



Baltic Bond Market

14 April 2016

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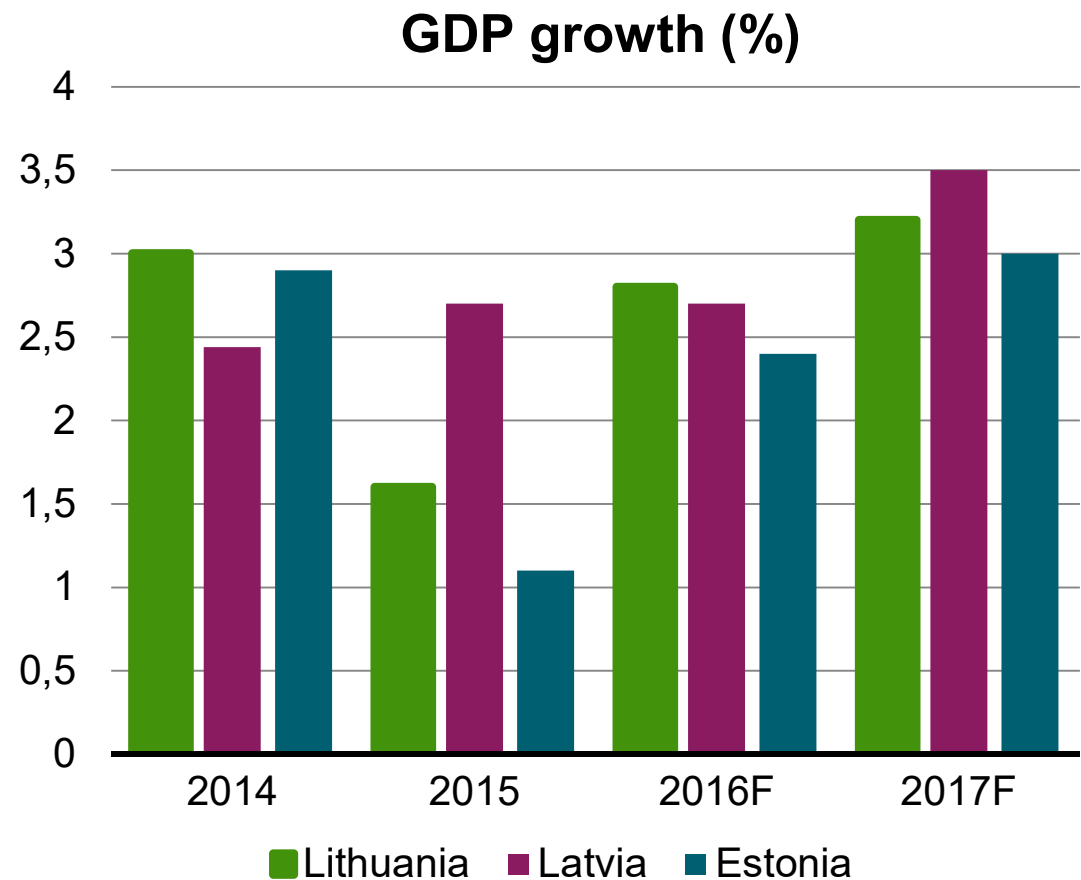
Talking about

- Macro snapshot
- How active is sovereign issuance
- and corporate?
- Trends in the bond market
- Baltics and QE

GDP picture

2016

- Limited potential for a substantial growth
- Growth to be supported by:
 - still robust domestic demand
 - improving external trade balance
 - growing investment



Source: NSB, SEB

The importance of Russian market is decreasing

Latvia	Export weight	Changes
Lithuania	19.1%	3.6%
Estonia	11.7%	0.0%
Russia	7.9%	-25.5%
Germany	6.7%	-3.3%
Poland	6.0%	-6.0%
EU28	73.6%	2.3%
Total	100%	1.2%

Lithuania	Export weight	Changes
Russia	13.6%	-39.2%
Latvia	9.9%	1.9%
Poland	9.8%	9.7%
Germany	8.0%	3.0%
Estonia	5.3%	15.9%
EU28	61.8%	6.2%
Total	100%	-5.7%

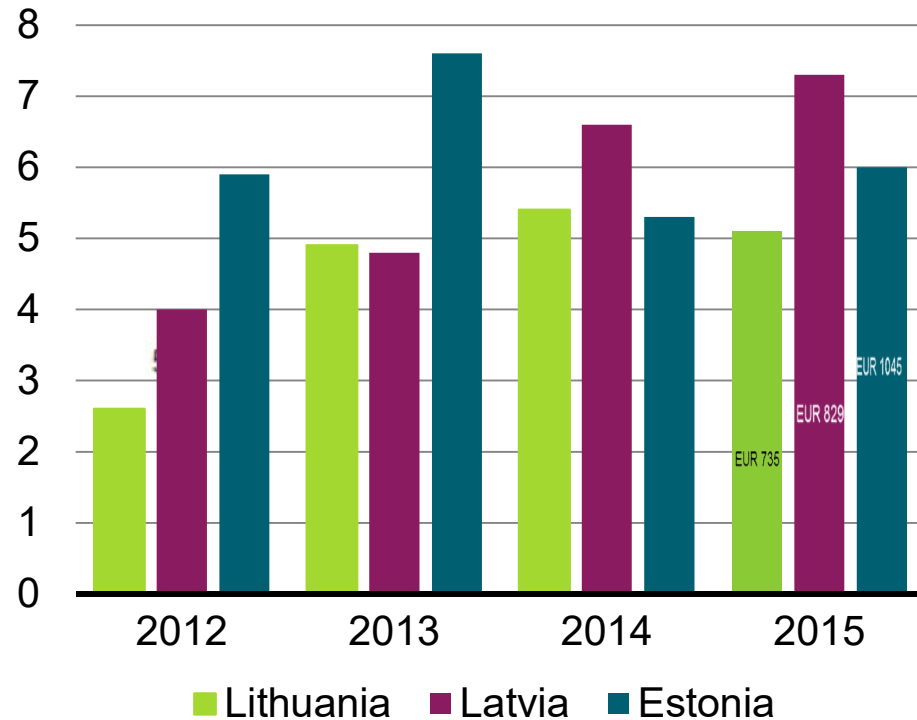
Estonia	Export weight	Changes
Sweden	18.9%	1.4%
Finland	16.0%	0.8%
Latvia	10.5%	-5.9%
Russia	9.8%	-35.9%
Lithuania	5.6%	2.4%
EU28	75.2%	0.3%
Total	100.0%	-4.0%

Source: NSB

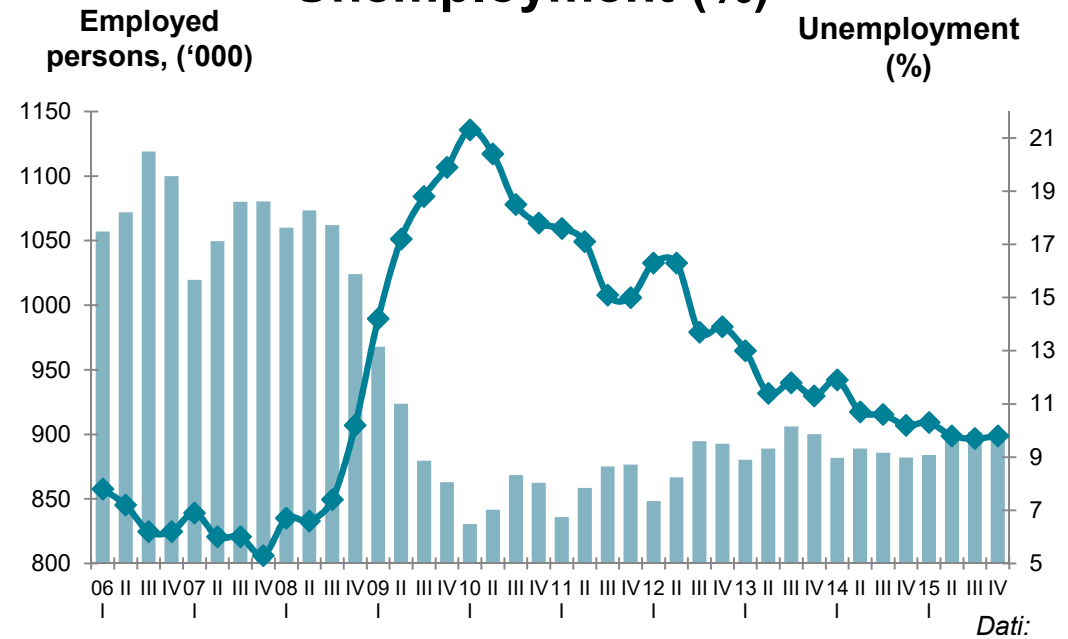
- Substantial efforts to diversify export markets
- Biggest hopes for Eurozone, UK and the Nordics
- -5.7 % in 2015 due to the decrease in trade with Russia and lower prices of mineral products
- Export growth from EU was strong, but did not outweigh losses in Russia
- Estonia is the most export dependent
- Trade growth was stagnant in Estonia's primary export markets: Finland and Sweden

Limited potential for a substantial growth

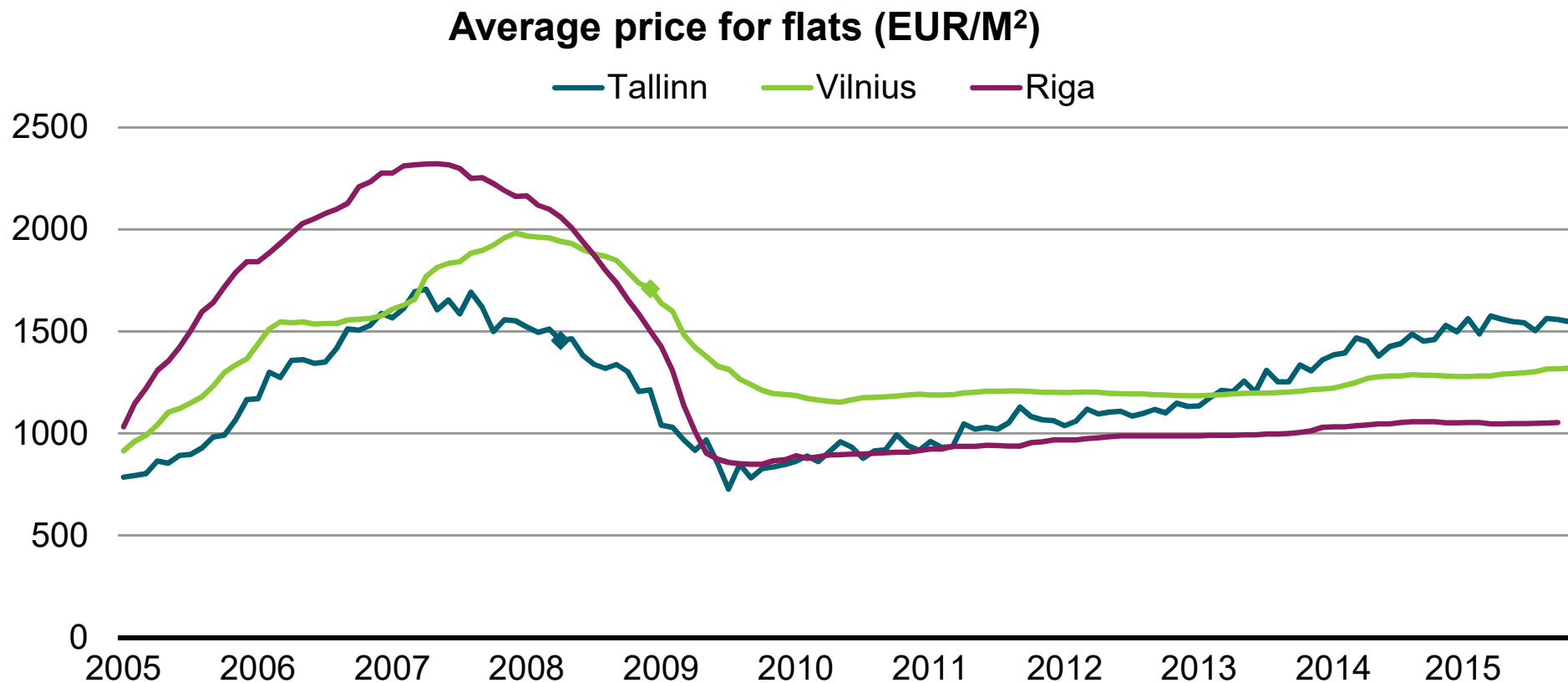
Salary changes (%)



Employed persons ('000) Unemployment (%)



Real estate prices go up



Source: Oberhaus

Lithuania

- In 2015 over EUR 1 billion sold (+29% YoY) domestically
- Clear shifting focus to domestic issuance
- In 2016 EUR 1.7 billion (+37%)
- from them EUR 1.2 billion domestically

Proving preference for longer and larger issues

Issue		Amount outstanding, MEUR	Taps scheduled until April, 2016	Average amount per auction since issue date, MEUR
LITHGB 03/30/19	0.6	190	3	25
LITHGB 05/27/20	0.7	270	1	25
LITHGB 08/28/21	2.1	230	2	17
LITHGB 11/06/24	2.1	125	2	14
New 10-year (maturing on 27 April 2026)			1	

Sources: Ministry of Finance of Lithuania, SEB

Lithuanian Government borrowing and debt management guidelines:

Issues of minimum EUR 100 million in nominal size shall be placed in domestic market

Latvia

- In 2015 EUR 410 million sold (+11% YoY) domestically
- Short-term debt is used to finance the budget
- Focus on international markets
- In 2016-2018 EUR 2.6 billion internationally and EUR 0.9 billion domestically
- Corporate segment: 43 bonds outstanding
- Latvenergo tap: 2022, 1.3% yld 1.9% coupon, 6 times*book

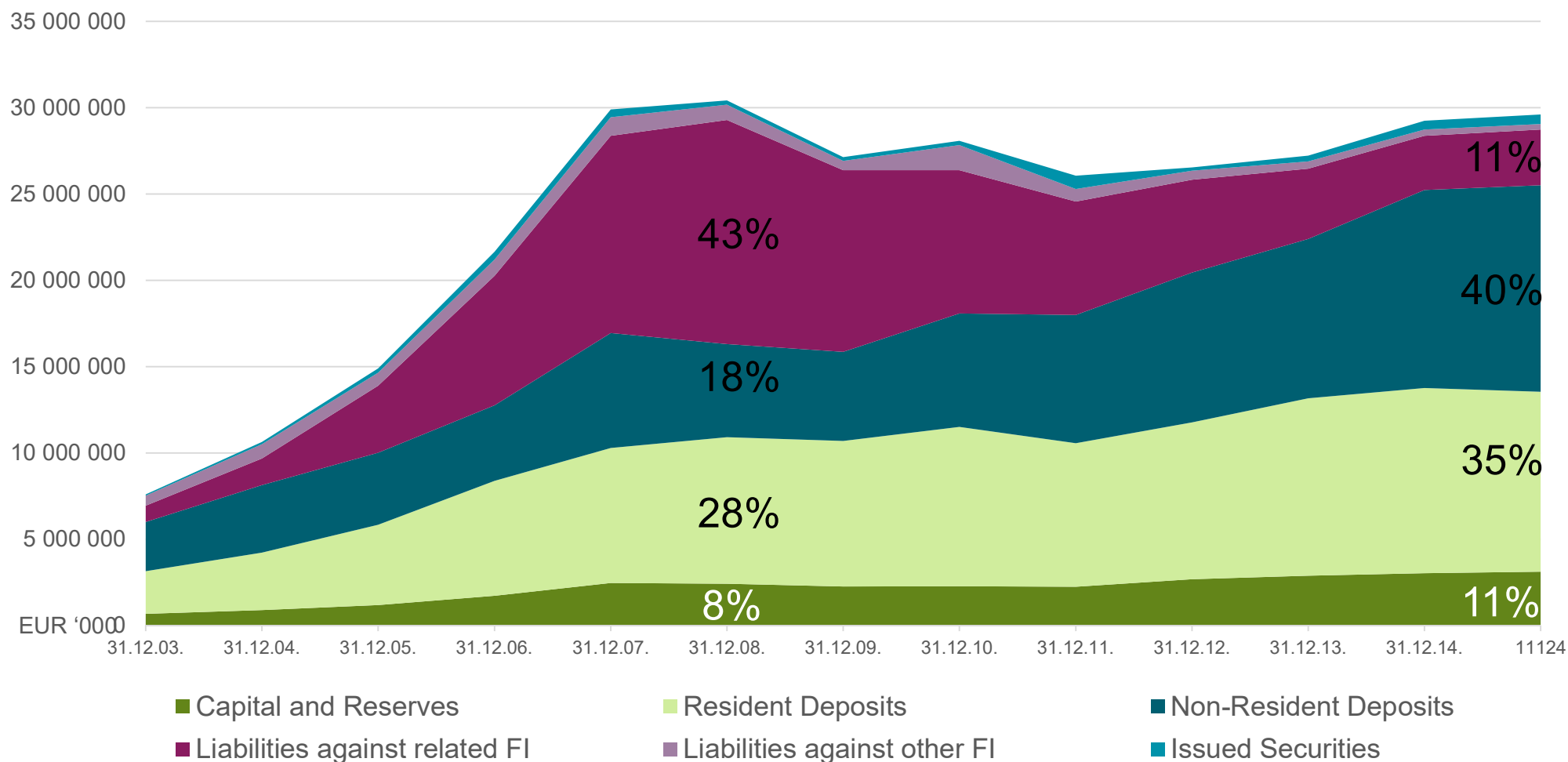
Domestic issuance picked up last year

Original term	Amount placed (million EUR)*	Number of issues	Average yield of the issues (%)
<1Y	110	4	0.024
3Y	220	7	0.250
5Y	80	3	0.625
TOTAL	410	14	
TOTAL 2014	370	19	

*Amount placed is the total amount sold in both competitive multi-price auctions and fixed-rate auctions.

Source: Treasury of Latvia, SEB

Banking sector in Latvia: financing structure



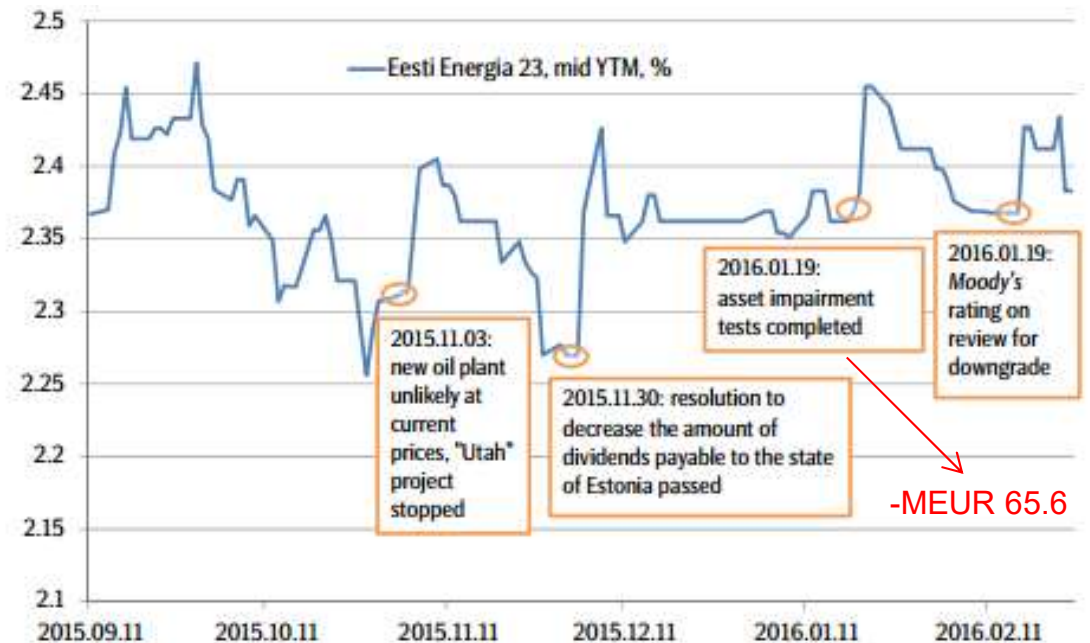
Source: FSA

- 17 banks and 10 branches
- 80.5% foreign capital

Estonia

- No sovereign debt
- Elering: QE eligible
- Eesti Energia:
 - company's longest maturity (eight-year) EUR 500 million bonds issued last September (ESTONE 2.384 09/22/23) have been swinging up and down following the news,
 - to be QE eligible, challenged by rating agencies

Eesti Energia 23 bonds swayed by the news



Source: Bloomberg, SEB

Baltic QE activity

LV:

Moderate ad hoc activity – facing the limited supply

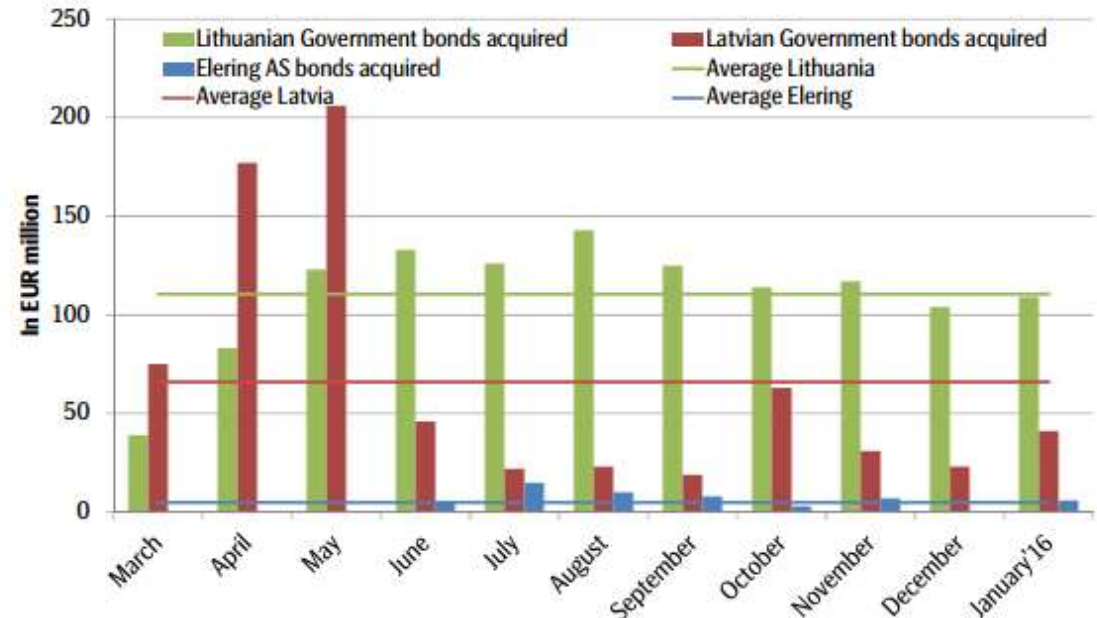
LT:

Regular investment of EUR 100 million monthly

EE:

Elering is eligible for QE program (EUR 53 million, or 71 % from quota), Eesti Energia to be added

Dynamics of Baltic QE purchases



Source: Bank of Lithuania, Bank of Latvia, Bank of Estonia

So where to finish

- Not Baltic tigers anymore
-but showing stable and stabilizing growth
- Export structure diversification is taking place
- Private consumption still will support the economy
- Capital expenditures dependent on the global environment
- Baltic bond markets (including domestic) are getting more international attention
- QE program eligible

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