Economic Analysis Division
Emerging Markets Research

Bi-Weekly Report *17 – 30 April 2018*

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Emerging Markets Research

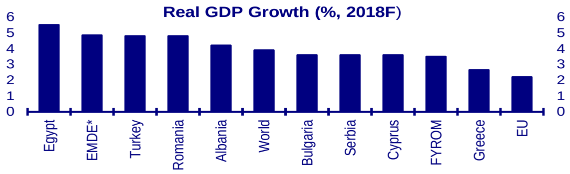
Head: **Michael Loufir**
☎ : +30 210 33 41 211
✉ : mloufir@nbg.gr

Analysts:

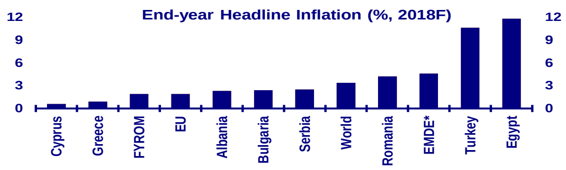
Konstantinos Romanos-Louizos
✉ : romanos.louizos.k@nbg.gr

Louiza Troupi
✉ : troupi.louiza@nbg.gr

Athanasios Lampousis
✉ : lampousis.athanasios@nbg.gr



* EMDE: Emerging Market & Developing Economies



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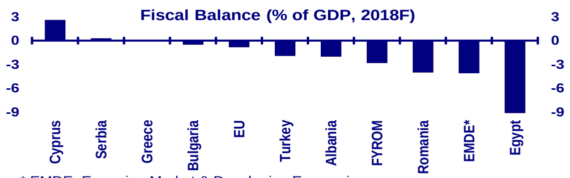

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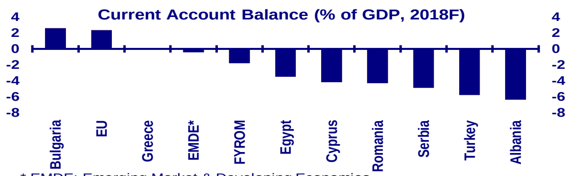

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TURKEY 1

The CBRT hiked its key policy rate aggressively, by 75 bps to 13.5% to stem the deterioration in the currency

Lending activity (FX-adjusted) slowed in Q1:18, mainly due to weaker support from the Credit Guarantee Fund and higher lending interest rates

Customer deposits (FX-adjusted) increased in Q1:18, supported by more attractive remuneration rates

ROMANIA 2

Credit expansion strengthened in Q1:18, despite the ongoing tightening in monetary policy

The deposit base continued to expand in Q1:18, in line with economic activity

The real estate market continued to improve in Q1:18

BULGARIA 3

Credit expansion strengthened modestly in Q1:18, providing support to the economic recovery

Customer deposits maintained momentum in Q1:18, in line with solid economic growth

The real estate market maintained its strong momentum in Q4:17

SERBIA 4

The EC reiterated that the pace of Serbia's EU accession depends on intense progress in two key areas

FYROM 5

The EC recommends the start of EU accession talks with FYROM

Fiscal prudence continued in Q1:18, with revenue underperformance offset by lower primary spending

ALBANIA 6

The EC recommends the launch of EU membership talks with Albania, following steady progress on the implementation of 5 key priorities

CYPRUS 7

The banking sector posted a loss in FY:17, due to higher provisions

EGYPT 8

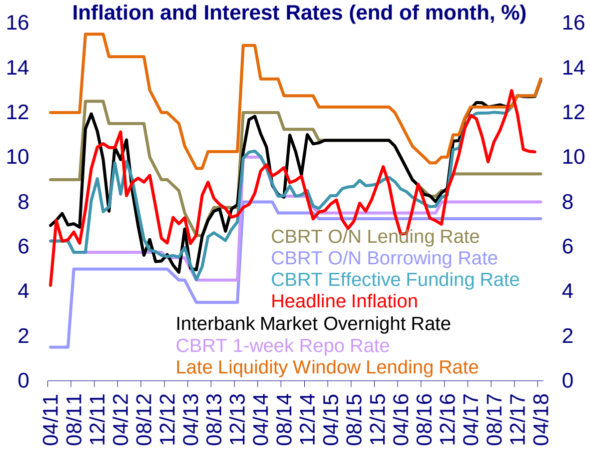
Less-than-envisaged fiscal consolidation this year

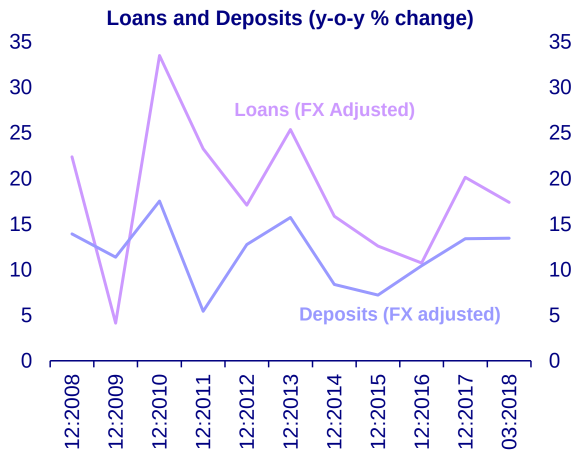
SDR-denominated Suez Canal receipts set to post positive growth for the first time in 3 years and reach a record high in 2017/18, on the back of a rebound in global trade

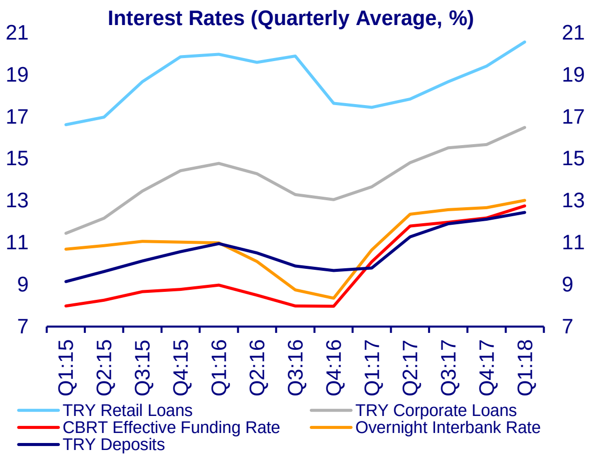
APPENDIX: FINANCIAL MARKETS 9

Turkey

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







	30 Apr.	3-M F	6-M F	12-M F
1-m TRIBOR (%)	14.4	14.0	13.5	12.5
TRY/EUR	4.91	4.94	4.98	5.00
Sov. Spread (2020, bps)	186	180	160	150

	30 Apr.	1-W %	YTD %	2-Y %
ISE 100	104,283	-6.0	-9.6	22.2

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	6.1	3.2	7.4	4.8	4.4
Inflation (eop, %)	8.8	8.5	11.9	10.6	9.0
Cur. Acct. Bal. (% GDP)	-3.7	-3.8	-5.5	-5.8	-5.4
Fiscal Bal. (% GDP)	-1.0	-1.1	-1.5	-1.9	-1.5

The CBRT hiked its key policy rate aggressively, by 75 bps to 13.5% to stem the deterioration in the currency. The CBRT raised its key policy rate -- the late liquidity window (LLW) lending rate -- by 75 bps to 13.5%. The other policy rates remained unchanged, but recall that the LLW facility has become the only central bank funding source, as access to its 1-week repo facility (8%) and overnight facility (9.25%) was halted in January and November 2017, respectively.

The CBRT's decision was prompted by an increasing threat to price stability, as the recent sharp rise in TRY-denominated import prices will push up the already elevated headline inflation and inflation expectations. The sharp rise in import prices was driven by a significant depreciation of the TRY (by 7.5% y-t-d to a record low of TRY 4.53 against the equally-weighted EUR-USD basket), due to delays in policy response to the overheating domestic economy and, to a lesser extent, increasing political and geopolitical risks. The widening of the current account deficit (reaching a 4-year high of 6.2% of GDP on a 12-month rolling basis in Februrary) and a more precarious external financing position (financing needs are projected at USD 224bn or 24.3% of GDP this year) amid tightening global liquidity conditions also contributed to the sharp weakening of the TRY since the beginning of the year.

Importantly, the CBRT reiterated that a tight policy stance will be maintained "in a decisive manner" until the inflation outlook displays a significant improvement and continued to stress that it stands ready to deliver further tightening if needed.

Looking ahead, barring renewed strong depreciation pressures on the TRY, stemming from negative domestic political developments (ahead of and following the June 24th presidential and parliamentary elections) and a more-adverse-than-expected external environment, the CBRT is likely to maintain policy on hold until the end of the year. In the event, provided that the CBRT continues to cover bank needs exclusively through the LLW facility, the *ex post*, real and compounded effective funding rate (EFR) should fluctuate within the 2.7%-3.4% range during the remainder of the year – well above the 8-year average of 0%.

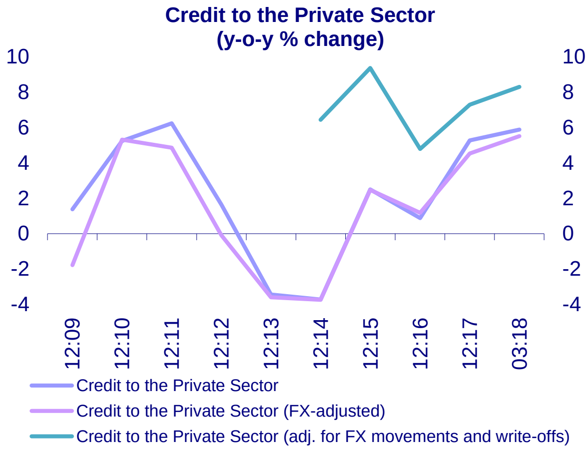
Lending activity (FX-adjusted) slowed in Q1:18, mainly due to weaker support from the Credit Guarantee Fund (CGF) and higher interest rates. Lending growth, adjusted for FX variations, eased to 17.4% y-o-y at end-Q1:18 from a 4-year high of 20.1% at end-2017 -- still surpassing the CBRT's implicit reference level of 15.0%. The deceleration mainly reflects weaker support from the CGF and higher loan rates. Indeed, in their efforts to preserve economic and financial stability, the authorities refrained from raising the ceiling of the CGF this year, reducing therefore the total amount of loans granted under guarantee to TRY 50bn in FY:18 from TRY 200bn in FY:17 (12% of end-2016 banking sector loans).

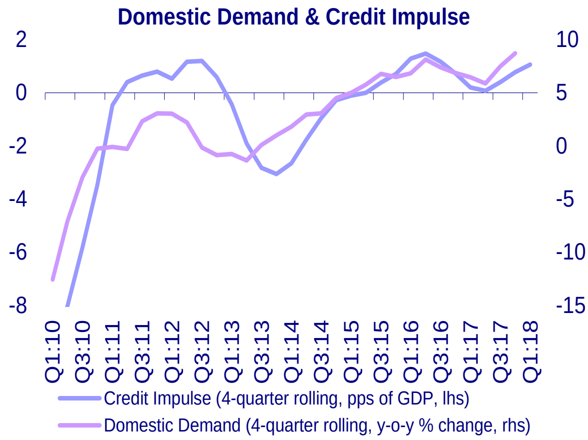
Moreover, lending rates increased significantly, due to tighter liquidity conditions and monetary policy stance. Indeed, interest rates on TRY retail loans and TRY corporate loans and USD corporate loans reached multi-year highs of 17.8%, 14.8% and 4.4%, respectively in Q1:18 – up from 19.4%, 15.7% and 4.4% in Q1:17.

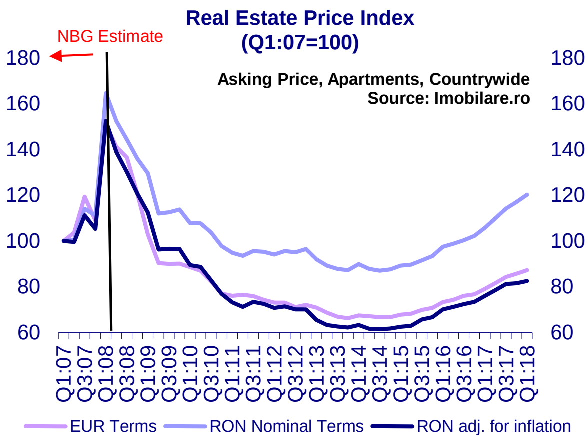
Customer deposits (FX-adjusted) increased in Q1:18, supported by more attractive remuneration rates. Customer deposits, adjusted for FX variations, rose by a 4-year high of 13.5% y-o-y in Q1:18 -- broadly the same as at end-2017. The strong growth performance mainly reflects higher deposit remuneration rates, due to further widening of the bank deposit funding gap and a tighter monetary policy stance. Specifically, interest rates on TRY and USD deposits reached multi-year highs of 12.4% and 2.9%, respectively, in Q1:18 – up from 11.3% and 2.6% in Q1:17.

Romania

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







	30 Apr.	3-M F	6-M F	12-M F
1-m ROBOR (%)	2.5	2.6	2.7	2.8
RON/EUR	4.66	4.63	4.62	4.60
Sov. Spread (2024, bps)	111	114	112	110

	30 Apr.	1-W %	YTD %	2-Y %	
BET-BK	1,734	-2.38	5.0	43.2	
	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	4.0	4.8	7.0	4.8	3.8
Inflation (eop, %)	-0.9	-0.5	3.3	4.2	3.7
Cur. Acct. Bal. (% GDP)	-1.2	-2.1	-3.4	-4.3	-4.6
Fiscal Bal. (% GDP)	-1.5	-2.4	-2.8	-4.0	-4.3

Credit expansion strengthened in Q1:18, despite the ongoing tightening in monetary policy. Credit to the private sector increased by 5.9% y-o-y in March against 5.3% at end-2017. Note that headline credit growth is understated, due to large (NBR-motivated) write-offs, which have pushed down the NPL ratio to an estimated 6.3% in March from 9.4% a year ago and a peak of 26.8% in early-2014. Adjusted for FX movements and write-offs, credit to the private sector is estimated to have expanded at a faster pace of 8.3% y-o-y in March from 7.3% at end-2017.

Importantly, the acceleration in credit expansion came despite the ongoing tightening in monetary policy. Recall that overheating pressures prompted the NBR to raise its key rate by 50 bps (to 2.25%) in Q1:18. The pass-through of higher funding costs to lending rates (especially in the retail segment) was prompt, despite abundant liquidity in the system (see below). Nevertheless, the pace of credit expansion picked up in Q1:18, not only suggesting stronger demand-side pressures, but also confirming that the NBR is significantly behind the curve (see below).

The deposit base continued to expand in Q1:18, in line with economic activity. Customer deposits grew by a strong 10.4% y-o-y in March (up 9.6% y-o-y in FX-adjusted terms), following a broadly similar increase at end-2017. Deposit growth would have been even stronger had deposit yields not been subdued, due to abundant liquidity.

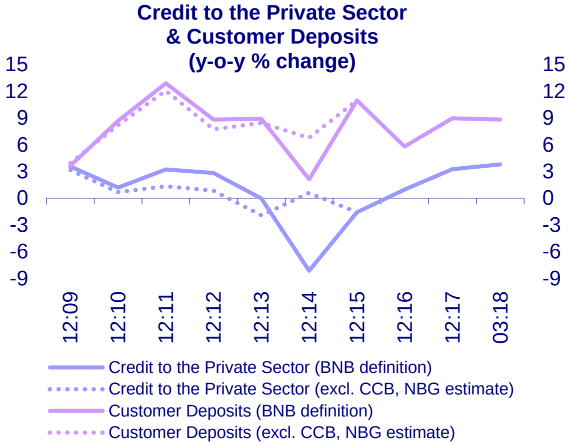
Credit expansion is set to maintain momentum during the remainder of the year, adding to overheating pressures. Against the backdrop of lending under-penetration (a loan-to-GDP ratio of 26.2%, well below the SEE-4 average of 46.5%) and ample liquidity (the loan-to-deposit ratio stood at 80.5% in March) on the one hand, and in view of the NBR's hesitancy on the other, we expect credit activity to maintain its momentum during the remainder of the year. Indeed, in the context of limited or no tightening by other central banks in the region and still flat ECB rates, the NBR is reluctant to proceed with aggressive rate hikes (note that our "Taylor rule" estimates suggests that the policy rate should be raised to at least 4.5% by end-2019 from 2.25% currently), and is set to tighten its stance only gradually and cautiously (another 50 bps during the remainder of the year and up to 100 bps in FY:19). All said, we see credit to the private sector expanding by c. 8.0% in FY:18 against 5.1% in FY:17.

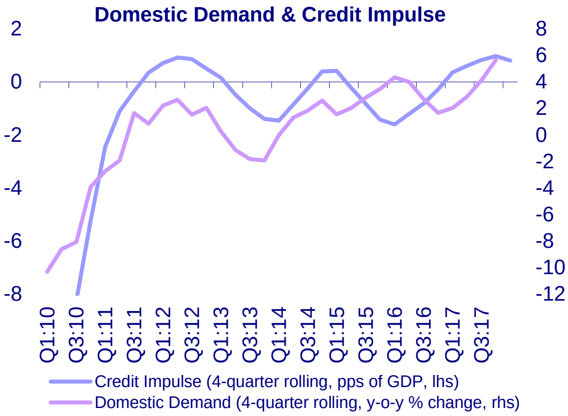
The real estate market continued to improve in Q1:18. The index for the price of apartments increased strongly in Q1:18 (up 10.3% y-o-y in EUR terms, a somewhat slower pace than in H2:17 -- up 11.3% y-o-y -- but still higher than in H1:17 -- up 8.9% y-o-y). The index is now back at its early-2010 levels -- down c. 42% from its end-2008 peak but up 35% from its end-2014 trough in EUR nominal terms. Indeed, real estate demand has strengthened, reflecting the solid rise in disposable income and robust mortgage lending activity (up by a CAGR of 13.5% and 14.0%, respectively, in EUR terms over the past 3 years), with the latter supported by First House Programme (FHP), under which the State guarantees mortgage loans for first-time buyers.

Against the backdrop of solid economic growth (we see FY:18 GDP growth at 4.8% -- well above its long-term potential of c. 3.0% for a 4th consecutive year) and in view of the attractiveness of the real estate sector as an asset class (rental yields currently stand at over 6.0% in Romania, above the 10-year bond yields -- c. 4.5% -- and are comparable with those in Bulgaria, but higher than those in SEE-3 -- 4.0-5.0%), we expect Romania's real estate market to remain buoyant throughout the year. All said, we see prices for residential property rising by 10.0% in FY:18, still above nominal GDP growth.

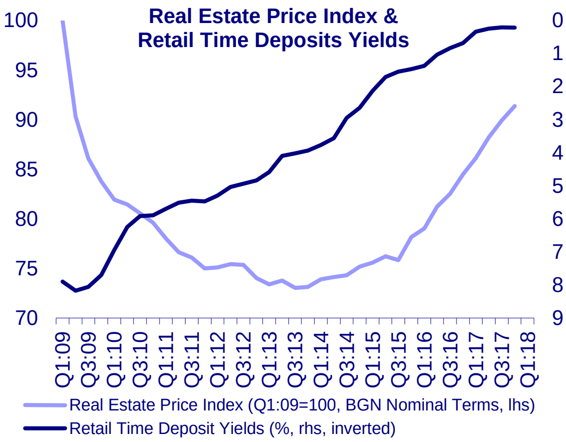
Bulgaria

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





*Adjusted for the bankruptcy of CCB in 2014



	30 Apr.	3-M F	6-M F	12-M F
1-m SOFIBOR (%)	-0.1	0.1	0.1	0.2
BGN/EUR	1.96	1.96	1.96	1.96
Sov. Spread (2022, bps)	45	44	42	40

	30 Apr.	1-W %	YTD %	2-Y %
SOFIX	658	-0.2	-2.9	48.7

	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	2.4	2.6
Cur. Acct. Bal. (% GDP)	0.0	5.3	3.9	2.6	1.4
Fiscal Bal. (% GDP)	-2.8	1.6	0.9	-0.5	-0.3

Credit expansion strengthened modestly in Q1:18, providing support to the economic recovery. Credit to the private sector rose by 3.8% y-o-y in March against 3.3% at end-2017. As a result, the loan-to-GDP ratio reached 51.3% in March -- well above the SEE-4 average (30.0%).

In our view, the pick-up in credit expansion is due to the gradual easing in credit standards by banks. Indeed, an increased appetite for lending is driven by solid economic growth, and the gradual decline in the NPL ratio (to 10.2% at end-2017 from 12.9% at end-2016). The introduction of negative interest rates by the BNB and the increased transparency in the aftermath of the 2016 AQR have also helped.

Customer deposits maintained momentum in Q1:18, in line with solid economic growth. Customer deposits expanded by 8.8% y-o-y in March, a pace broadly similar to that observed at end-2017. Deposit growth would have been even stronger had deposit yields not been subdued, due to abundant liquidity, thus favouring other asset classes.

Credit activity is set to improve in FY:18. Against the backdrop of increased liquidity in the system (the loan-to-deposit ratio stood at 76.4% in March), we expect the pace of credit expansion to pick up, in line with the continuing economic recovery and the sustained drop in NPLs. Stronger demand for real estate, together with the continuation of a government loan subsidy progamme aimed at improving energy efficiency of residential buildings, should also help. Note, however, that the high level of non-financial corporate indebtedness (estimated by the IMF at 80% of GDP -- the highest in the region) will hold back credit growth. All said, we expect credit to the private sector to expand by 6.0% in FY:18, still below deposit growth (up 8.5%).

The real estate market maintained its strong momentum in Q4:17. The NSI Housing Price Index increased strongly in Q4:17 (up 8.5% y-o-y, a pace broadly similar to that observed over the past 4 quarters and higher than in FY:17 -- up 7.0% on average). As a result, the nominal-BGN index is now at its mid-2009 level, still down 20% from its mid-2008 peak but up 25% from its mid-2013 trough.

In our view, in addition to the solid economic recovery, a key factor for the pick-up in the residential real estate market is the continuing decline in retail deposit interest rates (to 0.2% for both LC and FX deposits at end-2017 from 2.7% and 2.2% at end-2014, respectively), and bond yields (the 10-year bond yield stood at 1.2% at end-2017 against 3.5% at end-2014) which has, in turn, increased the attractiveness of the real estate sector as an asset class (substitution effect). Note that rental yields in Sofia stood at over 6.0% at end-2017 against 5.0% at end-2014, highlighting the mismatch between supply and demand for real estate. Against this backdrop, growth in retail deposits has slowed (up by a CAGR of 6.8% in 2015-17 against a CAGR of 12.3% in 2010-14), with investments in real estate picking up.

Importantly, FDI in real estate, which was the main engine of growth for the sector in the post-crisis period, has also shown signs of recovery (0.5% of GDP on a 4-quarter rolling basis in Q4:17 against 0% a year ago).

Looking ahead, we expect residential real estate prices to continue on an upward trend, in line with: i) the strong economic recovery; ii) a further easing in credit standards by banks, in view of the continuing drop in problematic loans in the segment (currently accounting for 12.0% of total mortgage loans against a peak of 22.0% at end-2013); and iii) higher FDI inflows to the sector. Note that the Bulgarian real estate market is still undervalued compared with other markets in the region, with the price-to-income ratio estimated at 8.6 against 10.7 for the SEE-4.

Serbia

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

Key Dates in Serbia's Path towards EU Membership	
11 December 2017	Negotiations opened on Chapter 6 Company Law and Chapter 30 External Relations
20 June 2017	Negotiations opened on Chapter 7 Intellectual Property Law and Chapter 29 Customs Union
27 February 2017	Negotiations opened on Chapter 20 Enterprise and Industrial policy and Chapter 26* Education and Culture
13 December 2016	Negotiations opened on Chapter 5 Public procurement and Chapter 25* Science and research
18 July 2016	Negotiations opened on "Rule of Law" Chapters (Chapter 23 on Judiciary and fundamental rights and Chapter 24 on Justice, freedom and security)
14 December 2015	Negotiations opened on two Chapters of the *acquis*: Chapter 32 on Financial control and Chapter 35 on the Normalization of relations with Kosovo
25 March 2015	Completion of the "Screening"
21 January 2014	Opening of Accession Negotiations
17 December 2013	The European Council adopts the negotiating framework
1 September 2013	The Stabilisation and Association Agreement (SAA) between the EU and Serbia enters into force
28 June 2013	The European Council approves the opening of EU membership negotiations by January 2014 at the latest
22 April 2013	EC recommends the opening of accession negotiations
1 March 2012	The European Council grants Serbia EU candidate status
12 October 2011	European Commission (EC) recommends the status of EU candidate for Serbia
31 January 2011	Serbia files the questionnaire on its readiness to join the EU
19 January 2011	European Parliament ratifies the SAA with Serbia
24 November 2010	EC hands Serbia questionnaire in order to assess country's readiness for EU membership
25 October 2010	EU Foreign Ministers agree to ask the EC to access Serbia's eligibility for EU membership
14 June 2010	EU Foreign Ministers agree to start ratification of Stabilisation and Association Agreement with Serbia
1 February 2010	Entry into force of the Interim Agreement on Trade
22 December 2009	Serbia submits its application for EU membership
19 December 2009	Entry into force of the Visa liberalisation with Serbia
7 December 2009	EU Foreign Ministers agree to unblock the Interim Agreement on Trade and Trade-related issues
29 April 2008	Signing of the SAA

	30 Apr.	3-M F	6-M F	12-M F
1-m BELIBOR (%)	2.6	2.9	3.1	3.5
RSD/EUR	118.1	118.6	118.6	118.5
Sov. Spread (2021, bps)	133	128	125	120

	30 Apr.	1-W %	YTD %	2-Y %
BELEX-15	739	-0.2	-2.8	19.6

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	0.8	2.8	1.9	3.6	3.6
Inflation (eop, %)	1.5	1.6	3.0	2.5	2.8
Cur. Acct. Bal. (% GDP)	-4.7	-3.1	-5.7	-5.0	-4.8
Fiscal Bal. (% GDP)	-3.7	-1.3	1.2	0.3	0.1

The EC reiterated that the pace of Serbia's EU accession depends on intense progress in two key areas. The country's progress on economic and EU-related reforms, as well as its efforts in normalizing its relations with Kosovo under the EU-facilitated dialogue resulted in the opening of 8 (out of a total of 35) Chapters in EU accession negotiations over the past year. This brought the number of opened Chapters of the *acquis* to 12 since the formal launch of accession talks in January 2014, with two having been provisionally completed.

The decision to open further Chapters over the past year was an acknowledgement of the country's progress on:

i) political reforms. The EC commended the progress in the judicial sector, specifically in reducing courts' backlog, harmonising court practice and improving rules for the evaluation of the professional performance of judges and prosecutors. Moreover, a new (long-awaited) draft of the Constitutional reform for the judiciary was published in January 2018. Serbia also adopted laws in view of improving service delivery in public administration (through the implementation of an e-government strategy and increased provision of integrated e-services) and professionalising public officials (with the adoption of a law on a National Training Academy for public servants). Steps were taken in the fight against corruption, following the adoption of amendments to the Criminal Code, to the law on the organisation of state authorities (decentralising the prosecutor's offices and providing for specialised authorities for corruption cases), and to the law on the seizure of proceeds of crime (allowing for extended confiscation). Progress on the fight against organised crime is reflected in the finalisation of: i) the reform of the human resource management in the police and the Ministry of Interior; ii) improved capacity on the Prosecutor's office; and iii) a new law on money laundering prevention.

The EC also confirmed Serbia's engagement in the EU-facilitated dialogue with Kosovo (despite Serbia's presidential elections as well as the lengthy electoral period in Kosovo). The telecoms agreement has been fully implemented (a dialling code was allocated to Kosovo, and Serbia established a telecommunications company under Kosovo's legal framework). The justice agreement has also been fully implemented (the recruitment process of the judicial personnel in Northern Kosovo has been finalised and all former Serbian judicial personnel have been fully integrated into the Kosovo system).

ii) EU-related reforms. The EC acknowledged the continued alignment of legislation to the EU *acquis* across the board and the implementation of the Stabilisation and Association Agreement;

iii) economic reforms, including strong fiscal consolidation, sound growth prospects, strong FDIs and low inflation, leading to improved macroeconomic fundamentals. Moreover, the implementation of the resolution strategy has resulted in a sharp decline in NPLs and has strengthened the financial sector performance. The EC also praised Serbia's constructive cooperation in the management of migrant flows.

Importantly, the EC stressed that the overall pace of negotiations will continue to depend on sustainable progress in two key areas: the Rule of Law (especially freedom of expression, Constitutional changes to depoliticise judiciary, and fight against corruption and organised crime) and the normalization of relations with Kosovo (which should urgently result in implementing a comprehensive and legally binding normalization agreement). The EC also underlined the need for Serbia to progressively align its foreign policy with that of the EU.

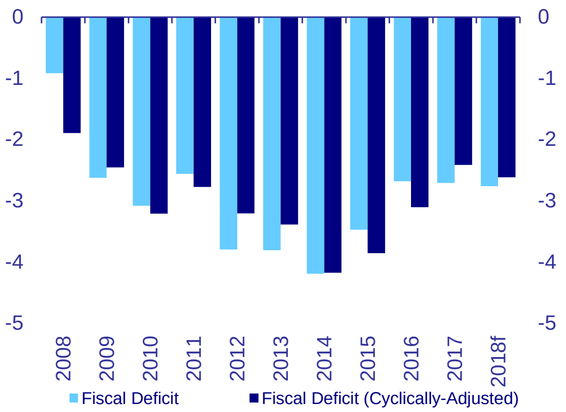
Although Serbia still has a long road ahead before joining the EU -- the EC's indicative date for its accession is 2025 -- EU membership talks will continue to strengthen the reform momentum.

F.Y.R.O.M.

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

Consolidated Budget (% of GDP)	2017	Q1:17	Q1:18	2018 Budget	2018 NBG Fcst
Revenue	29.0	6.9	6.6	29.9	29.5
Tax Revenue	25.4	6.0	5.9	26.3	26.0
Personal Inc.	2.5	0.6	0.6	2.6	2.6
Corporate Inc.	1.8	0.5	0.5	2.1	2.0
VAT (Net)	7.7	2.0	1.8	7.9	7.7
Excises	3.7	0.7	0.8	4.0	4.0
Import Duties	0.8	0.2	0.2	0.8	0.8
Other Taxes	0.1	0.0	0.0	0.1	0.1
Soc. Contrib.	8.4	2.0	2.0	8.6	8.6
Non-Tax revenue	3.5	0.9	0.7	3.6	3.5
Expenditure	31.7	7.5	7.1	32.8	32.3
Cur. Expenditure	28.5	6.7	6.8	29.0	28.7
Personnel	4.2	1.1	1.0	4.2	4.2
G. & Services	2.5	0.6	0.5	2.7	2.6
Transfers	20.5	4.7	5.1	20.8	20.6
Int. Payments	1.4	0.3	0.2	1.3	1.3
Capital Expend.	3.2	0.8	0.3	3.7	3.5
Fiscal Balance	-2.7	-0.6	-0.5	-2.8	-2.8
Primary Balance	-1.4	-0.3	-0.3	-1.5	-1.5

Fiscal Balance (% of GDP)



	30 Apr.	3-M F	6-M F	12-M F
1-m SKIBOR (%)	1.3	1.8	2.3	2.8
MKD/EUR	61.3	61.3	61.3	61.3
Sov. Spread (2021. bps)	231	210	190	160

	30 Apr.	1-W %	YTD %	2-Y %
MBI 100	2,895	3.5	14.0	65.8

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	3.9	2.9	0.0	3.5	3.7
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

The EC recommends the start of EU accession talks with FYROM. The decision reflects the EC's positive assessment of the country's significant progress in implementing EU-related structural reforms, "*advancing good neighbouring relations*" with Bulgaria and Greece, and overcoming its 2½-year domestic political crisis. Note that FYROM -- a candidate country since December 2005 -- had been granted a conditional recommendation to start EU membership talks in 2015 and 2016, mainly due to its progress on the implementation of the 2015 EU-mediated Przino Agreement, aimed at ending the domestic political impasse and realigning policies towards EU accession. The endorsement of the EC recommendation at the next summit of EU heads of government, scheduled for June, should provide an important policy anchor and a strong incentive to accelerate reforms.

Fiscal prudence continued in Q1:18, with revenue underperformance offset by lower primary spending. The primary fiscal deficit remained flat on annual basis at 0.3% of GDP in Q1:18, as a weak revenue performance (down 0.3 pps of GDP y-o-y) was offset by lower primary spending, while the overall fiscal deficit narrowed by 0.1 pp y-o-y to 0.5% of GDP in Q1:18, reflecting lower interest rates.

The revenue underperformance was due to a deterioration in both tax revenue and non-tax revenue. Indeed, tax revenue declined by 0.1 pp of GDP y-o-y, on the back of weaker (net) VAT collection (down 0.2 pps of GDP y-o-y), reflecting exclusively the clearance of VAT refund arrears which were, however, tempered by a rise in excise duties (up 0.1 pp of GDP y-o-y, reflecting a hike in excise taxes on fuel on January 1st). On the other hand, non-tax revenue declined by 0.2 pps of GDP y-o-y, due to lower income from "special revenue accounts" (reflecting postponed revenue of the Ministry of Transport and Telecommunications).

On the other hand, primary expenditure receded on large capital spending cuts (down 0.5 pps of GDP y-o-y) and, to a lesser extent, lower wage bill and government consumption (each down 0.1 pp of GDP y-o-y). The decline in primary expenditure would have been even sharper had transfers not increased (up 0.4 pps of GDP y-o-y), on the back of a strong base effect in Q1:17. Indeed, payments of farm subsidies and other social transfers were postponed at this time due to legal restrictions linked to the political vacuum in 5M:17.

The FY:18 Budget set to meet its deficit target of 2.8% of GDP through subsidy rationalization and better targeting of social spending. The 2018 Budget envisages a broadly neutral fiscal stance (a deficit of 2.8% of GDP against an outcome of 2.7% in FY:17).

In our view, attaining this year's deficit target is out of reach, as the 2018 Budget is based on over-estimated FY:17 revenue (30.0% of GDP against an outcome of 29.0% of GDP). With no new measures, we expect revenue to rise by c. 6.0% in FY:18 against a budgeted increase of 9.6%, leading to a revenue shortfall of 0.4 pps of GDP. Meeting the revenue shortfall would therefore require a downward revision in the expenditure growth target (by 2.5 pps to 6.2% FY:18 equivalent to 0.4 pps of GDP). To this end, the IMF recently recommended a policy mix of "*subsidy rationalization and better targeting of social spending*", originating in the Government's past year's pre-election programme and realized in this year's budget.

We expect the ruling pro-reform Government to meet the FY:18 fiscal deficit target of 2.8% of GDP, providing a fiscal stimulus of 0.2 pps of GDP in cyclically-adjusted terms and bringing down the public debt-to-GDP ratio, for a 2nd successive year, to 46.3% at end-2018 from 47.4% at end-2017 and a peak of 48.4% at end-2016.

Albania

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

Key Dates in Albania's Path towards EU Membership	
Apr. 2018	European Commission (EC) recommends the opening of accession negotiations
Nov. 2016	European Commission (EC) grants a conditional recommendation for the opening of accession negotiations, subject to concrete progress on the enactment of the judicial reform, especially the re-evaluation of judges and prosecutors.
Jun. 2014	European Council grants Albania the status of candidate country for EU membership
Oct. 2013	EC identifies 5 key priorities for opening accession negotiations
Oct. 2013	EC recommends Tirana EU candidate status on the understanding that Albania continues to take action in the fight against organised crime and corruption
Oct. 2012	EC recommends Tirana EU candidate status subject to completion of key measures in certain areas
Oct. 2011	EC again denies Tirana EU candidate status
Dec. 2010	Entry into force of the Visa liberalisation
Nov. 2010	EC denies Tirana EU candidate status
May 2010	EC starts "Opinion process" on Albania's EU membership application
Apr. 2010	Albania files the questionnaire on its readiness to join the EU
Dec. 2009	EC hands Albania questionnaire in order to assess country's readiness for EU membership
Nov. 2009	EU Foreign Ministers agree to proceed with Albania's membership application
Apr. 2009	Albania submits its application for EU membership
Apr. 2009	Entry into force of the SAA
June 2006	Signing of the SAA
Jan. 2003	EC launches the negotiations for a SAA between the EU and Albania
2001	EC recommends the start of negotiations on Stabilisation and Association Agreement (SAA) with Albania

IPA II indicative allocations for 2014-2020

(EUR mn)	Preparation for EU Membership	Socio-Economic & Regional Development	Other	Total
2014-2017	226.2	68.0	59.0	353.2
2018-2020	94.3	100.0	102.0	296.3
Total	320.5	168.0	160.9	649.4

Source: Directorate General for Enlargement

	30 Apr.	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	1.6	1.8	2.0	2.2
ALL/EUR	128.4	128.0	129.0	130.0
Sov. Spread (bps)	178	175	170	160

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

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	2.2	3.4	3.8	3.7	3.9
Inflation (eop, %)	2.0	2.2	1.8	2.3	2.5
Cur. Acct. Bal. (% GDP)	-8.6	-7.5	-6.9	-6.5	-5.5
Fiscal Bal. (% GDP)	-4.1	-1.8	-2.0	-2.0	-1.9

The EC recommends the launch of EU membership talks with Albania, following steady progress on the implementation of 5 key priorities. In its annual progress report, released on April 18th, the EC recommended the opening of EU accession negotiations with Albania (a candidate country since mid-2014), with a decision by the European Council likely in June.

This positive development is an acknowledgement of the country's significant progress in 5 areas -- identified in the "2013 Progress Report" as a key for the launch of EU membership negotiations, i.e.

i) enactment of judiciary reform, in view of the ongoing unprecedented assessment of property holdings (as indication of corruption) and professional efficiency of 800 judges and prosecutors ("vetting"), resulting in the resignation and dismal of several high ranking judges and prosecutors. Moreover, the establishment of major governing justice bodies is progressing, pending on the completion of undergoing vetting of their members.

ii) progress in the fight against corruption, with the adoption of amendments to the anti-mafia law and the criminal procedure code (making criminal investigations more effective) and the establishment of anti-corruption bodies (including a special prosecutor office). Moreover, the implementation of the "decriminalisation law" that bans criminal offenders from public offices resulted, *inter alia*, in the dismissal or resignation of seven MPs.

iii) progress in fighting organised crime, with a solid track record of large scale operations, leading to a substantial reduction in drug cultivation and a marked increase in seizures of large quantities of drugs, while the Government recently adopted a law on "vetting" police officers.

iv) continued implementation of public administration reform, enhancing professionalism and de-politicisation. Albania also adhered to the organic budget law and adopted a law on local government financing aimed at strengthening fiscal autonomy of local governments (decentralisation).

v) the respect of fundamental rights, with additional measures adopted to reinforce the effective protection of human rights and the implementation of anti-discrimination policies and property rights.

Beyond the progress in the implementation of the 5 key priorities, the EC acknowledged Albania's progress towards full alignment of its legislation to that of the EU, and the continued smooth implementation of its obligations under the Stabilisation and Association Agreement -- that came into effect in April 2009. Moreover, the EC praised Albania for the May 2017 political agreement between the ruling and the main opposition party (including, *inter alia*, appointments to six ministerial positions related to the elections by the opposition) that ended the main opposition party's 4-month parliamentary boycott and secured its participation in the June 25th parliamentary elections.

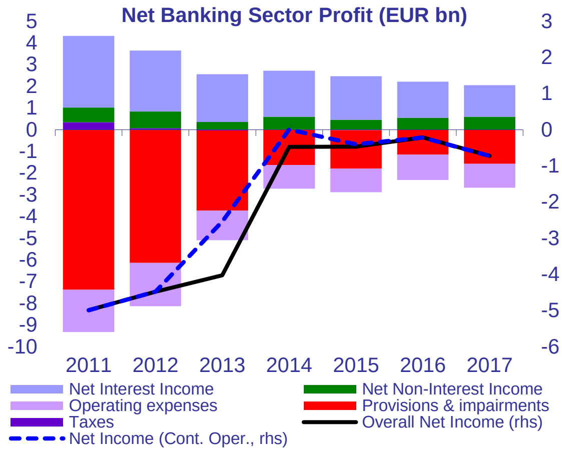
Regarding economic criteria, the EC commended the reduction in the public debt-to-GDP ratio in an election year, the narrowing current account deficit, as well as the significant decline in the unemployment rate and the NPL ratio, as well as the progress in fighting informality.

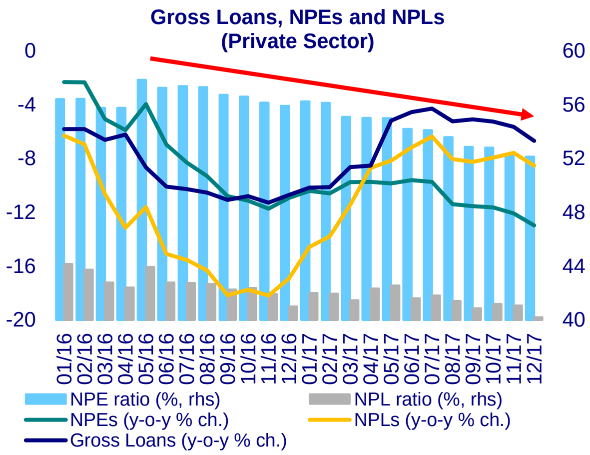
The EC praised Albania for maintaining full alignment with the EU foreign security policy.

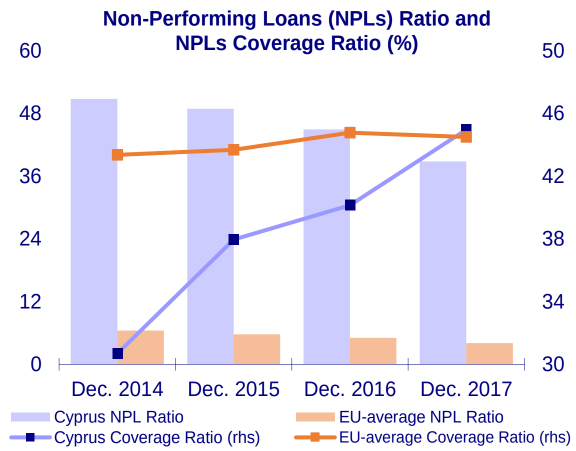
In our view, although the European Council is likely to endorse the opening of accession negotiations in June, Albania is not expected to join the EU before 2025 -- the EC's indicative date for the accession of most advanced countries (Serbia and Montenegro). Nevertheless, the accession process should provide an important policy anchor and strengthen the reform drive.

Cyprus

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







	30 Apr.	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.37	-0.37	-0.37	-0.37
EUR/USD	1.21	1.22	1.25	1.30
Sov. Spread (2020. bps)	133	115	100	80

	30 Apr.	1-W %	YTD %	2-Y %
CSE Index	69	1.0	1.2	2.6

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	2.0	3.4	3.9	4.2	4.0
Inflation (eop. %)	-1.0	-0.3	-0.6	0.6	1.0
Cur. Acct. Bal. (% GDP)	-1.5	-4.9	-6.7	-4.2	-4.5
Fiscal Bal. (% GDP)	-1.2	0.5	1.8	2.8	2.8

The banking sector posted a loss in FY:17, due to higher provisions. The banking sector bottom line deteriorated in FY:17, mainly due to a significant rise in provisions for loan impairments (up 24% or EUR 270mn) and elevated other non-NPL-related provisions. The latter reflects mainly higher provisioning by the Bank of Cyprus (c. EUR 100mn) ahead of legal and regulatory settlements (including a fine imposed by the Cyprus Commission for the Protection of Competition). Indeed, banking sector losses rose to EUR 723mn (3.8% of GDP) in FY:17 from EUR 214mn in FY:16. As a result, the overall ROAE and ROAA deteriorated to -12.2% and -1.1%, respectively, in FY:17 from -3.2% and -0.3% in FY:16.

Supervisory pressure led banks to increase sharply loan loss provisioning in FY:17, bringing the NPL coverage ratio in line with that of the EU. Banks' NPL provisioning charges rose sharply, by 24.2% in FY:17, despite a decline in NPLs and the NPL ratio (see below). The increase in banks' NPL provisions reflects mainly: i) the updated assessment of collateral recovery-rate performance held against their loan portfolios; and ii) tighter accounting standards stemming from new IFRS-9 principles (in effect since January 2018). As a result, the NPL coverage ratio rose to 45.0% at end-2017 from 40.1% at end-2016 – surpassing slightly the EU-average of 44.5% -- while the cost of risk increased by 75 bps to 198 bps in FY:17.

Private sector NPLs fell by 8.5% to EUR 15.5bn or 77.3% of GDP at end-2017, reducing the NPL ratio by 0.7 pps to a recent low of 40.2%. The decline reflects banks' efforts to accelerate the clean-up of their balance sheets, including debt restructuring, write-offs and debt-for-asset swaps as well as the outsourcing of NPL recovery activities to third-party debt servicing companies. Note that the reduction in banks' non-performing exposures (NPEs) -- comprising NPLs (+90 dpd) as well as performing loans less than one year after restructuring -- was even sharper (-13.0% to EUR 20.1bn or 100.3% of GDP), reflecting mainly the successful migration of restructured performing loans to the performing category, bringing down the private sector NPE ratio to 52.2% at end-2017 – from 55.9% a year earlier and a peak of 57.9% in May 2016.

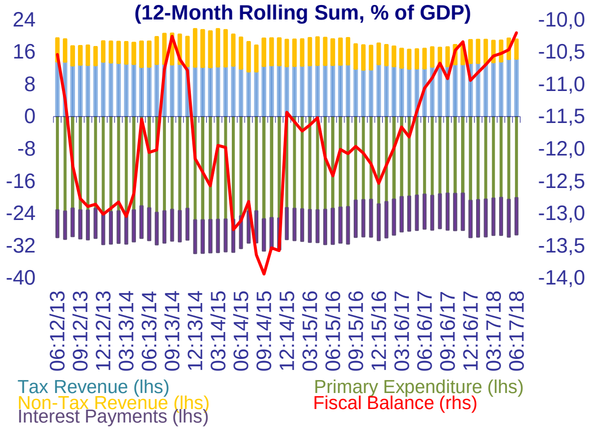
Pre-provision income (PPI, before tax) weakened in FY:17 (down 9.2%), despite higher non-core income and favourable base effects from a sharp rise in staff costs in FY:16. Net interest income (NII) declined sharply, by 13.0% in FY:17, due to: i) lower average interest-earning assets (down 5.2% to 331% of GDP), in line with the ongoing deleveraging; and ii) a weaker net interest margin (down 30 bps to 230 bps), reflecting, *inter alia*, increased loan restructurings and tighter loan-deposit spreads.

The impact of NII on FY:17 PPI (before tax) was tempered by both higher net non-interest income (NNII) and lower operating expenses. Indeed, NNII rose by 10.0% in FY:17, despite unfavourable base effects from sizeable once-off gains from the sale of banks' shares in Visa Europe in FY:16 (EUR 78.4mn). The increase was supported mainly by higher income from net fees & commissions and gains from the disposal of real estate assets held for sale as part of customers' debt settlement. On the other hand, operating expenses fell by 5.7% in FY:17, exclusively due to lower staff costs (down 13.4%), reflecting mainly base effects from the once-off cost of the voluntary early exit schemes (VEES) of Bank of Cyprus, Alpha Bank and Cooperative Central Bank in FY:16. Note that, excluding the VEES of Hellenic Bank, which took place in Q4:17, and that of Bank of Cyprus, Alpha Bank and Cooperative Central Bank (in 2016), total expenditure remained almost flat in FY:17 (down 0.9%).

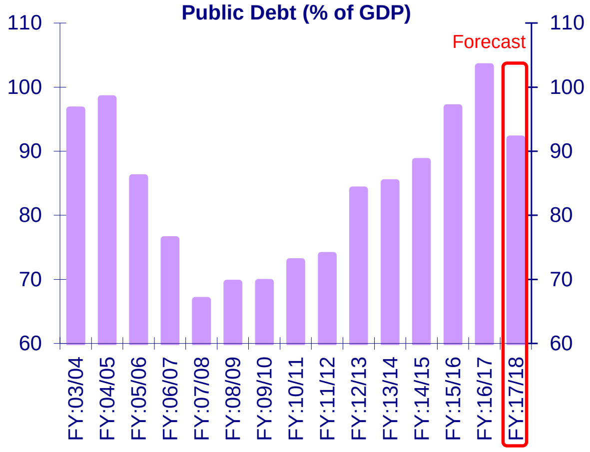
Egypt

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

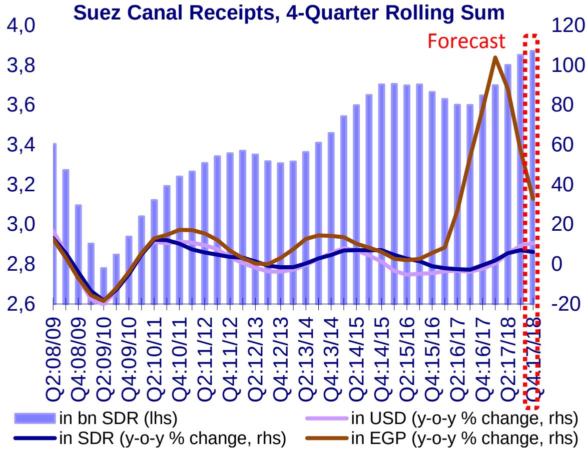
Revenue, Expenditure & Fiscal Balance (12-Month Rolling Sum, % of GDP)



Public Debt (% of GDP)



Suez Canal Receipts, 4-Quarter Rolling Sum



	30 Apr.	3-M F	6-M F	12-M F
O/N Interbank Rate (%)	16.9	18.0	17.0	15.0
EGP/USD	17.6	17.8	18.0	18.0
Sov. Spread (2020. bps)	200	168	152	140

	30 Apr.	1-W %	YTD %	2-Y %
HERMES 100	1,738	1.1	21.0	145.6

	14/15	15/16	16/17	17/18F	18/19F
Real GDP Growth (%)	4.4	4.3	4.2	5.2	5.8
Inflation (eop. %)	11.4	14.0	29.8	13.5	10.2
Cur. Acct. Bal. (% GDP)	-3.7	-6.0	-6.6	-3.4	-3.6
Fiscal Bal. (% GDP)	-11.4	-12.5	-10.9	-9.8	-8.4

Less-than-envisaged fiscal consolidation this year. The fiscal deficit narrowed by 0.6 pps y-o-y to 4.4% of GDP in H1:17/18 (July-December 2017), due to an overperformance in revenue (up 0.7 pps of GDP y-o-y). The improvement in revenue was broad-based and mainly driven by a surge in taxes on goods & services (up 1.0 pp of GDP y-o-y), reflecting a higher VAT rate (up 1 pp to 14.0% last July) and, to a large extent, better collection. With the H1:17/18 positive outcome, the 12-month rolling fiscal deficit eased to 10.3% of GDP in December from 10.9% in June (end-2016/17).

A fiscal consolidation of 1.1 pp of GDP to 9.8% of GDP is attainable this fiscal year. The 2017/18 Budget (started on July 1st 2017) envisaged further fiscal tightening, targeting a deficit of 9.0% of GDP compared with the FY:17/18 deficit of 10.9%.

In our view, despite the H1:17/18 positive performance and continued revenue overperformance during the rest of the fiscal year, the FY:17/18 fiscal deficit target is set to be missed, due to higher-than-planned spending (by an estimated 1.4 pps of GDP) and the authorities' commitment to not introduce additional corrective fiscal measures before the start of the new fiscal year in July.

The expected expenditure slippage should result mainly from: i) higher-than-budgeted food and energy subsidies (by 0.9 pps of GDP), reflecting over-optimistic Budget projections for the exchange rate (EGP 16.0 per USD compared with the consensus forecast of EGP 17.6 per USD) and the price of Brent/barrel (USD 55.0 compared with the consensus forecast of USD 62.0); and ii) higher-than-budgeted interest bill (by 0.3 pps of GDP), due to a tighter-than-projected monetary policy stance (bringing the average yield on 364-day T-bills up to 19.0% in 5M:17/18 from 15.6% in 5M:16/17). On the other hand, we project revenue to overperform its target by 0.6 pps of GDP.

Overall, we see the FY:17/18 fiscal deficit at 9.8% of GDP – above its target of 9.0% but below the FY:16/17 outcome of 10.9%. The resulting fiscal consolidation should help put the public debt-to-GDP ratio on a downward trend for the first time in 11 years (to c. 92.0% from an all-time high of 103.3% in FY:16/17).

SDR-denominated Suez Canal receipts (SCR) set to post positive growth for the first time in 3 years and reach a record high in 2017/18, on the back of a rebound in global trade. SCR continued to recover in Q3:17/18 (up 7.0% y-o-y, in SDR terms, compared with a rise of 1.9% in Q1:17/18, on a 4-quarter rolling basis, after having reached a 2-year low in Q3:16/17), on the back of the ongoing recovery in global trade. In fact, growth of world trade volume of goods & services is set to accelerate to 5.1% in 2018 after having rebounded to a 6-year high of 4.9% in 2017, according to the latest IMF World Economic Outlook -- April 2018. Importantly, the strong performance of SCR in SDR terms solely reflects developments in (net) tonnage of ships crossing the Canal, as transit tolls have not been changed since May 2013.

Looking ahead, despite a slowdown in Q4:17/18, reflecting a base effect, we see SCR increasing by a 3-year high of 6.2% to a record high of SDR 3.9bn in FY:17/18, following declines of 1.0% and 0.5%, respectively, in FY:15/16 and FY:16/17.

Importantly, with favourable currency valuation effects (the SDR is set to appreciate by c. 25% against the EGP and c. 4.0% against the USD in FY:17/18, according to consensus forecasts), SCR would see their contribution to budget revenue (through corporate income tax and dividends) to 1.6% of GDP and the current account rising to 2.2% of GDP in FY:17/18 from 1.5% and 2.1% in FY:16/17, respectively.

FOREIGN EXCHANGE MARKETS, APRIL 30TH 2018

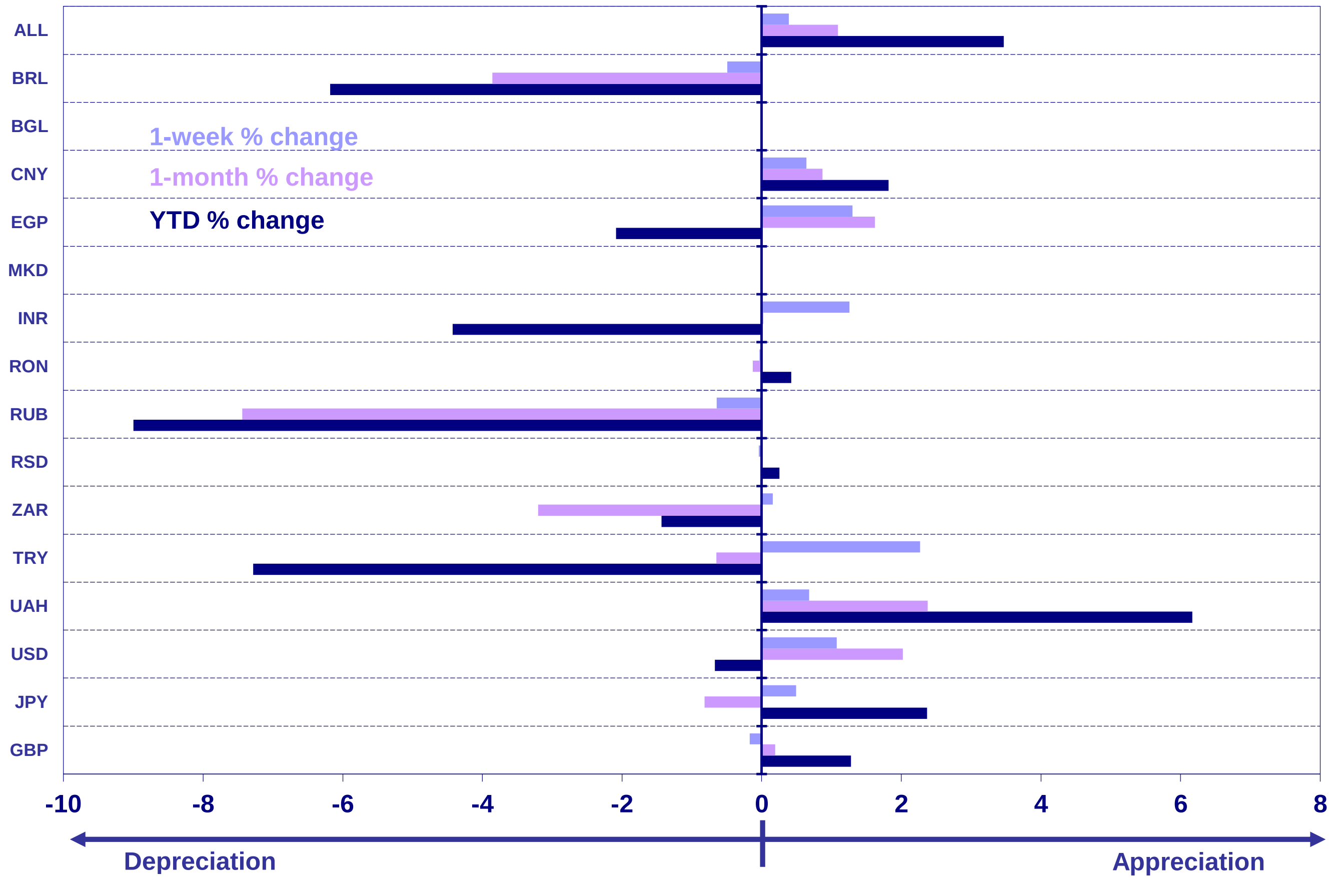
Against the EUR

	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	128.4	0.4	1.1	3.5	4.8	128.4	134.0	128.7	128.9	128.1	1.9	1.2
Brazil	BRL	4.23	-0.5	-3.9	-6.2	-18.7	3.85	4.28	4.51	4.51	4.51	-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	7.66	0.6	0.9	1.8	-1.8	7.60	7.96	7.99	8.00	8.01	-6.0	-4.0
Egypt	EGP	21.27	1.3	1.6	-2.1	-8.1	20.59	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	80.2	1.3	0.0	-4.4	-12.8	75.9	81.8	86.1	- - -	- - -	-6.7	0.4
Romania	RON	4.66	0.0	-0.1	0.4	-2.4	4.62	4.68	4.69	4.71	4.77	-3.0	-0.4
Russia	RUB	76.0	-0.6	-7.4	-9.0	-18.1	67.7	80.5	77.3	78.8	81.6	-6.8	22.9
Serbia	RSD	118.1	0.0	0.0	0.3	4.2	117.6	119.1	118.4	118.6	- - -	4.2	-1.5
S. Africa	ZAR	15.1	0.2	-3.2	-1.4	-3.1	14.18	15.26	15.3	15.6	16.2	-2.7	16.2
Turkey	YTL	4.91	2.3	-0.7	-7.3	-21.4	4.48	5.19	5.08	5.27	5.66	-18.4	-14.7
Ukraine	UAH	31.6	0.7	2.4	6.2	-8.5	31.41	36.11	37.4	- - -	- - -	-15.2	-8.6
US	USD	1.21	1.1	2.0	-0.7	-9.5	1.2	1.3	1.22	1.23	1.25	-12.4	3.3
JAPAN	JPY	132.1	0.5	-0.8	2.4	-7.3	129.0	137.5	132.1	132.2	132.3	-8.9	6.0
UK	GBP	0.88	-0.2	0.2	1.3	-3.7	0.9	0.9	0.88	0.88	0.89	-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 (April 30th 2018)



MONEY MARKETS, APRIL 30TH 2018

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
O/N	1.3	6.4	-0.1	2.9	- - -	16.9	- - -	- - -	2.5	7.0	- - -	14.1	7.0	16.6	- - -	1.7
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	2.5	7.2	2.3	- - -	7.0	- - -	- - -	- - -
S/W	1.4	6.4	-0.1	3.0	-0.4	- - -	1.1	- - -	- - -	6.6	2.3	- - -	6.9	17.0	-0.4	1.8
1-Month	1.6	6.3	-0.1	3.9	-0.4	- - -	1.3	6.5	2.5	7.4	2.6	14.4	7.2	17.8	-0.4	1.9
2-Month	- - -	6.3	-0.1	- - -	-0.3	- - -	- - -	- - -	- - -	7.4	2.7	14.4	7.0	- - -	-0.3	2.1
3-Month	1.9	6.2	0.0	4.0	-0.3	- - -	1.5	7.0	2.5	7.6	2.9	14.7	7.5	17.8	-0.3	2.4
6-Month	2.3	6.2	0.1	4.2	-0.3	- - -	1.8	- - -	2.6	7.4	3.1	15.2	7.4	- - -	-0.3	2.5
1-Year	2.7	6.4	0.5	4.4	-0.2	- - -	2.2	- - -	2.7	7.8	- - -	15.8	7.8	- - -	-0.2	2.8

LOCAL DEBT MARKETS, APRIL 30TH 2018

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	- - -	- - -	- - -	- - -	- - -	17.5	- - -	6.1	- - -	7.1	- - -	12.9	- - -	- - -	-0.7	1.8
6-Month	1.8	- - -	- - -	- - -	- - -	17.4	- - -	6.3	2.5	7.1	3.3	13.2	- - -	- - -	-0.7	2.0
12-Month	2.4	- - -	-0.1	3.2	- - -	17.1	1.2	6.6	2.8	6.3	3.1	14.0	- - -	17.2	-0.6	2.2
2-Year	3.0	- - -	- - -	3.4	- - -	- - -	1.6	6.9	2.8	6.6	- - -	13.8	7.1	- - -	-0.6	2.5
3-Year	3.4	- - -	0.2	3.3	1.1	- - -	1.8	7.2	3.5	6.9	- - -	13.7	7.3	16.1	-0.4	2.6
5-Year	- - -	9.0	- - -	3.5	1.3	15.2	- - -	7.4	4.2	6.9	4.0	13.0	7.6	- - -	-0.1	2.8
7-Year	5.9	- - -	0.9	- - -	1.9	15.0	- - -	7.6	4.4	7.1	- - -	- - -	- - -	- - -	0.2	2.9
10-Year	7.0	9.7	1.3	3.7	- - -	14.9	- - -	7.5	4.6	7.3	- - -	12.2	8.2	- - -	0.6	2.9
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	3.2	7.7	- - -	7.5	- - -	- - -	9.9	- - -	0.9	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	9.1	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	7.8	- - -	- - -	- - -	- - -	9.0	- - -	1.2	3.1

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

CORPORATE BONDS SUMMARY, APRIL 30TH 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	2.0	239	197
South Africa	**FirstRand Bank Ltd 4.25% '20**	USD	BBB-/Baa2	30/4/2020	500	4.0	145	122
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	0.4	95	61
Turkey	**Arcelik AS 3.875% '21**	EUR	BB+/NA	16/9/2021	350	2.4	286	237
	Garanti Bank 5.25% '22	USD	NA/Ba1	13/9/2022	750	5.6	274	259
	Turkiye Is Bankasi 6% '22	USD	NA/Ba3	24/10/2022	1,000	6.7	392	370
	Vakifbank 5.75% '23	USD	NA/Ba1	30/1/2023	650	6.5	366	344
	TSKB 5.5% '23	USD	NA/Ba1	16/1/2023	350	6.5	371	346
	Petkim 5.875% '23	USD	NA/B1	26/1/2023	500	6.9	409	383
	KOC Holding 5.25% '23	USD	BBB-/Baa3	15/3/2023	750	5.1	226	214

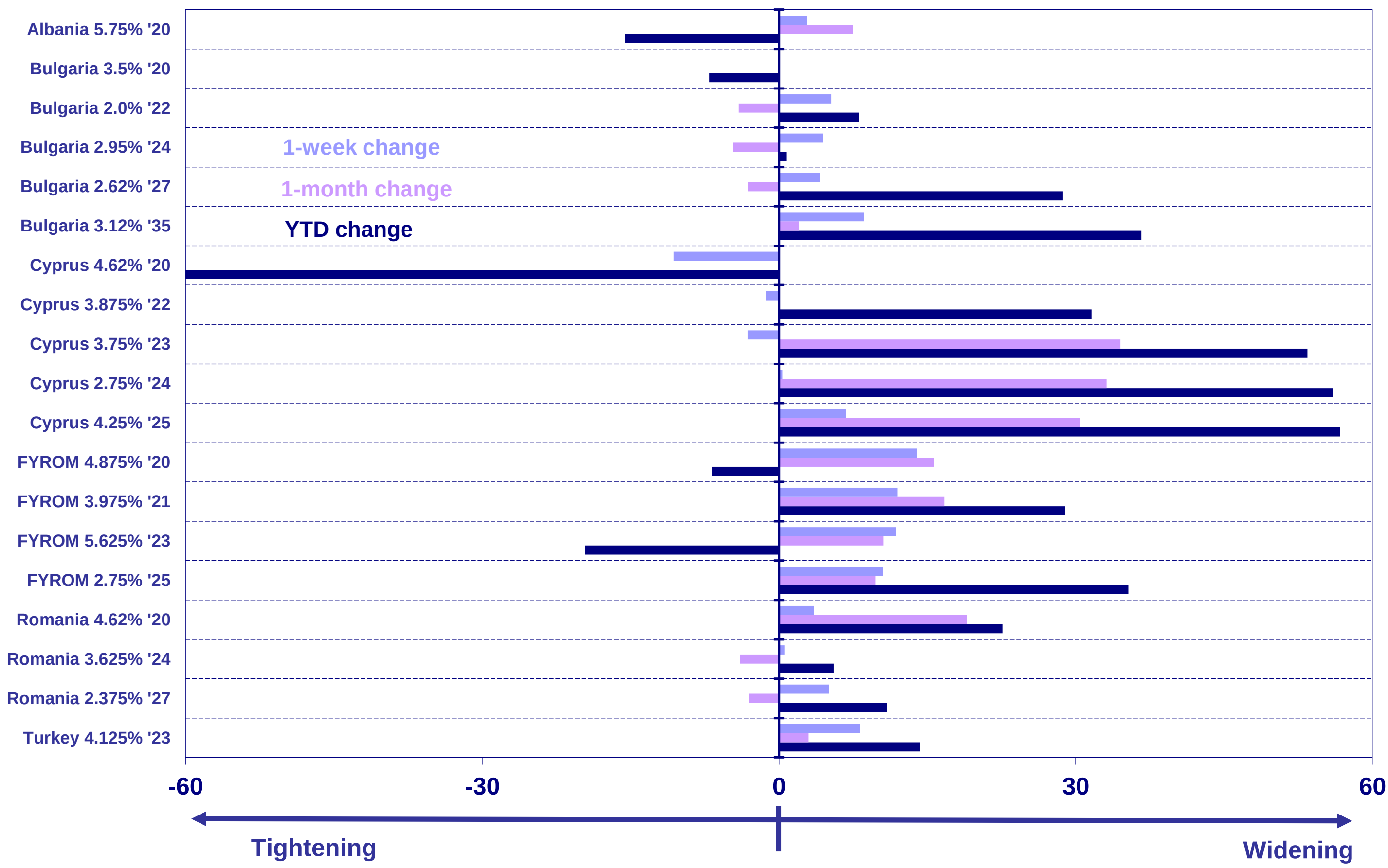
CREDIT DEFAULT SWAP SPREADS, APRIL 30TH 2018

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	173	66	58	144	256	- - -	80	88	131	120	194	160	373
10-Year	- - -	260	102	102	181	302	- - -	89	129	196	151	279	249	403

EUR-Denominated Sovereign Eurobond Summary, April 30th 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	1.3	178	149
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	0.1	60	29
Bulgaria 2.0% '22	EUR	BBB-/Baa2	26/3/2022	1,250	0.2	45	0
Bulgaria 2.95% '24	EUR	BBB-/Baa2	3/9/2024	1,493	0.8	62	27
Bulgaria 2.62% '27	EUR	BBB-/Baa2	26/3/2027	1,000	1.4	99	58
Bulgaria 3.12% '35	EUR	BBB-/Baa2	26/3/2035	900	2.6	167	120
Cyprus 4.62% '20	EUR	BB+/Ba3	3/2/2020	668	0.8	133	102
Cyprus 3.875% '22	EUR	NA/Ba3	6/5/2022	1,000	1.3	157	115
Cyprus 3.75% '23	EUR	NA/Ba3	26/7/2023	1,000	1.8	179	139
Cyprus 2.75% '24	EUR	NA/Ba3	27/6/2024	850	1.9	184	139
Cyprus 4.25% '25	EUR	NA/Ba3	4/11/2025	1,000	2.3	200	170
FYROM 4.875% '20	EUR	BB-/NA	1/12/2020	178	1.4	187	150
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	1.9	231	408
FYROM 5.625% '23	EUR	BB-/NA	26/7/2023	450	2.5	250	222
FYROM 2.75% '25	EUR	BB-/NA	18/1/2025	500	2.9	272	224
Romania 4.62% '20	EUR	BBB-/Baa3	18/9/2020	2,000	0.1	73	19
Romania 3.625% '24	EUR	BBB-/Baa3	24/4/2024	1,250	1.2	111	70
Romania 2.375% '27	EUR	BBB-/Baa3	19/4/2027	2,000	2.2	175	131
Turkey 4.125% '23	EUR	NR/Ba1	11/4/2023	1,000	2.7	265	240

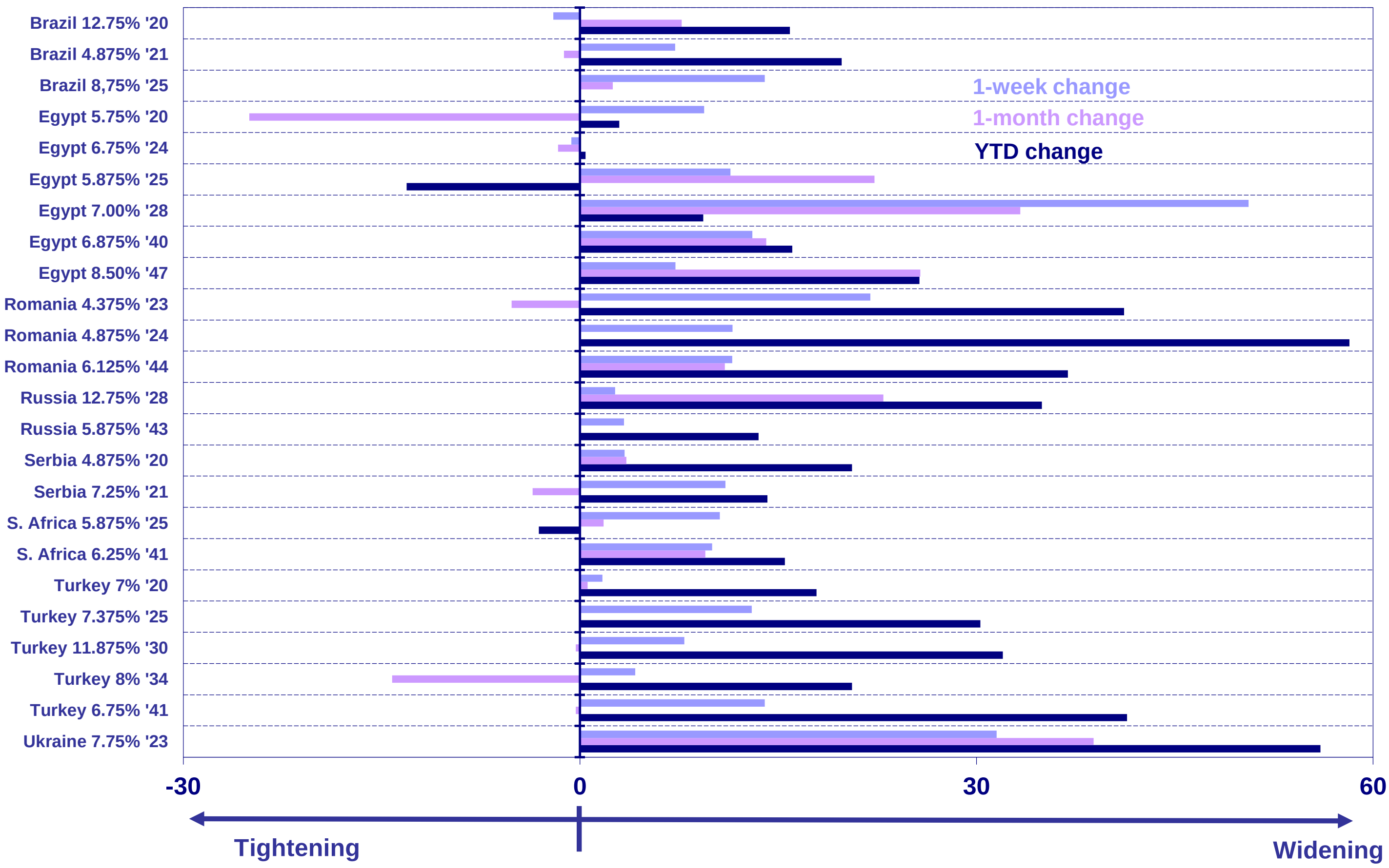
EUR-Denominated Eurobond Spreads (April 30th 2018)



USD-Denominated Sovereign Eurobond Summary, April 30th 2018

	Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Brazil 12.75% '20	USD	BB-/NA	15/1/2020	87	2.5	13	-22
Brazil 4.875% '21	USD	BB-/NA	22/1/2021	2,713	3.7	104	85
Brazil 8.75% '25	USD	BB-/NA	4/2/2025	688	4.4	152	164
Egypt 5.75% '20	USD	B-/B3	29/4/2020	1,000	4.4	200	167
Egypt 6.75% '24	USD	NA/B3	10/11/2024	1,500	6.3	334	331
Egypt 5.875% '25	USD	B-/B3	11/6/2025	500	6.2	328	320
Egypt 7.00% '28	USD	NA/B3	10/11/2028	1,000	6.7	377	370
Egypt 6.875% '40	USD	B-/B3	30/4/2040	1,500	7.4	424	408
Egypt 8.50% '47	USD	NA/B3	31/1/2047	500	7.9	477	501
Romania 4.375% '23	USD	BBB-/Baa3	22/8/2023	1,500	4.1	126	113
Romania 4.875% '24	USD	BBB-/Baa3	22/1/2024	1,000	4.2	131	123
Romania 6.125% '44	USD	BBB-/Baa3	22/1/2044	1,000	5.0	189	216
Russia 12.75% '28	USD	BB+/Ba1	24/6/2028	2,500	5.0	198	268
Russia 5.875% '43	USD	BB+/Ba1	16/9/2043	1,500	5.4	217	241
Serbia 4.875% '20	USD	BB-/B1	25/2/2020	1,500	3.9	136	115
Serbia 7.25% '21	USD	BB-/B1	28/9/2021	2,000	4.0	133	117
S. Africa 5.875% '25	USD	BBB-/Baa2	16/9/2025	2,000	5.1	216	218
S. Africa 6.25% '41	USD	BBB-/Baa2	8/3/2041	750	5.9	281	291
Turkey 7.00% '20	USD	NR/Ba1	5/6/2020	2,000	4.6	186	184
Turkey 7.375% '25	USD	NR/Ba1	5/2/2025	3,250	5.7	274	289
Turkey 11.875% '30	USD	NR/Ba1	15/1/2030	1,500	6.3	326	413
Turkey 8.00% '34	USD	NR/Ba1	14/2/2034	1,500	6.5	354	372
Turkey 6.75% '41	USD	NR/Ba1	14/1/2041	3,000	6.7	356	340
Ukraine 7.75% '23	USD	B-/Caa3	1/9/2023	1,355	7.7	479	466

USD-Denominated Eurobond Spreads (April 30th 2018)



STOCK MARKETS PERFORMANCE, APRIL 30TH 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)	86,115	0.6	0.9	12.7	29.1	76,403	88,318	5,3	26.9	9.5	38.9	76.2
Bulgaria (SOFIX)	658	-0.2	1.4	-2.9	-0.4	645	721	-2,9	15.5	15.5	27.2	27.2
China (SHCOMP)	3,082	0.5	-2.7	-6.8	-2.0	3,042	3,587	-5,3	6.6	-0.3	-12.3	-15.3
Cyprus (CSE GI)	69	1.0	2.6	-1.2	-5.9	66	71	-1,2	4.7	4.7	-2.0	-2.0
Egypt (HERMES)	1,738	1.1	3.8	21.0	52.2	1,429	1,741	19,2	32.0	18.7	72.7	-21.8
F.Y.R.O.M (MBI)	2,895	3.6	4.7	14.0	32.5	2,536	2,895	14,0	18.9	18.9	16.5	16.5
India (SENSEX)	35,160	2.1	6.6	3.2	17.5	29,824	36,444	-1,5	27.9	19.3	1.9	2.6
Romania (BET-BK)	1,734	-2.3	-1.3	5.0	12.1	1,675	1,802	5,5	22.8	19.1	0.2	0.0
Russia (RTS)	4,520	3.0	2.3	9.6	1.9	4,017	4,566	-0,2	-16.2	-21.9	24.2	54.3
Serbia (BELEX-15)	739	-0.2	-0.6	-2.8	2.5	728	785	-2,6	5.9	10.3	11.4	9.7
South Africa (FTSE/JSE)	58,252	1.0	5.0	-2.1	8.0	53,027	61,777	-3,5	17.5	14.3	-0.1	16.1
Turkey (ISE 100)	104,283	-6.0	-9.3	-9.6	10.5	103,750	121,532	-16,2	47.6	20.5	8.9	-7.0
Ukraine (PFTS)	474	27.7	33.8	50.5	71.6	315	475	59,8	18.8	0.8	10.2	1.0
MSCI EMF	1,164	0.5	-0.6	0.5	17.8	1,136	1,279	-0,2	34.3	17.7	8.6	12.2
MSCI EAFE	2,044	-0.1	1.9	-0.3	10.7	1,989	2,187	-1,0	21.8	6.7	-1.9	1.4
Greece (ASE-General)	858	2.3	10.0	7.0	16.9	767	896	7,0	24.7	24.7	1.9	1.9
Germany (XETRA DAX)	12,612	0.3	4.3	-2.4	0.8	11,727	13,597	-2,4	12.5	12.5	11.6	11.6
UK (FTSE-100)	7,509	1.5	6.4	-2.3	3.6	6,867	7,793	-1,1	7.6	3.2	14.4	-1.0
USA (DJ INDUSTRIALS)	24,163	-1.2	0.2	-2.2	15.3	20,553	26,617	-2,9	25.1	9.6	13.4	16.7
USA (S&P 500)	2,648	-0.8	0.3	-1.0	10.7	2,533	2,873	-1,6	19.4	4.7	9.5	13.2

Equity Indices (April 30th 2018)