

**Republic of Latvia**

Investor presentation  
May 2026

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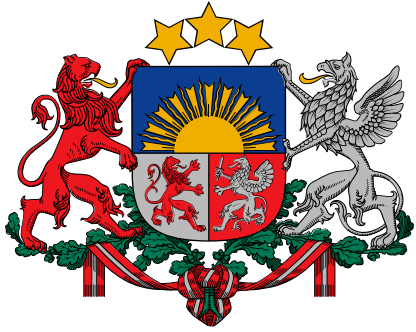
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# Overview and Key Investment Highlights




# 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>

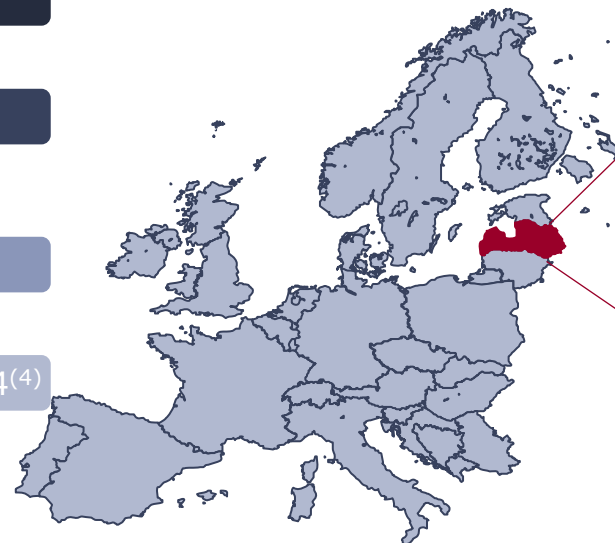
 **Government System**  
Democratic republic with a multiparty political system

 **Nominal GDP**  
EUR 43.03 bn<sup>(1)</sup>

 **GDP per Capita**  
EUR 23.408<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 Q4<sup>(4)</sup>**  
★ Wholesale, retail trade, transport, accommodation and food services (20%)  
★ Industry (18%)  
★ Public administration, defence, education, human health and social work activities (21%)



## 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 2025 Central Statistical Bureau of Latvia on 12 May 2026 (3) Rating Agencies as of 12 May 2026 - S&P, Fitch, Moody's, R&I (4) Central Statistical Bureau of Latvia data as of 2025 Q4

# Key Investment Highlights



## Resilient Economy

- Latvia's economy has shown resilience throughout macroeconomic and geopolitical headwinds
- The economic prospects are strong and supported by private consumption, increased public investment, strong labour market and low inflation
- In 2025, Latvia's economy returned to solid broad-based growth, covering the majority of economic sectors
- RRF and other EU transfers support reforms contributing to long-term sustainable growth



## Diversified Export Sector

- Export sector is diversified among various goods and trading partners, moving away from the Russian market
- EU member states are Latvia's main trading partners
- A manageable current account deficit fully funded by FDI inflows, low external debt and a diversified export base limit external risks



## Prudent Fiscal Policy

- Latvia has a long track record of prudent fiscal policy
- Latvia's authorities are committed to maintain prudent fiscal policy within the framework of reformed EU and national fiscal rules, taking enough policy measures to ultimately keep budget deficits and government debt in check
- In the current geopolitical situation defence spending remains the main budget priority and increasing defence expenditure up to 5% of GDP is managed responsibly in the framework of national escape clause



## Moderate Debt Levels

- Latvia's ratings firmly in the 'A' rating category
- Latvia's general government debt is one of the lowest in Eurozone
- Flexibility is embedded in Latvia's funding strategy and Latvia has access to diversified funding sources



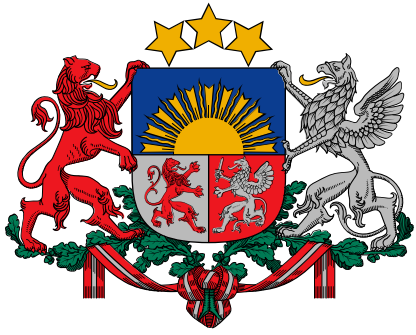
## Energy/Military Security

- Latvia 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
- Latvia increases defence industry capabilities and supports innovation



## Solid Banking System

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



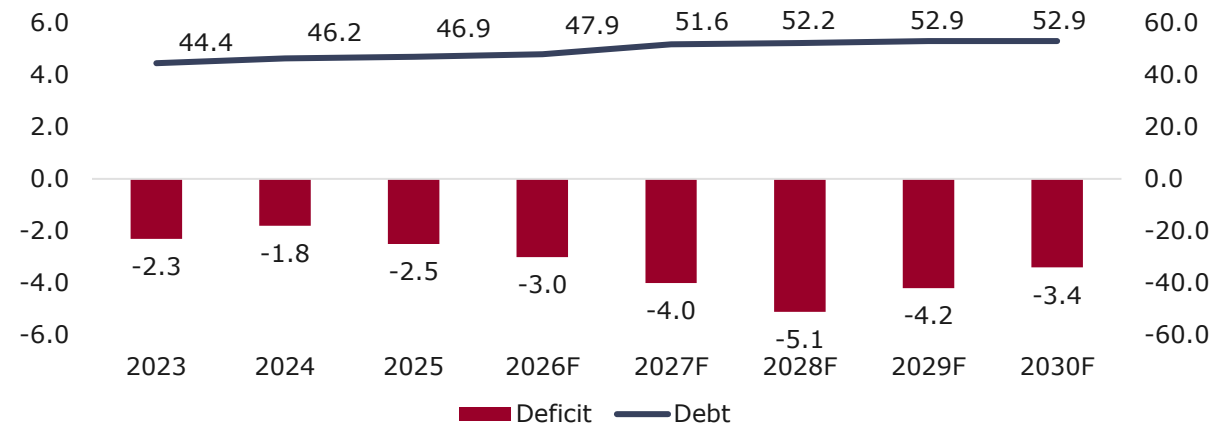
# Fiscal Policy



# Latvia has a track record of prudent fiscal policy and a strong commitment to fiscal rules

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

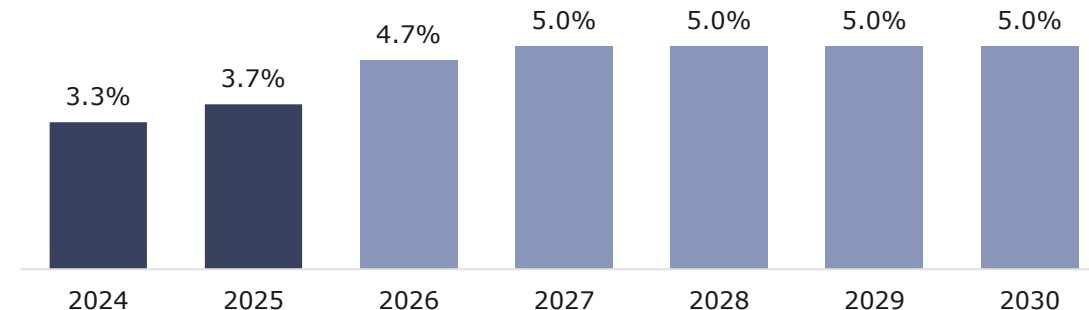
General Government budget deficit and debt (% of GDP)



Source: Eurostat 2023-2025; deficit and debt forecasts for 2026-2030 according to the 2026 Progress Report of the Fiscal-Structural Plan (April 2026) (macroeconomic forecasts as of February 2026)

## Core defence expenditure to rise up to 5% of GDP starting from 2027

Defence expenditure (% of GDP, based on NATO methodology)



## 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.
- 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. On February 17, 2026, EU Council approved loan in maximum amount of EUR 3.5 billion.
- The net expenditure path, assessed by the Ministry of Finance in the Progress Report 2026, is in full compliance with EU fiscal rules. The assessment of the EC is expected in the June 2026.

Source: forecasts according to the 2026 Progress Report of the Fiscal-Structural Plan (April 2026) (macroeconomic forecasts as of February 2026)

# Continued Ambitious, Competitive, Growth-Friendly Investments

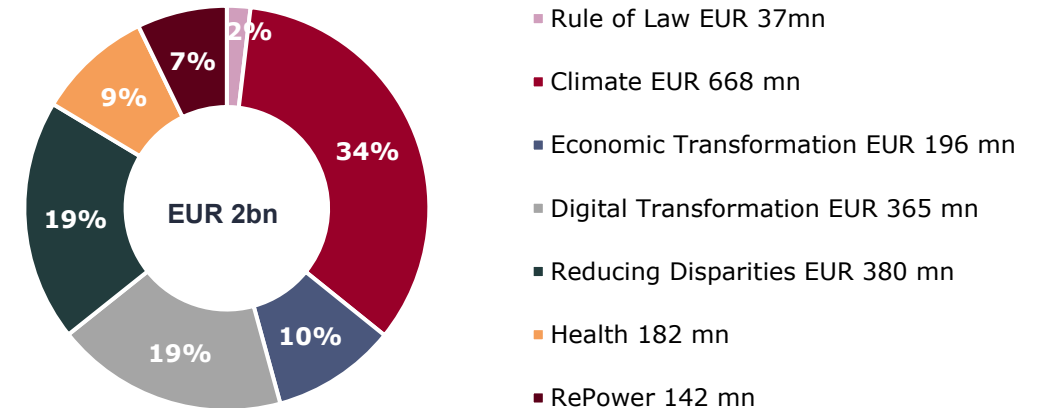
RRF and other EU transfers support reforms contributing to long-term sustainable growth

## 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

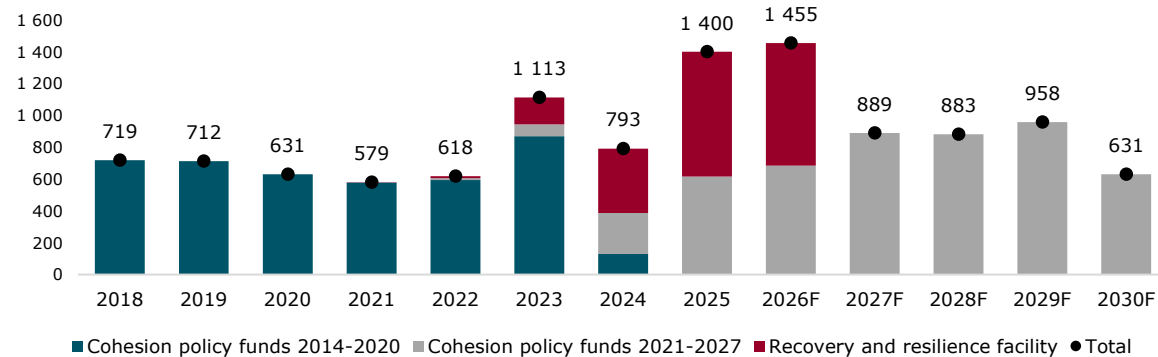
## Recovery and Resilience plan (RRF)

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



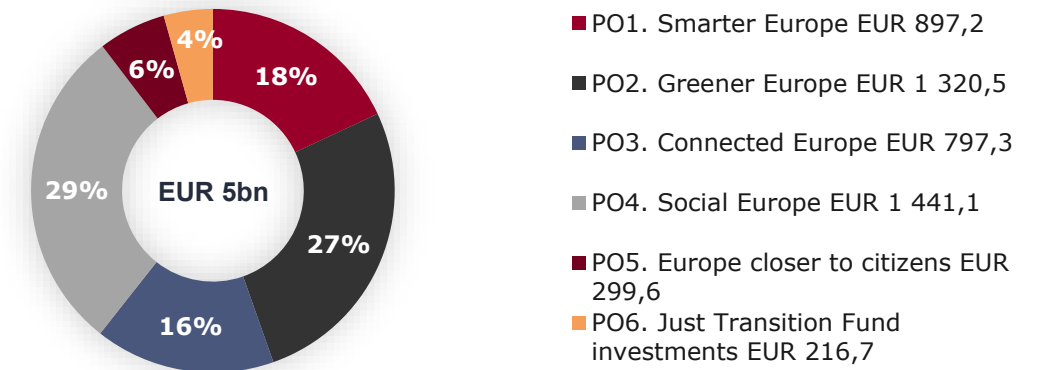
## RRF and Cohesion Policy EU Fund's investments for supporting reform agenda

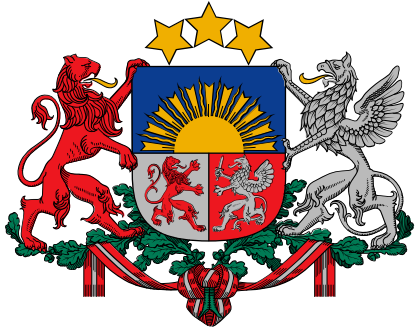
Budget expenditure (EUR mn)



## EU Funds 2021-2027

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





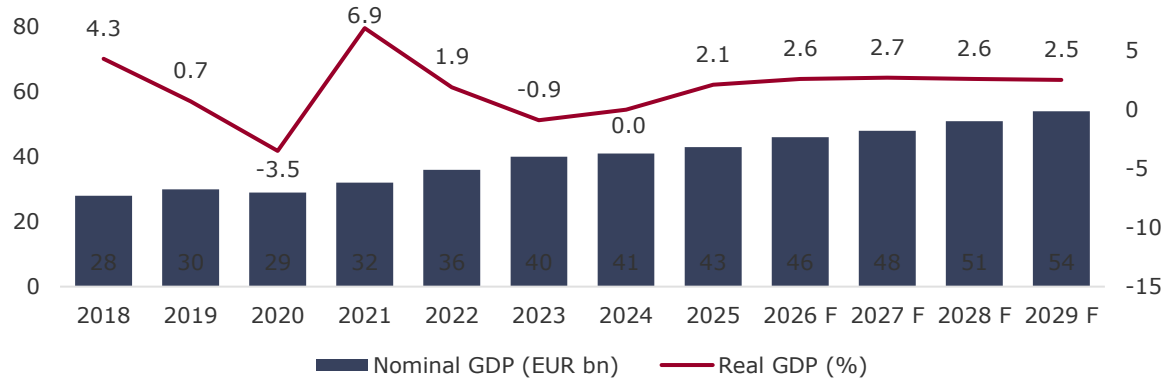
# The Economy and External Sector

# 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

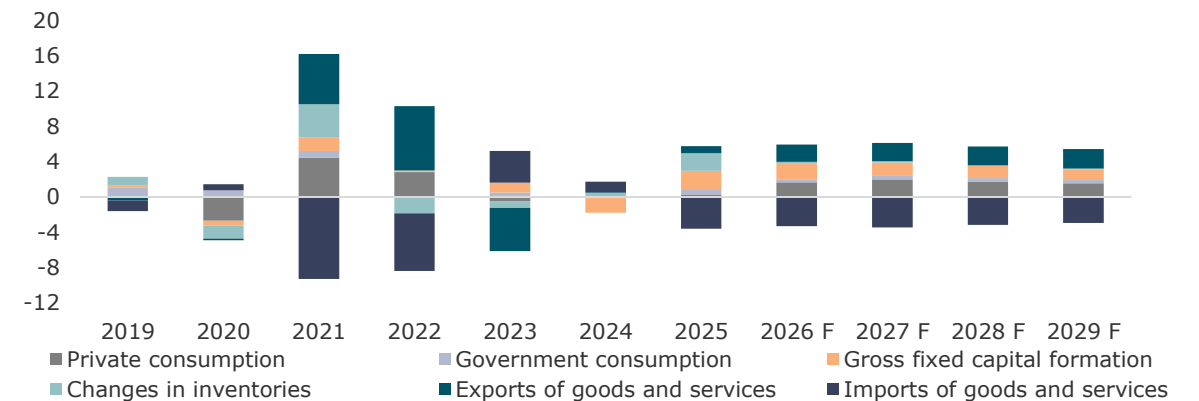
Real GDP (% change; n.s.a.), Nominal GDP (EUR bn)



Source: Central Statistical Bureau of Latvia, F - according to the Progress Report 2026 (April 2026) (macroeconomic forecasts as of February 2026)

## Investments and recovery of private consumption have contributed to accelerated growth in 2025

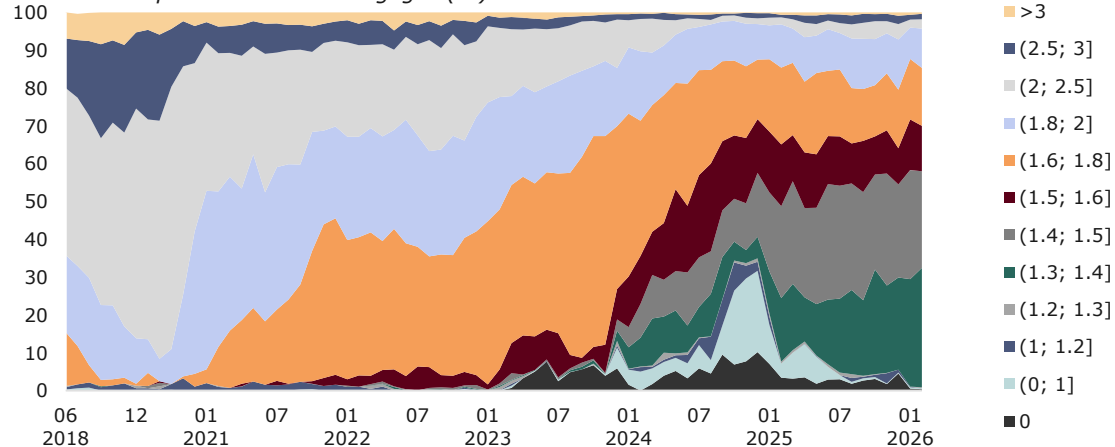
GDP by Expenditure (y-o-y; %; in real terms; n.s.a.)



Source: Central Statistical Bureau of Latvia, F - Ministry of Finance February 2026 forecast

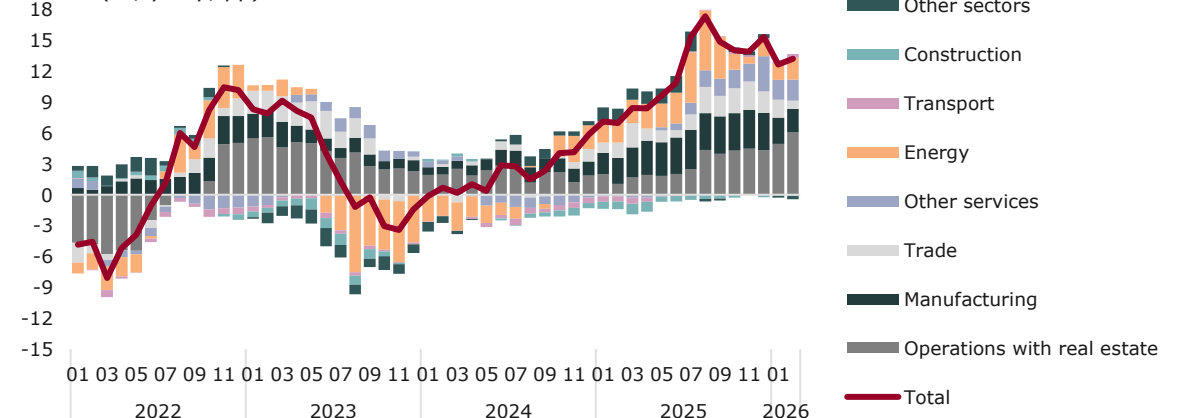
## Lending has picked up for both households and non-financial corporations, with much lower spreads for mortgages and broad based growth for corporates

Distribution of spreads for new mortgages (%)



Source: Bank of Latvia, Bank of Latvia calculations

Decomposition of the annual growth rate of non-financial corporation loan stocks by sector (%; y-o-y; pp)\*

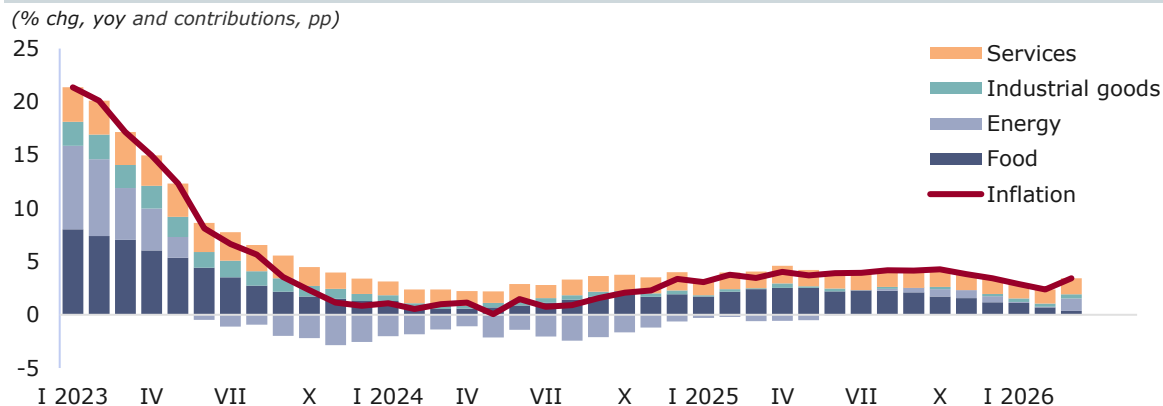


\*Excluding structural changes in the banking sector and one-time factor effects

# Inflation has Rapidly Returned to Low Level

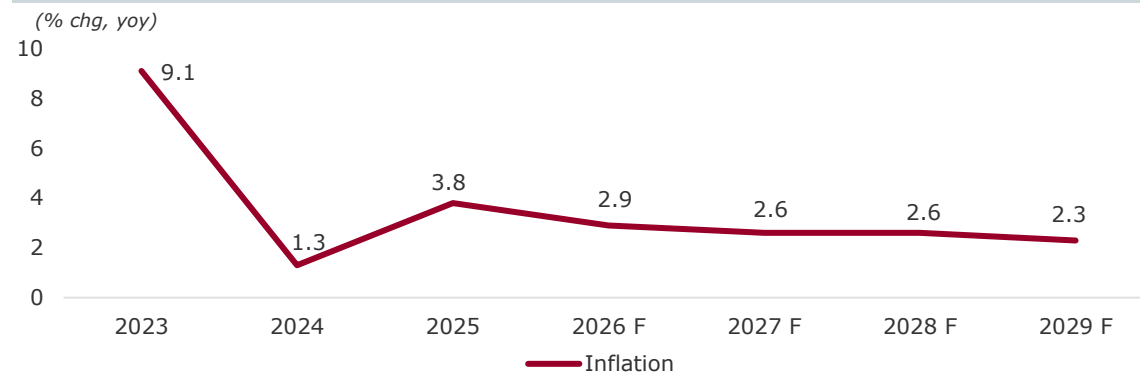
Current inflation pick-up mainly reflects energy price rise resulting from military conflict in the Middle East

## Inflation and its components



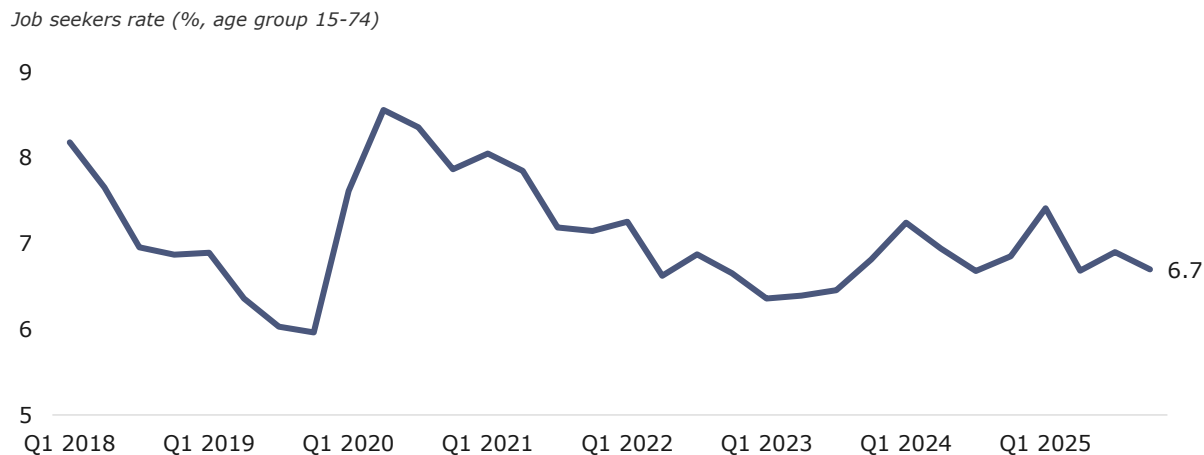
Source: Central Statistical Bureau of Latvia, Eurostat, and Bank of Latvia calculations

## Inflation and its forecast



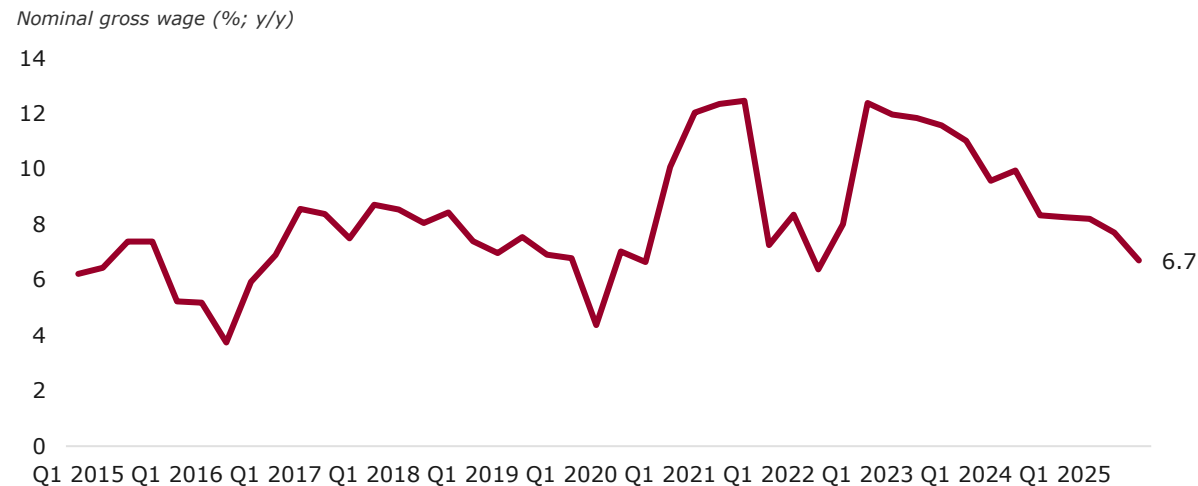
Source: Eurostat, F - according to the Progress Report 2026 (April 2026) (macroeconomic forecasts as of February 2026)

## Unemployment has declined to pre-pandemic level



Source: Central Statistical Bureau of Latvia

## Wage growth is decelerating



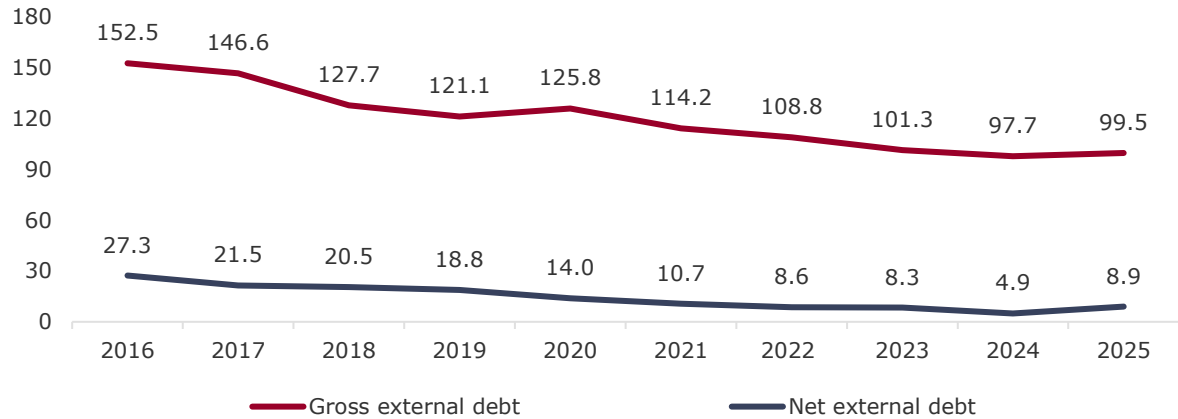
Source: Central Statistical Bureau of Latvia

# 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

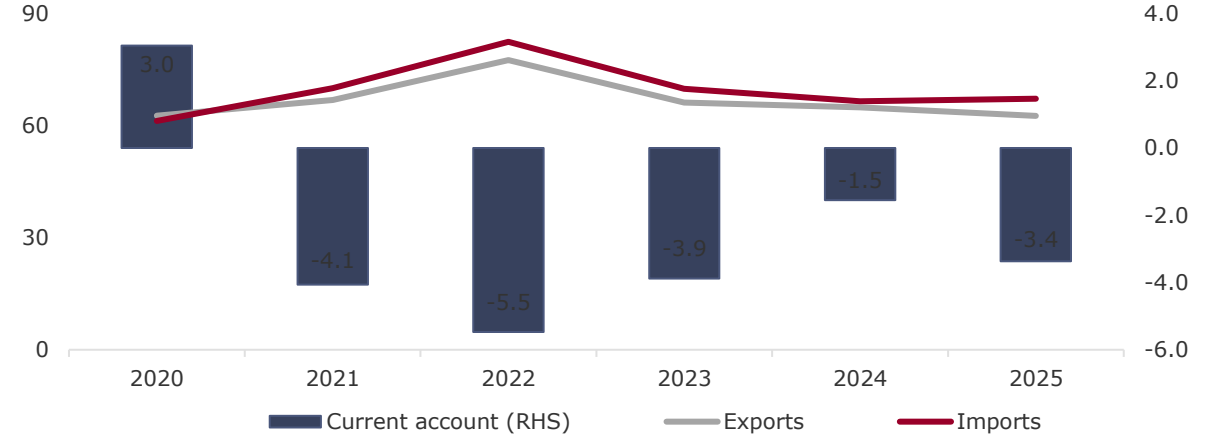
(% of GDP, end of period)



Source: Latvijas Banka

## Current account, goods and services exports and imports

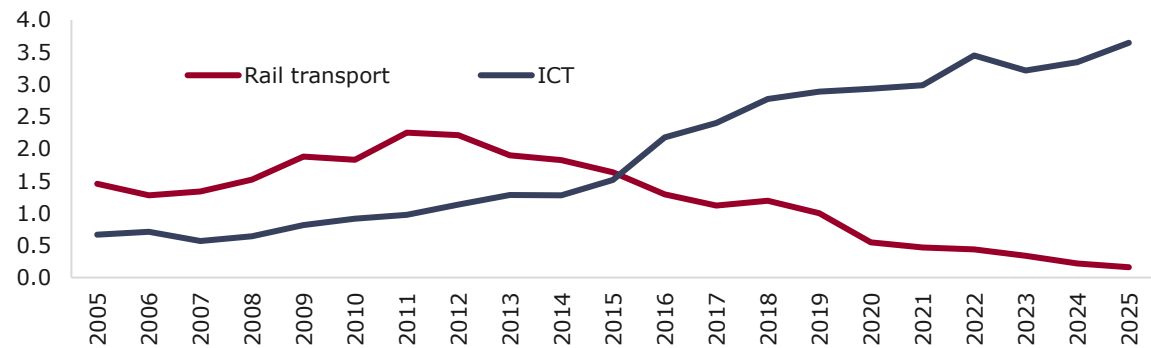
(% of GDP)



Source: Latvijas Banka

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

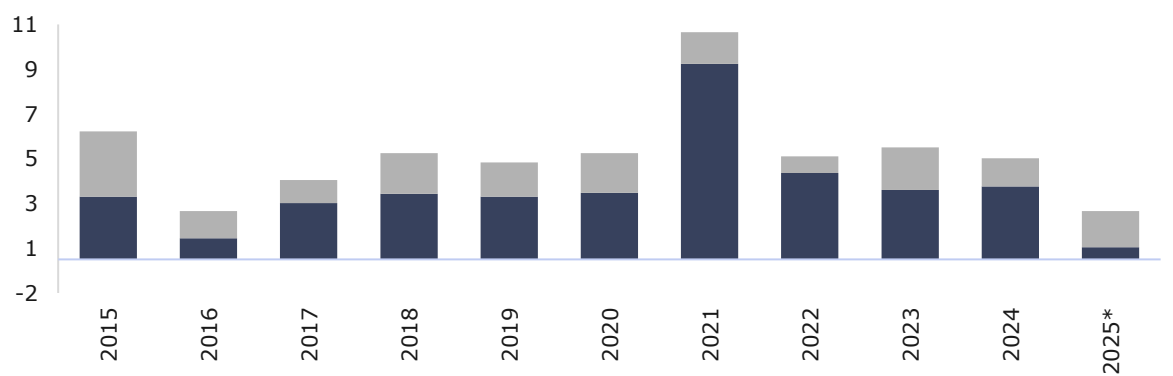
(% of GDP)



Source: Latvijas Banka

## Investments inflow

(% of GDP)



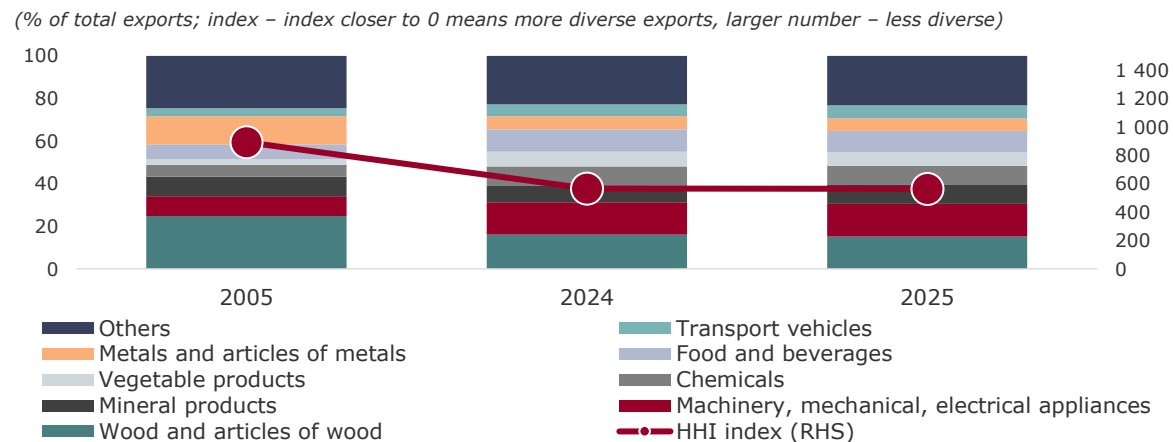
Source: Latvijas Banka

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 3.2 % of GDP in 2025

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

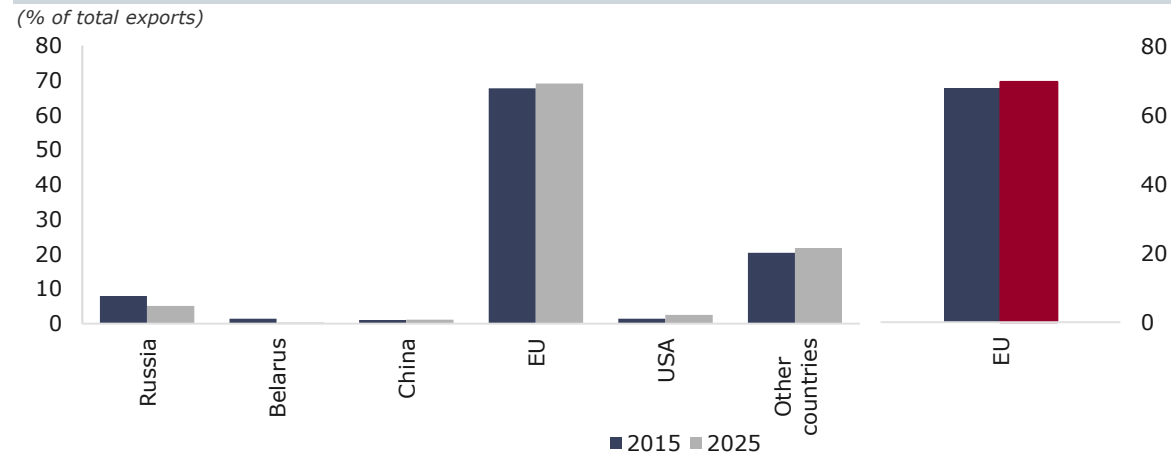
Exports have been diversified among various goods and trading partners, moving away from the Russian market, dependence on exports into USA is limited

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



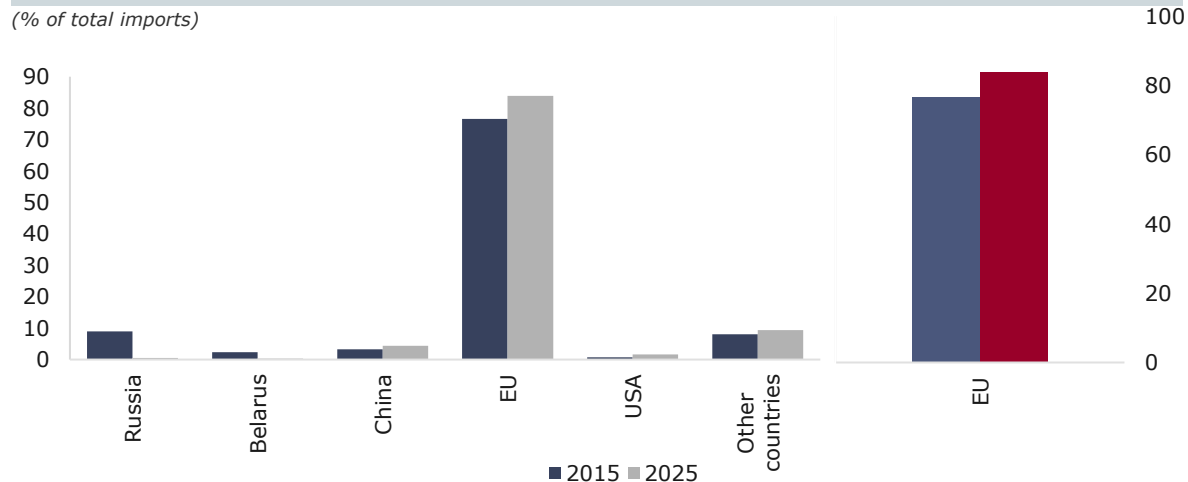
Source: Central Statistical Bureau of Latvia

## Structure of exports of goods in 2015 and 2025 by country



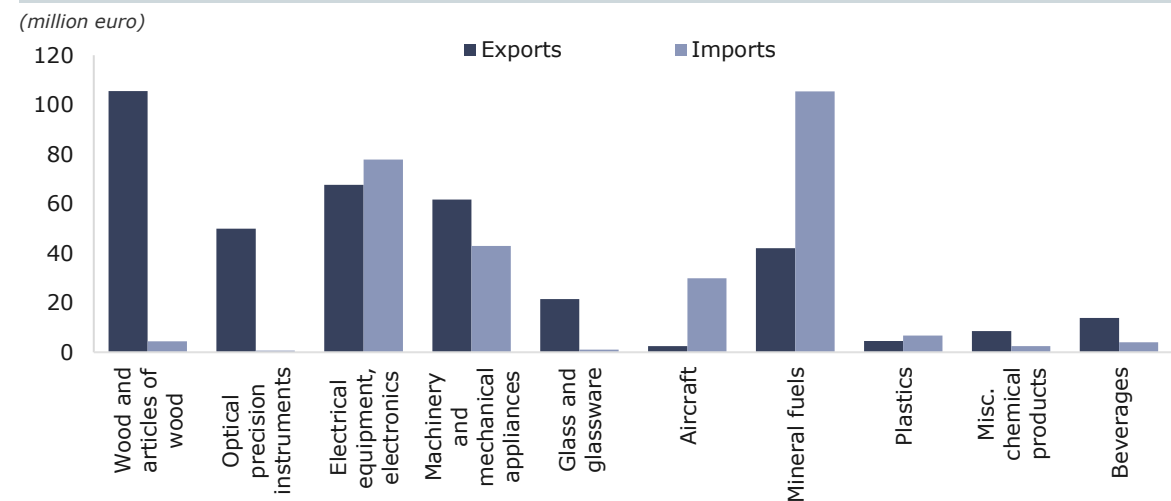
Source: Central Statistical Bureau of Latvia

## Structure of imports of goods in 2015 and 2025 by country

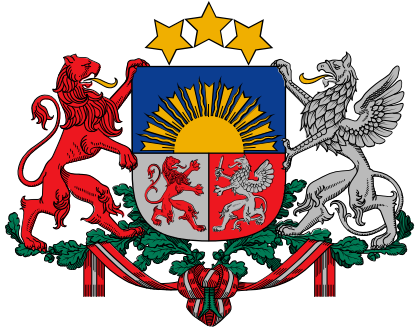


Source: Central Statistical Bureau of Latvia

## Exports and imports of goods to the US in 2025 by product group



Source: Central Statistical Bureau of Latvia



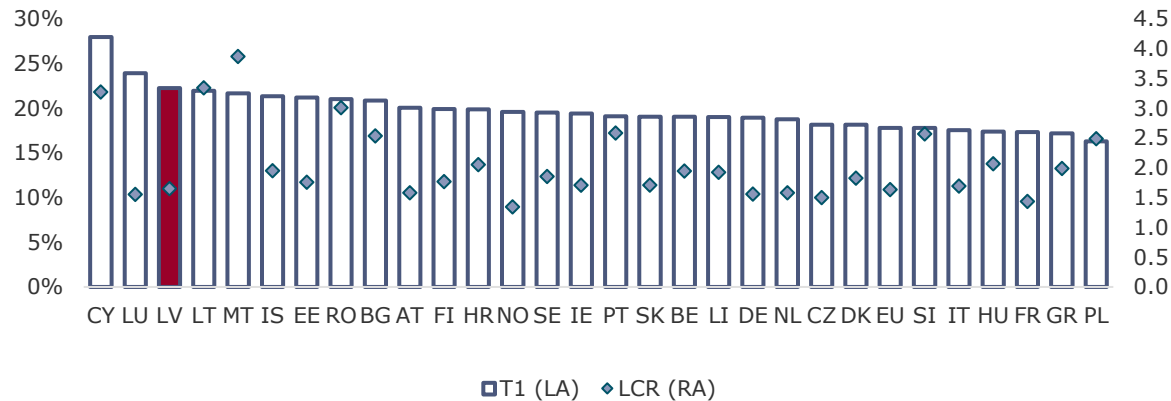
# Banking Sector



# Well-Capitalized and Profitable Banking Sector

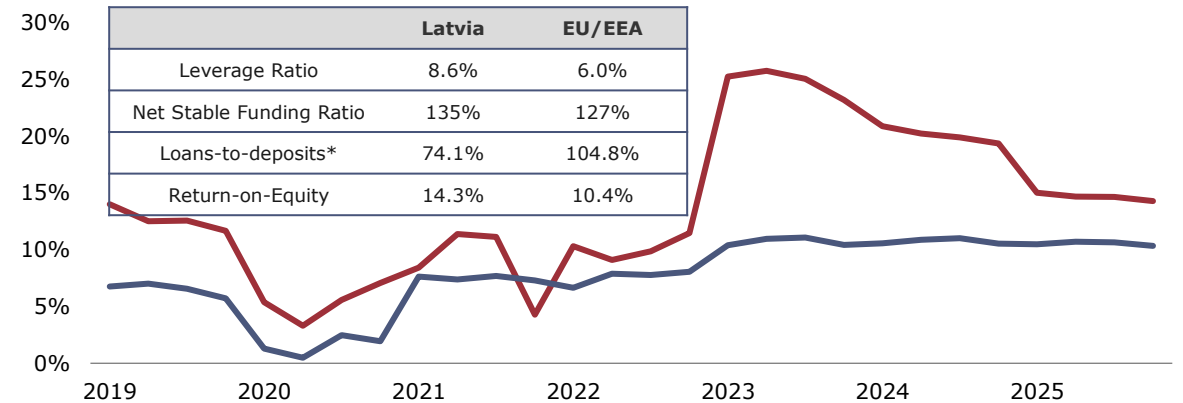
Prudent lending, ample capital buffers and low corporate and household debt provide strong shock absorption capacity

## Total Tier 1 Capital Ratio and Liquidity Coverage Ratio



Source: European Banking Authority Risk Dashboard (Data as of Q4 2025).

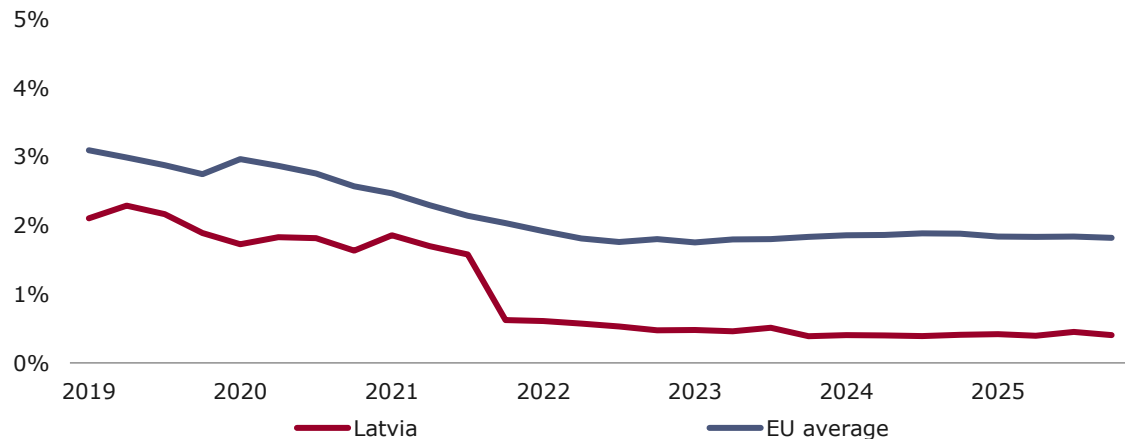
## Return on Equity and additional indicators



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

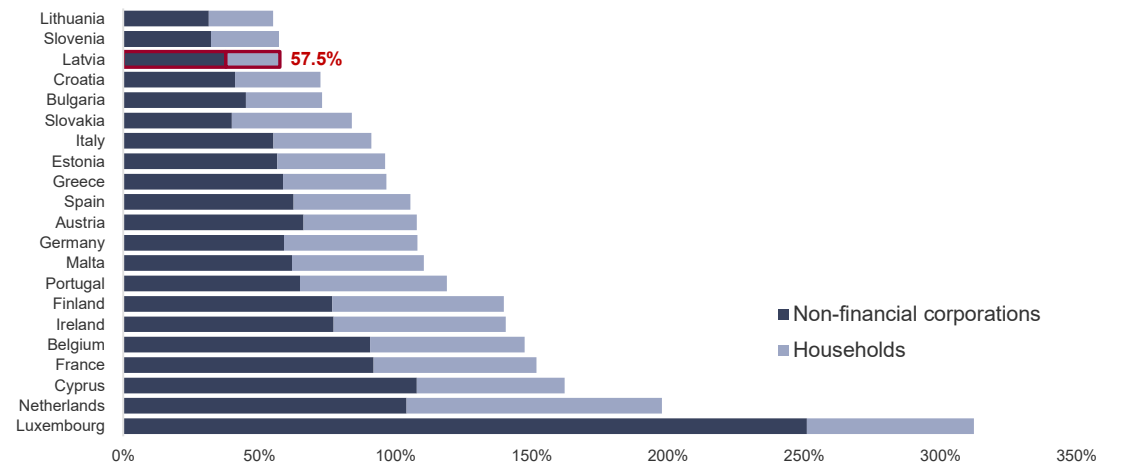
Source: European Banking Authority Risk Dashboard (Data as of Q4 2025).

## Share of NPLs in total loans



Source: European Banking Authority Risk Dashboard (Data as of Q4 2025).

## Total debt\*-to-GDP



Total consolidated debt vis-a-vis rest of the economy in 2025 Q4, (% of GDP), Data for Ireland refers to 2025 Q3

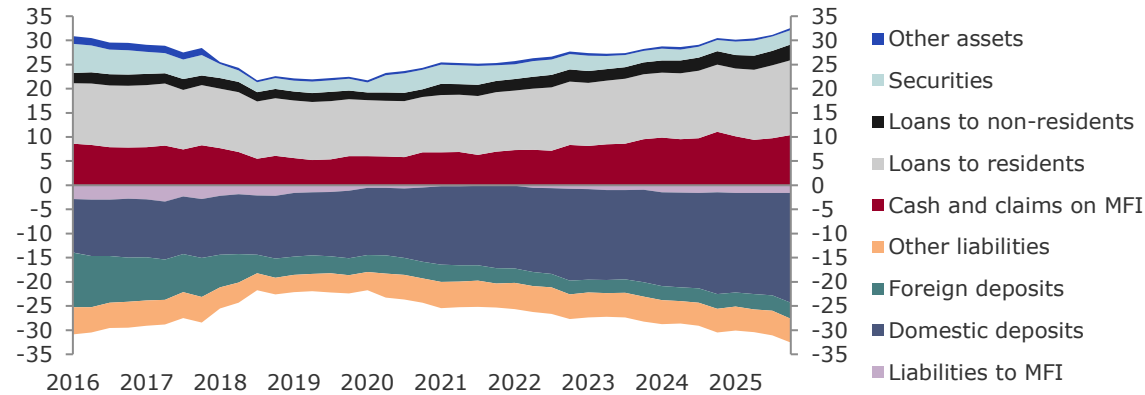
Source: ECB SDW

# 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

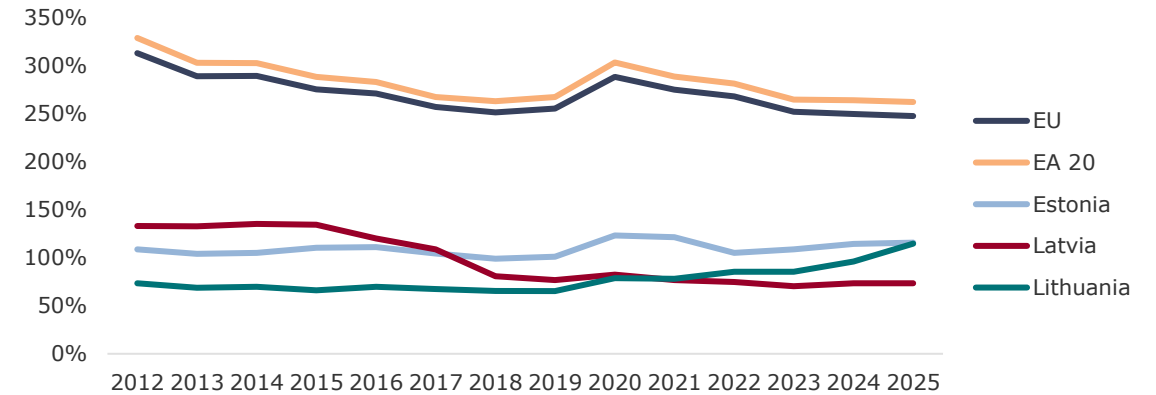
(EUR bn)



Source: Latvijas Banka, Latvijas Banka's calculations

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

Banking sector assets, % of GDP



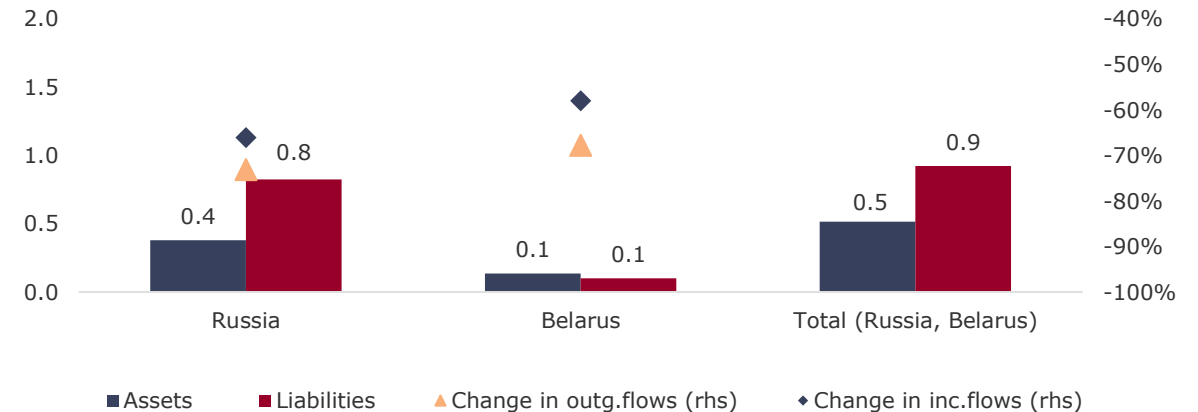
Source: ECB, EUROSTAT

## Improvement in AML

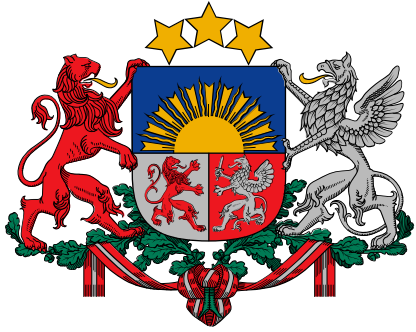
- As noted in the IMF Article IV review 2023, Latvia has made significant progress with anti-money laundering and counter financing terrorism (AML/CFT) framework. This is further solidified by MONEYVAL's 6th round evaluation report, published on Feb 2026, which highlights Latvia's high level of institutional effectiveness and confirms that the risk level of ML/TPF has decreased substantially.
- 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

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



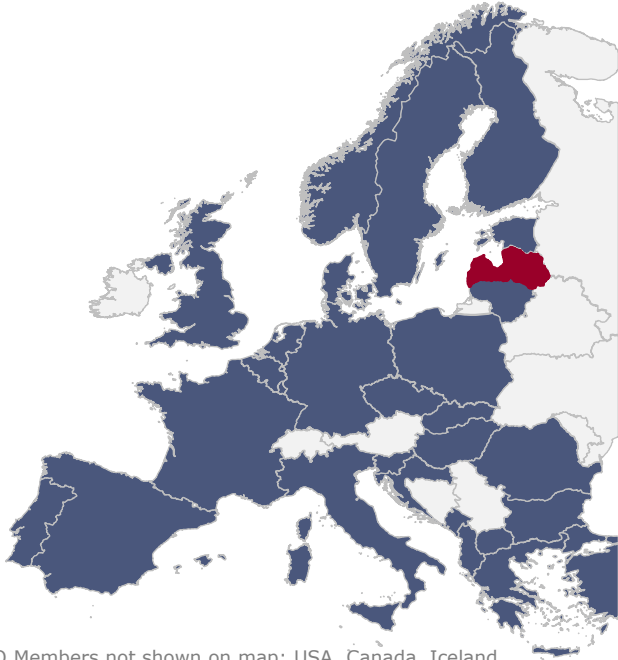
# Security and Energy



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

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

## Latvia is part of the NATO Eastern flank



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

## Latvia strengthens defence capabilities

- **18 nations** and around **4000 Allied troops** stationed in Latvia
- **Canadian-led** multinational NATO **brigade** in Latvia
- Investments in **Air and Missile Defence system & «Eastern Sentry»**
- Coordinated **fortification** of Europe’s eastern **border**
- New infrastructure to accommodate the **training needs**

## Strategic directions and goals for Latvian defence industry

More National Armed Forces procurements from domestic industry

Share of local military products in National Armed Forces procurements

- **20%** by 2028
- **30%** by 2036

Increase of innovative capacity

Share of the defence budget for defence research, technology development and innovations

- **1,5%** by 2028
- **3%** by 2036

Bigger contribution of defence industry to Latvian economy

Share of defence industry in the Latvian economy

- **3% of GDP** by 2028
- **5% of GDP** by 2036

## 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**

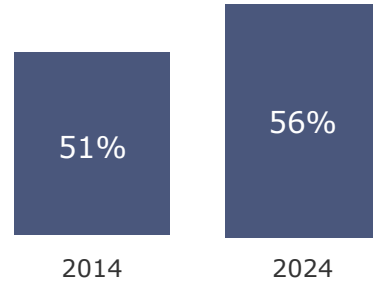
# Baltics disconnected from BRELL and successfully joined the Continental Europe Synchronous Area

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**

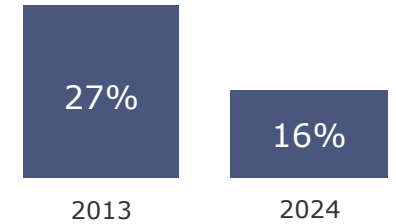


Source: Eurostat

**No natural gas from Russia as of January 2023**

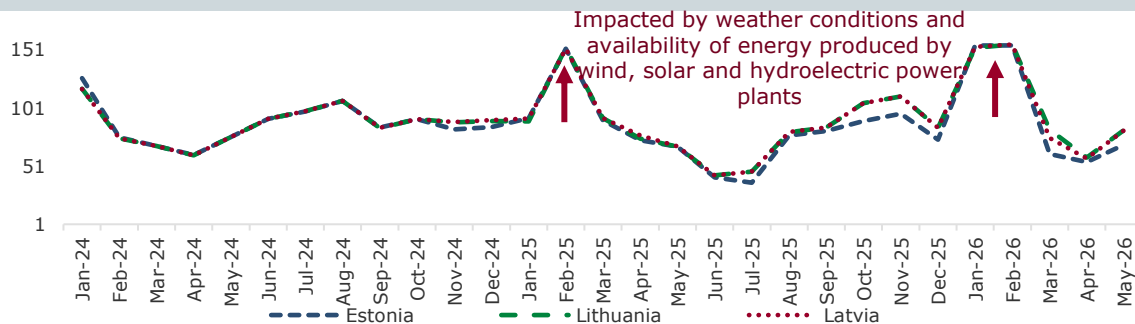


**Natural gas in Energy Mix**



Source: Central Statistical Bureau of Latvia

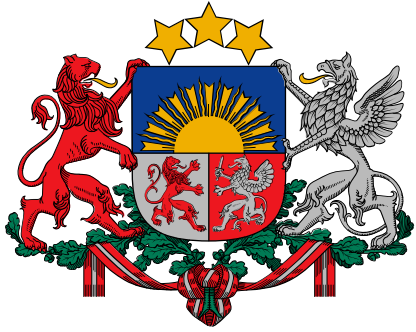
**Nord Pool day-ahead electricity prices in Baltic states (EUR, monthly aggregate)**



Source: Nord Pool, as of May 12, 2026

**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 26,4% full in April 2026. The injection season begins on 1 May 2026. However, injections in the Inčukalns UGS are being conducted since March 2026.



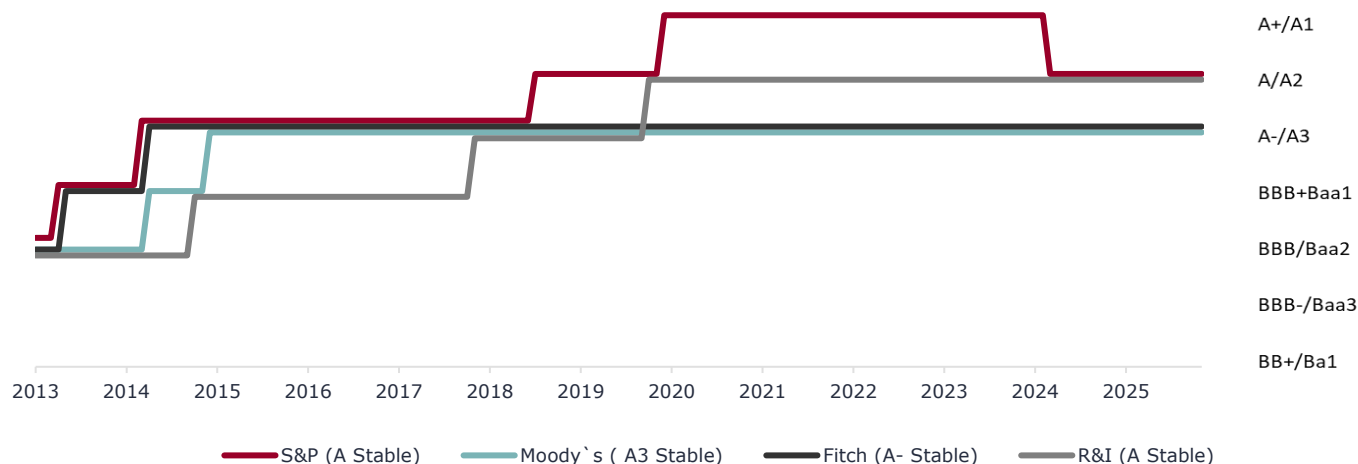
# Debt Management



# 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 April 27, 2026, R&I affirmed long-term foreign currency sovereign credit ratings at the A level with a Stable outlook (contained rating action)

### Credit Strengths:

- Reasonable resilience to geopolitical risks
- High economic flexibility
- Firm commitment to fiscal discipline and government debt in check
- Stable economic growth in the medium term

## Fitch Ratings A- / Stable

On April 24, 2026, 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

## Moody's A3 / Stable

On January 16, 2026, 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
- Solid economic strength
- 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 contained rating action)

### Credit Strengths:

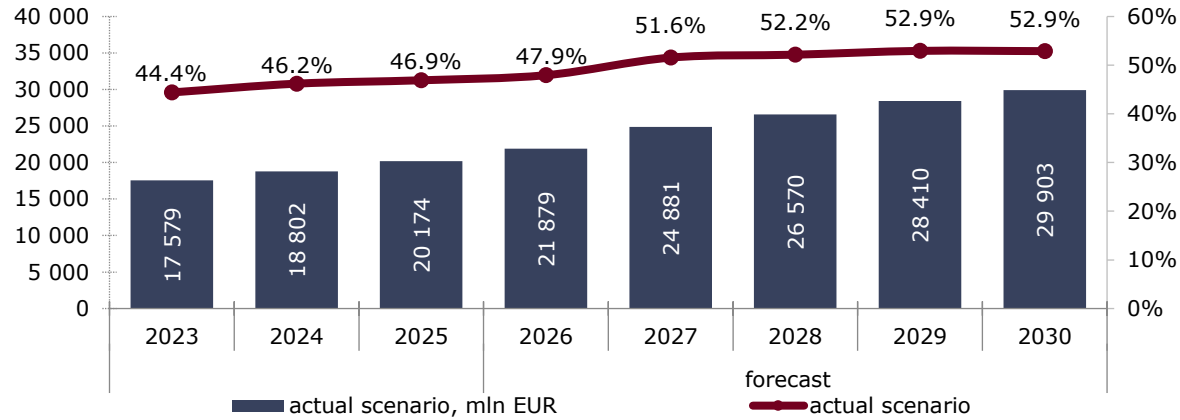
- Effective economic policymaking and Eurozone, EU and NATO membership
- Prudent fiscal policy
- Moderate government debt
- Stable Latvia's banking sector

# 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

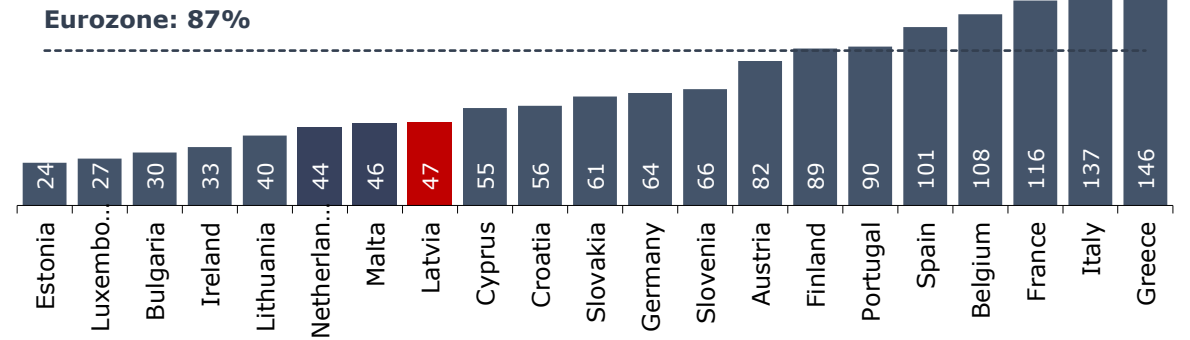
General Government Debt (mEUR and % of GDP, ESA 2010 methodology)



Source: Eurostat (2023-2025); forecasts for 2026-2030 according to the 2026 Progress Report of the Fiscal-Structural Plan (April 2026) (macroeconomic forecasts as of February 2026)

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

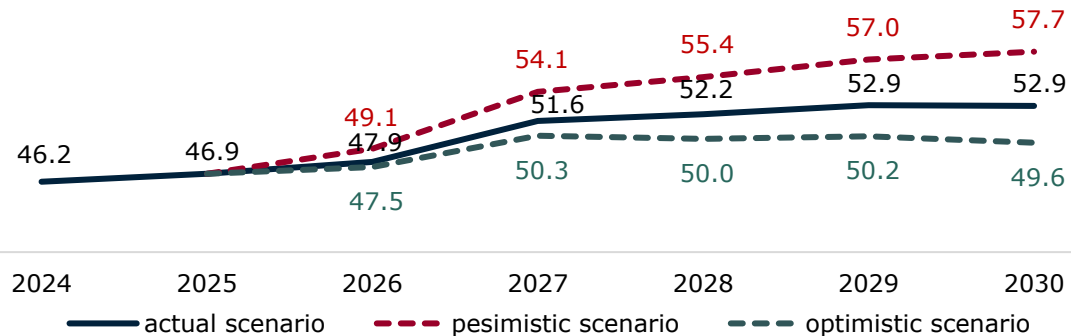
General Government Debt (% of GDP), 2025



Source: Eurostat

## General Government Debt scenarios

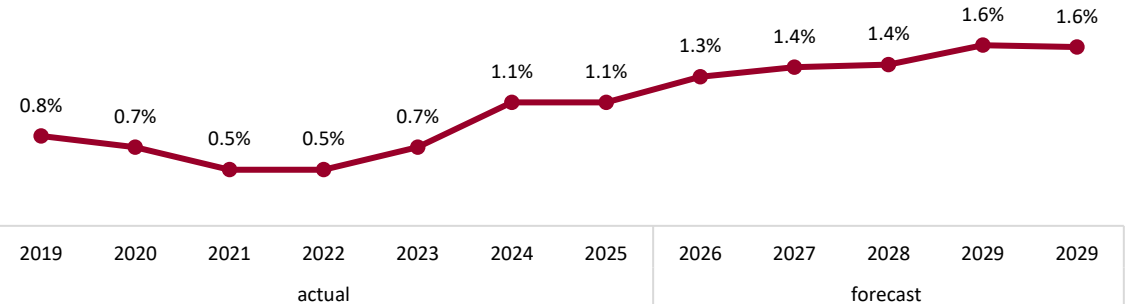
General Government Debt (% of GDP)



Source: Eurostat 2024-2025; forecasts for 2026-2030 according to the 2026 Progress Report of the Fiscal-Structural Plan (April 2026) (macroeconomic forecasts as of February 2026)

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

General Government Interest Payments (% of GDP, ESA 2010 methodology)



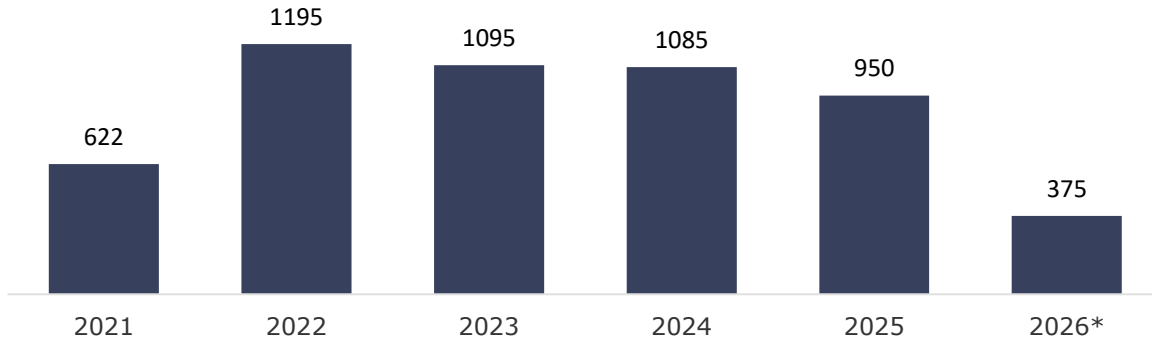
Source: Eurostat (2019-2025), forecasts for 2026-2030 according to the 2026 Progress Report of the Fiscal-Structural Plan (April 2026) (macroeconomic forecasts as of February 2026)

# 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

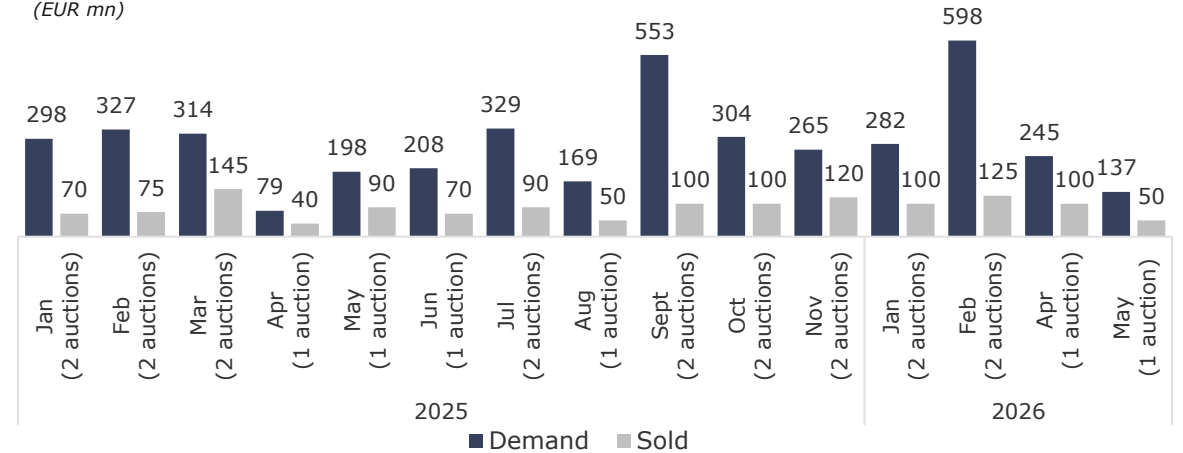
(EUR mn)



Source: The Treasury, data as on May 12, 2026

## Demand in Eurobond TAP auctions remains high and supportive

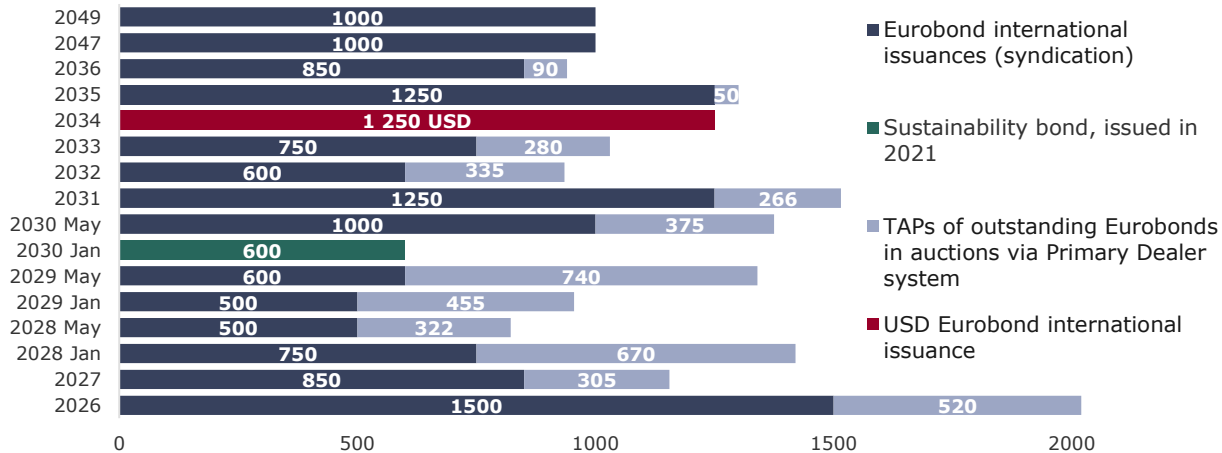
(EUR mn)



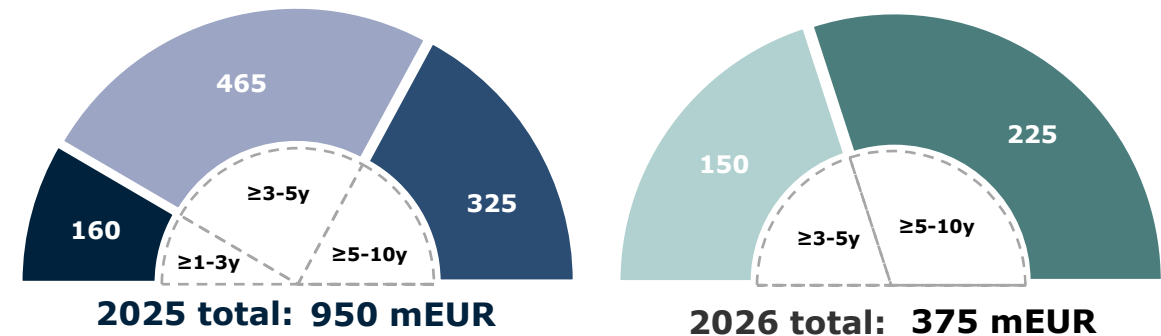
Source: \*The Treasury, data as of May 12, 2026

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

Latvia Eurobonds Outstanding (EUR or USD mn)



## Sold amount in Eurobond TAP auctions by remaining maturity (Jan 01 – May 12, 2026, nominal value, million EUR)



Source: The Treasury, data as of May 12, 2026

# 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)

**2026**  
3,8 billion EUR

**2027**  
4,3 billion EUR

**2028**  
4,2 billion EUR

**TOTAL**  
12,3 billion EUR

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

### Borrowing instruments

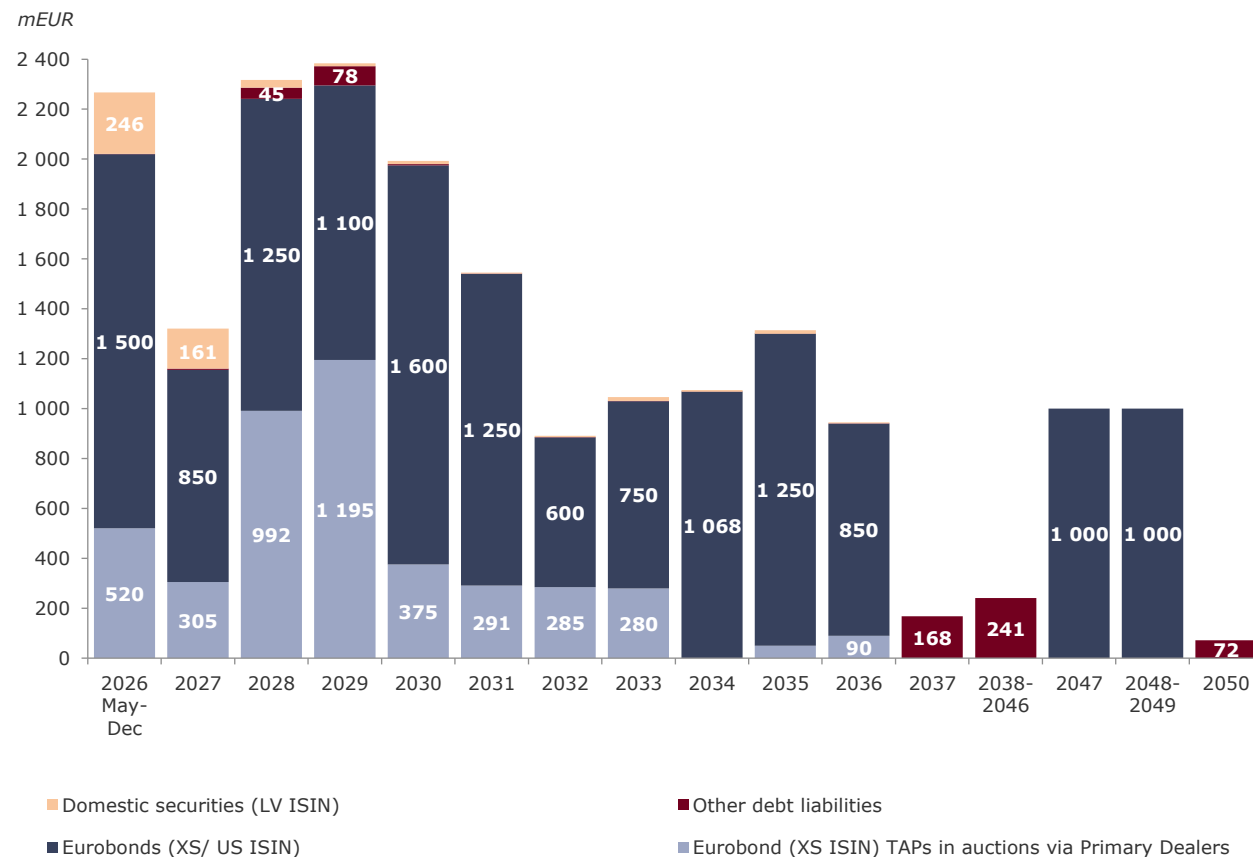
**Bonds as core instruments in capital markets**

(via syndicates, auctions and considering different currencies)

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

**Savings Bonds**

## Debt redemption profile\*



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, May 2026

\*excluding financial derivatives  
Source: The Treasury, data as of April 30, 2026