Economic Analysis Division
Emerging Markets Research

Bi-Weekly Report *21 November – 4 December 2017*

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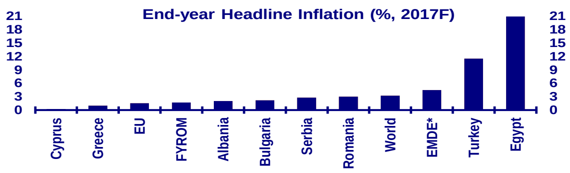
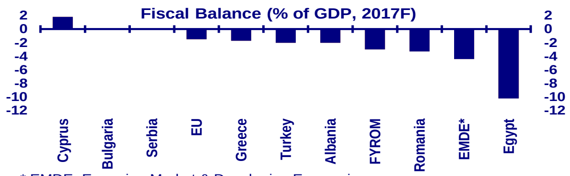
* EMDE: Emerging Market & Developing Economies





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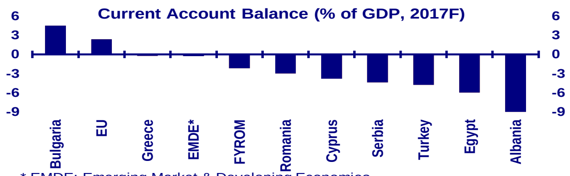
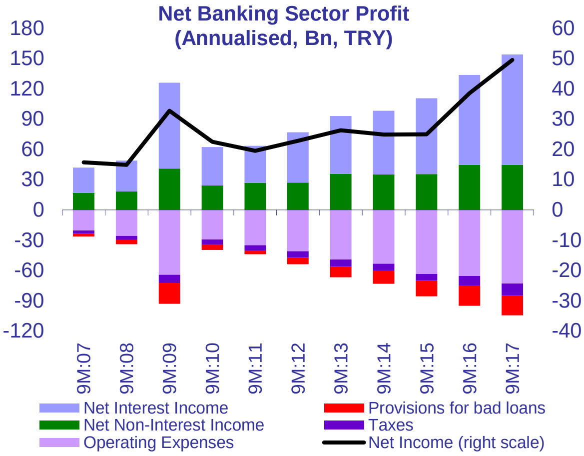
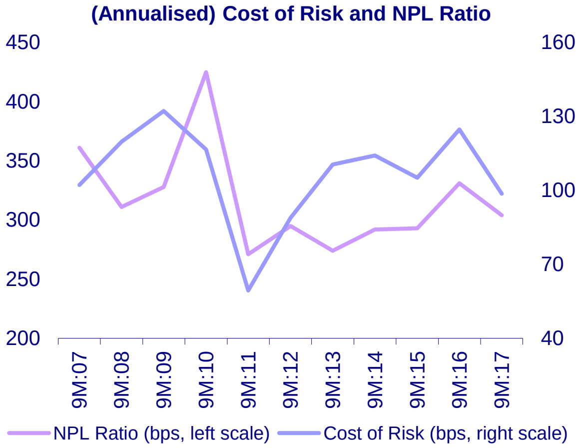


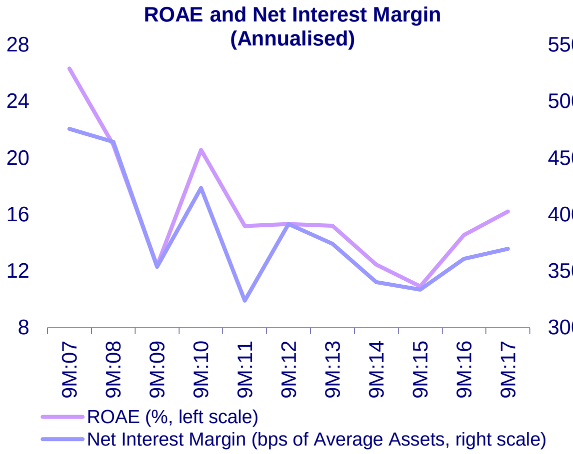
* EMDE: Emerging Market & Developing Economies

Turkey

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







	4 Dec.	3-M F	6-M F	12-M F
1-m TRIBOR (%)	13.9	13.5	13.0	12.0
TRY/EUR	4.60	4.46	4.52	4.60
Sov. Spread (2020, bps)	185	180	175	150

	4 Dec.	1-W %	YTD %	2-Y %
ISE 100	105,215	0.4	34.7	41.7

	2015	2016	2017F	2018F	2019F
Real GDP Growth (%)	6.1	3.2	6.5	4.2	3.8
Inflation (eop, %)	8.8	8.5	11.5	9.5	8.2
Cur. Acct. Bal. (% GDP)	-3.7	-3.8	-4.8	-4.6	-4.4
Fiscal Bal. (% GDP)	-1.0	-1.1	-2.0	-2.0	-2.4

Banking sector bottom line reached a record high in 9M:17, mainly due to the authorities' strong support to credit activity. Banking sector net profit (after tax) rose by 28.6% y-o-y to TRY 37.2bn in 9M:17 (EUR 9.3bn or 1.2% of projected 2017 GDP), on the back of stronger net interest income (NII) and, to a lesser extent, lower provision charges. As a result, (annualised) ROAA and ROAE increased to (a 4-year high of) 1.7% and (a 7-year high of) 16.2%, respectively, in 9M:17 from 1.6% and 14.6% in the same period a year ago.

Pre-provision earnings (before tax) rose by 19.1% y-o-y in 9M:17, mainly on the back of a significant increase in NII. NII increased significantly by 22.8% y-o-y in 9M:17, due to stronger average asset growth (up 19.9% y-o-y) and higher net interest margin (up 9 bps y-o-y to 370 bps annualised over average assets).

The rise in average gross loans was also strong (up 22.2% y-o-y), mainly reflecting the authorities' efforts to boost economic activity, which had slowed sharply in FY:16, following the mid-July 2016 failed coup. Indeed, in the aftermath of the failed coup, the BRSA relaxed some of the macro-prudential measures implemented over the previous 5 years. Specifically, the BRSA increased the maximum term limits for consumer loans and credit cards, and lowered the provisioning on unsecured retail loans. Moreover, in March, the Government increased significantly the amount allocated to the credit guarantee fund (CGF) -- established in the early 90s to stimulate lending to SMEs -- to TRY 25bn from TRY 2bn, bringing Treasury credit guarantees to TRY 250bn (c. 15% of end-2016 banking sector loans) from TRY 20bn. Loans under guarantee are subject to preferential risk weighting of 0% and the Treasury takes credit risk for up to 7% of the total fund limit. At end-September, loans under guarantee had reached TRY 200bn (12% of end-2016 banking sector loans), up from TRY 20bn at end-2016.

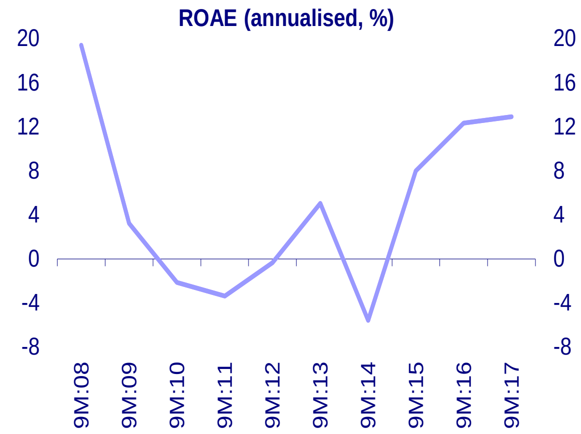
The improvement in the NIM was largely underpinned by higher yields from CPI-linkers (average inflation rose by 2.9 pps y-o-y to 10.8% in 9M:17). Loan repricing, due to rising rates, was more than fully offset by increasing funding costs. Indeed, in its efforts to dampen increasing depreciation pressures on the TRY, the CBRT hiked its effective funding rate by 2.8 pps y-o-y to 11.3% in 9M:17. Moreover, as banks' funding gap widened further (total and local currency loans-to-deposits ratios rose by 2.2 and 15.2 pps y-o-y, respectively, to 121.0% and 145.8% at end-September), due to the sharp rise in lending activity, interest rates on TRY, USD and EUR deposits rose by 47 bps, 67 bps and 6 bps y-o-y, respectively, to 10.9%, 2.6% and 1.2% in 9M:17.

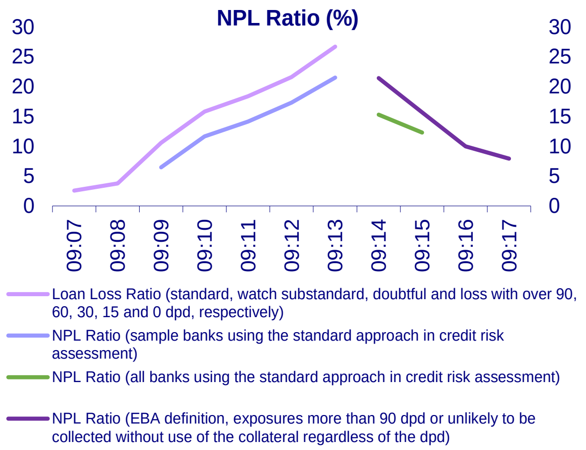
The positive performance of pre-provision earnings in 9M:17 was also supported by continued cost control, with operating expenses rising by 11.3% y-o-y to TRY 54.8bn, broadly in line with average inflation (10.8% y-o-y during 9M:17). Personnel expenses increased at a slower pace, by 9.6% y-o-y, in 9M:17, due to a lower headcount and a reduced number of branches (down 2.0% and 3.6% y-o-y, respectively, to 4-year lows of 210.4k and 11.7k).

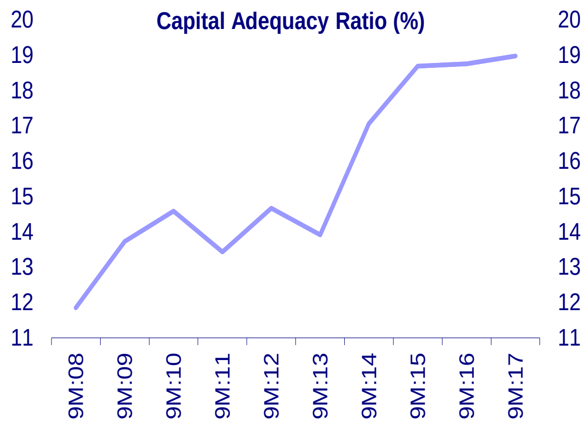
P/L specific provisions declined, for the first time in 6 years, by 3.4% y-o-y in 9M:17, as NPL formation slowed after 6 consecutive years of uninterrupted increase. The slowdown in NPL formation in 9M:17 was mainly supported by: i) relaxed regulations on the restructuring of corporate loans in shipping, tourism and energy industries; ii) a buoyant collection performance; and iii) regular sales of retail unsecured NPLs by private banks. As a result: i) the NPL ratio declined to 3.1% at end-September from a 6-year high of 3.3% a year ago; ii) the NPL coverage ratio improved by 316 bps y-o-y to a 6-year high of 79.5% at end-September; and iii) the cost of risk was down by 26 bps y-o-y to a 5-year low of 99 bps (annualised) in 9M:17.

Romania

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







	4 Dec.	3-M F	6-M F	12-M F
1-m ROBOR (%)	2.2	2.4	2.6	2.8
RON/EUR	4.63	4.62	4.60	4.58
Sov. Spread (2024, bps)	121	120	116	110

	4 Dec.	1-W %	YTD %	2-Y %
BET-BK	1,655	0.9	23.1	22.8

	2015	2016	2017F	2018F	2019F
Real GDP Growth (%)	3.9	4.8	6.6	4.2	3.6
Inflation (eop, %)	-0.9	-0.5	3.0	3.8	3.4
Cur. Acct. Bal. (% GDP)	-1.2	-2.1	-3.0	-3.6	-4.0
Fiscal Bal. (% GDP)	-1.5	-2.4	-3.3	-4.5	-4.8

The banking sector bottom line improved further in Q3:17, mainly due to a slowdown in provisioning. Net profit after tax rose by 10.4% y-o-y to RON 1.4bn (EUR 300mn or 0.2% of GDP) in Q3:17. As a result, in 9M:17, net profit after tax was up 11.8% y-o-y, with the annualised ROAE and ROAA improving marginally to 12.9% and 1.4%, respectively, from 12.3% and 1.3% in 9M:16 (with the latter, however, inflated by large (non-disclosed) once-off gains from the sale of stakes held by Romanian banks in Visa Europe in Q2:16).

The positive performance in Q3:17 can be largely attributed to a slowdown in provisioning, in line with the sharp decline in NPLs. In fact, the NPL ratio (EBA definition) fell to 8.0% in Q3:17 from 10.0% in Q3:16, and a high of 21.5% at end-2014, on the back of large (NBR-motivated) write-offs and NPL sales (amounting to a combined 2.5% of GDP over the past 3 years or c. 10.0% of the current stock of total gross loans). Moreover, following the Constitutional Court's ruling that precludes the retrospective application of the Debt Settlement Law (effectively a no-recourse framework), banks proceeded to reverse the provisions made for this purpose, further sustaining profitability. That being said, the NPL coverage ratio remained broadly stable at c. 66.0%, the highest in the EU.

Importantly, we estimate pressure on pre-provision operating income to have eased in Q3:17. Specifically, net interest income (NII) likely increased in Q3:17, reflecting faster credit expansion (average balances rose 3.8% y-o-y in September against 1.3% at end-2016) in an environment of increased liquidity and low interest rates. On the other hand, net fees and commission income continued to decline on an annual basis in Q3:17, following a reduction in (regulated) interchange fees at the beginning of the year and stronger competition among banks.

Profitability is estimated to have been affected modestly by the increase in operating expenses in Q3:17, due to the upgrade of banks' IT systems and rising inflation (up 1.8% y-o-y in September against -0.1% at end-2016). All said, the system remained well capitalised, with a capital adequacy ratio (CAR) of 19.0%, well above the minimum regulatory threshold of 8.0%.

Higher provisioning needs ahead of an asset quality review (AQR) and the transition to IFRS 9 could constrain profitability in FY:18. Looking ahead, the implementation of the new tighter accounting standards, IFRS 9, at the beginning of 2018, combined with increased NPL recognition ahead of an AQR, should prompt banks to increase provisioning in the next quarters. Note that IFRS 9 shifts from an incurred loss model to an expected loss approach, with the impact of their implementation on the CAR estimated at c. 2 pps (EBA survey, September 2016).

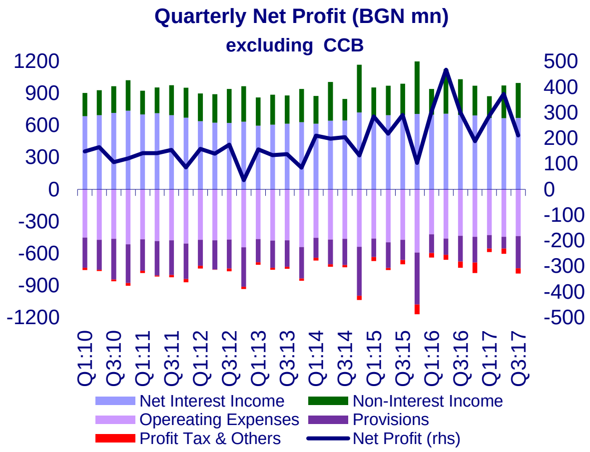
Importantly, pre-provision income is set to strengthen, reflecting higher NII. Indeed, against the backdrop of an accommodative environment (as reflected in the country's low lending penetration rate -- 28% of GDP -- and the system's ample liquidity -- the loan-to-deposit ratio stands at 83%), we expect credit expansion to gain steam in FY:18 (up 6% against an estimated 4% in FY:17), despite the envisaged tightening in monetary policy (we see the NBR raising its key rate up to 4.75% by end-2018 from 1.75% currently).

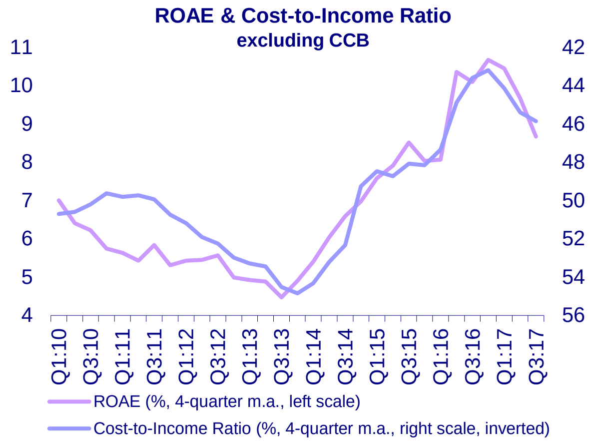
Finally, the adoption of a law limiting interest rate deductibility for loans from associates as of January 2018 could take its toll on the profitability of the subsidiaries of foreign banks. All said, we expect ROAE to fall below double-digits in FY:18 from a projected 11.0% in FY:17 and 10.4% in FY:16.

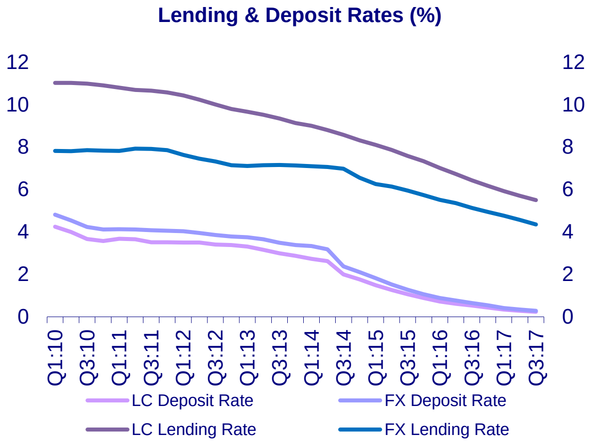
NATIONAL BANK OF GREECE

Bulgaria

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







	4 Dec.	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)	50	54	52	50

	4 Dec.	1-W %	YTD %	2-Y %
SOFIX	670	0.5	14.2	53.8

	2015	2016	2017F	2018F	2019F
Real GDP Growth (%)	3.6	3.9	3.8	3.6	3.2
Inflation (eop, %)	-0.4	0.1	2.2	2.6	2.8
Cur. Acct. Bal. (% GDP)	0.0	5.3	4.5	3.2	2.0
Fiscal Bal. (% GDP)	-2.8	1.6	0.0	-1.0	-0.6

The profitability of the banking system deteriorated in Q3:17, mainly due to higher provisioning. Net profit declined by 29.5% y-o-y in Q3:17 to BGN 211mn (EUR 108mn or 0.2% of GDP), bringing 9M:17 profit down 1.7% y-o-y when adjusted for large once-off gains from the sale of stakes held by Bulgarian banks in Visa Europe in Q2:16. As a result, the annualised ROAA and ROAE eased slightly to 1.2% and 9.5%, respectively, in 9M:17 from 1.3% and 10.0% in 9M:16.

Provisioning accelerated in Q3:17. The NPL ratio (EBA definition) continued to decline at a slow pace, reaching 11.4% in Q3:17 against 13.7% in Q3:16. Nevertheless, in view of past underprovisioning, banks built up provisions for NPLs at a faster pace in Q3:17 (up 25.0% y-o-y against declines of 27.5% in H1:17 and 25.9% in FY:16), pushing up the cost of risk to 130 bps (annualised, up 10 bps y-o-y) and 140 bps on a 4-quarter rolling basis (still lower, however, than in FY:16 -- 150 bps). That being said, the NPL coverage ratio improved to 54.9% in Q3:17 (well above the EU average of c. 45.0%) from 53.8% in Q3:16.

Pre-provision net operating income weakened in Q3:17, due to lower net interest income (NII). NII continued to decline in Q3:17 (down 3.8% y-o-y following a drop of 5.2% in H1:17 -- albeit up 1.2% in FY:16), as the expansion in interest earning assets (up 6.1% y-o-y) was more than offset by a lower net interest margin (annualised, down 28 bps y-o-y to 292 bps). The latter is due to the drop in lending rates, reflecting tighter competition among banks for market shares, against the backdrop of increased liquidity (the loan-to-deposit ratio stands at 78.5%).

On the other hand, net non-interest income continued to grow, albeit at a slower pace compared with the previous quarters (excl. banks' contributions to the Deposit Insurance and Bank Restructuring funds, up 6.3% y-o-y following increases of 19.4% in H1:17 and 16.1% in FY:16), driven by higher net fees and commission income.

Importantly, operating expenses remained broadly contained (up 0.4% y-o-y in Q3:17 against a decline of 1.1% in H1:17 -- no change in FY:16). Nevertheless, the efficiency of the banking system deteriorated, with the cost-to-income ratio rising by 160 bps y-o-y to 43.7% in Q3:17, still far better, however, than the EU average (c. 62%).

The implementation of IFRS 9 should lead to an increase in provisions and significant, but manageable, capital losses. From January 2018, EU banks will be subject to the new tighter accounting standards, IFRS 9. The new standards move from the concept of incurred loss to that of expected loss, thus requiring banks to increase provisions significantly. The IMF estimated that the implementation of IFRS 9 could shave up to 5 pps off the capital adequacy ratio (CAR) of the domestic banking system, though a part of these losses has already been taken in the form of higher provisions over the past 2 years due to the AQR. Importantly, the banking system remains well-capitalised, with a CAR of 22.2%, far above the minimum threshold of 13.5%.

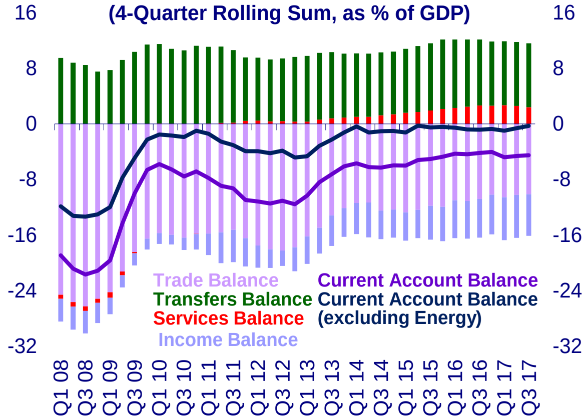
At the same time, pre-provision income should recover, in line with the pick-up in credit activity (up 7.5% in FY:18 and 5.0% in FY:17 against 1.0% in FY:16). Indeed, against the backdrop of increased liquidity in the system, the pace of credit expansion should pick up, reflecting solid economic growth, the pick-up in real estate prices and the sustained decline in NPLs. All said, we see ROAE easing to 8.0% in FY:18 from a projected 9.0% in FY:17 and 10.7% in FY:16.

The banking system's favourable outlook was confirmed by S&P and Fitch, which raised Bulgaria's long-term foreign currency rating by 1 notch to "BBB-" and "BBB" in the past week. Improving external metrics and the solid fiscal position were also cited as key drivers behind the upgrade.

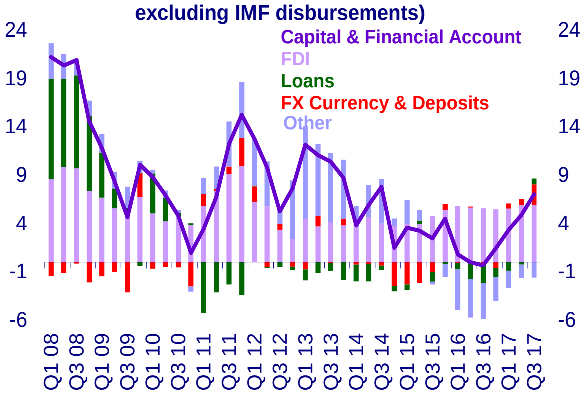
Serbia

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

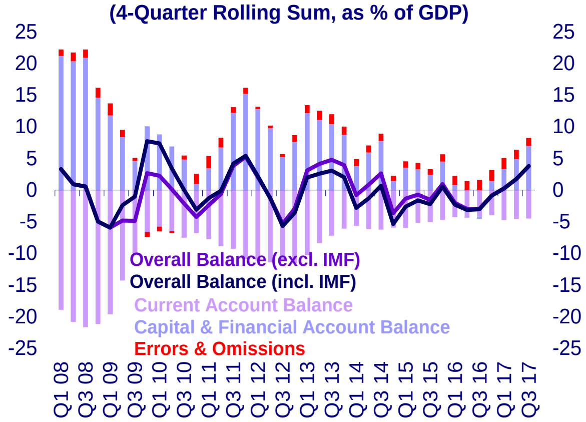
Current Account Balance
(4-Quarter Rolling Sum, as % of GDP)



Capital and Financial Account
(4-Quarter Rolling Sum, as % of GDP, excluding IMF disbursements)



Overall Balance
(4-Quarter Rolling Sum, as % of GDP)



	4 Dec.	3-M F	6-M F	12-M F
1-m BELIBOR (%)	2.8	3.2	3.4	3.8
RSD/EUR	118.6	119.8	120.0	120.3
Sov. Spread (2021, bps)	130	124	122	120

	4 Dec.	1-W %	YTD %	2-Y %
BELEX-15	734	-0.3	2.3	21.5

	2015	2016	2017F	2018F	2019F
Real GDP Growth (%)	0.8	2.8	2.0	3.6	3.6
Inflation (eop, %)	1.5	1.6	2.8	3.0	3.0
Cur. Acct. Bal. (% GDP)	-4.7	-4.0	-4.4	-4.3	-4.1
Fiscal Bal. (% GDP)	-3.7	-1.3	0.0	0.0	0.7

The CAD widened due to a sharp rise in the energy bill in 9M:17. The CAD increased by 0.5 pps y-o-y to 3.4% of GDP in 9M:17. Energy imports rose sharply (up 35.0% y-o-y, in EUR terms, in 9M:17), adding an estimated 0.9 pps of GDP to the 9M:17 CAD. This was the result of both: i) rising global oil prices (up 23.0% y-o-y in 9M:17 in EUR terms); and ii) higher energy import volumes (up 9.6% y-o-y in 9M:17), partly due to the unusually cold winter in early 2017.

Non-energy imports were up 11.0% y-o-y in 9M:17, due to the recovery in consumption and higher export-related imports.

Nevertheless, the trade deficit remained broadly unchanged, as the unfavourable energy bill and strong non-energy imports were offset by strong exports.

Export growth was double-digit (accelerating to 12.2% y-o-y in 9M:17 from 10.6% y-o-y in 9M:16), mainly boosted by: i) stronger metal exports, reflecting higher exports of the steel plant, Smederevo, following its privatisation a year ago, as well as a rise in metal prices; ii) the recovery in external demand supported by the stronger-than-expected growth in EU; and iii) past years' FDIs.

The CAD was also dragged down by a higher deficit in the income balance (up 0.3 pps y-o-y in 9M:17), reflecting large FDI-related repatriation of dividends and profits, and a weaker services surplus (down 0.2 pps of GDP).

As a result, the 4-quarter rolling CAD rose to 4.5% of GDP in Q3:17 from a 14-year low of 4.0% in Q4:16. However, the underlying CAD (excluding energy) narrowed to 0.3% of GDP in Q3:17 on a 4-quarter rolling basis from 0.7% of GDP in Q4:16.

The capital and financial account (CFA) improved and more than covered the CAD in 9M:17. The CFA turned into a surplus of 4.7% of GDP in 9M:17 from a deficit of 0.9% in 9M:16. Importantly, FDIs increased strongly, by 0.5 pps y-o-y to 4.5% of GDP in 9M:17, more than covering the CAD. In addition: i) portfolio outflows were lower (amounting to -0.3% of GDP in 9M:17 against a sizeable -2.0% of GDP in 9M:16), reflecting improved confidence; and ii) currency & deposits experienced inflows (of 1.8% of GDP in 9M:17 against outflows 0.9% in 9M:16), due to repatriation of deposit holdings by domestic banks.

Reflecting CAD and CFA developments in 9M:17, as well as large positive (net) errors & omissions (of 0.9% of GDP), the overall balance turned positive at 2.3% of GDP. As a result, FX reserves (including FX valuation effects) rose by EUR 0.4bn since the beginning of the year to a comfortable level of EUR 10.6bn (covering 5.9 months of imports).

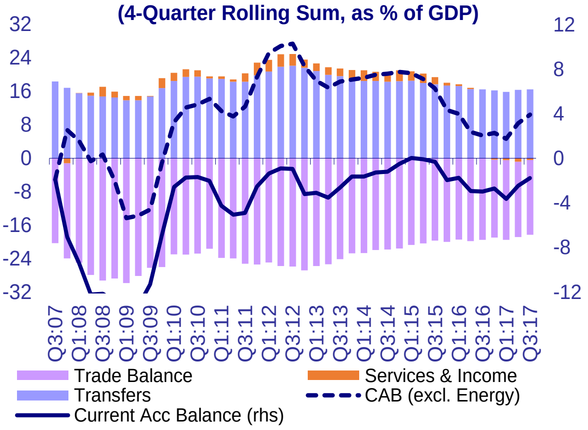
The CAD is likely to end 2017 at 4.4% of GDP. The CAD is set to narrow by 0.1 pp y-o-y in Q4:17, reflecting lower energy imports, and persistently high exports. Despite the improvement in Q4:17, the CAD is set to rise to 4.4% of GDP in FY:17 from a 14-year low of 4.0% of GDP in FY:16. The CAD is set to remain broadly unchanged in FY:18, reaching 4.3% of GDP, as a more favourable energy bill and buoyant exports should offset the increase in non-energy imports, reflecting rising domestic demand and the high import-content of exports.

Regarding financing, the bulk of the CAD in Q4:17 should be almost fully covered by persistently high FDI inflows. Moreover, projecting negative (net) capital inflows of -2.1% of GDP in Q4:17 (including the repayment of a USD 750mn Eurobond, or 2.0% of GDP in November), we see FX reserves remaining broadly unchanged at their end-2016 level. In FY:18, financing the external gap should not be an issue, due to: i) large FDI inflows (of 4.9 % of GDP in FY:18) -- more than covering the CAD; and ii) a stable blended rollover ratio of maturing external debt (at 95.0%, including the repayment of a USD 1.0bn Eurobond, or 2.2% of GDP, maturing in November 2018).

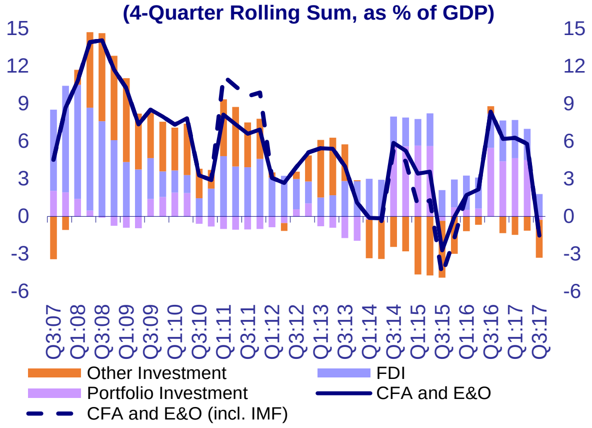
F.Y.R.O.M

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

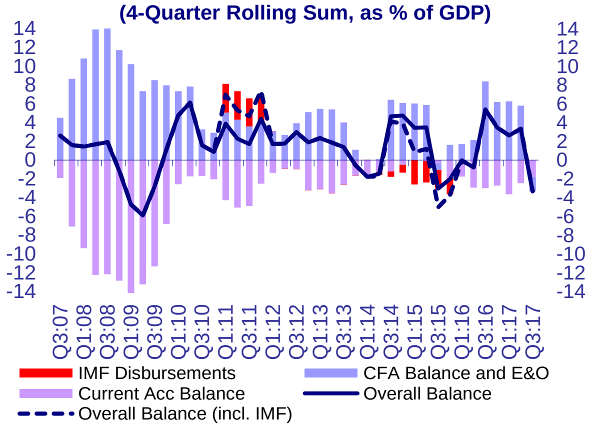
Current Account Balance (4-Quarter Rolling Sum, as % of GDP)



Capital and Financial Account Balance (4-Quarter Rolling Sum, as % of GDP)



Balance of Payments (4-Quarter Rolling Sum, as % of GDP)



	4 Dec.	3-M F	6-M F	12-M F
1-m SKIBOR (%)	1.5	1.8	2.3	2.8
MKD/EUR	61.3	61.3	61.3	61.3
Sov. Spread (2021. bps)	232	220	210	200

	4 Dec.	1-W %	YTD %	2-Y %
MBI 100	2,531	1.5	18.5	42.9

	2015	2016	2017F	2018F	2019F
Real GDP Growth (%)	3.9	2.9	1.5	3.5	3.7
Inflation (eop. %)	-0.3	-0.2	1.2	1.6	2.0
Cur. Acct. Bal. (% GDP)	-1.9	-2.7	-2.2	-2.4	-2.5
Fiscal Bal. (% GDP)	-3.5	-2.7	-3.0	-3.0	-2.8

The current account deficit (CAD) narrowed markedly by 0.9 pps of GDP y-o-y in 9M:17, on the back of an improved trade balance and transfers. The CAD narrowed by 0.9 pps y-o-y to 0.6% of GDP in 9M:17, after widening by 0.8 pps to a 4-year high of 2.7% of GDP in FY:16. This positive development was due to a lower trade deficit (by 0.7 pps y-o-y) and, to a lesser extent, higher (net) transfers (up 0.3 pps y-o-y).

The improved trade balance in 9M:17 was driven by a sharp rise in exports (up 17.3% y-o-y), mainly reflecting increased production in the country's technological and industrial development zones, which outweighed a more modest rise in imports (up 10.5% y-o-y from 10.2% y-o-y in 9M:16), stemming from weak economic activity. The narrowing in the 9M:17 trade deficit would have been larger had energy imports not increased sharply (by 0.9 pps of GDP y-o-y), in line with global oil price developments.

On the other hand, the transfers balance improved by 0.3 pps of GDP y-o-y (to 12.2% of GDP), reflecting, however, base effects from a sharp decline in private transfers in early-Q2:16, when the domestic political crisis escalated (mainly purchases of foreign currency by residents, accounted as transfers' outflows by the Central Bank).

The capital and financial account (CFA) balance posted a deficit in 9M:17, mainly due to unfavourable base effects from a sovereign Eurobond issuance in early-Q3:16. The CFA balance turned to a deficit of 1.5% of GDP in 9M:17 from a surplus of 6.3% of GDP in 9M:16. The deterioration was, however, mainly due to a sharp decline in portfolio investment (by 4.7 pps of GDP y-o-y), reflecting base effects from the placement of a 7-year sovereign Eurobond in July 2016 (EUR 450mn or 4.5% of GDP). Lower net FDI inflows and weaker (net) borrowing from abroad, due to the prolonged political and economic uncertainty, also contributed to the deterioration in the 9M:17 CFA balance (by 1.5 pps of GDP and 1.8 pps of GDP, respectively). Reflecting CAD and CFA developments and negative (net) errors & omissions (-0.1% of GDP), the overall balance turned negative at -2.3% of GDP in 9M:17. As a result, and accounting for valuation effects, FX reserves declined by EUR 342mn since the beginning of the year to EUR 2.3bn in September (covering 4.0 months of imports).

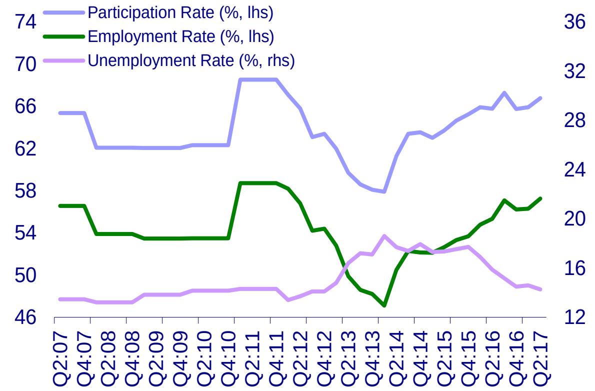
A build-up in domestic demand is expected to push the CAD higher in Q4:17 and FY:18. Looking ahead, pressures on the trade balance are set to intensify during the remainder of the year and persist in FY:18, in view of a strong rebound in domestic demand, underpinned by the normalization of the political situation following the landslide victory of the new coalition Government in the mid-October elections. We see the CAD widening by 0.4 pps of GDP y-o-y in Q4:17, which will bring the FY:17 outcome to 2.2% of GDP (though below the FY:16 outcome of 2.7%). We also expect the CAD to widen by 0.2 pps of GDP y-o-y to 2.4% in FY:18. Moreover, we see an improvement in the capital and financial account in Q4:17 and FY:18, as confidence returns, likely leading to an increase in FX reserves from EUR 2.3bn at end-Q3:17 to EUR 2.5bn at end-2017 and EUR 2.9bn at end-2018.

The IMF stressed that fiscal consolidation and the acceleration of structural reforms are key to reviving economic growth and maintaining economic and financial stability. In this year's Article IV consultation, the IMF praised the country's economic resilience amid the prolonged political instability but urged the new Government to prioritize policies focused on rebuilding fiscal space and implementing structural reforms.

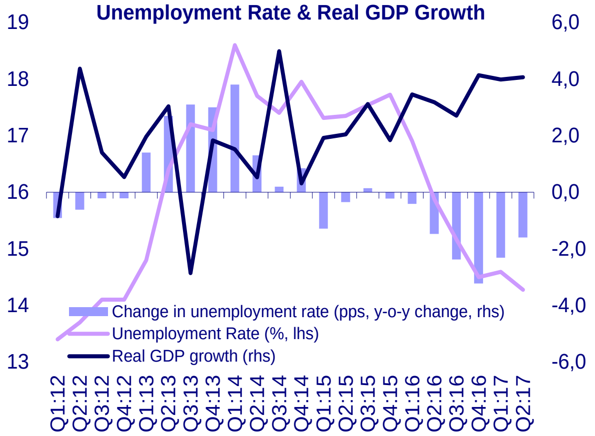
Albania

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

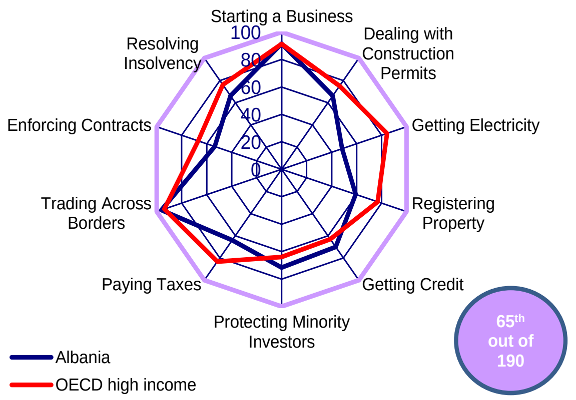
Unemployment, Employment & Labour Force Participation Rate (%)



Unemployment Rate & Real GDP Growth



Ease of Doing Business Index 2018 (Score: 0-100)



	4 Dec.	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	1.6	2.2	2.2	2.2
ALL/EUR	133.4	132.3	131.7	130.7
Sov. Spread (bps)	212	200	190	180

	4 Dec.	1-W %	YTD %	2-Y %
Stock Market	- - -	- - -	- - -	- - -

	2015	2016	2017F	2018F	2019F
Real GDP Growth (%)	2.2	3.4	4.0	4.3	4.2
Inflation (eop, %)	2.0	2.2	2.0	2.6	2.8
Cur. Acct. Bal. (% GDP)	-8.6	-7.6	-9.0	-8.5	-7.4
Fiscal Bal. (% GDP)	-4.1	-1.8	-2.0	-1.9	-1.8

The unemployment rate declined further, to a 4½-year low of 14.3% in Q2:17. The unemployment rate declined markedly, by 1.6 pps y-o-y to a still high 14.3% in Q2:17, following a decline of 2.3 pps y-o-y in Q1:17 and 1.9 pps in FY:16. As a result, the unemployment rate has broadly returned to its average level of 13.8% in 2007-12 (see chart).

This occurred despite the continued increase in the labour force participation rate, by 1.0 pp y-o-y to 66.8% in Q2:17, up from 65.7% in Q4:16 and a trough of 57.9% in Q1:14.

This improvement was mainly driven by the continued recovery in employment. In fact, employment rose by 3.5% y-o-y in Q2:17, following a rise of 2.8% in Q1:17 and a strong 6.1% in FY:16 (boosted by the Government's large-scale campaign against informality, initiated in Q3:15). The rise in employment in Q2:17 was driven by the services and industry sectors (representing 42.7% and 19.0% of total employment, respectively, and up 9.1% and 2.9% y-o-y). Employment was boosted by: i) the continued strengthening in economic growth (up 4.0% y-o-y in H1:17 from 3.4% in FY:16 and a CAGR of 1.6% in 2012-15); ii) the construction of two large energy projects, boosted by large FDI inflows; and iii) the strong expansion in the tourism sector. Agriculture was, however, the only sector where the number of employees declined (down 1.6% y-o-y in Q2:17, as in Q1:17), with its share in total employment continuing to contract (38.4% of total employment -- yet just 22.0% of GDP -- in Q2:17 from 40.2% in FY:16 and 51.5% in FY:12), in line with the modernization of the economy.

Importantly, although labour market slack remains, it has been declining. In fact, the employment rate improved further, rising by 1.9 pps y-o-y to 57.3% in Q2:17 from 56.2% in Q4:16 and a trough of 47.1% in Q4:14. The sustained rise in the employment rate reflects: i) the establishment of employment offices in rural areas, facilitating job search; ii) lower remittances (down to 5.8% of GDP in 2013-16 from 8.0% in 2009-12), whose steady inflow until 2012 had been a disincentive to job search; and iii) the Government's campaign against informal employment and its efforts to reinforce vocational training.

Albania's competitiveness deteriorated in the World Bank Ease of Doing Business Report 2018. Albania fell 7 places to 65th among 190 economies in World Bank's report on the ease of doing business, as reforms in its business regulations slowed during the past (election) year, that saw a 4-month domestic political deadlock ahead of the end-June parliamentary elections.

The deterioration would have been even larger had Albania not made one significant regulatory change, making easier "getting credit", through: i) the introduction of amendments to the Civil Code and the Law on Securing Charges; and ii) the adoption of a new Insolvency Law. With the introduced changes, any type of movable property (including tangible and intangible assets) can be used as collateral, while secured creditors were given absolute priority during bankruptcy.

Looking ahead, key challenges remain in order to improve the country's business climate and strengthen its competitiveness, according to the report. In fact, Albania significantly underperforms in:

i) "getting electricity" (ranking at a low 157th), with 134 days needed to receive an electricity connection, well above the 79 days in OECD high-income economies and the global average of 92 days;

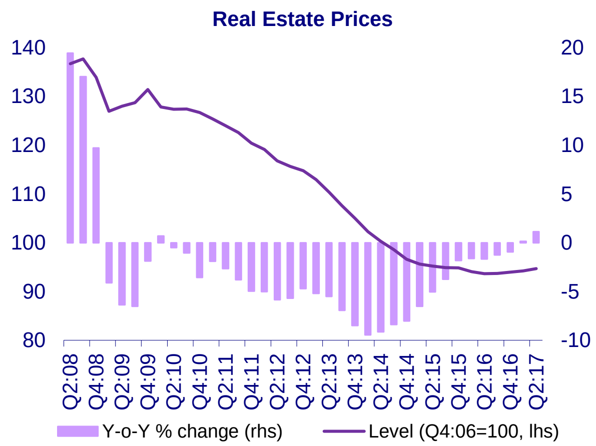
ii) "paying taxes" (ranking at 125th), with 261 hours required to comply with tax obligations, well above the 161 hours in OECD high-income economies; as well as

iii) "dealing with construction permits" (ranking 106th), with 220 days needed for obtaining a permit compared with 155 in OECD high-income economies and a global average of 158 days.

Cyprus

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

General Government Fiscal Balance (% of GDP)	2016	10M:16	10M:17	2017 Budget	NBG 2017 Forecast
Revenue	39.3	30.4	31.7	38.1	40.7
Tax Revenue	33.7	26.6	27.7	32.7	35.1
Indirect Taxes	15.3	12.2	13.1	14.8	16.4
Direct Taxes	9.8	7.5	7.4	9.3	9.7
Soc. Contrib.	8.6	6.9	7.3	8.6	9.0
Non-Tax revenue	5.6	3.8	4.0	5.4	5.6
Expenditure	38.8	29.6	29.1	38.7	39.2
Cur. Expenditure	35.9	27.9	27.6	n.a.	36.2
G. & Services	3.6	2.6	2.7	3.5	3.7
Wag.& Salaries	12.6	9.7	9.6	12.8	12.7
Soc. Transfers	14.3	11.3	11.0	14.1	14.4
Int.Payments	2.6	2.2	2.2	2.5	2.5
Subsidies	0.5	0.4	0.2	0.6	0.6
Other	2.2	1.8	1.9	n.a.	2.3
Capital Expend.	2.9	1.7	1.5	n.a.	3.0
Fiscal Balance	0.5	0.8	2.6	-0.6	1.5
Primary Balance	3.1	3.0	4.8	1.9	4.0



	4 Dec.	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.37	-0.37	-0.37	-0.37
EUR/USD	1.19	1.19	1.18	1.20
Sov. Spread (2020. bps)	125	110	100	80

	4 Dec.	1-W %	YTD %	2-Y %
CSE Index	70	-0.7	6.0	3.9

	2015	2016	2017F	2018F	2019F
Real GDP Growth (%)	2.0	3.0	3.7	3.4	3.2
Inflation (eop. %)	-1.0	-0.3	0.2	0.8	1.2
Cur. Acct. Bal. (% GDP)	-1.5	-4.9	-3.8	-3.0	-3.2
Fiscal Bal. (% GDP)	-1.2	0.4	1.5	1.5	1.8

A sharp improvement in the fiscal balance, by 1.9 pps y-o-y to a surplus of 2.6% of GDP in 10M:17, mainly due to a tax revenue overperformance. The cumulative fiscal balance recorded a sizeable surplus of 2.6% of GDP in 10M:17 compared with a surplus of 0.8% of GDP in 10M:16.

This improvement was mainly due to an impressive tax revenue performance (up 9.4% y-o-y or 1.1 pp of GDP y-o-y in 10M:17). The latter was driven by significant increases in indirect taxes (including VAT, excise taxes and taxes on imports -- up 0.9 pps y-o-y) and social security contributions (up 0.4 pps y-o-y), reflecting strengthening economic activity and improving labour market conditions. Note that tax revenue would have been stronger in 10M:17 had it not been for the abolition of the temporary contribution on emoluments of private sector employees (levied in response to the crisis) and the partial abolition of the immovable property tax.

The 2017 Budget is set to overperform its target of 1.0% of GDP, despite upwardly-revised spending. In the past week, the Government submitted to the Parliament a supplementary 2017 budget to finance additional expenditure (a net EUR 100mn or 0.5 pps of GDP), including tax refunds, social benefits, defence expenditure and compensation to farmers. The additional spending will be approved by Parliament on December 8th.

In view of the impressive y-t-d performance and recent trends, and despite the yet-to-be-approved unbudgeted expenditure, the FY:17 budget balance is set to overperform its target of -0.6% of GDP by a wide margin. Overall, we see the FY:17 Budget posting a surplus of 1.5% of GDP -- above the recently revised (in the 2018-20 Medium-Term Programme issued in October) fiscal target of 1.0% of GDP and the FY:16 outcome of 0.5% of GDP. This positive performance should help the public debt-to-GDP ratio to moderate to below the 100% mark at end-2017 -- to 98.5% from 107.8% at end-2016.

For 2018, the draft budget envisages a fiscal surplus target of 1.3% of GDP -- 0.2 pps below our FY:17 estimate. In our view, this surplus target is easily within reach, based on this year's significant overperformance, recent trends and the Government's strong commitment to reduce the country's high public debt-to-GDP ratio.

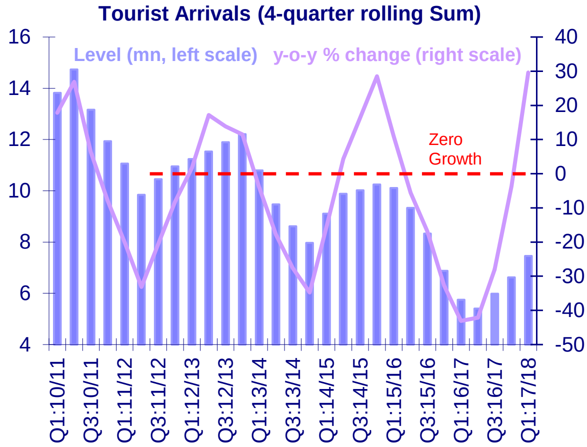
Real estate prices gained momentum in Q2:17 (up 1.1% y-o-y). The Central Bank's Residential Property Price Index (RPPI) rose by 1.1% y-o-y in Q2:17, following an increase of 0.2% y-o-y in Q1:17, and eight consecutive years of decline (totalling c. 30%).

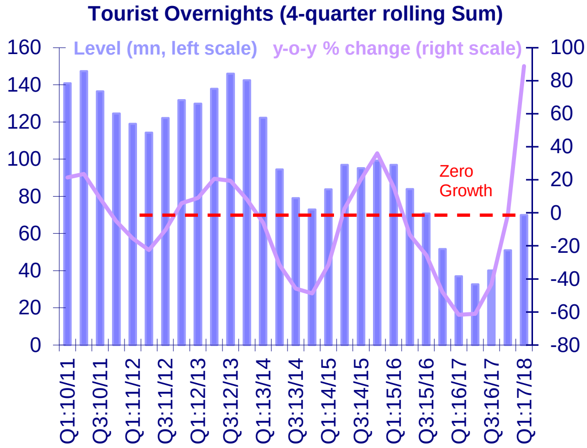
Importantly, the improved performance in Q2:17 reflects sharp rises in property sales to both domestic and overseas buyers. Indeed, property sales to overseas buyers (comprising a quarter of total sales) rose sharply by 53.7% y-o-y in Q2:17, up from a rise of 32.2% y-o-y in Q1:17, supported by increasing investor confidence and a government investment scheme providing (a) permanent residence to foreigners for property purchases exceeding EUR 300k, and (b) citizenship for property purchases exceeding EUR 2mn. Moreover, property sales to domestic buyers rose by a solid 20.0% y-o-y in Q2:17, up from 3.9% y-o-y in Q1:17, underpinned by the island's robust economic recovery.

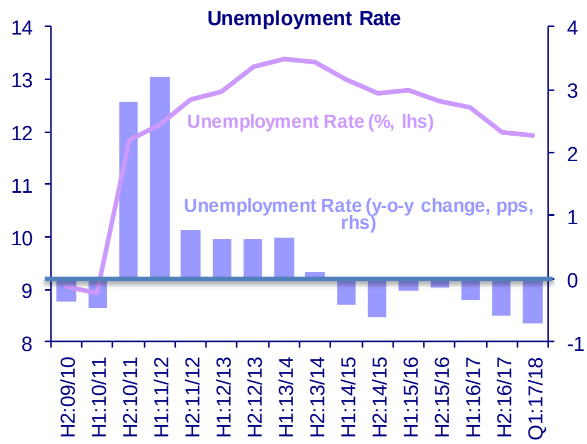
The gradual recovery in property prices in Q2:17 was also supported by government incentives through tax reforms (the immovable property tax was reduced by 75% since mid-2016 and was abolished from 2017 onwards), as well as banks' persistent reluctance to implement aggressively the new foreclosure law, in an effort to limit over-supply.

Egypt

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







	4 Dec.	3-M F	6-M F	12-M F
O/N Interbank Rate (%)	19.0	19.0	18.0	17.0
EGP/USD	17.6	17.8	18.0	18.0
Sov. Spread (2020. bps)	206	196	190	180

	4 Dec.	1-W %	YTD %	2-Y %
HERMES 100	1,386	1.8	27.2	126.2

	14/15	15/16	16/17E	17/18F	18/19F
Real GDP Growth (%)	4.4	4.3	4.2	4.6	5.2
Inflation (eop. %)	11.4	14.0	29.8	13.5	9.8
Cur. Acct. Bal. (% GDP)	-3.7	-6.0	-6.6	-5.4	-4.4
Fiscal Bal. (% GDP)	-11.4	-12.5	-10.9	-9.5	-8.2

The tourism sector continues to recover, mainly supported by a cheaper domestic currency and improved security conditions. Tourist arrivals posted a sharp increase for a third consecutive quarter in Q1:17/18 (up 55.0% y-o-y, bringing average growth for the past 3 quarters to c. 53.0% y-o-y), following 6 successive quarters of decline (an average decline of c. 35.0% y-o-y in Q1:15/16-Q2:16/17). The strong rise in arrivals in the past 3 quarters 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 in Egyptian airports, which has led to a gradual removal of travel bans and/or warnings by key source countries, with the exception of Russia and the UK, since October 2016.

The cheaper Egyptian pound and the easing security concerns has also led to a sharp increase in the number of nights spent per tourist in the past 3 quarters (an average rise of 4.1 y-o-y to 10 nights). As a result, the total number of nights spent per tourist increased at a faster pace than arrivals during the past 3 quarters (average growth of c. 156.0% and c. 53.0% y-o-y, respectively).

Looking ahead, barring renewed security concerns, we expect tourist arrivals and overnights to continue to increase during the rest of the fiscal year, albeit at a slower pace than in Q1:17/18, due to strong base effects. We see tourist arrivals and overnights expanding by c. 25.0% and c. 67.0% y-o-y, respectively, to 3-year highs of 8.3mn and 84.9mn in FY:17/18.

Based on the Q1:17/18 tourist spending per night, tourism receipts will rise sharply, by c. 72.0% (or USD 3.0bn or 1.1 pp of GDP) to a 5-year high of USD 7.5bn in FY:17/18, following an increase of c. 16.0% to USD 4.4bn a year earlier, contributing significantly to the expected narrowing of the current account deficit to 5.4% of GDP in FY:17/18 from 6.6% a year earlier.

The unemployment rate fell below 12%, for the first time in 6 years, in Q1:17/18 (11.9%). Importantly, the pace of decline in the unemployment rate accelerated to -0.7 pps y-o-y in Q1:17/18 (July-September 2017) from -0.6 pps in H2:16/17 and -0.3 pps in H1:16/17. The acceleration reflects strengthening confidence in the domestic economy, on the back of the steady implementation of the ongoing IMF-supported programme (endorsed by the IMF Board in early-November 2016), as well as the strong recovery in the labour-intensive tourism sector.

Note that, on November 10th, an IMF mission and the Egyptian authorities reached a staff-level agreement on the second review of Egypt's economic reform programme, supported by a 3-year USD 12bn IMF Extended Fund Facility. The approval of the review by the IMF's Board, expected by the end of this month, will provide c. USD 2bn, bringing total disbursements under the programme to c. USD 6bn.

The acceleration in the annual decline in the unemployment rate over the past 5 quarters was in line with the acceleration in the annual increase in economic activity (GDP growth rose to an estimated 5.2% y-o-y in Q1:17/18 from 4.6% in H2:16/17 and 3.6% in H1:16/17).

The 0.7 pp y-o-y contraction in the unemployment rate in Q1:17/18 reflects the fact that the number of jobs created (779k or 3.1%) exceeded the number of new entrants to the labour force (652k or 2.3%).

However, despite its downward trend during the past 4 years, the unemployment rate remains well above its pre-Revolution level of 9.2% (December 2010) in FY:16/17. To reach this level, an average economic growth rate of 5% per annum during the next 4 years (end-2020/21) is needed.

FOREIGN EXCHANGE MARKETS, DECEMBER 4TH 2017

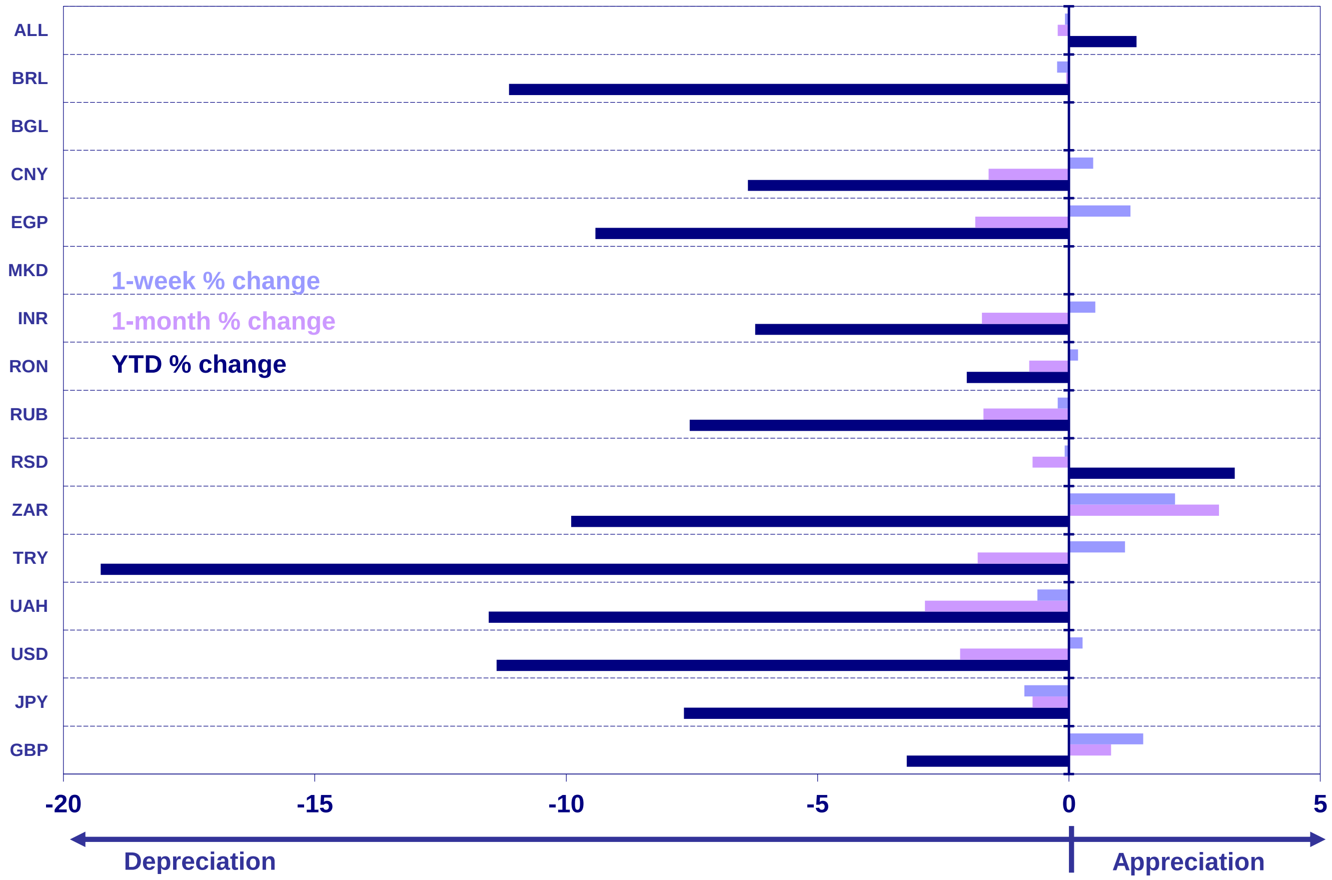
Against the EUR

	Currency	2017										2016	2015
		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	133.6	-0.1	-0.2	1.3	1.5	132.1	137.3	134.0	133.9	133.5	1.2	2.0
Brazil	BRL	3.85	-0.2	-0.1	-11.1	-4.4	3.23	3.93	4.13	4.12	4.13	25.7	-25.2
Bulgaria	BGL	1.96	0.0	0.0	0.0	0.0	1.96	1.96	1.96	1.96	1.96	0.0	0.0
China	CNY	7.83	0.5	-1.6	-6.4	-6.0	7.20	7.99	8.23	8.22	8.21	-4.0	6.7
Egypt	EGP	20.83	1.2	-1.9	-9.4	-11.7	16.62	21.29	- - -	- - -	- - -	-55.0	2.1
FYROM	MKD	61.3	0.0	0.0	0.0	0.0	61.3	61.3	61.3	61.3	61.3	0.0	0.0
India	INR	76.3	0.5	-1.7	-6.2	-4.4	68.2	77.8	81.4	- - -	- - -	0.4	6.6
Romania	RON	4.63	0.2	-0.8	-2.0	-2.9	4.49	4.66	4.67	4.71	4.72	-0.4	-0.8
Russia	RUB	69.7	-0.2	-1.7	-7.5	-1.6	59.5	72.1	71.1	72.4	75.1	22.9	-15.1
Serbia	RSD	119.4	-0.1	-0.7	3.3	3.2	0.1	124.1	119.8	120.1	- - -	-1.5	-0.1
S. Africa	ZAR	16.0	2.1	3.0	-9.9	-7.9	13.38	17.06	16.4	16.7	17.4	16.2	-16.6
Turkey	YTL	4.60	1.1	-1.8	-19.3	-17.6	3.70	4.72	4.76	4.93	5.29	-14.7	-10.8
Ukraine	UAH	32.2	-0.6	-2.9	-11.5	-12.9	27.22	32.39	37.8	- - -	- - -	-8.6	-27.5
US	USD	1.19	0.3	-2.2	-11.4	-9.3	1.0	1.2	1.19	1.20	1.22	3.3	11.4
JAPAN	JPY	133.4	-0.9	-0.7	-7.7	-8.1	114.9	134.5	133.4	133.5	133.5	6.0	11.0
UK	GBP	0.88	1.5	0.8	-3.2	-4.0	0.8	0.9	0.88	0.89	0.89	-13.5	5.3

* Appreciation (+) / Depreciation (-)

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

Currencies against the EUR (December 4th 2017)



MONEY MARKETS, DECEMBER 4TH 2017

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
O/N	1.3	7.4	-0.1	2.6	- - -	19.0	- - -	- - -	2.1	8.3	- - -	12.9	7.5	13.1	- - -	1.2
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	2.1	7.8	2.5	- - -	7.4	- - -	- - -	- - -
S/W	1.4	7.3	-0.1	2.8	-0.4	- - -	1.2	- - -	- - -	7.6	2.5	- - -	7.9	13.6	-0.4	1.2
1-Month	1.6	7.0	-0.1	4.2	-0.4	- - -	1.5	6.3	2.2	7.7	2.8	13.9	7.1	15.5	-0.4	1.4
2-Month	- - -	6.9	0.0	- - -	-0.3	- - -	- - -	- - -	- - -	8.5	3.0	14.0	8.3	- - -	-0.3	1.5
3-Month	2.1	6.9	0.0	4.8	-0.3	- - -	1.7	6.4	2.2	7.8	3.1	14.4	7.3	17.0	-0.3	1.5
6-Month	2.5	6.8	0.2	4.7	-0.3	- - -	2.0	- - -	2.4	8.0	3.2	14.5	8.0	- - -	-0.3	1.7
1-Year	3.0	7.0	0.7	4.6	-0.2	- - -	2.4	- - -	2.4	8.1	- - -	14.9	8.4	- - -	-0.2	2.0

LOCAL DEBT MARKETS, DECEMBER 4TH 2017

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	- - -	- - -	- - -	- - -	- - -	19.2	- - -	6.1	- - -	7.8	3.3	12.7	- - -	- - -	-1.0	1.3
6-Month	2.0	- - -	- - -	- - -	- - -	19.1	1.5	6.2	2.4	7.8	3.3	13.3	- - -	- - -	-0.8	1.4
12-Month	2.5	- - -	-0.1	3.7	- - -	18.6	1.9	6.4	2.6	7.2	3.5	13.4	- - -	14.6	-0.7	1.7
2-Year	2.9	- - -	- - -	3.7	- - -	- - -	- - -	6.6	3.1	7.2	- - -	13.0	8.1	- - -	-0.7	1.8
3-Year	- - -	- - -	0.0	3.8	0.9	- - -	- - -	6.7	3.5	7.3	- - -	12.9	8.3	14.9	-0.6	1.9
5-Year	- - -	9.9	- - -	3.8	0.9	16.3	- - -	6.9	3.9	7.4	4.8	12.6	8.6	- - -	-0.3	2.1
7-Year	- - -	- - -	0.5	- - -	- - -	16.3	- - -	7.1	4.2	7.5	- - -	- - -	- - -	- - -	-0.1	2.3
10-Year	- - -	10.3	1.3	3.9	- - -	16.3	- - -	7.1	4.5	7.6	- - -	11.8	9.2	- - -	0.3	2.4
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	3.8	7.5	- - -	7.9	- - -	- - -	9.9	- - -	0.6	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	10.2	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	7.5	- - -	- - -	- - -	- - -	10.2	- - -	1.2	2.8

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

CORPORATE BONDS SUMMARY, DECEMBER 4TH 2017

		Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Bulgaria	**Bulgaria Energy Hld 4.25% '18**	EUR	NA/NA	7/11/2018	500	1.0	176	135
	Bulgarian Telecom. 6.625% '18	EUR	B-/B1	15/11/2018	400	6.7	194	164
Russia	**Gazprom 8.2% '19**	RUB	BB+/NA	9/4/2019	10,000	8.0	84	- - -
	Gazprom 8.9% '21	RUB	BB+/NA	26/1/2021	10,000	8.7	149	- - -
South Africa	**FirstRand Bank Ltd 4.25% '20**	USD	BBB-/Baa2	30/4/2020	500	3.3	152	129
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	0.4	110	57
Turkey	**Vakiflar Bankasi 3.5% '19**	EUR	NA/Baa3	17/6/2019	500	2.2	295	254
	Garanti Bankasi 3.38%'19	EUR	NA/Baa3	8/7/2019	500	1.2	192	151
	Arcelik AS 3.875% '21	EUR	BB+/NA	16/9/2021	350	2.1	259	214
	Turkiye Is Bankasi 6% '22	USD	NA/Ba3	24/10/2022	1,000	6.2	403	389

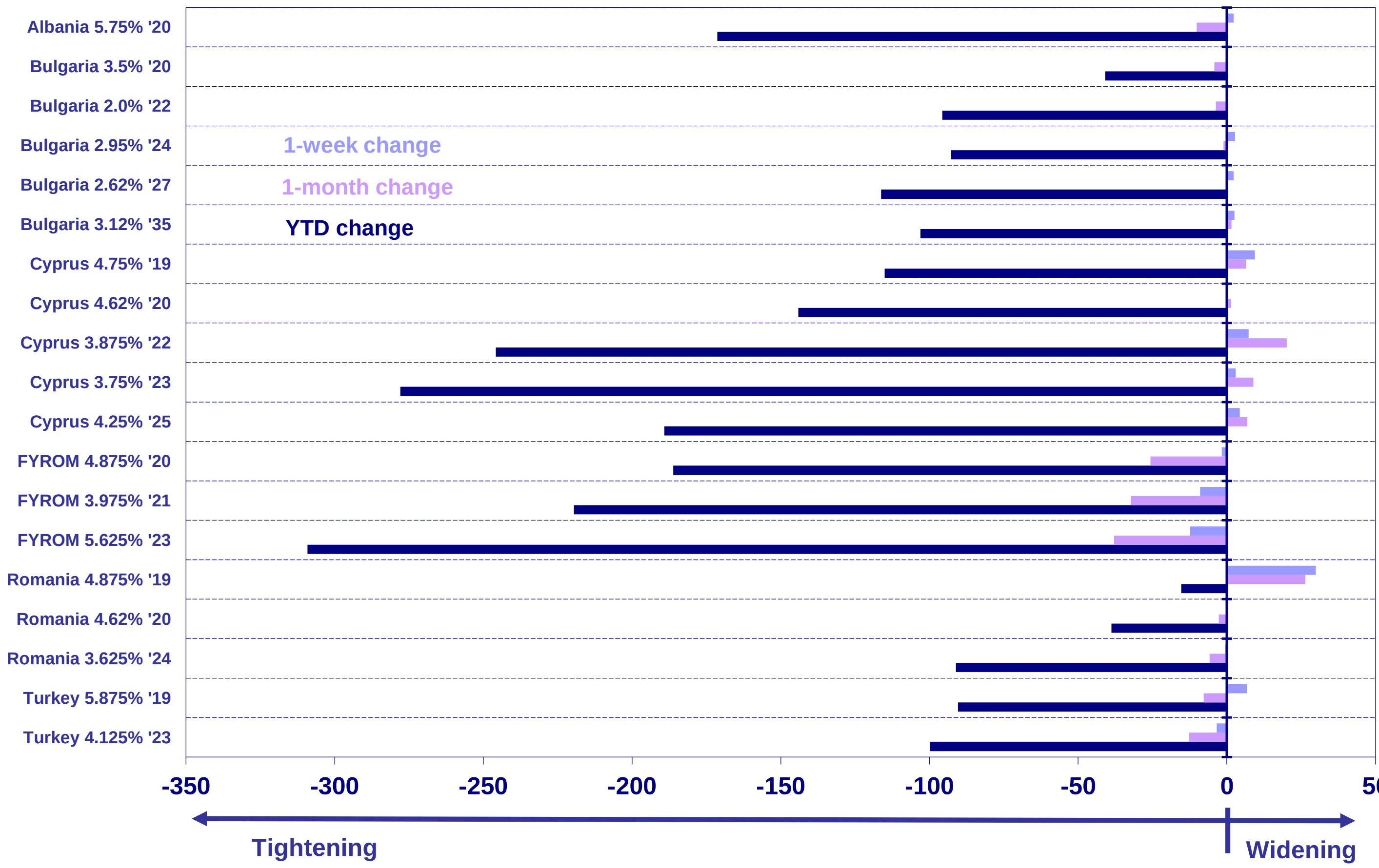
CREDIT DEFAULT SWAP SPREADS, DECEMBER 4TH 2017

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	169	100	57	115	354	- - -	80	100	130	129	199	180	- - -
10-Year	- - -	261	138	99	162	403	- - -	89	138	196	164	286	272	- - -

EUR-DENOMINATED SOVEREIGN EUROBOND SUMMARY, DECEMBER 4TH 2017

	Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Albania 5.75% '20	EUR	B+/B1	12/11/2020	450	1.5	207	164
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	0.1	81	29
Bulgaria 2.0% '22	EUR	BB+/Baa2	26/3/2022	1,250	0.0	50	-8
Bulgaria 2.95% '24	EUR	BB+/Baa2	3/9/2024	1,493	0.7	78	31
Bulgaria 2.62% '27	EUR	BB+/Baa2	26/3/2027	1,000	1.3	92	57
Bulgaria 3.12% '35	EUR	BB+/Baa2	26/3/2035	900	2.3	144	108
Cyprus 4.75% '19	EUR	BB/NA	25/6/2019	199	0.4	108	68
Cyprus 4.62% '20	EUR	BB/B1	3/2/2020	668	0.5	125	74
Cyprus 3.875% '22	EUR	NA/B1	6/5/2022	1,000	0.9	138	85
Cyprus 3.75% '23	EUR	NA/B1	26/7/2023	1,000	1.1	134	95
Cyprus 4.25% '25	EUR	NA/B1	4/11/2025	1,000	1.6	154	113
FYROM 4.875% '20	EUR	BB-/NA	1/12/2020	270	1.6	226	180
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	1.8	232	422
FYROM 5.625% '23	EUR	BB-/NA	26/7/2023	450	2.7	295	265
Romania 4.875% '19	EUR	BBB-/Baa3	7/11/2019	1,500	0.3	101	54
Romania 4.62% '20	EUR	BBB-/Baa3	18/9/2020	2,000	0.0	65	14
Romania 3.625% '24	EUR	BBB-/Baa3	24/4/2024	1,250	1.1	121	82
Turkey 5.875% '19	EUR	NR/Ba1	11/4/2023	1,250	0.8	157	118
Turkey 4.125% '23	EUR	NR/Ba1	12/11/2020	1,000	2.7	295	256

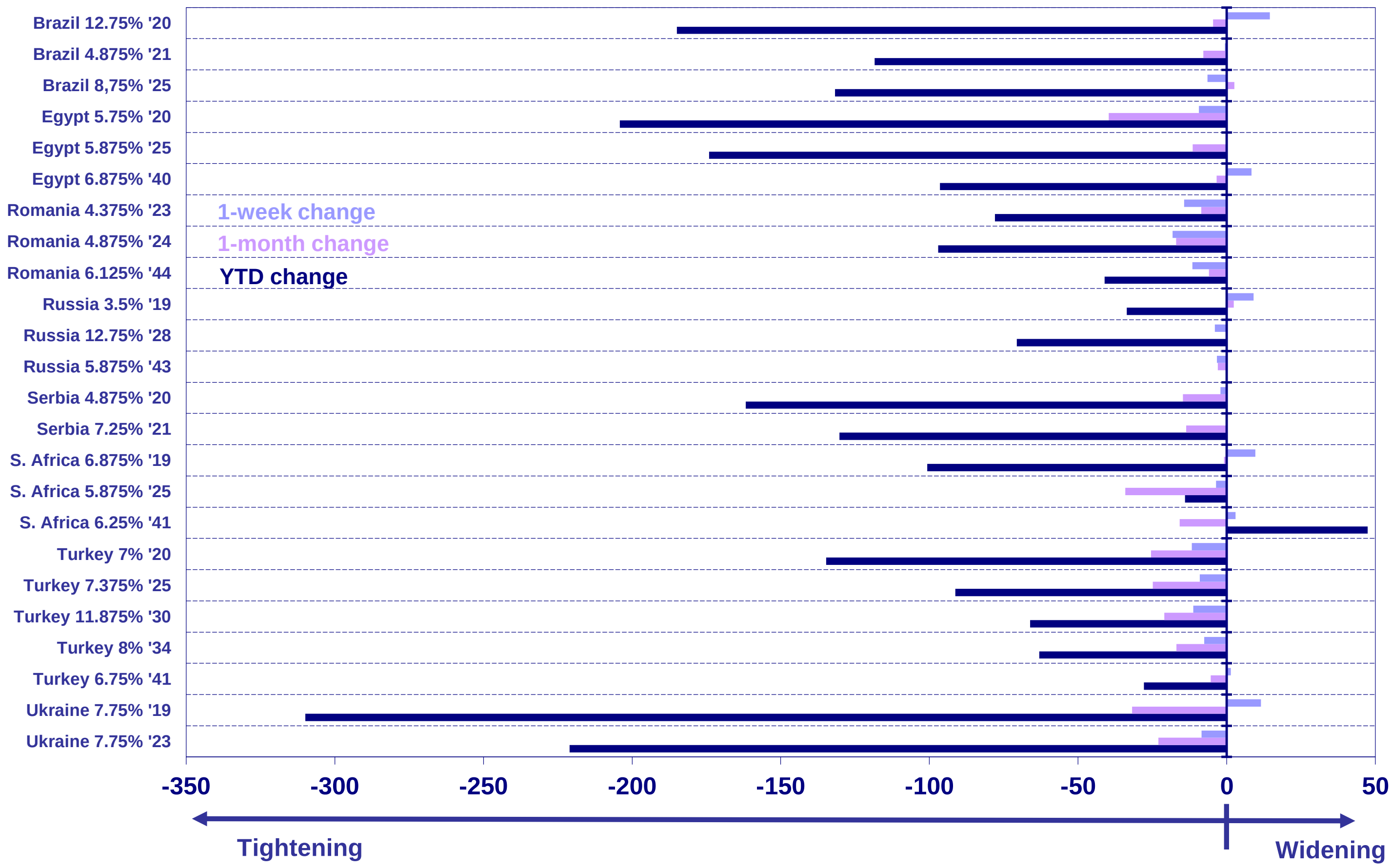
EUR-Denominated Eurobond Spreads (December 4th 2017)



USD-Denominated Sovereign Eurobond Summary, December 4th 2017

	Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Brazil 12.75% '20	USD	BB/Ba2	15/1/2020	87	2.1	34	17
Brazil 4.875% '21	USD	BB/Ba2	22/1/2021	2,713	2.9	94	77
Brazil 8.75% '25	USD	BB/Ba2	4/2/2025	688	4.0	175	202
Egypt 5.75% '20	USD	B-/B3	11/6/2025	1,000	3.9	206	185
Egypt 5.875% '25	USD	B-/B3	30/4/2040	1,500	5.6	327	324
Egypt 6.875% '40	USD	B-/B3	22/8/2023	500	6.8	407	422
Romania 4.375% '23	USD	BBB-/Baa3	22/1/2024	1,500	3.1	92	85
Romania 4.875% '24	USD	BBB-/Baa3	22/1/2044	1,000	3.0	72	80
Romania 6.125% '44	USD	BBB-/Baa3	16/1/2019	1,000	4.3	152	202
Russia 3.5% '19	USD	BB+/Ba1	24/6/2028	1,500	2.7	107	88
Russia 12.75% '28	USD	BB+/Ba1	16/9/2043	2,500	4.1	170	240
Russia 5.875% '43	USD	BB+/Ba1	25/2/2020	1,500	4.8	207	246
Serbia 4.875% '20	USD	BB-/B1	28/9/2021	1,500	3.0	118	99
Serbia 7.25% '21	USD	BB-/B1	27/5/2019	2,000	3.2	126	111
S. Africa 6.875% '19	USD	BBB-/Baa2	16/9/2025	1,748	2.9	109	102
S. Africa 5.875% '25	USD	BBB-/Baa2	8/3/2041	2,000	4.6	235	240
S. Africa 6.25% '41	USD	BBB-/Baa2	5/6/2020	750	5.7	295	324
Turkey 7% '20	USD	NR/Ba1	5/2/2025	2,000	3.8	185	179
Turkey 7.375% '25	USD	NR/Ba1	15/1/2030	3,250	5.0	271	289
Turkey 11.875% '30	USD	NR/Ba1	14/2/2034	1,500	5.5	316	409
Turkey 8% '34	USD	NR/Ba1	14/1/2041	1,500	5.9	355	382
Turkey 6.75% '41	USD	NR/Ba1	1/9/2019	3,000	6.1	329	342
Ukraine 7.75% '19	USD	B-/Caa3	1/9/2023	661	4.8	296	284
Ukraine 7.75% '23	USD	B-/Caa3	15/1/2020	1,355	6.4	426	425

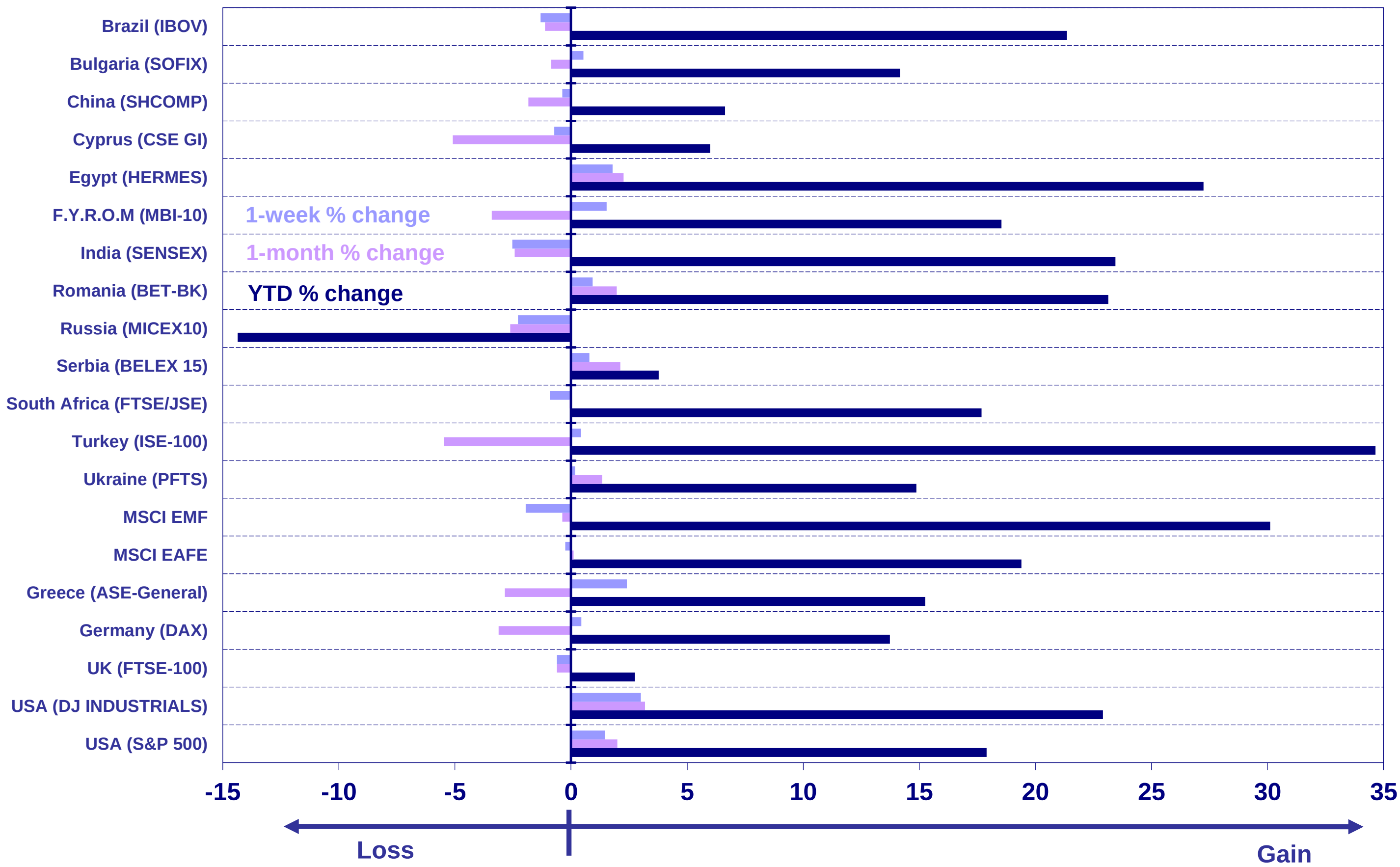
USD-Denominated Eurobond Spreads (December 4th 2017)



STOCK MARKETS PERFORMANCE, DECEMBER 4TH 2017

	2017								2016		2015	
	Local Currency Terms							EUR Terms	Local Currency Terms	EUR terms	Local Currency terms	EUR terms
	Level	1-week % change	1-month % change	YTD % change	1-year % change	Year-Low	Year-High	YTD % change	% change		% change	
Brazil (IBOV)	73,090	-1.3	-1.1	21.4	22.2	59,371	78,024	7.6	38.9	76.2	-13.3	-35.3
Bulgaria (SOFIX)	670	0.5	-0.9	14.2	19.3	583	733	14.2	27.2	27.2	-11.7	-11.7
China (SHCOMP)	3,310	-0.4	-1.8	6.6	3.3	3,017	3,450	-0.9	-12.3	-15.3	9.4	16.5
Cyprus (CSE GI)	70	-0.7	-5.1	6.0	8.9	65	79	6.0	-2.0	-2.0	-20.9	-20.9
Egypt (HERMES)	1,386	1.8	2.3	27.2	35.9	1,071	1,400	14.5	72.7	-21.8	-24.4	-22.8
F.Y.R.O.M (MBI)	2,531	1.5	-3.4	18.5	14.7	2,135	2,706	18.5	16.5	16.5	-0.6	-0.6
India (SENSEX)	32,870	-2.5	-2.4	23.4	24.7	25,754	33,866	15.5	1.9	2.6	-5.0	0.7
Romania (BET-BK)	1,655	0.9	2.0	23.1	26.2	1,365	1,666	20.6	0.2	0.0	2.6	1.6
Russia (RTS)	4,213	-2.3	-2.6	-14.4	-11.3	3,838	5,089	-20.8	24.2	54.3	30.3	9.5
Serbia (BELEX-15)	744	0.8	2.1	3.8	5.6	694	753	7.2	11.4	9.7	-3.4	-3.5
South Africa (FTSE/JSE)	59,607	-0.9	-0.1	17.7	19.9	50,338	61,299	6.0	-0.1	16.1	1.9	-15.1
Turkey (ISE 100)	105,215	0.4	-5.5	34.7	43.0	75,657	115,093	8.7	8.9	-7.0	-16.3	-25.4
Ukraine (PFTS)	305	0.2	1.3	14.9	14.3	265	305	1.6	10.2	1.0	-37.8	-54.8
MSCI EMF	1,122	-2.0	-0.4	30.1	31.4	858	1,161	15.3	8.6	12.2	-17.0	-6.9
MSCI EAFE	2,011	-0.2	0.1	19.4	22.8	1,677	2,023	5.8	-1.9	1.4	-3.3	7.7
Greece (ASE-General)	742	2.4	-2.8	15.3	19.6	602	860	15.3	1.9	1.9	-23.6	-23.6
Germany (XETRA DAX)	13,059	0.4	-3.1	13.7	22.2	11,415	13,526	13.7	6.9	6.9	4.9	4.9
UK (FTSE-100)	7,339	-0.6	-2.9	2.7	8.8	7,094	7,599	-0.6	14.4	-1.0	-4.9	0.1
USA (DJ INDUSTRIALS)	24,290	3.0	3.2	22.9	26.4	19,185	24,328	8.9	13.4	16.7	-2.2	9.3
USA (S&P 500)	2,639	1.5	2.0	17.9	19.7	2,245	2,658	4.5	9.5	13.2	-0.7	10.6

Equity Indices (December 4th 2017)



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