



**Republic of Latvia**

Investor presentation  
May 2025

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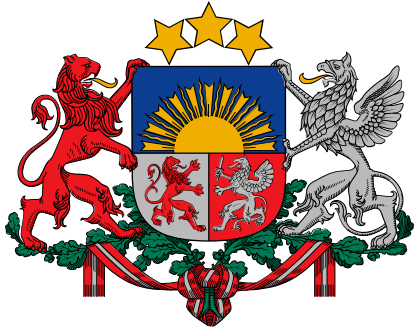
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# Overview and Key Investment Highlights





# 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


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


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

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

**Official Currency**  
EUR

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

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

**Main Economic Sectors 2024 Q4<sup>(4)</sup>**

- ★ Wholesale, retail trade, transport, accommodation and food services (19.0%)
- ★ Industry (18.0%)
- ★ Public administration, defence, education, human health and social work activities (19.8%)



## Milestones



Sources: (1) Central Statistical Bureau of Latvia data for 2024 (2) data for 2024 Central Statistical Bureau of Latvia on 16 April 2025 (3) Rating Agencies as of 24 April 2025 - S&P, Fitch, Moody's, R&I (4) Central Statistical Bureau of Latvia data as of 2024 Q4

# 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 only 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



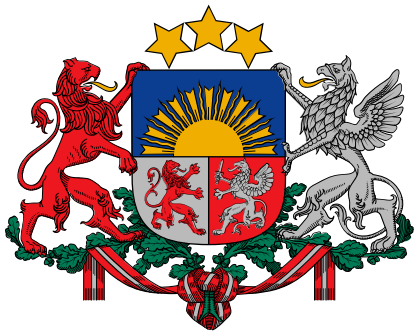
## Energy/Military Security

- 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

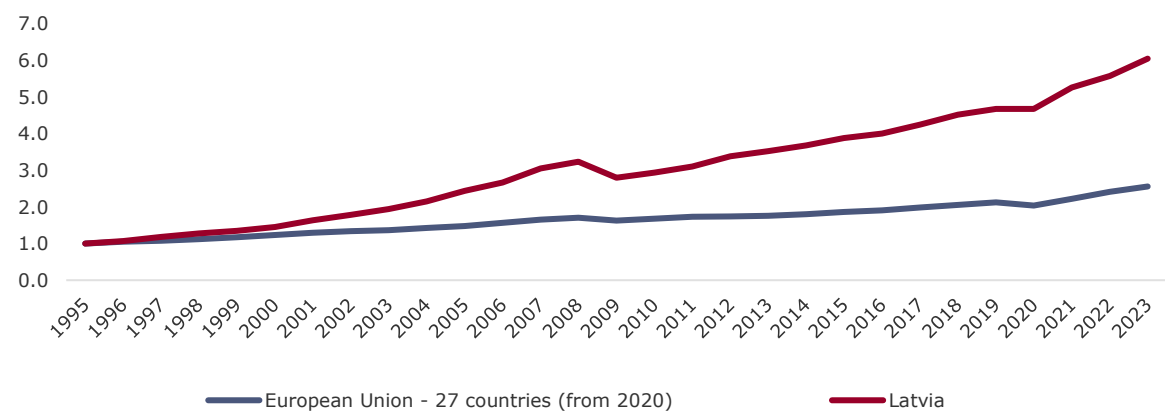


# Latvia Has a Track Record of Prudent Fiscal Policy

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

## Increase of Latvia GDP per capita has been significant

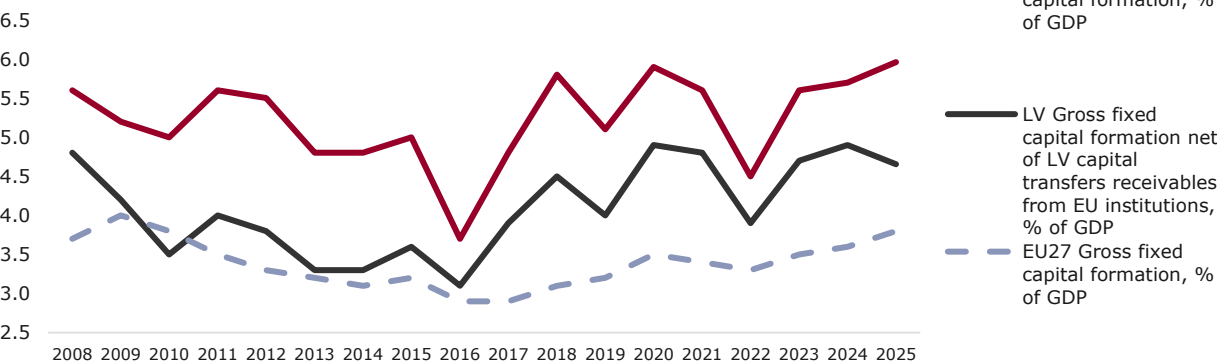
Change in GDP per capita (1995=1) current prices, purchasing power standard (PPS, EU27 from 2020) (% of GDP)



Source: Eurostat

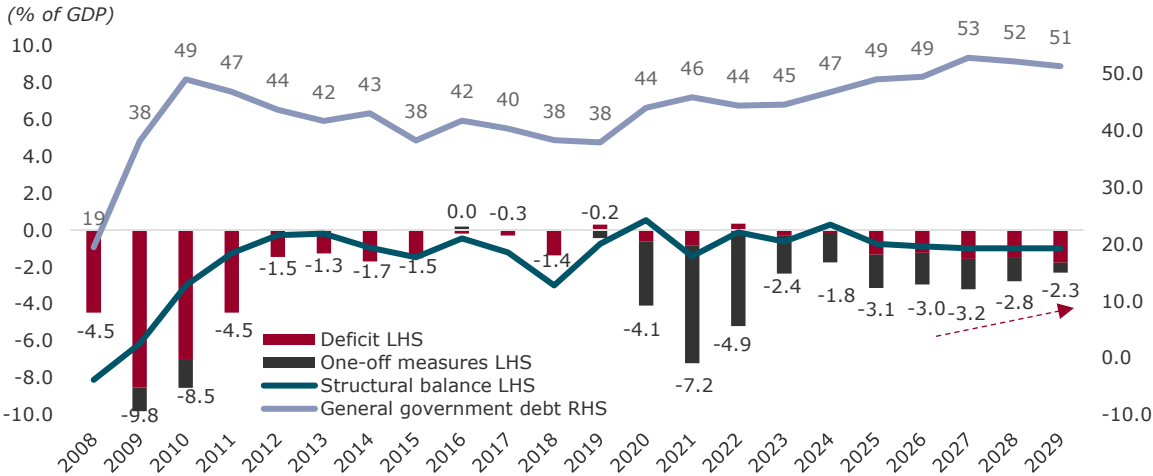
## High public investments will continue to support economic growth further

(% of GDP)



Source: Ameco, European Autumn 2024 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)

## Low debt level and fiscal position allowed to provide necessary fiscal stimulus during previous years










Source: Data 2008-2024 according to Eurostat (April 2025 notification data); deficit and debt forecasts (at unchanged policy) for 2025-2029 according to the Progress Report 2025 (macroeconomic forecasts as on February 2025; fiscal forecasts as on March 2025) (updated forecasts will be published no later than in August 2025 taking into account latest economic environment)

## 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 the main budget priority**. Defence spending **well above 3% of GDP is budgeted (2025-2027)**. Budget Framework 2025-2027 provides **flexibility for further increase of defence investments in 2025**.
- In the line with a **political commitment**, the government is working on the financing model to **increase defence expenditure to 5% of GDP** in the short-term and maintain defence expenditure at level of 5% of GDP in the long-term **without endangering fiscal sustainability**. On April 28, 2025, Latvia has applied for the National Escape Clause.

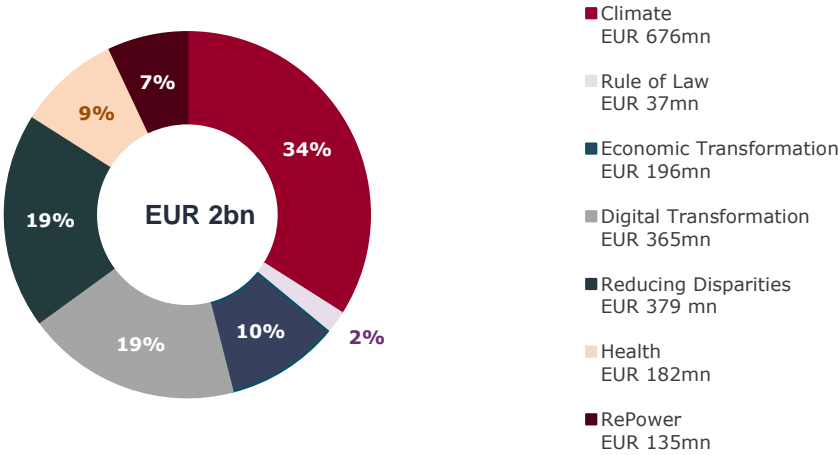
# Continued Ambitious, Competitive, Growth-Friendly Investments

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

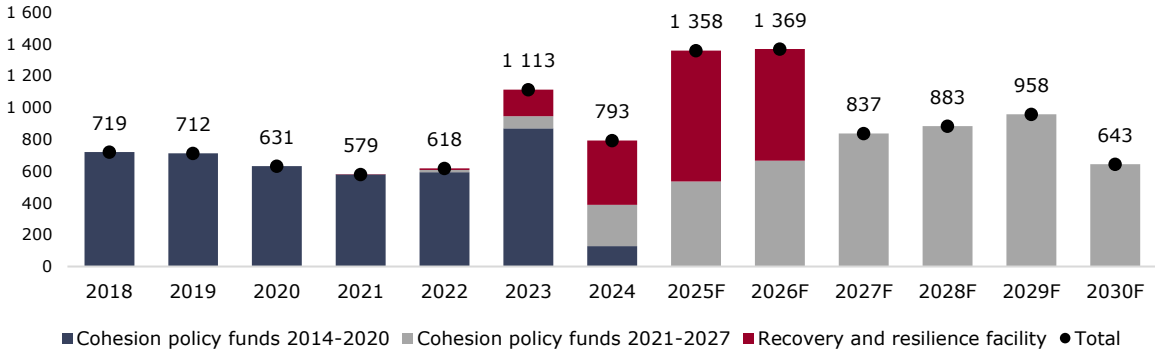
## Recovery and Resilience plan (RRF)

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



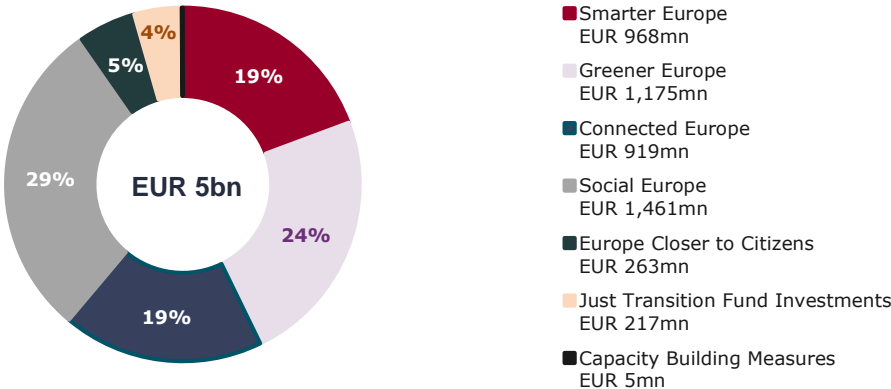
## RRF and Cohesion Policy EU Fund's investments for supporting reform agenda

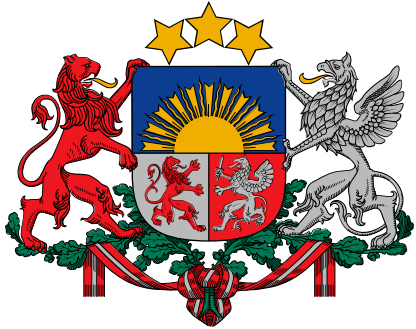
Budget expenditure (EUR mn)



Source: Ministry of Finance

## EU Funds 2021-2027





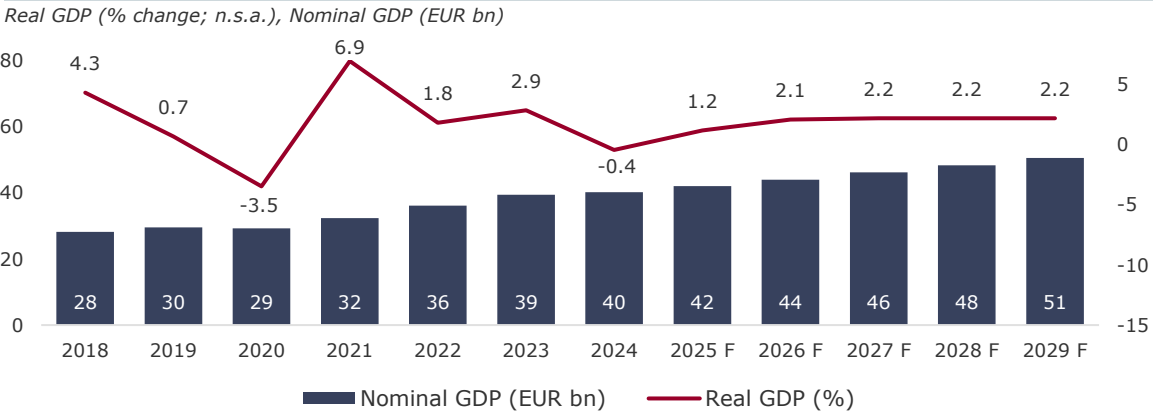
# The Economy and External Sector



# Economic Activity Remains Robust Despite Series of External Shocks

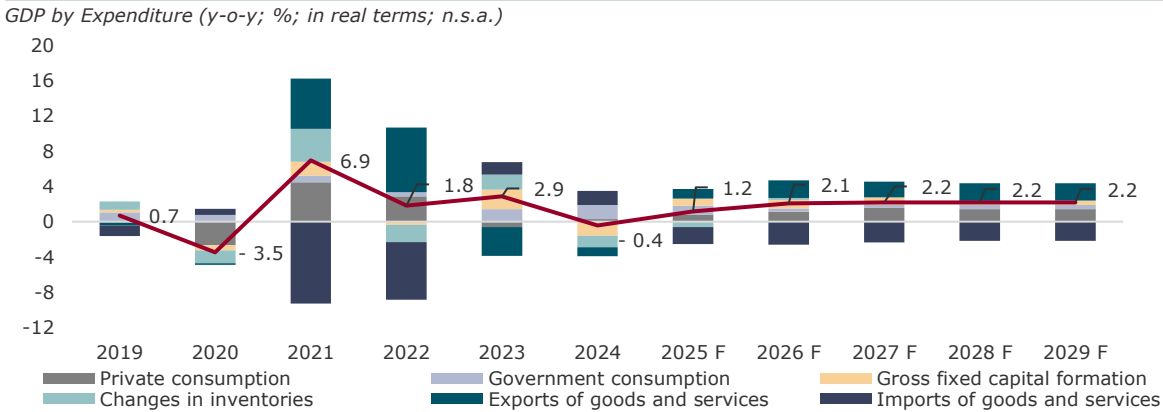
Strong labour market and low inflation will underpin private consumption, while external demand gradual recovery and reforms financed by RRF and EU funds are expected to support exports and investment

## The economy has showcased resilience during the twin crises



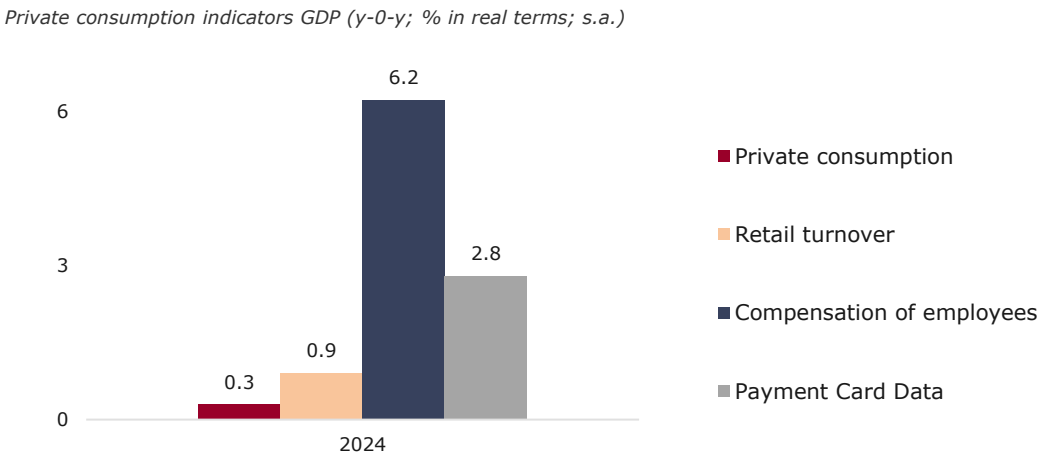
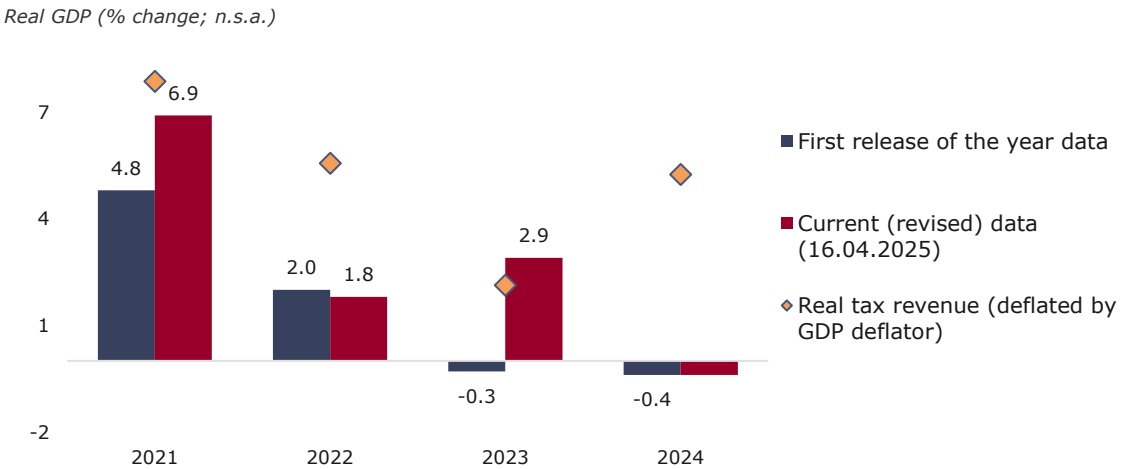
Source: Central Statistical Bureau of Latvia, F – Ministry of Finance February 2025 forecast (updated forecasts will be published no later than in August 2025 taking into account latest economic environment)

## Exports and Private Consumption have contributed to accelerated growth



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

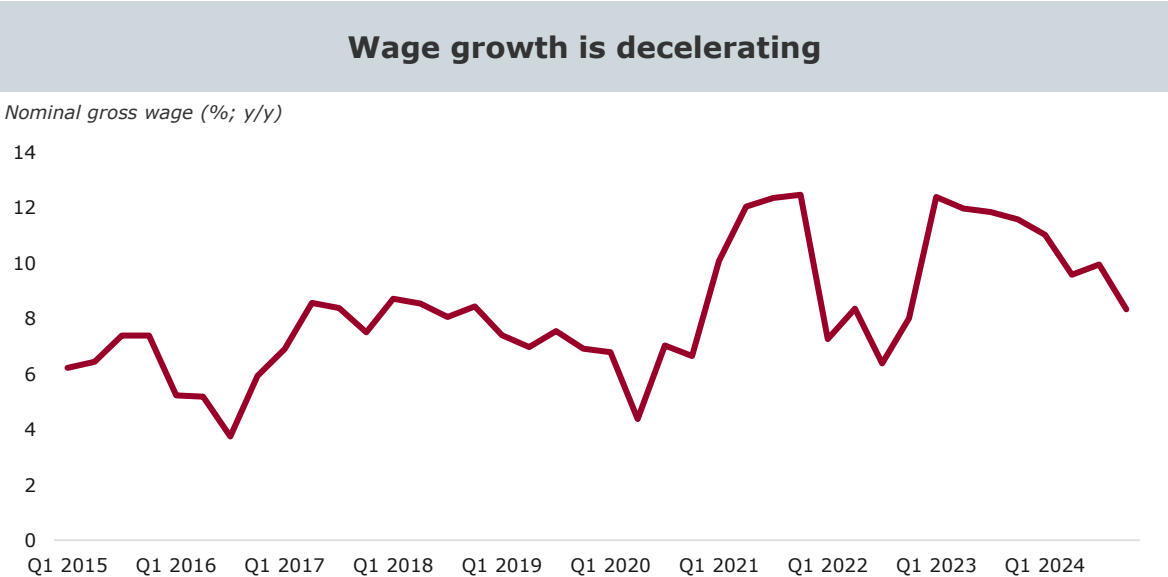
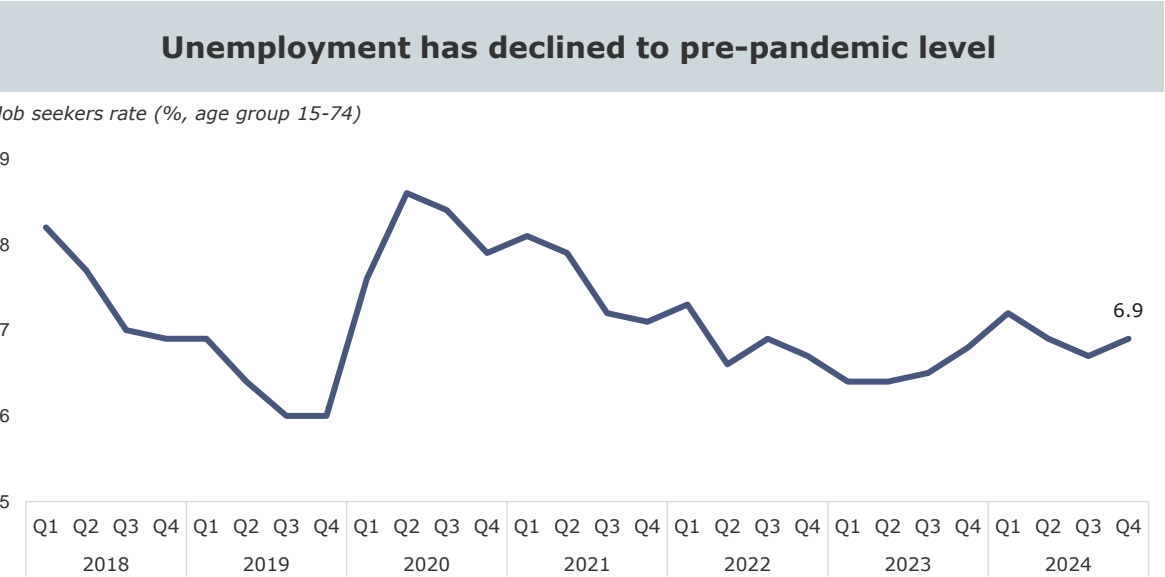
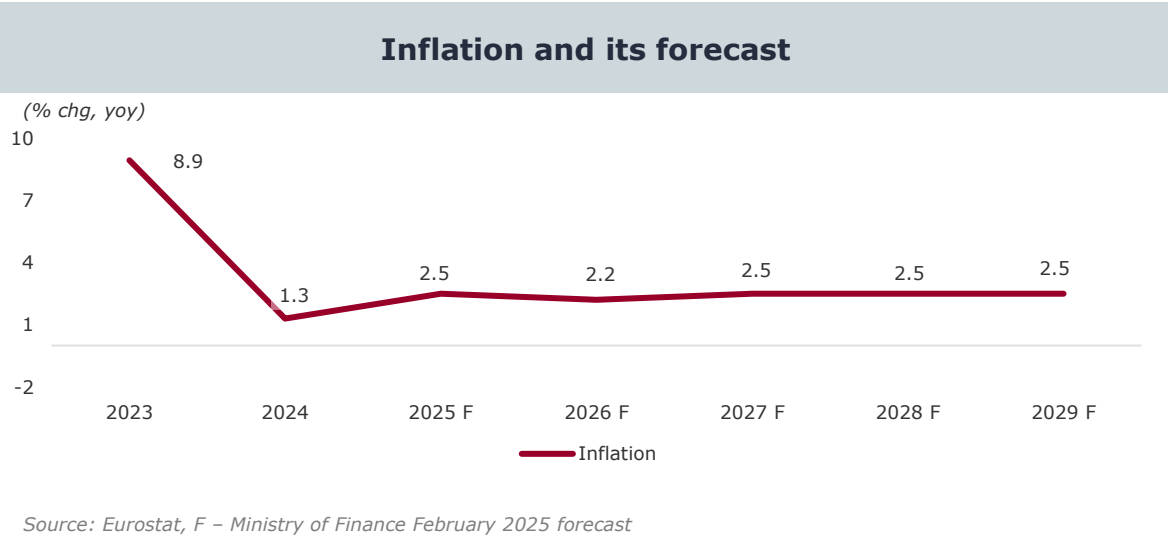
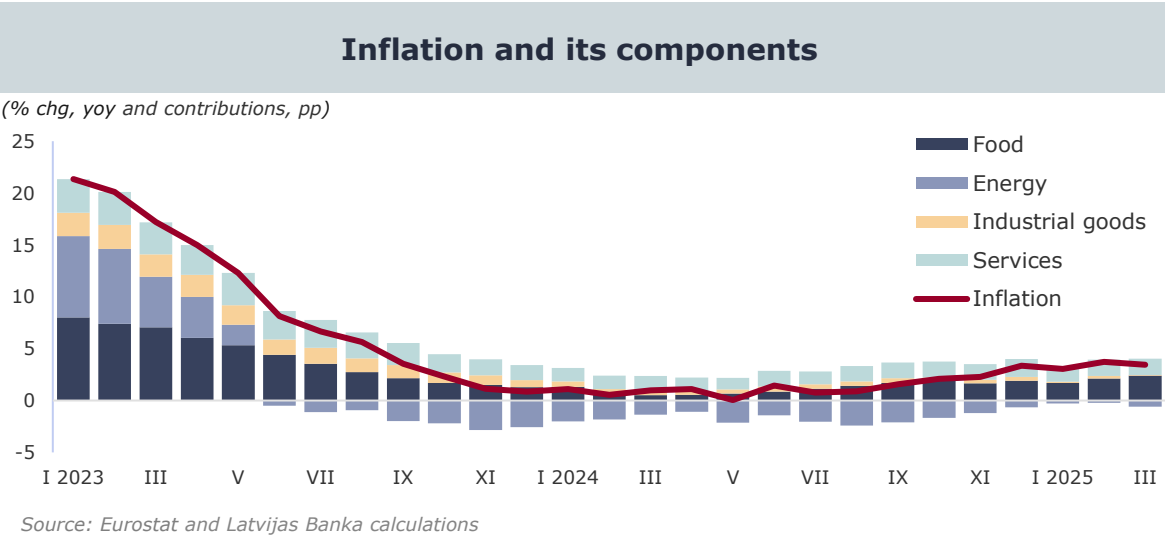
## 2024 GDP might be underestimated, especially private consumption



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

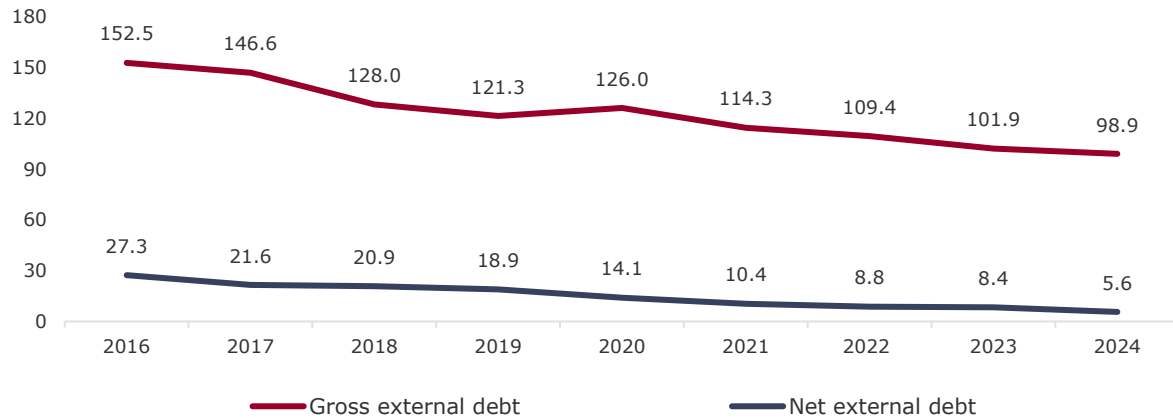


# External Sector Risks Are Limited

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

## External sector indicators

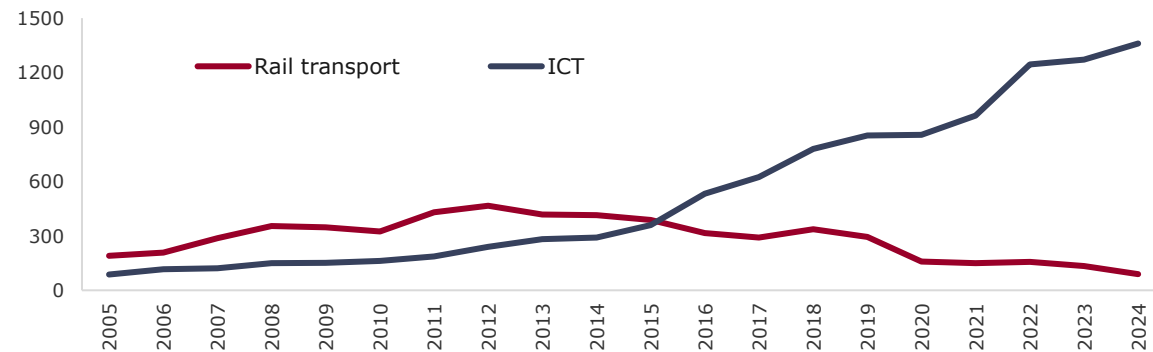
(% of GDP)



Source: Latvijas Banka

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

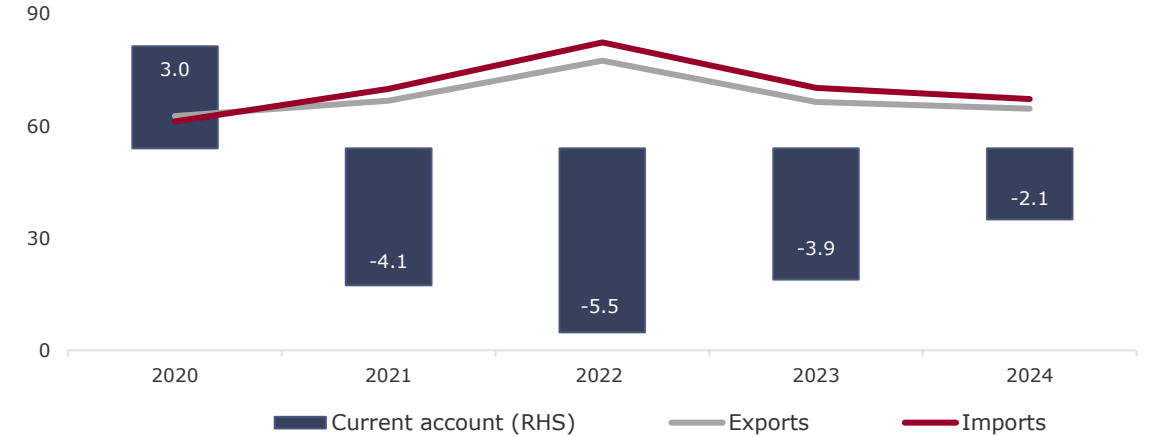
(EUR mn)



Source: Latvijas Banka

## Current account, goods and services exports and imports

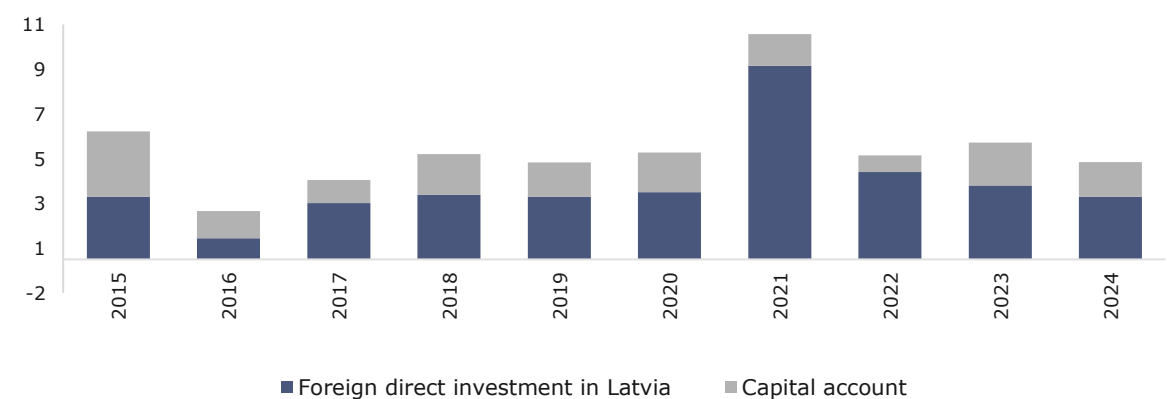
(% of GDP)



Source: Latvijas Banka

## Investments inflow

(% of GDP)

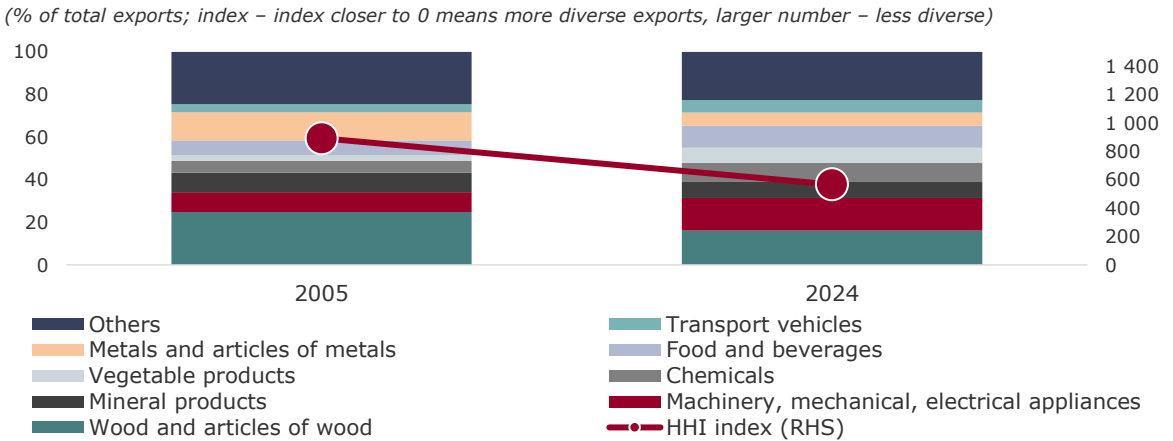


Source: Latvijas Banka

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

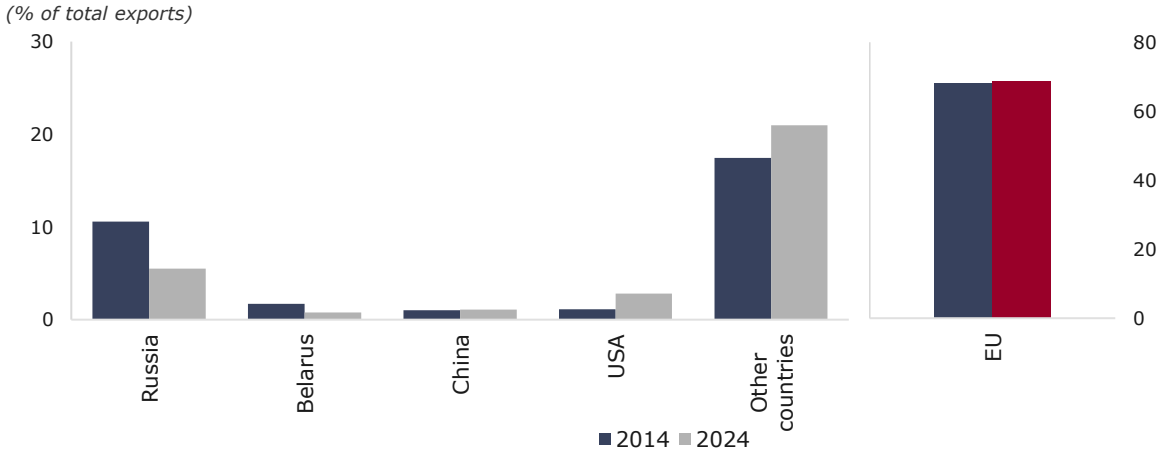
Exports have been diversified among various goods and trading partners, moving away from the Russian market, exposure towards USA is limited

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



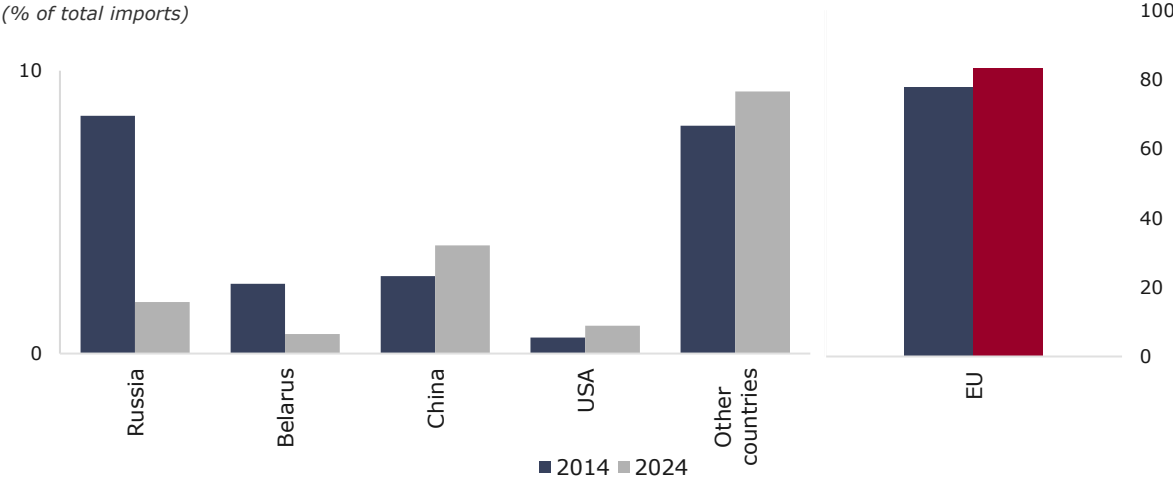
Source: Central Statistical Bureau of Latvia

Structure of exports of goods in 2014 and 2024 by country



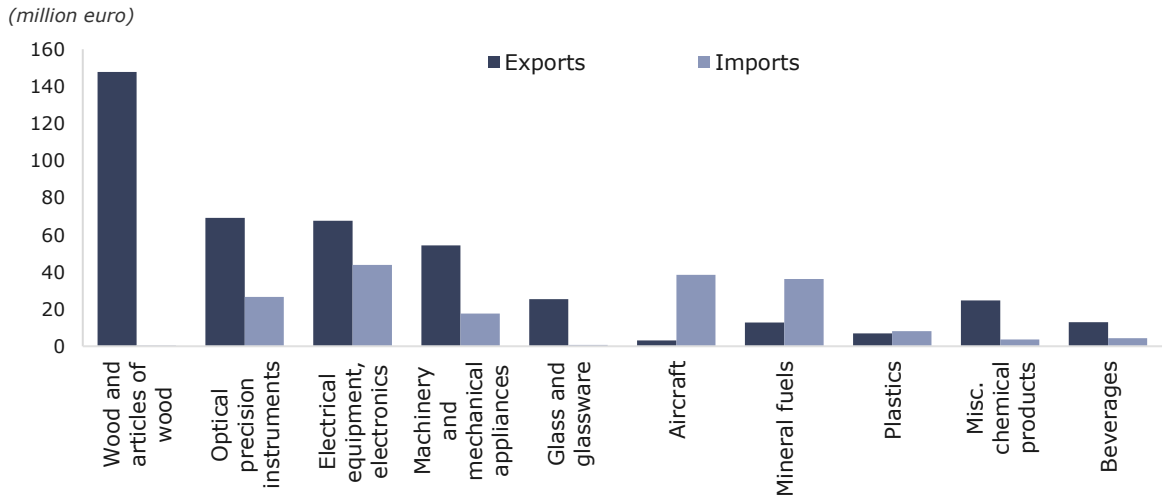
Source: Central Statistical Bureau of Latvia

Structure of imports of goods in 2014 and 2024 by country

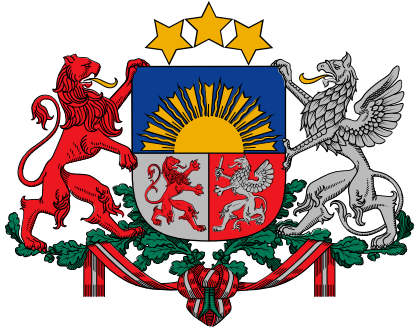


Source: Central Statistical Bureau of Latvia

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



Source: Central Statistical Bureau of Latvia



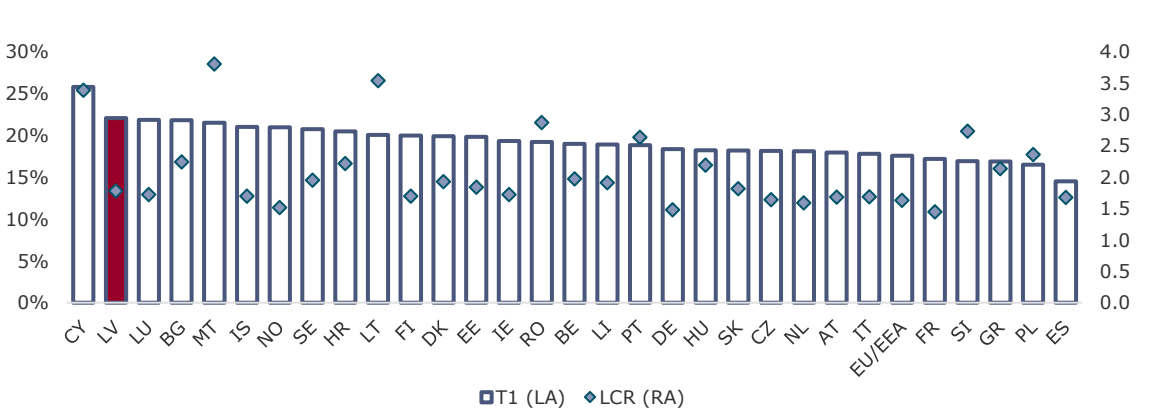
# Banking Sector



# Well-Capitalized and Profitable Banking Sector

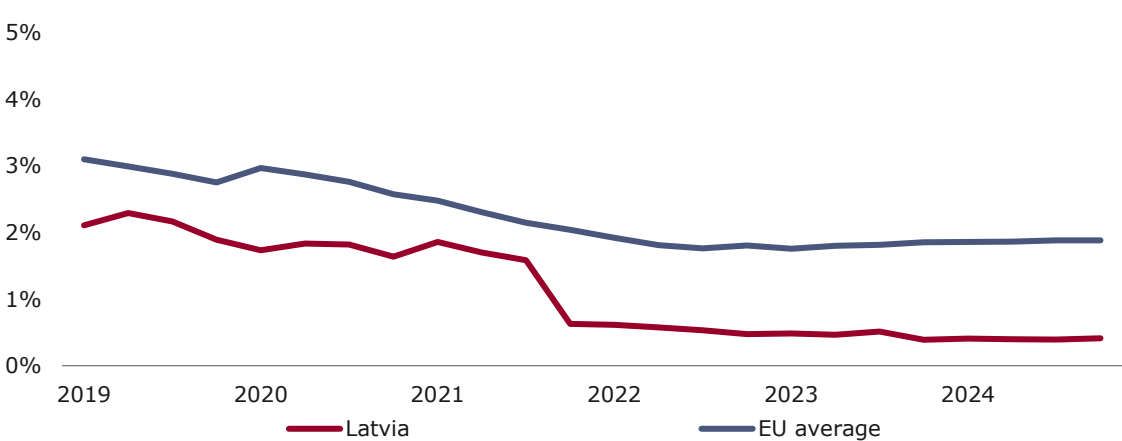
Prudent lending, ample capital buffers and low corporate and household debt provide strong shock absorption capacity

Total Tier 1 Capital Ratio and Liquidity Coverage Ratio



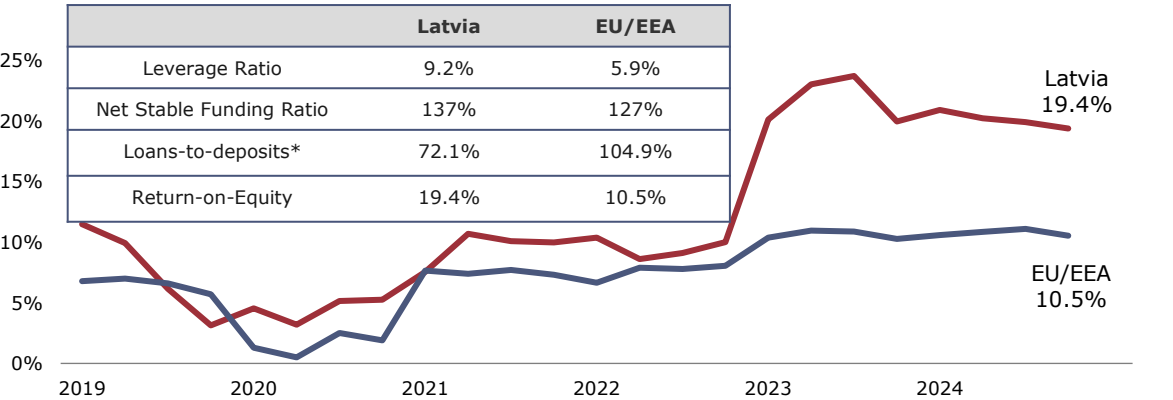
Source: European Banking Authority Risk Dashboard (Data as of Q4 2024).

Share of NPLs in total loans



Source: European Banking Authority Risk Dashboard (Data as of Q4 2024).

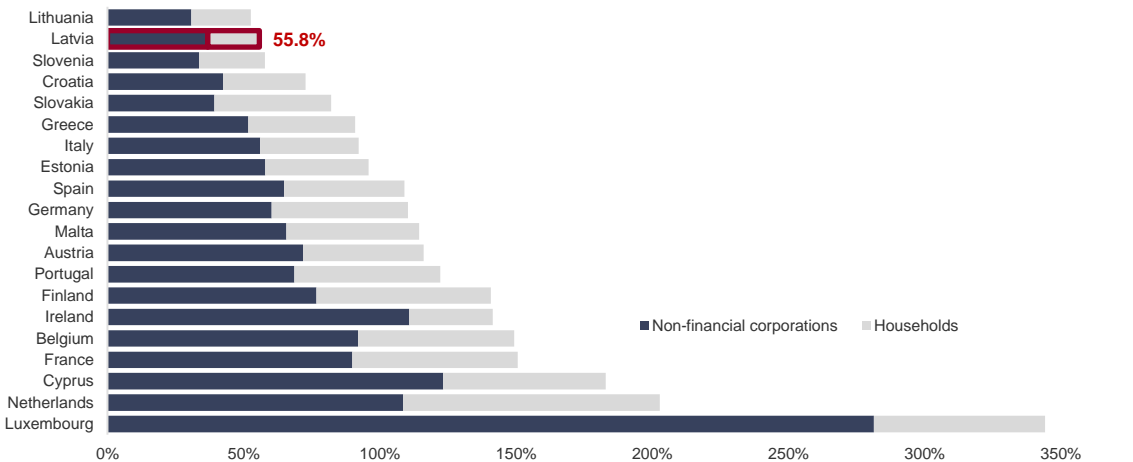
Return on Equity and additional indicators



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

Source: European Banking Authority Risk Dashboard (Data as of Q4 2024).

Total debt\*-to-GDP



Total consolidated debt vis-a-vis rest of the economy in 2024 Q3, (% of GDP)

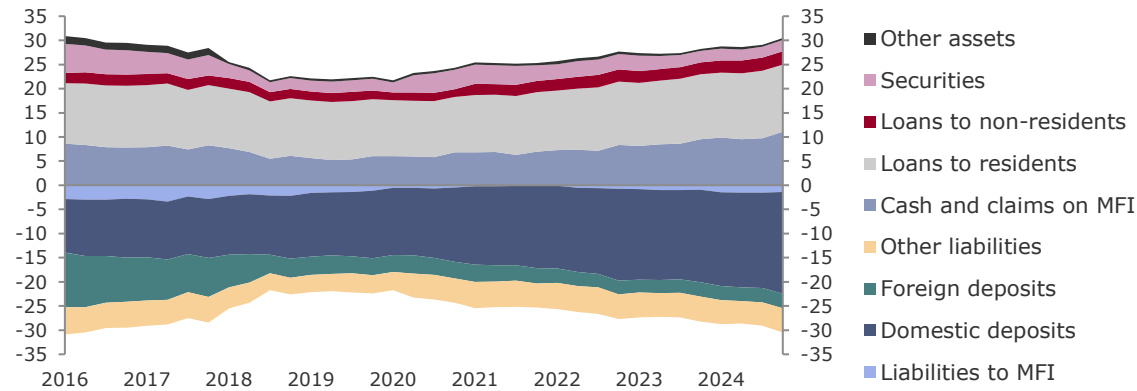
Source: ECB SDW

# 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

(EUR bn)



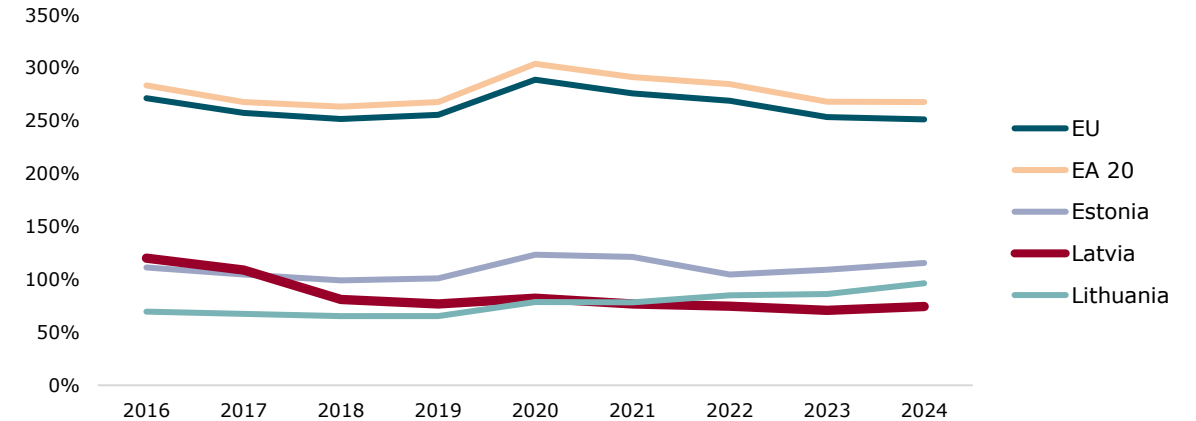
Source: Latvijas Banka, Latvijas Banka's calculations

## 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

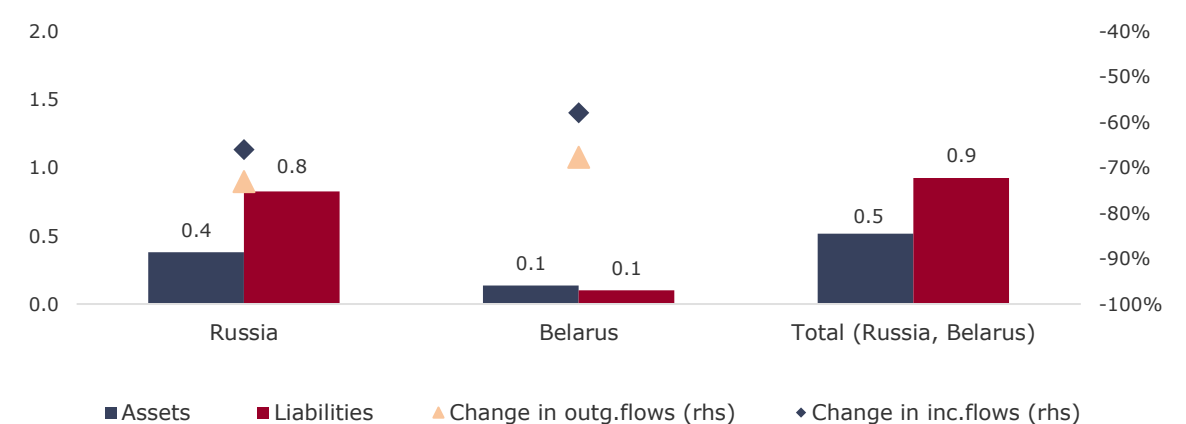
Banking sector assets, % of GDP



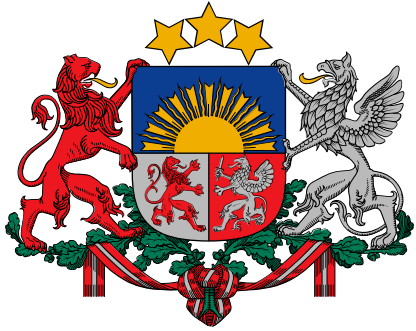
Source: ECB, EUROSTAT

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

Banking sector exposure, % of total assets, March 2022 and change in transaction flows (2022 H2 vs 2021 H2)



Source: Latvijas Banka FINANCIAL STABILITY REPORT 2022



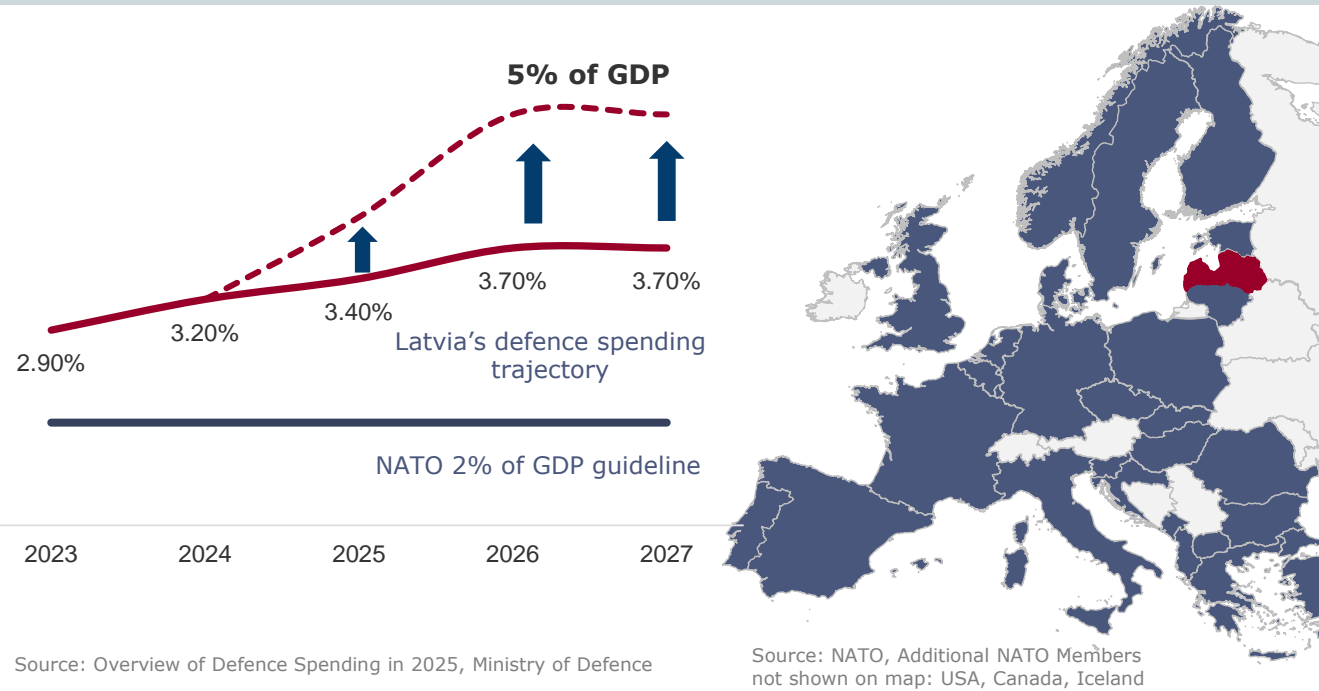
# Security and Energy



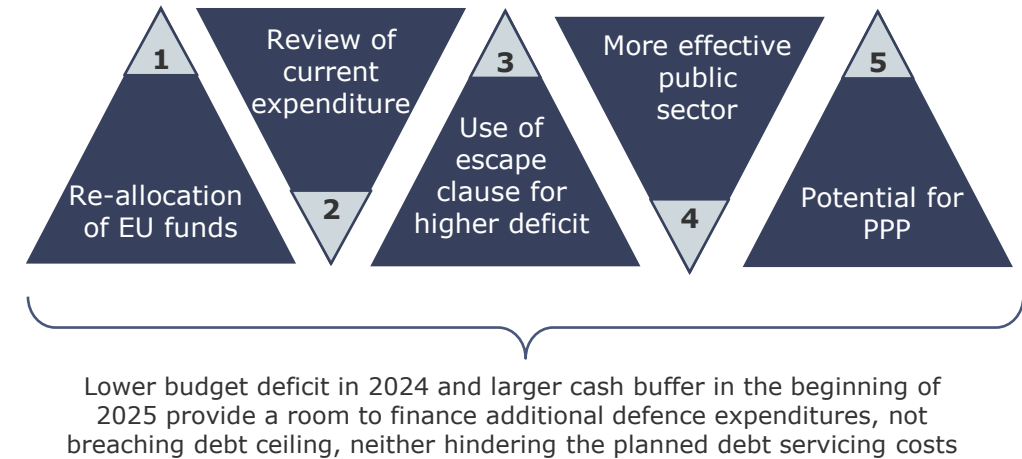
# Latvia – Member of the World's Strongest Military Alliance

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

## Ongoing political debate to increase defence expenditure



## Various options for financing defence spending exist



## 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 - combat and training cartridges
- Latvia - UK lead international Drone Coalition
- New R&D projects for developing innovative counter-unmanned aerial system
- Latvian state-owned company will establish artillery ammunition modular charge production facility as part of international consortium projects (together with companies from France, Italy, Finland and Norway)
- First innovative 5G military test site in Europe - ecosystem for developing and testing new generation wireless technologies

## Industry contribution to Latvia's economic growth

up to 5% of GDP till 2036

According to Defence Industry and Innovation Strategy for 2025 – 2036

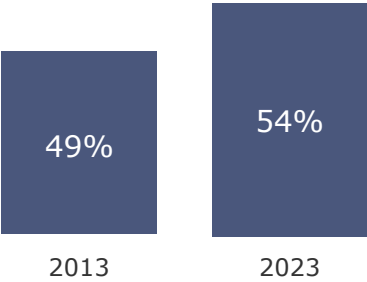
# Baltics disconnected from BRELL and successfully joined the Continental Europe Synchronous Area

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

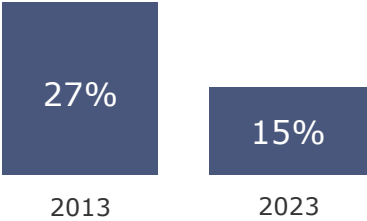


Source: Eurostat

No natural gas from Russia as of January 2023

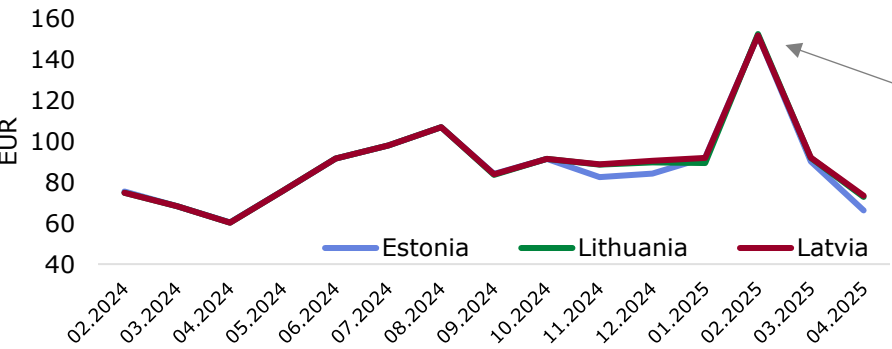


Natural gas in Energy Mix



Source: Central Statistical Bureau of Latvia

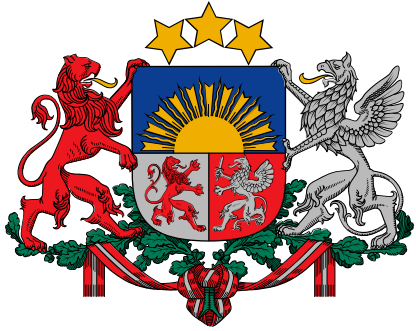
Nord Pool day-ahead electricity prices in Baltic states (monthly aggregate)



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

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

- Inchoo UGS technical capacity for period 2024/2025 is 23.005 TWh, which serves the total Baltic region's annual needs and is fully booked
- The storage is 36% full in April 2025 with gas injection season due to start on 1 May



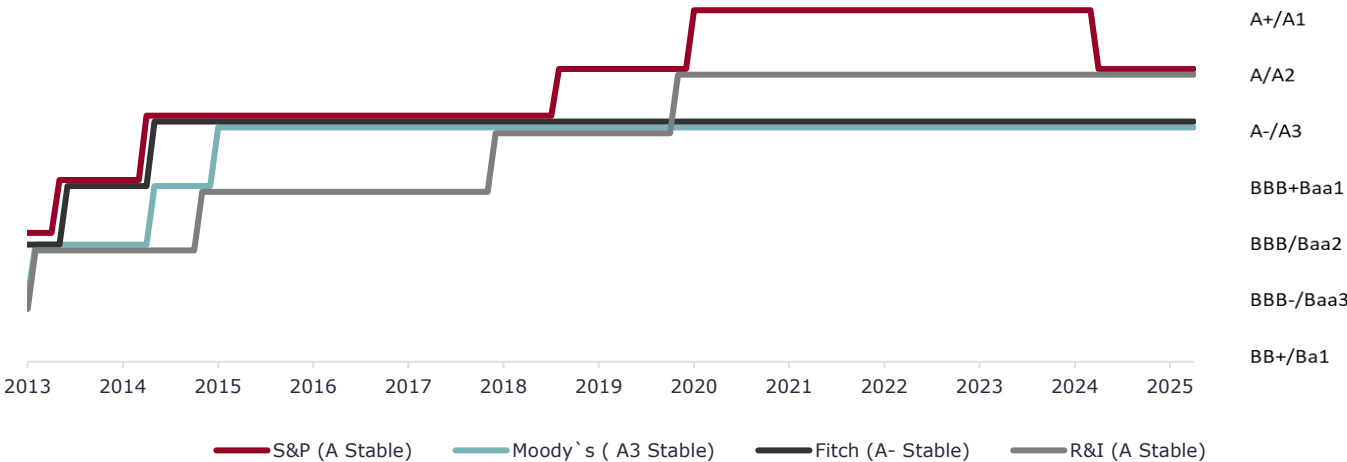
# Debt Management



# 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 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 January 28, 2025, Moody's provided a regular update following the recent announcement of long-term foreign currency sovereign credit rating remaining at the A3 level with a Stable outlook (did not contain rating action)

### Credit Strengths:

- Track record of prudent fiscal policy
- High 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 December 2, 2024, S&P Global provided an update about Latvia's credit strength, rating level - A Stable (did not contain rating action)

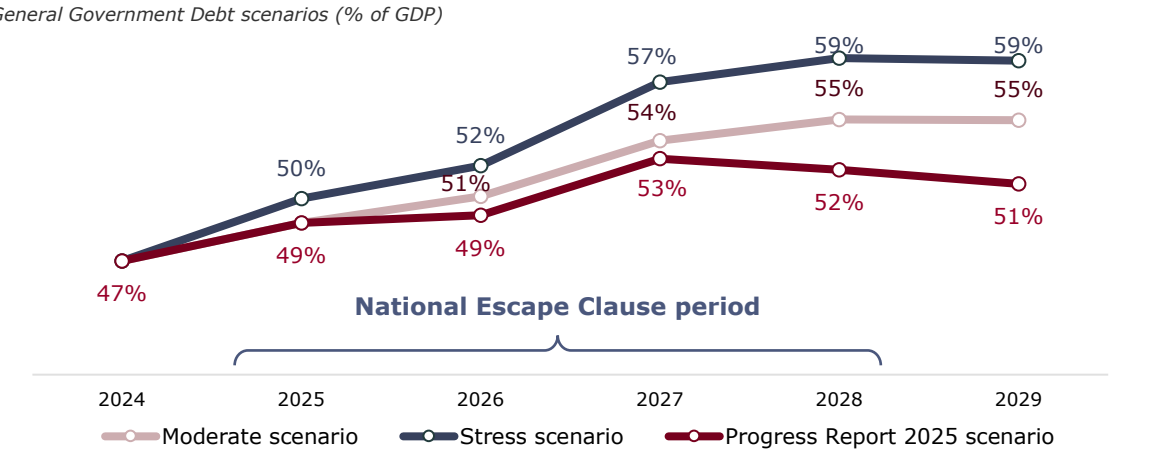
### Credit Strengths:

- Effective economic policymaking and Eurozone, EU and NATO membership
- Moderate government debt
- Solid external balance sheet

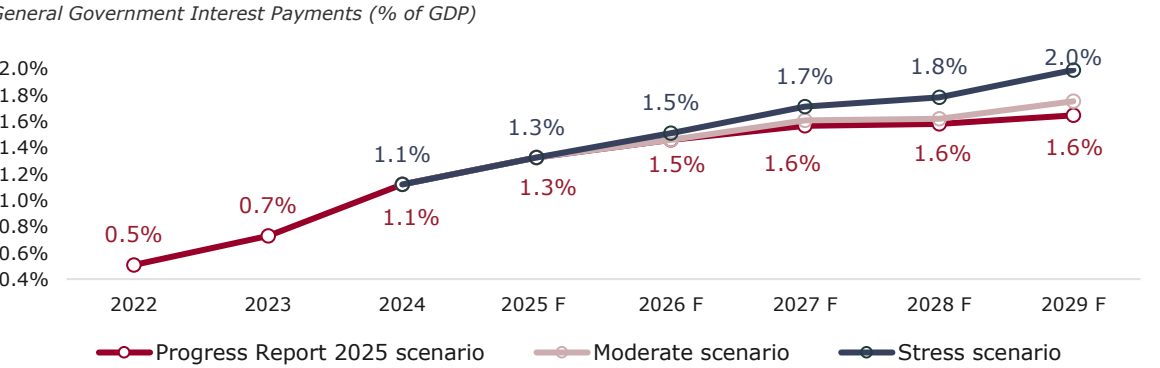
# General Government Debt Remains Moderate and Manageable

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

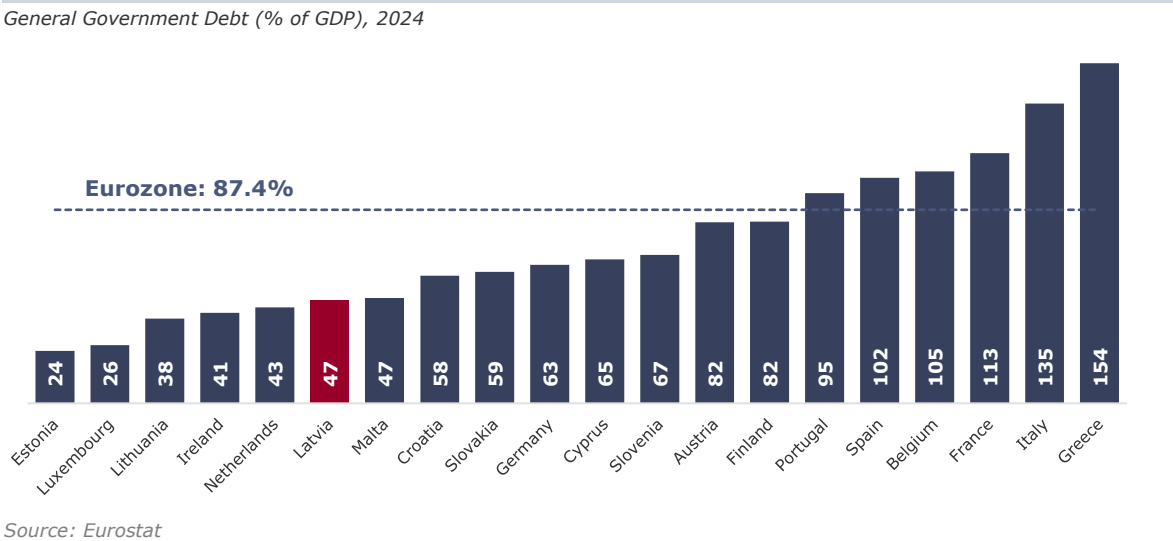
## Moderate debt level provides buffer for additional funding needs



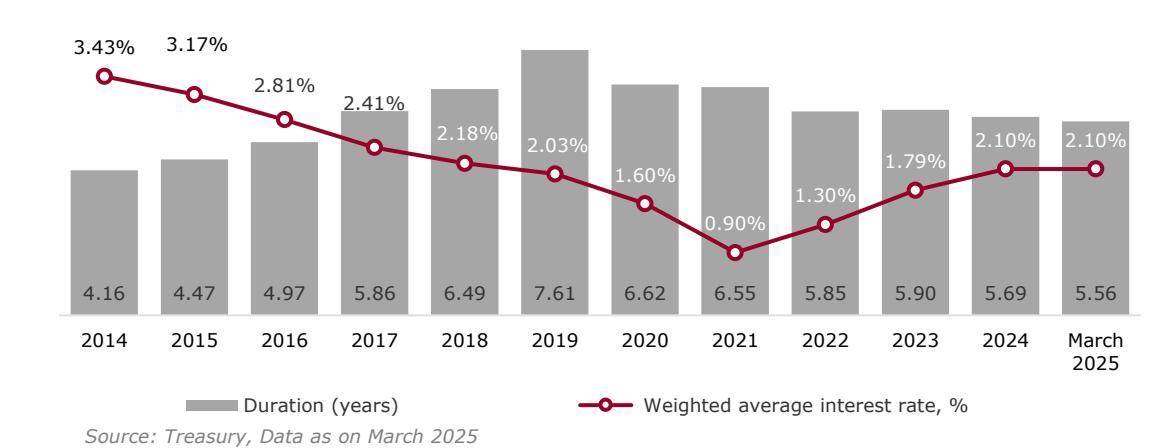
## Moderate increase of debt servicing costs in the medium term



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



## Large proportion of fixed rate debt in the portfolio

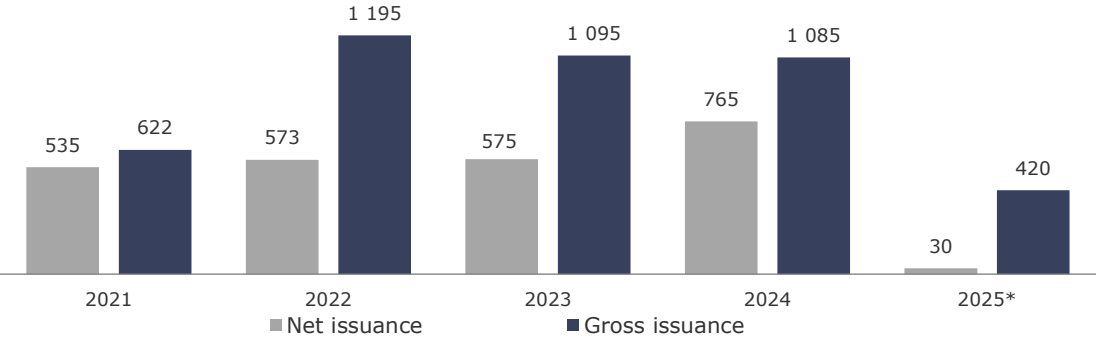


# Demand in the Auctions via Primary Dealer system Continues to be Supportive

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

## Gross and net issuance in auctions via Primary Dealers

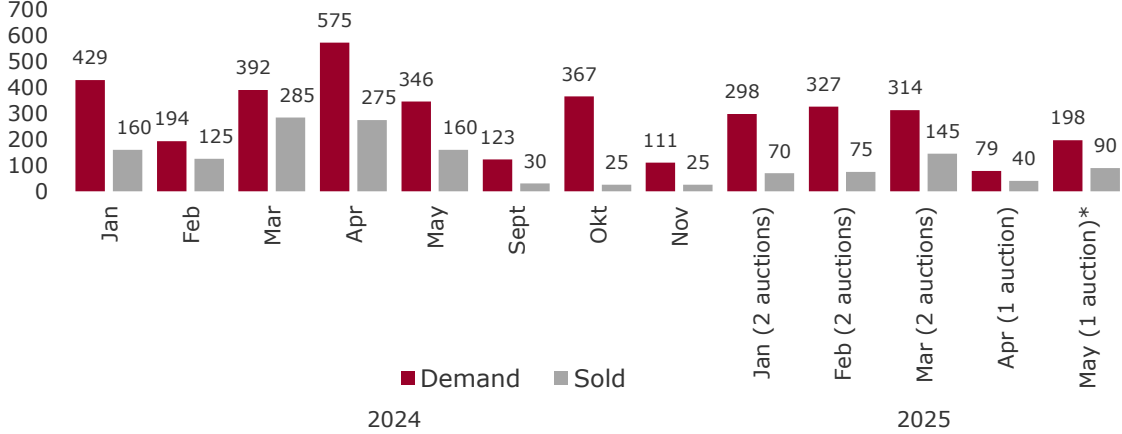
(EUR mn)



Source: \*The Treasury, data as on May 11, 2025; LV ISIN redemption on January 31, 2025

## Demand in Eurobond TAP auctions remains high and supportive

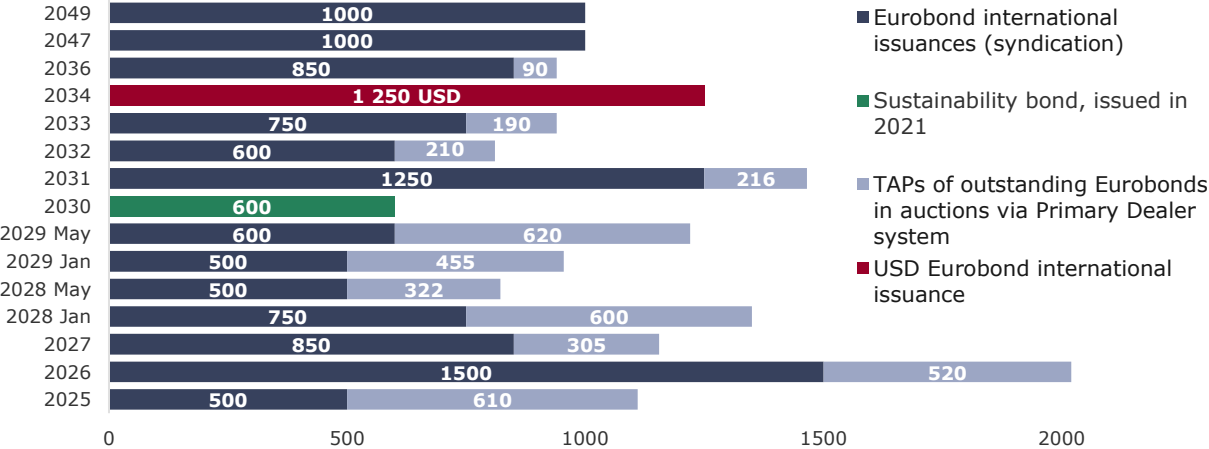
(EUR mn)



Source: \*The Treasury, data as on May 11, 2025

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

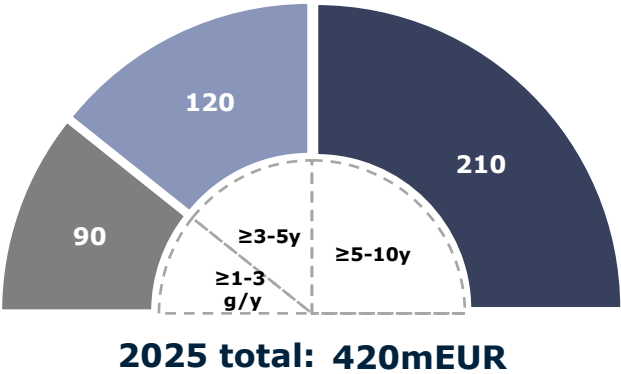
Latvia Eurobonds Outstanding (EUR or USD mn)



24 Source: \*The Treasury, data as on May 11, 2025

## Sold amount in Eurobond TAP auctions by remaining maturity (Jan 01 – May 12, 2025, nominal value, million EUR)

(EUR mn)

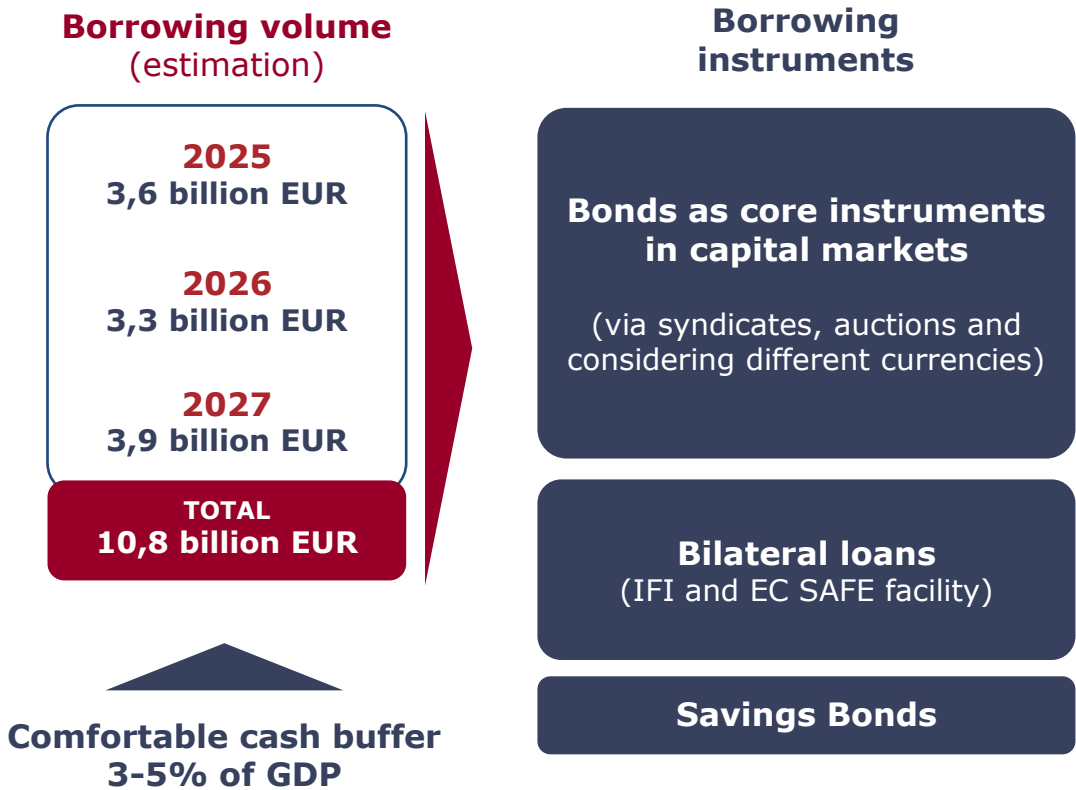


Source: The Treasury, data as on May 11, 2025

# Flexibility is Embedded in Latvia's Funding Strategy

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

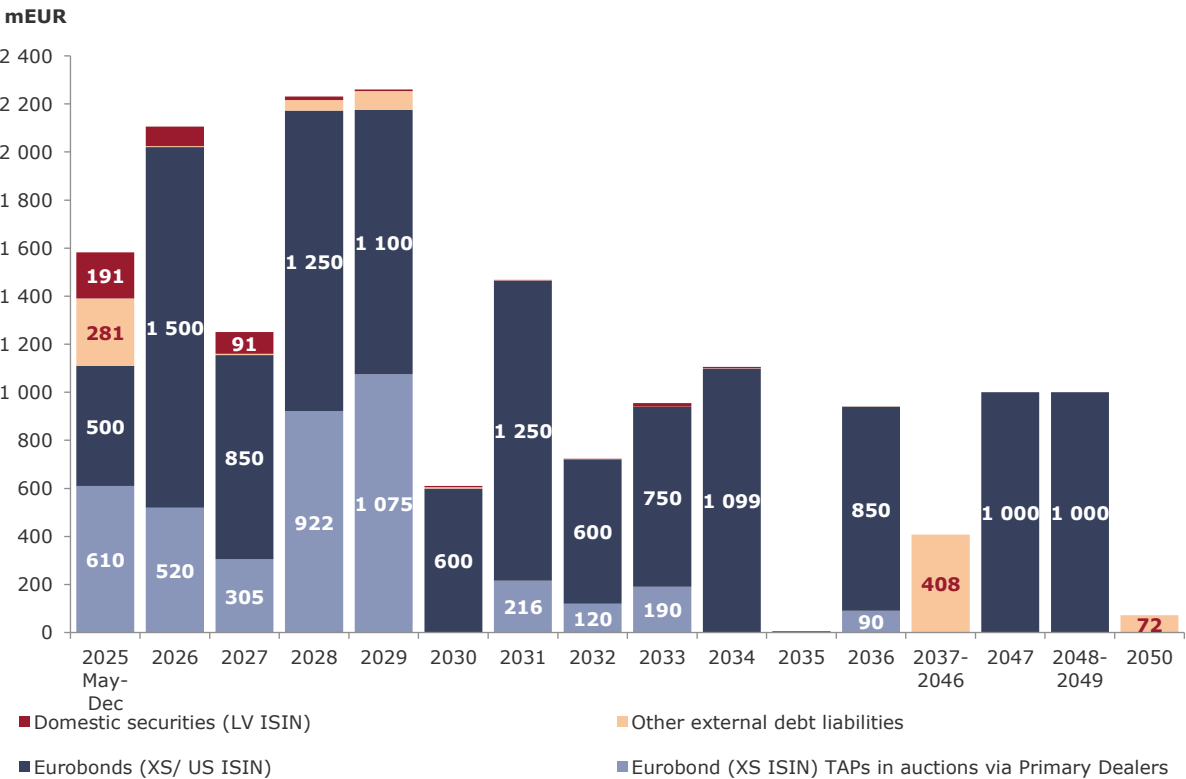
## Borrowing strategy for the medium term



*Note: The estimated gross borrowing volume according to Progress Report 2025 of Fiscal-Structural Plan of Latvia 2025-2028 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, April 2025 (GDP forecast as on March 2025)*

## Debt redemption profile\*



*\*excluding financial derivatives*

*Source: The Treasury, data as on April 30, 2025*