

BULLETIN IN BRIEF

- ◆ Budget¹ with accumulated deficit - -238 M, LVL / -339 M, EUR (Jan-Jun)
- ◆ Central government debt outstanding (nominal value) - 4 748 M, LVL / 6 756 M, EUR (end of Jun)
- ◆ Government net borrowing (nominal value) - -130 M, LVL / -185 M, EUR (in Q2)
- ◆ Municipalities borrowings made from the Treasury - 15 M, LVL / 22 M, EUR (Jan-Jun)
- ◆ Last rating actions: S&P (Feb 12) and Moody's (Mar 31) raised Latvia's credit rating outlook to STABLE from negative. Credit rating remains at its previous levels.

GENERAL DATA

Central Government Consolidated Budget*

| Month | M, LVL | | | | | |
|---------------------------------|--------|------|------|------|------|------|
| | Jan | Feb | Mar | Apr | May | Jun |
| Balance by month | 62 | -110 | -133 | -65 | 20 | -12 |
| Accumulated surplus/ deficit | 62 | -48 | -181 | -245 | -226 | -238 |

* excluding grants, donations and derived public entities

Central Government Debt Outstanding

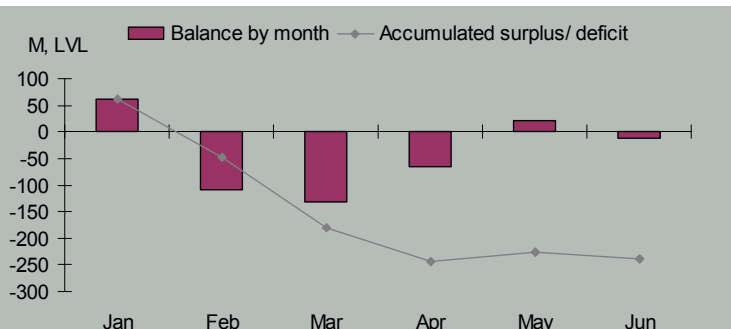
| M, LVL | Q4/ 2009 | | Q1/ 2010 | | Q2/ 2010 | |
|----------------------|-------------|------|-------------|------|--------------|-------------|
| | | % | | % | | % |
| Domestic debt | 908 | 22% | 975 | 20% | 847 | 18% |
| External debt | 3 261 | 78% | 3 844 | 80% | 3 901 | 82% |
| Total | 4 169 | 100% | 4 818 | 100% | 4 748 | 100% |

(nominal values)

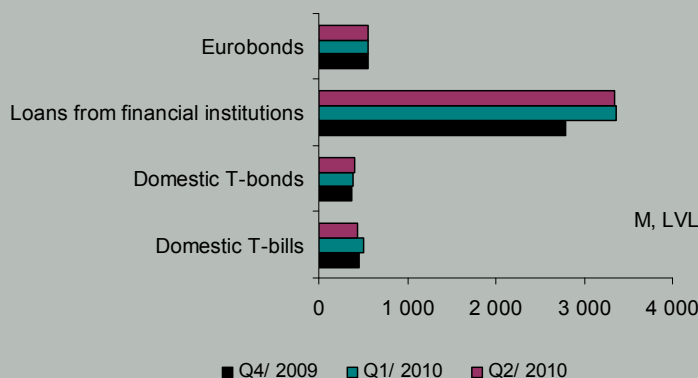
Debt Outstanding by Instruments

| M, LVL | Q4/ 2009 | Q1/ 2010 | Q2/ 2010 |
|-----------------------------------|------------------|----------|----------|
| | Domestic T-bills | 452 | 507 |
| Domestic T-bonds | 371 | 383 | 409 |
| Loans from financial institutions | 2 784 | 3 366 | 3 339 |
| Eurobonds | 562 | 562 | 562 |
| Total | 4 169 | 4 818 | 4 748 |

(nominal values)

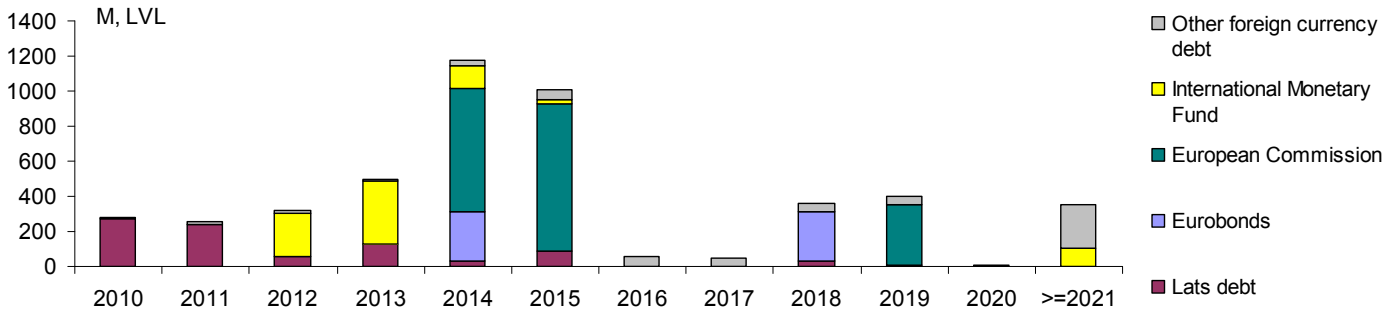


GDP forecast for 2010: LVL12 214 M (Ministry of Finance forecast)

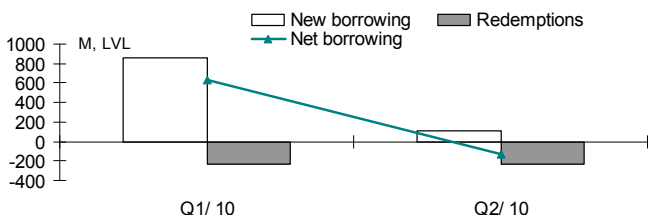


¹ Central government consolidated budget (excluding grants, donations and derived public entities)

Redemption Profile



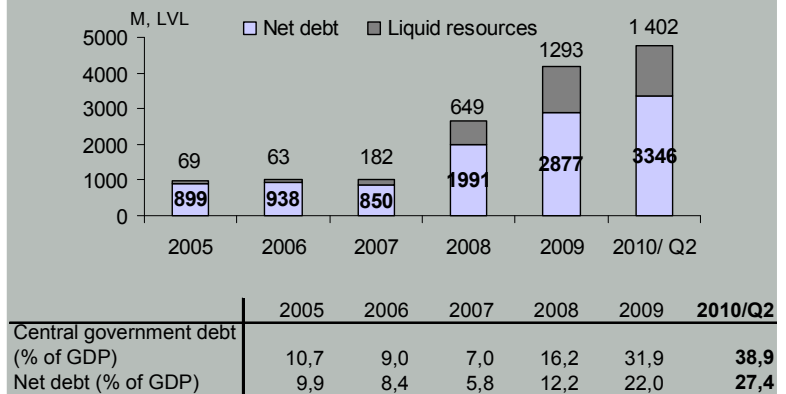
Net Borrowing



| M, LVL | Q1/ 10 | Q2/ 10 |
|---------------|--------|--------|
| New borrowing | 862 | 110 |
| Redemptions | -237 | -240 |
| Net borrowing | 625 | -130 |

Note: including overtaking of Latvian Mortgage and Land Bank's liabilities in amount of LVL 70 mn in 1st quarter

Central Government Net Debt

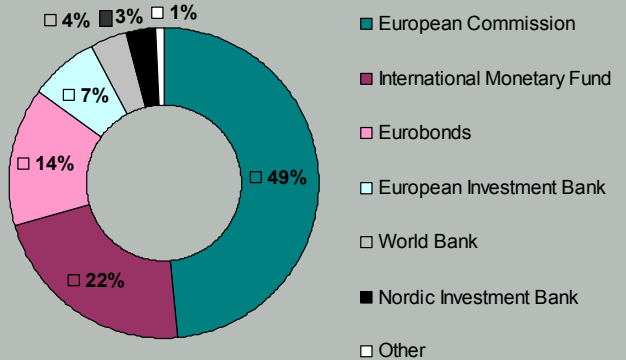


BORROWING MANAGEMENT - EXTERNAL

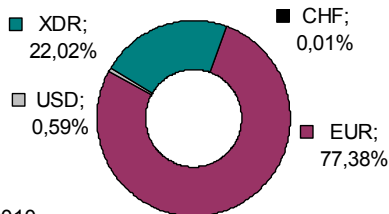
External Borrowing

| (million LVL) | Q1/ 09 | Q2/ 09 | Q3/ 09 | Q4/ 09 | Q1/ 10 | Q2/ 10 |
|----------------|--------|--------|--------|--------|--------|--------|
| Borrowing made | 756 | 18 | 980 | 233 | 490 | 1 |

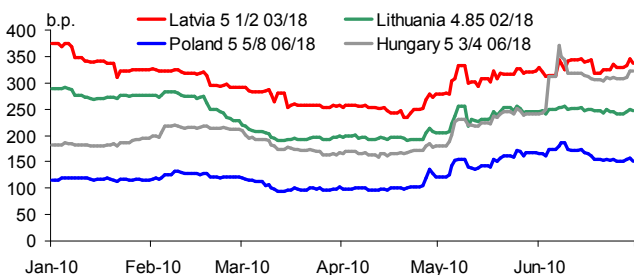
External Debt Outstanding by Instruments and Lender (at the end of June)



Foreign Currency Debt

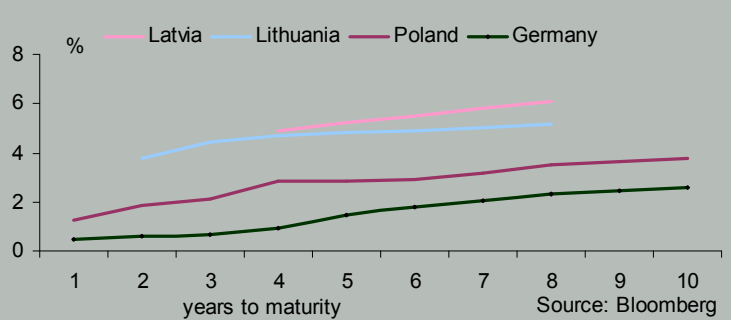


Latvia & Peer Countries Eurobond Spreads over Euro Swaps



Source: Bloomberg

EUR Yield Curves Comparison (on 30.06.2010)



Republic of Latvia

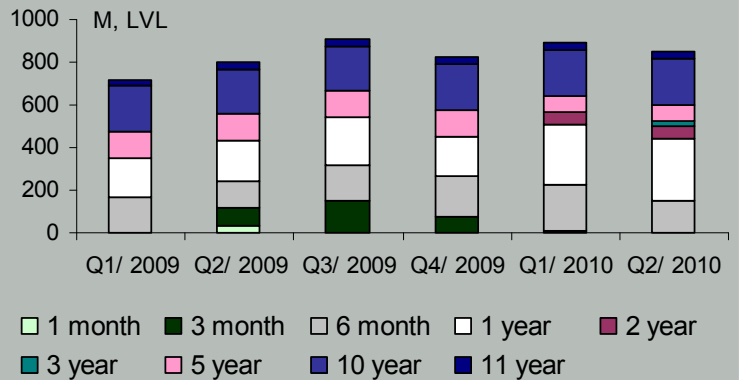
Moody's: Baa3 // Fitch, R&I: BB+ // S&P: BB

Bloomberg: TREL <GO>

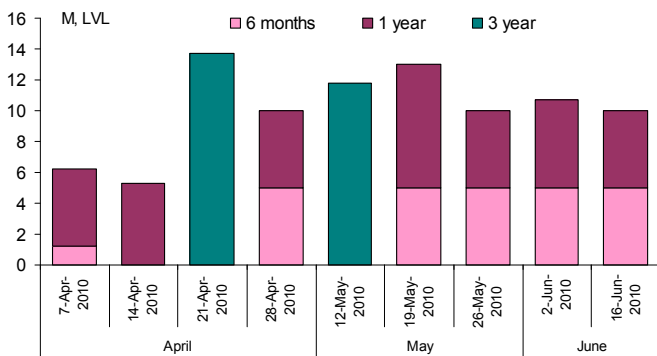
BORROWING MANAGEMENT – DOMESTIC

Domestic Securities Outstanding

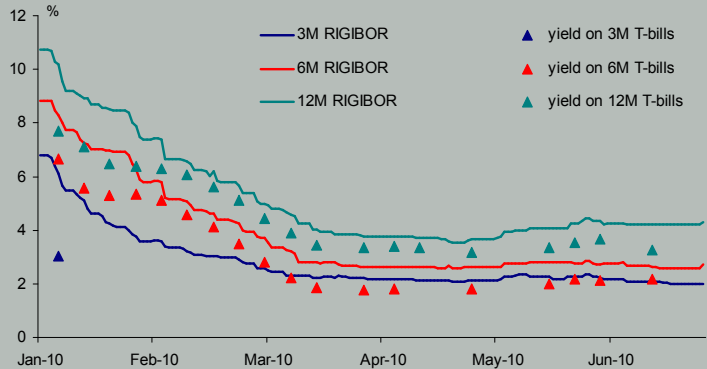
| Outstanding | Q1/ 2009 | Q2/ 2009 | Q3/ 2009 | Q4/ 2009 | Q1/ 2010 | Q2/ 2010 |
|--------------|-------------|-------------|-------------|-------------|-------------|-------------|
| | M, LVL | | | | | |
| 1 month | 0 | 33 | 0 | 0 | 0 | 0 |
| 3 month | 0 | 82 | 153 | 78 | 10 | 0 |
| 6 month | 166 | 126 | 166 | 192 | 211 | 149 |
| 1 year | 183 | 190 | 220 | 182 | 285 | 289 |
| 2 year | 0 | 0 | 0 | 0 | 59 | 59 |
| 3 year | 0 | 0 | 0 | 0 | 0 | 25 |
| 5 year | 125 | 125 | 125 | 125 | 78 | 78 |
| 10 year | 214 | 214 | 214 | 214 | 214 | 214 |
| 11 year | 32 | 32 | 32 | 32 | 32 | 32 |
| Total | 721 | 802 | 910 | 823 | 890 | 847 |



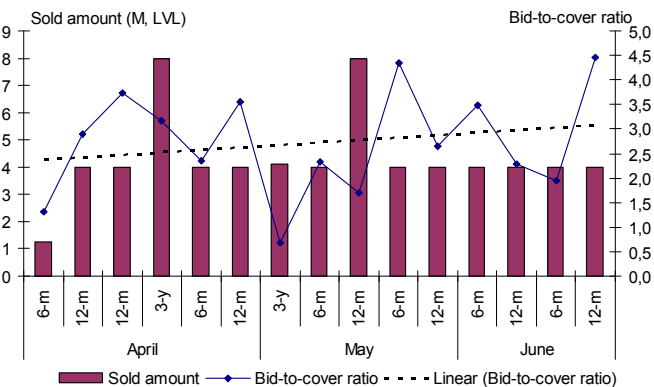
Auction Results for Q2/2010



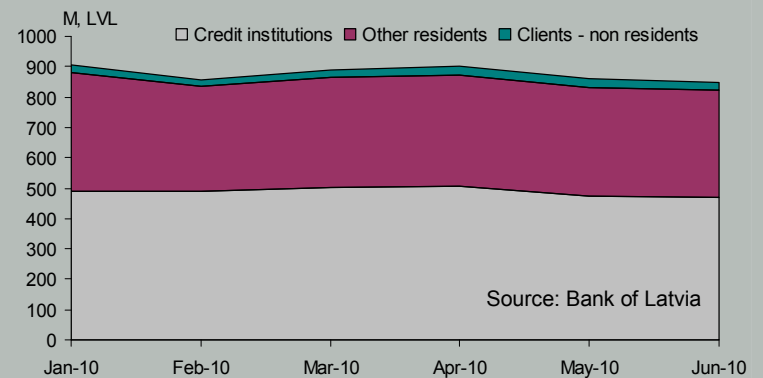
Yields on 3M, 6M and 12M T-bills and 3M, 6M and 12M RIGIBOR rates



Bid-to-Cover Ratio at Competitive Multi-price Auctions in Q2/2010



Domestic Securities Outstanding by Type of Investor in Secondary Market (non residents ~ 3 %)



DEBT PORTFOLIO MANAGEMENT

Parameters of Debt Management Strategy

| PARAMETERS | 31.12.2009 | 30.06.2010 | STRATEGY |
|--|------------------|-------------------|---------------------|
| The share of the lats debt in the portfolio | 19,7% | 17,8% | >=25%* |
| Maturity profile | up to 1 y 14% | up to 1 y 9,5% | up to 1 y <= 25% |
| | up to 3 y 24% | up to 3 y 24% | up to 3 y <= 50% |
| Optimum share of fixed rate in the portfolio | 66% | 70% | >= 60%** |
| Duration (years) | 3,08 | 3,37 | 3,35 (+/- 0,35) |
| Foreign currency net debt currency composition | EUR 100,04% | EUR 100,1% | EUR 100% +/- 5% |

* If the weighted average yield of medium-term and long-term government domestic securities offered at the auctions held by the Treasury during half a year is less than 100 basis points above borrowing opportunity level in EUR, minimum share of the lats debt has to be ensured at least at 35% level not later than in one year's time.

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

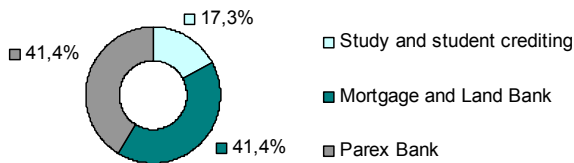
Planned Domestic Securities Auctions

The domestic securities auctions will be organized regularly offering government securities with various maturities - from 6 months to 3 years.

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 – non-competitive fixed rate auctions.

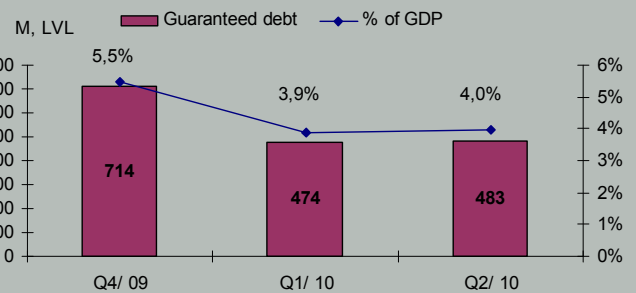
ISSUANCE OF STATE GUARANTEES

Planned State Guarantees in 2010



| | M, LVL | Planned in 2010 | Current status |
|-----------------------------|--------|-----------------|--------------------|
| Study and student crediting | | 29,6 | 0.3 million issued |
| Mortgage and Land Bank | | 71,0 | not issued |
| Parex Bank | | 71,0 | not issued |
| Total | | 171,6 | |

State Guaranteed Debt Outstanding

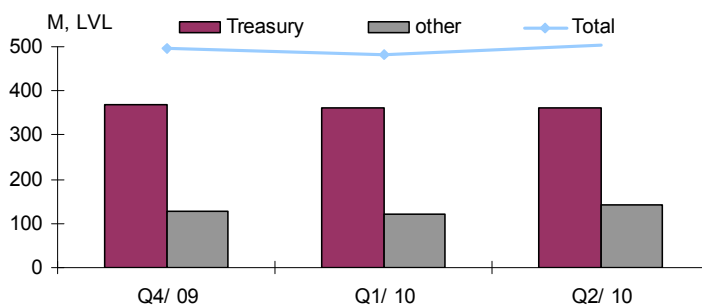


(GDP forecast for 2010: LVL12 214 M (Ministry of Finance forecast))

Note: Guarantee issued to Nordic Investment Bank in amount of LVL 70 mn has been terminated in 30.03.2010.

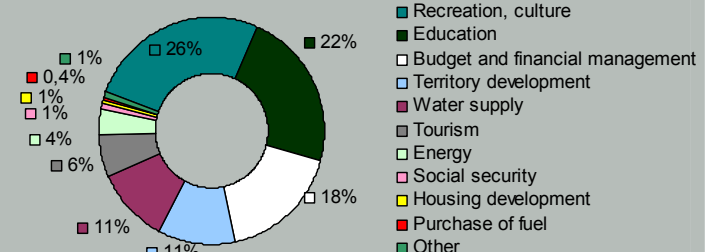
MUNICIPALITIES' BORROWING

Municipalities' Debt Outstanding



| Lender | Treasury | Other lender | Debt outstanding |
|------------------|----------|--------------|------------------|
| end of June 2010 | 363 | 140 | 503 |

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



According to Budget Law for 2010 the Treasury can issue loans for municipalities for EU projects' co-financing and municipalities' financial stabilisation, for infrastructure projects where municipalities' investments are not less than 90% from total expenditures, for investment projects co-financed from State budget, and for ensuring heating season and purchase of fuel; additionally loans can be issued according to contracted agreements in 2009 for proceeding project realisation.

| | M, LVL |
|--|--------|
| Total increase of municipalities borrowing stated in Budget Law for 2010 | 65,0 |
| Limit of loan disbursements to municipalities for 2010 | 102,0 |
| Total disbursements made (Jan-Jun) | 15,5 |
| from the Treasury | 15,4 |
| from other institutions | 0,1 |

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NEXT ISSUE: Next Quarterly Bulletin will be available in the Treasury's web site on October 22, 2010.

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