Monthly Note

Countries with ISP Subsidiaries

October 2016

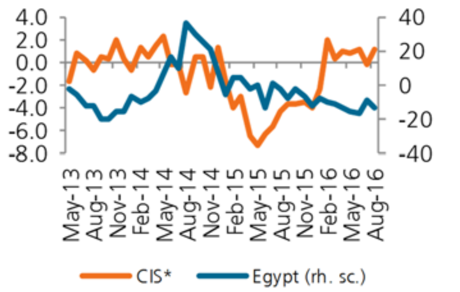
Monthly note

Intesa Sanpaolo
International Research Network

Cycle Indicators are futher improving in CEE/SEE areas, while remaining weak in Russia. Inflationary pressures are mounting in Egypt, where speculation is intensifying on a move to a more flexible exchange rate.

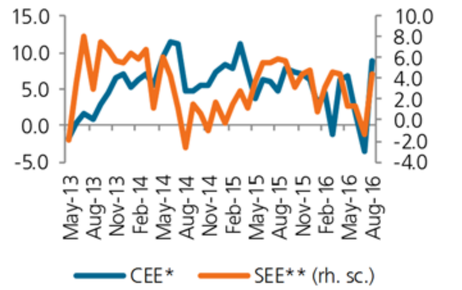
- High frequency indicators signal in August a strengthening of the economic activity in CEE countries with ISP subsidiaries and its consolidation, after the strong rebound in 2Q, in SEE Countries. Industrial production grew in the CEE region in a range from 3.5% in Hungary to 17.5% in Slovakia, and among the SEE countries from 2.4% in Bosnia to 5.3% in Romania.
- In the CIS area, in 3Q in Russia the service PMI stood above the threshold of 50, signaling an expected recovery of the sector, but manufacturing and construction activities remained weak, while in the Ukraine manufacturing output added to the already strong pace seen in 2Q and construction activity was buoyant. In the MENA Region, in Egypt industrial production fell by an average 10.8% in July and August, dragged down by manufacturing activity and lower revenues from tourism (due to security fears) and the Suez Canal (due to a slowdown of international trade).
- Inflation rates increased slightly in August in all CEE/SEE Countries, incorporating preliminary effects of the partial reversal up to now of energy prices, but still remained negative in Slovakia, Bosnia, Croatia and Romania, and well below the targets of the CBs elsewhere in the region. In Russia, inflation edged down further, reaching 6.4% y/y in September. Headline inflation also declined in Egypt in September, to 14.1%, but primarily due to a base effect. In the coming months, it is expected to hike, however, following both a reform in indirect taxation and a cut of energy subsidies, among the conditions requested by IMF for the three-year USD 12Bn Extended Fund Facility to the Country
- In the CEE/SEE area, all the CBs maintained favourable conditions in view of well-below-target inflation performance and the ECB's plans for an easy monetary policy for an extended period. Long term yields (and CDS spreads) declined further in the CEE/SEE Region, where the exchange rates remained generally stable. After being cut to 10% in September, the policy rate is quite likely to be left on hold until the end of the year in Russia but an easing cycle is expected to be resumed in Q1 2017. Speculation has been intensifying on a near move by Egypt to a more flexible exchange rate regime, with a sharp depreciation of the EGP.
- In August, banking aggregates showed a positive dynamic (still modest in Bosnia, more pronounced in Serbia and Slovakia), but continued to fall in the other countries, in particular in Slovenia, Croatia and Hungary, mainly due to bank portfolio restructuring. Loans increased, but just by 2% (on an exchange-rate adjusted basis) in Russia. On the funding side, the persistent drop in foreign liabilities, in particular in Croatia and Slovenia, was partially offset by the increase in deposits. In most CEE/SEE countries, the increase in corporate deposits continued to be strong which, together with the fall in corporate loans, is we believe to be interpreted as a sign of still-poor investment demand.

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

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 25th October 2016.

Cross Country Analysis

CEE Area

Antonio Pesce

In CEE countries with ISP subsidiaries, the high frequency economic indicators generally signal a strengthening of the economic activity in August compared with previous months. The growth rate of industrial production and exports as well as the level of the Economic Sentiment Indicator were frequently above the values seen both in July and in the second quarter.

In Slovakia, industrial production (based on working day adjusted data) rebounded by 17.5% y/y in August (after a strong contraction both in July, -14.0%). All sectors showed a positive trend and in particular manufacturing (18.9% y/y). External demand also improved, as exports rose by 17.9% y/y in nominal terms in the same month, more than balancing the fall (-16%) of the previous month. In September, the Economic Sentiment Indicator (ESI) increased for the third consecutive month to 103 from 99.1 in June.

After a weak performance in July, in Hungary the economy appears to have strengthened in August. Industrial production grew by 3.5% y/y, up from -0.1% y/y in the previous month. In the same way, exports, after contracting by 3.4% in July, expanded by 13% y/y in August, marking the best performance in one year. The manufacturing PMI also increased to 57 in September, well above the 50 critical threshold, incorporating still-expansionary expectations in the coming months. The ESI also improved in the same month, albeit only slightly (to 109.7 from 109.4), signalling improving economic conditions. In September, the Rating Agency S&P upgraded the Hungarian Sovereign Rating to BBB- (back to investment grade).

In Slovenia, in August industrial production grew by 5.9%, slightly below, in this case, the growth rate seen in July, but still above that of 2Q16. In the same month, exports returned on a positive trend (+4.0% in nominal term) after the fall seen in July (-3.2%), but still remaining below the 2Q 2016 average growth rate. In September, the ESI deteriorated to 107.3, while remaining above the year-to-date average.

Inflation remained negative in September in Slovakia (-0.5%). It was slightly positive in both Slovenia (+0.2%) and in Hungary (0,6%), but this was after deeply negative values in the previous month (-0.4% and -0.1% in 2Q, respectively). Following the ECB's announcements, monetary policy is set to remain expansionary in Slovakia and Slovenia for an extended period. Since May, the Hungarian CB board has maintained the policy rate at its latest historical low (0.9%). Long-term yields declined further in Hungary as in the Euro Area's CEE countries. The Hungarian currency has remained quite stable, at around 309 vs the Euro.

Davidia Zucchelli

In the region, the signs of recovery in the banking aggregates (with the exception of Slovakia) are still rather weak. While confirming a positive trend for Slovakia, loans declined further in fact in Slovenia and Hungary. In contrast, deposits continued to increase in all the countries.

In Slovenia, loans decreased by 7.6% yoy in August (-7.1% in July), due to falling corporate loans (-15.0%), mainly as a result of the restructuring process of banks' loan portfolios still at work, but also due to a weak demand from corporates. Loans to households remained on a stable path (1.3%). In Slovakia, lending continued to perform well (+9.7% yoy in August from +9.9% in July), both in the corporate (up by 6.0% from 7.2%) and household sector (up by 13.6%) due to mortgages' increase. Deposits also performed robustly (+6% in August from +8,2% in July), both in the households (+8.9%) and in the corporate sector (+1.6% yoy from 7% in July).

In Hungary, in August, loans still showed a negative change (-5.4% y/y), due to a decrease in loans both to households (-4.7%) and corporates (-5.9%, from -5.8% y/y in July, both in local and in foreign currencies). Foreign currency loans almost cleared among households (-76%), due to the conversion process realised in 2015. The "Total loans to households in FC/Total loans to households' ratio" is currently equal to 1%. Deposits recorded a rise, by 6.4% y/y in August (in line with the changes recorded in the last few months), mostly due to a higher rise in business deposits (+11.4% in August), whereas households' deposits showed a more modest dynamic (+2.6%), as a result of a slight change of deposits in local currency (0.7% y/y) and an increase of those in foreign currency (+13.6% y/y).

SEE Area

Antonio Pesce

In **SEE countries** with ISP subsidiaries, the high frequency indicators signalled a consolidation of the economic cycle after the strong rebound in 2Q16. In **Croatia** – where consumer spending is a key growth driver - retail sales grew by 5.1% y/y in August (the best performance in the last few years). Households' real incomes have been sustained by both low inflation and improving conditions in the labour market. Industrial production weakened in August, below the 2Q average, but it was still on healthy path (2.5%). The Economic Sentiment Indicator (ESI) improved in September at 121 (the highest value since January).

In August, **Romanian** exports grew at double-digits (13.4%), well above the 2Q average, and in the same month the industrial production confirmed the previous good performance by increasing at 5.3% y/y. The ESI slightly deteriorated in September, although it remained close to the maximum seen since January. In **Serbia**, industrial production growth was reinforced in August (5.1% y/y) after showing a weak dynamic in July (0.7%); in the same month, export growth (12.4%) was strong, and above its average in 2Q. In **Bosnia**, industrial production and exports confirmed a positive trend in August. In the same month, in **Albania**, exports moved back on positive figures (7.2%) after three months of contraction.

Consumer inflation was negative for almost all SEE countries in the most recent data, ranging from -0.2% in Romania to -1.2% in Bosnia. It was positive in Albania and Serbia (+1.8% and 0.6%, respectively) but still below their central banks' targets. Given the low inflation profile, all the central banks of the SEE countries with ISP subsidiaries confirmed easy **monetary conditions**. Exchange rates versus the euro have remained roughly stable in the whole area, with only a slightly depreciation in Romania. The CDS spread decreased further.

Davidia Zucchelli

Regarding the **banking aggregates,** annual growth was generally low (the only exception being Serbia) and negative in some cases (Romania and Croatia). Deposits grew everywhere, particularly in the corporate sector, due to a lack of investment opportunities. As a consequence of these dynamics, the LTD ratio dropped to well below 100% in many countries, with Bosnia and Serbia the only exceptions (111% and 108%, respectively).

Despite a further acceleration in the economy, in **Romania,** loans declined in August (-0.1% yoy from 1% yoy in July). Loans to corporates were weak (-5.9% yoy from -3.9% yoy the previous month), whereas loans to households rose by 5.8% yoy, supported by mortgages. In October, the Romanian Parliament Committees approved a bill for the conversion of mortgages denominated in Swiss franc into Leu at historical rates. Details are not available, but the effect is estimated to be modest because the share of loans denominated in foreign currency other than the euro was around 7% (as of December 2015). Deposits continued to perform strongly (+10.8% yoy).

In **Serbia,** loans continued to grow at good pace in September (6% from 5.2% yoy in August), especially to households (+10.5% yoy), with a sharp increase in loans denominated in local currency (+20% yoy). Loans to corporates showed an increase (3%, +8.6% yoy loans in local currency). In the same month, deposits continued to perform well (+12.2% y/y), especially in the corporate sector (20.8%), while the households sector showed a lower increase (8.4%). Foreign liabilities continued to decline (-15.4% yoy in September), as in all the CEE/SEE countries.

In **Croatia**, loans continued to fall (-5.8% yoy in August, -6.5% in July), due to a fall both among corporates (-4.5%, still burdened by heavy debt) and households (-6.7% yoy). The conversion of Swiss franc denominated loans into euros has been completed, with a reduction of an estimated total amount of 6 billion Kuna. Deposits remained robust (+6.3% yoy in August), particularly in business (24.7%, due to the sale of a tobacco company). The household sector showed a small increase (1.7%). In **Albania**, loans remained stable (0.0% yoy) in August, declining in corporates (-1.0% yoy), while increasing in households (2.8%), due to the slowdown of loans in foreign currency (-6.7%) vs an increase of loans in local currency. Deposits continued to grow (+2.1% yoy in August), driven by deposits of businesses (14.1%), while deposits of households remained stable (0.1%). On the liability side, foreign liabilities continued to decline sharply (-13.2% yoy in August).

CIS and MENA Areas

Giancarlo Frigoli

In Russia inflation edged down further, reaching 6.4% y/y in September, largely in line with expectations. However, inflation expectations have remained high. After the cut of the key rate from 10.5% to 10% in September, we expect it to be left on hold until the end of the year, with the easing cycle resuming however in Q1 2017. The service PMI stood at 53 in September, indicating growth in the largest sector of the economy for the seventh consecutive month. On the other hand, the manufacturing sector continues to struggle. Manufacturing output fell by 1% in 3Q, reversing the gains made in 2Q (+0.8% y/y), mainly due to the weakness of the automotive sector (vehicle sales fell by 15% in 3Q). Also construction activity remains weak (-3.2% y/y in 3Q).

In the Ukraine, inflation, after a small uptick in August, when it accelerated to 8.4% y/y, slowed again in September, to 7.9% y/y. Easing inflationary pressures together with a stable exchange rate are likely to lead to additional rate cuts in the near future. The Ukraine's central bank has cut policy rates by 700 bp so far this year, with the reference rate now at 15%, still well above inflation. In 3Q, manufacturing output added to the already strong pace seen in 2Q, increasing by 2.9% y/y, compared a 2.2% rise as recorded from April to June. Construction activity was particularly buoyant in 3Q, surging by 12% y/y, on the top of the 8.5% increase recorded in 2Q.

In Egypt, the non-oil private sector continues to struggle, amid currency shortages and concerns about the impact on demand of the reform of subsidies and introduction of VAT, both measures expected to strongly impact on inflation. In September, the PMI index signaled contraction in the non-oil private part of the economy for the 12th consecutive month, falling to 46.3, its lowest level since last March. Industrial production remained weak in the third quarter. The industrial production index fell by 10.8% y/y in the July-August months, dragged down by tourism (-55%), the Suez Canal (-5.1%), and manufacturing activity (-3%). Construction, however, rose by 4%. Headline inflation (urban areas) declined in September to 14.1% from 15.5% in August, but this was due to a base effect. In fact, in the coming months it is expected to hike, following the introduction of VAT and the cut of energy subsidies – both among the conditions requested by IMF for the approval of the three-year $12 Bn Extended Fund Facility to the Country.

Davidia Zucchelli

In terms of banking aggregates, in Russia, loans recovered in July (5.5% yoy). Net of fx depreciation effect, they showed a modest rise of 2.2%. Corporate lending (+7.7% yoy in July), 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, showed a decrease of 1.1% yoy. In July, the nominal increase in deposits was 10.7% (from 12.9% in June), but net of the fx effect, the increase was over 6% supported by a fair degree of confidence. Interest rates on new loans to businesses slightly decreased in July from 6.92% to 6.78%, following a decrease in line with the CB reference rate.

In the Ukraine, banking aggregates remain weak. Nominal loans decreased by 5.4% yoy in August (from -8.5% in June) both in the corporate (-2.1% yoy) and in households' sector (-18.1%); net of the exchange rate effect, loans showed a decline of 16%. The NPL ratio jumped to 30.4% as of June. Deposits showed a nominal increase (+8.7% yoy in August), but fell (approximately -1%) net of the exchange rate. In Egypt loans continued to rise, both in nominal terms (+15.2% in June from 14.7% in May) and in real terms (with inflation around 14%). Foreign liabilities recorded a new jump in June (+107% yoy from +97% in May, according to IMF data), while deposits maintained a strong pace (+19% yoy in June).

Country-Specific Analysis

Albania

Real Economy

Kledi Gjordeni

In Albania, economic activity continues to expand. Inflation has been moving upwards, whereas financing costs remain around the lowest historical levels. Albanian GDP in the second quarter of 2016 in volume terms increased by 3.21% compared with the second quarter of 2015. Economic growth has benefited from the strengthening of domestic demand. In Q2, household consumption increased by 4% yoy. Unemployment is falling and this supports consumption. At the end of the second quarter, the unemployment rate fell to 15.9% from 17.3 yoy, which constitutes the largest decline in three years.

Foreign trade in August 2016 showed a positive increase, by 7.2 % compared with August 2015, and Imports were up 14.6 % compared with the same period a year ago. In 2Q16, the sales volume index in retail trade increased 6.2% compared with the same period the previous year. Meanwhile, the same index net of retail sales of motor fuel increased by 10.9% versus the same quarter of the previous year. In September 2016, the consumer prices rose 1.8% yoy. The CPI is continuing on an upward trajectory against the low values recorded in the first quarter. Inflation rates rose as a result of the increase in food and oil prices.

Financial Markets

The intensity of monetary stimulus is not expected to diminish during the remainder of 2016. Interest rates on loans and deposits remained close to their historical lows throughout August. Economic activity is expected to progressively improve over the next two years. The improvement will contribute to the return of inflation to target over the second half of 2018. However, the achievement of the inflation target will require the adoption of accommodative monetary policy over this period.

In September 2016, the lek appreciated against the EUR by 1.5% yoy. Compared to December 2015, the domestic currency remained almost unchanged against the EUR.

Banking Sector

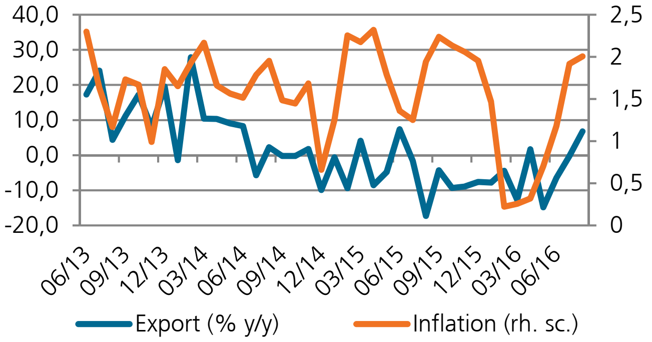
Compared to December 2015, in August 2016, total credit growth reached 1.9% and the year-on-year growth rate was 0.1%. In the same period, private sector growth was 0.62% compared to December 2015 and showed no difference compared to August 2015 (0.01%). In the private sector, loans to households increased by 2.8%, whereas loans to businesses shrank by 1.04% yoy. NPLs rose in August by 21.4% which had a negative effect on credit activity. Total deposits in August 2016 rose 2.07% yoy. The business sector saw a significant increase of 14.14% while household deposits increased by just 0.15%.

Latest economic indicators

%	Last value	2Q 2016	1Q 2016
Industrial production, wda yoy	n.a.	n.a.	n.a.
Export of goods, nominal yoy	7.2 (Aug)	-6.6	-8.4
Unemployment rate	n.a.	15.9	16.9
Inflation rate, avg yoy	1.8 (Sep)	0.7	0.7
Loans (priv sector, yoy, eop)	0.0 (Aug)	-0.1	-2.0
Deposits (priv sector, yoy, eop)	2.1 (Aug)	0.5	0.9

Source: INSTAT, Central Bank of Albania

Exports and inflation



Source: INSTAT

Bosnia and Herzegovina

Real Economy

Ivana Jovic

According to the first statistics released by the Agency for Statistics, in 2Q16, GDP recorded 1.4% yoy growth (following 1.9% yoy growth in 1Q), in line with our expectations that last year's high base (4.4%) would result in lower yoy growth. Growth in 2Q was largely supported by growth in GVA in administrative activities (8.3%), accommodation and food services (6.2%), and manufacturing (5.7%). In the meantime, high frequency data suggest a pickup in real retail trade in July and August (6.4% and 7.9% yoy, respectively). Somewhat weaker performances in industrial production (0.4% and 2.4% yoy, respectively) still translated into 1.8% yoy growth in 3Q exports (which alongside a 1.7% decline in imports improved the trade balance by 5.9% yoy). Thus, we expect that growth strengthened over 3Q, and as a high base effect could again influence the yoy rate, we expect it to be 2-2.5%.

Banking Sector

Ana Lokin

Loan growth to the private sector in August amounted to a solid 2.5% yoy, somewhat lower than the previous month, due to the slower increase in corporate borrowing (+2.2% yoy), which reflects lower demand from private companies. Loans to households were steady at 2.9% due to a continuing strong rise in consumer loans (5.0% yoy). The growth of housing and credit card loans continued to lose pace, and both loan types recorded 0.7% yoy increases in August. Private sector deposit growth decelerated to 6.6% yoy, notably due to weaker growth of deposits of non-financial corporations at 7.1% yoy (8.9% yoy in July). While growth rates of corporate deposits continued to fluctuate significantly, the pace of household deposit growth remained stable, around 6% yoy.

The NPL ratio continued on a positive trend in 2Q, decreasing by 1.1 pp qoq, to 12.1%, partly thanks to the liquidation of Banka Srpske during 2Q. The share of loans to legal entities declined by 1.6 pp qoq, to 15.0%, and loans to citizens fell by 0.6 pp qoq, to 8.9%, with the share of consumer loans down by 0.5 pp qoq, to 7.3%. At the same time, the bank capitalisations strengthened, as CAR grew by 0.9 pp qoq, reaching 15.8% at the end of 2Q. The net profit of BH banks in the first six months of 2016 rose by a meagre 2.3% yoy, which can mostly be attributed to an increase in net interest income, the outcome of the sharp cut in interest expenses (-16.7% yoy). Profitability indicators continued to improve. ROAA and ROAE grew to 0.7% and 5.6%, respectively in 1H16 (FY15: 0.3% and 2.4%, respectively).

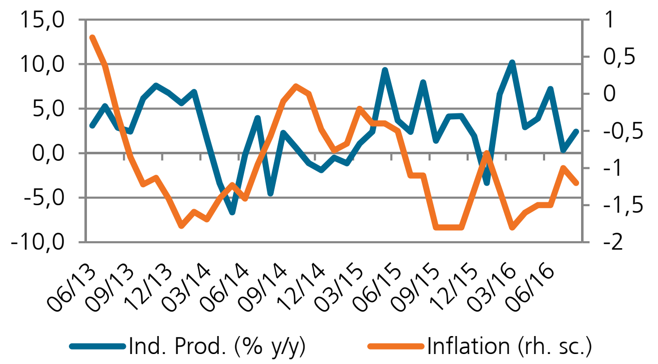
The consolidation process of the BH banking system continued in 3Q16. As of 31 July, Moja banka merged into IK banka, forming the largest domestically owned bank in the federation, with a 2.3% market share of total assets.

Latest economic indicators

%	Last value	2Q 2016	1Q 2016
Industrial production, wda yoy	2.4 (Aug)	4.7	4.6
Export of goods, nominal yoy	5.2 (Aug)	5.7	-0.1
Retail trade, real, wda yoy	7.9 (Aug)	4.4	8.2
Inflation rate, avg yoy	-1.2 (Aug)	-1.6	-1.3
Loans (priv sector, yoy, eop)	2.5 (Aug)	2.2	3.3
Deposits (priv sector, yoy, eop)	6.6 (Aug)	5.9	7.9

Source: BHAS, CBBH

Industrial production and inflation



Source: Labour and employment agency

Croatia

Real Economy

Ivana Jovic

Positive developments in the real economy continued in 3Q, as real retail trade in July and August grew by 4.4% and 5.1% yoy, respectively, supported by improved labour market conditions and a strong tourist season. Although industrial production growth slowed to 1.2% yoy in July, growth recovered to 2.5% in August. Exports behaved more erratically, however, declining by 8% yoy in July, but rebounding in August (14% yoy, according to preliminary data). Positive developments led to a significant decline in the unemployment rate, which fell to 13.1% at the end of August, with the same level recorded in September, the lowest rate ever. Deflationary pressures continued to ease in 3Q, as the CPI declined by 1.3% yoy (vs -1.7% in 2Q) with -0.9% recorded in September.

The October EDP notification confirmed last year's fiscal improvement, as the deficit declined to 3.3% of GDP (from 5.4% in 2014) and public debt remained almost unchanged at 86.7% of GDP (2014: 86.6%). According to Eurostat's quarterly data, improvement on the fiscal front continued in 1H16, as the 4Q rolling deficit declined to 1.2% of GDP (vs 4.3% in 2Q15) and public debt to 84.7% of GDP (vs 86.1% in June 2015).

Financial Markets

Ana Lokin

Money market rates increased in August and September, due to stronger demand for kunas related to the peak of the tourist season. Liquidity improved again in October, but interest rates remained higher compared to the beginning of summer (O/N 0.65%, 1M 0.72%, 3M 0.88%). The average EUR/HRK rate slipped to 7.48 in July and August, but moved up to 7.51 in September, where it remained in October amid calm markets. The CNB intervened at the beginning of September, purchasing EUR 69m from banks.

Banking Sector

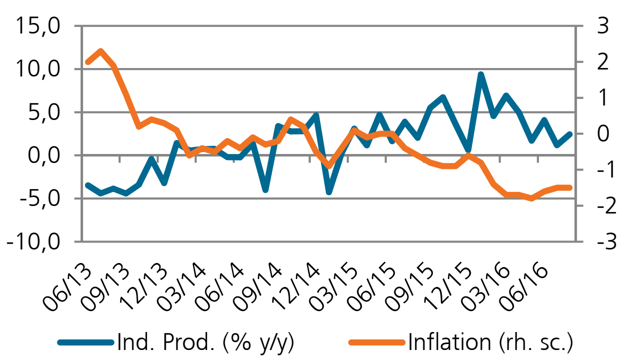
The pace of decline in loans decelerated slightly in the period from June (-6.2% yoy) through August (-5.8% yoy), due to consolidation of the household portfolio (June -7.4% yoy, August -6.7% yoy). Once the conversion process of the Swiss Franc denominated loans has finished, the rate of decrease of housing loans is slowing down, supported by the sharp rise in the kuna denominated housing loans (August +81.1% y/y). Loans to non-financial corporations continued to move unpredictably (June -4.7%, July -5.2%, August -4.5% all yoy), but in these three months, a slight revival in investment loans was observed. As with households, corporates are turning to financing in local currency. Hence, a sustained increase in kuna loans has been seen since February. The recovery in private sector deposits, which started in May, continued in the June-August period, thanks to a strong rise in corporate and solid increase in household deposits (+24.7% and +1.7% yoy, respectively, in August). Deposit growth thus increased from +4.9% in June to +6.3% yoy in August.

Latest economic indicators

%	Last value	2Q 2016	1Q 2016
Industrial production, wda yoy	2.5 (Aug)	3.6	6.8
Export of goods, nominal yoy	-8.0 (Jul)	2.9	3.9
Retail trade, real, wda yoy	5.1 (Aug)	3.3	3.2
ESI (index)	121.0 (Sep)	117.8	118.4
Inflation rate, average yoy	-0.9 (Sep)	-1.7	-1.3
Loans (priv sector, yoy, eop)	-5.8 (Aug)	-6.2	-7.0
Deposits (priv sector, yoy, eop)	6.3 (Aug)	4.9	3.7

Source: CBS, EC, CNB

Industrial production and inflation



Source: EC

Egypt

Real Economy

Emil Eskander

Egypt's GDP increased slightly during 1Q16, to reach 3.6% compared to 3.3% in the same period last year, with final consumption continuing to boost the economic activity, as it contributed by 4.4% to GDP growth compared to 1.7% last year. On the other hand, investment decelerated during 1Q16, with a contribution of 0.9% to GDP growth compared to 5.2% for the same period last year. The construction sector led economic growth, increasing by 12%, while tourism and extractive industries retreated by 34% and 6.1%, respectively.

Industrial production continued its weak performance, declining by 8.55% in July 2016, effected by the persistence of foreign currency shortages and difficulties for producers in importing raw materials and intermediate goods necessary for production.

Financial Markets

Egypt's annual urban inflation rate declined in September 2016 to 14.1%, compared to 15.5% in August 2016, due to the base year effect. The inflation rate is expected to rise in the coming months due to the application of the value added tax (VAT), the cut in energy subsidies and the expected devaluation of the EGP, following the announcement of the IMF's conditions for obtaining a USD12bn loan, a deal expected to be finalised before year-end.

The CBE kept its benchmark interest rates unchanged at its last meeting on 22 September, where the overnight deposit and lending rates were kept at 11.75% and 12.75%, respectively. The discount rate was also kept unchanged at 12.25%.

At its FX auctions, the CBE is maintaining the EGP/USD rate at 8.88, with no changes seen since the last devaluation in March 2016. However, the EGP continued to depreciate on the black market against the USD, exceeding EGP15 per USD, due to the shortage of foreign currency.

Banking Sector

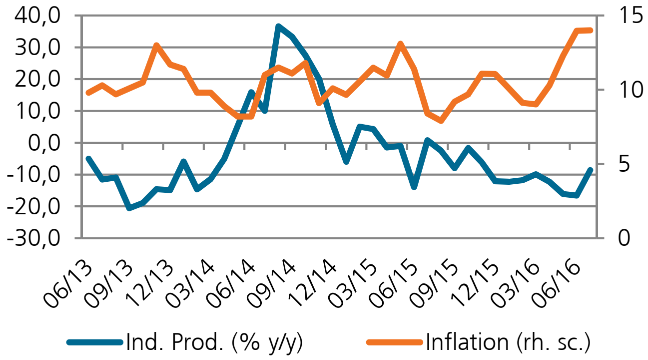
Total bank loans to customers were EGP937.1Bn in June 2016, reflecting an increase of 1.8% compared to May 2016 (+31.3% yoy). Total loans to the private sector increased by 15.2% in June 2016, to EGP662Bn compared to June 2015, as total loans to corporates (representing 69% of total loans to the private sector) increased by 13.7% yoy. Total deposits for the private sector increased by 18.8% in June 2016 yoy, reaching EGP1.7Tn, with total household deposits (representing 78.4% of total private sector deposits) increasing by 19% yoy.

Latest economic indicators

%	Last value	2Q 2016	1Q 2016
Industrial production, wda yoy	-8.6 (Jul)	-15.0	-11.3
Nom exports yoy	3.4 (Jul)	0.2	-5.9
Retail sales yoy	n.a.	n.a.	n.a.
Inflation rate yoy	14.1 (Sep)	12.2	9.4
CB reference rate	11.8 (24th Oct)	11.8	10.8
Loans (priv sector, yoy, eop)	15.2 (Jun)	15.2	16.3
Deposits (priv sector, yoy, eop)	18.8 (Jun)	18.8	19.6

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

Industrial output rebounded in August. Output grew by 1.6% mom and by 11.1% yoy, but wda data showed a much more modest 3.5% yoy increase. In the January-August period, output rose by a mere 2.3%, a much lower dynamic compared with 2014-15. The recently released German indicators are encouraging in terms of external demand, but the sector will not be able to repeat the strong performance of the previous two years, in our view. The recovery of the construction sector continued in August. Output jumped 4.6% mom, but remained 9% below the level of last August. The rebound was mainly driven by the accelerating drawdown of EU funds. The prospects for the sector are getting brighter. The drawdown of EU funds is expected to gain further momentum, while the trajectory of building permits points to an acceleration in home-building activity. Retail sales continued expanding at a healthy rate in August (+4.3% yoy), reflecting the positive impact of rising real wages and the strengthening of the labour market.

Headline CPI jumped from -0.1% to 0.6% in September, with prices increasing by 0.2% mom. The low base and rising oil prices played a big role in this performance. Core inflation inched up from 1.3% to 1.4% yoy. Inflation is expected to creep higher in the upcoming period and may rise close to or slightly above 1.5% by December. The announced selective VAT reduction looks set to push inflation lower at the beginning of 2017, but average 2017 CPI is expected to be around 2% (compared to 0.5% in 2016). Inflation is not likely to reach the 3% medium-term target until 1H18.

Financial Markets

The NBH left the policy rate unchanged (0.90%) both in September and October, but announced the year-end target for the 3M depo facility (HUF 900Bn). The market has started to adjust: short-dated T-bill rates and money market rates headed down, suggesting that the NBH's strategy of facilitating the targeted easing of monetary conditions by channeling liquidity to the interbank and FI market has started to work. The surprise S&P upgrade (back to investment grade) and the relatively benign external environment triggered a short-lived HUF rally at the beginning of October. The EUR/HUF rate touched a 1.5-year low (303.50), but rebounded later and returned to its well-established trading range of 305-315.

Banking Sector

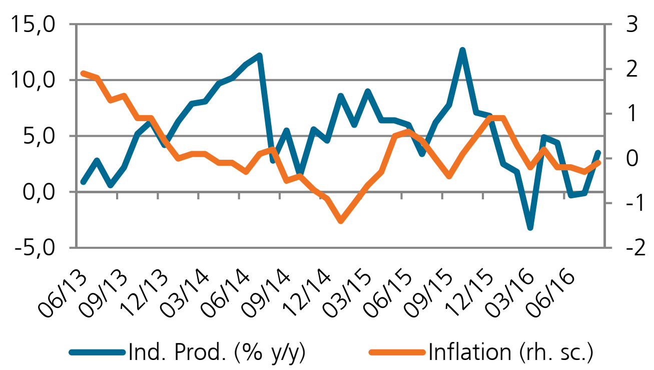
Deposits of households and non-financial corporations rose in August. The outflows from HUF deposits were more than offset by net inflows to FX deposits. Real economic developments lended support to the demand side of the loan market while credit conditions continued to ease. The stronger loan demand from households was driven by a recovery in the housing market and the increased appetite for personal loans. In the corporate sector, SMEs remained the main growth engine, with large corporates lagging in terms of loan demand.

Latest economic indicators

%	Last value	2Q 2016	1Q 2016
Ind production yoy	3.5 (Aug)	3.0	0.4
Nom exports yoy	13. (Aug)	8.2	2.7
ESI (index)	109.7 (Sep)	108.5	112.4
Retail sales yoy	5.7 (Jul)	6.0	4.4
Inflation rate yoy	0.6 (Sep)	-0.1	0.3
CB reference rate	0.9 (24th Oct)	0.9	1.2
Loans (priv sector, yoy, eop)	-5.4 (Aug)	-5.7	-6.4
Deposits (priv sector, yoy, eop)	6.4 (Aug)	6.8	5.9

Source: CSO, NBH, Bloomberg

Industrial production and inflation



Source: CSO

Romania

Real Economy

Sebastian Maneran

Data releases continue to show that the Romanian economy is performing well. September inflation came in at -0.57% yoy, lower than August rate at -0.20% yoy and market expectations at -0.20% yoy (according to Reuters). Lower pricing for food was the main negative effect, while pricing for services was roughly flat and non-food items' prices increased slightly in September. Headline inflation is expected to stay negative this year, but is likely to turn positive by the end of 1Q17 (due to the removal of VAT from the statistical base).

The detailed GDP press release for 2Q (confirmed at +5.9% yoy) showed household consumption (at +6.8% yoy, still fueled by the strong fiscal stimulus applied over the course of the past year) continuing to be the main driving force behind the economic expansion. However, the pickup in private investments (at +2.6% yoy) is also noteworthy. A good agricultural crop in the third quarter (all data indicate that 2016's harvest was exceptional) puts the Romanian economy on track to be the fastest grower in the EU in 2016.

Financial Markets

The EUR/RON FX market reacted to the news of the Swiss franc loans conversion at historical fx rate, moving more than 1% in a matter of a couple of days. Rhetoric from the Romanian Central bank helped halt the EUR/RON rise along with hints regarding higher interest rates in RON money markets. Expectations regarding quarterly tax payments due at the end of October have driven RON interest rates above the very low level of 0.25% at which domestic banks can hold cash with the central bank. The mismatch in MoF cash flow is expected to correct soon, and with inflation expected to remain in negative teritorry untill year-end, the RON money market is expected to remain liquid.

The fixed income market was not affected (broadly speaking) by the moves in the EUR/RON FX rate and the RON money markets. Although liquidity is expected to remain abundant for the foreseable future, local currency bonds are also sensitive to domestic inflation expectations. Hence, with the budget deficit expected to stay below 3% this year and above 3% in 2017 (from 0.8% – the lowest level since 2005 – in 2015) inflation expectations are likely to be pushed higher.

Banking Sector

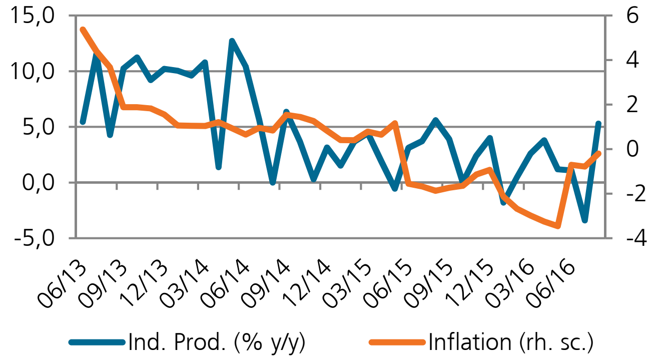
The CHF loans conversion bill was unanimously approved in Parliament. Total CHF loans currently amount to c.RON5.6Bn, and the total number of CHF debtors amount to 51,334. The law was contested by the government in the highest court and a ruling is expected soon. The President must sign the bill in order for it to become law.

Latest economic indicators

%	Last value	2Q 2016	1Q 2016
Ind production yoy	5.3 (Aug)	2.0	0.4
Nom exports yoy	13.4 (Aug)	5.3	4.0
ESI (index)	103.5 (Sep)	103.2	102.8
Retail sales yoy	12.6 (Aug)	17.1	19.0
Inflation rate yoy	-0.2 (Aug)	-2.5	-2.6
CB reference rate	1.8 (24th Oct)	1.8	1.8
Loans (priv sector, yoy, eop)	-0.1 (Aug)	0.6	2.3
Deposits (priv sector, yoy, eop)	10.9 (Aug)	11.7	9.6

Source: National Statistical Institute, NBR

Industrial production and inflation



Source: NBR

Russia

Real Economy

Anna Mokina

In September 2016, the industrial production index fell by 0.8% yoy and by 0.3% mom (excluding seasonal and calendar effects). The decline of the index negatively affected the growth recorded in August (0.7% yoy), with the industry showing negative growth in 3Q16 (-0.1% yoy). The cause of September's decline was the decrease in the output volume for the manufacturing sector (-1.6% yoy). On the other hand, mining rose by 2.1%, while production and distribution of electricity, gas and water was up by 1.4% and the expectations for industrial production in 2016 became more optimistic (+0.4%). The food, light, chemical, timber, machinery and equipment manufacturing, and agriculture segments are developing steadily at positive rates. Exports have been decreasing each month at a slower rate since the beginning of this year (ie, at -38.9% in January and -7.2% in August). In 1H16, exports fell by 28.7% vs 1H15 mainly due to a reduction in oil prices, whereas the physical volume of oil exports grew by 5.2%. Inflation decreased to 6.4% in September, due to a seasonal drop in prices for vegetables.

Financial Markets

Fitch raised its outlook on Russia's credit rating from "negative" to "stable" and left the BBB- investment grade unchanged. Although the current account surplus in 2016 should fall to 2.3% of GDP, it should grow again in the coming years, due to a recovery in oil prices. Capital outflows should slow as a result of a more comfortable schedule of payments of foreign debt and growing confidence in the Russian economy. A medium-term programme of fiscal consolidation should reduce the budget deficit to 1.5% of GDP in 2018 (4% in 2016). Net government debt, despite increased borrowings to finance the budget deficit, should amount to only 9.4% of GDP by the end of 2018. In September, the Bank of Russia cut the key rate from 10.5% to 10% per annum. This decision took into account the "deceleration of inflation in line with the outlook and reduction of inflationary expectations with maintaining unsustainable economic activity". The next rate reduction is not expected to occur before 1Q17.

Banking Sector

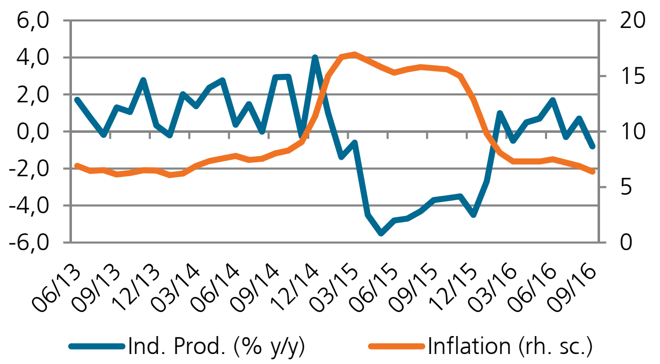
The rate decision was due to the need to maintain real interest rates at a level that would ensure demand for credit without leading to an increase in inflationary pressures, as well as to support saving. Loans to the private sector in July grew by 1.3% mom and 5.5% yoy. Deposits from the private sector grew by 1.7% mom and 10.7% yoy. The portion of household deposits in banks' resource base increased significantly. The volume has continued to grow and increased in July by 1.7% mom and 14.9% yoy. Banks had been somewhat anticipating the CBR decision and, therefore, rates are not expected to fall sharply in the near future.

Latest economic indicators

%	Last value	2Q 2016	1Q 2016
Ind production yoy	-0.8 (Sep)	1.0	-0.7
Nom exports yoy	-7.2 (Aug)	-25.7	-33.5
Retail sales yoy	-5.1 (Aug)	-5.9	-5.8
Inflation rate yoy	6.4 (Sep)	7.4	8.4
CB reference rate	10.0 (30th Sep)	10.5	11.0
Loans (priv sector, yoy, eop)	5.5 (Jul)	6.4	5.8
Deposits (priv sector, yoy, eop)	10.7 (Jul)	12.9	12.7

Source: State Statistics Federal Service, Central Bank of Russia

Industrial production and inflation



Source: State Statistics Federal Service

Serbia

Real Economy

Branka Babic

Favourable trends in the manufacturing, construction, agriculture and service sectors have positively contributed to the acceleration of the economy since the start of the year. In the short term, positive trends are expected to continue, especially growth of investments and exports, supported by increasing consumption, as indicated by increased retail sales, employment gains in the private sector, and rising credit activity. The National Bank of Serbia projects GDP to accelerate to 2.5% in 2016 and around 3.0% in 2017.

Year over year, CPI has been moving below the lower limit of the target tolerance band (4±1.5%) since March 2014, reaching 0.6% in September 2016. The NBS forecasts a gradual rise in inflation, with a return to within the target band (4±1.5%) in 1H17, supported by the low base effect from primary commodities, recovering aggregate demand and inflation abroad.

Financial Markets

In October 2016, the NBS decided to keep the key policy rate unchanged at 4.0% for the third consecutive month, after a cut by 0.25pp in July, taking into consideration the inflation outlook, the effects of past monetary easing and higher demand at home, but also disinflationary pressures from low prices for primary agricultural commodities. Furthermore, the NBS continued to follow the movements of the leading central banks bearing in mind their potential impact on global capital flows.

In the first nine months of 2016, the domestic currency depreciated against the EUR by 1.4%, but appreciated against the USD by 1.2%. Since end-June, the appreciation pressures have prevailed in the market, resulting in the purchase of EUR 355Mn by the NBS in July (out of a total EUR 525Mn bought in the first nine months of the year), which helped to recover a part of its sold foreign reserves (for a total of EUR 870Mn so far this year) due to depreciation pressures mainly caused by increased demand for foreign currencies by domestic enterprises for import purposes, reduced exposure of foreign investors to dinar securities, and uncertainties in the international financial market.

Banking Sector

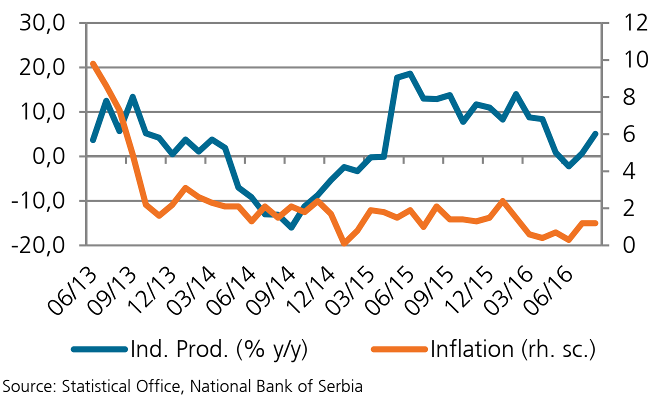
Credit activity appears to be increasing gradually, reaching 6.0% yoy in September 2016, with lending rising for both corporates (3.0%) and households (10.5%). A further rise in credit activity is expected in the upcoming period as well on the back of past monetary easing, increased competition among banks and increased demand for loans. In addition, the share of NPL decreased to 19.6% in August 2016, which is the lowest level in the past few years.

Latest Economic Indicators

%	Last value	2Q 2016	1Q 2016
Ind. Production yoy	5.1 (Aug)	2.4	10.4
Nom. Exports yoy*	12.4 (Aug)	9.0	11.1
Retail Sales yoy	6.7 (Aug)	7.3	10.2
Inflation Rate yoy	0.6 (Sep)	0.5	1.5
CB Reference Rate, eop	4.0 (24th Oct)	4.2	4.2
Loans (priv.sector,yoy,eop)	6.0 (Sep)	4.7	2.1
Deposits (priv.sector,yoy,eop)	12.2 (Sep)	9.6	7.3

Source: Statistical Office, National Bank of Serbia

Industrial production and inflation



Source: Statistical Office, National Bank of Serbia

Slovakia

Real Economy

Andrej Arady

Overall real activity in the summer was highly volatile in Slovakia, with August seeing something of a shift vs a sharp drop in July. Behind the seasonal volatility, real activity was decelerating, but growing confidence in the global and domestic economies supported expectations for improvement soon. Industrial production in August surpassed expectations, with headline yoy growth picking up to 17% vs the previous -14%. On average, growth in the summer slowed visibly, from 9% in May to below 2% in July-August. The growth would probably have been higher if not affected by temporary technical issues and delays in the supply chain at one of the biggest car producers. After the previous boom activity, construction hovered around 10% yoy growth. Retail sales remained subdued despite the latest recovery, growing at only 1.9% yoy in August, up from -0.6% in July.

Price-wise, at the end of the summer, inflation bottomed. Headline yoy inflation picked up in September, to -0.5% from -0.8% in August and an all-time low of -0.9% in July. The key factors included a fading negative effect of the gas price cut in September 2015, rising fuel prices (in response to the previous rise in oil prices in European markets), and, finally, growth of the demand-driven component. Tthe so-called net inflation (adjusted for fuel) picked up from 0.3% yoy recorded in July to 0.5% in August. The current outlook is for a further easing of deflation.

Financial Markets

The Slovak bond market remains under significant pressure from the ECB's Asset Purchase Programme. Yields thus remain highly dependent on the ECB's decision about the further development of this programme, which is now set to end in March 2017. However, the decision regarding the programme was postponed to December. Tapering could be a potential driver for spread widening vs German bunds, but low public debt should limit this when compared with more indebted European countries.

Banking Sector

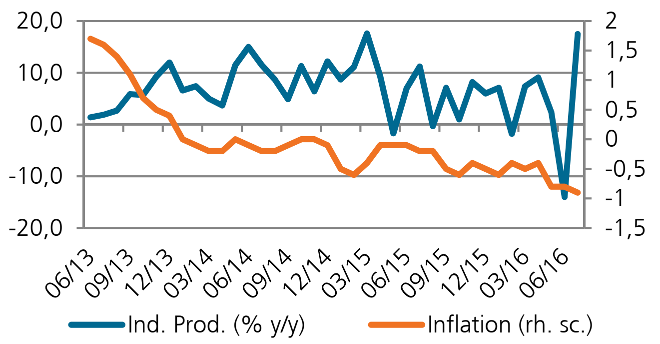
Trends in the banking sector remained unchanged over the past month. Total loans continued to grow, by nearly 10% yoy in August. This performance was driven mainly by the retail segment, which grew by 13.3% yoy, especially driven by mortgages (14.7% yoy) and consumer loans (17.5% yoy). Note that the latest growth of consumer loans and overdrafts and credit cards is slightly biased, as a big Slovak non-bank became a branch of a foreign bank, which increased the bank sector's balance. Deposits continued to grow, with nearly 20% growth in C/As, but with deposits falling. Regulatory costs appear to be increasing. The Slovak special bank levy, which was originally meant to decline gradually, will now stay unchanged at the current 0.2% of adjusted liabilities until 2020. While headline profitability of the Slovak banking sector is still supported by nonrecurring factors, the underlying profitability has already begun to contract and will be show up in headline terms soon.

Latest economic indicators

%	Last value	2Q 2016	1Q 2016
Ind production, wda yoy	17.5 (Aug)	6.3	4.2
Nom exports, yoy	17.9 (Aug)	7.1	1.0
ESI (index)	103.0 (Sep)	99.1	103.4
Retail sales, yoy	1.9 (Aug)	3.4	1.0
Inflation rate, yoy	-0.5 (Sep)	-0.7	-0.5
ECB refi rate	0.0 (24th Oct)	0.0	0.0
Loans (priv sector, yoy, eop)	9.7 (Aug)	7.3	8.1
Deposits (priv sector, yoy, eop)	6.0 (Aug)	8.2	8.5

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

Measured by the harmonised index of consumer prices, in September, annual growth was 0.2% (in September 2015, it was -1.0%). Annual growth was pushed up by higher food and non-alcoholic beverage prices and by prices for telephone and internet services.

Given favourable movements in cost competitiveness and foreign demand, merchandise exports and manufacturing production continued to expand. In industrial production, stable growth has been recorded since 2015: in August, it was by 5.9% higher yoy. Export growth has shown some more volatility in the past months: in August, it grew by 4.0 % yoy.

Financial Markets

In the last month, the slight downward trend of short-term interest rates continued, reflecting the ECB's accommodative monetary policy. The 3M Euribor rate is currently moving around -0.31% and it is expected to remain in negative territory for an extended period of time. The yield on Slovenia's benchmark 10Y government bond fell to a new record low after Fitch Rating Agency upgraded Slovenia's long-term issuer default rating to "A-"from "BBB+" on 26 September 2016. Currently, the 10-year cost for borrowing is moving around 0.6%. The Slovenian 5Y CDS spread is relatively stable and is currently moving around 94 bps.

Banking Sector

The merger of Slovenian Lender Nova Kreditna Banka Maribor (NKBM) with local peer Poštna Banka Slovenije (PBS) became legally effective on 1 September. PBS has ceased to exist as an independent legal entity, with all its obligations and rights transferred to NKBM, its legal successor.

Loans to customers continue to decrease — on the account of a significant fall in corporate loan volumes (-15% yoy). Mortgage loans continue to increase, which can be attributable to favourable new production interest rates on mortgages. Consumer loans have also showed a positive trend over the last few months, as the change in interest rates does not appear to have had a significant effect.

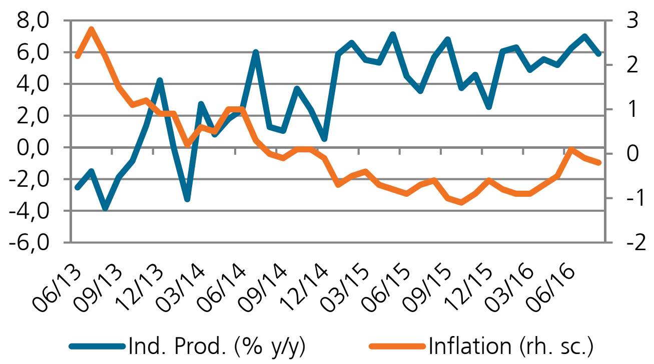
Banks generated a profit before tax of EUR351Mn over the first eight months of the year, which is significantly higher than in the same period of last year (when profits before tax amounted to EUR210.8Mn). As net interest income (and, to a lesser extent, net commission income) continues to decline, the improvement of the operating result was mainly attributable to the release of impairments and provisions. Operating costs in the banking system remain very close to the level recorded last year.

Latest economic indicators

%	Last value	2Q 2016	1Q 2016
Ind production, wda yoy	5.9 (Aug)	5.7	5.7
Nom exports yoy	4.0 (Aug)	5.6	3.7
ESI (index)	107.3 (Sep)	105.0	104.7
Consumer confidence indices	-11.0 (Sep)	-17.3	-17.7
Inflation rate yoy	0.2 (Sep)	-0.4	-0.9
ECB refi rate	0.0 (24th Oct)	0.0	0.0
Loans (priv sector, yoy, eop)	-7.6 (Aug)	-7.6	-8.4
Deposits (priv sector, yoy, eop)	7.0 (Aug)	6.2	6.3

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

Ukraine's economy has finally started to show signs of recovery after a long slump. GDP figures showed that the economy expanded by 1.3% yoy in Q2, up from 0.1% yoy in Q1, the second-best reading since 2012. Real GDP is expected to grow by 1.5% this year and to accelerate to 2.5% in 2017. Meanwhile, the IMF deal appears to be back on track. After a pause of over a year, the Fund released a USD1Bn tranche from the country's bailout package at the end of September. Fiscal austerity has helped to bring down the budget deficit to 3.5% of GDP, compared with a shortfall of 6% in 2014. Most of the fiscal tightening required by the IMF has now been done. The economy looks much less vulnerable to a shock than it did in 2013-14. But, the key point is that despite a return to economic normality, a significant pickup in capital inflows is extremely unlikely until the conflict in Donbass is resolved.

Financial Markets

The CB cut rates again in September in the wake of easing inflationary pressures. The main policy rate is now down to 15%, from 22% at the start of this year. The 3M KIEIBOR rate fell to 18% at the end of October, from 25% at the end of December last year. Rates are still well above their levels (10%) in the final months of 2013, before the start of the political upheaval that is still weighing on the country's economy. The improved financial and economic scenarios have been supporting the hryvnia, which, after losing over to third of its value against the USD from 2014 to 2015, this year has remained relatively stable, hovering around UAH25.5/USD1. Interest rates still have room to drop amid easing inflation and financial pressures.

Banking Sector

Davidia Zucchelli

Banking aggregates remain weak. Nominal loans decreased by 5.4% yoy in August (from -8.5% in July) both in the corporate (-2.1% yoy) and the household (-18.1%) sectors. Net of the exchange rate effect, loans showed a decline of 16%. Deposits also showed a nominal increase (8.7% yoy in August), but fell (-1%) net of the exchange rate. Deposits in LC showed a recovery (+12.2% yoy) in both the household and the corporate sectors. The growth in household deposits points to increasing public confidence in the banking sector.

In June 2016, the NBU removed restrictions on cash withdrawals from current and savings accounts in LC. Since September 2016, bank customers can receive cash in FC from current and deposit accounts through cashier's offices and ATMs up to the equivalent of UAH250,000 per day, per customer. Previously, the equivalent amounted was UAH100,000. The removal of restrictions on cash withdrawals from hryvnia deposits and stronger limits on cash withdrawals in FC had no adverse impact on deposit dynamics.

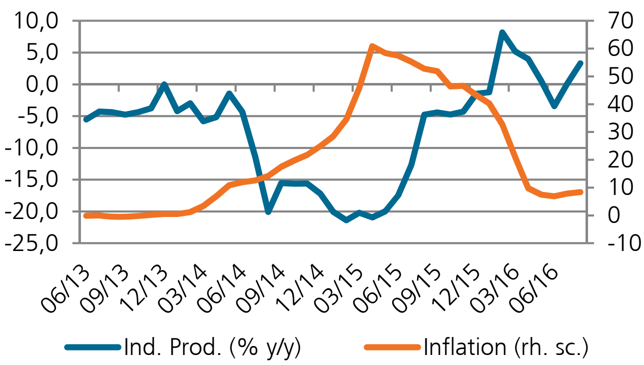
In September, banks' regulatory capital increased by UAH4.8Bn, to UAH142.3Bn, owing to the implementation of recapitalisation plans. The Regulatory CAR rose from 13.9% to 14.22%.

Latest economic endicators

	Last value	2Q 2016	1Q 2016
Ind production yoy	3.3 (Aug)	0.4	3.9
Nom exports yoy	-8.3 (Aug)	-11.7	-23.5
PMI manufacturing	n.a.	n.a.	n.a.
Retail sales	4.1 (Sep)	7.2	4.0
Inflation rate yoy	7.9 (Sep)	8.1	31.3
CB reference rate	15.0 (30th Sep)	16.5	22.0
Loans (priv sector, yoy, eop)	-5.4 (Aug)	-7.7	-13.9
Deposits (priv sector, yoy, eop)	8.7 (Aug)	4.7	-4.3

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. ch yoy			Inflation chg yoy				FX reserves chg**			CA bal ance***	
	2Q16	1Q16	2015	Last	mth	2Q16	Last	mth	2Q16	Last	mth	2Q16	2015	2Q16	1Q16	2015	2Q16	1Q16
CEE																		
Slovakia	3.7	3.4	3.6	17.5	Aug	6.3	17.9	Aug	7.1	-0.5	Sep	-0.7	-0.3	n.s.	n.s.	n.s.		-149
Slovenia	2.7	2.3	2.3	5.9	Aug	5.7	4.0	Aug	5.6	0.2	Sep	-0.4	-0.8	n.s.	n.s.	n.s.	850	726
Hungary	2.6	1.1	2.9	3.5	Aug	3.0	13.0	Aug	8.2	0.6	Sep	-0.1	-0.1	-3727	-2771	-4256	1767	1535
SEE																		
Albania	3.2	3.0	2.6	n.a.	n.a.	n.a.	7.2	Aug	-6.6	1.8	Sep	0.7	1.8	0	-50	n.a.	-354	-224
Bosnia H.	1.4	1.9	3.1	2.4	Aug	4.7	5.2	Aug	5.7	-1.2	Aug	-1.6	-1.0	92	-7	399	-253	-191
Croatia	2.8	2.7	1.6	2.5	Aug	3.6	-8.0	Jul	2.9	-0.9	Sep	-1.7	-0.5	-262	-508	1019	152	-1580
Romania	5.9	4.3	3.7	5.3	Aug	2.0	13.4	Aug	5.3	-0.2	Aug	-2.5	-0.6			-3990	2507	-1472
Serbia	2.0	3.8	0.8	5.1	Aug	2.4	12.4	Aug	9.0	0.6	Sep	0.5	1.4	-121	-698	171	-387	-248
CIS MENA																		
Russia	-0.6	-1.2	-3.7	-0.8	Sep	1.0	-7.2	Aug	-25.7	6.4	Sep	7.4	15.8	484	9478	-18340	12248	11700
Ukraine	1.4	0.1	-9.9	3.3	Aug	0.4	-8.3	Aug	-11.7	7.9	Sep	8.1	48.5	-525	-729	5741	615	-1222
Egypt		3.6	3.5	-8.6	Jul	-15.0	3.4	Jul	0.2	14.1	Sep	12.2	10.4	985	116	1112	-4190	-5549
m.i. E. A.	*1.6*	*1.6*	*2.0*	*1.8*	*Aug*	*1.1*	*8.2*	*Aug*	*-0.2*	*0.4*	*Sep*	*-0.1*	*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
	25/10	chg bp 3M	25/10	chg bp 3M	25/10	3M chg%	1Y chg%	3M chg%	1Y chg%	25/10	25/07	S&P
CEE						Vs Euro						
Slovakia	-0.3	0.0	0.5	0.0	Euro	Euro	Euro	1.1	7.9	38.0	38.0	A+
Slovenia	-0.3	0.0	0.6	-0.2	Euro	Euro	Euro	5.6	10.7	93.9	92.2	A
Hungary	0.8	-0.1	2.8	-0.1	307.9	-1.5	-1.2	6.3	35.8	108.5	139.7	BBB-
SEE												
Albania	0.9	0.0	n.a.	n.a.	136.3	0.2	-2.5	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	0.9	0.1	3.1	-0.7	7.5	0.3	-1.5	12.2	14.5	195.7	234.2	BB
Romania	0.5	-0.1	3.0	-0.3	4.5	0.9	1.4	2.1	-3.6	95.8	108.3	BBB-
Serbia	4.0	0.0	n.a.	n.a.	123.2	-0.2	2.4	9.3	-0.9	228.4	242.8	BB-
CIS MENA						Vs USD						
Russia	10.6	-0.4	8.4	-0.3	62.2	-3.7	-0.6	3.2	11.2	205.4	212.6	BB+
Ukraine	18.3	-1.0	9.7	0.0	25.6	3.4	14.7	3.1	11.8	13957.0	13957.0	B-
Egypt	14.6	0.6	17.4	-0.3	8.9	0.0	10.6	20.3	27.4	479.7	489.3	B-
m.i.A.E.	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*0.0*	*BG*	*0.0*	

Source: Datastream, Reuters, and Bloomberg;* The data for Albania refers to july **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 %		
	Last	Mth	2015	Last	mth	2015	Last	mth	2015	Last	Mth	2015	Last	mth	2015	S*	Last	mth	2015	S*	Last	mth	2015
CEE																							
Slovakia	9.7	Aug	8.7	4.9	Aug	5.1	16.6	Aug	1.1	6.0	Aug	9.9	2.68	Aug	2.83	C[2,3]	0.6	Aug	0.75	H[2,3]	92.6	Aug	90.0
Slovenia	-7.6	Aug	-5.2	6.7	Jul	9.9	-18.4	Aug	-20.7	7.0	Aug	5.8	3.05	Aug	3.45	C[2]	0.21	Aug	0.28	H[2]	81.3	Aug	89.2
Hungary	-5.4	Aug	-12.3	13.1	Mar	13.7	-8.5	Aug	-8.1	6.4	Aug	7.5	3.74	Aug	4.1	C	0.47	Aug	1.0	A	89.8	Aug	90.8
SEE																							
Albania	0.0	Aug	-2.6	21.4	Aug	18.2	-13.2	Aug	-14.4	2.1	Aug	1.0	11.04	Aug	8.35	A	0.54	Aug	1.27	H	54.1	Aug	54.2
Bosnia H.	2.5	Aug	2.2	12.1	Jun	13.7	-13.1	Aug	-11.7	6.6	Aug	7.8	4.45	Aug	4.99	C	0.63	Aug	1.06	H	111.4	Aug	114.4
Croatia	-5.8	Aug	-3.1	15.0	Jun	16.6	-36.1	Aug	-25.1	6.3	Aug	6.4	4.89	Aug	5.08	C	1.42	Aug	2.15	H	81.1	Aug	86.5
Romania	-0.1	Aug	2.7	11.3	Jun	13.5	-13.5	Aug	-10.2	10.9	Aug	9.1	3.73	Aug	4.32	C	0.92	Aug	1.48	H	83.7	Aug	89.5
Serbia	6.0	Sep	3.0	19.6	Aug	21.6	-15.4	Sep	-6.3	12.2	Sep	7.1	6.26	Aug	6.24	C	3.11	Aug	4.17	H	108.0	Sep	111.4
CIS MENA																							
Russia	5.5	Jul	8.2	9.8	Aug	8.3	-1.4	Jun	-0.8	10.7	Jul	18.8	12.44	Jul	13.8	C	6.78	Jul	8.43	H	109.7	Jul	108.1
Ukraine	-5.4	Aug	-3.8	30.4	Jun	28.0	-5.4	Aug	6.3	8.7	Aug	1.5	24.42	Aug	26.09	R[4]	16.86	Aug	20.06	R[4]	141.4	Aug	146.3
Egypt	15.2	Jun	18.0	6.8	Dec	6.8	106.7	Jun	91.6	18.8	Jun	20.4	13.4	Jun	11.8	C	7.5	Jun	6.8	H	39.2	Jun	38.8
m.i. E. A.	*0.4*	*Aug*	*0.6*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*n.a.*	*2.9*	*Aug*	*3.1*	*1.2*	*Aug*	*1.6*	*C*	*0.5*	*Aug*	*0.6*	*H*	*81.7*	*Aug*	*83.1*

Source: Central Banks, IMF, Moody's ;[1]monthly average; [2]lending rate on current account overdraft; on deposits up to 1 year; [3]on outstanding [4]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@intesasanpaolo.com
ISP - Research Department (Milan)	
Giancarlo Frigoli (CIS, MENA and Lat. Am. Countries)	giancarlo.frigoli@intesasanpaolo.com
Silvia Guizzo (Emerging Asia)	silvia.guizzo@intesasanpaolo.com
Antonio Pesce (CEE and SEE Countries)	antonio.pesce@intesasanpaolo.com
Wilma Vergi (Trade and Industry)	wilma.vergi@intesasanpaolo.com
Davidia Zucchelli (Banks and Financial Markets)	davidia.zucchelli@intesasanpaolo.com
International Subsidiaries' Research Departments:	
VUB (Slovakia)	
Zdenko Štefanides (Head)	zstefanides@vub.sk
Andrej Arady	aarady@vub.sk
PBZ (Croatia) and ISP Banka (Bosnia I Hercegovina)	
Ivana Jovic (Head)	ivana.jovic@pbz.hr
Ana Lokin	ana.lokin@pbz.hr
CIB (Hungary)	
Mariann Trippon (Head)	trippon.mariann@cib.hu
Sandor Jobbagy	jobbagy.sandor@cib.hu
Banca Intesa (Serbia)	
Marija Savic (Head)	marija.arsic@bancaintesa.rs
Branka Babic	branka.babic@bancaintesa.rs
Tijana Matijasevic	tijana.matijasevic@bancaintesa.rs
Alexbank (Egypt)	
Emil Eskander (Head)	emil.eskander@alexbank.com
Hemat El Masry	hemat.elmasry@alexbank.com
Sahar EzzElarab	sahar.ezzElarab@alexbank.com
Samer Halim	samer.halim@alexbank.com
International Subsidiaries' Research Contacts:	
Banka Koper (Slovenia)	
Nastja Benčič	nastja.bencic@banka-koper.si
Banca Intesa (Russia)	
Anna Mokina	anna.mokina@bancaintesa.ru
Intesa Sanpaolo Bank (Romania)	
Sebastian Maneran	sebastian.maneran@intesasanpaolo.ro
Intesa Sanpaolo Bank (Albania)	
Kledi Gjordeni	kledi.gjordeni@intesasanpaolobank.al

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