Economic Analysis Division
Emerging Markets Research

Bi-Weekly Report

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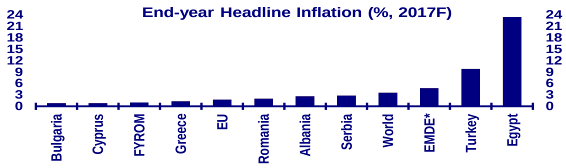
* EMDE: Emerging Market & Developing Economies



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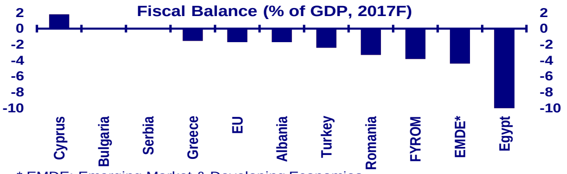

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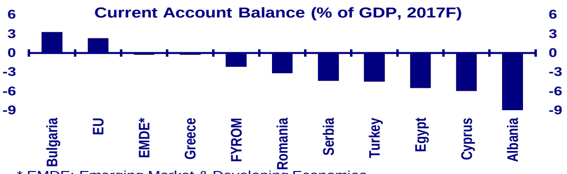
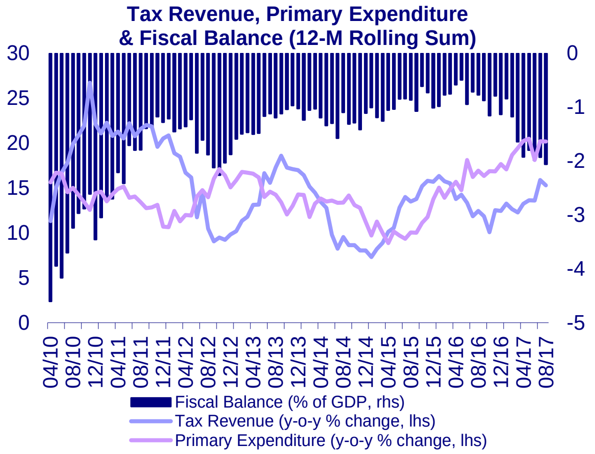
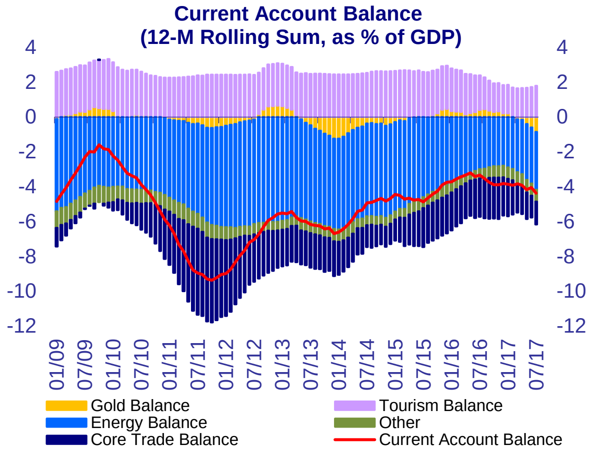


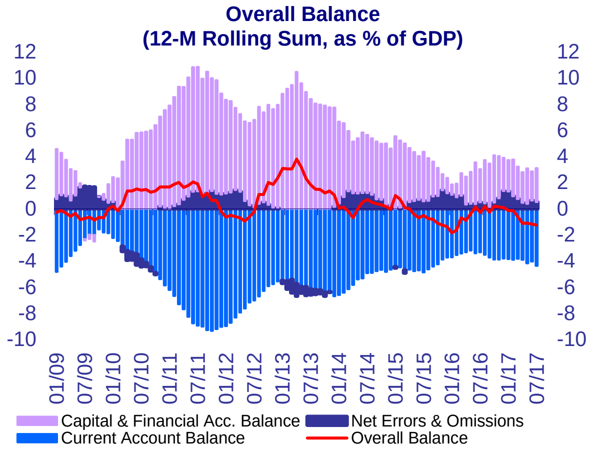
* EMDE: Emerging Market & Developing Economies

Turkey

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







	25 Sep.	3-M F	6-M F	12-M F
1-m TRIBOR (%)	13.0	12.5	12.0	11.0
TRY/EUR	4.20	4.24	4.30	4.36
Sov. Spread (2020, bps)	179	175	165	150

	25 Sep.	1-W %	YTD %	2-Y %
ISE 100	102,270	-4.0	30.9	37.1

	2014	2015	2016	2017F	2018F
Real GDP Growth (%)	5.2	6.1	3.2	5.5	4.0
Inflation (eop, %)	8.2	8.8	8.5	9.8	8.0
Cur. Acct. Bal. (% GDP)	-4.7	-3.7	-3.8	-4.6	-4.4
Fiscal Bal. (% GDP)	-1.1	-1.0	-1.1	-2.4	-2.0

A less expansionary fiscal stance in sight in 9-12M:17 to help attenuate the risk of overheating of the economy. The fiscal balance turned into a deficit of 0.8% of GDP in 8M:17 from a surplus of 0.2% of GDP in 8M:16, reflecting the Government's efforts to boost economic growth. The 8M:17 fiscal expansion was driven by higher primary expenditure and lower revenue. The rise in primary expenditure reflects mainly more generous transfers (health & retirement spending, social assistance, up 0.5 pps of GDP y-o-y), while the decline in overall revenue resulted from weaker privatisation proceeds, dividends, and tax revenue (each down 0.2 pps of GDP y-o-y). The latter is mainly attributed to the tax cut on consumer durables and furniture purchases (set to expire at end-Q3:17) and the postponement of firms' payment of social security premiums to Q4:17 from Q1:17.

Looking ahead, the fiscal deficit is set to widen at a slower pace during the rest of the year (by 0.3 pps of GDP y-o-y in 9-12M:17), mainly due to the expiry of some stimulus measures (see above) and stronger-than-initially-expected tax collection (on the back of higher-than-projected economic growth). Overall, we see the fiscal deficit rising to 2.4% of GDP in FY:17 from 1.1% in FY:16 -- implying a fiscal stimulus to the economy of c. 1.4 pps of GDP in FY:17 on a cyclically-adjusted basis and largely contributing to the acceleration in GDP growth from 3.2% in FY:16 to an estimated 5.5% for FY:17.

Buoyant exports and the recovery in the tourism sector contained the widening of the 12-month rolling current account deficit (CAD) to 4.4% of GDP in July from 3.8% of GDP in December. The CAD rose by 0.6 pps y-o-y to 3.1% of GDP in 7M:17. Specifically, a deterioration in energy and gold balances (by 0.5 pps and 1.1 pp of GDP y-o-y, respectively) more than offset a significant improvement in the underlying (core) current account balance (excluding gold and energy). The deterioration in the energy balance was in line with global oil price developments, while that of the gold balance was driven by a temporary surge in gold imports. Importantly, the underlying current account improved on an annual basis for an 8th consecutive month in July. It strengthened by 1.0 pp of GDP y-o-y in 7M:17, mainly on continued recovery in exports (up c. 12.0% y-o-y in USD terms), notably to the EU, supported by stronger competitiveness of Turkish goods in global markets and firmer growth in the EU-28. A strong recovery in the tourism sector, supported by the return of Russian tourists, the ease of domestic security concerns and the cheaper TRY, also contributed to the improvement in the underlying current account.

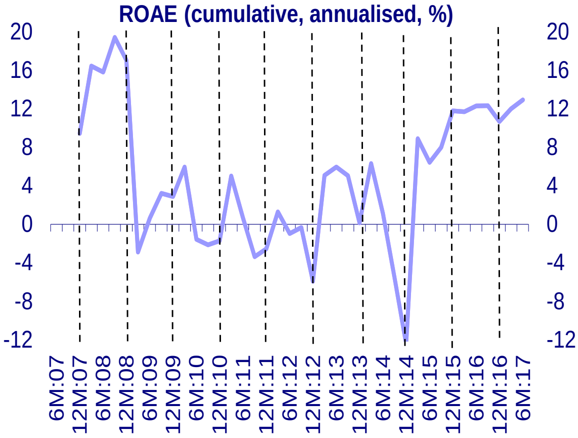
The capital and financial account (CFA) posted a surplus, but fell short of covering the CAD in 7M:17. The CFA balance remained broadly unchanged on an annual basis, at a surplus of 2.9% of GDP in 7M:17. Importantly, with the dissipation of political uncertainty after the mid-April referendum, the tightening of the monetary policy stance, the stabilization of the TRY, and the rebound in economic activity, net inflows to the bond and equity markets rose sharply by 1.0 pp of GDP y-o-y in 7M:17 and became the main source of financing.

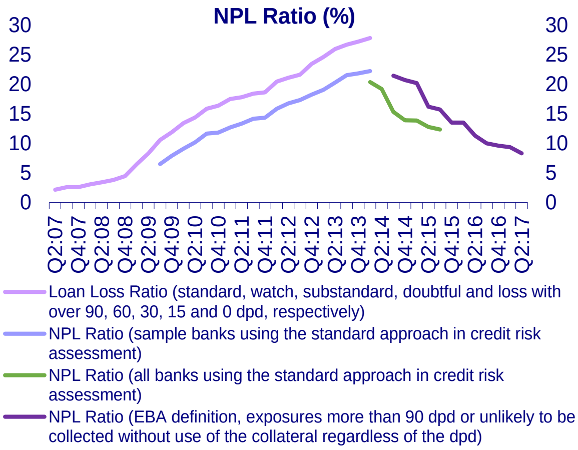
Mainly due to negative (net) errors and omissions (minus USD 3.5bn y-t-d), FX reserves declined sharply by USD 4.7bn y-t-d to a 5-year low of USD 87.5bn in July -- equivalent to 4.6 months of imports of GNFS.

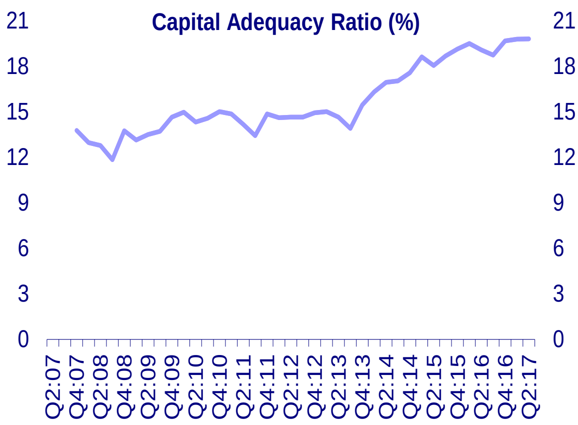
Going forward, we expect the current account to deteriorate at a slower pace during the rest of the year (by 0.2 pps y-o-y to 1.5% of GDP in 8-12M:17), on the back of continued strong external demand, an improvement in tourism receipts, a normalization in gold imports, and a less unfavourable energy bill. Overall, we see the CAD rising to c. USD 39.0bn (4.6% of GDP) in FY:17 from USD 32.6bn (3.8% of GDP) in FY:16.

Romania

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







	25 Sep.	3-M F	6-M F	12-M F
1-m ROBOR (%)	0.9	1.0	1.3	2.0
RON/EUR	4.60	4.57	4.55	4.55
Sov. Spread (2024, bps)	126	122	116	110

	25 Sep.	1-W %	YTD %	2-Y %
BET-BK	1,649	-1.0	22.7	21.8

	2014	2015	2016	2017F	2018F
Real GDP Growth (%)	3.1	3.9	4.8	5.5	4.3
Inflation (eop, %)	0.8	-0.9	-0.5	2.0	2.6
Cur. Acct. Bal. (% GDP)	-0.7	-1.2	-2.3	-3.2	-3.6
Fiscal Bal. (% GDP)	-1.7	-1.5	-2.4	-3.3	-4.0

The banking sector's bottom line improved further in Q2:17, mainly due to a slowdown in provisioning. Net profit after tax rose by 19.1% y-o-y to RON 1.5bn (EUR 322mn or 0.2% of GDP) in Q2:17. Importantly, the improved performance came despite an unfavourable base effect from large (non-disclosed) once-off gains from the sale of stakes held by Romanian banks in Visa Europe Ltd. in Q2:16. As a result, on a cumulative basis, net profit after tax amounted to RON 2.7bn in H1:17 (up 12.5% y-o-y), with the annualised ROAA and ROAE improving to 1.4% and 12.9%, respectively, at the same time from 1.3% and 12.3% in Q1:16.

The positive performance in Q2:17 can be largely attributed to a slowdown in provisioning, in line with the sharp decline in NPLs. Indeed, the NPL ratio (EBA definition) fell to 8.3% in Q2:17 from 11.3% in Q2:16, and a peak of 26.8% in early-2014, on the back of large (NBR-motivated) write-offs and NPL sales (amounting to a combined 2.5% of GDP over the past 3 years or c. 10.0% of the current stock of total gross loans). Moreover, following the Constitutional Court's ruling that precludes the retrospective application of the Debt Settlement Law (effectively a no-recourse framework), banks proceeded with a partial reversal of the provisions made for this purpose, further sustaining profitability. That being said, the NPL coverage ratio remained broadly stable at c. 66.0%, the highest in the EU.

Importantly, we estimate pressure on pre-provision operating income (adjusted for the aforementioned base effect) to have eased in Q2:17. Specifically, net interest income likely increased in Q2:17, reflecting slightly faster credit expansion (up 3.8% y-o-y in June against 0.9% at end-2016) in an environment of increased liquidity and low interest rates. Indeed, the policy rate has remained unchanged at 1.75% since May 2015, with money market rates stuck at the bottom of the NBR's interest rate corridor -- currently at ±1.5 pps around the policy rate. On the other hand, net fees and commission income continued to decline on an annual basis in Q2:17, following a reduction in (regulated) interchange fees at the beginning of the year and stronger competition among banks.

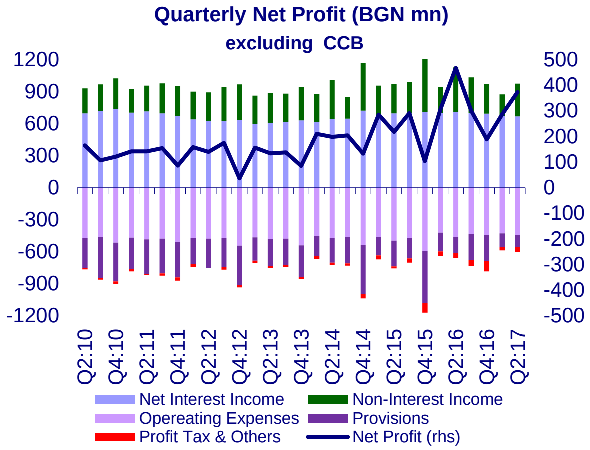
Profitability was also supported -- albeit marginally – by the decline in operating expenses, on the back of low inflation and the continuing downsizing of the banking system (the number of bank branches was reduced by 3.7% y-o-y in Q2:17 to a low of 4.7k). As a result, the system remained well capitalised, with a capital adequacy ratio (CAR) of 19.8%, well above the minimum regulatory threshold of 8.0%.

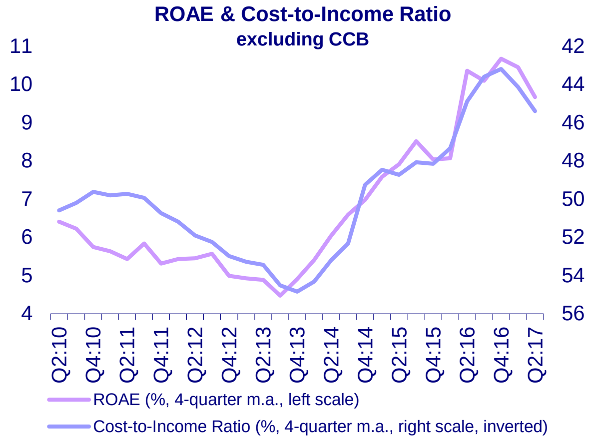
Higher provisioning needs ahead of an asset quality review (AQR) and the transition to IFRS 9 could constrain profitability during the remainder of the year. The implementation of the new, tighter accounting standards, IFRS 9, at the beginning of 2018, combined with increased NPL recognition ahead of an AQR, should prompt banks to accelerate provisioning during the remainder of the year. Note that IFRS 9 shifts from an incurred loss model to an expected loss approach, with the impact of their implementation on the CAR estimated at c. 2 pps (EBA survey, September 2016).

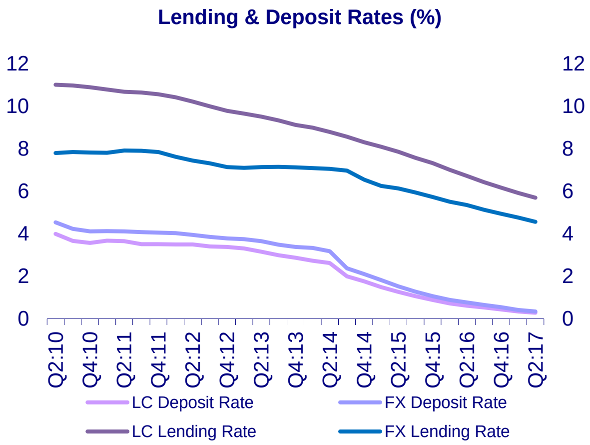
Importantly, pre-provision income is set to improve further during the remainder of the year, reflecting higher NII. Indeed, the pace of credit expansion is projected to accelerate (to 5.0% by end-year), in line with: i) the rapid economic growth; ii) the country's low lending penetration rate (28.0% of GDP against 48.0% in SEE-4); and iii) abundant liquidity in the system (the gross loan-to-deposit ratio stood at a low 83.6% in June). All said, we expect ROAE to fall slightly below double-digits in FY:17 from 10.7% in FY:16.

Bulgaria

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







	25 Sep.	3-M F	6-M F	12-M F
1-m SOFIBOR (%)	0.0	0.1	0.1	0.2
BGN/EUR	1.96	1.96	1.96	1.96
Sov. Spread (2022, bps)	50	53	52	50

	25 Sep.	1-W %	YTD %	2-Y %
SOFIX	781	1.7	16.1	53.8

	2014	2015	2016	2017F	2018F
Real GDP Growth (%)	1.3	3.6	3.4	3.7	3.5
Inflation (eop, %)	-0.9	-0.4	0.1	0.8	1.4
Cur. Acct. Bal. (% GDP)	0.1	-0.1	4.2	3.3	2.5
Fiscal Bal. (% GDP)	-3.7	-2.8	1.6	-1.0	-0.5

The profitability of the banking system, adjusted for base effects, improved in Q2:17, mainly due to lower provisioning. Net profit declined by 20.4% y-o-y in Q2:17 to BGN 373mn (EUR 190mn or 0.4% of GDP), mainly due to an unfavourable base effect from large once-off gains (worth BGN 186mn) from the sale of stakes held by Bulgarian banks in Visa Europe Ltd. in Q2:16. Adjusted for the latter, net profit increased by 32.6% y-o-y in Q2:17. On a cumulative basis, net profit stood at BGN 660mn in H1:17, with the annualised ROAA and ROAE reaching 1.4% and 11.0%, respectively, compared with 1.3% and 10.1% in H1:16 (adjusted for the aforementioned windfall).

The lower NPL ratio prompted banks to reduce provisioning in Q2:17. The NPL ratio (EBA definition) continued to decline, reaching 12.1% in Q2:17 against 14.0% in Q2:16, reflecting NPL write-offs and sales following the completion of the AQR in 2016. As a result, provisioning continued to decline sharply in Q2:17 (down 26.1% y-o-y following a drop of 25.9% in FY:16), pushing down the cost of risk to 86 bps (down 35 bps y-o-y against 150 bps in 2016). That being said, the NPL coverage ratio stood at 53.2% in Q2:17 (against an EU average of c. 45.0%), broadly unchanged since end-2016. Importantly, the banking system remained well-capitalised, with a capital adequacy ratio (CAR) of 22.5% in Q2:17, far above the minimum regulatory level of 13.5%.

Lower operating expenses and a rebound in net non-interest income sustained pre-provision earnings in Q2:17. Net interest income fell for a 3rd consecutive quarter in Q2:17 (down 6.0% y-o-y following a decline of 4.3% in Q1:17 – albeit up 1.2% in FY:16), as the expansion in average interest earning assets (up 5.6% y-o-y) was more than offset by the impact of the lower net interest margin (down 39 bps y-o-y to 294 bps). The latter is due to the sharp decline in lending rates, reflecting tighter competition among banks for market shares, against the backdrop of increased liquidity in the system. Indeed, the loan-to-deposit ratio fell further to 80.0% in Q2:17 (72% on a net basis) from 82.7% in Q2:16 and its peak of 146.7% in mid-2009.

At the same time, net non-interest income (adjusted for the aforementioned base effect) strengthened in Q2:17 (up 18.5% y-o-y in Q2:17 against a decline of 26.1% in Q1:17, with the latter due to the upfront payment of banks' contributions to the Deposit Insurance and Bank Restructuring funds -- down 10.7% in FY:16). Indeed, trading gains rose sharply in Q2:17 (up 61.3% y-o-y following a rise of 33.6% y-o-y -- up 51.4% in FY:16), driven by large FX gains.

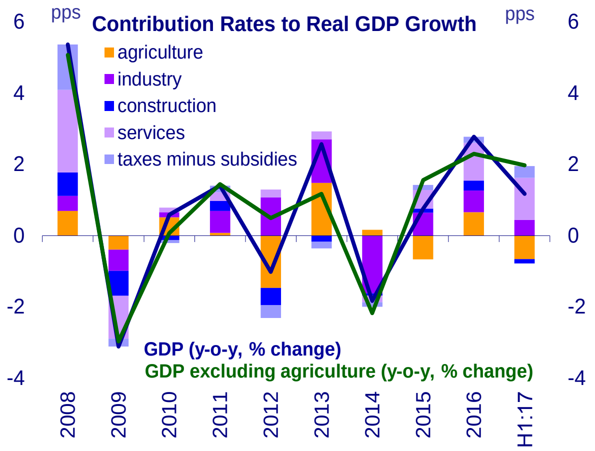
Operating expenses also declined in Q2:17 (down 4.0% y-o-y against a rise of 2.0% in Q1:17 -- no change in FY:16), due to tighter control on G&A costs. As a result, the efficiency of the banking system improved, with the cost-to-income ratio falling by 360 bps y-o-y to 45.4% in Q2:17, still far better than the EU average (c. 66%).

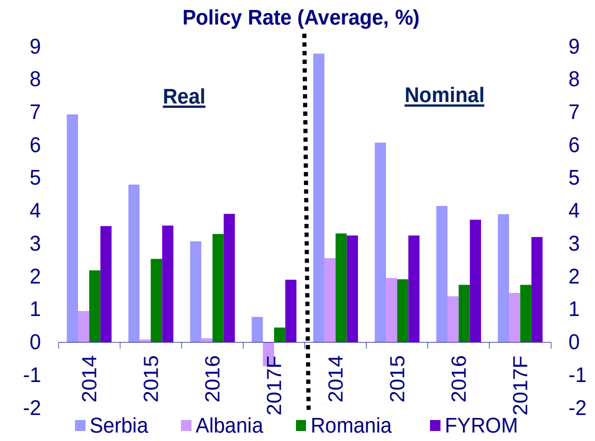
The implementation of IFRS 9 should lead to an increase in provisions and significant, but manageable, capital losses. From January 2018, EU banks will be subject to the new tighter accounting standards, IFRS 9. According to the new standards, which move from the concept of incurred loss to that of expected loss, banks will be required to increase provisions significantly. According to IMF estimates, the implementation of IFRS 9 could shave up to 5 pps off the CAR of the banking system; however, a part of these losses has already been taken in the form of higher provisions over the past 2 years due to the AQR.

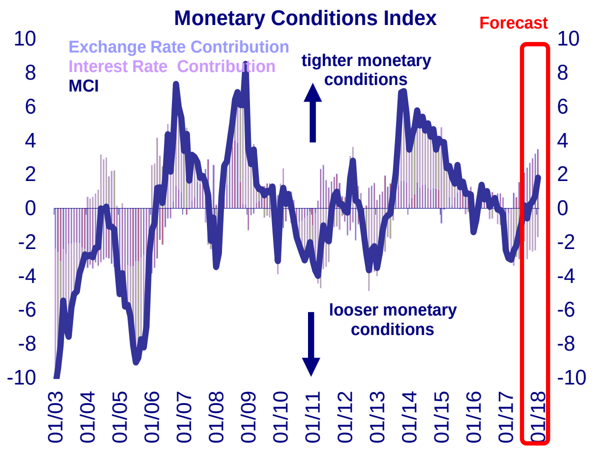
Importantly, we expect pre-provision income to recover during the remainder of the year, in line, *inter alia*, with the pick-up in credit activity (up 5.0% in FY:17 against 1.0% in FY:16). All said, we see ROAE easing to c. 8.0% in FY:17 from 10.7% in FY:16.

Serbia

BB- / Ba3 / BB- (S&P / Moody's / Fitch)







	25 Sep.	3-M F	6-M F	12-M F
1-m BELIBOR (%)	3.1	3.4	3.5	3.8
RSD/EUR	119.2	119.8	120.8	120.3
Sov. Spread (2021, bps)	122	126	124	120

	25 Sep.	1-W %	YTD %	2-Y %
BELEX-15	724	-1.1	0.9	15.0

	2014	2015	2016	2017F	2018F
Real GDP Growth (%)	-1.8	0.8	2.8	2.0	3.6
Inflation (eop, %)	1.7	1.5	1.6	2.8	3.0
Cur. Acct. Bal. (% GDP)	-6.0	-4.7	-4.0	-4.4	-4.3
Fiscal Bal. (% GDP)	-6.6	-3.7	-1.3	0.0	0.0

Activity remained weak and below expectations in Q2:17 (up 1.3% y-o-y), due to unfavourable weather conditions. GDP growth accelerated slightly to 1.3% y-o-y in Q2:17 from 1.0% on Q1:17, but remained weak and well below expectations for a 2nd successive quarter. This outcome brought H1:17 GDP growth to 1.2% y-o-y -- below 2.6% in H2:16 and 2.9% in H1:16. The weaker-than-expected growth performance in H1:17 stems from weather shocks, which weighed heavily on the primary, construction and electricity sectors.

In fact, growth in agricultural production turned negative in H1:17 (-9.1% y-o-y, subtracting 0.7 pps from headline growth), following a strong performance throughout FY:16 (up by a high 10.0% in H2:16 and 6.0% in H1:16, contributing 0.9 pps and 0.4 pps, respectively, to overall growth). The sharp contraction in H1:17 reflects an unusually cold winter that was followed by months of drought. Excluding agriculture, the moderation in GDP growth would have been milder (to 2.0% y-o-y in H1:17 from 2.7% in H1:16, and broadly unchanged from 1.9% in H2:16). Moreover, the industrial sector (20.5% of GDP) eased (up 2.1% y-o-y in H1:17 compared with a rise of 2.5% in H2:16 and 3.4% in H1:16), despite the strong performance in the manufacturing sub-sector. The weakening was driven by a sharp decline in power generation and mining, due to adverse weather conditions (note that hydropower accounts for about ⅓ of Serbia's energy production).

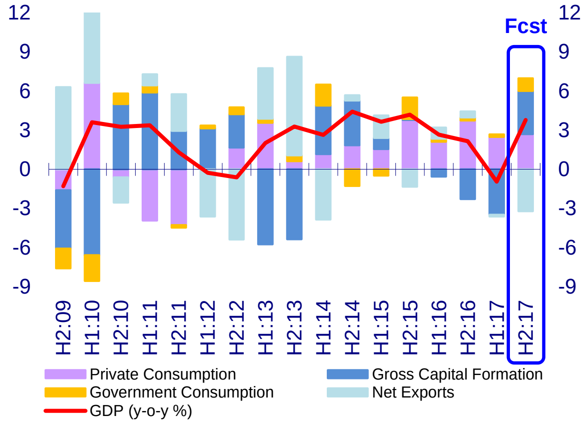
The pace of GDP growth is set to accelerate in H2:17, bringing FY:17 growth to 2.0% -- still below the past year's post-global crisis high of 2.8%. Looking ahead, GDP growth is set to strengthen to 2.8% y-o-y in H2:17 compared with 1.2% in H1:17 and 2.6% y-o-y in H2:16, despite a negative performance in the agricultural sector, as well as the negative impact of a 20-day strike in July by FIAT. Activity in H2:17 should be supported by strong private consumption, on the back of the increase in public sector wages and pensions and their spillover to the private sector (contributing 0.8 pps to FY:17 GDP growth, according to the NBS). Stronger exports should also contribute to the economic rebound in H2:17, reflecting the past years' large FDIs, the recovery in external demand and higher production in the steel plant, Smederevo, following its privatisation in April 2016. Improved market confidence, on the back of improved fundamentals, accelerating EU-related reforms, supported by the ongoing IMF programme, and political stability following Vucic's victory in the presidential elections should further boost economic activity. Overall, we see FY:17 GDP growth at 2.0% -- downwardly revised by 0.8 pps, in view of the weaker-than-initially-expected H1:17 performance. Importantly, excluding agriculture, GDP growth is set to strengthen to a post-crisis high of 2.9% in FY:17 from a robust level of 2.3% in FY:16.

The NBS unexpectedly proceeded with a 25 bp rate cut to 3.75%. After maintaining its 2-week repo rate unchanged since its last cut in July 2016, the NBS surprisingly lowered its central rate, by 25 bps, at its September meeting, to a record low 3.75%. The rationale for the loosening was provided by: i) low inflation (at 2.5% y-o-y in August, within the NBS' target of 3±1.5%) and still low core inflation (at 1.9% in August); ii) sharper fiscal consolidation; and iii) weaker-than-expected economic activity. The cut occurred due to appreciation pressures on the RSD prompted by the gradual return of confidence (appreciating by 3.5% against the EUR since end-April), despite NBS interventions (purchases of EUR 1bn since April, or 9.4% of end-2016 FX reserves). Going forward, despite increasing inflationary pressures, we expect the NBS to keep its policy rate on hold in Q4:17, in a bid to dampen the ongoing appreciation pressures on the RSD, which are hindering the already weak export-driven growth.

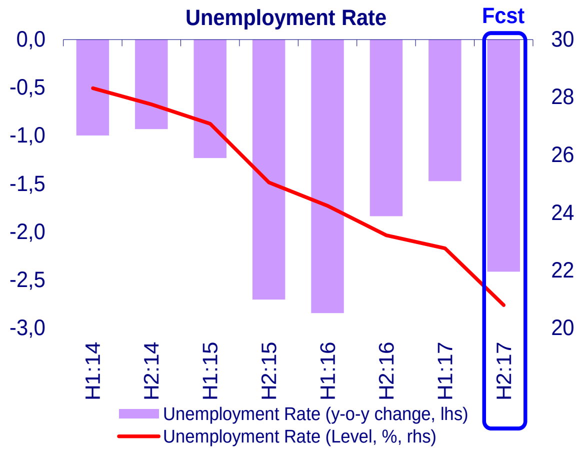
F.Y.R.O.M

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

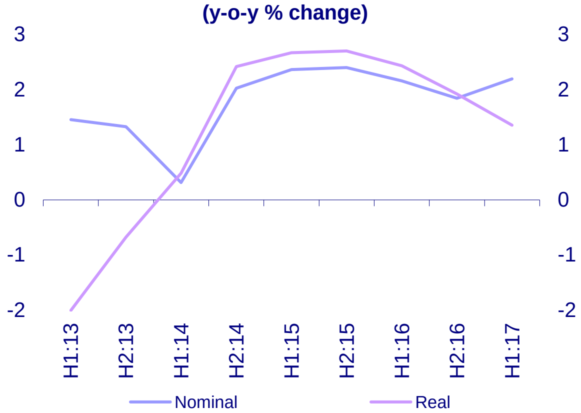
Contributions to Annual Real GDP Growth (pps)



Unemployment Rate



Overall Economy Nominal/Real Wages (y-o-y % change)



	25 Sep.	3-M F	6-M F	12-M F
1-m SKIBOR (%)	1.5	1.8	2.3	2.8
MKD/EUR	61.3	61.3	61.3	61.3
Sov. Spread (2021. bps)	275	260	250	240

	25 Sep.	1-W %	YTD %	2-Y %
MBI 100	2,690	0.8	26.0	57.6

	2014	2015	2016	2017F	2018F
Real GDP Growth (%)	3.5	3.9	2.4	1.5	3.7
Inflation (eop. %)	-0.5	-0.3	-0.2	1.0	2.0
Cur. Acct. Bal. (% GDP)	-0.5	-2.1	-3.1	-2.2	-1.9
Fiscal Bal. (% GDP)	-4.2	-3.5	-2.6	-3.8	-2.8

Economic activity contracted for the first time in 5 years in H1:17 (-0.9% y-o-y), due to protracted uncertainty after the December 2016 general elections. Intensifying economic and political uncertainty, due to the further delay in the formation of a Government had pushed down economic growth to -1.8% y-o-y in Q2:17 from 0.0% in Q1:17 and 2.4% in FY:16.

A sharp decline in private investment and a drawdown in inventories were likely the main drag on H1:17 GDP growth. Gross capital formation (GCF, including gross fixed capital formation, changes in inventories and statistical discrepancies) subtracted a sizeable 3.5 pps from overall growth against a reduction of 1.4 pps in FY:16. In view of the strong performance of capital expenditure in H1:17 fiscal accounts, we estimate that the deteriorating GCF performance in H1:17 mainly resulted from a sharp decline in private investment and a drawdown in inventories, reflecting weaker investor confidence and tighter credit conditions due to heightened political uncertainty between the December 11th general elections and the formation of the new Government in late-May.

With an improved political situation, GDP growth is set to rebound in H2:17. The acceleration should mainly be driven by a sharp increase in fixed investment. The latter should benefit from an improvement in economic sentiment supported by the new reformist Government, and increased lending activity backed by favourable liquidity and credit conditions (the loan-to-deposit and NPL ratios stood at 94.6% and 6.8%, respectively, at end-H1:17). At the same time, an expansionary fiscal stance and strong external demand, reflecting recovery in the EU (absorbing 78.5% of exports), should also support economic growth in H2:17. Net exports should, however, be a drag on headline growth, reflecting strong domestic demand and the high import content of exports. Overall, provided that political instability does not resurface, we see growth rising to 3.8% y-o-y in H2:17 from -0.9% in H1:17, bringing the FY:17 outcome to a 5-year low of 1.5%.

Labour market conditions tightened further in H1:17, supported by continued active labour market policies. Despite economic contraction, the unemployment rate declined by 1.5 pps y-o-y to a historical low of 22.8% in H1:17 (from 23.2% in H2:16 and 24.2% in H1:16). This positive performance was exclusively driven by a rise in the employment rate (by 1.1 pp y-o-y to an all-time high of 43.9% in H1:17), mainly on the back of government-subsidized employment programmes. Indeed, the participation rate posted its first increase in 3 years in H1:17 (up 0.4 pps y-o-y to 56.8%), supported by active labour market programmes targeting female and youth employment.

The improvement in the employment rate in H1:17 was driven by a significant rise in the number of new jobs (up 19.4k or 2.7% y-o-y from 2.5% in FY:16). The latter was supported by services (up 16.4k or 4.3% y-o-y) and, to a lesser extent, by the industry and agricultural sectors (up 2.7k or 1.6% y-o-y and 1.2k or 1.2% y-o-y, respectively).

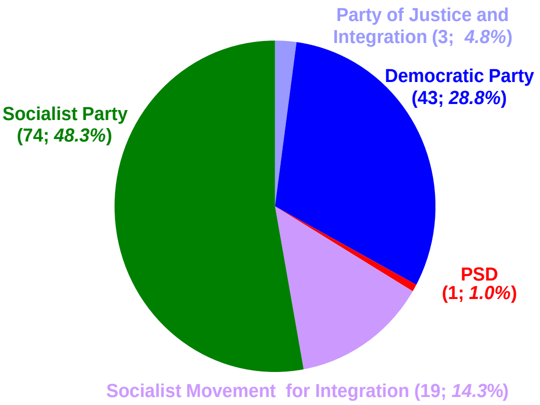
Tighter labour market conditions have kept nominal and real wage growth at robust levels. Indeed, nominal wages rose by 2.2% y-o-y in H1:17 (from 2.0% in FY:16). However, with rising inflation, real wages accelerated at a slower pace in H1:17 -- up 1.4% y-o-y compared with an increase of 2.2% in FY:16.

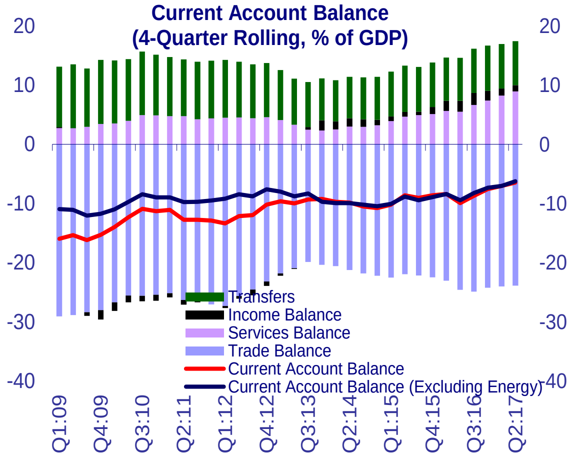
In view of a strong rebound in economic activity and continued support from government employment programmes (budgeted at EUR 16mn or 0.2% of GDP) in H2:17, we expect labour market conditions to tighten further during the rest of the year, with employment rising by 3.0% y-o-y and the unemployment rate moderating by 1.9 pps to 21.8% in FY:17.

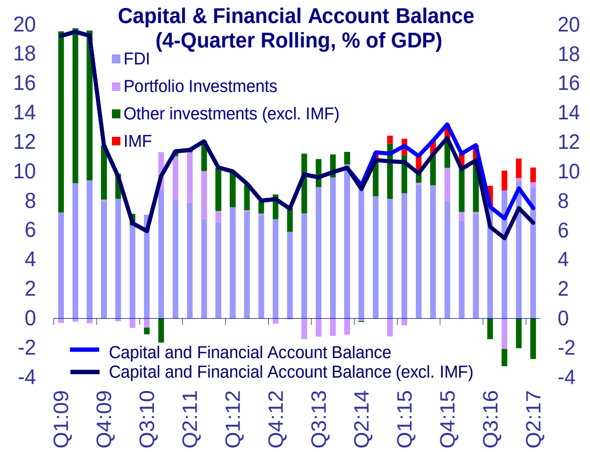
Albania

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

June 2017 Parliamentary Election Results (Number of Seats; *% of Seats*)







	25 Sep.	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	1.6	2.2	2.2	2.2
ALL/EUR	133.6	132.3	131.7	130.7
Sov. Spread (bps)	229	220	210	200

	25 Sep.	1-W %	YTD %	2-Y %
Stock Market	- - -	- - -	- - -	- - -

	2014	2015	2016	2017F	2018F
Real GDP Growth (%)	1.8	2.2	3.4	4.0	4.4
Inflation (eop, %)	0.7	2.0	2.2	2.6	2.8
Cur. Acct. Bal. (% GDP)	-10.8	-8.6	-7.6	-9.0	-8.3
Fiscal Bal. (% GDP)	-5.2	-4.1	-1.8	-1.7	-1.6

Reform drive to gain momentum, following the formation of a new Cabinet. A new socialist Government was approved by Parliament in mid-September, with E. Rama retaining the post of PM. With a strong mandate, Rama formed a government without the support of other parties, ending an uneasy coalition. Recall that his party, the left-wing Socialist Party (SP), secured a second term, after a landslide victory in the June 25th parliamentary elections (gaining an outright majority).

The Cabinet remains virtually unchanged, with A. Ahmetaj retaining his position as Finance Minister, reassuring investors that economic reforms and fiscal prudence will be maintained. The implementation of long-awaited structural reforms, set to bring Albania closer to the EU, is also expected to accelerate under Rama's new 4-year term.

The current account deficit (CAD) continued to narrow on an annual basis in H1:17, on the back of a strong performance in exports and services. The CAD declined markedly by 1.2 pps y-o-y (to 3.3% of GDP) in H1:17, after narrowing by 1.1 pp of GDP in FY:16. The improvement was due to a stronger services surplus (up 1.4 pps of GDP y-o-y in H1:17) and a lower trade deficit (by 1.2 pps y-o-y).

The improved trade balance reflects the strong rebound in exports (rising sharply by 24.3% y-o-y, in EUR terms in H1:17, against declines of -24.3% in H1:16 and -7.4% in FY:16), on the back of higher exports of construction material (mainly to Italy). On the other hand, imports rose at a slower pace (up 6.5% y-o-y in H1:17 against rises of 12.6% in H1:16 and 8.0% in FY:16), despite (high import-content) rebounding investments -- especially investments in the energy sector (namely TAP and the Statkraft/Devoll hydropower projects). The moderation in import growth likely reflects unclassified imports that have resulted in (unusual) negative net errors and omissions (E&O) (see below).

As a result, the 4-quarter rolling CAD narrowed to a 14-year low of 6.4% of GDP in Q2:17 from 10.0% in Q2:16 and 7.6% in Q4:16.

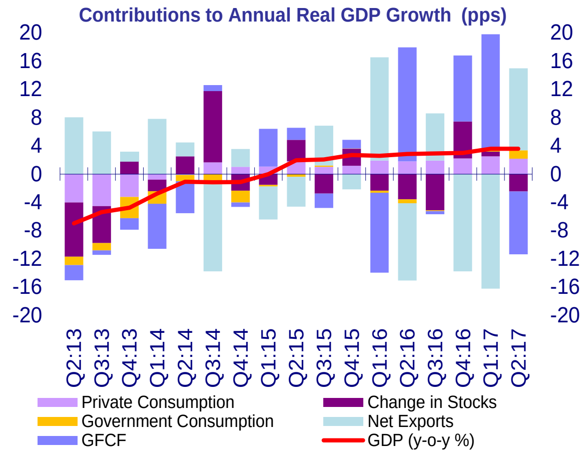
The capital and financial account (CFA) surplus improved in H1:17 and fully covered the CAD. The CFA surplus (excluding the IMF) rose by 0.9 pps y-o-y (to 3.3% of GDP) in H1:17. Importantly, (net) FDIs remained strong (3.6% of GDP in H1:17), more than covering the H1:17 CAD. In addition, CFA was supported by: i) higher portfolio inflows (of 1.4% of GDP in H1:17 against outflows of 1.0% of GDP in H1:16), in line with the increase in domestic paper yields; and ii) the repatriation of currency and deposits (inflows of 1.6% of GDP in H1:17).

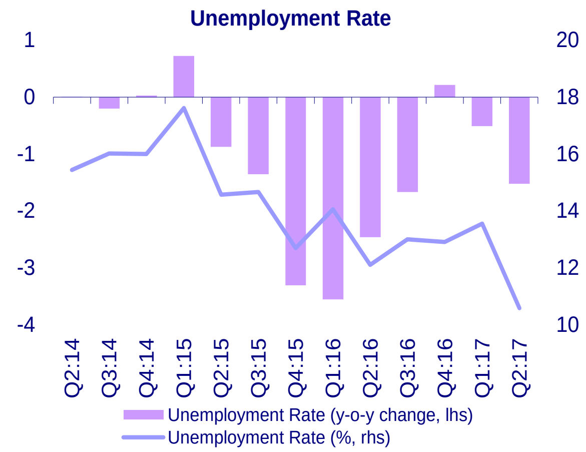
Reflecting large (net) negative E&O (of 1.3% of GDP, likely reflecting unclassified imports), the overall balance was negative in H1:17. As a result, and accounting for the disbursement of the last two tranches from the IMF (totalling EUR 73.2mn, or 0.6% of GDP) and valuation effects, FX reserves fell by EUR 129mn, or 1.1% of GDP in H1:17, to a high EUR 2.8bn, covering an adequate 6.6 months of GNFS imports.

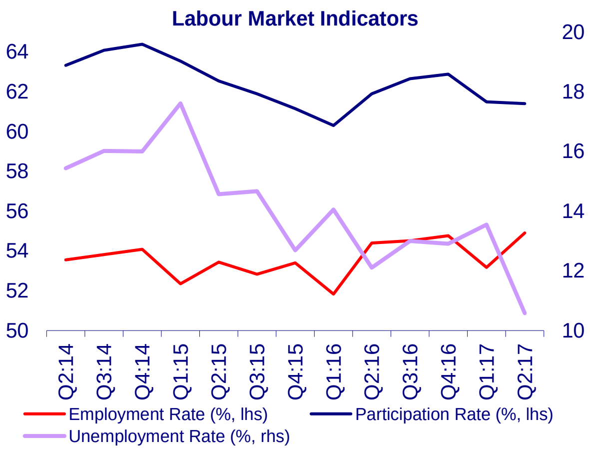
The CAD is set to widen in H2:17, but its financing will be manageable. The expected deterioration in H2:17 (by c. 2.7 pps of GDP y-o-y) should result from higher imports related to the ongoing large energy projects (contributing 2.9 pps of GDP to the FY:17 CAD, according to the IMF), as the largest part of TAP is set to be achieved this year, and a less favourable services balance, following exceptionally high tourism inflows in Q3:16. Overall, we expect the CAD to reverse its positive trend in FY:17, standing at 9.0% of GDP -- up from 7.6% in FY:16. Regarding financing, assuming that the bulk (around 90%) of the CAD will continue to be covered by FDI inflows, we see an external financing gap of EUR 115mn (1.0% of GDP), which will, however, be more than filled by sizeable IFI support of 2.4% of GDP expected in H2:17. Should our forecast materialise, FX reserves would rise by EUR 100mn y-o-y to EUR 3.1bn at end-2017.

Cyprus

BB+ / Ba3 / BB- (S&P / Moody's / Fitch)







	25 Sep.	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.37	-0.37	-0.37	-0.37
EUR/USD	1.18	1.19	1.18	1.20
Sov. Spread (2020. bps)	86	80	75	70

	25 Sep.	1-W %	YTD %	2-Y %
CSE Index	74	-0.3	10.9	-2.0

	2014	2015	2016	2017F	2018F
Real GDP Growth (%)	-1.5	1.7	2.8	3.4	2.6
Inflation (eop. %)	-1.5	-1.0	-0.3	0.8	1.5
Cur. Acct. Bal. (% GDP)	-4.3	-2.9	-5.3	-6.0	-5.8
Fiscal Bal. (% GDP)	-8.8	-1.2	0.4	1.8	1.8

GDP growth remained at a post crisis high of 3.6% y-o-y for a second consecutive quarter in Q2:17. GDP rose by a solid 3.6% y-o-y in Q2:17, following a similar increase in Q1:17 (upwardly-revised from 3.4% y-o-y) and a milder expansion of 2.8% in FY:16 -- comparing favourably with the EU-28 outcome of 1.9%.

Contrary to Q1:17, the strong growth performance was driven by net exports in Q2:17 rather than domestic demand. Indeed, excluding ships, the drag from net exports on overall growth moderated to -1.2 pps in Q2:17 from -3.6 pps in Q1:17, mainly supported by stronger tourism activity and weaker domestic demand (excluding net investments in shipping, see below). Including ships, the contribution of the external sector becomes highly volatile, with net exports contributing 11.6 pps to overall growth in Q2:17 after having subtracted 16.2 pps from headline growth in Q1:17.

On the other hand, excluding ships, the contribution of GFCF to overall growth stood at the robust level of 3.9 pps in Q2:17 – unchanged from Q1:17, supported by strong business confidence. Including ships, domestic demand became a drag on growth in Q2:17 (subtracting 8.0 pps from overall growth) from a driver in Q1:17 (contributing 19.8 pps), mainly due to a sharp contraction in gross fixed capital formation (GFCF, shaving 8.9 pps off headline growth after having contributed 16.5 pps in Q1:17), reflecting exclusively mostly-imported (net) investments in shipping.

Not surprisingly, ahead of the February 2018 presidential elections, government consumption has seen its contribution to domestic demand rising sharply in Q2:17 (to 1.2 pps to overall growth from 0.1 pp in Q1:17), following 5 consecutive years of decline. The contribution of private consumption to overall growth moderated to a still robust 2.2 pps in Q2:17 from 2.5 pps in Q1:17, sustained, *inter alia*, by strong consumer confidence and improving labour market conditions.

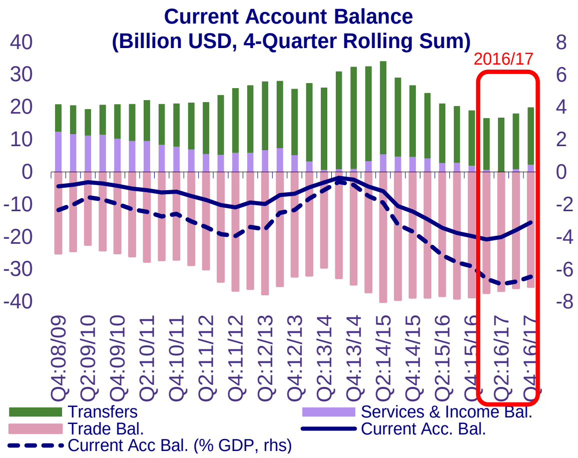
Economic growth to slow during the rest of the year. Looking ahead, we expect economic growth to decelerate to 3.2% y-o-y in H2:17 from 3.6% y-o-y in H1:17. The deceleration in economic growth in H2:17 should be driven, *inter alia*, by: i) a moderation in private consumption growth stemming from increased household debt servicing, in line with banks' more aggressive restructuring in view of the CBC's stricter rules on non-performing loans; ii) a normalization in fixed investment; and iii) less buoyant tourism activity. Overall, we expect GDP growth to reach a post-crisis high of 3.4% in FY:17.

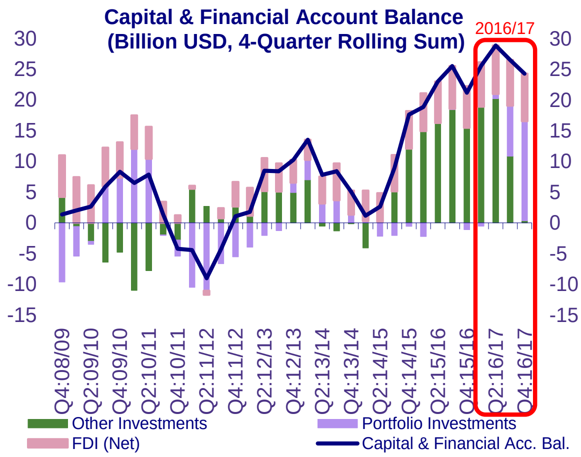
An across-the-board improvement in employment pushed down unemployment in Q2:17. Against the backdrop of solid economic growth, the unemployment rate fell sharply by 1.5 pps y-o-y to 10.6% in Q2:17, following a milder decline of 0.5 pps in Q1:17. Indeed, the number of new jobs rose by 2.5% y-o-y (up 9.1k y-o-y) in Q2:17, lifting the employment rate to a 4½-year high of 54.9% versus the EU-28 average of 53.9%. Importantly, there was an across-the-board improvement in employment with services, construction and industry sectors posting increases of 3.6% y-o-y, 2.3% y-o-y and 7.3% y-o-y, respectively, in Q2:17. The improved performance in services was underpinned by stronger activity in the labour-intensive tourism sector while that of construction by the gradual recovery in the real-estate market (in line with an acceleration in building permits by 42.8% y-o-y in Q2:17 from 36.6% y-o-y in Q1:17 and a rise in property prices for the first time in 9 years -- by 0.2% y-o-y in Q1:17).

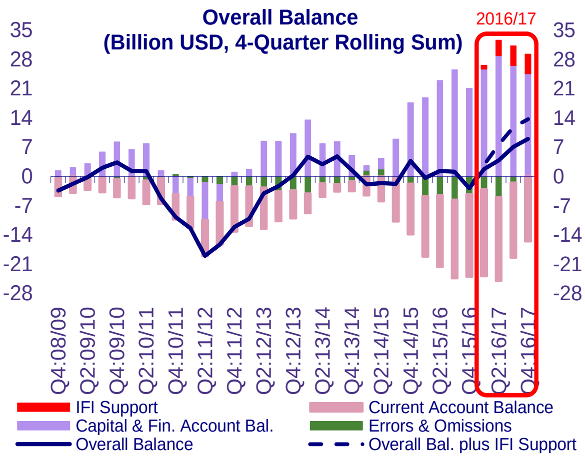
For the remainder of the year, in view of the continued strong economic performance, we expect labour market conditions to tighten further. Overall, we see employment rising by 3.0% and the unemployment rate returning to its pre-crisis level of 11.8% in FY:17 (from 13.0% in FY:16).

Egypt

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







	25 Sep.	3-M F	6-M F	12-M F
O/N Interbank Rate (%)	18.8	19.0	18.0	17.0
EGP/USD	17.6	17.5	17.8	18.0
Sov. Spread (2020. bps)	258	250	240	220

	25 Sep.	1-W %	YTD %	2-Y %
HERMES 100	1,257	1.2	15.4	92.1

	13/14	14/15	15/16	16/17E	17/18F
Real GDP Growth (%)	2.9	4.4	4.3	3.5	4.5
Inflation (eop. %)	8.2	11.4	14.0	29.8	13.5
Cur. Acct. Bal. (% GDP)	-0.8	-3.7	-5.8	-6.5	-5.0
Fiscal Bal. (% GDP)	-12.2	-11.5	-12.5	-10.5	-9.5

External adjustment resumed in FY:16/17, with the current account deficit (CAD) narrowing by c. 22.0% to USD 15.6bn (6.5% of GDP) following the flotation of the EGP. The CAD declined for the first time in 3 years, by 21.5% to USD 15.6bn in FY:16/17, largely supported by the flotation of the domestic currency in mid-Q2:16/17, ahead of the signing of the IMF-supported 3-year economic programme. However, as a percentage of GDP, the CAD widened by 0.7 pps to 6.5% of GDP, due to the sharp decline in nominal GDP in USD terms (down c. 30.0%) following the flotation of the currency (the EGP depreciated against the USD by 43.6% in FY:16/17). Importantly, the improvement in the CAD was broad-based, with the trade deficit declining by 8.4%, the services surplus rising by 15.9% and net transfers gaining 4.1%.

Specifically, overall exports rose significantly by 15.9% in FY:16/17, mainly on the back of a rebound in non-energy exports (16.2%), while overall imports remained broadly flat (down 0.5%) in FY:16/17, as a decline in non-energy imports (down 4.5%) was tempered by a sharp rise in energy imports (up 20.5%), reflecting both higher global oil prices and stronger domestic demand for largely-subsidised energy.

Moreover, tourist receipts rose by 16.2% while spending by Egyptian tourists abroad declined by 33.0% in FY:16/17, shifting the tourism balance to a surplus from a first ever deficit in FY:15/16. The recovery in receipts reflects not only more competitive prices, but also the removal of travel bans and/or warnings by key source countries – with the exception of Russia and the UK -- following a significant improvement in security conditions in Egyptian airports. The decline in tourist spending abroad was the result of the depreciation of the Egyptian pound and restricted e-card payments abroad.

Furthermore, workers' remittances from abroad increased by 12.6% in Q2-Q4:16/17 following 6 quarters of decline. The reversal of the negative trend occurred in Q2:16/17, following the floatation of the domestic currency. In fact, before the floatation, remittances through the banking sector had been hindered by the attractive rates offered in the flourishing parallel FX market (where the USD was traded at a premium of c. 40.0% over its official rate of EGP 8.88 in mid-Q2:16/17).

The capital and financial account (CFA), excluding IFI support, also improved in FY:16/17 and more than covered the CAD. The CFA surplus, excluding IFI support, strengthened by 14.7% to 24.3bn (10.1% of GDP) in FY:16/17, reflecting the return of foreign investor confidence in the Egyptian economy after the signing of the loan agreement with the IMF in mid-Q2:16/17. Specifically, net FDI rose by 14.4% to a 9-year high of USD 7.7bn in FY:16/17, on the back of a sharp rise in net inflows for the oil sector (up c.135.0% to USD 4.0bn). Moreover, net portfolio investment inflows turned positive and reached a record high of USD 16.2bn (6.7% of GDP) in FY:16/17, with net purchases of Eurobonds, Treasury bills and shares in the stock market by foreigners reaching USD 10.0bn, USD 6.8bn and USD 0.5bn, respectively, in FY:16/17.

As a result and accounting for IFI support (USD 4.8bn, of which USD 2.8bn was from the IMF and USD 2.0bn from the WB) as well as valuation effects, FX reserves rose significantly, to a 6-year high of USD 31.3bn (6.2 months of imports of GNFS) at end-2016/17, from USD 17.5bn (3.4 months of imports of GNFS) at end-2015/16.

For the current fiscal year, which started in July, we expect the external adjustment to maintain its momentum, supported, *inter alia*, by the continued positive "J-curve" effect, a tight policy stance and a benign global backdrop. Overall we see the CAD narrowing further by c. 16.0% to USD 13.0bn (or by 1.5 pps y-o-y to 5.0% of GDP) in FY:17/18.

FOREIGN EXCHANGE MARKETS, SEPTEMBER 25TH 2017

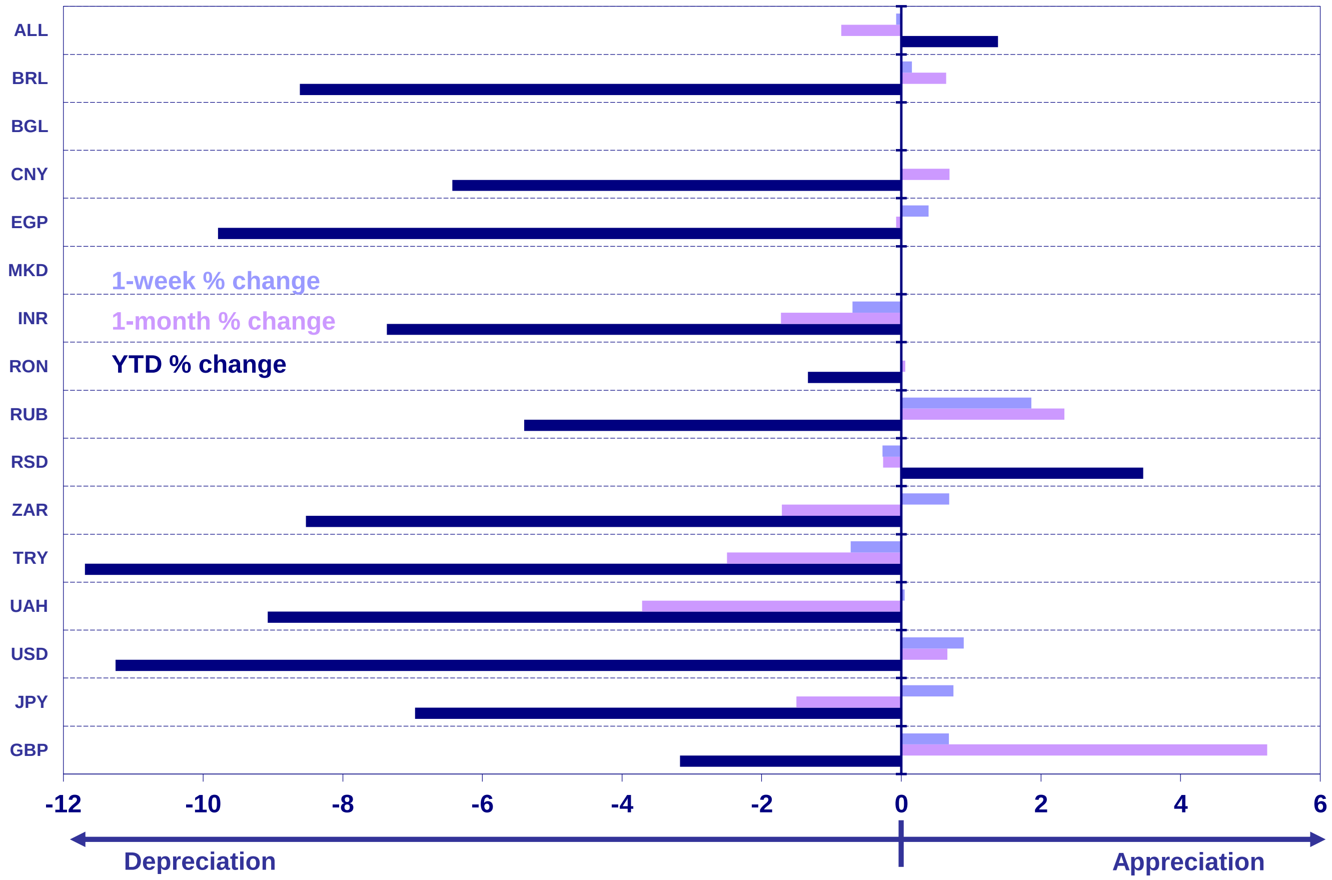
Against the EUR

	Currency	2017 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**	2016 % change*	2015 % change*
Albania	ALL	133.6	-0.1	-0.9	1.4	2.6	132.1	137.3	133.9	133.9	133.4	1.2	2.0
Brazil	BRL	3.74	0.1	0.6	-8.6	-2.6	3.23	3.82	4.04	4.02	4.02	25.7	-25.2
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	7.84	0.0	0.7	-6.4	-4.4	7.20	7.99	8.20	8.20	8.20	-4.0	6.7
Egypt	EGP	20.91	0.4	-0.1	-9.8	-52.3	16.62	21.29	- - -	- - -	- - -	-55.0	2.1
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	77.2	-0.7	-1.7	-7.4	-2.9	68.2	77.8	82.3	- - -	- - -	0.4	6.6
Romania	RON	4.60	0.0	0.1	-1.3	-3.3	4.49	4.61	4.61	4.61	4.64	-0.4	-0.8
Russia	RUB	68.2	1.9	2.3	-5.4	5.4	59.5	72.1	69.5	70.9	73.7	22.9	-15.1
Serbia	RSD	119.2	-0.3	-0.3	3.5	3.2	118.7	124.1	119.6	120.0	- - -	-1.5	-0.1
S. Africa	ZAR	15.8	0.7	-1.7	-8.5	-2.5	13.38	16.01	16.1	16.4	17.0	16.2	-16.6
Turkey	YTL	4.20	-0.7	-2.5	-11.7	-20.2	3.70	4.21	4.33	4.47	4.73	-14.7	-10.8
Ukraine	UAH	31.3	0.0	-3.7	-9.1	-7.2	27.22	31.47	36.5	- - -	- - -	-8.6	-27.5
US	USD	1.18	0.9	0.7	-11.3	-5.0	1.0	1.2	1.19	1.20	1.21	3.3	11.4
JAPAN	JPY	132.4	0.7	-1.5	-7.0	-14.7	114.9	134.4	132.4	132.5	132.5	6.0	11.0
UK	GBP	0.88	0.7	5.2	-3.2	-1.5	0.8	0.9	0.88	0.88	0.89	-13.5	5.3

* Appreciation (+) / Depreciation (-)

** Forward rates have been calculated using the uncovered interest rate parity for Brazil, China, Egypt, India and Ukraine

Currencies against the EUR (September 25th 2017)



MONEY MARKETS, SEPTEMBER 25TH 2017

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
O/N	1.3	8.1	0.0	2.8	- - -	18.8	- - -	- - -	0.9	8.3	- - -	12.9	8.0	12.8	- - -	1.2
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	0.9	8.3	2.7	- - -	6.9	- - -	- - -	- - -
S/W	1.4	8.1	0.0	2.9	-0.4	- - -	1.2	- - -	- - -	8.0	2.7	- - -	7.1	13.3	-0.4	1.2
1-Month	1.6	8.1	0.0	4.0	-0.4	- - -	1.5	6.2	0.9	8.3	3.1	13.0	7.0	14.4	-0.4	1.2
2-Month	- - -	7.8	0.1	- - -	-0.3	- - -	- - -	- - -	- - -	8.4	3.2	13.0	7.4	- - -	-0.3	1.3
3-Month	1.9	7.6	0.1	4.4	-0.3	- - -	1.7	6.3	1.1	8.5	3.3	13.1	7.4	16.1	-0.3	1.3
6-Month	2.2	7.2	0.3	4.4	-0.3	- - -	2.0	- - -	1.2	8.3	3.5	13.1	7.6	- - -	-0.3	1.5
1-Year	2.9	7.2	0.7	4.4	-0.2	- - -	2.4	- - -	1.4	8.0	- - -	13.3	7.7	- - -	-0.2	1.8

LOCAL DEBT MARKETS, SEPTEMBER 25TH 2017

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	- - -	- - -	- - -	- - -	- - -	18.5	- - -	6.1	- - -	8.4	3.0	11.6	- - -	- - -	-0.7	1.0
6-Month	1.7	- - -	- - -	- - -	- - -	18.1	1.6	6.2	0.8	8.3	3.3	11.5	- - -	- - -	-0.8	1.2
12-Month	2.3	- - -	-0.1	3.5	- - -	17.7	1.9	6.2	1.0	7.6	4.5	11.8	- - -	13.9	-0.7	1.3
2-Year	2.6	- - -	- - -	3.6	- - -	- - -	- - -	6.4	1.6	7.5	- - -	11.6	6.9	- - -	-0.7	1.4
3-Year	- - -	- - -	0.1	3.6	0.6	- - -	- - -	6.5	2.0	7.5	- - -	11.3	7.1	14.5	-0.7	1.6
5-Year	- - -	9.3	- - -	3.6	1.2	15.5	- - -	6.6	2.9	7.6	5.1	11.2	7.3	- - -	-0.3	1.8
7-Year	- - -	- - -	0.9	- - -	- - -	15.5	- - -	6.9	3.5	7.6	- - -	- - -	- - -	- - -	-0.1	2.1
10-Year	- - -	9.8	1.8	3.6	- - -	15.5	- - -	6.6	4.0	7.6	- - -	10.8	8.4	- - -	0.4	2.2
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	3.8	7.2	- - -	7.7	- - -	- - -	9.1	- - -	0.6	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	9.7	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	7.3	- - -	- - -	- - -	- - -	9.8	- - -	1.2	2.8

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

CORPORATE BONDS SUMMARY, SEPTEMBER 25TH 2017

		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	1.0	182	138
	Bulgarian Telecom. 6.625% '18	EUR	B-/B1	15/11/2018	400	0.9	160	128
Russia	**Gazprom 8.2% '19**	RUB	BB+/NA	9/4/2019	10,000	8.5	80	- - -
	Gazprom 8.9% '21	RUB	BB+/NA	26/1/2021	10,000	9.3	169	- - -
South Africa	**FirstRand Bank Ltd 4.25% '20**	USD	BBB-/Baa2	30/4/2020	500	3.2	195	167
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	1.0	178	120
Turkey	**Vakiflar Bankasi 3.5% '19**	EUR	NA/Baa3	17/6/2019	500	2.0	277	229
	Garanti Bankasi 3.38%'19	EUR	NA/Baa3	8/7/2019	500	1.1	184	136
	Arcelik AS 3.875% '21	EUR	BB+/NA	16/9/2021	350	2.1	269	217
	Turkiye Is Bankasi 6% '22	USD	NA/Ba3	24/10/2022	1,000	5.6	384	375

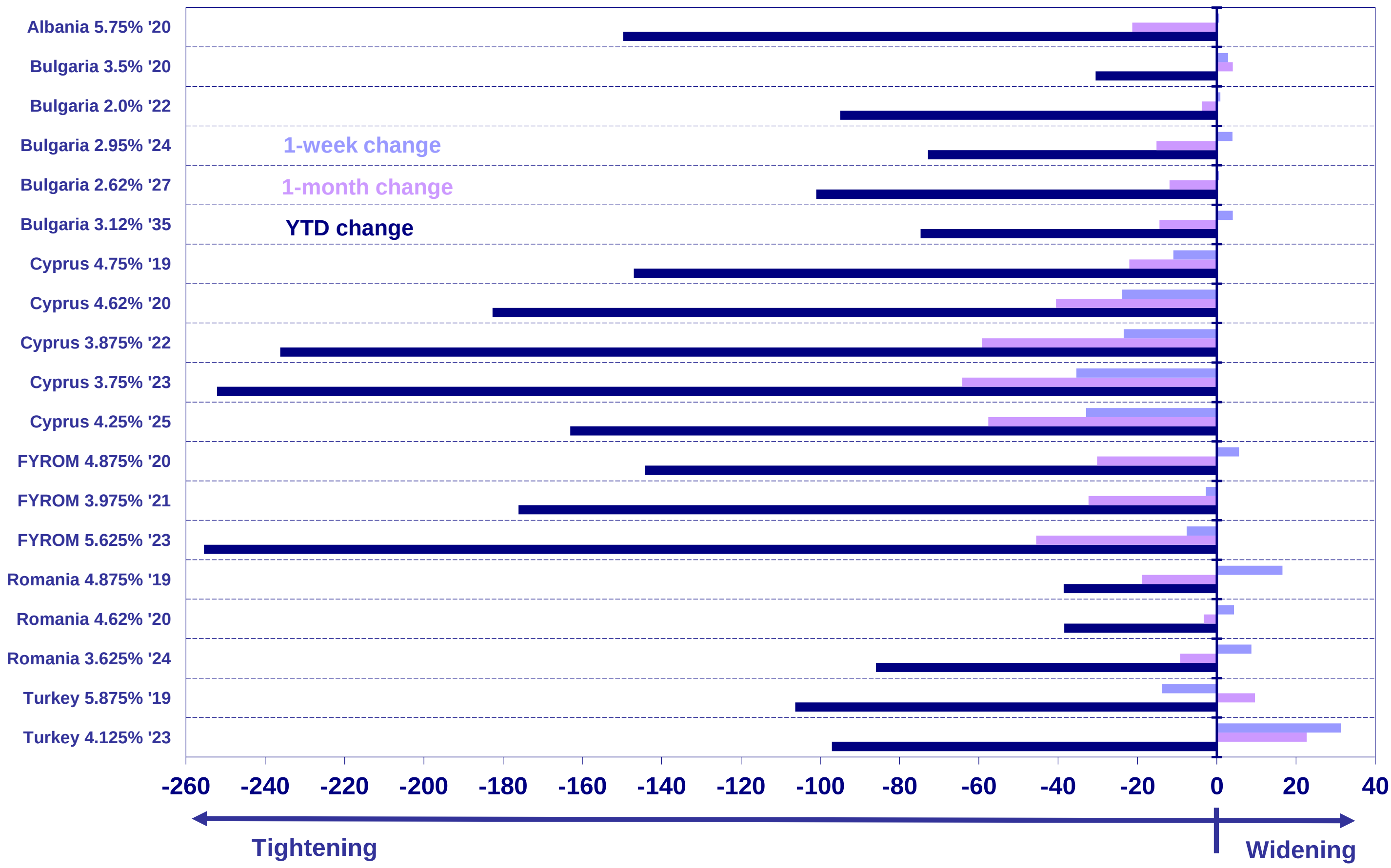
CREDIT DEFAULT SWAP SPREADS, SEPTEMBER 25TH 2017

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	198	119	60	194	353	- - -	80	103	146	152	183	183	- - -
10-Year	- - -	299	157	102	226	395	- - -	89	138	211	187	270	258	- - -

EUR-DENOMINATED SOVEREIGN EUROBOND SUMMARY, SEPTEMBER 25TH 2017

	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	1.6	229	181
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	0.2	92	36
Bulgaria 2.0% '22	EUR	BB+/Baa2	26/3/2022	1,250	0.2	50	7
Bulgaria 2.95% '24	EUR	BB+/Baa2	3/9/2024	1,493	0.9	98	49
Bulgaria 2.62% '27	EUR	BB+/Baa2	26/3/2027	1,000	1.5	107	73
Bulgaria 3.12% '35	EUR	BB+/Baa2	26/3/2035	900	2.6	172	131
Cyprus 4.75% '19	EUR	BB/NA	25/6/2019	566	0.0	76	31
Cyprus 4.62% '20	EUR	BB/B1	3/2/2020	770	0.1	86	30
Cyprus 3.875% '22	EUR	NA/B1	6/5/2022	1,000	1.2	148	109
Cyprus 3.75% '23	EUR	NA/B1	26/7/2023	1,000	1.4	160	112
Cyprus 4.25% '25	EUR	NA/B1	4/11/2025	1,000	1.9	180	140
FYROM 4.875% '20	EUR	BB-/NA	1/12/2020	270	2.0	268	216
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	2.2	275	451
FYROM 5.625% '23	EUR	BB-/NA	26/7/2023	450	3.3	349	316
Romania 4.875% '19	EUR	BBB-/Baa3	7/11/2019	1,500	0.1	78	25
Romania 4.62% '20	EUR	BBB-/Baa3	18/9/2020	2,000	0.0	65	7
Romania 3.625% '24	EUR	BBB-/Baa3	24/4/2024	1,250	1.2	126	86
Turkey 5.875% '19	EUR	NR/Ba1	11/4/2023	1,250	0.7	141	100
Turkey 4.125% '23	EUR	NR/Ba1	12/11/2020	1,000	2.8	298	257

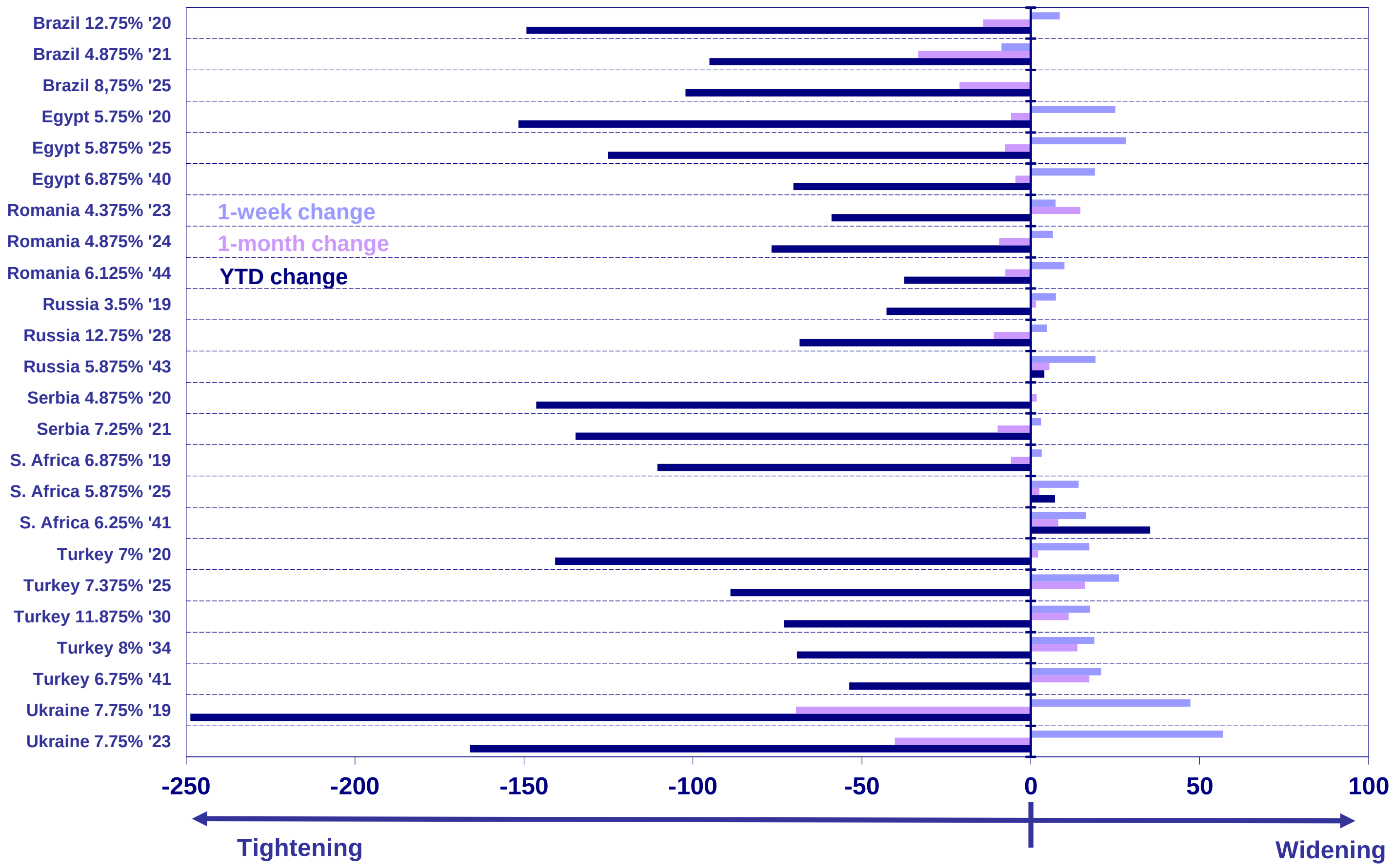
EUR-Denominated Eurobond Spreads (September 25th 2017)



USD-Denominated Sovereign Eurobond Summary, September 25th 2017

	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	2.1	69	46
Brazil 4.875% '21	USD	BB/Ba2	22/1/2021	2,988	2.7	117	94
Brazil 8.75% '25	USD	BB/Ba2	4/2/2025	969	4.1	204	237
Egypt 5.75% '20	USD	B-/B3	11/6/2025	1,000	4.1	258	242
Egypt 5.875% '25	USD	B-/B3	30/4/2040	1,500	5.8	376	369
Egypt 6.875% '40	USD	B-/B3	22/8/2023	500	7.1	434	451
Romania 4.375% '23	USD	BBB-/Baa3	22/1/2024	1,500	2.9	111	100
Romania 4.875% '24	USD	BBB-/Baa3	22/1/2044	1,000	3.0	92	103
Romania 6.125% '44	USD	BBB-/Baa3	16/1/2019	1,000	4.3	156	220
Russia 3.5% '19	USD	BB+/Ba1	24/6/2028	1,500	2.3	98	68
Russia 12.75% '28	USD	BB+/Ba1	16/9/2043	2,500	3.9	172	252
Russia 5.875% '43	USD	BB+/Ba1	25/2/2020	1,500	4.9	211	263
Serbia 4.875% '20	USD	BB-/B1	28/9/2021	1,500	2.8	134	105
Serbia 7.25% '21	USD	BB-/B1	27/5/2019	2,000	3.1	122	129
S. Africa 6.875% '19	USD	BBB-/Baa2	16/9/2025	1,748	2.4	99	79
S. Africa 5.875% '25	USD	BBB-/Baa2	8/3/2041	2,000	4.6	256	261
S. Africa 6.25% '41	USD	BBB-/Baa2	5/6/2020	750	5.6	283	329
Turkey 7% '20	USD	NR/Ba1	5/2/2025	2,000	3.3	179	166
Turkey 7.375% '25	USD	NR/Ba1	15/1/2030	3,250	4.8	274	295
Turkey 11.875% '30	USD	NR/Ba1	14/2/2034	1,500	5.3	309	409
Turkey 8% '34	USD	NR/Ba1	14/1/2041	1,500	5.7	349	381
Turkey 6.75% '41	USD	NR/Ba1	1/9/2019	3,000	5.8	303	337
Ukraine 7.75% '19	USD	B-/Caa3	1/9/2023	1,744	5.0	357	335
Ukraine 7.75% '23	USD	B-/Caa3	15/1/2020	1,355	6.9	481	493

USD-Denominated Eurobond Spreads (September 25th 2017)



Stock Markets Performance, September 25th 2017

	2017								2016		2015	
	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)	74,443	-2.0	4.7	23.6	28.2	59,371	76,420	12.7	38.9	76.2	-13.3	-35.3
Bulgaria (SOFIX)	681	1.7	-4.6	16.1	39.6	583	733	16.1	27.2	27.2	-11.7	-11.7
China (SHCOMP)	3,342	-0.6	0.3	7.7	12.1	3,017	3,392	0.2	-12.3	-15.3	9.4	16.5
Cyprus (CSE GI)	74	-0.3	-4.2	10.9	9.7	65	79	10.9	-2.0	-2.0	-20.9	-20.9
Egypt (HERMES)	1,257	1.2	6.9	15.4	77.0	1,071	1,256	3.4	72.7	-21.8	-24.4	-22.8
F.Y.R.O.M (MBI)	2,690	0.8	1.9	26.0	38.2	2,135	2,699	26.0	16.5	16.5	-0.6	-0.6
India (SENSEX)	31,627	-2.5	0.1	18.8	11.8	25,718	32,686	10.0	1.9	2.6	-5.0	0.7
Romania (BET-BK)	1,649	-1.0	-0.5	22.7	26.3	1,365	1,666	21.0	0.2	0.0	2.6	1.6
Russia (RTS)	4,409	0.0	4.1	-10.4	-3.2	3,838	5,089	-15.2	24.2	54.3	30.3	9.5
Serbia (BELEX-15)	724	-1.1	0.0	0.9	13.5	694	753	4.4	11.4	9.7	-3.4	-3.5
South Africa (FTSE/JSE)	55,840	-0.4	-1.4	10.2	8.5	50,338	56,897	0.6	-0.1	16.1	1.9	-15.1
Turkey (ISE 100)	102,270	-4.0	-6.8	30.9	33.3	75,657	110,531	15.6	8.9	-7.0	-16.3	-25.4
Ukraine (PFTS)	292	0.6	1.8	10.1	21.9	265	292	0.1	10.2	1.0	-37.8	-54.8
MSCI EMF	1,088	-2.2	0.3	26.2	20.2	858	1,114	12.0	8.6	12.2	-17.0	-6.9
MSCI EAFE	1,970	0.2	2.2	17.0	15.8	1,677	1,981	3.8	-1.9	1.4	-3.3	7.7
Greece (ASE-General)	742	-2.4	-11.1	15.4	31.7	602	860	15.4	1.9	1.9	-23.6	-23.6
Germany (XETRA DAX)	12,595	0.3	3.5	9.7	21.2	11,415	12,952	9.7	6.9	6.9	4.9	4.9
UK (FTSE-100)	7,301	0.7	-1.4	2.2	7.1	7,094	7,599	-1.0	14.4	-1.0	-4.9	0.1
USA (DJ INDUSTRIALS)	22,296	-0.2	2.2	12.8	23.2	17,884	22,420	0.1	13.4	16.7	-2.2	9.3
USA (S&P 500)	2,497	-0.3	2.2	11.5	16.3	2,245	2,509	-1.0	9.5	13.2	-0.7	10.6

Equity Indices (September 25th 2017)