

BULLETIN IN BRIEF

- Budget¹ with accumulated deficit
 - Central government debt outstanding (nominal value)
 - Municipalities' borrowings made from the Treasury
 - On June 6 rating agency Moody's Investors Service (Moody's) has announced the decision to change the Republic of Latvia's Outlook to Positive from Stable, maintaining credit rating in previous level (Baa3).
- 274 M, LVL / -390 M, EUR (Jan-Jun)
5 191 M, LVL / 7 386 M, EUR (end of Jun)
28,4 M, LVL / 40,4 M, EUR (Jan-Jun)

GENERAL DATA

Central Government Consolidated Budget*

Month	M, LVL					
	Jan	Feb	Mar	Apr	May	Jun
Balance by month (deficit (-) / surplus)	-22	-102	-116	-39	-18	23
Accumulated surplus/ deficit (-)	-22	-124	-240	-278	-297	-274

* excluding grants, donations and derived public entities

Central Government Debt Outstanding

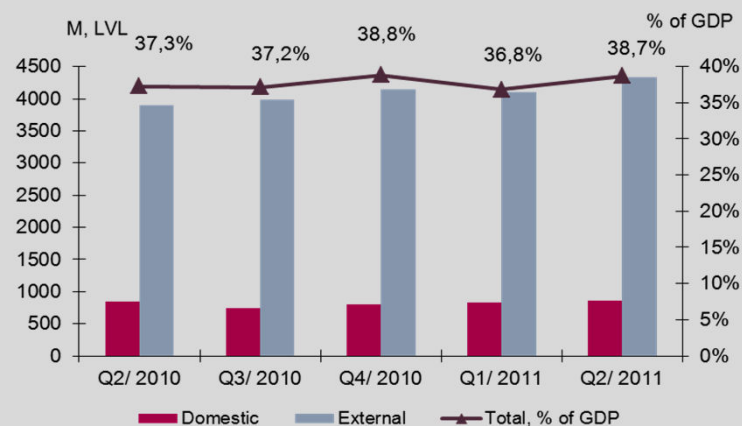
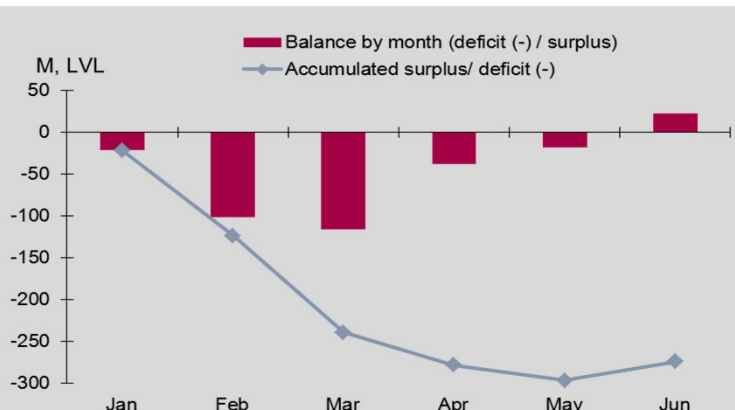
Debt (M, LVL)	Q3/ 2010		Q4/ 2010		Q1/ 2011		Q2/ 2011	
	M	%	M	%	M	%	M	%
Domestic debt	745	16%	796	16%	833	17%	852	16%
External debt	3 986	84%	4 147	84%	4 108	83%	4 339	84%
Total	4 731	100%	4 943	100%	4 941	100%	5 191	100%

(nominal values)

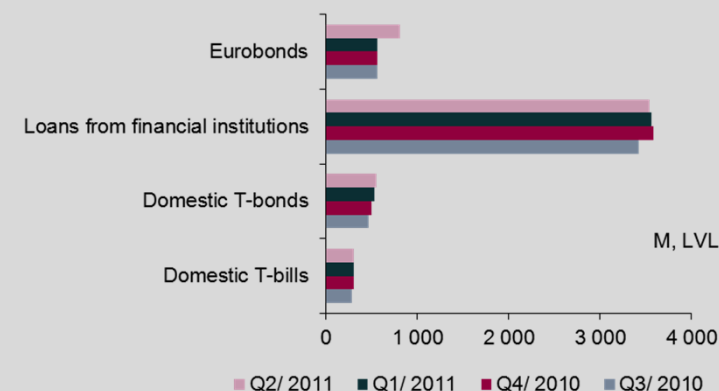
Debt Outstanding by Instruments

M, LVL	M, LVL			
	Q3/ 2010	Q4/ 2010	Q1/ 2011	Q2/ 2011
Domestic T-bills	281	302	297	299
Domestic T-bonds	464	494	524	545
Loans from financial institutions	3 424	3 585	3 558	3541
Eurobonds	562	562	562	807
Total	4 731	4 943	4 941	5 191

(nominal values)

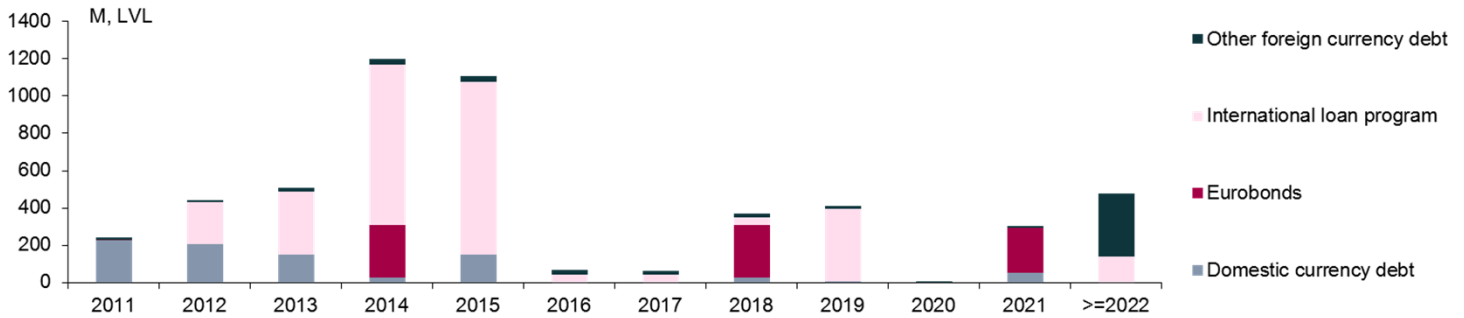


GDP forecast for 2011: LVL13 415,9 M (Ministry of Finance)
GDP for 2010: LVL 12 735,9 M

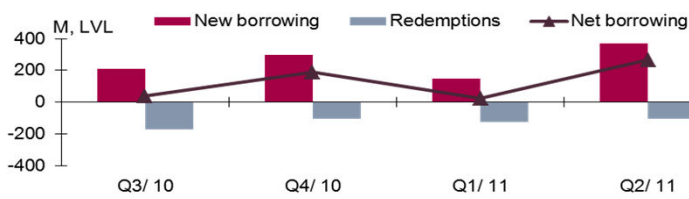


¹Central government consolidated budget (excluding grants, donations and derived public entities)

Redemption Profile

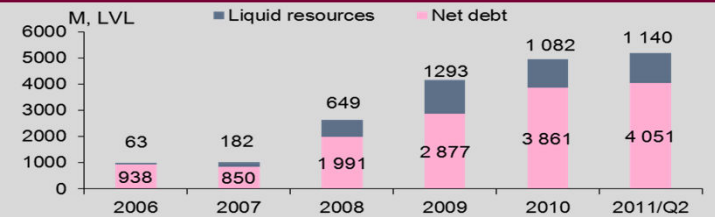


Net Borrowing



M, LVL	Q3/ 10	Q4/ 10	Q1/ 11	Q2/ 11
New borrowing	209	295	146	372
Redemptions	-171	-107	-124	-107
Net borrowing	37	188	22	265

Central Government Net Debt



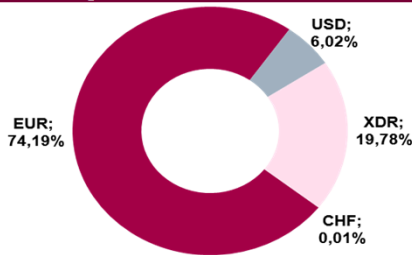
	2006	2007	2008	2009	2010	Q2/2012
Central government debt (% of GDP)	9,0	7,0	16,3	31,9	38,8	38,7
Net debt (% of GDP)	8,4	5,8	12,3	22,0	30,3	30,2

BORROWING MANAGEMENT – EXTERNAL

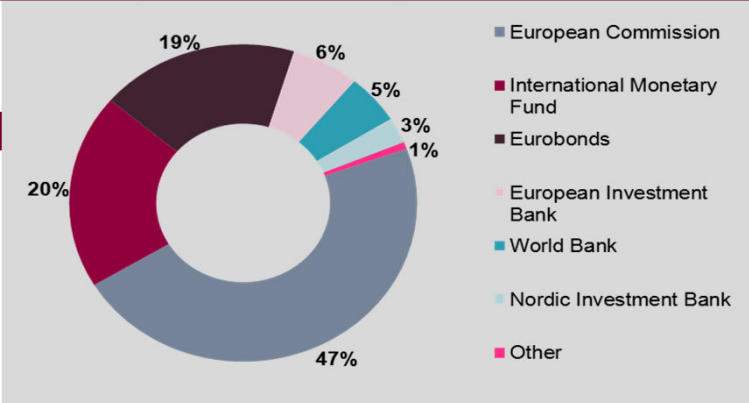
External Borrowing

(million LVL)	Q1/ 10	Q2/ 10	Q3/ 10	Q4/ 10	Q1/ 11	Q2/ 11
Borrowing made	564	1	143	141	0	244

Foreign Currency Debt



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

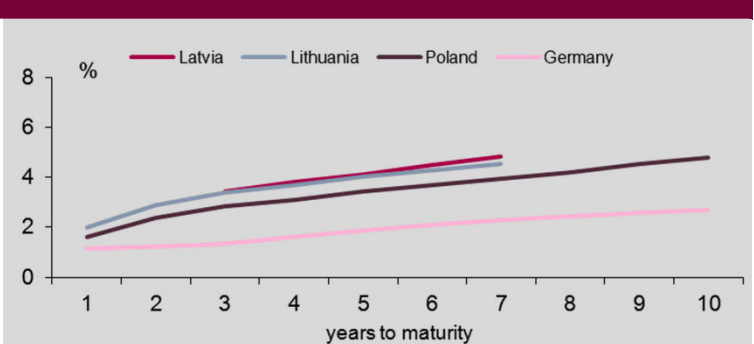


Latvia & Peer Countries Eurobond Spreads over Euro Swaps



Source: Bloomberg, 30.06.2011

Euro Yield Curves' Comparison

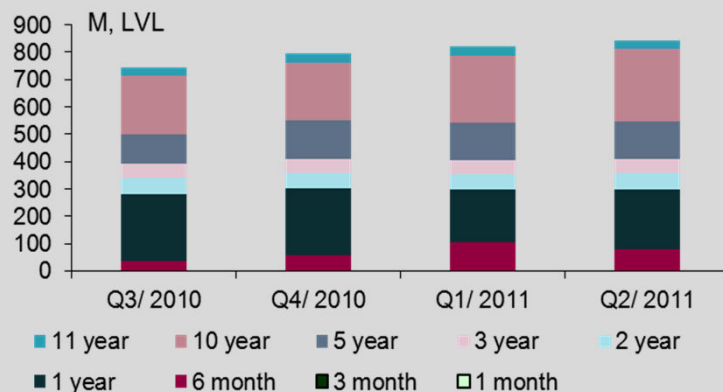


Source: Bloomberg, 30.06.2011

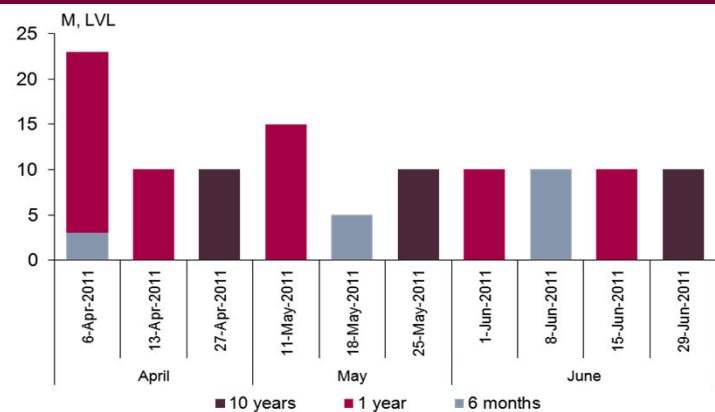
BORROWING MANAGEMENT – DOMESTIC

Domestic Securities Outstanding

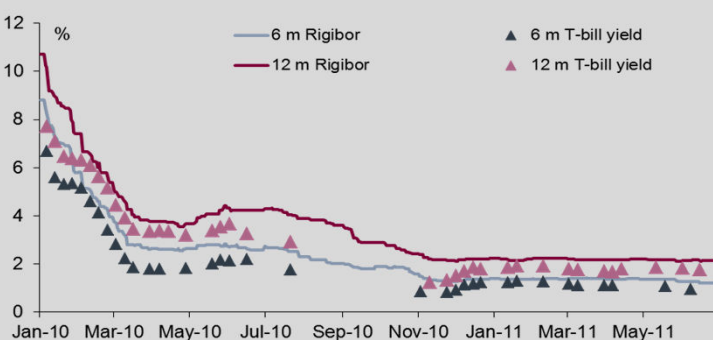
Outstanding	Q3/ 2010	Q4/ 2010	Q1/ 2011	Q2/ 2011
1 month	0	0	0	0
3 month	0	0	0	0
6 month	38	59	104	78
1 year	243	242	192	221
2 year	59	59	59	59
3 year	51	51	51	51
5 year	108	138	138	138
10 year	214	214	244	264
11 year	32	32	32	32
Total	745	796	821	843



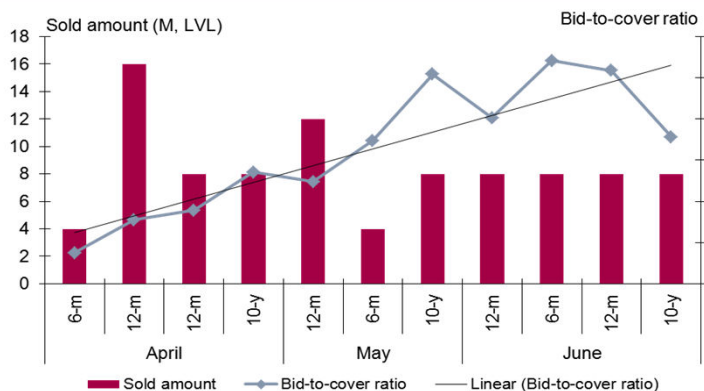
Sold amounts at auctions in Q2/2011



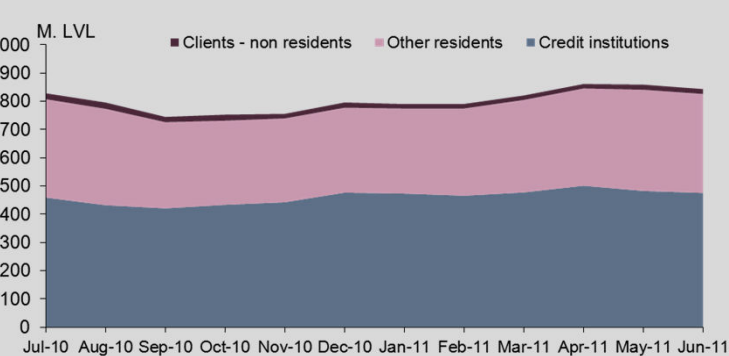
Yields on 6-month and 12-month T-bills at auctions and 6-month and 12-month RIGIBOR rates



Bid-to-Cover Ratio at Competitive Multi-price Auctions in Q2/2011



Domestic Securities Outstanding by Type of Investor in Secondary Market



Source: Bank of Latvia

DEBT PORTFOLIO MANAGEMENT

Parameters of Debt Management Strategy

PARAMETERS	31.12.2009	30.06.2011	STRATEGY
The share of the lats debt in the portfolio	16,1%	16,2%	$\geq 35\%^*$
Maturity profile	<1 year 8% < 3 years 25%	<1 year 10,6% < 3 years 44,4%	< 1 year $\leq 25\%$ < 3 years $\leq 50\%$
Optimum share of fixed rate in the portfolio	76%	76,3%	$\geq 60\%^{**}$
Duration (years)	3,62	3,64	3,4 - 4,0
Foreign currency net debt currency composition	EUR 100,1%	EUR 99,91%	EUR 100% +/- 5%

* 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.

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

Planned Domestic Securities Auctions

The Treasury organizes 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.

ISSUANCE OF STATE GUARANTEES

State Guarantees in 2011

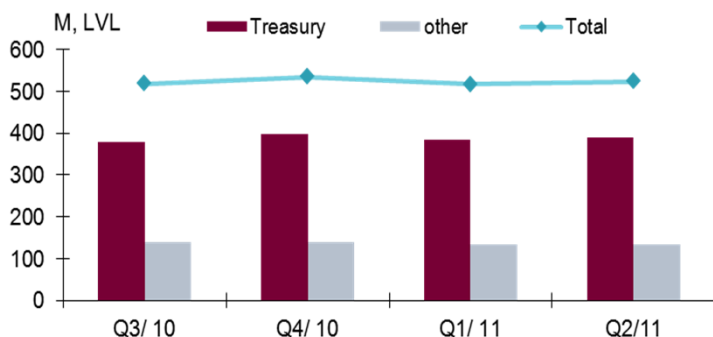
Planned in 2011	M, LVL	Current status
Study and student crediting	28,7	1,6
Mortgage and Land Bank	71,0	not issued
SIA JP Termināls	24,4	not issued
VAS Valsts nekustamie īpašumi	30,0	not issued
Latvian olympic committee	3,2	3,2
SIA Latvijas Piens	5,0	5,0
Total	162,3	9,8

State Guaranteed Debt Outstanding



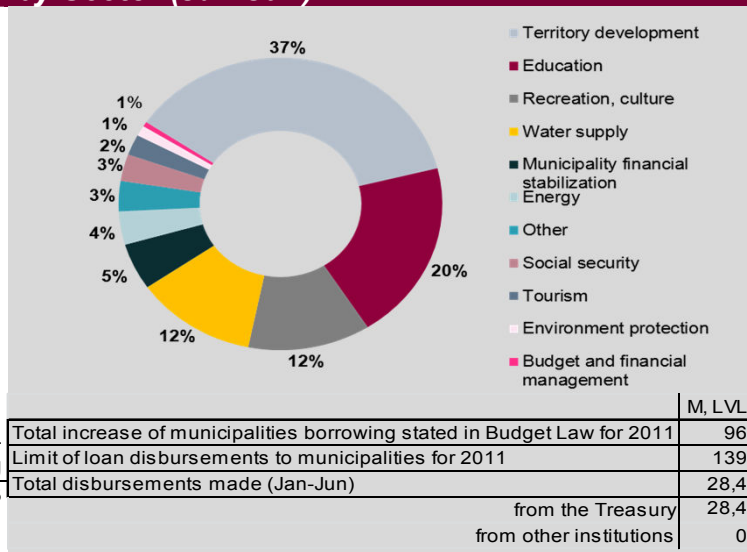
MUNICIPALITIES' BORROWING

Municipalities' Debt Outstanding



Lender	Treasury	Other lender	Debt outstanding
end of June 2011	389	134	523

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



	M, LVL
Total increase of municipalities borrowing stated in Budget Law for 2011	96
Limit of loan disbursements to municipalities for 2011	139
Total disbursements made (Jan-Jun)	28,4
from the Treasury	28,4
from other institutions	0

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NEXT ISSUE: Next Quarterly Bulletin will be available in the Treasury's web site on October 24, 2011.

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