

July 2016

Monthly note

Intesa Sanpaolo  
International Research  
Network

Cycle indicators accelerated slightly in the CEE and consolidated in the SEE areas. Interest and exchange rates were not significantly affected by Brexit. Rumours of approaching EGP depreciation circulated.

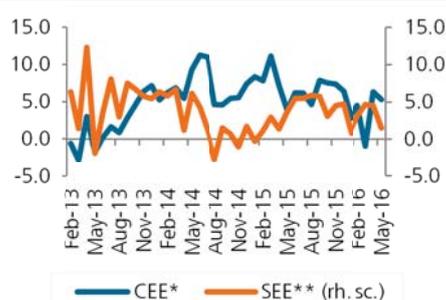
- In the CEE/SEE countries with ISP subsidiaries, the high frequency indicators changed in May. In the CEE area they generally saw an acceleration from 1Q16, when they reversed some of the strong performance of last year. In the SEE area, they evidenced a cycle consolidation, after the strong y/y rebound in 1Q16. Industrial production grew in a range from 4.2% in Hungary to 7.2% in Slovakia in the CEE region and rose from 0.9% in Serbia to 3.9% in Bosnia among the SEE countries.
- In the CIS area, current business cycle indicators for 2Q signal a likely contraction of the economy in Russia (although at a slower pace than in 1Q, when GDP fell by 1.2% y/y) but a moderate pace of recovery in Ukraine. In the MENA region, business conditions in Egypt in the non-oil private sector worsened in June for the ninth consecutive month.
- Inflation was still negative in most countries in the CEE and SEE regions (with Croatia recording -1.6% in May). The only exceptions were Slovenia, Albania and Serbia, where inflation rates were moderately positive but still well below their central banks' reference rates. In Russia inflation increased only slightly in June but seems to be on a path to continue along a downward trend. In Ukraine, inflation has decelerated significantly further, opening the way for new rate cuts in the near future. In Egypt, the annual inflation rate rose to 14.8% in June from 12.3% in May. The acceleration in Egypt largely reflected the seasonal rise in food prices at the end of Ramadan; the core rate was unchanged at 7.5%.
- In the CEE/SEE area, all the CBs maintained favourable conditions in view of well-below-target inflation and ECB plans for easy monetary policy for an extended period of time. In July the Serbian Central Bank again lowered the policy rate, this time to 4.0%. Long-term yields declined further in Slovakia and Slovenia and stayed unchanged or slightly decreased elsewhere in the region—not very much affected by the Brexit decision. Exchange rates remained generally stable, with just slight depreciation in Hungary and Romania and appreciation in Albania and Croatia. Rumours are circulating about a possible further depreciation of the EGP by year-end (on the order of c. 15%) to aid competitiveness.
- Bank lending evidenced a positive performance in May in a few countries (in particular Slovakia, but also Serbia and Romania) with relatively higher growth outlooks, but was still a negative dynamic in Slovenia, Hungary, Croatia and Albania. The lending growth rate (exchange-adjusted) remained essentially stable in Russia but remained quite negative in Ukraine. On the funding side, the persistent drop in foreign liabilities (in particular in Croatia and Slovenia) was partially offset by an increase in deposits, which still perform well, especially in Slovakia and Romania. In many countries, corporate deposits continue to increase strongly, signalling, however, poor investment opportunities.

Industrial production % y/y – CIS - Egypt



Sources: National Statistics Offices; note \* weighted average on Russia and Ukraine data

Industrial production % y/y – CEE - SEE



Sources: National Statistics Offices; note \* weighted average on Slovakia, Slovenia and Hungary data; \*\* weighted average on Bosnia, Croatia, Romania and Serbia data

See the final page for important information.

## Contents

<b>Cross Country Analysis</b>	<b>3</b>
CEE Area	3
SEE Area	4
CIS and MENA Areas	5
<b>Country Specific Analysis</b>	<b>6</b>
Albania	6
Bosnia and Herzegovina	7
Croatia	8
Egypt	9
Hungary	10
Romania	11
Russia	12
Serbia	13
Slovakia	14
Slovenia	15
Ukraine	16
<b>Country Data: Economy, Markets and Banks - the economic cycle</b>	<b>17</b>



This note has been coordinated by Gianluca Salsecci. The names of the authors are reported in the single sections.

The note considers the countries with Intesa Sanpaolo subsidiaries and in particular: Slovakia, Slovenia and Hungary among CEE countries; Albania, Bosnia, Croatia, Serbia and Romania among SEE countries; Russia and Ukraine among CIS countries; and Egypt among MENA countries.

The figures in this document have been updated as of 18<sup>th</sup> July 2016.

## Cross Country Analysis

### CEE Area

In **CEE countries** with ISP subsidiaries, the high frequency economic indicators signal an acceleration of the economic cycle from the first quarter of the year, when they had reversed some of the strong performance seen in 2015. In May, industrial production, export growth, and the sentiment indicators were generally above the values observed in the first quarter. In **Slovakia**, industrial production (wda data) grew +6.0% y/y in May, as the +8.1% y/y rise in the manufacturing sector compensated for the contractions in mining and quarrying (-3.4%) and electricity and gas (-12.5%). External demand also improved, as exports rose 9.5% y/y in nominal terms. In June the ESI recovered to 98.6 with respect to May although remaining below the record high of April (102.8).

In **Hungary** industrial production rose by 4.2% in May, strongly outperforming the 1Q16 average (+0.7%) and confirming the good outcome in April (+5.3%). Exports growth accelerated further in May, to 6.3% y/y from 5.2% y/y in April and 1.8% y/y in 1Q16. The manufacturing PMI decreased to 50.9 in April, but remained above the 50 threshold, which signals still-expansionary expectations in the coming months. In **Slovenia**, industrial production grew 4.9% y/y in May (slightly below April and 1Q16), but exports growth at 4.9% y/y in nominal term was higher than the 1Q16 average. In June the ESI increased again, reaching 105, close to its highest level in previous months.

**Inflation** remained negative in June in both **Slovakia** (-0.7%) and **Hungary** (-0.2%). It was slightly positive (+0.1%) in **Slovenia** but this was after deeply negative values in May (-0.5%) and 1Q16 (-0.9%). Following the ECB's announcements, **monetary policy** will remain expansionary in Slovakia and Slovenia, with extended QE and interest rates kept at current or lower levels for a while. In May, the Hungarian CB board decided to lower the policy rate further, to 0.9% from 1.05%. The easing cycle might be at an end, but monetary conditions are expected to remain expansionary here for an extended period. This would in part reflect the drastic measure announced earlier this month that essentially limits the availability of 3M deposits by limiting the number of auctions (starting in August) and the amount per auction (starting in October). In this context, long-term yields declined further in Slovakia and Slovenia while remaining unchanged in Hungary, not very much affected by the tensions associated with the Brexit decision. The Florint also remained quite stable, at around 315 vs. the Euro.

**Loans** declined further in Slovenia and Hungary while confirming a positive trend in Slovakia. **Deposits** continued to increase in all the countries.

By country, in **Slovenia**, loans decreased 7.5% y/y in May (from -7.4% in April), largely on a drop in corporate loans (-14.0%) as a result of the restructuring of banks' loan portfolios (supply side) and weak demand from corporates (demand side). Loans to households, however, remained stable (0.5%). In **Hungary** loan growth was still negative (-7.2% y/y) in May, as loans decreased to both households (-6.2%) and corporates (-8.1%), in both local and foreign currencies. Growth in foreign currency loans to households almost disappeared (-99%), following the conversion measures adopted by central authorities in 2015. They have now been almost completely replaced by domestic currency loans, which increased by over 80% in the period. Deposits rose 4.0% y/y in May, largely due to a further increase in business deposits (+8%), while household deposits showed a more modest increase (+0.9%), as a result of a slight decrease of deposits in local currency (-0.1% y/y) offset by an increase of those in foreign currency (+6.6% y/y).

Unlike other countries in the region, in **Slovakia**, lending continued to perform well (+7.7% y/y in May), in both the corporate (+5.5%) and household sectors (+13%) (the latter due to an increase in mortgages). Deposits also performed robustly (+9.8% in May from +8.6% in April), in both the household (+9%) and corporate sectors (+10.5%).

Antonio Pesce

Davidia Zucchelli

## SEE Area

In **SEE countries** with ISP subsidiaries, the high frequency economic indicators signalled on average a consolidation of the economic cycle after the strong y/y rebound in 1Q16. In **Croatia**, industrial production growth weakened in May to +1.7% y/y (from +6.8% y/y in 1Q16). Growth in manufacturing and mining & quarrying (+3.2% and +0.9%, respectively in row data) offset a contraction in energy (-1.6% in row data). In April, after three consecutive months of growth, exports contracted by -1.8% y/y. The Economic Sentiment Indicator (ESI) improved, however, in June.

Antonio Pesce

In May, **Romanian** exports confirmed the good performance (+4.1% y/y) in 1Q16, but industrial production returned to a decline (-1.6% y/y) while in June the ESI slightly deteriorated. In **Serbia**, industrial production growth also weakened in May (-0.9% y/y) after however a very strong first quarter (+10.4%); in the same month export growth (+4.8%) was below the 1Q16 average (+11.1%). In **Bosnia**, industrial production and exports confirmed a positive trend in May, while in the same month, in **Albania**, exports deteriorated further (-14.8% y/y) and were well below the 1Q16 average.

**Consumer inflation** was negative for almost all SEE countries in June, ranging from -0.7% in Romania to -1.6% in Croatia. It was positive but still well contained in Albania and Serbia (+1.2% and +0.3%, respectively), well below their central banks' targets. Given this low inflation, all the central banks of the SEE countries with ISP subsidiaries confirmed easy **monetary conditions**, and in July the Serbian Central Bank lowered its policy rate to 4.0% from 4.25%. In the last few months, exchange rates versus the euro have remained roughly stable in Croatia, Romania and Serbia, but appreciated slightly in Albania.

Regarding **banking aggregates**, lending growth rates varied among countries while deposits increased everywhere, particularly in the corporate sector. As a consequence of these dynamics, the average LTD ratio dropped to well below 100% in many countries, with Bosnia the only exception (114%).

Davidia Zucchelli

By country, in **Romania** loans rose in May (+1.4% from +2.2% in April). Loans to corporates were weak (-1.9% y/y from -1.5% y/y the previous month), while loans to households increased by +4.7% y/y, supported by mortgages. Deposits continued to perform strongly (+11.8% y/y). In **Serbia**, loan growth accelerated in May (+4.2% y/y from +2.9% y/y in April), especially on loans to households (+6.2% y/y), with a sharp increase in local currency lending (+15% y/y). Loans to corporates also increased in May (+2.8% y/y) but dropped -10% y/y in local currency. Deposits continued to perform well (+9.7% y/y) in May, in both the household (+6.1%) and corporate sectors (+18.3%), particularly in dinar, while foreign liabilities continued to decline (-11.5% y/y) in May, as in all the other CEE/SEE countries.

In **Croatia**, loans continued to fall (-6.2%) in May due to a decrease in both corporates (-3.7%, still burdened by heavy debt) and households (-8% y/y). The conversion of Swiss franc-denominated loans into euros is progressing. Deposits remained robust (+5.1% y/y) in May, particularly in business (22.6%, thanks to the sale of a tobacco company) while in the household sector performance was contained (1.1%). In **Albania**, loans fell (-1.8% y/y) in April among corporates (-2.6% y/y), while households remained more or less stable (0.4%), due to the slowdown of loans in foreign currency (-6.9%) vs an increase of loans in local currency. Deposits continued to grow (+0.2% y/y in April), driven by deposits of businesses (+5.6%), while deposits of households diminished by -0.6%. Household deposits in local currency decreased slightly in April (-3.7% y/y), while deposits in foreign currency increased by +2.7%, owing to remittances. Foreign liabilities continued to decline sharply (-15.5% y/y) in April.

## CIS and MENA Areas

In **Russia**, industrial production expanded by +1.7% y/y in June (up from +0.7% y/y in May). This was the strongest pace of growth in 18 months. It implied an expansion of industrial activity by +1.0% y/y in Q2, compared to the fall of -0.7% y/y in Q1. However, other sectors of the economy continued to struggle. Retail sales contracted by -5.9% y/y – slightly better than the -6.1% y/y recorded in May, but still squarely in negative territory. For Q2 as a whole, retail sales fell by -5.6% y/y, only marginally better than Q1's drop of -5.8% y/y. The main source of weakness remained the construction sector, where output contracted by -9.7% y/y in June. This brought the overall fall in output in Q2 to -8.2% y/y (vs. Q1's -1.7% y/y). Putting all these data together, the economy probably continued to contract in 2Q, but at a slower pace than in 1Q, when GDP fell by -1.2% y/y. Annual inflation slightly accelerated to 7.5% in June, from 7.3% in May, mainly reflecting higher costs for services — the core rate was unchanged at 7.5%. The Russian Central bank is now likely to remain on hold in the near future, while expected to cut rates later in Q3.

Giancarlo Frigoli

In **Ukraine**, inflation has continued to slow, opening the way for new rate cuts. The annual inflation rate fell to 6.9% in June, its lowest level in more than two years, well below the official year-end target of 12%. The Ukraine central bank, which has cut its reference rate by total of 550 pb so far this year, is likely to ease its monetary policy again amid a stable currency and still-weak activity data. According to preliminary figures, industrial output fell by 1.6% y/y in June, ending a four-month-long uptrend. In contrast, the agricultural sector, which has significant weight in the economy, is expected to provide a boost to GDP in 3Q. Helped by favourable weather conditions during the current growing season, the wheat crop is estimated close to a record level (26.4 million tons)

In **Egypt**, business conditions in the non-oil private sector worsened in June, dragged down by declines in output, new orders and employment. Moreover, geopolitical concerns continue to penalize the tourist sector. The PMI index, at 46.5 in June, little changed from 46.7 in May, was below the critical level of 50 for the ninth straight month. The annual inflation rate rose to 14.8% in June from 12.3% in May. This acceleration mainly reflected the seasonal rise in food prices at the end of Ramadan; core inflation was little changed (at 12.4% from 12.2%). The EGP has tumbled on the black market in recent weeks on speculation that the Central Bank might soon devalue the official rate. Some exchange houses in Cairo trade the currency at around 13 EGP per USD, compared to an official rate of 8.87.

Turning to banking aggregates, in **Russia** loans grew in April by +7.6% y/y. Net of fx depreciation effect, they are estimated to have remained stable (+0.1%). Domestic corporate lending (+11.2% y/y in April), which accounts for around 70% of loans to the private sector, was supported by the restrictions on access to foreign financial markets. Household lending, which is more fragile, decreased -2.5% y/y. In April, the nominal increase in deposits was +16.5% (up from +12.7% in March), but net of the fx effect, the increase was estimated at over +6%, supported by a fair degree of confidence. Interest rates on new loans to businesses decreased slightly in April, from 13.2% to 13.0%.

Davidia Zucchelli

In **Ukraine**, banking aggregates remained weak. Nominal loans decreased by -4.9% y/y in May (from -10.4% in April) in both the corporate (-1.6% y/y) and the household sectors (-16.9%); net of the exchange rate effect, loans declined -17%. Deposits showed a nominal increase (+5.7% y/y in May), but fell (approximately -4.6%) net of the exchange rate. Deposits in local currency showed a remarkable recovery (+15% y/y) from their sharp drop in May 2015.

In the MENA area, loans continued to rise in **Egypt**, in both nominal terms (+15.6% in April from +16.3% in March) and real terms (with inflation around 9%). Foreign liabilities recorded a new jump in April (+108% y/y from +107% in March, according to IMF data). Deposits maintained a strong pace (+19% in April) but they have been gradually diminishing since September 2015, when they grew by +21.75%.

## Country-Specific Analysis

### Albania

#### Real Economy

Notwithstanding the difficult economic situation in the Eurozone and the troubles in the financial markets, Albania never fell into recession and has been able to maintain its growth trend. Although the c. 3% GDP growth forecast for 2016 is far from ideal and too slow to fatten consumers' wallets (it should be above 4-5%), still the country managed to withstand the post-crisis period and is now oriented towards reforms that should bring economic growth.

Kledi Gjordeni

GDP in the first quarter of 2016 in volume terms increased 2.96% compared with the first quarter of 2015. The main contributions to this increase came from Trade, Hotels-Restaurants, Public Administration, Education-Health and Construction. A negative contribution came from Industry, Electricity and Water. In May, Exports declined 14.83% while Imports increased 14.18% compared to a year ago. In June the annual rate of consumer price inflation was 1.2%; a year before it was 1.4%. The main factors in this June's rate were Food and non-alcoholic beverages and Education Service.

#### Financial Markets

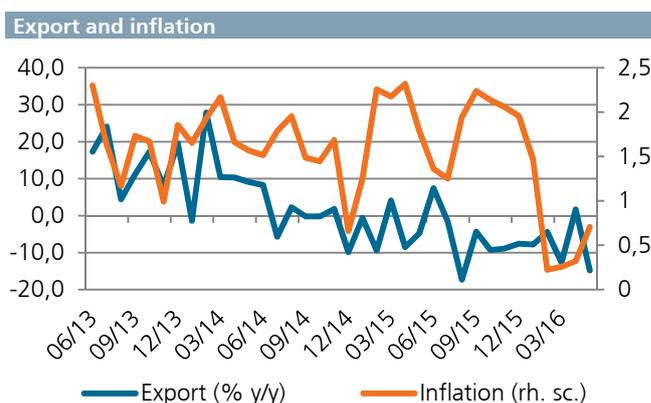
Monetary policy of the Bank of Albania has been effective. This is reflected in credit growth in local currency, up 3.8% y/y in May. The bank's monetary policy has aimed to increase lending, but also to spur consumption and investment. The policy has also helped to reduce interest rates on loans, deposits and government securities. In the exchange rate, we notice a slight devaluation of the eur/lek rate below the 138.00 range due to the lower international exchange rate of the eur/usd.

#### Banking Sector

In May total loans to the private sector decreased by 1.6% y/y. Loans to households increased 1% y/y but corporate loans showed a decline by 2.6%. Foreign liabilities shrank by -13.7% y/y, but without impacting total deposits volume. Total deposits were almost unchanged from the level of May 2015. The business sector continued to make the most positive contribution to deposits, increasing by 3.5% y/y in May. In the same month NPLs were 19.5% of the total.

Last macroeconomic indicators			
%	Last value 1Q 2016 4Q 2015		
Industrial production, wda yoy	n.a.	n.a.	n.a.
Export of goods, nominal yoy	1.6 (Apr)	-8.4	-8.6
Unemployment rate	n.a.		17.7
Inflation rate, average yoy	0.7 (May)	0.7	2.1
Loans (private sector, yoy, eop)	-1.6 (May)	-2.0	-2.6
Deposits (private sector, yoy, eop)	-0.1 (May)	0.9	1.0

Source: INSTAT, Central Bank of Albania



Source: INSTAT

## Bosnia and Herzegovina

### Real Economy

According to the Agency for Statistics' initial release, GDP in the first quarter of the year grew 2.1% y/y (1.3% q/q). This reflected y/y growth of 11.8% in mining and quarrying, 9.1% in administrative and support services, 8.4% in agriculture and 7.5% in manufacturing. In May, high frequency data suggest a further slowdown in real retail trade growth (+3.5% y/y), partly reflecting a high base effect.

Ivana Jovic

EC and BiH representatives finally initialled a Protocol on the adoption of the Stabilisation and Association Agreement (SAA) that provides for technical adjustment of the trade provisions concerning BiH-EU trade to take into account of the accession of Croatia in July 2013 and prevent disruption of bilateral trade. From the date of its provisional implementation the EU will automatically re-introduce trade benefits for BiH exports of certain agricultural products that had been suspended since 1 January 2016. We expect this step will also resolve the issue of the non-signed Letter of Intent for the IMF three-year Extended Fund Facility worth EUR550m.

### Banking Sector

The growth of private sector loans continued to decelerate in May, declining to +2.2% y/y, as a result of a slowdown in both corporate (+1.3% y/y) and household (+3.2% y/y) lending. The growth rate of the most significant types of loans to households accelerated; however, the housing and credit card loans decelerated notably, to +1.5% y/y, whereas the pace of growth of consumer loans edged down to +5.3% y/y. Regarding loans to non-financial corporations, the growth rate of loans to private companies decreased (+2.1% y/y), and at the same time the rate of decline in loans to public companies accelerated (-12.4% y/y). Private sector deposit growth slowed as well (+6.6% y/y). Deposits by households maintained its +7% y/y growth rate, and deposits by non-financial corporations rose +5.6% y/y.

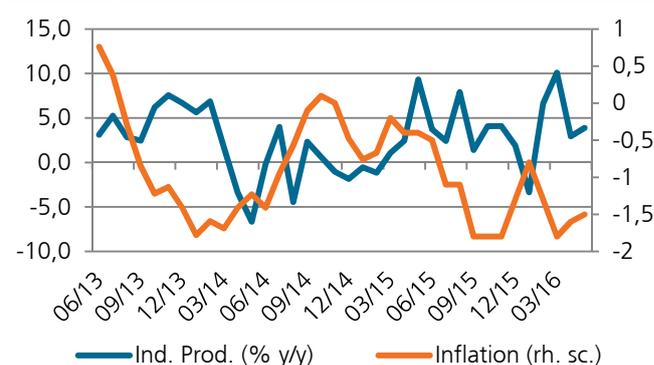
The NPL ratio at the end of Q1 2016 stood at 13.2%, or 0.5 p.p. lower than at year-end 2015. The decline was the result of improvement in both retail and corporate entities' loan quality, where the ratio dropped 0.2 p.p. and 0.6 p.p. to 9.5% and 16.6%, respectively. The overall NPL ratio is now at its lowest level since Q3 2012, though solely on account of a healthier portfolio of loans to households. The level of corporate NPLs remains quite high, but capital buffers are adequate, with CAR at 15.1% (+0.1 p.p. q/q), well above the legal minimum of 12.0%. Banking system net profit in Q1 rose to KM 92.1 million, +10.2% y/y, which boosted ROA and ROAE, to 0.4% and 3.0%. BH banking system ended the second quarter smaller by one bank, as Privredna banka Sarajevo and Bor banka merged in June, while the third quarter started with the CBBH imposing a negative interest rate of -0.2% on the amount of funds exceeding the required reserve.

#### Latest macroeconomic indicators

%	Last value	1Q 2016	4Q 2015
Industrial production, wda yoy	3.9 (May)	4.5	3.4
Export of goods, nominal yoy	2.6 (May)	-0.3	1.4
Retail trade, real, wda yoy	3.5 (May)	8.3	4.9
Inflation rate, average yoy	-1.5 (May)	-1.3	-1.6
Loans (private sector, yoy, eop)	2.2 (May)	3.3	2.2
Deposits (private sector, yoy, eop)	6.6 (May)	7.9	7.8

Source: BHAS, CBBH

#### Industrial production and inflation



Source: Labour and employment agency

Croatia

Real Economy

Real retail trade grew 3.9% y/y in May, supported by improved labour market conditions and 2.1% more tourist arrivals. Although industrial production growth slowed to 1.6% y/y in May, cumulative growth over the first five months was strong (5.4% y/y), as 6.7% growth in manufacturing offset a 1.9% decline in electricity supply. Deflationary pressures eased a bit in June as the CPI declined to 1.6% y/y (from 1.8% in May), thus ending 1H2016 with the average CPI at 1.5% y/y (1Q2016 1.3% and 2Q2016 1.5% y/y).

Ivana Jovic

In July S&P confirmed Croatia's long-term rating as BB and short-term as B, while keeping its negative outlook, while Fitch downgraded the long-term local currency rating to BB from BB+ due to changes in its evaluation criteria.

Financial Markets

Money market rates remained flat in June (end of month: O/N 0.37%, 1M 0.61%, 3M 0.80%). In July, the government successfully issued bonds on the domestic market worth HRK 6bn with a 2.75% interest rate and a 2.85% yield, part of which was targeted to cover HRK 3.5bn domestic bonds maturing July 22. This was the second domestic issuance this year (following the March HRK 4bn) but owing to abundant liquidity and thin demand, the issue did not lead to a rise in interest rates. On the contrary, rates recorded a mild decrease along the curve. Also in July, CNB held its third structural repo auction, where HRK 234m were placed to banks at an interest rate of 1.4% (-0.4 p.p. compared to the previous two auctions). In three structural auctions, a total of HRK 946m were placed, substantially lower than the HRK 3-4bn that CNB initially planned. The average EUR/HRK rate in June inched up to 7.51 (+0.2% m/m), but amid seasonal inflows appreciation pressures mounted in July, and the rate slipped below 7.5.

Ana Lokin

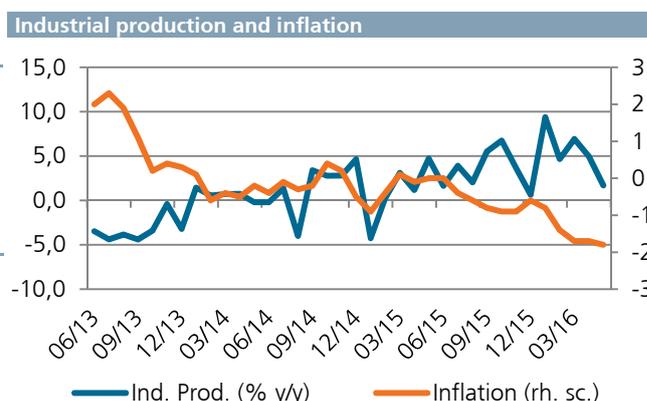
Banking Sector

Loans to the private sector in May maintained April's pace (-6.2% y/y) owing to an 8.0% lower level of household loans and a 3.7% decline in loans to non-financial corporations. In spite of such unfavourable trends, data on transactions paint a much brighter picture of lending developments (transactions show the change in stock of loans adjusted for changes in prices, exchange rate and write-offs). Transactions are in positive territory for both corporates and households since February, showing that the flow of new loans is positive.

After four months of consecutive m/m declines, deposits recovered in May and recorded 0.5% m/m increase on the back of a rise in both corporate and retail deposits (+1.2%, +0.3%). The pace of annual deposit growth speeded up accordingly, to +5.1%, as deposits of households went back to over +1% y/y and deposits of non-financial corporations kept a ~23% y/y pace.

Latest economic indicators			
%	Last value	1Q 2016	4Q 2015
Industrial production, wda yoy	1.7 (May)	7.0	3.7
Export of goods, nominal yoy	-1.8 (Apr)	4.0	10.4
Retail trade, real, wda yoy	3.9 (May)	3.2	3.2
ESI (index)	117.8 (Jun)	118.4	120.9
Inflation rate, average yoy	-1.6 (Jun)	-1.3	-0.8
Loans (priv. sector, yoy, eop)	-6.2 (May)	-7.0	-3.1
Deposits (priv. sector, yoy, eop)	5.1 (May)	3.7	6.4

Source: CBS, EC, CNB



Source: EC

Egypt

Real Economy

Egypt's GDP growth rate has been revised by the Ministry of Planning for the first half of FY 2014/15 and 2015/16, declining to 4.5% in H1 2015/16 compared to 5.5% in the same period last year, with final consumption and investments continued to boost the economic activity, growing by 4.2% and 6% respectively, while exports constrained growth, declining by 10.2%. The revised data showed also a 3.8% growth in Q2 2015/2016 (October-December 2015), due to the increase in exports by 5.5%, final consumption by 1.8% and investments by 3.6%, while imports declined by 3.7%.

Emil Eskander

However, industrial production continued its weak performance, declining by 12.3% in April 2016 affected by the persistence of foreign currency shortage and difficulties facing producers in importing raw materials and intermediate goods needed for production.

Financial Markets

Annual headline inflation in June hit its highest level since December 2008, at 14.8% compared with 12.3% in May and 11.4% in the same month last year. The rise reflected food and beverage price hikes (18.4% y/y) in June, in addition to a 33.2% jump in healthcare prices during the period.

The Monetary Policy Committee at the CBE (Central Bank of Egypt) is scheduled to meet on 28 July 2016, when more interest rates increases are expected (25-50 basis points) to curb surging inflation, with the current interest rates at 11.75% and 12.75% and 12.25% for overnight deposit, lending and discount rates, respectively.

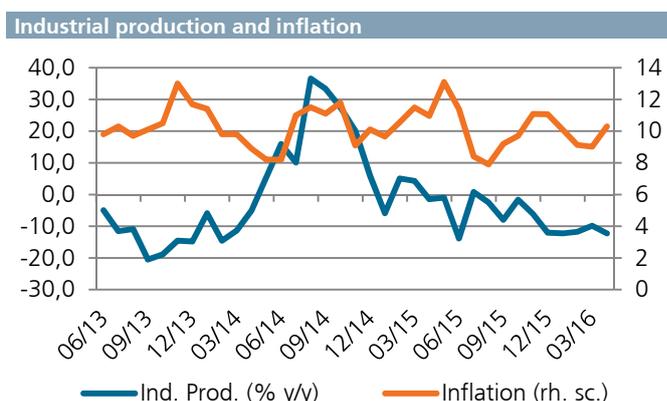
The CBE is maintaining in its FX auctions the EGP8.78 per US Dollar level for the Egyptian Pound exchange rate. It is worth noting that the Egyptian Pound's exchange rate against the US Dollar is hovering around EGP12 per US Dollar in the black market

Banking Sector

Total deposits by the private sector rose 18.9% y/y, to EGP 1.6 Trillion by the end of April 2016, boosted by increases of 22.2% in total corporate deposits and 18% in household deposits. Total loans to the private sector rose 15.6% to EGP 644.2bn, mainly on increases of 20.7% in total loans to households and 13.4% in corporate loans.

Latest Economic Indicators			
%	Last value 1Q 2016 4Q 2015		
Industrial Production, wda yoy	-12.3 (Apr)	-11.3	-6.6
Nom. Exports yoy	1.7 (Apr)	-5.9	-14.1
Retail Sales yoy	n.a.	n.a.	n.a.
Inflation rate yoy	14.8 (Jun)	9.4	10.6
CB Reference Rate	11.8 (21th Jul)	10.8	9.3
Loans (priv. sector, yoy, eop)	15.6 (Apr)	16.3	18.0
Deposits (priv. sector, yoy, eop)	18.9 (Apr)	19.6	20.4

Source: Ministry of Industry & Foreign Trade, Central Bank of Egypt, HSBC



Source: Ministry of Planning, CAPMAS

## Hungary

### Real Economy

According to final CSO data, Hungary's GDP grew by 0.9% y/y in the first quarter of 2016, while the swda figure showed a rise of only 0.5% y/y as a result of an 0.8% q/q drop (the first negative q/q figure since 2012). This was not only a significant slowdown from Q4 2015 (+3.2% y/y), but it also came as a surprise to the market consensus. The poor performance of manufacturing, including the flagship car production, hurt numbers, and construction also suffered an extreme drop. Services and other sectors supported by rising domestic demand were unable to compensate for this negative shift. Overall, the weak GDP figure reflects a significant drop in projects financed by EU funds. In Q2 industrial production showed recovery (above 4%), but construction remained close to its weakest performance.

Sandor Jobbagy

Headline inflation remained below zero (-0.2%) in May and June, mostly in line with expectations. This brought average inflation for H1 to 0.1%, slightly below the H2 2015 level. Oil/fuel prices still depressed inflation, while upwards pressure from rising wages had a limited impact. Average inflation in 2016 may be close to 0.5%, with a further potential shift in direction largely dependent on global oil prices.

### Financial Markets

The NBH launched a new easing cycle in March and announced it would end as early as May, at a base rate level of 0.90%. The last move, in May, was a 15 bp cut. The O/N depo rate remained in negative territory. Accordingly, in June and July the base rate was left unchanged. However, in July the central bank announced unorthodox new measures, i.e., limiting the main 3M depo facility (the one related to the base rate). This will start to take effect in August (with the limit on the number of 3M auctions) and in October (with the limit on the amount to be placed at each auction).

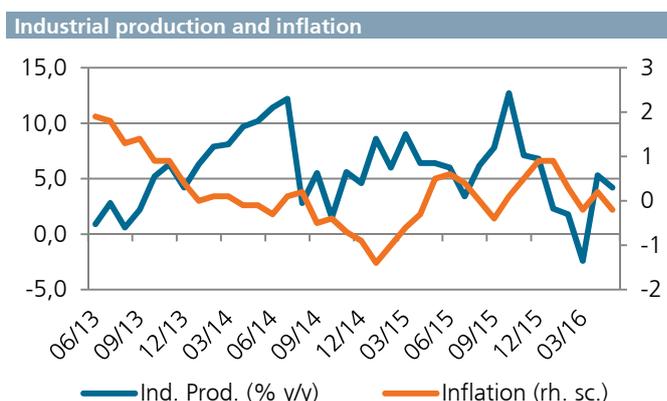
In July the forint gained momentum versus the euro following a brief hit at EUR/HUF 318 right after the Brexit news. The forint revisited levels below 313 mostly on the back of external market factors. Bond yields were supported by this correction and by the NBH announcements on the 3M depo.

### Banking Sector

Real economic developments seem to provide some support to the demand side of the loan market in May while credit supply remained supported by the central bank's lending programs. New credits gained momentum, especially household mortgages, but the dynamics of the entire household and corporate loan stock remained slightly negative. Despite the low level of deposit interest rates, retail and corporate deposits showed some increase. The activity of MARK, the central bank's vehicle to buy low-quality debt from commercial banks, has already attracted some interest, but it should gain momentum later in H2 2016.

Latest Economic Indicators			
%	Last value	1Q 2016	4Q 2015
Ind. Production yoy	4.2 (May)	0.6	8.9
Nom. Exports yoy	6.3 (May)	1.8	7.3
ESI (index)	108.5 (Jun)	112.4	113.2
Retail Sales yoy	5.7 (May)	4.3	4.5
Inflation Rate yoy	-0.2 (Jun)	0.3	0.5
CB Reference Rate	0.9 (21th Jul)	1.2	1.4
Loans (priv. sector, yoy, eop)	-7.2 (May)	-6.4	-12.3
Deposits (priv. sector, yoy, eop)	4.0 (May)	5.9	7.5

Source: CSO, NBH, Bloomberg



Source: CSO

## Romania

### Real Economy

One of the main data points that the market followed closely was the budget deficit (-0.5% of GDP Jan-Jun period), in an environment of increasing fiscal stimulus (lower taxes and higher wages) ahead of the general elections scheduled for late 2016. Not surprisingly, the budget balance started to deteriorate on a y/y basis.

Sebastian Maneran

Other indicators (such as growth and leading growth indicators, i.e., exports, industrial production) are on a relatively stable footing, but that is mainly because the Romanian economy is small in comparison with the Eurozone economy (Romania's main trading partner) where the ECB stimulus/liquidity is buffering potential adverse moves that might result from geopolitical and structural risks.

### Financial Markets

The Brexit vote and the failed Turkish coup have been front and center for Romanian financial markets. Somewhat counterintuitively, in the wake of these risk events RON strength was observed in the FX market (EURRON FX declined), the domestic money markets were broadly stable near the cash deposit facility rate (where banks can park quasi-unlimited amounts of money overnight), and the local currency bond yields decreased (as prices went higher, yields went lower). In other words, price formation indicated that financial markets perceive Romania as a relative safe haven (even if it is less so than Hungary or Poland).

With major domestic macro imbalances basically non-existent, and in a broader environment of abundant central bank stimulus in the Eurozone, Romania's economy is seen by the market as able to withstand domestically induced slippage. Fitch's downgrade of the long-term local currency from BBB to BBB- was completely ignored by the RON markets, but its long-term implications are likely here to stay.

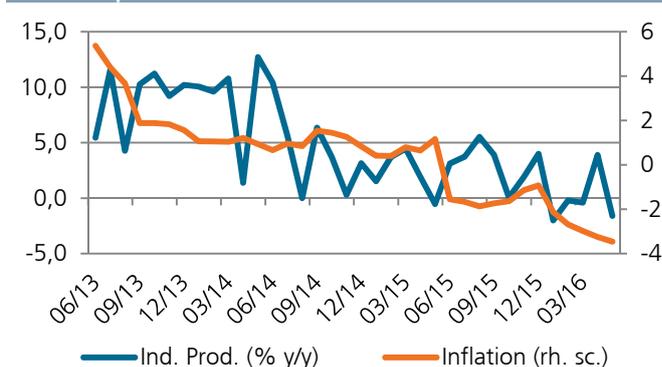
### Banking Sector

There was a credit slowdown in June (on a monthly basis); however, the much-anticipated negative effects of the "datio in solutum" law (the law that allows clients with a mortgage to walk away from the mortgage payments) never really happened. The Fitch rating downgrade has a high probability of driving interest rates higher, but the liquidity ocean the ECB provides is making the one-notch downgrade irrelevant for now.

Latest Economic Indicators			
%	Last value	1Q 2016	4Q 2015
Ind. Production yoy	-1.6 (May)	-0.9	2.0
Nom. Exports yoy	4.1 (May)	4.0	2.4
ESI (index)	103.2 (Jun)	102.8	103.5
Retail Sales yoy	15.2 (May)	16.8	12.4
Inflation Rate yoy	-0.7 (Jun)	-2.6	-1.2
CB Reference Rate	1.8 (21th Jul)	1.8	1.8
Loans (priv. sector, yoy, eop)	1.4 (May)	2.3	2.7
Deposits (priv. sector, yoy, eop)	11.8 (May)	9.6	9.1

Source: National Statistical Institute, NBR

Industrial production and inflation



Source: NBR

Russia

Real Economy

In June prices rose by 0.4% MoM and 7.5% y/y. The main contribution to inflation acceleration came from food (+0.2 p.p.). The effect of ruble appreciation and the decline in world food prices, which had helped stabilise inflation from March till May at 7.3% y/y, dissipated by the end of 2Q2016. This ended the m/m slowdown in inflation, and y/y comparisons suffered from last year's relatively low base. Prices of housing and public services (water, electricity, heat and gas) have increased since 1 July. The increase in prices is not uniform across Russia. In Moscow, average prices will rise by 7.5%, the highest level in Russia. Industrial production increased 1.7% in June and 1% y/y in 2Q2016 for the first time since 4Q2014. As a result, the sector increased by 0.4% over the first half of the year. There was significant growth in 2Q2016 in mining and manufacturing industries, up by 1.8% and 0.9%, respectively. In general industrial production has adapted to the new conditions. In April and May the industry adjustment index reached a historical (since 1994) high of 72%.

Anna Mokina

Financial Markets

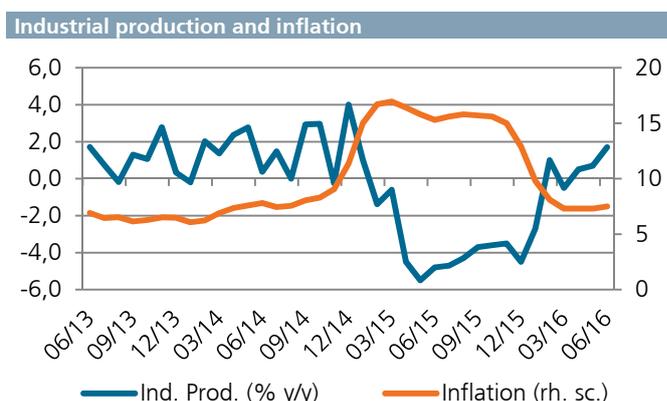
After the OPEC summit in early June, the ruble appreciated against the USD and continued to get support from oil price growth. In anticipation of the UK referendum, the dollar fell slightly while risky assets were stable. The influence of the referendum outcome on the Russian currency was indirect because of Russia's heavy dependence on commodities. The initial effect on oil prices was rather restrained. In early July pressure on the ruble increased against the backdrop of falling oil prices and the general mood in the global markets, which was no longer optimistic. Concerns about further developments in the euro area and in the world arose. Despite the fact that oil prices experienced restrained pressure, the ruble showed firm resistance to external forces. By mid-July the ruble was holding its position, and even made attempts to retest the year's highs. In July, the ruble is expected to strengthen on support from export taxes and dividends.

Banking Sector

In April loans to the private sector grew 7.6% y/y, in March by 5.7% y/y. Deposits in April increased 16.5% y/y, in March by 12.7% y/y. NPLs were 9.4% of total loans in May and 9.3% in April. Loan rates decreased slightly in April from March, as lending rates to households declined from 23.94% to 21.65% and to corporations from 13.24% to 13.00%. Deposit rates to corporations decreased slightly, from 9.76% to 9.64%, while deposit rates to households increased, from 7.46% to 7.67%. The loan to deposit ratio was 109.6 in April (versus the 118.66 in April 2015).

Latest Economic Indicators			
%	Last value	1Q 2016	4Q 2015
Ind. Production yoy	1.7 (Jun)	-0.7	-3.9
Nom. Exports yoy	-28.3 (May)	-33.4	-30.3
Retail Sales yoy	-6.1 (May)	-5.4	-12.5
Inflation Rate yoy	7.5 (Jun)	8.4	14.5
CB Reference Rate	10.5 (30th Jun)	11.0	11.0
Loans (priv.sector, yoy, eop)	7.6 (Apr)	5.8	8.2
Deposits (priv.sector,yoy,eop)	16.5 (Apr)	12.7	18.8

Source: State Statistics Federal Service, Central Bank of Russia



Source: State Statistics Federal Service

Serbia

Real Economy

Favourable trends that started in 2015 have continued since the beginning of the year, pushing up the central bank's projection of 2016 GDP to 2.5% from its previous forecast of 1.8%, mainly due to new investments and better performance in export activities. The NBS forecast is in line with most international institutions and rating agencies: IMF revised upwards its projection to 2.5%, Fitch to 2.4%.

As inflationary pressures are still very low, the inflation rate reached only 0.3% in June, which is the lowest level so far this year. According to the NBS estimate, y/y inflation is projected to start rising moderately, returning to within the target band (4±1.5%) in 2017, supported by a low-base effect, recovering domestic demand and a pick-up in commodity prices.

Branka Babic

Financial Markets

In July, the National Bank of Serbia cut the key policy rate by 0.25pp to 4.0%. At the same time, the interest rate corridor was narrowed from ±1.75% to 1.5% in order to stabilise interest rates in the interbank money market. The NBS said that lowering benchmark interest rate should help keep inflation within the target tolerance band next year. A further decrease in the key policy rate should not be ruled out, especially if inflationary pressures remain low, trends in financial accounts improve and the international environment remains favourable.

During the first half of the year, despite depreciation pressures mainly from uncertainties in the global financial markets, the domestic currency was stable. The NBS interventions on the FX market helped maintain dinar stability, as did stronger exports and an inflow of foreign direct investment.

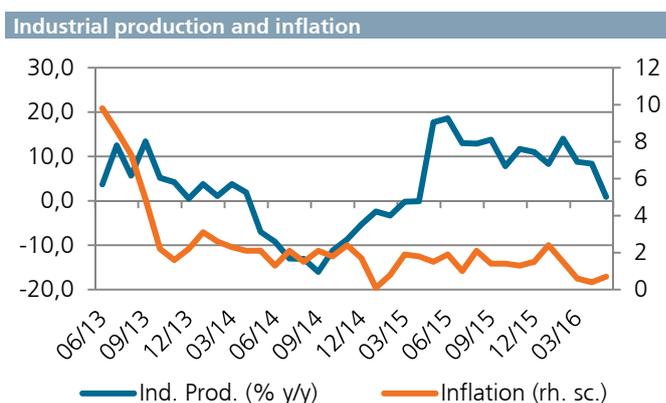
Banking Sector

Credit activity in the corporate segment was influenced by the decline in interest rates, pushed up by the expansionary NBS monetary policy and strong competition. The increase in retail loans was driven by a significant amount of cash loans disbursed to meet the need to refinance existing obligations. The deposit base expanded further and banks remained highly liquid, although this liquidity only partially spilled over into the real economy.

Banks often opt for low-risk investments, placing available funds into government T-bills. The share of securities (predominantly government securities) has increased, now accounting for about 20% of the banking sector's total net balance sheet assets.

Latest Economic Indicators			
%	Last value	1Q 2016	4Q 2015
Ind. Production yoy	0.9 (May)	10.4	10.2
Nom. Exports yoy*	4.8 (May)	11.1	6.1
Retail Sales yoy	4.0 (May)	10.2	3.4
Inflation Rate yoy	0.3 (Jun)	1.5	1.4
CB Reference Rate, eop	4.0 (21th Jul)	4.2	4.5
Loans (priv.sector,yoy,eop)	4.2 (May)	2.1	3.0
Deposits (priv.sector,yoy,eop)	9.7 (May)	7.3	7.1

Source: Statistical Office, National Bank of Serbia



Source: Statistical Office, National Bank of Serbia

## Slovakia

### Real Economy

Real activity remained encouraging as 2Q unfolded, in all sectors but construction. Adjusting for monthly volatility, industry grew on average nearly 7% y/y in April and May, slightly decelerating to 5.9% y/y in May. Growth was mainly in car production, where activity was nearly 20% higher than a year ago and markedly above the 1Q level. The latest report on new manufacturing orders showed 10% y/y growth, with car orders up nearly 12% y/y. The long-awaited acceleration of retail sales appears to be getting on track gradually. In May, retail sales accelerated to 4% y/y, from a meager 0.5% y/y in the beginning of the year. Along with a normalization of activity in public investment associated with EU funds, construction, as expected, fell further in May, to -9.8% y/y.

In aggregate, the Slovak economy is gradually decelerating due to slowing public investment after the boom in the previous year, but other sectors are partially compensating for this, keeping growth comfortably above 3% y/y. Nevertheless, the former buoyant growth in economic confidence has been reversed. In June, after a steady decrease in 2Q, overall sentiment dropped back to where it was at the end of the previous year. In the labour market, positive trends persist, but progress slowed in 2Q, at least based on available data. The headline unemployment rate stalled at 9.45% in June. Adjusted for seasonal factors, the unemployment rate decreased by 0.13 percentage points. After two previous weaker months, progress thus reaccelerated but cumulatively 2Q delivered notably slower progress than the previous quarter. Inflation or in fact deflation was flat in June with May's -0.8% y/y. The main culprit was decreasing prices of foodstuffs, but demand-driven cost pressures were absent, too. In June the demand-driven component – net inflation adjusted for fuel prices – decreased back to a multi-year low of 0.4% y/y.

### Financial Markets

Over the last month, yields on Slovak government bonds decreased sharply, but basically only on par with those on German bunds. Spreads thus remained stable in recent weeks, still 10-15 bps higher than before the Brexit-related chaos in the financial markets.

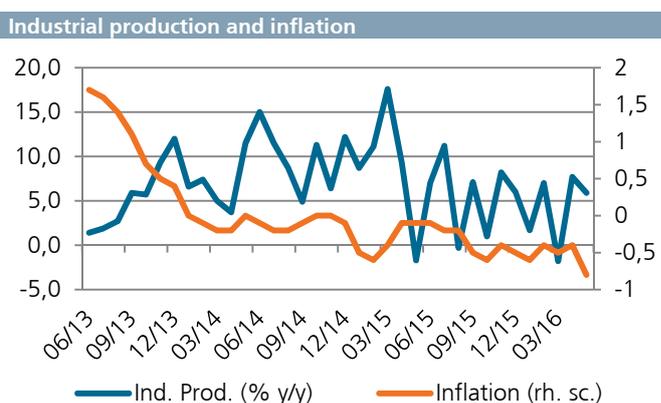
### Banking Sector

Despite the sharp decrease in rates on banking products, both loans and deposits surprisingly kept growing and even accelerating. Besides falling funding costs, the decline of rates in banking products was aggravated by regulation, especially in mortgages. Slovak mortgages in key segments (1-5 year fixed) thus turned from the Eurozone's most expensive loan to the cheapest in just three months.

Zdenko Štefanides

Latest Economic Indicators			
%	Last value	1Q 2016	4Q 2015
Ind. Production, wda yoy	5.9 (May)	2.3	5.1
Nom. Exports, yoy	9.5 (May)	0.8	7.3
ESI (index)	99.1 (Jun)	103.4	99.0
Retail sales, yoy	4.0 (May)	1.0	2.6
Inflation rate*, yoy	-0.8 (Jun)	-0.5	-0.5
ECB refi rate	0.0 (21th Jul)	0.0	0.0
Loans (priv.sector,yoy,eop)	7.7 (May)	8.1	8.7
Deposits (priv.sector,yoy,eop)	9.8 (May)	8.5	9.9

Source: Statistical Office of the Slovak Republic, National Bank of Slovak Republic



Source: Statistical Office of Slovak Republic

## Slovenia

## Real Economy

Inflation rose in June (+0.1%) for the first time since November 2014. The reasons were varied: both external and internal cost pressures are gradually emerging, but it is still difficult to assess the impact of domestic consumption, which was quite weak in 1Q2016.

Nastja Benčič

The narrowing of the budget deficit during the Jan-Apr period was a reflection of growth in revenue, in particular taxes and contributions, and a decrease in expenditure, as the result of a sharp drop in government investment due to a slow start to the drawdown of funds from the new European financial framework. Government debt at the end of 1Q2016 stood at 83.8% of GDP, which was slightly higher than at the end of 2015, because of additional borrowing.

## Financial Markets

In June short-term interest rates were still slowly decreasing, sinking even deeper into negative territory. In the last three months the 3-month EURIBOR rate decreased by 5 bps and is currently moving around -0.295%. Slovenian government bond yields continue their gradual decline, too, reflecting increased volatility in the financial markets. On 18 July the 10-year yield moved to around 0.8%, which is 50 bps lower than three months earlier. Now well under 1%, it represents a 16-month low, the substantial decrease following the release of EU Court's opinion in July that junior creditors and investors need not necessarily suffer losses before a bank can be rescued at taxpayers' expense. The yield might fall even further, as the ruling indicates that the state will not have to compensate bailed-in bondholders in state-owned banks. The final decision on whether Slovenia will need to repay bailed-in bondholders will be reached by the Slovenian Constitutional Court by the end of the year.

## Banking Sector

Apollo and European Bank for Reconstruction and Development completed the acquisition of state-owned NKBM bank (following an agreement signed in June 2015, the purchase price of EUR 250m was paid in April 2016). Now, the takeover of Raiffeisen banka has also been completed and since July 1 the bank has operated under the name KBS banka.

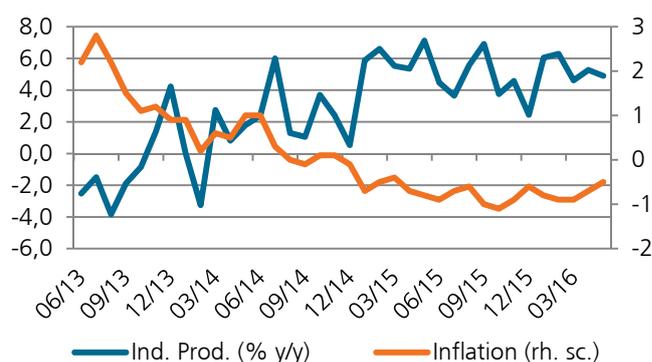
In May, loans to households were 0.5% higher y/y, as a result of rising mortgage and consumer loan volumes. In contrast, corporate loans went down again (-1.0% m/m, -14.0% y/y). Deposits from the non-banking sector were up 7.2% in May, due to an increase in sight deposits.

## Latest Economic Indicators

%	Last value 1Q 2016 4Q 2015		
Ind. Production, wda yoy	4.9 (May)	5.7	3.6
Nom. Exports yoy	4.9 (May)	3.7	2.6
ESI (index)	105.0 (Jun)	104.7	109.4
Consumer Confidence Indic.	-16.0 (Jun)	-17.7	-12.3
Inflation Rate yoy	0.1 (Jun)	-0.9	-0.9
ECB refi rate	0.0 (21th Jul)	0.0	0.0
Loans (priv.sector,yoy,eop)	-7.5 (May)	-8.4	-5.2
Deposits (priv.sector,yoy,eop)	7.2 (May)	6.3	5.8

Source: Statistical Office of the Republic of Slovenia, National Bank of Slovenia

## Industrial production and inflation



Source: Statistical Office of the Republic of Slovenia

## Ukraine

### Real Economy

The most recent data suggests that GDP gained additional steam in 2Q after rising 0.1% y/y in 1Q. In the first half of 2016 the main boost to the economy came from construction activity, which surged 9.1% y/y. Industrial production, which increased 2% y/y, and a few services (from January to June transport enterprises shipped 291 million tons of cargo, up 3.9% y/y, and retail sales rose 5.6%) added to growth. Agricultural production volume in January-June was down slightly y/y (-0.3%), but the expected buoyant wheat crop season suggests that agricultural activity is likely to provide a strong boost to GDP in 3Q.

Giancarlo Frigoli

### Financial Markets

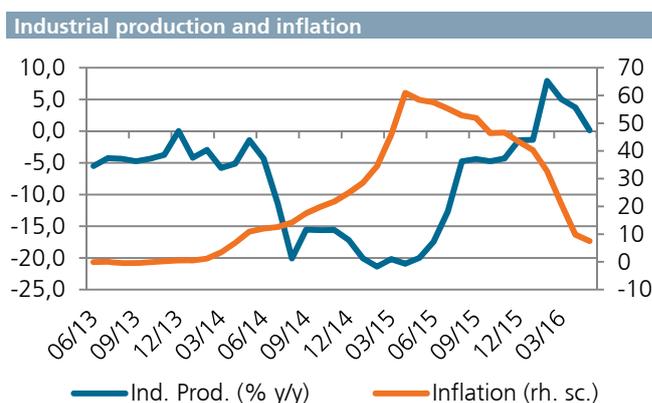
The resolution of the political crisis and new signs that the economy has been strengthening have helped to stabilize the currency. The UAH/USD exchange rate, after hitting a peak of 27.3 at the end of February, has since appreciated and in the last two months has hovered below 25, close to its year-end 2015 quotations. Relieved by the easing of inflationary pressures (the annual inflation rate fell to 6.9% in June from 43.3% in December 2015) and by the recovery in the exchange rate, last March after an eight-month hiatus, the Central Bank resumed its easing cycle. The main policy rate is now 16.5%, the lowest level since year-end 2014, down from 22% at the beginning of the year.

### Banking Sector

The banking aggregates' performance remains fragile. Loans decreased in nominal terms by -4.9% y/y (-3.8% in 2015), but net of fx depreciation (c.50% of loans are in US dollars and a smaller portion in euros), loans fell 16.9%. Deposits increased 5.7% nominally (or -4.6% net of the fx depreciation effect), because of a further decrease in remittances and savers' lack of confidence. Nonperforming loans rose to 30% of total loans in March, but, according to Moody's, total problem loans might be significantly higher. This suggests a level of necessary provisioning that would wipe out Ukrainian bank capital. In May 2016, the trend of foreign liabilities became negative again in nominal terms (-15.6% yoy, after +6.3% in 2015) or -13% net of the exchange rate effect. In H1 2016, the operating banks' losses shrank dramatically, to UAH 9.2bn: a decrease in bank income by -13% y/y, to UAH 88bn, was offset by a larger contraction in expenses (-25% y/y to UAH 97.2bn).

Davidia Zucchelli

Latest Economic Indicators			
	Last value	1Q 2016	4Q 2015
Ind. Production yoy	0.1 (May)	3.9	-3.5
Nom. Exports yoy	-11.3 (May)	-23.5	-30.8
PMI Manufacturing	n.a.	n.a.	n.a.
Retail Sales	5.0 (Jun)	4.0	-15.9
Inflation Rate yoy	6.9 (Jun)	31.3	45.4
CB Reference Rate	16.5 (30th Jun)	22.0	22.0
Loans (Priv. Sector, yoy, eop)	-4.9 (May)	-13.9	-3.8
Deposits (Priv. Sector, yoy, eop)	5.7 (May)	-4.3	1.5



Source: State Statistics Service of Ukraine, National Bank of Ukraine

Source: State Statistics Service of Ukraine

## Country Data: Economy, Markets and Banks - the economic cycle

Economy																		
	GDP chg yoy			Ind. Prod* . ch.yoy			Export nom. ch yoy			Inflation chg yoy				FX reserves chg**			CA bal ance***	
	1Q16	4Q15	2015	Last	mt h	1Q16	Last	mt h	1Q16	Last	mt h	1Q16	2015	1Q16	4Q15	2015	1Q16	4Q15
<b>CEE</b>																		
Slovakia	3.4	4.3	3.6	5.9	May	2.5	6.4	Apr	0.8	-0.8	Jun	-0.5	-0.3	n.s.	n.s.	n.s.	n.a.	-227
Slovenia	2.5	3.3	2.9	4.9	May	5.7	4.9	May	3.7	0.1	Jun	-0.9	-0.8	n.s.	n.s.	n.s.	703	673
Hungary	0.9	3.2	2.9	4.2	May	0.6	6.3	May	1.8	-0.2	Jun	0.3	-0.1	n.a.	-1804	-4256	n.a.	1010
<b>SEE</b>																		
Albania	2.9	2.2	2.6	n.a.	n.a.	n.a.	-14.8	May	-8.4	1.2	Jun	0.7	1.8	n.a.	169	n.a.	n.a.	-413
Bosnia H.	2.1	2.1	3.2	3.9	May	4.6	2.6	May	-0.1	-1.5	May	-1.3	-1.0	-7	169	399	-183	-231
Croatia	2.7	1.9	1.6	1.7	May	6.8	-1.8	Apr	3.9	-1.6	Jun	-1.3	-0.5	-508	270	1019	-1588	-426
Romania	4.3	3.8	3.7	-1.6	May	-0.9	4.1	May	4.0	-0.7	Jun	-2.6	-0.6	n.a.	2456	-3990	-1472	-826
Serbia	3.5	1.2	0.7	0.9	May	10.4	4.8	May	11.1	0.3	Jun	1.5	1.4	-698	-181	171	-249	-451
<b>CIS MENA</b>																		
Russia	-1.2	-3.8	-3.7	1.7	Jun	-0.7	-28.3	May	-33.4	7.5	Jun	8.4	15.8	9478	-2362	-18340	11700	14952
Ukraine	0.1	-1.4	-9.9	0.1	May	3.9	-11.3	May	-23.5	6.9	Jun	31.3	48.5	-729	581	5741	-1101	-283
Egypt	n.a.	3.8	3.5	-12.3	Apr	-11.3	1.7	Apr	-5.9	14.8	Jun	9.4	10.4	116	110	1112	-5549	-4940
<b>m.i. E. A.</b>	1.6	1.5	1.7	0.6	May	1.5	1.9	May	-1.0	0.1	Jun	0.0	0.0					

Source: Datastream, Reuters, Bloomberg; \*Wda data for Slovakia, Slovenia; Bosnia, Croatia, Egypt; \*\*USD for Russia, Egypt, Ukraine, Romania; \*\*\*USD for Russia, Egypt, Ukraine

Markets and Ratings													
	S/T rates*		L/T rates**		Foreign exchanges***			Stock markets		CDS spread		Rating	
	18/07	chg bp 3M	18/07	chg bp 3M	18/07	3M chg%	1Y chg%	3M chg%	1Y chg%	18/07	18/04	S&P	
<b>CEE</b>													
<b>Vs Euro</b>													
Slovakia	-0.3	0.0	0.6	-0.2	Euro	Euro	Euro	-5.8	20.8	37.9	37.4	A+	
Slovenia	-0.3	0.0	0.8	-0.5	Euro	Euro	Euro	-2.5	-4.6	92.2	95.8	A	
Hungary	1.0	-0.2	2.9	0.0	315.2	1.5	2.0	0.0	20.4	138.6	136.7	BB+	
<b>SEE</b>													
Albania	0.9	-0.5	n.a.	n.a.	136.6	-1.5	-2.2	n.a.	n.a.	n.a.	n.a.	B+	
Bosnia H.	n.a.	n.a.	n.a.	n.a.	1.96	Board	Board	n.a.	n.a.	n.a.	n.a.	B	
Croatia	0.8	-0.1	3.9	0.2	7.5	0.3	-1.0	2.7	-3.7	235.4	264.7	BB	
Romania	0.6	0.0	3.3	-0.3	4.5	-0.1	0.9	0.0	-12.0	108.3	106.2	BBB-	
Serbia	4.0	-0.2	n.a.	n.a.	123.3	0.4	2.7	3.5	-14.8	242.9	262.4	BB-	
<b>CIS MENA</b>													
<b>Vs USD</b>													
Russia	10.9	-0.8	8.5	-0.8	63.2	-4.4	11.5	1.6	9.4	211.8	239.1	BB+	
Ukraine	19.8	-4.0	9.7	0.0	24.8	-2.5	12.4	12.0	-23.0	13957.0	13957.0	B-	
Egypt	14.0	0.7	17.7	0.4	8.9	0.0	13.4	6.7	0.5	489.6	494.0	B-	
<b>m.i.A.E.</b>	-0.3	0.0	-0.1	-0.2	1.1	-2.3	1.5	-0.9	-17.8	12.1	12.1		

Source: Datastream, Reuters, and Bloomberg; \* The data for Albania refers to May \*\*For Ukraine, the long-term rate refers to a government issue in dollars; \*\*\* The (-) sign indicates appreciation. Sources: Thomson Reuters-Datastream, Bloomberg

Aggregates and bank rates for the private sector																							
	Loans		NPL/Loans		Foreign Liab.		Deposits		Loans rate <sup>1</sup> -NewB*			DepositsRate <sup>1</sup> -NewB*			Loans/Dep								
	Chg yoy %	Last Mth 2015	Last mth 2015	%	Chg yoy %	Last mth 2015	Chg yoy %	Last Mth 2015	Last	mt h	2015	%	S*	Last	mt h	2015	%						
<b>CEE</b>																							
Slovakia	8.3	Apr	8.7	5.1	Apr	5.1	18.8	Apr	1.1	8.6	Apr	9.9	2.8	Apr	2.83	C <sup>2</sup>	0.68	Apr	0.75	H <sup>2</sup>	90.3	Apr	90.0
Slovenia	-7.5	May	-5.2	8.0	Apr	9.9	-15.2	May	-20.7	7.2	May	5.8	3.19	May	3.45	C <sup>2</sup>	0.2	May	0.28	H <sup>2</sup>	84.5	May	89.2
Hungary	-7.2	May	-12.3	0.1	Dec	0.1	-14.4	May	-8.1	4.0	May	7.5	3.92	May	4.1	C	0.53	May	1.0	A	92.0	May	90.8
<b>SEE</b>																							
Albania	-1.6	May	-2.6	19.5	May	18.2	-13.7	May	-14.4	-0.1	May	1.0	9.78	May	8.35	A	0.84	May	1.27	H	55.8	May	54.2
Bosnia H.	2.2	May	2.2	13.2	Mar	13.7	-11.2	May	-11.7	6.6	May	7.8	4.68	May	4.99	C	0.69	May	1.06	H	113.5	May	114.4
Croatia	-6.2	May	-3.1	16.1	Mar	16.6	-32.8	May	-25.1	5.1	May	6.4	4.44	May	5.08	C	1.61	May	2.15	H	86.9	May	86.5
Romania	1.4	May	2.7	13.5	Mar	13.5	-14.1	Feb	-10.2	11.8	May	9.1	4.01	May	4.32	C	1.09	May	1.48	H	88.9	May	89.5
Serbia	4.2	May	3.0	20.3	May	21.6	-11.5	May	-6.3	9.7	May	7.1	6.42	May	6.24	C	3.51	May	4.17	H	108.7	May	111.4
<b>CIS MENA</b>																							
Russia	7.6	Apr	8.2	9.4	May	8.3	-3.0	Mar	-0.8	16.5	Apr	18.8	13.0	Apr	13.8	C	7.67	Apr	8.43	H	109.6	Apr	108.1
Ukraine	-4.9	May	-3.8	29.7	Mar	28.0	-15.6	May	6.3	5.7	May	1.5	25.87	May	26.09	R <sup>3</sup>	17.76	May	20.06	R <sup>3</sup>	145.0	May	146.3
Egypt	15.6	Apr	18.0	6.8	Dec	6.8	108	Apr	91.6	18.9	Apr	20.4	12.9	Apr	11.8	C	7.2	Apr	6.8	H	39.6	Apr	38.8
<b>m.i. E. A.</b>	0.5	Apr	0.9	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	3.2	Apr	3.3	1.4	Apr	1.5	C	0.6	Apr	0.6	H	81.9	Apr	83.1

Source: Central Banks, IMF, Moody's ; monthly average; <sup>1</sup>lending rate on current account overdraft; on deposits up to 1 year; <sup>2</sup>does not include banks

\*Sector A=All, C=Corporates, H=Household, PS=Private Sector, R=Residents.

Intesa Sanpaolo Research Department – Head of Research Gregorio De Felice	
International Research Network Coordination	e-mail address
Gianluca Salsecci (Head)	gianluca.salsecci@intesasampaolo.com
<b>ISP - Research Department (Milan)</b>	
Giancarlo Frigoli (CIS, MENA and Lat. Am. Countries)	giancarlo.frigoli@intesasampaolo.com
Silvia Guizzo (Emerging Asia)	silvia.guizzo@intesasampaolo.com
Antonio Pesce (CEE and SEE Countries)	antonio.pesce@intesasampaolo.com
Wilma Vergi (Trade and Industry)	wilma.vergi@intesasampaolo.com
Davidia Zucchelli (Banks and Financial Markets)	davidia.zucchelli@intesasampaolo.com
<b>International Subsidiaries' Research Departments:</b>	
<b>VUB (Slovakia)</b>	
Zdenko Štefanides (Head)	zstefanides@vub.sk
Andrej Arady	aarady@vub.sk
<b>PBZ (Croatia) and ISP Banka (Bosnia I Hercegovina)</b>	
Ivana Jovic (Head)	ivana.jovic@pbz.hr
Ana Lokin	ana.lokin@pbz.hr
<b>CIB (Hungary)</b>	
Mariann Trippon (Head)	trippon.mariann@cib.hu
Sandor Jobbagy	jobbagy.sandor@cib.hu
<b>Banca Intesa (Serbia)</b>	
Marija Arsic (Head)	marija.arsic@bancaintesa.rs
Branka Babic	branka.babic@bancaintesa.rs
Tijana Matijasevic	tijana.matijasevic@bancaintesa.rs
<b>Alexbank (Egypt)</b>	
Emil Eskander (Head)	emil.eskander@alexbank.com
Omar Mostafa Ismaeil	omar.ismaeil@alexbank.com
Samer Samy Halim	samer.halim@alexbank.com
<b>International Subsidiaries' Research Contacts:</b>	
<b>Banka Koper (Slovenia)</b>	
Nastja Benčič	nastja.bencic@banka-koper.si
<b>Banca Intesa (Russia)</b>	
Anna Mokina	anna.mokina@bancaintesa.ru
<b>Intesa Sanpaolo Bank (Romania)</b>	
Sebastian Maneran	sebastian.maneran@intesasampaolo.ro
<b>Intesa Sanpaolo Bank (Albania)</b>	
Kledi Gjordeni	kledi.gjordeni@intesasampaolobank.al

## Analyst Certification and Other Important Information

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