South Eastern Europe and Mediterranean Emerging Market Economies

Weekly Report

5 – 11 April 2016

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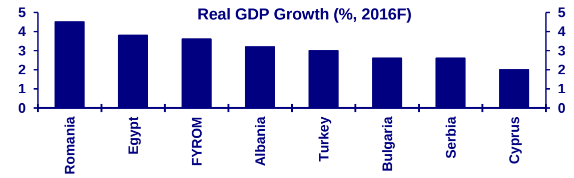
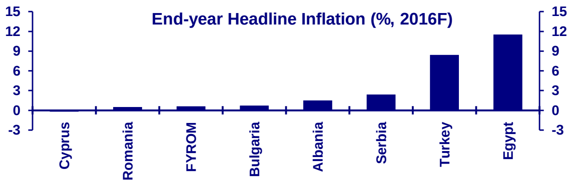
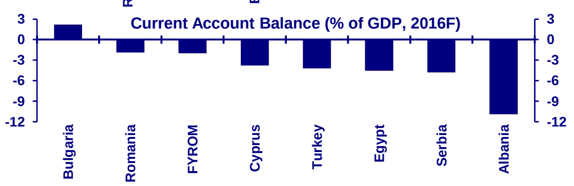
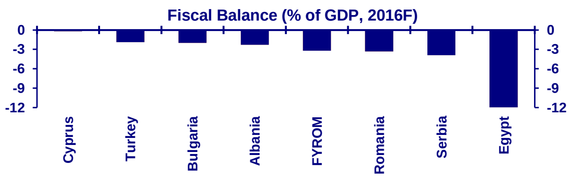








TURKEY 1

A more accommodative monetary policy stance in sight following the appointment of a new CBRT Governor

Customer deposits (FX-adjusted) gain momentum in Q1:16, underpinned by higher remuneration rates

Lending activity (FX-adjusted) slows in Q1:16, due to tighter credit conditions

ROMANIA 2

Headline inflation declines to a fresh low of -3.0% y-o-y in March, due to lower prices of food, fuel and tobacco

The NBR is expected to embark on a tightening cycle later in the year

The recently-adopted "Debt Settlement Law" (DSL) will likely hinder credit activity

BULGARIA 3

Unemployment rate falls for a 2nd consecutive year to 9.1% in 2015

Domestic demand to shift from private consumption to investment

SERBIA 4

External rebalancing continues in January to a 14-year low of 4.6% (12-month rolling basis), supported by favourable energy prices and buoyant exports

FYROM 5

Headline inflation returns to negative territory in March (-0.4% y-o-y), due to higher food and energy deflation

The Central Bank is set to to maintain its key rate on hold at 3.25% until the dissipation of domestic political uncertainty

ALBANIA 6

Significant fiscal consolidation in 2M:16, due to strong revenue performance

CYPRUS 7

Banking sector losses remain at manageable levels for a second consecutive year in FY:15

EGYPT 8

The hijacking of an Egypt Air flight in late March will deal another blow to the tourism industry, already reeling from the terrorist bombing of a Russian plane last October

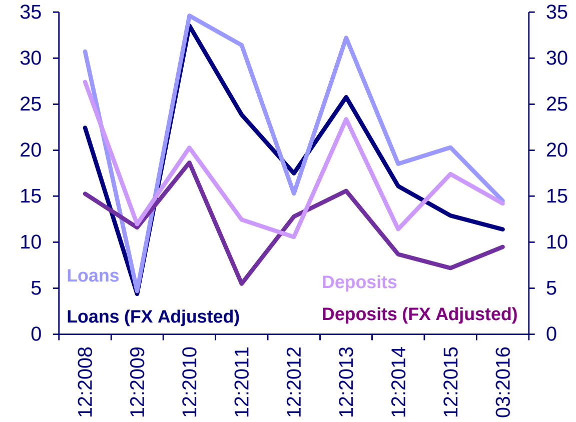
Suez Canal receipts decline in the first 8 month of the fiscal year, due to currency valuation effects

APPENDIX: FINANCIAL MARKETS 9

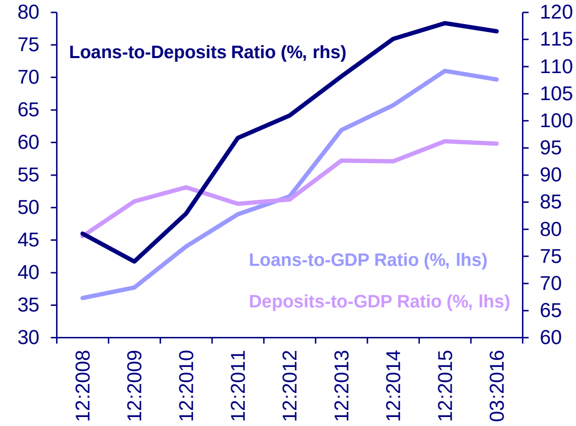
Turkey

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

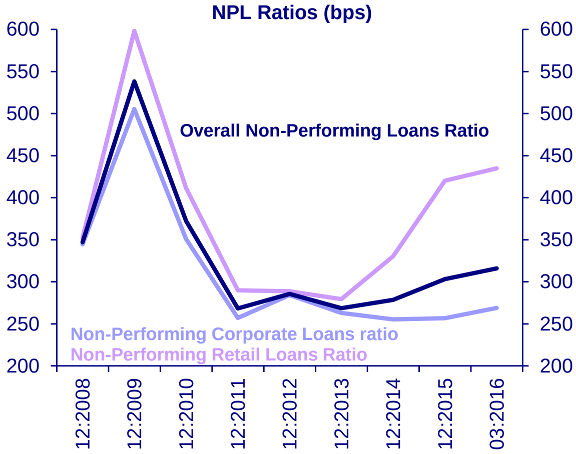
Loans and Deposits (y-o-y % change)



Penetration and Liquidity Indicators



NPL Ratios (bps)



	11 Apr.	3-M F	6-M F	12-M F
1-m TRIBOR (%)	11.1	11.0	10.8	10.5
TRY/EUR	3.23	3.25	3.30	3.40
Sov. Spread (2019, bps)	212	210	200	170

	11 Apr.	1-W %	YTD %	2-Y %
ISE 100	83,988	0.1	14.7	15.5

	2013	2014	2015E	2016F	2017F
Real GDP Growth (%)	4.2	3.0	4.0	3.0	3.6
Inflation (eop, %)	7.4	8.2	8.8	8.4	7.5
Cur. Acct. Bal. (% GDP)	-7.7	-5.5	-4.5	-4.2	-5.0
Fiscal Bal. (% GDP)	-1.2	-1.3	-1.2	-1.9	-1.6

A more accommodative monetary policy stance in sight following the appointment of a new CBRT Governor. Deputy Governor of the CBRT, Murat Cetinkaya, was appointed as successor to Governor Erdem Basci, whose term expires on April 19th. Markets reacted positively to the appointment, as Cetinkaya is a member of the MPC and believed able to find a balance between President Erdogan's demand for a pro-growth monetary policy and PM Davutoglu's call for a cautious monetary policy stance.

That said, and against the backdrop of a benign inflation outlook and strong global tailwinds in the near term, we expect the CBRT to reduce the upper bound of its interest rate corridor to 9.5% by end-May from 10.5% currently. We expect the CBRT to deliver a 50 bp cut of its overnight rate to 10.0% at the MPC meeting on April 20th. With the overnight interbank rate up against the ceiling of the corridor, its reduction will lead to a substantial policy loosening.

Customer deposits (FX-adjusted) gained momentum in Q1:16, underpinned by higher remuneration rates. Growth in customer deposits slowed to 14.2% y-o-y at end-March from 17.4% at end-December. However, adjusted for FX variations, it accelerated to 9.5% y-o-y at end Q1:16 from 7.2% at end-2015, in view of the relatively large share of FX-denominated deposits in total deposits (42.4% at end-2015) and the weaker depreciation of the TRY against the USD (by 7.8% y-o-y at end-March against 20.0% at end-December).

From a currency perspective, the acceleration in overall deposits (FX-adjusted) appears to have been driven by a more attractive remuneration of both TRY and FX deposits (interest rates on new TRY and USD deposits rose by 31 bps and 33 bps, respectively, to 11.0% and 2.0% between December and March), with TRY and FX deposits expanding by 9.3% and 10.0% y-o-y, respectively, at end-March against rises of 7.5% and 6.8% at end-December.

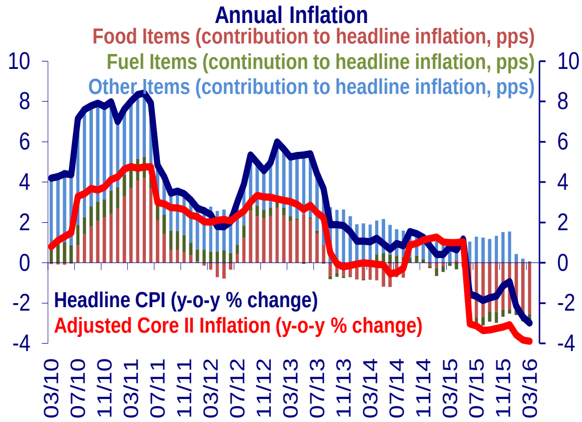
Lending activity (FX-adjusted) slowed in Q1:16, due to tighter credit conditions. Lending growth slowed to 14.5% y-o-y at end-March from 20.3% at end-December. However, adjusting for FX movements, it moderated to 11.4% y-o-y at end-March from 12.9% at end-December, standing well below the CBRT's implicit reference level of 15.0%. The deceleration was driven by higher lending interest rates, reflecting deteriorating bank asset quality. Indeed, interest rates on new TRY loans for households (comprising personal, auto and mortgages) and corporates rose by 62 bps and 70 bps, respectively, to 17.0% and 16.4% between December and March. Moreover, the overall NPL ratio deteriorated for a tenth successive quarter, reaching a 4-year high of 3.2% in March.

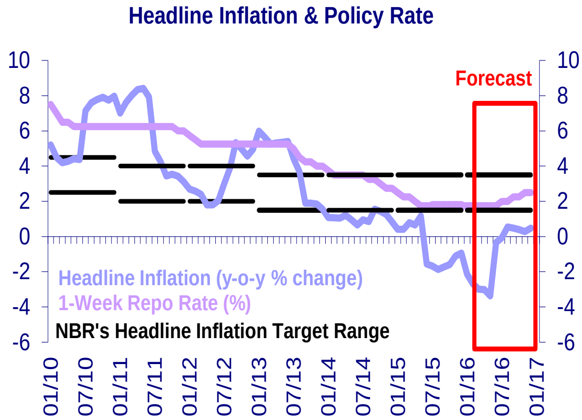
Corporate lending (c. 72.0% of total lending at end-2015) decelerated to 13.7% y-o-y at end-March from 14.5% at end-December, while that of retail lending slowed significantly to 6.6% y-o-y at end-March from 9.6% at end-December. The latter continued to be negatively affected by the maintenance of the previous years' macro-prudential measures.

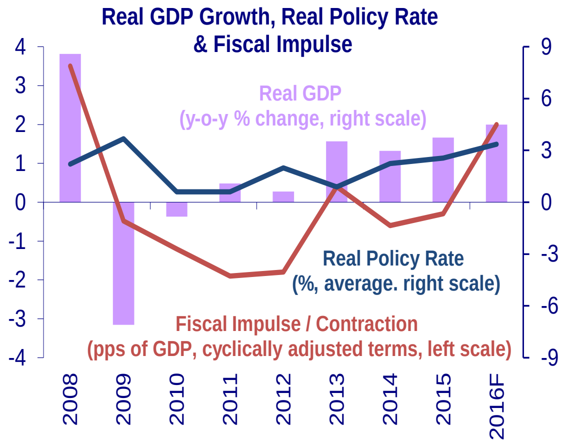
As a result mainly of FX movements, the lending penetration rate (loans-to-GDP ratio) receded to 69.7% at end Q1:16 from a high of 70.7% at end-2015. Moreover, liquidity pressures eased, with the gross loan-to-deposit ratio moderating to 116.5% at end-Q1:16 from an all-time high of 118.0% at end-2015. From a currency perspective, the FX deposit base remained more than adequate to meet the FX funding needs (the FX loan-to-deposit ratio declined to 88.3% at end-Q1:16 from 90.4% at end-2015). At the same time, albeit narrowing, the mismatch on the TRY side remained large (the TRY loan-to-deposit ratio eased to 137.5% at end-Q1:16 from a high of 138.3% at end-2015.

Romania

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







	11 Apr.	3-M F	6-M F	12-M F
1-m ROBOR (%)	0.6	1.2	1.5	1.8
RON/EUR	4.46	4.52	4.51	4.50
Sov. Spread (2024, bps)	226	210	180	150

	11 Apr.	1-W %	YTD %	2-Y %
BET-BK	1,263	-0.3	-5.9	6.1

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

Headline inflation declines to a low of -3.0% y-o-y in March from -2.7% in February, due to lower prices of food, fuel and tobacco. Food prices continued to decline in March (to -6.8% y-o-y from -6.5% in February), reflecting weaker-than-usual seasonal patterns (fresh fruit and vegetable prices rose by 0.3 m-o-m in March compared with an average increase of 1.7% in the same month over the past 5 years). Similarly, fuel deflation accelerated in March (to -6.7% y-o-y from -6.0% in February), despite a softer decline in global oil prices (the price of Brent was down 31.6% y-o-y in RON terms in March against a decline of 40.9% in February). Finally, tobacco inflation decelerated in March (to 4.7% y-o-y from 6.2% in February), due to base effects. The latter was also the main driver behind the slight decline in adjusted core II inflation to -3.9% y-o-y in March from -3.8% in February.

Headline inflation to remain subdued until end-2016, due to supply-side shocks. Looking ahead, positive base effects from the increase in food prices in 5M:15 should push down headline inflation further to -3.5% y-o-y by mid-year. Thereafter, stronger demand-side pressures, together with negative base effects from the June 2015 VAT cut on food (by 15 pps to 9%) and a milder decline in global oil prices (we project the price of Brent to decline by 16.6% y-o-y in RON terms in 4-12M:16 against a drop of 34.6% in Q1:16), would bring headline inflation to 0.5% by end-2016. At the same time, adjusted core II inflation is set to surpass headline inflation (0.8% at end-2016) due to heightening demand-side pressures .

The NBR is expected to embark on a tightening cycle later in the year. Despite the subdued inflation outlook, we expect the NBR to gradually tighten its monetary policy stance. Importantly, fiscal policy is expected to ease significantly through the ongoing loosening in incomes policy, together with a series of tax cuts. In total, these measures are expected to push up the budget deficit to 3.3% of GDP in FY:16 from 1.5% in FY:15. In fact, we see real GDP growth rising to 4.5% in FY:16 from 3.8% in FY:15, with the already positive output gap increasing by 0.7 pps to 0.8 pps in FY:16. In this context, we see the NBR raising its 1-week repo rate to 2.5% (from 1.75% currently) by end-2016 (implying a real ex-post rate of 2.0%).

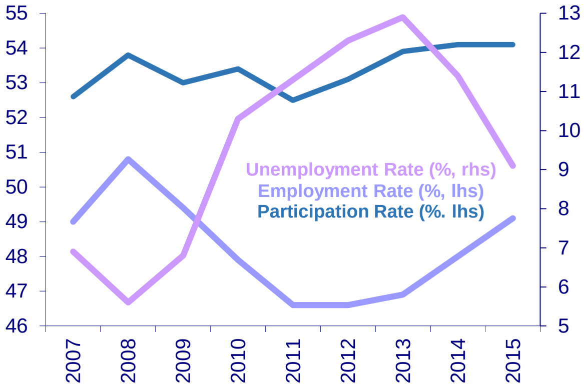
However, we expect interbank rates to converge to the policy rate before a rate hike is considered. Indeed, interbank rates are stuck at the bottom of the NBR's interest rate corridor (defined by the overnight deposit rate and the Lombard rate, currently at ±1.50 pps around the policy rate), reflecting the large liquidity surplus in the market. To this end, Governor Isarescu has hinted that the NBR stands ready to narrow further the interest rate corridor.

The recently-adopted "Debt Settlement Law" (DSL) will likely hinder credit activity. The Chamber of Deputies adopted the DSL, with a retroactive effect, allows debtors to settle debts by giving up their homes (effectively a no-recourse framework). It applies only to individuals and for credits up to EUR 250k, but excludes mortgage loans granted under the First House government-subsidized programme (estimated at 42% of total mortgage loans). In fact, with the bulk of loan-to-value ratios significantly above 100%, the entry into force of this law will prompt commercial banks to increase significantly their provisions, thus hindering their profitability. The IMF/EU, NBR and commercial banks have opposed the DSL, on the basis that it will make new borrowing more expensive, thus leading to tighter credit standards. As a result, we see credit to the private sector remaining broadly flat in FY:16 against an increase of 2.7% in FY:15. Note that ahead of its signing by the President at end-April, the law can only be challenged in the Constitutional Court -- the only institution empowered to overturn this law.

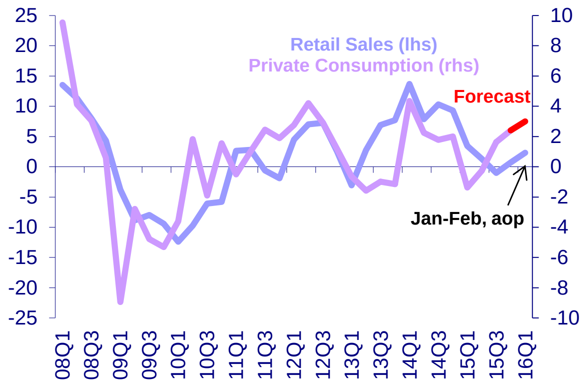
Bulgaria

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

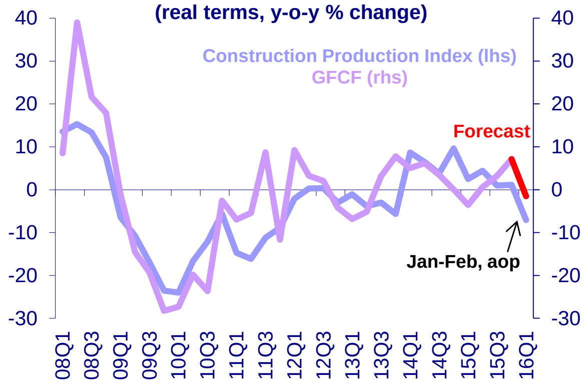
Labour Market Indicators



Retail Sales & Private Consumption (real terms, y-o-y % change)



Gross Fixed Capital Formation & Construction Production Index (real terms, y-o-y % change)



	11 Apr.	3-M F	6-M F	12-M F
1-m SOFIBOR (%)	0.0	0.3	0.3	0.3
BGN/EUR	1.96	1.96	1.96	1.96
Sov. Spread (2017, bps)	201	180	160	130

	11 Apr.	1-W %	YTD %	2-Y %
SOFIX	442	-1.2	-4.2	-26.4

	2013	2014	2015E	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	2.2	1.5
Fiscal Bal. (% GDP)	-1.8	-3.7	-2.9	-2.0	-1.5

The unemployment rate falls for a 2nd consecutive year to 9.1% in 2015. The unemployment rate fell sharply to 9.1% in FY:15 from 11.4% in FY:14 and its peak of 12.9% in FY:13 (according to the Labour Force Survey). The improved performance is mainly attributed to the recovery in economic activity (real GDP growth accelerated to 3.0% in FY:15 from 1.5% in FY:14). It is important to note that the unemployment rate is still well above its pre-crisis levels (c. 6.0%).

The decline in the unemployment rate in FY:15 reflects the increase in the employment rate (up 1.1 pp y-o-y to a 6-year high of 49.1%). Indeed, employment rose for a 2nd consecutive year in FY:15 (up 1.7%), while the working-age population continued to decline steadily (down 0.6%, see below). Employment growth was mainly driven by the industrial sector and (to a much lesser extent) the services sector. Note that the participation rate remained flat in FY:15, at a high of 54.1%.

Structural problems cloud the outlook for the labour market. Long-term unemployment remains persistently high (at c. 7.0%, well above the EU average of 5.0%), reflecting high skills mismatch and labour market rigidities, as well as poor activation policies. At the same time, the labour force is shrinking due, *inter alia*, to outward migration, and ageing. Finally, the share of undeclared work remains excessively high (over 20%), distorting the labour market and reducing fiscal revenue. In this context, and in view of the slight moderation in economic activity this year (see below), we expect labour market conditions to improve at a slower pace compared with previous years, with the unemployment rate falling slightly by 0.4 pps y-o-y to 8.7%.

Retail sales expand in Q1:16, pointing to still robust private consumption. Retail sales (volume terms) rose by 2.3% y-o-y in January-February, following a weak increase of 0.7% in Q4:15. Indeed, private consumption is likely to have improved further in Q1:16, supported by: i) subdued inflation; ii) tighter labour market conditions; and iii) stronger consumer confidence (the NSI's relevant index stood at -28.7 in Q1:16 against a historical average of -36.0).

Investment activity declines temporarily in Q1:16. Construction activity fell sharply by 7.1% y-o-y in January-February compared with a rise of 1.1% in Q4:15. We believe this deterioration was driven by the public sector. Indeed, according to budget data, public investment was down 0.3 pps of GDP y-o-y in 2M:16. Recall that investment activity had surged in H2:15 on the back of faster absorption of EU funds ahead of the closing of the 2007-13 programming period at end-2015.

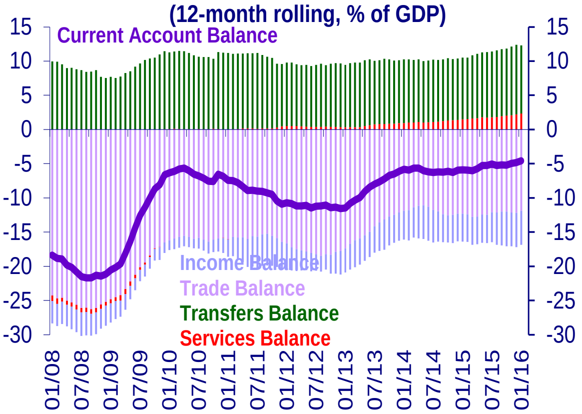
All said, despite weaker investment activity, economic growth has maintained its momentum in Q1:16, driven by stronger private consumption and a rebound in exports. We estimate real GDP growth to have eased slightly to 2.6% y-o-y in Q1:16 (up 0.6% q-o-q s.a.) from 2.9% in Q4:15 (up 0.7% q-o-q s.a.).

Domestic demand to shift from private consumption to investment. Considering the low investment-to-GDP ratio (currently at 21.0% against a pre-crisis high of 32.0%) and the increasing capacity utilization rate in the industrial sector (currently at 75.0% against a historical average of 70%), as well as relatively favourable domestic financing conditions, we expect fixed investment to gain momentum during the remainder of the year. On the other hand, private consumption should gradually slow, in view of a slowdown in job creation. Importantly, 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 during the same period). Overall, we expect real GDP growth to moderate slightly to 2.6% in FY:16 from 3.0% in FY:15.

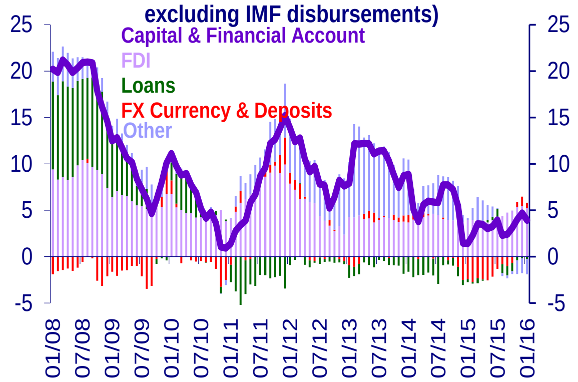
Serbia

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

Current Account Balance (12-month rolling, % of GDP)



Capital and Financial Account (12-month rolling, % of GDP, excluding IMF disbursements)



External Financing (EUR bn)	2014	2015	2016F
Financing Needs	5.6	5.1	4.8
Current Account Deficit	2.0	1.6	1.6
Amortisations + Other	3.6	3.5	3.2
Financing Sources	4.9	5.7	4.9
FDI	1.2	1.8	1.7
Loans & Other	3.7	3.9	3.2
External Financing Balance	-0.7	0.6	0.1
IMF	-0.6	-0.1	0.0*
Change in FX Reserves	-1.3	0.5	0.1

* Assuming no disbursements from the IMF

	11 Apr.	3-M F	6-M F	12-M F
1-m BELIBOR (%)	3.1	3.4	3.6	4.0
RSD/EUR	122.7	123.2	124.0	125.0
Sov. Spread (2021, bps)	341	290	240	180

	11 Apr.	1-W %	YTD %	2-Y %
BELEX-15	608	0.0	-3.7	4.7

	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

External rebalancing continued in January to a 14-year low of 4.6% (12-month rolling basis), supported by favourable energy prices and buoyant exports. The current account balance (CAB) improved in January, turning into a surplus (for the first time since end-2010) of 0.1% of GDP from a deficit of 0.2% a year earlier. The improvement was supported by a smaller trade deficit (by 0.3 pps of GDP y-o-y), driven by both the rebound in exports and a slowdown in energy imports. In fact, energy imports (accounting for 11.1% of total imports) declined by 37.8% y-o-y, in EUR terms, in January, due to falling global oil prices (by 31.4% y-o-y, in EUR terms, in January). Non-energy imports, however, accelerated (to 10.9% y-o-y in January from 4.8% in the same month a year ago), on the back of unclassified items (contributing a sizeable 22.8 pps to total non-energy import growth), that largely reflect investment-related imports.

The narrowing trade deficit also reflects the acceleration in exports (up 12.4% y-o-y in January against a rise of 5.9% in the same month a year ago), supported by a rebound in: i) vehicle exports (importantly by the carmaker FIAT), rising by 27.1% y-o-y (contributing 4.9 pps to overall export growth) in January against a decline of 2.1% in the same month a year ago; and ii) chemical exports, increasing by 24.1% y-o-y (contributing 1.2 pps to export growth) in January against a decline of 27.7% in the same month a year ago.

The CAB improvement in January would have been larger had transfers not declined (down 0.2 pps of GDP, due to lower remittances). This was only partly offset by a rise in the services surplus in January (by 0.1 pp of GDP y-o-y). As a result, the 12-month rolling current account deficit (CAD) narrowed further, to a 14-year low of 4.6% of GDP from 4.8% at end-2015.

The capital and financial account (CFA) deteriorated in January. The CFA deficit increased by 0.8 pps y-o-y to 1.1% of GDP in January. The CFA deterioration was due to: i) large outflows of currency & deposits (essentially, domestic banks' placements of deposit holdings abroad), amounting to 0.5% of GDP in January; and ii) a decline in FDI inflows (down 0.2 pps of GDP y-o-y in January).

As a result, the overall balance was negative in January (0.9% of GDP), and financed by a drawdown in FX reserves by EUR 0.3bn. Nevertheless, the stock of FX reserves remained at the comfortable level of EUR 10.1bn (covering 6.4 months of GNFS imports).

The CAD is set to continue on a downward trend until end-H1:16, assisted by favourable international oil prices. The CAD is set to decline in H1:16, due to favourable global oil prices (an expected sharp decline by 36.6% y-o-y, to EUR 34/bbl, in H1:16), shaving an estimated 0.3 pps of GDP off the CAD. This should be reinforced by the continued rebound in exports and higher services surplus.

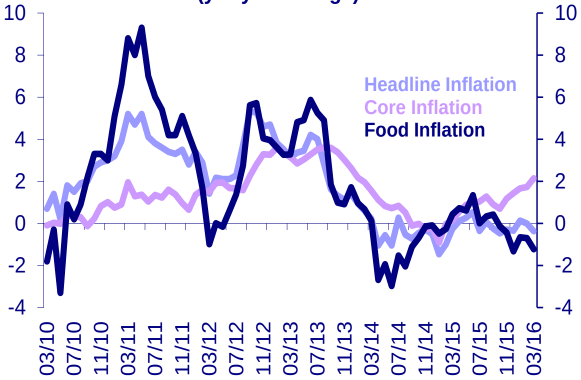
The CAD is set to begin to widen in H2:16, due to less favourable global oil prices (a mild drop of 3.9% y-o-y is expected in H2:16), a higher deficit in the income balance (reflecting large FDI-related profits' repatriation) and weaker transfers. Overall, the CAD is set to remain broadly flat at 4.8% of GDP this year.

Financing the CAD should not be a problem in 2016. In fact, in the absence of debt repayments to the IMF, and projecting: i) FDI inflows moderating to a still robust 5.0% of GDP (from 5.5% in FY:15); and ii) the blended rollover ratio of maturing external debt easing to 100% (from 110% in FY:15), we see FX reserves strengthening by EUR 0.1bn y-o-y to EUR 10.5bn (covering 6.7 months of GNFS imports), following an increase of EUR 0.5bn y-o-y in FY:15. The envisaged issuance of a EUR 1bn Eurobond or the expected EUR 750mn loan from UAE should further strengthen FX reserves this year. Recall that UAE provided a EUR 750mn loan in 2014.

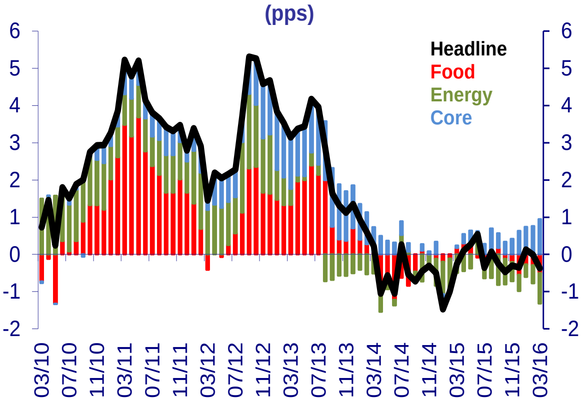
F.Y.R.O.M.

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

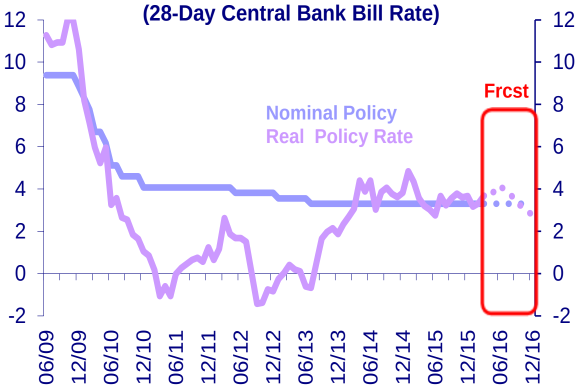
Headline & Core Inflation (y-o-y % change)



Contribution to Annual Headline CPI Inflation (pps)



Policy Rate (%) (28-Day Central Bank Bill Rate)



	11 Apr.	3-M F	6-M F	12-M F
1-m SKIBOR (%)	1.5	1.5	1.5	1.5
MKD/EUR	61.3	61.3	61.3	61.3
Sov. Spread (2021. bps)	570	525	450	350

	11 Apr.	1-W %	YTD %	2-Y %
MBI 100	1.767	-0.8	-3.6	1.3

	2013	2014	2015E	2016F	2017F
Real GDP Growth (%)	2.7	3.5	3.7	3.6	3.4
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	-3.2	-3.0

Headline inflation returned to negative territory in March (-0.4% y-o-y), due to higher food and energy deflation. The decline in energy prices (accounting for 15% of the CPI basket) accelerated to -5.8% y-o-y in March from -3.5% y-o-y in February, despite a milder decline in global oil prices (the price of Brent was down 32.1% y-o-y, in MKD terms, in March, against a decline of 41.5% in February).

At the same time, food deflation (accounting for 41% of the CPI basket) also accelerated to -1.2% y-o-y in March from -0.7% y-o-y in February, due to a higher decline in the prices of volatile fruit & vegetables (-7.3% y-o-y in March against -4.2% in February), reflecting favourable weather conditions.

Annual headline inflation would have been even lower had core inflation (excluding food and energy prices, and accounting for 44% of the CPI basket) not accelerated to a 28-month high of 2.1% y-o-y in March from 1.7% in February, reflecting increasing demand-side pressures. The latter reflects, *inter alia*: i) improving labour market conditions (the unemployment rate declined by 2.0 pps y-o-y to a record low of 26.1% in FY:15 and employment increased by 2.3% in FY:15 following a rise of 1.8% in FY:14; ii) the ongoing relaxation of the incomes policy (a 5% hike in public sector pensions and social assistance, effective since October 2015); and iii) the 14.7% hike in the minimum wage to EUR 179 from March 1st.

Annual headline inflation is expected to rise to 0.6% by end-2016. Looking ahead, inflation should resume a mild upward trend, reflecting: i) the continued recovery in domestic demand; ii) the gradual normalization of volatile food prices from their current lows; and; iii) a softer decline in fuel prices (we project the price of Brent to fall by 17.4% y-o-y in MKD terms in 4-12M:16 against a drop of 35.2% y-o-y in Q1:16).

Overall, we expect headline and core inflation to rise throughout the rest of the year, reaching 0.6% and 2.3% y-o-y, respectively, in December -- up from -0.3% and 1.4% at end-2015.

The Central Bank is set to maintain its key rate on hold at 3.25% until the dissipation of domestic political uncertainty. Despite subdued inflation and the absence of pressure on FX reserves, we expect the Central Bank to maintain its key rate (28-day Central Bank bill rate) on hold at 3.25% at least until after the early-June snap legislative elections.

Note that the Central Bank has kept it key rate unchanged since July 2013, due to persistent domestic political instability. Indeed, the main opposition party had boycotted Parliament from December 2012 until July 2015 and has threatened to not participate in the upcoming June snap elections if two conditions for fair elections (media reform to reduce government influence and the conduct of a thorough review of the electoral roll), as stipulated in the Przino agreement brokered under the auspices of the EU in July 2015, are not fulfilled by April 24th. As a result, monetary policy has remained very tight since March 2014, with the (compounded) *ex post* real policy rate fluctuating around 3.7%.

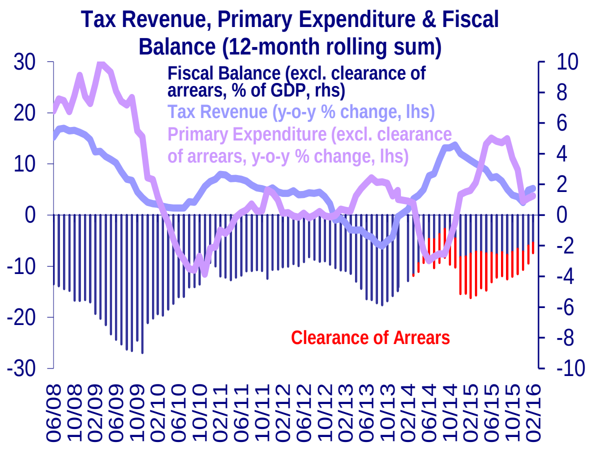
Importantly, despite the brake of the cycle of monetary policy loosening since August 2013: i) the average interest rate on outstanding MKD loans has receded by 125 bps to 6.7% in March, boosting MKD lending volume (a CAGR of 11.5% between August 2013 and February 2016); and ii) the funding cost of domestic public debt has retreated significantly, with the yields of 3-month and 12-month T-bills declining by 240 and 100 bps, respectively, to 1.6% and 2.6% between August 2013 and February 2016.

Albania

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

Consolidated Fiscal Balance (% of GDP)	2015	2M:15	2M:16	2016 Budget	NBG 2016F
Revenue	25.8	3.5	4.0	27.5	26.2
Tax Revenue	23.5	3.2	3.7	24.8	24.0
PIT	2.0	0.3	0.4	2.1	1.9
CIT	1.7	0.1	0.2	1.6	1.7
VAT	8.6	1.3	1.3	9.1	8.7
Excises	2.7	0.3	0.4	2.9	2.5
Customs	0.4	0.1	0.1	0.4	0.4
Other taxes	8.1	1.2	1.3	8.7	8.7
Grants	0.6	0.1	0.1	0.9	0.6
Non-Tax Rev.	1.7	0.3	0.3	1.9	1.6
Expenditure	29.4	3.9	3.4	29.8	28.4
Current Exp.	23.7	3.2	3.2	25.3	24.6
Personnel	4.9	0.8	0.7	4.7	4.7
Operational	2.9	0.2	0.2	2.9	3.0
Subsidies	0.1	0.0	0.0	0.1	0.1
Social Insur.	9.4	1.4	1.4	10.0	9.7
Local Budget	2.3	0.2	0.2	3.3	3.0
Other Exp.	1.4	0.1	0.2	1.5	1.3
Int. Payments	2.6	0.4	0.4	2.8	2.8
Capital Exp.	4.1	0.2	0.1	3.9	3.5
Net Lending/Arrears	1.2	0.5	0.0	0.3	0.3
Contingency Reser.	0.3	0.0	0.0	0.2	0.0
Fiscal Bal.	-3.6	-0.4	0.7	-2.3	-2.3
Primary Bal.	-0.9	0.1	1.1	0.6	0.6
Fiscal Bal. [a]	-2.4	0.1	0.7	-2.3	-2.3
Primary Bal. [a]	0.3	0.6	1.1	0.6	0.6

a: excluding the clearance of arrears



	11 Apr.	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	1.8	2.2	2.2	2.2
ALL/EUR	138.5	139.2	138.2	139.0
Sov. Spread (bps)	498	500	450	400

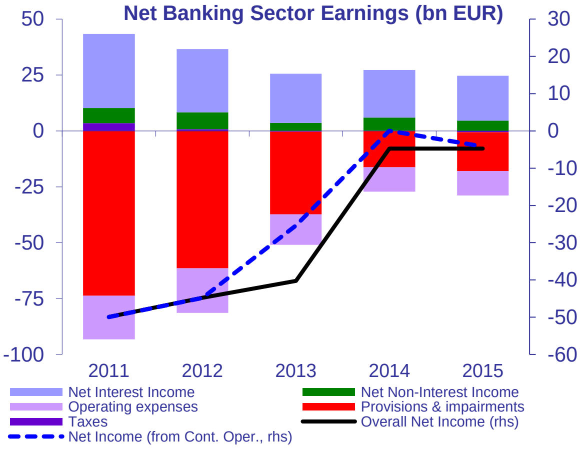
	11 Apr.	1-W %	YTD %	2-Y %
Stock Market	- - -	- - -	- - -	- - -

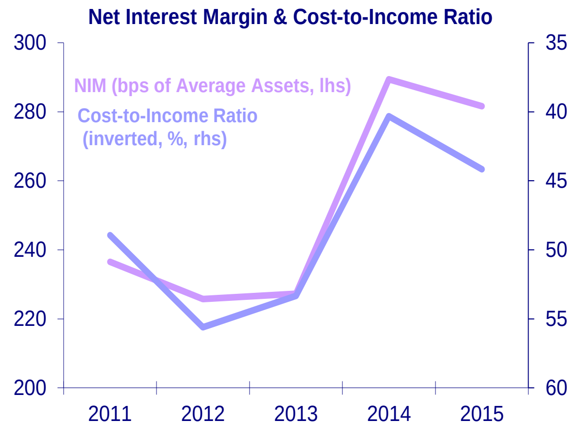
	2013	2014	2015E	2016F	2017F
Real GDP Growth (%)	1.1	2.0	2.7	3.2	3.6
Inflation (eop, %)	1.9	0.7	2.0	1.5	2.0
Cur. Acct. Bal. (% GDP)	-10.9	-12.8	-11.0	-10.9	-10.7
Fiscal Bal. (% GDP)	-5.0	-5.2	-3.6	-2.3	-2.0

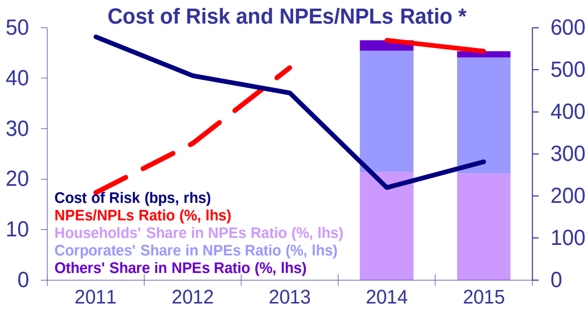
Significant fiscal consolidation in 2M:16, due to strong revenue performance. The cumulative fiscal surplus (excluding the repayment of arrears) increased by 0.5 pps y-o-y to 0.7% of GDP in 2M:16, due exclusively to an impressive rise in revenue (by 0.5 pps of GDP y-o-y).
The strong revenue performance in 2M:16 was broad-based. It was supported by higher excise tax revenue (up 0.1 pp of GDP y-o-y), due to a surge in tobacco imports (that remained low during the same period a year ago, due to advance imports ahead of the increase in excise tax on cigarettes from January 1st 2015). The positive revenue performance was also supported by the Government's large-scale campaign against tax evasion and informality, launched in early September, focusing on companies that are unregistered, understating payrolls, not using cash registers or not issuing invoices. As a result, social contribution, profit and personal income tax revenue increased (each up 0.1 pp of GDP), due to the large rise in the number of registered small businesses and registered employment.
On the other hand, strict spending discipline resulted in expenditure restraint. Expenditure (excluding arrears) remained flat on an annual basis in 2M:16, as slightly higher spending on operation and maintenance (by 0.1 pp of GDP) was offset by a commensurate moderation in capital expenditure.
As a result, the 12-month rolling fiscal deficit (excluding the repayment of arrears) narrowed to a 15-month low of 1.8% of GDP in February from 2.4% at end-2015. Note that, including the clearance of accumulated arrears (unpaid bills to businesses and VAT refunds, down to 0.0 pps of GDP in 2M:16 from 0.5 pps in 2M:15), the 12-month rolling deficit narrowed at a faster pace, to an 8-year low of 2.5% of GDP in February from 3.6% at end-2015.
Meeting the 2016 fiscal deficit target requires expenditure restraint. The 2016 Budget envisages a broadly neutral stance, targeting a deficit of 2.3% of GDP, 0.1 pp below the FY:15 outcome, excluding arrears paid in FY:15 (a contractionary fiscal stance, projecting a deficit of 2.3% of GDP this year against an outcome of 3.6% in FY:15, including the clearance of arrears). The Budget revenue growth target of 10.7% looks overly optimistic, despite the good revenue performance in 2M:16. The latter was supported by low base effects and gains from the campaign against informal employment (note that higher social contributions from newly registered employees are set to contribute 0.3 pps of GDP to total revenue in FY:16). Meanwhile, lower royalties are expected from the oil sector, due to the decline in global oil prices and domestic production. Therefore, in the absence of any major new tax measures, we expect FY:16 revenue growth at 5.4% y-o-y, still above our nominal GDP growth of 4.0% (implying a revenue shortfall of 1.3 pps of GDP).
As a result, meeting the FY:16 fiscal deficit target will once again require a significant under-execution of spending (spending growth -- excluding arrears paid in FY:15 -- of 0.7% versus the target of 5.3%). The necessary under-execution of spending should target current rather than capital expenditure. Indeed, cuts in capital expenditure will hamper the country's long-term growth potential, as capital expenditure has declined sharply to 4.1% of GDP in 2015 from a peak of 8.6% in 2008).
Overall, we expect the FY:16 deficit to be in line with its target of 2.3% of GDP. Should our FY:16 fiscal deficit forecast materialise, the public debt-to-GDP ratio would narrow, for the first time in 6 years, to 71.5% from a 15-year high of 72.2% in 2015. In order to sustain fiscal consolidation and lower the public debt below 60% by 2020, additional measures of c. 2.0 pps are needed by 2020 (following a solid adjustment of 2.5 pps in 2014-16, excluding the repayment of arrears).

Cyprus

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







* **For 2014-15**: EU-harmonised definition by the European Banking Authority for non-performing and forborne exposures
For 2013-14: As per the Central Bank of Cyprus Directive on the definitions of non performing and restructured credit facilities
For 2011-12: As per the definition in force before 1 July 2013, which includes loans fully covered by tangible collateral but fullfil all remaining criteria to be classified as NPLs (primarily those having arrears more than 90 days)

	11 Apr.	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.34	-0.34	-0.34	-0.34
EUR/USD	1.14	1.08	1.06	1.06
Sov. Spread (2020. bps)	378	340	300	250

	11 Apr.	1-W %	YTD %	2-Y %
CSE Index	67	-0.8	-0.4	-41.9

	2013	2014	2015E	2016F	2017F
Real GDP Growth (%)	-5.9	-2.5	1.6	2.0	2.2
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	-0.5	-0.2	0.2

Banking sector losses remained at manageable levels for a second consecutive year in FY:15. Banking sector net losses increased by 0.9% y-o-y to EUR 477.2mn (or 2.7% of GDP) in FY:15, as weaker losses from discontinued operations abroad, following extensive deleveraging (mainly reflecting the disposal of the remaining Russian assets of Bank of Cyprus (BoC) and Hellenic Bank (HB)), were more than offset by higher losses from continued operations. The latter were driven by a decline in pre-provision earnings before tax as well as higher NPL provisions. As a result, overall ROAA and ROAE stood at -0.6% and -6.7%, respectively, in FY:15, compared with -0.6% and -7.8% in FY:14. Note that excluding discontinued overseas operations, ROAA and ROAE deteriorated to -0.6% and -5.9%, respectively, in FY:15 from 0.0% and 0.1% in FY:14.

Pre-provision earnings (before tax) from continued operations weakened in FY:15. Pre-provision earnings (before tax) declined in FY:15 (down 14.9% y-o-y), reflecting lower net interest income (NII) and net non-interest income (NNII) (down 5.5% y-o-y and 22.1% y-o-y, respectively).

The negative performance of NII in FY:15 was driven by: i) a significant decline in average interest-earning assets (down 2.9% y-o-y in 2015), in line with the ongoing deleveraging (interest-earning assets-to-GDP ratio declined to 405% in FY:15 from 415% in FY:14 and 780% in FY:10); and ii) a weaker net interest margin (NIM, down 8 bps y-o-y to 282 bps), reflecting, *inter alia,* tighter lending-deposit spreads, especially following the Central Bank's decision to reduce the deposit rate ceiling by 1 pp (effective since February 2015). Note that average "up to 2-years" outstanding deposit interest rates for households and corporates receded by 55 bps and 50 bps, respectively, to 2.24% and 2.07% in FY:15, while "up to 1-year" outstanding lending interest rates for households and corporates retreated at a faster pace by 103 bps and 79 bps, respectively, to 6.59% and 5.59% in FY:15.

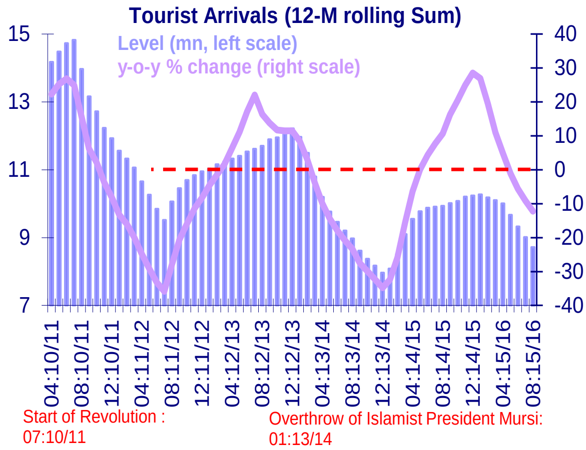
The decline in NII would have been sharper had: i) ELA funding not receded (by EUR 3.6bn y-o-y at EUR 3.8bn by end-2015), replaced by ordinary ECB funding (following the Moody's upgrade to Baa3 (investment grade) for BOC's covered bonds from B1); and ii) customer deposits not increased (by EUR 582mn in FY:15), following the lifting of all capital controls in early-April 2015.

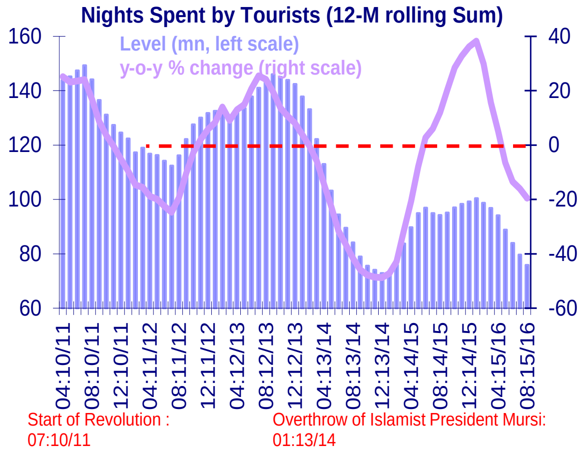
Operating expenses remained broadly flat (down 0.4% in FY:15) compared with decreases of 19.9% and 31.5%, respectively, in FY:14 and FY:13, as the restructuring of the banking sector came to an end. As gross operating income declined at a faster pace than operating expenses, the banking sector's efficiency deteriorated, with the cost-to-income ratio increasing by 384 pps y-o-y to 44.2% in FY:15, albeit still below the EU-average (60.7% in H1:15)

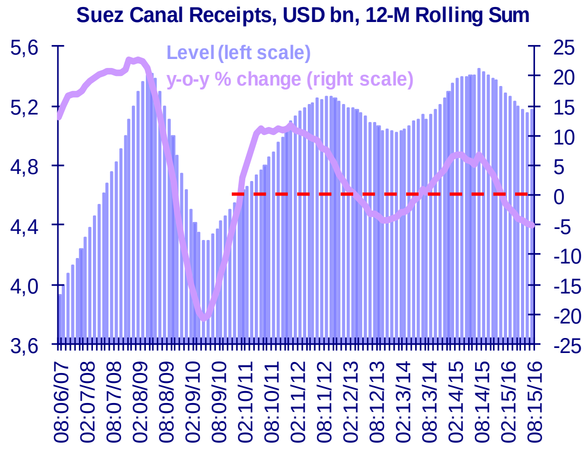
Provisioning increased in FY:15, despite a decline in NPL formation. The non-performing exposure (NPE) ratio, mainly comprising loan balances (90 dpd), restructured loan balances (60 dpd), as well as all performing restructured balances for a 1-year probation period after the restructuring date, declined from a record high of 47.5% in FY:14 to 45.4% in FY:15 (c. EUR 27.3bn or 157% of GDP), underpinned by reclassification of restructured loans (following the successful completion of the above-mentioned 1-year observance period) in the performing category, write-offs and recoveries. Nevertheless, banks increased the pace of provisioning -- NPL provisions rose by 6.9% in FY:15 – in view of their low NPL coverage ratio by European standards, pushing up the cost of risk to 280 bps in FY:15 from 220 bps in FY:14. Accordingly, the NPL coverage ratio rose to 38.3% in FY:15 from 33.9% in FY:14, but still below the EU average (47.2% in H1:15).

Egypt

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







	11 Apr.	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)	438	400	300	220

	11 Apr.	1-W %	YTD %	2-Y %
HERMES 100	671	-2.6	6.5	-14.4

	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	10.5
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

The hijacking of an Egypt Air flight in late March will deal another blow to the tourism industry, already reeling from the terrorist bombing of a Russian plane last October. Tourist arrivals declined sharply, by 43.0% y-o-y during November-February.

The sharp decline in arrivals during November-February followed the terrorist bombing of a Russian passenger plane on October 31st, which led: i) Russia (the largest source country, which accounted for more than 30% of total tourists in 2014) to ban flights to Egypt; ii) the UK (the second largest source country, which accounted for more than 10% of total tourists in 2014) to suspend all flights to Egypt's tourism flagship city of Sharm el-Sheikh; and iii) several other countries to issue warnings against travel to Egypt. More worrying, the decline in the number of nights spent by tourists during November-February (down 61.3% y-o-y) was even sharper than that of arrivals during the same period (down 43.0% y-o-y). As a result, the 12-month rolling sum of tourist arrivals and nights spent by tourists declined by 12.2% and 19.5% y-o-y, respectively, to 8.7mn and 75.9mn in February compared with rises of 4.8% and 5.0% in October.

Looking ahead, despite the Government's ongoing efforts to strengthen security measures and attract tourists through promotional campaigns abroad, the recent negative trends of tourist arrivals and nights spent are set to worsen during the remainder of this fiscal year (March-June). Indeed, the hijacking of a domestic flight on March 29th by a passenger wearing a fake suicide belt has raised renewed questions over Egyptian airport security. The incident led Russia to postpone the resumption of flights to Egypt, just days after it had announced that it would soon restore the flights. Overall, we foresee tourist arrivals and nights spent declining sharply by around 30.0% and 45.0%, respectively, to 7.3mn and 54.2mn in FY:15/16. Should our forecasts materialise, the tourism sector would: i) shave 0.5 pps off overall GDP growth in FY:15/16 (projected at 3.0%) after having added 0.3 pps to growth in FY:14/15 (4.2%); and ii) see its contribution to FX reserves plunging to USD 3.7bn in FY:15/16 from USD 7.2bn in FY:14/15.

Suez Canal receipts (SCR) declined in the first 8 months of the fiscal year, due to currency valuation effects. Suez Canal revenue, one of Egypt's main foreign currency earners, fell by 5.5% y-o-y to USD 3.4bn (1.0% of GDP) in 8M:15/16 (July 2015-February 2016), following an increase of 2.4% in FY:14/15. The decline reflects exclusively a weaker SDR – the currency unit used by the Canal Authority to collect transit fees – against the USD. Indeed, despite the ongoing slowdown in global trade, total (net) tonnage of ships crossing the Canal remained broadly unchanged in 8M:15/16 from a year earlier, supported by tankers and LNG ships (accounting for 26.0% of total net tonnage and up 11.5% y-o-y in 8M:14/15).

Looking ahead, we expect SCR to continue to decline, albeit at a slower pace, during the remainder of the fiscal year (March-June), on the back of a milder weakening of the SDR against the USD (based on consensus forecasts for the SDR components, we see the depreciation of the SDR against the USD moderating to 0.4% y-o-y in 9-12M:15/16 from 5.6% y-o-y in 8M:15/16). Overall, we foresee SCR declining, for the first time in 3 years, by around 3.0% to USD 5.2bn (1.5% of GDP) in FY:15/16. Should our forecast materialise, SCR would shave 0.1 pp off overall GDP growth (projected at 3.0%) and be less supportive to FX reserves (contributing USD 5.2bn against USD 5.4bn in FY:14/15).

FOREIGN EXCHANGE MARKETS, APRIL 11TH 2016

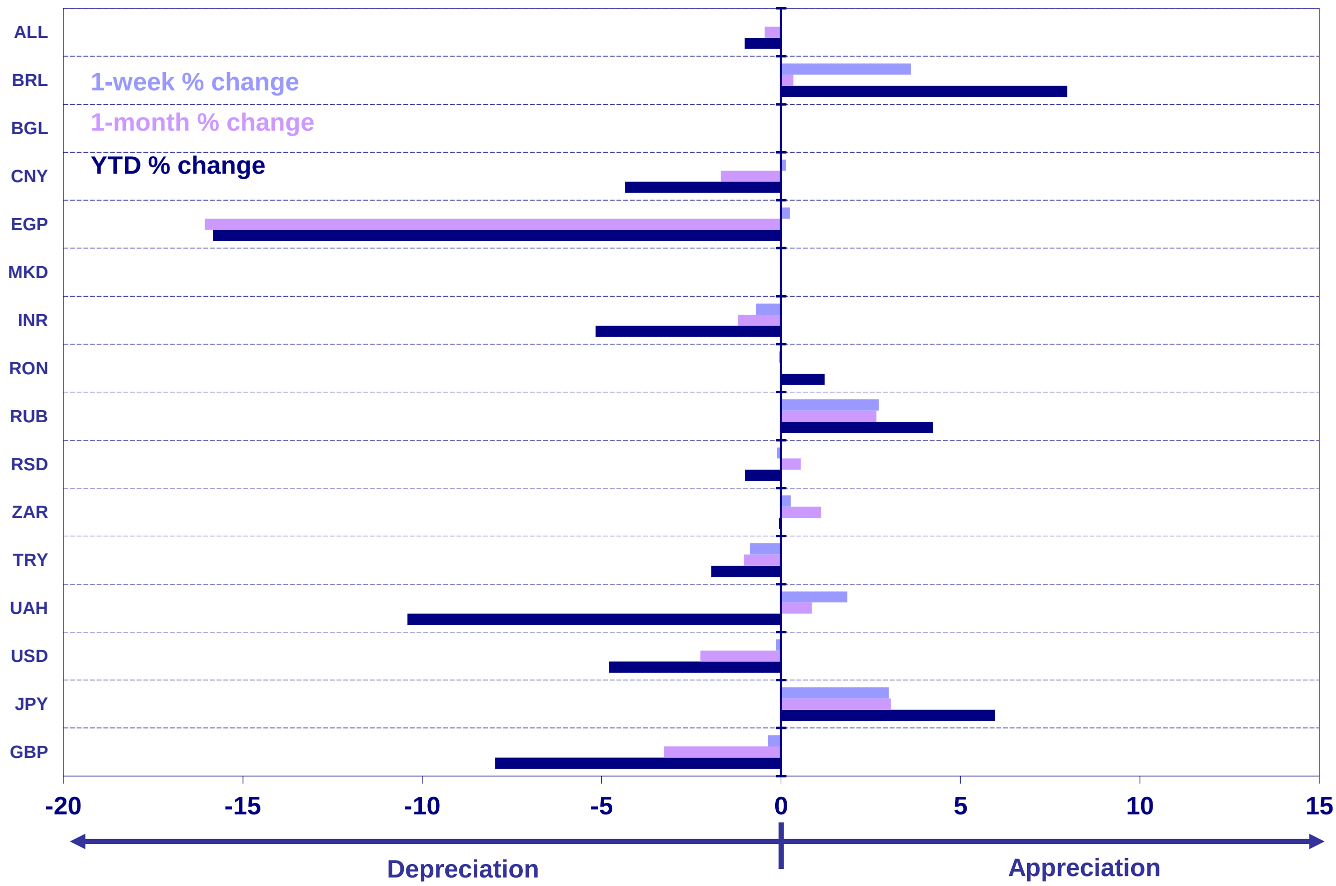
Against the EUR

	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	138.5	0.0	-0.5	-1.0	1.2	137.5	139.5	139.0	138.8	137.5	2.0	0.1
Brazil	BRL	3.98	3.6	0.3	8.0	-17.2	3.95	4.55	4.55	4.54	4.53	-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	0.1	-1.7	-4.3	-10.8	6.99	7.46	7.59	7.58	7.58	6.7	10.8
Egypt	EGP	10.08	0.2	-16.1	-15.8	-19.2	8.26	10.12	- - -	- - -	- - -	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	75.7	-0.7	-1.2	-5.2	-12.8	71.3	77.8	81.4	- - -	- - -	6.6	12.3
Romania	RON	4.46	-0.1	0.0	1.2	-1.4	4.45	4.56	4.47	4.48	4.51	-0.8	-0.5
Russia	RUB	76.0	2.7	2.7	4.2	-27.3	75.3	93.8	78.1	79.6	82.7	-15.1	-32.8
Serbia	RSD	122.7	-0.1	0.5	-1.0	-2.2	121.6	123.7	123.2	124.1	- - -	-0.1	-5.6
S. Africa	ZAR	16.8	0.3	1.1	-0.1	-23.6	16.29	18.58	17.1	17.5	18.3	-16.6	3.0
Turkey	YTL	3.23	-0.9	-1.0	-1.9	-12.7	3.12	3.35	3.32	3.40	3.58	-10.8	4.4
Ukraine	UAH	29.1	1.8	0.9	-10.4	-18.7	25.06	30.16	36.1	- - -	- - -	-27.5	-40.8
US	USD	1.14	-0.1	-2.2	-4.8	-7.4	1.1	1.1	1.14	1.15	1.16	11.4	13.6
JAPAN	JPY	123.1	3.0	3.1	6.0	3.1	122.1	132.3	123.1	123.0	122.9	11.0	-0.1
UK	GBP	0.80	-0.4	-3.3	-8.0	-10.1	0.7	0.8	0.80	0.80	0.81	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 (April 11th 2016)



Money Markets, April 11th 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
O/N	1.6	14.1	-0.1	2.0	- - -	10.9	- - -	- - -	0.4	11.0	- - -	11.0	8.0	19.4	- - -	0.4
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	0.4	11.0	2.9	- - -	7.7	- - -	- - -	- - -
S/W	1.7	14.1	-0.1	2.3	-0.4	- - -	1.3	- - -	- - -	11.0	2.9	- - -	7.9	20.8	-0.4	0.4
1-Month	1.8	14.1	0.0	2.8	-0.3	- - -	1.5	7.0	0.6	11.5	3.1	11.1	7.6	23.2	-0.3	0.4
2-Month	- - -	14.1	0.1	- - -	-0.3	- - -	- - -	- - -	- - -	11.8	3.2	11.2	7.7	- - -	-0.3	0.5
3-Month	2.0	14.1	0.1	2.8	-0.3	- - -	1.8	7.2	0.8	11.8	3.3	11.2	7.8	23.8	-0.3	0.6
6-Month	2.1	14.0	0.3	2.9	-0.1	- - -	2.1	- - -	1.0	11.9	3.6	11.3	8.0	- - -	-0.1	0.9
1-Year	2.2	13.7	0.7	3.0	0.0	- - -	2.6	- - -	1.2	12.0	- - -	11.4	9.2	- - -	0.0	1.2

Local Debt Markets, April 11th 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	1.5	- - -	- - -	- - -	- - -	12.2	1.6	6.8	- - -	11.7	3.3	9.5	- - -	- - -	-0.6	0.2
6-Month	1.2	- - -	- - -	- - -	- - -	13.8	2.2	6.8	0.6	11.9	3.4	9.7	- - -	- - -	-0.5	0.3
12-Month	1.6	- - -	0.2	2.2	- - -	14.2	2.6	7.1	0.7	9.8	4.3	9.7	- - -	- - -	-0.5	0.5
2-Year	2.1	- - -	- - -	2.4	- - -	- - -	2.0	7.1	0.9	9.5	- - -	9.7	8.0	19.6	-0.5	0.7
3-Year	- - -	- - -	0.4	2.4	2.8	- - -	2.7	7.3	1.1	9.5	- - -	9.6	8.4	20.0	-0.5	0.8
5-Year	- - -	13.5	- - -	2.6	- - -	15.9	2.7	7.4	2.7	9.3	7.0	9.5	8.6	- - -	-0.4	1.2
7-Year	- - -	- - -	1.5	- - -	3.6	16.9	- - -	7.6	3.0	9.3	- - -	- - -	- - -	- - -	-0.2	1.5
10-Year	- - -	13.7	2.4	2.9	4.0	17.2	3.7	7.4	3.4	9.2	- - -	9.6	9.1	- - -	0.1	1.7
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	4.3	7.9	- - -	9.3	- - -	- - -	9.6	- - -	0.4	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	9.8	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	7.8	- - -	- - -	- - -	- - -	9.9	- - -	0.8	2.6

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

Corporate Bonds Summary, April 11th 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	5.5	606	550
	Bulgarian Telecom. 6.625% '18	EUR	B-/B1	15/11/2018	400	5.1	557	521
Cyprus	**Aroundtown Property 3% '21**	EUR	NA/NA	9/12/2021	200	3.6	394	342
Russia	**Gazprom 8.2% '19**	RUB	BB+/NA	9/4/2019	10,000	10.0	44	- - -
	Gazprom 8.9% '21	RUB	BB+/NA	26/1/2021	10,000	10.8	126	- - -
South Africa	**FirstRand Bank Ltd 4.25% '20**	USD	BBB-/Baa2	30/4/2020	500	4.1	296	303
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	1.0	147	112
Turkey	**Vakiflar Bankasi 3.5% '19**	EUR	NA/Baa3	17/6/2019	500	3.0	353	314
	Garanti Bankasi 3.38%'19	EUR	NA/Baa3	8/7/2019	500	2.8	333	294
	Arcelik AS 3.875% '21	EUR	BB+/NA	16/9/2021	350	3.7	434	365
	Turkiye Is Bankasi 6% '22	USD	NA/Ba3	24/10/2022	1,000	6.1	434	467

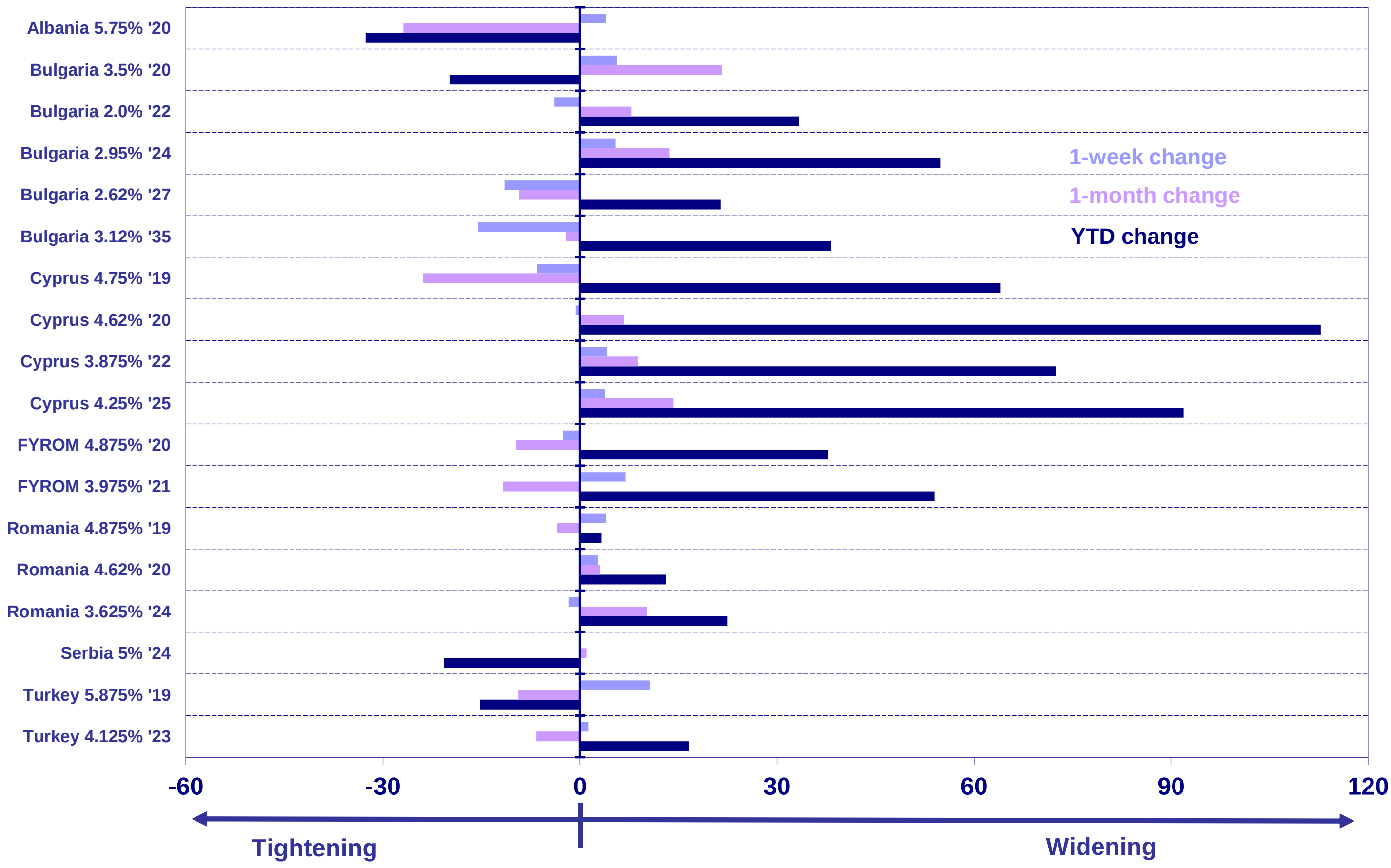
Credit Default Swap Spreads, April 11th 2016

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	361	162	124	- - -	494	- - -	- - -	120	283	265	255	311	- - -
10-Year	- - -	429	208	172	- - -	504	- - -	- - -	161	337	308	309	365	- - -

EUR-DENOMINATED SOVEREIGN EUROBOND SUMMARY, APRIL 11TH 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	4.3	498	447
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	0.7	121	89
Bulgaria 2.0% '22	EUR	BB+/Baa2	26/3/2022	1,250	1.7	201	160
Bulgaria 2.95% '24	EUR	BB+/Baa2	3/9/2024	1,493	2.3	246	201
Bulgaria 2.62% '27	EUR	BB+/Baa2	26/3/2027	1,000	2.6	247	195
Bulgaria 3.12% '35	EUR	BB+/Baa2	26/3/2035	900	3.5	289	242
Cyprus 4.75% '19	EUR	B+/NA	25/6/2019	566	2.8	334	304
Cyprus 4.62% '20	EUR	B+/B3	3/2/2020	770	3.2	378	337
Cyprus 3.875% '22	EUR	NA/B3	6/5/2022	1,000	3.6	388	345
Cyprus 4.25% '25	EUR	NA/B1	4/11/2025	1,000	4.0	385	349
FYROM 4.875% '20	EUR	BB-/NA	1/12/2020	270	4.8	554	479
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	4.9	570	551
Romania 4.875% '19	EUR	BBB-/Baa3	7/11/2019	1,500	0.6	102	73
Romania 4.62% '20	EUR	BBB-/Baa3	18/9/2020	2,000	0.8	127	94
Romania 3.625% '24	EUR	BBB-/Baa3	24/4/2024	1,250	2.1	226	192
Serbia 5% '24	EUR	BB-/NA	11/4/2024	125	3.7	382	352
Turkey 5.875% '19	EUR	NR/Baa3	2/4/2019	1,250	1.6	212	186
Turkey 4.125% '23	EUR	NR/Baa3	11/4/2023	1,000	3.0	325	289

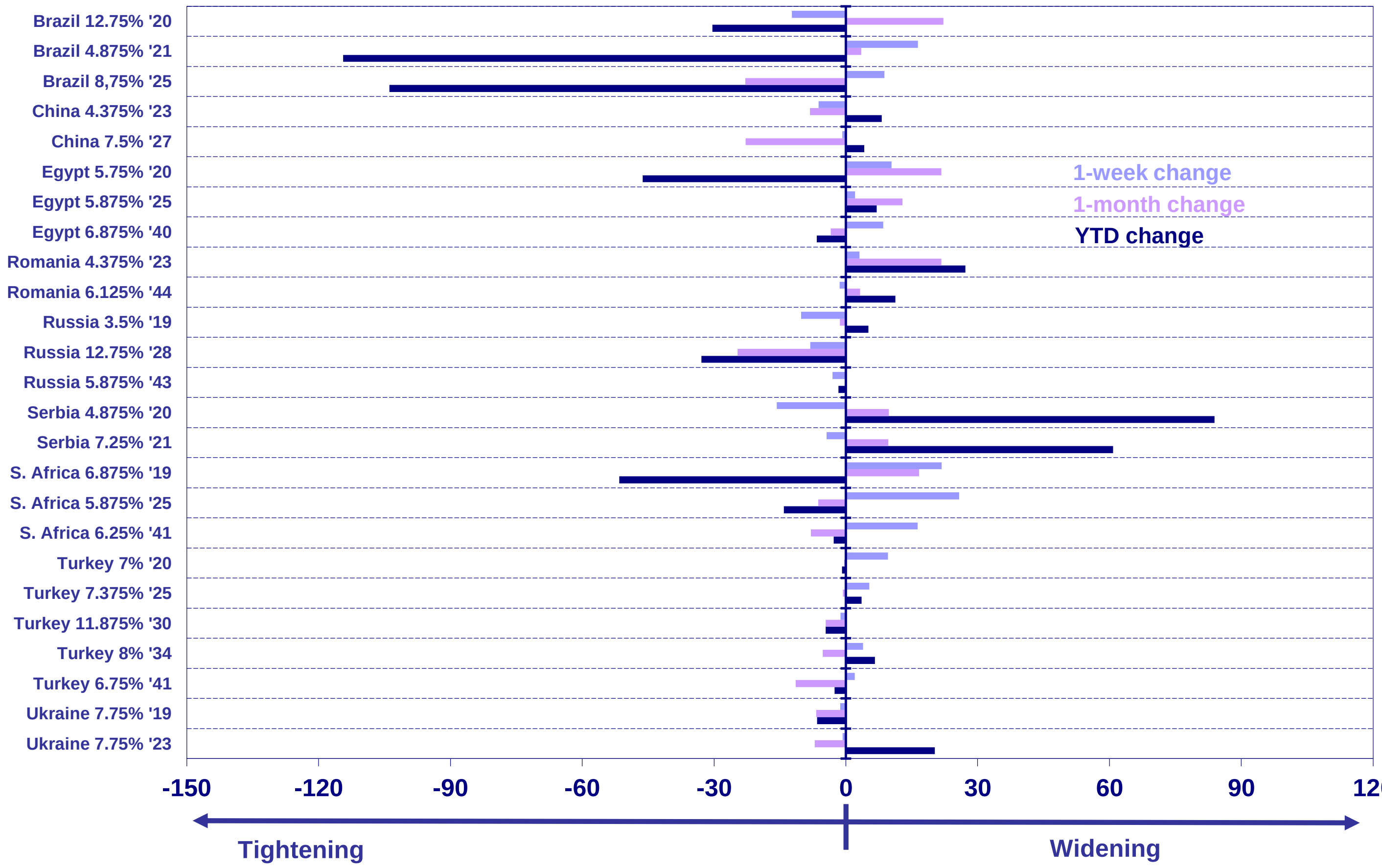
EUR-Denominated Eurobond Spreads (April 11th 2016)



USD-DENOMINATED SOVEREIGN EUROBOND SUMMARY, APRIL 11TH 2016

	Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Brazil 12.75% '20	USD	BB+/Baa3	15/1/2020	234	3.6	185	225
Brazil 4.875% '21	USD	BB+/Baa3	22/1/2021	2,988	2.9	118	156
Brazil 8,75% '25	USD	BB+/Baa3	4/2/2025	969	5.5	438	444
China 4.375% '23	USD	AA-/Aa3	2/5/2023	500	7.5	579	549
China 7.5% '27	USD	AA-/Aa3	28/10/2027	100	8.4	580	551
Egypt 5.75% '20	USD	B-/B3	29/4/2020	1,000	3.3	187	201
Egypt 5.875% '25	USD	B-/B3	11/6/2025	1,500	4.6	207	290
Egypt 6.875% '40	USD	B-/B3	30/4/2040	500	3.2	233	223
Romania 4.375% '23	USD	BBB-/Baa3	22/8/2023	1,500	5.2	344	482
Romania 6.125% '44	USD	BBB-/Baa3	22/1/2044	1,000	5.6	301	352
Russia 3.5% '19	USD	BB+/Ba1	16/1/2019	1,500	4.2	333	314
Russia 12.75% '28	USD	BB+/Ba1	24/6/2028	2,500	4.6	341	357
Russia 5.875% '43	USD	BB+/Ba1	16/9/2043	1,500	3.6	277	277
Serbia 4.875% '20	USD	BB-/B1	25/2/2020	1,500	4.9	315	342
Serbia 7.25% '21	USD	BB-/B1	28/9/2021	2,000	5.6	304	368
S. Africa 6.875% '19	USD	BBB-/Baa2	27/5/2019	2,000	3.5	238	264
S. Africa 5.875% '25	USD	BBB-/Baa2	16/9/2025	2,000	4.5	281	335
S. Africa 6.25% '41	USD	BBB-/Baa2	8/3/2041	750	4.7	301	420
Turkey 7% '20	USD	NR/Baa3	5/6/2020	2,000	5.3	354	394
Turkey 7.375% '25	USD	NR/Baa3	5/2/2025	3,250	5.4	280	344
Turkey 11.875% '30	USD	NR/Baa3	15/1/2030	1,500	9.7	882	825
Turkey 8% '34	USD	NR/Baa3	14/2/2034	1,500	9.4	790	745
Turkey 6.75% '41	USD	NR/Baa3	14/1/2041	3,000	3.6	185	225
Ukraine 7.75% '19	USD	B-/Caa3	1/9/2019	1,646	2.9	118	156
Ukraine 7.75% '23	USD	B-/Caa3	1/9/2023	1,330	5.5	438	444

USD-Denominated Eurobond Spreads (April 11th 2016)



Stock Markets Performance, April 11th 2016

	2016								2015		2014	
	Local Currency Terms							EUR Terms	Local Currency Terms	EUR terms	Local Currency terms	EUR terms
	Level	1-week % change	1-month % change	YTD % change	1-year % change	Year-Low	Year-High	YTD % change	% change		% change	
Brazil (IBOV)	50,165	2.8	1.1	15.7	-7.5	37,046	52,262	25.7	-13.3	-35.3	-2.9	-2.0
Bulgaria (SOFIX)	442	-1.2	-0.9	-4.2	-13.9	441	462	-4.2	-11.7	-11.7	6.2	6.2
China (SHCOMP)	3,034	0.8	8.0	-15.1	-26.4	2,638	3,539	-18.2	9.4	16.5	52.9	69.5
Cyprus (CSE GI)	67	-0.8	-2.9	-0.4	-15.1	64	70	-0.4	-20.9	-20.9	-17.0	-17.0
Egypt (HERMES)	671	-2.6	12.5	6.5	-17.0	521	696	6.5	-24.4	-25.7	23.5	36.6
F.Y.R.O.M (MBI)	1,767	-0.8	-2.2	-3.6	1.6	1,762	1,842	-3.6	-0.6	-0.6	6.1	6.1
India (SENSEX)	25,022	-1.5	1.2	-3.6	-13.8	22,495	28,696	-7.4	-5.0	0.7	29.9	44.7
Romania (BET-BK)	1,263	-0.3	0.1	-5.9	-7.1	1,171	1,329	-4.6	2.6	1.6	3.7	3.5
Russia (RTS)	4,257	2.8	2.0	7.5	10.8	3,509	4,326	13.2	30.3	9.5	-6.9	-37.4
Serbia (BELEX-15)	608	0.0	1.5	-3.7	-15.5	570	637	-4.6	-3.4	-3.5	19.5	12.8
South Africa (FTSE/JSE)	51,428	-0.9	-0.6	1.2	-4.0	45,976	53,827	2.5	1.9	-15.1	7.6	10.9
Turkey (ISE 100)	83,988	0.1	5.8	14.7	2.5	68,230	84,101	13.3	-16.3	-25.4	26.4	32.0
Ukraine (PFTS)	228	-0.4	-10.8	-5.1	-44.5	222	256	-14.8	-37.8	-54.8	28.7	-24.2
MSCI EMF	824	-0.3	2.9	4.1	-20.9	687	839	-0.2	-17.0	-7.5	-4.6	8.2
MSCI EAFE	1,632	0.3	-0.8	-5.5	-13.8	1,492	1,716	-9.5	-3.3	7.7	-7.3	5.8
Greece (ASE-General)	561	-0.7	-0.9	-8.2	-27.7	421	627	-8.2	-23.6	-23.6	-28.9	-28.9
Germany (XETRA DAX)	9,683	-1.4	-1.5	-9.9	-21.5	8,699	10,486	-9.9	-4.9	-4.9	2.7	2.7
UK (FTSE-100)	6,200	0.6	1.0	-1.2	-12.2	5,500	6,242	-9.0	-4.9	0.1	-2.7	4.1
Japan (NIKKEI-225)	15,751	-2.3	-7.0	-17.2	-20.9	14,866	18,951	-11.4	9.1	20.2	7.1	7.0
USA (DJ INDUSTRIALS)	17,556	-1.0	2.0	-0.3	-2.3	15,370	18,351	-4.4	-2.2	9.3	7.5	22.2
USA (S&P 500)	2,042	-1.2	1.0	-1.0	-2.4	1,810	2,135	-5.2	-0.7	10.9	11.4	26.6

Equity Indices (April 11th 2016)