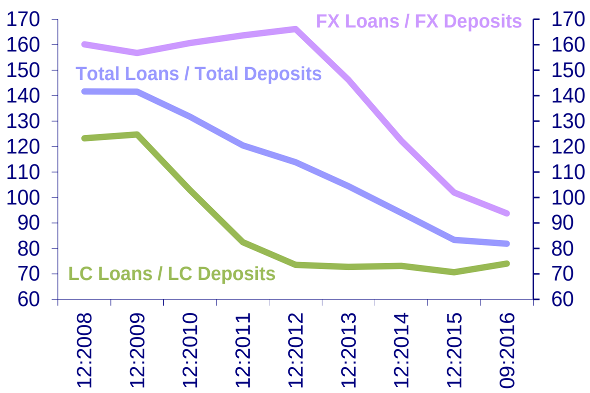
Election Polls (%, October)



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



Loans / Deposits (%)



	24 Oct.	3-M F	6-M F	12-M F
1-m SOFIBOR (%)	0.0	0.1	0.1	0.1
BGN/EUR	1.96	1.96	1.96	1.96
Sov. Spread (2022, bps)	119	128	125	120

	24 Oct.	1-W %	YTD %	2-Y %
SOFIX	512	1.2	11.1	0.1

	2013	2014	2015	2016F	2017F
Real GDP Growth (%)	1.3	1.5	3.0	2.8	2.6
Inflation (eop, %)	-1.6	-0.9	-0.4	0.7	1.4
Cur. Acct. Bal. (% GDP)	1.3	0.1	0.4	2.5	1.3
Fiscal Bal. (% GDP)	-1.8	-3.7	-2.9	-0.4	-0.0

The ruling GERB party candidate, T. Tsacheva, leads presidential election race, but a runoff is almost certain. According to the latest election polls (see chart), T. Tsacheva of the ruling GERB party has a 5-8 pp lead over her main rival, R. Radev of the opposition BSP party, but is far from securing an absolute majority. As a result, a runoff between the two contenders appears almost certain. Note that, although the presidency is mostly a ceremonial post in Bulgaria, the November 6th presidential elections have taken on a wider significance after PM B. Borissov announced that he will resign if the GERB candidate does not win in the first round. Recall that the ruling coalition, led by the centre-right GERB and also comprising the Reformist Block, an alliance of small right-wing parties, has lost its parliamentary majority since May, when the centre-left ABV party withdrew from the Government, and now relies on support from the nationalist Patriotic Front and the Bulgarian Democratic Centre.

Lending activity remains subdued in September, due to tight credit standards and weak loan demand. Credit to the private sector contracted by 0.7% y-o-y in September following a drop of 1.6% at end-2015, marking the 6th consecutive quarter of decline. Specifically, FX lending continued to drop sharply in September (down 11.1% y-o-y following a decline of 11.4% at end-2015), despite the lower interest rates offered (4.0% for FX loans against 6.3% for LC loans) and the absence of FX risk. At the same time, LC lending growth maintained its momentum (up 10.1% y-o-y in September following an expansion of 10.5% at end-2014), on the back of ample BGN liquidity (see below).

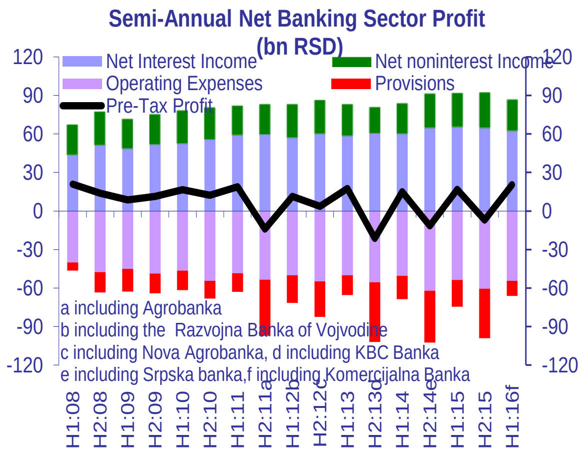
In our view, the sluggish credit activity is due to both tight standards by banks and weak loan demand. According to the latest available data, the NPE ratio stood at 20.5% in June, broadly unchanged compared with the same period a year ago, prompting banks to hold back credit, in view of still uncertain economic and financial conditions. At the same time, loan demand remained subdued, reflecting, *inter alia*, the sizeable debt of the private sector (55.4% of GDP against 32.6% in SEE-4).

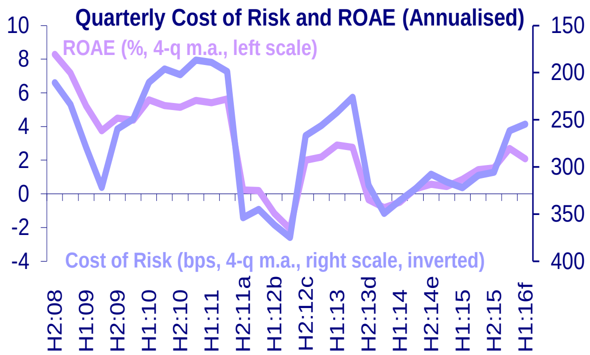
Growth in customer deposits slows in September amid easing competition among banks. Growth in customer deposits moderated to 7.2% y-o-y in September from 11.0% at end-2015. This slowdown can be attributed to the easing competition among banks for deposits. Indeed, time deposit spreads (against respective 1-m money market rates) moderated further in Q3:16 (to -75 bps and -100 bps for LC and FX deposits, respectively, from -100 bps and -120 bps in Q3:15). In this context, LC deposits continued to overperform in September (up 11.8% y-o-y against 14.4% at end-2015), in line with the higher rates offered (0.8% for LC time deposits versus 0.6% for FX time deposits), with FX deposits growing at a slower pace (up 1.0% y-o-y in September against 6.3% at end-2015). As a result, the gross loan-to-deposit ratio for the banking system eased to 81.9% in September (c. 75.0% on a net basis) from 83.3% at end-2015, well below its record-high of 146.7% in mid-2009. Importantly, the loan-to-deposit ratio in the FX segment fell further below the 100% threshold in September (93.7%).

Credit activity is set to improve slowly in 2016-17. Looking ahead, credit activity should be supported by: i) the continuing, albeit modest, economic recovery; and ii) easing credit standards, in view of the decline in NPEs from their current peak. At the same time, the increased transparency in the aftermath of this year's AQR should encourage banks to increase lending, as should the introduction of negative interest rates on excess reserves by the BNB. All said, we expect credit to the private sector to expand by 1.0% in FY:16 and 4.0% in FY:17, still below deposit growth (up 7.0% in FY:16 and 5.0% in FY:17).

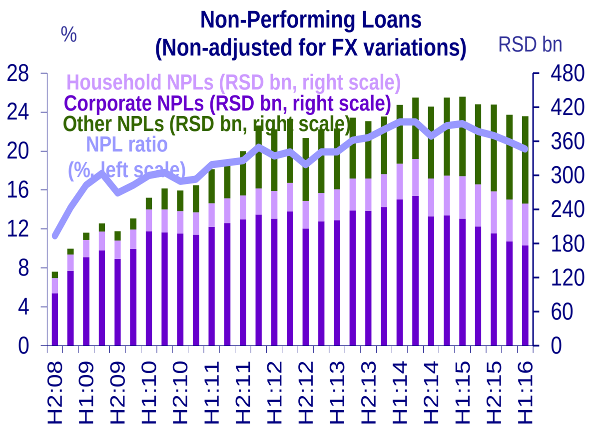
Serbia

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





a including Agrobanka, b including Razvojna Banka Vojvodine,
c including Nova Agrobanka, d including KBC Banka,
e including Srpska banka, f including Komercijalna Banka



	24 Oct.	3-M F	6-M F	12-M F
1-m BELIBOR (%)	3.3	3.4	3.5	3.8
RSD/EUR	123.1	125.1	125.4	125.7
Sov. Spread (2021, bps)	262	230	220	180

	24 Oct.	1-W %	YTD %	2-Y %
BELEX-15	673	5.1	6.7	-4.0

	2013	2014	2015	2016F	2017F
Real GDP Growth (%)	2.6	-1.8	0.7	2.5	2.7
Inflation (eop, %)	2.2	1.7	1.5	1.8	2.2
Cur. Acct. Bal. (% GDP)	-6.1	-6.0	-4.8	-4.8	-5.0
Fiscal Bal. (% GDP)	-5.5	-6.6	-3.8	-2.0	-2.0

The profitability of the banking system improved in H1:16. Pre-tax profits in the banking sector rose by 20.9% y-o-y to a record high RSD 20.4bn (0.5% of GDP) in H1:16 on the back of a sharp fall in provisioning. As a result, cumulative (and annualised) ROAE and ROAA rose to highs of 6.5% and 1.3%, respectively, in H1:16 from 5.4% and 1.1% in H1:15, and 1.6% and 0.3% in FY:15.

The cost of risk fell sharply in H1:16, reflecting improving asset quality. P/L provisions recorded a sharp decline in H1:16 (almost half of their level in H1:15), absorbing a mere ⅓ of net operating income in H1:16 compared with a sizeable 56% in H1:15 and 86% in FY:15. Reflecting lower formation, as well as write-offs, restructuring and sales, the NPL ratio declined by 2.6 pps y-o-y in H1:16 to a 3-year low of 20.2% of total gross loans from a peak of 23.0% in Q3:14. As a result, the cost of risk declined (by 101 bps y-o-y) to 119 bps (cumulative and annualised) in H1:16 from 306 bps in FY:15.

It is important to note that banking sector provisions declined sharply in H1:16 despite sizeable provisions in Serbia's second largest bank, the state-owned Komercijalna Banka (amounting to RSD 6.2bn in H1:16, or more than ½ of total banking sector provisions in H1:16), ahead of its privatisation, expected by end-2017.

Furthermore, capital buffers remained high, with the CAR standing at 21.6% in H1:16.

Pre-provision earnings deteriorated slightly in H1:16, mainly due to lower net interest income (NII). Pre-provision income (PPI) declined by 14.9% y-o-y in H1:16 -- for the first time since H2:13 -- dragged down by a drop in both NII and net non-interest income (NNII).

Indeed, NII (accounting for a sizeable 89.5% of gross operating income) declined by 4.5% y-o-y in H1:16 -- following 3 years of increase -- as higher average interest earning assets (up 3.8% y-o-y in H1:16) was more than offset by the compression in the NIM (down by 36 bps y-o-y to 416 bps annualised in H1:16, below the FY:15 outcome of 445 bps). The decline in the NIM is estimated to have been driven by the drop in the non-core NIM, in line with the fall in T-bill rates (with the 12-month T-bill rate declining by 3.9 pps y-o-y to a record low of 4.0% in H1:16).

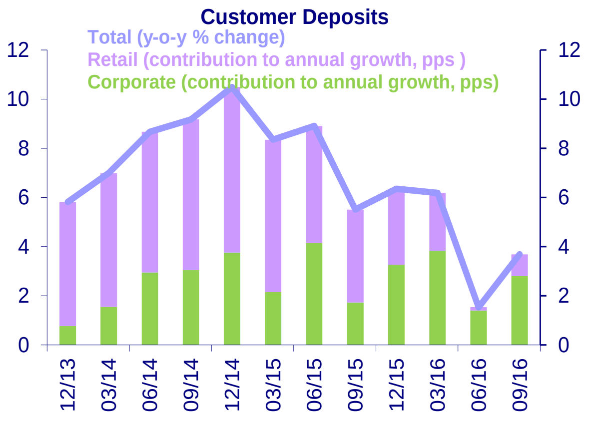
On the other hand, operating expenses increased by just 1.5% y-o-y in H1:16 (including a 2.1% y-o-y increase in personnel costs). As a result, banking sector efficiency deteriorated, with the cost-to-income ratio rising by 4.2 pps y-o-y to a high 62.8% in H1:16, slightly above the FY:15 outcome of 62.2%.

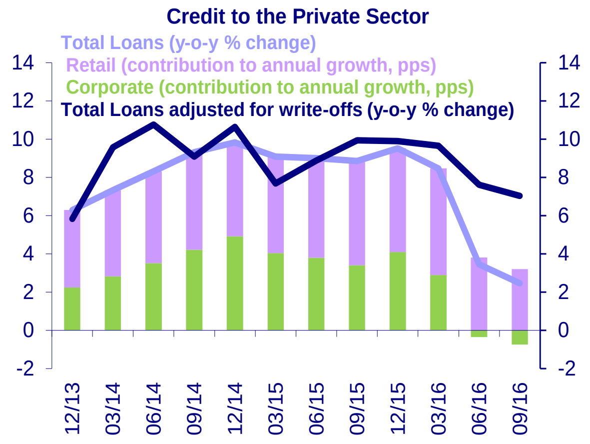
The banking sector bottom line is set to strengthen further in H2:16. Profitability is set to improve on an annual basis in H2:16, with the ROAE rising to an estimated 2.4% from 0.8% in H2:15. Profitability in H2:16 is expected to be supported by lower provisioning, mainly reflecting large pre-emptive provisions in Q4:15 in the aftermath of the asset quality Special Diagnostic Studies of banks' portfolios that prompted the reclassification of certain loans as NPLs. The large provisioning in Q4:51 increased the provision coverage (according to IFRS standards) to 62.3% at end-2015 from 54.9% a year earlier. Lower provisioning should also be driven by the continued improvement in the NPL ratio, supported by the rebound in activity (we expect real GDP growth to rise to 2.5% this year from 0.7% in FY:15) and the recent cleaning-up of the banking sector's balance sheet. The PPI will also be underpinned by the rebound in credit activity.

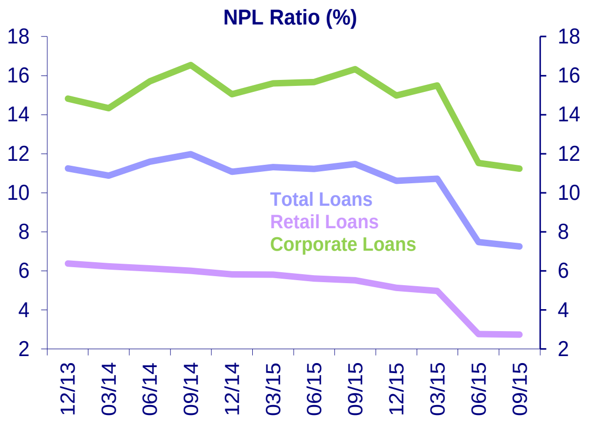
Overall, we see ROAE reaching a 5-year high 4.5% in FY:16 -- above the FY:15 outcome of 1.6%, yet still below the pre-crisis high of 9.7% in FY:06.

F.Y.R.O.M.

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







	24 Oct.	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)	399	390	380	350

	24 Oct.	1-W %	YTD %	2-Y %
MBI 100	2,034	2,2	10,9	10,7

	2013	2014	2015	2016F	2017F
Real GDP Growth (%)	2.7	3.5	3.7	2.4	3.6
Inflation (eop. %)	1.4	-0.5	-0.3	0.6	1.3
Cur. Acct. Bal. (% GDP)	-1.6	-0.5	-2.1	-2.4	-2.8
Fiscal Bal. (% GDP)	-3.8	-4.2	-3.5	-4.0	-3.2

Customer deposits accelerated in Q3:16, reflecting the gradual return of confidence, following the agreement to hold legislative elections in December. Growth in customer deposits picked up to 3.7% y-o-y in September after having slowed to a seven year low of 1.5% y-o-y in June (from 6.2 y-o-y in March), on the back of large deposit withdrawals, following rumours of a sharp devaluation of the MKD amid an exacerbating domestic political crisis in Q2:16. Indeed, street protests intensified and the main opposition party, the SDSM, announced a boycott of the June 5th elections (initially scheduled for April 24th), due to the violation of the terms the EU-brokered Przino agreement, set to end months of political impasse. Specifically, the Przino accord stipulated the appointment of a special prosecutor to investigate a wiretapping scandal, as well as the holding of early elections on June 5th. However, President G. Ivanov pardoned prominent politicians alleged to be involved in the wiretapping affair, including former PM N. Gruevski. Furthermore, Parliamentary Speaker, T. Veljanovski, called for early parliamentary elections (for June 5th) before the completion of two conditions to ensure fair elections (i.e., media reform, to reduce government influence, and the conduct of a thorough review of the electoral roll).

The rebound in deposit growth in Q3:16 reflects the gradual restoration of depositor confidence following the resolution of the political crisis. Indeed, the main political parties signed an agreement in August to hold general elections (already postponed twice) on December 11th (15 months ahead of schedule). The agreement followed the cancellation by Parliament of the June 5th elections and the revocation of the disputed pardons by President Ivanov.

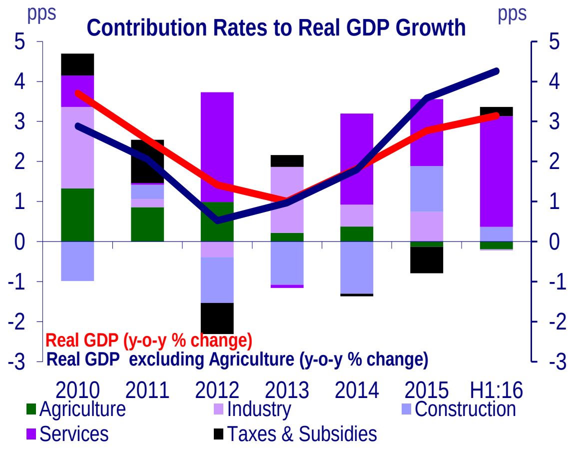
The slowdown in lending activity moderated markedly in Q3:16, on the back of improving loan demand and supply. Growth in credit activity eased to a 6½ year low of 2.5% y-o-y in September from 3.5% in June and 8.5% y-o-y in March. The softer slowdown in Q3:16 compared with Q2:16 was due to both improving loan demand and supply. Indeed, loan demand has been positively affected by the improving political and economic outlook, in view of the agreement on legislative elections on December 11th. On the other hand, banks eased slightly their tight credit conditions, due to a sharp decline in NPL formation and improved economic prospects.

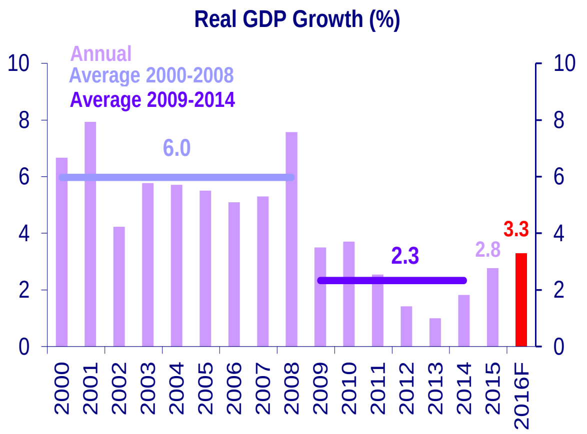
Note that the NPL ratio (comprising loan balances 90 dpd) declined further, by 0.2 pps q-o-q to a 6-year low of 7.3% at end-Q3:16 -- the lowest in SEE-5 – following a sharp drop of 3.2 pps q-o-q at end-Q2:16. The latter was supported by a central bank regulation, issued last December, obliging banks to write off their fully-provisioned loans held in "loss" category for more than two years within H1:16. Importantly, the annual decline in the overall NPL ratio in September (down 4.2 pps y-o-y) was largely driven by the corporate segment. Indeed, non-performing corporate loans declined by 26.6% y-o-y compared with a broadly flat performance in overall corporate loans (-1.3% y-o-y), resulting in a decrease in the non-performing corporate loan ratio by 510 bps y-o-y to 11.2%. On the other hand, non-performing retail loans declined by 46.4% y-o-y compared with a rise of 7.2% in overall retail loans, bringing the non-performing retail loan ratio to 2.7% in Q2:16 from 5.6% a year earlier.

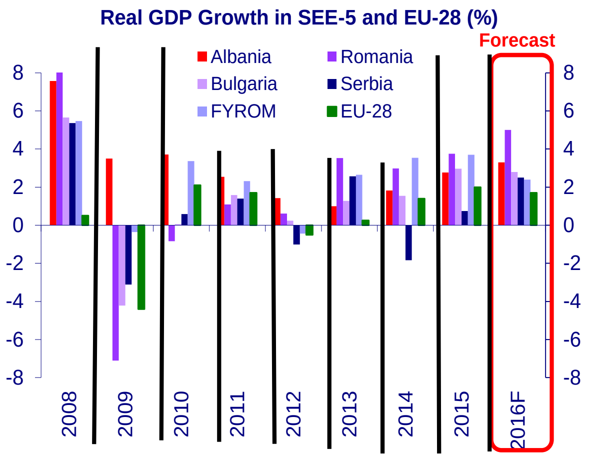
Equally important, the slowdown in credit activity, adjusted for write-offs, was far milder, especially in Q2:16, when the bulk of write-offs was carried out. Adjusted for write-offs, overall lending growth declined from 9.7% y-o-y in March to 7.6% in June and 7.0% in September.

Albania

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







	24 Oct.	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	1.6	2.2	2.2	2.2
ALL/EUR	136.1	138.5	138.7	139.0
Sov. Spread (bps)	371	340	320	300

	24 Oct.	1-W %	YTD %	2-Y %
Stock Market	- - -	- - -	- - -	- - -

	2013	2014	2015	2016F	2017F
Real GDP Growth (%)	1.0	1.8	2.8	3.3	3.7
Inflation (eop, %)	1.9	0.7	2.0	1.8	2.4
Cur. Acct. Bal. (% GDP)	-10.9	-12.9	-10.7	-12.5	-13.0
Fiscal Bal. (% GDP)	-5.0	-5.2	-3.6	-2.0	-2.0

Economic growth strengthened to 3.1% y-o-y in H1:16 from 2.8% in H2:15 and 2.7% in H1:15. The improvement reflects the surge in the services sector that was, however, partly offset by the deterioration in oil sector output.

In fact, activity in the services sector accelerated by 6.3% y-o-y in H1:16 from 3.6% in FY:15 (contributing 2.8 pps to GDP growth in H1:16 compared with 1.7 pps in FY:15), due to a rebound in private consumption. The latter increased by 2.8% y-o-y in H1:16 after a drop of 0.4% in FY:15 (recall that private consumption posted negative growth in FY:15, reflecting the compulsory payment of electricity bills in H1:15, following the implementation of the power sector reform, and lower remittances from Greece in H2:15). The rebound in private consumption is also attributed to low inflation (just 0.7% y-o-y on average in H1:16 against 2.0% in FY:16), as well as the continued improvement in the labour market (with the unemployment rate falling to 16.4% in H1:16 from 17.5% in FY:15 and 17.9% in FY:14).

The expansion in activity in H1:16 was, however, held back by the stagnation of industrial output (down 0.2% y-o-y in H1:16 against a strong rise of 5.7% in FY:15. It made zero contribution to GDP growth in H1:16 after contributing 0.7 pps in FY:15, largely due to a sharp drop in production in the extraction industry -- especially the oil industry, a key growth driver since 2010. In fact, average crude oil production of Bankers Petroleum -- that extracts the bulk of Albania's oil -- fell by 16.4% y-o-y in H1:16 following a decline of 5.5% in FY:15, due to lower demand for low-quality and high-cost Albanian oil and a sharp fall in global oil prices (subtracting an estimated 0.8 pps from overall real GDP growth in H1:16 and 0.3 pps in FY:15, after contributing an average 0.6 pps per year to real GDP growth in 2010-14). The poor industrial sector performance in H1:16 is also attributed to an estimated slowdown in electricity production. Note that electricity generation, albeit remaining positive, slowed to 8.2% y-o-y in H1:16 following a surge of 24.1% in FY:15, supported by recurrent floods in FY:15. As a result, electricity production contributed an estimated 0.1 pp to GDP growth in H1:16 against 0.3 pps in FY:15.

Moreover, agricultural sector growth remained negative (subtracting 0.9 pps from real GDP growth in H1:16 against 0.7 pps in FY:15). Excluding agriculture, activity accelerated at a faster pace, up 4.3% in H1:16 from 3.6% in FY:15.

Economic growth is set to reach a 6-year high of 3.3% in FY:16, despite strong external headwinds. Despite an adverse external environment, we expect activity to strengthen further, to 3.3% y-o-y in H2:16 from 3.1% y-o-y in H1:16, supported by: i) the intensification in construction of two major energy projects, i.e., the Trans-Adriatic natural gas pipeline (TAP) and the two Statkraft/Devoll hydropower plants; and ii) improved confidence in the domestic economy on the back of large external financial support and EU membership prospects. Overall, we see Albania experiencing the second largest FY:16 real GDP growth in SEE-5 (after Romania) -- 3.3%, up from our initial forecast of 3.1% and the FY:15 outcome of 2.8%.

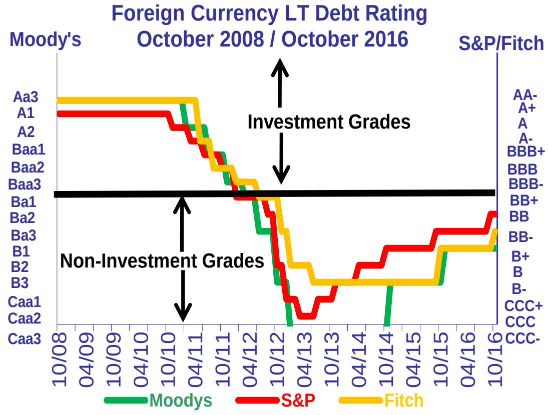
Note that, despite its acceleration this year, Albania's real GDP growth will remain below its potential of 4.0% and the pre-crisis pace (a CAGR of 6.0% in 2000-08, see chart).

Growth is set to gather pace in 2017, reaching 3.7%, supported by the rebound in credit, the recovery in main trading partners, structural reforms in view of the start of EU accession talks, as well as the expected recovery in oil production following the acquisition of the Canadian-based oil company, Bankers Petroleum, by China's Geo-Jade Petroleum Corporation at end-September.

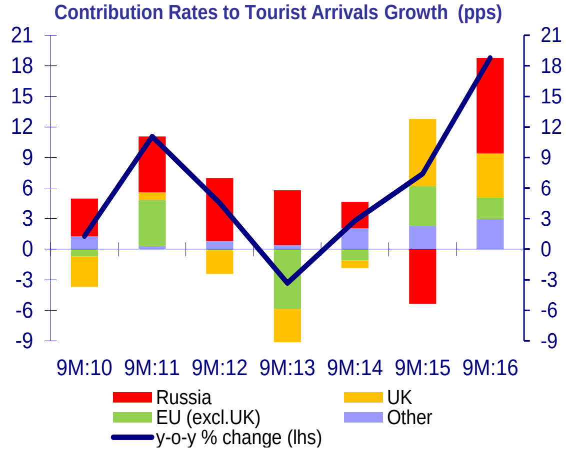
Cyprus

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

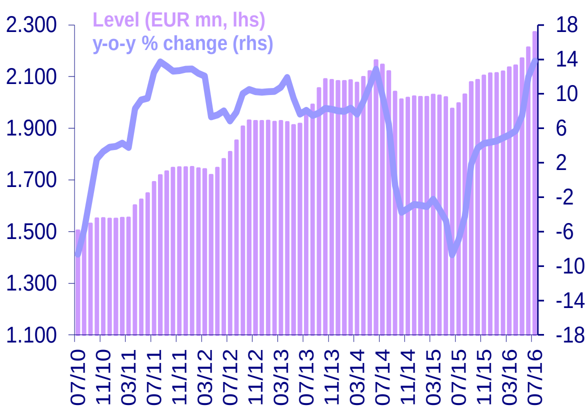
**Foreign Currency LT Debt Rating
October 2008 / October 2016**



Contribution Rates to Tourist Arrivals Growth (pps)



Tourist Receipts (12-M Rolling Sum)



	24 Oct.	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.37	-0.37	-0.37	-0.37
EUR/USD	1.09	1.09	1.08	1.05
Sov. Spread (2020. bps)	276	260	250	230

	24 Oct.	1-W %	YTD %	2-Y %
CSE Index	66	-2.0	-3.0	-41.0

	2013	2014	2015	2016F	2017F
Real GDP Growth (%)	-6.0	-1.5	1.7	2.6	2.2
Inflation (eop. %)	-2.3	-1.5	-1.2	-0.2	1.0
Cur. Acct. Bal. (% GDP)	-4.9	-4.3	-2.9	-4.0	-4.3
Fiscal Bal. (% GDP)	-4.7	-0.2	0.0	0.0	0.2

Fitch upgraded Cyprus' long-term sovereign debt rating by one notch to BB-, with a positive outlook. On October 22nd, Fitch upgraded the long-term sovereign debt rating by one notch to BB- (three notches below investment grade). The move was motivated by the fact that the island is "*continuing to make strong progress in its adjustment*" after its exit from its financial assistance programme in March.

The agency: i) revised up real GDP growth for 2016 to 2.9% from 1.9% previously, and foresees real GDP CAGR of 2.5% in 2017-18; ii) expects the fiscal performance to remain close to balance, although the 2017 budget includes tax relief measures are expected to widen the deficit to 0.6% of GDP in 2017 from 0.3% of GDP in 2016; and iii) sees public debt declining gradually to just over 100% of GDP in 2018 from a peak of 108.9% of GDP in 2015.

The agency underlined that the banking sector is gradually strengthening, in view of the broadening of the deposit base and the stabilsation of the capital base. It also pointed out that the necessary deleveraging is ongoing, with overall banking sector assets down to 3.7 times GDP in June 2016 from almost 6 times in 2009. However, according to the agency, banks remain fundamentally weak and pose a risk to economic and financial stability, as the ratio of non-performing exposures (NPEs) to total loans rose to 48% in August -- the highest of all Fitch-rated sovereigns -- from 45% at end-2015, despite a decrease in the stock of NPEs.

Fitch also maintained the country's positive outlook, suggesting a further rating upgrade in the next 12 months. The latter will hinge, *inter alia,* on: i) sustained economic growth; ii) a reduction in private sector leverage; iii) sustained access to capital markets at favourable terms; iv) a decline in the government debt-to-GDP ratio; and v) an improvement in bank asset quality. Note that Fitch currently rates Cyprus one notch below S&P (BB) and one notch above Moody's (B1).

Tourist arrivals rose sharply in 9M:16, benefiting mainly from heightening security concerns in Turkey and Egypt. Tourist arrivals rose by a sizeable 18.8% y-o-y to a high of 2.6mn in 9M:16, following a rise of 8.9% to 2.7mn in FY:15. This strong performance was mainly driven by Russia, the second largest source country (c. 20% of total arrivals in FY:15) and the UK, the main source country (c. 39% of total arrivals in FY:15) – up 44.5% y-o-y and 11.1% y-o-y, respectively, in 9M:16, and contributing 9.4 pps and 4.3 pps to the overall annual rise in the corresponding period. The sharp increase in Russian and British tourists reflects heightening security concerns in neighbouring competitors – Turkey and Egypt – following a series of terrorist attacks since late-October 2015.

Tourist arrivals for 2016 are expected to exceed their record high of 2.7mn set in 2001. Looking ahead, in view of the y-t-d performance and recent trends, we expect the positive momentum in tourist arrivals to continue during the remainder of the year, mainly on the back of continued gains from persisting security concerns in neighbouring countries – Turkey and Egypt. Indeed, despite the recent normalization of Russian-Turkish relations, the return of Russian tourists to Turkey is expected to be slow. Furthermore, the impact from the Brexit vote is expected to be minimal in 2016, as evidenced by advance bookings from the UK – albeit it is an important concern for 2017. All said, we foresee growth in tourist arrivals accelerating to around 18% in FY:16 from 8.95 in FY:15.

With tourism accounting for roughly 19.0% of GDP, we see real GDP growth accelerating to 2.6% in FY:16 from 1.7% in 2015. Moreover, with tourism accounting for c. 20.0% of employment, we see unemployment declining to 11.2% in FY:16 from 15.0% in FY:15.

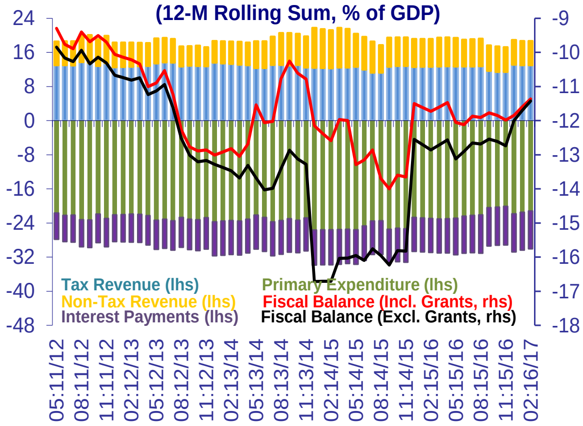
Egypt

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

Fiscal Accounts (% of GDP)					
	2015/16 Estimate	2M: 2015/16 Outcome	2M: 2016/17 Outcome	2016/17 Budget	NBG 2016/17 Forecast
Revenue	19.0	1.7	1.5	20.4	19.2
Tax Revenue	13.1	1.3	1.2	13.2	13.2
Income Tax	5.4	0.3	0.3	4.6	4.6
Personal Income	1.6	0.2	0.2	1.7	1.7
Corporate Income	3.8	0.2	0.1	2.9	2.9
Property Taxes	1.0	0.1	0.2	1.1	1.1
Taxes on G. & S.	5.2	0.7	0.6	6.1	6.1
Taxes on Int. Trade	1.1	0.1	0.1	0.9	0.9
Other Taxes	0.4	0.0	0.0	0.5	0.5
Grants	0.2	0.1	0.0	0.1	0.1
Other Revenue	5.7	0.3	0.3	7.1	5.9
Expenditure	30.8	4.2	3.6	30.2	31.2
Wages & Salaries	7.7	1.2	1.1	7.0	7.0
Purch. of G. & S.	1.3	0.1	0.1	1.3	1.3
Interest Payments	8.9	1.3	1.3	8.9	9.3
Subsidies. grants & social benefits	7.7	1.0	0.6	6.3	6.9
Other Expenditure	5.1	0.6	0.5	6.7	6.7
Fiscal Balance	-11.8	-2.5	-2.1	-9.8	-12.0
Primary Balance	-2.9	-1.2	-0.8	-0.8	-2.7
Fiscal Balance *	-11.9	-2.6	-2.1	-9.8	-12.1
Primary Balance *	-3.0	-1.3	-0.8	-0.9	-2.8

*: Excluding grants

Revenue, Expenditure & Fiscal Balance (12-M Rolling Sum, % of GDP)



	24 Oct.	3-M F	6-M F	12-M F
O/N Interbank Rate (%)	11.9	13.8	12.8	11.5
EGP/USD	8.88	10.5	10.5	11.5
Sov. Spread (2020. bps)	405	350	300	220

	24 Oct.	1-W %	YTD %	2-Y %
HERMES 100	723	-1.0	14.8	-14.0

	12/13	13/14	14/15	15/16E	16/17F
Real GDP Growth (%)	2.1	2.2	4.2	3.8	3.5
Inflation (eop. %)	9.8	8.2	11.4	14.0	16.0
Cur. Acct. Bal. (% GDP)	-2.4	-0.8	-3.7	-5.5	-4.0
Fiscal Bal. (% GDP)	-13.0	-12.2	-11.5	-11.8	-12.0

The fiscal deficit of central government narrowed significantly in the first two months of the fiscal year (July-August 2016), mainly due to payment deferrals to Egypt's state buyer of subsidised basic commodities (GASC). The fiscal deficit narrowed by 0.4 pps y-o-y to 2.1% of GDP in 2M:16/17 (July-August 2016), as expenditure (down 0.6 pps of GDP y-o-y) declined at a faster pace than revenue (down 0.2 pps of GDP y-o-y). Specifically, the decline in expenditure was driven by the deferral of payments to GASC (c. 0.4 pps of GDP y-o-y) and, to a lesser extent, lower capital expenditure and a lower wage bill (each down 0.1 pp of GDP y-o-y). The favourable wage bill was the result of the implementation of the new civil service law, which: i) sets transparent rules for vacancies and applicants; ii) increases the proportion of basic salaries to 80% of overall wages; iii) bases bonuses and promotions on performance rather than seniority; and iv) cuts annual bonuses by 2.5 pps to 7.5%. On the other hand, the poor revenue performance reflects weaker taxes on goods & services and lower grants from Gulf countries (each down by 0.1 pp of GDP y-o-y). Importantly, the negative trend in taxes on goods & services was likely reversed in September, following the entry into force of the long-delayed VAT of 13% on September 9th. The new VAT replaces complex sales taxes. As a result, the 12-month rolling fiscal deficit narrowed to 11.4% of GDP in August from an estimated 11.8% in June (end-2015/16) -- still well above the FY:16/17 target of 9.8%.

The FY:16/17 fiscal deficit will surpass not only its target of 9.8% of GDP, but also the past year's estimated outcome of 11.8% of GDP, in the absence of additional corrective measures. The 2016/17 Budget envisages a fiscal tightening, targeting a deficit of 9.8% of GDP compared with the estimated FY:15/16 outcome of 11.8%. However, it is expected that the fiscal deficit target is set to be missed by a wide margin in view of: i) unrealistic 2016/17 Budget assumptions; ii) the negative impact on interest payments and subsidies from the widely-anticipated sharp devaluation of the domestic currency; and iii) large increases in fuel prices in the coming weeks. Recall that both the reduction in energy subsidies (through price increases) and the move towards a more flexible exchange rate policy focused on achieving a market-clearing rate, are preconditions for the approval of the much-needed USD 12bn 3-year extended fund facility (EEF) by the IMF Executive Board. We expect the CBE to devalue the domestic currency sharply by c. 20.0% to EGP 11.0 per USD, in a bid to eliminate the flourishing parallel foreign exchange market, where the USD was traded at around EGP 13.0 at end-September against EGP 8.88 in the official market. We also see the Government increasing prices of fuel and gas by 20%-40%. We estimate the additional burden of these moves at 1.0 pp of GDP.

On the revenue side, the budgeted increase in tax revenue (up 19.0% versus the estimated FY:15/16 outcome) appears realistic, in view of the projected nominal GDP growth (c. 16.0%) and the introduction of the new VAT. However, the envisaged rise in non-tax revenue (up 48.0% versus the estimated FY:15/16 outcome), which is set to result from an unspecified source, appears overly optimistic. Note that this growth target was envisaged in the 2015/16 Budget and missed by a large margin (an estimated FY:15/16 outcome of 6.0% y-o-y). That said, we expect a revenue shortfall of 1.2 pps of GDP.

Overall, without additional corrective measures, including a significant downward revision of the budgeted increase in capital spending (up 1.6 pps of GDP y-o-y), we see the FY:16/17 fiscal deficit at 12.0% of GDP, exceeding not only its target of 9.8% of GDP, but also the estimated FY:15/16 outcome of 11.8% of GDP. Excluding grants, the FY:16/17 fiscal deficit is set to widen to 12.1% of GDP from 11.9% in FY:15/16.

FOREIGN EXCHANGE MARKETS, OCTOBER 24TH 2016

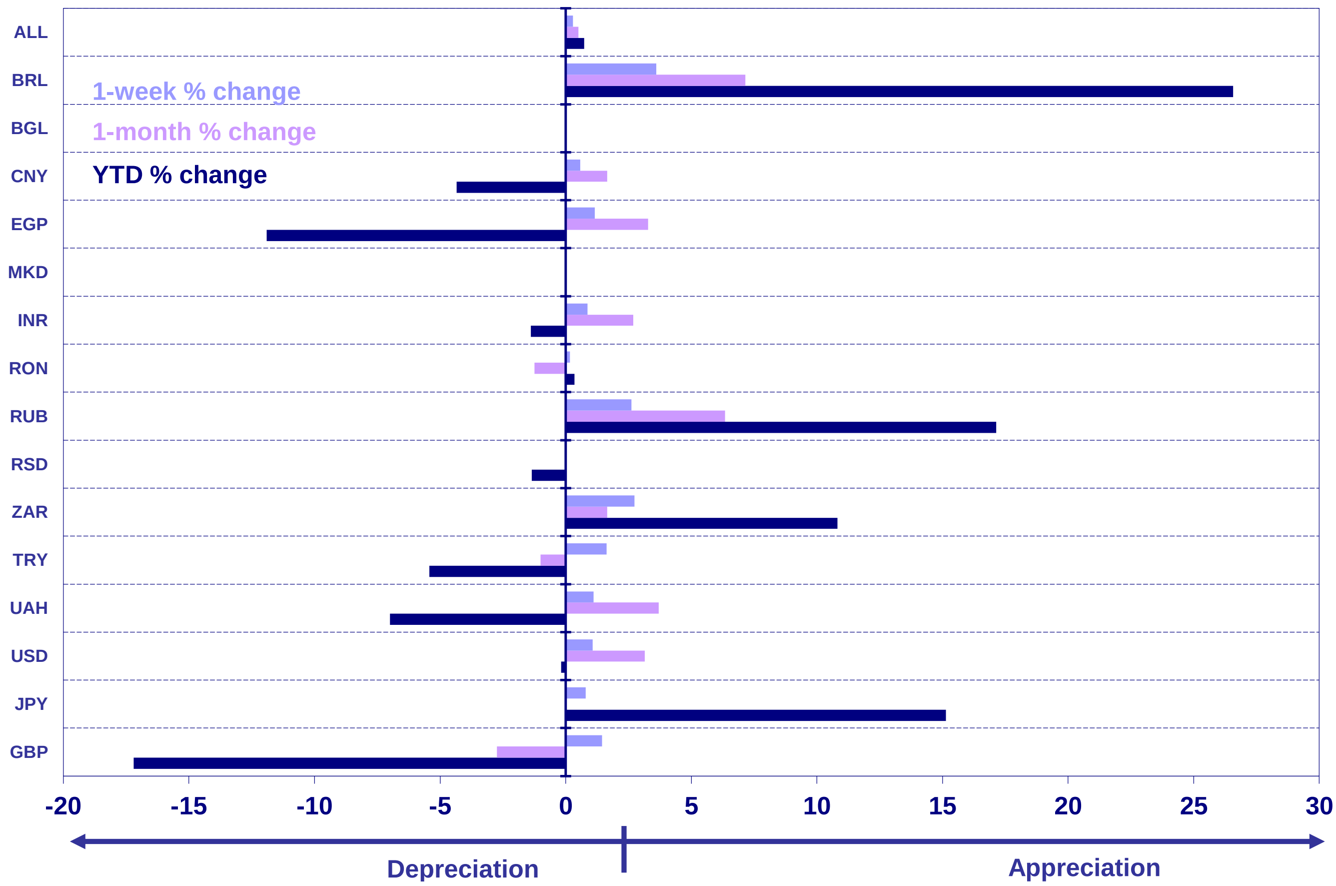
Against the EUR

	Currency	2016 SPOT	2016 1-week %change	2016 1-month %change	2016 YTD %change*	2016 1-year %change	2016 Year-Low	2016 Year-High	2016 3-month Forward rate**	2016 6-month Forward rate**	2016 12-month Forward rate**	2015 % change*	2014 % change*
Albania	ALL	136.1	0.3	0.5	0.7	2.1	135.9	139.5	136.5	136.3	135.2	2.0	0.1
Brazil	BRL	3.40	3.6	7.1	26.6	27.1	3.39	4.55	3.87	3.85	3.82	-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	7.36	0.6	1.7	-4.3	-4.7	6.99	7.56	7.59	7.59	7.59	6.7	10.8
Egypt	EGP	9.63	1.2	3.3	-11.9	-8.6	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	72.8	0.9	2.7	-1.4	-1.6	71.3	77.8	77.9	- - -	- - -	6.6	12.3
Romania	RON	4.50	0.2	-1.2	0.3	-1.6	4.44	4.56	4.51	4.52	4.55	-0.8	-0.5
Russia	RUB	67.7	2.6	6.3	17.1	2.9	67.5	75.1	69.4	71.1	74.4	-15.1	-32.8
Serbia	RSD	123.1	0.0	0.0	-1.3	-2.5	121.6	124.3	123.6	124.0	- - -	-0.1	-5.6
S. Africa	ZAR	15.1	2.7	1.6	10.8	-0.5	14.77	18.58	15.5	15.8	16.5	-16.6	3.0
Turkey	YTL	3.35	1.6	-1.0	-5.4	-4.6	3.12	3.44	3.43	3.51	3.67	-10.8	4.4
Ukraine	UAH	28.0	1.1	3.7	-7.0	-11.5	25.06	30.32	33.2	- - -	- - -	-27.5	-40.8
US	USD	1.09	1.1	3.1	-0.2	1.6	1.1	1.2	1.09	1.10	1.11	11.4	13.6
JAPAN	JPY	113.3	0.8	0.0	15.1	18.1	109.6	132.3	113.4	113.4	113.4	11.0	-0.1
UK	GBP	0.89	1.4	-2.7	-17.2	-19.1	0.7	0.9	0.89	0.89	0.90	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 (October 24th 2016)



MONEY MARKETS, OCTOBER 24TH 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
O/N	1.3	13.9	0.0	2.2	- - -	11.9	- - -	- - -	0.5	10.6	- - -	8.4	7.8	14.7	- - -	0.4
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	0.5	10.7	3.0	- - -	8.0	- - -	- - -	- - -
S/W	1.3	13.9	0.0	2.4	-0.4	- - -	1.3	- - -	- - -	10.1	3.1	- - -	7.5	15.8	-0.4	0.5
1-Month	1.6	13.9	0.0	2.7	-0.4	- - -	1.7	6.6	0.6	10.7	3.3	8.8	8.0	17.7	-0.4	0.5
2-Month	- - -	13.8	0.1	- - -	-0.3	- - -	- - -	- - -	- - -	10.7	3.4	9.0	8.3	- - -	-0.3	0.7
3-Month	1.7	13.6	0.1	2.8	-0.3	- - -	2.0	6.7	0.7	10.8	3.5	9.1	8.6	18.3	-0.3	0.9
6-Month	1.9	13.2	0.4	2.9	-0.2	- - -	2.4	- - -	0.9	10.4	3.7	9.5	8.7	- - -	-0.2	1.3
1-Year	2.2	12.4	0.7	3.0	-0.1	- - -	3.0	- - -	1.1	10.4	- - -	9.8	9.0	- - -	-0.1	1.6

LOCAL DEBT MARKETS, OCTOBER 24TH 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	0.9	- - -	- - -	- - -	- - -	14.3	1.6	6.4	- - -	10.2	3.2	8.0	- - -	- - -	-0.9	0.3
6-Month	0.9	- - -	- - -	- - -	- - -	15.7	2.3	6.4	0.5	10.1	3.1	8.4	- - -	- - -	-0.7	0.5
12-Month	1.8	- - -	0.1	2.2	- - -	16.4	2.6	6.5	0.7	9.0	3.9	8.5	- - -	15.2	-0.7	0.7
2-Year	2.0	- - -	- - -	2.3	- - -	- - -	2.0	6.6	0.6	8.7	- - -	8.9	7.9	- - -	-0.7	0.8
3-Year	- - -	- - -	0.4	2.3	1.8	- - -	2.7	6.5	1.5	8.8	- - -	8.6	8.1	16.0	-0.7	1.0
5-Year	- - -	11.1	- - -	2.4	- - -	17.3	2.7	6.7	2.2	8.6	5.5	9.4	8.2	- - -	-0.5	1.3
7-Year	- - -	- - -	1.2	- - -	3.2	17.4	- - -	6.8	2.7	8.4	- - -	- - -	- - -	- - -	-0.4	1.6
10-Year	- - -	11.1	1.9	2.7	3.4	17.4	3.8	6.9	3.0	8.4	- - -	9.6	8.8	- - -	0.0	1.8
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	4.3	7.2	- - -	8.4	- - -	- - -	9.2	- - -	0.2	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	9.4	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	7.2	- - -	- - -	- - -	- - -	9.4	- - -	0.7	2.5

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

CORPORATE BONDS SUMMARY, OCTOBER 24TH 2016

		Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Bulgaria	**Bulgaria Energy Hld 4.25% '18**	EUR	NA/NA	7/11/2018	500	2.7	339	296
	Bulgarian Telecom. 6.625% '18	EUR	B-/B1	15/11/2018	400	5.1	593	547
Cyprus	**Aroundtown Property 3% '21**	EUR	NA/NA	9/12/2021	200	1.9	245	200
Russia	**Gazprom 8.2% '19**	RUB	BB+/NA	9/4/2019	10,000	9.7	85	- - -
	Gazprom 8.9% '21	RUB	BB+/NA	26/1/2021	10,000	10.4	143	- - -
South Africa	**FirstRand Bank Ltd 4.25% '20**	USD	BBB-/Baa2	30/4/2020	500	3.3	212	219
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	0.5	119	72
Turkey	**Vakiflar Bankasi 3.5% '19**	EUR	NA/Baa3	17/6/2019	500	3.3	391	340
	Garanti Bankasi 3.38%'19	EUR	NA/Baa3	8/7/2019	500	2.9	354	305
	Arcelik AS 3.875% '21	EUR	BB+/NA	16/9/2021	350	3.4	388	346
	Turkiye Is Bankasi 6% '22	USD	NA/Ba3	24/10/2022	1,000	6.1	485	468

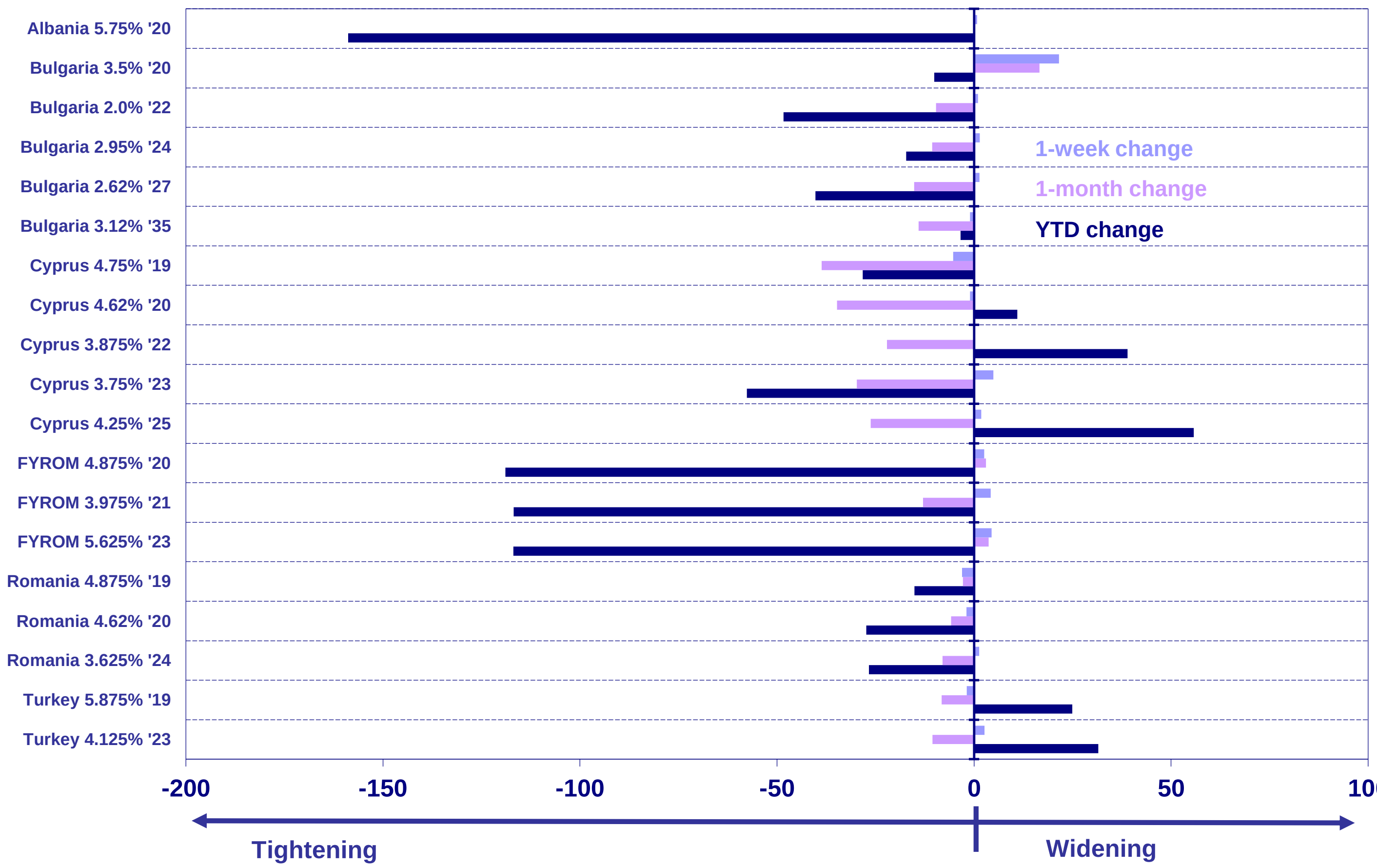
CREDIT DEFAULT SWAP SPREADS, OCTOBER 24TH 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	255	139	106	246	480	- - -	136	106	220	202	239	241	- - -
10-Year	- - -	323	185	153	272	490	- - -	144	147	280	248	296	298	- - -

EUR-DENOMINATED SOVEREIGN EUROBOND SUMMARY, OCTOBER 24TH 2016

	Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Albania 5.75% '20	EUR	B+/B1	12/11/2020	450	3.1	371	340
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	0.5	131	86
Bulgaria 2.0% '22	EUR	BB+/Baa2	26/3/2022	1,250	0.8	119	81
Bulgaria 2.95% '24	EUR	BB+/Baa2	3/9/2024	1,493	1.5	174	135
Bulgaria 2.62% '27	EUR	BB+/Baa2	26/3/2027	1,000	1.9	185	148
Bulgaria 3.12% '35	EUR	BB+/Baa2	26/3/2035	900	2.9	248	208
Cyprus 4.75% '19	EUR	BB-/NA	25/6/2019	566	1.8	242	201
Cyprus 4.62% '20	EUR	BB-/B1	3/2/2020	770	2.1	276	236
Cyprus 3.875% '22	EUR	NA/B1	6/5/2022	1,000	3.1	354	316
Cyprus 3.75% '23	EUR	NA/NA	26/7/2023	1,000	3.2	354	308
Cyprus 4.25% '25	EUR	NA/B1	4/11/2025	1,000	3.4	349	313
FYROM 4.875% '20	EUR	BB-/NA	1/12/2020	270	3.4	397	358
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	3.5	399	528
FYROM 5.625% '23	EUR	BB-/NA	26/7/2023	450	4.5	487	453
Romania 4.875% '19	EUR	BBB-/Baa3	7/11/2019	1,500	0.2	84	39
Romania 4.62% '20	EUR	BBB-/Baa3	18/9/2020	2,000	0.3	87	45
Romania 3.625% '24	EUR	BBB-/Baa3	24/4/2024	1,250	1.5	177	146
Turkey 5.875% '19	EUR	NR/Baa3	11/4/2023	1,250	1.9	252	215
Turkey 4.125% '23	EUR	B+/B1	12/11/2020	1,000	3.0	340	304

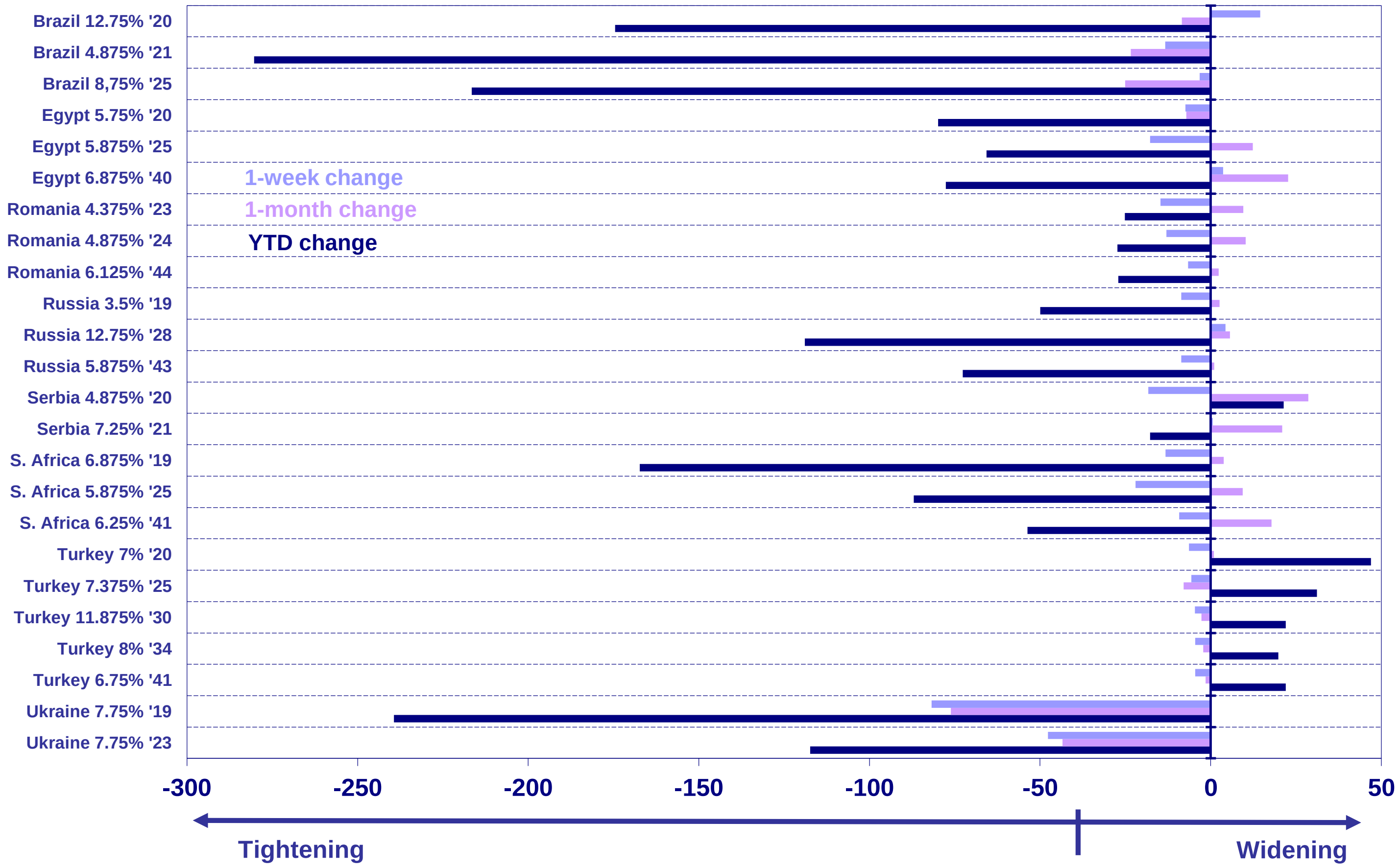
EUR-Denominated Eurobond Spreads (October 24th 2016)



USD-Denominated Sovereign Eurobond Summary, October 24th 2016

	Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Brazil 12.75% '20	USD	BB/Ba2	15/1/2020	234	2.9	191	206
Brazil 4.875% '21	USD	BB/Ba2	22/1/2021	2,988	3.3	199	207
Brazil 8.75% '25	USD	BB/Ba2	4/2/2025	969	4.5	291	343
Egypt 5.75% '20	USD	B-/B3	11/6/2025	1,000	5.0	405	386
Egypt 5.875% '25	USD	B-/B3	30/4/2040	1,500	6.8	506	502
Egypt 6.875% '40	USD	BBB-/Baa3	22/8/2023	500	7.6	509	528
Romania 4.375% '23	USD	BBB-/Baa3	22/1/2024	1,500	2.9	135	155
Romania 4.875% '24	USD	BBB-/Baa3	22/1/2044	1,000	2.9	138	159
Romania 6.125% '44	USD	BB+/Ba1	16/1/2019	1,000	4.2	169	270
Russia 3.5% '19	USD	BB+/Ba1	24/6/2028	1,500	2.6	178	155
Russia 12.75% '28	USD	BB+/Ba1	16/9/2043	2,500	4.3	258	387
Russia 5.875% '43	USD	BB-/B1	25/2/2020	1,500	4.8	230	314
Serbia 4.875% '20	USD	BB-/B1	28/9/2021	1,500	3.7	271	256
Serbia 7.25% '21	USD	BBB-/Baa2	27/5/2019	2,000	3.9	262	281
S. Africa 6.875% '19	USD	BBB-/Baa2	16/9/2025	2,000	2.6	161	159
S. Africa 5.875% '25	USD	BBB-/Baa2	8/3/2041	2,000	4.2	242	280
S. Africa 6.25% '41	USD	NR/Baa3	5/6/2020	750	5.1	253	342
Turkey 7% '20	USD	NR/Baa3	5/2/2025	2,000	3.9	286	280
Turkey 7.375% '25	USD	NR/Baa3	15/1/2030	3,250	4.6	308	342
Turkey 11.875% '30	USD	NR/Baa3	14/2/2034	1,500	5.0	328	459
Turkey 8% '34	USD	NR/Baa3	14/1/2041	1,500	5.4	367	419
Turkey 6.75% '41	USD	B-/Caa3	1/9/2019	3,000	5.6	305	372
Ukraine 7.75% '19	USD	B-/Caa3	1/9/2023	1,744	7.5	650	629
Ukraine 7.75% '23	USD	BB/Ba2	15/1/2020	1,355	8.1	652	649

USD-Denominated Eurobond Spreads (October 24th 2016)



STOCK MARKETS PERFORMANCE, OCTOBER 24TH 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)	64,060	2.2	9.1	47.8	35.7	37,046	64,691	88.2	-13.3	-35.3	-2.9	-2.0
Bulgaria (SOFIX)	512	1.2	5.6	11.1	14.5	432	520	11.1	-11.7	-11.7	6.2	6.2
China (SHCOMP)	3,128	2.9	3.1	-12.4	-8.8	2,638	3,539	-15.7	9.4	16.5	52.9	69.5
Cyprus (CSE GI)	66	-2.0	-3.0	-3.0	-10.8	64	70	-3.0	-20.9	-20.9	-17.0	-17.0
Egypt (HERMES)	723	-1.0	2.1	14.8	6.2	521	753	11.3	-24.4	-25.7	23.5	36.6
F.Y.R.O.M (MBI)	2,034	2.2	4.9	10.9	20.4	1,699	2,039	10.9	-0.6	-0.6	6.1	6.1
India (SENSEX)	28,179	2.4	-1.7	8.5	3.0	22,495	29,077	8.5	-5.0	0.7	29.9	44.7
Romania (BET-BK)	1,312	0.5	-0.1	-2.2	-2.7	1,150	1,329	-1.7	2.6	1.6	3.7	3.5
Russia (RTS)	4,431	-0.7	-3.4	11.9	12.6	3,509	4,688	32.4	30.3	9.5	-6.9	-37.4
Serbia (BELEX-15)	673	5.1	5.3	6.7	8.4	570	674	5.4	-3.4	-3.5	19.5	12.8
South Africa (FTSE/JSE)	51,683	1.8	-0.6	1.7	-4.6	45,976	54,704	14.2	1.9	-15.1	7.6	10.9
Turkey (ISE 100)	79,933	3.2	0.2	9.2	0.8	68,230	86,931	4.0	-16.3	-25.4	26.4	32.0
Ukraine (PFTS)	244	-0.5	1.6	1.4	-9.6	215	256	-5.4	-37.8	-54.8	28.7	-24.2
MSCI EMF	918	2.6	0.1	16.0	5.8	687	930	16.6	-17.0	-7.5	-4.6	8.2
MSCI EAFE	1,673	1.0	-2.6	-3.2	-6.0	1,492	1,735	-2.7	-3.3	7.7	-7.3	5.8
Greece (ASE-General)	593	1.2	3.3	-2.9	-17.4	421	659	-2.9	-23.6	-23.6	-28.9	-28.9
Germany (XETRA DAX)	10,761	2.5	1.3	0.2	-0.4	8,699	10,820	0.2	-4.9	-4.9	2.7	2.7
UK (FTSE-100)	6,986	0.6	1.1	11.4	8.9	5,500	7,130	-7.7	-4.9	0.1	-2.7	4.1
Japan (NIKKEI-225)	17,234	2.0	2.9	-9.5	-9.0	14,864	18,951	5.3	9.1	20.2	7.1	7.0
USA (DJ INDUSTRIALS)	18,223	0.8	-0.2	3.5	3.4	15,451	18,668	4.0	-2.2	9.3	7.5	22.2
USA (S&P 500)	2,151	1.2	-0.6	4.3	3.9	1,810	2,194	4.7	-0.7	10.9	11.4	26.6

Equity Indices (October 24th 2016)