DIVERGING BRIC ECONOMIES

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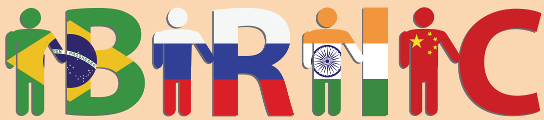
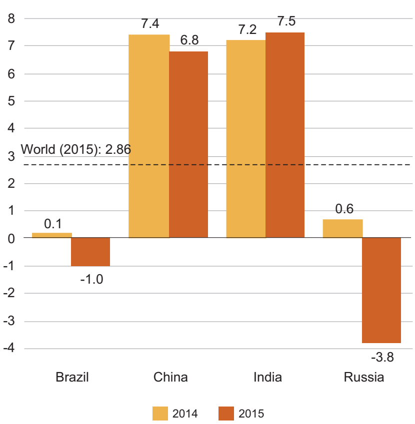


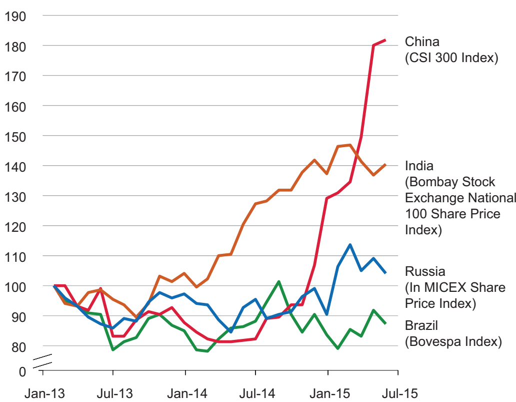
BRIC ECONOMIES ARE DIVERGING, with India growing strongly, China slowing down, and Russia and Brazil struggling

The BRIC economies are showing great heterogeneity. China and India are still growing (although China has slowed down), but Russia and Brazil are in recession, hurt by weak commodity and oil prices. (Brazil's recession is expected to deepen in 2015.) Stock markets reflect the countries' diverging fortunes, with Indian share prices gaining sharply. Meanwhile, China's stock-market surge since 2014 has created concerns about a potential bubble

Real GDP Growth
(In % Y-o-Y Change, 2014 and 2015)



Main Stock Market Indices In BRIC Countries over Time
(In Index Jan. 2013=100, Jan. 2013-Jun. 2015)



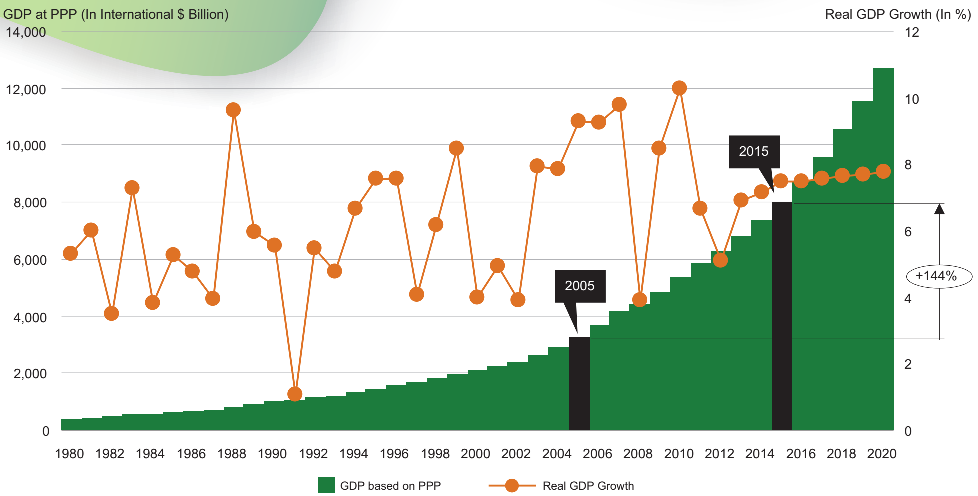
Source- Left Chart: "World Economic Outlook", IMF, Apr. 2015
Source- Right Chart: Thomson Reuters DataStream

INDIA'S ECONOMY HAS MORE THAN DOUBLED SINCE 2005 IN TERMS OF PURCHASING POWER PARITY, though the growth has slowed in recent years

Effective policies to contain market volatility, ease inflation and improve business confidence have propelled India's economy, boosting expected real GDP to International $8 Trillion in 2015 in PPP terms, and growth to 7.5%. Nonetheless, economic performance has come down from its peak in 2010, when growth exceeded 10%. Despite optimism in India's financial markets, investment remains low, and significant structural reforms are still needed to improve the efficiency of local business and attract foreign resources

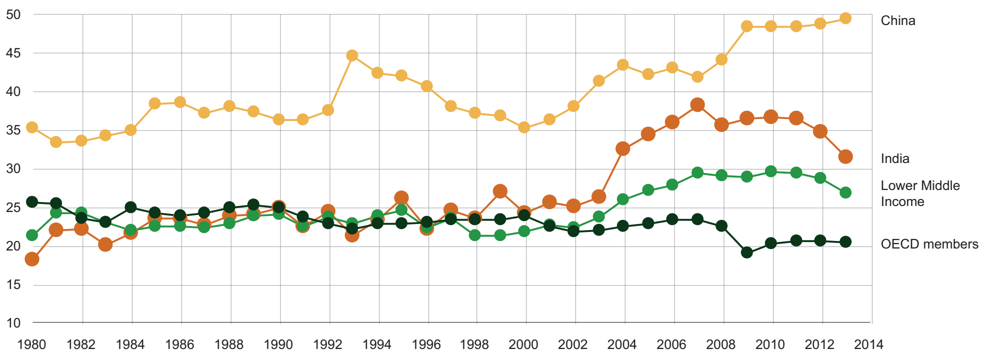
India's GDP at PPP and Real GDP Growth over Time

(In International $ Billion and In % Y-o-Y Growth, 1980-2020)



Gross Fixed Capital Formation In Select Countries and Regions

(In % Contribution to GDP, 1980-2013)



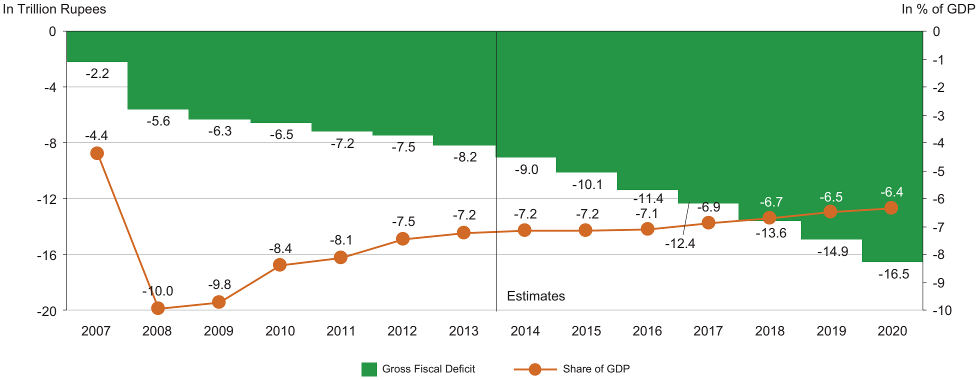
Source- Upper Chart: "World Economic Outlook", IMF, Apr. 2015
Source- Lower Chart: World Bank Development Indicators

INDIA'S FISCAL DEFICIT IS HIGH IN COMPARISON TO EMERGING MARKETS with expenditures increasingly stretched by oil, food and fertilizer subsidies

Latest data on fiscal indicators show the Indian economy on track towards stabilization in the short term. Large cuts in capital spending enabled a 0.4% reduction in the central government deficit in 2014. Nonetheless, significant policy overhaul, including tax and subsidy reform, is needed to meet mid- to long-term goals, including reducing the central government deficit to 3% of GDP in 2016

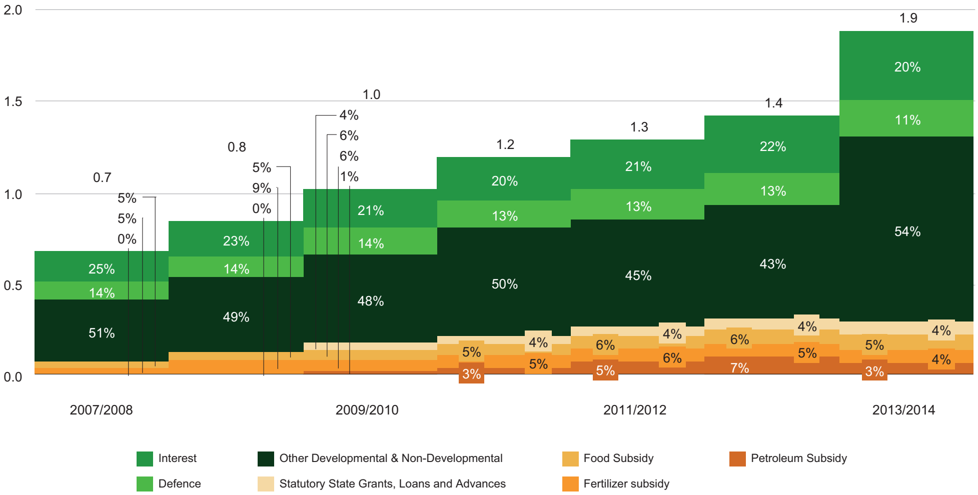
Central Government Gross Fiscal Deficit

(In Trillion Rupees and In % of GDP, 2007-2020)



Breakdown of Government Spending by Type of Expenditure

(In Ten Trillion Rupees, 2007/2008-2013/2014)

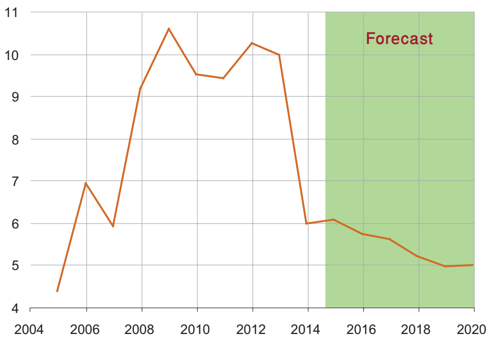


Source- Upper Chart: "World Economic Outlook", IMF, Apr. 2015
Source- Lower Chart: "Indian Public Finance Statistics 2013-2014", Indian Ministry of Finance, 2015

INFLATION RATES ARE AT THEIR LOWEST LEVELS SINCE 2007, THE RUPEE HAS STABILIZED AND EXTERNAL VULNERABILITIES HAVE DIMINISHED

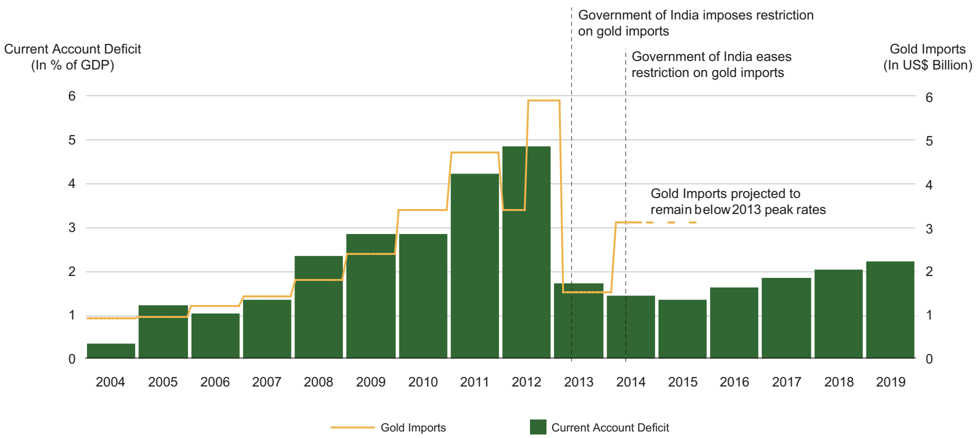
India's inflation rate dropped 4 percentage points to 6% in 2014, largely due to successful steps by the Reserve Bank of India to tighten monetary policy and falling energy prices. While policy changes have had a stabilizing effect on the economy and on exchange rates, forecasted inflation rates remain above the RBI's inflation target for 2016. The exchange rate has stabilized since the Rupee's depreciation in 2013. The current account deficit has narrowed dramatically as a result of the government's successful efforts to curb gold imports

Annual Inflation
(In % Y-o-Y Change, 2005-2020)



US$ Value of 100 Indian Rupees over Time
(In US$, Apr. 2005 - Apr. 2015)

Current Account Deficit and Gold Imports over Time(1)
(In % of GDP and In US$ Billion, 2004-2019)

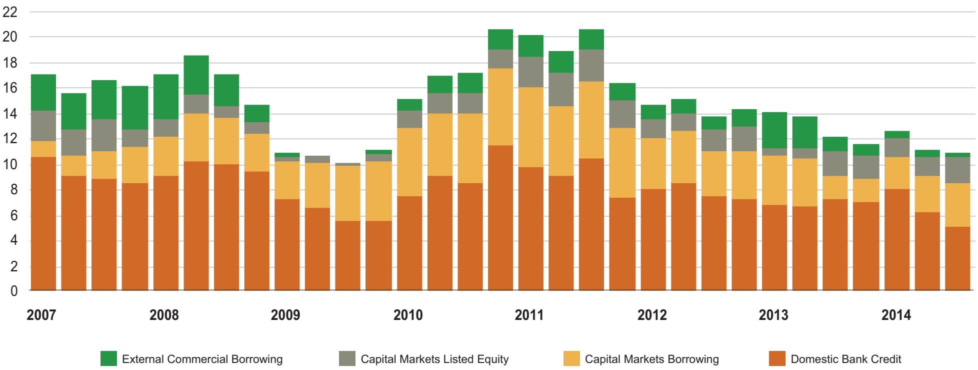


Note: (1) Year represents India's fiscal year (April 1 - March 31)
Source- Upper Left Chart: IMF Datamapper
Source- Upper Right Chart: Thompson Reuters DataStream
Sources- Lower Chart: IMF Datamapper; "India: Country Report No. 15/61", IMF, 2015

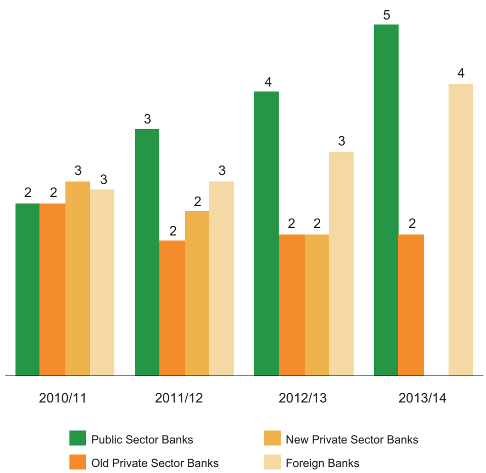
CREDIT GROWTH HAS BEEN ANEMIC IN INDIA, with public banks having a high incidence of non-performing loans, which has weakened their balance sheets and restricted their ability to extend credit

Public banks still provide the largest share of credit to the market (private banks have about a quarter of banking assets). However, public banks are also highly exposed to the weakened corporate sector, which has caused their asset quality to deteriorate. This exposure remains a key vulnerability for public sector banks, and the percentage of non-performing loans is up 8% since 2013 and 63% since 2011. Going forward, capital markets could potentially meet more of the country's financing needs

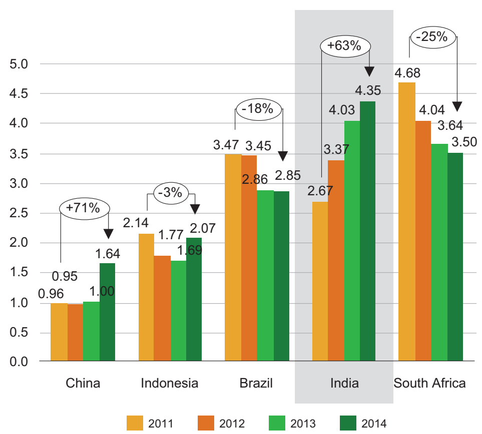
India's Corporate Sector Financing Sources
(In % of GDP, Four Quarter Moving Average, Q1 2007 - Q3 2014)



Gross Non-Performing Loans (NPLs)
(In % of Outstanding Loans, 2011-2014)



Comparison of Non-Performing Loan Rates Across Key Emerging Markets
(In % of Total Loans, 2011, 2012, 2013 and 2014[1])



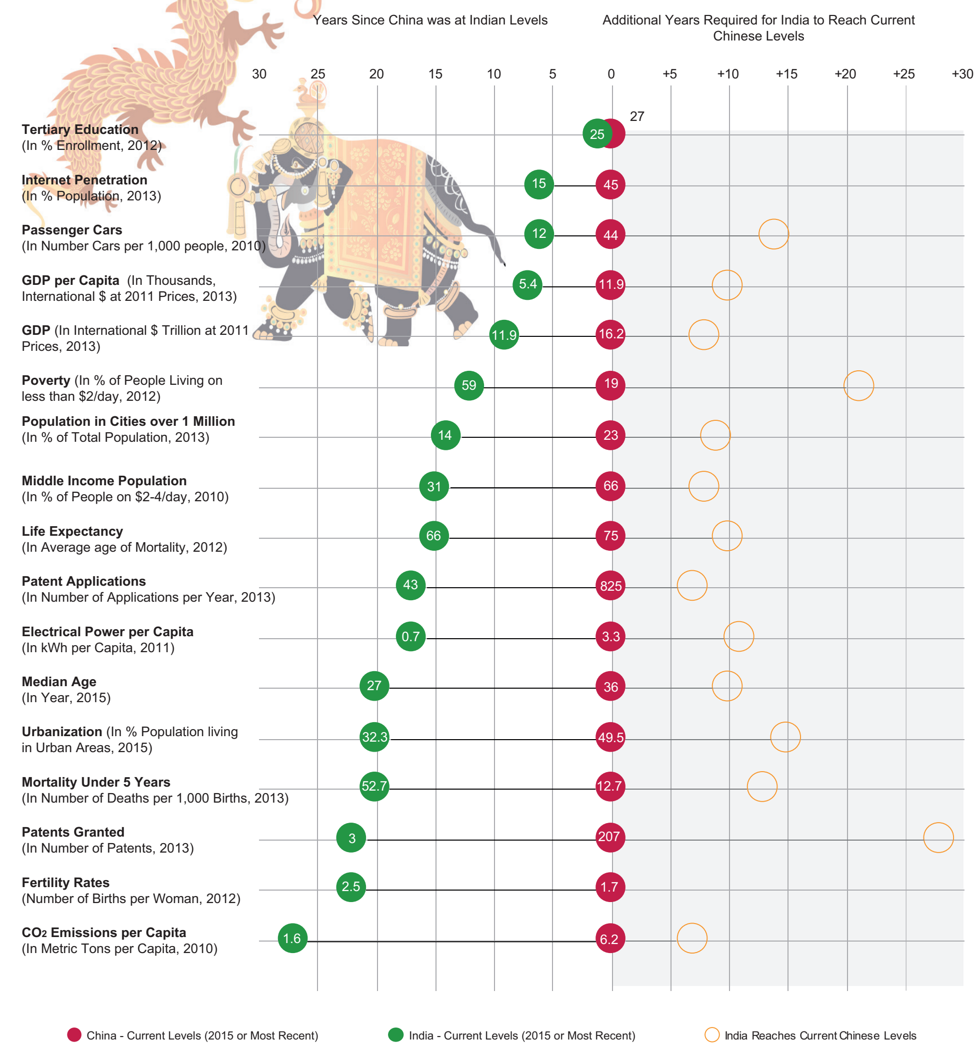
Note: (1) 2014 data for South Africa through Q2 only
Source- Upper Chart: "India Article IV Consultation Staff Report", IMF, Mar. 2015
Sources- Lower Left Chart: IMF Financial Soundness Indicators; "China Bank Bad-Load Ratio Jumps Most in At Least a Decade", Bloomberg, 2015
Source- Lower Right Chart: "India Article IV Consultation Staff Report", IMF, Mar. 2015

DESPITE TREMENDOUS SOCIOECONOMIC GAINS, INDIA REMAINS FAR BEHIND CHINA ON MANY METRICS,

and is unlikely to catch up any time soon

India remains years, and in some cases decades, behind China in terms of key social and economic development indicators. Analysis of past and projected future growth rates suggests that India will take longer than China did to reach China's state of development in many of these areas. In the case of GDP per capita, poverty rates and passenger car penetration, India is likely to advance at less than half China's pace

Socioeconomic Development Metrics: China vs. India on Various Indicators

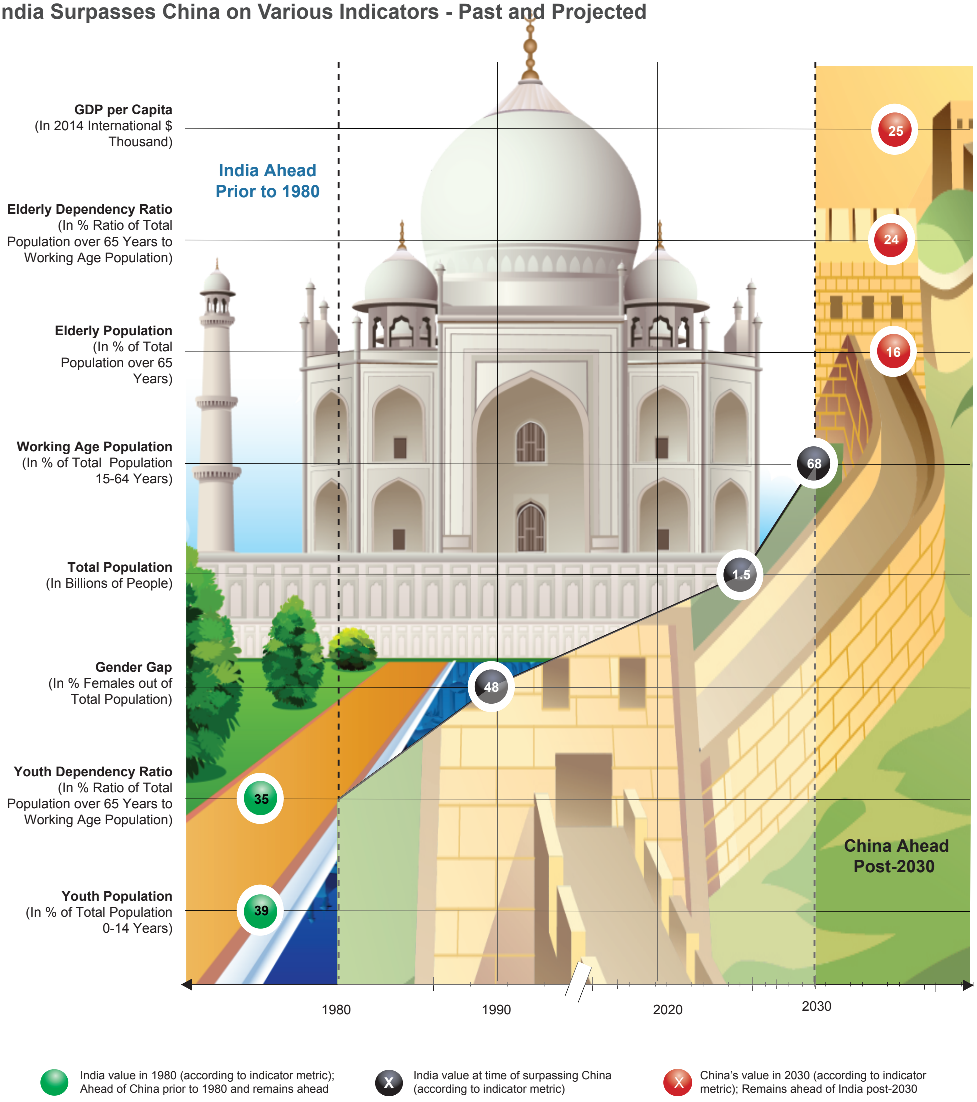


Sources: "World Economic Outlook", IMF, Apr. 2015; World Bank Development Indicators; UN Data; World Population Prospects 2012 Revision; World Bank PovCal; WIPO Statistics Database; "The World in 2050", PWC, 2015

HOWEVER, INDIA HAS OVERTAKEN AND WILL OVERTAKE CHINA ON KEY DEMOGRAPHIC INDICATORS, giving it some economic advantages

In the coming decades, India is expected to have a bigger total population than China and a bigger working age population, less gender imbalance and a lower old age dependency ratio. All of these things could become sources of competitive advantage for India. However, China will continue to be the top performer in terms of gross economic output for the foreseeable future, with a GDP nearly 50% higher than India's in 2030

India Surpasses China on Various Indicators - Past and Projected

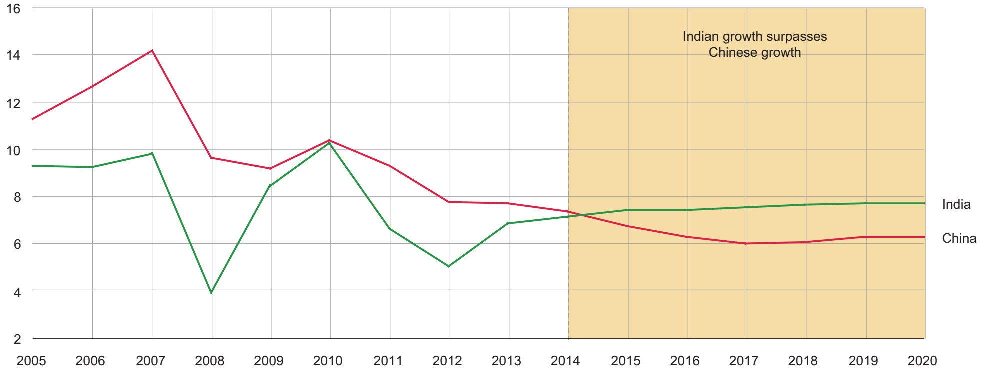


Sources: "The World in 2050", PWC, 2015; World Bank Development Indicators; UN Data; "Society at a Glace: Asia/Pacific 2014", OECD, 2014

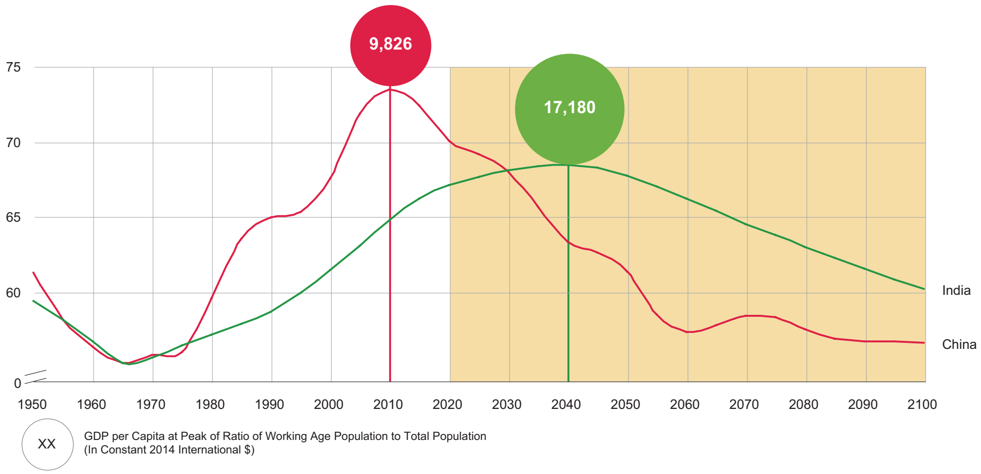
INDIA IS FORECAST TO GROW FASTER THAN CHINA STARTING IN 2015 and is likely to reach its labor market turning point[(1)] at a much higher GDP per capita than China

The coming decades will see increasing economic competition between India and China as China's maturing economy continues to slow relative to growth rates witnessed in the 1990s and in the first decade of the 21st century. Driven by a youthful population and an emerging educated middle class, India is expected to exceed Chinese growth starting in 2015, although the difference in the two countries' growth rates will remain within 1.5 percentage points through the end of the decade. India's working age population as a share of the total is projected to peak at nearly double the GDP per capita witnessed in China, potentially boosting the country into a higher income class over the long term

Indian and Chinese Growth in Real GDP
(In % Y-o-Y Growth of Real GDP, 2005-2020)



Working Age Population as a Share of Total Population
(In % of People Aged 15-64 out of Total Population, 1950-2100)



Note: (1) The turning point refers to the time when the working age population starts decreasing
Source- Upper Chart: "World Economic Outlook", IMF, Apr. 2015
Sources- Lower Chart: UN Data; World Bank Development Indicators; "The World in 2050", PWC, 2015

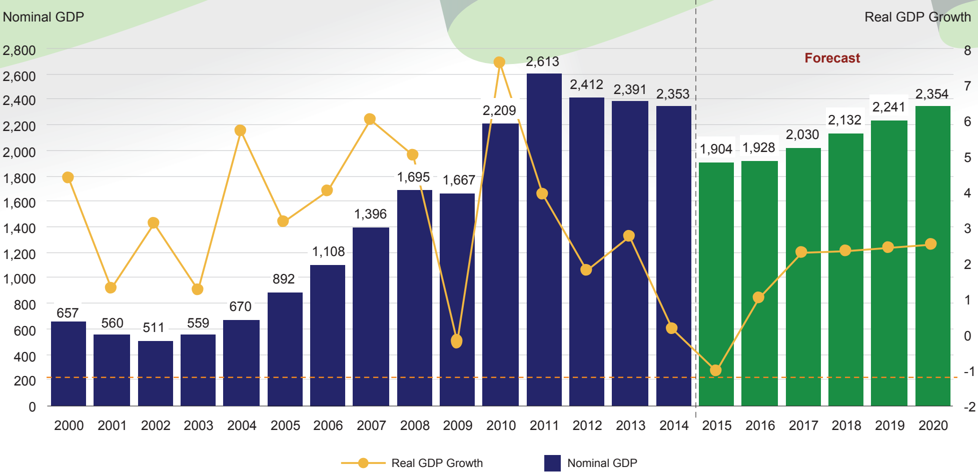
BRAZIL'S PACE OF ECONOMIC GROWTH HAS SLOWED IN RECENT YEARS

although it is expected to pick up slightly by 2020. Meanwhile, the discrepancy with US income standards is likely to expand

Brazil's GDP grew by more than 9% a year from 2000 to 2014, earning Brazil a place among the world's largest economies. However, in recent years this growth has slowed down because of supply constraints, lack of productivity growth, corruption scandals and low investment. Moreover, the drop in commodity prices has negatively affected Brazil's growth prospects. While Brazil's GDP per capita measured in international dollars has risen, the gap with US GDP per capita has widened, indicating a drop in relative standards of living (especially when compared to 1980)

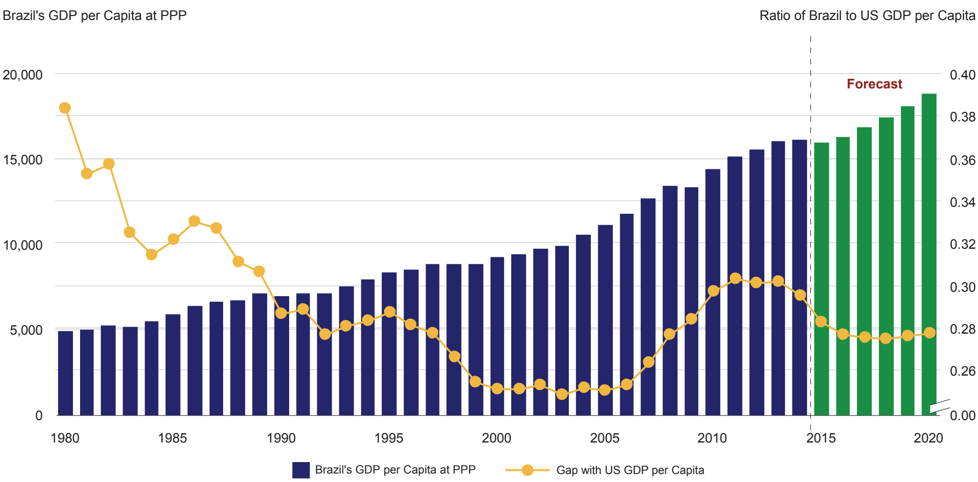
Total Nominal GDP and Real GDP Growth over Time

(In Current US$ Billion and In % Y-o-Y Growth, 2000-2020)



Brazil's GDP per capita at PPP and Standards of Living Relative to the US over Time

(In International $ and In Ratio of Brazilian GDP per capita to US GDP per capita, 1980-2020)



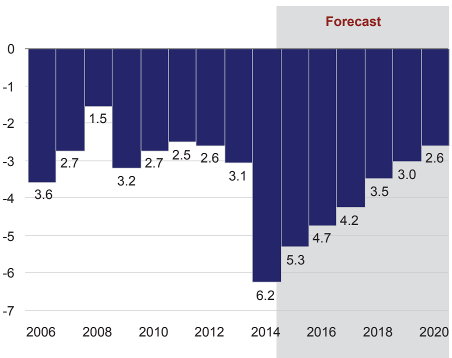
Source- Upper and Lower Charts: "World Economic Outlook", IMF, Apr. 2015

HIGH DEFICIT, UNDERINVESTMENT AND SUPPLY CONSTRAINTS HAVE CONTRIBUTED TO SLOW GROWTH, as have low levels of competitiveness

Brazil's fiscal balances have been suffering from a high deficit, but fiscal consolidation is forecasted in the coming years. However, with most expenditures being directed to social benefits, the level of capital investment will still fall short of what's needed. This will perpetuate the problem of low infrastructure quality in Brazil. Brazil's lack of competitiveness also stems from its bureaucracy, red tape, and unfriendly business environment as measured by the World Bank's Doing Business index

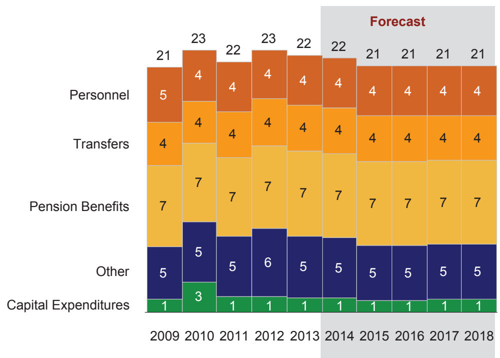
Government Budget Balance over Time

(In % of GDP, 2006-2020)



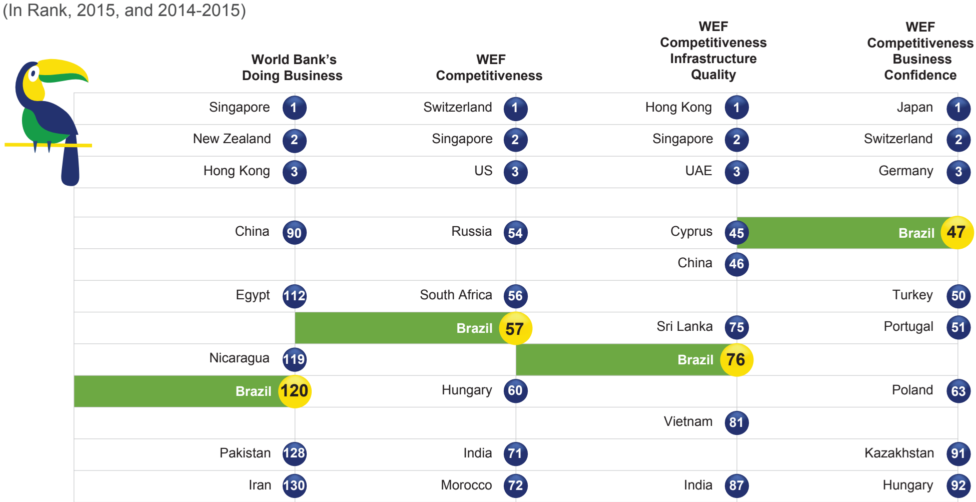
Government Expenditure Breakdown by Type

(In Brazilian Real Billion, 2009-2018)



Rankings in Business Friendliness and Infrastructure Quality

(In Rank, 2015, and 2014-2015)



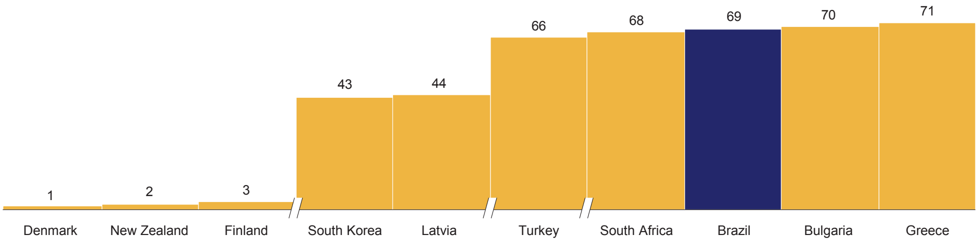
Source- Upper Left Chart: "World Economic Outlook", IMF, Apr. 2015
Source- Upper Right Chart: "Brazil Article IV Consultation Staff Report", IMF, 2013
Sources- Lower Chart: "Doing Business", World Bank, 2015; "Global Competitiveness Report", WEF, 2014

CORRUPTION HAS DETRACTED FROM GROWTH,

with the Petrobras scandal, the biggest in Brazil's history, costing the country an estimated 1% of GDP

In 2015, it was revealed that Brazil, which already ranks low on the corruption index, had suffered a corruption scandal costing the government 5.7 Billion Real over the last 10 years. The Petrobras scandal has had major implications on the company's operations forcing major asset writedowns and a decrease in its investments. The scandal also had implications on other sectors that are highly tied to it costing the Brazilian economy an estimated US$ 27.1 Billion. Even before the drop in oil prices and the revelation of extensive graft, Petrobras was the world's most indebted oil company

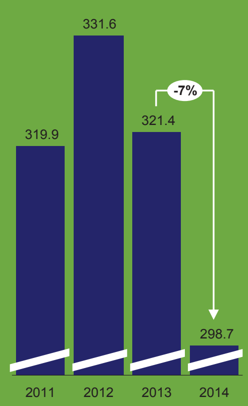
Corruption in Brazil and Comparative Countries
(In Corruption Perception Index Rank, 2014)



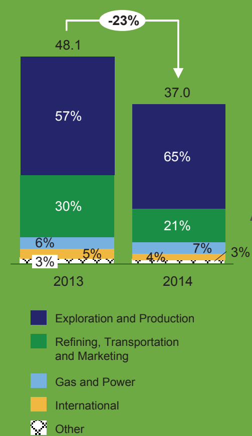
PETROBRAS AFFECTED METRICS: High Debt, Write-down of Assets, and Drop in Investment

Petrobras Consolidated Debt
(In US$ Billion, 2011-2014)

Petrobras Total Assets
(In US$ Billion, 2011-2014)



Petrobras Total CAPEX and Investments
(In US$ Billion, 2013 and 2014)



Petrobras Loss Due to Corruption

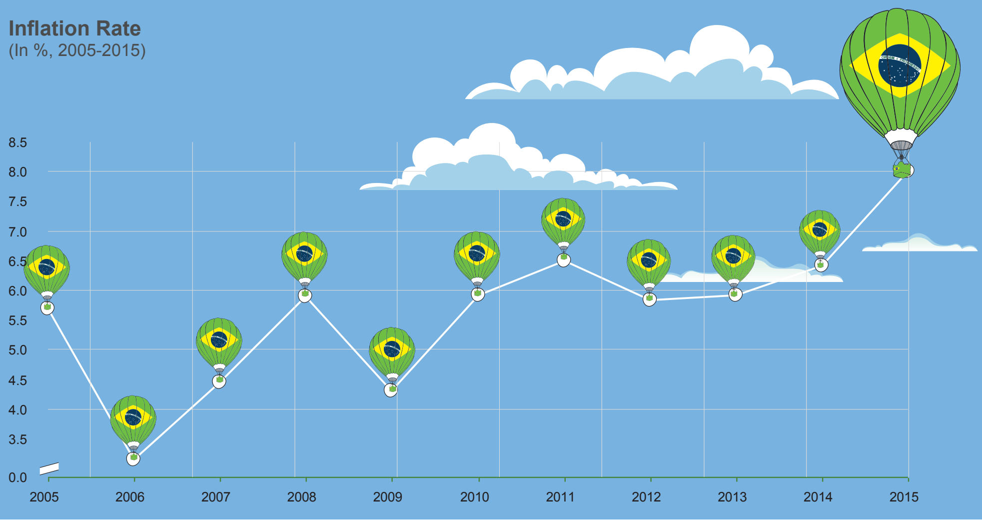
Assets Write-Downs

Source- Upper Chart: Transparency International
Sources- Lower Charts: Petrobras Financial Statements; "Corruption Scandal Will Cost Petrobras at Least US$ 2.1 Billion", Nasdaq, Apr. 2015; "Petrobras Write-down May Give New Ammunition to Class-Action Suit", Reuters, Apr. 2015

BRAZIL'S ECONOMY IS GOING INTO "STAGFLATION" WITH HIGH INFLATION COINCIDING WITH LOW GROWTH and capital outflows and depreciating currency adding to the economic woes

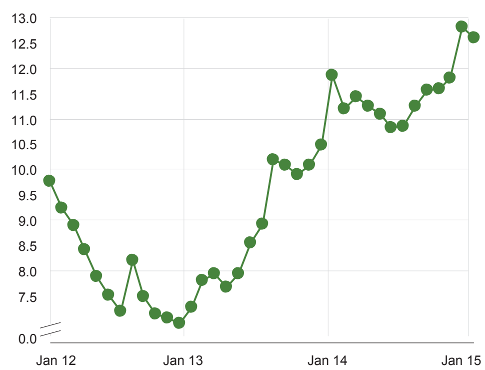
Inflation in Brazil rose to 7.7% recently--the highest level in a decade. In response—and to cool the economy--policymakers raised the interest rate to 12.75%. However, the tight monetary policy dampens growth and runs the risk of pushing Brazil deeper into stagflation. Meantime, US monetary policy and potential rising rates have led to major capital outflows and to a depreciation of the Brazilian real. While depreciation should boost Brazil's exports and thus its competitiveness in the long term, the speed of recent currency declines could also have negative effects

Inflation Rate
(In %, 2005-2015)



Exchange Rate Against US Dollar
(In BRL/US$, Jan. 2012 - Jan. 2015)

Interest Rates
(In %, Jan. 2012 - Jan. 2015)

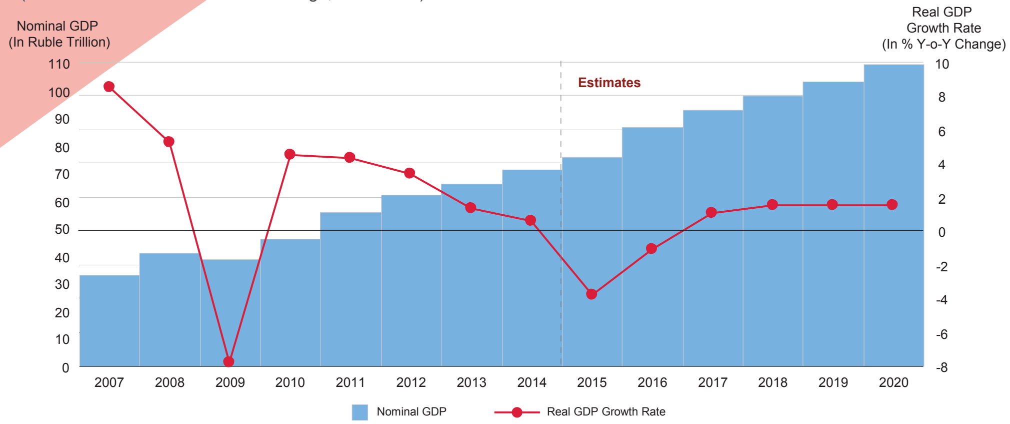


Source- Upper Chart: "World Economic Outlook", IMF, Apr. 2015
Sources- Lower Charts: Thompson Reuters DataStream; "International Financial Statistics Yearbook", IMF, 2014

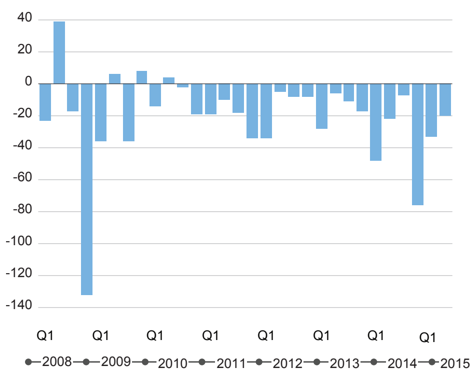
RUSSIA'S ECONOMY IS PROJECTED TO CONTINUE TO CONTRACT, being highly affected by outflow of capital and a depreciating currency

Falling oil prices and the crisis in Ukraine have had a damaging effect on Russia's economy, lowering growth rates that had already been slowing since peaking at 10% in 2000. Real GDP growth is estimated to dip as low as ~3.8% in 2015 before returning to positive territory in 2017. Capital flight more than doubled in 2014 to US$ 151.5 Billion, with more than US$ 79 Billion lost in the fourth quarter alone, more than quadruple the value lost during the same quarter in 2013. Although the Russian ruble showed some signs of rebounding in early 2015, the ruble's real effective exchange rate was at only 70% of its average rate in 2014

Russian Nominal GDP and GDP Growth over Time
(In Ruble Trillion and In Y-o-Y % Change, 2007-2020)



Capital Outflows
(In US$ Billion, Q1 2008 - Q2 2015)



Real Effective Exchange Rate of Russian Ruble over Time
(In REER Index 2010=100, May. 2005 - Feb. 2015)

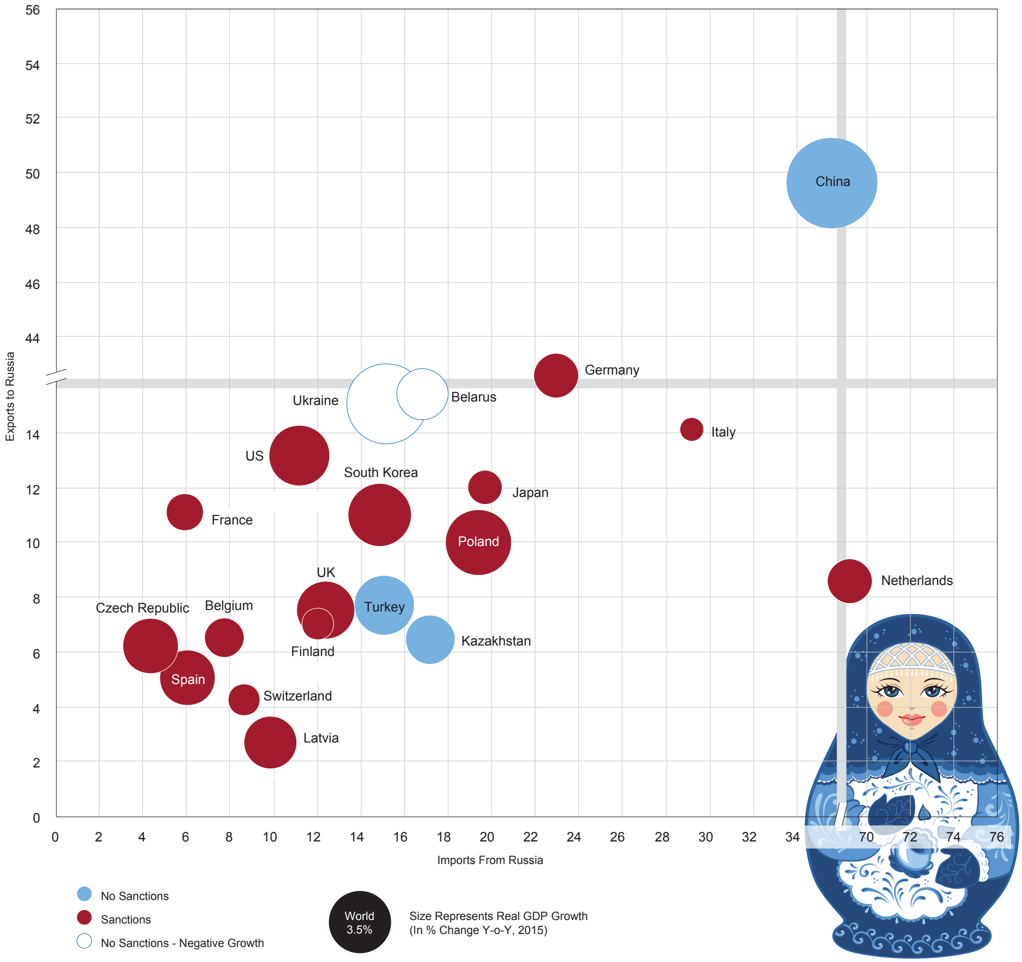
Source- Upper Chart: "World Economic Outlook", IMF, Apr. 2015
Source- Lower Left Chart: Central Bank of Russia
Sources- Lower Right Chart: Thomson Reuters Datastream; Business Insider

RUSSIA'S ECONOMIC DOWNTURN HAS BEEN DEEPENED BY SANCTIONS AND BY A SLOWDOWN IN THE GROWTH OF ITS MAJOR TRADE PARTNERS

Russia is burdened by sanctions and slow growth in top export markets, contributing further to the negative outlook for the country's economy. Of the country's top 15 trade partners, only China will see growth above the projected 2015 global average of 3.5%. Ten of these trading partners have imposed sanctions, cutting off important import and export markets for Russia. Sanctions are estimated to have cost Russia US$ 26.7 Billion in 2014 and the impact in 2015 may be two or three times that amount, according to economists' forecasts

Top Russian Trading Partners

(In US$ Billion of Aggregate Absolute Values of Imports and Exports, 2014)



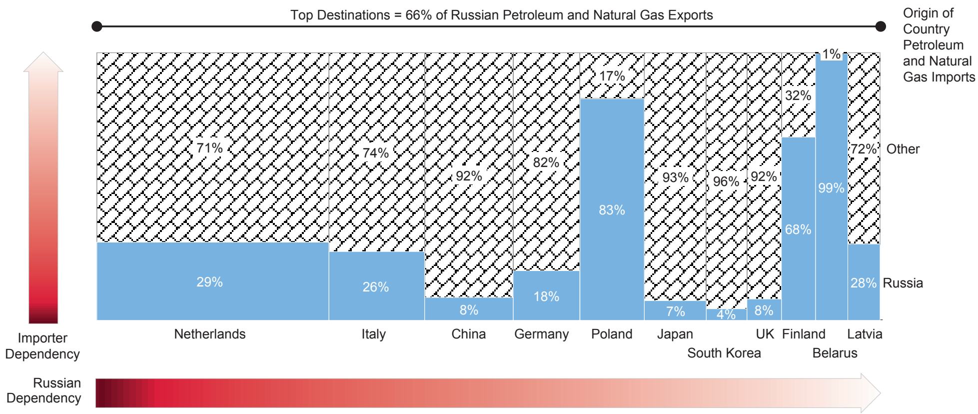
Sources: UNCTAD; IMF Datamapper

RETALIATORY RUSSIAN SANCTIONS ARE HAVING AN IMPACT ON SOME EUROPEAN ECONOMIES, but are also causing domestic inflation

To date, sanctions have stopped short of bans on natural gas and petroleum exports. With nearly one-third of EU oil and gas imports coming from Russia, any steps to significantly cut trade flows would hurt economies on both sides. Russia has made efforts to leverage economic influence by imposing retaliatory sanctions on agricultural imports. While these sanctions have caused some strain in European and American markets, they have also hurt Russia's domestic economy, contributing to food price increases of 15% in 2014 and more in 2015

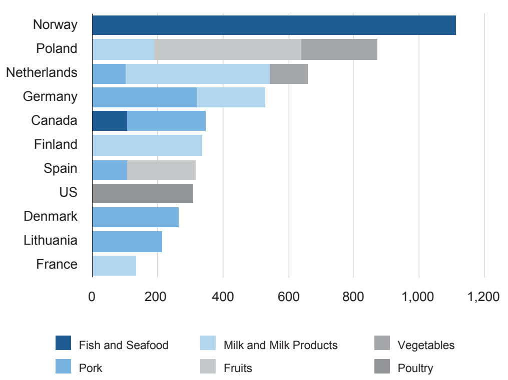
Dependency of Top Export Destinations for Russian Petroleum and Natural Gas Exports[1]

(Width=In % of Russian Petroleum Exports, 2013 and Height=In % of Russian Imports as a Share of Total Country Imports, 2013)



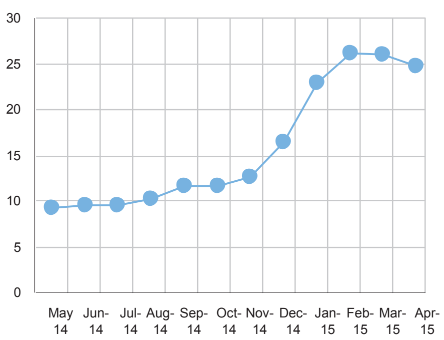
Exporting Countries Affected by Russian Agricultural Sanctions over US$ 100 Million

(In US$ Million, 2013)



Russia's Food Inflation

(In % Y-o-Y, May 2014 - Apr. 2015)



Note: (1) Values represent aggregate of five UNCTAD product groups: 333, 334, 335, 343 and 344
Source- Upper Chart: UNCTAD
Sources- Lower Left Chart: Wall Street Journal; "Russia's Restrictions on Imports", FAO, 2014
Source- Lower Right Chart: Federal State Statistics Service, Russia