



Magnetiq Bank Annual Report

for the year ended
31 December 2025



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MANAGEMENT REPORT

Dear shareholders, clients, and business partners,

2025 marked the first full year of operations under the Magnetiq Bank brand. Supported by its shareholder, Signet Bank AS, the Bank completed its strategic transition into the financial technology (fintech) sector, strengthening its position as a Banking-as-a-Service (BaaS) and payment infrastructure provider within the European Economic Area. Leveraging API-based solutions, Magnetiq Bank's infrastructure is fully tailored to the dynamic requirements of e-commerce and fintech companies, combining advanced technology with the highest EU banking compliance standards.

Following approval from the Bank of Latvia, Chairman of the Board Jakub Wieclaw and Board Member Deniss Filipovs joined the bank's Management Board at the end of 2024. This addition marked the completion of the formation phase for the bank's Board.

The Bank closed the 2025 financial year with a net profit of 43 thousand euros, marking an improvement compared to the losses in 2024, which were associated with the transition to the new business model. These positive financial results were primarily driven by a 43% increase in Net Commission Income, confirming stable demand for Magnetiq Bank's specialized financial services within the digitally oriented business segment. Together with the disciplined cost-cutting measures implemented by the management during the year, this allowed the Bank offset the corresponding decrease in Net Interest Income in 2025 linked to the re-calibration of the Bank's lending activities to the new segments, in line with the new strategy, and gradual reduction of the legacy loan portfolio.

At year-end, the Bank's total assets reached 157 million euros, while the loan portfolio was strategically restructured, prioritizing e-commerce financing solutions, including Merchant Cash Advance. At the same time, the Bank maintained an exceptionally strong capital adequacy and liquidity position, with the Capital Adequacy Ratio and Liquidity Coverage Ratio significantly above regulatory requirements, ensuring that safeguarded client funds always remain secure and accessible.

As of 31 December 2025, the Bank's capital adequacy ratio was 46%, while the liquidity coverage ratio was 128%. The Bank's return on equity (ROE) and return on assets (ROA) ratios are 0.13% and 0.03%, respectively.

The Bank's Management Board proposes to the Bank's Council not to distribute the Bank's 2025 profit in the amount of EUR 43 631, the Council will forward this proposal for approval at the shareholders meeting.

Throughout the year, the Bank established partnerships with 95 new fintech companies, bringing the total number of corporate clients to 310 by year-end.

In the 2025 financial year, the Bank processed payment flows totaling 467 million euros for clients in the fintech and e-commerce sectors. Integration into the Visa B2B Connect network, alongside strategic operations in the crypto-asset sector in alignment

with the MiCA regulation, enabled the Bank to attract a rapidly growing client base whose requirements often exceed the capabilities of traditional banking services.

In executing the transition from a traditional operating model to a fintech-based approach, the Bank implemented comprehensive process digitalization and automation. This included the integration of cloud-based solutions and the adoption of new platforms for efficient management and streamlining of document, invoice, and human resource processes.

E-commerce remained among the Bank's strategic priorities in 2025. The implemented technological solutions increased transaction efficiency, leading to a significant rise in average daily transaction volume by the end of the year. Additionally, the Bank transitioned to a fully digital client onboarding process and strengthened its cooperation with strategic partners, such as Mily.lv, BlockBen, NexDesk, and others.

The Bank expanded its Banking-as-a-Service (BaaS) offering with new API and webhook solutions, while also completing the development phase for the launch of Lending-as-a-Service in 2026.

The Bank prioritizes AML/CFT compliance, continuously enhancing its internal control mechanisms in line with the latest regulatory changes and international best practices. Targeted investments in information systems and team competencies ensure that the risk management and internal control systems are fully aligned with the Bank's chosen business model.

Customer satisfaction remained a core focus for the Bank in 2025. Client survey results confirmed high ratings for the quality of cooperation, the Bank's responsiveness, and problem-solving efficiency – collaboration with client advisors received a rating of 9.7 out of 10. These results validate the sustainability of the chosen service approach; therefore, the Bank will maintain its consistently high standards for service quality throughout 2026.

Expanding its operations on an international scale, Magnetiq Bank joined the FinTech Poland and the Polish-Latvian Chamber of Commerce and Industry in 2025. The Bank is purposefully strengthening its presence in the regional ecosystem, currently maintaining active membership in organizations such as the Latvian Fintech Association, FinTech HUB LT, and the Latvian Blockchain Association.

Participation in 35 industry events, including Money20/20, iFX EXPO, TES Affiliate Conferences, Baltic Fintech Days, Mastercard RiskX Summit, and Abu Dhabi Finance Week, enabled the Bank to expand its partner network and deepen its expertise in key industry topics: e-commerce, crypto-assets, sanctions regulation, and AML.

The Bank's priorities for 2026 include the further development of its core products –acquiring, embedded finance, and payment services – while maintaining an ongoing focus on profitability and capital efficiency. The Bank will continue to invest in process automation, expand its offering with automated lending solutions, and strengthen its integration within the Latvian and European Union fintech ecosystems, supporting the national strategy to position Latvia as a European fintech hub.

The Bank expresses its gratitude to its shareholders, clients, and partners for their trust, as well as to its employees for their professionalism, enthusiasm, and significant contribution to the Bank's achievements and development.

On behalf of the Council and the Management Board of the Bank:

Roberts Idelsons
Chairman of the Council

Jakub Wieclaw
Chairman of the Board

Maksims Leščinskis
Board Member

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THE COUNCIL AND THE BOARD

The Council of the Bank as of 31 December 2025

Name, Last name	Position	Date of appointment	Release date
Roberts Idelsons	Chairman of the Council	15/12/2023	
Tatjana Drobina	Deputy Chairman of the Council	15/12/2023	
Andy Krishna Hariman	Council Member	03/01/2025	
Nora Pastore	Council Member	15/12/2023	10/05/2025
Jūlija Kozlova	Council Member	14/06/2021	03/01/2025

The Board of the Bank as of 31 December 2025

Name, Last name	Position	Date of appointment	Release date
Jakub Wieclaw	Chairman of the Board	28/12/2024	
Sandra Rituma	Board Member	02/05/2024	
Maksims Leščinskis	Board Member	31/05/2024	
Deniss Filipovs	Board Member	28/12/2024	
Edgars Valmers	Board Member	20/05/2024	04/07/2025

On behalf of the Council and the Management Board of the Bank:

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Board Member

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STATEMENT OF MANAGEMENT'S RESPONSIBILITY

The management of AS Magnetiq Bank (the Bank) is responsible for the preparation of the financial statements of the Bank that reflect the Bank financial position at the end of the reporting period in a clear and actual manner, as well as for the financial results and the movement of monetary assets and liabilities during the reporting period.

The Bank's management confirms that throughout the preparation of pages 8 to 89 of the financial statements of the Bank for 2025 the corresponding bookkeeping methods have been used consistently, and that the decisions and evaluations of the Bank's management during the preparation of the financial statements have been in all respects sufficient, well-considered and balanced.

The aforementioned financial statements are prepared on a going concern basis in conformity with International Financial Reporting Standards as adopted by the European Union, and based on the requirements of the Bank of Latvia Regulation No. 326 "Regulations on the Annual and Consolidated Annual Reports of Credit Institutions, Investment Brokerage Companies, Investment Management Companies and Private Pension Funds". Prudent and reasonable judgments and estimates have been made by the management in the preparation of the financial statements.

The Bank's management is responsible for the maintenance of proper accounting records, the safeguarding of the Bank's assets, and the prevention and detection of fraud or any other irregularities in the Bank.

The Bank's management is also responsible for operating the Bank in compliance with the Law on Credit Institutions of the Republic of Latvia, Regulations of the Bank of Latvia and other laws of the Republic of Latvia as well as European Union Regulations applicable to credit institutions.

On behalf of the Council and the Management Board of the Bank:

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STATEMENT OF COMPREHENSIVE INCOME

(All amounts are expressed in thousands of euro (000'EUR))

	Notes	2025	2024
Interest income	3	4 453	5 826
Interest expense	3	(2 085)	(1 779)
Net interest income	3	2 368	4 047
Commission and fee income	4	13 890	13 157
Commission and fee expense	4	(7 835)	(8 933)
Net commission and fee income	4	6 055	4 224
Income from dividends		18	8
Net loss on derecognition of financial assets and financial liabilities at fair value through other comprehensive income	6	-	(116)
Net gain on derecognition of financial assets and financial liabilities at fair value through profit or loss	6	294	804
Net gain on foreign exchange	6	1 408	2 458
Net gain from derecognition of non-financial assets	14	703	-
Other income	5	716	618
Total operating income		11 562	12 043
General administrative expenses	7	(11 513)	(12 190)
Reversal of impairment allowance for expected credit loss	8	14	103
Profit / (loss) before tax		63	(44)
Corporate income tax	9	(20)	(14)
Net profit / (loss) for the year		43	(58)
Profit / (loss) attributable to the Bank's shareholders		43	(58)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Changes in revaluation reserve of debt securities at fair value through other comprehensive income		230	407
Change to income statement as a result of sale of financial assets at fair value through other comprehensive income (debt securities)		-	116
Total comprehensive income		230	523
Total income attributable to the Bank's shareholders		273	465

The accompanying notes on pages 12 to 89 form an integral part of these financial statements. The Bank's financial statements set out on pages 8 to 89 were approved by the Board on 27 February 2026 and by the Council on 27 February 2026.

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STATEMENT OF FINANCIAL POSITION

(All amounts are expressed in thousands of euro (000'EUR))

	Notes	31.12.2025	31.12.2024
ASSETS			
Cash and balances with the Bank of Latvia	10	85 051	93 036
Due from credit institutions	11	3 002	4 418
Financial assets measured at fair value through profit or loss		203	514
Debt securities measured at fair value through other comprehensive income	13	13 803	9 284
Financial assets measured at amortised cost		49 051	51 657
- loans and receivables due from non-banks	12	25 581	27 957
- debt securities	13	17 044	22 544
- Term deposits with credit institutions	11	6 426	1 156
Property, plant and equipment	14	365	6 331
Right-of-use assets	14	3 575	-
Intangible assets	14	510	606
Other assets	15	959	1 224
Total assets		156 519	167 070
LIABILITIES			
Financial liabilities measured at amortised cost		114 367	131 032
- deposits from customers	17	114 367	131 032
Lease liabilities	19	4 839	-
Other liabilities	18	2 292	1 290
Total liabilities		121 498	132 322
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE BANK			
Paid-in share capital	20	13 000	13 000
Revaluation reserve for financial assets measured at fair value through other comprehensive income	21	(134)	(364)
Retained earnings		22 155	22 112
Total equity attributable to equity holders of the Bank		35 021	34 748
Total equity		35 021	34 748
Total liabilities and equity		156 519	167 070
Assets under management and administration	16	579	2 916

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STATEMENT OF CHANGES IN EQUITY

(All amounts are expressed in thousands of euro (000'EUR))

	Paid-in share capital	Revaluation reserve for financial assets measured at fair value through other comprehensive income	Retained earnings	Total
Balance as at 31 December 2023	13 000	(887)	22 170	34 283
<i>Other comprehensive income</i>	-	523	-	523
<i>Net loss for the year</i>	-	-	(58)	(58)
Total income/(expense) for the year	-	523	(58)	465
Balance as at 31 December 2024	13 000	(364)	22 112	34 748
<i>Other comprehensive income</i>	-	230	-	230
<i>Net profit for the year</i>	-	-	43	43
Total income for the year	-	230	43	273
Balance as at 31 December 2025	13 000	(134)	22 155	35 021

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STATEMENT OF CASH FLOWS

(All amounts are expressed in thousands of euro (000'EUR))

	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit /(loss) before tax	63	(44)
Corporate income tax paid	(20)	(14)
Amortisation and depreciation	551	518
Profit from sale of fixed assets	(703)	-
Decrease in impairment allowance for financial assets	(14)	(103)
Interest income	(2 368)	(4 047)
Decrease in cash and cash equivalents from operating activities before changes in assets and liabilities	(2 491)	(3 690)
Decrease in financial assets at fair value through profit or loss	311	289
Decrease in loans and receivables	2 361	8 792
Decrease in other assets	382	502
Increase / (decrease) in deposits from customers	(16 412)	3 503
Increase / (decrease) in other liabilities	1 002	(1 046)
Change in cash and cash equivalents from operating activities before income tax	(14 847)	8 350
Interest received	4 512	6 022
Interest paid	(2 338)	(1 721)
Change in cash and cash equivalents from operating activities	(12 673)	12 651
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(204)	(576)
Proceeds from the sale of fixed assets	7 842	-
(Increase) / decrease in financial instruments designated at fair value through other comprehensive income	(4 220)	8 340
Proceeds in financial instruments designated at fair value through other comprehensive income	(40)	(136)
Decrease in financial assets measured at amortized cost	5 400	12 500
Proceeds in financial assets measured at amortized cost	42	122
Change in cash and cash equivalents from investing activities	8 820	20 250
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of lease liabilities	(160)	-
Net cash flow from financing activities	(160)	-
Net cash flows for the year	(4 013)	32 901
Cash and cash equivalents at the beginning of the year	98 610	65 845
Foreign exchange loss	(117)	(136)
Cash and cash equivalents at the end of the year	94 480	98 610

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NOTE 1 BASIS OF PREPARATION OF FINANCIAL STATEMENTS

(a) General information

Magnetiq Bank is a Latvian-based financial institution specializing in providing comprehensive banking infrastructure and payment solutions tailored for FinTech companies, startups, and e-commerce service providers. Services include Banking as a Service (BaaS), safeguarding accounts, and a variety of payment solutions designed to support business growth and innovation.

The Bank is a joint-stock company registered on 5 September 2008 and entered into the Register of Enterprises of the Republic of Latvia under uniform registration No. 50103189561. The Bank operates in accordance with the applicable legislation of the Republic of Latvia under a licence issued by the Financial and Capital Markets Commission, which was re-registered on 20 December 2017 under No. 06.01.02.01.340/491. The legal address of Magnetiq Bank is Brīvības iela 54, Riga, LV-1011, Latvia. The bank is incorporated and domiciled in Latvia, operating as a joint stock company (in Latvian, "akciju sabiedrība").

The Bank's sole shareholder and parent company is Signet Bank AS, registration number 40003043232, registered office at Antonijas Street 3, Riga, whose consolidated financial statements also include the Bank.

(b) Authorisation of the financial statements

Based on Commercial Code of the Republic of Latvia, shareholder meeting has rights and obligations to make decision on approval of financial statements. Shareholder and the Board have rights to amend the financial statements after issue.

These financial statements have been authorised for issuance by the Management of the Bank on 27 February 2026.

(c) Basis of presentation

The Bank's financial statements are prepared in accordance with IFRS Accounting Standards as adopted by the European Union ("EU") on a going concern basis.

These financial statements are prepared on a historical cost basis, except for assets and liabilities which are reported at fair value:

- Financial assets at fair value through profit or loss;
- Financial assets at fair value through other comprehensive income.

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

Income and expense are not offset in the financial statements unless required or permitted by any accounting standard or interpretation, as specifically disclosed in the accounting policies of the Bank.

(d) Going concern

The accompanying Bank financial statements have been prepared in accordance with IFRS Accounting Standards as adopted by the European Union (“EU IFRS”), the regulations of the Bank of Latvia and regulatory acts of the Republic of Latvia governing the operations of credit institutions, which are in force as at the reporting date and in accordance with a going bank basis. Having reassessed the main risks, the Management considers it appropriate to adopt going concern basis of accounting in preparing these financial statements, there are no material uncertainties with regard to applying going concern basis of accounting. The Bank’s management has analysed the Bank’s financial position, availability of financial resources as well as the impact of the financial crisis on the future operations of the Bank. The Bank’s operating strategy is aimed at further development of a bank servicing certain customers and developing customised products and service technologies.

The Bank’s capital adequacy is monitored by the following:

- Analysing the report prepared in accordance with the Bank’s Procedure for Calculating the Minimum Capital Requirements at least on a monthly basis;
- Assessing the capital required to cover all significant risks the Bank is exposed to and the extent of the available capital for a three-year planning period at least once every year and by benchmarking the actual financial performance of the Bank against the target indicators on a monthly basis;
- Analysing the asset quality and estimating the required allowances at least on a quarterly basis.

Having analysed the key risks related to the present and potential economic situation, the development of the banking industry as well as the Bank’s existing and potential human and financial resources, the Bank has selected to pursue the following strategy:

- Priority line of activities is FinTech, in particular the acquiring. The Bank's service is created in accordance with the requirements and standards of MasterCard and Visa. The Bank holds a MasterCard acquiring license for Europe and a Visa acquiring license for Europe, thus the Bank provides and intends to provide services to Internet sellers throughout Europe by using own processing center;
- In developing priority actions with FinTech companies, the Bank cooperates and plans to cooperate and offer its services to licensed payment institutions, following the best practices in Customer research;
- Actively attract potential Clients through classic and digital marketing channels;
- Continue placement of raised funds in lending;
- Priority areas of operations – Latvia, EEA countries, NATO member countries, OECD member countries and other countries that do not pose an increased reputational risk to the Bank;
- Financial sustainability, social sustainability and environmental sustainability.

Currently, the Bank continues the ongoing risks management process improvement and automation projects, with adequate staff, technological and financial resources devoted by the management.

The Bank had set a target total capital adequacy ratio for 2025 of at least 17 percent.

(e) Functional and presentation currency

These financial statements are reported in thousands of euro (EUR'000), unless otherwise stated. The functional currency of the Bank is euro (EUR).

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) New Standards interpretations and amendments adopted from 1 January 2025

Changes in accounting policies

Except for the changes below, the Bank has consistently applied the accounting policies to all periods presented in these financial statements.

The following amendments are effective for the period beginning on or after 1 January 2025:

- Lack of Exchangeability (Amendments to IAS 21).

On 15 August 2023, the International Accounting Standards Board (IASB) issued Lack of Exchangeability which amended IAS 21 The Effects of Changes in Foreign Exchange Rates.

The Amendments introduce requirements to assess when a currency is exchangeable into another currency and when it is not. The Amendments require an entity to estimate the spot exchange rate when it concludes that a currency is not exchangeable into another currency.

These amendments had no effect on the financial statements of the Bank.

The following illustrative examples have been issued during 2025 with no effective date:

- Illustrative examples on reporting uncertainties in financial statements.

On 28 November 2025, the IASB issued Disclosures about Uncertainties in the Financial Statements – Illustrative examples, which amended multiple IFRS Accounting Standards to include illustrative examples demonstrating how companies can apply IFRS Accounting Standards when reporting the effects of uncertainties in their financial statements. The illustrative examples are accompanying materials to IFRS Accounting Standards and do not have an effective date. The IASB had issued a near-final draft of the illustrative examples in July 2025.

The Bank has considered these illustrative examples in its preparation of the financial statements and no additional disclosures or changes in presentation were considered necessary.

New standards and interpretations not yet adopted

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Bank has decided not to adopt early.

The following amendments are effective for the annual reporting period beginning 1 January 2026:

- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 Financial Instruments and IFRS 7).
- Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7).

The following standards and amendments are effective for the annual reporting period beginning 1 January 2027:

- IFRS 18 Presentation and Disclosure in Financial Statements
- IFRS 19 Subsidiaries without Public Accountability: Disclosures

The Bank is currently assessing the effect of these new accounting standards and amendments.

IFRS 18 Presentation and Disclosure in Financial Statements

This standard, issued by the IASB in April 2024, supersedes IAS 1 and results in major consequential amendments to IFRS Accounting Standards, including IAS 8 Basis of Preparation of Financial Statements (renamed from Accounting Policies, Changes in Accounting Estimates, and Errors). Even though IFRS 18 will not have any effect on the recognition and measurement of items in the financial statements of the Bank, it is expected to have a significant effect on the presentation and disclosure of certain items. These changes include categorization and sub-totals in the statement of profit or loss, aggregation/disaggregation and labeling of information, and disclosure of management-defined performance measures.

The Bank does not expect to be eligible to apply IFRS 19.

(b) Significant accounting judgments and estimates

The preparation of financial statements in conformity with IFRSs as adopted by the European Union requires management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively. The most significant judgments and estimates used are as follows:

Fair value of financial instruments

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgment is required to

establish fair values. The judgments include considerations of liquidity and model inputs. More detailed information in Note 25.

Expected Credit losses

For investments in financial instruments classified as amortized cost or measured at fair value through other comprehensive income, the Bank regularly assesses whether there has been a significant increase in credit risk since the acquisition and when a significant increase in credit risk has occurred, for these financial instruments the Bank calculates the expected loss that it may incur during the remaining term of these financial instruments until maturity as opposed to expected losses in the 12-month period for financial instruments for which no significant credit risk increase has been identified.

For calculation of provisions for expected credit losses the Bank uses significant assumptions and judgements. When calculating provisions for expected credit losses for its investments in debt securities and amounts due from other banks and counterparties, the Bank uses average default rates for debt issuers with corresponding credit rating during the period of previous 10 years based on the data by credit rating agencies as well as historic data on average losses in case of default according to the data by the same credit rating agencies. However, the number of defaults and losses experienced by the Bank in future periods may differ from the estimated indicators. Also, when calculating provisions for expected credit losses for issued loans, the Bank bases its expectations on its own experienced defaults over the period of past 5 years. However, also taking into account that the number of defaulted loans has been small, there is a possibility that the number of defaults in the next periods may not correspond to the forecasted numbers. In addition, when calculating provisions for expected credit losses for issued loans, the Bank makes assumptions about sale value of collateral assets, and, even though the Bank applies discount to calculate possible values of collateral assets, it is possible that in some cases sale values of collateral assets may be lower than the assumed values. The procedure for determining the significant increase in credit risk and the procedure for calculating the expected loss is described in section, which describes the accounting policy.

Estimate of provision amounts

Provisions are recognised in amount that is the best estimate as of the reporting date. Management of the Bank estimates provisions required to cover obligations. In preparation of the estimate management uses available information, evidence and experience, as well as engages independent experts if necessary.

(c) Foreign currency translation

Transactions and balances

Transactions in foreign currencies are recorded in euro at the functional currency rate of exchange ruling at the date of the transaction set by the European Central Bank. Monetary assets and liabilities denominated in foreign currencies are translated into euro at the official rate of exchange set by the European Central Bank prevailing at the

end of the year.

All realised gains and losses are taken to the statement of comprehensive income in the period when incurred. Unrealised gains and losses resulting from the revaluation of assets and liabilities are included in the statement of comprehensive income applying the exchange rates prevailing at the reporting date.

The principal year-end rates of exchange (amount of foreign currency to one EUR) used in the preparation of these financial statements are as follows:

European Central Bank official exchange rate		
	31 December 2025	31 December 2024
USD	1.17500	1.03890
GBP	0.87260	0.82918
PLN	4.22100	4.27500

(d) Financial assets and liabilities

Recognition and derecognition of financial assets

Financial assets are recognised in the statement of financial position when, and only when, the Bank becomes a party to the contractual provisions of the instrument. All regular purchases and sales of financial assets are recognized in the statement of financial position on the settlement date representing the date when the financial asset is delivered. In the period between the dates of transaction and settlement, the Bank accounts for the changes in the fair value of the received or transferred asset based on the same principles as used for any other acquired asset of the respective category. A financial asset is derecognised only when the contractual rights to receive cash flows from the asset have expired, or the Bank has transferred the financial asset and substantially all the risks and rewards of the asset to the counterparty.

All purchases and sales of financial assets, except for loans issued to non-bank customers, are recognised and derecognised on the settlement date. Loans to non-bank customers are recognised in the statement of financial position when cash is transferred to the customer's current account. Change in value of assets between the trading date and settlement date are recognised in the statement of comprehensive income. The Bank also derecognises certain assets when it writes off balances pertaining to the assets deemed to be uncollectible.

Classification of financial instruments

All financial instruments upon initial recognition are classified into one of the following categories:

- Financial assets and liabilities measured at fair value through profit or loss;
- Financial assets and liabilities measured at fair value through other comprehensive income;
- Financial assets and liabilities measured at amortised cost.

The basis for classification is both business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. At acquisition the applicable classification is evaluated based on the guidelines established by the Bank. For financial asset classification in particular category, the Bank at inception has to determine whether the asset meets the relevant business model and contractual cash flow criteria.

Financial instruments measured at fair value through other comprehensive income

The Bank acquires securities measured at fair value through other comprehensive income for the purpose of holding these assets in order to receive principal amounts and interest and to sell them. This portfolio includes fixed income debt securities.

The securities measured at fair value through other comprehensive income are initially accounted at their fair value, including direct transaction costs, and are subsequently revalued at fair value. The result of revaluation is recognised in the statement of comprehensive income, except for foreign currency profit and losses.

For the securities measured at fair value through other comprehensive income that have been acquired at a discount (premium), the discount (premium) amount is gradually amortised using the effective interest rate. Amortisation amounts are included in the statement of comprehensive income as interest income/(expenses) on debt securities.

Profit or losses arising from the disposal of the securities measured at fair value through other comprehensive income and the fair value revaluation reserve accumulated until disposal are included in the item "Net realised profit (losses) on financial instrument trading transaction" of the statement of comprehensive income.

Financial assets measured at amortised cost (excluding loans and receivables)

Investment securities measured at amortised acquisition cost include non-derivative financial assets with fixed or determinable payments and fixed maturities, which meet the business model test of holding assets to collect contractual cash flows and the cash flow characteristics test of solely payments of principal and interest.. Financial assets measured at amortised acquisition cost include debt financial instruments. Financial assets measured at amortised acquisition cost are accounted at amortised cost using the effective interest rate method, taking into account 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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and meet the criteria for amortised acquisition cost measurement.

Loans are carried at amortised cost using the effective interest method. The amortised cost of a loan is the amount at the issue of the loan minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any

difference between the initial amount and the maturity amount, and minus any reduction for impairment or uncollectability.

Financial assets and liabilities measured at fair value through profit or loss

A financial asset is measured at fair value through profit or loss unless it is measured at amortised cost or at fair value through other comprehensive income. For equity instruments that would otherwise be measured at fair value through profit or loss an irrevocable election at initial recognition on instrument-by-instrument basis is made to present subsequent changes in fair value in other comprehensive income. Also a financial asset or liability, at initial recognition, may be irrevocably designated as measured at fair value through profit or loss if doing so eliminates or significantly reduces “accounting mismatch” that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases or a group of financial liabilities or financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the management.

Financial assets and liabilities which are held for trading are measured at fair value through profit or loss. Financial assets and liabilities are held for trading if they are either acquired in a business model which is characterised by generation of a profit from short-term fluctuations in price or dealer’s margin, or a pattern of short-term profit taking exists.

Financial liabilities

Financial instruments carried as deposits from customers and other financial liabilities are classified as financial liabilities at amortised cost.

After initial measurement, financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Amortised cost is calculated by taking into account any discount on issue and fees that are an integral part of the effective interest rate. The amortisation is included in interest expense in the statement of comprehensive income.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

A gain or loss on a financial liability that is measured at amortised cost is recognised in profit or loss when the financial liability is derecognised and through the amortisation process.

Impairment of financial assets and expected credit loss

The Bank’s impairment requirements are based on an expected loss model. Expected loss calculations do not represent the losses that the Bank may suffer in a single

scenario such as a stress scenario, but represent a probability weighted loss in a number of reasonably possible scenarios including a normal repayment scenario.

To calculate impairment, the assets are divided into three categories (stages):

- stage 1 includes assets where no significant increase in credit risk since acquisition/initial recognition is identified;
- stage 2 includes assets for which a significant increase in credit risk is identified since acquisition/initial recognition but for which no default of the issuer has been identified;
- stage 3 includes defaulted assets.

The Bank calculates provisions for expected credit losses according to the requirements of IFRS 9:

- for stage 1 assets, loan loss allowance equals the 12 month expected credit loss, that is a possible loss if the issuer defaults within the next 12 months;
- for stage 2 and 3 assets loan loss allowance equals the lifetime expected credit losses.

The 'default' is defined in line with the prudential definition of the default: exposure delayed 90 and more days, significant restructuring and other unlikeliness to pay indicators. The 'default' is the criteria for transfer to stage 3.

To determine if the credit risk associated with a financial instrument has increased significantly since initial recognition (or a financial instrument is in default), the Bank monitoring a number of indicators, such as:

- whether the payments related to an asset (or other obligations of an obligor) have been past due or there has been a breach of covenants;
- whether there has been information about significant deterioration of the obligor's financial situation;
- whether an obligor has informed the Bank about his willingness to alter the debt contract terms that can be deemed to be a forbearance (granting to the obligor a concession(s) due to the obligor's financial difficulty that would not otherwise be granted) or an event of forbearance itself;
- whether substantial decline of the market price of the obligor's debt instruments has occurred, in case an obligor has issued financial instruments and those are actively traded;
- whether actual or expected changes in business conditions have been observed / forecasted that may have a significant impact on the obligor's creditworthiness assessment;
- whether there has been a decrease of an obligor's external or internal credit rating.

If payments related to an asset are past due more than 30 days, the asset is classified as stage 2 asset, and, if payments related to an asset are past due more than 90 days, the asset is classified as stage 3 asset.

The Bank calculates expected loss (EL) on an individual basis for all assets in scope of the standard.

For stage 1 and 2 assets, the amount of EL is calculated by multiplying the exposure at default on the reporting date (including accrued interest and undisbursed loan or credit line) by loss given default (LGD) rate and by the probability of default.

For debt securities, amounts due from other banks and counterparties and other instruments that have a credit rating, the Bank uses PD's that are based on the rating.

For amounts due from other banks and counterparties and other instruments, except loans to customers, that do not have credit rating, the Bank uses internal ratings based on the financial indicators of these counterparties.

For debt securities held, amounts due from counterparties and other assets the Bank bases its LGD estimate on LGDs calculated by rating agencies or internal analysis of recoveries from defaulted exposures.

For stage 1 and stage 2 loans to customers, the Bank estimates PD rates that are based on the number of defaults that the Bank has experienced in its loans portfolio during the past 5 years taking into account each borrower's specific creditworthiness assessment.

For loans to customers, loss given default rates are based on the estimated proceeds from the sale of collateral in case of the default. For that purpose, the Bank makes assumptions regarding possible sales term, discount and selling costs based on the collateral type, liquidity, location, etc.

Impairment allowance for loans to customers is calculated as a difference between the net present value of projected future cash flows that are discounted using the loan's original effective interest rate and the net carrying amount. Calculation of net present value of projected future cash flows for loans secured with collateral takes into account cash flows from repossession of collateral less cost of repossession and sale. Losses are recognised in profit or loss.

Calculation of impairment allowance for expected credit losses from off-balance sheet liabilities and contingent liabilities is in line with the principles and methodology applied for balance sheet positions.

Loss allowance for expected credit losses on loan commitments and financial guarantee contracts is recognised as provisions.

The Bank regularly compares actually experienced losses to previously expected losses.

Fair value of financial assets and liabilities

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. To determine the fair value of financial assets and liabilities, the Bank uses quoted market prices, ratings assigned by independent rating agencies, or relevant valuation techniques. Where quoted prices are not readily available, fair values are determined by using alternative pricing models considering that fair value is not the amount that the Bank would receive or pay in a forced transaction, involuntary liquidation or distress sale. These models are based on the discounted cash flow analysis where relevant cash flows from the respective financial assets are measured and discounted at interest rates applicable to a certain category of assets.

(e) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment charges, if any is recognised. No depreciation is calculated for land. For other fixed assets and intangible assets that have a limited life, the cost is reduced by accumulated depreciation calculated based on the asset useful lives, using the straight-line method.

Depreciation is calculated using the straight-line method applying the following rates:

Property, plant and equipment	
Buildings	2 %
Computers and equipment	33 %
Vehicles	14 %
Other property, plant and equipment	10-20 %

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset is calculated as the difference between the net disposal proceeds and the carrying amount of the item at the disposal date and is included in the statement of comprehensive income.

(f) Intangible assets

Intangible assets are identifiable non-monetary assets without physical substance (licences, software that is not an integral part of the related hardware, etc.) held for supply of services or otherwise and are recognised as such when it is probable that the expected economic benefits that are attributable to the asset will flow to the Bank.

Intangible assets are stated at cost less accumulated amortisation and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation is included in the statement of comprehensive income on a straight-line basis over the useful life of the asset. The useful life of each asset is estimated on an individual basis, considering the contractual provisions and/or the period in which the asset's future economic benefits are expected to be consumed by the Bank.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

The amortisation rates by categories of assets are as follows:

Intangible assets	
Licences	10 %
Software	14-33 %

(g) Leases - Bank as lessee

The right-of-use asset is initially measured at the amount of the lease liability plus any initial direct costs. Subsequently, the right-of-use asset is measured using a cost model. A right-of-use asset is measured at cost less any accumulated depreciation and impairment. The lease liability is initially measured at the discounted value of agreed-upon payments over the lease term. A discount rate which discounts future payments to estimated present value is applied. The Bank presents right-of-use assets in the same line items in which it presents owned assets of the same nature. Lease liabilities are presented within other liabilities.

The Bank has elected not to recognise right-of-use assets and lease liabilities for low-value assets, but to expense lease payments for low-value assets over the lease term instead.

When estimating a lease term, the Bank's intentions as well as contractual early termination and extension options available to the lessee and lessor are considered. When a previously recognised lease is modified and the scope of the lease increases, and increase in compensation is commensurate, a new separate lease is recognised; if increase in compensation is not commensurate or the scope of lease decreases, the current right-of-use asset and corresponding lease liability are re-measured. In case of decrease in scope of lease a gain or loss (if any) is recognised in income statement.

The most important kind of lease agreement for the bank as a lessee concerns spaces leased for the purposes of the Bank's core activities. If a lease contract entails the possibility of extension or premature termination, in many cases a period of lease equal to a one-year planning period is applied – unless an agreement already specifies a shorter period of lease.

As a lessee, the Bank defines IFRS 16 accounting terms beyond the scope of the Standard as follows:

- a short-term lease is a lease with the term of less than or equal to 12 (twelve) months;
- a low value asset is an asset which is acquired new and has value equal to or less than EUR 5 000.00 (five thousand euros).

Leasehold improvements are capitalized, and their depreciation is calculated on a straight-line basis over the remaining lease term. Leasehold renovation costs in relation to improving quality of the building are capitalized.

Leasehold maintenance and current repair costs are recognized in the profit or loss statement when incurred.

(h) Sublease

The Bank may enter into sublease arrangements in respect of office premises for which it is a lessee under a head lease agreement. In such cases, the Bank acts as an intermediate lessor.

Subleases are classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying property.

A sublease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the right-of-use asset. Otherwise, the sublease is classified as an operating lease.

In assessing classification, the Bank considers, among other factors, the term of the sublease relative to the remaining term of the head lease and whether the sublease transfers substantially all economic benefits associated with the relevant portion of the right-of-use asset.

Where a sublease is classified as an operating lease:

- the Bank continues to recognise the full right-of-use asset and the related lease liability arising from the head lease;
- lease income from the sublease is recognised in profit or loss on a straight-line basis over the sublease term, unless another systematic basis better represents the pattern in which the economic benefits from the leased space are consumed;
- lease income is presented within other income.

The lease liability relating to the head lease is not adjusted as a result of entering into an operating sublease.

As at the reporting date, the Bank subleases a minor portion of its leased office premises under arrangements classified as operating subleases. Accordingly, the Bank continues to recognise the full right-of-use asset and corresponding lease liability in respect of the head lease.ⁱ

(i) Impairment of non-financial assets

The Bank assesses at each reporting date whether there is an indication that non-financial assets (except for the deferred tax asset) may be impaired. If any such indication exists, the Bank makes an estimate of the asset's recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. An impairment loss is recognised when the carrying amount of an asset exceeds its recoverable amount. Impairment losses are taken to the statement of comprehensive income.

(j) Recognition of income and expense

For all interest bearing financial assets and financial liabilities, interest income or expense is recorded in the statement of comprehensive income by using the effective interest rate (EIR), which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or a financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayments, maturity and other options), but not future credit losses.

Interest income and expense include the amortisation of any difference between the cost of interest-bearing financial assets or liabilities and the amount payable at maturity calculated applying the effective interest rate method (discount, premium, etc.).

Interest income comprises coupons earned from debt securities of the Bank's portfolio.

Accumulated interest income and income from impaired financial assets are included in the statement of comprehensive income unless the Bank has objective evidence that payments will not be received in the due term. Once the recorded value of a financial asset has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Commission and fee income from customers is usually recognised on an accrual basis as the service is supplied based on each particular situation, or on a certain performance.

Fees earned for the provision of services over a period of time are accrued over that period and taken to income. These fees include account servicing, asset management, commission from payment card transactions, etc. Loan related fees are taken to income on a systematic basis over the period of the loan. Loan commitment fees for loans that are likely to be drawn down and other credit related fees are deferred (together with any incremental costs) and recognised as an adjustment to the effective interest rate on the loan. When it is unlikely that a loan will be drawn down, the loan commitment fees are recognised over the commitment period on a straight-line basis. Fees that are due for the provision of certain services are taken to income on completion of the respective service.

Income and expense attributable to the reporting period are taken to the statement of comprehensive income regardless of the receipt or payment date.

(k) Commission Income and Expense from e-commerce transaction servicing

Magnetiq Bank earns commission income and incurs commission expenses through its role as a payment facilitator for e-commerce transactions. The Bank enters into agreements with e-commerce merchants, allowing customers to select Magnetiq Bank as a payment option when making purchases online.

Commission income is recognized at the point in time when a transaction is processed, as this represents the completion of the Bank's performance obligation under IFRS 15 "Revenue from Contracts with Customers." The commission income earned is deducted directly from the transaction amount before transferring funds to the e-commerce merchant. The commission fee is contractually agreed upon with each merchant and represents the consideration for facilitating the payment.

In the settlement process, when a customer completes a purchase, the transaction amount is initially processed by global payment networks such as Visa and MasterCard. While funds remain with Visa and MasterCard during the settlement period (typically

one business day), the Bank advances its own funds to the e-commerce merchant, net of commission income. Once Visa and MasterCard settle the transaction, the Bank offsets the amounts, effectively reimbursing itself.

The Bank incurs commission expenses related to payment processing fees charged by Visa and MasterCard. These costs are recognized as commission expenses when the associated transactions are processed. Since these fees are directly attributable to revenue-generating activities, they are recorded in the same period as the corresponding commission income to ensure proper matching.

(l) Cash equivalents

Cash equivalents comprise amounts due from central banks and other credit institutions, and amount due to other credit institutions on demand and with an original maturity of three months or less. The statement of cash flows reports cash flows during the period classified by operating, investing and financing activities.

Cash flows from operating activities are reported using the indirect method. Cash flows from investing and financing activities are presented based on cash payments for the year.

(m) Taxation

The Enterprise Income Tax Law, which entered into force on 1 January 2018, provides that corporate income tax at a rate of 20% is payable at the time profit is distributed rather than when it is recognised. The tax is calculated as 0.2/0.8 of the net amount of dividends declared. Moreover, separate expenditure and loans to related persons for tax purposes are considered as dividends (for example, expenditure not related to economic activity and representation expenditure which exceed definite limit, interest expenses above the limit, etc.).

Several Transitional Provisions of the Enterprise Income Tax Law provide for that the new EIT provisions do not refer to the dividends disbursed from the retained profit of the previous tax period, and these rights have no time limit.

Changes in the Enterprise Income Tax Law which entered into force on January 1 2024, stipulate that credit institutions pay an advance of the enterprise income tax in the reporting year, which is calculated from the audited profit of the pre-reporting year.

In 2024, the Latvian government enacted the Solidarity Contributions Law, effective from 1 January 2025. The law introduces a levy applicable to credit institutions, calculated at 60% of net interest income exceeding 50% of the average annual net interest income for the period 2018–2022, subject to specified adjustments.

The Bank falls within the scope of the Law and has assessed the potential impact of the levy based on its projected and actual net interest income. Based on management's assessment, the Bank's net interest income does not exceed the threshold defined in the Law. Accordingly, no Solidarity Contribution Levy has been recognized in these financial statements.

(n) Off-balance sheet financial commitments and contingent liabilities

In the ordinary course of business, the Bank is involved with off-balance sheet financial commitments and contingent liabilities comprising commitments to extend loans and receivables to customers, commitments for unutilised credit lines or credit card limits, and financial guarantees.

Commitments to extend loans and receivables and commitments for unutilised credit lines or credit card limits represent contractual commitments to make loans and revolving credits. Commitments generally have fixed expiration dates or other termination clauses. Since commitments may expire without being drawn upon, the total contract amounts do not necessarily represent future cash requirements.

Provisions are recognised when the Bank has a present obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the income statement net of any reimbursement.

(o) Trust activities

Funds managed by the Bank on behalf of individuals, corporate customers, trusts and other institutions are not regarded as assets of the Bank and, therefore, are not separately included in the statement of financial position. Funds under trust management are presented in these financial statements only for disclosure purposes. The Bank does not assume any control, risks and rights with regard to the assets and liabilities under trust management.

(p) Dividends

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Bank's shareholders. Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date. In 2025, dividends have not been calculated and paid.

(r) Employee benefits

The Bank pays State compulsory social security contributions for state pension insurance and to the state funded pension scheme in accordance with Latvian legislation. State funded pension scheme is a defined contribution plan under which the Bank pays fixed contributions determined by the law and it will have no legal or constructive obligations to pay further contributions if the state pension insurance system or state funded pension scheme are not able to settle their liabilities to employees.

Short-term employee benefits, including salaries and state compulsory social security contributions, bonuses and paid vacation benefits, are included in Administrative expenses on an accrual basis.

(s) Provisions

A provision is recognised in the statement of financial position when the Bank has 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 a reliable estimate of the amount of the obligation can be made.

(t) Sale-and-leaseback transactions

During the reporting period, the Bank entered into a sale-and-leaseback transaction in which it transferred an asset and simultaneously leased the asset back for continued use in its operations.

When a transfer of an asset by the Bank as seller-lessee satisfies the requirements of IFRS 15 to be accounted for as a sale, the Bank measures the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use retained. Accordingly, at the date of sale, the Bank recognises only the amount of any gain or loss that relates to the rights transferred to the buyer-lessor.

The lease liability arising from the leaseback is measured at the present value of the lease payments over the lease term.

Any portion of the gain that relates to the right of use retained is not recognised immediately in profit or loss. Instead, such deferred gain is reflected as a reduction of the right-of-use asset recognised on initial measurement. As a result, the right-of-use asset is presented at an amount that reflects the retained rights in the underlying asset.

The deferred gain is effectively recognised over the lease term through reduced depreciation of the right-of-use asset.

If the transfer of the asset does not satisfy the requirements of IFRS 15 to be accounted for as a sale, the Bank continues to recognise the transferred asset in its statement of financial position and recognises the proceeds received as a financial liability in accordance with IFRS 9.

Subsequent accounting of the leaseback follows the Bank's general lease accounting policies described above.

NOTE 3 NET INTEREST INCOME

(a) by type of income

	2025	2024
Interest income calculated using the effective interest method		
Interest income on liabilities from the Bank of Latvia	2 321	2 425
Interest income on financial assets at amortized cost:	1 938	3 191
<i>Balances due from financial institutions</i>	127	33
<i>Loans and advances due from customers</i>	1 684	2 884
<i>Incl. impaired loans¹</i>	258	400
<i>Debt securities</i>	127	274
Interest income on debt securities at fair value through profit or loss in other comprehensive income	194	210
Total interest income:	4 453	5 826
Interest expense		
Interest expense recognised on liabilities measured at amortised cost	(1 716)	(1 601)
<i>Current accounts and deposits due to customers</i>	(1 716)	(1 601)
Payments to the Deposit Guarantee Fund	(237)	(175)
Lease commitments	(131)	-
Other interest expense	(1)	(3)
Total interest expense:	(2 085)	(1 779)
Net interest income	2 368	4 047

¹Credit impaired financial assets are defined as all stage 3 classified assets with existing default triggers. These besides overdue or specifically impaired assets also include non-overdue, non-restructured assets under monitoring period where previously default indications were observed.

(b) by geographical profile

	2025	2024
Interest income calculated using the effective interest method		
Residents of Latvia	3 887	5 152
Residents of EU and EEA countries	382	286
Residents of other countries	184	388
Total interest income:	4 453	5 826
Interest expense		
Residents of Latvia	(728)	(776)
Residents of EU and EEA countries	(801)	(264)
Residents of other countries	(556)	(739)
Total interest expense:	(2 085)	(1 779)
Net interest income	2 368	4 047

NOTE 4 NET COMMISSION AND FEE INCOME

(a) by type of income

	2025	2024
Commission and fee income		
Commission fee for servicing e-commerce transactions	11 684	11 143
Service fee for account maintenance and cash transactions	1 665	1 596
Service fee for segregated accounts	268	-
Service fee of payment card transactions	195	206
Brokerage services	51	85
Other bank transactions	27	127
Total commission and fee income:	13 890	13 157
Commission and fee expense		
Commission expense from e-commerce transaction servicing	(7 532)	(8 492)
Service fee of payment card transactions	(98)	(166)
Brokerage services	(90)	(108)
Correspondent banking services	(88)	(84)
Agents commission	(18)	(82)
Other bank transactions	(9)	(1)
Total commission and fee expense:	(7 835)	(8 933)
Net commission and fee income	6 055	4 224

(b) by geographical profile

	2025	2024
Commission and fee income		
Residents of Latvia	670	1 020
Residents of EU and EEA countries	10 696	7 568
Residents of other countries	2 288	4 348
Not classified by country of income	236	221
Total commission and fee income:	13 890	13 157
Commission and fee expense		
Residents of Latvia	(131)	(104)
Residents of EU and EEA countries	(15)	(29)
Residents of other countries	(7 564)	(8 550)
Not classified by country of expense	(125)	(250)
Total commission and fee expense:	(7 835)	(8 933)
Net commission and fee income	6 055	4 224

NOTE 5 OTHER INCOME

	2025	2024
Other income		
Income from rental of premises and professional services to Signet Group companies	373	-
Income from professional services provided to clients	225	182
Reversal of expired liabilities	-	268
Penalties collected	54	74
<i>Incl. penalties on overdue loans</i>	44	67
Other income	64	94
Total other income	716	618

NOTE 6 NET INCOME FROM FINANCIAL INSTRUMENTS

	2025	2024
Net gain on financial assets at fair value through profit or loss	294	804
<i>Incl. net trading gain</i>	543	1 120
<i>net revaluation result</i>	(249)	(316)
Net gain from transactions with other currency	1 408	2 458
<i>Incl. net trading gain</i>	1 525	2 594
<i>net revaluation result</i>	(117)	(136)
Net loss on financial assets not at fair value through profit or loss	-	(116)
<i>Incl. from fair value through other comprehensive income debt securities</i>	-	(116)
Net income from financial instruments	1 702	3 146

NOTE 7 ADMINISTRATIVE EXPENSE

	2025	2024
Remuneration expense		
Remuneration to personnel	5 545	6 162
State compulsory social security contributions of personnel	1 299	1 447
Remuneration to the Council and the Board	711	579
State compulsory social security contributions of the Council and the Board	147	119
Total remuneration expense:	7 702	8 307
E-commerce and payment card servicing expenses	906	1 134
Software maintenance	578	450
Depreciation and amortization	551	518
Professional and legal fees	354	223
Non-deductible VAT	411	336
Lease and maintenance of premises	322	336
Other personnel expense	233	221
Advertising and representation expense	125	237
Financial stability levy	80	64
Telephone, communications and mail	71	109
Membership fees in various organizations	62	51
Bank of Latvia financing fee	50	48
Mortgage loan levy	-	85
Penalties paid	-	9
Other administrative expense	68	62
Total other expense:	3 811	3 883
Administrative expense	11 513	12 190

As of 31 December 2025, the Bank had 133 employees (2024: 163 employees).
 Number of employees of the Bank at the year end:

	31.12.2025	31.12.2024
Council	3	4
Board	4	5
Heads of divisions and departments	21	35
Other personnel	105	119
Total at the end of the year	133	163

Payment for the audit and other services to various certified audit firms is included in administrative expenses. Total amounts paid to certified audit firms by the type of services are:

	2025	2024
Services received from the auditors these financial statements:		
Financial year audit fee	51	51
Other payments	5	5

NOTE 8 IMPAIRMENT ALLOWANCE

(a) Total net asset impairment allowance included in statement of income:

	2025	2024
Loans and advances due from customers	8	64
Debt securities	11	38
Balances due from financial institutions and bank's	(5)	1
Total impairment allowance charged to income statement, net	14	103

(b) Changes in financial and other asset impairment allowance:

31.12.2025

	Increases in origination and acquisition	Decreases in derecognition and repayments	Total net impairment charge
Stage 1			
Debt securities	(26)	37	11
Loans and advances due from customers	(213)	189	(24)
Balances due from financial institutions and bank's	(23)	18	(5)
Total stage 1 impairment	(262)	244	(18)
Stage 2			
Loans and advances due from customers	(6)	18	12
Total stage 2 impairment	(6)	18	12
Stage 3			
Loans and advances due from customers	(8)	28	20
Total stage 3 impairment	(8)	28	20
Total allowances for credit losses recognised in profit or loss, net	(276)	290	14

31.12.2024

	Increases in origination and acquisition	Decreases in derecognition and repayments	Total net impairment charge
Stage 1			
Debt securities	(99)	134	35
Loans and advances due from customers	(37)	59	22
Balances due from financial institutions and bank's	(22)	23	1
Total stage 1 impairment	(158)	216	58
Stage 2			
Debt securities	(1)	1	-
Loans and advances due from customers	(110)	84	(26)
Total stage 2 impairment	(111)	85	(26)
Stage 3			
Loans and advances due from customers	(9)	80	71
Total stage 3 impairment	(9)	80	71
Total allowances for credit losses recognised in profit or loss, net	(278)	381	103

NOTE 9 CORPORATE INCOME TAX

The corporate income tax is payable only for certain expenses which for tax calculation purposes are considered to be the distribution of profit (for example, non-operating expenses and representation expenses that exceed a specific threshold).

The tax paid in 2025 and 2024 was formed as follows:

	2025	2024
Conditionally distributed profit in the reporting period	26	40
including non-operating expenses	21	33
including write-off of receivables	5	7
Taxable base	32	50
Tax on payments for residents of low-tax countries, if no tax was withheld at the time of payment	3	4
Corporate income tax calculated and paid in the reporting year	9	14
Accumulated for advance payment of corporate income tax	11	-
Total corporate income tax	20	14

NOTE 10 CASH AND BALANCES WITH THE CENTRAL BANKS

	31.12.2025	31.12.2024
Balances with the Bank of Latvia	85 051	93 036
Total	85 051	93 036

Balances with the Bank of Latvia include cash on the correspondent account and a short-term deposit with the Bank of Latvia. According to the instructions of the Bank of Latvia, the Bank's average monthly balance on its correspondent account may not be less than the compulsory reserve calculated for the balance of liabilities included in the reserve basis on the last day of the month. As at 31 December 2025, the Bank's compulsory reserve requirement was 943 thousand EUR (31 December 2024: EUR 868 thousand).

NOTE 11 BALANCES WITH CREDIT INSTITUTIONS

	31.12.2025	31.12.2024
Nostro accounts¹	3 002	4 418
OECD banks	2 997	4 404
Non-OECD banks	5	14
Term deposit²	6 426	1 156
OECD banks	6 426	1 156
<i>Incl. Impairment</i>	(1)	-
Balances with credit institutions	9 428	5 574

¹not impaired or past due

²not past due, with impairment

The Bank's average interest rates applicable for the balances due from credit institutions in 2025 are as follows: EUR 2.261%, USD 3.713%. (2024: EUR 3.860%, USD 3.699%).

NOTE 12 LOANS AND ADVANCES DUE FROM CUSTOMERS

(a) Loans and advances due from customers by customer profile

	31.12.2025	31.12.2024
Private non-financial companies	12 393	17 419
Financial institutions	8 867	5 154
Households	4 456	5 527
Total loans and advances due from non-banks	25 716	28 100
<i>Impairment</i>	(135)	(143)
Net loans and advances due from non-banks	25 581	27 957

(b) The ratio of Loans and advances due from non-banks fair value against the carrying value of assets

	31.12.2025				31.12.2024			
	LTV < 100%		LTV ≥ 100% and unsecured		LTV < 100%		LTV ≥ 100% and unsecured	
	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
Business loans	65	313	5 276	-	318	1 538	111	89
Consumer loans	178	691	129	-	218	691	217	-
Mortgage loans	13 351	35 232	-	-	17 656	49 017	-	-
Other deposits with financial institutions	-	-	3 691	-	-	-	3 637	-
Other	3 018	7 118	8	-	5 922	19 405	21	-
Loans and advances due from non-banks	16 612	43 354	9 104	-	24 114	70 651	3 986	89
<i>Impairment allowance</i>	(97)	x	(38)	x	(107)	x	(36)	x
Loans and advances due from customers, net	16 515	43 354	9 066	-	24 007	70 651	3 950	89

(c) the types of credit collateral and its geography
31.12.2025

	Loans and advances due from non-banks	Estimated fair value of collateral by type of collateral				Estimated fair value of the collateral
		Real estate	Financial Instruments	Money and deposits	Another type of collateral ¹	
Total:	25 581	42 622	-	5	727	43 354
Business loans	5 248	89	-	-	224	313
	Latvia	89	-	-	224	313
Consumer loans	304	691	-	-	-	691
	Latvia	691	-	-	-	691
Mortgage loans	13 318	34 975	-	5	252	35 232
	Latvia	34 975	-	5	252	35 232
Other deposits with financial institutions	3 691	-	-	-	-	-
Other	3 020	6 867	-	-	251	7 118
	Latvia	6 867	-	-	251	7 118

31.12.2024

	Loans and advances due from non-banks	Estimated fair value of collateral by type of collateral				Estimated fair value of the collateral
		Real estate	Financial Instruments	Money and deposits	Another type of collateral ¹	
Total:	27 957	68 979	-	5	1 756	70 740
Business loans	343	1 005	-	-	622	1 627
	Latvia	1 005	-	-	622	1 627
Consumer loans	424	691	-	-	-	691
	Latvia	691	-	-	-	691
Mortgage loans	17 622	48 205	-	5	807	49 017
	Latvia	48 205	-	5	807	49 017
Other deposits with financial institutions	3 637	-	-	-	-	-
Other	5 931	19 078	-	-	327	19 405
	Latvia	19 078	-	-	327	19 405

¹Another type of collateral consists mainly of the guarantee provided by the Financial Institution ALTUM, fixed assets and inventory.

d) Loans and advances due from non-banks by geographical profile

	31.12.2025	31.12.2024
Residents of Latvia	15 719	23 194
Residents of OECD countries	9 275	4 078
Residents of other countries	722	828
Total loans and advances due from non-banks	25 716	28 100
<i>Impairment</i>	(135)	(143)
Net loans and advances due from non-banks	25 581	27 957

(e) Loans and advances due from non-banks by type

	31.12.2025	31.12.2024
Mortgage loans	13 350	17 656
Commercial loans	5 341	429
Finance leases	184	202
Other loans ¹ and advances	3 146	6 168
Total loans and advances due from customers	22 021	24 455
Cash in financial institutions	3 695	3 645
Total loans and advances due from non-banks	25 716	28 100
<i>Impairment</i>	(135)	(143)
Net loans and advances due from non-banks	25 581	27 957

¹ The category "Other loans" also includes loans for the purchase of real estate for commercial companies, which are not loans related to the purchase of housing (EUR 1 200 thousand).

(f) Significant credit risk concentration

As at 31 December 2025 the Bank had 1 borrower or group of borrowers, whose aggregate liabilities were equal to or exceeded 10% of the Bank's Tier 1 capital (as at 31 December 2024, the Bank had 3 borrowers or groups of borrowers, whose aggregate liabilities were equal to or exceeded 10% of the Bank's Tier 1 capital).

According to regulatory requirements, the Bank is not allowed to have a credit exposure to one client or group of related clients more than 25% of its equity. As at 31 December 2025 and 2024 the Bank was in compliance with this requirement.

NOTE 13 INVESTMENTS IN SECURITIES

(a) Securities by portfolios

	31.12.2025	31.12.2024
Financial assets at fair value through other comprehensive income		
Debt securities issued by EU and EEA central government	1 923	2 857
Debt securities issued by EU and EEA credit institutions	-	1 492
Debt securities issued by the Latvian financial institutions	2 017	-
Debt securities issued by EU and EEA financial institutions	4 980	4 869
Debt securities issued by the Latvian non-financial companies	4 908	-
Debt securities issued by EU and EEA non-financial companies	-	100
Financial assets at fair value through other comprehensive income, total	13 828	9 318
<i>Impairment</i>	(25)	(34)
Financial assets at fair value through other comprehensive income, net	13 803	9 284
Financial assets at amortised cost		
Debt securities issued by the Latvian government	6 991	7 375
Debt securities issued by EU and EEA central governments	-	2 021
Debt securities issued by EU and EEA credit institutions	2 021	2 032
Debt securities issued by credit institutions of other countries	4 028	6 075
Debt securities issued by EU and EEA financial institutions	2 013	3 048
Debt securities issued by EU and EEA non-financial companies	2 005	2 010
Financial assets at amortised cost, total	17 058	22 561
<i>Impairment</i>	(14)	(17)
Financial assets at amortised cost, net	17 044	22 544

Geographical allocation is based on countries of principal entities.

(b) Securities by countries

	31.12.2025		31.12.2024	
	Carrying amount	% of the Bank's own funds	Carrying amount	% of the Bank's own funds
Central governments debt securities	8 914	x	12 254	x
Latvia	6 991	20.26	7 375	21.61
Other countries	1 923	5.57	4 879	14.29
Credit institutions debt securities	6 049	x	9 599	x
USA	4 028	11.68	4 051	11.87
Other countries	2 021	5.86	5 548	16.26
Other financial institution debt securities	9 010	x	8 016	x
Luxembourg	4 980	14.44	4 868	14.26
Other countries	4 030	11.68	3 148	9.22
Non-financial institutions debt securities	6 913	x	2 010	x
Latvia	4 908	14.23	-	-
Other countries	2 005	5.81	2 010	5.89
Financial investments, total	30 886	x	31 879	x
<i>Impairment</i>	(39)	x	(51)	x
Financial investments, net	30 847	x	31 828	x

(c) Financial investment qualitative rating

	31.12.2025	31.12.2024
Financial assets at fair value through other comprehensive income by risk classes		
AAA to AA-	4 980	7 499
BBB+ to BBB-	1 923	1 819
Not rated	6 925	-
Financial assets at fair value through other comprehensive income, total	13 828	9 318
<i>Impairment</i>	(25)	(34)
Financial assets at fair value through other comprehensive income, net	13 803	9 284
Financial assets at amortised cost by risk classes		
AAA to AA-	4 036	2 032
A+ to A-	11 009	15 066
BBB+ to BBB-	2 013	4 438
BB+ to BB-	-	1 025
Financial assets at amortised cost, total	17 058	22 561
<i>Impairment</i>	(14)	(17)
Financial assets at amortised cost, net	17 044	22 544

The Bank's investments in financial assets are made in according to the Bank's Development Strategy.

To identify, in a timely manner, any changes that could produce an adverse effect on the ability and/ or willingness of a particular country's government and/ or residents to meet their financial liabilities towards the Bank, the Bank keeps pace with the latest news and information about events occurring in the respective countries. For monitoring purposes, credit ratings assigned by three international rating agencies Moody's Investors Service, Standard & Poor's, Fitch Ratings are used. Additional sources of information used in analysis are mass media and data from rating agencies.

Whenever events that are likely to produce a material impact on the solvency of any country's government and/ or residents are identified, the Bank's Financial Risk Management Department:

- informs the Bank's Asset and liability committee accordingly;
- performs closer monitoring of the country and, if necessary, makes suggestions to the Bank's Resource Department that no additional investments should be made or exposure limits for transactions with residents of the respective country should be reduced.

NOTE 14 PROPERTY, PLANT AND EQUIPMENT (PPE) AND INTANGIBLE ASSETS

	Intan- gible assets	Right-of- use assets (IFRS 16)	Land and buil- dings	Computers and equipment	Other PPE	PPE
Acquisition value						
31.12.2023	1 910	-	7 214	925	411	8 550
Acquired	73	-	379	51	73	503
Excluded	(21)	-	-	(16)	(53)	(69)
31.12.2024	1 962	-	7 593	960	431	8 984
Acquired	9	3 763	-	99	96	195
Excluded	-	-	(7 593)	(25)	(2)	(7 620)
31.12.2025	1 971	3 763	-	1 034	525	1 559
Accumulated amortisation/ depreciation						
31.12.2023	1 247	-	1 481	621	232	2 334
Amortization / depreciation for the reporting year	130	-	147	178	63	388
Depreciation of excluded PPE and intangible assets	(21)	-	-	(16)	(53)	(69)
31.12.2024	1 356	-	1 628	783	242	2 653
Amortization / depreciation for the reporting year	105	188	62	120	76	258
Depreciation of excluded PPE and intangible assets	-	-	(1 690)	(25)	(2)	(1 717)
31.12.2025	1 461	188	-	878	316	1 194
Carrying amount, net						
31.12.2023	663	-	5 733	304	179	6 216
31.12.2024	606	-	5 965	177	189	6 331
31.12.2025	510	3 575	-	156	209	365

In accordance with the purchase agreement concluded on 30 June 2025, the Bank sold the building and land at Brīvības Street 54 in Riga with a carrying amount of EUR 5.9 million to a Latvian non-financial company unrelated to the Bank and simultaneously entered into an irrevocable leaseback transaction with a term of 10 years for the lease of the entire building with a fixed monthly rental fee, which may be reviewed in accordance with changes in the consumer price index. Accordingly, part of the income from the sale must be deferred. Deferred profit from the sale of EUR 1,2 million will be recognized during the lease period as a decrease in the depreciation of the leasehold right-of-use asset. The total profit from the sale was EUR 1,9 million, of which EUR 0,7 million was recognized at the time of sale. The deferred part of the profit has been

allocated to the leasehold right-of-use asset.

The decision to sell the building was made taking into account that it allows the Bank to dispose of a strategically insignificant asset that is not essential for the successful conduct of its business and frees up financial resources to invest in profitable activities, such as lending or deposits with the Bank of Latvia. It also allows it to take advantage of the current relatively stable situation in the real estate market, which may be negatively affected by external geopolitical shocks in the future, while increasing the Bank's flexibility to find office space that better suits its size and needs at the end of the lease agreement.

NOTE 15 OTHER ASSETS

	31.12.2025	31.12.2024
Other financial assets	404	730
Settlements for e-commerce and payment card operations ¹	404	730
Other non-financial assets	555	494
Advance payments for intangible and fixed assets	29	29
Future period expenses and accrued income	295	389
Security deposit according to the premises rental agreement	180	-
Inventory (digipass and card blanks)	30	34
Other receivables	21	42
Total other assets	959	1 224

¹ The item reflects the amounts in transit accounts due to unfinished settlements

NOTE 16 FUNDS UNDER TRUST MANAGEMENT

Funds under trust management are not the Bank's funds and therefore are not presented in the Bank's financial statement. On December 31, 2025, the amount of client funds under the Bank's management was 0.58 million EUR (31.12.2024 : 2.92 million EUR).

NOTE 17 DEPOSITS FROM CUSTOMERS

(a) By customer profile:

	31.12.2025	31.12.2024
Demand deposits	102 396	110 592
Financial institutions	72 088	73 882
Private companies	23 853	26 043
Households and non-profit organisations servicing them	6 455	10 667
Term deposits	11 971	20 440
Financial institutions	40	431
Private companies	1 560	1 222
Households and non-profit organisations servicing them	10 371	18 789
Total	114 367	131 032

(b) By geographical profile

	31.12.2025	31.12.2024
Demand deposits	102 396	110 592
Residents of Latvia	15 295	19 249
Residents of OECD Member States	76 980	79 001
Residents of other countries	10 121	12 342
Term deposits	11 971	20 440
Residents of Latvia	9 067	16 994
Residents of OECD Member States	1 505	1 450
Residents of other countries	1 399	1 996
Total	114 367	131 032

The Bank's average interest rates applicable for the deposits from customers in 2025 are as follows: 2.013 % (EUR) (2024: 3.149% (EUR)).

(c) Concentrations of current accounts and customer deposits

At 31 December 2025, the Bank had 2 customers (at 31 December 2024 had 3 customers or groups of connected customers) with account balances exceeding 10% of the total value of customer accounts. The total amount of these 2 customer account balances amounted to EUR 33.71 million or 29% of the total deposits (31 December 2024: EUR 56.98 million or 43%).

The Bank's business strategy includes maintaining relationships with a select number of key depositors, which has led to a natural concentration of deposits. This concentration aligns with the Bank's risk appetite and reflects its targeted approach to client engagement and liquidity management.

While this strategic approach results in a higher proportion of funds being held by a limited number of customers, the Bank actively manages the associated liquidity risks.

Measures in place include regular monitoring of deposit stability, stress testing scenarios to assess potential large withdrawals, and maintaining sufficient liquid assets to meet obligations.

Additionally, the Bank ensures compliance with regulatory liquidity requirements and maintains an appropriate liquidity buffer to safeguard against market fluctuations. Management continues to assess the impact of deposit concentration within the overall risk framework and remains prepared to adjust strategies as needed to uphold financial stability.

NOTE 18 **OTHER LIABILITIES**

	31.12.2025	31.12.2024
Other financial liabilities	1 962	799
Payment for e-commerce and payment cards transactions	1 394	115
Other accrued expenses	282	285
Provisions for variable remuneration	94	162
Accrued expenses related to financial transaction servicing	81	114
Other financial liabilities	111	123
Other non-financial liabilities	330	491
Vacation pay reserve	312	403
Other non-financial liabilities	18	88
Total other liabilities	2 292	1 290

NOTE 19 **LEASE LIABILITIES**

The lease liabilities are for the Bank's premises lease agreements.

In accordance with the purchase agreement concluded on 30 June 2025, the Bank's building and land at Brīvības Street 54 in Riga were sold (see Note 14) and at the same time an irrevocable leaseback transaction was concluded for a term of 10 years for the lease of the entire building with a fixed monthly rental fee. The Bank recognized the lease liability at the discounted value of the payments determined during the initially estimated lease term. The payments were applied an implicit interest rate that discounts future payments to their estimated value.

The term of the Bank's Lease Agreement is until 31 July 2035, with an option to renew the lease after its expiry date. The lease payments are fixed. The lease agreement does not include additional obligations.

The following table shows an analysis of the terms of the lease liabilities maturing after the reporting date.

Lease liabilities June 30, 2025	5 000
Lease payments of a lease liability	(292)
Interest parts of lease payments	131
Lease liabilities December 31, 2025	4 839
incl. current expenditure on lease liabilities	346
incl. long-term expenses for lease liabilities	4 493

NOTE 20 PAID-IN SHARE CAPITAL

As at 31 December 2025, the Bank's registered and paid-in share capital was EUR 13 million (2024: EUR 13 million). In 2025 there were no changes in share capital.

The Bank's share capital consists of 13 000 000 (13 000 000 as at 31 December 2024) ordinary shares, each of them with nominal value of EUR 1. All shares are fully paid and the Bank does not hold any of its own shares.

As at 31 December 2025 and at 31 December 2024 the Bank's sole shareholder was JSC Signet Bank, registration No.40003043232, legal address: Riga, Antonijas street 3.

NOTE 21 FAIR VALUE RESERVE

Fair value reserve comprises the cumulative net change in the fair value of debt instruments measured at fair value through other comprehensive income (31.12.2025 reserve was -134 thousand. EUR, 31.12.2024: -364 thousand EUR) until the assets are derecognized or reclassified. The amount is increased by the amount of loss allowance of debt instruments measured at fair value through other comprehensive income.

NOTE 22 CASH AND CASH EQUIVALENTS

	31.12.2025	31.12.2024
Demand deposits with the Bank of Latvia	85 051	93 036
Balances due from other credit institutions with original maturities of less than three months	9 429	5 574
Total	94 480	98 610

NOTE 23 OFF-BALANCE SHEET ITEMS

	31.12.2025	31.12.2024
Guarantees	-	4
Unutilised credit lines	800	-
Loan commitments	31	140
Credit card commitments	-	13
Total off-balance sheet items, gross	831	157
<i>Provisions</i>	-	-
Total off-balance sheet items, net	831	157

In the ordinary course of business, the Bank issues loans and guarantees. The main purpose of these financial instruments is to ensure that adequate funds are available to customers.

Guarantees that comprise irrevocable commitments are assigned the same risk as loans because those commit the Bank to paying in the event of a customer's default. Liabilities arising from credit lines represent the undrawn balances of credit lines. As regards credit risk, the Bank is potentially exposed to loss arising also from loan commitments.

NOTE 24 RELATED PARTY DISCLOSURES

Related parties are defined as shareholders that have the ability to control or exercise significant influence over the Bank's management policy, Council and Board members, close members of their families, and entities in which these persons have a controlling interest and a qualifying holding.

In the ordinary course of business, the Bank enters into transactions with related parties. All loans are issued to and financial transactions are made with related parties on an arm's length basis. As at 31 December 2025, there were no loans issued to related parties that would have been past due.

The Bank's financial statements include the following balances of assets, liabilities and memorandum items associated with the Bank's transactions with related parties:

	31.12.2025			31.12.2024		
	Carrying amount	Off-balance sheet items	Total	Carrying amount	Off-balance sheet items	Total
Assets	6 567	-	6 567	1 741	2	1 743
Due from credit institutions	6 567	-	6 567	1 485	-	1 485
Parent company	6 567	-	6 567	1 485	-	1 485
Loans and receivables, net	-	-	-	256	2	258
Council and Board	-	-	-	214	-	214
Related companies and individuals	-	-	-	42	2	44
Liabilities				37	-	37
Deposits				37	-	37
Council and Board	-	-	-	36	-	36
Related companies and individuals	-	-	-	1	-	1
Profit / (loss)	357	-	357	-	-	-
Interest income / (expense)	105	-	105	11	-	11
Commission and fee income / (expense)	(39)	-	(39)	(11)	-	(11)
Income / (expenses) for services	291	-	291	-	-	-

NOTE 25 **RISK MANAGEMENT**

The Bank organises risk management according to the requirements of the Law of the Republic of Latvia on Credit Institutions, European Parliament and Council and the regulatory acts of the Bank of Latvia, as well as following the Bank's strategy and other documents governing the Bank's operations and the documents binding on the Bank of the parent company Signet Bank AS.

The Bank's risk management is conducted in accordance with the three lines of defense model, providing for the identification, monitoring, and independent assessment of risks across all operational levels. The first line of defense is the responsibility of the business units, the second line is overseen by the risk management and compliance functions, and the third line is the independent internal audit function, which evaluates the effectiveness of the overall risk management framework.

The Bank's risk management objectives are as follows:

- to establish and maintain such a system of risk identification, measurement and management which would allow minimisation of the negative effect the risks may produce on the Bank's operations and performance;
- to identify and determine the level of risk tolerance which would facilitate achievement of the Bank's strategic goals;
- to define the levels of responsibility of the Bank's risk management system and their respective functions;
- to define the risk management structure and methods;
- to ensure the Bank's statutory compliance.

RISK MANAGEMENT STRUCTURE

The Council of the Bank is responsible for establishing and effective functioning of the risk management system and approving the relevant risk management policies and strategies.

The Board of the Bank has the responsibility for implementing risk management strategies and policies approved by the Council, ensuring the effective identification, assessment, monitoring, and mitigation of risks, as well as ensuring that the risk management system operates in compliance with regulatory requirements and the Bank's strategic objectives.

Bank's Chief Risk Officer:

- leads a comprehensive risk control function;
- ensures monitoring and improvement of the Bank's risk management system;
- ensures regular evaluation of compliance of the Bank's Development Strategy and Bank's essential services, development of new services or changes to the services offered by the Bank, Bank's structure, the overall risk profile, as well as the restrictions and limits with the Bank's risk strategy. In case of non-compliance reporting to the Council and the Board and other officers in

- accordance with internal policies is ensured;
- provides a comprehensive and clear information on the Bank's overall risk profile, all relevant risks and risks compliance with the risk management strategy through regular communication to the Council and the Board and other officers according to the internal policies;
- advises and provides support to the Council and the Board of the Bank in designing development strategy as it relates to risk management issues and in making other decision related to the risks faced by the Bank.

Bank's Business Continuity Assurance Committee regularly identifies risks to business continuity and risk drivers and assesses the materiality of those risks.

Bank's Credit Committee reviews lending issues and makes decisions on matters relating to the credit risk bearing activities of the Bank except for the adoption of a decision where a credit file has been transferred for recovery action or decisions on cessation processes.

Asset and Liability Committee:

- monitors, plans and manages the Bank's liquidity;
- monitors, plans and manages the Bank's interest rate risk;
- monitors, plans and manages the Bank's exposure to currency and market risks
- monitors, plans and manages the Bank's credit risk (including counterparty credit risk);
- monitors, plans and manages the structure of the Bank's balance sheet and off-balance sheet commitments;
- monitors and manages debt collection and cessation processes;
- approves opening and closing of the Bank's correspondent accounts;
- determines limits for investments in Bank's portfolios of financial instruments;
- determines country risk limits;
- monitors the Bank's risk levels and limits as part of the Bank's Risk Monitoring and decide on risk reduction measures;
- determines other limits on the Bank's financial risks as necessary;
- determines Bank's tariffs;
- reviews and evaluates the quality of financial assets of the exposures issued.

Cooperation with Signet Bank AS Asset and Liability Committee:

- The Bank actively participates in the activities of the Signet Bank AS Asset and Liability Committee.
- It reports on the Bank's liquidity position, risk levels and compliance with limits.
- It takes part in making overall strategic decisions regarding the balance sheet structure, financial instrument portfolios and risk mitigation measures at the Group level.
- It ensures that the Bank's operations comply with the policies and regulatory requirements of Signet Bank AS.

The Bank's Money Laundering and Terrorism and Proliferation Financing (MLTPF) Risk Management Committee is a collegial independent institution, which was established with the purpose of managing the Bank's strategic and organizational issues and proposals for the prevention of money laundering and terrorist financing and the management of Sanctions risks, as well as to perform other tasks, the coordination of consideration and approval or rejection of which is the competence of the Committee in accordance with the Committee's regulations and the Bank's internal regulatory documents. The decision on the establishment, reorganization or liquidation of the Committee is taken by the Bank's Board.

The key task of the Committee is:

- analyse possible compliance risks for the Bank in the field of prevention of MLTPF and Sanctions risks and recommend measures for their prevention, and initiate measures to and to improve the Bank's internal control system;
- approve or reject the establishment of a business relationship, or the continuation of cooperation or the limitation of business relationships with the Customers, which may create for the Bank increased of MLTPF or reputational risks.

The Bank's Operational Risk Manager in cooperation with the Bank's Financial Risk Management Department and the Bank's Chief Risk Officer, organizes the identification of significant risks for the Bank. The Bank's Chief Risk Officer is responsible for updating the bank's risk catalog in accordance with the results of the assessment of significant risks. The Bank's Financial Risk Management Department formulates the relevant risk management procedures, ensures the specified limits and restrictions compliance control as well as reports information to the Bank's Chief Risk Officer, the Asset and Liability Committee, Council and the Board on a regular basis.

The Treasury Department is responsible for the daily management and planning of the Bank's finances, which includes management of liquidity risk, interest rate risk, currency and market risk as well as of the Bank's overall financial position and changes in it, and analysing of financial and lending resources and the related planning in line with the Bank's strategic goals.

The key goal of the Legal and Compliance Control Department is identification, measurement, and management of compliance risk.

The main task of the Internal Audit Department is to carry out independent supervision of the Bank's internal control system, as well as to assess its adequacy and effectiveness, in order to help the Bank's Council, Board and heads of structural units perform their functions more effectively and create added value for the Bank.

Heads of the Bank's structural units and other employees of the Bank are aware of their duties and responsibilities related to routine risk management and, within the boundaries of their competences, report the compliance with the limits and restrictions set to the Bank's Financial Risk Management Department as well as participate in the risk identification, effect assessment, and materiality determination process.

RISK MEASUREMENT AND REPORTING SYSTEMS

The Bank performs quantitative risk assessment on the basis of the standardised and basic indicator approaches referred to in Regulations No. 575/2013 (26 June 2013) on prudential requirements for credit institutions and amending Regulation (EU) No. 648/2012, the Standardised and Basic Indicator Approach, as well as the simplified methods described in the rules No. 321 of the Bank of Latvia of 30.09.2024. "Capital Adequacy assessment process for credit institutions". The Bank's Financial Risk Management Department also performs stress testing.

The level of the Bank's exposure is chiefly controlled by using the risk monitoring system designed by the Bank, which encompasses the limits approved by the Bank. The Bank's Financial Risk Management Department regularly summarizes, analyses and presents a report to the Bank's Chief Risk Officer, the Asset and Liability Committee, the Board and the Council accompanied with explanatory information about the level of each individual financial risk. In case of the liquidity coverage ratio or the net stable funding ratio reaches a significant risk level or any other indicator of the risk monitoring system exceeding any internal limits, Bank's Financial Risk Management Department shall immediately notify the Bank's Asset and Liability Committee and propose to investigate non-compliance in the next Bank's Assets and Liabilities Committee meeting. In the event that the liquidity coverage indicator or the net stable funding indicator reaches a high risk level or any other indicator of the risk monitoring system has been exceeded or there is a high probability that one of the external limits will be exceeded, the Bank's Financial Risk Management Department is obliged to immediately report this to the members of the Bank's Assets and Liabilities Committee and propose the convening of an extraordinary meeting of the Bank's Assets and Liabilities Committee to consider measures to improve the situation.

RISK MITIGATION

For the purposes of risk mitigation, the Bank uses the following methods:

- risk acceptance – the Bank admits that it is exposed to such risks but does not take any actions to minimise their effect because those are insignificant and the elimination costs would exceed the respective benefits;
- risk avoidance – the Bank conducts an analysis before engaging in any new transactions and chooses to avoid excessively risky transactions or actions;
- changing potential risk consequences – the Bank uses collateral to mitigate credit risk and currency risk hedging instruments as well as establishes a business continuity system;
- risk sharing – the Bank uses insurance. In selecting this method of risk mitigation, the Bank is aware that it does not change the overall exposure to transaction and operational risks, affecting only the portion attributable to the Bank.

CONCENTRATION RISK

Concentration risk arises from large exposures to individual customers or groups of related customers or exposures to customers whose creditworthiness is determined by one common risk factor (industry, geographical location, currency, credit enhancement (homogenous collateral or one collateral provider)).

The concentration risk management covers the Bank's credit portfolio and other assets, off-balance sheet items, as well as the deposits attracted by the Bank and balances due to credit institutions.

The core elements of concentration risk management include risk assessment, setting limits for individual counterparties as well as industry, geographical and market concentrations and monitoring exposures in relation to such limits.

The Bank's Development Strategy sets limits on the concentration of the loan portfolio by geography, sector, duration, loan type and collateral. The Bank's Board approves limits on exposures to persons related to the Bank. The Bank's Asset and Liability Committee approves country risk limits, counterparty limits, limits on the size, maximum maturity and average maturity of individual investments in the liquidity portfolio, as well as limits on the average maturity of the liquidity portfolio as a whole.

For the purposes of additional concentration risk assessment, stress tests are performed on a regular basis.

CREDIT RISK

Credit risk is the risk that the Bank will incur a loss because its borrowers (debtors) or counterparties fail or refuse to settle their contractual obligations to the Bank. Credit risk is inherent in the Bank's transactions which give rise to the Bank's claims against another person and which are reported by the Bank in the statement of financial position or as off-balance sheet items. Credit risk arises as soon as the Bank's funds are issued, invested or transferred to other parties for use based on the contractual provisions.

The credit risk management guidelines are defined by the Group's credit risk management policy, the purpose of which is to create an effective credit risk management system by choosing credit risk management methods that reduce the losses that may occur as a result of credit risk to an acceptable level within the framework of the risk management system, taking into account the Group's business strategy, the Group's credit institutions and the Group's customer base, the types, complexity and extent of transactions that have credit risk, the types, complexity and extent, credit risk management capacity, the interaction of credit risk with other risks, by selecting credit risk management methods that reduce losses that may arise as a result of credit risk to an acceptable level in accordance with the Group's business

strategy.

The Bank is involved in following transactions giving rise to credit risk:

- cash placements with other banks;
- loans and credit lines to customers;
- guarantees issued to third parties and other contingent liabilities for the benefit of customers if they may demand settlement of obligations;
- securities transactions;
- dealing.

The credit risk management system is composed of the following elements: approval of methods used to measure credit risk related to counterparties, borrowers and issuers; setting restrictions for loan types; fixing limits for investments in the securities included in the Bank's portfolio and lending by amount and maturity; regular assessment of assets and off-balance sheet items as well as regular stress testing. The Bank performs credit risk management on an individual level, and also ensures that the credit risk taken by the Group corresponds to the Group's credit risk appetite and tolerance at the Group level.

In addition to the Credit risk associated with individual transactions and exposures, for management, the Bank manages the total level of credit risk assumed at the individual and Group level, using the following methods and measures:

- assessment of the total accepted credit risk;
- balance sheet/asset structure and credit risk planning;
- determination of limits for different types of risk transactions and concentration of claims;
- control over compliance with various limits.

The decision on the Bank's limits for interbank transactions and investments in securities within the Group's exposure is taken by the Asset and Liability Committee of the parent company Signet Bank AS, which acts as the Group's Asset and Liability Committee, with the participation of representatives of the Bank. The Bank's Asset and Liability Committee approves these limits or sets lower limits according to its risk profile.

The Bank has two levels of decision-making on the loans, namely – issuance and amendments made (from lowest):

- credit committee;
- Bank's Board.

Maximum limits for each decision-making authority level within the Bank are determined by the Bank's credit policy. The parent company Signet Bank AS accepts the Bank's credit risk limits, evaluating them from the point of view of the Group's credit risk limits and credit risk tolerance and credit risk appetite.

The Bank believes that its exposure to credit risk arises mainly from loans, balances due from credit institutions and the portfolio of securities at amortised cost. The maximum exposure of the Bank's assets and off-balance sheet items is shown in the credit risk

concentration analysis.

MAXIMUM EXPOSURE TO CREDIT RISK

The following table presents the Bank's maximum credit risk exposure without taking into account collateral or other credit enhancements.

	31.12.2025	31.12.2024
Assets exposed to credit risk	151 514	159 639
Balances with the Bank of Latvia	85 051	93 036
Demand deposits with credit institutions	3 002	4 418
Financial assets measured at fair value through profit or loss	203	514
Debt securities measured at fair value through other comprehensive income	13 803	9 284
Financial assets measured at amortized cost:	49 051	51 657
<i>Debt securities</i>	17 044	22 544
<i>Loans and advances due from non-banks</i>	25 581	27 957
<i>Term deposits with credit institutions</i>	6 426	1 156
Financial assets	404	730
Off-balance sheet items exposed to credit risk	831	157
Maximum credit risk exposure	152 345	159 796

MAXIMUM CREDIT RISK CONCENTRATION

The Bank places limits on the amount of risk for individual counterparties (groups of related counterparties) as well as for industry, geographical, exposure and market concentrations. The exposure to any single counterparty is further restricted by sub-limits. The credit risk concentration is analysed by estimating the large exposure ratio to the Bank's Tier 1 capital. According to the Regulations No. 575/2013 (26 June 2013) on prudential requirements for credit institutions and amending Regulation (EU) No. 648/2012, the Bank shall consider an exposure as large where the value of the exposure is equal to or exceeds 10% of the Bank's Tier 1 capital. The Bank has determined that any credit exposure to a single customer or a group of connected customers may not exceed 20% of the Bank's Tier 1 capital (external limit – 25%). If a customer is a credit institution or investment firm or group of connected customers, which is composed of one or more credit institutions or investment firms, and the host country of such customer is the European Union or other comparable country (country mentioned in Commission Implementing Decision (EU) 2021/1753 of 1 October 2021 on the equivalence of the supervisory and regulatory requirements of certain third countries and territories for the purposes of the treatment of exposures in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council), the total risk exposure to such customer shall not exceed 90% (external limit – 100%) of the Bank's Tier 1 capital. During the financial reporting period, the Bank was in compliance with these

requirements.

GEOGRAPHICAL ANALYSIS

The following table provides an analysis of the Bank's assets and off-balance sheet items by geographical profile without taking into account collateral and other credit enhancements. The grouping is done based on information about the residence of the respective counterparties.

31.12.2025

	Latvia	OECD countries	Other countries	Total
Exposure to credit risk of balance sheet assets	119 160	27 715	4 639	151 514
Balances with the Bank of Latvia	85 051	-	-	85 051
Demand deposits with credit institutions	167	2 830	5	3 002
Financial assets measured at fair value through profit or loss	-	203	-	203
Debt securities measured at fair value through other comprehensive income	4 903	4 979	3 921	13 803
Financial assets measured at amortized cost:	29 038	19 300	713	49 051
<i>Debt securities</i>	6 981	10 063	-	17 044
<i>Loans and advances due from non-banks</i>	15 631	9 237	713	25 581
<i>Term deposits with credit institutions</i>	6 426	-	-	6 426
Financial assets	1	403	-	404
Exposure to credit risk of off-balance sheet items	-	-	831	831
Total	119 160	27 715	5 470	152 345

31.12.2024

	Latvia	OECD countries	Other countries	Total
Exposure to credit risk of balance sheet assets	124 982	31 924	2 733	159 639
Balances with the Bank of Latvia	93 036	-	-	93 036
Demand deposits with credit institutions	1 504	2 900	14	4 418
Financial assets measured at fair value through profit or loss	-	514	-	514
Debt securities measured at fair value through other comprehensive income	-	7 390	1 894	9 284
Financial assets measured at amortized cost:	30 431	20 401	825	51 657
<i>Debt securities</i>	7 368	15 176	-	22 544
<i>Loans and advances due from non-banks</i>	23 063	4 069	825	27 957
<i>Term deposits with credit institutions</i>	-	1 156	-	1 156
Financial assets	11	719	-	730
Exposure to credit risk of off-balance sheet items	157	-	-	157
Total	125 139	31 924	2 733	159 796

The following table shows geographic split of borrowers' credit risk is based on the country of origin of their projected cash flows used for loan repayment.

Loans and advances due from non-banks	31.12.2025	31.12.2024
Latvia	15 722	23 202
OECD countries	3 644	3 632
Other countries	6 350	1 266
Loans and advances due from non-banks	25 716	28 100
Total impairment allowance	(135)	(143)
Loans and advances due from non-banks customers, net	25 581	27 957

INDUSTRY ANALYSIS

The following table provides an analysis of the Bank's assets and off-balance sheet items by industry without taking into account collateral and other credit enhancements. The grouping is done based on information about the business of the respective counterparties.

	31.12.2025	31.12.2024
Exposure to credit risk of balance sheet assets	151 514	159 639
Central Bank	85 051	93 040
Central governments	8 893	12 111
Government non-financial corporations	2 004	2 008
Credit institutions	12 615	15 171
Multilateral Development Banks	4 979	4 864
Private individuals	3 096	3 881
Operations with real estate	12 304	16 360
Trade	4 920	93
Manufacturing	2 227	2 690
Information and communication services	4 404	390
Transport	124	134
Health and social care	95	102
Electricity	238	1 276
Financial services	10 009	6 484
Other	555	1 035
Exposure to credit risk of off-balance sheet items	831	157
Total	152 345	159 796

CREDIT QUALITY OF FINANCIAL ASSETS

Credit quality of financial assets is performed by the Bank via debtors' (borrowers') financial analysis techniques, analysis of the counterparty's reputation and historical cooperation with the counterparty as well as by monitoring international ratings granted to counterparties.

The Bank determines the quality of financial assets exposed to credit risk by performing an analysis of debtors (borrowers) financial position indicators, counterparty reputation and cooperation experience with counterparties, as well as monitoring of international ratings assigned to counterparties. the sustainability of the counterparty, the borrower, the issuer and the transaction itself, namely environmental, social responsibility and governance (ESG) factors, including the international ESG ratings assigned to counterparties.

According to IFRS 9 the Bank's financial assets are classified in three stages, where such financial assets, credit risk of which has not significantly increased compared to the initial recognition, are classified in the 1st stage, and such financial assets, credit risk of which has significantly increased compared to the initial recognition, but which have

no default observed, are classified in the 2nd stage, and such financial assets, for which signs of default are detected, are classified in the 3rd stage.

Signs of a significant increase in credit risk, for which default is not observable

The Bank considers the following as significant credit risk increase for risk transactions:

- a delay exceeds 30 days in the performance of the counterparty's obligations (such as payment of principal amount or interest);
- non-use of the allocated funds for the purposes specified in the agreement;
- default of a person related to the Bank's counterparty that affects the counterparty's ability to meet their credit obligations to the Bank;
- failure to meet project implementation preconditions;
- impairment of collateral in the cases when performance of obligations is directly dependent on value of collateral;
- non-compliance with the terms of the transaction agreement;
- and other event signs that may indicate a significant increase in credit risk of the counterparty.

Signs of default

- a delay exceeds 90 days in the performance of the counterparty's obligations (such as payment of principal amount or interest);
- significant financial difficulties of the counterparty;
- the Bank grants such advantages to the counterparty for economic or legal reasons related to the borrower's significant financial difficulties, which the Bank would not otherwise have considered;
- the counterparty has been declared insolvent or has been informed of its legal protection process, or similar restructuring or protection of other types of financial liabilities;
- the counterparty is dead, missing or has ceased operations;
- a financial asset is an asset in the recovery process;
- financial asset has been acquired or has a reduced credit value on the balance sheet;
- a combination of several other events or other event signs that may characterise a counterparty default.

The table below represents loans and claims against non-banks - at gross value i.e. without impairment broken down by financial asset quality stages without taking into account collateral or other credit quality improvements.

31.12.2025

	Mort- gage loans	Other loans	Finance leases	Credit card loans	Other claims against non- banks	Total
Loans and claims against non-banks neither past due nor impaired	13 157	8 394	183	-	3 699	25 433
Private non-financial companies	10 597	1 551	183	-	4	12 335
Financial institutions	-	5 171	-	-	3 695	8 866
Households	2 560	1 672	-	-	-	4 232
Loans and claims against non-banks past due but not impaired	194	89	-	-	-	283
Past due up to 30 days	194	30	-	-	-	224
Past due 30-60 days	-	-	-	-	-	-
Past due over 90 days	-	59	-	-	-	59
Total loans and advances due from non-banks	13 351	8 483	183	-	3 699	25 716
<i>Impairment</i>	(32)	(103)	-	-	-	(135)
Net value of loans and claims against non-banks	13 319	8 380	183	-	3 699	25 581

31.12.2024

	Mort- gage loans	Other loans	Finance leases	Credit card loans	Other claims against non- banks	Total
Loans and claims against non-banks neither past due nor impaired	17 459	6 485	202	1	3 657	27 804
Private non-financial companies	14 102	3 044	202	-	12	17 360
Financial institutions	-	1 509	-	-	3 645	5 154
Households	3 357	1 932	-	1	-	5 290
Loans and claims against non-banks past due but not impaired	197	99	-	-	-	296
Past due up to 30 days	40	40	-	-	-	80
Past due 30-60 days	-	-	-	-	-	-
Past due over 90 days	157	59	-	-	-	216
Total loans and advances due from non-banks	17 656	6 584	202	1	3 657	28 100
<i>Impairment</i>	(34)	(109)	-	-	-	(143)
Net value of loans and claims against non-banks	17 622	6 475	202	1	3 657	27 957

Financial assets in measurement categories (3 stages):

31.12.2025

	Stage 1	Stage 2	Stage 3	Total
Financial assets				
Balances with the Bank of Latvia	85 051	-	-	85 051
Due from credit institutions	3 002	-	-	3 002
Financial assets measured at fair value through profit or loss	203	-	-	203
Debt securities measured at fair value through other comprehensive income	13 828	-	-	13 828
Financial assets measured at amortised cost	36 909	8 927	3 366	49 202
Other financial assets	404	-	-	404
Total gross financial assets	139 397	8 927	3 366	151 690
<i>Total impairment allowance</i>	<i>(87)</i>	<i>(17)</i>	<i>(72)</i>	<i>(176)</i>
Total net financial assets	139 310	8 910	3 294	151 514

31.12.2024

	Stage 1	Stage 2	Stage 3	Total
Financial assets				
Balances with the Bank of Latvia	93 036	-	-	93 036
Due from credit institutions	4 418	-	-	4 418
Financial assets measured at fair value through profit or loss	514	-	-	514
Debt securities measured at fair value through other comprehensive income	9 318	-	-	9 318
Financial assets measured at amortised cost	33 420	15 188	3 209	51 817
Other financial assets	730	-	-	730
Total gross financial assets	141 436	15 188	3 209	159 833
<i>Total impairment allowance</i>	<i>(74)</i>	<i>(29)</i>	<i>(91)</i>	<i>(194)</i>
Total net financial assets	141 362	15 159	3 118	159 639

Changes in financial assets measured at amortized cost of the Group's financial assets by stages for the year ended 31 December 2024 and 31 December 2025:

	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount 31 December 2023	49 362	18 592	5 350	73 304
New assets originated or increased on the existing contracts	709	243	-	952
Assets repaid (redeemed)	(17 495)	(2 820)	(2 124)	(22 439)
<i>Effect on Gross carrying value at the end of the period due to changes in accruals</i>				
Transfers to Stage 1	1 037	(1 037)	-	-
Transfers to Stage 2	(82)	226	(144)	-
Transfers to Stage 3	(111)	(16)	127	-
Gross carrying amount 31 December 2024	33 420	15 188	3 209	51 817
New assets originated or increased on the existing contracts	11 703	-	-	11 703
Assets repaid (redeemed)	(7 740)	(6 273)	(306)	(14 319)
<i>Effect on Gross carrying value at the end of the period due to changes in accruals</i>				
Transfers to Stage 1	-	-	-	-
Transfers to Stage 2	(239)	239	-	-
Transfers to Stage 3	(236)	(227)	463	-
Gross carrying amount 31 December 2025	36 908	8 927	3 366	49 201

Changes in loan loss allowance of the Bank's financial assets by stages for the year ended 31 December 2024 and 31 December 2025:

	Stage 1	Stage 2	Stage 3	Total
ECLs as at 31 December 2023	82	3	162	247
New assets originated or increased on the existing contracts	18	29	5	52
Assets repaid (redeemed)	(60)	(3)	(76)	(139)
Impact on period end ECL due to transfers between stages or changes in models	-	-	-	-
ECLs as at 31 December 2024	40	29	91	160
New assets originated or increased on the existing contracts	35	-	-	35
Assets repaid (redeemed)	(13)	(12)	(20)	(45)
Impact on period end ECL due to transfers between stages or changes in models	-	-	-	-
ECLs as at 31 December 2025	62	17	71	150

SETTLEMENT RISK

Settlement risk is the risk to which the Bank is exposed to outstanding transactions in foreign currencies, securities or commodities, with the exception of repurchase transactions, securities or commodities lending or borrowing. Settlement risk is comprised of settlement / delivery risk and free deliveries risk.

The Bank calculates the settlement / delivery risk and free deliveries risk capital requirement only for the period if the risk registered in the Bank's IT system meets the definition of the risk characteristics of the relevant event or events. At the end of reporting period, the respective events are not recorded, as a result of which it would be necessary to maintain the capital requirement for settlement/ delivery risk.

LIQUIDITY RISK

Liquidity risk represents the Bank's exposure to significant loss in the event that the Bank does not have a sufficient amount of liquid assets to meet legally justified claims or overcome unplanned changes in the Bank's assets and/or market conditions on a timely basis.

A liquidity crisis may be caused by unexpected events, such as prolonged outflow of cash from the accounts opened with the Bank without a corresponding cash inflow. This process may be a consequence of the loss of trust, or a national crisis like a currency crisis. The Bank is exposed to liquidity risk when its cash flows are not balanced in terms of their maturity (maturity bands) due to the Bank's activities involving borrowings, loans, capital and other items of assets and liabilities.

Liquidity problems may be caused also by the lack of liquidity of the financial market.

The objective of liquidity management is to achieve placement of Bank's assets enabling the Bank to meet legally justified claims of its creditors at any time.

The liquidity risk management methods (core elements) are as follows:

- compliance with Liquidity coverage ratio regulatory requirements;
- compliance with Net stable funding ratio regulatory requirements;
- setting limits for deposits from customers;
- control of compliance with the limits set in the Group's Liquidity risk management policy;
- liquidity risk indicators within the risk monitoring system;
- conducting liquidity risk stress tests and analyzing the obtained results;
- Bank's liquidity crisis management plan.

To maintain its liquidity position, the Bank:

- assesses and plans the maturity structure of its assets and liabilities on a regular basis;
- maintains sufficient liquid assets to ensure that financial liabilities can be met;
- ensures Liquidity coverage ratio not less than 115%;
- ensures the Net stable funding ratio not less than 115%;
- ensures a survival horizon of no less than six months (the period of time, how

long the Bank is able to meet the contractually determined net outflows of cash, without attracting additional resources);

- ensures that the loan portfolio as a percentage of total assets does not exceed 60%; ensures the ratio of the loan portfolio to customer deposits does not exceed 70%;
- performs regular stress testing and assesses whether the liquidity reserve is adequate and sufficient.

According to Commission Delegated Regulation (EU) No. 2015/61 of 10 October 2014 to supplement Regulation (EU) No. 575/2013 of the European Parliament and the Council with regard to liquidity coverage requirement for Credit Institutions, minimum determined liquidity coverage ratio is 100%. The Bank`s liquidity coverage ratio for the years 2025 and 2024 were:

	31.12.2025	31.12.2024
Liquidity reserves	99 886	111 829
Total net cash outflows	77 932	72 761
Liquidity coverage ratio	128%	154 %

According in Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and amending Regulation (EU) No 648/2012, minimum determined net stable funding ratio is 100%. The Bank`s net stable funding ratio for the years 2025 and 2024 were:

	31.12.2025	31.12.2024
Required stable funding	38 187	41 386
Available stable funding	69 142	83 744
Net stable funding ratio	181%	202%

ANALYSIS OF ASSETS AND LIABILITIES BY LIQUIDITY STRUCTURE

The table below allocates the Bank`s assets, liabilities and off-balance sheet liabilities to liquidity groupings based on the time remaining from the balance sheet date to the contractual maturity dates (i.e. based on contractual discounted cash flows). Pledged financial assets measured at amortised cost financial investments are disclosed as *Other*.

31.12.2025

	Less than 1 month inclusive	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Other	Total
Assets							
Cash and balances with the Bank of Latvia	85 051	-	-	-	-	-	85 051
Demand deposits with credit institutions	3 002	-	-	-	-	-	3 002
Financial assets measured at fair value through profit or loss	-	-	-	-	203	-	203
Debt securities measured at fair value through other comprehensive income	13 803	-	-	-	-	-	13 803
Financial assets measured at amortized cost:	132	8 552	2 324	15 415	18 935	3 693	49 051
<i>Debt securities</i>	-	-	2 021	15 023	-	-	17 044
<i>Loans and advances due from non-banks</i>	132	2 126	303	392	18 935	3 693	25 581
<i>Term deposits with credit institutions</i>	-	6 426	-	-	-	-	6 426
Property and equipment	-	-	-	-	3 940	-	3 940
Intangible assets	-	-	-	-	510	-	510
Other assets	7	-	-	-	952	-	959
<i>Financial assets</i>	-	-	-	-	404	-	404
<i>Non-financial assets</i>	7	-	-	-	548	-	555
Total assets	101 995	8 552	2 324	15 415	24 540	3 693	156 519
Liabilities							
Financial liabilities measured at amortized cost	104 234	3 187	3 290	2 554	1 102	-	114 367
<i>Deposits</i>	104 234	3 187	3 290	2 554	1 102	-	114 367
Other liabilities	7 131	-	-	-	-	-	7 131
<i>Financial liabilities</i>	6 801	-	-	-	-	-	6 801
<i>Non-financial liabilities</i>	330	-	-	-	-	-	330
Total liabilities	111 365	3 187	3 290	2 554	1 102	-	121 498
Unrecognised loan commitments	831	-	-	-	-	-	831
Net liquidity position	(10 201)	5 365	(966)	12 861	23 438	3 693	34 190

31.12.2024

	Less than 1 month inclusive	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Other	Total
Assets							
Cash and balances with the Bank of Latvia	93 036	-	-	-	-	-	93 036
Demand deposits with credit institutions	4 418	-	-	-	-	-	4 418
Financial assets measured at fair value through profit or loss	-	-	-	-	514	-	514
Debt securities measured at fair value through other comprehensive income	9 284	-	-	-	-	-	9 284
Financial assets measured at amortized cost:	3 353	1 811	453	2 885	39 517	3 638	51 657
<i>Debt securities</i>	2 024	1 429	-	2 018	17 073	-	22 544
<i>Loans and advances due from non-banks</i>	173	382	453	867	22 444	3 638	27 957
<i>Term deposits with credit institutions</i>	1 156	-	-	-	-	-	1 156
Property and equipment	-	-	-	-	6 331	-	6 331
Intangible assets	-	-	-	-	606	-	606
Other assets	5	-	-	-	1 219	-	1 224
<i>Financial assets</i>	-	-	-	-	730	-	730
<i>Non-financial assets</i>	5	-	-	-	489	-	494
Total assets	110 096	1 811	453	2 885	48 187	3 638	167 070
Liabilities							
Financial liabilities measured at amortized cost	111 577	4 750	6 579	6 662	1 464	-	131 032
<i>Deposits</i>	111 577	4 750	6 579	6 662	1 464	-	131 032
Other liabilities	1 290	-	-	-	-	-	1 290
<i>Financial liabilities</i>	799	-	-	-	-	-	799
<i>Non-financial liabilities</i>	491	-	-	-	-	-	491
Total liabilities	112 867	4 750	6 579	6 662	1 464	-	132 322
Unrecognised loan commitments	153	-	-	-	-	-	153
Net liquidity position	(2 924)	(2 939)	(6 126)	(3 777)	46 723	3 638	34 595

The table below analyses the Bank's financial liabilities (excluding demand deposits) undiscounted cash flows into relevant maturity bands based on the remaining period, as at the reporting date, to the contractual maturity date (i.e. based on contractual undiscounted cash flows):

31.12.2025

	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	Total gross amount outflow/ (inflow)	Carrying amount
Non-derivative liabilities								
Financial liabilities measured at amortized cost	104 321	3 255	3 349	2 606	1 166	-	114 697	114 367
<i>Deposits</i>	104 321	3 255	3 349	2 606	1 166	-	114 697	114 367
Financial liabilities	6 801	-	-	-	-	-	6 801	6 801
Contingent liabilities for guarantees	-	-	-	-	-	-	-	-
Unrecognised loan commitments	-	-	31	-	800	-	831	831
Total non-derivative and contingent liabilities	111 122	3 255	3 380	2 606	1 966	-	122 329	121 999
Derivative liabilities								
<i>Inflow</i>	-	-	-	-	-	-	-	-
<i>Outflow</i>	-	-	-	-	-	-	-	-
Total derivative liabilities	-	-	-	-	-	-	-	-
Total non-derivative and derivative liabilities and contingent liabilities	111 122	3 255	3 380	2 606	1 966	-	122 329	121 999

31.12.2024

	Demand and less than 1 month	From 1 to 3 months	From 3 to 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	Total gross amount outflow/ (inflow)	Carrying amount
Non-derivative liabilities								
Financial liabilities measured at amortized cost	111 678	4 869	6 787	6 897	1 565	-	131 796	131 033
<i>Deposits</i>	111 678	4 869	6 787	6 897	1 565	-	131 796	131 033
Financial liabilities	799	-	-	-	-	-	799	799
Contingent liabilities for guarantees	-	-	-	4	-	-	4	4
Unrecognised loan commitments	13	-	-	-	-	140	153	153
Total derivative non- and contingent liabilities	112 490	4 869	6 787	6 901	1 565	140	132 752	131 988
Derivative liabilities								
<i>Inflow</i>	(100)	-	-	-	-	-	(100)	-
<i>Outflow</i>	100	-	-	-	-	-	100	-
Total derivative liabilities	-	-	-	-	-	-	-	-
Total derivative non- and derivative liabilities and contingent liabilities	112 490	4 869	6 787	6 901	1 565	140	132 752	131 988

REPORT ON THE LIQUIDITY ADEQUACY ASSESSMENT PROCESS (ILAAP)

Information about the Bank's ILAAP is contained in the Group's ILAAP report, which is prepared with the participation of the Bank's representatives.

The purpose of the report on ILAAP is to provide as complete information as possible about the liquidity adequacy assessment process

The report aims to identify gaps in liquidity adequacy assessment process and to evaluate compliance with the liquidity reserve.

Based on the results of the liquidity adequacy assessment process, if necessary, it may be decided to take corrective measures in the liquidity management process and/or to improve the adequacy of the liquidity reserve.

The latest ILAAP report concluded that the management of liquidity management process is adequately ensured and according to the results of the Bank's stress tests, the Bank's liquidity reserves are sufficient even in stress situations.

ENCUMBERED AND UNENCUMBERED ASSETS

Information on the Bank's encumbered and unencumbered assets represented in Tables A, B and C is determined based on calculations of the risk transaction value for 2025 and 2024. Accordingly, the risk transaction value for 2025 and 2024 is determined as the median of sums of end values of the four quarters for the last 12-month period in each relevant year.

Table A. Encumbered and unencumbered assets

	Book value of encumbered assets		Fair value of encumbered assets		Book value of unencumbered assets		Fair value of unencumbered assets	
	2025	2024	2025	2024	2025	2024	2025	2024
Assets	3 676	3 596	x	x	164 804	154 202	x	x
Equity securities	-	-	x	x	353	839	x	x
Debt securities	-	-	-	-	28 839	42 156	28 559	41 353
<i>Incl.: covered bonds</i>	-	-	-	-	-	1 472	-	1 471
<i>Incl.: securitization</i>	-	-	-	-	-	-	-	-
<i>Incl.: issued by general governments</i>	-	-	-	-	10 288	18 084	10 153	17 707
<i>Incl.: issued by financial companies</i>	-	-	-	-	14 090	18 549	13 984	18 266
<i>Incl.: issued by non-financial companies</i>	-	-	-	-	4 461	4 051	4 422	3 909
Other assets	3 676	3 596	x	x	135 612	111 207	x	x

Table B. Collateral received

	Fair value of encumbered collateral received or own debt securities issued		Unencumbered	
	2025	2024	The fair value of collateral received or of own debt securities issued is available for encumbrance	
	2025	2024	2025	2024
Collateral received	-	-	32 298	80 958
Loans on request	-	-	-	-
Equity securities	-	-	-	-
Debt securities	-	-	-	-
<i>Incl.: covered bonds</i>	-	-	-	-
<i>Incl.: securitization</i>	-	-	-	-
<i>Incl.: issued by general governments</i>	-	-	-	-
<i>Incl.: issued by financial companies</i>	-	-	-	-
<i>Incl.: issued by non-financial companies</i>	-	-	-	-
Loans and advances other than loans on request	-	-	-	-
Other collateral received	-	-	32 298	80 958
Own debt securities issued other than own covered bonds or asset backed securities	-	-	-	-
Own covered bonds and asset-backed securities issued but not yet pledged	x	x	-	-
Total assets, collateral received and own debt securities issued	3 676	3 596	x	x

Table C. Sources of encumbrances

	Matching liabilities, contingent liabilities or securities lent		Assets, collateral received and own debt securities issued other than covered bonds and encumbered asset backed securities	
	2025	2024	2025	2024
Accounting value of selected financial liabilities	-	-	3 676	3 596

The Bank mainly uses two main sources of encumbrance, that is, funds in correspondent accounts that serve as collateral for operations with payment cards and financial instruments of the Bank's portfolio of financial instruments in order to ensure a

sufficient amount of liquid assets in individual cases.

Amount of encumbered assets refers to security deposits with the Bank's partners VISA and MasterCard and is related to operations with payment cards and e-commerce clients.

The Bank has assessed that in table A the "Encumbered asset book value" and "Accounting value of encumbered assets" is insignificant in proportion to total assets, as at 31 December 2025, it was 3% (31 December 2024 – 3%).

MONEY LAUNDERING AND TERRORISM AND PROLIFERATION FINANCING RISK AND SANCTION RISK

The risk of money laundering and financing of terrorism and proliferation is an impact and possibility that the Bank may be involved in money laundering or terrorism or proliferation financing related to financial services provided by the Bank, the clients, products and services, their delivery channels, and location of operations. The risk of sanctions is an impact and possibility that the Bank may be involved in violation or circumvention of imposed sanctions.

The Bank's Department of Prevention of Money Laundering and Terrorism Financing in collaboration with other departments of the Bank ensure implementation and enforcement of the Bank's Development Strategy, Policy of the Prevention of Money Laundering and Terrorism and Proliferation Financing and Management of the Risk of Sanctions and related requirements. The Department of Prevention of Money Laundering and Terrorist Financing monitors changes in the laws and regulations of Republic of Latvia and the leading practices in the field of this policy and, if necessary, propose and develop changes in the Bank's policy and other internal documents and processes.

The management of money laundering and terrorism and proliferation financing and sanctions risk at the Bank is ensured at three levels of defense, thus, ensuring that all the Bank departments and employees to whom such an obligation, directly or indirectly arising from the Bank's internal regulation requirements, are involved accordingly.

In its operations, the Bank strictly adheres to the requirements of the Republic of Latvia, the United Nations, the European Union and the Office of U.S. Treasury Department Foreign Assets Control (OFAC) sanctions and preclude execution of the transactions contravening those prohibitions. The Bank ensures that its internal control system is sufficient and appropriate to comply with sanction regulations.

The Bank's money laundering and terrorism and proliferation financing and sanctions risk management strategic objectives are to maintain a good reputation of the Bank and stable relationships with customers, counterparties and the general public, cooperate with and provide services to reliable customers and counterparties whose activities are clear to the Bank, ensure an appropriate balance between the risks acceptable for the

Bank and the level of profits in order to minimize the risk of potential adverse effect on the Bank's financial position and operations.

MARKET RISK

Market risk is the risk that the Bank will incur a loss as a result of the mark-to-market revaluation of assets, liabilities and off-balance sheet items caused by changes in market values of financial instruments, commodities and commodity derivatives due to changes in foreign exchange rates, interest rates and other factors. Market risks include interest rate risk, currency risk, position risk, commodity risk and credit spread risk.

The Bank does not form a trading portfolio, and it has no exposure to commodity risk.

Considering that the Bank has the financial assets measured at fair value through other comprehensive income portfolio which at 31 December 2025 was 9% of the total assets (31 December 2024 - 6%), the Bank assesses that, thus, the position risk for the Bank's operation is moderate with a decreasing trend.

The credit spread risk is assessed as limited with a downward trend, taking into account that the Bank's existing investments in financial instruments basically mature in 2026.

CURRENCY RISK

Currency risk represents the Bank's exposure in the event that changes in foreign exchange rates have an adverse effect on the Bank's income/ expense (and, consequently, also the Bank's own funds) and economic value. Currency risk is the risk of loss due to the opposite fluctuations of foreign exchange rates. The transactions include items reported as both assets and off-balance sheet items.

The risk of incurring foreign exchange loss arises from the revaluation of foreign currency positions into the national currency. When the Bank has an open foreign currency position, the revaluation process results in a profit or loss, which is the difference arising from the revaluation into the national currency of assets, liabilities and capital denominated in foreign currencies.

The objective of managing currency risk is to reduce the adverse effect of changes in foreign exchange rates by minimising the open currency position.

The Bank determines the following internal limits:

- the ratio of individual (larger) foreign currency open positions to the Bank's Tier 1 capital - 5% (internal limit) and 10% (external limit);
- the ratio of total foreign currency open positions to the Bank's tier 1 capital - 10% (internal limit) and 20% (external limit).

The Bank is bound by limits set at Group level - in accordance with the Group's Market Risk Management Policy.

Considering the current level of the Bank's business, the Bank is not striving to maintain

the open foreign currency position to earn profits from speculative transactions.

To assess the compliance of the existing limits with the Bank's actual positions and situation on the currency market, stress tests are performed regularly.

The Bank's total open foreign currency position as at 31 December 2025 was 0.39% (long position) (31 December 2024 – 1.24% (short position)) of amount the Bank's Tier 1 capital.

31.12.2025

	EUR	USD	Other currencies	Total
Assets				
Cash and balances with the Bank of Latvia	85 051	-	-	85 051
Demand deposits with credit institutions	160	2 466	376	3 002
Financial assets measured at fair value through profit or loss	-	203	-	203
Debt securities measured at fair value through other comprehensive income	13 803	-	-	13 803
Financial assets measured at amortized cost	45 631	3 420	-	49 051
<i>Debt securities</i>	17 044	-	-	17 044
<i>Loans and advances due from non-banks</i>	25 581	-	-	25 581
<i>Term deposits with credit institutions</i>	3 006	3 420	-	6 426
Property and equipment	3 940	-	-	3 940
Intangible assets	510	-	-	510
Other assets	715	241	3	959
<i>Financial assets</i>	160	241	3	404
<i>Non-financial assets</i>	555	-	-	555
Total assets	149 810	6 330	379	156 519
Liabilities and shareholders' equity				
Financial liabilities measured at amortized cost	108 122	5 976	269	114 367
<i>Deposits</i>	108 122	5 976	269	114 367
Provisions	-	-	-	-
Other liabilities	6 668	449	14	7 131
<i>Financial liabilities</i>	6 338	449	14	6 801
<i>Non-financial liabilities</i>	330	-	-	330
Total liabilities	114 790	6 425	283	121 498
Shareholders' Equity	35 021	-	-	35 021
Total liabilities and shareholders' equity	149 811	6 425	283	156 519
Long/(short) position of net balance sheet items	(1)	(95)	96	-
Net long/(short) position of OTC foreign currency swaps	-	-	-	-
Net foreign currency open long/(short) position	(1)	(95)	96	-
Open position % of the Bank's Tier 1 capital	x	(0.28)	0.28	x

31.12.2024

	EUR	USD	Other currencies	Total
Assets				
Cash and balances with the Bank of Latvia	93 036	-	-	93 036
Demand deposits with credit institutions	806	3 255	357	4 418
Financial assets measured at fair value through profit or loss	-	514	-	514
Debt securities measured at fair value through other comprehensive income	8 350	934	-	9 284
Financial assets measured at amortized cost	50 501	1 156	-	51 657
<i>Debt securities</i>	22 544	-	-	22 544
<i>Loans and advances due from non-banks</i>	27 957	-	-	27 957
<i>Term deposits with credit institutions</i>	-	1 156	-	1 156
Property and equipment	6 331	-	-	6 331
Intangible assets	606	-	-	606
Other assets	789	222	213	1 224
<i>Financial assets</i>	295	222	213	730
<i>Non-financial assets</i>	494	-	-	494
Total assets	160 419	6 081	570	167 070
Liabilities and shareholders' equity				
Financial liabilities measured at amortized cost	124 910	5 915	207	131 032
<i>Deposits</i>	124 910	5 915	207	131 032
Provisions	-	-	-	-
Other liabilities	1 229	47	14	1 290
<i>Financial liabilities</i>	738	47	14	799
<i>Non-financial liabilities</i>	491	-	-	491
Total liabilities	126 139	5 962	221	132 322
Shareholders' Equity	34 775	(27)	-	34 748
Total liabilities and shareholders' equity	160 914	5 935	221	167 070
Long/(short) position of net balance sheet items	(495)	146	349	-
Net long/(short) position of OTC foreign currency swaps	100	-	(100)	-
Net foreign currency open long/(short) position	(395)	146	249	-
Open position % of the Bank's Tier 1 capital	x	0.42	0.73	x

The following table presents the impact that changes in the exchange rate would have on the Bank's profit:

	31.12.2025	31.12.2024
	Profit or loss	
5% appreciation of USD against EUR	(4)	7
5% depreciation of USD against EUR	4	(7)

POSITION RISK

Position risk is a possibility of sustaining a loss due to revaluation of a position in a debt or equity security when the price of the respective security changes. Position risk may be either specific or general risk.

Specific risk is a possibility of sustaining a loss if the price of a debt or equity security changes because of the factors related to the securities issuer or – in case of derivative financial instruments – to the person issuing the security that is the underlying asset of the derivative.

General risk is a possibility of sustaining a loss if the price of a security changes because of the factors related to the fluctuations in interest rates (for debt securities) or extensive changes in the capital market (for equity securities) that are not related to a particular securities issuer.

The following table shows the effect on the Bank's profit and other comprehensive income of changes in the prices of securities held by the Bank:

	31.12.2025	31.12.2024
Impact on profit: increase of securities prices by 5%	12	27
Impact on profit: decrease of securities prices by 5%	(12)	(27)
Impact on other comprehensive income: increase of securities prices by 5%	689	466
Impact on other comprehensive income: decrease of securities prices by 5%	(689)	(466)

INTEREST RATE RISK

Interest rate risk represents the Bank's exposure in the event that changes in interest rates have an adverse effect on the Bank's income/ expense (and, consequently, also the Bank's own funds) and economic value. Sources of interest rate risk are as follows:

- gap risk, or the risk of loss due to an unbalanced term structure of interest rate sensitive instruments, covering changes in the term structure of interest rates that occur consistently across the yield curve (parallel risk) or at different intervals (non-parallel risk);
- basis risk or the possibility of suffering a loss from changes in interest rates on interest rate sensitive instruments with the same repricing or maturity dates but different basis rates;
- optionality risk is the possibility of suffering a loss if interest rate sensitive

instruments directly (e.g. options) or indirectly (e.g. loans with early repayment option, demand deposits, term deposits with early withdrawal option, fixed rate loan commitments, etc.) provide the Bank or a customer of the Bank with the option to change the amount and timing of cash flows.

The objective of managing interest rate risk is to minimise the effect of interest rate risk on the Bank's assets and liabilities and income.

To assess interest rate risk, the Bank analyses and plans the repricing maturity structure on a regular basis, calculates the reduction in the Bank's economic value due to adverse changes in interest rates and defines the capital requirement for interest rate risk.

Within the management perimeter of Interest rate risk in the bank's non-trading portfolio (IRRBB) the Bank includes all its assets and claims (including off-balance sheet liabilities) for which the Bank receives interest income or pays interest expenses, or whose current value depends on changes in interest rates, as well as non-performing loans.

Estimating the IRRBB, the Bank calculates the indicators of net interest income and economic value (EVE) and their possible changes in stress scenarios - with the assumptions of the EBA guidelines, in the EBA scenarios.

The assessment of the Bank's exposure to interest rate risk is based on the following key principles:

- the effect produced by changes in interest rates on the Bank's financial performance and economic value is assessed;
- the Bank determines the current interest rate risk level within the framework of the Bank's Risk Monitoring System as well as identifies situations when the Bank's exposure to interest rate risk is or may be excessively large;
- all significant interest rate risks associated with assets, liabilities and off-balance sheet items - gap risk, basis risk, and optionality risk – are assessed. Interest rate risk is assessed and managed by gap analysis and the duration analysis and using simulation models.

In order to identify, assess, manage, and mitigate risks resulting from possible changes in interest rates, which affect both the economic value of own capital and the net interest income of non-trading portfolio activities, the Bank calculates changes in accordance with six stress scenarios regarding economic value and two stress scenarios regarding net interest income as defined in Commission Delegated Regulation (EU) 2024/856 of 1 December 2023 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regard to regulatory technical standards specifying the supervisory shock scenarios, the common modelling and parametric assumptions and what constitutes a large decline.

As part of the IRRBB assessment, a report is prepared in which the Bank's assets and liabilities (including off-balance sheet liabilities) are included in maturity intervals after the interest rate revision date (or for assets and liabilities with a fixed interest rate -

after the repayment date), incl. making assumptions about customer behavior and, accordingly, about the cash flows of assets and liabilities.

The Bank's Assets and Liabilities Committee and the Bank's Council are informed about the impact of changes in interest rates on the Bank's financial results and economic value as part of the Bank's Risk Monitoring System.

The impact of interest rate risk on the Bank's profit and loss is also determined, assuming that interest rates change by 1 percent (or 100 basis points) in parallel, and interest rate changes occur in the middle of the period:

	31.12.2025	31.12.2024
100 bp parallel increase	241	193
100 bp parallel decrease	(241)	(193)

The following table reflects the potential impact on the Bank's equity of a 1 percent (or 100 basis points) change in interest rates on fixed income debt securities measured at fair value through other comprehensive income financial instruments portfolio:

	31.12.2025	31.12.2024
Impact on equity: parallel increase by 100 basis points	(139)	(112)
Impact on equity: parallel decrease by 100 basis points	139	112

The table below present the interest rate risk term structure of assets, liabilities and off-balance sheet items:

31.12.2025

	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years	Non-interest bearing	Total
Assets								
Cash and balances with the Bank of Latvia	85 051	-	-	-	-	-	-	85 051
Demand deposits with credit institutions	3 002	-	-	-	-	-	-	3 002
Financial assets measured at fair value through profit or loss	-	-	-	-	-	-	203	203
Debt securities measured at fair value through other comprehensive income	17	5 010	-	1	8 775	-	-	13 803
Financial assets measured at amortized cost :	8 156	11 143	7 572	15 151	3 330	-	3 699	49 051
<i>Debt securities</i>	-	-	2 021	15 023	-	-	-	17 044
<i>Loans and advances due from non-banks</i>	8 156	4 717	5 551	128	3 330	-	3 699	25 581
<i>Term deposits with credit institutions</i>	-	6 426	-	-	-	-	-	6 426
Property and equipment	-	-	-	-	-	3 575	365	3 940
Intangible assets	-	-	-	-	-	-	510	510
Other assets	-	-	-	-	-	-	959	959
<i>Financial assets</i>	-	-	-	-	-	-	404	404
<i>Non-financial assets</i>	-	-	-	-	-	-	555	555
Total assets	96 226	16 153	7 572	15 152	12 105	3 575	5 736	156 519
Long off-balance items that are sensitive to interest rate	-	-	-	-	-	-	-	-
Financial liabilities measured at amortized cost	84 418	4 845	5 514	6 204	13 386	-	-	114 367
<i>Deposits</i>	84 418	4 845	5 514	6 204	13 386	-	-	114 367
Other liabilities	105	-	-	-	-	-	7 026	7 131
<i>Financial liabilities</i>	105	-	-	-	-	-	6 696	6 801
<i>Non-financial liabilities</i>	-	-	-	-	-	-	330	330
Equity	-	-	-	-	-	-	35 021	35 021
Total liabilities and equity	84 523	4 845	5 514	6 204	13 386	-	42 047	156 519
Short off-balance sheet items that are sensitive to changes in interest rates	-	-	31	-	800	-	X	831
Net interest rate risk position (gap)	11 703	11 308	2 027	8 948	(2 081)	3 575	X	35 480

31.12.2024

	Less than 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	More than 5 years	Non-interest bearing	Total
Assets								
Cash and balances with the Bank of Latvia	93 036	-	-	-	-	-	-	93 036
Demand deposits with credit institutions	4 418	-	-	-	-	-	-	4 418
Financial assets measured at fair value through profit or loss	-	-	-	-	-	-	514	514
Debt securities measured at fair value through other comprehensive income	104	1 516	-	1 034	6 630	-	-	9 284
Financial assets measured at amortized cost :	10 211	6 617	11 581	2 099	17 485	7	3 657	51 657
<i>Debt securities</i>	2 024	1 429	18	2 041	17 032	-	-	22 544
<i>Loans and advances due from non-banks</i>	7 031	5 188	11 563	58	453	7	3 657	27 957
<i>Term deposits with credit institutions</i>	1 156	-	-	-	-	-	-	1 156
Property and equipment	-	-	-	-	-	-	6 331	6 331
Intangible assets	-	-	-	-	-	-	606	606
Other assets	-	-	-	-	-	-	1 224	1 224
<i>Financial assets</i>	-	-	-	-	-	-	730	730
<i>Non-financial assets</i>	-	-	-	-	-	-	494	494
Total assets	107 769	8 133	11 581	3 133	24 115	7	12 332	167 070
Long off-balance items that are sensitive to interest rate	100	-	-	-	-	-	-	100
Liabilities and equity								
Financial liabilities measured at amortized cost	88 102	6 714	9 213	10 989	16 014	-	-	131 032
<i>Deposits</i>	88 102	6 714	9 213	10 989	16 014	-	-	131 032
Other liabilities	127	-	-	-	-	-	1 163	1 290
<i>Financial liabilities</i>	127	-	-	-	-	-	672	799
<i>Non-financial liabilities</i>	-	-	-	-	-	-	491	491
Equity	-	-	-	-	-	-	34 748	34 748
Total liabilities and equity	88 229	6 714	9 213	10 989	16 014	-	35 911	167 070
Short off-balance sheet items that are sensitive to changes in interest rates	117	-	140	-	-	-	X	257
Net interest rate risk position (gap)	19 523	1 419	2 228	(7 856)	8 101	7	X	23 422

In preparing the transaction, the Credit Division determines interest rates according to the Bank's Interest Rate Setting Guidelines. The loan interest rate should cover all expenses associated with the loan and compensate the risk assumed by the Bank, namely:

- interest on borrowed funds or consideration for other exposures;
- loan servicing expenses;
- compensation of potential loss (risk premium);
- guaranteed profit.

The loan interest rate (compensation) for a particular exposure depends on the risk associated with each individual loan.

OPERATIONAL RISK

Operational risk is the risk of a loss resulting from incomplete or non-compliant internal processes, people and systems or from external events. Operational risk is defined as the risk of a reduction in the Bank's income (or incurring of additional costs) and reduction of own funds due to different people mistakes, the system, including IT systems, errors or interruptions of operations, lack of legal documentation of transactions, non-observance of clients' interests, internal and external fraud, damage to tangible assets. Information technology risks and legal risks are evaluated within the framework of operational risk.

The objective of managing operational risk is to identify the sources of risk, determine risk management methods in order to minimise the potential loss that could be caused by an operational risk event.

Routine identification of operational risk is the responsibility of all employees of the Bank, and the core elements of the operational risk management framework are as follows:

- identification of operational risk;
- internal operational risk assessment;
- monitoring of operational risk;
- control and mitigation of operational risk;
- operational risk stress testing.

If the risk event losses exceed 5 000.00 EUR or frequency of one type of incidents is greater than 5 cases per week, the Bank's Chief Risk Officer and Board member responsible of Bank's Financial Risk Management Department is immediately informed about such cases.

If the total amount of operational risk events with actual losses and planned (expected) losses during the last 52 weeks, which is recorded in the operational risk events and losses database, exceeds the level of operational risk capital requirements calculated according to the basic indicator approach, the Bank's Financial Risk Management Department evaluates the need for additional capital for covering unexpected operational risk losses for maintenance.

SUSTAINABILITY RISK

Sustainability risk or ESG (environmental, social and governance– events or conditions that occur in the environmental, social or governance field and the occurrence of which may cause an actual or potentially negative impact on the counterparty or issuer or affect the value of the asset. Sustainability risk can manifest itself through other financial or non-financial risks (including, but not limited to, market risk, liquidity risk, concentration risk, credit risk, operational risk).

The Bank is aware that regardless of the fact that some ESG risks may materialize in the distant future, they require risk management today. The Bank has identified that it is mainly exposed to ESG factors indirectly, i.e. through customers and business partners, as well as directly through the Bank's operations. Thus, being aware of the indirect exposure to ESG risk, the Bank determines in its risk management both the identification and assessment of ESG risk factors and the desired amount of assets that corresponds to a long-term investment or loan, while the direct exposure to ESG risk is measured by the Bank as part of the annual risk materiality assessment process. ESG risk is currently managed within the framework of other risks.

NOTE 26 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable and willing parties in an arm's length transaction. The fair value of liquid financial assets has been determined using bid prices, while offer prices have been used to determine the fair value of financial liabilities.

For illiquid financial assets and liabilities, including loans, there are, by definition, no active markets. Accordingly, fair value has been estimated using appropriate valuation techniques. The methods used to determine the fair value of assets and liabilities not carried at fair value are as follows:

Balances with central banks

The fair value of balances with central banks is their carrying amount as these balances may be withdrawn without notice.

Balances due from credit institutions

The fair value of balances on demand with credit institutions is their carrying amount as these balances may be withdrawn without notice. The fair value of overnight placements is their carrying amount. The fair value of other amounts due from banks is calculated by discounting expected cash flows using current market rates. In many cases, the carrying value is a close representation of fair value due to the short-term maturity profile.

Loans

The fair value of loans is calculated by discounting expected future cash flows. The discount rates consist of money market rates as at the end of year and credit spread margins, which are adjusted for current market conditions.

Securities at amortised cost

Securities at amortised cost are valued using unadjusted quoted prices in active markets, where available. In other instances, either quotes of market participants are used or the value of securities is determined using valuation models employing observable or non-observable market inputs.

Financial assets measured at fair value through other comprehensive income

Financial assets measured at fair value through other comprehensive income assets are revalued on a daily basis applying Bloomberg quotations, so that the fair value does not differ from book value.

Financial assets and liabilities measured at fair value through profit or loss

Derivative financial instruments are revalued on a daily basis according to the interbank rates and, therefore, the fair value of these instruments equals their carrying amount.

Exception is VISA Europe Limited shares included into available for sale financial assets. According to VISA Inc. information, as a result of sale of VISA Europe Limited, ratio of Visa Inc. preference shares to Visa Inc. ordinary shares is 1: 0.717 (2023: 1: 1.786). Given the fact that the preference shares are not traded in free trade, and the

exchange of preference shares to ordinary shares will take place over a long period of the time, the Bank determines the value of preference shares using Bloomberg price for ordinary share, applying a 50% discount.

Deposits from customers

It is assumed that the fair value of customer deposits repayable on demand and short-term deposits is their carrying amount. The fair value of other deposits is calculated by discounting expected cash flows using average market interest rates or rates offered at year-end. The fair value as at 31 December 2025 and 2024 is calculated by discounting expected cash flows and using average interest rates.

The table below shows a comparison, by class, of the carrying amounts and fair values of the Bank's financial instruments reported in the financial statements.

	31.12.2025			31.12.2024		
	Carrying amount	Fair value	Difference	Carrying amount	Fair value	Difference
Financial assets						
<i>Financial assets at amortised cost</i>						
Balances with the Bank of Latvia	85 051	85 051	-	93 036	93 036	-
Due from credit institutions	9 428	9 428	-	5 574	5 574	-
Debt securities	17 044	16 842	202	22 544	21 924	620
Loans and receivables	25 581	25 278	303	27 957	28 977	(1 020)
Other financial assets	959	959	-	1 224	1 224	-
<i>Financial assets measured at fair value through other comprehensive income</i>						
Debt securities	13 803	13 803	-	9 284	9 284	-
<i>Financial assets measured at fair value through profit or loss</i>						
Shares	203	203	-	514	514	-
Financial liabilities						
<i>Financial liabilities at amortised cost</i>						
Deposits from customers	114 367	114 363	3	131 032	131 021	11
Other financial liabilities	7 131	7 131	-	1 290	1 290	-

31.12.2025

	Carrying amount	Fair value			
		Level 1 input	Level 2 input	Level 3 input	Total
Financial assets					
<i>Financial assets at amortised cost</i>					
Balances with the Bank of Latvia	85 051	-	-	85 051	85 051
Due from credit institutions	9 428	-	-	9 428	9 428
Debt securities	17 044	16 842	-	-	16 842
Loans and receivables	25 581	-	-	25 278	25 278
Other financial assets	959	-	-	959	959
<i>Financial assets measured at fair value through other comprehensive income</i>					
Debt securities	13 803	13 803	-	-	13 803
<i>Financial assets measured at fair value through profit or loss</i>					
Shares	203	-	-	203	203
Financial liabilities					
<i>Financial liabilities at amortised cost</i>					
Deposits from customers	114 367	-	-	114 363	114 363
Other financial liabilities	7 131	-	-	7 131	7 131

31.12.2024

	Carrying amount	Fair value			
		Level 1 input	Level 2 input	Level 3 input	Total
Financial assets					
<i>Financial assets at amortised cost</i>					
Balances with the Bank of Latvia	93 036	-	-	93 036	93 036
Due from credit institutions	5 574	-	-	1 269	1 269
Debt securities	22 544	21 924	-	-	21 924
Loans and receivables	27 957	-	-	28 977	28 977
Other financial assets	1 224	-	-	1 224	1 224
<i>Financial assets measured at fair value through other comprehensive income</i>					
Debt securities	9 284	9 284	-	-	9 284
<i>Financial assets measured at fair value through profit or loss</i>					
Shares	514	-	-	514	514
Financial liabilities					
<i>Financial liabilities at amortised cost</i>					
Deposits from customers	131 032	-	-	131 021	131 021
Other financial liabilities	1 290	-	-	1 290	1 290

The following table shows the movements in financial assets measured at fair value through profit or loss valued using level 3 input data:

	Financial assets measured at fair value through profit or loss
Balance as at 31.12.2023	803
Net revaluation result	(1 275)
Net trading gain	986
Balance as at 31.12.2024	514
Net revaluation result	(860)
Net trading gain	549
Balance as at 31.12.2025	203

Considering the short-term nature of cash and cash equivalents, as well as other financial assets and liabilities, their fair value approximately equals their carrying amount.

The Bank uses the following hierarchy of three levels of input data for determining and disclosing the fair value of financial assets and liabilities:

- **Level 1:** Quoted prices in active markets;
- **Level 2:** Other techniques for which all inputs which have a significant effect on the recorded fair value are observable;
- **Level 3:** Other techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The methods employed in classifying the assets by the levels of the fair value hierarchy as at 31 December 2025 are consistent with those of the prior year.

NOTE 27 CAPITAL MANAGEMENT

The primary objective of the Bank's capital management is to ensure that the Bank complies with externally imposed capital requirements (i.e. European Parliament and Council, Bank of Latvia regulations and IFRS) and that the Bank maintains healthy capital ratios and the Bank's own funds, both in terms of elements and composition, to an extent sufficient for covering significant risks inherent in the Bank's current and planned operations.

Capital adequacy standards refers to the sufficiency of the Bank's capital resources to cover credit risk, operational risk, settlement risk, credit value adjustments risk (CVA) and market risks.

To calculate minimum Capital Requirements according to Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and amending Regulation (EU) No. 648/2012, in 2023 and 2024 the Bank applies:

- a standardized approach for credit risk, counterparty credit risk (except in the case of derivatives), market risk, credit value adjustment (CVA) risk and settlement/delivery risk;
- initial risk exposure method – to determine the amount of counterparty credit risk (in the case of derivatives);
- the basic indicator approach for operational risk;
- a simple method for credit risk mitigation (in the case of financial collateral).

External Credit Assessment Institutions (ECAI) credit rating assigned to the use of capital requirement calculation:

The Bank uses ECAI credit ratings to determine the exposure weight from three international rating agencies - Moody's Investors Service, Standard & Poor's, Fitch Ratings. According to the European Parliament and Council Regulation (EU) No. 575/2013 (26 June 2013) on prudential requirements for credit institutions and amending Regulation (EU) No. 648/2012 The Bank uses ECAs for all exposure classes for which ECAs have been assigned.

The Bank shall apply Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions No. 648/2012, the definition of equity and the procedure for calculating the amount of equity, which in accordance with the instruments at the disposal of the Bank is included in the procedure for calculation of the Bank's equity and equity requirements. The capital used in the calculation consists of the Tier 1 level elements of equity, which include paid-in share capital, reserve capital, retained earnings, excluding the revaluation reserve, intangible assets, current year losses, value adjustments due to prudential requirements and the amount of under coverage for non-performing exposures.

The Bank's capital adequacy assessment process is conducted within the framework of the Group ICAAP, with active participation from the Bank's representatives, ensuring

that the process complies with both internal requirements and regulatory standards.

SUMMARY OF THE CALCULATION OF OWN FUNDS AND CAPITAL ADEQUACY RATIOS

		31.12.2025	31.12.2024
1.	Own funds (1.1.+1.2.)	34 497	34 132
1.1.	TIER 1 capital (1.1.1.+1.1.2.)	34 497	34 132
1.1.1.	Common equity TIER 1 capital (1.1.1.1. +1.1.1.2. +1.1.1.3. +1.1.1.4. +1.1.1.5. +1.1.1.6. +1.1.1.7. +1.1.1.8.)	34 497	34 132
1.1.1.1.	Capital instruments eligible as CET1 Capital	13 000	13 000
1.1.1.2.	Retained earnings	22 155	22 112
1.1.1.3.	Accumulated other comprehensive income	(134)	(364)
1.1.1.4.	Adjustments to CET1 due to prudential filters	(14)	(10)
1.1.1.5.	(-) Other intangible assets	(510)	(606)
1.1.1.6.	(-) Free deliveries which can alternatively be subject to a 1250% risk weight	-	-
1.1.1.8.	(-) Additional deductions of CET1 Capital due to Article 3 CRR	-	-
2.	Total risk exposure amount (2.1.+2.2.+2.3.+2.4.+2.5.+2.6.+2.7.)	75 515	68 487
2.1.	Risk weighted exposure amounts for credit, counterparty credit and dilution risks and free deliveries (2.1.1.+2.1.2.+2.1.3.+2.1.4.+2.1.5.)	44 607	44 452
2.1.1.	Central governments and central banks	208	28
2.1.2.	Institutions	3 094	3 160
2.1.3.	Corporates	16 526	10 259
2.1.4.	Secured by mortgages on immovable property	16 262	10 754
2.1.5.	Other risk exposure	8 517	20 251
2.2.	Total risk exposure amount for settlement/delivery	-	-
2.3.	Total risk exposure amount for position, foreign exchange and commodities risks	132	424
2.4.	Total risk exposure amount for operational risk	30 776	23 611
2.5.	Total risk exposure amount for credit valuation adjustment	-	-
3.	Capital ratios and capital levels		
3.1.	CET 1 capital ratio (1.1.1./2.*100)	45.68%	49.84%
3.2.	Surplus (+)/deficit (-) of CET 1 capital (1.1.1.-2.*4.5%)	31 099	31 050
3.3.	TIER 1 capital ratio (1.1./2.*100)	45.68%	49.84%
3.4.	Surplus (+)/deficit (-) of TIER 1 capital (1.1.-2.*6%)	29 966	30 023
3.5.	Total capital ratio (1./2.*100)	45.68%	49.84%
3.6.	Surplus (+)/deficit (-) of total capital (1.-2.*8%)	28 456	28 653

4.	Total Combined buffer requirement (4.1.+4.2.+4.3.+4.4.+4.5.)	2 624	2 202
4.1.	Capital conservation buffer	1 888	1 712
4.2.	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State	-	-
4.3.	Institution specific countercyclical capital buffer	736	490
4.4.	Systemic risk buffer	-	-
4.5.	Other Systemically Important Institution buffer	-	-
5.	Capital ratios taking into account adjustments		
5.1.	Asset value adjustment amount in the application of the prudential purposes	-	-
5.2.	Common equity TIER 1 capital ratio, taking into account 5.1. row of the correction amount	45.68%	49.84%
5.3.	TIER 1 capital ratio, taking into account 5.1. row of the correction amount	45.68%	49.84%
5.4.	The total capital ratio, taking into account 5.1. row of the correction amount	45.68%	49.84%

NOTE 28

EVENTS AFTER REPORTING DATE

During the period between the last day of the reporting period and the date of signing these financial statements there have been no other events that would require adjustment to or should be reflected in these financial statements.

Independent Auditors' Report

To the shareholder of AS Magnetiq Bank

Report on the Audit of the Financial Statements

Our Opinion on the Financial Statements

We have audited the financial statements of AS Magnetiq Bank (“the Bank”) set out on pages 8 to 89 of the accompanying Annual Report, which comprise:

- the statement of comprehensive income for the year ended 31 December 2025
- the statement of financial position as at 31 December 2025
- the statement of changes in equity and reserves for the year ended 31 December 2025
- the statement of cash flows for the year ended 31 December 2025
- notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2025, and of its financial performance and its cash flows for the year ended 31 December 2025 in accordance with the IFRS Accounting standards as adopted by the European Union.

Basis for Opinion

In accordance with the Law on Audit Services of the Republic of Latvia 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 are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) and independence requirements included in the Law on Audit Services of the Republic of Latvia as applicable to audits of the financial statements of public interest entities, together with the ethical requirements included in the Law on Audit Services of the Republic of Latvia that are relevant to audits of the financial statements of public interest entities in the Republic of Latvia.

We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) and Law on Audit Services of the Republic of Latvia.

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

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

We have determined the matters described below to be the key audit matters to be communicated in our report:

“Expected credit losses” for “Loans and receivables due from customers”

Key audit matter In the financial statements, gross value of “Loans and receivables due from customers” comprised EUR 22 021 thousand as at 31 December 2025 (31 December 2024: EUR 24 455 thousand) and “Expected credit losses” comprised EUR 135 thousand as at 31 December 2025 (31 December 2024: EUR 143 thousand). More details are provided in note 12(e) of the financial statements and information about the related accounting policies is provided in note 2 (d).

Individual expected credit losses (“ECL”) recognized by the Bank relate to individually monitored corporate and individual exposures. The assessment is therefore based on the analysis of financial performance of each individual borrower and estimation of the fair value of the related collateral.

The management applies significant judgements to define ECL for “Loans and receivables due from customers”. Identification of a significant increase in credit risk (“SICR”) and classification of exposures as credit-impaired (Stage 3), assessment of probability of default (“PD”) and loss given default (“LGD”) ratios requires the management to exercise subjective judgments and develop complex financial models and therefore, we considered this as a key audit matter.

Our audit response Our procedures included, among others:

- inspected the Bank’s “Expected credit losses” (“ECL”) methodology and assessed its compliance with the relevant requirements of IFRS 9;
- tested for operating effectiveness selected key controls over the approval, recording and monitoring of loans, as well as the accuracy of the calculation of delay days;
- selected a sample covering 81% of the outstanding loans and receivables due from customers portfolio as at 31 December 2025. For sampled loans assessed customers’ financial position, historic debt service records, current creditworthiness, management’s recovery strategies, and available repayment sources.
- majority of the loans issued by the Bank are loans secured by collateral, therefore in most cases the key source of recovery for non-performing loans is sale of collateral, thus performed detailed assessment of assumptions and information sources used in valuation reports provided by independent valuation specialists and the Bank’s analysts, including independent checks on market prices for comparable properties and benchmarking assumptions used within the cash flow forecasts against market practice;
- assessed the definition of default and the staging criteria and their consistent application by evaluating these against the requirements of IFRS 9;
- assessed and challenged the forward-looking information used in the ECL model, by means of corroborating inquiries of Management and inspection of publicly available information;
- assessed that the LGD and PD parameters used in the Bank’s ECL model are determined and applied in accordance with the Bank’s ECL methodology and current data, and verified the correct application of these parameters in ECL calculations;

- assessed the adequacy of the Bank’s disclosures on the loss allowances, and credit risk management in the notes to the financial statements.

“Commission income from e-commerce transaction servicing” recognition

Key audit matter As disclosed in the note 4 in the financial statements, “Commission income from e-commerce transaction servicing” comprised EUR 11 684 thousand for the year ended 31 December 2025 (31 December 2024: EUR 11 143 thousand). Details about the related accounting policies are provided in note 2(i).

The management heavily relies on IT software for “Commission income from e-commerce transaction servicing” calculations and recognition, which is based on the transaction amount by the merchant and relevant commission applied for a specific transaction, as agreed between the Bank and each individual merchant.

“Commission income from e-commerce transaction servicing” is recognized at the point in time when a transaction is processed, as this represents the completion of the Bank’s performance obligation under IFRS 15 “Revenue from Contracts with Customers.” The “Commission income from e-commerce transaction servicing” earned is deducted directly from the transaction amount before transferring funds to the e-commerce merchant. The commission amount is contractually agreed upon with each merchant and represents the consideration for facilitating the payment.

We assess this as a key audit matter due to the share of the “Commission income from e-commerce transaction servicing” in the Bank’s total income and the fact that “Commission income from e-commerce transaction servicing” is the main business line of the Bank.

Our audit response Our procedures included, among others:

- assessed the accounting policies, management assumptions and tested inputs used in the recognition of commission income from e-commerce transaction servicing;
- engaged IT specialists who tested the effectiveness of the overall IT environment and controls over the systems supporting the calculation of commission income from e-commerce transaction servicing;
- tested the design and implementation of selected controls over the commission income from e-commerce transaction servicing recognition process, controls over the application of appropriate contractual terms, as well as, on a sample basis, evaluated the existence and accuracy of commission income from e-commerce transaction recognized;
- performed other substantive and analytical procedures over the e-commerce commission income, assessing trends, ratios, and expected revenue patterns to identify any anomalies or inconsistencies;
- tested the completeness and accuracy of the disclosures relating to commission income from e-commerce transactions recognized in the notes to the financial statements.

Reporting on Other Information

The Bank's management is responsible for the other information. The other information comprises:

- the Management Report, as set out on pages 3 to 5 of the accompanying Annual Report,
- the composition of the Supervisory Council and the Management Board, as set out on page 6 of the accompanying Annual Report.
- the Statement on Management Responsibility, as set out on page 7 of the accompanying Annual Report,

Our opinion on the financial statements does not cover the other information included in the Annual Report, and we do not express any form of assurance conclusion thereon, except as described in the *Other reporting responsibilities in accordance with the legislation of the Republic of Latvia* related to other information section of our report.

In connection with our audit of the financial statements, our responsibility is to read the other information 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.

If, based on the work we have performed and in light of the knowledge and understanding of the entity and its environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other reporting responsibilities in accordance with the legislation of the Republic of Latvia related to other information

In addition, in accordance with the Law on Audit Services of the Republic of Latvia with respect to the Management Report, our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the Bank of Latvia - Regulation 326 Regulations for annual accounts and consolidated annual accounts of credit institutions, investment firms, investment management companies and private pension funds

Based solely on the work required to be undertaken in the course of our audit, in our opinion:

- the information given in the Management Report 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 Bank of Latvia Regulation 326 Regulations for annual accounts and consolidated annual accounts of credit institutions, investment firms, investment management companies and private pension funds.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS Accounting standards as adopted by the European Union 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 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 to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibility 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 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 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 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 a fair presentation.

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 objectivity, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 auditors' 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.

Other Reporting Responsibilities and Confirmations Required by the Legislation of the Republic of Latvia and the European Union when Providing Audit Services to Public Interest Entities

We were appointed by the shareholder's meeting on 18 June 2025 to audit the financial statements of AS Magnetiq Bank for the year ended 31 December 2025. This is our third year of appointment.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Audit Committee of the Bank.
- as referred to in the paragraph 37.6 of the Law on Audit Services of the Republic of Latvia we have not provided to the Bank the prohibited non-audit services (NASs) referred to in paragraph 1 of article 5 of EU Regulation (EU) No 537/2014. We also remained independent of the audited entity (the Bank) in conducting the audit.

For the period to which our statutory audit relates, we have not provided any services to the Bank in addition to the audit, which has not been disclosed in the Management Report or in the financial statements of the Bank.

The responsible sworn auditor on the audit resulting in this independent auditors' report is Raivis Jānis Jaunkalns.

SIA "BDO ASSURANCE"
Licence No 182

Raivis Jānis Jaunkalns
Responsible sworn auditor
Certificate No 237
Member of the Management Board

Riga, Latvia
27 February 2026

THIS DOCUMENT IS ELECTRONICALLY SIGNED WITH SAFE ELECTRONICAL SIGNATURE AND
CONTAINS TIME STAMP