ALPHA BANK

9M 2009 Results

November 9, 2009

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Contents:

This presentation contains forward-looking statements, which include comments with respect to our objectives and strategies, and the results of our operations and our business, considering environment and risk conditions.

However, by their nature, these forward-looking statements involve numerous assumptions, uncertainties and opportunities, both general and specific. The risk exists that these statements may not be fulfilled. We caution readers of this presentation not to place undue reliance on these forward-looking statements as a number of factors could cause future Group results to differ materially from these targets.

Forward-looking statements may be influenced in particular by factors such as fluctuations in interest rates, exchange rates and stock indices, the effects of competition in the areas in which we operate, and changes in economic, political, regulatory and technological conditions. We caution that the foregoing list is not exhaustive.

When relying on forward-looking statements to make decisions, investors should carefully consider the aforementioned factors as well as other uncertainties and events.

NEITHER THE RIGHTS NOR THE NEW SHARES TO BE ISSUED IN THE PROPOSED RIGHTS OFFERING MENTIONED HEREIN HAVE BEEN OR WILL BE REGISTERED UNDER THE U.S SECURITIES ACT OF 1933 AND MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES ABSENT REGISTRATION OR AN APPLICABLE EXEMPTION FROM SUCH REGISTRATION REQUIREMENTS.

Highlights of 9M 2009 Results

€345 mn in profits: Our Earnings generation capacity is confirmed beating strong second quarter

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- **Strong earnings capacity surpasses Q2 09**
  - NII increases 4% q-o-q based on solid repricing of both sides of the balance sheet
  - Better quality NII as contribution from bond portfolio declines
  - Cost growth deceleration continues for a 3rd consecutive quarter
- **Asset quality remains intact with strong coverage**
  - IFRS 7 defined NPLs (*) at 5.2%, up 40 bps formation at lower pace compared to previous quarters
  - Provisions of € 170 million for this quarter at 130bps, within our guidance for this phase of the provisioning cycle
  - Accumulated provisions at € 1.6 billion, firming coverage to 57%
- **Strong capital generation**
  - Core Tier I at 7.3% from 6.5% at Dec. 08 as a result of strong organic capital generation
  - Core Tier I expected to strengthen by an additional 200 bps by the completion of the rights issue
  - Negligible minorities and goodwill
  - Tangible equity/assets at 4.8%, to reach pro-forma 6.2% following the capital increase
- **Well-diversified liquidity profile**
  - ECB utilization drops to € 9bn from € 11.8bn last quarter
  - Successful tapping of international markets in September for 3 year € 750 million senior unsecured note
- **Revamped organizational structure an important adjustment to the emerging operating environment**

(*) NPLs are defined as loans in arrears for more than 90 days

Focused Loan re-pricing efforts support positive NII trends…

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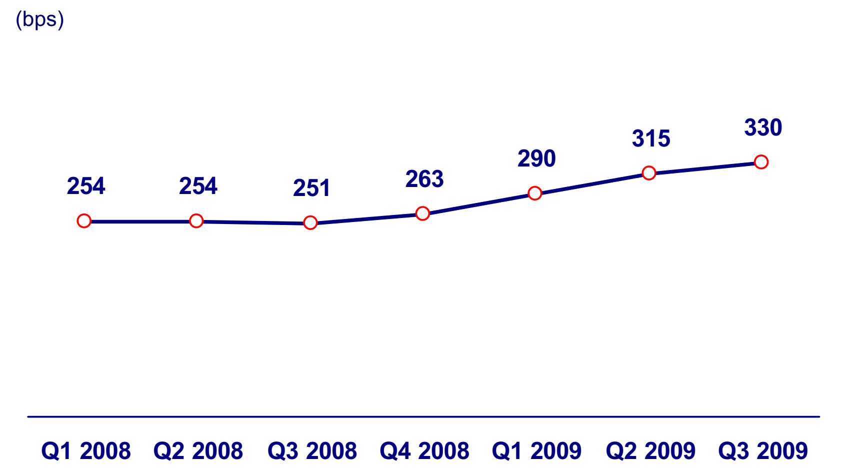
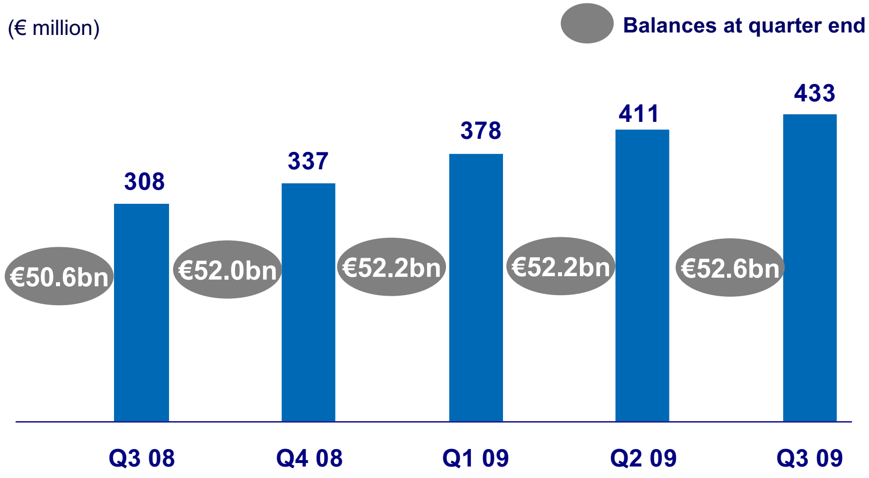
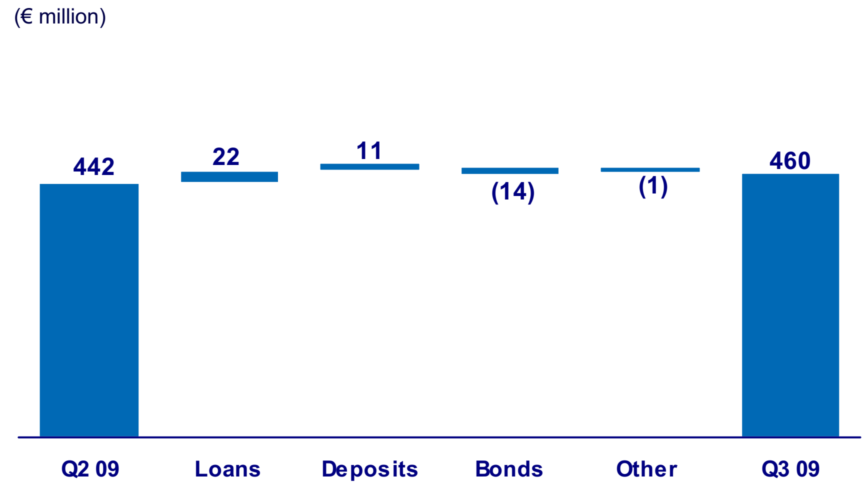
Loans Spreads - Group



Group NII - Loans Contribution



Qualitative Improvement of NII

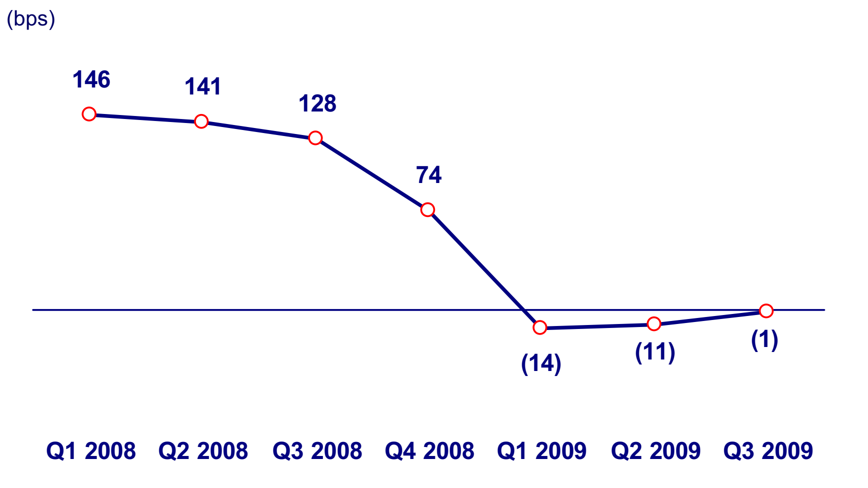


Comments

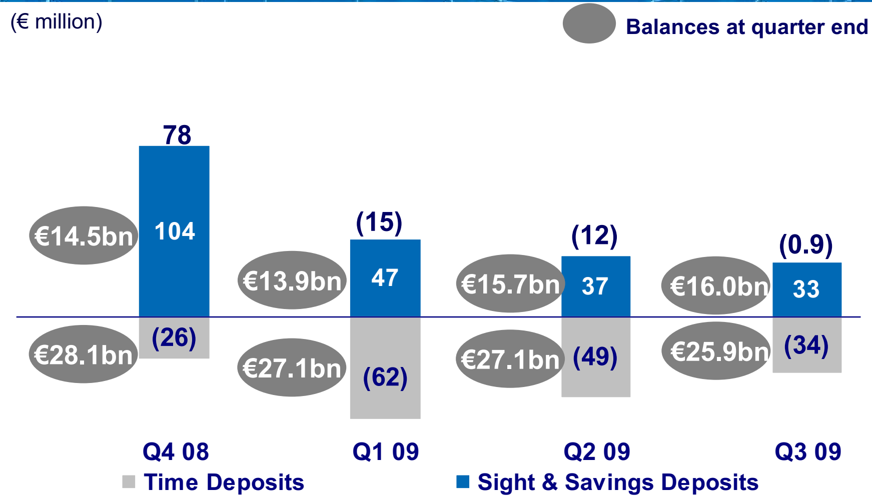
- ✓ Loan repricing delivers additional ca. €100mn NII in last year at effectively no volume growth
- ✓ Cyclically attractive pricing levels
- ✓ Contribution of Bonds to NII declines

… at a time when Deposit contribution to NII becomes breakeven again

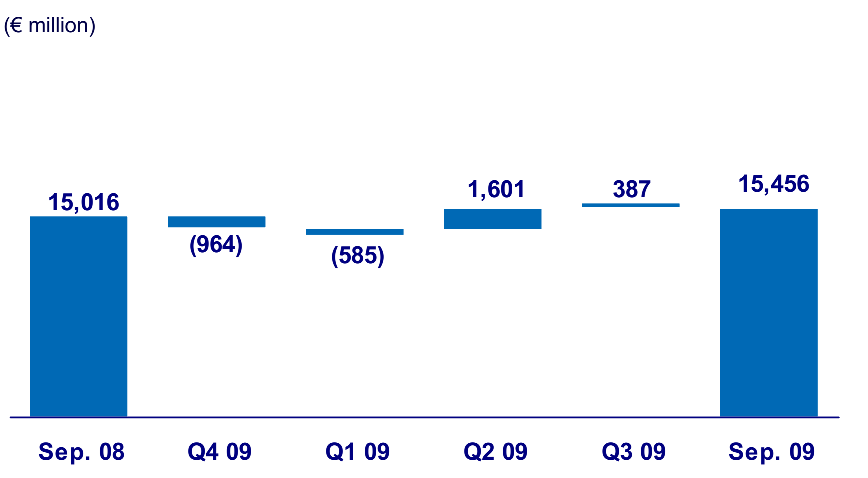
Deposit Spreads - Group



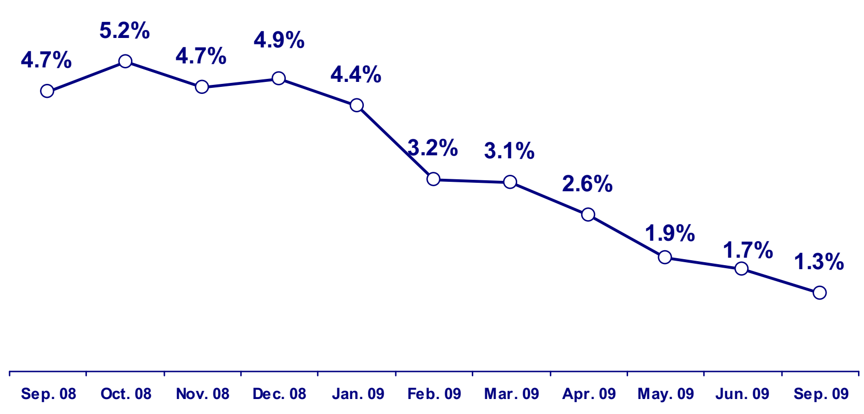
Group NII - Deposits Contribution



Core Deposit Balances – Group



New Time Deposit Customer rates – Greece (*)



(*) excluding Alpha Bank bonds

Cost growth deceleration continues

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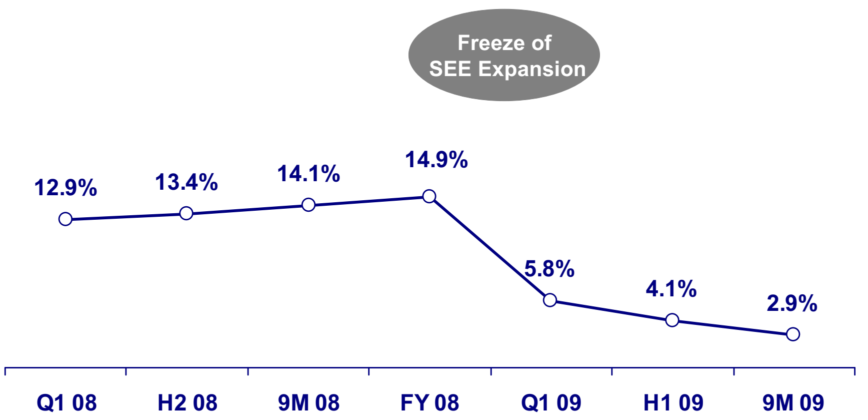
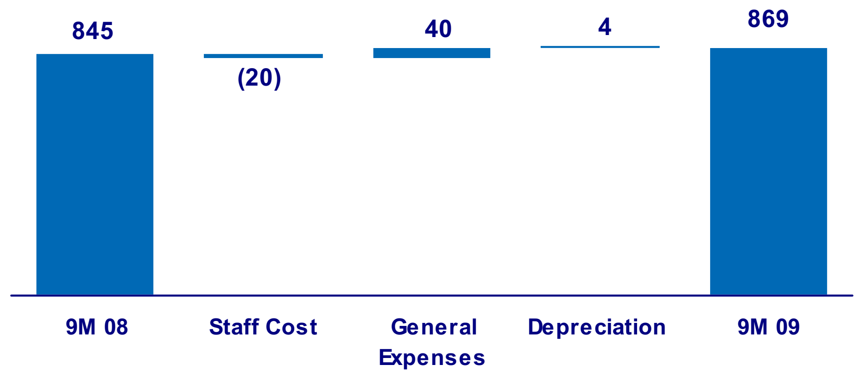
Operating Expenses – yoy growth

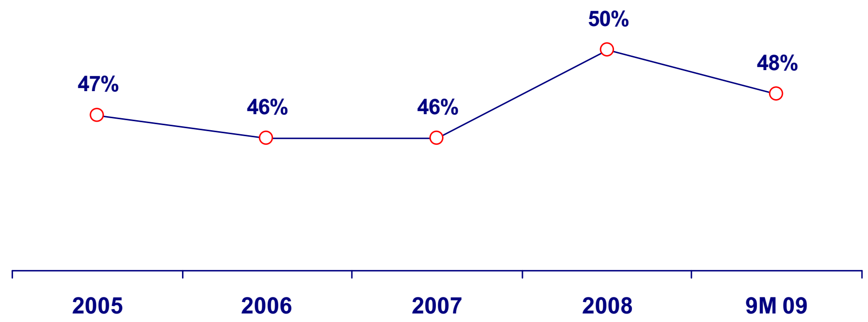


Operating Expenses

(€ million)



Cost / Income Ratio



Comments

- Cost growth decelerates to 2.9% despite having increased the platform by 21% more Branches on average, over the period
- Important contribution to cost containment comes from staff cost in Greece (-6%)

Signs of decelerating NPL formation start to emerge in Greece…

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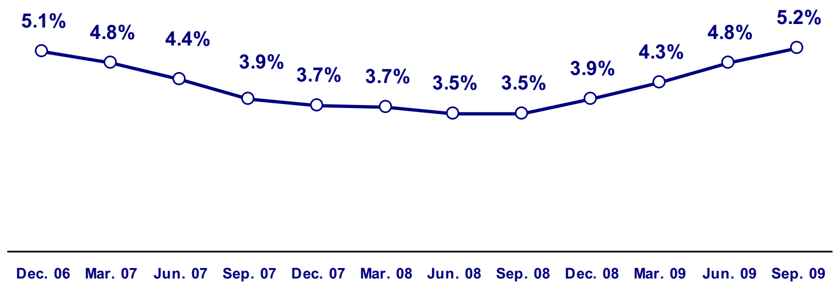
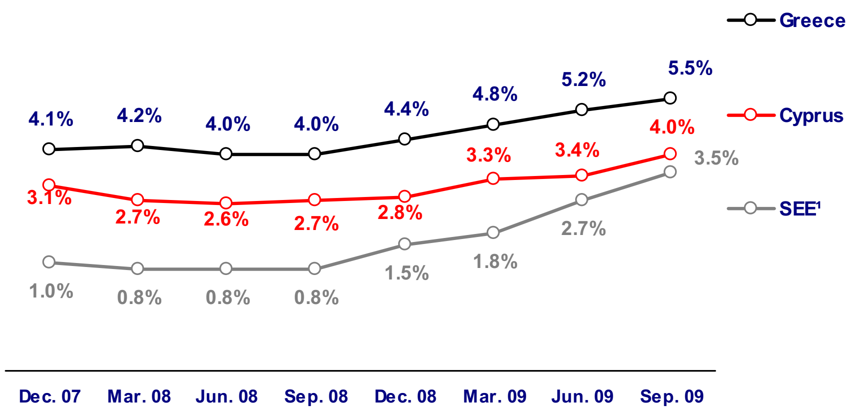
Group Loans in Arrears (IFRS 7: past due > 90 days)

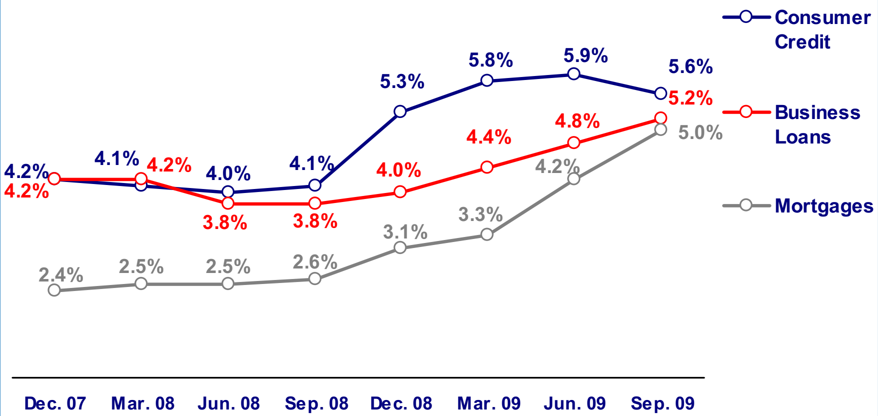


NPL (*) Development by Geography



¹ *SEE excludes Cyprus*

Evolution of Loans in Arrears (% of loans per segment)

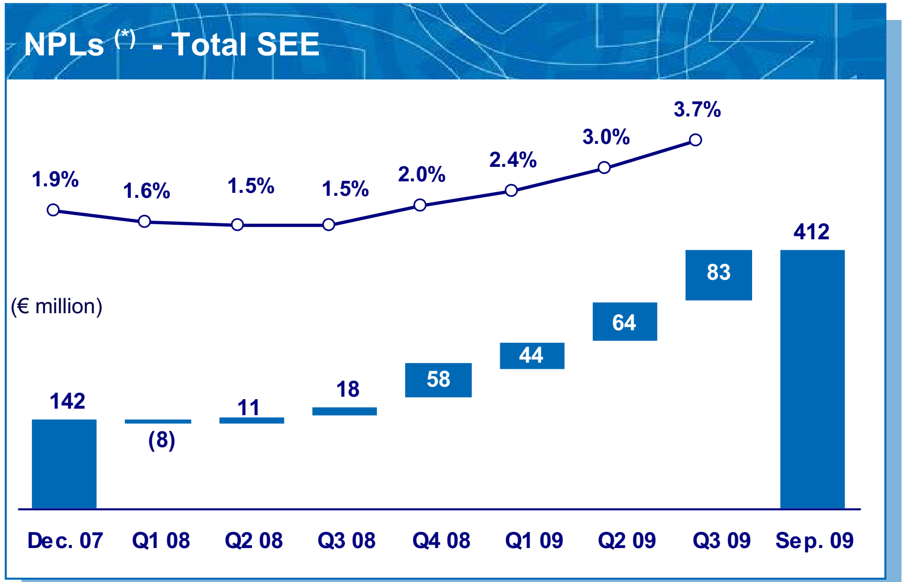


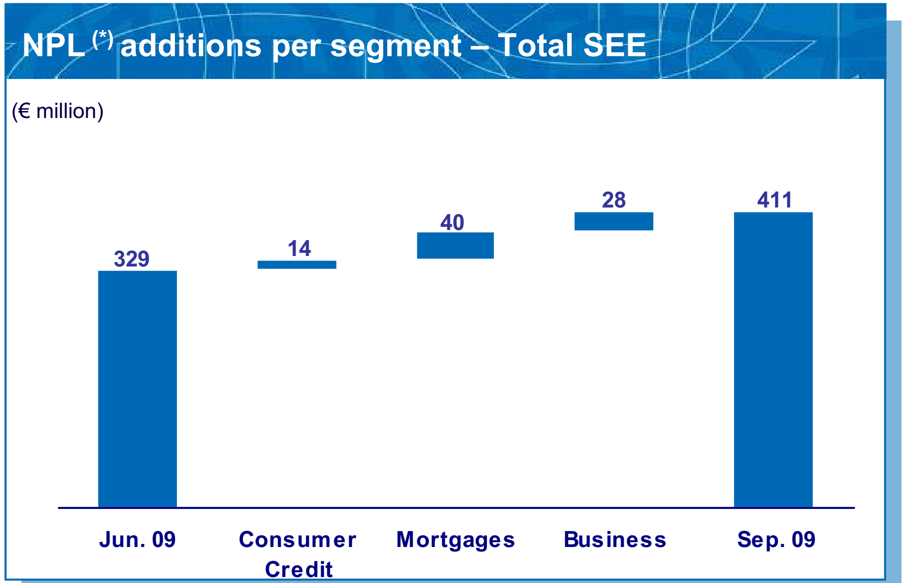
Comments

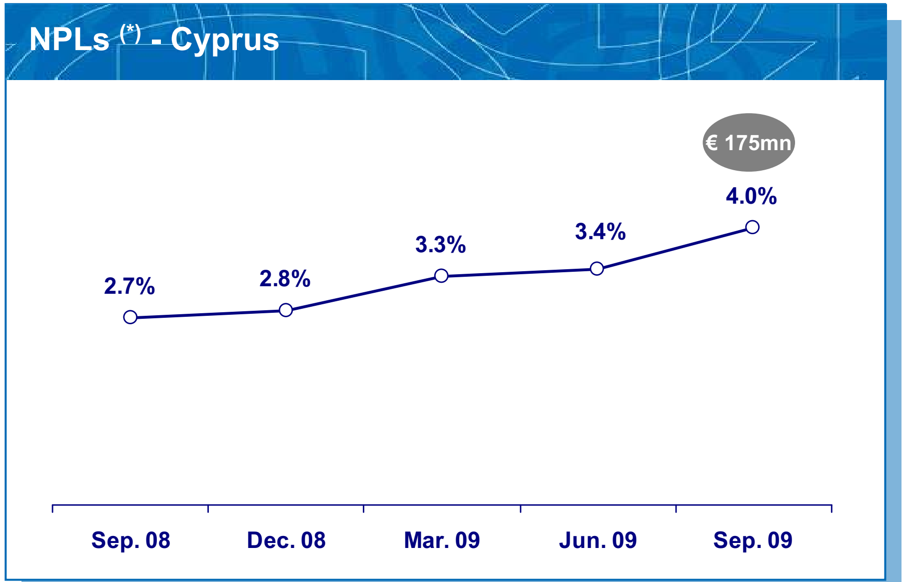
- Controlled portfolio deterioration
- Early spike on consumer credit addressed by increased effects on early collections
- NPL(*) formation in business is stable

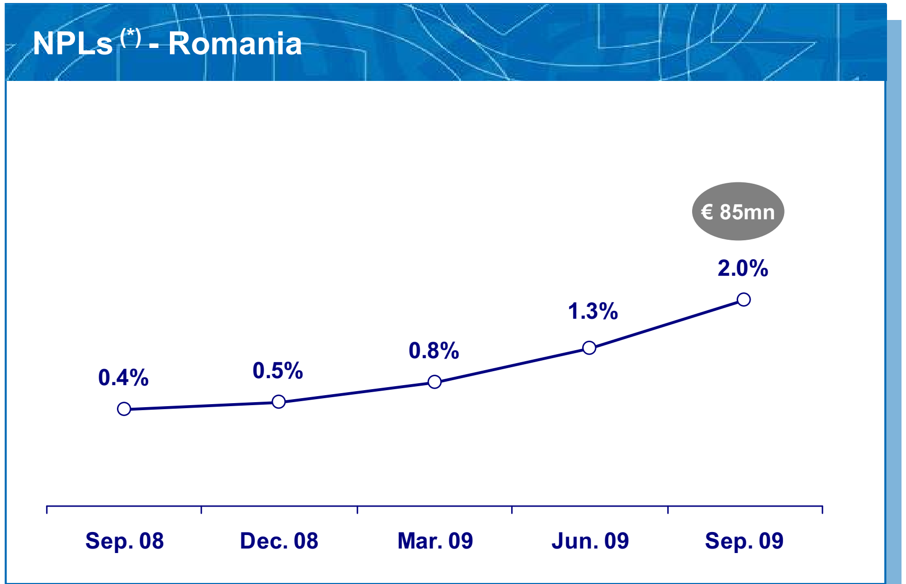
(*) NPLs are defined as loans in arrears for more than 90 days

…with SEE's contribution increasing









(*) NPLs are defined as loans in arrears for more than 90 days

Impairment charges allow for strong coverage

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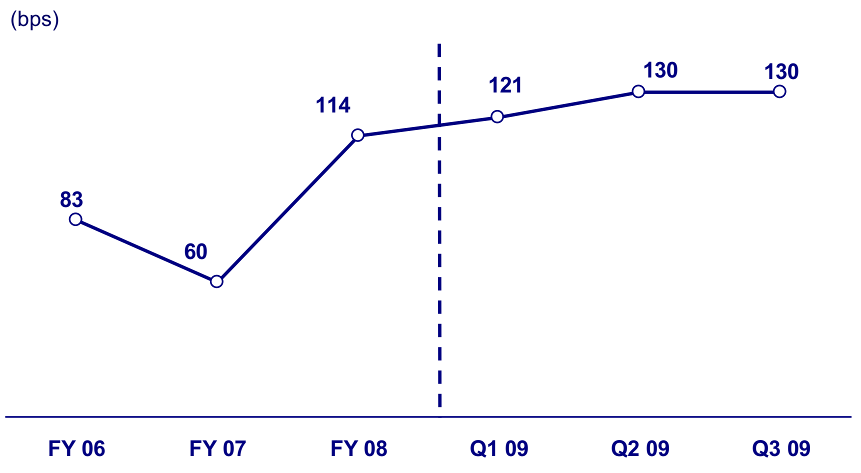
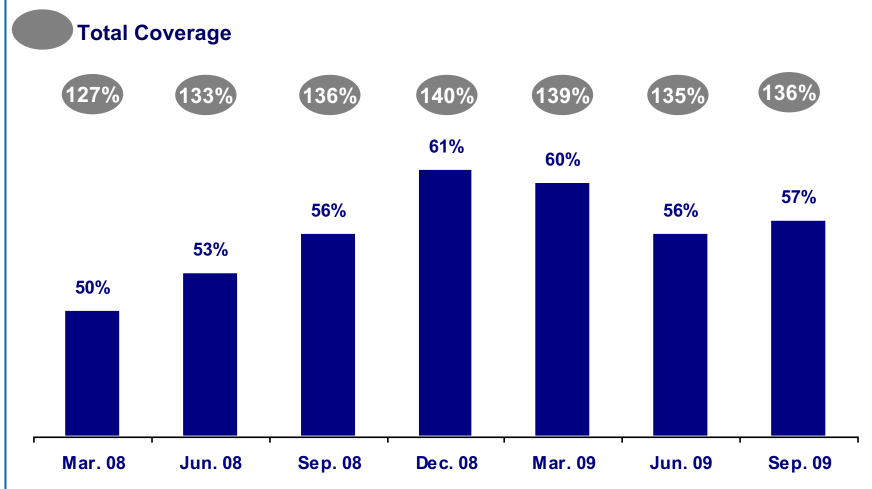
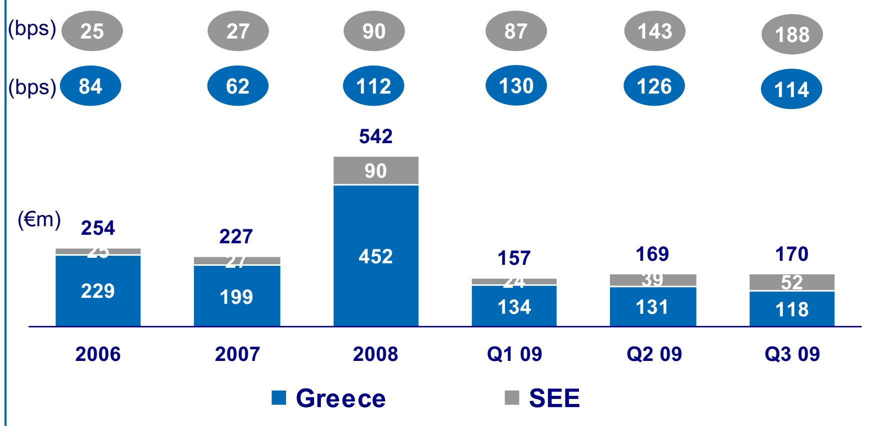
Group impairment losses (% of avg. loans)



Cash Coverage at Comfortable Levels

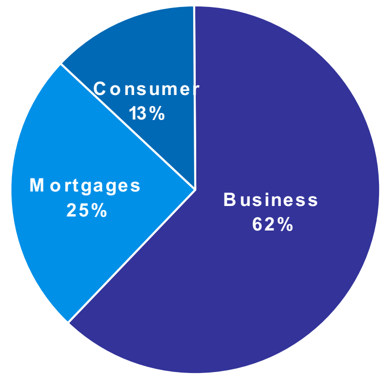


Provision Charges by Geography in Perspective



Concentration in Low LGD Segments

NPLs by Product (Sep. 09)



LGDs (Sep.09)[1]

Business 33%

Mortgages 10%

Consumer 70%

Total NPLs = €2.7 billion

[1] *Greek portfolio only*

On our way to achieve a benchmark capital base

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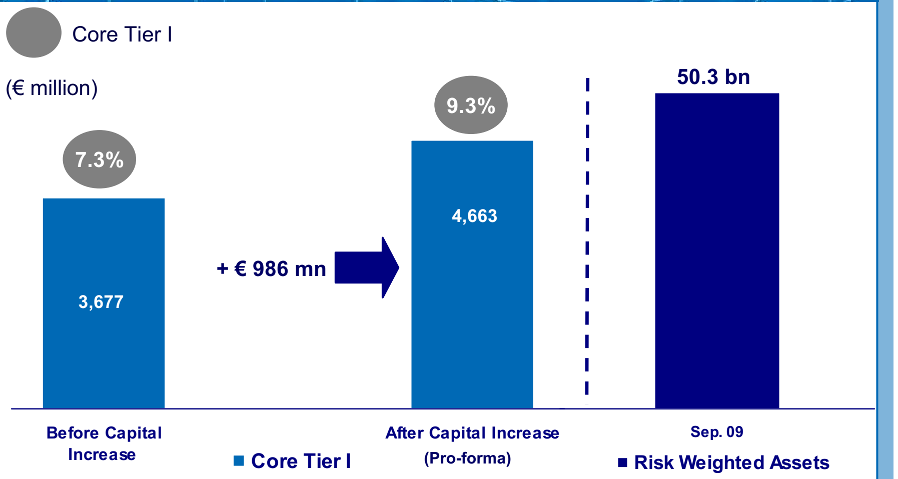
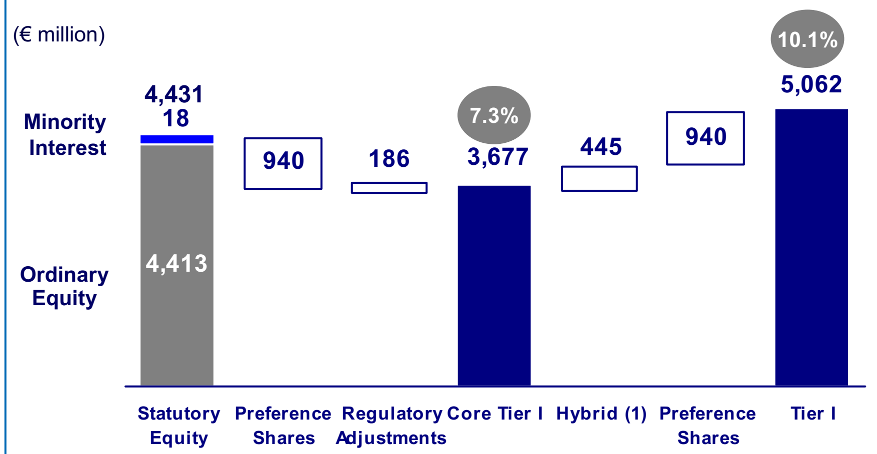
Benchmark Capital Structure

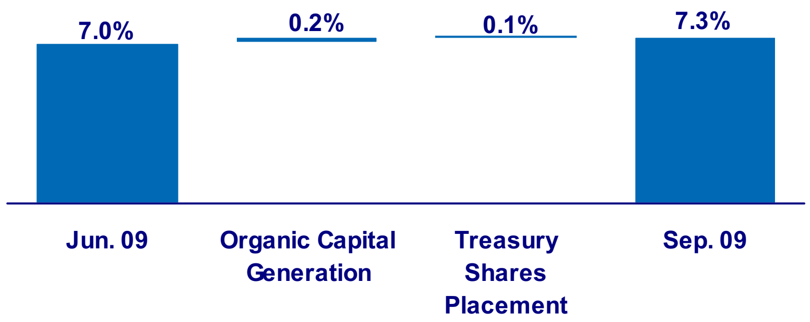


Tier I (1) Build up



(1) Hybrid, adjusted for intangibles

Organic Capital Generation - Core Tier I



€ 986mn capital increase to repay government preference shares

Key Milestones:

- **Start subscription period and trading of rights : 12 November**
- **End trading of rights period : 20 November**
- **End subscription period: 26 November**

Well-diversified liquidity underpinned by strong deposit gathering

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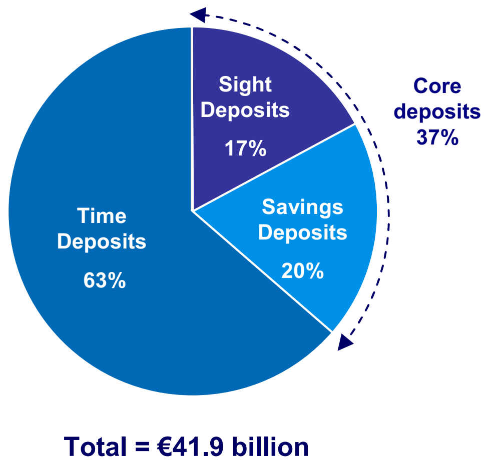
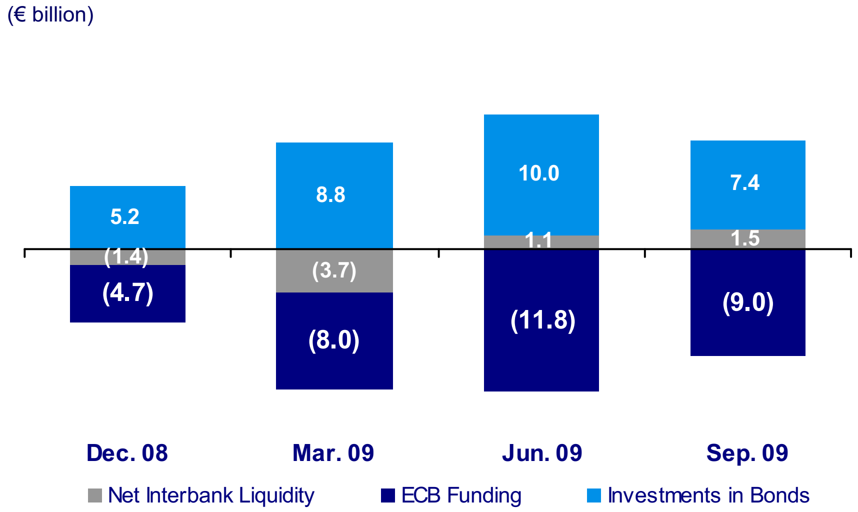
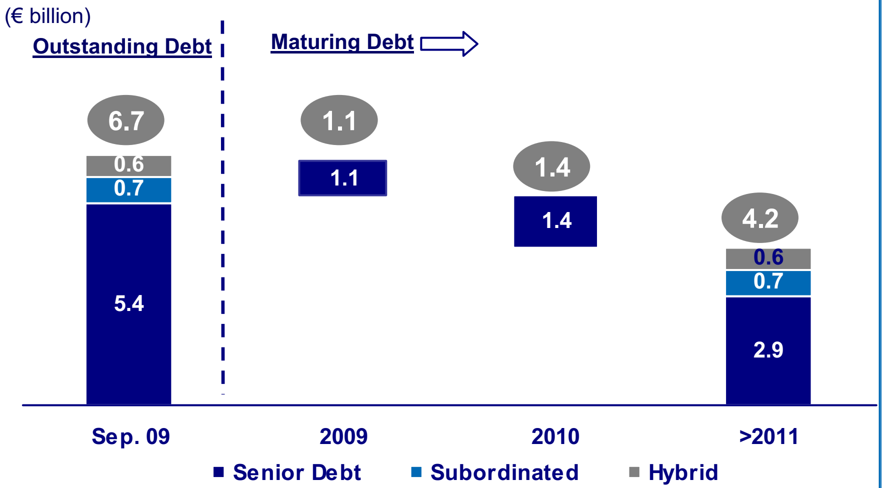
Traditional Deposit Franchise (Sep. 09)



ECB Funding and Bond Portfolio Evolution



Maturity Profile



Proven Access to Public Funding Markets

- **17 Sep 2009: Issuance of €750m bond due 2012 at 190bps over mid-swaps**
- **9 June 2009: Issuance of €500m bond due 2011 at 285bps over mid-swaps**
- **Both rated A2 by Moody's**

New organizational structure designed to capture platform-wide synergies

Executive President

Managing Director - CEO

Chief Operating Officer	Retail Banking	Wholesale Banking	Wealth Management	Chief Financial Officer

- Uniform organisational model across geographies
  - Consistent Group standards application
  - Accelerated reaction times
  - Increased market share of cross-boarder flows
- Group-wide support platforms capturing synergistic potential
- Reinforced capital allocation, risk management and performance discipline

Macroeconomic Environment

Regional Economic Outlook Stronger But Uncertain

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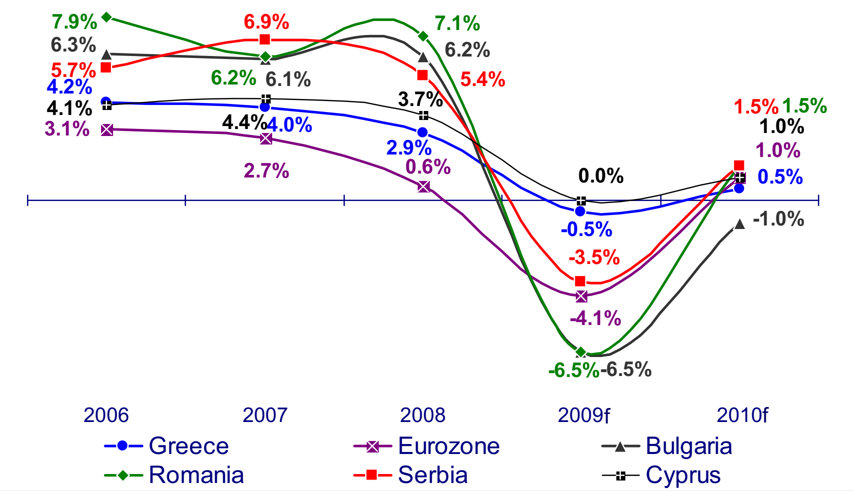
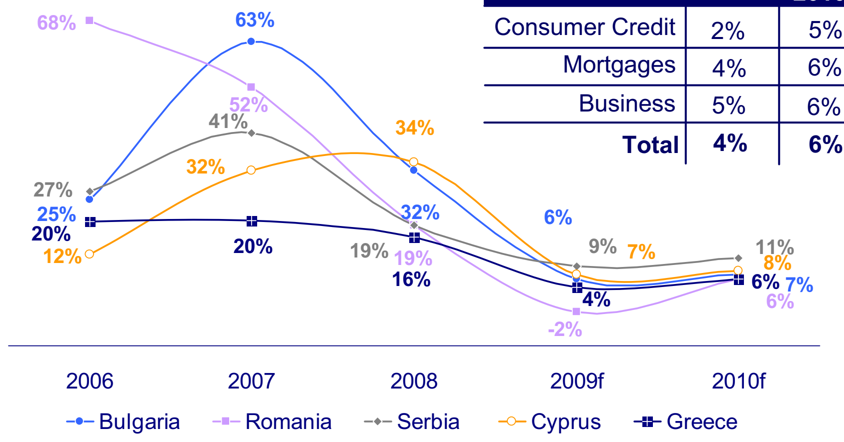
GDP Growth

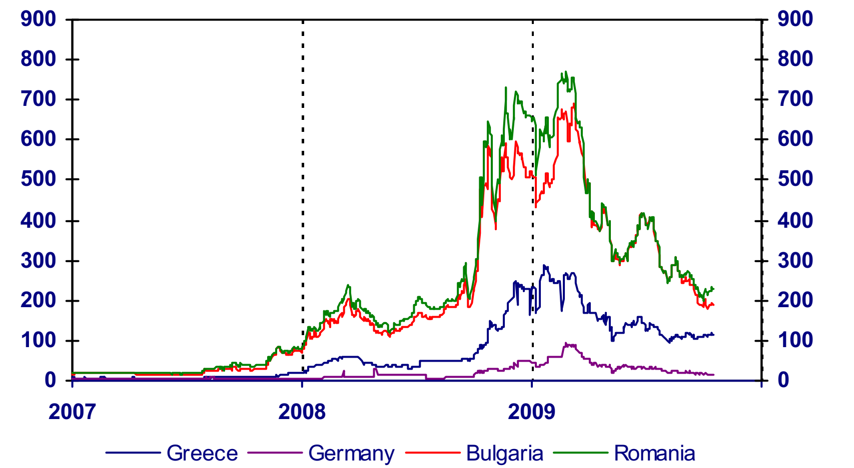


Credit Expansion

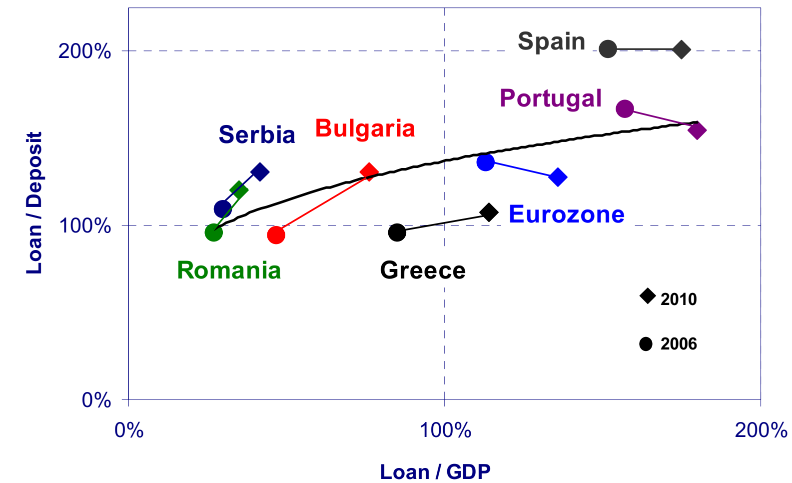
Greece	2009	2010
Consumer Credit	2%	5%
Mortgages	4%	6%
Business	5%	6%
Total	**4%**	**6%**



CDS Spreads



The Rise and Fall of Leveraging



Source: National Central Banks, National Statistical Services, Eurostat, IMF, Bloomberg, Alpha Bank Research

Loan & Deposit Volumes Recover, Albeit Slowly

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Credit & Deposit Growth* Greece

(End-Period Outstandings in € billion)

Total Loans

	Mar 2009	Jun 2009	Sep 2009
Growth	0.5%	-0.5%	3.5%
Volume	€ 250.0	€ 249.7	€ 251.8

Total Deposits

	Mar 2009	Jun 2009	Sep 2009e
Growth	1.5%	11.1%	-0.4%
Volume	€ 238.0	€ 244.3	€ 244.1

Household Loans

	Mar 2009	Jun 2009	Sep 2009
Growth	0.6%	2.1%	3.1%
Volume	€ 117.4	€ 118.0	€ 118.9

Sight & Savings Deposits

	Mar 2009	Jun 2009	Sep 2009e
Growth	-8.0%	45.9%	9.1%
Volume	€ 87.3	€ 95.9	€ 98.1

Business Loans

	Mar 2009	Jun 2009	Sep 2009
Growth	0.4%	-2.6%	3.8%
Volume	€ 132.6	€ 131.7	€ 132.9

Term Deposits[1]

	Mar 2009	Jun 2009	Sep 2009e
Growth	7.6%	-6.0%	-6.2%
Volume	€ 150.7	€ 148.4	€ 146.0

*QoQ Annualised Growth
(1) Includes Retail Bonds

Credit & Deposit Growth* Cyprus

(End-Period Outstandings in € billion)

Household Loans

	Mar 2009	Jun 2009	Sep 2009
Growth	1.9%	7.8%	8.2%
Volume	€ 21.7	€ 22.1	€ 22.6

Residents Deposits[1]

	Mar 2009	Jun 2009	Sep 2009
Growth	9.4%	15.9%	-8.4%
Volume	€ 40.4	€ 41.9	€ 41.0

Business Loans

	Mar 2009	Jun 2009	Sep 2009
Growth	7.8%	18.6%	0.4%
Volume	€ 31.6	€ 33.0	€ 33.0

Non-Residents Deposits

	Mar 2009	Jun 2009	Sep 2009
Growth	3.2%	-9.8%	7.0%
Volume	€ 16.7	€ 16.3	€ 16.5

*QoQ Annualised Growth
(1) Includes Retail Bonds

Credit & Loan Growth* Southeastern Europe

(End-Period Outstandings in € billion)

Romania

Loans

	Mar 2009	Jun 2009	Sep 2009
Growth	-10.4%	-6.3%	1.2%
Volume	€ 47.8	€ 47.0	€ 47.2

Deposits

	Mar 2009	Jun 2009	Jun 2009
Growth	-12.1%	13.5%	9.0%
Volume	€ 36.4	€ 37.5	€ 38.4

Bulgaria

Loans

	Mar 2009	Jun 2009	Sep 2009
Growth	2.9%	3.4%	5.4%
Volume	€ 25.6	€ 25.8	€ 26.1

Deposits

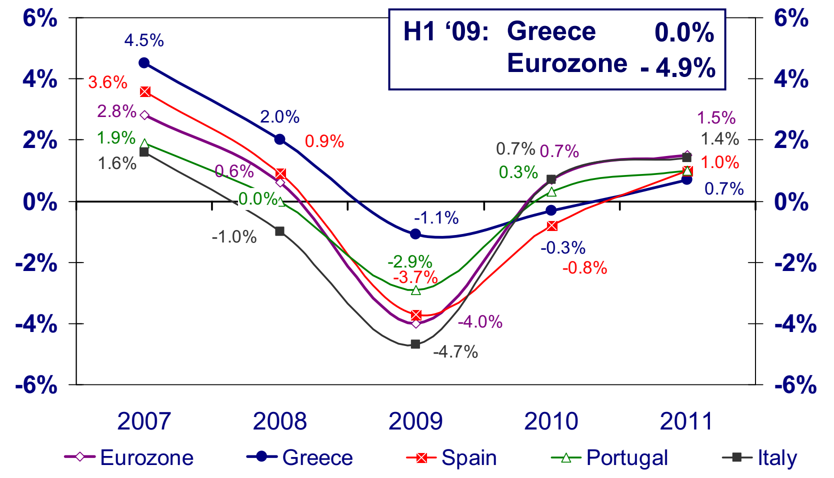
	Mar 2009	Jun 2009	Sep 2009
Growth	0.6%	5.6%	11.1%
Volume	€ 18.6	€ 18.8	€ 19.3

* QoQ Annualised Growth

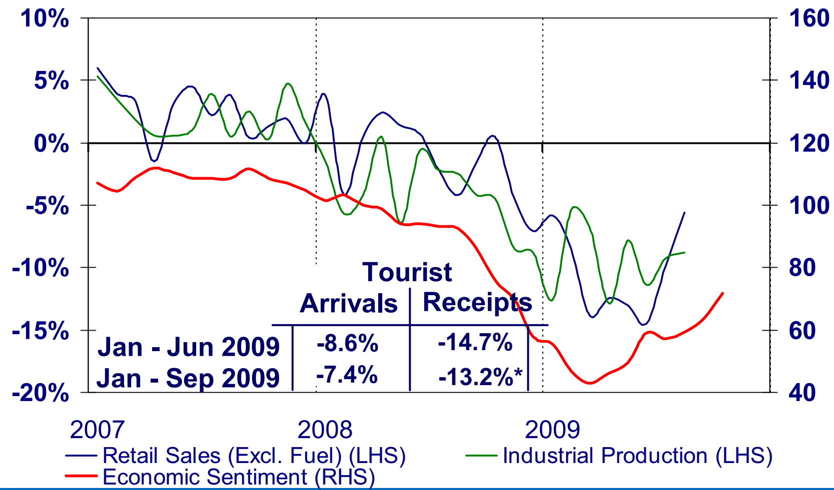
Source: National Central Banks, National Statistical Services, Eurostat, IMF, Bloomberg, Alpha Bank Research

Greece: Contraction Less Severe But Policy Action Urgent

European Commission GDP Growth Forecasts



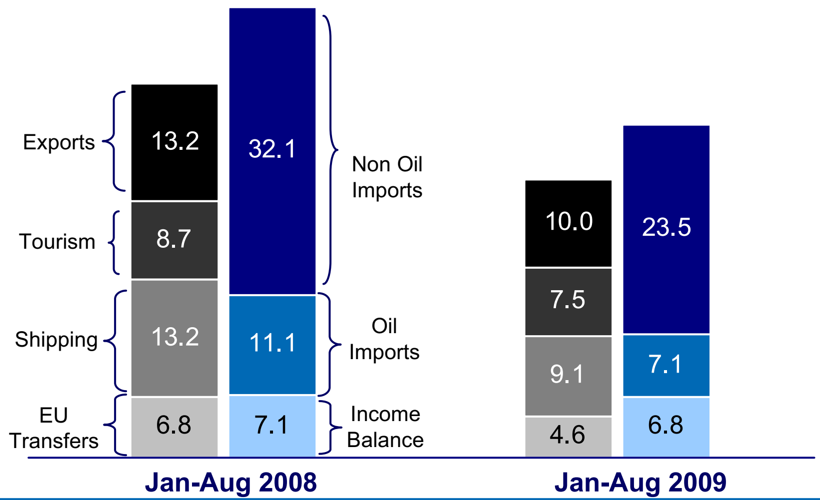
Economic Decline Reaches Bottom



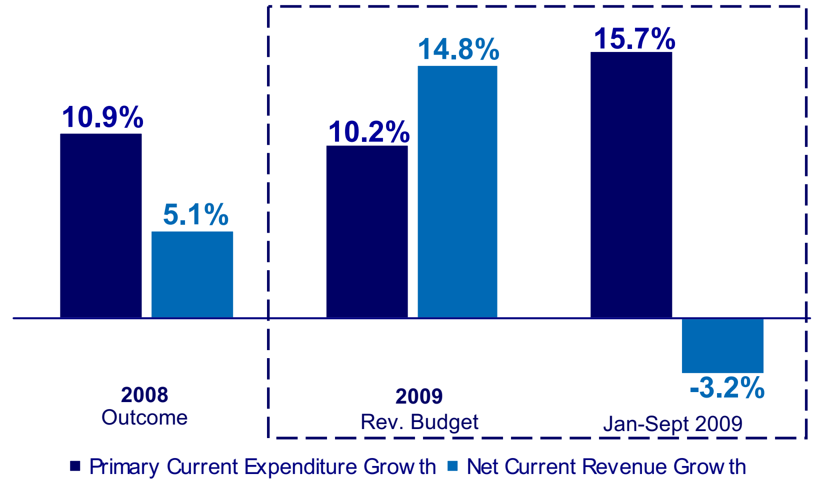
* Data is for Jan-Aug 2009

Current Account Improves . . .

(€ billions)



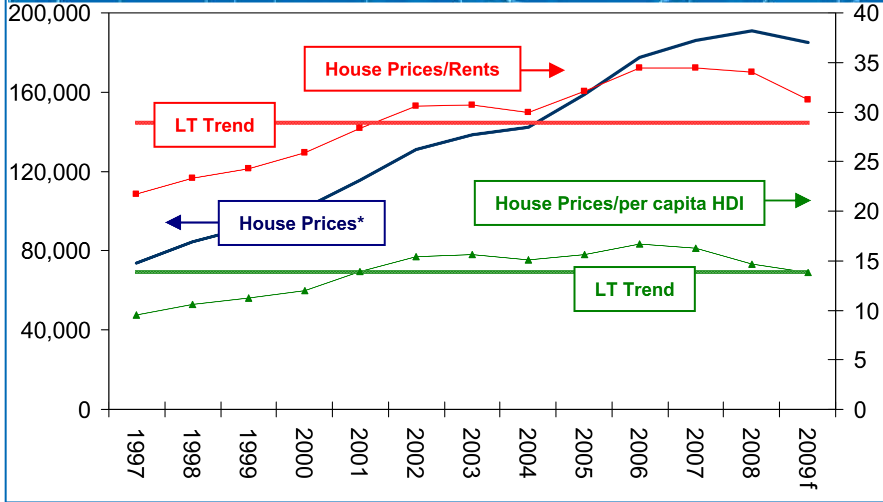
. . . But Fiscal Consolidation a Key Priority



Source: National Central Banks, National Statistical Services, Eurostat, IMF, Bloomberg, Alpha Bank Research

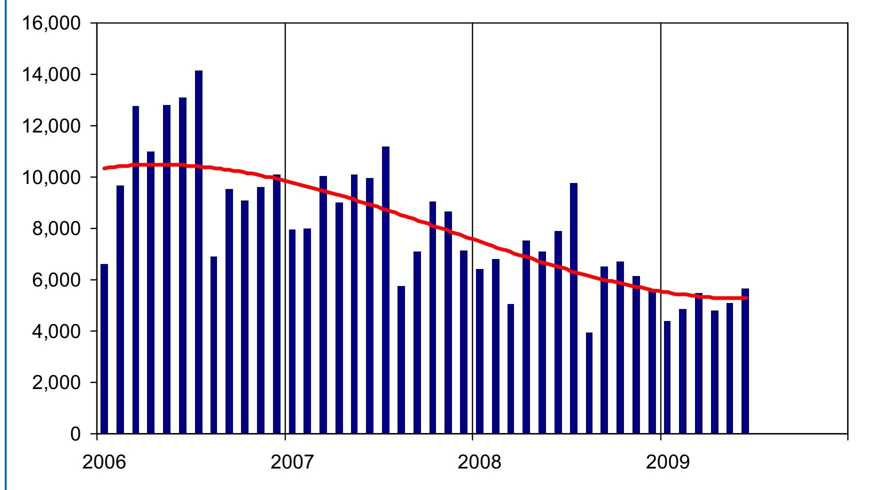
Greece: Pressure On Real Estate Market May Last

House Prices & Affordability

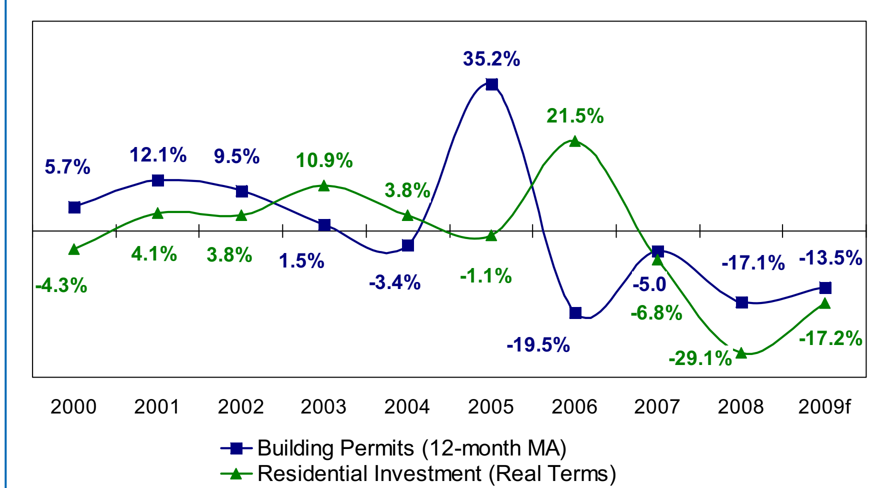


* Per 100m[2]

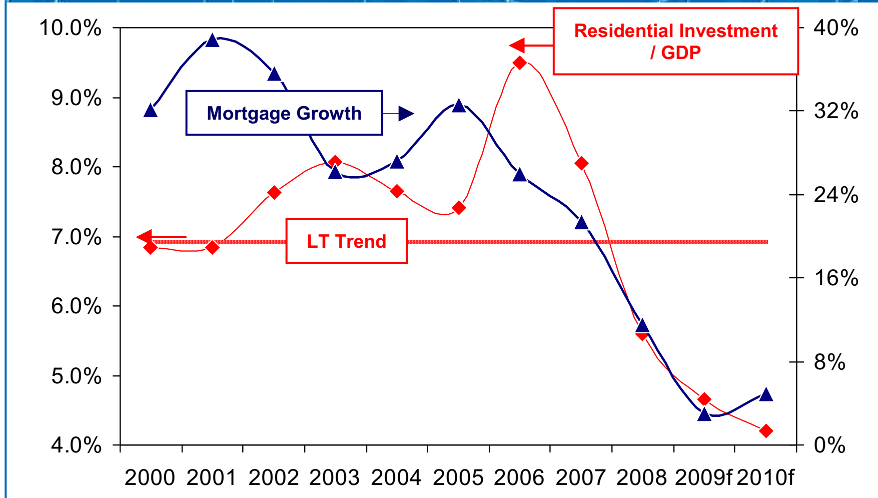
Future Supply of New Homes Slows . . .



Residential Construction Activity



. . . as Residential Investment and Mortgage Growth Decline



Source: National Central Banks, National Statistical Services, Eurostat, IMF, Bloomberg, Alpha Bank Research

Southeastern Europe: Recession Deepens

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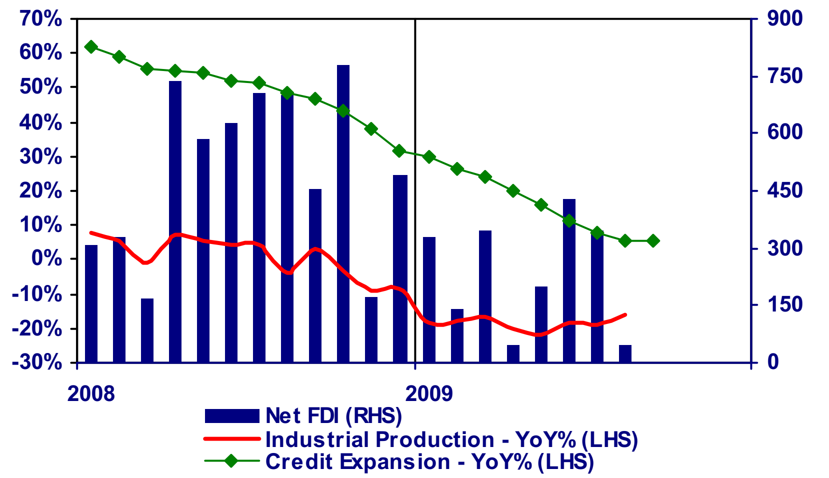
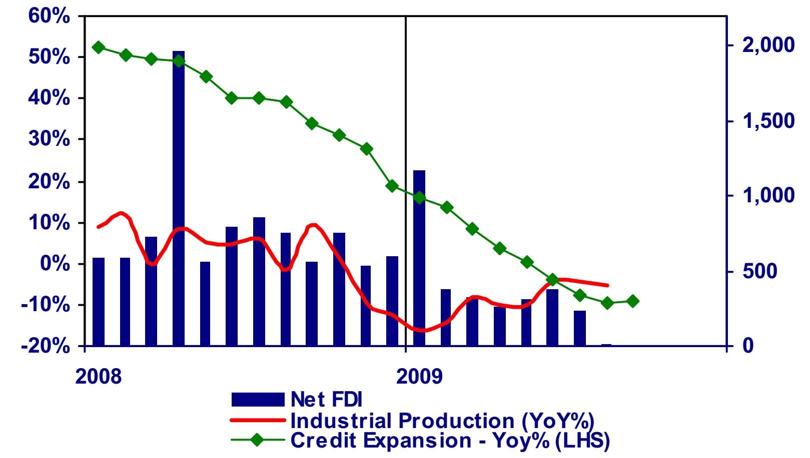
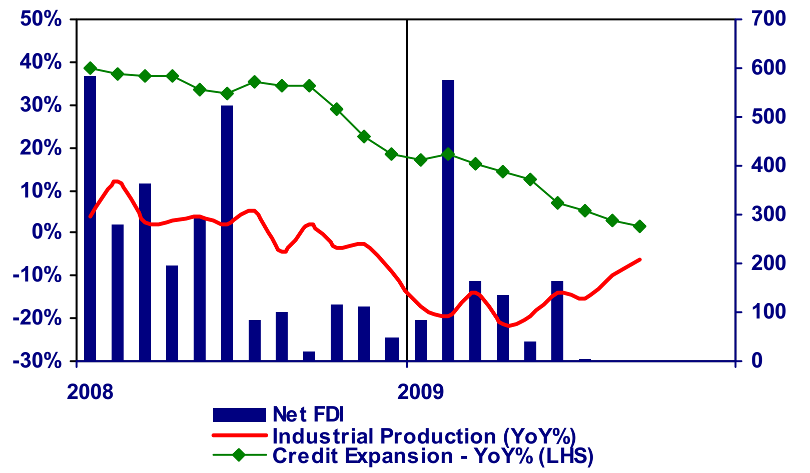
Bulgaria



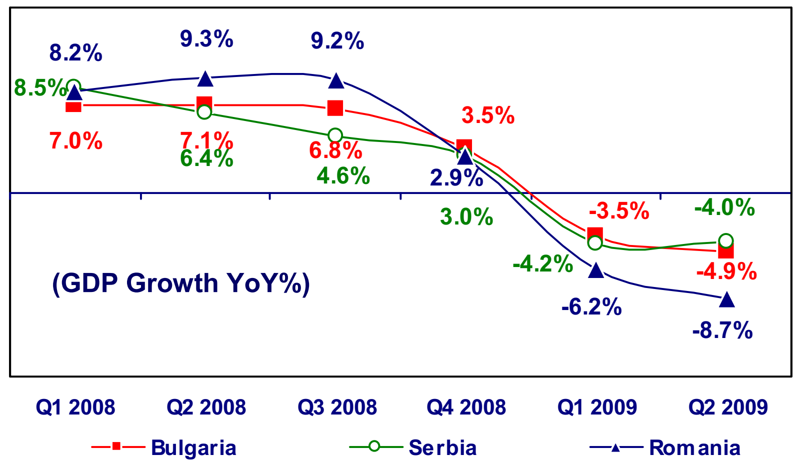
Romania



Serbia



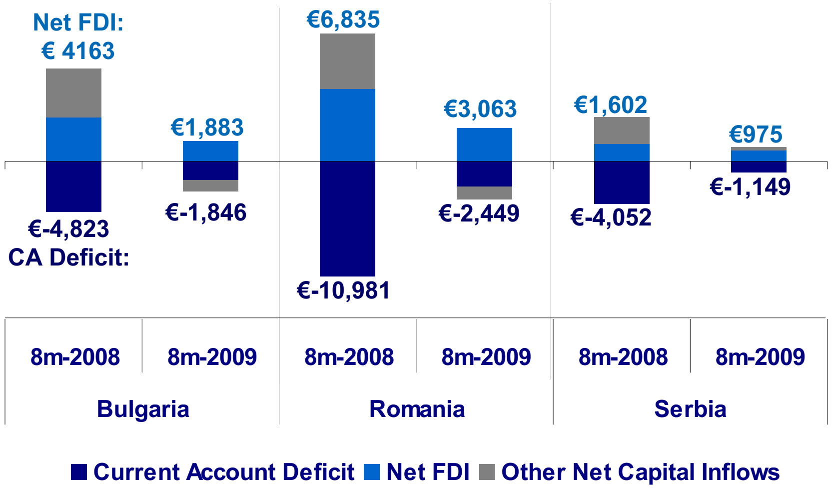
Demand Correction Underway



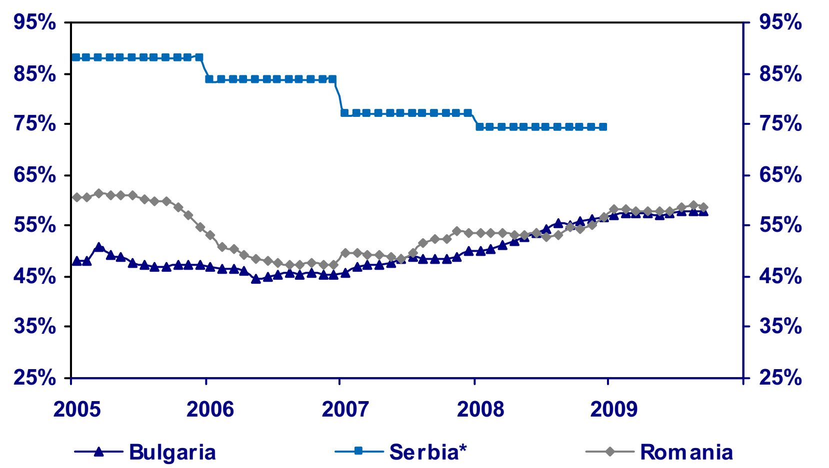
Source: National Central Banks, National Statistical Services, Eurostat, IMF, Bloomberg, Alpha Bank Research

Southeastern Europe: Balance Of Payments Pressures Ease

External Imbalances (€ million)

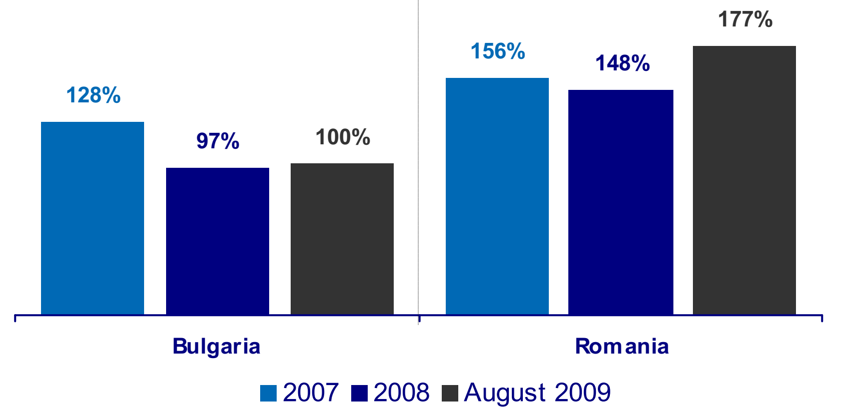


Foreign Currency Loans as % Total

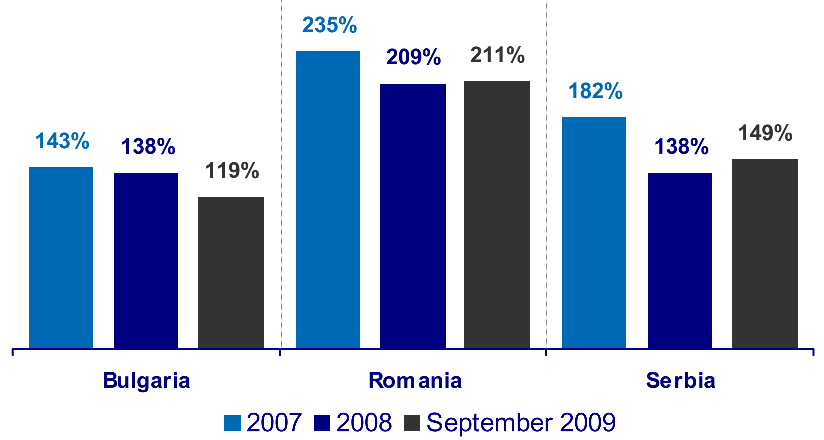


•- IMF Estimate as at May 2009

Gross Official Reserves / Short-term External Debt



Gross Official Reserves / FX Deposits



Source: National Central Banks, National Statistical Services, Eurostat, IMF, Bloomberg, Alpha Bank Research

Southeastern Europe: Monetary Policy Under Strain, Fiscal Consolidation Key To Sustainable Recoveries

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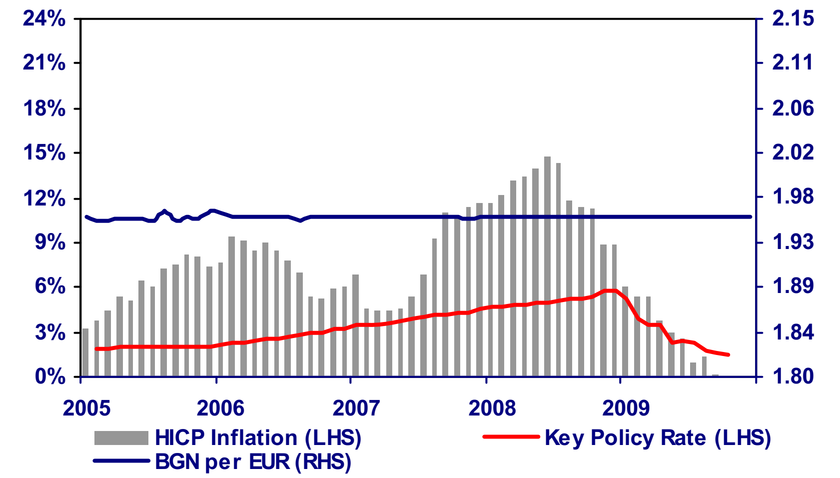
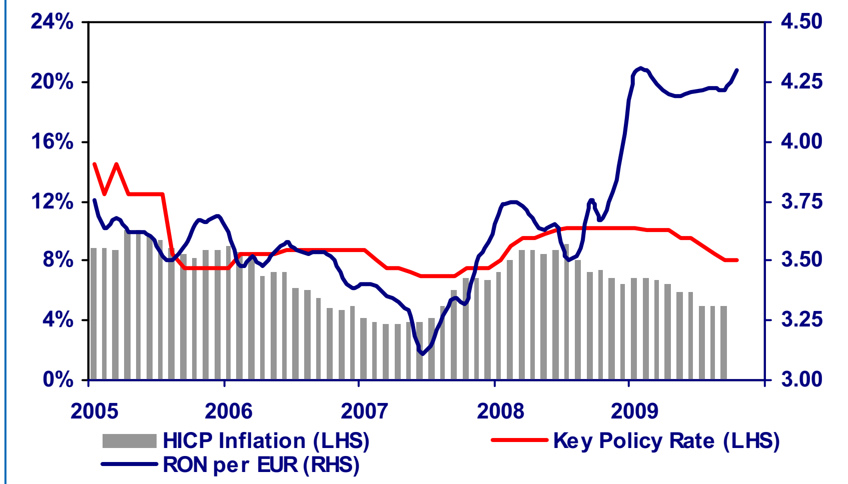
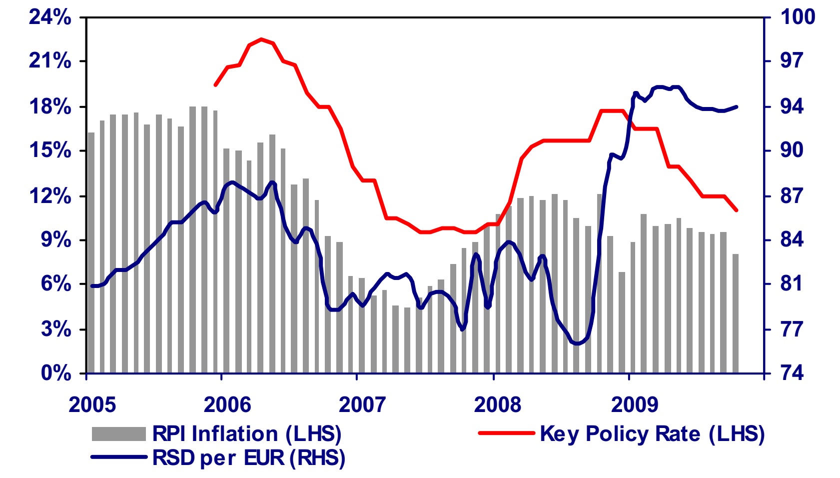
Bulgaria



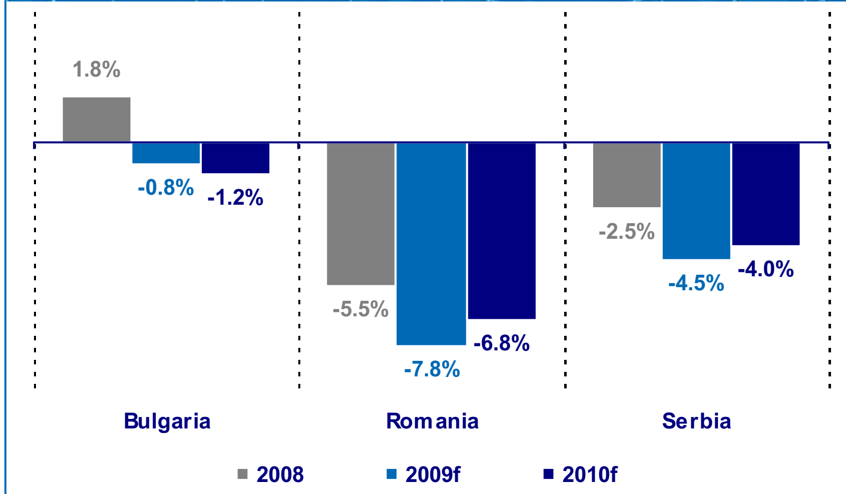
Romania



Serbia



General Government Balance

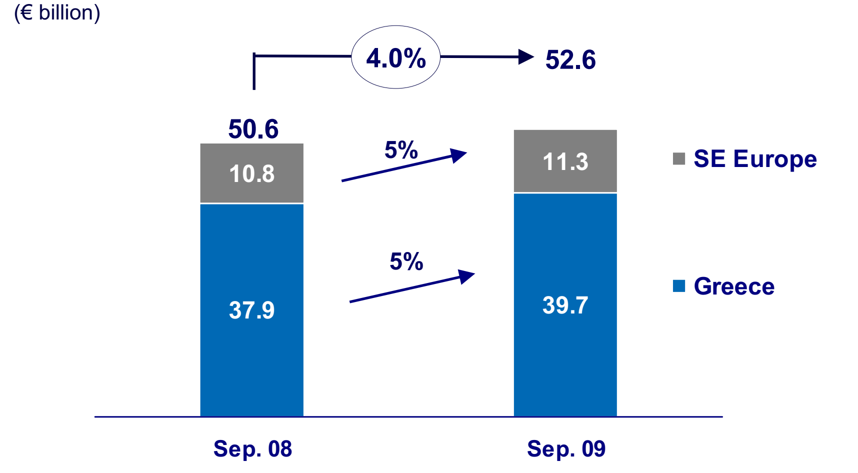


Source: National Central Banks, National Statistical Services, Eurostat, IMF, Bloomberg, Alpha Bank Research

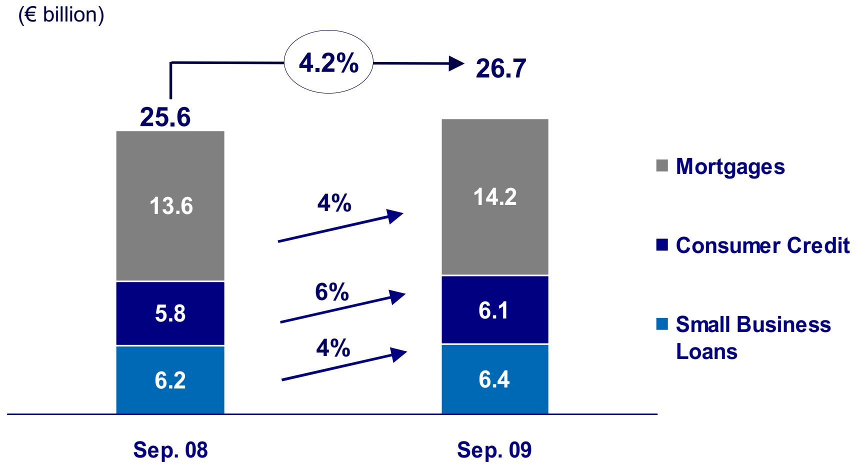
Financial Review

Loan growth decline stabilizes

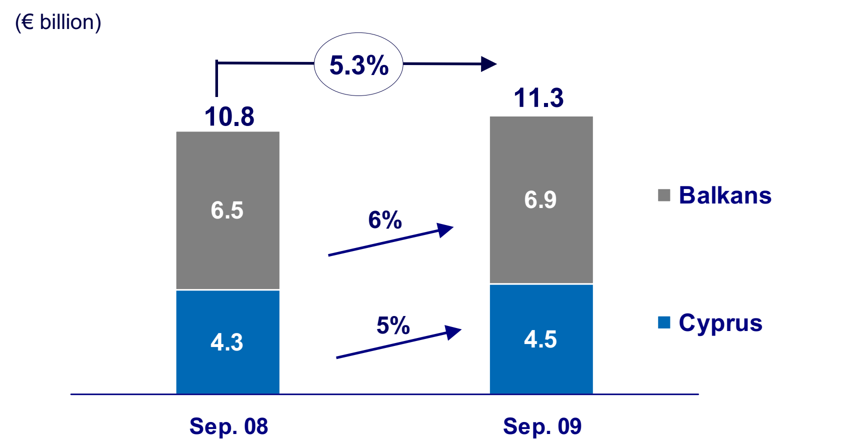
Group Loans



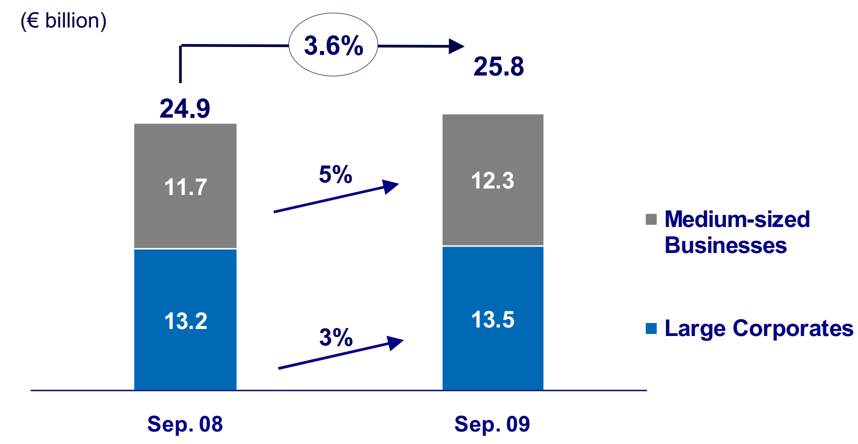
Group Retail Loans



SEE Loans

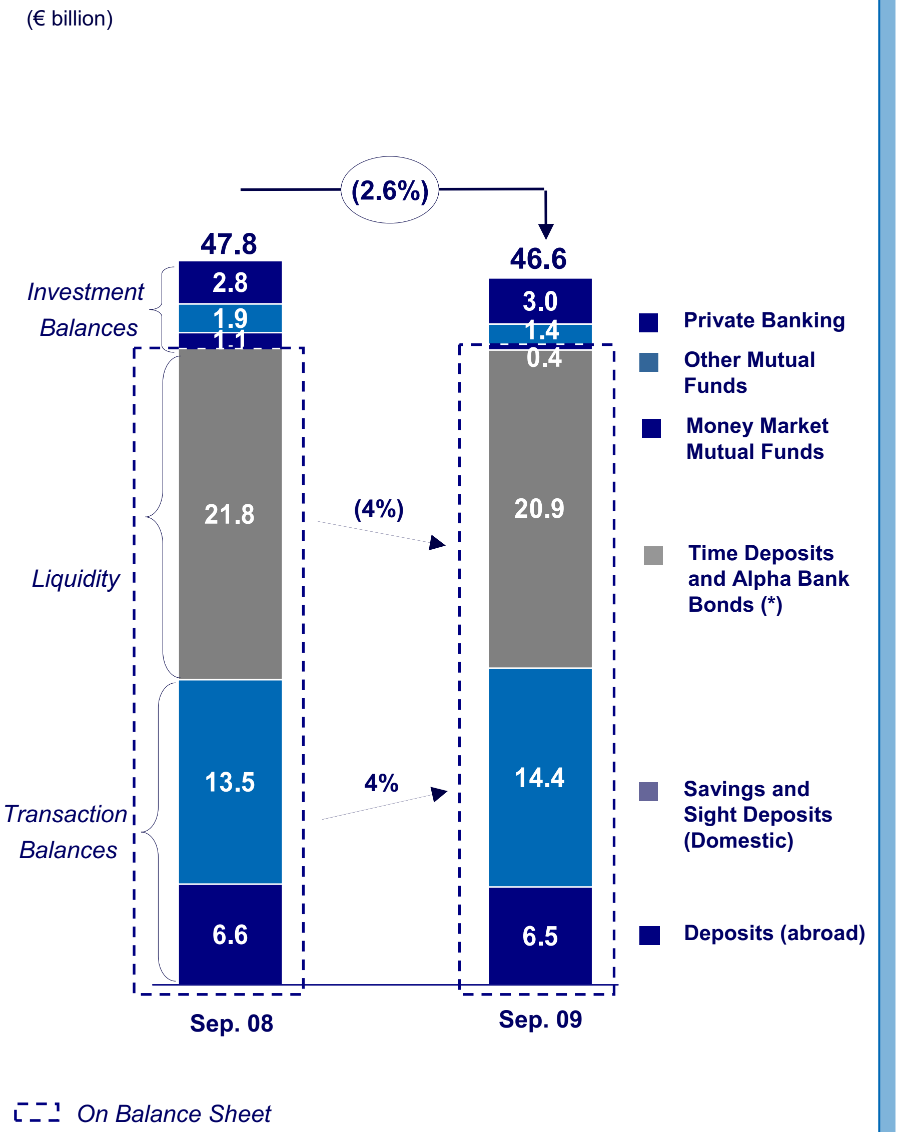


Group Wholesale Loans



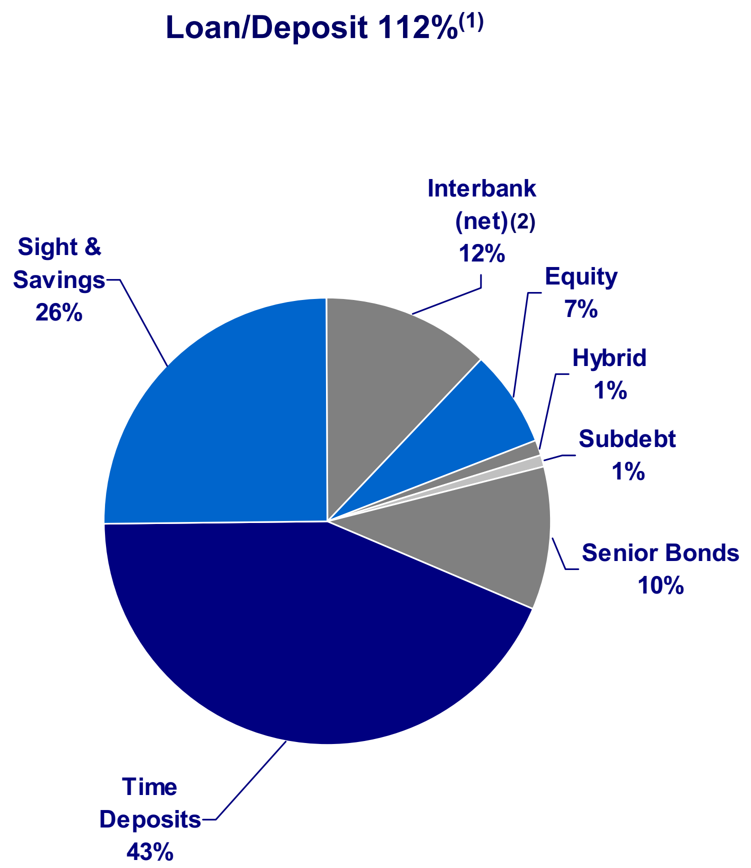
Loan to Deposits at comfortable levels

Customer Assets



(*) any reference to 'Time Deposits' includes also Alpha Bank retail-targeted bonds, unless stated otherwise

Diversified Funding Base - Liabilities and Equity

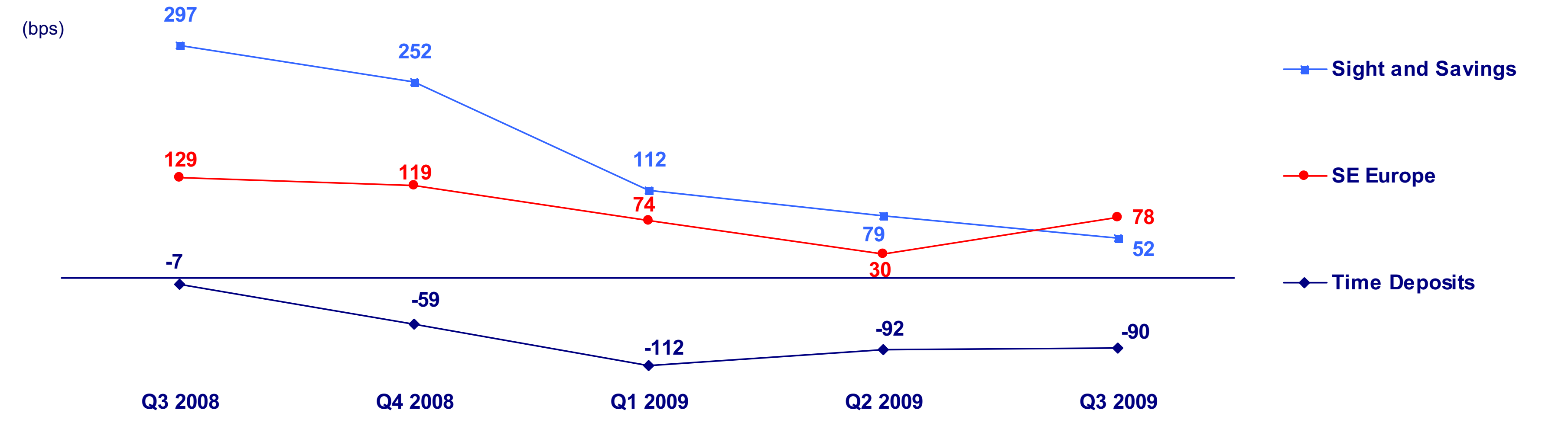


(1) excluding liquidity raised by ABS
(2) including ECB funding

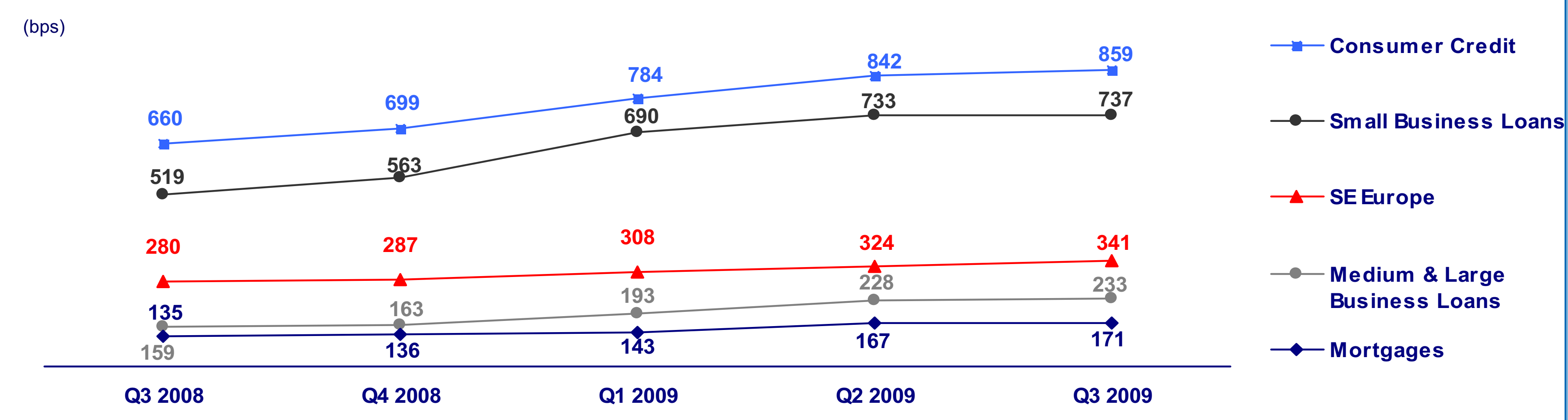
Deposit Spreads Reverse from Lows – Loan Spreads at Cyclically High Levels

ALPHA BANK

Deposit Spreads



Lending Spreads

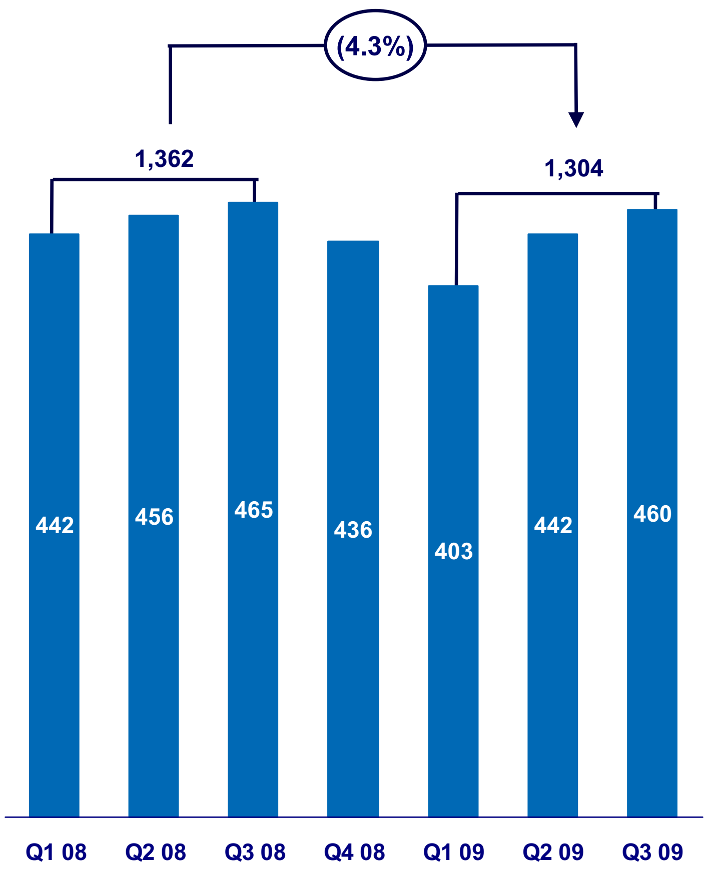


Net Interest Income Improves as Deposit Spreads Drag Subsides

ALPHA BANK

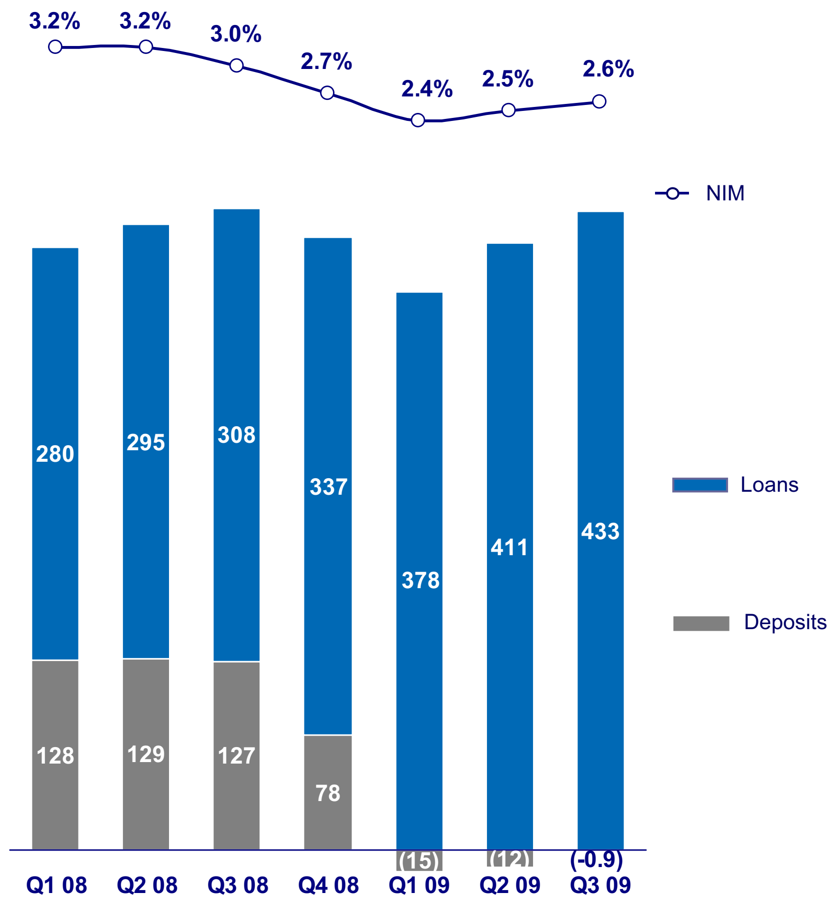
Group Net Interest Income

(€ million)



Group NII decomposition

(€ million)

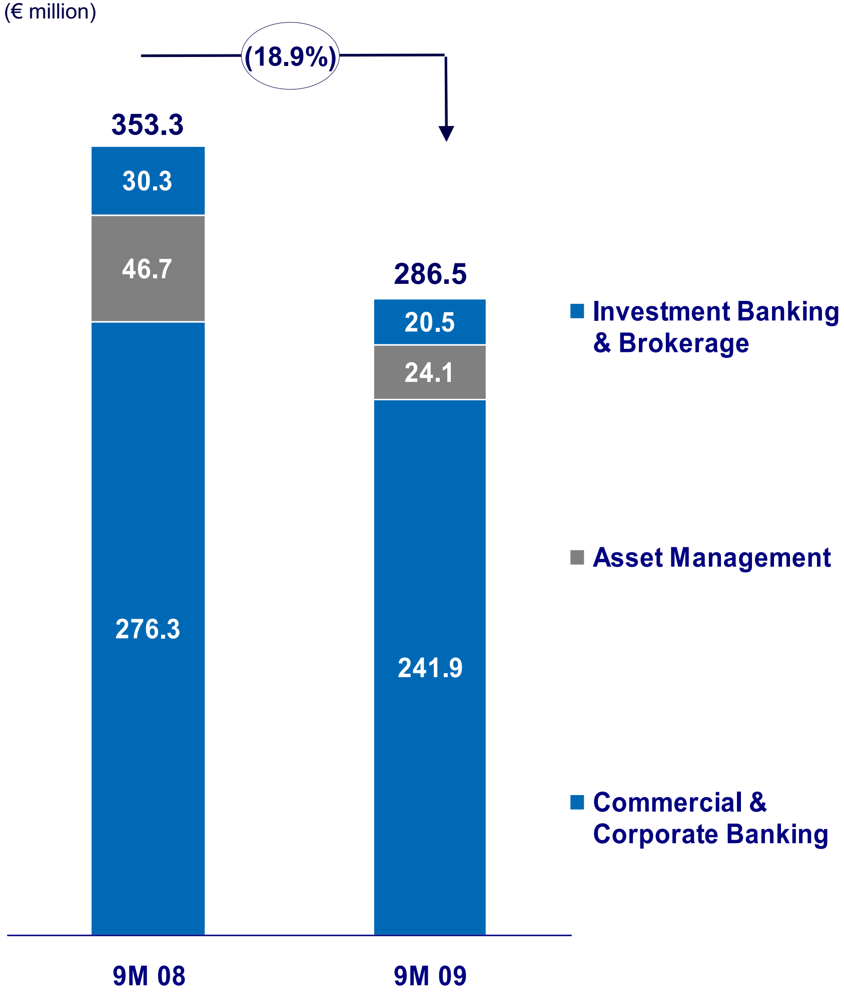


Net Fees Affected by Low Volume Growth

ALPHA BANK

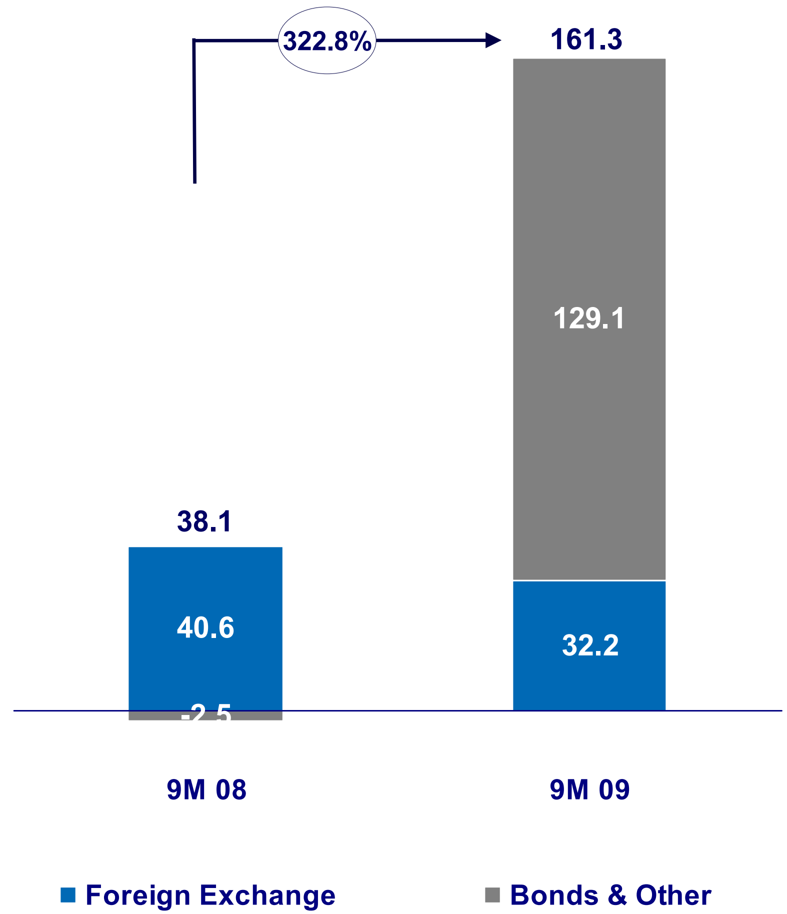
Net Fee & Commission Income Composition

(€ million)



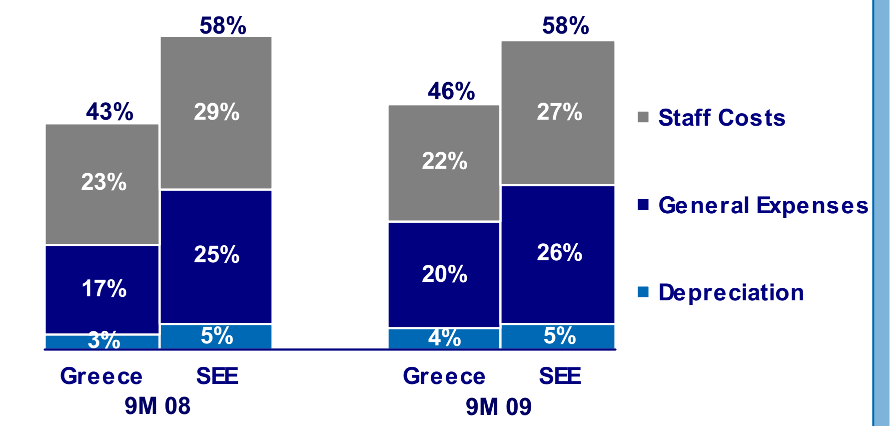
Trading Income

(€ million)



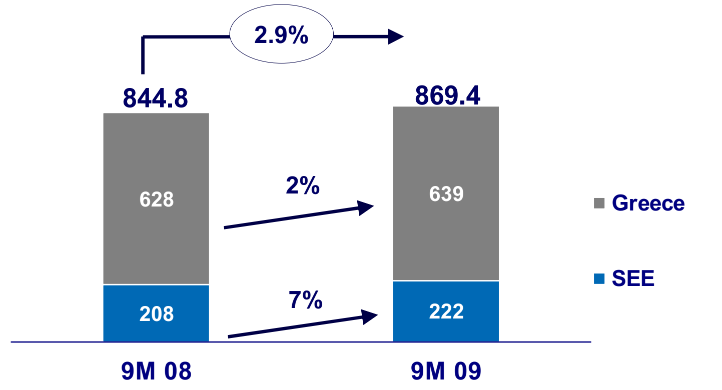
Cost growth decelerating

Cost / Income



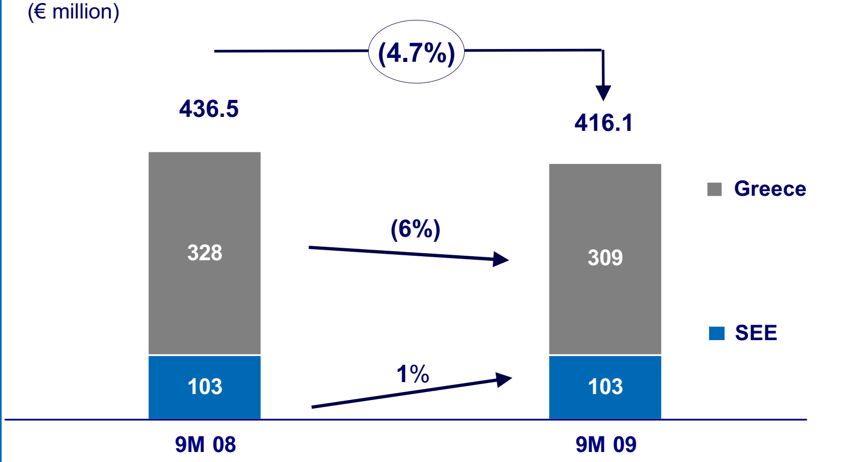
Cost

(€ million)



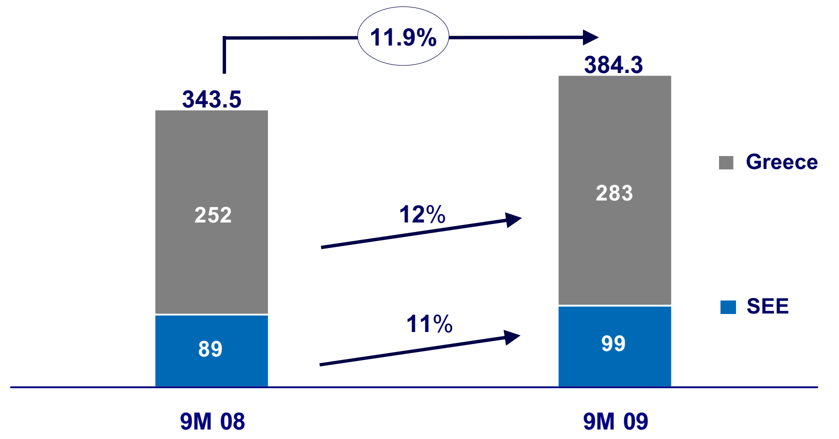
Wages & Salaries

(€ million)



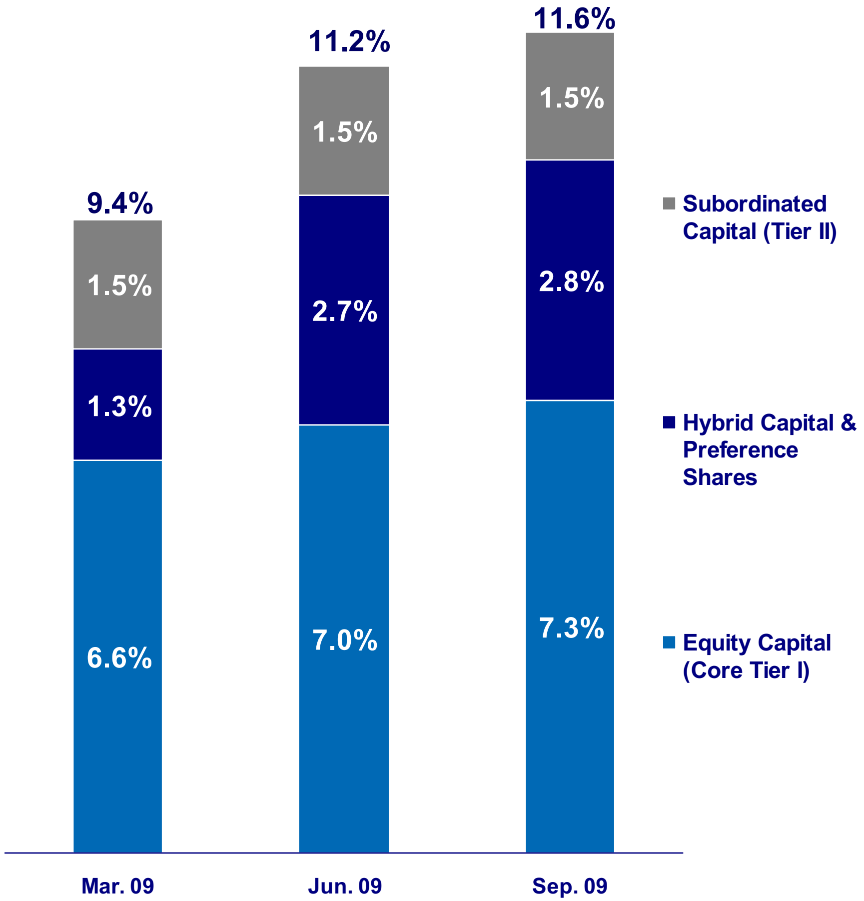
General Expenses

(€ million)



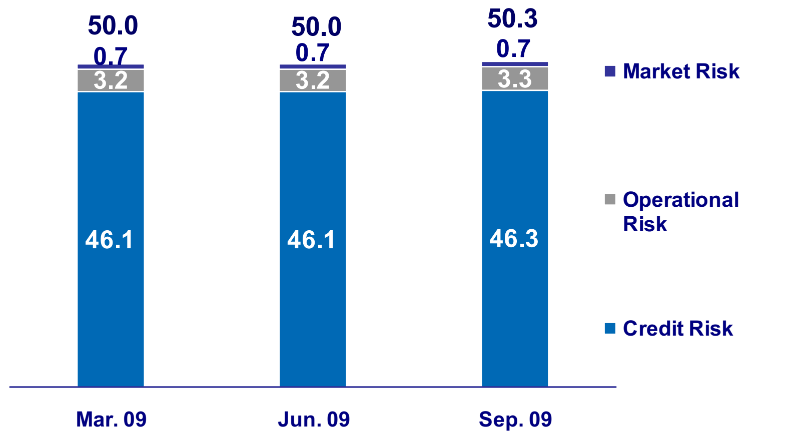
Enhanced Capital Position - High Quality Regulatory Equity Capital

Capital Adequacy Ratios



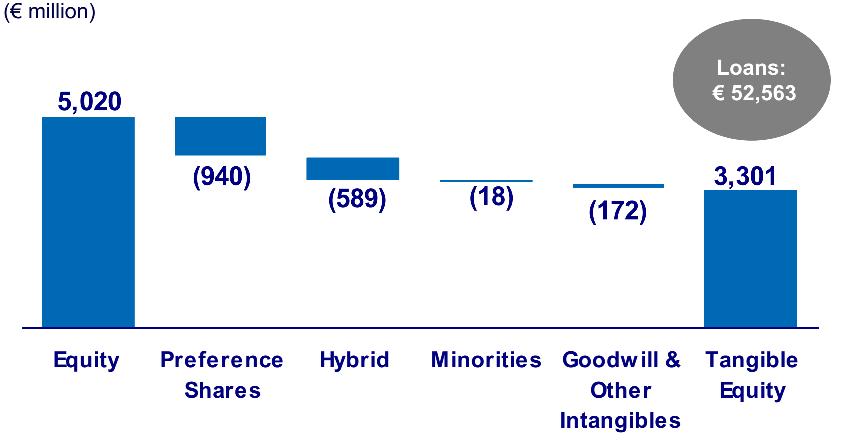
Risk Weighted Assets

(€ billion)



Tangible Equity (Sep. 09)

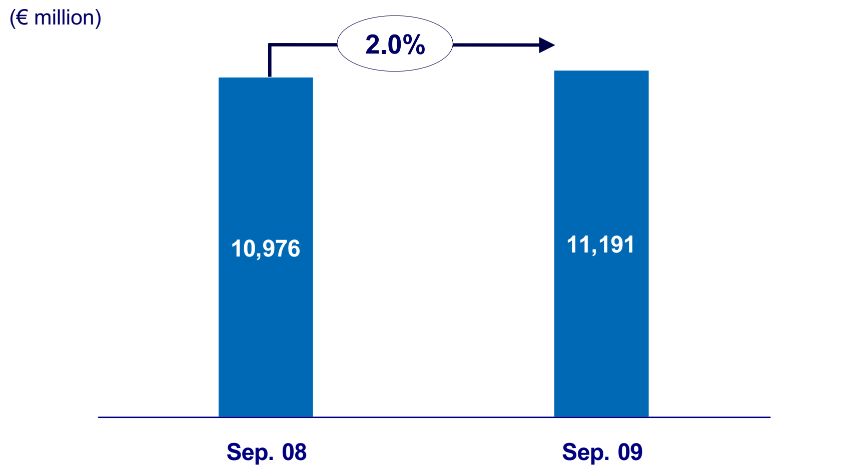
(€ million)



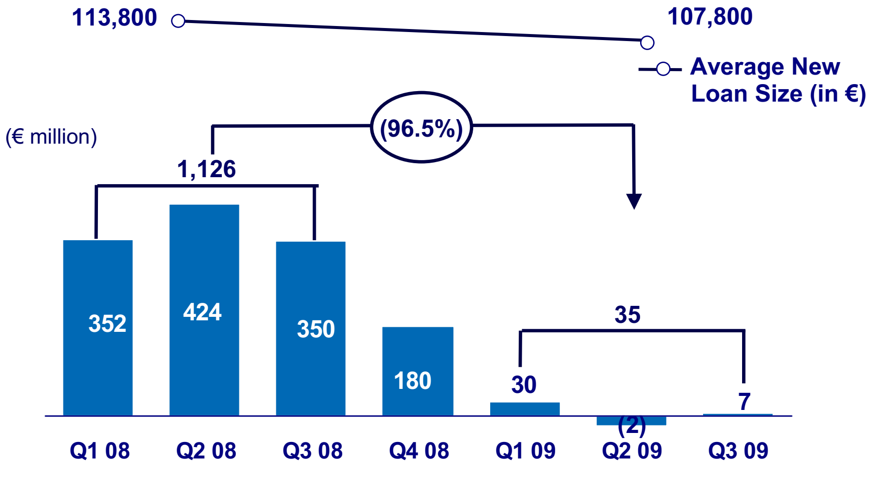
Segmental Report

Mortgages: Demand still subdued

Mortgage Balances - Greece



Change in Loan Balances - Greece



New Products

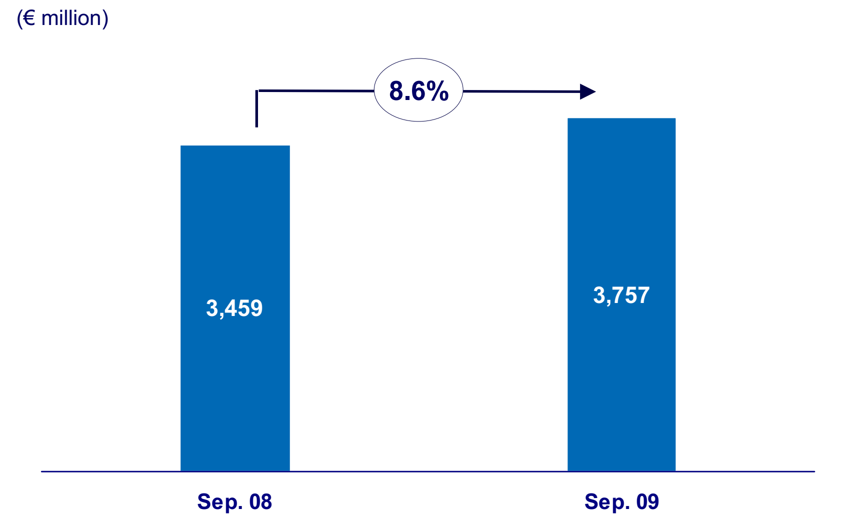
- ✓ Alpha Bank re-launched "Alpha Protection", a capped rate product which allows customers to benefit from current low interest rates while protecting themselves from possible excessive future rises.

Comments:

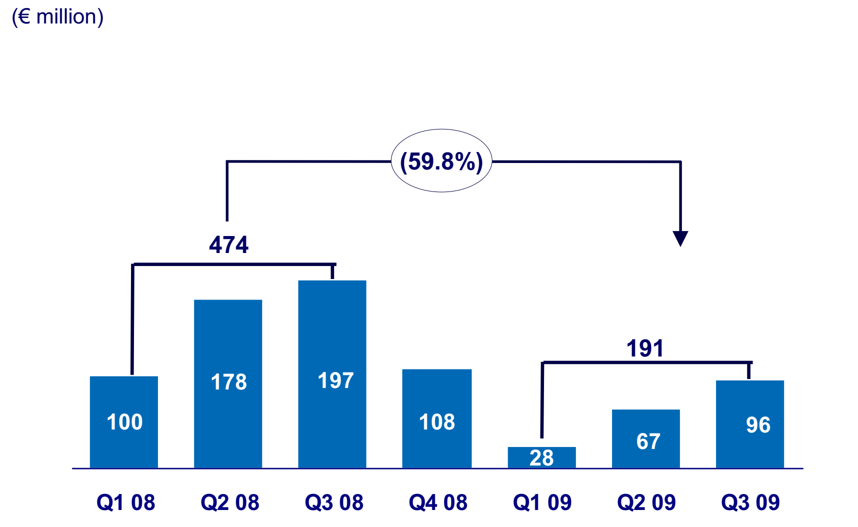
- ✓ Market share remains essentially unaffected at 14.1%
- ✓ Increase in loan applications in September
- ✓ With total book LTV of 55% and with new production LTV at 55%, we are in a good position to weather the deteriorating environment

Consumer Credit: Tightened underwriting

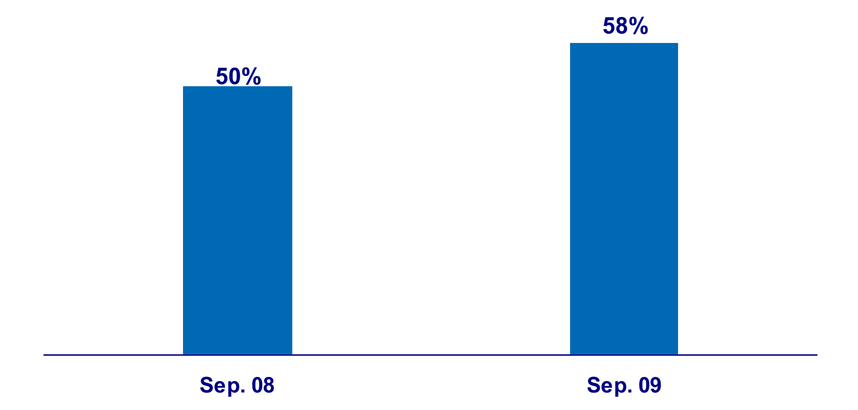
Consumer Loan Balances - Greece



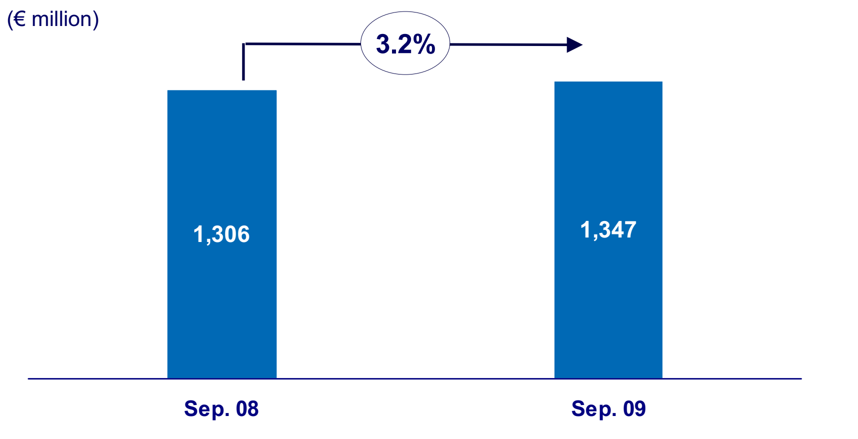
Change in Consumer Loan Balances - Greece



Consumer Loan Rejection Rates



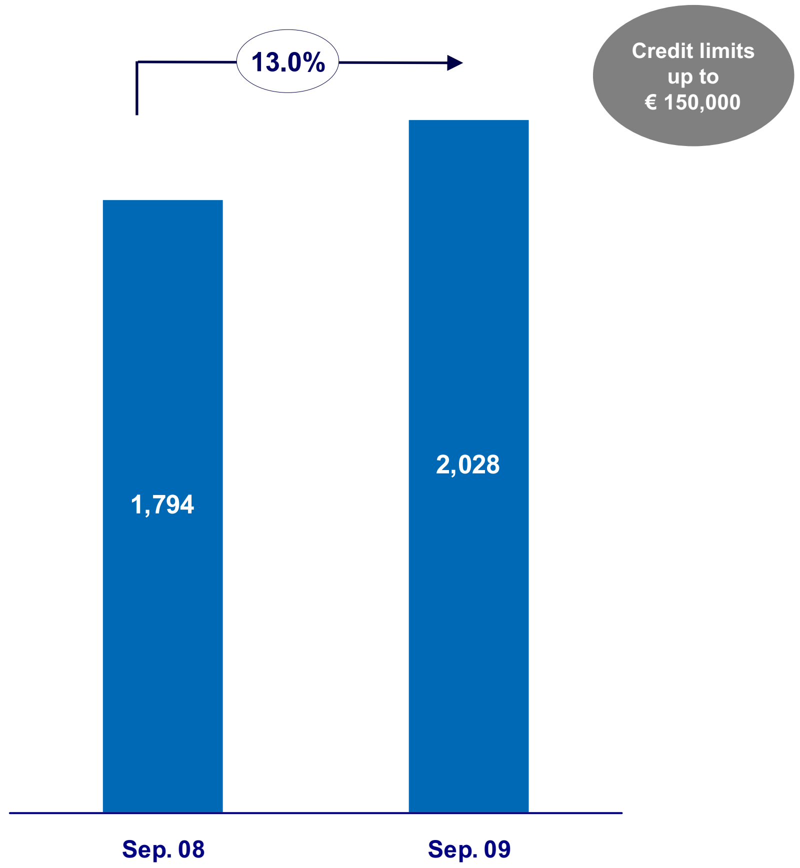
Credit Card Balances - Greece



Micro and Small Business Lending:
Renewed Focus on underwriting criteria

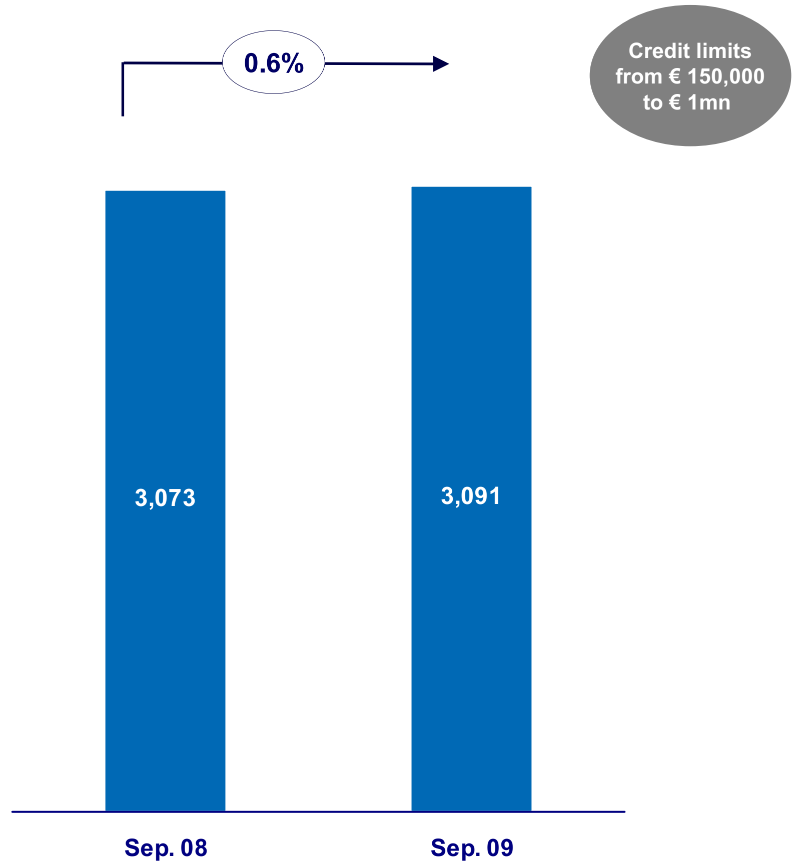
Balances (yoy growth)

(€ million)



Balances (yoy growth)

(€ million)



Wealth Management impacted by unprecedented market turmoil

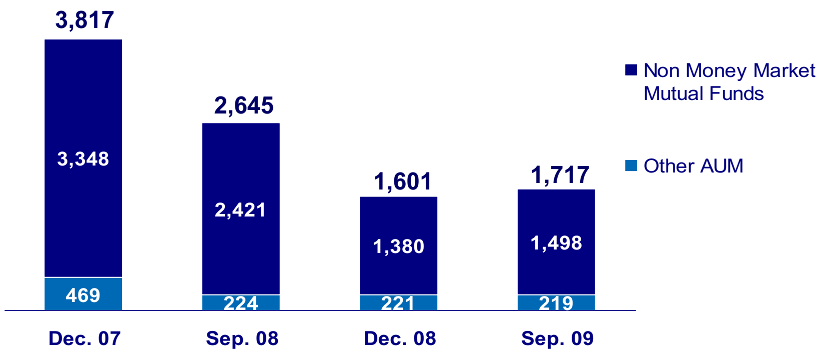
	9M 09	9M 08	Change
Operating Income	44.4	66.8	(33.6%)
Operating Expenses	30.5	38.8	(21.4%)
Impairment Losses	0.0	0.0	…
Profit Before Tax	**13.9**	**28.0**	**(50.4%)**
Cost / Income	68.6%	58.0%	
RAROC	26.8%	56.4%	
Contribution to Profits	3.2%	3.9%	

Alpha Private Bank & Alpha Asset Management

- **Alpha Private Bank**
  - ✓ € 5.1 bn assets under management
  - ✓ Alpha Bank London and Alpha Bank Jersey
- **Asset Management**
  - ✓ Increased activity in equity and balanced funds (total turnover in Q3, €158 million)

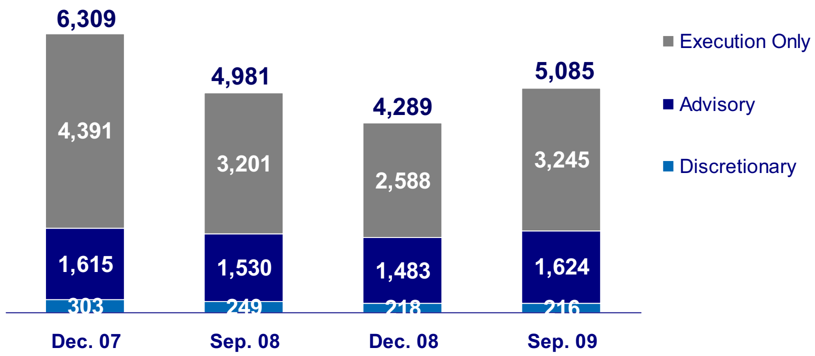
Asset Management

(€ million)



Alpha Private Bank

(€ million)

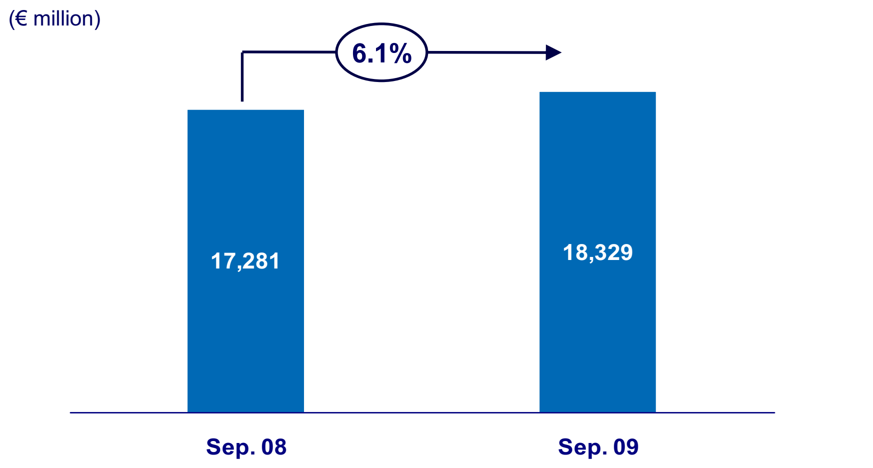


Leadership in Corporate Banking maintained

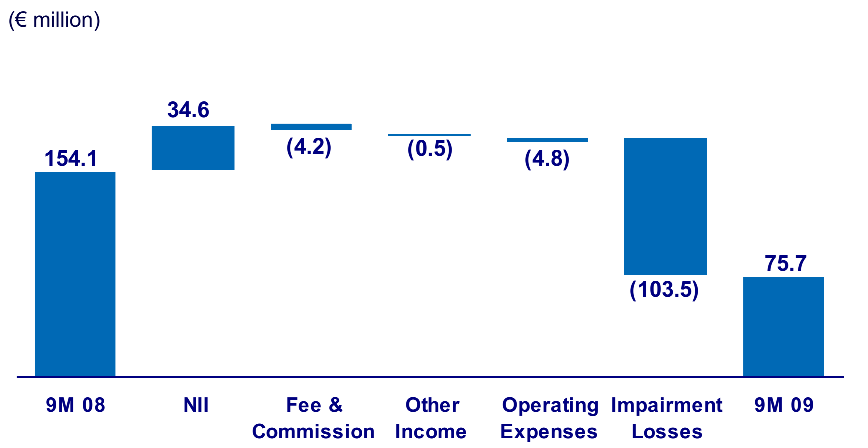
ALPHA BANK

	9M 09	9M 08	Change
Operating Income	355.0	325.1	9.2%
Operating Expenses	97.4	92.6	5.2%
Impairment Losses	181.9	78.4	132.2%
Profit Before Tax	**75.7**	**154.1**	**(50.9%)**
RWA	18,011	16,779	7.3%
Cost / Income	27.4%	28.5%	
RAROC	7.0%	15.3%	
Contribution to Profits	17.4%	21.7%	

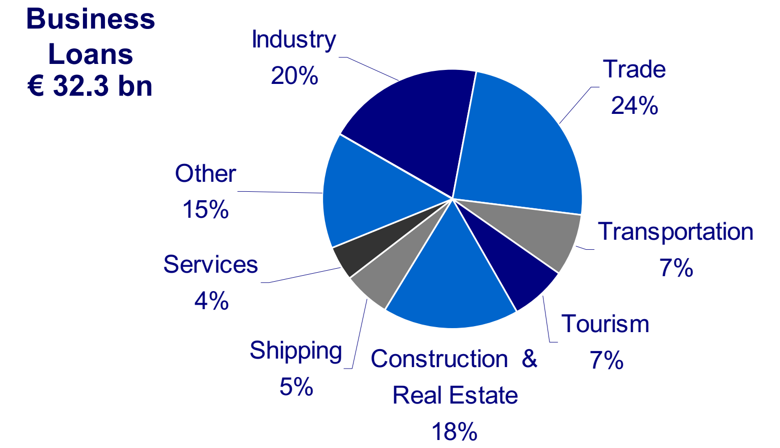
Loans



Evolution of Profit Before Tax



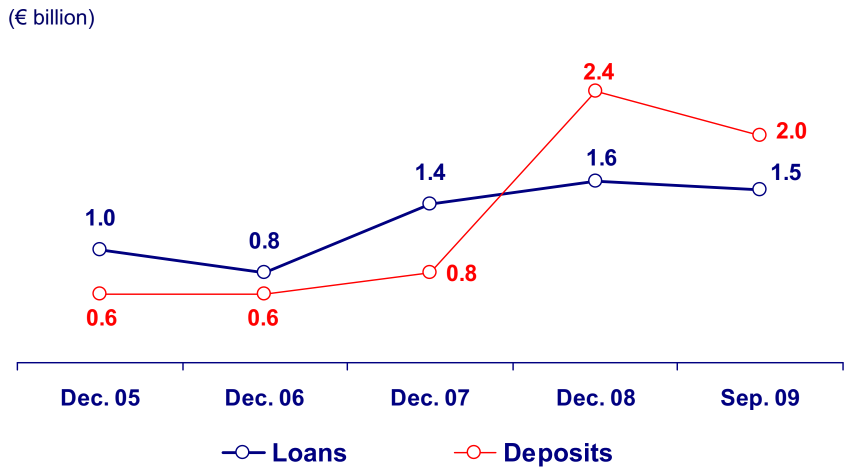
Business Loans Portfolio Structure - Group



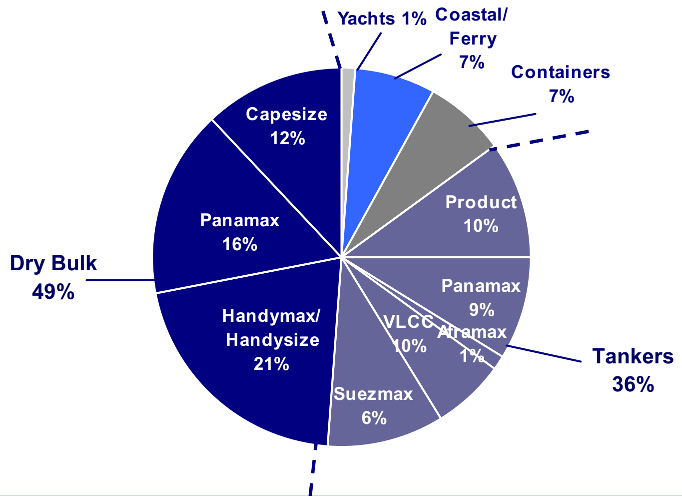
Relationship–driven Shipping Exposure to First Class Greek names

ALPHA BANK

Outstanding Balances



Loan Portfolio Breakdown



Clientele & Portfolio Characteristics

- Relationship oriented finance
  - ✓ Traditional Greek shipowners (50 groups) represent 95% of our first class clientele
  - ✓ 90% operate a fleet of more than 5 vessels
- Sound deposit gathering dynamics
- Specialised management team with long sector experience
- Undrawn commitments of € 400 mn until 2011
- Duration of loan portfolio at 6-7 years
- LTV at 69% with average age of collateral (vessels) at 10.5 years
- Zero NPL experience over past 10 years

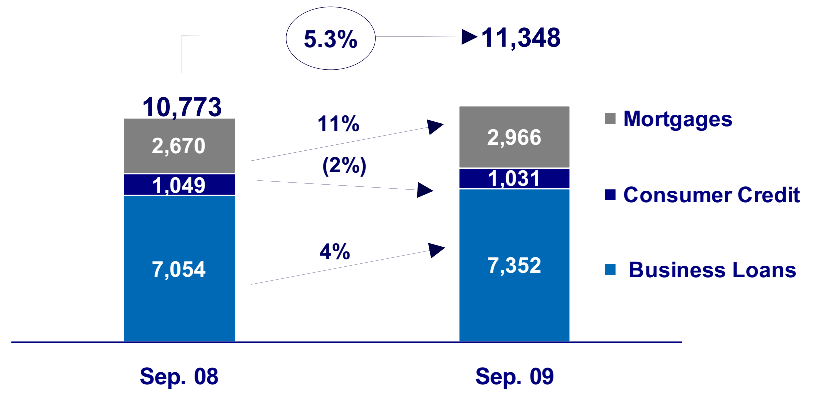
SEE Contribution to Operating Results Affected by Impairments

ALPHA BANK

(€ million)	9M 09	9M 08	Change
Operating Income	385.0	359.8	7.0%
Operating Expenses	222.3	207.6	7.1%
Impairment Losses	114.0	32.9	246.3%
Profit Before Tax	**48.6**	**119.2**	**(59.2%)**
RWA	10,272	8,333	23.3%
Cost / Income	57.7%	57.7%	
RAROC	7.9%	23.8%	
Contribution to Group Profits	11.2%	16.8%	

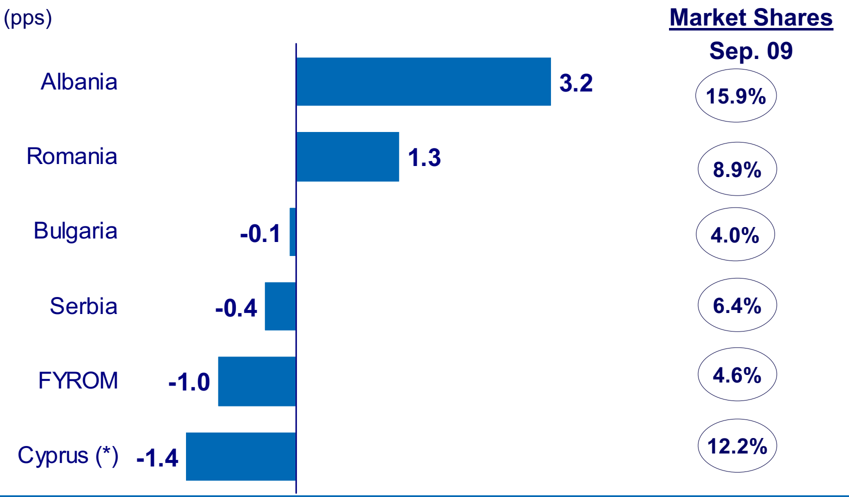
Loans by Segment

(€ million)



Loan Market Share Gains (Sep. 08 – Sep 09)

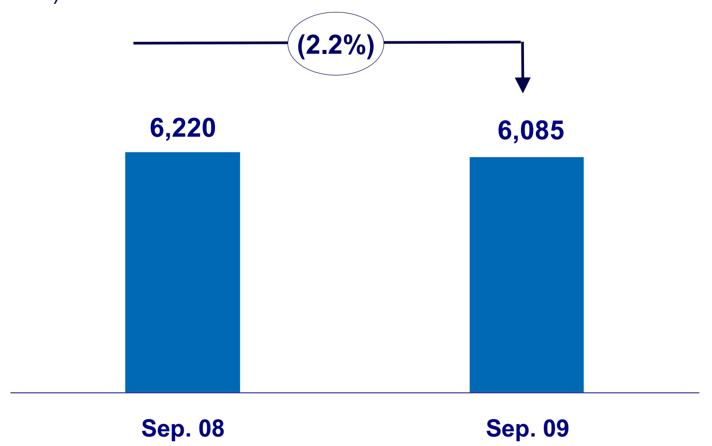
(pps)



(*) cooperative banks not included

Deposits

(€ million)



Cyprus – Strong Positioning in a Market that Resembles Greek Credit

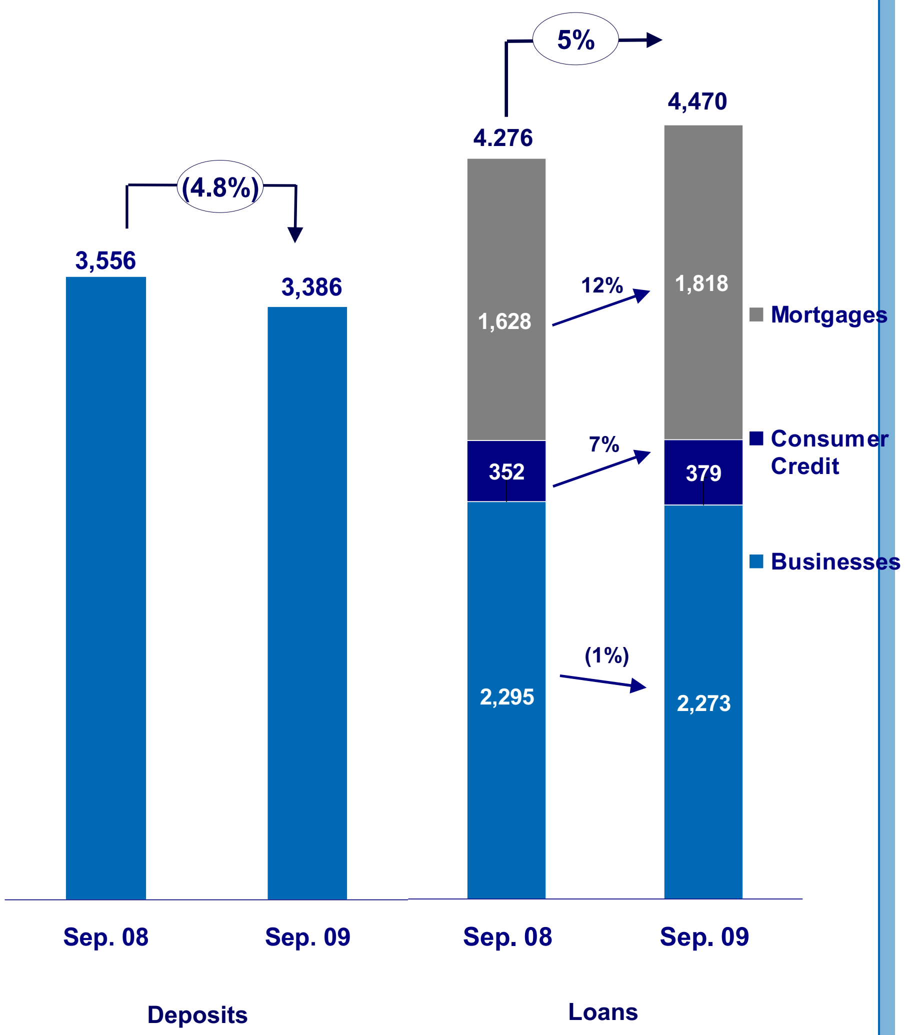
ALPHA BANK

(€ million)	9M 09	9M 08	Change
Operating Income	130.1	133.8	(2.8%)
Operating Expenses	43.1	42.5	1.6%
Impairment Losses	27.3	10.9	151.3%
Profit Before Tax (pre- O/H allocation)	**59.6**	**80.5**	**(25.9%)**
Loan Market Share (*)	12.2%	13.6%	(140)bps
NPL Ratio	4.0%	2.7%	+124bps
Branches	37	36	+1
Employees	826	827	(1)

(*) cooperative banks not included

Loans & Deposits

(€ million)

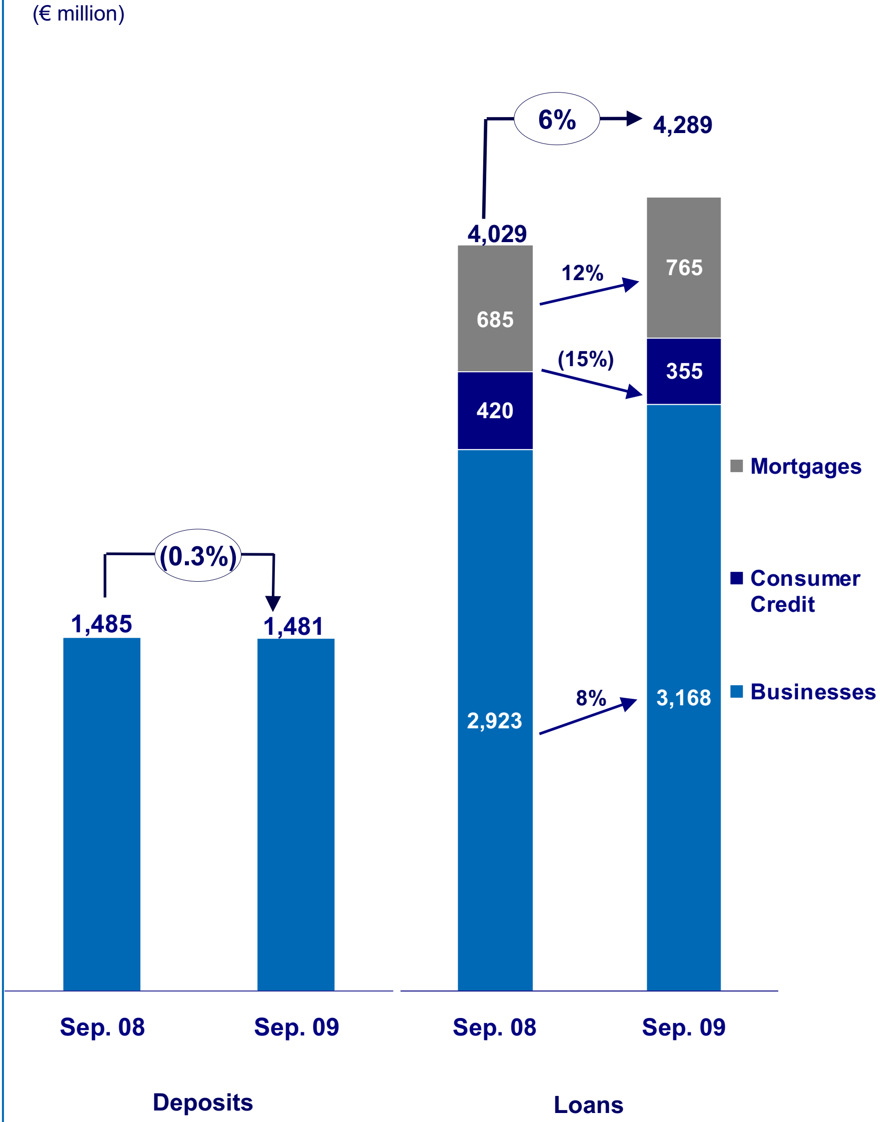


Romania –Carefully Built Organic Presence Over the Last Fifteen Years

ALPHA BANK

(€ million)	9M 09	9M 08	Change
Operating Income	161.3	134.2	20.2%
Operating Expenses	71.9	75.4	(4.6%)
Impairment Losses	46.5	11.0	320.5%
Profit Before Tax (pre- O/H allocation)	**43.0**	**47.8**	**(10.1%)**
Loan Market Share	8.9%	7.6%	+130bps
NPL Ratio	2.0%	0.4%	+162bps
Branches	200	173	+27
Employees	2,558	2,520	+38

Loans & Deposits

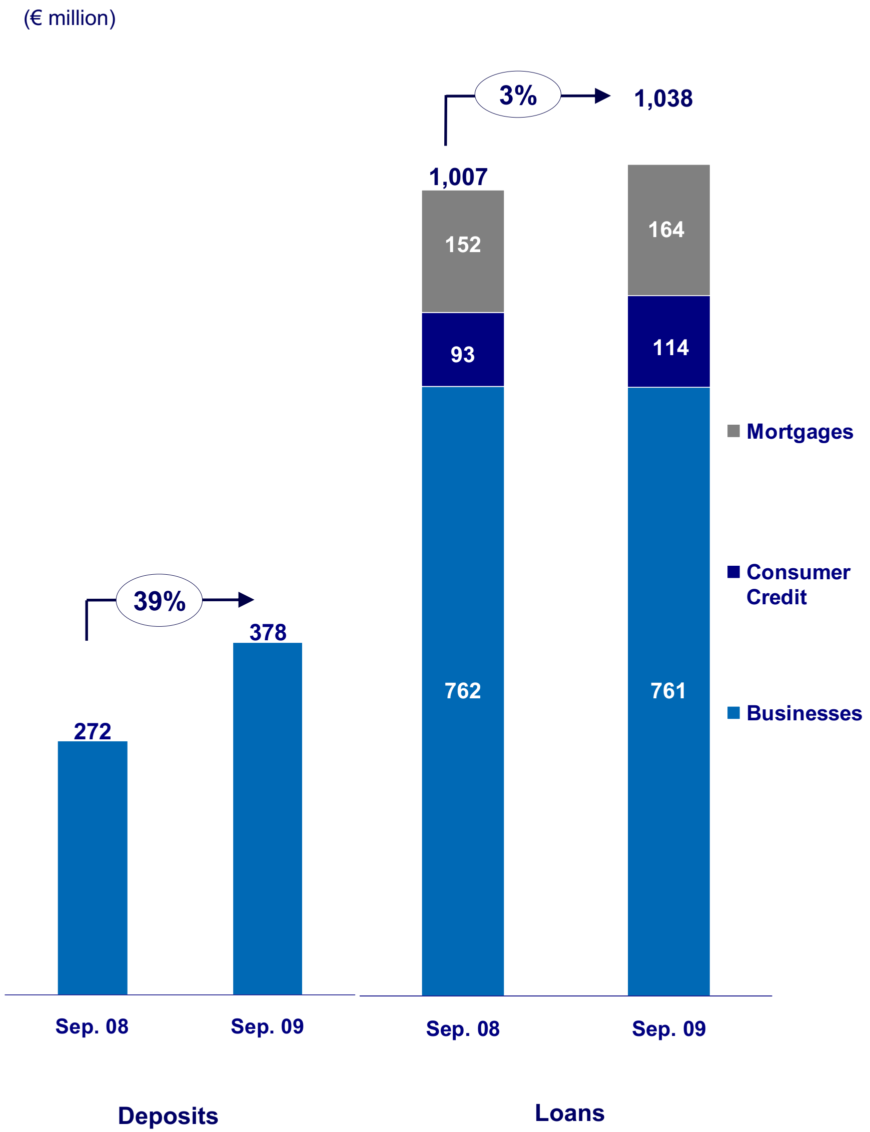


Bulgaria – Nationwide Presence Achieved

ALPHA BANK

(€ million)	9M 09	9M 08	Change
Operating Income	26.1	19.4	34.6%
Operating Expenses	26.5	21.4	23.6%
Impairment Losses	23.8	7.4	220.3%
Profit Before Tax (pre- O/H allocation)	**(24.2)**	**(9.5)**	**…**
Loan Market Share	4.0%	4.1%	(10)bps
NPL Ratio	8.0%	0.9%	+710bps
Branches	120	101	+19
Employees	992	890	+102

Loans & Deposits

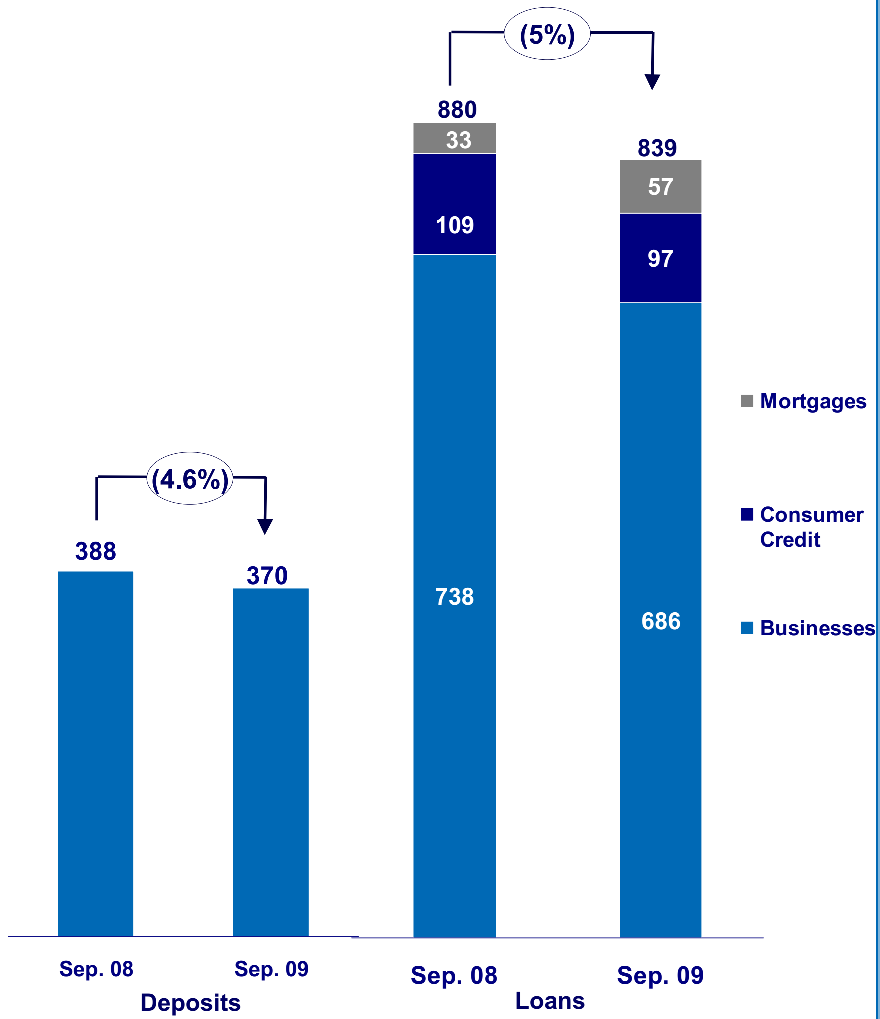


Serbia – Challenging Operating Environment Takes Its Tall on the Bottom Line

(€ million)	9M 09	9M 08	Change
Operating Income	27.2	39.1	(30.5%)
Operating Expenses	37.9	34.4	10.2%
Impairment Losses	8.0	(1.5)	…
Profit Before Tax (pre- O/H allocation)	**(18.7)**	**6.3**	**…**
Loan Market Share	6.4%	6.7%	(40)bps
NPL Ratio	3.5%	1.0%	+252bps
Branches	167	149	+18
Employees	1,504	1,606	(102)

Loans & Deposits

(€ million)

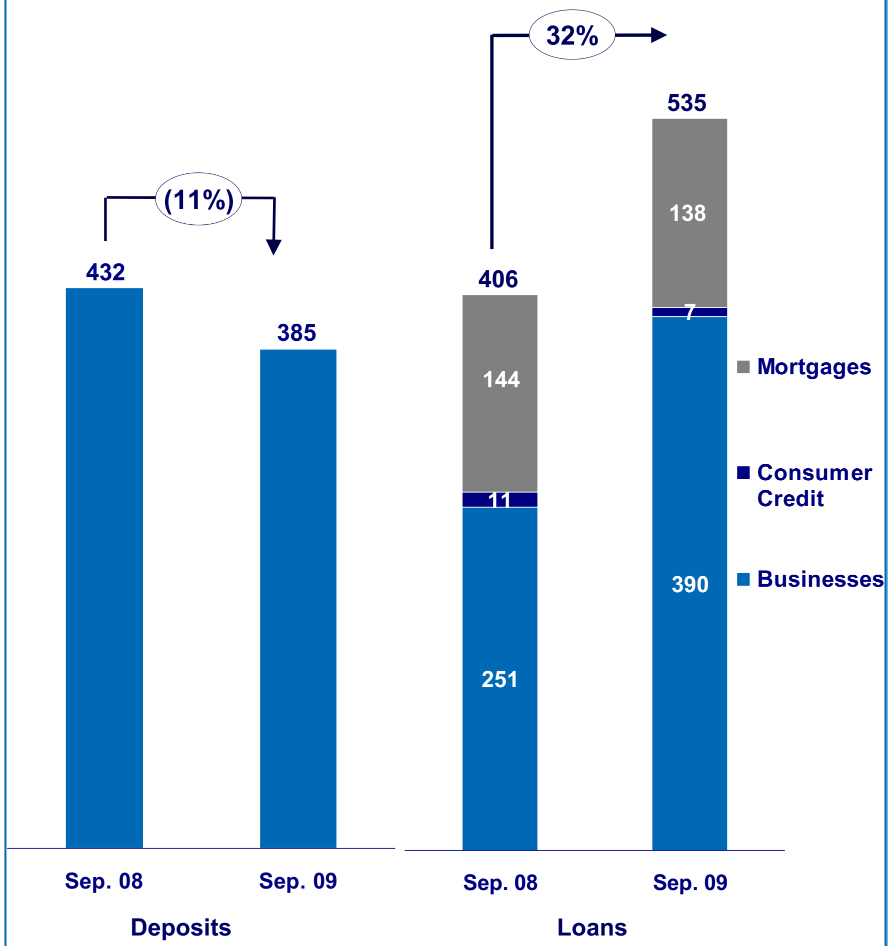


Albania – Leading Position

(€ million)	9M 09	9M 08	Change
Operating Income	19.5	21.0	(6.9%)
Operating Expenses	10.3	7.7	32.7%
Impairment Losses	1.4	2.8	(50.5%)
Profit Before Tax (pre- O/H allocation)	**7.9**	**10.4**	**(24.5%)**
Loan Market Share	15.9%	12.7%	+320bps
NPL Ratio	3.1%	0.4%	+264bps
Branches	47	35	+12
Employees	341	286	+55

Loans & Deposits

(€ million)

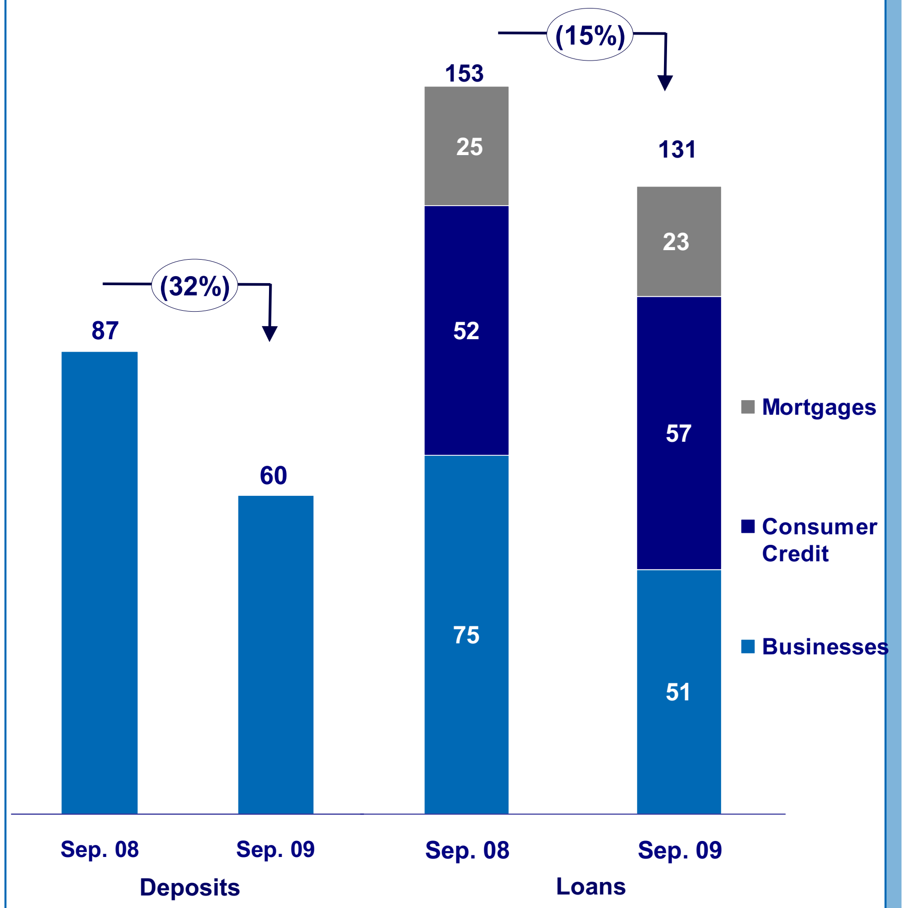


FYROM – Balanced Presence

(€ million)	9M 09	9M 08	Change
Operating Income	7.1	6.2	14.5%
Operating Expenses	6.1	4.6	34.0%
Impairment Losses	4.7	1.6	195.7%
Profit Before Tax (pre- O/H allocation)	**(3.8)**	**0.0**	**…**
Loan Market Share	4.6%	5.6%	(100)bps
NPL Ratio	17.0%	7.7%	929bps
Branches	25	22	+3
Employees	268	277	(9)

Loans & Deposits

(€ million)



Group Profit & Loss

Alpha Bank Group

(€ million)	9M 2009	9M 2008	% Change 9M 09/9M 08
Operating Income	**1,801.3**	**1,822.5**	**-1.2%**
Net Interest Income	1,304.4	1,362.4	(4.3%)
Net fee and commission income	286.5	353.3	(18.9%)
Income from Financial Operations	161.2	38.1	322.6%
Other Income	49.2	68.7	(28.5%)
Operating Expenses	**869.4**	**844.8**	**2.9%**
Staff Costs	416.1	436.5	(4.7%)
General Expenses	384.3	343.5	11.9%
Depreciation and amortization expenses	68.9	64.7	6.4%
Impairment losses	496.7	266.0	86.7%
Profit before tax	**435.2**	**711.7**	**(38.9%)**
Income Tax	**91.4**	**142.2**	**(35.7%)**
Net Profit after tax	**343.8**	**569.5**	**(39.6%)**
Net Profit attributable to shareholders	**344.7**	**567.8**	**(39.3%)**
Net Interest Margin	2.5%	3.1%	
Cost / Income	48.3%	46.4%	
Return on Equity After Tax and Minorities (ROE)	14.3%	22.7%	

Alpha Bank Group

ALPHA BANK

(€ million)	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008
Operating Income	**634.4**	**625.6**	**541.4**	**523.2**	**607.4**	**624.2**	**591.0**
Net Interest Income	459.5	442.3	402.6	436.2	464.5	455.9	442.0
Net fee and commission income	95.3	98.4	92.8	111.1	119.4	118.5	115.3
Income from Financial Operations	62.6	68.9	29.8	(45.0)	(2.2)	23.2	17.1
Other Income	17.0	16.0	16.2	20.8	25.6	26.5	16.7
Operating Expenses	**296.5**	**294.1**	**278.8**	**333.5**	**294.5**	**286.7**	**263.5**
Staff Costs	138.0	139.2	138.9	153.0	151.3	146.0	139.3
General Expenses	135.9	131.4	117.1	156.4	120.7	118.9	104.0
Depreciation and amortization expenses	22.6	23.5	22.8	24.2	22.6	21.9	20.3
Impairment losses	**170.0**	**169.5**	**157.3**	**275.7**	**124.1**	**74.4**	**67.6**
Profit before tax	**167.9**	**162.1**	**105.3**	**(86.1)**	**188.8**	**263.1**	**259.9**
Income Tax	**37.9**	**33.5**	**20.0**	**30.0**	**34.1**	**53.3**	**54.7**
Net Profit after tax	**130.0**	**128.6**	**85.3**	**(56.1)**	**154.7**	**209.7**	**205.1**
Net Profit attributable to shareholders	**130.0**	**129.0**	**85.7**	**(55.8)**	**153.7**	**209.1**	**205.0**
Net Interest Margin (net of impairment losses)	2.6%	2.5%	2.4%	2.7%	3.0%	3.2%	3.2%
Cost / Income	46.7%	47.0%	51.5%	63.8%	48.5%	45.9%	44.6%
Return on Equity After Tax and Minorities (ROE)	15.4%	16.3%	11.3%	(7.0%)	18.5%	25.4%	24.5%

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Business Unit Financials

Group Results by Business Unit

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(€ million)	Retail		Commercial & Corporate		SE Europe		Investment Banking & Treasury		Asset Management		Other		Group	
	Jan-Sep		Jan-Sep		Jan-Sep		Jan-Sep		Jan-Sep		Jan-Sep		Jan-Sep	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
Operating Income	**736.5**	**976.9**	**355.0**	**325.1**	**385.0**	**359.8**	**239.7**	**55.9**	**44.4**	**66.8**	**40.8**	**38.0**	**1,801.3**	**1,822.5**
Net Interest Income	605.7	832.5	285.5	250.9	304.9	246.6	97.4	18.5	9.7	12.0	1.2	1.9	1,304.4	1,362.4
Net fee and Commission Income	125.8	134.1	61.2	65.4	47.2	67.1	19.7	34.3	33.4	53.7	(0.9)	(1.3)	286.5	353.3
Income from Financial Operations	4.7	8.5	6.0	6.4	25.5	37.7	114.3	(5.8)	0.8	0.8	10.0	(9.5)	161.3	38.1
Other Income	0.4	1.9	2.2	2.5	7.4	8.4	8.2	8.9	0.5	0.3	30.4	46.8	49.2	68.7
Operating Expenses	**443.0**	**432.5**	**97.4**	**92.6**	**222.3**	**207.6**	**29.2**	**28.6**	**30.5**	**38.8**	**47.0**	**44.7**	**869.4**	**844.8**
Staff Costs	209.0	220.8	59.0	58.8	103.4	102.6	14.1	15.4	13.3	17.3	17.2	21.6	416.1	436.5
General Expenses	208.7	183.7	31.2	26.2	98.7	88.6	14.1	11.7	15.7	19.8	16.0	13.6	384.3	343.5
Depreciation	25.3	28.1	7.2	7.6	20.2	16.5	1.0	1.4	1.4	1.6	13.8	9.5	68.9	64.7
Impairment Losses	**200.8**	**154.6**	**181.9**	**78.4**	**114.0**	**32.9**	**0.0**	**0.2**	**0.0**	**0.0**	**0.0**	**(0.0)**	**496.7**	**266.0**
Profit before tax	**92.7**	**389.8**	**75.7**	**154.1**	**48.6**	**119.2**	**210.5**	**27.2**	**13.9**	**28.1**	**(6.2)**	**(6.7)**	**435.2**	**711.7**
Risk Adjusted Return on 8% Regulatory Capital	**11%**	**50%**	**7%**	**15%**	**8%**	**24%**	**59%**	**10%**	**27%**	**56%**	**…**	**…**	**16% (*)**	**24% (*)**
Cost / Income Ratio	**60%**	**44%**	**27%**	**28%**	**58%**	**58%**	**12%**	**51%**	**69%**	**58%**	**115%**	**118%**	**48%**	**46%**

(*) Including excess tier I regulatory capital of € 491 mn in 9M 09 and € 416 mn in 9M 08

Retail Business Unit: Results

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(€ million)	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008
Operating Income	**257.9**	**247.5**	**231.2**	**316.7**	**333.4**	**328.0**	**315.5**
Net Interest Income	217.7	201.1	186.8	261.3	281.4	279.6	271.4
Net fee and Commission Income	38.9	44.4	42.5	51.7	48.8	44.3	41.1
Income from Financial Operations	1.1	1.8	1.7	3.1	2.6	3.0	2.9
Other Income	0.1	0.1	0.1	0.6	0.6	1.1	0.1
Operating Expenses	**153.1**	**149.4**	**140.6**	**162.8**	**146.0**	**145.2**	**141.3**
Staff Costs	69.2	69.0	70.9	76.0	75.0	73.1	72.7
General Expenses	76.0	71.8	60.9	77.6	61.5	62.7	59.4
Depreciation	7.8	8.7	8.8	9.2	9.6	9.4	9.1
Impairment losses	**59.8**	**68.9**	**72.1**	**124.2**	**58.0**	**47.9**	**48.7**
Profit before tax	**45.0**	**29.2**	**18.5**	**29.7**	**129.4**	**134.9**	**125.5**
RWA	**14,259**	**14,150**	**14,101**	**14,018**	**13,656**	**12,972**	**12,284**
Risk Adjusted Return on 8% Regulatory Capital	**15.8%**	**10.3%**	**6.6%**	**10.6%**	**47.4%**	**52.0%**	**51.1%**
Cost / Income Ratio	**59.4%**	**60.4%**	**60.8%**	**51.4%**	**43.8%**	**44.3%**	**44.8%**

Commercial & Corporate Business Unit: Results

(€ million)	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008
Operating Income	**124.6**	**124.1**	**106.3**	**95.8**	**110.5**	**109.5**	**105.1**
Net Interest Income	101.4	100.2	83.9	72.0	83.7	84.4	82.8
Net fee and Commission Income	20.6	20.5	20.2	20.6	23.3	21.4	20.6
Income from Financial Operations	1.8	2.7	1.5	2.3	2.3	3.0	1.1
Other Income	0.8	0.7	0.8	0.8	1.1	0.8	0.6
Operating Expenses	**33.3**	**32.6**	**31.5**	**37.3**	**33.5**	**29.8**	**29.3**
Staff Costs	19.8	19.2	20.0	22.8	21.5	19.1	18.3
General Expenses	11.3	10.9	9.0	11.7	9.4	8.2	8.6
Depreciation	2.3	2.5	2.5	2.7	2.7	2.6	2.4
Impairment losses	58.7	61.7	61.5	94.2	47.7	20.9	9.8
Profit before tax	**32.5**	**29.8**	**13.3**	**(35.7)**	**29.3**	**58.9**	**66.0**
RWA	**18,061**	**17,989**	**17,982**	**17,805**	**17,228**	**16,762**	**16,346**
Risk Adjusted Return on 8% Regulatory Capital	**9.0%**	**8.3%**	**3.7%**	**-10.0%**	**8.5%**	**17.6%**	**20.2%**
Cost / Income Ratio	**26.8%**	**26.2%**	**29.6%**	**38.9%**	**30.3%**	**27.2%**	**27.9%**

Asset Management Business Unit: Results

(€ million)	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008
Operating Income	**17.0**	**15.1**	**12.2**	**15.4**	**19.7**	**23.4**	**23.7**
Net Interest Income	3.7	3.0	3.0	3.3	3.6	4.1	4.3
Net fee and Commission Income	13.2	11.6	8.7	11.6	15.8	18.9	19.1
Income from Financial Operations	0.3	0.2	0.3	0.4	0.1	0.4	0.3
Other Income	(0.0)	0.3	0.2	0.1	0.1	0.1	0.1
Operating Expenses	**11.2**	**9.9**	**9.3**	**12.5**	**11.9**	**13.8**	**13.0**
Staff Costs	4.2	4.4	4.7	4.7	5.8	6.1	5.5
General Expenses	6.6	5.0	4.1	7.3	5.6	7.2	7.0
Depreciation	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Impairment losses	(0.0)	0.0	(0.0)	0.3	0.0	(0.0)	(0.0)
Profit before tax	**5.8**	**5.2**	**2.9**	**2.6**	**7.7**	**9.6**	**10.7**
RWA	**878**	**868**	**861**	**859**	**856**	**876**	**765**
Risk Adjusted Return on 8% Regulatory Capital	**33.4%**	**30.0%**	**16.9%**	**15.2%**	**45.5%**	**55.0%**	**70.1%**
Cost / Income Ratio	**65.9%**	**65.5%**	**76.3%**	**80.8%**	**60.6%**	**59.0%**	**54.8%**

Investment Banking & Treasury Business Unit: Results

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(€ million)	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008
Operating Income	**86.8**	**99.2**	**53.7**	**(6.3)**	**(0.4)**	**28.7**	**27.6**
Net Interest Income	27.2	40.8	29.3	3.3	5.6	5.2	7.8
Net fee and Commission Income	6.8	5.9	7.0	9.0	9.8	11.8	12.7
Income from Financial Operations	50.6	50.0	13.7	(22.3)	(18.5)	7.6	5.2
Other Income	2.2	2.5	3.6	3.7	2.7	4.3	1.9
Operating Expenses	**10.0**	**9.6**	**9.6**	**12.2**	**8.7**	**9.8**	**10.0**
Staff Costs	4.7	4.7	4.7	5.3	5.3	5.4	4.7
General Expenses	5.0	4.6	4.5	6.5	3.1	4.3	4.4
Depreciation	0.3	0.3	0.3	0.4	0.4	0.2	0.9
Impairment losses	(0.0)	0.0	0.0	(0.0)	0.1	0.1	0.0
Profit before tax	**76.9**	**89.5**	**44.0**	**(18.4)**	**(9.2)**	**18.8**	**17.6**
RWA	**6,027**	**5,939**	**5,730**	**5,721**	**5,227**	**4,579**	**4,433**
Risk Adjusted Return on 8% Regulatory Capital	**63.8%**	**75.4%**	**38.4%**	**-16.1%**	**-8.8%**	**20.6%**	**19.8%**
Cost / Income Ratio	**11.5%**	**9.7%**	**17.9%**	**-194.0%**	**…**	**34.3%**	**36.3%**

SE Europe Business Unit: Results

(€ million)	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008
Operating Income	**134.7**	**126.6**	**123.7**	**137.5**	**129.8**	**118.9**	**111.1**
Net Interest Income	109.4	96.5	98.9	96.0	90.2	82.5	73.9
Net fee and Commission Income	16.3	16.2	14.7	18.7	22.3	22.6	22.2
Income from Financial Operations	6.7	11.5	7.3	19.3	13.7	11.5	12.5
Other Income	2.3	2.3	2.8	3.6	3.6	2.3	2.5
Operating Expenses	**73.6**	**76.2**	**72.5**	**88.1**	**77.8**	**70.6**	**59.2**
Staff Costs	35.1	35.8	32.5	36.0	37.4	34.1	31.0
General Expenses	31.6	33.5	33.6	45.1	34.6	31.0	23.0
Depreciation	7.0	6.9	6.4	6.9	5.8	5.5	5.2
Impairment losses	51.6	38.8	23.6	56.9	18.3	5.6	9.0
Profit before tax	**9.5**	**11.6**	**27.6**	**(7.5)**	**33.6**	**42.7**	**42.9**
RWA	**10,273**	**10,269**	**10,273**	**10,177**	**9,516**	**8,199**	**7,284**
Risk Adjusted Return on 8% Regulatory Capital	**4.6%**	**5.6%**	**13.4%**	**-3.7%**	**17.6%**	**26.1%**	**29.5%**
Cost / Income Ratio	**54.7%**	**60.2%**	**58.6%**	**64.1%**	**60.0%**	**59.4%**	**53.3%**

Other Business Unit: Results

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(€ million)	Q3 2009	Q2 2009	Q1 2009	Q4 2008	Q3 2008	Q2 2008	Q1 2008
Operating Income	**13.4**	**13.2**	**14.3**	**(36.0)**	**14.5**	**15.5**	**8.0**
Net Interest Income	0.1	0.6	0.5	0.3	0.1	0.1	1.8
Net fee and Commission Income	(0.4)	(0.2)	(0.2)	(0.4)	(0.5)	(0.4)	(0.4)
Income from Financial Operations	2.1	2.6	5.3	(47.8)	(2.4)	(2.2)	(5.0)
Other Income	11.6	10.1	8.7	11.9	17.3	18.0	11.5
Operating Expenses	**15.2**	**16.5**	**15.3**	**20.8**	**16.5**	**17.4**	**10.8**
Staff Costs	5.0	6.2	6.0	8.2	6.4	8.2	7.1
General Expenses	5.4	5.6	5.0	8.1	6.5	5.5	1.5
Depreciation	4.8	4.7	4.3	4.5	3.6	3.7	2.1
Impairment losses	0.0	(0.0)	0.0	0.0	(0.0)	0.0	(0.0)
Profit before tax	**(1.8)**	**(3.3)**	**(1.1)**	**(56.8)**	**(2.0)**	**(1.9)**	**(2.8)**
RWA	**562**	**567**	**570**	**528**	**524**	**605**	**463**

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Greece and Southeastern Europe
Economic and Financial Outlook

Economic Research Division

November 2009
No 72

Executive Summary

1. Greece

- The Greek economy continues to weather the crisis relatively well with minimal losses to income and output on average over 2009-2010 with a largely well-capitalised banking sector maintaining its robustness, endowed with adequate provisions and liquidity.
- GDP growth decelerated in H1 2009 to 0% y/y from 2% in 2008. However, with the pace of the slowdown weakening from Q3 2009, overall growth for 2009 is expected at -0.5% with a modest recovery to 0.5% projected for 2010.
- Notwithstanding austerity measures introduced in early 2009 and with two electoral battles weighing rather adversely, public finances worsened significantly in 2008-2009, as social security deficits and public sector wage bills swelled while tax evasion assumed unprecedented proportions due to a much-weakened business environment.
- Prospects for the resumption of growth over the medium-term lie with the success of the newly elected government implementing an ambitious program of fiscal consolidation and reforms to strengthen the supply-side potential of the economy and to eradicate mismanagement in the public sector.

2. Romania

- GDP growth is forecast to recover to 1.5% in 2010, following an expected decline of -6.5% in 2009. During H1 2009, GDP growth contracted by -7.7% y/y following the large -8.7% y/y decline in Q2 2009, a result of the substantial -7.3% y/y decline in value added in the main productive sectors of the economy.
- During the first eight months of 2009, the current account deficit declined by -79% y/y due to the -67% decline in the trade balance. During Jan-Aug the current account deficit declined to 2.1% of GDP versus 9.7% during the same period of 2009 and, according the IMF forecasts, will reach 5.5% of GDP in 2009.
- The general government deficit reached 5.0% of projected full-year GDP in Jan-Sep 2009 in line with the conditions set by the IMF and is expected to increase to 7.8% of GDP by the end of the year from the 5.5% recorded in 2008.

3. Bulgaria

- GDP growth is expected to recover to -1.0% in 2010, following -6.5% forecast growth in 2009. For H1 2009, growth contracted by -4.2% on the back of a -4.5% fall in final domestic consumption and -14.6% decline in investment. Moreover, with industrial production estimated to have fallen by roughly -15.5% y/y in Q3 2009, following a -20% y/y fall in Q2 2009 and -17% y/y in Q1 2009, further declines in GDP growth are expected in the coming quarters.
- During the first eight months of 2009, the current account deficit has already declined by 56.4% y/y on the back of the substantial correction in the trade balance. As such, the IMF now expects the current account deficit to decline to around 11.0% of GDP in 2009 from 25.5% in 2008.

4. Cyprus

- A recovery in economic activity is expected in 2010, with GDP growth rising to 1.0%. For 2009, full-year growth is forecast at 0.0%, following -0.2% y/y contraction in H1 2009, as investment declined by -23.6% y/y and exports of goods and services declined -12.0% y/y. The unprecedented fall in external demand in 2009 implies much lower revenues from international tourism (tourist arrivals declined by -10.7% y/y in Q3 2009), exports of goods and other internationally traded services. Despite net exports being forecast to exert a substantial 2.3pps positive effect on GDP growth for 2009, GDP growth is forecast at 0.0% before recovering to 1.0% in 2010.
- For 2009, as economic growth has slowed, public finances have deteriorated pushing the government deficit to a forecast 3.5% of GDP. This decline, versus the positive performance in 2008, is due to weaker than anticipated revenues and higher-than-planned expenditure.

5. Serbia

- With a solid recovery expected in 2010, GDP growth is forecast to increase by 1.5% in 2010, following the forecast -3.5% decline in 2009. Thus far, GDP growth has contracted by -4.0% y/y in Q2 and -4.2% y/y in Q1 2009 on the back of declining industrial and construction activity. Economic activity remains weak, with industrial production having declined by -16.2% y/y during Jan-Aug, portending a further decline in GDP growth in Q3 2009.
- Benefiting from subdued domestic demand, the current account deficit is expected to decline to 9.1% of GDP in 2009 from 17.2% of GDP in 2008. Despite the adverse financial climate, Net FDI covered 85% of the current account deficit during Jan-Aug 2009.
- Having reached an agreement with the IMF, the general government deficit is expected to reach 4.5% of GDP in 2009 before easing to 4.0% of GDP in 2010.

6. Albania

- GDP growth is forecast to accelerate to around 2.2% in 2010 from the relatively strong 0.7% in 2009. Thus far, GDP growth has remained positive at 5.3% y/y in Q2 and 6.0% in Q1 2009. Even though growth is expected to decline to below 1.0% in 2009, Albania will still outperform the region by around 0.4pps this year.
- Despite the modest improvement in the trade account, the current account deficit still deteriorate in the first few months of 2009 following the rapid decline in emigrant remittances. The IMF forecasts that the deficit should decline to around 11.5% of GDP in 2009 from 14.9% in 2008.

7. Former Yugoslav Republic of Macedonia

- Economic activity is expected to recover in 2010, with GDP growth of around 2.0%. For 2009, growth is forecast at around -1.0% following the -1.4% y/y and -0.9% y/y declines in Q2 and Q1 2009 respectively. The global economic crisis has had a significant impact on the country's main growth drivers, namely: exports, remittances and FDI.
- FYROM is set to received around € 55 million from the European Union as part of the pre-accession programme and will be using the funds to help boost employment.

8. Ukraine

- GDP growth is expected to recover to around 2.7% in GDP in 2010 following the forecast -14.0% decline in 2009. Thus far, GDP growth has declined by -17.8% y/y in Q2 2009 following the -20.3% decline in Q1 2009. Weak industrial production, which declined by -28.4% y/y in Jan-Sep portend further declines in economic activity in Q3 and Q4.
- After reaching 7.2% of GDP in 2008, the current account deficit has declined by over 80% in the first six months of 2009. The IMF currently forecasts that the deficit will shrink to 0.4% of GDP in 2009.

9. Turkey

- Economic activity is forecast to recover in 2010 with GDP growth of 3.7% following the forecast -6.5% decline in 2009. Thus far, GDP growth declined by -7.0% y/y in Q2 -14.4% y/y in Q1 2009. The recent decline in economic activity was due to constrained domestic lending, limited foreign capital inflows, falling real disposable income and weak external demand.
- In response to the current economic crisis, the central bank has opted to reduce its key policy rate by a staggering 1000 bps to 6.75% in October 2009 from 16.75% in November 2008.

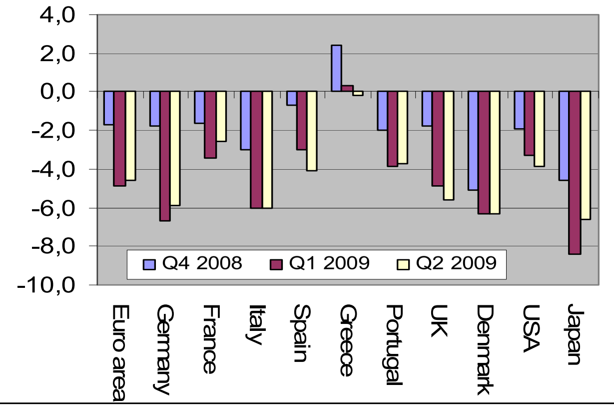
1. GREECE

Table 1. Basic Conjunctural Indicators (% change from previous period)	2006	2007	2008	2009	available period
Retail Sales Volume	8,0%	2,3%	-1,4%	-5,6%	Jan-Aug
Automobile sales	0,5%	4,3%	-7,0%	-20,5%	Jan-Sep
Tax on Mobile telephony	11,8%	114,2%	5,3%	0,8%	Jan-June
VAT Receipts	12,0%	9,8%	8,4%	-10,1%	Jan-June
Consumption Tax on Fuels	5,4%	10,0%	29,9%	-8,1%	Σεπ-09
Private Consumption	5,3%	3,3%	2,3%	-1,1%	H1 2009
Government Consumption	-0,1%	8,4%	0,6%	4,8%	H1 2009
Building activity (Permits)	-19,5%	-5,0%	-17,1%	-28,7%	Jan-July
Cement Production	3,1%	-9,2%	-3,1%	-26,7%	Jan-June
Public Investment	8,9%	7,6%	9,3%	15,8%	Jan-Aug
Fixed Investment	9,8%	4,6%	-7,4%	-11,4%	H1 2009
Change in Stocks and Stat. D.	87,7%	1785,2%	147,3%	-36,4%	H1 2009
Unemployment	8,9%	8,3%	7,7%	9,6%	Ιουλ-09
Industrial Production	0,9%	2,3%	-4,0%	-9,7%	Jan-Aug
Economic Sentiment	103	108,4	88,9	71,7	Oct-2009
-Industry			-24,0	-22,0	Oct-2009
-Consumer Confidence	-33	-28	-46,0	-27,0	Oct-2009
PMI (Manufacturing)	52,4	53,7	50,4	48,5	Oct-2009
Tourism Arrivals (airports)	8,4%	8,5%	-1,4%	-7,4%	Jan-Sept
Tourism Receipts (BoP)	5,9%	-0,3%	3,0%	-13,2%	Jan-Aug
Exports goods & services	5,3%	5,8%	4,0%	-15,6%	H1 2009
Imports goods & services	9,0%	7,1%	0,2%	-19,2%	H1 2009
GDP growth	4,5%	4,5%	2,0%	0,0%	H1 2009
Current Account (% of GDP)	-9,6	-12,4	-12,7	-6,2	Jan-Aug

Note: Growth rates are calculated on a cumulative basis

ECONOMIC DEVELOPMENTS: The Greek economy has weathered well one of the worst financial and economic crises of the last 80 years afflicting the global economy. Growth in H1 2009 stood at 0.0%, which compares favourably with the -4.9% growth in the Eurozone. This zero GDP growth was due: a) to the fall in private consumption by -1.1%, manly due to the fall of the volume of retail sales by -11.4% in H1 2009, b) the fall in fixed capital investment by -11.4%, comprising the continuing falling trend of housing investment and the extensive postponement of business investment and c) the fall in stocks and statistical discrepancies by -36.4%. On the other hand, a substantial positive effect on GDP growth was implied by the sizable fall of the deficit of net exports of goods and services, as the fall in exports of goods and services reached -15.6% in H1 2009, but the fall in imports was much higher at -19.2%.

Diagram 1. Year on Year GDP growth in Greece and in Advanced Economies



The above negative developments in the Greek economy in H1 2009 were mainly due to the dismal economic and financial environment that prevailed world wide in this period, in which international trade (affecting in particular Greek shipping) has fallen by more than -25% and is expected to register negative growth of the order of -11% in 2009 as a whole, from 4.1% in 2008. Also, international tourism traffic was down by about -8.0% y/y world wide in H1 2009 and has fallen by about -10% in the European Mediterranean countries. For Greece in particular, international tourist arrivals were down by about -8.6% in H1 2009, while the number of nights spent in hotels and similar establishments in H1 2009 was down by -14.8% (EU27: -7.4%). These developments in combination with the prevailing uncertainty, has rocked consumer and business confidence in Greece in H1 2009, undercutting economic activity especially in the housing, manufacturing and retail commerce sectors.

This set the stage for the aforementioned substantial fall in private consumption, investment and exports. However, the fall in domestic demand was mainly directed towards luxury items, durable consumer and investment goods and energy products, which in Greece are to a great extent imported from abroad. As a result, the fall in domestic production and output is determined by the fall in domestic demand minus the sizable positive effect from the fall of the net exports deficit.

Moreover, the substantial improvement of the world economy and financial markets from Q3 2009 onwards is contributing to an even better performance of the Greek economy in H2 2009. This is particularly evident from the following most recent developments:

Firstly, Greece's Economic Sentiment Index (ESI) reached the level of 71.7 in October 2009, from 63.8 in September and a low of 42.9 in March 2009. In fact, consumer sentiment has improved to -27 in October 2009, from -39 in September and -56 in March 2009. Moreover, substantial improvement is sown by business sentiment indices in the manufacturing industry, construction (especially concerning public sector projects), services and retail trade sectors.

Secondly, the performance of the tourist sector in Q3 2009, which is the main tourist season for Greece,

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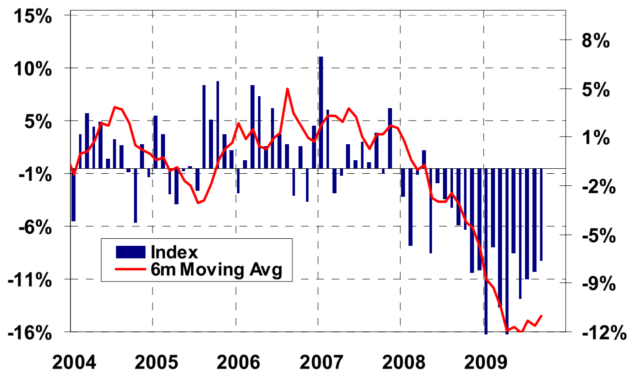
was much better than in H1 2009. Arrivals of foreign tourists fell by -7.4% in January-September 2009 (-8.6% in H1 2009), while revenues from foreign tourism fell by -13.2% in January – August 2009 (-15.8% in January-July 2009). Overall, according to the NSSG data, turnover in the tourist sector (mainly hotels and restaurants) registered a 15.1% growth in Q2 2009.

Thirdly, in the manufacturing industry, the falling trend of production is decelerating reaching -9.8% in August 2009, from -10.5% in July and -12.4% in June 2009. Concerning this industry it is important to notice the relatively sound performance of food - beverages and tobacco sectors, which constitute 26.5% of the Greek manufacturing industry, while, on the opposite side, sectors which are substantially affected by the international economic crisis and by the collapse of activity in the domestic housing sector (e.g., basic metals, textiles, cement, furniture, etc) are registering big falls in production. Overall the index of business sentiment in Greek industry has improved to -22 in October 2009 from -37 in March 2009, while the relevant PMI index is hovering between 48 and 51.

Diagram 2. Manufacturing Production

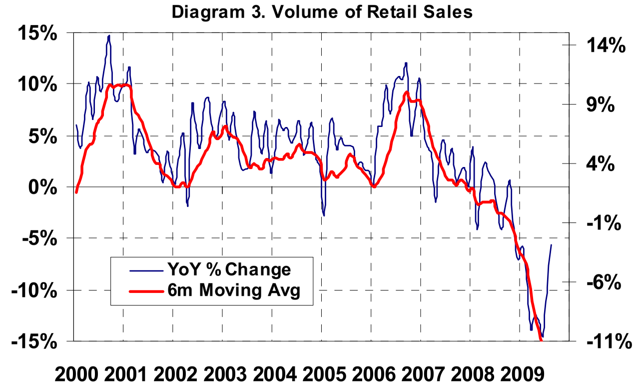


Fourthly, concerning private consumption, of particular importance is ***the decelerating falling trend of the volume of retail sales,*** which reached the rate of -5.6% in August 2009, compared with -9.8% in July and -14.5% in June 2009 and -11.2% in January–July 2009. In fact, the substantial improvement in the international economic environment and of Greek consumer confidence from Q3 2009 onwards may lead to the stabilization of the volume of retail sales on a yearly basis in Q4 2009. ***The index of business sentiment in retail trade*** has turned positive to the level of 3 in October 2009, from -38 in March 2009.

Fifth, the substantial positive effect on GDP growth from net exports continues to apply in Q3 2009, as the fall by -17.9% of exports of goods in January-August 2009 is still minor compared with the substantial fall of imports of goods by -36.4%, implying a fall of the trade deficit of -43.7%.

Sixth, the Greek financial sector has recovered from the unfavorable consequences of the world wide economic and financial crisis. *In fact, t*he Greek banking system has been a strong pillar supporting growth in Greece and the SEE region as a whole in the last ten years. In the current period, despite the tensions in international financial markets, banks remain fundamentally sound, safe and liquid. Leverage of domestic households and businesses is lower than that in the Eurozone, with loans to GDP at 102%, compared with 135.4% in the Eurozone and above 170% in some overleveraged economies. Toxic asset write-offs by Greek banks related to the global financial crisis were insignificant and their capital base remained relatively strong. Moreover, some banks have proceeded with new rights issues to further strengthen their core capital position. Therefore, the Greek banks are now well placed to boost bank lending to the private sector as soon as demand for credit revives (from 5.4% at end-September 2009), following the already recorded substantial improvement in consumer and business confidence.

Diagram 3. Volume of Retail Sales



On the negative side the following points can be made: First, the continuing falling trend of residential construction activity – as measured by the volume (m^3) of building permits – which registered negative growth of -31.8% in July 2009 and -28.7% in January-July 2009, on top of a -17.1% growth in 2008. These developments indicate an estimated negative growth of residential investment for 2009 of -18.5%, following its fall by -29.1% in 2008 and by -8.6% in 2007. Moreover, residential investment is now expected to fall again by about -9.5% in 2010, with recovery seen not earlier than 2011. In fact, support of demand for residential investment from growth of mortgage lending has also weakened in resent months, as growth of mortgage loans decelerated to 4.4% at end-September 2009, from 6.0% at end-June 2009 and 11.5% at end-2008. However, the above mentioned substantially improved consumption and business confidence (with the index of business sentiment in construction reaching to -35 in October 2009 from -47 in August and -56 in May), is expected to lead to the eventual revival of both residential investment and economic activity in this sector as well.

***Secondly,* Greece's net merchant shipping receipts** have fallen by -35.2% y/y in January – August 2009 and are now expected to fall by about -28% to around € 7.4 billion in 2009, from their record level of € 9.9

billion in 2008. This is one of the factors which are negatively affecting domestic consumption and housing investment in 2009. Overall, the total shortfall of net merchant shipping receipts and of net international tourism receipts is estimated to reach € 4.0 billion in 2009. However, it is also estimated that this will be lower than Greece's total savings from lower payments for net imports of oil, which is expected to reach € 4.5 billion in 2009 from € 3.2 billion in January – August 2009.

The above developments support our projection for a slightly negative, -0.5% GDP growth in 2009, following the 2.0% GDP growth in 2008 and recovering to positive growth of 0.5%-1.0% in 2010. In fact, the substantial improvement in the international economic environment and financial system in the last few months could justify an even better performance for the Greek economy in 2010. However, the need to substantially improve public finances requires a much lower public consumption and general government investment growth in 2010, which may offset expected improvements elsewhere. ***The new government sees GDP dropping faster*** in 2009, by about -1.5%, while the Bank of Greece also predicts negative growth, of -1.0% or higher. Overall, uncertainties and risks concerning economic growth in Greece in 2009 and 2010 remain high.

Concerning the main components of GDP, expected developments in 2009 and 2010 are as follows:

Private Consumption: It is now expected to register a fall of -0.7% in 2009, from -1.1% in H1 2009 and an increase of 2.4% in 2008. This expectation is based on the new forecasts for growth of compensation of employees in 2009 of 3.7% (2.6% in real terms), compared with an increase of 6.6% (2.3% in real terms) in 2008. Also, developments in the labour market until July 2009 point to an expected fall in employment of about -1.4% in 2009. Moreover, assuming negative growth of non-labour income and income transfers, and a low growth of direct tax payments, it is estimated that the rate of growth of real disposable income may reach 1.0% in 2009. Therefore, the substantial deceleration of growth of private consumption in 2008 and its actual fall in 2009 is mainly due to the negative impact of weak consumer sentiment, which led to a substantial increase of his precautionary household savings. ***Assuming lower wage and disposable income growth in 2010,*** due to the need for fiscal adjustment and for an improvement of Greece's international competitiveness, ***but with improved consumer sentiment and a higher consumer credit growth,*** we would expect private consumption growth to rebound to around 0.5% in this year.

Growth in government consumption, which reached 3.2% in 2008, from 7.4% in 2007, continued on a high growth trend in H1 2009, increasing by 6.1% in Q1 2009 and by 3.6% in Q2 2009. It is also expected to have eventually slowed down to 2.5% in H2 2009, with the government trying to compensate for the exceptionally high growth of government spending in H1 2009. Moreover, government consumption growth will remain constrained from 2010 onwards due to the increasing pressure to bring down the general government deficit to a more acceptable level, from the 12.5% estimated by the new government.

Total fixed investment is now expected to register a fall of -7.8% in 2009, from -11.4% in H1 2009, -7.4% in 2008 and an increase of 4.6% in 2007. Moreover, an additional negative growth of fixed investment of the order of -1.3% is expected for 2010. The international financial turmoil in H1 2009 was also reflected in the substantial deterioration of the Greek ***construction business sentiment in this period.*** However, this sentiment has registered a substantial improvement in recent months. Therefore, we expect a better performance of fixed investment in H2 2009 and in 2010. More specifically:

General government investment fell by -0.1% in 2008, while spending under the Public Investment Budget (PIB) increased by 9.3%. In H1 2009, spending under the PIB reached 63% of the total budgeted amount for 2009 and it will be much lower in H2 2009 as this investment is projected to fall by -12.2% in 2009 as a whole. Due to the high level of general government investment spending reached in H1 2009, other construction investment (excluding housing) grew by 35.5% y/y in Q1 2009 and is estimated to have risen by about 27% y/y in Q2 2009. For 2010, PIB expenditure is expected to increase by 13.6% as announced by the new government.

Non-residential private sector investment registered a negative -3.7% real growth in 2008, while in Q1 2009 investment in machinery and transportation equipment was down by -23.5% and -30% respectively. It is now evident that various categories of investment projects were delayed or postponed in H2 2008 and H1 2009 on the back of the unprecedented uncertainty due to the global economic and financial crisis. More specifically:

There are not data concerning the absorption of EU funds by government and the private sector in 2009, despite the fact that funds more than € 9.0 billion were to be absorbed from the EU during 2009-2010. Moreover, the government has attempted in the last few years to implement most of the public sector investment projects through Public Private Partnerships (PPP), thus justifying the fall in general government investment by -12.2% in real terms in 2009 and -0.1% in 2008. Following a relatively long gestation period, a number of important infrastructure projects (budgeted at € 5.7 billion) were awarded to consortia of construction companies (domestic and foreign) in 2007 and 2008 to be implemented mainly in 2009 onwards. However, the implementations of these PPP projects have not taken place in 2008, or in H1 2009. In this later period, the government has only accelerated the implementation of projects financed through the public investment budget, but none of the PPP projects have yet entered the implementation phase. Finally, the European Commission has indicated its willingness to increase the EU contribution for financing investment projects, as well as employment support measures in 2009 and 2010, thus reducing the burden imposed on the member-country budgets. There are no data concerning the extent in which the Greek government has proceeded to appropriately exploit this opportunity.

Business investments were also expected to be boosted by the expansion of project development via PPPs on the one hand and by the large number of investment projects approved under the investment incentives law (3299/2004) in the period 2005-2008 on the other. About 6,543 projects were submitted, of which 4,300 were approved. Total budgeted value of investment in these projects reached € 8.9 billion, in which a government subsidy of € 3.7 billion is included. Most of these investment projects were to be implemented and completed in the period 2008-2009, but, due to the international turmoil, may have been postponed to a great extent for implementation in 2010.

Finally, ***the Greek housing sector*** is in the midst of a substantial slowdown in 2007-2010. This was initially in response to the extraordinarily high level of residential investment in 2006, following a tax related building permits explosion in 2005. However, it is now evident that this sector has been substantially affected by the international economic crisis. Therefore, residential investment is now set to fall further in 2009 and 2010 as analyzed above. ***Housing price inflation*** had also slowed down to around 1.5% in 2008, and has now turned negative to the order of –4.4% y/y in January – September 2009. On the other hand, the abrupt fall in residential investment in 2007-2009 imply that, despite the fall in demand for houses, excess supply in the market does not increase. Moreover, Greece's status as a favoured tourist destination, in combination with its increasing attractiveness as a destination for the establishment of summer homes for European citizens, may enable both tourism and the housing sector in Greece to benefit from the expected recovery of the European economies in 2010.

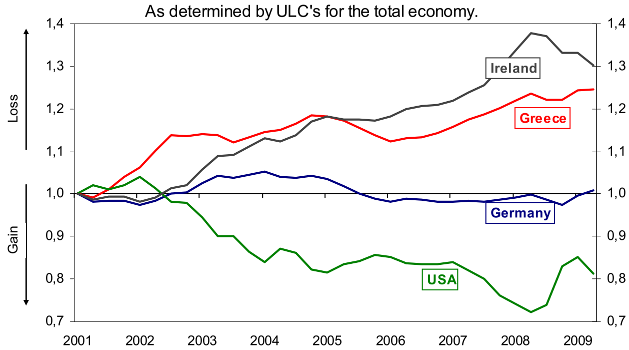
The above assumptions concerning final consumption and fixed investment, with the assumption of a fall in stocks by an estimated -63% in 2009, imply that **the overall domestic demand is expected to register negative growth of -2.4%,** contributing to a sizable improvement of the external goods and services deficit (national accounts basis) to 7.9% of GDP in 2009 from 10.0% in 2008 and 12.1% of GDP in 2007.

Net exports of goods and services: Domestic demand slowdown in 2009 is reflected mainly in ***total imports of goods and services,*** which registered a 0.2% increase in 2008 and a -19.2% y/y fall in H1 2009, with an expected fall of -15.3% in 2009 as a whole and an additional fall by -1.8% in 2010. On the other hand, ***exports of goods and services*** registered again a robust 4.0% growth in 2008 and fell by -15.5% in H1 2009, while these are estimated to fall by about -12.6% in 2009 as a whole and to register a small increase of 1.5% in 2010. Overall, net exports are expected to have a positive effect on GDP growth of 2.2pps in 2009 and by 0.8pps in 2010, from 2.1pps in 2008.

Growth dynamics in the Greek economy are constrained by the traditional domestic economic policy stance (mainly the domestic incomes and fiscal policies), which implies a gradual but continuous deterioration of international competitiveness and also the continuous deterioration of its public finances. More recently, the revelation by the newly elected government that the budget deficit in 2009 may reach 12.5% of GDP has led to a downgrade of the Hellenic Republic's rating by Fitch to "A-", from "A" as well as to the announcement of a possible downgrade of its A1 rating by Moody's.

Greece's International Competitiveness: Greece's GDP growth and domestic employment are negatively affected by the continuing high growth of domestic unit labour costs, which is contributing to a gradual but continuous erosion of its international cost competitiveness, taking also into account the strong Euro against most of the regional currencies in Central and Eastern Europe including Turkey, as well as in SE Asia and in other emerging economies. Data from the IMF, the European Commission and the Bank of Greece indicate that since 2001, Greece's ULC-based real effective exchange rate (REER) had appreciated at the end of 2008 by 25% relative to its main trading partners and by more than 30% against emerging market economies (Diagram 4).

Diagram 4. Real Effective Exchange Rate
As determined by ULC's for the total economy.



Moreover, according to data published by the European Commission, ULC growth reached 6.3% in 2007 and 5.7% in 2008 in Greece, compared with 1.7% and 3.3% respectively in the Eurozone. As a result, the Greek REER appreciated by 3.3% in 2007 and by 1.5% in 2008. For 2009, with GDP growth at -0.5% and a positive rate of growth of productivity (as the expected percentage fall in employment by -1.4%, exceeds the fall of GDP), Greek ULC growth should not exceed 2.8%. This is compared with an expected 3.4% ULC growth for the Eurozone and a 3.3% ULC growth for the EU-24. Therefore, Greek international competitiveness in 2009 has not worsened further against the Eurozone, but it has worsened with respect to countries which are experiencing exchange rate depreciation with respect to the Euro. Overall, the challenge for Greece to reign in domestic wage growth is now more pressing as competition to gain market share in international markets will be even more intense in the following years.

PUBLIC FINANCES: The implementation of the 2009 Budget is affected on the one hand the continuing malfunctioning of the revenue collection mechanism, plagued by large-scale tax and social security contribution evasion, and on the other, the continuing high growth (by more than 4 percentage points above the nominal GDP growth) of current budget primary expenditure. The main developments in January – September 2009 are as follows:

(a) Net current revenues reached € 35.2 billion, registering a -3.2% growth, compared with a budgeted increase of 20.5% in the Budget 2009, which was adjusted downwards to 14.8% in the January 2009 revision of the Hellenic Stability and Growth Programme (SGP) 2009-2011. Tax rebates surged again by 24.4% in Jan.-Sept.'2009, on top of a 31.6% increase in Jan.-Sept.'2008. In fact, rebates for the year 2009 as a whole are budgeted to reach € 3.7 billion and in the 9month to Sept.'2009 these have already reached € 3.46 billion. Moreover, revenues from the VAT tax were down by -9.6% y/y, while taxes on other trade transactions were down by -31.6%. On the other hand revenues from direct taxes on income and wealth registered a healthy increase by 7.5% and revenues from the specific tax on fuels were higher by 24.4%. Finally, non – tax current revenues were also down by -24.2%.

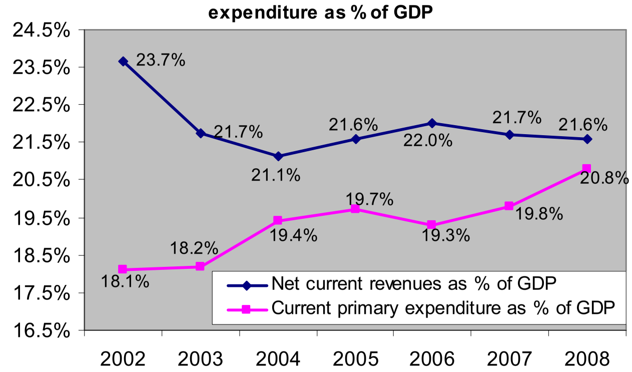
(b) Current primary expenditure reached € 41.03 billion in Jan.-Sept.'2009, up again 15.7% y/y, on top of the 7.9% increase in Jan.-Sept.'2008, comparing with a 10.9% increase for 2008 as a whole. In any case, growth of current primary expenditure remains much higher than the budgeted increase of 8.6% in the Budget 2009 and of 10.2% in the SGP 2008-2011. This surge of current primary expenditure took place in the wake of the unprecedented shortfall of current net revenues and implied a dramatic deterioration of fiscal imbalances for the Greek economy.

(c) Interest payments in Jan.-Sept.2009 reached € 10.79 billion, compared with € 10.13 billion in Jan.-Sept. 2008, registering a small increase of 6.5%. An important development in recent months has been the considerable fall of the spread of Greek bonds over German bonds, with the 10-year spread fluctuating around the 145 bps, from more than 250 bps in Q1 2009. Moreover, interest rates on government bonds of 2-year and 3-year maturity are fluctuating at 1.35% and 2.24% respectively, while treasury bills rates are set at bellow 0.7%. Therefore, the exceptionally high interest payments observed in H1 2009 are not expected to reappear in H1 2009 and in 2010.

(d) In the Public Investment Budget (PIB), expenditure reached € 7.8 billion in Jan.-Sept 2009, up 19.2% y/y, compared to the planned fall of -8.8% for the year as a whole in the Budget 2009. On the other hand, PIB revenues reached € 1.4 billion in Jan.-Sept 2009, down from € 3.54 billion in Jan.-Sept. 2008.

These developments were of course not in keeping with the pressing need for a more determined action towards fiscal adjustment. Between 2002-2008, net current revenues have been growing by 5.7% (1.6 percentage points below nominal GDP growth), while primary expenditure has been growing at 9.8% (2.5 percentage points above nominal GDP growth). This implies that primary current expenditure has reached 20.8% of GDP by the end of 2008 while net current revenues declined to around 21.6% of GDP in 2008 (Diagram 5). Total tax revenues in Greece stand at 32% of 2007 GDP, compared with 40.4% of GDP in the Eurozone and 43.3% of GDP in Italy.

Diagram 5. Net current revenues and curremt primary expenditure as % of GDP



INFLATION: CPI inflation remains low at 0.7% in September 2009, from 0.6% in July, 0.5% in May and June, and 2.0% in Dec. 2008. Core inflation (which in Greece excludes unprocessed food and energy products) also fell to 2.1% in Sept.'2009, from 2.0% in July and 3.7% in July 2008. Inflation in both Greece and the Eurozone is expected to increase in the two final months of the year, mainly due to base effects, and ***to average to 1.1% for 2009 as a whole, from 4.2% in 2008***. However, Greek CPI inflation remains higher than in the Eurozone, as Greece is still experiencing higher growth in both domestic demand and unit labour costs relative to other Eurozone countries.

BALANCE OF PAYMENTS: The current account deficit (CAD), which includes net capital transfers, fell in Jan.-August 2009 by -19.2%, reaching € 15.2 billion or 6.2% of GDP, from 7.8% of GDP in Jan.-August 2008. Developments in the Greek BoP in H1 2009 reveal the effect of the substantial fall of domestic demand in Greece due to the international economic crisis.

Of particular importance was the substantial fall of the deficit of the trade balance by -31.5% as a result of the fall of exports of goods by -24.1% and the even higher fall of imports of goods by -29.2%. In fact, payments for imports of fuels were € 4.02 billion lower than in Jan.-August 2009. Also, payments for imports of goods excluding fuels and ships were lower by € 6.94 billion, while the corresponding fall in exports excluding fuels and ships did not exceed € 1.58 billion.

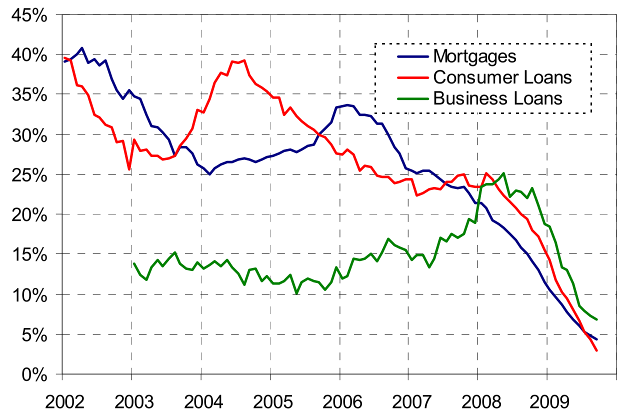
Table 2. Greek Balance of Payments (€ Billions)

	2006	2007	2008	Jan.-August 2008	Jan.-August 2009
Trade Balance (TB)	-35,29	-41,50	-44,05	-30,06	-20,60
Exports	16,15	17,45	19,81	13,20	10,01
Imports	-51,44	-58,94	-63,86	-43,26	-30,61
Services Balance	15,34	16,59	17,20	12,74	9,10
Tourism Receipts	11,39	11,32	11,66	8,70	7,55
Shipping Receipts	14,32	16,94	19,19	13,19	9,07
Income Balance	-7,12	-9,08	-10,89	-7,10	-6,77
Payment of Interest, Divid. & Profits	-10,46	-13,37	-16,21	-10,52	-9,41
Transfers' Balance	6,45	5,92	6,85	5,56	3,04
Current Account (CA)	-20,62	-28,06	-30,89	-18,86	-15,24
CA (% of GDP)	9,6%	12,3%	12,8%	7,8%	6,2%
Capital Account	20,36	27,68	30,19	19,08	16,06

Source: Bank of Greece

A second important development was the fall by -28.7% of the surplus of the balance of services, as a result of the fall by -13.2% of earnings from external tourism, as well as the fall of net receipts from international shipping by -35.2%. Payments for services imports were also lower by -16.0%. Thirdly, the deficit of incomes balance was lower in Jan.-August 2009 on a yearly basis, mainly due to the fall of payments for interest, dividends and profits to foreign investors in Greek financial assets (government bonds and shares) by -10.5%, from 15.6% in Jan.-August 2008. Finally, the surplus of the balance of current and capital transfers was substantially lower on a yearly basis in Jan.-August 2009, by € 2.5 billion, constraining an even bigger fall of the current account deficit. A further improvement of the CAD is expected for 2009 as a whole, where the deficit is estimated to fall to 9.0% of GDP, compared with 12.7% of GDP in 2008 and 12.3% of GDP in 2007.

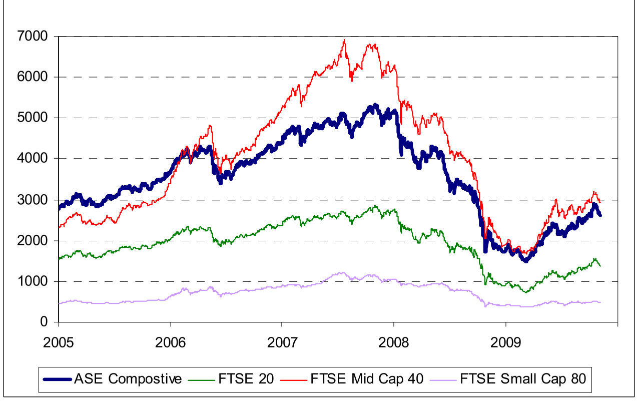
Diagram 6. Credit Expansion



In ***the capital account*** of the Greek balance of payments, net capital inflows fell to € 16 billion in Jan.-August 2009, from € 19.1 billion in Jan.-August 2008. ***Net capital inflow through foreign direct investment (FDI)*** reached € 1.73 billion from € 1.0 billion in Jan.-August 2008. This was mainly due to higher FDI by foreign firms in Greece of € 2.28 billion (Jan.-Aug.'2008: € 2.75 billion), as well as to the substantial fall of FDI by Greek firms abroad to € 0.55 billion (Jan.-Aug.'2008: € 1.74 billion). ***Net Capital outflows for portfolio investment abroad by Greek residents*** revived in the last months, resulting in a net outflow of € 8.7 billion in Jan.-Aug.'2009. On the other hand the Jan.-Aug.'2009 period witnessed a substantial increase of net capital inflows from foreign residents for portfolio investment in Greece to € 29.8 billion, from € 18.3 billion in Jan.-Aug.'2008. c) Finally, there was a net outflow of other investments (primarily bank borrowing and lending) of € 6.76 billion in Jan.-Aug.'2009, from a substantial net inflow of € 5.5 billion in Jan.Aug'2008. This net outflow comprises an inflow of € 6.5 billion from foreign banks to Greek banks and an outflow of € 13.3 billion from Greek banks to banks outside Greece.

Money & Financial Markets: Credit expansion to businesses and households decelerated to 5.4% at end September 2009, from 7.6% at end-June 2009, 10.8% at end-March and 15.9% at end-Dec 2008. In particular, mortgage and consumer lending growth reached 4.4% and 2.9% respectively at end September, from 6.0% and 6.6% at end June 2009 and 11.5% and 13.7% at end-December 2008. Loans to domestic households reached 48.0% of GDP in end-September 2009, from 48.2% of GDP in end-Dec 2008, compared to 62.6% of GDP in the Eurozone in end-August 2009. On the other hand, lending growth to businesses remained strong at 6.8% at end-September 2009, from 8.8% y/y at end June 2009, and 18.7% at end-2008. Overall, credit expansion to the private sector is expected to decelerate between 3.0% and 5.0% by year-end 2009, which is still in line with an expected nominal GDP growth of about 0.6%. In fact the substantial improvement of the international economic environment from Q3 2009 onwards and in particular of the main financial markets may lead to an eventual revival of the demand for credit by the private sector , both in Greece and in other European countries, despite the continuing relatively tight credit rules applied by banks. The substantial improvement of liquidity and capitalization of banks in recent months should help to sustain credit expansion at modest levels, given the expected moderation of activity in the Greek economy.

Diagram 7. Athnes Stock Exchange Indices



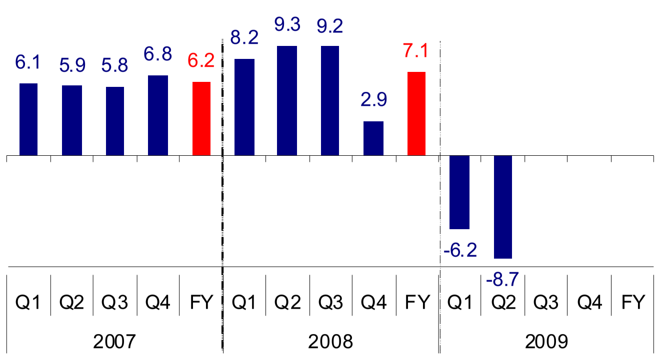
By the end of October 2009, the main ASE composite index was down by -48.1% since the end-2007 (FTSE-20 stocks: -48.0%, mid-cap FTSE-40: -52.0% and small caps FTSE-80: -53.4%). However, in the last six months the Greek stock exchange indices have followed international trends and registered a notable improvement, as the ASE composite index is now up by 30.0%, compared with its close at the end of 2008 (FTSE-20 stocks: 29.0%, mid-cap FTSE-40: 29.0% and small caps FTSE-80: 12.8%). In fact the ASE composite index has now rebounded to its October 10, 2008 level. Following these developments, at the end of September 2009 49.8% of the total stock exchange value of listed firms was in the hands of foreign investors (€ 49.36 billion), down from 51.8% at end 2007 (€ 196.4 billion).

2. ROMANIA

ECONOMIC OVERVIEW: The decline of second quarter GDP by 8.7% y/y was precipitated by the sharp fall in private consumption by 12.2% and investment by 25.6%, whereas public consumption increased by 3%. These three items together, in other words final domestic demand, had a negative contribution of 24 percentage points in GDP growth. However this was counteracted by a positive contribution of 25 percentage points from the external balance of trade as imports fell by 33% y/y and exports by 20.8%. So in the end, what tipped the balance was the change in inventories which, together with the (ill defined) category of statistical discrepancy subtracted nearly 10 percentage points from GDP growth.

On the supply side, industrial production remained firmly in negative territory dropping by 9% y/y in Q2 2009. Construction also, despite its positive performance in Q1 2009, recorded a y/y 14.2% negative growth of value added in Q2 2009. The agricultural sector was similarly depressed with a fall of 9.1% y/y in Q2 2009. The fall in valued added accelerated in all branches of the services sector with the exception of public administration. The recession has led to an increase in the unemployment rate to 6.9% in August, but while the growth in the average wage has decelerated, it remains above that of inflation at 5.6% y/y in August.

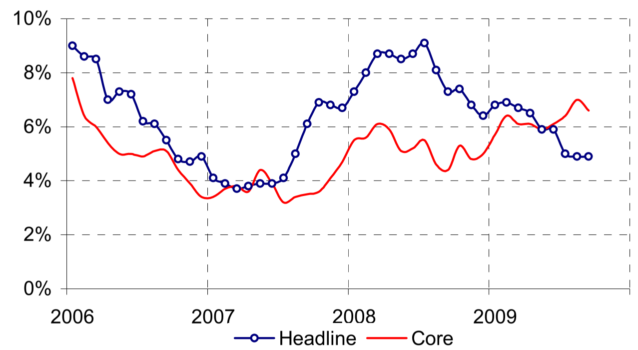
Real GDP (%? YoY)



The difficult external financing environment has been a major factor behind the sharp fall in domestic demand, by bringing credit expansion to a near halt. Looking ahead, the economic recovery that has already started to take place in the major economies of the Eurozone will likely further diffuse the recession in the industrial sector and lead to a deceleration in the rate of decline of exports. On the other hand, the recovery in the construction sector will likely come at a later date. **Developments in the political front will be of particular significance to the economy.** In particularly market participants and ratings agencies are alert to the forthcoming presidential election and the need for a stable government with the necessary political clout to move forward with the IMF's ambitious reform agenda and obtain the third loan tranche worth € 1.5 billion. If the political deadlock persists the possibility of further ratings downgrade will re-emerge.

FISCAL POLICY: The general government deficit reached 5.0% of projected full-year GDP in Jan-Sep 2009 in line with the conditions set by the IMF but with little breathing space considering the year end target is 7.3% of GDP. Concerns over the fiscal finances have escalated following the collapse of the government which has delayed the implementation of key legislation regarding uniform pay in the public sector and the overhaul of the highly pressed pension system. Discussions are currently underway in the context of the review of Romania's loan accord between, on the one side, the interim government, the central bank and other political actors and on the other, the IMF, the EC and the WB. A crucial focus here will be the adoption of the 2010 general government budget and how to contain the deficit to below 5.9% of GDP in 2010.

HICP Inflation (%Δ YoY)



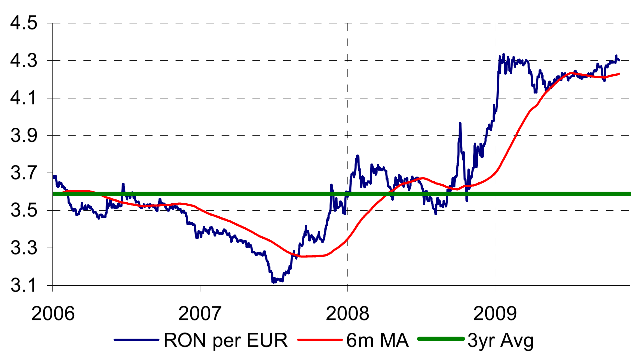
INFLATION: The sharp decline in private consumption from the side of demand and the fall in international commodity prices from the supply side have diluted inflationary pressures. Headline CPI is on track to meet the IMF prescribed end of year target band of 3.5% to 5.5% having eased to 4.9% y/y in September 2009 from 6.5% in December 2008. However the underlying risks to inflation are still there and may again re-appear if the model on which economic growth is based continues to rely nearly exclusively on consumption, once the recession is over. A more immediate source of incipient inflationary pressures is the political instability in the country through its effects on the exchange rate. In particularly, if the IMF program were to collapse due to lack of governance, the exchange rate may enter a new cycle of depreciation increasing import prices.

BALANCE OF PAYMENTS: The inflow of capital from abroad recorded in the capital account of the balance of payments is revealing of the magnitude of the world economic crisis and the way it has effected the emerging economies of Europe who have relied heavily on external sources of funding for at least the past decade. Notably the surplus on the financial account in the period Jan-Aug 2009 was € 1.9 billion from over € 12 billion in Jan-Aug 2008. In particular, net foreign direct investment, considered to be especially good for the local economy for the assimilation of technological developments and the increase of productivity, declined by 55.2% y/y to € 3.1 billion in Jan-Aug 2009. Even so, the coverage of the deficit in the current account shot up to 125.1% from 62.2% in the same period of the previous year. In absolute terms the deficit declined to € 2.5 billion from € 11 billion respectively. Admittedly, the pace of capital inflow decline has eased and the outlook is that flows will further stabilize in the months ahead given successful progression of IMF talks.

External Debt: Lower capital inflows and lower deficit in the current account have occurred in tandem with a gradual slowing-down of debt accumulation. Gross external debt at the end of August 2009 was increased by only 4.9% to € 76.9 billion from € 73.4 billion at the end of 2008. Medium and long-term external debt increased by € 8.8 billion or 17.3% year-to-date to € 60.1 billion, from this increase € 4.8 billion is IMF borrowings. Short-term debt decreased by 24.1% year-to-date to € 16.8 billion accounting for 21.9% of total external debt.

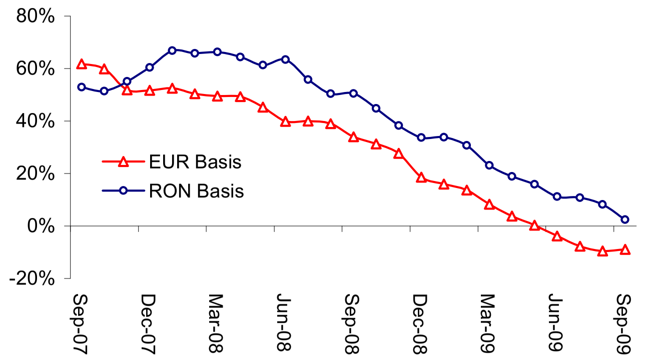
Money & Financial Markets: During the period of prolonged volatility in the FX market from August 2008 until March 2009, the Romanian LEU lost 51.6% of its value against the US Dollar and 22.5% against the Euro. The period from March 2009 until late September was one of relative calm where the Romanian LEU even witnessed gains against both the US Dollar and the Euro, appreciating by 16% and 2.4% respectively. The collapse of the government has since precipitated a partial reversal of this trend with the LEU depreciating 1.5% against the US Dollar and 2.8% against the Euro .

Exchange Rate Developments



The rapid deceleration of inflation and the relative calm in the FX market from March 2009 has enabled the National Bank of Romania (NBR) to gear up its measures to provide for the liquidity of the economy and cut its key policy rate to 8% at the end of September 2009 from 10% in February 2009 and a high of 10.25% in August 2008. It has further undertaken numerous open market operations and has maintained the reserve requirement ratios at low levels. The Central Bank's foreign exchange reserves stood at € 27.7 billion in September 2009 from € 27.3 billion in August 2009 and € 26.2 billion in December 2008.

Credit Growth 24m (%Δ YoY)



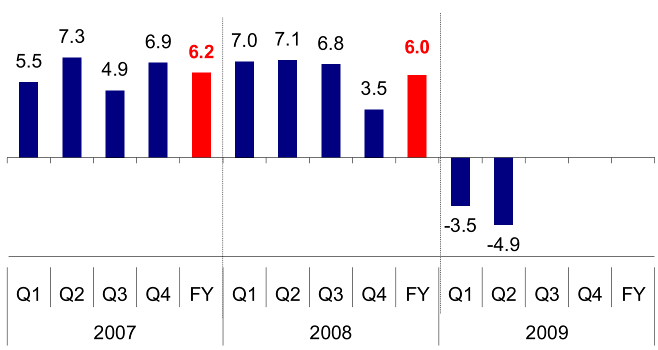
(Data reported in Euros). Credit expansion to the private sector has continued to decelerate and has further begun contracting since June 2009. The latest figures show negative yearly growth of -8.9% in September 2009 (18.6% in December 2008) a business credit contracted by -9.8% and household credit by -7.9%. It is noted that credit penetration remains relatively low at around 38% of GDP in September 2009 having further decelerated from around 39% in 2008 and 36% in 2007.

3. Bulgaria

Economic Overview: GDP growth declined by -4.8% y/y in Q2 and -4.2% y/y in H1 2009. The decline in economic activity in H1 2009 was due to the fall of private consumption and fixed investment by -5.9% y/y and -15.3% y/y respectively, while government consumption increased by 5.0%. Overall, final domestic demand registered negative growth of -8.2% y/y, contributing -9.1pps to GDP growth. On the other hand, exports of goods and services fell by -16.5% y/y, with imports of goods and services falling at -22.8%, that is at a much higher rate than both final domestic demand and exports. This implied a substantial positive contribution of net exports to GDP growth of the order of 12.3 percentage points. Despite this, imports of goods and services still exceed exports by a factor of about 1.3 making a further adjustment necessary. Therefore, the fall in GDP in H1 2009 is mainly due to the fall in inventories and statistical discrepancies, which contributed by -7.4 percentage points to GDP growth. From the production side, declines were registered in agriculture, by -6.6% y/y, and in industry, by -9.8%, while the services sector managed again marginal growth of 0.3% y/y.

Echoing the first half decline in GDP growth, ***industrial production*** posted growth of -15.9% y/y in August 2009, following a -18.7% y/y growth in July and June and a higher -22% y/y decline in May. Therefore, industrial production is estimated to have fallen by roughly -15.5% y/y in Q3 2009, following a -20% y/y fall in Q2 2009 and the -17% y/y decline recorded in Q1 2009. Also, industrial sales registered a -23.3% y/y fall in August 2009, following a -23.8% y/y fall in July 2009. Moreover, construction output is still on an accelerating falling trend, as it fell by -17.0% y/y in August 2009, from -14.4% in July, -9.1% in June, -14.3% in May and -4.8% in March 2009. Construction output is now registering negative y/y growth since Q3 2008. Finally, Bulgaria's electric power consumption dropped by 8.0% y/y in Jan–Sep 2009 due to the effect of the global downturn on the domestic consumption and economic activity. Overall, these data indicate that the recovery of industry and construction from the deep recession of H2 2008 and H1 2009 will be very slow. For the year as a whole industrial production is expected to register negative growth of the order -16.1%, while the fall of the output of the construction sector is estimated at roughly -11.5%.

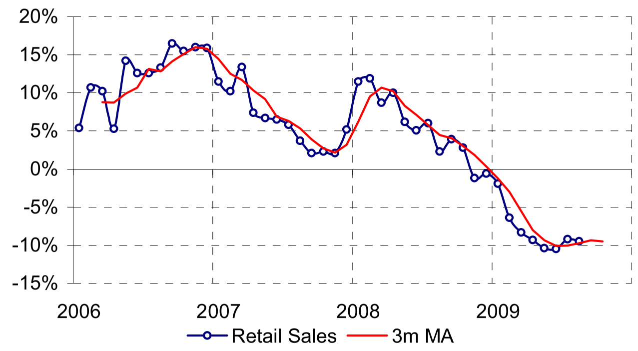
Real GDP (%Δ YoY)



Similarly, the contraction in retail sales decelerated slightly to -9.5% y/y in August 2009, from -10.5% y/y in June 2009 and -10.4% in May 2009. Moreover, the unemployment rate continues to inch higher and reached 8.0% in September 2009, up from 7.6% at the end of July 2009, 6.7% in March and 5.8% in September 2008. Increasing unemployment and the remaining uncertainties about the future economic developments in the country are expected to contribute to a continuing falling trend of private consumption in Q3 and Q4 2009. Recovery of consumption in Bulgaria in 2010 will depend on the robustness of the recovery in Europe and the revival of FDI into Bulgaria in this period.

For the year as a whole, GDP growth is now forecast at around -6.0%, a new downward revision from our previous estimate of -5.0%. The new estimate is compatible with the IMF estimates for a -6.5% GDP growth in 2009 and a -2.5% growth in 2010. Also, the new government has prepared the Budget for 2010 a negative GDP growth of -6.3% in 2009 and -2.0% in 2010. Overall, the Bulgarian Finance Ministry is forecasting that the economy will reach the bottom of the current economic cycle around the end of 2009 or beginning of 2010 as it is expected to follow the recovery of its main trading partners with about 6-month lag.

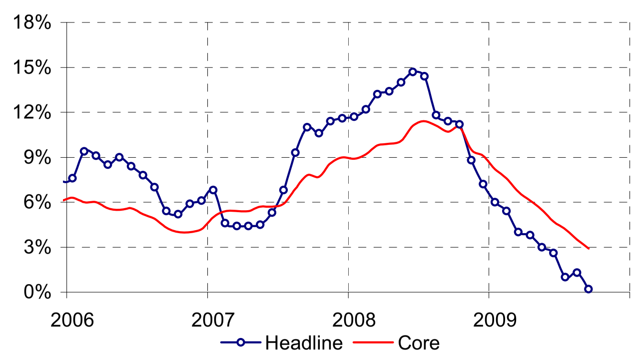
Retail Sales (%Δ YoY)



FISCAL POLICY: The general government registered a BGN 552.2 million (0.9% of GDP) deficit at end-September of 2009, compared with a surplus of 0.3% of GDP in H1 2009. The new government has already taken measures in order to secure a balanced budget in 2009, including a 15% cut in public spending and measures to curb smuggling and tax evasion. However, with projections for weak GDP growth, the IMF has projected a deficit of 0.5% of GDP in 2009 and of 2.0% of GDP in 2010. The IMF has welcomed the belt-tightening measures, but urged the government to secure lower wage growth and push ahead with the needed measures for structural reform in order to improve productivity, competitiveness and growth.

INFLATION: CPI inflation slowed to 0.2% in September 2009, from 1.3% in August 2009, 7.8% in December 2008 and an average of 12.3% in 2008. This fall was due to the substantial decline in world energy prices and a successful harvest in 2008, The substantial fall in domestic demand is also a contributing factor to the low inflation of 2009. Food prices have also registered a decline of -1.1% y/y in July, despite the existing weaker projections for agricultural output in 2009.

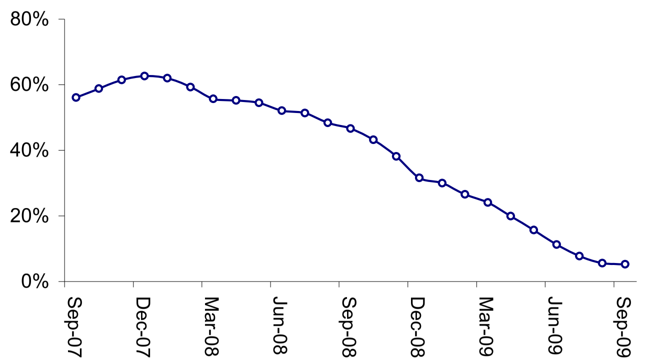
HICP Inflation (%Δ YoY)



BALANCE OF PAYMENTS: With a correction underway in the merchandise trade deficit, the current account balance is expected to improve from a deficit of 25.2% of GDP recorded in 2008, to a deficit of around 11.0% of GDP in 2009. Already in January–August 2009 the deficit has declined by 56.4% y/y, to € 2.2 billon, reaching 6.6% of forecast full-year GDP versus 14.8% during the same period in 2008. Merchandise exports declined by 29.9%

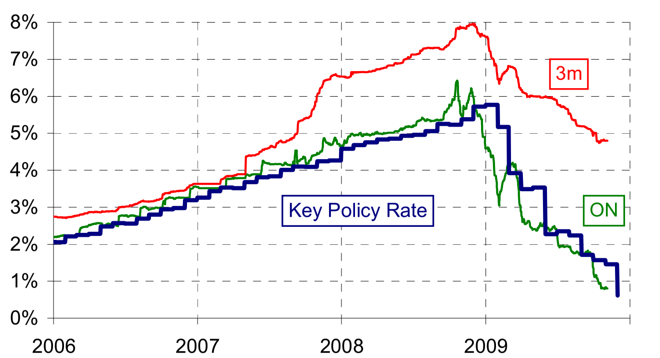
y/y while imports declined by 34.9%. On the other hand, FDI inflows fell to € 1.95 in the first 8-months of 2009, compared with € 4.61 billion in the same period of 2008. Nevertheless, these inflows still cover 88.6% of the current account deficit.

Credit Growth 24m (%Δ YoY)



External Debt & Int. Reserves: International reserves increased by 2.2% m/m (by € 274.5 million) at end-October 2009, reaching the level of € 12.67 billion. In August and September the increase in reserves was backed by IMF contributions under the special one-off SDR distribution. Government deposits held at the central bank increased by 5.4% in October 2009 and now account for around 29,5% of total international reserves versus 30% at the start of year. International reserves are today -0.4% lower compared with their level at the end-2008 and -10.7% lower from end-October 2008. The ratio of foreign reserves to short-term debt improved to 99.5% as of end-August 2009, from 88.7% as of end-May, 97% at end-2008 and more than 120% at end-2007. By end August 2009 year-to-date ***gross external debt*** had increased by 1.8% y/y, ***to € 36.1 billion or 107.9% of GDP, f***rom € 31.9 billion at end-May 2008. As of end-August 2009 long-term external debt amounted to € 23.94 billion (63.6% of total debt), and short-term external debt reached € 12.2 billion (36.4% of total debt).

Interbank Market (%)



Money & Financial Markets: Bank lending continues to slow, from 62.7% and 31.6% in 2007 and 2008 respectively, to 11.3% y/y in June 2009. Year-to-September bank lending increased by 2.9%. Lending to households slowed to 7.3% in September from 31.3% in December 2008, while lending to businesses slowed to 4.1% in September from 31.8% in December 2009. Credit penetration increased to 74.7% in September from 66.7% in 2007. Bank deposits have increased by 4.2% year-to-September and by 5.0% y/y in September, down from 34.4% in 2007 and 9.2% in 2008. Household deposits increased by 7.1% y/y in September from 16.8% end-2008. Business deposits increased 2.0.% y/y in September The loan-to-deposit ratio now stands at 1.35.

4. Cyprus

Economic Overview: While economic activity remained strong in 2008, driven primarily by domestic demand, weaker external demand in the second half of the year led to a deceleration of GDP growth to 3.7% versus 4.4% in 2007. Private consumption remained solid, registering growth of 7.0% (8.2% in 2007), supported by low interest rates, strong credit expansion and continued wage and income growth. Moreover, disposable incomes received a boost from a 2007 personal income tax cut which was maintained in 2008. Investment posted stellar growth of 9.8% (10.4% in 2007), aided by private investment in construction, most notably, in housing. Government expenditure also played a vital role in sustaining demand with growth of 8.7% (0.1% in 2007). While domestic demand contributed around 8.3pps to GDP growth in 2007, this was offset to a great extent by the substantial negative effect of -4.9pps from net exports. Exports of goods and services were heavily affected by weaker external demand and registered growth of just 1.1% (7.2% in 2007) while imports of goods and services registered growth of 9.9% (12.5% in 2007).

Looking at 2009, economic activity entered negative territory with -1.1% y/y GDP growth in Q2 2009 and -0.2% y/y growth for the first half of the year. While private consumption remained in positive territory with 1.7% growth in Q2 (1.6% H1 2009) investment registered -5.1% y/y growth in Q2 following the positive 3.1% y/y in Q1 2009. Exports of goods and services continued to feel the effect of weak external demand, registering growth of -13.5% y/y in Q2 and -10.0% y/y in Q1, while imports of goods and services declined by -17.5% y/y in Q2 and -16.4% y/y in Q1. The outlook for Cyprus in the coming two years remains relatively weak, with growth expected to lag behind the EU average.

Fiscal Policy: The general government surplus fell to 0.9% of GDP in 2008 from 3.4% in 2007. This was due to both a shortfall in revenues (the outcome of weaker activity in the real estate sector), and to expenditure overruns (due to the drought and the related expenses associated with maintaining water supplies and compensation to farmers). In addition, government expenditures were affected by social transfers and other social cohesion measures (for pensioners and other welfare recipients) which accounted for an expenditure increase equal to roughly 0.5pps of GDP. For 2009, as economic growth has slowed, the public finances have deteriorated pushing the government deficit to a forecast 3.5% of GDP. This decline, versus the positive performance in 2008, is due to weaker than anticipated revenues and higher-than-planned expenditure. The broad based decline in revenue reflects the overall impact of the financial crisis on economic activity, especially in the construction and real estate sectors. The draft 2010 budget was presented to parliament in October and contained only minor changes from the initial draft announced earlier in September. According to this draft the budget deficit will reach 4.5% of GDP, assuming a deficit of 2.9% in 2009. While the proposed budget does refer to a series of supplementary measures that could be taken in 2010 as a means to restraining the budget deficit to below 3%, they are not accounted for in the budget target itself. In actual fact, the European Commission forecasts a deficit of 5.7% of GDP for 2010, which reflects the base effect of a higher estimated deficit of 3.5% in 2009, a somewhat gloomier macroeconomic scenario and a more prudent assessment of measures on the revenue side.

INFLATION: While average CPI inflation reached 4.4% in 2008 (due to buoyant domestic demand and high commodity prices, especially for oil and food), towards the end of the year prices began to ease sharply owing to base effects, subdued consumer demand and lower international commodity prices. In fact, CPI inflation fell to -1.2% y/y in September 2009, from -0.99% in August. Food and beverages recorded a -2.9% y/y decline in September, transportation -7.4% y/y, household utilities -3.92% y/y and health services +7.27% y/y. Average y/y CPI inflation for Jan-Sep fell to 0.2%, with average inflation forecast at 0.4% y/y for 2009. However, driven by oil price developments (on which Cyprus is very dependent) and powerful base effects, a rapid return to the trend inflation reaching 3.1% in 2010 and 2.5% in 2011.

BALANCE OF PAYMENTS: The current account deficit increased by 69.4% y/y in 2008 and reached 18.0% of GDP from 12.0% of GDP in 2007. This increase reflected not only the sustained strength of consumer demand and the surge in commodity prices during the first half of 2008, but also the weakening of external demand in the second half of 2008. This restricted export growth to 6.1%, with imports growing by 15.6%, increasing the trade deficit increased by 17.7% y/y. However, during the first half of 2009, the current account deficit has declined by -44.9% y/y to € 725 million. Behind this improvement was the -23.3% y/y decline in the trade balance, with merchandise exports declining -17.0% y/y and imports declining -22.1% y/y in H1 2009. Revenues from the exports of services declined by -8.0% y/y while service imports declined by -15.1% y/y during the period. In fact, revenues from transport services and external tourism were down by -11.9% and -17.2% in H1 2009 respectively. Tourist arrivals declined by -10.7% y/y in Q3, -9.5% y/y in Q2 and -15.2% in Q1 2009. The biggest decline, in percentage terms, was among arrivals from Russia, which declined by -22.9% y/y. The Russian market has grown strongly in recent years to become Cyprus' second largest market after the UK, accounting for roughly 7.5% of all tourists in 2008 versus 51.7% for the UK. The financial account declined by -45.8% y/y to € 695.8 million in H1 2009. Portfolio outflows increased from € 1.82 billion in H1 2008 to € 7.26 billion in H1 2009. Net FDI registered a positive inflow of € 235.4 million versus an outflow of € 238.7 million in H1 2008. The European Commission forecasts that the current account deficit will decline to 11.6% of GDP in 2009 and 9.0% of GDP in 2010.

MONEY & FINANCIAL MARKETS: The decline in total credit expansion has proved to be relatively modest, with growth easing from 34.3% in December 2008 to 28.5% in March 2009 and now 11.3% in September 2009. Likewise, credit to businesses has eased to 12.2% in September 2009, from 38.3% in March and 44.7% December 2008. Credit expansion to households decelerated to 10.0% in September 2009, from 16.4% in March and 21.7% at end-2008, with mortgage expansion of 21.6% in September 2009, from 22.2% in March and consumer credit expansion of -0.7%% in September 2009 from 11.4% in March.

5. SERBIA

ECONOMIC DEVELOPMENTS: Following a decade of stellar economic performance, GDP growth slowed to 2.8% y/y in Q4 2008 and to 5.8% for the full-year 2008. The Serbian economy has continued to contract, registering GDP growth of -4.0% y/y in Q2 and -4.2% y/y in Q1 of 2009 (revised from earlier 3.5% decline). Reflecting the collapse in demand, the manufacturing sector recorded the largest decline in Q2 with growth of -20% y/y. The construction sector also weakened further, contracting by -16.1% y/y in Q2 and -13.8% y/y in Q1. The hotels and restaurants sector registered a decline of -11.8% y/y in Q2, mining declined by -9.0% y/y and retail trade by -8.0% y/y. Positive contributions were recorded in transport and communications sector (7.5% y/y), financial intermediation (5.9% y/y) and agriculture (3.2% y/y). The real estate sector also improved with 2.7% y/y growth in Q2, while the services registered 1.7% y/y growth in Q2, albeit it slower than in Q1. For the first half, economic activity contracted by -4.1% y/y versus 7.3% growth during the same period in 2008.

Economic activity appears to have remained weak in the third quarter, with indicators pointing towards a deeper contraction ahead. Industrial output contracted by -10.0% y/y in August, a modest improvement from the -15.4% y/y and -14.1% y/y decline in July and June respectively. While manufacturing output registered the steepest decline with growth of -15.0% y/y, it still marked a modest easing from the -20.2% y/y recorded in July. During Jan-Aug industrial production declined by -16.2% y/y. Serbia's central bank is currently forecasting a further decline in GDP growth of around -2.7% y/y in Q3 from 4.1% in H1. It has also revised its full-year forecast to -3.0% from a previous -3.6% while the IMF is currently forecasting a decline of around 4.0% in 2009 before recovering to 1.5% in 2010.

Standard & Poor's reaffirmed Serbia's long and short-term sovereign ratings at BB- and B respectively with a negative outlook for the economy. While Fitch affirmed Serbia's long-term foreign and local currency Issuer Default Ratings (IDRs) at BB -, with negative outlook for the economy.

FISCAL POLICY: In consultation with the IMF, the Ministry of Finance announced that the country's fiscal deficit would most likely reach 4.5% of GDP. Moreover, as part of the IMF's most recent review of the country's economic situation, it approved the most recent budget proposal for 2010 which would see the deficit ease to around 4.0% of GDP. Next year's budget would see revenues at between RSD 620 to RSD 640 billion with public spending declining to around 42.5% of GDP in 2010 from 44.5% in 2006. The 2010 budget includes measures such as a freeze on public sector salaries, a cut in the public administration workforce, a reduction in the number of capital spending projects as well as limiting subsides. In addition, the IMF extended the standby arrangement with Serbia through to the end of 2011, ensuring access to the two remaining tranches under the € 2.94 billion stand-by loan.

INFLATION: Following consecutive m/m declines, CPI inflation moved higher in September, increasing 0.3% m/m following the -0.9% m/m decline registered in August. On an annual basis, CPI inflation edged lower to 7.3% in September from 8.0% in August. Underlying this moderation was lower food prices which increased 3.3% y/y (from 4.8% y/y in August), alcoholic beverages and tobacco up 16.3% y/y (from 25.7% y/y in August), as well as prices of healthcare which increased 12.8% y/y from 14.0% y/y a month earlier. For the period Jan-Sep annual inflation reached 9.1% (down from 11.7% for full year 2008) with the Central Bank forecasting year-end inflation at around 9.0% and the IMF forecasting inflation at just under 10.0% for 2009, at the upper limit of the central bank's target. For 2009, the central bank's CPI inflation target is 8.0% with a ± 2% margin.

BALANCE OF PAYMENTS: In terms of GDP, the current account deficit is expected to decline significantly from the 17.2% reached in 2008. Already during the first eight months of 2009, the current account deficit narrowed by 72% y/y to € 1.1 billion due to the -38.1% y/y decline in the trade deficit. During this period, merchandise exports declined by -23.0% y/y versus the -31.0% y/y decline in merchandise imports. The services account recorded a minor deficit of € 19.8 million while the deficit on income account increased 43% y/y to € 284 million. The surplus in the current transfers' account increased 43% y/y during Jan-Aug to reach € 2.3 billion. The financial account recorded a -70% y/y decline but still managed to post a surplus of € 1.2 billion surplus. Even though net FDI declined by around -114% y/y to € 993 million in the 8-month period, coverage of the current account increased to 85% versus 39% during the same period of 2009. Portfolio investment registered a net outflow of € 59 million during Jan-Aug, a modest improvement versus the € 64.3 million outflow during Jan-Aug 2008. Finally, the surplus on the other investments account declined by -39% y/y to € 1.7 billion. For the year as a whole, the IMF is forecasting that the current account deficit will decline to around 9.1% of GDP.

EXTERNAL DEBT & INT. RESERVES: Gross external debt declined by 1.1% m/m or € 272.5 million in August to reach € 21.7 billion. However, since the start of 2009, gross external debt has actually declined by 0.3%. It is worth nothing that since the start of 2009, long-term public external debt has increased by 7.6% largely due to the funds accessed under the stand-by arrangement with the IMF. Long-term private external debt increased by € 139.7 million or 0.9% in August, reflecting a 8.9% m/m increase in external debt of commercial lenders to € 3.96 billion. Since the start of the year, the long-external debt of commercial lenders has increased by 1.2%, while long-term corporate saw external debt decline by € 184.9 billion or 1.7% m/m by € 612.6 million or 5.3% year-to-date and now stands at € 10.9 billion at end-August. The share of short-term debt in overall external debt increased to 8.9% in August (from 8.3% in July and 7.9% in June). The largest share in short-term belongs to the private sector, and mostly with banks, whose short-term liabilities increased by 18.4% m/m but fell by 7.6% year-to-date to € 1.5 billion by end-August. Despite the m/m decline recorded in August, Serbia's external debt is likely to increase the following months once they access the two remaining tranches under standby agreement with the IMF.

The foreign exchange reserves of the Central Bank declined by -0.4% m/m and 17.0% y/y to reach € 9.52 billion by end-September. The primary reason behind the m/m decline in reserves was the € 63.5 million repayment foreign debt, while commercial banks withdrew € 22.3 million in funds kept as mandatory reserves with the central bank. Large inflows included the € 45.2 million worth of special drawing rights, part of $ 250 billion worth of SDRs allocated to all the IMF member states, while the central bank also withdrew a € 14.2 million loan from the European Investment Bank and the Council of Europe's Development Bank.

MONEY & FINANCIAL MARKETS: The Central Bank of Serbia (NBS) is now targeting the consumer price index as part of a planned transition to a full inflation-targeting regime with the two-week repo rate functioning as the Bank's main policy rate. The Bank has lowered its key policy rate by a cumulative 775 bps to 10% so far in 2009. The NBS has cited the slower-than-expected growth of regulated prices in the second quarter, reduced risk premiums, the lower inflation outlook, stable exchange rate, and continued disinflationary effect from weaker aggregate demand, all of which lowered the risk for exceeding the inflation target of 8%. In combination with the 100 bps cut in October, the NBS, in attempt to boost the dinar liquidity, also lowered the mandatory reserve requirements for dinar deposits from to 25% from 30% which should boost bank liquidity by RSD 14.5 billion. Mandatory reserve requirements for foreign exchange deposits was increased to 75% from 70%.

Between Q4 2008 and Q1 2009, the Serbian dinar lost roughly 25% of its value versus the euro, falling from around RSD 76.0/€ to RSD 94.0/€. Likewise, from around the end of Q3 2008 until Q1 2009, the dinar lost around 45% of its value versus the US Dollar, falling from around RSD 50/$ to around RSD 73/$. However, since the signing of the IMF agreement in March, the dinar has stabilised at around RSD 64/$ and RSD 94/€.

The decline in bank lending has proved to be relatively modest, with growth (in domestic currency) easing from 35.1% in December 2008 to 33.9% in March 2009, 28.0% in June 2009 and now 22.6% in September. Likewise, credit to businesses has eased to 24.0% in September, from 28.0% in March and 42.2% in December 2008. Credit expansion to households however, has accelerated to 19.9% in September, from 13.5% in June and 23.5% at end-2008. As of end-September Loans-to-Deposits reached 1.273 versus 1.268 at end-2008 and 1.019 at end-2007.

6. Albania

Economic Outlook: Real GDP growth has remained strong in 2009, despite having decelerated to 5.3% y/y in Q2 from 6.0% y/y in Q1 2009. Based on preliminary value-added data, the industrial sector recorded a -6.3% y/y decline in Q2 from -4.3% y/y in Q1 while the retail trade sector declined by -3.2% y/y for the quarter from -4.7% y/y in Q1 2009. These declines were more than offset by the strong growth rates recorded in the remaining sectors of the economy. For instance, in the second quarter, the communications sector and the other services sector increased by 18.1% y/y (25.6% y/y Q1) and 15.9% y/y (15.2% y/y Q1) respectively. Likewise, the construction sector recorded growth of 9.8% y/y, accelerating from 8.0% in Q1 due primarily to increased government spending on public infrastructure projects. The agriculture sector registered a weaker growth of 3.5% y/y in Q2. The World Bank's most recent GDP growth forecast for Albania is for a deceleration to positive 1.5% y/y growth this year, compared to a contraction of -1.6% for the region of Central and Eastern Europe. The IMF has raised its 2009 growth forecast for to 0.7% and 2.2% in 2010. Based on the IMF forecasts, GDP growth in Albania will exceed the regional average by 0.4pps in 2009, increasing to 2pps by 2014. As such, for 2009, Albania is at poll-position relative to other economies in the region, where economic growth is expected to be far weaker: Croatia (-5.2%), Serbia (-4%), Montenegro (-4%) Bosnia and Herzegovina (-3%) and FYROM (-2.5%). However, downside risk to the growth forecasts arises from possible weaker than expected remittances.

The European Commission (EC) recently adopted the Multi-annual Indicative Planning programme for Albania which will provide the country with around € 269 million of assistance to support its path towards EU integration. The funds will be divided in two major components – Transition Assistance and Institution Building (€ 237.9 million) and Cross-Border Cooperation (€ 31.5 million). The primary focus will be the support and reform of public administration and the strengthening the capacity of the state institutions. The financial assistance for the judicial and police reform aims to help fight corruption and strengthen the political system.

Fiscal Policy: The general government budget recorded a deficit of ALL 47.5 billion (€ 350 million) during Jan-Aug, a substantial increase from the € 67 million deficit recorded during the same period of 2008. The larger deficit was due largely to the surge in primary expenditure which increased by 25% y/y to ALL 242.5 billion during the first 8 months. The growth in expenditure was driven by the significant increase in public investment related to numerous large infrastructure projects. Meanwhile, revenue growth slowed to 5.4% y/y or ALL 195 billion. The government has recently approved a supplementary budget for 2009, which foresees an increase in the government deficit to 6.4% of GDP, up from the initial 4.2% of GDP.

The ministry of finance has drawn a second tranche worth € 100 million from a € 250 million syndicated loan. The funds will be used to finance major road infrastructure projects. The first € 100 million tranche was transferred in May, while the remaining € 50 million remains to be withdrawn.

Inflation: Higher food and energy prices saw average CPI inflation accelerate to 3.4% y/y in 2008, from 2.9% y/y in 2007. After reaching a high of 4.6% y/y in March 2008, inflation declined to 2.2% y/y in December 2008. Although CPI inflation declined in the first three months of 2009, to a low of 1.6% y/y in March, it has since increased to 2.2% in August and 2.0% in September, averaging 2.0% during Jan-Sep 2009. Food prices increased by 5.1% y/y in September, driven by the sharp increase in the prices of fruit (20.7% y/y) and vegetables (30.1% y/y). Inflation is expected to average 1.6% in 2009.

Balance of Payments: In 2008, the current account deficit increased by 55.3% y/y to € 1.3 billion reaching 14.9% of GDP, up from 11% in 2007. In the first half of 2009, the current account deficit increased by 8.1% y/y to € 682 million, with only a modest -0.5% decline in the trade deficit which reached € 682 million. Driven by weak external demand, exports declined by -20.6% y/y while weak domestic demand drove imports -6.5% y/y lower. The services account registered a deficit of € 39 million While current transfers decreased by -4.2% y/y to € 456 million in H1, of which remittances accounted for around € 394 million (having declined by -6.2% y/y). Foreign direct investment increase by around 120% y/y to € 424 million in H1 2009 due to a € 102 million transfer in May by the energy company CEZ which was made following finalization of the privatization of power distribution company OSSH. Portfolio investment reached € 18 million while the other investment category declined by 25.8% y/y to € 233 million. The financial account recorded a surplus of € 675 million in H1 2009.

During Jan-Aug, the trade deficit decreased by 2.7% y/y reaching ALL 207 billion (€ 1.5 billion). Exports continued to decline and registered growth of -15.5% y/y, while the decline in imports eased to -2.3% y/y. Exports have been heavily affected by the drop in external demand for construction materials and base metals. The largest export sector, textiles and footwear, shrank by -3.5% y/y but still accounted for as much as 50% of the total exports. Among imports, the minerals, fuels, electricity category registered a -27.7% y/y decline in growth which was partly offset by increase in the machinery and equipment category and chemicals and plastics category of 11.8% y/y and 14.8% y/y respectively. The IMF forecast that the current account deficit will decline to around 11.5% of GDP in 2009.

Money & Financial Markets: While the risks to the economy arising from the global financial crisis have increased, the financial system remains healthy and the main macroeconomic indicators are well under control. Moreover, to ensure confidence in the banking sector remained unaffected by developments abroad, the government raised the guarantee of bank deposits to € 25,000. The guarantee covers more than 80% of all bank deposits. This increase represents a 7-fold increase over the initial € 2,700. Year-to-date, private sector deposits have increased by 2.8%. However, y/y deposit growth still remains in negative territory having registered -2.9% growth in August. Household deposits (which account for over 80% of total deposits) have increased by 4.5% since the start of the year and recorded negative growth of -3.9% in August. Business deposits are the primary source of the withdrawals, registering negative year-to-date growth of -6.1%. Private sector credit growth remains robust, despite having eased in 2008. Total credit growth declined to 34.9% in December 2008 from 50.3% in December 2007. In 2009, private sector credit growth continued to slow in September to 13.1% y/y from 26.7% y/y reported in May. Credit expansion to business (which constitutes around 65% of total outstanding credit) has slowed to 16.5% in September from 30.9% May while credit to households eased to 7.1% in September from 19.2% in May.

7. FYROM

Economic Developments: The global economic crisis has had a significant impact on the country's three primary growth drivers, exports, remittances and foreign direct investment. So while economic activity remained robust in the first nine months of 2008 with GDP growth of 5.7% y/y, economic activity began to contract in the final quarter, which lead to weaker GDP growth of 2.0% y/y in the final quarter. Economic activity has continued to weaken in 2009, with GDP growth of -0.9% y/y in Q1 and -1.4% y/y in Q2 2009. Indicatively, private consumption turned negative, registering growth of -0.5% y/y in Q2 from 3.5% y/y in Q1 2009 and 7.4% in 2008. Likewise, investment declined by -20.8% y/y in Q2 from positive growth of 16.8% y/y in Q1 2009 and 18.3% in 2008. Exports of goods and services posted growth of -9.8% y/y in Q2, somewhat of a recovery from the -21.6% y/y decline in Q1 while imports of goods and services continued to decline with Q2 growth of -14.3% y/y from -5.6% y/y in Q1 2009. On the supply side, industrial output registered -13.6% y/y growth in Q2 following the -7.0% y/y drop in Q1. The construction sector saw growth rebound to 10.8% y/y from 1.7% y/y in Q1 while the agricultural sector also saw a pick-up in growth to 2.8% y/y from 1.3% in Q1.

Pointing to a further likely decline in GDP growth for the third quarter, industrial production continued to fall, albeit at a more subdued rate. Output declined by -9.8% y/y in September and August following the -19.8% decline in July. Manufacturing production, which accounts for roughly 84% of industrial output, declined by -11.4% in September. Energy production recorded the largest decline, with growth of -16.5% y/y and -23.1% m/m. While intermediate goods declined by -12.9% y/y, they increased by 25.7% m/m. Durable consumer goods declined by -12.6% y/y, but increased by 14.4% m/m. For non-durable goods, growth was 5.8% y/y, but recorded a strong m/m increase of 11.6%.

The IMF has raised its forecast for GDP growth to between -1.0% and -1.5% from the previous -2.5% for 2009. The agency noted that the country's economic and financial condition has improved and that the risks of instability have decreased. Moreover it expressed the view that FYROM had dealt with the risks from the global economic crisis better than many countries in the region due to its sound macroeconomic and monetary policies. Likewise, the EBRD is forecasting GDP growth of -1.6% in 2009 with a recovery to 2.0% in 2010.

Fiscal Policy: Due to the combination of a decline in revenues and an increase in expenditure, the general budget posted a deficit of MKD 6.7 billion (€ 110.2 million) during Jan-Sep 2009. During the period, government revenues declined by -7.0% y/y to MKD 94.8 billion with tax revenues having declined by -10.2% y/y (revenues from VAT collections, the largest contributor to the state budget, declined by -6% y/y), while non-tax revenues declined by -13% y/y. Meanwhile, primary expenditure increased by 11.5% y/y to MKD 5.1 billion. In consultation with the IMF, parliament adopted the second revised budget which will target a budget deficit of 2.8% of GDP in 2009 and 2.5% of GDP in 2010.

FYROM is set to receive € 55 million from the European Union under the instrument for pre-accession (IPA). The funds will be used to boost employment. The proposed projects include modernisation of the employment agency, support of the national employment strategy and measures for opening new jobs. An additional € 4.1 million will be spent on cross-border co-operation with Bulgaria.

INFLATION: Peaking at more than 10.0% during the summer months of 2008, consumer price inflation averaged 8.3% in 2008, up from 2.2% in 2007. However, by December inflation had eased to 4.1% y/y. For 2009, CPI inflation has averaged -0.4% y/y during January-September. In September 2009, CPI inflation has eased to 1.4% with food prices having declined by -2.5% y/y and prices of services having declined by -2.2% y/y for the month. Household costs continued to increase, up 3.6% y/y due to a 4.6% y/y increase in fuel and lighting. Transportation prices, which account for 9.0% of the index, declined by -8.9% y/y Likewise, PPI inflation declined by -9.0% y/y in September, compared to the drop of -9.8% y/y in August. Prices in the energy sector declined by -13.3% y/y and for intermediate goods by -14.7% y/y. The deceleration in prices has followed the drop in global food and oil prices. With international oil prices forecast to remain relatively low and domestic demand dropping significantly as a result of the recession and increased unemployment expected in 2009, inflation is forecast to average 0.0% in 2009.

BALANCE OF PAYMENTS: After a near fivefold increase to 13.4% of GDP in 2008, the current account deficit has contracted in 2009. During the first seven months of 2009, the deficit declined by -35.3% y/y to € 412 million, driven by the -41.0% y/y decline in the trade account. The trade deficit declined to € 898 million in Jan-Jul as exports declined by -56.9% y/y to € 1.8 billion, while imports declined by -51.0% y/y € 1.9 billion. The deficit on the services account turned to a surplus of around € 1.9 million while the surplus on the incomes account became a deficit of € 48.9 million. Net current transfers registered a -37.9% y/y decline to € 532 million largely due to the -37.0% y/y decline in private remittances. Net foreign direct investment continued to deteriorate, declining by -81.5% y/y to € 78.0 in Jan-Jul, while portfolio investment registered a surplus of € 129.8 million. The IMF currently forecast that the current account deficit will decline to 10.6% of GDP in 2009.

MONEY & FINANCIAL MARKETS: The central bank has confirmed that, in an attempt to stabilise the currency, it has, on more than one occasion, intervened on the FX market during the past few months. In Q4 2008 it spent € 162.3 million, while since the start of 2009 it has spent an additional € 280 million. The Dinar has proven to be highly volatile in recent months, strengthening to MKD58.4/€1 in mid October 2008, only to decline to MKD61.03/€1 in mid-May 2009 and is now trading around MKD61.7/€1 at end-October 2009. In an attempt to improve the signalling role of its key policy rate, the Central Bank switched to a volume tender rate and which gradually rose to 7.0%. On the banking front, private sector credit expansion has begun to contract in recent months, from 34.4% y/y in December 2008, credit growth has slowed to 6.4% in September 2009. Credit expansion to businesses (which constitutes 59% of total outstanding credit) has slowed from 32.6% in December 2008 to 5.6% in September, while household credit expansion has slowed from 32.6% in December 2008 to 7.6% in September 2009.

8. UKRAINE

ECONOMIC OVERVIEW: As a consequence of its over dependence on commodity exports and external financing, the Ukraine has been one of the most heavily affected economies in the region. Matters have not been aided by the domestic political instability and the poor economic policy response to the economic crisis. Indicatively, GDP growth declined by -17.5% y/y in Q2 following the -20.3% decline in Q1 2009. In the second quarter of this year, final consumption declined by -10.0% y/y (-8.6% y/y in Q1) with household consumption having declined by -11.6% y/y in both Q1 and Q2. Likewise, the contraction in investment accelerated, with negative growth of -57.8% y/y in Q2 following -48.7% growth in Q1. On a positive note, the -53.5% y/y Q2 and -35.6% y/y Q1 decline in imports of goods and services facilitated a much needed adjustment of the external balance, with exports of goods and services having declined by -32.3% y/y and -15.9% y/y in Q2 and Q1 respectively. From a production perspective, agriculture remained the only sector to record positive growth of 2.3% in Q2 and 1.3% in Q1 2009. While on the other end of the spectrum, the decline in mining output accelerated to -19.6% y/y in Q2 from -16.2% y/y in Q1. Manufacturing output declined by -33.0% y/y in Q2, construction by -47.3% y/y, the electricity and gas sector by --20.4% y/y and wholesale and retail trade by -17.6% y/y. High frequency data portend a further decline in economic activity in the months to come. For the period Jan-Sep industrial production has declined by -28.4% y/y, having declined by -18.4% y/y in September alone. However, data suggest that the deep recession in the industrial sector has begun to improve as of late, as output increased by 1.9% m/m in September.

The World Bank has maintained its GDP growth forecast for 2009 at -15.0% with a modest recovery to 1.0% in 2010. Likewise, the IMF has maintained its GDP growth forecast of -14.0% for 2009 and sees a recovery to 2.7% in 2010.

FISCAL POLICY: After reaching 1.5% of GDP in 2008, the budget deficit is expected to increase dramatically in 2009. While the original IMF agreement targeted a balanced budget for 2009, the parliament approved budget envisaged a 3.0% of GDP deficit (albeit having been based on highly unrealistic macroeconomic assumptions). Moreover, despite the government having taken various steps to raise revenues, the IMF has now agreed, after having lowered the country's growth outlook for this year, to a general government deficit of between 4.0% to 6.0% of GDP. However, this deficit may rise to a high as 8.6% due to the large fiscal risks implied by the difficult financial situation of Naftogaz (the state run energy company) would amount to 2.6% of GDP. Thus far, with an eye to improving the financial position of Naftogaz, the government has decided to capitalize the company and announced an increase in gas tariffs paid by households and utilities by 20 percent as of 1st September and 1st October respectively. Furthermore, the government announced quarterly 20% price increases starting in January 2010 (which, according to the IMF, implies a 1% of GDP savings in 2010).

Having approved the recent budget deficit increase, the IMF proceeded to transfer $ 3.3 billion as part of the third tranche of the standby loan. Transfer of the funds had been delayed due to negotiations concerning revisions to the economic outlook of the country. In November 2008 the IMF approved the allocation of $ 16.4 billion as part of a stand-by loan agreement aimed at supporting the ailing economy. The first tranche of $ 4.5 billion was transferred in November 2008, with the second tranche of $ 2.8 billion having been transferred in May 2009.

INFLATION: A combination of an overheating economy and international food and energy prices led average annual CPI inflation to reach an eight-year high of 25% in 2008. Since then, the sharp decline in domestic demand, combined with lower global prices for food and oil have helped to facilitate the decline in CPI inflation to the recent low of 14.7% in May 2009 and an average of 8.5% for Jan-Aug 2009. Moreover, even though inflation has begun to head higher on an annual basis, reaching 15.5% y/y in July and 15.3% y/y in August, in m/m terms, prices still declined by -0.1% in July and -0.2% in August, with food and beverage prices having declined by -1.2% m/m. While weak domestic demand will continue to aid the disinflationary process, this may be offset by the weaker exchange rate which has increased the cost of imported goods. The IMF forecast year-end inflation at 16.3% y/y easing to 10.3% in 2010.

BALANCE OF PAYMENTS: After nearly doubling to -7.2% of GDP in 2008, the current account deficit is expected to contract sharply in 2009. Already in H1 2009, the deficit has more shrunk from $ 6.97 billion to $ 750 million. This decline is being driven by the correction in the trade account where the deficit has shrunk from $ 8.7 billion in H1 2008 to $ 1.9 billion in H1 2009. The deficit on the incomes account increased from $ 272 million to a deficit of $ 1.26 billion, while the balance on the current transfers account increased by 7.0% y/y to $ 1.68 billion. The financial account, after having recorded record surplus for the past few years, saw the surplus slip to $ 272 million in H1 2009 from $ 6.4 billion in H1 2008. Net foreign direct investment declined -62.1% y/y to $ 2.1 billion, while net portfolio inflows of $ 377 million in H1 2008 turned into net outflows of $ 816 million. The Other Investment account registered a massive reversal from a $ 2.6 billion surplus in H1 2008 to a $ 5.5 billion deficit in H1 2009 largely due to the almost tripling in short-term capital outflows. The IMF forecasts that the current account deficit will decline to 0.4% of GDP in 2009 and 0.2% of GDP in 2010.

MONEY & FINANCIAL MARKETS: In recent years, monetary policy has been constrained due to the de facto exchange-rate peg at UAH 7.7/$1. However, the Central Bank was forced to abandon the peg after the hryvnia came under intense downward pressure towards the end of 2008. Now, as part of the IMF agreement reached in April 2009, greater exchange-rate flexibility has now been introduced, with the official exchange rate set within 2% of the interbank rate of the previous day. Since April the currency has been gradually depreciating versus the dollar from the UAH 7.7/$1 to around UAH 8.5/$1 by mid-August and has since strengthen to around UAH8.0/$1 by end-October. The central bank has also reduced its key policy rate by 175 bps this year and now stands at 10.25%.

Bank lending continues to slow, from 77.6% and 66.6% in 2007 and 2008 respectively, to 26.6% y/y in September 2009. Lending to households slowed to 18.6% in September from 70.1% in December 2008, while lending to businesses slowed to 31.3% in September from 64.6% in December 2008. Bank deposits have declined by -6.9% y/y in September, down from 51.8% in 2007 and 27.7% in 2008. Household deposits decreased by -1.1% y/y in September from 30.2% end-2008. Business deposits registered -16.3% y/y growth in September from 24.0% in December 2008.

9. TURKEY

ECONOMIC OVERVIEW: Economic activity has declined on the back of constrained domestic lending, limited foreign capital inflows, falling real disposable income and weak external demand. GDP growth slowed to 0.9% in 2008 following the -6.2% y/y decline registered in the final quarter. The pace of economic contraction has accelerated in 2009 with GDP growth of -14.4% in Q1 and -7.0% in Q2 2009. On the expenditures side, private consumption – benefiting from tax cuts and various government incentives – registered growth of -1.2% y/y in Q2, a marked recovery from the -10.2% y/y decline in Q1 2009. Investment declined by -24.6% y/y following the -27.5% y/y decline in Q1. Government consumption increased 0.5% y/y in Q2 following the 5.2% y/y surge in Q1 2009. Exports of goods and services registered growth of -10.1% y/y in Q2 and -11.2% y/y in Q1 while imports of goods and services declined 20.5% y/y in Q2 and -31.5% y/y in Q1 2009. On a sectoral basis, manufacturing output registered further declines, with growth of -8.7% y/y an 'improvement' from the -20.2% y/y contraction in Q1. The construction sector continues to bear the brunt of the recession, with output declining by -21% y/y in Q2, an acceleration versus the -18.9 y/y decline in Q1 2009. The contraction in the wholesale and retail trade sector eased to 15% y/y from 26.4% y/y in Q1. Meanwhile, output in the agriculture sector increased by 6.6% y/y in Q2 versus the -0.5% decline recorded in the first quarter.

Turkey's ministry of economy has forecast a further contraction of between 3-4% in Q3 before growth returns to positive territory in the final quarter. Echoing these forecasts, industrial production declined for the thirteenth consecutive month in August registering growth of -6.3% y/y and -5.7% m/m following the growth of -9.0% y/y and +1.1% m/m in July. Manufacturing output declined by -7.2% y/y in August following the -10.3% y/y contraction in June. All told, the government is expecting economic activity to decline by around -6.0% in 2009 and to increase by around 3.5% in 2010. Similarly, the IMF are now forecasting that Turkey's economy will contract by -6.5% this year.

Fitch placed Turkey 's Long-term foreign currency Issuer Default Rating (IDR) of "BB-" and Long term local currency IDR of "BB" on Rating Watch Positive (RWP). Fitch also affirmed Turkey's Short-term foreign currency IDR at "B" and placed the country ceiling of "BB" on RWP. Fitch indicated the strong possibility of a ratings upgrade following their end of year review, citing Turkey's relative resilience to the global financial crisis. The agency noted the fact that Turkey's banking sector has not required any sovereign support and remains well-capitalised with a low level of non-performing loans and a loan-to-deposit ratio of only 82.

FISCAL POLICY: The central government budget turned to a deficit of TRY 31.34 billion (€ 14.5 billion) in Jan-Aug from a TRY 4.6 billion surplus in the same period of 2008. Budget revenues declined by -4.4% y/y to TRY 140.4 billion as tax revenues declined by -2.3% y/y, while special consumption tax revenues fell by -0.4% y/y and VAT revenues increased by 16% y/y. Budget expenditure increased 20.7% y/y in Jan-Aug. Current transfers increased 36% y/y to TRY 60.2 billion while personnel expenditures increased by 17.0% y/y to TRY 37.7 billion. The budget deficit is expected to reach TRY 62.8bn or 6.6% of GDP in 2009. Turkey's parliament has commenced discussions regarding the 2010 budget. The current budget proposal foresees the budget deficit declining to TRY 50.1bn or 4.9% of GDP in 2010. Revenue and expenditure are forecast to increase by 16.1% y/y and 7.6% y/y to TRY 236.8bn and TRY 286.9bn, respectively.

INFLATION: Weak demand and excess capacity has helped to keep the prices of many goods and services subdued with September CPI Inflation having increased by 0.39% m/m and 5.27% y/y from 5.33% y/y in August. Food and beverage prices increased by 0.2% m/m and 6.79% y/y, transportation costs were also up 0.2% m/m. Clothing prices declined -1.0% m/m and the education component saw prices increase by 2.5% m/m. The central bank's core inflation indicator (which excludes food, energy, tobacco products and gold prices) increased by 0.36% m/m and 3.37% y/y. PPI inflation rose 0.62% m/m and 0.47% y/y in September following the -1.04% y/y decline in August. The central bank has revised its inflation forecasts to 5.5% and 5.4% for 2009 and 2010.

BALANCE OF PAYMENTS: After reaching 5.8% of GDP in 2008, a combination of weak import demand and lower commodity prices should help to reduce current account deficit in 2009. During the first eight months of 2009, the current account deficit shrunk by -81.0% to $ 6.6 billion versus $ 34.9 billion during the same period of 2008. Behind this improvement was the correction in the trade deficit which declined to $ 13.8 billion in Jan-Aug from $ 41.6 billion a year earlier. Merchandise exports declined by -30.1% y/y to $ 64.6 billion while merchandise imports decreased by -39.9% y/y to $ 87.6 billion. Imports of capital and intermediate goods declined by -18.6% and -39.2% y/y to $ 1.9 billion and $ 9 billion respectively in Aug, while consumer goods imports declined by -12.5% y/y to $ 1.7 billion. Capital goods imports declined by -30.8% y/y in Jan-Aug. FDI inflows remained weak, reaching $ 5.8 billion during Jan-Aug 2009 versus $ 12.97 billion inflows in Jan-Aug 2008. The financial account recorded a net capital inflow of $ 857 million for the period, a substantial decline from the net inflow of $ 36.8 billion during the same period in 2009. The IMF currently forecast that the current account deficit will reach 1.9% of GDP in 2009 and 3.7% in 2010.

MONEY & FINANCIAL MARKETS: The Turkish Central Bank has resumed the forex purchase auctions which it suspended in October 2008. The maximum daily volume in the auctions has been set at $ 60 million. Between the end of Q2 2008 and Q1 2009 the Turkish Lira depreciated by 57% and 35% vis-à-vis the Dollar and the Euro. After reaching a low of around TRY 2.35/€, the Lira has since recovered and is trading around TRY 2.20/€, still around 23% percent above the low of TRY 1.72 reached in September 2008. In response to the current economic crisis, the central bank has opted to reduce its key policy rate by a staggering 1,000 bps to 6.75% in October 2009 from 16.75% in November 2008. The central bank reiterated its view that the ongoing recovery in economic activity would be gradual and protracted owing to weak external demand and domestic investment and for inflation to remain at low levels for a prolonged period of time.

9. Economic Data – Greece

(% change unless otherwise noted)

Yearly Data	2004	2005	2006	2007	2008	2009f
Real GDP Growth	4.9	2.9	4.5	4.0	2.9	-0.5
Gross Fixed Total Investments (including stocks)	0.1	-3.6	8.1	9.7	-5.2	-9.7
- Residential Investment	3.7	-1.1	21.5	-6.8	-29.1	-17.2
- Equipment	12.7	-1.0	14.2	9.1	-9.6	-10.5
Manufacturing production	1.2	-0.8	1.4	1.8	-4.2	-8.5
Unemployment (percent)	10.2	9.5	8.6	8.0	7.4	9.5
Employment	0.9	1.5	2.5	1.3	1.2	-1.1
Consumer Price Index (year average)	2.9	3.5	3.2	2.9	4.2	1.1
Producer Price Index (year average)	3.5	5.9	6.9	3.3	8.6	-7.0
Unit Labor Cost	1.8	3.7	4.6	6.3	5.7	5.5
Credit Expansion (Private Sector)	19.5	21.8	19.7	20.0	15.9	3.0
Government Deficit (as % of GDP)	-7.4	-5.1	-2.6	-3.6	-5.0	…
Current Account (as % of GDP)	-4.5	-6.3	-9.6	-12.4	-12.7	-9.0

Source: Official National Accounts, 2007 and Alpha Bank Research

Quarterly Data	2006	2007	2008	2008 IV	2009 I	2008-2009 (cumulative period)	
Economic Activity (period average)							
Retail Sales Volume	8.0	2.3	-1.4	-4.0	-9.4	-10.5	(8month 09)
Construction Activity	-19.5	-5.0	-17.1	-23.9	-16.3	-28.7	(7month 09)
Industrial Production (Manufacturing)	0.8	1.8	-4.2	-8.5	-11.7	-11.7	(8month 09)
PMI (manufacturing)	52.4	53.7	50.4	43.8	39.0	48.0	Oct-09
Economic Sentiment Indicator	103.0	108.4	88.9	67.8	48.4	71.7	Oct-09
Index of Business Expectations in Manufacturing	101.5	102.8	91.9	76.7	64.9	79.4	Oct-09
Consumer Sentiment Index	-33.0	-28.0	-46.0	-56.0	-53.0	-27.0	Oct-09
Credit Expansion (end of period)							
Private Sector	21.1	21.5	15.9	15.9	10.8	5.4	Sep-09
Consumer Credit+Other	23.9	22.4	16.0	16.0	10.9	2.9	Sep-09
Housing	26.3	21.9	11.5	11.5	8.7	4.4	Sep-09
Business	17.2	20.6	18.7	18.7	12.2	6.8	Sep-09
Tourism	11.5	23.8	19.7	19.7	13.4	4.8	Sep-09
Prices (end of period)							
Consumer Price Index	3.2	2.9	4.2	2.9	1.5	0.7	Sep-09
Core Inflation	2.7	2.9	3.4	3.5	3.2	2.1	Sep-09
Producer Price Index	7.3	4.1	10.0	1.3	-5.2	-11.1	Jul-09
Interest Rates (period average)							
Savings	0.98	1.14	1.17	1.18	0.89	0.45	Aug-09
Short-term Business Loans	7.18	7.54	7.61	7.48	6.56	5.83	Aug-09
Consumer Loans (up to 1 year)	10.37	10.39	11.03	11.61	11.82	11.27	Aug-09
Housing Loans (over 10 years)	4.64	4.61	4.80	4.87	4.79	4.94	Aug-09
3 month Euribor	3.08	4.28	2.89	2.89	1.51	0.72	Oct-09
10 year Bond Yield	4.07	4.50	4.80	5.03	5.35	4.65	Oct-09
National Accounts							
Real GDP	4.5	4.0	2.9	2.4	0.3	-0.3	(Q2/09)
Final Consumption	3.9	3.9	2.4	1.0	1.0	-0.9	(Q2/09)
Investment	9.2	4.9	-11.5	-5.3	-6.3	-16.5	(Q2/09)
Exports	10.9	3.1	2.2	-1.6	-20.2	-10.9	(Q2/09)
Imports	9,7	6,7	-4,4	-5.2	-16,8	-21.8	(Q2/09)
Balance of Payments (in € mn - Cumulative)							
Exports of Goods	16.2	17.5	19.8	19.8	3.7	10.0	(8month 09)
Imports of Goods	51.4	58.9	63.9	63.9	11.4	30.6	(8month 09)
Trade Balance	-35.3	-41.5	-44.1	-44.1	-7.7	-20.6	(8month 09)
Invisibles Balance	14.6	13.5	13.2	13.2	0.9	5.4	(8month 09)
Invisibles Balance / Trade Account	41.4%	32.5%	29.9%	29.9%	11.2%	26.0%	(8month 09)
Current Account	-20.6	-28.1	-30.9	-30.9	-6.9	-15.2	(8month 09)
Direct Investments	0.9	-2.5	1.7	1.7	0.1	1.7	(8month 09)
Portfolio Investments	8.1	17.4	16.4	16.4	15.2	21.1	(8month 09)
Athens Stock Exchange (end of period)							
Composite Index	4,394.1	5,123.4	1,786.5	1,786.5	1,684.4	2,686.2	Oct-09
% change	19.9	17,9	-65,5	-65.5	-57,7	30.4	Oct-09
Market Capitalization ASE (% of GDP)	74,1	85,7	27,7	27.7	25,4	40.2	Oct-09

Source: National Accounts, 2007 Official and Alpha Bank Research

10. Economic Data – Southeastern Europe

Romania	2006	2007	2008	2009 (f)	2010 (f)
Real Economy					
Real GDP	7.9	6.3	6.2	-6.5	1.5
Private Consumption	12.7	11.9	8.9	-11.8	2.2
Government Consumption	-4.1	-0.1	-0.3	-1.5	-1.5
Gross Fixed Investment	19.9	30.3	19.3	-12.3	1.1
Exports (Goods & Services)	10.4	7.8	19.4	-10.5	3.1
Imports (Goods & Services)	22.6	27.3	17.5	-22.1	4.0
HICP Inflation (Avg)	6.6	4.9	7.9	5.7	3.5
Unemployment	7.3	6.4	5.8	9.0	8.7
General Government (%GDP)					
Overall Balance	-2.2	-2.5	-5.5	-7.8	-6.8
Gross Debt	12.4	12.6	13.6	21.8	27.4
Balance of Payments (% GDP)					
Current Account Balance	-10.4	-13.5	-12.4	-5.5	-5.6

Cyprus	2006	2007	2008	2009 (f)	2010 (f)
Real Economy					
Real GDP	4.1	4.4	3.7	0.0	1.0
Private Consumption	4.5	6.9	7.0	0.6	0.8
Government Consumption	7.4	-0.1	8.7	2.2	1.8
Gross Fixed Investment	10.5	7.6	9.8	-3.0	1.0
Exports (Goods & Services)	3.8	7.5	1.1	-8.8	1.0
Imports (Goods & Services)	6.6	11.1	9.9	-12.1	6.7
HICP Inflation (Avg)	2.2	2.2	4.4	0.8	3.1
Unemployment	4.6	4.0	3.0	4.7	3.7
General Government (%GDP)					
Overall Balance	-1.2	3.5	0.9	-3.5	-5.7
Gross Debt	64.6	59.5	48.2	53.2	58.6
Balance of Payments (% GDP)					
Current Account Balance	-7.0	-12.0	-18.0	-11.6	-9.0

Bulgaria	2006	2007	2008	2009 (f)	2010 (f)
Real Economy					
Real GDP	6.3	6.2	6.0	-6.5	-1.0
Private Consumption	9.5	5.3	4.8	-5.3	-2.2
Government Consumption	-1.3	3.1	0.1	-0.2	-0.2
Gross Fixed Investment	14.7	21.7	20.4	-21.1	-7.5
Exports (Goods & Services)	8.7	5.2	2.9	-15.5	1.5
Imports (Goods & Services)	14.0	9.9	4.9	-20.2	-3.2
HICP Inflation (Avg)	7.4	7.6	12.0	2.4	2.3
Unemployment	9.0	6.9	5.6	7.0	8.0
General Government (%GDP)					
Overall Balance	3.0	0.1	1.8	-0.8	-1.2
Gross Debt	22.7	18.2	14.1	15.1	16.2
Balance of Payments (% GDP)					
Current Account Balance	-18.6	-22.5	-22.9	-12.8	-8.7

Serbia	2006	2007	2008	2009 (f)	2010 (f)
Real Economy					
Real GDP	5.2	6.9	5.4	-3.5	1.5
Private Consumption	7.0	7.5	6.0	-1.5	3.9
Government Consumption	2.5	2.0	1.0	0.6	1.5
Gross Fixed Investment	9.0	8.6	10.0	-3.2	4.1
Exports (Goods & Services)	5.8	5.7	5.4	-7.0	6.0
Imports (Goods & Services)	8.4	8.0	7.3	-10.0	4.5
Retail price Inflation (Avg)	12.7	6.5	10.9	9.8	6.4
Unemployment	20.9	18.1	17.6	20.3	18.9
General Government (%GDP)					
Overall Balance	-1.6	-1.9	-2.2	-4.5	-4.0
Net Public debt	45.9	40.0	38.0	35.0	33.0
Balance of Payments (% GDP)					
Current Account Balance	-10.1	-15.6	-17.3	-9.1	-10.6

Turkey	2006	2007	2008	2009 (f)	2010 (f)
Real Economy					
Real GDP	6.9	4.6	1.1	-6.5	3.7
Private Consumption	4.6	4.6	0.3	-5.5	2.3
Government Consumption	8.4	6.5	1.8	3.5	3.0
Gross Fixed Investment	13.3	5.4	-4.6	-17.0	4.0
Exports (Goods & Services)	6.6	7.3	2.6	-11.2	1.9
Imports (Goods & Services)	6.9	10.7	-3.1	-22.6	4.8
CPI Inflation (Avg)	9.3	8.8	10.4	6.1	5.6
Unemployment	9.9	8.5	9.8	13.5	13.9
General Government (%GDP)					
Overall Balance	1.2	-1.0	-2.2	-7.9	-6.8
Gross Public Debt	46.1	39.4	39.5	47.3	49.8
Balance of Payments (% GDP)					
Current Account Balance	-6.0	-5.8	-5.7	-1.9	-3.7

FYROM	2006	2007	2008	2009 (f)	2010 (f)
Real Economy					
Real GDP	4.0	5.9	5.0	-1.5	2.0
Private Consumption	6.0	9.8	7.8	-0.5	1.0
Government Consumption	1.8	0.4	9.5	2.0	2.2
Gross Fixed Investment	11.6	13.1	18.8	-11.0	0.8
Exports (Goods & Services)	14.3	-9.6	-14.0	-8.0	1.4
Imports (Goods & Services)	10.9	17.4	-4.9	-12.5	1.8
CPI Inflation (Avg)	3.3	2.8	7.2	0.0	1.5
Unemployment	36.0	34.9	33.8	35.6	36.1
General Government (%GDP)					
Overall Balance	-0.5	0.6	-1.0	-4.0	-3.5
Gross Debt	36.5	27.6	20.8	25.5	28.3
Balance of Payments (% GDP)					
Current Account Balance	-0.9	-7.2	-13.1	-10.6	-9.7

Ukraine	2006	2007	2008	2009 (f)	2010 (f)
Real Economy					
Real GDP	7.4	7.7	2.2	-14.0	2.7
Private Consumption	14.1	15.3	6.5	-18.0	-1.0
Government Consumption	4.9	2.9	2.0	0.5	0.8
Gross Fixed Investment	20.9	24.9	2.5	-42.0	2.0
Exports (Goods & Services)	-5.8	2.8	-4.8	-15.4	0.5
Imports (Goods & Services)	8.3	20.2	5.0	-34.4	-1.9
CPI Inflation (Avg)	9.1	12.8	25.2	16.3	10.3
Unemployment	2.7	2.3	3.0	5.0	5.3
General Government (%GDP)					
Overall Balance	-0.7	-1.1	-1.5	-7.0	-4.0
Net Public Debt	13.9	11.7	10.0	13.9	15.7
Balance of Payments (% GDP)					
Current Account Balance	-1.5	-3.7	-7.2	0.4	0.2

Albania	2006	2007	2008	2009 (f)	2010 (f)
Real Economy					
Real GDP	5.4	6.0	6.8	0.7	2.2
Private Consumption	-	-	-	-	-
Government Consumption	-	-	-	-	-
Gross Fixed Investment	-	-	-	-	-
Exports (Goods & Services)	-	-	-	-	-
Imports (Goods & Services)	-	-	-	-	-
CPI Inflation (Avg)	2.4	2.9	3.4	1.7	2.0
Unemployment	-	-	-	-	-
General Government (%GDP)					
Overall Balance	-3.2	-3.3	-5.4	-5.5	-5.1
Gross Debt	-	-	-	-	-
Balance of Payments (% GDP)					
Current Account Balance	-5.6	-9.1	-14.1	-11.5	-8.0

Source: IMF, Economist Intelligence Unit, Central Bank, Eurostat, Alpha Bank Economic Research

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