



BULLETIN IN BRIEF

- Budget¹ with accumulated surplus 27 M, EUR/ 0,1 % of forecasted GDP (January-June)
- Central government debt outstanding (nominal value) 9 153 M, EUR/ 36,5 % of forecasted GDP (end of June)
- Municipalities' borrowings made from the Treasury 22,4 M, EUR/ 0,1% of forecasted GDP (January-June)

GDP forecast for 2016 on June 2016: EUR 25 072 M (Ministry of Finance)

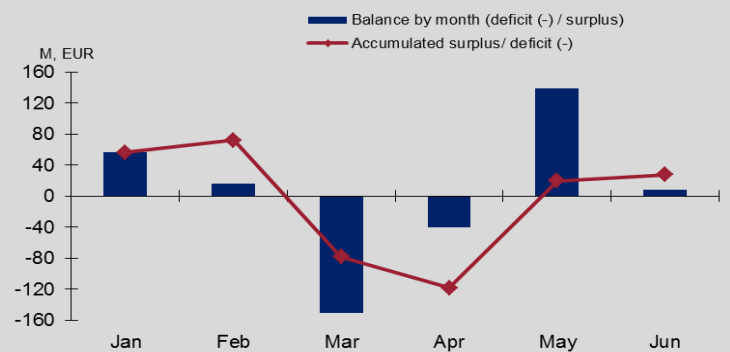
On May 10, Latvia issued so far its longest maturity - 20-year - bonds in amount of EUR 650 million at the lowest borrowing rate among CEE countries for similar long-term transactions, with an annual fixed interest (coupon) rate 1,375% (yield 1,514%). Demand for Latvia's bonds exceeded 3 times the offer.

GENERAL DATA

Central Government Consolidated Budget*

Month	M, EUR					
	Jan	Feb	Mar	Apr	May	Jun
Balance by month (deficit (-) / surplus)	56	16	-150	-40	138	8
Accumulated surplus/ deficit (-)	56	72	-78	-119	20	27

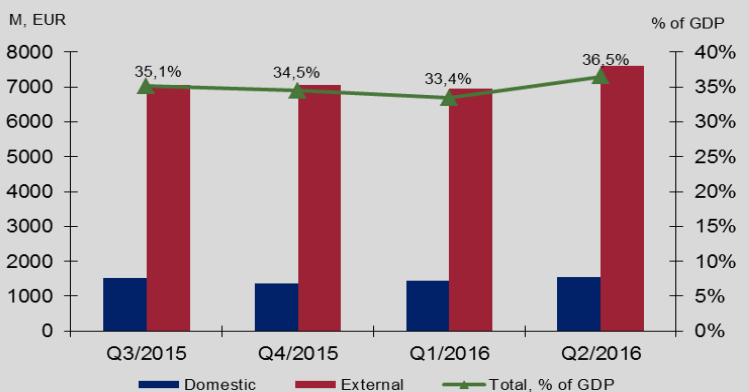
* excluding grants, donations and derived public entities



Central Government Debt Outstanding

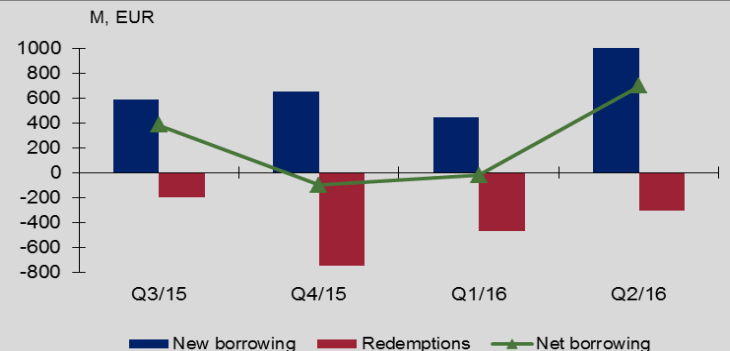
Debt (M, EUR)	Q3/ 2015		Q4/ 2015		Q1/ 2016		Q2/ 2016	
		%		%		%		%
Domestic debt	1 511	18%	1 359	16%	1 436	17%	1 549	17%
External debt	7 049	82%	7 053	84%	6 948	83%	7 604	83%
Total	8 560	100%	8 412	100%	8 384	100%	9 153	100%
Central government debt (% of GDP)	35,1		34,5		33,4		36,5	
Net debt (% of GDP)	31,2		33,0		32,1		31,9	

(nominal value)



Central Government Net Borrowing

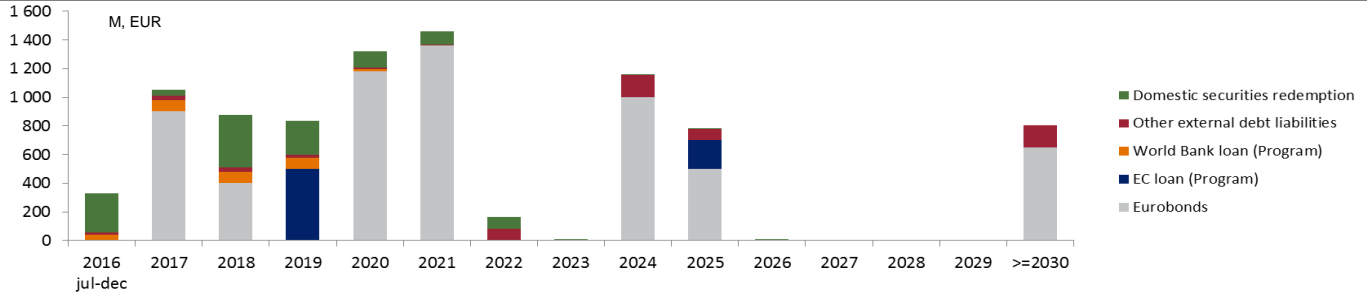
	M, EUR	Q3/15	Q4/15	Q1/16	Q2/16
New borrowing		583	650	447	1 001
<i>incl. Eurobonds</i>		500	550		650
Redemptions		-201	-749	-469	-305
<i>incl. debt redemption to European Commission</i>					
<i>World Bank</i>		-20	-10	-20	-20
<i>Eurobonds</i>			-600		
Net borrowing		382	-98	-22	695



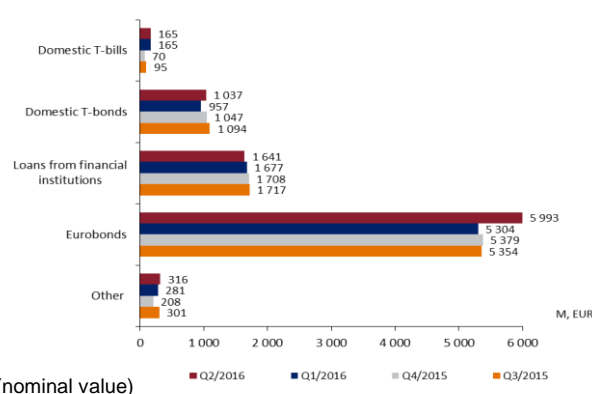
¹Central government consolidated budget (excluding grants, donations and derived public entities)



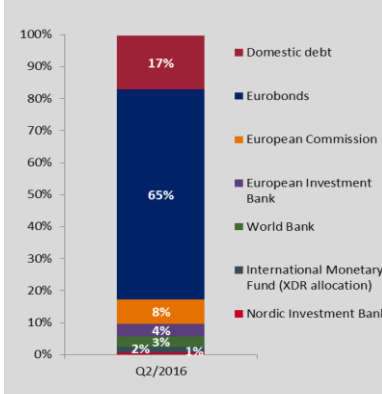
Central Government Debt Redemption Profile (at the end of June 2016)



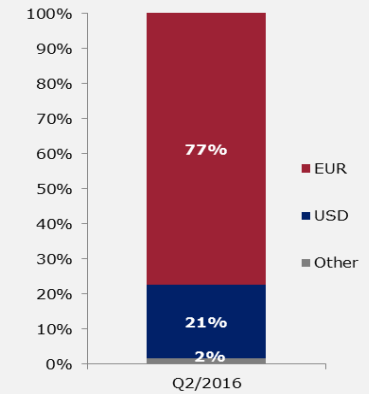
Debt Outstanding by instruments/



lenders/



currencies



(nominal value)

FOREIGN SECURITIES

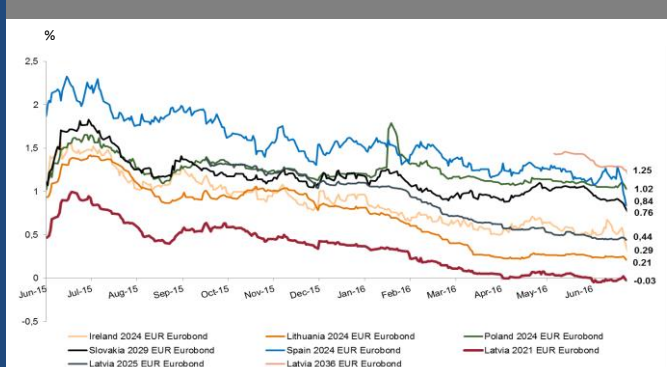
EUR and USD Eurobond yields



Source: Bloomberg, 30.06.2016

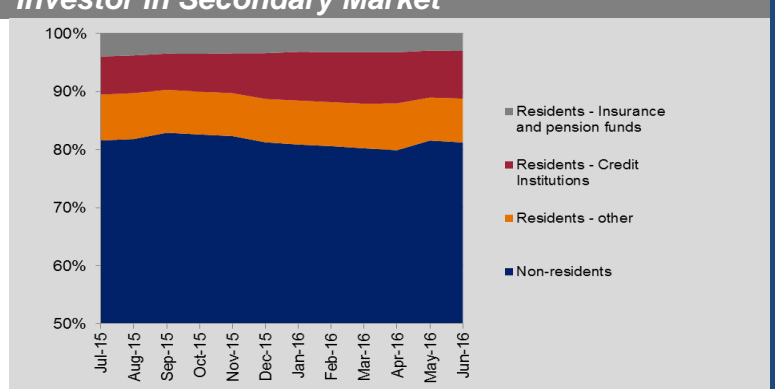
	Maturity Date	Issuer Name	Cpn	S&P Rating	Mid YTM	BID Z-Spread
USD	22.02.2017	LATVIA	5,25	A-	0.866	50
	12.01.2020	LATVIA	2,75	A-	1.626	79
	16.06.2021	LATVIA	5,25	A-	1.982	106
EUR	05.03.2018	LATVIA	5,5	A-	-0.301	5
	15.12.2020	LATVIA	0,500	A-	-0.05	23
	21.01.2021	LATVIA	2,625	A-	-0.19	6
	30.04.2024	LATVIA	2,875	A-	0.166	15
	23.09.2025	LATVIA	1,375	A-	0.295	14
16.05.2036	LATVIA	1,375	A-	1.045	39	

EUR bond yields by European countries



Source: Bloomberg, 30.06.2016

External Securities Outstanding by Type of Investor in Secondary Market



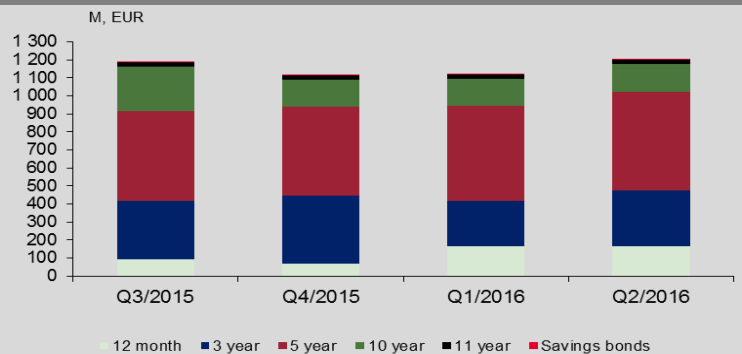
Source: Bank of Latvia



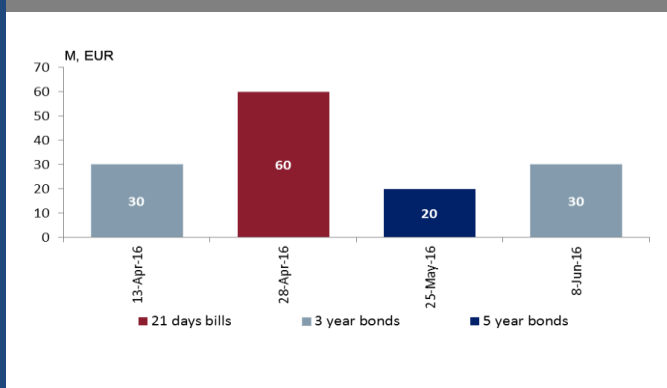
DOMESTIC SECURITIES

Domestic Securities Outstanding by original maturities

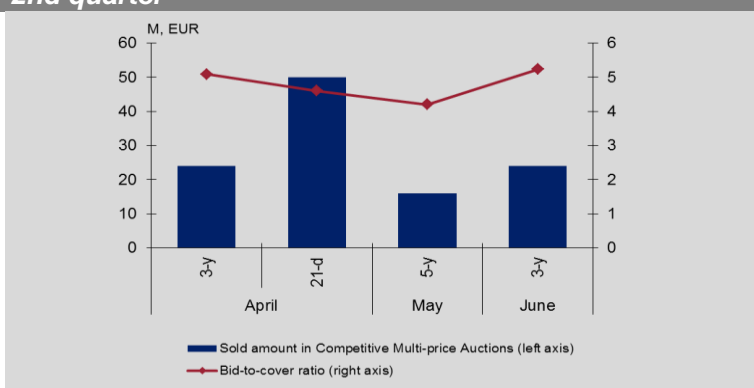
Outstanding	Q3/2015	Q4/2015	Q1/2016	Q2/2016
	M, EUR			
12 month	95	70	165	165
3 year	324	374	251	311
5 year	496	496	526	546
10 year	248	152	152	152
11 year	24	24	24	24
Savings bonds	5	5	5	5
Total	1 192	1 121	1 124	1 204



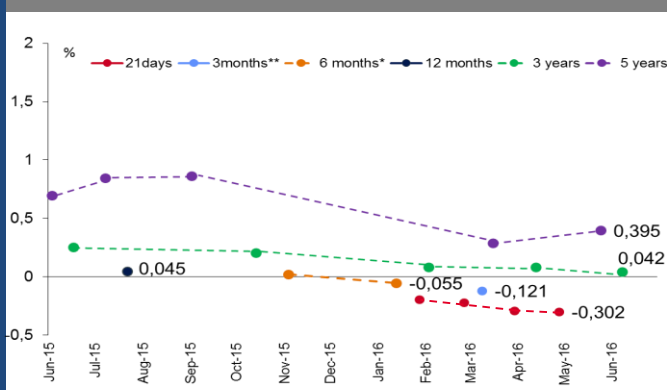
Sold Amount at Auctions in 2nd quarter



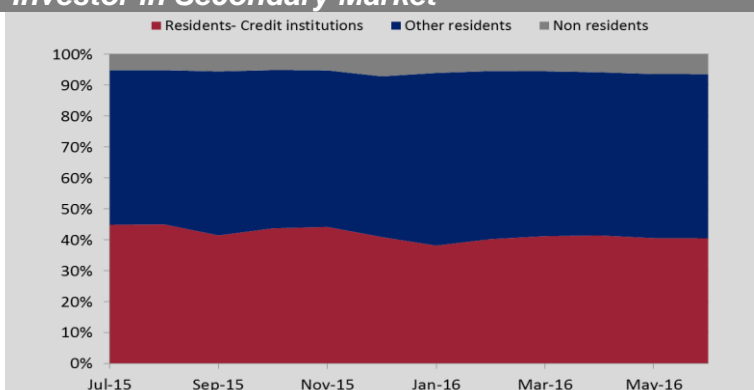
Bid-to-cover Ratio at Competitive Multi-price Auctions in 2nd quarter



Competitive Multi-price Auction rates



Domestic Securities Outstanding by Type of Investor in Secondary Market



Source: Bank of Latvia

Management of Planned Domestic Securities

Government securities can be issued in Latvia's and international financial markets. Domestic securities are issued by using auction method under the Latvian legislation. Latvian government bonds in international markets are issued by using syndicate method under other countries legislation.

Calendar for the planned auctions is being published each month on the Treasury's website. Government securities auctions are organized on Wednesdays. The Treasury holds the right to amend the calendar, days on which respective auctions are held, as well as borrowing amounts and instruments at any time. Since February 2013 the primary dealer system is operating in Latvia.

Note:

*6m T-Bills benchmarks are tap issues of original 12m T-Bills in maturity brackets from 4.5 to 9 months

**3m T-Bills benchmarks are tap issues of original 12m T-Bills in maturity brackets from 2 to 4,5 months.

Latvijas Republika **Fitch:A-** **Moody's: A3** **S&P: A-** **R&I: BBB+** Bloomberg: TREL <GO>



DEBT PORTFOLIO MANAGEMENT

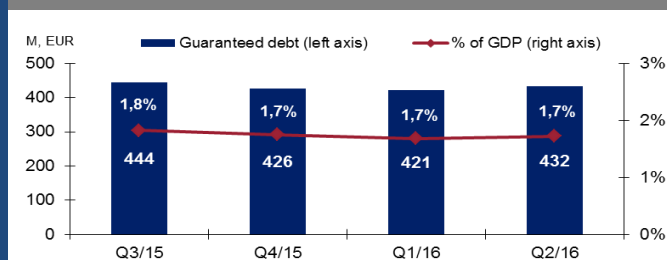
Parameters of Debt Management Strategy

Parameters	31.03.2016		30.06.2016		STRATEGY	
	≤ 1 year	≤ 3 years	≤ 1 year	≤ 3 years	≤ 1 year	≤ 3 years
Maturity profile (%) of central government debt	7,9%	31,2%	18,1%	35,4%	≤ 25%	≤ 50%
Share of fixed rate [^]	95,6%		85,3%		≥ 60%	
Macaulay Duration (years)	4,47		4,98		3,65 - 5,15	
Net debt ^{^^} currency composition	EUR		EUR		EUR	
	100,01%		100,02%		100% (+/- 5%)	

[^]Fixed rate central government debt with a maturity over one year.
^{^^} Central government debt at the end of the period less the liquid assets that are not classified as risky (including Treasury's cash accounts, investments in deposits and fixed income securities, loans and currency assets purchased for derivative financial instruments), and increased by guarantees classified as risky, and derivative financial instrument liabilities not classified as risky.

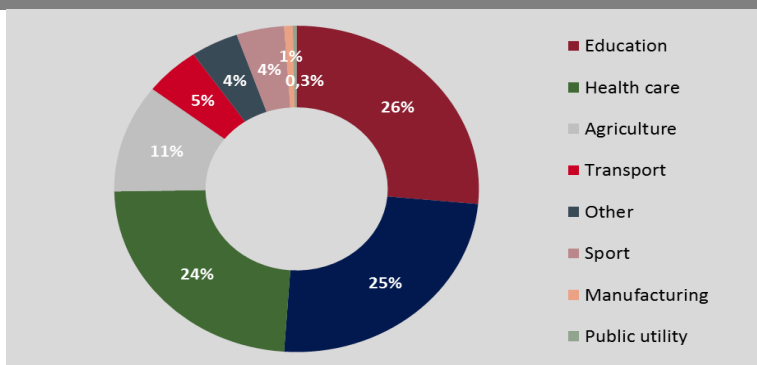
ISSUANCE OF STATE GUARANTEES

State Guaranteed Debt Outstanding



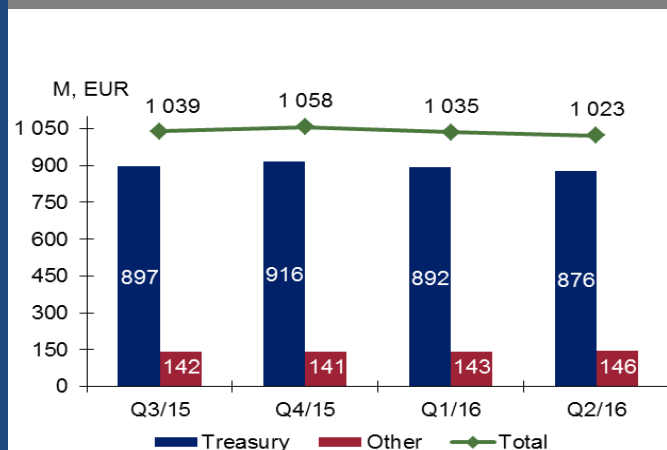
	Planned in 2016, M EUR	Issued in 2nd quarter
Loans to studies and students	36	1
Total	36	1

State guaranteed loans by industry (end of June)

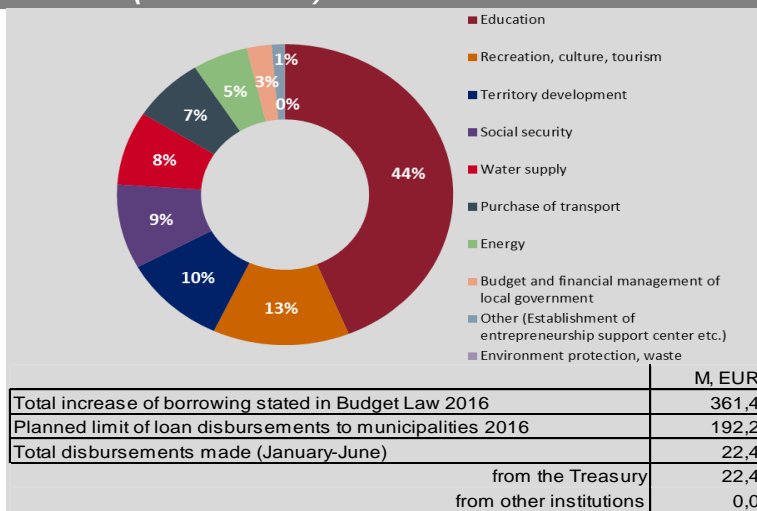


MUNICIPALITIES' BORROWINGS

Municipalities' Debt Outstanding



Municipalities' Borrowings from the Treasury By Sectors (end of June)



	M, EUR
Total increase of borrowing stated in Budget Law 2016	361,4
Planned limit of loan disbursements to municipalities 2016	192,2
Total disbursements made (January-June)	22,4
from the Treasury	22,4
from other institutions	0,0

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e-mail: kase@kase.gov.lv, home page: www.kase.gov.lv, quarterly reports, annual reports, investor presentation and rating updates available online- www.kase.gov.lv/investor-information

NEXT ISSUE: Next Quarterly Bulletin will be available in the Treasury's web site on October 24, 2016.

DISCLAIMER: Figures may not sum due to rounding. "0" - the indicator is below 0.5 but over 0, or the result of the computation of the indicator, is 0. The information included in this Bulletin corresponds to the best value obtained for each period at the date of publication, and has been carefully compiled. The possibility of any mistake can not, however, be excluded. The data included in this publication may be clarified in subsequent publications. The Treasury bears no responsibility for losses incurred as a result of using this publication. Reference to the Treasury data compulsory when reproduced.

Latvijas Republika **Fitch:A-** **Moody's: A3** **S&P: A-** **R&I: BBB+** Bloomberg: TREL <GO>