

Annual Report

2025

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Management Report

A Year of Accelerated Growth

2025 was a year of purposeful, strategically driven growth for Industra Bank. At a time when the business environment in Latvia and across Europe continued to be shaped by geopolitical uncertainty and cautious investment sentiment, we demonstrated our ability to grow responsibly while maintaining a long-term perspective and high levels of client satisfaction.

Our focus remains firmly on Latvian small and medium-sized enterprises – businesses that manufacture, export, create jobs and contribute to the tax base. These are companies that not only build their own success, but strengthen the foundations of Latvia's economy. Working with such businesses requires depth of understanding, careful analysis, ongoing dialogue and considered decision-making. This is a deliberate choice – and our responsibility.

During the year, the Group's gross loan portfolio increased by 63%, from EUR 107 million to EUR 175 million. Client deposits grew by 8% to EUR 282 million, while total assets rose by 11% to EUR 320 million. At the same time, we maintained strong capital adequacy, ensuring a solid foundation for further growth, a balanced loan portfolio structure and resilience against external shocks.

These results reflect not only financial growth, but also our professional ability to assess risk and structure transactions of varying complexity.

A significant milestone following the reporting period was the international recognition received on 9 February 2026, when Moody's Ratings assigned Industra Bank a long-term deposit rating of Ba2 and a senior unsecured debt rating of Ba3, both with a stable outlook. Industra Bank became the first locally owned bank in Latvia to receive such a global assessment. The rating affirms the quality of our governance, risk controls, capital strength and liquidity position, and serves as an internationally recognised mark of trust for our clients, partners and investors.

Industra Bank continues to develop as a specialised business bank with a clear focus – financing the growth of Latvian companies and supporting Latvia's export capacity.

Our Foundation - Financing the Growth of Latvian Businesses

In 2025, our priority was the targeted expansion of lending while maintaining a prudent risk policy and an individual approach to every project.

When assessing financing applications, we do not rely solely on automated scoring models. Projects that may fall outside the standardised criteria of large banks often secure funding with us because we take the time to understand the business, assess its risk structure and make professionally grounded decisions.

We are not a bank that looks for reasons to say no. We look for structures that allow sound projects to be implemented responsibly.

In 2025, we provided new financing to 99 companies across Latvia, strengthening manufacturing, services, agriculture, regional entrepreneurship and export capacity.

Partnership – Through Strong and Challenging Seasons

Our agricultural loan portfolio almost doubled during the year and is on its way to EUR 50 million. Despite the sector facing a third consecutive difficult season, we continued working alongside our clients to identify sustainable solutions focused on long-term development and improved efficiency.

Strategic Strengthening of the Industra Group

In 2025, we expanded the Industra Group through the acquisition of a 53% stake in MC Finance. This transaction enables us to diversify income streams and broaden our client base while maintaining our focus on responsible lending.

The acquisition of a controlling interest allows the Group to:

- expand its service offering and contribute to addressing housing accessibility challenges, particularly outside Riga;
- develop the small-scale vehicle leasing segment.

Strategic acquisitions form part of our long-term plan to build a flexible financial group with a diversified service portfolio, balanced risk profile and sustainable growth model.

Client Experience as a Competitive Advantage

In 2025, our corporate client Net Promoter Score (NPS) increased to 52, compared with 40 the previous year. This significant improvement confirms that our approach – in-depth understanding, personal engagement and flexible financial solutions – delivers measurable value to our clients.

We do not serve “files”. We work with businesses and the people behind them. Understanding a client’s business is a prerequisite for quality service and meaningful long-term partnership. This remains our competitive advantage in a market increasingly driven by standardisation.

Export – The Only Sustainable Path to Economic Growth

Export growth is the only sustainable path for Latvia’s economy. Industra Bank is a bank for exporters. We support companies that already export or are expanding into specific markets, including Asia.

We view exports as the engine of Latvia’s economic development. Our role is not only to finance, but to help businesses prepare for international competition and support them on their journey into export markets.

Beyond financing, we provide advisory support in implementing internal control systems, addressing documentation and compliance matters, and structuring logistics and payment solutions.

To strengthen the export capacity of Latvian companies, in 2025 Industra Bank became a partner of the Latvian Chamber of Commerce and Industry in organising the export-focused forum Latvian Chamber of Commerce and Industry ExportUp. As part of the forum, we conducted an in-depth study of export dynamics in Latvia and the Nordic countries over the past 30 years, analysing growth rates, market structures and competitiveness challenges.

Technology, Efficiency and Risk Management

In 2025, we continued to automate internal processes and enhance our data analytics capabilities, enabling faster credit decisions and more effective risk management. Our objective is not speed alone – it is quality and precision.

We are deliberately building a bank where growth never comes at the expense of stability.

Our Team – Our Competitive Edge

Industra is a bank founded by Latvian entrepreneurs. We understand business not only in theory, but in practice.

Our business, risk, compliance, legal and support functions operate as one team with a shared objective: delivering responsible, high-quality and sustainable decisions.

Each Industra employee, through their expertise and commitment, strengthens our ability to understand complex business stories and make considered decisions. Our knowledge, professional courage and willingness to go the extra mile form the core of Industra Bank and distinguish us from our competitors.

Priorities for 2026

Looking ahead, our focus is clear:

- loan portfolio growth driven by at least EUR 100 million in new lending;
- outstanding client experience;
- strengthening export capacity.

We will continue to be a bank that grows together with entrepreneurs.

Thank you to our clients for your trust.

Thank you to our team for your professionalism and dedication.

As businesses grow, Latvia's economy grows with them – and that is our shared success. We are confident that the role of a specialised, entrepreneur-focused bank in Latvia will only become more significant, and Industra Bank is ready to fulfil that role.

On behalf of the Council and the Board of the Bank

Jurijs Adamovičs
Chairman of the Council

Raivis Kakānis
Chairman of the Board

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Information on the bank's management

INFORMATION ON THE BANK'S MANAGEMENT

Council members as of the date of signing these financial statements

Name, surname	Position	Date of appointment
Jurijs Adamovičs	Chairman of the Council	28 December 2018
Andis Kļaviņš	Deputy Chairman of the Council	04 April 2020
Ivars Grunte	Member of the Council	10 December 2018
Aleksejs Prokofjevs	Member of the Council	06 February 2024
Mihails Šafro	Member of the Council	28 March 2024

Board members as of the date of signing these financial statements

Name, surname	Position	Date of appointment
Raivis Kakānis	Chairman of the Board	06 April 2020
Artūrs Veics	Member of the Board	12 June 2020
Kristaps Zaķis	Member of the Board	21 March 2024
Klāvs Poriķis	Member of the Board	16 December 2025

Until November 28, 2025 Jānis Diedišķis was the Member of the Board.

On December 16, 2025 Klāvs Poriķis was elected as a new Member of the Board.

Statement of responsibility of the bank's management

STATEMENT OF RESPONSIBILITY OF THE BANK'S MANAGEMENT

The management of AS Industra Bank is responsible for the preparation of the Bank's separate financial statements and the consolidated financial statements of the Bank and its subsidiaries AS Industra Invest and AS MC Finance (hereinafter - the Group).

The financial statements presented on pages 11 to 89 are prepared based on source documents and present fairly the financial position of the Group and the Bank as at 31 December 2025 and the results of their operations, and cash flows for the year then ended.

The Bank's separate and the Group's consolidated financial statements are prepared in accordance with the IFRS Accounting Standards as adopted by the European Union. Appropriate accounting policies have been applied on a consistent basis. Prudent and reasonable judgments and estimates have been made by the management in the preparation of the financial statements.

The management of the Bank is responsible for the maintenance of a proper accounting system, safeguarding the Group's and the Bank's assets, and the detection and prevention of fraud and other irregularities in the Group and the Bank. Management is also responsible for operating the Group and the Bank in compliance with the Law on Credit Institutions, regulations of Latvijas Banka and other legislation of the Republic of Latvia applicable to credit institutions.

On behalf of the Council and the Board of the Bank

Jurijs Adamovičs
Chairman of the Council

Raivis Kakānis
Chairman of the Board

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The bank's separate and the group's consolidated financial statements

The Bank's separate and the Group's consolidated statements of financial position

EUR'000	Note	2025 Group	2025 Bank	2024 Group	2024 Bank
ASSETS					
Cash and balances due from Latvijas Banka	6	119,501	119,501	153,338	153,338
Demand deposits with credit institutions	7	90	14	280	280
Financial assets at fair value through profit or loss	8	1,279	2,754	1,273	1,273
Financial assets at fair value through other comprehensive income	8	37	37	32	32
Financial assets at amortised cost		171,435	166,875	107,332	111,604
<i>Debt securities</i>	8	-	-	3,016	3,016
<i>Loans and receivables</i>	9	171,435	166,875	104,316	108,588
Investment in subsidiaries	28	-	10,375	-	9,645
Intangible assets	10	29	1	145	145
Property and equipment	11	8,827	8,617	9,036	9,013
Investment properties	12	15,623	1,026	13,920	1,166
Other assets	13	6,177	5,739	6,374	5,681
Total assets		322,998	314,938	291,730	292,177
LIABILITIES AND EQUITY					
Financial liabilities at amortised cost:	14	282,411	283,130	261,636	262,096
<i>Deposits</i>		276,397	277,116	256,588	257,048
<i>Subordinated liabilities</i>	15	6,014	6,014	5,048	5,048
Preference shares at amortised cost	16 A	1,209	-	-	-
Other liabilities	16 B	8,199	5,297	4,650	4,613
Provisions		197	199	145	145
Total liabilities		292,016	288,626	266,431	266,854
Shareholders' equity					
Share capital	17	20,000	20,000	20,000	20,000
Fair value reserve		37	37	32	32
Accumulated profit		8,364	6,275	5,267	5,291
Non-controlling interest	28	2,581	-	-	-
Total Shareholders' equity		30,982	26,312	25,299	25,323
Total liabilities and equity		322,998	314,938	291,730	292,177

The accompanying notes on pages 16 to 89 form an integral part of these Bank's separate and Group's consolidated financial statements.

The Council and the Board of the Bank approved the issue of these Bank's separate and Group's consolidated financial statements as presented on pages 11 to 89 on 30 March 2026.

Jurijs Adamovičs
Chairman of the Council

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The Bank's separate and the Group's consolidated statements of profit or loss and other comprehensive income

EUR'000	Note	2025 Group	2025 Bank	2024 Group	2024 Bank
Interest income	18	12,522	11,775	12,474	14,953
<i>including income at effective interest rate</i>		12,496	11,749	12,340	14,819
Interest expenses	19	(3,095)	(2,972)	(3,277)	(3,277)
Net interest income		9,427	8,803	9,197	11,676
Commission and fee income	20	9,131	8,969	8,157	8,157
Commission and fee expense	21	(2,134)	(2,134)	(1,482)	(1,482)
Net commission income		6,997	6,835	6,675	6,675
Gain on trading with financial instruments	22	196	347	199	188
Net gain/ (loss) on revaluation of financial assets measured at fair value through profit or loss	22	165	165	376	376
Other operating income	23	667	407	560	325
Other operating expenses	24	(706)	(342)	(656)	(324)
Net operating income		16,746	16,215	16,350	18,916
Administrative expenses	25	(12,223)	(11,206)	(11,097)	(10,873)
Depreciation of property and equipment	26	(736)	(695)	(765)	(755)
Revaluation of investment property	12	1,514	52	(861)	40
Loan impairment allowance net result		88	(231)	220	3,549
Impairment on non-financial assets	28	-	(1,087)	-	(7,908)
Loss from asset write-off		(352)	-	-	-
Profit before taxation		5,037	3,048	3,848	2,969
Income tax expenses	39	(519)	(410)	(538)	(534)
Profit after taxation for the reporting period		4,518	2,638	3,310	2,435
<i>Loss Attributable to non-controlling interest</i>		(232)	-	-	-
<i>Profit Attributable to Equity holders of the Bank</i>		4,750	2,638	3,310	2,435
Other comprehensive income					
Items that could be reclassified to profit or loss					
Net gains / (loss) on financial assets (debt instruments) at fair value through other comprehensive income		5	5	8	8
Other comprehensive income for the reporting year		5	5	8	8
Total comprehensive income		4,755	2,643	3,318	2,443
<i>Attributable to non-controlling interest</i>		(232)	-	-	-
<i>Attributable to Equity holders of the Bank</i>		4,755	2,643	3,318	2,443

The accompanying notes on pages 16 to 89 form an integral part of these Bank's separate and Group's consolidated financial statements.

The Council and the Board of the Bank approved the issue of these Bank's separate and Group's consolidated financial statements as presented on pages 11 to 89 on 30 March 2026.

Jurijs Adamovičs
Chairman of the Council

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The Bank's separate and the Group's consolidated statements of changes in shareholder's equity

Group EUR'000	Share capital	Fair value reserve	Accumulated profit / (loss)	Non- controlling interest	Total equity
As at 31 December 2023	27,601	24	(2,945)	-	24,680
<i>Profit for the reporting year</i>	-	-	3,310	-	3,310
<i>Other comprehensive income</i>	-	8	-	-	8
Total comprehensive income	-	8	3,310	-	3,318
<i>Reduction of share capital by redirection to retained earnings of previous years (note 17)</i>	(7,601)	-	7,601	-	-
<i>Dividends paid</i>	-	-	(2,699)	-	(2,699)
Total other changes in equity	(7,601)	-	4,902	-	(2,699)
As at 31 December 2024	20,000	32	5,267	-	25,299
<i>Acquisition of assets June 30, 2025</i>	-	-	-	2,813	2,813
<i>Profit for the reporting year</i>	-	-	4,750	(232)	4,518
<i>Other comprehensive income</i>	-	5	-	-	5
Total comprehensive income	-	5	4,750	2,581	7,336
<i>Dividends paid</i>	-	-	(1,653)	-	(1,653)
Total other changes in equity	-	-	(1,653)	-	(1,653)
As at 31 December 2025	20,000	37	8,364	2,581	30,982

Bank EUR'000	Share capital	Fair value reserve	Accumulated profit/ (loss)	Total equity
As at 31 December 2023	27,601	24	(2,046)	25,579
<i>Profit for the reporting year</i>	-	-	2,435	2,435
<i>Other comprehensive income</i>	-	8	-	8
Total comprehensive income	-	8	2,435	2,443
<i>Reduction of share capital by redirection to retained earnings of previous years (note 17)</i>	(7,601)	-	7,601	-
<i>Dividends paid</i>	-	-	(2,699)	(2,699)
Total other changes in equity	(7,601)	-	4,902	(2,699)
As at 31 December 2024	20,000	32	5,291	25,323
<i>Profit for the reporting year</i>	-	-	2,638	2,638
<i>Other comprehensive income</i>	-	5	-	5
Total comprehensive income	-	5	2,638	2,643
<i>Dividends paid</i>	-	-	(1,654)	(1,654)
Total other changes in equity	-	-	(1,654)	(1,654)
As at 31 December 2025	20,000	37	6,275	26,312

The accompanying notes on pages 16 to 89 form an integral part of these Bank's separate and Group's consolidated financial statements.

The Council and the Board of the Bank approved the issue of these Bank's separate and Group's consolidated financial statements as presented on pages 11 to 89 on 30 March 2026.

Jurijs Adamovičs
Chairman of the Council

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The Bank's separate and the Group's consolidated statements of cash flows

EUR'000	Note	2025 Group	2025 Bank	2024 Group	2024 Bank
Cash flows from operating activities					
Profit before taxation		5,037	3,048	3,848	2,969
Depreciation of property and equipment		736	695	765	755
Impairment on non-financial assets		-	1,088	-	7,908
Loan impairment allowance (decrease)/ increase		(88)	231	(220)	(3,549)
Revaluation of investment property		(1,514)	(52)	861	(40)
Interest income		(12,522)	(11,775)	(12,474)	(14,953)
Interest expense		3,095	2,972	3,277	3,277
Other changes		5	5	8	8
Decrease in cash and cash equivalents used in operating activities before changes in operating assets and liabilities		(5,251)	(3,788)	(3,936)	(3,625)
Increase in loans and advances to customers		(61,300)	(58,583)	(6,564)	(11,506)
Increase/(decrease) in financial assets at amortised cost - debt securities		3,016	3,016	46,887	46,127
(Increase)/ decrease in other financial assets		(11)	(119)	1,372	724
Decrease/ (increase) in other assets		197	(58)	(339)	(1,946)
Increase in deposits		19,809	20,068	16,559	36,324
Decrease in other liabilities		4,104	738	(85)	2,939
Interest received		12,511	11,655	12,392	14,871
Interest paid		(3,095)	(2,972)	(3,277)	(3,277)
Net cash flows from operating activities before tax		(30,020)	(30,043)	63,009	80,631
Corporate income tax paid		(484)	(484)	(946)	(946)
Net cash from operating activities		(30,504)	(30,527)	62,063	79,685
Cash flow from investing activities					
Purchase of property, equipment and intangible assets		(305)	(154)	(485)	(485)
Sale of investment property		192	192	69	-
Investment in subsidiaries	28	-	-	-	(17,553)
Cash paid net of cash acquired in a asset acquisition	28	(2,722)	(2,926)	-	-
Net cash flow from investing activities		(2,835)	(2,888)	(416)	(18,038)
Cash flow from financing activities					
Increase/(decrease) in subordinated liabilities		966	966	1,371	1,371
Dividends (paid)		(1,654)	(1,654)	(2,699)	(2,699)
Net cash flows from financing activities		(688)	(688)	(1,327)	(1,327)
Net increase in cash and cash equivalents		(34,027)	(34,103)	60,319	60,319
Cash and cash equivalents at the beginning of the year		153,618	153,618	93,299	93,299
Cash and cash equivalents at the end of the year	27	119,591	119,515	153,618	153,618

The accompanying notes on pages 16 to 89 form an integral part of these Bank's separate and Group's consolidated financial statements.

The Council and the Board of the Bank approved the issue of these Bank's separate and Group's consolidated financial statements as presented on pages 11 to 89 on 30 March 2026.

Jurijs Adamovičs
Chairman of the Council

Raivis Kakānis
Chairman of the Board

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Notes to the bank's separate and the group's consolidated financial statements

Notes to the Bank's separate and the Group's consolidated financial statements

1 GENERAL INFORMATION

Information on the Bank

AS Industra Bank (hereinafter – the Bank, Industra Bank) is established as joint stock company in Republic of Latvia in 1994, in Riga and is licensed as a bank offering a wide range of financial services to enterprises and individuals. The legal address of the Bank on 31st December 2025 is Muitas iela 1, Riga, Latvia. The Bank has one client service centre in Riga, and client service centres in Liepāja, Ventspils, Daugavpils and Jelgava.

These financial statements include the Group's consolidated and the Bank's separate financial statements. The consolidated financial statements for the year ended 31 December 2025 include the financial statements of the Bank and its subsidiaries AS Industra Invest and AS MC Finance (hereinafter - the Group). The legal address of AS Industra Invest is Muitas iela 1, Riga, Latvia. AS Industra Invest manages investment properties portfolio and provides leasing services.

The financial statements were approved for issue by the Board on 30 March 2026. The shareholders have the right to reject these financial statements and request that new financial statements are prepared.

Legislation regulating the Bank's operations

The Bank's operations are governed by the law "On Credit Institutions", "Commercial Law" and regulations issued by the EU and Latvijas Banka. The above regulations govern capital adequacy, minimum equity, liquidity, foreign exchange positions, risk transaction restrictions with respect to one counterparty, group of related customers and related parties of the Bank, as well as other applicable requirements.

2 BASIS OF PREPARATION

Statement of Compliance

These financial statements have been prepared in accordance with IFRS Accounting Standards as adopted by the European Union (IFRS accounting standards) on a going concern basis. The financial statements were prepared on a historical cost basis, except for financial assets measured at fair value through profit or loss, financial assets measured at fair value through other comprehensive income and investment properties measured at fair value.

After considering key risks the management believes that the going concern basis of accounting is appropriate for the preparation of these financial statements. The financial and capital position of the Group and the Bank and their business activities, the objectives and policies of risk management and the key risks to which the Group and the Bank are exposed are described in Note 4.

Business activities are planned and carried out by the Group and the Bank in view of the available capital and liquidity and in line with regulatory requirements. As at 31 December 2024 Bank was compliant with all regulatory requirements. The capital adequacy calculation and wider disclosures on current and expected capital adequacy requirements are provided in section "Capital management". In addition to other risk policies and procedures the Group and the Bank have a comprehensive liquidity risk management and capital planning framework in place.

The management of the Group and the Bank consistently monitors and evaluates the market situation and its potential impact on the Group and the Bank.

The preparation of the financial statements under IFRS accounting standards as adopted by the EU requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities and the reported income and expenses for the reporting period.

Although such estimates are based on reasonable information available to management regarding these events and activities, actual results may differ from these estimates.

Functional and Presentation Currency

The financial statements are presented in euros and all figures are rounded to thousands of euros unless indicated otherwise. Euro is functional currency of the Bank and its subsidiaries.

Presentation of statement of financial position in order of liquidity

The Group and the Bank does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and

Notes to the Bank's separate and the Group's consolidated financial statements

2 BASIS OF PREPARATION (continued)

liabilities are presented in order of their liquidity. Refer to Note 35 for analysis of financial instruments by their maturity.

3 MATERIAL ACCOUNTING POLICIES

The following significant accounting policies have been applied in the preparation of the consolidated and separate financial statements:

Basis for consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

The investment in AS Industra Invest, in which the Bank holds a 100% interest and voting rights, is accounted for in the Bank's separate financial statements at cost less impairment.

Transactions eliminated on consolidation

Intra-group transactions, balances and unrealised profits arising from intra-group transactions are eliminated in the course of consolidation. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in a former subsidiary is measured by the Group at fair value when control is lost.

Currency translation

Foreign exchange transactions are translated into the respective functional currency at the reference exchange rate published by the European Central Bank on the date of the respective transaction.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest rate and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the functional currency at the spot exchange rate at the date of acquisition or the date that the fair value was determined, respectively. Foreign currency differences arising on translation are recognised in the statement of profit or loss.

The exchange rates for the most significant currencies as set by the European Central Bank at reporting date were as follows:

Currency	Reporting date	
	31.12.2025	31.12.2024
USD	1.1750	1.0389

Financial instruments

Initial recognition

All purchases and sales of financial assets that require delivery in accordance with accepted market principles ("ordinary" purchases and sales) are accounted for at the date of the transaction, which is the date on which the Group / the Bank commits to deliver the financial asset. Other purchases are recognised when the Group / the Bank becomes a party to the contractual terms of the instrument.

Financial instruments at FVTPL are initially recorded at fair value. All other financial instruments are initially recorded at fair value adjusted for transaction costs. Fair value at initial recognition is best evidenced by the

Notes to the Bank's separate and the Group's consolidated financial statements

3 MATERIAL ACCOUNTING POLICIES (continued)

transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets. After the initial recognition, an ECL allowance is recognised for financial assets measured at AC and investments in debt instruments measured at FVOCI.

Financial instruments are classified into the following categories:

- Financial assets at fair value through profit or loss (FVTPL);
- Financial assets at fair value through other comprehensive income (FVOCI);
- Financial assets at amortised cost (AC).

The classification and subsequent measurement of financial assets depends on: (i) the Group's and the Bank's business model for managing the related assets portfolio and (ii) the cash flow characteristics of the asset.

The business model reflects how the Group and the Bank manages the assets in order to generate cash flows - whether the Group's and the Bank's objective is: (i) solely to collect the contractual cash flows from the assets ("hold to collect contractual cash flows",) or (ii) to collect both the contractual cash flows and the cash flows arising from the sale of assets ("hold to collect contractual cash flows and sell") or, if neither of (i) and (ii) is applicable, the financial assets are classified as part of "other" business model and measured at FVTPL.

Business model is determined for a group of assets (on a portfolio level) based on all relevant evidence about the activities that the Group and the Bank undertakes to achieve the objective set out for the portfolio available at the date of the assessment.

Where the business model is to hold assets to collect contractual cash flows or to hold contractual cash flows and sell, the Group and the Bank assesses whether the cash flows represent solely payments of principal and interest ("SPPI"). Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are consistent with the SPPI feature. In making this assessment, the Group and the Bank considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for credit risk, time value of money, other basic lending risks and profit margin.

Where the contractual terms introduce exposure to risk or volatility that is inconsistent with a basic lending arrangement, the financial asset is classified and measured at FVTPL. The SPPI assessment is performed on initial recognition of an asset and it is not subsequently reassessed.

Financial assets at fair value through profit or loss

Financial assets are measured at fair value through profit or loss if they are not measured at amortised cost or measured at fair value through other comprehensive income.

For equity instruments that would otherwise be measured at fair value through profit or loss, at initial recognition an irrevocable election may be made to recognise those at fair value through other comprehensive income. The option to choose is applicable to each instrument individually.

Interest on financial assets measured at fair value through profit or loss is included in net interest income. Revaluation and trading gains or losses arising from changes in the fair value of the respective financial assets are included directly in the income item "Net gain on revaluation of financial assets measured at fair value through profit or loss". Such financial assets and liabilities after initial recognition are revalued at fair value based on available market prices or broker quoted prices.

Financial assets at fair value through other comprehensive income

For a financial asset to be measured at fair value through other comprehensive income, it should be concurrently held within a business model the aim thereof is both to receive contractual cash flows and to sell the financial asset and the contractual terms of the financial asset should give rise on specific dates to cash flows that are "solely payments of principal and interest on the principal amount outstanding". The Group's financial assets measured at fair value through other comprehensive income are expected to be held for an indefinite period of time and may be sold if required by liquidity or changes in interest rates, exchange rates or share prices.

Notes to the Bank's separate and the Group's consolidated financial statements

3 MATERIAL ACCOUNTING POLICIES (continued)

Financial assets measured at fair value through other comprehensive income are subsequently, after initial recognition, re-measured at fair value based on available market prices. A revaluation gain or loss on a financial asset measured at fair value through other comprehensive income is recognised in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognised or reclassified. For debt securities the difference between the initial carrying amount and amortised cost determined by the effective interest rate method is treated as interest income; upon derecognising of a security the cumulative fair value revaluation gain previously recognised in other comprehensive income is reclassified from equity to profit or loss.

For non-equity financial instruments measured at fair value through other comprehensive income, the loss allowance is recognised in other comprehensive income and does not reduce the carrying amount in the statement of financial position. For equity instruments, that are not held for trading and not acquired as a result of business combinations, the Group and the Bank, upon initial recognition, should make an irrevocable election to present the subsequent changes in fair value of the instruments in other comprehensive income or in profit or loss. This election is made on an instrument-by-instrument basis. Amounts presented in other comprehensive income are not subsequently transferred to profit or loss, but cumulative gain or loss on disposal is transferred directly to retained earnings.

Financial assets at amortised cost

In order to measure a financial asset at amortised cost, it should be held concurrently within a such business model that aims to hold a financial asset in order to receive its contractual cash flows and the contractual terms of the financial asset should give rise on specific dates to cash flows that are "solely payments of principal and interest on the principal amount outstanding" (SPPI principle). Financial assets measured at amortised cost are carried at amortised cost using the effective interest rate method, less any allowance for impairment.

A gain or loss on a financial asset that is measured at amortised cost is recognised in profit or loss when the financial asset is derecognised, reclassified through the amortisation process or in order to recognise impairment gains or losses. Financial assets at amortised cost are recognised on drawdown. From the date of signing of a relevant contract till drawdown they are accounted for as off-balance sheet commitments.

When amending or revising the contractual cash flows of financial assets that do not result in derecognition, the Group and the Bank shall recalculate the gross carrying amount of the financial assets and recognise gain or loss from changes in the statement of profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets). The new gross carrying amount is an estimate of the present value resulting from the initial effective interest rate of the financial asset or the credit-adjusted effective interest rate on a financial asset that is impaired or impaired by discounting the modified or revised contractual cash flows.

Estimates of expected cash flows include all contractual cash flows and payments, except for expected credit losses, unless the financial asset is acquired or issued with impairment. Costs or commissions adjust the carrying amount of the modified financial asset and are amortised over the remaining period of repayment of the modified asset.

If financial assets cannot be recovered, they are written off and charged against allowance for credit losses. The management of the Group and the Bank decides on writing-off of financial assets. Recoveries of loans previously written off are credited to the statement of profit or loss.

This category includes claims on credit institutions, loans and advances to customers and fixed income securities that correspond to the principle of "solely principal and interest payments".

Liabilities at amortised cost

Liabilities at amortised cost include deposits and account balances of credit institutions, balances of customer current accounts and customer deposits, subordinated liabilities and other financial liabilities.

Financial liabilities at amortised cost are initially measured at fair value less direct transaction costs and subsequently measured at amortised cost using the effective interest rate method.

The fixed maturity of subordinated deposits is at least five years at the time of their creation and these deposits must be repaid before maturity only in the event of the cessation of business or bankruptcy of the Bank, when those are ranked before shareholders' claims. Likewise, issued subordinated debt securities must be repaid

Notes to the Bank's separate and the Group's consolidated financial statements

3 MATERIAL ACCOUNTING POLICIES (continued)

before maturity only in the event of the cessation of business or bankruptcy of the Bank, when they rank before the shareholders' claims.

Derecognition

Financial assets - write-off

Financial assets are written off in full or in part when the Group and the Bank has exhausted all practical possibilities of recovery and has concluded that there is no reason to believe that the amounts will be recovered. The write-off is a de-recognition event. The Group and the Bank may write off financial assets that are still subject to enforcement activity when the Group and the Bank seeks to recover amounts that are due under contracts, however, there is no reason to believe that they will be recovered.

Financial assets - de-recognition

The Group and the Bank derecognises financial assets when:

- the assets are redeemed or the rights to cash flows from the assets expired; or
- the Group and the Bank transfer the rights to the cash flows from the financial assets or enter into a relevant agreement, while
 - (i) transferring all material risks and rewards of ownership of the asset, or
 - (ii) neither transferring nor retaining all material risks and rewards inherent in the ownership of the asset, nor retaining control. Control is maintained if the other party to the transaction does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale transaction.

Repurchase and reverse repurchase agreements

Securities sold under sale and repurchase ("repo") agreements are accounted for as secured financing transactions, with the securities retained in the statement of financial position and the counterparty liability included in amounts payable under repo transactions. The difference between the sale and repurchase price represents the interest expense and is recognised in the statement of comprehensive income over the term of the repo agreement using the effective interest rate method.

Securities purchased under agreements to resell ("reverse repo") are recorded as amounts receivable under reverse repo transactions. The differences between the purchase and resale prices are treated as interest income and accrued over the term of the "reverse repo" agreement using the effective interest method. If assets purchased under an agreement to resell are sold to third parties, the obligation to return securities is recorded as a trading liability and measured at fair value.

Derivatives

Derivative financial instruments including foreign exchange contracts, currency and interest rate swaps and other derivative financial instruments are initially recognised in the statement of financial position at their fair value. Attributable transaction costs are recognised in the statement of profit or loss of the relevant period. Fair values are obtained from quoted market prices or discounted cash flow models, as appropriate. OTC derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Group and the Bank do not use hedge accounting.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Property and equipment

Items of property and equipment are measured at cost less accumulated depreciation and impairment losses. Property and equipment are recognized if the expected usage is more than a year and the cost is at least 300 EUR, incl. VAT.

Notes to the Bank's separate and the Group's consolidated financial statements

3 MATERIAL ACCOUNTING POLICIES (continued)

Where an item of property and equipment comprises major components having different useful lives, they are accounted for as separate items of property and equipment. Cost includes expenses that are directly attributable to the acquisition of the asset.

Depreciation is charged to the statement of profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date when the asset becomes available for use or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Depreciation methods, useful lives and residual values are assessed annually. The annual depreciation rates are as follows:

Buildings	5%
Furniture and cars	20%
Computers	35%
Other fixed assets	20%

Intangible assets

Intangible assets acquired by the Group or the Bank are stated at cost less accumulated amortisation and impairment losses.

Software licences are capitalised based on the costs incurred to acquire and customise the specific software. Depreciation is charged to the statement of profit or loss on a straight-line basis over the estimated useful lives of the individual assets. The estimated use is the period of validity of the relevant licence or no longer than 3 years from the moment of acquisition or creation.

Repossessed assets

As part of the normal course of business the Group and the Bank occasionally take possession of property that originally was pledged as security for a loan. When the Group and the Bank acquire (i.e., gains full title to) a property in this way, the property's classification follows the nature of its intended use by the Group and the Bank. Mostly, the group and the bank classify the acquired assets as assets held for sale. Other types of collateral (repossessed finance lease objects) are classified as other assets and carried at cost net of impairment loss.

Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business or for administrative purposes. All investment properties are carried at fair value. The fair value of investment property is based on a valuation by an independent appraiser who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued. The fair value of the Group's and the Bank's investment property is measured by independent appraisers on a regular basis.

The Group and the Bank transfers a property to, or from, investment property when, and only when, there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use.

Earned rental income is recorded in profit or loss for the year within other operating income. Gains and losses resulting from changes in the fair value of investment property are recorded in profit or loss for the year and presented separately.

Recognition of income and expenses

All significant categories of income and expenses are recognised on an accrual basis.

Interest income is recognised as it accrues in the statement of profit or loss using the effective interest method. Interest income and expense include the amortisation of any discount or premium or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

Loan origination fees and other fees including the related direct costs that are considered an integral part of the total loan profitability are deferred and amortised to the interest income over the estimated life of the financial instrument using the effective interest rate method.

Notes to the Bank's separate and the Group's consolidated financial statements

3 MATERIAL ACCOUNTING POLICIES (continued)

Other fees, commissions and other income and expense items are recognised when the corresponding service has been supplied.

Fair value measurement principles

The management of the Group and the Bank makes the following significant estimates and judgements.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of liabilities represents the risk of default.

A number of the Group's accounting policies and disclosures require the determination of fair value for both financial and non-financial assets and liabilities carried at fair value or disclosures on their fair value should be made in the financial statements.

The Group and the Bank have an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values.

Specific controls include:

- verification of observable pricing;
- re-performance of model valuations;
- a review and approval process for new models against observed market transactions;
- analysis and investigation of significant daily valuation movements;
- review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared to previous month.

The methods described below have been used for the determination of fair values.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions with the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in the statement of profit or loss depending on the individual facts and circumstances of the transaction but not later than when the valuation is supported wholly by observable market data or the transaction is closed out. When available, the Group and the Bank measure the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If a market for a financial instrument is not active, the fair value is established by the Group and the Bank using a valuation technique. Valuation techniques include recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique should make maximum use of market inputs, rely as little as possible on estimates specific to the Group and the Bank, incorporate all factors that market participants would consider in setting a price, and be consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

The Group and the Bank calibrate valuation techniques and test them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

Where third-party information, such as broker quotes or pricing services, are used to measure fair value, the Group and the Bank assess and document the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS accounting standards. This includes:

- Verifying that equity broker or pricing service is approved by the Group and the Bank for use in pricing the relevant type of financial instrument;
- Understanding how the fair value has been arrived at and the extent to which it represents actual market transactions;

Notes to the Bank's separate and the Group's consolidated financial statements

3 MATERIAL ACCOUNTING POLICIES (continued)

- When prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement.

In determining the fair value of assets or liabilities the Group and the Bank use observable market data to the extent possible. Fair value is classified into different levels of the fair value hierarchy based on the inputs used in the measurement techniques:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group and the Bank recognise transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. For further analysis of the basis for fair value refer to Note 38.

Credit impairment

Financial assets

The Management of the Group and the Bank considers both specific exposures and portfolio-level risks in determining the balance of impairment allowance for expected credit losses. The expected credit loss assessment is forward-looking and is based on unbiased and probability-weighted information about past events, current conditions and forecasts of future economic conditions. Impairment allowance for expected credit losses is recognised even if no credit loss event has happened. A loan or portfolio of loans is impaired and impairment losses are incurred if, and only if, there is objective evidence that the estimated present value of future cash flows is less than the current carrying value of the loan or portfolio of loans, and it can be reliably estimated.

For off-balance contingent liabilities, the Group and the Bank may account allowances for expected future losses that are recognised as provisions. The provisioning principles for expected losses arising from off-balance sheet financial commitments and contingent liabilities are consistent with the principles and methods applied for on-balance sheet exposures. Additional considerations are applied to adjustments for expected conversion and future use patterns of the committed limits as well as the Group's and the Bank's performance in timely identification and termination of limits for deteriorating exposures.

The Group and the Bank have grouped the loans into 3 stages and POCI loans, based on the applied impairment methodology, as described below:

Stage 1 – performing loans: when loans are first recognised, the Group and the Bank recognise an allowance based on twelve months expected credit losses.

Stage 2 – loans with significant increase in credit risk: when a loan shows a significant increase in credit risk since initial recognition, the Group and the Bank record an allowance for the lifetime expected credit loss. The Group and the Bank use the following criteria to determine a significant increase in credit risk: contractual payments are overdue by more than 30 days, the loan is included in the watch list, a negative outlook for the industry.

Stage 3 – loans in default or with indication for unlikeliness to pay. The Group and the Bank recognise lifetime expected credit losses for these loans and, in addition, accrue interest income on the amortised cost of the loan net of allowances. Allowances for expected credit losses on individual loans are calculated according to the present value of their discounted future cash flows, however, the collateral value is adjusted to reflect the amount expected to be earned from the collateral. The definition of "default" as used by the Group and the Bank to classify financial assets into Stage 3 does not differ from the one provided in Article 178 of Regulation 575/2013, i.e., exposure delayed 90 and more days (less days for some products), significant restructuring, insolvency or bankruptcy, or similar legal proceedings started or other indicators of unlikeliness to pay. Evidence that a financial asset is in default of unlikely to pay includes the following observable data:

Notes to the Bank's separate and the Group's consolidated financial statements

3 MATERIAL ACCOUNTING POLICIES (continued)

- significant financial difficulty of the borrower;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting to the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, a concession that the Group or the Bank would not otherwise consider;
- the borrower entering bankruptcy or other financial reorganisation becomes highly probable;
- a combination of several other events that cause a loan to become credit impaired.

POCI – credit-impaired financial asset at the time when they were purchased or originated.

The Group and the Bank recognise impairment for fair value through other comprehensive income (FVOCI) debt securities as applicable, depending on whether they are classified as Stage 1, 2, 3 or POCI, as explained above. However, in this event the expected credit losses will not reduce the carrying amount of these financial assets in the financial statement, which shall remain to be stated at fair value. Instead, an amount equal to the allowance that would arise if the assets were measured at amortised cost will be recognised in other comprehensive income as an accumulated impairment amount, with a corresponding charge to profit or loss.

For FVOCI debt securities considered to be "low risk", the Group and the Bank apply a policy which assumes that the credit risk on the instrument has not increased significantly since initial recognition. Such instruments will include investment grade securities where the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. For "low risk" assets Expected Credit Loss (ECL) is calculated as explained in Stage 1 above.

When estimating lifetime ECLs for undrawn loan commitments, the Group and the Bank: a) estimate the expected portion of the loan commitment that will be drawn down over the expected life of the loan commitment, and b) calculate the present value of cash shortfalls between the contractual cash flows that are due to the Group and the Bank and the cash flows the Group and the Bank expect to receive for that expected portion of the loan drawn down.

For financial guarantee contracts, the Group and the Bank calculate the ECL based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the guarantor expects to receive from the holder, the debtor or any other party.

For revolving facilities such as credit cards and overdrafts, the Group and the Bank measure ECLs by determining the period over which they expect to be exposed to credit risk, taking into account the credit risk management actions that they expect to take once the credit risk has increased and that serve to mitigate losses.

Following a decrease in credit risk, a financial asset may be re-classified from Stage 3 to Stage 2 or from Stage 2 to Stage 1. The Group and the Bank use a sufficiently long (in some events – up to 2 years) probation period until all factors of enhanced risk or default do not exist anymore, to establish a possibility to move a financial asset from Stage 3 to Stage 2 and from Stage 2 to Stage 1. The classification of POCI assets will not change over the assets' lifetime.

Expected credit loss will be determined by the Group and the Bank using the so-called EAD x PD x LGD method, where EAD is exposure at default, PD is probability of default and LGD is loss given default. For measurement of expected credit losses financial instruments are grouped based on similar probability of default and common credit peculiarities as well as individual assessment of borrowers.

As part of the portfolio based EAD x PD x LGD method each component is determined separately and then all components are aggregated on the portfolio level. PD evaluation is made by the Bank using migration matrices based on historical performance of portfolio of financial assets adjusted for forward-looking forecasts. The main macroeconomic and industry factors taken into account are gross domestic product, geopolitical risks and real estate prices. EAD evaluation is made by the Group and the Bank using payment schedules adjusted, where necessary, for advance payments and taking into account off-balance sheet transactions.

Model validation includes reviews of input data, underlying assumptions used for expected credit loss evaluation, and review of model output data. Back-testing is performed by testing whether the Stage 2 indicators correctly reflect an increase in credit risk, and namely, the Bank analyses the number and amount of cases when a loan is reclassified directly from Stage 1 to Stage 3, as well as it is intended to compare the actual historical performance of portfolio to the expected credit loss estimation results as per developed models.

Notes to the Bank's separate and the Group's consolidated financial statements**3 MATERIAL ACCOUNTING POLICIES (continued)**

The assessment of whether lifetime expected credit losses should be recognised is based on significant increases in the likelihood (Stage 2) or a default (Stage 3) occurring since initial recognition. In most cases, there will be a significant increase in credit risk before a financial asset becomes credit-impaired or an actual default occurs (Stage 3), thus default (Stage 3) and credit-impaired loan classification will be closely aligned and will indicate non-performance of the borrower or significance of forbearance measures undertaken, but classification will not necessarily equal in all cases.

For purchased or originated credit-impaired (POCI) financial assets, expected credit losses are discounted using the credit-adjusted effective interest rate determined at initial recognition. For purchased or originated credit-impaired financial assets only the cumulative changes in lifetime expected credit losses since initial recognition are recognised as a loss allowance. Favourable changes in lifetime expected credit losses are recognised as an impairment gain, even if the lifetime expected credit losses are less than the amount of expected credit losses that were included in the estimated cash flows on initial recognition.

Fully impaired loans, the recovery of which may become economically unviable, may be written-off and charged against impairment allowance. These loans are not written-off until the necessary legal procedures have been completed and the amount of the loss is determined. When a loan or receivable is written-off, the claim against the borrower normally is not forgiven. Subsequent recoveries of amounts previously written-off are reported in the statement of profit or loss as recovered written-off assets within net credit losses on financial instruments.

For unused credits that have been granted, under the terms of the credit agreement, but not used, a conversion factor is calculated which is determined in accordance with the requirements set out in Regulation 575/2013. The unused credit amount is multiplied by the conversion factor and added to the loan balance.

Similarly, as for loans to customers, the Group and the Bank estimate expected credit losses to reflect changes in credit risk since initial recognition of debt securities, loans to credit institutions and central banks exposures and commitments to extend credit. Impairment allowances are recognised based on forward looking information, even if no credit loss event has happened. The assessment considers a broad range of information, but as most of these types of exposures are rated, it relies heavily on external credit ratings and rating agencies' reported default rates derived by calculating multi-period rating transition matrices. The LGD depends on the type of issuer (counterparty) and the external credit rating. Discounted cash flow is used to calculate EAD. The effective interest rate on debt securities is the yield at the time of purchase. The effective interest rate on a money market transaction is the interest rate of the transaction. Expected losses for balances in correspondent accounts and interbank overnight loans are not calculated due to the short-term nature of transactions (not exceeding one day).

If no credit rating is assigned through all mentioned above, then for the financial asset's credit risk estimate the country's long-term credit rating is used, downgraded by 1 rating notch. Impairment provisions apply to financial assets measured at amortised cost but does not apply to financial assets measured at fair value through profit or loss. The Group and the Bank will recognise impairment for FVOCI debt securities, depending on whether they are classified as Stage 1, 2, or 3, as described above. The expected credit losses will not reduce the carrying amount of these financial assets in the statement of financial position, which remains at fair value.

For financial assets measured at fair value through other comprehensive income, the loss allowances are recognised in other comprehensive income and does not reduce their carrying amount in the statement of financial position.

Geopolitical risks

As the consequence of the Russia invasion of Ukraine, the imposed EU, USA and other sanctions as well as the counter measures implemented by Russia, the geopolitical risks increased significantly. Businesses and assets directly located in Russia, Belarus, as well as Ukraine have been negatively impacted. The Group and the Bank currently don't have notable exposures in the mentioned regions (less 100 EUR as at 31st December 2025). There are also indirect consequences resulting in changes of payment flows, sanctioned goods flows as well as price shocks of multiple commodities and products. Credit customers that are affected by such negative events (e.g., manufacturers of metal products, energy production from natural gas, etc.) have been added to credit watch list and consequently reclassified as Stage 2 exposures.

Notes to the Bank's separate and the Group's consolidated financial statements**3 MATERIAL ACCOUNTING POLICIES (continued)***Non-financial assets*

The carrying amounts of the Group's and the Bank's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. The main assets and cash generating units considered by the Group comprise investment properties. Properties are valued on an individual basis. Impairment losses are recognised as in the statement of profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

In respect of other assets, except goodwill, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Loan commitments

In the normal course of business, the Group and the Bank enter into credit related commitments comprising irrevocable credit line facilities, letters of credit and guarantees, and provides other forms of credit insurance.

Financial guarantees are contracts that require the Group and the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

A financial guarantee liability is recognised initially at fair value net of associated transaction costs, and is measured subsequently at the higher of the amount initially recognised less cumulative amortisation or the amount of provision for losses under the guarantee. Provisions for losses under financial guarantees and other credit related commitments are recognised when losses are considered probable and can be measured reliably. For unused credit amounts that have been granted but not used in accordance with the terms of the loan agreement, a conversion factor is calculated, depending on the historical use of the credit limits over the last 3 years. The amount of unused credit is multiplied by the conversion factor and added to the loan balance. For the purpose of calculating EAD for unused loans, it is assumed that the unused credits will be repaid in accordance with the repayment schedule of the relevant loan agreement.

Financial guarantee liabilities and provisions for other credit related commitments are included within other liabilities.

Taxation

Corporate income tax for the reporting period is included in the financial statements based on the management's calculations prepared in accordance with Latvian Republic tax legislation.

Corporate tax on distributed profit will be recognized when the shareholders of the Company make a decision about profit distribution.

The Company calculates and pays corporate income tax also for the conditionally distributed profit (20/80 of calculated taxable base), which includes taxable objects in accordance with the Corporate Income Tax law, such as the expenditure not related to economic activity, the doubtful debts of debtors and the loans to the related parties, if they meet criteria provided in the Corporate Income Tax law, as well other expenses exceeding statutory limits for deduction. Corporate income tax for the conditionally distributed profit is recognized in the statement of profit or loss in the year for which it is assessed. Corporate income tax for the distributed profit and

Notes to the Bank's separate and the Group's consolidated financial statements**3 MATERIAL ACCOUNTING POLICIES (continued)**

corporate income tax for the conditionally distributed profit is included in the statement of profit or loss line item "Income tax expenses" and disclosed by the components in the notes to the financial statements.

Corporate income tax for the reporting period is included in the financial statements based on the management's calculations prepared in accordance with Latvian Republic tax legislation. Corporate income tax is included in the profit and loss statement line item "Corporate income tax for the reporting year" in the year for which it is assessed and disclosed by the components in the notes to the financial statements.

Corporate income tax for the distributed profit is calculated as 20/80 of the net amount payable to shareholders. Corporate tax on distributed profit will be recognized when the shareholders of the Company make a decision about profit distribution.

The applicable tax rate in Latvia for undistributed profits earned till 2023 was 0%. For profits earned in 2023 or later periods, corporate income tax should be calculated and paid in the amount of 20% from annual profit after tax. Any amount of corporate income tax paid on undistributed profit will subsequently reduce the amount of tax payable for distribution of profit of the particular year.

Cash and Cash Equivalents

Cash and cash equivalents include notes and coins on hand, unrestricted balances held with the Latvijas Banka and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the Group and the Bank in the management of their short-term commitments, less amounts due to the Latvijas Banka and credit institutions with original maturities of less than 3 months.

Leases**Finance lease**

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

When assets are leased out under finance lease terms, the net investment in finance lease is recognised as a receivable. The net investment in finance lease represents the difference between the gross receivable and the unearned finance income.

Operating lease

An operating lease is a lease other than a finance lease.

Assets leased out under an operating lease are presented within property and equipment in the statement of financial position net of accumulated depreciation. They are depreciated over their expected useful lives on a basis consistent with similar owned property and equipment.

The Group and the Bank as a lessee

Where the Bank acts as a lessee, the standard requires that right-of-use (RoU) assets and lease liabilities arising from most leases are recognised in the statement of financial position.

Depreciation of the RoU assets and interest expenses related to lease liabilities are recognised in the statement of profit or loss. In the statements of cash flows payments for the principal portion of the lease liability are presented within financing activities and payments for the interest portion are presented within operating activities. The lease liability is initially measured as the present value of lease payments that are not paid at the commencement date. Over time, the liability will increase with interest expense accruals and decrease with lease payments. The RoU asset is initially measured at cost i.e., the same amount as the initial measurement of the lease liability plus certain other costs, for example lease payments made at or before commencement date. The RoU asset is thereafter depreciated over the lease term. Lease payments are discounted using the incremental borrowing rate. The Bank applies a single discount rate to a portfolio of leases with reasonably similar characteristics.

Notes to the Bank's separate and the Group's consolidated financial statements

3 MATERIAL ACCOUNTING POLICIES (continued)

The Group and the Bank as lessor

When acting as a lessor all leases shall be classified as either an operating lease or a finance lease. Operating leases are those leases where the lessor bears the economic risks and benefits.

Provisions

A provision is recognised in the statement of financial position when the Group and the Bank have a legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation, and provision amount can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Dividends

The Group and the Bank receive dividends from the equity instruments that are recorded in profit or loss when the right to receive payment is established.

Proposed dividends are recognised in the financial statements only when approved by the shareholders.

Employee benefits

Short term employee benefits, including salaries and social security contributions, bonuses and vacation benefits are included in administrative expenses on an accrual basis. The Group and the Bank pay contributions to the State Social Insurance Fund on behalf of its employees during the employment period in accordance with local legal requirements and the Group and the Bank will have no obligations to pay further contributions relating to employee services in respect to pension of retired employees.

Adoption of new and/or amended IFRSs accounting standards and IFRIC interpretations

The following amended standards became effective for the first time for the annual periods beginning 1 January 2025, but did not have any material impact on the Group's and the Bank's financial statements:

- **Amendments to IAS 21 Lack of Exchangeability** (effective for annual periods beginning on or after 1 January 2025, not yet endorsed by the EU).

Standards or interpretations effective for the first time for the annual periods beginning on or after 1 January 2026 or not yet adopted by the EU.

- **Amendments to the Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7** (effective for annual periods beginning on or after 1 January 2026, not yet endorsed by the EU).
- **Annual Improvements to IFRS Accounting Standards.** (Issued in July 2024 and effective from 1 January 2026, not yet endorsed by the EU).
- **Contracts Referencing Nature-dependent Electricity Amendments to IFRS 9 and IFRS 7** (effective for annual periods beginning on or after 1 January 2026, not yet endorsed by the EU).
- **IFRS 18 Presentation and Disclosure in Financial Statements** (effective for annual periods beginning on or after 1 January 2027).
- **IFRS 19 Subsidiaries without Public Accountability: Disclosures** (Issued on 9 May 2024 and effective for annual periods beginning on or after 1 January 2027).

The Group and the Bank are assessing impact of new standards and amendments on their financial statements.

4 RISK MANAGEMENT

The Management Board of the Bank has developed a system for the identification, supervision and management of the key financial risks. The Bank's Council has approved this risk management system. This system is being constantly updated to consider market conditions and the development of the Group's and the Bank's main operations. The following policies have been approved and regularly reviewed in order to achieve the Group's and the Bank's objectives related to capital adequacy, liquidity risk, credit risk, market risk, operational risk management, reputation risk, conflict of interest prevention activities, personal data protection and processing activities, internal control and anti-money laundering and counter-terrorism and proliferation financing and sanctions risk management:

Notes to the Bank's separate and the Group's consolidated financial statements**4 RISK MANAGEMENT (continued)**

1. Liquidity risk management policy;
2. Credit policy;
3. Credit risk management policy;
4. Risk transactions and risk control policy for large transactions;
5. Currency risk management policy;
6. Country risk management policy;
7. Interest rate risk and Credit risk spread risk management policy;
8. Internal control policy;
9. Anti-money laundering and counterterrorism and proliferation financing and sanctions risk management policy;
10. Compliance risk management policy;
11. Capital adequacy and liquidity assessment policy;
12. Operational risk management policy;
13. Conflicts of interest prevention policy;
14. Reputation risk management policy;
15. Personal data protection and processing policy;
16. Information disclosure policy;
17. ICT safety policy;
18. Corporate governance policy;
19. ESG policy.

The Management Board of the Bank is responsible for the implementation of the risk management policy approved by the Supervisory Board of the Bank.

Comprehensive management of the risk control functions at the Bank is ensured by Chief Risk Officer (CRO). The CRO ensures that the following functions are performed:

- Set-up, supervision and timely improvement of the Group's risk management system;
- Providing comprehensive and clear information on the Group's overall risk profile, key risks and compliance with the risk strategy to the Bank's Supervisory Board, Management Board and heads of relevant units on a regular basis;
- Advising and supporting the Bank's Supervisory Board and Management Board in the development of risk strategies and in making other decisions related to the Group's risks.

To promote independence, the CRO's duties exclude such functions that relate to the performance of the activities to be controlled.

Liquidity risk

Liquidity risk is defined as the risk that the Group and the Bank may be unable to sustain its current and future cash flows and secure funding to prevent threats to the Bank's daily operations or overall financial position of the Bank (liquidity risk of financing) and risk that the Group and the Bank may be unable to sell its financial assets in the desired term without material losses due to a market collapse or insufficient market depth (market liquidity risk).

The Group and the Bank maintains adequate amounts of liquid assets to ensure compliance with liquidity ratio required by the normative acts of the Republic of Latvia and European Union. According to the requirement set by Bank of Latvia, during 2025 the Bank was required to maintain liquidity coverage ratio (LCR) of at least 100% and net stable funding ratio (NSFR) of at least 100%. The Bank has fulfilled this requirement.

EUR'000	2025	2025	2024	2024
	Group	Bank	Group	Bank
Liquidity coverage ratio, %	159%	164%	307%	307%
Net stable funding ratio, %	148%	154%	216%	216%

NSFR is the minimum amount of stable funding required in order to cover liquidity of long-term assets for a duration of one year. The ratio is calculated by dividing the available stable funding with the required stable funding.

Notes to the Bank's separate and the Group's consolidated financial statements

4 RISK MANAGEMENT (continued)

The Group and the Bank have approved internal limits for liquidity net position of the term structures of assets and liabilities in all currencies, EUR and USD. Internal limits for liquidity are used for risk analysis and control of liquidity and desirable structure of financing sources. An early warning system is developed in order to help identify exposure of the Bank's and the Group's liquidity position and necessity to attract additional sources. Based on data from early notification signals the Group and the Bank identify adverse trends impacting liquidity, analyse these trends and assess whether any hedging measures are required for liquidity risk. The Bank's Treasury Division organises and manages the daily process of resource management in order to ensure solvency, liquidity and profitability of the Bank. The Risk Management Division of the Bank evaluates and plans the term structure of assets and liabilities on a regular basis and carries out control over liquidity risk management, including monitoring compliance with the required liquidity norms and internal limits defined by the Group and the Bank.

Liquidity stress testing is performed using multiple scenarios. Scenarios include both internal and external factors. Stress testing is performed to the following stress levels: internal and typical to the Bank unfavourable events, changes of general market conditions, banking crisis and general market crisis at the same time. The impact of various shock scenarios on the liquidity ratio, liquidity coverage ratio and the Bank's income is analysed. The reverse stress testing is also carried out.

The Management Board develops and the Supervisory Board approves a Business Continuity Plan for liquidity crises that specifies preventive measures for the reduction of the likelihood of liquidity crisis, methods and activities of timely identification of liquidity crisis and risk assessment, measures that have to be taken immediately in order to overcome liquidity crisis. The Business Continuity Plan is tested on a regular basis. For maturity analysis of assets and liabilities refer to Note 35.

Credit risk

Credit risk is the risk that a counterparty, or borrower, fails or refuses to meet contractual obligations to the Group and the Bank.

The main objective of the Group's and the Bank's credit risk management is to ensure an optimal level of profit, financial stability of the Group and the Bank in a long term by adhering to the set credit risk appetite and tolerance limits across various categories, ensuring effective credit risk identification, measurement, monitoring and evaluation system, risk forecasting, estimation of its probable volumes and consequences, identifying, developing and implementing risk mitigation measures.

The Group and the Bank have developed appropriate credit risk management strategy, policies and procedures to manage the credit risk. The Credit Policy of the Group and the Bank sets out the basic principles for the management of credit exposures, credit risk diversification instruments, various permitted concentration levels and limits, basic principles for assessing the creditworthiness of borrowers and the document governing the decision on granting loans and changing credit conditions. The Group's and the Bank's credit risk management policies and procedures set out basic methods for credit risk management, identification, measurement and monitoring (ongoing supervision), control and mitigation, credit monitoring policies and quality evaluation criteria. The credit risk evaluation system includes:

- risk assessment to make a decision on granting a loan;
- monitoring and management of credit risk;
- profit adjustment representing risk;
- risk analysis of credit portfolios;
- capital adequacy and capital distribution assessment;
- regular credit risk stress testing by the use of different scenarios.

The Group and the Bank apply various credit risk minimisation methods:

- limits and other restrictions, including limits on the total amount of loans granted to a single borrower or group of related persons, compliance with which is regularly monitored;
- diversification of the loan portfolio;
- assessing the creditworthiness of borrowers and guarantors;
- attraction and regular revaluation of loan collateral;
- setting special and / or additional conditions for loan disbursement;
- loan monitoring and supervision, including monitoring through the Early Warning Indicator System;

Notes to the Bank's separate and the Group's consolidated financial statements

- regular loan quality assessment, etc.

4 RISK MANAGEMENT (continued)

The Group's and the Bank's credit risk is managed by Supervisory Board, Management Board, Chief Risk Officer and Credit Committee. The established Asset and NPL Committee regularly monitors the Group's and the Bank's credit risk.

Credit risk control at the Group and the Bank is carried out by a dedicated unit – Credit Risk Management Unit. The Group and the Bank continuously monitor the performance of individual credit exposures and regularly reassesses the creditworthiness of its customers. The review is based on the customer's most recent financial statements and other information submitted by the borrower, or otherwise obtained by the Bank. The current market value of collateral is regularly determined by either independent appraisal companies or the Bank's specialists, the changes in real estate prices are regularly monitored and analysed.

The Group's and the Bank's maximum exposure to credit risk in the statement of financial position is generally reflected in the carrying amount of financial assets.

The Group and the Bank determines concentration limits and monitors credit risk concentration by industry/sector, customer rating, type of loan, term of loan, country of residence and type of collateral. Overall, concentration of the loan portfolio is verified across seven positions. For the analysis of concentration of credit risk in respect of loans and advances to customers refer to Note 9 "Loans and receivables" and Note 37 "Maximum credit risk exposure". In order to meet the requirements defined in the Risk transaction and large risk transaction control policy, the Group and the Bank performs an assessment and control of risks associated with all assets and liabilities, including contingent liabilities of the Group and the Bank on a regular basis. Limits are regarded as the main tool for the control of risk transactions.

Capital management

Regulation No 575/2013 requires credit institutions to maintain Common Equity Tier 1 capital ratio of 4.5%, Tier 1 capital ratio of 6% and total capital ratio of 8%. Capital ratios are calculated by the Bank as follows: Common Equity Tier 1 capital ratio is Tier 1 equity of the Bank expressed as a percentage against total risk exposure; Tier 1 capital ratio is Tier 1 capital expressed as a percentage against total risk exposure; and total capital ratio is equity expressed as a percentage against total risk exposure. According to the requirement set by the Bank of Latvia, during 2025 the Bank was required to maintain an individual capital adequacy ratio of 10,95%. In addition, according to the Credit Institutions Law, the Bank is required to maintain sufficient level of Tier 1 capital to cover the total capital buffer requirement, which consists of a capital buffer of 2.5% of total risk exposure, the specific countercyclical capital buffer of 0.99% of total risk exposure and Pillar 2 Guidance requirement set by Bank of Latvia of 0.25% of total risk exposure.

Bank use Standardised approach for determining risk exposure values and the amount of capital, necessary to cover risks associated with these assets. Bank applies risk weights from 0% to 150%. For qualifying exposures Bank applies SME supporting factor to reduce the risk weight.

Capital management is carried out at the Bank according to the Capital and Liquidity Adequacy Assessment Policy. The process of capital adequacy assessment is organised at the Bank by CRO and implemented by the Risk Management Division.

An integral part of the capital adequacy assessment process at the Bank is the calculation, planning and maintenance of capital adequacy. The Bank's and Group's objectives when managing capital, which complies with the term "equity" in the statement of financial position, are:

- To comply with the capital regulatory requirements;
- To safeguard the Bank's ability to continue as a going concern to provide returns for shareholders;
- To maintain the sufficient capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored by the Bank's management on a regular basis, employing techniques based on the guidelines developed by the Basel Committee and the European Union directives, as implemented by Bank of Latvia.

For the calculation of capital adequacy refer to Note 36.

Capital adequacy calculation of the Group and the Bank include several transitional adjustments as implemented by the European Union and Bank of Latvia. The transitional adjustments under Regulation (EU) 2017/2395 (of 12 December 2017) concerning the impact of IFRS 9 on equity (CET1) were applicable from 2018 till 2022. Long

Notes to the Bank's separate and the Group's consolidated financial statements

term regulatory capital position of the Bank and the Group is planned and governed accordingly to expected future regulatory requirements.

4 RISK MANAGEMENT (continued)

Currency risk

Currency risk represents the potential losses from revaluation of balance sheet and off-balance-sheet items denominated in foreign currencies due to movements in foreign exchange rates. Gold is regarded as foreign currency. The objective of currency risk management is to mitigate the impact of adverse changes in exchange rates by minimising open positions in foreign currencies. The Bank does not use foreign currency open positions to generate income from speculative operations. The Group and the Bank performs daily controls of compliance with limits defined in Currency risk management policy, for transactions with foreign currency. The Group and the Bank are subject to the Credit Institutions Law which requires that the open position in an individual currency should not exceed 10% of the Bank's capital and the total open foreign currency position should not exceed 20% of the Bank's capital applicable to limiting large exposures according to Regulation No 575/2013. In accordance with the Currency Risk Management Policy, structural units of the Group and the Bank are cooperating with the Risk Management Division in evaluation of the currency risk component of the planned transactions and elaboration of risk hedging method for it. For currency analysis refer to Note 34.

Interest rate risk Banking Book (IRRBB)

IRRBB is represented by possible negative influence on the Group's and the Bank's income that can result from possible changes of interest rates. The gap risk analysis is used for measurement of IRRBB. Assets, liabilities, guarantees and contingent liabilities, subjected to IRRBB, are divided in accordance with minimum period, left till possible repricing dates of interest rates.

Basis risk is the likelihood to incur losses due to changes in interest rates on financial instruments with equal repricing dates but different base rates. Basis risk is managed by repricing loans (at floating interest rates) and deposits (with floating interest rates) to the same base rates.

Repricing risk is the likelihood to incur losses due to changes in interest rates and different remaining maturities of assets, liabilities and contingent items. Yield curve risk is the likelihood to incur losses due to unexpected changes in the slope and shape of the yield curve. Repricing risk and yield curve risks are managed by matching interest rate sensitive assets and liabilities in each term interval (i.e., maintaining the net position of interest rate risk in each term interval within internal limits).

Optionality risk is the likelihood to incur losses when the financial instrument directly (options) or indirectly (loans with early repayment option, demand deposits etc.) provides the customer with an option. Optionality risk is managed by setting commission fees for early withdrawal of a deposit and early repayment of a loan.

The Group and the Bank uses Standartized approach for IRRBB Supervisory Outlier Test (SOT) and, when modelling potential changes of interest rates, regularly calculates changes of

- economic value of equity (EVE) for each of 6 SOT stress scenarios and
- net interest income (NII) for each of 2 SOT stress scenarios .

To assess the impact of adverse changes in interest rates on profitability and economic value in market emergencies, the Bank performs IRRBB stress testing. In accordance with requirements of Interest rate risk and Credit risk spread risk management policy, interest rate risk must be assessed whenever limits for financial instruments are determined. For the results of sensitivity analysis refer to Note 32.

Country risk

Country risk is represented by possible losses in cases, where a debtor of the Group and the Bank, being non-resident, will not be able to meet its liabilities against the Group and the Bank, due to political, social or economic circumstances of the country of residency of the debtor. Country risk is managed by the Board of the Bank. Based on analysis of economic, political and social conditions of each country, limits are determined for geographic concentration of assets, liabilities and off-balance sheet items, for the purpose of management of country risk. The evaluation provided by international rating agencies is considered when assessing country risk. Limitations have been approved for placement of assets in countries graded as non-OECD, as well as for limitations on residual balances of nostro accounts. Limits for partners and transaction types are determined based on evaluation of risks of country and partners. Compliance with the limits is ensured by the Risk Management Division via regular control. For geographical concentration refer to Note 31.

Notes to the Bank's separate and the Group's consolidated financial statements**4 RISK MANAGEMENT (continued)***Anti-money laundering and counter-terrorism and proliferation financing and sanctions risk management*

The Bank's objective in anti-money laundering and counter-terrorism and proliferation financing (hereinafter referred to as - AML/CTF/CPF) and sanctions risk management is to safeguard the Bank's reputation and stability in relationships with customers and in the society as a whole, to cooperate and provide financial services to trustworthy customers and business partners, the business activity of which is understandable to the Bank to prevent the Bank from being involved in ML/TF/PF in breach of sanctions, so that to prevent losses related to loss of customers and trust.

Ensuring efficient Money Laundering and Terrorism Financing and Proliferation Financing and sanctions risk management process is one of the Bank's priority. The Bank is constantly improving the ML/TF/PF and sanctions risk management system to ensure adequate monitoring of its customers' operations and services.

Within the framework of ML/TF/PF and sanctions risk management, the sufficiency of the necessary resources is ensured, including ensuring the amount of capital necessary to cover the risks related to the bank's operations.

The Bank ensures the management of the ML/TF/PF risk and sanctions risk in compliance with:

- the requirements of regulatory enactments in force in the Republic of Latvia;
- the Bank's business development strategy;
- the ML/TF risk management strategy;
- the ML/TF/PF risk and sanctions risk management policy;
- the internal procedures and instructions governing the field of the Bank's ML/TF/PF risk and sanctions risk management.

An independent audit of the Bank's AML/CFT internal control system was conducted in 2025, confirming that the Bank's due diligence and monitoring requirements comply with the applicable regulatory framework, and that the Bank is able to manage risks effectively.

Operational risk

Operational risk is the risk of losses resulting from inadequate or improper internal processes, human and systems error, or the impact of external events, including legal risk but excluding strategic and reputational risk. Aiming to set up a system for the management of operational risk that would reduce the frequency of risk occurrences and the amount of loss to a level acceptable to the Bank and to safeguard the Bank's assets and capital, the Supervisory Board has approved an appropriate policy. In order to implement this policy, the Management Board has approved a procedure that specifies the methods for identification, assessment, regular monitoring, control and mitigation of operational risk. Operational risk is managed by the Bank employing the following approaches: reporting of operational risk events; maintaining a data base of operational risk; establishing and controlling changes of operational risk indicators which may indicate an increased likelihood of risk; self-assessing operational risk; and stress testing using both internal data and information on external operational risk events. The Bank uses insurance to reduce risk. Operational risk is managed by Risk Management Division.

To support the Bank's business continuity and to decrease operational losses due to *force majeure* circumstances the Management Board drafts and the Supervisory Board approves and improves the business continuity plan and the information system recovery plan.

Operational compliance risk

Operational compliance risk is the risk that the Bank may incur losses or legal obligations, be subject to sanctions (penalties) or suffer impairment of reputation because of a failure to comply or a breach of compliance requirements.

Operational compliance risk is inherent in all operations of the Bank. Management of operational compliance risk comprises monitoring and controlling compliance risk, including its timely identification, documentation, assessment and classification, as well as prevention of the risk or reducing it to a level acceptable to the Bank and overseeing the implementation of the related corrective and mitigating measures. Operational compliance control covers the Bank's existing activities and the timely planning and execution of preventive measures to prevent or mitigate operational compliance risk associated with the introduction of new products and services or other planned business lines.

Notes to the Bank's separate and the Group's consolidated financial statements**4 RISK MANAGEMENT (continued)**

Management of operational compliance risk is effected according to a policy approved by the Council using the following measures and approaches: compliance legislation changes monitoring; implementation of the appropriate changes to internal normative documents of the Bank; providing the information on the recent changes in external regulation to the Bank's employees; systemic compliance reviews of the Bank's structural units, operational processes, normative documents and informative materials; assessment of innovations; identification of operational compliance risks caused by external conditions; analysis of reports of internal and external auditors and regulator or other parties; performance of quality assurance controls; analysis of the Bank client's complaints; maintenance of an operational compliance risk data base and control over due prevention of identified risks or decreasing such risks to an acceptable level. The operational compliance function is performed by the Compliance Control Division which regularly informs the management about the Bank's compliance risk level, as well as the planned and implemented measures to enhance the management of operational compliance risk.

Geopolitical risk

The Russian-Ukrainian war, respective sanctions and negative effects on the economic situation have not produced any significant immediate negative effects on the Bank's activities.

5 ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with IFRS accounting standards as adopted by the EU requires management to make judgments, estimates and assumption that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Although these estimates are based on management's best knowledge of current events and actions, the actual results ultimately may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to the accounting estimates are recognised in the period, in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Impairment of financial assets at amortised cost

The management makes a number of judgements regarding financial instruments: classification of financial assets, evaluation of the business model assets, and the contractual terms of a financial asset, in accordance with the "principal and interest payments only" principle. Note 3, "Credit impairment" reflects: criteria for determining a significant increase in the credit risk of a financial asset from initial recognition, including Forward-Looking Information in the Estimation of expected credit loss and models used to calculate expected credit loss.

Fair value of investment property

In assessing the fair value of investment property, management relies on external experts, independent certified property appraisers who have appropriate and recognised professional qualifications and recent experience in valuing the same category of property in the same place. External evaluations use the income method or the comparative method (or both). The income method is based on the discounted estimated future cash flows of the property. The comparative method is based on recent transactions with similar properties. For more information on Investment property refer to Note 12.

Notes to the Bank's separate and the Group's consolidated financial statements**6 CASH AND BALANCES DUE FROM LATVIJAS BANKA**

EUR'000	2025 Group	2025 Bank	2024 Group	2024 Bank
Cash	1,347	1,347	1,535	1,535
Due from the Latvijas Banka (including obligatory reserve)	118,154	118,154	151,803	151,803
Total	119,501	119,501	153,338	153,338

Due from the Latvijas Banka represents the EUR nominated balance on the correspondent account with the Latvijas Banka.

According to the regulations of the European Central Bank, the Bank is required to maintain obligatory reserves with the Latvijas Banka equal to 1% of the closing monthly balances due of deposits with agreed maturity or period of notice up to 2 years and debt securities issued with initial maturity up to 2 years. For all other liabilities included in the reserve calculation the applicable rate is 0%.

The obligatory reserve is compared to the Bank's average monthly balance on the correspondent account with the Latvijas Banka. The Bank's average cash and correspondent account balance should exceed the compulsory reserve requirement.

As at 31 December 2025 and 31 December 2024 the Bank was in compliance with the above requirements.

Cash and balances are available on request from the Latvijas Banka, thus, given the very low probability of default, the expected credit loss is not material.

7 DEMAND DEPOSITS WITH CREDIT INSTITUTIONS**(a) Geographical segments**

EUR'000	2025 Group	2025 Bank	2024 Group	2024 Bank
Credit institutions of OECD countries	76	-	265	265
Credit institutions of non-OECD countries	14	14	15	15
Total	90	14	280	280

At 31st December 2025 the Bank maintained relationships with 4 correspondent banks (31.12.2024: 5). On Group level there were relationships with 6 banks (31.12.2024.: 5).

The main outstanding balance per correspondent bank of the Group and the Bank is SHANGHAI PUDONG DEVELOPMENT BANK CO. LTD: 11 thousand EUR (2024: is Deutsche Bundesbank 265 thousand EUR).

(b) Credit rating structure (Standard&Poors, Fitch)

When allocating financial resources to monetary financial institutions, external credit ratings assigned to financial institutions are assessed. For financial institutions with no individual rating, the rating of the parent bank as well as the assessment of financial and operational performance is considered. After commencement of business relations, the Group and the Bank monitors monetary financial institutions and controls the compliance of granted limits with credit risk assessment.

EUR'000	2025 Group	2025 Bank	2024 Group	2024 Bank
-rated from AAA to A-	2	2	267	267
-rated from BBB+ to BBB-	11	11	12	12
-rated from BB+ to B-	1	1	1	1
-not rated	76	-	-	-
Total	90	14	280	280

Notes to the Bank's separate and the Group's consolidated financial statements**8 FINANCIAL ASSETS****(a) By category**

EUR'000	2025 Group	2025 Bank	2024 Group	2024 Bank
Financial assets at amortised cost:				
<i>Government fixed income debt securities*</i>	-	-	3,016	3,016
<i>Loans and receivables</i>	171,435	166,875	104,316	108,588
Financial assets at fair value through profit or loss:				
<i>Equity securities (Visa Inc. Class C convertible participating preferred stock)</i>	1,279	1,279	1,273	1,273
<i>MC Finance preference shares (Note 28)</i>	-	1,474	-	-
Financial assets at fair value through other comprehensive income				
<i>SWIFT shares</i>	37	37	32	32

*The debt securities were derecognized upon maturity following the receipt of the contractual principal repayment.

(b) Debt securities:

EUR'000	2025 Group	2025 Bank	2024 Group	2024 Bank
Financial assets at amortised cost:	-	-	3,016	3,016
<i>Latvian government bonds with fixed income (S&P: A/ A+; Moody's: A3)</i>	-	-	3,016	3,016

9 LOANS AND RECEIVABLES

The acquisition of the MC Finance has increased the Group loan portfolio significantly with finance lease and also mortgage loans issued mainly to resident Individual customers.

The Bank loan portfolio increased significantly due to attraction of new customers and issue new loans with professional ability to assess risk and structure transactions of varying complexity.

(a) Loans by groups:

EUR'000	2025 Group	2025 Bank	2024 Group	2024 Bank
Individuals	29,539	10,409	13,541	13,125
Legal entities	145,079	159,466	93,610	98,184
Total loans, gross	174,618	169,875	107,151	111,309
Allowance for expected credit losses	(3,183)	(3,000)	(2,835)	(2,721)
Total loans, net	171,435	166,875	104,316	108,588

(b) Loans by type:

EUR'000	2025 Group	2025 Bank	2024 Group	2024 Bank
Loans	132,368	135,667	86,300	87,941
Credit lines	16,084	19,673	14,559	18,148
Finance lease	26,129	14,498	6,239	5,167
Overdrafts	37	37	53	53
Loans, gross	174,618	169,875	107,151	111,309
Allowance for expected credit losses	(3,183)	(3,000)	(2,835)	(2,721)
Total loans, net	171,435	166,875	104,316	108,588

Notes to the Bank's separate and the Group's consolidated financial statements**9 LOANS AND RECEIVABLES (continued)****(c) Loans issued by industry, gross :**

EUR'000	2025		2025		2024		2024	
	Group	%	Bank	%	Group	%	Bank	%
Legal entities								
Real estate	45,757	32%	45,757	29%	28,357	30%	28,357	29%
Agriculture, forestry and fishing	34,920	24%	34,914	22%	21,533	23%	21,533	22%
Industrial markets	16,780	12%	16,780	11%	11,110	12%	10,684	11%
Transport, warehousing and communications	15,611	11%	15,561	10%	9,595	10%	9,475	10%
Financial intermediation, support services and leasing	12,109	8%	26,608	17%	851	1%	6,081	6%
Wholesale and retail trade	9,422	6%	9,421	5%	8,582	9%	8,582	9%
Others	10,480	7%	10,425	6%	13,582	15%	13,472	13%
Total	145,079	100%	159,466	100%	93,610	100%	98,184	100%
Individuals								
Mortgage loans	17,521	60%	9,963	96%	12,297	91%	12,297	94%
Finance lease	11,572	39%	-	0%	416	3%	-	0%
Business loans	65	0%	65	1%	78	1%	78	1%
Consumer loans	16	0%	16	0%	75	1%	75	1%
Credit cards	32	0%	32	0%	43	0%	43	0%
Others	333	1%	333	3%	632	4%	632	4%
Total	29,539	100%	10,409	100%	13,541	100%	13,125	100%

(d) Loans by geographical classification:

EUR'000	2025	2025	2024	2024
	Group	Bank	Group	Bank
Residents of Latvia	173,173	168,430	106,995	111,153
Residents of OECD countries	1,445	1,445	156	156
Loans and advances to non-banking customers, gross	174,618	169,875	107,151	111,309
Allowance for expected credit losses	(3,183)	(3,000)	(2,835)	(2,721)
Loans and advances to customers, net	171,435	166,875	104,316	108,588

(e) Movements in the allowances for expected credit losses:

EUR'000	2025	2025	2024	2024
	Group	Bank	Group	Bank
Balance at the beginning of the year	2,835	2,721	4,440	7,729
Increase in allowance for expected credit losses	1,693	1,395	1,111	1,120
Release of prior periods' expected credit losses	(1,231)	(1,112)	(1,194)	(4,606)
Write-off of prior periods' expected credit losses	(114)	(4)	(1,522)	(1,522)
Balance at the end of the reporting period	3,183	3,000	2,835	2,721

Notes to the Bank's separate and the Group's consolidated financial statements**9 LOANS AND RECEIVABLES (continued)****(f) Loans and accrued interest allocation, depending on delay of payments:**

Group EUR'000								
	Total	Overdue term of loans						
		Not Overdue	Up to 30 days	30-60 days	61-90 days	91-180 days	181- 360 days	More than 360 days
31 December 2025								
Gross loans	174,618	155,178	10,523	1,501	547	596	259	6,014
Allowance for expected credit losses	(3,183)	(2,228)	(378)	(68)	(33)	(152)	(28)	(296)
31 December 2024								
Gross loans	107,151	92,807	4,362	2,923	260	648	687	5,464
Allowance for expected credit losses	(2,835)	(2,002)	(213)	(152)	(10)	(109)	(59)	(290)

The significant increase in overdues up to 30 days past due is primarily driven by the recently acquired portfolio.

Bank EUR'000								
	Total	Overdue term of loans						
		Not Overdue	Up to 30 days	30-60 days	61-90 days	91-180 days	181- 360 days	More than 360 days
31 December 2025								
Gross loans and advances	169,875	157,512	5,909	528	-	285	2	5,639
Allowance for expected credit losses	(3,000)	(2,322)	(344)	(23)	-	(14)	(1)	(296)
31 December 2024								
Gross loans and advances	111,309	97,866	4,059	2,923	260	49	687	5,465
Allowance for expected credit losses	(2,721)	(2,025)	(176)	(152)	(10)	(9)	(59)	(290)

Notes to the Bank's separate and the Group's consolidated financial statements**9 LOANS AND RECEIVABLES (continued)****(g) Breakdown of loan collateral by types and LTV (Loan-to-Value):**

The amounts shown in the table represent the gross carrying amount of the loans by type of collateral and do not necessarily represent the fair value of the underlying security:

	2025 Group		2025 Bank		2024 Group		2024 Bank	
	EUR '000	%	EUR '000	%	EUR '000	%	EUR '000	%
Commercial buildings	95,956	55%	96,163	57%	75,064	70%	75,270	68%
Mortgage on residential properties	43,185	25%	35,575	21%	20,390	20%	20,391	18%
Finance lease	26,129	15%	14,498	8%	6,239	6%	5,167	5%
Commercial assets pledge	6,039	3%	11,546	7%	3,634	3%	3,634	3%
Deposit	2,175	1%	2,175	1%	866	1%	866	1%
Guarantee	173	0%	173	0%	184	0%	184	0%
Other	841	1%	841	1%	521	0%	522	0%
No collateral	120	0%	8,904	5%	253	0%	5,275	5%
<i>Incl.: credit card limits</i>	32	-	32	-	43	-	43	-
<i>Consumer loans</i>	88	-	88	-	210	-	210	-
<i>Loans to Consolidated subsidiaries</i>	-	-	8,784	-	-	-	5,022	-
Total	174,618	100%	169,875	100%	107,151	100%	111,309	100%

Notes to the Bank's separate and the Group's consolidated financial statements**9 LOANS AND RECEIVABLES (continued)****(g) Breakdown of loan collateral by types and LTV (Loan-to-Value):**

The amounts in the table below represent the estimated gross carrying value of loan collateral that exceed the carrying value of the asset (LTV <100%) and where collateral are equal to or less than the carrying value of the asset (LTV >=100%):

Group EUR'000	2025		2025		2024		2024	
	LTV < 100%		LTV >= 100%		LTV < 100%		LTV >= 100%	
	Carrying value of assets	Estimated fair value of collateral	Carrying value of assets	Estimated fair value of collateral	Carrying value of assets	Estimated fair value of collateral	Carrying value of assets	Estimated fair value of collateral
Commercial buildings	95,833	269,193	123	708	73,758	244,572	1,306	1,268
Mortgage on residential properties	42,608	57,032	577	523	19,511	51,302	879	837
Finance lease	14,498	24,628	10,941	10,752	5,167	8,966	1,072	142
Commercial assets pledge	5,785	37,880	254	-	3,230	17,043	404	150
Deposit	2,175	2,175	-	-	866	866	-	-
Other	832	2,792	182	7	516	2,137	189	10
No collateral	-	-	810	-	-	-	253	-
Total gross loans	161,731	393,700	12,887	11,990	103,048	324,886	4,103	2,407
Impairment allowance	(2,640)	-	(543)	-	(2,331)	-	(504)	-
Total	159,091	393,700	12,344	11,990	100,717	324,886	3,599	2,407

Notes to the Bank's separate and the Group's consolidated financial statements**9 LOANS AND RECEIVABLES (continued)****(g) Breakdown of loan collateral by types and LTV (Loan-to-Value):**

Bank EUR'000	2025		2025		2024		2024	
	LTV < 100%		LTV >= 100%		LTV < 100%		LTV >= 100%	
	Carrying value of assets	Estimated fair value of collateral	Carrying value of assets	Estimated fair value of collateral	Carrying value of assets	Estimated fair value of collateral	Carrying value of assets	Estimated fair value of collateral
Commercial buildings	96,040	269,586	123	227	73,963	244,964	1,307	1,668
Mortgage on residential properties	34,950	82,701	625	631	19,512	51,302	879	837
Finance lease	14,498	24,628	-	-	5,167	8,966	-	-
Commercial assets pledge	11,292	-	254	-	3,230	17,043	404	150
Deposit	2,175	2,175	-	-	866	866	-	-
Other	832	2,792	182	7	517	2,137	189	10
No collateral	-	-	8,904	-	-	-	5,275	-
Total gross loans	159,787	381,882	10,088	865	103,255	325,278	8,054	2,665
Impairment allowance	(2,627)	-	(373)	-	(2,333)	-	(388)	-
Total	157,160	381,882	9,715	865	100,922	325,278	7,666	2,665

Significant credit risk concentration

As at 31 December 2025 the Bank had 24 borrowers or groups of related borrowers and as at 31 December 2024, the Bank had 18 borrowers or groups of related borrowers, respectively, each of whose total loan original exposure (balance items and off balance sheet commitments) exceeded 10% of the Bank's capital as disclosed in Note 36. The total exposure amount of the above loans as at 31 December 2025 and 31 December 2024 was 109,697 thousand EUR and 71,735 thousand EUR, respectively representing more than 60% of the outstanding loans. An impairment allowance was recognised for the above loans as at 31 December 2025 and 31 December 2024 in the amount of 1,557 thousand EUR and 1,184 thousand EUR, respectively.

On Group level the gross amount of three largest borrowers or groups of related borrowers as at 31 December 2025 were (in thousands): 5,500 EUR; 5,500 EUR and 5,500 EUR.

According to regulatory requirements, the credit exposure to one client or a group of related clients cannot exceed more than 25% of the Bank's Tier 1 capital. The Bank was in compliance with this requirement as at 31 December 2025 and at 31 December 2024.

Bank manages concentration risk by carefully assessing borrower's credit history, PD and, especially, collateral coverage and the quality of collateral (i.e. ease of remarketability). If necessary, additional hard (i.e. real estate, moveable property) or soft (i.e. guarantees) collaterals are requested to mitigate the credit risk.

Notes to the Bank's separate and the Group's consolidated financial statements**9 LOANS AND RECEIVABLES (continued)****(h) Breakdown of the Group's and the Bank's loans by their qualitative assessment:**

EUR'000	31 December 2025		31 December 2024	
	Group	Bank	Group	Bank
Credit risk has not increased significantly (Stage 1)	153,359	151,432	86,205	91,233
Credit risk has increased significantly (Stage 2)	12,641	11,186	12,775	12,503
Loans in default or with evidence of impairment (Stage 3)	6,801	6,203	7,146	6,548
Loans purchased or originated credit-impaired financial assets (POCI)	1,817	1,054	1,025	1,025
Total gross loans	174,618	169,875	107,151	111,309
Allowance for expected credit losses	(3,183)	(3,000)	(2,835)	(2,721)
Total net loans	171,435	166,875	104,316	108,588

(h) Breakdown of the Group's and the Bank's loans by their qualitative assessment:

Group EUR'000	Allowances for expected credit losses					Gross carrying amount				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
31 December 2024	1,510	549	763	13	2,835	86,205	12,775	7,146	1,025	107,151
Movements between stages:										
to lifetime ECL (from Stage 1 to Stage 2)	(171)	297	-	-	126	(5,789)	5,614	-	-	(175)
to lifetime ECL with credit impairment (from Stage 1 and Stage 2 to Stage 3)	-	(37)	208	-	171	(261)	(568)	610	-	(219)
to lifetime ECL without credit impairment (from Stage 3 to Stage 2)	-	-	(12)	-	(12)	-	81	(88)	-	(7)
to 12-months ECL (from Stage 2 and 3 to Stage 1)	4	(25)	(15)	-	(36)	1,359	(1,513)	(44)	-	(198)
New originated or purchased	935	133	19	-	1,087	63,350	1,293	280	165	65,088
New asset acquisition with fair value adjustment	-	-	-	-	-	16,451	1,727	-	1,123	19,301
Movements of allowances for expected credit losses in the period without impact on stage:										
De-recognized	(238)	(83)	(144)	-	(465)	(10,683)	(5,413)	(1,051)	(108)	(17,255)
Total movements for the period	205	164	(23)	6	352	67,154	(134)	(341)	902	67,581
Write-offs	-	-	(4)	-	(4)	-	-	(4)	(110)	(114)
31 December 2025	1,715	713	736	19	3,183	153,359	12,641	6,801	1,817	174,618

Notes to the Bank's separate and the Group's consolidated financial statements**9 LOANS AND RECEIVABLES (continued)****(h) Breakdown of the Group's and the Bank's loans by their qualitative assessment:**

Bank EUR'000	Allowances for expected credit losses					Gross carrying amount				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
On 31 December 2024	1,532	513	664	12	2,721	91,233	12,503	6,548	1,025	111,309
Movements between stages:										
to lifetime ECL (from Stage 1 to Stage 2)	(170)	254	-	-	84	(4,835)	4,721	-	-	(114)
to lifetime ECL with credit impairment (from Stage 1 and Stage 2 to Stage 3)	-	-	3	-		(1)	(22)	19	-	(4)
to lifetime ECL without credit impairment (from Stage 3 to Stage 2)	-	-	(11)	-	(11)	-	34	(36)	-	(2)
to 12-months ECL (from Stage 2 to Stage 1)	4	(25)	(15)	-	(36)	794	(861)	(44)	-	(111)
New originated or purchased	999	126	13	-	1,138	70,185	1,241	273	165	71,864
Movements of allowances for expected credit losses in the period without impact on stage :										
De-recognized	(230)	(83)	(45)	-	(358)	(9,925)	(5,140)	(505)	(121)	(15,691)
Total movements for the period	259	151	(133)	6	283	60,199	(1,317)	(341)	29	58,570
Write-offs	-	-	(4)	-	(4)	-	-	(4)	-	(4)
On 31 December 2025	1,791	664	527	18	3,000	151,432	11,186	6,203	1,054	169,875

Notes to the Bank's separate and the Group's consolidated financial statements**9 LOANS AND RECEIVABLES (continued)****(h) Breakdown of the Group's and the Bank's loans by their qualitative assessment:**

Group EUR'000	Allowances for expected credit losses					Gross carrying amount				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
31 December 2023	933	787	2,709	11	4,440	57,774	17,033	10,146	1,198	86,151
Movements between stages:										
to lifetime ECL (from Stage 1 to Stage 2)	(40)	98	-	-	58	(2,260)	2,265	-	-	5
to lifetime ECL with credit impairment (from Stage 1 and Stage 2 to Stage 3)	-	(119)	108	-	(11)	(2)	(544)	544	-	(2)
to lifetime ECL without credit impairment (from Stage 3 to Stage 2)	-	-	-	-	-	-	1	(1)	-	-
to 12-months ECL (from Stage 2 to Stage 1)	65	(144)	(33)	-	(112)	3,374	(3,601)	(88)	-	(315)
New originated or purchased	794	-	-	-	794	36,995	-	-	-	36,995
Movements of allowances for expected credit losses in the period without impact on stages:										
De-recognized	(161)	(18)	(154)	-	(333)	(7,908)	(1,182)	(1,290)	(194)	(10,574)
Other changes	-	-	6	-	6	-	-	6	-	6
Total movements for the period	577	(238)	(424)	2	(83)	28,431	(4,258)	(1,366)	(173)	22,634
Write-offs	-	-	(1,522)	-	(1,522)	-	-	(1,634)	-	(1,634)
31 December 2024	1,510	549	763	13	2,835	86,205	12,775	7,146	1,025	107,151

Notes to the Bank's separate and the Group's consolidated financial statements**9 LOANS AND RECEIVABLES (continued)****(h) Breakdown of the Group's and the Bank's loans by their qualitative assessment:**

Bank EUR'000	Allowances for expected credit losses					Gross carrying amount				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
On 31 December 2023	858	660	5,882	329	7,729	55,918	30,480	14,833	3,299	104,530
Movements between stages:										
to lifetime ECL (from Stage 1 to Stage 2)	(40)	98	-	-	58	(2,260)	2,265	-	-	5
to lifetime ECL with credit impairment (from Stage 1 and Stage 2 to Stage 3)	-	(7)	24	-	17	(2)	(123)	118	-	(7)
to lifetime ECL without credit impairment (from Stage 3 to Stage 2)	-	-	-	-	-	-	1	(1)	-	-
to 12-months ECL (from Stage 2 to Stage 1)	95	(144)	(33)	-	(82)	8,396	(11,924)	(88)	-	(3,616)
New originated or purchased	795	-	-	-	795	37,202	-	-	-	37,202
Movements of allowances for expected credit losses in the period without impact on stages:										
De-recognized	(103)	(17)	(3,378)	(319)	(3,817)	(6,330)	(7,002)	(6,184)	(2,295)	(21,811)
Other changes	-	-	6	-	6	-	-	6	-	6
Total movements for the period	674	(147)	(3,696)	(317)	(3,486)	35,315	(17,977)	(6,651)	(2,274)	8,413
Write-offs	-	-	(1,522)	-	(1,522)	-	-	(1,634)	-	(1,634)
On 31 December 2024	1,532	513	664	12	2,721	91,233	12,503	6,548	1,025	111,309

Notes to the Bank's separate and the Group's consolidated financial statements**9 LOANS AND RECEIVABLES (continued)****Finance lease receivables:**

Loans and advances to customers include the following finance lease receivables for leases of certain fixed assets where the Group and the Bank is a lessor:

EUR'000	2025 Group	2025 Bank	2024 Group	2024 Bank
Gross investment in finance leases, receivable with maturity:				
Less than one year	667	4	426	-
Between one and five years	20,721	13,542	4,447	4,165
More than 5 years	4,741	952	1,366	1,002
Total gross investment in finance leases, receivables	26,129	14,498	6,239	5,167
Impairment allowance	(584)	(324)	(266)	(120)
Net investment in finance lease	25,545	14,174	5,973	5,047
Net investments in finance leases with maturity:				
Less than one year	647	4	342	-
Between one and five years	20,268	13,249	4,341	4,083
More than 5 years	4,630	921	1,290	964
Total	25,545	14,174	5,973	5,047

10 INTANGIBLE ASSETS

EUR'000	Group	Bank
Cost		
As at 31 December 2023	599	599
Additions	-	-
Disposals	-	-
31 December 2024	599	599
Additions	-	-
Disposals	-	-
Addition through asset acquisition as of 30 June 2025	37	
31 December 2025	636	599
Accumulated depreciation		
As at 31 December 2023	245	245
Depreciation	209	209
31 December 2024	454	454
Depreciation	144	144
Addition through asset acquisition as of 30 June 2025	9	
31 December 2025	607	598
Balance		
As at 31 December 2023	354	354
As at 31 December 2024	145	145
As at 31 December 2025	29	1

Notes to the Bank's separate and the Group's consolidated financial statements**11 PROPERTY AND EQUIPMENT**

Group EUR'000	Land and Buildings	Vehicles	Office equipment	Advance payments	Total
Cost					
As at 31 December 2023	9,461	60	1,830	-	11,351
Additions	251	-	234	-	485
Sales	-	-	-	-	-
Write off	-	-	(333)	-	(333)
As at 31 December 2024	9,712	60	1,731	-	11,503
Additions	92	151	62	-	305
Sales	-	(9)	-	-	(9)
Write off	(2)	-	(3)	-	(5)
Addition through asset acquisition as of 30 June 2025		52	23	2	77
As at 31 December 2025	9,802	254	1,813	2	11,871
Accumulated depreciation					
As at 31 December 2023	688	27	1,529	-	2,244
Depreciation for the reporting year	359	10	187	-	556
Depreciation of disposed fixed assets	-	-	(333)	-	(333)
As at 31 December 2024	1,047	37	1,383	-	2,467
Depreciation for the reporting year	382	27	169	-	578
Depreciation of disposed fixed assets	(2)	(9)	(4)	-	(15)
Addition through asset acquisition as of 30 June 2025	-	4	10	-	14
As at 31 December 2025	1,427	59	1,558	-	3,044
Balance					
As at 31 December 2023	8,773	33	301	-	9,107
As at 31 December 2024	8,665	23	348	-	9,036
As at 31 December 2025	8,375	195	255	2	8,827

Notes to the Bank's separate and the Group's consolidated financial statements**11 PROPERTY AND EQUIPMENT (continued)**

Bank EUR'000	Land and Buildings	Vehicles	Office equipment	Total
Cost				
As at 31 December 2023	9,461	-	1,830	11,291
Additions	251	-	234	485
Write off	-	-	(333)	(333)
As at 31 December 2024	9,712	-	1,731	11,443
Additions	92	-	62	154
Write off	(2)	-	(3)	(5)
As at 31 December 2025	9,802	-	1,790	11,592
Accumulated depreciation				
As at 31 December 2023	688	-	1,529	2,217
Depreciation for the reporting year	359	-	187	546
Depreciation of disposed fixed assets	-	-	(333)	(333)
As at 31 December 2024	1,047	-	1,383	2,430
Depreciation for the reporting year	382	-	169	551
Depreciation of disposed fixed assets	(2)	-	(4)	(6)
As at 31 December 2025	1,427	-	1,548	2,975
Balance				
As at 31 December 2023	8,773	-	301	9,074
As at 31 December 2024	8,665	-	348	9,013
As at 31 December 2025	8,375	-	242	8,617

Notes to the Bank's separate and the Group's consolidated financial statements**12 INVESTMENT PROPERTIES**

Group EUR'000	Land	Buildings	Total
Cost			
As at 31 December 2023	9,003	8,156	17,159
Disposed	-	(69)	(69)
Acquired	-	339	339
Discontinued to consolidate	-	(74)	(74)
31 December 2024	9,003	8,352	17,355
Disposed	-	(192)	(192)
Acquired	-	293	293
31 December 2025	9,003	8,453	17,456
Change in fair value			
As at 31 December 2023	(1,116)	(1,570)	(2,686)
Revaluation impact	(511)	(350)	(861)
Adjustments	-	112	112
31 December 2024	(1,627)	(1,808)	(3,435)
Revaluation impact	621	981	1,602
31 December 2025	(1,006)	(827)	(1,833)
Balance			
As at 31 December 2023	7,887	6,586	14,473
As at 31 December 2024	7,376	6,544	13,920
As at 31 December 2025	7,997	7,626	15,623

Income from lease of investment property in 2025 amounted to EUR 489 thousand (2024: EUR 429 thousand) and related maintenance expenses in 2025 amounted to EUR 216 thousand (2024: EUR 223 thousand).

Investment property consists of land, residential properties and commercial properties.

95% of the properties are stated at their fair value based on valuation reports prepared by independent external valuation companies. The fair value measurement for investment property is categorised as Level 3 in the fair value hierarchy.

The valuations are based on discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that range from 8% to 16.42%, that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

Valuations of many other properties are based on comparable transaction method for separate sales deals considering comparable sales prices in similar market.

A sensitivity analysis performed on the portion of the portfolio valued using the comparable transactions method indicates that a 10% decrease in property prices per square meter would result in a decrease in the value of the investment property portfolio by EUR 567 thousand.

Management has reviewed the appraisers' assumptions underlying discounted cash flow models used in the valuation and confirmed that factors such as the discount rate applied have been appropriately determined considering the market conditions at the end of the reporting period.

Notes to the Bank's separate and the Group's consolidated financial statements**12 INVESTMENT PROPERTIES (continued)**

The investment properties fair value breakdown by their type and according to their holding period :

Group EUR'000	Fair value 31.12.2025	Fair value 31.12.2024
Buildings held up to 5 years	1,991	1,665
Buildings held more than 5 years	5,635	4,879
Land plots held up to 5 years	4,150	4,132
Land plots held more than 5 years	3,847	3,244
Total	15,623	13,920

Bank EUR'000	Buildings	Total
Cost		
As at 31 December 2023	1,020	1,020
Disposed	-	-
31 December 2024	1,020	1,020
Disposed	(192)	(192)
31 December 2025	828	828
Change in fair value		
As at 31 December 2023	-	-
Revaluation impact	40-	40
Adjustments	106	106
31 December 2024	146	146
Revaluation impact	52	52
31 December 2025	198	198
Balance		
As at 31 December 2023	1,020	1,020
As at 31 December 2024	1,166	1,166
As at 31 December 2025	1,026	1,026

Notes to the Bank's separate and the Group's consolidated financial statements**13 OTHER ASSETS**

EUR'000	2025 Group	2025 Bank	2024 Group	2024 Bank
<i>Financial assets:</i>				
Receivables	362	14	149	12
Credit card transactions in transit	890	890	919	919
Security deposits with VISA, MasterCard	1,687	1,687	1,787	1,787
VISA Inc A class share sale settlement due	-	-	1,253	1,253
Other financial assets	652	963	1,031	1,003
Impairment allowances for financial assets	(16)	-	(124)	-
	3,575	3,554	5,015	4,974
<i>Non-financial assets:</i>				
Deferred expenses	916	694	775	707
The auction winning bid placement*	1,491	1,491	-	-
Assets held for sale	195	-	584	-
	2,602	2,185	1,359	707
Total	6,177	5,739	6,374	5,681

*The Bank has won the NPL loan collateral - commercial real estate auction at the end of November 2025, but the auction result is still subject to court approval.

14 FINANCIAL LIABILITIES AT AMORTISED COST

EUR'000	2025 Group	2025 Bank	2024 Group	2024 Bank
Sector profile:				
Non-banking deposits				
Legal entities	172,535	173,254	149,952	150,412
Individuals	109,697	109,697	111,616	111,616
State institutions	179	179	68	68
Total non-banking deposits:	282,411	283,130	261,636	262,096
Total deposits and subordinated liabilities	282,411	283,130	261,636	262,096
Geographical profile:				
Residents	194,389	195,108	187,398	187,858
Non-residents	88,022	88,022	74,238	74,238
Residents of OECD countries	56,181	56,181	38,617	38,617
Residents of non-OECD countries	31,841	31,841	35,621	35,621
Incl. Residents of Cyprus	10,103	10,103	14,066	14,066
Residents of Russia	7,586	7,586	9,742	9,742
Residents of Ukraine	4,229	4,229	4,282	4,282
Total deposits and subordinated liabilities	282,411	283,130	261,636	262,096

Notes to the Bank's separate and the Group's consolidated financial statements**14 FINANCIAL LIABILITIES AT AMORTISED COST (continued)**

EUR'000	2025 Group	2025 Bank	2024 Group	2024 Bank
Demand deposits				
Legal entities	158,747	159,466	135,807	136,267
Private individuals	66,379	66,379	65,387	65,387
State institutions	179	179	68	68
Total demand deposits	225,305	226,024	201,262	201,722
Term deposits				
Legal entities	13,788	13,788	14,145	14,145
Private individuals	43,318	43,318	46,229	46,229
Total term deposits	57,106	57,106	60,374	60,374
Total current accounts and deposits from non-banking customers	282,411	283,130	261,636	262,096

As at 31 December 2025, the customer deposit balances of EUR 2,175 thousand (2024: EUR 866 thousand) were blocked by the Bank as collateral for loans and other contingent liabilities granted by the Bank.

Concentrations of current accounts and customer deposits

As at 31 December 2025 and 31 December 2024 the Bank had no customers whose balances exceeded 10% of total customer deposits.

15 SUBORDINATED LIABILITIES

As at 31 December 2025 subordinated liabilities comprise loans received from 2 private individuals and 8 legal entities (31 December 2024: 4 private individuals and 8 legal entity).

Subordinated borrowings have a fixed term of at least five years at their origination.

In case of liquidation of the Bank subordinated loans are to be satisfied after the claims of all other creditors of the Bank, but before claims of shareholders of the Bank.

EUR'000	2025 Group	2025 Bank	2024 Group	2024 Bank
Legal persons	5,078	5,078	3,858	3,858
Private persons	936	936	1,190	1,190
Total	6,014	6,014	5,048	5,048

16 A PREFERENCE SHARES AT AMORTISED COST

The acquired subsidiary AS MC Finance has preference shares that belongs to non-controlling shareholders as Bank has acquired 53% of the total preference shares. The NCI preference shares with fixed interest rate 8% amounts to EUR 1,209 million are initially recognised as liabilities at fair value and subsequently measured at amortised cost.

Notes to the Bank's separate and the Group's consolidated financial statements**16 B OTHER LIABILITIES**

Other liabilities are as follows:

EUR'000	2025	2025	2024	2024
	Group	Bank	Group	Bank
Financial liabilities				
Cash in transit	1,542	1,542	1,278	1,278
Unmatched funds	7	7	22	22
Other financial liabilities	4,834	2,220	1,753	1,725
	6,383	3,769	3,053	3,025
Non-financial liabilities				
Corporate Income Tax liabilities (see Note 39)	641	528	618	618
Other taxes	49	15	15	13
Accrued expenses and deferred income	1,126	985	964	957
	1,816	1,528	1,597	1,588
Total	8,199	5,297	4,650	4,613

Cash in transit includes amounts requested by customers for payment with a value date of 2 January 2026 and 2025 respectively.

Unmatched funds include amounts which are under investigation and are not yet attributed to the Bank's customer accounts. Unmatched funds are investigated within ten working days after they are received.

Other liabilities include provisions for unused vacations in amount of EUR 493 thousand for the Group and EUR 482 thousand for the Bank (2024: EUR 464 thousand and EUR 461 thousand, respectively).

Other liabilities include future period income in amount of EUR 1,323 thousand for the Group and EUR 758 thousand for the Bank (2024: EUR 314 thousand and EUR 313 thousand, respectively).

Other financial liabilities on Group level include previously granted loans in the amount of EUR 2,013 from third parties (both legal entities and private individuals) to the newly acquired company. The weighted average interest rate is 9.5% (range 8-10% per agreement), the remaining term is within range of 2-5 years. There are no collateral issued for the loans.

17 SHARE CAPITAL

	2025			2024		
	Nominal value	Number of shares	Share capital	Nominal value	Number of shares	Share capital
	EUR		EUR'000	EUR		EUR'000
Ordinary shares	51.52	388,200	20,000	51.52	388,200	20,000

Shareholders

	2025		2024	
	Number of shares	%	Number of shares	%
Legal entities	387,279	99.8%	387,279	99.8%
Private person	921	0.2%	921	0.2%
Total	388,200	100%	388,200	100%

The Bank's capital is registered and fully paid. Ordinary shares rank equally with respect to dividends, as may be declared, and entitle all holders to equal voting rights at the shareholders' meeting. All shares rank equal with respect to residual assets.

Notes to the Bank's separate and the Group's consolidated financial statements**17 SHARE CAPITAL (continued)**

As at 31 December 2025, there were 5 shareholders – 4 legal entities and 1 private person (as at 31 December 2024: 5 shareholders – 4 legal entities and 1 private person). As at 31.12.2025 SIA "J.A. Investment Holdings" (ultimate beneficial owner 1 private person) owns 43.38% of the capital, SIA "HPI 2" and SIA "Ouroboros" owns 25.00% each.

At 31.12.2025 the Group and the Bank fully complies with EU Regulation no. 575/2013 - the total capital adequacy ratio of the Group and the Bank is 18.62% and 18.67%, respectively, while the minimum total capital adequacy ratio of the Bank and the Group set by Latvijas Banka is 14.44% (Note 36).

The use of share premium is defined by applicable Latvian legislation.

18 INTEREST INCOME

EUR'000	2025 Group	2025 Bank	2024 Group	2024 Bank
Interest income calculated using effective interest rate:				
Interest income on assets at amortised cost:	12,496	11,749	12,340	14,819
Loans and receivables from customers	9,587	8,840	7,549	10,028
Loans and receivables from banks	2,909	2,909	4,791	4,791
Interest income from financial assets at fair value through profit or loss	26	26	134	134
Total	12,522	11,775	12,474	14,953

19 INTEREST EXPENSES

EUR'000	2025 Group	2025 Bank	2024 Group	2024 Bank
Interest expenses on liabilities at amortised cost:				
Current accounts and deposits of customers	2,564	2,564	2,617	2,617
Other interest expense	531	408	660	660
Total	3,095	2,972	3,277	3,277

20 COMMISSION AND FEE INCOME

EUR'000	2025 Group	2025 Bank	2024 Group	2024 Bank
Commissions from money transfers, cash operations and servicing accounts	4,692	4,700	5,466	5,466
Fees from e-commerce*	2,250	2,250	739	739
Fees from cards services	702	702	801	801
Fees from POS services	221	221	228	228
Commissions from lending services and guarantees	1,086	916	605	605
Other commission income	180	180	318	318
Total	9,131	8,969	8,157	8,157

*In 2024, the Bank obtained a special licence from Visa that enables it to provide services to crypto exchange merchants; however, the Bank does not operate in the crypto market itself, but only has rights to support such customers under this licence, which contributed to higher transaction volumes in 2025.

Notes to the Bank's separate and the Group's consolidated financial statements**21 COMMISSION AND FEE EXPENSE**

EUR'000	2025	2025	2024	2024
	Group	Bank	Group	Bank
Commissions paid to correspondent banks	72	72	70	70
Commissions for payment card, POS and e-commerce servicing	2,017	2,017	1,382	1,382
Other commission expense	45	45	30	30
Total	2,134	2,134	1,482	1,482

22 GAIN ON TRADING WITH FINANCIAL INSTRUMENTS, NET

EUR'000	2025	2025	2024	2024
	Group	Bank	Group	Bank
Profit from foreign currency transactions	214	214	164	164
(Loss)/profit from revaluation of foreign currencies	(26)	16	22	11
Profit/(Loss) on the revaluation of financial assets measured at fair value through profit or loss	165	165	376	376
Income from dividends	8	117	13	13
Total	361	512	575	564

23 OTHER OPERATING INCOME

EUR'000	2025	2025	2024	2024
	Group	Bank	Group	Bank
Income from real estate rental and maintenance	490	284	402	226
Written off asset recovery	80	39	67	67
Other income	98	84	91	32
Total	668	407	560	325

24 OTHER OPERATING EXPENSES

EUR'000	2025	2025	2024	2024
	Group	Bank	Group	Bank
Real estate management	240	117	216	110
Membership and supervision fees	132	132	120	120
Real estate tax	154	93	151	94
Other expenses	180	-	169	-
Total	706	342	656	324

25 ADMINISTRATIVE EXPENSES

Salaries represent the basic remuneration of the employees, social insurance contributions as well as other personnel expenses. During 2025 the Group and the Bank employed on average 200 and 177 employees, respectively (2024: 200 and 192).

As at 31 December 2025 the Bank employed 170 employees (at 31.12.2024.: 180 employees).

Notes to the Bank's separate and the Group's consolidated financial statements**25 ADMINISTRATIVE EXPENSES (continued)**

Administrative expenses are as follows:

EUR'000	2025 Group	2025 Bank	2024 Group	2024 Bank
Salaries to members of the Council and the Board	1,164	1,023	978	886
Personnel salaries	6,193	5,862	5,951	5,905
State compulsory social insurance contributions	1,485	1,376	1,486	1,453
Professional services	2,048	1,913	1,536	1,531
Office supplies and maintenance expenses	356	315	321	326
Advertising and marketing	253	248	163	163
Other expenses	724	469	662	609
Total	12,223	11,206	11,097	10,873

EUR'000	2025 Group	2025 Bank	2024 Group	2024 Bank
Personnel expenses within Administrative expenses	8,842	8,261	8,415	8,244

Expenses related to the services provided by the audit company PricewaterhouseCoopers SIA for annual audit of financial statements and other services included in the professional services line item are as follows:

EUR'000	2025 Group	2025 Bank	2024 Group	2024 Bank
Annual audit fees	138	118	117	112
Non-audit services*	3	3	13	13

*Non-audit services were performed in relation to compliance with the Deposit Guarantee Fund requirements and Financial Instruments Law requirements.

26 DEPRECIATION OF PROPERTY AND EQUIPMENT

Total depreciation of property, equipment consists of:

EUR'000	2025 Group	2025 Bank	2024 Group	2024 Bank
Depreciation of PPE	583	551	556	546
Depreciation of Intangible assets	153	144	209	209
Total	736	695	765	755

27 CASH AND CASH EQUIVALENTS

EUR'000	2025 Group	2025 Bank	2024 Group	2024 Bank
Cash	1,347	1,347	1,535	1,535
Current placements with the Latvijas Banka	118,154	118,154	151,803	151,803
Demand deposits and term deposits with other credit institutions with initial maturity of less than three months	90	14	280	280
Total	119,591	119,515	153,618	153,618

Notes to the Bank's separate and the Group's consolidated financial statements**28 INVESTMENTS IN SUBSIDIARIES**

The Bank has two subsidiaries AS Industra Invest and AS MC Finance that are disclosed in details below.

The total investment split by subsidiaries are disclosed in Balance sheet:

Balance sheet item EUR'000	Subsidiary	2025	2024
Financial assets at fair value through profit or loss (preference shares - Note 8)	AS MC Finance	1,474	-
Total financial assets at fair value through profit or loss		1,474	-
Investment in subsidiaries	AS MC Finance	1,818	-
Investment in subsidiaries	AS Industra Invest	8,557	9,645
Total investment in subsidiaries		10,375	9,645

Investments in subsidiaries - AS Industra Invest

Investments in subsidiaries EUR'000	Investment %	2025	2024
AS Industra Invest *		100%	100%
Investments in subsidiaries		17,597	17,597
Impairment allowance		(9,040)	(7,952)
Investment in subsidiary, net		8,557	9,645

In 2024 the Bank increased the investment in AS Industra Invest by 17,553 th EUR in order to strengthen the equity of the company. At the end of each year the reevaluation of the investment was performed based on the performance of the company and its asset value.

EUR'000	2025	2024
Investment in subsidiary, gross	17,597	17,597
Impairment allowance due to subsidiary asset value decrease	(9,040)	(7,952)
Investment in subsidiary, net	8,557	9,645

An impairment assessment was conducted for Bank subsidiary AS Industra Invest at the end of 2024 and 2025. The assessment was performed due to indicators of asset value decrease. The necessary disclosures, including key assumptions and valuation method, have been provided to the financial statements as required by IAS 36.

The recoverable amount of the subsidiary was determined using fair value less cost of disposal method. Recoverable amount of the investment based on fair value less costs of disposal was considered to provide the most reliable estimate of the amount that could be recovered from the sale of the investment. Based on the valuation, the carrying amount of the investment exceeded its recoverable amount, resulting in an impairment write down of 1,088 for the year 2025 (7,908 EUR in 2024).

This impairment loss has been recognized in the statement of profit or loss under reporting line "Impairment on non-financial assets".

The fair value of investment was assessed considering the underlying assets and liabilities of investment. Majority of assets are comprised from Investment properties measured at fair value based on valuation reports prepared by independent external valuation companies. The valuations are based on discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that range from 8% to 16.42%, that reflect current market assessments of the uncertainty in the amount and timing of the cash flows. Valuations of many other properties are based on comparable transaction method for separate sales deals considering comparable sales prices in similar market. Management has reviewed the appraisers' assumptions underlying discounted cash flow models used in the valuation and

Notes to the Bank's separate and the Group's consolidated financial statements**28 INVESTMENTS IN SUBSIDIARIES (continued)**

confirmed that factors such as the discount rate applied have been appropriately determined considering the market conditions at the end of the reporting period.

Other assets and liabilities are comprised of demand deposits with credit institutions, financial assets at amortised cost, tangible assets, financial liabilities at amortised cost and other minor assets and liabilities are considered equal to fair value considering the maturity nature and consistency with market rates.

A sensitivity analysis indicates that a 10% decrease in projected cash flows from the disposal of real estate properties would result in a decrease in the value of the investment property portfolio by EUR 567 thousand.

Based on the fair value assessment, an impairment loss of 1,088 EUR has been recognized, reducing the carrying amount of the subsidiary to 8,557 EUR.

AS Industra Invest financial performance:

EUR'000	Current Assets	Long-term assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Net assets
31 December 2025	791	15,259	16,050	5,787	24	5,811	10,239
31 December 2024	1,103	13,753	14,856	2,083	3,337	5,420	9,436

EUR'000	Income	Expenses	Net profit /((loss))
31 December 2025	2,363	(1,560)	803
31 December 2024	738	(2,398)	(1,660)

* AS "Industra Invest" (reg.No.40003471282) owns 100% shares of:

- SIA "Talsu Grants" (reg.No.40203271851) in Latvia, Rīga, Dzirnau iela 62 - 20, LV-1050
- SIA "Jāņogu iela" (reg.No 40103514535) in Latvia, Rīga, Dzirnau iela 62 - 20, LV-1050
- SIA "Slokas 60" (reg.No 40203445579) in Latvia, Rīga, Muitas iela 1, LV- 1010
- SIA "Brīvības 439" (reg.No. 50203493551) in Latvia, Rīga, Muitas iela 1, LV- 1010
- SIA "Pirmais Industriālais Parks" (reg.No. 40203501217) in Latvia, Rīga, Muitas iela 1, LV- 1010

Investments in subsidiaries - AS MC Finance

On June 27, 2025, the Bank acquired 53% of the share capital of car leasing and mortgage lending company AS MC Finance (reg.No. 40103326532) and obtained control through its ability to cast a majority of votes in the general meeting of shareholders. According to sale and purchase agreement under certain pre-agreed conditions the Bank should pay an additional acquisition consideration within one year after acquisition.

The acquired subsidiary will strengthen its ability to provide housing loans and diversify lending services within the group. AS MC Finance was established in 2011 and, as a non-bank licensed lender, provides consumer lending, car leasing, and mortgage financing services for private individuals and businesses in Latvia.

As at the 31.12.2025. AS MC Finance legal address is Bauskas iela 58A-8, LV-1004.

Based on a voluntary concentration test performed in accordance with IFRS 3, management concluded that the acquisition does not constitute a business combination, as substantially all of the fair value of the acquired gross assets relates to a loan portfolio. Accordingly, the transaction is accounted for as an asset acquisition, with the excess of purchase consideration over net assets carrying value allocated to the identifiable gross assets acquired proportionally to their deemed fair values. No goodwill is recognized.

Notes to the Bank's separate and the Group's consolidated financial statements**28 INVESTMENTS IN SUBSIDIARIES (continued)**

Financial position of the subsidiary AS MC Finance as of starting consolidation within the Group on June 30, 2025:

EUR'000	Note	Amount
Demand deposits with credit institutions	7	204
Financial assets at amortised cost	9	19,301
Intangible and tangible assets	10;11	25
Other assets	13	172
Financial liabilities measured at amortized cost		(11,292)
Preference shares at amortised cost	16 A	(1,209)
Other liabilities		(1,208)
Net assets		5,993

The acquisition-date fair value of the total purchase consideration and its components are as follows:

	EUR'000
Cash consideration paid	(2,926)
Future value of deferred payment	(254)
Total fair value of consideration paid	3,180

The future value of deferred payment is initially recognised at its fair value at the acquisition date. Given that the payment is deferred for one year, its nominal amount has been discounted using an 8% discount rate, which reflects prevailing market interest rates for similar instruments and the Bank's assessment of the time value of money and risks specific to the liability. The discounted amount has been recognised as part of the consideration transferred at the acquisition date.

Accordingly, the consideration paid reflects the price agreed between market participants under the specific circumstances of the transaction, while the independently assessed fair value represents an estimate based on valuation techniques and assumptions applied at the acquisition date.

	EUR'000
Fair value of consideration (53%)	3,180
Fair value of non-controlling interests (47%)	2,813
Total deemed fair value of net assets acquired	5,993

The non-controlling interest represents share in net assets of the acquiree attributable to owners of non-controlling interest. The Bank has acquired 53% of the share capital that are divided by their class and representation in assets as following:

Balance sheet item	Share type	Proportion from total by share type	EUR'000
Financial assets at fair value through profit or loss (Note 8)	Preference shares with accrued interest	53%	1,474
Investment in subsidiaries	Ordinary shares	53%	1,818

Ordinary shares in total of 1,818 EUR are recognised in the statement of financial position as an investment in a subsidiary. The preference shares amounting to EUR 1,366 million with accrued interest EUR 108 thousand in total EUR 1,474 are recognised as financial assets at fair value through profit or loss (FVTPL). Individually by class, as well as in aggregate, these shares represent 53% of total share capital.

The Bank's investment in preference shares of AS MC Finance is classified as a financial asset measured at fair value through profit or loss in accordance with IFRS 9.

Notes to the Bank's separate and the Group's consolidated financial statements

28 INVESTMENTS IN SUBSIDIARIES (continued)

As there is no active market for this financial instrument and no publicly quoted price is available, the fair value is determined using the income approach in accordance with IFRS 13. The valuation is classified within Level 3 of the fair value hierarchy, as it is based on significant unobservable inputs.

Given that:

- the instrument has no contractual maturity (perpetual in nature),
- it carries a fixed annual return of 8% on nominal value,
- dividends are payable annually and accumulate if not distributed, and
- the instrument is subordinated to other creditors of the Company,

the fair value is determined using a discounted cash flow method (perpetuity model).

The discount rate of 8% is determined with reference to market interest rates for comparable perpetual or long-term financial instruments with a similar credit risk and subordination profile. Management considers that this rate reflects the return required by market participants for the associated level of risk at the reporting date.

The fair value is calculated using the perpetuity formula: $PV = CF / r$

The discount rate of 8% has been determined using a build-up approach based on market participant assumptions as at the reporting date. The rate consists of the following components:

1. Risk-free rate (3.5%)

Based on the yield of long-term Eurozone government bonds as at 31 December 2025 (10-25 year maturity), which ranged between 3.24% and 3.84%. Considering the perpetual nature of the instrument, an average long-term rate of 3.5% has been applied.

2. Credit risk premium (4.0%)

Reflects the credit profile of AS MC Finance, taking into account:

- the controlling ownership by a bank,
- consolidation within the banking group,
- access to group funding,
- historical capitalisation practices, and
- risk management oversight at group level.

These factors significantly reduce the expected default risk related to the instrument's cash flows. However, considering the company's relatively limited strategic importance, a moderate credit risk premium of 4.0% has been applied.

3. Liquidity premium (0.5%)

Given that the instrument is not quoted in an active market and its transferability is restricted, a liquidity premium of 0.5% has been included in the discount rate.

A sensitivity analysis, including all previously mentioned key assumptions, indicates that a 10% decrease in projected cash flows (income) would not result in an additional impairment.

Management has performed a sensitivity analysis with respect to the discount rate. If the discount rate increased by 1 percentage point (to 9%), the fair value would decrease to EUR 1,214. If the discount rate decreased by 1 percentage point (to 7%), the fair value would increase to EUR 1,561.

Based on the valuation performed, the Bank concludes that the fair value of the investment at the reporting date does not materially differ from its carrying amount.

As displayed in the table above the total investment in the assets and liabilities were remeasured to its fair value at the acquisition date and a bargain gain of 461 thousand EUR was recognised in profit or loss for the year.

AS MC Finance financial performance:

EUR'000	Current Assets	Long-term assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Net assets
31 December 2025	2,848	13,791	16,639	983	11,583	12,566	4,073

EUR'000	Income	Expenses	Net profit / (loss)
31 December 2025	3,577	(3,076)	501

Notes to the Bank's separate and the Group's consolidated financial statements**29 RELATED PARTY TRANSACTIONS**

Related parties are defined as shareholders of the Bank who have a significant influence over the Bank, members of the Council and the Board, head of the Internal Audit Service, CRO, compliance controller, their close relatives and companies in which they have a controlling interest. In line with Section 43 of the Credit Institution Law, risk transactions with related parties must not exceed 20% of the Bank's equity, applicable to limiting large exposures according to Regulation No 575/2013.

As at 31 December 2025 and 31 December 2024 the Bank was in compliance with this requirement.

The transactions carried out with subsidiaries were as follows:

EUR'000	2025 Bank	Average weighted rate	2024 Bank	Average weighted rate
Loans issued to the Bank's subsidiaries	14,484	7.89%	5,230	7.07%
Deposits from the Bank's subsidiaries	719	-	461	-

The Bank's and the Group's assets and liabilities from transactions with related parties:

EUR'000	2025 Group	2025 Bank	2024 Group	2024 Bank
Credit exposures to other related parties, net				
Loans				
- Consolidated subsidiaries	-	14,484	-	5,230
- Management	-	-	-	-
- Companies related to the shareholders	3,564	3,564	1,651	1,651
Impairment	(54)	(54)	(61)	(91)
Credit exposures to related parties, net	3,510	17,994	1,590	6,790

EUR'000	2025 Group	2025 Bank	2024 Group	2024 Bank
Liabilities to other related parties				
Deposits				
- Consolidated subsidiaries	-	719	-	461
- Management	341	341	47	47
- Companies related to the shareholders	25,007	25,007	9,065	9,065
- Subordinated liabilities	1,000	1,000	1,200	1,200
Liabilities to related parties	26,348	27,067	10,312	10,773

The Bank's and the Group's operating income and expenses from transactions with related parties:

EUR'000	2025 Group	2025 Bank	2024 Group	2024 Bank
<i>Interest and commission income</i>				
- Consolidated subsidiaries	-	751	-	2,600
- Management	5	5	3	3
- Companies related to shareholders	644	644	150	150
<i>Interest expense</i>				
- Consolidated subsidiaries	-	-	-	-
- Management	4	4	1	1
- Companies related to shareholders	365	365	223	223

Notes to the Bank's separate and the Group's consolidated financial statements**29 RELATED PARTY TRANSACTIONS (continued)**

The total amount of related party loans and deposits at the year end:

EUR'000	2025 Bank	Weighted average rate	2024 Bank	Weighted average rate
Loans to other related parties				
Opening balance	1,651		1,105	
Issued loans in current year (net)	2,014		546	
Repaid loans in current year	(101)		-	
The relationship with the bank ended in the reporting year	-		-	
Loans to other related parties	3,564	4,34%	1,651	8,15%

Remuneration to the Council and the Board:

EUR' 000	2025 Group	2025 Bank	2024 Group	2024 Bank
Remuneration to the Council and the Board	1,164	1,023	978	886
Social security tax for the remuneration to the Council and the Board	266	234	226	204
Total	1,430	1,257	1,204	1,090

30 CONTINGENT LIABILITIES AND COMMITMENTS

At any time the Bank has outstanding commitments to extend credit. These commitments take the form of approved loans, credit card limits and overdraft facilities.

The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to ten years. The Bank also provides guarantees by acting as settlement agent in transactions with securities.

The contractual amounts of commitments are set out in the following table by category. The amounts reflected in the table for commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum exposure that would be recognised in the statement of comprehensive income if counterparties failed to honour their contracted liabilities to any extent.

EUR'000	2025 Group	2025 Bank	2024 Group	2024 Bank
Loans and credit line liabilities	10,402	10,702	16,660	16,660
Guarantees and letters of credit	746	746	1,504	1,504
Total	11,148	11,448	18,164	18,164
Impairment allowance	(197)	(199)	(145)	(145)

Notes to the Bank's separate and the Group's consolidated financial statements**31 GEOGRAPHICAL CONCENTRATION OF ASSETS, LIABILITIES, EQUITY AND CONTINGENT LIABILITIES AND COMMITMENTS**

The geographical segmentation of the Group's and the Bank's assets, liabilities and contingent liabilities and commitments as at 31 December 2025 was as follows:

Group Assets EUR'000	Latvia	OECD countries	CIS countries	Other countries	Total
Cash and balances due from the Latvijas Banka	119,501	-	-	-	119,501
Demand deposits with credit institutions	76	-	1	13	90
Financial assets at fair value through profit or loss	-	1,279	-	-	1,279
Financial assets at fair value through other comprehensive income	-	37	-	-	37
Loans and receivables	169,990	1,445	-	-	171,435
Intangible assets	29	-	-	-	29
Property and equipment	8,827	-	-	-	8,827
Investment properties	15,623	-	-	-	15,623
Other assets	4,490	1,687	-	-	6,177
Total assets	318,536	4,448	1	13	322,998

Group Liabilities EUR'000	Latvia	OECD countries	CIS countries	Other countries	Total
Deposits	189,232	56,181	7,202	23,782	276,397
Subordinated liabilities	5,157	-	655	202	6,014
Preference shares at amortised cost	1,209	-	-	-	1,209
Other liabilities	8,715	-	-	-	8,715
Capital and reserves	30,982	-	-	-	30,982
Total equity, reserves and liabilities	234,976	56,181	7,857	23,984	322,998
Contingent liabilities and commitments	11,449	-	-	-	11,449

Notes to the Bank's separate and the Group's consolidated financial statements**31 GEOGRAPHICAL CONCENTRATION OF ASSETS, LIABILITIES, EQUITY AND CONTINGENT LIABILITIES AND COMMITMENTS (continued)****31 December 2025**

Bank Assets	Latvia	OECD countries	CIS countries	Other countries	Total
EUR'000					
Cash and balances due from the Latvijas Banka	119,501	-	-	-	119,501
Demand deposits with credit institutions	-	-	1	13	14
Financial assets at fair value through profit or loss	-	2,753	-	-	2,753
Financial assets at fair value through other comprehensive income	-	37	-	-	37
Loans and receivables	165,430	1,445	-	-	166,875
Investment in subsidiary	10,375	-	-	-	10,375
Intangible assets	1	-	-	-	1
Property and equipment	8,617	-	-	-	8,617
Investment properties	1,026	-	-	-	1,026
Other assets	4,052	1,687	-	-	5,739
Total assets	309,002	5,922	1	13	314,938

Bank Liabilities	Latvia	OECD countries	CIS countries	Other countries	Total
EUR'000					
Deposits	189,951	56,181	7,202	23,782	277,116
Subordinated liabilities	5,157	-	655	202	6,014
Other liabilities	5,496	-	-	-	5,496
Capital and reserves	26,312	-	-	-	26,312
Total equity, reserves and liabilities	226,916	56,181	7,857	23,984	314,938
Contingent liabilities and commitments	11,149	-	-	-	11,149

Notes to the Bank's separate and the Group's consolidated financial statements**31 GEOGRAPHICAL CONCENTRATION OF ASSETS, LIABILITIES, EQUITY AND CONTINGENT LIABILITIES AND COMMITMENTS (continued)**

The geographical segmentation of the Group's and the Bank's assets, liabilities and contingent liabilities and commitments as at 31 December 2024 was as follows:

Group Assets EUR'000	Latvia	OECD countries	CIS countries	Other countries	Total
Cash and balances due from the Latvijas Banka	153,338	-	-	-	153,338
Demand deposits with credit institutions	-	265	1	14	280
Financial assets at amortised cost	3,016	-	-	-	3,016
Financial assets at fair value through profit or loss	-	1,273	-	-	1,273
Financial assets at fair value through other comprehensive income	-	32	-	-	32
Loans and receivables	104,161	155	-	-	104,316
Intangible assets	145	-	-	-	145
Property and equipment	9,036	-	-	-	9,036
Investment properties	13,920	-	-	-	13,920
Other assets	3,334	3,040	-	-	6,374
Total assets	286,950	4,765	1	14	291,730

Group Liabilities EUR'000	Latvia	OECD countries	CIS countries	Other countries	Total
Deposits	183,202	38,617	14,098	20,671	256,588
Subordinated liabilities	4,196	-	649	203	5,048
Other liabilities	4,795	-	-	-	4,795
Capital and reserves	25,299	-	-	-	25,299
Total equity, reserves and liabilities	217,492	38,617	14,747	20,874	291,730
Contingent liabilities and	17,965	200	-	-	18,165

Notes to the Bank's separate and the Group's consolidated financial statements**31 GEOGRAPHICAL CONCENTRATION OF ASSETS, LIABILITIES, EQUITY AND CONTINGENT LIABILITIES AND COMMITMENTS (continued)****31 December 2024**

Bank Assets EUR'000	Latvia	OECD countries	CIS countries	Other countries	Total
Cash and balances due from the Latvijas Banka	153,338	-	-	-	153,338
Demand deposits with credit institutions	-	265	1	14	280
Financial assets at amortised cost	3,016	-	-	-	3,016
Financial assets at fair value through profit or loss	-	1,273	-	-	1,273
Financial assets at fair value through other comprehensive income	-	32	-	-	32
Loans and receivables	108,433	155	-	-	108,588
Intangible assets	145	-	-	-	145
Investment in subsidiary	9,645	-	-	-	9,645
Property and equipment	9,013	-	-	-	9,013
Investment properties	1,166	-	-	-	1,166
Other assets	2,641	3,040	-	-	5,681
Total assets	287,397	4,765	1	14	292,177

Bank Liabilities EUR'000	Latvia	OECD countries	CIS countries	Other countries	Total
Deposits	183,662	38,617	14,098	20,671	257,048
Subordinated liabilities	4,196	-	649	203	5,048
Other liabilities	4,758	-	-	-	4,758
Capital and reserves	25,323	-	-	-	25,323
Total equity, reserves and liabilities	217,939	38,617	14,747	20,874	292,177

Contingent liabilities and commitments	17,965	200	-	-	18,165
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Notes to the Bank's separate and the Group's consolidated financial statements**32 INTEREST RATE REPRICING ANALYSIS**

The interest rate repricing analysis of the Bank's and the Group's assets and liabilities as at 31 December 2025 was as follows:

Group EUR'000	Less than 1 month	1 - 3 months	3 - 6 months	6 - 12 months	1 - 5 years	Over 5 years	Not sensitive to changes in interest rates	Total
Assets								
Cash and balances due from the Latvijas Banka	118,154	-	-	-	-	-	1,347	119,501
Demand deposits with credit institutions	90	-	-	-	-	-	-	90
Financial assets at fair value through profit or loss	-	-	-	-	-	-	1,279	1,279
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	37	37
Loans and receivables	17,391	6,455	133,860	1,308	6,394	6,027	-	171,435
Intangible assets	-	-	-	-	-	-	29	29
Property and equipment	-	-	-	-	-	-	8,827	8,827
Investment property	-	-	-	-	-	-	15,623	15,623
Other assets	1,687	-	-	-	-	-	4,490	6,177
Total assets	137,322	6,455	133,860	1,308	6,394	6,027	31,632	322,998
Liabilities								
Deposits	231,900	13,426	6,674	14,108	10,286	3	-	276,397
Subordinated liabilities	857	-	-	-	-	5,157	-	6,014
Preference shares at amortised cost	-	-	-	-	-	-	1,209	1,209
Other liabilities	-	-	-	-	-	-	8,396	8,396
Total liabilities	232,757	13,426	6,674	14,108	10,286	5,160	9,605	292,016
Capital and reserves	-	-	-	-	-	-	30,982	30,982
Total liabilities, capital and reserves	232,757	13,426	6,674	14,108	10,286	5,160	40,587	322,998
Interest rate risk net position	(95,435)	(6,971)	127,186	(12,800)	(3,892)	867	(8,955)	-

Notes to the Bank's separate and the Group's consolidated financial statements**32 INTEREST RATE REPRICING ANALYSIS (continued)****31 December 2025**

Bank EUR'000	Less than 1 month	1 - 3 months	3 - 6 months	6 - 12 months	1 - 5 years	Over 5 years	Not sensitive to changes in interest rates	Total
Assets								
Cash and balances due from the Latvijas Banka	118,154	-	-	-	-	-	1,347	119,501
Demand deposits with credit institutions	14	-	-	-	-	-	-	14
Financial assets at fair value through profit or loss	-	-	-	-	-	-	2,753	2,753
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	37	37
Loans and receivables	17,138	6,178	133,236	28	10,295	-	-	166,875
Investment in subsidiaries	-	-	-	-	-	-	11,741	11,741
Intangible assets	-	-	-	-	-	-	1	1
Property and equipment	-	-	-	-	-	-	8,617	8,617
Investment property	-	-	-	-	-	-	1,026	1,026
Other assets	1,687	-	-	-	-	-	4,052	5,739
Total assets	136,993	6,178	133,236	28	10,295	-	28,208	314,938
Liabilities								
Deposits	232,619	13,426	6,674	14,108	10,286	3	-	277,116
Subordinated liabilities	857	-	-	-	-	5,157	-	6,014
Other liabilities	-	-	-	-	-	-	5,387	5,387
Total liabilities	233,476	13,426	6,674	14,108	10,286	5,160	5,387	288,517
Capital and reserves	-	-	-	-	-	-	26,312	26,312
Total liabilities, capital and reserves	233,476	13,426	6,674	14,108	10,286	5,160	31,699	314,829
Interest rate risk net	(96,483)	(7,248)	126,562	(14,080)	9	(5,160)	(3,600)	-

Notes to the Bank's separate and the Group's consolidated financial statements**32 INTEREST RATE REPRICING ANALYSIS (continued)**

The interest rate repricing analysis of the Group's and the Bank's assets and liabilities as at 31 December 2024 was as follows:

Group EUR'000	Less than 1 month	1 - 3 months	3 - 6 months	6 - 12 months	1 - 5 years	Over 5 years	Not sensitive to changes in interest rates	Total
Assets								
Cash and balances due from the Latvijas Banka	151,803	-	-	-	-	-	1,535	153,338
Demand deposits with credit institutions	280	-	-	-	-	-	-	280
Financial assets at amortised cost	-	-	-	3,016	-	-	-	3,016
Financial assets at fair value through profit or loss	-	-	-	-	-	-	1,273	1,273
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	32	32
Loans and receivables	13,025	5,680	85,018	441	132	20	-	104,316
Intangible assets	-	-	-	-	-	-	145	145
Property and equipment	-	-	-	-	-	-	9,036	9,036
Investment property	-	-	-	-	-	-	13,920	13,920
Other assets	1,787	-	-	-	-	-	4,587	6,374
Total assets	166,895	5,680	85,018	3,457	132	20	30,528	291,730
Liabilities								
Deposits	218,672	10,461	9,236	9,611	8,608	-	-	256,588
Subordinated liabilities	202	-	649	761	281	3,155	-	5,048
Other liabilities	-	-	-	-	-	-	4,795	4,795
Total liabilities	218,874	10,461	9,885	10,372	8,889	3,155	4,795	266,431
Capital and reserves	-	-	-	-	-	-	25,299	25,299
Total liabilities, capital and reserves	218,874	10,461	9,885	10,372	8,889	3,155	30,094	291,730
Interest rate risk net position	(51,979)	(4,781)	75,133	(6,915)	(8,757)	(3,135)	434	-

Notes to the Bank's separate and the Group's consolidated financial statements**32 INTEREST RATE REPRICING ANALYSIS (continued)****31 December 2024**

Bank EUR'000	Less than 1 month	1 - 3 months	3 - 6 months	6 - 12 months	1 - 5 years	Over 5 years	Not sensitive to changes in interest rates	Total
Assets								
Cash and balances due from the Latvijas Banka	151,803	-	-	-	-	-	1,535	153,338
Demand deposits with credit institutions	280	-	-	-	-	-	-	280
Financial assets at amortised cost	-	-	-	3,016	-	-	-	3,016
Financial assets at fair value through profit or loss	-	-	-	-	-	-	1,273	1,273
Financial assets at fair value through other comprehensive income	-	-	-	-	-	-	32	32
Loans and receivables	13,012	5,655	84,545	5,058	318	-	-	108,588
Investment in subsidiaries	-	-	-	-	-	-	9,645	9,645
Intangible assets	-	-	-	-	-	-	145	145
Property and equipment	-	-	-	-	-	-	9,013	9,013
Investment property	-	-	-	-	-	-	1,166	1,166
Other assets	1,787	-	-	-	-	-	3,894	5,681
Total assets	166,882	5,655	84,545	8,074	318	-	26,703	292,177
Liabilities								
Deposits	219,132	10,461	9,236	9,611	8,608	-	-	257,048
Subordinated liabilities	202	-	649	761	281	3,155	-	5,048
Other liabilities	-	-	-	-	-	-	4,758	4,758
Total liabilities	219,334	10,461	9,885	10,372	8,889	3,155	4,758	266,854
Capital and reserves	-	-	-	-	-	-	25,323	25,323
Total liabilities, capital and reserves	219,334	10,461	9,885	10,372	8,889	3,155	30,081	292,177
Interest rate risk net position	(52,452)	(4,806)	74,660	(2,298)	(8,571)	(3,155)	(3,378)	-

Notes to the Bank's separate and the Group's consolidated financial statements**32 INTEREST RATE REPRICING ANALYSIS (continued)***Sensitivity analysis*

The following table disclose the sensitivity analysis of the Bank's statement of comprehensive income to reasonably possible changes in interest rates. The analysis assumes that all other variables, in particular foreign currency rates, remain constant.

The sensitivity of statement of comprehensive income is the effect of the assumed changes in the interest rates on the net interest income for one year, following the reporting period end date, based on the floating rate non-trading financial assets and financial liabilities held at 31 December 2025 and 31 December 2024.

The sensitivity of the Group's profit and loss to changes in interest rates is not disclosed separately as it does not differ significantly from that of the Bank.

An increase and decrease of interest rates by 100 basis points would result in the following change to the statement of comprehensive income and equity:

EUR'000	2025		2024	
	Profit or loss	Shareholders' equity	Profit or loss	Shareholders' equity
Increase in interest rates	230	-	19	-
Decrease in interest rates	(230)	-	(19)	-
Increase in USD interest rates	17	-	(31)	-
Decrease in USD interest rates	(17)	-	31	-

33 FINANCIAL ASSETS AND LIABILITIES BY CATEGORIES**31 December 2025**

Group EUR'000	Financial assets at amortised cost	Financial assets and liabilities at fair value through profit or loss	Financial assets and liabilities at fair value through other comprehensive income	Liabilities at amortised cost	Total
Financial assets					
Cash and balances due from the Latvijas Banka	119,501	-	-	-	119,501
Demand deposits with credit institutions	90	-	-	-	90
Financial assets at fair value through profit or loss	-	1,279	-	-	1,279
Financial assets at fair value through other comprehensive income	-	-	37	-	37
Loans and receivables	171,435	-	-	-	171,435
Other financial assets	3,575	-	-	-	3,575
Total financial assets	294,601	1,279	37	-	295,917
Financial liabilities					
Deposits	-	-	-	276,397	276,397
Subordinated liabilities	-	-	-	6,014	6,014
Preference shares at amortised cost	-	-	-	1,209	1,209
Other financial liabilities	-	-	-	6,383	6,383
Total financial liabilities	-	-	-	290,003	290,003

Notes to the Bank's separate and the Group's consolidated financial statements**33 FINANCIAL ASSETS AND LIABILITIES BY CATEGORIES (continued)****31 December 2025**

Bank EUR'000	Financial assets at amortised cost	Financial assets and liabilities designated at fair value through profit or loss	Financial assets and liabilities designated at fair value through other comprehensive income	Liabilities at amortised cost	Total
Financial assets					
Cash and balances due from the Latvijas Banka	119,501	-	-	-	119,501
Demand deposits with credit institutions	14	-	-	-	14
Financial assets at fair value through profit or loss	-	2,753	-	-	2,753
Financial assets at fair value through other comprehensive income	-	-	37	-	37
Loans and receivables	166,875	-	-	-	166,875
Other financial assets	3,554	-	-	-	3,554
Total financial assets	289,944	2,753	37	-	292,734
Financial liabilities					
Deposits	-	-	-	277,116	277,116
Subordinated liabilities	-	-	-	6,014	6,014
Other financial liabilities	-	-	-	3,769	3,769
Total liabilities	-	-	-	286,899	286,899

Notes to the Bank's separate and the Group's consolidated financial statements**33 FINANCIAL ASSETS AND LIABILITIES BY CATEGORIES (continued)****31 December 2024**

Group EUR'000	Financial assets at amortised cost	Financial assets and liabilities at fair value through profit or loss	Financial assets and liabilities at fair value through other comprehensive income	Liabilities at amortised cost	Total
Financial assets					
Cash and balances due from the Latvijas Banka	153,338	-	-	-	153,338
Demand deposits with credit institutions	280	-	-	-	280
Financial assets at amortised cost	3,016	-	-	-	3,016
Financial assets at fair value through profit or loss	-	1,273	-	-	1,273
Financial assets at fair value through other comprehensive income	-	-	32	-	32
Loans and receivables	104,316	-	-	-	104,316
Other financial assets	5,015	-	-	-	5,015
Total financial assets	265,965	1,273	32	-	267,270
Financial liabilities					
Deposits	-	-	-	256,588	256,588
Subordinated liabilities	-	-	-	5,048	5,048
Other financial liabilities	-	-	-	3,053	3,053
Total financial liabilities	-	-	-	264,689	264,689

31 December 2024

Bank EUR'000	Financial assets at amortised cost	Financial assets and liabilities designated at fair value through profit or loss	Financial assets and liabilities designated at fair value through other comprehensive income	Liabilities at amortised cost	Total
Financial assets					
Cash and balances due from the Latvijas Banka	153,338	-	-	-	153,338
Demand deposits with credit institutions	280	-	-	-	280
Financial assets at amortised cost	3,016	-	-	-	3,016
Financial assets at fair value through profit or loss	-	1,273	-	-	1,273
Financial assets at fair value through other comprehensive income	-	-	32	-	32
Loans and receivables	108,588	-	-	-	108,588
Other financial assets	4,974	-	-	-	4,974
Total financial assets	270,196	1,273	32	-	271,501
Financial liabilities					
Deposits	-	-	-	257,048	257,048
Subordinated liabilities	-	-	-	5,048	5,048
Other financial liabilities	-	-	-	3,025	3,025
Total liabilities	-	-	-	265,121	265,121

Notes to the Bank's separate and the Group's consolidated financial statements**34 CURRENCY ANALYSIS**

The Group and the Bank actively controls foreign exchange open positions. The Bank operates based on the Law on Credit Institutions stating that the open position in any currency should not exceed 10% of the Tier 1 capital and that the total open position should not exceed 20% of the Tier 1 capital.

The currency analysis of the Group's and the Bank's expected and contingent liabilities of the financial position as at 31 December 2025 was as follows:

Group EUR'000	EUR	USD	Other	Total
Assets				
Cash and balances due from the Latvijas Banka	119,311	143	47	119,501
Demand deposits with credit institutions	76	-	14	90
Financial assets at fair value through profit or loss	-	1,279	-	1,279
Financial assets at fair value through other comprehensive income	37	-	-	37
Loans and receivables	171,276	159	-	171,435
Intangible assets	29	-	-	29
Property and equipment	8,827	-	-	8,827
Investment property	15,623	-	-	15,623
Other assets	4,925	1,242	10	6,177
Total assets	320,104	2,823	71	322,998
Liabilities				
Deposits	267,630	8,728	39	276,397
Subordinated liabilities	6,014	-	-	6,014
Preference shares at amortised cost	1,209	-	-	1,209
Other liabilities	8,390	6	-	8,396
Total liabilities	283,243	8,734	39	292,016
Capital and reserves	30,982	-	-	30,982
Total liabilities, capital and reserves	314,225	8,734	39	322,998
Net open position in the statement of financial position	5,879	(5,911)	32	-
Net position arising from currency exchange transactions	(5,964)	5,914	-	-
Total net open position	(85)	3	32	-

Notes to the Bank's separate and the Group's consolidated financial statements**34 CURRENCY ANALYSIS (continued)****31 December 2025**

Bank EUR'000	EUR	USD	Other	Total
Assets				
Cash and balances due from the Latvijas Banka	119,311	143	47	119,501
Demand deposits with credit institutions	-	-	14	14
Financial assets at fair value through profit or loss	1,475	1,278	-	2,753
Financial assets at fair value through other comprehensive income	37	-	-	37
Loans and receivables	166,716	159	-	166,875
Investment in subsidiaries	10,375	-	-	11,741
Intangible assets	1	-	-	1
Property and equipment	8,617	-	-	8,617
Investment property	1,026	-	-	1,026
Other assets	4,486	1,242	11	5,739
Total assets	312,044	2,822	72	314,938
Liabilities				
Deposits	268,349	8,728	39	277,116
Subordinated liabilities	6,014	-	-	6,014
Other liabilities	5,490	6	-	5,490
Total liabilities	279,853	8,734	39	288,626
Capital and reserves	26,312	-	-	26,312
Total liabilities, capital and reserves	306,165	8,734	39	314,938
Net open position in the statement of financial position	5,879	(5,912)	33	-
Net position arising from currency exchange transactions	(5,964)	5,914	-	-
Total net open position	(85)	2	33	-

Notes to the Bank's separate and the Group's consolidated financial statements**34 CURRENCY ANALYSIS (continued)**

The currency analysis of the Group's and the Bank's expected and contingent liabilities as at 31 December 2024 was as follows:

Group EUR'000	EUR	USD	Other	Total
Assets				
Cash and balances due from the Latvijas Banka	153,164	134	40	153,338
Demand deposits with credit institutions	265	-	15	280
Financial assets at amortised cost	3,016	-	-	3,016
Financial assets at fair value through profit or loss	-	1,273	-	1,273
Financial assets at fair value through other comprehensive income	32	-	-	32
Loans and receivables	103,707	609	-	104,316
Intangible assets	145	-	-	145
Property and equipment	9,036	-	-	9,036
Investment property	13,920	-	-	13,920
Other assets	3,387	2,980	7	6,374
Total assets	286,672	4,996	62	291,730
Liabilities				
Deposits	246,684	9,829	75	256,588
Subordinated liabilities	5,048	-	-	5,048
Other liabilities	4,790	5	-	4,795
Total liabilities	256,522	9,834	75	266,431
Capital and reserves	25,299	-	-	25,299
Total liabilities, capital and reserves	281,821	9,834	75	291,730
Net open position in the statement of financial position	4,851	(4,838)	(13)	-
Net position arising from currency exchange transactions	(5,362)	5,362	-	-
Total net open position	(511)	524	(13)	-

Notes to the Bank's separate and the Group's consolidated financial statements**34 CURRENCY ANALYSIS (continued)****31 December 2024**

Bank EUR'000	EUR	USD	Other	Total
Assets				
Cash and balances due from the Latvijas Banka	153,164	134	40	153,338
Demand deposits with credit institutions	265	-	15	280
Financial assets at amortised cost	3,016	-	-	3,016
Financial assets at fair value through profit or loss	-	1,273	-	1,273
Financial assets at fair value through other comprehensive income	32	-	-	32
Loans and receivables	108,518	70	-	108,588
Investment in subsidiaries	9,645	-	-	9,645
Intangible assets	145	-	-	145
Property and equipment	9,013	-	-	9,013
Investment property	1,166	-	-	1,166
Other assets	2,694	2,980	7	5,681
Total assets	287,658	4,457	62	292,177
Liabilities				
Deposits	247,144	9,829	75	257,048
Subordinated liabilities	5,048	-	-	5,048
Other liabilities	4,753	5	-	4,758
Total liabilities	256,945	9,834	75	266,854
Capital and reserves	25,323	-	-	25,323
Total liabilities, capital and reserves	282,268	9,834	75	292,177
Net open position in the statement of financial position	5,390	(5,377)	(13)	-
Net position arising from currency exchange transactions	(5,362)	5,362	-	-
Total net open position	28	(15)	(13)	-

An analysis of sensitivity of the Group's and Bank's net income for the year and equity to changes in the foreign currency exchange rates based on positions existing as at 31 December 2025 and 2024 and a simplified scenario of a 10% change in USD to EUR exchange rates is as follows:

Group EUR'000	2025 Net profit	2024 Net profit
10% appreciation of USD against EUR	-	(1)
10% depreciation of USD against EUR	-	1

Bank EUR'000	2025 Net profit	2024 Net profit
10% appreciation of USD against EUR	-	53
10% depreciation of USD against EUR	-	(53)

Notes to the Bank's separate and the Group's consolidated financial statements**35 MATURITY ANALYSIS OF ASSETS AND LIABILITIES**

The amounts below represent the assets and liabilities grouped by residual maturity.

In line with liquidity management policy the liquidity risk is managed by Treasury Division. All units whose operations affect the liquidity of the Group and the Bank are involved in liquidity management. The structure of assets/liabilities and the difference between them are calculated in order to carry out liquidity control. Liquidity is managed by using monetary instruments.

The Bank is active in managing its net liquidity position by means of:

- reducing maturities of assets, including by maintaining large balances on correspondent accounts or interbank overnight deposits and by investing funds in highly liquid debt securities in the available-for-sale portfolio or in highly liquid debt securities in the held-to-maturity portfolio, which are accepted as collateral by the European Central Bank or other market players.
- increasing maturities of liabilities by attracting term deposits.

The Bank approves limits on net liquidity positions in general, as well as in EUR and USD.

As at 31 December 2025 and 31 December 2024 the liquidity coverage ratio for the Group was 158% and 307%, respectively, and for the Bank it was 164% and 307% respectively.

The contractual maturity analysis of the Group's and the Bank's assets and liabilities as at 31 December 2025 was as follows:

Group EUR'000	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	More than 1 year	Over 5 years or not determined	Total
Assets							
Cash and balances due from the Latvijas Banka	119,501	-	-	-	-	-	119,501
Demand deposits with credit institutions	90	-	-	-	-	-	90
Financial assets at fair value through profit or loss	-	-	-	-	1,279	-	1,279
Financial assets at fair value through other comprehensive income	-	-	-	-	37	-	37
Loans and receivables	2,006	2,836	12,578	25,752	110,508	17,755	171,435
Intangible assets	-	-	-	-	29	-	29
Investment property	-	-	-	1,026	-	14,597	15,623
Other assets	4,011	-	-	-	-	2,166	6,177
Total assets	125,608	2,836	12,578	26,778	111,853	34,518	314,171
Liabilities							
Deposits	222,405	13,198	6,888	14,328	9,854	9,724	276,397
Subordinated liabilities	430	-	-	-	-	5,584	6,014
Preference shares at amortised cost	-	-	-	-	1,209	-	1,209
Other liabilities	5,280	58	3	66	2,989	-	8,396
Total liabilities	228,115	13,256	6,891	14,394	14,052	15,308	292,016
Liquidity risk	(102,507)	(10,420)	5,687	12,384	97,801	19,210	22,155

Notes to the Bank's separate and the Group's consolidated financial statements**35 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)****31 December 2025**

Bank EUR'000	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	More than 1 year	Over 5 years or not determined	Total
Assets							
Cash and balances due from the Latvijas Banka	119,501	-	-	-	-	-	119,501
Demand deposits with credit institutions	14	-	-	-	-	-	14
Financial assets at fair value through profit or loss	-	-	-	-	2,753	-	2,753
Financial assets at fair value through other comprehensive income	-	-	-	-	37	-	37
Loans and receivables	1,753	2,559	11,955	24,472	114,408	11,728	166,875
Investment in subsidiary	-	-	-	-	10,375	-	10,375
Intangible assets	-	-	-	-	1	-	1
Investment property	-	-	-	1,026	-	-	1,026
Other assets	4,011	-	-	-	-	1,728	5,739
Total assets	125,279	2,559	11,955	25,498	127,574	13,456	306,321
Liabilities							
Deposits	223,124	13,198	6,888	14,328	9,854	9,724	277,116
Subordinated liabilities	430	-	-	-	-	5,584	6,014
Other liabilities	5,124	58	3	175	136	-	5,496
Total liabilities	228,678	13,256	6,891	14,503	9,990	15,308	288,626
Liquidity risk	(103,399)	(10,697)	5,064	10,995	117,584	(1,852)	17,695

Notes to the Bank's separate and the Group's consolidated financial statements**35 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)**

The contractual maturity analysis of the Group's and the Bank's assets and liabilities as at 31 December 2024 was as follows:

Group EUR'000	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	More than 1 year	Over 5 years or not determined	Total
Assets							
Cash and balances due from the Latvijas Banka	153,338	-	-	-	-	-	153,338
Demand deposits with credit institutions	280	-	-	-	-	-	280
Financial assets at amortised cost	3,016	-	-	-	-	-	3,016
Financial assets at fair value through profit or loss	-	-	-	-	1,273	-	1,273
Financial assets at fair value through other comprehensive income	-	-	-	-	32	-	32
Loans and receivables	1,101	1,533	2,897	27,459	57,270	14,056	104,316
Intangible assets	-	-	-	-	145	-	145
Investment property	-	-	-	-	1,166	12,754	13,920
Other assets	3,783	-	-	-	-	2,591	6,374
Total assets	161,518	1,533	2,897	27,459	59,886	29,401	282,694
Liabilities							
Deposits	199,569	8,244	10,513	19,365	8,031	10,866	256,588
Subordinated liabilities	202	-	222	761	283	3,580	5,048
Other liabilities	4,475	18	-	200	102	-	4,795
Total liabilities	204,246	8,262	10,735	20,326	8,416	14,446	266,431
Liquidity risk	(42,728)	(6,729)	(7,838)	7,133	51,470	14,955	16,263

Notes to the Bank's separate and the Group's consolidated financial statements**35 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)****31 December 2024**

Bank EUR'000	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	More than 1 year	Over 5 years or not determined	Total
Assets							
Cash and balances due from the Latvijas Banka	153,338	-	-	-	-	-	153,338
Demand deposits with credit institutions	280	-	-	-	-	-	280
Financial assets at amortised cost	3,016	-	-	-	-	-	3,016
Financial assets at fair value through profit or loss	-	-	-	-	1,273	-	1,273
Financial assets at fair value through other comprehensive income	-	-	-	-	32	-	32
Loans and receivables	1,089	1,508	2,850	32,024	57,227	13,890	108,588
Investment in subsidiary	-	-	-	-	-	9,645	9,645
Intangible assets	-	-	-	-	145	-	145
Investment property	-	-	-	-	1,166	-	1,166
Other assets	3,783	-	-	-	-	1,898	5,681
Total assets	161,506	1,508	2,850	32,024	59,843	25,433	283,164
Liabilities							
Deposits	200,029	8,244	10,513	19,365	8,031	10,866	257,048
Subordinated liabilities	202	-	222	761	283	3,580	5,048
Other liabilities	4,438	18	-	200	102	-	4,758
Total liabilities	204,669	8,262	10,735	20,326	8,416	14,446	266,854
Liquidity risk	(43,163)	(6,754)	(7,885)	11,698	61,072	1,342	16,310

Notes to the Bank's separate and the Group's consolidated financial statements**35 MATURITY ANALYSIS OF ASSETS AND LIABILITIES (continued)**

The table below presents the cash flows payable by the Bank under both non-derivative and derivative financial liabilities by remaining contractual maturities as at 31 December 2025 and 31 December 2024.

The amounts disclosed in the table are the contractual undiscounted cash flows in comparison with carrying amounts of financial liabilities, comprising discounted cash flows as at the reporting date.

The Group's analysis of financial liabilities' contractual undiscounted cash flows has not been presented as the differences to the Bank analysis are insignificant.

EUR'000 31 December 2025	Carrying amount	Gross nominal outflow	Less than 1 month	1 - 3 months	3 months to 1 year	1-5 years	Over 5 years
Non-derivative financial liabilities							
Deposits	276,397	276,397	222,405	13,198	21,216	9,854	9,724
Subordinated liabilities	6,014	6,014	430	-	-	-	5,584
Preference shares at amortised cost	1,209	1,209	-	-	-	1,209	-
Other financial liabilities	6,383	6,383	6,383	-	-	-	-
Total non-derivative financial liabilities	290,003	290,003	229,218	13,198	21,216	11,063	15,308
Loans and credit line liabilities	10,402	10,402	10,402	-	-	-	-
Guarantees and letters of credit	746	746	746	-	-	-	-
Total financial liabilities	301,151	301,151	240,366	13,198	21,216	11,063	15,308

EUR'000 31 December 2024	Carrying amount	Gross nominal outflow	Less than 1 month	1 - 3 months	3 months to 1 year	1-5 years	Over 5 years
Non-derivative financial liabilities							
Deposits	256,588	256,588	199,569	8,244	29,878	8,031	10,866
Subordinated liabilities	5,048	5,048	202	-	983	283	3,580
Other financial liabilities	3,053	3,053	3,053	-	-	-	-
Total non-derivative financial liabilities	264,689	264,689	202,824	8,244	30,861	8,314	14,446
Loans and credit line liabilities	16,660	16,660	16,660	-	-	-	-
Guarantees and letters of credit	1,504	1,504	1,504	-	-	-	-
Total financial liabilities	282,853	282,853	220,988	8,244	30,861	8,314	14,446

36 CAPITAL ADEQUACY

The capital requirement for the Group and the Bank is set and monitored by Latvijas Banka.

Capital is defined by the Group and the Bank as items defined by statutory regulation as capital. Under the current capital requirements set by Latvijas Banka, banks must maintain a ratio of capital to risk weighted assets ("statutory capital ratio") above the prescribed minimum level. Furthermore, according to Section 35.25 of the Credit Institution Law, the Bank is required to ensure that its Tier 1 basic capital is sufficient to meet the total capital buffer requirement which given the provisions of Section 35.3(1) of the Credit Institution Law is comprised

Notes to the Bank's separate and the Group's consolidated financial statements**36 CAPITAL ADEQUACY (continued)**

of a capital conservation buffer of 2.5% of total exposures calculated according to Article 92(3) of the Regulation and, as required in Section 35.4(1) of the Credit Institutions Law, of the specific countercyclical capital buffer

(CCyB) calculated by multiplying the total value of exposures as required by capital buffer 0.99% (CCyB) calculated by multiplying the total value of exposures as required by Article 92(3) of the Regulation and the CCyB rate specific for the particular credit institution.

As at 31 December 2025 the individual minimum level is set 10.95% which is increased by the total capital buffer requirement of 3.49% calculated as the sum of the capital buffer and the countercyclical capital buffer specific for the particular credit institution (31 December 2024: 10.00% which is increased by the total capital buffer requirement of 3.00% calculated as the sum of the capital buffer and the countercyclical capital buffer specific for the particular credit institution).

The actual capital adequacy ratio of the Group and the Bank was above the individual capital adequacy ratio set by Latvijas Banka in the reporting year ended 31 December 2025 and above the individual capital adequacy ratio set by Latvijas Banka in the reporting year ended 31 December 2024.

Based on information provided internally to key management personnel the following table shows the composition of the Group's capital position, Tier 1 capital, Tier 2 capital and capital adequacy ratio as at 31 December 2025 and 31 December 2024:

Group EUR'000	31 December 2025	31 December 2024
Equity	28,402	25,299
Tier 1 capital	26,256	24,281
Tier 2 capital	5,120	3,352
Total risk weighted assets	168,529	149,159
Total capital as a percentage of risk weighted assets (total capital ratio)	18,62%	18,53%
Total tier 1 capital expressed as a percentage of risk-weighted assets ("tier 1 capital ratio")	15,58%	16,28%
Minimum capital adequacy ratio set by the Latvijas Banka	10,95%	10,00%
Minimum capital adequacy ratio set by the Latvijas Banka including the total capital buffer requirement	14,44%	13,00%

The following table shows the composition of the Bank's capital position as at 31 December 2025 and 31 December 2024:

Bank EUR'000	31 December 2025	31 December 2024
Equity	26,312	25,323
Tier 1 capital	26,026	25,321
Tier 2 capital	5,120	3,352
Total risk weighted assets	166,802	150,864
Total capital as a percentage of risk weighted assets (total capital ratio)	18,67%	19,01%
Total tier 1 capital expressed as a percentage of risk-weighted assets ("tier 1 capital ratio")	15,60%	16,78%
Minimum capital adequacy ratio set by the Latvijas Banka	10,95%	10,00%
Minimum capital adequacy ratio set by the Latvijas Banka including the total reserve requirement	14,44%	13,00%

The risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature of - and reflecting an estimate of credit, market and other risks associated with - each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment with some adjustments is adopted for off-balance sheet exposure to reflect the more contingent nature of the potential losses. The additional value

Notes to the Bank's separate and the Group's consolidated financial statements**37 MAXIMUM CREDIT RISK EXPOSURE**

adjustment was calculated according to the simplified approach based on European Commission Delegated Regulation (EU) 2016/101.

The table below shows the maximum credit risk for the components of the statement of the financial position, including derivatives. Credit risk exposure is disclosed based on subjected to credit risk net carrying amount of statement of financial position items less impairment provisions for loans and advances to customers.

The maximum credit exposures are shown gross, i.e. without taking into account any pledges and collaterals. Detailed information on the type and amount of collateral is presented in the Note 9.

Group	2025	2024
EUR'000		
Balances with the Latvijas Banka	118,154	151,803
Demand deposits with credit institutions	90	280
Financial assets at amortised cost	-	3,016
Financial assets at fair value through profit or loss	1,279	1,273
Financial assets at fair value through other comprehensive income	37	32
Loans and receivables	171,435	104,316
Other financial assets	3,575	5,015
Total items of the statement of financial position subjected to credit risk	294,570	265,735
Loans and credit line liabilities	10,402	16,660
Guarantees and letters of credit	746	1,504
Contingent liabilities and commitments	11,148	18,164
Total maximum credit risk exposure	305,718	283,899

As disclosed above, 56% from total gross maximum credit risk amount refers to loans and receivables (2024: 37%).

Bank	2025	2024
EUR'000		
Balances with the Latvijas Banka	118,154	151,803
Demand deposits with credit institutions	14	280
Financial assets at amortised cost	-	3,016
Financial assets at fair value through profit or loss	2,753	1,273
Financial assets at fair value through other comprehensive income	37	32
Loans and receivables	166,875	108,588
Other financial assets	3,554	4,974
Total items of the statement of financial position subjected to credit risk	291,387	269,966
Loans and credit line liabilities	10,702	16,660
Guarantees and letters of credit	746	1,504
Contingent liabilities and commitments	11,448	18,164
Total maximum credit risk exposure	302,835	288,130

As disclosed above, 55% from total gross maximum credit risk amount refers to loans and receivables (2024: 38%).

Notes to the Bank's separate and the Group's consolidated financial statements**38 FAIR VALUE OF FINANCIAL INSTRUMENTS AND OTHER ASSETS****(a) Financial instruments and assets measured at fair value**

The table below analyses the financial instruments and assets of the Group and the Bank measured at fair value at the end of the reporting period, by the level in the fair value hierarchy into which the fair value measurement is categorised.

31 December 2025				
Group	Level 1:	Level 2:	Level 3:	Total
EUR'000				
Financial instruments carried at fair value through profit or loss	1,279	-	-	1,279
Investment property at fair value through profit or loss	-	-	15,623	15,623
Financial assets at fair value through other comprehensive income	-	37	-	37
Total	1,279	37	15,623	16,939

31 December 2025				
Bank	Level 1:	Level 2:	Level 3:	Total
EUR'000				
Financial instruments carried at fair value through profit or loss	1,278	-	1,475	2,753
Investment property at fair value through profit or loss	-	-	1,026	1,026
Financial assets at fair value through other comprehensive income	-	37	-	37
Total	1,278	37	2,501	3,816

31 December 2024				
Group	Level 1:	Level 2:	Level 3:	Total
EUR'000				
Financial instruments carried at fair value through profit or loss	1,273	-	-	1,273
Investment property at fair value through profit or loss	-	-	13,920	13,920
Financial assets at fair value through other comprehensive income	-	32	-	32
Total	1,273	32	13,920	15,225

31 December 2024				
Bank	Level 1:	Level 2:	Level 3:	Total
EUR'000				
Financial instruments carried at fair value through profit or loss	1,273	-	-	1,273
Investment property at fair value through profit or loss	-	-	1,166	1,166
Financial assets at fair value through other comprehensive income	-	32	-	32
Total	1,273	32	1,166	2,471

Notes to the Bank's separate and the Group's consolidated financial statements**38 FAIR VALUE OF FINANCIAL INSTRUMENTS AND OTHER ASSETS (continued)****(b) Financial assets and liabilities not measured at fair value**

The table below analyses the fair values of the financial assets and liabilities of the Group and the Bank other than measured at fair value by the level in the fair value hierarchy into which each fair value measurement is categorised.

Banks management has made estimates and believes that the fair value is substantially consistent with the balance sheet value based on ratio of the variable rates of loans and the average remaining maturity of deposits.

The carrying amounts of financial assets and liabilities approximate their fair value.

31 December 2025	Level 1:	Level 2:	Level 3:	Total fair value	Total carrying amount
Group					
EUR'000					
Financial assets					
Cash and due from central banks	192	119,309	-	119,501	119,501
Demand deposits with credit institutions	-	90	-	90	90
Loans and receivables	-	-	171,146	171,146	171,435
Other financial assets	-	-	3,575	3,575	3,575
Financial liabilities					
Deposits	-	272,951	-	272,951	276,397
Subordinated liabilities	-	-	5,997	5,997	6,014
Preference shares at amortised cost	-	-	1,209	1,209	1,209
Other financial liabilities	-	-	6,383	6,383	6,383

31 December 2025	Level 1:	Level 2:	Level 3:	Total fair value	Total carrying amount
Bank					
EUR'000					
Financial assets					
Cash and due from central banks	192	119,309	-	119,501	119,501
Demand deposits with credit institutions	-	14	-	14	14
Loans and advances to customers	-	-	166,638	166,638	166,875
Other financial assets	-	-	3,554	3,554	3,554
Financial liabilities					
Deposits	-	273,670	-	273,670	277,116
Subordinated liabilities	-	-	5,997	5,997	6,014
Other financial liabilities	-	-	3,769	3,769	3,769

Notes to the Bank's separate and the Group's consolidated financial statements**38 FAIR VALUE OF FINANCIAL INSTRUMENTS AND OTHER ASSETS (continued)****(b) Financial assets and liabilities not measured at fair value (continued)**

31 December 2024	Level 1:	Level 2:	Level 3:	Total fair value	Total carrying amount
Group					
EUR'000					
Financial assets					
Cash and due from central banks	170	153,168	-	153,338	153,338
Demand deposits with credit institutions	-	280	-	280	280
Loans and receivables	-	-	104,316	104,316	104,316
Financial assets at amortised cost	-	3,016	-	3,016	3,016
Other financial assets	-	-	5,015	5,015	5,015
Financial liabilities					
Deposits	-	256,588	-	256,588	256,588
Subordinated liabilities	-	-	5,048	5,048	5,048
Other financial liabilities	-	-	3,053	3,053	3,053

31 December 2024	Level 1:	Level 2:	Level 3:	Total fair value	Total carrying amount
Bank					
EUR'000					
Financial assets					
Cash and due from central banks	170	153,168	-	153,338	153,338
Demand deposits with credit institutions	-	280	-	280	280
Loans and advances to customers	-	-	108,588	108,588	108,588
Financial assets at amortised cost	-	3,016	-	3,016	3,016
Other financial assets	-	-	4,974	4,974	4,974
Financial liabilities					
Deposits	-	257,048	-	257,048	257,048
Subordinated liabilities	-	-	5,048	5,048	5,048
Other financial liabilities	-	-	3,025	3,025	3,025

39 CORPORATE INCOME TAX

Corporate Income tax recognized in the profit or loss

EUR'000	2025	2025	2024	2024
	Group	Bank	Group	Bank
Corporate income tax surcharge for the profit of the reporting year	507	394	519	519
Corporate income tax for the conditionally distributed profit	12	16	19	15
Total corporate income tax	519	410	538	534

Corporate Income tax liabilities

EUR'000	2025	2025	2024	2024
	Group	Bank	Group	Bank
CITax liabilities at the beginning of the year	618	618	1,045	1,045
Accrual of corporate income tax	507	394	519	519
CITax paid for dividends and surplus tax	(484)	(484)	(946)	(946)
Total income tax liabilities	641	528	618	618

Notes to the Bank's separate and the Group's consolidated financial statements**39 CORPORATE INCOME TAX (continued)**

According to the Law on Corporate Income Tax of the Republic of Latvia adopted on 28 July 2017, and effective as of 1 January 2018, a 20% rate is only applied to distributed profits (except Corporate income tax surcharge for Credit institutions). Therefore, deferred tax assets and liabilities are recognisable at nil amount as of 31 December 2025 as the Group and the Bank have full discretion on the distribution decisions.

As of 1 January 2025, the Solidarity Contribution Law has entered into force in Latvia. The law introduces a solidarity contribution applicable to credit institutions operating in Latvia, calculated in accordance with the criteria and methodology defined therein.

Based on the assessment performed in accordance with the requirements of the Law, the Bank has achieved a sufficiently significant increase in its eligible loan portfolio. Consequently, the Bank qualifies for a 100% relief on the solidarity contribution for the reporting period.

40 SUBSEQUENT EVENTS

In February 2026, Moody's Ratings assigned Industra Bank a long-term deposit rating of **Ba2** and an unsecured bond rating of **Ba3**, with a stable outlook. The rating reflects Moody's assessment of the Bank's strong governance, prudent risk management framework, and solid capital and liquidity position.

The agency highlighted Industra Bank's strategic focus on financing Latvian enterprises and supporting the real economy, combined with disciplined risk management, as key drivers of its stable growth and international recognition. Moody's also positively evaluated the management team's successful transformation of the Bank over the past five years and the effective implementation of its new strategy, resulting in a strengthened financial profile.

At the same time, the agency noted the relatively high regulatory burden faced by smaller banks, while indicating that continued loan portfolio growth is expected to reduce income volatility and further improve operational efficiency. The assigned rating affirms the Bank's focused and responsible business model and supports its ambition to accelerate growth, with a target of issuing EUR 100 million in new financing to support business development this year.

There have been no other events during the period since the end of the reference year which would need to be reflected in these financial statements.



Independent Auditor's Report

To the Shareholders of AS Industra Bank

Report on the audit of the separate and consolidated financial statements

Our opinion

In our opinion, the separate and consolidated financial statements give a true and fair view of the separate and consolidated financial position of AS Industra Bank (the "Bank") and its subsidiaries (together – the "Group") as at 31 December 2025, and of the Bank's separate and the Group's consolidated financial performance and separate and consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the European Union (EU).

Our opinion is consistent with our additional report to the Supervisory Board dated 30 March 2026.

What we have audited

The Bank's separate and the Group's consolidated financial statements (together "the financial statements") comprise:

- the Bank's separate and the Group's consolidated statements of financial position as at 31 December 2025;
- the Bank's separate and the Group's consolidated statements of profit or loss and other comprehensive income for the year ended 31 December 2025;
- the Bank's separate and the Group's consolidated statements of changes in shareholders' equity for the year ended 31 December 2025;
- the Bank's separate and the Group's consolidated statements of cash flows for the year ended 31 December 2025; and
- the notes to the Bank's separate and the Group's consolidated financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

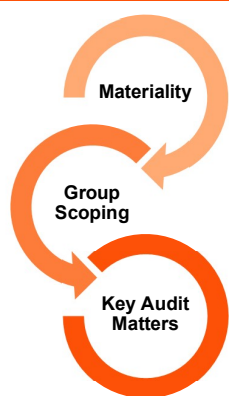
We are independent of the Bank and the Group in accordance with the ethical requirements of Regulation (EU) No 537/2014 that are relevant to audits of financial statements of public interest entities, the ethical requirements of the Law on Audit Services that are relevant to audits of financial statements in the Republic of Latvia and the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the ethical requirements of the Regulation (EU) No 537/2014, the ethical requirements of the Law on Audit Services and the IESBA Code.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Bank and its controlled entities within the European Union are in accordance with the applicable law and regulations in the Republic of Latvia and that we have not provided non-audit services that are prohibited under Article 37.6 of the Law on Audit Services of the Republic of Latvia.

The non-audit services that we have provided to the Bank and its controlled entities within the European Union, in the period from 1 January 2025 to the date of issuing this report, are disclosed in note 25 to the financial statements.

Our audit approach

Overview



- Overall Bank materiality: EUR 140 thousand, which represents approximately 5% of the Bank's profit before corporate income tax.
 - Overall Group materiality: EUR 251 thousand, which represents approximately 5% of the Group's profit before corporate income tax.
-
- We have audited the separate financial statements of the Bank.
 - We have audited the Bank's subsidiaries AS Industra Invest and AS MC Finance.
 - Our audit scope addressed 100% of the Group's revenues and 100% of the Group's total assets.
-
- Fair value of investment properties (the Bank and the Group).
 - Expected credit losses on loans (the Bank and the Group).

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls including, among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Bank and Group materiality for financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the financial statements as a whole.

Overall materiality	Overall materiality applied to the Bank was EUR 140 thousand and to the Group was EUR 251 thousand.
How we determined it	Approximately 5% of the Bank's and Group's profit before corporate income tax for year 2025.
Rationale for the materiality benchmark applied	<p>We chose profit before corporate income tax as the base benchmark because, in our view, it is the benchmark against which the performance of the Bank and the Group is most commonly measured by users, and it is a generally accepted benchmark.</p> <p>We chose 5% for profit before corporate income tax, which is within the range of accepted quantitative materiality thresholds for a public interest entity.</p>

We agreed with the Supervisory Board that we would report to them misstatements identified during our audit above EUR 7 thousand for the Bank and EUR 12.5 thousand for the Group, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of

our audit of financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Fair value of investment properties (the Bank and the Group)	We assessed whether the Bank's and the Group's accounting policies in relation to the fair valuation of investment properties comply with the requirements of IFRS Accounting Standards as adopted by the EU.
Refer to Note 12 "Investment properties" and Note 5 "Estimates and judgements" of the financial statements.	For a selected sample of investment properties, we reviewed the independent valuations the Bank and the Group obtained in respect of the investment properties. We assessed the independence and experience of the valuers and involved our own expert to assess the appropriateness of the independent appraisers' valuations.
We focused on this area because subjective judgements are used in determining the fair value of investment properties, especially where the properties are of a type and location in which currently there is limited or no active market. Therefore, a variety of valuation techniques are used with inputs that are observable in the market and inputs that are not observable in the market.	Where comparative market data was used, we evaluated whether the location, condition and other relevant attributes of the property are similar to those of the comparable assets used by valuers. We also performed our own independent search of comparable market data.
Management obtains reports from certified independent appraisers to assist them in determining the investment properties' fair values. Based on the type of investment property different valuation methods are used – market evidence of transaction prices for similar properties or income method.	Where income method, based valuation models, was used, we evaluated the reasonableness of inputs into the valuation models - future cash flows, income growth rates, and discount rates and checked the numerical accuracy of the models.
The most significant judgements made by the management in respect of fair valuation of investment properties are comparative market prices and discounted cash flows, including rent rates, expenses, income growth rates and discount rates.	We assessed the adequacy of the disclosures in the financial statements in respect of investment properties.
Expected credit losses on loans (the Bank and the Group)	We assessed whether the Bank's and the Group's accounting policies in relation to the ECL of loans to customers comply with the requirements of IFRS 9 by assessing each significant model component: exposure at default, probability of default and loss given default, definition of default and significant increase in credit risk, and the use of macroeconomic scenarios.
Refer to Note 9 "Loans and receivables" and Note 5 "Estimates and judgements" of the financial statements.	We assessed the design and operating effectiveness of the controls over relevant loan data and ECL calculations. These controls included controls over recording of loans data in the system, credit analysis and approval before issuing loans, loan disbursement allocation to correct customer, accuracy of overdue days calculation and residential real estate indexation.
We focused on this area because application of IFRS 9 "Financial instruments" expected credit loss (ECL) model for loans requires complex and subjective judgements over both timing of recognition of expected credit losses and their extent.	Further, we performed testing for accuracy and completeness of loan data, including contract dates, interest rates, collateral type and valuation, performing/non-performing status and other inputs used in ECL calculation. For a sample of loans we evaluated reasonableness of staging as at 31 December 2025.
For loans in Stage 1 and 2 the expected credit losses are calculated collectively using the ECL model. Exposures in Stage 3 expected credit losses are calculated on an individual basis, except for Stage 3 car lease and mortgage loans issued to individuals which are calculated using the collective ECL model.	For a sample of individually assessed loans, we evaluated the reasonableness of assumptions used by the Bank's and the Group's credit experts regarding future expected cash flow scenarios. We have considered the rationale of these assumptions and verified the reasonableness of the values of collateral used in the assessment. We also checked the mathematical accuracy of the ECL calculation.
The key features of the ECL model include classification of loans to 3 stages, assessment of credit risk parameters and application of forward-looking information. The amount of ECL for the Bank's and the Group's loans is based on the model calculations taking into consideration probability of default (PD), changes in customer credit risk and estimated future cash flows from the loan repayments or sale of collateral (loss given default) (LGD), and ECL	For loans assessed on a collective basis using the ECL model, we checked that the model's key parameters used by the Bank and the

adjustments for expected impact of future macroeconomic scenarios.

For individually assessed loans credit expert judgement is applied to determine future expected cash flow scenarios and collateral value.

As at 31 December 2025 the credit loss allowance amounted to EUR 3,000 thousand and EUR 3,183 thousand for the Bank and the Group respectively.

Group were calculated consistent with prior periods and by using the correct period of data. We involved our expert to assess the ECL model and recalculate the expected credit loss allowance for loans and advances. We also tested the accuracy of input information used in the ECL model.

Finally, we assessed the adequacy of the credit risk disclosures relating to loans and allowances for expected credit loss.

How we tailored our Group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The Group engagement team carried out audit work on the Bank's separate financial statements and the Bank's subsidiaries AS Industra Invest and AS MC Finance.

Reporting on other information including the Management Report

Management is responsible for the other information. The other information comprises:

- the Management Report, as set out on pages 3 to 6 of the annual report,
- the Information on the Bank's Management, as set out on pages 7 to 8 of the annual report; and,
- the Statement of Responsibility of the Bank's Management, as set out on pages 9 to 10 of the annual report,

but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Management Report, we also performed the procedures required by the Law on Audit Services of the Republic of Latvia. Those procedures include considering whether the Management Report includes the disclosures required by the Latvijas Banka's Regulation No 326 "Regulation on the annual reports and consolidated annual reports of credit institutions, investment brokerage companies, investment management companies and private pension funds".

Based on the work undertaken in the course of our audit, in our opinion, in all material respects:

- the information given in the other information identified above for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Management Report has been prepared in accordance with the requirements of the Latvijas Banka's Regulation No 326 "Regulation on the annual reports and consolidated annual reports of credit institutions, investment brokerage companies, investment management companies and private pension funds".

In addition, in light of the knowledge and understanding of the Bank and the Group and their operating environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Management Report and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Bank's and the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank or the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for the purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Appointment

We were first appointed as auditors of the Bank and the Group on 10 April 2019. Our appointment has been renewed annually by shareholder's resolution representing a total period of uninterrupted engagement appointment of 8 years. Our appointment for the year ended 31 December 2025 was approved by the shareholder's resolution on 1 September 2025.

The responsible certified auditor on the audit resulting in this independent auditor's report is Jegors Podosiņņikovs.

PricewaterhouseCoopers SIA
Certified audit company
Licence No. 5

Jegors Podosiņņikovs
Member of the Board
Certified auditor in charge
Certificate No. 238

Riga, Latvia
30 March 2026

Independent Auditor's Report is signed electronically with a secure electronic signature and contains a time stamp.

