# Republic of Latvia

Investor presentation

October 2025

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# Overview and Key Investment Highlights

# Latvia at a Glance

Strategically situated in north-eastern Europe with a coastline along the Baltic Sea, Latvia is an open economy and a member of the European Union and NATO

**Capital**
Riga

**Population**
1.9mn[1]

**Nominal GDP**
EUR 40.2 bn[1]

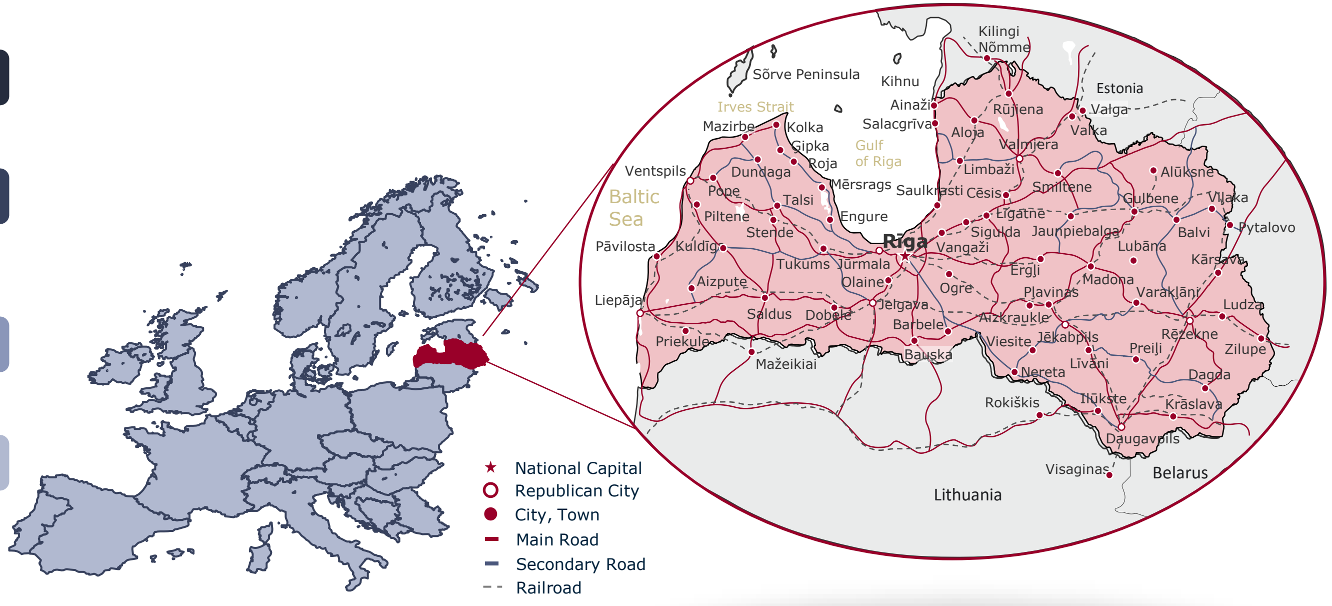
**Credit ratings[3]**
S&P: A Stable
Fitch: A- Stable
Moody’s: A3 Stable
R&I: A Stable

**Official Currency**
EUR

**Government System**
Democratic republic with a multiparty political system

**GDP per Capita**
EUR 21.606[2]

**Main Economic Sectors 2025 Q2[4]**
- ★ Wholesale, retail trade, transport, accommodation and food services (19.3%)
- ★ Industry (16.1%)
- ★ Public administration, defence, education, human health and social work activities (21.0%)




## Milestones

- **1991** – Latvia regains independence
- **1999** – Latvia joins WTO
- **2004** – Latvia joins the European Union and NATO
- **2014** – Latvia joins the eurozone
- **2016** – Latvia becomes OECD member
- **2024** – Latvia becomes 32nd member in the IEA

*Sources: (1) Central Statistical Bureau of Latvia data for 2025 (2) data for 2024 Central Statistical Bureau of Latvia on 16 April 2025 (3) Rating Agencies as of 11 October 2025 - S&P, Fitch, Moody’s, R&I (4) Central Statistical Bureau of Latvia data as of 2025 Q2*

# Key Investment Highlights

**Resilient Economy**

- Latvia has demonstrated resilience throughout macroeconomic and geopolitical headwinds
- Latvia avoided a recession in 2023 despite deceleration of trading partners
- The economic prospects are strong and supported by private consumption, increased public investment, a strong labour market, and low inflation

**Diversified Export Sector**

- EU member states are Latvia's main trading partners and trade ties with Russia have weakened substantially since 2014
- Latvia's export sector is both competitive and diversified
- Small current account deficit, largely covered by FDI and EU related capital transfers

**Prudent Fiscal Policy**

- Latvia has a long track record of prudent fiscal policy and Latvia will continue to comply with the new EU fiscal rules
- EU funds and RRF funds are supporting the Government reform agenda
- In the current geopolitical situation defence spending remains the main budget priority

**Moderate Debt Levels**

- Latvia benefits from moderate and affordable debt levels, considerably below most European peers
- Latvia's ratings firmly in the 'A' rating category
- Latvia has access to diversified funding sources

**Energy/Military Security**

- The country has been a member of NATO since 2004 and is upscaling in its military defence capabilities
- Latvia reacted swiftly to the Russian military invasion of Ukraine, having diversified many aspects of its economy away from Russia including energy

**Solid Banking System**

- Latvian banks remain well capitalized, profitable and cost-efficient
- Banks have healthy liquidity levels and are mainly focused on financing domestic economic activity

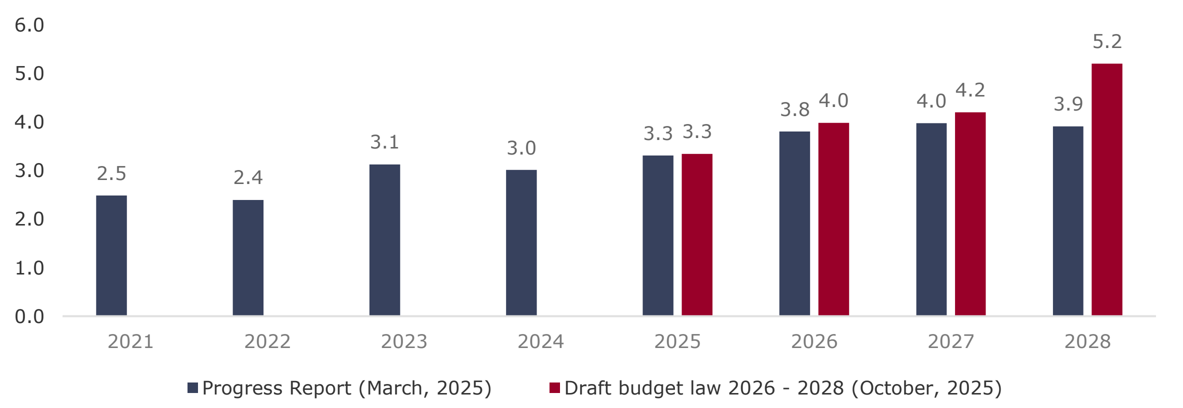
# Fiscal Policy

# Latvia Has a Track Record of Prudent Fiscal Policy

## Moderate deficits in years preceding the twin crises contributed to building fiscal buffers, strong commitment to the fiscal rules

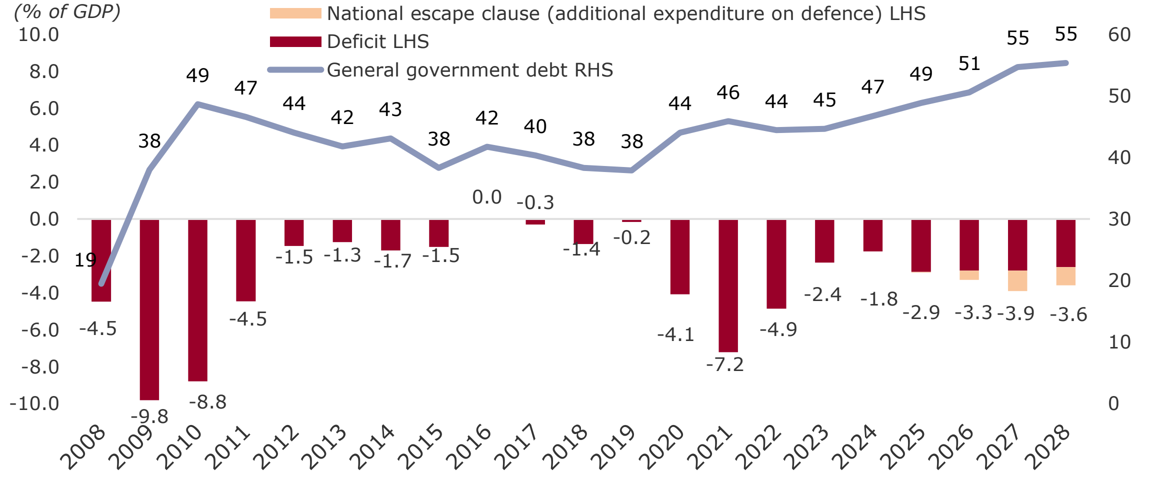
### An increase in defence expenditure puts pressure on the government deficit and debt. However, the increase is in line with national and EU fiscal rules

*General government budget expenditure on defence (COFOG), % of GDP*



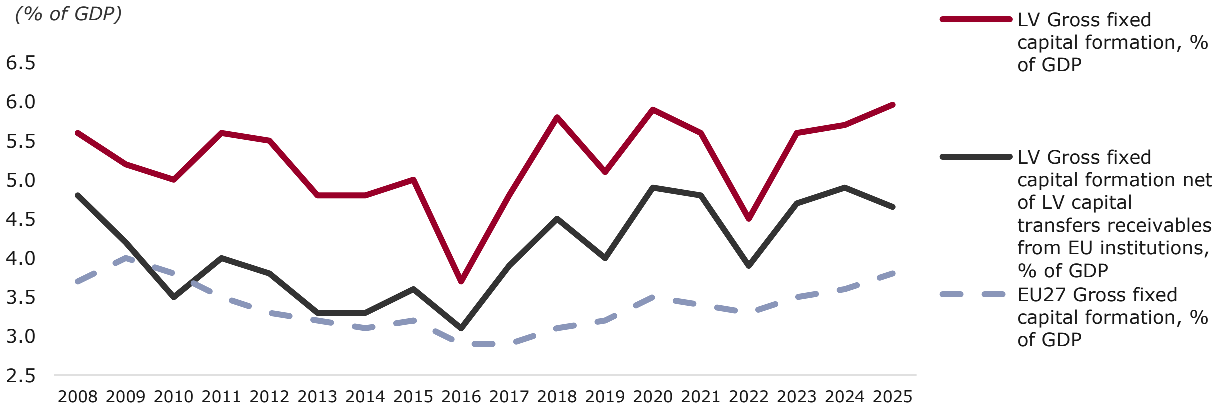

*Source: Eurostat 2021-2023; forecasts for 2025-2028 based on the Draft budget law 2026 – 2028 (macroeconomic forecasts as of June 2025)*

### Latvia will use the flexibility of EU fiscal rules to significantly increase its defence capabilities




*Source: Data 2008-2024 according to Eurostat (April 2025 notification data); deficit and debt forecasts for 2025-2028 according to the Draft budget law 2026 – 2028 (October 2025) (macroeconomic forecasts as of June 2025)*

### High public investments will continue to support economic growth further




*Source: Ameco, European Spring 2025 Economic Forecast, and MoF calculation for LV Gross fixed capital formation net of LV capital transfers receivables from EU institutions (Eurostat 2008-2024 April 2025 notification data and Progress Report 2025)*

### Commitment to maintain prudent fiscal policy within the framework of reformed EU and national fiscal rules

- On January 21, 2025, the **EU Council endorsed Latvia's Fiscal structural plan** and net expenditure path to be respected during budgetary procedure of next years.
- **According to the Progress Report 2025, the net expenditure path set by EU Council is fully respected**. The net expenditure path endorsed by the EU Council was set at net expenditure growth of 9.1% in 2024 and 5.9% in 2025, but according to the estimates of the MoF net expenditure growth reached 3.9% in 2024 and is expected to be 5.7% in 2025.
- In the current geopolitical situation **defence spending remains one of the main budget priorities.** On April 28, 2025, Latvia applied for the National Escape Clause and on July 8 EU Council activated the National Escape Clause for Latvia, which allows to significantly increase defence expenditure for 2025-2028.
- On September 22, 2025, the government agreed on financing and compensating measures for its priorities: defence, demography and education. The compensating measures include higher dividends from state-owned enterprises, an increase in excise duties, etc. The draft Budget 2026-2028 that complies with EU and national fiscal rules was approved by government on October 14, 2025.

# Continued Ambitious, Competitive, Growth-Friendly Investments

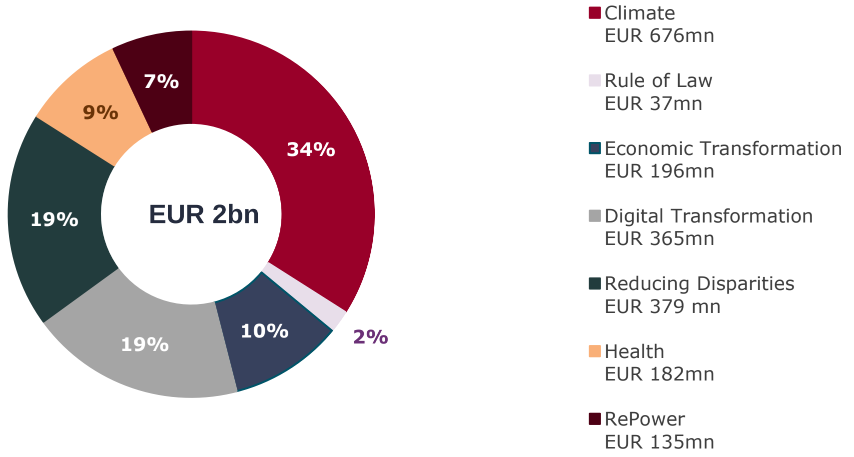
## RRF and other EU transfers support reforms contributing to long-term sustainable growth

### RRF supported reforms

| | |
|---|---|
| | **CLIMATE**<br>Transition to sustainable transport, energy efficiency in all sectors, wind farms |
| | **DIGITAL TRANSFORMATION**<br>Coordination mechanisms for public digital services, digital skills |
| | **REDUCING DISPARITIES**<br>Administrative territorial reform and GMI reform |
| | **HEALTH**<br>Healthcare network effectiveness, remuneration reform |
| | **ECONOMIC TRANSFORMATION**<br>Innovation eco-system, consolidation of higher education institutions |
| | **RULE OF LAW**<br>Strengthening capacity of law enforcement agencies |
| | **RePOWER**<br>Saving, producing clean energy and energy supply diversification away from Russian fossil fuel |

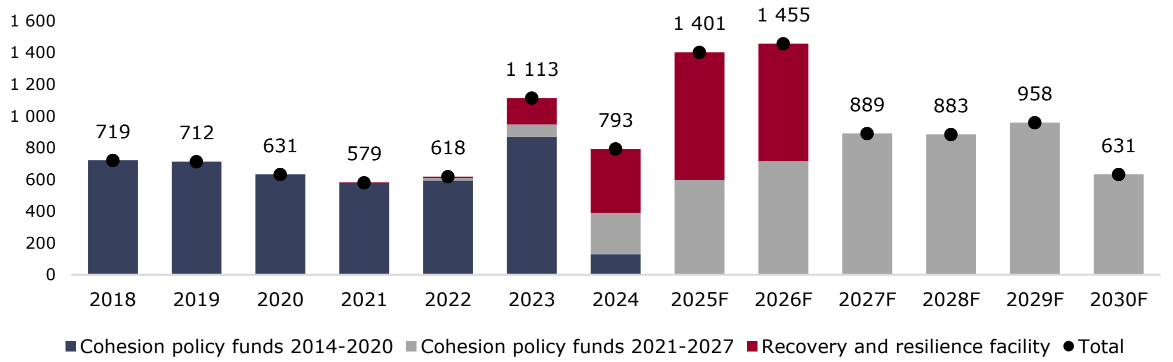
### Recovery and Resilience plan (RRF)

*(Amendments adopted by the Council on December 8, 2023)*

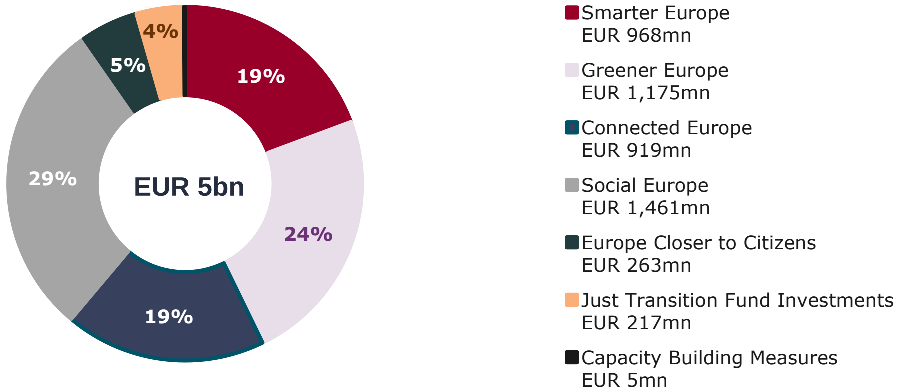



### RRF and Cohesion Policy EU Fund's investments for supporting reform agenda

*Budget expenditure (EUR mn)*




### EU Funds 2021-2027




Source: Ministry of Finance

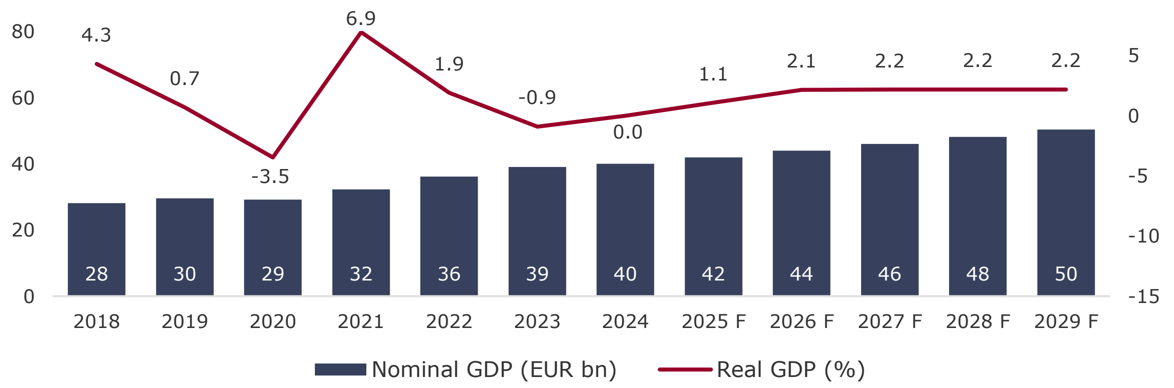
# The Economy and External Sector

# Economic Activity Remains Robust Despite Series of External Shocks

Strong labour market and low inflation will underpin private consumption, while external demand gradual recovery and reforms financed by RRF and EU funds are expected to support exports and investment

## The economy has showcased resilience during the twin crises

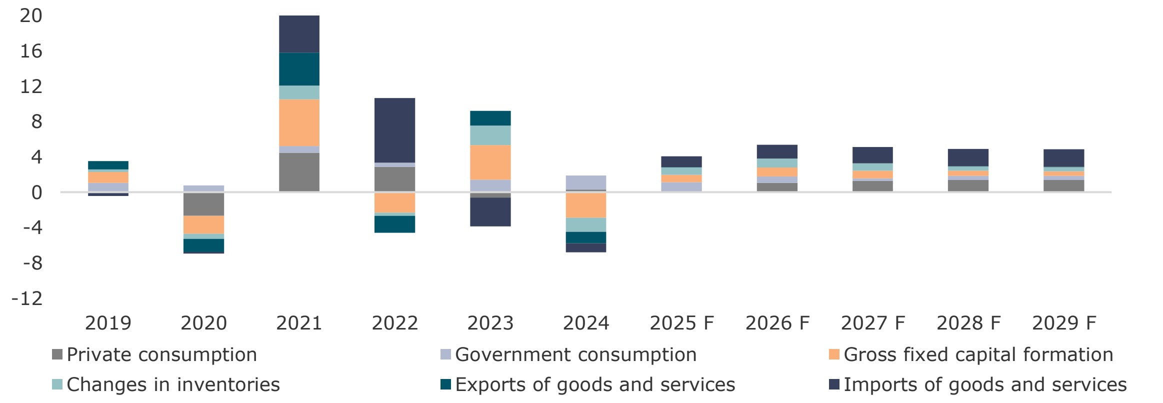
*Real GDP (% change; n.s.a.), Nominal GDP (EUR bn)*




*Source: Central Statistical Bureau of Latvia, F – Ministry of Finance June 2025 forecast*

## Exports and Private Consumption have contributed to accelerated growth

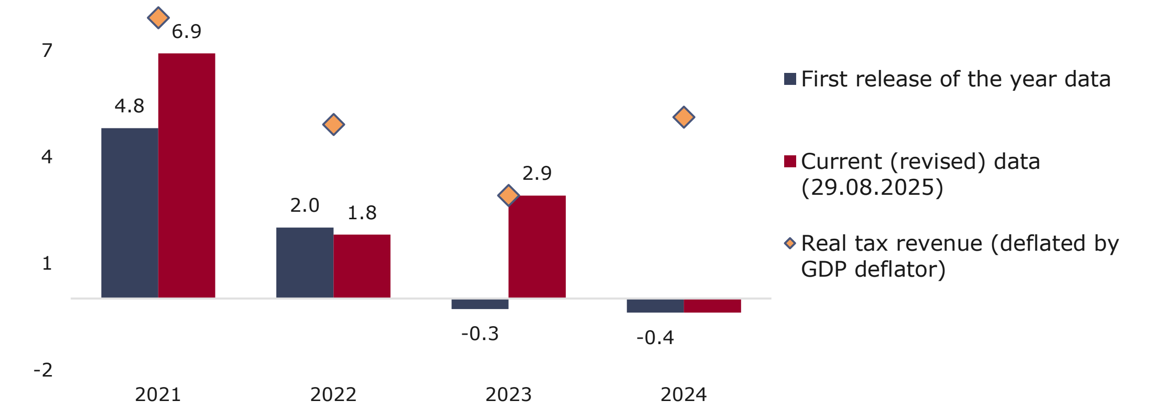
*GDP by Expenditure (y-o-y; %; in real terms; n.s.a.)*



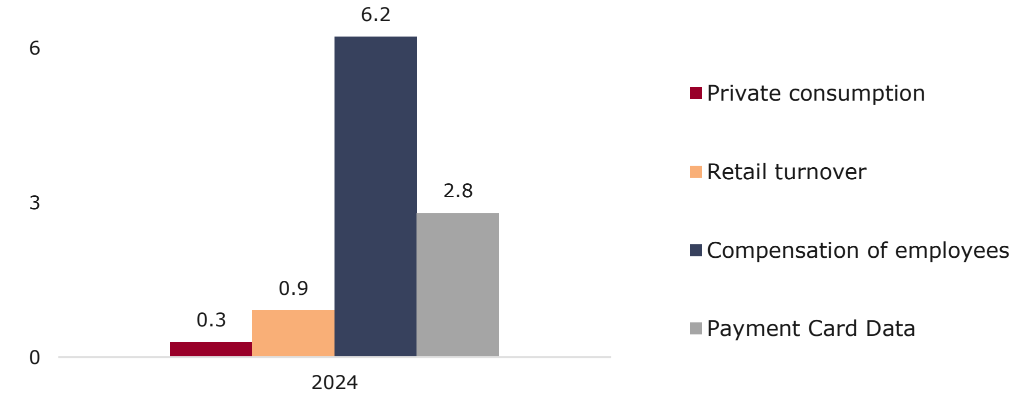

*Source: Central Statistical Bureau of Latvia, F – Ministry of Finance June 2025 forecast*

## 2024 GDP might be underestimated, especially private consumption

*Real GDP (% change; n.s.a.)*




*Private consumption indicators GDP (y-0-y; % in real terms; s.a.)*



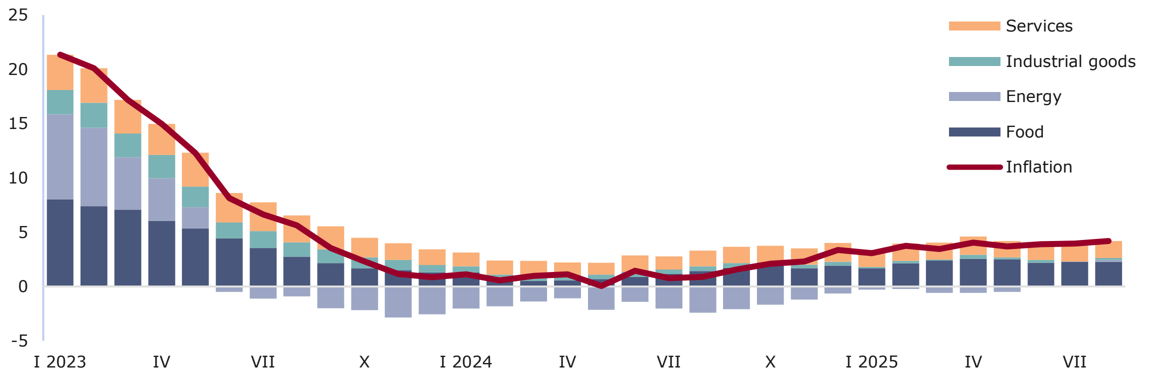

*Source: Central Statistical Bureau of Latvia, European Commission, Bank of Latvia, Bank of Latvia calculations, Treasury. Total tax revenue deflated by GDP deflator*

# Inflation has Rapidly Returned to Low Level and is expected to be around 2%

Inflation has receded quickly driven by restrictive monetary policy and a reduction in energy prices, wage pressure is easing despite very low unemployment

## Inflation and its components

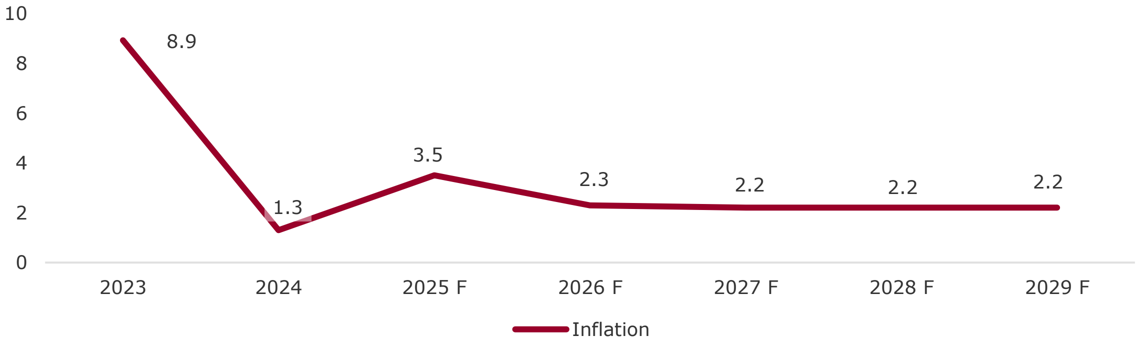
(% chg, yoy and contributions, pp)




*Source: Central Statistical Bureau of Latvia, Eurostat, and Latvijas Banka calculations*

## Inflation and its forecast

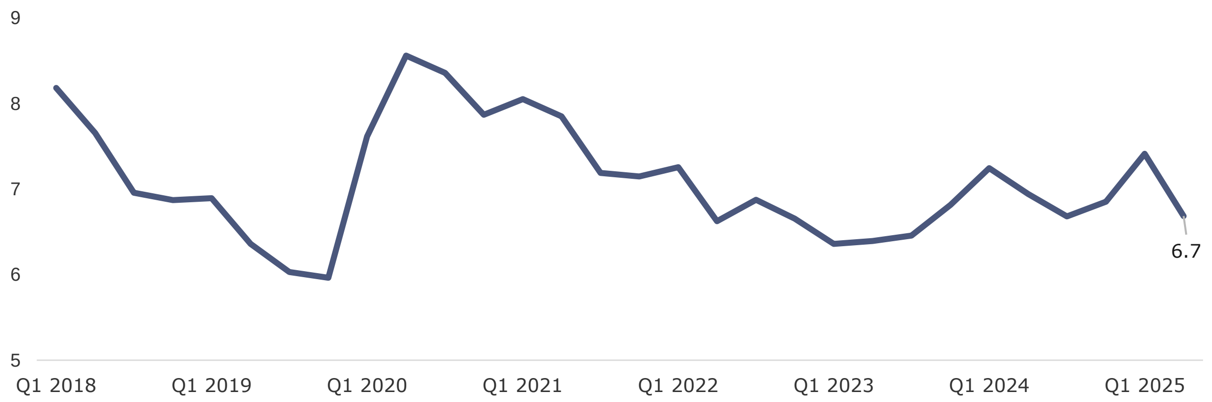
(% chg, yoy)




*Source: Eurostat, F – Ministry of Finance June 2025 forecast*

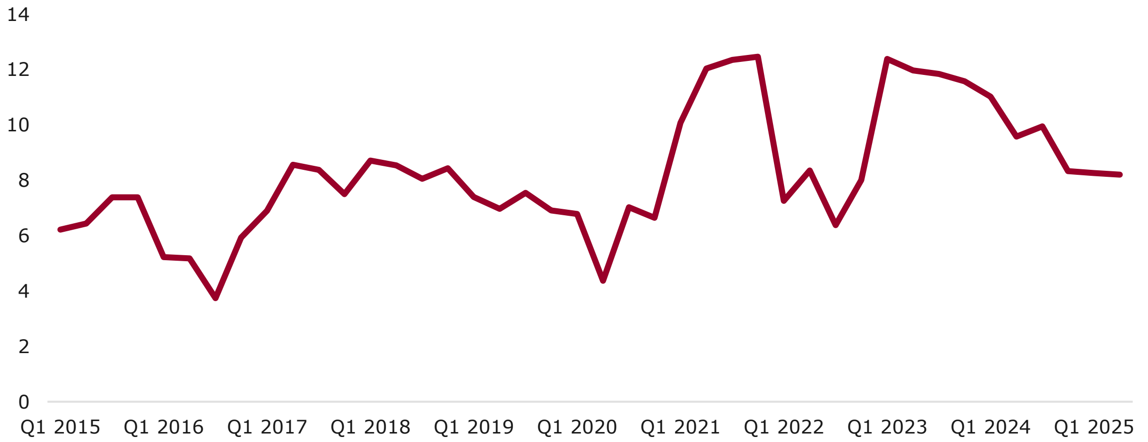
## Unemployment has declined to pre-pandemic level

*Job seekers rate (%, age group 15-74)*




## Wage growth is decelerating

*Nominal gross wage (%; y/y)*




*Source: Central Statistical Bureau of Latvia*

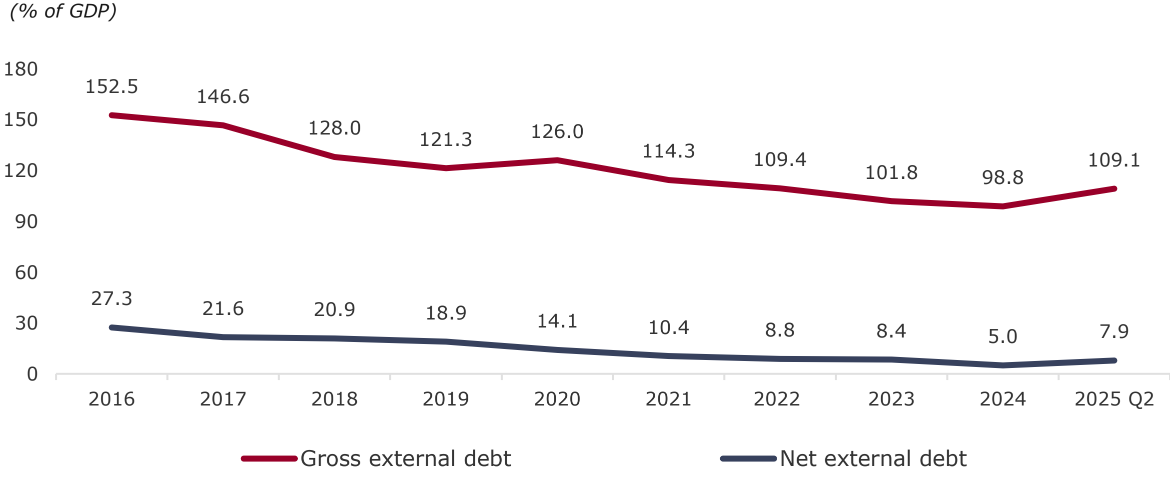


*Source: Central Statistical Bureau of Latvia*

# External Sector Risks Are Limited

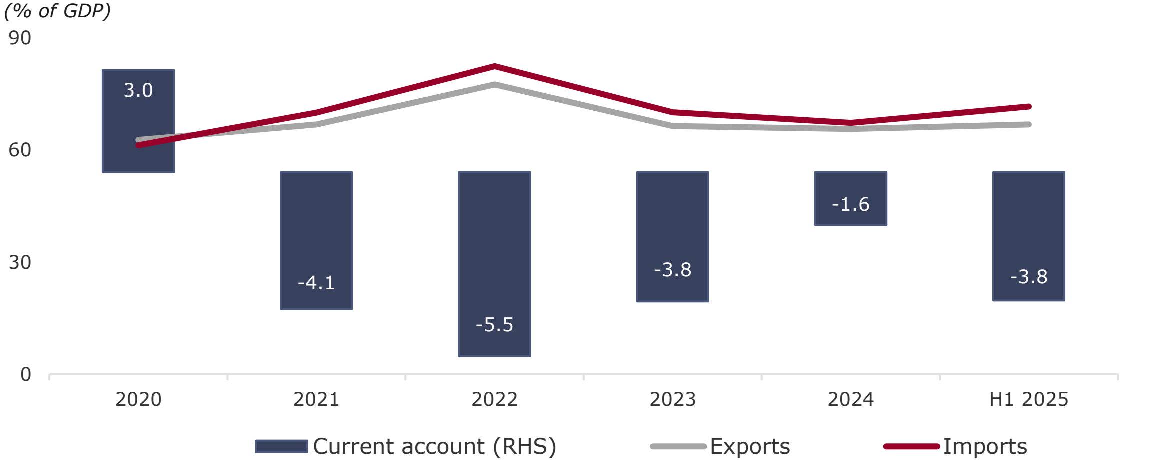
A manageable current account deficit fully funded by FDI inflows, low external debt and a diversified export base limit external risks

## External sector indicators



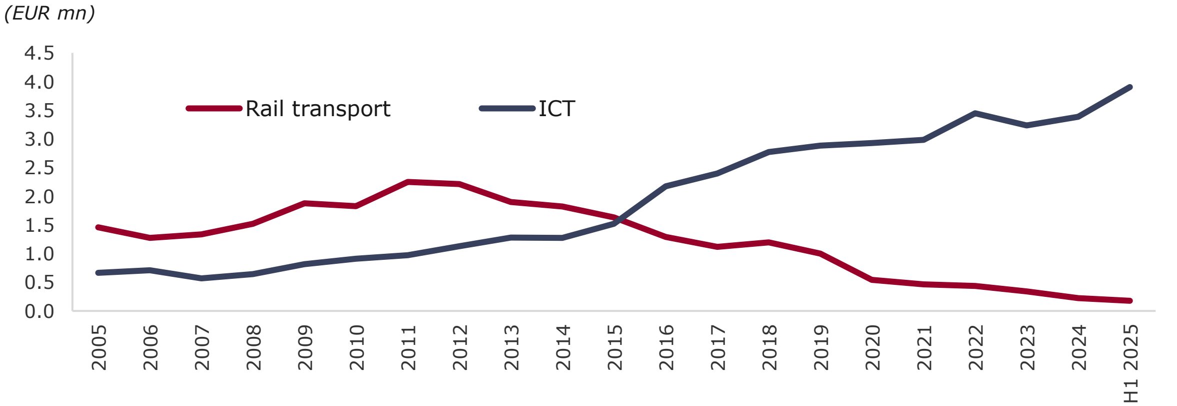

Source: Latvijas Banka

## Current account, goods and services exports and imports



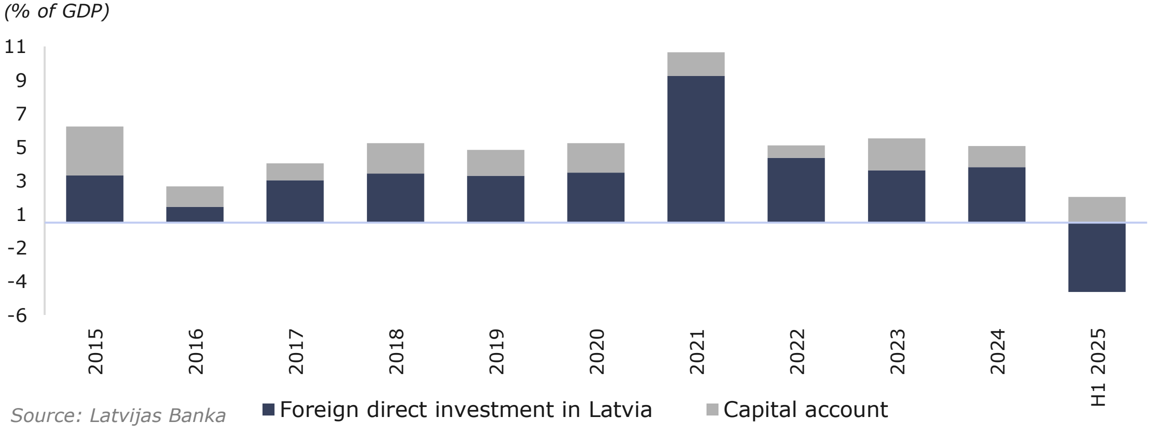

Source: Latvijas Banka

## Export income of rail transport and Information and Communication Technology (ICT) services




Source: Latvijas Banka

## Investments inflow




Source: Latvijas Banka

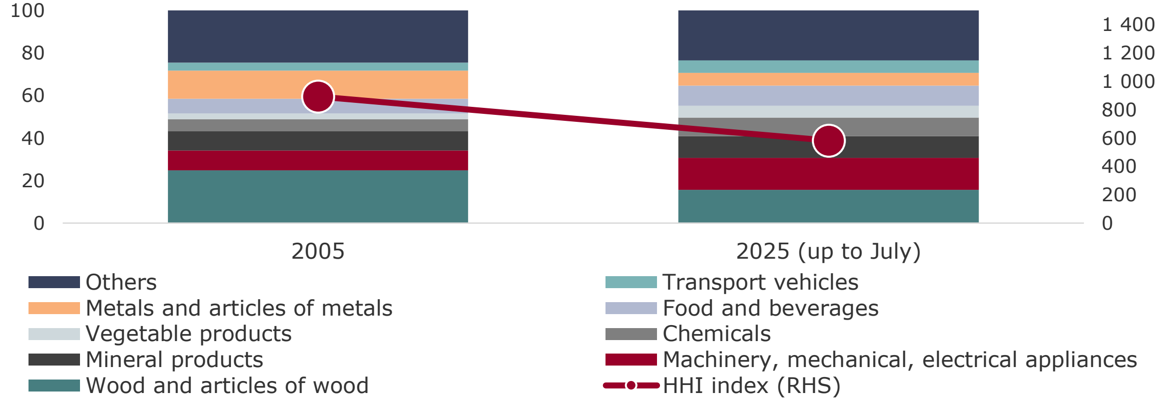
*H1 2025 - This reflects dividend payout in Q1 2025; excluding the Financial and Professional services sectors in Q1 2025, where the dividend payouts were the largest, the FDI inflow remained resilient and was 1.7 % of GDP in H1 2025*

# Diversification, Low USA Exposure, Significantly Reduced Ties with Russia

Exports have been diversified among various goods and trading partners, moving away from the Russian market, dependence on exports into USA is limited

## Export structure by product groups and Herfindahl-Hirschman index for product group concentration

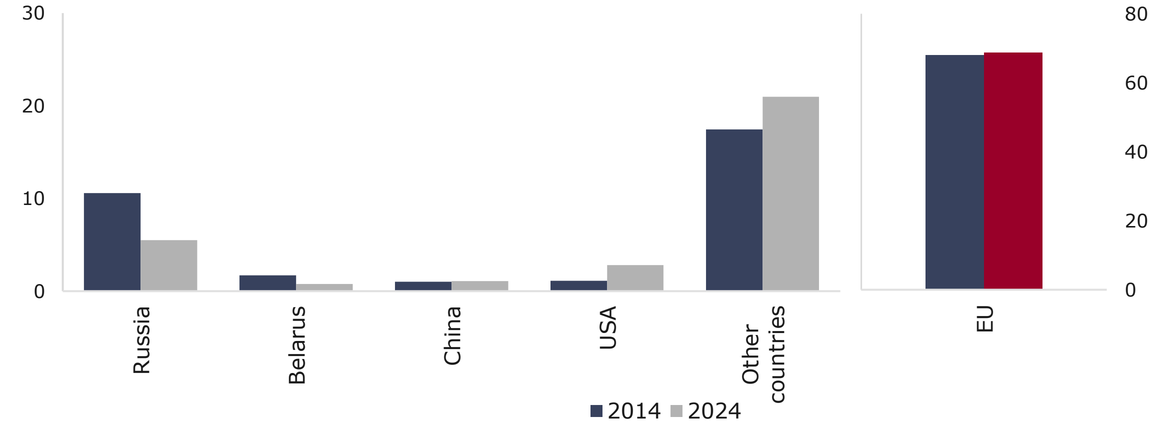
*(% of total exports; index – index closer to 0 means more diverse exports, larger number – less diverse)*




*Source: Central Statistical Bureau of Latvia*

## Structure of exports of goods in 2014 and 2024 by country

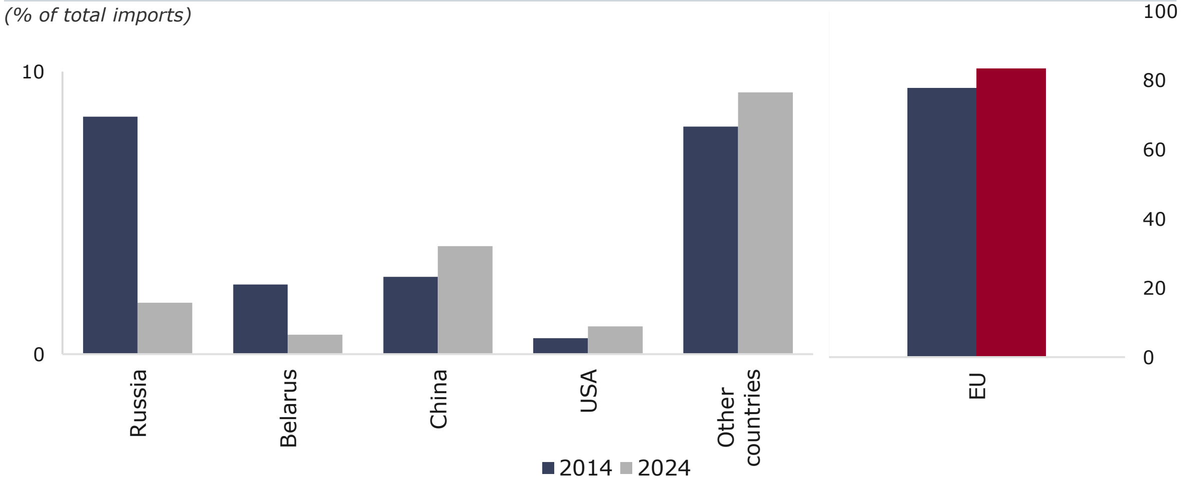
*(% of total exports)*




*Source: Central Statistical Bureau of Latvia*

## Structure of imports of goods in 2014 and 2024 by country

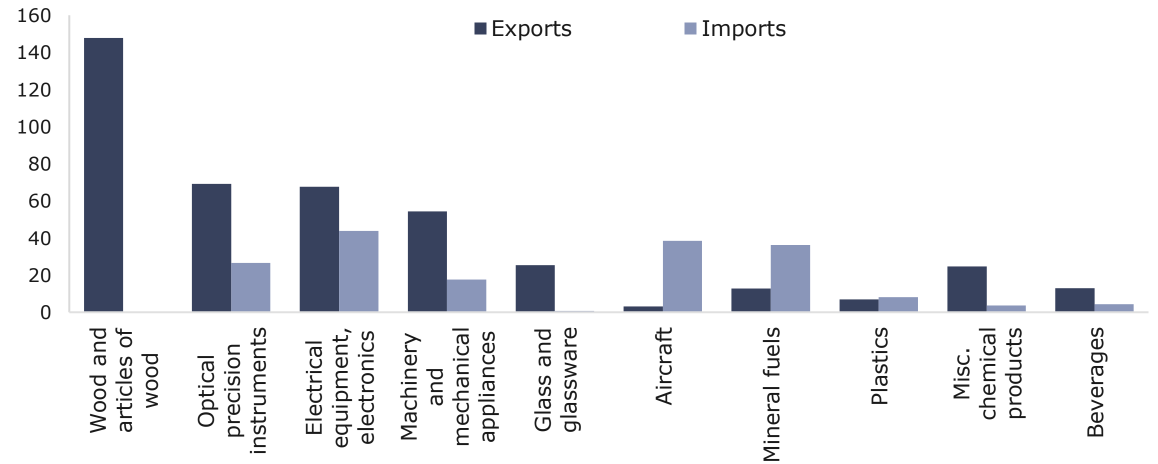
*(% of total imports)*




*Source: Central Statistical Bureau of Latvia*

## Exports and imports of goods to the US in 2024 by product group

*(million euro)*



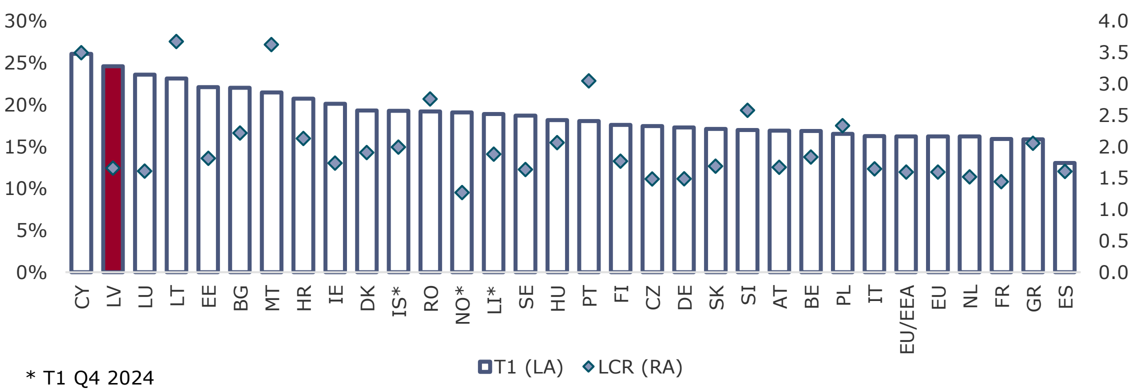

*Source: Central Statistical Bureau of Latvia*

# Banking Sector

# Well-Capitalized and Profitable Banking Sector

Prudent lending, ample capital buffers and low corporate and household debt provide strong shock absorption capacity

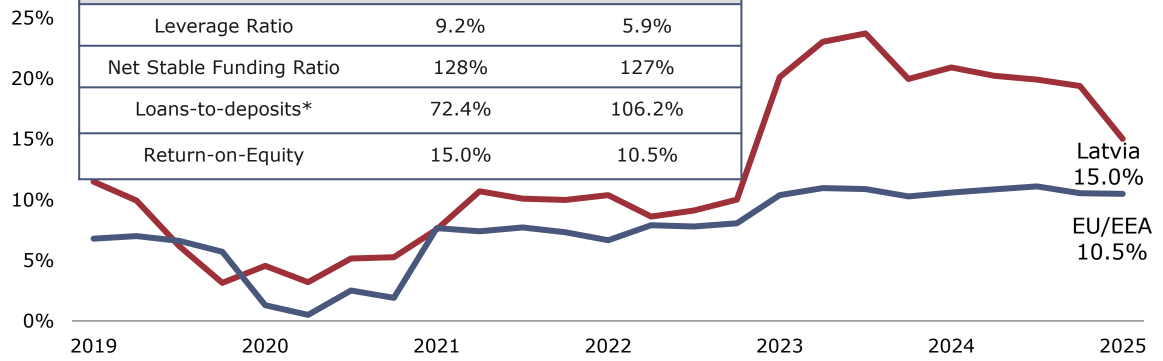
## Total Tier 1 Capital Ratio and Liquidity Coverage Ratio




* T1 Q4 2024

*Source: European Banking Authority Risk Dashboard (Data as of Q1 2025).*

## Return on Equity and additional indicators

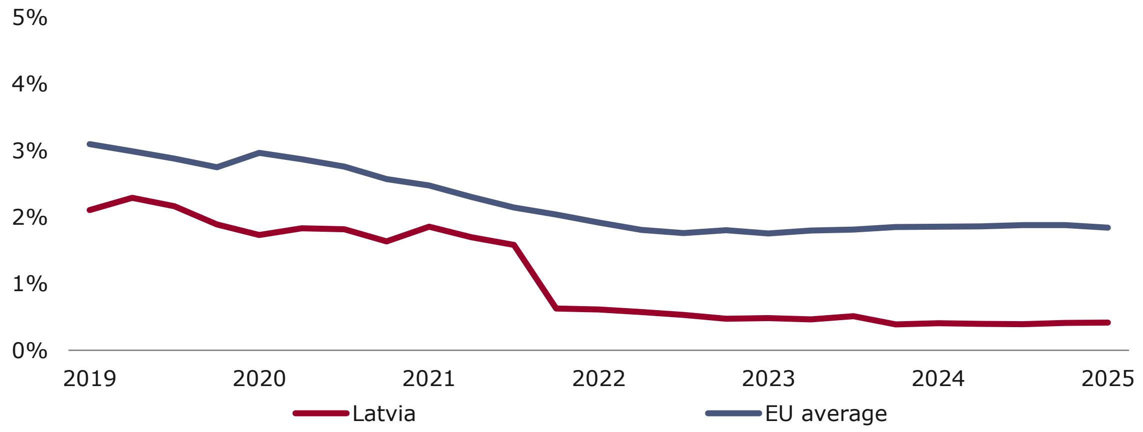



| | Latvia | EU/EEA |
|---|---|---|
| Leverage Ratio | 9.2% | 5.9% |
| Net Stable Funding Ratio | 128% | 127% |
| Loans-to-deposits* | 72.4% | 106.2% |
| Return-on-Equity | 15.0% | 10.5% |

*Note: *for non-financial corporations and households.*

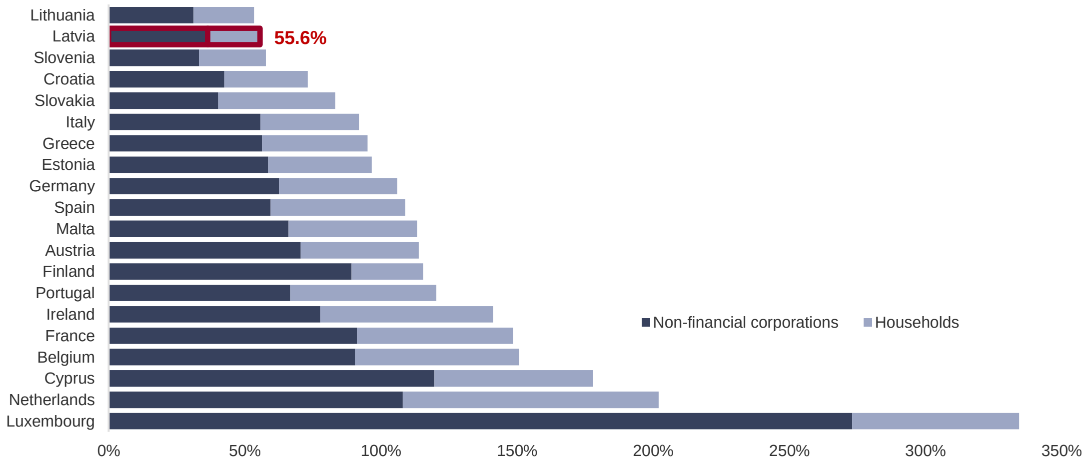
*Source: European Banking Authority Risk Dashboard (Data as of Q1 2025).*

## Share of NPLs in total loans




*Source: European Banking Authority Risk Dashboard (Data as of Q1 2025).*

## Total debt*-to-GDP



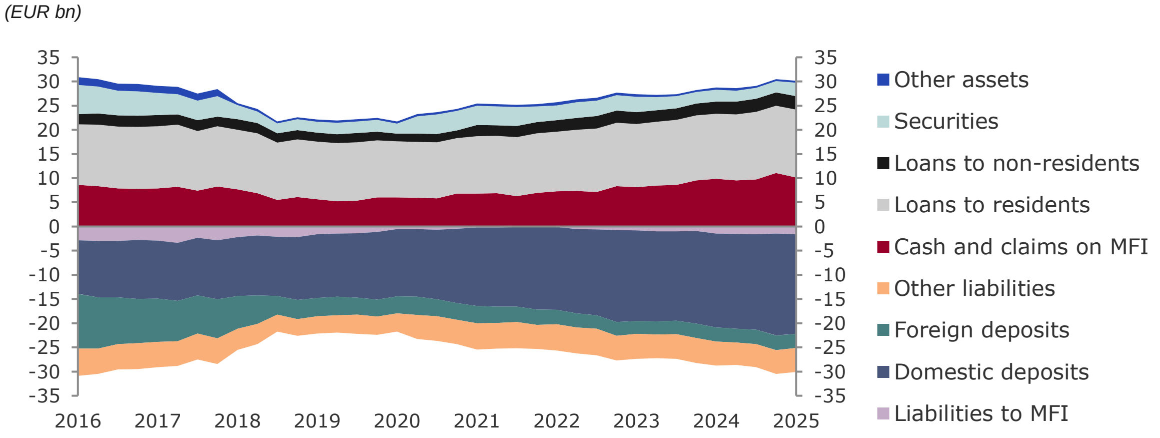

*Total consolidated debt vis-a-vis rest of the economy in 2025 Q1, (% of GDP)*

*Source: ECB SDW*

# Domestic banking has outgrown once considerable foreign banking activities

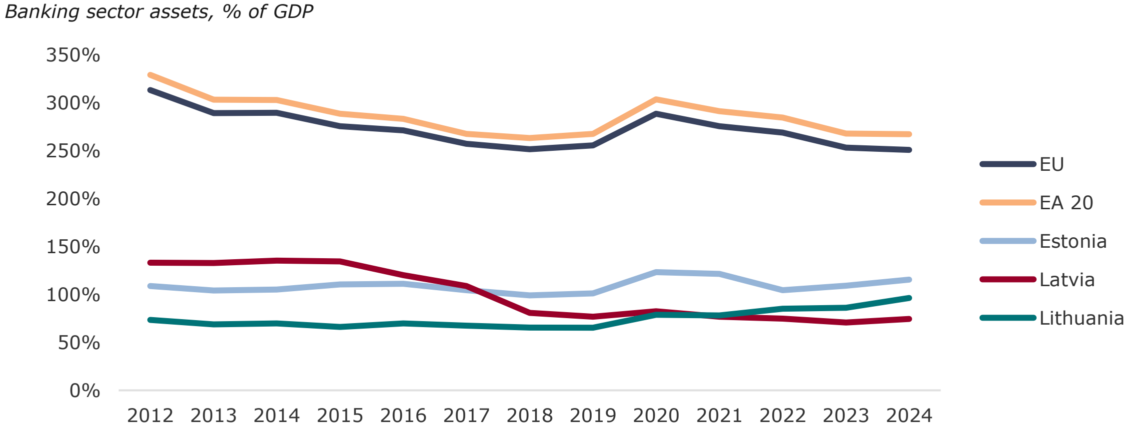
Bank funding is mostly domestic, AML/CFT risks are managed effectively and exposures to RU and BY are low

## Banking sector balance sheet




Source: Latvijas Banka, Latvijas Banka's calculations

## Latvia's banking sector has limited contingent liability risk

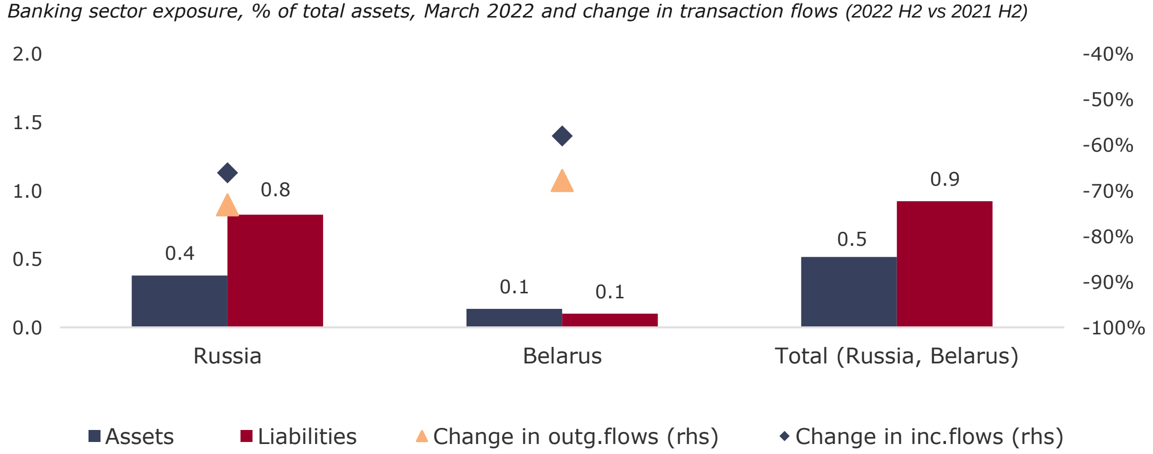



Source: ECB, EUROSTAT

## Improvement in AML

- As noted in the IMF Article IV review 2023, Latvia has made significant progress with anti-money laundering and counter financing terrorism (AML/CFT) framework. The risk level of money laundering and terrorism and proliferation financing (ML/TPF) has decreased substantially at Latvia banks.
- Improved control system in financial institutions ensure that financial institutions are able to effectively manage the risk associated with the sanctions imposed against Russia and Belarus.
- Cooperation between all stakeholders has to lead to proportionate application of the AML regulation at Latvian banks without hindering the availability of financial services, Investment attraction and Latvia's economic growth.

## Banking sector exposure to Russia is low and mostly limited to a few smaller banks



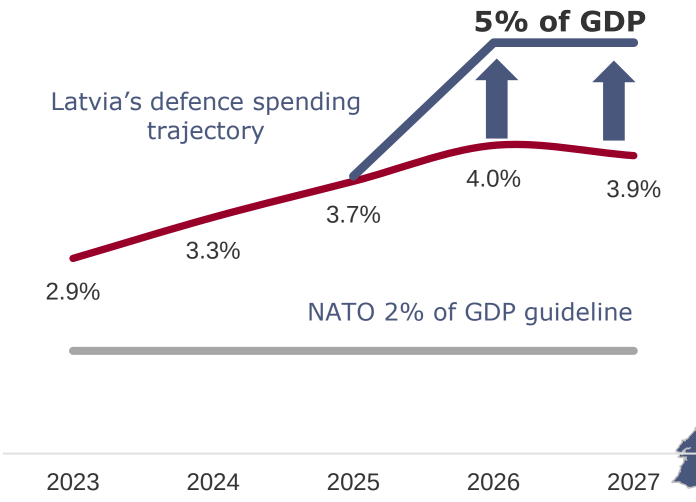

Source: Latvijas Banka FINANCIAL STABILITY REPORT 2022

# Security and Energy

# Latvia – Member of the World’s Strongest Military Alliance

Latvia has been a member of the North Atlantic Treaty Organization (NATO) since 2004

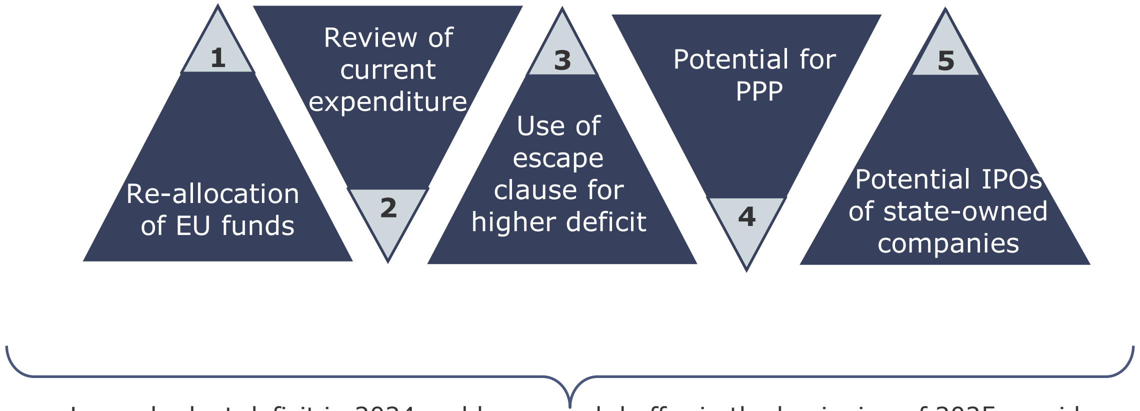
## Government has made concept decision to increase defence expenditure




Source: Ministry of Defence, Government decision on May 13, 2025

Source: NATO, Additional NATO Members not shown on map: USA, Canada, Iceland

## Financing options for higher defence spending in the medium term




Lower budget deficit in 2024 and larger cash buffer in the beginning of 2025 provide a room to finance additional defence expenditures, not breaching debt ceiling, neither hindering the planned debt servicing costs

## Latvia strengthens defence capabilities

- **18 nations** and more than **3000 Allied troops** stationed in Latvia
- **Canadian-led** multinational NATO **brigade** in Latvia
- Investments in **Air and Missile Defence system** (for example, increased NATO presence through recently launched military activity «Eastern Sentry» to bolster NATO’s posture along the entire Eastern flank, including through effective air defence.)
- Increased surveillance of **ships in the Baltic Sea**
- Coordinated **fortification** of Europe’s eastern **border**
- New infrastructure to accommodate the **training needs**

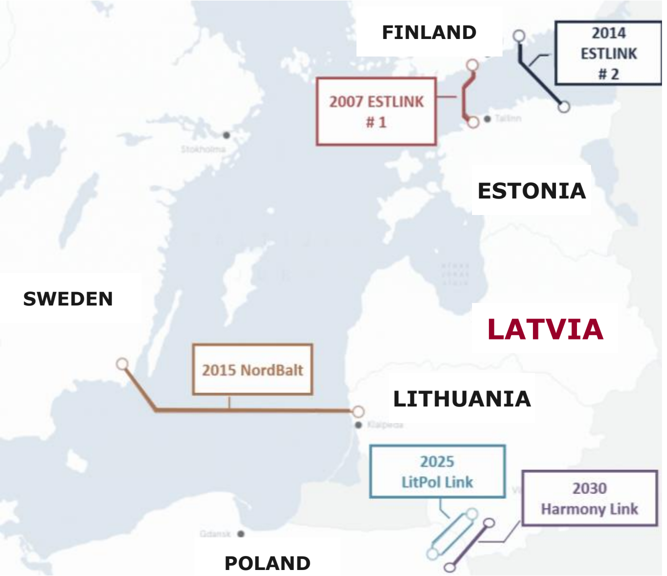
## Latvia continues to increase the defence industry capabilities and support innovation

- Production of **Patria 6x6 armoured vehicles**
- Production of various types of **small-calibre ammunition**
- Latvia - UK jointly lead international **Drone Coalition** (supply of drones to Ukraine)
- **New R&D projects** for developing innovative counter-unmanned aerial system
- **Artillery ammunition** modular charge production **facility**
- First innovative **5G military test site in Europe**

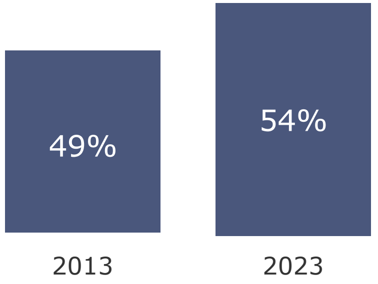
# Baltics disconnected from BRELL and successfully joined the Continental Europe Synchronous Area

Latvia’s Green Transition Enhancing National Energy Independence and Security

## Permanent disconnection from the Russian power system as of 9th February 2025



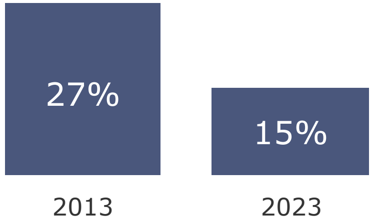

### Renewable energy sources in electricity




*Source: Eurostat*

## No natural gas from Russia as of January 2023

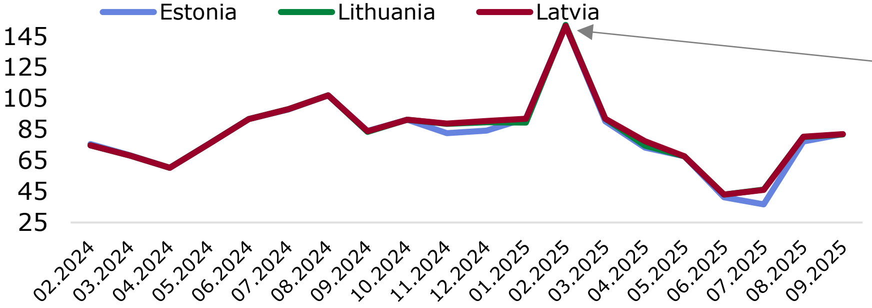

### Natural gas in Energy Mix




*Source: Central Statistical Bureau of Latvia*

## Nord Pool day-ahead electricity prices in Baltic states

(EUR, monthly aggregate)




Impacted by weather conditions and availability of energy produced by wind, solar and hydroelectric power plants

*Source: Nord Pool, as of September 23, 2025*

## Latvia has 3rd largest underground gas storage in Europe (Inčukalns)

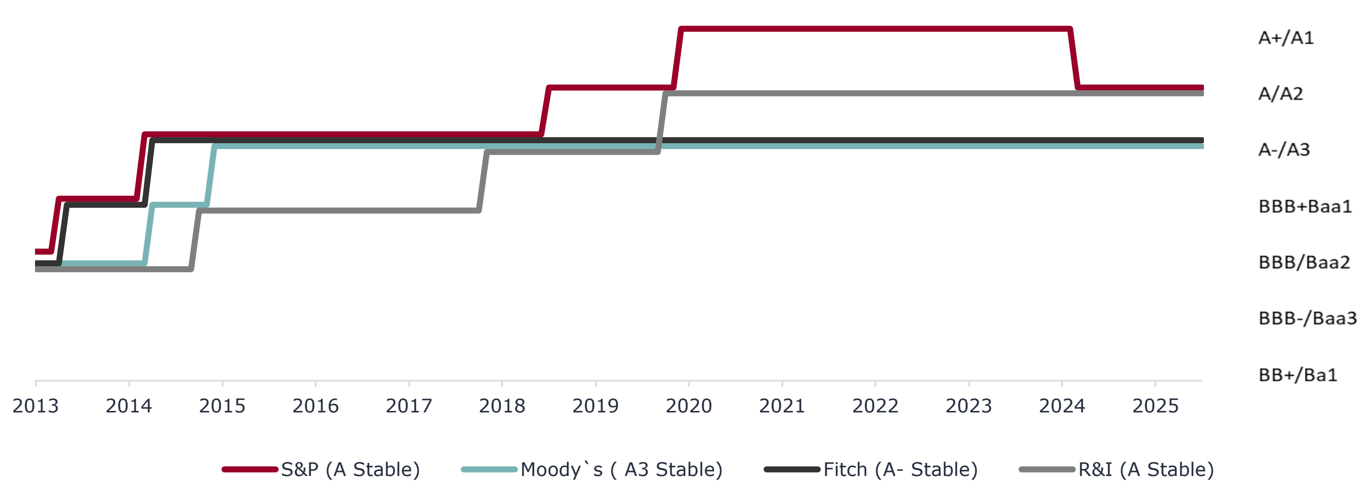
- Inčukalns UGS technical capacity for period 2024/2025 is 24.9 TWh, which serves the total Baltic region`s annual needs and is fully booked
- The storage is 55.42% full in September 2025 while gas injection season started on 1 May.

# Debt Management

# Latvia’s Ratings Firmly Consolidated in the ‘A’ Rating Category

The Latvian economy presents a strong credit, a theme echoed by rating agencies

## Long-term foreign currency rating developments




## R&I
A / Stable

On March 31, 2025, R&I affirmed long-term foreign currency sovereign credit ratings at the A level with a Stable outlook (contained rating action)

Credit Strengths:
- Policy that emphasizes fiscal discipline
- Stable economic growth in the medium term, supported by strength of economy
- Stability of financial system
- Investments from EU
- Government debt in check

## Fitch Ratings
A- / Stable

On May 9, 2025, Fitch Ratings affirmed long-term foreign currency sovereign credit ratings at the A- level with a Stable outlook (contained rating action)

Credit Strengths:
- Relatively lower government debt levels
- Lower debt servicing costs than rating peers
- Credible economic policy framework
- EU and Eurozone membership supporting policies
- Moderate private sector indebtedness

## Moody’s
A3 / Stable

On July 25, 2025, Moody’s affirmed long-term foreign currency sovereign credit ratings at the A3 level with a Stable outlook (contained rating action)

Credit Strengths:
- Track record of prudent fiscal policy
- Moderate debt affordability and moderate government debt relative to GDP
- Flexibility and dynamism of the Latvian economy
- Track record of solid institutions

## S&P Global Ratings
A / Stable

On June 2, 2025, S&P Global provided an update about Latvia's credit strength, rating level - A Stable (did not contain rating action)

Credit Strengths:
- Effective economic policymaking and Eurozone, EU and NATO membership
- Prudent fiscal policy
- Moderate government debt
- Stable Latvia's banking sector



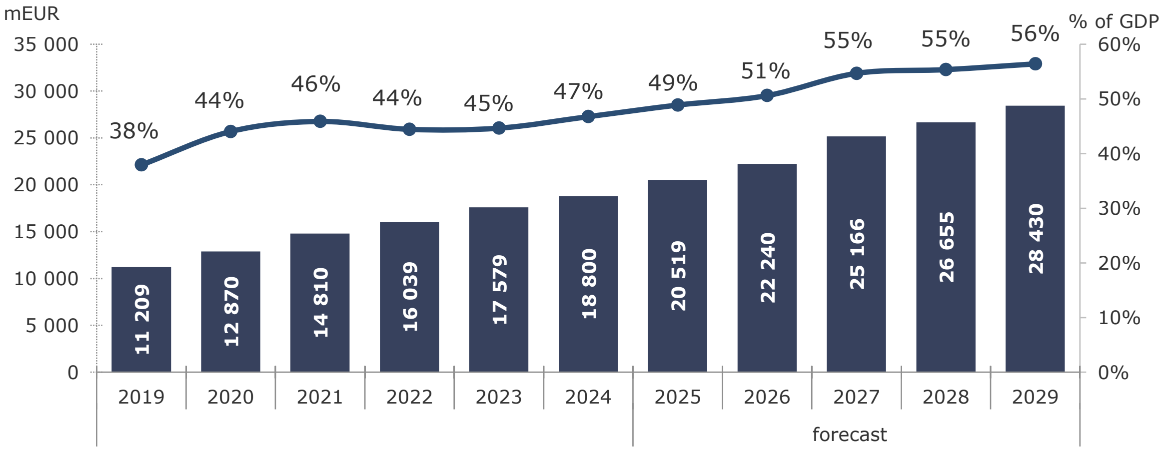
*Source: S&P, Moody’s, Fitch and R&I*

# General Government Debt Remains Moderate and Manageable

General government debt is one of the lowest in Eurozone and is expected to remain below 60% in medium term

## Moderate debt level provides buffer for additional funding needs

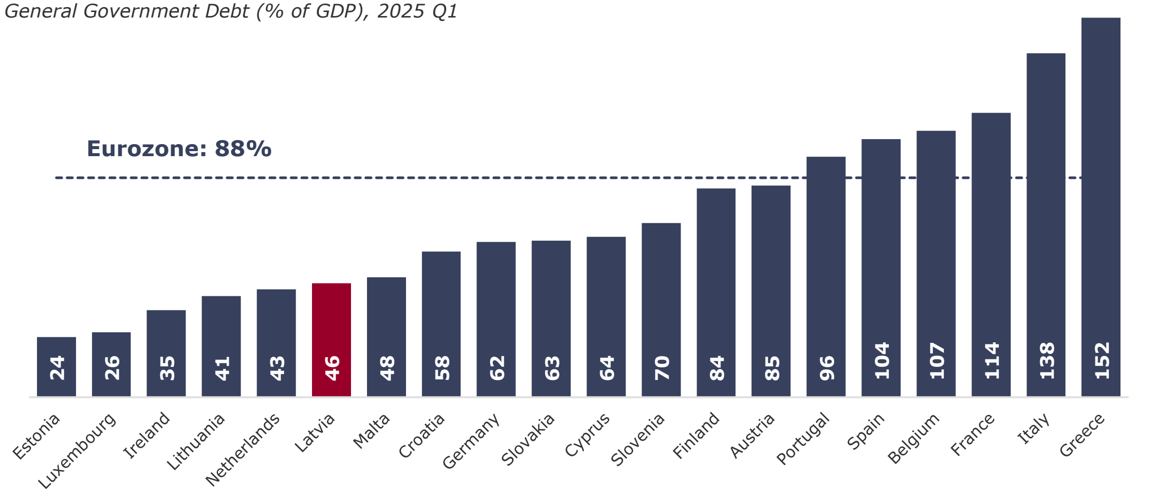
*General Government Debt (mEUR and % of GDP, ESA 2010 methodology)*




*Source: Eurostat (2019-2024); forecasts for 2025-2028 according to the Draft budget law 2026 – 2028 (October 2025)*

## One of the lowest general government debt levels in the Eurozone

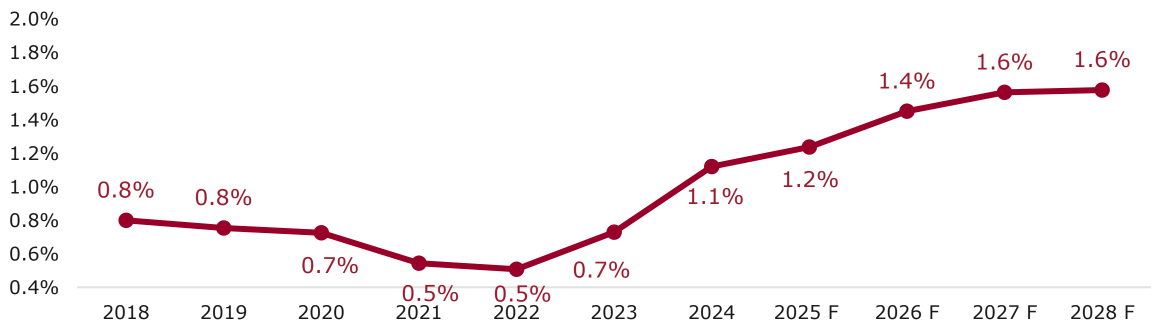
*General Government Debt (% of GDP), 2025 Q1*




*Source: Eurostat*

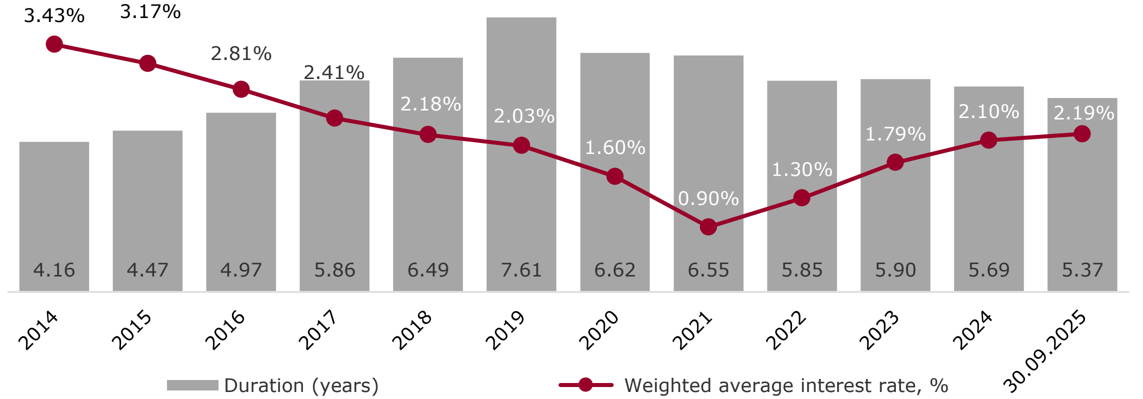
## Moderate increase of debt servicing costs in the medium term

*General Government Interest Payments (% of GDP)*




*Source: Eurostat, F – forecasts for 2025-2028 based on the Draft budget law 2026 – 2028 (October 2025)*

## Large proportion of fixed rate debt in the portfolio

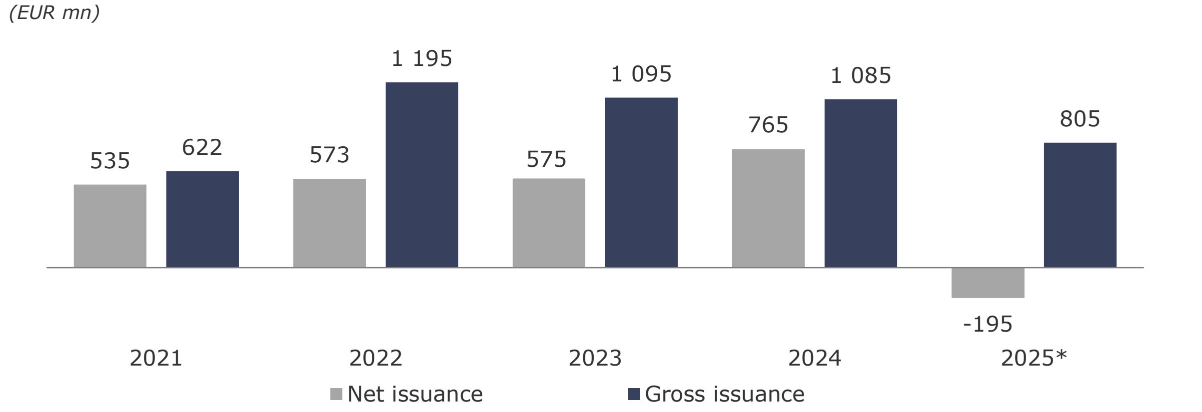



*Source: Treasury, Data as of September 30, 2025*

# Demand in the Auctions via Primary Dealer system Continues to be Supportive

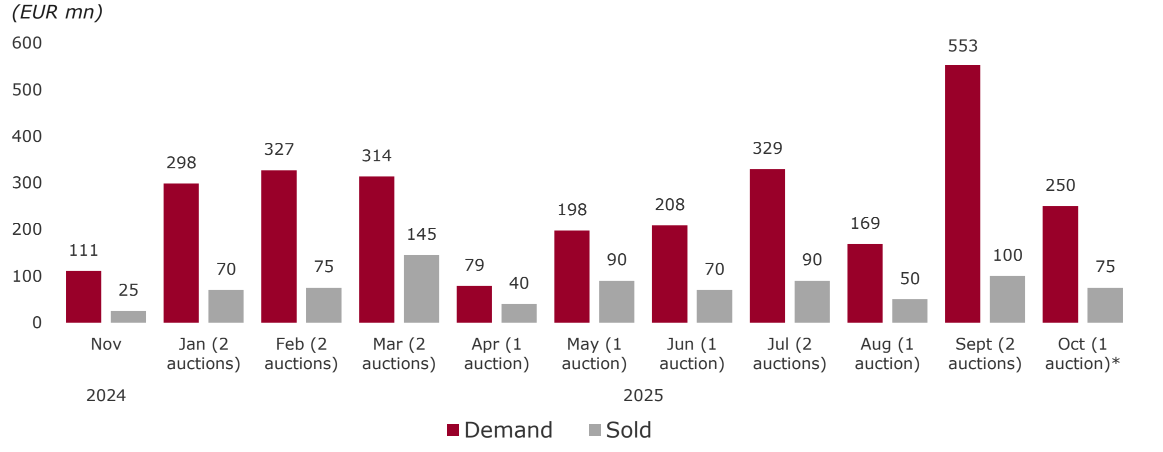
## Liquidity of the outstanding Eurobonds is facilitated by regular TAPs in auctions via Primary Dealers

### Gross and net issuance in auctions via Primary Dealers



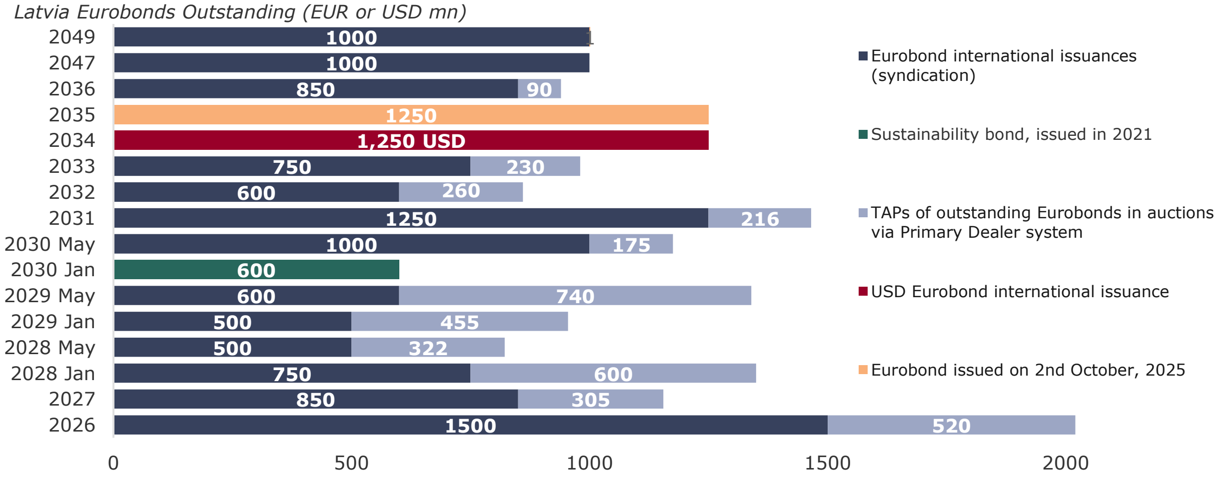

*Source: *The Treasury, data as on October 9, 2025; LV ISIN redemption on January 31, 2025, XS ISIN TAP in auctions redemption on September 23, 2025*

### Demand in Eurobond TAP auctions remains high and supportive

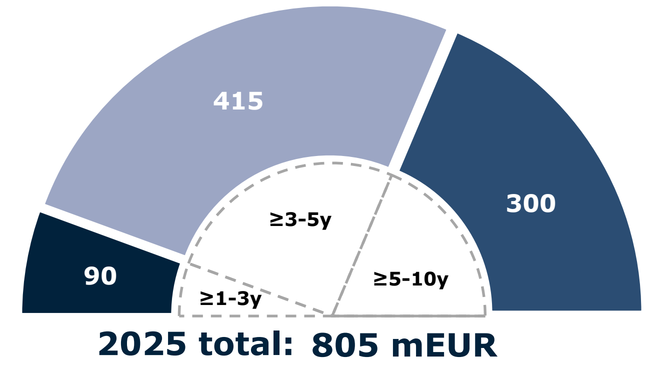



*Source: *The Treasury, data as of October 9, 2025*

### Liquidity of outstanding Eurobonds increased by regular TAPs in auctions via Primary Dealers*




### Sold amount in Eurobond TAP auctions by remaining maturity
(Jan 01 – Oct 9 2025, nominal value, million EUR)






*Source: *The Treasury, data as of October 9, 2025*

*Source: The Treasury, data as of October 9, 2025*

# Flexibility is Embedded in Latvia’s Funding Strategy

## Main funding instruments are government debt securities issued in capital markets, amidst diversified funding tools

### Borrowing strategy for the medium term

**Borrowing volume** (estimation)

**2025**
**3,6 billion EUR**
**(more than 90% already raised)**

**2026**
**3,8 billion EUR**

**2027**
**4,3 billion EUR**

**TOTAL**
**11,7 billion EUR**

**Comfortable cash buffer 3-4% of GDP**

**Borrowing instruments**

**Bonds as core instruments in capital markets**
(via syndicates, auctions and considering different currencies)

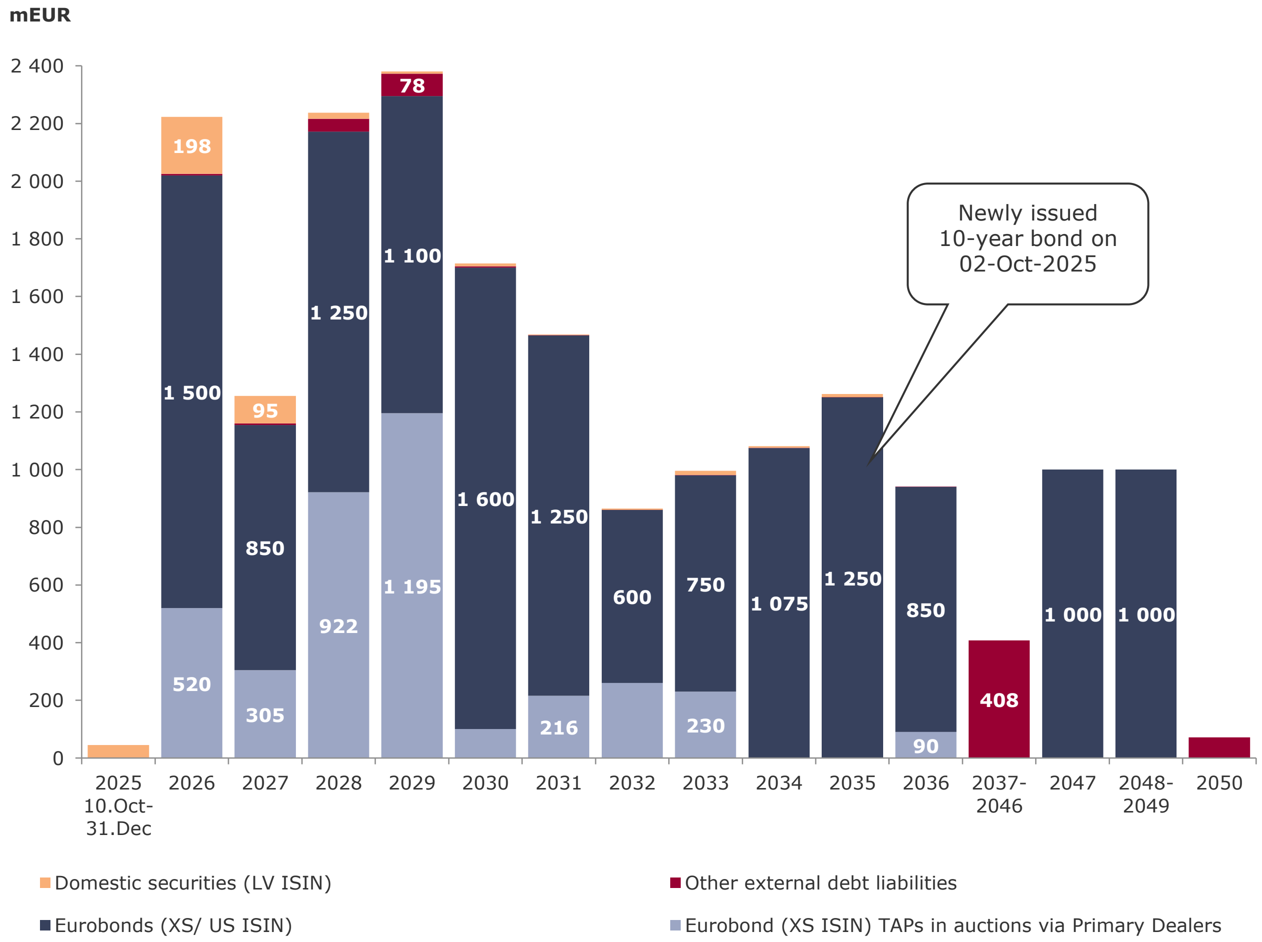
**Bilateral loans**
(IFI and EC SAFE facility)

**Savings Bonds**

*Note: The estimated gross borrowing volume is subject to actual budget execution, macroeconomic situation and may change due to number of contingencies and external factors, as well as further fiscal policy decisions, i.a. on defence spending*

*Source: The Treasury, September 2025 (GDP forecast as of June 2025)*

### Debt redemption profile*




**excluding financial derivatives*
*Source: The Treasury, data as of October 9, 2025*