LATVIJAS BANKA

EIROSISTĒMA

Latvijas Banka: Annual Report 2025

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Foreword

We can look back on 2025 with a strong sense of accomplishment. It is becoming increasingly clear that the integration of the Financial and Capital Market Commission into Latvijas Banka was a strategically sound decision. Significant improvements have been achieved both in lending and in the accessibility of financial services, and similar consolidation of other financial sector institutions would also yield tangible benefits elsewhere in the sector. As the legend goes, Riga is never truly *finished*, and we too will continue persistently improving the financial sector, modernising it and strengthening its resilience.

Despite the shock caused by trade tariffs and the high level of uncertainty in the global economy, inflation in the euro area returned to the target of 2% in 2025, with the Governing Council of the ECB fulfilling its mandate to maintain price stability. Economic growth gradually became stronger and more broad-based. Nevertheless, Russia's ongoing war of aggression against Ukraine, coupled with continuing geopolitical shocks, is creating new challenges in 2026 that could undermine the fragile green shoots of growth. The war in the Middle East has triggered an energy shock that will drive up prices and slow economic growth worldwide. The Governing Council of the ECB will continue to monitor developments closely and, if necessary, will not hesitate to adjust monetary policy to ensure that inflation returns to 2% over the medium term. The task of a central bank is to ensure price stability and the resilience of the financial sector, while the main responsibility for supporting economic growth lies with governments. The structural changes are clearly outlined in Mario Draghi's report "The future of European competitiveness". The most urgent priorities are to strengthen Europe's military defence capabilities and create a single market for financial services.

Latvian society values the work carried out by Latvijas Banka highly. The central bank ranks among the institutions trusted most by the public, which is both an honour and a responsibility. According to data from a population survey conducted by the market and social research agency Latvijas Fakti at the end of 2025, more than half of the Latvian population trusts Latvijas Banka, and more than two thirds view that Latvijas Banka conducts its operations professionally. One of Latvijas Banka's responsibilities is to advise the Saeima and the government on matters of economic policy, with cooperation in this area improving during 2025, particularly with the Budget and Finance (Taxation) Committee of the Saeima. This is especially important as thoughtful, prudent, and forward-looking decisions that take into account the views of independent and professional experts are vital during a turbulent pre-election period marked by populism.

In 2025, Latvijas Banka's priorities and key areas of activity were a secure and crisis-resilient financial sector, modern and accessible financial services, and an innovative and efficient central bank.

In the area of critical financial services, Latvijas Banka introduced a solution for offline card payments that will enable the use of payment cards in large grocery stores, petrol stations, and pharmacies during communication disruptions. We also enhanced continuity solutions for critical financial services, including the network of critical ATMs and settlement arrangements for large companies in crisis situations. At the beginning of the year, minimum requirements for cash availability entered into force, and efforts to strengthen the digital resilience of the financial sector and mitigate cyber risks continued. We introduced Verification of Payees (VoP), which will reduce the risk of errors and fraud in interbank payments.

In the area of financial services accessibility, a breakthrough in lending became firmly established last year. Lending drives economic growth. Corporate lending growth has been particularly robust, increasing by more than 16%. Household lending was supported by lower interest rates and a simplified framework for mortgage refinancing. More than 11 500 mortgage borrowers used the possibility to renegotiate, and their savings during the lifespan of the loan amounted to approximately EUR 50 million. As bank markups decrease, borrowers can potentially afford larger housing for the same monthly payment – approximately 6 square metres more in a new development project and around 18 square metres more in Soviet time apartment blocks.

In 2025, we continued our efforts to improve the functioning of the 2nd pension pillar. Proposals to allow residents to choose the most appropriate time to withdraw funds when the value of securities decreases in financial markets were prepared and submitted to the Ministry of Welfare, which is responsible for this area. In addition, investment limits were reviewed, the management of the 2nd and 3rd pension pillars was simplified, and a redevelopment of the manapensija.lv website was launched, including a gradual transfer from the securities depositary Nasdaq CSD SE. Decisions made in 2025, such as the reduction of ongoing commission caps for the 2nd pillar managers, resulted in EUR 2.8 million in savings for the 2nd pension pillar participants.

Other important measures include the opening of Latvijas Banka's payment system to direct participation by payment institutions and electronic money institutions, the development of sectoral fintech and capital market strategies, the drafting of legal acts allowing credit unions to start lending to legal entities, as well as the introduction of a new type of financial institution – specialised credit institutions with a lower initial capital. The European Union supervisory framework was transposed, with requirements eased for the smaller systemically important financial institutions to ensure proportionality of regulation.

Preparatory work was carried out during 2025, and as of 1 January 2026, new requirements for the in-person provision of commercial banking services entered into force. It will significantly improve access to commercial banking services for residents and businesses in the regions.

Latvijas Banka closed 2025 with a total recognised profit of EUR 332 million. Latvijas Banka's payments into the state budget for 2025 amounted to EUR 56 million: EUR 19 million as dividends from 2025 profits, EUR 21 million as interest on deposits of the Latvian government, and EUR 16 million as taxes.

In 2026, we will continue to modernise and strengthen the financial sector, with financial services accessibility and meeting customer needs among our priorities. In this context, my aspiration for the financial sector in 2026 is greater ambition and dynamism.

My sincere thanks to my colleagues at Latvijas Banka for all that was achieved last year. I expect the same dedication and energy from myself and from every colleague throughout this year. We will succeed!

Mārtiņš Kazāks
Governor of Latvijas Banka
8 May 2026

Latvijas Banka in 2025

2.1%

Average annual inflation in the euro area close to target

12.5%

Lending has become a driver of economic growth: double-digit annual growth rate of lending in December

~11 500

mortgage loans saw a reduction in mortgage loan interest rates by approximately 0.5 percentage points owing to the refinancing initiative

25

Latvijas Banka's settlement system is open to direct participation by payment institutions and electronic money institutions (25 connections, including 9 foreign connections)

Offline card payments – large food retailers, petrol stations, pharmacies

New areas of security: availability of cash, verification of payees

68%

of the population believes that Latvijas Banka operates professionally

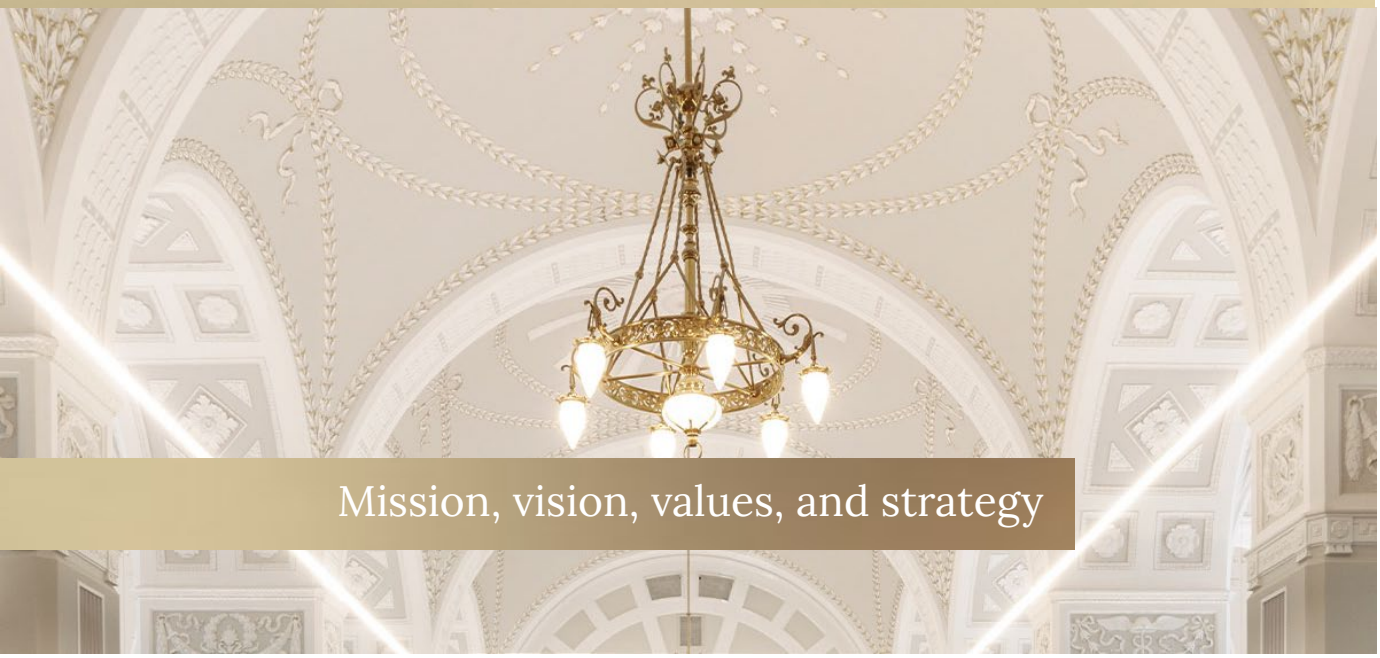
Positive MONEYVAL report

A total of **EUR 56 million** has been appropriated to the state budget for 2025

332

Total recognised gains of Latvijas Banka increased by **55%**, amounting to **EUR 332 million**

Management and organisation



Mission, vision, values, and strategy

The mission of Latvijas Banka is to work for the benefit of Latvia.

Our values

Brave in addressing challenges

We are flexible in making changes and doing so in a purposeful and targeted manner. We encourage each other and people around us to be brave, to accept challenges, and to look for new solutions.

United in humanity

We are very conscious of the power of teamwork, and we achieve the best results through cooperation. Our team is united by humanity. We have a deep sense of responsibility and we live up to our promises.

Powerful in development

We improve ourselves and inspire others to do the same, so that we can collectively contribute to progress in Latvia.

Strategic development directions for 2023–2026

A secure and developed financial sector

A favourable environment for financial market participants to provide financial services, introduce new products, and run high quality operations

Close cooperation with decision-makers to apply well-considered policy in the financial sector

Proportionate regulation and effective supervision of the financial sector

Forward-looking decisions at both the national and individual economic levels

Enhancement of the bank's analytical and research skills both in Latvia and internationally

Promotion of financial literacy and knowledge of economics among the public and businesses

Analysis and understanding of priority topics that are important for society

Sustainability of the financial system and economy

Implementation of the principles of sustainability in the financial sector and the economy

Construction of a regulatory environment that supports sustainability

Sustainable behaviour in the day-to-day work of the bank

An effective and innovative central bank

Skilful data management that extracts maximum value from information

Ever increasing efficiency through the use of new technologies

Development of a culture of innovation

Meaningful career opportunities for professionals

An inclusive and flexible working environment that promotes the well-being of employees

Development of employee skills and talent

Work that meets all the organisation's values

Management principles and development

The management structure of Latvijas Banka comprises:

- the Council of Latvijas Banka, which is a collegial decision-making body that manages Latvijas Banka;
- departments, responsible for achieving results through the execution of functions and processes defined for the bank;
- committees and commissions.

The Council of Latvijas Banka is the main decision-making body of Latvijas Banka. The term of office for the Governor, the Deputy Governors, and other members of the Council of Latvijas Banka is five years.

The membership of the Council of Latvijas Banka at the end of 2025 was as follows:

- Governor Mārtiņš Kazāks (on 6 February 2025, he was re-elected as Governor of Latvijas Banka for a second term);
- Deputy Governor Māris Kālis (from 21 December 2024 to 6 February 2025, he was Acting Governor of Latvijas Banka);
- Deputy Governor Santa Purgaile;
- other members of the Council: Kristīne Černaja-Mežmale, Ilze Posuma, and Zita Zariņa.

Mārtiņš Kazāks

Māris Kālis

Santa Purgaile

Kristīne
Černaja-Mežmale

Ilze Posuma

Zita Zariņa

Human resources

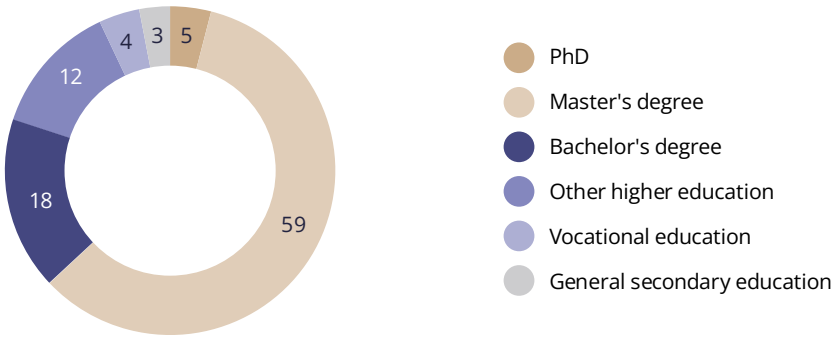
There were 539 employees working at Latvijas Banka at the end of 2025, including 4 employees with a fixed-term employment contract (at the end of 2024 – 531 and 12 employees respectively).

At the end of 2025, as in 2024, 54% of Latvijas Banka's employees were women and 46% were men. 53% of all managers were women and 47% were men.

The differences in pay between women and men were significantly reduced in 2025, reaching a statistically insignificant level of 1%.

At the end of 2025, 93% of Latvijas Banka's employees had higher education, including 5% holding a PhD (93% and 4% in 2024 respectively).

Chart 1. Education of Latvijas Banka's employees (at the end of 2025; %)



As in previous years, Latvijas Banka organised employee training for the development of professional knowledge and provided employees with opportunities for professional exchanges with the ECB and the central banks of other euro area countries. Staff training costs at Latvijas Banka were 1.2% of the total spending on staff remuneration in 2025 (1.5% in 2024).

Employees of Latvijas Banka went on 778 business trips in 2025, including 141 study trips (840 business trips in 2024, including 114 study trips).

According to the data from the *Kantar* 2025 study, Latvijas Banka ranks among the eight most attractive employers among employees and, for the first time, among the top ten most attractive employers among students.

In 2025, 40 new employees joined Latvijas Banka. A total of 2000 candidates demonstrated their interest in joining Latvijas Banka through the selection competitions.

By supporting the attraction and development of young talents, Latvijas Banka provided 15 internships in various professional fields.

31 students attended Latvijas Banka's Shadow Day, promoting the institution's recognition as an employer among youth.

In 2025, Latvijas Banka started implementing a skills-based staff management approach. A skills identification tool was developed and implemented with the support of artificial intelligence and made accessible to managers and other employees. This new solution promotes transparent and data-driven career and development planning.

For its consistent support to the well-being of employees and work-life balance, Latvijas Banka was awarded the status "Family-friendly workplace" under a programme implemented by the Society Integration Foundation.

To ensure a more comprehensive and modern approach to workplace management, Latvijas Banka conducted its first assessment of psychosocial risks in 2025 as part of its occupational health and safety efforts.

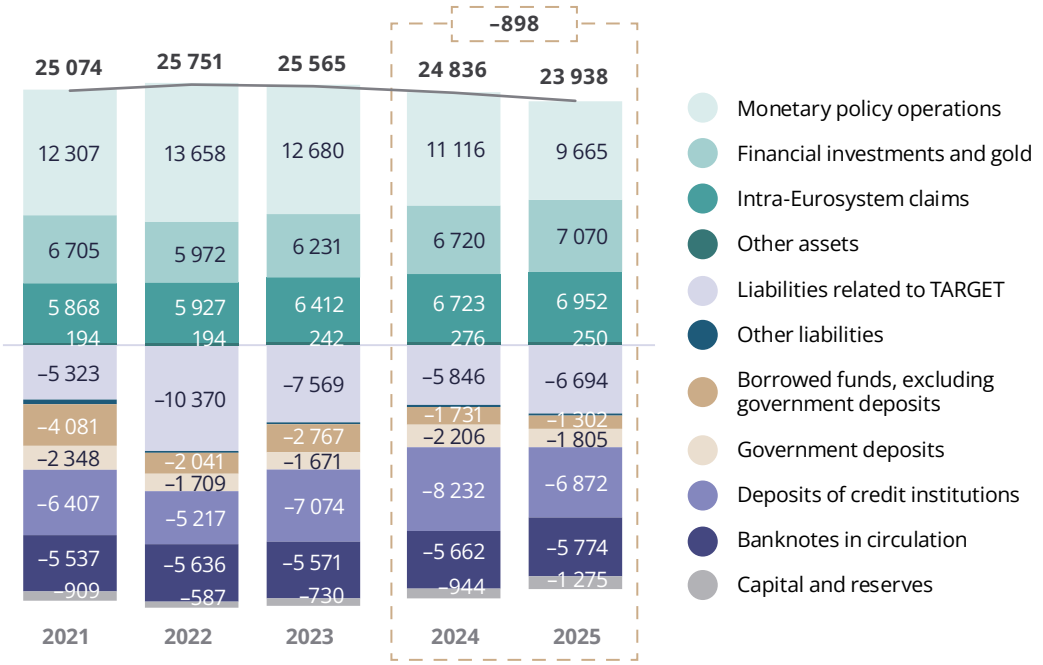
Particular attention was paid to strengthening emotional intelligence: emotional climate index measurements were conducted, alongside 360-degree evaluations of managers.

As part of international cooperation efforts, Latvijas Banka provided the central bank of Ukraine with methodological support in staff management.

Financial resources

The financial management system of Latvijas Banka has been developed to support decision-making processes, financial risk management, and the efficient use of financial resources. The major financial transactions of Latvijas Banka are centred around the management of financial assets and the implementation of monetary policy.

Chart 2. Balance sheet of Latvijas Banka (assets/liabilities (–); millions of euro)



The assets of Latvijas Banka saw a decline of EUR 898 million in 2025. The main changes in assets and liabilities were as follows:

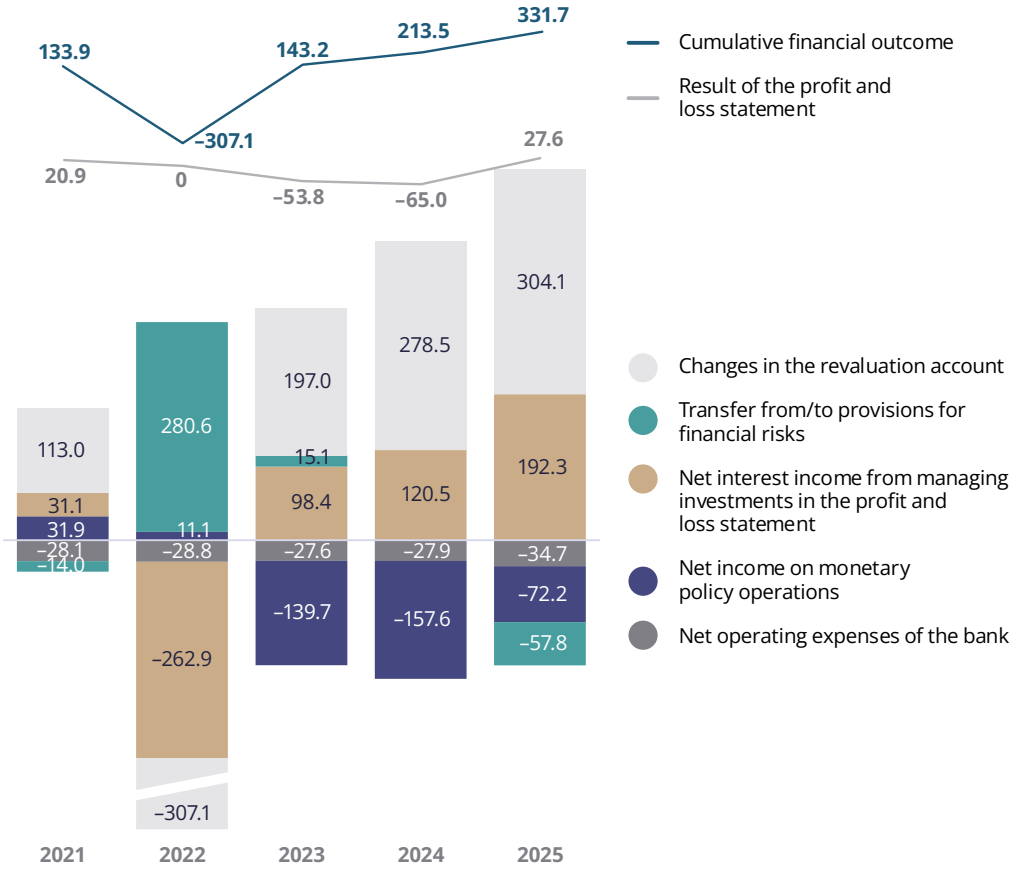
- the balance sheet item "Securities held for monetary policy purposes" decreased by EUR 1451 million due to the redemption of securities purchased by Latvijas Banka under the public sector purchase programme and the pandemic emergency purchase programme;
- the volume of credit institutions' deposits fell by EUR 1360 million, mainly owing to the decrease in overnight deposits at a pre-set interest rate;

- due to cross-border payments, liabilities to the ECB for the settlement result in TARGET rose by EUR 848 million.

Latvijas Banka concluded 2025 with total recognised gains of EUR 332 million (EUR 214 million in 2024), leading to an increase in Latvijas Banka's capital and reserves by 35% (to EUR 1275 million).

As a result of the management of Latvijas Banka's financial investments and gold, total value increased by EUR 496 million during the year, achieving an annual yield of 8% and significantly exceeding the EUR 399 million gain recorded in 2024.

Chart 3. Overall financial result of Latvijas Banka (millions of euro)



Since June 2024, euro interest rates have been significantly reduced, so Latvijas Banka's net monetary policy operation expenses decreased to EUR 72 million (EUR 158 million in 2024), including interest expenses on deposits from Latvian credit institutions amounting to EUR 139 million (EUR 238 million in 2024) and interest expenses on deposits from the Latvian government reaching EUR 21 million (EUR 41 million in 2024).

Of the EUR 496 million increase in the market value of financial investments and gold achieved in 2025, EUR 192 million is recognised in the profit and loss statement, while EUR 304 million is recorded as a revaluation reserve within total capital and reserves, in accordance with Eurosystem accounting principles, and does not pass through the profit and loss statement. Consequently, a profit of EUR 27.6 million was recorded in the profit and loss statement, of which EUR 19.3 million are to be transferred by Latvijas Banka to the state basic budget.

Risk management

Financial risks

Latvijas Banka's objective is to preserve the value of investments over the medium and longer term, ensure adequate liquidity, generate income, and adhere to sustainability principles (see also the *Risk Management* sub-section in the *Investment Management* section). As Latvijas Banka manages investments and executes the Eurosystem's unified monetary policy operations, it is primarily exposed to the following financial risks: market risk (price, interest rate, and currency risks), credit risk, and liquidity risk.

Adverse changes in financial market factors or a counterparty default can negatively impact Latvijas Banka's financial position and operational financial results. To mitigate the potential adverse impact of financial risks, Latvijas Banka manages these risks by taking appropriate measures to reduce their potential impact and by establishing limits and parameters. On the basis of reasonable risk estimates, the Council of Latvijas Banka decides on provisions for financial risks associated with Latvijas Banka's investment management and other financial transactions, as well as the use of these provisions if the risks above materialise.

Recognising the potential adverse impact of climate change on Latvijas Banka's long-term financial performance, Latvijas Banka has implemented a climate change risk management framework. As the field evolves, adjustments are anticipated in Latvijas Banka's climate change risk management framework, the composition of its financial assets, and the sustainability parameters.

Operational risks

Latvijas Banka manages operational risks with the objective of ensuring high-quality outcomes for processes and projects within defined timeframes, while maintaining the continuous, secure, and efficient execution of operations. This approach aims to minimise potential adverse effects on Latvijas Banka's ability to fulfil its tasks, protect its reputation, preserve financial standing, and safeguard operational financial results. All operational risks are addressed within a unified and comprehensive operational risk management framework.

In 2025, operational risk management at Latvijas Banka focused on strengthening the institution's operational resilience and management of cybersecurity and information security risks. In 2025, operational risks were effectively managed. The implementation of targeted mitigation measures kept risk exposure within acceptable levels.

Major operational risks	Objective of governance
Compliance risks, including the prevention of conflicts of interests, anti-corruption controls, protection of personal data, prevention of money laundering as well as terrorism and proliferation financing, and ensuring the protection of the work environment	To ensure compliance with the requirements in the legal acts governing the operation of Latvijas Banka and its staff, as well as their conduct in executing their official duties and responsibilities.
Business continuity risks	To mitigate potential adverse effects on the execution of critical processes, the disruption of which could have significant repercussions for the Latvian financial system or hinder the effective fulfilment of Latvijas Banka's tasks. This includes ensuring the uninterrupted execution of critical processes or the prompt and complete restoration of them in the event of any disruption or interruption, as well as the efficient management of incidents.
Physical security risks	To ensure the physical security of individuals on the premises of Latvijas Banka and of the premises themselves, including the transportation of valuables and of events organised by Latvijas Banka. The priority is to protect the life and health of individuals.
Information security risks	To prevent unauthorised disclosure or misuse of confidential information, classifying that information by its degree of confidentiality and ensuring appropriate protection for it is essential. It is equally important to ensure that these protective measures do not hinder Latvijas Banka in providing non-classified information to its cooperation partners and the public.
Risks related to information systems, including cyber security risks	To reduce any potential negative impact on the availability, security, and integrity of Latvijas Banka's information systems and infrastructure. Latvijas Banka classifies its information systems according to their criticality to Latvijas Banka's operations, as well as the confidentiality, integrity, and availability requirements of the data they process. Each classification level is assigned corresponding to physical and logical security.

Latvijas Banka manages operational risks across processes and projects by classifying the processes and risks and assessing how those risks could affect the outcomes of the process or project, and by using this classification to decide on and execute the most effective actions for ensuring appropriate risk management. The Operational Risk Management Department is in charge of maintaining a common operational risk management framework, organising the processes of operational risk management and incident management, as well as providing regular information on operational risk management as required by Latvijas Banka's legal acts.

Latvijas Banka educates its employees on risk management, aiming to ensure the continuous development and maintenance of relevant knowledge and skills. To support this, regular training sessions and tests are conducted.

Sustainability

The international agenda in 2025 was largely dominated by geopolitical developments. From a long-term perspective, however, nature-related and climate-related risks remain a significant concern for the financial sector and require ongoing systematic assessment and mitigation. This is consistently reflected in the approach taken by the European Supervisory Authorities and the ECB and in the measures implemented to date, which underscore the need for preventive risk management in changing circumstances. Moreover, the reprioritisation does not diminish exposure to nature-related and climate-related risks. It often intensifies them – both physical and transition risks.

At the same time, sustainability is undergoing structural change. This has been demonstrated with even greater clarity: sustainability is no longer a stand-alone initiative, but rather a horizontal element to be integrated into organisational strategies. In a context of geopolitical fragmentation, organisations that embed sustainability principles in their business models in a timely manner gain a competitive advantage.

During the reporting year, Latvijas Banka continued to implement its internal sustainability objectives for the period up to 2026. Latvijas Banka's GHG emissions are decreasing, mainly due to the rising share of renewable energy sources in final energy consumption. The share of strategic (i.e. green, social, and innovative) procurements[1] continues to increase, accounting for 58% of all procurements in 2025 (compared to 2% in 2022). The carbon footprint of non-monetary policy investment portfolios is also declining. In the area of social sustainability, differences in pay between women and men for equal work were eliminated during the reporting year. The annual internal assessment found that the staff's daily green habits have remained stable and show a slight upward trend.

In 2025, Latvijas Banka continued to publish articles promoting a discussion on the sustainability and competitiveness of various sectors, assessing demand, supply, environmental and health impacts, circularity, and other aspects in areas such as transport, energy, trade, and land-use, land-use change, and forestry (LULUCF). Pollution caused by "forever chemicals" (PFAS), as well as textile and clothing production, changes in demand, and environmental and health impacts were addressed extensively, i.e. at global, European, and Latvian levels.

In the area of social sustainability, experts from Latvijas Banka evaluated the role of human capital and health care in improving well-being and quality of life, as well as tools for activating internal labour reserves. An assessment was provided regarding the fulfilment of the human capital objectives of the National Development Plan and the fairness of remuneration in Latvia, as well as the impact of gender roles on birth rates and gender inequality in the labour market.

[1] A strategic procurement is a procurement that takes into account environmental and social impacts or promotes the development of innovation.

Latvijas Banka's research on sustainability focuses on enhancing modelling tools for analysing the economic impact of the green transition. In 2025, models developed in previous years were used to assess the impact of the introduction of ETS2 on the economies of the euro area and Latvia. A study was also carried out on the impact of improved heating efficiency on real estate prices in Latvia. The results show that apartments in retrofitted buildings cost roughly 11% more than otherwise similar apartments in non-retrofitted buildings, and the return generated by renovations for apartment owners is about 10% of the apartment value.

Latvijas Banka has started to focus more on nature-related risks and is developing tools for their management. In the future, this risk category may affect a growing number of financial market participants. In parallel with regulatory simplification efforts at the European level, Latvijas Banka developed a draft IT solution during the reporting year to ease the collection and exchange of sustainability-related data among financial market participants, their customers, and Latvijas Banka.

Throughout 2025, Latvijas Banka played an active role in international forums and organisations dedicated to advancing the greening of the financial system, including:

- the ECB working groups on climate change, organisational sustainability, sustainable and responsible investment in portfolios of financial assets, and statistics;
- the EBA working group on sustainable finance;
- the ESMA working groups on sustainability supervision, sustainability reporting, and regulation;
- interinstitutional working groups;
- the NGFS working groups on sustainable financial investment and corporate governance, climate scenarios, research, modelling, and biodiversity.

On 10 December 2025, the Latvian Corporate Governance Award was presented for the fifth time. The event honoured organisations that have demonstrated their excellence across the award categories and featured a discussion on the corporate supervisory board as a value-adding element of governance, as well as how effective board functioning contributes to organisational sustainability and development. The award aims to reinforce the practical application of the Latvian Corporate Governance Code and sustainability principles among Latvian companies.

Key milestones achieved in 2025

Research and modelling toolkit	In 2025, models developed in previous years were used to assess the impact of the introduction of ETS2 on the economies of the euro area and Latvia. A study was also carried out on the impact of improved heating efficiency on real estate prices in Latvia.
Analytics	Several articles covering a broad spectrum of sustainability-related topics were published. The article on transport sustainability compared public and private transport in terms of commuting time and emissions, and partially analysed transport usage patterns among the population. Articles were published on PFAS pollution, energy, trade, textile production, as well as on the role of the LULUCF sector in Latvia's climate policy – on GHG emissions removals and on the calculation methodology. Analytical articles were also published on the current problems of the Latvian building stock and building renovation issues. In the area of social sustainability, Latvijas Banka encouraged reflection and discussion on demographic challenges through an expert discussion on promoting birth rates in Latvia. Several analytical articles were also produced on this topic, including on the impact of gender roles on birth rates and gender inequalities in the labour market. The fulfilment of the human capital objectives established in the National Development Plan was assessed. The role of human capital and health care in improving well-being and quality of life, as well as tools for activating internal labour reserves were analysed. The fairness of remuneration in Latvia was assessed, including in comparison with other Baltic States.
Macroprudential supervision	The easing of lending standards for energy-efficient housing loans, launched in 2023, continued. The easing measures have been in place since 2024.

Financial stability analysis, including stress testing, scenarios, and models	An overview of how climate-related risks are reflected in the financial stability reports of several countries was prepared, leading to the following conclusions: the more timely and rapid the transition to climate neutrality, the lower the costs and losses associated with climate change in the long term. An article on the impact of natural disasters on the financial sector was published, concluding that natural disasters are more damaging to smaller, economically open countries with faster development. Information activities were organised on the automatic recalculation of pensions received by working pensioners. Latvijas Banka participated in the development of the NGFS internal report on the practices of physical risk analytics on an international scale.
Supervision of financial market participants	According to Latvijas Banka's supervisory priorities and inspection plan, one of the priorities for the supervision of financial market participants for 2025–2027 is business model sustainability in a transition economy. A thematic remote review of investment firms was carried out to ensure the sustainability knowledge and competence of staff who provide investment advice or information to customers on financial instruments, investment services, or ancillary services, or who are involved in material aspects of the suitability assessment process. A thematic horizontal review on the inclusion of climate-related risks in the own risk and solvency assessment process was also conducted. As regards the integration of sustainability aspects into supervision, a process for monitoring the enforcement of sustainability information was put in place for issuers, in line with the Law on Sustainability Disclosures and ESMA Guidelines on Enforcement of Sustainability Information. The methodology for inspections of credit risk was also complemented by ESG aspects. To monitor the compliance of the activities performed by financial market participants with the requirements of laws and regulations and to track progress in the area of sustainability, Latvijas Banka surveyed credit institutions on their green loan portfolios, the ESG data available to them, their integration into information systems, and their use in the ESG risk materiality assessment and management processes. Latvijas Banka maintained its involvement in the Flagship Technical Support Project on ESG risk management framework for the financial sector implemented by the EC Directorate-General for Structural Reform Support. As part of the project, Latvijas Banka received recommendations for improving sustainability supervision, which formed the basis for the 2025–2027 ESG action plan. The project also provided recommendations on improving the collection and processing of ESG data to support the acquisition of data needed for monitoring purposes and their integration into the existing framework of information systems. Recommendations were also received and prototypes of monitoring tools were developed to assess and address climate and greenwashing risks. In the capital market segment, these tools, following their adaptation and integration into the supervisory framework of Latvijas Banka, will enable a detailed analysis of both investment fund portfolios and their disclosed information. During the final phase of the project in 2026, methodologies and supervisory tools will also be developed for climate-related risk assessment (stress testing) of portfolios held by participants in other segments of the financial sector, as well as for reviewing the content of their published sustainability reports. Latvijas Banka continued to organise the events of the Sustainability Breakfast series, which aim to promote awareness and performance of financial market participants in the area of sustainability and cover a wide range of participants and topics. At the Sustainability Breakfast, financial market participants discussed the topicalities of the ESG regulatory requirements and aspects related to the practical use of local sustainability data, such as the analysis of data obtained from building energy performance certificates and the methods of proxy determination, as well as the integration of flood maps with real estate geolocation data.
Climate-related data and statistics	Latvijas Banka continued to support the ECB's initiatives to assess the likelihood of physical risks (such as floods and natural disasters) at the EU level. Latvijas Banka started providing data on outstanding balances and geographical coordinates of legal entities involved in securities and credit transactions. As of November 2025, Credit Register participants include the following additional information in the Credit Register regarding new loans issued: • the type of financing allocated to environmentally sustainable measures (e.g. for improving the energy performance of the building, purchasing renewable energy equipment, or supporting the sustainability of technological and production processes);

	• information on the primary purpose of the financing used for the financed real estate and its cadastre number, in order to provide Latvijas Banka with additional information for climate change transition risk analysis and to enable the assessment of sustainable financing volumes.
Cash and market infrastructure	The volume of coin exchanges with the central banks of the Baltic States was increased, thereby ensuring local demand for the respective coin denominations and reducing the need to mint new coins. The coin exchange project will continue in 2026. To promote the circular economy and reduce the environmental impact, a call for ideas was organised for businesses to develop sustainable solutions for recycling of unfit banknotes. The search for the most appropriate solution will continue in 2026. Films containing 30% recycled plastic were tested for banknote packaging. Based on the test results, around a third of banknotes will be packaged in this type of film moving forward.
Foreign reserves and other non-monetary policy investment portfolios	A third report on climate-related financial disclosures was published, in alignment with the Eurosystem's unified stance on climate-related disclosures. The integration of sustainability strategies and the redirection of investments towards more sustainable issuers in three investment portfolios contributed to improving portfolio sustainability performance and reducing the carbon footprint.
Social responsibility policy	Latvijas Banka eliminated differences in pay between women and men for equal work, reducing them to a statistically insignificant level of 1% and thus achieving equal pay. In addition, the observed gender pay gap was also narrowed (to 11%). In 2025, Latvijas Banka ranked 4th in the Official Monetary and Financial Institutions Forum's (OMFIF) Gender Balance Index of central banks. This index reflects the share of women among central bank staff, including the representation of women and men in managerial positions. Skills-based staff management practices were launched with the development and implementation of an artificial intelligence-supported skills identification tool for use by both staff and managers. Emotional intelligence skills were strengthened by measuring the emotional climate index and conducting 360-degree evaluations of managers. For the first time in occupational health and safety, the psychosocial risks of the working environment were also assessed. Latvijas Banka was awarded the status "Family-friendly workplace" under a programme implemented by the Society Integration Foundation.
Knowledge enhancement and capacity	Staff knowledge of various sustainability-related issues was enhanced: • the newsletter *Sustainability News* was published on a regular basis, for both internal and external use; • educational seminars were organised; • as part of the nature restoration activity *Doing Good for Nature*, venerable trees in Krape Manor Park were freed from overshadowing vegetation by employees of Latvijas Banka; • employees took part in the spring clean-up initiative *Digital Clean-Up*; • Latvijas Banka's employees participated in two major European initiatives – European Sustainable Development Week and European Mobility Week. In addition, a Sustainability Month was organised, during which a Power BI tool for analysing CO_2 emissions from business travel was launched, educational articles on the environmental impact of mobility were published, a community closet was installed, and the Sustainable Business League 2025 step challenge was organised; • the charity campaign *Angel Mail*, which has become a cherished tradition over the years, was held. Latvijas Banka shared its experience with the central bank of Ukraine on issues related to monitoring and assessing ESG risks, as well as preparing and publishing reports on the sustainability of the central bank.

Policy advice within Latvijas Banka's mandate

One of the tasks of Latvijas Banka is to advise the Saeima and the government on monetary policy and on aspects of economic policy that are associated with Latvia's participation in the euro area, as well as on other issues related to the work of Latvijas Banka.

In 2025, officials and employees of Latvijas Banka held regular meetings with members of the Saeima and the government. They also participated in committee meetings of the Saeima and in meetings of the Cabinet of Ministers, as well as in the work of several committees and working groups established by the government to give opinions on financial and economic development.

In its analysis of Latvia's economic development prospects, Latvijas Banka provided comprehensive analytical and data-driven support, offering expert advice to the Saeima and the government on issues affecting the country's economy and development, including fiscal policy, social protection, education policy, foreign trade policy, human capital development, health care, promotion of birth rates, and food price dynamics, to name a few.

In 2025, Latvijas Banka actively participated in the evaluation of proposals and the provision of recommendations to reduce bureaucracy in public administration, including by reviewing and harmonising the requirements of public institutions for data submission.

Latvijas Banka continued its analysis of the Latvian financial sector's role in the country's economy, focusing on the accessibility of funding and financial services, while equipping policymakers with insights into existing barriers and presenting proposals for improvement.

Latvijas Banka cooperated with the Investment and Development Agency of Latvia: it provided support in the process of engaging with potential foreign financial market participants seeking to provide services in Latvia, aiming to bolster competition within the financial sector. Latvijas Banka also provided expertise in the area of export and innovation, with representatives of Latvijas Banka serving on the jury of the competition "Export and Innovation Award 2025".

In 2025, Latvijas Banka continued its active work in the development of Latvia's fintech sector, in close cooperation with the Ministry of Finance, the Ministry of Economics, the Investment and Development Agency of Latvia, the Riga Investment and Tourism Agency, and other institutions, as well as industry associations and business representatives. This included providing advice to participating public authorities and industry associations on fintech business models, the regulatory framework, as well as on Latvijas Banka's support instruments, including the Regulatory Sandbox.

Experts of Latvijas Banka engaged in various working groups and professional organisations, as well as in collaborative efforts with relevant ministries and institutions. Their involvement included sharing

expertise, offering advice, and providing support and proposals, including during the process of drafting and amending regulatory acts, across a broad range of areas within their scope of competence, such as:

- economic forecasts;
- drivers of economic growth (including by region);
- planning and execution of government expenditure;
- enhancement of the state-funded pension scheme and operation of pension funds;
- lending, including refinancing mortgage loans and loans to non-financial corporations;
- use of Credit Register data;
- impact of foreign trade policy instruments (including tariffs);
- strengthening and effective enforcement of sanctions against Russia and Belarus;
- regulation and development of the financial sector;
- financial literacy and reducing financial fraud;
- management of ML/FTP risks and sanctions risks;
- cash circulation;
- the digital euro.

Latvijas Banka submitted its opinion to the Constitutional Court in a case on the mortgage borrower protection levy and the related compensation of loan interest, as well as in a case on the constitutionality of provisions of the Law on the Release of Natural Persons from Debt Obligations.

Experts of Latvijas Banka continued to actively cooperate with public authorities and provided information on critical financial services at events organised by them (including events organised for a wide audience in the area of civil protection).

Employees of Latvijas Banka continued to participate in their capacity as experts in the Working Group for the Preparation of the Notification of the General Government Budget Deficit and Debt chaired by the CSB, compiling the notification data for the general government budget deficit and debt for 2024 and dealing with the methodological issues related to the compilation of these data. Employees of Latvijas Banka also took part in Eurostat-led work on methodological issues and surveys, including topics such as the macro-financial assistance loan to Ukraine, the statistical treatment of the NATO Innovation Fund, the accounting principles for EU grants, and tax revenues in EU Member States.

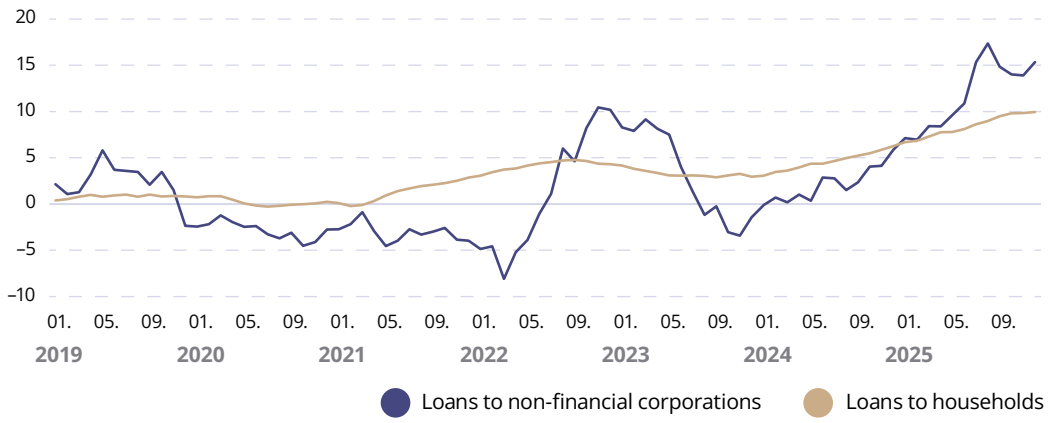
Throughout the reporting year, Latvijas Banka continued to support the government in advancing Latvia's active engagement with the EU and representation in the OECD and MONEYVAL. Latvijas Banka also supported the government in facilitating information exchange with international credit rating agencies and preparing the borrowing operations of the Republic of Latvia.

Key topics of the year

Lending

Lending activity in Latvia has grown significantly. In 2025, outstanding loans to non-financial corporations and households increased by 15.3% and 9.9% respectively. This marks the fastest rise in outstanding loans over the last 18 years. Moreover, the growth rate of the loan portfolio exceeded that of nominal GDP for a second consecutive year. As a result, the loan-to-GDP ratio has also increased by 2.2 percentage points over the last two years.

Chart 4. Annual change in outstanding loans to households and non-financial corporations*
(%)



* The impact of structural changes and one-off factors in the banking sector has been excluded for comparison purposes.

The decline in lending rates has been a major factor driving the recovery in lending activity. This is explained both by the fall in money market interest rates, including the short-term EURIBOR rates, and by

lower markups. EURIBOR rates, mostly used as reference rates for loan pricing in Latvia, have decreased by more than 2 percentage points after peaking in October 2023. At the same time, markups on new loans have also fallen significantly, particularly in the mortgage loan segment. This is, among other things, due to borrowers' growing interest in loan refinancing possibilities.

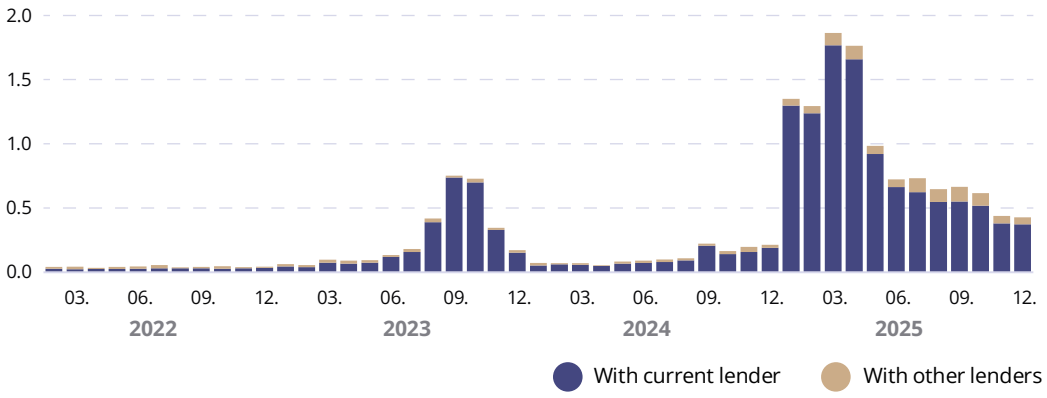
Based on analysis and proposals by Latvijas Banka, amendments to several laws and regulations[2] were introduced, resulting in substantially lower costs for mortgage loan refinancing. This included prohibiting commissions for refinancing mortgage loans, eliminating the state fee previously payable during refinancing for registering new collateral, and limiting other costs.

In addition, Latvijas Banka created a dedicated section on the website *Naudas skola* to encourage Latvian borrowers to take advantage of opportunities to improve their loan conditions. The webpage includes an information tool that enables borrowers to find out how competitive the current markup on a mortgage loan is compared to the average interest rates on loans granted over the past six months. The section also contains a calculator that allows the visitor to compare monthly loan payments under different conditions. In addition, the section provides a step-by-step guide explaining what borrowers need to do if they wish to refinance their mortgage loan, along with answers to frequently asked questions.

To make this opportunity clear, accessible, and practical to use for as many mortgage borrowers as possible, Latvijas Banka launched a targeted information campaign. This demonstrated the exceptionally strong interest among Latvia's population in improving mortgage loan terms.

According to the Credit Register of Latvijas Banka, 11 505 mortgage loans were refinanced in 2025 – 2.3 times more than in the previous three years combined.[3] Out of these, 10 540 loans were refinanced by current lenders and 965 loans were refinanced with other lenders. The total value of these loans amounts to nearly EUR 840 million, or 18% of the total mortgage loan portfolio in Latvia in early 2025.

Chart 5. Number of mortgage loans with reduced markups (thousands)



On average, markups on loans that were refinanced by the current lender declined by 0.45 percentage points. Meanwhile, the decrease in markups on the loans refinanced with another lender was as high as 0.8 percentage points on average.

[2] The Consumer Rights Protection Law, the Insurance Contract Law, the Credit Institution Law, the Notariate Law, Cabinet Regulation No 691 "Regulations Regarding Consumer Credit" of 25 October 2016, Cabinet Regulation No 95 "Regulations Regarding the State Assistance in Purchase or Construction of Residential Space" of 20 February 2018.

[3] The increase compared to previous years would have been even greater had loan markups not been temporarily reduced in 2023. This period was marked by a sharp increase in lending interest rates driven by rising monetary policy rates. The need to introduce support for mortgage borrowers was also discussed. With the amendments to the Consumer Rights Protection Law, which provided for a compensation of 30% of the total loan interest payments, the activity of reducing markups also significantly decreased.

Such reductions in interest rates enabled Latvian borrowers to significantly lower their interest expenses over the course of a year. Those that refinanced their loans with the current lender saved an average of EUR 350 per year in interest expenses, while those who refinanced their loans with other lenders saved even more – on average EUR 500.

Assuming that the loan is not repaid ahead of schedule, the total savings for all borrowers during the entire lifespan of loans amount to **EUR 53.5 million**.

The easing of refinancing has fostered competition in the mortgage lending segment for at least two reasons. First, increased borrower interest in securing more favourable loan terms from other lenders, combined with simplified refinancing conditions, has compelled existing lenders to compete more actively to hold on to their customers. Second, the availability of refinancing options and the lifting of advertising restrictions have made the mortgage market more accessible to new players. As a result, the role of smaller lenders in the mortgage market has grown significantly in recent quarters compared with two years ago. This has intensified competition and expanded the range of choices available to borrowers.

In the future, mortgage lending activity is expected to be supported not only by increased competition, but also by a new programme of AS Attīstības finanšu institūcija Altum – loans for house purchase in regions outside Riga, Jūrmala, and the municipalities of Mārupe, Olaine, Ķekava, Salaspils, Ropaži, and Ādaži. The programme aims to promote the availability of housing loans across Latvia's regions to address the issue identified by Latvijas Banka in the 2024 report "Financing of the Economy"

Lending activity is also growing in the segment of non-financial corporations, but this is not driven by lower markups. Unlike the mortgage segment, markups on loans to non-financial corporations have remained fairly stable over the past eight years. An analysis conducted by Latvijas Banka shows that higher lending activity may at least partly have been driven by credit institutions' efforts to reach the threshold for a reduction in the solidarity contribution, thereby reducing or entirely avoiding such payments.

However, solidarity contributions are unlikely to lead to a sustained increase in lending to non-financial corporations. In 2025, the most pronounced growth in outstanding loans was observed for credit lines, revolving loans, and overdrafts. Such types of loans are most often issued with much shorter maturities than a typical loan for a non-financial corporation's investment needs. Therefore, the current lending trend may not be sustainable in the future. Changes in tax policy also create legal uncertainty, which may reduce the interest of foreign investors in Latvia.

A number of other factors limiting lending to non-financial corporations, including high collateral requirements by lenders, also remain relevant. In 2024, the average collateral value for loans to non-financial corporations in Latvia stood at 162% of the loan amount. Furthermore, for a large share of loans, the collateral value is as much as twice the loan amount. In Latvia, it is also fairly common to require personal guarantees when issuing loans to non-financial corporations, which is a key factor limiting lending.

These and other factors point to segmentation in lending to non-financial corporations. In turn, it suggests that the availability of competing offers for Latvian non-financial corporations is more limited than it may seem, bearing in mind the relatively large number of credit institutions in Latvia. One way to reduce segmentation and strengthen competition in lending to non-financial corporations is to facilitate the awareness and mobility of borrowers. Latvijas Banka, in cooperation with the Ministry of Finance, has carried out an analysis and prepared a regulatory draft to limit commissions for the early repayment of

loans. The results of this analysis and proposals to improve the situation are discussed in the Financial Sector Development Board.

Latvijas Banka also continues its dialogue with the financial sector on solutions aimed at reducing disproportionately high collateral requirements, while protecting the interests of lenders without hindering the development of business.

Financial sector development

Accessibility of services

Amendments to the Credit Institution Law (Section 73.[2]; came into force on 1 January 2026) and Latvijas Banka's Regulation No 353 "Regulation on the In-person Provision of Financial Services" of 25 November 2024 were adopted with the aim of ensuring wider accessibility of in-person services to customers of credit institutions – consumers – in Latvian regions. According to the new regulation, major credit institutions complying with the criteria referred to in Section 73.[1], Paragraph one of the Credit Institution Law (AS SEB banka, Swedbank AS, AS Citadele banka, and the Latvian branch of Luminor Bank AS) must provide in-person services as of 1 January 2026. This regulation aims to maintain a balance between the digitalisation of financial services and the provision of in-person support to the population of Latvia's regions that still needs in-person services but faces limited access due to the long distance to service locations.

Regulation on the In-person Provision of Financial Services stipulates two types of service delivery arrangements: permanent in-person service locations (with operating hours of at least 16 hours per week) and alternative service locations. At alternative service locations, credit institutions are required to provide in-person financial services to consumers upon request, no later than five business days after receipt of the request.

In 2025, Latvijas Banka worked closely with credit institutions to encourage the expansion of in-person service coverage across Latvia's regions in 2026. To comply with regulatory requirements on the regional accessibility of in-person financial services, credit institutions will open new service locations in 12 Latvian cities in 2026 (8 permanent service locations and 13 alternative service locations). New in-person service locations are to be provided by AS SEB banka, Swedbank AS, and AS Citadele banka. As of 31 December 2025, the in-person service coverage of the Latvian branch of Luminor Bank AS already complied with the requirements for the accessibility of in-person service locations.

Improvement of the licensing support mechanism

In 2025, Latvijas Banka reviewed and complemented the licensing support mechanism. Along with the improvements made, Latvijas Banka offers every potential financial market participant a direct and convenient opportunity to receive a consultation, providing clarity on the expectations of the supervisory authority and the interpretation of the regulatory framework. Principles for simplifying licensing were also introduced, including with regard to the descriptions of required documentation.

The developed licensing support mechanism ensures a clear and structured licensing process with regular meeting opportunities. The main elements of the process are as follows:

- a preparatory or pre-licensing stage involving meeting with experts before submitting the application;
- a licensing guide that provides an overview of the licensing process, expectations of the supervisory authority, and actions to be taken by a potential financial market participant;
- harmonisation of pre-licensing and licensing application forms by systematising the content of the application and the documents to be submitted in a structured manner;
- a multi-stage application completeness review process to ensure that applications are checked before substantive examination commences;
- guidance on the preparation of documents required for obtaining a licence, registration, or authorisation, including the supervisory authority's expectations and recommendations for improving the quality of applications.

Improvement of prudential regulation

In 2025, work was carried out on amendments to the Credit Institution Law (which entered into force on 6 January 2026), introducing a regulatory framework for specialised credit institutions with a lower initial capital threshold. The amendments aim to promote competitiveness in the credit institution segment, support the development of financial market participants, including credit unions and payment institutions, and improve the accessibility of financial services throughout Latvia. The amendments to the Credit Institution Law stipulate that a specialised credit institution with initial capital of no less than EUR 1 million may provide the financial services referred to in the law To qualify as a specialised credit institution, an institution must meet at least one of the following criteria:

- a limited range of customers established according to the territorial principle, the employment principle, or the principle of community of interests within the meaning of the Law on Credit Unions;
- provision of financial services exclusively in digital form;
- a business model that envisages the provision of innovative services, which are new or significantly improved financial services in Latvia.

Upon commencement of operations, specialised credit institutions are subject to the same requirements as credit institutions with a minimum initial capital of EUR 5 million, including requirements relating to risk assessment, capital adequacy, and financial stability.

As part of the reform of the cooperative credit union segment, on 5 June 2025, the Saeima adopted amendments to the Law on Credit Unions, expanding the range of persons eligible to receive loans from cooperative credit unions. Going forward, cooperative credit unions, subject to authorisation from Latvijas Banka, will be permitted to grant loans to their members, both commercial and cooperative companies. The amendments were developed in close cooperation between Latvijas Banka, the Ministry of Finance, and representatives of cooperative credit unions, taking into account the sector's interest in expanding its activities to include lending to legal entities. The amendments will improve access to financing in Latvia's regions and support the sustainable growth of the cooperative credit union segment.

Latvijas Banka also revised the regulatory framework previously applicable to cooperative credit unions and developed a new "Regulation on Credit Risk Management for Credit Unions" and "Regulation on Internal Control Systems for Credit Unions". As part of the simplification initiative aimed at introducing the principle of proportionality into the supervision of cooperative credit unions by aligning requirements with the nature, scale, and complexity of their operations, cooperative credit unions will henceforth be classified as significant or less significant institutions. This will ease a number of requirements relating to the establishment of internal control systems and reduce the administrative burden for smaller cooperative credit unions. At the same time, all requirements relating to credit risk management have

been consolidated in a single legal act, clarifying and providing more detailed guidance on existing requirements in areas such as collateral valuation, loan issuance, and creditworthiness assessment, as well as loan administration and loan quality monitoring. In addition, more detailed and specific requirements have been established for those cooperative credit unions that provide lending services to commercial companies and cooperative companies.

Modern services

Making use of the opportunity provided by Latvijas Banka for non-bank payment service providers and credit unions to also become participants in the Electronic Clearing System (EKS), the payment system established and maintained by Latvijas Banka, the first non-bank payment service providers (licensed payment institutions and electronic money institutions) connected to the EKS in 2025.

To ensure high-quality support for new EKS participants, Latvijas Banka prepared explanatory descriptions of processes, provided consultations on compliance with legal and technical requirements, and assisted with participation planning and the testing process. This approach ensures equal access for all Latvian payment service providers to EKS services and promotes the development of payment services in Latvia.

In October 2025, the requirement under the Instant Payments Regulation entered into force obliging payment service providers to verify the payee's name against its account number before initiating a payment. To support Latvian payment service providers in complying with this requirement, Latvijas Banka developed the Instant Verification service. It is an additional security feature designed to reduce the risks of fraud and human error in payment processing.

Areas of activity

Economic environment and monetary policy

Monetary policy: a "good place" reached, but not set in stone. Future interest rate moves will depend on incoming data.

Global economic growth continued to be affected in 2025 by geopolitical instability and high uncertainty, amplified in the first half of the year by the increase in import tariffs envisaged by the US Administration and the related shocks to global supply chains. As a result, the assessment of downside risks to economic growth in Europe also increased, and the near-term growth outlook for the euro area was also revised downwards in early 2025.

Table 1. Eurosystem projections for euro area average GDP growth in 2025 (%)

December 2024	March 2025	June 2025	September 2025	December 2025
1.1	0.9	1.0	1.2	1.4

Source: ECB.

In June, the ECB attempted to quantify US tariff-related risks for the euro area economy using base and alternative scenarios. It treated the shock as a combination of higher US tariffs, heightened trade policy uncertainty and, in the adverse case, the EU's retaliation. According to the assessment, in the adverse scenario, euro area GDP growth was expected to decline, cumulatively, by around 1 percentage point below the baseline over three years, with demand weakening as a result of higher tariffs and persistent policy uncertainty.

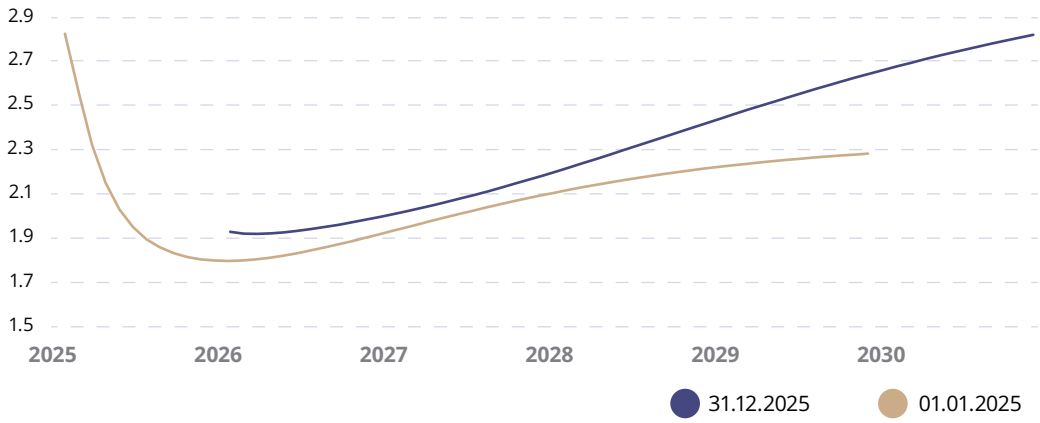
In addition, downside risks to growth were associated with potential export diversion: according to the ECB's assumptions, US trade restrictions could reduce US imports from China by around 10% and part of

the displaced supply would in this case be redirected to Europe. As a result, euro area imports from China would be increasing by 2–3%.

In response to the increasing downside risks to growth, which also led to risks of inflation falling below the Eurosystem's target, the further easing of monetary policy that started last year continued in the first half of 2025. The deposit facility rate was reduced from 3% at the beginning of the year to 2% in June, and the members of the Governing Council of the ECB publicly expressed their determination to continue to do whatever is necessary to achieve the objective of price stability and to react promptly to incoming economic data.

However, incoming statistical data in the second half of the year showed a strong resilience of the euro area economy to external shocks. The actual maximum tariffs also turned out to be lower than assumed in the negative scenarios and lower interest rates were also supporting economic growth. As the economic situation improved and confidence increased that inflation would be sufficiently close to levels consistent with the Eurosystem's price stability target in the foreseeable future, the idea of monetary policy being in a good place was increasingly voiced in the public speeches of the members of the Governing Council. Market participants' expectations about the future path of interest rates also adjusted towards lower levels than at the beginning of the year.

Chart 6. 1-month euro money market forward rates resulting from interest rate swaps (%)

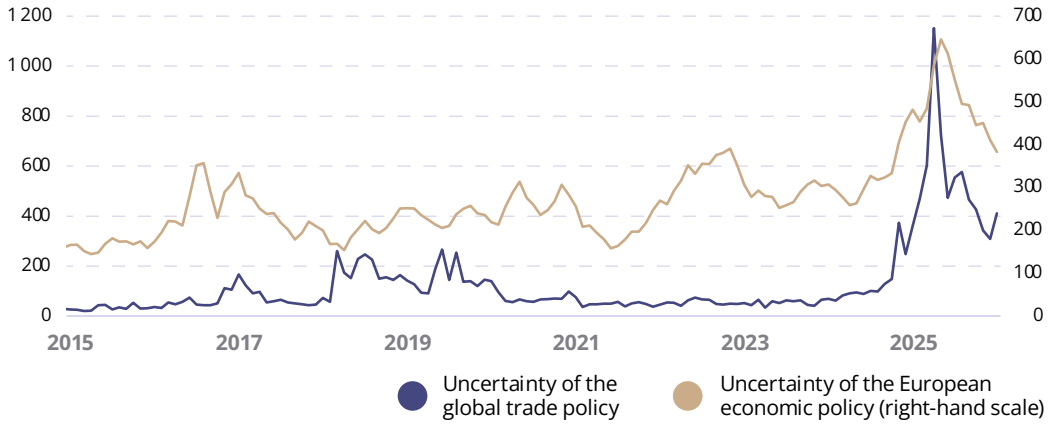


Sources: Bloomberg LP and Latvijas Banka's calculations.

While market expectations at the end of 2025 implied stable interest rates for the foreseeable future, which are in line with the ECB's baseline scenario in the euro area economy, the possibility of risks materialising in both directions remains significant. Therefore, in line with the current analytical approach, statistical data will continue to play an important role in the path of rates.

On the one hand, geopolitical risks and related uncertainties continue to play an important role, although they have declined following the highest levels observed in recent history. With high uncertainty weighing on economic growth, medium-term inflation in the euro area may also fall below the ECB target.

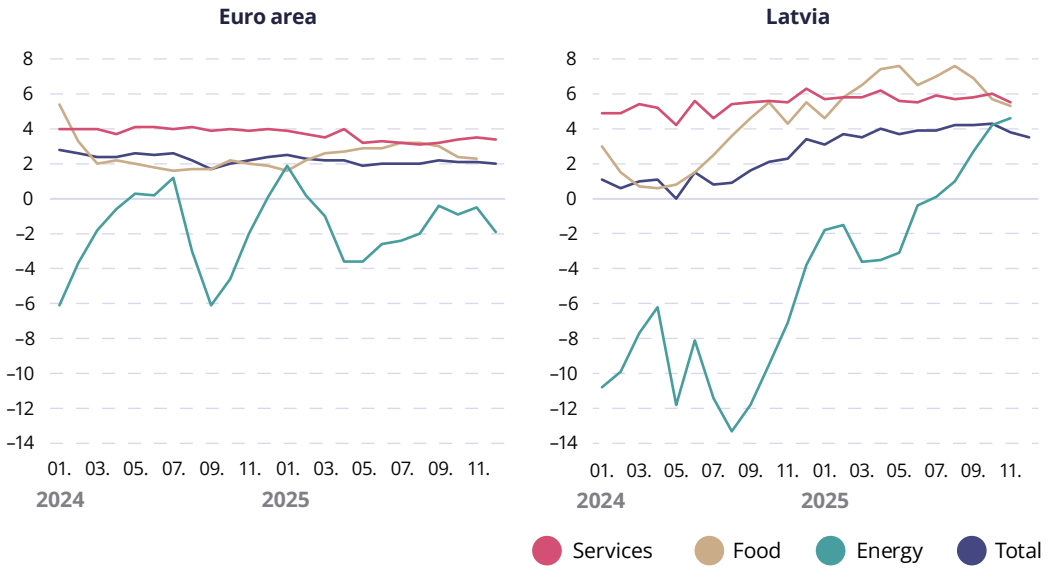
Chart 7. Global trade policy uncertainty and European economic policy uncertainty (index; 3-month moving average)



Source: Economic Policy Uncertainty Index.

On the other hand, while headline inflation in the euro area is close to the Eurosystem's target, it has come at the expense of a negative contribution from falling energy and food price inflation. Meanwhile, services price inflation was persistent and above 2% in the second half of the year, after declining at the beginning of the year. In Latvia, inflation developments were similar: food price inflation declined, while services price inflation remained stable.

Chart 8. Price changes in different product groups (annual changes; %)



Source: Eurostat.

Accordingly, the monetary policy conducted by the Eurosystem must also remain vigilant and ready to react swiftly, if necessary, to the materialisation of both downside and upside risks.

At the same time, monetary policy, however successful it may be, cannot solve the structural problems that hinder economic growth in the euro area. While these challenges were precisely identified in the Draghi report published in 2024, only a small proportion of these proposals have been seriously examined to date, and an even smaller number of proposals have actually been implemented. Meanwhile, progress on key issues – a closer economic, fiscal, financial, and capital market union – is very

slow. Closer integration of the euro area is therefore critical to strengthen the economic resilience of the euro area and preserve Europe's global role as a key geopolitical block, also in a changing external environment. The need for these structural reforms has also been made public by the Governor of Latvijas Banka on several occasions[4].

The Latvian economy: while out of a freezing point, focusing on inflation and budgetary discipline is necessary

After a protracted period of stagnation in economic growth, Latvia's economic growth started to pick up gradually in 2025, especially in the second half of the year.

This was primarily due to a better-than-expected external economic environment. The worst projected scenarios for the development of foreign trade did not materialise, which had a positive impact on Latvia's exports. The overall export performance, despite adverse weather conditions, was significantly improved by exports of cereal products, as well as various electrical equipment and dairy products. In terms of services, rapid growth continued in the export of professional, technical, and other business services, as well as in the export of travel services, with an increase in the number of tourists.

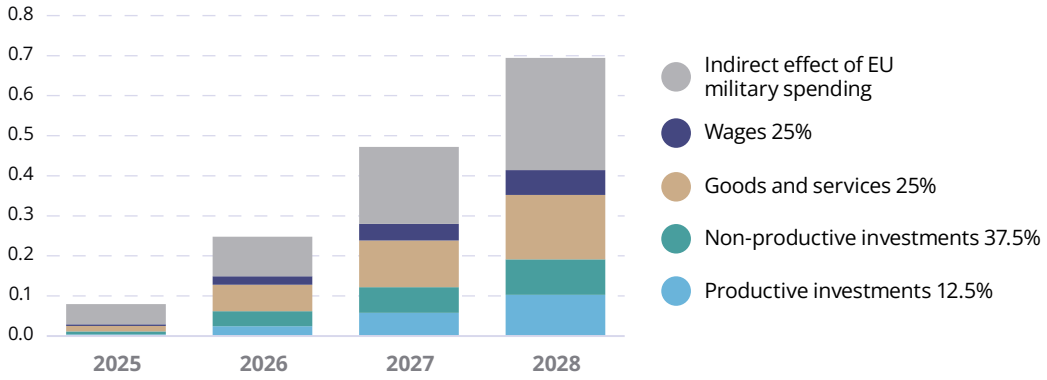
- It should also be mentioned that even more than three years after Russia's full-scale invasion of Ukraine, Latvian goods exports to Russia remain relatively high. Although trade with Russia continues by companies for which it was the main outlet before 2022, and its exit would mean the company going out of business, exports have decreased in this group. Additionally, some companies only started trading with Russia after 2022. Exporters are mostly companies in trade, transport, and manufacturing sectors.

Second, the acceleration in economic growth was also supported by higher government expenditure and investment, including to strengthen defence. This will have an impact on Latvia's economic growth, also in the coming years.

- Latvijas Banka's assessment of the impact of defence spending on economic growth shows that an increase in Latvia's and other EU Member States' defence spending over a four-year period may increase Latvia's GDP by 0.7%. Latvia's increase in defence spending to 5% of GDP may contribute to growth of 0.4%. The relatively small GDP multiplier (0.32) results from the high import component of Latvia's military expenditure. In turn, increasing military expenditure by EU Member States can contribute to an increase in foreign demand and the opportunities for Latvia to engage in various stages of production chains, which in turn can contribute to the growth of the Latvian economy. Thus, the indirect impact of higher spending on defence in the rest of the EU could lead to an additional increase (0.3%) in Latvia's GDP.

[4] Opening speech by Mārtiņš Kazāks at the Baltic Capital Markets Conference 2025 | Latvijas Banka
MNI Connect Video Conference

Chart 9. Impact of defence expenditure on Latvia's GDP (deviation from baseline; %)

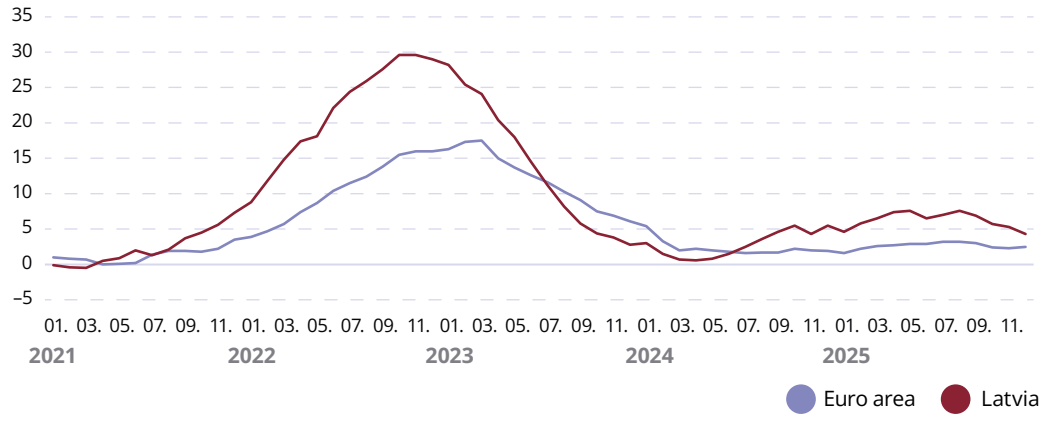


Sources: Latvijas Banka's assumptions (June 2025) and an assessment using the DSGE model for Latvia.

Third, while labour supply remained tight, wage growth also remained robust in 2025, although it eased somewhat compared to the previous year. This robust wage growth also implied a faster than expected increase in inflation. Despite falling in the last two months of the year, inflation was higher in Latvia than in the euro area throughout 2025.

- Food price inflation was particularly strong in Latvia in 2025. In the past, food price increases in Latvia were mainly driven by global factors, but domestic factors, including sustained increases in labour costs, started to weigh more on price increases in 2025.
- Consumer price developments are usually closely linked to producer price developments. However, since 2022, consumer food prices have risen significantly faster than food producer prices. As a rule, after such periods of rapid growth, the relationship between these prices is adjusting in the opposite direction. Currently, such a ratio levelling off between producer and consumer prices has not been observed for an extended period of time.
- There is a similarity in the prices of food products in the major retail chains. Moreover, in the lower part of the price spectrum, many food products (the same brand, identical packaging, and one retail network) are much more expensive in Latvia than in Estonia and Lithuania, which suggests insufficient competition.

Chart 10. Food price dynamics in Latvia and on average in the euro area (annual changes; %)



Source: Eurostat.

Lending also provided a positive boost to economic growth. After several years of stagnation, lending growth accelerated significantly in response to changes in monetary policy and improvements in financial conditions. Outstanding loans to non-financial corporations grew by 15.3% and outstanding loans to

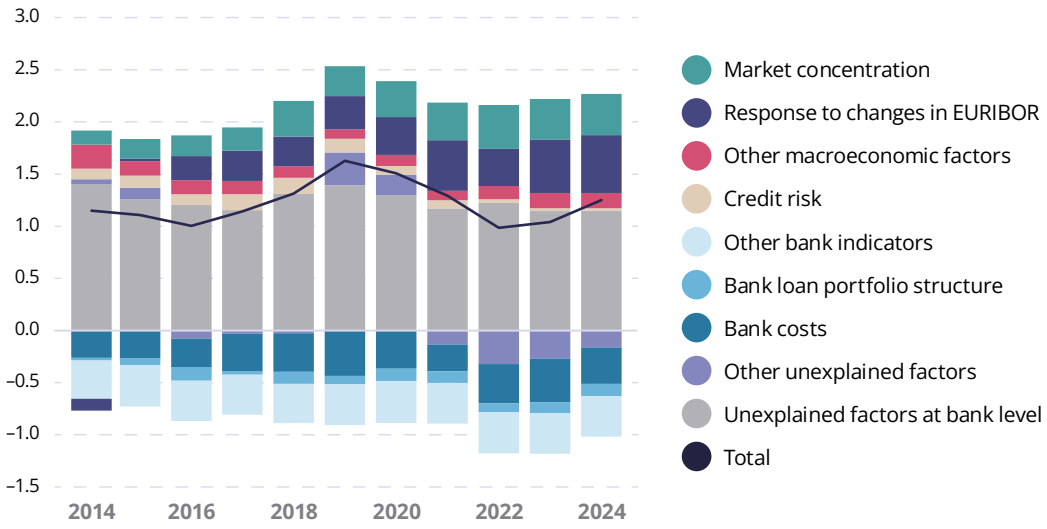
households by 9.9% in 2025. Thus, economic growth in Latvia was supported not only by consumption, but also by investment, which, together with efficient use of EU structural funds, will allow for the basis of sustainable long-term growth.

- The Latvian DSGE model estimates that the growth in lending observed over the past two years has already supported real GDP growth by about 1.5%, mainly due to an increase in outstanding mortgage and investment loans. If lending activity continues at its current pace in the future, its cumulative contribution to economic growth could reach up to 3.4% by the end of 2028.

Although this dynamic is clearly positive, much remains to be done to ensure that the recovery in lending is not a temporary phenomenon but a lasting pillar of economic growth. This was also the topic of Latvijas Banka's Economic Conference 2025. The conference concluded that several steps had been taken in recent years to boost lending activity, including by ensuring the presence of banks in the regions and increasing competition in lending through a refinancing initiative. At the same time, the conference highlighted the potential for further improvements in access to loans and making loan conditions even more attractive for borrowers.

Although interest rates on loans in Latvia have decreased, they are still among the highest in all euro area countries. Latvijas Banka's analysis shows that this is due to a number of factors. Higher lending rates to non-financial corporations in Latvia are not associated with more expensive bank funding or weaker bank financial position. On the contrary, Latvian banks are well capitalised and raise financing relatively cheaply. The credit risk of non-financial corporations in Latvia is also only slightly higher than in the euro area and is not significant enough to explain the interest rate differential. Overall, the difference in interest rates between Latvia and the euro area is mainly determined by banks' supply-side factors: the main reason for the high interest rates on loans is lower competition in the Latvian banking sector, which allows banks to maintain higher rates, as well as different credit pricing practices. Moreover, interest rates on loans to non-financial corporations remain high, even though, according to the results of Latvijas Banka's analysis, the collateral requirements for comparable loans are among the strictest in the euro area.

Chart 11. Rates of loans to non-financial corporations and factors affecting them: Latvia vs the euro area (percentage points)



Sources: ECB (IBSI, IMIR), Bloomberg LP and Latvijas Banka's calculations.

The main aspects that may contribute to a reduction in lending rates in Latvia in the future are:

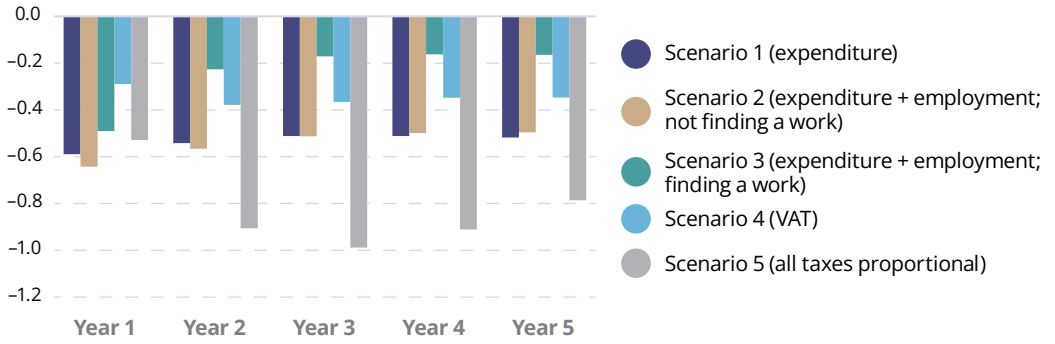
- new market entrants;
- new types of loans, including with different loan pricing mechanisms;
- the elimination of unnecessary bureaucracy and overregulation at the national level.

In addition to analysing the current challenges of lending and inflation, in 2025 Latvijas Banka also studied the medium- and longer-term challenges of the Latvian economy.

First, the economic shocks experienced in recent years and the ensuing supportive fiscal policies led to higher deficits and higher than usual increases in public debt. The pressure to increase budgetary expenditure will remain in the coming years, taking into account the need to strengthen national defence and security, as well as to invest in demography and education. Against this backdrop, reliance mainly on external financing poses significant risks to the sustainability of public debt in the medium to longer term.

- According to current projections, the government debt level will have reached 55% of GDP in 2028 and the deficit will exceed 3% of GDP. At the same time, a number of temporary conditions and derogations that allowed fiscal policy to remain accommodative in the past (including the possibility to temporarily exceed fiscal constraints) will come to an end. This will increase pressure to pursue more restrictive fiscal policies. A Latvijas Banka's assessment on a possible budgetary consolidation of 1.2% of GDP in 2029 indicates that the scenario in which expenditure cuts go hand in hand with cuts in the number of public sector employees, some of which move into the private sector, is the least unfavourable for the Latvian economy in the medium term. However, this option is also one of the most difficult due to the need for a targeted approach and timely preparations. It also includes a support mechanism for the retraining of employees to ensure their effective integration into the private sector labour market. If there is no transfer of public employees to the private sector, this becomes one of the most economically unfavourable consolidation solutions. In terms of impact, this equates to linear spending cuts, with limiting public investment being one of the most economically inefficient consolidation paths. The second least unfavourable solution for the economy is to raise taxes on consumption. Meanwhile, revenue increases by raising all taxes, including on labour, have the greatest negative impact on the economy in the medium term.

Chart 12. The impact of consolidation on Latvia's GDP: cumulative deviation from baseline
(%)



Sources: Latvijas Banka's assumptions (December 2025) and an assessment using the DSGE model for Latvia.

Secondly, in view of the plan to introduce ETS2 from 2028 onwards, researchers at Latvijas Banka explained in their 2025 macroeconomic forecast reports how the system would work and how it would affect commodity prices and inflation, as well as analysed the potential impact of changes on the Latvian and euro area economies using the tools of green models developed by Latvijas Banka.

- Simulations with the multidisciplinary E-DSGE[5] model and the improved CGE-EUROMOD[6] model with an enlarged energy sector led to the conclusion that the economic impact of ETS2 is highly dependent on the use of the revenues it collects. The results obtained show that shifting carbon tax revenues towards increasing renewable energy production capacity in the medium term fully compensates for the negative macroeconomic impact of raising the carbon price, while reducing GHG emissions at a much faster pace than if tax revenues would be used in other ways, including by reducing VAT rates or increasing public consumption.

Thirdly, the experts of Latvijas Banka also offered concrete proposals for the solution of demographic problems and dedicated an expert discussion to them. The main conclusions of the discussion were as follows:

- Demographic change is a long-term process influenced by birth, mortality (including avoidable deaths), and migration, while demographic trends have a significant impact on the labour market and labour supply.
- Both the downward trend in the birth rate (although still higher than in many EU Member States) and the decline in the number of women of reproductive age are contributing to the decline in fertility.
- An increase in fertility cannot be achieved in the long-term through a single measure and requires coordinated policies.
- Research-based examples show that regular reviews of benefits and the reduction of the risk of poverty in families, as well as the extension of early-age childcare facilities and support for the post-birth family, can significantly improve birth rates, especially in the long-term, and have a positive impact on the overall number of children in the family.
- Health policy measures, including the extension of the reproductive health programme, and the access to a housing programme, especially for young people, also have an equally positive impact.

Research: focus on lending and sustainability issues

The in-depth research carried out by Latvijas Banka in 2025 provided evidence-based conclusions and policy proposals on a number of topics relevant to the Latvian and euro area economies, focusing mainly on issues related to the functioning and long-term resilience of the financial sector. During the reporting year, Latvijas Banka published nine studies and three discussion materials. Researchers of Latvijas Banka were authors of six research papers published in international scientific journals, including The Scandinavian Journal of Economics, and co-authors of several ECB publications.

Researchers of Latvijas Banka led an international project that documented differences in lending practices across euro area countries. Using detailed data on almost 7 million loans granted to non-financial corporations between 2022 and 2023, the study illustrates the wide variety of lending practices across euro area, including the prevalence of fixed and variable rates as well as differences in the maturities of the reference rates that are used for pricing loans. The results of the study show that the strength of transmission depends on which risk-free rate is important for a given loan. Loans linked to short-term risk-free rates react more strongly to changes in monetary policy. However, this reaction is not purely mechanical: banks partially offset the increase in risk-free rates by adjusting the mark-ups. The results of the study help to improve understanding why changes in monetary policy do not have an equal impact on the economies of all euro area countries.

[5] Grüning, P., Kantur, Z. Financial Intermediation and Climate Change in a Production and Investment Network Model for the Euro Area. *Latvijas Banka Working Paper*, 6/2024, p. 94.

[6] Beņkovskis, K., Jaunzems, D., Matvejevs, O. A Purpose-Based Energy Substitution Structure for CGE. *Latvijas Banka Working Paper*, 7/2023, p.44.

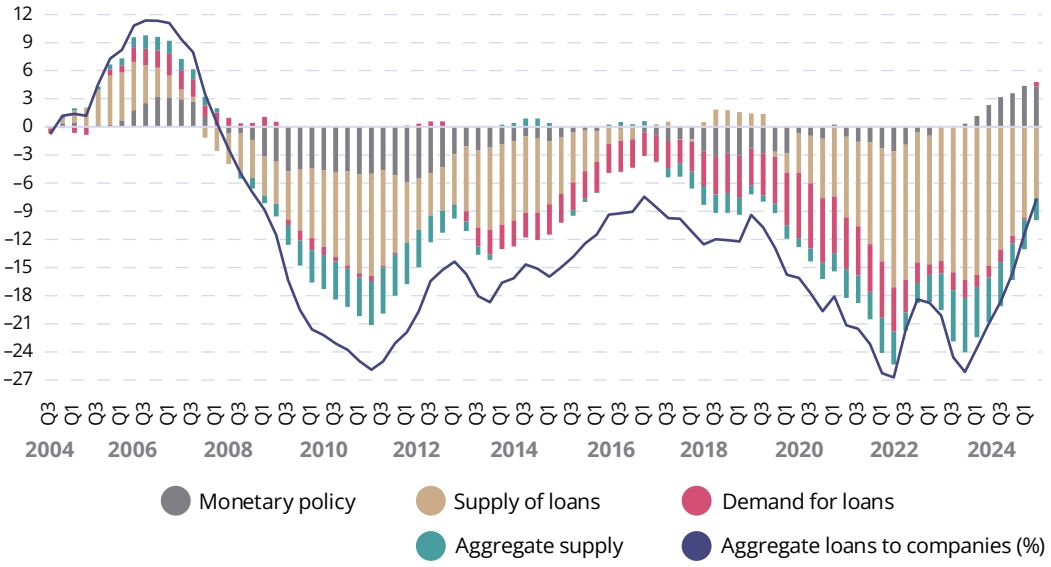
Another study concluded that the interest rate increases implemented in 2022 and 2023 had a significantly stronger impact on inflation than previous monetary policy tightening cycles. Moreover, it is important that disinflation during that period was achieved without an excessive slowdown in economic growth and an increase in unemployment. Thus, the sacrifice ratio between output and inflation stabilisation was at historically low levels.

In the area of monetary policy, another study by Latvijas Banka analysed how banking specialisation interacts with the transmission of monetary policy to loans. The study revealed that bank lending in the euro area is characterised by a significant degree of specialisation. This means that banks tend to create large exposures by lending to borrowers of certain sectors and sizes. The study also concluded that higher specialisation tends to be linked to more favourable lending conditions, as well as to the fact that banks tend to shield their existing borrowers from the effects of monetary policy.

These and other studies were carried out within the framework of the ECB's ChaMP Research Network. This demonstrates the high quality and relevance of research in the context of the euro area. The results of these studies have been recognised at international scientific conferences and seminars while also being used in ECB reports on monetary policy transmission.

Researchers of Latvijas Banka also continued to analyse the dynamics of lending in Latvia. Part of this analysis is reflected in a discussion paper which explains the dynamics of lending to non-financial corporations over the past 10 years by comparing it with the dynamics of lending in the euro area. The study concludes that lending activity in Latvia remains significantly below the long-term average even more than 15 years after the financial crisis. This is mainly driven by limited loan supply. However, as of 2024, the situation has started to improve. During this period, the Governing Council of the ECB started to reduce interest rates, which had a positive impact on lending developments in Latvia. Banks' risk perception with regards to lending to non-financial corporations has also gradually started to ease.

Chart 13. Historical decomposition of lending to Latvian non-financial corporations (deviation from the long-term average (%) and contribution of shocks to a change in the indicator (percentage points)**)**



A study on how Latvian companies responded to the trade shock caused by Russia's 2022 invasion of Ukraine was also published in the reporting year. The study concluded that those companies, for which trade with Russia accounted for a smaller share of total turnover before the beginning of the war, had a much higher probability of completely breaking trade ties. Meanwhile, those companies for which the

Russian market was significant continued trading, but faced a statistically significant drop in turnover, employment, and profits, despite a partial redirection of trade to CIS countries.

Against the background of rising government debt, researchers of Latvijas Banka and Eesti Pank conducted a study analysing the impact of macroeconomic and budgetary balance shocks on public debt in euro area countries. The study concludes that a sustained reduction in the debt-to-GDP ratio is supported by a positive economic growth shock or a positive budget balance shock (associated with fiscal consolidation). The impact of the inflation shock on public debt, on the other hand, is temporary. Fiscal consolidation is more effective in times of high economic growth, but not in a recession. On the other hand, the shock effect of positive growth is stronger in a context of high levels of public debt.

Researchers of Latvijas Banka also analysed the effectiveness of state aid instruments in improving the energy efficiency of housing and assessed their impact on real estate prices. It was concluded that the price of apartments renovated under the energy efficiency programme for multi-apartment buildings was, on average, 11% higher than the price of non-renovated apartments equivalent in other parameters. In addition, the average renovation return for the seller of the apartment was around 10%. This renovation return depended on the level of efficiency achieved: it ranged from 6% (with an efficiency improvement of 30–45%) to up to 25% (if the efficiency improvement reached at least 60%). By contrast, investments in renovations were not profitable in Riga, partly due to higher renovation costs. Looking at a scenario in which grants would not be available, the results of the analysis confirm that most renovations in Latvia would not be economically viable without subsidies.

Financial stability and macroprudential policy

One of the tasks of Latvijas Banka is to enhance the stability of Latvia's financial system.

In 2025, Latvijas Banka:

- simplified the methodology for identifying O-SIIs and calculating O-SII capital buffer rates. The revised methodology is more appropriate to the specificities of the Latvian banking sector, simpler and more proportionate from a supervisory perspective;
- concluded the two-year presidency of the Nordic-Baltic Macroprudential Forum. This forum brings together central banks and supervisory authorities in the region in the financial stability and macro-prudential policy fields;
- provided advice to the government and other state institutions on issues affecting the regulation of the financial sector;
- analysed financial stability and raised public awareness of the most pressing topics, with a strong focus on lending and related factors, including sustainability aspects.

Financial stability assessment

Systemic risks[7]

- The global and domestic impact of persistently high uncertainty and geopolitical fragmentation, which may impair banks' asset quality and profitability:
  - deteriorating economic sentiment;
  - growth inhibition;
  - the possibility of price volatility of financial assets;
  - cyber-attacks and other large-scale unexpected disruptions in financial intermediation;
- prolonged weak investment environment and insufficient support for investment.

[7] Systemic risk is a risk of disruptions in the financial system with the potential to have significant negative consequences for the discharge of the functions of the financial system as a whole and for the real economy (within a year).

Potential systemic vulnerability

- Unsustainable development of the housing market, including subdued investment in the renovation of the housing stock (delayed investment will increase costs).
- Climate change-related and other natural risks, including biodiversity loss (increasing climate and economic resource change will increase the necessary investments in adaptation and mitigation measures; some of the existing business models may no longer be viable).
- Delayed more substantial increases in the efficiency of public spending. This accumulates a sharp risk of future changes in fiscal policy, including tax policy.

Macroprudential policy

In 2025, Latvijas Banka carried out an annual assessment of the identification of O-SIIs and the O-SII capital buffer rates applicable to them and reviewed the methodology for identifying O-SIIs and calculating O-SII capital buffer rates. The revised methodology better reflects the specificities of the Latvian banking sector, being simpler and more proportionate from a supervisory perspective. As a result of the simplification of the O-SII framework, the number of O-SIIs identified decreased from five to three and the O-SII capital buffer rates of the two institutions identified as O-SIIs decreased.

Latvijas Banka conducts quarterly assessments of cyclical systemic risks and compliance with the CCyB rate. Since 30 June 2025, banks have been bound by Latvijas Banka's decision of 18 December 2023 on the 1.0% CCyB rate, including the zero cyclical component of the CCyB set for the cyclical systemic risk assessment.

Cooperation with national and international institutions in the field of financial stability

In 2025, Latvijas Banka provided advice to ministries responsible for the application and methodological aspects of the norms laid down in the Solidarity Contribution Law binding on banks, to the State Revenue Service, the Legal Bureau of the Saeima, and market participants, as well as ensured the provision of the data provided for in the Solidarity Contribution Law to the State Revenue Service.

Latvijas Banka gave its opinion to the Constitutional Court in a case concerning the Law on the Discharge of Obligations of a Natural Person and to the Competition Council on the qualification requirement imposed by a public person in a tender for the provision of deposit services.

Latvijas Banka continued to provide support to the responsible ministries and other institutions involved in order to improve the functioning of pension funds and increase the investment of pension fund members – future pensioners. Reductions in managers' commissions and increased opportunities of fund contributions, including in the most characteristic assets of Latvia, are aimed at increasing the profitability of pension funds in the long-term. The reform of the governance of the state-funded pension system will continue to provide savings to members in the amount of several million euro each year and at the same time motivate fund managers to invest more in financial instruments specific to Latvia.

At the meeting of the Macroprudential Council held in 2025, the management of Latvijas Banka and the Ministry of Finance discussed the most important systemic risks to financial stability, as well as current issues in macroprudential policy.

Cooperation in the area of financial stability continued in various Nordic-Baltic fora. In 2025, the Governor of Latvijas Banka chaired the Nordic-Baltic Macroprudential Forum (NBMF) and its subgroup (NBMFsg), where the central banks and supervisory authorities of the respective countries cooperate at the management level in the field of financial stability and macroprudential policy. In 2026, the Danish central

bank and supervisory authority take over the management of the NBMF and NBMFsg, and Latvijas Banka will continue its active participation in these fora.

Latvijas Banka's experts participate in the NBMF's Nordic-Baltic Stress Test Task Force. Its main task is to assess the interconnectedness of the Nordic and Baltic banks and its impact on the financial stability of the region, taking into account the cross-border analysis of the non-bank financial sector.

Within the NBMF, Latvijas Banka, together with the central bank of Lithuania, continued to lead the workstream of borrower-based measures' experts in 2025. The main topics addressed in the workflow were the calibration of these instruments, impact assessment, and the most effective ways of applying them.

Experts of Latvijas Banka also participate in the workstream of NBMF experts on capital-based instruments. This workstream provides an exchange of experience on approaches to the calibration of capital buffers, impact assessments, as well as on enforcement practices in different countries. During the reporting year, particular attention was paid to the impact of the Basel III reforms on bank capitalisation, as well as to the methodology for setting O-SII capital buffer requirements.

During the reporting year, Latvijas Banka contributed to the assessment of the financial stability of systemic risks in the euro area and the assessment of macro-prudential policies by participating in the work of the Financial Stability Committee (composed of representatives of the ECB, the national central banks, and the supervisory authorities of the Banking Union) and its sub-groups. Latvijas Banka also participated in the ESRB's Advisory Technical Committee and its working groups – drafting policy and analysis documents and formulating opinions at the EU level.

Taking into account the current developments in the EU in the field of banking regulation simplification, Latvijas Banka provided proposals and views on regulatory simplification in expert working groups of various EU institutions (e.g. ECB and EBA), including helping to develop a position on such a topic relevant to the Latvian banking sector as the review of the framework for small and non-complex institutions and O-SIIs.

In 2025, Latvijas Banka contributed to the joint ECB-ESRB report on financial stability risks stemming from geoeconomic fragmentation. This study brought together representatives of 19 European central banks as well as supervisory and resolution authorities. Latvijas Banka led one of five international research teams with the aim of selecting, grouping, and analysing geopolitical risk indicators.

In cooperation with the Economic Policy Council, the central bank of Slovakia and the central bank of Hungary, a study on the inclusion of sustainability considerations in borrower-based measures was carried out in 2025 and presented at international conferences. The aim of the study was to find out the usefulness of using borrower-based measures to stimulate such lending that contributes to the development of a more energy-efficient housing stock. The results of the study were published in 2026.

During the reporting year, Latvijas Banka continued its active work in the NGFS, contributing to the preparation of the NGFS internal report “Accounting for Climate Change: Central Banks' Real-World Approaches to Physical Risk". The report summarises the practical experience of the central banking community in assessing physical risks and covers scenario-building, exposure assessment, modelling of impact channels, and assessing the impact of risks on banks' balance sheets. It also reflects Latvijas Banka's experience in flood risk assessment.

Analytical research and publications

In 2025, Latvijas Banka continued its analysis of a very wide range of topics related to financial stability and macroprudential policy.

Significant attention was paid to lending and the factors influencing it: developments in interest rates of non-financial corporations, the impact of changes in ECB interest rates, as well as the impact of natural phenomena on these developments in Latvia and Europe as a whole. Analytical material on the financial situation of companies in the commercial property sector in the context of interest rate changes, as well as a synopsis on the analysis of the credit risk of non-financial corporations were published.

In addition, an analysis of the outcome of the corporate income tax reform and its impact on the operations of companies was published, which can be used to prepare draft amendments to the Enterprise Income Tax Law in the future.

A methodology was developed to assess the long-term impact of macroprudential capital instruments on GDP growth.

Using the detailed data on all derivative transactions compiled in accordance with the European Market Infrastructure Regulation, an analysis of financial instrument transactions was initiated in order to assess the concentration and market risks of the Latvian financial sector more accurately.

Latvijas Banka continued to develop a range of analytical tools to assess the resilience of the Latvian financial sector to (financial) market shocks. The market risk stress test for insurers' investments was established on the basis of a similar market risk stress test method that applied to banks and was complemented by a Solvency Capital Requirement resulting from the decline in the value of insurers' investment portfolios.

Combining the data of real estate transactions and internet advertisements with the information of the Credit Register, the framework for the analysis of borrowers was expanded, providing an in-depth insight into the overall development of the real estate market and the influence of banks on it.

In 2025, Latvijas Banka continued to analyse and produce publications on other topics of importance for financial stability[8], such as the investment habits of domestic households. Risks arising from high geopolitical pressures, fragmentation, and uncertainty and affecting Latvia's financial stability were also analysed. In addition, the calculation of the solidarity contribution was further explained. Significant attention was given to the frequently discussed non-bank financial sector and to investments in crypto-assets.

[8] Financial Stability Report, 2025.

Financial sector supervision

The priorities for 2025 set by Latvijas Banka for the supervision of the financial market and its participants were operational and financial resilience, the sustainability of business models during an economic transition, and risks related to market functioning. Operational and financial resilience covers a number of key aspects, including profitability resilience, credit risk management, ICT and AML/CFT resilience, as well as data quality assurance across processes. The sustainability of business models in the transition economy, in turn, requires increased attention in terms of compliance with sustainability requirements and resilience to the risks posed by climate change, while maintaining competitiveness and financial stability. In the context of market activity risk, the price-benefit ratio of financial products is essential, as well as their suitability for different customer groups and compliance with the requirements of regulatory enactments. In accordance with these priorities, Latvijas Banka determined individual supervisory focus directions for each financial market segment and, taking into account the macroeconomic and geopolitical environment and external circumstances, carried out their supervision.

Licensing developments

The year 2025 in the Latvian financial sector marked the beginning of the development of a new regulated market segment. In particular, crypto-asset service providers complemented the current range of licensed financial service providers. During the reporting year, Latvijas Banka issued a licence to two crypto-asset service providers: Nexdesk SIA and BlockBen SIA. The crypto-asset service providers segment shows a marked increase in the demand for operating permits due to multiple applications in the licensing process as well as in the pre-licensing consultation phase.

In the segment of crowdfunding service providers, the number of market participants continued to grow steadily. This was facilitated by the interest of both domestic and foreign service providers in starting operations in Latvia. In 2025, Latvijas Banka licensed three new crowdfunding service providers: SIA Ascend Finance, CSP Growth Solution SIA, and FLOW SIA. This indicates a positive development and growth trend in this segment.

In the credit institutions segment, there was no change in licensing in 2025, i.e. the composition of market participants remained unchanged.

Changes affected the cooperative credit unions segment. In 2025, Latvijas Banka revoked the licence of Cēsis Cooperative Credit Union, cooperative credit union LAKRS KS, Rūjiena Cooperative Credit Union, and Sala Cooperative Credit Union, taking into account the decisions of the respective entities to terminate their operations.

In the insurance segment, after a prolonged period, a new market participant started their operations. In 2025, Latvijas Banka issued a licence to AS Sincera Insurance to insure land vehicles (other than railway)

and miscellaneous financial loss. At the request of the companies themselves, the registration of the following four insurance brokers was annulled: SIA Maximus brokers, limited liability companies Apdrošināšanas veikals, Reinsons un partneri SIA, and limited liability company REGOR BROKERIS. In two cases, the insurance brokers themselves had taken a decision to cancel their entry in the Register of Insurance and Reinsurance Brokers maintained by Latvijas Banka because they were no longer engaged in insurance distribution. In one case, the insurance brokerage company was reorganised by merging with another insurance brokerage company, while in another case, the company intended to change the mode of insurance distribution.

A growing interest in payment services activity was observed in 2025. Latvijas Banka issued licences to three electronic money institutions: SIA GR8 PAY, AP OPERATIONS SIA, and SIA Pace FS. At the company's own request, the registration of SIA RĪGAS KARTE was cancelled. Several entities are assessing licensing opportunities in this segment and the number of payment institution licences issued in 2026 is expected to increase, given that the new interpretation of the definition of e-money published by the EC effectively narrows the scope of e-money.

In the area of investment services, following the decision to reorganise the company, at the end of 2025 Signet Pensiju Pārvalde IPAS was added to SIGNET ASSET MANAGEMENT LATVIA IPS. In 2025, Latvijas Banka also registered six new alternative investment fund managers: SIA AIFP Buildit Latvia, SIA Fox Capital Management, SIA Outlast Fund AIFP, Alphinox Fund Management AIFP SIA, BAD COMPANY AIFP SIA, and SIA GrowLab AIFP. However, the registrations of two alternative investment fund managers, SIA Realto AIFM and SIA EcoEnergy, were cancelled at the initiative of the companies themselves.

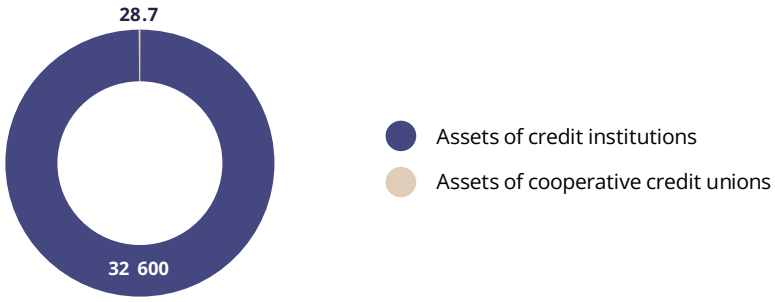
Microprudential supervision and compliance monitoring

Prudential supervision of credit institutions

At the end of 2025, in Latvia there were:

- 10 credit institutions;
- 4 branches of credit institutions established in other EU Member States;
- 21 cooperative credit unions.

Chart 14. Assets of credit institutions and cooperative credit unions (end of 2025; millions of euro)



Supervisory priorities of credit institutions

In 2025, in line with Latvijas Banka's supervisory priorities and focus directions, the focus of prudential supervision of credit institutions was on:

- operational and financial resilience, including profitability resilience, credit risk management and asset quality, data, and reporting quality, as well as compliance with the requirements of the Digital Operational Resilience Regulation (DORA).
- sustainability of the business model in the transition economy, including the quality of strategic planning, the assessment, and integration of sustainability risks into the strategic objectives of credit institutions, as well as the availability of financial services.

When determining supervisory priorities and focus directions, as well as planning supervisory activities, Latvijas Banka took into account the level of risks in the credit institution segment, as well as internal and external circumstances, which are still largely related to uncertainty, geopolitical, and geoeconomic tensions.

The Supervision Plan provided for a series of horizontal off-site activities carried out by the Credit Institutions Supervision Department with the aim of strengthening the resilience of the financial sector and promoting its responsible and sustainable development. The most significant of these were:

- identification of good practices with regard to the setting of management reserves;
- a horizontal assessment of the role of the Council, the Risk Manager, and the Risk Control Function in the credit decision-making process of less significant credit institutions;
- a horizontal review of the data quality framework for less significant credit institutions;
- a request for information on the sustainability data available to less significant credit institutions, their integration into information systems, and the processes for assessing and managing the materiality of the sustainability risks associated with their activities.

Supervisory Review and Evaluation Process (SREP)

The annual SREP was successfully implemented in 2025. As part of this, the Credit Institutions Supervision Department carried out a comprehensive risk assessment. In order to make the most efficient and prudent use of limited supervisory resources, the annual risk assessment was carried out applying a risk tolerance framework, proportionality as well as a risk-based approach. This allowed for focus to be placed on the specific challenges and riskier areas of each individual credit institution.

In the SREP of the reporting year, Latvijas Banka paid special attention to the following aspects of credit institutions:

- the quality of management and the robustness of the internal control system, including:
  - the adequacy of resources and the allocation of roles within management bodies (board and council);
  - risk culture;
  - compliance with DORA requirements and monitoring guidelines on climate-related risks;
  - shortcomings in the processing and reporting of risk data previously identified in the supervisory work;
- credit risk and its management, including:
  - the quality of credit portfolios;
  - addressing deficiencies previously identified in the context of monitoring;
  - the growth of credit portfolios;
  - the uncertainty of the macroeconomic and geopolitical environment;
- operational risk and IT risk management, including:
  - cyber resilience;
  - business continuity.

Overall, the results of the assessment point to the robustness of the risk profile of credit institutions, as well as their resilience to potential shocks. Despite persistent macroeconomic uncertainty and falling interest rates, credit institutions have been able to maintain stable capital and liquidity ratios. Geopolitical and geoeconomic risks, digital and technological risks, and changing regulation continue to be major challenges.

Latvijas Banka determined the following for nine credit institutions (including credit institutions directly supervised by the ECB within the SSM):

- new quantitative requirements:
  - the own funds requirements to cover the inherent and potential risks of their activities;
  - recommended capital buffer requirements (P2G);
- qualitative requirements and recommendations.

The overall SREP score is set on a scale from 1 to 4 and the following risk scores have been endorsed for credit institutions in Latvia (including credit institutions directly supervised by the ECB's SSM):

Chart 15. Risk assessment under SREP 2025

Within the SREP, credit institutions are subject to certain qualitative requirements and recommendations aimed at strengthening compliance with the requirements of laws and regulations, as well as promoting the operational resilience and long-term stability of credit institutions. In recent years, the number of

qualitative requirements and recommendations has significantly decreased. This reflects improvements in credit institutions' internal control systems and risk management, as well as their overall readiness to comply not only with regulatory requirements but also with supervisory expectations.

Single Supervisory Mechanism

In 2025, Latvijas Banka continued its active participation in the ECB's SSM, ensuring a risk-based approach to the supervision of credit institutions. In cooperation with the ECB, Latvijas Banka supervised both significant and less significant credit institutions within the SSM.

Within the ECB's SSM, Latvijas Banka continued to provide significant support to the ongoing supervision of the three largest Latvian credit institutions: Swedbank AS, AS SEB banka, and Citadele banka AS. This supervision was carried out in joint supervisory teams, in which Latvijas Banka's supervisory experts cooperated closely with the ECB's SSM counterparts, participating in day-to-day off-site supervision of credit institutions, risk assessment, dialogues with credit institutions, and the preparation of supervisory decisions.

Latvijas Banka's experts continued their active participation in the ECB's SSM working groups, contributing to the development of a unified supervisory approach and the harmonisation of the regulatory framework in the European Banking Union.

Latvijas Banka's representative on the ECB's SSM Supervisory Board participated in decisions on significant credit institutions and supervisory methodologies in the euro area. Overall, in 2025, the ECB's SSM adopted 2 549 supervisory decisions. These covered the assessment of the suitability of credit institution officials, own funds issues, the approval and review of internal models, supervisory reviews, as well as SREP.

In addition to individual decisions on individual credit institutions, the ECB's SSM Supervisory Board also adopted a number of horizontal decisions. Decisions related to improving the effectiveness of supervision are particularly noteworthy. In 2025, attention was also paid to the impact of geopolitical risks on the credit institution segment, the ECB SSM stress test 2025, the introduction of DORA requirements in the supervisory framework, the strengthening of credit risk assessment, and the integration of climate-related and environmental risks in supervisory processes.

Supervision over cooperative credit unions

In 2025, under the supervision of the cooperative credit unions segment, increasingly important focus was given to promote the development of this segment. Latvijas Banka developed possible scenarios for the development of the Latvian cooperative credit unions segment and presented them to the cooperative credit unions and the Saeima Budget and Finance (Taxation) Commission. In February 2025, an expert discussion "Latvian cooperative credit unions. How large is their development potential?" was organised by Latvijas Banka to promote an open discussion on the unused development potential of cooperative credit unions segment. As a result, on 5 June 2025, the Saeima adopted amendments to the Law on Savings and Loan Associations, developed by the Ministry of Finance in cooperation with Latvijas Banka and a segment of cooperative credit unions, so that the cooperative credit unions that can and wish to do so, can start lending to legal persons.

At the same time, Latvijas Banka, having listened to representatives of cooperative credit unions and in general searching for ways to reduce the administrative burden, improved the prudential regulation of the cooperative credit unions segment. It facilitated the process of re-approval of cooperative credit unions' officials, reduced the requirements for the establishment of an internal control system, and the requirements for the review of policies and procedures, as well as other documentation. From now on, cooperative credit unions will be divided into significant and less significant cooperative credit unions according to asset size. Those whose balance sheet assets have an average value of more than EUR 5 million in the four years preceding the respective financial year will become significant, which could be the case for two Latvian cooperative credit unions. Less significant cooperative credit unions will have

additional incentives to reduce administrative burdens, such as no need to develop an operational strategy. In addition, the framework includes new requirements – the obligation to comply with the requirements for the prevention of conflicts of interest and to ensure the improvement of staff knowledge in order to promote the compliance and development of cooperative credit unions.

In order to explain the essence, purpose, and most important changes of the improved regulation, Latvijas Banka organised two informative seminars for cooperative credit unions.

In November 2025, Latvijas Banka participated in a meeting organised by Cēsis Municipality with cooperative credit unions registered and operating in Cēsis Municipality. The meeting discussed further possible development directions and topicalities of cooperative credit unions of Cēsis Municipality in the context of changes in regulatory enactments.

One cooperative credit union already used the opportunity included in the amendments to the Law on Savings and Loan Associations at the end of 2025 and started lending to legal entities.

Supervision of insurance undertakings

At the end of 2025, there were 18 insurers operating in Latvia:

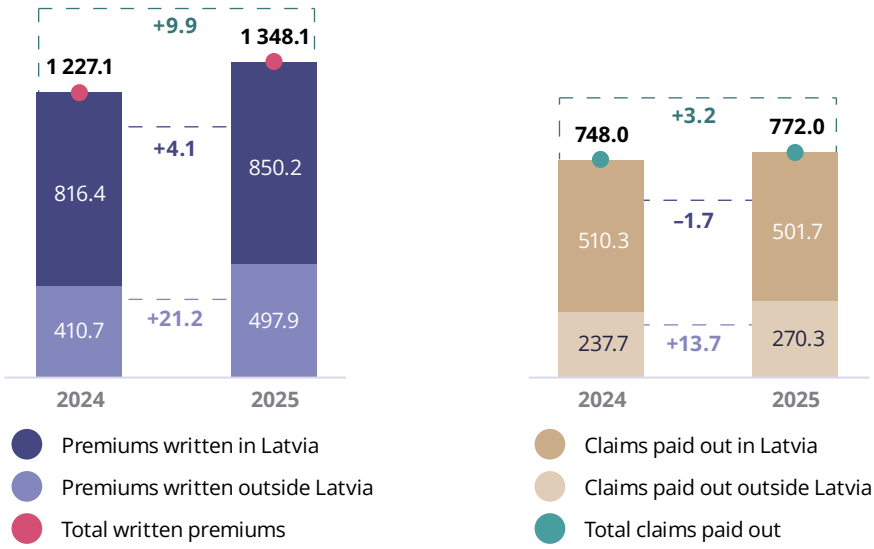
- 2 life insurance undertakings;
- 5 non-life insurance undertakings;
- 4 branches of life insurers from EU Member States;
- 7 branches of non-life insurers from EU Member States.

73 insurance and reinsurance brokers were included in the Register of Insurance and Reinsurance Brokers maintained by Latvijas Banka, which is 4 less than at the end of 2024. There were also branches of insurance and reinsurance brokers from 6 EU Member States in Latvia.

In the insurance segment, written premiums in Latvia increased by 4.1% in 2025 compared to 2024, while the claims paid out decreased by 1.7%. The inflation-induced impact on insurance services eased in 2025, resulting in a more moderate growth rate of insurance premiums than in previous years, while the level of claims even declined slightly.

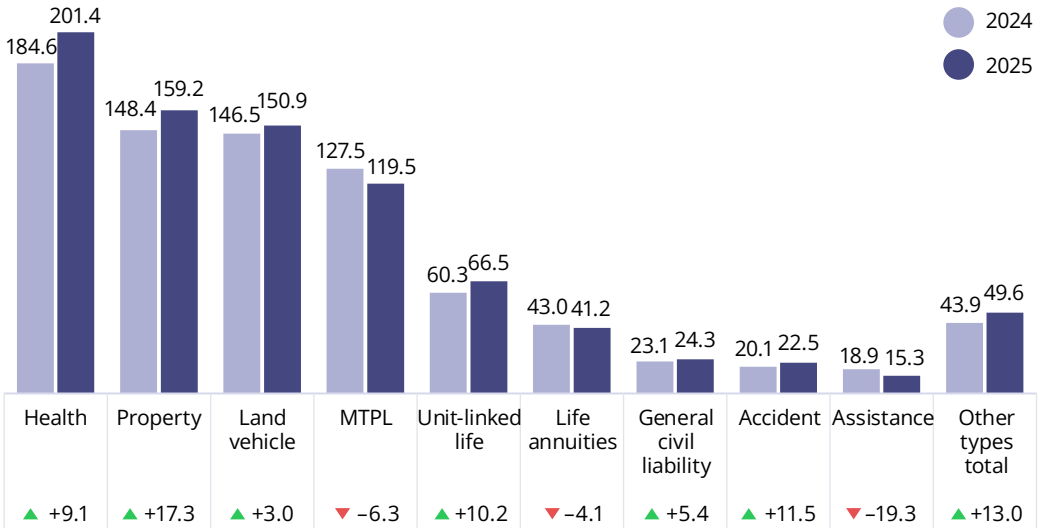
The volume of premiums written outside of Latvia by all seven insurance undertakings registered in Latvia, mainly in Lithuania, Estonia, Poland, and France, increased by 21.2% in 2025 compared to 2024. The significant increase in the operations outside Latvia was also driven by the new insurance company that received licences in 2025. As the level of claims increased more moderately, the performance of insurance undertakings improved.

Chart 16. Gross premiums written and claims paid out by insurers (amount; millions of euro; annual growth; %)



In 2025, the four largest types of insurance – health, property, land vehicle, and compulsory civil liability insurance of motor vehicle owners (MTPL) – accounted for 74.2% of total premiums written in Latvia's insurance market.

Chart 17. Gross premiums written by insurers in Latvia by type of insurance (amount; millions of euro; annual growth; %)



Latvia experienced the most significant increase in 2025 compared to 2024 in the following:

insurance premiums:

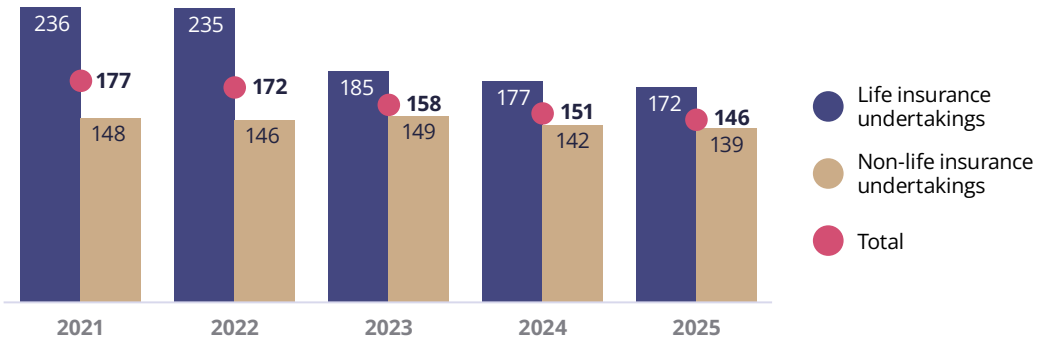
- accident insurance by 11.5%;
- unit-linked life insurance by 10.2%;
- health insurance by 9.1%;

claims paid out:

- general third-party liability insurance by 41.1%;
- health insurance by 21.2%;
- accident insurance by 13.2%.

MTPL insurance premiums decreased by 6.3%, whereas claims paid out increased by 9.8%. Meanwhile, total claims decreased by 33.0% in property insurance and by 6.7% in land vehicle insurance, due to a lower number of insurance events as a result of a more moderate natural disaster experience compared to the significant losses caused by natural disasters in 2023 and 2024.

Chart 18. Solvency capital ratios of insurance undertakings (%)



In 2025, all seven insurance undertakings registered in Latvia were profitable, with a sum of EUR 59.8 million. Their solvency capital ratio remained stable above the minimum requirement and reached 146% at the end of 2025 (the lower limit is 100%).

Managing the impact of climate-related risks

The risks posed by climate change are also becoming a major challenge for the insurance segment. For example, the number of insurance claims for losses caused by natural disasters in property insurance has increased significantly in recent years. There were 543 applications in 2017, 3 081 in 2022, 4 455 in 2023, and as many as 17 005 in 2024. Therefore, in 2025, Latvijas Banka continued to assess the impact of these risks and the resulting increased uncertainty on insurers and policyholders.

During the reporting year, Latvijas Banka:

- compiled data on the amount of losses caused and claims paid as a result of natural disasters in property insurance in order to assess their impact on insurers and policyholders;
- assessed the governance processes of insurance undertakings with regard to the climate-related risk identification and potential impact assessment process, analysing the degree of integration of climate-related risks into the risk management processes of insurance undertakings;
- assessed the practices and effectiveness of the use of reinsurance in mitigating the potential impact of risks within the risk tolerance accepted by undertakings.

Insurance undertakings implement sound and effective risk management in strengthening their operational activities and financial resilience, which includes both a comprehensive own risk and solvency assessment process, and the effective application of reinsurance and risk transfer policies, including by mitigating the potential impact of climate-related risks.

With regard to customers, insurers have already started work on defining and explaining more precise insured events, as well as providing information to customers in a more understandable and friendly language, including the conversion of insurance terms and conditions into a plain language, in order to adapt to changing risks.

Insurance products meeting the needs of customers

Insurers are obliged to design products aimed at meeting the needs of customers and to regularly verify the compliance of products with the target market and the demands and needs of the customer. For customers to receive adequate insurance protection, it is important for insurers to build efficient product development, management, and monitoring processes, as well as to strengthen trust by offering clear and understandable information about insurance products and the service provider.

In 2025, Latvijas Banka:

- continued the assessment of the value of the life insurance with savings products offered by insurers to customers by analysing the performance of the investments and the evolution of the customer's costs related to the product in the previous period;
- assessed the offer of travel insurance products to customers by analysing the relevance of those products to the demands and needs of customers and their distribution process;
- carried out an off-site inspection of the activities of insurance brokers using the mystery shopper method in order to assess the quality of services and customer service.

Insurers regularly assess and compare the performance of investment options and review the provision of life insurance with savings products to customers. As a result, Latvijas Banka has identified two positive trends:

- the return on investment for clients has improved;
- total costs for customers continue to decrease.

In the distribution of travel insurance products, Latvijas Banka identified certain risks:

- insufficiently identified customer needs or incomplete information provided to the customer increases the risk that the customer buys an unsuitable insurance product;
- in some cases, the identified high distribution commissions create the risk that the value of travel insurance products will not be reasonable for the customer.

Latvijas Banka invited insurers to critically evaluate their travel insurance product distribution strategies in order to promote the quality of insurance products and their distribution.

The recommendations provided by Latvijas Banka after the inspection and identified good practices will help insurance brokers to improve the quality of customer service and to find out more precisely the demands and needs of customers in order to prepare the most suitable insurance offer for them. This will promote mutual trust and more effective cooperation with customers.

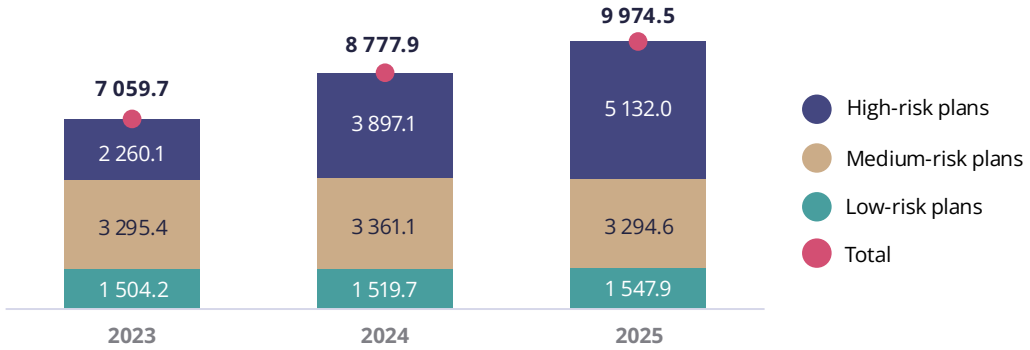
In the insurance segment, Latvijas Banka also continued its work on promoting the effectiveness of the regulatory and supervisory environment for insurers. The assessment of the regulatory framework made it possible to identify areas and individual aspects where regulatory requirements for insurers could be reduced. Latvijas Banka prepared relevant proposals for amendments to laws and regulations.

Supervision of the second pillar pension managers

At the end of 2025, 7 state-funded pension scheme fund managers operated in the Latvian financial market, offering 34 investment plans of different risk levels to the participants of the 2nd pension pillar. Most of the plans, 17, were high-risk investment plans with an equity stake of up to 100% in the portfolio.

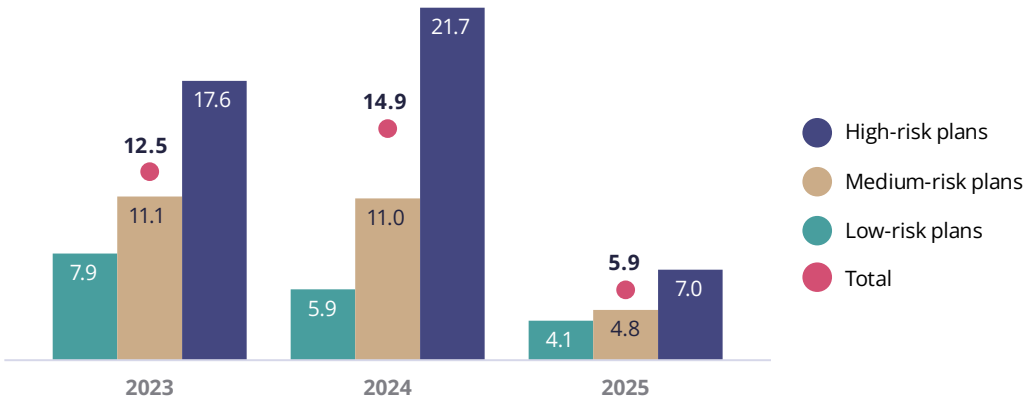
The total net assets of the state-funded pension scheme increased by 14% in 2025. Growth was slower than in 2024. On the one hand, it was affected by a lower return on investment and, on the other hand, by a reduction in the contribution rate from 6% to 5% of the gross wage.

Chart 19. Developments in net assets of the state-funded pension scheme (millions of euro)



Compared to the results of 2023 and 2024, the 2025 yields for the investment plans of the state-funded pension scheme were lower and associated with higher fluctuations. The most significant factor was the uncertainty surrounding US economic policy and monetary decisions, which had an impact on global financial markets. Market volatility and the depreciation of the US dollar against the euro had a negative impact on the value of investments denominated in US dollars. Given that some investment plans have portfolios with significant exposure to US stocks and bond markets, the combination of these factors was also reflected in the return on investment plans of the state-funded pension scheme. At the same time, it should be stressed that such fluctuations are inherent in financial markets and that, in the long-term, investment performance is determined by the cyclical nature of the economy and the capacity of the markets to recover.

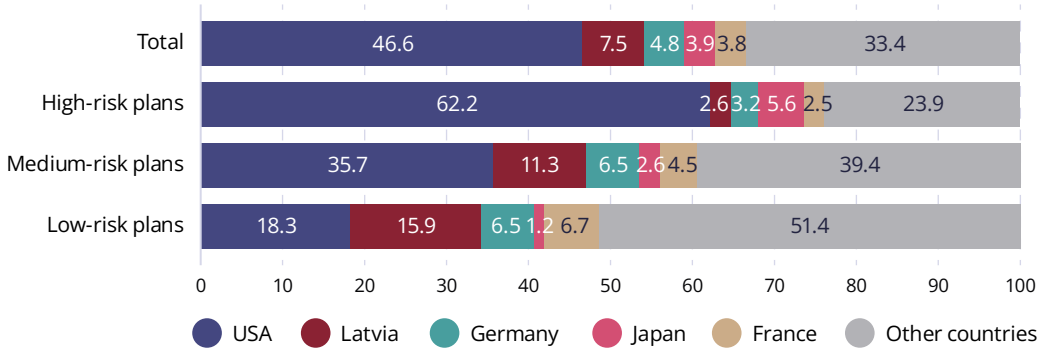
Chart 20. Return on state-funded pension plans (%)



At the end of 2025, 47% of the assets of the state-funded pension scheme were invested in the United States. These investments consisted mainly of equities and equity funds, with a particularly high share in high-risk investment plans where the US market plays a dominant role.

Investments in Latvia accounted for 7.5% of total assets of the scheme, or EUR 753 million. Of this amount, 32% was invested in government debt securities, 26% through investment funds (mainly alternative investment funds investing in real estate), and 23% in corporate debt securities. This indicates that investments in the Latvian market are concentrated mainly in relatively low-risk financial instruments and with limited exposure to equity instruments.

Chart 21. Share of investments by country (as of 31 December 2025; %)



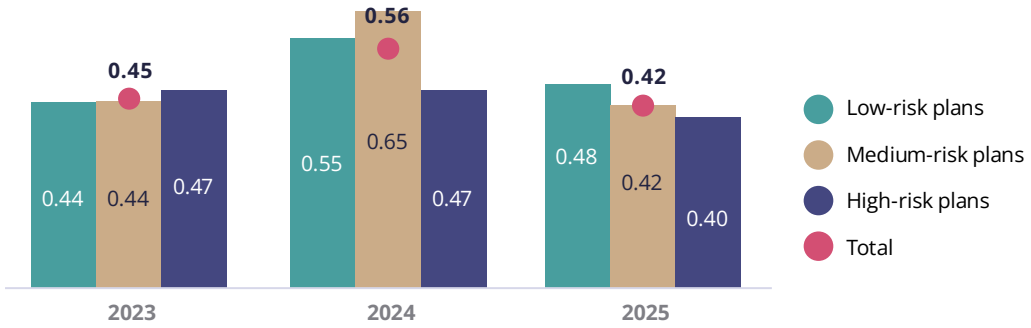
On 1 August 2025, amendments to the Law on State Funded Pensions entered into force, introducing a new procedure for calculating the permanent part of the management fee (fixed commission) for investment plans. According to the new regulation, the fixed commission may not exceed 0.6% per annum if the total assets of the investment plans managed by the fund manager do not exceed EUR 100 million. If the amount of assets under management exceeds this threshold, the 0.6% limit for each additional step of EUR 100 million is reduced by 7.5% until it reaches 0.2% per annum.

This progressive cap on the fixed commission is in line with the principle of economies of scale. As the amount of assets under management increases, the maximum commission allowed decreases. The reform of the fixed commission cap was one of the main factors contributing to the reduction in management expenses in 2025. According to Latvijas Banka's calculations, participants had saved at least EUR 2.64 million between the entry into force of the reform and the end of 2025.

The decrease in management expenses was also influenced by investment performance. Although all investment plans ended 2025 with positive returns, most did not reach the level of excess return required for the application of the variable commission. Consequently, fund managers did not receive performance-based component of the remuneration, which further reduced the total expenses of the participants.

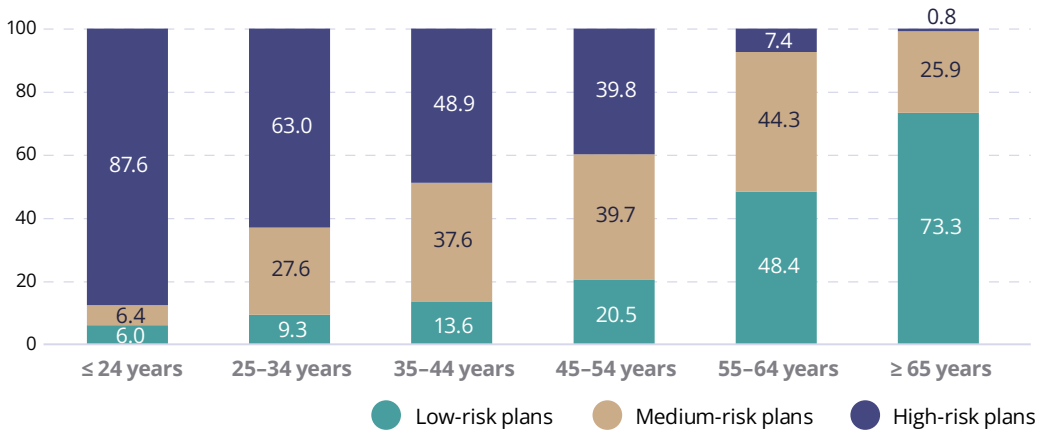
Overall, these factors indicate that the regulatory changes and market conditions in 2025 benefited members of the state-funded pension scheme by reducing costs while maintaining positive investment performance.

Chart 22. Investment plan management expenses (%)



On 1 July 2024, the requirement regarding the obligation of fund managers in the state-funded pension scheme to assess whether the investment plan chosen by the participant of the scheme corresponds to his or her age, as well as to inform the participant at least once a year about non-compliance detected and recommend a plan more appropriate to his or her age, came into force. The introduction of this requirement is gradually improving the age-appropriateness of investment plans. The proportion of participants who have opted for a plan that fits their life cycle is increasing.

Chart 23. Participants in the state-funded pension scheme by type of plan (as of 31 December 2025; %)

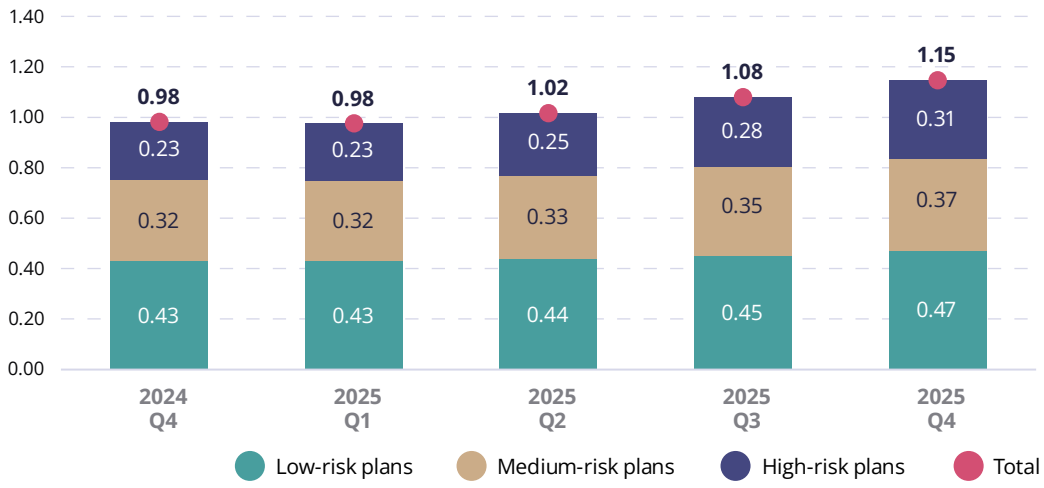


In addition, pension savings are positively affected in the long-term by arrangements whereby new scheme members are automatically included in their age-appropriate investment plans. It promotes a more consistent application of the life-cycle approach and thus a more age-appropriate choice of risk level in the long-term.

Supervision of private pension funds managing third pillar pensions

The net asset value of private pension funds reached EUR 1 billion in the first half of 2025 and, continuing to grow, increased to EUR 1.15 billion at the end of the year. Growth was supported both by an increase in members' contributions and positive pension plan investment performance.

Chart 24. Developments in net assets of the private pension funds (millions of euro)



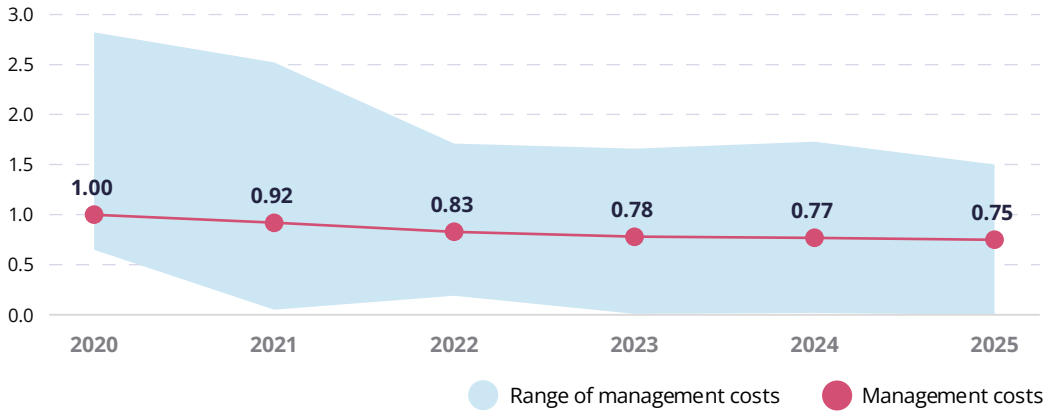
Members' contributions reached EUR 164.3 million in 2025, an increase of 21.1% compared to 2024. At the same time, following a sharp decline at the beginning of the year, financial markets gradually recovered and pension plans across all risk categories ended the year with positive returns. The average annual return of pension plans was 5%, with high-risk plans delivering the strongest performance (6.6%), followed by medium-risk plans (4.5%) and low-risk plans (4.3%).

Chart 25. Annual returns of private pension plans (%)

An increasing share of pension plan members choose to invest in high-risk pension plans. While low-risk plans still account for a relatively high share of assets (41%), the share of net assets in high-risk plans has almost tripled over the last five years, from 10% at the end of 2020 to 27% at the end of 2025. By choosing higher-risk plans, participants increase the chances of accumulating more in the long-term.

Management costs of private pension plans continued to decrease and reached 0.75% in 2025, the lowest level in the history of private pension funds. Both competition between pension funds and the increasing net assets of pension plans contributed to the decrease in management costs.

Chart 26. Management costs of private pension plans (%)



During the year, there were changes in the offer of pension plans. Two medium-risk pension plans merged and a new high-risk pension plan was launched, expanding the range of passively managed pension plans.

At the end of 2025, 7 private pension funds offered a total of 21 pension plans: 9 high-risk, 5 medium-risk, and 7 low-risk plans. The number of participants in pension plans reached 460 thousand at the end

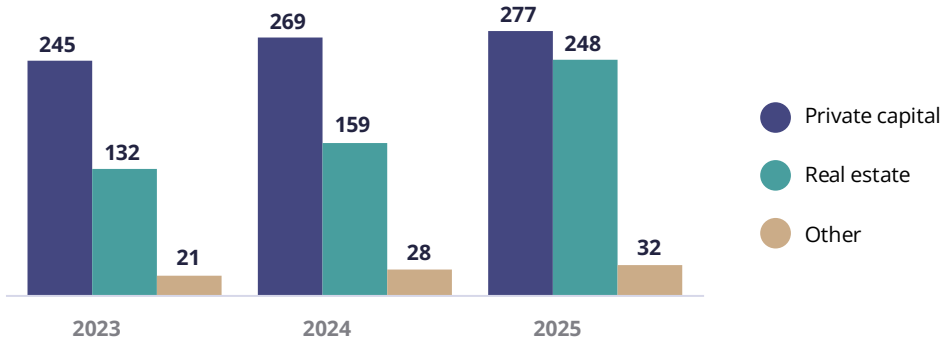
of 2025. Of these, 124 thousand participants were over 55 years of age, which is the age from which participants are entitled to receive savings. However, more than two thirds of these members continue to contribute and choose not to withdraw their savings immediately.

Supervision of alternative investment funds and their managers

At the end of 2025, there were 31 AIF managers operating in Latvia, including 28 registered and 3 licensed AIF managers. In 2025, there was an active registration of new managers – 6 new AIF managers were registered, of which 3 were established with the support of public funding from AS Attīstības finanšu institūcija Altum, intended to promote the development of start-ups.

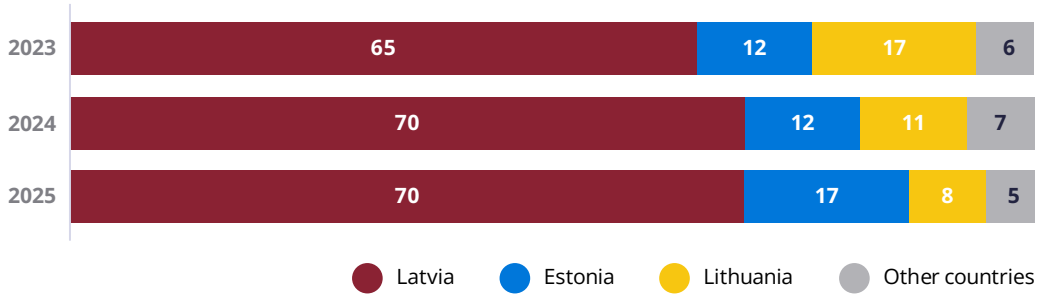
The predominant investment strategy for AIF in 2025 was the private equity investment strategy, but there was significant growth of real estate AIF, which increased by 56% compared to 2024. AIF of other strategies offering investment in debt securities, including corporate bonds, fund of funds, and infrastructure development facilities, also increased slightly.

Chart 27. Net assets of AIF by investment strategy (millions of euro)



AIF investments were mostly concentrated in the Baltic States, with the strongest share in Latvia, rising from 65% in 2023 to 70% in the following two years. Investments in Estonia increased by 5 percentage points in 2025, while investment in Lithuania decreased by 3 percentage points.

Chart 28. AIF investments by country (%)

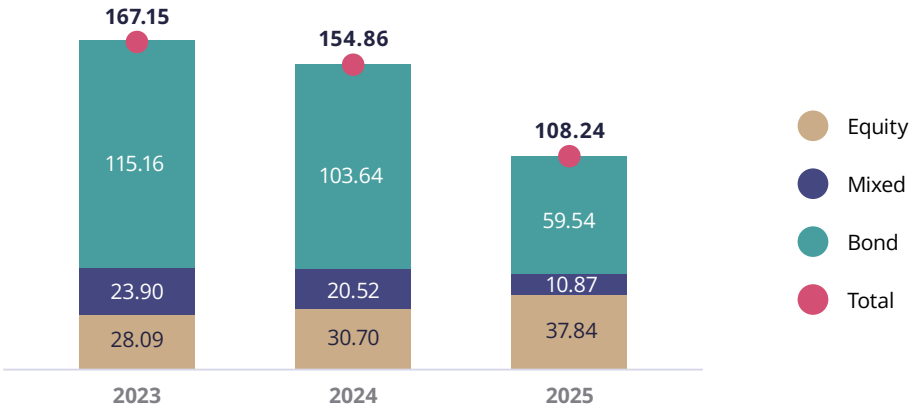


Supervision of UCITS

At the end of 2025, there were 2 management companies of undertakings for collective investment in transferable securities (UCITS) operating in Latvia, which managed 10 UCITS, including: 5 bond UCITS, 3 mixed UCITS, and 2 equity UCITS.

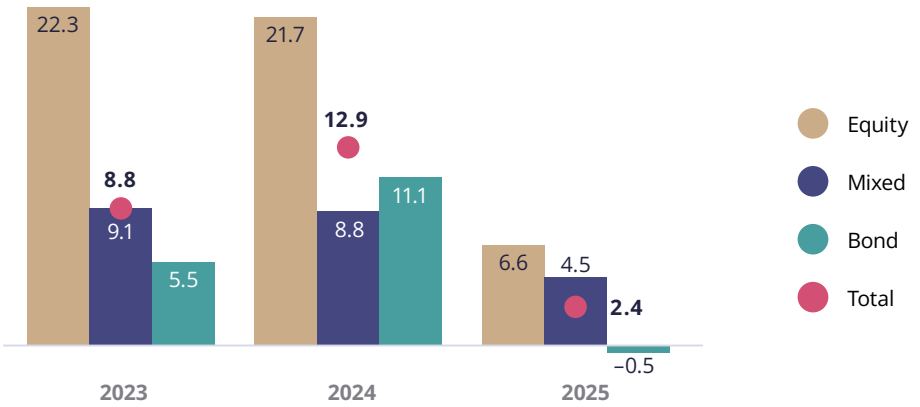
Although the UCITS market in Europe continued to grow in 2025, in Latvia, the net asset value of UCITS at the end of the reporting year decreased by 30% compared to the end of 2024 and stood at EUR 108.24 million. The significant decrease in value is explained by the liquidation of three UCITS.

Chart 29. Net assets by UCITS type (millions of euro)



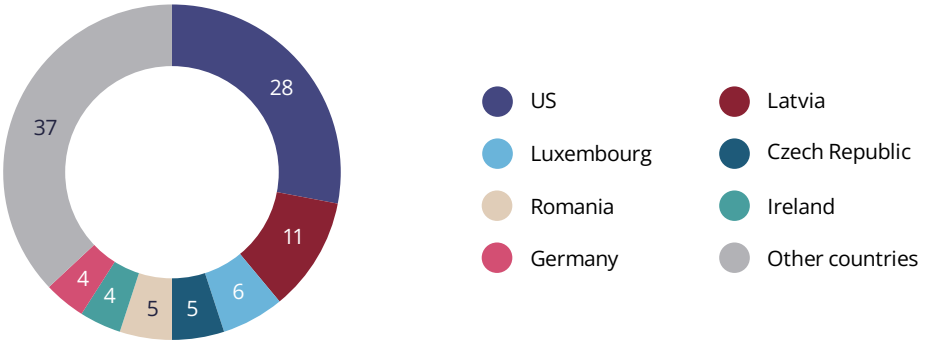
The average return of the UCITS remained positive in 2025, but decreased for all types of UCITS compared to 2024. Higher yields of 6.6% continued to be reported by equity UCITS, while yields for bond UCITS were negative at -0.5%.

Chart 30. Return of UCITS (%)



The share of investments in Latvia increased to 11% of the total assets of the UCITS in 2025, and to 6% in the other Baltic States. The US remained the leading destination for UCITS investments, accounting for 28% of total investment at the end of 2025.

Chart 31. Geographical distribution of UCITS investments (as of 31 December 2025; %)



In 2025, as part of its off-site supervision, Latvijas Banka joined the single EU-wide common supervisory action (CSA) organised by ESMA to investigate to what extent UCITS management companies have established effective compliance and internal audit functions. Both Latvian UCITS management companies participated in this CSA. In the light of efforts made in previous years to strengthen the governance system, no significant breaches or violations were identified. During the annual strategic meeting, Latvijas Banka discussed the measures to be taken for improvements with market participants.

Supervision of payment institutions and electronic money institutions

The segment of payment institutions and electronic money institutions changed in 2025. Latvijas Banka issued three operating licences: To AP OPERATIONS SIA, SIA Pace FS, and SIA GR8 PAY. On the initiative of a market participant, however, one operating licence was withdrawn. As a result, a total of 14 institutions (10 electronic money institutions and 4 payment institutions) were operating in this segment at the end of the reporting year.

Overall, the risk level for this segment remained moderately low. For the effectiveness of supervision and more accurate risk assessment at Latvijas Banka, a methodology for regular risk assessment has been introduced by each market participant and is constantly being improved.

The most significant risks in this segment remained moderately high and included financial risks such as liquidity, business model, profitability, and capital adequacy risks, as well as compliance with the regulatory framework, ICT resilience, fraud, ML/TPF, and sanctions risks. High risks with a critical impact on this segment were generally absent in 2025.

Fintech (including the payment institutions and electronic money institutions segment) is characterised by dynamism and innovation, often ahead of classical governance structures and risk control mechanisms. From its cooperations to date, Latvijas Banka has often observed that fintech market participants demonstrate a start-up culture regardless of the company's maturity and direction of activity. Companies often focus on business development and growing its volume, devoting insufficient resources to checking the effectiveness of internal control systems, business continuity planning, regular identification of risks, and sufficient management. Therefore, the definition and planning of the 2025 supervisory priorities for this segment took into account the overall level of risk in the segment and the resulting supervisory intensity by area, as well as the supervisory proportionality principle.

Supervision in 2025 focused on:

- separate custody and protection of clients' funds;
- solvency and financial soundness, as well as capital adequacy;
- annual strategic interviews on the execution of business plans, operational activities, risk management, and corporate governance.

The main risks continued to be related to the separate holding of client funds in credit institutions. Latvian market participants comply with the regulatory requirement to protect customer funds. The segregation of customer funds is invariably the most important focus of supervision, which includes the supervision of compliance with the requirements for the protection of customer funds laid down in the regulation on Latvian market participants. The most common method of protecting customer funds in the Latvian market is still to keep customer funds in a separate account in a credit institution. However, the framework also allows for other methods, such as investment in safe, liquid, low-risk assets, but only a few market participants have opted for such a model to protect customer funds. Although market participants choose a diversified approach to the storage of customer funds, using both the services of several credit institutions and the above-mentioned investment in low-risk assets, there is a concentration of customer funds in Latvian credit institutions. The amount of segment liabilities to customers has been stable year after year, and the coverage of liabilities to customers is sufficient.

The capital adequacy of the segment as a whole meets its requirements, demonstrating the ability of business models to adapt to external conditions and develop profitable business lines. However, this situation is mainly characterised by market participants with a stable, long-term unchanged strategy. For new entrants and those who have changed their strategy, capital adequacy poses greater challenges. Specifically, the need to attract external financing. Developments in the capital ratios of market participants are monitored on a regular basis – the ratios are reviewed on a quarterly basis.

In 2025, a number of significant regulatory changes entered into force, including providing non-bank payment service providers with the right to access payment operating systems, including Latvijas Banka's ESA system. This requires the adjustment of the accounting and segregation of customers' funds in order to ensure both the fulfilment of the requirements of the Law on Payment Services and Electronic Money and a sufficient balance on the accounts of the ESA system for the execution of payments. The actual entry of the first non-bank payment service provider into the ESA system took place on 11 April 2025. Major regulatory amendments related to the provision of instant payment services in the EU also entered into force in 2025. The segment had to introduce a verification of the IBAN and the name of the payee. The implementation of the Instant Payments Regulation is gradual and will end by 9 April 2027, when it will also be mandatory for payment institutions and electronic money institutions to ensure both the receipt and transmission of instant payments. To verify the segment's compliance with the regulatory requirements, Latvijas Banka conducted a self-certification survey of market participants on compliance with the Instant Payments Regulation at the end of 2025. Its results will be summarised in the first half of 2026.

In 2025, there was also an increased focus on how this market segment adheres to corporate governance principles. At the beginning of the year, an informative seminar was organised for market participants, and at the end of the year, Latvijas Banka conducted a remote survey in the field of corporate governance, the results of which will be summarised in the first half of 2026.

Payments (excluding e-money) made in the payment institutions and electronic money institutions segment decreased slightly in 2025 compared to 2024. The market is still relatively small and the majority of it is made up of a limited number of market participants, so changes in one institution may affect the segment as a whole. Despite this, the gross revenues of payment institutions and electronic money institutions related to the provision of payment services remain broadly stable and increased in 2025.

Chart 32. Payments made in electronic money institutions and payment institutions, excluding payments in e-money (millions of euro)

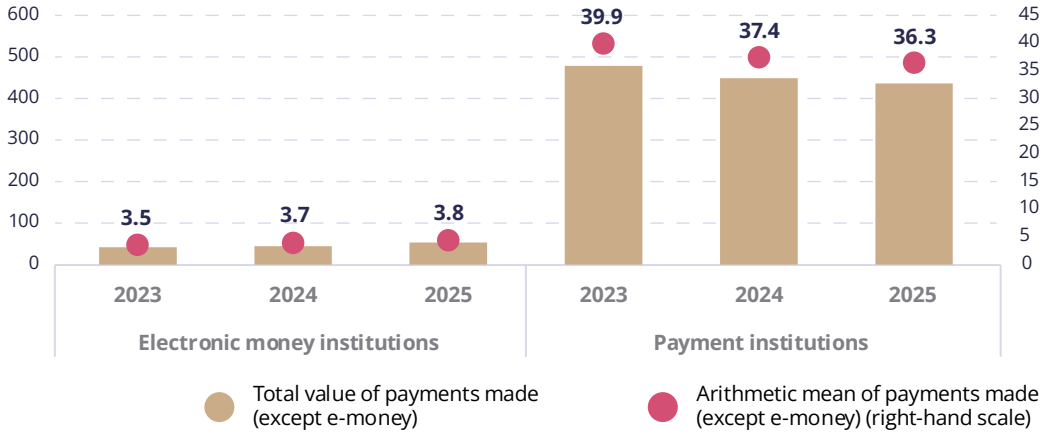


Chart 33. Revenues of electronic money institutions and payment institutions from the provision of services (millions of euro)

The level of electronic money payments has shown an increasing trend in recent years. Payments increased by more than EUR 15 million (40%) in 2024 compared to 2023 and by more than EUR 4 million (8.6%) in 2025 compared to 2024. Meanwhile, the average amount of electronic money in circulation increased by 62.5% in 2025 compared to 2024.

Chart 34. E-money circulation in electronic money institutions (millions of euro)

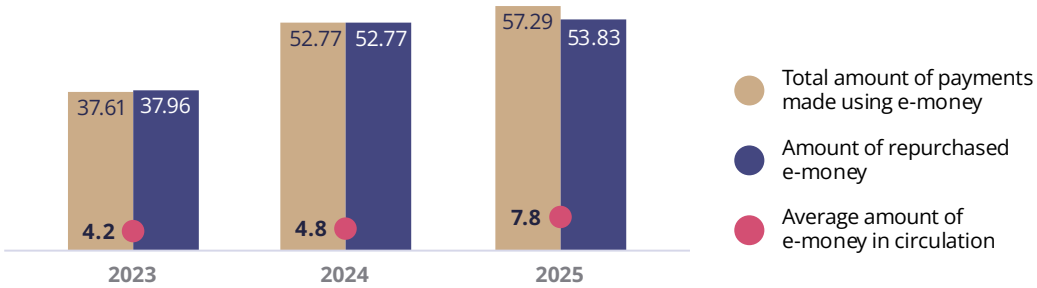
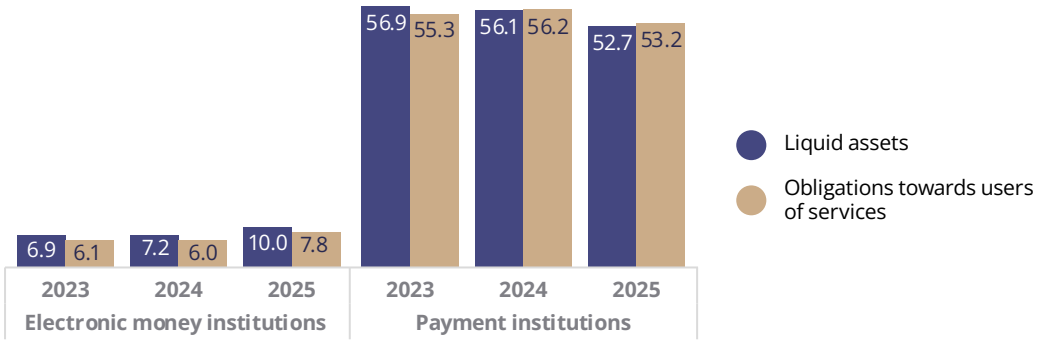


Chart 35. Liquid assets and current liabilities of electronic money institutions and payment institutions (millions of euro)



The solvency ratios for this segment were, overall, above regulatory requirements at the end of 2025. The own funds met the requirements set by the institutions on an individual basis. The overall gross earnings performance of payment institutions and electronic money institutions stabilised, reflecting the sustainability and resilience of market participants' business models. Overall, during the reporting year, the market showed strong development trends and the planned increase in business volume.

Supervision of crowdfunding service providers

At the beginning of 2025, three crowdfunding service providers were operating in Latvia, while during 2025, Latvijas Banka issued three more operating permits. This brought the total number of crowdfunding service providers to six at the end of the year. All new operating permits were issued to facilitate the granting of loans and were received by SIA Ascend Finance, FLOW SIA, and CSP Growth Solutions SIA.

In the field of supervision, Latvijas Banka continued to focus, as a matter of priority, on investor protection issues, with an emphasis on verifying compliance with the requirements laid down in the legislation for crowdfunding service providers with regard to the disclosure and provision of information. Similarly to the previous year, Latvijas Banka found that crowdfunding service providers generally complied with the requirements imposed on them.

In its annual strategic interviews, which, as in 2024, also took place in 2025 with participants in this segment, Latvijas Banka mainly assessed the issues of the risks they face and how they manage these risks, as well as the implementation of their strategic plans. When assessing the risks affecting the functioning of this segment, crowdfunding service providers highlighted, as a key factor, the lack of quality investment opportunities in the market and the lack of awareness among potential project owners and investors about the functioning of crowdfunding service providers as well as the existing competition in alternative funding, which is often influenced by project owners making choices in favour of other forms of fundraising. In order to provide investors with a wider choice of projects to be financed, market participants assess options and conduct market research to attract project owners in other EU Member States. At the same time, there has been an increase in the share of foreign investors. Meanwhile, with regard to the impact of geopolitical risks, market participants noted various aspects: on the one hand, there has been an adjustment, while on the other hand, both investors and project owners remain cautious. Market participants also continued to note a number of desirable legislative changes to facilitate the activities of crowdfunding service providers and make them more efficient.

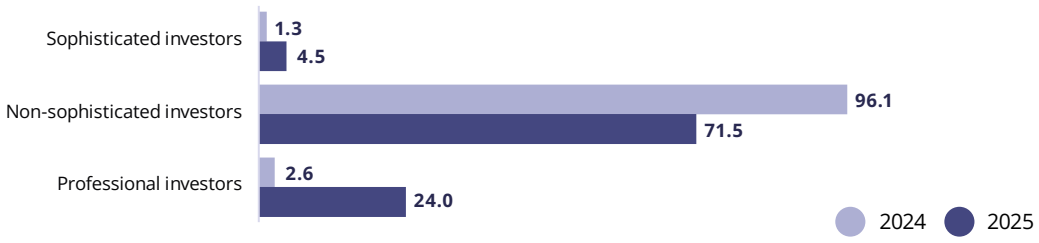
In view of the significantly higher number of crowdfunding service providers, it can be concluded that the segment continues to gain the confidence of the participants involved in it – investors and project owners – and its further development is expected.

The development trend of the segment is also directly characterised by an increase in the volume of projects funded. The total amount of funding raised on crowdfunding platforms reached EUR 47.2 million

in 2025. Compared to 2024, it increased by 56% or EUR 16.9 million (EUR 30.3 million was raised in 2024 and EUR 2.1 million in 2023).

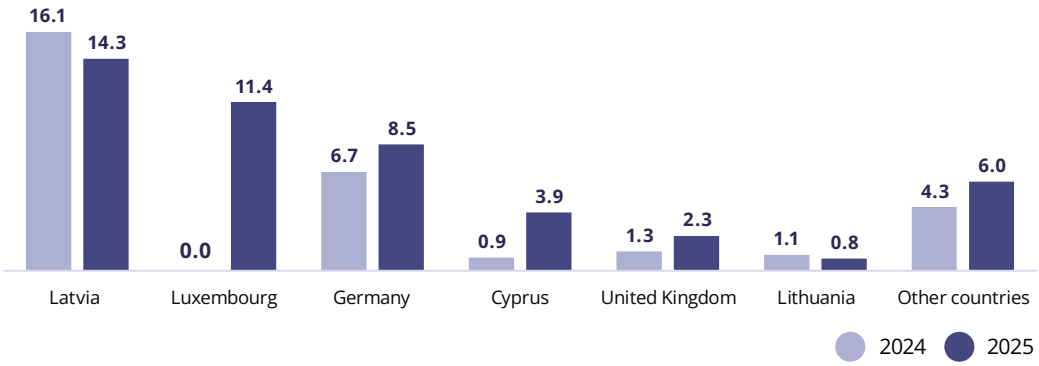
By type of investor, investment by non-sophisticated investors continued to dominate in 2025, but their share decreased from 96.1% to 71.5% compared to 2024, mainly at the expense of an increase in the share of investment by professional investors from 2.6% in 2024 to 24% in 2025. Investments by sophisticated investors also showed a slight increase, from 1.3% in 2024 to 4.5% in 2025.

Chart 36. Investments by type of investor (%)



In terms of investor country, in 2025, the largest amount of financing – EUR 14.3 million – continued to be provided by Latvian investors, but their share of investment decreased from 53.1% to 30.2% of the total investment compared to 2024, while the investment amount decreased by EUR 1.8 million. Latvian investors were followed by Luxembourg investors with EUR 11.4 million or 24.1%, German investors with EUR 8.5 million or 18%, Cypriot investors with EUR 3.9 million or 8.3%, and British investors with EUR 2.3 million or 5% of total investments. Investments made by investors from other countries did not reach at least 3% of total investments, but together they accounted for EUR 6.8 million or 14.4% of total investments.

Chart 37. Investments by investor country (millions of euro)



Supervision of crypto-asset service providers

The reporting year saw rapid growth in crypto-assets. As of 2 January 2025, Latvijas Banka started accepting applications for authorisation to operate in accordance with the requirements of the Markets in Crypto-Assets Regulation (MiCA). Latvijas Banka introduced a pre-licensing process for crypto-asset service providers and received several applications during the year, which demonstrates the growing interest of companies in obtaining a licence. At the end of 2025, the first two licences of crypto-asset service providers were issued in Latvia, enabling services to be provided both in Latvia and other EU Member States. Local companies as well as companies from Poland, Lithuania, Spain, Germany, Türkiye, Canada, Great Britain, and other countries have shown interest in the licence of a crypto-asset service provider. This demonstrates Latvia's potential to attract international crypto-asset service providers.

During the reporting year, electronic money institutions showed an interest in issuing e-money tokens or stablecoins. Latvijas Banka continues consultations with potential issuers of e-money tokens.

In 2025, Latvijas Banka sent nine notifications to ESMA on a white paper for crypto-assets other than asset-referenced tokens or e-money tokens.

Challenges in this segment were created by the need for crypto-asset service providers providing a transfer service of crypto-assets with e-money tokens to obtain an additional licence from a payment institution. The need for a dual licence has posed a number of challenges in terms of additional capital requirements, revenue and expenditure calculations, and supervisory fees. Latvijas Banka, taking into account the requirements laid down in the Payment Services Directive, the Law on Payment Services and Electronic Money and Latvijas Banka's regulations and the practices of other EU Member States, started work during the reporting year on amending its regulations and adapting its reporting requirements.

Latvian crypto-asset service providers are currently operating in a complete, EU-harmonised and supervised market, laying the foundations for a stable, safe, and competitive financial market segment at both the local and EU level, with robust regulation in place and expert support available.

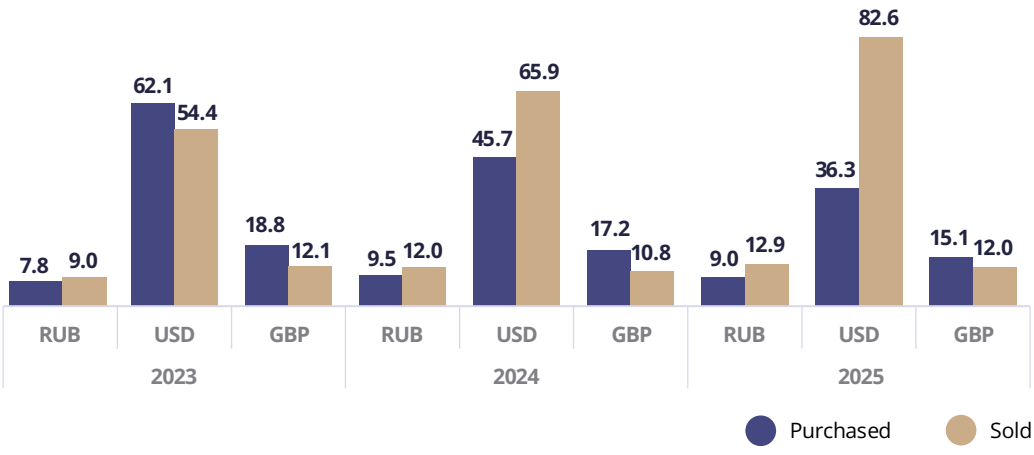
Supervision of foreign exchange trading companies

At the end of 2025, 15 foreign exchange trading companies and 38 foreign exchange cash buying and selling venues were operating in Latvia, mainly concentrated in Riga.

The volume of foreign exchange transactions (buying and selling) carried out by foreign exchange trading companies in 2025 exceeded both 2023 and 2024 figures, pointing to moderate but stable growth over a three-year period. In 2025, foreign exchange transactions amounted to EUR 204.4 million, which was EUR 7.2 million or 3.7% more than in 2024 (EUR 197.2 million) and EUR 2.3 million or 1.2% more than in 2023 (EUR 202.1 million).

In the reporting year, as in previous years, the most popular foreign currencies (both purchased and sold) were: US dollars, whose exchange transactions (purchase and sale) totalled EUR 118.6 million or 58.0% of the total amount, British pounds with transactions of EUR 27.0 million or 13.2% of the total amount, and Russian roubles with transactions equalling EUR 21.8 million or 10.7% of the total amount.

Chart 38. Volume of purchases and sales of US dollars (USD), British pounds (GBP), and Russian roubles (RUB) (millions of euro)



Some companies continued to face difficulties in exchanging Scandinavian currencies in 2025, including their return to the issuing countries. Given these difficulties, as well as efforts to find a solution to them, a coordinated evaluation was carried out at the EU level. Its purpose was to collect information on the

volume of stocks of these currencies that currently cannot be returned by currency trading companies to the issuing countries.

During the reporting year, strategic interviews were organised with currency trading companies to identify segment development trends, key challenges, and risks. Economic, political, and geopolitical uncertainties were identified as the most important risks. The impact of those risks was mainly reflected in changes in the number of customers and, consequently, in fluctuations in the volume of transactions.

Some companies noted that a decline in demand for traditional currency exchange services was observed during the reporting period, which was attributable to a decrease in cash circulation and a shift of customers towards automated solutions.

Due to irregularities identified during an on-site inspection, a decision was taken in 2025 to suspend the provision of currency trading services by one company. Legal obligations were imposed on the company to eliminate the non-compliance of its activities with the requirements of the laws and regulations governing the risk of ML/TPF and the risk of sanctions within the prescribed time limits. At the end of the reporting year, the company had taken a number of measures to strengthen the internal control system, including improved procedures and processes, and the decision on the imposed operational restriction was revoked.

Latvijas Banka's support instruments for financial technology development

In 2025, Latvijas Banka continued to provide advisory support to potential fintech market participants, facilitating clear and timely communication on the compliance of business models with licensing requirements, supervisory conditions, and other regulatory issues.

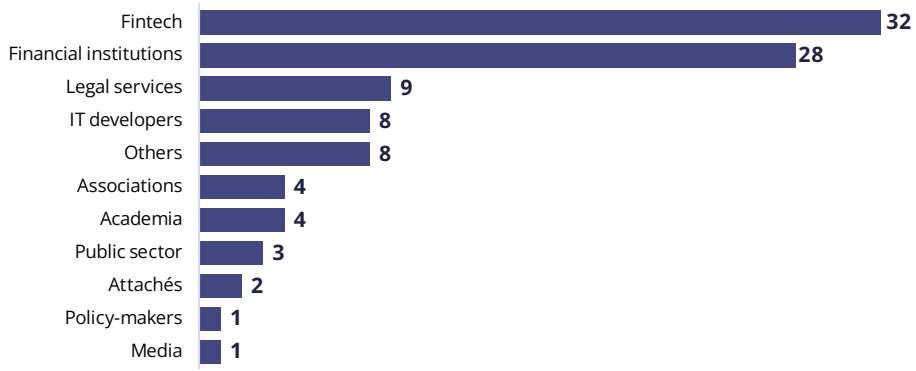
In 2025, Latvijas Banka's experts provided a total of 97 consultations to potential market participants. The main interest (51 consultations) concerned licensing arrangements and requirements for the provision of crypto-asset services and issuance of tokens. This was of interest to companies that are planning to start operations in accordance with the new MiCA regulation and assess Latvia as a potential home country for conducting their business. 37 consultations were provided on obtaining a licence for a payment institution and an electronic money institution and 4 on the provision of crowdfunding services. In addition, certain non-licensing issues were also examined, such as the possibility of connecting to Latvijas Banka's ESA system and making direct payments in the Single Euro Payments Area (SEPA).

Through the consultation option, potential market participants have the possibility to receive support in the pre-licensing phase, including on the formulation of the idea as well as the preparation and evaluation of documents.

The central event in the field of fintech in 2025 was the Latvian Fintech Forum, which was organised by Latvijas Banka in cooperation with the Investment and Development Agency of Latvia and the Riga Investment and Tourism Agency for the fourth time on 30 September 2025. The forum brought together around 300 fintech ecosystem participants, supervisors, and policy makers from the Baltic States and other European countries to discuss the development of fintech.

The primary target audience of the forum were existing and potential participants of the fintech ecosystem, cooperation partners, financial institutions, legal advisory service providers, IT developers, and representatives of other sectors.

Chart 39. Visitors to the Latvia Fintech Forum 2025 by professional field (%)



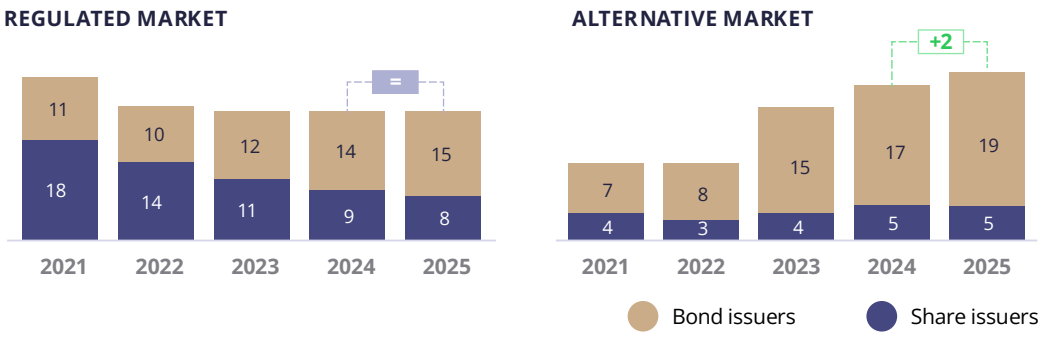
The forum examined and analysed both aspects of the strategic development of fintech and practical issues for market participants, including licensing, supervision, payment services, and connection to the ESA system, etc.

During the forum, interested parties were able to receive answers to questions about the support mechanisms available to fintech start-ups in Latvia and Riga. There were also presentations by eight start-ups from the financial sector.

Development of the capital market

The number of issuers continued to grow in 2025, with 23 regulated market issuers admitted to trading on the Latvian capital market and 24 issuers admitted to trading on the alternative market (First North) at the end of the year.

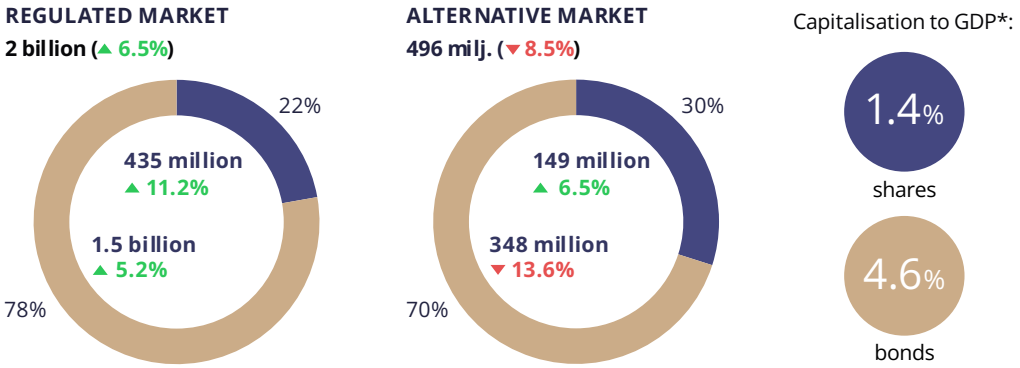
Chart 40. Issuers of regulated and alternative markets (number; 2025 compared to 2024)



Source: https://nasdaqbaltic.com.

The total amount of regulated market capitalisation at the end of 2025 was EUR 2 billion, while the total alternative market capitalisation at the end of 2025 reached EUR 496.3 million. The total capitalisation of the stock market as a percentage of GDP was 1.42%, while the capitalisation of the bond market as a percentage of GDP was 4.57%. Regulated market capitalisation increased in 2025 compared to 2024 (+6.5%), mainly based on the bond segment. Although there was a slight decrease in capitalisation in the alternative market, the data confirm that the market structure is becoming more resilient, with stable growth in the share segment. Meanwhile, the regulated market shows steady growth in both segments, which compensates for fluctuations in the alternative market and ensures the overall development of the market.

Chart 41. Regulated and alternative market capitalisation in 2025 (amount; euro; 2025 compared to 2024)

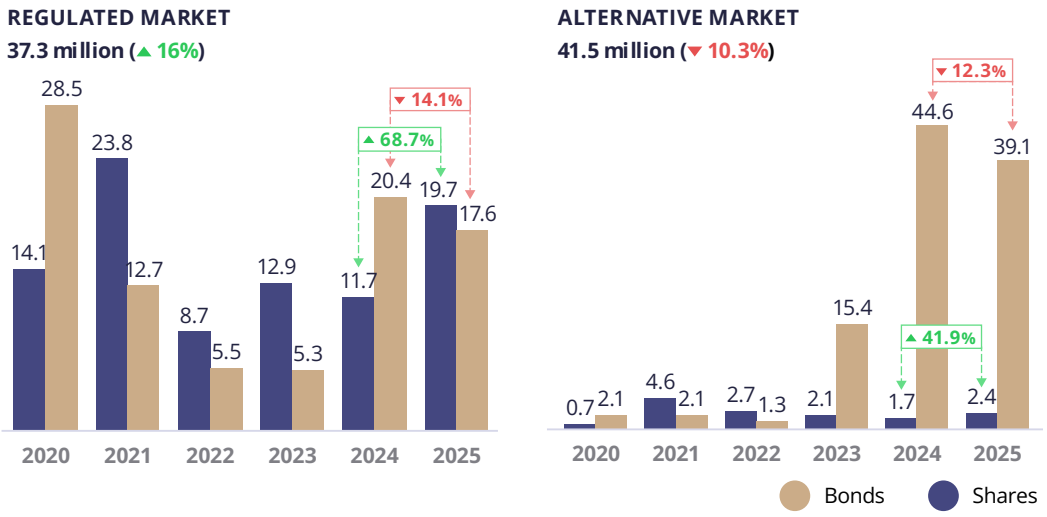


Source: https://nasdaqbaltic.com.

* GDP for 2025 calculated according to Latvijas Banka's forecasts +1.7% of GDP in 2024 current prices, see https://www.bank.lv/en/operational-areas/task-monetary-policy/forecasts.

The total turnover of the regulated market reached EUR 37.3 million in 2025, an increase of 16% compared to 2024. The total turnover of the alternative market was EUR 41.5 million. Despite some downturns, market dynamics in 2025 confirmed a change in a healthy structure: growth in the regulated market compensated for fluctuations in the alternative market. Investor activity in stock transactions continued to increase in both markets, indicating increasing interest and confidence in the domestic capital market.

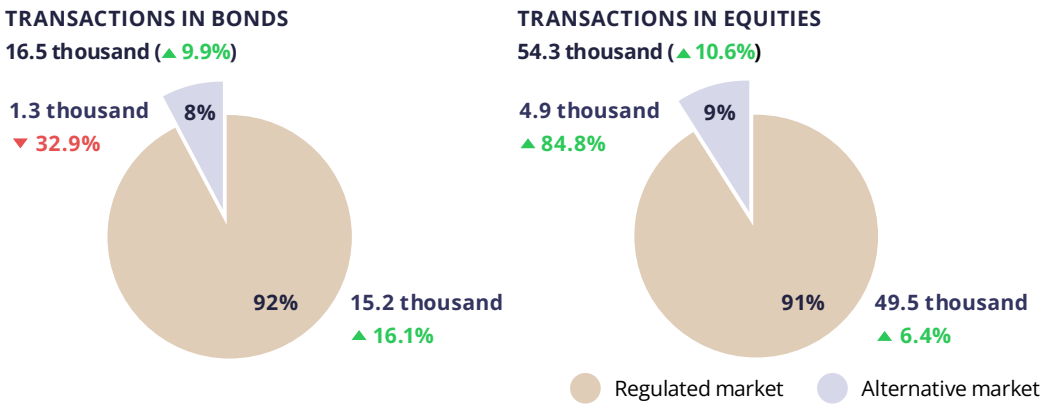
Chart 42. Regulated and alternative market turnover (volume; millions of euro; 2025 compared to 2024)



Source: https://nasdaqbaltic.com.

The total number of transactions in both bonds (+9.9%) and shares (+10.6%) continued to increase in 2025. This indicates an overall recovery in market activity. The regulated market continued to play a dominant role, accounting for more than 90% of all transactions in both segments and reflecting stable investor confidence. At the same time, the rapid growth of transactions in the alternative market, particularly in shares (+84.8%), points to a growing interest in more dynamic and younger issuers.

Chart 43. Transactions executed on the regulated and alternative markets (number; 2025 compared to 2024)



Source: https://nasdaqbaltic.com.

In order to facilitate market development, Latvijas Banka carried out a number of activities in 2025.

- On 12 February 2025, the fifth Latvian Capital Market Forum "From Strategic Decisions to Investor Confidence" took place. The forum brought together industry experts, investors, business representatives, and policy makers to promote discussions on the opportunities offered by the capital market and on what is needed to attract private and institutional investors to the Latvian capital market, and what more can be done to accelerate the development of the Latvian capital market in order to make the most of its potential.
- At the forum, Latvijas Banka presented its new 10-step programme for the development of the Latvian capital market 2.0. The programme includes concrete measures to promote both public and private investment and a viable and dynamic capital market, as well as to ensure effective regulation and the improvement of financial literacy.
- The Securities Sandbox established by Latvijas Banka continued its activities during the reporting year. By the end of 2025, eight companies had received support and tested their willingness to raise financing on the Latvian capital market. A participant of the Securities Sandbox, SIA Rīgas ūdens, successfully raised EUR 20 million in its first public offer of European green bonds in the summer of 2025. At the beginning of 2026, the decision to prepare for a public listing of shares on the stock exchange was also taken by a member of the Securities Sandbox, SIA Rīgas namu pārvaldnieks.

Capital market supervision

On 1 January 2025, the requirements of the Law on Sustainability Disclosures, adopted in autumn 2024, entered into force:

- an obligation for all large undertakings that were not previously subject to the requirement to prepare a non-financial statement for a sustainability report;
- an obligation for undertakings that were already required to prepare a non-financial statement to include a sustainability report in their management report when submitting their annual report for the year 2024.

The requirement aims to provide both publicly available and comparable information, and to understand the impacts of an undertaking's activities on sustainability factors such as environmental, social, human rights, and governance. The Law on Sustainability Disclosures lays down the obligation of the subject of the law (undertaking) to prepare a sustainability report and a consolidated sustainability report (if any) as part of the undertaking's annual report and to include them in the undertaking's management report. The

sustainability reporting should be prepared in accordance with the European Union sustainability reporting standards.

In light of the above, in 2025, Latvijas Banka carried out checks on the 2024 sustainability reports prepared by issuers.

In addition to the above, Latvijas Banka carried out the supervision of issuers, focusing on the following activities:

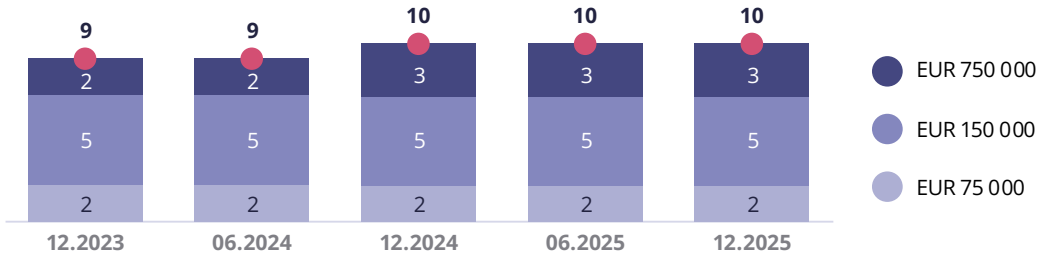
- timely checks on regulated disclosures;
- in-depth reviews of annual and interim reports;
- checks on the consistency of the information published by issuers;
- checks of the 2024 corporate governance reports;
- verification of the submission of remuneration reports;
- study of the remote conduct of shareholders' meetings of joint stock companies and the practice of voting prior to the shareholders' meeting;
- monitoring of share buy-back transactions.

In 2025, Latvijas Banka initiated three administrative processes. One was launched for the non-publication of the audited annual report. A fine of EUR 6 000 was imposed on the issuer. A second administrative procedure against a financial instruments market participant was initiated for failure to submit a notification regarding the acquisition and loss of a significant holding. A fine of EUR 40 000 was imposed on the operator. A third administrative procedure against a financial instruments market participant was initiated for failure to submit a notification regarding the failure of a person closely associated with the person exercising management functions to submit transactions in the issuer's financial instruments, and failure to submit a notification regarding the acquisition and loss of a significant holding. A fine of EUR 27 500 was imposed on the operator. In addition, Latvijas Banka issued six remarks to issuers in 2025 regarding the late disclosure of regulated information.

Development of investment services

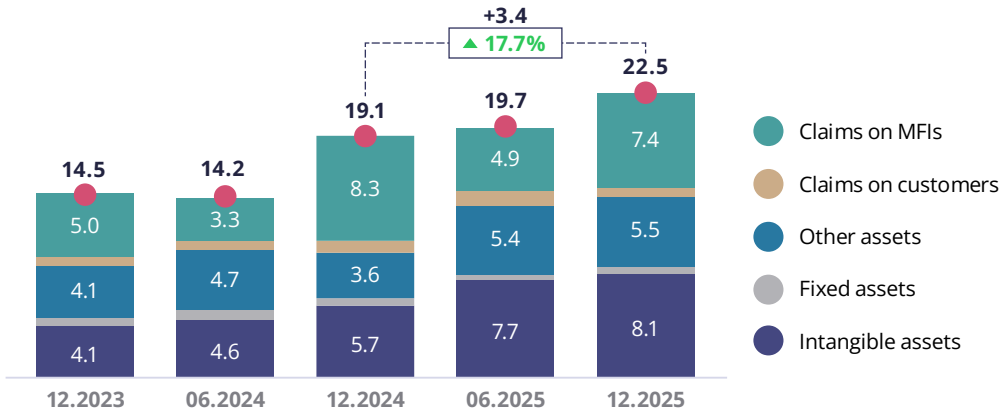
The number of licensed investment firms remained unchanged in 2025, with a total of 10 market participants continuing to operate under a licence issued by Latvijas Banka. At the end of 2024, there was no change in their distribution according to the amount of initial capital. Some investment firms developed the activity by extending the product scope of the licence or cross-border activity, while some investment firms extended the scope of the licence to additional investment services or side-packages.

Chart 44. Number of investment firms by amount of initial capital



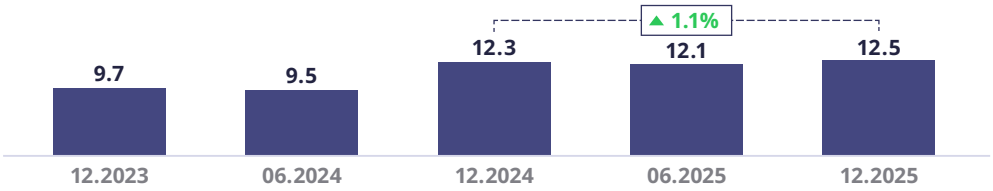
The total assets of this segment reached EUR 22.5 million on 31 December 2025, an increase of 17.7% year-on-year. This was mainly due to an increase in intangible assets linked to increased investments in IT development. Claims on MFIs also accounted for a large part of the assets.

Chart 45. Size and structure of the investment firms' assets (amount; millions of euro; 2025 compared to 2024)



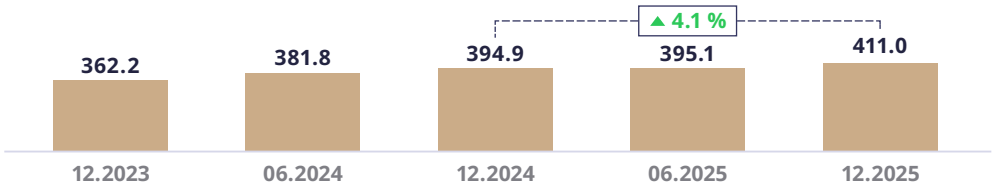
In order to strengthen financial resilience and customer service capacity, the paid-up share capital of investment firms was increased by EUR 19.5 million in 2025. Capital and reserves, on the other hand, increased by 1.1%.

Chart 46. Capital and reserves of investment firms (amount; millions of euro; 2025 compared to 2024)



Despite the adverse sentiment and volatility in financial markets in 2025, as well as the high level of uncertainty, the number of investment firm clients and the amount of assets held continued to grow. Namely, the total number of investment firms' customers reached 411 thousand at the end of 2025, an increase of 4.1% compared to the end of the previous year.

Chart 47. Number of investment firms' customers (number; thousands; 2025 compared to 2024)



The sales volume of financial instruments at the end of 2025 reached EUR 887.8 million. During the year, the assets under management reached EUR 545.1 million, while assets in custody increased by 22.8% and reached EUR 875.1 million.

Chart 48. Financial instruments sold

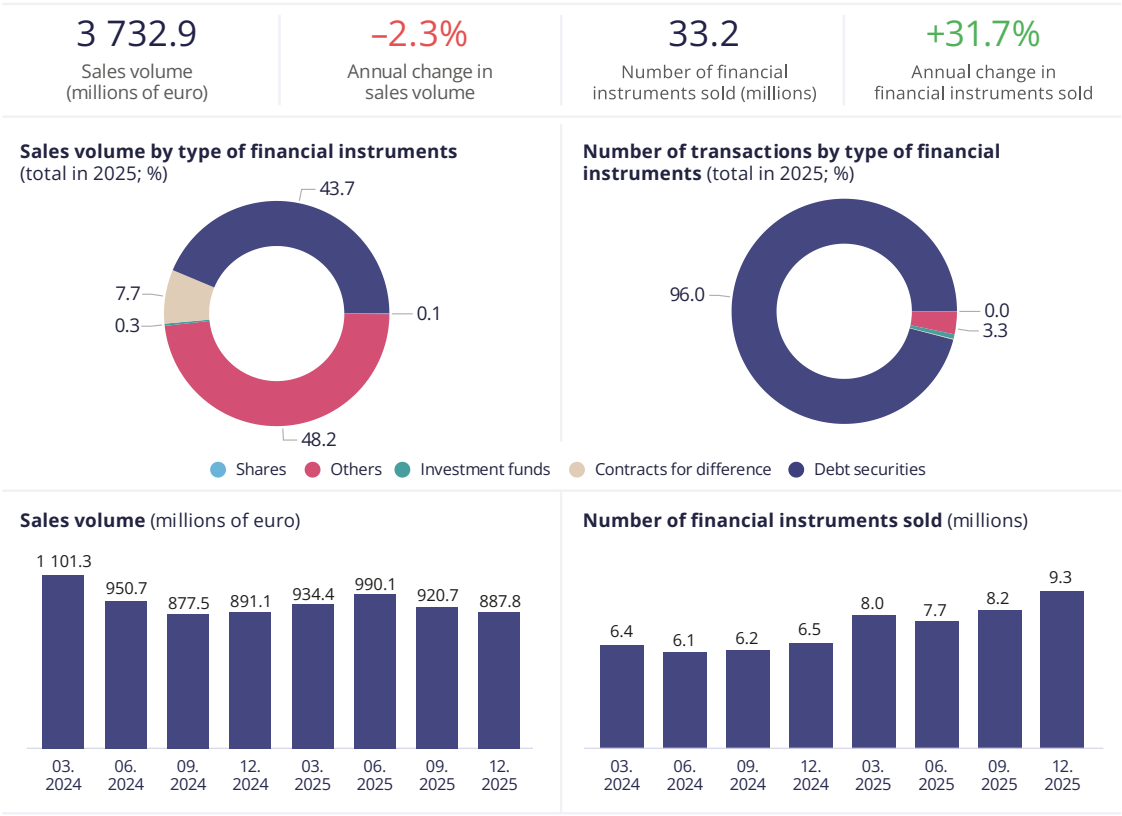
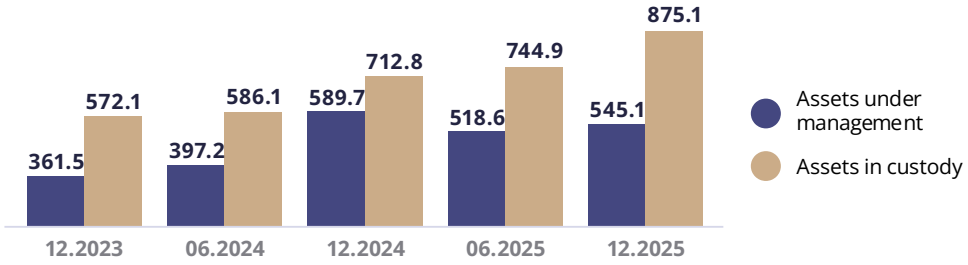


Chart 49. Assets under management and in custody (amount; millions of euro)



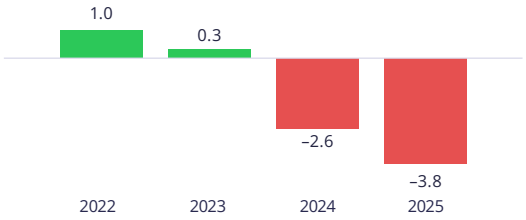
Despite investor confidence, investment firms ended 2025 with a loss of EUR 3.8 million, and the average return on equity (ROE) of the investment firm segment was negative in 2025 (-30.8%). Such indicators were due to investments made at improving efficiency in IT systems. At the same time, net commission income, which accounts for the most significant part of investment firms' revenue, increased by 18.4% year-on-year and reached EUR 21.1 million.

Regulatory compliance remained high, with a capital adequacy ratio (158.3%) and a liquidity ratio (455.2%) well above the minimum requirement (100%).

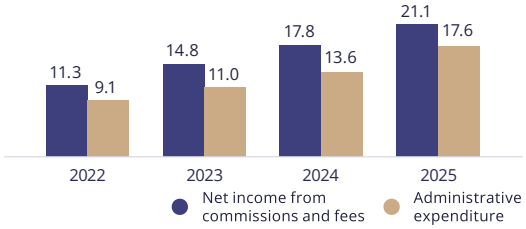
Chart 50. Profit

–3.8	–1.3	–49.9%
Profit (millions of euro)	Annual changes (millions of euro)	Annual changes

Profit or loss (millions of euro)



Net income from commissions and fees and administrative expenditure (millions of euro)



Annual change in profits (millions of euro)

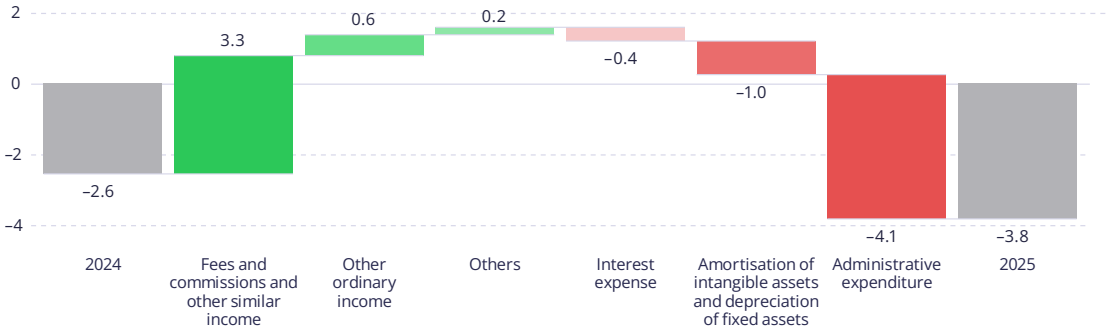
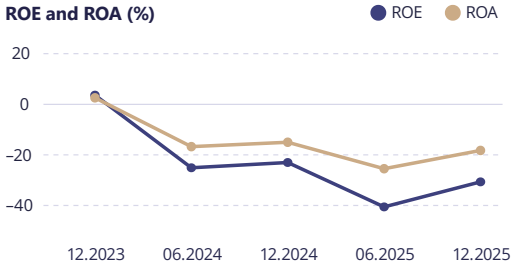


Chart 51. Profitability and regulatory requirement indicators

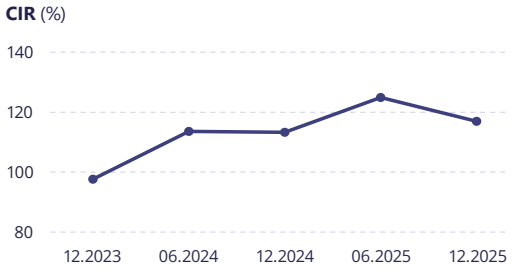
–30.8%	–18.4%	116.6%	158.3%	455.2%
Return on equity (ROE)	Return on assets (ROA)	Cost-to-income ratio (CIR)	Capital adequacy ratio	Liquidity ratio

Profitability indicators

ROE and ROA (%)

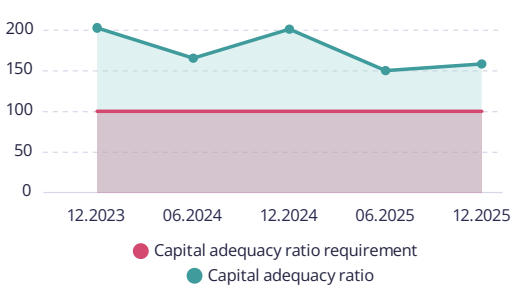


CIR (%)

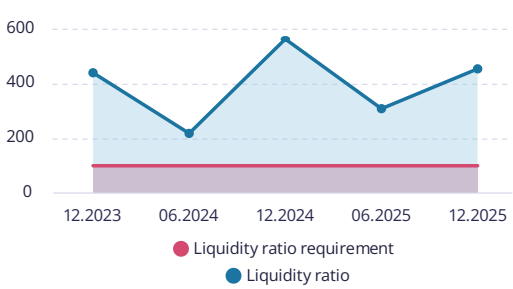


Regulatory requirement indicators

Capital adequacy ratio and requirement (%)



Liquidity ratio and requirement (%)



Supervision of investment firms

In order to ensure a reasonable regulatory environment which is proportionate to the size of the market and to make the requirements for market participants clear and unambiguous, a Simplification and Burden Reduction Project was launched in 2025, including a number of initiatives to improve the framework for the functioning of investment firms.

Work on implementing the updated requirements of the Markets in Financial Instruments Directive (MIFID II) continued with a view to promoting the quality of financial services and products, strengthening the protection of customers' interests, as well as enhancing customers' confidence in the financial sector and providing the necessary clarifications on their application in practice. In the financial stability and capital requirements of investment firms or prudential area, the review process of the Investment Firms Regulation and Investment Firms Directive continued to be studied and explained to market participants.

In order to ascertain how investment firms comply with the requirements of the regulatory enactments regarding remuneration policies and practices, Latvijas Banka conducted a remote thematic review of the compliance of the investment firms' remuneration policies and practices at the individual level with the regulatory enactments. After the results of the inspection were compiled, investment firms received information on the shortcomings identified and recommendations for the improvement of remuneration policies and practices.

To promote transparency and strengthen investor protection, Latvijas Banka conducted a financial market survey and informed the public about the unlicensed investment service providers identified therein, which offer financial services without the necessary authorisation.

In addition, Latvijas Banka carried out the supervision of investment firms, focusing in 2025 on the following activities:

- remote thematic checks of investment firms on ensuring the sustainability knowledge and competence of their staff;
- verification of the reporting of securities financing transactions;
- verification of the reporting of derivative contracts;
- remote thematic checks of investment service providers on compliance with sustainability disclosure requirements;
- ensuring the compliance of the actions or activities of market participants;
- SREP:

As a result of the SREP, the Supervisory Committee of Latvijas Banka decided to impose a number of supervisory measures and recommendations on two investment firms.

Supervision of the trading venues for financial instruments and the Central Securities Depository

The year 2025 was intense in the operations of AS Nasdaq Riga due to the activity of large bond issuances, as well as new bond issuers' market entry.

Supervision of the regulated market – AS Nasdaq Riga – and the multilateral trading facility or alternative market First North in 2025 focused on:

- pre-trade and post-trade disclosures;
- cooperation on the market integration of issuers;
- ensuring appropriate trading of financial instruments;
- assessment of regulation compliance and decisions of AS Nasdaq Riga.

According to the results of the activities carried out, AS Nasdaq Riga ensured the circulation of public information and market transparency.

Supervision of the central securities depository Nasdaq CSD SE in 2025 focused on:

- annual compliance assessment under Article 22 of the Central Securities Depository Regulation (financial stability, business risk, capital requirements, operational risk, business continuity risk, legal risk, evaluation of the functioning of the securities settlement system, operation of links, incident management, cyber resilience, recovery plan, internal control system, governance, availability of depositary services, depositary links, outsourcing, disclosure, and depositary procedures in case of a participant's insolvency). As a result of the assessment, recommendations were made to the depositary;
- improvement of the risk assessment methodology of the central securities depository;
- regular off-site supervision activities (evaluation of reports and other information submitted, meetings with the responsible employees of Nasdaq CSD SE);
- cooperation within the Supervisory College of Nasdaq CSD SE with the supervisory authorities and central banks of Lithuania, Estonia, and Iceland (two meetings of the Supervisory College took place).

Supervision of trading in financial instruments and investor activities

Monitoring of trading in financial instruments and investor activities in 2025 focused on:

- monitoring the trading of financial instruments;
- reviewing reports submitted by market participants on suspicious transactions and orders;
- substantive testing of suspicious transactions (market manipulation, insider dealing);
- cooperation and exchange of information with supervisory authorities of other countries;
- timely and correct submission of investor statements.

Transparency of investment communication

There are particular risks with the dissemination of investment-related information via social media. Missing or incorrect information can have significant financial consequences for consumers. ESMA has published a fact sheet addressed to financial influencers. The fact sheet explains the minimum legal and material requirements to be met when providing information on financial products.

In order to ensure additional protection of the interests of Latvian customers, Latvijas Banka in 2025:

- carried out a thematic review of the authors of digital content (influencers) distributing investment-related information on social media, aimed at identifying and assessing the practices of investment service providers using the authors of digital content in their public relations and communication activities, as well as the compliance of the content distributed by the authors of digital content with regulatory requirements. The review assessed the cooperation of investment service providers, including credit institutions and investment firms, with the authors of digital content, as well as the investment-related information disseminated by the selected authors of digital content on social media;
- held a remote seminar for investment service providers to provide up-to-date information on communication in the field of investment services provision;
- held an open discussion entitled "Finance + influencers = finfluencers. We in the middle. How to navigate?" during the Financial Literacy Week 2025 .

Monitoring of information and communication technologies and security risks

Latvijas Banka's progress in implementing the digital operational resilience framework

In order to provide the legal preconditions for the application of the requirements for digital operational resilience of the financial market and the use of artificial intelligence, the Law on Digital Operational Resilience and Use of Artificial Intelligence in Financial Markets was adopted and entered into force on 1 October 2025. The purpose of the law is to ensure that financial sector institutions are able to operate safely and continuously, also in cases of digital disruptions, cyber-attacks, or technological risks. The framework identifies the financial market participants to whom the full and simplified digital operational resilience requirements apply. The law also prescribes the use of artificial intelligence in the field of finance to ensure responsible, transparent, and safe use of technologies.

During the reporting year, Latvijas Banka developed digital operational resilience requirements for financial market participants that are not subject to the requirements of the Digital Operational Resilience Regulation (DORA), including small AIF managers, insurance intermediaries, and credit unions. Latvijas Banka's Regulation No 409 of 5 January 2026 "Requirements in the field of operational continuity and resilience for financial market participants not subject to Regulation (EU) 2022/2554 of the European Parliament and of the Council of 14 December 2022 on digital operational resilience for the financial sector and amending Regulations (EC) No 1060/2009, (EU) No 648/2012, (EU) No 600/2014, (EU) No 909/2014 and (EU) 2016/1011" entered into force on 15 January 2026. The Regulation aims to ensure a common approach and action on digital operational resilience requirements, also for small financial market participants, thereby strengthening the cybersecurity and digital operational resilience of the financial sector. This is completed so that all financial market participants are able to operate safely also in case of cyber threats or technological disruptions. The requirements for financial market participants shall be applied considering the principle of proportionality and a risk-based approach, taking into account the scope of activity, the number of staff, the type of services provided, as well as their complexity and the overall level of IT use.

Progress by Latvijas Banka in the implementation of the regulation on the use of artificial intelligence

On 1 August 2024, the first EU comprehensive AI framework, the Artificial Intelligence Act (AI Act), entered into force and is directly applicable in all EU Member States. The AI Act sets out a series of harmonised rules and tasks to be carried out by EU Member States in order for the requirements referred to therein to be implemented in national law by 2 August 2026. The requirements for the use of artificial intelligence laid down in the AI Act shall apply to financial market participants in accordance with Article 2 of the AI Act.

Given that most of the requirements of the AI Act will apply from 2 August 2026, Latvijas Banka participated in the implementation of several supervisory, analytical, and practical implementation support measures related to the AI Act during the reporting year, both in the EC thematic working sub-groups at the EU level and in the European System of Financial Supervision, which consists of three supervisory authorities: ESMA, EBA, and EIOPA. Latvijas Banka prepared and published the supervisor's expectations regarding the use of artificial intelligence in credit institutions, including the need for robust governance and control in view of the gradual application of the requirements of the AI Act.

Explanations on the application and supervision of the AI Act in relation to the use of artificial intelligence in the financial sector and related guidelines have been published on the website of Latvijas Banka, linking

them to broader aspects of digital operational resilience and ICT risk management in the financial market in the context of DORA.

Cyberspace of the European Union

According to data provided by the European Union Agency for Cybersecurity, in 2025 cyber incidents in the EU financial sector amounted to 4.7% of all cyber incidents for which data have been collected. They are characterised by highly targeted attacks to disrupt access to services. The threat structure was dominated by distributed denial-of-service (DDoS) attacks accounting for 83.5% of fixed incidents in the financial sector, significantly exceeding the proportion of cybercrime cases (14.8%), and state-supported or state-interested activities (1.7%). This suggests that the financial sector is particularly exposed to publicly visible, fast-track, and scalable activities, the main aim of which is to disrupt the functioning of services and create mistrust in the financial system as a whole. In 2025, Latvijas Banka did not receive reports of major ICT-related incidents caused by successful unauthorised access or intrusion into the systems of financial market participants.

The number of cyber incidents in the financial sector reached 11% of the high-impact incidents reported to the European Union Agency for Cybersecurity under the Security of Network and Information Systems Directive.

Overall, the risk profile of the financial sector points to increased operational and reputational risk due to the large scale of DDoS attacks and the critical role of banking services in day-to-day settlements.

ICT security and cyber risks in Latvian cyberspace

Cyber incidents in Latvia in 2025 included events that compromised processed data or the availability, authenticity, integrity, and confidentiality of services offered by, or accessible through, network and information systems. In addition, indirect risks related to supply chains and external service providers, which are used by attackers as the most convenient way to access the target infrastructure, increased. Since Russia's full-scale invasion of Ukraine, not only are cyberattacks increasing in scale but also in complexity, while attackers are increasingly adapting to defensive measures. This in turn contributes to the development of appropriate technological protection solutions and the strengthening of digital operational resilience capacities.

Focus areas for ICT risk monitoring in the financial sector

ICT incident management

2025 was the first full reporting period during which financial market participants fully applied the DORA requirements for reporting major ICT-related incidents, as well as the related regulatory technical standards, including the Regulation on the Content and Time Limits for Reports.

In accordance with DORA requirements, Latvian financial market participants are obliged to report major ICT-related incidents without undue delay by submitting an initial notification, an interim report, and a final report within the set deadlines. The framework aims to ensure timely information to supervisors, as well as to promote a common approach and a high level of digital operational resilience in the financial sector.

In the first half of 2025, the number of major ICT-related incident reports was relatively low. This reflected differences in the scale and service profile of institutions, as well as a gradual adaptation to the new reporting requirements. During the year, reporting discipline and understanding of materiality criteria improved significantly. This was facilitated by Latvijas Banka's explanatory work on DORA requirements and supervisory expectations, as well as practical experience in identifying and classifying incidents.

Financial market participants are increasingly aware of the thresholds for significant incidents and the principles for the application of the reporting obligation. Reporting major ICT-related incidents is not a formal administrative obligation but part of an effective ICT risk management framework. At the same time, where an incident does not reach the materiality threshold, market participants shall be able to reasonably assess its impact and, where necessary, inform the relevant competent authorities responsibly.

Readiness to report ICT-related incidents

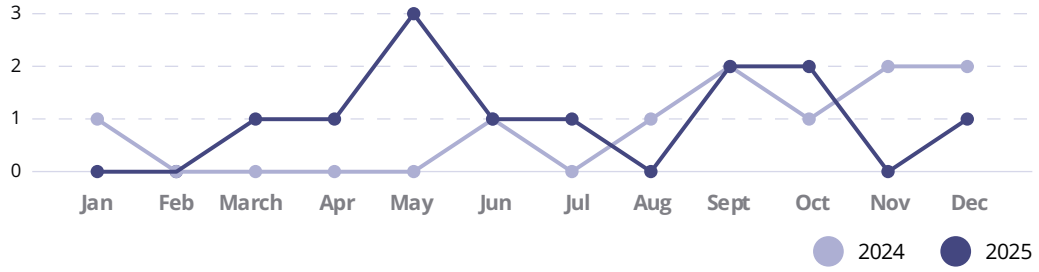
In July 2025, Latvijas Banka carried out an inspection of the readiness of financial market participants to report major ICT-related incidents in accordance with DORA requirements. The results of the inspection showed that the majority of market participants (74.5%) had set up internal procedures for identifying, classifying, and reporting such incidents, but in some cases clarifications were needed as regards the application of the materiality thresholds and the respect of deadlines. 18.2% of financial market participants were not ready to report major ICT-related incidents.

Through focused monitoring activities, work was carried out with relevant market participants to improve internal procedures and fine-tune reporting processes. This resulted in more uniform and timely reporting in the second half of the reporting year, as well as clearer incident classification practices.

Extent of major ICT-related incidents

Latvijas Banka received 12 reports on major ICT-related incidents in 2025 (10 in 2024 for payment services only; submitted by payment service providers).

Chart 52. Major ICT-related incidents (number)



In nine cases, reports were submitted by credit institutions or their affiliated undertakings. This indicates a high level of maturity of reporting in this segment. In other financial market segments, the achievement of materiality thresholds may be objectively less frequent, taking into account the scale of the services, the number of customers, and the size of the transactions.

The impact of the incidents mostly took the form of temporary unavailability of certain financial services to customers. In one case, the services of the institution were completely unavailable for a period of time. No cases of significant threat to financial stability or systemic disruption of financial markets were identified in 2025.

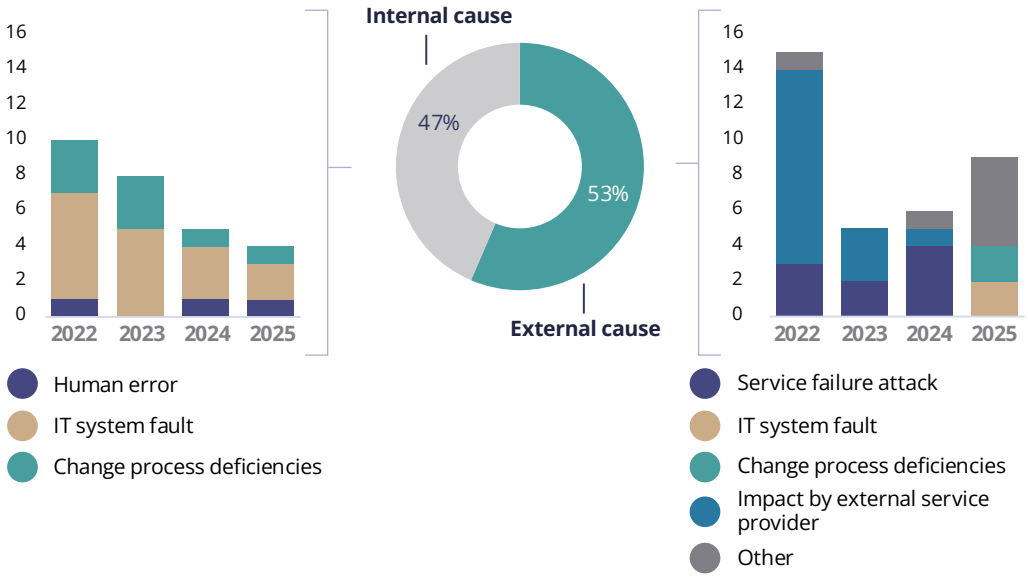
The operational actions of market participants to prevent incidents and restore services, as well as timely information to customers through their websites, mobile applications, and social media platforms is a positive development.

An analysis of the reports on major ICT-related incidents during the reporting year shows that the greatest impact was related to the stability and availability of ICT services provided by third parties. This reaffirms the dependence of the financial sector on external service providers, including the cloud, and infrastructure solutions they offer.

Incidents in this area in 2025 were related to:

- downtime or technical disruption of ICT services provided by third parties;
- internal system configuration or software errors;
- disruptions of infrastructure components.

Chart 53. Causes of ICT-related incidents (number)



Two of the reported cases had a significant operational impact. In one case, the market participant's infrastructure was affected at the level of the data centre, leading to a wider unavailability of services for a period of time. In the second case, the impact was related to the disruption of a global ICT service provider, which had an impact on the international availability of services for several hours.

In both cases, the situation was immediately controlled, business continuity plans were activated, and restoration measures were implemented, thus limiting the duration and extent of the impact of the incident. No consequences were identified that would pose a systemic risk to financial market stability.

Target verification of the classification of major ICT-related incidents

In 2025, Latvijas Banka carried out a target verification of compliance of the classification, reporting of, and lessons learned from major ICT-related incidents with the requirements of DORA and related implementing technical standards.

The verification assessed the following aspects:

- application of incident classification criteria;
- arrangements for the preparation of initial, interim, and final reports;
- mechanisms for meeting deadlines;
- the lessons learnt and their documentation;
- the relevance and interlinkage of internal procedures.

The bulk of the verification consisted of an analysis of documentation submitted by operators, including policies, procedures and registers, and practical cases.

A negative signal is the fact that a significant part of market participants updated the incident management and reporting procedures directly after receiving the request sent by Latvijas Banka for the

purpose of target verification. This indicates that, in some cases, the maintenance and regular review of procedures is not sufficiently integrated into day-to-day management practices.

It is a positive fact that a small number of serious infringements were detected. Several market participants received remarks about the inadequacy of the documentation, and Latvijas Banka set deadlines for remedying the deficiencies. In four cases, the identified deficiencies were assessed as significant and in the other cases as non-conformities of medium or low importance.

Assessing the quality of the actual reports and the results gathered in July 2025 on the ability to fully apply the requirements of DORA and related implementing technical standards, it can be concluded that around 58–71% of market participants were able to meet all requirements without significant gaps. It should be noted that these data also include non-initiated or inactive financial market participants that have a negative impact on the overall indicator.

Supervision of ICT third-party service providers and submission of a register of information

Pursuant to Article 28 of DORA, financial market participants are obliged to keep a register of information on ICT services provided by third parties and to submit it at the request of the competent authority. The purpose of the register of information is to provide transparent and structured information on financial institutions' dependencies on ICT third-party service providers, including the identification of third parties involved in critical and important functions, as well as the assessment of concentration and systemic risks.

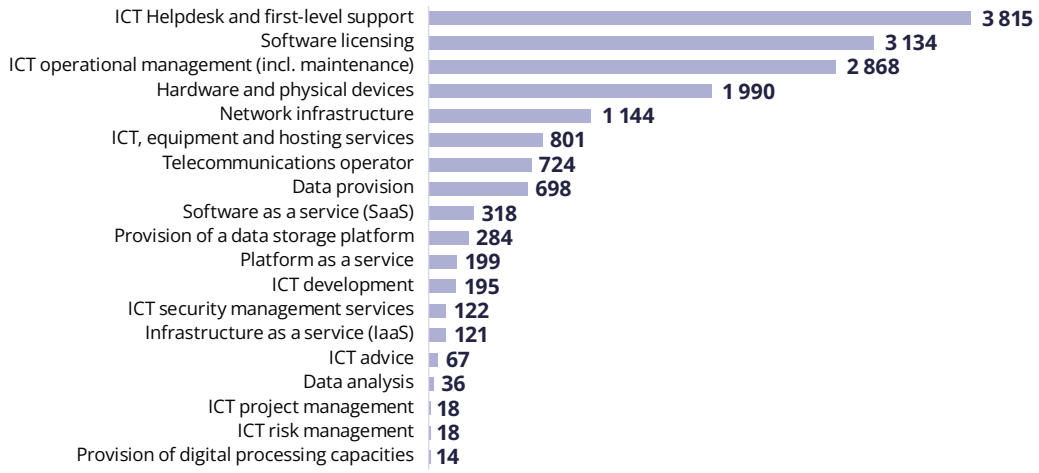
In 2025, the first verification of the submitted register of information data was carried out in line with the requirements of the implementing technical standards. In the case of significant institutions, the register of information data were submitted on a consolidated basis, in cooperation with the ECB within the SSM. Less significant institutions and participants of other financial market segments submitted the register of information data directly to Latvijas Banka.

As a result of the inspection, Latvijas Banka found the following:

- 40% of all cases assessed were compliant with the validation by both Latvijas Banka and EBA, indicating a relatively robust data quality base;
- 26% of all cases assessed were compliant with the validation by Latvijas Banka, but not with the validation by EBA, which points to discrepancies in the interpretation of EBA rules, in the data model, or in the use of the taxonomy;
- 7% of all cases assessed did not correspond to any validation checks, indicating significant input, structural or technical errors and the need to strengthen pre-submission checks and internal controls;
- in 27% of cases, the register of information data are not submitted to Latvijas Banka as they are submitted to the ECB on a consolidated basis within the SSM (in the case of significant institutions).

The analysis of the register of information data in 2025 provided a comprehensive picture of the structure and concentration of ICT services provided by third parties to market participants in Latvia.

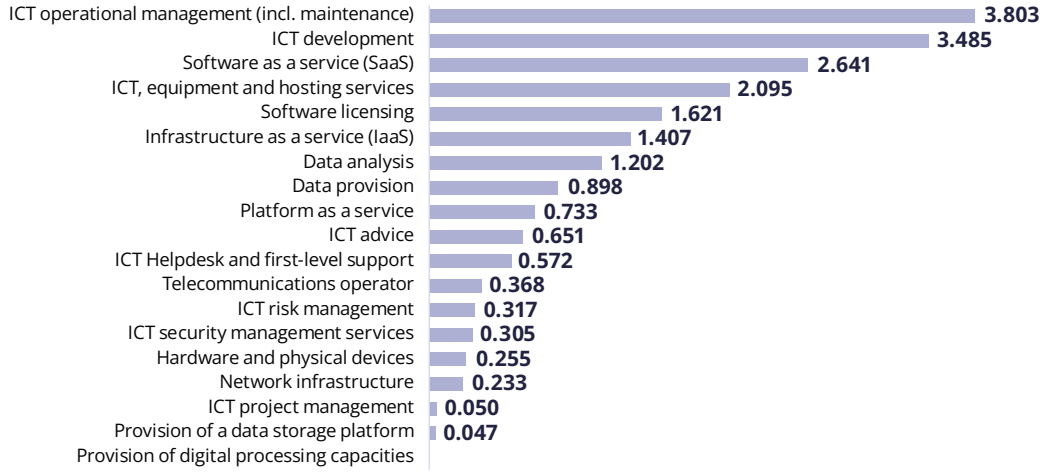
Chart 54. Register of information data breakdown by number of contracts in 2025



The results of the check show that, by number of contracts, the register of information is dominated by support and standardised services (e.g. provision of services related to helpdesk support and first-level support in the event of an ICT-related incident, software licences, infrastructure components). In the context of DORA, this points to a broad involvement of third parties in the day-to-day operation and, consequently, to the need to consistently apply risk management requirements for ICT services provided by third parties throughout the supply chain.

As a result of the analysis carried out, the completeness of the information register data regarding sub-service providers and multi-level cloud infrastructure solutions is a critical prerequisite for the full assessment of concentration and systemic risks.

Chart 55. Register of information data breakdown by total cost of contracts in 2025 (millions of euro)



Analysis of the register of information data on the cost of ICT services provided by third parties shows that concentration is more pronounced in categories such as ICT operational management (provision of services related to configuration, maintenance, installation, capacity management, and business continuity management of infrastructure (systems and hardware, except network)), ICT development, and cloud services (especially software as a service). In the context of DORA, these are segments with a potentially higher impact on critical or important functions and should be analysed in depth as a matter of

priority: contractual conditions, incident management, audit rights, supplier exit strategies, and concentration risk mitigation.

In 2025, Latvijas Banka organised two thematic seminars and implemented additional activities to explain the technical requirements of the register of information and to answer frequently asked questions.

Targeted review of digital operational resilience

In 2025, Latvijas Banka carried out an in-depth assessment of digital operational resilience aspects as part of the monitoring process, implementing a targeted deep dive assessment in the area of digital operational resilience. This activity covered less significant credit institutions and investment firms. The review focused on the existence and quality of the ICT risk management framework, business continuity and recovery plans, as well as digital operational resilience testing practices.

During the review, Latvijas Banka found that the planning of digital operational stress tests in several institutions was not sufficiently structured or risk-based. Testing activities are often carried out in a fragmented manner or in response to specific events, rather than as part of a systematic and risk-based plan. In some cases, reliance was found mainly on internal tests carried out by the authorities themselves, without the involvement of independent or external verification elements.

On the positive side, most institutions have developed business continuity and recovery plans and are operational in crisis situations. During the dialogues, financial market participants confirmed that these plans are updated and based on identified critical functions. However, Latvijas Banka did not find a sufficient link between the identification of critical functions, resilience targets (e.g. restoration time objective (RTO), restoration point objective (RPO)), and actual testing practices in all cases. In the investment firms segment, business continuity and recovery plans focus more on the renewal of IT systems, paying insufficient attention to the digital operational resilience of business processes.

A lack of human resources and expertise in digital operational resilience and testing was identified in several institutions. Operators should pay more attention to both the regularity of testing and the ability to perform more complex or scenario-based tests.

The target review assessed readiness to perform in-depth testing, including scenario-based or threat-led penetration testing. Latvijas Banka found that only some institutions envisaged such a testing approach, but that it was not systematically implemented in practice.

Taking into account the DORA requirements for digital operational resilience testing, Latvijas Banka drew the attention of market participants to the need to develop in-depth testing mechanisms, especially in relation to the resilience of critical functions and complex cyber threat scenarios.

The review also assessed the existence and quality of the ICT security and ICT risk management framework. Overall, the institutions have established policy and procedure-level documents, but digital operational resilience issues are not always fully integrated into the overall risk management framework.

The review highlighted the need to ensure a clear link between the following:

- ICT risk assessment;
- identification of critical functions;
- testing planning;
- incident management mechanisms.

Monitoring the risk of money laundering, terrorist and proliferation financing, and sanctions

The purpose of monitoring AML/TPF risk and sanction risk is to ensure that adequate and effective control mechanisms are in place in the financial sector to prevent the use of the financial market for money laundering and breach of sanctions. This is also essential to enable financial institutions to cooperate with other financial institutions around the world, to reduce the cost of international payments and speed up payment execution. If the control systems put in place by a financial institution are not effective, other financial institutions may refuse to cooperate with it, as such cooperation may expose those financial institutions to the risk of being involved in money laundering and breach of sanctions.

Evaluation of MONEYVAL

The most important developments in the field of AML/CFT in 2025 were the finalisation of the MONEYVAL evaluation process and the approval of the report by the FATF and MONEYVAL plenary in June 2025. Two years ago, Latvia, as the first country to do so, applied for a new evaluation round. The report was published in February 2026. A total of around 800 participants from 200 countries took part in its evaluation. This assessment is a very important international demonstration of the country's ability to fight financial crime.

The report underlines that, in the focus areas of Latvijas Banka, the awareness of financial sector risks is data-based and compliant, measures applied by supervisory authorities are based on risk assessment conclusions, Latvijas Banka has a clear understanding of the risks faced by financial institutions, and supervisory effectiveness is high. In the largest segment of the financial market, i.e. credit institutions, risks have significantly decreased. Compliance in all sectors has been supported by an efficient supervision process, and training and communication offered by supervisors. This has been the priority of Latvijas Banka in recent years, as a common understanding of regulatory requirements forms the basis of a risk-based approach in practice.

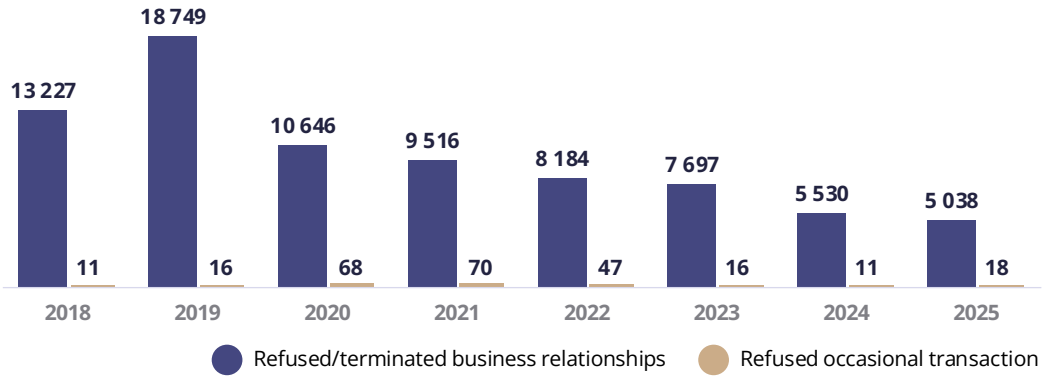
With this evaluation, Latvia has laid a stable foundation for developing a secure, accessible, and innovative financial sector that is closely integrated with Europe and trusted by strategic partners and investors.

Availability of financial services

Since 2020, Latvijas Banka (formerly the FCMC), as the national supervisor of the financial sector, has systematically reviewed the regulation, significantly changed its inspection approach, and carried out extensive educational work. According to a 2025 survey, 85% of Latvian entrepreneurs do not experience problems in cooperating with Latvian commercial banks.

A positive trend has been observed since 2020, with a decrease in the number of cases where customers are refused a business relationship or it is terminated. The number of refused or terminated business relationships is only 0.2% of the total number of customers served in the segment of credit institutions.

Chart 56. Number of refused or terminated business relationships and refused occasional transactions (number)



In order to address specific cases where customers encountered problems in obtaining financial services, Latvijas Banka organised several mediation processes between the customer and the credit institution concerned in 2025.

Inspections and their results

In 2025, Latvijas Banka carried out seven on-site inspections in the area of AML/TPF risk and sanction risk management: in three credit institutions, two investment firms, one electronic money institution, and one AIF manager. The inspections carried out identified certain weaknesses in the institutions' internal control systems, including customer due diligence and transaction monitoring processes, in particular the application of a risk-based approach in practice according to the type of activity of the institution. In all cases where deficiencies were identified, Latvijas Banka required that a remedial plan be drawn up. In light of the infringements identified during the 2024 inspections, Latvijas Banka imposed a warning on one payment service provider operating on the basis of freedom of establishment in Latvia in 2025 and suspended one currency trading company for a period of time.

During the reporting year, financial institutions regularly submitted the procedures developed for the development of a new product or service to Latvijas Banka. Following the assessment of these procedures, Latvijas Banka issued recommendations to remedy the deficiencies in order to ensure the most effective functioning of the internal control systems of financial institutions as early as possible.

Changes in the regulatory framework

Improving the legal framework for operation of financial market participants

A simple, effective, and understandable legal framework is a prerequisite for the successful development of a financial sector; therefore, its improvement is an integral part of the daily work of Latvijas Banka, which is closely related to both strengthening the stability of the financial system and creating an environment for sustainable growth. Given that the regulation of financial services is harmonised in many areas, work on the improvement of regulation and initiatives at the European level is also essential, as part of which Latvijas Banka pays particular attention to proportionality aspects, including preparing proposals for improvements to the regulatory framework that would promote the development of small and dynamic segments of the financial sector and market participants, ensuring a proportionate and appropriate regulatory environment for them.

In 2025, the legal framework for the activities of financial market participants continued to be improved by amending national legislation at the initiative of Latvijas Banka, as well as implementing the requirements of EU directives and guidelines issued by EU institutions and ensuring the application of EU regulations. In order to effectively monitor the application of the framework, supervisory methodologies also continued to be refined by introducing a risk tolerance framework.

Key activities in 2025

Initiative to simplify the regulatory framework for the EU financial sector and promote competitiveness

- Proposal to reduce the burden of sustainability disclosures (Omnibus I)
- Proposal to reduce the reporting burden of supervisory data
- Initiatives to simplify the regulatory framework for credit institutions (EC, ECB, EBA)
- Proposals by Latvijas Banka to simplify the EU regulatory framework and strengthen its proportional applicability in the credit institutions and investment firms segment

Implementation of EU directives and regulations

- Implementation of the amendments to the Directive on access to the activity of credit institutions and the prudential supervision of credit institutions (CRD VI)
- Introduction of amendments to the Solvency II Directive
- Implementation of AIFMD II
- Establishment of the regulatory framework for the European single access point

Improvement of national regulatory and supervisory methodologies

- Improvement of the prudential regulation of the cooperative credit unions segment as part of its reform
- Development of an institutionalisation project for the management of 3rd pension pillar funds
- Implementation of the risk tolerance framework in supervisory processes

Initiative to simplify the regulatory framework for the EU financial sector and promote competitiveness

In 2025, the EC launched a simplification initiative to boost the EU's international competitiveness (including reducing the administrative burden for the private sector as a whole by 25% and for small and medium-sized enterprises by 35%) by fundamentally reviewing the effectiveness of the application of the legislation. In 2025, the EC published 10 so-called Omnibus proposals under this initiative, which are expected to reduce administrative costs by almost EUR 12 billion. One of these proposals, the ESG Omnibus, provides EUR 4.5 billion in administrative cost savings from reducing the burden of sustainability disclosures (under the Corporate Sustainability Reporting Directive and Corporate Sustainability Due Diligence Directive, including by reducing the amount of information to be disclosed and setting a higher threshold for the disclosure obligation (reducing the number of financial market participants covered by around 80%). A separate directive adopted as a matter of urgency postpones the start-up date for disclosures to those financial market participants that were initially subject to this obligation in the context of the 2025 and 2026 financial statements until 2028. On 11 February 2026, the EC launched a targeted public consultation on the competitiveness of the EU banking sector, which also covers areas such as the competitiveness of the banking sector at the EU and global level, the EU single market and the banking union, as well as the complexity and effectiveness of the existing regulatory framework. The EC will include the results of the consultation when drafting a report on the competitiveness of the EU banking sector, which is expected to be published in 2026.

In addition to the changes to the regulatory framework proposed by the EC, the European Supervisory Authorities for the financial sector are developing their proposals to simplify requirements and processes in parallel. The EBA plays an important role in increasing the effectiveness of prudential supervision of the banking sector and has identified in its 2025 October report 25 priority measures to improve the supervisory environment, among which the following can be highlighted:

- a review of the criteria for the designation of small and non-complex institutions subject to proportionately relaxed requirements in a number of areas;
- a targeted review of the materiality of the second and third tiers of its mandate (L2 and L3) for the issuance of an EU framework to ensure a stable, efficient, and secure functioning and supervision of the Single Rulebook for the banking sector, while not creating undue detail of requirements and administrative burdens;
- making the supervisory data reporting framework more efficient by excluding less useful data points, improving the coordination of data requests, and ensuring higher predictability of changes to reporting requirements and sufficient time for their implementation in the IT systems of market participants.

ESMA and EIOPA also made significant contributions to the preparation and implementation of proposals to increase the efficiency of the financial sector in 2025. As a follow-up to the previous work on optimising data collection processes, ESMA submitted a document with a proposal for integrated fund data collection on 23 June 2025 for public consultation, with an opinion to be issued to the EC in Q2 2026. This initiative aims to eliminate fragmentation in the supervision of capital markets and reduce overlaps between different reporting regimes. On 8 April 2025, EIOPA published its strategic approach to reducing administrative burdens, which includes a significant shortening of the Solvency II Guidelines, a simplification of reporting templates, and a review of the frequency of stress tests. On 10 July 2025, EIOPA also launched a public consultation on amendments to supervisory reporting and disclosure requirements to reduce the administrative burden of reporting by insurers and reinsurers.

In December 2025, the Governing Council of the ECB, for its part, endorsed the recommendations of the High-Level Group on Simplification established nine months earlier to reduce administrative burdens and simplify banks' prudential regulation, supervision, and reporting processes. Several proposals seek to optimise the structure of capital requirements by merging the existing layers of capital buffers into two

distinct categories and by clarifying the role of capital instruments of different quality (AT1, Tier2) in the framework of capital requirements. It also encourages the introduction of a simplified regime for smaller banks, significantly extending the existing proportionality framework, as well as the development of an integrated bank data reporting framework that harmonises supervisory practices across the EU.

In 2025, Latvijas Banka actively participated in the drafting of documents on several strands of the simplification initiative.

- A proposal for possible improvements to the current O-SII identification methodology was prepared and discussed with the EC, the ECB, and the EBA, which would allow for more accurate identification in countries with relatively small (against the size of the economy) banking sectors. In Latvia, these improvements were already put into practice through the annual identification of O-SIIs and the setting of the O-SII capital buffer requirement applicable to them in December 2025. A revision of the O-SII identification methodology at the EU level would make it possible to ensure a more proportionate approach also in other areas of bank regulatory requirements where it is used, including the identification of small and non-complex institutions and the application of lighter requirements within the SRM.
- Experts of Latvijas Banka actively participated in the work of the EBA and ESMA in the development of amendments to the investment firms prudential framework, including the development of a conceptual opinion paper with significant proposals for additional amendments regarding proportionality in the application of prudential requirements to Class 2 investment firms.
- There was involvement in the ECB SSM and EBA reporting simplification projects aimed at reviewing the scope of both the reporting required by the implementing technical standards and the data requests at the national level by analysing existing data and identifying data that are less used in supervision or available from other sources, with a view to reducing reporting requirements and costs by around 25%[9]. Work on reducing the reporting burden at the national level is ongoing and data needs are assessed with particular care through amendments to the Regulations. At the same time, information is being prepared for the inclusion of data requested at the national level in the EU public inventory register, where information on regular and ad hoc data requests made by EU Member States at the national level will be available to all interested parties.

Latvijas Banka actively participated in the development of regulatory simplification and competitiveness support measures promoted by EIOPA. They are intended to streamline insurance market regulation and reduce administrative burdens, while not compromising policyholder protection or financial stability.

- Reform of reporting and disclosure under Solvency II Directive: in July 2025, EIOPA launched a consultation on amendments to supervisory reporting and disclosure requirements. These amendments aim to reduce the reporting burden on insurers. As a result, the total number of reporting templates and data points would be significantly reduced, especially for small and non-complex undertakings.
- Recommendations on the proportionality framework: in early 2025, EIOPA issued technical advice to the EC on the introduction of the new Proportionality Regime for Solvency II, outlining how small and non-complex companies can benefit from reduced requirements.
- EIOPA's guidelines were revised and draft amendments to technical standards were developed in order to simplify them and reduce the administrative burden for companies.

[9] Report on the efficiency of the regulatory and supervisory framework.pdf

Implementation of the amendments to the Directive on access to the activity of credit institutions and the prudential supervision of credit institutions (CRD VI)

Amendments to CRR and CRD VI were adopted in 2024 to implement the internationally recognised Basel standards on banking supervision (Basel III) in the EU. The amendments to CRR are directly applicable already from 1 January 2025. Several methods for calculating capital requirements were significantly changed in CRR which allows credit institutions to use more risk-sensitive approaches for the calculation of capital requirements and, consequently, the majority of credit institutions registered in Latvia to reduce capital requirements. In order to implement CRD VI, in 2025 Latvijas Banka, in cooperation with the Ministry of Finance, prepared proposals for amendments to the Credit Institution Law, the Law on Investment Firms, the Law on Latvijas Banka, and the Law on Prevention of Conflict of Interest in Activities of Public Officials.

These amendments provide for:

- a review of prudential requirements, including by clarifying the impact of the output floor on own funds requirements, increasing the focus on ESG risks in the prudential framework, setting requirements for the operation of a branch of a foreign credit institution, complementing supervisory powers, and setting out new supervisory tools;
- reducing the reporting burden for small and non-complex credit institutions.

Implementation of amendments to Solvency II Directive

The implementation of amendments to Solvency II Directive was initiated, which provide for amendments to the Insurance and Reinsurance Law, as well as several regulations of Latvijas Banka. The review of the Solvency II supervisory regime improves the prudential framework for EU insurers to improve proportionality, competitiveness, and long-term investment capacity. As a result of the reform, the reporting and administrative burden is reduced, especially for small and non-complex companies, while maintaining strong policyholder protection. The reform adapts key elements of technical provisions such as the risk buffer and the volatility adjustment to better reflect long-term guarantees and market conditions, as well as strengthens supervisory convergence, crisis management, and macroprudential supervision across the EU insurance market.

Implementation of AIFMD II

In 2025, in order to transpose the requirements of AIFMD II, Latvijas Banka, in cooperation with the Ministry of Finance, drew up proposals for amendments to the Law on Alternative Investment Funds and Managers Thereof and the Law on Investment Management Companies in order to fully implement the requirements of AIFMD II into Latvian law. AIFMD II aims to reduce the risks associated with the management of funds, to provide supervisors with greater transparency in the activities of managers, and to strengthen investor protection. The main changes planned are:

- certain requirements for managers of funds involved in lending, including concentration and leverage limits;
- enhanced liquidity risk management requirements for open-ended funds, including the mandatory use of liquidity instruments;
- stricter delegation requirements, with more monitoring information and more scrutiny of delegated functions;
- a wider choice of custodian;
- standardised provision of information on the operation of the funds.

In 2026, work will continue on the progress of amendments to these laws for approval by the Saeima.

Development of an institutionalisation project for the management of 3rd pension pillar funds[10]

The project is aimed at consolidating the 3rd pillar pension management system into a single pension manager in order to reduce the administrative burden and costs, increase operational efficiency and transparency, as well as to achieve higher profitability for pension system participants, strengthening the competitiveness of the market and the quality of supervision.

In 2025, amendments to the Private Pension Fund Law, the Law on State Funded Pensions, and the Law on Investment Management Companies were developed for the implementation of the project in order to establish a clear legal framework for consolidated activities and requirements for pension managers. In cooperation with the Ministry of Finance, work will continue in 2026 on the progress of amendments to these laws for approval by the Saeima.

Implementation of the risk tolerance framework in supervisory processes

Latvijas Banka continued to work on the improvement of supervisory processes, focusing on the efficiency and simplification of the processes. In 2025, the supervisory culture framework was strengthened, which provides for a risk-based, effective, and integrated supervisory approach.

A new concept of risk tolerance was also developed and implemented – a supervisory approach that allows supervisors to focus resources on the most important or current tasks and areas with higher risk and to give lower priority to other tasks.

A number of new supervisory processes were also introduced during the reporting year, including those strengthening the digital operational resilience of the financial market.

[10] Taking into account UCITS directive and IORP directive.

An enabling environment for innovative and safe financial services

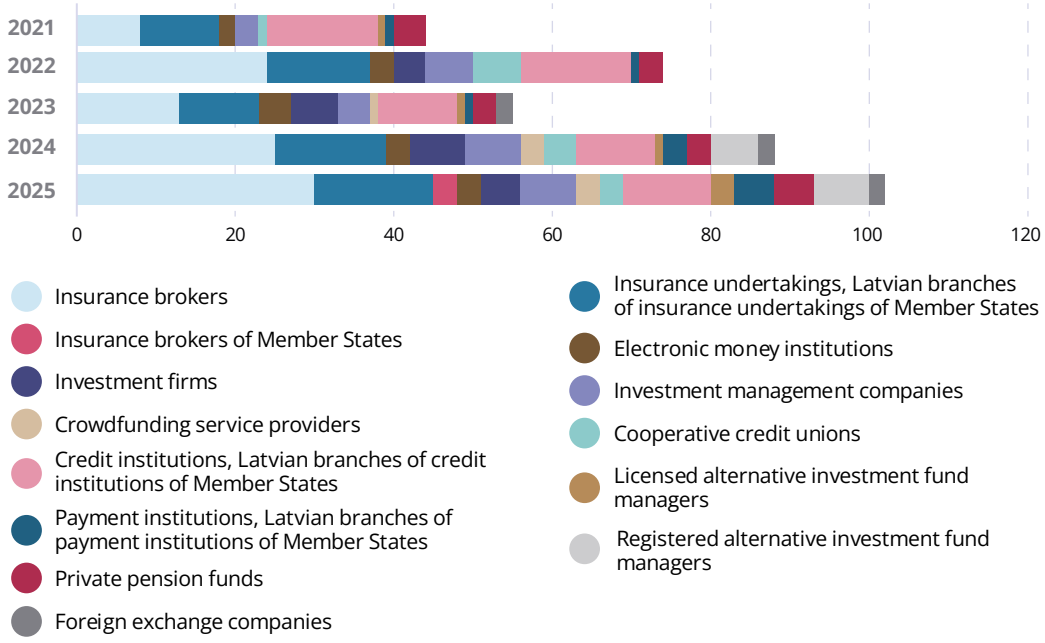
Innovation development and solutions in the Latvian financial market

For the fifth year in a row, Latvijas Banka has been collecting information on the innovative solutions used by Latvian financial market participants, providing valuable insight into their technological transformation and allowing for the understanding of how widely and efficiently innovations are used in the financial sector.

187 respondents (84% of all market participants) participated in the 2025 survey on innovation. 55% of survey participants reported using innovative fintech solutions. Aggregated five-year data show steady growth, with only 44 companies using innovation in 2021 and 102 already in 2025.

For several years, the most active use of innovative solutions has been made by insurance brokers and insurance companies, as well as credit institutions. These segments demonstrate the utmost flexibility and readiness to adapt their services to the digital needs of their customers.

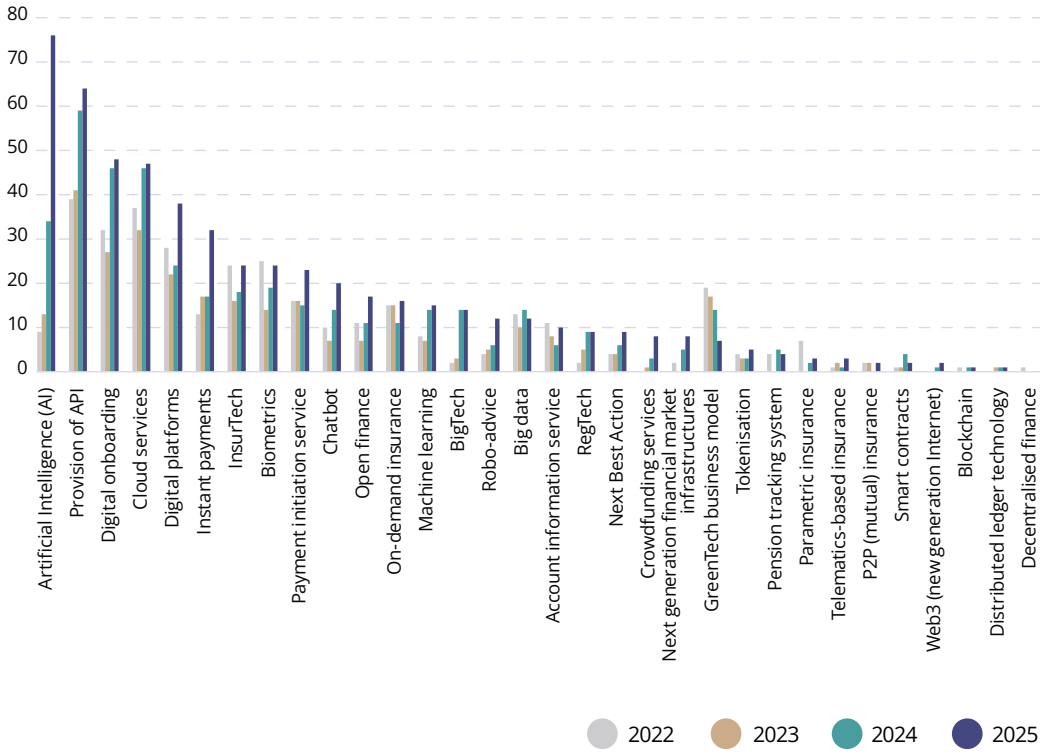
Chart 57. Number of market participants using an innovative solution in the provision of financial services



A significant trend in 2025 was the levelling of financial market segments: insurers and credit institutions were the most innovative in 2021, but almost all market segments were already innovating in 2025. This demonstrates that innovation is no longer a competitive advantage but a necessity, especially in view of customers' demand for fast, flexible, and transparent services.

Survey data also show a growing interest among companies in setting up in-house innovation teams – units responsible for finding, testing, and deploying new technological solutions. In the 2025 survey, 34 market participants indicated that they had set up a dedicated team within their organisation to explore or deploy innovative fintech solutions. This leads to the conclusion that not only the number of companies using innovations increased in the Latvian financial market in 2025, but also their readiness to work systematically on developing innovations.

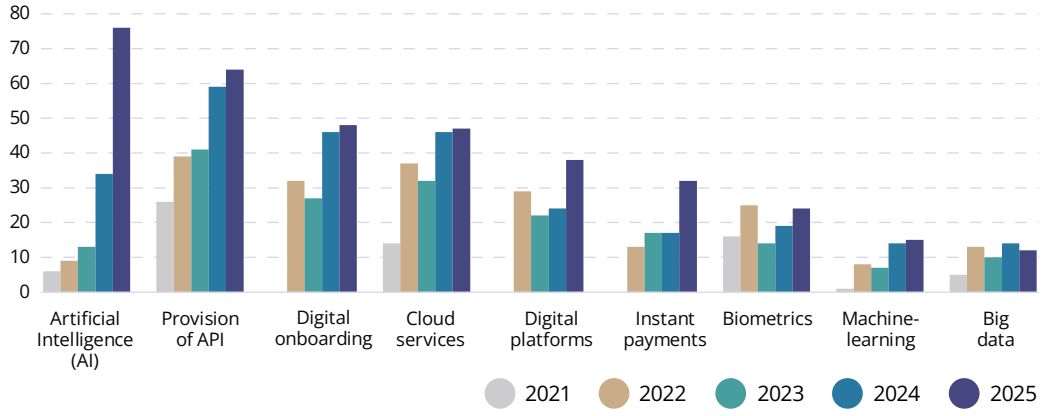
Chart 58. Technologies most frequently used by financial market participants (number)



The results of the 2025 survey show that the trend to use new and innovative business models has been established in the Latvian financial market. Businesses are increasingly revisiting their traditional operating principles, introducing more flexible and customised approaches.

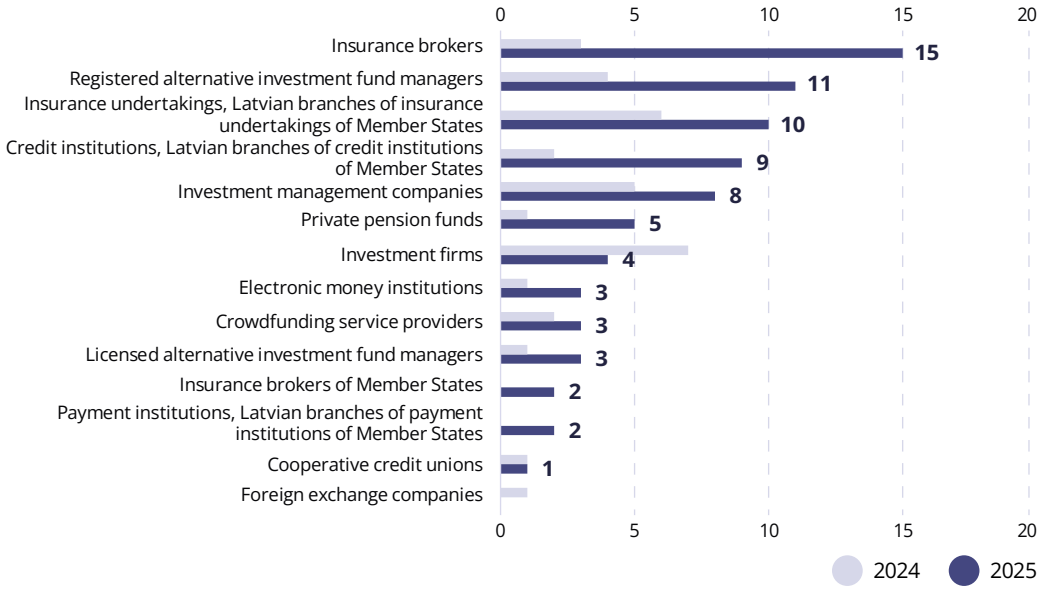
There has been a breakthrough in the use of AI solutions in the Latvian financial market in recent years. In 2021 and 2022, AI was mainly mentioned as a forward-looking direction, but it is now being used by a large number of market participants.

Chart 59. Technologies most frequently used by financial market participants (number)



The results of the 2025 survey show that the number of market participants using AI solutions has doubled compared to the previous year.

Chart 60. Market participants using artificial intelligence solutions for the provision of financial services (number)



Artificial intelligence solutions, such as ChatGPT or Copilot, are mainly used for everyday tasks as well as for marketing, customer service, product design, and development. Some market participants pointed to the use of AI tools for anticipating changes in investment strategy, fraud prevention, transaction monitoring as well as creditworthiness assessment.

Latvian financial market participants have contributed to significant practical benefits in 2025 by introducing AI solutions in their processes and services. According to market participants, they have observed the greatest benefits of artificial intelligence in increased business process automation, productivity, increased information processing speed, and resource optimisation. Companies note that the use of AI technologies has helped to significantly increase operational efficiency and reduce costs. However, AI technologies also pose significant challenges in terms of data security, governance, and transparency.

Market participants consider potential data leaks and privacy breaches, opacity of model operation as well as increased risk of cyber-attacks as the most important security risks and threats to the use of AI. At the same time, ethical aspects are also important. Without sufficient data quality and transparency, AI decisions can be discriminatory. In addition, there is a risk that over-reliance on AI solutions may lead to a loss of competence and decision-making control in companies.

Market workers take a variety of measures to ensure data protection and security in the context of AI. They are making increased use of data encryption technologies to protect sensitive information from unauthorised access. Training of employees on data security is being expanded to ensure that customer and company data are handled appropriately. Many companies put robust access control systems that allow for the accurate regulation of who has the right to access data and the management of algorithms in place.

In general, companies underline that investments in data security and governance related to the use of AI are becoming an essential part of strategic risk management.

Challenges in dealing with artificial intelligence

According to the survey, in 2025, the biggest challenges for market participants in dealing with AI were mainly limited resources, insufficient expertise, and data quality and security issues. These factors have a significant impact on the effective deployment and sustainable use of AI solutions.

While the uptake of innovation and the use of AI continue to grow, 39 companies reported in the 2025 survey that they face barriers that prevent or hinder the uptake of innovative solutions in certain market segments. For the most part, business representatives highlighted the lack of staff and resources in the company to develop innovations, as well as the regulatory burden that prevents the development of innovations more widely.

Survey data show that market players face a number of risks in deploying innovations. One of these concerns is the compatibility of technologies and the challenges of integrating legacy IT systems. Numerous companies continue to rely on platforms that lack compatibility with contemporary API architectures or AI solutions. This greatly complicates the integration of innovations and makes their development more costly. These challenges may be more pronounced in larger companies with a longer track record.

Data security and regulatory challenges also pose additional risks. Innovative solutions often outpace the legislative process. This creates uncertainty as to which technical or procedural standards need to be complied with. This aspect is particularly important when introducing AI solutions, where risks relate not only to data protection but also to ethical and transparency issues.

Use of innovation and AI in the supervision of financial market participants

Supervision technologies, or SupTech, is a specialized direction of Latvijas Banka's activities in order to ensure technologically advanced supervision.

In 2025, the Financial Technology Supervisory Department continued to develop a unified data processing solution that, with fewer human resources, ensures the receipt and processing of high-quality large-scale data for the performance of the supervisory analytics and decision-making function. One of the key elements is the internationally recognised and widespread use of the Extensible Business Reporting Language (XBRL) standard, which not only allows for the harmonisation of supervisory data reports used in the EU, but also ensures an identical approach at the national level. In 2025, more than 20 monitoring reports were produced, and market participants were provided with automated processing data input forms when they did not produce data in the technical XBRL format.

To improve the effectiveness of day-to-day supervision, a Virtual Monitor Workplace was developed, which allows joint work on different types of supervisory information.

Practical innovations are an integral part of the development of supervisory technologies, therefore Latvijas Banka expanded the use of cloud services in supervision by developing internal guidelines for safe use and introducing additional cloud services. This will facilitate a movement towards collaborative or shared solutions with market participants in the future.

The use of cloud services is closely linked to the deployment of AI solutions in day-to-day monitoring processes. In 2025, Latvijas Banka started a broad integration of AI into supervision. A number of AI assistants, which can be used in a secure manner and process not only public but also restricted information, were put in place, but they are only the first steps in the overall integration of AI into different supervisory processes, including licensing and prudential supervision.

Already today, AI assistants reduce the time spent on individual activities tenfold, e.g. when preparing a document compliance assessment or when searching for specific information in large-scale documents. The practical application already makes it possible to assess that these solutions also bring additional quality improvements.

Assistants introduced by the Financial Technology Supervisory Department in 2025 help to obtain a summary of the documents to be analysed, assess their compliance with regulatory requirements, prepare an analysis of financial indicators, identify and assess risks, as well as whether the document to be analysed has been prepared using AI. AI has great potential in supervisory work, therefore Latvijas Banka intends to incorporate a roadmap for the implementation of artificial intelligence into the next period's supervisory technology strategy.

Latvijas Banka has started work on the development of the next period's supervisory technology strategy. The main directions of the strategy, which will determine what types of projects and activities Latvijas Banka will carry out in order to ensure effective, timely, and high-quality supervision, will be:

- the use of AI at every stage of the efficiency- and quality-enhancing monitoring process;
- a convenient environment for timely analysis of market participant supervision data;
- convenient and full-fledged supervisory process management solutions;
- convenient solutions for market participants for cooperation with Latvijas Banka;
- coordinating the development of systems stemming from EU centralised decisions;
- improving the application of technologies used in the supervision process as well as enhancing technological skills.

Security of financial services (critical financial services)

Access to critical financial services

The availability of funds is an important precondition for the resilience of society in a crisis situation and in the event of a threat to the state. The National Security Law defines critical financial services, the continuity of which must be ensured in all circumstances, so that funds can be accessed and settled even in emergency situations. Such services are cash and non-cash payments provided by credit institutions. Taking into account the regulatory framework and the criteria set by Latvijas Banka, these services are provided by four banks in Latvia: Swedbank AS, AS SEB banka, AS Citadele banka, and Luminor Bank AS Latvia Branch (critical financial service providers).

In accordance with Latvijas Banka Regulation No 252 of 9 October 2023 on the Management of Critical Financial Services, providers of critical financial services shall ensure the availability of both non-cash and cash payments in the event of a threat to the state.

For cashless money, this means that citizens and businesses remain able to make basic settlements even in situations where part of the payment infrastructure is unavailable. This includes:

- the execution of credit transfers between credit institutions and the Treasury, even if the STEP2 payment system is not available;
- the possibility to pay with payment cards offline, purchasing basic necessities for an amount up to EUR 200, in cases where the internet or card infrastructure is not available;
- alternative payment filing solutions for legal entities if the online systems used on a daily basis are not functioning (this requirement will enter into force on 1 December 2026).

The availability of cash is ensured through a network of critical ATMs. Latvijas Banka, in cooperation with providers of critical financial services throughout Latvia, including all State cities, has established a network of critical ATMs, comprising at least 100 ATMs. The location map of critical ATMs is available on the website of Latvijas Banka. In order to ensure that cash is available to the widest possible range of citizens, critical financial service providers shall plan the minimum amounts of cash to be provided at critical ATMs in such a way that at least EUR 500 per day can be issued to one of their customers, as well as for one payment card issued by another financial market participant (and not only by the critical financial service provider), irrespective of the number of payment cards issued to that customer or the number of payment accounts opened by the service provider.

Critical financial service providers are also subject to additional requirements for the resilience of cash infrastructure in a crisis situation. Critical ATMs must be available at least 14 hours a day, must have

access to cash, and must ensure uninterrupted connection to information systems and a stable electricity supply.

By the end of 2025, key accessibility requirements for critical financial services were introduced as part of the transition period. In the area of non-cash settlements, the possibility to make payments offline was extended by expanding the range of traders with whom such settlements are available. In the area of cash settlement, the development of continuous power supply solutions for the network of critical ATMs continued in cooperation with critical financial service providers.

With the introduction of offline card payments for the purchase of essential goods, Latvia became the first country in the euro area to provide its citizens with such an opportunity. This significantly improved the ability of society to function in crisis situations.

In order to assess the preparedness of critical financial service providers and other involved parties to deal with crisis situations, Latvijas Banka organised an accessibility test of critical financial services in 2025. Within the framework of the test, possible crisis scenarios were played out in cooperation with providers of critical financial services, involved merchants, the Ministry of Finance, the Ministry of Defence, and the Treasury. The lessons learned from the test were used to improve regulation and strengthen coordination mechanisms.

In 2025, Latvijas Banka continued to implement communication activities, informing citizens about critical financial services and the handling of money in crisis situations. The information material "Learn about cash and other financial services in a situation of crisis" was also updated. Representatives of Latvijas Banka also participated in neighbourhood civil protection seminars organised by Riga City Council, providing explanations on the availability of financial services in crisis conditions and recommendations on how to better prepare for such situations in terms of funds.

Latvijas Banka plans to further improve the framework for critical financial services in 2026 by regularly checking the implemented solutions, introducing additional alternative payment solutions for companies, and evaluating other measures to strengthen the operational resilience of the financial system, taking into account the current risks and the improved national framework for the resilience of critical infrastructure.

In 2025, Latvijas Banka actively participated in the Baltic-Nordic cooperation activities aimed at strengthening the operational resilience of the financial sector, taking into account cross-border interdependencies and geopolitical risks. It is planned to continue this work in 2026, as well as to share with other European countries Latvia's experience in providing critical financial services.

Single Resolution Mechanism

The Single Resolution Mechanism has been in place since 2015. Latvijas Banka, as the resolution authority in Latvia, is a member of the SRM, and together with the Single Resolution Board and other national resolution authorities of EU Member States, it is constantly working to improve and strengthen the SRM. Resolution covers credit institutions and investment firms that are subject to the requirements of the Law on the Recovery and Resolution of Credit Institutions and Investment Firms. The prudential regulation and supervision of those institutions aim to ensure stable operation to mitigate the risk of liquidity and solvency crises to the maximum extent possible. Despite the resolution, credit institutions and investment firms are private market participants and they may face problems, including the risk of insolvency. If insolvency is inevitable, despite prudential regulation and supervision, the task of the resolution authorities is to safeguard financial stability by minimising disruptions to the economy and protecting taxpayers from losses.

As part of the SRM, processes that ensure the assessment of the resolvability of credit institutions and investment firms in addition to the implementation of regulation measures have been developed and strengthened. At the same time, the strengthening of the operational readiness for potential financial sector crisis scenarios should continue to ensure that Latvijas Banka, as the national regulation body, has access to a comprehensive set of statutory instruments. It is important for an institution to be able to respond to potential risk cases in a timely and efficient manner, implement the statutory regulation measures and any re-structuring, re-capitalisation, or asset and liabilities transfer strategy that may be needed according to the statutory requirements.

The functions of the resolution authority for credit institutions that are subject to direct supervision within the framework of the SSM and cross-border credit institution groups are discharged by the SRB. At the same time, Latvijas Banka's representatives participate in the resolution processes implemented by the SRB and in preparing the SRB's decisions, as well as implementing the decisions adopted by the SRB, including those related to setting the minimum requirement for own funds and eligible liabilities. Three Latvian credit institutions and one branch of a credit institution from another EU Member State, accounting for 83% of the total assets of credit institutions, were under the direct responsibility of the SRB in 2025. Latvijas Banka as the national resolution authority is responsible for the resolution function for the remaining seven credit institutions and three investment firms.

In 2025, the framework for recovery and resolution of insurance undertakings was launched. Proposals for the draft law "Law on recovery and resolution of insurance and reinsurance undertakings" to transpose the requirements of the Recovery and resolution of insurance and reinsurance undertakings directive will become effective on 30 January 2027. In 2026, Latvia will continue to actively develop and enforce this framework, including by implementing EIOPA guidelines and preparing for the practical application of the framework.

In 2025, the priorities in the resolution were:

- to continue the operationalisation of the resolution mechanism. Latvijas Banka continued participation in the EC's structural support project *23EE09 Technical support for national handbooks for Estonia, Lithuania and Latvia*. Within the framework of this project, the operationalisation process for the application of resolution tools was developed and organised. During the project, a resolution manual was drafted that includes decisions, model agreements, procedures, methodologies, and other aspects related to the application of resolutions tools. This project is an important step in strengthening the resolution process and ensuring that it can be implemented effectively if needed;
- to ensure resolution plans are kept up to date and to approve decisions on the minimum requirements for own funds and eligible liabilities.

  Resolution plans are reviewed and updated on a regular basis (at least once per year), considering market developments and changes in the respective institutions to ensure that they are ready for potential crisis situations.

  In 2025, according to business models and risks, Latvijas Banka updated ten credit institutions' resolution plans, including seven such plans in the direct remit of Latvijas Banka, and two resolution plans of investment firms.

  The success of a failing institution’s resolution is highly dependant on whether the institution has sufficient minimum own funds and eligible liabilities to allow it to absorb losses or recapitalise in a crisis. Pursuant to the Law on Recovery of Activities and Resolution of Credit Institutions and Investment Firms, the minimum own capital and eligible liabilities requirement is not established for entities undergoing liquidation. It can be established if it is found that the liquidation of the institution will affect the DGF or financial stability and the financial system. In 2025, Latvijas Banka established the minimum own capital and eligible liabilities requirement for one institution in its direct remit, as well as adopted three implementation decisions on the minimum own capital and eligible liabilities requirement established by the SRB.

In close cooperation with the national resolution authorities, including Latvijas Banka, the SRB is responsible for calculating the annual *ex ante* contribution payable to the SRF by each institution under the provisions of the SRB Regulation, and for managing and using the SRF. The objective of the SRF is to provide funding that can be called upon in a crisis to resolve a credit institution. The SRF was built up from contributions made by credit institutions in EU Member States, including those in Latvia, with a target level of at least 1% of the amount of the deposits covered at the credit institutions of all the participating EU Member States.

The target level of the SRF is reviewed annually and was reached (81 billion euro) as of 31 December 2025. Since 2015, the contributions made by Latvia's credit institutions to the SRF have amounted to EUR 52.3 million. No contributions will be made by credit institutions in 2026 unless the fund is called upon to support a resolution during the year.

Compensation disbursement schemes

The compensation disbursement schemes in Latvia are:

- The Deposit Guarantee Fund;
- The Fund for the Protection of the Insured;
- The Scheme for the Protection of the Customers of the Financial Instrument Market (Investors).

The Deposit Guarantee Fund. In 2025, Latvijas Banka continued to improve the framework for depositor protection and the process for the disbursement of guaranteed compensation. Regular stress-testing of the DGF is carried out under the provisions of Section 6 of the Deposit Guarantee Law. In 2025, the cross-border cooperation and disbursement of the guaranteed compensation function was tested to assess the ability of Latvian, Estonian, and Lithuanian deposit guarantee schemes to efficiently function in situations requiring simultaneous disbursements of guaranteed compensation in several jurisdictions. The test covered communication and coordination mechanisms to ensure timely cross-border disbursement of the guaranteed compensation to depositors. In 2025, the ability to secure GDF financing was also tested by requesting a loan from the participants of the GDF pursuant to Section 21 of the Deposit Guarantee Law. Additionally, the ability of the DGF to finance resolution measures of credit institutions was also assessed.

Testing the submission and acceptance process for requests to disburse the compensation guaranteed by credit institutions was repeated in 2025. This helped Latvijas Banka in preparing for the acceptance of guaranteed compensation disbursement requests after taking over such disbursements from AS Citadele banka. Latvijas Banka took over the disbursement of guaranteed compensation from AS Citadele banka for the depositors of several credit institutions – the insolvent AS Latvijas Krājbanka, the insolvent AS PNB Banka, as well as AS ABLV Bank, undergoing liquidation. As of 1 April 2025, the guaranteed compensation to depositors of the above credit institutions that are paid from the GDF are disbursed via Latvijas Banka.

Stress tests were also conducted by Latvijas Banka on the recipient lists for guaranteed compensation in all cooperative credit unions and credit institutions. This was completed to assess the ability of these institutions to prepare a list of depositors and submit the required information to Latvijas Banka in the format specified and within the deadlines.

During the reporting year, Latvijas Banka conducted one on-site inspection in the area of depositor protection to assess the quality of credit institution's depositor lists and their regulatory compliance. Furthermore, Latvijas Banka performed a horizontal inspection in all credit institutions on the entry of data in accounting records on depositors, who manage the funds of other persons, as well as on the provision of information to depositors. During the inspection, good practices and areas for improvement were identified.

Latvijas Banka prepared proposals for amendments in the Deposit Guarantee Law, laying down a 3% DGF target of the total guaranteed deposits in credit institutions and credit unions of Latvia as well as abolishing the initial payment when an institution joins the DGF.

Latvijas Banka continued to participate in the improvement of the unified bank Crisis Management and Deposit Insurance Framework. The goal of this process is to enhance the efficiency of the insolvency prevention system for credit institutions. To find out more on the process, please visit the European Commission website and the European Parliament website.

Members of the DGF make quarterly contributions to the DGF of 0.05% of the average balance of the deposits covered in the previous quarter, multiplied by the adjustment coefficient calculated using a formula fixed in the laws and regulations. Each year, the DGF evaluates the performance indicators of its members and calculates adjustment coefficients for the contributions to the DGF in accordance with the requirements stipulated in Section 8, Paragraph three of the Deposit Guarantee Law. The average adjustment coefficient for Latvia's credit institutions was 110% in 2025 and 112% in 2024 and 99% for cooperative credit unions in 2025 and 93% in 2024.

Deposit-takers made regular contributions of EUR 22.9 million to the DGF in 2025.

Latvijas Banka was responsible for the accumulation and management of DGF funds in 2025, and its balance at the end of the year was EUR 302.3 million. The basic principle in managing DGF funds is to ensure a high level of liquidity. In 2025, DGF funds were invested in short-term, liquid, fixed-income, investment-grade, euro area government securities with a maturity of up to 12 months. In 2025, the annual return on investment was 2.21%.

The Fund for the Protection of the Insured. The funds of the FPI consist of the contributions from insurance companies of 0.1% of the total gross insurance premiums received from natural persons pursuant to the classes of insurance specified by law. Since its inception, EUR 12.3 thousand of guaranteed compensation has been disbursed from the FPI. Since the accumulated holdings of the FPI funds exceeded the amount stipulated in Section 288 of the Insurance and Reinsurance Law at the end of 2015, contributions to the FPI have been suspended since 2016. At the end of 2025, there were EUR 21.0 million in the FPI. The FPI funds were also invested in short-term, liquid, fixed-income, investment- grade, euro area government securities with a maturity of up to 12 months, and the annual return on investments was 2.20% in 2025.

Protection of the customers of the financial instrument market (investors). The investor protection scheme is based on the Investor Protection Law. Compensation for each investor is limited to EUR 20 000. Latvijas Banka ensures the payment of compensation, as well as holding the funds earmarked for such disbursements and management of the investor protection scheme, while the required funds are provided by participants of the system. The Investor Protection Law does not provide for the accumulation of funds for disbursing compensation, but the financial resources can, if necessary, be provided by the scheme participants or legal entities that have been authorised to provide investment services. In 2025, improvements continued to be made to the legal framework governing the protection of investors. For the first time ever, Latvijas Banka also tested the investor lists submitted by all participants in the investor protection scheme to verify their ability to prepare and submit investor information in the required format and within the prescribed deadline in accordance with the Regulation on the Preparation and Submission of the List of Investors Entitled to Compensation.

Investment management

Latvijas Banka manages its financial assets and gold in accordance with the investment management guidelines set by the Council of Latvijas Banka, observing the principles of prudent management. Investments are managed in such a way as to ensure the long-term effects of:

- capital preservation;
- liquidity;
- income generation.

In addition, the management of investments takes into account the principles of sustainability and the Agreement on Net Financial Assets of the Eurosystem central banks.

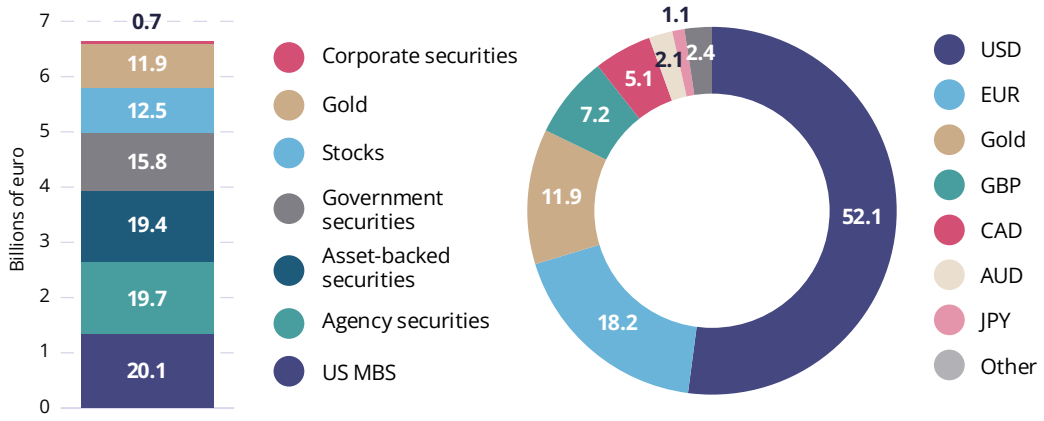
Investment composition

Diversification is one of the primary strategies used in investment management. Latvijas Banka mostly invests its financial assets in:

- debt securities issued by the governments of the US and European countries, their agencies, or international institutions;
- asset-backed securities;
- securities in the emerging markets government securities index;
- securities in the global investment grade fixed income securities index;
- equities issued by companies in developed and emerging markets equity indexes;
- high-quality debt securities issued by corporate issuers;
- gold.

The total value of Latvijas Banka's investment portfolios at the end of 2025 was EUR 6.62 billion, which was EUR 0.5 billion more than at the end of 2024.

Chart 61. Investment composition (31 December 2025; %)



Investment management framework

Investments are managed both by the specialists of Latvijas Banka and external managers. Investments are made in three main asset classes: fixed income securities, equities, and gold.

Investment in fixed-income securities

The bulk of investment in fixed-income securities is managed by the experts of Latvijas Banka.

Table 2. The benchmark of the 1–10 year fixed-income securities portfolio managed in-house

	Term structure of government securities index	Currency structure
US	1–3 years	55%
Euro area	1–10 years	21%
United Kingdom	1–10 years	14%
Canada	1–3 years	10%

Investments in investment-grade fixed-income government securities market countries are made through ETFs. In 2024, the benchmark portfolio of these investments was changed, redirecting it towards more sustainable issuers with a higher rating according to ESG criteria and green bond issuances.

To manage investments in fixed-income securities, Latvijas Banka also relies on the services of seven external managers. They manage a portion of Latvijas Banka's financial assets in compliance with the guidelines issued by the Council of Latvijas Banka:

- six managers manage the portfolios of US mortgage-backed fixed-income securities (US MBS);
- one manager manages an investment grade global fixed income securities portfolio. In 2024, this portfolio was restructured to comply with the fund requirements in Article 8 of the Sustainability-related disclosures in the financial services sector regulation.

For all investments in fixed income securities, except for the investment grade global fixed income securities portfolio, the currency risk is hedged against the euro.

Investment in equities

Investment in equities mostly comprises of the portfolio of equities from developed markets. It is managed by an external manager and is subject to the Sustainability Strategy of Latvijas Banka. The targets of this equity portfolio include (see the report):

- to support the achievement of carbon neutrality by 2050 at the latest;
- to adjust the portfolio to the provisions of the Paris Agreement;
- to avoid environmental pollution, conserve biodiversity, and consider ESG factors.

Investments in emerging market equities are managed against the respective equity index and are made using the ETF.

Investment in gold

Latvijas Banka's gold is stored in the Bank of England.

Management of ECB reserves

Under the Statute of the ESCB and of the ECB, Latvijas Banka has transferred a small share of its financial assets to the ECB to be managed as part of the ECB's foreign reserves. The ECB's reserves are managed by the national central banks of the Eurosystem, where each bank is allocated a share of financial assets to manage in accordance with their capital key[11] at the ECB. Together with Oesterreichische Nationalbank, Latvijas Banka manages its share in Japanese yen. Under the Statute of the ESCB and of the ECB, 1.1 tonnes of Latvijas Banka's gold have been included in the ECB reserves.

Risk management

Risk management is an integral part of investment management. Risk management means developing risk scenarios, assessing the potential yields from financial assets and the risks to them, and modelling the optimal asset allocation. Whether the investment portfolio complies with the guidelines and the risks are distributed in accordance with investment decisions is monitored and assessed on a daily basis.

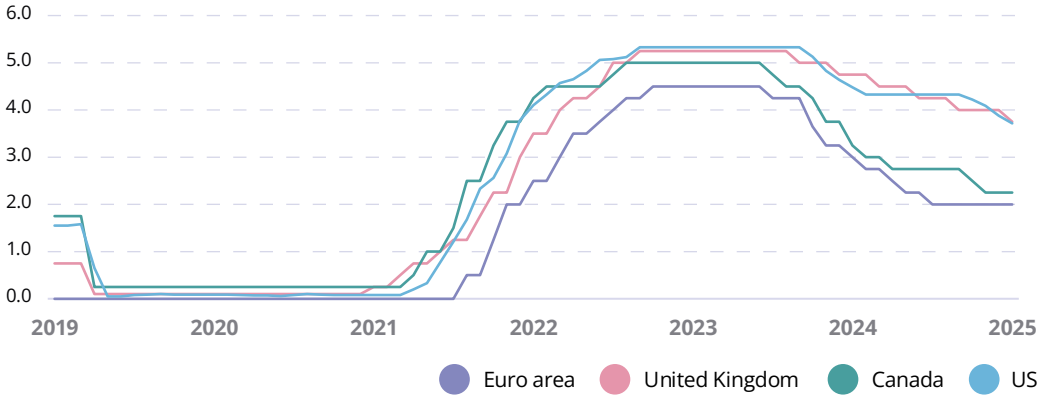
Interest rate risk is the most significant risk factor affecting Latvijas Banka's investments. In Latvijas Banka's investment structure, the most significant financial impact entails changes in 2, 5, and 10-year government bond rates, as well as changes in risk premiums (the spread between the yields of non-government and government securities). The second most significant risk factor is market price changes, in particular, the price of equities in developed markets. The Council of Latvijas Banka determines the permissible levels of investment interest rates, market prices, and other risks. Specialists of Latvijas Banka and the Investment Committee of Latvijas Banka analyse these factors on a daily basis and assess their effect on investments.

[11] The ECB's capital consists of contributions by all national central banks (NCB) of EU Member States. The NCBs' shares in this capital are calculated using a key which reflects the respective country's share in the total population and gross domestic product of the EU.

2025 in review

In 2025, central banks of developed countries continued cutting their base interest rates. The US Federal Reserve System lowered its rates by 75 basis points, while the ECB, the Bank of England, and the Bank of Canada – by 100 basis points.

Chart 62. Development of central bank policy rates (%)



Sources: Bloomberg Finance LP and Latvijas Banka.

In 2025, the base interest rates returned to the 2021-2025 level, and were much less volatile than in 2024. The volatility of interest rates briefly peaked in April 2025, when the rates responded to the initial external trade tariffs announced by the USA.

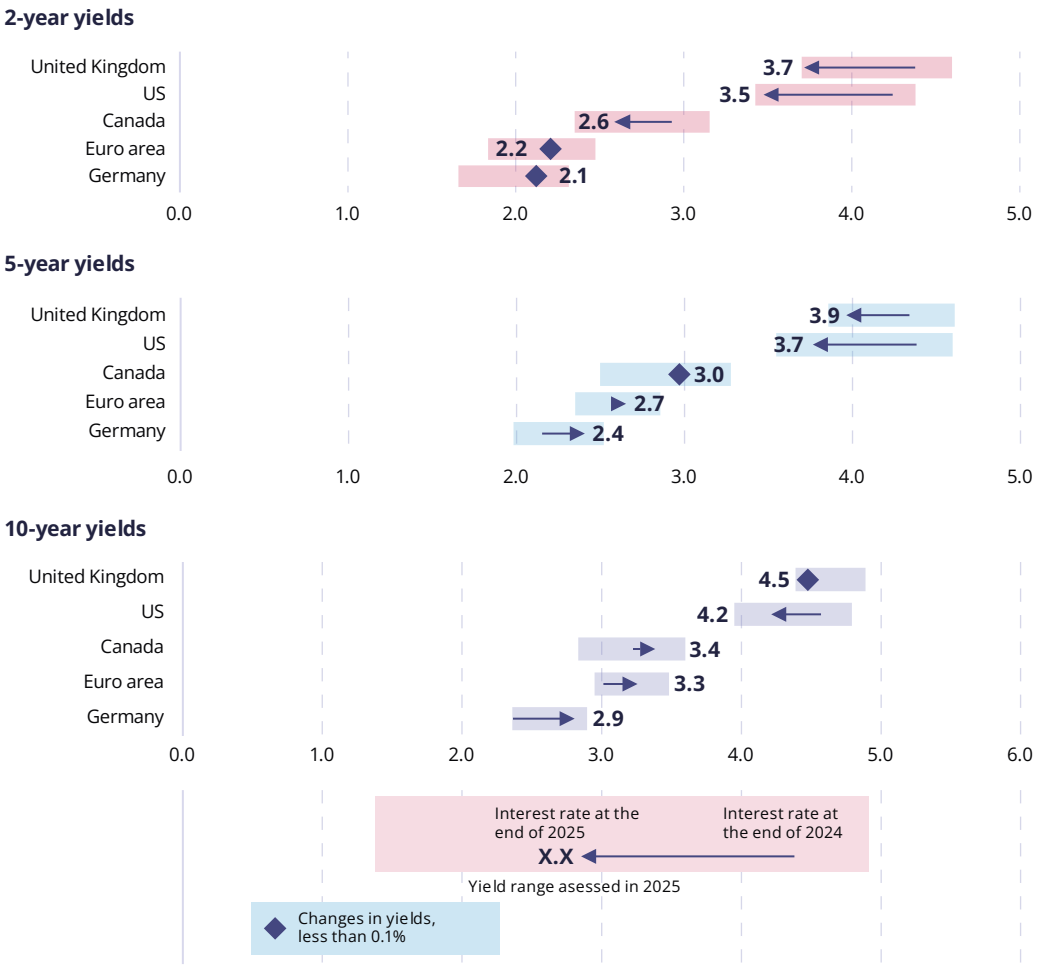
Chart 63. US Bond Market Option Volatility Estimate (MOVE) index over 10 years (index points)

Sources: Bloomberg Finance LP and Latvijas Banka.

Chart 64 illustrates the development of interest rates in dominant markets and the term structures of securities within Latvijas Banka's investment portfolio in 2025.

- In 2025, shorter term interest rates were slightly more volatile than longer-term interest rates.
- The euro area, German and Canadian 2-year interest rates were considerably lower than the UK and US 2-year interest rates.

Chart 64. Range of government securities yields in 2025 (yields; %)



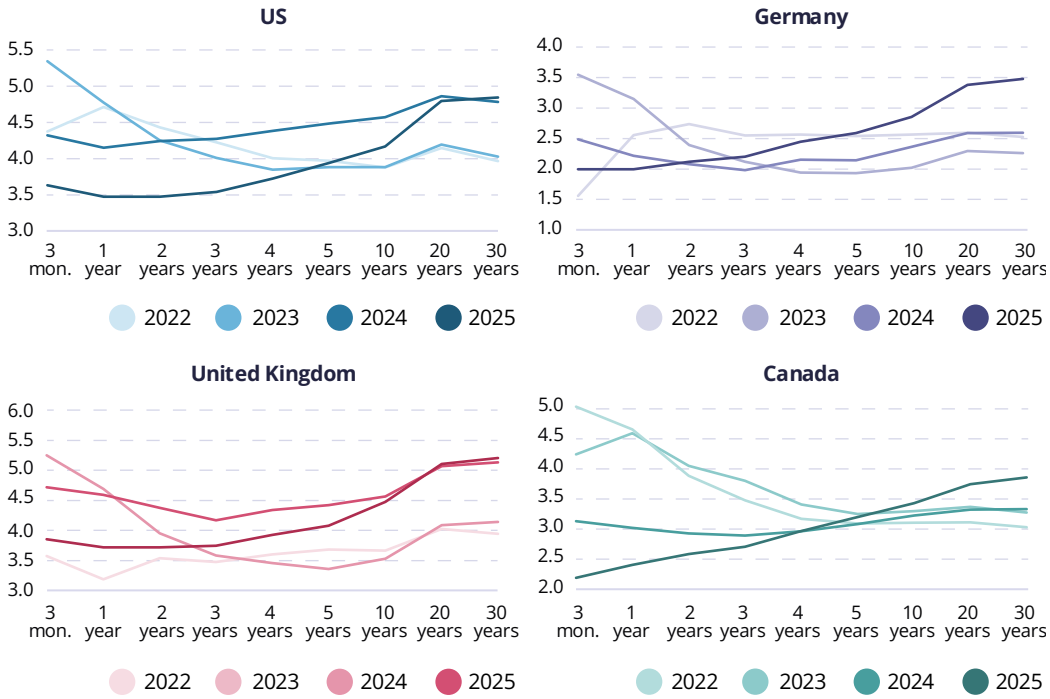
Sources: Bloomberg Finance LP and Latvijas Banka.

Note. The euro area rate is the weighted interest rate of the respective period in the European countries included in the neutral portfolio of Latvijas Banka.

- During the year, the German and euro area longer-term interest rates increased, while the 2-year rates remained stable.
- The UK, US, and Canadian 2-year interest rates decreased much faster than the 10-year interest rates (in the UK, they remained stable).

As Chart 65 demonstrates, the yield curves continued to normalize, becoming steeper, and by the end-2025 the spread of 10-year and 2-year interest rates across all covered markets ranged from 69 basis points (USA) to 89 basis points (Canada), while the spread of 10-year and 3-month interest rates ranged from 54 basis points (USA) to 124 basis points (Canada).

Chart 65. Dynamics of government securities yield curves (%)



Sources: Bloomberg Finance LP and Latvijas Banka.

After sustained dominance, the US stock market index S&P 500 offered lower returns than most other significant stock market indices. This was the first such occurrence since 2015, though investments of foreign investors in US stocks in 2025 exceeded those made in 2024 two-fold.

Chart 66. Comparison of stock indices of various countries and regions (in local currencies)

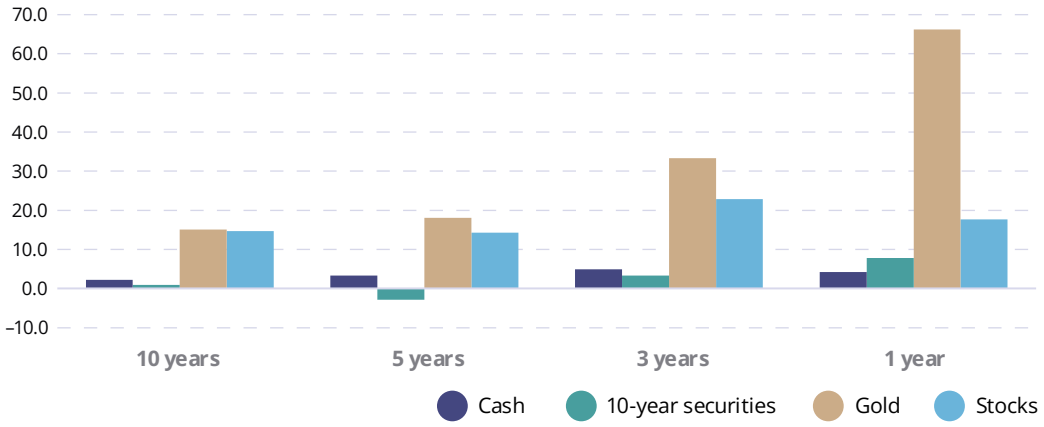
2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Japan 12.1%	UK 16.8%	Asia 42.1%	US –4.4%	US 31.5%	Asia 25.4%	US 28.7%	UK 0.3%	Japan 28.3%	US 25.0%	Developing c. 34.4%
Europa 9.1%	US 12.0%	Developing c. 37.8%	UK –9.5%	Europa 27.5%	Developing c. 18.7%	Europa 24.4%	Japan –2.5%	US 26.3%	Japan 20.5%	Asia 33.0%
US 1.4%	Developing c. 11.6%	Japan 22.2%	Europa –10.6%	UK 19.2%	US 18.4%	UK 18.3%	Europa –12.2%	Europa 17.3%	Asia 12.5%	Japan 25.5%
UK 1.0%	Asia 5.8%	US 21.8%	Asia –14.1%	Developing c. 18.9%	Japan 7.4%	Japan 12.7%	US –18.1%	Developing c. 10.3%	UK 9.5%	UK 24.0%
Asia –8.9%	Europa 3.2%	Europa 14.5%	Developing c. –14.2%	Asia 18.5%	Europa 2.1%	Developing c. –2.2%	Asia –19.4%	UK 7.9%	Europa 8.1%	Europa 20.1%
Developing c. –14.6%	Japan 0.3%	UK 13.1%	Japan –16.0%	Japan 18.1%	UK –9.8%	Asia –4.5%	Developing c. –19.7%	Asia 6.3%	Developing c. 8.1%	US 17.9%

Sources: *J.P.* Morgan Asset Management and Latvijas Banka.

Notes. Stock indices used: US: S&P 500; UK: FTSE All-Share; emerging markets: MSCI EM; Asia: MSCI Asia ex-Japan; Europe: MSCI Europe ex-UK; Japan: TOPIX. All returns are total returns in local currencies, except MSCI Asia ex-Japan and MSCI EM that are calculated in US dollars.

In 2023 and 2024, the price of gold increased by 13.1% and 27.2% respectively, and it continued its ascent in 2025 as its price rose by 64.6% (in US dollars). In the last decade, gold has been a strong diversifier for investment portfolios. Due to the significant increase in the price of gold during the last two years, its yield was comparable to stocks during the last decade. According to calculations by the World Gold Council, 2025 was unusual, and the price of gold was largely affected by all four factors used in its model: the high-risk environment, primarily driven by geopolitical risk, reduced opportunity cost – through a weaker US dollar and marginally lower rates, price momentum and investor positioning, and the economic growth.

Chart 67. Annual returns on various asset classes over various periods (last year, last 3, 5, and 10 years) (%)



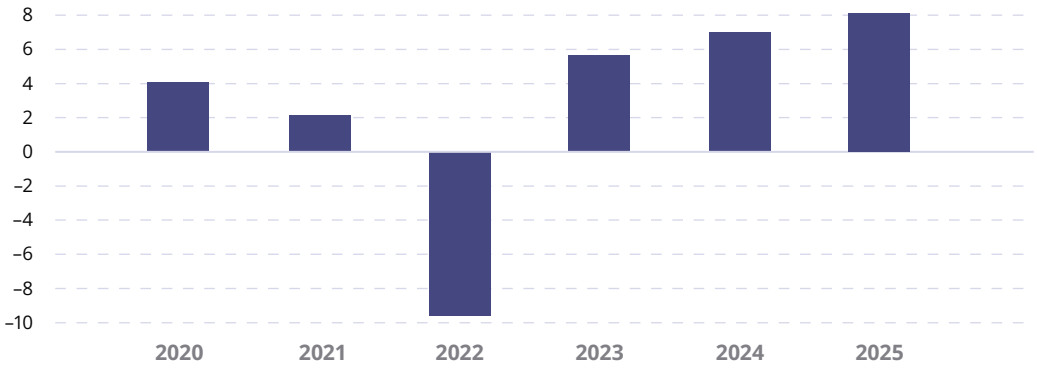
Sources: New York University Stern School of Business and Latvijas Banka.

Note. Equities represent the S&P 500 index, cash stands for the US government 3-month fixed-income securities, 10-year securities denote the US government 10-year fixed-income securities, while the gold price is expressed in US dollars.

Investment results for 2025

In the area of investment management, 2025 has been the most profitable year for Latvijas Banka so far. Income from investment management (economic return) reached nearly EUR 500 million or 8%.

Chart 68. One-year investment returns (%)



Source: Latvijas Banka.

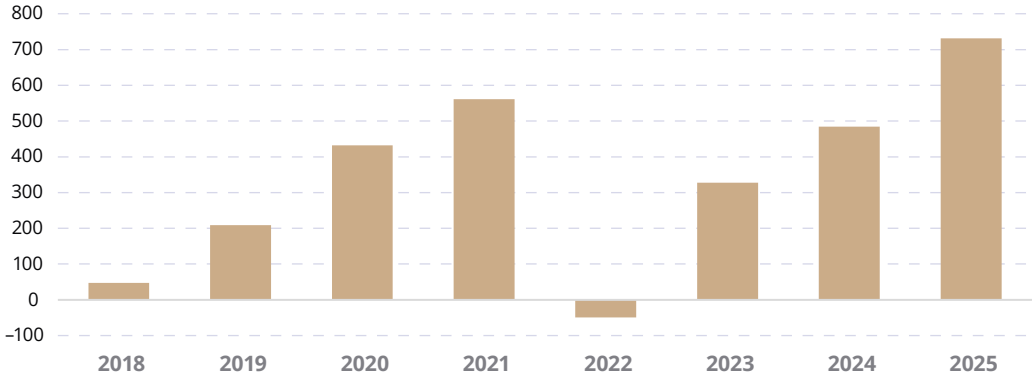
Latvijas Banka's investments are managed with the objective of ensuring compliance with the fundamental principles of management in the medium and long term. Although the market value of financial assets fell sharply in 2022 as a result of the rapid rise in interest rates (see Chart 69), the

medium-term income generated by Latvijas Banka from investment management remained strong (see Chart 70).

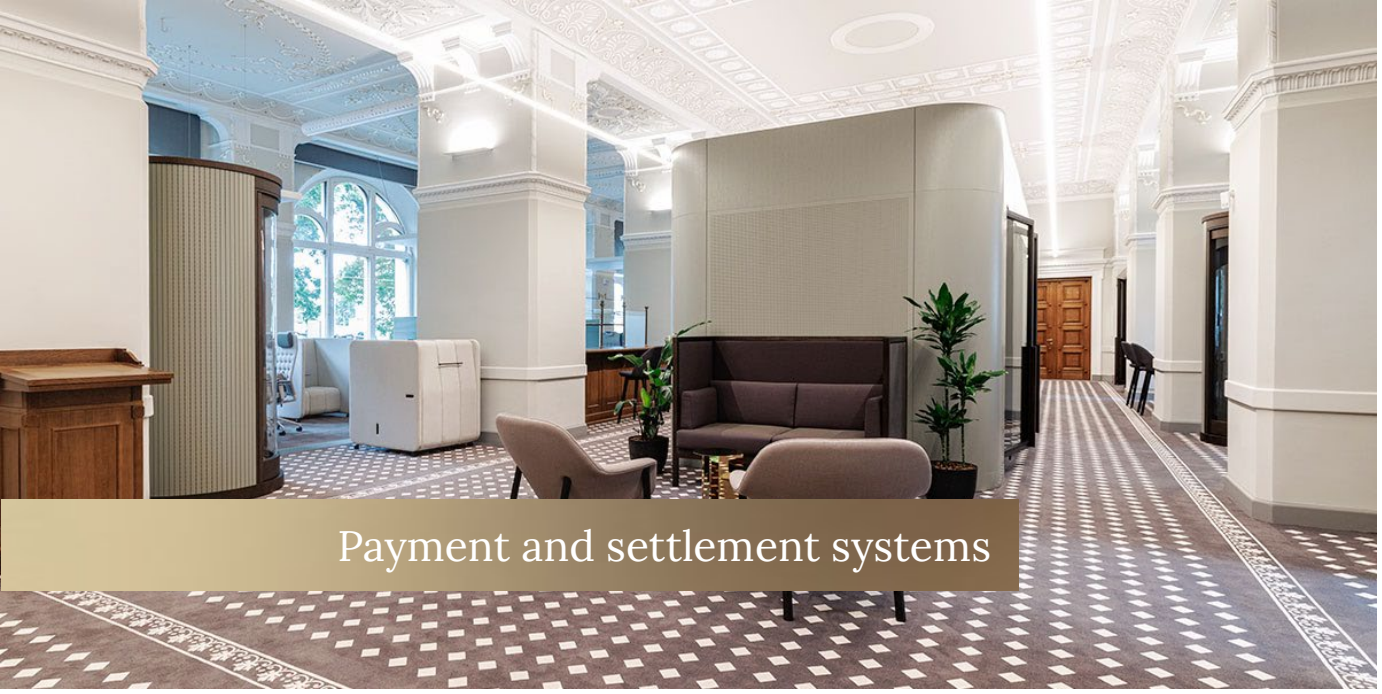
Chart 69. Annual total return performance of the S&P 500 and US 10-year Treasury since 1928 (%)

Sources: Bloomberg Finance LP, ICE Data Services and Latvijas Banka.

Chart 70. Total 5-year economic profit of investments (rolling, millions of euro)



Source: Latvijas Banka.



Payment and settlement systems

Digital euro project

Latvijas Banka continues to take an active part in the digital euro project that is being run by the ECB in cooperation with the national central banks of the euro area. In 2025, the first part of the preparatory stage for the digital euro concluded, and a decision was made on further progress of this project, namely, to start the second part of the preparatory stage. This stage is to be implemented by the autumn of 2027, and it will include the development of infrastructure for the digital euro and preparations for the testing of payments using the digital euro.

In 2025, Latvijas Banka especially focussed on direct communication with market participants – commercial banks and merchants – to explain the progress of the digital euro project and to gain insights in the specifics and interests of the Latvian market. It continued to support the Ministry of Finance in drafting the framework for the digital euro. At the end of 2025, the European Council agreed on a common position on this matter. Additionally, to support the progress of this regulation at the European Parliament, meetings with Latvian MEPs were held to explain the nature and need for the digital euro project. Communication activities will continue in 2026 after receiving positive feedback.

In order to enhance the public understanding and awareness of the rationale and progress of the digital euro project, Latvijas Banka issued several publications in 2025 in addition to sharing ECB communication materials on social media. In 2025, representatives of Latvijas Banka participated in conferences and events organised by universities, where they shared information on the digital euro project and its objectives.

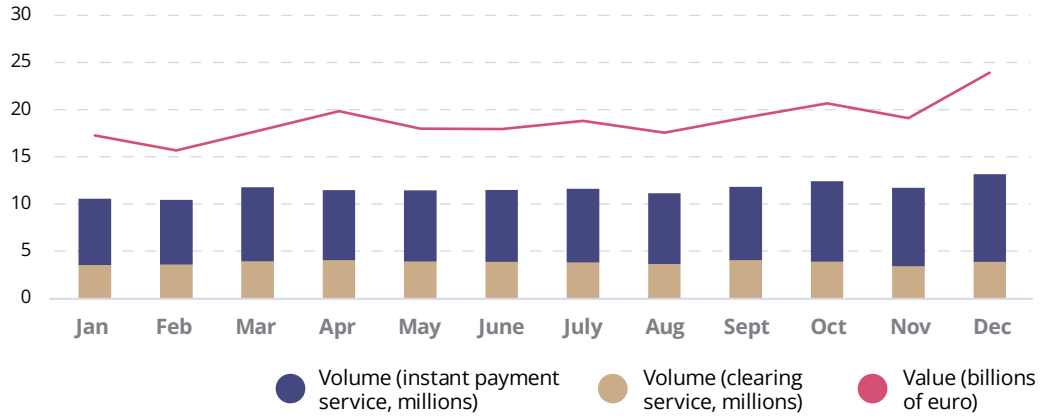
Operation of the EKS

The EKS system developed and maintained by Latvijas Banka continued to ensure customer payments in euro in the Single Euro Payments Area (SEPA) from an account in one financial institution to an account in another financial institution via the instant payment service and the clearing service. The instant payment service guarantees the execution of transactions within seconds, operating 24/7. Meanwhile, the clearing service processes payments on business days, ensuring that funds are transferred to the recipient within a few hours.

Several non-bank financial institutions were granted access to the payment systems of Latvijas Banka – ten payment institutions and electronic money institutions started participating in the EKS system in 2025. At the end of 2025, 11 credit institutions, 10 payment institutions and electronic money institutions, the

Treasury, and Latvijas Banka directly participated in the EKS system. All members of the EKS used both the clearing service and the instant payment service.

Chart 71. Volume and value of payments processed in the EKS system in 2025



139.0 million SEPA credit transfers totalling 225.6 billion euro were executed in the EKS system (the instant payment service and the clearing service combined). The volume of payments executed in the EKS increased by 10.0% over the year and the value by 11.7%.

Throughout the year, the volume of instant payments processed via the instant payment service increased 1.3 times, with some participants making more than 90% of their payments as instant payments. A total of 92.5 million instant payments in the amount of 54.5 billion euro were processed, with up to 490 thousand instant payments processed on some days. The availability of instant payment service was 100%.

The EKS clearing service, the availability of which was 100% in 2025, processed an average of 178 thousand customer SEPA credit transfers in the amount of 664 million euro per day. In total, 45.4 million payments totalling 169.3 billion euro were processed.

Instant Links Proxy Register

Latvijas Banka continued to ensure the operation of the Instant Links Proxy Register, enabling the customers of several Latvian and Estonian banks to execute instant payments and other transactions with greater convenience by simply entering the payee's mobile phone number in the payment order.

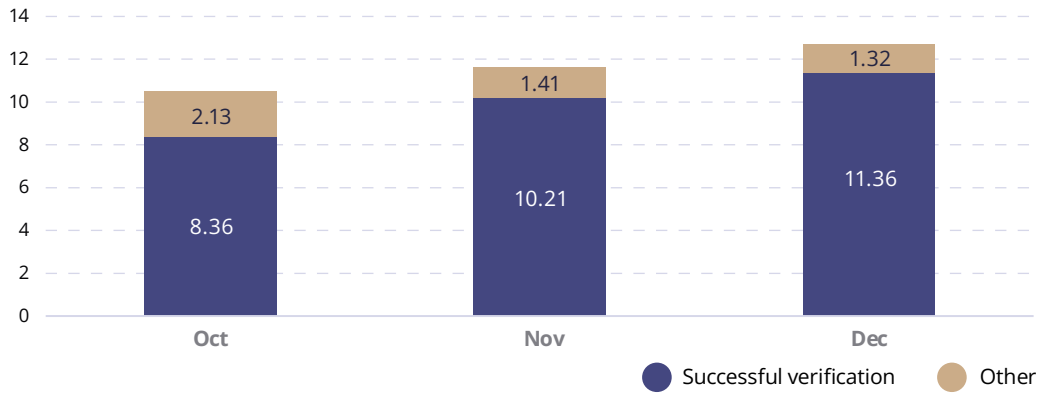
At the end of 2025, a total of 758 thousand instant links had been registered with the Instant Links Proxy Registry (100% availability), representing a 5% increase compared to the end of the previous year. During the year, 16.9 million requests were processed by the Instant Links Registry. 60% of instant links were registered for customers of Latvian banks and 40% for those of Estonian banks.

Instant Verification Service

In October of 2025, Latvijas Banka introduced the Instant Verification Service that allows payment service providers to verify the name and account number (IBAN) of the payee according to the instant payments regulation. At the level of the Eurosystem, this service is provided by Latvijas Banka and the central bank of Portugal.

Payment service providers from nine EU Member States have started using the Instant Verification Service. In 2025, the Instant Verification Service processed 34.8 million requests, of which 29.9 million were successful.

Chart 72. Number of requests processed by the Instant Verification Service in 2025 (in million)

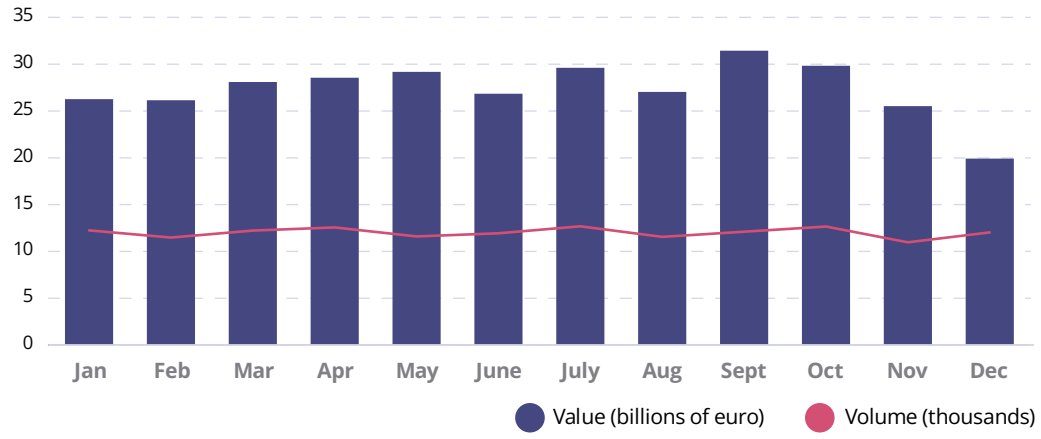


Operation of TARGET-Latvija

In 2025, Latvijas Banka continued to ensure the operation of the TARGET-Latvija system. It is a component system of TARGET, the third largest payment system in the world.

The availability of TARGET, including that of TARGET-Latvija, was 99.84% in 2025. TARGET2-Latvija processed 565 payments per day worth 1.3 billion euro on average.

Chart 73. Volume and value of payments executed in the TARGET-Latvija system in 2025



Latvijas Banka also provided payment services in euro to institutions with settlement accounts opened with Latvijas Banka outside of the TARGET-Latvija system, i.e. the Treasury, Latvian, foreign, and international financial institutions. In 2025, payments of such institutions executed by Latvijas Banka amounted to EUR 1.7 billion.

Oversight of the payment system

In 2025, Latvijas Banka performed day-to-day oversight of the EKS, analysing the system's technical and operational functions, compiling statistical data on it, and making sure that the interbank payment environment in Latvia is secure and efficient.

Latvijas Banka regularly compiled and analysed payment data on a semi-annual basis regarding payments made by customers of Latvia's payment service providers, enabling it to oversee the evolution of payment instruments used in Latvia. Payment data were compiled in compliance with a uniform ECB statistical methodology.

Oversight of financial instrument settlement systems

In cooperation with the central banks of Estonia, Lithuania, and Iceland, Latvijas Banka coordinated the assessment of depositary Nasdaq CSD SE during the cybersecurity survey of the Eurosystem's financial markets infrastructure and concluded that Nasdaq CSD SE has a high cybersecurity level.

An assessment report was prepared on the compliance of Nasdaq CSD SE with the Central securities depositories regulation in areas of importance for the Eurosystem. Having made no new findings, the Eurosystem issued a positive opinion on the operation of the securities settlement systems maintained by Nasdaq CSD SE.

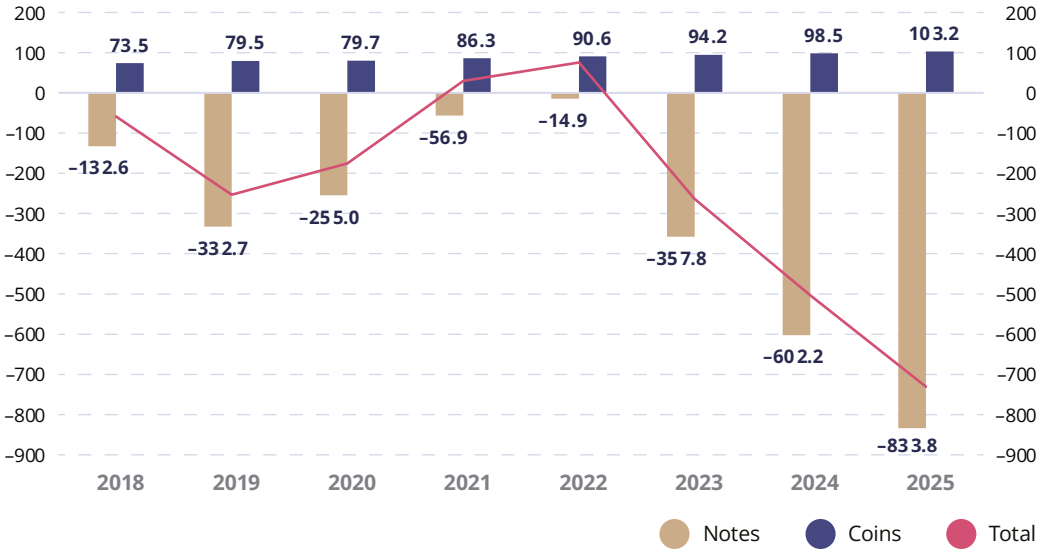
Cash circulation

Securing cash circulation

While non-cash payments are becoming more popular in Latvia, cash remains a popular choice for purchases. Data from a public survey suggest that the average person makes five payments in cash per week. Therefore, one of the primary tasks of Latvijas Banka remains ensuring cash circulation. Furthermore, cash payments are critical financial services, and the National Security Law stipulates that the availability of them must be ensured in the event of a national security threat.

The net issuance of euro banknotes by Latvijas Banka continued to decline and remained negative in 2025. Meanwhile, the net issuance of euro coins by Latvijas Banka increased. The total net issuance of euro banknotes and coins by Latvijas Banka was consequently –730.6 million euro at the end of 2025.

Chart 74. Net issuance of euro banknotes and coins by Latvijas Banka (millions of euro)



Net issuance of euro banknotes and coins by Latvijas Banka

The net issuance of euro banknotes by Latvijas Banka in terms of number increased by 0.6% during 2025 (up to 69.7 million banknotes). By the end of 2025, the 50-euro and 20-euro banknotes were the denominations most commonly issued by Latvijas Banka.

Meanwhile, the net issuance of euro coins by Latvijas Banka saw a 4.0% increase in volume, reaching a total of 518.7 million coins in December. Of the coins issued by Latvijas Banka, 1 cent and 2 cent coins accounted for the largest numbers of coins in circulation at the end of 2025.

Chart 75. Net issuance of euro banknotes by Latvijas Banka (by nominal value; 2014–2025; volume; millions)

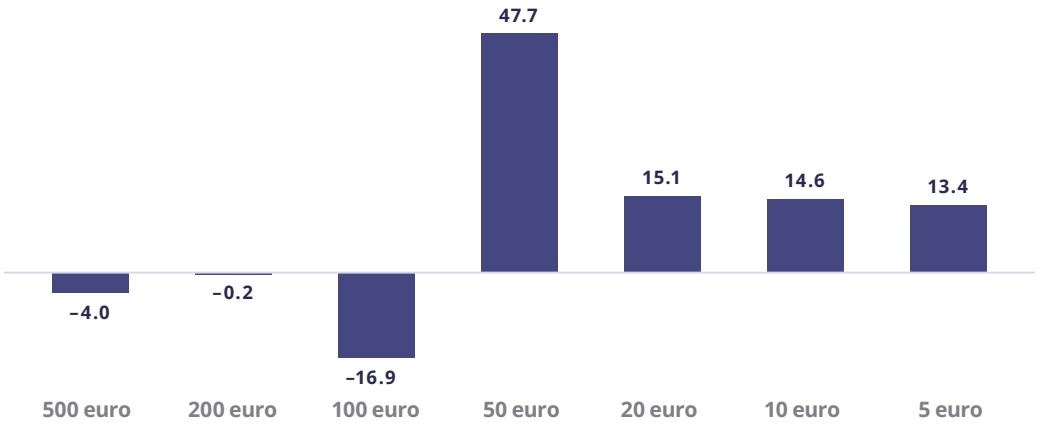
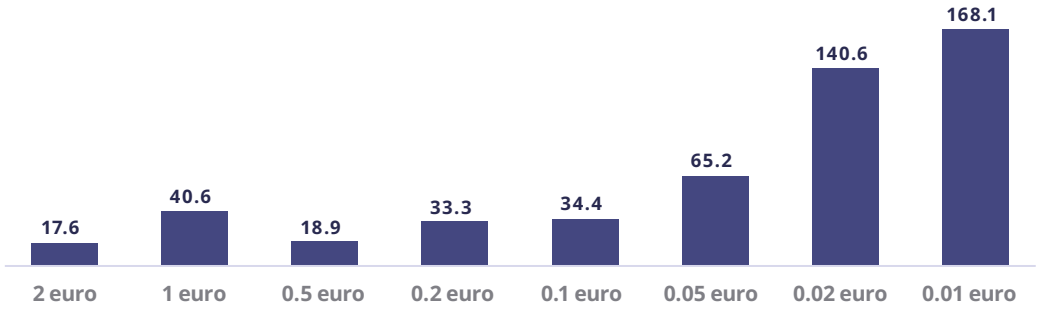


Chart 76. Net issuance of euro coins by Latvijas Banka (by nominal value; 2014–2025; volume; millions)



The cash received from credit institutions was checked for fitness and authenticity by the automated cash processing systems of Latvijas Banka. They processed 136.4 million banknotes in 2025 (7.1% less than in 2024). Of the banknotes processed, 5.8%, or 8.0 million, were identified as unfit for circulation and destroyed.

In 2025, Latvijas Banka continued to implement the registration of cash handlers and operational control function. At the end of 2025, the number of registered cash handlers remained stable year on year – 32 merchants. Latvijas Banka oversaw the operations of these merchants by assessing their compliance with the regulatory requirements on processing of cash. Seven such inspections were carried out in 2025.

In 2025, withdrawal of lats coins and banknotes from circulation continued. The value of lats banknotes and coins withdrawn from circulation by Latvijas Banka over the year totalled 0.5 million lats (0.4 million lats in banknotes and 0.1 million lats in coins). Lats banknotes and coins worth 38.2 million lats and

43.6 million lats respectively were in circulation at the end of 2025. In numeric terms, the 5 lats and 20 lats banknotes (1.7 million and 0.7 million respectively) and the 1 santim and 2 santims coins (149.1 million and 89.2 million respectively) accounted for the majority of the number of banknotes and coins in circulation.

Amendments to the Credit Institution Law adopted on 19 September 2024 established an obligation for credit institutions important for access to cash in Latvia to ensure minimum cash withdrawal services for customers. These requirements became effective on 1 January 2025, and were laid down in Paragraphs two, three, and four of Section 73.[1] of the Credit Institution Law, as well as in Latvijas Banka's Regulation No 330 "Regulation on the Management of the Cash Withdrawal Service" of 28 October 2024.

According to the data available to Latvijas Banka on 31 December 2025, the four largest credit institutions of Latvia complied with the service provider criteria set out in Paragraph one of Section 73.[1] of the Credit Institution Law. These institutions were AS SEB banka, AS Swedbank, AS Citadele banka, and the Latvian branch of Luminor Bank AS.

In 2025, Latvijas Banka implemented several measures to control compliance with the requirements of the cash disbursement service and ensured control over compliance with the requirements of the cash disbursement service. Year on year, the number of ATMs remained stable – at the end of 2025, in the entire territory of Latvia 882 ATMs were available (at the end of 2024 – 889 ATMs)[12].

In 2025, 15.8 million coins were deposited by individuals and businesses in the cash deposit machines installed at the Riga branch of Latvijas Banka.

Execution of the functions of the National Analysis Centre and the Coin National Analysis Centre

Number and types of counterfeits

Latvijas Banka, as a national analysis centre and the national coin analysis centre, is regulated by the EU and the national law that imposes anti-counterfeiting obligations with regards to euro notes.

Primary objectives of the National Analysis Centre and the Coin National Analysis Centre

- Identify, analyse, and store any counterfeit money in any currency seized in Latvia or as a result of police measures.
- Record data on any discovered counterfeit notes and transfer them to the ECB, EC, and other international institutions that are involved in anti-counterfeiting activities.
- Cooperate with banks and other cash handlers.
- Ensure training on the recognition of counterfeit notes.

Statistics on the scope and trends of counterfeiting

Discovery of counterfeit notes

Counterfeit notes are mostly discovered by professional money handlers. In 2025, they detected and removed 72% of all counterfeit notes and 78% of all counterfeit coins from circulation.

[12] Of these, 860 are ATMs serving customers of the four largest credit institutions of Latvia; 5 are ATMs serving customers of credit institutions not subject to obligations set out in Paragraphs two, three, and four of Section 73.[1] of the Credit Institution Law; 2 are coin deposit machines of Latvijas Banka; and 15 are the ATMs of the independent ATM network operator Euronet 360 Finance Ltd. installed in Latvia.

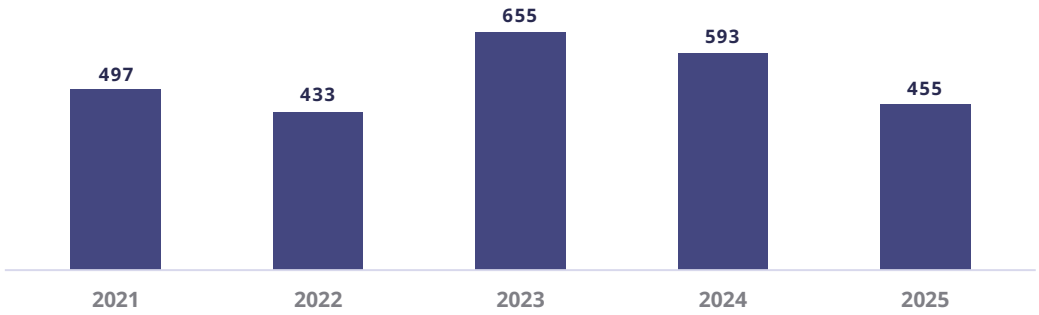
Approximately half of all circulating counterfeit notes are recognised when an attempt is made to deposit them in an ATM. 10% of counterfeit notes were discovered in retail outlets or by private individuals.

Detected counterfeit notes

In 2025, Latvijas Banka identified 455 counterfeit euro banknotes and 585 counterfeit euro coins in circulation.

The number of detected counterfeit banknotes decreased by 23% year on year, and the number of counterfeit coins – by 18% over the same period.

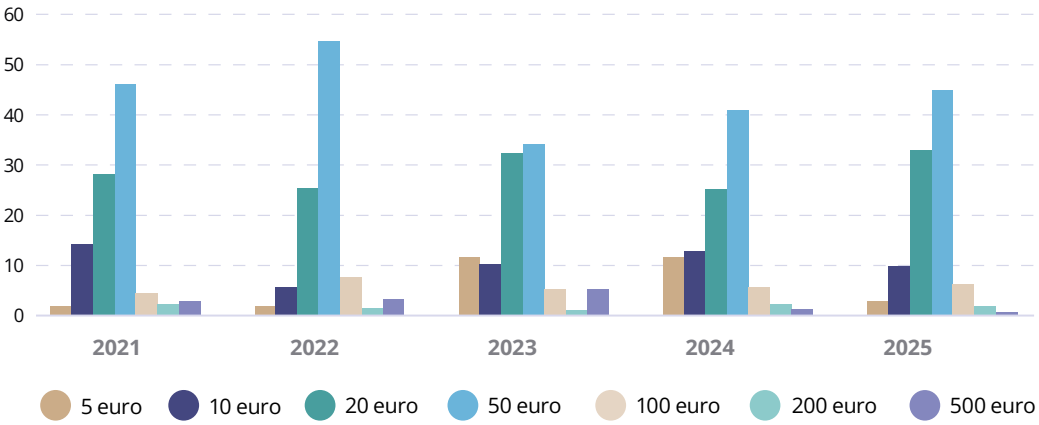
Chart 77. Number of circulating counterfeit notes discovered in Latvia



In 2025, the number of detected counterfeit euro banknotes remained low, with 2 counterfeit banknotes per 10 000 inhabitants.

In 2025, mostly counterfeit 50-euro and 20-euro notes were discovered amounting to 78% of all recognised counterfeit euro notes.

Chart 78. Counterfeit euro banknotes identified in circulation (%)

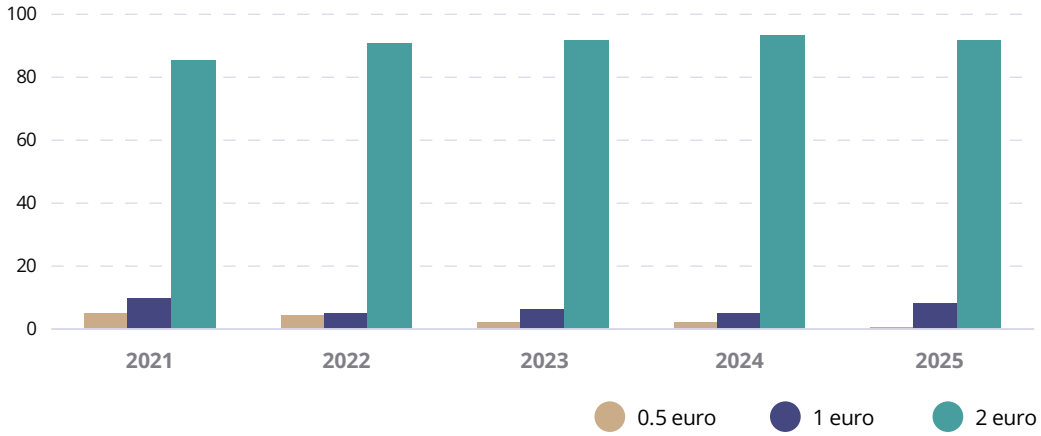


Number of euro banknote counterfeits identified by Latvijas Banka by nominal value

Year	No nominal value	5 euro	10 euro	20 euro	50 euro	100 euro	200 euro	500 euro	Total
2021		9	71	140	229	22	11	15	**497**
2022		8	25	110	237	33	7	14	**434**
2023		76	67	212	224	34	7	35	**655**
2024		69	76	149	243	34	14	8	**593**
2025	1	13	45	150	205	29	9	3	**455**
Total	**1**	**175**	**284**	**761**	**1138**	**152**	**48**	**75**	**2634**

The majority of counterfeit euro coins identified were 2-euro coins. In 2025, the share of counterfeit 2-euro coins reached 92% of all detected counterfeit coins.

Chart 79. Counterfeit euro coins identified in circulation (%)



Number of euro coin counterfeits identified by Latvijas Banka by nominal value

Year	50 cents	1 euro	2 euro	Total
2021	10	20	176	**206**
2022	20	22	415	**457**
2023	13	36	544	**593**
2024	14	34	663	**711**
2025	2	47	536	**585**
Total	**74**	**133**	**1985**	**2192**

Counterfeiting quality

Generally, high-quality 100-euro, 200-euro, and 500-euro counterfeit notes are discovered. In 2025, the volume of such counterfeit notes reached 0.5% of all circulating counterfeit notes.

41% of the counterfeit euro banknotes detected in 2025 were low-quality counterfeits with altered designs, i.e. counterfeit banknotes with clear deviations in the visual elements and lacking any imitation of the banknotes' security features.

Information and public relations

In 2025, Latvijas Banka started offering a free online training Verification of cash – it aims to teach how to recognise counterfeit euro notes and coins.

The training tool was mostly designed for professional cash handlers, but it may be completed by any stakeholder. Approximately 90 minutes are required to complete the training, and a knowledge test is required upon completion. In 2025, Latvijas Banka organised four in-person training sessions.

The widespread circulation and high value of euro banknotes continue to make them an attractive target for counterfeiters. To protect oneself from counterfeits and prevent financial loss due to the acceptance of counterfeit banknotes, it is essential to carefully examine the banknotes, for instance, by applying the Feel, Look, Tilt method. Frequent discovery of low-quality circulating counterfeits means that residents fail to pay sufficient attention to the verification of authenticity of received notes.

Euro commemorative and collector coins issued by Latvijas Banka in 2025

In 2025, Latvijas Banka issued five collector coins: the gold collector coin "Our Land" selected during an open competition (issued on 22 May 2025), the coin "Sun and Wind" celebrating the 400th anniversary of Liepāja (issued on 17 June 2025), the coin "Džemma" celebrating artist Džemma Skulme (issued on 21 August 2025), the coin "Latvian Book – 500" celebrating the 500th anniversary of the first book in Latvian (issued on 4 November 2025), and the coin "Flow" celebrating the animated film "Flow" (issued on 10 December 2025). A 2-euro commemorative coin "Sēlija" (in circulation since 9 October 2025; in rolls and gift packaging), as well as a set of circulation coins "Sēlija" (in circulation since 9 October 2025) were also issued. The commemorative coin "Sēlija" marks the conclusion of a series of 2-euro commemorative coins, each honouring one of five historical regions of Latvia.

"Our Land"

Weight: 1.24 g; shape: a square with rounded corners (10.0 mm × 10.0 mm)

Metal: Gold (999.9 fine)

Quality: proof

Maximum mintage: 2500

Minted in 2025 by Koninklijke Nederlandse Munt (the Netherlands)

Graphic design: Māris Upenieks

The design of this collector coin, created by Māris Upenieks, offers a symbolic portrayal of one square centimetre of Latvian soil. Each of us has a place in Latvia that is a little closer and warmer to the heart than all the others. A place where the generations before us lived and worked, setting the groundwork for the story of each of our lives. A small piece of soil, measuring precisely one square centimetre, from the yard of the author's great-grandfather's home, was scanned and recreated in this coin.

A symbol of Latvia's land, this coin represents a piece that belongs to all, cherished like gold, but ultimately priceless, even when cast in gold. It is also a symbol of our readiness to defend our land – every square centimetre of it.

"Sun and Wind"

Weight: 23.00 g; diameter: 36.00 mm

Metal: Silver (.999 fine; with gilding)

Quality: proof

Maximum mintage: 3000

Minted in 2025 by Koninklijke Nederlandse Munt (the Netherlands)

Graphic design: Krišs Salmanis

Plaster model: Ligita Franckeviča

This coin celebrates the 400th anniversary of Liepāja. From the small fishing village Līva, it has become the third largest city of Latvia. This coin combines the city's contrasts, symbolically reflecting them in the images of the sun and the wind. In their balance, the soul of the city is formed. Buildings line up on the obverse – from the cabin of a fishing boat to the wide rooftops of the 17th century, through elegant Art Nouveau streets, past striking modern buildings, and proud industrial relics. It only takes a short walk to go from the city's heart to the spacious beach. There, one can feel centuries melting together like sand in your sandals and strands of hair drift over the water's surface, weaving with the glow of the afternoon sun.

"Džemma"

Weight: 27.00 g; shape: irregular rectangle (like a brush stroke), with rounded corners (45.00 mm x 28.00 mm)

Metal: Silver (.999 fine; colour print on the obverse)

Quality: proof

Maximum mintage: 2500

Minted in 2025 by Lietuvos monetų kalykla (Lithuania)

Graphic design: Juris Petraškevičs

The coin "Džemma" celebrates the distinguished artist Džemma Skulme – a towering figure in Latvian art and cultural life. Her remarkable creative work and civic stance have played a pivotal role in shaping and preserving Latvia's national identity. Her artistic legacy intertwines the enduring thread of family traditions, the pinnacle of interwar modernist achievements, and a fearless spirit of creative freedom even within the confines of socialist realism. Džemma Skulme began incorporating national motifs into her work as early as the 1960s, using them as symbols of national self-esteem and spiritual defiance. The triad of figures – the folk maiden, the caryatid, and the princess – became the core of her artistic identity. In this coin, the artist has incorporated a fragment from the painting "Dialogue" and the characteristic brush stroke of Džemma Skulme.

"Latvian Book – 500"

Weight: 22.00 g; diameter: 35.00 mm

Metal: Silver (.999 fine; colour print on the obverse)

Quality: proof

Maximum mintage: 2500

Minted in 2025 by Koninklijke Nederlandse Munt (the Netherlands)

Graphic design: Anete Melece-Olivadoti

Plaster model: Jānis Strupulis

Five centuries ago, the first book in Latvian marked the beginning of the Latvian people's challenging journey towards their own language and nation. Though this book never reached Latvia, the first translations of religious Christian texts in Latvian were followed by others. They ushered in a new era of Latvian culture – one that endures to this day, along with the living tradition of reading. The coin that intertwines the meaningful story of the first book printed in Latvian with the enduring significance of the reader.

"Flow"

Weight: 22.00 g; diameter: 35.00 mm

Metal: Silver (.999 fine; colour print on the obverse and reverse)

Quality: proof

Maximum mintage: 6000

Minted in 2025 by Koninklijke Nederlandse Munt (the Netherlands)

Graphic design: *Gints Zilbalodis and Pēteris Tenisons*.

The coin "Flow" honours the animated film that has received the most prestigious award in the film industry – the Oscar. In the coin, the director Gints Zilbalodis and the animation artist Pēteris Tenisons have yet again brought to life the characters from the film that have won people's hearts worldwide. One side of the coin features the iconic dark grey cat, while the other – five friends, each distinct yet side by side, bound by an unforgettable experience. Between the two sides – a breathtaking odyssey, as the characters of this film share a single boat, fleeing the floods.

Latvia is composed of five historical regions, making up the Latvian nation: Vidzeme, Latgale, Kurzeme, Zemgale, and Sēlija. Sēlija was referenced in historical records as early as the 13th century, yet it was not until 2021, with its formal inclusion in the Law on Historical Regions of Latvia, that Sēlija was defined as a distinct cultural and historical region. The flag of Sēlija was approved in 2023, and the coat of arms on the reverse of the coin crafted by heraldic artist Edgars Sims features a majestic animal, its crown adorned with elaborate antlers and its head held high – a silver stag set against a red background. This coin marks the conclusion of a 2-euro commemorative coin series, each honouring one of the five historical regions of Latvia.

The 2-euro commemorative coin "Sēlija" in rolls, gift packaging, and sets of circulation coins

Minted in 2025 by Lietuvos monetų kalykla (Lithuania)

The mintage of the circulation quality or in rolls – 400 000 pieces,
whereas that of Brilliant Uncirculated quality coins in gift packaging – 7000 pieces,
and Brilliant Uncirculated quality sets of circulation coins – 6000 pieces.

Graphic design: the common side by Luc Luycx, the national side by Laimonis Šēnbergs

Plaster model: Jānis Strupulis

Latvijas Banka invites various Latvian artists to participate in coin design competitions and every coin is therefore a unique work of art. Coin themes are selected based on their relevance, with the aim of promoting Latvian cultural values and drawing attention to contemporary societal issues.

Of all the coins issued in 2024, the collector coin "Cabbage" received the title of the "Best Silver Coin" in the 2025 US international competition "Coin of the Year". In the public survey organised by Latvijas Banka and the portal "Delfi.lv" in 2025, the coin "Cabbage" also became Latvia's Coin of the Year 2024. Its design was crafted by the winners of an open design competition.

Data management, statistics, and the Credit Register

Latvijas Banka collects and compiles a wide range of statistical information in pursuit of its tasks. Latvijas Banka uses statistical information for performing financial and macroeconomic analyses, assessing financial stability, supervising financial market participants, and raising public awareness of developments in the financial sector and economy. The ECB also uses statistical information produced by Latvijas Banka to compile the Eurosystem's monetary statistics and other euro area statistical data to support its broader functions. To provide transparent information on the activities planned in the area of statistics, Latvijas Banka publishes the annual statistical programme and its implementation report, as well as a medium-term statistical work programme covering three years.

Data management

In 2025, Latvijas Banka developed several centralised solutions.

- A data catalogue (an open-source tool (DataHub)) was integrated into Latvijas Banka's infrastructure, and information describing the data sets available at Latvijas Banka is being gradually incorporated into it.
- Licensing and sanctioning information on supervised market participants was transferred to the single register of institutional units, and the duplicate maintenance of this information in a separate licensing and sanctioning register was discontinued.
- The secure data lake infrastructure was expanded, providing much broader research opportunities and enabling Latvijas Banka to reuse data from various institutions in pseudonymised form more efficiently, extensively, and comprehensively for analytical and research purposes by linking them with other data at Latvijas Banka's disposal.
- An artificial intelligence platform (Open WebUI) was established, with models hosted locally and in the MS Azure cloud, enabling the staff to develop and manage artificial intelligence assistants.
- Several Large Language Model projects were introduced, such as smart search solutions for extensive documents related to cash handling instructions and procedures.

Latvijas Banka continues to promote the reuse of data, as well as the timely accessibility and processing of data, using modern data processing tools. In 2025, more than 40 new databases were added to the data lake, interdepartmental cooperation was strengthened, and various guidelines for working with data were provided to the staff.

Development of the statistical regulatory framework

Latvijas Banka, together with the central banks of other EU Member States and the ECB, continued to assess certain aspects of the implementation of the ESCB Integrated Reporting Framework (IReF) and the drafting of the IReF Regulation. In 2025, the investigation phase of the IReF project was extended until September 2026. Accordingly, a detailed implementation plan for the IReF project is expected to be developed and communicated in the first half of 2026, together with updated implementation deadlines.

In 2025, Latvijas Banka participated in another significant ESCB-level task. The revision of the Regulation on statistical reporting requirements for insurance corporations was launched. Latvijas Banka surveyed Latvian insurance corporations in order to identify the costs associated with the introduction of the amendments to the aforementioned Regulation. The results of the costs survey were submitted to the ECB in aggregated form, together with information on the costs incurred by Latvijas Banka in implementing the new requirements. Based on the results of the cost-benefit assessment, the process of drafting amendments to the Regulation on statistical reporting requirements for insurance corporations will be launched in 2026. The first reporting under the new requirements is planned to start with data for the first quarter of 2027.

Integration of data submission

To optimise the information systems used for reporting after the integration of the FCMC into Latvijas Banka, the submission of supervisory and resolution reports was gradually shifted during 2024 and 2025 from the data reporting system to the advanced security system and the electronic reporting system. The following measures were implemented:

- technical descriptions were developed for all revised FCMC regulations and directly applicable binding EU legal acts to enable market participants to comply with the technical requirements for data provision in a timely manner;
- meetings with the segments of market participants were organised to discuss the planned changes and to support the implementation of changes in the process of compiling and submitting these data;
- within the electronic reporting system, a comprehensive monitoring tool for reporting was developed, covering all statistical, supervisory, resolution, and protection system reports to be submitted on a regular and regulated basis. The monitoring tool reflects submission deadlines for reports by market participants, as well as the status of submitted reports, including response messages in the event of errors. The functionality of the monitoring tool allows users to view all reports in a table or calendar format, download a list, and synchronise reporting schedules with MS Outlook and Google Calendar;
- a file API channel was introduced as a modern alternative for submitting reports.

As a result of the optimisation of the information systems to be used for reporting, access to the data reporting system was closed as of 1 April 2026.

Compilation and dissemination of statistical data

Within the framework of the Macroeconomic Imbalances Procedure (MIP), experts from Eurostat and the ECB's Directorate-General Statistics visited Latvia in 2025 to assess the quality of external statistics and financial accounts statistics that are under Latvijas Banka's responsibility and within the scope of the MIP. Such country visits are organised on a regular basis and not only allow for an assessment of the quality of statistical data, which received a positive evaluation in the case of Latvia, but also provide insight into statistical compilation practices in different countries and contribute to the development of such statistics. The CSB, as an important data source for external statistics and financial accounts statistics, was also represented in these discussions.

Data from the 2023 Household Finance and Consumption Survey were published on the website of Latvijas Banka. They include, inter alia, data on households' real assets and their financing, other liabilities, credit constraints, private business activities, financial assets, income, transfers, and consumption, as well as net wealth. The next such survey will start in 2026 and will involve 1200 households.

For the first time, pension fund statistics data were published in Latvijas Banka's internet statistical database INTS. These also include supervisory statistics data on pension funds and plans, thereby continuing the transfer of supervisory statistics data to the internet statistical database INTS.

For information on Latvijas Banka's activities in improving the analysis of sustainability-related data on legal persons involved in securities and credit transactions, see the section *Sustainability*.

Credit Register

Latvijas Banka ensures the operation of the Credit Register, accumulating data on the loans and guarantees of natural and legal persons. The Credit Register provides the information needed for Latvijas Banka to perform its tasks, including the ESCB tasks, and gives public institutions an additional way to receive the information that they need for their legally mandated tasks.

In 2025, Latvijas Banka started automatically transmitting the data included in the Credit Register on natural persons to sworn notaries within the framework of ongoing inheritance cases. In 2025, this solution provided information on around 400 natural persons per month, while reducing the reporting burden for the Credit Register participants and the Credit Register participants with a restricted status (jointly referred to as Register participants).

For the fulfilment of the tasks laid down in the Law on Extrajudicial Recovery of Debt, Latvijas Banka started, on behalf of credit institutions, transmitting to the Consumer Rights Protection Centre the data included in the Credit Register on the credit institution customers' obligations classified as non-performing and terminated by transferring them to another creditor by way of assignment.

Latvijas Banka started providing the State Revenue Service with the data included in the Credit Register in connection with the determination of the credit growth rate for credit institutions as set out in the Solidarity Contribution Law in order to ensure that the State Revenue Service has additional comparative data for the application of a reduction to the solidarity contribution.

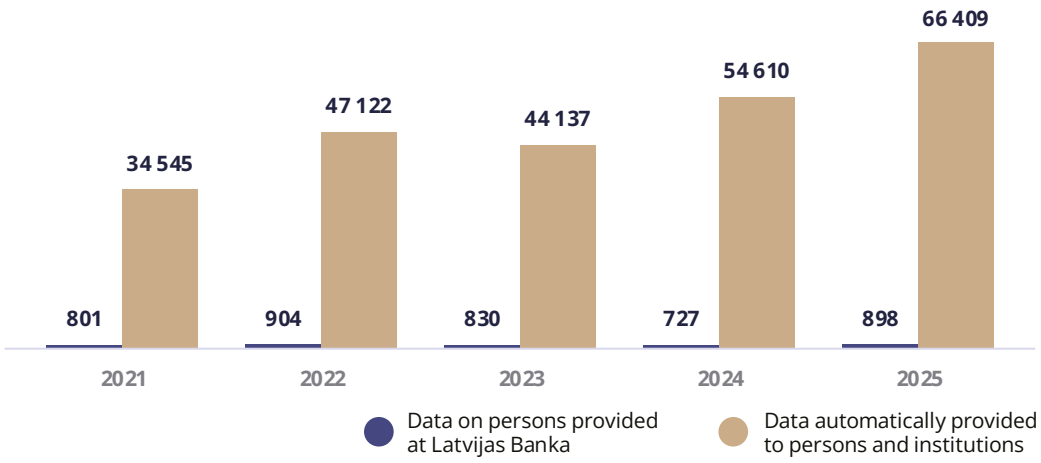
The Register participants started including new data in the Credit Register, inter alia, in order to provide additional information for the purpose of climate change transition risk analysis (see the section *Sustainability*).

At the end of 2025, the Credit Register held data on 1.18 million obligations, covering outstanding obligations and those that have been fulfilled and are used for the purpose of assessing creditworthiness. The actual outstanding amount of the obligations totalled 24.55 billion euro and the off-balance sheet

amount of the obligations totalled 5.62 billion euro. These obligations covered 1.2 million borrowers and guarantors for borrowers from 76 participants. The Credit Register data on loans granted to legal persons are also provided to the ECB within the framework of AnaCredit statistics.

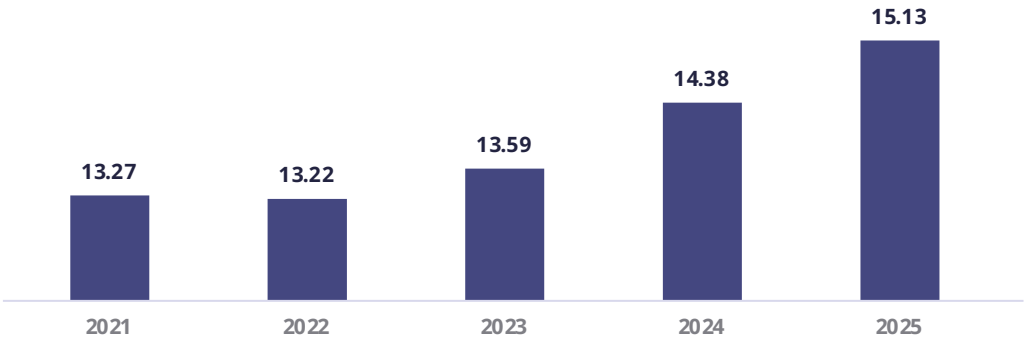
Latvijas Banka allows anybody to obtain a copy of the information held on them in the Credit Register, including on the electronic service website https://manidati.kreg.lv, free of charge. It also provides information about individuals to state institutions for the fulfilment of their tasks set out in regulatory enactments, for example, to the pre-trial investigation authority, the court, and the Orphan's and Custody Court.

Chart 80. Trends in requests received by the Credit Register (number)



In 2025, Register participants submitted 15.13 million requests to the Credit Register to use data from the Credit Register for assessing the creditworthiness of current or potential borrowers and guarantors for borrowers.

Chart 81. Trends in requests made by Credit Register participants (number; millions)



Cooperation with international and foreign institutions

Latvijas Banka represents the Republic of Latvia in a number of international financial institutions and works with foreign central banks. Latvijas Banka also participates in the operations of other international financial and credit organisations where this is consistent with its objectives and tasks.

In 2025, Latvijas Banka continued to represent Latvia's interests at the meetings of the IMF Board of Governors and participated in coordinating IMF operational issues.

Uncertainty and risks related to global fragmentation and protectionism increased sharply in early 2025. However, as the year progressed, global economic growth proved more resilient than initially expected. This was influenced by factors such as lower tariffs actually introduced and a strong increase in technological investment, particularly in the development of artificial intelligence in the US and Asia. The IMF expected global economic growth to remain weak and uncertainty to increase, while inflation continued to decline. The IMF urged Member States to restore fiscal sustainability by reducing debt burdens and building fiscal buffers, and also called for close monitoring of risks to financial stability and the implementation of structural reforms that would boost productivity and enhance growth. The IMF also

stressed the importance of independent financial institutions, international cooperation, and open, rules-based trade.

In 2025, the IMF Executive Board approved new financing programmes for 10 Member States, amounting to 35.1 billion US dollars, including a new financing programme for Argentina, which is the IMF's largest borrower. The implementation of the programme for Ukraine approved in 2023 also continued. At the end of the year, Ukraine requested a new IMF programme, which was approved in February 2026.

Latvia's interests in the IMF are represented through the Nordic-Baltic Constituency, which consists of Denmark, Estonia, Iceland, Latvia, Lithuania, Norway, Finland, and Sweden. One Executive Director represents this constituency on the IMF Executive Board with a total of 3.28% of the votes in 2025. From January 2023 to July 2026, the former Governor of Lietuvos bankas, Vitas Vasiliauskas, is the Executive Director of the Nordic-Baltic Constituency, representing the Baltic States. In 2025, the central banks of the Baltic States continued to coordinate cooperation between the central banks and Ministries of Finance of all the Nordic and Baltic countries on IMF issues, and to draft joint positions on items to be considered by the IMF Executive Board.

In 2025, Latvijas Banka continued to coordinate the involvement of the Latvian public and private institutions in the IMF within the framework of its surveillance mandate or the Article IV Consultation. The annual IMF report containing recommendations for Latvia was published in September.

Latvijas Banka continued its membership in the BIS in 2025. Latvijas Banka actively participated in the work of the BIS Innovation Network, and in the work of the Eurosystem Innovation Forum (Innov8).

Latvijas Banka continued to work with, exchange information with, and represent Latvia's interests in:

- the European Forum of Deposit Insurers;
- MONEYVAL;
- the Group of Banking Supervisors from Central and Eastern European Countries;
- the OECD;
- IOSCO;
- IAIS;
- IOPS.

In addition to working in various EU and international institutions and organisations, Latvijas Banka also cooperated with the supervisory authorities, resolution authorities, and protection system institutions (guarantee funds) of other countries under bilateral and multilateral cooperation and information exchange agreements. Cooperation with supervisory and resolution colleges also played an important role in experience and information exchanges.

As is traditional, Latvijas Banka continued to maintain particularly close cooperation through the Nordic-Baltic cooperation forums on a wide range of issues regarding central bank functions, including by holding the presidency of the Macroprudential Forum of the Nordic and Baltic countries. Under bilateral cooperation, Latvijas Banka also shared its experience on issues in certain areas, for example, on preventing financial fraud with Suomen Pankki, on practices for calculating emissions related to cloud services and on educational activities concerning digital habits with Danmarks Nationalbank.

In the area of bilateral cooperation, Latvijas Banka also exchanged experience with central banks of other European countries, for example, with the Central Bank of Ireland on critical financial services and with Banco de Portugal on the incorporation of sustainability considerations into macroprudential policy.

In 2025, Latvijas Banka continued to share its experience on issues concerning the supervision of AML/CFTP with central banks and supervisory authorities of European countries, including through cooperation with partners from Austria, Estonia, Bosnia and Herzegovina, Ukraine, and Lithuania.

In order to promote the transfer of knowledge in the fields of finance and economics, Latvijas Banka's experts participated in numerous development cooperation projects in 2025.

In 2025, within the framework of academic cooperation, experts from Latvijas Banka collaborated with the IMF's Vienna Institute by delivering training seminars on Latvia's achievements in the area of AML/CFTP, as well as on the MONEYVAL evaluation process. They also addressed topics related to tax policy, health care, and social insurance, and presented their research findings, including the impact of Covid-19 support measures on Latvia's labour market and businesses' performance indicators, as well as the effects of exports and EU-funded projects on businesses' productivity.

In 2025, Latvijas Banka launched a cooperation in development assistance training with the Centre of Excellence in Finance (Slovenia), which provides support for enhancing capacity in the financial field to sectoral ministries, central banks, and financial supervisory authorities in the countries of the Southeastern European region (primarily the Balkan countries, Moldova, and Ukraine). As part of this project, Latvijas Banka's experts shared their knowledge and experience in financial accounting and recordkeeping, macroprudential supervision, the resilience of payment services, and payment and fintech services.

Within the framework of bilateral technical assistance, Latvijas Banka prioritised support to Ukraine. In 2025, experience exchanges with experts from the National Bank of Ukraine focused on sustainability and related disclosure practices, human resources policy, and SREP methodology.

At the same time, Latvijas Banka's experts provided advice to the Central Bank of Azerbaijan on the supervision of pension systems and pension funds, the application of international accounting standards, and insurance-related matters.

Latvijas Banka in the Eurosystem and European Union institutions

Latvijas Banka as a member of the ESCB and the Eurosystem complies in its activities with the legislation of the Republic of Latvia and the EU, including the ECB legal acts, in accordance with the Treaty on the Functioning of the European Union and the Statute of the ESCB and of the ECB.

In 2025, the Governor of Latvijas Banka participated in the work of the Governing Council and the General Council of the ECB, including setting the monetary policy of the Eurosystem and making decisions concerning the tasks of the Eurosystem and the ESCB.

The Deputy Governor of Latvijas Banka participated in the work of the Supervisory Board of the ECB. The Board ensures the execution of the ECB's tasks relating to the supervision of credit institutions and prepares draft decisions for submission to the Governing Council of the ECB under the non-objection procedure.

Representatives of Latvijas Banka also participated in the committees and working groups of the Eurosystem and the ESCB, addressing issues of monetary policy, market operations, financial stability, financial sector supervision, payment systems, euro cash and the digital euro, statistics, international relations, communications, sustainability, climate and innovative technologies, and more.

In 2025, Latvijas Banka actively participated in the work of the authorities that form the European System of Financial Supervision[13], representing Latvia and making decisions in the ESRB, which takes decisions on issues related to EU macroprudential policy, as well as in the Boards of Supervisors of the EBA, the ESMA,

[13]The European System of Financial Supervision is the framework for financial supervision in the EU that has been in operation since 2011. The system consists of three European supervisory authorities (EBA, ESMA, EIOPA), the ESRB, the Joint Committee of the European Supervisory Authorities, and the national supervisory authorities of EU Member States.

and the EIOPA. Additionally, Latvijas Banka continued its participation in the SRB. Experts from Latvijas Banka contributed to the work of the committees and working groups of these authorities.

On 1 July 2025, a new EU authority – the Authority for Anti-Money Laundering and Countering the Financing of Terrorism (AMLA) – commenced operations. It was established to strengthen the fight against money laundering and the financing of terrorism at the EU level, enhance the quality of supervision, and ensure the consistent application of AML/CFT rules across the EU. In 2028, AMLA will assume direct supervision of approximately 40 high-risk financial institutions, to be designated based on criteria set out in the regulatory framework and a harmonised EU-wide risk assessment methodology. Latvijas Banka has begun participating in the work of the AMLA Board, representing the interests of the financial sector and cooperating closely with the Financial Intelligence Unit and the Ministry of Finance. Latvijas Banka's experts contribute to the development of common supervisory standards through their participation in several AMLA working groups.

Representatives of Latvijas Banka also actively participated in the work of the committees and working groups of the EU Council, the EC, and Eurostat, addressing issues related to financial sector regulation, euro coins, economic forecasting, statistics, and other issues. They also provided support to the government in developing the national position on EU regulation.

Active work by the EU Council continued in the area of financial sector regulation, with provisional political agreements on legal acts being reached in the following areas:

- Crisis Management and Deposit Insurance: an agreement on bank crisis management, early intervention measures, resolution conditions, and the financing of resolution actions;
- Retail Investment Strategy: an agreement on the protection of retail investors, the transparency of investment services, and improved access to financial markets;
- Third Payment Services Directive and Payment Services Regulation: an agreement on a new regulatory framework for payment services aimed at strengthening consumer protection, ensuring safer payments, and promoting financial innovation at the EU level.

At the same time, work continued on several financial sector legislative proposals for which no political agreement has yet been reached.

- Digital euro: work continued on the development of the legal framework and the EU Council's negotiating position, including the definition of the conditions for the issuance, circulation, and supervision of the digital euro;
- Financial Data Access: discussions continued on the framework for access to financial data, data sharing, and balancing consumer data protection with the promotion of innovation;
- Securitisation: discussions focused on promoting the development of the EU securitisation market and adapting the regulatory framework with a view to deepening capital markets.

With the launch of the next phase of regulatory development (the Savings and Investments Union agenda), new proposals in the area of financial services were also published at the end of 2025:

- Market Integration and Supervision Package: strengthening the integration of capital markets and promoting supervisory convergence at the EU level;
- Review of the regulatory framework for the Pan-European Personal Pension Product: further development of the European personal pension product and enhancement of its attractiveness;
- Review of the regulatory framework for Institutions for Occupational Retirement Provision: further development of the regulatory framework for occupational pension funds.

In 2025, significant attention was also devoted to the review and simplification of sustainability-related regulation, with a view to reducing the administrative burden and ensuring regulatory consistency in the financial sector.

- Work also continued on the review of the Regulation on sustainability-related disclosures in the financial services sector, assessing the effectiveness of sustainability disclosure requirements and their potential simplification for financial market participants.
- The Omnibus I and Omnibus II packages were advanced, introducing amendments to several sustainability-related legal acts, including the Corporate Sustainability Reporting Directive and the Corporate Sustainability Due Diligence Directive, with a view to aligning requirements, clarifying the scope of application, and reducing the regulatory burden on businesses, including those in the financial sector.

In view of the EC's communication on the postponement or review of the adoption of certain delegated and implementing acts aimed at reducing the administrative burden and ensuring the proportionality of the regulatory framework – particularly in the areas of sustainable finance and capital market regulation – the timetable for the adoption of certain secondary legal acts in the financial sector was also revised in 2025.

In the Economic and Financial Committee of the EU Council and its sub-committees, representatives of Latvijas Banka regularly contributed to the preparation of decisions on EU economic development and financial stability, as well as to the shaping of the EU economic policy strategy and the coordination of international relations issues. In 2025, the Committee's work focused primarily on issues related to enhancing EU competitiveness, mitigating risks arising from global fragmentation, and strengthening the role of the single currency. It also analysed the impact of climate, security, and geopolitical risks on the EU financial sector and developed policy recommendations in these respective areas. The Committee assessed the economic consequences of Russia's war of aggression in Ukraine, coordinated EU sanctions against Russia, and prepared opinions on financial support for Ukraine, including the use of frozen Russian assets and donor funding. It also issued a positive opinion on the adoption of the euro in Bulgaria and monitored the implementation of building blocks for the establishment of the Savings and Investments Union, while also assessing financial sector risks and the implementation of the regulatory framework in areas such as cybersecurity, financial literacy, the digital euro, and crypto-assets.

Financial literacy

Financial literacy initiatives focused on students' knowledge of money, their attitudes towards it, and their behaviour

In 2025, Latvijas Banka conducted, for the first time, an assessment of the financial literacy of 9th grade students in Latvian schools, with 1159 respondents from 75 Latvian schools participating. The students' financial literacy index reached 61.7% of the maximum possible score. In the survey, students explained where and how they obtain information about financial matters, the role of family, friends, and the internet in their financial decision-making, and their knowledge of financial security in digital environments. In addition to assessing students, Latvijas Banka assessed the knowledge of financial literacy and economics teachers, analysed the school curriculum related to financial education, and reviewed international studies on the experience of other countries. Based on the findings, Latvijas Banka prepared proposals to improve students' financial literacy and reduce inequalities specifically in the area of financial literacy. The proposals were submitted to the Ministry of Education and Science.

In 2025, Latvijas Banka continued to educate teachers on financial and economic topics by organising two online seminars, each attended by an average of 150 teachers, as well as the entrepreneurship education conference *Growth Code*, in which 650 teachers participated in workshops led by Latvijas Banka's experts.

As part of the *Financial Literacy Week 2025*, Latvijas Banka's employees visited 80 Latvian schools, where more than 5500 students took part in classes on investment, budgeting, inflation, and financial security.

Financial literacy in digital environments

To deliver financial literacy content to as wide an audience as possible, Latvijas Banka maintains the financial literacy and economics education website *Naudas skola* and communicates with the public through social media.

During the year, the website *Naudas skola* was visited by 276 587 users (an increase of 7% compared to 2024) and recorded 871 277 page views (an increase of 12.6% compared to 2024), while the time users spent on the website also rose by 15% compared to 2024. The public also became more actively engaged in discussions on financial literacy and more actively shared content on social media. More than 8.1 million views were recorded on *Facebook*, with engagement increasing more than fivefold compared to 2024 and the number of followers growing by 59% compared to 2024. In 2025, Latvijas Banka successfully introduced new communication channels (*Instagram* and *TikTok*), which attracted several million views within a short period of time and established a stable audience base.

Classes held throughout Latvia under the financial literacy education programme *Enhance your money management skills*

During the reporting year, experts from Latvijas Banka conducted classes under the education programme *Enhance your money management skills* in approximately 30 Latvian companies and organisations. In total, nearly 70 classes were held with around 1400 participants. In cooperation with the Ministry of Education and Science, this programme was also made available in 20 Latvian municipalities under the guidance of instructors trained within the programme. The training was financed under the project *National Coordinators for the Implementation of the European Agenda for Adult Learning in Latvia* under the EU programme Erasmus+, within the framework of which 60 classes were held with more than 700 participants.

Support for the most vulnerable people

Latvijas Banka ensures that financial literacy content is also accessible to the most vulnerable people. In 2025, cooperation with the Latvian Association of the Blind continued, with financial literacy classes organised jointly, including at the Knowledge Centre of Latvijas Banka. Cooperation was also initiated with the Latvian Association of the Deaf, where the first classes were delivered. As part of the association's *Deaf Week 2025*, Latvijas Banka contributed an educational lecture entitled *How to Protect Yourself and Your Relatives from Financial Fraud*.

Latvijas Banka continued to develop plain-language content. In 2025, new material entitled *Your Money Step by Step* was developed. The material is distributed throughout Latvia in both digital and printed formats via the network of Latvian libraries and through other channels.

Financial Literacy Week and *Your Pension Week* continue to expand

Latvijas Banka, as the national coordinator for financial literacy, organises two nationwide thematic weeks each year. Their aim is to promote the importance of financial literacy in society and to improve financial habits among the population.

During the *Financial Literacy Week 2025*, a total of 141 events were held. These were organised by 61 cooperation partners across more than 20 municipalities in Latvia. The week also emphasised the need to critically assess financial content on social media.

During *Your Pension Week 2025*, 10 cooperation partners joined forces to explain the concept of compound interest and other pension-related issues. These included, for example, the choices individuals face upon reaching retirement age, options for passing on the 2nd pillar pension savings as inheritance, and how to choose an appropriate pension plan. This was the fifth time that pension-related topics were highlighted during the thematic week.

Positive trends can be observed in pension planning. Since 2022, the share of Latvia’s population contributing to the 3rd pension pillar has increased by 5%. Data from the State Social Insurance Agency also indicate that, compared to 2020, the number of individuals who have chosen to transfer their 2nd pillar pension capital as an inheritance has risen by approximately 25%.

Financial Statements of Latvijas Banka for the Year Ended 31 December 2025

Financial Statements of Latvijas Banka for the Year Ended 31 December 2025

Independent Auditors' Report

Appendices

Appendix 1. Month-End Balance Sheets of Latvijas Banka for 2025

(at the end of the month; thousands of euro)

	01	02	03	04	05	06	07	08	09	10	11	12
ASSETS	24 595 986	24 601 229	24 535 777	24 277 937	24 396 878	24 433 469	24 185 568	24 191 387	23 816 463	23 865 026	23 820 449	**23 937 720**
Gold and gold receivables	576 992	587 269	616 972	615 626	620 225	598 676	617 426	625 364	694 763	745 703	771 884	**784 526**
Claims on non-euro area residents denominated in foreign currency	4 327 531	4 333 173	4 240 284	4 181 313	4 244 238	4 210 843	4 359 161	4 303 514	4 276 860	4 352 364	4 385 181	**4 312 245**
Receivables from the International Monetary Fund	553 537	554 863	541 980	526 273	528 547	517 509	522 808	518 563	515 911	519 270	519 651	**515 538**
Balances with credit institutions and security investments, external loans, and other external assets	3 773 994	3 778 310	3 698 304	3 655 040	3 715 691	3 693 334	3 836 353	3 784 951	3 760 949	3 833 094	3 865 530	**3 796 707**
Claims on euro area residents denominated in foreign currency	678 335	653 844	625 579	597 577	615 983	602 978	640 481	653 638	693 178	711 972	682 262	**701 850**
Claims on non-euro area residents denominated in euro	169 796	166 730	165 500	167 204	168 083	171 287	177 410	166 733	170 601	163 887	158 923	**159 974**
Lending to euro area credit institutions related to monetary policy operations denominated in euro	–	–	–	–	20 000	–	20 000	20 000	20 000	–	–	–
Main refinancing operations	–	–	–	–	20 000	–	–	–	–	–	–	–
Longer-term refinancing operations	–	–	–	–	–	–	20 000	20 000	20 000	–	–	–
Fine-tuning reverse operations	–	–	–	–	–	–	–	–	–	–	–	–
Structural reverse operations	–	–	–	–	–	–	–	–	–	–	–	–
Marginal lending facility	–	–	–	–	–	–	–	–	–	–	–	–
Credits related to margin calls	–	–	–	–	–	–	–	–	–	–	–	–
Other claims on euro area credit institutions denominated in euro	10 265	1 098	3 066	45	1 299	343	19 303	1 470	608	758	852	**2 831**
Securities of euro area residents denominated in euro	12 066 365	12 066 416	12 057 246	11 848 831	11 861 112	11 902 992	11 455 325	11 453 452	10 956 374	10 819 876	10 761 091	**10 774 148**
Securities held for monetary policy purposes	11 041 482	11 038 343	11 035 173	10 841 548	10 838 408	10 835 250	10 384 287	10 380 788	9 853 666	9 704 763	9 667 433	**9 665 090**
Other securities	1 024 883	1 028 073	1 022 073	1 007 283	1 022 704	1 067 742	1 071 038	1 072 664	1 102 708	1 115 113	1 093 658	**1 109 058**
Intra-Eurosystem claims	6 541 877	6 560 423	6 536 602	6 589 487	6 612 590	6 611 200	6 663 402	6 681 906	6 714 882	6 826 110	6 792 474	**6 951 682**
Participating interest in the European Central Bank	119 222	119 222	119 222	119 222	119 222	119 222	119 222	119 222	119 222	119 222	119 222	**119 222**
Claims equivalent to the transfer of foreign reserves to the European Central Bank	157 202	157 202	157 202	157 202	157 202	157 202	157 202	157 202	157 202	157 202	157 202	**157 202**
Claims related to other operational requirements within the Eurosystem	–	–	–	–	–	–	–	–	–	80 216	4 593	**67 835**
Claims related to TARGET2	–	–	–	–	–	–	–	–	–	–	–	–
Net claims related to the allocation of banknotes within the Eurosystem	6 265 453	6 283 999	6 260 178	6 313 063	6 336 166	6 334 776	6 386 978	6 405 482	6 438 458	6 469 470	6 511 457	**6 607 423**
Pending settlements	–	–	–	–	–	–	–	–	–	–	–	–
Other assets	224 825	232 276	290 528	277 854	253 348	335 150	233 060	285 310	289 197	244 356	267 782	**250 464**

	01	02	03	04	05	06	07	08	09	10	11	12
LIABILITIES	24 595 986	24 601 229	24 535 777	24 277 937	24 396 878	24 433 469	24 185 568	24 191 387	23 816 463	23 865 026	23 820 449	**23 937 720**
Banknotes in circulation	5 586 202	5 593 464	5 595 189	5 627 274	5 638 158	5 655 591	5 678 264	5 676 257	5 667 109	5 674 439	5 687 152	**5 773 642**
Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	7 268 711	7 148 887	6 055 831	5 538 032	5 396 785	4 806 080	4 461 414	4 697 737	5 317 989	5 000 886	5 272 455	**6 871 880**
Current accounts (covering the minimum reserve system)	136 017	217 508	278 959	224 129	209 640	215 348	214 776	232 826	393 213	238 695	291 369	**266 904**
Deposit facility	7 132 694	6 931 379	5 776 872	5 313 903	5 187 145	4 590 732	4 246 638	4 464 911	4 924 776	4 762 191	4 981 086	**6 604 976**
Time deposits	–	–	–	–	–	–	–	–	–	–	–	–
Fine-tuning reverse operations	–	–	–	–	–	–	–	–	–	–	–	–
Deposits related to margin calls	–	–	–	–	–	–	–	–	–	–	–	–
Other liabilities to euro area credit institutions denominated in euro	170 536	218 716	212 314	180 320	179 058	195 610	216 844	156 985	198 386	462 653	482 853	**503 558**
Liabilities to other euro area residents denominated in euro	1 883 107	1 559 147	1 485 255	1 948 420	1 929 794	1 903 980	1 811 445	1 975 258	1 852 704	2 137 219	1 850 295	**2 009 030**
General government	958 169	648 492	586 357	1 062 455	1 063 788	1 041 839	954 381	1 136 854	1 110 017	1 398 148	1 123 203	**1 288 542**
Other liabilities	924 938	910 655	898 898	885 965	866 006	862 141	857 064	838 404	742 687	739 071	727 092	**720 488**
Liabilities to non-euro area residents denominated in euro	162 857	86 037	35 759	36 396	36 377	57 496	34 853	50 031	81 213	72 796	78 691	**69 881**
Liabilities to euro area residents denominated in foreign currency	695 663	626 292	542 633	526 905	529 023	518 042	523 498	518 958	516 434	519 723	520 144	**516 003**
Liabilities to non-euro area residents denominated in foreign currency	–	–	–	–	–	–	–	–	–	–	–	**7 641**
Intra-Eurosystem liabilities	7 629 137	8 176 524	9 451 634	9 295 878	9 537 846	10 145 034	10 193 613	9 873 111	8 841 225	8 435 634	8 435 142	**6 694 204**
Liabilities related to other operational requirements within the Eurosystem	–	–	–	–	–	–	–	–	–	–	–	–
Liabilities related to TARGET	7 629 137	8 176 524	9 451 634	9 295 878	9 537 846	10 145 034	10 193 613	9 873 111	8 841 225	8 435 634	8 435 142	**6 694 204**
Pending settlements	–	–	–	–	–	–	–	–	–	–	–	–
Other liabilities	183 522	155 735	161 638	154 491	154 632	148 947	215 562	152 980	152 464	260 670	162 823	**216 567**
Capital and reserves	1 016 251	1 036 427	995 524	970 221	995 205	1 002 689	1 050 075	1 090 070	1 188 939	1 301 006	1 330 894	**1 275 314**

Appendix 2. Balance Sheets of Latvijas Banka for the Years 2021–2025

(at the end of the year; thousands of euro)

	2021	2022	2023	2024	**2025**
ASSETS	25 074 429	25 750 694	25 564 820	24 835 827	**23 937 720**
Gold and gold receivables	344 166	364 821	399 378	536 915	**784 526**
Claims on non-euro area residents denominated in foreign currency	4 495 181	3 788 044	4 049 526	4 354 419	**4 312 245**
Receivables from the International Monetary Fund	542 959	549 961	534 839	553 097	**515 538**
Balances with credit institutions and security investments, external loans, and other external assets	3 952 222	3 238 083	3 514 687	3 801 322	**3 796 707**
Claims on euro area residents denominated in foreign currency	528 428	522 039	595 802	652 502	**701 850**
Claims on non-euro area residents denominated in euro	174 081	156 383	168 476	174 642	**159 974**
Lending to euro area credit institutions related to monetary policy operations denominated in euro	616 600	522 900	92 900	–	–
Main refinancing operations	–	–	–	–	–
Longer-term refinancing operations	616 600	522 900	92 900	–	–
Fine-tuning reverse operations	–	–	–	–	–
Structural reverse operations	–	–	–	–	–
Marginal lending facility	–	–	–	–	–
Credits related to margin calls	–	–	–	–	–
Other claims on euro area credit institutions denominated in euro	4 255	6 304	133	17 707	**2 831**
Securities of euro area residents denominated in euro	12 839 996	14 081 606	13 550 657	12 134 084	**10 774 148**
Securities held for monetary policy purposes	11 690 783	13 134 812	12 586 724	11 116 256	**9 665 090**
Other securities	1 149 213	946 794	963 933	1 017 828	**1 109 058**
Intra-Eurosystem claims	5 868 008	5 926 959	6 412 443	6 722 756	**6 951 682**
Participating interest in the European Central Bank	116 472	118 849	118 849	119 222	**119 222**
Claims equivalent to the transfer of foreign reserves to the European Central Bank	157 202	157 202	157 202	157 202	**157 202**
Claims related to other operational requirements within the Eurosystem	769	300	207 065	181 729	**67 835**
Claims related to TARGET	–	–	–	–	–
Net claims related to the allocation of banknotes within the Eurosystem	5 593 565	5 650 608	5 929 327	6 264 603	**6 607 423**
Pending settlements	–	–	–	–	–
Other assets	203 714	381 638	295 505	242 802	**250 464**
LIABILITIES	25 074 429	25 750 694	25 564 820	24 835 827	**23 937 720**
Banknotes in circulation	5 536 624	5 635 738	5 571 492	5 662 446	**5 773 642**
Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	6 406 673	5 217 165	7 073 547	8 231 618	**6 871 880**
Current accounts (covering the minimum reserve system)	6 406 673	343 816	205 834	255 763	**266 904**
Deposit facility	–	4 873 349	6 867 713	7 975 855	**6 604 976**
Time deposits	–	–	–	–	–
Fine-tuning reverse operations	–	–	–	–	–
Deposits related to margin calls	–	–	–	–	–
Other liabilities to euro area credit institutions denominated in euro	649 746	320 273	314 720	313 190	**503 558**
Liabilities to other euro area residents denominated in euro	3 438 792	2 517 104	2 218 786	2 578 706	**2 009 030**
General government	1 803 339	1 157 761	1 131 021	1 652 356	**1 288 542**
Other liabilities	1 635 453	1 359 343	1 087 765	926 350	**720 488**
Liabilities to non-euro area residents denominated in euro	7 955	171 688	184 075	123 674	**69 881**
Liabilities to euro area residents denominated in foreign currency	1 594 262	706 038	1 262 758	921 536	**516 003**
Liabilities to non-euro area residents denominated in foreign currency	688 359	34 701	457 718	–	**7 641**
Intra-Eurosystem liabilities	5 356 980	10 376 364	7 569 389	5 846 041	**6 694 204**
Liabilities related to other operational requirements within the Eurosystem	34 342	6 237	–	–	–
Liabilities related to TARGET	5 322 638	10 370 127	7 569 389	5 846 041	**6 694 204**
Pending settlements	–	–	–	–	–
Other liabilities	436 383	184 740	182 217	214 985	**216 567**
Capital and reserves	908 655	586 883	730 118	943 631	**1 275 314**

Appendix 3. Profit and Loss Statements of Latvijas Banka for the Years 2021–2025

(at the end of the year; thousands of euro)

	2021	2022	2023	2024	**2025**
Net interest income	123 981	47 021	–229 006	–195 451	**–20 911**
Interest income	165 248	211 229	503 974	556 182	**432 320**
Interest expense	–41 267	–164 208	–732 980	–751 633	**–453 231**
Net result of financial operations, recognition of revaluation result in the profit and loss statement	–36 261	–301 983	–25 999	–31 664	**64 689**
Realised gains arising from financial operations	357	39 732	9 000	24 473	**106 172**
Recognition of revaluation result on financial assets and positions in the profit and loss statement	–36 618	–341 715	–34 999	–56 137	**–41 483**
Net expense from fees and commissions	–3 951	–4 441	–3 912	–3 925	**–3 520**
Fees and commissions income	981	1 011	1 037	1 146	**1 361**
Fees and commissions expense	–4 932	–5 452	–4 949	–5 071	**–4 881**
Income from participating interest	14 575	14 755	12 222	13 465	**13 666**
Net result of pooling of monetary income	–34 342	–6 237	206 554	181 595	**67 535**
Other operating income	3 591	5 766	19 561	19 371	**15 943**
NET INCOME	67 593	-245 119	-20 580	–16 609	**137 402**
Remuneration	–16 403	–16 502	–24 728	–26 019	**–27 965**
Social security costs and solidarity tax	–3 582	–3 653	–5 540	–5 755	**–6 301**
Banknote and coin acquisition costs	–1 831	–2 618	–2 338	–1 968	**–2 130**
Depreciation of fixed assets and amortisation of intangible assets	–3 802	–3 641	–3 660	–3 462	**–3 491**
Other operating expenses	–7 093	–9 113	–11 965	–11 165	**–12 128**
PROFIT/LOSS OF THE REPORTING YEAR BEFORE PROVISIONS FOR FINANCIAL RISKS	34 882	–280 646	–68 811	–64 978	**85 387**
Provisions for financial risks	–13 974	280 646	15 051	–	**–57 801**
PROFIT/LOSS OF THE REPORTING YEAR AFTER PROVISIONS FOR FINANCIAL RISKS	20 908	–	-53 760	–64 978	**27 586**
Profit transferrable to the reserve capital	6 272	–	–53 760	–64 978	**8 276**
Profit transferrable to the state budget	14 636	–	–	–	**19 310**

Appendix 4. Latvijas Banka's Publications and Major Publications by the Experts of Latvijas Banka in 2025

Working papers

ZLOBINS, Andrejs. Monetary Policy Transmission in the Euro Area: Is this Time Different? Chapter I: Lags and Strength. Riga: Latvijas Banka, Working Paper No 1, 2025. 48 p.

BUŠS, Ginters, TRAFICANTE, Guido. The Return of Inflation: Look-Through Policy Under Incomplete Information. Riga: Latvijas Banka, Working Paper No 2, 2025. 24 p.

GAVOILLE, Nicolas. A Short Drop or a Sudden Stop? Sanctions, Trade Shocks, and Firms' Adjustment Margins. Riga: Latvijas Banka, Working Paper No 3, 2025. 69 p.

VILERTS, Kārlis, ANYFANTAKI, Sofia, BEŅKOVSKIS, Konstantīns, et al. Details Matter: Loan Pricing and Transmission of Monetary Policy in the Euro Area. Riga: Latvijas Banka, Working Paper No 4, 2025. 58 p.

GRÜNING, Patrick. The Economic Impact of the Deposit Interest Rate Adjustment Speed. **Riga: Latvijas Banka, Working Paper No 5, 2025. 48 p.**

KUHMANN, Konrad. Bank Specialization and the Transmission of Euro Area Monetary Policy**. Riga: Latvijas Banka, Working Paper No 6, 2025. 53 p.**

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Abbreviations

AIF	Alternative Investment Fund
AML/CFTP	anti-money laundering and countering the financing of terrorism and proliferation
AMLA	Authority for Anti-Money Laundering and Countering the Financing of Terrorism
API	Application Programming Interface
AS	joint stock company
BIS	Bank for International Settlements
CCyB	countercyclical capital buffer
CIS	Commonwealth of Independent States
CSB	Central Statistical Bureau of Latvia
DGF	Deposit Guarantee Fund
EBA	European Banking Authority
EC	European Commission
ECB	European Central Bank
EIOPA	European Insurance and Occupational Pensions Authority
EKS system	Electronic Clearing System
ESCB	European System of Central Banks
ESG	environmental, social, and governance
ESMA	European Securities and Markets Authority
ESRB	European Systemic Risk Board
ETF	exchange-traded fund
ETS2	second EU Emissions Trading System
EU	European Union
Europol	European Union Agency for Law Enforcement Cooperation
Eurostat	Statistical Office of the European Union
FATF	Financial Action Task Force
FCMC	Financial and Capital Market Commission
Fintech	financial technologies
FPI	Fund for the Protection of the Insured
GDP	gross domestic product
GHG	greenhouse gases
IAIS	International Association of Insurance Supervisors

ICT	information and communication technologies
IF	investment firm
IMF	International Monetary Fund
IOPS	International Organisation of Pension Supervisors
IOSCO	International Organization of Securities Commissions
IT	information technologies
MFI	monetary financial institution
ML/FTP	money laundering and the financing of terrorism and proliferation
MONEYVAL	Committee of Experts on the Evaluation of Anti-Money Laundering Measures and the Financing of Terrorism
NATO	North Atlantic Treaty Organization
NBMF	Nordic-Baltic Macroprudential Forum
NGFS	Network for Greening the Financial System
OECD	Organisation for Economic Co-operation and Development
O-SII	other systemically important institution
SEPA	single euro payments area
SIA	limited liability company
SRB	Single Resolution Board
SREP	supervisory review and evaluation process
SRF	Single Resolution Fund
SRM	Single Resolution Mechanism
SSM	single supervisory mechanism
UK	United Kingdom
US	United States of America
VAT	Value Added Tax