INTESA SANPAOLO

Monthly Note

Countries with ISP Subsidiaries

October 2015

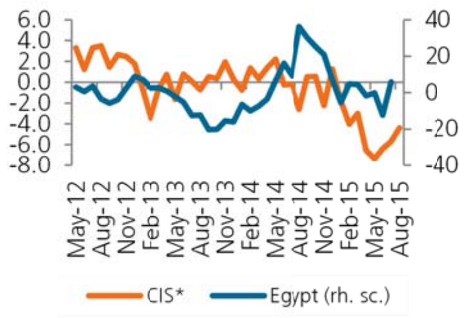
Monthly note

Intesa Sanpaolo
International Research
Network

Cycle indicators point to a stabilisation in CEE's and acceleration in SEE's GDP growth. Monetary rates seen low for an extended period. Central Banks cautious in CIS and Egypt. Credit still sluggish overall.

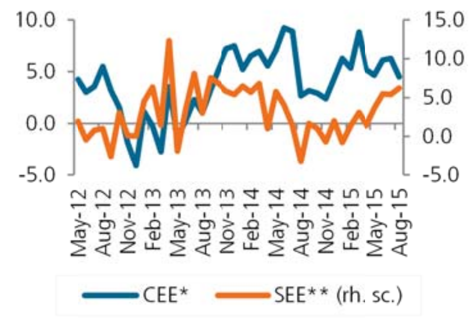
- The latest business cycle indicators generally point to a stabilisation of GDP growth just below the performance recorded in 1H2015 in CEE Countries and to an acceleration in the SEE countries – broadly in line with September forecasts. Growth is supported by the Euro Area recovery and is only indirectly affected by the slowdown in major emerging countries. Economic indicators still anticipate a deeply negative GDP growth in 3Q2015 in CIS countries, where a relative improvement is seen starting from the fourth quarter.
- Owing to still-falling energy prices on an annual basis (in the case of Romania to a VAT reduction also) inflation rates in September were negative in almost all CEE/SEE countries, the exceptions being Albania with 2.2% (in line with the CB target) and Serbia with 1.4% (below the CB range). Inflation is only slowly decelerating in CIS countries, partly due to currency depreciation, and slightly increasing in Egypt due to subsidy revision.
- In the last meeting, the ECB opened up the possibility of considering a more flexible QE at its December meeting in terms of amount, composition and time extension of asset purchases. This move further supports (in view of negative inflation rates domestically) extended accommodative policies also in CEE/SEE countries. In October, the MNB while keeping unchanged the policy rate, signalled that the rates would remain at the current level until the end of 2017, and the Serbian CB has further lowered the policy rate (to 4.5%). In parallel, long term rates have generally retreated in all the regions from summer peaks due to expectations of extended low short term rates and of further compression of term premia.
- In CIS countries amid still-high inflation rates, Central Banks remained cautious. Following the successful completion of the debt exchange offer to private holders of foreign State debt, S&P raised Ukraine's country foreign currency rating to B- (from CC/N before the debt restructuring deal). In Egypt the ECB managed a further depreciation of the pound, which has lost about 12% of its value against the USD since January. A sliding currency supports the competitive position of the country, and also eases the pressure on the balance of payments that this year has seen smaller transfers by GCC countries.
- In CEE/SEE countries, banking aggregates indicate that loan profiles slightly improved in some countries in August, notably in Bosnia and in Serbia, but continued to decline in Slovenia, Hungary, and Croatia. In CIS countries, loan dynamics, net of the fx effect, were still negative in Ukraine (in nominal terms) and Russia. On the funding side, the persistent drop in fx liabilities, in particular in Romania and Serbia, was partially offset by the increase in deposits, which continued to perform well, especially in Bosnia and Romania.

Industrial production % yoy – CIS - Egypt



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

Industrial production % yoy – 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

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 CSI Countries and Egypt among MENA Countries.

The figures in this document have been updated to 23 October 2015.
See the final page for important information.

Cross Country Analysis

CEE Area

Antonio Pesce

In the CEE Area, the most recent data point to a further stabilisation of the cycle in the second part of the year, although at a slower pace than in the first half. In August industrial production in Hungary went up 6.2% yoy (below the 6.3% recorded in 2Q 2015, even if higher than the 4.8% average seen in July-August). In the same month, exports growth slightly slowed from 2Q2015 (6.2% vs 8.4%). The economic conditions in the country, however, remain in a good shape. The Economic Sentiment Indicator (ESI) improved in October (117.5 from 114.2 in September), while in September the PMI manufacturing index was above the 50 level. In Slovakia, industrial production contracted by 0.5% y/y (in working day adjusted) in August. Adjusted for the timing of holidays, data in the manufactoring sector do not signal a slowdown trend yet. The ESI declined, however, in September. In the same month, in Slovenia the ESI declined too, although it remained close to the historical high.

The weakness in industrial production was also recorded in the working day adjusted data (-0.5%), and the ESI declined in September. In the same month in Slovenia the ESI declined too, although it remained close to the historical high.

In September inflation in Hungary was negative after several months of positive or stagnant dynamics. In the same month inflation was also negative in Slovakia and Slovenia, where it recorded the strongest contraction of the last 10 months. In its last meeting the ECB Governing Council allowed for a re-examination in December of the degree of monetary policy accommodation, opening the possibility of making QE more flexible in terms of amount of asset purchases and programme extension. At the same time, the Hungarian CB Board decided to leave unchanged the policy rate at 1.35% but signaled that rates might remain at the current level until the end of 2017. In this context, long term rates retreated in all three CEE countries.

Davidia Zucchelli

As far as banking aggregates are concerned, the performances in the area continued to be very diversified in August: substantial in Slovakia but still fragile in Hungary and in Slovenia. In Hungary, loans showed a negative change (-9.1% yoy in August), due to a decrease in loans both to households (-11.5%) and corporates (-6.5%). Loans in local currency to the household sector, amounting to HUF 5860Bn after the conversion process adopted in March, decreased by 0.4% mom. Furthermore, we note that the further decline in loans denominated in local currency to corporates (–1.3% yoy in August from -1.4% yoy in July), in contrast to the macroeconomic recovery. The loans component denominated in foreign currency decreased by 11.6%. Deposits recorded a further increase of 3.7% yoy in August (from 4% in July) due to an increase both in business deposits (+5.7% in August), and in household deposits (+2.2%). After a series of modest yoy increases in the previous months, the foreign liabilities decreased by 4% yoy in August.

In Slovenia loans continued to decrease (-11.2% in August from -11.4% yoy in July) due to falling corporate loans (-18.8%) in the presence of a still-high level of indebtedness. Loans to households remained stable (+0.0%) due to a recent increase in mortgage lending pushed up by low house prices. Deposits went up by 3.5% yoy, particularly sight deposits, the less stable part of funding.

In Slovakia lending continued to perform well (+6.9% yoy in August from +7.8% in July) but the growth gap between corporates (up by 1.6%) and households (up by 12.9%) persisted. Deposits also performed robustly (+10% in August) in both the household (+6.4%) and corporate sectors (+14.7%). After strong monthly increases up to December (+42% yoy), last August foreign liabilities decelerated (+11.7%).

SEE Area

Antonio Pesce

The most recent data highlight a stronger pace of economic recovery in the SEE Area. In August industrial production accelerated in Croatia, Bosnia and Romania. Moreover, in September both in Croatia and in Romania the ESIs remained close to the maximum of the last year. In Serbia, industrial production and exports stayed on double-digit positive trends (partly explained by the positive base effect due to last year's flood). In August exports also generally confirmed a positive trend in the remaining SEE countries, with the only exception being Albania, where they fell by 17.6% yoy in nominal terms.

In September the consumer price dynamic was very weak in the SEE Area. Inflation was negative in Bosnia, Croatia and Romania (in the latter case, however, partly because of the VAT reduction measure adopted by the Government). In Albania the inflation rate was within the Central Bank's inflation target band but in Serbia it was still well below the target.

Given the inflation performance, the Romanian CB left the policy rate at 1.75% in September, while the Serbian Central Bank, in October, decided to lower it by 50 bps to 4.5%.

Davidia Zucchelli

In terms of banking aggregates, the macroeconomic improvement didn't carry over to areas where weaknesses still prevailed. In Croatia, loans continued to fall (-2.2% yoy in August) due to a reduction of loans to businesses (-3.9%, burdened by heavy debt), and to households (-1% yoy). The conversion of CHF-denominated loans into euros is now expected to cause a reduction of loans to the private sector by around 3pp in the current year. Deposits remained robust although growth decreased (+1.6% yoy in August from +1.9% yoy in July) in the household (+0.8%) and business (+4.9%) sectors. The LTD ratio dropped steeply to 91.5% in August.

In Serbia, loans increased by 3.1% yoy in September, decelerating from 4% yoy in July, especially in the household sector (+4.3 yoy). Loans to businesses went up by 2.3%. It is worth mentioning the continued increase in loans denominated in foreign currency both in the household (0.8%) and in the corporate sector (7.7%). At the same time, it must be noted that loans to corporates in local currency steeply decreased by 15.1% as of September, despite the macroeconomic recovery signalled in the 2Q2015. Deposits continued to perform well (+4.1% yoy in September), both in households (3.0%) and in businesses (6.4%), while foreign liabilities continued to decline (-8.9% yoy in September).

In Albania, loans showed a slight decrease (-1.2% yoy in August, due to a slowdown in corporate loans (-2.7% yoy) while loans to households continued to show a moderate increase (+2.9% yoy). Loans denominated in foreign currency went down (-5.4% yoy). Deposits went up by 1.3% yoy in August, particularly in the business sector (7.5% yoy), and in the foreign currency component (+1.9%), supported by remittances from abroad. NPLs remained very high in August (21% of the total). On the liability side, foreign liabilities continued to decline significantly (-12.9% yoy) in August.

In Romania loans slightly improved in August (0.1% yoy from -0.8% yoy in July) while deposits continued to perform well (+8.6% from +7.9%). Loans to corporates were weak (-3.3%), particularly those in foreign currency (-10.1%), whereas loans to households continued to go up, this time by 3.7% yoy, aided by demand for mortgages.

CIS and MENA Areas

Giancarlo Frigoli

September's activity data from Russia suggest that the downturn in industry has bottomed out but the slump in consumer spending has deepened. While output continued to fall in annual terms in September, the pace of contraction eased to 3.7% yoy from 4.3% yoy in August. This supports the idea that the worst may now be over for the factory sector. Consistent with this, the manufacturing PMI rose to 49.1 in September, from 47.9 in August. Retail sales tumbled by 10.4% yoy in September, worse than the fall of 9.1% yoy in August. Retail sales are now falling at their sharpest pace since 1999. The latest numbers suggest that GDP in Q3 contracted at a similar pace to Q2's drop of 4.6% yoy. Inflation has remained stubbornly high (15.7% in September), suggesting that the Central Bank is likely to remain cautious in cutting rates in the near future

The IMF mission to Kiev recently cut its GDP forecast for the Ukraine economy in 2015, which is now expected to fall by 11% (compared to -9% in the October WEO). The 2% GDP recovery forecast by the IMF for next year was however confirmed. S&P, following the successful completion of the debt exchange offer to private holders of Ukraine's foreign State debt, raised the country's foreign currency rating to B- (from CC/N before the debt restructuring deal). The agency said that the risk of a default in the next two/three years is now lower, after the Ukraine Government saw its debt exposure to diminish by about 5pp of GDP.

Preliminary numbers released by the Ministry of Investments showed that real GDP in Egypt rose by 4.1% in FY15, which ended last June. This suggests that GDP growth slowed in the second half of the fiscal year (January-June 2015) to less than 3%, compared to 5.6% in the first half (July-December 2014). Most recent figures, however, point to a renewed acceleration in the pace of growth. The PMI index for the non-oil private sector expanded in August at its sharpest rate in 2015, rising to 51.2 from 49.2 in July. In mid-October the Egyptian central bank effected another devaluation of the pound (the third so far this year) to EGP 8 : 1 USD. Since the start of 2015, the Egyptian currency has lost about 12% of its value against the USD. A sliding currency helps to improve the competitive position of the country and to ease the pressure on the Balance of Payments, which this year has seen smaller transfers by the oil-rich countries of the Gulf.

Davidia Zucchelli

As regards banking aggregates, in Russia loans rose by 15.2% yoy in July (but the depreciation of the exchange rate led to a nominal appreciation of loans denominated in foreign currency, which currently account for 27% of total loans to the private sector). Demand for credit from corporates rose (+21.9% yoy in July), which accounts for over 70% of loans to the private sector and are mostly denominated in foreign currency. The greatest challenges experienced by banks relate to funding. In July, the nominal increase in deposits was 25.2%. Interest rates on new loans to businesses decreased to 14.65% in the wake of lower benchmark and interbank rates.

As of August 2015, in Ukraine banking aggregates continued to be affected by the economic recession and the social and political difficulties. Nominal loan growth was 0.6% in August (down from 6.7% in July), including +2.8% for businesses and -6.9% for households; net of the exchange rate effect there was a decline of 35%. Deposits showed a slight nominal decline (-4.9% yoy in August), but fell sharply (approximately -40%) net of the exchange rate, due to plummeting remittances from Russia and a lack of confidence from savers. NPLs went down slightly in June (to 24.3% from 24.7% in March. The regulatory capital is rapidly falling (to 9% in June from 15.6% as of December 2014), with severe effects on the banking system's stability.

In the MENA Area, loans continued to rise in nominal terms in Egypt (+17.6% in July from +17.1% in June) both in the household (+18.8%) and in the corporate sector (+17% yoy) aided by planned infrastructure spending. Deposits maintained a strong pace (+18.2% in July), supported by households (+13.9%) and especially by the corporate sector (37% yoy).

Country-Specific Analysis

Albania

Real Economy

Julian Cela

After an increase of 2.8% in 1Q2015, Albanian GDP had its second positive quarterly growth in a row at 2.5% in 2Q2015. The main contributors were Construction, Industry, Electricity and Water. The CB and the IMF revised the 2015 forecast of Albanian GDP from 3% to 2.7%, due to fears of potential consequences of Greek crisis in trade, remittances and banking. However the successful actions taken by Albanian authorities to avoid possible contagion permitted the maintenance of positive trend in 1H2015.

In 1H2015 data show that foreign investments increased by 36%. Same expectations are maintained for 2H2015. In September 2015 the annual growth of consumer prices was 2.2%. The slow growth of food prices and the fall in oil prices are contributing to low inflation values.

The Government continues to implement structural reforms, like the recent one of anti-informal economy, with the goal of boosting fiscal revenues, improving the business environment and the medium- and long-term growth potential of the country and preparing for future integration into the EU.

Financial Markets

CB continues to maintain the accommodative monetary policy stance. Lending interest rates and government securities' yields are close to their historical low of 2%. Lek lending has increased, whereas the costs of servicing the debt to the private and public sectors have decreased. The Albanian Lek against EUR remained relatively stable in October for the third consecutive month.

Banking Sector

Banks have a capital adequacy ratio close to 16%, loans to deposits ratio at 55% and 40% of their short-term liabilities as liquid assets. This shows the potential for lending activity to grow. On the other side the high NPL rate, which increases banks' caution in lending, weak aggregate demand and perceived risk level by banks affect negatively that growth. In the last few months the NPLs/Loans ratio has decreased significantly (to 21% in August vs 24.8% one year before) partly as result of recent improvements in the legal framework such as the bankruptcy law, new rules for write-offs, improvements in collateral execution procedure.

In August total loans (residents) to the private sector shrank by 1.2% yoy, affected mainly by business loans -2.7% while lending to households continued to rise (+2.9%). Total deposits expanded by 1.3% yoy. The main contribution came from the corporate sector (7.5%).

Last macroeconomic indicators

%	Last value	2Q 2015	1Q 2015
Industrial production, wda yoy	n.a.	n.a.	n.a.
Export of goods, nominal yoy	-17.6 (Aug)	-2.0	-2.0
Unemployment rate	n.a.	n.a.	17.3
Inflation rate, average yoy	2.2 (Sep)	1.8	1.9
Loans (private sector, yoy, end of period)	-1.2 (Aug)	0.8	2.3
Deposits (private sector, yoy, end of period)	1.3 (Aug)	1.7	2.6

Source: INSTAT, Central Bank of Albania

Export and inflation

Source: INSTAT

Bosnia and Herzegovina

Real Economy

Ivana Jovic

In the second quarter GDP grew by 4.4% yoy, outperforming expectations and reaching its highest rate in the last couple of years. This was amid positive developments in almost all activities but also benefiting from last year's low base (-0.5% amid floods). The highest contribution to real GDP growth in Q2 came from growth in wholesale and retail trade (+8.1%), manufacturing (+5.9%) and financial activities (+7.9%).

High frequency data continued to outperform in August. According to the Statistics Agency, industrial production increased by 7.2%, with growth of 6.4% in mining and quarrying (13.2% share), 10.5% in manufacturing (62.8% share) and 2.4% in electrical supply (24% share of total IP). Even if the hike in Industrial Production can be partially attributed to a low base effect (in 2014 BH was strongly hit by floods), both foreign trade and domestic consumption dynamics supported growth. Namely, in August merchandise exports grew by 11.7% yoy while imports declined by 6.7% yoy. The overall trade deficit in the first eight months improved by 6.3% to BAM 4.49 billion and import by exports coverage improved to 56.7% (+2.8pp). Domestic demand also picked up in August (+7.4% yoy), recording the 15th consecutive month of growth. In light of a stagnating labour market (unemployment rate remains high at 43%, while average nominal net wage increased by only 0.2% yoy) we see expats remittances and credit activity as the major driver of household consumption.

A 9-month long negative inflation path continued in August and CPI index declined by -1.1% yoy, lowering first eight months' average inflation to -0.7%.

Banking Sector

The slowdown in the banking industry continued in August, as consolidated assets increased just 2.0% yoy, which was the slowest rate since January 2013. Loans to private sector regained some strength and in August grew by +1.6% yoy (prev. +1.1%). The corporate sector continued its deleveraging although at a slower pace than in previous months, with corporate loans decreasing by 1.5% yoy in August vs avg. -3.3% in Jan.-July. Households loans continued a stable 5% growth based predominantly on consumer loans (+7.0% yoy to 75% of total household loans) while housing loans continued to decline (-2.7% yoy; to 19% share).

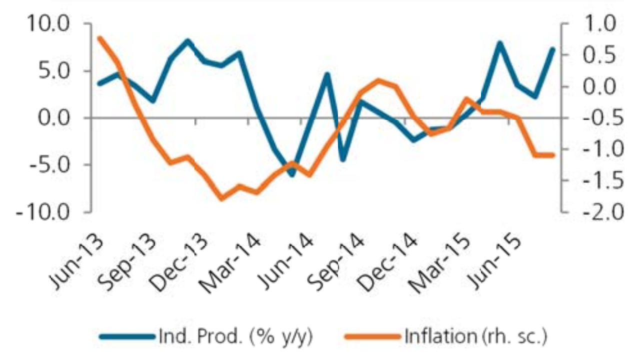
At the same time, private sector deposits grew by a high 8.7% yoy (prev. +7.9%), with increases in households (+9.4%) and corporate deposits (+7.1%). Consequently, loans to deposits ratio further declined to 119%. The non-performing loans in Q2 marginally decreased to 14.1% from 14.2% in Q1.

Latest macroeconomic indicators

%	Last value	2Q 2015	1Q 2015
Industrial production, wda yoy	7.2 (Aug)	4.5	-0.7
Export of goods, nominal yoy	11.7 (Aug)	6.4	2.6
Retail trade, real, wda yoy	7.4 (Aug)	11.1	7.2
Inflation rate, average yoy	-1.1 (Aug)	-0.4	-0.5
Loans (private sector, yoy, end of period)	1.6 (Aug)	1.1	0.3
Deposits (private sector, yoy, end of period)	8.7 (Aug)	8.7	6.6

Source: BHAS, CBBH

Industrial production and inflation



Source: Labour and employment agency

Croatia

Real Economy

Ivana Jovic

Although August high frequency data continued on a positive note, a mild slowdown appeared. On one hand, industrial production grew by 2.8% yoy (prev. +3.9%), continuing its solid performance supported by stable foreign demand. However, domestic demand performed below expectations, increasing only by 0.9% yoy vs July's +4.5%. Retail trade underperformance could be attributed to several factors, in particular less strong tourist spending than in July, last year's higher base but also potentially higher unrecorded activity. Export growth continued in July (+10.5% yoy); however, part of this growth may reflect the redistribution of goods imported from the rest of the world, since growth in Industrial Production is lagging.

Negative inflation pressures intensified in September, marking a -0.8% change yoy in September and pushing the 12-month average to -0.3% yoy. The main drag was fuel prices, which had an annual decrease of 14.8%.

Financial Markets

The second half of September saw more volatile financial markets as commercial banks prepared for CHF-indexed loans conversion. Both the exchange rate and MM interest rates started to increase, prompting the Croatian National Bank to try to stabilise the market through fx intervention and the introduction of reverse repo auctions. September's average EUR/HRK rate remained broadly unchanged at 7.57 (+0.3% mom) and eop rate weakened by 1.2% to 7.63. Short-term money market rates closed at 1.90% while the monthly average reached 1.87% (vs 1.16% in August). CNB tried to ensure further stabilisation of the market by continuing its regular reverse repo auctions in the first half of October and by revoking compulsory purchases of CB bills, thus increasing average HRK liquidity surplus.

Banking Sector

Deposit growth in August slightly slowed to 1.6% yoy, reflecting a slowdown in household deposit growth (to +0.8% yoy) while corporate deposits grew by 4.9% yoy. Part of the slowdown can be attributed to foreign exchange effect: eop EUR/HRK rate in August 2015 was 1% lower than a year ago.

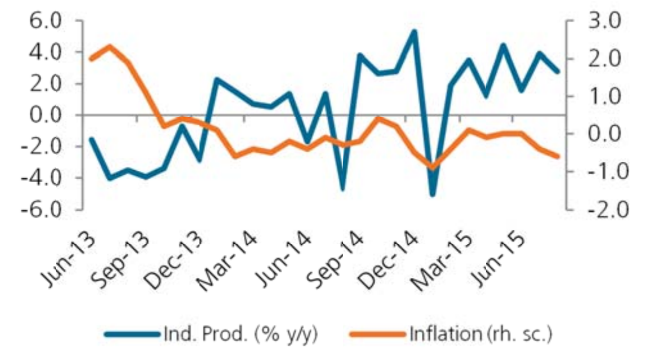
Pace of loan decline accelerated to -2.2% yoy, based on a 3.9% decline in corporates and 1.0% decline in household loans. Both households and corporates are continuing to deleverage and refrain from investments: housing loans declined by 0.8% yoy while corporate investment loans declined by 4.5% yoy.

Latest economic indicators

%	Last value	2Q 2015	1Q 2015
Industrial production, wda yoy	2.8 (Aug)	2.4	0.1
Export of goods, nominal yoy	10.5 (Jul)	15.1	9.6
Retail trade, real, wda yoy	0.9 (Aug)	2.5	1.7
Economic Sentiment Indic. (index)	119.6 (Sep)	121.8	116.7
Inflation rate, average yoy	-0.8 (Sep)	0.0	-0.4
Loans (priv. sector, yoy, end of period)	-2.2 (Aug)	-0.6	-0.5
Deposits (priv. sector, yoy, end of period)	1.6 (Aug)	3.2	2.1

Source: CBS, EC, CNB

Industrial production and inflation



Source: EC

Egypt

Real Economy

Emil Eskander

Preliminary data showed that the Egyptian economy grew by 4.1% in FY 2014/15 compared to only 2.2% a year earlier, as public and private consumption continued to boost economic activity as well as investments while net exports constrained growth.

In August industrial production declined as the shortage in energy supply for factories prevented them from operating at full capacity and the shortage in foreign currencies limited imports of raw materials and intermediate goods, which accordingly affected manufacturing exports. Also the decline in international food prices imposed severe pressure on exports.

Financial Markets

Annual headline inflation was 9.2% during September 2015, up from 7.9% posted in August. Inflation is expected to average 10.5% for 2015, compared with 10.1% in 2014 mainly due to the devaluation of the Egyptian Pound. The Egyptian Government is expected to implement new policies, including the adoption of the VAT system and applying the second phase of the energy subsidies cut, which will add more inflationary pressure in the future.

The Central Bank of Egypt (CBE) has allowed the devaluation of the Egyptian Pound twice in October, bringing the rise in its exchange rate against the US Dollar to 2.6% compared to the previous month and 10.6% compared to January 2015, following the decline of Net International Reserves to $16.3Bn in September 2015 from $18.1Bn in August. This decline is mainly attributed to a fall in foreign currency inflows with decreasing and weakening ability to acquire more foreign aid from Gulf countries. Moreover, an increase in foreign currency outflows also occurred, resulting from increasing external debt service and the repayment of dues owed to foreign oil companies. In addition, the announcement that Egypt is negotiating with the World Bank for a $3Bn loan obligates the Government to mitigate its control over the exchange rate. The CBE maintained its overnight deposit rate, lending rate, keeping the rate of the CBE's main operations unchanged at 8.75%, 9.75% and 9.25%, respectively, during its latest meeting in September 2015.

Banking Sector

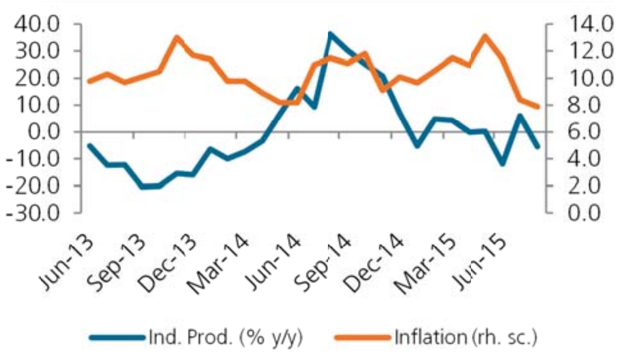
Total deposits of the private sector were EGP1.44Tn at the end of July 2015, up by 12.3% from December 2014 (+18.2% yoy). Total loans to the private sector also increased in the same period, to EGP 577.8Bn by the end of July 2015, up by 13.5% from December 2014 (+17.6% yoy). This is mainly attributed to the improvement in economic activity, especially related to infrastructure, and to the impact of inflation on the financial needs of individuals and producers.

Latest Economic Indicators

%	Last value	2Q 2015	1Q 2015
Industrial Production, wda yoy	-5.5 (Aug)	-4.0	1.3
Nom. Exports yoy	-7.1 (Jul)	-21.5	-26.8
Retail Sales yoy	n.a.	n.a.	n.a.
Inflation rate yoy	9.2 (Sep)	11.8	10.6
CB Reference Rate	8.75 (23rd Oct)	8.75	8.75
Loans (priv. sector, yoy, end of period)	17.6 (Jul)	17.1	16.9
Deposits (priv. sector, yoy, end of period)	18.2 (Jul)	17.7	17.9

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

Industrial production and inflation



Source: Ministry of Planning, CAPMAS

Hungary

Real Economy

Sandor Jobbagy

The recently-released high frequency indicators have not altered the economic outlook: although the economy has lost some momentum recently, the growth picture remains benign, whilst the low inflationary environment is set to prevail. Industrial output fell 2% m/m in August and was 6.2% higher compared to the same period of 2014. Industry adjusted to a lower growth trajectory (also confirmed by orders data), but output growth was stable at around 5-6% yoy. The VW scandal is definitely something to watch given Hungary's high exposure to the car industry (in line with the Czech Republic's), but at this point the exact impact is hard to estimate. The cumulative (Jan-Aug) trade surplus surpassed EUR 5Bn (up ~30% from the same period of 2014.) The FY 2015 trade surplus may approach EUR 7Bn. We have not revised our GDP projection for 2015, and pencil in an average growth rate close to 3% (2.8%)

Headline inflation returned to negative territory in September (-0.4% yoy), weighed down by falling commodity prices. Price categories primarily driven by demand factors have not shown significant changes; core inflation has been fluctuating between 1.2-1.3% since April. CPI is expected to inch higher in the coming period, annual average CPI may come close to zero, probably a tad into negative territory this year. Average inflation in 2016 may approach but not reach 2%, according to our forecast.

Financial Markets

NBH left the policy rate on hold in September, and signaled that rates might remain at the current level throughout the forecast horizon (i.e. end-2017). The HUF remained mostly driven by external developments. After testing the 316 level in late September, EUR/HUF headed south in tandem with improving global risk sentiment and dropped to the vicinity of 310. Bond yields remained supported by the NBH's self-financing program.

Banking Sector

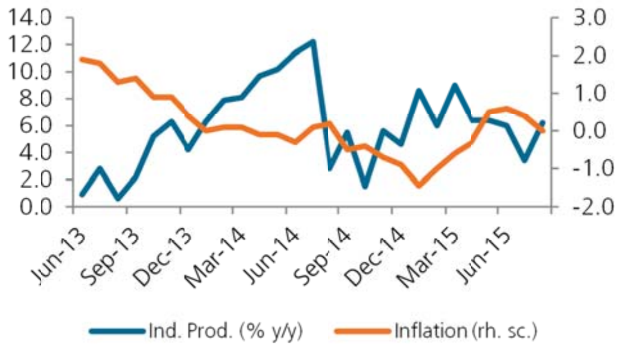
Real economic developments lent some support to the demand side of the loan market, while credit supply remained boosted by the second phase of the central bank's lending for growth program (NHP). With slower GDP growth and the expected elimination of the NHP, we expect an ongoing weakness of the demand side of the corporate credit market. Customer deposits started to increase after a long period of decline. Corporate, retail clients and investment funds all contributed to the growing volume of deposits.

Latest Economic Indicators

%	Last value	2Q 2015	1Q 2015
Ind. Production yoy	6,2 (Aug)	6.3	7.9
Nom. Exports yoy	6.2 (Aug)	8.4	7.6
Economic Sentiment Indicator (index)	117.5 (Sep)	113.9	114.0
Retail Sales yoy	4.7 (Aug)	5.2	7.0
Inflation Rate yoy	-0.4 (Sep)	0.3	-1.0
CB Reference Rate	1.35(23rd Oct)	1.5	1.95
Loans (priv. sector, yoy, end of period)	-9.1 (Aug)	-8.3	-6.7
Deposits (priv. sector, yoy, end of period)	3.7 (Aug)	4.8	3.6

Source: CSO, NBH, Bloomberg

Industrial production and inflation



Source: CSO

Romania

Real Economy

Ancuta Covaci

The economy advanced at a slower pace in the second quarter (3.4% yoy compared to 4.3% yoy in 1Q2015) due to negative contribution of inventories and exports. Private demand continued to be the main driver for growth, in particular the recent rebound in gross fixed capital formation (2% contribution to GDP growth). An emerging star of the economy, IT&C (0.9% contribution to GDP growth) advanced by 14.3% in Q2 (12.3% Q1 2015), strongly supported by fiscal measures.

Inflation stayed in negative territory (-1.7% yoy in September) mainly due to the extended VAT rate cut as well as persistent low oil prices. Fiscal easing measures set for 2016 are expected to close the output gap, with a possible build-up of fears of inflationary pressures.

Financial Markets

NBR maintained the monetary policy rate at record low (1.75% p.a. at end-September meeting) as well as the minimum reserve requirement rate for both RON and foreign currency denominated liabilities (at 8% and 14% respectively). Although there is still room for monetary easing, the NBR adopted a prudent stance given the effects of fiscal stimulus. Used as an assesment of macro-financial stability, the budget deficit (in surplus at the end of August at 0.9% of GDP) is closely monitored as any deterioration might call for monetary policy adjustments. The current account deficit (monitored for its influence on the natural interest rate) narrowed to EUR -0.585Bn in the first eight months of the year (compared to EUR -1.144Bn in the same period of the previous year).

Banking Sector

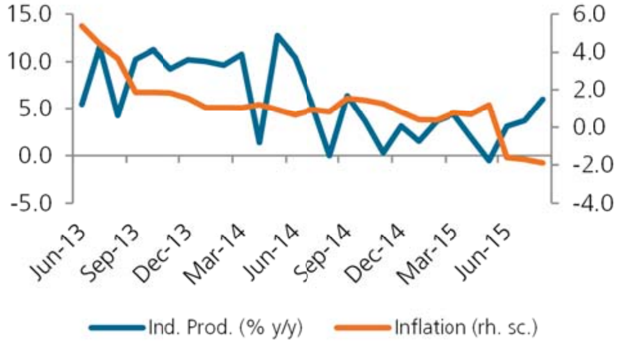
Aggregate loans to the private sector rose in August by 0.1% yoy as the growing stock of new loans in RON (+14.1% yoy) balanced out the contraction of FX loans stock (-10.4% yoy). FX loans share of total loans to the private sector decreased to 51% in August (from 57% in August 2014). Household loans increased by 3.7% yoy due to continued growth in RON loans (+27.4% yoy), supported by the housing scheme guaranteed through Government programs. Corporate loans contracted by -3.2% yoy. One of the main concerns is the corporate sector, which registered some EUR 9.4 billion loss in 2014. However, bank loan portfolios have improved significantly since 2014 through the process of writing off balance sheets loans to insolvent companies that generate a great proportion of NPLs (July NPLs to total loans was at 12.8%).

Latest Economic Indicators

%	Last value	2Q 2015	1Q 2015
Ind. Production yoy	6.0 (Aug)	1.5	3.2
Nom. Exports yoy	1.3 (Aug)	3.8	3.9
Economic Sentiment Indicator (index)	104.5 (Sep)	103.8	102.2
Retail Sales yoy	9.6 (Aug)	6.2	3.4
Inflation Rate yoy	-1.7 (Sep)	0.1	0.5
CB Reference Rate	1.75 (23rd Oct)	1.75	2.25
Loans (priv. sector, yoy, end of period)	0.1 (Aug)	-0.5	-3.6
Deposits (priv. sector, yoy, end of period)	8.6 (Aug)	9.0	6.7

Source: National Statistical Institute, NBR

Industrial production and inflation



Source: NBR

Russia

Real Economy

Anna Mokina

According to the World Bank's latest Russian Federation economic report, low oil prices, a tense geopolitical situation and international sanctions are the main negative factors for Russian economic growth. But the response measures taken by the government and the Central Bank have successfully stabilised markets. However, the GDP fall in 2Q2015 compared to 1Q2015 deepened from -2.24% to -4.6%. According to Rosstat, in September annual inflation rate slightly decelerated to 15.7% compared to 15.8% in August. It is expected to reach 12-13% by the end of the year. Industrial production index in September 2015 against September 2014 equaled -3.7% (in August 2015 against August 2014 -4.3%). In August 2015 exports fell by 39% yoy.

Financial Markets

The Bank of Russia announced a net capital inflow of $5.3Bn in 3Q2015, for the first time in five years, owing to a reduction of savings in the form of foreign assets. No excess demand in domestic foreign exchange market, in anticipation of foreign debt payments, is predicted. The main driver for ruble is still oil, and its strengthening will coonsequently depend on a recovery of oil prices. The pair rouble-dollar is supposed to stay in the price corridor between RUB 60-65 with chances to strengthen its position against dollar from the mid October rate.

Banking Sector

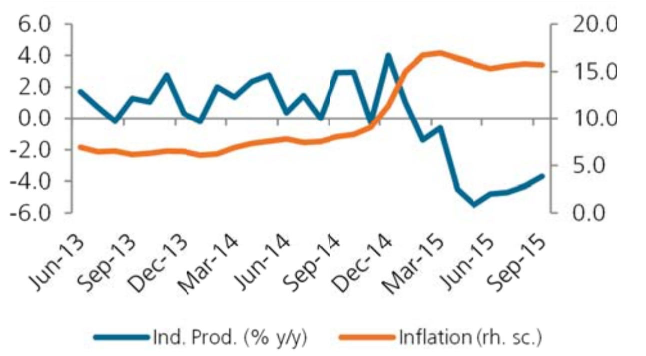
In September, the assets of the banking sector increased by 1.0%. The aggregate amount of loans to the economy decreased by 0.1%, with loans to non-financial organizations falling by 0.2%, and loans to individuals by 0.1%. Overdue debts in corporate portfolio decreased by 1.3%, in retail segment increased by 0.9%. The volume of claims from credit organizations to the Bank of Russia (on deposits and correspondent accounts) increased by 8.9%, which resulted in a growing share from 2.0% to 2.2% of these claims in the assets of the banking sector. The volume of interbank lending granted to Russian banks increased by 16.7%, to non-resident banks by 7.6%. The securities portfolio rose by 1.6%, while debt securities, with an 82% share in the portfolio, grew by 1.2%. The volume of organisations' deposits and account balances increased by 2.7%, and individual deposits by 2.6%. From January till September 2015 credit institutions made a profit of RUB 128 bn. Loss provisions increased by 23.7%, or by RUB 961Bn, from the beginning of the year. According to analytical forecasts, a slight decrease in the current key interest rate (11.0%) is probable before year-end.

Latest Economic Indicators

%	Last value	2Q 2015	1Q 2015
Ind. Production yoy	-3.7 (Sep)	-4.9	-0.3
Nom. Exports yoy	-39.0 (Aug)	-29.8	-26.5
Retail Sales yoy	-9.1 (Aug)	-9.2	-6.6
Inflation Rate yoy	15.7 (Sep)	15.8	16.2
CB Reference Rate	11.0 (23rd Oct)	11.5	14.0
Loans (priv.sector, yoy, end of per.)	15.2 (Jul)	15.1	19.9
Deposits (priv.sector,yoy,end of per.)	25.2 (Jul)	23.7	25.1

Source: State Statistics Federal Service, Central Bank of Russia

Industrial production and inflation



Source: State Statistics Federal Service

Serbia

Real Economy

Marija Arsic

After recording a fall of 2% in the first quarter, real GDP grew by 1% in the second quarter driven by investments in fixed assets and exports. Economic activity is expected to grow by 0.5% in 2015 supported by faster growth in investments and external demand.

Overall industrial production increased by 6.9% in first eight months of the year on the back of low base effect and full capacity employment in energy sector recovering from last year flood damage. Smederevo steel maker restarted second blast furnace in October after four-year pause which will together with potential investments in its galvanization project boost Serbia's GDP by 1pp next year.

Year-on-year inflation slid from 2.1% in August to 1.4% in September, as zero monthly inflation was registered. Y-o-y CPI will increase mildly in the following months, due to low base from the previous year, staying below the lower bound (2.5%) of the target tolerance band till end-2015.

Financial Markets

The dinar remained relatively stable since the beginning of the year due to economic recovery, narrowing of current account deficit, firm export growth and increased investor interest in Serbian securities. Central Bank intervened on the FX market by selling EUR 130M and buying EUR 880M in order to ease daily volatility of the exchange rate.

The key policy rate was cut for the third consecutive month by 0.5pp to new record low of 4.5% in October, as inflation continued to be below the lower target bound. The benchmark rate was cut by cumulative 350bp since the beginning of the year.

Banking Sector

The rise in both loans and deposits to private sector slowed while corresponding interest rates declined, in line with reference rate movements. Interest rates on dinar loans to enterprises have fallen since June below the level recorded in the period when banks extended subsidised loans.

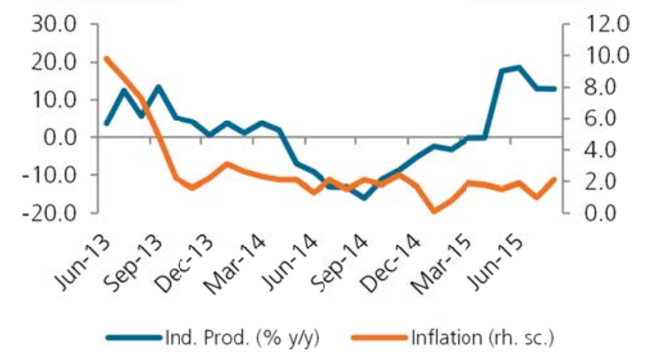
The Central Bank expects interest rates on bank loans to go down further as its key policy rate was recently reduced to its historically lowest level while the FX reserve requirement ratio will be cut by one percentage point every month until February 2016 – additionally releasing part of banks' credit potential.

Latest Economic Indicators

%	Last value	2Q 2015	1Q 2015
Ind. Production yoy	12,9 (Aug)	12.1	-2.0
Nom. Exports yoy*	11.0 (Aug)	10.8	5.1
Retail Sales yoy	1.0 (Aug)	0.9	-0.8
Inflation Rate yoy	1.4 (Sep)	1.7	0.9
CB Reference Rate, end-period	4.5 (23rd Oct)	6.0	7.5
Loans (priv.sector,yoy,end of per.)	3.1 (Sep)	5.4	7.3
Deposits (priv.sector,yoy,end of per.)	4.1 (Sep)	8.4	9.5

Source: Statistical Office, National Bank of Serbia

Industrial production and inflation



Source: Statistical Office, National Bank of Serbia

Slovakia

Real Economy

Zdenko Štefanides

The Slovak economy has continued to grow nicely. The negative industrial output growth in August, though, was affected by the timing of holidays at the country's key automotive factories. Adjusting for this effect, though, data in the manufactoring sector do not signal slowdown trend so far. The recent Volkswagen scandal presents clearly a downside risk in medium-term as VW is the biggest car producer in Slovakia, but anecdotal evidence signal that VW in Slovakia does not intend to cut spending directly related to production or remuneration for employees. Beyond that, recent talks between Slovakia and Jaguar Land Rover can lead to an inflow of new investment that could more than offset potential losses inherent in VW scandal.

Outside manufacturing, investment activity in the public sector – a key driver of economic growth in 1H2015 - remains solid, boosting previously long-depressed construction sector. Slovakia has to use the remaining EU funds from programming period 2007-2013 by the end of year, whereas current drawing of EU funds stands only below 72%. Efforts to increase the drawing amount should be the key driver of economic growth until the year-end.

Financial Markets

The bond market remains under pressure from QE-driven bond purchases. The shallow local market and the scarcity of available bonds for QE purchases sent yields on benchmarks 10-year government bonds below those of Austria, which boasts superior rating (Aaa/AA+ vs A2,A+). Potential further extension of QE by the ECB thus poses further upside risks for the already overvalued Slovak bonds. Implications for yield environment are clear – expect further decrease.

Banking Sector

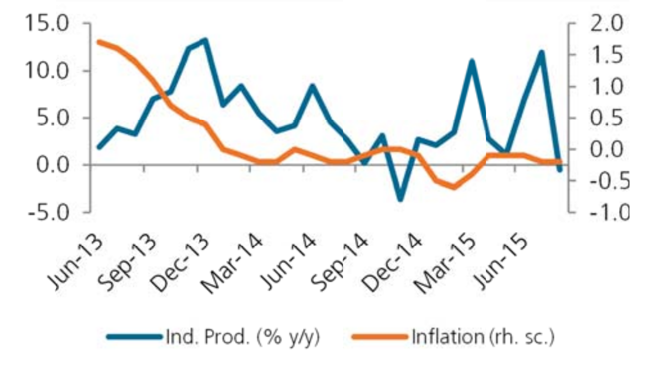
Rates on a key retail segment - housing loans, which actually account for 72% of all loans to households - reflect that downward pressure on Slovak yields. While rates on mortgage loans in the euro area already turned up in the past three months, in Slovakia, they egded further down. Slovak Bank lending remains among the fastest growing in the EU. Retail loans was still growing above 12% yoy in August, just slightly above Jan-Jun average. Consumer loans have been moderately decelerating through the summer to above 17% yoy which was offset by some acceleration of housing loans to 14% yoy. Loans in corporate sector remained sluggish. On the opposite side, deposits picked up at 10% yoy, the fastest in years, from some 6% yoy growth in spring. While deposit growth in the summer may prove just a temporary spike, as it did in 2011-2012, the fact is that household deposits grow faster than expected, which is a reflection of growing income and an increased saving rate, which is currently at a 15-year high.

Latest Economic Indicators

%	Last value	2Q 2015	1Q 2015
Ind. Production, wda yoy	-0.5 (Aug)	3.6	5.5
Nom. Exports, yoy	5.0 (Aug)	4.2	2.7
Economic sentiment (index)	99.0 (Sep)	101.2	101.6
Retail sales, yoy	1.6 (Aug)	1.3	0.5
Inflation rate*, yoy	-0.5 (Sep)	-0.1	-0.5
ECB refi rate	0.05(23rd Oct)	0.05	0.05
Loans (priv.sector,yoy,end of per.)	6.9 (Aug)	7.8	7.5
Deposits (priv.sector,yoy,end of per.)	10.0 (Aug)	7.3	6.3

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

Industrial production and inflation



Source: Statistical Office of Slovak Republic

Slovenia

Real Economy

Nastja Benčič

After the solid performance of the Slovenian economy in 1H2015, the most recent provisional figures suggest that economic growth will continue in 3Q2015 as well. Along with the recovery of economic activity, labour market conditions continue to improve. In September the number of unemployed persons was 6.5% lower compared to the same period of the previous year; however, uncertainty about some areas of employment remains prevalent. As employment rises, household final consumption is gradually strengthening. Although consumer confidence indicator slightly decreased compared to the previous month, it remained close to the highest level so far. Exports in August 2015 were 2.1% higher compared to August 2014, which demonstrated the flexibility of the export sector that managed to offset the decline in exports to Russia by exporting to other markets. Industrial production increased as well (+5.2% vs August 2014).

In September 2015, inflation (HICP measure) remained in negative territory (-1.0%), being further influenced by energy prices, which declined more than in previous months.

Financial Markets

In September, Slovenian government bond yields continued to decrease. The average 10Y-yield was around 1.8%, still relatively high in comparison with the lowest values, which were reached in March 2015 (on average around 1.0%). The ECB's expansionary monetary policy stance is maintaining the downward pressure on the money market rates, which are still negative and continuing to gradually fall. The average 3-month Euribor in September came to -0.04% and currently moves even lower to around -0.05%.

Banking Sector

With the merger of Abanka Vipa and Banka Celje, consolidation of the Slovenian banking system continued at the beginning of October. Following the merger, Abanka became the second largest bank in the country. The state-owned bank is expected to be sold by the end of 2019 in line with EU state aid requirements.

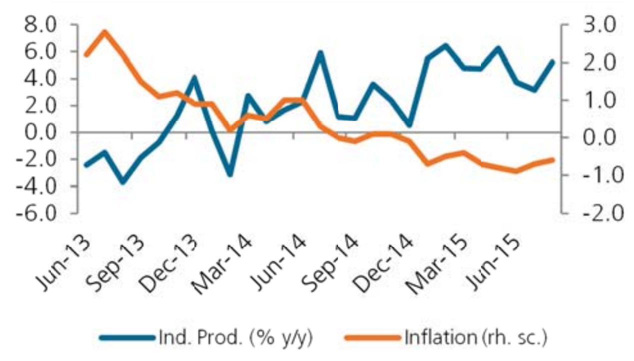
Household loans at the end of August were higher compared to the end of 2014 (on the account of higher mortgage loans), while lending to corporate clients continues to decline. The quality of the credit portfolio remained stable in August, with non-performing claims accounting for 11.1% of the banking system's total exposure. Total deposits from the private sector were higher by 3.0% compared to December 2014. Given the low interest rates, households are increasing only their overnight deposits. Loan to deposit ratio further decreased, reaching 94%.

Latest Economic Indicators

%	Last value	2Q 2015	1Q 2015
Ind. Production, wda yoy	5.2 (Aug)	4.9	5.6
Nom. Exports yoy	2.1 (Aug)	6.3	5.2
Economic Sentiment Indicator (index)	110.2 (Sep)	109.1	109.7
Consumer Confidence Indicator	-6.0 (Sep)	-10.0	-14.0
Inflation Rate yoy	-1.0 (Sep)	-0.8	-0.5
ECB refi rate	0.05(23rd Oct)	0.05	0.05
Loans (priv.sector,yoy,end of per.)	-11.2 (Aug)	-11.1	-11.6
Deposits (priv.sector,yoy,end of per.)	3.5 (Aug)	4.5	5.4

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

Giancarlo Frigoli

Latest activity data for 3Q points to a further large drop in GDP, though at a slower annual pace than in the previous two quarters. Industrial production fell by 9.5% on average in the July-August months, compared to -19.9% in 2Q. Agricultural output (which accounts for more than 10% of GDP) showed a strong recovery in the Summer boosted by an abundant grain harvest. As a result, the annual fall in agricultural activity slowed to -5.3% in the January-September period, compared to -8.3% in the first half of the year. In the 4Q, GDP figures are expected to be helped by a more favorable base effect, as in the same period in 2014 GDP numbers started to report a double-digit drop.

Financial Markets

Easing financial and currency pressures have allowed the Ukraine central bank to cut reference rates again at the end of September. The main policy rate now stand at 22% compared to 30% in August when the easing cycle started. The Kieibor 3M offer rate has fallen below 25%, from a peak of just over 30% last March.

Banking Sector

Davidia Zucchelli

As of August 2015, in Ukraine banking aggregates continued to be affected by the economic recession and the social and political difficulties. Nominal loan growth was 0.6% in August (from 6.7% in July), +2.8% for businesses and -6.9% for households; net of the exchange rate effect there was a decline of 35%.

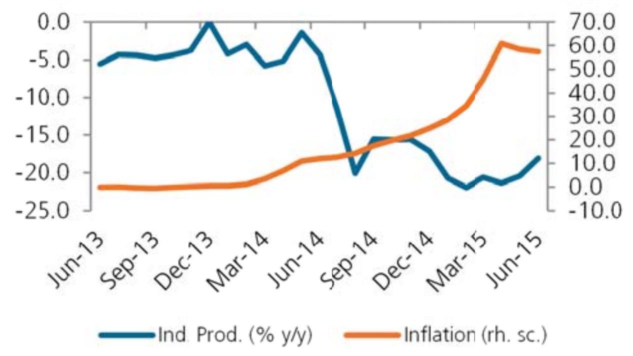
Deposits also showed a slight nominal decline (-4.9% yoy in August), but fell sharply net of the exchange rate, due to plummeting remittances from Russia and a lack of confidence from savers. NPLs went down slightly in June (to 24.3% from 24.7% in March because of a decline in the total amount (-12% in the 2Q2015), higher than the nominal decrease in total gross loans (-11% in the same period). The regulatory capital is rapidly falling (to 9% in June from 15.6% as of December 2014), with severe effects on the banking system's stability.

Latest Economic Indicators

	Last value	2015Q2	2015Q1
Ind. Production yoy	-5.7 (Aug)	-19.9	-26.1
Nom. Exports yoy	-34.3 (Aug)	-35.4	-33.3
PMI Manufacturing	n.a.	n.a.	n.a.
Retail Sales	-18.8 (Sep)	-26.5	-25.6
Inflation Rate yoy	51.9 (Sep)	53.3	36.3
CB Reference Rate	22.0 (23rd Oct)	27.0	30.0
Loans (Priv. Sector, yoy, end of per.)	0.6 (Aug)	5.9	17.3
Deposits (Priv. Sector, yoy, end of per.)	-4.9 (Aug)	1.4	6.3

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

Industrial production and inflation



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. chg yoy			Inflation chg yoy				FX reserves chg**			CA bal ance**	
	2Q 2015	1Q 2015	2014	Last	mth	2Q15	Last	mth	2Q15	Last	mth	2Q15	2014	2Q15	1Q15	2014	2Q15	1Q15
CEE																		
Slovakia	3.2	3.1	2.4	-0.5	*Aug*	3.6	5.0	*Aug*	4.2	-0.5	*Sept*	-0.1	-0.1	ns	ns	ns	-335	319
Slovenia	2.6	2.8	3.0	5.2	*Aug*	4.9	2.1	*Aug*	6.3	-1.0	*Sept*	-0.8	0.4	ns	ns	ns	806	451
Hungary	2.7	3.5	3.6	6.2	*Aug*	6.3	6.2	*Aug*	8.4	-0.4	*Sept*	0.3	-0.2	-765	-2201	-3371	1042	1461
SEE																		
Albania	2.5	2.8	2.1	n.d.	*n.d.*	n.d.	-17.6	*Aug*	-2.0	2.2	*Sept*	1.8	1.6	43	-128	-84	-181	-242
Bosnia H.	4.4	2.3	1.1	7.2	*Aug*	4.5	11.7	*Aug*	6.4	-1.1	*Sept*	-0.4	-0.9	59	-15	387	-283	-184
Croatia	1.2	0.5	-0.4	2.8	*Aug*	2.4	10.5	*July*	15.1	-0.8	*Sept*	0.0	-0.2	-427	1470	-220	3	-1283
Romania	3.4	4.3	2.8	6.0	*Aug*	1.5	1.3	*Aug*	3.8	-1.7	*Sept*	0.1	1.1	883	-6340	-5627	-515	502
Serbia	1.0	-2.0	-1.8	12.9	*Aug*	12.1	11.0	*Aug*	10.8	1.4	*Sept*	1.7	2.1	-192	526	-460	-208	-520
CIS MENA																		
Russia	-4.6	-2.2	0.6	-3.7	*Sept*	-4.9	-39.0	*Aug*	-29.8	15.7	*Sept*	15.8	7.8	4063	-29062	-128720	15818	28701
Ukraine	-14.6	-17.2	-6.7	-5.7	*Aug*	-19.9	-34.3	*Aug*	-35.4	51.9	*Sept*	53.3	12.4	298	2434	-12141	266	-537
Egypt	2.6	3.0	4.3	-5.5	*Aug*	-4.0	-7.1	*Jul*	-21.5	9.2	*Sept*	11.8	10.1	4769	-30	-1546	-3801	-4081
m.i. E. A.	1.5	1.0	0.9	*0.9*	*Aug*	*1.3*	*5.5*	*Aug*	*8.0*	*-0.1*	*Sept*	*0.1*	*0.4*					

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

Markets and Ratings

	S/T rates*		L/T rates**		Foreign exchanges***			Stock markets		CDS spread		Rating
	19/10 [(a)]	chg bp 3M	19/10	chg bp 3M	19/10	3M chg%	1Y chg%	3M chg%	1Y chg%	19/10	19/07	S&P
CEE						Vs Euro						
Slovakia	-0.1	0.0	0.9	-0.4	Euro	Euro	Euro	12.1	37.6	44	45	A+
Slovenia	-0.1	0.0	1.8	-0.2	Euro	Euro	Euro	-8.2	-18.2	101	111	A-
Hungary	1.4	0.0	3.3	-0.5	309.2	0.0	0.2	-3.2	21.9	151	135	BB+
SEE												
Albania	2.7	-0.2	n.a.	n.a.	139.9	0.4	0.6	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.d.	n.d.	B
Croatia	1.5	0.6	4.2	0.9	7.6	0.6	-0.4	-5.3	-8.1	295	263	BB
Romania	1.1	0.0	3.5	-0.5	4.4	-0.1	-0.3	-6.3	3.1	116	113	BBB-
Serbia	4.5	-1.5	n.d.	n.d.	119.9	-0.1	0.3	-6.3	-26.5	273	273	BB-
CIS MENA						Vs USD						
Russia	11.8	-2.1	10.2	-0.4	62,2	9,1	48,7	2.4	7.7	268	298	BB+/N
Ukraine	25.7	-3.6	10.0	-4.1	22,3	0,8	71,2	-24.4	-17.5	13957	13957	B-
Egypt	11.2	-0.3	15.1	0.1	8,0	2,6	12,3	-5.7	0.6	345	313	B-
m.i.A.E.	*-0.1*	*0.0*	*0.6*	*-0.1*	*1,14*	*4,3*	*10,7*	*-10.0*	*4.2*	*7*	*7*	

Source: Datastream, Reuters, and Bloomberg; (*) For Albania, the figure refers to July 2015 and the difference compared 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 Chg yoy %		NPL/Loans %		Foreign Liab. Chg yoy %		Deposits Chg yoy %		Loans rate[1]-NewB.			DepositsRate[1]-NewB.			Loans/Dep (%)		Rating Moody's
	12/14	8/15	12/13	8/15	12/14	8/15	12/14	8/15	% 12/14	% 8/15	Sector	% 12/14	% 8/15	Sector	12/14	8/15	BFSR*
CEE																	
Slovakia	6.4	6.9	4.9	5.5	42.5	11.7	3.8	10.0	2.91	2.78	Corporates[3]	1.70	1.64	Househ.[3]	91	89	D+
Slovenia	-13.4	-11,2	13.4	11.1	-10.9	-19.2	6.6	3.5	4.99	3.85	Corporates[3]	0.66	0.33	Househ.[3]	99	94	E
Hungary	-0.3	-9.1	18.4	15.6[7]	-1.3	-4.0	1.3	3.7	4.97	4.11	Corporates[3]	1.64	0.88	Househ.	111	101	D-
SEE																	
Albania	2.2	-1.2	24.2	21.0	-10.8	-12.9	2.9	1.3	8.19	8.28	All	1.51	1.04	All	56	55	E+
Bosnia H.	1.9	1.6	15.1	14.1[9]	-9.1	-9.0	6.4	8.7	5.80	4.82	Corporates	1.26	1.12	Househ.	124	119	Na
Croatia	-2	-2.2	15.7	17.3[4]	-10.6	-10.3	2.3	1.6	8.38	7.90	Priv.Sect.	2.07	1.77	Priv.Sect.	95	91.5	Na
Romania	-3.7	0.1	21.9	12.80	-14.2	-15.4	8.9	8.6	6.46	5.66	All	1.72	1.21	All	95	97	E+
Serbia	4.4	3.1[10]	21.4	22.6	-16.5	-8.9[10]	9.7	4.1[10]	12.6	12.82	Priv.Sect.	6.8	4.58	Priv.Sect.	116	114[10]	Na
CIS & MENA																	
Russia	25.4	15.2[4]	6.0	8.2[4]	38.4	17.4[4]	27.9	25.2[4]	18.31	14.65[4]	Corporates	12.29	9.13[4]	Househ.	119	119[4]	R
Ukraine	10.9	0.6	12.9	24.3[9]	31.3	21.6[4,2]	-1.8	-4.9	17.38	21.9	Residents[5]	10.44	14.7	Resid.[5]	154	162	E
Egypt	12.7	17.6[4]	8.5	8.3[7]	21.0	86.0[4]	16.6	18.2[4]	11.8	11.5[4]	Corporates	7.2	7.0[4]	Househ.	40	41[4]	E
m.i. A. E.	-0.2	1.4	na	na	na	na	2.4	3.8	3.31	2.99	Corporates[3]	0.98	0.69	Househ.[3]	95	94	na

Note: [1]monthly average [2]ISP calculations on IMF data [3]lending rate on current account overdraft; on deposits up to 1 year [4]July [5]does not include banks [6]December [7]March [8]loans over EUR 1M [9]June [10]September. *Bank Financial Strength Ratings ranging from E (lowest) to A (highest). NewB.= NewBusiness. Source: Central Banks, IMF, Moody's.

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