

# Republic of Latvia

Investor presentation  
January 2026



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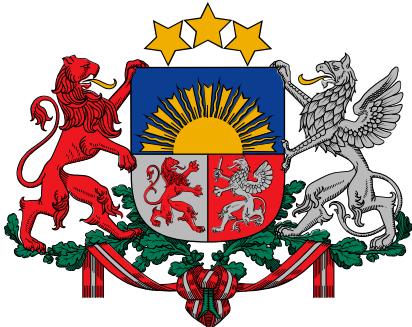
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# Overview and Key Investment Highlights



# 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

 Official Currency  
EUR

 Population  
1.9mn<sup>(1)</sup>

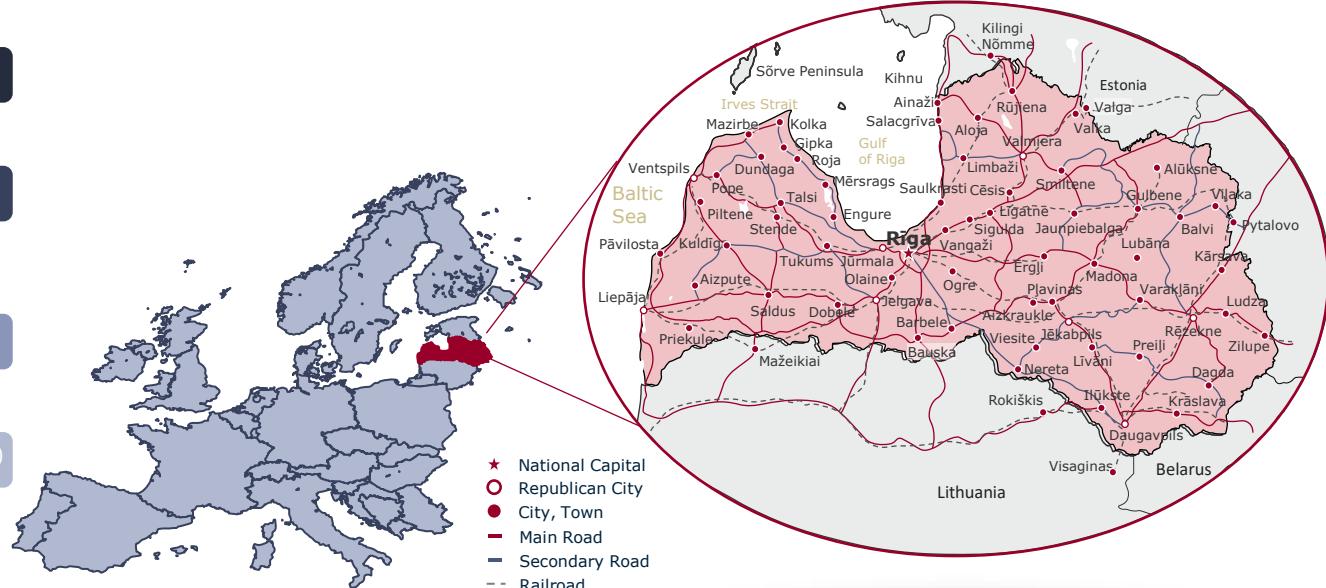
 Government System  
Democratic republic with a multiparty political system

 Nominal GDP  
EUR 40.2 bn<sup>(1)</sup>

 GDP per Capita  
EUR 21.606<sup>(2)</sup>

 Credit ratings<sup>(3)</sup>  
S&P: A Stable  
Fitch: A- Stable  
Moody's: A3 Stable  
R&I: A Stable

 Main Economic Sectors 2025 Q3<sup>(4)</sup>  
★ Wholesale, retail trade, transport, accommodation and food services (23%)  
★ Industry (14%)  
★ Public administration, defence, education, human health and social work activities (19%)



## 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 32<sup>nd</sup> 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 Q3

# 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



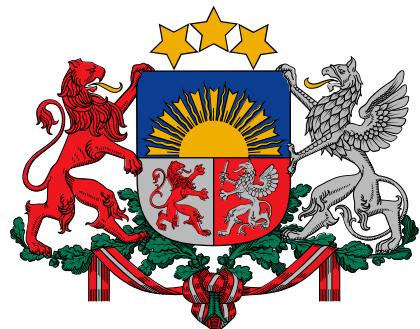
## Energy/Military Security

- 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



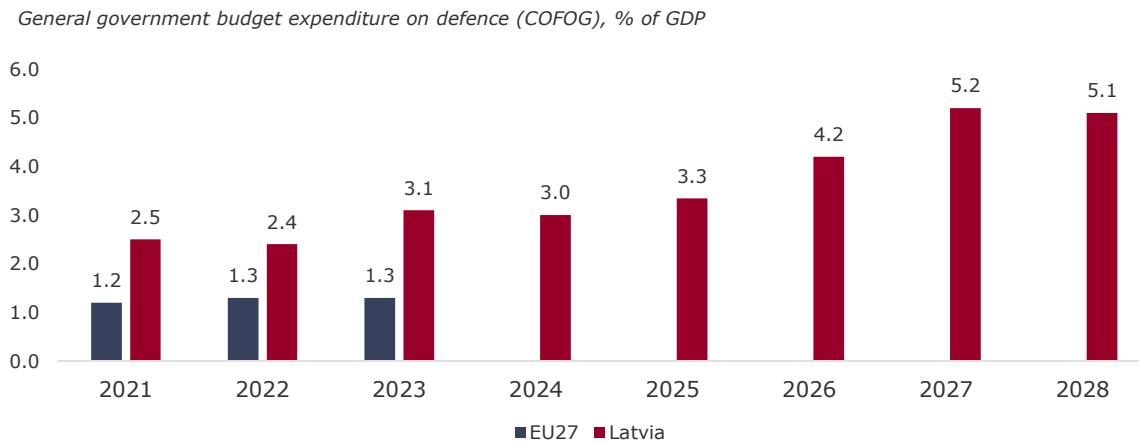
# Fiscal Policy



# Latvia Has a Track Record of Prudent Fiscal Policy

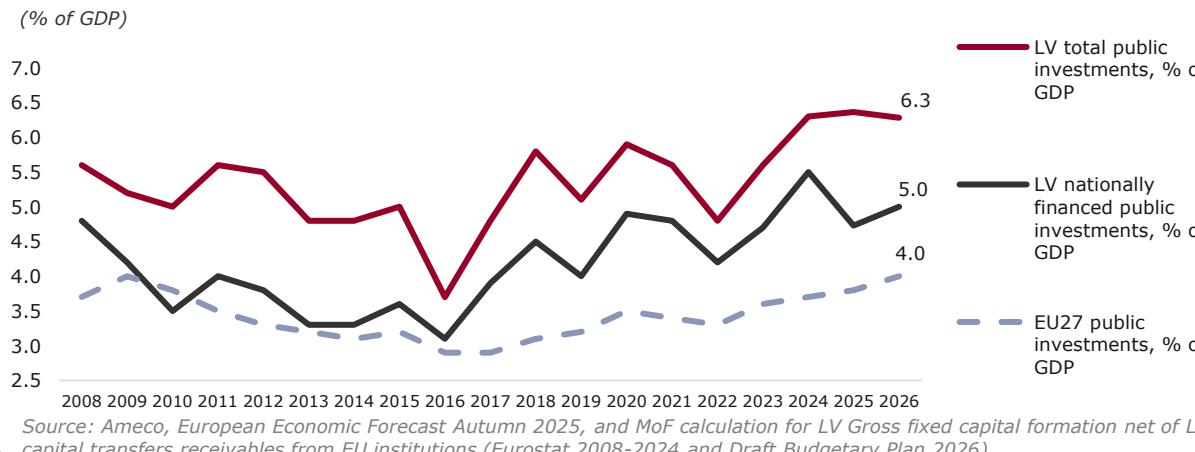
Moderate deficits in years preceding the twin crises contributed to building fiscal buffers, strong commitment to the fiscal rules

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

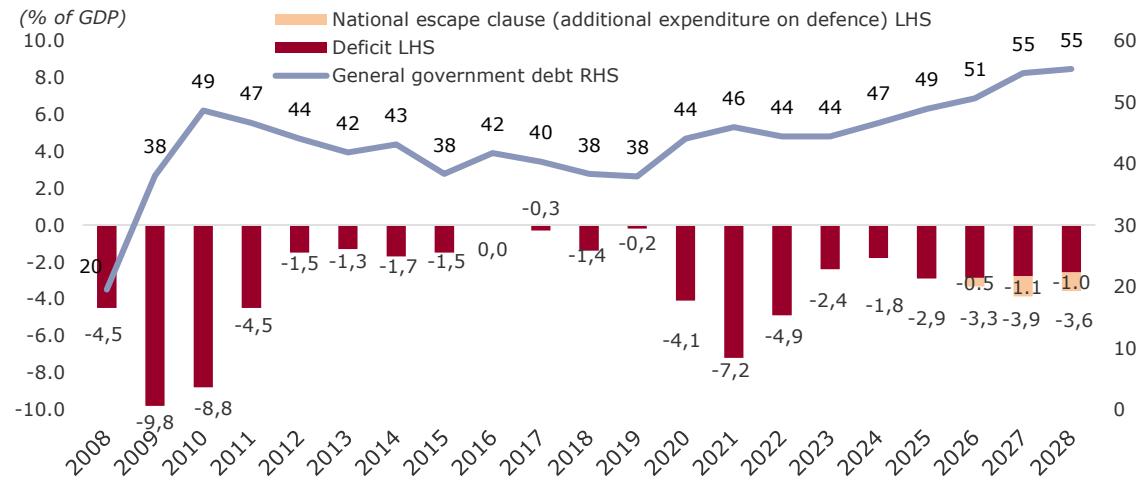


Source: Eurostat 2021-2023; forecasts for 2024-2028 based on the law on the State budget 2026 and the budgetary framework 2026, 2027 and 2028 (macroeconomic forecasts as of June 2025)

High public investments, including EU funds, will continue to support economic growth further



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



Source: Eurostat 2008-2024; deficit and debt forecasts for 2025-2028 according to the law on the State budget 2026 and the budgetary framework 2026, 2027 and 2028 (December 2025) (macroeconomic forecasts as of June 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.
- European Commission assessed that Latvia's **Draft Budgetary Plan 2026 complies with EU fiscal rules and net expenditure path** set by the EU Council.
- In the law on the State budget 2026 and the budgetary framework for 2026, 2027 and 2028, which was **approved by the Saeima on December 5, 2025**, defence spending remains **one of the main budget priorities**.
- Additional expenditure on defence is mainly financed on debt by using existing flexibility in the EU fiscal rules – **national escape clause**, which allows to significantly increase defence expenditure for 2025-2028.
- On November 28, 2025 Latvia has submitted its European Defence Industry Investment Plan, indicating necessary amount of the loan through Security Action for Europe (**SAFE**) instrument.

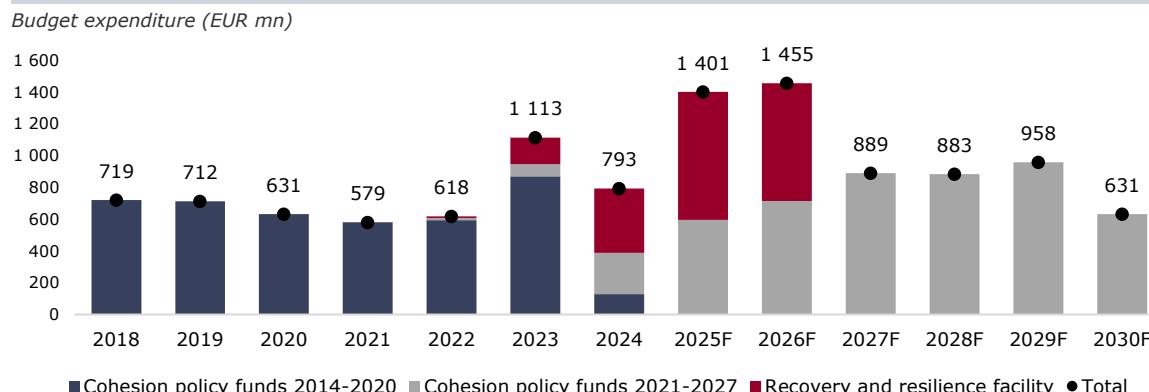
# Continued Ambitious, Competitive, Growth-Friendly Investments

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

## RRF supported reforms

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

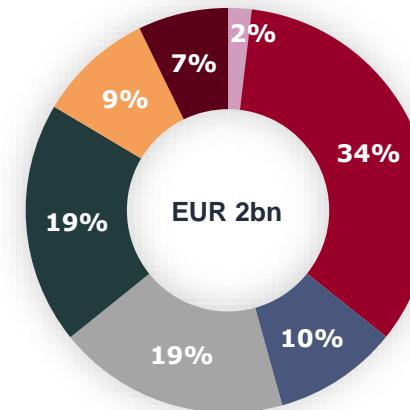
## RRF and Cohesion Policy EU Fund's investments for supporting reform agenda



Source: Ministry of Finance

## Recovery and Resilience plan (RRF)

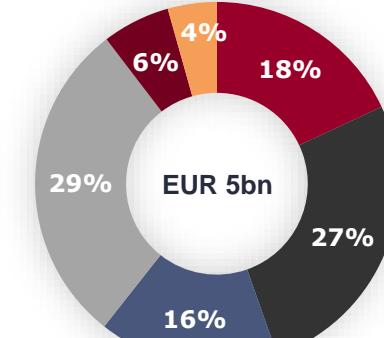
(Amendments adopted by the Council on December 12, 2025)



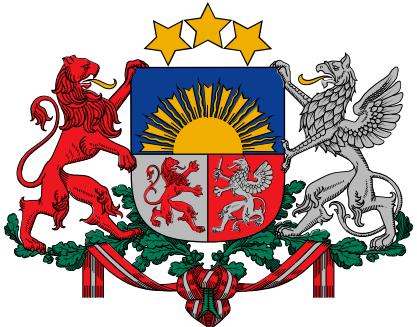
- Rule of Law EUR 37mn
- Climate EUR 667 mn
- Economic Transformation EUR 196 mn
- Digital Transformation EUR 365 mn
- Reducing Disparities EUR 381 mn
- Health EUR 182 mn
- RePower EUR 142 mn

## EU Funds 2021-2027

(Amendments adopted by the European Commission on December 15, 2025, inc. National co-funding)



- PO1. Smarter Europe EUR 897,2
- PO2. Greener Europe EUR 1 320,5
- PO3. Connected Europe EUR 797,3
- PO4. Social Europe EUR 1 441,1
- PO5. Europe closer to citizens EUR 299,6
- PO6. Just Transition Fund investments EUR 216,7



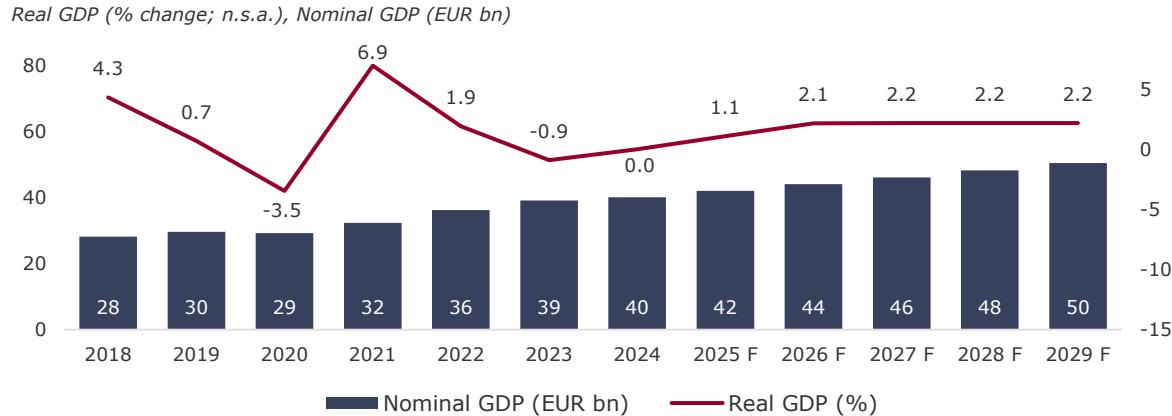
# The Economy and External Sector



# Economic Activity Remains Robust Despite Series of External Shocks

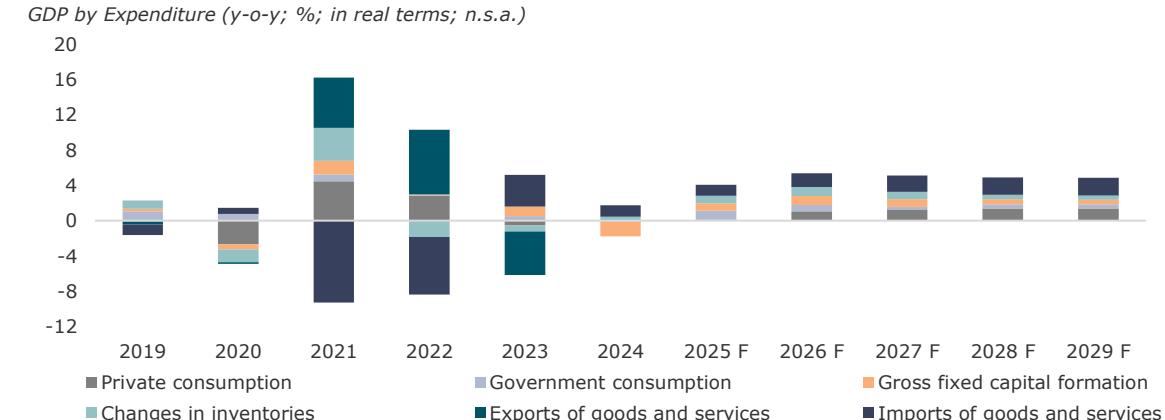
Strong labour market and low inflation will underpin private consumption, pickup in lending and a gradual recovery of external demand and reforms financed by RRF and EU funds are expected to support exports and investment

## The economy has showcased resilience during the twin crises



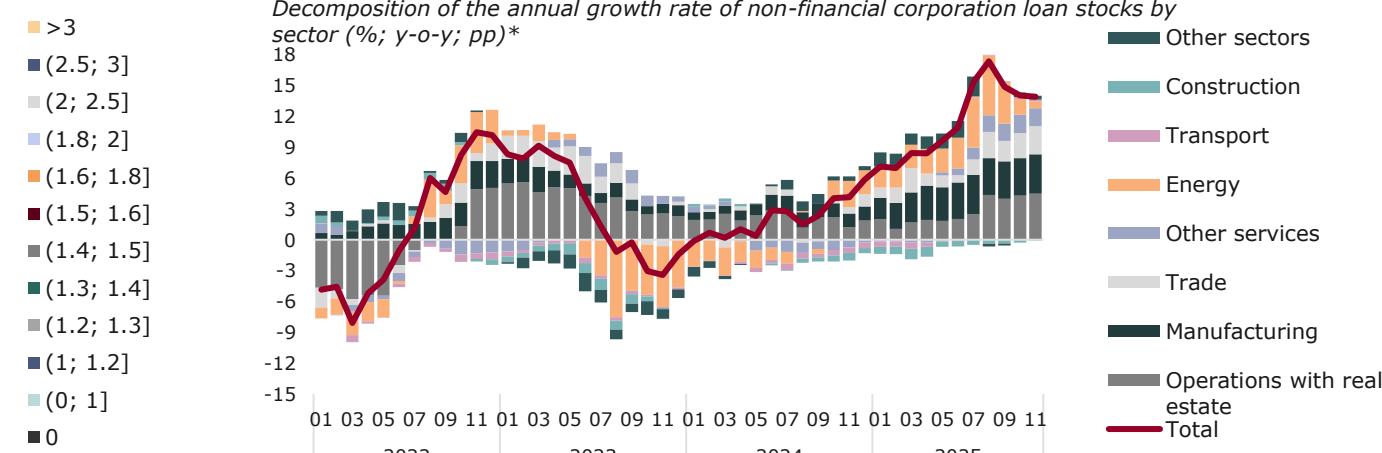
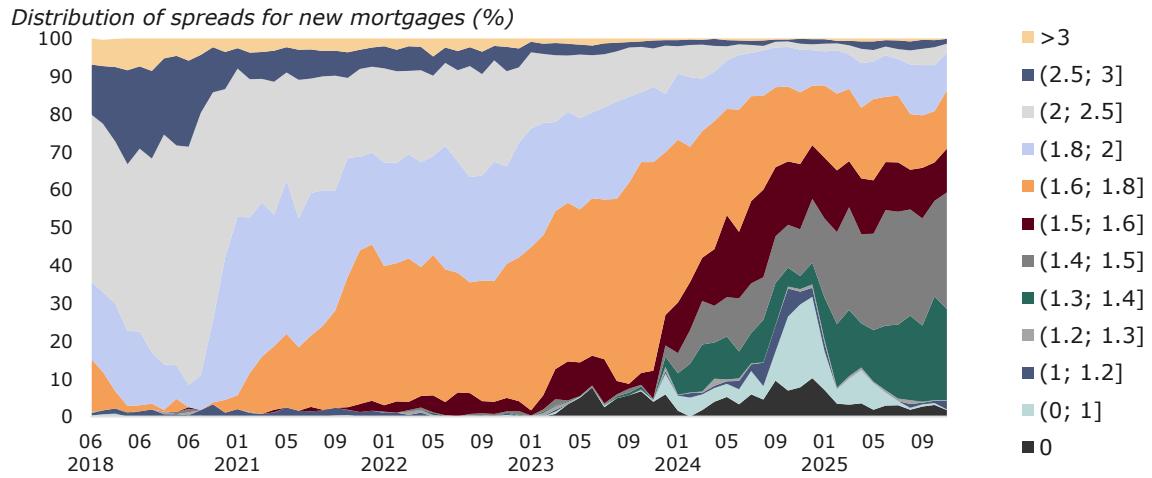
Source: Central Statistical Bureau of Latvia, F – Ministry of Finance June 2025 forecast

## Exports and Private Consumption have contributed to accelerated growth



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

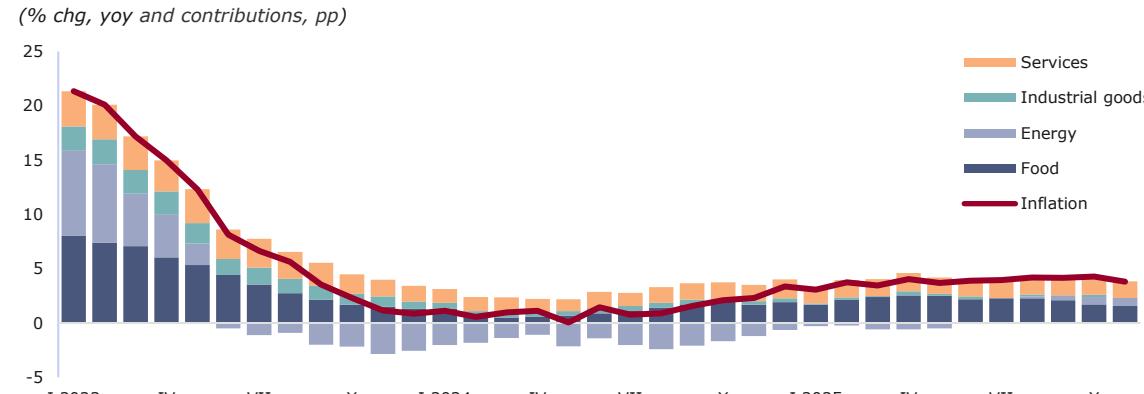
## Lending has picked up for both households and non-financial corporations, with much lower spreads for mortgages and broad based growth for corporates



# 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



Source: Central Statistical Bureau of Latvia, Eurostat, and Bank of Latvia calculations

## Inflation and its forecast



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

## Unemployment has declined to pre-pandemic level



Source: Central Statistical Bureau of Latvia

## Wage growth is decelerating

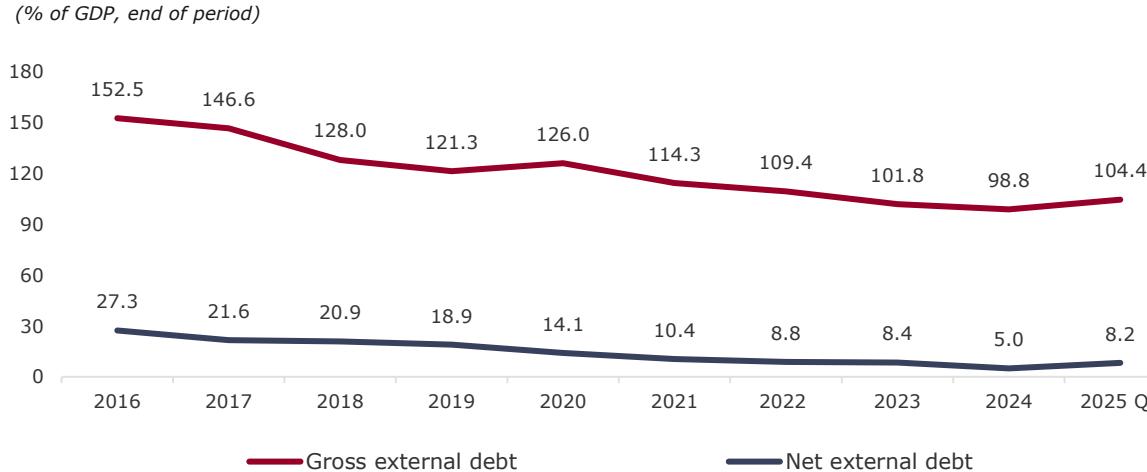


Source: Central Statistical Bureau of Latvia

# External Sector Risks Are Limited

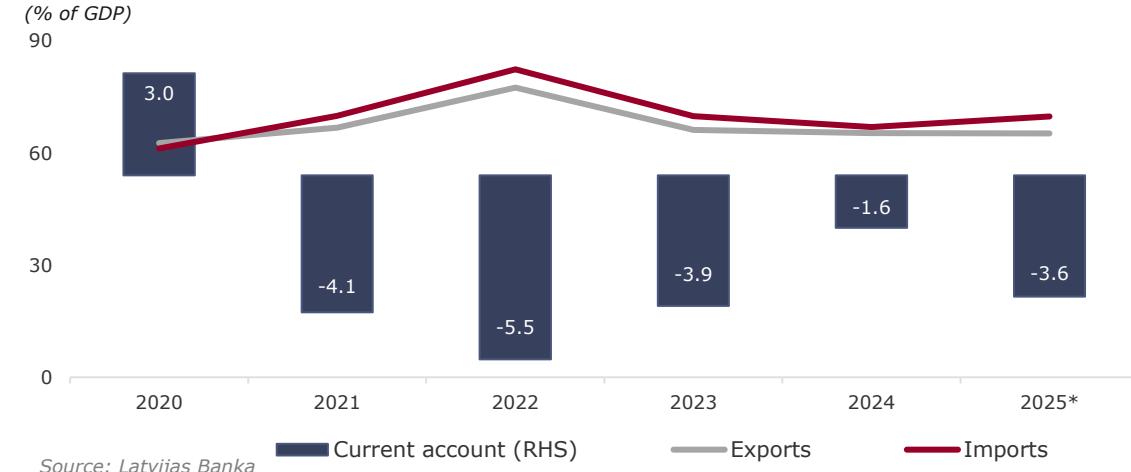
A manageable current account deficit fully funded by FDI inflows, low external debt and a diversified export base limit external risks

## External sector indicators



Source: Latvijas Banka

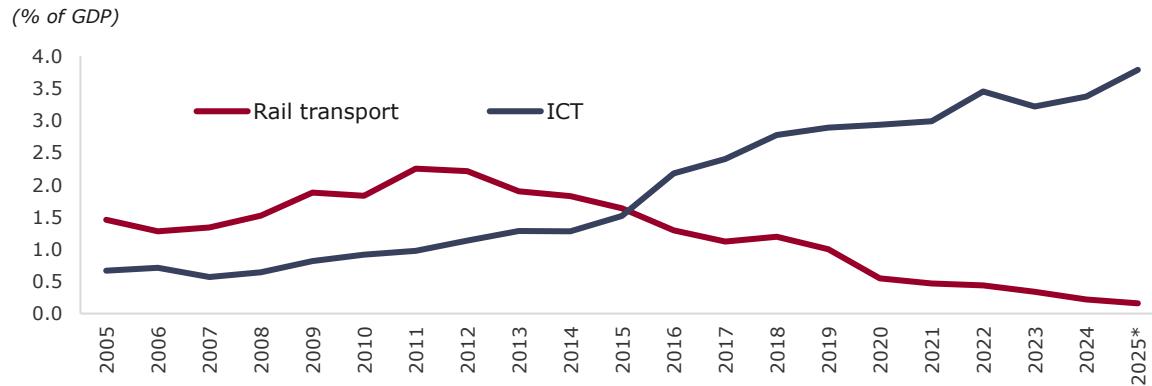
## Current account, goods and services exports and imports



Source: Latvijas Banka

2025\* - This reflects data until Q3 of 2025

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



Source: Latvijas Banka

2025\* - This reflects data until Q3 of 2025

## Investments inflow



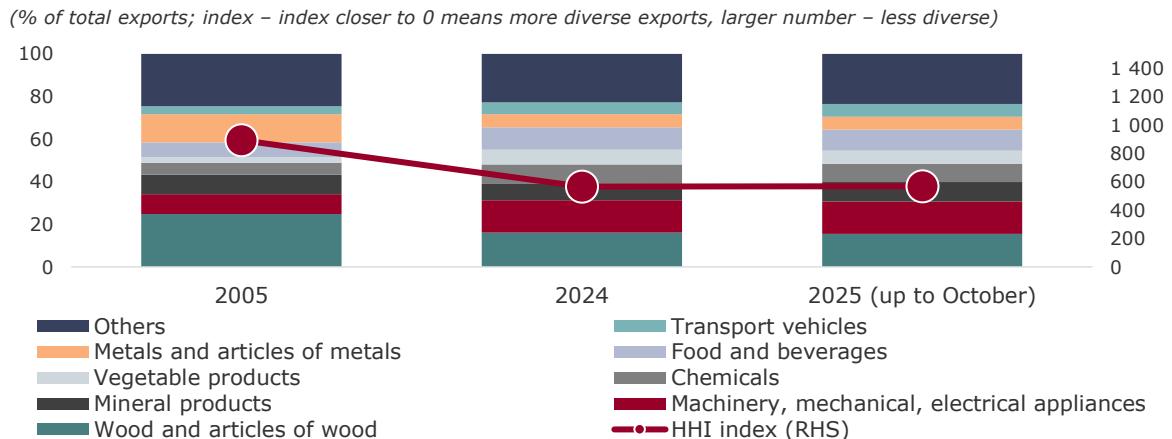
Source: Latvijas Banka

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 1.5 % of GDP in 2025 (data until Q3 of 2025)

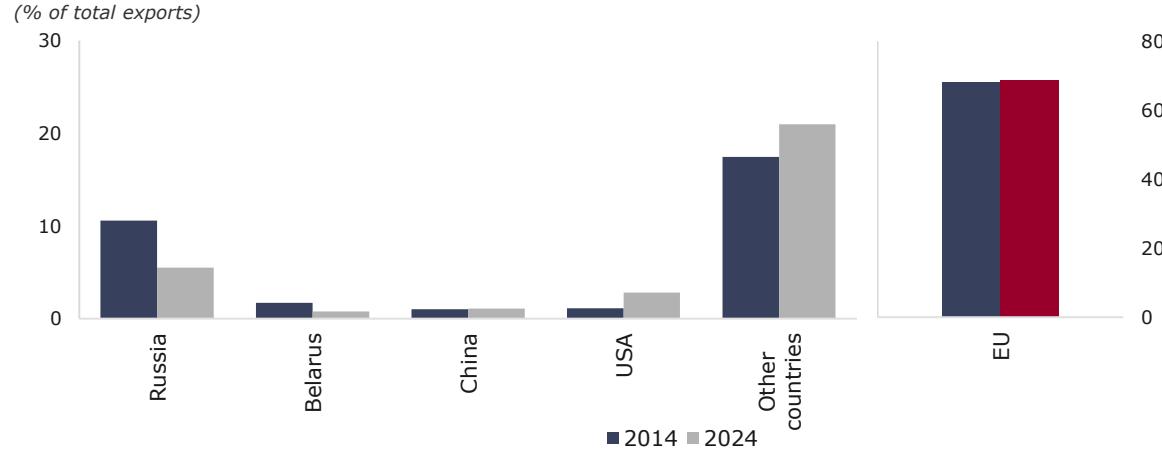
# Diversification, Low USA Exposure, Significantly Reduced Ties with Russia

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

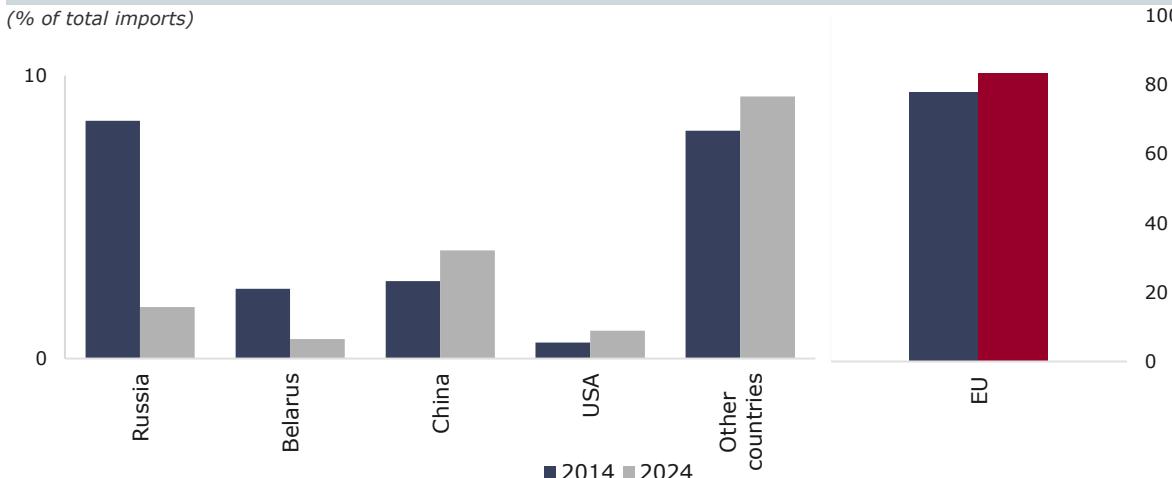
## Export structure by product groups and Herfindahl-Hirschman index for product group concentration



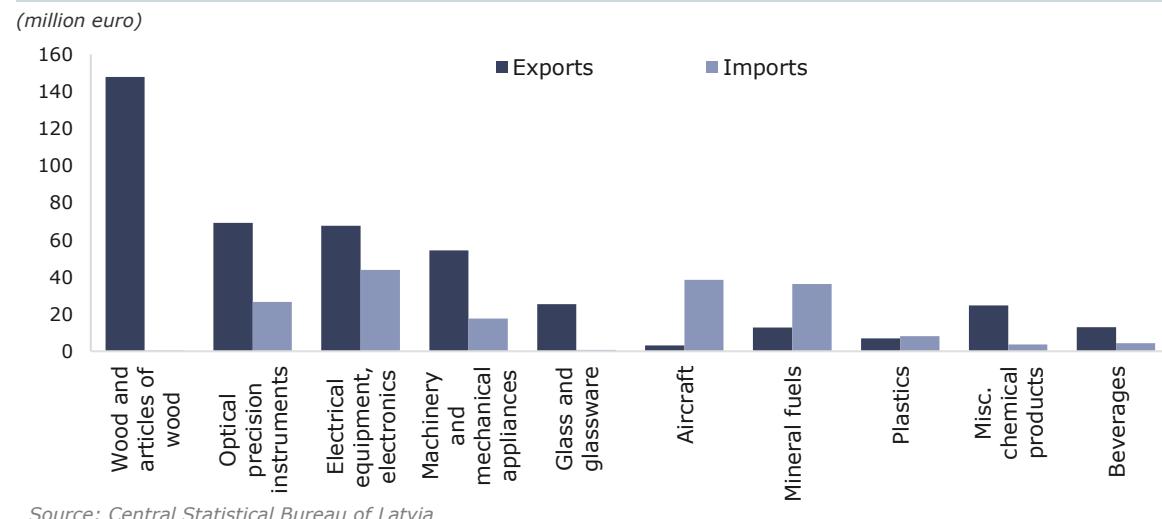
## Structure of exports of goods in 2014 and 2024 by country

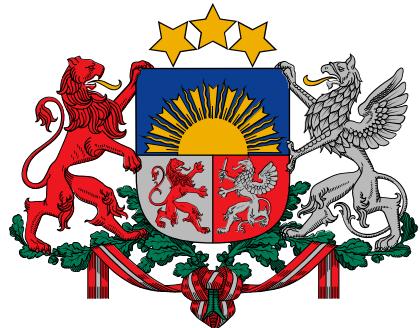


## Structure of imports of goods in 2014 and 2024 by country



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





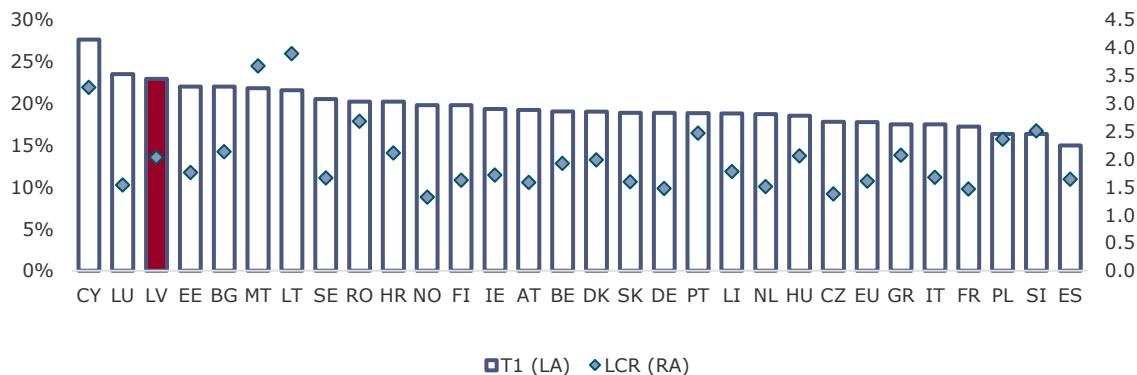
# Banking Sector



# Well-Capitalized and Profitable Banking Sector

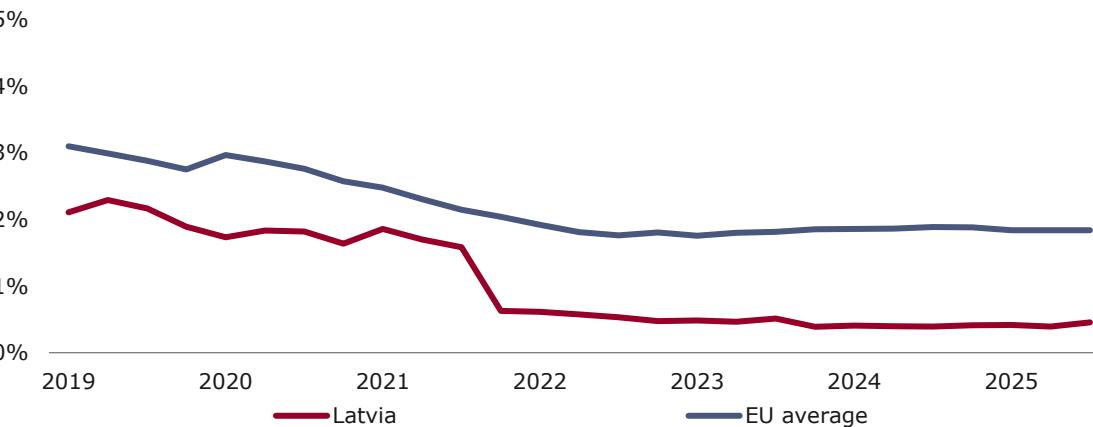
Prudent lending, ample capital buffers and low corporate and household debt provide strong shock absorption capacity

## Total Tier 1 Capital Ratio and Liquidity Coverage Ratio



Source: European Banking Authority Risk Dashboard (Data as of Q3 2025).

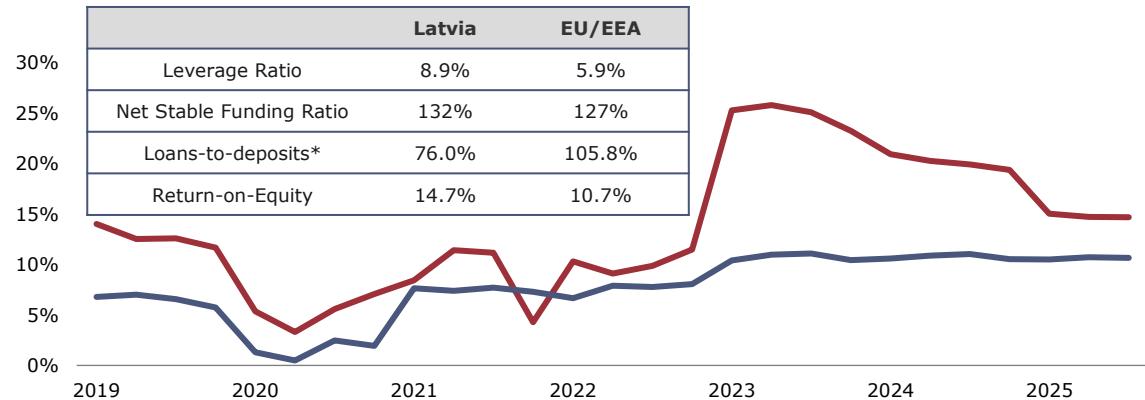
## Share of NPLs in total loans



16

Source: European Banking Authority Risk Dashboard (Data as of Q3 2025).

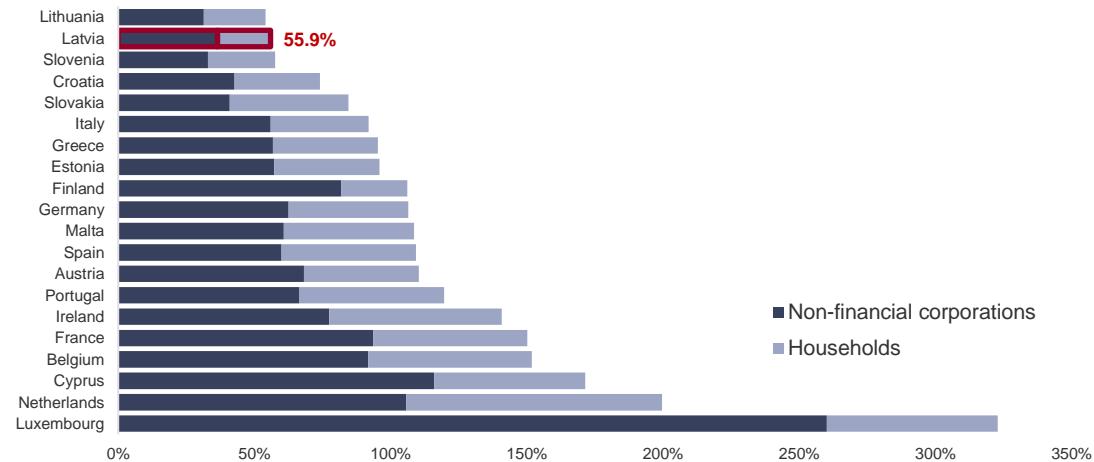
## Return on Equity and additional indicators



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

Source: European Banking Authority Risk Dashboard (Data as of Q3 2025).

## Total debt\*-to-GDP



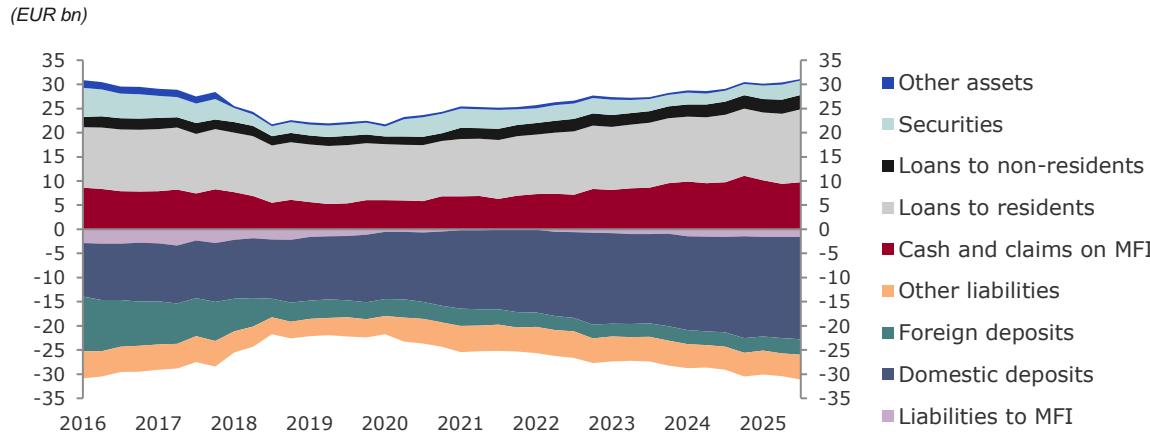
Total consolidated debt vis-a-vis rest of the economy in 2025 Q2, (% of GDP)

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

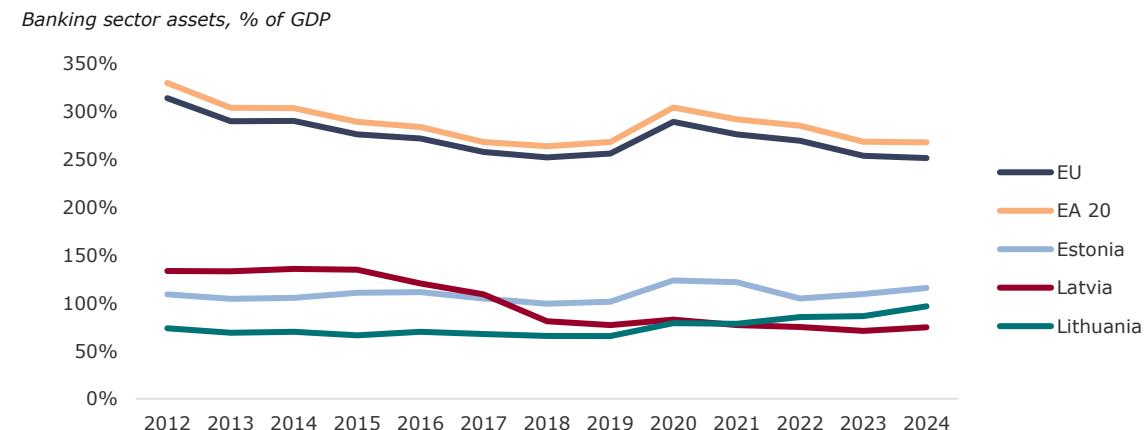


Source: Latvijas Banka, Latvijas Banka's calculations

## Improvement in AML

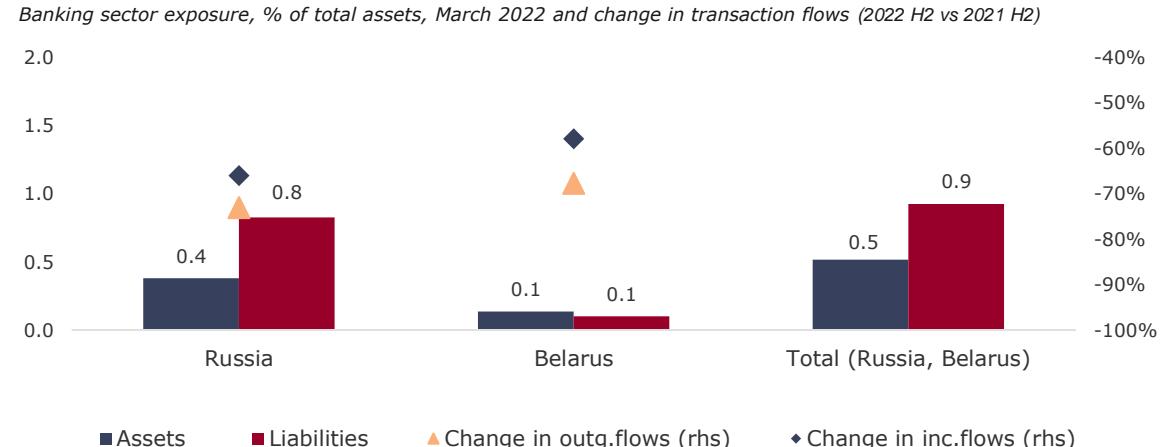
- As noted in the IMF Article IV review 2023, Latvia has made significant progress with anti-money laundering and counter financing terrorism (AML/CFT) framework. The risk level of money laundering and terrorism and proliferation financing (ML/TPF) has decreased substantially at Latvia banks.
- Improved 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.

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

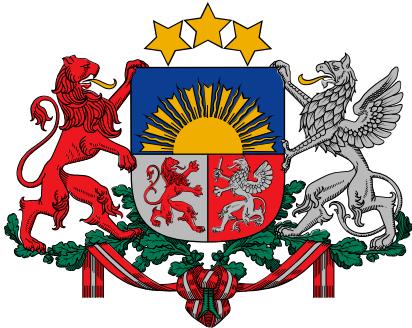


Source: ECB, EUROSTAT

## 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

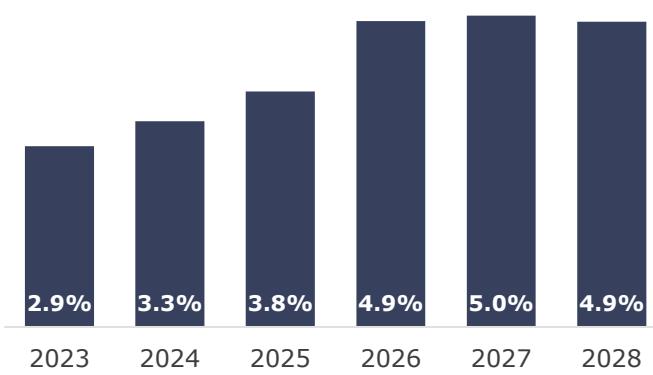


# Latvia – Member of the World's Strongest Military Alliance

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

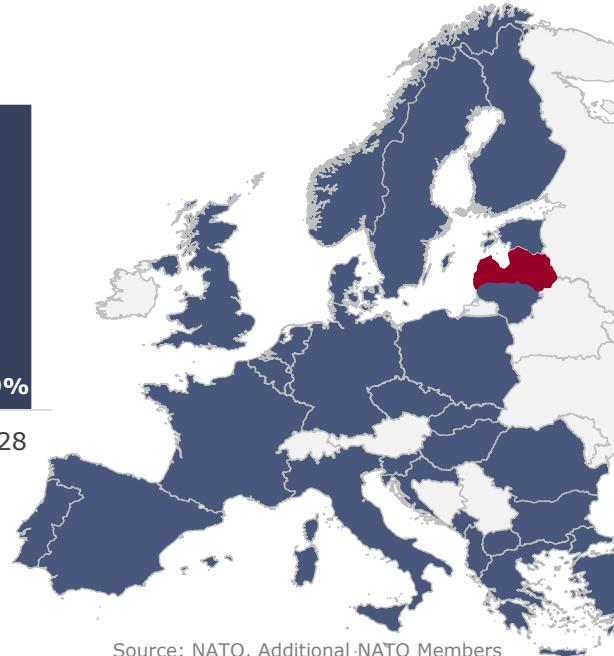
## Latvia plans on achieving latest NATO commitment\* starting from 2026

Latvia's defence expenditure (% of GDP)

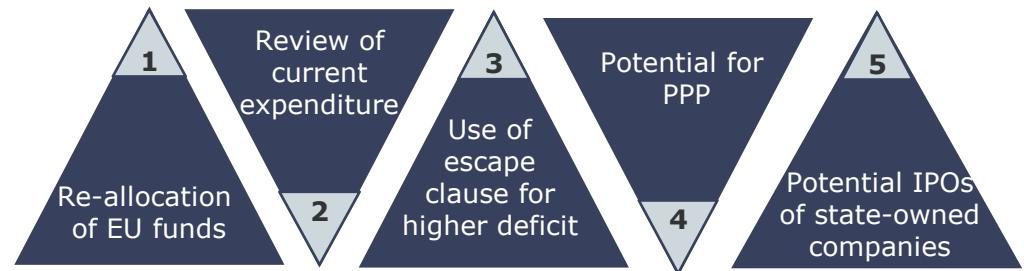


\*At the 2025 NATO Summit in The Hague, Allies made a commitment to investing **5% of GDP** annually on core defence requirements and defence- and security-related spending by 2035.

Source: Ministry of Defence



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



## 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**

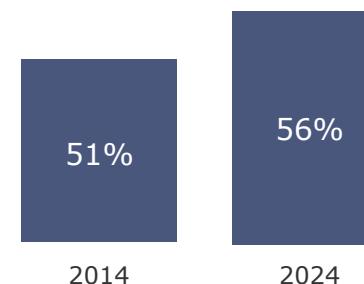
# Baltics disconnected from BRELL and successfully joined the Continental Europe Synchronous Area

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

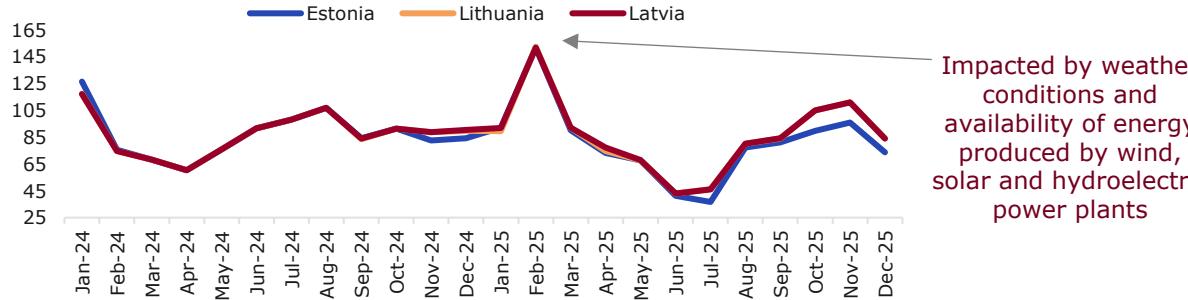


Natural gas in Energy Mix



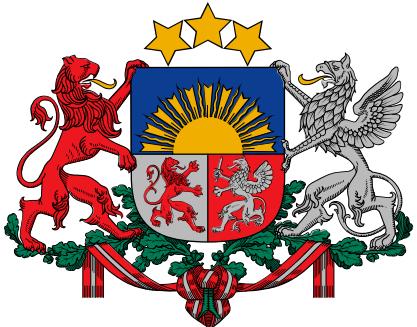
Source: Central Statistical Bureau of Latvia

Nord Pool day-ahead electricity prices in Baltic states  
(EUR, monthly aggregate)



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

- Inčukalns UGS technical capacity for period 2025/2026 is 24.9 TWh, which serves the total Baltic region's annual needs and is fully booked
- The storage is 52.51% full in December 2025.



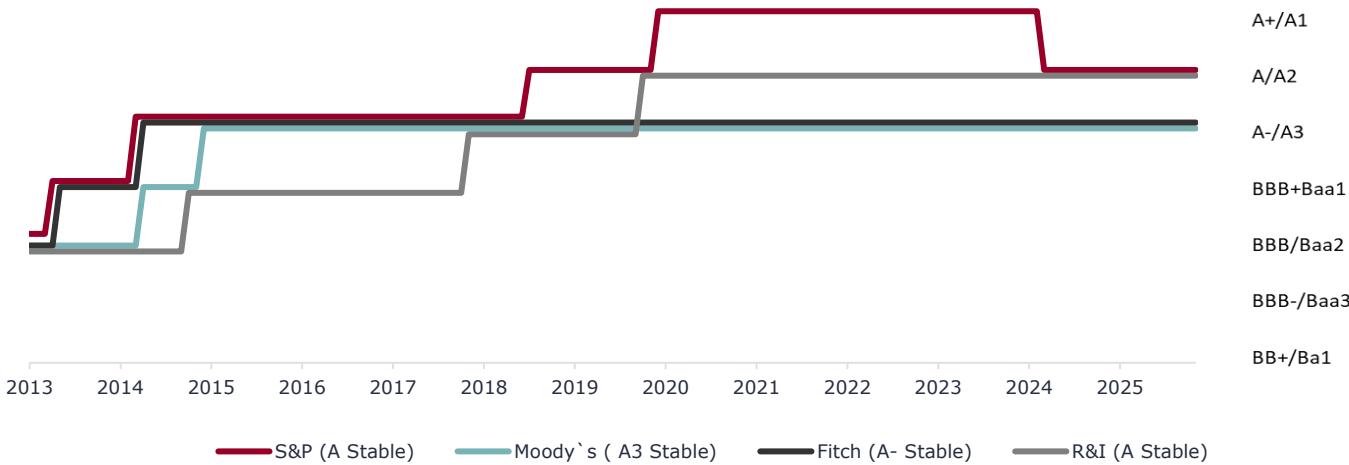
# Debt Management



# 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)

**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)

**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:

- 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

### 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

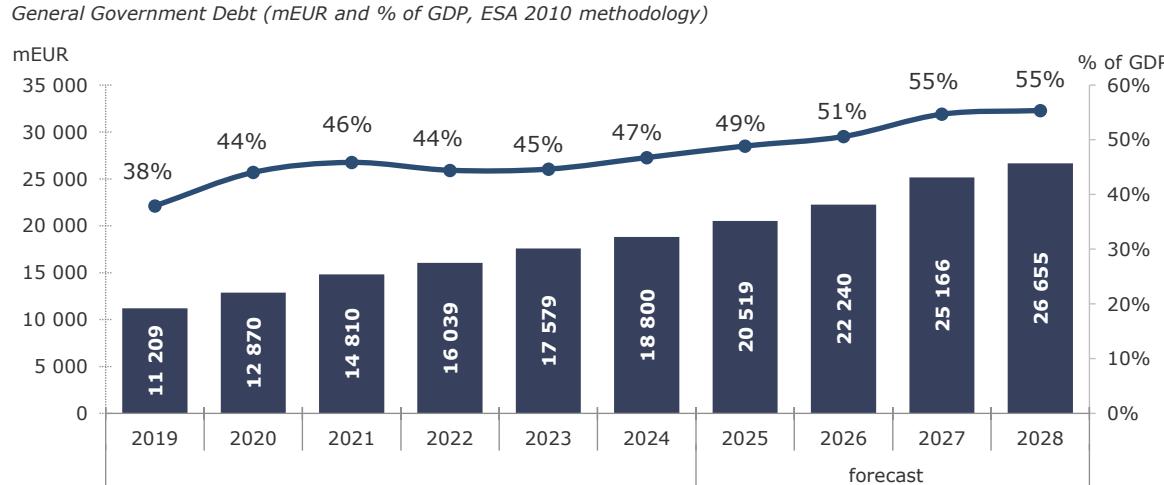
### Credit Strengths:

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

# General Government Debt Remains Moderate and Manageable

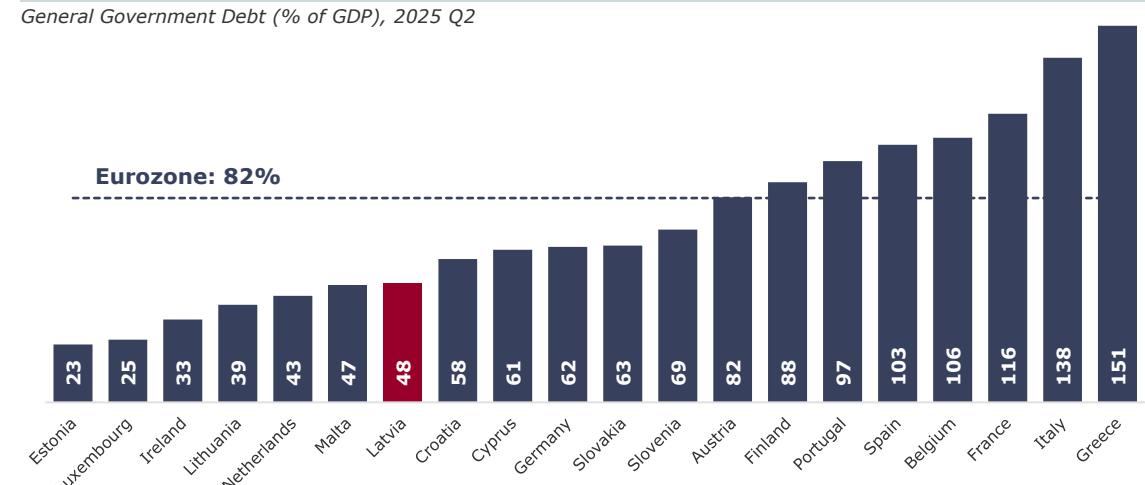
General government debt is one of the lowest in Eurozone and is expected to remain below 60% in medium term

## Moderate debt level provides buffer for additional funding needs



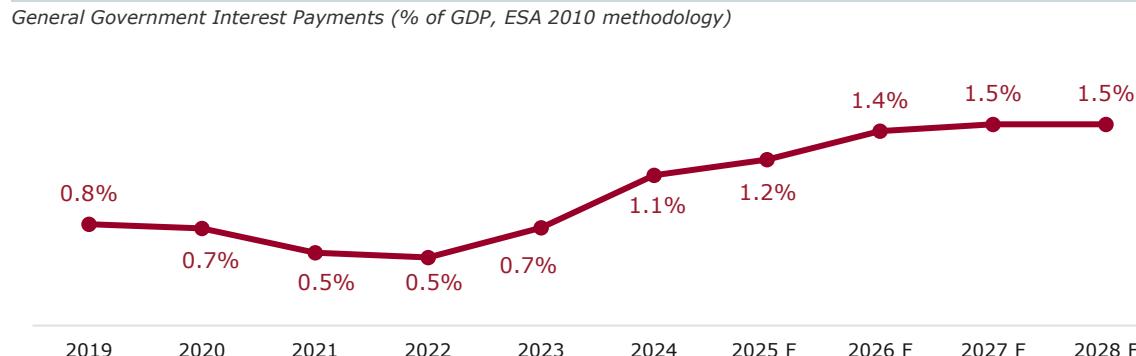
Source: Eurostat (2019-2024); forecasts for 2025-2028 according to the law on the State budget 2026 and the budgetary framework 2026, 2027 and 2028 (December 2025) (macroeconomic forecasts as of June 2025)

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



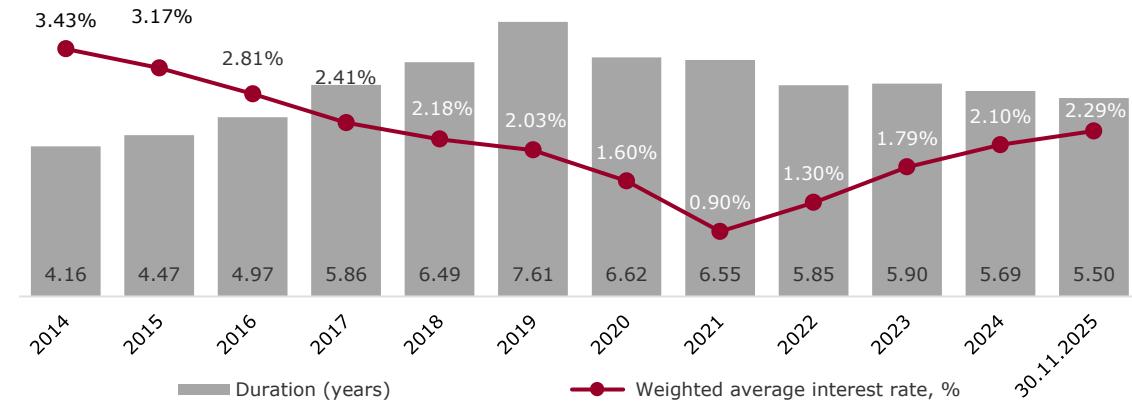
Source: Eurostat

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



Source: Eurostat (2018-2024), F – the MoF and Treasury's forecasts (October 2025)

## Large proportion of fixed rate debt in the portfolio

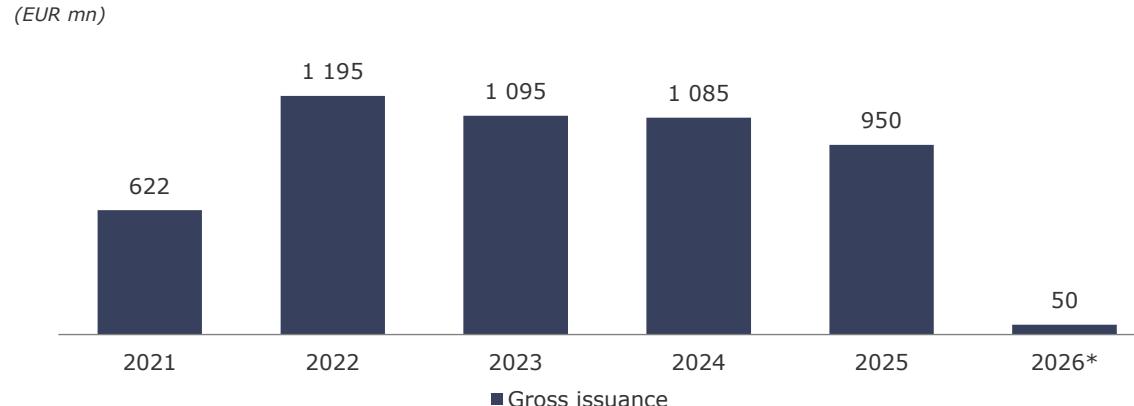


Source: Treasury, Data as of November 30, 2025

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

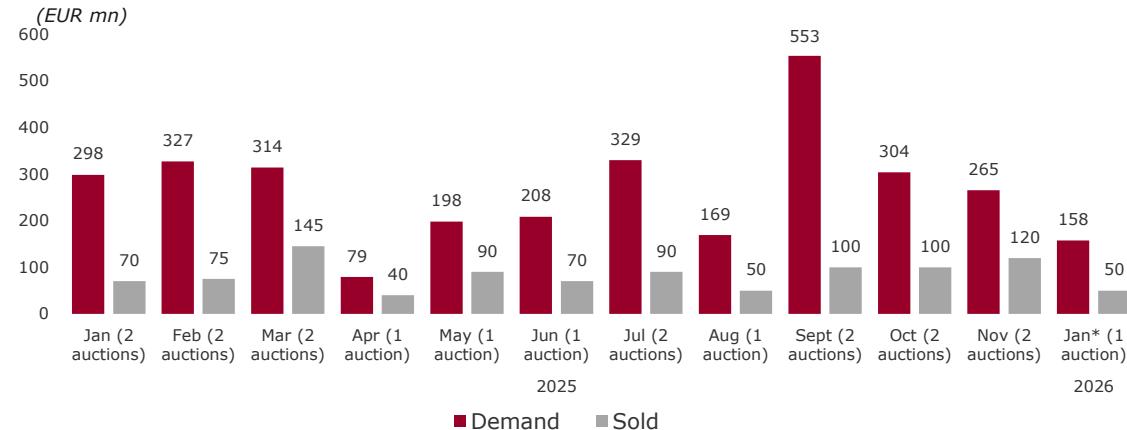
Liquidity of the outstanding Eurobonds is facilitated by regular TAPs in auctions via Primary Dealers

## Gross issuance in auctions via Primary Dealers



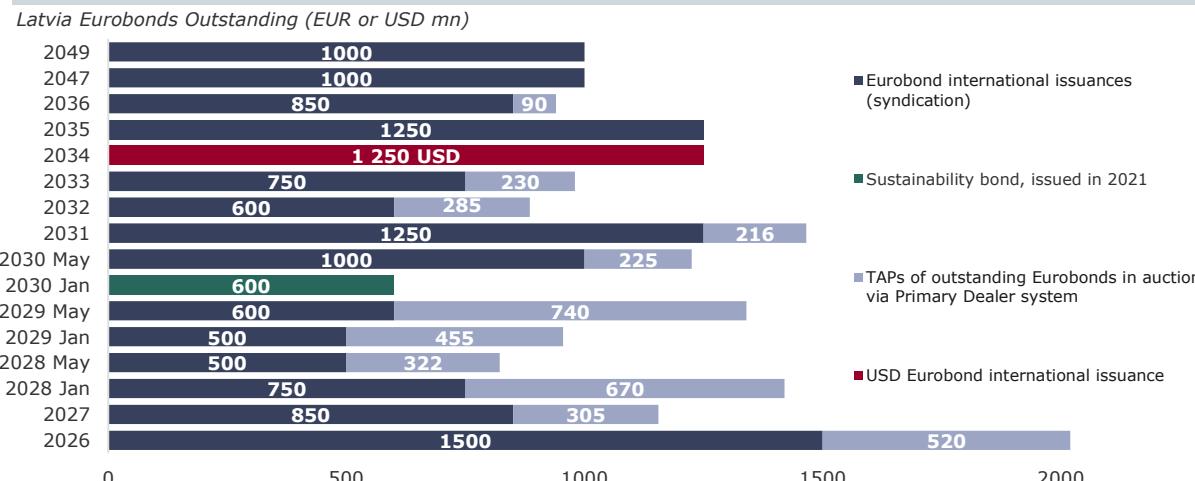
Source: The Treasury, data as on January 7, 2026

## Demand in Eurobond TAP auctions remains high and supportive

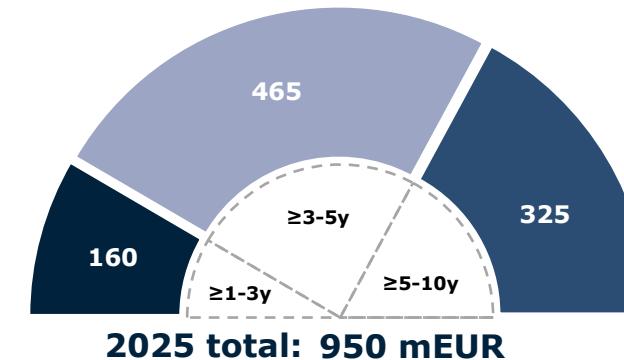


Source: \*The Treasury, data as of January 7, 2026

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

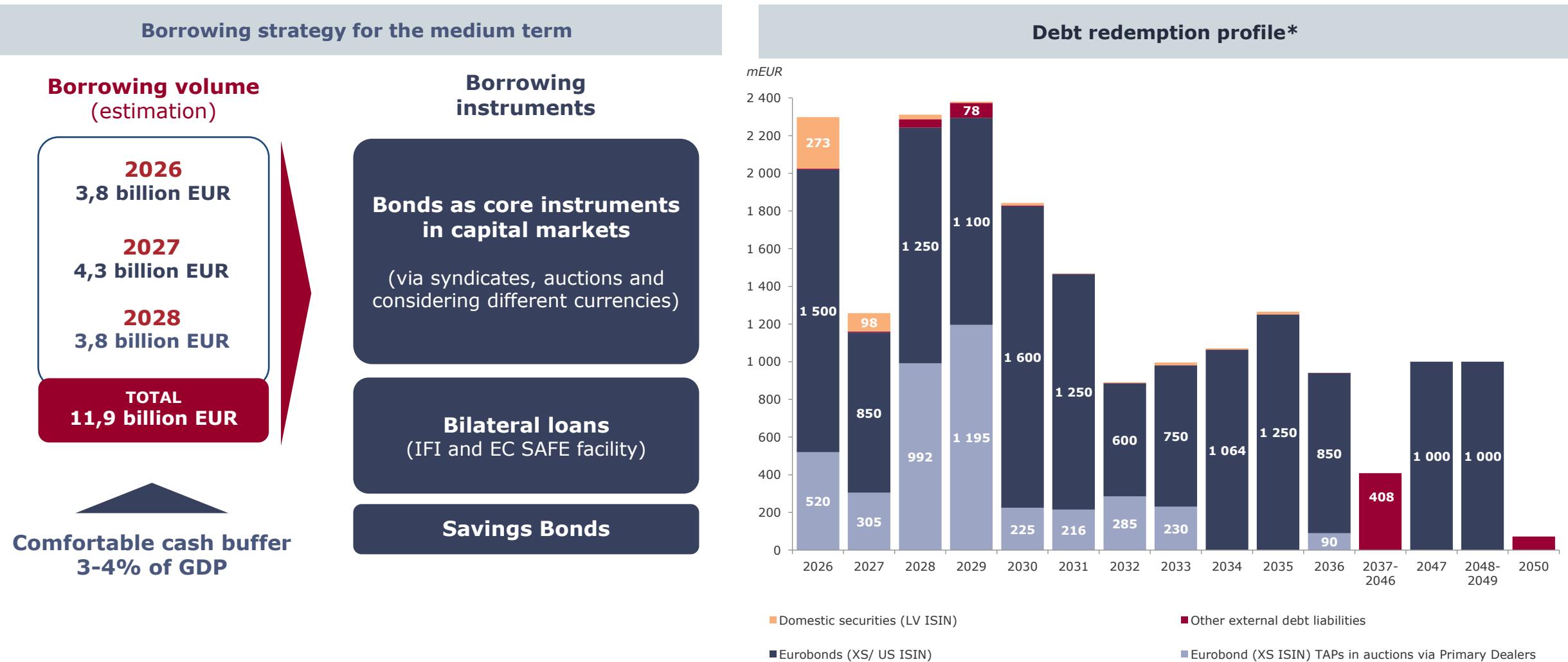


## Sold amount in Eurobond TAP auctions by remaining maturity (Jan 01 – Dec 31 2025, nominal value, million EUR)



# Flexibility is Embedded in Latvia's Funding Strategy

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



*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, January 2026 (GDP forecast as of June 2025)*

Domestic securities (LV ISIN)

Eurobonds (XS/ US ISIN)

Other external debt liabilities

Eurobond (XS ISIN) TAPs in auctions via Primary Dealers

*\*excluding financial derivatives*

*Source: The Treasury, data as of December 31, 2025*