



BULLETIN IN BRIEF

- Budget¹ with accumulated deficit 243 M, EUR/ 0.9 % of forecasted GDP (January-December)
- Central government debt outstanding (nominal value) 9 699 M, EUR/ 36.4 % of forecasted GDP (end of December)
- Municipalities' borrowings made from the Treasury 202 M, EUR/ 0.8 % of forecasted GDP (January-December)

GDP forecast for 2017 on July 2017. EUR 26 676 M (Ministry of Finance)

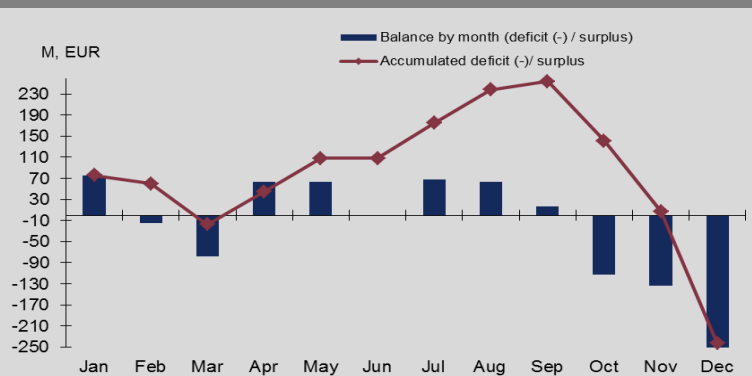
On October 27, the international credit rating agency Fitch affirmed its 'A-' long term foreign and local currency sovereign credit ratings on the Republic of Latvia. The outlook is set stable.

GENERAL DATA

Central Government Consolidated Budget*

| Month | M, EUR | | | | | | | | | | | |
|--|--------|-----|-----|-----|-----|------|-----|-----|-----|------|------|------|
| | Jan | Feb | Mar | Apr | May | Jun | Jul | Aug | Sep | Oct | Nov | Dec |
| Balance by month (deficit (-)/surplus) | 75 | -15 | -78 | 63 | 63 | -0,1 | 67 | 63 | 16 | -113 | -134 | -250 |
| Accumulated deficit (-)/surplus | 75 | 60 | -18 | 45 | 108 | 108 | 175 | 238 | 254 | 141 | 7 | -243 |

* excluding grants, donations and derived public entities

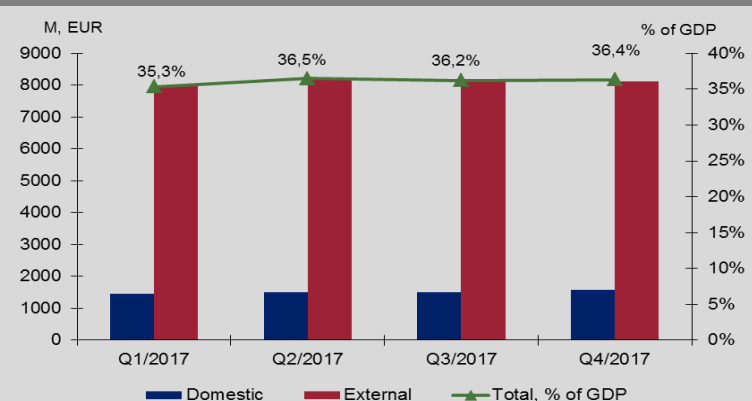


Central Government Debt Outstanding*

| Debt (M, EUR) | Q1/2017 | | Q2/2017 | | Q3/2017 | | Q4/2017 | |
|---------------|--------------|-------------|--------------|-------------|--------------|-------------|--------------|-------------|
| | M, EUR | % | M, EUR | % | M, EUR | % | M, EUR | % |
| Domestic debt | 1 451 | 15% | 1 506 | 15% | 1 503 | 16% | 1 580 | 16% |
| External debt | 7 972 | 85% | 8 223 | 85% | 8 165 | 84% | 8 119 | 84% |
| Total | 9 423 | 100% | 9 729 | 100% | 9 667 | 100% | 9 699 | 100% |

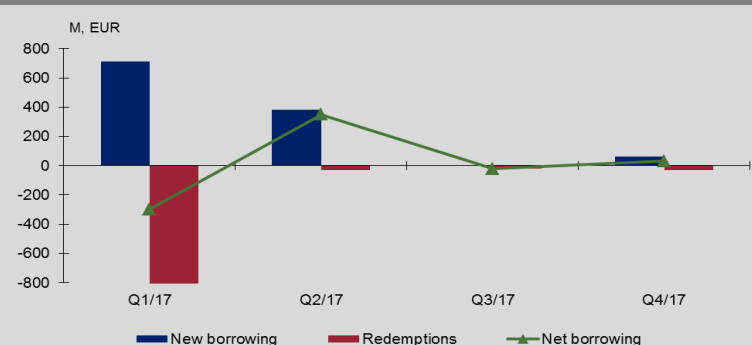
(nominal value)

* without the derivative financial instruments currency result



Central Government Net Borrowing

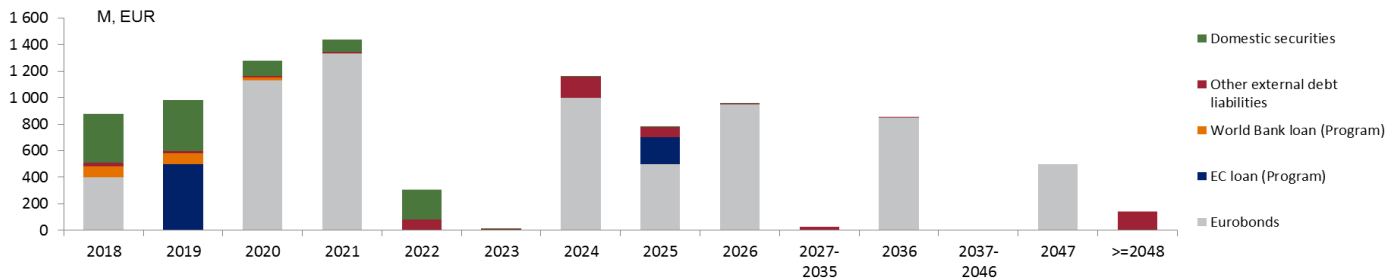
| | M, EUR | Q1/17 | Q2/17 | Q3/17 | Q4/17 |
|---------------------------------|-------------|---------------|------------|-----------|-------|
| | | New borrowing | 711 | 381 | 0 |
| <i>incl. Eurobonds</i> | 650 | 350 | | | |
| Redemptions | -1011 | -32 | -23 | -30 | |
| <i>incl. debt redemption to</i> | | | | | |
| <i>World Bank</i> | -20 | -20 | -20 | -20 | |
| <i>Eurobonds</i> | -942 | | | | |
| Net borrowing | -300 | 348 | -23 | 31 | |



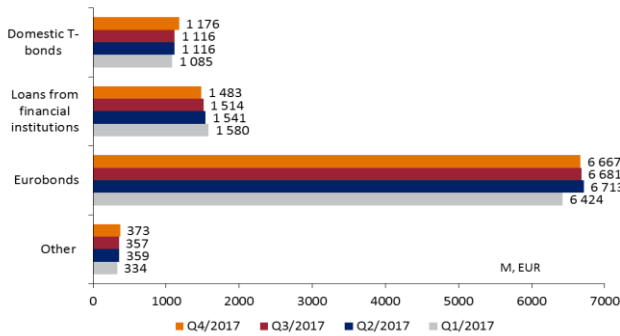
¹Central government consolidated budget (excluding grants, donations and derived public entities)



Central Government Debt Redemption Profile (at the end of December 2017)

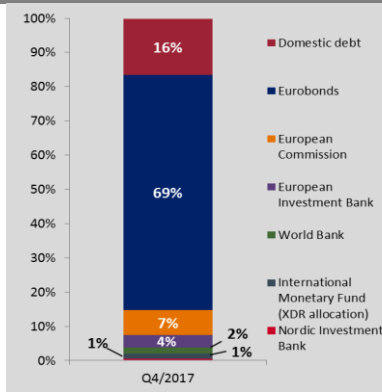


Debt Outstanding by instruments/

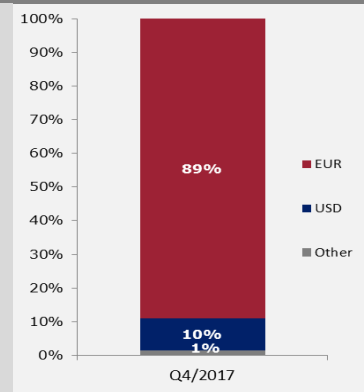


(nominal value, EUR)

lenders/

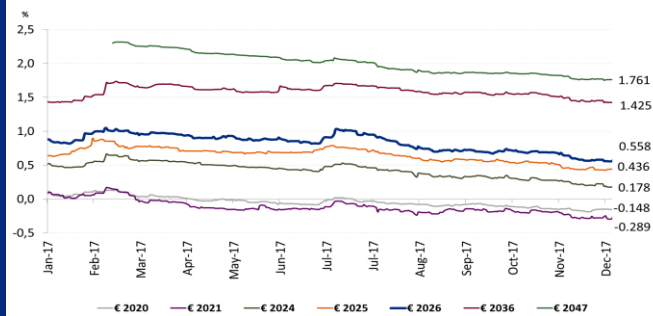


currencies



FOREIGN SECURITIES

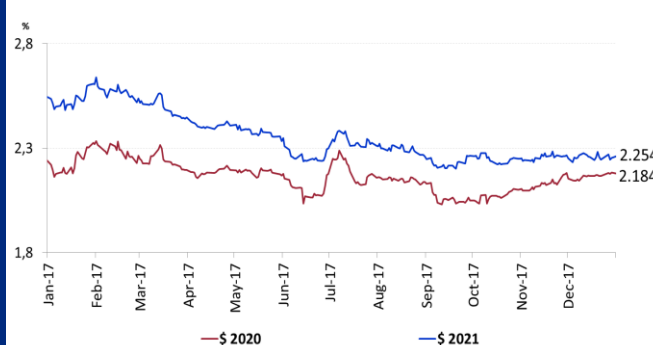
EUR Eurobond yields



Source: Bloomberg, 29.12.2017

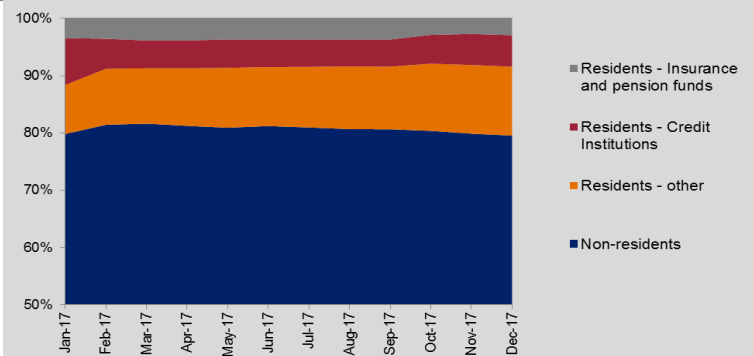
| | Maturity Date | Issuer Name | Cpn | S&P Rating | Mid YTM | BID Z-Spread |
|-----|---------------|-------------|-------|------------|---------|--------------|
| USD | 12.01.2020 | LATVIA | 2.750 | A- | 2.342 | 27 |
| | 16.06.2021 | LATVIA | 5.250 | A- | 2.334 | 16 |
| EUR | 15.12.2020 | LATVIA | 0.500 | A- | -0,053 | -4 |
| | 21.01.2021 | LATVIA | 2.625 | A- | -0,231 | -24 |
| | 30.04.2024 | LATVIA | 2.875 | A- | 0.205 | -25 |
| | 23.09.2025 | LATVIA | 1.375 | A- | 0.450 | -18 |
| | 07.10.2026 | LATVIA | 0.375 | A- | 0.580 | -18 |
| | 16.05.2036 | LATVIA | 1.375 | A- | 1.443 | 8 |
| | 15.02.2047 | LATVIA | 2.250 | A- | 1.776 | 31 |

USD Eurobond yields



Source: Bloomberg, 29.12.2017

External Securities Outstanding by Type of Investor in Secondary Market



Source: Bank of Latvia

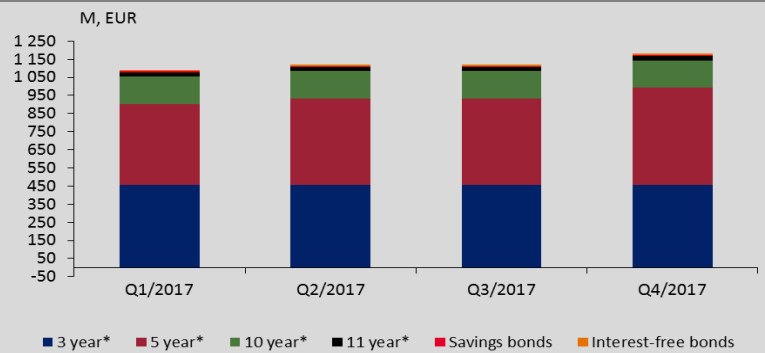


DOMESTIC SECURITIES

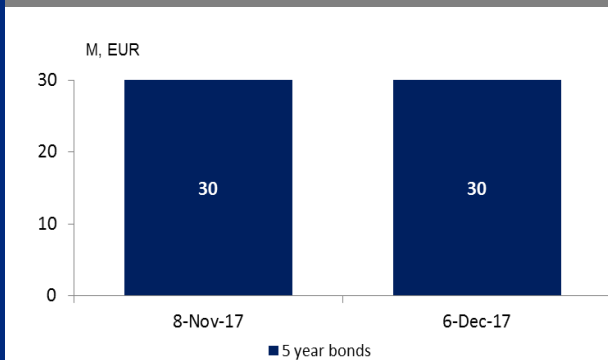
Domestic Securities

| Outstanding | Q1/2017 | Q2/2017 | Q3/2017 | M, EUR Q4/2017 |
|---------------------|--------------|--------------|--------------|-------------------|
| 3 year* | 458 | 458 | 458 | 458 |
| 5 year* | 444 | 474 | 474 | 534 |
| 10 year* | 152 | 152 | 152 | 152 |
| 11 year* | 24 | 24 | 24 | 24 |
| Savings bonds | 5 | 5 | 5 | 5 |
| Interest-free bonds | 7 | 7,5 | 7,5 | 8,25 |
| Total | 1 090 | 1 121 | 1 121 | 1 181 |

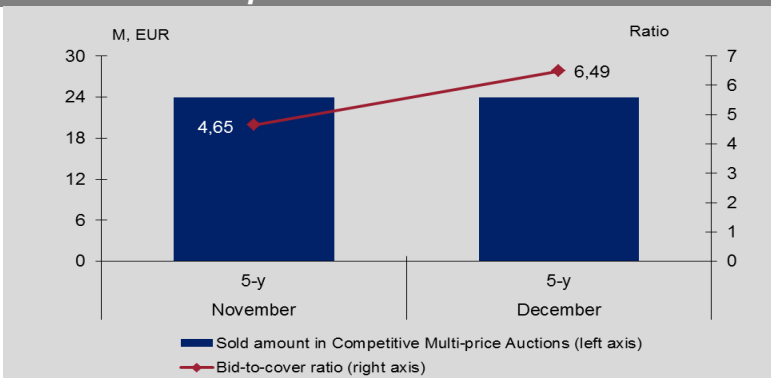
*original maturity



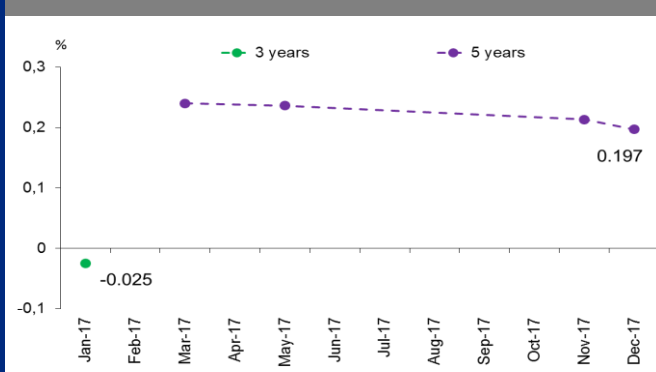
Sold Amount at Auctions in 4th quarter



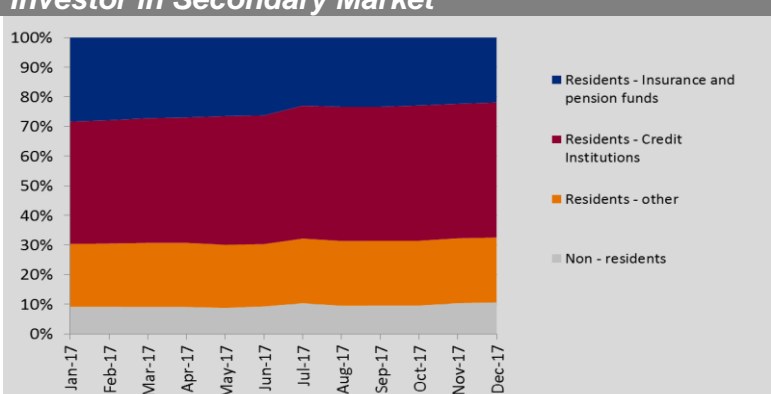
Bid-to-cover Ratio at Competitive Multi-price Auctions in 4th quarter



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 issues 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 hold, as well as borrowing amounts and instruments at any time. Since February 2013 the primary dealer system is operating in Latvia.



DEBT PORTFOLIO MANAGEMENT

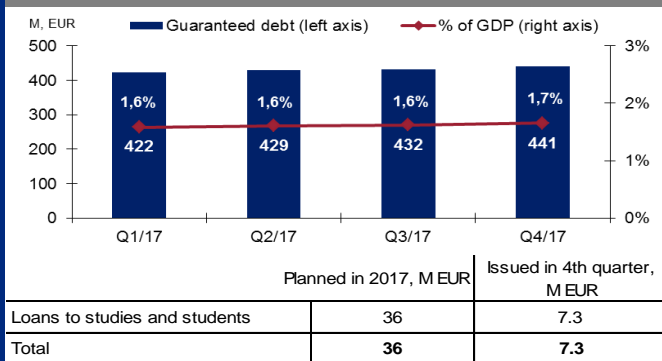
Parameters of Debt Management Strategy

| Parameters | 30.09.2017. | | 31.12.2017. | | STRATEGY | |
|---|------------------------------|--------------------|------------------|--------------------|--|--------------------|
| Domestic securities outstanding amount on the end of the year | 1060.76 M, EUR ^{^^} | | 1168.07 M, EUR | | not less than the amount on the end of the previous year | |
| Maturity profile (%) of central government debt | ≤ 1 year 11.6% | ≤ 3 years 30.9% | ≤ 1 year 13.1 | ≤ 3 years 36.4% | ≤ 1 year ≤ 25% | ≤ 3 years ≤ 50% |
| Share of fixed rate ^{^^} | 91.8% | | 90.5% | | ≥ 60% | |
| Macaulay Duration (years) | 6.09 | | 5.86 | | 4.70-6.25 | |
| Net debt ^{^^} currency composition | EUR | | EUR | | EUR | |
| | 100.15 | | 99.89 | | 100% (+/- 5%) | |

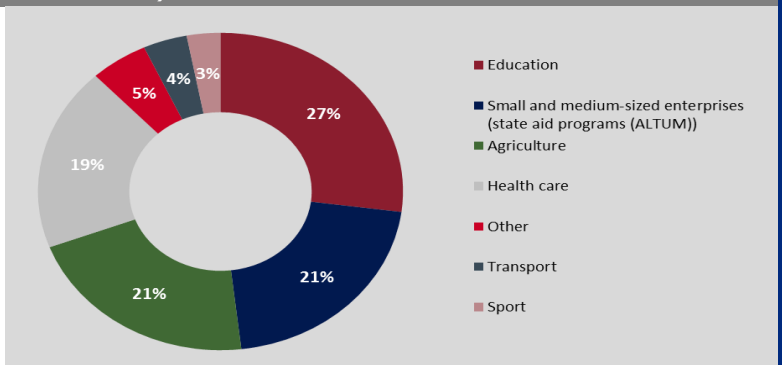
[^]Fixed rate central government debt with a maturity over one year.
^{^^} Central government debt at the end of the period less the amount of loans and receivables, where impairment loss of guarantees are not taken in account (including Treasury's cash accounts, investments in deposits and fixed income securities, loans, receivables (including receivables of derivative financial instruments which are not classified as risky from credit risk perspective)), and increased by provisions of guarantees as well as liabilities of derivative financial instruments which are not classified as risky from credit risk perspective.
^{^^^} The index value is set once a year, i.e., at the end of the current year; value to 31.12.2016.

ISSUANCE OF STATE GUARANTEES

State Guaranteed Debt Outstanding

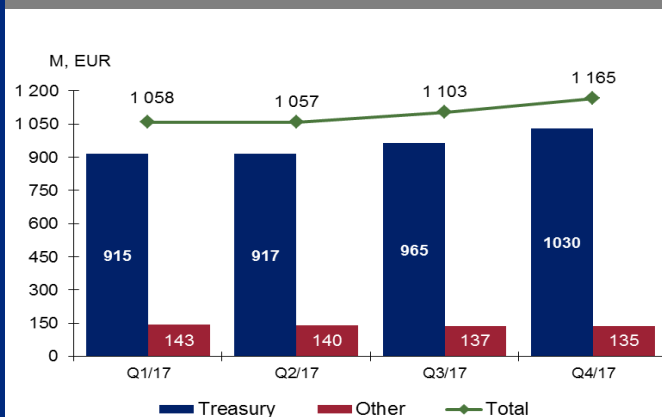


State guaranteed loans by industry (end of December)

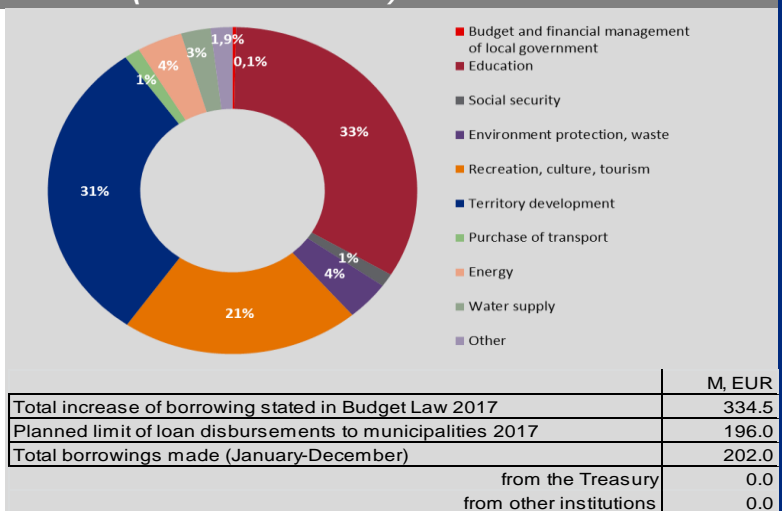


MUNICIPALITIES' BORROWINGS

Municipalities' Debt Outstanding



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



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NEXT ISSUE: Next Quarterly Bulletin will be available in the Treasury's web site on April 23, 2018.

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