Economic Analysis Division

Emerging Markets Analysis

Bi-Weekly Report

29 May – 11 June 2018

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Emerging Markets Analysis

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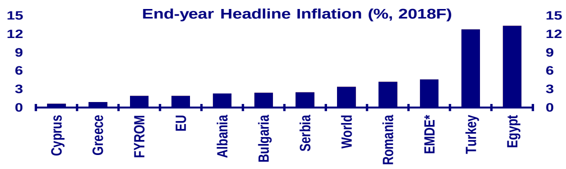
* EMDE: Emerging Market & Developing Economies



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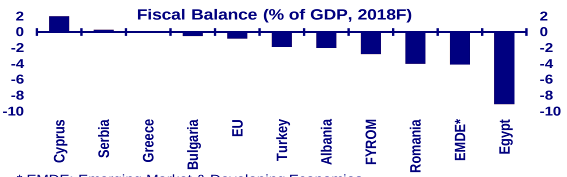

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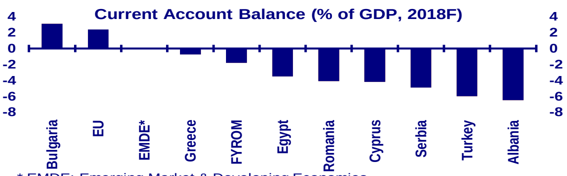

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TURKEY 1

The CBRT hiked its policy rates by 125 bps, bringing the total increase of its funding rate to 500 bps since April 25th

A significant slowdown in economic activity lies ahead after the Q1:18 strong growth performance (7.4% y-o-y)

ROMANIA 2

Political uncertainty on the rise

The current account deficit remained contained in Q1:18 (3.4% of GDP on 4-quarter rolling basis)

BULGARIA 3

Economic activity gained momentum in Q1:18 (up 3.5% y-o-y)

Labour market conditions tightened further in Q1:18, albeit at a slower pace compared with previous quarters

SERBIA 4

Activity accelerated to a post-global crisis high of 4.6% y-o-y in Q1:18

FYROM 5

Disappointing growth in Q1:18 (up 0.1% y-o-y), due to a significant decline in investment

Labour market conditions tightened further in Q1:18, despite a poor growth performance

ALBANIA 6

The banking sector's bottom line weakened slightly on an annual basis in Q1:18, but ROAE remained in double digits

CYPRUS 7

The IMF Executive Board commended the country's strong macroeconomic performance, while stressing the need to reduce NPLs further and restart structural reforms

The unemployment rate returned to single digits, for the first time in 6 years, in Q1:18

EGYPT 8

GDP growth on track to reach a 10-year high of 5.2% this fiscal year (ending in June 2018)

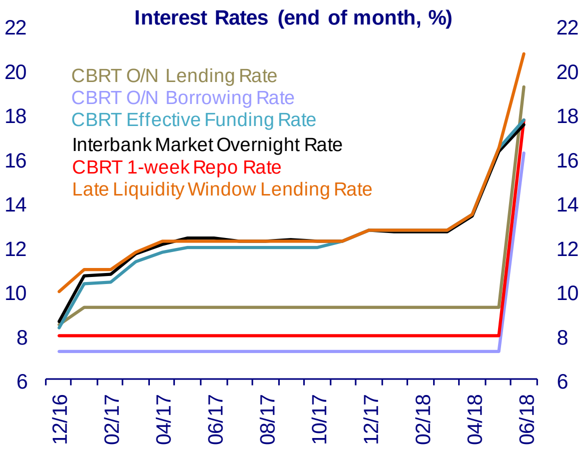
FX reserves rose by USD 7.1bn to a record high USD 44.1bn in the first five months of 2018, supported by the solid implementation of the loan agreement with the IMF

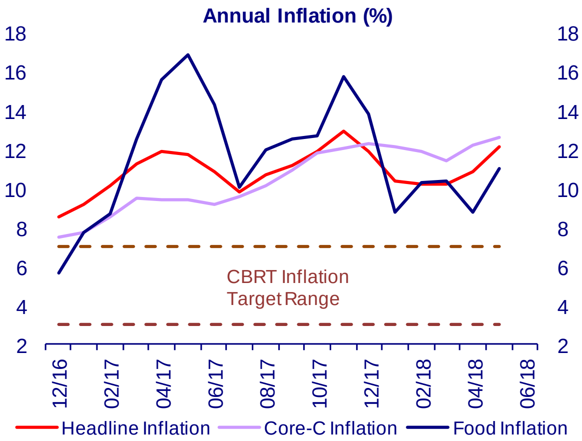
APPENDIX: FINANCIAL MARKETS 9

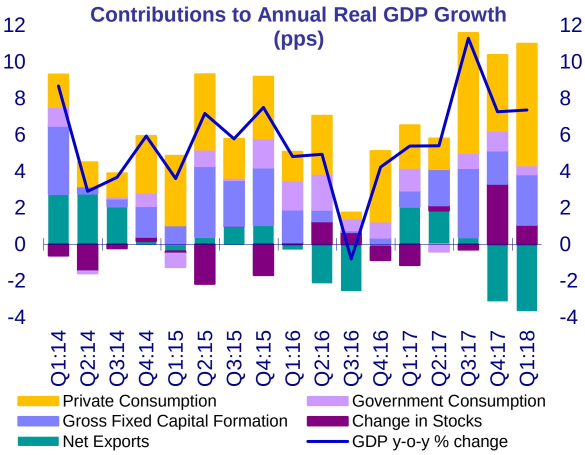
Please see disclosures in page 14

Turkey

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







	11 June	3-M F	6-M F	12-M F
1-m TRIBOR (%)	18.9	17.8	17.8	16.5
TRY/EUR	5.33	5.30	5.20	5.30
Sov. Spread (2020, bps)	318	280	240	180

	11 June	1-W %	YTD %	2-Y %
ISE 100	96,661	-2.6	-16.2	25.7

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	6.1	3.2	7.4	4.2	4.4
Inflation (eop, %)	8.8	8.5	11.9	12.8	10.2
Cur. Acct. Bal. (% GDP)	-3.7	-3.8	-5.6	-6.0	-5.4
Fiscal Bal. (% GDP)	-1.0	-1.1	-1.5	-1.9	-1.5

The CBRT hiked its policy rates by 125 bps, bringing the total increase of its funding rate to 500 bps since April 25th. The CBRT raised its key policy rate -- the 1-week repo rate – by 125 bps to 17.75% at its June 7th MPC meeting. Under the recently-normalized monetary policy framework (June 1st), this move increased the CBRT's late liquidity window lending, O/N lending and O/N borrowing rates, by the same amount, to 20.75%, 19.25% and 16.25%, respectively. This was the third hike since the resumption of monetary policy tightening on April 25th (after a pause of 4 months), bringing the year-to-date increase of the CBRT's funding rate to 500 bps.

The CBRT justified its decision by the fact that "*elevated levels of inflation and inflation expectations continue to pose risks on pricing behaviour*". Indeed, headline inflation rose to a 6-month high of 12.1% y-o-y in May from 10.8% in April and 10.2% in March, while the CBRT's favourite core inflation measure, i.e., CPI-C, accelerated to an all-time high (since the inception of series in 2003) of 12.6% y-o-y in May from 12.2% in April and 11.4% in March. Moreover, end-year, 12-month ahead and 24-month ahead inflation expectations rose significantly to 11.1% y-o-y, 10.2% y-o-y and 9.0% y-o-y, respectively, in May from 10.1%, 9.6% and 8.6% in April and 9.5%, 9.2% and 8.3% in March.

The sharp deterioration in headline inflation and inflation expectations reflects the recent sharp weakening of the TRY and, to a lesser extent, more unfavourable energy prices and higher wages. Note that the depreciation of the TRY against the equally-weighted EUR-USD basket accelerated to 22.1% y-o-y in May from 16.4% in April and 12.6% in March, reflecting mainly an inadequate policy response to the widening of the twin deficits, high inflation and a more precarious external financing position amid tightening global liquidity conditions.

In our view, the cumulative 500 bp hike in the CBRT funding rate could prove sufficient to stabilise or even strengthen the TRY, anchor inflation expectations and restore investor confidence, provided that corrective fiscal and structural measures are implemented by the new Government after the June 24th elections.

A significant slowdown in economic activity lies ahead following the Q1:18 strong growth performance (7.4% y-o-y). The strong growth performance in Q1:18 was driven by domestic demand, contributing 11.0 pps to overall growth. Specifically, private consumption rose by 10.9% y-o-y (contributing 6.6 pps to headline growth), mainly supported by tighter labour market conditions (total employment and the average real wage in industry, construction, trade & services rose by 4.5% and 9.4% y-o-y, respectively, in Q1:18)**.** Gross fixed capital formation and public consumption increased by 9.7% and 3.4% y-o-y, respectively, contributing 2.8 pps and 0.5 pps to overall growth. Stock rebuilding added 1.1 pp to headline growth.

Net exports were a drag, shaving 3.6 pps off overall growth in Q1:18, as imports rose significantly (up 15.5% y-o-y), on the back of strong domestic demand, and exports remained broadly flat (up 0.5% y-o-y), due to the economic slowdown in the country's main trading partner, the EU, and an unsupportive base.

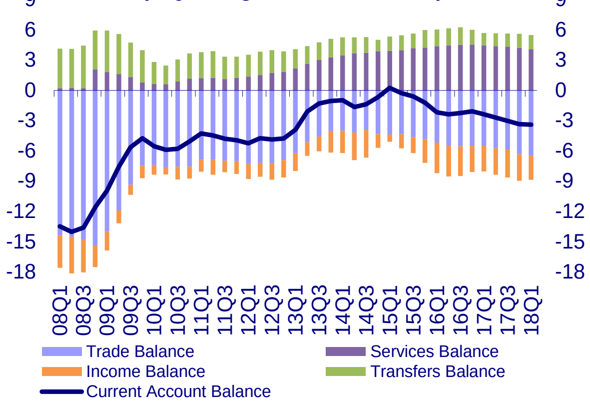
Looking ahead, we expect economic activity to slow significantly during the rest of the year (up 3.1% y-o-y in Q2-Q4:18 against rises of 7.4% y-o-y in Q1:18 and 8.0% y-o-y in Q2-Q4:17). The projected slowdown should result mainly from: i) the recent sharp monetary policy tightening (see above); ii) the limited fiscal and quasi-fiscal space in view of the country's challenging economic environment and external financing prospects; and iii) the weaker appetite for emerging market assets. Overall, we see GDP growth at 4.2% in FY:18 – down from 7.4% in FY:17.

Romania

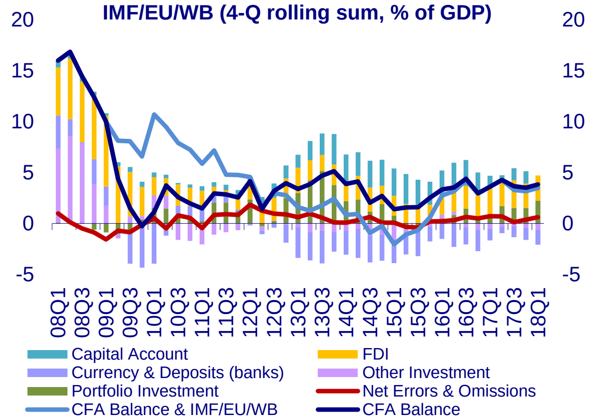
BBB- / Baa3 / BBB- (S&P / Moody's / Fitch)

Composition of Parliament		Chamber of Deputies	Senate
	Party	Seats	Seats
Ruling Coalition	PSD	150	69
	ALDE	17	9
	PNL	66	29
	USR	28	13
	UDMR	21	9
	PMP	14	- - -
	Minorities	17	- - -
	Independent MPs	16	7
	o/w linked to the PR	11	- - -
Total		329	136

Current Account Balance (4-Q rolling sum, as % of GDP)



Capital & Financial Account (CFA) and IMF/EU/WB (4-Q rolling sum, % of GDP)



	11 June	3-M F	6-M F	12-M F
1-m ROBOR (%)	2.9	2.8	2.9	3.0
RON/EUR	4.66	4.64	4.65	4.68
Sov. Spread (2024, bps)	128	125	120	110

	11 June	1-W %	YTD %	2-Y %
BET-BK	1,618	2.1	-2.0	37.5

	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	-3.3	-4.1	-4.5
Fiscal Bal. (% GDP)	-1.5	-2.4	-2.8	-4.0	-4.3

Political uncertainty on the rise. A series of defections from the PSD to the newly formed centre-left Pro Romania (PR) party left the former with a slim majority in Parliament. The ruling coalition (also comprising the ALDE) now holds 167 out of 329 seats in the Chamber of Deputies and 78 out of 136 seats in the Senate. Note that the PR party, which is led by the former PM, V. Ponta, has gained the support of 11 MPs, with some others (mostly from the PSD) reportedly being close to joining it.

In this context, we believe that it would be difficult for the ruling coalition to push ahead with its controversial judicial and legislative reforms. The main points of the former include granting control to the Ministry of Justice (MJ) over the judicial inspection unit (currently managed by an independent watchdog) and depriving the President of the power to appoint senior judges. The relevant bills have been challenged at the Constitutional Court (CC), with the latter ruling that certain provisions need to be modified. On the other hand, the proposed changes in the criminal code, including, *inter alia*, the decriminalization of several graft offenses, have yet to be submitted to Parliament. Note that the Government's initiatives have drawn strong criticism both domestically and internationally, having led to the departure of two PMs in a year.

On a separate note, the CC backed the Government in its row with the President over the dismissal of the head of the anti-corruption authority (DNA). Recall that, following a negative review of the DNA's activity by the MJ, the Government initiated procedures to oust the DNA's head, with the (opposition-linked) President, however, refusing to endorse the dismissal. Worryingly, the CC's ruling is widely seen as further limiting the President's powers in favour of the Government.

All said, political uncertainty is unlikely to ease soon. Indeed, the opposition has already announced its intention to submit a vote of no confidence against the Government. At the same time, we expect tensions between the latter and the President to escalate further, especially ahead of the next year's Presidential elections. Against this backdrop, economic sentiment is set to deteriorate, threatening macroeconomic and financial stability.

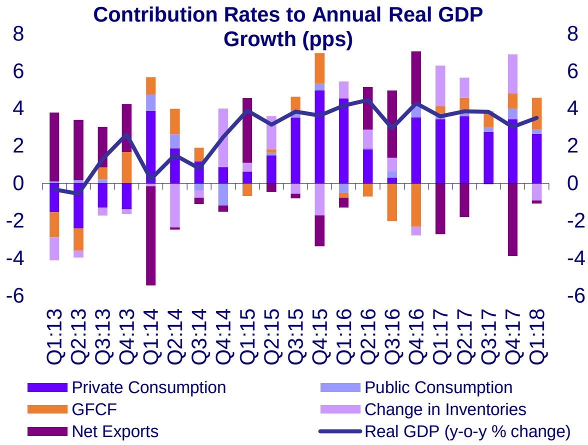
The current account deficit (CAD) remained contained in Q1:18 (3.4% of GDP on 4-quarter rolling basis). In Q1:18, the CAD rose marginally by 0.1 pp y-o-y to 0.5% of GDP. Specifically, the trade deficit continued to widen in Q1:18 (up 0.2 pps of GDP y-o-y) and the services surplus narrowed further (down 0.1 pp of GDP y-o-y), in line with stronger private consumption. These factors were broadly offset, however, by the improvement in the income balance (by 0.2 pps of GDP y-o-y), due to lower profit and dividend outflows.

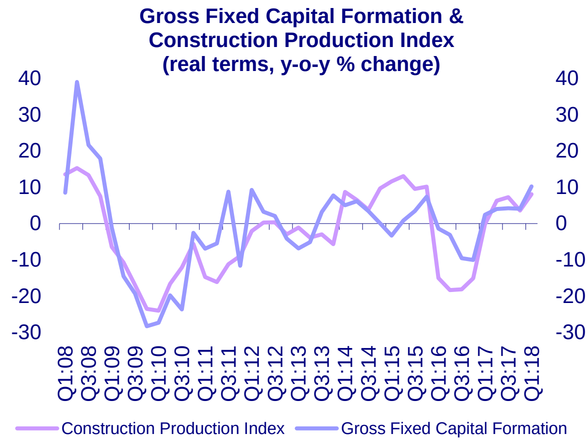
Sovereign Eurobond issue keeps the overall balance "in the black" in Q1:18. Net portfolio investment picked up in Q1:18 (to 0.8% of GDP from 0.1% in Q1:17, with the former, however, including proceeds from a sovereign Eurobond sale worth 1.0% of GDP). As a result, the overall balance improved (by 0.5 pps y-o-y), to a surplus of 0.7% of GDP in Q1:18.

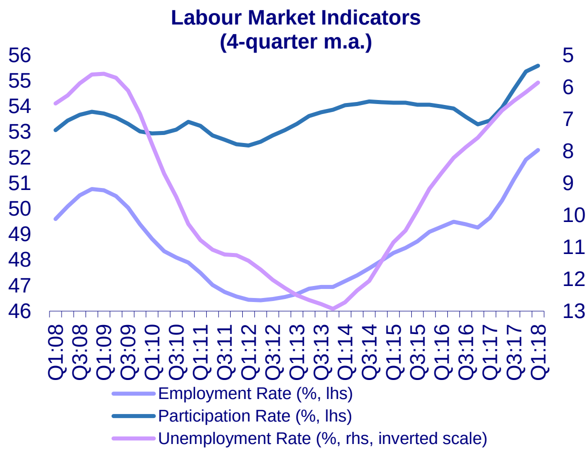
The CAD is set to widen to a still manageable 4.1% of GDP in FY:18. Looking ahead, we expect pressures on the trade deficit to persist, in view of strong domestic demand and unfavourable global oil prices. The larger CAD, combined with the continuing net debt repayments to IFIs (0.8% of GDP in FY:18), should, however, lead to a depletion in FX reserves. Projecting that: i) the maturing external debt rollover rate declines (to 85% in FY:18 from 95% in FY:17), due to tightening global liquidity conditions and domestic uncertainty; and ii) capital transfers rise (to 1.8% of GDP in FY:18 from 1.2% in FY:17) on the back of better absorption of EU funds, we see FX reserves falling to EUR 32.5bn at end-2018 (4 months of GNFS imports) from EUR 33.5bn at end-2017.

Bulgaria

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







	11 June	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)	48	56	48	40

	11 June	1-W %	YTD %	2-Y %
SOFIX	630	-1.4	-7.1	41.4

	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	2.3	4.5	3.1	1.7
Fiscal Bal. (% GDP)	-2.8	1.6	0.9	-0.5	-0.3

Economic activity gained momentum in Q1:18 (up 3.5% y-o-y). On a sequential basis, GDP rose by a strong 0.9% s.a, following an increase of 0.7% in Q4:17. As a result, the annual pace of economic expansion rebounded to 3.5% y-o-y in Q1:18 from 3.0% in Q4:17.

Stronger net exports and fixed investment compensated for the slowdown in private consumption. Private consumption weakened in Q1:18 (up by a still solid 3.2% y-o-y against 4.8% in Q4:17), due to slower employment and real wage growth, against the backdrop of a labour market which is rapidly approaching its potential (see below). At the same time, fixed investment strengthened significantly in Q1:18 (up 10.2% y-o-y against 4.1% in Q4:17), driven by the construction sector. The latter is benefiting from strong demand for residential property, in an environment of rising real estate prices (currently up 9.0% y-o-y). Importantly, net exports also improved in Q1:18 (subtracting just 0.2 pps of GDP from overall growth against a sizeable 3.9 pps in Q4:17), reflecting both stronger external demand from the EU, as well as the sharp drawdown in inventories (subtracting another 0.9 pps from overall growth).

Economic activity is set to maintain its momentum during the remainder of the year. In view of the low investment-to-GDP ratio (19% against a pre-crisis high of 32%), we expect fixed investment to strengthen further, in line with favourable domestic liquidity conditions (the loan-to-deposit ratio stands at 76%), still low interest rates and better absorption of EU funds. This improvement should more than compensate for the further slowdown in private consumption, mainly due to weaker employment growth (see below). Importantly, net exports should sustain overall growth, reflecting still favourable terms of trade (see below). Overall, we see GDP growth firming to 3.8% in FY:18 from 3.6% in FY:17, above its long-term potential of c. 3.0%.

Labour market conditions tightened further in Q1:18, albeit at a slower pace compared with previous quarters. Against the backdrop of solid economic growth, the unemployment rate fell sharply by 1.2 pps y-o-y to 5.7% in Q1:18. Indeed, employment continued to grow strongly in Q1:18 (up 2.1% y-o-y), albeit at a significantly slower pace compared with H2:17 (up by an impressive 5.5% y-o-y), pushing up the employment rate to 51.5% (up 1.5 pps y-o-y). Note that the participation rate rose further in Q1:18 (up 0.9 pps y-o-y to 54.6%), while the working-age population continued to decline (down 0.9% y-o-y).

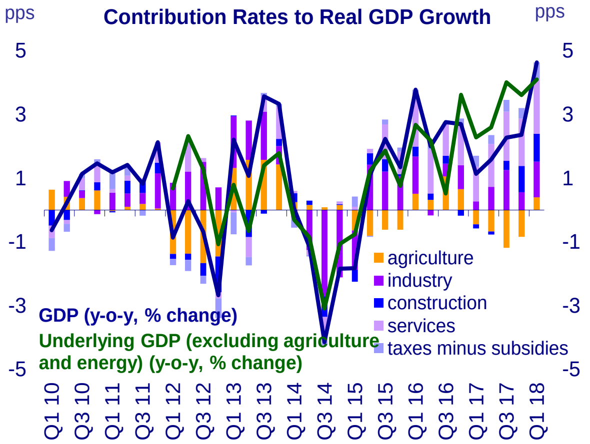
In this context, wage pressures persisted in Q1:18 (up 5.0% y-o-y in real terms against 8.0% in H2:17). Note that, albeit slowing, real wage growth still surpasses productivity gains (3% p.a. over the past 3 years).

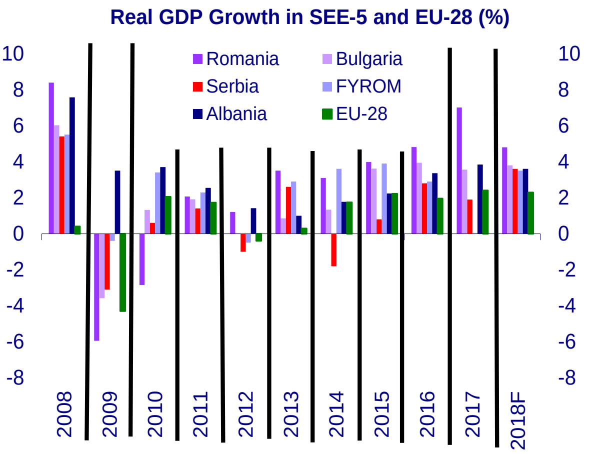
Structural problems cloud the outlook for the labour market. Long-term unemployment remains high (the percentage of people who have been unemployed for 12 months or more is estimated at 60% in Bulgaria -- the 2nd highest in the EU after Greece, OECD 2017), reflecting labour market rigidities and skills mismatches, as well as poor activation policies. At the same time, the labour force is shrinking due to outward migration and ageing (the IMF projects the working age population to drop by 12% in 2012-25). In this context, and despite strong economic activity, we expect labour market conditions to improve at a far slower pace, with employment rising by 1.0% in FY:18 (against an increase of 4.4% in FY:17) and the unemployment rate falling to 5.8% in FY:18 (from 6.2% in FY:17 and 7.6% in FY:16).

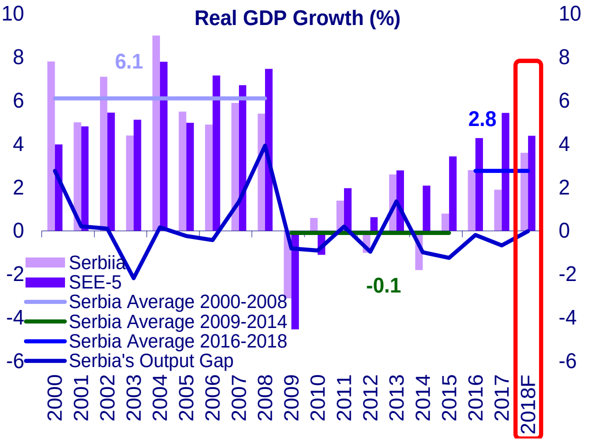
Concomitantly, wage pressures are set to persist in FY:18. However, this is not a major cause for concern. Indeed, with total hourly costs being one-sixth of the EU-28 average, competitiveness remains strong, as reflected in the large current account surplus (see table).

Serbia

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







	11 June	3-M F	6-M F	12-M F
1-m BELIBOR (%)	2.6	2.9	3.1	3.5
RSD/EUR	118.0	117.3	117.6	117.4
Sov. Spread (2021, bps)	155	145	135	120

	11 June	1-W %	YTD %	2-Y %
BELEX-15	733	-1.7	-3.6	17.3

	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

Activity accelerated to a post-global crisis high of 4.6% y-o-y in Q1:18. GDP growth rebounded markedly to 4.6% y-o-y in Q1:18 -- the strongest pace in 10 years -- from 1.1% in Q1:17 and 1.9% in FY:17. Recall that the poor growth performance throughout FY:17 was the result of weather shocks (an unusually cold winter that was followed by months of drought), which weighed heavily on the agricultural and construction sectors and electricity output.

The strengthening growth in Q1:18 was broad based. In fact, growth in the construction sector turned positive and reached double digits, rising sharply by 26.4% y-o-y in Q1:18 against a decline of 3.7% in Q1:17 (contributing 0.9 pps to overall growth in Q1:18). The strong recovery of the construction sector was supported, *inter alia*, by higher infrastructure projects (capital expenditure was up sharply by 141% y-o-y in Q1:18 against a drop of 31% in Q1:17). The improvement also reflects a base effect from the prolonged cold weather that disrupted construction activity in Q1:17.

Moreover, growth in the industrial sector accelerated to 5.3% y-o-y in Q1:18 from a weak 1.3% in Q1:17 (contributing 1.1 pp to GDP growth in Q1:18). The strengthening in the industrial production was driven by the strong rebound in power generation and mining (together contributing an estimated 2.5 pps to growth in Q1:18 after subtracting 3.5 pps in Q1:17), following a (temporary) decline in FY:17 due to adverse weather conditions.

Growth in agricultural production also turned positive in Q1:18 (up by 6.1% y-o-y and contributing 0.4 pps to real GDP growth), after a weather-induced decline in Q1:17 (by 6.3%, subtracting 0.4 pps from growth), due to the negative impact of the harsh winter.

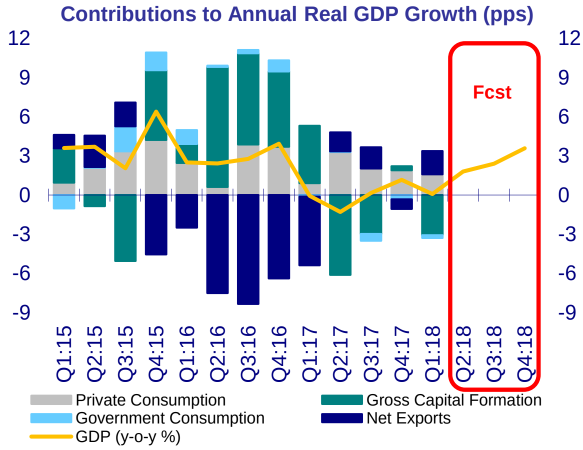
The services sector -- which remained the main growth driver -- also accelerated, to a post-global crisis high of 3.3% y-o-y in Q1:18 from 2.1% in Q1:17 (increasing its contribution to overall GDP growth to 1.7 pps in Q1:18 from 1.1 pp in Q1:17), despite tighter monetary policy and broadly neutral fiscal policy in Q1:18. This performance was underpinned by lower inflation, a 10% rise in the minimum wage and the targeted 5-10% rise in public sector wages (that boosted disposable income) and the continued improvement in labour market conditions (with the unemployment rate falling to 13.5% in FY:17 from 15.3% in FY:16).

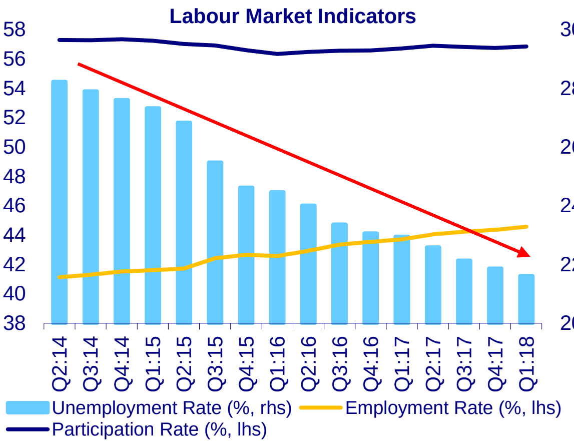
Importantly, even excluding the strong base effect (due to the negative effect of temporary supply shocks in Q1:17), the underlying GDP growth (excluding agriculture and energy) also strengthened, accelerating to an estimated 4.0% y-o-y in Q1:18 from 2.3% in Q1:17.

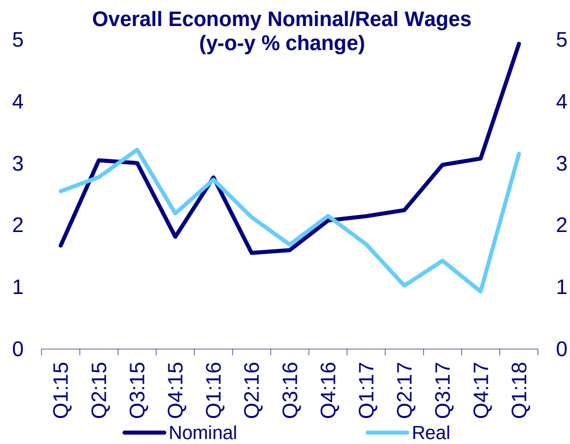
The pace of GDP growth is set to accelerate significantly during the rest of the year, bringing FY:18 growth to a post-global crisis high of 3.6%. Looking ahead, GDP growth is set to strengthen to 3.3% y-o-y in Q2-Q4:18 compared with 1.7% y-o-y in Q2-Q4:17. The rebound should be supported by: i) the continued normalization in agricultural output; ii) the fading of the negative effect from temporary energy production outages in FY:17; iii) strong exports, reflecting the past years' large FDIs; and iv) marked fiscal easing (the fiscal surplus is set to narrow by 0.9 pps of GDP y-o-y in FY:18 following a sharp consolidation of 2.5 pps of GDP y-o-y in FY:17). Activity should be also underpinned by stronger consumption, on the back of tighter labour market conditions. Improved confidence in the domestic economy, on the back of strong fundamentals and the imminent signing of a new arrangement with the IMF in the form of a Policy Coordination Instrument, accelerating EU-related reforms and political stability should further boost activity. Overall, we see FY:18 GDP growth rising to a 10-year high of 3.6% from 1.9% in FY:17.

F.Y.R.O.M

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







	11 June	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)	250	210	190	160

	11 June	1-W %	YTD %	2-Y %
MBI 100	3,154	3.9	24.2	79.9

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

Disappointing growth in Q1:18 (up 0.1% y-o-y), due to a significant decline in investment. GDP growth posted a mild rise of 0.1% y-o-y in Q1:18, after having eased significantly to 0.0% in FY:17 from 2.4% in FY:16 and a 7-year high of 3.9% in FY:15.

The poor growth performance in Q1:18 was mainly due to a sharp decline in public investment. Gross capital formation (GCF, including gross fixed capital formation, changes in inventories and statistical discrepancies) subtracted a sizeable 3.1 pps from overall growth in Q1:18. We estimate the decline in the GCF performance in Q1:18 to have resulted mainly from a sharp decline in public investment. Fiscal accounts show that capital spending declined by c. 65% y-o-y in Q1:18, due not only to base effects but also to still binding administrative constraints on the country's public infrastructure projects, originated in the past year's political crisis.

Strong net exports and private consumption compensated for the negative impact of GCF on overall growth in Q1:18. Net exports contributed 1.8 pps to headline growth in Q1:18. This positive development was due to a sharp rise in exports of goods and services (up 10.6% y-o-y), mainly on the back of increased production in the country's industrial zones, and a subdued increase in imports (up 5.1% y-o-y), reflecting a decline in imported investment goods.

On the other hand, private consumption rose by 2.3% y-o-y in Q1:18, contributing 1.6 pps to headline growth, sustained by tighter labour market conditions (see below) and buoyant retail lending (up 9.9% y-o-y in real terms).

Looking ahead, we expect GDP growth to recover gradually during the remainder of the year (up 2.6% y-o-y in Q2-Q4:18 from 0.1% y-o-y in Q1:18 and 0% y-o-y in Q2:Q4:17), on the back of strengthening domestic demand. The latter should reflect a brightening economic outlook, as the country is set to secure the long-awaited date for the start of EU accession talks at the summit of EU heads of government (at the end of this month), and the clearance of the bulk of "*administrative obstacles*" to the resumption of key infrastructure projects. Overall, we see GDP growth rebounding to 2.0% in FY:18 from 0% in FY:17.

Labour market conditions tightened further in Q1:18, despite a poor growth performance. The unemployment rate declined by 1.3 pps y-o-y, to a historical low of 21.6% in Q1:18. This positive development reflects the fact that the rise in the employment rate (up 0.9 pps y-o-y to 44.6%) outpaced that of the participation rate (up 0.1 pp y-o-y to 56.9%). Importantly, employment continued to grow at a solid pace in Q1:18 (up 2.2% y-o-y or 15.8k new jobs, broadly as in FY:17 -- 2.4%), mainly on the back of continued government-subsidised employment programmes. The industrial, construction and services sectors contributed 1.2 pps, 0.7 pps and 0.4 pps, respectively, to the overall employment growth in Q1:18.

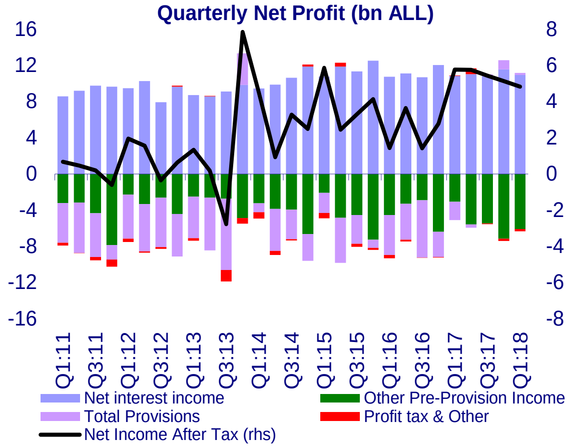
Moreover, wage pressures intensified in Q1:18, with nominal wages rising by 4.9% y-o-y (against an increase of 2.1% in Q1:17), mainly reflecting a significant rise in the minimum wage (up 19% to MKD 12k or c. EUR 200 – effective from September 2017). However, with rising inflation, the acceleration in real wage growth in Q1:18 (to 3.2% y-o-y from 1.7% in Q1:17) was milder than that in nominal wages.

Looking ahead, we expect labour market conditions to tighten further, in view of a strong rebound in economic activity (see above) and continued government financial support during the rest of the year. Overall, we see the unemployment rate moderating to 21.0% in FY:18 from 22.4% in FY:17.

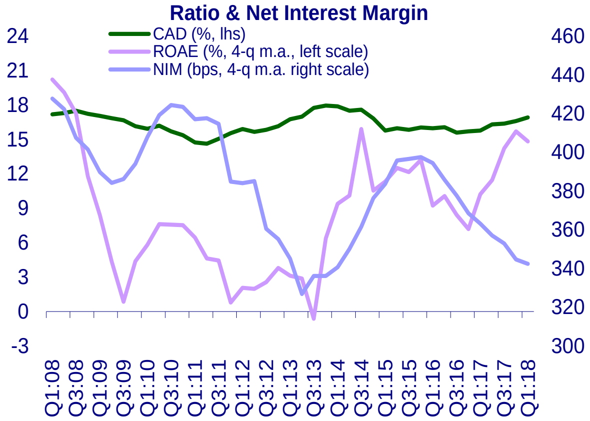
Albania

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

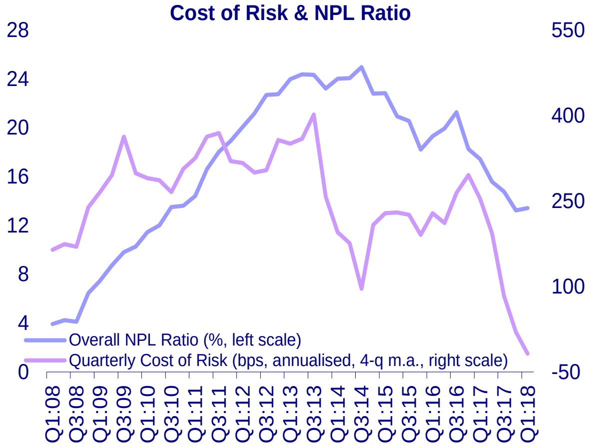
Quarterly Net Profit (bn ALL)



Return on Average Equity, Capital Adequacy Ratio & Net Interest Margin



Cost of Risk & NPL Ratio



	11 June	3-M F	6-M F	12-M F
1-m TRIBOR (mid, %)	1.5	2.2	2.2	2.2
ALL/EUR	127.4	132.0	131.3	130.0
Sov. Spread (bps)	219	210	200	180

	11 June	1-W %	YTD %	2-Y %
Stock Market	- - -	- - -	- - -	- - -

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	2.2	3.4	3.8	3.6	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 banking sector's bottom line weakened slightly on an annual basis in Q1:18, but ROAE remained in double digits. Net profit (after tax) declined by 16.4% y-o-y to a still high ALL 4.8bn (EUR 37.2mn or 0.3% of GDP) in Q1:18, due to a drop in pre-provision income (PPI), reflecting a negative impact from securities revaluation and higher operating expenses.

As a result, (annualised) ROAE and ROAA fell slightly to 13.2% and 1.4%, respectively, in Q1:18 -- remaining in double digits for a 5th successive quarter -- from (a 2-year high of) 16.6% and 1.6% in Q1:17, and the corresponding levels of 15.7% and 1.5% in FY:17.

A reversal of provisions dampened the negative impact of declining PPI on the bottom line in Q1:18. P/L provisions turned negative in Q1:18 (amounting to minus ALL 0.2bn), reflecting the repayment and the restructuring of loans included in the NPL portfolio (reinforced by improved economic prospects, rising wages, ALL appreciation and low interest rates), as well as the continued decline in the NPL ratio. Note that the latter fell by 4 pps y-o-y to 13.4% in Q1:18 (returning to its end-2010 level) -- 11.6 pps below its post-crisis peak in Q3:14 (of 25.0%).

The sharp decline in NPLs between end-2014 and 2017 occurred despite: i) the bankruptcy of two large companies (namely, Albania's only steelmaker, Turkey's Kurum, and the 15% state-owned oil refiner, ARMO), and the concomitant pressure on related companies; and ii) strengthened supervision by the BoA that led to NPL reclassifications in FY:16. The marked decline in the NPL ratio over the past 3 years was supported by: i) strengthening economic activity and improved collection; ii) credit restructuring, as well as large write-offs (with the latter amounting to ALL 47.8bn in 2015-17, or ⅓ of end-2014 NPLs); and iii) the repayment of loans in the NPL portfolio. Recall that the sharp drop in the NPL ratio was also reinforced by the 2015 regulation, mandating the obligatory write-off of loans held in "loss" category for more than three years, as well as the mandatory build-up in provisions, in line with the duration a loan is past due. The Government's clearance of a large part of its accumulated arrears in 2014-15 was another impetus for NPL reduction.

Pre-provision earnings declined in Q1:18. PPI was down by 37.9% y-o-y in Q1:18, mainly due to a weaker (net) non-interest income (NNII), reflecting securities revaluation. PPI was also dragged down by higher operating expenses, with personnel expenditure up 2.7% y-o-y in Q1:18 (above the 1.9% y-o-y average inflation in Q1:18).

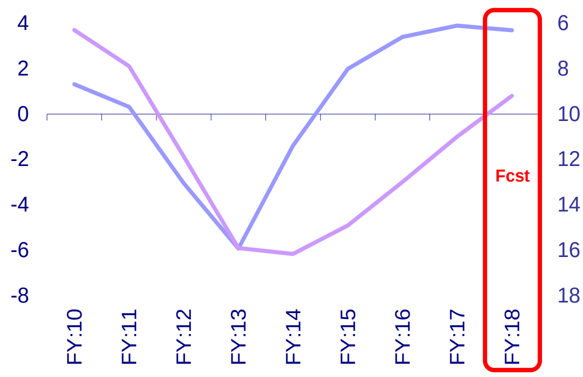
On a positive note, the continued decline in net interest income (NII) throughout FY:16 and FY:17 came to an end. Indeed, NII (amounting for 85% of gross operating income) rose slightly by 1.0% y-o-y in Q1:18 (following declines of 0.8% in FY:17 and 4.1% in FY:16), as the slight compression of the NIM (down 9 bps y-o-y to 332 bps in Q1:18 following a sharper drop of 22 bps in FY:17 and 36 bps in FY:16) was more than offset by higher average interest earning assets (up 3.5% in Q1:18). Recall that the compression of the NIM in 2016-17 reflected both: i) the narrowing of the loan spreads at a faster pace than deposit spreads (in an environment of falling interest rates and strong competition for lending market share); and ii) the sharp drop in public domestic debt yields at that time.

On another positive note, the banking sector remains well capitalized (CAD at 16.9% in Q1:18 -- above the regulatory floor of 12% -- up from 16.6% in FY:17 and 15.7% in FY:16). Moreover, its liquidity is sound, with little reliance on foreign financing (with the ratios of total loans-to-total deposits and FX loans-to-FX deposits at just 53.5% and 51.5%, respectively, in Q1:18).

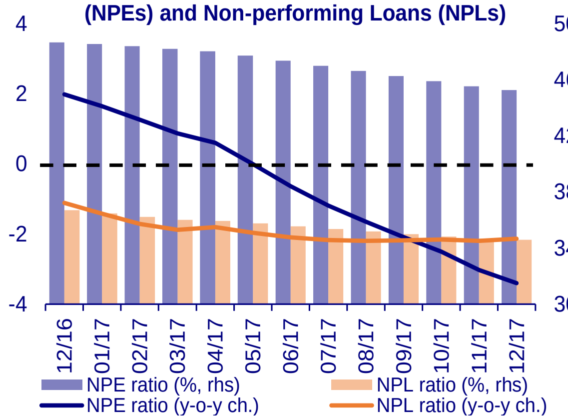
Cyprus

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

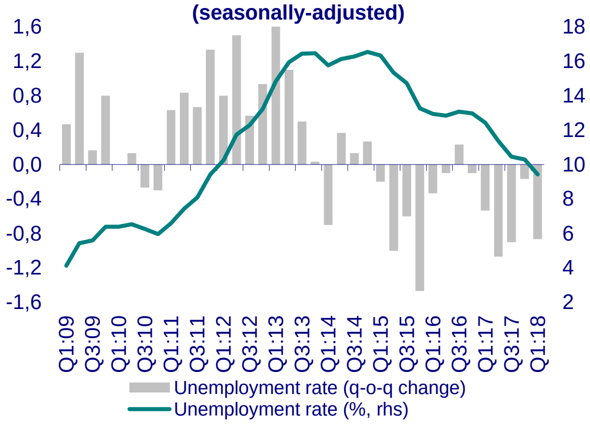
Real GDP Growth & Unemployment Rate (%)



4-Quarter Rolling Non-performing Exposures (NPEs) and Non-performing Loans (NPLs)



Unemployment Rate (seasonally-adjusted)



	11 June	3-M F	6-M F	12-M F
1-m EURIBOR (%)	-0.37	-0.37	-0.37	-0.37
EUR/USD	1.18	1.22	1.24	1.26
Sov. Spread (2020. bps)	147	55	52	50

	11 June	1-W %	YTD %	2-Y %
CSE Index	69	-1.3	-0.5	-0.9

	2015	2016	2017	2018F	2019F
Real GDP Growth (%)	2.0	3.4	3.9	3.7	3.5
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	2.0	1.9

The IMF Executive Board commended the country's strong macroeconomic performance, while stressing the need to reduce NPLs further and restart structural reforms, in the context of the second Post-Programme Monitoring discussions. Specifically, the IMF Executive Board:

i) welcomed the island's strengthened economic recovery, sustained decline in unemployment and improved fiscal position. Indeed, GDP growth accelerated to 4.0% y-o-y in Q1:18 from 3.9% in FY:17 and 3.4% in FY:16, mainly underpinned by construction, tourism and professional services. Moreover, the unemployment rate continued on its downward trend, from a peak of 16.5% in Q4:14, reaching single digits, for the first time in 6 years, in Q1:18 (see below). On another positive note, the fiscal position improved significantly, with the primary balance improving for a third successive year to a sizeable surplus of 4.4% of GDP and the public-debt-to-GDP ratio declining for a second consecutive year to a 5-year low of 97.5% in FY:17.

According to the IMF Board, maintaining the fiscal surplus within the range of 4.0-4.5% of GDP during 2018-2023 would bring the public debt-to-GDP ratio to 72% at end-2023 and create space to absorb contingent fiscal shocks. To this end, it recommended a strict control of the public sector wage bill, close monitoring of the planned introduction of the National Health System and the containment of rises in public spending at the medium-term output growth rate.

ii) stressed the urgent need to accelerate the reduction ion NPLs. The Executive Board underlined that weak payment discipline continues to weigh on banks' efforts to significantly reduce their NPLs (standing at EUR 15.7bn or 33.4% of gross loans or 81.7% of GDP at end-2017), with negative implications on bank profitability and new lending activity. To speed up the reduction in NPLs, the Board suggested a series of measures, including: a) amendments to the insolvency and foreclosure frameworks; and b) well-targeted government support to vulnerable borrowers to start servicing their debt so as to avoid moral hazard and limit fiscal costs.

iii) urged the authorities to restart reforms to help improve long-term growth potential and competitiveness. Specifically, the Board underlined the need for: a) strengthening commercial claims enforcement and efficiency of courts; b) fostering privatisations; c) reducing over-reliance on construction activity, while supporting more innovative sectors; d) improving the anti-corruption framework; and e) complying fully with the Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT) international standard.

The unemployment rate returned to single digits, for the first time in 6 years, in Q1:18. The seasonally-adjusted unemployment rate declined sharply by 3.0 pps y-o-y to a 25-quarter low of 9.4% in Q1:18, amid an improving economic environment (see above) and strengthening activity in the labour-intensive tourism sector.

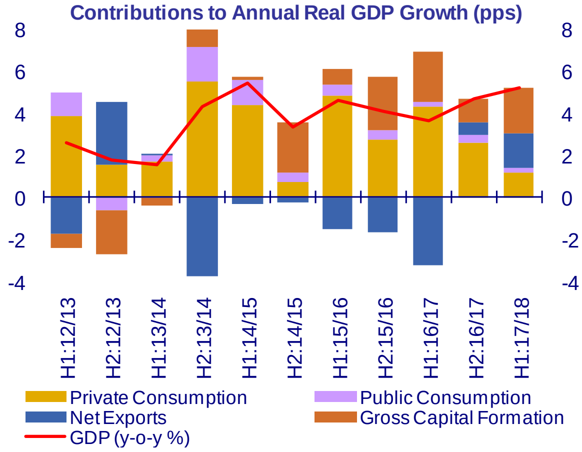
The annual decline in the unemployment rate in Q1:18 was also underpinned by the resumption of recruitment in the public sector in June 2017, following the approval by the House of Parliament of a law regulating exemptions to the freeze in public sector hiring (enacted at the start of the crisis). Indeed, employment in the public sector rose by 2.5% y-o-y, contributing 0.3 pps to overall employment growth.

Looking ahead, we expect the unemployment rate to continue on its downward trend during the rest of the year, supported by strong economic activity. Overall, we see the unemployment rate declining to 9.2% in FY:18 from 11.0% in FY:17 and a peak of 16.1% in FY:14.

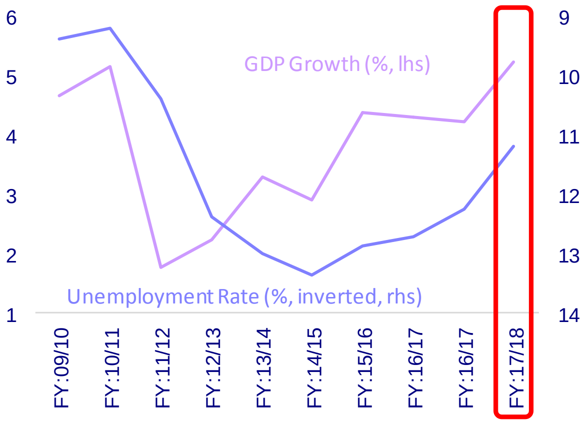
Egypt

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

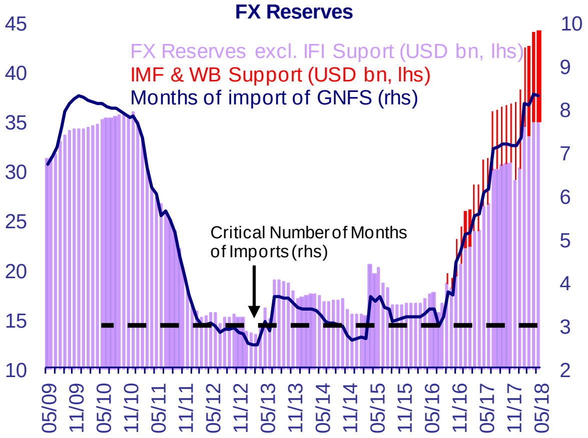
Contributions to Annual Real GDP Growth (pps)



GDP Growth and Unemployment Rate



FX Reserves



	11 June	3-M F	6-M F	12-M F
O/N Interbank Rate (%)	17.1	18.0	17.0	15.0
EGP/USD	17.8	17.8	18.0	18.0
Sov. Spread (2020. bps)	213	168	152	140

	11 June	1-W %	YTD %	2-Y %
HERMES 100	1,557	-2.4	8.4	120.2

	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	12.8	14.2
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

GDP growth on track to reach a 10-year high of 5.2% this fiscal year (ending in June 2018). GDP growth accelerated to 5.2% y-o-y in H1:17/18 (July-December 2017) from 3.7% a year earlier, mainly on the back of the steady implementation of the IMF-supported programme. Note that in mid-May, the IMF and the Egyptian authorities reached a staff-level agreement on the 3rd review of Egypt's economic reform programme -- supported by the 3-year USD 12bn Extended Fund Facility. The completion of the review by the IMF Executive Board is expected in the coming weeks and will allow the authorities to draw the equivalent of USD 2bn, bringing total disbursements under the programme to c. USD 8bn.

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

Specifically, private consumption growth moderated sharply to 1.3% y-o-y in H1:17/18 from 5.0% a year earlier, contributing 1.2 pps to overall growth in H1:17/18 against 4.3 pps a year earlier. Gross capital formation growth decelerated slightly to a still robust 16.3% y-o-y in H1:17/18 from 18.8% a year earlier, contributing 2.2 pps to overall growth in H1:17/18 against 2.4 pps a year earlier. Exports of goods and services growth rose sharply to 81.3% y-o-y in H1:17/18 from 34.5% a year earlier, contributing 8.5 pps to overall growth in H1:17/18 against 4.2 pps a year earlier.

With high frequency indicators pointing to the continuation of recent trends in H2:17/18, we expect GDP growth to reach a 10-year high of 5.2% in FY:17/18 -- in line with the latest IMF forecast and above the FY:16/17 outcome of 4.2%. Should our GDP growth forecast materialise, the FY:17/18 unemployment rate would reach an 8-year low of 11.2% -- down from 12.2% in FY:16/17 and a peak of 13.4% in FY:13/14, but still above the pre-Revolution level of 9.0% (end-2010).

FX reserves rose by USD 7.1bn to a record high USD 44.1bn in the first five months of 2018, supported by the solid implementation of the loan agreement with the IMF. FX reserves rose to USD 44.1bn at end-May (covering 8.3 months of imports of GNFS) from USD 37.0bn at end-December, mainly on the back of the issuance of USD 6.0bn in Eurobonds and the release of the third and final USD 1.2bn tranche from a USD 3.2bn WB loan.

Note that between November 2016 -- when the IMF-supported programme was signed -- and end-2017, FX reserves rose sharply by USD 18.0bn. The pick-up reflects: i) the disbursement of USD 6.0bn by the IMF as part of a USD 12.0bn loan; ii) the issuance of 2 Eurobonds totaling USD 7.0bn; iii) the disbursement of the second USD 1.0bn tranche from the USD 3.2bn WB loan; iv) large foreign investments in the high-yielding domestic debt market; v) a sharp recovery in the tourism sector; and vi) a sharp rise in workers' remittances.

Importantly, non-official sources were the main contributors to the foreign currency build-up. Indeed, since the start of the IMF-supported programme, non-official sources provided USD 16.9bn out of a total increase of USD 25.1bn, reflecting the return of foreign investor confidence. Excluding the IMF and WB support (USD 6.0bn and USD 2.2bn, respectively), FX reserves stood at USD 35.0bn at end-May (covering 6.6 months of imports of GNFS).

FOREIGN EXCHANGE MARKETS, JUNE 11TH 2018

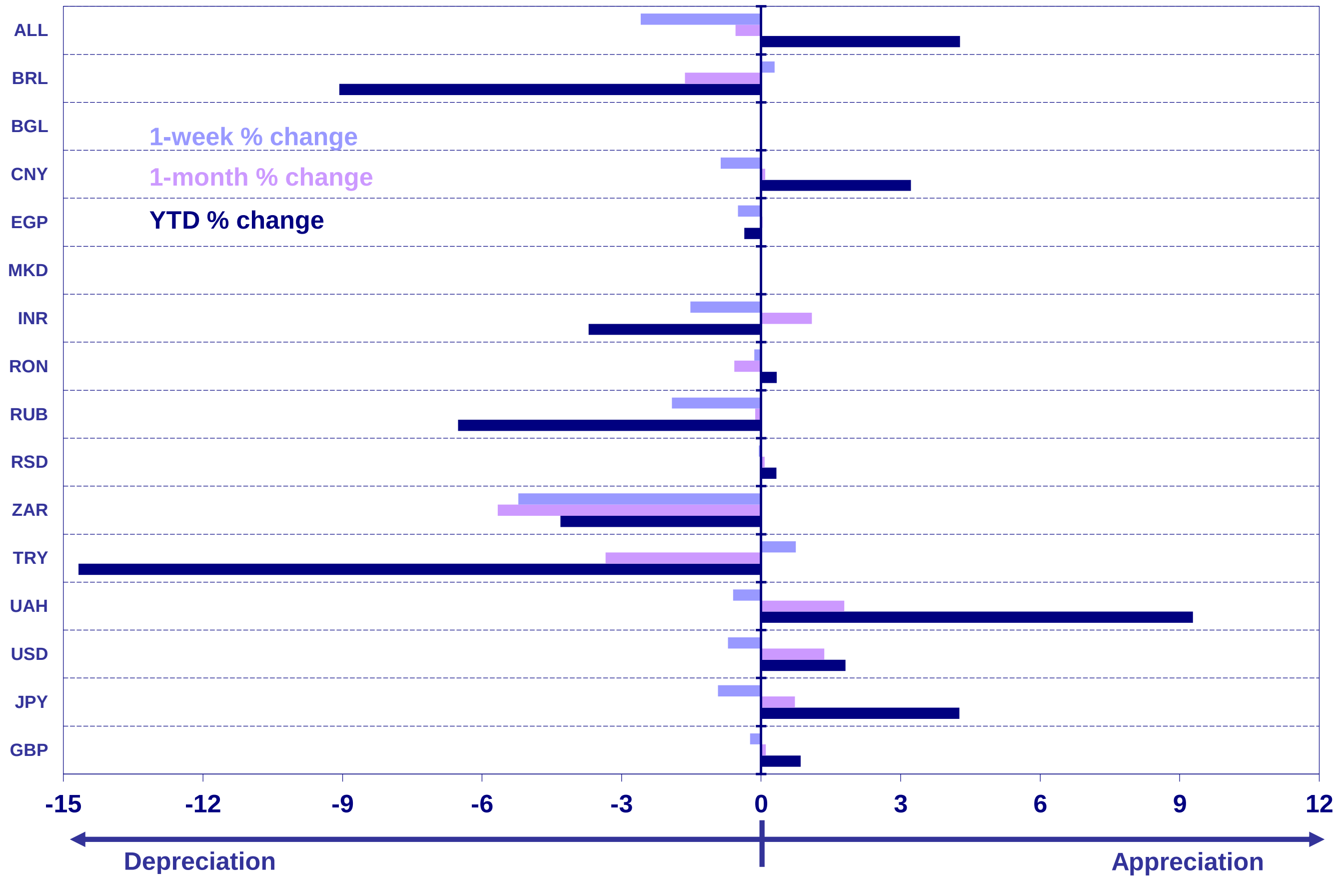
Against the EUR

	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	127.4	-2.6	-0.5	4.3	4.6	124.5	134.0	127.7	127.7	127.0	1.9	1.2
Brazil	BRL	4.37	0.3	-1.6	-9.1	-15.0	3.85	4.68	4.68	4.70	4.73	-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	7.56	-0.9	0.1	3.2	0.9	7.39	7.96	7.91	7.90	7.90	-6.0	-4.0
Egypt	EGP	20.91	-0.5	0.0	-0.4	-3.3	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	79.6	-1.5	1.1	-3.7	-9.3	75.9	81.8	85.9	- - -	- - -	-6.7	0.4
Romania	RON	4.66	-0.1	-0.6	0.3	-2.2	4.62	4.68	4.70	4.73	4.82	-3.0	-0.4
Russia	RUB	74.0	-1.9	-0.1	-6.5	-13.7	67.7	80.5	75.1	76.3	79.0	-6.8	22.9
Serbia	RSD	118.0	-0.1	0.1	0.3	3.6	117.6	119.1	118.3	118.5	- - -	4.2	-1.5
S. Africa	ZAR	15.5	-5.2	-5.7	-4.3	-7.4	14.18	15.62	15.8	16.1	16.8	-2.7	16.2
Turkey	YTL	5.33	0.7	-3.3	-14.7	-26.1	4.48	5.76	5.57	5.83	6.37	-18.4	-14.7
Ukraine	UAH	30.7	-0.6	1.8	9.3	-5.0	30.18	36.11	36.3	- - -	- - -	-15.2	-8.6
US	USD	1.18	-0.7	1.4	1.8	-4.9	1.2	1.3	1.19	1.20	1.22	-12.4	3.3
JAPAN	JPY	129.7	-0.9	0.7	4.3	-5.0	124.6	137.5	129.2	129.7	129.7	-8.9	6.0
UK	GBP	0.88	-0.2	0.1	0.9	0.5	0.9	0.9	0.88	0.89	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 (June 11th 2018)



MONEY MARKETS, JUNE 11TH 2018

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
O/N	1.2	6.4	-0.2	2.6	- - -	17.1	- - -	- - -	2.8	7.3	- - -	18.5	6.7	16.6	- - -	1.7
T/N	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	2.8	6.3	2.3	- - -	6.7	- - -	- - -	- - -
S/W	1.3	6.4	-0.2	2.8	-0.4	- - -	1.1	- - -	- - -	6.6	2.3	- - -	7.2	16.9	-0.4	1.9
1-Month	1.5	6.5	-0.1	4.1	-0.4	- - -	1.3	7.1	2.9	6.7	2.6	18.9	7.5	17.7	-0.4	2.0
2-Month	- - -	6.6	-0.1	- - -	-0.3	- - -	- - -	- - -	- - -	7.1	2.7	19.0	7.4	- - -	-0.3	2.1
3-Month	1.8	6.8	0.0	4.4	-0.3	- - -	1.5	7.6	2.9	7.2	2.9	19.3	7.3	17.8	-0.3	2.3
6-Month	2.2	7.2	0.1	4.3	-0.3	- - -	1.8	- - -	3.0	7.3	3.0	19.8	7.6	- - -	-0.3	2.5
1-Year	2.6	8.2	0.5	4.4	-0.2	- - -	2.2	- - -	3.1	7.4	- - -	20.4	7.9	- - -	-0.2	2.8

LOCAL DEBT MARKETS, JUNE 11TH 2018

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine	EU	US
3-Month	- - -	- - -	- - -	- - -	- - -	18.7	- - -	6.6	- - -	7.1	- - -	15.9	- - -	- - -	-0.6	1.9
6-Month	1.9	- - -	- - -	- - -	- - -	18.7	- - -	6.8	3.0	7.0	3.3	17.0	- - -	- - -	-0.6	2.1
12-Month	2.2	- - -	-0.1	3.2	- - -	18.4	1.0	7.1	3.3	6.7	3.4	17.5	- - -	16.1	-0.7	2.3
2-Year	2.9	- - -	- - -	3.3	- - -	- - -	1.6	7.6	3.6	6.8	- - -	18.1	7.7	- - -	-0.6	2.5
3-Year	- - -	- - -	0.2	3.4	1.1	- - -	1.8	7.8	3.9	7.1	- - -	17.5	8.0	16.0	-0.5	2.7
5-Year	5.5	10.8	- - -	3.5	2.0	16.0	- - -	8.0	4.6	7.1	3.9	15.6	8.3	- - -	-0.1	2.8
7-Year	5.7	- - -	0.8	- - -	2.6	15.7	- - -	8.1	4.9	7.3	- - -	- - -	- - -	- - -	0.1	2.9
10-Year	- - -	11.7	1.2	3.7	- - -	15.4	- - -	8.0	5.0	7.5	- - -	14.8	9.0	- - -	0.5	3.0
15-Year	- - -	- - -	- - -	- - -	- - -	- - -	3.5	8.2	- - -	7.7	- - -	- - -	9.9	- - -	0.8	- - -
25-Year	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	- - -	9.9	- - -	- - -	- - -
30-Year	- - -	- - -	- - -	- - -	- - -	- - -	4.9	8.2	- - -	- - -	- - -	- - -	9.9	- - -	1.2	3.1

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

CORPORATE BONDS SUMMARY, JUNE 11TH 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	2.1	265	215
South Africa	**FirstRand Bank Ltd 4.25% '20**	USD	BBB-/Baa2	30/4/2020	500	4.3	173	145
	FirstRand Bank Ltd 2.25% '20	EUR	NA/NA	30/1/2020	100	0.4	104	60
Turkey	**Arcelik AS 3.875% '21**	EUR	BB+/NA	16/9/2021	350	3.3	382	322
	Garanti Bank 5.25% '22	USD	NA/Ba1	13/9/2022	750	6.6	385	354
	Turkiye Is Bankasi 6% '22	USD	NA/Ba3	24/10/2022	1,000	8.7	589	533
	Vakifbank 5.75% '23	USD	NA/Ba1	30/1/2023	650	8.2	543	491
	TSKB 5.5% '23	USD	NA/Ba1	16/1/2023	350	8.6	576	513
	Petkim 5.875% '23	USD	NA/B1	26/1/2023	500	7.9	507	462
	KOC Holding 5.25% '23	USD	BBB-/Baa3	15/3/2023	750	6.1	343	350

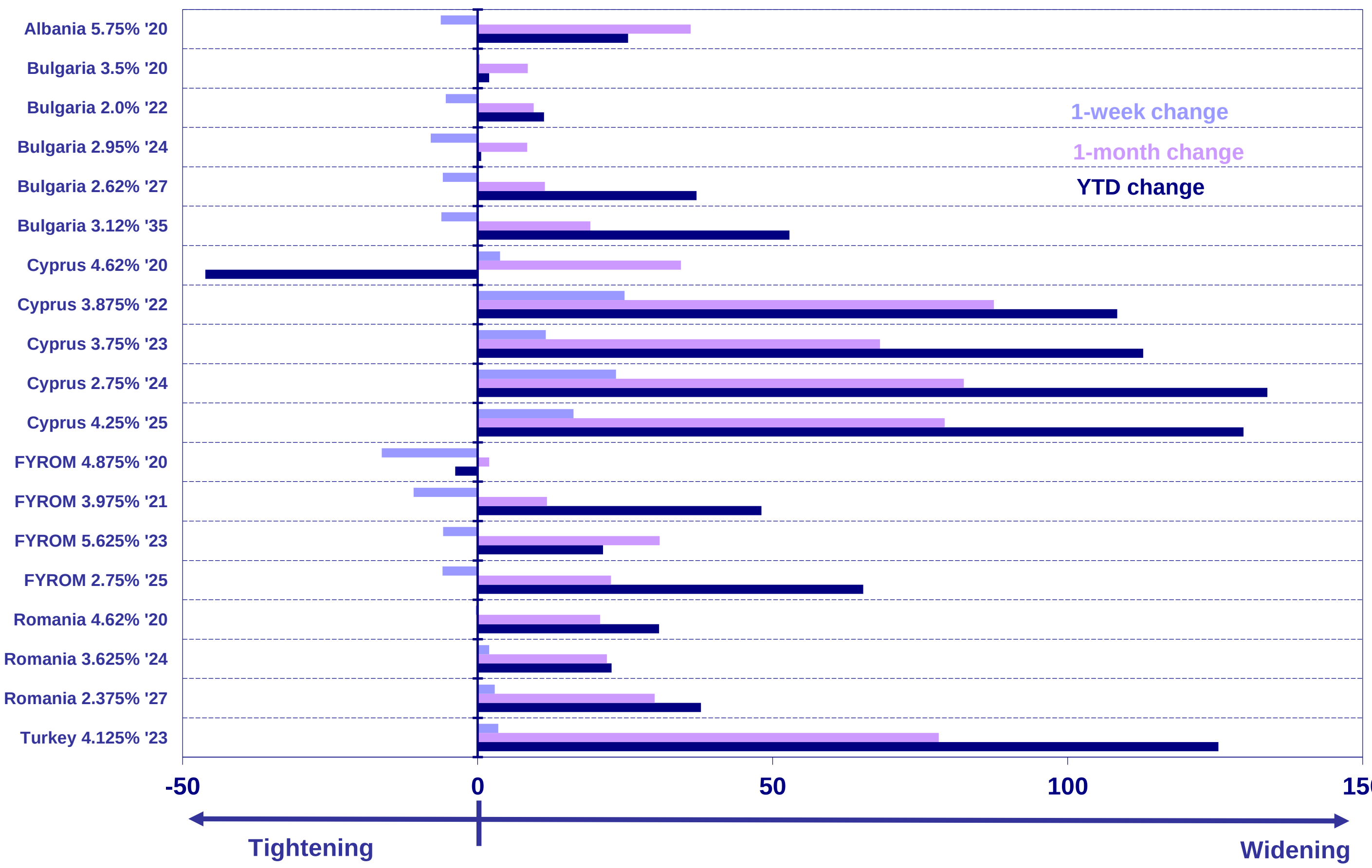
CREDIT DEFAULT SWAP SPREADS, JUNE 11TH 2018

	Albania	Brazil	Bulgaria	China	Cyprus	Egypt	FYROM	India	Romania	Russia	Serbia	Turkey	S. Africa	Ukraine
5-Year	- - -	250	66	56	144	271	- - -	80	92	136	110	278	193	393
10-Year	- - -	342	102	99	181	317	- - -	89	131	201	146	360	282	423

EUR-Denominated Sovereign Eurobond Summary, June 11th 2018

	Currency	Rating S&P / Moody's	Maturity	Amount Outstanding (in million)	Bid Yield	Gov. Spread	Asset Swap Spread
Albania 5.75% '20	EUR	B+/B1	12/11/2020	450	1.7	219	184
Bulgaria 3.5% '20	EUR	NA/NA	16/1/2020	145	0.1	69	30
Bulgaria 2.0% '22	EUR	BBB-/Baa2	26/3/2022	1,250	0.1	48	-4
Bulgaria 2.95% '24	EUR	BBB-/Baa2	3/9/2024	1,493	0.7	62	19
Bulgaria 2.62% '27	EUR	BBB-/Baa2	26/3/2027	1,000	1.4	107	58
Bulgaria 3.12% '35	EUR	BBB-/Baa2	26/3/2035	900	2.7	183	127
Cyprus 4.62% '20	EUR	BB+/Ba3	3/2/2020	668	0.8	147	110
Cyprus 3.875% '22	EUR	NA/Ba3	6/5/2022	1,000	2.0	234	185
Cyprus 3.75% '23	EUR	NA/Ba3	26/7/2023	1,000	2.2	239	198
Cyprus 2.75% '24	EUR	NA/Ba3	27/6/2024	850	2.6	262	202
Cyprus 4.25% '25	EUR	NA/Ba3	4/11/2025	1,000	3.0	273	233
FYROM 4.875% '20	EUR	BB-/NA	1/12/2020	178	1.4	190	151
FYROM 3.975% '21	EUR	BB-/NA	24/7/2021	500	2.0	250	433
FYROM 5.625% '23	EUR	BB-/NA	26/7/2023	450	2.8	291	252
FYROM 2.75% '25	EUR	BB-/NA	18/1/2025	500	3.1	302	243
Romania 4.62% '20	EUR	BBB-/Baa3	18/9/2020	2,000	0.2	81	28
Romania 3.625% '24	EUR	BBB-/Baa3	24/4/2024	1,250	1.2	128	79
Romania 2.375% '27	EUR	BBB-/Baa3	19/4/2027	2,000	2.4	202	146
Turkey 4.125% '23	EUR	NR/Ba1	11/4/2023	1,000	3.6	376	325

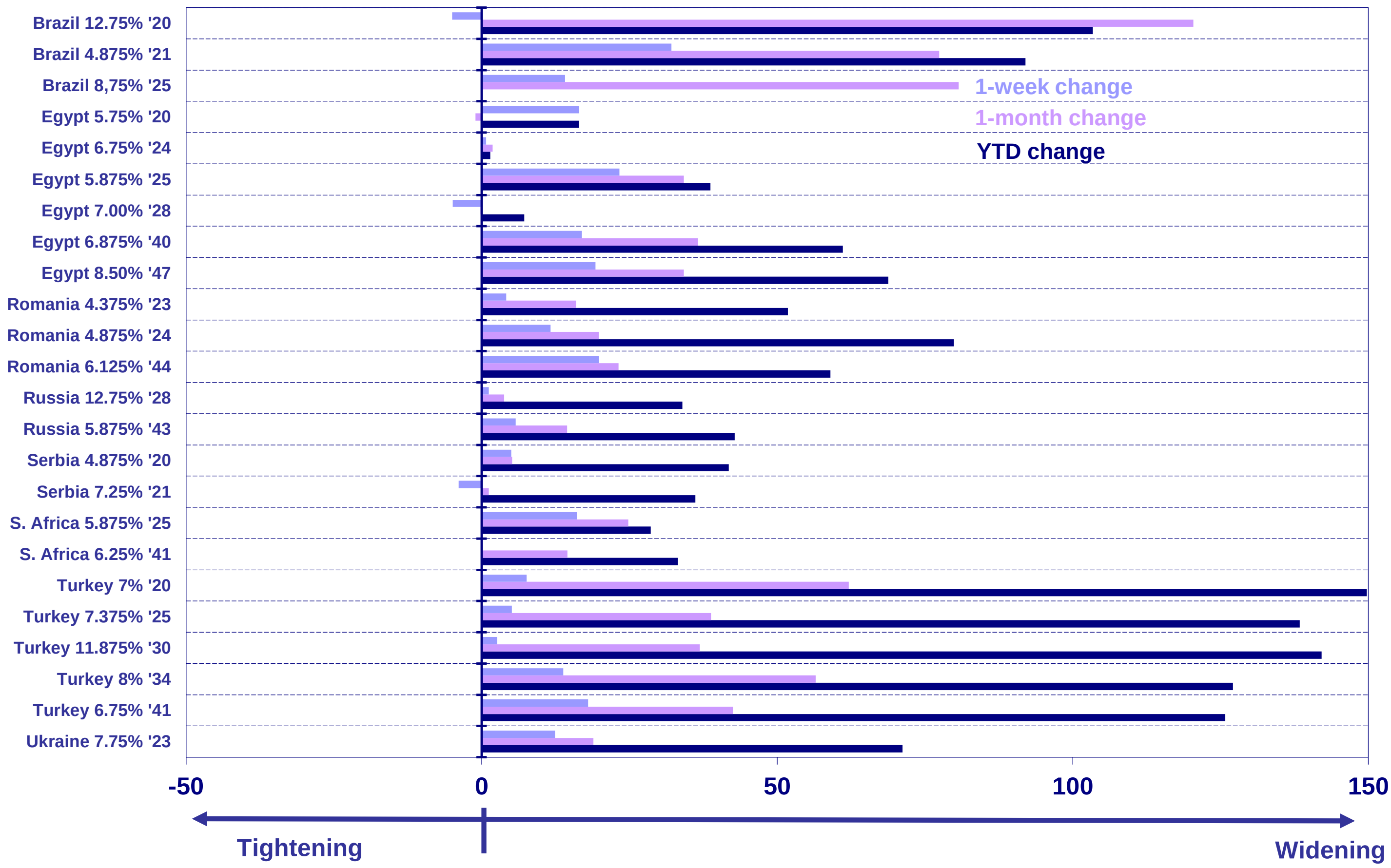
EUR-Denominated Eurobond Spreads (June 11th 2018)



USD-Denominated Sovereign Eurobond Summary, June 11th 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	3.5	100	86
Brazil 4.875% '21	USD	BB-/NA	22/1/2021	2,713	4.4	176	154
Brazil 8.75% '25	USD	BB-/NA	4/2/2025	688	5.3	235	251
Egypt 5.75% '20	USD	B-/B3	29/4/2020	1,000	4.7	213	187
Egypt 6.75% '24	USD	NA/B3	10/11/2024	1,500	6.3	335	328
Egypt 5.875% '25	USD	B-/B3	11/6/2025	500	6.7	380	357
Egypt 7.00% '28	USD	NA/B3	10/11/2028	1,000	6.7	375	366
Egypt 6.875% '40	USD	B-/B3	30/4/2040	1,500	7.8	469	433
Egypt 8.50% '47	USD	NA/B3	31/1/2047	500	8.3	520	525
Romania 4.375% '23	USD	BBB-/Baa3	22/8/2023	1,500	4.2	136	121
Romania 4.875% '24	USD	BBB-/Baa3	22/1/2024	1,000	4.3	153	138
Romania 6.125% '44	USD	BBB-/Baa3	22/1/2044	1,000	5.2	211	231
Russia 12.75% '28	USD	BB+/Ba1	24/6/2028	2,500	4.9	197	258
Russia 5.875% '43	USD	BB+/Ba1	16/9/2043	1,500	5.6	246	253
Serbia 4.875% '20	USD	BB-/B1	25/2/2020	1,500	4.1	157	133
Serbia 7.25% '21	USD	BB-/B1	28/9/2021	2,000	4.2	155	137
S. Africa 5.875% '25	USD	BBB-/Baa2	16/9/2025	2,000	5.4	248	240
S. Africa 6.25% '41	USD	BBB-/Baa2	8/3/2041	750	6.1	298	303
Turkey 7.00% '20	USD	NR/Ba1	5/6/2020	2,000	5.7	318	291
Turkey 7.375% '25	USD	NR/Ba1	5/2/2025	3,250	6.7	383	377
Turkey 11.875% '30	USD	NR/Ba1	15/1/2030	1,500	7.3	436	513
Turkey 8.00% '34	USD	NR/Ba1	14/2/2034	1,500	7.6	461	453
Turkey 6.75% '41	USD	NR/Ba1	14/1/2041	3,000	7.5	441	387
Ukraine 7.75% '23	USD	B-/Caa3	1/9/2023	1,355	7.7	494	471

USD-Denominated Eurobond Spreads (June 11th 2018)



STOCK MARKETS PERFORMANCE, JUNE 11TH 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)	72,308	-8.0	-15.2	-5.4	17.2	71,162	88,318	-14.3	26.9	9.5	38.9	76.2
Bulgaria (SOFIX)	630	-1.4	-2.5	-7.1	-7.6	629	721	-7.1	15.5	15.5	27.2	27.2
China (SHCOMP)	3,053	-1.2	-3.5	-7.7	-2.8	3,038	3,587	-4.5	6.6	-0.3	-12.3	-15.3
Cyprus (CSE GI)	69	-1.3	4.9	-0.5	-9.4	65	71	-0.5	4.7	4.7	-2.0	-2.0
Egypt (HERMES)	1,557	-2.4	-5.6	8.4	28.9	1,429	1,741	8.7	32.0	18.7	72.7	-21.8
F.Y.R.O.M (MBI)	3,154	3.9	7.4	24.2	37.3	2,536	3,165	24.2	18.9	18.9	16.5	16.5
India (SENSEX)	35,483	1.3	-0.1	4.2	14.1	30,681	36,444	0.4	27.9	19.3	1.9	2.6
Romania (BET-BK)	1,618	2.1	-6.3	-2.0	-0.1	1,574	1,802	-1.7	22.8	19.1	0.2	0.0
Russia (RTS)	4,388	-2.0	-3.7	6.5	7.8	4,017	4,579	-0.5	-16.2	-21.9	24.2	54.3
Serbia (BELEX-15)	733	-1.7	-0.7	-3.6	1.2	728	785	-3.3	5.9	10.3	11.4	9.7
South Africa (FTSE/JSE)	58,146	0.5	-0.5	-2.3	12.8	53,027	61,777	-6.5	17.5	14.3	-0.1	16.1
Turkey (ISE 100)	96,661	-2.6	-5.1	-16.2	-2.8	93,397	121,532	-28.5	47.6	20.5	8.9	-7.0
Ukraine (PFTS)	437	-3.4	-7.9	38.6	53.9	315	478	51.4	18.8	0.8	10.2	1.0
MSCI EMF	1,139	-0.6	-2.1	-1.6	12.9	1,110	1,279	0.1	34.3	17.7	8.6	12.2
MSCI EAFE	2,024	0.7	-1.8	-1.3	7.3	1,982	2,187	0.5	21.8	6.7	-1.9	1.4
Greece (ASE-General)	759	-2.5	-7.7	-5.4	-3.3	736	896	-5.4	24.7	24.7	1.9	1.9
Germany (XETRA DAX)	12,843	0.6	-1.2	-0.6	1.2	11,727	13,597	-0.6	12.5	12.5	11.6	11.6
UK (FTSE-100)	7,737	0.0	0.2	0.6	3.0	6,867	7,904	1.5	7.6	3.2	14.4	-1.0
USA (DJ INDUSTRIALS)	25,322	2.0	2.0	2.4	19.2	21,186	26,617	4.3	25.1	9.6	13.4	16.7
USA (S&P 500)	2,782	1.3	2.0	4.1	14.5	2,533	2,873	5.9	19.4	4.7	9.5	13.2

Equity Indices (June 11th 2018)