Economic Analysis Division
Emerging Markets Analysis

NATIONAL BANK OF GREECE

Bi-Weekly Report *28 August – 10 September 2018*

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

Emerging Markets Analysis

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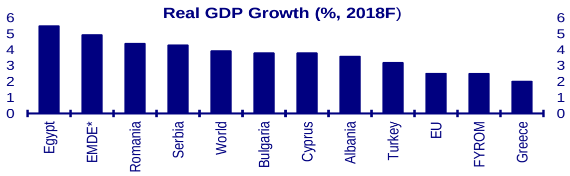
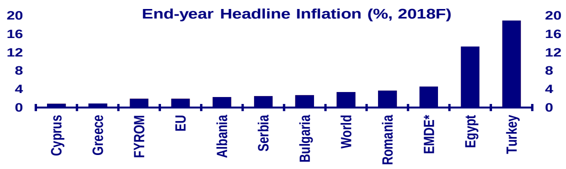


* EMDE: Emerging Market & Developing Economies



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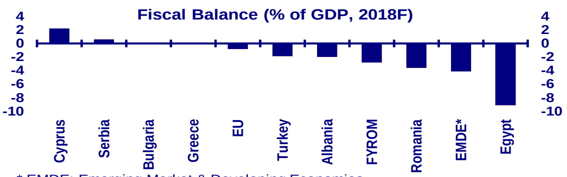

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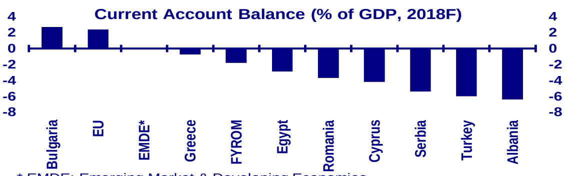

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GDP growth moderated to 5.2% y-o-y in Q2:18 from 7.3% in Q1:18, mainly due to heightening uncertainty ahead of the June 24th dual presidential and parliamentary elections

The 12-month rolling budget deficit widened to 3.4% of GDP in July from 2.8% in December, well above the critical 3.0% threshold

Stronger tax revenue helped offset upward pressures on current spending and public investment, keeping the 12-month rolling budget surplus at 0.9% of GDP in July, broadly unchanged compared with end-2017

Bulgaria's already low public debt is set to decline further in FY:18

GDP growth surprised on the upside for a second consecutive quarter in Q2:18 (4.8% y-o-y)

NBS to initiate a new cycle of monetary policy tightening in Q2:19

Banking sector ROAE (annualised) reached a record high of 21.3% in the first half of the year

Albania's electricity generation doubled in H1:18, as a result of abundant rainfall

A broadly neutral fiscal stance in 7M:18

The fiscal balance improved by 1.5 pps y-o-y to a surplus of 2.6% of GDP in 7M:18, due to a strong tax revenue performance and strict spending control

The recovery of real estate prices continued in Q1:18 (up 1.8% y-o-y)

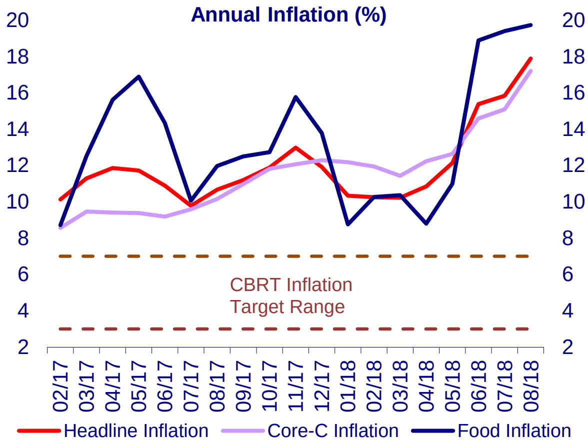
GDP growth is estimated to have reached a 10-year high of 5.2% in FY:17/18

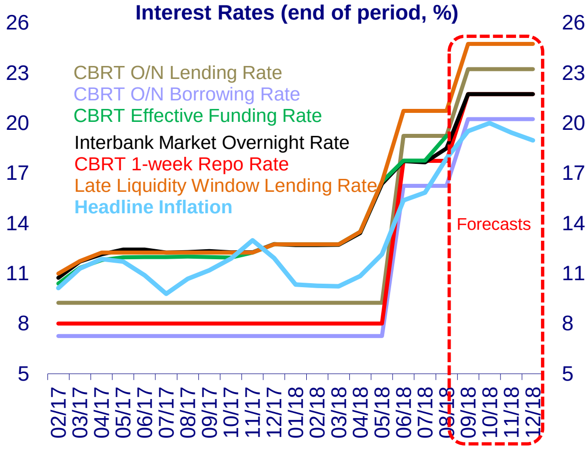
The tourism sector emerged from a deep crisis, mainly supported by a cheaper domestic currency and improved security conditions

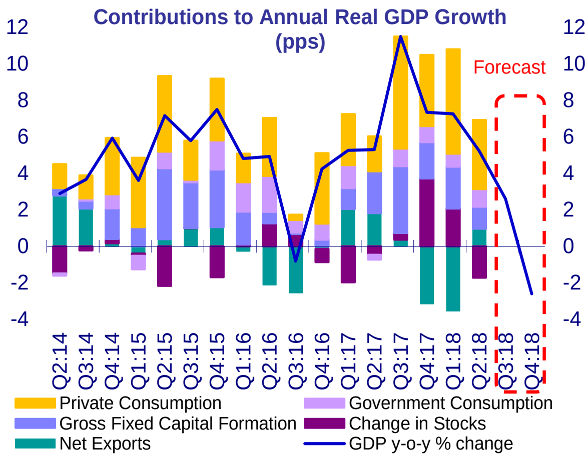
28 August – 10 September 2018

Turkey

BB- / Ba2 / BB (S&P/ Moody's / Fitch)







	10 Sep.	3-M F	6-M F	12-M F
1-m TRIBOR (%)	22.3	21.0	20.0	18.5
TRY/EUR	7.49	7.00	6.90	6.80
Sov. Spread (2020, bps)	605	560	400	280

	10 Sep.	1-W %	YTD %	2-Y %
ISE 100	91,698	-2.4	-20.5	19.0

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	6.1	3.2	7.4	3.2	-1.8
Inflation (eop, %)	8.8	8.5	11.9	19.0	15.2
Cur. Acct. Bal. (% GDP)	-3.7	-3.8	-5.6	-6.0	-4.4
Fiscal Bal. (% GDP)	-1.0	-1.1	-1.5	-1.9	-1.5

Headline inflation rose sharply to a 14-year high of 17.9% y-o-y in August, mainly due to a sharp depreciation of the domestic currency. Headline inflation rose significantly to 17.9% y-o-y in August from 15.8% in July, mainly due to higher core inflation and accelerating energy prices. Core inflation reached an all-time high, since the inception of the series in 2003, mainly on the back of a strong pass-through from a weaker TRY, with the CBRT's favourite measure, CPI-C, rising sharply to 17.2% y-o-y in August from 15.1% in July. Note that the depreciation of the TRY against the equally-weighted EUR-USD basket accelerated to 40.1% y-o-y in August from 26.0% in July, reflecting a persistently inadequate policy response to the widening of the twin deficits and the deteriorating inflation outlook, a more precarious external financing position amid tightening global liquidity conditions, as well as the country's recent tensions with the US.

Looking ahead, according to our baseline scenario, projecting the Government's resolve to implement a consistent policy mix and bold structural reforms to rein in the country's increasing macroeconomic imbalances and vulnerabilities (through the new Medium-Term Programme (MTP) due to be released by the end of this month), headline inflation is set to slow in the last two months of the year. The deceleration should be driven mainly by: i) a gradual normalization in food inflation; ii) a milder depreciation of the TRY; iii) a sharp slowdown in economic activity; and iv) a tighter monetary policy stance (see below). Overall, we see headline inflation reaching a peak of 20.0% y-o-y in October and ending 2018 at 19.0% y-o-y -- well above the end-2017 outcome of 11.9%, the upper bound of the CBRT's target range of 3.0%-7.0% and the CBRT's upwardly-revised forecast of 13.4%.

An aggressive hike to the key policy rate at the September MPC meeting is crucial to preserving macroeconomic and financial stability. Provided that a credible new MTP is announced, a sharp hike to the 1-w repo by 400 bps to 21.75% at the September 13th MPC meeting could prove sufficient to stabilise or even strengthen the TRY, anchor inflation expectations and restore investor confidence.

GDP growth moderated to 5.2% y-o-y in Q2:18 from 7.3% in Q1:18, mainly due to heightening uncertainty ahead of the June 24th dual presidential and parliamentary elections. Political and economic uncertainty have been mounting since early-Q2:17, when President Erdogan called early presidential and parliamentary elections on June 24th (17 months ahead of schedule), resulting in weaker consumer and business confidence, lower capital inflows and a depreciated TRY.

Against this backdrop, domestic demand had seen its contribution to overall growth moderating sharply to only 4.2 pps in Q2:18 from 10.8 pps in Q1:18. Unsurprisingly, ahead of the end-June dual elections, public consumption was the only component of domestic demand that posted an improvement in Q2:18 (contributing 1.0 pp to headline growth against 0.7 pps in Q1:18).

The slowdown in economic activity in Q2:18 would have even been sharper had net exports not turned from a drag to a contributor to overall growth (contributing 1.0 pp in Q2:18 after subtracting 3.5 pps in Q1:18). The positive net exports performance was mainly driven by a sharp depreciation of the TRY in real terms, limited access to external funding and weaker domestic demand.

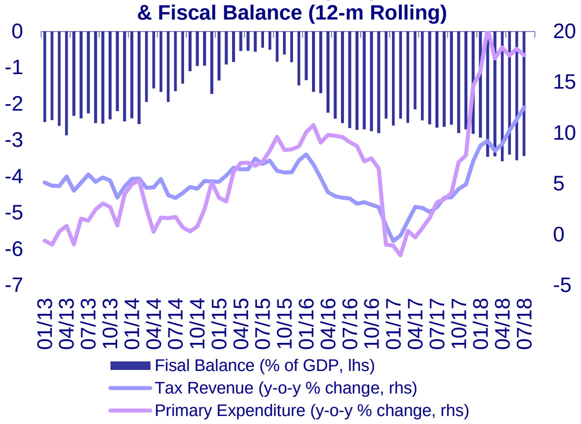
Looking ahead, in view of the recent high frequency economic data, further monetary policy tightening, a contractionary fiscal policy and a lack of external financing, we expect the economic slowdown to deepen during the rest of the year (we see GDP growth easing from 5.2% in Q2:18 to 2.6% in Q3:18 and -2.6% y-o-y in Q4:18). Overall, we expect FY:18 GDP growth at 3.2% – well below the FY:17 outcome of 7.4%.

Romania

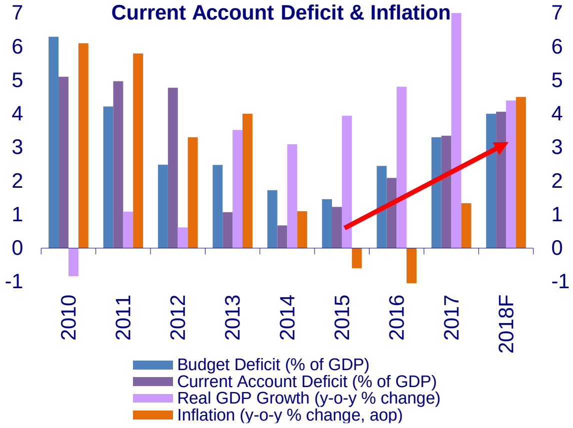
BBB- / Baa3 / BBB- (S&P / Moody's / Fitch)

Consolidated Budget (% of GDP)					
	2017 Outcome	7M:17	7M:18	2018 Revised Budget	2018 NBG Forecast
Total Revenue	29.3	16.4	17.2	31.5	31.5
Tax Revenue	24.7	14.0	14.6	25.8	25.8
o/w PIT/CIT	5.2	3.2	2.5	4.0	4.1
VAT	6.2	3.4	3.4	6.5	6.3
Excise Duties	3.1	1.7	1.7	3.2	3.2
Soc. Sec. Contr.	8.4	4.7	5.9	10.4	10.5
Non-Tax Revenue	4.6	2.4	2.6	5.7	5.7
o/w EU Grants	2.0	0.7	0.7	3.1	3.1
Total Expenditure	32.2	17.0	18.4	34.5	35.1
Current Spending	27.6	15.5	16.6	28.8	29.4
o/w Wages	8.1	4.6	5.2	9.2	9.1
Social Spending	10.8	6.1	6.3	10.7	11.3
Goods & Services	4.7	2.5	2.5	4.4	4.5
Interest Paym.	1.2	0.8	0.9	1.3	1.4
Capital Expend.	4.6	1.5	1.8	5.7	5.7
Fiscal Balance	-2.8	-0.6	-1.3	-3.0	-3.6

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



Real GDP Growth, Budget Deficit, Current Account Deficit & Inflation



	10 Sep.	3-M F	6-M F	12-M F
1-m ROBOR (%)	3.1	3.2	3.0	3.0
RON/EUR	4.63	4.64	4.65	4.68
Sov. Spread (2024, bps)	113	130	120	110

	10 Sep.	1-W %	YTD %	2-Y %
BET-BK	1,624	0.1	--1.7	23.1

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	3.9	4.8	7.0	4.4	3.8
Inflation (eop, %)	-0.9	-0.5	3.3	3.7	3.4
Cur. Acct. Bal. (% GDP)	-1.2	-2.1	-3.3	-3.7	-4.5
Fiscal Bal. (% GDP)	-1.5	-2.4	-2.8	-3.6	-3.9

The 12-month rolling budget deficit widened to 3.4% of GDP in July from 2.8% in December, well above the critical 3.0% threshold. In 7M:18, the consolidated budget deficit widened by a sizeable 0.7 pps y-o-y to 1.3% of GDP. The main factor behind this deterioration was current spending, which rose sharply in 7M:18 (up 1.1 pp of GDP y-o-y), mainly due to a looser incomes policy (personnel expenses and social spending rose by 0.9 pps of GDP y-o-y). Indeed, in addition to a 9.0% rise in pensions in July 2017, the authorities hiked public sector wages by 25% in January, with the education and healthcare sectors receiving a further 20% increase in March. Note that the budget impact of the wage hikes is curtailed, however, by a rise in social security contributions (SSCs) of employees by 18.5 pps (and a reduction in that of employers by 20.5 pps).

Public investment also rose in 7M:18 (up 0.3 pps of GDP y-o-y), but this was mostly due to the payment of an installment for a defense system already acquired.

Importantly, the increase in budget spending was partly compensated by higher tax revenue (up 0.6 pps of GDP y-o-y in 7M:18). Indeed, revenue from SSCs rose sharply in 7M:18 (up 1.2 pps of GDP y-o-y), notwithstanding the reduction in the underlying tax rate by 2 pps (see above), more than offsetting the sharp drop in revenue from PIT (down 0.6 pps of GDP y-o-y), following the cut in the underlying rate by 6 pps to 10%. At the same time, despite the measures taken to improve VAT collection, VAT revenue was broadly flat in 7M:18, due, *inter alia*, to higher tax refunds (up by an estimated 0.2 pps of GDP y-o-y).

Despite the corrections made in the revised budget, the deficit target of 3.0% of GDP still appears difficult to meet. The underlying fiscal pressures prompted the Government to revise the FY:18 budget in September so as to contain the deficit at 3.0% of GDP (versus 2.9% projected in the initial budget). According to the revised budget, higher-than-initially-expected tax revenue (up 0.6 pps of GDP, mainly from SCCs) and non-tax revenue (up 0.3 pps of GDP, mainly from dividends from state-owned enterprises), together with a cut in public investment (by 0.2 pps of GDP), should help compensate for the rise in current spending (up 1.2 pps of GDP, with the bulk of the increase going to personnel expenses and social spending).

In our view, the revised budget still poses challenges, especially regarding current spending. Indeed, in view of recent trends and the additional hike in pensions by 10% in July (costing 0.3 pps of GDP), social spending is unlikely to be curtailed as projected in the revised FY:18 budget (down 0.1 pp of GDP against the FY:17 outcome). At the same time, the authorities will find it difficult to cut public consumption (by 0.3 pps of GDP as compared with the FY:17 outcome -- currently flat compared with the same period a year ago) and contain interest expenditure (already up 0.1 pp of GDP y-o-y in 7M:18 against an equivalent FY:18 budget target increase), in view of rising debt yields.

On the other hand, we are broadly comfortable with the revised FY:18 tax revenue target (up 1.1 pp of GDP against its FY:17 outcome -- currently up 0.6 pps of GDP y-o-y). Indeed, solid employment and wage growth combined with efficiency gains in SCCs collection should sustain tax revenue during the remainder of the year.

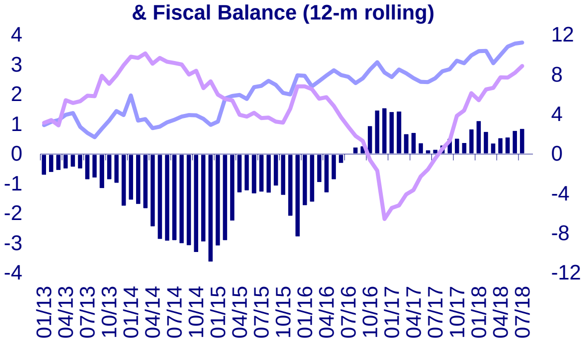
Overall, unless corrective measures are adopted and/or the public investment programme is under-executed (as was the case over the past few years), we see the FY:18 budget deficit at 3.6% of GDP, surpassing both its target and the EU threshold of 3.0%. The implied fiscal impulse will complicate policy, in view of the overheating of the economy, thus necessitating significant monetary policy tightening.

Bulgaria

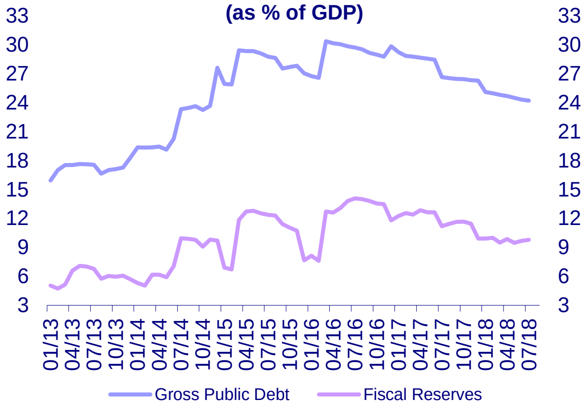
BB+ / Baa2 / BBB- (S&P / Moody's / Fitch)

Consolidated Budget (% of GDP)	2017 Outcome	7M:17	7M:18	2018 Budget	2018 NBG Forecast
Total Revenue	35.8	20.8	21.4	36.4	37.8
Tax Revenue	30.0	17.2	17.8	29.6	31.0
Non-Tax Rev.	4.3	2.7	2.8	4.5	4.5
Grants	1.5	0.9	0.8	2.3	2.3
Total Expenditure	34.9	18.8	19.5	37.4	37.8
Current Spending	31.1	17.8	18.0	31.5	31.9
o/w Wages	8.0	4.5	4.7	7.9	8.2
Goods & Services	4.0	2.0	2.1	4.4	4.4
Subsidies	2.0	1.2	1.2	2.0	2.0
Social Spending	15.4	8.8	8.8	15.5	15.6
Interest Payments	0.8	0.6	0.5	0.7	0.7
Capital Expend.	3.8	1.0	1.5	5.9	5.9
Fiscal Balance	0.9	2.0	1.9	-1.0	0.0

Tax Revenue, Primary Expenditure & Fiscal Balance (12-m rolling)



Gross Public Debt & Fiscal Reserves (as % of GDP)



	10 Sep.	3-M F	6-M F	12-M F
Base Interest Rate (%)	0.0	0.1	0.1	0.2
BGN/EUR	1.96	1.96	1.96	1.96
Sov. Spread (2022, bps)	33	44	42	40

	10 Sep.	1-W %	YTD %	2-Y %
SOFIX	629	-0.2	-7.2	33.2

	2015	2016	2017E	2018F	2019F
Real GDP Growth (%)	3.6	3.9	3.6	3.8	3.5
Inflation (eop, %)	-0.4	0.1	2.8	2.7	2.6
Cur. Acct. Bal. (% GDP)	0.0	2.3	4.5	3.1	1.7
Fiscal Bal. (% GDP)	-2.8	1.6	0.9	0.0	0.2

Stronger tax revenue helped offset upward pressures on current spending and public investment, keeping the 12-month rolling budget surplus at 0.9% of GDP in July, broadly unchanged compared with end-2017. In 7M:18, the consolidated budget surplus narrowed slightly by 0.1 pp to 1.9% of GDP. Specifically, current spending accelerated in 7M:18 (up 0.2 pps of GDP y-o-y), mainly due to higher personnel expenses (see below). At the same, despite no help from the EU (grants from the latter dropped 0.1 pp of GDP y-o-y in 7M:18), public investment increased markedly (up 0.5 pps of GDP y-o-y in 7M:18). Importantly, the rise in budget spending was almost offset by higher tax revenue (up 0.6 pps of GDP y-o-y in 7M:18). The latter was supported, *inter alia*, by revenue-enhancing measures (incl. a hike in the excise duty on tobacco and a 1 pp rise in social security contributions for pensions) and relatively strong employment and wage figures (up 0.8% and 5.2% y-o-y in real terms, respectively, in H1:18).

Fiscal policy is set to turn expansionary during the remainder of the year. The main driver behind the expected fiscal deterioration is public investment, which is projected to rise sharply in FY:18 (to an optimistic 3-year high of 5.9% of GDP from 3.8% in FY:17). Indeed, several major construction projects, which had been cancelled by the caretaker Government in office in early-2017 on procedural grounds, are set to be resumed during the remainder of the year.

At the same time, current spending is set to accelerate, fueled by the loose incomes policy and higher public consumption (mainly spending related to defense). Regarding the former, in addition to the targeted hikes in public sector wages (up 9.5% on average in the education and security and defense sectors) as well as the minimum wage (by 10.9% to BGN 510), and the social benefits linked to it in January, pensions also increased in July (by 3.8%).

However, the expected slippage in current spending should be more than offset by the overperformance in tax revenue (up 10.3% y-o-y in 7M:18 against a FY:18 budget target increase of 5.3%). Indeed, with the FY:18 budget projections based on an underestimated FY:17 tax revenue (an outcome of 30.0% of GDP against a projection of 28.4% of GDP), and in view of the implementation of the aforementioned measures (yielding a total of 0.4% of GDP in FY:18), strong consumption-driven economic growth and improving tax compliance, we expect tax revenue to be well above its FY:18 budget target.

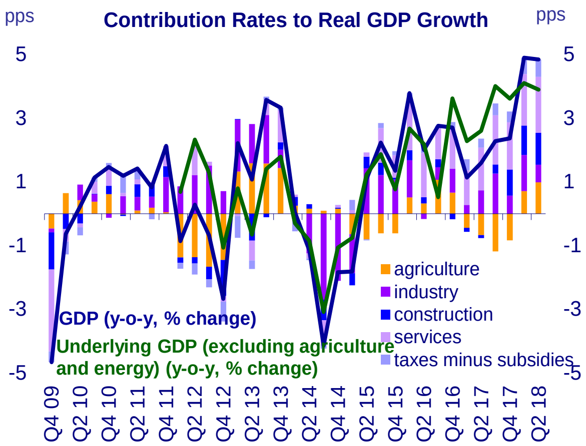
Assuming full implementation of the ambitious public investment programme, we see the budget moving into balance in FY:18 from a surplus of 0.9% in FY:17, overperforming, however, compared with its deficit target of 1.0%. The implied fiscal impulse (0.9 pps of GDP), if it were to occur, would help the economy maintain a solid pace of expansion (we see FY:18 GDP growth at 3.8%, above its long-term potential rate of c. 3.0% for a 4th consecutive year).

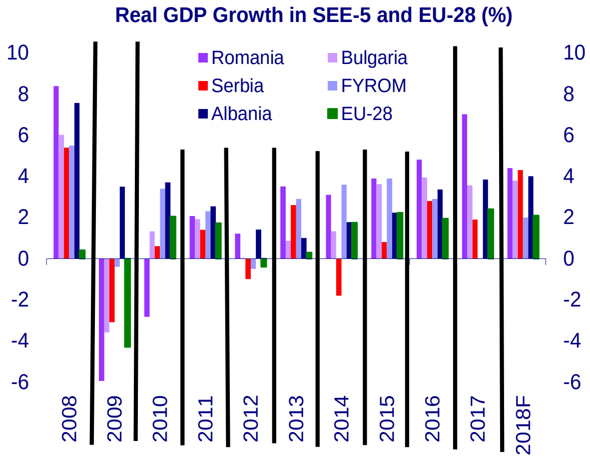
Bulgaria's already low public debt is set to decline further in FY:18. Bulgaria's gross financing needs are estimated at BGN 1.9 bn (1.8% of GDP) in FY:18. Note that the FY:18 budget law allows for new debt issuance worth up to BGN 1.0bn. The remaining financing needs should be covered through fiscal reserves (9.9% of GDP at end-2017). All said, gross public debt is projected to fall to 24.8% of GDP at end-2018 from 27.0% at end-2017, remaining among the lowest in the EU (where the average stands at c. 83% of GDP).

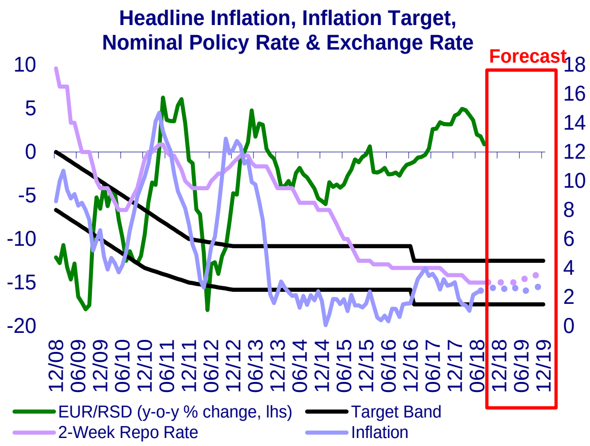
Contingent liabilities from state-owned enterprises (SOEs) pose a significant, albeit manageable, fiscal risk. Note that non-financial SOE debt stands at c. 8.5% of GDP. More worryingly, around 40% of SOEs are loss-making, highlighting the need for deep structural reforms.

Serbia

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







	10 Sep.	3-M F	6-M F	12-M F
1-m BELIBOR (%)	2.6	2.9	3.1	3.5
RSD/EUR	118.3	117.9	117.6	117.4
Sov. Spread (2021, bps)	134	132	126	120

	10 Sep.	1-W %	YTD %	2-Y %
BELEX-15	722	-0.7	-4.9	13.1

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	0.8	2.8	1.9	4.3	4.0
Inflation (eop, %)	1.5	1.6	3.0	2.5	2.8
Cur. Acct. Bal. (% GDP)	-3.7	-3.1	-5.7	-5.4	-5.2
Fiscal Bal. (% GDP)	-3.7	-1.3	1.2	0.6	0.4

GDP growth surprised on the upside for a second consecutive quarter in Q2:18 (4.8% y-o-y). GDP grew by a strong 4.8% y-o-y in Q2:18 -- well above expectations -- broadly unchanged from a post-global crisis high of 4.9% y-o-y in Q1:18 (upwardly revised from 4.6%). This outcome brought H1:18 GDP growth to a 10-year high of 4.9% y-o-y from a weak 1.4% in H1:17 and 1.9% in FY:17.

The strengthening in economic activity was broad based in H1:18. Indeed, growth in agricultural production turned positive and reached double digits in H1:18 (up by 12.9% y-o-y, contributing 0.9 pps to real GDP growth), benefiting from good weather, after a decline in H1:17 (by 7.7%, subtracting 0.6 pps from growth), due to a harsh winter.

Moreover, growth in the construction sector also turned positive and reached double digits, rising markedly by 25.1% y-o-y (and contributing 1.0 pp to overall growth) in H1:18 against a decline of 2.7% in H1:17. The strong recovery of the construction sector was supported, *inter alia*, by higher infrastructure projects (capital expenditure was up sharply by 44.1% y-o-y in H1:18 against a drop of 2.3% in H1:17) and a base effect from the prolonged cold weather in H1:17.

The services sector remained the main growth driver, expanding by 3.2% y-o-y in H1:18 against 2.3% in H1:17 (contributing 1.7 pps to overall GDP growth in H1:18 against 1.2 pps in H1:17), despite tighter monetary policy and broadly neutral fiscal policy. This performance was underpinned by lower inflation, a 10% rise in the minimum wage and the targeted 5-10% rise in public sector wages, the continued improvement in labour market conditions and credit activity, along with higher remittances and tourism inflows.

Growth in the industrial sector also accelerated to 4.0% y-o-y in H1:18 (contributing 0.8 pps to GDP growth) from 2.4% in H1:17, supported by the strong rebound in power generation (contributing an estimated 1.7 pps to growth in H1:18 after subtracting 1.8 pps in H1:17), following a (temporary) drop throughout FY:17 due to adverse weather conditions.

Importantly, even excluding the strong base effect (temporary negative supply shocks in H1:17), the underlying GDP growth (excluding agriculture and energy) strengthened significantly, accelerating to an estimated 4.0% y-o-y in H1:18 from 2.5% in H1:17.

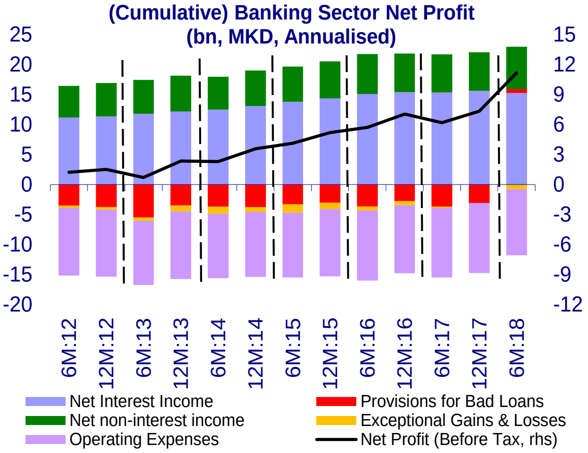
FY:18 growth on track to reach a post-global crisis high of 4.3% (upwardly revised from 3.6%). Looking ahead, GDP growth is set to strengthen to 3.8% y-o-y in H2:18 compared with 2.3% y-o-y in H2:17, supported by: i) the continued normalization in agricultural output; ii) the fading of the negative effect from temporary energy production outages in FY:17; iii) fiscal easing; and iv) stronger consumption, on the back of tighter labour market conditions. Overall, we see FY:18 GDP growth rising to a 10-year high of 4.3% (the 2nd best performance in SEE-5 after Romania) -- upwardly revised by 0.7 pps, in view of the stronger-than-initially-expected H1:18 performance and recent trends.

NBS to initiate a new cycle of monetary policy tightening in Q2:19. As expected, the NBS maintained its 2-week repo rate unchanged, for a 5th successive month, at its September MPC meeting, at a record low of 3.0%, following four (unexpected) cuts between September 2017 and April 2018 by a cumulative 100 bps. Despite still low headline and core inflation (well within the NBS' target band) and continued appreciation pressures on the RSD, the NBS refrained from an additional policy rate cut, due to the ongoing strengthening of economic activity. Going forward, we expect the NBS to initiate a new cycle of monetary policy tightening in Q2:19, mainly in view of mounting inflationary pressures, hiking its key rate by a cumulative 50 bps to 3.5% (0.7% in *ex post*, real and compounded terms) between Q2:19 and Q4:19.

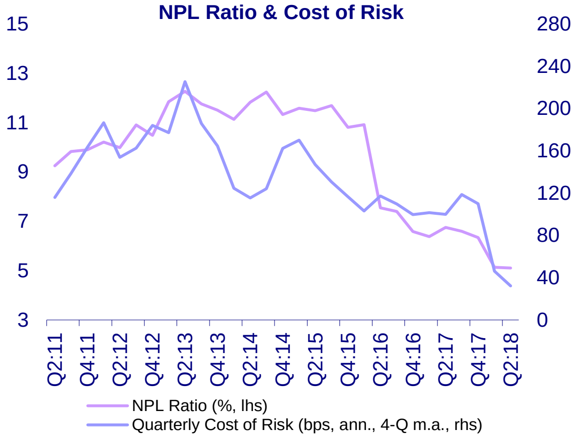
F.Y.R.O.M

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

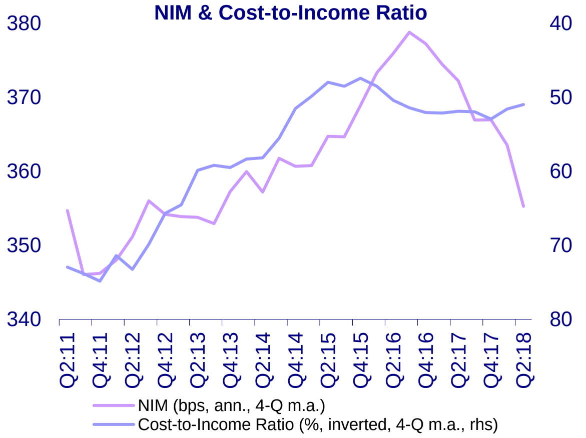
(Cumulative) Banking Sector Net Profit (bn, MKD, Annualised)



NPL Ratio & Cost of Risk



NIM & Cost-to-Income Ratio



	10 Sep.	3-M F	6-M F	12-M F
1-m SKIBOR (%)	1.2	1.8	2.3	2.8
MKD/EUR	61.3	61.3	61.3	61.3
Sov. Spread (2021. bps)	207	210	190	160

	10 Sep.	1-W %	YTD %	2-Y %
MBI 100	3,427	1.3	35.0	74.3

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	3.9	2.9	0.0	2.5	3.8
Inflation (eop. %)	-0.3	-0.2	2.4	1.9	2.0
Cur. Acct. Bal. (% GDP)	-1.9	-2.7	-1.3	-1.8	-2.2
Fiscal Bal. (% GDP)	-3.5	-2.7	-2.7	-2.8	-2.8

Banking sector ROAE (annualised) reached a record high of 21.3% in the first half of the year. Banking sector net profit rose sharply by 81% y-o-y to an all-time high of MKD 5.6bn (EUR 90.8mn or 0.9% of GDP) in H1:18 following increases of 7.9% in H1:17 and 3.6% in FY:17. The impressive performance was driven by large-scale reversals of NPL provisions (contributing 71 pps to the overall net profit increase) and, to a lesser extent, higher pre-provision income (PPI). As a result, ROAE and ROAA (annualised) rose to 21.3% and 2.4%, respectively, in H1:18, from 12.7% and 1.4% in H1:17, and the corresponding levels of 13.5% and 1.4% in FY:17.

The cost of risk declined significantly in H1:18, mainly due to sizeable reversals of loan loss provisions. The cost of risk declined to an all-time low of 41 bps, on a 4-quarter rolling basis, in Q2:18 from 110 bps in Q4:17, on the back of a large reversal in NPL provisions and, to a lesser extent, continued negative NPL formation.

The sharp reversal in provisions reflects sales of fully-provisioned bad corporate loans (including a sizeable sales transaction by the country's largest bank -- Komercijalna Banka -- contributing 5.7 pps to the overall ROAE increase in H1:18). On the other hand, the NPL ratio declined by 1.6 pps y-o-y to a multi-year low of 5.1% in Q2:18, down from 6.3% at end-2017, mainly on the back of a 2016 Central Bank regulation requiring banks to write off their fully-provisioned loans held in "loss" category for more than two years. Note that the decline was almost exclusively driven by the corporate segment, with the NPL ratio for corporates moderating significantly to 7.8% in Q2:18 from 10.4% in Q2:17, while that for the retail sector declined marginally to 2.4% in Q2:18 from 2.6% in Q2:17.

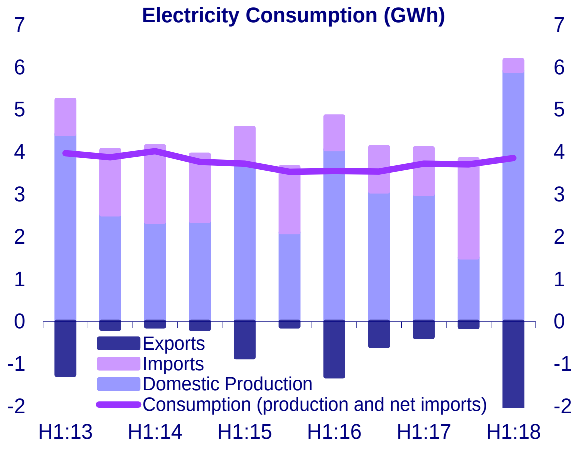
PPI (before tax) rose significantly (up 11.6% y-o-y) in H1:18, due to a cut in the deposit insurance premium rate and higher securities trading income. Net interest income (NII) fell marginally in H1:18 (down 0.7% y-o-y) as the rise in average interest-earning assets (AIEA, up 5.9% y-o-y), driven by strong credit growth to households (up 9.7% y-o-y), was more than offset by the compression of the NIM (down 22 bps y-o-y to 339 bps). The weaker NIM reflects a drop in both: i) core NIM, as the decline in the blended lending rate (down 42 bps y-o-y to 570 bps) outpaced that of the blended deposit rate (down 15 bps y-o-y to 150 bps); and ii) non-core NIM, in line with declining domestic debt yields (the 6-month T-bill dropped to 1.2% in H1:18 from 1.7% in H1:17).

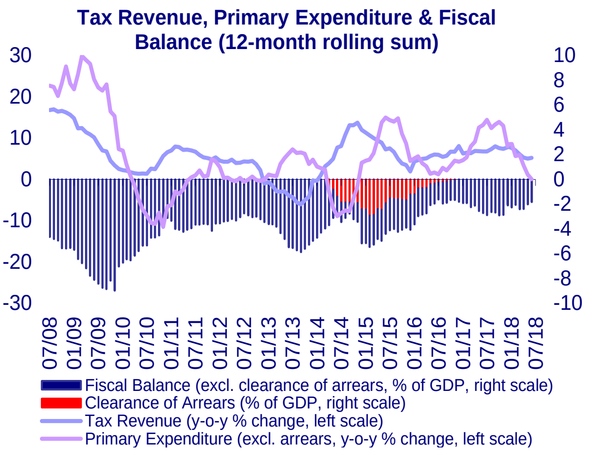
The improved PPI (before tax) performance was, in fact, driven by higher net non-interest income (NNII) and lower operating expenses. NNII rose by 11.1% y-o-y in H1:18, underpinned by higher net income from fees and commissions and "other income", likely reflecting, *inter alia*, gains from trading securities amid a benign stock market activity. On the other hand, operating expenses fell by 4.9% y-o-y in H1:18, exclusively on the back of reduced payments of deposit insurance premiums, reflecting a cut in the deposit insurance premium rate by 0.15 pps to 0.25 pps since January 1st. As a result, the efficiency of the banking system improved significantly, with the cost-to-income ratio down by 4.0 pps y-o-y to 49.4% in H1:18 (a softer decline of 1.6 pps y-o-y to 51.8%, excluding the exceptional gain from lower deposit insurance premiums).

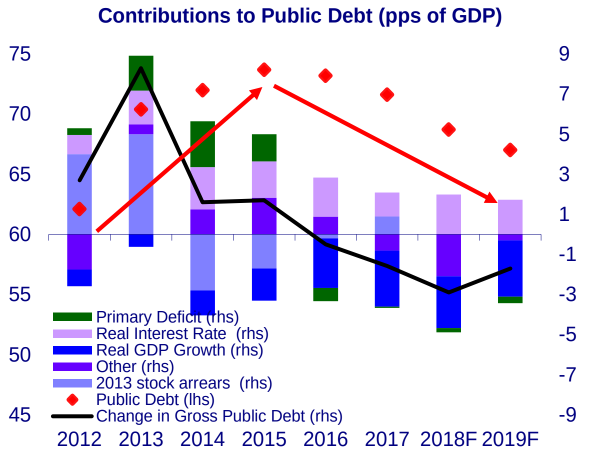
The rise in the H1:18 banking sector bottom line would have been stronger had it not been for extraordinary losses linked to banks' foreclosed assets. The latter rose significantly, shaving c. 9.5 pps off the rise in net profits, mainly due to a CB regulation, imposing to banks a haircut on the net value of their foreclosed non-financial assets, as a means to incentivize the sale of foreclosed assets.

Albania

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







	10 Sep.	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	1.4	2.2	2.2	2.2
ALL/EUR	126.3	132.0	131.3	130.0
Sov. Spread (bps)	224	210	200	180

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

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	2.2	3.4	3.8	4.0	4.0
Inflation (eop, %)	2.0	2.2	1.8	2.3	2.5
Cur. Acct. Bal. (% GDP)	-8.6	-7.5	-6.9	-6.4	-5.4
Fiscal Bal. (% GDP)	-4.1	-1.8	-2.0	-2.0	-1.9

Albania's electricity generation doubled in H1:18, as a result of abundant rainfall. Domestic electricity production, totally dependent on hydroelectric power, rose sharply in H1:18 (up 96.9% y-o-y to a record high 5.9 GWh), following heavy rainfall throughout H1:18. This performance also reflects strong base effect, as electricity generation declined markedly throughout FY:17 (by 36.6% y-o-y), due to a low rainfall and several months of summer drought.

The considerable increase in domestic electricity production in H1:18 led to a sharp rise in electricity exports (more than 6 times their level in the same period a year ago), and a large drop in imports (by 76.6% y-o-y in H1:18). As a result, imports covered just 6.6% of total consumption in H1:18 (after covering almost half of total consumption in FY:17 and an average ⅓ of total consumption in 2012-16), while Albania turned into a net exporter of electricity.

The impressive rebound in electricity production will have a strong positive impact on: i) GDP growth, with the significant rise in electricity production expected to contribute c. 1.5 pps to overall growth in FY:18 after having subtracted an estimated 0.5 pps from growth in FY:17; ii) the current account balance, with the impact from lower electricity imports expected at 0.5 pps of GDP in FY:18; and iii) public finances (the financial support to the energy sector stood at 0.4 pps in FY:17).

A broadly neutral fiscal stance in 7M:18. The fiscal balance improved slightly by 0.1 pp y-o-y, recording a surplus of 0.2% of GDP in 7M:18, as lower revenue (down 0.4 pps of GDP y-o-y in 7M:18) was more than offset by expenditure restraint (down 0.5 pps of GDP).

The poor revenue performance resulted from: i) lower grants (down 0.2 pps of GDP y-o-y in 7M:18); as well as ii) lower VAT and excise revenue (each down by 0.1 pp of GDP), mainly due to the ALL appreciation. The revenue performance would have been worse in 7M:18 had revenue-enhancing measures not been introduced (c. 0.2 pps of GDP in FY:18, including a hike in excises on cigarette) and had PIT and social contributions not increased, on the back of strong economic activity and tightening labour market conditions, as well as the Government's campaign against informal employment.

On the other hand, the decline in expenditure in 7M:18 occurred on the back of lower net lending for the energy sector (that reflected high energy imports in FY:17, following a prolonged drought that limited hydropower production), as well as lower social insurance outlays (each down by 0.2 pps of GDP).

As a result, the 12-month rolling fiscal deficit shrank slightly to 1.8% of GDP in July from its level of 2.0% at end-2017.

Fiscal prudence to be observed in 2018. The 2018 (revised) Budget envisages a neutral fiscal stance, targeting a deficit of 2.0% of GDP, unchanged from the FY:17 outcome.

In view of the y-t-d performance and recent trends, the FY:18 deficit target of 2.0% of GDP should be attained. In fact, we expect a slightly expansionary fiscal stance during the rest of the year (0.1 pp of GDP y-o-y in 8-12M:18), offsetting the small tightening in 7M:18. Specifically, we expect expenditure to rise (by 0.4 pps of GDP y-o-y in 8-12M:18), due to a strong increase in capital expenditure (set to rise by 0.4 pps y-o-y in 8-12M:18), and the payment of a bonus to pensioners (adding 0.2 pps of GDP to the fiscal deficit). The increase in outlays should, however, be partly offset by a rise in overall revenue (by 0.3 pps y-o-y in 8-12M:18), reflecting the positive impact from the adopted tax measures (see above) and a rebound in grants.

Importantly, even with a neutral fiscal stance, the public debt-to-GDP ratio is set to decline further, to a 6-year low of 68.7% of GDP in FY:18.

Cyprus

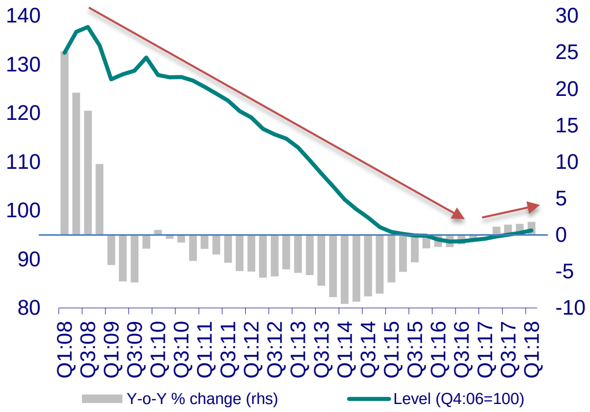
BB+ / Ba3 / BB+ (S&P / Moody's / Fitch)

General Government Fiscal Balance (% of GDP)

	2017	7M:17	7M:18	2018 Target*	NBG 2018 Forecast
Revenue	39.8	21.5	22.5	39.1	40.2
Tax Revenue	34.4	18.6	19.5	34.0	35.2
Indirect Taxes	15.9	8.7	9.4	15.7	16.6
Direct Taxes	9.6	4.9	4.8	9.4	9.5
Soc. Contrib.	8.9	5.0	5.3	8.9	9.1
Non-Tax revenue	5.4	2.9	3.0	5.1	5.0
Expenditure	38.0	20.4	19.9	37.4	38.0
Cur. Expenditure	34.9	19.3	18.9	n.a.	34.9
G. & Services	3.7	1.8	1.8	3.6	3.6
Wag. &Salaries	12.3	6.6	6.5	12.0	12.1
Soc. Transfers	13.6	7.7	7.6	13.3	13.4
Int. Payments	2.6	1.7	1.6	2.8	2.8
Subsidies	0.3	0.1	0.1	n.a.	0.3
Other	2.4	1.4	1.3	n.a.	2.7
Capital Expend.	3.1	1.1	1.0	n.a.	3.1
Fiscal Balance	1.8	1.1	2.6	1.7	2.2
Primary Balance	4.4	2.8	4.1	4.5	5.0

*According to Government's 2018-21 Stability Programme (April 2018)

Real Estate Prices



	10 Sep	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.37	-0.37	-0.37	-0.37
EUR/USD	1.16	1.22	1.24	1.26
Sov. Spread (2020. bps)	84	55	52	50

	10 Sep	1-W %	YTD %	2-Y %
CSE Index	74	0.2	6.8	8.6

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	2.0	4.8	4.2	3.8	3.6
Inflation (eop. %)	-1.0	-0.3	-0.6	0.8	1.0
Cur. Acct. Bal. (% GDP)	-1.5	-4.9	-6.7	-4.8	-4.5
Fiscal Bal. (% GDP)	-1.2	0.3	1.8	2.2	1.9

The fiscal balance improved by 1.5 pps y-o-y to a surplus of 2.6% of GDP in 7M:18, due to a strong tax revenue performance and strict spending control. Tax revenue rose markedly by 0.9 pps of GDP y-o-y in 7M:18, on the back of a significant increase in indirect taxes (up 13.7% y-o-y or 0.7 pps of GDP y-o-y). The latter was driven by stronger VAT receipts, reflecting improved collection efficiency and solid economic activity. The enhanced tax revenue performance in 7M:18 was also supported by higher social security contributions (up 0.3 pps of GDP y-o-y), in line with a further tightening in labour market conditions (employment rose sharply by 5.7% y-o-y in H1:18, following increases of 3.2% in H1:17 and 3.1% in FY:17). On the other hand, spending discipline continued, with primary spending down by 0.3 pps of GDP y-o-y in 7M:18, mainly due to a lower wage bill and less generous transfers (each down 0.1 pp of GDP y-o-y). With the 7M:18 outturn, the 12-month rolling budget surplus reached a post-crisis high of 3.3% of GDP in July, up from 1.8% of GDP in December.

Although the fiscal stance is set to turn expansionary during the rest of the year; the full-year fiscal surplus target is likely to be surpassed. The fiscal expansion in 8-12M:18 should result from both weaker non-tax revenue and higher current spending. The former should be driven by lower grants from the EU (reflecting a normalization in the EU's Structural and Cohesion Funds -- down 0.3 pps of GDP y-o-y) and weaker dividends from the Central Bank (down 0.2 pps of GDP y-o-y). On the other hand, the slippage in current spending is set to reflect mainly: i) expected financial support to the "National Solidarity Fund" (0.1 pp of GDP), intended to partly compensate depositors of the former Laiki Bank for losses incurred on their uninsured deposits during the 2013 banking crisis; and ii) higher interest payments (0.2 pps of GDP) linked to the Government's issue of bonds (worth EUR 3.2bn) with private placement towards Cyprus Cooperative Bank (CCB) in July, as part of the latter's sales agreement with Hellenic Bank. All said, we see the fiscal balance deteriorating by 1.1 pp y-o-y to a deficit of 0.4% of GDP in 8-12M:18 (against an improvement of 1.5 pps y-o-y in 7M:18), still resulting in a sizeable FY:18 fiscal surplus of 2.2% of GDP -- surpassing its target of 1.7% in the 2018-21 Stability Programme and the FY:17 outcome of 1.8%.

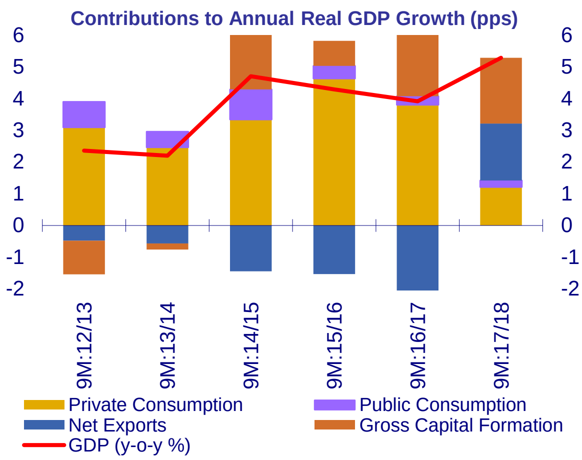
Importantly, the expected large primary surplus this year will help contain the deterioration in the public debt-to-GDP ratio, following the Government's issue of bonds to CCB (see above). Should our full-year forecast of a primary surplus of 5.0% of GDP materialise, the public debt-to-GDP ratio would peak at c. 110% at end-2018 -- up from a 5-year low of 97.5% at end-2017.

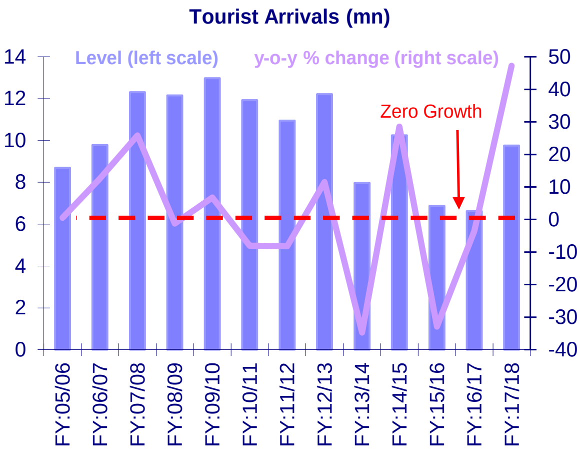
The recovery of real estate prices continued in Q1:18 (up 1.8% y-o-y). The Central Bank's Residential Property Price Index (RPPI) rose by 1.8% y-o-y in Q1:18, following increases of 1.5% in Q4:17 and 1.1% in FY:17 and eight consecutive years of decline (totalling c. 30%). The increase was supported by still solid demand from overseas buyers (comprising more than ½ of total sales -- up 41.5% y-o-y) and would have been sharper had it not been for the imposition of VAT (19%), from January 1st, on the disposal of undeveloped building land intended for the construction of buildings as part of business activity.

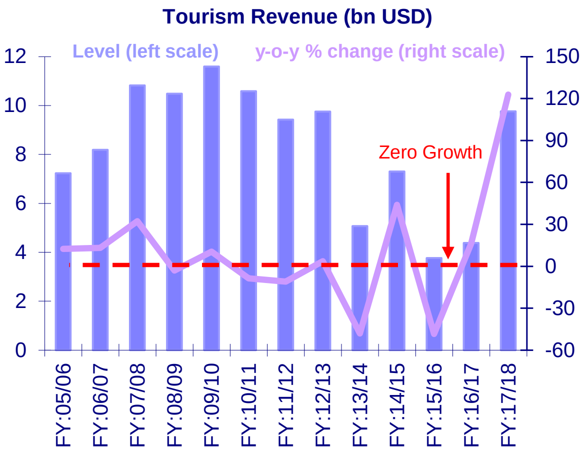
Looking ahead, we expect the recovery in RPPI to continue this year, benefiting, *inter alia*, from a benign economic environment. The recovery will, however, be tempered by weaker demand from overseas non-EU buyers, following a recent amendment to the government's investment scheme providing citizenship (requiring property purchases exceeding EUR 2mn), which limits the number of beneficiaries to 700 per year -- down from over 1,000 in FY:17 (according to press reports).

Egypt

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







	10 Sep.	3-M F	6-M F	12-M F
O/N Interbank Rate (%)	16.9	18.0	17.0	15.0
EGP/USD	17.8	17.8	18.0	18.0
Sov. Spread (2020. bps)	239	168	152	140

	10 Sep.	1-W %	YTD %	2-Y %
HERMES 100	1,503	-1.6	4.6	105.3

	14/15	15/16	16/17	17/18E	18/19F
Real GDP Growth (%)	4.4	4.3	4.2	5.2	5.8
Inflation (eop. %)	11.4	14.0	29.8	12.8	14.2
Cur. Acct. Bal. (% GDP)	-3.7	-6.0	-6.5	-2.8	-3.0
Fiscal Bal. (% GDP)	-11.4	-12.5	-10.9	-9.8	-8.4

GDP growth is estimated to have reached a 10-year high of 5.2% in FY:17/18. GDP growth accelerated to 5.3% y-o-y in 9M:17/18 (July 2017-March 2018) from 3.9% a year earlier and 4.2% in FY:16/17, underpinned by the return of confidence in the Egyptian economy following the steady implementation of the IMF-supported programme. Note that in early-July, the IMF Executive Board completed the 3rd review of Egypt's economic reform programme -- supported by the 3-year USD 12bn Extended Fund Facility -- allowing the authorities to draw the equivalent of USD 2bn, bringing total disbursements under the programme to c. USD 8bn.

Importantly, the ongoing adjustment programme is shifting the structure of economic growth from consumption towards exports and investments, which bodes well for strong and sustainable growth in the coming years. The main measures of this programme are: i) the flotation of the domestic currency; ii) cuts in fuel and gas subsidies (through price increases); iii) the introduction of the long-awaited VAT and the increase of other taxes; and iv) the containment of the wage bill (through a new civil service law).

Specifically, private consumption growth moderated sharply to 1.4% y-o-y in 9M:17/18 from 4.5% a year earlier, contributing 1.2 pps to overall growth in 9M:17/18 against 3.9 pps a year earlier. Gross capital formation growth remained almost unchanged on an annual basis around the robust level of 13.5% y-o-y in 9M:17/18, contributing 2.1 pps to overall growth in 9M:17/18 against 1.9 pps a year earlier. Net exports, after having been a drag on overall growth for many years, have become a driver in 9M:17/18, contributing 1.8 pps to headline growth after having subtracted 2.1 pps a year earlier. The positive net exports performance reflects the fact that exports of goods and services not only rose by an impressive 45.9% y-o-y in 9M:17/18 but also expanded at a faster pace than imports (16.9% y-o-y), following the flotation of the EGP in mid-Q2:16/17 (that halved the EGP value) and a strong rebound in tourism activity (see below).

With high frequency indicators pointing to the continuation of recent trends in Q4:17/18, we estimate GDP growth had reached a 10-year high of 5.2% in FY:17/18 -- in line with the latest IMF forecast and above the FY:16/17 outcome of 4.2%. Note that in line with the rebound in economic activity, the FY:17/18 unemployment rate declined to an 8-year low of 10.9% -- down from 12.2% in FY:16/17 and a peak of 13.4% in FY:13/14.

The tourism sector emerged from a deep crisis, mainly supported by a cheaper domestic currency and improved security conditions. Tourist arrivals surged by 47.2% to 9.7mn in FY:17/18, following 2 consecutive years of decline. The strong rise in arrivals was mainly supported by more competitive prices (the EGP has depreciated by c. 50% to EGP 18.0 per USD since November 2016) and a significant improvement in security conditions.

The cheaper Egyptian pound and easing security concerns are also estimated to have led to a sharp increase in the number of nights spent per tourist in FY:17/18, largely contributing to an estimated sharp rise in tourist receipts by c. 120.0% y-o-y (up 2.0 pps of GDP y-o-y) to a 7-year high of USD 9.8bn (3.9% of GDP).

With the tourism sector accounting for c. 11.0% in total economic activity and c. 9.0% in total employment, the rebound in tourism activity in FY:17/18 had contributed significantly to the acceleration in economic growth and the reduction in unemployment rate. The strong performance of the tourism sector also contributed significantly to the expected narrowing of the current account deficit to 2.8% of GDP in FY:17/18 from 6.5% a year earlier.

FOREIGN EXCHANGE MARKETS, SEPTEMBER 10TH 2018

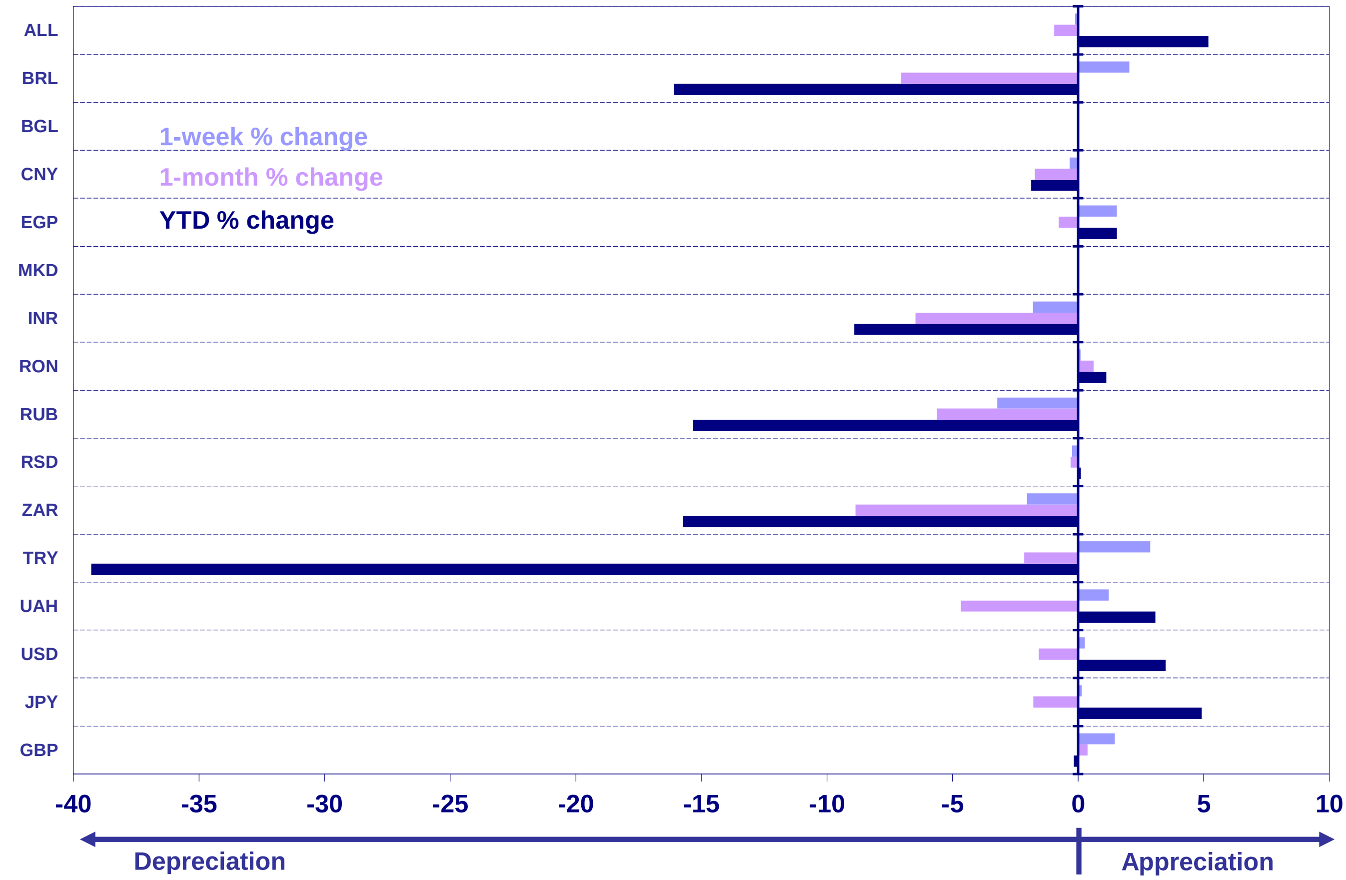
Against the EUR

	Currency	2018										2017	2016
		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	126.3	-0.1	-1.0	5.2	5.4	124.5	134.0	126.6	126.5	125.9	1.9	1.2
Brazil	BRL	4.74	2.0	-7.0	-16.1	-21.7	3.85	4.91	5.07	5.09	5.14	-13.9	25.7
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	7.95	-0.3	-1.7	-1.9	-1.7	7.39	8.02	8.20	8.22	8.24	-6.0	-4.0
Egypt	EGP	20.51	1.5	-0.8	1.5	2.9	19.50	22.13	- - -	- - -	- - -	-9.4	-55.0
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	84.2	-1.8	-6.5	-8.9	-9.1	75.9	84.2	90.7	- - -	- - -	-6.7	0.4
Romania	RON	4.63	0.1	0.6	1.1	-0.7	4.62	4.68	4.67	4.71	4.81	-3.0	-0.4
Russia	RUB	81.7	-3.2	-5.6	-15.3	-16.4	67.7	81.9	83.1	85.2	88.3	-6.8	22.9
Serbia	RSD	118.3	-0.2	-0.3	0.1	0.9	117.6	119.1	118.6	118.9	- - -	4.2	-1.5
S. Africa	ZAR	17.6	-2.0	-8.9	-15.7	-11.9	14.18	18.12	18.0	18.3	19.1	-2.7	16.2
Turkey	YTL	7.49	2.9	-2.1	-39.3	-45.6	4.48	8.21	7.97	8.54	9.84	-18.4	-14.7
Ukraine	UAH	32.6	1.2	-4.7	3.1	-4.6	30.18	36.11	38.7	- - -	- - -	-15.2	-8.6
US	USD	1.16	0.3	-1.6	3.5	3.1	1.1	1.3	1.17	1.18	1.20	-12.4	3.3
JAPAN	JPY	128.8	0.1	-1.8	4.9	1.5	124.6	137.5	128.9	128.9	129.0	-8.9	6.0
UK	GBP	0.89	1.5	0.4	-0.2	2.0	0.9	0.9	0.89	0.90	0.90	-4.1	-13.5

* 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 10th 2018)



MONEY MARKETS, SEPTEMBER 10TH 2018

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
O/N	1.2	6.4	- - -	2.6	- - -	16.9	- - -	- - -	2.4	7.4	- - -	19.7	7.1	17.2	- - -	1.9
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	2.4	7.3	2.3	- - -	8.0	- - -	- - -	- - -
S/W	1.3	6.4	- - -	2.7	-0.4	- - -	1.0	- - -	- - -	5.5	2.3	- - -	7.3	17.5	-0.4	2.0
1-Month	1.4	6.4	0.0	2.7	-0.4	- - -	1.2	7.1	3.1	6.1	2.6	22.3	7.4	18.4	-0.4	2.1
2-Month	- - -	6.5	- - -	- - -	-0.3	- - -	- - -	- - -	- - -	7.7	2.8	23.3	7.5	- - -	-0.3	2.2
3-Month	1.7	6.7	- - -	2.8	-0.3	- - -	1.5	7.4	3.1	6.8	2.9	23.7	7.5	18.6	-0.3	2.3
6-Month	1.9	7.3	- - -	3.2	-0.3	- - -	1.7	- - -	3.4	7.3	3.1	25.7	7.8	- - -	-0.3	2.6
1-Year	2.2	8.3	- - -	3.5	-0.2	- - -	2.2	- - -	3.5	7.7	- - -	26.6	8.0	- - -	-0.2	2.9

*For Bulgaria, the Base Interest Rate (BIR) is reported. For Egypt, the O/N Interbank Rate is reported.

LOCAL DEBT MARKETS, SEPTEMBER 10TH 2018

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	- - -	- - -	- - -	- - -	- - -	19.3	- - -	6.9	- - -	7.6	- - -	20.7	- - -	- - -	-0.6	2.1
6-Month	- - -	- - -	- - -	- - -	- - -	19.5	- - -	7.1	3.5	7.8	3.3	22.9	- - -	- - -	-0.6	2.3
12-Month	1.7	- - -	-0.1	2.8	- - -	19.3	1.0	7.9	5.3	7.4	2.8	23.5	- - -	18.0	-0.6	2.5
2-Year	2.2	- - -	- - -	3.2	- - -	- - -	- - -	8.0	3.8	8.2	- - -	23.0	7.9	- - -	-0.6	2.7
3-Year	- - -	- - -	0.1	3.4	0.8	- - -	- - -	8.1	4.0	8.6	- - -	26.5	8.2	- - -	-0.4	2.8
5-Year	4.8	11.3	- - -	3.5	1.1	18.6	- - -	8.2	4.4	8.9	3.7	24.3	8.7	16.0	-0.2	2.8
7-Year	- - -	- - -	0.7	- - -	1.7	18.4	- - -	8.3	4.5	9.0	- - -	- - -	- - -	- - -	0.0	2.9
10-Year	- - -	12.3	1.0	3.7	- - -	18.1	- - -	8.2	4.8	9.2	- - -	19.0	9.2	- - -	0.4	2.9
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	3.0	8.4	- - -	9.2	- - -	- - -	9.9	- - -	0.7	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	10.1	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	8.4	- - -	- - -	- - -	- - -	10.1	- - -	1.1	3.1

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

CORPORATE BONDS SUMMARY, SEPTEMBER 10TH 2018

		Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Bulgaria	**Bulgaria Energy Hld 4.875% '21**	EUR	NA/NA	2/8/2021	550	2.2	263	229
South Africa	**FirstRand Bank Ltd 4.25% '20**	USD	BBB-/Baa2	30/4/2020	500	4.4	174	156
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	1.2	176	146
Turkey	**Arcelik AS 3.875% '21**	EUR	BB+/NA	16/9/2021	350	6.9	734	642
	Garanti Bank 5.25% '22	USD	NA/Ba3	13/9/2022	750	9.5	667	589
	Turkiye Is Bankasi 6% '22	USD	NA/B2	24/10/2022	1,000	18.6	1,582	1,198
	Vakifbank 5.75% '23	USD	NA/Ba3	30/1/2023	650	13.7	1,090	890
	TSKB 5.5% '23	USD	NA/Ba3	16/1/2023	350	15.3	1,251	985
	Petkim 5.875% '23	USD	NA/B1	26/1/2023	500	9.7	692	612
	KOC Holding 5.25% '23	USD	BB+/Ba1	15/3/2023	750	8.5	565	505

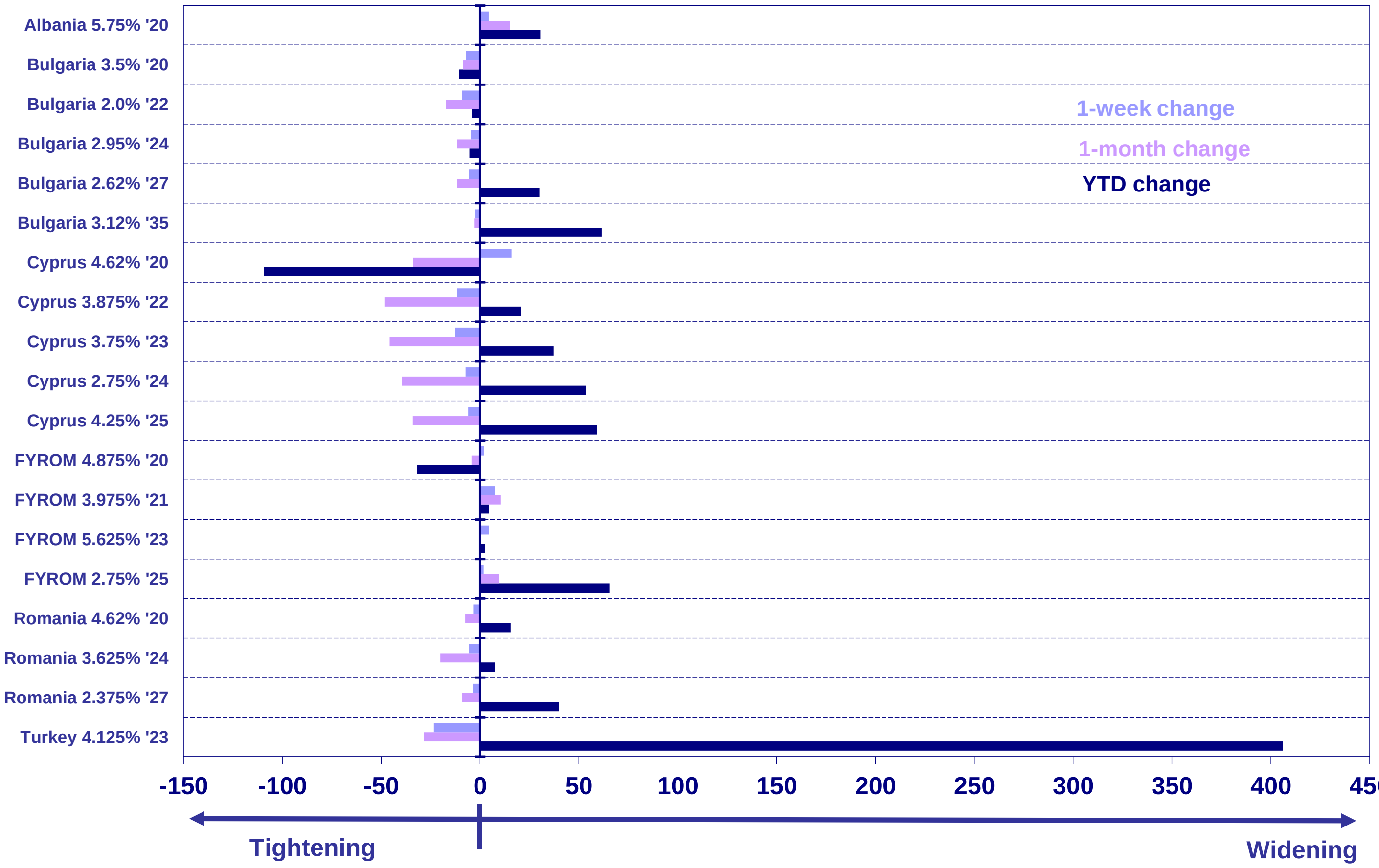
CREDIT DEFAULT SWAP SPREADS, SEPTEMBER 10TH 2018

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	276	66	59	149	347	- - -	80	92	179	110	517	241	510
10-Year	- - -	361	102	104	170	392	- - -	89	132	245	146	495	309	539

EUR-DENOMINATED SOVEREIGN EUROBOND SUMMARY, SEPTEMBER 10TH 2018

	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	1.7	224	191
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	0.0	57	26
Bulgaria 2.0% '22	EUR	BBB-/Baa2	26/3/2022	1,250	0.0	33	- - -
Bulgaria 2.95% '24	EUR	BBB-/Baa2	3/9/2024	1,493	0.5	56	7
Bulgaria 2.62% '27	EUR	BBB-/Baa2	26/3/2027	1,000	1.3	100	57
Bulgaria 3.12% '35	EUR	BBB-/Baa2	26/3/2035	900	2.6	192	131
Cyprus 4.62% '20	EUR	BB+/Ba2	3/2/2020	668	0.3	84	58
Cyprus 3.875% '22	EUR	NA/Ba2	6/5/2022	1,000	1.1	146	109
Cyprus 3.75% '23	EUR	NA/Ba2	26/7/2023	1,000	1.4	163	126
Cyprus 2.75% '24	EUR	NA/Ba2	27/6/2024	850	1.7	182	136
Cyprus 4.25% '25	EUR	NA/Ba2	4/11/2025	1,000	2.1	202	159
FYROM 4.875% '20	EUR	BB-/NA	1/12/2020	178	1.1	162	124
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	1.6	207	470
FYROM 5.625% '23	EUR	BB-/NA	26/7/2023	450	2.5	272	241
FYROM 2.75% '25	EUR	BB-/NA	18/1/2025	500	2.9	302	240
Romania 4.62% '20	EUR	BBB-/BBB-	18/9/2020	2,000	0.1	66	28
Romania 3.625% '24	EUR	BBB-/BBB-	24/4/2024	1,250	1.1	113	73
Romania 2.375% '27	EUR	BBB-/BBB-	19/4/2027	2,000	2.3	204	154
Turkey 4.125% '23	EUR	NR/Ba3	11/4/2023	1,000	6.4	657	570

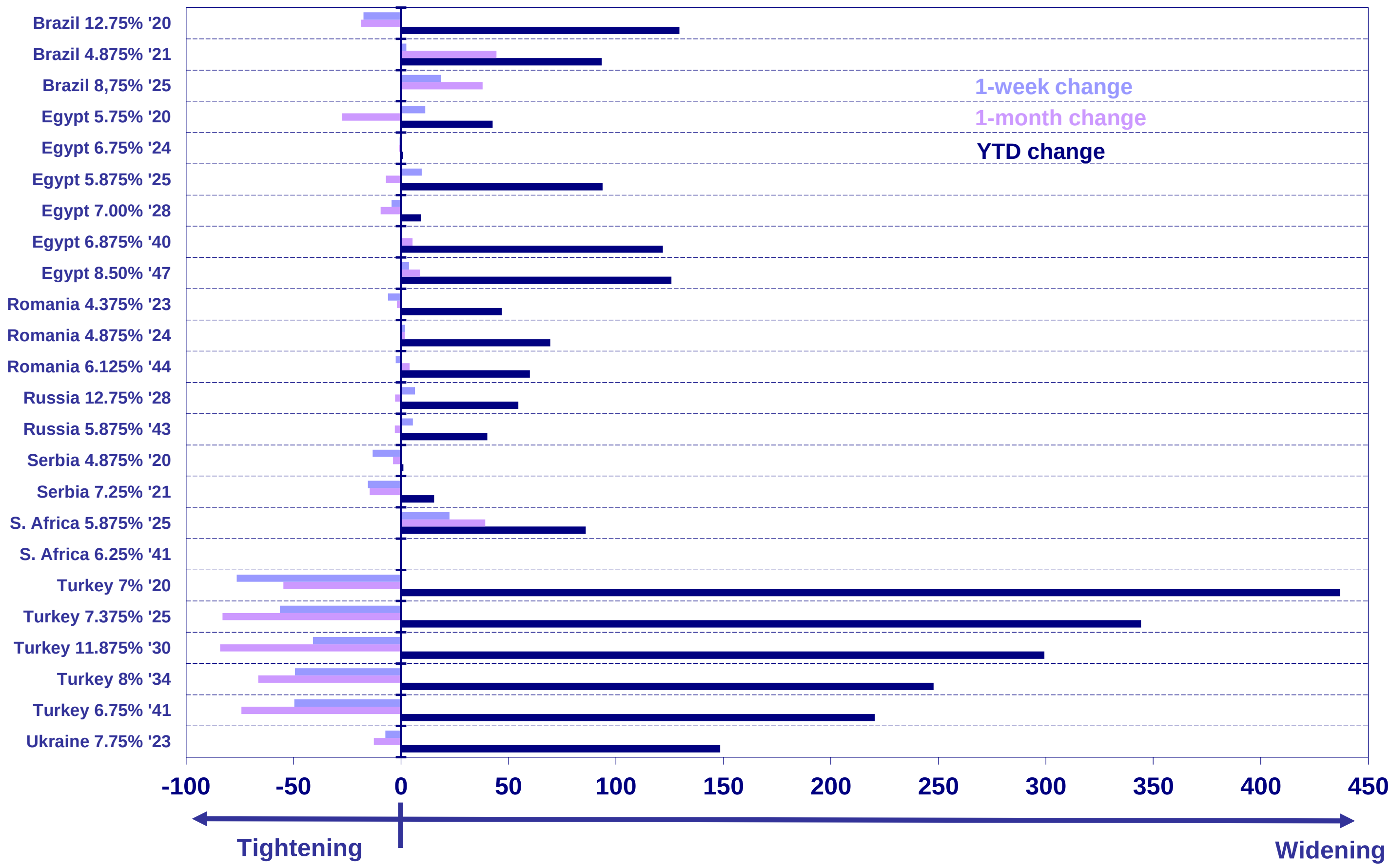
EUR-Denominated Eurobond Spreads (September 10th 2018)



USD-DENOMINATED SOVEREIGN EUROBOND SUMMARY, SEPTEMBER 10TH 2018

	Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Brazil 12.75% '20	USD	NA/Ba2	15/1/2020	87	3.8	126	104
Brazil 4.875% '21	USD	NA/Ba2	22/1/2021	2,713	4.5	177	154
Brazil 8.75% '25	USD	NA/Ba2	4/2/2025	688	5.3	246	260
Egypt 5.75% '20	USD	B/B3	29/4/2020	1,000	5.1	239	223
Egypt 6.75% '24	USD	NA/B3	10/11/2024	1,500	6.2	335	326
Egypt 5.875% '25	USD	B/B3	11/6/2025	500	7.2	435	402
Egypt 7.00% '28	USD	NA/B3	10/11/2028	1,000	6.7	377	369
Egypt 6.875% '40	USD	B/B3	30/4/2040	1,500	8.4	529	470
Egypt 8.50% '47	USD	NA/B3	31/1/2047	500	8.8	577	557
Romania 4.375% '23	USD	BBB-/BBB-	22/8/2023	1,500	4.1	131	117
Romania 4.875% '24	USD	BBB-/BBB-	22/1/2024	1,000	4.2	143	130
Romania 6.125% '44	USD	BBB-/BBB-	22/1/2044	1,000	5.2	212	233
Russia 12.75% '28	USD	BBB-/Ba1	24/6/2028	2,500	5.1	218	281
Russia 5.875% '43	USD	BBB-/Ba1	16/9/2043	1,500	5.5	243	253
Serbia 4.875% '20	USD	BB/Ba3	25/2/2020	1,500	3.9	117	103
Serbia 7.25% '21	USD	BB/Ba3	28/9/2021	2,000	4.1	134	123
S. Africa 5.875% '25	USD	BB/Baa3	16/9/2025	2,000	5.9	305	292
S. Africa 6.25% '41	USD	BB/Baa3	8/3/2041	750	- - -	- - -	- - -
Turkey 7.00% '20	USD	NR/Ba3	5/6/2020	2,000	8.8	605	568
Turkey 7.375% '25	USD	NR/Ba3	5/2/2025	3,250	8.8	588	548
Turkey 11.875% '30	USD	NR/Ba3	15/1/2030	1,500	8.9	593	653
Turkey 8.00% '34	USD	NR/Ba3	14/2/2034	1,500	8.7	581	538
Turkey 6.75% '41	USD	NR/Ba3	14/1/2041	3,000	8.4	535	439
Ukraine 7.75% '23	USD	B-/Caa2	1/9/2023	1,355	8.5	571	538

USD-Denominated Eurobond Spreads (September 10th 2018)



STOCK MARKETS PERFORMANCE, SEPTEMBER 10TH 2018

	2018								2017		2016	
	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)	76,436	0.3	-0.1	0.0	2.8	69,069	88,318	-16.5	26.9	9.5	38.9	76.2
Bulgaria (SOFIX)	629	-0.2	-1.6	-7.2	-10.2	621	721	-7.2	15.5	15.5	27.2	27.2
China (SHCOMP)	2,669	-1.9	-4.5	-19.3	-20.9	2,653	3,587	-20.7	6.6	-0.3	-12.3	-15.3
Cyprus (CSE GI)	74	0.2	-0.6	6.8	-2.4	65	77	6.8	4.7	4.7	-2.0	-2.0
Egypt (HERMES)	1,503	-1.6	-2.0	4.6	22.9	1,429	1,741	6.9	32.0	18.7	72.7	-21.8
F.Y.R.O.M (MBI)	3,427	1.3	1.5	35.0	28.8	2,536	3,494	35.0	18.9	18.9	16.5	16.5
India (SENSEX)	37,922	-1.0	0.1	11.3	18.9	31,082	38,990	1.5	27.9	19.3	1.9	2.6
Romania (BET-BK)	1,624	0.1	0.3	-1.7	-1.8	1,573	1,802	-0.6	22.8	19.1	0.2	0.0
Russia (RTS)	4,223	-1.3	-0.4	2.5	-3.4	4,017	4,617	-13.3	-16.2	-21.9	24.2	54.3
Serbia (BELEX-15)	722	-0.7	-2.8	-4.9	-0.9	719	785	-4.8	5.9	10.3	11.4	9.7
South Africa (FTSE/JSE)	56,715	-3.4	-1.7	-4.7	1.3	53,027	61,777	-19.7	17.5	14.3	-0.1	16.1
Turkey (ISE 100)	91,698	-2.4	-3.4	-20.5	-16.2	84,655	121,532	-51.7	47.6	20.5	8.9	-7.0
Ukraine (PFTS)	531	0.6	4.7	68.5	82.3	315	531	73.7	18.8	0.8	10.2	1.0
MSCI EMF	1,011	-3.4	-4.8	-12.7	-8.0	1,014	1,279	-9.7	34.3	17.7	8.6	12.2
MSCI EAFE	1,912	-2.3	-2.0	-6.8	-2.7	1,905	2,187	-3.5	21.8	6.7	-1.9	1.4
Greece (ASE-General)	705	-2.9	-5.2	-12.1	-12.5	685	896	-12.1	24.7	24.7	1.9	1.9
Germany (XETRA DAX)	11,986	-2.9	-3.5	-7.2	-3.9	11,727	13,597	-7.2	12.5	12.5	11.6	11.6
UK (FTSE-100)	7,279	-3.0	-5.1	-5.3	-1.8	6,867	7,904	-5.5	7.6	3.2	14.4	-1.0
USA (DJ INDUSTRIALS)	25,857	-0.4	2.1	4.6	17.2	21,928	26,617	8.2	25.1	9.6	13.4	16.7
USA (S&P 500)	2,877	-0.8	1.5	7.6	15.6	2,533	2,917	11.4	19.4	4.7	9.5	13.2

Equity Indices (September 10th 2018)