

December 2015, Latvia has issued bonds in international financial markets

On December 8, 2015, taking advantage of the unique situation in financial markets, within the framework of the government debt management, debt liabilities undertaken in US dollars were partially refinanced with euro denominated bonds of corresponding maturity. The favourable situation for the repurchase of obligations in US dollars was determined by the existing difference between the credit spread of Latvia government securities in US dollars and euros. Thus, these transactions resulted in reduced government debt servicing costs in medium term.

The achieved reduction in government debt servicing costs until 2021 has been estimated at approximately 85 million euros, which will have a positive effect on the state budget balance.

“Proactive actions within the framework of the government debt management, namely, partial refinancing of several outstanding government securities in US dollars with euro resources at favourable costs, will allow to achieve saving of several tens of millions euros in the budget in coming years. Thanks to the professionalism of the Treasury team swiftly using the unique situation in financial markets, significant results of national importance have been achieved in the government debt management,” emphasized the Minister of Finance Jānis Reirs.

Following the launch of invitation on November 30, 2015 for holders of respective outstanding bonds to tender for purchase of bonds, which were issued in US dollars by Latvia in 2011 and 2012, Latvia on December 8 announced results of acceptance of bonds for repurchase in US dollars with a total nominal value of 650 million US dollars. At the same time Latvia executed cross currency swap unwinding, as financial derivatives were concluded for the purpose of the currency risk management of respective bonds in US dollars at their pricing day. In order to finance the repurchase of bonds, on the same day new 5-year bonds in amount of 550 million euros were priced. All payments related to these transactions will be made by the end of the year.

The respective bonds accepted for repurchase in US dollars were issued in 2011 with coupon of 5.25% (yield 5.491%) and in 2012 with a coupon 2.75% (yield 2.889%). However, the coupon of the new 5-year euro bonds, which were priced on December 8, 2015, is 0.50% (yield 0.532%). The demand for the new Latvian euro bonds exceeded the offer almost three times. The interest was mostly expressed by the investors from European countries, including Germany, United Kingdom, Scandinavian and Baltic States.

Overview of bond issue:

Issuer	Republic of Latvia
Rating	A3/ A- /A-
Format	Reg S Registered
Maturity	15 December 2020 (5 years)
Size	EUR 500,000,000
Coupon p.a.	0.500%
Issue price	99.843
Launch spread	28 bps
Governing Law	English
Launch date	8 December 2015
Listing	Luxemburg
Lead Managers	Barclays/ Goldman Sachs/ JPMorgan

Distribution by type of investors

