Group's consolidated and Bank's Separate Annual report for the year ended 31 December 2024

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Letter by Jeļena Buraja, Chairman of the Board of Rietumu Banka

Dear clients and partners!

We have experienced another year that was challenging for the Latvian economy and society as a whole. Geopolitical tension and uncertainty, slowing economic growth, higher state budget deficit and increasing tax burden on the banking sector, low level of investment, tight labour market situation – all these factors have had an impact on the financial sector.

I am pleased that during these difficult times Rietumu Banka has strengthened its position as the most valuable local capital bank in Latvia. What is more, we confidently expanded our operations, starting cooperation with several hundred local companies.

Our balanced business model provided a solid foundation for growth in a changing environment, minimizing the impact of external negative factors and focusing on new opportunities.

Last year, with the financial support of Rietumu Banka, ambitious projects were implemented in the field of real estate construction and renovation of historical buildings, food production, and tourism development. We provided credit resources to Latvian entrepreneurs who are developing new business lines and entering the European market.

We have a deep conviction in the future of sustainable economy and the importance of achieving climate neutrality goals. The bank firmly advocated ensuring Latvia's energy independence and using the export potential of renewable energy. In realizing these goals, last year we granted loans to several green energy projects, as well as built the largest solar parks in Latvia ourselves.

We also expanded deposit placement opportunities for European residents using modern fintech platforms.

Rietumu Banka financial results create a secure basis for further long-term growth. We will implement our strategic priorities and continue to develop cooperation with Latvian and European companies, finance our clients' businesses, develop asset management, and implement innovative digital solutions.

Our goal is to be a reliable and strong partner for each client of the bank, providing support and solutions for both short-term needs and long-term well-being.

A key priority for Rietumu Banka is strict risk monitoring, continuous improvement of the internal control system and implementation of all the latest regulatory requirements.

We live and work in a rapidly changing world, so we want and are able to change. Combining the experience of maturity with the energy of youth, we do it thoughtfully and prudently, putting the interests of our clients first.

Last year, the bank introduced a new visual identity, acquiring a fresh and modern image. At the same time, our core values such as long-term cooperation with clients, excellent individual service, security, reliability, conservative risk assessment - remain stable and unchanged.

We are convinced that success is determined not only by financial results. Rietumu banka shares sustainability values such as transparency of corporate governance, gender equality, corporate culture and the creation of a healthy work environment.

Being aware of ourselves as part of society, we are one of the largest patrons in Latvia, supporting culture and art - participating in the creation of a progressive and educated nation, in which human and spiritual values are developed along with economic growth. We support medicine and sports, helping to create a healthy society and increase the recognition of our country in the world. The bank is the patron of the Dailes Theatre, we cooperate with the Latvian National Museum of Art and organize exhibitions of works by Latvian painting classics. Our partners are the Children's Hospital, the Latvian Hockey Federation, the VEF Riga basketball club, and many others.

I am truly pleased that the number of our Latvian clients, partners and like-minded people is growing every year.

I sincerely thank you all for your trust and cooperation!

You inspire us to move forward, do our best and achieve our main goal:

support Rietumu Banka clients on their way to success!

A year in our life

Most valuable local capital bank

Rietumu Banka was recognised as the most valuable local company in the Latvian financial sector in the TOP101 list of Latvian companies, compiled by Nasdaq Riga Stock Exchange and Prudentia.

We ranked 5th among all banks operating in Latvia in the TOP 500+, while maintaining our position as the largest bank with local capital. According to the TOP 500+ data, key financial indicators of Rietumu Banka significantly exceed those of other local banks, mostly by several times.

New visual identity

Following the latest trends, we have introduced a new visual identity. We have acquired a new, modern image, while maintaining our core principle - to be a reliable, professional and understanding partner to every client.

Our new slogans reflect the business philosophy of Rietumu Banka:

Rietumu. A bank for Latvian business that appreciates every nuance.
Quality is never an accident.

Charles William Larson Jr. joined the Bank's Council

Charles William Larson Jr. has become an independent member of the Council of Rietumu Banka, overseeing sustainable development issues.

In previous years, he served as the United States Ambassador Extraordinary and Plenipotentiary to Latvia. During his career, Mr. Larson has been elected to the U.S. State Senate of Iowa and the Iowa House of Representatives. Charles William Larson has served in the U.S. Armed Forces, where he was appointed lieutenant colonel. He has been awarded high state awards in the United States and Latvia.

Our new clients

Continuing to develop cooperation with Latvian and Baltic companies, we attracted more than 600 new clients during the year, whose cash turnover last year was 508 million euros.

Our clients are large and medium-sized companies operating in such sectors as green energy, food and commodity production, commercial and residential real estate development, construction, import and export transactions, logistics, trade, financial services, technology and other areas.

Loans for large business projects

During 2024, we have issued loans to businesses for 131 million euros.

We allocated more than 31 million euros in financing for the establishment of the SYFUD fish processing plant in Liepāja, which was built with the co-financing of the Rural Support Service, promoting the country's export potential and creating new jobs.

We provided loans for the renovation of historic Riga buildings, the hotel business, real estate projects of Latvian entrepreneurs in Portugal, projects in the energy sector and many other areas.

Developing green energy

We continue to pay special attention to the growth of renewable energy in Latvia. We have granted loans for large solar parks in Auce and Valdemārpils, a solar park and a hydroelectric power plant in Aiviekste municipality.

Several large-scale solar parks with a total capacity of 33 MWh were developed with our direct participation. These include "Aleksandriņi" and "Citroniņi" in Salaspils and Ķekava municipalities, "Aleksandra muiža" in Marupe municipality, "Remmes - Lāči" in Marupe municipality.

Cooperation with European fintech platforms

We have expanded the possibilities of placing deposits in the bank for European residents using modern fintech platforms.

We started cooperation with fintech deposit platforms in Austria and Ireland, and also successfully continued cooperation with such platforms in Germany and the Netherlands. We have both expanded the geographical range and signed a cooperation agreement with a new deposit platform.

Payments in British pounds

Taking care of the convenience of our customers and taking into account their needs, we have expanded the range of services to include payments in British pounds. Now the bank's customers have the opportunity not only to make and receive payments, but also to accumulate and convert funds in this currency.

Support for arts and sports

Rietumu Banka, being the patron of the Dailes Theatre, continued to support this largest professional theatre in the Baltics.

With paintings from our collection, we have participated in the creation of an exhibition of Ludolfs Liberts' works at the Latvian National Museum of Art. In the art gallery of the bank's office, we have organized a unique Leo Kokle exhibition, an exhibition of paintings from the bank's collection, as well as many other exhibitions. All exhibitions in our gallery are available to any visitor free of charge.

We supported athletes who represent our country in the world: the Latvian national ice hockey team in cooperation with the Latvian Hockey Federation, the Latvian basketball team in cooperation with the VEF Rīga club.

Our team and office

Last year, 93 new employees joined the Rietumu Banka team. Our specialists participated in various international forums and conferences, published articles and comments on current issues of the financial sector and economic development in the mass media, and continued to deepen their knowledge by participating in internal and external training.

Our office Rietumu Capital Centre was repeatedly awarded the Green Office certification of the World Wide Fund for Nature.

The Bank was founded in the Republic of Latvia as a joint-stock company. On 5 May 1992, the Bank obtained the general banking license, the license number 06.01.04.018/245. The legal address of the Bank's head office is Vesetas iela 7, Riga, Latvia, unified registration number 40003074497. The Bank's core activities are accepting deposits, maintaining customer accounts, lending, documentary operations, cash and settlement operations and operations with securities and foreign currency.

Report from the Council and the Executive Board

Strategic development of the Bank

In 2024, AS "Rietumu Banka" and its subsidiaries (hereinafter referred to as the "Group") continued to develop steadily, ensuring sustainable growth and consolidating their positions in Latvian financial market. AS "Rietumu Banka" (hereinafter referred to as the "Bank") is the parent company of the Group, and it kept focusing on the provision of services to large and medium-sized companies as well as wealthy individuals in Latvia, the Baltics, and other member states of the European Union.

AS "Rietumu Banka", registration No. 40003074497, legal address: Vesetas street 7, Riga, LV-1013 (website https://www.rietumu.com), licence for credit institution activities (licensees register No.06.01.04.018/245) issued by Financial and Capital Market Commission (integrated into Latvijas Banka since 01.01.2023) on May 5, 1992. The Bank have no branches.

Amidst the changing macroeconomic conditions, the Bank managed to successfully adapt to the market situation, continued developing modern financial solutions and maintained efficient risk management. The clients are offered innovative and competitive services, which are essential for furthering long-term cooperation and building trust.

Strengthening its brand, the Bank has actively engaged in supporting different public initiatives and social projects. As a result of targeted communication and elaborated marketing strategy, the Bank's recognition and reliance by cooperation partners and Latvian residents have grown considerably. According to the survey conducted by the Bank, in 2024 the Bank was recognized by 84% of Latvian residents, which is 31 percentage points more than in 2022. The Bank's brand is most recognized by its target audience – 92% of the respondents living in Riga and 94% of those having high income.

<u>External business-affecting factors</u>

In 2024, the business environment in Latvia and the European Union was affected by various material factors.

<u>1. Macroeconomic situation</u>

High interest rates and inflation fluctuations continued to influence the economic growth on a global scale and Europe-wide. Although inflation has slowed down compared with previous years, the decisions on monetary policy taken by the central banks and the geopolitical situation still were causing uncertainty in financial markets. These circumstances affected both the investment decisions of companies and the buying capacity of customers.

In 2024, the European Central Bank and the U.S. Federal Reserve System changed their monetary policy and began decreasing the interest rates in order to support economic growth, given the inflation stabilization trends in both the euro area and the USA. At the end of 2023, the inflation in the euro area was 2.9%, and at the end of 2024 it declined to 2.4%, whereas the U.S. inflation has decreased from 3.4% to 2.9%.

<u>2. Regulatory changes and legislative amendments</u>

Improvements to the regulation in the EU and Latvian financial sector were continued by introducing more stringent requirements on transparency, risk management, and compliance with international standards. Sustainability (ESG) principles and regulation of digital financial services have been particularly emphasized. The Latvijas Banka, being the central financial supervisory authority, has introduced new requirements concerning the maintenance of financial stability and regulation of digital assets, which had impact on all market players, including the Bank. The Bank has successfully implemented those changes by introducing required solutions and ensuring high level of compliance.

<u>3. Technological transformation and innovations</u>

Artificial intelligence and process automation continue to drive the evolution of the financial sector by facilitating the development of new services, enhancing efficiency, and elevating client satisfaction and trust in the Bank. The Bank has explored the AI technologies that provide the opportunities for improving the client service and the risk prevention and analysis by enabling faster and more accurate decision-making. The AI solutions can be also used for forecasts and risk analysis.

Report from the Council and the Executive Board

4. Geopolitical and socioeconomic factors

Regional and global geopolitical circumstances continued to have impact on the business environment. Trade and investment flows depended on developments in the international policy, while adjustment of supply chains and expansion to new markets were prioritized by companies.

In 2024, the global and regional economic situation remained affected by the war in Ukraine and the ensuing sanctions imposed by the European Union, the USA, and other countries against the Russia and Belarus.

Given these factors, the Bank continued adjusting its strategies in order to ensure steady growth, efficient risk management, and high quality of the offered financial services. The Bank worked intensely on reducing the influence of external factors and maintaining stability, also paying special attention to controlling the risks and keeping high liquidity indicators. Upon Russia's full-scale invasion of Ukraine began, the Bank immediately stopped all financial projects and new investments in Russia and Belarus. Active steps intended for reducing the legacy risk exposures continue to be taken, and by the end of 2024 the residual value of those exposures has dropped to 6,9% of the total assets.

Financial result analysis

The Bank’s and the Group’s operating and financial results of 2024 prove that the strategic decisions made by the Bank’s management were sound and foresightful. Thus, the financial results are good and consistent with the Bank’s financial plan, enabling further development and growth of the Bank and the Group based on the set strategy implementation.

Assets

As of 31 December 2024, the total assets of the Bank’s Group equalled EUR 1.38 billion. The overall net loan portfolio of the Bank’s Group has grown by EUR 35 million (+6%), amounting to EUR 657 million as of 31 December 2024.

At the end of 2024, the Bank’s securities portfolio was EUR 266 million, and it was composed of high-quality government and corporate securities, mostly denominated in euro. Investment-grade debt securities constitute 77% of the portfolio, and 16% are the U.S. securities. Both geographical and sectoral diversification of the securities portfolio is ensured, carefully assessing all material risks. The average maturity of the securities is 2.5 years.

Funding, capital and expansion of the capital base

As of 31 December 2024, the Bank’s total amount of deposits was EUR 930 million. Balances of the deposit accounts of the Bank’s clients constituted 91% of the total liabilities. The sum total of term deposits was EUR 493 million as of 31 December 2024.

Taking into account the liabilities maturity structure, the Bank continued diversifying its external funding base in 2024, by attracting term deposits from individuals through deposit platforms in various EU countries.

Over 2024, the Group’s total equity has decreased by EUR 5.8 million, amounting to EUR 374 million as of 31 December 2024, which was conditioned by the dividend payments of EUR 30 million made in 2024 and the Group’s total profit for 2024 being EUR 13 million. Tier 1 capital adequacy ratio of the Group (see Note 4 (h) Capital Management) was 24.41% as of 31 December 2024 (24.71% in 2023), and the total capital adequacy ratio of the Group (see Note 4 (h) Capital Management) equalled 25.38% as of 31 December 2024 (26.00% in 2023), being among the highest ones in the market.

Report from the Council and the Executive Board

Revenues and profitability

Interest income is the primary source of the Group's operating revenue, and it continued to grow in 2024. Compared with the previous year, the increase was by EUR 5 million, the total amount reaching EUR 73 million. At the same time, the external funding costs (i.e., interest expense, which surged from EUR 16 million in 2023 to EUR 25 million in 2024) have been increasing rapidly, and therefore the net operating revenue of the Bank's Group has decreased by EUR 7,5 million, amounting to EUR 67 million in 2024.

Consequently, the Group's profit before tax has decreased by EUR 4 million compared with the previous year, and it equalled EUR 17 million. The Group's total net profit was EUR 13.2 million. Therefore, the Group's total profit per share equalled EUR 0.10 on average in 2024 (EUR 0.13 in 2023).

As a result, the Group's return on equity ratio (ROE) after tax[1] was 3.49% (4.67% in 2023), and ROE of the Bank equalled 3.61% (3.61% in 2023), whereas the Group's return on assets ratio (ROA) after tax[2] was 0.91% (1.17% in 2023), and ROA of the Bank – 0.89% (0.86% in 2023).

Companies of the Group

The Bank's major lines of business are lending, issuing of guarantees, servicing of the clients' accounts, acceptance of deposits, cash and payment transactions, securities transactions, and currency exchange.

The companies constituting the Group operate in different fields, including financial services, lending, energy industry, financial investments, real estate management, development and sale, aircraft rental, and other areas.

Optimisation of the Group's structure and efficiency improvement, started in 2023, were continued in 2024 through liquidation of non-operating companies and reorganisation of the companies operating in related areas. Management of the Bank's subsidiaries and supervision of their daily activities are completely integrated into the Bank's governance and internal control processes.

Own funds of the subsidiaries and the Bank's loans and capital investments are used for financing the operations of subsidiaries. Such approach ensures stable cash flow and efficient resource management, furthering the growth of the subsidiaries.

The Bank has qualifying holding (51%) in the subsidiary lending company SIA "InCREDIT GROUP", which is registered and operates in Latvia. As of 31 December 2024, the loan portfolio of SIA "InCREDIT GROUP" was EUR 68.5 million.

SIA "RB Investments", a subsidiary solely owned by the Bank, manages the major share of the Group's real estate portfolio. The portfolio properties are mostly located in Riga and Riga region; those are rented or leased, thus generating income for the Group.

The Group runs several solar park construction projects, launched in 2023, thus contributing to development of the renewable energy sector. Furthermore, construction and renovation of residential properties is performed. The Group's primary goal is to continue development and sale of its real estate.

Risk management

The Bank ensures comprehensive risk management implemented at all levels of the Bank and the Group and in all the Bank's structural units. Within the risk management, the Bank strives to take into account the known types/sources of risk and their affecting factors.

The model of three lines of defence is applied throughout all functions of the Group and the Bank, the roles and responsibilities are clearly defined, the risk management framework is developed, and continuously improved, internal and external trainings are conducted, as well as duties are distributed.

[1] the ratio of the reporting-period profit after enterprise income tax to the average shareholders' equity at the beginning and the end of the year
[2] the ratio of the reporting-period profit after enterprise income tax to the average amount of assets at the beginning and the end of the year

Report from the Council and the Executive Board

Three lines of defence model

Based on the *Business Development Strategy*, *Sustainability Strategy*, and *Risk Management Strategy*, a three-level internal threshold system has been developed at the Bank and the Group, which includes risk appetite framework, risk limits, and key risk indicators.

The Bank's management receives daily, weekly, monthly, and quarterly risk control reports on the control of the set limits.

To ensure efficient risk management, the functions of the first, second, and third lines of defence were strengthened at the Bank in 2024 by engaging experienced professionals, improving the risk management system and stress testing approaches, introducing new risk control processes, and conducting the trainings for new and existing employees. In 2024, the Bank continued integration of sustainability risks into the risk management system in order to boost the sustainability.

Following the best market practices and complying with the regulatory requirements of the Latvijas Banka, in 2024 the Bank introduced the methodology for assessing the interest rate risk and the credit spread risk in the non-trading book, improved the Business Recovery Plan and the Contingency Funding Plan, participated in the EU Specific Basel III monitoring reporting activities, and implemented the sustainability risks materiality assessment methodology.

The Bank persistently monitors the sanctions risk level, quality and efficiency of the applied controls, as well as sufficiency of human resources, to be able to immediately respond to emergency changes that might be caused by geopolitical situation and new sanctions regimes. Another assessment of the sanctions risk level was performed in 2024, analysing the changes in the clients' behaviour and the reasons for those, as well as investigating the typologies of sanctions violation and circumvention, and exploring the required control scenarios on a regular basis. The Bank keeps applying the set of comprehensive controls and risk mitigation measures within the sanctions risk management.

The Bank maintains high level of compliance with regard to the anti-money laundering, combating the financing of terrorism and proliferation (AML/CFTP), and adherence to sanctions. Necessary amendments are promptly made to the internal regulatory documents and processes in accordance with the legislation changes, recommendations provided under external and internal audits, and the best practices.

In 2024, the Bank continued improving the efficiency of the client due diligence and their transaction monitoring, introduced new technological solutions for better internal processes in the field of managing the money laundering and terrorism and proliferation financing risk and the sanctions risk, as well as strengthened the quality control functions.

The implementation of local client acquisition and long-term cooperation policy was continued, and business relationships with several hundred new clients from Latvia were established in 2024. At the same time, taking into account current sanctions issues, the Bank paid special attention to corporate client analysis, introducing additional monitoring and due diligence measures.

Detailed information on risk management, activities for the prevention of money laundering, terrorism and proliferation financing, and corruption, as well as on compliance with the requirements of the Latvijas Banka and European Central Bank, is provided in Note 4.

Further development

The Bank and the Group will continue dedicated implementation of their business strategy, strengthening their positions and becoming one of the leading financial service providers and innovation centres in the Baltic region. The Bank will focus on developing the services with high added value, placing particular emphasis on the provision of financing to large and medium-sized companies, capital management, and implementation of new digital solutions. Furthermore, the Bank will seek to become a leading financial partner for internationally operating businesses, offering them tailored and technologically advanced solutions.

Report from the Council and the Executive Board

The performance results of 2024 ensure solid foundation for dynamic growth in 2025 and the following years. The Bank will actively work on increasing its loan portfolio in Latvia, other Baltic countries, and the European Union, strengthening the capital base, improving the risk management processes, and using newest financial technologies to achieve this objective.

Cooperation with FinTech platforms and creation of AI solutions will be the primary focus areas in order to further enhance the efficiency of the provided financial services. The Bank will be actively developing the investment services, including alternative investments and individual asset management. The processes related to client acquisition and retention will be improved by implementing digital banking and automated solutions tailored to the needs of both the companies and private individuals.

Expansion of international cooperation will be another strategic goal – the Bank will develop correspondent relations with the leading financial institutions of the European Union and the USA. Thus, the clients will be provided wider opportunities for performing international transactions, attracting investments, and engaging into the global financial market.

The Bank also plans to extend its presence in European financial market by considering the acquisition of other banks and financial institutions in the EU. Due to this strategy, it will be possible to enter new markets, enhance the range of services, and increase international competitiveness. The acquisition prospects will be carefully evaluated in terms of their consistency with the strategy, the prospective synergy, and sustainability potential.

In order to further strengthen its role in the market, the Bank will take leadership in the sustainability and corporate governance area, promoting responsible investments in sustainable projects that are in line with the ESG principles.

Alongside the business development, particular attention will be paid to professional growth and wellbeing of the employees. The Bank will continue forming a modern and dynamic work environment that facilitates innovations, cooperation, and constant professional improvement. Training and development programmes will be conducted to ensure that the employees have access to the latest knowledge and technologies. Building the leadership qualities, digital skills, and customer service excellence will be especially emphasized. The initiatives intended for raising the employee wellbeing and professional motivation will be enhanced as well.

Besides pursuing the financial objectives, the Bank will continue the social responsibility and charity projects, supporting initiatives that promote sports, education, health, culture, innovation, and sustainable development. The Bank will engage in socially important projects, contributing to socially responsible initiatives that improve the overall quality of life in Latvia and the region, and promote Latvia.

This strategic approach will allow the Bank not only to strengthen its position in the Latvian and Baltic markets as a major local capital bank, but also to become a recognized and reliable financial partner across Europe, at the same time building a strong and motivated team of professionals and making a positive contribution to the development of society.

Financial results of the Group

	2024	2023	2022	2021
At year end (EUR'000)				
Total assets	1 376 054	1 511 812	1 395 304	1 554 287
Loans and receivables due from customers	657 062	622 215	545 151	595 188
Current accounts and deposits due to customers	922 637	1 005 938	940 933	1 090 276
Total shareholder's equity	373 950	379 771	348 817	355 459
For the year (EUR'000)				
Net profit before tax	17 291	21 505	19 183	29 859
Net profit after tax	13 150	17 013	17 456	28 884
Operating income	66 547	74 005	72 391	82 092
Ratios				
Earnings per share (EUR) – basic and diluted				
After tax	0.10	0.13	0.14	0.24
Return on equity				
Before tax	4.59%	5.90%	5.45%	8.69%
After tax	3.49%	4.67%	4.96%	8.41%
Return on assets				
Before tax	1.20%	1.48%	1.30%	1.98%
After tax	0.91%	1.17%	1.18%	1.91%
Capital adequacy ratio	25.38%	26.00%	24.85%	25.43%
Profit margin	25.98%	29.06%	26.50%	36.37%
Loan portfolio to total assets ratio	47.75%	41.16%	39.07%	38.29%
Number of employees	519	523	526	558

Return on equity before tax = net profit before tax / average shareholders' equity

Return on equity after tax = net profit after tax / average shareholders' equity

Return on assets before tax = net profit before tax / average assets

Return on assets after tax = net profit after tax / average assets

Capital adequacy ratio = equity / total risk transactions value

Profit margin = net profit before tax / operating income

Financial results of the Bank

	2024	2023	2022	2021
At year end (EUR'000)				
Total assets	1 371 933	1 508 604	1 402 576	1 565 182
Loans and receivables due from customers	688 443	656 367	584 332	638 482
Current accounts and deposits due to customers	930 077	1 011 145	951 824	1 100 818
Total shareholders' equity	354 202	360 467	333 798	341 500
For the year (EUR'000)				
Net profit before tax	16 037	15 902	19 390	21 230
Net profit after tax	12 882	12 534	19 111	21 500
Operating income	54 507	59 953	60 330	59 943
Ratios				
Earnings per share (EUR) – basic and diluted				
After tax	0.11	0.10	0.16	0.18
Return on equity				
Before tax	4.49%	4.58%	5.74%	6.38%
After tax	3.61%	3.61%	5.66%	6.46%
Return on assets				
Before tax	1.11%	1.09%	1.31%	1.39%
After tax	0.89%	0.86%	1.29%	1.41%
Capital adequacy ratio	24.71%	25.65%	24.66%	25.38%
Profit margin	29.42%	26.52%	32.14%	35.42%
Loan portfolio to total assets ratio	50.18%	43.51%	41.66%	40.79%
Number of employees	408	388	389	323

Return on equity before tax = net profit before tax / average shareholders' equity

Return on equity after tax = net profit after tax / average shareholders' equity

Return on assets before tax = net profit before tax / average assets

Return on assets after tax = net profit after tax / average assets

Capital adequacy ratio = equity / total risk transactions value

Profit margin = net profit before tax / operating income

*Amendments to the report of the Council and the Executive Board included in the consolidated and separate annual reports of the Group and the Bank for the year ended 31 December 2023

The Executive Board of the Bank informs that inaccuracies were found in the report of the Council and the Executive Board of the Bank, which is included in the Consolidated Annual Report of the Group and the Separate Annual Report of the Bank for the year ended 31 December 2023 (hereinafter – the 2023 Annual Report) approved at the Regular meeting of shareholders on 29 April 2024, and corrections were made.

The corrections made in the Report were the deletion of erroneous reference on confirmation of the Business Development Strategy and the Bank's Investment Management Strategy by the Latvijas Banka and change of the financial indicator name in the report version in the Latvian language from “In 2023, the Group's profit was 31.9 million EUR” to “In 2023, the Group's comprehensive income amounted to 31.9 million EUR”.

Inaccuracies in the report of the Council and the Executive Board are recognized as insignificant, which do not change the financial items of the report and cannot affect the opinion of the users of the financial statements about the results of the Bank's economic activities.

On 21 June 2024, the Bank published the revised Report of the Council and the Executive Board of the 2023 Annual Report on its website www.rietumu.com. In accordance with the provisions of regulatory enactments, the revised Report of the Council and the Executive Board of the 2023 Annual Report will be approved at the regular shareholders' meeting in 2025 together with the 2024 Annual Report.

SUSTAINABILITY REPORT

Abbreviations used in the Sustainability Report

AML/CFTP – Anti-money laundering and combating the financing of terrorism and proliferation

AMSB – Administrative, management and supervisory bodies

CSRD – Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting (Text with EEA relevance)

EBRD – European Bank for Reconstruction and Development

EEA – European Economic Area

ESG – Environmental, social, governance

ESRS – Commission Delegated Regulation (EU) 2023/2772 of 31 July 2023 supplementing Directive 2013/34/EU of the European Parliament and of the Council as regards sustainability reporting standards

EU – European Union

EU Taxonomy – Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088

FCMC – Financial and Capital Market Commission

FTE – Full-time equivalent

GAR – Green Asset Ratio

GHG – Greenhouse gases

GHGP – Greenhouse Gas Protocol

GRI – Global Reporting Initiative

IT – Information technology

KPI – Key performance indicators

ML/TPF – Money laundering, terrorism and proliferation financing

NACE – Statistical classification of economic activities in the European Community

OECD – Organisation for Economic Co-operation and Development

RCC – Rietumu Capital Centre office building

RU – Russian Federation

SFDR – Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (Text with EEA relevance)

SWOT – Strengths, weaknesses, opportunities, and threats analysis

UK – United Kingdom

UN – United Nations

USA – The United States of America

About the sustainability report

JSC "Rietumu Banka" and its subsidiaries as a whole are defined as the Group or "we" in the Sustainability Report. JSC "Rietumu Banka" is the parent company of the Group and is defined in the Report as the Bank.

The Sustainability Report of the Bank and its Group for 2024 has been prepared for the period from January 2024 to December 2024. This is the first sustainability performance report of the Group prepared by applying the requirements of the Sustainability Information Disclosure Law ensuing from the Corporate Sustainability Reporting Directive (hereinafter – CSRD[3]) and the European Sustainability Reporting Standards (hereinafter – ESRS[4]).

This report discloses information on the Group's investment and achievements in the dimensions of corporate sustainability – the implementation of environmental, social responsibility and governance (hereinafter – ESG) principles at all levels of operation, thereby promoting a sustainable financial culture.

We are aware of the importance of the information contained in the Sustainability Report to our stakeholders, therefore we treat the obligation to disclose information with due care.

The Sustainability Report is the consolidated and the Bank's separate Sustainability Report covering the Group's activities.

The structure of the Group's is provided in the general information section of the consolidated and the Bank's separate annual report. In turn, the scope of the Sustainability Report includes JSC "Rietumu Banka" and its subsidiaries: "RB Investments" Ltd., "Vesetas 7" Ltd., "KI FUND" Ltd., "KI Zeme" Ltd., "KI Nekustamie īpašumi" Ltd., Rietumu Leasing Ltd., "InCREDIT GROUP" Ltd., KI Invest Ltd., "Euro Textile Group" Ltd., "RB Drošība" Ltd., "Second Sky Management" Ltd., the foundation "Nākotnes Atbalsta fonds", RB Securities Limited, "Apella" Ltd.

The main areas of activity of the Bank are acceptance of deposits, servicing of customer accounts, lending and provision of guarantees, cash and settlement operations, as well as transactions with securities and foreign currency exchange. The Bank's activities are regulated by the Bank of Latvia.

The companies included in the Group operate in the areas of financial services, consumer lending, energy, security, management, development and leasing of real estate and other assets owned by them, as well as in the organization of the activities of a charitable foundation. A description of the subsidiaries is available in the section of the Council and Board report on the Group's companies.

There are significant differences between the sustainability-related indicators, risks and opportunities of the Group and its individual subsidiaries, therefore, in the Sustainability Report, information about the relevant individual subsidiary may be reflected at the "level of disaggregation" and analysed outside the Group's overall performance.

The Group's Sustainability Report does not include the associated company JSC "Latvijas Gāze", based on Article 19a(3) and (23) of Directive 2013/34/EU[5], which provides that subsidiaries may be exempted from the sustainability reporting if these companies are subsidiaries of another parent undertaking that is required to prepare a Sustainability Report. JSC "Latvijas Gāze" will prepare a Sustainability Report for the year 2025.

The sustainability reporting exemption is not applicable to the Group's consolidated financial statements and consolidated management reports; those are prepared independently of this Sustainability Reporting exemption, which applies only to sustainability reporting at a consolidated level. The associated company exempted from sustainability reporting is not included in the assessment of sustainability risks and impacts, including the due diligence process.

The Sustainability Report does not include qualitative and quantitative sustainability-related information of the Group's upstream and downstream value chain entities. In developing the Sustainability Report,

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[3] Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting (Text with EEA relevance)
[4] Commission Delegated Regulation (EU) 2023/2772 of 31 July 2023 supplementing Directive 2013/34/EU of the European Parliament and of the Council as regards sustainability reporting standards (Text with EEA relevance)
[5] Directive 2013/34/EU of the European Parliament and of the Council of 26 June 2013 on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings, amending Directive 2006/43/EC of the European Parliament and of the Council and repealing Council Directives 78/660/EEC and 83/349/EEC (Text with EEA relevance)

the expert opinion on the actual and potential risks and opportunities of value chain entities was taken into account, when conducting an assessment of double materiality based on the expert opinion. Quantitative information and the opinions of value chain actors were not included in the 2024 report, including in the double materiality assessment process.

The option not to indicate information on intellectual property, science, or innovations was not used in the Sustainability Report.

No events or processes occurred during the reporting period that would later, upon publication of the report, contradict the information provided in it.

During the reporting period and until its publication, no special circumstances arose that would significantly affect the preparation of the information required in the report.

In preparing the information to be disclosed in the Sustainability Report, including in the assessment of double materiality, the definitions of short-term, medium-term, and long-term time periods were aligned with the time periods defined by the ESRS. In cases where different time periods are used in the Sustainability Report, an explanation of the time period allocation and justification is included.

Time periods in the Sustainability Report:

- short-term (<1 year);
- medium-term (1-5 years);
- long-term (>5 years).

The quality and level of detail of the data used in the Sustainability Report and the sources of the data vary. Accordingly, for each quantitative disclosure, the basic information on the data used is provided.

The main sustainability data sources and the level of detail of data quality

Data set	Data source	Data detail
Value chain analysis in double materiality assessment	Group's employees	Expert opinion, estimates
Impact, risk and opportunity assessment		
Value chain qualitative and quantitative information	Group's internal IT systems, manual accounting sources	Reflects the actual nature
Quantitative data on employees, customers, management indicators	Group's internal IT systems, manual accounting sources	Reflects the actual nature
Qualitative information about employees, customers, management	Based on the Group's internal policies, procedures and processes (maintained in internal document management systems)	Reflects the actual nature
Characteristics of investment management and sustainability of the securities portfolio	Internal IT systems of the Group, data from external suppliers (for example, *Bloomberg, Sustainalytics*)	Both estimates and actual data
Scope 1 and 2 GHG emissions	Group's internal IT systems, manual accounting sources	Both estimates and actual data

In 2023, the Group undertook a sustainability risk management maturity assessment in collaboration with external consultants and defined improvement actions based on the results. The maturity assessment included assessment criteria for the data and technology components. It identified gaps in sustainability-related data and indicators.

Recognising the importance of sustainability data both for the further development of the Sustainability Report and in moving towards sustainable development, the Group has taken steps to improve its IT infrastructure in order to be able to effectively engage its value chain actors and collect the necessary qualitative and quantitative data in the future. In autumn 2024, an ESG data management system was implemented to manage sustainability-related data from the Group's customers and business partners for various purposes, such as defining data-driven sustainability targets, improving sustainability risk assessment, calculating value chain greenhouse gas (GHG) emissions (for Scope 1, 2 and 3 emissions), determining ownership and compliance with sustainable business practices.

The Sustainability Report discloses information taking into account:

- Regulation (EU) 2019/2088 of the European Parliament and of the Council of 27 November 2019 on sustainability-related disclosures in the financial services sector (SFDR).
- In accordance with the requirements of Regulation No. 2022/1288, the Bank prepares the "Statement on the most significant negative impacts of investment decisions on sustainability factors".
  Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (hereinafter – EU Taxonomy).

CSRD phase-in

The Group's phased-in disclosure requirements in material ESRS topical standards

ESRS	Disclosure requirement	Full name of the disclosure requirement	Notes on phase-in or effective date (including the first year)
ESRS 2	SBM-1	Strategy, business model and value chain	The Group omits breakdown of total revenue, as included in its financial statements, by significant ESRS sectors
ESRS 2	SBM-3	Material impacts, risks and opportunities and their interaction with strategy and business model	The Group omits anticipated financial effects on the business conduct due to material risks and opportunities, but analyses and clarifies the effects by means of qualitative information
ESRS E1	E1-6	Gross Scopes 1, 2, 3 and total GHG emissions	As at the balance sheet date, the number of the Group's employees does not exceed the average of 750 employees during the financial year, and therefore the data on Scope 3 total GHG emissions for the first year of preparation of sustainability statement are omitted
ESRS E1	E1-9	Anticipated financial effects from material physical and transition risks and potential climate-related opportunities	The Group omits anticipated financial effects from material physical and transition risks and potential climate-related opportunities
ESRS S1	All disclosure requirements	All disclosure requirements	Although the Group does not exceed on its balance sheet date the average number of 750 employees during the financial year, the information required under ESRS S1 is disclosed for the first year of preparation of sustainability statement based on the results of the double materiality assessment
ESRS S1	S1-7	Characteristics of non-employee workers in the undertaking's own workforce	Not applicable in the first year of preparing the Group's Sustainability Report
ESRS S1	S1-7	Collective bargaining coverage and social dialogue	The Group does not provide information on its own workforce in non-EEA countries in its first year of preparing the Sustainability Report
ESRS S1	S1-11	Social protection	The Group provides details of its social protection policies for its employees
ESRS S1	S1-12	Percentage of employees with disabilities	The Group provides information on the proportion of employees with disabilities

ESRS	Disclosure requirement	Full name of the disclosure requirement	Notes on phase-in or effective date (including the first year)
ESRS S1	S1-13	Training and skills development	The Group provides information on employee and skills development
ESRS S1	S1-14	Health and safety	The Group provides data on the number of work-related illnesses, as well as the number of days lost due to injuries, accidents and work-related illnesses
ESRS S1	S1-14	Health and safety	The Group provides information about non-employees
ESRS S1	S1-15	Work-life balance	The Group provides information related to work-life balance

Management of material sustainability topics

The Group has identified its material sustainability topics in 2024, through a double materiality assessment:

- ESRS E1 Climate change
- ESRS S1 Own workforce
- ESRS G1 Business conduct

Strategic level

The Group has developed a medium-term *Sustainability Strategy*, which sets out in detail the Group's sustainability priorities in the areas of environment, social responsibility and governance for 2024-2028, including an action plan to ensure sustainability.

Among other things, the Group has defined the levels of sustainability ambition that it wants to achieve in the most significant identified sustainability areas, setting a timeframe for the implementation of the ambition.

Targets for key sustainability topics

Climate change: climate neutrality

The *Sustainability Strategy* has been developed in consideration of the 2050 climate goals of the European Green Deal, which aims to increase the ability of countries to adapt to the adverse effects of climate change by redirecting financial and capital flows to environmentally friendly investments and prioritizing the move towards low greenhouse gas emissions and climate-resilient development.

Own workforce: personnel management, training and skills development

The main strategic directions of personnel management are based on 3 pillars: excellence, involvement, efficiency.

Strategic directions of personnel management:

- targeted professional development and advancement of personnel, career growth within the company;
- employee involvement in strengthening the Group's values and creating an inclusive culture;
- promotion and implementation of employee well-being principles and approaches;
- implementation of digital personnel management solutions in everyday work.

We have defined the levels of sustainability ambition we want to achieve in the most important identified sustainability areas, setting a timeframe for realizing the ambition.

Business conduct: the Group implements ethical, responsible and transparent corporate governance practices, promoting operational efficiency and long-term value growth.

Our ambitions

Component	Sustainability area	Basic level Compliance with regulatory requirements	Medium level Proactive implementation of good practices	High level Highest level among leading banks
Socially responsible credit institution	Management		2026	
	Creating value in society		2026	
	Equality, diversity and inclusion		2026	2028
	Environmental impact	2026	2030	
Credit institution responsible towards its employees	Work culture and competences			2026
	Well-being at work			2026
Credit institution responsible towards its clients	Sustainable lending	2026	2030	
	Sustainable procurement		2026	
	Sustainable investment opportunities		2026	

Policy level

The promotion of sustainability topics relevant to the Group is carried out by including sustainability aspects while updating the internal regulatory documents.
The most significant* current policies with a sustainability component in 2024

Environmental
- *Investment Portfolio Construction and Management Policy*
- *Policy on Integration of Sustainability Risks into Individual Portfolio Management*
- *New Product Assessment Procedure*
- Policy for Implementing Products, Strategic Business Lines and Business Models

Social
- *Personnel Policy*
- *Remuneration Policy*
- *Corporate Governance Policy*
- *Policy on Assessing Suitability of Council and Board Members and Key Function Holders*
- *Personal Data Processing Policy*

Governance
- *Remuneration Policy*
- *Policy on Management of Conflicts of Interest*
- *Corporate Governance Policy*
- *Subsidiaries Monitoring Policy*
- *Personnel Policy*
- *Anti-Corruption Policy*

*The policies listed do not represent all policies of the Group but reflect the policy linkage to the information included in the ESRS topical standards relevant for the Group.

Risk management in key sustainability topics

Climate change

The Bank considers sustainability risk to be the driver of other risks that cover the entire sustainability area, in each of the Bank's material risk types. At least once a year, the Bank conducts the sustainability risk profile assessment (comprising upstream and downstream risk assessments), within which the main risk drivers are identified and assessed. Additionally, in accordance with the requirements of internal regulatory documents, employees can identify new sustainability risk factors (including environmental and climate risk factors), if such may have a material impact on operations. The Bank continues to work actively on the development of a new sustainability policy and further development of related internal regulatory documents.

The Bank has carried out an assessment of the materiality of sustainability risks and their factors to the Bank's operations. A risk management maturity assessment has been carried out in cooperation with external consultants. Sustainability risks have been integrated into the assessment of the Bank's priority sectors and the results have been incorporated into the *Sustainability Strategy*, setting strategic risk management objectives.

Own workforce

Non-financial risks are monitored, mitigated and/or prevented in accordance with the Non-Financial Risk Management Policy, including compliance risk management and operational risk management.

Compliance risk management allows monitoring compliance with personnel legal requirements in the Bank, mitigating and/or preventing possible non-compliance with legal acts relating to personnel rights.

Operational risk management involves managing the potential causes of operational risk, including personnel factors such as employee errors, incapacity, etc.

Business conduct

The Group supports a holistic approach to sustainability issues, constantly and regularly improving it. Business-related decisions are made taking into account the sustainability context, including an assessment of the impact of sustainability risk factors, gradually integrating their management into the Bank's internal control system. In addition, as part of the process of improving the internal control system, a regular review of decision-making chains is carried out with the aim of integrating new risk management methods into them, including those related to sustainability aspects in the Bank's operations.

In 2024, an assessment of the sustainability risk profile was carried out, reflecting the sustainability risk factors to which the Bank and the Group are most exposed in their operations. The assessment identified their transmission channels and triggers. The assessment of the sustainability risk profile is based on a methodology where the probability and consequences of the occurrence of negative events related to sustainability are assessed for each individual risk type in accordance with the *Risk Management Policy* and the *Risk Profile Preparation Procedure*.

The assessment of the sustainability risk profile is constantly being improved.

Governance

The Group's corporate governance principles, the functions of the Executive Board and the Council are enshrined in the Bank's Statutes / Regulations of the Council and the Board.

The Council is a collegial supervisory body representing the interests of the Bank and, within the framework set out in the regulatory enactments and the Statutes of JSC "Rietumu Banka", supervises the activities of the Executive Board and the development and operations of the Bank.

The members of the Council together have sufficient knowledge, skills and experience in all significant types of activities and risks of the Bank. When performing their duties, the members of the Council act independently (independence of mind) and are able to devote sufficient time to the performance of their duties.

The Bank conducts an initial assessment of the suitability of the members of the Council and the Executive Board, assessing the person's reputation, knowledge, skills and experience for the performance of the duties of the position held, the ability to act in accordance with the Bank's corporate values and standards of professional conduct and ethics, the ability to act independently and devote sufficient time to the performance of their duties. At least once a year, the individual suitability of the members of the Council and the Executive Board, as well as the collective suitability, is assessed, assessing the level of collective knowledge, skills and experience to perform daily duties in accordance with the standards set out in the Bank's corporate values, as well as each time if doubts arise about the knowledge, experience or reputation of a member of the Council or the Executive Board.

The members of the Council are elected by the shareholders' meeting for a term of 5 (five) years.

Structure and functions of the Council (as of 31 December 2024)

Chairman of the Council Leonids Esterkins is responsible for the following areas of the Bank's and the Group's operations:

- strategic planning and supervision of business development;
- general supervision of credit and risk investment projects;
- general supervision of resource management;
- supervision of the management of the Bank's and the Group's corporate financial and investment assets;
- supervision of the marketing and public relations area.

Deputy Chairman of the Council Arkādijs Suharenko is responsible for the following areas of the Bank's and the Group's operations:

- supervision of the implementation of the risk strategy and risk management;
- supervision of internal audit activities;
- supervision of the financial, accounting and insurance areas.

Deputy Chairman of the Council Dermot Fachtna Desmond is responsible for supervising the results of the Bank's and the Group's operations.

Member of the Council Charles William Larson Jr. is an independent member of the Council and is responsible for supervising the Bank's sustainability risk management (ESG).

Member of the Council Iļja Suharenko is responsible for overseeing the handling of customer complaints and the related processes.

Member of the Council Valentīns Bļugers is responsible for the following areas of the Bank's and the Group's operations:

- supervision of the legal area;
- supervision of the internal control system and the Bank's activities in the areas of the prevention of money laundering and terrorist financing and control of compliance with sanctions.

The Board consists of 6 (six) members of the Board. On 28 October 2024, the Extraordinary Shareholders' Meeting of the Bank approved amendments to the Bank's Statutes, stipulating that the Board shall consist of 6 members of the Board. From 27 January 2025, Artūrs Jukšs has been appointed to the position of the Member of the Bank's Board. He is in charge of the Bank's lending operations. At the same time, he continues to hold the position of the Head of the Lending Department. Hereafter in this Sustainability Report, the information provided on the Bank's Board, functions and responsibilities of its members represents the situation as it stood in 2024.
The Board members are elected by the Council for a term of 5 (five) years. The Council appoints the Chairman of the Board from among the members of the Board. The division of responsibilities and functions of the Board is constantly reviewed, taking into account changes in the Bank's structure, in order to ensure more efficient and compliant operations of the Bank.

The competence of the Board includes all issues related to the Bank's operations, except for those that fall solely within the competence of the Shareholders' Meeting and the Council. Each member of the Board is responsible for a specific direction of activity in accordance with their professional knowledge, experience and competencies in the relevant area of responsibility, ensuring the collective competence of the Board as a whole.

Division of functions and areas of responsibility of the Board
Structure and functions of the Board (as of 31 December 2024)

Jeļena Buraja
Chairman of the Executive Board
- Operations of the Bank
- Activities of the Executive Board
- Operations of the Bank's subsidiaries
- Monitoring, control and recovery of non-performing loans of the Bank and the Bank's subsidiaries
- Corporate finance and investments
- Sale, maintenance and development of real estate
- Legal matters
- Legal aspects of lending
- Personal data protection
- Sustainability (ESG)
- Customer management and service
- Bank's marketing and public relations
- Bank's cooperation with financial institutions
- Management of the Bank's operations
- Financial market issues

Ruslans Stecjuks
Member of the Executive Board, Deputy Chairman of the Executive Board
- Payment card services
- E-commerce
- Information and business technologies
- IS research and development
- Lending
- Trade financing
- Monitoring of international lending projects
- Monitoring of Latvian lending projects
- Bank's resources

Sandris Straume
Member of the Executive Board, Chief Risk Officer
- Risk management of the Bank and the Group, including anti-money laundering and countering the financing of terrorism and proliferation, and ESG risk issues
- Security of the Bank's information systems
- Human resource management

Mihails Birzgals
Member of the Executive Board
- Management information systems
- Bank's accounting and finance
- Bank's budget planning
- Ensuring, controlling and accounting of the Bank's payments
- Record keeping and data administration
- Administration of customer and counterparty data
- Accounting and control of loans, financial market services and payment card transactions
- Compliance monitoring

Vladlens Topčijans
Member of the Executive Board
- Bank's activities in the field of prevention and control of money laundering and financing of terrorism and proliferation
- Compliance with international and national sanctions
- Material resources, supply and maintenance management
- Internal security

Management and employee structure of the Group

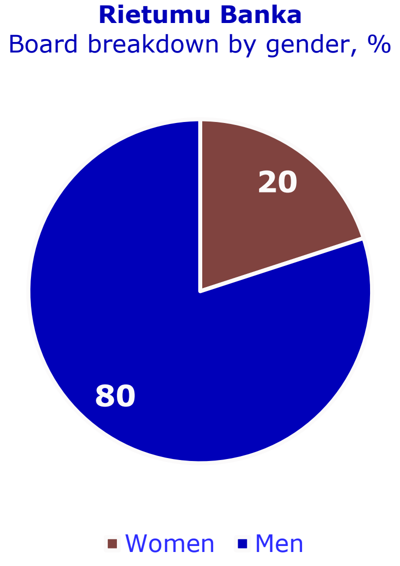
We have not defined membership and diversity targets for the Group's administrative, management and supervisory structure.

Information on the gender diversity of the Group's management-level employees is provided in "Diversity metrics of management-level employees".

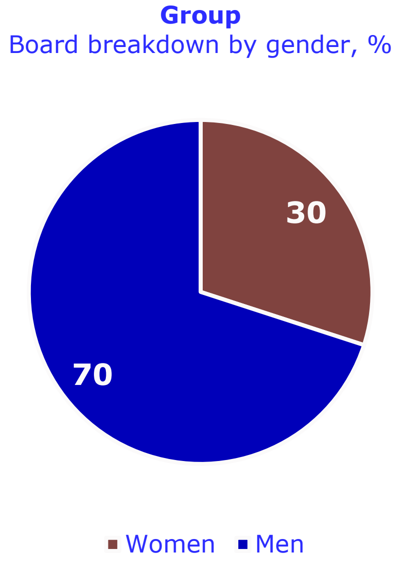
The employee structure of the Group and the Bank is presented including full-time and part-time employees as at 31 December 2024.

Additional requirements are imposed on certain categories of positions in the Bank in accordance with Section 34.5 of the Credit Institution Law.

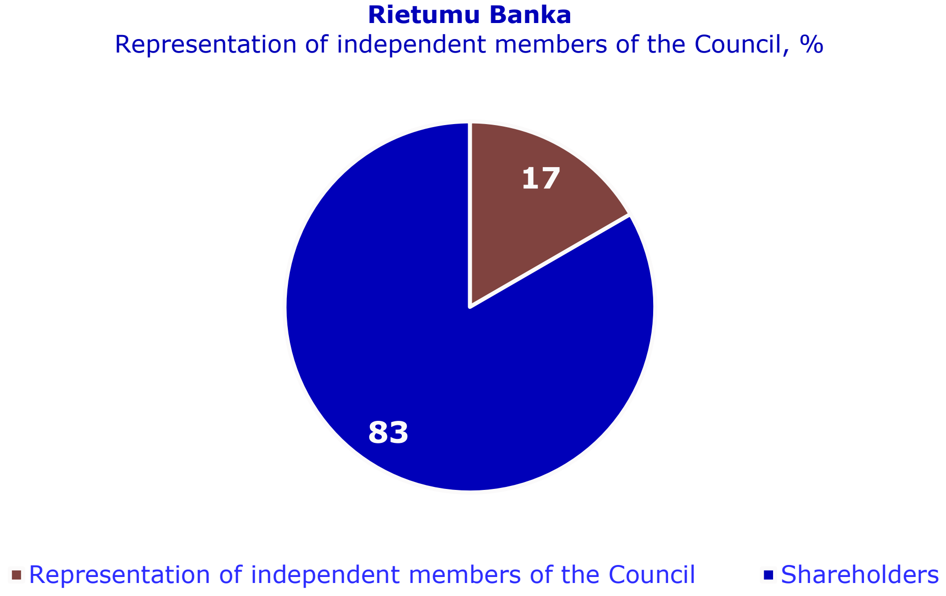
"Rietumu Banka" Board breakdown by gender, %



"Group" Board breakdown by gender, %



"Rietumu Banka" Representation of independent members of the Council, %



The Bank's Council consists of 6 (six) members of the Council, one of whom is an independent member of the Council, who meets the requirements of regulatory enactments regarding the criteria for determining independence status.
The members of the Council, when performing their duties, act independently (independence of mind) and are able to devote sufficient time to the performance of their duties.

The Financial and Capital Market Commission regulations No. 227 "Regulations on the Establishment of Internal Control System"' (repealed on 01.01.2025) do not impose requirements on independent council members for the Group's subsidiaries. Also, the Commercial Law, which determines the procedure and rules for the registration and operation of commercial companies, does not impose requirements on commercial companies for an independent council member. In addition, the council is not a mandatory institution in limited liability companies and foundations and associations. Considering that there are no clearly defined criteria confirming the independence of council members of non-financial companies, the assessment of independent council members is not applied to the Group's subsidiaries.

Functions and responsibilities

The areas of supervision of the members of the Bank's Council are determined within the Bank and the Group. The Bank assesses the suitability of the members of the Council, the Board and persons performing key functions, i.e., officials, for the position. Accordingly, the assessment is carried out according to the supervisory areas of the Council members. Ensuring the suitability of officials for the position held is the main purpose of the assessment of officials. Within the framework of the internal control system, the Bank carries out the initial and repeated assessment of officials according to the position category groups, namely members of the Council, members of the Board and persons performing key functions.

The Bank's Board performs the function of general supervision and control of the subsidiaries, assesses the activities of subsidiaries and their compliance with the goals and plans set by the Board, and regularly monitors the achievement of goals. A member of the Bank's Board who supervises subsidiaries coordinates the cooperation of the supervised subsidiaries with the Bank and the activities related to these subsidiaries.

The Bank has established the Risk Committee of the Council, the purpose of which is to advise the Council on the Group's risk strategy (both current and future) and to assist the Council in monitoring the implementation of the Bank's *Risk Strategy* and to ensure prompt information to the Council on the Group's risk management.

The Bank's Enterprise Risk Management Department regularly monitors the risk profile of the Bank and the Group, including the sustainability risk profile, and compares it with the strategic objectives set out in the *Business Development Strategy* and the *Sustainability Strategy* and the risk appetite framework set out in the *Risk Management Strategy* in accordance with the requirements set out in the *Risk Management Policy* and the *Risk Profile Assessment Procedure*.

The Bank has developed the *Regulations of Structural Units*, determining the goals, main tasks, functions and general responsibilities of the Bank's structural units. Among other things, the Council approves the division of duties of the Bank's structure, members of the Board, vice presidents and directors.

The Regulations of Structural Units stipulate that the employees of structural units comply with internal regulatory documents and the requirements of external regulatory acts in the performance of their work duties and functions. Among other things, structural units independently initiate, as well as participate in the development and updating of internal regulatory documents, and sequentially ensure the implementation of changes in the Bank. Heads of structural units are responsible for the daily management of the structural unit, ensuring the exchange of information with supervisory authorities and regularly informing the Bank's management about the activities of the structural unit. Structural units regularly or upon request prepare reports and other informative materials on their activities and work results and provide them to the Board and/or audit, and/or members of the Council.

The management of structural units determines that each employee is responsible for the timely and high-quality execution of management instructions and tasks/functions, as well as the assigned duties and functions, within the scope of their competence.

Sustainability management structure

“In 2024, we took a big step towards sustainable development, and we are preparing to take two or three steps forward in 2025. The sustainability team has accomplished significant work in transforming sustainability challenges into opportunities for our business development. In 2024, we updated the Sustainability Strategy, focusing on its integration at all levels of activity and linking sustainability goals with business growth opportunities. In 2025, we will focus on introducing necessary corrections to the sustainability management, expanding and strengthening it in all processes to facilitate the implementation of sustainability goals,” **Maija Fonteina-Kazeka,** Sustainability Director.

In 2024, the Group had an active sustainability management structure, which ensured the implementation of sustainability processes in the Bank. The position of Sustainability Director has been established in the Bank. In May 2024, the Council approved the responsibility of the Sustainability Director for sustainability development and issues. The Sustainability Director is directly subordinate to the Chairman of the Board. The Sustainability Director manages the development, implementation, and application of the Sustainability Strategy, the Sustainability Report and regulatory documents in the Bank and the companies of the Bank’s Group. The responsibilities of the Sustainability Director include managing and implementing sustainability goals, coordinating internal processes and leading development projects in the field of sustainability in accordance with the goals, objectives and measures defined in the implementation plan of the Sustainability Strategy.

In May 2023, the Council meeting adopted the decision that the implementation of the Bank's risk strategy and management of risks, including sustainability risk, would be supervised by the Deputy Chairman of the Council Arkādijs Suharenko.

In addition, on 13 June 2024, the election of the Bank's Council was registered with the Register of Enterprises in accordance with the decision of the Bank's ordinary shareholders' meeting on 29.04.2024, including the appointment of a new independent member, Charles William Larson Jr., to the Bank's Council, with responsibility for sustainability development issues.

The Chief Risk Officer, a member of the Board, is responsible for ensuring independent risk control. In 2024, the Bank continued to improve sustainability risk control by strengthening the Enterprise Risk Management Department and creating a new position of Sustainability Risk Analyst, with the aim of ensuring independent control and supervision of sustainability risk management processes as a second line of defence.

Sustainability management structure in 2024

The **Council** is responsible for ensuring the strategy development, approval and implementation control. The **Board** is responsible for ensuring the strategy development, review and integration into the Bank's internal processes, and their supervision.

The task of the **ESG Working Group** is to ensure the implementation of high-quality, meaningful and transparent sustainability goals and their further management. The Working Group ensures the integrated introduction and implementation of the adopted sustainability goals and principles, the implementation of relevant procedures. The Working Group monitors and acts as a control mechanism for the implementation of sustainability goals in accordance with the Sustainability Strategy and other internal regulatory documents. The Working Group is composed of representatives of the Bank's core functions in various competencies.

The responsibilities of the **Sustainability Director** include the implementation of the Sustainability Strategy and implementation plan and the assessment of compliance with them, and the preparation of the Sustainability Report. The Sustainability Director plays an important role in creating and promoting sustainability awareness in external and internal communication, and is the main contact person for sustainability projects.

Each head of the structural unit is responsible for the involvement and influence of employees in achieving sustainability goals. The Bank reviews and develops the effectiveness of corporate governance and operational transparency in all areas of the Bank's operations and at all levels of the organizational structure, also ensuring that all structural units adhere to the principles of sustainable corporate governance, creating successful sustainable cooperation between all stakeholders and society.

Recognizing the importance of sustainability and increasing requirements, the Sustainability Committee was established at the end of 2024 with the aim of promoting the interdisciplinary and comprehensive implementation of sustainability principles in the Group's processes, products and services. The Sustainability Committee will start its activities in 2025.

Committees

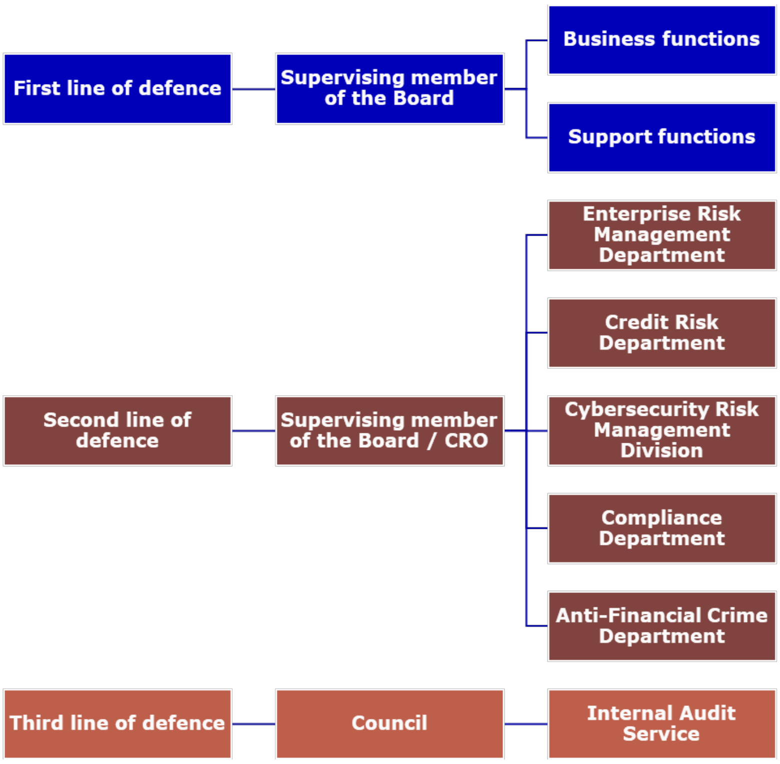
There are committees established at the Bank, and their work is aimed at ensuring the proper conduct and control of business processes:
The **Internal Corporate Communication Committee** is responsible for ensuring the operation of the Bank's internal corporate communication system and the implementation of the internal corporate culture and sustainability policy within the Bank and within the Group.
The **Credit Valuation Committee** is responsible for the classification of loans issued by the Bank, their quality assessment and compliance with the provisioning guidelines.
The **Credit Committee** is responsible for the implementation of the Bank's lending policy and the management of the Bank's credit area.
The **Assets and Liabilities Committee** is responsible for the management of the assets and liabilities of the consolidated Group.

The purpose of the **Compliance Committee** is to ensure prompt and substantive decision-making on actions and measures to be taken to ensure that the Bank's operations comply with the regulatory enactments governing the AML/CFTP and compliance with the binding sanction regimes.
The **Audit Committee** generally oversees the Bank's internal control system, reviews the effectiveness of the internal audit system, and monitors the compliance of the audit process with the requirements of regulatory enactments.
The **Risk Committee of the Council** advises the Council on the development of the Bank's risk strategy and ensures the supervision of its implementation.
The **Nomination Committee** ensures the establishment of a professional and competent Executive Board and the Council, ensures the prompt informing of the Council on the assessment of the knowledge, skills and experience of the members of the Council and the Executive Board.
The **Remuneration Committee** ensures and monitors that the remuneration system applied in the Bank for the positions affecting the risk profile is consistent with prudent risk management.

Risk management

Risk management at the Bank is comprehensive and is implemented at all levels of the Bank and the Group and in each structural unit. In managing risks, the Bank seeks to take into account the known origin/sources of risks and the factors influencing them.
The Group and the Bank apply the three lines of defence risk models across all functions and define clear roles and responsibilities, develop and continuously improve the risk management framework, organise internal and external training, segregate responsibilities.

3 lines of defence model



Based on the *Business Development Strategy*, *Sustainability Strategy* and *Risk Management Strategy*, a three-level internal limit system has been developed at the Bank and Group, which includes risk appetite framework, risk limits and key risk indicators.
The Bank's management receives daily, weekly, monthly and quarterly risk control reports on the control of the set limits.

Sustainability management at the top management level

Every quarter, the Group Sustainability Director prepares a *Report on the implementation of the ESG principles in the Bank* to indicate the progress in implementation of the *Sustainability Strategy* and the measures defined in its implementation plan. The report includes information on the Group's most important sustainability management processes, the activities of the ESG working group, significant challenges related to sustainability management for the Group, and the progress of implementation. The report reflects the status of implementation and execution of the Sustainability Strategy activity plan for the relevant period. Initially, the report is reviewed by the Chairman of the Bank, who approves its further submission for consideration by the Bank's Board. The *Report on the implementation of the ESG principles in the Bank* is available in internal document management system, ensuring its availability to any employee upon request.

Sustainability competences

Group's Board members having special knowledge on sustainability topics, %

The professional development of employees is a joint task of the employee and the employer. Deepening the knowledge, skills and competence of employees is important for achieving our long-term success, therefore, in order to maintain and increase competitiveness, we promote the development and growth of personnel.

We constantly monitor current developments in the field of sustainability, and representatives of the Bank's management receive additional training on sustainability in order to implement the most modern and high-quality sustainability methodologies and techniques.

The head of the Bank's structural units is responsible for promoting the professional growth of employees, supporting the employees' desire to learn.

In addition, within the Group, we regularly organize internal and external training on various topics related to the Group's operations, including significant sustainability topics, and within the approved budget, we pay for training for employees at all levels.

The Human Resources Department provides introductory training for new employees, including within the framework of which new employees are introduced to our sustainability management and goals.

We educate and train employees on the Group's sustainability goals. We introduce requirements for employee training in accordance with the distribution of their roles and responsibilities in achieving sustainability goals, and provide regular training that includes testing the knowledge and skills of employees whose daily work is related to identifying, assessing and managing sustainability risks.

Sustainability trainings conducted by the Bank in the reporting period:

- a series of three articles on sustainability and its goals (available to all employees);
- a 3-lecture session on well-being led by a clinical psychologist, a cognitive behavioural psychotherapy specialist (with the opportunity to attend for all the Bank's employees);
- training on motivation and emotional engagement by an expert in leadership skills, personal and professional development, motivation and performance management (for the Bank's management level);
- training developed by the Bank on the processing and protection of personal data (mandatory for all employees);
- training developed by the Bank on conflict of interest management, reporting of shortcomings and whistleblowing (mandatory for all employees);
- annual training developed by the Bank on the prevention of money laundering (mandatory for all employees).

Accessibility of sustainability information

Accessibility of sustainability information to external stakeholders, society at large:

- The Group, starting from 2017 and until 2023, has published Sustainability Reports in accordance with the principles of the Global Reporting Initiative (GRI) and later the GRI 2: General Disclosures 2021. The Sustainability Reports are published on the Bank's website and are available **here**.
- In accordance with the requirements of Directive 2013/36/EU and Regulation (EU) No. 575/2013 of the European Parliament and of the Council, JSC "Rietumu Banka" publishes this statement on disclosure of information and additional detailed information related to risk management and capital adequacy. The statements are published on the Bank's website and are available **here.**
- In accordance with the Credit Institution Law of the Republic of Latvia, Rietumu Banka publishes audit report on the Group's and the Bank's financial statements each year. The financial reports are published on the Bank's website and are available **here.**
- According to Regulation 2019/2088 of the European Parliament and of the Council and Regulation 2022/1288, in relation to the individual portfolio management services provided by the Bank, the information on environmental and social characteristics and sustainable investments before concluding the contract is disclosed in the "Sustainability" section of the Bank's website, as well as the statement on the most significant negative impacts of investment decisions on sustainability factors is published. The statements are available on the Bank's website **here.**

Accessibility of sustainability information to internal stakeholders:

- At the end of 2022, the Bank developed first short-term *Sustainability Strategy for 2022-2024* and *Sustainability Strategy Implementation Plan* with defined short-term and long-term tasks, which were approved by the Council. In May 2024, the Council of the Bank approved an updated medium-term *Sustainability Strategy for 2024-2028* and its implementation plan, which are part of the *Business Development Strategy for 2023-2028*. When updating the *Sustainability Strategy*, it was determined that it should be reviewed at least once a year alongside the *Business Development Strategy*.
- As early as in 2022, for effective transparency of the realization of the *Sustainability Strategy* and its implementation plan, the *Report on the Implementation of ESG Principles in the Bank* was introduced in the *Internal Reporting Procedure*. This report stipulates that the person responsible for the realization of the *Sustainability Strategy Implementation Plan* must compile the data on the progress in implementation of the measures every quarter, ensuring the availability of sustainability information to the Board and the ESG Working Group.
- The *Report on the Implementation of ESG Principles in the Bank* is available in internal document management systems, ensuring its availability to any employee upon request.
- Separately, the Bank's management receives daily and weekly, monthly and quarterly Risk Control Reports on the control of certain thresholds.

Improving the *Business Development Strategy*, *Sustainability Strategy* and *Risk Management Strategy* at the Bank's and Group's level, the Bank's management takes into account the risk and sustainability risk profile assessments.

The decisions of the management and the committee are based on studies (information summaries) and analyses conducted by the first and second lines of defence, evaluating the most significant risks and opportunities, also due to sustainability factors.

Remuneration principles

The Board develops and the Council approves the Group's *Remuneration Policy* in accordance with the Group's *Business Development Strategy*, business objectives, defined values, and long-term interests, which is developed and improved to ensure competences necessary for achievement of the objectives.

In 2024, the Group's *Remuneration Policy* was improved, providing for a fair and motivating remuneration system in order to attract competent and qualified employees in the long term and motivate them to perform high-quality work and boost efficiency, increase the level of employee responsibility and initiative.

The *Remuneration Policy* is equally applicable to all employees of the Group, including administrative, management and supervisory bodies. The aim of the *Remuneration Policy* is to promote the implementation of the personnel policy in accordance with the Group's mission, objectives and development strategy, to achieve wage balance and competitiveness in the banking sector. The *Remuneration Policy* is intended for ensuring stable and competitive remuneration, always paid in due time, as well as social guarantees and benefits.

The Group introduces best practices and innovations in sustainable finance and the implementation of sustainability principles in remuneration practices, following their development, and strictly adheres to:

- the principle of gender equality and gender equity, offering equal pay for equal work;
- the principle of fairness, offering pay in accordance with the employee's experience and competence.

Compliance with the principle of equal pay is implemented by evaluating the work performance of all employees, including those of administrative, management and supervisory bodies, based on the following:

- employee self-assessment (no weighting in the assessment);
- employee's immediate supervisor's assessment (no weighting in the assessment);
- goal achievement assessment (45%);
- personal performance assessment (45%);
- performance assessment for previous periods (10%).

The Group’s *Remuneration Policy*:

- supports the ability to attract, develop and retain highly motivated, competent and achievement-oriented employees;
- is gender neutral;
- ensures that remuneration is commensurate with employee performance;
- ensures remuneration fairness and competitiveness in the labour market.

The remuneration for each employee is determined in accordance with the employee's professional qualifications, competence and experience, taking into account the complexity and responsibility of the work, the level of remuneration for a specific position in the labour market. The remuneration consists of a fixed part, which is not related to the employee's performance and is the salary and bonuses specified in the employment contract, and a variable part, which depends on the results of work and the assessment of work performance. The remuneration variable part is paid when the results of work performance exceed the requirements specified in the employee's job description or in case of excellent and exemplary performance of work duties.

The assessment of the achievement of the performance goals by all employees takes into account the quantitative indicators specified in the *Business Development Strategy*. The *Remuneration Policy* does not determine specific quantitative indicators related to sustainability for the variable part of the remuneration, while the variable part of the remuneration is calculated, assigned and paid to the employee based on a qualitative assessment of work performance, including by assessing the employee's competences:

- methodical approach / orderliness / work planning;
- perseverance / problem solving;
- motivation / interest;
- improvements, efficiency and innovation;
- cooperation with colleagues;
- management skills;
- knowledge and reporting of AML/CFTP;
- adherence to corporate ethics and work procedures;
- presentation and argumentation skills;
- training / self-education.

The performance evaluation of all employees is carried out once a year. The Remuneration Committee also determines the financial and non-financial targets to be achieved by the Board once a year, their impact on the variable part of the remuneration and controls their implementation. The variable part of the remuneration of positions affecting the Bank's risk profile and other employees is determined by assessing the performance of the relevant employee no less than once a year, assessing both quality and quantity criteria in combination with general performance results. The performance indicators of the reporting year and the previous 2 (two) years, if available, are taken into account in the assessment of the employee's performance.

The Remuneration Committee and/or members of the Board, in accordance with the division of responsibilities in the Bank's organizational structure, determine the maximum allowable amount of the variable part of the remuneration for the reporting year, as well as the proportion between the variable part and the fixed part of the remuneration of positions affecting the risk profile.
In the reporting period, the Group's *Remuneration Policy* and the variable part of the remuneration do not include quantitatively measurable sustainability performance targets.

The Group is committed to integrating sustainability objectives into the annual performance evaluation of employees in order to improve the Group's remuneration system and ensure compliance with applicable regulatory requirements.

The updated *Sustainability Strategy Implementation Plan for 2024* included the goal and measure to supplement the key performance indicators of the Bank's employees and officials with achievements in the field of sustainability by May 2025, and to assess and review the objectives once a year.

Due diligence

The Sustainability Report is subject to limited assurance audit performed by independent auditor, and the opinion on the same is provided.

Core elements of due diligence

Core elements of due diligence	Sustainability Report reference, page
Embedding due diligence in governance, strategy and business model	31; 52
Engaging with affected stakeholders in all key steps of the due diligence	31
Identifying and assessing adverse impacts	60
Actions to address the adverse impacts on people and environment	54
Tracking the effectiveness of these efforts and communicating	65

Risk management and internal controls over sustainability reporting

The Sustainability Report is prepared as a part of the financial statements in accordance with the *External Reporting Procedure* and the *Procedure on Preparation and Publication of Information to be Disclosed*, which describe the processes for preparing, verifying and approving the information and data to be included.

The Chairman of the Board and a member of the Board designated by the Board sign the consolidated annual reports. The Sustainability Report, as part of the consolidated report, is coordinated with the external auditor for the signing of the sworn auditor's report. After the sworn auditor's report is signed, the report is forwarded for consideration and approval at the Bank's shareholders' meeting. In addition, the Audit Committee monitors the audit of the Bank's annual report and the Group's consolidated annual report.

In accordance with the Regulations of Internal Audit, the Internal Audit Service functions as the 3rd line of defence, and its task is to verify the reliability of financial information and reports, including the completeness and timeliness of the Sustainability Report included in the annual management report, as well as the means by which this information is identified, measured, classified and presented.

Referring to the amendments to the Financial Instrument Market Law, the Bank's Audit Committee Regulations are planned to be amended in 2025 by adding the following tasks in order to strengthen the risk management and the internal control process regarding the development of the Sustainability Report:

- to monitor the process of preparing the Sustainability Report, including compliance with the requirements and process set out in the Sustainability Disclosure Law related to the electronic reporting format of the Sustainability Report;
- to provide the Council with proposals to ensure the integrity and completeness of the Sustainability Report;
- to monitor the effectiveness of the Group's internal quality control, risk management and internal audit system in ensuring the integrity and completeness of the Sustainability Report and to provide proposals on elimination of deficiencies in the relevant system;
- to monitor the performance of the Group's sustainability report assurance engagement;
- to inform the Council about the results of the sustainability report assurance engagement and to provide an opinion on how the performance of this assurance engagement has contributed to the integrity and completeness of the Group's Annual Report and Sustainability Report, as well as to inform about the role of the Audit Committee in the aforementioned process.

The Group has set a target to integrate the assessment of the adequacy and veracity of the Sustainability Report and the information contained therein into the internal audit and risk management processes in 2025.

The approach to the development of the Sustainability Report 2024 and the assessment of compliance risks is in line with the Group's *External Reporting Procedure*. In developing the Sustainability Report, an individual risk assessment approach was applied to each disclosure, based on the complexity of the information and the parties involved in the preparation of the information.

The Sustainability Report identified a number of shortcomings related to the availability, quality and compliance of the data required for the development of the report with the ESRS minimum disclosures standards. The deficiencies identified during the development of the Sustainability Report were evaluated and, as far as possible, eliminated:

- to mitigate the risk of including inappropriate data or erroneously compiled data in the Sustainability Report, a data collection and analysis system was implemented in addition to the external auditor's assessment:
- the responsible data custodian prepares and submits the qualitative and quantitative information to be disclosed in the Sustainability Report to the Group's Sustainability Director;
- the Sustainability Director and the Sustainability Project Manager process and compile all Group data, discussing the quality and scope of the data with the data custodian as necessary;
- the information and data included in the Sustainability Report are reviewed by the Bank's Legal Department, in certain cases the Compliance Department and the Bank's Chief Risk Officer;
- for the sake of identification and mitigation of material weaknesses in the Sustainability Report, limited assurance audit was performed by external auditor.

Identified deficiency

<table>
<tr><th>Identified deficiency</th><th>Measure applied to mitigate the deficiency</th></tr>
<tr><td>The quantitative and qualitative data required for sustainability reporting between the Group's subsidiaries are in some cases managed in different systems</td><td rowspan="3">In autumn 2024, an ESG data management system was introduced, which will support the collection and analysis of the Group's data in one common system</td></tr>
<tr><td>Sometimes quantitative and qualitative data are not systematically collected, which makes it difficult to compile historical information on the data</td></tr>
<tr><td>Where there are multiple responsible data holders, data are collected and analysed using different methods</td></tr>
<tr><td>Data related to sustainability management are managed and aggregated over different periods</td><td>Work is underway to address the shortcomings in the development of the 2025 Sustainability Report, providing for timely collection of data by quarters</td></tr>
<tr><td>There are multiple responsible sustainability-related data holders, or sometimes no responsible data holders are defined</td><td>Work is underway to address the shortcomings in 2025 by defining the GHG emissions and EU Taxonomy working groups, their composition and responsible data holders for maintaining and compiling the relevant data</td></tr>
</table>

Where possible, the identified weaknesses were mitigated or eliminated. Given the Group's first experience in developing a Sustainability Report following the CSRD requirements, part of the deficiencies is related to the need to change the systematic sustainability management practices, which are planned to be improved in 2025

The Board, the ESG Working Group, the management and supervisory bodies involved in the preparation of the disclosures were regularly informed of the material weaknesses identified during the Sustainability Report development.

Strategy, business model

The Group is aware of the seriousness of the consequences of climate change and its role as a participant in the financial sector in promoting and strengthening sustainable development. The report reflects the Group's attitude and awareness that its business operations can create significant positive or negative impact on the dimensions of sustainability in the medium and long term. The Group strives to promote activities with a positive sustainability impact on its business operations and conduct at all stages of its value chain.
The Group believes that socio-economic growth is possible with minimal consumption of natural resources. The Group joins forces for the transition to a fully sustainable and inclusive economy and financial system in accordance with the "Green Deal", actively implementing both small and complex actions with a long-term impact on strengthening change.

We have developed the *Sustainability Strategy*, which sets out the sustainable development goals, priorities and achievable results of the Bank and the Group, as well as defines strategic directions for sustainability, based on an analysis of internal and external environmental factors. The *Sustainability Strategy* is one of the cornerstones of the *Business Development Strategy for 2024-2028*, which defines sustainability goals in both the short and long term.

Sustainability commitment

"Green office"
In December 2022, the Bank received Green Office certification from the World Wide Fund for Nature. According to the elaborated environmental programme, it continues to consistently develop the environmental management system and improve the environmental awareness of the Bank's employees, following the Green Office guidelines. As part of the programme, every year the Bank sets specific sustainability objectives and implements the measures furthering the ongoing improvement of office

environment. The Green Office helps to create environmental awareness in relation to areas that are essential to everyday life – resource consumption, transport, procurement, waste and its management, and biodiversity. Joining the Green Office programme, there were 3 targets set for sustainable procurement, environmental communication with stakeholders and smart resource consumption. We pay particular attention to these areas when implementing the principles of environmental protection, social responsibility and good governance. Since joining the programme, the Bank has made a particular contribution to its efforts to reduce the impact of its working environment and to promote sustainable practices, which is evidenced by the Green Office Certification received in spring 2024. The Bank has defined even higher targets for the Green Office programme to be achieved in 2024 and 2025.

"Mission Zero"
In 2023, the Bank signed the "Mission Zero" charter, joining the initiative aimed at creating a healthy and safe working environment. There were no work-related accidents in the Bank in 2024.

"Family-friendly workplaces"
In 2023, the Bank was awarded the status of a "Family-Friendly Workplace" of the Society Integration Foundation. The Bank's goal is to create working conditions that are beneficial to both employees and their families, as well as to develop such a culture in society. The Bank has always sought to support the families of employees. This is manifested both in the general attitude, respect for family values, and in specific works. The Bank provides support to employees as needed if they encounter adverse family circumstances.

Products and services offered by the Bank:

- payments and accounts. More information is available on the Bank's website **here;**
- credit products. More information is available on the Bank's website **here;**
- brokerage services. More information is available on the Bank's website **here;**
- payment cards and settlements. More information is available on the Bank's website **here;**
- investment management. More information is available on the Bank's website **here.**

Bank's loan portfolio

"In 2024, the Bank continued to provide financing and make investments in developing the renewable energy projects – solar parks, hydroelectric power plants, etc. The Bank's financing is also directed to such an important area as increasing energy efficiency, lending to both the existing housing renovation projects and new real estate development projects. We believe that the volume and variety of loan products related to ESG issues will only grow every year, giving the Bank the opportunity to significantly increase its participation in the development of sustainability projects," **Artūrs Jukšs,** Head of the Lending Department of Rietumu Banka (Member of the Board of Rietumu Banka from 27.01.2025).

The bank's loan portfolio is the main source of income and a tool with which it can support the transition to a sustainable economy.

Total loan portfolio, million EUR

31.12.2023	31.12.2024
640	684

Loan portfolio breakdown by sector according to the amount of granted loans, in (%)

Sector	2022	2023	2024
Agriculture, forestry and fishing	2.7	3.0	2.9
Manufacturing	5.3	8.6	4.6
Electricity, gas, steam and air conditioning supply	4.7	0.8	4.6
Construction	0.8	3.0	2.1
Wholesale and retail trade; repair of motor vehicles and motorcycles	9.2	9.7	0.5
Transportation and storage	5.5	3.6	1.5
Accommodation and food service activities	0.7	4.2	5.1
Information and communication	0.5	0.4	0.1
Financial and insurance activities	30.0	25.5	31.0
Real estate activities	40.1	41.1	46.2
Professional, scientific and technical activities	0.4	0.1	0.1
Administrative and support service activities			0.1
Arts, entertainment and recreation			1.0
Other service activities	0.1	0.0	0.0
N/a (natural persons)			0.2
Total:	**100**	**100**	**100**

In 2024, the share of the Bank's loan portfolio with a high level of sustainability risk has decreased from 26% to 8%, which can be explained by the reduction in climate-intensive sectors, such as metal products, plumbing and heating equipment and accessories, wholesale of chemical goods, etc.

Assessment of the sustainability risk level of the loan portfolio, %*

Sustainability risk level	2022	2023	2024
Low	35	30	34
Medium	39	44	57
High	26	26	8
Total:	**100**	**100**	**100**

*Based on the European Bank for Reconstruction and Development (EBRD) Environmental and Social Risk Categorisation List, the level of environmental and social risk in the loan portfolio has been determined. The assessment of the level of sustainability risk in the loan portfolio takes into account the borrower's sector (NACE) code, therefore the assessment is applied only to legal entities.

Bank's investment portfolio

"Sustainable development of the bank is an integral part of our strategy: yesterday we built a solid foundation for responsible growth, today we are actively implementing ESG principles in our processes, and tomorrow we will continue to move towards a sustainable future, creating long-term value for customers, society and the environment," **Dmitrijs Krilovskis,** Head of the Treasury Department of Rietumu Banka.

The bank has a relatively conservative investment strategy, investing mostly in high-quality bonds from various sectors.

Total investment portfolio, million EUR

31.12.2022	31.12.2023	31.12.2024
423	332	266

Investment portfolio breakdown by sector, in (%)

Sector	2022	2023	2024.
Financial	49	53	53
Consumer goods	14	13	10
Government	12	8	11
Manufacturing	4	5	5
Other	21	21	21
Total:	**100**	**100**	**100**

Operating markets

Major operating markets in 2024 were the following:

- lending – Baltic States, mostly – Latvia;
- real estate management – mostly Latvia;
- asset and liability management – mostly European Union countries;
- customer service (fintech/neobanking, etc.) – Baltic States, European Union countries; investment services – global.

Investment portfolio breakdown by operating markets (%)

Operating markrt	2022	2023	2024
Latvia	5	3	6
EEA	50	55	63
USA	18	18	16
Other	27	24	15
Total:	**100**	**100**	**100**

The Group does not carry out economic activity and does not provide services in prohibited markets in accordance with Latvian and European legislation.

In its sustainability report for 2024, the Group does not provide information on the distribution of total revenues by ESRS sectors.

Significant impacts in our operations

The Group is aware that its consolidated Group includes subsidiaries whose economic activities have significant positive and negative impacts on the ESRS sectors.

Material negative impact: ESRS E1 Climate change

In 2021, JSC "Rietumu Banka" established a subsidiary "Second Sky Management" Ltd., which carries out economic activities in the aircraft leasing and operating leasing sector.

The main negative impact of the aviation industry on the climate is its CO_2 emissions from fuel and energy use. The energy consumption and direct greenhouse gas emissions aggregated as a result of the economic activities of "Second Sky Management" Ltd. are reflected in the ESRS (KPI reference) separately from the total Group's Scope 1 emissions. When conducting a double materiality assessment, the Group also identified other significant environmental impacts related to noise pollution, circular economy and waste, and indirect impacts on biodiversity. The impacts identified within the Group's double materiality assessment are stated in section "Material impacts, risks and opportunities".

Material positive impact: ESRS S4 Affected communities
In 2007, JSC "Rietumu Banka" established the charity foundation "Nākotnes atbalsta fonds" with the aim of promoting charity and engaging in supporting socially significant initiatives. Since then, "Nākotnes atbalsta fonds" has implemented a significant number of projects – 1000 different projects throughout Latvia. The priorities of the charity foundation are the promotion of public health, improving children's medical facilities, supporting children and young people from low-income families, as well as socially important projects in the cultural, social and environmental fields. In recent years, "Nākotnes atbalsta fonds" has expanded its activities to support achievements in sports, preservation of cultural heritage, development of the urban environment, and also implements the principles of sustainability in cooperation with the Bank.

In 2023, the Group became the owner of 28.97% of AS "Latvijas Gāze", which is one of the leaders in the Baltic energy sector, providing wholesale and retail of natural gas to business customers in Latvia, Estonia, Lithuania and Finland.
Information on AS "Latvijas Gāze" is not included in the Sustainability Report, as it is a subsidiary of another parent company, which is obliged to prepare a Sustainability Report for 2025.

Long-term objectives for the Bank's major products ad services

The Bank, taking into account its operating environment, mission, vision, key business objectives and opportunities, sets the following sustainability targets and key performance indicators for the financial years 2024-2028:

1) to define and fulfil the ambition for decarbonisation with regard to activities and individual products of the Bank;
2) to calculate the financed emissions, to determine and achieve short- and long-term emission reduction targets for the largest financed sectors;
3) to define short- and long-term decarbonisation targets for credit portfolios and to move towards climate neutrality in accordance with the defined objectives;
4) to achieve climate neutrality (net zero emissions target) in the management of credit portfolios by 2050;
5) to maintain the weighted average sustainability risk indicator for the investment portfolio at a level above 3, according to Bloomberg assessment;
6) to define long-term significant achievable key performance indicators in the field of sustainability that would allow monitoring of sustainability risk materialisation resilience and portfolio coherence with global and European Union sustainability targets.

During the reporting period, the Group has not defined any sustainability-related targets for the Group's business lines and the Bank's key products, customer categories, geographical areas and stakeholder relations. At the same time, we plan to minimize our exposure to the Russian and Belarusian markets, taking into account the geopolitical situation and current sanctions risks. We also plan to continue operating and develop corporate financing in our core markets – Latvia and the other Baltic States.

The Bank's goal is to promote the positive impact of its products and services on the environment. Since 2022, risk analysts have been conducting an assessment of ESG factors, and when granting loans the aspects of environmental friendliness, social responsibility, and sustainable development are taken into account. The Bank continues to improve the materiality of sustainability risk factors in the lending process. In 2025, it is planned to develop a methodology for identifying and assessing sustainability risks for existing and new loan portfolios, taking into account both physical environmental and climate change-related sustainability risk factors and significant transition risks.

When creating individual portfolios for clients, preference is given to the financial instruments that promote sustainability, adhering to the principles of environmental protection, social responsibility and corporate governance.
The information about the Bank's sustainable investment approach can be found on the Bank's website **here**.

Bank's mission, vision and values

Mission

The Bank's mission is to create value through financial solutions – for the Bank's customers, employees, society, shareholders and the Latvian economy.
For more than 30 years, the Bank has been an active member of Latvian society, and the social part of its mission is to support Latvian society in the development of traditional and new cultural trends, preservation of historical heritage, and the improvement of people's quality of life.

Vision

The Bank is a leading provider of financial services and a knowledge centre that creates value and new opportunities for the growth of the entire Latvian and Baltic society through professional cooperation with large and medium-sized enterprises.

Values

Expertise – an experienced team of professionals whose expert work focuses on solving a wide range of clients' financial issues.
Society – a socially responsible national capital bank focused on providing support for different social groups, urban environment, and the world.
Responsibility – sustainable, transparent and reliable financial solutions, with a focus on stable and long-term cooperation.

The Bank's role in Latvia and globally

The Bank recognises the importance of environmental sustainability, social responsibility and governance, and its operations are intended to support and promote sustainable development of the Latvian and Baltic economies by providing support for medium-sized and large enterprises via lending and financial services.

The Bank takes seriously the task set for the financial sector to raise awareness among its customers and business partners of the importance of sustainable operations for successful development of businesses and the national economy.

The Bank defined its strategic objectives related to the environment, social responsibility and governance already at the end of 2022 in the Sustainability Strategy and the Plan for Implementation of the Sustainability Strategy. When updating the Business Development Strategy, the Bank underscored its commitment to sustainable performance and targeted actions towards sustainable development.

Strategy, objectives

Measures to promote environmental principles and performance:

1. Promote renewable energy production, contribute to the energy security and independence of the Republic of Latvia, and mitigate negative processes of climate and environmental change:
    - Contribution as a co-owner to the development of solar parks on the Bank's properties
    - Providing loans for renewable energy projects
2. Increase energy efficiency:
    - Replacement of the Bank's office lighting with more energy-efficient lighting
    - Reducing electricity consumption
    - Continuing centralised switching off of office lighting
3. Promote sustainable procurement and reduce the impact on the environment across the entire supply chain
4. Integrate ESG principles into the criteria for assessment of the procurement procedure:
    - Development of guidelines for supplier and tender compliance with ESG principles
    - Continuing gradual replacement of office equipment (computers, monitors, printers, etc.) with more energy-efficient equipment (Energy Star)
    - Procurement of office supplies in line with internationally-recognised environmental standards
    - Integration of ESG principles in the choice of corporate gifts
5. Introduce best practices and waste reduction hierarchy principles in waste management:
    - Promotion of a waste prevention approach in operations of the Bank and the Group
    - Increasing waste sorting volumes
    - Introduction of circular economy principles
6. Commence collecting data and calculating the carbon footprint of the loan portfolio and the investment portfolio
7. Develop greener client portfolios in the management of individual portfolios

8. Raise staff awareness of climate change and opportunities to mitigate environmental impact
9. Engage in nature restoration and biodiversity projects
10. Integrate compensatory mechanisms for unavoidable greenhouse gas emissions into the Bank's processes in line with CO_2 mitigation hierarchy
11. Continue participation in the World Wide Fund for Nature's Green Office Programme
12. Promote low-carbon and health-promoting mobility habits among employees

Measures to promote social responsibility principles and performance

1. Expand the provision of tangible and intangible benefits for employee retention and performance improvement
2. Continue employee cohesion activities
3. Promote healthy and responsible lifestyles for employees and their families by supporting various activities as part of obtaining a Family Friendly Bank's status
4. Organise group exercises at the workplace
5. Improve employee motivation through employee engagement surveys
6. Continue social support activities via Nākotnes Atbalsta fonds
7. Involve employees in defining and implementing sustainability-related initiatives and innovations in their daily work and in the Bank's products
8. Continue voluntary commitment activities of the Mission Zero initiative
9. Include in the health insurance policy psychological and psychotherapeutic counselling services to reduce and prevent anxiety, depression
10. Involve employees in blood donation events organised by blood donors
11. Participate in environmental and social responsibility initiatives (Shadow Day, My Sea, Don't Eat the Earth, Nationwide Clean-up Campaign, Rimi Riga Marathon, etc.)
12. Actively educate and train employees on sustainability matters, including:
    - Environment and climate change
    - Healthy and responsible lifestyles
    - Biodiversity conservation
13. Alter the green area of the Bank's office to promote:
    - Employee interaction and socialisation
    - Employee respite and recreation opportunities
    - Inclusive, safe environment
    - Healthy and resilient urban ecosystems

Measures to promote governance principles and performance

1. Improve the sustainability governance process by establishing a Sustainability Committee to facilitate decision making on sustainability-related matters
2. Continue regular internal and external staff training on various aspects of the Bank's operations, in particular:
    - Information systems, data protection and security
    - Prevention of money laundering and terrorism and proliferation financing
    - Regulations, requirements applicable to the Bank's operations
3. Introduce an employee satisfaction and engagement survey
4. Develop inclusive, equality-enhancing and non-discriminatory work environment
5. Improve procurement procedures by introducing higher ESG criteria in the procurement process
6. Upgrade the data-driven ESG risk assessment methodology
7. Increase the share of financing for sustainable products and the number of "green loans"
8. Develop a GAR (Green Asset Ratio) assessment for the loan and securities portfolio
9. Further improve the quality of external and internal communication with stakeholders
10. Improve informing customers on the Bank's website on the integration and application of ESG principles in its operations, good corporate governance and sustainability performance
11. Introduce an ESG data management system
12. Assess the Bank's strategic management against the Sustainability Index tool
13. Take into consideration the UN Principles for Responsible Banking
14. Involve the Bank's stakeholders in achieving the Bank's sustainability objectives

Cornerstones of Sustainability

UN Sustainable Development Goals

In order to ensure a comprehensive transition to sustainable development, the Bank and the Group are targeting the 17 Sustainable Development Goals set out in the 2015 UN General Assembly resolution Transforming our World: The 2030 Agenda for Sustainable Development as a guiding principle in their strategy. The Group has assessed and identified 6 priority SDGs to which the Group can make the most significant contribution through its operations and which may have an impact on the Group's operations.

Good health and well-being
The Group has set itself the objective of promoting the well-being, welfare and dignity of its employees. The Bank pursues the basic principles of an active and healthy lifestyle. Together with our employees, we form teams in various sports and balanced lifestyle initiatives. Through our internal communication platform, we encourage and popularise healthy and responsible lifestyles among our employees, reminding that we ourselves, too, must take proper and timely care of ourselves and our loved ones. Special attention is paid to psychological and emotional well-being, preventing risks after crises and providing support to avoid them. We build respectful and supportive relationships with all stakeholders.

Affordable and clean energy
The Group promotes the availability and distribution of cleaner forms of energy. Rietumu Capital Centre office building has 228 solar panels installed for self-consumption. The Group supports the country's strategic objectives and energy independence by providing loans for the development of commercial solar parks, and the Bank is involved in several projects as a co-owner. The Group also aims to have a positive influence on the energy consumption habits of its employees.

Decent work and economic growth
The Group strongly motivates employees' desire to develop in order to enhance their well-being. The Bank and the Group strive to contribute, directly and indirectly, to economic growth and development in a sustainable manner by supporting medium-sized and large companies through loans and operational infrastructure. In providing financing to its customers, the Bank takes into account the importance of sustainable operations for the successful overall development of businesses and the economy. The Bank promotes job creation, bearing in mind significant changes expected in the labour market as part of green transformation.

Sustainable cities and communities
The Bank issues loans for projects of public interest that promote urban development. We want to continue investing in projects promoting environmentally friendly technologies and renewable energy, supporting sustainable development of cities and the environment. By engaging in neighbourhoods' initiatives, the Bank contributes to the health and resilience of urban ecosystems. The Group develops commercial and residential real estate in its operations. The surrounding landscape is important when working on development projects. The greatest assets of our properties are both forest land and proximity to the waterfront. To promote the well-being of residents, we introduce sustainable and environmentally friendly solutions – green energy, solar panels, rainwater drainage into water bodies – creating an aesthetic and beautiful living environment. We want to offer this to our residents, thus reducing pollution and energy consumption caused by buildings.

Climate action
The Group wants to take urgent action to mitigate climate change and its impact by promoting biodiversity conservation and ecosystem protection. The Bank and the Group are prioritising climate mitigation dialogue with stakeholders whose main line of business has a significant impact on climate: construction and real estate, information and communications technology, transport, energy.

Peace, justice and strong institutions
The Group fosters good governance practices and implements ESG principles in all its processes and day-to-day culture. The Group is taking steps to make all processes clearer, more transparent and comprehensible to achieve greater security and protect stakeholders' interests.

European Green Deal

The Sustainability Strategy of the Bank and the Group has been developed in consideration of the 2050 climate goals of the European Green Deal, which aim to increase countries' capacity to adapt to the adverse impact of climate change by redirecting financial and capital flows towards green investments and prioritising the pathway towards low greenhouse gas emissions and climate-resilient development.

Strategy, business model and value chain

The Group's Business Strategy is based on maximising the economic and social value of its employees, customers and shareholders on the scale of the Latvian, Baltic and European Economic Area markets, which enables the Bank and the Group to achieve sustainability and quality goals. The Bank's sustainable development is based on increasing lending to medium and large enterprises.

In the area of customer service and banking operations, the Bank focuses on medium-sized and large companies whose country of registration is Latvia, the Baltic States and other member states of the European Economic Area. In terms of private customer servicing, the Bank targets the individuals who are senior management or owners of existing or potential corporate clients with a clear, transparent origin of funds and a good reputation.

The Bank provides brokerage and asset management services to wealthy individuals, as well as large and medium-sized enterprises with working capital that can be invested in financial instruments. The Bank offers an individual portfolio management service, which allows the client to entrust their investment portfolio to professionals who will carefully adjust the investment strategy to the client's investment objectives and risk tolerance. The Bank offers solutions to achieve financial goals and simultaneously manage sustainability risks. Before concluding a portfolio management agreement, clients have the opportunity to clarify their preferences regarding sustainability risks.

The portfolio manager integrates sustainability risks into the overall risk assessment process with the aim of achieving the client's preferences in the field of sustainability, while maintaining the portfolio's profitability and without increasing the risk level.

The Bank plans to continue developing solutions that would provide clients with access to financial markets via an electronic platform, and to develop asset management services for the Bank's corporate clients in the Baltic States.

The Bank's business support strategy provides for the sustainable and secure development of information technologies, including ensuring the digitalization of business processes and customer service channels, improving the efficiency and security of the technological solutions used, creating a technological environment based on customer experience, providing personnel management and training to strengthen technological literacy.

Value chain

Stakeholders

The Group has identified stakeholders in its value chain who influence the sustainable development of the Group's operations and whose sustainable operations are influenced by the Group. The Group has identified the sustainability priorities of stakeholders in terms of ESG principles, key tools and channels of influence.

Stakeholders value chain

Stakeholders	Sustainability priorities	Influence tools	Influence channels
Shareholders	Governance	Internal processes	Governance measures
Employees	Environment Social responsibility Governance	Internal processes	Engagement, training, information notices, surveys
Clients	Environment Social responsibility Governance	Products and services	Information notices, questionnaires, guidelines
Cooperation partners	Environment Social responsibility Governance	Internal processes, external activities	Information notices, guidelines
State institutions	Governance	Ensuring compliance	Monitoring, control, correspondence, dialogue
Society	Environment Social responsibility Governance	Expression of opinions, social dialogue	Communication with the media

To support customer service, the Group continues to improve communication channels with customers, implementing further development of the internal customer management system.

Among other things, the Group is improving business processes and control environment. The Group is creating an internal business environment using the "three lines of defence" model. To create an effective quality control environment, the Group plans to introduce a new management reporting system, continues to optimize internal regulatory documents, and sets the goal of ensuring the application of the 4 or 6 eyes control principle.

Taking into account the important role of commercial banks in the welfare of the national economy, the Bank considers itself an institution that promotes the transformation and development of the Latvian economy. The Bank closely cooperates with companies in various sectors, providing them with the necessary financial support, thus contributing to both the development of the Latvian economy and indirectly increasing tax revenues for the state budget. The Bank plans to continue providing lending and other financial services to Latvian entrepreneurs, as well as to strengthen and expand its commercial activities in Lithuania, Estonia and other European Union countries.

Upstream value chain

The Group has identified its upstream and downstream value chain actors.
The Group identifies key **partnerships** in the upstream value chain for each business line:

- Lending – law firms, property appraisers, insurance companies, state registers, credit bureaus, audit companies;
- Real estate management – architects, construction companies, IT system providers;
- Customer service and banking operations – cooperation partners in providing card acceptance services, cooperation partner in developing and after-sales service of open banking service; cooperation partner in providing processing service for card acceptance and open banking service; e-commerce portal service providers; cooperation partners in providing remote customer

identification; clearing services for accepting, processing and settling payments; correspondent banks; state register; insurers (for cards);

- Brokerage services and asset management – trading platforms, financial information and data providers;
- Asset and liability management – custody and securities settlement service providers; financial information and data providers; counterparties of currency risk hedging transactions;
- Support for economic processes – utility providers; technological solution developers; economic service providers and suppliers of goods; audit companies.

Procurement and suppliers

The Group's upstream value chain includes **suppliers** and procurement service providers.

In 2024, as part of regular supplies, the Bank received:

1. office equipment;
2. office appliances;
3. stationery, office supplies;
4. plastic cards for making payment cards;
5. paper recycling services.

in 2024, the purchase of paper and stationery products bearing the manufacturer's eco-label and/or the label that they are made from recycled raw materials was continued. The procurement process takes into account sustainability principles aimed at assessing the availability of environmentally friendly alternatives on the market and choosing as sustainable products and services as possible. In order to ensure an efficient and effective supplier selection process, the Bank opts for trusted suppliers with appropriate competence and quality indicators. The Bank evaluates and selects suppliers of goods and services on the basis of the following criteria:

- financial position;
- reputation;
- workforce qualifications;
- appropriate technical capabilities;
- previous experience.

During the reporting period, we began developing a *Procurement Procedure*, integrating the assessment of the outsourcing and service provider's compliance with the Group's sustainability goals:

- sustainability risk assessment;
- sustainability aspects.

It is important for the Group that the activities carried out by suppliers are consistent with the Group's values. Accordingly, in 2024, the *Procurement Procedure* for assessing the compliance of suppliers and offers with the principles of sustainability was also improved. The procedure for ordering stationery has been centralized using a unified electronic system. We place planned orders for regularly purchased goods, thus reducing the number of deliveries and also decreasing the amount of emissions caused by transport.

Number of cooperation partners in the upstream value chain

Bank	1051
Subsidiaries	875
Total:	**1926**

Downstream value chain

At the Group level, the downstream value chain is the **customers**. Customer profiles vary within each subsidiary's business activities.

The **Bank** focuses on lending and servicing medium and large companies as well as high net worth individuals.

The Bank's customers are:

- corporate clients with a clear legal and organisational structure, whose activities comply with the requirements of regulatory enactments and the Bank's policies;
- individuals, business owners with a clear source of funds and good reputation, who are residents of the European Union member states.

The bank's clients are companies that operate in sectors such as commercial and residential real estate development, construction, hotels, transportation, financial services, trade, green energy, manufacturing, import and export transactions, etc.

Rest of the Group
"RB Investments" Ltd. – the main client group receiving services in the areas of real estate rental, sale, as well as lending and investment;
Rietumu Leasing Ltd. – the main client group receiving leasing services in Belarus;
"InCREDIT GROUP" Ltd. – the main client group receiving consumer lending services;
"Second Sky Management" Ltd. – the main client group receiving aviation services;
"Vesetas 7" Ltd., "KI Nekustamie īpašumi" Ltd., "KI FUND" Ltd., "NAT grupa" Ltd., "Euro Textile Group" Ltd., KI Invest Ltd., "Apella" Ltd., "KI Zeme" Ltd. – the main client group receiving services in the area of real estate brokerage, rental and sales;
"RB Drošība" Ltd. – the main client group receiving security services;
RB Securities Limited – the main client group receiving asset management services;
Foundation "Nākotnes atbalsta fonds" – beneficiaries of support that meet the mission and objectives defined by the foundation. Information about "Nākotnes atbalsta fonds" can be found on page 110.

Interests and views of stakeholders

The Group actively cooperates with all stakeholders and builds open relationships with them. Initial stakeholder engagement and cooperation in ensuring the sustainability contribute preventively to reducing the probability and impact of sustainability risks and to the effectiveness of their management, while not creating obstacles to achieving the objectives of the business development strategy. This enables the Group to make a comprehensive positive impact and develop even more sustainable solutions.

Main parties affected

Customers and end-users

Customers are the main affected party. The Bank's activities are focused on servicing large and medium-sized enterprises and wealthy individuals in Latvia, as well as other Baltic and European countries.
In 2024, the Bank's internal culture and efficiency of work processes were improved to expand the range of high-quality services and products already provided to customers.

Customers are offered individual service, strictly adhering to the principles of data protection, non-discrimination, fairness and transparency in the operations.

Recognizing that the Bank, as a financial institution, plays an important role in the creation and development of a sustainable economy, customers and cooperation partners are supported in the transition and adaptation process regarding climate change goals. In 2024, the Bank issued several large-scale loans for Latvian business growth, including solar energy park projects and various real estate renovation projects with cultural and historical heritage status.

The Bank is committed to promoting sustainable business models of customers, helping to reduce the environmental impact of their economic activities.

"At the same time, to ensure financial stability, one of the Bank's essential sustainability principles is responsible long-term relationship building with customers, ensuring not only high quality of services, but also responsible use of resources and social responsibility. We are effectively moving towards growth, focusing on both technological development and digitalization, as well as improving customer support systems and promoting loyalty. Our commitment is to ensure the availability of financial services, streamlining processes and offering solutions that promote customer business growth and facilitate the integration of sustainability principles into business processes," **Jānis Plikšs,** Head of the Customer Service Department of Rietumu Banka.

Rietumu Banka does not deal with clients whose business activities or ownership/participation structure may pose high risk of money laundering, terrorism and proliferation financing (ML/TPF), sanctions and reputational risk.

The Bank follows a clear and thorough "Know Your Customer" policy.

The Bank terminates a business relationship with a customer if, during the course of the relationship, high and uncontrollable ML/TPF, sanctions or reputational risks are detected.

The Bank's sustainable development is based on increasing lending to large and medium-sized enterprises. The Bank focuses and will continue to expand the corporate lending in the Baltic States.

The number of the Bank's corporate customers has grown by 132.

In 2024, the Bank's customer segment represented by private individuals (natural persons) decreased by 3 221 customers, reducing the total number of customers in this segment by 22% compared to 2023.

In 2024, the long-standing and successful cooperation continued, with 6% of the Bank's clients having more than 20 years of cooperation experience and 14% having 10-20 years of cooperation experience.

Bank's customers

	Number of customers		More than 20 years		10 to 20 years		Less than 10 years	
	2023	2024	2023	2024	2023	2024	2023	2024
Customers – Loro banks	13	13	0	0	5	5	8	8
Corporate customers	1296	1428	68	75	281	285	947	1068
Private individuals	14414	11193	666	727	1285	1469	12463	8997
Total:	**15723**	**12634**	**734**	**802**	**1571**	**1759**	**13418**	**10073**

In 2024, relations with 27 customers of the Bank were terminated

Number of terminated relations		
2022	2023	2024
102	108	27

Group's customers

	Number of customers
Bank	12634
Group's subsidiaries, excluding the Bank	41905
Total:	**54539**

Stakeholder engagement

The Group actively engages with all stakeholders and builds open relationships with them.*

Stakeholder engagement

Stakeholders	Form of cooperation	Regularity	Purpose
Shareholders, Council, Council committees, Audit Committee	Ordinary/extraordinary shareholders' meeting	Regular shareholders' meeting 1 x per year mandatory/Extraordinary as needed	Financial indicators and implementation of the strategy Business resilience Changes in the business and market environment, choice of external auditor, election of Council, election of members of the Audit Committee
	Council meetings	2 x per month or as needed	Decision-making within the scope of competence and on current issues
	Meetings of committees established by the Council: Remuneration, Nomination and Council Risk Committee	Remuneration Committee meetings - not less than 1 x in half a year; Nomination Committee meetings - as necessary, not less than 1 x in half a year; Council Risk Committee meetings - as necessary, but not less than once a quarter	Accomplishment of the Committee's tasks and objectives
	Audit Committee	Audit Committee meetings – 3 x per year	Accomplishment of the Committee's tasks and objectives
Board, employees	Board meetings	As needed, but not less than 1 x per week	Examine existing and identify other issues of concern, including the approval of the budget for sustainability measures
	Orders	As needed	Inform, determine procedures regarding current work, work environment and organizational issues
	Committee meetings	Set individually for each committee (usually at least once a month)	Accomplishment of the Committee's tasks and objectives
	Thematic working group meetings	As needed	Consideration of issues relevant to the working group topic
	Employee satisfaction and engagement surveys	1 x in 2 years	Determine satisfaction with employment aspects

Stakeholders	Form of cooperation	Regularity	Purpose
	Employee performance evaluation	1 x per year	Promote, support and develop the professional performance, skills and competences of employees
	Management meetings	1 x in 1-2 months	Inform about current events
	Regular meetings of structural units	As needed, at least once a month	Discuss existing and identify other current issues
	Individual meetings of management representatives with the responsible representatives of the Executive Board	Regularly	Discuss existing and identify other current issues
	Introductory training for new employees of the Bank (Onboarding)	1 x in 1-2 months	Introduce the Bank's history, strategy, products, processes, goals, values, internal culture and traditions, and sustainability scope
	Bank's internal information network Intranet	Daily communication	Inform about current events
	Thematic emails (e.g., to the Maintenance Department, Human Resources Department, technical support, Board, management level, etc.)	Continuous availability, daily communication	Identify current issues
	Internal surveys on current topics	As needed	Identify opinions on current issues
	Corporate, bonding events	Regularly	Employee engagement and cohesion activities
Customers	Individual client meetings	As needed	Identify current issues, wishes and customer opinion
	Communication with customer service specialists	Continuous availability, daily communication	Identify current issues, wishes and customer opinion
	Customer satisfaction surveys	Once every 3 years	Identify opinions on current issues
	Call center	Continuous availability, daily communication	Identify current issues
	Customer reporting channels	Continuous availability, daily communication	Identify current issues
	Informal customer engagement activities	Regularly	Customer engagement and collaboration strengthening measures Inform customers and the general public about the

Stakeholders	Form of cooperation	Regularity	Purpose
			Group's values and goals
Cooperation partners (suppliers and service providers)	Special and daily business meetings	Regularly, as needed	Promote long-term collaboration Identify significant discrepancies in expectations
State institutions	Annual supervisory review and evaluation process	1 x per year	Within the framework of the assessment of credit institutions' performance, risk levels and the quality of their management
	Quarterly reports, including meetings	1 x per quarter	Review of the Bank's development strategy and development plans Promoting the Bank's sustainable strategy
	Self-assessment questionnaires for operational processes, including on sustainability	Regularly	Review of the Bank's development strategy and development plans
Society	Public information disclosure and reporting Communication with the media Participation in events of public interest	Constantly	Transparency Fair and ethical business practices Expression of opinion Social dialogue Promoting public opinion on topics of importance to the Group

Stakeholders	How opinions are taken into account	How views are communicated to management bodies
Shareholders, Council, Council committees, Audit Committee	Essential topics are given priority status	Minutes of the shareholders' meeting. Information about made decisions provided on Intranet and on the Bank's website
	Essential topics are given priority status	Minutes of the Council meeting Information in Intranet on internal regulatory documents approved by the Board and Council – 1 x per month
	Essential topics are given priority status	Minutes of meetings of Council-level committees
	Essential topics are given priority status	Minutes of committee meeting
Board, employees	Approval of processes, their improvements, work environment issues	Minutes of the Board meeting Upon assessing the necessity, the Council is informed Information on the Intranet about internal regulatory documents approved by the Board and Council – 1x per month
	Improvements in processes and work environment	Orders are sent to the heads of structural units and published on Intranet
	Changes/additions made to work processes	Minutes of committee meeting
	Defined proposals for changes/additions to work processes	Regardless of the management structure, relevant stakeholders are informed about the decisions made
	Improvements in processes and work environment	Regardless of the management structure, relevant stakeholders are informed about the decisions made
	Employee competence development program. Integration of results with variable remuneration	The relevant employee and their manager are informed of the result
	Improvements in processes and work environment	Management meeting presentations available to all employees on Intranet
	Improvements in processes and work environment	Heads of structural units inform the responsible Board representative according to the topic
	Improvements in processes and work environment	Upon assessing the necessity, the Council is informed
	Open discussion sections for each entry	Introductory training is carried out by management (key process managers)
	Open discussion sections for each entry	Information available to all employees
	Records on incoming emails are kept	The relevant employee and/or manager is informed about the questions received

Stakeholders	How opinions are taken into account	How views are communicated to management bodies
	Opinions are summarized, evaluated and taken into account in the further decision-making process	The decision maker of the relevant issue is informed
	Open discussions	Informal opinion exchange and socializing opportunities for all employees
Customers	Product development Essential topics are given priority status The impact of economic development Introducing a new customer acquisition model Expansion of digital solutions and operations Transition to more sustainable business practices	Board meetings Upon assessing the necessity, the Council is informed The decision-maker of the relevant issue is informed
	Product development Essential topics are given priority status The impact of economic development Introducing a new customer acquisition model Expansion of digital solutions and operations Transition to more sustainable business practices	Board meetings Upon assessing the necessity, the Council is informed The decision-maker of the relevant issue is informed
	Consideration of recommendations, objections and suggestions	Board meetings Upon assessing the necessity, the Council is informed The decision-maker of the relevant issue is informed
	Consideration of recommendations, objections and suggestions	The decision-maker of the relevant issue is informed
	Consideration of recommendations, objections and suggestions Improvements in processes and work environment	The decision-maker of the relevant issue is informed
	Open discussions	The whole society is informed about the events organized by the Group
Cooperation partners (suppliers and service providers)	Improvements in processes and work environment, development of effective and sustainable cooperation	The decision-maker of the relevant issue is informed
State institutions	Additions to policies and procedures	Board meetings and Council meetings Compliance Department The decision-maker of the relevant issue is informed
	Updated internal regulatory documents and processes	Board meetings and Council meetings Compliance Department

Stakeholders	How opinions are taken into account	How views are communicated to management bodies
		The decision-maker of the relevant issue is informed
	Additions to policies and procedures	Board meetings and Council meetings Compliance Department The decision-maker of the relevant issue is informed
Society	Comments made in the media and on social platforms are collected and evaluated. Event evaluation surveys/interviews are carried out, analysed and taken into account in the organisation of future activities	The responsibility of the Chairman of the Board of Rietumu Banka includes the field of marketing and public relations. Within this framework, weekly meetings are held with the Marketing and Public Relations Department on current events. Responsible members of the Board are informed about upcoming public events. The Chairman of the Internal Corporate Communication Committee informs about proposed or completed social events and initiatives. The Sustainability Director submits quarterly reports to the Board and officials on the achievements in the field of sustainability, including social projects. The Council is informed about significant measures taken in the field of sustainability (including the fulfilment of the sustainability strategy implementation plan) in the quarterly Risk Reports

*The information in the table is presented in overview form. It does not provide an exhaustive list of issues discussed in 2024.

The Bank's financial solutions are tailored to its clients, taking into account the details and objectives of their projects.

The Bank communicates information on risks and opportunities related to its products and services to its customers on its website www.rietumu.com and through its Internet Banking.

The Bank is continuously improving its websites, including the sustainability section, to facilitate easy, fast access to information for its end-users. The Group ensures the clarity, accuracy and veracity of the information provided to customers.

The Bank offers a full range of modern services, with a particular focus on tailor-made business financing solutions, including lending for new projects, refinancing of existing liabilities, credit lines and business investments.

Through dialogue with stakeholders, the Bank aims to foster a common understanding of how to mitigate and manage sustainability risk, including through the involvement of associations from specific sectors of the economy.

The Bank prioritises dialogue with stakeholders whose main sectors of activity have a significant climate impact:

1) construction and real estate;
2) information and communication technologies;
3) transport;
4) energy.

The Group plans to ensure stakeholder engagement in order to strengthen the implementation of the Group's sustainability principles and increase the knowledge about the impact of sustainability risk factors on stakeholders' business models, and to proactively mitigate the likelihood and impact of sustainability risks arising from stakeholders.

The Group is committed to informing stakeholders about the requirements of sustainability principles throughout its operations and value chain, the progress of sustainability risk management and related key performance indicators, including planned intentions. The Sustainability Report provides stakeholders with comprehensive information about the Group's operations and sustainable development progress.

It is almost impossible to be a leader in every market segment, therefore the Bank has chosen for itself a niche and economic sectors in which the Bank can use the available resources to its advantage with the highest return. Taking into account the size of its capital, the Bank has the opportunity to engage in transactions with large-scale financing. By cooperating with and providing support to corporate clients, the Bank is ready to engage in higher-risk and higher-yield projects, mostly in the Baltic States.

During the reporting period, the Bank and its subsidiaries did not conduct a comprehensive value chain mapping and define stakeholders based on the type of economic activities of the subsidiaries, and consequently, no extensive stakeholder dialogue took place.

At the end of 2024, by updating the Group's *Business Development Strategy* and *Sustainability Development Strategy*, the most important directions of the Bank's business activities are determined, such as lending, real estate management, customer service and banking operations, provision of investment services and ancillary services, asset and liability management, and a description of the priorities of each direction is provided, determining the target customers and market, defining the objectives arising from the priorities, the achievable results and their indicators, and providing an assessment of resources, taking into account the results of the SWOT analysis.

The interests and opinions of stakeholders are not directly taken into account in the *Business Development Strategy* and *Sustainability Strategy*. At the same time, the Bank sees an opportunity for its further growth and development by undertaking medium and high risk transactions and potentially acquiring a stake in a business for which it provides financing. The Bank assesses each client and project individually at several management levels, determining directions, cooperation partners, geography of operations, etc., before making a decision, as well as analysing the project's compliance with the Bank's defined risk appetite and project return.

We are firmly committed to expanding the dialogue with value chain participants and stakeholders, which is planned to be expanded both through organized face-to-face exchange of views events and through surveys to collect opinions and ESG data.

During the reporting period, the Group has not identified or defined any measures for 2025 that could affect or change existing relationships with stakeholders or influence their opinions.

Material impacts, risks and opportunities

The Group has assessed both positive and negative impacts, as well as identified opportunities arising from the Group's business model and governance processes in relation to the sustainability topics included in the ESRS topical standards. The assessment was carried out based on the principle of double materiality, including both the Group's impact on sustainability and the potential impact of external factors on the business model, objectives and performance. The assessment result provides insight into the interdependencies and synergies of the Group's governance and business processes in the value chain.
We have identified sustainability topics where we create significant positive and negative impacts on society and the environment with our activities, products or services in the short, medium and long term. As part of this, we have defined the ESRS topics that are material to us:

- **Climate change**

The Group is aware that its decisions on granting financing, as well as on the conditions for granting financing, can influence the actions of borrowers towards promoting sustainability.

- **Own workforce**

Employees are the Group's greatest asset, therefore promoting and ensuring employee well-being was a high priority in the Group's sustainability initiatives in 2024.

- **Business conduct**

The Group's priority is to maintain an environment that prevents ethical and corruption-related violations and/or conflicts of interest. We have a strong and transparent corporate governance system based on internal regulatory documents.

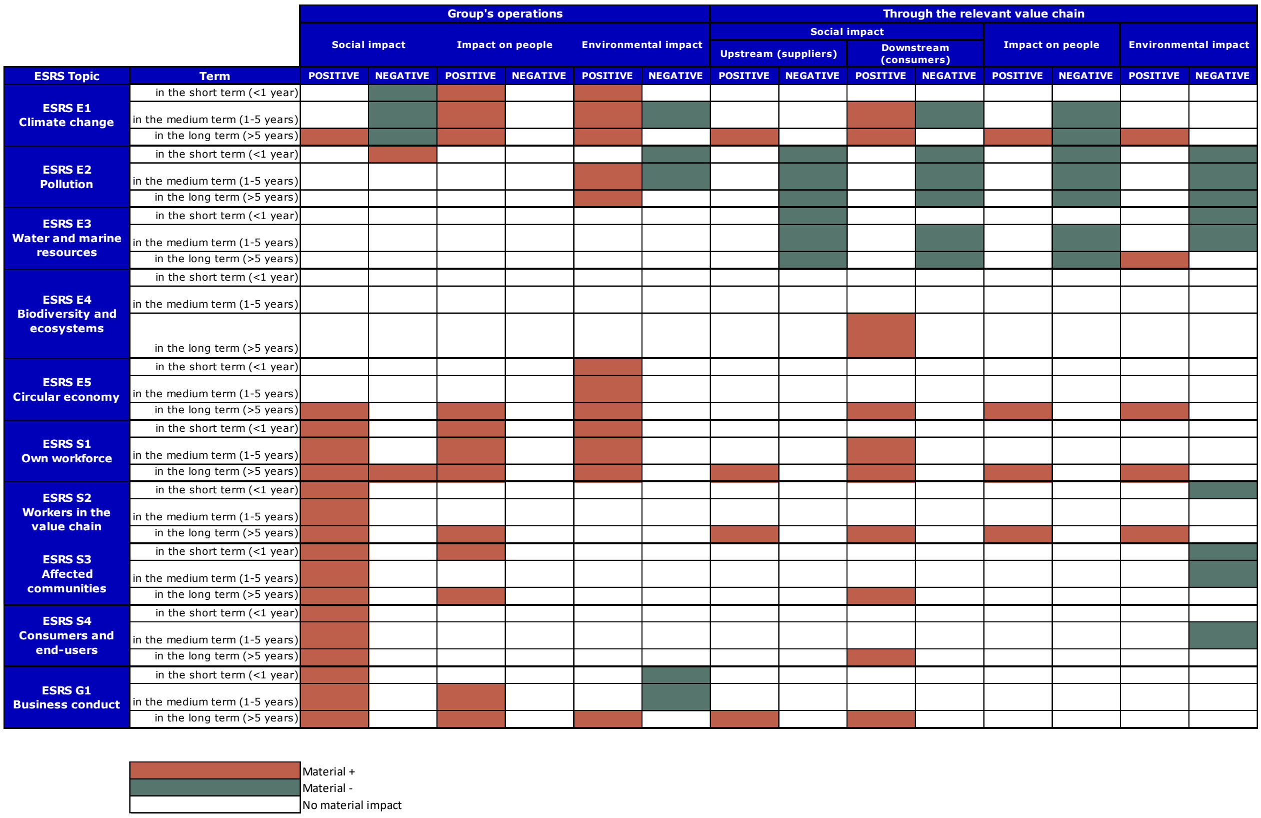
The double materiality assessment has contributed to a comprehensive understanding of the risks posed by sustainability and the future forecasts of risks and opportunities in all our business processes. During the assessment, we have promoted a common understanding of sustainability issues at the Group level, while strengthening our awareness and responsibility in areas related to sustainability. We have identified our sustainability strengths and weaknesses, achievements and shortcomings and identified those areas of activity where it is necessary to promote sustainability principles.

The Group's employees involved in the double materiality assessment and the Bank's Board were informed about the results in order to strengthen sustainability awareness at all levels. The significance of the obtained result for further development is confirmed by the Bank's Board, including the agreement on the integrity of the results in the *Sustainability* and *Risk Management Strategy* and internal regulatory documents. The Bank's Board believes that the identified impacts and opportunities should be considered as the basis for targeted communication to achieve sustainability goals with stakeholders and value chain actors.

It was important for us to identify in which operational processes positive or negative impacts prevail in terms of the topics covered by the ESRS, as well as to assess the likelihood of these impacts and future forecasts. The assessment was carried out by analysing commercial services and activities at the Group level, including the potential impacts of value chain actors, in order to identify whether and how these activities can affect socio-economic systems and create impacts on people and the environment.

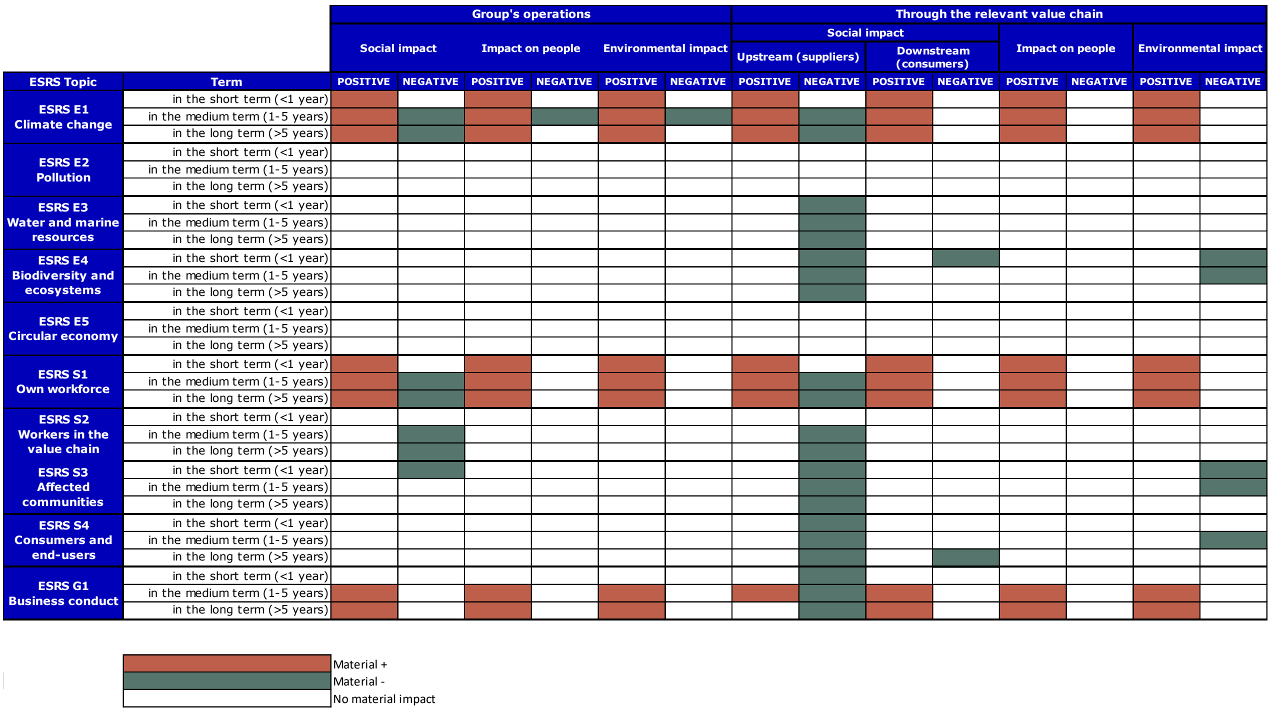
Material positive and negative impacts within the Group's operations and through its value chain, broken down by the ESRS topical standards.

ESRS topical standards



Material positive and negative financial materiality of the Group's operations and through its value chain, broken down by the ESRS topical standards.

ESRS topical standards



We have recognised that our operations have both existing and potential negative impacts on climate change, which may continue to negatively impact the environment and society as a whole. Having assessed the Group's business practices, we have identified the potential positive and negative impacts of our cooperation partners, suppliers and customers on sustainability topics, especially considering that the Bank's operations are focused not only on servicing large and medium-sized enterprises in Latvia, but also in other Baltic and European countries. We strive to promote our sustainable development, including by influencing the positive impact of our value chain, which is reflected in the impact assessment – in the medium and long term, negative impacts gradually decrease.

The impact assessment involved the Group's employees as stakeholders who are best aware of and drive the Group's strategic objectives. These representatives ensure the link between strategic objectives and business indicators in their daily work, manage internal risks and opportunities, and analyse dependencies and interactions with external factors. The financial materiality assessment took into account the attribution of the risk amount to capital, based on the Risk Management Policy.

Definitions

Material impact – the most significant impacts, risks and opportunities identified in the double materiality assessment process in the ESRS material topical standards identified by the Group.

Group business and management direction:
- L - Lending
- F - Financial services
- Co - Corporate finance and investment
- RE - Real estate sales, maintenance and development
- CS - Customer service
- S - Sustainability management
- HR - Human resources management
- GM – General maintenance and material resources
- IT - Information and business technologies, cybersecurity and data protection
- Ad - Administrative processes, legal matters
- M - Marketing activities
- C - Compliance and internal control and security management
- R - Risk management

Value chain:
- Group's business processes (G)
- Upstream value chain (U)
- Downstream value chain (D)

Impact type:
- I – material impact
- R – risks
- O – opportunities

Assessment of the positive and negative nature of the impact:
- "+" – positive impact
- "-" – negative impact

Nature of impact event:
- Pa – impact in the past (actual impact)
- Pr – currently present impact (actual impact; in the short term (<1 year) and medium term (1-5 years))
- Fu – impact anticipated in the future (potential impact; in the long term (>5 years))

Group's material impacts, risks and opportunities

ESRS topic	Material impacts	Business, management direction	Value chain	Impact type	+/- impacts	Nature of impact event
ESRS E1 Climate change	Moving towards a green economy and implementing a just transition mechanism	L, F, Co, RE, S	G, U, D	O	"+"	Pr, Fu
	Sustainable lending	L, S, CS	G, D	R, O	"+","-"	Pa, Pr, Fu
	Responsible investment policy	F, Co, CS	G, U, D	R, O	"+","-"	Pr, Fu
	Development of sustainable financial products	F, S, M, R	G, D	R, O	"+","-"	Fu
	Environmental innovations for optimising daily processes and resources	CS, HR, GM, IT, C, R	G, U	O	"+"	Pr, Fu
	Adaptation and climate change mitigation	RE, GM	G, U, D	O	"+"	Pa, Pr, Fu
	Renewable energy development projects	L, RE, S	G, U, D	I, O	"+"	Pa, Pr, Fu
	Procurement	S, GM, IT, Ad, C, R	G, U	I, R, O	"+", "-"	Pa, Pr, Fu
	Increase in resource consumption	Ad, S, GM	G, U, D	I, R	"+","-"	Pa, Pr, Fu
	GHG emissions	L, F, Co, CS, RE, S, GM	G, U, D	I, R	"+","-"	Pa, Pr, Fu
	Sustainability risks (physical and transition risks)	L, F, Co, CS, RE, S, GM, Ad	G, U, D	R	"-"	Pa, Pr, Fu
	Greenwashing	S, Ad, M, C, R	G, U, D	I, R	"+","-"	Fu
ESRS S1 Own workforce	Secure employment	GM, S, HR	G	R	"+"	Pa, Pr, Fu
	Health and safety	GM, S,HR	G	R	"+"	
	Principles of fair and equal remuneration	Ad, S, HR	G	I, R, O	"+","-"	
	Dialogue with employees, listening to opinions	Ad, S, HR, M	G	I, R, O	"+","-"	
	Ease and freedom of expression	Ad, S, HR, M	G	I, R, O	"+"	
	Work-life balance	Ad, S, HR	G	I, R, O	"+","-"	
	Ensuring privacy	Ad, S, HR	G	I, R, O	"+"	
	Employee bonding events	Ad, S, HR, M	G	I, R, O	"+"	
	Diversity across different social groups	Ad, S, HR, M	G	I, R, O	"+"	

ESRS topic	Material impacts	Business, management direction	Value chain	Impact type	+/- impacts	Nature of impact event
	Equality and inclusion in all social groups	Ad, S, HR, M	G	I, R, O	"+"	
	Building sustainability and environmental awareness	Ad, S, HR, M	G	I, R, O	"+","-"	
	Promoting a change in environmentally friendly habits	Ad, S, HR, M	G	I, R, O	"+","-"	
	Building the Group's sustainability image	Ad, S, HR, M	G	I, R, O	"+","-"	
	Competence and skills development	Ad, S, HR	G	I, R, O	"+","-"	
	Zero tolerance for violence, discrimination and harassment in the workplace	Ad, S, HR	G	I, R, O	"+"	
	Digitalization, systematization, optimization of work processes	Ad, IT, S, HR, M	G	I, R, O	"+","-"	
	Interdisciplinary cooperation between internal management structures	Ad, IT, S, HR	G	I, R, O	"+","-"	
ESRS G1 Business conduct	Responsible marketing practices	L, F, Co, RE, CS, Ad, M, C, R	G, U, D	I, R, O	"+","-"	Pa, Pr, Fu
	Corporate culture	L, F, Co, RE, CS, Ad, M, C, R	G, U, D	I, R, O	"+","-"	
	Risk and incident management	L, F, Co, RE, CS, S, HR, GM, IT, Ad, M, C, R	G	I, R, O	"+","-"	
	Relations with suppliers	Ad	G	I, R, O	"+","-"	
	AML/CTPF	Ad, C, R	G, U, D	I, R, O	"+","-"	
	Whistleblower protection	Ad, HR, C, R	G, U, D	I, R, O	"+","-"	
	Transparency	Ad, HR, C, R	G, U, D	I, R, O	"+","-"	
	Systematization	Ad, IT, C, R	G	I, R, O	"+","-"	
	Information presentation approach – understandable, simplified language, access to information	Ad, M, C	G	I, R, O	"+","-"	
	Compliance with increasing requirements	Ad, S, C, R	G, U, D	I, R, O	"+","-"	

The assessment of material impacts, risks and opportunities took into account the Bank of Latvia Valuation of monitoring the credit institutions' performance, risk levels and risk management quality for the period of 2021–2023.

Group's material impacts, risks and opportunities

Assessment scope	Assessed challenges	Assessment of the measures implemented by the Group
Business model	The risk is assessed as medium high.	In accordance with the business strategy, a business model is being successfully developed, which defines the role of digitalization and sustainability in ensuring the development of the credit institution. A risk appetite is determined for each individual risk group, thus providing information about the Bank's overall risk appetite and its framework.
Internal governance and risk management	The risks are assessed as medium high.	An assessment of the internal governance and risk management framework has been carried out, including an assessment of the organizational structure, remuneration, quality of the council's work, quality of the business recovery plan, implementation of regulatory enactments and sustainability risks. An assessment of the impact of sustainability factors on its existing material risks has been carried out.
Sustainability in internal governance and risk management	Defining the directions of the sustainability strategy and its integration into the business strategy. Improve the assessment of ESG risk factors and the determination of the sustainability level of the financed project. Careful risk management should be continued to ensure the sustainability of the loan portfolio.	Sustainability strategy developed. The development of ESG issues is demonstrated in the Bank's processes. Significant improvement is observed in relation to the inclusion of ESG risks in the credit institution's risk management framework. ESG risks are integrated into the business model and the overall risk management framework (including an assessment of the materiality of ESG risks, ESG key performance indicators (KPIs) have been determined, a section on ESG risks has been introduced in the quarterly risk report). *Sustainability risks materiality assessment* is carried out in 2023.

Timeframes used in the double materiality assessment:

- short term (<1 year);
- medium term (1-5 years);
- long term (>5 years).

Impacts, risks and opportunities are assessed equally for the most significant business lines of Rietumu Banka and its subsidiaries, as well as administrative processes related to high requirements for ensuring business continuity.

Recognizing the role of financial sector representatives in promoting sustainable development, the Bank continues to strengthen the implementation of environmental, social responsibility and governance principles at all levels of its operations. Within the framework of its activities, it intends to support and promote the development of the Latvian and Baltic economies in a sustainable manner, providing support to medium and large enterprises in terms of lending and operational infrastructure. The Bank's Board has decided to link the results of the double materiality assessment with the Group's strategic sustainability goals, updating the Sustainability Strategy in 2025.

In 2024, the Group conducted the double materiality assessment for the first time in accordance with the European Union Corporate Sustainability Reporting requirements in order to identify its material impacts, risks and opportunities.

Taking into account the dynamics of internal and external processes, the Group plans to improve the double materiality assessment and repeat it in 2025. In the next sustainability reporting period, it is planned to conduct a detailed climate risk assessment, taking into account the Group's defined key business sectors that have a significant impact on the climate.

The assessment is planned to take into account the environmental impact specific to the location, specifying information on the expected financial impact of physical and transition risks. In order to ensure a comprehensive assessment of sustainability impacts, risks and opportunities, it is planned to directly involve value chain participants.

The base year for the results is considered to be 2024.

The Group has defined the sustainability topics for further mitigation of environmental impacts and improvement of efforts

Environmental impact

"Green procurement" criteria	Supplier compliance with the Bank's sustainability criteria	Employee engagement and education
Environmental impact assessment within projects	Electronic document management	Increasing energy efficiency
Responsible waste management	Improvement of remote customer service	Electricity from renewable resources

Material impact, sustainability risks and opportunities assessment approach

The Group conducted an initial double materiality assessment to identify and assess the Bank's and the Group's priorities in relation to potential and actual impacts on society, people and the environment, based on a due diligence process. The materiality assessment of sustainability topics is based on the double materiality principles – impact materiality and financial materiality.

Assessment methodology

Impact materiality assessment is the identification of the probability that the Group has an actual or potential, positive or negative impact on society, people and the environment.

Financial materiality assessment covers the identification of the probability that sustainability topics may have a material financial impact or may have an impact on business development opportunities for the Group as a whole.

When conducting a double materiality assessment, the Group takes into account the scale, scope and, in the case of a potential negative impact, the irreversibility and probability of occurrence of the impact:

Impact assessment	Impact assessment	
	Impact materiality	**Financial materiality**
Scope of the assessment	Includes the Group's activities and, through its value chain, the +|- impact: ▪ Social impact ▪ Impact on people ▪ Impact on the environment	Includes risks and opportunities that may have a financial impact on the Group's operations
Scale of the assessment	▪ Impact severity ▪ Impact likelihood	▪ Magnitude of the financial impact ▪ Impact likelihood
Impact values	**Positive impact** 1 (minimal positive impact) to 5 (significant positive impact) **or** **Negative impact** -1 (minimal negative impact) to -5 (severe negative impact)	**Positive financial effect** 1 (up to 0.1% of equity) to 5 (over 10% of equity) **or** **Negative financial effect** -1 (up to 0.1% of equity) to -5 (over 10% of equity)
Irremediable character of the impact	▪ Impact value - 5	▪ Impact value - 5
Probability of impact	1 (rare (up to 20%)) to 5 (almost certain (over 80%))	1 (rare (up to 20%)) to 5 (almost certain (over 80%))
Risk and opportunity assessment	Actual and/or potential +|- impact	Actual and/or potential risks and opportunities
Impact attribution	**External factors**: environment, society, climate change	**Internal factors**: financial performance, financial flow, development, performance, access to resources
Assessment time frame	Short, medium and long term	Short, medium and long term

The Group assessed its impact both from the Group's own operations and through its upstream and downstream value chain, including products and services, as well as business relationships.

The Bank's and the Group's methodology is based on expert assessment, including senior and middle management. The management had to complete a double materiality assessment questionnaire (matrix), assessing potential impacts, risks and opportunities through their own responsibility process. The Group's management is directly involved in all governance and collaboration processes, which allow for the assessment of actual or potential, positive or negative impacts on people and the environment, also taking into account the relevant value chain. The assessment was carried out for each ESRS sustainability topical standard, taking into account the topics included in the standards and the subtopics included in them. According to the method, if an employee, within the scope of their competence and based on the management processes under their responsibility, does not provide an assessment of any ESRS topical standard within the framework of the assessment, the respondent's assessment of these topics was considered immaterial. When summarizing the assessment results, the Group did not conduct an in-depth assessment of the extent of the impact, risks and opportunities on the ESRS topical standards that are not material to the Group.

The respondent had the opportunity to define the dominant positive or negative impact at the ESRS topical standard topic level, in 3 time periods, including indicating the probability of the impact occurrence.

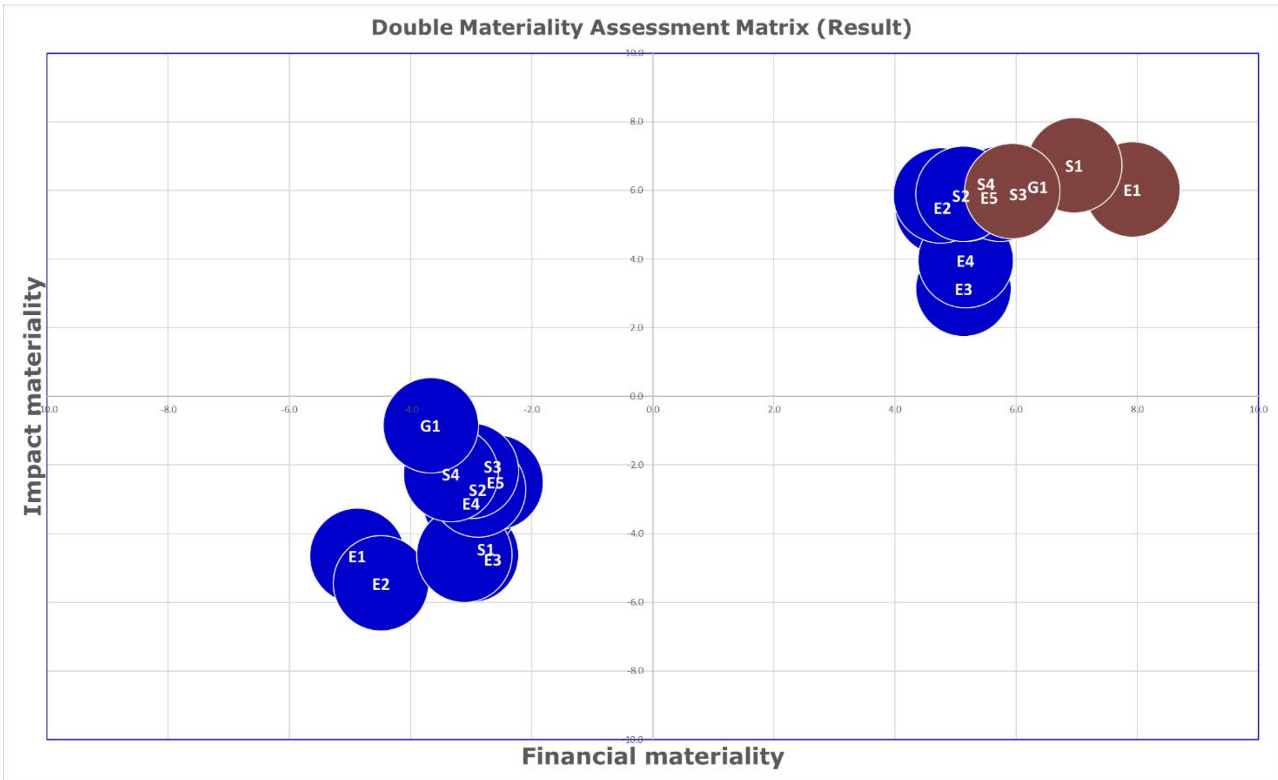
The impact value of each criterion of the respondent was multiplied by the probability of occurrence indicated for it within the framework of each standard and time period. Then, the average value was calculated again within the framework of each standard and time period, resulting in the dominant value - positive or negative impact assessment. Positive impact values are taken as actual positive impacts and opportunities in the future. Negative values are taken as actual and possible negative impacts and risks in the future.

Separately, the respondent's financial materiality assessment was multiplied by the probability value defined for it, assuming that if the respondent's dominant impact value is positive, then the financial impact indicates development opportunities, while with a negative impact value, it is assumed that the financial impact indicates actual negative impacts and possible risks in the future.

When summing up the answers provided by the respondents, positive and negative values were separated, calculating the average positive and negative impact and financial materiality values provided by all respondents - for each ESRS topical standard and time period.

Finally, the results of the positive and negative impacts of double materiality in the short, medium and long term were summarized separately in the average positive and negative values and presented in a matrix, where the financial materiality assessment is plotted on the x axis and the impact assessment is plotted on the y axis.

Double Materiality Assessment Matrix (Result)



In the double materiality assessment, all respondents’ values were considered equally important. The impact assessment regarding potential and actual impacts on people and the environment was not given priority. At the same time, the assessment took into account that environmental impacts often lead to social problems (for example, social consequences caused by climate change).
In carrying out the double materiality assessment, the Group used the following impact explanations:

- social impact – the well-being of society and communities, promoting social equality, public health and safety;
- impact on people – social and labour issues, respect for human rights, individual well-being, inclusion and diversity;
- environmental impact – the company’s impact on natural resources and ecosystems (climate, pollution, water resources, biodiversity, circular economy principles).

The double materiality assessment process involved and took into account:

- the Bank’s management;
- representatives/curators of subsidiaries;
- the double materiality assessment took into account the results of the Bank of Latvia Valuation of monitoring the credit institutions' performance, risk levels and risk management quality.

External stakeholders defined by the Group were not involved in the double materiality assessment process.

In the double materiality assessment, criteria were used to determine the materiality of the impact, where the impact assessment was divided into positive or negative impacts, while the value scale shows the scale, scope and severity, and irreversibility of the impact. None of the evaluation criteria was prioritised. Impacts, risks and opportunities that exceeded the mathematically calculated risk appetite limit in accordance with the Group's *Risk Management Policy* were considered material.

Impact materiality values (Risk Management Policy)

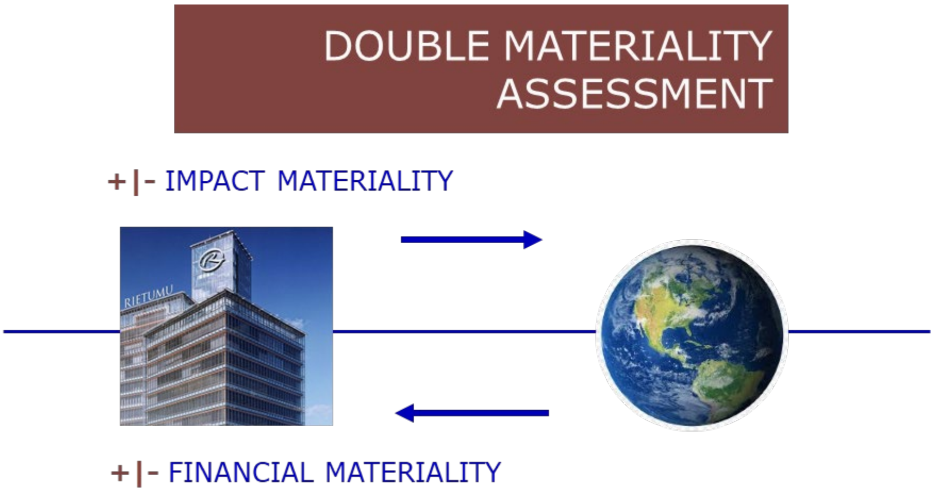
		Social impact	Impact on people	Impact on the environment
NEGATIVE IMPACT	- 1	-1- Minimal negative impact on individual residents	-1- Minimal negative impact on individual persons	-1- Minimal environmental damage
	- 2	-2- Minor negative impact on individual and small segment of society	-2- Minor negative impact on individual and small group of people	-2- Minor environmental damage
	- 3	-3- Moderate negative impact on wider society	-3- Moderate negative impact on the wider population	-3-Moderate environmental damage
	- 4	-4- Material negative impact on society	-4-Material negative impact on people	-4- Serious environmental damage
	- 5	-5- Severe or irreversible and widespread negative impact on society, threatening viability	-5- Severe or irreversible and widespread negative impact on people that may threaten viability	-5- Severe or irreversible environmental damage
POSITIVE IMPACT	1	1- Minimal positive impact on individual residents	1- Minimal positive impact on individual persons	1-Minimal positive impact on the environment
	2	2- Minor positive impact on individual and small segment of society	2- Minor positive impact on individual and small group of people	2- Minor positive impact on the environment
	3	3- Moderate positive impact on wider society	3- Moderate positive impact on the wider population	3- Moderate positive impact on the environment
	4	4- Material positive impact on society	4- Material positive impact on people	4- Material positive impact on the environment
	5	5- Significant and widespread positive social impact	5- Significant and widespread positive impact on people	5- Significant and widespread positive impact on the environment

Financial materiality values (Risk Management Policy)

	Impact	Financial impact
1	Negligible	Up to 0.1% of equity
2	Low	From 0.1% to 1% of equity
3	Medium	From 1% to 3% of equity
4	High	From 3% to 10% of equity
5	Critical	Over 10% of equity

The assessment of +/- impact materiality was applied both to the Group's impact on sustainable development within the ESRS topics through its business operations and the impact on the social, human and environmental scope through its value chain.
Financial materiality was attributed to external circumstances and how these +/- may affect the Group's financial indicators and performance.

It was assumed that the sustainability topic is material from a financial point of view if a material financial impact is actually created or is expected to be created as a result of the risks caused by the sustainability thematic topics on the Group's capital, based on the Risk Management Policy. The scope of the financial materiality assessment was not limited to risks that the Group controls but included material sustainability-related risks and opportunities attributable to own operating relationships outside the scope of control.



Criteria for the likelihood of impact and financial materiality

	Likelihood	Likelihood of occurrence
1	Rare	Up to 20%
2	Unlikely	From 20% to 40%
3	Possible	From 40% to 60%
4	Likely	From 60% to 80%
5	Almost certain	Over 80%

In the double materiality assessment, all identified risk values were considered equally important. No sustainability-related risk was given priority.

Initially, financial and impact materiality values were collected and analysed separately for each of these types of impact. Then, the financial and impact materiality values were assessed in conjunction. The ESRS topics were considered to constitute a material impact binding on the Group if the values obtained in both types of impact exceeded the threshold value of "6" out of the maximum possible value "25", which is in line with the threshold values set out in the *Risk Management Policy* regarding the assessment of the materiality of sustainability risks. The Policy states that for the Group, all types of risks from the perspective of the materiality of sustainability risks are assessed as immaterial or material sustainability risks.

Adjustments to the results of double materiality assessment:

During the development of the Sustainability Report and during the external audit process, inconsistencies were identified in the application of the threshold values under the ESRS topics that are material to the Group. The application of threshold values based on the *Risk Management Policy* is not in accordance with the ESRS standard requirement, which states that regardless of whether the impact is financially material, it is reflected in the impact materiality perspective.

As part of this, manual adjustments were made to the results of the double materiality assessment, where the positive impact materiality results exceeded the threshold defined by the Group, but within the framework of the same ESRS topical standard the financial materiality value was below the set threshold. Adjustments to the results have been made only for positive values. The adjusted result ensures that all values of the financial and impact materiality exceeding the threshold of "6" are considered as impacts material for the Group.

Adjustments were made in coordination with the external auditors of the Sustainability Report.

Adjustments to the positive values of the double materiality assessment*

ESRS topical standard	Initial financial materiality result	Initial impact materiality result	Impact materiality result after adjustment
ESRS E5	5.2	6.1	5.9
ESRS S3	5.7	6.1	5.9
ESRS S4	5.1	6.1	5.9

*Listed are just the positive values to which manual adjustments have been made.

Determining the material sustainability topics provides the Group with the opportunity to focus and concentrate on promoting those sustainability topics in which the impact and opportunities of the Group's operations have been highlighted as significant.

In addition, the Bank's Board confirms the importance of the obtained result for further progress in sustainable development. The Group is firmly committed to improving decision-making and internal control procedures in 2025 and introducing mechanisms for successful implementation of sustainability goals in the Group's processes, products and services.

The Bank's Board, approving the results of the Double Materiality Assessment, sets the task of taking the results into account in the process of updating the *Risk Management Strategy*.

The results of the double materiality assessment and the data collected in the development of sustainability reporting will be linked to the definition of quantitative sustainability goals, including the strategic goals of business development.

Even before defining the material topics, the Group has been actively involved in the fight against climate change and remains firmly committed to mitigating climate change by minimizing the environmental impact of its operations. The Group fully supports the Paris Agreement’s objective of preventing overall global warming above 2 °C and achieving climate neutrality by 2050. The Bank is aware of its role in steering financial flows towards a path towards lower greenhouse gas emissions and climate-resilient development.

As part of this, in 2024, the Bank enhanced its climate impact assessment of clients to assess mitigation opportunities across the Bank’s and the Group’s operations.

Information included in the sustainability report in accordance with ESRS disclosure requirements

Reference in the Sustainability Report

Topical ESRS	Topic	Subtopic	Page
E1	Climate change	Climate change adaptation	68
		Climate change mitigation	68
		Energy	80
S1	Own workforce	Working conditions	95
		Equal treatment and opportunities	95
		Other work-related rights	95
G1	Business conduct	Corporate culture	121
		Protection of whistle-blowers	99
		Political engagement and lobbying activities	120
		Management of relationships with suppliers including payment practices	121
		Corruption and bribery	118

Datapoints derived from other European Union legislation

Disclosure requirement and related datapoint	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	EU Climate Law reference
ESRS 2 GOV-1 Board's gender diversity paragraph 21 (d)				
ESRS 2 GOV-1 Percentage of board members who are independent paragraph 21 (e)				
ESRS 2 GOV-4 Statement on due diligence paragraph 30				
ESRS 2 SBM-1 Involvement in activities related to fossil fuel activities paragraph 40 (d) i				
ESRS 2 SBM-1 Involvement in activities related to chemical production paragraph 40 (d) ii				
ESRS 2 SBM-1 Involvement in activities related to controversial weapons paragraph 40 (d) iii				
ESRS 2 SBM-1 Involvement in activities related to cultivation and production of tobacco paragraph 40 (d) iv				
ESRS E1-1 Transition plan to reach climate neutrality by 2050 paragraph 14				
ESRS E1-1 Undertakings excluded from Paris-aligned Benchmarks paragraph 16 (g)				
ESRS E1-4 GHG emission reduction targets paragraph 34				
ESRS E1-5 Energy consumption from fossil sources disaggregated by sources (only high climate impact sectors) paragraph 38				
ESRS E1-5 Energy consumption and mix paragraph 37				
ESRS E1-5 Energy intensity associated with activities in high climate impact sectors paragraphs 40 to 43				
ESRS E1-6 Gross Scope 1, 2, 3 and Total GHG emissions paragraph 44				
ESRS E1-6 Gross GHG emissions intensity paragraphs 53 to 55				
ESRS E1-7 GHG removals and carbon credits paragraph 56				
ESRS E1-9 Exposure of the benchmark portfolio to climate-related physical risks paragraph 66				
ESRS E1-9 Disaggregation of monetary amounts by acute and chronic physical risk paragraph 66 (a) ESRS E1-9 Location of significant assets at material physical risk paragraph 66 (c)				
ESRS E1-9 Breakdown of the carrying value of its real estate assets by energy-efficiency classes paragraph 67 (c)				

Disclosure requirement and related datapoint	SFDR reference	Pillar 3 reference	Benchmark Regulation reference	EU Climate Law reference
ESRS E1-9 Degree of exposure of the portfolio to climate-related opportunities paragraph 69				
ESRS 2 — SBM-3 — S1 Risk of incidents of forced labour paragraph 14 (f)				
ESRS 2 — SBM-3 — S1 Risk of incidents of child labour paragraph 14 (g)				
ESRS S1-1 Human rights policy commitments paragraph 20				
ESRS S1-1 Due diligence policies on issues addressed by the fundamental International Labor Organisation Conventions 1 to 8 paragraph 21				
ESRS S1-1 Processes and measures for preventing trafficking in human beings paragraph 22				
ESRS S1-1 Workplace accident prevention policy or management system paragraph 23				
ESRS S1-3 Grievance/complaints handling mechanisms paragraph 32 (c)				
ESRS S1-14 Number of fatalities and number and rate of work-related accidents paragraph 88 (b) and (c)				
ESRS S1-14 Number of days lost to injuries, accidents, fatalities or illness paragraph 88 (e)				
ESRS S1-16 Unadjusted gender pay gap paragraph 97 (a)				
ESRS S1-16 Excessive CEO pay ratio paragraph 97 (b)				
ESRS S1-17 Incidents of discrimination paragraph 103 (a)				
ESRS S1-17 Non-respect of UNGPs on Business and Human Rights and OECD guidelines paragraph 104 (a)				
ESRS 2 — SBM-3 — S2 Significant risk of child labour or forced labour in the value chain paragraph 11 (b)				
ESRS G1-1 United Nations Convention against Corruption paragraph 10 (b)				
ESRS G1-1 Protection of whistle- blowers paragraph 10 (d)				
ESRS G1-4 Fines for violation of anti-corruption and anti-bribery laws paragraph 24 (a)				
ESRS G1-4 Standards of anti-corruption and anti-bribery paragraph 24 (b)				

The result of the double materiality assessment was defined as material to the Group based on the risk level values determined in the *Risk Management Policy*.

Our impact on climate change | ESRS E1

Climate change is one of the greatest challenges facing society today. We are aware of our role in society and implications for the process of a just transition to a climate-neutral economy. We create our positive impact not only by doing what we do best - providing lending and investment services -, but also by learning from best practices and talking about our experience of successes and challenges.

Greenhouse gases (GHGs) are defined by the Group as gaseous components of the atmosphere (CO2, CH4, N2O, SF6, HFCs, PFCs) of natural and anthropogenic origin that absorb and re-emit infrared radiation and are the primary cause of global warming and climate change.

Sustainability performance in remuneration policy| GOV-3

The Group has not set sustainability-related performance targets for management and supervisory level employees.

The Group is committed to integrating sustainability objectives, including climate-related target indicators, into employee performance appraisals, at the same time, to improve the Group's remuneration system and contribute to the achievement of climate change mitigation and adaptation target indicators.

In the 2024 period, we started to look how to link climate considerations to the variable part of remuneration for a targeted and result-oriented approach. In 2025, we plan to update *the Remuneration Policy* to include GHG emission reduction targets in staff performance assessment.

The Group's *Sustainability Strategy* also sets a strategic objective to link the variable remuneration component to the achievement of sustainability KPIs. In 2025, it is planned to supplement the KPIs of Group employees and officers with achievements across all ESG pillars, to be assessed and reviewed at least annually.

During the reporting period, the Group's *Remuneration Policy* and the variable remuneration component did not include quantifiable, climate-related considerations, including GHG reduction performance targets. Defining such targets and linking them to the variable remuneration component is on the Group's agenda for 2025.

Climate change mitigation/adaptation plan| E1-1

Our *Sustainability Strategy* has been developed in line with Europe's Green Deal to meet the 2050 climate goals, which aims to increase countries' ability to adapt to the adverse impacts of climate change by channelling financial and capital flows towards green investments and prioritising low greenhouse gas emissions and climate-resilient development.

The Group does not have a climate change mitigation/adaptation plan for 2024. The development of such a plan is on the Group's agenda for 2025.

The Group's strategic climate goals

- define and implement the ambition to decarbonise the Bank's operations and individual products;
- calculate the financed GHG emissions, set and implement short- and long-term GHG emission reduction targets for the major sectors financed by the Group;
- define short- and long-term decarbonisation targets for credit portfolios and move towards climate neutrality in line with the defined targets;
- set longer-term meaningful achievable sustainability KPIs to monitor resilience to the materialisation of sustainability risks and the portfolios' consistence with global and European Union sustainability targets;
- develop and implement a method for assessing qualitative and quantitative GHG emission reduction target indicators for the decarbonisation of the Bank's operations and products, with a view to achieving carbon neutrality by 2050 at the latest.

The Group's long-term climate goals

- contribute to the attainment of the 2050 climate targets of Europe's Green Deal, which aim to increase countries' ability to adapt to the adverse impacts of climate change by channelling financial and capital flows towards green investments and prioritising a path towards low greenhouse gas emissions and climate-resilient development;
- achieve climate neutrality (net zero emissions target) in the management of the loan portfolio by 2050.

Activities supporting the Group's climate goals

Activities supporting the Group's climate goals

Overarching goal	Relevance for stakeholders	Activity	Implementation schedule	Status in 2024
Reduce energy consumption in the office	• Management Board, • Staff	Replacement of light bulbs in the Bank's work premises with more energy-efficient ones	Gradually as needed	2400 lamps replaced
		Instructing and motivating staff to save electricity, placing information notices in office premises	x 2 per year	X 3 per year
		Switching off 75% of central lighting between 00:00-06:00	Constantly	9%-90% (depending on building wing)
		Gradual replacement of office equipment (computers, monitors, printers, etc.) with more energy-efficient ones (*Energy Star*)	Newly purchased equipment is 100% energy efficient	89%
Increase the share of renewable energy in the overall energy mix	• Clients • Cooperation partners (suppliers and services providers)	Installation of public EV charging stations in the Bank's car park	Q2 2025	Evaluation ongoing
		Staff encouraged to change energy consumption habits	Constantly	Constantly
Emission offset mechanism (CO_2 sequestration) introduced	• Shareholders, Supervisory Board, Supervisory Board Committees, Audit Committee, • Management Board, staff • Clients • Cooperation partners (suppliers and services providers)	Launch of an emission offsetting mechanism (CO_2 sequestration) in cooperation with the subsidiary Apella by afforesting low-fertility agricultural lands under the Bank's management where it is not possible to prevent environmentally harmful activities	At least 1 x per year	8.2 ha of low-fertility agricultural land afforested (15 900 spruce seedlings)
Funding provided for green and renewable energy producers or projects related to "green" technologies	• Clients	Modification of the Bank's products and services	Constantly	Solar parks with a total value of €15 million built within the Group 5 loans issued for the construction of solar panels

Overarching goal	Relevance for stakeholders	Activity	Implementation schedule	Status in 2024
Indicator of the Bank's "green assets" established	• Shareholders, Supervisory Board, Supervisory Board Committees, Audit Committee, Management Board, staff • Clients • Cooperation partners (suppliers and services providers)	Assessment of assets' compliance with the requirements of the European Union Taxonomy Regulation	2024	Not achieved
Disclosures related to sustainability and integration of sustainability risks	• Shareholders, Supervisory Board, Supervisory Board Committees, Audit Committee • Management Board, staff • Clients • Cooperation partners (suppliers and services providers) state authorities • Public	Calculation of CO_2 emissions for resources related to the Bank's daily operations (water, energy, etc.); assessment of emissions to identify and optimise resource consumption	2024	Scope 1 and 2 GHG emissions calculated
CO_2 emissions calculated for the loan portfolio and the Bank's investment portfolio	• Shareholders, Supervisory Board, Supervisory Board Committees, Audit Committee • Management Board, staff • Clients	Calculation of CO_2 emissions for the loan portfolio and the Bank's investment portfolio	2025	Scope 3 Category 15 GHG emissions calculated for 2 types of assets
Paper-free office	• Management Board, staff • Clients	Reducing paper circulation by introducing electronic signing of internal regulatory documents	Constantly	Not assessed

One of the Group's prioritised UN Sustainable Development Goals is affordable and renewable energy. Based on the Group's experience in the development and financing of solar parks, the Group makes a contribution to this goal. The Bank supports the country's strategic move towards energy independence by providing financing for the development of commercial solar power plants.

Investments in solar panels

In its *Sustainability Strategy*, the Group has identified investing in renewable energy projects as one of its strengths.

The Group implements investment projects for the development of solar parks:

- by participating as a co-owner in the development of solar parks on the Bank's properties;
- by extending loans to renewable energy projects.

Solar energy projects

- The Group has built solar parks with a total value of €15 million, providing modern and sustainable solutions in the energy sector: two solar parks - "Aleksandriņi" and "Citroniņi", each with a capacity of 10 MW, have been built in Salaspils and Ķekava municipalities and commissioned in November 2024. These are the first and largest solar parks in Latvia by installed capacity to be successfully commissioned, providing a sustainable and innovative solution for the development of the energy market.

- "Aleksandra muiža", a 3 MW solar park has been built in Mārupe municipality. Commissioned in April 2024.
- "Remmes - Lāči", a 10 MW solar park with an estimated investment of EUR 6-7 million (project budget EUR 6.8 million), owned by the Group, is under development in Mārupe municipality.

The Bank has also provided €5.7 million in financing for the development of several major solar farms to companies that will use part of the electricity they generate for self-consumption and part of it will be fed into the grid:

- Valdemārpils, Talsi municipality 5.316 MW;
- Auce, Dobele municipality 3.963 MW;
- Valka, Valka municipality 2.67 MW;
- Aloja parish, Limbaži municipality 3.474 MW;

Energy efficiency of the office building Rietumu Capital Centre

Electricity is one of the key resources where the Bank aims to improve the efficiency of energy consumption. The Group is actively working to reduce its electricity consumption. Already in 2023, the lighting regime was streamlined and electricity consumption outside office hours was reduced. An ambitious effort to change daily habits in the office building has been started. In the Rietumu Capital Centre office building, a centralised and phased automatic lights switch-off time for each office block was introduced between 18:00 and 7:55. Between 24:00 and 6:00, up to 90% of the lighting is switched off in some wings of the building. In addition, in 2024, light bulbs in the office premises were replaced with more energy efficient ones, replacing a total of 2 400 lamps.

An energy audit of the office building was carried out in 2022, certifying its class C energy efficiency. The office building Rietumu Capital Centre, built in 2008, is one of the most modern and environmentally friendly real estate projects in Latvia and from the outset it has met all the latest environmental standards in terms of the use of environmentally friendly building materials and advanced air conditioning and heating systems. It was built with minimal use of chemical pigments and the structure is made of cast concrete. The Rietumu Capital Centre office building has free air circulation and a climate control system that allows individual climate parameters to be adjusted in different zones. The office building is equipped with a double glass facade and blinds to help regulate solar gain, supporting an efficient operation of the climate control system on sunny summer days. Staff are regularly instructed in the use of the building's blinds to maintain optimum room temperatures and significantly reduce electricity consumption. In 2023, 2 boilers were replaced with 8 smaller gas boilers to improve energy efficiency.

Solar panels

In 2022, 228 solar panels were installed on the Rietumu Capital Centre office building with the aim of not only reducing administrative costs, but also facilitating the transition to renewable energy sources.

The energy generated by the 228 solar panels on the Rietumu Capital Centre office building has been used for the office building's self-consumption.

Energy generated by RCC solar panels

Energy generated by RCC solar panels	2022	2023	2024
MWh	32,027	86,038	84,683

Energy efficiency of office equipment

Office equipment and household appliances make performing everyday tasks easier and more efficient. Computers and their accessories are the most frequently purchased electrical items in our offices. The Group is committed to gradually replacing office equipment (computers, monitors, printers, etc.) with more energy-efficient ones and replacing employees' personal printers with multifunctional shared printers/scanners/copiers. We use internationally recognised energy labels to guide our purchasing (*Energy Star*).

Energy labelling compliance of purchased appliances, as a percentage of total purchases in the category, %

Office equipment	2021	2022	2023	2024
Smartphones	94	100	100	100
Copiers	100	100	100	100
Printers	100	100	100	100
Computers	100	100	100	100
Monitors	100	100	100	50
Servers and data storage equipment	100	100	100	82
Household appliances	60	100	90	0*

*One appliance that did not comply with Energy Star label was purchased in 2024.

The Bank's car park is equipped with 2 EV charging stations with a capacity of 150 kW and 22 kW (this station can charge up to 22kW, or two automobiles with a capacity of up to 11kW). In 2024, the 22kW EV charging station had a consumption of 839.16 kWh.

Employee involvement

Employees have been particularly involved in the energy efficiency of the Bank's office building. To this end, the employees have been regularly instructed to be responsible in their electricity consumption habits. Information signs have been integrated into the interior of the office building with reminders to turn off the lights when leaving the premises. For a third year in a row, the Bank joined one of the world's most ambitious environmental campaigns, Earth Hour, by switching off the office building lights to an absolute minimum, symbolising the Bank's concern for the environment and sustainability principles.

Potentially locked-in GHG emissions

The Group's significant locked-in GHG emissions that could be generated in the future by its key assets during their lifetime are attributable to the aircraft operated by the subsidiary LLC "Second Sky Management".

The Bank is aware of its capacity and ambitions to reduce the emissions of the financed assets. As part of that, the Bank in 2024 started calculating emissions of the financed assets to establish a baseline for 3 types of assets:

- listed shares and corporate bonds;
- government bonds.

The Bank is gradually preparing quantitative data for 2025 for a calculation of Scope 3 Category 15 GHG emissions:

- company loans and unquoted equity;
- project finances;
- transport vehicle loans;
- assets under management.

Locked-in GHG emissions of lesser significance to the Bank are projected in relation to mortgage loans, because the Bank's strategic business line does not include mortgage lending to retail clients.

The Bank has identified the financed high climate impact sectors for 2023 and 2024 as listed in NACE classification subsections A-H and L (as defined in Directive (EU) 2022/1288 of the European. Parliament and of the Council). Sectors with high climate impact financed by the Bank have declined by just over 5% in 2024 relative to 2023.

The Bank's portfolio

	2023	2024
Financed sectors with high climate impact, %	74,1	68,8
Financed sectors with lesser climate impact, %	25,9	31,1
Total:	**100**	**100**

Sectoral breakup of the Bank's loan portfolio by the percentage of loans granted in 2023 and 2024, %

Industry code	Industry	2023	2024
A	Agriculture, forestry and fishing	3	2,9
C	Manufacturing	8,6	4,6
D	Electricity, gas, heating and air conditioning	0,8	4,6
F	Construction	3	2,1
G	Wholesale and retail trade; repair of motor vehicles and motorcycles	9,7	0,5
H	Transport and storage	3,6	1,5
I	Accommodation and catering services	4,2	5,1
J	Information and communication services	0,4	0,1
K	Finance and insurance	25,5	31,0
L	Real estate operations	41,1	46,2
	Other sectors (education, arts, education and leisure, etc.)	0,1	1,4
	Total:	**100**	**100**
	High climate impact sector (as defined in Directive (EU) 2022/1288 of the European Parliament and of the Council)		
	Sector with a lower possible climate impact		

Group objectives related to the EU Taxonomy

In 2024, in cooperation with an external consultant, we defined and prioritised the EU Taxonomy sectors and investment projects relevant to them, for which it is essential to align economic activities with the EU Taxonomy.

Investment projects

General category of investment projects	Sub-category of investment projects
Construction and real estate	Construction of new buildings
	Renovation of existing buildings
	Installation, maintenance and repair of energy efficiency equipment
	Installation, maintenance and repair of EV charging stations in buildings (and parking areas adjacent to buildings)
	Installation, maintenance and repair of instruments and appliances for measuring, regulating and controlling the energy performance of buildings
	Installation, maintenance and repair of renewable energy technologies
	Acquisition and ownership of buildings
Information and communication services	Data processing, hosting and related activities
	Data-driven GHG emission reduction solutions
Transport	Reequipping of cargo and passenger ships operating at sea and in coastal waters
	Vessels used for the carriage of goods at sea and in coastal waters, port operations and auxiliary activities
Waste management	Material recovery from non-hazardous waste
Energy	Transmission and distribution networks for renewable and low-carbon gases

2024 has been an important year for us to identify flaws and shortcomings in the recording, storage and compilation of sustainability-related data, to undertake an assessment of the compliance of the Group's assets with the EU Taxonomy Regulation and to be able to establish the Bank's "green asset" indicators.

As a result, the Group has not defined targets for 2024 to achieve specific objectives as part of its economic activities in accordance with the EU Taxonomy Technical Screening Criteria for determining under which conditions an economic activity is considered to significantly contribute to climate change mitigation or adaptation and for determining whether an economic activity is significantly detrimental to any other environmental objectives.

The Group's double materiality assessment identified existing and potential climate risks both in its own operations and in the value chain. The Group has taken into account that there are opportunities for business adaptation in the assessment of the future outlook, i.e., if the risks are managed, they can be transformed and used as catalysts for business growth.

As part of this, the Group recognises the importance and urgency of developing a Climate Adaptation Plan for targeted sustainability development. The development of the Climate Adaptation Plan is therefore planned to be carried out in conjunction with the *updating of the Business Development Strategy in 2025.* By addressing the identified gaps in the availability of sustainability data, and by identifying baseline annual sustainability performance data, it is planned to integrate into the *Sustainability Strategy* data-driven and risk-based climate adaptation plans as part of the Group's Sustainability Management Plan. A Sustainability Committee was established at the end of 2024 with the development of sustainability strategy documents as one of its tasks in its Terms of Reference. In 2025, the Group is committed to developing its Climate Adaptation Plan and to link it with the business lines and objectives defined in *Business Development Strategy.*

Interaction of material impacts, risks and opportunities with the Group's strategy | SBM-3

The Group's internal regulatory framework sets out the general principles, guidelines, obligations and measures to be followed in managing sustainability risks. The Group defines sustainability risk as a risk related to an actual or foreseeable adverse environmental, social or governance impact on the Bank and the Group. It is assessed as a risk driver for other financial and non-financial risks, rather than as a separate risk type/sub-type.

In managing risks, the Bank and its subsidiaries aim to take into account the known origin, sources and drivers of risks, including sustainability risk factors. The Bank and its subsidiaries manage sustainability risks in accordance with the established *Risk Management Strategy*. All types of risks are assessed as intangible or tangible sustainability risks in terms of the materiality of sustainability risks. The objective of the sustainability risk profile assessment is to reflect the sustainability risk factors to which the Bank and its subsidiaries are most exposed in their operations and the channels and triggers through which they are transmitted. The assessment of the sustainability risk profile is based on a methodology that assesses, for each individual risk type, the likelihood and consequences of the occurrence of adverse sustainability-related events, as required by the *Risk Management Policy* and the *Risk Profiling Procedure*.

Based on the results of the 2023 sustainability risk profile assessment, credit risk, market risk and operational risk were identified as the risks with potentially the most significant sustainability impacts.

For credit and market risk, the main elements influencing the sustainability risk factors of the Bank and its subsidiaries are changes in market and consumer behaviour, population migration, political instability and non-compliance with regulatory requirements and international best practices, while for operational risk, the main elements influencing the sustainability risk factors are non-compliance with regulatory requirements and international best practices, data and information security and inadequate environmental and social risk management, corporate and risk culture.

Additionally, in 2023 the Bank engaged external experts-advisers, to improve the integration of sustainability risk factors in risk management.

The increasing frequency and magnitude of climate-related events, growing public awareness of social issues and stricter regulatory requirements for sustainability risk management may impact financial stability, potentially leading to:

1. a possible default of borrowers, counterparties, sovereigns and issuers and losses due to an increase in defaults;
2. exchange rate or market price volatility;
3. an increase in counterparties’ credit spread;
4. outflows of liquid funds and a decrease in available liquid reserves;
5. imbalances between assets and liabilities that are sensitive to changes in interest rates;
6. highly exposed sectors, collaterals, clients and regions, potentially reducing the existing diversification of risk transactions, assets and liabilities;

7. excessive supervision of leverage risks, including capital, operation volumes and funding source structure, effective decision-making, and timely reporting to the Bank’s management;
8. operational risk incidents, business continuity disruptions and idling;
9. a secondary wave of damage undermining the Bank's and the Group's reputation and the confidence of stakeholders, including clients, employees and investors;
10. the internal and external environment, the appropriateness and feasibility of the strategy chosen by the Bank and the Group, potentially reducing the viability, profitability and sustainability of the chosen business model.

The Bank will develop a detailed environmental and climate assessment model based on sectors and the geographic location.

"The Bank has done a great of work and invested substantial resources to establish a meaningful and effective sustainability management framework. We intend to continue to work hard to continuously develop our ESG processes and systems. This year, we will be paying particular attention to strengthening the management of sustainability risks, as well as to effectively detecting and preventing possible greenwashing attempts," **Sandris Straume,** Member of the Management Board, CRO.

The Group’s risk management has so far not included climate scenario analysis and climate risk resilience analysis. Improving sustainability risk management is one of our priorities for 2025, including a risk resilience analysis.

The Group’s *Business Development Strategy* (and other binding development strategies) are updated annually, involving all business development lines, thereby ensuring a regular opportunity to integrate the most topical and also sustainability related aspects and events.

Climate risks and opportunities | IRO-1

To date, no climate change impact assessment has been carried out that would include calculations of GHG emissions. In developing the 2024 Sustainability Report, the Group has identified Scope 1 and Scope 2 GHG emission indicators and started a calculation of Scope 3 Category 15 emissions for the securities portfolio. The information compiled will be used as a basis for the development of a climate change mitigation plan in 2025.
To date, the Group has not carried out an assessment of the physical climate-related risks in its operations and value chain.
A double materiality assessment of the Group's activities identified climate-related threats, risks, opportunities and impacts in the short, medium and long term. The significant impacts and opportunities are listed on page 56.
The Group has identified climate-related risks in the short, medium and long term, and the Bank plans to assess in 2025, whether its assets and business activities may be exposed to these climate-related risks. The definition of the short-, medium- and long-term periods was made in accordance with the requirements arising from the European Banking Authority's guidelines on ESG risk management.

The Group has not carried out an analysis of climate related scenarios to identify and assess physical risks in risk management over defined timeframes.
To date, the Group has not implemented an assessment of climate-related adjustment risks and opportunities in its operations and value chain.

Sustainability policy | E1-2 | MDR-P

The rules applicable to the Group are implemented through the Group's internal rules. Policies and procedures are adopted by the Management Board and provide general standards and principles that apply to practices and conduct throughout the Bank and/or the Group. The Group and the Bank have established a number of policies that reinforce sustainability principles to ensure that its business development meets not only external sustainability-related requirements, but also to facilitate a targeted implementation of the Sustainability Strategy:

Business sustainability

- *Policy for integrating sustainability risks into individual portfolio management* – the Group's guidelines on the assessment, monitoring and control of sustainability risks in the individual portfolio management process.
  Significant contribution to climate change mitigation: the Group has defined an environmentally sustainable investment as an investment in a business activity that significantly contributes to the objective of climate change mitigation as defined in the EU Taxonomy Regulation, without causing significant harm to the other 5 environmental objectives.
- *New product assessment procedure* – to assess and provide an opinion on new or modified products' impact on the environment, social and governance processes, ensuring integration of ESG principles in line with the Sustainability Strategy. Procedures for analysis of the Regulation regarding sustainable products and services.
  Significant contribution to climate change mitigation and adaptation: assessment of new products against the Group's sustainability objectives and their performance indicators.
- *Procedure for monitoring subsidiaries* – assessment of the implementation of sustainability objectives.
  Significant contribution to climate change mitigation and adaptation: stakeholder and value chain overview, including review of progress in implementing sustainability objectives.
- *Procurement Committee Charter* – In 2024, the Group started work on application of sustainability criteria in the procurement process in line with the Sustainable Business Principles. It is expected that the Principles will be strengthened and systematically introduced in 2025 through the selection of partners that respect environmental, social responsibility and ethical standards.
- Significant contribution to climate change mitigation and adaptation: The procurement process will take into account the ESG principles set out in the *Sustainability Strategy*, which focus on assessing the availability of environmentally friendly alternatives on the market and, where possible, choosing more sustainable products and services.
- *Human resources policy* – reinforcement of sustainability principles to support the Group's operations and human resources management focused on environmental conservation, social responsibility and good governance.
  Significant contribution to climate change mitigation and energy efficiency: additional training on sustainability is provided to the Group's management in order to implement the most up-to-date, quality sustainability methodologies and practices. The policy highlights employees' commitment to energy efficiency and encourages environmentally friendly day-to-day practices:
  - Conservation of resources, recycling;
  - Circulation of electronic documents;
  - Participation in nature conservation and restoration activities, drawing public attention to environmental issues.

Risk management:

- *Risk management policy* has the aim of defining the main principles and elements through which the Bank and the Group's day-to-day risks and sustainability risks are managed and specific stress scenarios are applied to pursue an effective risk management approach that is appropriate to the circumstances.
  Significant contribution to climate change mitigation and adaptation: In managing risks, the Bank and its subsidiaries seek to take into account the known risk origins, sources and factors, including sustainability risk factors. The Bank and its subsidiaries manage sustainability risk in accordance with the established Risk Management Strategy. In addition, the Bank and its subsidiaries define, assess and document a sustainability risk profile and conduct a sustainability materiality assessment in accordance with the established Risk Management Policy and Risk Profiling Procedure. The Bank and the Group's risk management policies are regularly reviewed to take into consideration changes in the regulatory environment, market conditions, products and services offered, as well as learning new best practices and experience. All types of risks are assessed as intangible or material sustainability risks in terms of materiality of sustainability risks. The purpose of the sustainability risk profile assessment is to reflect the sustainability risk factors to which the Bank and its subsidiaries are most exposed in their operations and the channels and triggers through which they are transmitted.

The Group's strategic climate objectives are embedded in the *Sustainability Strategy*. Based on the results of the double materiality exercise carried out in 2024, the Executive Board decided to develop a sustainability management policy in alignment with the *Sustainability Strategy*.

Participation in the Green Office programme also contributes to our environmental awareness with regard to relevant climate issues that are also covered by our operations: resource consumption, transport, procurement, waste and waste management, and biodiversity. As part of the programme, 3 objectives were defined regarding sustainable procurement, environmental communication with stakeholders, and smart consumption of resources. These areas are given special attention in implementation of the principles of environmental protection, social responsibility and good governance. We have focused our efforts on reducing the impact of the working environment and promoting sustainable practices, which were recognised when the Bank received the Green Office certificate in spring 2024. We defined even higher targets for the Green Office programme in 2024, which will be reviewed in spring 2025. As part of the programme, we have defined and are implementing measures to further improve environmental management of the Bank's offices.

Climate action | E1-3 | MDR-A

Our long-standing experience in solar panel construction is significant and can be considered immediate action to mitigate climate change. The EU Taxonomy states that production of renewable energy using solar photovoltaic technology (solar panels) is considered an economic activity that contributes significantly to climate change mitigation and, taking into account factors mitigating climate risk, to climate change adaptation.

Our Sustainability Strategy defines the objective of promoting the availability of renewable energy by influencing distribution of the most environmentally friendly forms of energy. The objective does not stipulate a specific type of renewable energy.

The Group has been involved in construction of solar parks worth a total of EUR 15 million (solar panel equipment and inverters worth ~EUR 6.5 million, construction costs of ~EUR 8.5 million).

Key climate neutrality actions in own operations (decarbonisation levers):

- 228 solar panels were installed on Rietumu Capital Centre office building in 2022;
- There are two electric vehicle charging stations in the Bank's car park (125 kW and 22 kW);
- Nature-based solutions at Rietumu Capital Centre office building, the roof and vertical gardens were renovated in 2024;
- In 2023, 2 boilers were replaced with 8 smaller gas boilers to improve energy efficiency;
- In 2022, a centralised and gradual automatic switch-off of office lighting was introduced between 6 p.m. and 7.55 a.m.;
- Light bulbs in the office building were replaced with more energy efficient ones in 2024, a total of 2,400 light bulbs were replaced;
- Ordering of stationery was centralised in 2023. The number of deliveries of services and goods has been reduced and is carried out in a planned manner to reduce transport emissions;
- We only purchase stationery with a manufacturer's ecolabel and/or a label stating that it is made from recycled materials;
- Equipment with energy label (*Energy Star*) is purchased.

"When working on development projects, the surrounding landscape is important. The greatest assets of our properties are both the woodlands and the proximity to water bodies. To promote the well-being of local residents, we introduce sustainable and environmentally-friendly solutions: green energy, solar panels, rainwater harvesting in water bodies to create an aesthetic and beautiful living environment. This is what we want to offer to our residents, reducing pollution and energy consumption in buildings," says **Andrejs Ščerbakovs**, Member of the Board at Apella, a subsidiary of Rietumu Banka.

In 2024, the ESG Working Group launched a discussion on urgently needed priority measures to mitigate the risks of material and non-material damage caused by climate change-induced natural disasters. As part of the discussion, an assessment of the technical condition of Rietumu Capital Centre office building was carried out in autumn 2024 with the aim of identifying actions and measures to mitigate the risk of flooding in the event of intense rainfall.

Based on information provided in Sustainability Report 2024, mitigation and adaptation actions with quantified targets will be defined in 2025 in addition to the baseline GHG emission values identified in 2024, for a steady progress towards climate neutrality.

The Group did not have a climate transition plan in place in 2024, therefore climate neutrality action measures introduced so far do not have qualitative and quantitative GHG emission reduction targets, and consequently no estimates of expected GHG emission reductions have been made.

We are aware that our largest environmental impact in terms of Scope 1 and Scope 2 emissions is caused by resources consumed for office operations. The most significant part of the Bank and the Group's operations takes place in the central office building Rietumu Capital Centre.The head offices' resource consumption for the following resource types has been assessed annually since 2021 in the Group's sustainability reports that are not externally audited:

- Natural gas (MWh);
- Electricity (kWh);
- Specific energy consumption per employee (kWh);
- Thermal energy (m^3);
- Water consumption (m^3);
- Specific water consumption per employee (m^3);
- Office paper consumption (500- sheet packs);
- Vehicles of the Bank and the Group (number);
- Fuel consumption of the Group (l);
- Distance covered in business flights of the Group (km);
- Waste generated and sorted (m^3; %).

The Group's unaudited sustainability reports are available **here.**

EU Taxonomy assessment

In 2024, we started preparations for an EU Taxonomy compliance assessment and, based on the data collated, in 2025 we are planning to link the findings to the relevant financial positions needed to meet the climate targets.

As a public interest entity and financial market participant, the Group is subject to the requirements of the EU Taxonomy Regulation. From 2024 onwards, the Group is required to assess and disclose the extent to which its economic activities in the previous year comply with the environmental sustainability criteria set out in the Regulation. Since the Group also includes non-financial companies, it is required to carry out and disclose an EU Taxonomy assessment regarding its key performance indicators, including both financial and non-financial sectors.

During the reporting period, the Group commenced preparations for the EU Taxonomy assessment by developing its competences and deepening its understanding of the requirements of the Regulation. An assessment of the availability and quality of sustainability data was carried out in collaboration with external consultants, as well as an assessment of the adequacy of internal systems for the preparation of the Sustainability Report. This process identified significant challenges to systematic assessment of EU Taxonomy compliance regarding the Group's key performance indicators.

In view of the limitations identified, the EU Taxonomy Compliance Assessment and consequently the EU Taxonomy templates are not included in Sustainability Report 2024 (the Group does not comply with Article 8 of EU Regulation 2020/852).

In early 2025, the Group started to address the significant shortcomings by setting up an EU Taxonomy Task Force, defining its composition and appointing data custodians for data maintenance and storage. We have set a target to include an EU Taxonomy assessment in Sustainability Report 2025, covering information from 2023 onwards.

In 2024, the Group does not have a climate action policy. At the end of 2024, the Bank's Executive Board set up a Sustainability Committee, which has to oversee implementation of sustainability-related requirements at Group level and review sustainability-related aspects of governance.

In developing our climate action policy, we are aware that achieving climate resilience requires implementation of climate change adaptation measures that are based on an assessment of climate risks and impacts. We are aware that climate change adaptation measures require investment planning at all levels of governance, and that the costs of implementation of these measures, as well as the costs of addressing the impact of climate change, may increase in the future.

Climate targets | E1-4

The Group fully supports the Paris Agreement's objective of keeping global temperature increase below 2°C and achieving climate neutrality by 2050. The Group is planning to define mitigation and adaptation actions with quantified targets in 2025, including for the baseline GHG emission values identified in 2024, for a steady progress towards climate neutrality.

An assessment of the maturity of the Group's *Sustainability Strategy Implementation Plan* in terms of results-driven targets to measure its progress on critical sustainability issues:

- Targets: the Group's Sustainability Strategy Implementation Plan includes 111 actions in ESG pillars with defined annual deliverables and implementation periods;
- Link between the targets and action policy objectives: there is no link (the Group has no sustainability and/or climate action policy in 2024);
- Target values to be achieved: the Plan includes both qualitative and quantitative indicators;
- Scope of the targets: applicable to the Bank and the Group, in some cases focused on its value chain;
- Baseline value and baseline year: 2024; in some cases no baseline values have been set;
- Target period: each target has an annual attainment status;
- Methodology for setting the targets: the targets cover important sustainable development actions relevant to the Group's day-to-day processes. The Sustainability Strategy provides for defining meaningful and achievable sustainability performance indicators to monitor resilience to the materialisation of sustainability risks and the alignment of the Bank's operations and portfolios with the global and European Union sustainability objectives;
- Scientific validity of the targets: the Implementation Plan does not include any objectives that require scientific validity;
- Stakeholder involvement in definition of the targets: the deliverables were defined by the ESG Working Group (in operation until December 2024), including a call for proposals from all staff members;
- Changes to the targets: the Group's Sustainability Strategy and its Implementation Plan were updated and approved by the Council on May 31, 2024. During the update, the targets were fleshed out and 2024 is considered the baseline year for these indicators;
- Monitoring of the targets: a progress report on the Action Plan is produced on a quarterly basis and presented to and approved by the Executive Board.

The targets are reviewed on a quarterly basis and analysed on an annual basis. 2024 is the baseline year for the Group's Scope 1 and 2 emissions. The Group has not defined GHG emission reduction targets for the reporting period.

We believe that the Group has a number of advantages in sustainable development, at the same time it faces a number of challenges on the path to climate neutrality and climate resilience. The Group has not identified where GHG emissions dominate in its operations or in the allocation of funds. The Group has not set any quantitative GHG emission reduction targets for 2024.

The *Sustainability Strategy* is to be updated and a Sustainability and Climate Neutrality Policy developed in 2025, including measurable GHG emission reduction targets. In 2024, the Group carried out preliminary work by analysing Latvia's updated National Energy and Climate Plan 2021-2030 and the strategic climate targets defined therein.

In considering the Group's climate targets, the Group takes into account the national position on the importance of financial instruments as an effective means to attract and mobilise as much private capital as possible for the attainment of climate targets. The Group also believes that financing projects, particularly in supporting businesses, should give priority to debt-based instruments, guarantees, venture capital investments or blended finance, thereby mobilising additional private sector financing for sustainable development, including climate change mitigation and adaptation measures.

The update of the *Sustainability Strategy* in 2024 emphasised several decarbonisation aspects:

- Definition and implementation of decarbonisation of individual products;
- Definition of decarbonisation targets for credit portfolios;
- Development of a standardised framework for assessing and integrating climate and environmental risks;
- Development and implementation of a methodology for assessing qualitative and quantitative emission reduction targets for decarbonisation of the Bank's operations and products.

No quantitative GHG emission reduction targets were defined for decarbonisation levers in 2024.

The Group has not included climate scenario modelling in sustainability management to date.

We recognise the need for climate targets and integrating them into our business model to be able to monitor sustainability progress and success in reducing GHG emissions by 55% until 2030 and achieving climate neutrality in 2050. That is why in 2024 we looked into what climate-related quantitative data characterised sustainability, impacts, opportunities and risks of the Group's business. We built an infrastructure for collecting sustainability-related data in 2024. Improving the availability and quality of climate-related data and defining quantifiable climate targets is on the Group's agenda for 2025.

Resource consumption | E1-5

Calculation method, data collection process for energy consumption is presented in section Greenhouse Gas Emissions.

The Group's resource consumption, kWh

	2024
Electricity	3 993 849.01
Energy generated by RCC solar panels*	84 683
Thermal energy	122746.45
Natural gas	2 791 042,18

*228 solar panels installed on Rietumu Capital Centre office building are used to generate energy for the office building's own consumption.

The Group's resource consumption does not include energy from nuclear sources.

During the reporting period, the Group has 34 vehicles, their total mileage in 2024 is 396 859.30 km.

Vehicles' fuel consumption, l

	2024
Biofuel	34 206,07
Petrol	2 092,76
Diesel fuel	13 183,19

Self-consumption of energy generated by solar parks, MWh

Solar park	2024
Aleksandriņi	32,172
Citroniņi	23,130
Aleksandra muiža	10,912
Remmes-Lāči	0
Office building Rietumu Capital Centre	0
Total:	**66,214**

The share of renewable electricity in the total electricity consumption by Rietumu Capital Centre office building was 2.4%. Within the Group, this is the only source of renewable energy for own electricity supply.

The share of fossil energy in the total thermal energy consumption by the Group was 100%.

Renewable energy

Energy generated by solar parks in which the Bank has invested, MWh:

Solar Park	2024
Aleksandriņi*	9660,798
Citroniņi*	10224,4
Aleksandra muiža*	2953,008
Remmes – Lāči*	0
Office building Rietumu Capital Centre	84,683
Total:	**22922,889**

* Energy generated by the solar parks is fed into the common grid and is not used for self-consumption, except for self-consumption of the solar parks.

Group sectors with high climate impact

The Group includes sectors classified as high climate impact industries:

- Real estate management: SIA RB Investments, SIA Vesetas 7, SIA KI FUND, SIA NAT Grupa, SIA KI Zeme, SIA KI Nekustamie Īpašumi, KI Invest OOO, SIA Euro Textile Group, SIA Apella;
- Air carriage and transport – SIA Second Sky Management.

Greenhouse gas emissions | E1-6

During the reporting period, the Group for the first time calculated its Scope 1 and Scope 2 GHG emissions:

- Scope 1 emissions – direct HGH emissions or GHG emissions that are generated by the Group's operations and are controlled by the Group;
- Scope 2 emissions – indirect GHG emissions or GHG emissions from generation of electricity, heat or cooling received and consumed by the Group.

During the reporting period, the Group has not defined GHG emission reduction targets as it has not previously identified GHG emissions from its operations.

The Group's GHG emissions and GHG reduction targets

	In retrospect				Reference points and target years			
	Baseline year 2024	Compared to	2024	Change, %	2025	2030	(2025)	Annual target (%) / baseline year
Scope 1 GHG emissions								
Scope 1 gross GHG emissions (t CO_2 eq.)	898,41*	-	898,41*	-	Not defined	Not defined	Not defined	-
Share of scope 1 GHG emissions under regulated emission trading schemes (%)	Not binding	-	-	-	Not defined	Not defined	Not defined	-
Scope 2 GHG emissions								
Location-based gross scope 2 GHG emissions (t CO2 eq.)	240,61	-	240,61	-	Not defined	Not defined	Not defined	-
Market-based gross	240,61	-	240,61	-	Not defined	Not defined	Not defined	-

	In retrospect				Reference points and target years			
	Baseline year 2024	Compared to	2024	Change, %	2025	2030	(2025)	Annual target (%) / baseline year
scope 2 GHG emissions (t CO2 eq.)								
Total GHG emissions								
Total GHG emissions (location based) (t CO_2 eq.)	1 139,02*	-	1 139,02*	-	Not defined	Not defined	Not defined	-
Total GHG emissions (market based) (t CO_2 eq.)	1 139,02*	-	1 139,02*	-	Not defined	Not defined	Not defined	-

*Of which 224.72 tCO_2e are generated by a single economic activity, combustion of aviation fuel.
**The baseline year for the Group's scope 1 and scope 2 emissions is 2024.

Scope 1 and 2 GHG emissions of the Group in 2024

Carbon footprint	t CO_2e
Total GHG emissions	1 139,02*
Total location-based GHG emissions	1 139,02*
Total GHG emission reduction intensity value	Not applicable
Total market-based GHG emissions	1 139,02*
Scope 2 location-based emissions	240,61
Scope 2 market-based emissions	240,61

*Of which 224.72 t CO_2e are aviation fuel emissions generated by SIA Second SKy Management.

GHG emissions intensity per net revenue in 2024

	Mērvienība	2024
Net revenue (operating income)	EUR m	66, 546
GHG emissions intensity (location-based)	tCO_2e /EURm	17,1*
GHG emissions intensity (market-based)	tCO_2e /EURm	17,1*

*The Group's total net revenue reflected in the financial statement.

GHG emissions calculation method

By greenhouse gases (hereinafter referred to as GHG) the Group means gaseous components of the atmosphere of natural and anthropogenic origin (CO2, CH4, N2O, SF6, HFC, PFC) that absorb and re-emit infrared radiation and are the primary cause of global warming and climate change.

During the reporting period, the Group for the first time calculated its Scope 1 and Scope 2 GHG emissions expressed in tonnes of CO2e equivalent in accordance with the GHG Protocol methodology.

The calculation is based on the requirements and guidelines of the standard developed by the Greenhouse Gas Protocol (hereinafter referred to as GHGP) and the calculation methodology is based on the control activity principle. The Group calculates GHG emissions for all subsidiaries under its operational control. They include direct and indirect scope 1 and scope 2 GHG emissions generated by the Group's consolidated subsidiaries in the course of their operations. In 2024, the following subsidiaries of the Group are included in the calculation of GHG emissions: SIA KI Zeme, SIA RB Investments, SIA KI Nekustamie Īpašumi, SIA KI FUND, SIA Second Sky Management, SIA Vesetas 7, Rietumu Leasing OOO, SIA InCREDIT GROUP, Ki Invest OOO, SIA Euro Textile Group, SIA RB Drošība, foundation Nākotnes Atbalsta fonds, RB Securities Limited, SIA Apella.

GHG Emissions Inventory

The GHG emissions inventory identified subsidiaries with different availability of data for calculations of GHG emissions, which led to some uncertainties in the calculations:

- Subsidiaries to which scope 1 and scope 2 emissions are attributable and for which actual data are available for GHG emission calculations;
- Subsidiaries to which scope 1 and scope 2 emissions are attributable and for which some data necessary for GHG emission calculations are not known;
- Subsidiaries to which scope 1 and scope 2 emissions are not attributable, but to which scope 3 GHG emissions are attributable;
- Subsidiaries to whit GHG emissions are attributed to SIA "Vesetas 7''.

Real estate properties of the Group that, on the basis of an agreement, are rented to third parties are considered to generate scope 3 GHG emissions, which are not calculated in 2024.

The Group's GHG emissions inventory

Subsidiary of the Group	Capital collateral location, country	Scope 1 and 2 input data, inventory result
AS Rietumu Banka	Latvia	• Stationary combustion (boilers, generators): source of GHG emissions not identified • Mobile combustion, vehicles: source of GHG emissions identified • Consumption of refrigerants: source of GHG emissions not identified • Fire extinguishers: source of GHG emissions not identified • Electricity consumption: source of GHG emissions identified • Heat consumption: source of GHG emissions identified
SIA RB Investments	Latvia	• Stationary combustion (boilers, generators): source of GHG emissions identified • Mobile combustion, vehicles: source of GHG emissions not identified • Consumption of refrigerants: source of GHG emissions not identified • Fire extinguishers: source of GHG emissions not identified • Electricity consumption: source of GHG emissions identified • Heat consumption: source of GHG emissions identified
SIA Vesetas 7	Latvia	• Stationary combustion (boilers, generators): source of GHG emissions identified • Mobile combustion, vehicles: source of GHG emissions not identified • Consumption of refrigerants: source of GHG emissions identified • Fire extinguishers: source of GHG emissions identified • Electricity consumption: source of GHG emissions identified • Heat consumption: source of GHG emissions not identified
SIA KI FUND	Latvia	• Stationary combustion (boilers, generators): source of GHG emissions identified • Mobile combustion, vehicles: source of GHG emissions not identified • Consumption of refrigerants: source of GHG emissions not identified • Fire extinguishers: source of GHG emissions not identified • Electricity consumption: source of GHG emissions identified • Heat consumption: source of GHG emissions identified
SIA KI Zeme	Latvia	• Stationary combustion (boilers, generators): source of GHG emissions identified • Mobile combustion, vehicles: source of GHG emissions not identified • Consumption of refrigerants: source of GHG emissions not identified • Fire extinguishers: source of GHG emissions not identified • Electricity consumption: source of GHG emissions identified • Heat consumption: source of GHG emissions identified

Subsidiary of the Group	Capital collateral location, country	Scope 1 and 2 input data, inventory result
SIA KI Nekustamie Īpašumi	Latvia	• Stationary combustion (boilers, generators): source of GHG emissions identified • Mobile combustion, vehicles: source of GHG emissions not identified • Consumption of refrigerants: source of GHG emissions not identified • Fire extinguishers: source of GHG emissions not identified • Electricity consumption: source of GHG emissions identified • Heat consumption: source of GHG emissions not identified
Rietumu Leasing OOO	Belarus	• Stationary combustion (boilers, generators): source of GHG emissions not identified • Mobile combustion, vehicles: source of GHG emissions not identified • Consumption of refrigerants: source of GHG emissions not identified • Fire extinguishers: source of GHG emissions not identified • Electricity consumption: source of GHG emissions not identified • Heat consumption: source of GHG emissions not identified
SIA InCREDIT GROUP	Latvia	• Stationary combustion (boilers, generators): source of GHG emissions not identified • Mobile combustion, vehicles: source of GHG emissions identified • Consumption of refrigerants: source of GHG emissions not identified • Fire extinguishers: source of GHG emissions not identified • Electricity consumption: source of GHG emissions not identified • Heat consumption: source of GHG emissions not identified
KI Invest OOO	Russian Federation	• Stationary combustion (boilers, generators): source of GHG emissions identified • Mobile combustion, vehicles: source of GHG emissions not identified • Consumption of refrigerants: source of GHG emissions not identified • Fire extinguishers: source of GHG emissions not identified • Electricity consumption: source of GHG emissions identified • Heat consumption: source of GHG emissions identified
SIA Euro Textile Group	Latvia	• Stationary combustion (boilers, generators): source of GHG emissions not identified • Mobile combustion, vehicles: source of GHG emissions not identified • Consumption of refrigerants: source of GHG emissions not identified • Fire extinguishers: source of GHG emissions not identified • Electricity consumption: source of GHG emissions not identified • Heat consumption: source of GHG emissions not identified
SIA RB Drošība	Latvia	• Stationary combustion (boilers, generators): source of GHG emissions not identified • Mobile combustion, vehicles: source of GHG emissions not identified • Consumption of refrigerants: source of GHG emissions not identified • Fire extinguishers: source of GHG emissions not identified • Electricity consumption: source of GHG emissions not identified • Heat consumption: source of GHG emissions not identified
SIA Second Sky Management	Latvia	• Stationary combustion (boilers, generators): source of GHG emissions not identified • Mobile combustion, vehicles: source of GHG emissions identified • Consumption of refrigerants: source of GHG emissions not identified • Fire extinguishers: source of GHG emissions not identified

Subsidiary of the Group	Capital collateral location, country	Scope 1 and 2 input data, inventory result
		• Electricity consumption: source of GHG emissions not identified • Heat consumption: source of GHG emissions not identified
Foundation Nākotnes Atbalsta fonds	Latvia	• Stationary combustion (boilers, generators): source of GHG emissions not identified • Mobile combustion, vehicles: source of GHG emissions not identified • Consumption of refrigerants: source of GHG emissions not identified • Fire extinguishers: source of GHG emissions not identified • Electricity consumption: source of GHG emissions not identified • Heat consumption: source of GHG emissions not identified
RB Securities Limited	Cyprus	• Stationary combustion (boilers, generators): source of GHG emissions not identified • Mobile combustion, vehicles: source of GHG emissions not identified • Consumption of refrigerants: source of GHG emissions not identified • Fire extinguishers: source of GHG emissions not identified • Electricity consumption: source of GHG emissions not identified • Heat consumption: source of GHG emissions not identified
SIA Apella	Latvia	• Stationary combustion (boilers, generators): source of GHG emissions not identified • Mobile combustion, vehicles: source of GHG emissions not identified • Consumption of refrigerants: source of GHG emissions not identified • Fire extinguishers: source of GHG emissions not identified • Electricity consumption: source of GHG emissions not identified • Heat consumption: source of GHG emissions not identified

Emissions from chemical reactions in production process do not apply to the Group.

Identified data shortages for scope 1 and scope 2 GHG emission calculations:

- SIA InCREDIT GROUP rents 18 premises of various sizes from third parties for its economic activities with, which account for 1.23% of the total area of the real estate properties of the Group to which scope 1 and 2 GHG emissions apply. Some of the rent agreements do not itemise consumption of utilities, limiting identification of resource consumption data attributable to SIA InCREDIT GROUP, which are necessary for calculation of scope 1 and 2 GHG emissions. The Group has agreed to communicate with managers of the rented properties in 2025 to collect, to the extent possible, utility data attributable to properties rented by SIA InCREDIT GROUP for both 2024 and 2025.
- Real estate properties managed by the subsidiaries of the Group that generate GHG emissions and to which scope 1 and scope 2 GHG emissions apply (with the exception of SIA Vesetas 7) have no traceable evidence of not consuming refrigerants and powders used in fire extinguishers. Therefore it is assumed for the purposes of GHG emission calculation that there are no known data on the relevant items.
- The Group owns a number of properties with very low or no electricity and heating consumption, including gas consumption. There are also properties which are not connected to the utilities. Most of these properties are unoccupied and in a condition unfit for human habitation. Some of these properties are under construction or renovation, while others have been conserved. The Group's property portfolio also includes facilities such as garages, parking spaces and basements with no electricity or heating consumption or connections to utility networks.
- Information on refrigeration units with refrigerants and fire extinguishers is largely unknown. The lack of information is due to the Group's assumptions in cases where it cannot confirm the existence of refrigeration units and fire extinguishers. In such cases, the Group assumed that it had no data on these emission sources.

Data compilation, adjustment for GHG emission calculations

1. The input data are collected by the original data holders, such as the Maintenance Department, the Accounting Department, managers of the subsidiaries, the Real Estate Sales Department. The data are processed and adjusted by the Sustainability Projects Manager and checked for compliance by the Sustainability Director.
2. A Group-wide GHG emissions data aggregation template, structured on the basis of scope 1 and scope 2 GHG emission calculation categories, has been developed.
3. Data holders aggregate data from the accounting system for real estate properties where resources consumed correspond to scope 1 and scope 2 emissions.
4. Data are collated on the amounts of resources and utilities consumed in real estate properties for 2024 (broken down by month) and on the amounts of fuel consumed by vehicles, aircraft and generators. In addition, data on distances travelled, in kilometres, by vehicles and the aircraft of the Group are collected.
5. Data compiler examines the data collected, both for relevance to scope 1 and 2 emissions and for accuracy.
6. Where necessary, data compiler extracts aggregated data for scope 1, 2 and, in some cases, scope 3 emissions. Scopes 1 and 2 apply to real estate properties that are partly rented to 3rd parties but at the same time also used for the Group's purposes. For example, GHG emissions from premises rented to 3rd parties at office building Rietumu Capital Centre are attributed to GHG emissions of subsidiary SIA Vesetas 7.
7. Where necessary, data compiler converts the aggregated data units to the units of measurement used in GHG emission calculations.
8. The input data for scope 1 and 2 calculations are aggregated into the Group's single GHG emissions datasheet:
   - Category data for scope 1 GHG emission calculations were aggregated/summarised by type of technical equipment.
   - Category data for scope 2 GHG emission calculations were aggregated/summarised by type of resource used.

GHG emission factor

For the calculation of scope 2 GHG emissions, a GHG emission factor is applied determine the amount of emissions generated, based on the respective energy or heat consumption. The GHG emission factor covers CO_2, CH_4, N_2O, SF_6, HFC_S, PFC_S emissions, expressed together in tonnes of $CO2_e$ equivalent.

The Group does not have an agreement with its utilities providers regarding the attribution of resources of known origin. Therefore the GHG emission factor used by the Group for electricity and heat in location-based calculations is equivalent to a market-based calculation. The decision on equivalent emission factors was taken in accordance with the GHGP (page 45), available here**.** A GHG emission factor with a higher level of detail derived from scientifically based calculations is assigned to each GHG emission calculation item as a priority. For scope 1, DEFRA was used as the source of GHG emission factor data. For scope 2, emission factors from the Ministry of Climate and Energy for Latvia and estimates from the UNFCCC (United Nations Framework Convention on Climate Change) for the Russian Federation were used.

Scope 1 and 2 GHG emissions calculation

The calculation of GHG emissions is performed using the Carbon Accounting tool of the cloud-based ESG Data Management System of the Group, which is based on the GHGP standard.

The Group's direct emissions (Scope 1) are those resulting from own consumption of energy resources in the Group's operations that are directly controlled by the Group:

- Fuel emissions from vehicles owned by the Group
- Emissions from boilers
- Emissions from generators
- Emissions from fire extinguishers
- Emissions from ventilation and air conditioning

The Group's indirect emissions (Scope 2) are emissions from:

- Purchased electricity
- Heat purchased from district heating networks

To calculate GHG emissions, aggregated data for each scope 1 and scope 2 item were multiplied by the respective emission factors, resulting in total GHG emissions.
The Group's GHG emissions volume for 6% of its properties attributable to the 1st and 2nd scopes is an estimate calculation. The Group does not have actual data on the consumption of gas, thermal energy, and electricity for 6% of the square meters of properties attributable to the 1st and 2nd scopes. As part of this, the Group made estimates regarding the average GHG emissions volume per square meter. The average GHG emissions per square meter were multiplied by the areas for which the actual volume is unknown, proportionally allocating it to the 1st and 2nd scope volumes.

Calculation of GHG emissions for scope 1

The aggregated/summarised GHG emission calculation data were entered into the Carbon Accounting tool in the ESG Data Management System, where calculations of GHG emissions are automated. GHG emission calculations for aviation fuel were performed manually.

Calculation of GHG emissions for scope 2

The aggregated/summarised GHG emission calculation data are calculated manually by multiplying the respective emission factor by the aggregated heat or energy consumption, resulting in total GHG emissions. Scope 2 GHG emissions data are manually entered and aggregated in the ESG Data Management System.

Disclaimer about GHG emission calculations

- The Group's real estate management is focused on renting or leasing. However, in situations where renting or leasing does not exceed 10 months, GHG emissions generated by the property are included in the Group's scope 1 and 2 calculations.
- For the period of the GHG emissions calculation, there were no significant circumstances in the Group's own operations and its value chain that could affect the results obtained from the calculation.
- In cases where energy generated by solar panels is fed into the common electricity grid, self-consumption of electricity by these solar panels was not considered renewable energy that does not generate GHG emissions.
- In cases where energy generated by solar panels is immediately used for self-consumption, self-consumption of electricity by these solar panels was considered renewable energy that does not generate GHG emissions.

During the first Sustainability Reporting Period, the average number of the Group's employees on the balance sheet date does not exceed 750 employees, hence the Group has chosen to omit Scope 3 emissions data.

Greenhouse gas emission sequestration | E1-7

The Group is not a member of the EU Emissions Trading Scheme and does not use carbon pricing schemes.

GHG emission reduction measures

In addition to the Group's efforts to reduce GHG emissions from its operations, the Group is considering establishing a carbon emission compensation mechanism to balance out CO_2 emissions that cannot be avoided through emission mitigation measures.

The Group carries out carbon sequestration measures through afforestation using spruce and birch seedlings, in accordance with the conditions of land use change category on arid agricultural land.

GHG mitigation measures

	2023	2024
Afforested area, ha	8,2	2
Species of trees planted	Spruce	Birch
Number of tree seedlings planted	15,900	Not counted

Climate risks | E1-9

The Group uses phase-in relief for climate risk assessments for the Group's assets.

Based on the Environmental and Social Risk Categorisation List of the European Bank for Reconstruction and Development (EBRD), the level of environmental and social risk in the loan portfolio was determined. The borrower's industry code (NACE) is taken into account in the assessment of the level of sustainability risks in the loan portfolio, therefore the assessment only applies to legal entities.

In 2024, high level sustainability risks in the legal entities loan portfolio decreased by 18%.

Assessment of the sustainability risk level of the loan portfolio, percentage breakdown, %

Sustainability risk level	2022	2023	2024
High	35	30	34
Medium	39	44	57
Low	26	26	8
Total:	100	100	100

During the reporting period, the Group has 1 property under management with Class A Energy Performance Certificate.

During the reporting period, the Group has not identified:

- The expected financial impact of physical risks;
- The exposure of assets under its management and the Bank's loan portfolio to significant physical and transition risks;
- Net revenues from operations that are exposed to significant transition risk;
- Net revenues from customers engaged in coal, oil or gas-related activities;
- The expected cost savings from climate change mitigation and adaptation activities.

In 2024, the Group has not assessed the potential impact on future financial performance and the situation with assets and business activities exposed to significant transition risk.

Our employees | ESRS S1

Our employees are our greatest asset. Our main strategic directions for human resources management are based on 3 pillars: excellence, engagement, efficiency.

Strategic directions of personnel management:

- targeted professional development and advancement of personnel, career growth within the company;
- employee involvement in strengthening the Group's values and creating an inclusive culture;
- promotion and implementation of employee well-being principles and approaches;
- implementation of digital personnel management solutions in everyday work.

In accordance with the Corporate Sustainability Reporting Directive, the Group is classified as a public-interest entity because its average consolidated number of employees exceeds 500. The Group is aware that its employees are its greatest asset and that through its direct or indirect actions it can affect both its own employees and those in its value chain. Promoting and ensuring employee well-being has been a priority in the Group's sustainability initiatives in 2024.

The information disclosed in the Sustainability Report regarding own workforce has been prepared taking into account all 517 employees of the Group for 2024, including all employees, regardless the held position and type of workload. The personnel-related indicators, which also include those employed under contractor agreements, are provided separately for each disclosure.

How employees see and value us

Assessment of the engagement and satisfaction of the Bank's employees, %

	2024*
Working environment	77
Collaboration and communication with colleagues	79
Direct manager and structural unit	81
Willingness to share ideas	84
Willingness to get involved	93
Personal responsiveness	100
Availability of information about the Bank's current events	76
Trust in the immediate supervisor	89
Support from the immediate supervisor	89
Work enjoyment	92
Bank's sustainability performance	86
Taking care of physical health	75
Taking care of mental health	82

*76 % respondents from all employees of the Bank

We plan to set targets related to employee satisfaction assessment in 2025. We provide an overview of our intentions in the section "Targets related to managing impacts, risks and opportunities in relation to employees".

Impacts defined in the double materiality assessment

Within the double materiality assessment, having measured the impact of the Group's operations, the risks to employees and, conversely, how employees can influence the Group's processes, especially financial indicators, a dominant positive impact on today's processes (in the short term) was identified. However, when assessing the role of employees in the perspective (in the medium and long term), it was recognized that higher financial risks may be associated with employees.

Impacts defined in the double materiality assessment

	Period	Financial materiality (-)	Impact materiality (-)	Financial materiality (+)	Impact materiality (+)
ESRS S1 Own workforce	short-term (<1 year)	■■■■■	■■■■■	■■■■■	■■■■■
	medium-term (1-5 years)	■■■■■	■■■■■	■■■■■	■■■■■
	long-term (>5 years)	■■■■■	■■■■■	■■■■■	■■■■■
Red	**Negative impact**				
Green	**Positive impact**				

Impact assessment within the operational risk management

If an employee's action or inaction has a material impact on the Bank's or Group's operations, it is recorded as an operational risk assessed in accordance with the *Operational Risk Management Procedure*. The procedure is applicable to all the Bank's and Group's structural units, operational activities, and business processes within the operational risk management framework, as well as to persons cooperating with the Bank and the Group pursuant to a contractor agreement.

Employees with a risk profile assessment

The Group has defined positions that affect the risk profile, setting qualitative and quantitative criteria to identify employees who can influence the achievement of the company's objectives. The Group considers that a professional activity has a material impact on the risk profile if it meets any of the qualitative or quantitative criteria. The criteria are determined by in terms of quality and quantity, e.g., control function management, committee member, head of significant structural unit, with responsibility for significant outsourced services.

The assessment and identification process of positions affecting the risk profile is carried out at least annually.

Within the Group's risk management, the Bank's and the Group's sustainability risk profile is defined, assessed and documented, and sustainability materiality assessment is performed. We have collected and assessed the risks and incidents recorded in the Group's operational risk database. The risks and incidents recorded in the database are not attributable to existing and potential impacts on employees or employees in our value chain. During the reporting period, no potential and actual negative impacts on own workforce, including workers in the value chain, were identified as part of the operational risk management assessment.

Our efforts for positive impact on employees

We engage the Bank’s employees in healthier lifestyle activities, encouraging them to take responsibility for their mental and physical health. For this, we offer the opportunities of corporate participation in a running marathon, exercising in the office under the guidance of a physiotherapist, seminars on mental health, for example, on professional burnout, and other initiatives. The Bank has joined the "Mission 0" community of labour safety enthusiasts, caring for and providing trainings on safety, health and well-being of employees, which brings to life its motto "May everyone return home safe and healthy".

We promote self-education of the Bank’s employees through lifelong learning courses and seminars offered by the European Regional Development Fund. In 2024, various employee engagement and bonding events were organised to promote Latvian traditions and culture, including encouraging employees to become active and involved in socially relevant projects.

We have introduced various intangible benefits for the Bank’s employees: professional development opportunities, delegation of additional responsibilities and powers, corporate bonding events, corporate sports activities, events for employees' children, health-promotion events, educational events, various other corporate offers for employees.

We provide the Bank’s employees with material support for the birth of a child, support them on important events in their lives by giving them the opportunity to take paid holidays for up to 3 days: loyalty holidays, employee weddings, the first day of school in September for parents of children in grades 1-4, and for other personal reasons. In addition to the provisions of the Labour Law, up to five working days of paid leave per year is granted to an employee who participates in Home Guard training, as well as to an employee who is a reserve soldier if the employee participates in military training, in order to strengthen the employee's ability to defend the homeland.

For 2025, we have defined the task of assessing and defining with particular care the potential impacts, significant risks and opportunities that could arise as a result of the Group's activities with regard to our employees and workers in the value chain.

As part of the double materiality assessment, employees defined the potential risks and opportunities that could be created for them as a result of the Group's activities. The impacts and opportunities are listed in section “Material impacts, risks and opportunities”.

The role of employees in achieving sustainability objectives

So far, we have not conducted a comprehensive assessment of whether and how our employees might be affected by the Group's sustainability development, the implementation of environmental goals, including whether our employees could be negatively or positively affected by planned climate neutrality measures. We educate and train employees on the Group's sustainability objectives. The Group evaluates corporate governance in the area of social responsibility, including employee well-being, with the aim of achieving a higher level of employee satisfaction and engagement. We implement employee training in accordance with their roles and responsibilities in achieving the Group's sustainability objectives. Among other things, we provide regular training and test the knowledge and skills of the employees whose daily work is related to identifying, assessing and managing sustainability risks. Informative training for employees is organized with the aim of strengthening the Group's commitment to avoid financing the businesses involved in greenwashing or supporting any form of greenwashing. In accordance with the set strategic objectives, we continue to link the variable part of remuneration to the achievement of key performance indicators in the area of sustainability. In 2025, we plan to supplement the key performance indicators of employees and officers with achievements in the area of sustainability, as well as assess and review them once a year.

Moral principles or norms

The Group's operations do not involve employment risks that would indicate signs or potential risks of any form of forced or compulsory labour. In addition, the Group does not operate in countries where activities that are considered risky in terms of employment are carried out.
We have a zero tolerance policy towards human rights abuses, and it is essential for us to prevent such abuses both in our own operations and throughout our value chain. The Group strives to identify and mitigate the related risks and to encourage its customers and partners to have appropriate employment policies and sufficiently high-quality monitoring systems in place.

According to the Group's operational risk database and whistleblower register, there were no violations or reports of human rights abuses in the Group's history.

Vulnerable groups

The double materiality assessment did not identify any risks to own workforce that would be attributable to workers with particular characteristics or working in particular contexts.
In subsidiaries and among the actors in the Group's value chain whose business activities are related to the management and development of real estate, in particular construction, potential impacts through workplace risk factors were defined. An in-depth impact and risk assessment in real estate management throughout its value chain is planned to be carried out in 2025 by improving the double materiality assessment methodology.

Under the double materiality assessment, no specific groups of persons with which negative or positive impacts and risks could be associated and significantly highlighted were identified with regard to the own employees. The assessment of these impacts, which apply to different groups of persons, especially vulnerable groups, should also be improved in the 2025 double materiality assessment method.

Policies related to own workforce| S1-1

The Group has developed the *Personnel Policy* to ensure the achievement of the Group's goals, based on the principles, intentions and actions approved by the Group's management in the field of personnel management.

The purpose of the Policy is to create a professional and motivated team to achieve the highest possible performance indicators of the Group. The Policy has been developed in accordance with the best personnel management practices, in accordance with the values and operating principles set by the Group.

The implementation of the principles of the *Personnel Policy* is the task of managers at all levels of the Group. Personnel management performs the functions of initiator, coordinator and controller in this process. The Personnel Policy regulates the procedure for the conduct, duties and responsibilities of all employees, managers and officials, and is available to all the Group's employees.

The Group has defined an internal reporting plan for monitoring issues related to personnel management

Report objective	Frequency	Report recipient
Current personnel management issues	Monthly	Member of the Bank's Board, Chief Risk Officer
Fulfilment of the employee training plan	Annually	Bank's Board
Employee turnover indicators	Monthly	Data Analytics Division of the Accounting Department
Results of the evaluation of officials	Annually (before 30 April next year)	Bank’s Council, Nomination Committee, Bank’s Board

The *Personnel Policy* stipulates:

- professional, competency and ethical requirements for personnel
- guidelines for personnel planning, selection and management
- sustainability in personnel management
- principles of employee training and professional development
- personnel remuneration system
- corporate motivation system

The *Remuneration Policy* stipulates:

- respect for the principle of gender equality, offering equal pay for equal work
- the principle of fairness, by offering pay commensurate with the employee's experience and competences

The Group supports and ensures:

- pay alignment with employee performance
- the Group's ability to attract, develop and retain highly motivated, competent and performance-oriented employees, thus implementing the overall personnel strategy
- fair pay and competitiveness in the labour market
- gender neutrality

We updated the *Personnel Policy* in May 2024, while we completed the double materiality assessment process in September, which limited the management of the identified impacts, risks and opportunities with regard to the own employees through the application of appropriate measures during the reporting period and stipulating those in the policies related to personnel management.
The Group has developed other key policies for managing its own workforce and managing the impacts, risks and opportunities associated with its own workforce:

- *Personal Data Processing Policy*
- *Anti-Corruption Policy*
- *Conflict of Interest Management Policy*
- *Risk Management Policy*
- *Non-Financial Risk Management Policy*

Annual mandatory training is organized for employees on policies that are important to the Group.

The Group's *Personnel Policy* was updated in May 2024:

- the principles of sustainable personnel management have been clarified
- the content of introductory training for new employees has been clarified
- the remuneration system has been aligned with the remuneration policy
- new material benefit has been introduced, namely, employees can be granted 1 day off to carry out a social responsibility project or initiative
- the number of days off granted for personal reasons is 2, and their granting does not depend on the employee's length of service
- procedures for child birth allowance and allowance in connection with the death of a 1st degree relative have been updated

The *Personnel Policy* defines the principles of social responsibility: occupational safety, improvement of the working environment, prevention of discrimination, involvement of the local community.
While we have clear provisions to prevent and guard against human rights abuses in our operations and to manage our value chain as much as possible, we do not have a separate human rights policy that directly applies to our employees.

Our care for employees:
- we take care of the employees' working environment and assess the risks of the working environment
- we conduct employee satisfaction and engagement surveys and forward employee proposals for improving the working environment
- we provide all social guarantees to employees
- we are socially responsible, respect the interests of society and ensure effective management of personnel safety and health issues
- we take care of the professional development of employees, we also organize additional education
- we organize sessions to promote cooperation between functions, as well as employee cohesion events
- we ensure the principles of environmental accessibility for employees with functional disorders in office premises
- we engage in and organize social, cultural and charitable events, support projects that are important to society and comply with the principles of sustainability
- we purchase health insurance policies for employees, which include outpatient rehabilitation and mental health specialist services

The employment contract stipulates:

- the employer respects the employee's rights as set out in the Republic of Latvia laws and regulations governing employment relations and in the employment contract
- the employer undertakes to organise the employee's work, to ensure health-safe and safe working conditions, in compliance with the laws and regulations governing employment relations and the regulations on occupational safety and protection

Employee involvement in all processes and initiatives of the Group is a key factor in achieving our goals, development and improvement. In personnel management, we focus on targeted professional development, career growth of personnel in the company, promoting employee involvement in strengthening the Group's values and creating an inclusive culture. We care about employee well-being by planning and implementing comprehensive events and activities. In order to improve the efficiency of personnel management processes, we plan to introduce digital personnel management tools and solutions.

During the reporting period, a system has been in place at the Group level for several years to ensure reporting opportunities through multiple channels for any type of human rights violations.

Sustainability commitment

"Green office"
In December 2022, the Bank received "Green Office" certification from the World Wide Fund for Nature and, in accordance with the developed environmental program, continues to consistently develop the environmental management system and improve the environmental awareness of the Bank's employees, following the "Green Office" programme guidelines. As part of the programme, the Bank has set specific sustainability objectives and implements incentive measures to further improve the environmental management of the office. The "Green Office" helps to create environmental awareness in areas that are essential to everyday life – resource consumption, transport, procurement, waste and its management, and biodiversity. As part of the programme, 3 goals were set regarding sustainable procurement, environmental communication with stakeholders, and smart resource consumption. Special attention is paid to these areas by implementing the principles of environmental protection, social responsibility, and good governance. In 2023, the Bank devoted special efforts to reduce the impact of the work environment and promoted sustainable practices, which is reflected in the "Green Office" certification received in the spring of 2024. The bank has defined even higher "Green Office" targets for 2024.

"Mission Zero"
In 2023, the Bank signed the "Mission Zero" charter, joining the initiative aimed at creating a healthy and safe working environment. There were no work-related accidents in the Bank in 2023.

"Family-friendly workplaces"
In 2023, the Bank was awarded the status of a "Family-Friendly Workplace". The Bank's goal is to create working conditions that are beneficial to both employees and their families, as well as to develop such a culture in society. The Bank has always sought to support the families of employees. This is manifested both in the general attitude, respect for family values, and in specific works. The Bank provides support to employees as needed if they encounter adverse family circumstances.

Human rights

Human rights violations are fully prevented and not tolerated in the Group's activities. The Group takes appropriate measures in its operations to identify and mitigate risks in this area and encourages its clients and business partners to have appropriate employment policies and monitoring systems of sufficient quality.
The Group's activities comply with the laws and regulations on countering the money laundering and terrorism and proliferation financing, which aim to prevent money laundering, including the laundering of the proceeds of human trafficking.

Safe and predictable and workplace that furthers well-being

We are committed to providing safe, inclusive physical environment that furthers well-being in the workplace. All our employees are provided with comfortable, ergonomic working conditions.
As part of this, a management system has been established with the following policies developed and implemented:

- *Occupational health and safety procedure and instructions* (applicable to the Bank)
- *Work procedures* (applicable to the Bank)
- *Fire safety instructions* (applicable to Rietumu Capital Centre office building at 7 Vesetas Street in Riga)
- *Internal rules of conduct* (applicable to the Bank)
- *Operational risk management policy* (applicable to the Group)
- *Work environment risk assessment* (applicable to the Bank)

All procedures are binding on all employees of the Group. All employees are provided with relevant introductory training, regular training and guidance on occupational safety in accordance with the requirements of regulatory enactments and the nature of the work.
In case of specific work environment risk factors, their impact on safety and health is discussed in more detail for each particular employee during work safety training. Employees are introduced not only to the relevant work environment risk factor, but also provided with important information on the measures to be taken to prevent or reduce the risk conditioned by these factors to an acceptable level.
The Group identifies, assesses and manages work-related health and safety risks by conducting an annual work environment risk assessment.

Equal opportunities

Although the Group has not developed a policy for its own personnel management with the direct aim of preventing any kind of discrimination, these issues are perceived with high responsibility and included in existing policies related to personnel management.
The Group provides an inclusive work environment where every employee can feel comfortable and perform their daily work with high quality, as well as take care of their development, because the Group:

- assesses work environment risks;
- implements a non-discriminatory, fair and equality-based employment policy;
- adheres to the best human resource management practices in accordance with the Group's established values and operating principles.

The Group offers equal pay for equal work, based on abilities, qualifications, confidence and life experience, regardless of gender, ethnicity, religion, age, sexual orientation or other factors.

The employee selection process is carried out objectively, systematically and fairly, providing equal opportunities to all candidates without restrictions and discrimination, observing the principles of gender equality and prohibition of differential treatment set out in the Labour Law and binding external regulatory enactments.

The Talent Attraction Program was continued in 2024 with the aim of encouraging and inviting employees to attract suitable candidates for the Bank's current vacancies. Employees can recommend friends and acquaintances who meet the requirements of the advertised vacancy, high work performance culture and ethical standards, taking into account potential risks in conflict of interest situations.

EQUALITY OF BRAINS – The Group implements the principles of equal treatment, based on professional competence, knowledge and skills.

The premises of the office building “Rietumu Capital Centre” have integrated environmental accessibility principles for employees and visitors with functional disabilities.

The implementation of the principles related to the *Personnel Policy* is the task of managers at all levels of the Group. The Personnel Department performs the functions of initiator, coordinator and controller in this process.
The Group has defined several tasks related to personnel management for 2025, including supplementing the *Personnel Policy* with specifically defined measures to ensure a systemic plan for the prevention of any type of discrimination, recording the detection of cases related to such violations, and sequentially defining actions in the event of a violation being identified.
All employees of the Group are invited to provide proposals for improving the working environment through various engagement measures, including the implementation of sustainability-related initiatives in everyday work.

Information availability

When starting an employment relationship, an employee must get familiarized with the internal regulatory documents binding to the employee’s position, which are listed in the acknowledgement form.

In accordance with the *Employment Relationship Procedure*, the initial selection of applicants is carried out in the personnel selection process, evaluating qualifications: education, previous work experience, language skills and other professional knowledge necessary for the position.
A representative of the relevant field participates in the candidate's job interview and asks professional questions with the aim of conducting additional research and evaluation of the candidate's previous work experience, competencies and special knowledge. If necessary, tests and exercises are used to assess the candidate's competencies, skills and knowledge.
In order to avoid establishing employment relationships with persons who are involved in violations of the AML/CFTP or sanctions regime or attempts to do so or the persons not meeting the requirements of Section 34.5 of the Credit Institution Law, at least once a year relevant checks are carried out on all candidates, as well as the employees holding the positions included in the set list.

All employees have the right to receive professional training and improve their qualifications, which the Group promotes and organizes according to the training plan. The Group strives to attract the best specialists who are focused on achieving sustainability goals, while taking care of the professional development of existing personnel. The head of each structural unit is responsible for promoting the professional development of employees, supporting employees' willingness to learn, as well as promoting loyalty to the Bank and its customers.
We build and promote long-term employment relationships with all employees.

Improving employee competence

Improving the knowledge, skills and competences of our employees is our priority and a key factor for long-term success. We organise regular staff training on various topics, including anti-corruption and AML/CFTP issues, and conduct knowledge tests. We have developed a training programme on sustainability-related topics, covering both the Group's sustainability scope and topics that indirectly affect the Group's operations - environmental and climate issues, natural diversity, circular economy, etc. The Group invests in the development and growth of its employees and the heads of structural units actively promote the professional development of their team members and support their commitment to learning. Professional development training is available for all levels of employees.

Employees have access to regular:

1. on-site internal training, which is conducted by qualified and competent specialists of the Bank in the relevant field;
2. remote or e-learning – learning the topic in the workplace and conducting a test online using the electronic content management system for testing employees within the framework of the approved annual plan.
3. external training – both short-term and long-term courses, lectures and conferences in Latvia and abroad.

We implement an employee training model to maintain competence, following the "70-20-10" principle, where 70% of training takes place during work and through effective mutual communication, 20% is the result of mutual interaction and mentoring, and 10% is formal face-to-face or online training. When selecting training, the relevance of the training topic is assessed. Since 2023, introductory training (onboarding) is provided for new employees. This includes an introduction to the Group's history, mission, vision, strategy and objectives, values, internal culture and traditions, sustainability scope, employee engagement, lines of business and products, processes, as well as the internal rules and regulations governing general requirements, including documents on the prevention of money laundering and the financing of terrorism and proliferation, and the identification of suspicious transactions.
Deepening the knowledge, skills and competences necessary for performing job duties are important factors in achieving the Group's long-term success, therefore, in order to maintain and increase competitiveness, we invest in personnel development and growth. We involve heads of structural units in defining the need and developing a plan for training a new employee for a specific position. The professional development of employees is a joint task of the employee and the employer.

Employee engagement | S1-2

We value the opinion of each of our employees and stakeholders. We particularly welcome our employees' views on any actual and potential impacts and risks on all Group processes. Each of our employees can express their opinion on decisions, both during the assessment process and on decisions and actions already taken, in order to manage actual and potential impacts and the risks associated with them.
We take a number of actions to prevent, mitigate and manage negative impacts on our employees in a timely manner:

- Employees are also provided with the opportunity to register the impacts and risks related to personnel management in the IT systems used within the framework of operational risk management. As part of this, access to the operational risk database has been developed and provided to all employees. Each risk or incident reporter can see and follow the progress of their registered incidents – who and when reviewed the document and what decision was made regarding the relevant incident.
- In 2024, the Group conducted an employee satisfaction survey for the first time. The main goal of the survey was to identify employees' opinions and assessments of issues and processes that are important to the Group, including taking the results into account in the future decision-making process to improve existing procedures and processes. The results obtained in the survey provide an opportunity to manage the actual and potential impact not only on the personnel themselves, but also on other areas of management. Employees had the opportunity to express their opinions on:
  - work aspects (work environment, processes, communication, direct manager performance);
  - factors that most motivate employees; any issues relevant to employees.
- Employees have the opportunity to express their opinions to their direct managers during employee performance appraisal discussions, which are organized once a year.
- Heads of structural units are provided with discussions with the supervising board member, within which the individual or collective opinion of the structural unit can be discussed.

The Group has not established cooperation with trade unions related to employee representation and rights protection.

Managers at all levels are responsible for any kind of staff involvement in the Group's processes and activities, and this is their direct job assignment.

The base year for employee satisfaction and engagement results is defined as 2024. The Group also plans to conduct equivalent employee surveys in the future to assess its efforts and impact in promoting employee well-being, strengthening cooperation and dialogue.

We provide all employees with equal opportunities to express their opinions, and our cooperation is equal towards all groups of persons. The tasks and responsibilities of department heads include developing an action plan and improving critically assessed aspects within each department, including when it concerns issues related to personnel management.

Improving our personnel management, in 2025 we plan to identify and define whether there are individuals or groups of individuals within our own and value chain personnel who are exposed to adverse impacts and risks or who are considered vulnerable. We believe that such a review will ensure systemic management of negative impacts and risks for all employee groups.

So far, we have not identified the need to implement specific forms of cooperation and communication with at-risk or vulnerable persons. We have not identified, and our employees have not pointed out, any existing or potential barriers to employee engagement within the Group. When assessing the form and purpose of engagement, special care is taken to ensure comprehensive employee engagement.

Internal communication

We use various information channels to engage employees and inform them about developments in the Bank and the Group:

- internal information channel "Intranet"
- official documents
- social platforms
- thematic emails for addressing dedicated employee groups

All information channels are equally important in informing employees about upcoming or implemented changes in processes and acts in the Group's operations, as well as other important current events outside the Group's operations. In the "Intranet", employees have access to current and historical documents necessary for the work process, the Group's structure and process map, application forms, employee contact directory, document management system, etc.
The "Intranet" information channel is very actively used in everyday communication, in the performance of work duties, provides an opportunity to follow changes in regulatory enactments, and is also considered important in the dissemination of information about current developments outside of work.
The content of the "Intranet" information channel is also available to our employees with remote access outside the workplace.
For the simultaneous information of employees, an e-mail has been created for the transfer of information to all employees. Among other things, thematic e-mail groups have been created, for example, for structural units, members of the Board.
In 2024, no incidents related to conflicts between employees and/or employees and the employer were recorded in the operational risk database.

Processes for mitigating negative impacts on employees | S1-3

We value the opinion of each employee or group of individuals on topics that are important to the Group and its employees. All our employees have equal rights and opportunities to express their opinions or concerns, make known their objections and claims. Any employee who reports situations where, in their opinion, their rights have not been respected or where illegal actions are possible is subject to the necessary measures to prevent the impact.

In 2024, no case was registered that would be associated with a negative impact on the own workforce or a group of individuals. As part of this, we have not implemented an approach and processes that would ensure or facilitate the mitigation of the negative impact that we ourselves would have caused on our employees.

At the Group level, there is a system that has been developed over several years to provide employees with the opportunity to report any type of violation and existing or potential impact, including on the own workforce, through several channels.

The Group has provided several reporting channels, providing employees with the opportunity to report any type of suspicion regarding corruption, fraud, conflict of interest or other illegal activity involving the Group, its subsidiaries and their employees. An employee can submit an anonymous report by filling out the anonymous reporting form on the Intranet system.

The Group has developed a reporting procedure within the framework of operational risk management regarding risks, violations and shortcomings discovered in the Group's operations:

- operational risk events
- compliance risk events
- conflict of interest situations
- personal data protection violations
- AML/CFTP and sanctions
- illegal or unethical transactions
- violations within the meaning of the Whistleblowing Law of the Republic of Latvia

Employees have the right to receive advice and to communicate about any risks and violations related to the Group's operations.

The employee's immediate supervisor is also considered an important and primary communication channel in resolving issues. An employee may contact their supervisor or the Human Resources Department to express concerns about any objections and claims arising in the work process.
Employees may raise an alarm about potential or actual violations that may harm the public interest within the meaning of the Whistleblowing Law, the Financial Instruments Market Law, the Credit Institutions Law by e-mail: trauksme_RB@rietumu.lv.

To the Ombudsman of the Latvian Financial Sector Association, which examines customer complaints about the actions and services provided by credit institutions registered in the Republic of Latvia: by phone +371 67284562, by e-mail ombuds@financelatvia.eu or **here.**
In the Complaints and Suggestions section of the Bank's website rietumu.com,
by phone +371 67025555 or by e-mail complaint@rietumu.lv.

To identify the needs of our employees for the work process, we have created e-mails for quick and efficient processing of applications:

- IT support
- maintenance department support
- internal document management system support
- labour relations issues
- cyber incident resolution
- whistleblowing

For a unified and quick exchange of information, e-mail groups are created, for example, combining all employees, various management representatives and working group members.

The Bank's website provides all employees and interested parties with information and options for reporting a criminal offense, administrative violation or other violation of legal norms (action or omission), including actions that are contrary to the purpose of a legal act, as well as violations of binding ethical or professional norms that may harm the public interest.

Information on Whistleblowing is available **here.**

The risk management and review mechanism applied in case of an operational risk being registered are set out in the operational risk management procedure. It is possible to see the processing status of submitted application in the operational risk database.

Upon commencement of employment, a new employee is issued an acknowledgement form, which lists the policies and procedures covering the risk management process, including information on the reporting channels.

To ensure consistency and compliance with the risk appetite determined by the Group, the operational risk management provisions are stipulated in policies and procedures.

For ensuring that the employees have the confidence to freely express their concerns, any opinions, and make their objections and claims known, the employee satisfaction survey was performed anonymously, and the information obtained was used in summarized form. The employee satisfaction survey was conducted and the data was processed by an external service provider.

The Group has not developed a separate policy defining the procedure for protecting a whistleblower who uses the Group's reporting channels against reprisals. Protection is provided in accordance with the Whistleblowing Law.
Upon receipt of a whistleblower's report, the whistleblower's personal data is pseudonymized, the information received is strictly confidential and has the status of restricted information.

Actions for mitigating negative impact on employees | S1-4

Personnel management is ensured in accordance with the Group's strategies, policies and procedures. Personnel management is continuously developed.
The Group's personnel management processes are intended for ensuring purposeful improvement of employees' professional skills and competencies, as well as the compliance of the specific knowledge necessary for the implementation of the strategy with the most current trends and best practices. The personnel management policy provides for personnel management based on the principles of sustainability, focused on environmental preservation, social responsibility and good governance.

To achieve the strategic objectives, the following is constantly improved:

- leadership skills of managers in setting team goals and monitoring their implementation, providing feedback, motivating and supporting employees, identifying and developing an employee's professional potential, and making decisions;
- efficiency/automation of work processes;
- opportunities for self-growth.

To implement strategic goals in the field of personnel management, new personnel management processes/programs will be introduced:

1) succession planning process, which, for the purpose of business continuity, provides for identifying high-potential employees for ensuring short-term and long-term succession by creating an appropriate individual development plan:
   a) for all levels of management positions;
   b) for experts and holders of specific positions, etc.
2) competency module, which provides for determining the most important set of competencies (module) for the Group, excellent results and implementing them in personnel management processes, including:
   a) in the process of evaluating employee performance;
   b) in the creation of employee motivation programs;
   c) in the process of nominating the "Best Employee of the Year";
3) recognition programs, which provide additional motivation for achieving excellent work results:
   a) the "Best Employee of the Year" awarding process;
   b) improvement of the employee loyalty program.

With regard to the activities planned during the development of the Sustainability Report, the Group has not defined the influencing parties, value chain scope, geographical aspects, measurable targets for assessing the impact mitigation result, implementation time periods and significant impact prevention activities.
In 2024, we conducted our first employee satisfaction and engagement survey to gain a data-driven overview of our employees' engagement levels, motivation in various aspects, identify factors that drive our employees towards success or negatively impact them, allowing the opportunities for improvement to be detected in a timely manner.
Our actions to prevent and mitigate negative impacts on employees:

- employee satisfaction survey
- mandatory health check-up every 3 years, health insurance policy (including consultations with a psychologist and psychotherapist to reduce and prevent anxiety, depression)
- compensation for the purchase of optical glasses/lenses
- weekly group exercise classes to strengthen health
- regular provision of fruits and natural sources of vitamins
- seminars on mental health, how to recognize professional burnout for all employees; seminars for managers on emotional intelligence at work, which inspire to become better
- joining in active leisure activities (Rimi Riga Marathon, step counting, Unity bike ride)
- guarded bicycle parking

An annual health check-up is organized every year in the Bank's office premises. In response to the high risks of various infectious diseases in 2024, vaccination opportunities were organized for employees at the Bank's premises with various types of vaccines of their own choice.

The Bank provides the opportunity to use paid holidays in the following cases: 3 paid holidays for personally important events, birth of a child, employee's wedding, support during the mourning period, the first day of school in September for parents whose children are students in grades 1-4, for employee-land guard training, for employee-reserve soldier participation.

The Bank provides material support to employees in important life events: child birth and bereavement allowance. In addition, the Bank provides material support in case of emergency (fire, flood, theft of property, accident that caused serious damage to health, etc.), gifts for employees' children at Christmas and special discounts and benefits for employees on the Bank's products and services in accordance with the provisions of internal regulatory documents.

The Bank organizes various team building and motivation activities. According to the evaluation of the expenses related to these activities, the Bank's personnel sustainability expenses increased by 218% in 2024 compared to 2023.

The material and intangible benefits available to employees are stated in the *Personnel Policy*, and it is available to all employees. The implementation of the principles of the *Personnel Policy* is the task of managers at all levels of the Group.

The Group evaluates efforts and achievements in improving the well-being of employees by conducting an annual performance evaluation process and an employee engagement and satisfaction survey. In the implementation of the processes specified in the *Personnel Policy*, the Personnel Department performs the functions of initiator, coordinator and controller.

Identified actual and potential impacts and risks on employees are assessed and managed with an individual approach and high diligence. The responsibilities of the heads of structural units include promoting employee motivation and loyalty to each other, to the Group as a whole and to its customers.

We plan to continue our efforts to assess the level of employee engagement and satisfaction by conducting an employee satisfaction and engagement survey launched in 2024.

We take the results of the employee survey with the utmost responsibility and seriousness. Working group meetings were organized in each structural unit together with its supervising board member, involving all employees for the evaluation of the results and an open discussion on issues relevant to employees, providing a repeated opportunity to express their opinions and concerns. As part of the discussions, an action plan was developed in the structural units for solutions to the highlighted and significant issues and for further mitigation of the impact, including prevention.

We use the best practices in the field of corporate governance in our operations, observe business ethics and take care of its further progress and development.

Group's employee health insurance costs, EUR

2023	2024
210 883,69	261 168,91

The Group has not conducted a full assessment of climate-related risks, and therefore we have not defined measures to mitigate the negative impact of these risks in relation to the management of our employees. The Group has defined the task of developing a sustainability policy in 2025, which would also include a related risk management approach to both the Group's processes and employees.

Targets related to managing impacts, risks and opportunities in relation to employees | S1-5

The Group's *Sustainability Strategy* includes targets for employee participation in sustainability initiatives, employee cohesion and engagement activities. The targets are reviewed quarterly and analysed annually. The Group has not set targets for managing negative impacts, risks and opportunities in relation to own workforce.

Our employees are involved in defining the Group's business development and sustainability goals.

The Group's business and sustainability indicators are available to all interested parties.

The Group publishes quarterly and annual statements and independent auditors' reports on the Group's financial indicators. The financial reports are available **here.**
Since 2017, the Group has been publishing the Sustainability Reports on its performance in terms of sustainability, prepared in accordance with the principles of the Global Reporting Initiative (GRI) General Standards (GRI 2: General Disclosures). The Sustainability Reports are available **here.**
In accordance with the requirements of Directive 2013/36/EU and Regulation (EU) No. 575/2013 of the European Parliament and of the Council, JSC "Rietumu Banka" publishes a statement on the disclosure of information and additional detailed data related to risk management and capital adequacy. The information statement is available **here.**

We actively involve employees in defining the Group's strategic goals. Employees contribute to the development and updating of the Group's strategies and policies within their competence.

We have set a task to define measurable targets for own workforce in 2025 in relation to the management of significant negative impacts, the promotion of positive impacts and the management of significant risks and opportunities.

Employment social indicators

Total number of employees | S1-6

In the reporting period, the number of the Bank's employees was 401, and 224 of them were women (56%), 177 were men (44%).
The total number of the Group's employees was 517, of whom 297 were women (57%) and 220 were men (43%). The aggregated information on employment indicators covers all our employees, except those employed under contractor agreements.

Breakdown by gender and age group at the Bank

	2024			
	Number		Percentage	
Age	**Women**	**Men**	**Women**	**Men**
below 30	28	34	7	8
30-49	157	102	39	25
50-59	33	33	8	8
60+	6	8	1	2
Total:	**224**	**177**	**56**	**44**
Total:	**401**		**100**	

Breakdown by gender and age group at the Group

	2024			
	Number		Percentage	
Age	**Women**	**Men**	**Women**	**Men**
below 30	34	34	7	7
30-49	199	131	38	25
50-59	54	42	10	8
60+	10	13	2	3
Total:	**297**	**220**	**57**	**43**
Total:	**517**		**100**	

The Bank offers various internship and employment opportunities for young people. We consider this a good opportunity to gain valuable and useful knowledge in the banking sector and general business organization, in order to possibly continue working in the Bank and its subsidiaries.

The average number of employees in the Bank during the reporting period is 399.
The average number of employees in the Group during the reporting period is 516.

Group‘s employee turnover by age group and gender

	2024			
	Total number of new employees		Total number of employees whose employment relationships have been terminated	
Age	**Women**	**Men**	**Women**	**Men**
below 30	13	14	15	8
30-49	34	26	43	11
50-59	3	3	5	1
60+	1	2	4	2
Total:	**51**	**45**	**67**	**22**

The Group's employee turnover is 36% in 2024. In the Bank, 93 employees were recruited and 80 were dismissed. In the Group, 96 employees were recruited and 90 were dismissed. Employee turnover (%) reflects the number of dismissed employees (voluntary termination of employment, dismissal by employer or retirement) against the annual average number of employees for the period.

Group’s employee turnover rate

New employees recruited by the Bank, number	93
Employees dismissed by the Bank, number	80
New employees recruited by the Group, number	96
Employees dismissed by the Group, number	89
Bank’s employee turnover, %	43
Group’s employee turnover, %	36
Group’s employee turnover, excluding the Bank, %	10

Breakdown of the Group’s employees by length of service and gender

	2024				
	Breakdown of the number of employees by length of service and gender		Proportion of employees by length of service, %		
Length of service, years	**Women**	**Men**	**Women**	**Men**	**Employees**
1-4	151	107	29	21	50
5-9	40	31	8	6	14
10-19	72	60	14	27	41
20-30	29	17	6	3	9
>30	5	5	1	1	2
Total:	**297**	**220**	**57**	**43**	**100**

To further and appreciate long-term employment relationships, the Bank has established a “Golden Club”, whose members are employees who have worked at the Bank for 10 (ten) years or more.
In 2024, 10 members joined the “Golden Club”, increasing the club to 156 employees.

Information on the number of employees is provided as the number of persons as of the end of the reporting period (31 December 2024). At the end of the reporting period, the number of the Group’s employees was 517.

Personnel data is prepared by the Bank's Human Resources Department in cooperation with the curators and heads of the subsidiaries. The information on personnel included in the Sustainability Report, including the related quantitative indicators, is reviewed by the Bank's Accounting Department and Legal Department.

Employees by contract type, broken down by gender

	2024				
	Woman	**Man**	**Other***	**Not stated**	**Total**
Number of employees (total)	297	220	0	0	517
Number of permanent employees (number of employees / FTE)	297	220	0	0	517
Number of temporary employees (number of employees / FTE)	7	0	0	0	7 (contractor agreements)
Number of non-guaranteed hours employees (number of employees / FTE)	0	0	0	0	0
Number of full-time employees (number of employees / FTE)	0	0	0	0	0
Number of part-time employees (number of employees / FTE)	0	0	0	0	0

* Self-reported gender

95.7%, i.e., 495 employees of the Group are employees of the companies registered in Latvia; 3.1%, i.e., 16, are employees in Belarus and 1%, i.e., 5, are employees in Russia.

Employees by contract type, region, and number

	2024				
	Latvia	**Belarus**	**Russia**	**Cyprus**	**Total**
Number of employees (total)	495	16	5	1	517
Number of permanent employees (number of employees / FTE)	495	16	5	1	517
Number of temporary employees (number of employees / FTE)	7	0	0	0	7 (contractor agreements)
Number of non-guaranteed hours employees (number of employees / FTE)	0	0	0	0	0
Number of full-time employees (number of employees / FTE)	0	0	0	0	0
Number of part-time employees (number of employees / FTE)	0	0	0	0	0

Employment guarantees for our employees in Belarus and Russia are equivalent to the Latvian Labour Law. All our employees are guaranteed the working hours stipulated in their employment contract.

Employment practices | S1-7

Group

	2024	
	Number	**Percentage**
Employees under employment contracts	517	98,6
Persons hired under contractor agreements	7	1,4
Self-employed	0	0
Non-employees provided by HR service companies	0	0

In the reporting period, 7 persons were employed by the Group on the basis of contractor agreements.

The data on non-employees is provided by head count. The data on the number of non-employees is provided as at the end of the reporting period (31 December 2024).

Collective bargaining and social dialogue | S1-8

Collective bargaining and social dialogue

	2024
Employees covered by collective bargaining agreements, %	0
Employees covered by collective bargaining agreements outside the EEA, %	0
Unionised employees, %	0
Employees having made the agreements for representation by a European Works Council, a Societas Europaea Works Council, or a Societas Cooperativa Europaea Works Council, %	0

Diversity metrics of management-level employees | S1-9

Gender diversity of the Bank's employees, number of employees

	2024			
	Number		Percentage	
	Woman	Men	Woman	Men
Members of the Board	1	4	20	80
Directors, vice-presidents	2	2	50	50
Top managers	7	14	33	67
Middle managers (heads of divisions within departments, heads of groups)	31	16	66	34
Other employees	183	141	56	44
Total:	**224**	**177**	**56**	**44**
Total:	**401**		**100**	

Gender diversity of the Group's management-level employees, number of employees

	2024			
	Number		Percentage	
	Woman	Men	Woman	Men
Members of the Board	3	7	30	70
Directors, vice-presidents	2	7	25	75
Top managers	8	15	35	65
Middle managers (heads of divisions within departments, heads of groups)	36	21	63	37
Other employees	248	171	59	41
Total:	**297**	**220**	**57**	**43**
Total:	**517**		**100**	

Breakdown of the Group's employees by management level, %

	2024
Members of the Board	2
Directors, vice-presidents	2
Top managers	4
Middle managers (heads of divisions within departments, heads of groups)	11
Other employees	81
Total:	**100 %**

Information on employee diversity and number is provided as of the end of the reporting period (31 December 2024) in terms of full-time employees. The Group had 517 employees at the end of the reporting period.

The Group's top management are the Board, directors, and vice-presidents.

Equal pay | S1-10

The Group offers equal pay for equal work, based on ability, qualification and work experience, regardless of gender, ethnicity, religion, age, sexual orientation or other factors.
The recruitment process is conducted in an objective, systematic and fair manner, providing equal opportunities to all candidates without restriction or discrimination, in compliance with the principles of gender equality and prohibition of differential treatment as set out in the Labour Law and binding external laws and regulations.

All employees are paid an adequate salary in accordance with labour market trends, and remuneration is in line with minimum wage criteria.

Social protection | S1-11

All our employees have social protection in accordance with the law. Our *Personnel Policy* stipulates that healthcare allowances can be paid in case of an emergency situation. The decision on allowance granting is made by the Chairman of the Board of the Bank.

Our employees are paid a one-time allowance due to the birth of a child. For parental leave, employees use the state programme.

During the reporting period, the Group employed 11 employees of retirement age. The state social guarantees used for any employee of retirement age have not reduced the remuneration paid by the employer in connection with retirement.

Employee diversity and inclusion | S1-12

At the end of 2024, 1.5% of employees had informed the employer about the need to apply tax benefits related to disability.

Information on employees with disabilities is provided based on the submitted payroll tax book data.

Training and skills development metrics | S1-13

So far, we have not compiled information on the competence and development training received by employees, breaking down the trained employees by gender, including the total number of training hours.

Bank training structure in 2024

AML/CFTP training	36
External training	150
Internal training	33
Total:	**219**

Number of the Group's employees who underwent training, % of the total

	2024
Prevention of the risk of violating AML/CFTP and sanctions requirements*	65
Internal and external trainings**	81

*The ratio of trained employees has been calculated to the number of employees for whom the Group set AML/CFTP training to be mandatory.
** The ratio of trained employees has been calculated for unique external and internal training attendances to the number of the Group's employees as at 31 December 2024.

The Bank's investments in improving the competence of its employees:
- In 2024, the investments in external training of employees to improve their competence were 7% lower than in 2023.
- In 2024, the average investments in the competence improvement per employee were 11% lower than in 2023.

In 2024, evaluation of the performance of the Bank's employees was carried out for the first time. The evaluation period was 2023, and it was conducted in accordance with the *Remuneration Policy*. Performance evaluation is an appraisal system developed by the Group that determines the variable part of an employee's remuneration, taking into account the results of their performance appraisal, the assessment of the performance of the relevant structural unit, and the overall performance results at the Bank's and Group's level.

The performance evaluation for 2023 was applied to 73% of employees, of which 92% were evaluated.

The performance evaluation was not applied to:
- the employees recruited at the end of 2023;
- the employees whose employment had been agreed to be terminated;
- employees who have been on long-term absence, for example, on parental leave;
- certain employee groups such as the Council, housekeeping and security employees.

Performance evaluation for 2023

	Number	Percentage
Number of employees at the beginning of the performance evaluation (31.05.2024.)	395	100
Employees to which performance evaluation was applied	290	73
Men to which performance evaluation was applied	111	38
Women to which performance evaluation was applied	179	62
Total performance evaluations	268	92
Men whose performance was evaluated	98	37
Women whose performance was evaluated	170	63

Health and safety metrics | S1-14

We comply with the general principles of occupational health and safety as set out in the Labour Protection Law, and these apply to all employees of the Group.
We have developed the Labour Protection Procedure which informs the employees on their rights and obligations in relation to labour protection, the risks in the working environment that may affect their safety and health and that of other employees, and the most important work protection requirements at work and in emergency situations. The procedure is binding on all the Bank's employees. Our employees must familiarise themselves with the occupational health and safety instructions appropriate to the type of work to be performed.

According to the information available to the Group, there were no accidents, injuries or fatalities that occurred during the performance of work-related processes in the reporting year.

Health and safety metrics

	2024
Accidents and injuries at the workplace	0
Number of cases of recordable work-related ill health	0
Occupational fatalities	0
Number of fatalities as a result of work-related injuries and work-related ill health	0
Number of days lost to work-related injuries and fatalities from work-related accidents	0

There is no accident register in the Group. Data on accidents are compiled on the basis of the register of operational risks, the acts drawn up and provided explanations, which are compiled by the Human Resources Department.

Work-life balance | S1-15

In 2024, 11 employees (10 women and 1 man) took parental leave, of which 6 applied during the reporting period.

Work-life balance

	2024	
Employees entitled to take family-related leave, %	100 %	
	Woman	**Men**
Employees that took family-related leave, number	11	0
Total:	**11**	
Employees that took family-related leave, %	2,1	0
Total:	**2,1**	

Gap in pay between female and male employees | S1-16

Gap in pay between female and male employees of the Group, %

Gender pay gap, Bank	26,23
Gender pay gap, Group	30,68
Annual total remuneration ratio, Bank	25,82
Annual total remuneration ratio, Group	26,81

Elimination of discrimination | S1-17

According to the information available to the Group, no complaints related to discrimination and human rights violations were registered during the reporting year.

We fully respect privacy and are tolerant of all family forms.

To date, the Group has not systematically compiled the number of complaints submitted through the reporting channels available to its employees.

THE BANK'S ROLE IN SOCIETY

Support for Arts, Society and Culture

In 2007, JSC "Rietumu Banka" established "Nākotnes atbalsta fonds" (*Future Support Fund*) foundation to promote charity and support socially significant initiatives. The aim of the Fund was to continue the traditions of patronage and philanthropy of the Bank's shareholders, which have been cultivated since the late 1990s.

Currently, with more than 1,000 implemented projects and donations exceeding 10 million euros, the Future Support Fund has become one of the largest charitable organizations in the history of Latvia.

Our mission is to provide support that forms a solid foundation for future growth – in education, science, sports, culture and healthcare. We believe that investing in human well-being is investing in the development of the entire society.

In 2024, the Future Support Fund implemented the charity and patronage strategy developed in previous years, but now renewed. This strategy focuses on long-term projects and support programs with high added value. These are socially important projects, the results and significance of which grow year by year, accumulate and become a stable basis for new social development programs.

The Fund continues to cooperate with long-standing partners who have proven themselves and whose operational strategy coincides with ours. At the same time, we are open to cooperation with new partners and public organizations.

As Latvian society becomes increasingly cohesive and sustainable and the most pressing problems related to poverty and social backwardness are solved with the support of the state and business, the number of projects related to the support of low-income and vulnerable groups in the Fund's portfolio is naturally decreasing. They are being replaced by projects typical of the modern European charitable sphere - those related to science, education, culture, innovations in medicine, public psychological and mental health, ecology and sports.

At the same time, the Fund is always ready to respond promptly to current social problems. We also consider urgent and emergency projects—such as support for medical professionals who worked with severely ill patients during the COVID-19 pandemic, providing support and psychological rehabilitation for refugees and people affected by the conflict in Ukraine, etc.

Through the Future Support Fund, projects for various types of support were evaluated and approved in 2024 with a total amount of 382,377.60 euros. In 2023 – 92 projects for 637,081.00 euros.

1. Sports and youth development

- Latvian Hockey Federation
- Latvian Basketball Association
- Basketball club "VEF Riga"
- Riga Football School
- Association "Sports for Growth"
- Association "BMX Riga"
- Association "Hockey School Skabarga"
- Football club "FK Dinamo Riga"
- Support for biathlete Andrejs Rastorgujevs and cross-country skier Patrīcija Eiduka

The Fund's long-standing strategic partners include major Latvian sports organizations such as the Latvian Hockey Federation. The main directions of this support are to develop children's and youth hockey in Latvia. The success of Latvian hockey in recent years, especially the outstanding performance of the youth team at the 2024 World Championship, testify to the high level of this sport in the country and the fact that our Fund's support helps achieve good results. In 2024, this support amounted to 70,000 euros.

Inga Šīna, Chairperson of the Board of the Future Support Fund: "Every athlete who carries the name of Latvia in the world is our pride. We support future champions and help them reach the top."

Another traditionally important direction in the field of sports is basketball. Among the Fund's major partners is the largest basketball club in the country, VEF Riga. The amount of funds allocated to the club in 2024 was 30,000 euros, intended to popularize basketball among children and young people, as well as to partially pay for the work of coaches and sports doctors.

In 2024, the Fund supported the preparation and participation of the Latvian team in the 3x3 basketball competition, which took place in the summer in Ventspils. The team played successfully and earned the right to participate in the U-23 World Cup.

The Fund continues to support talented Latvian athletes Līva Ēbere and Deniela Konstantinova, who are successfully competing in international beach volleyball competitions. Last year, this Latvian couple won a silver medal at the U-20 European Championship. The amount of support provided by the Fund was 12,000 euros.

The Fund has been cooperating with children's sports schools and organizations for many years, supporting the sports activities of children from low-income families. In 2024, the Fund's partners in this area were the football club "FK Dinamo Riga" (10,000 euros), Riga Football School (10,000 euros) and "BMX Riga" (2,000 euros).

2. Culture and arts

- Latvian National Museum of Art
- Dailes Theatre
- Inese Galante Foundation
- Competition "Sacred Heritage of Latvia"
- "Latvian media"
- World Cultural Foundation
- Music and Arts Support Foundation
- Culture and Art Development Association "ART Future"
- Association "Artissimo"
- Liepaja School of Arts

In the field of culture, the Fund continues to cooperate with major state and public cultural organizations, supporting projects of high professional quality.

Among the most striking events of last year's cultural life in Latvia, one should mention the exhibition "Ludolfs Liberts (1895–1959). The Hypnotic Brilliance of Art Deco", which opened in November. It is dedicated to the work of the outstanding Latvian scenographer and painter. The Fund allocated 16,000 euros for the preparation and holding of the exhibition.

At the beginning of the year, the Fund presented a gift to the Latvian National Museum of Art - the work "St. Tropez" by the well-known Latvian painter Aleksandra Beļcova, which was purchased at one of the Latvian auctions at the request of the museum.

Among our long-standing partners is also the Latvian classical music competition for young performers "Ineses Galantes Talanti".

We continue our cooperation with the Children's Foundation of Latvia, for whose programs 20,000 euros were allocated this year.

We also supported projects in the “Sacred Heritage of Latvia” competition, the publication of a book about the history of the Riga Circus, the “Artissimo” festival organized by the Herman Braun Foundation, as well as training for young solo musicians.

Inga Šīna, Chairperson of the Board of the Future Support Fund, says: “Art and culture form our identity and emotional strength. These are values that we proudly preserve and develop.”

3. Medical education and science

- Latvian Foundation for Innovative Medicine
- National Health Fund
- Caunas Foundation
- Riga Stradiņš University Foundation
- Autism support centre in Rezekne

The most significant project that the Fund supported in medicine in 2024 was a congress of cardiologists, dedicated to the treatment of heart failure and arrhythmia, related problems and experiences. The congress brought together more than 200 participants from all over the world. Our Foundation's contribution was 25,000 euros.

The Foundation supported several other significant events in medicine – the conference of the “Latvian Association of Infectious Diseases and Hepatologists” dedicated to immunocompetence issues, the 10th international conference of future doctors at Riga Stradiņš University, as well as the awarding of the Latvian “Annual Award in Medicine”.

Inga Šīna, Chairperson of the Board of the Future Support Fund: “We believe that investment in education and science is an investment in the future of society. Our goal is to give young talents the opportunity to grow and develop.”

4. Social responsibility and crisis support

In 2024, the Future Support Fund continued to provide assistance to Ukraine and Ukrainian refugees in Latvia. The Fund’s rehabilitation programme for 25 Ukrainian children from war-torn regions, who at the beginning of the year regained their strength in a psychological rehabilitation and treatment program in Jurmala, has been successfully completed.

The Fund also supported the installation of a memorial stone in the Ukrainian garden dedicated to the victims of the Holodomor, allocated funds for events organized by the Ukrainian embassy, financed the arrival of a group of Ukrainian children in Riga at a time when the First Lady of Ukraine Olena Zelenska had come here and the conference "Russia's War against Children" was held.

Additional information

www.naf.lv

Conclusion

The Future Support Fund is not just a supporter – we are part of Latvia's growth.

We believe that every investment in people, education, culture and sports will bear fruit in the future.

We work to create a strong and united society.

According to decision No. 82 of 12.07.2007, the Foundation has been granted and has the status of a public benefit organization (the decision entered into force on 19.07.2007).

Business Conduct | ESRS G1

Business ethics

We adhere to the corporate values set forth in the Group's *Corporate Governance Policy*, including high standards of professional conduct and ethics, to ensure that employees perform their duties with the utmost integrity, are impartial in the performance of their duties and decision-making, comply with laws and regulations, and their actions and behaviour meet high ethical standards. We regularly provide training and advice on managing conflict of interest situations.

Our priority is to maintain the environment that prevents violations related to ethics, corruption and/or conflict of interest situations.

Our *Conflict of Interest Management Policy* sets out strict guiding principles - no financial or other interest of an employee or a related person is permitted.

"To ensure a balance between regulatory requirements and business opportunities, close cooperation between all parties involved is necessary. The development of regulation and its implementation should be dynamic and adaptable, taking into account changes in the market and business environment, the latest sustainability trends in order to promote a sustainable and competitive circular economy. The role of banks is essential, as they can promote sustainable financial flow diversion in any of their operational processes, services, promoting compliance with regulatory requirements, requesting additional information that makes the parties involved think about their activities in the ESG context," **Natalija Boļšakova**, Head of the Compliance Department of Rietumu Banka.

The role of the administrative, management and supervisory bodies | GOV-1

The Bank's Council has established that the officials mentioned in the division of duties of the Bank's Board members, vice presidents, and directors are responsible for compliance with the basic principles of work order, ethics, corporate governance and conduct in the structural units subordinate to them. The supervisory process carried out by the Council is also implemented by the Council member responsible for the internal control system. In accordance with the Group's Rules of Procedure, each employee is responsible for compliance with the principles of work ethics in their daily activities, and operational control over this is implemented by the Human Resources Department and the member of the Board supervising them.

The Bank's management – both the Board and the Council – has specific knowledge of both corporate governance and professional work ethics, which is confirmed by regular qualification improvement measures.

Business conduct policies and corporate culture | G1-1

Business ethics policies*:

Corporate governance policy
Objective – to define uniform principles according to which the Bank implements ethical, responsible and transparent corporate governance practices, promoting operational efficiency and long-term value growth.
Standard, initiative or requirement taken into account in the development and implementation of the policy – Corporate Governance Code 2020 of the Corporate Governance Advisory Council of the Ministry of Justice, which includes good corporate governance recommendations for companies in the Republic of Latvia and summarizes best international practices in corporate governance; the policy is based on the Financial and Capital Market Commission (hereinafter – FCMC) regulations No. 227 "Regulations on the Establishment of Internal Control System"** and the Bank's internal regulatory documents, which stipulate provisions for business development, sustainability and ensuring business continuity.
Stakeholders affected by the policy – shareholders, Council, Council committees, Board, employees, customers, cooperation partners, state institutions, society.
Stakeholders taken into account in the development of the policy – shareholders, Council, Council committees, Board, employees, customers, state institutions.
Stakeholders to whom the policy is available*** – shareholders, Council, Council committees, Board, employees, state institutions.
The Policy governs the conduct, duties and responsibilities of the following employees and collegial bodies - all employees of the Group.

Subsidiary supervision policy

Objective – to determine the procedure for supervising the Bank's subsidiaries.
Standard, initiative or requirement taken into account in the development and implementation of the policy – the policy is based on the FCMC regulations No. 227 "Regulations on the Establishment of Internal Control System"**.
Stakeholders affected by the policy – shareholders, Council, Council committees, Board, employees, customers, cooperation partners, state institutions, society.
Stakeholders taken into account in the development of the policy – shareholders, Council, Council committees, Board, employees.
Stakeholders to whom the policy is available*** – shareholders, Council, Council committees, Board, employees, state institutions.
The Policy governs the conduct, duties and responsibilities of the following employees and collegial bodies – the Executive Board, Internal Audit Service, Corporate Finance Division, Real Estate Sale Division, and Debt Recovery Division of the Corporate Finance and Investment Department, Lending Division of the Lending Department, Enterprise Risk Management Department, Compliance Department, Corporate and Administrative Legal Division and Corporate Finance Legal Division of the Legal Department, Internal Control Department (from 2 January 2025, name changed to the Anti-Financial Crime Department), Data Analytics Division and Accounting Operations Division of the Accounting Department, Human Resources Department, Marketing and Public Relations Department, Records Management Department, curators of subsidiaries.

Conflict of interest management policy

Objective – to determine the nature of a conflict of interest, the procedure for timely identification and management of potential conflict of interest situations, measures and control to limit and mitigate conflict of interest situations, as well as determine responsibility in the field of management of conflict of interest situations.
Standard, initiative or requirement taken into account in the development and implementation of the policy – Credit Institution Law of the Republic of Latvia, Financial Instrument Market Law of the Republic of Latvia; the policy is based on the FCMC regulations No. 227“Regulation on the Establishment of Internal Control System”**.
Stakeholders affected by the policy – shareholders, Council, Council committees, Board, employees, customers, cooperation partners (suppliers and service providers), state institutions.
Stakeholders taken into account in the development of the policy – common interests of the Bank and the Group.
Stakeholders to whom the policy is available*** – available on the Bank's website.
The Policy governs the conduct, duties and responsibilities of the following employees and collegial bodies - all structural units of the Bank; the subsidiaries of the Bank comply with the principles for the management of conflict of interest situations laid down in this Policy.

Anti-corruption policy

Objective – basic document that sets out the Bank's main principles and requirements for the prevention of bribery and for compliance with external laws and regulations. The policy is binding on the members of the Council and the Board and persons performing key functions, all employees, including employees of the subsidiaries, partners, agents and counterparties, as well as other persons acting on behalf and in the interests of the Bank or with whom the Bank has concluded agreements.
Standard, initiative or requirement taken into account in the development and implementation of the policy – the Republic of Latvia Criminal Law, Criminal Procedure Law, Whistleblowing Law, Credit Institution Law, the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, the UK Bribery Act, information materials (manuals, guidelines, presentations) of the law enforcement authorities of the Republic of Latvia and the European Union (EU) and international organisations on preventing corruption in business, the European Commission reports on anti-corruption issues.
Stakeholders affected by the policy – shareholders, Council, Council committees, Board, employees, customers, cooperation partners (suppliers and service providers), state institutions.
Stakeholders taken into account in the development of the policy – shareholders, Council, Board, employees, state institutions.
Stakeholders to whom the policy is available*** – shareholders, Council, Council committees, Board, employees, state institutions.
The Policy governs the conduct, duties and responsibilities of the following employees and collegial bodies - all employees.

Personnel policy
Objective – building a professional and motivated team to maximise the Bank's performance.
Standard, initiative or requirement taken into account in the development and implementation of the policy – the policy is developed in accordance with the best personnel management practices, in accordance with the values and operating principles set by the Bank.
Stakeholders affected by the policy – shareholders, Council, Council committees, Board, employees.
Stakeholders taken into account in the development of the policy – shareholders, Council, Board, employees.
Stakeholders to whom the policy is available*** – shareholders, Council, Council committees, Board, employees.
The Policy governs the conduct, duties and responsibilities of the following employees and collegial bodies – the Head of the Human Resources Department, as well as the conduct, duties and responsibilities of all employees, heads, and officials.

Remuneration policy
Objective – to determine the basic principles and components of the remuneration system, as well as the responsibilities and duties of the Remuneration Committee, the Council and the Board in implementing the *Remuneration Policy*.
Standard, initiative or requirement taken into account in the development and implementation of the policy – Labour Law of the Republic of Latvia, Personal Data Processing Law of the Republic of Latvia, the FCMC regulations No. 154 on Remuneration Policy and Practice; Guidelines on sound remuneration policies in accordance with Directive 2013/36/EU; REGULATION (EU) No 575/2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012; Commission Implementing REGULATION (EU) 2021/637 laying down implementing technical standards with regard to public disclosures by institutions, and other regulations and binding external regulations and best practices of the European Union and the Republic of Latvia and internal regulations, including those on maintenance of the best practices.
Stakeholders affected by the policy – shareholders, Council, Remuneration Committee, Board, employees.
Stakeholders taken into account in the development of the policy – shareholders, Council, Board, employees.
Stakeholders to whom the policy is available*** – shareholders, Council, Council committees, Board, employees, state institutions.
The Policy governs the conduct, duties and responsibilities of the following employees and collegial bodies - applicable to all employees, including members of the Council and Board, positions performing internal control functions, other positions affecting the risk profile and subsidiaries of the Bank's consolidation group.

* The listed policies are essential to the Group and determine our business operations and corporate culture. All listed policies are applicable to the Group, and the Bank's Board is responsible for their implementation.
**On 01.01.2025, the FCMC regulations No. 227 "Regulations on the Establishment of Internal Control System" were superseded by Regulation No. 371 of the Bank of Latvia "Regulation on the Credit Institutions Management System".
*** The Policy is available to internal stakeholders in the Bank's internal document management system, whereas to external stakeholders the Policy is provided as part of the supervisory review and evaluation process of credit institutions or upon request from the state institutions.

Corporate culture management

Corporate Governance Policy has been established at the Group's level to set out common principles for ethical, responsible and transparent corporate governance practices, promoting operational efficiency and long-term value growth. We recognise that sound corporate governance enhances our operational efficiency, facilitates access to capital markets, increases the value of the Group's assets, improves our reputation and provides a range of other valuable benefits. In order to ensure the Group's sustainable strategic direction, accountability and the prerequisites for achieving our stated objectives, as well as the preservation and enhancement of our value, in our activities we adhere to the agreed principles of corporate governance set out in the *Corporate Governance Code*, insofar as those can be integrated in the light of the specific nature of the Group's operations. The Group promotes and monitors the implementation of and compliance with the principles set out in the policy throughout the Group, ensuring the flow of information related to corporate governance and the opportunity to participate in the creation of a common corporate environment. The policy is reviewed at least annually, taking into account the changing business environment, assessing existing achievements and setting new targets for incorporating best practices into the Group's operations. When reviewing this policy, we adhere to the principle of sustainable development and the integrity of our core values.

We have zero tolerance for bribery, corruption and money laundering and have developed internal regulatory documents within the Group, setting common corporate culture values and principles (including the *Anti-Corruption Policy*, *Conflict of Interest Management Policy*, *Personal Data Processing Policy*).
Violations of any principles of the policies or requirements of internal regulatory documents may be reported by any employee, customer or person who becomes aware of a deviation from the zero tolerance level. Various reporting channels, both internal and external, have been established for reporting both electronically and in person, anonymously in writing.
Our clients and cooperation partners have the opportunity to make suggestions and complaints, express their opinion on the work of the Bank and its subsidiaries, the quality of service and services provided, as well as submit proposals for improving the operations of the Bank’s and its subsidiaries' structural units on the Bank's website **here.**
Anonymous reports via the suggestions and complaints reporting channel are not considered.
Anonymous reports on a possible criminal offense, administrative violation or other violation of legal norms (action or inaction), including actions that are contrary to the purpose of a legal act, as well as a violation of binding ethical or professional norms that may harm the interests of society, can be submitted with a whistleblower report on the Bank's website **here.**
The investigation of such reports is performed by a group of responsible employees having the highest level of expertise and maximum independence.

There are *Anti-Corruption Policy*, *Conflict of Interest Policy*, *Anti-Money Laundering Policy and Anti-Terrorism and Proliferation Financing Policy* developed at the Group’s level.

All binding internal regulatory documents have been developed and are reviewed annually.

One of the whistleblowing channels is available on the Bank's **website** and can be used to submit the reports. Internal regulatory documents include the procedure for ensuring protection against possible discriminatory or disciplinary measures in relation to both the reporting employee and the employee who was reported, until all circumstances are clarified, while ensuring that the employee who reported retains anonymity and inviolability to the extent provided for by regulatory enactments or the investigation procedures of the competent authorities, if applicable to the relevant reporting case.

Before involving other employees in the substantive examination of a whistleblowing report, the person responsible shall pseudonymise the personal data of the whistleblower in such a way that neither the pseudonym (another/fictitious/fake name, number, other identifier given to the person) nor the description of the case can identify the identity of the whistleblower.

The whistleblowing regulation was introduced together with the approval of the Whistleblowing Law, namely from 2018.

Internal regulatory documents include the procedure for identifying, reporting and investigating incidents. The approved *Procedure for Reporting Deficiencies and Violations* provides for the involvement of representatives of several independent structural units in the investigation of incidents and the definition of further measures to eliminate the source and consequences of the incident.

Internal training on managing conflict of interest situations, reporting channels and whistleblowing, and anti-corruption measures are organized on an annual basis for all employees of Rietumu Banka, including curators of subsidiaries. We conduct tests of the knowledge gained by employees.
We have planned to extend this training not only to curators of subsidiaries, but also to ensure testing in subsidiaries, covering all employees.
Given the Group's zero tolerance approach to corruption, we expect potential partners, agents, contractors to do the same when reviewing available information about a potential partner, agent, contractor or their employees. Gifts and entertainment expenses (including hospitality expenses) that employees or other persons acting on behalf or in the interests of the Group in the course of their duties are entitled to give to, pay for or receive from other persons or organisations are based on principles of integrity and meet a number of anti-corruption criteria. The Bank has defined a requirement for employees to undergo annual training. The audience of employees and the topics that are mandatory are defined in the Human Resources Policy and the binding procedures.

The Board of the Bank, as a decision-making body, is responsible for conducting periodic inspections, implementing policies, determining awareness-raising measures, and informing the Bank of Latvia of all circumstances, including suspicious and fraudulent transactions, that may significantly affect the stable and regulatory enactments-compliant future management and operations of the Bank or that may significantly threaten the reputation of the Bank and the Group.

The whistleblowing system has been established taking into account the provisions of the Republic of Latvia Whistleblowing Law, the Credit Institutions Law and the Financial Instruments Market Law.

The purpose of the whistleblowing system established in the Group is to promote whistleblowing in the public interest, to ensure that employees have the opportunity to safely report violations and to guarantee them appropriate protection.

Management of relationships with suppliers | G1-2

To ensure the continuity of our operations, great importance is attached to cooperation with suppliers and service providers in the upstream value chain. We have developed an Outsourcing Policy, stipulating that only an outsourcer who has the necessary qualifications and experience in performing the delegated duties is entitled to provide outsourcing services. We cooperate only with professional outsourcers who are able to ensure the provision of high-quality services.

Before concluding an outsourcing agreement, we make sure that the function that is planned to be delegated to an outsourcer is considered critical or important. When conducting an assessment, we identify and assess all significant risks associated with outsourcing, conduct a due diligence check of the service provider, identify and assess possible conflicts of interest. Before concluding the agreement, we make sure that the conditions for monitoring outsourcing will be met.

The decision on the use of outsourcing is made by the Board.

Using a risk-based approach, we continuously monitor the performance of service providers in relation to any outsourcing agreement, paying particular attention to critical or important functions delegated to outsourced service providers, and ensure the availability, integrity and security of data and information in accordance with external and internal regulatory enactments.

We review and update the risk assessment for the outsourcing agreement at least once a year.

Procedures that define the Group's cooperation with suppliers and service providers:

- *Outsourcing procedure*
- *Outsourcing policy*
- *Procedure for cooperation with Loro, Nostro banks and other financial market counterparties*
- *Procedure for the recognition of valuations provided by independent valuers*
- *Procedure for cooperation with payment service providers*
- *Procedure for cooperation with partners*
- *Procedure for cooperation with e-merchants/sub-e-merchants*
- *Procedure for the conclusion of contractor agreements*

Payment of the Group's invoices is governed by the Bank's *Administrative Expenses, Stamp Duty and Advance Settlement Processing Procedure*.
The procedure provides for the standardised recording, reconciliation and payment of incoming invoices, defining responsibilities and roles. In the event of a late payment of an invoice or accompanying document, a procedure is foreseen for the invoice or accompanying document to be immediately registered with the Bank's Office and immediately forwarded for payment. There are no specific procedures or reservations in the invoice payment process depending on the size of the supplier.
During the reporting period, the impacts, risks and opportunities defined within the framework of the double materiality assessment are not directly integrated into the improvement of existing cooperation with external service providers.

In 2024, we began updating the *Outsourcing Policy* and developing the *Procurement Procedure*, integrating the assessment of the outsourced service and the service provider's compliance with the Group's sustainability goals.
The Group's *Procurement Procedure* provides for the following:

- procurement is carried out in accordance with the principles of sustainable business, selecting cooperation partners who comply with environmental protection, social responsibility and ethical norms. The procurement process takes into account the ESG principles set out in the Group's *Sustainability Strategy*, which are aimed at assessing the availability of environmentally friendly alternatives on the market and, where possible, choosing more sustainable products and services;

- assessing the potential risks and benefits of using the service.

The procurement process should assess and select not only the most economically advantageous offer, but also the supplier's sustainability performance, including social responsibility. In the case of equivalent offers, the supplier offering the more sustainable product or service and whose performance complies with good environmental, social responsibility and governance principles shall be selected. The supplier's qualifications and reputation are also important in the selection.

The procurement procedure stipulates that the supplier's sustainability performance and efforts to comply with ESG principles must be assessed at least once a year.

It is planned that the *Outsourcing Policy* and *Procurement Procedure* will be approved by the Bank's Board in 2025.

Prevention and detection of corruption and bribery | G1-3

The Group has developed internal regulatory documents that are applicable to structural units of all levels and their managers and employees, which include descriptions of the processes for preventing, detecting and managing corrupt activities:

- *Anti-Corruption Policy*
- *Labor Relations Procedure*
- *Rules of Procedure*
- *Procedure for Reporting Deficiencies and Violation*

The *Anti-Corruption Policy* is a tool for implementing the Bank's sustainability strategy, which is implemented in accordance with the principles of business ethics and professional conduct set out in the *Corporate Governance Policy*, implementing a fair and honest *Remuneration Policy*, ensuring compliance of the procurement process with the principles of sustainable business operations, as well as strictly observing the basic principles of environmental protection, social responsibility and good corporate governance set out in other internal regulatory documents of the Group, on which decisions necessary for sustainable operations are based, contributing to reducing the likelihood of corruption.

The *Procedure for Reporting Deficiencies and Violations* stipulates the provisions on processing the incident reports, including the determination of a group of responsible employees, which excludes the individual actions of one person, determines measures to prevent conflict of interest situations, also taking into account the high level of confidentiality of the information being processed.

Information on the nature of the received reports, the processing process and planned measures is provided to the Bank's Board and Council in quarterly reports, taking into account the principles of anonymization and pseudonymization, as well as the requirements for the protection of the whistleblower.

The *Anti-Corruption Policy*, as well as other policy-level documents, are reviewed by the Board before their review and approval by the Council. Approved documents are announced on the Bank's intranet, as well as made available in monthly news reports, both by individually informing the heads of structural units and by offering all employees to familiarize themselves with the policy amendments in both face-to-face and e-training courses organized by the Bank.

During the anti-corruption training, conflict of interest situations and their place/parties that may contribute to receiving/requesting bribes are examined, the definition of personal interest is explained, and the responsibilities of employees and officials for managing situations are examined. Requirements against giving/receiving gifts are examined, and reporting channels are characterized by the nature of the risk and violation. The operating mechanism of the whistleblowing system and the basic principles of their processing are examined, taking into account the requirements for the protection of the whistleblower. Training participants are offered an overview of the internal regulatory documents that regulate the Group's requirements and actions.

The Group has developed training on anti-corruption, bribery and conflict situations, in which all employees are involved, including the Board and administration levels.

Group's employees who underwent training on anti-corruption, bribery and conflict situations in 2024

	At-risk functions	Managers	AMSB*	Other employees
Training coverage				
Total number	109	27	17	199
Total receiving training	102	26	14	184
Trained employees (% of the total employees)**	19,7	5,0	2,7	35,6
Delivery method and duration				
Classroom training	1	1		10
Computer-based training	101	25	14	174
Voluntary computer-based training	-	-	-	-
Frequency				
How often training is required	Annually	Annually	Annually	Annually
Topics covered				
Definition of corruption	X	X	X	X
Policy	X	X	X	X
Procedures on suspicion/detection	X	X	X	X
Reporting procedure	X			

*Administrative, management and supervisory bodies
**Calculated according to the number of the Group's employees at the year-end (as of 31.12.2024, the number of the Group's employees was 517)

The *Anti-Corruption Policy* is a basic document that sets out our main principles and requirements for preventing corruption and complying with external regulatory enactments. The Policy is binding on all our employees, including members of the Council and Board and key function holders, as well as subsidiaries, partners, agents and contractors, and other persons acting on behalf and in the interests of the Bank on the basis of a power of attorney or with whom the Bank has concluded contracts.
The Policy reflects our defined ethical standards, corporate culture, adherence to best corporate business practices and maintaining a high level of reputation.

Our goals:

- exclude the possibility of risk when the Bank, members of its Council or Board, key function holders, employees, regardless of the position held, may be involved in cases of corruption;
- develop a common understanding among the Bank's employees, employees of subsidiaries and other related legal and natural persons regarding policy and non-support of corruption in any form and manifestation, and to comply with the principles and requirements of the policy;
- collect and explain the main anti-corruption requirements applicable to the Bank, its employees, partners and other related persons.

Anti-corruption as part of the basic principles of sustainability is ensured by implementing employee information and training, conducting a process of evaluating new products and services through the prism of possible conflict of interest situations, ensuring the possibility of whistleblower reporting using available channels, as well as in relations with stakeholders.

Our tasks in implementing the policy:

- when assessing risks in accordance with the *Risk Management Policy*, the Bank assesses possible risks related to corruption and the probability of their occurrence;
- ensuring reasonable measures to prevent, minimize and eliminate the possibility of corruption risk in business relations with partners who may involve the Bank in corrupt activities;

- taking into account the fact that we are intolerant of corruption, when reviewing the available information about a potential partner, agent, contractor or their employees, we expect such an attitude from potential partners, agents, contractors;
- when expanding business or providing services and registering the Bank's presence outside the Republic of Latvia (opening representative offices, exercising the freedom to provide services), to the extent possible, obtain an idea from publicly available sources about the spread of corruption and anti-corruption policy in the specific country. We do this so that we are not involved in dishonest actions and to minimize the possibility of legal and reputational risks, including situations where foreign officials demand or extort bribes;
- comply with the charity and sponsorship conditions set out in the policy;
- in cooperation with the foundation "Nākotnes atbalsta fonds", publicly disclose the donations made by both to charity and sponsorship;
- as part of internal control procedures, carry out checks on the main areas of the Bank's activities, including random checks on the legality of payments made by the Bank and their economic justification, the reasonableness of expenses, including compliance with the original accounting documents and compliance with the requirements of the Policy;
- contribute to increasing the level of anti-corruption by informing and training employees on anti-corruption issues and the application of the policy.

In order to achieve the objectives of the *Anti-Corruption Policy*, we conducted employee training on anti-corruption issues in 2024 and plan to conduct it in 2025 as well. We will continue to assess potential conflicts of interest situations in all processes of the Bank and adhere to the principle of zero tolerance for corruption in our daily operations, reviewing available information about a potential partner, agent, contractor or their employees, and we expect such an attitude from potential partners, agents, contractors as well.

Specific investments and expenses for the implementation and maintenance of anti-corruption tasks are not allocated in the Group's use of funds and budget planning.

If actions that contradict the *Anti-Corruption Policy* are identified, an internal investigation will be initiated into corrupt activities. Disciplinary, administrative or criminal investigations may be initiated against the guilty parties in accordance with the procedure established by regulatory enactments.
Anti-corruption activity assessments are conducted continuously and on an ongoing basis. The Policy does not set deadlines for compliance with the principles and policies.

Incidents of corruption or bribery | G1-4

During the reporting period, no corruption or bribery incidents were registered at the Group level and there were no convictions.

The Bank applies all adopted policies, including the *Anti-Corruption Policy*, to the Group companies, therefore the role of the Bank's curators is to facilitate the explanation of the basic principles of the policies and promote their implementation at the Group level.
During the reporting period, no corruption or bribery incidents were registered at any stage of the Group's value chain, in which the Group's employees would be involved.
Representatives of the Bank's independent structural units analyse the obtained statistical indicators, observing a high level of confidentiality of information and data, using the principle of multiple review in accordance with the established procedure.

Political influence and lobbying activities | G1-5

The Bank and the Group do not engage in political influence activities or lobbying. Consequently, there is no responsibility for the conduct and monitoring of political influence and lobbying activities.

No financial political contributions were made within the Group during the reporting period.

JSC "Rietumu Banka" financing

	2024	2023
JSC "Rietumu Banka" financing	0,00 EUR	0,00 EUR

Completed in accordance with the information source: Gifts, donations, membership fees, in the Political Parties Database maintained by the Corruption Prevention and Combating Bureau.

Within the group, no member of the administrative, management and supervisory bodies has held a similar position in the public administration in the two years preceding their appointment.

We are members of various organisations.

- Institute of Internal Auditors – from 2019
- Association of Accountants of the Republic of Latvia – from 2021
- Latvian Chamber of Commerce and Industry – from 2019
- Association "Real Estate Developers Alliance" – from 2024
- *The British Chamber of Commerce in Latvia* (BritCham) – Rietumu Banka has become a PLATINUM member of this organization from October 2024

Payment practices | G1-6

Bank
Payment of invoices is governed by the Bank's *Administrative Expenses, State Fees and Advance Settlement Processing Procedure*. Payment terms are determined by: the terms of the contract or agreement, the act, the payment date specified in the invoice or accompanying document.
After the reconciliation stage, the accountant makes the payment of invoices or accompanying documents or state fees within 2 days in the order of receipt of invoices, paying those invoices or accompanying documents for which the payment term specified is shorter as a priority. If the payment term specified in the invoice is overdue, the accountant makes the payment of the received invoices or accompanying documents immediately.

Group
According to the *Subsidiary Monitoring Policy* and the *Procedure for Processing of Administrative Expenses, National Duties and Advance Statements*, the invoice payment process takes place in accordance with the internally set procedure for coordination and payment approval, ensuring the coordination and approval process in a centralized document management system.
The terms of payment of invoices are determined by the terms of the contract or agreement, including the payment date specified in the act, invoice or accompanying document.
After payment approval, the accountant pays the invoices as soon as possible.

The Group's payment practices

Number of invoices overdue by the Bank per year, %	23
Number of invoices overdue by the Group** per year, %	39
Bank's average number of days past due on payments, days	3
Group's** average number of days past due on payments, days	4,4

*Provided information on the Group's payment practices outside of the Sustainability Reporting audit process has not been subject to independent assessment of the accuracy or reliability of the data.
**Information on the Group's payment practices does not disclose data on subsidiaries that do not have a common accounting system with the Bank (Rietumu Leasing Ltd.; InCREDIT GROUP Ltd.; KI Invest Ltd., RB Securities Ltd.).

Bank and Group
Payment of invoices does not depend on the size of the company and is based on the principle of equality. The bank has no pending legal proceedings related to late payments.

Bank

The information on payment practices is obtained from the Bank's internal electronic document management system, which ensures the monitoring of the Bank's business processes.

The data reflects the number of days the Bank needs to pay an invoice, broken down by company size (microenterprise, small enterprise, medium-sized enterprise, large enterprise).

Group

The information on payment practices is obtained from the Bank's centralized document management system and the internal accounting system of subsidiaries, which ensures monitoring and implementation of the payment process.

The Council and the Executive Board

During the year and as of the date of the signing of the financial statements:

<u>The Council of the Bank</u>

1 January 2024 – 13 June 2024

Name, Surname	*Position*	*Date of the last appointment and current term*
Leonids Esterkins	Chairman of the Council	17.05.2023 - 13.06.2024
Arkadijs Suharenko	Deputy Chairman of the Council	17.05.2023 - 13.06.2024
Dermot Fachtna Desmond	Deputy Chairman of the Council	17.05.2023 - 13.06.2024
Valentins Blugers	Member of the Council	17.05.2023 - 13.06.2024
Ilja Suharenko	Member of the Council	17.05.2023 - 13.06.2024

13 June 2024 – 31 December 2024

Name, Surname	*Position*	*Date of the last appointment and current term*
Leonids Esterkins	Chairman of the Council	13.06.2024 - 12.06.2029
Arkadijs Suharenko	Deputy Chairman of the Council	13.06.2024 - 12.06.2029
Dermot Fachtna Desmond	Deputy Chairman of the Council	13.06.2024 - 12.06.2029
Valentins Blugers	Member of the Council	13.06.2024 - 12.06.2029
Ilja Suharenko	Member of the Council	13.06.2024 - 12.06.2029
Charles William Larson Jr.	Member of the Council	13.06.2024 - 12.06.2029

<u>The Executive Board of the Bank</u>

1 January 2024 – 21 August 2024

Name, Surname	*Position*	*Date of the last appointment and current term*
Jelena Buraja	Chairman of the Executive Board	14.10.2022 - 13.10.2025
Ruslans Stecjuks	Member of the Executive Board, Deputy Chairman	14.10.2022 - 13.10.2025
Mihails Birzgals	Member of the Executive Board	19.08.2021 - 19.08.2024
Vladlens Topcijans	Member of the Executive Board	29.08.2023 - 28.09.2026
Sandris Straume	Member of the Executive Board, Chief Risk Officer	21.10.2022 - 20.10.2025

21 August 2024 – 31 December 2024

Name, Surname	*Position*	*Date of the last appointment and current term*
Jelena Buraja	Chairman of the Executive Board	21.08.2024 - 20.08.2029
Ruslans Stecjuks	Member of the Executive Board, Deputy Chairman	21.08.2024 - 20.08.2029
Mihails Birzgals	Member of the Executive Board	21.08.2024 - 20.08.2029
Vladlens Topcijans	Member of the Executive Board	21.08.2024 - 20.08.2029
Sandris Straume	Member of the Executive Board, Chief Risk Officer	21.08.2024 - 20.08.2029

Subsequent to the period end, effective from 27 January 2025, Arturs Jukšs became a member of the Executive Board of AS “Rietumu Banka”.

Statement of management responsibility

The Management of AS "Rietumu Banka" is responsible for the preparation of the consolidated financial statements of the Bank and its subsidiaries as well as for the preparation of the separate financial statements of the Bank and for the preparation of the sustainability report.

The separate and consolidated financial statements on pages 136 to 242 are prepared in accordance with source documents and present fairly the financial position of the Bank and the Group as of 31 December 2024 and the results of their operations and cash flows for the year ended 31 December 2024.

The separate and consolidated financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union on a going concern basis. Appropriate accounting policies have been applied on a consistent basis. In the preparation of the financial statements the Management has made prudent and reasonable judgements and estimates.

The Management of AS "Rietumu Banka" is responsible for the maintenance of proper accounting records, the safeguarding of the Bank's and the Group's assets and the prevention and detection of fraud and other irregularities in the Bank and in the Group. The Management is also responsible for operating the Bank in compliance with the Law on Credit Institutions, regulations of the Latvijas Banka and other legislation of the Republic of Latvia and other legislation of the Republic of Latvia.

On behalf of the Management of AS "Rietumu Banka":

____
Chairman of the Executive Board

Jelena Buraja

____
Member of the Executive Board,
Deputy Chairman
Ruslans Stecjuks

____
Member of the Executive Board
Mihails Birzgals

30 March 2025

THE DOCUMENT IS SIGNED USING A QUALIFIED ELECTRONIC SIGNATURE AND CONTAINS A TIMESTAMP

KPMG Baltics SIA
Roberta Hirsa iela 1
Riga, LV-1045
Latvia

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kpmg.com/lv
kpmg@kpmg.lv

Limited Assurance Report on AS Rietumu Banka's Consolidated Sustainability Statement

To the shareholders of AS Rietumu Banka

Limited assurance conclusion

We have performed a limited assurance engagement on whether the consolidated Sustainability Report, of AS Rietumu Banka and its scoped in subsidiaries (the "Group") included in section Sustainability Report (pages 14 to 120) of the accompanying management report (the "Sustainability Statement") as of and for the year ended 31 December 2024 has been prepared in accordance with the Article 7 of the Sustainability Disclosure Law of the Republic of Latvia implementing Article 29(a) of EU Directive 2013/34/EU.

Except for the possible effects of the matter described in the first paragraph of the *Basis for Modified Conclusion* and the effects of the matter described in the second paragraph of the *Bases for Modified Conclusion*, based on the procedures performed and evidence obtained, nothing has come to our attention to cause us to believe that the Sustainability Statement of the Group as of and for the year ended 31 December 2024 is not prepared, in all material respects, in accordance with the Article 7 of the Sustainability Disclosure Law of the Republic of Latvia implementing Article 29(a) of EU Directive 2013/34/EU, including:

- compliance with the European Sustainability Reporting Standards (ESRS), including that the process carried out by the Group to identify the information reported in the Sustainability Statement (the "Process") is in accordance with the description set out in section *Material impact, sustainability risks and opportunities assessment approach* of the Sustainability Statement; and
- compliance of the disclosures in the section *EU Taxonomy disclosures* of the Sustainability Statement with Article 8 of EU Regulation 2020/852 (the "Taxonomy Regulation").

The comparative information included in the Sustainability Statement of the Group as at and for the year ended 31 December 2023, 31 December 2022 and 31 December 2021 was not subject to an assurance engagement. Our conclusion is not modified in respect of this matter.

Bases for Modified Conclusion

The process carried out by the Group to identify the material information to be reported in the Sustainability Statement, in particular the double materiality assessment, has not been performed in all material respects, in accordance with ESRS, including, but not limited to: materiality assessment performed and disclosed at the level of sustainability matters rather than impacts, risks and opportunities; no thresholds set for material information, thresholds for material matters based on combined assessment of impacts, risks and opportunities, limited involvement of stakeholders and other individually immaterial elements of identification and assessment of impacts, risks and opportunities.

Furthermore, as explained in section *EU Taxonomy assessment* of the Sustainability Statement, the Group has not prepared EU Taxonomy disclosures as required by Article 8 of EU Regulation 2020/852.

We conducted our limited assurance engagement in accordance with International Standard on Assurance Engagements (ISAE) 3000 (Revised), *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*, issued by the International Auditing and

Assurance Standards Board (IAASB). Our responsibilities under this standard are further described in the "Our responsibilities" section of our report.

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA), together with the ethical requirements that are relevant to our assurance engagement on the Sustainability Statement in Latvia.

Our firm applies International Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*, issued by the IAASB. This standard requires the firm to design, implement and operate a system of quality management, including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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

Responsibilities for the Sustainability Statement

Management of the Group is responsible for designing and implementing and maintaining a process to identify the information reported in the Sustainability Statement in accordance with the ESRS and for disclosing this process in section *Material impact, sustainability risks and opportunities assessment approach* of the Sustainability Statement. This responsibility includes:

- understanding the context in which the Group's activities and business relationships take place and developing an understanding of its affected stakeholders;
- identifying the actual and potential impacts (both negative and positive) related to sustainability matters, as well as risks and opportunities that affect, or could reasonably be expected to affect, the Group's financial position, financial performance, cash flows, access to finance or cost of capital over the short-, medium-, or long-term;
- assessing the materiality of the identified impacts, risks and opportunities related to sustainability matters by selecting and applying appropriate thresholds; and
- developing methodologies and making assumptions that are reasonable in the circumstances.

Management of the Group is further responsible for the preparation of the Sustainability Statement, in accordance with the Article 7 of the Sustainability Disclosure Law of the Republic of Latvia implementing Article 29(a) of EU Directive 2013/34/EU, including:

- compliance with the ESRS;
- preparing the disclosures in section *EU Taxonomy disclosures* of the Sustainability Statement, in compliance with Article 8 of EU Regulation 2020/852 (the "Taxonomy Regulation");
- designing, implementing and maintaining such internal controls that management determines are necessary to enable the preparation of the Sustainability Statement such that it is free from material misstatement, whether due to fraud or error;

- selecting and applying appropriate sustainability reporting methods and making assumptions and estimates about individual sustainability disclosures that are reasonable in the circumstances;

Those charged with governance are responsible for overseeing the reporting process for the Group's Sustainability Statement.

Inherent limitations in preparing the Sustainability Statement

In reporting forward-looking information in accordance with ESRS, management of the Group is required to prepare the forward-looking information on the basis of disclosed assumptions about events that may occur in the future and possible future actions by the Group. The actual outcome is likely to be different since anticipated events frequently do not occur as expected.

In determining the disclosures in the Sustainability Statement, management of the Group interprets undefined legal and other terms. Undefined legal and other terms may be interpreted differently, including the legal conformity of their interpretation and, accordingly, are subject to uncertainties.

Our responsibilities

Our objectives are to plan and perform the assurance engagement to obtain limited assurance about whether the Sustainability Statement is free from material misstatement, whether due to fraud or error, and reporting our limited assurance conclusion to the shareholders of AS Rietumu Banka. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence decisions of users taken on the basis of the Sustainability Statement as a whole.

Our responsibilities in relation to the Process for reporting the Sustainability Statement, include:

- Obtaining an understanding of the Process but not for the purpose of providing a conclusion on the effectiveness of the Process, including the outcome of the Process; and
- Designing and performing procedures to evaluate whether the Process is consistent with the Group's description of its Process, as disclosed in section *Material impact, sustainability risks and opportunities assessment approach* of the Sustainability Statement.

Our other responsibilities in respect of the Sustainability Statement include:

- Obtaining an understanding of the Group's control environment, processes and information systems relevant to the preparation of the Sustainability Statement but not evaluating the design of particular control activities, obtaining evidence about their implementation or testing their operating effectiveness;
- Identifying disclosures where material misstatements are likely to arise, whether due to fraud or error; and
- Designing and performing procedures focused on disclosures in the Sustainability Statement where material misstatements are likely to arise. 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.

Summary of the work we performed as the basis for our conclusion

A limited assurance engagement involves performing procedures to obtain evidence about the Sustainability Statement. We designed and performed our procedures to obtain evidence about the Sustainability Statement that is sufficient and appropriate to provide a basis for our conclusion. The nature, timing and extent of our procedures depended on our understanding of the Sustainability Statement and other engagement circumstances, including the identification of disclosures where material misstatements are likely to arise, whether due to fraud or error, in the Sustainability Statement. We exercised professional judgment and maintained professional scepticism throughout the engagement.

In conducting our limited assurance engagement, with respect to the Process, the procedures we performed included:

- Obtaining an understanding of the Process by:
  - performing inquiries to understand the sources of the information used by management (e.g., stakeholder engagement, business plans and strategy documents); and
  - reviewing the Group's internal documentation of its Process; and
- Evaluating whether the evidence obtained from our procedures about the Process was consistent with the description of the Process set out in section *Material impact, sustainability risks and opportunities assessment approach* of the Sustainability Statement.

In conducting our limited assurance engagement with respect to the Sustainability Statement, the procedures we performed included:

- Obtaining an understanding of the Group's reporting processes relevant to the preparation of its Sustainability Statement by:
  - performing inquiries to understand the sources of the information used by management;
  - reviewing the relevant Group's internal documentation.
- Evaluating whether material information identified by the Process is included in the Sustainability Statement;
- Evaluating whether the structure and the presentation of the Sustainability Statement is in accordance with the ESRS;
- Performing inquiries of relevant personnel and analytical procedures on selected disclosures in the Sustainability Statement;
- Performing substantive limited assurance procedures based on a sample basis on selected disclosures in the Sustainability Statement;
- Obtaining evidence on the methods, assumptions and data for developing material estimates and forward-looking information and on how these methods were applied;
- Obtaining an understanding of the process to identify taxonomy-eligible and taxonomy-aligned economic activities and the corresponding disclosures in the Sustainability Statement;

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained in a limited assurance engagement is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

KPMG Baltics SIA
Licence No. 55

Rainers Vilāns
Member of the Board
Latvian Sworn Auditor
Certificate No. 200
Riga, Latvia
31 March 2025

THIS DOCUMENT HAS BEEN SIGNED WITH A SECURE ELECTRONIC SIGNATURE AND IT HAS A TIME-STAMP

KPMG

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Independent Auditors' Report

To the shareholders of Rietumu Banka AS

Report on the Audit of the Separate and Consolidated Financial Statements

Our Opinion on the Separate and Consolidated Financial Statements

We have audited the accompanying separate financial statements of Rietumu Banka AS ("the Bank") and accompanying consolidated financial statements of the Bank and its subsidiaries ("the Group") set out on pages 136 to 242 of the accompanying separate and consolidated Annual Report, which comprise:

- the separate and consolidated statements of financial position as at 31 December 2024,
- the separate and consolidated statements of profit or loss and other comprehensive income for the year then ended,
- the separate and consolidated statement of changes in the shareholders' equity for the year then ended,
- the separate and consolidated statement of cash flows for the year then ended, and
- the notes to financial statements, which include a summary of material accounting policies and other explanatory notes.

In our opinion, the accompanying separate and consolidated financial statements give a true and fair view of the separate and consolidated financial position of the Bank and the Group, respectively, as at 31 December 2024, and of their separate and consolidated financial performance and their separate and consolidated cash flows for the year then ended in accordance with 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 *Auditors' Responsibility for the Audit of the Separate and Consolidated Financial Statements* section of our report.

We are independent of the Bank and the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) developed by the International Ethics Standards Board for Accountants (IESBA Code) and the independence requirements included in the 'Law on Audit Services' of the Republic of Latvia that are relevant to our audit of the financial statements in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the IESBA Code and the '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 separate and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the separate and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

<table>
<tr><td colspan="2">Impairment allowances for Loans and receivables due from customers (separate and consolidated financial statements)</td></tr>
<tr><td colspan="2">Group's consolidated financial statements

The gross amount of Loans and receivables due from customers as at 31 December 2024: EUR 687 553; total impairment allowance as at 31 December 2024: EUR 30 491 thousand.

Bank's separate financial statements

The gross amount of Loans and receivables due from customers as at 31 December 2024: EUR 725 744 thousand; total impairment allowance as at 31 December 2024: EUR 37 301 thousand.

We refer to the separate and consolidated financial statements: Note 3 (Material accounting policies), Note 4 b) and i) (Risk management), Note 5 i) (Use of Estimates and judgements), Notes 13 and 19 b. (financial disclosures).</td></tr>
<tr><td>Key audit matter</td><td>How we addressed the key audit matter</td></tr>
<tr><td>Loans and receivables due from customers, collectively represent approximately 48% of the Group's assets as at 31 December 2024 (31 December 2023: approximately 41%) and approximately 50% of the Bank's assets as at 31 December 2024 (31 December 2023: approximately 44%). The Bank and other entities within the Group offer a variety of loan products issued to corporate clients and individuals. The Bank and the Group have a significant exposure to borrowers in foreign jurisdictions, including those in Russia and Belarus.

Impairment allowance represents the Management's best estimate of the expected credit losses within the Loans and receivables due from customers at the reporting date. We focused on this area as the determination of impairment loss allowances requires significant judgments from the Management over both the timing of recognition and the specific amounts, especially considering the current geopolitical environment and the Bank's and the Group's exposure towards Russia and Belarus as described in note 4 i) of the</td><td>Our procedures in the area included, among others:

• inspecting the Group's expected credit losses ("ECL"), expected credit loss methodology and assessing its compliance with the relevant requirements of IFRS 9;

• assessing and testing the design and implementation of a control over monitoring of loans and testing the design and implementation and operating effectiveness of selected key controls over the approval and recording of loans;

• assisted by our own information technology (IT) specialists, testing the design, implementation and operating effectiveness of application and general IT controls related to the calculation of days past due;

• assessing whether the definition of default and the staging criteria were consistently applied and in line with the requirements of IFRS 9;

• assessing and challenging the forward-looking information used in the ECL</td></tr>
</table>

separate and consolidated financial statements. In accordance with IFRS 9, the Bank and the Group 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 and the Group incorporate forward looking information into modelling techniques applied and as well as recognizes overlays, where it is deemed appropriate. Individual impairment allowances recognized by the Bank and the Group often relate to large, individually monitored, corporate exposures, where the Bank and the Group are assessing ECLs on an individual basis. The assessment is therefore based on the knowledge about each individual borrower and often on estimation of the fair value of the related collateral. 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.	model, by means of corroborating inquiries of the Management with the assistance of our own financial risk management specialists and inspection of publicly available information; • challenging LGD and PD parameters, by assessing historical default levels and by reference to historical realized losses on defaults as well as challenging collateral valuation inputs and, where deemed necessary, consulting with our own valuation specialists; • assessing the appropriateness of the Bank's and the Group's staging of exposures, including identification of exposures with significant increase in the credit risk; • selecting and testing a sample of individual exposures, with focus on those with high magnitude and risk characteristics, as well as lower value items which we independently assessed as high-risk; • for stage 3 (credit impaired) exposures in our sample, challenging key assumptions applied in the Bank's and the Group's estimates of future cash flows. We sought the Executive Board's and credit risk personnel's explanations for any material discrepancies identified as a result of the above procedures; • assessing the adequacy of the Bank's and the Group's disclosures on the loss allowances and credit risk management in the notes to the separate and consolidated financial statements.

<table>
<tr><th colspan="2">Valuation of investment properties (separate and consolidated financial statements)</th></tr>
<tr><td colspan="2">Group’s consolidated financial statements

The carrying amount of Investment properties as at 31 December 2024: EUR 80 039 thousand.

Bank’s separate financial statements

The carrying amount of Investment properties as at 31 December 2024: EUR 33 420 thousand.

We refer to the separate and consolidated financial statements: Note 3 d) ii) (Material accounting policies), Note 5 iii) (Use of Estimates and judgements), Notes 12 and 26 (financial disclosures).</td></tr>
<tr><th>Key audit matter</th><th>How we addressed the key audit matter</th></tr>
<tr><td>The Bank and the Group have a significant balance of investment properties, including the Group having a significant balance of investment properties located in Russia. Investment properties are held either to earn rental income or for capital appreciation or for both. The Bank and the Group measure investment properties at fair value, with all changes therein recorded in profit or loss.

The valuation of the Group’s investment properties involves significant judgements and estimates made by the Management using the input from the external valuation specialists, particularly in relation to sensitivity of assumptions regarding discount rates, cash flow projections and comparable market transactions.

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.</td><td>Our procedures included, among others:

• based on our understanding of the Bank’s and Group’s approach to valuation of investment properties, assessing the applied valuation methodology against relevant financial reporting standards;

• agreeing the fair values determined by the Bank’s and Group’s external valuation experts to the Bank’s and Group’s accounting records;

• using our own internal valuation specialists, challenging, on a sample basis, the valuation methods and key assumptions applied by the Bank’s and Group’s external experts, including those in respect of discount rates, capitalisation rates, cash flow projections and comparable market transactions and performing a sensitivity analysis in respect of the above key assumptions to evaluate the effects of their potential changes on the fair values;

• assessing the adequacy of the Bank’s and the Group’s disclosures on investment properties and the valuation techniques and significant unobservable inputs disclosed in the notes to the separate and consolidated financial statements.</td></tr>
</table>

Reporting on Other Information

The Bank's and Group's Management is responsible for the other information. The other information comprises:

- Letter by Jeļena Buraja, Chairman of the Board of Rietumu Banka as set out on page 3 of the accompanying Group's Consolidated and Bank's separate Annual Report,
- A year in our life as set out on pages 4 to 5 of the accompanying Group's Consolidated and Bank's separate Annual Report,
- Report of the Council and Executive Board, as set out on pages 6 to 13 of the accompanying Group's Consolidated and Bank's separate Annual Report ,
- the Sustainability Report, as set out on pages 14 to 120 of the accompanying Group's Consolidated and Bank's separate Annual Report .
- the Council and the Executive Board, as set out on page 121 of the accompanying Group's Consolidated and Bank's separate Annual Report,
- the Statement on Management Responsibility, as set out on page 122 of the accompanying Group's Consolidated and Bank's separate Annual Report,

Our opinion on the separate and consolidated financial statements does not cover the other information included in the separate and consolidated 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. However, we note that we have issued a limited assurance report as set out on pages 123 to 127 with respect to the Sustainability Report, as set out on pages 14 to 120.

In connection with our audit of the separate and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated 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, Group and their 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. Except for non-compliance with requirements relating to double materiality assessment and non-inclusion of EU Taxonomy disclosures, as outlined in the Bases for Modified Conclusion paragraph of the limited assurance report issued by us on the consolidated Sustainability Statement, as set out on pages 123 to 127, 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 Report of Council and Executive Board ("Management Report"), our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the Bank of Latvia No. 326 "Regulations on the Preparation of Annual Reports and Annual Consolidated Accounts for Banks, Investment Brokerage Firms and Investment Management Companies" ("Regulation No. 326").

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 separate and consolidated financial statements are prepared is consistent with the separate and consolidated financial statements; and
- the Management Report has been prepared in accordance with the requirements of the Bank of Latvia No. 326 “Regulations on the Preparation of Annual Reports and Annual Consolidated Accounts for Banks, Investment Brokerage Firms and Investment Management Companies”.

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

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

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

Auditors’ Responsibility for the Audit of the Separate and Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ 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 separate and consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the separate and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank’s and Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty

exists related to events or conditions that may cast significant doubt on the Bank's and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the separate and consolidated 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 auditors' report. However, future events or conditions may cause the Bank and Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the separate and consolidated 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 those charged with governance on 29 April 2024 to audit the separate and consolidated financial statements of Rietumu Banka AS for the year ended 31 December 2024. Our total uninterrupted period of engagement is 3 years, covering the periods ending 31 December 2022 to 31 December 2024.

We confirm that:

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

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

KPMG Baltics SIA
Licence No. 55

Rainers Vilāns
Member of the Board
Latvian Sworn Auditor
Certificate No. 200
Riga, Latvia
31 March 2025

THIS DOCUMENT HAS BEEN SIGNED WITH A SECURE ELECTRONIC SIGNATURE AND IT HAS A TIME-STAMP

FINANCIAL STATEMENTS

Separate and consolidated statements of profit or loss and other comprehensive income

	Note	2024 '000 EUR Group	2024 '000 EUR Bank	2023 '000 EUR Group	2023 '000 EUR Bank
Interest income	6	73 446	64 788	67 950	60 490
Interest expense	6	(24 911)	(25 210)	(16 067)	(16 212)
Net interest income		**48 535**	**39 578**	**51 883**	**44 278**
Fee and commission income	7	10 550	10 480	9 525	9 483
Fee and commission expense	8	(2 325)	(1 838)	(2 103)	(1 786)
Net fee and commission income		**8 225**	**8 642**	**7 422**	**7 697**
Net gain on financial assets at fair value through profit or loss	9	3 140	3 140	262	262
Net foreign exchange gain/(loss)	10	(29)	1 381	(4 054)	332
Net realised gain/(loss) on financial assets at fair value through other comprehensive income	11	(603)	(603)	(829)	(829)
Net realised loss on financial instruments at amortised cost		-	-	(1 019)	(1 019)
Share of profit/(loss) of associates	22	773	-	(775)	-
Other income	12	6 506	2 369	21 115	9 232
Operating income		**66 547**	**54 507**	**74 005**	**59 953**
Impairment losses	13	(5 623)	(5 814)	(10 460)	(14 921)
Provisions	34,35	902	836	310	311
General and administrative expenses	14	(44 535)	(33 492)	(42 350)	(29 441)
Profit before income tax		**17 291**	**16 037**	**21 505**	**15 902**
Income tax	15	(4 141)	(3 155)	(4 492)	(3 368)
Profit for the period		**13 150**	**12 882**	**17 013**	**12 534**
Attributable to:					
Equity holders of the Bank		**11 586**		**15 653**	
Non-controlling interest		**1 564**		**1 360**	

The separate and consolidated statements of profit or loss and other comprehensive income are to be read in conjunction with the Notes to, and forming part of, the separate and consolidated financial statements set out on pages 145 to 242.

____
Chairman of the Executive Board

Jelena Buraja

____
Member of the Executive Board,
Deputy Chairman
Ruslans Stecjuks

____
Member of the Executive Board
Mihails Birzgals

30 March 2025

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Separate and consolidated statements of profit or loss and other comprehensive income

	Note	2024 '000 EUR Group	2024 '000 EUR Bank	2023 '000 EUR Group	2023 '000 EUR Bank
Profit for the period		**13 150**	**12 882**	**17 013**	**12 534**
Other comprehensive gain/(loss)					
Items that will not to be reclassified to profit or loss					
Fair value changes of equity instruments measured at fair value through other comprehensive income	32	18	18	32	32
Revaluation of property and equipment	32	956	-	55	-
Items that are or may be reclassified to profit or loss					
Foreign currency translation differences for foreign operations		347	-	731	-
Net change in fair value of debt instruments at fair value through other comprehensive income	32	9 798	9 798	14 103	14 103
Net change in fair value		*10 402*	*10 402*	*13 274*	*13 274*
Reclassified to profit or loss		*(604)*	*(604)*	*829*	*829*
Income tax related to components of other comprehensive income	31	1 036	1 036	-	-
Other comprehensive income/(loss) for the period		**12 155**	**10 852**	**14 921**	**14 135**
Total comprehensive income/(loss) for the period		**25 305**	**23 734**	**31 934**	**26 669**
Attributable to:					
Equity holders of the Group		**23 741**		**30 574**	
Non-controlling interest		**1 564**		**1 360**	

The separate and consolidated statements of profit or loss and other comprehensive income are to be read in conjunction with the Notes to, and forming part of, the separate and consolidated financial statements set out on pages 145 to 242.

____
Chairman of the Executive Board

Jelena Buraja

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Member of the Executive Board,
Deputy Chairman
Ruslans Stecjuks

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Member of the Executive Board
Mihails Birzgals

30 March 2025

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Separate and consolidated statements of financial position

	Note	31 Dec 2024 '000 EUR Group	31 Dec 2024 '000 EUR Bank	31 Dec 2023 '000 EUR Group	31 Dec 2023 '000 EUR Bank
Assets					
Cash and balances due from the Bank of Latvia	16	248 161	248 143	350 366	350 330
Deposits and balances due from banks	17	17 581	16 046	14 060	13 528
Financial assets at fair value through profit or loss	18	8 515	8 022	6 719	6 225
Financial assets at amortised cost					
Debt securities	19	44 778	44 778	57 610	57 610
Loans and receivables due from customers	19	657 062	688 443	622 215	656 367
Financial assets at fair value through other comprehensive income	20	213 324	213 324	268 399	268 399
Non-current assets held for sale	26	5 991	1 126	303	300
Investments in subsidiaries	21	-	37 825	-	32 612
Investments in associates	22	37 955	36 955	36 955	36 955
Property and equipment	23	43 928	27 882	42 548	28 900
Intangible assets	24	1 812	1 802	1 564	1 557
Investment property	26	80 039	33 420	97 753	42 117
Current tax asset		17	-	60	-
Deferred tax asset	31	1 049	1 036	43	-
Other assets	27	15 842	13 131	13 217	13 704
Total Assets		**1 376 054**	**1 371 933**	**1 511 812**	**1 508 604**

The separate and consolidated statements of financial position are to be read in conjunction with the Notes to, and forming part of, the separate and consolidated financial statements set out on pages 145 to 242.

Separate and consolidated statements of financial position

	Note	31 Dec 2024 '000 EUR Group	31 Dec 2024 '000 EUR Bank	31 Dec 2023 '000 EUR Group	31 Dec 2023 '000 EUR Bank
Liabilities and Shareholders' Equity					
Financial instruments at fair value through profit or loss	18	2 534	2 534	2 024	2 024
Due to Bank of Latvia	28	-	-	51 479	51 479
Deposits and balances due to banks	28	10 543	10 543	4 828	4 828
Current accounts and deposits due to customers	29	922 637	930 077	1 005 938	1 011 145
Provisions	35	30 634	30 709	33 408	33 418
Current tax liability		2 853	2 793	3 056	3 048
Deferred tax liability	31	750	-	750	-
Other liabilities and accruals	30	32 153	41 075	30 558	42 195
Total Liabilities		**1 002 104**	**1 017 731**	**1 132 041**	**1 148 137**
Share capital	32	168 916	168 916	168 916	168 916
Share premium	32	52 543	52 543	52 543	52 543
Revaluation reserve	32	7 506	-	6 670	-
Fair value reserve	32	(4 143)	(4 143)	(14 995)	(14 995)
Currency translation reserve		(3 756)	-	(4 103)	-
Other reserves	32	40	23	40	23
Retained earnings		148 184	136 863	166 478	153 980
Total Equity Attributable to Equity Holders of the Bank		**369 290**	**354 202**	**375 549**	**360 467**
Non-controlling Interest	41	**4 660**	-	**4 222**	-
Total Shareholders' Equity		**373 950**	**354 202**	**379 771**	**360 467**
Total Liabilities and Shareholders' Equity		**1 376 054**	**1 371 933**	**1 511 812**	**1 508 604**

The separate and consolidated statements of financial position are to be read in conjunction with the Notes to, and forming part of, the separate and consolidated financial statements set out on pages 145 to 242.

____
Chairman of the Executive Board

Jelena Buraja

____
Member of the Executive Board,
Deputy Chairman
Ruslans Stecjuks

____
Member of the Executive Board
Mihails Birzgals

30 March 2025

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Separate and consolidated statements of cash flows

	Note	2024 '000 EUR Group	2024 '000 EUR Bank	2023 '000 EUR Group	2023 '000 EUR Bank
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before income tax		17 291	16 037	21 505	15 902
Adjustments for non-cash items					
Interest income		(73 446)	(64 788)	(67 950)	(60 490)
Interest expense		24 911	25 210	16 067	16 212
Dividends		(117)	(2 428)	(103)	(1 672)
Amortisation and depreciation	23, 24	2 312	2 238	2 002	2 220
Revaluation of investment property	26	270	329	(7 582)	(5 012)
Share of (income)/loss of equity accounted investees		(773)	-	775	-
Increase/(decrease) of provisions		(2 774)	(2 709)	(311)	(311)
Revaluation of currencies		347	-	647	-
Loss from sale of property and equipment		179	-	-	-
(Gain)/loss from sale of investment properties	12	1 043	1 233	-	-
(Gain)/loss on sale of subsidiaries		64	(630)	(119)	881
Impairment losses	13	5 612	6 433	10 498	14 959
Increase in cash and cash equivalents before changes in assets and liabilities as a result of ordinary operations		**(25 081)**	**(19 075)**	**(24 571)**	**(17 311)**
(Increase)/decrease in financial assets at fair value through profit or loss		(1 796)	(1 797)	(753)	(703)
(Increase)/decrease in loans and receivables from customers		(37 815)	(37 028)	(88 162)	(86 039)
Decrease in financial assets at fair value through other comprehensive income		65 476	65 476	98 154	98 154
Increase/decrease in other assets		(4 690)	(1 425)	(1 436)	256
Increase/(decrease) in derivative liabilities		510	510	(482)	(482)
Increase/(decrease) in current accounts and deposits due to customers		(83 238)	(79 492)	60 674	53 278
Increase/(decrease) in amounts due to Bank of Latvia		(51 479)	(51 479)	1 668	1 668
(Decrease)/increase in other liabilities and accruals		3 201	227	11 792	5 628
(Increase)/decrease in debt securities at amortised costs		11 567	11 567	7 045	7 045
Increase/(decrease) in cash and cash equivalents from operating activities before corporate income tax		**(123 345)**	**(112 516)**	**63 929**	**61 494**
Interest received		75 319	65 422	68 583	59 628
Interest paid		(22 082)	(23 894)	(11 736)	(10 169)
Corporate income tax paid		(4 331)	(3 470)	(1 226)	(315)
Net cash and cash equivalents from operating activities		**(74 439)**	**(74 458)**	**119 550**	**110 638**

The separate and consolidated statements of cash flows are to be read in conjunction with the Notes to, and forming part of, the separate and consolidated financial statements set out on pages 145 to 242.

Separate and consolidated statements of cash flows

	Note	2024 '000 EUR Group	2024 '000 EUR Bank	2023 '000 EUR Group	2023 '000 EUR Bank
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property and equipment and intangible assets	23, 24	(1 403)	(1 266)	(1 447)	(1 184)
Proceeds from sale of property, plant and equipment and other assets		48	4	94	42
(Increase)/decrease in equity investments in other entities and acquisition of subsidiaries		(226)	-	(35 000)	(35 000)
Increase in investment property	26	(5 170)	(36)	(7 394)	(2 315)
Sale of investment property		6 384	5 145	2 413	2 202
Net cash from sale of subsidiary		4 091	4 217	-	-
Reduction of subsidiary share capital and liquidation quota		-	(6 800)	119	3 219
Sale of Non-current assets held for sale		303	300	1 075	1 043
Dividends received		117	2 428	103	1 672
Cash and cash equivalents used in / from investing activities		**4 144**	**3 992**	**(40 037)**	**(30 321)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Dividends paid	32	(30 946)	(29 819)	(980)	-
Repayment of lease liability	25	(266)	(2 207)	(280)	(1 949)
Repayment of subordinated deposits	29	(2 892)	(2 892)	-	-
Cash and cash equivalents used in/from financing activities		**(34 104)**	**(34 918)**	**(1 260)**	**(1 949)**
Net cash flow for the period		**(104 399)**	**(105 384)**	**78 253**	**78 368**
Cash and cash equivalents at the beginning of the year		**359 598**	**359 030**	**281 345**	**280 662**
Cash and cash equivalents at the end of the year	33	**255 199**	**253 646**	**359 598**	**359 030**

The separate and consolidated statements of cash flows are to be read in conjunction with the Notes to, and forming part of, the separate and consolidated financial statements set out on pages 145 to 242.

____
Chairman of the Executive Board

Jelena Buraja

____
Member of the Executive Board,
Deputy Chairman
Ruslans Stecjuks

____
Member of the Executive Board
Mihails Birzgals

30 March 2025

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Group consolidated statements of changes in the shareholders' equity

For the year ended 31 December 2024

	Attributable to Equity Holders of the Bank									
Balance at	**Share capital '000 EUR**	**Share premium '000 EUR**	**Revalua-tion reserve '000 EUR**	**Fair value reserve '000 EUR**	**Foreign currency transla-tion reserve '000 EUR**	**Other reserves '000 EUR**	**Retained earnings '000 EUR**	**Total '000 EUR**	**Non-controllin g interest '000 EUR**	**Total Equity '000 EUR**
1 January 2024	**168 916**	**52 543**	**6 670**	**(14 995)**	**(4 103)**	**40**	**166 477**	**375 548**	**4 223**	**379 771**
Transactions with shareholders recorded directly in equity										
Dividends paid	-	-	-	-	-	-	**(29 999)**	**(29 999)**	**-**	**(29 999)**
Transactions with non-controlling interest										
Dividends paid to non-controlling interest shareholders	-	-	-	-	-	-	-	**-**	(1 127)	**(1 127)**
Total comprehensive income										
Profit for the current year	-	-	-	-	-	-	11 586	**11 586**	1 564	**13 150**
Other comprehensive income/(loss)										
Net change in fair value of financial instruments at fair value through other comprehensive income	-	-	-	9 816	-	-		**9 816**	-	**9 816**
Foreign currency translation differences for foreign operations	-	-	-	-	347		-	**347**	-	**347**
Depreciation of revalued property	-	-	(120)	-	-	-	120	**-**	-	**-**
Revaluation of property and equipment	-	-	956	-	-	-	-	**956**	-	**956**
Tax on other comprehensive income	-	-		1 036	-	-	-	**1 036**	-	**1 036**
Total other comprehensive income/(loss)	**-**	**-**	**836**	**10 852**	**347**	**-**	**120**	**12 155**	**-**	**12 155**
Total comprehensive income/ (loss)	**-**	**-**	**836**	**10 852**	**347**	**-**	**11 706**	**23 741**	**1 564**	**25 305**
Balance at 31 December 2024	**168 916**	**52 543**	**7 506**	**(4 143)**	**(3 756)**	**40**	**148 184**	**369 290**	**4 660**	**373 950**

The Group consolidated statements of changes in the shareholders' equity are to be read in conjunction with the Notes to, and forming part of, the separate and consolidated financial statements set out on pages 145 to 242.

RIETUMU BANKA

Group consolidated statements of changes in the shareholders' equity

For the year ended 31 December 2023

For the year ended 31 December 2023

	Share capital	Share premium	Revaluation reserve	Fair value reserve	Foreign currency translation reserve	Other reserves	Retained earnings	Total	Non-controlling interest	Total Equity
	Attributable to Equity Holders of the Bank									
	'000 EUR	'000 EUR	'000 EUR	'000 EUR	'000 EUR	'000 EUR	'000 EUR	'000 EUR	'000 EUR	'000 EUR
Balance at 1 January 2023	**168 916**	**52 543**	**6 735**	**(29 130)**	**(4 834)**	**40**	**150 704**	**344 974**	**3 843**	**348 817**
Transactions with non-controlling interest										
Dividends paid to non-controlling interest shareholders	-	-	-	-	-	-	-	**-**	(980)	**(980)**
Total transactions with non-controlling interest	**-**	**-**	**-**	**-**	**-**	**-**	**-**	-	**(980)**	**(980)**
Total comprehensive income										
Profit for the current year	-	-	-	-	-	-	15 653	**15 653**	1 360	**17 013**
Other comprehensive income/(loss)										
Net change in fair value of financial instruments at fair value through other comprehensive income	-	-	-	14 135	-	-	-	**14 135**	-	**14 135**
Foreign currency translation differences for foreign operations	-	-	-	-	731	-	-	**731**	-	**731**
Depreciation of revalued property	-	-	(120)	-	-	-	120	**-**	-	**-**
Revaluation of property and equipment	-	-	55	-	-	-	-	**55**	-	**55**
Total other comprehensive income/(loss)	**-**	**-**	**(65)**	**14 135**	**731**	**-**	**120**	**14 921**	**-**	**14 921**
Total comprehensive income/(loss)	**-**	**-**	**(65)**	**14 135**	**731**	**-**	**15 773**	**30 574**	**1 360**	**31 934**
Balance at 31 December 2023	**168 916**	**52 543**	**6 670**	**(14 995)**	**(4 103)**	**40**	**166 477**	**375 548**	**4 223**	**379 771**

The Group consolidated statements of changes in the shareholders' equity are to be read in conjunction with the Notes to, and forming part of, the separate and consolidated financial statements set out on pages 145 to 242.

Chairman of the Executive Board

Jelena Buraja

Member of the Executive Board,
Deputy Chairman
Ruslans Stecjuks

Member of the Executive Board
Mihails Birzgals

30 March 2025

THE DOCUMENT IS SIGNED USING A QUALIFIED ELECTRONIC SIGNATURE AND CONTAINS A TIMESTAMP

RIETUMU BANKA

Bank's separate statements of changes in shareholders'equity

For the year ended 31 December 2024

	Share capital	Share premium	Fair value reserve	Other reserves	Retained earnings	Total equity
Balance at 1 January 2023	**168 916**	**52 543**	**(29 130)**	**23**	**141 446**	**333 798**
Total comprehensive income						
Profit for the period	-	-	-	-	**12 534**	**12 534**
Other comprehensive income/(loss)						
Net change in fair value of financial instruments at fair value through other comprehensive income	-	-	14 135	-	-	**14 135**
Total other comprehensive income	**-**	**-**	14 135	**-**	**-**	**14 135**
Total comprehensive income	-	-	14 135	-	12 534	**26 669**
Balance at 31 December 2023	**168 916**	**52 543**	**(14 995)**	**23**	**153 980**	**360 467**
Transactions with shareholders recorded directly in equity						
Dividends paid	-	-	-	-	(29 999)	**(29 999)**
Total comprehensive income						
Profit for the period	-	-	-	-	**12 882**	**12 882**
Other comprehensive income/(loss)						
Net change in fair value of financial instruments at fair value through other comprehensive income	-	-	9 816	-	-	**9 816**
Tax on other comprehensive income	-	-	1 036	-	-	**1 036**
Total other comprehensive income	-	-	10 852	-	-	**10 852**
Total comprehensive income	-	-	10 852	-	12 882	**23 734**
Balance at 31 December 2024	**168 916**	**52 543**	**(4 143)**	**23**	**136 863**	**354 202**

The Bank's separate statements of changes in shareholders' equity are to be read in conjunction with the Notes to, and forming part of, the separate and consolidated financial statements set out on pages 145 to 242.

Chairman of the Executive Board

Jelena Buraja

Member of the Executive Board,
Deputy Chairman
Ruslans Stecjuks

Member of the Executive Board
Mihails Birzgals

30 March 2025

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NOTES TO THE FINANCIAL STATEMENTS

1. Background

Principal activities

These financial statements include the separate financial statements of AS "Rietumu Banka" (the "Bank") and the consolidated financial statements of the Bank and its subsidiaries (together referred to as the "Group").

The principal activities of the Bank are deposit taking and customer accounts maintenance, lending, issuing guarantees, cash and settlement operations and operations with securities and foreign exchange. The activities of the Bank are regulated by the Latvijas Banka. The number of full time equivalent employees in the Group on December 31 was 519 (2023: 523) and in the Bank 408 (2023: 388).

Principal subsidiaries of the Group (total assets in current or prior year more than EUR 5,000 thousand)

Name	Country of	Principal activities	Ownership	
			31 Dec 2024	31 Dec 2023
SIA "RB Investments"	Vesetas Str.7, Riga, Latvia	Investments	100%	100%
Rietumu Lizing OOO	Odoevskogo Str.117, 6th floor, office 9, Minsk, Belarus	Leasing company	100%	100%
SIA "Vesetas 7"	Vesetas Str.7, Riga, Latvia	Real estate operating	100%	100%
SIA "InCREDIT GROUP"	Krisjana Barona Str.130, Riga, Latvia	Customer lending	51%	51%
SIA "KI Nekustamie ipasumi"	Vesetas Str.7, Riga, Latvia	Real estate operating	100%	100%
KI Invest OOO	Nauchnij Str.19, Moscow, Russia	Real estate operating	100%	100%
SIA "KI Fund"	Vesetas Str.7, Riga, Latvia	Real estate operating	100%	100%
SIA "Euro Textile Group"	Vesetas Str.7, Riga, Latvia	Real estate operating	100%	100%
SIA "Second Sky Management"	Vesetas Str.7, Riga, Latvia	Other reservation service and related activities	100%	100%
SIA "OVERSEAS Estates"	Dzintaru str.3A, Ventspils, Latvia	Terminal	0%	100%

2. Basis of accounting

These consolidated and separate financial statements have been prepared in accordance with IFRS Accounting Standards adopted by the European Union (EU IFRS), and regulations of the Latvijas Banka in force as at the reporting date.

The Executive Board approved these separate and consolidated financial statements for issue on 30 March 2025. Shareholders of the Bank have the power to amend the financial statements after their issue, if necessary.

The consolidated and separate financial statements have been prepared under the historical cost convention except as disclosed in the accounting policies below. For example, FVTPL (Financial assets at fair value through profit or loss) and FVOCI (Financial assets at fair value through other comprehensive income) securities, derivative financial instruments, investment property, land and buildings have been measured at fair value.

These financial statements are presented in euro, which is the Bank's functional currency. All amounts have been rounded to the thousands of euros (EUR 000's), except when otherwise indicated.

The functional currencies of the Bank and principal subsidiaries of the Bank are EUR, except for the principal subsidiaries listed below:

Rietumu Lizing OOO	BYN (Belarussian Ruble)
KI Invest OOO	RUB (Russian Ruble)

3. Material accounting policies

The following significant accounting policies have been applied in the preparation of these separate and consolidated financial statements. The accounting policies have been consistently applied to all periods presented in these financial statements, except for the change in accounting policies described in Note 3(u).

(a) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies of the Bank and its subsidiary companies at the spot exchange rates on the date of the transactions set by the European Central Bank.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated into the functional currency at the spot exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated into the functional currency at the spot exchange rate at the date that the fair value was determined. Non-monetary assets and liabilities denominated in foreign currencies that are measured at historical cost are translated into the functional currency at the spot exchange rate at the date of transaction. Foreign currency differences arising on retranslation are recognized in profit or loss.

(ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency of the Group at exchange rates set by the European Central Bank at the reporting date. For currencies not published by European Central Bank, the spot rate observed in the market is applied.

The income and expenses of foreign operations are translated into the presentation currency of the Group at average exchange rate for the reporting period. Foreign currency differences are recognized in other comprehensive income and accumulated in a currency translation reserve, except that the translation difference is allocated to non-controlling interest. Upon disposal of subsidiary, the balance of currency translation reserve is reclassified to profit or loss.

3. Material accounting policies, continued

(iii) Foreign exchange rates

	31 Dec 2024	Average 2024	31 Dec 2023	Average 2023
USD	1.0389	1.0823	1.1050	1.0813
BYN	3.5732	3.5134	3.5363	3.2541
RUB	106.1028	100.2534	98.0653	92.3963

(b) Basis of consolidation

(i) Business combinations

The Group accounts for business combinations under the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group.

In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognized in profit or loss immediately. Transactions costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss.

(ii) Subsidiaries

The Group's subsidiaries are those entities which it directly or indirectly controls. Control over an entity is evidenced by the Group's ability to exercise its power in order to affect any variable returns that the Group is exposed to through its involvement with the entity. When assessing whether to consolidate an entity, the Group evaluates a range of control factors, namely: – the purpose and design of the entity – the relevant activities and how these are determined– whether the Group's rights result in the ability to direct the relevant activities – whether the Group has exposure or rights to variable returns – whether the Group has the ability to use its power to affect the amount of its returns. Where voting rights are relevant, the Group is deemed to have control where it holds, directly or indirectly, more than half of the voting rights over an entity unless there is evidence that another investor has the practical ability to unilaterally direct the relevant activities.

The Group also assesses existence of control where it does not control the majority of the voting power but has the practical ability to unilaterally direct the relevant activities. This may arise in circumstances where the size and dispersion of holdings of the shareholders give the Group the power to direct the activities of the investee. The Group reassesses the consolidation status at least at every quarterly reporting date. Therefore, any changes in the structure leading to a change in one or more of the control factors, require reassessment when they occur. This includes changes in decision making rights, changes in contractual arrangements, changes in the financing, ownership or capital structure as well as changes following a trigger event which was anticipated in the original documentation. All intercompany transactions, balances and unrealized gains on transactions between Group companies are eliminated on consolidation. Consistent accounting policies are applied throughout the Group for the purposes of consolidation. At the date that control of a subsidiary is lost, the Group: a) derecognizes the assets (including attributable goodwill) and liabilities of the subsidiary at their carrying amounts, b) derecognizes the carrying amount of any noncontrolling interests in the former subsidiary, c) recognizes the fair value of the consideration received and any distribution of the shares of the subsidiary, d) recognizes any investment retained in the former subsidiary at its fair value and e) recognizes any resulting difference of the above items as a gain or loss in the income statement.

Any amounts recognized in prior periods in other comprehensive income in relation to that subsidiary would be reclassified to the Consolidated Statement of Income or transferred directly to retained earnings if required by other IFRS Accounting Standards.

(iii) Equity accounted investees

Associates are those enterprises in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50% of the voting power of associated entity. The consolidated financial statements include the Group's share of the total recognized gains or losses of associates on an equity accounted basis, from the date that significant influence effectively commences until the date that significant influence effectively ceases. When the Group's share of losses exceeds the Group's interest in the associate, that interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred obligations in respect of the associate.

(iv) Transactions eliminated on consolidation

Intra-Group balances and transactions, and any unrealized gains arising from intra-Group transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with

associates are eliminated to the extent of the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains except that they are only eliminated to the extent that there is no evidence of impairment.

(v) *Non – controlling interest*

The Group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree.

(vi) Investment in subsidiaries and associates in Bank's separate financial statements

Investments in subsidiaries and associates are measured in the Bank's separate financial statements at cost less impairment allowance, if any.

(vii) Asset management

The Bank and the Group hold assets which are purchased on behalf of investors (securities and other assets managed). The assets held on behalf of investors are accounted in off balance sheet and are not included in the separate and consolidated financial statements.

(c) Goodwill

Goodwill represents the excess of the cost of a business combination over the Bank's or the Group's interest in the fair value of the net identifiable assets and contingent liabilities of the acquiree at the date of acquisition.

The Bank and the Group measure goodwill as the fair value of the consideration transferred including the recognized amount of any non-controlling interest in the acquiree, less the net recognized amount (generally at fair value) of the identifiable assets acquired and liabilities assumed, all measured as of the acquisition date. Goodwill is included in intangible assets.

Goodwill is allocated to cash-generating units and is stated at cost less impairment losses, if any. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that goodwill might be impaired and is measured at cost less any accumulated impairment losses. Cash generating units for goodwill impairment testing are payment card business.

Negative goodwill (bargain purchase gain) arising on a business combination is recognized immediately in profit or loss.

3. Material accounting policies, continued

(d) Fair value measurement principles

A number of the Bank's and Group's accounting policies and disclosures require the determination of fair value for both financial and non-financial assets and liabilities. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Bank or the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When measuring the fair value of an asset or a liability, the Bank and the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Bank and the Group recognizes transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. In addition, when applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Financial assets and liabilities

When available, the Bank and the Group measure the fair value of a financial instrument using quoted prices in an active market for that financial instrument. A market is regarded as active if transactions with the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If a market for a financial instrument is not active, the Bank and the Group establish fair value using a valuation technique. Valuation techniques' assumptions are based on recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the relevant financial instrument, incorporates all factors that market participants would consider in setting the price, and is consistent with accepted economic methodologies for pricing financial instruments.

Assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price. Where the Bank and the Group have positions with offsetting risks, mid-market prices are used to measure the offsetting risk positions and a bid or asking price adjustment is applied only to the net open position as appropriate. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk.

3. Material accounting policies, continued

(ii) Investment property and owner's occupied buildings

The fair value of property is based on internal valuations performed by the Bank and the Group that are, on a regular basis (once per year or when market conditions significantly change), corroborated with external, independent valuations prepared by valuation companies, having appropriate professional qualifications and recent experience in the location and category of property being valued. The fair values are based on market values, being the estimated amount for which property could be sold on the date of the valuation between willing buyer and a willing seller in an arm's length transaction after proper marketing where the parties had each acted knowledgeably and willingly. In the year when property is obtained, purchase price could be accepted as fair value.

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows then is applied to the net annual cash flows to arrive at the property valuation. Valuations reflect, when appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, the allocation of maintenance and insurance responsibilities between the Group and the lessee, and remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices, and when appropriate counter-notices, have been served validly and within the appropriate time.

(e) Cash and cash equivalents

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

(f) Financial instruments

(i) Classification

The Bank and the Group initially recognise a financial asset or a financial liability in its balance sheet when, and only when the Bank and the Group becomes a party to the contract.

All financial assets are classified based on a combination of the business model for managing the assets and the instruments' contractual cash flow characteristics.

Under IFRS 9, financial assets are classified into the following categories:

- Financial assets at amortized cost (AMC)
- Financial assets at fair value through other comprehensive income (FVOCI),
- Financial assets at fair value through profit or loss (FVTPL).

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- and the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Group and the Bank may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment-by-investment basis.

All other financial assets are mandatorily measured at FVTPL.

Business model assessment

The Bank and the Group made an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

In general, the business model assessment of the Group and the Bank can be summarized as follows:

- Loans and receivables have a "held to collect" business model. The financial assets consist of loans and balances with financial institutions. The management and reporting of performance are based on collecting the contractual cash flows.
- The Bank and the Group has portfolios of bonds within the "held to collect" business model, the "held to collect and sell" business models and "other" business models.
- Financial assets that are held for trading and those that are managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Assessment whether contractual cash flows are solely payments of principal and interest

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank and the Group consider the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank and the Group consider:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group's claim to cash flows from specified assets - e g. non-recourse asset arrangements; and
- features that modify consideration for the time value of money - e.g., periodic reset of interest rates.

The Bank and the Group classifies all financial liabilities as subsequently measured at amortized cost, except for financial liabilities at fair value through profit or loss. Such liabilities, including derivatives that are liabilities, are subsequently measured at fair value.

(ii) Measurement

A financial asset or liability is initially measured at its fair value and, except for a financial asset or liability at fair value through profit or loss, includes transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions with the same instrument (i.e., without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognised in the profit or loss on an appropriate basis over the life of the instrument but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

Subsequent to initial recognition, financial assets other than financial assets and financial liabilities measured at amortised cost, are measured at their fair values, without any deduction for transaction costs that may be incurred on sale or other disposal.

All debt securities measured at amortised cost, loans and receivables and financial liabilities at amortised cost are measured at amortised cost. Amortised cost is calculated using the effective interest method. Premiums and discounts, including initial transaction costs, are included in the carrying amount of the related instrument and amortised based on the effective interest rate of the instrument.

Loss allowance for expected credit losses on financial assets that are measured at amortised cost or at fair value through other comprehensive income is recognised in accordance with note 3 (l).

(iii) Gains and losses on subsequent measurement

A gain or loss arising from a change in the fair value of a financial asset or liability is recognised as follows:

- a gain or loss on a financial asset classified as at fair value through profit or loss is recognised in profit or loss;
- a gain or loss on debt securities classified as at fair value through other comprehensive income is recognised in fair value reserve through other comprehensive income (except for impairment losses and foreign exchange gains or losses on monetary assets) until the asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss. Interest in relation to debt securities classified as at fair value through other comprehensive income is recognised as earned in profit or loss (net interest income) calculated using the effective interest method.
- equity investments classified at fair value through other comprehensive income are subsequently measured at fair value. Dividends are recognised as income in profit or loss. Other net gains or losses are recognised in other comprehensive income and are never reclassified to profit or loss

For financial assets and liabilities carried at amortised cost, a gain or loss is recognised in profit or loss when the financial asset or liability is derecognised including the instances where the terms change substantially or impaired, and through the unwinding of interest using the effective interest rate method.

Regular way purchases and sales of financial assets are accounted for at settlement date.

(iv) Derecognition

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire or when the Bank and the Group transfer substantially all of the risks and rewards of ownership of the financial asset or when the Bank and the Group neither transfer, nor retain substantially all risks and rewards of ownership but does not retain control of the financial asset. Any interest in transferred financial assets that qualifies for derecognition that is created or retained by the Bank and the Group is recognised as a separate asset or liability. A financial liability is derecognised when it is extinguished.
On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset transferred), and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

(v) Derivative financial instruments

Derivative financial instruments include swaps, forwards, futures, and options in interest rate, foreign exchange, precious metals and stock markets, and any combinations of these instruments. The Bank and the Group classify all derivative financial instruments as financial instruments at fair value through profit or loss.
Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. All derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

(vi) Offsetting

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

(g) Leases

At inception of a contract, the Group and the Bank assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group and the Bank uses the definition of a lease in IFRS 16.

The Bank and the Group as lessee

At commencement or on modification of a contract that contains a lease component, the Group and the Bank allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.
The Group and the Bank recognise a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

3. Material accounting policies, continued

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group and the Bank by the end of the lease term or the cost of the right-of-use asset reflects that the Group and the Bank will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group uses the practical expedient of low-value items where any item generating cash outflows of less than EUR 5 thousand during the lease term is expensed as incurred with no right-of-use asset or lease liability recognition.

The bank and the Group as lessor

When the Group and the Bank acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group and the Bank makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

(h) Property and equipment

(i) Owned assets

Items of property and equipment are carried at cost less accumulated depreciation, less accumulated impairment losses, except for land and buildings which are carried at revalued amounts as described below. Cost is the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire an asset at the time of its acquisition or construction. The cost includes expenditures that are directly attributable to the acquisition of the asset.

Where an item of property and equipment comprises, major components having different useful lives, they are accounted for as separate items of property and equipment.

(ii) Revaluation

Land and buildings of the Bank and the Group are subject to revaluation on a regular basis. The frequency of revaluation depends upon the movements in the fair values of the land and buildings being revalued. A revaluation increase on an item of land and building is recognised in equity through other comprehensive income except to the extent that it reverses a previous revaluation decrease recognised in profit or loss, in which case it is recognised in profit or loss.

A reduction in the value on an item of land or buildings is recognised in profit or loss except to the extent that it reverses a previous revaluation increase recognised in other comprehensive income, in which case it is recognised in other comprehensive income.

(iii) Depreciation

Depreciation is charged to the statements of profit or loss on a straight-line basis over the estimated useful lives of the individual assets. Depreciation commences on the date when the asset becomes available for use or, in respect of internally constructed assets, from the time an asset is completed and ready for use. Land is not depreciated. Depreciation methods, useful lives and residual values are reviewed annually. The estimated useful lives are as follows:

Buildings	50 years
Equipment	2.5 to 10 years
Furniture	8-18 years
Safe deposit boxes	20 years
Vehicles	8-20 years

(i) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business or services or for administrative purposes. Investment property is measured at fair value with any change therein recognised in profit or loss in other operating income.

(j) Repossessed collateral

If the borrower fails to fulfil the contractual obligations, the Bank may decide that the loan agreement will be terminated and that the right to collateral pledged as security, will be exercised. According to Latvian law, the Bank and the Group cannot assume formal title of the pledged asset directly, but can initiate an auction, the proceeds of which will be used to repay or partly repay the outstanding loan receivable.

When the Group and Bank acquires (i.e., gains a full title to) an asset by participating in the auction, the asset's classification follows the nature of its intended use by the Group and the Bank:

- as investment property if property will be held either to earn rental income or for capital appreciation or for both;
- as property and equipment if it will be occupied by the Group and the Bank,
- as non-current asset held for sale if the carrying amount will be recovered through a sale rather than continuing use and the management has committed to an active plan that it is expected to result in a complete sale within one year from the date of the classification.

(k) Intangible assets

Intangible assets, which are acquired by the Bank and the Group, are stated at cost less accumulated amortisation and impairment losses. Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Amortisation is charged to the statements of profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives are 6-10 year, except for some software licences up to 30 years.

(l) Measurement of expected credit losses on financial assets

The Group and the Bank uses the three-stage expected credit loss impairment model according IFRS 9 for loans and receivables due from customers and due from banks, financial guarantees and loan commitments, and bonds measured at amortised cost or fair value through other comprehensive income. The impairment charge for expected credit losses depends on whether the credit risk has increased significantly since initial recognition.

Under IFRS 9, loss allowances are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

The Group and the Bank have established a policy according to which the assessment of asset quality is performed regularly, but not less frequently than quarterly and whenever the Bank receives information indicating that a significant increase or decrease in credit risk has occurred or is expected, taking into account the risk of default during the remaining life of the financial instrument.

3.Material accounting policies, continued

The Bank and the Group classify loans and receivables, financial guarantees and off-balance sheet commitments, debt securities at amortised cost or fair value through comprehensive income in stage 1, stage 2 and stage 3 based on the impairment measurement methodology described below:

- Stage 1 - - assets for which the credit risk has not increased significantly since initial recognition because no problems are expected to arise in meeting the borrower's cash flow obligations because current and future cash flows are sufficient to meet the obligations. The Bank and the Group recognise provisions based on twelve months of expected credit losses;

- Stage 2 - assets for which there is a significant increase in credit risk after initial recognition but no objective evidence of impairment. Regardless of how the asset is assessed for a significant increase in credit risk, if an asset is more than 30 days past due in its contractual payments, the asset is considered to have a significant increase in credit risk. The Bank and the Group make provisions for expected credit losses over the life of the contract, the calculation of interest income is the same as for Stage 1;

- Stage 3 - assets that have objective evidence of impairment at the measurement date, i.e. they are determined to be in default and/or are designated as non-performing. For these loans, the Bank and the Group recognise expected credit losses over the life of the contract. Life-cycle ECLs are recognised in the same way as in Stage 2

The Bank and the Group record impairment for FVOCI debt securities depending on whether they are classified as Stage 1, 2, or 3, as explained above. However, the expected credit losses do not reduce the carrying amount of these financial assets in the statements of financial position, which remain at fair value. Instead, an amount equal to the allowance that would arise if the asset were measured at amortized cost is recognized in OCI as an accumulated impairment amount, with a corresponding charge to profit or loss.

Significant increase in credit risk (transfer from stage 1 to stage 2)

The classification of balances between stage 1 and stage 2 for the purpose of calculating expected credit losses depends on whether the credit risk has increased significantly since initial recognition. The Group and the Bank considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s and the Bank’s historical experience and expert credit assessment and including forward-looking information.
The assessment of whether credit risk has increased significantly since initial recognition for loans and receivables due from customers is performed on collective basis by considering overdue period and credit risk grade migration:
Stage 1 includes loans with below 31 overdue days and loans not defined by Stage 2 or Stage 3;
Stage 2 includes loans that are more than 30 but less than 91 days past due and loans complying to signs of SICR according to Bank Watchlist.
For the Group's subsidiary SIA “InCREDIT GROUP”, the determination of whether there has been a material increase in credit risk since the initial recognition of loans and receivables is made based on overdue days basis, taking into account the past due period. Loans and receivables that are more than 30 days past due are reclassified to Stage 2.
Stage 3 (credit-impaired assets)
Assets are moved from Stage 2 to Stage 3 when they are impaired. A financial asset is impaired if one or more events have occurred that adversely affect the estimated future cash flows of the financial asset. Evidence that a financial asset is credit-impaired includes observable inputs such as:
- the borrower's continuing and significant financial difficulties;
- a continuing and material breach of the terms of the loan agreement, such as a default or delinquency of more than 90 days;
- Restructuring of a loan granted by the Bank with conditions that the Bank would not normally consider;
- it becomes probable that the borrower will enter bankruptcy proceedings or other financial reorganisation;
- the acquisition or creation of a financial asset at a deep discount that reflects the resulting credit loss;
- a combination of other events that causes the credit value of a financial asset to decline.
All financial assets that are credit impaired are classified as Stage 3 exposures.

3. Material accounting policies, continued

The Group and the Bank determine the expected credit losses individually for loans classified as exposures to non-performing loans (NPL), loans with country of risk Russia, Belarus or Ukraine, loans to subsidiaries and loans with contractual amounts equal to or greater than EUR 9 million or USD 9 million

For bonds measured at amortized cost or fair value through other comprehensive income and Deposits and balances due from banks assessment of increase in credit risk is performed by considering composite credit rating (equally weighted blend of the ratings of a security by Moody's, S&P, Fitch and DBRS). Decrease in credit rating by more than 3 notches since the acquisition date is considered as a significant increase in credit risk and bond is transferred from stage 1 to stage 2. Bond is transferred from stage 2 to stage 3 when it becomes credit-impaired. Low credit risk exemption is not used by the Group and the Bank.

Credit risk grades

To assess credit risk and justify the capital required to cover it, an internal rating system is used, which includes a probability of default risk classification scale that assigns each exposure to one of 5 internal rating categories, where rating A corresponds to the lowest level of risk and rating E to default status. The internal rating reflects the Bank's estimated view of the Borrower's ability to meet its financial obligations to the Bank on time and in full.

The Bank's rating methodologies ensure that credit rating parameters are continuously updated. Such updating is achieved through annual adjustments to the methodologies as a result of clarification of the specific weights of the factors, sub-factors and modifiers used, as well as through the methodology review process carried out by Bank staff.

An internal rating is assigned to each exposure at initial recognition based on an analysis of qualitative and quantitative factors and experience-based judgements. Throughout the life cycle of the exposure, borrowers' credit risk and credit quality are monitored on a regular basis to identify early any changes in their risk profile, financial position or credit standing compared to the criteria and assessment at origination.

The basic data for the assignment of a credit rating are information submitted by a potential or existing borrower, statements and equivalent information from databases (which include data on financial liabilities and arrears, taxpayer status, tax liabilities and historical information on the existence of tax arrears and other financial and non-financial information.

The key parameters for the measurement of ECL for the Group and the Bank are the term structures of the following variables:

- probability of default (PD);
- loss given default (LGD);
- forward-looking adjustment (FLI);
- credit conversion factor (CCF); and
- the exposure amount (exposure) at default (EAD).

The expected credit losses for Stage 1 are calculated by multiplying the 12-month PD by the LGD, FLI and EAD. Life-cycle expected credit losses (for Stage 2) are calculated by multiplying the life-cycle PD by LGD and EAD. Expected credit losses for off-balance sheet commitments are calculated by multiplying the 12-month or life-cycle PD by LGD, FLI, CCF and EAD, respectively.

The ECL for exposures in Step 3 is calculated on an individual basis. The calculation of expected credit losses (ECL) for these loans is based on estimates of expected future cash flows discounted using an interest rate, the Bank's historical haircuts and recovery periods, as well as factors specified in Regulation (EU) 2019/630.

If the Bank's estimate of expected credit losses (ECL) using historical haircuts is lower than the estimate using the ratios set out in the Regulation, the Bank shall make a Tier 1 capital adjustment for the difference. This approach is consistent with IFRS 9 and the Credit Risk Management Framework, which requires accurate, forward-looking provisioning for each ECL on an individual basis.

3. Material accounting policies, continued

The table below shows how the stages and days past due are related to PD in the Bank's loan portfolio.

Group 1 - includes loans to retail customers with an initial contractual amount of up to EUR 9 million, excluding loans with a risk country Russia, Belarus and Ukraine, as well as loans in Stage 3.

Group 1 PD, LGD and FLI ratios

		2024				2023			
Stage	**Delay**	**PD**	**LGD**	**FLI**	**Coverage Ratio**	**PD**	**LGD**	**FLI**	**Coverage Ratio**
1	0	3.85%	55.64%	130.00%	2.79%	3.67%	54.20%	130.15%	2.59%
	1-30	9.12%	55.64%	130.00%	6.60%	8.64%	54.20%	130.15%	6.10%
2	0	13.19%	55.64%	130.00%	9.54%	13.03%	54.20%	130.15%	9.19%
	1-30	17.56%	55.64%	130.00%	12.70%	17.50%	54.20%	130.15%	12.34%
	31-60	25.83%	55.64%	130.00%	18.69%	24.80%	54.20%	130.15%	17.49%
	61-90	52.51%	55.64%	130.00%	37.98%	42.50%	54.20%	130.15%	29.98%

Group 2 - includes loans to companies with an initial contractual amount of up to EUR 9 million, excluding loans to the Bank's subsidiaries and loans granted in Russia, Belarus and Ukraine, as well as loans in Stage 3.

Group 2 PD, LGD and FLI ratios

		2024				2023			
Stage	**Delay**	**PD**	**LGD**	**FLI**	**Coverage Ratio**	**PD**	**LGD**	**FLI**	**Coverage Ratio**
1	0	6.58%	25.93%	130.00%	2.22%	6.50%	23.95%	130.15%	2.03%
	1-30	24.24%	25.93%	130.00%	8.17%	24.19%	23.95%	130.15%	7.54%
2	0	23.31%	25.93%	130.00%	7.86%	23.58%	23.95%	130.15%	7.35%
	1-30	29.07%	25.93%	130.00%	9.80%	29.19%	23.95%	130.15%	9.10%
	31-60	52.51%	25.93%	130.00%	17.70%	52.03%	23.95%	130.15%	16.22%
	61-90	57.39%	25.93%	130.00%	19.35%	56.81%	23.95%	130.15%	17.71%

Group 3 - includes loans to corporates with an initial contract amount that exceeds EUR 9 million, excluding loans to Bank’s subsidiaries and loans granted in Russia, Belarus and Ukraine. ECL for exposures in Group 3 is calculated individually, depending on the selected principle of projected cash flow calculation. For bonds measured at amortized cost or fair value through other comprehensive income composite credit rating is calculated in accordance with Regulation No 575/2013 of the European Parliament and of the Council using data provided by rating agencies.

31.12.2024

Grading	12-month weighted-average PD
AAA to AA-	0.01%
A+ to BBB-	0.08%
BB+ to C	1.45%
Default	100.00%

31.12.2023

Grading	12-month weighted-average PD
AAA to AA-	0.01%
A+ to BBB-	0.10%
BB+ to C	2.00%
Default	100.00%

These parameters are derived from historical data and internally approved statistical models. They are adjusted to reflect forward-looking information.

3. Material accounting policies, continued

PD estimates are estimates at a certain date, which is calculated based on statistical rating models and assessed using rating tools tailored to the various categories of counterparties and exposures. These statistical models are based on internally compiled data comprising both quantitative and qualitative factors. Credit risk grades and overdue periods are primary inputs into the determination of the term structure of PD for exposures. The Group and the Bank employ statistical models to analyse the data collected and generate estimates of the remaining lifetime PD of exposures.

The definition of default used in the measurement of expected credit losses and the assessment to determine movements between stages is consistent with the definition of default used for internal credit risk management purposes and is aligned with CRR (Capital Requirements Regulation). Hence, exposures which are considered to be in default for regulatory purposes will always be considered stage 3 under IFRS 9.

The Bank considers a financial asset to be defaulted when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as collateral realisation;
- the borrower is more than 90 days past due on credit obligation to the Bank (excluding technical default caused by manual or system errors).

Financial asset is no longer considered defaulted when specific time period has passed (probation period - in some instances up to 2 years) from the moment when all identified default factors are no longer observed. Significant forbearance measures are within risk factors for which an extended monitoring period applies.

LGD is the magnitude of the likely loss if there is a default. The Group and the Bank estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties. The LGD models consider the structure, collateral, seniority of the claim, counterparty industry and recovery costs of any collateral that is integral to the financial asset. They are calculated on a discounted cash flow basis using the effective interest rate as the discounting factor. EAD represents the expected exposure in the event of a default. The Group and the Bank incorporates forward-looking information into the measurement of ECL. For detailed description and the sensitivity analysis see note 5.

Other financial assets

For other financial assets the Group and the Bank determines the expected credit losses individually. The classification of balances between stage 1, 2 and 3 is based on overdue days and additional qualitative indicators available. Other financial assets with overdue period above 90 days and taking into account other qualitative indicators on impairment are classified in stage 3.

Modification

When financial asset is modified, the Group and the Bank assesses whether the modification results in derecognition. This depends on whether the changes to the contractual cash flows are significant or not. If changes are significant, the modification is accounted for as derecognition of the original asset and recognition of a new asset. If the changes are not significant, the modification is accounted for as a modification of the original loan.

The assessment is based on the following considerations:

- an assessment of whether the modification is caused as a forbearance measure (when borrower is in financial difficulties) or made on commercial terms;
- an assessment of the difference between net present values of contractual cash flows before and after modification. In general, 10% change would count as significant change.

If the financial asset is not derecognised, the difference between the net present value of the original contractual cash flow and the modified contractual cash flows is recognised in the income statement as a modification gain or loss. When modification results in de-recognition, a derecognition gain or loss is recognised in the income statement. A new loan is recognised in stage 1 at initial recognition, unless the new loan is credit-impaired at initial recognition.

If a modification is carried out because of financial difficulties of the borrower, then the gain or loss is presented together within impairment losses.

The Group and the Bank derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in profit or loss.

3. Material accounting policies, continued

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- loan commitments and financial guarantee contracts: generally, as a provision;
- debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Write off

The gross carrying amount of a financial asset is written off when the Group and the Bank has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Group and the Bank individually makes an assessment with respect to the timing and amount of write-off based on whether there is a reasonable expectation of recovery.

The indicators that there are no reasonable expectations of recovering a financial asset include:

- the financial asset is past due, and no recoveries are expected for the asset;
- ECL is recognised and there are no changes in the status of the financial asset for more than a year.

The Group and the Bank expects no significant recovery from the amount written off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's and the Bank's procedures for recovery of amounts due.

Recoveries of amounts previously written off are presented in note 12 - Other income, Recovery of assets written off.

(m) Impairment of non-financial assets

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

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis. The cash-generating units for non-financial assets impairment testing are payment card business and non-banking activities on individual subsidiaries level.

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

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

(n) Provisions

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

Loss allowance for expected credit losses in accordance with IFRS 9 on loan commitments and guarantee contracts is recognised as provisions. For methodology of calculation refer to note 3(l).

(o) Credit related commitments and non-financial guarantees

In the normal course of business, the Bank and the Group enter into credit related commitments, comprising undrawn loan commitments, letters of credit and financial and non-financial guarantees.

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

Loan commitments are firm commitments to provide credit under pre-specified terms and conditions.

A financial guarantee liability is recognised initially at fair value net of associated transaction costs, and is measured subsequently at the higher of the amount initially recognised less cumulative amortisation or the amount of provision for losses under the guarantee.

Other loan commitments and non-financial guarantees issued are measured at the sum of the provision for losses recognized and the amount of any fees received, less, if the commitment is unlikely to result in a specific lending arrangement, the cumulative amount of income recognized.

(p) Taxation

(i) Current tax

Current tax for the reporting year is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Effective as of 1 January 2018, according to the Law on Enterprise Income Tax of the Republic of Latvia, the tax rate 20% is deferred to when the profit is distributed and calculated as 0.2/0.8 from net distributed dividend, the taxation period is one month.

The taxable base includes:

- distributed profit (dividends calculated, payments equivalent to dividends, conditional dividends) and
- conditionally distributed profit (non-operating expenses, doubtful debts, increased interest payments, loans to related parties, decrease of income or exceeded expenses which are incurred by entering transactions at prices other than those on the market that should be calculated using the methodology determined by the Cabinet of Ministers, benefits bestowed by the non-resident upon its staff or board (council members) regardless of whether the receiving party is a resident or a non-resident, if they relate to the operation of a permanent establishment in Latvia, liquidation quota).

In 2023, changes were introduced to the corporate income tax (CIT) legislation in Latvia, providing for advance CIT payable at a rate of 20% of accounting profit applicable to banks and non-bank lenders. These advance CIT payments can only be offset against future profit distribution tax payable.

The changes in tax legislation require advance payment of CIT based on the profit earned by banks and other non-bank lenders in Latvia, starting from 2023 and applicable in all future periods. Therefore, the amount of advance CIT that will need to be paid based on the profit for 2024 is expensed in the reporting period based on the requirements of IAS 12 Income Taxes, since the applicable profit on which the CIT is calculated is generated in the reporting period, although the advance income tax can be offset against the CIT calculated on the distribution of future profits.

For distributions of 2023 and later period profits from banking and non-bank lending operations in Latvia a theoretical 20% CIT rate would apply and would be calculated as 0.2/0.8 from net distributed dividend (effectively 25%), but the profit distribution tax payment would be decreased by the CIT advance already paid in 2023 and later period profits. This incremental profit distribution tax expense on 2023 and later period profits would arise only if the CIT calculated upon profit distribution exceeded the CIT advance paid.

3. Significant accounting policies, continued

(ii) Deferred tax

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

According to the changes in Latvian tax legislation that became effective in 2023, the Bank and the Group's company SIA "InCREDIT GROUP" have to calculate and recognise the enterprise income tax in advance, before payment of dividends in the reporting year.

Thus deferred tax is calculated for the Bank and SIA "InCREDIT GROUP" as described above.

According to Law on Enterprise Income Tax of the Republic of Latvia, for other Latvian companies of the Group, apart from the Bank and SIA "InCREDIT GROUP", the 20% rate is only applied to distributed profits, while the 0% rate applied to retained earnings. Therefore, deferred tax assets and liabilities are recognisable as nil. However, in consolidated financial statements Group recognizes deferred tax liabilities at 20% rate on the accumulated retained earnings of the subsidiaries that the Bank (as their controlling shareholder) plans to distribute as dividends in the near future.

(q) Income and expense recognition

(i) Interest income and expense

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability. When calculating the effective interest rate, the Bank and the Group estimate future cash flows considering all contractual terms of the financial instruments, but not future credit losses.

Fees and commission income and expenses that are integral part to the effective interest rate on financial assets and liabilities are included in the measurement of the effective interest rate.

(ii) Fee and commission income and expense

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Group and the Bank recognise revenue when control over a service is transferred to a customer.

Cards, payments and transactions - revenue from account service and servicing fees is recognised over time as the services are provided. Revenue related to transactions is recognised at the point in time when the transaction takes place.

Asset management, custody and operations with securities - revenue from asset management and custody service is recognised over time as the services are provided. Revenue related to transactions with securities is recognised at the point in time when the transaction takes place.

(iii) Net gain/loss on financial assets at fair value through profit or loss

Net gain/loss on financial instrument at fair value through profit or loss comprises gains less losses related to trading assets and liabilities and derivatives held for risk management purposes, and includes realised and unrealised fair value changes and foreign exchange differences.

(r) Dividends

The Bank and the Group receive dividends from the equity instruments that are recorded to income when the right to receive payment is established. Proposed dividends are recognised in the financial statements only when approved by shareholders.

(s) Employee benefits

Short term employee benefits, including salaries and social security contributions, bonuses and vacation benefits are included in general administrative expenses. The Bank and The Group pay fixed security contributions to the State Social Fund on behalf of its employees during the employment period in accordance with local legal requirements.

(t) Non-current assets held for sale

Non-current assets that are expected to be recovered primarily through sale or distribution rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with Group's and Bank's accounting policies. Thereafter the assets are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as non-current assets held for sale and subsequent gains and losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Once classified as held for sale, assets are no longer depreciated.

(u) Changes in accounting policies

Except for the changes below, the Group and the Bank have consistently applied the accounting policies set out in Note 3 to all periods presented in these separate and consolidated financial statements.

Standards issued or amended that affected financial year

The Group and Bank have no transactions that are affected by the newly effective standards or amendments to standards or its accounting policies are already consistent with the new requirements.

Standards issued but not yet effective

A number of new standards or amendments to standards are effective (some of which are not yet been endorsed by EU) for annual periods beginning after 1 January 2024 and earlier application is permitted; however, the Group and Bank has not early adopted the new standards or amended standards in preparing these consolidated financial statements.

Effective date	New accounting standard or amendments	EU endorsed
1 Jan 2025	Lack of Exchangeability (Amendments to IAS 21);	12 November 2024
1 Jan 2026	Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7);	In progress
1 Jan 2026	Annual Improvements to IFRS Accounting standards Volume 11 (issued on 18 July 2024)	In progress
1 Jan 2027	IFRS 18 *Presentation and Disclosure in Financial Statements* (issued on 9 April 2024)	In progress
1 Jan 2027	IFRS 19 *Subsidiaries without Public Accountability: Disclosures* (issued on 9 May 2024	In progress

The Bank is currently assessing the potential impact of aforementioned new and amended standards on the consolidated financial statements.

4. Risk management

(a) Risk management policies and procedures

Risk management is an integral part of the business planning process, in which the Management Board and the Supervisory Council are closely involved. Its main objective is to achieve an optimal balance between risk-related losses and potential rewards over the medium and long term, and to ensure compliance with the defined risk appetite, tolerance and capacity levels.

The Bank and the Group are constantly working to improve risk management and to meet the challenges posed by the volatile market, geopolitical and macroeconomic environment, as well as the increasing complexity resulting from the changing regulatory framework. To ensure this, the Group's and the Bank's apply a three-line of defence model across all functions, defining clear roles and responsibilities, developing and continuously improving the risk management framework, organizing internal and external training, segregating duties, implementing dual controls and the four-eyes principle, and avoiding or escalating potential conflicts of interest.

In addition, the Bank and the Group ensure that all material risks are identified, assessed, monitored, managed and controlled. The second line of defence, including the Credit Risk Department, Enterprise Risk Management Department, Information Security Division, Compliance Control Department and Anti-Financial crime department, is an independent control function responsible for ensuring that the Bank and the Group have an appropriate risk management system in place and for verifying that all structural units operate in accordance with this system.

This note provides information on the Bank's and the Group's exposure to each risk, the Group's and the Bank's objectives, framework and processes for measuring and managing risk.

The Bank's and the Group's risk management and control policies are regularly reviewed to reflect changes in the regulatory environment, market conditions, processes, products and services offered, as well as the learning of new best practices and experience.

- The Board has overall responsibility for overseeing the Bank's and Group's risk management framework, including the management of key risks and the development, review, maintenance and approval of risk management and control policies for significant exposures.

- The Board of the Bank is responsible for implementing risk management and control procedures, implementing and monitoring risk identification and prevention measures and ensuring that the Bank and the Group operate within the established risk appetite framework.

- The Chief Risk Officer is responsible for the overall monitoring and control of risks, ensuring that uniform principles and methods are in place for the identification, assessment, monitoring, management and control of both financial and non-financial risks. The Chief Risk Officer reports directly to the Bank's Supervisory Board.

In order to improve risk management, control and supervision, the Bank establishes committees, including:

- The Credit Committee oversees the credit risk of the loan portfolio;

- The Assets and Liabilities Committee oversees liquidity risk, market risk, credit risk inherent in the securities portfolio, interest rate risk and credit spread risk in the non-trading portfolio, as well as the review of related reports and limits;

- Environmental, social and governance risks related to sustainability shall be under the supervision of the Sustainability Committee;

- The Compliance Committee shall oversee money laundering, terrorism and proliferation financing and sanctions risk.

(b) Credit risk

Credit risk is the risk that the Bank and/or Group may incur losses due from a borrower, an issuer and/or a counterparty, which will not be able or will refuse to fulfil its liabilities under contractual provisions against the Bank and/or Group. The Bank and Group divides credit risk into such sub-types as Credit portfolio credit risk, Counterparty's and issuer's credit risk and country risk. The Bank and the Group have developed policies and procedures to manage and control credit risk. The Group's and the Bank's credit policy and Risk management policy are reviewed and approved by the Council of the Bank.

4. Risk management, continued

Lending Department, Treasury Department and Financial Markets Department are responsible for credit risk management under the first line of defence, while the Credit Risk Management ensures independent control and supervision of the second line of defence. The Bank has a Credit Committee chaired by the Chairman of the Board. The Credit Committee reviews loan applications from potential or existing borrowers on the basis of applications from the Credit Administration and the independent second line of defence risk conclusions of the Credit Risk Management.

In addition, the Bank has a Credit Review Committee chaired by the Head of Credit Risk Control. The Committee is responsible for the following matters:

- an assessment of future cash flow scenarios for the Bank's subsidiaries, as well as assumptions and parameters;
- review and approval of the Watch-list;
- assessing and confirming the materiality of early warning signs and signs that may indicate default;
- consideration and approval of market and recovery expense haircuts and collateral sales periods;
- updating the PD, LGD, FLI, CCF ratios used in the loan portfolio and securities portfolio provisioning calculations, including verification of the results obtained and the impact of changes in the calculated ratios on the collective provisioning level;
- proposals for changes to individual provisions for debtors.

The Bank and the Group use a range of risk indicators to measure, monitor and control credit and related concentration risk, including Business Recovery Plan indicators, Contingency Funding Plan indicators, risk appetite, tolerance and capacity levels, risk limits and key risk indicators. These risk indicators are regularly monitored and calibrated.

In addition, as part of credit risk management, the Bank and the Group use a wide range of stress tests to model the financial impact of various adverse scenarios, segmenting portfolios by currency, region, collateral and quality. They provide an indication of the potential magnitude of losses that could arise in different circumstances. The Bank also calculates capital requirements for concentration risk.

See Annex 4(l) for further details.

The Bank's and the Group's maximum exposure to credit risk is set out below. The impact of possible offsetting of assets and liabilities to reduce potential credit exposure is not significant.

Maximum credit risk exposure

		Gross maximum credit exposure			
31 December	**Note**	**Group**	**Bank**	**Group**	**Bank**
EUR'000		**2024**	**2024**	**2023**	**2023**
Cash and balances with the Bank of Latvia	16	248 161	248 143	350 366	350 330
Deposits and balances due from banks, gross	17	17 581	16 046	14 060	13 528
Loans and receivables due from customers, gross	19	687 553	725 744	651 761	692 155
Financial assets at fair value through profit or loss	18	(2 402)	(2 402)	9	9
Financial assets at fair value through other comprehensive income	20	213 310	213 310	268 384	268 384
Debt securities at amortised cost, gross	19	49 751	49 751	61 390	61 390
Other financial assets		5 773	10 744	5 525	11 179
Total financial assets		**1 219 727**	**1 261 336**	**1 351 495**	**1 396 975**
Loan commitments	34	90 006	111 016	52 229	60 010
Financial guarantees	34	18 737	18 737	16 566	16 566
Total guarantees and commitments		**108 743**	**129 753**	**68 795**	**76 576**
Total maximum credit risk		**1 328 470**	**1 391 089**	**1 420 290**	**1 473 551**

4. Risk management, continued

The following table sets out information about the credit quality of loans and receivables due from customers, financial assets measured at amortised cost and debt investments at fair value through other comprehensive income. Explanation of the terms 'Stage 1', 'Stage 2' and 'Stage 3' and expected credit losses included in note 4 (l).

The Group's subsidiaries SIA "InCREDIT GROUP" and Rietumu Lizing OOO determines whether credit risk has increased significantly since initial recognition for loans and receivables due from customers based on overdue days by considering overdue period Receivables that are more than 30 days past due are transferred to stage 2. Loans and receivables that are more than 30 days past due are moved to stage 2. Commitments and guarantees in stage 3 consist of conditional limit that cannot be withdrawn without Bank's approval thus no ECL for stage 3 recognised.

Loans and receivables due from customers

31 December 2024

The Group

EUR'000	Gross amount				Expected credit losses and provisions				Carrying amount			
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
Loans												
Individual	273 888	79 606	145 369	2 052	(3 757)	(2 354)	(17 532)	(247)	**270 131**	**77 252**	**127 837**	**1 805**
Collective	98 995	12 763	-	-	(1 470)	(810)	-	-	**97 525**	**11 953**	**-**	**-**
SIA "InCREDIT GROUP"	67 822	909	4 084	-	(697)	(313)	(3 270)	-	**67 125**	**596**	**814**	**-**
OOO Rietumu Lizing	1 893	-	172	-	(14)	-	(27)	-	**1 879**	**-**	**145**	**-**
Loans Total	**442 598**	**93 278**	**149 625**	**2 052**	**(5 938)**	**(3 477)**	**(20 829)**	**(247)**	**436 660**	**89 801**	**128 796**	**1 805**
Commitments and Guarantees												
Individual	27 901	46 420	1 155	-	(25)	(286)	-	-	**27 876**	**46 134**	**1 155**	**-**
Collective	32 961	197	-	-	(323)	-	-	-	**32 638**	**197**	**-**	**-**
SIA "InCREDIT GROUP"	92	1	16	-	-	-	-	-	**92**	**1**	**16**	**-**
Commit-ments and Guarantees	**60 954**	**46 618**	**1 171**	**-**	**(348)**	**(286)**	**-**	**-**	**60 606**	**46 332**	**1 171**	**-**

The Bank

EUR'000	Gross amount				Expected credit losses and provisions				Carrying amount			
	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI	Stage 1	Stage 2	Stage 3	POCI
Loans												
Individual	327 276	116 421	168 236	2 052	(3 944)	(3 561)	(27 270)	(247)	**323 332**	**112 860**	**140 966**	**1 805**
Collective	98 995	12 764	-	-	(1 469)	(810)	-	-	**97 526**	**11 954**	**-**	**-**
Loans Total	**426 271**	**129 185**	**168 236**	**2 052**	**(5 413)**	**(4 371)**	**(27 270)**	**(247)**	**420 858**	**124 814**	**140 966**	**1 805**
Commitments and Guarantees												
Individual	34 601	48 957	13 037	-	(100)	(286)	-	-	**34 501**	**48 671**	**13 037**	**-**
Collective	32 961	197	-	-	(323)	-	-	-	**32 638**	**197**	**-**	**-**
Commit-ments and Guarantees Total	**67 562**	**49 154**	**13 037**	**-**	**(423)**	**(286)**	**-**	**-**	**67 139**	**48 868**	**13 037**	**-**

4. Risk management, continued

31 December 2023

The Group

EUR'000 Internal rating	Gross amount Stage 1	Gross amount Stage 2	Gross amount Stage 3	Gross amount POCI	Expected credit losses and provisions Stage 1	Expected credit losses and provisions Stage 2	Expected credit losses and provisions Stage 3	Expected credit losses and provisions POCI	Carrying amount Stage 1	Carrying amount Stage 2	Carrying amount Stage 3	Carrying amount POCI
Loans												
Individual	250 495	58 202	155 530	2 083	(2 718)	(993)	(19 590)	(468)	**247 777**	**57 209**	**135 940**	**1 615**
Collective	49 203	32 915	-	-	(781)	(1 839)	-	-	**48 422**	**31 076**	**-**	**-**
Financial Intermediary	35 184	-	-	-	(8)	-	-	-	**35 176**	**-**	**-**	**-**
SIA "InCREDIT GROUP"	59 433	552	2 793	-	(593)	(173)	(2 267)		**58 840**	**379**	**526**	**-**
OOO Rietumu Lizing	4 895	-	476	-	(33)	-	(83)		**4 862**	**-**	**393**	**-**
Loans Total	**399 210**	**91 669**	**158 799**	**2 083**	**(4 133)**	**(3 005)**	**(21 940)**	**(468)**	**395 077**	**88 664**	**136 859**	**1 615**
Commitments and Guarantees												
Individual	45 102	1 046	37 167	-	(92)	(1)	-	-	**45 010**	**1 045**	**37 167**	**-**
Collective	28 771	2 470	-	-	(258)	(131)	-		**28 513**	**2 339**	**-**	**-**
SIA "InCREDIT GROUP"	83	-	15	-	-	-	-	-	**83**	**-**	**15**	**-**
Commitments and Guarantees	**73 956**	**3 516**	**37 182**	**-**	**(350)**	**(132)**	**-**	**-**	**73 606**	**3 384**	**37 182**	**-**

The Bank

EUR'000 Internal rating	Gross amount Stage 1	Gross amount Stage 2	Gross amount Stage 3	Gross amount POCI	Expected credit losses and provisions Stage 1	Expected credit losses and provisions Stage 2	Expected credit losses and provisions Stage 3	Expected credit losses and provisions POCI	Carrying amount Stage 1	Carrying amount Stage 2	Carrying amount Stage 3	Carrying amount POCI
Loans												
Individual	329 803	59 961	183 006	2 083	(3 949)	(1 162)	(27 581)	(468)	**325 854**	**58 799**	**155 425**	**1 615**
Collective	49 203	32 915	-	-	(781)	(1 839)	-	-	**48 422**	**31 076**	**-**	**-**
Financial Intermediary	35 184	-	-	-	(8)	-	-	-	**35 176**	**-**	**-**	**-**
Loans Total	**414 190**	**92 876**	**183 006**	**2 083**	**(4 738)**	**(3 001)**	**(27 581)**	**(468)**	**409 452**	**89 875**	**155 425**	**1 615**
Commitments and Guarantees												
Individual	53 300	9 177	51 326	-	(101)	(1)	-	-	**53 199**	**9 176**	**51 326**	**-**
Collective	28 771	2 470	-	-	(258)	(131)	-	-	**28 513**	**2 339**	**-**	**-**
Commitments and Guarantees Total	**82 071**	**11 647**	**51 326**	**-**	**(359)**	**(132)**	**-**	**-**	**81 712**	**11 515**	**51 326**	**-**

Debt securities at amortised cost

31 December 2024

The Group and the Bank

EUR'000	Gross amount Stage 1	Gross amount Stage 2	Gross amount Stage 3	Expected credit losses Stage 1	Expected credit losses Stage 2	Expected credit losses Stage 3	Carrying amount Stage 1	Carrying amount Stage 2	Carrying amount Stage 3
Composite credit rating									
AAA to A-	2 886	-	-	-	-	-	**2 886**	**-**	**-**
BBB+ to BBB-	357	-	-	-	-	-	**357**	**-**	**-**
BB+ to B-	39 822	1 423	-	(478)	(48)		**39 344**	**1 375**	**-**
CCC+	-	-	5 263	-	-	(4 447)	**-**	**-**	**816**
Total	**43 065**	**1 423**	**5 263**	**(478)**	**(48)**	**(4 447)**	**42 587**	**1 375**	**816**

31 December 2023

The Group and the Bank

EUR'000	Gross amount Stage 1	Gross amount Stage 2	Gross amount Stage 3	Expected credit losses Stage 1	Expected credit losses Stage 2	Expected credit losses Stage 3	Carrying amount Stage 1	Carrying amount Stage 2	Carrying amount Stage 3
Composite credit rating									
AAA to A-	5 915	-	-	(1)	-	-	**5 914**	**-**	**-**
BBB+ to BBB-	1 528	522	-	(1)	(1)	-	**1 527**	**521**	**-**
BB+ to B-	44 785	4 645	-	(920)	(106)	-	**43 865**	**4 539**	**-**
CCC+	-	-	3 995	-	-	(2 751)	**-**	**-**	**1 244**
Total	**52 228**	**5 167**	**3 995**	**(922)**	**(107)**	**(2 751)**	**51 306**	**5 060**	**1 244**

4. Risk management, continued

Deposits and balances due from banks and Latvijas Banka

The Group, EUR '000

Composite credit rating	31 December 2024 Gross amount Stage 1	Expected credit losses Stage 1	Carrying amount Stage 1	31 December 2023 Gross amount Stage 1	Expected credit losses Stage 1	Carrying amount Stage 1
Balances due from the Bank of Latvia, total	**247 803**	**-**	**247 803**	**349 454**	**-**	**349 454**
Deposits and balances due from banks, total	**17 610**	**(29)**	**17 581**	**14 076**	**(16)**	**14 060**
AA to A-	9 584	-	**9 584**	7 298	-	**7 298**
BBB+ to B	3 002	(2)	**3 000**	3 495	-	**3 495**
CCC	1 698	(26)	**1 672**	973	(16)	**957**
Unrated	3 326	(1)	**3 325**	2 310	-	**2 310**

The Bank, EUR '000

Composite credit rating	31 December 2024 Gross amount Stage 1	Expected credit losses Stage 1	Carrying amount Stage 1	31 December 2023 Gross amount Stage 1	Expected credit losses Stage 1	Carrying amount Stage 1
Balances due from the Bank of Latvia, total	**247 803**	**-**	**247 803**	**349 454**	**-**	**349 454**
Deposits and balances due from banks, total	**16 075**	**(29)**	**16 046**	**13 544**	**(16)**	**13 528**
AA to A-	9 437	-	**9 437**	7 251	-	**7 251**
BBB+ to B	2 902	(2)	**2 900**	3 423	-	**3 423**
CCC	1 698	(26)	**1 672**	973	(16)	**957**
Unrated	2 038	(1)	**2 037**	1 897	-	**1 897**

Deposits and balances due from bank with rating CCC are balances in RU and BY banks that are held to maintain repayments of RU and BY loans.

4. Risk management, continued

Loan to value of Loans and receivables due from customers

The Group and the Bank holds collateral and other credit enhancements against certain of its credit exposures. The following table LTV is calculated as the ratio of the net carrying amount of the loans and receivables to the value of the collateral. The value of the collateral excludes any adjustments for obtaining and selling the collateral. The value of the collateral is based on the most recent appraisals.

The Group EUR '000	**31 December 2024 Carrying amount**					**31 December 2023 Carrying amount**				
LTV	**<=50%**	**<50% <=70%**	**<70% <=90%**	**<90% <=100%**	**>100%**	**<=50%**	**<50% <=70%**	**<70% <=90 %**	**<90% <=100%**	**>100%**
Regular loans	234 835	261 668	45 955	4 770	82 544	158 010	253 895	37 616	1 857	129 449
Security deposits	-	-	-	-	23 928	-	-	-	-	35 176
Finance lease	-	-	2 017	-	-	0	-	5 168	-	0
Other loans	44	3	15	29	1 254	52	5	8	10	969
Total net loans to public	**234 879**	**261 671**	**47 987**	**4 799**	**107 726**	**158 062**	**253 900**	**42 792**	**1 867**	**165 594**
of which stage 3 Net	*58 580*	*49 804*	*17 294*	*1 114*	*3 807*	*34 382*	*57 590*	*20 420*	*1 144*	*24 939*
stage 3 FV of collateral	*58 580*	*49 804*	*17 150*	*1 114*	-	*34 382*	*57 590*	*20 027*	*1 144*	-

The Bank EUR '000	**31 December 2024 Carrying amount**					**31 December 2023 Carrying amount**				
LTV	**<=50%**	**<50% <=70%**	**<70% <=90%**	**<90% <=100%**	**>100%**	**<=50%**	**<50% <=70%**	**<70% <=90 %**	**<90% <=100%**	**>100%**
Regular loans	236 703	341 395	49 977	3 656	27 371	161 388	326 731	38 783	5 708	83 443
Security deposits	0	-	-	-	23 928	-	-	-	-	35 176
Other loans	44	3	15	29	5 322	52	5	8	10	5 064
Total net loans to public	**236 747**	**341 398**	**49 992**	**3 685**	**56 621**	**161 440**	**326 736**	**38 791**	**5 718**	**123 683**
of which stage 3 Net	*58 580*	*49 804*	*21 172*	-	*13 216*	*36 183*	*57 590*	*20 027*	*4 995*	*38 245*
stage 3 FV of collateral	*58 580*	*49 804*	*21 172*	-	-	*36 183*	*57 590*	*20 027*	*4 995*	-

(c) Market risk

Market risk is the risk that the Bank or its subsidiaries may incur losses due to adverse changes in market conditions, including changes in foreign exchange rates and market prices of financial instruments. Accordingly, it includes currency risk and position risk. The objective of market risk management is to manage, oversee and control the market risk exposures within the risk appetite, while optimizing the return on risk. The Risk Management Policy and the Financial Risk Management Policy and related internal rules set out the approach to the management and control of market risks in the Bank and the Group.

The Treasury Department is responsible for managing the market risk within the first line of defence, while the Enterprise Risk Management Department provides independent control and oversight as the second line of defence. In addition, the Bank has established the Asset and Liability Committee (ALCO), chaired by the Chairman of the Management Board. It approves minimum interest rates for loans and deposits, stop-losses, purchases or sales of financial instruments based on the recommendations from the Treasury and Financial Markets Department and/or the second line of defence.

The Bank and the Group use a range of risk indicators to measure, monitor and control market risk, including open position limits, value-at-risk limits and currency position limits, as well as stop-loss. These risk indicators are monitored and controlled on a regular basis. The Bank and the Group have developed and maintain a set of early warning indicators for the Business Recovery Plan and the Contingency Funding Plan to identify crises early and prevent their adverse impact on the Bank and the Group.

4. Risk management, continued

In addition, the Bank and the Group use a wide range of stress tests to model the financial impact of a variety of adverse market scenarios. These provide an indication of the potential magnitude of losses that could arise under different conditions.

(i) Position risk

Position risk is the risk that the Bank or its subsidiary may incur losses as a result of unfavourable fluctuations in the prices of FVOCI and FVTPL financial instruments. The position risk may materialise when the Bank and the Group take a long or short position in a financial instrument.

The Bank and the Group use a range of risk metrics for measuring, monitoring, and controlling position risk including individual financial instrument limits, projected loss limits and overall portfolio limits. The projected loss limits are measured in terms of value-at-risk (VaR), which is a calculation of the one-day and ten-day losses caused by the historical volatility of the financial instrument with a 99% confidence interval over the past 250 business days. The results of the VaR modelling are summarized in the table below:

The Group ’000 EUR	**2024**		**2023**	
	VaR 1d 99%	**VaR 10d 99%**	**VaR 1d 99%**	**VaR 10d 99%**
Financial assets at fair value through other comprehensive income	(577)	(1 826)	(660)	(2 086)

The Bank ’000 EUR	**2024**		**2023**	
	VaR 1d 99%	**VaR 10d 99%**	**VaR 1d 99%**	**VaR 10d 99%**
Financial assets at fair value through other comprehensive income	(577)	(1 826)	(660)	(2 086)

In order to identify the position risk of FVOCI and FVTPL financial assets, the Bank and the Group use the following indicators:

- Changes in the SWAP and money market yield curve to measure the impact of the interest rates;
- Changes in credit spreads by the borrower type to measure the impact of the credit risk;
- VaR of FVOCI financial assets.

However, the Bank and the Group recognise the inherent limitations of the VaR model, including the following:

- The challenges of large portfolios - in order to determine the value at risk of a portfolio, it is necessary to determine not only the risk and return of each asset, but also their correlations. Calculating VaR becomes more challenging as portfolio size or asset diversity increases.

- The impact of different approaches - different VaR calculation methods (e.g. parametric method, Monte Carlo simulation, historical method, etc.) may produce different results for the same portfolio.

- Dependence on assumptions - the Bank and the Group make certain assumptions and use them as inputs in the VaR calculation. The VaR measure is not valid if the assumptions are incorrect.

- Ignoring worst case losses - 99% of VaR reflects losses that could be greater than the VaR amount 1% of the time or 2-3 days per year. Thus, VaR does not take into account the amount of loss in that 1% of days or the largest possible loss.

The Bank and the Group recognise these limitations and take them into account when making related decisions or calculations for stress tests.

The Enterprise Risk Management Board prepares daily, weekly, monthly and quarterly risk control reports which include position risk data and the achievement of the associated risk limits and key risk indicators. In addition, the Resource Management Office prepares a monthly report summarising the main characteristics of the Bank's portfolio of financial instruments, general news that may have a material impact on the portfolio. This report is presented to the Assets and Liabilities Committee.

4. Risk management, continued

(ii) Currency risk

Currency risk is the risk that the Bank or its subsidiary may incur losses as a result of unfavourable fluctuations of currency exchange rate. The Bank and the Group have assets and liabilities denominated in various foreign currencies. Currency risk may arise when the actual or anticipated assets in a foreign currency are either greater or less than the liabilities in that currency, thereby creating an open currency position.

In order to identify the currency risk of open currency positions, the Bank and the Group use the following indicators:

- Changes in foreign exchange rates;
- Ability to conduct foreign exchange operations in specific currencies;
- Ability to manage technical aspects of foreign exchange positions.

The Enterprise Risk Management Department produces a daily, weekly and quarterly risk control report that includes the currency risk data.

The Bank and the Group monitor the currency risk sensitivity to upward and downward changes in exchange rates. It is measured in the form of a sensitivity analysis, i.e. the impact on net profit and other comprehensive income of a scenario with a 15% change in the USD/EUR exchange rate, with all other variables held constant. The results of the sensitivity analysis are summarised in the table below:

The Group '000 EUR	**2024**		**2023**	
	Profit for the period	**Other compre-hensive income**	**Profit for the period**	**Other compre-hensive income**
15% appreciation of USD against EUR	(30)	-	(204)	-
15% depreciation of USD against EUR	30	-	204	-

The Bank '000 EUR	**2024**		**2023**	
	Profit for the period	**Other compre-hensive income**	**Profit for the period**	**Other compre-hensive income**
15% appreciation of USD against EUR	(205)	-	(540)	-
15% depreciation of USD against EUR	205	-	540	-

4. Risk management, continued

The following table shows the currency structure of financial assets and liabilities of the Group as of 31 December 2024:

The Group

	EUR '000 EUR	USD '000 EUR	Other currencies '000 EUR	Total '000 EUR
Financial assets				
Cash and balances due from the Bank of Latvia	247 997	153	11	**248 161**
Financial assets at fair value through profit or loss	891	7 470	154	**8 515**
Deposits and balances due from banks	3 098	6 873	7 610	**17 581**
Loans and receivables due from customers	623 997	32 363	702	**657 062**
Financial assets at fair value through other comprehensive income	169 016	44 293	15	**213 324**
Debt securities at amortised cost	44 421	357	-	**44 778**
Other financial assets	3 729	3	2 040	**5 772**
Total financial assets	**1 093 149**	**91 512**	**10 532**	**1 195 193**
Financial liabilities				
Financial instruments at fair value through profit or loss	2 534	-	-	**2 534**
Deposits and balances due to banks	10 092	362	89	**10 543**
Current accounts and deposits due to customers	853 878	59 523	9 236	**922 637**
Other financial liabilities	21 189	151	755	**22 095**
Total financial liabilities	**887 693**	**60 036**	**10 080**	**957 809**
Net position as of 31 December 2024	**205 456**	**31 476**	**452**	
Net off balance sheet foreign exchange contracts as of 31 December 2024	**31 291**	**(31 678)**	**(128)**	
Net total positions as of 31 December 2024	**236 747**	**(202)**	**324**	
Net total positions as of 31 December 2023	**232 103**	**(1 359)**	**(777)**	

4. Risk management, continued

The following table shows the currency structure of financial assets and liabilities of the Group as of 31 December 2023:

The Group

	EUR '000 EUR	USD '000 EUR	Other currencies '000 EUR	Total '000 EUR
Financial assets				
Cash and balances due from the Bank of Latvia	350 167	181	18	**350 366**
Financial assets at fair value through profit or loss	2 651	3 842	226	**6 719**
Deposits and balances due from banks	3 112	3 918	7 030	**14 060**
Loans and receivables due from customers	575 356	45 787	1 072	**622 215**
Financial assets at fair value through other comprehensive income	185 561	82 823	15	**268 399**
Debt securities at amortised cost	55 190	2 420	-	**57 610**
Other financial assets	5 490	12	23	**5 525**
Total financial assets	**1 177 527**	**138 983**	**8 384**	**1 324 894**
Financial liabilities				
Financial instruments at fair value through profit or loss	2 024	-	-	**2 024**
Due to Bank of Latvia	51 479	-	-	**51 479**
Deposits and balances due to banks	4 214	507	107	**4 828**
Current accounts and deposits due to customers	926 824	70 239	8 875	**1 005 938**
Other financial liabilities	20 701	498	817	**22 016**
Total financial liabilities	**1 005 242**	**71 244**	**9 799**	**1 086 285**
Net position as of 31 December 2023	**172 285**	**67 739**	**(1 415)**	
Net off balance sheet foreign exchange contracts as of 31 December 2023	**59 818**	**(69 098)**	**638**	
Net total positions as of 31 December 2023	**232 103**	**(1 359)**	**(777)**	
Net total positions as of 31 December 2022	**246 476**	**3 458**	**(1 826)**	

4. Risk management, continued

The following table shows the currency structure of financial assets and liabilities of the Bank as of 31 December 2024:

The Bank

	EUR '000 EUR	USD '000 EUR	Other currencies '000 EUR	Total '000 EUR
Financial assets				
Cash and balances due from the Bank of Latvia	247 979	153	11	**248 143**
Financial assets at fair value through profit or loss	398	7 470	154	**8 022**
Deposits and balances due from banks	2 677	6 873	6 496	**16 046**
Loans and receivables due from customers	656 244	31 552	647	**688 443**
Financial assets at fair value through other comprehensive income	169 016	44 293	15	**213 324**
Debt securities at amortised cost	44 421	357	-	**44 778**
Other financial assets	8 754	1	1 989	**10 744**
Total financial assets	**1 129 489**	**90 699**	**9 312**	**1 229 500**
Financial liabilities				
Financial instruments at fair value through profit or loss	2 534	-	-	**2 534**
Deposits and balances due to banks	10 091	362	90	**10 543**
Current accounts and deposits due to customers	860 956	59 885	9 236	**930 077**
Other financial liabilities	34 598	138	291	**35 027**
Total financial liabilities	**908 179**	**60 385**	**9 617**	**978 181**
Net position as of 31 December 2024	**221 310**	**30 314**	**(305)**	
Net off balance sheet foreign exchange contracts as of 31 December 2024	**31 291**	**(31 678)**	**(128)**	
Net total positions as of 31 December 2024	**252 601**	**(1 364)**	**(433)**	
Net total positions as of 31 December 2023	**253 753**	**(3 598)**	**(635)**	

4. Risk management, continued

The following table shows the currency structure of financial assets and liabilities of the Bank as of 31 December 2023:

The Bank

	EUR '000 EUR	USD '000 EUR	Other currencies '000 EUR	Total '000 EUR
Financial assets				
Cash and balances due from the Bank of Latvia	350 131	181	18	**350 330**
Financial assets at fair value through profit or loss	2 157	3 842	226	**6 225**
Deposits and balances due from banks	2 926	3 918	6 684	**13 528**
Loans and receivables due from customers	611 519	43 742	1 106	**656 367**
Financial assets at fair value through other comprehensive income	185 561	82 823	15	**268 399**
Debt securities at amortised cost	55 190	2 420	-	**57 610**
Other financial assets	11 161	7	11	**11 179**
Total financial assets	**1 218 645**	**136 933**	**8 060**	**1 363 638**
Financial liabilities				
Financial instruments at fair value through profit or loss	2 024	-	-	**2 024**
Due to Bank of Latvia	51 479	-	-	**51 479**
Deposits and balances due to banks	4 214	507	107	**4 828**
Current accounts and deposits due to customers	931 690	70 580	8 875	**1 011 145**
Other financial liabilities	35 303	346	351	**36 000**
Total financial liabilities	**1 024 710**	**71 433**	**9 333**	**1 105 476**
Net position as of 31 December 2023	**193 935**	**65 500**	**(1 273)**	
Net off balance sheet foreign exchange contracts as of 31 December 2023	**59 818**	**(69 098)**	**638**	
Net total positions as of 31 December 2023	**253 753**	**(3 598)**	**(635)**	
Net total positions as of 31 December 2022	**274 726**	**(7 252)**	**(1 946)**	

(d) Interest rate risk in the non-trading book

Interest rate risk in the non-trading book is the risk that the Bank or its subsidiaries will suffer a loss from an adverse effect on the economic value of equity or net interest income, taking into account, as appropriate, changes in market value arising from adverse movements in interest rates affecting interest rate sensitive instruments.

To measure, monitor and control interest rate risk in the non-trading book, the Bank and the Group use various risk indicators, including the Business Recovery Plan and the Emergency Funding Plan, risk appetite, tolerance and capacity levels, risk limits and key risk indicators. These risk indicators are regularly monitored and calibrated. They are measured by the economic value engineering (EVE) and net interest income (NII) methods:

- the change in the economic value of the economic value of the equity as the difference between the expected economic value or the economic value of the equity under the stress test scenario and the outcome of the baseline scenario.

- the change in net interest income as the difference between the expected net interest income of the stress test scenario and the outcome of the baseline scenario.

4. Risk management, continued

The Bank and the Group calculate interest rate risk in the non-trading book in accordance with Latvijas Banka Regulation No 254 "Rules for the Management of Interest Rate Risk in the Non-Trading Book and Credit Spread Risk in the Non-Trading Book" and the EBA Guidelines on Interest Rate Risk and Credit Spread Risk Management (EBA/GL/2022/14). The Risk Management Policy and the Financial Risk Management Policy and related internal regulations set out the approach to the management and control of these risks and the calculation of EVE and NII for the Bank and the Group.

The Enterprise Risk Management department prepares daily, weekly and quarterly risk control reports covering EVE and NII. The results of the EVE and NII modelling are summarised in the table below:

The Group **'000 EUR**	**2024**		**2023**	
	Economic value of equity	**Net interest income**	**Economic value of equity**	**Net interest income**
Parallel shock up (+200bps)	(9 570)	2 780	(9 883)	2 140
Parallel shock up (-200bps)	3 965	(5 704)	4 111	(4 282)
Steepener shock (short rates down and long rates up)	(1 902)		(1 150)	
Flattener shock (short rates up and long rates down)	(3)		(656)	
Short rates shock up	(2 970)		(4 841)	
Short rates shock down	524		1 655	

The Bank **'000 EUR**	**2024**		**2023**	
	Economic value of equity	**Net interest income**	**Economic value of equity**	**Net interest income**
Parallel shock up (+200bps)	(7 599)	3 586	(7 039)	2 677
Parallel shock up (-200bps)	2 886	(7 346)	2 509	(5 376)
Steepener shock (short rates down and long rates up)	(1 659)		(6)	
Flattener shock (short rates up and long rates down)	(0)		(1 202)	
Short rates shock up	(1 912)		(4 133)	
Short rates shock down	(41)		1 281	

In order to identify the interest rate risk in the banking book, the Bank and the Group use the following indicators:

- GAP analysis, including the revaluation gap method and the full revaluation approach, parallel gap analysis and non-parallel gap analysis;
- duration analysis, including the calculation of modified duration and semi-modified duration;
- curvature analysis;
- grouping of interest rate sensitive instruments by different interest rates or options;
- Stress testing of EVE and NII.

4. Risk management, continued

The following table shows the interest rate contracted re-pricing risk of financial assets and liabilities of the Group as of 31 December 2024, based on the earlier of contractual interest rate repricing or maturity:

	Less than 1 month '000 EUR	1 to 3 months '000 EUR	3 months to 1 year '000 EUR	1 to 5 years '000 EUR	More than 5 years '000 EUR	Non-interest bearing '000 EUR	Total '000 EUR
Financial assets							
Cash and balances due from the Bank of Latvia	247 803	-	-	-	-	358	**248 161**
Financial assets at fair value through profit or loss	-	-	-	-	-	8 515	**8 515**
Deposits and balances due from banks	17 530	-	-	-	-	51	**17 581**
Loans and receivables due from customers	122 880	275 223	9 318	203 552	21 212	24 877	**657 062**
Financial assets at fair value through other comprehensive income	13 824	35 174	64 400	67 359	32 567	-	**213 324**
Debt securities at amortised cost	1 124	30 369	6 533	5 742	1 010	-	**44 778**
Total financial assets	**403 161**	**340 766**	**80 251**	**276 653**	**54 789**	**33 801**	**1 189 421**
Financial liabilities							
Financial instruments at fair value through profit or loss	-	-	-	-	-	2 534	**2 534**
Due to Bank of Latvia	-	-	-	-	-	-	**-**
Deposits and balances due to banks	10 543	-	-	-	-	-	**10 543**
Current accounts and deposits due to customers	308 367	87 823	294 144	230 611	1 692	-	**922 637**
Total financial liabilities	**318 910**	**87 823**	**294 144**	**230 611**	**1 692**	**2 534**	**935 714**
Net position as at 31 December 2024	**84 251**	**252 943**	**(213 893)**	**46 042**	**53 097**	**31 267**	
Net position as at 31 December 2023	**253 689**	**208 272**	**(238 703)**	**(12 481)**	**16 338**	**27 985**	

4. Risk management, continued

The following table shows the interest rate contracted re-pricing risk of financial assets and liabilities of the Group as of 31 December 2023, based on the earlier of contractual interest rate repricing or maturity:

	Less than 1 month '000 EUR	1 to 3 months '000 EUR	3 months to 1 year '000 EUR	1 to 5 years '000 EUR	More than 5 years '000 EUR	Non-interest bearing '000 EUR	Total '000 EUR
Financial assets							
Cash and balances due from the Bank of Latvia	349 341	-	-	-	-	1 025	**350 366**
Financial assets at fair value through profit or loss	2 033	-	-	-	-	4 686	**6 719**
Deposits and balances due from banks	6 915	-	-	-	-	7 145	**14 060**
Loans and receivables due from customers	117 385	236 949	31 354	182 452	17 995	36 080	**622 215**
Financial assets at fair value through other comprehensive income	44 809	17 578	53 563	152 391	-	58	**268 399**
Debt securities at amortised cost	26 918	12 842	6 367	11 483	-	-	**57 610**
Total financial assets	**547 401**	**267 369**	**91 284**	**346 326**	**17 995**	**48 994**	**1 319 369**
Financial liabilities							
Financial instruments at fair value through profit or loss	60	9	-	1 955	-	-	**2 024**
Due to Bank of Latvia	-	-	-	50 000	-	1 479	**51 479**
Deposits and balances due to banks	4 828	-	-	-	-	-	**4 828**
Current accounts and deposits due to customers	288 824	59 088	329 987	306 852	1 657	19 530	**1 005 938**
Total financial liabilities	**293 712**	**59 097**	**329 987**	**358 807**	**1 657**	**21 009**	**1 064 269**
Net position as at 31 December 2023	**253 689**	**208 272**	**(238 703)**	**(12 481)**	**16 338**	**27 985**	
Net position as at 31 December 2022	**(75 032)**	**191 379**	**(11 149)**	**103 315**	**10 956**	**38 873**	

4. Risk management, continued

The following table shows the interest rate contracted re-pricing risk of financial assets and liabilities of the Bank as of 31 December 2024, based on the earlier of contractual interest rate repricing or maturity:

	Less than 1 month '000 EUR	1 to 3 months '000 EUR	3 months to 1 year '000 EUR	1 to 5 years '000 EUR	More than 5 years '000 EUR	Non-interest bearing '000 EUR	Total '000 EUR
Financial assets							
Cash and balances due from the Bank of Latvia	247 803	-	-	-	-	340	**248 143**
Financial assets at fair value through profit or loss	-	-	-	-	-	8 022	**8 022**
Deposits and balances due from banks	15 995	-	-	-	-	51	**16 046**
Loans and receivables due from customers	121 031	365 843	9 394	163 230	1	28 944	**688 443**
Financial assets at fair value through other comprehensive income	13 824	35 174	64 400	67 359	32 567	-	**213 324**
Debt securities at amortised cost	1 124	30 369	6 533	5 741	1 011	-	**44 778**
Total financial assets	**399 777**	**431 386**	**80 327**	**236 330**	**33 579**	**37 357**	**1 218 756**
Financial liabilities							
Financial instruments at fair value through profit or loss	-	-	-	-	-	2 534	**2 534**
Deposits and balances due to banks	10 543	-	-	-	-	-	**10 543**
Current accounts and deposits due to customers	311 936	88 943	296 894	230 611	1 693	-	**930 077**
Total financial	**322 479**	**88 943**	**296 894**	**230 611**	**1 693**	**2 534**	**943 154**
Net position as at 31 December 2024	**77 298**	**342 443**	**(216 567)**	**5 719**	**31 886**	**34 823**	
Net position as at 31 December 2023	**244 009**	**279 911**	**(245 086)**	**(30 800)**	**(1 657)**	**36 606**	

4. Risk management, continued

The following table shows the interest rate contracted re-pricing risk of financial assets and liabilities of the Bank as of 31 December 2023, based on the earlier of contractual interest rate repricing or maturity:

	Less than 1 month '000 EUR	1 to 3 months '000 EUR	3 months to 1 year '000 EUR	1 to 5 years '000 EUR	More than 5 years '000 EUR	Non-interest bearing '000 EUR	Total '000 EUR
Financial assets							
Cash and balances due from the Bank of Latvia	349 341	-	-	-	-	989	**350 330**
Financial assets at fair value through profit or loss	2 033	-	-	-	-	4 192	**6 225**
Deposits and balances due from banks	6 383	-	-	-	-	7 145	**13 528**
Loans and receivables due from customers	115 106	309 633	25 621	160 733	-	45 274	**656 367**
Financial assets at fair value through other comprehensive income	44 809	17 578	53 563	152 391	-	58	**268 399**
Debt securities at amortised cost	26 918	12 842	6 367	11 483	-	-	**57 610**
Total financial assets	**544 590**	**340 053**	**85 551**	**324 607**	**-**	**57 658**	**1 352 459**
Financial liabilities							
Financial instruments at fair value through profit or loss	60	9	-	1 955	-	-	**2 024**
Due to Bank of Latvia	-	-	-	50 000	-	1 479	**51 479**
Deposits and balances due to banks	4 828	-	-	-	-	-	**4 828**
Current accounts and deposits due to customers	295 693	60 133	330 637	303 452	1 657	19 573	**1 011 145**
Total financial	**300 581**	**60 142**	**330 637**	**355 407**	**1 657**	**21 052**	**1 069 476**
Net position as at 31 December 2023	**244 009**	**279 911**	**(245 086)**	**(30 800)**	**(1 657)**	**36 606**	
Net position as at 31 December 2022	**(82 823)**	**252 587**	**(14 967)**	**80 591**	**(728)**	**50 845**	

(e) Liquidity risk

Liquidity risk is the risk that the Bank and the Group will incur losses when they are unable to meet their obligations to customers due to a shortage of highly liquid assets (cash on hand, balances with correspondents) or in situations where the sum of all claims of the Bank and the Group at a date is significantly less than the sum of all liabilities at the same date.

To measure, monitor and control liquidity risk in the non-trading book, the Bank and the Group use various risk indicators, including the Business Recovery Plan and the Emergency Funding Plan, risk appetite, tolerance and capacity levels, risk limits and key risk indicators. These risk indicators are regularly monitored and calibrated. These risk indicators include the Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR), Internal Liquidity Ratio, etc.

The Resource Management function is responsible for liquidity risk management in the first line of defence, while the Enterprise Risk Management function provides independent liquidity control and monitoring in the second line of defence. In addition, the Bank has established an Asset and Liability Committee to monitor liquidity risk. It approves the purchase or sale of financial instruments to ensure adequate liquidity buffers, reviews liquidity-related reports, sets deposit rates in Latvia and on deposit-taking platforms and monitors deposit-taking dynamics.

4. Risk management, continued

The Enterprise Risk Management Board prepares daily, weekly, monthly and quarterly risk control reports to monitor liquidity risk. One of the most important tools for identifying liquidity risk is scenario analysis. The Bank and the Group use a number of scenarios of varying severity and duration, determining the risk appetite, tolerance and capacity for each scenario. They provide an indication of the potential magnitude of losses that could occur under different liquidity crisis conditions.

To identify the liquidity risk, the Bank and the Group use the following indicators:

- Changes in the deposit outflows;
- Changes in the value of the portfolio of financial instruments;
- Operational risk events related to reputational risk;
- Changes in the channels for attracting deposits.

In addition, the Enterprise Risk Management Department prepares a monthly report, which includes regulatory and internal liquidity risk metrics, deposit structure, maturity structure of assets and liabilities, comparison with the banking sector, etc. The report is discussed with the Treasury Department and presented to the Asset Liability Committee.

Liquidity coverage ratio

The Group and the Bank shall comply with the principles for calculating the LCR set out in Regulation (EU) 575/2013. The minimum LCR requirement shall be 100% and shall reflect the liquidity available to cover estimated future net liquidity outflows. The table below shows the liquidity coverage ratio of the Bank and the Group as a percentage:

	31 Dec 2024 '000 EUR	31 Dec 2024 '000 EUR	31 Dec 2023 '000 EUR	31 Dec 2023 '000 EUR
	Group	Bank	Group	Bank
Liquidity buffer	328 431	328 413	409 709	409 672
Net liquidity outflow	126 854	127 018	104 175	102 845
LCR	**258.90%**	**258.56%**	**393.29%**	**398.34%**
Max for period	**460.88%**	**463.88%**	**469.21%**	**475.06%**
Min for period	**201.57%**	**201.76%**	**189.56%**	**189.40%**
Average for period	**336.17%**	**338.04%**	**314.23%**	**316.39%**

Net stable funding ratio

The principles for calculating the NSFR for the Bank and the Group are laid down in Regulation (EU) 575/2013. The NSFR is determined by the amount of stable funding available relative to the amount of stable funding required at the end of one year. The minimum NSFR requirement is 100%. The table below shows the net stable funding ratio of the Bank and the Group as a percentage:

	31 Dec 2024 '000 EUR	31 Dec 2024 '000 EUR	31 Dec 2023 '000 EUR	31 Dec 2023 '000 EUR
	Group	Bank	Group	Bank
Available stable funding	1 110 517	1 097 079	1 228 061	1 219 292
Required stable funding	905 106	902 207	985 928	980 930
NSFR	**122.69%**	**121.60%**	**124.56%**	**124.30%**
Max for period	**126.45%**	**122.64%**	**124.56%**	**124.30%**
Min for period	**119.84%**	**119.43%**	**105.06%**	**105.22%**
Average for period	**122.60%**	**121.11%**	**114.30%**	**114.76%**

4. Risk management, continued

Breakdown of assets, liabilities and off-balance sheet items by contractual maturity as at 31 December 2024:

The Group

	Less than 1 month '000 EUR	1 to 3 months '000 EUR	3 months to 1 year '000 EUR	1 to 5 years '000 EUR	More than 5 years or no maturity '000 EUR	Total '000 EUR
Financial assets						
Cash and balances due from the Bank of Latvia	248 161	-	-	-	-	**248 161**
Financial assets at fair value through profit or loss	8 022	-	-	-	493	**8 515**
Deposits and balances due from banks	17 581	-	-	-	-	**17 581**
Loans and receivables due from customers	70 009	10 019	52 937	494 450	29 647	**657 062**
Financial assets at fair value through other comprehensive income	212 576	-	-	748	-	**213 324**
Debt securities at amortised cost	4 488	341	2 783	36 155	1 011	**44 778**
Other financial assets	5 701	-	-	71	-	**5 772**
Total financial assets	**566 538**	**10 360**	**55 720**	**531 424**	**31 151**	**1 195 193**
Financial liabilities						
Financial instruments at fair value through profit or loss	529	-	-	2 005	-	**2 534**
Deposits and balances due to banks	10 543	-	-	-	-	**10 543**
Current accounts and deposits due to customers	470 579	73 963	244 205	132 390	1 500	**922 637**
Lease liability	14	21	68	148	127	**378**
Other financial liabilities	21 208	-	101	408	-	**21 717**
Total financial liabilities	**502 873**	**73 984**	**244 374**	**134 951**	**1 627**	**957 809**
Net balance sheet position as at 31 December 2024	**63 665**	**(63 624)**	**(188 654)**	**396 473**	**29 524**	**237 384**
Off balance sheet position as at 31 December 2024	**108 109**	**-**	**-**	**-**	**-**	**108 109**

The Bank

	Less than 1 month '000 EUR	1 to 3 months '000 EUR	3 months to 1 year '000 EUR	1 to 5 years '000 EUR	More than 5 years or no maturity '000 EUR	Total '000 EUR
Financial assets						
Cash and balances due from the Bank of Latvia	248 143	-	-	-	-	**248 143**
Financial assets at fair value through profit or loss	8 022	-	-	-	-	**8 022**
Deposits and balances due from banks	16 046	-	-	-	-	**16 046**
Loans and receivables due from customers	68 598	24 984	53 191	508 780	32 890	**688 443**
Financial assets at fair value through other comprehensive income	212 576	-	-	748	-	**213 324**
Debt securities at amortised cost	4 487	341	2 783	36 156	1 011	**44 778**
Other financial assets	4 224	-	-	6 520	-	**10 744**
Total financial assets	**562 096**	**25 325**	**55 974**	**552 204**	**33 901**	**1 229 500**
Financial liabilities						
Financial instruments at fair value through profit or loss	529	-	-	2 005	-	**2 534**
Deposits and balances due to banks	10 543	-	-	-	-	**10 543**
Current accounts and deposits due to customers	474 149	75 083	246 955	132 390	1 500	**930 077**
Lease liability	186	374	1 681	8 964	12 990	**24 195**
Other financial liabilities	10 831	-	1	-	-	**10 832**
Total financial liabilities	**496 238**	**75 457**	**248 637**	**143 359**	**14 490**	**978 181**
Net balance sheet position as at 31 December 2024	**65 858**	**(50 132)**	**(192 663)**	**408 845**	**19 411**	**251 319**
Off balance sheet position as at 31 December 2024	**129 044**	**-**	**-**	**-**	**-**	**129 044**

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4. Risk management, continued

Breakdown of assets, liabilities and off-balance sheet items by contractual maturity as at 31 December 2023:

The Group

	Less than 1 month '000 EUR	1 to 3 months '000 EUR	3 months to 1 year '000 EUR	1 to 5 years '000 EUR	More than 5 years or no maturity '000 EUR	Total '000 EUR
Financial assets						
Cash and balances due from the Bank of Latvia	350 366	-	-	-	-	**350 366**
Financial assets at fair value through profit or loss	6 226	-	-	-	493	**6 719**
Deposits and balances due from banks	14 060	-	-	-	-	**14 060**
Loans and receivables due from customers	51 238	15 395	98 047	378 832	78 703	**622 215**
Financial assets at fair value through other comprehensive income	204 295	-	63 520	584	-	**268 399**
Debt securities at amortised cost	14 091	501	6 400	36 416	202	**57 610**
Other financial assets	1 680	-	3 550	295	-	**5 525**
Total financial assets	**641 956**	**15 896**	**171 517**	**416 127**	**79 398**	**1 324 894**
Financial liabilities						
Financial instruments at fair value through profit or loss	60	9	-	1 955	-	**2 024**
Due to Bank of Latvia	-	-	-	51 479	-	**51 479**
Deposits and balances due to banks	4 828	-	-	-	-	**4 828**
Current accounts and deposits due to customers	476 151	45 225	279 766	200 239	4 557	**1 005 938**
Lease liability	21	33	145	524	138	**861**
Other financial liabilities	19 044	-	2 029	73	9	**21 155**
Total financial liabilities	**500 104**	**45 267**	**281 940**	**254 270**	**4 704**	**1 086 285**
Total financial liabilities and equity	**500 104**	**45 267**	**281 940**	**254 270**	**4 704**	**1 086 285**
Net balance sheet position as at 31 December 2023	**141 852**	**(29 371)**	**(110 423)**	**161 857**	**74 694**	**238 609**
Off balance sheet position as at 31 December 2023	**114 172**	**-**	**-**	**-**	**-**	**114 172**

The Bank

	Less than 1 month '000 EUR	1 to 3 months '000 EUR	3 months to 1 year '000 EUR	1 to 5 years '000 EUR	More than 5 years or no maturity '000 EUR	Total '000 EUR
Financial assets						
Cash and balances due from the Bank of Latvia	350 330	-	-	-	-	**350 330**
Financial assets at fair value through profit or	6 225	-	-	-	-	**6 225**
Deposits and balances due from banks	13 528	-	-	-	-	**13 528**
Loans and receivables due from customers	48 942	14 703	94 212	411 987	86 523	**656 367**
Financial assets at fair value through other comprehensive income	204 295	-	63 520	584	-	**268 399**
Debt securities at amortised cost	14 091	501	6 400	36 416	202	**57 610**
Other financial assets	1 108	-	3 550	6 521	-	**11 179**
Total financial assets	**638 519**	**15 204**	**167 682**	**455 508**	**86 725**	**1 363 638**
Financial liabilities						
Financial instruments at fair value through profit or loss	60	9	-	1 955	-	**2 024**
Due to Bank of Latvia	-	-	51 479	-	-	**51 479**
Deposits and balances due to banks	4 828	-	-	-	-	**4 828**
Current accounts and deposits due to	483 050	46 271	280 429	196 839	4 556	**1 011 145**
Lease liability	109	218	982	7 337	16 277	**24 923**
Other financial liabilities	9 065	-	2 010	2	-	**11 077**
Total financial liabilities	**497 112**	**46 498**	**334 900**	**206 133**	**20 833**	**1 105 476**
Total financial liabilities and equity	**497 112**	**46 498**	**334 900**	**206 133**	**20 833**	**1 105 476**
Net balance sheet position as at 31 December 2023	**141 407**	**(31 294)**	**(167 218)**	**249 375**	**65 892**	**258 162**
Off balance sheet position as at 31 December 2023	**144 553**	**-**	**-**	**-**	**-**	**144 553**

4. Risk management, continued

Analysis of undiscounted cash flows of financial activities:

The Group

31 December 2024 EUR'000	Demand and less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 year to 5 years	More than 5 years	Total gross amount outflow/ (inflow)	Carrying amount
Non-derivative liabilities							
Deposits and balances due to banks	10 543	-	-	-	-	**10 543**	**10 543**
Current accounts and deposits due to customers	471 681	76 626	257 723	147 709	2 010	**955 749**	**922 637**
Lease liability	17	20	77	189	314	**617**	**378**
Other financial liabilities	21 134	-	103	480	-	**21 717**	**21 717**
Derivative liabilities settled on a net basis	529	-	-	2 005	-	**2 534**	**2 534**
Total	**503 904**	**76 646**	**257 903**	**150 383**	**2 324**	**991 160**	**957 809**
Guarantees (maximum credit risk exposure)	**9**	**3 101**	**10 477**	**4 579**	**-**	**18 166**	**18 166**
Credit related commitments (maximum credit risk exposure)	**89 376**	**-**	**-**	**-**	**-**	**89 376**	**89 379**

31 December 2023 EUR'000	Demand and less than 1 month	From 1 to 3 months	From 3 months to 1 year	From 1 year to 5 years	More than 5 years	Total gross amount outflow/ (inflow)	Carrying amount
Non-derivative liabilities							
Due to Bank of Latvia	-	-	-	53 446	-	**53 446**	**51 479**
Deposits and balances due to banks	4 828	-	-	-	-	**4 828**	**4 828**
Current accounts and deposits due to customers	476 108	45 309	285 461	218 446	5 723	**1 031 047**	**1 005 938**
Lease liability	21	35	167	458	504	**1 185**	**861**
Other financial liabilities	17 962	-	2 122	1 061	10	**21 155**	**21 155**
Derivative liabilities settled on a net basis	60	9	-	1 955	-	**2 024**	**2 024**
Total	**498 979**	**45 353**	**287 750**	**275 366**	**6 237**	**1 113 685**	**1 086 285**
Guarantees (maximum credit risk exposure)	**147**	**947**	**9 701**	**2 176**	**3 595**	**16 566**	**16 566**
Credit related commitments (maximum credit risk exposure)	**52 229**	**-**	**-**	**-**	**-**	**52 229**	**52 229**

4. Risk management, continued

Analysis of undiscounted cash flows of financial activities:

The Bank

31 December 2024 EUR'000	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 months to 1 year**	**From 1 year to 5 years**	**More than 5 years**	**Total gross amount outflow/ (inflow)**	**Carrying amount**
Non-derivative liabilities							
Deposits and balances due to banks	10 543	-	-	-	-	**10 543**	**10 543**
Current accounts and deposits due to customers	475 339	77 880	260 939	147 643	2 012	**963 813**	**930 077**
Lease liability	182	365	1 640	8 742	20 849	**31 778**	**24 195**
Other financial liabilities	10 831	-	1	-	-	**10 832**	**10 832**
Derivative liabilities settled on a net basis	529	-	-	2 005	-	**2 534**	**2 534**
Total	**497 424**	**78 245**	**262 580**	**158 390**	**22 861**	**1 019 500**	**978 181**
Guarantees (maximum credit risk exposure)	**9**	**3 101**	**10 477**	**4 579**	**-**	**18 166**	**18 166**
Credit related commitments (maximum credit risk exposure)	**83 264**	**-**	**-**	**-**	**-**	**83 264**	**83 264**

31 December 2023 EUR'000	**Demand and less than 1 month**	**From 1 to 3 months**	**From 3 months to 1 year**	**From 1 year to 5 years**	**More than 5 years**	**Total gross amount outflow/ (inflow)**	**Carrying amount**
Non-derivative liabilities							
Due to Bank of Latvia	-	-	-	53 446	-	**53 446**	**51 479**
Deposits and balances due to banks	4 828	-	-	-	-	**4 828**	**4 828**
Current accounts and deposits due to customers	483 081	46 478	286 560	214 211	5 725	**1 036 055**	**1 011 145**
Lease liability	183	365	1 643	8 758	21 493	**32 442**	**24 923**
Other financial liabilities	9 065	-	2 010	2	-	**11 077**	**11 077**
Derivative liabilities settled on a net basis	60	9	-	1 955	-	**2 024**	**2 024**
Total	**497 217**	**46 852**	**290 213**	**278 372**	**27 218**	**1 139 872**	**1 105 476**
Guarantees (maximum credit risk exposure)	**147**	**947**	**9 701**	**2 176**	**3 595**	**16 566**	**16 566**
Credit related commitments (maximum credit risk exposure)	**60 010**	**-**	**-**	**-**	**-**	**60 010**	**60 010**

4. Risk management, continued

Breakdown of assets, liabilities and off-balance sheet items by geographical profile:

The Group **31 December 2024** **EUR'000**	**Latvia**	**Other Baltic countries**	**Other EU countries**	**Other countries**	**Total**
Cash and due from Bank of Latvia	248 161	-	-	-	**248 161**
Financial instruments at fair value through profit or loss	576	-	201	7 738	**8 515**
Deposits and balances due from banks	421	-	10 458	6 702	**17 581**
Loans and receivables due from customers	443 316	51 254	57 172	105 320	**657 062**
Financial instruments at fair value through other comprehensive income	4 748	7 254	120 299	81 023	**213 324**
Financial instruments at amortised costs	9 772	3 058	28 793	3 155	**44 778**
Investments in associates and subsidiaries	37 955	-	-	-	**37 955**
Property and equipment	42 704	-	-	1 224	**43 928**
Intangible assets	1 773	28	-	11	**1 812**
Deferred tax asset	1 036	-	-	13	**1 049**
Investment property	66 946	-	-	13 093	**80 039**
Non-current assets held for sale	5 830	-	-	161	**5 991**
Current tax asset	-	-	-	17	**17**
Other assets	13 294	36	1 921	591	**15 842**
Total Assets	**876 532**	**61 630**	**218 844**	**219 048**	**1 376 054**
Financial instruments at fair value through profit or loss	2 005	-	-	529	**2 534**
Due to Bank of Latvia	-	-	-	-	**-**
Deposits and balances due to banks	-	-	-	10 543	**10 543**
Current accounts and deposits due to customers	334 453	20 084	358 944	209 156	**922 637**
Provisions	631	-	30 000	3	**30 634**
Current tax liabilities	2 853	-	-	-	**2 853**
Deferred tax liability	750	-	-	-	**750**
Other liabilities and accruals	30 771	14	551	817	**32 153**
Total Liabilities	**371 463**	**20 098**	**389 495**	**221 048**	**1 002 104**
Commitments and Guarantees	96 961	3 350	2	7 796	**108 109**

The Bank **31 December 2024** **EUR'000**	**Latvia**	**Other Baltic countries**	**Other EU countries**	**Other countries**	**Total**
Cash and due from Bank of Latvia	248 143	-	-	-	**248 143**
Financial instruments at fair value through profit or loss	123	-	161	7 738	**8 022**
Deposits and balances due from banks	-	-	10 458	5 588	**16 046**
Loans and receivables due from customers	465 489	51 222	57 085	114 647	**688 443**
Financial instruments at fair value through other comprehensive income	4 748	7 254	120 299	81 023	**213 324**
Financial instruments at amortised costs	9 772	3 058	28 793	3 155	**44 778**
Investments in associates and subsidiaries	72 098	-	320	2 362	**74 780**
Property and equipment	27 562	-	-	320	**27 882**
Intangible assets	1 768	28	-	6	**1 802**
Deferred tax asset	1 036	-	-	-	**1 036**
Investment property	33 420	-	-	-	**33 420**
Non-current assets held for sale	1 126	-	-	-	**1 126**
Other assets	10 733	36	1 913	449	**13 131**
Total Assets	**876 018**	**61 598**	**219 029**	**215 288**	**1 371 933**
Financial instruments at fair value through profit or loss	2 005	-	-	529	**2 534**
Due to Bank of Latvia	-	-	-	-	**-**
Deposits and balances due to banks	-	-	-	10 543	**10 543**
Current accounts and deposits due to customers	341 032	20 084	359 805	209 156	**930 077**
Provisions	706	-	30 000	3	**30 709**
Current tax liabilities	2 793	-	-	-	**2 793**
Other liabilities and accruals	40 060	11	532	472	**41 075**
Total Liabilities	**386 596**	**20 095**	**390 337**	**220 703**	**1 017 731**
Commitments and Guarantees	105 623	3 350	2	20 069	**129 044**

4. Risk management, continued

Breakdown of assets, liabilities and off-balance sheet items by geographical profile:

The Group 31 December 2023 EUR'000	Latvia	Other Baltic countries	Other EU countries	Other countries	Total
Cash and due from Bank of Latvia	350 366	-	-	-	**350 366**
Financial instruments at fair value through profit or loss	566	-	85	6 068	**6 719**
Deposits and balances due from banks	185	-	8 443	5 432	**14 060**
Loans and receivables due from customers	371 513	50 758	65 495	134 449	**622 215**
Financial instruments at fair value through other comprehensive income	5 285	6 994	126 557	129 563	**268 399**
Financial instruments at amortised costs	5 771	3 848	38 995	8 996	**57 610**
Investments in associates and subsidiaries	36 955	-	-	-	**36 955**
Property and equipment	41 348	-	-	1 200	**42 548**
Intangible assets	1 557	-	-	7	**1 564**
Deferred tax asset	-	-	-	43	**43**
Investment property	83 662	-	-	14 091	**97 753**
Non-current assets held for sale	300	-	-	3	**303**
Current tax asset	10	-	-	50	**60**
Other assets	8 471	34	3 816	896	**13 217**
Total Assets	**905 989**	**61 634**	**243 391**	**300 798**	**1 511 812**
Financial instruments at fair value through profit or loss	2 024	-	-	-	**2 024**
Due to Bank of Latvia	51 479	-	-	-	**51 479**
Deposits and balances due to banks	-	-	256	4 572	**4 828**
Current accounts and deposits due to customers	261 696	12 578	474 712	256 952	**1 005 938**
Provisions	477	-	-	32 931	**33 408**
Current tax liabilities	3 056	-	-	-	**3 056**
Deferred tax liability	750	-	-	-	**750**
Other liabilities and accruals	13 507	7	681	16 363	**30 558**
Total Liabilities	**332 989**	**12 585**	**475 649**	**310 818**	**1 132 041**
Commitments and Guarantees	75 081	-	12	39 079	**114 172**

The Bank 31 December 2023 EUR'000	Latvia	Other Baltic countries	Other EU countries	Other countries	Total
Cash and due from Bank of Latvia	350 330	-	-	-	**350 330**
Financial instruments at fair value through profit or loss	113	-	44	6 068	**6 225**
Deposits and balances due from banks	-	-	8 443	5 085	**13 528**
Loans and receivables due from customers	396 450	50 712	65 423	143 782	**656 367**
Financial instruments at fair value through other comprehensive income	5 285	6 994	126 557	129 563	**268 399**
Financial instruments at amortised costs	5 771	3 848	38 995	8 996	**57 610**
Investments in associates and subsidiaries	66 884	-	320	2 363	**69 567**
Property and equipment	28 532	-	-	368	**28 900**
Intangible assets	1 555	-	-	2	**1 557**
Investment property	42 117	-	-	-	**42 117**
Non-current assets held for sale	300	-	-	-	**300**
Other assets	9 333	34	3 810	527	**13 704**
Total Assets	**906 670**	**61 588**	**243 592**	**296 754**	**1 508 604**
Financial instruments at fair value through profit or loss	2 024	-	-	-	**2 024**
Due to Bank of Latvia	51 479	-	-	-	**51 479**
Deposits and balances due to banks	-	-	256	4 572	**4 828**
Current accounts and deposits due to customers	265 724	12 578	475 693	257 150	**1 011 145**
Provisions	487	-	-	32 931	**33 418**
Other liabilities and accruals	26 206	4	48	15 937	**42 195**
Total Liabilities	**348 968**	**12 582**	**475 997**	**310 590**	**1 148 137**
Commitments and Guarantees	85 863	-	12	58 678	**144 553**

4. Risk management, continued

(f) Risk of Money Laundering and Terrorism and Proliferation Financing, and Violation of Sanctions

The risk of money laundering and terrorism and proliferation financing (ML/TPF) is the impact and likelihood that the credit institution may be used in the laundering of proceeds derived from criminal activity or in terrorism and proliferation financing in relation to the financial services it provides, its customer base, the geographic operational profile of its customers, and the supply channels of products and services.

The objective of the Bank's operating policy is to provide business activities in conformity with the legislation and international requirements regulating actions, securing itself against the risk to get involved in possible money laundering and terrorism and proliferation financing transactions and those that violate restrictions of the applicable national and international sanctions, to minimise the possibility to cooperate with the customers whose activities fail to comply with the legislation and the Bank's policy, to protect the Bank from possible losses, to prevent damage to the Bank's reputation and not to permit the loss of confidence in the Bank.

To achieve these objectives the Bank in its activity fulfils the following tasks:

- observes, fulfils and introduces in its activity requirements of laws and legislative acts of the Republic of Latvia, European Union and international legislation, recommendations and guidelines by supervision authorities;
- according to requirements of the legislation and supervision authorities develops and implements internal regulatory documents – procedures, regulations, orders;
- according to requirements of the legislation cooperates with state institutions and correspondent banks;
- ensures sufficient financial, material and human resources to implement the Bank's policy;
- implements appropriate IT tools to manage effectively the ML/TPF and sanctions risks;
- organises and trains the staff in the sphere of anti-money laundering and anti-terrorism/ proliferation financing, observance of sanctions regimes, compliance with the legislation and implementation of the Bank's policy;
- implements in its daily activity principles under the Bank's policy;
- controls the execution of the Bank's policy.

To mitigate ML/TPF risk, the Bank has formulated an internal ML/TPF risk management and prevention system encompassing activities and measures aimed at ensuring compliance with the requirements of the Anti-Money Laundering and Counter-Terrorism/Proliferation Financing Law, Cabinet of Ministers regulations, FCMC/Latvijas Banka regulations and other applicable regulations.

According to the AML requirements the Bank has designated Member of the Executive Board, whose area of responsibility is the activity of the Bank in AML/CTPF and who controls the Bank's compliance with requirements of the Bank's policy and other external and internal AML/CTPF regulations, and together with the Board makes strategic decisions within the framework of the Bank's policy to be implemented.

The Bank has formed the Compliance Committee - a collegial body aimed to make significant, long-term decisions on the measures to be taken to ensure the compliance of business activity of the Bank with the AML/CTPF legislation and the observance of the applicable sanctions regimes, as well as to protect the Bank from its involvement into malicious illegal activities, thus compromising the good reputation of the Bank and as a result to prevent from losses arising from above said.

The Bank has structural unit for AML/CTPF and the applicable national and international sanctions monitoring – the Anti-Financial crime department. The main purpose of the structural unit is daily implementation of actions aimed at AML/CTPF, prevention of the breach of the applicable national and international sanctions regimes, the customer identification and due diligence, monitoring of customer transactions, detection of suspicious transactions and reporting relevant data to the authorized bodies/supervision authorities.

The Head of the Anti-Financial crime department is the designated AML/CTPF officer appointed in the Bank according to requirements of the Law on the Prevention of Money Laundering and Terrorism and Proliferation Financing of the Republic of Latvia. The Head of the Anti-Financial crime department ensures the execution of requirements of the policy in the Bank by making day-to-day decisions on the measures implementing the policy and is in charge for the information exchange with supervision authorities.

The following international and national sanctions are binding to the Bank – those of the United Nations (UN), the European Union (EU), the Republic of Latvia and the Office of Foreign Assets Control (OFAC) of the US Department of the Treasury.

4. Risk management, continued

Sanctions Policy of the Bank sets out the key principles and requirements that govern the Bank's approach to sanctions of the UN, the EU, the Republic of Latvia and the OFAC.
The Bank prohibits business activity, including prohibitions on commencing or continuing relationship with a customer or provision of products or services or facilitation of transactions that the Bank believes may violate the applicable sanctions legislation or the Sanctions Policy.
Applying sanctions requirements, the Bank performs actions to freeze accounts, funds and economic resources belonging to, owned, held or controlled by designated natural or legal persons, entities or bodies, or natural or legal persons, entities or bodies associated with them. The Bank effectively denies access to funds or economic resources directly or indirectly, to or for the benefit of designated natural or legal persons, entities or bodies, or natural or legal persons, entities or bodies associated with them. The Bank has implemented the procedure for reporting sanctions circumvention and violation as well as attempts of such activity to the competent authorities. The Bank ensures that the execution of all operations related to sanctions subjects is conducted in full compliance with the normative acts and licences issued by the Latvian/EU/US regulators.
To ensure that the sanctions requirements are met and the risks are effectively mitigated, the Bank has implemented the automated IT solutions/tools, that perform screening checks on customers, beneficial owners, representatives and other related persons, business partners, transactions details and counterparties. Due to the massive expansion of sanctions requirements and changes in the geopolitical situation during 2022, the Bank has integrated additional measures and tools in sanctions risk management area to further strengthen its internal control system.
There is an allocated Sanctions Officer, who oversees, improves and develops the internal regulations according to legislative requirements of the EU and the Republic of Latvia and ensures the best practice and efficiency in sanctions monitoring by ensuring integrity and compliance with the internal requirements.
The Bank's main AML/CTPF sanctions policy principles are as follows:

- The Bank according to its activity type by assessing and understanding ML/TPF risk and the risk of breaching applicable national and international sanction restrictions, associated with its activity and customers, develops AML/CTPF internal control system, which includes drafting respective policies and procedures;
- The Bank allocates and contributes sufficient financial, material and intellectual resources to ensure due activity, to monitor its customers' activity and to implement the Bank's policy;
- The Bank ensures that the employees in charge with identification, registration, servicing, monitoring and due diligence of the Bank's customers understand and acknowledge risks associated with ML/TPF and breach of sanctions regimes, AML/CTPF legislation and organises regular personnel training to improve their skills to meet requirements of the internal control system, raise their qualification and quality of work.

The Bank has established a whistle-blowing system and enabled the possibility of internal and external, including anonymous, reporting on violations of AML/CTPF or sanctions requirements.
The Bank at least once in 18 calendar months ensures that an independent examination of the ML/TPF and sanctions breach risk management internal control system, including the information technology solutions used, is carried out and where required takes measures to improve the efficiency of the internal control system.
The Bank, in compliance with the requirements of the legislation ensures the activity of the internal control system, including KYC standards, CDD/EDD processes, transactions monitoring and screening to secure itself against the risk to get involved in possible ML/TPF transactions and breaches of the national and international sanctions restrictions.

The Bank cooperates or starts to cooperate only with foreign banks, which have AML/CTPF legislation in effect in its country, and the foreign banks observe this legislation. The Bank does not cooperate with foreign shell banks, banks located in jurisdictions with low "Know Your Customer" standards or recognised as banks not cooperating in combating ML/TPF.

The Bank, when forming mutually beneficial long-term business relations with a customer, performs its activity in the way, which ensures that it is safe against the risk of being involved in possible ML/TPF transactions and breaches of the national and international sanctions regimes.

AML/CTPF activities are implemented by all the employees of the Bank's structural units involved in the customer engagement, identification, service and due diligence.

In order to assess the Bank's compliance with AML/CTPF and sanctions requirements both internal and external audits (*i.e.* independent audit firms and regulator) are performed on a regular basis. Specifically, Latvijas Banka (Latvijas Banka) regularly performs on-site inspections and various off-site activities to assess the compliance of the Bank's AML/CPFT and Sanctions risk management internal control system with Latvian Regulatory requirements

In August 2023 – January 2024 Latvijas Banka carried out a target onsite review of the internal control system of the Bank in the field of AML/CPFT and Sanctions risk management, focusing on specific customer types – payment institutions and electronic money institutions – and assessing the risk of servicing these customers as well as quality of controls used for managing these risks. According to the results of the review, the Bank has established an internal control system in relation to the servicing of payment institutions and electronic money institutions. Separate areas requiring improvements were identified. Based on the results of the review, the Bank has prepared an Action Plan for the implementation of defined improvements. By the end of 2024 all the defined improvements were successfully implemented into the internal control system.

(g) Operational risk

Operational risk is the risk that the Bank or its subsidiaries will incur losses as a result of inadequate or deficient internal processes, people and systems, or external events. The objective of operational risk management is to manage, monitor and control operational risks and events without causing material damage to the Bank and the Group.

The Bank manages operational risk at the Bank and Group level as part of an overall risk management system. It covers all operational areas, business processes and structural units of the Bank and Group. Business and support structural units are responsible for operational risk management as the first line of defense, while the Enterprise Risk Management Department, Cybersecurity Risk Management Department, Financial Crime Prevention Department and Compliance Control Department ensure independent control and supervision of the second line of defense.

To measure, monitor and control operational risk, the Bank and the Group use various risk indicators, including limits for operational risk incidents and such events with a single root cause, the amount of outdated internal regulatory documents, staff turnover rates, IT system downtime, the relevance of outsourced risk assessments and the existence of exit strategies, as well as other internal indicators. These risk indicators are monitored regularly. The Bank and the Group develop and maintain business continuity plans for critical processes to manage them during disruptions. Business continuity plans are reviewed at least annually or after any significant changes in the affected processes.

In addition, the Bank and the Group use a wide range of stress tests to simulate the impact of various adverse operational risk scenarios. They provide an indication of the potential amount of losses that could occur under various circumstances.

The Bank and the Group use the following indicators to identify operational risk:

- changes (including new products and processes, IT systems, outsourcing, etc.);
- recommendations received (including regulatory and second and third line of defense findings);
- operational risk incidents;
- other known or emerging issues.

In addition, the Company's Risk Management Department prepares a risk control report every quarter, which includes operational risk indicators, identified operational risk incidents, stress test results, etc. This report is discussed and submitted to the Management Board, the Council Risk Committee and the Council.

(h) Capital Management

The Bank and the Group maintain a strong capital base to meet regulatory capital and liquidity requirements at all times.

As of 31 December 2024 the regulator (Latvijas Banka) has set the individual minimum capital adequacy ratio for the Bank and the Group at 10.9% (2023: 10.9%). The Bank and the Group are also required to maintain a minimum common equity tier 1 capital ratio of 4.5% and a minimum tier 1 capital ratio of 6.0%.

4. Risk management, continued

In addition to the minimum capital adequacy ratios, the Group and the Bank must comply with the following additional capital adequacy requirements in accordance with regulatory requirements:

- the capital conservation buffer, which is set at 2.5% and must be met by common equity tier 1 capital;
- the O-SII capital buffer, which is set at 0.5% as the Bank and the Group have been identified as other systemically important institutions;
- the countercyclical capital buffer, which is set at 0.59% based on the regional distribution of the Bank's and Group's exposures;
- the pillar 2 guidance (P2G), which is set at 2.0% to be maintained in addition to the mandatory capital requirements.

The Bank and the Group use the standardized approach to calculate the capital requirements for credit risk and market risk. For the operational risk, the Bank and the Group use the basic indicator approach. The Group and the Bank complied with all external regulatory capital requirements in 2024.

The following table shows the composition of the Bank's and the Group's capital position calculated in accordance with the requirements of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 (CRR):

	2024 ’000 EUR Group	**2024 ’000 EUR Bank**	**2023 ’000 EUR Group**	**2023 ’000 EUR Bank**
Tier 1 capital				
Share capital	168 916	168 916	168 916	168 916
Share premium	52 543	52 543	52 543	52 543
Other reserves	23	23	23	23
Accumulated other comprehensive income	379	(4 142)	(11 644)	(14 995)
Other transitional adjustment to CET1 Capital	-	-	-	-
Value adjustments due to the requirements for prudent valuation	(224)	(224)	(277)	(277)
Insufficient coverage for non-performing exposures	(1 900)	(1 868)	(228)	(224)
Retained earnings from prior years	134 880	123 982	149 455	141 447
Current year profit	11 234	12 881	15 064	12 534
Intangible assets	(1 812)	(1 802)	(1 564)	(1 557)
Deferred tax assets	(1 049)	(1 036)	(43)	-
Additional deductions of CET1 Capital due to Article 3 (CRR)	(72 495)	(68 858)	(69 814)	(61 687)
Total tier 1 capital	**290 495**	**280 415**	**302 431**	**296 723**
Tier 2 capital				
Long term deposits qualifying as regulatory capital	11 637	11 637	15 345	15 345
Total tier 2 capital	**11 637**	**11 637**	**15 345**	**15 345**
Total capital	**302 132**	**292 052**	**317 776**	**312 068**
Total risk exposure amount	**1 190 318**	**1 181 876**	**1 222 384**	**1 216 538**
Total capital ratio	**25.38%**	**24.71%**	**26.00%**	**25.65%**

Calculations are performed based on prudential consolidation group according to the Basel Accord of (EU) Regulation No 575/2013 a.19

(i) Impact of Russia – Ukraine conflict

In light of the current events in respect of the conflict between Russia and Ukraine, the Bank has taken the necessary actions to minimize the impact of this geopolitical event on the Group, the Bank and its customers.

4. Risk management, continued

Compliance

The new requirements regarding sanctions are implemented, procedures established to ensure compliance. The Bank has reviewed its customer base to reveal all accounts of the Russian and Belarussian citizens and residents - companies established in Russia and Belarus. The Bank also reviewed its customer base for presence of any sanctioned legal entities and private individuals which are residents of other jurisdictions. As a result, all these accounts have been placed under the manual control for all incoming payments in order to be compliant with the EU regulation's limitation of EUR 100,000 deposits. The necessary controls of transactions are in place in coordination with Latvijas Banka and other competent authorities. The Anti-Financial crime department is monitoring changes in sanctions and is holding regular meetings with the top management of the Bank in order to communicate all new sanctions, consequent issues and necessary actions. All confirmed sanctions cases and issues are reported to the competent authorities. The Bank takes the following steps to ensure compliance with the sanctions – freeze of accounts, funds and economic resources belonging to, owned, held or controlled by listed natural or legal persons, entities or bodies, or natural or legal persons, entities or bodies associated with them (as required by the EU/US regulations), execution of all further operations in full compliance with the normative acts, licences issued by the Latvian/EU/US. regulators and consultations with the local regulator, deny access to funds or economic resources directly or indirectly, to or for the benefit of natural or legal persons, entities or bodies, or natural or legal persons, entities or bodies associated with them.
The Bank regularly participates in Public-Private Sector meetings discussing actual trends and typologies of economic and sectoral sanctions and it's high-quality reports on sanctions cases have received high appreciation of competent authorities.

Exposure towards RU, BY, UA

During the year 2024 the Bank continued to closely monitor and assess its direct and indirect exposure in Russia, Belarus and Ukraine. During the year 2024, from RU/BY loans EUR 14,4 million were received through repayments, refinancing. The Bank is actively working on amortisation and reduction of RU/BY exposure.
The Bank has stopped issuing new loans in Russia and Belarus in 2022. The Bank has reclassified all loans with a country risk of Russia and Belarus to at least Stage 2 and applied a risk weight of 150%. As part of the asset quality assessment process, in 2024 the Bank used the Russian rouble exchange rate, which is different (higher) from the rate of the Central Bank of the Russian Federation – 107.5 (2023: 102.2485), as an additional discount on collateral located in Russia, thus applying the conservative approach.
The Bank's net risk exposure to Russia is EUR 83,5 million, Belarus EUR 8,5 million, Ukraine EUR 1,6 million (2023: EUR 95,1 million, EUR 14,3 million, EUR 1,6 million accordingly).
In 2022 a decision was made to terminate financing of new leasing deals and to start full amortisation of leasing portfolio of the Group's Belorussian leasing company in order to decrease an overall exposure to Belarus. The credit obligations of the Belarusian leasing company due in 2024 were repaid in full.
In the 2023 annual report it was stated that the Bank aimed to sell Russian and Belarus assets by the end of 2024. In 2024 the net exposure decreased by EUR 17,4 million (-15%). Borrowers continue to repay the loans and seek refinancing opportunities.
The Bank is facing difficulties of receiving repayments from Russian and Belarussian borrowers due to sanctions, applied by the respective regimes, but still manages to receive payments. Bank fully complies with sanctions of EU and USA, which also in some cases means slower repayments in case the banks used by the borrowers become subjects of the respective sanctions.
In year 2025 the Bank plans to significantly reduce the Russian and Belarussian credit exposure by refinancing loans or selling them or exchange with professional market participants.
The Bank continues to negotiate the exchange of the loans for the assets in Europe of Russian companies. The entire real estate portfolio repossessed by the Bank's subsidiary KI INVEST OOO is on active sale. The real estate market in Russia is highly liquid.

4. Risk management, continued

Exposure to RU/BY/UA according risk country:

The Group
'000 EUR

	2024			2023		
	BY	**RU**	**UA**	**BY**	**RU**	**UA**
Deposits and balances due from banks	1 096	1 690	-	30	1 281	-
Financial assets at fair value through profit or loss	-	154	-	-	226	-
Financial assets at amortised cost	8 064	69 974	1 602	15 404	80 535	1 651
Debt securities	-	-	-	-	2 697	-
Loans and receivables due from customers	8 064	69 974	1 602	15 404	77 838	1 651
Property and equipment	469	755	-	443	757	-
Investment property	-	13 093	-	244	13 847	-
Other assets	1	99	66	405	97	23
	9 630	**85 765**	**1 668**	**16 526**	**96 743**	**1 674**

The Bank
'000 EUR

	2024			2023		
	BY	**RU**	**UA**	**BY**	**RU**	**UA**
Deposits and balances due from banks	6	1 666	-	5	959	-
Financial assets at fair value through profit or loss	-	154	-	-	226	-
Financial assets at amortised cost	6 129	81 353	1 537	11 942	93 472	1 600
Debt securities	-	-	-	-	2 697	-
Loans and receivables due from customers	6 129	81 353	1 537	11 942	90 775	1 600
Investments in subsidiaries	2 362	-	-	2 362	-	-
Property and equipment	-	320	-	-	368	-
Other assets	1	42	66	22	34	-
	8 498	**83 535**	**1 603**	**14 331**	**95 059**	**1 600**

To assess potential losses from exposures in Russia, Belarus and Ukraine, the Bank regularly conducts in-depth risk assessments and stress testing, which includes geopolitical aspects. Range of scenarios that were assumed indicate different scale of impact on the Bank's financial position and/or operational activity. The base scenario assumes that all loans to Russia and Belarus will become non-performing loans. In turn pessimistic scenario assumes complete expropriation of all assets at risk from Russia and Belarus. The Bank has enough resources to cover the potential losses calculated under stress testing. All regulatory requirements, including liquidity and capital adequacy ratios, are met and stable. The results are regularly monitored, presented, and discussed with the Latvijas Banka.

The Bank has no significant exposure towards Russia, Belarus or Ukraine on the liability side. Liquidity is not affected.

5. Use of estimates and judgements

The preparation of financial statements in conformity with IFRS as adopted by the EU requires management to make judgments, estimates and assumption that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

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

Key sources of estimation uncertainty and judgement:

(i) Allowances for expected credit losses on financial assets at amortised cost and financial assets at fair value through other comprehensive income

The estimation of impairment allowances under IFRS9, which is largely based on the evaluation of credit risk of financial instruments, is an important aspect of credit risk management. ECL measurement requires judgement, particularly the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and assessing a significant increase in credit risk. A variety of factors can influence these estimates, resulting in varying levels of allowances.

The ECL calculations for the Bank and the Group are the outcome of complex models with multiple underlying assumptions about variable input selection and interdependence. The following elements of the ECL models are considered accounting, judgments and estimates:

- the criteria for determining the significance of an increase in credit risk, as well as the criteria for classification into Stage 1, Stage 2 or Stage 3;

In determining the expected credit losses, management is required to exercise judgement in defining what is considered a significant increase in credit risk. Significant increase in credit risk is mainly determined by overdue period. Forbearance, breach of financial covenants, dependence of client's activities on import/export from/to Russia/Belarus, susceptibility to energy crisis and other qualitative factors are also considered as significant increase in credit risk. Loans and advances that are more than 30 days past due are moved to stage 2. Collectively estimated impairment allowance would not change significantly for the Bank and the Group if 15 days past due period was considered a significant increase in credit risk instead of 30 days past due period.

- development of ECL models, including calculation of key parameters - probability of default (PD), loss given default (LGD) and exposure at default (EAD);

The Bank and the Group use the approach PD*LGD*EAD to calculate ECL. The approach focuses on each variable (PD, LGD and EAD) separately. The Bank and the Group actualize the PD, LGD and EAD models at least once a year. The calculation of collective impairments is carried out by applying a statistical models. The Bank and the Group calculates PD rates using the Markov Chain approach, which describes a stochastic/random process with Markov property, where the probability of a random process transitioning to the next state is only dependent on the current state and it is independent of states that preceded the current state. PD rates are calculated separately for each homogeneous group using historical data of the Bank's and the Group loan portfolio at the end of each month for at least 72 months. LGD rates are calculated at the level of homogeneous portfolio groups and are based on the historical data of the Banks' and the Group's. Calculation is updated at least once a year. The Bank and the Group calculates LGD rates using vintage analysis approach, where data is collected at each month after the default date for at least 72 months. Every time the Bank calculates ECL, it models EAD considering unused credit lines using credit conversion factor (CCF) based on the historical data of the Bank's loan portfolio.

Changes in all applied LGD rates by 5 percentage points would result in change in the Banks and the Groups collectively estimated impairment allowance by EUR + / - 534 thousand. Changes in the PD rates by 1 percentage point would result in change in the Banks and the Groups collectively estimated impairment allowance by EUR + / - 2,202 thousand and provisions for off balance sheet commitments and guarantees by EUR + / - 59 thousand. Loans that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

5. Use of estimates and judgements, continued

The difference between the loan's gross carrying amount and the present value of projected future cash flows discounted at the loan's initial effective interest rate represents the predicted credit losses for a loan that is credit-impaired at the reporting date. The calculation of the present value of the estimated future cash flows of a collateralized loan reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable. In order to calculate projected future cash flows, at least two gone concern scenarios must be considered. The estimated credit losses

for a loan that is individually significant but not credit-impaired at the reporting date may be calculated using a going concern approach if the Group and the Bank have access to the borrower's business strategy and current, trustworthy information on expected cash flows.

The chance of a given scenario is determined by subtracting the probability of default, which is derived from past defaults using the Markov Chain model. The second scenario involves the gone concern principle. The loss is recorded in full on the income statement.

In determining impairment allowance for Russian and Belarusian exposures, the management has used the precautionary approach regarding to Russian ruble and Belarusian ruble exchange rate. Thus, the Bank has recognized an impairment overlay for its exposures in Russia and Belarus. The impairment overlay represents an additional loss reserve over the modelled ECL amounts to account for the economic and political uncertainty in the region in relation to the ongoing war in Ukraine were the key driving factors for the Group and the Bank to determine an impairment overlay. The impairment overlay was primarily quantified by assuming lower recoveries through a lower Russian ruble and Belarusian ruble exchange rate from loans as the Group and the Bank continues its controlled exit from the loan exposures. As of 31 December 2024, impairment overlay of EUR 0,65 million (2023: EUR 1.3 million) for the Bank and the Group was determined and approved by the Credit evaluation committee. The overlay will be released if risks do not materialize as exposures are recovered.

- the Bank and the Group includes forward-looking information in the measurement of expected credit losses.

The Bank and the Group conduct statistical calculations that take into account historical correlations between macroeconomic indicators and the observed default rates in order to adjust the ECL with macroeconomic forecasts. Based on forecasts of macroeconomic indicators, the Banka and the Group determine the appropriate adjustments for PD rates. To adjust the PD of the loan portfolio taking into account forward-looking information, the Bank uses a statistical model based on linear regression. Three distinct economic scenarios are included in the forward-looking adjustment: a base case scenario that includes the most likely future economic development, a less likely adverse scenario, and a positive scenario. Each scenario has its own unique economic repercussions. One of the key variables is the Consumer price index which are derived from a combination of external macroeconomic forecasts.

The current forward-looking adjustment, based on an expert judgement, weights base case scenario with 50% probability that consumer price index will indicate a 2.00% price increase for year 2024, the adverse scenario at 30% probability that consumer price index will indicate a price increase of 2.2% and positive scenario at 20% probability that consumer price index for the 2024 will indicate a 1.60% price increase.

While assessing the impact of forward-looking macroeconomic scenarios close to 2024-year-end, Bank concluded that the 30% FLI adjustment determined as at 31 December 2023 is still appropriate as at 31 December 2024 even though it has been modelled based on the price index change expectations described above.

As of 31 December 2024, incorporation of forward-looking macroeconomic scenarios resulted in additional impairment allowances EUR 605 thousand (2023: EUR 776 thousand), which is the effect of the forward-looking adjustment implementation.

(ii) Determining fair value of financial instruments

All financial instruments that are carried at fair value were valued based on their market value. Fair value of financial instruments carried at amortised cost is stated at present value of future estimated cash flows discounted by a market interest rate. For short term financial assets and liabilities, the fair value approximate amortised cost. The fair value of financial instruments is disclosed in note 40.

5. Use of estimates and judgements, continued

(iii) Determining fair value of investment property and owner-occupied property

Investment property is stated at its fair value with all changes in fair value recorded in profit or loss. Property used in own business operation (Vesetas street 7, Riga) is revaluated to fair value on regular periodic basis with changes in revaluation recognised through other comprehensive income in a revaluation reserve and subsequent amortisation is recognised in the profit or loss statements. When measuring the fair value of the property, management relies on external valuations based either on income valuation method or comparative valuation method and assesses the reliability of such valuation in light of the current market situation. Income method is based on discounted estimated future cash flows from the property. Comparative method is based on recent market transactions with comparable property.

Exposure to risks from price changes of investment property can be expressed as follows based on 5% shifts in real estate prices:

As at 31 December 2024

Group

Segment property	5% price increase '000 EUR	5% price decrease '000 EUR
Commercial property in Latvia	1 785	(1 785)
Commercial property in Russia	639	(639)
Land in Latvia	976	(976)
Residential property in Latvia	586	(586)
Residential property in Russia	16	(16)
Grand Total	4 002	(4 002)

Bank

Segment property	5% price increase '000 EUR	5% price decrease '000 EUR
Commercial property in Latvia	719	(719)
Land in Latvia	451	(451)
Residential property in Latvia	500	(500)
Grand Total	1 670	(1 670)

As at 31 December 2023

Group

Segment property	5% price increase '000 EUR	5% price decrease '000 EUR
Commercial property in Latvia	2 094	(2 094)
Commercial property in Russia	677	(677)
Land in Latvia	1 156	(1 156)
Residential property in Latvia	932	(932)
Residential property in Russia	16	(16)
Grand Total	4 875	(4 875)

Bank

Segment property	5% price increase '000 EUR	5% price decrease '000 EUR
Commercial property in Latvia	422	(422)
Land in Latvia	243	(243)
Residential property in Latvia	607	(607)
Grand Total	1 272	(1 272)

5. Use of estimates and judgements, continued

(iv) Impairment of investments in subsidiaries

Investments in subsidiaries are valued at cost less accumulated impairment losses in the Bank's separate financial statements. On a regular basis, the Bank compares the cost of investment with the carrying amount of net assets of a subsidiary to see whether any impairment indication exists. In addition, the management assessed future cash flows to be generated by the subsidiaries and as a result of this assessments concluded that there is no objective evidence of impairment of the investment. If impairment indication exists, the recoverable amount of the investment is calculated based on discounted (discount rate of 8,71%) estimated future cash flows of the subsidiary. Future cash flows are based on budgets and projections prepared by the subsidiary and assessed for reasonableness. Mainly changes in value of investment properties would result in change of carrying amount of net assets of subsidiaries. Thus, change in value of investment properties by 5% would result in change in impairment allowance of Bank's investments in subsidiaries by EUR +/- 4,002 thousand in year 2024 (2023: +/- 4,875 thousand).

(v) Determination of control over investees

Subsidiaries are entities controlled by the Group and the Bank. The Group and the Bank controls an entity (including investment fund) if it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group and the Bank reassesses whether it has control if there are changes to one or more of the elements of control. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. The Group and the Bank has not identified any restrictions regarding control of subsidiaries located in Russia and Belarus and financial statements of subsidiaries located in Russia and Belarus are included in the consolidated financial statements. No significant contractual or regulatory restrictions identified, no restrictions regarding ability to make payments within the Group, to transfer cash or other assets to (or from) other entities within the Group.

Determination of significant influence over investee

The Group has significant influence over Investees if it has the *power* to participate in an entity's financial and operating policy decisions, but does not have control or joint control of those policies. Significant influence is presumed to exist when an investor holds 20 percent or more of the voting power of another entity. Conversely, it is presumed that significant influence does not exist with a holding of less than 20 percent. These presumptions may be overcome if an ability, or lack of ability, to exercise significant influence is clearly demonstrated through additional contractual arrangements or otherwise. Management of the Group and the Bank has assessed the Group's and the Bank's investments and determined that the Group and the Bank has significant influence over the investees recognized as associates.

(vi) Estimating provisions

The amount recognised as a provision is the best estimate of the expenditure required to settle the present obligation at the end of the reporting period. Management of the Bank and the Group estimates the amount that the Bank and the Group would rationally pay to settle the obligation. Estimates of outcome and financial effect are determined by the judgement of the management, supplemented by experience of similar transactions and, if necessary, reports from independent experts.

6. Net interest income

	2024 '000 EUR Group	2024 '000 EUR Bank	2023 '000 EUR Group	2023 '000 EUR Bank
Interest income				
Loans and receivables due from customers	54 367	45 743	48 988	41 568
Debt securities at amortised cost	4 560	4 560	5 280	5 280
Financial assets at fair value through other comprehensive income	3 747	3 747	5 356	5 356
Loans and receivables due from financial institutions	10 772	10 738	8 316	8 286
Other interest income		-	10	-
	73 446	**64 788**	**67 950**	**60 490**
Interest expense				
Current accounts and deposits due to customers	21 478	21 200	11 221	11 315
Deposits and balances due to banks	976	885	1 894	1 668
Other interest expense	2 457	3 125	2 952	3 229
	24 911	**25 210**	**16 067**	**16 212**

In 2024 interest expenses increased compared to 2023 due to two main factors. Firstly, as lending volumes increased, the average amount of deposits increased. The growth of the loan portfolio required additional financing, which is reflected, among other things, in the dynamics of interest expenses. Secondly, in 2023, the European Central Bank gradually increased key interest rates as part of its monetary policy, and in the autumn of 2023, rates reached their highest level. These changes affected the cost of financing in 2024.

7.Fee and commission income

	2024 '000 EUR Group	2024 '000 EUR Bank	2023 '000 EUR Group	2023 '000 EUR Bank
Commission from account servicing	3 618	3 619	4 102	4 104
Processing of documents and individual monitoring	1 813	1 813	939	939
Revenue from customer asset management and brokerage commissions	941	941	825	779
Commission income from payment cards	810	810	1 023	1 023
Money transfers	774	775	898	900
Trade finance and guarantee comissions	736	736	295	295
Income from correspondent accounts	608	608	-	-
Commissions for trust services provided	516	516	488	488
Safe usage	187	187	198	198
Cash withdrawals	49	49	53	53
Commisson income from operation with securities	13	13	323	323
Commission from documentary operations	2	2	11	11
Other	483	411	370	370
	10 550	**10 480**	**9 525**	**9 483**

8.Fee and commission expense

	2024 '000 EUR Group	2024 '000 EUR Bank	2023 '000 EUR Group	2023 '000 EUR Bank
Payment card expenses	537	537	585	585
Agent commissions	519	-	357	1
Brokerage fees	454	454	454	454
On correspondent accounts	68	68	69	69
E-commerce	700	700	572	572
Other	47	79	66	105
	2 325	**1 838**	**2 103**	**1 786**

9. Net gain on financial assets at fair value through profit or loss

	2024 '000 EUR Group	2024 '000 EUR Bank	2023 '000 EUR Group	2023 '000 EUR Bank
Equity instruments	3 764	3 764	863	863
Debt securities	(574)	(574)	(602)	(602)
Other	(50)	(50)	1	1
	3 140	**3 140**	**262**	**262**

10. Net foreign exchange gain/(loss)

	2024 '000 EUR Group	2024 '000 EUR Bank	2023 '000 EUR Group	2023 '000 EUR Bank
Gain on spot transactions and derivatives	1 329	1 363	236	240
Gain/(loss) from revaluation of financial assets and liabilities	(1 358)	18	(4 290)	92
	(29)	**1 381**	**(4 054)**	**332**

Loss from revaluation of financial assets mainly arises from revaluation of assets in Russian Federation.

11.Net realised gain/(loss) on financial assets at fair value through other comprehensive income

	2024 '000 EUR Group	2024 '000 EUR Bank	2023 '000 EUR Group	2023 '000 EUR Bank
Debt securities	(603)	(603)	(829)	(829)
	(603)	**(603)**	**(829)**	**(829)**

12. Other income/(expense)

	2024 '000 EUR Group	2024 '000 EUR Bank	2023 '000 EUR Group	2023 '000 EUR Bank
Operating lease income from investment property and fixed assets	3 182	31	3 326	44
Fair value change of Investment property (note 26)	(270)	(329)	7 582	5 012
Gain/(loss) from sale of investment property	(1 043)	(1 233)	420	370
Penalties received	546	143	423	105
Dividends received	117	2 428	103	1 672
Loss from sale of property and equipment	(179)	-	(92)	(129)
Gain/(loss) from derecognition of subsidiary	(64)	-	1 039	(881)
Recovery of assets written off	339	348	2 652	2 655
Other	3 878	981	5 662	384
	6 506	**2 369**	**21 115**	**9 232**

Other income from the activities of the group's subsidiaries in 2024 amounted to EUR 2.9 million (2023: 11.9 million). The major part (EUR 1,9 million) relates to the maintenance of real estate within the group, as well as from the production and sale of electricity and other activities. Additionally, these figures include net income from the rental of aircraft (EUR 958 thousand).

13. Impairment losses

	2024 '000 EUR Group	2024 '000 EUR Bank	2023 '000 EUR Group	2023 '000 EUR Bank
Impairment losses				
Loans and receivables due from customers	(10 684)	(12 465)	(16 484)	(21 180)
Financial assets at fair value through other comprehensive income	(872)	(872)	(772)	(772)
Debt securities at amortised cost	(2 328)	(2 328)	(2 215)	(2 215)
Goodwill impairment (Intangible assets)	(401)	(401)	-	-
Loans and advances due from banks	(1 276)	(1 276)	(517)	(517)
Other assets	(2)	-	(8)	-
	(15 563)	**(17 342)**	**(19 996)**	**(24 684)**
Reversals of impairment losses				
Loans and receivables due from customers	6 682	7 644	6 019	6 314
Financial assets at fair value through other comprehensive income	852	852	2 152	2 152
Debt securities at amortised cost	1 135	1 135	733	733
Loans and advances due from banks	1 265	1 265	555	555
Investments in subsidiaries	-	630	-	-
Other assets	6	2	77	9
	9 940	**11 528**	**9 536**	**9 763**
Net impairment losses	**(5 623)**	**(5 814)**	**(10 460)**	**(14 921)**

14. General and administrative expenses

	2024 '000 EUR Group	2024 '000 EUR Bank	2023 '000 EUR Group	2023 '000 EUR Bank
Employee compensation	15 232	12 267	14 474	11 340
Repairs and maintenance	5 072	1 333	7 414	1 530
Payroll related taxes on employee remuneration	4 141	3 340	3 863	3 112
Taxes other than on corporate income and payroll	3 156	1 833	2 895	1 571
IT related costs	2 786	2 785	2 010	2 009
Salaries to the Executive Board and the Council	2 546	2 004	2 273	1 927
Depreciation and amortisation	2 311	2 239	2 008	2 220
Provision for bonus and payroll related taxes	1 977	1 915	1 422	1 340
Professional services	1 123	961	527	347
Advertising and marketing	851	371	614	119
Communications and information services	814	722	740	650
Travel and transport expenses	798	723	846	788
Subscription of information	657	457	599	427
Insurance	637	347	551	430
Representation	391	391	184	184
Audit services	336	260	270	191
Expenses related to credit risk	359	578	368	611
Employee health insurance	282	279	208	205
Reversal of provisions for the management bonus	(939)	(939)	(2 727)	(2 727)
Other	2 005	1 626	3 811	3 167
	44 535	**33 492**	**42 350**	**29 441**

The amount of reversed provision for bonuses represents the part of potential bonuses which, in addition to bonuses annually paid out by the Bank and the Group, might be paid discretionary by the Bank, subject to certain conditions which were not fulfilled.

14. General and administrative expenses, continued

Services provided by the statutory auditor	2024 Group	2024 Bank	2023 Group	2023 Bank
Annual audit fees (KPMG Baltics SIA)	297	221	270	191
Limited review of the Bank's ESG Report (KPMG Baltics SIA)	39	39	-	-
Consulting and advisory fees (KPMG Baltics SIA)	55	55	112	112
Limited assurance engagement whether the Bank has complied with the requirements of the Deposit Guarantee Law (KPMG Baltics SIA)	6	6	6	6
Limited assurance engagement whether the Bank has complied with the requirements of the Financial Instruments Market Law (KPMG Baltics SIA)	8	8	8	8

Number of employees

	31 Dec 2024 Group	31 Dec 2024 Bank	31 Dec 2023 Group	31 Dec 2023 Bank
The Council	6	6	6	6
The Executive Board	9	5	11	5
Investment services	5	5	6	6
Servicing of SMEs or individuals	46	24	67	33
Asset management	12	12	9	9
Corporate support function	180	145	222	192
Internal control function	91	61	94	60
Other operations	170	150	108	77
Total number of employees	**519**	**408**	**523**	**388**

15. Income tax expenses

(a) Income tax expense recognised in the profit and loss

	2024 '000 EUR Group	2024 '000 EUR Bank	2023 '000 EUR Group	2023 '000 EUR Bank
Current tax				
Current tax	4 111	3 155	4 146	3 368
Deferred tax	30	-	346	-
Total income tax expense in the profit or loss	**4 141**	**3 155**	**4 492**	**3 368**

Income tax recognised in other comprehensive income

	2024 '000 EUR Group	2024 '000 EUR Bank	2023 '000 EUR Group	2023 '000 EUR Bank
Current tax				
Deferred tax	1 036	1 036	-	-
Total income tax expense in the profit or loss	**1 036**	**1 036**	**-**	**-**

Deferred tax is recognized based on movements in fair value reserve (change in fair value of financial instruments at fair value through other comprehensive income. It may subsequently be reclassified to profit or loss.

The tax rate applicable in countries in which group entities operate:	**2024**	**2023**
Latvia	20.00%	20.00%
Belarus	18.00%	18.00%
Cyprus	12.50%	12.50%
Russia	20.00%	20.00%

(b) Reconciliation of effective tax rate:

As of 1 January 2018, according to Law on Enterprise Income Tax of the Republic of Latvia, the tax rate for non-financial institutions of 20% is deferred to when the profit is distributed and calculated as 0.2/0.8 from net distributed dividend. Before 2018 corporate income tax in Latvia was payable for financial year taxable profit. Due to the Corporate Income Tax (CIT) legislative changes in Latvia introduced during 2023 and described in more details in note 3 (p)(i), starting from 2023 banks and non-banking lenders in Latvia are subject to 20% CIT payable on their accounting profit before tax which has resulted in a change of the impact of retained earnings taxable on distribution presented below:

	31 Dec 2024 Group	31 Dec 2024 Bank	31 Dec 2023 Group	31 Dec 2023 Bank
Profit before corporate income tax	17 291	16 037	21 505	15 902
Corporate income tax (at 20%)	3 458	3 207	4 301	3 180
Retained earnings taxable on distribution	(709)	-	(1 182)	-
Tax calculated in Latvia upon prior year profit distribution	956	-	98	-
Non-taxable income	-	(462)	-	(358)
Effect of tax rates in foreign jurisdictions	(2)	-	4	-
Tax paid abroad	385	357	510	314
Non-deductible expenses	53	53	761	232
Total effective corporate income tax	**4 141**	**3 155**	**4 492**	**3 368**

16. Cash and balances due from the Latvijas Banka

Cash and balances due from the Latvijas Banka comprised of the following items:

	31 Dec 2024 '000 EUR Group	31 Dec 2024 '000 EUR Bank	31 Dec 2023 '000 EUR Group	31 Dec 2023 '000 EUR Bank
Balances due from the Bank of Latvia	247 803	247 803	349 454	349 454
Cash	358	340	912	876
	248 161	**248 143**	**350 366**	**350 330**

Deposits due from the Latvijas Banka represent the balance outstanding on the correspondent account due from the Latvijas Banka in EUR.

In accordance with the Bank of Latvia's regulations, the Bank is required to maintain a compulsory reserve. As at 31 December 2024 the compulsory reserve amounted to EUR 7,375 thousand (31 December 2023: EUR 7,225 thousand). The compulsory reserve is compared to the Bank's average monthly correspondent account balance in EUR. The Bank's average correspondent balance should exceed the compulsory reserve requirement. The Bank was in compliance with the aforementioned compulsory reserve requirement during the reporting year.

17. Deposits and balances due from banks

	31 Dec 2024 '000 EUR Group	31 Dec 2024 '000 EUR Bank	31 Dec 2023 '000 EUR Group	31 Dec 2023 '000 EUR Bank
Demand accounts	16 378	14 843	14 076	13 544
Term deposits	1 232	1 232	-	-
Expected credit losses	(29)	(29)	(16)	(16)
Total accounts	**17 581**	**16 046**	**14 060**	**13 528**

Concentration of placements with banks

As at 31 December 2024 the Bank and the Group had 3 balances (2023: 2), which exceeded 10% of total loans and receivables from banks.

The largest balances due from credit institutions as of 31 December 2024 in the Bank and the Group were as follows:

	31 Dec 2024	%
Euroclear Bank SA/NV	7 669	47.71
Eurasian bank JSC	2 887	17.96
RAIFFEISENBANK Moscow JSC	1 655	10.29
Total	**12 211**	**75.96**

The largest balances due from credit institutions as of 31 December 2023 in the Bank and the Group were as follows:

	31 Dec 2023	%
Euroclear Bank SA/NV	5 686	41.98
Eurasian bank JSC	2 350	17.35
Total	**8 036**	**59.33**

18. Financial assets and liabilities at fair value through profit or loss

	31 Dec 2024		31 Dec 2023	
	'000 EUR Group	'000 EUR Bank	'000 EUR Group	'000 EUR Bank
Debt instruments	171	171	-	-
Equity instruments	8 212	7 719	4 686	4 192
Derivative financial instruments	132	132	2 033	2 033
Financial assets at fair value through profit or loss	**8 515**	**8 022**	**6 719**	**6 225**
Derivative financial instruments	(2 534)	(2 534)	(2 024)	(2 024)
Financial liabilities at fair value through profit or loss	**(2 534)**	**(2 534)**	**(2 024)**	**(2 024)**

The Bank and the Group classify derivative financial instruments and trading portfolio under this category.

Derivative financial assets and liabilities

The Group and the Bank '000 EUR	**31 Dec 2024**		**31 Dec 2023**	
	Carrying amount	**Notional amount**	**Carrying amount**	**Notional amount**
Assets				
GDP-linked derivative securities	2	630	2	630
Forward contracts	16	3 850	30	3 348
Futures contracts	114	-*	2 001	85 779
Total derivative financial assets	**132**		**2 033**	
Liabilities				
Forward contracts	-	-	69	8 145
Futures contracts	529	35 529	-	-
Options	2 005	2005**	1 955	1 955
Total derivative financial liabilities	**2 534**		**2 024**	

*Futures contracts netting result is reflected in the Liabilities part where accordingly the whole notional value is disclosed. In the Asset part amount of Futures contract revaluation of 114 has been presented, it does not result in any notional amount.

**Detailed description of the buy-back option is provided in the note 22. Its notional value can be substantially higher than the carrying amount.

19. Financial assets at amortised cost

a. Debt securities

The Group and the Bank

EUR'000	31 December 2024 Gross amount	31 December 2024 Expected credit loss	31 December 2024 Net carrying amount	31 December 2023 Gross amount	31 December 2023 Expected credit loss	31 December 2023 Net carrying amount
Government and municipal bonds	874	-	874	891	-	891
Corporate bonds	48 877	(4 973)	43 904	60 499	(3 780)	56 719
Total	**49 751**	**(4 973)**	**44 778**	**61 390**	**(3 780)**	**57 610**

Analysis of movements in the allowance for expected credit losses:

31 December 2024
The Group and the Bank

EUR'000	Opening balance as at 1 Jan 2024	Origination and acquisition	Derecog-nition and repayments	Changes in credit risk, net	Other adjustments	Closing balance as at 31 Dec 2024
Stage 1	922	17	(12)	(454)	-	473
Stage 2	107	-	(38)	6	-	75
Stage 3	2 751	-	-	1 674		4 425
Total	**3 780**	**17**	**(50)**	**1 226**	**-**	**4 973**

31 December 2023
The Group and the Bank

EUR'000	Opening balance as at 1 Jan 2023	Origination and acquisition	Derecog-nition and repayments	Changes in credit risk, net	Other adjustments	Closing balance as at 31 Dec 2023
Stage 1	1 009	-	(18)	(78)	9	922
Stage 2	326	66	(100)	(193)	8	107
Stage 3	921	9	(133)	1 929	25	2 751
Total	**2 256**	**75**	**(251)**	**1 658**	**42**	**3 780**

19.Financial assets at amortised cost, continued

b. Loans and receivables due from customers

The Group EUR'000	31 December 2024			31 December 2023		
	Gross amount	Expected credit loss	Net carrying amount	Gross amount	Expected credit loss	Net carrying amount
Companies	**577 418**	**(21 906)**	**555 512**	**543 940**	**(22 697)**	**521 243**
Finance leases	1 174	(37)	1 137	3 097	(101)	2 996
Loans	576 244	(21 869)	554 375	540 843	(22 596)	518 247
Individuals	**110 135**	**(8 585)**	**101 550**	**107 821**	**(6 849)**	**100 972**
Finance leases	884	(4)	880	2 186	(14)	2 172
Loans	109 251	(8 581)	100 670	105 635	(6 835)	98 800
Total	**687 553**	**(30 491)**	**657 062**	**651 761**	**(29 546)**	**622 215**

The Bank EUR'000	31 December 2024			31 December 2023		
	Gross amount	Expected credit loss	Net carrying amount	Gross amount	Expected credit loss	Net carrying amount
Companies	**688 425**	**(32 962)**	**655 463**	**648 120**	**(31 956)**	**616 164**
Loans	688 425	(32 962)	655 463	648 120	(31 956)	616 164
Individuals	**37 319**	**(4 339)**	**32 980**	**44 035**	**(3 832)**	**40 203**
Loans	37 319	(4 339)	32 980	44 035	(3 832)	40 203
Total	**725 744**	**(37 301)**	**688 443**	**692 155**	**(35 788)**	**656 367**

c. Finance leases

Loans and receivables from customers include the following finance lease receivables for leases:

	31 Dec 2024 '000 EUR Group	31 Dec 2023 '000 EUR Group
Gross investment in finance leases,		
Less than one year	1 632	3 535
More than one year	741	2 733
Total gross investment in finance	2 373	6 268
Unearned finance income	(315)	(985)
Net investment in finance lease	**2 058**	**5 283**
Expected credit losses	(41)	(115)
Net investment in finance lease	**2 017**	**5 168**
The net investment in finance leases		
Less than one year	1 375	2 855
Between one and five years	642	2 313
Net investment in finance lease	**2 017**	**5 168**

19.Financial assets at amortised cost, continued

(a) Credit quality of loan portfolio

(i) Ageing structure of loan portfolio

	Gross amount					
EUR'000	Stage 1	Stage 2	Stage 3	Expected credit loss	Net carrying amount	Uncollateralised exposure of net carrying amount
Not past due	438 351	87 452	58 723	(13 205)	571 321	98 650
Past due > 0 days <= 30 days	4 246	4 917	9 366	(868)	17 661	4 043
Past due > 30 days <= 90 days	-	910	27 593	(3 460)	25 043	602
Past due > 90 days	-	-	55 995	(12 958)	43 037	4 638
Total	**442 597**	**93 279**	**151 677**	**(30 491)**	**657 062**	**107 933**

The Bank, 31 Dec 2024

	Gross amount					
EUR'000	Stage 1	Stage 2	Stage 3	Expected credit loss	Net carrying amount	Uncollateralised exposure of net carrying amount
Not past due	426 225	124 265	81 303	(23 711)	608 082	39 841
Past due > 0 days <= 30 days	46	4 918	9 364	(665)	13 663	45
Past due > 30 days <= 90 days	-	2	27 577	(3 139)	24 440	-
Past due > 90 days	-	-	52 044	(9 786)	42 258	3 858
Total	**426 271**	**129 185**	**170 288**	**(37 301)**	**688 443**	**43 744**

(i) Ageing structure of loan portfolio, continued

The Group, 31 Dec 2023

	Gross amount					
EUR'000	Stage 1	Stage 2	Stage 3	Expected credit loss	Net carrying amount	Uncollateralised exposure of net carrying amount
Not past due	396 612	89 709	71 546	(14 287)	543 580	113 122
Past due > 0 days <= 30 days	2 598	1 397	32 434	(2 056)	34 373	3 117
Past due > 30 days <= 90 days	-	562	12 603	(2 464)	10 701	386
Past due > 90 days	-	-	44 300	(10 739)	33 561	4 297
Total	**399 210**	**91 668**	**160 883**	**(29 546)**	**622 215**	**120 922**

The Bank, 31 Dec 2023

	Gross amount					
EUR'000	Stage 1	Stage 2	Stage 3	Expected credit loss	Net carrying amount	Uncollateralised exposure of net carrying amount
Not past due	414 126	91 468	99 022	(23 152)	581 464	64 206
Past due > 0 days <= 30 days	64	1 397	32 340	(1 887)	31 914	765
Past due > 30 days <= 90 days	-	10	12 173	(2 204)	9 979	-
Past due > 90 days	-	-	41 555	(8 545)	33 010	3 752
Total	**414 190**	**92 875**	**185 090**	**(35 788)**	**656 367**	**68 723**

19.Financial assets at amortised cost, continued

(ii) Analysis of loan portfolio by type of collateral

The following table provides the analysis of the loan portfolio, net of impairment, by main types of collateral as at 31 December 2024:

The Group **EUR'000**	**31 Dec 2024**	**% of loan portfolio**	**31 Dec 2023**	**% of loan portfolio**
Commercial buildings	230 725	35.11	217 201	34.91
Without collateral	107 933	16.43	120 922	19.42
Commercial assets pledge	132 179	20.12	103 346	16.62
Land mortgage	59 379	9.04	49 345	7.93
Traded securities	10 069	1.53	10 413	1.67
Mortgage on residential properties	42 410	6.45	41 869	6.73
Finance lease	2 023	0.31	5 168	0.83
Deposit	177	0.03	130	0.02
Other	72 167	10.98	73 821	11.87
Total	**657 062**	**100.00**	**622 215**	**100.00**

The Bank **EUR'000**	**31 Dec 2024**	**% of loan portfolio**	**31 Dec 2023**	**% of loan portfolio**
Commercial buildings	274 981	39.94	262 258	39.96
Commercial assets pledge	185 380	26.93	149 808	22.82
Without collateral	43 744	6.35	68 723	10.47
Land mortgage	59 379	8.63	49 345	7.52
Traded securities	10 069	1.46	10 413	1.59
Mortgage on residential properties	42 410	6.16	41 869	6.38
Deposit	177	0.03	130	0.02
Other	72 303	10.50	73 821	11.24
Total	**688 443**	**100.00**	**656 367**	**100.00**

The amounts shown in the table's above represent the carrying amount of the loans, and not the fair value of the collateral.

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19.Financial assets at amortised cost, continued

(iii) Movements in the expected credit losses, loans and receivable due from customers

The following tables show reconciliation from the opening to the closing balance of the expected credit losses, loans and receivables due from customers for the year 2024:

The Group

	Expected credit losses					Loans and receivables due from customers (gross amount)				
'000 EUR	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Opening balance, 31 Dec 2023	**(4 132)**	**(3 006)**	**(21 942)**	**(466)**	**(29 546)**	**399 210**	**91 668**	**158 801**	**2 082**	**651 761**
To stage 1 from stage 2 or 3	(130)	84	46	-	-	6 447	(6 340)	(107)	-	-
To stage 2 from stage 1 or 3	56	(72)	16	-	-	(19 130)	19 663	(533)	-	-
To stage 3 from stage 1 or 2	31	286	(317)	-	-	(1 238)	(2 399)	3 637	-	-
Origination and acquisition	(1 556)	(281)	(1 086)	-	(2 923)	104 207	6 037	1 422	-	111 666
Disposals and repayments	430	303	3 316	-	4 049	(46 914)	(15 137)	(10 586)	(17)	(72 654)
Changes in credit risk, net	(624)	(1 003)	(4 064)	221	(5 470)	-	-	-	-	-
Decrease due to write-offs	-	213	3 149	-	3 362	-	(213)	(3 207)	-	(3 420)
Other adjusments	(13)	-	50	-	37	15	-	199	(14)	200
Closing balance, 31 Dec 2024	**(5 938)**	**(3 476)**	**(20 832)**	**(245)**	**(30 491)**	**442 597**	**93 279**	**149 626**	**2 051**	**687 553**

The Bank

	Expected credit losses					Loans and receivables due from customers (gross amount)				
'000 EUR	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Opening balance, 31 Dec 2023	**(4 738)**	**(3 000)**	**(27 583)**	**(467)**	**(35 788)**	**414 190**	**92 875**	**183 007**	**2 083**	**692 155**
To stage 1 from stage 2 or 3	(54)	54	-	-	-	6 243	(6 243)	-	-	-
To stage 2 form stage 1 or 3	1 187	(1 216)	29	-	-	(52 747)	54 674	(1 927)	-	-
To stage 3 from stage 1 or 2	-	202	(202)	-	-	-	(2 129)	2 129	-	-
Origination and acquisition	(1 210)	(2)	(36)	-	(1 248)	76 564	6 854	321	-	83 739
Disposals and repayments	225	424	3 530	-	4 179	(19 294)	(16 633)	(12 500)	(17)	(48 444)
Changes in credit risk, net	(823)	(1 045)	(6 062)	221	(7 709)	-	-	-	-	-
Decrease due to write-offs	-	213	3 052	-	3 265	-	(213)	(3 100)	-	(3 313)
Other adjusments					-	1 315	-	306	(14)	1 607
Closing balance, 31 Dec 2024	**(5 413)**	**(4 370)**	**(27 272)**	**(246)**	**(37 301)**	**426 271**	**129 185**	**168 236**	**2 052**	**725 744**

19.Financial assets at amortised cost, continued

The following tables show reconciliation from the opening to the closing balance of the expected credit losses, loans and receivables due from customers for the year 2023:

The Group

	Expected credit losses					Loans and receivables due from customers (gross amount)				
'000 EUR	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Opening balance, 31 Dec 2022	**(2 287)**	**(1 621)**	**(19 064)**	**(37)**	**(23 009)**	**342 028**	**62 846**	**161 396**	**1 890**	**568 160**
To stage 1 from stage 2 or 3	(69)	20	49	-	-	188	(76)	(112)	-	-
To stage 2 from stage 1 or 3	250	(255)	5	-	-	(31 170)	31 178	(8)	-	-
To stage 3 from stage 1 or 2	143	136	(279)	-	-	(4 921)	(24 037)	28 958	-	-
Origination and acquisition	(2 538)	(1 162)	(1 160)	(120)	(4 980)	127 891	25 193	5 592	739	159 415
Disposals and repayments	603	53	1 305	-	1 961	(28 507)	(3 436)	(27 133)	(500)	(59 576)
Changes in credit risk, net	(267)	(177)	(6 989)	(286)	(7 719)	-	-	-	-	-
Decrease due to write-offs	-	-	4 127	-	4 127	-	-	(4 146)	-	(4 146)
Other adjusments	33	-	64	(23)	74	(6 299)	-	(5 746)	(47)	(12 092)
Closing balance, 31 Dec 2023	**(4 132)**	**(3 006)**	**(21 942)**	**(466)**	**(29 546)**	**399 210**	**91 668**	**158 801**	**2 082**	**651 761**

The Bank

	Expected credit losses					Loans and receivables due from customers (gross amount)				
'000 EUR	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**POCI**	**Total**
Opening balance, 31 Dec 2022	**(2 969)**	**(5 478)**	**(16 250)**	**(37)**	**(24 734)**	**352 669**	**98 987**	**156 020**	**1 390**	**609 066**
To stage 1 from stage 2 or 3	-	-	-	-	-	-	-	-	-	-
To stage 2 form stage 1 or 3	245	(245)	-	-	-	(30 885)	30 885	-	-	-
To stage 3 from stage 1 or 2	102	3 208	(3 310)	-	-	(4 189)	(47 087)	51 276	-	-
Origination and acquisition	(2 199)	(1 001)	(722)	(120)	(4 042)	102 596	24 873	6 578	739	134 786
Disposals and repayments	411	37	1 010	-	1 458	(4 761)	(14 783)	(26 563)	-	(46 107)
Changes in credit risk, net	(328)	479	(12 377)	(286)	(12 512)	-	-	-	-	-
Decrease due to write-offs	-	-	4 042	-	4 042	-	-	(4 059)	-	(4 059)
Other adjusments	-	-	24	(24)	-	(1 240)	-	(245)	(46)	(1 531)
Closing balance, 31 Dec 2023	**(4 738)**	**(3 000)**	**(27 583)**	**(467)**	**(35 788)**	**414 190**	**92 875**	**183 007**	**2 083**	**692 155**

Loans and receivables due from customers with a contractual amount of 1,717 thousand EUR for the Group and the Bank were written off during 2024 and are still subject to enforcement activity (2023: 3,052).

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19.Financial assets at amortised cost, continued

(b)Industry analysis of the loan portfolio

The Group EUR'000	31 December 2024				31 December 2023			
	Gross amount	Expected credit loss	Net carrying amount	Commit-ments, guarantees, Net after ECL	Gross amount	Expected credit loss	Net carrying amount	Commit-ments, guarantees, Net after ECL
Financial services	167 947	(8 346)	159 601	28 793	180 744	(10 358)	170 386	61 996
Real estate management	262 131	(8 287)	253 844	26 009	216 565	(7 349)	209 216	2 993
Individuals	110 135	(8 585)	101 550	6 617	107 821	(6 849)	100 972	2 075
Electricity, gas, water supply	28 365	(586)	27 779	3	20 302	(347)	19 955	382
Transport and communication	12 813	(297)	12 516	1 609	25 988	(1 042)	24 946	833
Wholesale and retailing	6 884	(1 584)	5 300	351	9 598	(1 487)	8 111	350
Manufacturing	33 759	(1 207)	32 552	4 412	31 826	(1 127)	30 699	4 487
Tourism	30 572	(557)	30 015	-	27 456	(645)	26 811	489
Construction	14 134	(428)	13 706	6 798	7 772	(193)	7 579	8 156
Other	20 813	(614)	20 199	33 517	23 689	(149)	23 540	32 411
	687 553	**(30 491)**	**657 062**	**108 109**	**651 761**	**(29 546)**	**622 215**	**114 172**

The Bank EUR'000	31 December 2024				31 December 2023			
	Gross amount	Expected credit loss	Net carrying amount	Commit-ments, guarantees, Net after ECL	Gross amount	Expected credit loss	Net carrying amount	Commit-ments, guarantees, Net after ECL
Financial services	225 481	(8 604)	216 877	36 104	232 406	(10 704)	221 702	78 198
Real estate management	317 831	(19 177)	298 654	39 741	271 426	(16 046)	255 380	16 995
Individuals	37 319	(4 339)	32 980	6 508	44 035	(3 832)	40 203	1 977
Electricity, gas, water supply	28 365	(586)	27 779	33 517	22 770	(135)	22 635	32 413
Transport and communication	11 818	(275)	11 543	1 609	25 853	(1 362)	24 491	1 106
Wholesale and retailing	6 683	(1 577)	5 106	351	9 114	(1 482)	7 632	350
Manufacturing	33 552	(1 184)	32 368	4 412	31 256	(1 055)	30 201	4 487
Tourism	30 571	(557)	30 014	-	27 450	(644)	26 806	489
Construction	13 982	(417)	13 565	6 798	7 543	(181)	7 362	8 156
Other	20 142	(585)	19 557	4	20 302	(347)	19 955	382
	725 744	**(37 301)**	**688 443**	**129 044**	**692 155**	**(35 788)**	**656 367**	**144 553**

(c) Significant credit exposures

According to regulatory requirements, the Bank and the Group are not allowed to have a credit exposure to one client or group of related clients more than 25% of its equity. As of 31 December 2024, and 2023 the Bank and the Group were in compliance with this requirement.

20. Financial assets at fair value through other comprehensive income

	2024 '000 EUR Group	2024 '000 EUR Bank	2023 '000 EUR Group	2023 '000 EUR Bank
Debt securities				
- with rating from AAA to A	98 941	98 941	120 259	120 259
- with rating from BBB+ to BBB-	87 419	87 419	101 903	101 903
- non-investment grade	26 949	26 949	46 215	46 215
- without rating	1	1	7	7
Equity investments	**14**	**14**	**15**	**15**
Total fair value	**213 324**	**213 324**	**268 399**	**268 399**
Acquisition cost	220 700	220 700	286 932	286 932
Revaluation	(5 178)	(5 178)	(14 995)	(14 995)
Impairment allowance	(2 198)	(2 198)	(3 538)	(3 538)
Total fair value	**213 324**	**213 324**	**268 399**	**268 399**
Of which pledged to Bank of Latvia under the TLTRO III programme (note 28)	-	-	65 424	65 424

Analysis of movements in the allowance for expected credit losses:

31 December 2024
The Group and the Bank

EUR'000	Opening balance, 1 Jan 2024	Origination and acquisition	Derecognition and repayments	Changes in credit risk, net	Other adjustments	Closing balance, 31 Dec 2024
Stage 1	260	55	(57)	(143)	2	117
Stage 2	302	-	(211)	(47)	1	45
Stage 3	2 976	-	(1 630)	645	45	2 036
Total	**3 538**	**55**	**(1 898)**	**455**	**48**	**2 198**

31 December 2023
The Group and the Bank

EUR'000	Opening balance, 1 Jan 2024	Origination and acquisition	Derecognition and repayments	Changes in credit risk, net	Other adjustments	Closing balance, 31 Dec 2024
Stage 1	334	4	(37)	29	(70)	260
Stage 2	256	1	(1)	(3)	49	302
Stage 3	4 426	-	(769)	(603)	(78)	2 976
Total	**5 016**	**5**	**(807)**	**(577)**	**(99)**	**3 538**

21. Investments in subsidiaries

Investment in subsidiaries at 31 December 2024 ('000 EUR):

Company	Address	Share Capital	Equity	Bank's share of total share capital, %	Gross carrying amount	Impair-ment allowance	Net invest-ments in subsi-diaries
SIA "RB Investments"	Vesetas str.7, Riga, Latvia	14 229	7 741	100.00%	14 229	(4 051)	10 178
RB Securities Ltd.	Stasinou str.1, Mitsi Building 1, 2nd floor, Flat/office 5, Plateia	9 002	359	99.99%	8 355	(8 036)	319
Rietumu Lizing OOO	Odoevskogo str.117, 6th floor, office 9, Minsk, Belarus	275	3 686	99.50%	2 362	-	2 362
SIA "InCREDIT GROUP"	Krisjana Barona str.130, Riga,	500	10 260	51.00%	255	-	255
SIA "RB Drosiba"	Vesetas str.7, Riga, Latvia	71	71	100.00%	71	-	71
SIA "Vesetas 7"	Vesetas str.7, Riga, Latvia	142	7 919	100.00%	3 263	-	3 263
NOD "Nakotnes Atbalsta Fonds"	Vesetas str.7, Riga, Latvia	-	507	100.00%	-	-	-
SIA "Euro Textile Group"	Vesetas str.7, Riga, Latvia	887	(1 777)	100.00%	1 000	(1 000)	-
SIA "KI Fund"	Vesetas str. 7, Riga, Latvia	12 519	10 669	100.00%	12 519	(2 145)	10 374
SIA "Second Sky Management"	Vesetas str. 7, Riga, Latvia	11 003	11 587	100.00%	11 003	-	11 003
Total Bank's investment in subsidiaries					**53 057**	**(15 232)**	**37 825**

21. Investments in subsidiaries, continued

Investment in subsidiaries at 31 December 2023 (‘000 EUR):

Company	Address	Share Capital	Equity	Bank’s share of total share capital, %	Gross carrying amount	Impair-ment allowance	Net invest-ments in subsi-diaries
SIA “RB Investments”	Vesetas str.7, Riga, Latvia	14 229	6 316	100.00%	14 229	(4 051)	10 178
RB Securities Ltd.	Stasinou str.1, Mitsi Building 1, 2nd floor, Flat/office 5, Plateia	9 002	387	99.99%	8 355	(8 036)	319
SIA “OVERSEAS Estates”	Dzintaru str.3A, Ventspils, Latvia	9 480	1 590	100.00%	7 346	(5 759)	1 587
Rietumu Lizing OOO	Odoevskogo str.117, 6th floor, office 9, Minsk, Belarus	275	4 488	99.50%	2 362	-	2 362
SIA “InCREDIT GROUP”	Krisjana Barona str.130, Riga,	500	8 617	51.00%	255	-	255
SIA “RB Drosiba”	Vesetas str.7, Riga, Latvia	71	299	100.00%	71	-	71
SIA “Vesetas 7”	Vesetas str.7, Riga, Latvia	142	7 429	100.00%	3 263	-	3 263
NOD “Nakotnes Atbalsta Fonds”	Vesetas str.7, Riga, Latvia	-	667	100.00%	-	-	-
SIA “Euro Textile Group”	Vesetas str.7, Riga, Latvia	887	(1 595)	100.00%	1 000	(1 000)	-
SIA “KI Fund”	Vesetas str. 7, Riga, Latvia	5 719	3 834	100.00%	5 719	(2 145)	3 574
SIA “Second Sky Management”	Vesetas str. 7, Riga, Latvia	11 003	11 243	100.00%	11 003	-	11 003
Total Bank’s investment in subsidiaries					**53 603**	**(20 991)**	**32 612**

In 2024 the Bank sold 100% of the shares of SIA OVERSEASE ESTATE to third parties not related to the Bank for EUR 2.2 million. The profit from the sale of shares amounted to EUR 630 thousand.

22. Investments in associates

Bank

Name	Country of incorporation	Principal activities	Ownership	Amount of investment	Ownership	Amount of investment
			31 Dec 2024		31 Dec 2023	
			%	'000 EUR	%	'000 EUR
AS "Latvijas gāze"	Latvia	Trade of gas through mains	28.97%	36 955	28.97%	36 955
Total				**36 955**		**36 955**

Group

Name	Country of incorporation	Principal activities	Ownership	Amount of investment	Ownership	Amount of investment
			31 Dec 2024		31 Dec 2023	
			%	'000 EUR	%	'000 EUR
AS "Latvijas gāze"	Latvia	Trade of gas through mains	28.97%	37 955	28.97%	36 955
SIA "AED Rail Service"	Latvia	Railway information services	0.00%	-	43.00%	-
SIA "NAT GRUPA"	Latvia	Real estate sales	29.50%	-	19.00%	-
Total				**37 955**		**36 955**

In 2024 RB Investment sold 43% of the shares of SIA AED RAIL SERVICE to an unrelated party for EUR 1. At the time of the sale, the net value of the shares was EUR 0.

Associate AS "Latvijas Gāze"

	2024 '000 EUR	2023 '000 EUR
Percentage ownership interest	**28.97%**	**28.97%**
Non-current assets	5 797	6 313
Current assets	169 713	157 414
Non current liabilities	(331)	(76)
Current liabilities	(36 868)	(38 564)
Net assets (100%)	**138 311**	**125 087**
Group's share of net assets (28.97%)	**40 069**	**36 238**
Effect of fair value adjustments on acquisition and other adjustments	(2 114)	717
Total	**37 955**	**36 955**

	2024 '000 EUR	2023 '000 EUR
Net revenue	91 067	159 819
Profit/(loss) for the period	13 238	(56 911)
Other comprehensive income / (loss)	0	(47)
Total comprehensive income	13 238	(56 958)
Total comprehensive income (28.97%)	**3 835**	**(16 501)**
Effect of fair value adjustments on acquisition and other adjustments	(2 835)	-
Group's share of total comprehensive income	**1 000**	**-**

22. Investments in associates, continued

"Latvijas Gāze" AS is providing wholesale and sales of natural gas to business customers in Latvia, Estonia, Lithuania and Finland. In the household segment, "Latvijas Gāze" AS is the largest natural gas trader in Latvia. On 29 November 2023, the Bank acquired 28.97% of shares of AS "Latvijas Gāze", at the time publicly traded in Nasdaq Riga with ISIN code: LV0000100899, in exchange for cash consideration. According Share purchase agreement, seller has rights for buy-back option in 36 months period.

The buy-back option in amount of EUR 2,005 million (2023: EUR 1,955 million) is recognized in liabilities as Financial Instruments at fair value through profit or loss (Note 18). The value of the option is dependent on the fair value of underlying equity investment and the pre-set buy-back prices that increases over time.

Associate SIA "NAT Grupa"

	2024 '000 EUR	2023 '000 EUR
Percentage ownership interest	**29.50%**	**19.50%**
Non-current assets	3 490	3 490
Current assets	25	23
Non current liabilities	(5 440)	(5 467)
Current liabilities	(95)	(64)
Net assets (100%)	(2 020)	(2 019)
Group's share of net assets (29.5% / 19.5%)	**(596)**	**(394)**

	2024 '000 EUR	2023 '000 EUR
Net revenue	60	50
Profit/(loss) for the period	(1)	7
Other comprehensive income	-	-
Total comprehensive income	(1)	7
Group's share of net assets (29.5% / 19.5%)	**-**	**1**

In 2024, the Bank increased its investment in the capital of NAT GRUPA Ltd to 29.5% (2023: 19.5%) by acquiring shares from another member.

As of August, 2024 taking into account fair value adjustments of SIA "NAT Grupa" assets, its net assets amounted to EUR (859) thousand. The proportionate 10 % share ofthe SIA "Nat Grupa" equity would equal EUR (85) thousand. The acquisition price was EUR 226 thousand (without any deferred payments or additional transaction costs). Consequently Group identified a EUR 226 thousand EUR goodwill arising from the transaction,which was determined as the difference between the acquisition price and the proportionate share of acquired net assets (determined as 0 considering the negative net assets of the entity). However, given the negative net assets of SIA "NAT Grupa", the carrying amount of the investment was fully written off in Group's financial statements.

23. Property and equipment

The Group '000 EUR	Right of use assets	Land and buildings	Construc-tion in progress	Vehicles	Office equipment and machinery	Advances	Total
Cost/Revalued amount							
At 1 January 2024	**1 510**	**35 816**	**-**	**13 023**	**15 205**	**106**	**65 660**
Additions	153	-	-	-	579	38	**770**
Disposals	(163)	-	-	-	(1 919)	-	**(2 082)**
Transfer	-	-	-	35	105	(140)	**-**
Reclassification (to)/from investment property	-	2 764	-	-	-	-	**2 764**
Sale of subsidiary	(804)	-	-	-	(1 039)	-	**(1 843)**
Revaluation	-	956	-	-	-	-	**956**
FX translation effect	-	(58)	-	-	(1)	-	**(59)**
At 31 December 2024	**696**	**39 478**	**-**	**13 058**	**12 930**	**4**	**66 166**
Depreciation							
At 1 January 2024	**643**	**9 405**	**-**	**3 121**	**9 943**	-	**23 112**
Depreciation charge	204	870	-	726	376	-	**2 176**
Disposals	(120)	-	-	-	(1 735)	-	**(1 855)**
Transfer	-	-	-	-	-	-	**-**
Sale of subsidiary	(420)	-	-	-	(769)	-	**(1 189)**
FX translation effect	-	(5)	-	-	(1)	-	**(6)**
At 31 December 2024	**307**	**10 270**	**-**	**3 847**	**7 814**	**-**	**22 238**
Net carrying amount							
At 31 December 2024	**389**	**29 208**	**-**	**9 211**	**5 116**	**4**	**43 928**
At 31 December 2023	**867**	**26 411**	**-**	**9 902**	**5 262**	**106**	**42 548**

In relation with the expansion of the Bank's leased premises from its subsidiary, a reclassification from Investment Property to Property and equipment in amount of EUR 2,764 was recognized (2023: 6,020).

The Group '000 EUR	Right of use assets	Land and buildings	Construc-tion in progress	Vehicles	Office equipment and machinery	Advances	Total
Cost/Revalued amount							
At 1 January 2023	**1 474**	**29 949**	**8**	**13 128**	**15 440**	**56**	**60 055**
Additions	114	-	-	242	502	106	**964**
Disposals	(78)	-	-	(341)	(779)		**(1 198)**
Transfer	-	8	(8)		56	(56)	**-**
Reclassification (to)/from investment property	-	6 020	-	-	-	-	**6 020**
Sale of subsidiary	-	-	-	-	-	-	**-**
Revaluation	-	55	-	-	-	-	**55**
FX translation effect	-	(216)	-	(6)	(14)	-	**(236)**
At 31 December 2023	**1 510**	**35 816**	**-**	**13 023**	**15 205**	**106**	**65 660**
Depreciation							
At 1 January 2023	**460**	**8 989**	**8**	**2 706**	**10 371**	-	**22 534**
Depreciation charge	216	427	-	721	352	-	**1 716**
Disposals	(33)	-	-	(303)	(769)	-	**(1 105)**
Transfer	-	8	(8)	-	-	-	**-**
FX translation effect	-	(19)	-	(3)	(11)	-	**(33)**
At 31 December 2023	**643**	**9 405**	**-**	**3 121**	**9 943**	**-**	**23 112**
Net carrying amount							
At 31 December 2023	**867**	**26 411**	**-**	**9 902**	**5 262**	**106**	**42 548**
At 31 December 2022	**1 014**	**20 960**	**-**	**10 422**	**5 069**	**56**	**37 521**

Revalued assets

As at 31 December 2024 and 2023, properties consisting of office buildings and land were revalued based on report by external independent and qualified property appraisers with recent experience in the location and category of the property being valued. The independent appraisers provide the fair value of the property portfolio every year.

23. Property and equipment, continued

The following table shows the valuation techniques used in measuring the fair value of the significant items of property, as well as the significant unobservable inputs used. The remaining items of properties belonging to the subsidiaries of the Group are considered to be not significant for the Bank and the Group.

2024:

Type	Valuation technique	Significant unobservable inputs	Inter-relation between significant unobservable inputs and fair value measurement
Office premises in administrative building in the net carrying amount of EUR 456 thousand (2023: EUR 422 thousand) located in Minsk, Belarus	Market comparison technique: the fair value was based on results of comparable sales of similar buildings	Price per m2 – 690 EUR (2023: EUR 660)	The fair value would increase (decreased) if the price per m2 was higher (lower).
Office building (17,071 m2) and land in the amount of EUR 36,600 thousand located in Riga, Latvia	Discounted cash flows technique: the model is based on discounted cash flows from rental income.	Rental income per m2 of EUR 15.50 (2023: EUR 15.50) Discount rate of 7.8 % (2023: 7.8%)	The estimated fair value would increase (decrease) if: - Rental income per m2 was higher (lower) - The discount rate was lower (higher) - Annual capital expense are lower (higher) - The occupancy rate was higher (lower)

2023:

Type	Valuation technique	Significant unobservable inputs	Inter-relation between significant unobservable inputs and fair value measurement
Office premises in administrative building in the net carrying amount of EUR 422 thousand (2022: EUR 455 thousand) located in	Market comparison technique: the fair value was based on results of comparable sales of similar	Price per m2 – 660 EUR (2022: EUR 711)	The fair value would increase (decreased) if the price per m2 was higher (lower).
Office building (17,071 m2) and land in the amount of EUR 36,600 thousand located in Riga, Latvia	Discounted cash flows technique: the model is based on discounted cash flows from rental income.	Rental income per m2 of EUR 15.50 (2022: EUR 14.36) Discount rate of 7.8 % (2022: 7.8%)	The estimated fair value would increase (decrease) if: - Rental income per m2 was higher (lower) - The discount rate was lower (higher) - Annual capital expense are lower (higher) - The occupancy rate was higher (lower)

23. Property and equipment, continued

The Bank

'000 EUR	Right of use assets	Vehicles	Office equipment	Advances	Total
Cost/Revalued amount					
At 1 January 2024	**30 077**	**3 026**	**11 179**	**8**	**44 290**
Additions	604	-	450	35	**1 089**
Disposals	-	-	(228)	-	**(228)**
Transfers	-	35	8	(43)	**-**
At 31 December 2024	**30 681**	**3 061**	**11 409**	**-**	**45 151**
Depreciation and impairment losses					
At 1 January 2024	**6 703**	**1 872**	**6 815**	-	**15 390**
Depreciation charge	1 726	224	153	-	**2 103**
Disposals	-	-	(224)	-	**(224)**
At 31 December 2024	**8 429**	**2 096**	**6 744**	**-**	**17 269**
Net carrying amount					
At 31 December 2024	**22 252**	**965**	**4 665**	**-**	**27 882**
At 31 December 2023	**23 374**	**1 154**	**4 364**	**8**	**28 900**

'000 EUR	Right of use assets	Vehicles	Office equipment	Advances	Total
Cost/Revalued amount					
At 1 January 2023	**22 745**	**3 118**	**11 558**	**8**	**37 429**
Additions	7 332	242	344	-	**7 918**
Disposals	-	(334)	(723)	-	**(1 057)**
At 31 December 2023	**30 077**	**3 026**	**11 179**	**8**	**44 290**
Depreciation and impairment losses					
At 1 January 2023	**5 122**	**1 950**	**7 400**	-	**14 472**
Depreciation charge	1 581	218	136	-	**1 935**
Disposals	-	(296)	(721)	-	**(1 017)**
At 31 December 2023	**6 703**	**1 872**	**6 815**	**-**	**15 390**
Net carrying amount					
At 31 December 2023	**23 374**	**1 154**	**4 364**	**8**	**28 900**
At 31 December 2022	**17 623**	**1 168**	**4 158**	**8**	**22 957**

24. Intangible assets

The Group

'000 EUR	Goodwill	Software	Other	Advances	Total
Cost/Revalued amount					
At 1 January 2024	**1 069**	**11 727**	**61**	**475**	**13 332**
Additions	**-**	117	5	664	**786**
Sale of subsidiary	**-**	-	(1)	**-**	**(1)**
At 31 December 2024	**1 069**	**11 844**	**65**	**1 139**	**14 117**
Amortisation and impairment losses					
At 1 January 2024	**289**	**11 426**	**53**	**-**	**11 768**
Amortisation charge	**-**	135	1	**-**	**136**
Impairment of goodwill write off	401	-	-	**-**	**401**
At 31 December 2024	**690**	**11 561**	**54**	**-**	**12 305**
Net carrying amount					
At 31 December 2024	**379**	**283**	**11**	**1 139**	**1 812**
At 31 December 2023	**780**	**301**	**8**	**475**	**1 564**

'000 EUR	Goodwill	Software	Other	Advances	Total
Cost/Revalued amount					
At 1 January 2023	**1 069**	**12 180**	**65**	**55**	**13 369**
Additions	**-**	177	-	420	**597**
Disposals	**-**	(630)	**-**	**-**	**(630)**
FX translation effect	**-**	**-**	(4)	-	**(4)**
At 31 December 2023	**1 069**	**11 727**	**61**	**475**	**13 332**
Amortisation and impairment losses					
At 1 January 2023	**289**	**11 771**	**54**	**-**	**12 114**
Amortisation charge	**-**	284	2	**-**	**286**
Disposals	**-**	(629)	-	**-**	**(629)**
FX translation effect	**-**	**-**	-	(3)	**(3)**
At 31 December 2023	**289**	**11 426**	**56**	**(3)**	**11 768**
Net carrying amount					
At 31 December 2023	**780**	**301**	**5**	**478**	**1 564**
At 31 December 2022	**780**	**409**	**11**	**55**	**1 255**

Goodwill of EUR 379 thousand (2023: EUR 780 thousand) originated on the acquisition of a payment card business unit in 2001. In 2024 impairment losses on goodwill were recognized EUR 401 (2023: 0). Payment card business value as of 31 December 2024 EUR 799 thousand (2023: EUR 1,033 thousand).

24. Intangible assets, continued

The Bank

'000 EUR	Goodwill	Software	Other	Advances	Total
Cost/Revalued amount					
At 1 January 2024	**1 069**	**11 757**	**36**	**439**	**13 301**
Additions	-	117	-	664	**781**
At 31 December 2024	**1 069**	**11 874**	**36**	**1 103**	**14 082**
Amortisation and impairment					
At 1 January 2024	**289**	**11 420**	**35**	**-**	**11 744**
Amortisation charge	**-**	135	-	**-**	**135**
Impairment losses	401	-	-	-	**401**
At 31 December 2024	**690**	**11 555**	**35**	**-**	**12 280**
Net carrying amount					
At 31 December 2024	**379**	**319**	**1**	**1 103**	**1 802**
At 31 December 2023	**780**	**337**	**1**	**439**	**1 557**

'000 EUR	Goodwill	Software	Other	Advances	Total
Cost/Revalued amount					
At 1 January 2023	**1 069**	**12 173**	**36**	**56**	**13 334**
Additions	-	178	-	420	**598**
Disposals	-	(631)	-	-	**(631)**
Transfers	-	37	-	(37)	**-**
At 31 December 2023	**1 069**	**11 757**	**36**	**439**	**13 301**
Amortisation and impairment					
At 1 January 2023	**289**	**11 764**	**35**	**-**	**12 088**
Amortisation charge	**-**	285	-	**-**	**285**
Disposals	-	(629)	-	**-**	**(629)**
At 31 December 2023	**289**	**11 420**	**35**	**-**	**11 744**
Net carrying amount					
At 31 December 2023	**780**	**337**	**1**	**439**	**1 557**
At 31 December 2022	**780**	**409**	**1**	**56**	**1 246**

Goodwill of EUR 379 thousand (2023: EUR 780 thousand) originated on the acquisition of a payment card business unit in 2001. In 2024 impairment losses on goodwill were recognized EUR 401 (2023: 0). Payment card business value as of 31 December 2024 EUR 799 thousand (2023: EUR 1,033 thousand).

25. Right-of-use assets and Lease liabilities

Property and equipment comprise owned and leased assets that do not meet the definition of investment property.

	31 Dec 2024 '000 EUR Group	31 Dec 2024 '000 EUR Bank	31 Dec 2023 '000 EUR Group	31 Dec 2023 '000 EUR Bank
Right-of-use assets	389	22 252	867	23 374
Total	**389**	**22 252**	**867**	**23 374**

The Group and the Bank leases land and buildings. Information about leases for which the Group is a lessee is presented below.

Right-of-use assets

	31 Dec 2024 '000 EUR Group	31 Dec 2024 '000 EUR Bank	31 Dec 2023 '000 EUR Group	31 Dec 2023 '000 EUR Bank
Balance at 1 January	**867**	**23 374**	**1 014**	**17 623**
ROU change	109	604	36	7 332
Depreciation charge for the period	(203)	(1 726)	(183)	(1 581)
Sale of subsidiary	(384)	-	-	-
Balance at 31 December	**389**	**22 252**	**867**	**23 374**

Lease liabilities

	2024 '000 EUR Group	2024 '000 EUR Bank	2023 '000 EUR Group	2023 '000 EUR Bank
Opening balance	**861**	**24 923**	**1 014**	**18 769**
Decrease of lease liability	(222)	(1 307)	(253)	(1 052)
Interest calculated	44	900	29	897
Interest paid	(44)	(900)	(27)	(897)
Changes due to terms of the lease agreement	109	604	98	7 206
FX movements alltogether	(1)	(25)	-	-
Sale of subsidiary	(369)	-	-	-
Closing balance	**378**	**24 195**	**861**	**24 923**

Amounts recognized in profit or loss

	31 Dec 2024 '000 EUR Group	31 Dec 2024 '000 EUR Bank	31 Dec 2023 '000 EUR Group	31 Dec 2023 '000 EUR Bank
Depreciation charge	203	1 726	183	1 581
Interest expense on lease liabilities	44	900	29	897
Total	**247**	**2 626**	**212**	**2 478**

26. Investment property

Investment property comprises residential properties and commercial properties, such as land or parts of buildings, and premises owned by the Group companies, which the Group does not occupy.

	31 Dec 2024 '000 EUR Group	31 Dec 2024 '000 EUR Bank	31 Dec 2023 '000 EUR Group	31 Dec 2023 '000 EUR Bank
Balance at 1 January	**97 753**	**42 117**	**93 596**	**36 258**
Transferred to property and equipment	(2 764)	-	(6 020)	-
Sale of subsidiary	(5 372)	-	-	-
Invested in share capital of subsidiary	-	(900)	-	-
Transferred to Non-current assets held for sale	(5 991)	(1 126)	-	-
Transferred from Other assets	-	-	734	734
Additions	5 170	36	7 394	2 315
Disposals/Sales	(7 427)	(6 378)	(2 413)	(2 202)
Revaluations	(270)	(329)	7 582	5 012
Currency revaluation	(1 060)	-	(3 120)	-
Balance at 31 December	**80 039**	**33 420**	**97 753**	**42 117**

Rental income and operating expense for the year ended 31 December 2024, the Group:

	Carrying amount '000 EUR	Rental and other income '000 EUR	Operating expenses '000 EUR
Investment property rented out	37 855	2 384	1 396
Investment property held for value appreciation	42 184	-	741
Total	**80 039**	**2 384**	**2 137**

Rental income and operating expense for the year ended 31 December 2023, the Group:

	Carrying amount '000 EUR	Rental and other income '000 EUR	Operating expenses '000 EUR
Investment property rented out	52 305	3 063	1 406
Investment property held for capital appreciation	45 448	-	923
Total	**97 753**	**3 063**	**2 329**

Rental income and operating expenses are presented under Other income (Other expenses) in the statements of profit or loss. All investment properties represent Level 3 fair value hierarchy.

The Group and the Bank classify real estate assets that are in the process of being sold as Non-current assets held for sale. Non-currnet assets held for sale consists only of real estate, and the balance for the Group is EUR 5,991 thousands (2023: EUR 303 thousands) and for the Bank EUR 1,126 thousands (2023: EUR 300 thousands).
In 2024 there is a significant increase in the category Non-current assets held for sale compared to the previous reporting period. This increase is mainly due to the number of assets prepared for sale and successfully realised at the beginning of 2025. A significant part of these assets consists of solar park projects valued at EUR 4.9 million, reflecting Group's focus on sustainability and investment in renewable energy

26. Investment property, continued

The following table shows the valuation technique used in measuring fair value of investment property of the Group and significant unobservable inputs used as of 31 December 2024:

Type	Valuation technique	Significant unobservable inputs	Carrying amount '000 EUR
Residential property	Market comparison technique: The fair value was based on results of comparable sales of similar properties	Average price per m2 *	
- Riga		EUR 406-3,353	7 580
- Jurmala		EUR 1,257-3,347	3 952
- Other areas in Latvia		EUR 1,278	190
- Moscow, Russia		EUR 1,348-1,453	311
Land	Market comparison technique: The fair value was based on results of comparable sales of similar land plots	Average price per m2 *	
- Riga		EUR 3 – 158	10 166
- Jurmala		EUR 1-1,187	1 192
- Other areas in Latvia		EUR 1 – 599	8 170
Commercial property	Market comparison technique: The fair value was based on results of comparable sales of similar properties	Average price per m2 *	
- Riga		EUR 41-1,137	8 502
- Other areas in Latvia		EUR 10-821	1 493
- Moscow, Russia		EUR 1-3,051	12 782
- Riga	Discounted cash flows technique: The model is based on discounted cash flows from rental income	Rental income per m2 of premises EUR 8. Annual discount rate 9 %, capitalization rate 8 %.	1 857
- Other areas in Latvia		Rental income per m2 of premises EUR 3. Annual discount rate 11.1 %, capitalization rate 9 %. Average level of physical deterioration of equipment ranging from 1% to 35 %.	1 500
Commercial property - Office building (Riga)	Discounted cash flows technique: The model is based on discounted cash flows from rental income	Average rental income of premises per m2 EUR 14.7 Annual discount rate 6.75% Capitalization rate 6.5%.	8 052
- Commercial space (Riga)	Discounted cash flows technique: The model is based on discounted cash flows from rental income and Market comparison technique: The fair value was based on results of comparable sales of similar properties	Average rental income of premises per m2 EUR 4.68 Annual discount rate 9.75% Capitalization rate 7.75%; Average price per m2 is 593 EUR.	1 100
- Hotels (Latvia)	Discounted cash flows technique: The model is based on discounted cash flows from	Annual discount rate of 8.75 %-11.4%, capitalization rate of 7.5 %-9.3 %, Adjusted average rent EUR 5,4 - 9,2 per sq.m., excluding VAT.	3 920
- Construction site for commercial premises (Riga)	Market comparison technique: The fair value was based on results of comparable sales of similar properties	Average price per m2 EUR 156,19 - 265.75. Average adjusted value of residential properties after completion of construction EUR 2711 - EUR 3412 per sq.m. Annual discount rate 11 %, discount factor 0.73- 0.90.	9 272
Total			80 039

26. Investment property, continued

The following table shows the valuation technique used in measuring fair value of investment property of the Group and significant unobservable inputs used as of 31 December 2023:

Type	Valuation technique	Significant unobservable inputs	Carrying amount `000 EUR
Residential property	Market comparison technique: The fair value was based on results of comparable sales of similar properties	Average price per m2 *	
- Riga		EUR 109-3,303	8 831
- Jurmala		EUR 1,256-3,705	8 183
- Other areas in Latvia		EUR 1,047-1,425	1 641
- Moscow, Russia		EUR 1,358-1,441	317
Land	Market comparison technique: The fair value was based on results of comparable sales of similar land plots	Average price per m2 *	
- Riga		EUR 3 – 145	10 665
- Jurmala		EUR 1-516	1 315
- Other areas in Latvia		EUR 1 – 599	11 139
Commercial property	Market comparison technique: The fair value was based on results of comparable sales of similar properties	Average price per m2 *	
- Riga		EUR 66-1,565	9 700
- Other areas in Latvia		EUR 11-737	1 552
- Belarus		EUR 271	244
- Moscow, Russia		EUR 63-2,809	13 530
- Riga	Discounted cash flows technique: The model is based on discounted cash flows from rental income	Rental income per m2 of premises EUR 8. Annual discount rate 9 %, capitalization rate 8 %.	1 868
- Riga region		Rental income per m2 of premises EUR 9. Annual discount rate 8 %, capitalization rate 7.5 %.	182
- Other areas in Latvia		Rental income per m2 of premises EUR 3. Annual discount rate 11.1 %, capitalization rate 9 %. Average level of physical deterioration of equipment ranging from 27 % to 69 %. Adjustment of demand in the range 0,5 to 0,8.	1 713
Commercial property - Office building (Riga)	Discounted cash flows technique: The model is based on discounted cash flows from rental income	Average rental income of premises per m2 EUR 15.50 Annual discount rate 8.50% Capitalization rate 6.25%	10 816
- Hotels (Latvia)	Discounted cash flows technique: The model is based on discounted cash flows from rental income	Annual discount rate of 9,4-11%, capitalization rate of 7-9,3 %, Adjusted average rent, EUR/sq.m., excluding VAT is 3 - 9.3 EUR. Average hotel occupancy 30%-97 %. Average price per room EUR 46-85	4 594
- Port terminal (Ventspils)	Discounted cash flows technique: The model is based on discounted cash flows from transhipment, storage and blending of palm oil products	Rental income from operator for food oils products transhipment and storage. Transhipment rates from 15,50 - 18,30 EUR per tonne; Estimated transhipment volumes from 48 669 - 80 669 tonnes (up to 40,33 % of the authorised volume); Storage price per cubic metre from 5,50 - 6,49 EUR; Occupancy/rents not taken risk factor from 0,25 - 0,65, annual discount rate 11.68%, capitalization rate 8.5%.	4 472
-Construction site for commercial premises (Riga)	Market comparison technique: The fair value was based on results of comparable sales of similar properties	Average price per m2 EUR 157,42 -302,60. Average adjusted value of residential properties after completion of construction from EUR 2906.8/sq.m. - EUR 3727.72/sq.m. Annual discount rate 11 %, discount factor 0,59345 - 0,81162.	6 991
Total			**97 753**

* sales prices are market prices for similar properties adjusted for certain criteria such as land plot footage adjustment, location area adjustment, property condition, offer price adjustment, resulting in the significant unobservable inputs.

Inter-relation between significant unobservable inputs and fair value measurement - the fair value would increase (decreased) if the price per m^2 was higher (lower), rental income per m2 was higher (lower), the discount rate was lower (higher), annual capital expense is lower (higher), the occupancy rate was higher (lower).

27. Other assets

	31 Dec 2024 '000 EUR Group	31 Dec 2024 '000 EUR Bank	31 Dec 2023 '000 EUR Group	31 Dec 2023 '000 EUR Bank
Other financial assets				
Cash in transit	2 466	2 466	508	508
Other debtors	2 045	755	1 373	1 137
Receivable due to sale of subsidiary	1 550	1 550	3 550	3 550
Dividends receivable	-	6 332	-	6 332
Other	279	2	664	10
Impairment allowance - other debtors	(567)	(361)	(570)	(358)
Other non-financial assets				
Prepayments	4 969	316	4 370	399
Recoverable VAT	619	97	133	40
Deferred expenses	1 428	1 298	1 475	1 290
Accrued income	751	676	1 182	563
Other	2 302	-	532	233
	15 842	**13 131**	**13 217**	**13 704**

The current prepayment balance of EUR 4.3 million relates to the construction of solar parks, while the rest relates to other prepayments for investments in property improvements and various other projects.

The position Dividends receivable reflects the outstanding dividends from the Banks subsidiary SIA Vesetas 7 in the amount of EUR 6,332 thousand (2023: EUR 6,332 thousand), for which a decision on payment was made in 2022. The Bank plans to close this position as a result of the merger of the Bank and SIA Vesetas 7 in 2025 (see Note 42). Since subsidiary SIA Vesetas 7 has positive equity of EUR 7.4 million as at 31 December 2024, no losses or reduction in Group's and/or Bank's equity are expected as a result of the planned merger.

Analysis of movements in the impairment allowance

	2024 '000 EUR Group	2024 '000 EUR Bank	2023 '000 EUR Group	2023 '000 EUR Bank
Balance at 1 January	**570**	**358**	**662**	**370**
Charge for the year	1	-	8	-
Currency revaluation	4	5	(4)	-
Recovery	(6)	(2)	(81)	(9)
Written off	(2)		(15)	(3)
Balance at 31 December	**567**	**361**	**570**	**358**

28. Deposits and balances due to banks

	31 Dec 2024 '000 EUR Group	31 Dec 2024 '000 EUR Bank	31 Dec 2023 '000 EUR Group	31 Dec 2023 '000 EUR Bank
Due to Bank of Latvia	-	-	51 479	51 479
Deposits and balances due to banks	10 543	10 543	4 828	4 828
	10 543	**10 543**	**56 307**	**56 307**

TLTRO-III

On 24 December 2021, the Bank participated in the ECB's latest targeted longer-term refinancing operations (TLTRO-III) borrowing EUR 50 million. The maturity date of the facility is 24 December 2024. At the beginning of 2024, the Bank terminated borrowings before maturity.

Concentration of deposits and balances due to banks

As of 31 December 2024 the Bank and the Group had balances with two clients (three as at 31 December 2023), which exceeded 10 % of total deposits and balances from banks. The gross value of these balances as of 31 December 2024 was EUR 8,143 thousand and EUR 1,263 thousand (2023: EUR 2,131 thousand, EUR 1,229 thousand, EUR 542 accordingly).

29. Current accounts and deposits due to customers

	31 Dec 2024 '000 EUR Group	31 Dec 2024 '000 EUR Bank	31 Dec 2023 '000 EUR Group	31 Dec 2023 '000 EUR Bank
Private companies				
- current accounts	254 393	263 445	274 111	280 482
- term deposits	82 146	84 134	48 278	50 514
Total private companies	**336 539**	**347 579**	**322 389**	**330 996**
Government				
- current accounts	213	213	102	102
Total government	**213**	**213**	**102**	**102**
Private individuals				
- current accounts	173 268	173 268	166 085	166 085
- term deposits	412 617	409 017	517 362	513 962
Total private individuals	**585 885**	**582 285**	**683 447**	**680 047**
Total current accounts and deposits due to customers	**922 637**	**930 077**	**1 005 938**	**1 011 145**

(a) Concentrations of current accounts and customer deposits

As of 31 December 2024 and 2023, the Bank and the Group had no customers, whose balances exceeded 10% of total customer accounts.

(b) Subordinated deposits

As of 31 December 2024 the Bank and the Group had subordinated deposits of EUR 21,098 thousand (2023: EUR 23,133 thousand).

Subordinated deposit - deposit for a certain period (minimum term 5 years) with interest payment. Subordinated deposit cannot be claimed upon expiry of the deposit term. Subordinated deposits are not covered by the state deposit guarantee scheme.

Analysis of movements in the subordinated deposits

	'000 EUR Group	'000 EUR Bank
Balance at 31 December 2022	**26 128**	**26 128**
Receipts	-	-
Repayments	(2 974)	(2 974)
Changes in accrued interest	21	21
Currency revaluation	(43)	(43)
Balance at 31 December 2023	**23 133**	**23 133**
Repayments	(2 892)	(2 892)
Currency revaluation	857	857
Balance at 31 December 2024	**21 098**	**21 098**

30. Other liabilities and accruals

	31 Dec 2024 '000 EUR Group	31 Dec 2024 '000 EUR Bank	31 Dec 2023 '000 EUR Group	31 Dec 2023 '000 EUR Bank
Other financial liabilities				
Management bonus accrual	4 118	4 118	3 534	3 534
Accounts payable to suppliers	11 042	619	9 861	1 335
Lease liability	378	24 195	861	24 923
Accrued liability for quarterly deposit guarantee fund fee	306	306	369	369
Accrued liabilities for Bank of Latvia regulatory levy	112	112	115	115
Dividends payable	186	186	6	6
Other	5 953	5 491	7 270	5 718
Other non-financial liabilities				
Accrued liabilities	4 884	3 929	4 804	4 086
Annual leave accrual	1 687	1 321	2 220	1 366
Prepayments	1 515	224	98	98
Deferred income	284	248	371	277
VAT payable	539	-	417	-
Other	1 149	326	632	368
Other liabilities Total	**32 153**	**41 075**	**30 558**	**42 195**

31. Deferred tax asset and liability

Temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes give rise to net deferred tax liabilities as of 31 December 2024 and 2023.

These taxable and tax-deductible temporary differences, which have no expiry dates, are listed below at their tax affected accumulated values.

The Group

	Assets		Liabilities		Net	
EUR '000	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**
Loans and advances to customers	-	26	-	-	-	26
Financial assets at fair value through other comprehensive income	1 036	-	-	-	1 036	-
Property and equipment	-	69	-	-	-	69
Investment property	-	-	-	(49)	-	(49)
Other assets	7	-	-	(10)	7	(10)
Other liabilities	6	7	-	-	6	7
Distributable profit	-	-	(750)	(750)	(750)	(750)
Total recognised deferred tax assets/(liabilities)	**1 049**	**102**	**(750)**	**(809)**	**299**	**(707)**
Recognised deferred tax					**299**	**(707)**

31.Deferred tax asset and liability , continued

The Bank

	Assets		Liabilities		Net	
EUR '000	**2024**	**2023**	**2024**	**2023**	**2024**	**2023**
Loans and advances to customers	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	1 036	-	-	-	1 036	-
Property and equipment	-	-	-	-	-	-
Investment property	-	-	-	-	-	-
Other assets	-	-	-	-	-	-
Other liabilities	-	-	-	-	-	-
Distributable profit	-	-	-	-	-	-
Total recognised deferred tax assets/(liabilities)	**1 036**	**-**	**-**	**-**	**1 036**	**-**
Recognised deferred tax					**1 036**	**-**

Movement in temporary differences during the year ended 31 December 2024

The Group

	2024 '000 EUR	**2023 '000 EUR**
Balance at 1 January – deferred tax liability	(750)	(750)
Balance at 1 January – deferred tax asset	43	531
Charge to profit for the year	(30)	(346)
Charge to OCI	1 036	-
Currency revaluation	-	(142)
Balance at 31 December	**299**	**(707)**
Deferred tax asset	**1 049**	**43**
Deferred tax liability	**(750)**	**(750)**

The Bank□

	2024 '000 EUR	**2023 '000 EUR**
Balance at 1 January – deferred tax liability	-	-
Balance at 1 January – deferred tax asset	-	-
Charge to OCI	1 036	-
Balance at 31 December	**1 036**	**-**
Deferred tax asset	**1 036**	**-**
Deferred tax liability	**-**	**-**

Deferred tax asset and liability are shown net on individual subsidiaries level but are not netted on the Group level.

32. Share capital and reserves

(a) Issued capital and share premium

The authorised, issued and fully paid share capital comprises 101,633,700 A category registered ordinary shares and 19,020,308 B category ordinary registered shares. All shares have a par value of EUR 1.40 per share. The share premium represents amounts that were paid by shareholders in excess to the par value of shares.

The largest shareholders of the Bank as of 31 December 2023 and 31 December 2023 are as follows:

	2024 Number of shares	2024 '000 EUR	%
A category registered shares			
Companies non-residents			
Boswell (International) Consulting Limited	33 650 918	47 111	33.11%
Companies residents			
SIA "Esterkin Family Investments"	33 660 627	47 125	33.12%
SIA "Suharenko Family Investments"	17 618 202	24 666	17.34%
Other	16 703 953	1 579	1.11%
Private persons		21 807	15.33%
A category registered	**101 633 700**	**142 288**	**100%**
B category registered shares			
Companies	9 328 722	13 060	
Private persons	9 691 586	13 568	
B category registered	19 020 308	**26 628**	
Issued capital	**120 654 008**	**168 916**	
Share premium		**52 543**	

	2023 Number of shares	2023 '000 EUR	%
A category registered shares			
Companies non-residents			
Boswell (International) Consulting Limited	33 650 918	47 111	33.11%
Companies residents			
SIA "Esterkin Family Investments"	33 660 627	47 125	33.12%
SIA "Suharenko Family Investments"	17 618 202	24 666	17.34%
Other	16 703 953	1 579	1.11%
Private persons		21 807	15.33%
A category registered	**101 633 700**	**142 288**	**100%**
B category registered shares			
Companies	10 223 780	14 313	
Private persons	8 796 528	12 315	
B category registered	**19 020 308**	**26 628**	
Issued capital	**120 654 008**	**168 916**	
Share premium		**52 543**	

32. Share capital and reserves, continued

The ultimate controlling parties of the Bank are Esterkin Family Investments Ltd (beneficiary - Leonid Esterkin), Boswell (International) Consulting Limited (beneficiary - Dermot Desmond) and Suharenko Family Investments Ltd (beneficiary - Arkady Suharenko). The holders of A category registered shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at annual and general meetings of the Bank and to residual assets.

B category registered shares are non-voting shares, but its holders also are entitled to receive dividends as declared from time to time.

The regular shareholders' meeting of the AS "Rietumu Banka" on 29.04.2024. adopted a decision to pay dividends in the amount of EUR 30 million or EUR 0.2486 per 1 share from the Bank's retained earnings for the period until 31 December 2017.

(b) Dividends

	2024 '000 EUR Group	2024 '000 EUR Bank	2023 '000 EUR Group	2023 '000 EUR Bank
Change from financing cash flows				
Dividends paid to non-controlling interest	(1 227)	-	(980)	-
Total changes from financing cash flows	**(1 227)**	**-**	**(980)**	**-**

(c) Other reserves

Out of all Other reserves those amounting to EUR 23 thousand at the Bank (2023: EUR 23 thousand) and the Group EUR 40 thousand (2023: EUR 40 thousand) mainly represent contributions made by shareholders in previous years. Other reserves cannot be distributed.

(d) Fair value reserve

The fair value reserve represents the changes in fair value of financial assets at fair value through other comprehensive income.

Movements in fair value reserve

Movements in the fair value reserve net of tax for the year ended 31 December 2024 and 2023 are as follows:

	2024 '000 EUR Group	2024 '000 EUR Bank	2023 '000 EUR Group	2023 '000 EUR Bank
Balance at 1 January	**(14 995)**	**(14 995)**	**(29 130)**	**(29 130)**
Revaluation during the period	11 455	11 455	14 964	14 964
Reclassified to profit or loss	(603)	(603)	(829)	(829)
Balance at 31 December	**(4 143)**	**(4 143)**	**(14 995)**	**(14 995)**

(e) Revaluation reserve

A revaluation reserve represents the increase in the fair value of real estate properties classified under Property and equipment.

	2024 '000 EUR Group	2024 '000 EUR Bank	2023 '000 EUR Group	2023 '000 EUR Bank
Revaluation reserve as at 1 January	**6 670**	**-**	**6 735**	**-**
Transfer to retained earnings	(120)	-	(120)	-
Revaluation of property and equipment	956	-	55	-
Revaluation reserve as at 31 December	**7 506**	**-**	**6 670**	**-**

33. Cash and cash equivalents

Cash and cash equivalents consist of the following:

	31 Dec 2024 '000 EUR Group	31 Dec 2024 '000 EUR Bank	31 Dec 2023 '000 EUR Group	31 Dec 2023 '000 EUR Bank
Balances due from the Bank of Latvia	247 803	247 803	349 454	349 454
Cash	358	340	912	876
	248 161	**248 143**	**350 366**	**350 330**
Demand loans and receivables due from banks	17 581	16 046	14 060	13 528
Demand deposits and balances due to banks	(10 543)	(10 543)	(4 828)	(4 828)
Total	**255 199**	**253 646**	**359 598**	**359 030**

34. Commitments and guarantees

In line with the lending activity the Bank enters into commitments to issue loans. These commitments take the form of approved but not yet issued loans, credit card limits and overdrafts.

The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years.

The contractual amounts of commitments are set out in the following table by category. The amounts reflected in the table for guarantees and letters of credit represent the maximum credit exposure that would be recognised at the reporting date if counterparties failed completely to perform as contracted.

The total outstanding contractual commitments to extend credit indicated above does not necessarily represent future cash requirements, as these commitments may expire or terminate without being funded.

	31 Dec 2024 '000 EUR Group	31 Dec 2024 '000 EUR Bank	31 Dec 2023 '000 EUR Group	31 Dec 2023 '000 EUR Bank
Contracted amount				
Loan commitments	90 006	111 016	97 923	128 313
Financial guarantees	18 737	18 737	16 731	16 731
Total commitments and guarantees	**108 743**	**129 753**	**114 654**	**145 044**
Provisions	(634)	(709)	(482)	(491)
Net exposure	**108 109**	**129 044**	**114 172**	**144 553**

34. Commitments and guarantees, continued

Analysis of the movement in the provision for expected credit losses on off-balance sheet commitments and guarantees at 31 December 2024:

The Group

EUR'000	Opening balance, 1 Jan 2024	Origination and acquisition	Repayments and disposals	Changes in credit risk, net	Other adjustments	Closing balance, 31 Dec 2024
Stage 1	351	1 062	(245)	(819)	-	349
Stage 2	131	75	(63)	142	-	285
Total	**482**	**1 137**	**(308)**	**(677)**	**-**	**634**

The Bank

EUR'000	Opening balance, 1 Jan 2024	Origination and acquisition	Repayments and disposals	Changes in credit risk, net	Other adjustments	Closing balance, 31 Dec 2024
Stage 1	360	1 062	(245)	(753)		424
Stage 2	131	75	(63)	142	-	285
Total	**491**	**1 137**	**(308)**	**(611)**	**-**	**709**

Movements in the provisions for commitments and guarantees, 31 Dec 2023:

The Group

EUR'000	Opening balance, 1 Jan 2023	Origination and acquisition	Repayments and disposals	Changes in credit risk, net	Other adjustments	Closing balance, 31 Dec 2023
Stage 1	788	1 152	(586)	(1 003)	-	351
Stage 2	4	51	(8)	84	-	131
Total	**792**	**1 203**	**(594)**	**(919)**	**-**	**482**

The Bank

EUR'000	Opening balance, 1 Jan 2023	Origination and acquisition	Repayments and disposals	Changes in credit risk, net	Other adjustments	Closing balance, 31 Dec 2023
Stage 1	798	1 157	(586)	(1 009)	-	360
Stage 2	4	51	(8)	84	-	131
Total	**802**	**1 208**	**(594)**	**(925)**	**-**	**491**

35. Provisions

	31 Dec 2024 '000 EUR Group	31 Dec 2024 '000 EUR Bank	31 Dec 2023 '000 EUR Group	31 Dec 2023 '000 EUR Bank
Litigation provisions (Note 36 (b))	30 000	30 000	30 000	30 000
Litigation provisions	-	-	2 927	2 927
Provisions for commitments and guarantees (Note 34)	634	709	482	491
Total	**30 634**	**30 709**	**33 409**	**33 418**

Movements in the provisions:

EUR'000	**2024 '000 EUR Group**	**2024 '000 EUR Bank**	**2023 '000 EUR Group**	**2023 '000 EUR Bank**
Balance at 1 January	**33 409**	**33 418**	**33 719**	**33 729**
Increase/(decrease) of provisions for commitments and guarantees (Note 34)	152	218	(310)	(311)
(Decrease) of provisions for litigation	(1 053)	(1 053)	-	-
Paid	(1 874)	(1 874)	-	-
Balance at 31 December	**30 634**	**30 709**	**33 409**	**33 418**

36. Litigations

(a) Ordinary legal proceedings

In the ordinary course of business, the Bank is involved in judicial proceedings in which the Bank is a defendant or plaintiff. In court cases in which the Bank is the defendant, claims against the Bank are brought by its clients, former clients or third persons, in respect of matters such as challenge of the transactions or contracts and monetary claims. As of December 31, 2024, there were 11 pending legal proceedings against the Bank (of which 5 cases have already been rejected, in 2 case proceedings are stayed and in 2 cases proceedings were terminated), and 23 pending legal proceedings initiated by the Bank. The Bank`s subsidiary companies are involved in 21 legal proceedings, in 11 cases the Bank`s subsidiary company is the claimant and in 10 cases is the defendant.
The total amount in all legal proceedings in which the Bank was the defendant as of December 31, 2024, was EUR 661 thousand (as of December 31, 2023, the total amount was EUR 568 thousand).
The total amount of legal proceedings in which proceedings are terminated was EUR 446 thousand.

(b) Litigation in France

The Bank is defendant in a court case for alleged involvement in tax evasion and aggravated money laundering. Criminal investigation in France started in July 2011 against entity - France Offshore focusing on alleged tax evasion offences committed by that entity.
Within that investigation the Bank, and former head of the Bank`s representative office in Paris were placed under investigation for suspicion of aggravated money laundering on December 12, 2012.
On July 6, 2017, the 32nd section of the Paris Criminal Court (first instance court) decided that the Bank was guilty of aggravated money laundering by providing assistance, as a Bank, to placement, concealment or conversion operations of the proceed of an offence.
The first instance court ordered the Bank to pay a criminal fine of EUR 80 million and damages, jointly and severally with the other defendants in the amount of EUR 10 million to the French State and EUR 100 thousand court expenses. In addition, the Bank was ordered to stop any banking activities in France for 5 years. The Bank lodged its appeal against the first instance court judgement on July 12, 2017.
On April 6, 2021, the Paris Court of Appeal has agreed with some of the Bank's arguments and changed the decision of the first instance court in favour of the Bank. Thereby, a potential fine imposed on the Bank has been reduced by 75% to EUR 20 million. International mass media considered it as a success for the Bank (Latvian lender AS "Rietumu Banka" won a 75% reduction in what was once France's highest criminal fine for a company – Bloomberg).

36. Litigations, continued

The Bank filed a cassation appeal against the decision of the Court of Appeal regarding compensation of EUR 10 million to the French State. Despite motivated and justified cassation complaints on January 5, 2023, the Supreme Court issued the ruling on the dismissal of the cassation appeal of the Bank.
Therefore, the decision of the Paris Court of Appeal of April 6, 2021, to reduce the fine imposed on the Bank by 75% to EUR 20 million entered into legal force on January 5, 2023, and remains in force.
The Executive Board and Council of the Bank have mutually agreed on the following further action, which is based on the Latvian Criminal Procedure Law, the Criminal Law and the opinions provided by the sworn law firm "Bļugers und Plaude" and "Kiejman & Marembert", namely:
1) chapter 73 of the Law on Criminal Procedure determines the procedure for the execution of a decision on property recovery made in Latvia as an EU member state. In order for a judgment passed in an EU member state to be enforceable in Latvia, the following conditions must be met:
a) the competent authority of France must submit a request to the Ministry of Justice of the Republic of Latvia for the recognition and enforcement of the judgment of the Paris Court of Appeal of April 6, 2021, in Latvia;
b) the Ministry of Justice examines the received request and if the submitted documents are sufficient and in accordance with the requirements of the regulatory acts, then they are sent to the court for examination upon approval;
c) the court, having received the ruling on property recovery and the evaluated materials attached to it, finds out whether the judgment is enforceable and decides on the property recovery to be enforced in Latvia or on the refusal to execute the relevant ruling;
2) the amount of compensation in the amount of EUR 10 million is to be collected jointly and severally from the 13 convicts. According to Latvian legislation, if the Bank pays the entire amount, the Bank can later demand appropriate compensation from the other jointly and severally liable parties;
3) the Bank will comply with the judgment of the Paris Court of Appeal of April 6, 2021, after the adoption of the relevant decision of the Latvian court in accordance with the procedures specified in Chapter 73 of the Criminal Procedure Law of the Republic of Latvia and the entry into force of this decision.
As of 31 December 2024, the total amount of provisions was EUR 30 million (31 December 2023: EUR 30 million), which, in the Bank's opinion, is the maximum and best estimate of the expenses that will ultimately be required to meet the obligations, including fines, damages (taking into account the fact that the losses in the amount of EUR 10 million are jointly and severally borne by all parties of the case), procedural expenses and expected legal expenses.

(c) Contingent liabilities

As part of the Bank’s ordinary course of business, the Bank has received inquiries from regulatory authorities in Latvia about the treatment of certain customer funds that had historically been placed under regulatory authority arrest. The total aggregate amount of funds subject to such correspondence exceeds EUR 10 million as at 31 December 2024. The Bank has performed internal legal analysis and sought external legal advice on the matter, and has assessed that the likelihood of outflow of Bank’s resources in relation to the matter is assessed as less than probable to occur. Therefore, no provisions have been recognised in the consolidated and separate financial statements.

37. Trust and custody activities

Funds under trust management represent securities and other assets managed and held by the Bank and the Group on behalf of customers accounted for off-balance sheet. The Bank and the Group earn commission income for holding such assets. The Bank and the Group are not subject to interest, credit, liquidity, price and currency risk with respect of these securities in accordance with the agreements concluded with the customers. As at 31 December 2024 the total assets held by the Group and the Bank on behalf of customers and assets under management were EUR 325,942 thousand (2023: EUR 255,266 thousand).

38. Involvement with unconsolidated structured entities

The following table describes the types of structured entities that the Group and the Bank do not consolidate but in which they hold an investment:

	Nature and purpose	Interest held by the Group and the Bank	Carrying amount of interest held 2024	Carrying amount of interest held 2023	Total assets 2024	Total assets 2023
			'000 EUR	'000 EUR	'000 EUR	'000 EUR
Investments in the capital of the entities that relate to loans issued by the Bank and other investments	To minimize the risk of non-repayment of the loan obligations and to control the repayment of the loans where borrowers fail to fullfil their credit obligations, other investments with the aim of recovering the investment in the future	Investments in the capital of borrowers	351	351	2 024	2 456

Information about total assets are based on the latest available financial information available to the Group.

Investment in structured entities is part of the portfolio of equity securities carried at fair value through profit or loss.

39. Related party transactions

Related parties are defined as shareholders who have significant influence over the Bank, other related parties - companies in which they have a controlling interest, members of the Council and the Executive Board, key management personnel, their close relatives and companies in which they have a controlling interest, as well as subsidiaries and associated companies. All transactions have been conducted on an arm's length basis.

39.Related party transactions, continued

The Bank '000 EUR	31 Dec 2024 Subsidiaries	31 Dec 2024 Associates	31 Dec 2024 Key management	31 Dec 2024 Shareholders with significant influence over the Bank	31 Dec 2024 Other related parties	31 Dec 2023 Subsidiaries	31 Dec 2023 Associates	31 Dec 2023 Key management	31 Dec 2023 Shareholders with significant influence over the Bank	31 Dec 2023 Other related parties
Loans and receivables due from customers , net	104 539	21 203	130	-	36 051	101 307	22 665	161	-	36 419
Expected credit losses	(11 350)	(2 811)	(3)	-	(640)	(9 596)	(1 606)	(3)	-	(819)
Current accounts and deposits due to customers	11 062	26 593	8 385	2 958	20 935	8 629	12 634	4 740	971	21 881
Dividends receivable	6 332	-	-	-	-	6 332	-	-	-	-
Loan commitments	21 119	-	523	-	1 777	30 488	-	518	-	1 516
Provisions	(75)	-	(9)	-	(2)	(9)	-	(9)	-	(3)
Interest income	7 130	2 480	10	-	1 834	6 137	2 185	10	-	2 264
Interest expense	(29)	(935)	(152)	-	(69)	(43)	-	(84)	-	(77)
Fee and commission income	4	10	15	-	81	24	2	22	-	96
Fee and commission expense	-	-	-	-	(121)	-	-	-	-	(137)
Impairment losses (ECL)	(1 754)	(1 205)	-	-	180	(4 237)	(1 512)	-	-	(90)
General administrative expenses	(1 358)	-	-	-	-	(1 671)	-	-	-	-
Lease payments	2 207	-	-	-	-	1 954	-	-	-	-

The Group '000 EUR	31 Dec 2024 Associates	31 Dec 2024 Key management	31 Dec 2024 Shareholders with significant influence over the Bank	31 Dec 2024 Other related parties	31 Dec 2023 Associates	31 Dec 2023 Key management	31 Dec 2023 Shareholders with significant influence over the Bank	31 Dec 2023 Other related parties
Loans and receivables due from customers	22 623	130	-	36 051	22 665	161	-	36 419
Expected credit losses	(3 013)	(3)	-	(640)	(1 606)	(3)	-	(819)
Current accounts and deposits due to customers	26 593	11 985	2 958	20 935	12 634	7 840	971	21 881
Loan commitments	-	523	-	1 777	-	518	-	1 516
Provisions	-	(9)	-	(2)	-	(9)	-	(3)
Interest income	2 480	10	-	1 834	2 185	7	-	1 159
Interest expense	(935)	(152)	-	(69)	-	(201)	-	(146)
Fee and commission income	10	15	-	81	2	22	-	88
Fee and commission expense	-	-	-	(121)	-	-	-	(229)
Impairment losses (ECL)	(1 205)	-	-	180	(1 512)	1	-	(496)

Loans and receivables due from related parties are secured by real estate pledges and commercial pledges.

39. Related party transactions, continued

Total remuneration included in General administrative expenses (Note 14):

	31 Dec 2024 '000 EUR Group	31 Dec 2024 '000 EUR Bank	31 Dec 2023 '000 EUR Group	31 Dec 2023 '000 EUR Bank
Short-term employee benefits				
Members of the Council	930	912	655	637
Members of the Executive Board	1 616	1 092	1 618	1 290
Payroll related taxes	585	457	537	455
Total	**3 131**	**2 461**	**2 810**	**2 382**

During the year 2024, the Bank received dividends from its subsidiary SIA "InCREDIT GROUP" in the amount of EUR 1,173 thousand (2023: EUR 1,020 thousand), from its subsidiary SIA "RB Drošība" EUR 210 thousand (2023: 0), and from Rietumu Leasing EUR 928 thousand (2023: 0).

40. Fair value of financial assets

(a) Financial assets measured at fair value

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

The Group

31 Dec 2024	Level (1)	Level (2)	Level (3)	Total
Financial assets				
Financial assets at fair value through other comprehensive income	177 221	33 212	2 891	**213 324**
Financial assets at fair value through profit or loss	4 963	132	3 420	**8 515**
Financial liabilities				
Financial liabilities at fair value through profit or loss	-	529	2 005	**2 534**

31 Dec 2023	Level (1)	Level (2)	Level (3)	Total
Financial assets				
Financial assets at fair value through other comprehensive income	231 569	33 333	3 497	**268 399**
Financial assets at fair value through profit or loss	-	2 033	4 686	**6 719**
Financial liabilities				
Financial liabilities at fair value through profit or loss	-	69	1 955	**2 024**

40. Fair value of financial assets, continued

The Bank

31 Dec 2024	Level (1)	Level (2)	Level (3)	Total
Financial assets				
Financial assets at fair value through other comprehensive income	177 221	33 212	2 891	**213 324**
Financial assets at fair value through profit or loss	4 963	132	2 927	**8 022**
Financial liabilities				
Financial liabilities at fair value through profit or loss	-	529	2 005	**2 534**

31 Dec 2023	Level (1)	Level (2)	Level (3)	Total
Financial assets				
Financial assets at fair value through other comprehensive income	231 569	33 333	3 497	**268 399**
Financial assets at fair value through profit or loss	-	2 033	4 192	**6 225**
Financial liabilities				
Financial liabilities at fair value through profit or loss	-	69	1 955	**2 024**

In the reporting period debt securities of the Group measured at fair value through other comprehensive income and presented as Level 2 with a fair value of EUR 17.3 million have been reclassified from Level 1. Similarly, debt securities of the Group measured at fair value through other comprehensive income and presented as Level 1 with a fair value of EUR 6.5 million in the reporting period have been reclassified from Level 2. Also, debt securities of the Group measured at fair value through other comprehensive income and presented as Level 3 with a fair value of EUR 0.03 million in the reporting period have been reclassified to Level 2.

Changes in Fair Value of financial instruments classified as Level 3

	The Group			**The Bank**		
	Assets		**Liabilities**	**Assets**		**Liabilities**
	FVOCI	FVTPL	FVTPL	FVOCI	FVTPL	FVTPL
	'000 EUR	**'000 EUR**	**'000 EUR**	**'000 EUR**	**'000 EUR**	**'000 EUR**
Balance at 31 December 2022	**194**	**3 916**	-	**194**	**3 472**	-
Total gains or losses:						
in profit or loss	-	720	-	-	720	-
in OCI	(61)	-	-	(61)	-	-
Change in Fair Value Level	3 364	-	-	3 364	-	-
(Settlements)/Additions	-	50	1 955	-	-	1 955
Balance at 31 December 2023	**3 497**	**4 686**	**1 955**	**3 497**	**4 192**	**1 955**
Total gains or losses:						
in profit or loss	(247)	(1 438)	50	(247)	(1 437)	50
in OCI	544	-	-	544	-	
Change in Fair Value Level	(325)	-	-	(325)	-	-
Reclasification	(138)	105	-	(138)	105	-
(Settlements)/Additions	(440)	67	-	(440)	67	-
Balance at 31 December 2024	**2 891**	**3 420**	**2 005**	**2 891**	**2 927**	**2 005**

40. Fair value of financial assets, continued

(b) Financial assets not measured at fair value

The table below analyses the fair values of financial assets not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorised.

The Group

31 December 2024	Level 1 '000 EUR	Level 2 '000 EUR	Level 3 '000 EUR	Total fair values '000 EUR	Total carrying amount '000 EUR
Financial assets					
Cash and balances due from the Bank of Latvia	-	-	248 161	248 161	248 161
Deposits and balances due from banks	-	-	17 581	17 581	17 581
Loans and receivables due from customers	-	-	656 823	656 823	657 062
Debt securities at amortised cost	4 238	2 708	37 793	44 739	44 778
Other financial assets	-	-	5 772	5 772	5 772
Financial liabilities				-	
Due to the Bank of Latvia	-	-		-	
Deposits and balances due to banks	-	-	10 543	10 543	10 543
Current accounts and deposits due to customers	-	-	914 693	914 693	922 637
Other financial liabilities	-	-	22 095	22 095	22 095

31 December 2023	Level 1 '000 EUR	Level 2 '000 EUR	Level 3 '000 EUR	Total fair values '000 EUR	Total carrying amount '000 EUR
Financial assets					
Cash and balances due from the Bank of Latvia	-	-	350 366	350 366	350 366
Deposits and balances due from banks	-	-	14 060	14 060	14 060
Loans and receivables due from customers	-	-	619 291	619 291	622 215
Debt securities at amortised cost	11 582	33 253	10 702	55 537	57 610
Other financial assets	-	-	5 525	5 525	5 525
Financial liabilities					
Due to the Bank of Latvia	-	-	51 479	51 479	51 479
Deposits and balances due to banks	-	-	4 828	4 828	4 828
Current accounts and deposits due to customers	-	-	1 005 938	1 005 938	1 005 938
Other financial liabilities	-	-	22 016	22 016	22 016

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40. Fair value of financial assets, continued

The Bank

31 December 2024	Level 1 '000 EUR	Level 2 '000 EUR	Level 3 '000 EUR	Total fair values '000 EUR	Total carrying amount '000 EUR
Financial assets					
Cash and balances due from the Bank of Latvia	-	-	248 143	248 143	248 143
Deposits and balances due from banks	-	-	16 046	16 046	16 046
Loans and receivables due from customers	-	-	687 031	687 031	688 443
Debt securities at amortised cost	4 238	2 708	37 793	44 739	44 778
Other financial assets	-	-	10 744	10 744	10 744
Financial liabilities					
Deposits and balances due to banks	-	-	10 543	10 543	10 543
Current accounts and deposits due to customers	-	-	922 133	922 133	930 077
Other financial liabilities	-	-	35 027	35 027	35 027

31 December 2023	Level 1 '000 EUR	Level 2 '000 EUR	Level 3 '000 EUR	Total fair values '000 EUR	Total carrying amount '000 EUR
Financial assets					
Cash and balances due from the Bank of Latvia	-	-	350 330	350 330	350 330
Deposits and balances due from banks	-	-	13 528	13 528	13 528
Loans and receivables due from customers	-	-	653 856	653 856	656 367
Debt securities at amortised cost	11 852	33 253	10 702	55 807	57 610
Other financial assets	-	-	11 179	11 179	11 179
Financial liabilities					
Due to the Bank of Latvia	-	-	51 479	51 479	51 479
Deposits and balances due to banks	-	-	4 828	4 828	4 828
Current accounts and deposits due to customers	-	-	1 011 145	1 011 145	1 011 145
Other financial liabilities	-	-	36 000	36 000	36 000

The fair value of financial assets and liabilities measured at amortized cost, except for debt securities measured at amortised cost, is measured using discounted cash flows. Discounting rate is derived from market interest rate adjusted for risk related to individual instruments. Fair value of debt securities at amortized cost is measured based on individual market price.

41.Non-controlling interest

Non-controlling interest in subsidiaries

The following table summarizes the information relating to the Group`s subsidiaries that have material non-controlling interests (NCI), before any intra-group elimination:

`000 EUR	SIA "InCREDIT GROUP" 31 Dec 2024	SIA "InCREDIT GROUP" 31 Dec 2023
Percentage of Non-controlling interest	**49%**	**49%**
Loans and advances due from customers	68 535	59 745
Deposits and balances due from banks	422	185
Other assets	760	668
Deposits and balances due to financial banks	(53 437)	(45 080)
Current accounts and deposits due to customers	(3 600)	(3 400)
Other liabilities	(3 170)	(3 500)
Net assets	**9 510**	**8 618**
Carrying amount of Non-controlling interest	**4 660**	**4 223**
Revenue	15 507	12 263
Profit after tax	3 192	2 775
Total comprehensive income	**3 192**	**2 775**
Profit/(loss) allocated to Non-controlling interest	**1 564**	**1 360**

42. Events after the reporting date

Purchasing an Aircraft

In 2025 the Bank's subsidiary SIA "RB Investments", in which the Bank is the sole owner of equity shares, plans to expand its operations in the aviation sector by focusing on purchasing equity shares in a company engaged in aircraft ownership and leasing. This initiative reflects a strategic objective to diversify the investment portfolio and respond to the growing demand for private jet air travel.

It is important to note that the current Group structure already includes the subsidiary SIA "Second Sky Management", which successfully engages in aircraft ownership and leasing to third parties while demonstrating strong profitability (2024: EUR 376 thousand; 2023: EUR 208 thousand). By further strengthening partnerships with new players in this field, we aim to increase our market presence and operational efficiency, enabling us to offer competitive rental solutions.

The aviation industry is providing favorable opportunities to invest in aircraft as critical assets of the global transport infrastructure. Through strategic acquisitions and careful market analysis, we will ensure that our operations comply with regulatory standards and risk management practices. Ultimately, our expansion into aircraft ownership in 2025 will provide additional opportunities for continued growth and profitability for the Group.

SIA Vesetas 7

On December 20, 2024 the Bank, as the sole owner of the subsidiary SIA "Vesetas 7" (hereinafter - the Company), made a decision to increase the Company's share capital by investing the Bank's claims against the Company in the full amount of EUR 22.4 million (hereinafter - capitalization). Thus, the Company's share capital was increased by issuing 22,438,816 new shares with a nominal value of EUR 1.00 each, without a premium, thereby increasing the Company's share capital from EUR 142,287 to EUR 22,581,103. The capitalization process was successfully completed on February 13, 2025.

In 2025, it is planned to reorganize the Company through a merger by integrating it into the Bank. As a result, the Company will cease to exist after the reorganization is completed without a liquidation process. The merger will not result in an increase in the Bank's share capital or the issuance of new shares. As a result of the reorganization, the Company's liabilities and all assets, including real estate (Rietumu Capital Centre, Vesetas 7 Street, Riga), will transfer to the Bank.

The Bank considers the merger of the Company is economically justified, as it will reduce expenses related to the maintenance of the Company. The real estate will increase the value of the assets owned by the Bank. The reorganization process will be carried out in a simplified reorganization procedure, in compliance with the requirements of the Commercial Law.