

In January 2014, Latvia has successfully priced new euro denominated bonds in the international capital markets

On 14 January 2014, six years since its previous bond issue in euros and shortly after its Eurozone accession, Latvia priced an issue of 7-year bonds in an amount of 1 billion euro with a coupon of 2.625% (yield rate of 2.815%). The issue was oversubscribed more than four times.

Latvian Finance Minister Andris Vilks said he was pleased with the results of the bond issue in euro, which is the first for Latvia as a Eurozone member state, and with the level of demand from investors.

„Economic growth, Eurozone accession and upgrades of Latvia’s credit ratings so far have helped Latvia to borrow in the international capital markets on favorable terms. The borrowing transaction allows us to refinance loans from international lenders with lower interest rates. The successful bond pricing continues to reflect recognition by international investors for Latvia’s economic achievements and investors’ confidence in the state itself,” added Vilks.

Latvia is required to repay a loan to the European Commission in the amount of 1 billion euro, with a fixed rate of 3.125%, before the end of March 2014.

The issue was organized in accordance with Latvia’s borrowing strategy and benefitted from favorable conditions in financial markets.

The offering was primarily oriented towards investors from Europe, but included a placement to qualified institutional buyers in the USA.

Latvia’s last bonds in the international markets were issued in December 2012. That borrowing totalled 1.25 billion USD with a yield rate of 2,889%. The last issuance of bonds in euro was almost 6 years ago in February 2008. The coupon rate at that time was set at 5.5% with a yield rate of 5.53%.

Overview of bond issue:

Issuer	Republic of Latvia
Rating	Baa2/BBB+/BBB+
Format	144a/Reg S (Category 1)
Maturity	21st January 2021 (7 years)
Size	EUR 1 billion
Coupon p.a.	2,625%
Issue price	98.808%
Launch spread	Midswaps + 120 bps
Governing Law	English
Launch date	14th January 2014
Listing	Luxemburg
Lead Managers	Citi/ JP Morgan/ Societe Generale

Distribution by type of investors

