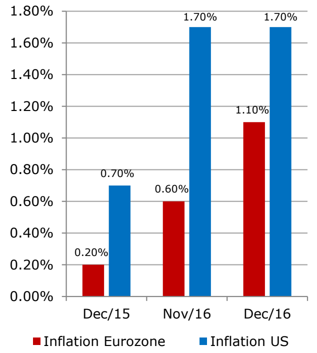
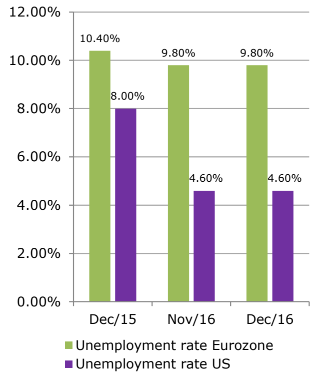
ECONOMIC VIEW - December 2016

ZANDERS Treasury and Finance Solutions

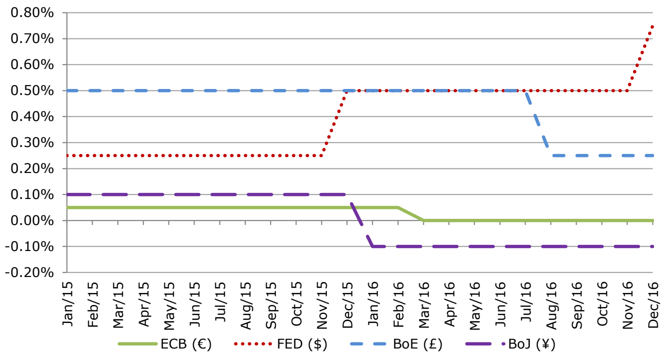
Inflation Eurozone & US



Unempl. rate Eurozone & US



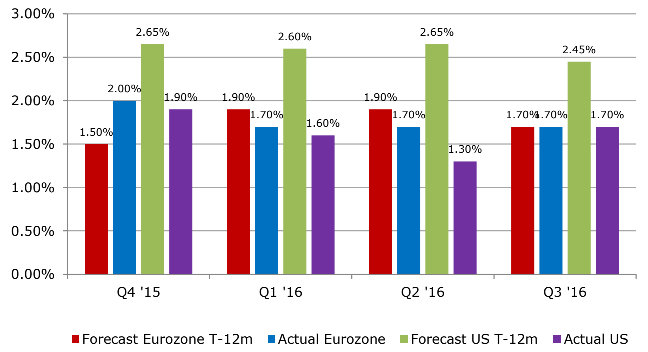
Official Policy Rates Central Banks



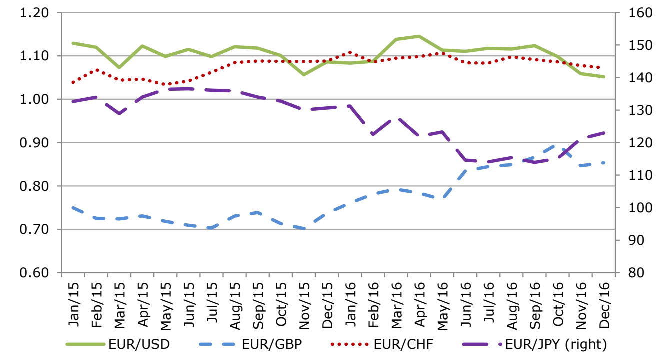
Credit Ratings Banks

	S&P	Moody's	Fitch
Deutsche Bank	BBB+	Baa2	A-
BNP Paribas	A	A1	A+
RBS plc.	BBB+	A3	BBB+
HSBC Bank plc.	A	A1	AA-
UBS AG	A+	Aa3	A+
CitiGroup Inc.	BBB+	Baa1	A
ING Bank	A	A1	A+
UniCredit SpA	BBB-	Baa1	BBB+

Forecast vs actual GDP growth Eurozone & US



Currencies



Credit Ratings Sovereigns

	S&P	Moody's	Fitch
The Netherlands	AAAu	Aaa	AAA
Germany	AAAu	Aaa	AAA
France	AAu	Aa2	AA
Belgium	AAu	Aa3	AA-
Spain	BBB+	Baa2	BBB+
Switzerland	AAAu	Aaa	AAA
Great Britain	AAu	Aa1	AA
United States	AA+u	Aaa	AAA

Macroeconomic Developments

- The Eurozone has decided to delay debt-relief plans for Greece. The proposed measures are temporarily frozen in reaction to new pension plans of the Greek government. The Greek government intends to give EUR 617 million to over a million pensioners with low incomes. Many euro countries believe this is in conflict with the agreements of the support program.

- The European Central Bank (ECB) has decided to extend its quantitative easing programme until December 2017. However, as of April 2017, the monthly volume will be reduced from EUR 80 billion to 60 billion.

- The Italian parliament has agreed to take on new state debt. Italy plans to borrow EUR 20 billion to bail out troubled Italian banks. Besides this, the ECB is negotiating with the Italian government to accommodate a EUR 6.5 billion injection to rescue the oldest Italian bank, Monte dei Paschi di Siena.

- *Please note that the information does not refer to the graphs above.*

Official Policy Rates Central Banks

- The Federal Reserve has raised its policy interest rate with 0.25% to a range of 0.50 - 0.75%. The raise is partly caused by the recovery of the US labor market and economic improvements in the United States.

- In December the ECB decided to leave its policy interest rate unchanged to further stimulate the recovery of the European economy/

- *Please note that the BoJ interest rate fluctuates within a bandwidth of 0.00% and -0.10%.*

Currencies

- Mid December the EUR/USD exchange rate hit the lowest level since 2013; the value of 1 Euro was USD 1.0372. The low exchange rate is amongst others the result of interest rate decisions of the Federal Reserve and the ECB, and the decision of the ECB to extend its quantitative easing programme.
- At the end of December the EUR/USD exchange rate decreased to EUR/USD 1.0517 compared to November.

Credit Ratings Banks

- In December, credit rating agencies Standard & Poor's, Moody's and Fitch did not change the credit ratings of the banks mentioned in the table above.

Credit Ratings Sovereigns

- Credit rating agency Fitch lowered its credit rating of Belgium from AA to AA-. The downgrade is amongst others caused by lower than expected tax revenues, a higher forecast of the budget deficit and high gross public debt. In December, the Internal Monetary Fund also expressed its concerns about Belgium's budget policies.

- The credit ratings of the other countries mentioned above have not been changed by the three major credit agencies.

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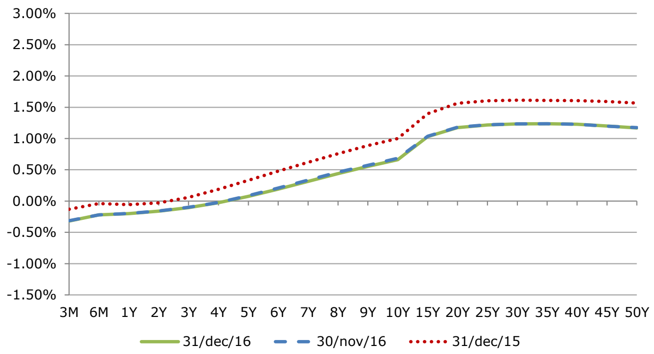
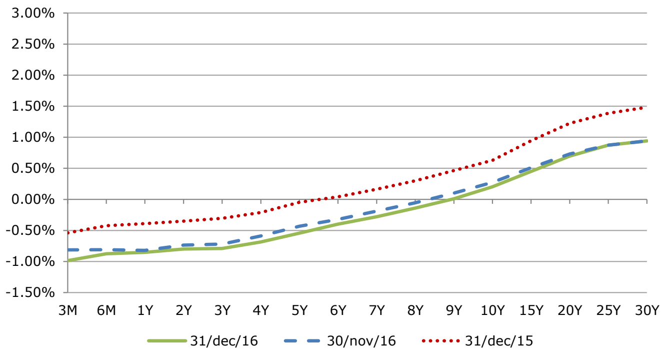
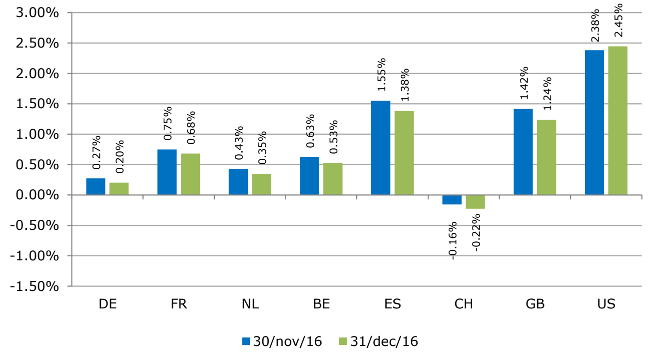
Euro Swap Curve



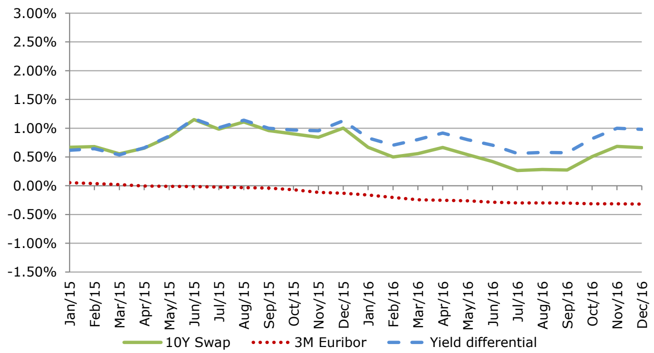
German Government Bond Curve



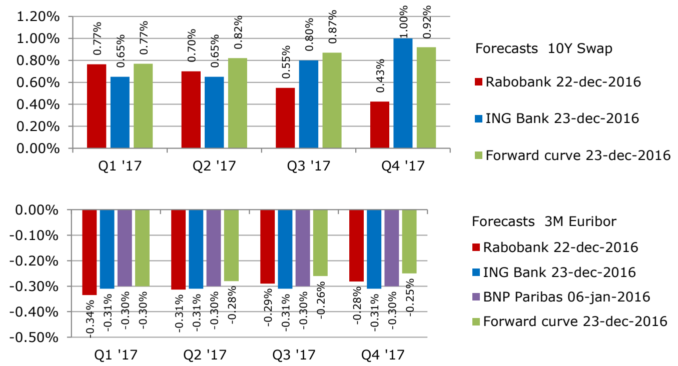
Yields 10Y Goverment Bonds



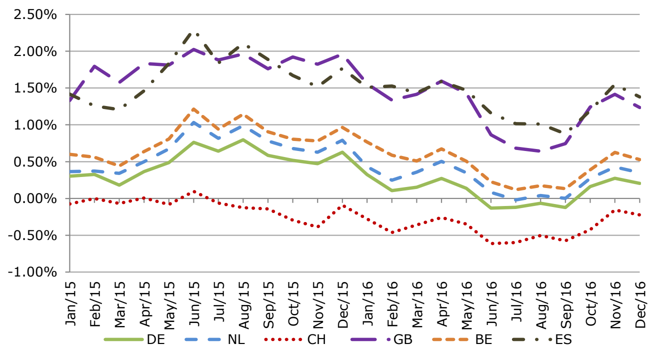
10Y Swap -/- 3M Euribor



Interest Rate Forecasts 10Y Swap and 3M Euribor



Yields 10Y Goverment Bonds



Interest Rates

- During December 2016, the Euro swap curve decreased slightly compared to November. Swap rates up to and including the 4-year point are negative on 31 December 2016.
- The 10-year Euro swap decreased with 2 basis points to 0.66% on 31 December 2016. In November 2016, the 10-year rate closed at 0.68%.
- During December the 3-month Euribor decreased with 1 basis point. On 31 December 2016 the 3-month Euribor closed at -0.32%.
- *Please note that the interest rate forecasts and the interest rates shown in the graphs above do not include liquidity and credit spreads (as are applicable on loans).*

Interest Rate Forecasts

- ING Bank expects the 3-month Euribor to remain at -0.31% until the fourth quarter of 2017. BNP Paribas forecasts the 3-month Euribor to remain at 0.30%. Rabobank expects the rate to increase from -0,34% in the first quarter to -0.25% in the fourth quarter of 2017.
- ING Bank expects an increase of the 10-year swap to a level of 1.00% in the fourth quarter of 2017. Rabobank expects a decrease of the 10-year swap to 0.43% in the fourth quarter of 2017.
- The 10-year forward rate forecasts are greater than the forecasts of both ING Bank and Rabobank in the first 3 quarters of 2017. In the fourth quarter of 2017 the 10-year IRS is expected to be 0.92%, whereas the 3-month Euribor is expected to decrease to -0.25%.
- *Please note that these interest rate forecasts are based on predictions and are therefore by definition uncertain. Derivative actions are seen as hypothetical and considered speculative trading, especially in (semi) public institutions.*

Government Bond Yields

- In December, yields on all European government bonds mentioned above have decreased.
- In December yield on an American 10-year government bond increased with 6 basis points to 2.45%, compared to November 2016.
- Yields on Spanish and British 10-year government bonds showed the largest decrease in December. The Spanish 10-year government bond yield decreased with 17 basis points to 1.38%. The yield on a British 10-year government bond decreased with 18 basis points to 1.24%.

German Government Bond Curve

- German government bond yields are lower for all tenors up to the 30-year point compared to November 2016.
- For tenors of 30 years and longer yields are on par with yields in November 2016.

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