

## BULLETIN IN BRIEF

- Budget<sup>1</sup> with accumulated deficit
- Central government debt outstanding (nominal value)
- Municipalities' borrowings made from the Treasury

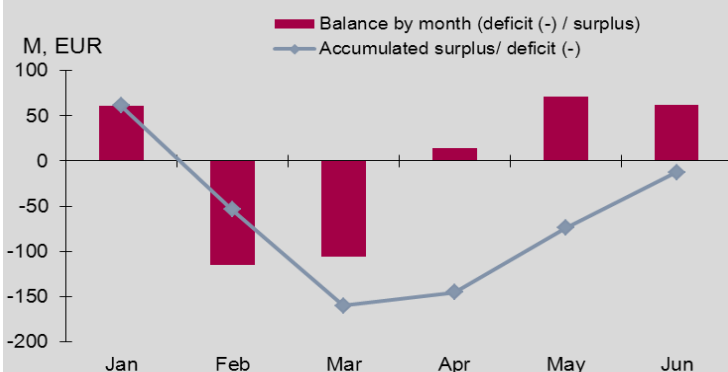
-8.7 M, LVL / -12.4 M, EUR (Jan-June)  
5 630 M, LVL / 8 011 M, EUR (end of June)  
30.5 M, LVL / 43.4 M, EUR (Jan-June)

## GENERAL DATA

### Central Government Consolidated Budget\*

Month	M, EUR					
	Jan	Feb	Mar	Apr	May	Jun
Balance by month (deficit (-) / surplus)	61	-115	-106	14	71	62
Accumulated surplus/ deficit (-)	61	-54	-160	-145	-74	-12

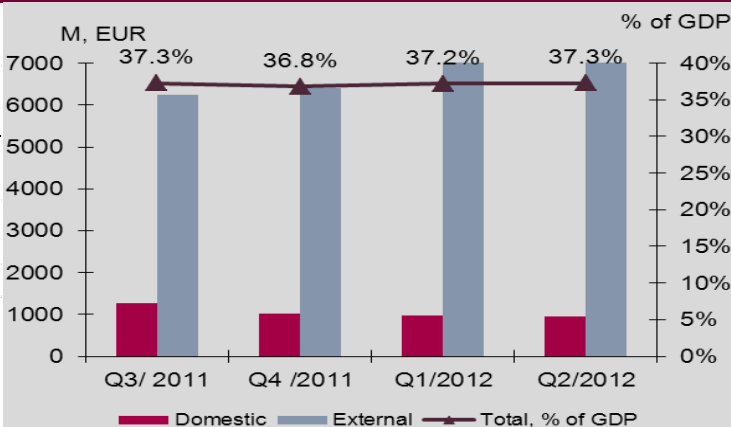
\* excluding grants, donations and derived public entities



### Central Government Debt Outstanding

Debt (M, EUR)	Q3/ 2011		Q4/ 2011		Q1/ 2012		Q2/ 2012	
	M	%	M	%	M	%	M	%
Domestic debt	1 273	17%	1 022	14%	974	12%	950	12%
External debt	6 240	83%	6 401	86%	7 023	88%	7 061	88%
Total	7 512	100%	7 422	100%	7 997	100%	8 011	100%

(nominal values)

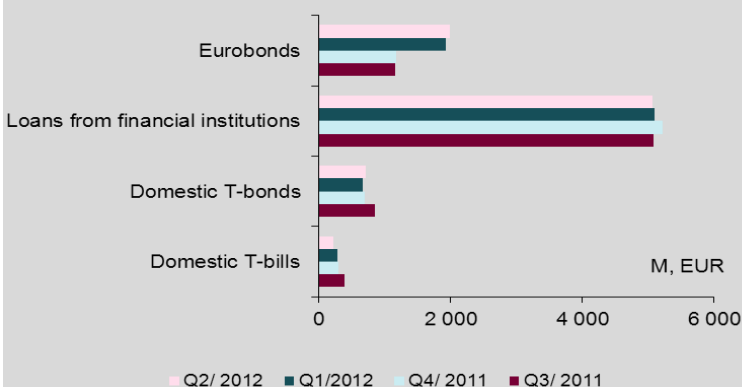


GDP forecast for 2012: LVL 15 108,0 M (EUR 21 496,7 M) (Ministry of Finance)

### Debt Outstanding by Instruments

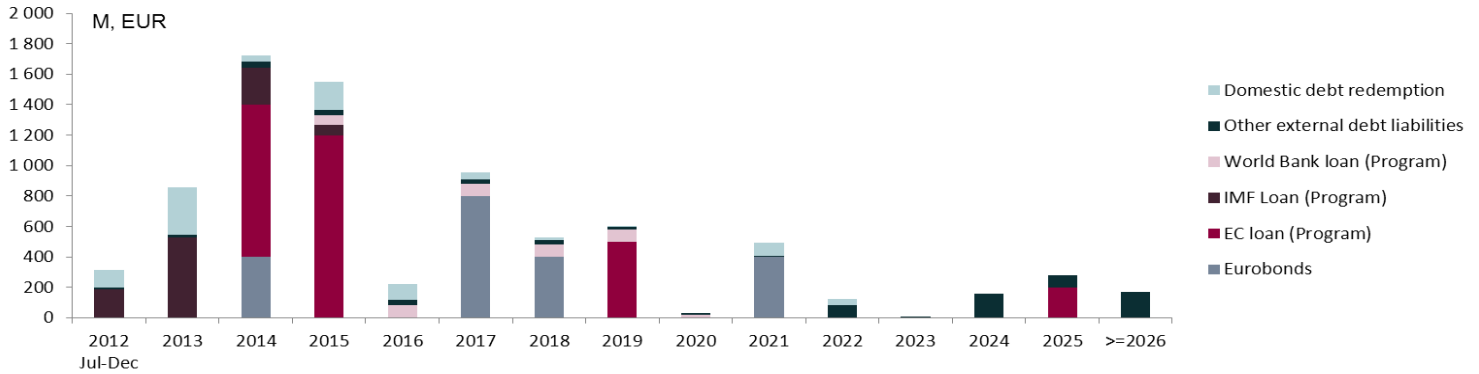
	M, EUR			
	Q3/ 2011	Q4/2011	Q1/2012	Q2/2012
Domestic T-bills	400	304	286	222
Domestic T-bonds	862	709	681	720
Loans from financial institutions	5 084	5 222	5 104	5 068
Eurobonds	1 167	1 187	1 927	1 999
Total	7 512	7 422	7 997	8 011

(nominal values)

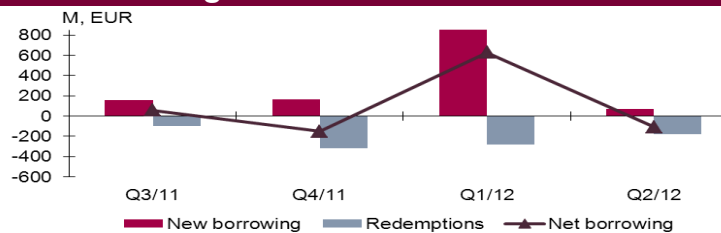


<sup>1</sup>Central government consolidated budget (excluding grants, donations and derived public entities)

### Redemption Profile (at the end of June 2012)



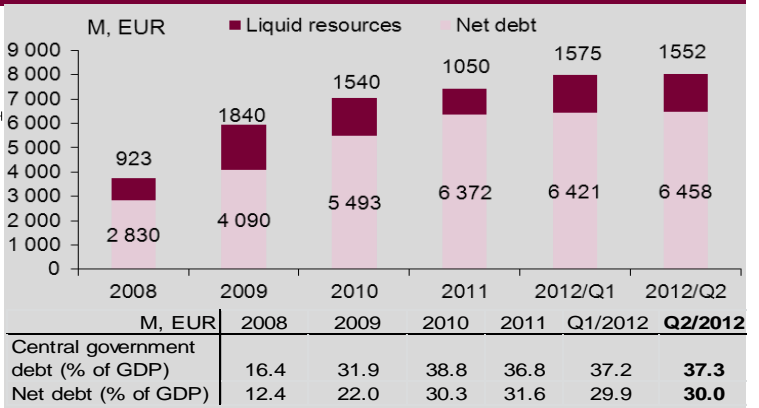
### Net Borrowing



M, EUR	Q3/11	Q4/ 11	Q1/12	Q1/12
New borrowing	154	163	906	69
Redemptions	-97	-318	-279	-179
Net borrowing	59	-154	626	-110

(nominal values)

### Central Government Net Debt

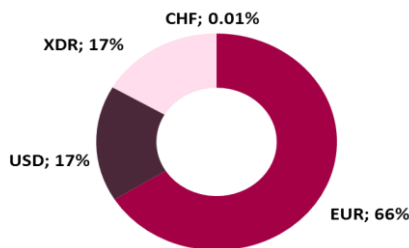


## BORROWING MANAGEMENT – EXTERNAL

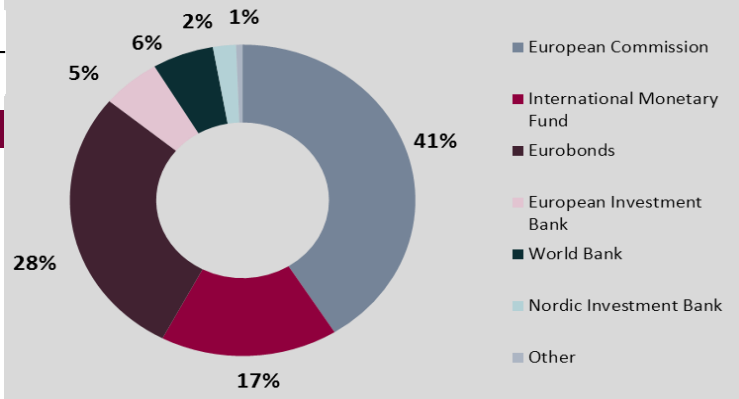
### External Borrowing

(M, EUR)	Q3/ 11	Q4/11	Q1/12	Q2/12
Borrowing made	0	100	754	0

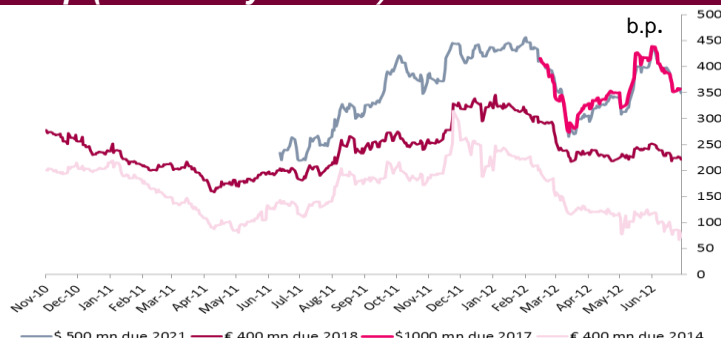
### Foreign Currency External Debt (at the end of June 2012)



### External Debt Outstanding by Instruments and Lender (at the end of June 2012)

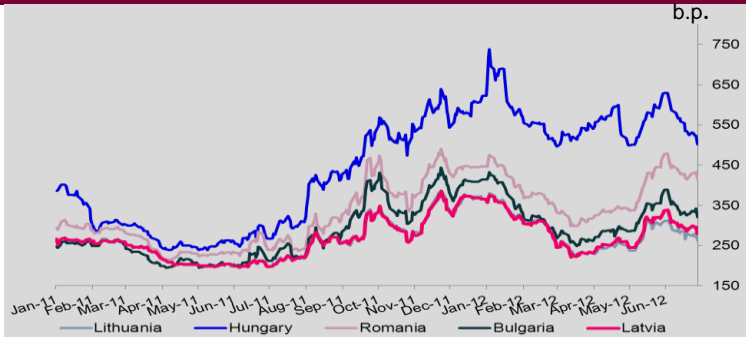


### Latvia Eurobond Spread performance vs. mid-swap (secondary market)



Source: Bloomberg, 30.06.2012

### 5 year CDS performance



Source: Bloomberg, 30.06.2012

Republic of Latvia Moody's: Baa3 / Fitch, R&I, S&P: BBB- Bloomberg: TREL <GO>

### BORROWING MANAGEMENT – DOMESTIC

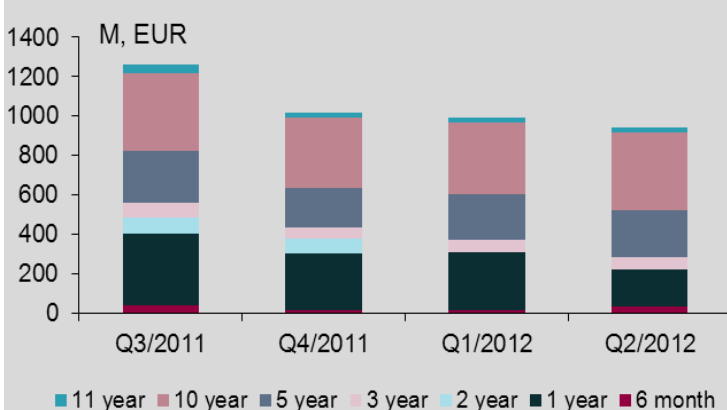
#### Planned Domestic Securities Auctions

The announcements of the forthcoming auctions are published no later than one day prior to auction on the Treasury's website. Auctions are held depending on actual financing requirement and the financial market conditions. On Wednesdays competitive multi-price government securities auctions are organized and on Thursdays depending on the financial market conditions – non-competitive fixed rate auctions.

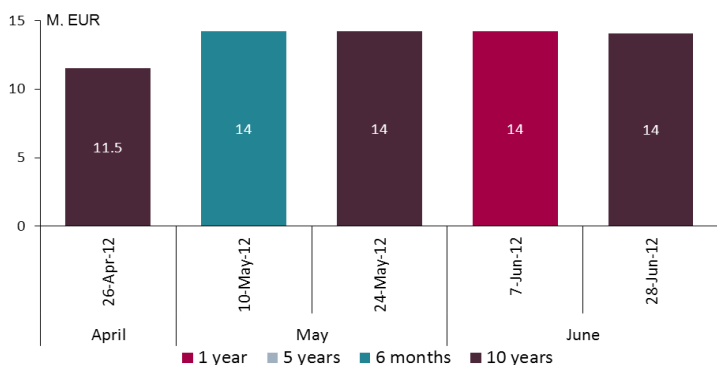
In 2nd quarter the Treasury launched new bond (10-years) programme with total amount LVL 28 million (EUR 39.8 million).

#### Domestic Securities Outstanding

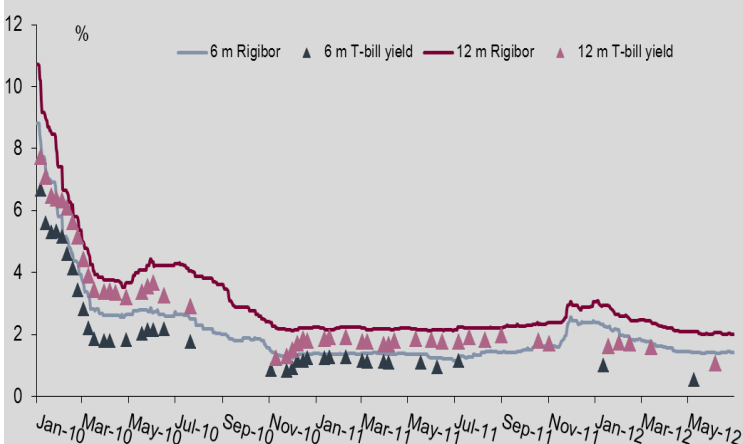
Outstanding	Q3/2011	Q4/2011	Q1/2012	Q2/2012
1 month	0	0	0	0
3 month	0	0	0	0
6 month	38	12	14	29
1 year	362	292	293	194
2 year	83	71	0	0
3 year	72	60	60	60
5 year	269	195	238	238
10 year	391	358	358	398
11 year	46	24	24	24
<b>Total</b>	<b>1262</b>	<b>1013</b>	<b>987</b>	<b>943</b>



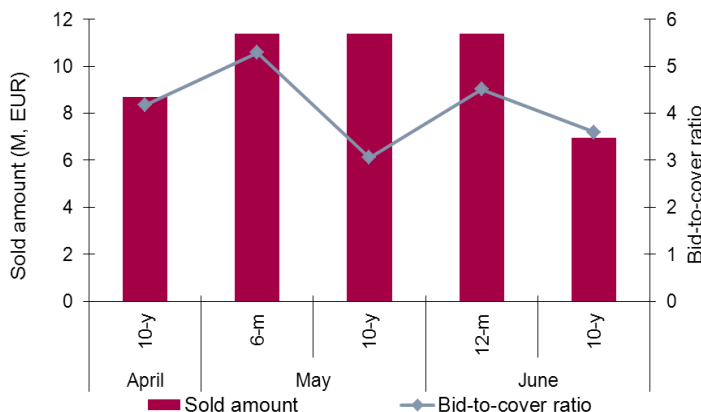
#### Sold amounts at auctions in Q2/2012



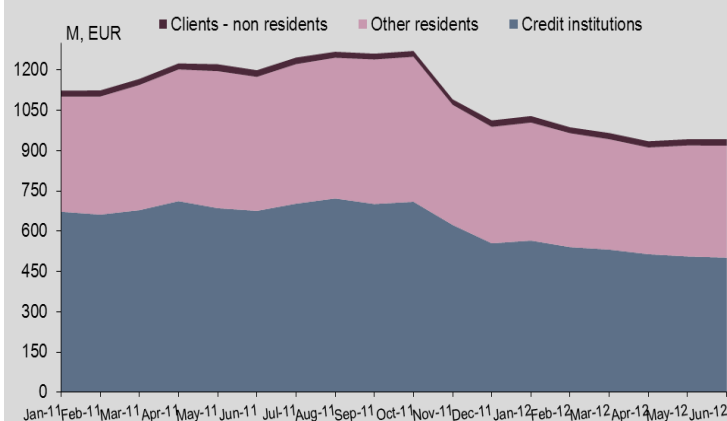
#### Yields on 6-month and 12-month T-bills at auctions and 6-month and 12-month RIGIBOR rates



#### Bid-to-Cover Ratio at Competitive Multi-price Auctions in Q2/2012



#### Domestic Securities Outstanding by Type of Investor in Secondary Market



Source: Bank of Latvia

## DEBT PORTFOLIO MANAGEMENT

### Parameters of Debt Management Strategy\*

PARAMETERS	31.03.2012.		30.06.2012.		STRATEGY	
The share of the lats debt in the portfolio	12,1%		11,8%		≥ 35%**	
Maturity profile	<1 year 5,3%***	< 3 years 48,5%***	<1 year 6,1%***	< 3 years 47,6%***	< 1 year < 25%	< 3 years < 50%
Optimum share of fixed rate in the portfolio	81,40%		85,49%		≥ 60%****	
Duration (years)	3,53		3,8		3.4 - 5.0	
Foreign currency net debt currency composition	EUR 99,69%		EUR 99,61%		EUR 100% (+/- 5%)	

\* Borrowings of the ministries, other central government institutions and derived public person outside the Treasury (5.0 million. lats/ 7.1 million EUR) are not included.

\*\* Minimum share of the LVL debt in medium term shall be ensured at least at 35% level, if this scenario agrees with Latvian macroeconomic development tendencies, capital market and overall financial system condition and if the weighted average yield of medium term and long term government domestic securities offered at auctions held by the Treasury is less than 100 basis points above borrowing opportunity level in EUR.

\*\*\*Maturity profile taking into account the debt refinancing reserve (270 million lats/ 384 million EUR).

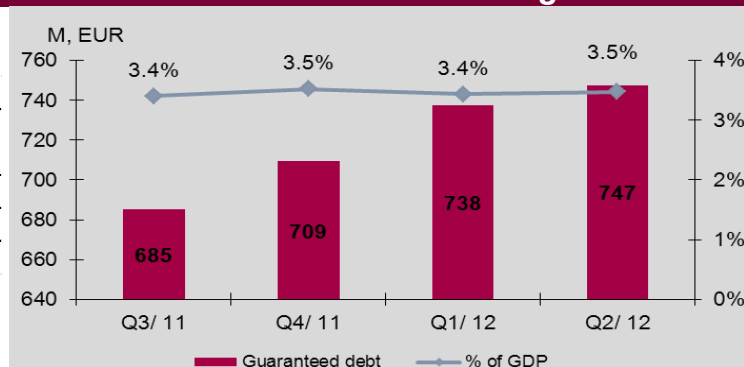
\*\*\*\* Fixed rate debt with a maturity over one year.

## ISSUANCE OF STATE GUARANTEES

### State Guarantees in 2012

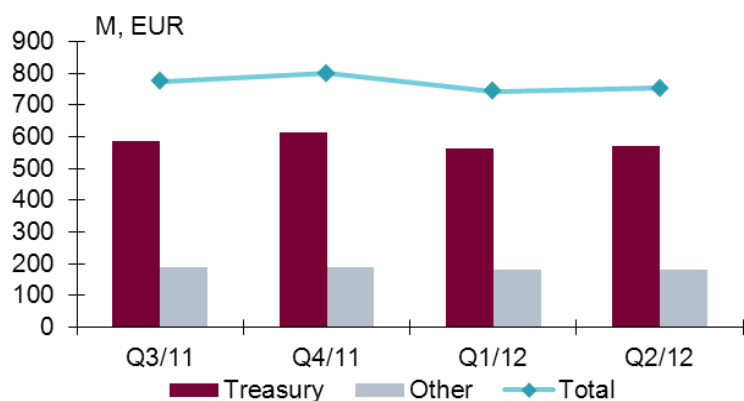
Planned in 2012	M, EUR	Current status
Study and student crediting	40.84	1.92
Mortgage and Land Bank	101.02	not issued
SIA JP Termināls	34.72	not issued
<b>Total</b>	<b>176.6</b>	<b>1.92</b>

### State Guaranteed Debt Outstanding



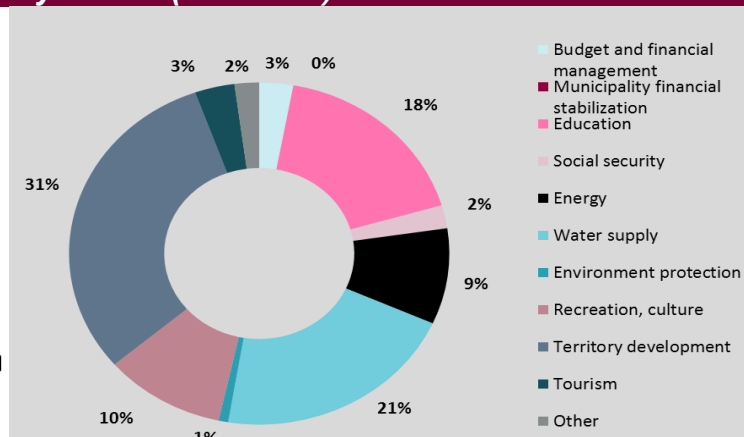
## MUNICIPALITIES' BORROWING

### Municipalities' Debt Outstanding



Lender	Treasury	Other lender	Debt outstanding
end of June 2012	572	182	753

### Municipalities' Borrowings from the Treasury by Sector (Jan-June)



	M, EUR
Total increase of municipalities borrowing stated in Budget Law for 2012	108
Planned limit of loan disbursements to municipalities for 2012	161
Total disbursements made (Jan-June)	43.4
from the Treasury	43.4
from other institutions	0.00

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