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AS INDEXO BANKA

Annual report for 2025

and the independent auditor's report

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Information on the Bank, Bank's management, shareholders and equity participation

AS INDEXO Bank ("Bank") is a subsidiary of IPAS INDEXO.

As at 31 December 2025, the Bank's registered and paid-up share capital amounted to EUR 27,325,002 (twenty-seven million three hundred twenty-five thousand two euros), divided into 27,325,002 (twenty-seven million three hundred twenty-five thousand two) shares with equal voting rights.

The nominal value of all the Bank's shares is EUR 1.00 (one euro, 00 cents) each. As at 31 December 2025, the sole shareholder of AS INDEXO Bank was IPAS INDEXO, which held 100% of the Bank's paid-up share capital.

Shareholder	Paid-up share capital, EUR	% of all paid-up share capital
IPAS INDEXO	27 325 002	100%
Total	27 325 002	100%

Members of the Bank's Supervisory Board

There were changes in the membership of the Bank's board during the reporting period. In 2025 the membership of the Bank's board was such:

Name, Surname	Position held
Valdis Vancovičs	Chairman of the Supervisory Board (from 30.05.2023)
Svens Dīnsdorfs	Deputy Chairman of the Supervisory Board (from 30.05.2023)
Ramona Miglāne	Member of the Supervisory Board (from 30.05.2023)
Renāts Lokomets	Member of the Supervisory Board (from 30.05.2023)
Mārtiņš Jaunarājs	Member of the Supervisory Board (from 10.01.2025)

Members of the Bank's Management Board

There were changes in the membership of the Bank's management board during the reporting period. In 2025, the membership of the Bank's management board was such:

Name, Surname	Position held
Valdis Siksnis	Chairman of the Management Board (from 30.05.2023)
Vladimirs Bolbats	Member of the Management Board (from 30.05.2023 until 16.05.2025)
Jānis Mūrnieks	Member of the Management Board (from 04.07.2025)
Līga Katrīna Kļaviņa	Member of the Management Board (from 30.05.2023 until 31.03.2025)
Ieva Bauma	Member of the Management Board (from 30.05.2023)
Gints Ozoliņš	Member of the Management Board (from 30.05.2023)
Ivita Asare	Member of the Management Board (from 03.07.2024)
Evija Stūrmane	Member of the Management Board (from 01.04.2025)
Toms Grīnbergs	Member of the Management Board (from 15.08.2025)
Evija Sloka	Member of the Management Board (from 30.05.2023 until 03.01.2025)

Management report

AS INDEXO Banka (hereinafter - the Bank, INDEXO Banka) commenced operations on 28 August 2024, three and a half months after receiving its banking licence on 16 May 2024. During the reporting period, INDEXO Banka completed its first full year of operations, and in reviewing our achievements, we are pleased with the range of products and services developed for private individuals. We have succeeded in positioning the Bank as a distinctive player in the Latvian financial market through ease of use and innovative products, offering customers new opportunities and more favourable terms.

The launch of operations is always associated with overcoming significant challenges. Throughout 2025, the Bank worked on the introduction of several products, which in many cases required more time and resources than initially planned. Although the launch of the Bank was a significant milestone, the INDEXO brand continues to be primarily associated with pension management rather than banking services. Moreover, despite several substantial advantages, changes in customers' financial service habits occur gradually and over time. Restrictions on the advertising of consumer loans necessitate the use of intermediary distribution services, thereby significantly increasing sales costs.

As a result of the above factors, the Bank's results for the first half of the reporting period fell short of plan. However, by adhering to our strategic plan, we achieved rapid growth in the loan portfolio and, correspondingly, in revenues during the second half of the year.

We are also proud that within 16 months of operations we have attracted nearly 50 thousand customers, built a loan portfolio exceeding EUR 55 million, and attracted nearly EUR 74 million in deposits. The results of the second half of the reporting year clearly demonstrate that there is strong demand in Latvia for new, innovative lending services.

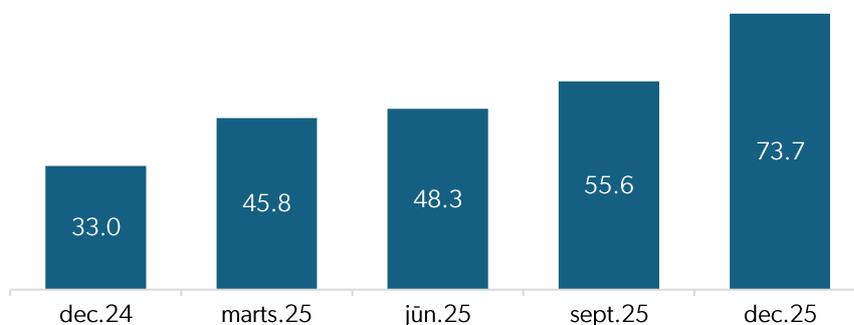
INDEXO Banka commenced operations by offering core daily banking services to private individuals – payments, cards, savings products (term deposits and savings accounts), and consumer lending – through a convenient and modern mobile application. We also provide customers with more favourable pricing terms, including being the only credit institution in Latvia that appropriately remunerates customers for balances held in current accounts. Although the initial product offering was modern, convenient and competitively priced for customers, there remains a need to expand and further enhance it. During the reporting year, we implemented the following improvements to our product range:

- **Improvements to Everyday Account Management Solutions.** On 12 February 2025, INDEXO Banka became the first bank in Latvia to enable customers, through its mobile application, to view their Level 2 pension savings, contributions, and investment returns, regardless of whether they are clients of INDEXO or any other Latvian pension manager. This initiative increased public interest in pension savings and made relevant information significantly more accessible and convenient. In April 2025, we introduced Google Pay and Apple Pay. This important step reflects our commitment to leveraging the latest technologies to enhance the payment experience for our customers.
- **Mortgage Loans.** Mortgage lending is the principal retail lending product for private individuals. It is also a service that fosters long-term customer loyalty and is almost always accompanied by the use of daily banking services from the mortgage provider. In May 2025, INDEXO Banka launched its mortgage refinancing service. We are proud to have already secured an atypically large market share (60–70%) in

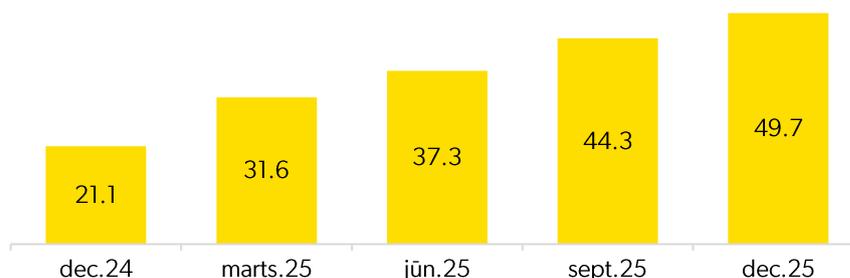
this segment, helping many Latvian families improve the terms of their existing mortgage loans.

- **Consumer Loans.** From the very start of operations, we offered consumer loans that could be obtained fully digitally via the mobile application in less than five minutes, setting a new standard in the Latvian banking sector. During the reporting year, we repeatedly refined our credit approval and pricing terms in search of the most suitable market solution. We also established fully automated integrations with leading Latvian lending platforms, thereby significantly increasing our consumer loan distribution capacity. In September, we introduced the option for existing consumer loan customers to receive an additional loan amount and to modify their repayment schedule.
- **Deposit Attraction.** According to data from Latvijas Banka, more than EUR 9 billion is currently held in the current accounts of Latvian residents, in most cases generating no return. During the reporting year, INDEXO Banka implemented several pricing enhancements across all types of deposit products. We currently remunerate customers at 1% per annum on funds held in current accounts, 2% per annum on savings accounts, and offer term deposit rates that are not only the highest among Latvia’s leading banks but also exceed the yield of Latvian government savings bonds¹.
- **Custodian Bank Services.** Disproportionately high custodian bank fees are yet another indicator of limited competition in the Latvian banking sector. INDEXO Banka is technically prepared to provide custodian services; however, compliance with regulatory requirements has required more time than anticipated. We plan to launch this service in the coming months. It is expected that IPAS INDEXO will be able to start using the custodian services offered by INDEXO Banka in the second quarter of 2026.
- **Future Wellbeing Planner.** In cooperation with IPAS INDEXO, we have introduced in the Bank’s mobile application a feature that provides customers with a forecast of their future savings and expected income upon reaching retirement age, along with recommendations for improving their financial situation based on their current financial habits.

Deposit Volumes, EUR million

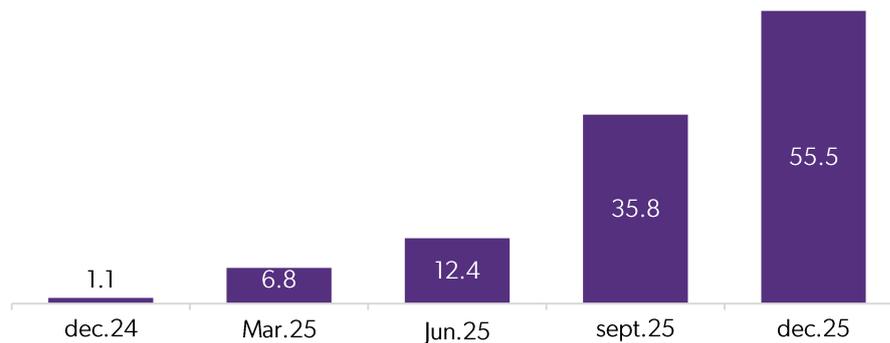


Number of Customers, thousand



¹ [Krājobligācijas](#)

Loan Portfolio Before Expected Credit Losses, EUR million



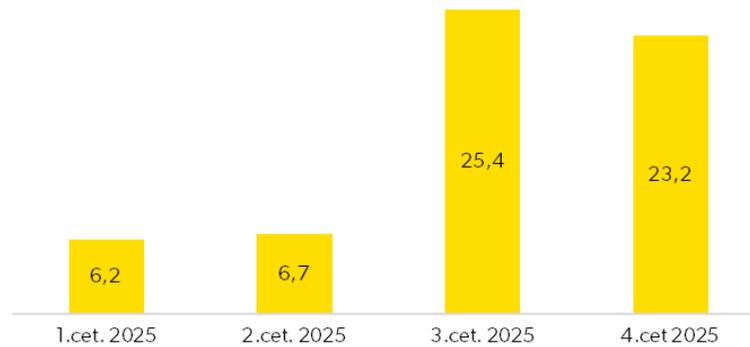
During 2025, a total of 18 updates were released for the mobile application. These updates included the launch of the above-mentioned services, as well as numerous smaller improvements that may have been less noticeable to customers but contributed to enhancing overall functionality and user experience.

Despite the service range enhancements already implemented, we will continue to further develop and expand our offering throughout 2026. The indicative timeline for the introduction of services in the near future is as follows:

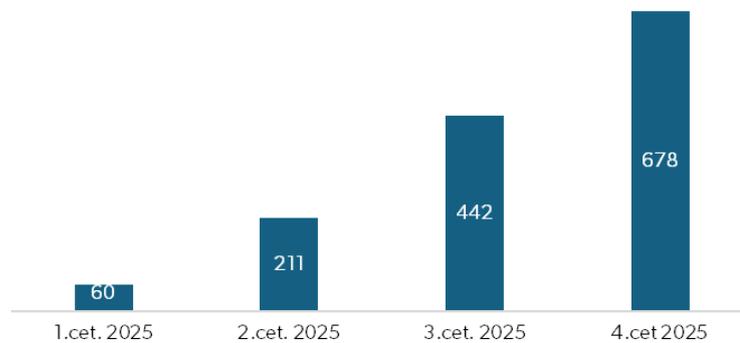
- **Mortgage Loans.** In February 2026, we began offering so-called home equity loans, i.e., loans secured against residential property. This type of product is widely used in several North American and Western European countries but has not previously been actively promoted in Latvia. Initial customer response following the launch has been encouraging, and we believe this product will account for a significant share of the Bank's mortgage portfolio growth in the coming years. Furthermore, we expect it to generate higher yields than mortgage refinancing loans. The introduction of this product has also created a platform that will soon enable us to offer mortgage loans for the acquisition of new properties. Given the notably low level of household indebtedness in Latvia, we see substantial growth potential in offering various property-backed lending products that have so far been underutilised in the Latvian market.
- **Consumer Loans.** In 2026, the Bank will continue implementing various initiatives to promote loan portfolio growth through responsible lending, including the introduction of consumer loan refinancing services and the expansion of cooperation with new distribution partners. At the start of operations, the Bank relied on an external partner's credit risk assessment model. We have now accumulated a sufficient statistical base to introduce our own proprietary credit risk assessment model during 2026. This will enable more accurate evaluation of customers' creditworthiness and improve consumer loan approval and disbursement metrics.
- **Deposit Attraction.** In 2026, attracting deposits will remain one of the Bank's key priorities, and we will continue to offer customers competitive terms on our deposit products. To support deposit growth, from the beginning of 2026 the Bank has been offering free daily banking services to customers who use an INDEXO Banka account to receive regular income. During 2026, we also plan to introduce the ability for parents to open accounts for their minor children, as well as to implement several additional improvements to everyday banking services. These enhancements are aimed both at attracting new customers and at encouraging existing customers to make more active use of INDEXO Banka's services.

In the second half of the reporting year, we began to see the results of our investments in product development as well as our sales and marketing activities. During this period, we significantly increased both our loan portfolio and revenue volumes. Of INDEXO Banka's total revenue of EUR 1.81 million in 2025, EUR 1.54 million was generated in the second half of the year.

Development of Newly Issued Loan Volumes by Quarter, EUR million



Development of Net Interest Income by Quarter, EUR thousand



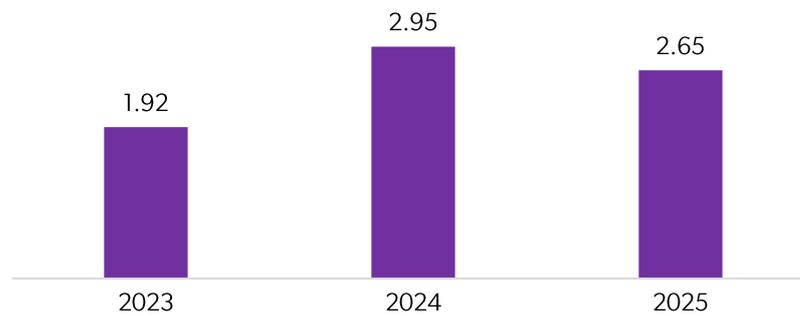
Despite the positive revenue growth dynamics, revenues have not yet fully covered the Bank's infrastructure maintenance costs. As a result, during the reporting period, INDEXO Banka operated at a loss of EUR 9.25 million.

During the reporting period, the number of the Bank's employees increased by approximately 20, and the average total number of employees at INDEXO Banka in 2025 corresponded to 75 full-time equivalent positions. The increase was primarily in functions related to sales and business development, as well as in IT, as during the reporting period the Bank internalised several ICT-related services. Although the development of new services and the growth in operational volumes have increased the Bank's expenses and headcount, the rise in costs has been moderate both relative to the existing expense base and in comparison with the revenue growth achieved in the second half of the year.

At the end of 2024, INDEXO Banka relocated to the new, modern "Verde" office building in Riga. This move not only improved team collaboration and efficiency but also enhanced INDEXO's attractiveness as an employer.

The largest category of investments and expenses related to the establishment of the Bank is IT. In 2025, total IT investments in intangible assets related to the Bank's IT infrastructure reached EUR 2.65 million. In addition, IT expenses recognised in the profit and loss statement during 2025 amounted to EUR 3.06 million. Since the beginning of INDEXO Banka's development, total investments in intangible assets for the Bank's IT infrastructure have reached EUR 7.5 million.

IT Investments, EUR million



At the end of the reporting period, INDEXO Banka complied with all regulatory requirements regarding liquidity and capital adequacy. To finance the losses incurred during the reporting period and to ensure compliance with capital adequacy requirements amid the rapid growth of the Bank's loan portfolio, the Bank's share capital was increased by EUR 10 million during 2025, and subordinated loans in the amount of EUR 1.8 million were raised. At the end of the reporting period, INDEXO Banka's capital and reserves amounted to EUR 9.25 million, and the capital adequacy ratio stood at 21.26%. The liquidity coverage ratio was 529.67%, significantly exceeding the regulatory minimum of 100%.

In order to continue expanding the loan portfolio, introduce new services, and cover losses until reaching break-even, INDEXO Banka will require additional capital during 2026. It is expected that a substantial portion of this will be provided by IPAS INDEXO from its profits generated in 2025 and in the first half of 2026. The Bank may also issue additional AT1/T2 instruments as necessary, in line with capital needs and the pace of loan portfolio growth.

Establishing a new bank is not an easy task, and it certainly would not have been possible without the outstanding INDEXO team. We would like to express our sincere and heartfelt gratitude to all INDEXO employees who contribute to our success every day with a strong sense of responsibility, professional dedication, and selfless commitment. The contribution of the Bank's employees and their belief in INDEXO's mission have been decisive so far and will remain equally important in the journey ahead.

The results of the first full year of operations confirm that INDEXO Banka – with nearly 50 thousand banking customers, a recognised and positively regarded brand, a rapidly growing loan portfolio, strong support from the INDEXO Group, and a modern IT infrastructure – is already highly visible and well positioned to strengthen its market presence by challenging the four foreign investor-owned banks that dominate the Latvian banking sector.

Signed on behalf of the Management and Supervisory Board of AS INDEXO Banka:

Valdis Siksnis, Chairman of the Management Board
Ivita Asare, Member of the Management Board
Jānis Mūrnieks, Member of the Management Board
Ieva Bauma, Member of the Management Board
Gints Ozoliņš, Member of the Management Board
Evija Stūrmane, Member of the Management Board
Toms Grīnbergs, Member of the Management Board
Valdis Vancovičs, Chairman of the Supervisory Board

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Statement of responsibility of the management board of AS INDEXO

Banka

The Management Board of INDEXO Banka is responsible for the financial statements, which provide a true and fair view of the Bank's financial position as of December 31, 2025, as well as its financial performance and cash flows for the year then ended, in accordance with IFRS Accounting Standards as adopted by the European Union.

The financial statements for the year ended December 31, 2025, as set out on pages 15 to 55, have been prepared on a going concern basis in accordance with IFRS Accounting Standards as adopted by the European Union. The relevant accounting policies have been applied consistently. Prudent and reasonable judgments and estimates have been made by the Management Board in the preparation of the financial statements.

The Management Board of the Bank is responsible for maintaining proper accounting records, safeguarding the Bank's assets, and detecting and preventing fraud and other irregularities. The Management Board is also responsible for ensuring that the Bank operates in compliance with the Law on Credit Institutions of the Republic of Latvia, regulations issued by the Bank of Latvia, and other applicable laws and regulatory requirements of the Republic of Latvia and the European Union.

Signed on behalf of the Management and Supervisory Board of AS INDEXO Banka:

Valdis Siksnis, Chairman of the Management Board
Ivita Asare, Member of the Management Board
Jānis Mūrnieks, Member of the Management Board
Ieva Bauma, Member of the Management Board
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Financial statements

Statement of comprehensive income

	Notes	Jan – Dec 2025 EUR'000	Jan – Dec 2024 EUR
Interest income calculated using the effective interest rate	5	2 806	430
Interest expense	6	(1 416)	(480)
Net interest income		1 390	(50)
Commission income	7	494	30
Commission expense (-)	8	(563)	(123)
Net commission income		(69)	(93)
Net foreign exchange difference loss		-	(1)
Profit or (-) loss on financial assets and liabilities not measured at fair value through profit or loss		19	-
Other operating income	9	472	185
Other operating expenses	10	(628)	(380)
Administrative expenses	11	(7 433)	(5 140)
Depreciation and amortisation	18,19	(1 844)	(594)
Allowances for expected credit losses	15	(1 148)	(88)
Loss before corporate income tax		(9 241)	(6 161)
Corporate income tax	12	(4)	(2)
Loss for the reporting period		(9 245)	(6 163)
Total comprehensive loss for the year		(9 245)	(6 163)

The accompanying notes on pages 15 to 55 are an integral part of the Bank financial statements.

The financial statements have been authorised for issue on 25 February 2026 and signed on behalf of the AS INDEXO Banka Management and Supervisory Board by:

Valdis Siksnis, Chairman of the Management Board
Ivita Asare, Member of the Management Board
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Valdis Vancovičs, Chairman of the Supervisory Board

The annual report was prepared by:
Chief Accountant of AS INDEXO Banka
Julija Samoilova

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Statement of financial position

	Notes	31.12.2025 EUR '000	31.12.2024 EUR '000
ASSETS			
Cash and balances with the central bank	13	19 734	35 374
<i>Demand balances with the Bank of Latvia</i>		19 734	35 374
Demand balances with credit institutions	14	1	9
Financial assets measured at amortised cost		58 326	987
<i>Loans and receivables from non-banking customers</i>	15	54 929	987
<i>Debt securities</i>	16	3 397	-
Prepayments	17	1 050	713
Deferred tax asset		4	-
Intangible assets	18	5 803	4 446
Property, plant and equipment	18	703	590
Right of use assets	19	1 472	1 900
Other assets	22	699	534
Total assets:		87 792	44 553
LIABILITIES			
Financial liabilities measured at amortised cost		75 588	33 098
<i>Deposits</i>	20	73 786	33 098
<i>Subordinated loans</i>	21	1 802	-
Other liabilities	23	2 957	2 978
Total liabilities:		78 545	36 076
Equity			
Share capital	24	27 325	17 310
Accumulated losses from previous periods		(8 833)	(2 670)
Loss for the reporting period		(9 245)	(6 163)
Total equity:		9 247	8 477
TOTAL EQUITY AND LIABILITIES		87 792	44 553

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Statement of Changes in Equity

	Notes	Share capital EUR '000	Accumulated deficit EUR '000	Total EUR '000
At 31.12.2024		17 310	(8 833)	8 477
Increase in share capital	24	10 015	-	10 015
Total comprehensive loss for the reporting period		-	(9 245)	(9 245)
At 31.12.2025		27 325	(18 078)	9 247

	Notes	Share capital EUR '000	Accumulated deficit EUR '000	Total EUR '000
At 31.12.2023		5 000	(2 670)	2 330
Increase in share capital	24	12 310	-	12 310
Total comprehensive loss for the reporting period		-	(6 163)	(6 163)
At 31.12.2024		17 310	(8 833)	8 477

The accompanying notes on pages 15 to 55 are an integral part of the Bank financial statements.

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Cash flow statement

	Notes	Jan - Dec 2025 EUR '000	Jan - Dec 2024 EUR '000
Cash flow from operating activities			
Loss before corporate income tax		(9 244)	(6 161)
Depreciation of PPE, Intangible assets and amortisation of right-of-use assets	19, 18	1 844	594
Allowances for expected credit losses	15	1 148	88
Interest income	6	(2 806)	(430)
Interest expense	7	1 417	480
(Decrease)/ increase in cash and cash equivalents from operating activities before changes in operating assets and liabilities		(7 641)	(5 429)
Increase in receivables, prepayments, and other assets	17	(1 642)	(618)
Increase in loans granted	15	(57 339)	(1 070)
Increase in accrued liabilities	23	195	91
Increase in trade payables and other creditors	23	143	96
Increase in deposits	20	40 688	33 100
Corporate income tax	12	4	(2)
Interest received		2 806	425
Interests paid		(1 306)	(419)
Increase/(decrease) in cash and cash equivalents from operating activities		(24 092)	26 174
Cash flow from investing activities			
Acquisition of intangible assets		(2 645)	(2 946)
Acquisition of property, plant and equipment	18	(243)	(603)
Net (decrease)/increase in cash from investing activities	18	(2 888)	(3 549)
Cash flow from financing activities			
Share capital increase		10 016	12 309
Subordinated loans	21	1 802	-
Payments for lease liabilities	24	(371)	(134)
Interest on lease liabilities	19	(115)	(61)
(Repayment of) borrowings		-	(700)
Net increase from financing activities		11 332	11 414
Increase/ (decrease) in cash and cash equivalents		(15 648)	(34 039)
Cash and cash equivalents at the beginning of the reporting period	13, 14	35 383	1 344
Cash and cash equivalents at the end of the reporting period	13, 14	19 735	35 383

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Notes to the Financial Statements

1. General information

AS INDEXO Banka was registered as AS IDX1R on 19 December 2022 in Riga. On 15 May 2024, following the receipt of its banking license to commence operations, which became effective on 16 May 2024, the Bank changed its name to AS INDEXO Banka. As of 31 December 2025, the Bank's registered address is 1 Roberta Hirša Street, Riga. The Bank commenced its operations on 28 August 2024.

The Bank initially started operations by offering a range of retail banking services to individuals – including payments, current accounts, savings (deposits and savings accounts), and consumer loans. All services are available through a user-friendly and modern mobile application. In 2025, the Bank expanded its service offering by introducing mortgage lending, beginning with the refinancing of existing home loans. Detailed information on the Bank's products, their development, and other material aspects of its operations is provided in the **Management Report**.

Regulatory framework

The Bank's operations are regulated by the Law on Credit Institutions, the Commercial Law, and the regulations issued by the European Union and the Bank of Latvia. These regulations govern capital adequacy, minimum own funds, liquidity, foreign currency positions, single counterparty limits, related client groups and related parties of the Bank, as well as other applicable requirements.

2. Basis of preparation of financial statements

Basis of Preparation

The financial statements have been prepared in accordance with the Accounting Standards of the EU-approved SFPS. Certain disclosures presented in the notes are prepared in accordance with the regulations of the Bank of Latvia. The financial statements are prepared on the historical cost basis.

The Bank's financial statements have been prepared on a going concern basis. After evaluating the most significant risks, management considers that the application of the going concern principle in the preparation of these financial statements is appropriate, and there is no material uncertainty regarding the application of the going concern principle. See Note 32 for a detailed assessment by the Bank's management. Cash flows from operating activities in the cash flow statement have been prepared using the indirect method.

The Bank does not have a clearly identifiable operating cycle; therefore, the statement of financial position does not separately present current and non-current assets and liabilities. Instead, assets and liabilities are presented based on their liquidity. For analysis of financial instruments by maturity, see Note 25.

Functional Currency

The Bank's accounting and financial reporting currency is the official currency of the Republic of Latvia, the euro ("EUR"), unless otherwise stated. Rounding is not applied.

3. Material accounting policy information

The notes include accounting policies constantly applied by Bank in preparation of their financial statements for 2025 and 2024, as well as the new accounting standards and interpretations.

New standards and interpretations

New standards or amendments that came into effect for the first time in the reporting period beginning on 1 January 2025:

- Lack of Exchangeability (Amendments to IAS 21 – The Effects of Changes in Foreign Exchange Rates) The Bank has not had any transactions affected by the newly effective standards or their amendments, or its accounting policies already comply with the requirements of the new standards.

The following illustrative examples were issued in 2025 and do not have an effective date specified:

- Illustrative examples on the presentation of uncertainty in financial statements

The Bank is currently assessing the impact of these amendments on its financial statements. Based on its initial assessment, the adoption of the new standards and interpretations is not expected to have a material impact on the Bank's financial statements in the period of their initial application.

New standards and interpretations not yet effective

Several new standards and amendments to standards are effective (some of which have not yet been endorsed by the EU) for reporting periods beginning after 1 January 2025, and earlier application is permitted. However, in preparing these financial statements, the Bank has not early adopted the new standards or amended standards and does not plan to adopt them before their effective date.

The Bank is currently assessing the potential impact, if any, arising from these new standards and interpretations.

Effective date	New accounting standard or amendments	EU endorsement
1 January 2026	Amendments to the classification and measurement of financial instruments (amendments to IFRS 9 and IFRS 7);	In progress
1 January 2026	Contracts linked to climate-dependent electricity (amendments to IFRS 9 and IFRS 7);	In progress
1 January 2027	IFRS 18 - Information Presentation and Disclosure in Financial Statements (issued on 9 April 2024);	In progress
1 January 2027	IFRS 19 - Subsidiaries without Public Accountability: Disclosure Requirements (issued on 9 May 2024)	In progress

Significant accounting policies

In preparing the financial statements, the Bank has identified accounting policies that are significant for users' understanding of the financial statements, taking into account the nature of the Bank's operations and the volume of its transactions. The Bank considers the most significant accounting policies to be those related to the classification and measurement of financial assets at amortized cost, the application of the expected credit loss (ECL) model, and the identification of significant increases in credit risk.

Significant management judgments

In preparing the financial statements, the Bank's management has made significant judgments that affect the amounts presented in the financial statements but are not related to estimation uncertainty.

The most significant of these judgments are:

1. Classification of financial assets at amortized cost, based on the assessment of the Bank's business model and the contractual cash flow characteristics;
2. Identification of a significant increase in credit risk, by determining the quantitative and qualitative criteria for classifying financial instruments into Stage 2;
3. The decision to apply the collective ECL calculation approach to homogenous loan groups, taking into account the disproportionate cost of individual assessment.

Key sources of estimation uncertainty and sensitivity

There is significant uncertainty regarding the following estimates, which may result in material changes in the carrying amounts of assets and liabilities in the next financial year:

Assessment of expected credit losses (ECL)

Expected credit losses (ECL) are calculated based on estimates of the probability of default (PD), the exposure at default (EAD), the loss given default (LGD), the timing of losses, and future macroeconomic scenarios. Small changes in these assumptions, including PD thresholds for determining a significant increase in credit risk or the weights assigned to macroeconomic scenarios, may result in material changes in the amount of expected credit loss allowances.

Forward-looking macroeconomic information (FLI)

The selection of macroeconomic scenarios and the assessment of their impact on credit risk involve management's professional judgment. Applying different assumptions about economic conditions could materially affect the results of the ECL calculation.

LGD and recoverability of collateral

The determination of LGD is subject to uncertainty, as it relies on external data sources and assumptions regarding the amounts and timing of collateral recoveries. Changes in these assumptions could materially affect the credit loss provisions.

Lease

Classification

At the inception of a contract, the Bank assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if it grants the right to control the use of an identified asset for a specified period of time in exchange for consideration.

Lessee

A lease is recognized as a right-of-use asset and a corresponding lease liability on the date the leased asset becomes available for the Bank's use. The cost of the right-of-use asset comprises:

- the amounts of the initial measurement of the lease liability;
- any lease payments made on or before the date of commencement of the contract, less any lease payments received;
- all initial direct costs.

Restoration costs related to the dismantling and restoration of property, plant, and equipment are separately classified as provisions and the associated assets.

In determining lease liabilities, the Bank assesses the allocation between lease and non-lease components. If a contract includes both lease and non-lease components, the Bank allocates the consideration between these components based on their relative standalone prices.

If the implicit interest rate in a lease contract is not readily determinable, the Bank uses its incremental borrowing rate, which reflects the rate at which the Bank could borrow funds for a similar term and with similar collateral. Depreciation is calculated on a straight-line basis from the commencement date of the lease to the end of the lease term, unless the asset is expected to be purchased. The right-of-use asset is periodically reduced for impairment losses, if any, and adjusted for remeasurements of the lease liability.

Lease assets and liabilities are measured at the present value of the remaining lease payments, discounted using the Bank's incremental borrowing rate at the date of initial application, based on the domestic credit rate for corporate borrowers published by the Bank of Latvia at the initial recognition date. Lease liabilities are remeasured if future lease payments change due to a change in an index or rate used to determine those payments, if the Bank's estimate of expected payments changes, or if the Bank changes its assessment of the exercise of a purchase option, extension, or termination of the lease term. When lease liabilities are remeasured, the corresponding adjustment is made to the carrying amount of the right-of-use asset or recognized in profit or loss if the carrying amount of the right-of-use asset is reduced to zero.

Investments in leased property, plant, and equipment are capitalized, and their depreciation is calculated using the straight-line method over the estimated useful life of the individual assets.

Each lease payment is allocated between the lease liability and interest expense on the lease liability. Interest on lease liabilities is recognized in profit or loss over the lease term to produce a constant periodic interest rate on the remaining lease liability in each period.

Lease payments include variable components linked to indexation. **In the initial measurement of the lease liability, the Bank includes lease payments based on an index using information available at the date of initial recognition, including forecasted changes in the index.** Subsequently, lease liabilities are remeasured if the index or rate affecting future lease payments changes; the corresponding adjustments are recognized by modifying the lease liability and the carrying amount of the right-of-use asset.

Interest expenses related to the lease are recognized in interest expense, while depreciation of the right-of-use asset is included in administrative expenses. Further details are provided in Note 19.

Short-term lease and lease with low-value underlying assets

Lease payments related to short-term leases or leases with low-value underlying assets (less than EUR 4,500) are recognized as expenses using the straight-line method in the profit or loss calculation. A short-term lease is a lease where the lease term at the commencement date is 12 months or less. The bank does not apply the practical expedients for short-term leases and low-value asset leases, as such lease transactions were not identified during the reporting period.

Intangible assets and property, plant and equipment

General principles (recognition and measurement)

Intangible assets and property, plant, and equipment are recognized when (i) it is probable that the Bank will obtain future economic benefits from the use of the asset, and (ii) the cost of acquiring or creating the asset can be reliably measured. Assets are carried at cost, less accumulated depreciation and any accumulated impairment losses.

The cost includes expenditures directly attributable to the acquisition or creation of the intangible asset or property, plant, and equipment and to preparing it for its intended use. Routine maintenance costs are recognized in profit or loss as incurred. Expenditures incurred during the research phase of a project are not capitalized and are expensed as incurred.

The carrying amount of an asset is derecognized upon disposal or when no future economic benefits are expected from its continued use.

Capitalization approach and thresholds

The Bank has established a detailed capitalization policy for intangible assets, including the accounting of development projects. The Bank incurs costs for software and similar asset development, which may be capitalized. Capitalized costs may arise from external services or internal development. For the Bank's development projects, capitalization is applied only to the extent that the work is directly attributable to the development of a specific solution. Employee time is considered for capitalization if the responsible employee dedicates at least 20% of their normal working hours to system development and has worked more than 5 hours on the specific project/product. If these criteria are not met, costs are recognized in profit or loss as incurred. Only assets that are separately identifiable, controlled by the Bank, and for which it is highly probable that future economic benefits will accrue to the Bank are capitalized.

Commencement of amortization, depreciation, method, and useful lives

Amortization of intangible assets begins when the asset is in the location and condition necessary to operate as intended by management and approved by the responsible person. Amortization is calculated on a straight-line basis. Depreciation of property, plant, and equipment is calculated using the straight-line method from the moment the asset is ready for its intended use.

Amortization periods:

	Years
Other intangible assets (including software)	5

Depreciation periods:

	Years
Right-of-use assets – premises	5 (over the lease term)
Software provision	3
Computer equipment	3
Other property, plant, and equipment and inventory	5

Description of IT investments

All intangible assets are IT investments. IT investments are used in the Bank's core operations to support customer acquisition and service, such as customer relationship management (CRM) systems, payment processing and card management systems, customer identification (KYC) and AML control solutions, as well as data management and reporting platforms.

Software maintenance, installation, and customization

Software maintenance costs are recognized in profit or loss as incurred. Costs of software installation and customization that are directly attributable to identifiable and unique software products controlled by the Bank are recognized as intangible assets if the following criteria are met:

- There is the ability to use or sell the software;
- It can be demonstrated that the software will generate future economic benefits; and
- The costs associated with acquiring the software can be reliably measured.

Repair and maintenance of property, plant, and equipment

Ongoing repair and maintenance costs of property, plant, and equipment are recognized in profit or loss in the period in which they are incurred.

Disposal / derecognition of property, plant, and equipment

The carrying amount of a property, plant, or equipment asset is derecognized upon disposal or when no future economic benefits are expected from its continued use. Gains or losses on disposal of property, plant, and equipment are calculated as the difference between the carrying amount of the asset and the proceeds from its sale, and are recognized in profit or loss in the period in which they arise.

Impairment and review of estimates

Each reporting period, the Bank assesses whether there are indications that an asset may be impaired. If such indications exist, the recoverable amount is determined, and if it is lower than the carrying amount, an impairment loss is recognized. The residual values, useful lives, and depreciation methods of assets are reviewed and adjusted, if necessary, annually.

Other assets

Inventories consist of card plastics purchased and held for resale. The Bank accounts for inventories using the perpetual inventory method. When card plastics are used, the cost of goods sold and the remaining inventory value are determined using the FIFO method.

Revenue and expense recognition

Interest income and expense are recognized in the statement of comprehensive income using the effective interest rate method. Loan origination fees and other fees that are considered an integral part of the total loan yield, together with directly attributable costs, are recognized as deferred income and amortized into interest income over the life of the financial instrument using the effective interest rate method. Penalty fees are recognized upon cash receipt. Other fees and income and expenses are recognized when the related service is provided.

Foreign currency transactions

Transactions in foreign currencies are converted into the functional currency (euro) at the ECB reference exchange rate published on the transaction date. Monetary assets and liabilities denominated in foreign currencies are

translated into the functional currency at the reporting date using the ECB reference rate at that date.

Foreign currency gains or losses on monetary items are calculated as the difference between the amortized cost of the items in the functional currency at the beginning of the period, adjusted for interest income/expense recognized during the reporting period using the effective interest rate method and payments received/made, and the amortized cost of the items in foreign currency at the end of the period, translated at the ECB reference rate at the end of the period.

Gains or losses arising from foreign currency exchange rate fluctuations are included in the statement of comprehensive income. At the end of the reporting period, the Bank had no assets or liabilities denominated in foreign currencies.

Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognized in the statement of financial position on the date the contractual terms of the instrument become binding on the Bank. All regular purchases and sales of financial assets are recognized on the settlement date, which is the date on which the financial asset is received or delivered.

Financial assets or financial liabilities are initially measured at fair value, plus transaction costs directly attributable to the acquisition of the financial asset or financial liability.

After initial recognition, expected credit loss (ECL) allowances are recognized for financial assets measured at amortized cost, resulting in impairment losses on financial instruments being recognized in profit or loss.

If the fair value of a financial asset or financial liability differs from the transaction price at initial recognition, the Bank recognizes the difference as follows:

- If the fair value can be determined using the quoted price of an identical asset or liability in an active market (i.e., Level 1 of the fair value hierarchy), or based on a valuation technique that uses only observable market data, the difference is recognized in profit or loss.
- In all other cases, the difference is deferred, and the period for recognizing the deferred day-one profit or loss is determined individually. It may be amortized over the life of the instrument, deferred until the fair value of the instrument can be determined using observable market data, or recognized upon realization.

Classification and subsequent measurement

Classification of financial assets

At initial recognition, the Bank classifies all financial assets based on:

1. The business model under which the assets are managed, and
2. The contractual cash flow characteristics of the financial assets (SPPI criterion – whether the cash flows consist solely of principal and interest on the outstanding principal).

In accordance with IFRS 9, classification is determined by assessing:

- Whether the financial assets are held to collect contractual cash flows (HTC);
- Whether the assets are held both to collect contractual cash flows and for sale (HTCS);
- Whether the assets are held for trading purposes (TRD).

Based on the evaluation of the business model and the SPPI criterion, financial assets are classified into one of the following measurement categories:

- Measured at amortized cost (AmC);
- Measured at fair value through other comprehensive income (FVOCI);

- Measured at fair value through profit or loss (FVTPL).

Within the Bank's business model, financial assets are held to collect contractual cash flows and meet the SPPI criterion. Accordingly, the Bank classifies and measures financial assets, including securities, at amortized cost (AmC).

Financial assets and liabilities in the statement of financial position are classified as short-term or long-term based on the expected realization or settlement date of the contractual cash flows. Expected credit loss (ECL) allowances are presented within the same maturity category as the related financial assets to which they apply.

Financial Assets Measured at Amortised Cost

This category includes, for example:

- Consumer loans
- Mortgage loans
- Claims against counterparties
- Claims against issuers
- Trade receivables
- Technical overdrafts
- Cash and cash equivalents (where applicable)

After initial recognition, these assets are subsequently measured at amortised cost using the Effective Interest Rate (EIR) method. They are subject to the impairment requirements of IFRS 9 and the Expected Credit Loss (ECL) model.

Consumer loan is a type of unsecured loan granted to individuals to finance personal expenses. It is typically used for urgent purchases, household needs, or the consolidation of existing debts.

Current account overdraft is a short-term lending facility that allows an account holder to withdraw more funds than are available in the account, usually subject to applicable interest and specific repayment terms.

Mortgage loan is a long-term loan granted to individuals for the purchase, construction, or substantial renovation of real estate. The loan is secured by a mortgage over the property, which serves as collateral for the borrower's obligations. Currently, the Bank offers only refinancing of existing mortgage loans that were originally granted by another lender.

Expected Credit Losses on Financial Assets

The Expected Credit Loss (ECL) is calculated taking into account the Probability of Default (PD), the Exposure at Default (EAD), the Loss Given Default (LGD), as well as the timing of the loss occurrence.

PD reflects the likelihood that a loan will not be repaid and that contractual obligations will not be met within the next 12 months (for Stage 1 financial instruments) or over the entire lifetime of the instrument (for Stage 2 and Stage 3 financial instruments).

EAD represents the estimated credit exposure at the time of default and is modelled each time the ECL is calculated, based on the contractual repayment schedule of the loan agreement.

LGD reflects the portion of the exposure that is not expected to be recovered in the event of default and is determined by considering collateral and expected recovery rates.

The maximum period over which ECL is measured is the maximum contractual period during which the Bank is exposed to credit risk.

Forward-looking information (FLI) adjustments to ECL incorporate historical correlations between macroeconomic indicators (for consumer loans – unemployment rate) and the probability of default, using expert judgement and external data sources. A base scenario and at least one adverse scenario are applied in the assessment of FLI.

ECL Model for the Loan Portfolio (Consumer and Mortgage Loans)

The Bank applies a collective ECL calculation model to loans, including those classified as Stage 3. This model is appropriate for homogeneous groups of retail loans, including consumer and mortgage loans, as the cost of individual assessment would be disproportionate compared to the potential credit losses.

At the same time, for mortgage loans, LGD is determined individually for each loan, based on the specific characteristics of the underlying real estate collateral (market value, liquidity, and disposal costs). This approach ensures greater granularity and accuracy of the model.

Sources of PD / LGD / EAD

Given that the Bank does not have sufficient historical data to calculate PD internally, PD is determined based on external data sources, including data from the Credit Information Bureau (KIB) and the EBA Risk Dashboard, adjusted to reflect forward-looking macroeconomic information. For assets classified as Stage 3, PD is set at 100%. Due to insufficient internal historical data, LGD is also determined using external sources, including the EBA Risk Dashboard.

EAD is modelled each time ECL is calculated, based on the contractual repayment schedule specified in the loan agreement.

Stages and Significant Increase in Credit Risk

The Bank applies an expected credit loss (ECL) allowance to financial instruments within the scope of the impairment model, calculated as follows:

1. Stage 1 - Financial instruments for which there has been no significant increase in credit risk since initial recognition, or financial instruments for which credit risk is considered low (if the financial instrument has an external credit rating of BBB- or better, it is considered to have low credit risk) – expected credit losses are calculated as the amount equal to the 12-month expected credit losses.
2. Stage 2 - Financial instruments without a decrease in value but with a significant increase in credit risk since initial recognition – expected credit losses are calculated as the amount equal to the lifetime expected credit losses.
3. Stage 3 - Financial instruments with a decrease in value – expected credit losses are calculated as the amount equal to the lifetime expected credit losses.

One of the main indicators of a significant increase in credit risk is a change in the probability of default (PD), which is determined by comparing the PD at the reporting date with the PD at the time of initial recognition of the asset. Additional indicators that may signal a significant increase include: payments overdue by more than 30 days but less than 90 days (a 30-day delay is applied as a “backstop” indicator under IFRS 9 if other indicators do not timely identify the increase in credit risk); a deterioration in the internal credit risk rating; financial assets classified as assets under watchlist monitoring; or restructured financial assets (loan terms have been revised and concessions granted due to the client’s financial difficulties).

If credit risk subsequently decreases to such an extent that the indicators of a significant increase in credit risk no longer exist, the instrument is transferred back to Stage 1, subject to the recovery period defined by the Bank.

Definition of Default

Financial instruments for which contractual obligations are not being met are classified as Stage 3.

For accounting purposes, the Bank applies the definition of default as set out in the capital requirements regulation (Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms, amending Regulation (EU) No 648/2012, Article 178). Under this regulation, financial assets are considered to be in default when payments are more than 90 days past due. All financial assets classified in Stage 3 are considered credit-impaired. A borrower is also considered unlikely to fully meet its credit obligations without the realisation of collateral, regardless of the existence of past-due amounts or the number of days past due. The Bank reaches such a conclusion based on regular or ad hoc assessments of the borrower's financial situation.

ECL for Claims Against Counterparties

ECL for claims against counterparties is not discounted, as discounting has no material impact on the Bank's financial statements.

The repayment of counterparty obligations in the event of default depends on the counterparty's creditworthiness, which is reflected in the assigned credit rating. Accordingly:

- LGD is determined based on the recovery rates published by the credit rating agency Moody's for the assigned credit rating and the remaining term of the claim in the event of default.
- PD is determined based on the average probabilities of default published by Moody's for the assigned credit rating and the remaining term of the claim. *Moody's* updates this data annually.

If a counterparty does not have a Moody's credit rating, equivalent ratings from Fitch or Standard & Poor's are used. If two external ratings are available and differ, the worse rating is applied. If more than two ratings are available, the two worst ratings are used, and if they differ, the better of the two is applied.

If the counterparty does not have an individual rating but belongs to a group of related entities, the applicable rating is determined based on the parent company's rating (if available) and the counterparty's country rating (if available), with the lower rating being applied.

ECL for Trade Receivables and Technical Overdrafts

For trade receivables and technical overdrafts, ECL is determined by segmenting debtors into two main groups based on debtor type: individuals and legal entities.

ECL is calculated using the $PD \times EAD \times LGD$ approach. Discounting is not applied, as it has no material impact.

Given that the Bank does not have sufficient historical data to calculate PD and LGD, these parameters are determined using external data sources, including the EBA Risk Dashboard.

Amortised Cost and the Effective Interest Rate Method

Amortised Cost ("AmC") is the amount at which a financial instrument was initially recognised, minus any principal repayments, plus accrued interest, and for financial assets, minus any allowance for expected credit losses. Accrued interest includes the amortisation of transaction costs deferred at initial recognition and any premium or discount over the instrument's term, calculated using the effective interest rate method.

The Effective Interest Rate (EIR) method is a technique for allocating interest income or expense over the relevant period to achieve a constant periodic interest rate (the effective interest rate) on the carrying amount of the financial instrument.

For assets that are purchased or originated with credit impairment ("POCI"), the effective interest rate is adjusted for credit risk. This means it is calculated based on expected cash flows at initial recognition rather than contractual

payments.

Financial assets are written off, in whole or in part, when the Bank has exhausted all practical recovery actions and concludes that there is no reasonable expectation of recovery. A write-off represents a derecognition event.

Financial Liabilities

All financial liabilities are initially recognised at fair value, and in the case of borrowings, net of directly attributable transaction costs. After initial recognition, interest-bearing financial liabilities are measured at amortised cost using the EIR method.

Gains or losses are recognised in profit or loss when the liability is derecognised, as well as through the application of the EIR method. The amortised cost is calculated taking into account any acquisition discounts or premiums, and fees or costs that form an integral part of the EIR. EIR amortisation is included in profit or loss as net interest income. Liabilities measured at amortised cost include amounts due to creditors.

Derecognition

Financial assets are derecognised when the contractual rights to receive cash flows from the asset have expired or when the Bank has transferred all risks and rewards of ownership. Any consideration or liability arising from or retained on transfer is recognised as a separate asset or liability.

Financial liabilities are derecognised when they are extinguished, i.e., when the obligation is discharged, cancelled, or has expired.

Offsetting

Financial assets and liabilities are offset, and the net amount is presented in the statement of financial position, only when there is a legally enforceable right to set off and the Bank intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Fair Value of Financial Assets and Liabilities and Principles of Application

The fair value of assets and liabilities 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.

Financial assets and liabilities are classified into the following fair value hierarchy levels:

- Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities.
- Level 2: Adjusted quoted prices or valuation models using inputs observable from active markets.
- Level 3: Valuation models where significant inputs are not observable in the market and are based on internal assumptions.

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

When the transaction price provides the best evidence of the fair value of a financial instrument at initial recognition, the instrument is initially measured at the transaction price. Any difference between this price and the value derived from a valuation model at initial recognition is recognised in other comprehensive income, depending on the specific facts and circumstances of the transaction, but no later than when the valuation is fully based on observable market data or the transaction is completed.

Several of the Bank's accounting policies and disclosure requirements require the determination of the fair value of financial assets and liabilities. The described methods are used to determine fair value. Where applicable, additional information on the assumptions used in determining fair value is disclosed in the relevant notes.

Other Receivables

Receivables from customers and clients are recorded and presented in the statement of financial position in accordance with the contractual terms, less allowances for doubtful debts. Expected credit loss (ECL) allowances for receivables are recognised based on a forward-looking assessment in accordance with IFRS 9, taking into account historical loss rates, current conditions, and reasonable forecasts of future economic conditions. Receivables are written off when recovery is considered impossible.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and highly liquid assets with an original maturity of less than three months, which the Bank uses for the settlement of short-term liabilities.

Accrued Liabilities

The item "Accrued Liabilities" represents clearly known amounts owed to suppliers of goods and service providers for goods or services received during the reporting year, for which an invoice or other supporting document has not yet been received by the balance sheet date due to delivery, purchase, contractual conditions, or other reasons. This item also includes accrued liabilities for employees' unused vacation and variable compensation.

Employee Benefits

Short-term employee benefits, including salaries, social insurance contributions, bonuses, and vacation pay, are recognised as an expense on an accrual basis when the service is rendered. Accruals for employee vacation pay are estimated based on unused vacation days up to the balance sheet date.

The Bank makes mandatory state social insurance contributions to the state-funded pension scheme under Latvian legislation. The state-funded pension scheme is a defined contribution plan, under which the Bank is required to make statutory contributions. The Bank has no further legal or constructive obligation to make additional payments if the state-funded pension scheme cannot meet its obligations to employees. Mandatory social insurance contributions are recognised as an expense on an accrual basis and included in employee costs.

Corporate Income Tax

Under the Latvian Corporate Income Tax Law, adopted on 28 July 2017 and effective from 1 January 2018, a 20% rate applies to the distributable portion of profits.

Corporate income tax expense for the reporting period is recognised in the financial statements based on management's calculations in accordance with Latvian tax legislation. Corporate income tax is calculated on distributed profits (20/80 of the amount payable to shareholders). Corporate income tax is recognised when the Bank's shareholders approve the profit distribution.

The Bank also calculates and pays tax on conditionally distributable profits (20/80 of the calculated tax base), which includes taxable items under the Corporate Income Tax Law, such as non-business-related expenses, doubtful receivables, and loans to related parties, provided they meet the criteria set out in the law, as well as other expenses exceeding statutory deduction limits. Corporate income tax on conditionally distributable profits is recognised in the statement of comprehensive income in the period in which these expenses are incurred.

4. Risk management

The bank organizes its risk management activities in accordance with the Law on Credit Institutions of the Republic of Latvia, regulations of the European Parliament and the Council, requirements of Latvijas Banka, as well as in line with the Bank's operational strategy and other internal regulatory documents governing its activities.

The Bank identifies all material risks inherent in its operations and develops, documents, and implements appropriate policies for managing these risks, including their measurement, assessment, control, mitigation measures, and reporting and disclosure of risk-related information.

The objectives of the Bank's risk management are:

- To establish and maintain a system for identifying and managing the Bank's risks that minimizes, to the greatest extent possible, the negative impact of risks on the Bank's operations and financial performance;
- To identify and define an acceptable level of risk that supports the achievement of the Bank's strategic objectives;
- To define the levels of responsibility and respective functions within the Bank's risk management system;
- To determine the structure and methods of the risk management system;
- To ensure compliance with regulatory requirements governing the Bank's operations.

The risk management system is integrated into the Bank's internal control system, ensuring an independent risk control and compliance control function separate from business functions.

The risk management framework includes risk strategies, policies, procedures, risk limits, and risk controls, ensuring adequate, timely, and continuous identification, assessment, measurement, monitoring, mitigation, and reporting of material risks.

RISK MANAGEMENT STRUCTURE

The Bank's Supervisory Board is responsible for establishing the risk management system and ensuring its effective operation, as well as for approving the relevant risk management policies and strategies.

The Bank's Management Board is responsible for implementing the risk management strategies and policies approved by the Supervisory Board.

The Bank's Chief Risk Officer (CRO):

- Leads the comprehensive risk control function of the Bank;
- Ensures the supervision and continuous enhancement of the Bank's risk management system;
- Ensures regular assessment of the Bank's business strategy, material services, development of new services or changes to the services offered by the Bank, the Bank's overall risk profile, as well as the compliance of established restrictions and limits with the Bank's risk strategy, and reports any non-compliance to the Supervisory Board, the Management Board, and other relevant parties;
- Ensures the regular provision of comprehensive and clear information on the Bank's overall risk profile, all material risks inherent in the Bank's operations, and their compliance with the risk management strategy to the Supervisory Board, the Management Board, and other relevant parties;
- Advises and supports the Supervisory Board and the Management Board in the development of the Bank's business strategy and in making other decisions related to risks arising from the Bank's operations.

The Bank's Credit Committee reviews credit-related matters and issues opinions on matters related to the Bank's

activities in the area of credit risk transactions.

The Bank's Asset and Liability Committee (ALCO):

- Determines the Liquidity Management Strategy;
- Oversees the Bank's capital adequacy, defines principles for the use of capital, and provides guidance for effective capital management;
- Assesses and makes decisions related to the management of liquidity risk and interest rate risk, ensuring compliance with applicable regulatory requirements;
- Optimizes the structure of assets and liabilities in line with the Bank's risk appetite, ensuring adequate pricing and returns on assets and liabilities;
- Evaluates and provides opinions on funding and lending strategies (including deposit attraction strategy, capital raising strategy, and lending pricing principles).

The Bank's Anti-Money Laundering and Counter-Terrorism and Proliferation Financing (AML/CFT/CPF) Committee is a permanent collegial body established with the objective, within the scope of its competence, to manage AML/CFT and sanctions risks, as well as to ensure effective monitoring of the Bank's customers' activities in order to prevent, to the greatest extent possible, the Bank's involvement in money laundering, terrorism and/or proliferation financing, and/or sanctions violations.

The Bank's Risk Management Department identifies material risks inherent in the Bank's operations, including in the context of determining capital requirements, and develops policies and procedures for managing these risks. It ensures control over compliance with risk management policies and procedures, including established limits and restrictions, and regularly reports to the Bank's Chief Risk Officer, the Asset and Liability Committee, the Credit Committee, the Supervisory Board, and the Management Board. These reports include information on risks inherent in the Bank's operations, enabling the Chief Risk Officer, the Asset and Liability Committee, the Credit Committee, the Supervisory Board, and the Management Board to continuously assess risks affecting the Bank's ability to achieve its objectives and, where necessary, to decide on appropriate corrective actions.

The primary task of the Bank's Compliance Department is to identify, assess, and manage compliance risk and to perform compliance control within the Bank.

The Bank's Internal Audit Department regularly reviews and evaluates the Bank's compliance with its risk management strategies, policies, and procedures, and reports the results of its reviews to the Supervisory Board, as well as on the effectiveness of the Bank's risk management system.

Heads of the Bank's structural units and other employees are aware of their duties and responsibilities in the day-to-day risk management process. Within the scope of their competence, they regularly report to the Bank's Risk Management Department on compliance with established limits and restrictions and participate in risk identification, impact assessment, and determination of materiality.

INTERNAL CONTROL SYSTEM

Risk management in the Bank is based on the three lines of defence model and is organized in a way that prevents or escalates any potential conflicts of interest.

First line of defence - primary risk management, carried out by all business and support units and their employees who manage, on a day-to-day basis, the risks arising from their activities. The first line of defence is responsible for risk identification and the implementation of risk mitigation measures.

Second line of defence - further in-depth and independent risk identification, assessment, analysis, and monitoring, performed by the risk management, compliance, AML/CFT and sanctions compliance, as well as

personal data protection units.

Third line of defence - provision of independent assurance regarding the risk management process and its effectiveness, delivered by the internal audit function.

RISK CULTURE

The Bank promotes a risk culture that encourages appropriate conduct based on the Bank's values, best industry practices, and ethical standards.

The Bank ensures the establishment of a comprehensive risk culture that supports the effective implementation of risk management processes, taking into account the Bank's development strategy and risk strategy.

RISK MEASUREMENT AND MITIGATION

As at the end of the reporting period, INDEXO Bank complies with all applicable regulatory requirements.

The Bank performs quantitative risk assessments based on methodologies developed internally and evaluates the adequacy of capital required to cover risks in accordance with the standardized and Basic Indicator approaches described 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, as well as the simplified methods described in Latvijas Banka Regulation No. 321 of 30 September 2024 "Regulations on the Capital Adequacy Assessment Process for Credit Institutions."

To assess inherent and prospective risks in its operations, the Bank also performs risk stress testing.

In order to mitigate risks inherent in the Bank's operations, the Bank develops and implements a limit control system that covers the limits approved by the Bank and defines the risk appetite thresholds set out in the Bank's business strategy.

In cases where limit breaches are identified, the responsible person, upon determining that a risk appetite limit has entered an unacceptable zone, immediately reports this to the Management Board and the Chief Risk Officer.

In the event of a breach of regulatory limit requirements, the Chief Risk Officer immediately informs Latvijas Banka, and the Bank acts in accordance with the applicable regulatory requirements of Latvijas Banka. The Chief Risk Officer also immediately informs the Supervisory Board of any breach of regulatory limit requirements.

If the breach does not relate to regulatory limit requirements, the Chief Risk Officer, together with the responsible person, prepares an action plan and submits it to the Management Board for evaluation and decision-making. Following the decision, the Chief Risk Officer informs the Supervisory Board about the identified unacceptable risk level, the decisions adopted by the Management Board, and the measures to be implemented.

RISK MATERIALITY ASSESSMENT PROCESS

Material risks are risks inherent in the Bank's operations that may have a significant adverse impact on the Bank's reputation, its ability to provide services, achieve its strategic objectives, and/or result in significant financial losses.

In accordance with the specific nature of the Bank's operations, the following are considered material risks:

- Credit risk
- Concentration risk
- Excessive leverage risk
- Interest rate risk
- Liquidity risk
- Operational risk
- Model risk
- Reputational risk
- Compliance risk

- Money laundering and terrorism and proliferation financing (ML/TF/PF) risk
- Sanctions risk
- Business model risk
- Quantitative information on the Bank's risk exposures is disclosed in the relevant notes to the financial statements (see Notes 30–31).

Credit risk

The objective of the Bank's credit risk management strategy is to ensure an optimal balance between credit risk, the planned level of asset profitability, and liquidity. The Bank's credit risk management is based on an adequate assessment of the creditworthiness of borrowers and counterparties, as well as compliance with the limits and restrictions established by the Bank.

In accordance with the requirements of International Financial Reporting Standard 9, the Bank's financial assets are classified into three quality stages. Stage 1 includes financial assets for which credit risk has not increased significantly compared to initial recognition. Stage 2 includes financial assets for which credit risk has increased significantly compared to initial recognition, but for which no default has been identified. Stage 3 includes financial assets for which objective evidence of default has been identified.

The Bank primarily assumes credit risk in Latvia. It grants only those loans for which borrower risks can be identified, assessed, and managed.

As at the date of preparation of this report, the Bank's activities exposed to credit risk mainly include placements of funds with banks, investments in securities, and the issuance of consumer and mortgage loans.

The issuance of consumer loans is an automated process; in certain cases, decisions are made by the Credit Committee. Decisions on amendments to loan agreements are taken in accordance with the authorizations set out in the Bank's internal regulatory documents.

The Bank assesses credit risk both at loan origination and regularly throughout the life of the loan, at least quarterly. At loan origination, the Bank evaluates the applicant's creditworthiness using an external credit rating (Score Grade) obtained from the Credit Information Bureau (CIB), determined using the CIB assessment model. Each client is assigned a grade from A1 to E3 based on various factors.

Based on the borrower's CIB Score Grade, DTI (Debt-to-Income ratio), and DSTI (Debt Service-to-Income ratio), the Bank automatically determines the credit risk level and assigns each individual borrower an internal credit rating (risk level) from 5 to 1.

In addition, the Bank performs an automatic creditworthiness check for each potential borrower and does not grant a loan if any criteria indicating unacceptable credit risk are met.

The internal credit rating is updated at least quarterly using updated data from external and internal sources. Throughout the loan lifecycle, credit monitoring and quality assessment are carried out in accordance with the "Loan Monitoring Procedure" and the "Asset Quality Assessment and Provisioning Procedure."

Please refer to Note 30.

Concentration Risk

The Bank integrates concentration risk management into its internal control system and identifies risk drivers that may give rise to concentration risk across various areas of activity.

Concentration risk is closely related to other risks, and its management framework forms part of various Bank risk management policies and related procedures.

The Bank mitigates concentration risk by setting portfolio concentration limits, limits on large exposures to individual clients, groups of connected clients, or risk exposures to clients whose creditworthiness is determined by a common risk factor.

The Bank ensures timely reporting on approved limits, monitoring of compliance, and appropriate action in the event of breaches.

The Bank complies with large exposure limits as set out 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. The Bank classifies an exposure as a large exposure if its value equals or exceeds 10% of the Bank's Tier 1 capital.

The Bank has established that total exposure to a single client or a group of connected clients must not exceed 25% of the Bank's Tier 1 capital.

If the client is a credit institution or an investment firm, or a group of connected clients including one or more credit institutions or investment firms registered in an EU Member State or an equivalent country (as defined in Commission Implementing Decision (EU) 2021/1753 of 1 October 2021 on the equivalence of supervisory and regulatory requirements of certain third countries and territories for the purposes of applying Regulation (EU) No 575/2013), the total exposure may not exceed 100% of the Bank's Tier 1 capital.

If such a client is registered in a country that does not meet the above conditions, total exposure may not exceed 25% of the Bank's Tier 1 capital.

During the reporting period, the Bank complied with the above requirements.

Excessive Leverage Risk

Excessive leverage risk is the risk arising from the Bank's vulnerability due to actual or potential leverage in its funding structure, which may require unintended corrective measures to the Bank's strategy, including the forced sale of assets due to financial difficulties, potentially resulting in losses or downward adjustments of remaining asset values.

An increase in excessive leverage risk may result from a reduction in the Bank's Tier 1 capital due to losses or from an excessive accumulation of exposures relative to Tier 1 capital. Excessive leverage risk is characterized by the leverage ratio and mismatches between assets and liabilities.

The leverage ratio is calculated as of the reporting reference date by dividing the Bank's Tier 1 capital measure by the total exposure measure, which includes total assets not deducted in determining Tier 1 capital, the value of derivatives, add-ons for counterparty credit risk arising from securities financing transactions, and the exposure value of off-balance sheet items. The ratio is expressed as a percentage.

Interest rate risk

The objective of the Bank's interest rate risk management strategy is to ensure an appropriate balance between the interest rate risk assumed by the Bank and profitability, in order to minimize the potential adverse impact of interest rate risk on the Bank's financial position and performance.

The Bank plans to generate interest income by promoting growth of its loan portfolio, primarily financing residents of Latvia, and by taking all necessary measures to prevent the proportion of non-performing loans (NPLs) from exceeding the level defined in the Bank's Risk Appetite.

For the assessment of interest rate risk, the Bank regularly evaluates and plans the repricing maturity structure, calculates the potential decrease in the Bank's net interest income and economic value due to adverse changes in interest rates, and determines the amount of capital required to cover interest rate risk.

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

- Assessing the impact of interest rate changes on the Bank's financial results and economic value;
- Determining the current level of interest rate risk;
- Evaluating all material interest rate risks related to assets, liabilities, and off-balance sheet items.

Sources of interest rate risk include:

- Basis risk - the risk of losses arising from changes in interest rates affecting interest rate-sensitive instruments with identical repricing or maturity dates but different reference rates;
- Gap risk - the risk of losses due to mismatches in the maturity structure of interest rate-sensitive instruments, including changes in the term structure of interest rates that occur consistently across the entire yield curve (parallel risk) or differently across time intervals (non-parallel risk);
- Option risk - the risk of losses arising when interest rate-sensitive instruments provide the Bank's clients,

directly (e.g., option contracts) or indirectly (e.g., loans with early repayment options, demand deposits, term deposits with early withdrawal options, fixed-rate loan commitments, etc.), with the ability to alter the amount and timing of cash flows.

The extent to which the Bank is exposed to interest rate risk is characterized by the maturity structure of interest rate-sensitive assets, liabilities, and off-balance sheet claims and obligations. This structure is prepared based on the remaining maturities or interest rate repricing dates of interest rate-sensitive financial instruments, using the earlier of the two dates. See Note 31.

Liquidity risk

The objective of the Bank's liquidity risk management strategy is to ensure the required level of liquidity while achieving an appropriate, optimal balance between profitability and risk in accordance with the established risk management principles.

The Bank implements its liquidity management strategy taking into account the maturities and volatility of attracted funds, the liquidity of assets, the balance between asset and liability maturities, changes in the Bank's operations, and external factors affecting the Bank.

The Bank assumes liquidity risk within the framework of established limits and restrictions.

To manage liquidity risk, the Bank applies a combination of asset and liability management methods:

- Asset management - related to the accumulation of liquidity reserves, investment of available funds, and control over the volume of lending, taking into account management decisions and cash flow forecasts;
- Liability management - based on the ability to raise funding if necessary.

To ensure adequate liquidity, the Bank:

- Regularly evaluates and plans the maturity structure of assets and liabilities;
- Maintains sufficient liquid assets to meet obligations;
- Manages funding liquidity risk and monitors the structure of funding;
- Performs intra-day liquidity risk monitoring;
- Regularly assesses the level of liquidity risk, including conducting stress testing;
- Implements an early warning system to timely identify potential difficulties and promptly evaluate the need to take measures to mitigate liquidity risk;
- Develops liquidity risk management strategies, policies, and procedures to enable timely identification, assessment, analysis, and monitoring of liquidity risk;
- Ensures internally established liquidity coverage ratio, net stable funding ratio, and the loans-to-non-banks to deposits ratio

See Note 25.

Operational risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, people, systems, or external events. It also includes, but is not limited to, legal risk, model risk, and ICT risk, while excluding business model risk and reputational risk.

The objective of operational risk management is to ensure effective and successful operations by reducing the likelihood of unexpected losses. The impact of operational risk is always considered when making business decisions.

The operational risk management system in the Bank is based on the assumption that a certain level of operational risk is inherent in all the Bank's activities, processes, and systems.

All Bank employees are responsible for the daily identification of operational risk. The core elements of operational risk management are:

- Operational risk identification
- Operational risk self-assessment
- Operational risk monitoring

- Operational risk control and mitigation
- Operational risk stress testing

To promptly identify operational risk events and implement timely mitigation measures, the Bank has established a database for the systematic recording of operational risk events. All employees, regardless of their position, must immediately register any operational risk event that has occurred or could potentially cause a loss to the Bank, regardless of its form. All operational risk events recorded in the database are reviewed, and if necessary, mitigation measures are developed and implemented to improve the internal control system.

Information and communication technologies are vital for maintaining sustainable business practices. To mitigate ICT-related risks, the Bank ensures timely correction of identified control deficiencies, consistent management of third-party risks, and the development and continuous improvement of technological controls.

The Bank defines and implements rules, scope, and quality requirements for the use of outsourced services necessary for its operations, in order to manage and minimize risks associated with outsourcing and the potential impact on the Bank's operational continuity. Before delegating any function, the Bank assesses the risks associated with outsourcing and ensures that it can continue to maintain stable and sustainable operations.

The objective of legal risk management is to ensure compliance with the legislation of the Republic of Latvia, the European Union, and other applicable laws, regulations, and standards in the Bank's legal operations.

Model risk

The objective of the Bank's model risk strategy is to ensure that developed models meet their intended purpose, align with the Bank's operational specifics and complexity, are sufficiently accurate and reliable, and are properly documented and managed.

The Bank takes all necessary measures to ensure that the methodology, input data, assumptions, limitations, and results of internal models are understandable, validated, reviewed, monitored, and adjusted if necessary.

The Bank uses automated models for creditworthiness assessment and credit decision-making, implementing measures to ensure input data quality, result traceability and verifiability, and appropriate model documentation.

Reputational risk

The Bank refrains from engaging in activities that create or could create elevated reputational risk, regardless of financial gains or compensation. Reputation is considered fundamental and is carefully analyzed in decision-making.

Media coverage of the Bank is monitored to maintain a positive corporate image, with continuous tracking of media representation and timely action to prevent negative media escalation or public reaction.

Valid customer complaints are reviewed at the management level and resolved appropriately and promptly. Special attention is given to managing information security risks, reducing the likelihood of significant incidents such as large-scale customer data leaks or breaches of sensitive information confidentiality.

Compliance risk

Compliance risk is the risk that the Bank will incur losses, face legal liabilities or sanctions, or suffer reputational damage due to non-compliance with laws, regulations, and standards.

The Bank operates in a manner that ensures compliance with applicable laws and regulations. Compliance management is ensured by establishing clear roles and responsibilities and implementing current external regulatory requirements in internal policies and procedures that are understandable and transparent for employees.

AML/CFT risk and Sanctions risk

The Bank operates in a manner that ensures full compliance with applicable laws. This includes a low risk appetite and a zero-tolerance principle toward intentional violations regarding AML/CFT and Sanctions risks. The Bank works only with trusted clients who meet the defined target client profile and employs effective and integrated client and partner relationship management, "know your customer" procedures, transaction monitoring, and

sanctions screening solutions.

The Bank has established effective internal control systems tailored to the risk levels of clients/partners, products, geographies, and delivery channels, with corresponding risk mitigation measures in place.

Business model risk

The Bank maintains a reasonably diversified, viable, and sustainable business model, offering a wide range of financial services to clients with different needs.

The Bank strategically develops its service offering based on next-generation financial technologies.

Business model risk is mitigated through continuous monitoring of performance indicators against established plans and implementing corrective measures when necessary.

Capital Adequacy

The Bank continuously maintains capital that exceeds the minimum regulatory requirements. Capital is used efficiently, focusing on risk and the proportionality of capital returns as a key factor in decision-making.

The Bank consistently maintains a capital level that supports the achievement of strategic objectives, ensuring that the amount of capital is sufficient and optimal for business operations and development, both in terms of volume and structure.

The Bank ensures that capital is adequate to cover risks and support its ongoing operations.

	31.12.2025	31.12.2024
	EUR	EUR
Own Funds	9 242 878	7 278 963
Tier 1 Capital	7 452 878	7 278 963
Core Tier 1 Capital	7 452 878	7 278 963
Additional Tier 1 Capital	-	-
Tier 2 Capital	1 790 000	-
Total Risk Exposure Amount	43 689 568	13 437 106
Risk-weighted exposure for credit risk, counterparty credit risk, credit valuation adjustment risk, and settlement/delivery risk	38 746 483	7 974 038
Total exposure for settlement/delivery risk	-	-
Total exposure for position risk, foreign exchange risk, and commodity risk	-	-
Total exposure for operational risk	4 943 130	5 463 068
Total exposure for credit valuation adjustment	-	-
Total exposure related to large exposures in the trading portfolio	-	-
Other risk exposures	-	-
Capital Ratios and Capital Levels		
Core Tier 1 Capital Ratio (%)	17.06	54.17
Core Tier 1 Capital Surplus (+)/Deficit (-)	5 486 847	6 674 293
Tier 1 Capital Ratio (%)	17.06	54.17
Tier 1 Capital Surplus	4 831 504	6 472 737
Total Capital Ratio (%)	21.16	54.17
Total Capital Surplus (+)/Deficit (-)	5 747 713	6 203 994
Total Capital Requirements	1 536 256	424 422
Capital Conservation Buffer	1 092 239	335 927
Capital Conservation Buffer related to macroprudential or systemic risks identified at the member state level		
Institution-specific Countercyclical Capital Buffer	444 017	88 494
Systemic Risk Capital Buffer		
Other Systemically Important Institution Capital Buffer		
Capital Ratios Considering Adjustments		
Amount of asset value adjustments applied for prudential purposes	-	-
Core Tier 1 Capital Ratio considering adjustments in line 5.1 (%)	17.06	54.17
Tier 1 Capital Ratio considering adjustments in line 5.1 (%)	17.06	54.17
Total Capital Ratio considering adjustments in line 5.1 (%)	21.16	54.17

The above information is provided based on the bank's internal reports submitted to management.

5. Interest income at the effective interest rate

	Jan – Dec 2025	Jan – Dec 2024
	EUR `000	EUR `000
Interest income from financial assets at amortized cost		
Loans and receivables from customers	2 023	22
Interest income from debt securities	170	-
Interest income on short-term deposits with central bank	613	408
Total	2 806	430

6. Interest expense

	Jan – Dec 2025	Jan – Dec 2024
	EUR `000	EUR `000
Interest expenses recognized on liabilities measured at amortized cost		
Deposits	1 194	176
Subordinated loans	12	-
Interest on IPAS INDEXO loan	-	5
Payments to the deposit guarantee fund and other payments	99	238
Interest on lease liabilities	111	61
Total	1 416	480

7. Commission income

	Jan – Dec 2025	Jan – Dec 2024
	EUR `000	EUR `000
Fees for current account maintenance	213	18
Fees for payment card services	134	-
Fees for loan issuance	139	-
Other	8	12
Total	494	30

8. Commission expense

	Jan – Dec 2025	Jan – Dec 2024
	EUR `000	EUR `000
Commission expenses related to issuance and servicing of payment cards	163	69
Commission expenses related to loan issuance	158	12
Loan intermediary commission	112	-
Settlement fees	78	19
Customer acquisition commission	29	20
Commission on debt securities	23	-
Other	-	3
Total	563	123

9. Other operating income

	Jan – Dec 2025	Jan – Dec 2024
	EUR `000	EUR `000
Other core operating income*	279	150
Other income from the parent company IPAS INDEXO	182	35
CFLA project income	11	-
Total	472	185

*- In 2025, income from VAT recovery project; in 2024, business activity support from VISA

10. Other operating expenses

	Jan – Dec 2025	Jan – Dec 2024
	EUR `000	EUR `000
Marketing expenses	585	347
Other expenses	43	33
Total	628	380

11. Administrative expenses

	Jan – Dec 2025	Jan – Dec 2024
	EUR `000	EUR `000
IT expenses	3 066	2 079
Personnel remuneration	2 390	1 542
Management Board and Supervisory Board remuneration	655	641
Management Board and Supervisory Board state social insurance contributions	148	151
Personnel state social insurance contributions	558	349
Other personnel expenses	253	162
Office maintenance	155	82
Professional services	131	59
Financial statement audit	54	68
Other	19	2
Other assurance engagements	4	5
Total	7 433	5 140

Average number of full-time employees in 2025 at the Bank was 75 (2024: 50).

For the reporting year, in addition to the statutory audit, BDO provided the Bank with the following non-audit services: preparation of the report on compliance with the requirements of the Deposit Guarantee Law regarding guaranteed deposits and contributions to the Deposit Guarantee Fund.

12. Corporate income tax

Corporate income tax calculated in 2025 and 2024:

	31.12.2025	31.12.2024
	EUR `000	EUR `000
Corporate income tax	4	2
Total	4	2

13. Cash and demand deposits with the central banks

	31.12.2025	31.12.2024
	EUR `000	EUR `000
Overnight deposits with the Bank of Latvia	17 610	34 931
Balances on settlement accounts with the Bank of Latvia	2 125	444
Total amounts due from central banks before credit losses	19 735	35 375
Expected credit losses on deposits with the Bank of Latvia	(1)	(1)
Total	19 734	35 374

Amounts due from the Bank of Latvia include EUR-denominated balances on correspondent accounts held with the Bank of Latvia.

The mandatory reserves as at 31 December 2025 amounted to EUR 510,168 and are compared with the Bank's average monthly balance of correspondent accounts with the Bank of Latvia. The Bank's average cash and correspondent account balances must exceed the required mandatory reserve level. As at 31 December 2025, the Bank complied with all of the above requirements.

14. Demand deposits with credit institutions

	31.12.2025	31.12.2024
	EUR `000	EUR `000
Demand deposits with Latvian credit institutions	1	9
Total	1	9

In accordance with IFRS 9 "Financial Instruments," the Bank assessed the expected credit losses on amounts due from credit institutions. Upon evaluating the expected credit loss level, it was concluded that it is immaterial, and no provisions for expected credit losses were recognized.

In 2025, the Bank opened a settlement account with AS Citadele Bank for holding financial instruments. In 2024, the Bank held part of its cash balances with AS Swedbank. In November 2025, the account with AS Swedbank was closed. AS Swedbank has an S&P rating of A+, a Moody's rating of Aa3, and a Fitch rating of AA.

15. Loans and advances due from non-banks

The tables present the gross carrying amount and the expected credit loss for loans and amounts due from customers measured at amortized cost, by type. The information is presented as at 31 December 2025 and 31 December 2024.

- a) Breakdown of loans granted by the Bank by type of borrower - Latvian residents:

	31.12.2025	31.12.2024
	EUR `000	EUR `000
Households	56 149	1 070
Total loans and amounts due from non-banks	56 149	1 070
Expected credit losses	(1 220)	(83)
Total loans and amounts due from non-banks, net	54 929	987

b) Breakdown of loans granted by the Bank by contract term

	31.12.2025	31.12.2024
	EUR `000	EUR `000
Up to one year	306	2
Over one year	55 843	1 068
Total loans and amounts due from non-banks	56 149	1 070
Expected credit losses	(1 220)	(83)
Total loans and amounts due from non-banks, net	54 929	987

c) Breakdown of loans granted by the Bank by product:

	31.12.2025	31.12.2024
	EUR `000	EUR `000
Consumer loans	32 505	1 068
Mortgage loans	23 599	-
Overdrafts on current accounts	45	2
Total loans and amounts due from non-banks	56 149	1 070
Expected credit losses	(1 220)	(83)
Total loans and amounts due from non-banks, net	54 929	987

d) Expected Credit Losses by Product Type

The table below shows the total gross loans and receivables, as well as the amount of expected credit losses as of 31 December 2025.

	Gross	Expected Credit Losses
	EUR `000	EUR `000
Consumer Loans	32 505	(1 186)
Mortgage Loans	23 599	(34)
Current Account Overdrafts	45	-
Loans and Receivables to Non-Banks – Total	56 149	(1 220)

The table below shows the total gross loans and receivables, as well as the amount of expected credit losses as of 31 December 2024.

	Gross	Expected Credit Losses
	EUR `000	EUR `000
Consumer Loans	1 068	(83)
Current Account Overdrafts	2	-
Loans and Receivables to Non-Banks – Total	1 070	(83)

e) Movement of Provisions for Expected Credit Losses:

	31.12.2025	31.12.2024
	EUR `000	EUR `000
Opening Balance	(83)	-
Increase in Expected Credit Losses	(2 931)	(83)
Decrease in Expected Credit Losses	1 794	-
Write-offs and Realised Losses	-	-
Closing Balance	(1 220)	(83)

f) breakdown of Expected Credit Losses by Stage:

	31.12.2025	31.12.2024
	EUR '000	EUR '000
Borrower Internal Credit Risk Level in Category 4-5	48 921	1 009
Borrower Internal Credit Risk Level in Category 2-3	6 659	39
Borrower Internal Credit Risk Level in Category 1	478	21
Loans and Receivables to Non-Banks - Total	56 058	1 069
Provisions for Expected Credit Losses	(1 220)	(83)
Loans and Receivables to Non-Banks - Net	54 838	986

g) Allowances for expected credit losses on loans to customers measured at amortized cost. Analysis of the gross carrying amount of loans issued and the corresponding changes in expected credit losses for the year ended 31 December 2025 is as follows:

	Stage 1	Stage 2	Stage 3	Total
	EUR '000	EUR '000	EUR '000	EUR '000
Gross carrying amount as of 1 January 2024	-	-	-	-
Acquired or newly originated assets	1 070	-	-	1 070
Settled or partially settled assets	(5)	(1)	(1)	(7)
Transferred to Stage 1	(282)	282	-	-
Transferred to Stage 2	-	(22)	22	-
Transferred to Stage 3	-	-	-	-
As of 31 December 2024	783	259	21	1 063
Acquired or newly originated assets	71 231	-	-	71 231
Settled or partially settled assets	(15 777)	(122)	(7)	(15 906)
Impact of accrued interest	42	1	-	43
Transferred to Stage 1	106	(103)	(3)	-
Transferred to Stage 2	(2 300)	2 002	(2)	(300)
Transferred to Stage 3	(549)	(20)	587	18
As of 31 December 2025	53 536	2 017	596	56 431

Allowances for expected credit losses on loans to customers measured at amortized cost (continued)

	Stage 1	Stage 2	Stage 3	Total
	EUR '000	EUR '000	EUR '000	EUR '000
Expected credit losses as of 1 January 2024	-	-	-	-
Acquired or newly originated assets	83	-	-	83
Transferred to Stage 1	(55)	55	-	-
Transferred to Stage 2	-	(15)	15	-
Transferred to Stage 3	-	-	-	-
As of 31 December 2024	28	40	15	83
Acquired or newly originated assets	1 166	-	-	1 166
Settled or partially settled assets	-	(19)	(8)	(27)
Transferred to Stage 1	5	(5)	-	-
Transferred to Stage 2	(234)	234	-	-
Transferred to Stage 3	(397)	(16)	411	(2)
As of 31 December 2025	568	234	418	1 220

h) Fair value of the bank's loan collateral as of 31 December 2025, separately for assets where the collateral exceeds the carrying amount of the asset (LTV < 100%) and for assets where the collateral is equal to or lower than the carrying amount of the asset (LTV ≥ 100%):

EUR `000	Carrying	Estimated fair	Carrying	Estimated fair
	amount of assets	value of collateral	amount of assets	value of collateral
	LTV < 100%	LTV < 100%	LTV > 100%	LTV > 100%
Consumer loans	32 505	-	-	-
Mortgage loans	23 566	53 243	33	30
Current account overdrafts	45	-	-	-
Loans and claims against non-banks, total, net	56 116	53 243	33	30

As of 31 December 2024, the Bank did not have secured loans. The collateral for mortgage loans is real estate, geographically located in Latvia.

i) Movement of provisions for expected credit losses:

The table below shows the gross amount of loans and receivables, as well as the amount of expected credit losses:

	31.12.2025	31.12.2024
	EUR `000	EUR `000
Balance at the beginning of the reporting period	(88)	-
Increase in expected credit losses	(1 131)	(88)
Decrease in expected credit losses	71	-
Write-offs and expected losses	-	-
Balance at the end of the reporting period	(1 148)	(88)

Significant credit risk concentration

In accordance with regulatory requirements, the Bank's credit risk exposure to a single client or a group of connected clients must not exceed 25% of the Bank's capital. In 2025, the Bank complied with these requirements. As of 31 December 2025, the Bank had no borrowers whose total credit exposure to the Bank exceeded 10% of the Bank's total issued loans (2024: none).

16. Debt securities measured at amortized cost

Bank debt securities measured at amortized cost, by type of issuer:

	31.12.2025
	EUR `000
Debt securities	
Government and municipal securities	
European Union and EEA	2 806
Latvia	591
Total gross government and municipal securities	3 397
Impairment allowances	-
Total net government and municipal securities	3 397

As of 31 December 2024, the Bank did not hold any debt securities.

The geographical distribution is based on the credit risk of the issuers' countries of registration.

Credit quality of the Bank's debt securities measured at amortized cost:

	31.12.2025
	EUR'000
Debt securities	
Government and municipal securities	
A- and above	2 399
A- and above	998
Total net government and municipal securities	3 397

All financial instruments issued by the Bank's issuers, with a total value, were included in Stage 1 in accordance with the requirements of IFRS 9.

17. Prepayments

	31.12.2025	31.12.2024
	EUR'000	EUR'000
IT maintenance and system license expenses	770	691
Card system access fee for the reporting year	95	-
Customer acquisition and product growth activities	97	-
Other	58	7
Health insurance	30	15
Total	1 050	713

18. Intangible assets and fixed assets

	Investīcijas IT sistēmās
	EUR' 000
Initial cost	
31.12.2022	65
Acquired	1 787
Advance payment	72
31.12.2023	1 924
Acquired	2 971
Advance payment	(25)
31.12.2024	4 870
Acquired	2 635
Advance payment	11
31.12.2025	7 516
Accumulated depreciation	
31.12.2022	-
Calculated	38
31.12.2023	38
Calculated	386
31.12.2024	424
Calculated	1 289
31.12.2025	1 713
Net book value as of 31.12.2024	4 446
Net book value as of 31.12.2025	5 803

In 2025, capitalized salaries and related taxes for the following systems amounted to EUR 281,266 (2024: EUR 0). The systems are continuously improved and support loan origination, credit portfolio growth, and the provision of financial services and sale of goods. This ensures that future economic benefits are expected to accrue to the Bank over a long period, justifying their capitalization.

Investments in IT systems consist of IT programming services provided by external service providers, related to the development and implementation of technical solutions for the Group's operations. As a result, the future economic benefits

associated with these external services are expected to flow to the Group over an extended period, thereby supporting their capitalization.

	Leasehold improvements EUR '000	Property, plant and equipment EUR '000	Total EUR '000
Initial cost			
31.12.2022	-	-	-
Acquired	-	20	20
31.12.2023	-	20	20
Acquired	-	218	218
Advance payment	-	10	10
Leasehold improvements	366	-	366
31.12.2024	366	248	614
Acquired	-	243	243
Advance payment	-	(10)	(10)
Leasehold improvements	63	-	63
31.12.2025	429	481	910
Accumulated depreciation			
31.12.2022	-	-	-
Calculated	-	5	5
31.12.2023	-	5	5
Calculated	-	19	19
31.12.2024	-	24	24
Calculated	63	120	183
31.12.2025	63	144	207
Net book value as of 31.12.2024	366	224	590
Net book value as of 31.12.2025	366	337	703

19. Right-of-use assets

The Bank applies IFRS 16 to lease transactions. The lease agreement for the office premises at Roberta Hirša 1 is effective from 15 July 2024 to 15 July 2029, and lease liabilities are calculated using a discount rate of 6.4%. For discount rate calculations, the Bank uses the Latvijas Banka intercompany lending rate on the exact calculation date.

The lease agreement provides for annual indexation. According to the agreement, the maximum indexation rate is 4%, and it cannot be lower than 2.5% per year. In 2025, the applied indexation rate was 2.9%.

During the reporting period, the Bank assessed the lease term and currently does not consider an extension of the lease term necessary. When determining the lease term, management considered all facts and circumstances that create an economic incentive to exercise or not exercise extension options. Extension options are included in the lease term only if there is reasonable certainty that the lease will be extended. Potential future cash outflows are not included in lease liabilities because there is no reasonable certainty that the lease will be extended.

<i>Right-of-use assets</i>	EUR `000
31.12.2022.	-
Depreciation	-
Adjustments	-
31.12.2023.	-
Impact of lease modifications	2 038
Depreciation	(180)
Adjustments*	42
31.12.2024.	1 900
Depreciation	(371)
Adjustments**	(57)
31.12.2025.	1 472

*- following the acceptance certificate, recalculation based on floor area

** - indexation in accordance with the agreement

<i>Right-of-use assets</i>	31.12.2025	31.12.2024
	EUR `000	EUR `000
Right-of-use assets	1 472	1 900
Lease liabilities	1 596	1 964
<i>Lease liabilities</i>		
EUR		
31.12.2022.	-	-
Changes during the reporting period	-	-
Adjustments	-	-
31.12.2023.	-	-
Changes during the reporting period	2 038	-
Lease payments	(176)	-
Interest payments	60	-
Adjustments	42	-
31.12.2024.	1 964	-
Lease payments	(421)	-
Interest payments	115	-
Adjustments	(62)	-
31.12.2025.	1 596	-

20. Deposits

The current account is the primary account opened following the client's assessment (onboarding) and acceptance of INDEXO Bank's terms and conditions.

A savings account is a deposit with no fixed term, on which interest is paid. Deposits can be made to the savings account, and funds can be withdrawn without restrictions or prior notice.

A term deposit is a deposit for a fixed period, on which interest is paid and which cannot be replenished.

In accordance with the deposit terms and conditions:

	31.12.2025	31.12.2024
	EUR`000	EUR`000
Current account (including accrued interest)	13 667	5 008
Savings account	33 123	16 585
Time deposits (including accrued interest)	26 996	11 505
<i>Up to 6 months</i>	1 179	674
<i>From 6 months to 1 year</i>	18 771	10 389
<i>From 1 year to 2 years</i>	1 545	134
<i>From 2 years to 5 years</i>	5 501	308
Total deposits:	73 786	33 098

By geographical region:

	31.12.2025	31.12.2024
	EUR'000	EUR'000
Latvia	73 589	32 970
EEA	197	128
Total deposits:	73 786	33 098

Current accounts:	31.12.2025	31.12.2024
Residents	EUR'000	EUR'000
Individuals	13 495	4 954
Legal entities	-	-
Bank employees	143	43
Total:	13 638	4 997

Non-residents	31.12.2025	31.12.2024
	EUR'000	EUR'000
Individuals	29	10
Legal entities	-	-
Bank employees	-	-
Total:	29	10

Savings account:

Residents	31.12.2025	31.12.2024
	EUR'000	EUR'000
Individuals	32 494	16 201
Legal entities	-	-
Bank employees	577	285
Total:	33 071	16 486

Non-residents	31.12.2025	31.12.2024
	EUR'000	EUR'000
Individuals	52	99
Legal entities	-	-
Bank employees	-	-
Total	52	99

Term deposits:

Residents	31.12.2025	31.12.2024
	EUR'000	EUR'000
Individuals	25 387	10 599
Legal entities (IPAS INDEXO)	1 179	675
Bank employees	314	213
Total:	26 880	11 487

Non-residents	31.12.2025	31.12.2024
	EUR'000	EUR'000
Individuals	116	18
Legal entities	-	-
Bank employees	-	-
Total:	116	18

The applicable interest rates on bank employees' deposits do not differ from the deposit rates offered to other clients.

21. Subordinated loans

	31.12.2025	31.12.2024
	EUR'000	EUR'000
Subordinated loans		
Individuals	611	-
Legal entities	1 191	-
Total subordinated loans	1 802	-

Subordinated loans include loans with a maturity of at least five years from the date of disbursement, for which early repayment is possible only in the event of the Bank's liquidation or with the approval of the Latvijas Banka. In the event of the Bank's winding up, subordinated loans are subordinated to the claims of the Bank's depositors and other creditors. In 2024, the Bank had no subordinated loans.

Concentration of subordinated loans

As of 31 December 2025, the Bank had three client subordinated loan agreements, the total balances of which exceeded 10% of the total loan portfolio and are presented in the table below.

Client	Currency	Contract amount EUR '000	Interest rate	Contract start date	Contract term	Carrying amount EUR '000
Legal entity - resident 1	EUR	200	11%	23.12.2025	23.12.2032	200
Legal entity - resident 2	EUR	200	11%	30.12.2025	23.12.2032	200
Legal entity - resident 3	EUR	400	11%	24.12.2025	23.12.2032	400

22. Other assets

	31.12.2025	31.12.2024
	EUR'000	EUR'000
Other financial assets		
Settlements for payment cards	54	68
Security deposit for lease obligations	107	104
NETS security deposit*	492	263
Other assets	51	103
Total other financial assets	704	538
Provisions for expected credit losses	(5)	(4)
Total other assets	699	534

*- In 2025, a security deposit of EUR 492,485 (2024: EUR 263,229) was reserved for potential transactions related to the VISA system.

23. Other liabilities

	31.12.2025	31.12.2024
	EUR'000	EUR'000
Other financial liabilities		
Settlements for IT infrastructure development	416	139
Lease liabilities	1 596	1 964
Settlements for financial services	54	169
Total other financial liabilities	2 066	2 272
Other non-financial liabilities		
Tax liabilities	215	161
Accrued expenses	358	163
Accrued liabilities and cash in transit	74	217
Provisions for vacation reserve	169	119
Deferred income	17	-
Other liabilities	58	45
Total other non-financial liabilities	891	705
Total other liabilities	2 957	2 977

24. Share capital

As of 31 December 2025, the Bank's registered and paid-up share capital amounted to EUR 27,325,002 (31 December 2024 – EUR 17,309,445), divided into 17,309,445 shares with equal voting rights. The nominal value of each Bank share is EUR 1.00. As of 31 December 2025, the sole shareholder of INDEXO Bank was IPAS INDEXO, which owns 100% of the Bank's paid-up capital.

During the reporting period, the Bank's share capital was increased by EUR 10,015,557.

31 December 2025

Shareholder	Paid-up share capital EUR	% of total paid-up share capital
IPAS INDEXO	27 325 002	100%
Total	27 325 002	100%

31 December 2024

Shareholder	Paid-up share capital EUR	% of total paid-up share capital
IPAS INDEXO	17 309 445	100%
Total	17 309 445	100%

25. Liquidity risk

The table presents an analysis of the Bank's financial assets and liabilities by maturity, conducted based on the remaining term from the end of the reporting period to the contractual repayment date. The negative short-term liquidity position results from the classification of deposits according to their contractual remaining term, while the actual historical client behavior indicates a stable resource base and low volatility of demand deposits.

Analysis of the Bank's assets and liabilities by maturity as of 31 December 2025:

31.12.2025., EUR'000	Total	On demand	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years
Financial assets						
Cash and cash equivalents	19 735	19 735	-	-	-	-
Loans and receivables from non-banks	54 012	-	46	-	263	53 703
Debt securities	3 397	-	998	-	1 513	886
Other assets	648	54*	106	-	-	488*
Total financial assets	77 792	19 789	1 150	-	1 776	55 077
Financial liabilities						
Deposits	(73 786)	(46 792)	(1 827)	(975)	(17 027)	(7 165)
Subordinated loans	(1 802)	-	-	-	(12)	(1 790)
Settlements with suppliers	(362)	(362)	-	-	-	-
Lease liabilities	(1 596)	-	(27)	(55)	(263)	(1 251)
Total financial liabilities	(77 546)	(47 154)	(1 854)	(1 030)	(17 302)	(10 206)
Net position	246	(27 365)	(704)	(1 030)	(15 526)	44 871

*- Security deposit

Analysis of the Bank's assets and liabilities by maturity as of 31 December 2024:

31.12.2024., EUR	Total	On demand	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years
Financial assets						
Cash and cash equivalents	35 383	35 383	-	-	-	-
Loans and receivables from non-banks	988	2	-	5	39	942
Debt securities	-	-	-	-	-	-
Other assets	534	102*	172	-	-	260*
Total financial assets	36 905	35 487	172	5	39	1 202
Financial liabilities						
Deposits	(33 435)	(21 592)	(700)	(51)	(10 620)	(472)
Trade payables	(539)	(381)	(158)	-	-	-
Lease liabilities	(1 965)	-	(33)	(67)	(300)	(1 565)
Total financial liabilities	(35 939)	(21 973)	(891)	(118)	(10 920)	(2 037)
Net position	966	13 514	(719)	(113)	(10 881)	(835)

26. Off-balance liabilities

The bank assumes obligations to grant loans. Such obligations consist of loans that have been approved but not yet disbursed.

	31.12.2025	31.12.2024
	EUR'000	EUR'000
Contractual amount		
Mortgage loans	2 400	-
Total off-balance sheet liabilities	2 400	-
Provisions for off-balance sheet liabilities	-	-

27. Transactions with related parties

Related parties are considered to be shareholders who have significant influence over the Bank, members of the Council and the Board, and other related parties, i.e., key management personnel, their close relatives, and companies controlled by them, as well as associated companies. During the period from 1 January 2025 to 31 December 2025, all transactions with related parties were conducted on an arm's length basis. Market rates are applied to all loans, customer settlements, and other financing activities related to related parties.

As of 31 December 2025, the balance sheet balances with related parties are as follows:

EUR`000	Shareholders	Key management personnel	Board and Council	Other related parties
Loans (Contractual interest rate in line with market rates)	-	-	364	-
Loan loss provisions As of 31 December 2025	-	-	(1)	-
Deposits (Contractual interest rate in line with market rates)	1 171	30	124	241

Income and expense items related to transactions with related parties during 2025:

EUR`000	Shareholders	Key management personnel	Other related parties	Board and Council
Commission Income	-	1	-	1
Provisions for Credit Losses As of 31 December 2025	-	-	-	1
Interest Expenses	18	-	-	-
Other Operating Expenses	8	-	-	-
Other Operating Income	50	-	-	-
Administrative and Other Expenses	-	53	-	627
Mandatory State Social Insurance Contributions	-	12	-	148

As of 31 December 2024, the balances with related parties are as follows:

EUR	Shareholders	Key management personnel	Board and Council	Other related parties
Loans (Contractual interest rate in line with market rates)	-	-	13	2
Provisions for Credit Losses As of 31 December 2024	-	-	(1)	-
Deposits (Contractual interest rate in line with market rates)	675	11	155	375

Income and expense items related to transactions with related parties during 2024:

EUR	Shareholders	Key management personnel	Other related parties	Board and Council
Commission Income	-	-	1	-
Provisions for Credit Losses As of 31 December 2024	-	-	-	(1)
Interest Expenses	10	42	1 078	-
Other Operating Expenses	23	-	-	-
Other Operating Income	35	-	-	-
Administrative and Other Expenses	-	136	-	641
Mandatory State Social Insurance Contributions	-	32	-	151

28. Fair Value

Below is a comparison of the Bank's financial instruments presented in the financial statements, showing carrying amounts and fair values.

(a) Financial instruments measured at fair value

The Bank has no financial instruments measured at fair value.

(b) Financial instruments not measured at fair value

The table analyzes the fair values of financial assets and liabilities not measured at fair value, according to the hierarchy of fair value determination sources:

31.12.2025., EUR`000	1st Level	2nd Level	3rd Level	Total Fair Value	Total Carrying Amount
Financial Assets					
Cash and Cash Equivalents	-	19 735	-	19 735	19 735
Loans and Receivables from Non-Banks	-	-	32 348	32 348	54 929
Debt Securities	-	3 397	-	3 397	3 397
Other Assets	-	-	648	648	648
Financial Liabilities					
Deposits	-	73 786	-	73 786	73 786
Subordinated Loans	-	1 802	-	1 802	1 802
Accounts Payable	-	362	-	362	362

During 2025, there were no reclassifications between the levels of the fair value hierarchy.

Cash and demand deposits with central banks comprise cash in EUR and deposits with the Bank of Latvia, the carrying amount of which equals their fair value.

Other financial assets consist of card security deposits, cash in transit, and office lease security deposits; therefore, their carrying amounts are equal to their fair values.

Loans and receivables from customers are financial assets measured using the discounted cash flow method. All interest rates are in line with industry average rates. The methodology for determining fair value is described in the accounting policies.

31.12.2024., EUR`000	1st Level	2nd Level	3rd Level	Total Fair Value	Total Carrying Amount
Financial Assets					
Cash and Cash Equivalents	-	35 383	-	35 383	35 383
Loans	-	-	988	988	988
Other Assets	-	-	534	534	534
Financial Liabilities					
Deposits	-	33 098	-	33 098	33 098
Accounts Payable	-	539	-	539	539

29. Currency Risk and Sensitivity Analysis

Considering that the Bank's functional currency is EUR, which is the base currency of the Republic of Latvia, the Bank is not exposed to currency risk; therefore, a sensitivity analysis is not required.

30. Credit Risk

The table reflects the Bank's maximum credit risk exposure from the items reported in the financial statements. The maximum credit risk exposure is presented both on a gross basis—without considering collateral, expected credit losses, and other credit risk mitigation measures—and on a net basis—taking into account collateral and other credit risk mitigation measures.

Maximum credit risk distribution:

	31.12.2025	31.12.2024
	EUR`000	EUR`000
Deposits with the Bank of Latvia	2 125	444
Overnight Deposits with the Bank of Latvia	17 610	34 931
Deposits with Swedbank AS	-	9
Financial Instrument Account with AS Citadele banka	1	-
Loans and Receivables from Non-Bank	56 149	1 070
Debt Securities	3 397	-
Other Assets	653	534
Total Maximum Credit Risk Exposure	79 935	36 988

Maximum Credit Risk Concentration:

The table presents the distribution of gross risk exposures related to the Bank's obligations to credit institutions by geographic regions and major counterparties or groups of related counterparties.

	31.12.2025	31.12.2024
	EUR`000	EUR`000
Deposits with Swedbank AS	-	9
Financial Instrument Account with AS Citadele banka	1	-
Total from Credit Institutions	1	9

As of 31 December 2025, the Bank's maximum gross credit risk exposure to a single counterparty or group of related counterparties amounted to 0.00% of the total gross credit risk exposure to financial institutions (2024: 0.02%).

At the end of the reporting period, the concentration of the top 20 borrowers was 7.64% (2024: 22.88%).

Transactions exposed to credit risk are classified into four credit quality groups based on credit ratings published by international rating agencies. The following credit quality groups are assigned to financial assets held with financial institutions:

1st Group: AAA, AA, A (Standard & Poor's, Fitch) / Aaa, Aa, A (Moody's)

The Bank includes first-class counterparties considered low-risk investments.

2nd Group: BBB (Standard & Poor's, Fitch) / Baa (Moody's)

The Bank includes counterparties with a good market position.

3rd Group: BB, B (Standard & Poor's, Fitch) / Ba, B (Moody's)

The Bank includes counterparties with medium credit risk.

4th Group: CCC, CC (Standard & Poor's, Fitch) / C (Moody's)

The highest credit risk exposure in this group is related to claims against counterparties with high credit risk.

Without External Rating

Counterparties without an international credit rating are primarily subsidiaries of credit institutions operating in Latvia.

Internal Credit Rating

It is updated at least quarterly using current data from external and internal sources. Throughout the life of a loan, credit monitoring and quality assessment are carried out in accordance with the "Credit Monitoring Procedure" and the "Asset Quality Assessment and Provisioning Procedure."

If a counterparty does not have a Moody's credit rating, the corresponding Fitch or Standard & Poor's rating assigned to the counterparty is used. If a counterparty has two external credit ratings from the mentioned agencies and they differ, the lower of the two is applied. If more than two external credit ratings are available, the two lowest ratings are considered, and if they differ, the higher of the two is applied.

If a counterparty does not have an individual credit rating but belongs to a group of related parties, the rating applied in the assessment is determined based on the credit rating of the counterparty's parent company (if available) and the counterparty's country rating (if available), selecting the lower of the two.

31.12.2025., EUR `000	1st Group	2nd Group	3rd Group	Without External Rating	Total
Cash and cash equivalents	19 735	-	-	1	19 736
Loans and receivables from non-banks	-	-	-	56 149	56 149
Debt securities	3 397	-	-	-	3 397
Other assets	-	-	-	653	653
Total before credit losses	23 132	-	-	56 803	79 935
Credit losses	(1)	-	-	(1 225)	(1 226)
Total, Net	23 131	-	-	55 578	78 709

Breakdown of financial asset credit quality by groups according to international ratings as of 31 December 2024:

31.12.2024., EUR `000	1st Group	2nd Group	3rd Group	Without External Rating	Total
Cash and cash equivalents	35 375	-	-	9	35 384
Loans and receivables from non-banks	-	-	-	1 070	1 070
Other assets	-	-	-	538	538
Total before credit losses	35 375	-	-	1 617	36 992
Credit losses	(1)	-	-	(87)	(88)
Total, Net	35 374	-	-	1 530	36 904

Breakdown of the bank's financial assets by three-stage categories as of 31 December 2025:

31.12.2025., EUR'000	Stage 1:	Stage 2:	Stage 3:	Total
Financial assets				
Cash and cash equivalents	19 736	-	-	19 736
Loans and receivables from non-banks	53 536	2 017	596	56 149
Debt securities	3 397	-	-	3 397
Other assets	653	-	-	653
Gross financial assets	77 322	2 017	596	79 935
Credit losses	(549)	(247)	(430)	(1 226)
Total, Net	76 773	1 770	166	78 709

Changes in the Bank's financial assets measured at amortized cost, broken down by stages as of 31 December 2024:

31.12.2024., EUR'000	Opening in Stage 1	Changes from Stage 1 to Stage 2	Changes from Stage 2	Total
Financial assets				
Cash and cash equivalents	35 383	-	-	35 383
Loans and receivables from non-banks	788	260	22	1 070
Other assets	538	-	-	538
Gross financial assets	36 709	260	22	36 991
Credit losses	(32)	(40)	(15)	(87)
Total, Net	36 677	220	7	36 904

31. Interest rate risk

The Bank is exposed to interest rate risk in relation to financial assets and financial liabilities that are subject to interest rate risk, based on the shorter of the remaining terms of the financial instruments exposed to interest rate risk and the interest rate reset dates. The table below summarizes the Bank's interest rate risk exposure in the carrying amounts of the Bank's financial assets and liabilities, categorized by the earlier of the contractual interest rate reset date or maturity. For the assessment of interest rate risk, the Bank applies the simplified standardized methodology referred to in Regulation (EU) 2024/857, which determines the base of funds (stable non-maturity deposits, whose repricing is unlikely to change significantly under varying interest rate environments and market conditions), as well as their allocation across time intervals. Therefore, the Bank does not model customer behavior for accounts without specified repricing dates or accounts with uncertain maturities, taking into account the characteristics of both depositors and customer accounts.

The Bank identifies instruments sensitive to interest rate changes, including financial instruments with embedded options (transactions with early withdrawal or prepayment options), and applies customer behavior assumptions by modeling the term deposit early redemption rate and the fixed-rate loan conditional prepayment rate, based on historical observations that are consistent over time. The loan prepayment rate reflects the expected annual prepayments, while the term deposit early redemption rate represents the cumulative expected redemption amounts over the term of the deposit.

During the Bank's initial operational period, while sufficient historical data is not yet available, these rates are determined using available historical information, expert judgment of the Bank's specialists, professional experience, and available market and competitor information, as well as considering the potential impact on current and future loan prepayment speeds caused by the economic environment, contractual terms, interest rate change scenarios, and other factors affecting customer behavior.

Analysis of the undiscounted term structure of assets and liabilities subject to interest rate changes as of 31 December 2025:

31.12.2025., EUR'000	Total	On demand	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years	Risk-free
Financial assets								
Cash and cash equivalents	19 733	19 733	-	-	-	-	-	-
Loans and receivables from non-banks	54 163	541	5 481	11 601	13 502	20 117	2 921	-
Debt securities	3 426	-	1 001	-	1 529	896	-	-
Other assets	2 187	2 187	-	-	-	-	-	-
Total financial assets	79 509	22 461	6 482	11 601	15 031	21 013	2 921	-
Financial liabilities								
Deposits	(75 514)	(46 741)	(1 825)	(1 119)	(16 886)	(7 349)	(1 594)	-
Pārējās saistības	(2 702)	(2 702)	-	-	-	-	-	-
Other liabilities	(78 216)	(49 443)	(1 825)	(1 119)	(16 886)	(7 349)	(1 594)	-
Interest rate risk	1 293	(26 982)	4 657	10 482	(1 855)	13 664	1 327	-

Information on interest rate risk is provided based on the Bank's internal reports submitted to management.

Analysis of the undiscounted term structure of assets and liabilities subject to interest rate changes as of 31 December 2024:

31.12.2024., EUR'000	Total	On demand	Up to 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Over 5 years
Financial assets							
Cash and cash equivalents	35 383	35 383	-	-	-	-	-
Loans and receivables from non-banks	1 449	265	41	84	341	718	-
Debt securities	987	987	-	-	-	-	-
Other assets	37 819	36 635	41	84	341	718	-
Total financial assets							
Financial liabilities	(33 865)	(16 227)	(117)	(236)	(11 520)	(5 765)	-
Deposits	(2 832)	(2 832)	-	-	-	-	-
Pārējās saistības	(36 697)	(19 059)	(117)	(236)	(11 520)	(5 765)	-
Other liabilities	1 121	17 576	(76)	(152)	(11 178)	(5 047)	-

As of 31 December 2025, assuming that interest rates were 200 basis points lower while other variables remained unchanged, the impact on annual profit would be negative EUR 149 thousand, mainly due to lower interest income received.

	Basis point increase	Sensitivity of net interest income, EUR '000	Basis point decrease	Sensitivity of net interest income, EUR '000
As of 31 December 2025				
	+200	149	-200	(149)
Total impact		149		(149)
			2024. gada 31. decembrī	
	+200	309	-200	(309)
Overall impact		309		(309)

The Bank monitors assets and liabilities that are sensitive to interest rates. The table below summarizes the weighted average interest rates for interest rate-sensitive assets and liabilities as of 31 December 2025 and 2024.

	Carrying amount as of 31.12.2025, EUR '000 – Interest rate-sensitive assets	Weighted average interest rate as of 31.12.2025	Carrying amount as of 31.12.2025, EUR '000 – Interest rate-sensitive liabilities	Weighted average interest rate as of 31.12.2025
Deposits with the Bank of Latvia	19 734	2.26%	35 374	3.02%
Loans and receivables from non-banks (consumer loans)	30 445	12.49%	988	12.94%
Loans and receivables from non-banks (mortgage loans)	23 565	1.78% +EURIBOR	-	-
Total	73 744		36 362	

Interest rate-sensitive liabilities

Current accounts	13 667	1.00%	5 007	1.50%
Savings accounts	33 123	2.00%	16 585	2.75%
Term deposits	25 817	2.97%	10 831	3.76%
Term deposits of legal entities	1 179	1.86%	675	3.20%
Subordinated loans	1 802	11.00%	-	-
Total	75 588		33 098	

32. Going concern

INDEXO Bank commenced banking operations on 28 August 2024 and in 2025 has completed its first full year of operations. By the end of 2025, the number of the Bank's clients had reached 49.7 thousand, compared to 21.1 thousand at the end of 2024, with total deposits amounting to EUR 73.8 million, compared to EUR 33.1 million a year earlier, while the loan portfolio exceeded EUR 54 million, compared to EUR 1.1 million at the end of 2024. Given the relatively recent launch of the Bank's operations, income levels are not yet sufficient to fully cover operating costs. As a result, the Bank closed the reporting period with a loss of EUR 9.25 million, compared to EUR 6.16 million in 2024.

During 2025, IPAS INDEXO increased the Bank's capital by EUR 10 million, and the Bank additionally raised EUR 1.8 million in subordinated borrowings. At the end of 2025, the Bank's capital adequacy ratio stood at 21.26%, compared to 54.17% in 2024, exceeding the regulatory guideline recommendation of 20%. The liquidity coverage ratio at the end of the reporting period was 529.67%, compared to 1 273.49% in 2024, which was significantly above regulatory requirement.

In January 2026, the INDEXO Group successfully completed the acquisition of AS DelfinGroup, with IPAS INDEXO increasing its ownership to 71.52%. Given DelfinGroup's stable and high profitability, the transaction resulted in the INDEXO Group becoming profitable from the first day following the business combination. The Bank's management expects that the most profitable INDEXO Group companies will help to cover INDEXO Bank's development expenses in 2026, until INDEXO Bank itself reaches positive profitability. With the current revenue and expense structure, INDEXO Bank plans to reach the break-even point before expected credit losses in December 2026.

At the same time, to achieve the Bank's strategic targets in 2026 continuing to expand the Bank's loan portfolio and overall income base, and to successfully introduce additional planned products, including home equity loans, consumer loan consolidation products, and family accounts, the Management of the Bank recognises that additional external capital will be required to execute these plans.

The Management of the Bank is considering and evaluating various capital strengthening options, including a public share offering by IPAS INDEXO and the issuance by INDEXO Bank of Tier 2 or Additional Tier 1 capital instruments.

Based on the financial and liquidity assessments performed and taking into account the overall profitability of the INDEXO Group, the management of the Bank concludes that the going concern assumption is appropriately applied in the preparation of the Bank's financial statements.

33. Events After the Reporting Period

Following the end of the reporting period, the following strategically significant events have taken place:

- As of 25 February 2026, the number of INDEXO Bank's customers had increased to 54.0 thousand, total deposits had reached EUR 83.6 million, and the volume of loans issued had reached EUR 66.7 million.
- On 6 February 2026, the Bank introduced a new type of mortgage loan to its product offering – a home equity loan, enabling customers to leverage the value of their existing property to obtain financing for various purposes, such as home renovation, acquisition of a new property, debt consolidation, or the implementation of other plans.
- By 25 February 2026, the Bank's capital had been increased by EUR 1.05 million, and the Bank had raised EUR 0.75 million in subordinated deposits.
- On 12 February 2026, Ramona Miglāne resigned from her position as a Member of the Bank's Supervisory Board. Following approval by Latvijas Banka, Zlata Elksniņa-Zaščirinska was appointed as a new Member of the Bank's Supervisory Board. The appointment of the new Supervisory Board member and the updated composition of the Supervisory Board were registered with the Commercial Register on 17 February 2026.

The financial statements have been authorised for issue on 25 February 2026 and signed on behalf of the AS INDEXO Banka Management and Supervisory Board by:

Valdis Siksnis, Chairman of the Management Board
Ivita Asare, Member of the Management Board
Jānis Mūrnieks, Member of the Management Board
Ieva Bauma, Member of the Management Board
Gints Ozoliņš, Member of the Management Board
Evija Stūrmane, Member of the Management Board
Toms Grinbergs, Member of the Management Board
Valdis Vancovičs, Chairman of the Supervisory Board

The annual report was prepared by:
Chief Accountant of AS INDEXO Banka
Jūlija Samoilova

THIS DOCUMENT IS SIGNED WITH A SECURE DIGITAL SIGNATURE AND CONTAINS A TIMESTAMP

Independent Auditors' Report

To the shareholder of AS INDEXO Banka

Report on the Audit of the Financial Statements

Our Opinion on the Financial Statements

We have audited the financial statements of AS INDEXO Banka (“the Bank”) set out on pages 11 to 55 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 for the year then ended,
- the statement of cash flows for the year then ended,
- 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 then ended 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), as applicable to audits of the financial statements of public interest entities and independence requirements included in the Law on Audit Services of the Republic of Latvia that are relevant to our audit 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, 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:

<p><i>"Expected credit losses" for "Loans and advances due from non-banks"</i></p> <p>We refer to the financial statements: Note 3 "Financial instruments" (Material accounting policies), Note 15 "Loans and advances from non-banks".</p>	
<p>Key audit matter</p>	<p>"Loans and advances due from non-banks" totaled EUR 54 929 thousand and represents approximately 63% of the Bank's assets as at 31 December 2025 (31 December 2024: EUR 987 thousand and approximately 2%)</p> <p>The Bank offers unsecured loan products and secured mortgage loans issued to private individuals.</p> <p>In accordance with IFRS 9, the Bank calculate impairment allowance based on expected credit losses ("ECLs"). ECLs are estimated mainly based on the historical pattern of losses and changes in loan risk characteristics based on qualitative and quantitative indicators such as the probability of default ("PD") and loss given default ("LGD"). The Bank incorporates forward looking information into modelling techniques applied.</p> <p>Impairment allowance represents the Management's best estimate of the expected credit losses related the "Loans and advances due from non-banks" as at the reporting date and requires significant judgments.</p> <p>Due to the above factors, we consider the area to be associated with a significant risk of material misstatement, which requires our increased attention in the audit. As such, we determined it to be a key audit matter.</p>
<p>Our audit response</p>	<p>Our procedures included, among others:</p> <ul style="list-style-type: none"> • inspected the Bank's expected credit loss ("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; • engaged IT specialists who tested the effectiveness of the overall IT environment and controls over the systems supporting the calculation of days past due and the scripts used in determining ECL; • 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.

<p><i>“Interest income calculated using the effective interest rate” recognition</i></p> <p>We refer to the financial statements: Note 3 “Revenue and expense recognition” (Material accounting policies), Note 5 “Interest income at the effective interest rate”.</p>	
<p>Key audit matter</p>	<p>For the year ended 31 December 2025, “Interest income calculated using the effective interest rate” totaled EUR 2 806 thousand and represents approximately 74% of the Bank’s total income and other revenue (31 December 2024: EUR 430 thousand and approximately 67%).</p> <p>In accordance with IFRS 9 - Recognized interest income is determined using the effective interest rate (“EIR”) method. In determining the amount of interest income, the Bank uses a model whereby automatically calculated interest amounts are based on the contractual interest rate to reflect the additional costs incurred in entering into the loan agreement in the EIR measurement and the resulting interest income is recognized in the income statement.</p> <p>The calculation of interest income is performed using sophisticated information technology systems that process frequently updated and voluminous data.</p> <p>Due to the above factors, we consider the area to be associated with a significant risk of material misstatement, which requires our increased attention in the audit. As such, we determined it to be a key audit matter.</p>
<p>Our audit response</p>	<p>Our procedures included, among others:</p> <ul style="list-style-type: none"> • assessed the accounting policies, management assumptions and tested inputs used in the recognition of interest income; • engaged IT specialists who tested the effectiveness of the overall IT environment and controls over the systems supporting the calculation of interest income; • tested the design and implementation of selected controls over the interest income recognition process, controls over the application of appropriate contractual interest rates and other contractual terms, as well as recalculated interest income to assess the correctness of the effective interest rate applied; • performed other substantive and analytical procedures; • tested the completeness and accuracy of the disclosures relating to interest income in the notes to the financial statements.

Other matter

The financial statements of the Bank for the year ended 31 December 2024 were audited by another auditor who expressed an unmodified opinion on those statements on February 27, 2025.

Reporting on Other Information

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

- Information on the Bank, Bank’s management, shareholders and equity participation, as set out on page 3 of the accompanying Annual Report,

- the Management Report, as set out from page 4 to 8 of the accompanying Annual Report, and
- the Statement of responsibility of the management board of AS INDEXO Banka, as set out on page 9 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 Bank 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, in all material respects:

- 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 separate and consolidated 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 skepticism 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.

Report on Other Legal and Regulatory Requirements

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 16 September 2025 to audit the separate and consolidated financial statements of AS INDEXO Banka for the year ended 31 December 2025. This is our first year of appointment.

We confirm that:

- our audit opinion is consistent with the additional report presented to the Supervisory Board performing the role of 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 Company and the Group 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"
License No 182

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

Riga, Latvia
25 February 2026

THIS DOCUMENT HAS BEEN SIGNED WITH A SECURE ELECTRONIC SIGNATURE AND IT HAS A
TIMESTAMP