



# Baltic bonds

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# Investment bank **Finasta**

- Finasta Financial Group is the largest private banking and asset management group in the Baltic region
- **New Europe** is our home market – one flight distance to any of our markets



# Local bond market in Baltics

# There is no local bond market worth to speak about

	Number of active issues	Nominal value of issues, mEUR	Yearly turnover, mEUR
<b>Listed issues:</b>			
<b>Vilnius S.E.</b>	24	1 222	113
<b>Riga S.E.</b>	52	1 144	4
<b>Tallinn S.E.</b>	0	0	0
<b>Unlisted issues</b>	~ 100	> 700	No secondary market

- **Small and illiquid market by any measure**, both governments and corporates (mostly banks)
- Issues are small (typically 5-10 mEUR in size)
- Usually bought out by a narrow circle of institutions

# Baltic eurobonds

# Baltics: one of few countries that have implemented **STRICT** austerity measures

## Fiscal consolidation

- Major **fiscal reforms**
  - Budget consolidation in 2008-2010: Latvia – 16,6% of GDP; Lithuania 12% of GDP; Estonia 9% of GDP.
- Comprehensive **tax reforms**
- Wide-ranging **structural reforms**

## Economic stimulus

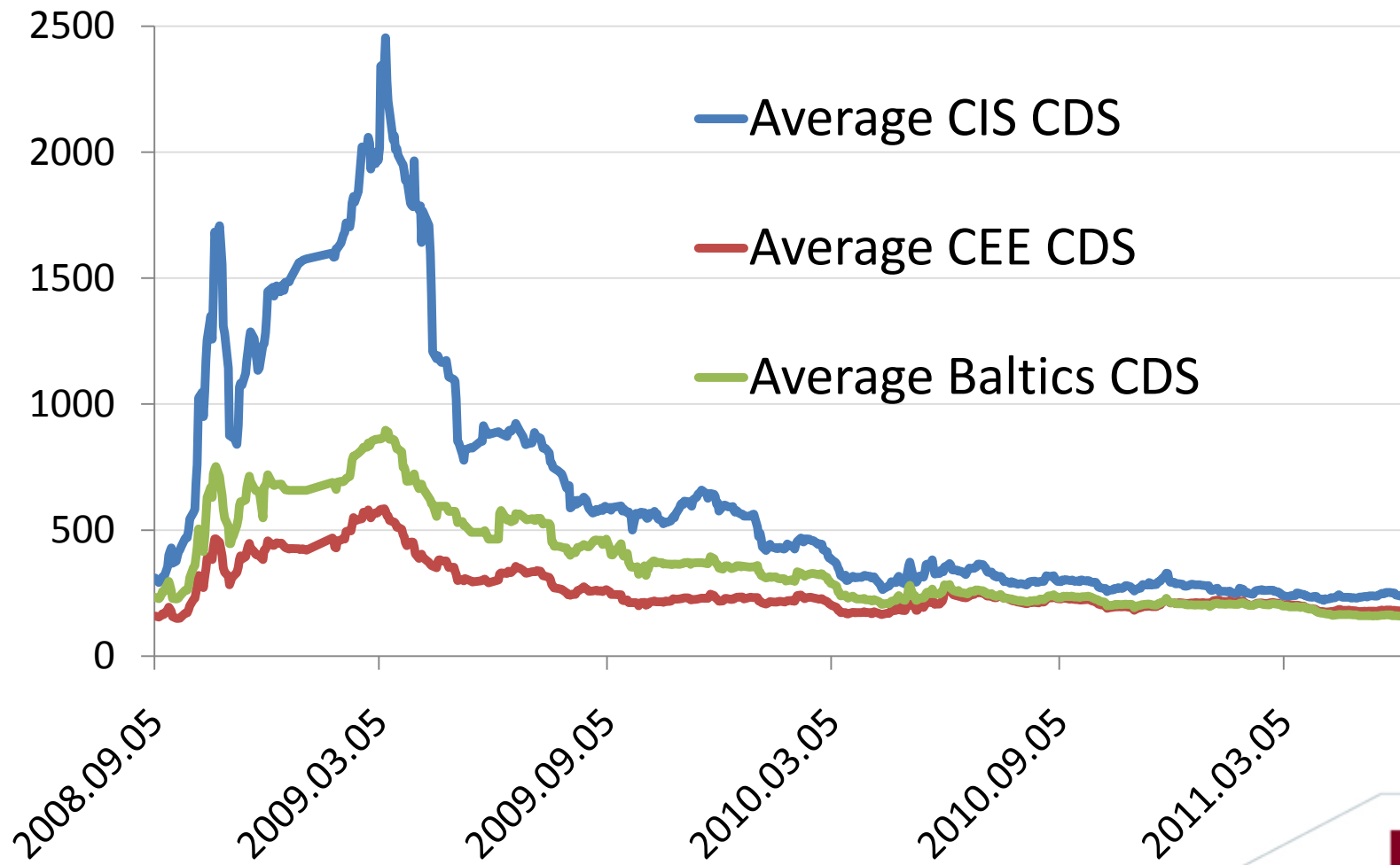
- Expansion of business financing opportunities
- Promotion of absorption of EU funds
- Improvement in business environment
- Promotion of exports and investments

# Macroeconomic indicators skyrocketed

	Latvia		Lithuania		Estonia	
	2009	2010	2009	2010	2009	2010
<b>Nominal GDP, EUR bn</b>	23,0	17,0	32,1	27,3	16,9	13,8
<b>GDP growth</b>	-18%	-1%	-15%	1%	-14%	1%
<b>Unemployment rate</b>	7%	15%	6%	18%	5%	15%
<b>Gross public debt, % of GDP</b>	17%	59%	16%	39%	5%	10%
<b>Fiscal balance, % of GDP</b>	-4,1%	-8,6%	-3,3%	-7,8%	-2,7%	-1,2%

Source: Statistics Lithuania, Central Statistical Bureau of Latvia,  
Statistics Estonia

# Fully benefited from V-shaped recovery





Baltic government eurobonds:

=> **Narrowing of spreads to continue**  
(during next 6-12 months)

# Trend is your friend



**It is more prudent to go with the flow rather than anticipate reversals, especially when situation is nowhere near the extremes**

# Booming export



TOP4 countries in EU  
by 2010 export growth:

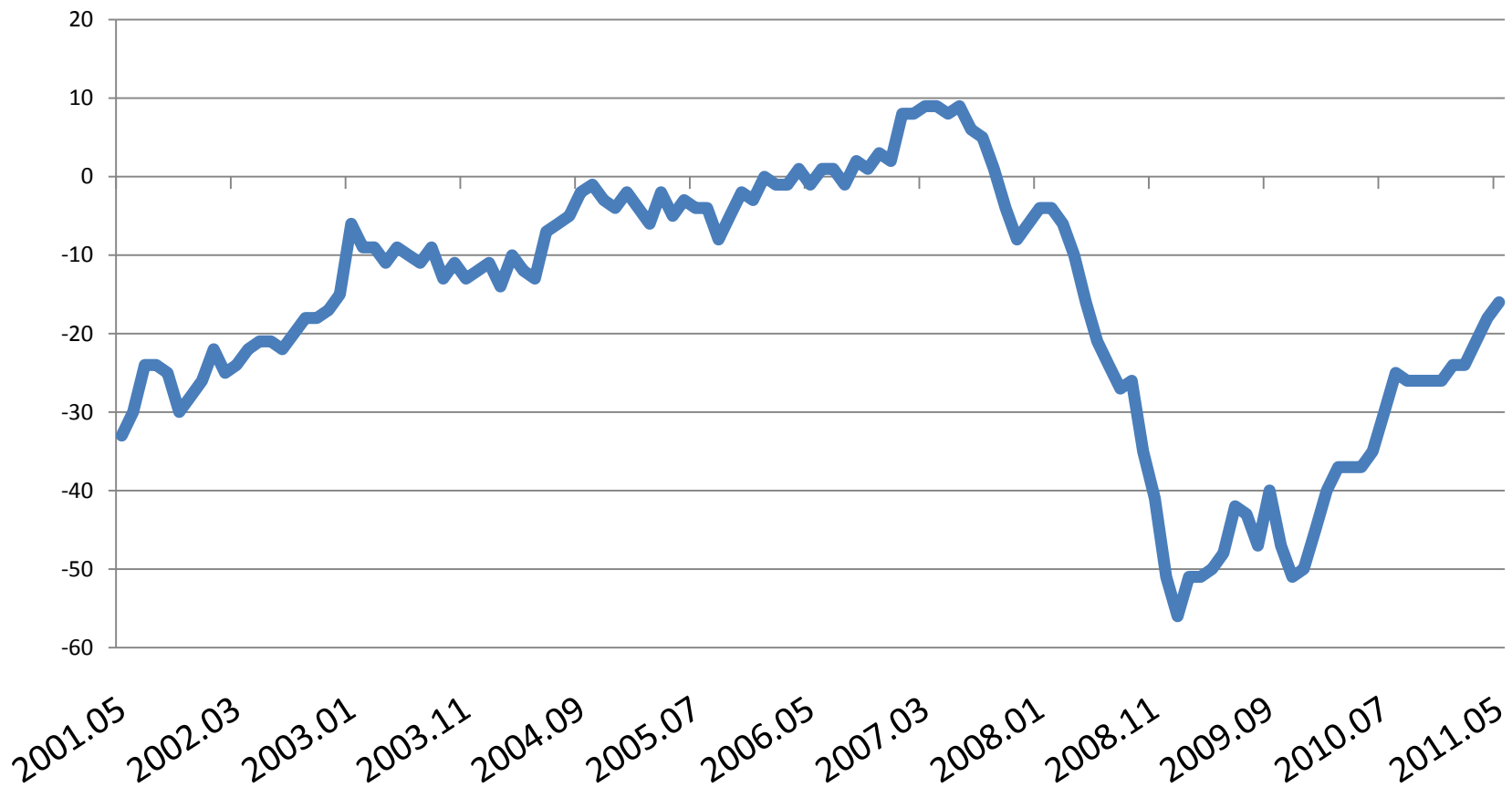
1<sup>st</sup> Estonia

2<sup>nd</sup> Bulgaria

3<sup>rd</sup> Lithuania

4<sup>th</sup> Latvia

# Recovering internal demand



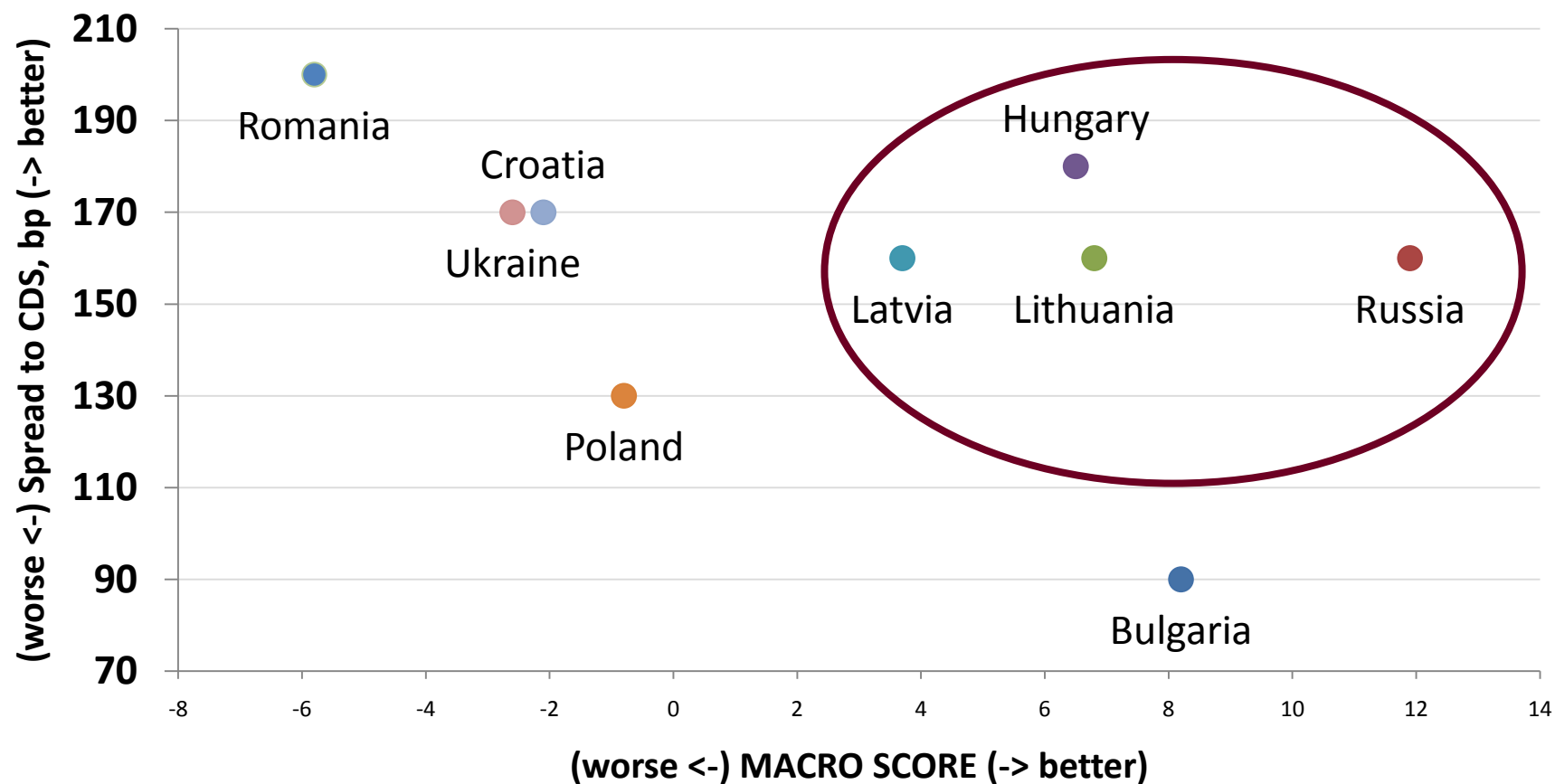
Source: Lithuanian Consumer Confidence statistics

# Small competitive economies

country	ranking 2010-11	ranking 2009-10	progress
Estonia	33 <sup>rd</sup>	35 <sup>th</sup>	+2
Latvia	70 <sup>th</sup>	68 <sup>th</sup>	-2
Lithuania	47 <sup>th</sup>	53 <sup>rd</sup>	+6
Russia	63 <sup>rd</sup>	63 <sup>rd</sup>	0
Ukraine	89 <sup>th</sup>	82 <sup>nd</sup>	-7
Kazakhstan	72 <sup>nd</sup>	67 <sup>th</sup>	-5

Source: World Economic Forum, Global Competitiveness index

# CEE / CIS bonds relative valuation



\* spread is adjusted for currency

# Thank you!

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