



Financial Statements of Latvijas Banka for the Year Ended 31 December 2024

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ABBREVIATIONS

BIS	Bank for International Settlements
ECB	European Central Bank
ESCB	European System of Central Banks
EU	European Union
FCMC	Financial and Capital Market Commission
IMF	International Monetary Fund
NCB	national central bank
OTC	over-the-counter
PEPP	Pandemic Emergency Purchase Programme
PSPP	Public Sector Asset Purchase Programme
SDR	Special Drawing Rights
TLTRO	targeted longer-term refinancing operations
UK	United Kingdom
US	United States of America

Balance sheet

(at the end of the year; in thousands of euro)

	Note ¹	2024	2023
ASSETS			
Gold and gold receivables	6	536 915	399 378
Claims on non-euro area residents denominated in foreign currency	7	4 354 419	4 049 526
Receivables from the International Monetary Fund		553 097	534 839
Balances with banks and security investments, external loans and other external assets		3 801 322	3 514 687
Claims on euro area residents denominated in foreign currency	8	652 502	595 802
Claims on non-euro area residents denominated in euro	9	174 642	168 476
Lending to euro area credit institutions related to monetary policy operations denominated in euro	10	–	92 900
Longer-term refinancing operations		–	92 900
Other claims on euro area credit institutions denominated in euro	11	17 707	133
Securities of euro area residents denominated in euro	12	12 134 084	13 550 657
Securities held for monetary policy purposes		11 116 256	12 586 724
Other securities		1 017 828	963 933
Intra-Eurosystem claims	13	6 722 756	6 412 443
Participating interest in the European Central Bank		119 222	118 849
Claims equivalent to the transfer of foreign reserves		157 202	157 202
Other claims within the Eurosystem		181 729	207 065
Net claims related to the allocation of euro banknotes within the Eurosystem		6 264 603	5 929 327
Other assets	14	242 802	295 505
TOTAL ASSETS		24 835 827	25 564 820

¹ The accompanying Notes set out on pages 8 to 56 are an integral part of these financial statements.

(continued)

(at the end of the year; in thousands of euro)

	Note	2024	2023
LIABILITIES			
Banknotes in circulation	15	5 662 446	5 571 492
Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	16	8 231 618	7 073 547
Current accounts (covering the minimum reserve system)		255 763	205 834
Deposit facility		7 975 855	6 867 713
Other liabilities to euro area credit institutions denominated in euro	17	313 190	314 720
Liabilities to other euro area residents denominated in euro	18	2 578 706	2 218 786
General government		1 652 356	1 131 021
Other liabilities		926 350	1 087 765
Liabilities to non-euro area residents denominated in euro	19	123 674	184 075
Liabilities to euro area residents denominated in foreign currency	20	921 536	1 262 758
Liabilities to non-euro area residents denominated in foreign currency	21	-	457 718
Intra-Eurosystem liabilities	13	5 846 041	7 569 389
Liabilities related to TARGET		5 846 041	7 569 389
Other liabilities	22	214 985	182 217
Capital and reserves	23	943 631	730 118
TOTAL LIABILITIES		24 835 827	25 564 820

The financial statements set out on pages 4 to 56 were authorised by the Council of Latvijas Banka on 6 March 2025.

Governor of Latvijas Banka

Mārtiņš Kazāks

EXPLANATION REGARDING TRANSLATION

This is a translation of the financial statements from the original, which was prepared in Latvian, and all due care has been taken to ensure that it is an accurate representation. However, the original language version of the financial statements takes precedence.

Profit and loss statement

(in thousands of euro)

	Note	2024	2023
Net interest income	33	-195 451	-229 006
Interest income		556 182	503 974
Interest expense		-751 633	-732 980
Net result of financial operations, recognition of revaluation result in the profit and loss statement		-31 664	-25 999
Realised gains arising from financial operations	34	24 473	9 000
Recognition of revaluation result on financial assets and positions in the profit and loss statement	23, 35	-56 137	-34 999
Net expense from fees and commissions		-3 925	-3 912
Fees and commissions income		1 146	1 037
Fees and commissions expense		-5 071	-4 949
Income from equity securities and participating interest	37	13 465	12 222
Net result of pooling of monetary income	38	181 595	206 554
Other operating income	39	19 371	19 561
NET INCOME		-16 609	-20 580
Remuneration	40	-26 019	-24 728
Social security costs and solidarity tax	40	-5 755	-5 540
Banknote and coin acquisition costs	41	-1 968	-2 338
Depreciation of fixed assets and amortisation of intangible assets	14	-3 462	-3 660
Other operating expenses	42	-11 165	-11 965
PROFIT/LOSS (-) FOR THE YEAR BEFORE PROVISIONS FOR FINANCIAL RISKS		-64 978	-68 811
Provisions for financial risks	36	-	15 051
PROFIT/LOSS (-) FOR THE YEAR AFTER PROVISIONS FOR FINANCIAL RISKS		-64 978	-53 760

Statement of total recognised gains and losses

(in thousands of euro)

	Note	2024	2023
Profit/loss(–) for the year		–64 978	–53 760
Revaluation	23	248 865	164 173
Realisation of the accumulated revaluation result	23	–26 511	–2 177
Recognition of revaluation result on financial assets and positions in the profit and loss statement	23, 35	56 137	34 999
Total changes in the revaluation account	23	278 491	196 995
TOTAL		213 513	143 235

Notes to the financial statements

1. Principal activities

Latvijas Banka is the central bank of the Republic of Latvia and a member of the ESCB and the Eurosystem. It was established on 19 September 1922 (re-established in 1990). In its activities, Latvijas Banka complies with the legislation of the Republic of Latvia and the EU, inter alia, ECB legal acts, in compliance with the Treaty on the Functioning of the European Union and the Statute of the ESCB and of the ECB.

Pursuant to the Law on Latvijas Banka, in accordance with the Treaty on the Functioning of the European Union the primary objective of Latvijas Banka is to maintain price stability. Without prejudice to the primary objective, Latvijas Banka shall support the general economic policies of the European Union and also contribute to the overall stability of Latvia's financial system.

Latvijas Banka shall participate in the performance of the tasks of the European System of Central Banks and perform other tasks which are not in contradiction with the objectives of Latvijas Banka specified in Section 4 of the Law on Latvijas Banka and the performance of the tasks of the European System of Central Banks, including:

- a) participate in the definition of the monetary policy and implement it;
- b) perform macroeconomic analysis and research;
- c) determine and implement the macroprudential policy;
- d) regulate and supervise the operation of the financial market and its participants;
- e) perform the tasks of a resolution authority;
- f) ensure the operation of the Deposit Guarantee Fund, the operation of the Fund for the Protection of the Insured, the operation of the National Resolution Fund, and the disbursement of compensations to investors;
- g) manage foreign reserves and other assets;
- h) promote smooth operation of the payment and financial instrument settlement systems, including ensure efficient and safe operation and development of the payment system of Latvijas Banka;
- i) store the Treasury funds, including in foreign currency;
- j) issue euro banknotes and coins and also promote their availability in Latvia;
- k) register and control legal entities which carry out the handling of euro banknotes and coins and putting back thereof into circulation;
- l) perform the functions of the National Analysis Centre and the Coin National Analysis Centre;
- m) ensure statistical information, inter alia, assist the European Central Bank in production of statistical information necessary for the performance of the tasks of the European System of Central Banks;
- n) maintain the Credit Register;
- o) consult the Saeima and the Cabinet on monetary policy issues and other issues related to the performance of the tasks of Latvijas Banka, including on issues of economic and fiscal policy which affect the effectiveness of monetary policy implementation;

p) promote financial literacy of and acquisition of economic knowledge by the public.

On 1 January 2023, the new Law on Latvijas Banka, adopted on 23 September 2021, entered into force and provides for the FCMC's incorporation in Latvijas Banka. Accordingly, Latvijas Banka has the tasks referred to in points (c), (d), (e), and (f).

Latvijas Banka neither seeks nor takes instructions from the government of Latvia and other EU Member States, EU institutions and other national, foreign or international institutions and their entities. Latvijas Banka is independent in setting and implementing policy under its legal mandate. Latvijas Banka's activities are overseen by the Saeima of the Republic of Latvia.

Latvijas Banka's execution of operating activities is mainly financed from income received from its investment management and monetary policy operations. In addition, the financial market participants supervised by Latvijas Banka shall, in accordance with the laws governing the activities of the relevant financial market participants, make payments to Latvijas Banka to cover the expenses of supervisory functions, i.e. expenses of Latvijas Banka directly or indirectly related to the regulation and supervision of the activities of the financial market and its participants, the application of resolution and the provision of compensation payment systems (hereinafter – supervision function expenses).

The Head Office of Latvijas Banka is situated at K. Valdemāra iela 2A, Riga. Latvijas Banka manages the storage and processing of cash through its branch at Bezdelīgu iela 3, Riga.

2. Principal accounting policies

2.1. Basis of preparation

These financial statements have been prepared in accordance with the Guideline of the ECB of 14 November 2024 on the legal framework for accounting and financial reporting in the European System of Central Banks (ECB/2024/31), Financial Accounting Policy of Latvijas Banka approved by the Council of Latvijas Banka, and the requirements of the Law on Latvijas Banka governing financial reporting.

2.2. Basis of measurement

Gold, participating interest in the BIS, and securities are measured at fair value, except held-to-maturity debt securities and securities held for monetary policy purposes that are measured at amortised cost. Securities held to maturity are securities with fixed or determinable payments and fixed maturity which Latvijas Banka intends to hold to maturity. The participating interest in the ECB is measured according to the procedure referred to in Note 13.1.

Derivatives are accounted for at fair value, except forward exchange rate contracts and currency swap arrangements that are measured according to the principles described in Notes 2.4 and 2.10.

Loans to credit institutions, deposits and similar financial claims and financial liabilities are recorded at nominal value on the balance sheet.

Euro banknotes and coins issued are recorded at nominal value on the balance sheet. The lats banknotes and coins issued by Latvijas Banka which have not yet been exchanged for the euro banknotes and coins are recognised on the balance sheet as liabilities, considering the exchange probability of such lats banknotes and coins within 20 years from the euro changeover. Euro collector coins, lats gold circulation coins and lats collector coins are not recognised on the balance sheet (see also Notes 22.1 and 45).

Fixed assets and intangible assets are reported on the balance sheet at cost less the accumulated depreciation and amortisation.

Other assets and liabilities are measured in accordance with the historical cost basis of accounting.

2.3. Fair value of financial assets and financial liabilities

Fair value is the price at which a financial asset could be sold or a financial liability could be transferred in an orderly transaction between market participants at the measurement date.

The fair value of financial instruments is determined by Latvijas Banka using quoted prices in active markets, other financial market information sources or discounted cash flows, except for the fair value of the BIS shares: the method of its estimation is 70% of the BIS net asset value (see also Note 14.2). The discounted cash flows are modelled using money market interest rates. The breakdown of assets measured at fair value as well as of financial instruments that have not been measured at their fair value but whose estimated fair value is different from their book value, taking into account the hierarchy of fair value determination, is provided in Note 5.

2.4. Foreign currency and gold translation

For foreign currency translation Latvijas Banka applies foreign exchange rates published by the ECB. The exchange rate of the SDR is set on the basis of the weights of currencies in the SDR basket published by the IMF and the exchange rates of the respective currencies published by the ECB. The price of gold is set on the basis of the quoted gold market price in US dollars and the exchange rate of the US dollar against the euro published by the ECB.

Transactions denominated in foreign currencies are recorded in euro at the respective exchange rates on the day of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into euro at the exchange rates prevailing at the end of the reporting period. Non-monetary assets and liabilities, measured at cost or amortised cost, are translated into euro at the exchange rate for the respective foreign currency prevailing on the day of the transaction.

Transactions in foreign currencies are included in the calculation of net foreign currency position of the respective currency. Forward exchange rate contracts, currency swap arrangements, and spot exchange rate contracts are included in the net position of the respective currency on the transaction day at the spot rate of the transaction and are recorded on the balance sheet in euro at the exchange rate of the respective currency prevailing at the end of the reporting period. The principles for valuation and recording of transactions denominated in foreign currencies are also applied to gold.

The exchange rates of major foreign currencies (currency units per euro) and gold price (euro per troy ounce) in euro used in the preparation of the balance sheet for the year ended 31 December 2024 and the year ended 31 December 2023 are as follows:

(at the end of the year)

	2024	2023	Changes (%)
US dollar (USD)	1.0389	1.1050	-6.0
Japanese yen (JPY)	163.06	156.33	4.3
Canadian dollar (CAD)	1.4900	1.4642	2.1
British pound sterling (GBP)	0.82918	0.86905	-4.6
Gold (XAU)	2511.069	1867.828	34.4

2.5. Reverse and other collateralised transactions

Securities that are pledged for the benefit of Latvijas Banka or purchased under reverse transactions are not reported on Latvijas Banka's balance sheet. Securities that are lent, pledged for the benefit of a counterparty or sold under reverse transactions are reported on Latvijas Banka's balance sheet along with other securities that are not pledged in such transactions. Any cash paid or received in reverse or collateralised transactions is reported on Latvijas Banka's balance sheet as loans or deposits respectively.

2.6. Fixed and intangible assets

Fixed and intangible assets are long-term assets with the useful life of over one year. The capitalisation limit of fixed and intangible assets in 2024 and 2023 was 1000 euro, except for the costs related to real estate improvements and replacement of fixed asset parts for which the Council of Latvijas Banka has set a higher capitalisation limit depending on their significance.

Depreciation and amortisation are recognised using the straight-line method over the estimated useful life of the fixed or intangible asset. Buildings and structures are accounted for by separate components, with individual useful life set for each such component.

In 2024, the useful lives set for fixed and intangible assets were not changed. In 2024 and 2023, the useful lives set were as follows:

(year-end)	2024	2023
Buildings and their components, improvements to the territory, incl.	5–100	5–100
structures	100	100
finishing, equipment and engineering communications	5–20	5–20
Transport vehicles	10–15	10–15
Office equipment and tools	5–25	5–25
Cash processing, verifying and storage equipment	5–15	5–15
Computer and telecommunications equipment	2–5	2–5
Other fixed assets	5–15	5–15
Intangible assets	1–10	1–10

2.7. Use of estimates and assumptions

The major estimates and assumptions in the preparation of the financial statements have been made with respect to the following: the accounting policy for securities held to maturity (see Note 2.2), the useful life of fixed assets and intangible assets (see Note 2.6), impairment of assets (see Note 2.8), the exchange probability of those lats banknotes and coins that have not been yet exchanged for euro banknotes and coins (see Note 2.2), the repurchasing probability of collector coins (see Note 45), provisions for market risk and credit risk (see Note 36), the breakdown of fair value determination (see Note 5), the method for establishing the fair value of the BIS shares (see Note 14.2).

2.8. Impairment of assets

An asset is impaired when its carrying amount exceeds its recoverable amount. Upon detecting any indications of impairment of an asset, the recoverable amount of the respective asset is estimated. If the recoverable amount is less than the carrying amount of the respective asset, adequate impairment allowances for the respective asset are made. Such impairment allowances are recognised in the profit and loss statement with a respective reduction in the asset's carrying amount.

The ECB carries out impairment assessment of securities held for monetary policy purposes, identifying any potential changes in future cash flows and any other factors encumbering the fulfilment of the liabilities by the securities issuer. Assets are impaired when the carrying amount of securities held for monetary policy purposes exceeds their recoverable amount, e.g. a significant deterioration of the credit quality or event of default. The latter is defined as the present value of a future cash flow estimate. The Governing Council of the ECB approves the results of the asset impairment assessment carried out by the ECB (see Note 36).

2.9. Recognition of gains and losses on financial instruments, foreign currency and gold positions

Gains and losses on financial instruments, foreign currency and gold positions are recognised in accordance with the following principles provided by the ECB's legal framework for accounting and financial reporting:

- (a) realised gains and losses shall be recognised in the profit and loss statement;
- (b) unrealised gains shall be recognised in the balance sheet item "Capital and reserves" as the revaluation reserve;
- (c) unrealised losses recognised in the balance sheet item "Capital and reserves" as the revaluation reserve at the end of the reporting year shall be transferred to the profit and loss statement if they exceed the previous revaluation gain on the respective financial instrument, foreign currency or gold position;
- (d) unrealised losses recognised in the profit and loss statement at the end of the reporting year shall not be reversed and offset by unrealised gains of the respective financial instrument, foreign currency or gold position in the subsequent years;
- (e) there shall be no netting of unrealised losses in a financial instrument, foreign currency or gold position against unrealised gains in another financial instrument, foreign currency or gold position;
- (f) the average cost method shall be used to calculate the realised and unrealised gains and losses arising from a financial instrument, foreign currency or gold position;
- (g) the average cost of a financial instrument, foreign currency or gold position shall be increased or reduced by unrealised losses that are recognised in the profit and loss statement at year-end;
- (h) when recognising income from equity securities, the income recognition principles are applied to the investment portfolio rather than individual securities, where externally managed investments in equity securities replicate the structure of an index-linked equity fund.

Dividends on equity securities and participating interest are recognised in the profit and loss statement when the right to receive payment is established.

2.10. Interest income and expense

Interest income and expense are recognised in the profit and loss statement on an accrual basis.

Interest on securities also includes premium and discount, which are amortised over the remaining life of the respective securities using the straight-line method.

The spot and forward currency exchange rate spread of forward exchange rate contracts and currency swap arrangements is recognised in the profit and loss statement as interest income or interest expense over the term of the agreement.

2.11. Other expenses and income

Banknote and coin acquisition costs are charged to the profit and loss statement at the time of banknote and coin acquisition.

Proceeds from sales of collector coins are recognised in the profit and loss statement when incurred.

Latvijas Banka's other operating expenses and income are recognised in the profit and loss statement on an accrual basis. The amount of accrued expenses and income for the reporting period is calculated in accordance with the volume of services received or rendered in the reporting period. Lease payments are recognised in the profit and loss statement proportionally over the term of the respective agreement.

3. Summary of the financial position and financial performance of Latvijas Banka

3.1. Financial position

In 2024, Latvijas Banka's assets decreased by 729.0 million euro to 24.8 billion euro.

Foreign currency claims on non-euro area residents increased by 304.9 million euro as a result of income received and revaluation.

The balance sheet item "Securities held for monetary policy purposes" decreased by 1470.5 million euro due to redemption of securities under the PSPP and PEPP. At the end of 2024, Latvijas Banka held securities purchased for monetary policy purposes amounting to 11.1 billion euro, of which Latvian government securities – 3.7 billion euro.

The amount of loans granted to credit institutions by Latvijas Banka as a result of longer-term refinancing operations decreased by 92.9 million euro as a result of their full repayment (see also Note 10.2).

Other claims within the Eurosystem decreased by 25.3 million euro, mostly due to a reduction in claims on the net result of pooling of monetary income, but claims on banknote allocation in the Eurosystem (see also Note 13.4) increased by 335.3 million euro.

Banknotes in circulation increased by 91.0 million euro, in line with the fall in the overall amount of banknotes in circulation of the euro area NCBs.

The decrease of 341.2 million euro under the balance sheet item "Liabilities to euro area residents denominated in foreign currency", as well as the decrease of 457.7 million euro under the balance sheet item "Liabilities to non-euro area residents denominated in foreign currency" are mostly related to the decrease in repurchase agreements and gold swaps arrangements.

Credit institution deposits, reported under the balance sheet item "Liabilities to euro area credit institutions related to monetary policy operations denominated in euro", increased by 1158.1 million euro.

As a result of cross-border payments, liabilities to the ECB for the settlement result in TARGET, reported under the balance sheet item "Intra-Eurosystem liabilities", decreased by 1723.3 million euro.

The capital and reserves of Latvijas Banka increased by 213.5 million euro due to net increase in the financial instruments revaluation account balance (278.5 million euro) and the operating result of the reporting year (loss of 65.0 million euro).

3.2. Financial performance

Latvijas Banka closed 2024 with a total recognised profit of 213.5 million euro (143.2 million euro in 2023). This resulted in an increase in Latvijas Banka's capital and reserves, which rose to 943.6 million euro.

In line with the accounting principles established by the Eurosystem, the 278.5 million euro change in the revaluation account is reflected in the total capital and reserves as a revaluation reserve, rather than in the profit and loss account. Therefore, despite a positive total financial result of 213.5 million euro, the profit and loss account shows 65.0 million euro losses.

Losses or low profit ratios are expected to persist across many central banks for several years. Looking ahead, Latvijas Banka's financial performance will also be primarily affected by the monetary policy pursued by the Eurosystem, along with fluctuations in interest rates and capital market dynamics in the financial markets of both the euro area and the US.

3.2.1. Total financial result of investment operations

Over the course of the year, the value of Latvijas Banka's gold and financial investments increased by 399.0 million euro or 7%, thus exceeding the 2023 result of 295.6 million euro).

The breakdown of the overall financial result of investment operations in 2024 and 2023 was as follows:

(in thousands of euro)

	Note	2024	2023
Net interest on investment operations	33.	143 743	117 294
Realised gains arising from financial operations	34.	24 473	9 000
Recognition of revaluation result on financial assets and positions in the profit and loss statement	35.	-56 137	-34 999
Fees and commissions expense		-5 071	-4 949
Income from equity securities and participating interest	37.	13 465	12 222
Total changes in the revaluation account	23.	278 491	196 995
Total		398 964	295 563

Net interest income on investment operations amounted to 143.7 million euro (117.3 million euro in 2023). The increase was driven by higher interest income on debt securities, while currency hedging costs declined.

The realised gains on financial operations amounted to 24.5 million euro (9.0 million euro in 2023). This was positively influenced by the outcome of the equity securities disposal.

The negative result of the recognition of the result of the revaluation of financial assets and positions in the Profit and Loss Account was -56.1 million euro (-35.0 million in 2023), mainly driven by a larger decline in the market value of debt securities as a result of rising long-term interest rates.

Income from equity securities and participating interest amounted to 13.5 million euro (12.2 million euro in 2023).

The change in the revaluation account in 2024 was 278.5 million euro, primarily driven by the revaluation of gold and advanced market shares. This result was well above that of 2023 (197.0 million euro in 2023, see also Note 23).

3.2.2. Monetary policy operations and similar income

In 2024 and 2023, monetary policy operations and similar income were negatively affected by the Eurosystem's monetary policy operations decisions related to inflation containment. In 2023, the ECB raised interest rates by 200 basis points, resulting in increased expenses for the Eurosystem central banks, including Latvijas Banka, related to monetary policy operations and deposits from the government and other institutions. Although euro interest rates were reduced from June 2024 onwards, the average level of euro interest rates in 2024 was higher than in 2023, further increasing Latvijas Banka's net expenses for monetary policy operations to 157.6 million euro (139.7 million euro in 2023). Interest expenses on deposits from Latvian credit institutions amounted to 237.9 million euro (173.9 million euro in 2023), while those on deposits from the Latvian government totalled 41.3 million euro (45.3 million euro in 2023).

The breakdown of monetary policy operations and similar income in 2024 and 2023 was as follows:

(in thousands of euro)

	Note	2024	2023
Net interest on monetary policy operations	33	-147 316	-88 890
Net interest on intra-Eurosystem claims and liabilities	33	-70 630	-128 022
Net interest on customer deposits	33	-77 271	-80 181
Other interest attributable to monetary policy operations and similar income	33	-43 977	-49 207
Net result of pooling of monetary income	38	181 595	206 554
Total		-157 599	-139 746

Net interest on monetary policy operations increased to -147.3 million euro (-88.9 million euro in 2023). This was due to the increase in the amount of deposits from Latvian credit institutions and the average interest rate paid on these deposits.

Net interest on intra-Eurosystem claims and liabilities declined and amounted to -70.6 million euro (-128.0 million in 2023), driven by a reduction in Latvijas Banka's liabilities related to TARGET.

Other interest attributable to monetary policy operations and similar income in 2024 amounted to -44.0 million. euro (-49.2 million in 2023) and included interest expenses on repurchase agreements and a reduction in hedging costs resulting from the conclusion of these transactions.

Pursuant to the Statute of the ESCB and of the ECB, the income generated by euro area NCBs through the implementation of the single monetary policy of the Eurosystem is allocated to euro area NCBs in proportion to their shares in the ECB's capital. The net result of pooling of monetary income includes interest on monetary policy operations and interest on intra-Eurosystem claims and liabilities as monetary income paid in accordance with the amount specified in Note 38. Latvijas Banka's net result of pooling of monetary income decreased and stood at 181.6 million euro (-206.6 million euro in 2023).

3.2.3. Other operating income and expenses

Other operating income stood at 19.4 million euro (19.6 million euro in 2023). This income was primarily composed of payments from the financial market participants supervised by Latvijas Banka, totalling 13.8 million euro, as since 1 January 2023 when the FCMC was incorporated in Latvijas Banka, those financial market participants make payments to cover supervision function expenses.

Other operating expenses amounted to -48.4 million euro (-48.2 million euro in 2023). This also includes supervision function expenses since the FCMC was incorporated in Latvijas Banka as of 1 January 2023.

4. Financial investment policy

Investments are managed in compliance with the basic principles set by the Council of Latvijas Banka – preserving the value of investments, ensuring their liquidity and earning income within the framework of acceptable risk in the medium term. In addition the sustainability principle is respected without contradicting the monetary policy implemented by the Eurosystem.

Investments include assets reported under the balance sheet items "Gold and gold receivables", "Claims on non-euro area residents denominated in foreign currency", "Claims on euro area residents denominated in foreign currency", "Claims on non-euro area residents denominated in euro", "Other claims on euro area credit institutions denominated in euro" and "Other securities", as well as accrued income on debt securities reported under the balance sheet item of other assets "Accrued interest on other

securities" and derivative financial instruments and spot exchange rate contracts whose book value is reported under relevant balance sheet items of other assets or other liabilities.

Investments are managed by classifying them into different investment portfolios by investment strategy and source of funding. The portfolio of borrowed funds includes investments which correspond to Latvijas Banka's liabilities in foreign currencies to government or government deposits. Latvijas Banka's investments include the portfolios of 1–10 year fixed income securities, mortgage-backed securities, developed markets equity securities, long-term fixed income securities, global fixed income securities, emerging markets equity securities, emerging markets fixed income securities, and gold. The developed markets equity securities portfolio, the mortgage-backed securities portfolios and the global fixed income securities portfolio are managed by external managers.

The breakdown of investments by type of investment portfolio at the end of 2024 and 2023 was as follows:

	Book value (in thousands of euro)		Proportion (%)	
	2024	2023	2024	2023
1–10 year fixed income securities portfolio	3 126 932	2 920 052	46.6	46.8
Mortgage-backed securities portfolios	1 044 951	1 064 521	15.5	17.0
Developed markets equity securities portfolio	768 268	607 748	11.4	9.8
The portfolio of borrowed funds	553 888	539 561	8.2	8.7
Gold portfolio	536 915	399 378	8.0	6.4
Emerging markets fixed income securities portfolio	302 496	293 431	4.5	4.7
Long-term fixed income securities portfolio	168 468	168 394	2.5	2.7
Global fixed income securities portfolio	146 443	140 426	2.2	2.3
Emerging markets equity securities portfolio	72 101	60 792	1.1	1.0
Latvian government securities portfolio	–	36 424	–	0.6
Total	6 720 462	6 230 727	100.0	100.0

All portfolios, except of the gold and long-term fixed income securities portfolio, have a benchmark that defines parameters reflecting the acceptable level of financial risks of the respective investment portfolio and the expected yield.

The 1–10 year fixed income securities portfolio benchmark comprised the weighted 1–10 year government securities index of the UK and euro area countries, and the 1–3 year government securities index of the US and Canada.

The mortgage-backed securities portfolio benchmark is the US mortgage-backed securities index.

The benchmark for the portfolio of borrowed funds is formed in compliance with the parameters of the respective liabilities.

The developed markets equity securities portfolio benchmark is the equity securities index comprised of issuers from developed countries.

The gold portfolio comprises the gold of Latvijas Banka and the related financial instruments.

The emerging markets fixed income securities portfolio benchmark is the public sector issuer index of emerging market countries with an investment grade rating by international credit rating agencies.

The long-term fixed income securities portfolio comprises euro area government securities denominated in euro, with term to maturity of 10 years at the time of acquisition.

The global fixed income securities portfolio benchmark is a global fixed income securities index that meets investment grade determined by international credit rating agencies.

The emerging markets equity securities portfolio benchmark is the equity securities index comprised of issuers from emerging market countries.

In 2024, the Latvian government securities portfolio was closed. It was comprised of euro denominated Latvian government bonds with term to maturity of 5–10 years at the time of acquisition.

The benchmark currency is the euro (limiting the currency risk) for Latvijas Banka's investment portfolios that include the 1–10 year fixed income securities portfolio, the mortgage-backed securities portfolios, the long-term fixed income securities portfolio, the emerging markets fixed income securities portfolio, and the Latvian government securities portfolio. For the portfolio of borrowed funds, the benchmark currency structure is formed considering the currency of the respective liabilities.

The description of the main methods used in financial risk management is provided in Note 25.2.

5. Fair value measurement

The fair value of Latvijas Banka's assets is determined using the following hierarchy (see also Note 2.3):

- quoted market price. The fair value is determined using quoted prices for identical financial instruments in active markets;
- observable data. The fair value is determined using quoted prices for similar financial instruments in active markets, quoted prices for identical or similar financial instruments in inactive markets or using models where all significant inputs are observable;
- non-observable data. The fair value is determined using a model where significant inputs are non-observable.

At the end of 2024 and 2023, Latvijas Banka's assets carried at fair value were generally valued on the basis of a quoted market price in active markets.

At the end of 2024 and 2023, the participating interest in the BIS was assessed using non-observable data. The assessment was conducted using the 70% net asset value method (see also Note 14.2).

At the end of 2024 and 2023, the breakdown of financial instruments and gold carried at fair value and of the financial instruments whose fair value is different from their book value, according to the fair value hierarchy, was as follows:

(in thousands of euro)

	Book value	Fair value			Total fair value	Difference between fair value and book value
		Quoted market price	Observable data	Non-observable data		
As at 31 December 2024						
Gold	536 915	536 915	-	-	536 915	-
Securities in investment portfolios	5 523 344	4 749 037	773 004	-	5 522 041	-1 303
Forward exchange rate contracts	-53 033	-	-53 532	-	-53 532	-499
Securities held for monetary policy purposes	11 184 478	9 717 063	-	-	9 717 063	-1 467 415
Participating interest in the Bank for International Settlements	43 989	-	-	43 989	43 989	-
Total	17 235 693	15 003 015	719 472	43 989	15 766 476	-1 469 217
As at 31 December 2023						
Gold	399 378	399 378	-	-	399 378	-
Securities in investment portfolios	5 166 827	4 439 729	723 120	-	5 162 849	-3 978
Forward exchange rate contracts	31 752	-	31 296	-	31 296	-456
Securities held for monetary policy purposes	12 671 386	11 026 232	-	-	11 026 232	-1 645 154
Participating interest in the Bank for International Settlements	37 863	-	-	37 863	37 863	-
Total	18 307 206	15 865 339	754 416	37 863	16 657 618	-1 649 588

The securities, including accrued interest on the above securities, are reported under the balance sheet items "Claims on non-euro area residents denominated in foreign currency", "Claims on euro area residents denominated in foreign currency", "Claims on non-euro area residents denominated in euro", "Securities of euro area residents denominated in euro", "Other assets" and "Other liabilities".

The book value of forward exchange rate contracts is reported under the balance sheet items "Other assets" or "Other liabilities", while the present Note discloses the total net book value.

The average market prices on the last trading day of the reporting year are obtained from the electronic information systems Bloomberg and LSEG (quoted market price if the market of the respective financial instrument is active; observable data if the market is inactive). Where the above quoted price for a financial instrument is absent in the electronic information systems and the market for the financial instrument is inactive, the price provided by a market participant or the discounted cash flow is used for evaluating the financial instrument (observable data).

6. Gold and gold receivables

	Troy ounces	In thousands of euro
As at 31 December 2022	213 836	364 821
During 2023		
Increase in gold market value	x	34 589
Net change as a result of gold swaps arrangements	-17	-32
As at 31 December 2023	213 819	399 378
During 2024		
Increase in gold market value	x	137 537
As at 31 December 2024	213 819	536 915

The revaluation result of gold is recognised under the balance sheet item "Capital and reserves" as the revaluation result (see also Note 23).

To limit the gold maintenance costs and ensure return on gold investments, gold may be involved in gold swaps arrangements (at the end of 2024 and 2023 Latvijas Banka had not concluded gold swaps arrangements (see also Notes 0, 21 and 43)). Gold swaps arrangements are treated as repurchase agreements.

At the end of 2024 and 2023, Latvijas Banka had no gold receivables.

7. Claims on non-euro area residents denominated in foreign currency

7.1. Receivables from the International Monetary Fund

Pursuant to the Law on the Republic of Latvia Joining the International Monetary Fund, Latvijas Banka serves as a depository for the IMF and services the IMF accounts in the member state currency without compensation. The IMF holdings in euro comprise a promissory note issued by the Latvian government, Account No. 1 used for financial transactions with the IMF, and Account No. 2 used for the IMF administrative expenditure and receipts.

Latvia's claims on the IMF include SDR and Latvia's quota in the IMF. SDR is an international reserve asset created by the IMF and used in transactions between the IMF and its members. The quota in the IMF reflects the subscription in the IMF of respective members. Latvia's quota in the IMF is secured by the Latvian government promissory note issued to the IMF and denominated in SDR.

Latvia's liabilities to the IMF are made up of the IMF holdings in euro and IMF allocations.

At the end of 2024, the receivables from the IMF in SDR as recorded on Latvijas Banka's balance sheet were equivalent to 553 097 thousand euro (534 839 thousand euro at the end of 2023), whereas the liabilities to the IMF were made up of funds at the disposal of the IMF in the amount of 1446 thousand euro (1405 thousand euro at the end of 2023) held on its Accounts No. 1 and No. 2 (see also Note 19).

At the end of 2024 and 2023, Latvia's net receivables from the IMF were as follows:

	(in thousands of euro)		(in thousands of SDR)	
	2024	2023	2024	2023
Latvia's quota in the International Monetary Fund	416 837	403 977	332 300	332 300
International Monetary Fund holdings in euro	-371 598	-377 157	-296 236	-310 239
Promissory note of the Latvian government	-370 152	-375 752	-295 083	-309 083
Account No. 1	-1 042	-1 010	-831	-831
Account No. 2	-404	-395	-322	-325
Reserve position in the International Monetary Fund	45 643	27 215	36 386	22 386
incl. financing of the Financial Transaction Plan	45 158	26 745	36 000	22 000
SDR	553 097	534 839	440 925	439 943
General allocation	-517 431	-501 468	-412 493	-412 493
Special allocation	-33 648	-32 610	-26 824	-26 824
Latvia's net receivables from the International Monetary Fund	47 660	27 976	37 994	23 012

The reserve position in the IMF is the difference between Latvia's quota in the IMF and the IMF holdings in euro, excluding the balance on Account No. 2. In 2022, considering Latvia's economic development and following the policies and procedures of membership of the IMF, Latvia was included in the IMF's Financial Transaction Plan. The countries included in the plan participate in the financing of the IMF's lending operations, not exceeding the amount of the national quota, receiving interest payments in return. At the end of 2024, the financing of the Financial Transaction Plan amounted to 36 million SDR (at the end of 2023 – 22 million SDR).

7.2. Balances with credit institutions and security investments, external loans and other external assets

(in thousands of euro)

	2024	2023
Securities	3 674 828	3 425 188
Demand deposits	126 494	89 499
Total	3 801 322	3 514 687

8. Claims on euro area residents denominated in foreign currency

(in thousands of euro)

	2024	2023
Securities	651 687	595 515
Demand deposits	815	287
Total	652 502	595 802

9. Claims on non-euro area residents denominated in euro

(in thousands of euro)

	2024	2023
Securities	159 519	160 464
Demand deposits	15 123	8 012
Total	174 642	168 476

10. Lending to euro area credit institutions related to monetary policy operations denominated in euro

At the end of 2024, the total amount of Eurosystem loans in monetary policy operations reached 34 221 million euro (410 290 million euro at the end of 2023), including 0 million euro (92.9 million euro at the end of 2023) of loans granted by Latvijas Banka. Pursuant to the Statute of the ESCB and of the ECB, the risks associated with the implementation of monetary policy (if any materialise) are allocated among euro area NCBs in proportion to their share in the ECB's capital. Losses from Eurosystem lending related to monetary policy operations might only be incurred where the counterparty defaults on its obligations and the funds recovered as a result of the disposal of the collateral provided by the counterparty are not sufficient (see also Note 25.2.2).

10.1. Main refinancing operations

Main refinancing operations are open market operations executed through liquidity providing reverse transactions, conducted through weekly standard tenders with a maturity of one week. These operations play a key role in steering interest rates, managing market liquidity and signalling the monetary policy stance. At the end of 2024 and 2023, Latvijas Banka had granted no loans in main refinancing operations.

10.2. Longer-term refinancing operations

Longer-term refinancing operations are open market operations, executed through reverse transactions with the aim to provide credit institutions with additional longer-term refinancing. Such operations are conducted through monthly standard tenders with maturity of three months. In addition, following the decision of the Governing Council of the ECB, TLTROs were launched in 2014. They are liquidity providing reverse operations providing longer-term liquidity to credit institutions on attractive terms, so that they can continue easing the terms and conditions of lending to the private sector and to encourage their lending to the real economy. The last longer-term refinancing operations (TLTRO III) were conducted in 2021. These operations had a three-year maturity with the possibility of early repayment after two years and therefore the last operation matured in 2024. According to the initial decisions, the interest rate applicable to TLTRO III operations could be as low as the average interest rate on the deposit facility. In response to the impact of the Covid-19 pandemic, in 2020 the Governing Council of the ECB decided to lower this rate, establishing that for the period between 24 June 2020 and 23 June 2022 the interest rate applicable can be as low as 50 basis points below the average interest rate on the deposit facility, but in any case may not become less negative than -1%. In addition, on 27 October 2022, the Governing Council of the ECB decided that, from 23 November 2022 until the maturity date or early repayment date of each respective outstanding TLTRO III operation, the interest rate on TLTRO III operations will be indexed to the average applicable key ECB interest rates over this period. On the same date, the Governing Council of the ECB decided to introduce three additional voluntary early repayment dates to provide TLTRO III participants with additional opportunities to partly, or fully, repay their respective TLTRO III borrowings before their maturity. The Governing Council of the ECB launched four additional pandemic emergency longer-term refinancing operations (PELTROs) in 2021 (three matured in the course of 2022 and one – in

January 2023). These operations provide further liquidity support after the expiry of the bridge longer-term refinancing operations (LTROs) that have been conducted since March 2020. In 2024, at the end of the term of the last operations, Latvijas Banka received 92 900 thousand euro as repayment of loans granted to credit institutions. At the end of 2024, Latvijas Banka no longer had any TLTROS balances (the balance was 92 900 thousand euro at the end of 2023).

11. Other claims on euro area credit institutions denominated in euro

Other claims on euro area credit institutions denominated in euro mostly include Latvijas Banka's demand deposits in euro with euro area credit institutions (17 707 thousand euro at the end of 2024; 133 thousand euro at the end of 2023).

12. Securities of euro area residents denominated in euro

At the end of 2024, the amount of securities held by the Eurosystem for monetary policy purposes totalled 4 283 367 million euro (4 694 345 million euro at the end of 2023). Of them, Latvijas Banka held 11 116 million euro (12 587 million euro at the end of 2023). Pursuant to the Statute of the ESCB and of the ECB, any income and losses, if any materialise, are allocated among euro area NCBs in proportion to their share in the ECB's capital, except any risks associated with the purchases of government securities carried out by Latvijas Banka and other euro area NCBs under the PSPP and PEPP. Of the total amount of securities held by the Eurosystem for monetary policy purposes, at the end of 2024, the amount of government securities purchased by the euro area NCBs under the PSPP totalled 1704 billion euro (1923 billion euro at the end of 2023); of them, Latvijas Banka held Latvian government securities in the amount of 2380 million euro (2635 million euro at the end of 2023). At the end of 2024, the amount of government securities purchased by the euro area NCBs under the PEPP totalled 1243 billion euro (1297 billion euro at the end of 2023); of them, the amount of Latvian government securities held by Latvijas Banka was 1352 million euro (1414 million euro at the end of 2023).

In 2024, the asset purchase programme (APP) portfolio continued to shrink, as the Eurosystem ceased reinvesting the principal payments from maturing securities starting in July 2023.. In response to the Covid-19 pandemic and the related potential risks to the monetary policy transmission mechanism and the euro area economic outlook, in March 2020, the Governing Council of the ECB launched a new asset purchase programme, the PEPP, whereby net asset purchases continued until March 2022. Following the decision taken by the Governing Council in December 2023, during the first half of 2024 the Eurosystem continued to reinvest, in full, the principal payments from maturing securities. Reinvestments under the PEPP were discontinued at the end of 2024.

(in thousands of euro)

	2024	2023
Securities held for monetary policy purposes	11 116 256	12 586 724
Latvian government securities	3 732 095	4 048 732
PSPP government securities	2 379 752	2 634 861
PEPP government securities	1 352 343	1 413 871
Debt securities issued by international institutions	7 384 161	8 537 992
PSPP debt securities issued by international institutions	5 411 564	6 523 191
PEPP debt securities issued by international institutions	1 972 597	2 014 801
Other securities	1 017 828	963 933
Securities not held to maturity	849 360	795 539
Securities held to maturity	168 464	168 394
Total	12 134 084	13 550 657

13. Intra-Eurosystem claims/liabilities (–)

13.1. Participating interest in the European Central Bank

With Latvia's accession to the EU, Latvijas Banka became a subscriber to the capital of the ECB. In accordance with the Statute of the ESCB and of the ECB, the weighting assigned to Latvijas Banka in the ECB capital subscription key is calculated on the basis of the share of Latvia's population and gross domestic product in the EU. The weightings assigned to the NCBs in the ECB's capital subscription key are adjusted every five years or at shorter intervals depending on changes in the number of the EU NCBs that contribute to the ECB's capital. The ECB's capital subscription key was last adjusted in 2023 considering up-to-date information on the population of NCB countries and the share of gross domestic product in the EU. The adjusted ECB capital keys entered into force on 1 January 2024, and the ECB's capital key remained unchanged for Latvia. The ECB capital key for Latvijas Banka is 0.3169%, which corresponds to 34 304 thousand euro.

The Statute of the ESCB and of the ECB stipulates that a euro area NCB shall pay up its subscribed share in the ECB's capital in full, as well as contribute to the ECB's reserve capital, to those provisions equivalent to reserves and to the revaluation account for financial instruments in proportion to its share in the ECB's capital.

At the end of 2024, Latvijas Banka's participating interest in the ECB consisted of the paid-up shares in the amount of 34 304 thousand euro in the ECB's capital, transfers to the financial instrument revaluation account amounted to 43 125 thousand euro and the difference between the market value of the foreign reserves transferred to the ECB and the value of the corresponding euro-denominated claim amounted to 41 793 thousand euro. In 2024, following adjustments to the ECB's capital key, transfers to the financial instrument revaluation account increased by 373 thousand euro (see also Note 13.2).

The total subscribed capital of the ECB remained unchanged in 2024.

The ECB's capital shares are not traded in the public securities market, and Latvijas Banka's participating interest in the ECB can be increased or decreased only in the cases referred to in this Note.

(in thousands of euro)

	2024	2023
Total amount of the European Central Bank's subscribed capital	10 825 007	10 825 007
The subscribed share of Latvijas Banka in the European Central Bank's capital	34 304	34 304
The paid-up share of Latvijas Banka in the European Central Bank's capital	34 304	34 304
The percentage share of Latvijas Banka in the European Central Bank's capital (capital key; %)	0.3169	0.3169

13.2. Claims equivalent to the transfer of foreign reserves to the European Central Bank

Pursuant to the Statute of the ESCB and of the ECB, euro area NCBs shall transfer a definite amount of their foreign reserves to the ECB. The amount of foreign reserves to be transferred is fixed in proportion to the capital key weighting of each euro area NCB in the ECB's capital. In exchange for the foreign reserves transferred to the ECB, Latvijas Banka received a euro-denominated claim on the ECB in proportion to the value of the respective claims of other euro area NCBs. At the end of 2024 and of 2023, this claim amounted to 157 202 thousand euro. The difference between the market value of the foreign reserves transferred to the ECB and the value of the corresponding euro-denominated claim in the amount of 41 793 thousand euro is reported as participating interest in the ECB (see also Note 13.1). The interest rate on the main refinancing operations set by the ECB is applied to the claims equivalent to the transfer of foreign reserves to the ECB (see also Note 33).

13.3. Other claims/liabilities within the Eurosystem

Other claims/liabilities within the Eurosystem comprise claims for the ECB's interim profit distribution and other claims on and liabilities to the ECB associated with the net result of pooling of monetary income and Latvijas Banka's correspondent account.

Monetary income to be pooled by Latvijas Banka and to be received in 2024 was positive and this resulted in claims on the ECB associated with the net result of pooling of monetary income, standing at 181 595 thousand euro at the end of 2024 (206 554 thousand euro liability at the end of 2023; see also Note 38).

Claims for the ECB's interim profit distribution are set as per Latvijas Banka's percentage share in the ECB's capital (0 euro at the end of 2024 and 2023; see also Note 37).

13.4. Net claims related to the allocation of euro banknotes within the Eurosystem

In view of the fact that euro banknotes are issued by all euro area NCBs and the ECB, they report a definite share of the total amount of euro banknotes issued by the Eurosystem on their balance sheets. Of the total amount of euro banknotes issued, the share allocated to Latvijas Banka is larger than the net amount of euro banknotes it has actually issued (see Note 15). In view of the above, the adjustment related to banknotes in circulation results in corresponding claims on the ECB for the allocation of banknotes, reported under the balance sheet item " Net claims related to the allocation of euro banknotes within the Eurosystem ".

13.5. Liabilities related to TARGET

TARGET is the real-time gross settlement system for large-value payments in euro. Claims and liabilities related to TARGET settlements originate as a result of cross-border payments settled in the central bank money. The above settlements result in bilateral claims and liabilities in the TARGET accounts held by NCBs. The net positions for the bilateral balances of claims and liabilities are attributed to the ECB

and calculated on a daily basis, leaving each NCB with a single net position vis-à-vis the ECB. This is reported on the NCB's balance sheet as net claims or liabilities related to TARGET settlements.

In 2024, the liabilities related to TARGET and NCB correspondent accounts (net) decreased as a result of the lower cross-border payments effected by credit institutions and Latvijas Banka.

The interest rate on the main refinancing operations set by the ECB is applied to the above claims and liabilities.

14. Other assets

(in thousands of euro)

	Note	2024	2023
Assets related to financial transactions			
Accrued interest on securities held for monetary policy purposes		68 222	84 662
Accrued interest on claims against the ECB		59 631	72 419
Participating interest in the Bank for International Settlements	14.2	43 989	37 863
Accrued interest on other securities		22 135	20 539
OTC financial derivative contracts and spot exchange rate contracts	24	9 455	41 242
Accrued interest on demand deposits		79	-
Accrued interest on longer-term refinancing operations		-	2 521
Other assets			
Fixed assets	14.1	29 306	26 910
Claims for payments of supervised financial market participants		3 533	3 206
Intangible assets	14.1	3 152	3 179
Prepaid expenses		2 494	2 296
Other		806	668
Total		242 802	295 505

14.1. Fixed assets and intangible assets

(in thousands of euro)

	Buildings, improvement of territory, and land	Furniture and office equipment	Computer and telecom- munication equipment	Cash processing and storage equipment	Other fixed assets	Total fixed assets	Intangible assets
As at 31 December 2022							
Cost	59 228	6 059	4 927	5 405	7 655	83 274	10 310
Accumulated depreciation/amortisation	-36 333	-4 706	-4 143	-3 093	-6 147	-54 422	-7 369
Net book value	22 895	1 353	784	2 312	1 508	28 852	2 941
During 2023							
Additions	701	6	393	123	60	1 283	658
Assets acquired from the FCMC at original cost	-	252	563	-	6	821	1 012
Disposals and write-offs	-16	-110	-248	-32	-859	-1 265	-
Net change in cost	685	148	708	91	-793	839	1 670
Depreciation/amortisation charge	-1 777	-217	-499	-271	-307	-3 071	-589
Accumulated depreciation/amortisation of assets acquired from the FCMC	-	-176	-379	-	-3	-558	-843
Accumulated depreciation/amortisation on disposals and write-offs	16	105	248	32	447	848	-
Net change in accumulated depreciation/amortisation	-1 761	-288	-630	-239	137	-2 781	-1 432
As at 31 December 2023							
Cost	59 913	6 207	5 635	5 496	6 862	84 113	11 980
Accumulated depreciation/amortisation	-38 094	-4 994	-4 773	-3 332	-6 010	-57 203	-8 801
Net book value	21 819	1 213	862	2 164	852	26 910	3 179
During 2024							
Additions	4 602	133	460	19	90	5 304	532
Disposals and write-offs	-	-380	-429	-412	-321	-1 542	-142
Net change in cost	4 602	-247	31	-393	-231	3 762	390
Depreciation/amortisation charge	-1 780	-210	-406	-259	-248	-2 903	-559
Accumulated depreciation/amortisation on disposals and write-offs	-	376	429	411	321	1 537	142
Net change in accumulated depreciation/amortisation	-1 780	166	23	152	73	-1 366	-417
As at 31 December 2024							
Cost	64 515	5 960	5 666	5 103	6 631	87 875	12 370
Accumulated depreciation/amortisation	-39 874	-4 828	-4 750	-3 180	-5 937	-58 569	-9 218
Net book value	24 641	1 132	916	1 923	694	29 306	3 152

At the end of 2024, Latvijas Banka's contractual commitments for the acquisition of fixed assets were 3633 thousand euro (40 thousand euro at the end of 2023). The increase was primarily driven by the reconstruction and remodelling of the building's interior at K. Valdemāra iela 2A, Riga.

14.2. Participating interest in the Bank for International Settlements

At the end of 2024 and 2023, Latvijas Banka owned 1070 shares in the BIS, which corresponded to 0.19% of the total subscribed and paid-up BIS capital.

The total nominal value of Latvijas Banka's shareholding in the BIS is SDR 5350 thousand (the nominal value per share is SDR 5 thousand), paid up in the amount of SDR 1338 thousand or 25% (see also Note 45). At the end of 2024 and 2023, the BIS shareholding is reported on Latvijas Banka's balance sheet at fair value. The shares in the BIS are not traded in the public securities market. In the opinion of Latvijas Banka, the most appropriate method for establishing the fair value of the BIS shares is the use of 70% of the BIS net asset value based on the latest published financial statements of the BIS. Pursuant to the Statutes of the BIS, only central banks can be shareholders in the BIS. At the end of 2024, the estimated fair value of BIS shares owned by Latvijas Banka was 43 989 thousand euro (37 863 thousand euro at the end of 2023).

15. Banknotes in circulation

(in thousands of euro)

	2024	2023
Euro banknotes	5 662 446	5 571 492
Net issuance of euro banknotes by Latvijas Banka	-602 157	-357 835
Adjustment for banknote allocation in the Eurosystem	6 264 603	5 929 327
Total	5 662 446	5 571 492

In view of the fact that euro banknotes are issued by all euro area NCBs and the ECB, they report a certain share of the total amount of euro banknotes issued by the Eurosystem on their balance sheets. The ECB's share is 8% of the total amount of euro banknotes issued by the Eurosystem; the remaining 92% are allocated to the Eurosystem NCBs in proportion to their respective shares in the ECB's capital and reported under the balance sheet item "Banknotes in circulation". Of the total amount of euro banknotes issued by the Eurosystem, the share allocated to Latvijas Banka is larger than the actual net amount of euro banknotes it has issued (see Note 15); consequently, claims on the ECB related to the allocation of banknotes within the Eurosystem are reported under the balance sheet item "Intra-Eurosystem claims".

The euro coins issued by Latvijas Banka are reported under the balance sheet item "Other liabilities" (see also Note 22).

Cross-border flows of euro banknotes in 2024 increased, amplifying the difference between the amount of banknotes deposited with Latvijas Banka and the amount of banknotes withdrawn from Latvijas Banka; consequently, the negative net issuance of euro banknotes by Latvijas Banka reached 602 157 thousand euro. As a result, an increase in the adjustment for banknote allocation in the Eurosystem was reported on the balance sheet of Latvijas Banka. At the end of 2024, the total amount of euro banknotes in circulation in the Eurosystem increased to 1588 billion euro (1567 billion euro at the end of 2023).

16. Liabilities to euro area credit institutions related to monetary policy operations denominated in euro

16.1. Current accounts (covering the minimum reserve system)

Current accounts contain the credit balances on the transaction accounts of credit institutions that are required to hold minimum reserves. The balance on these accounts under the reserve requirements was subject to the ECB's deposit facility rate between 21 December 2022 and 19 September 2023. On 27

July 2023, the Governing Council decided that, starting from 20 September 2023, these balances will be remunerated at a zero percent rate.

At the end of 2024, the balance on the current accounts with Latvijas Banka was 255 763 thousand euro (205 834 thousand euro at the end of 2023). The average minimum reserves during the reserve maintenance period at the end of 2024 stood at 223 194 thousand euro (205 944 thousand euro at the end of 2023).

16.2. Deposit facility

Deposit facility is a standing facility of the Eurosystem used by credit institutions to place their overnight deposits at a pre-specified rate. At the end of 2024, the balance of deposit facility accounts was 7 975 855 thousand euro (6 867 713 thousand euro at the end of 2023).

17. Other liabilities to euro area credit institutions denominated in euro

(in thousands of euro)

	2024	2023
Prepayments for electronic clearing system service	247 378	–
Collateral received for the use of the instant payment service	65 701	73 795
Liabilities for repurchase agreements	111	232 672
Liabilities for collateral for forward exchange rate contracts	–	8 253
Total	313 190	314 720

18. Liabilities to other euro area residents denominated in euro

Liabilities to other euro area residents denominated in euro comprise demand deposits by the Latvian government and other financial institutions. Government deposits comprise the Treasury demand deposits received by Latvijas Banka.

19. Liabilities to non-euro area residents denominated in euro

Liabilities to other financial institutions mostly comprise funds received from European Commission and under repurchase agreements.

(in thousands of euro)

	2024	2023
European Commission	87 284	102 303
Other financial institutions	34 944	80 367
International Monetary Fund	1 446	1 405
Total	123 674	184 075

20. Liabilities to euro area residents denominated in foreign currency

(in thousands of euro)

	2024	2023
Demand deposits of the Latvian government	553 888	539 561
Liabilities for repurchase agreements	367 648	685 785
Liabilities for gold swap arrangements	–	37 412
Total	921 536	1 262 758

21. Liabilities to non-euro area residents denominated in foreign currency

(in thousands of euro)

	2024	2023
Liabilities for repurchase agreements	–	295 782
Liabilities for gold swap arrangements	–	146 661
Liabilities for collateral for financial derivative instruments	–	15 275
Total	–	457 718

22. Other liabilities

(in thousands of euro)

	Note	2024	2023
Liabilities related to financial transactions			
OTC financial derivative contracts and spot exchange rate contracts	24	65 141	8 302
Accrued interest on Target system liabilities		17 929	30 713
Accrued interest on demand deposits		7 679	14 434
Accrued interest on deposit facility		665	2 289
Provisions for market risk and credit risk	36	–	166
Other liabilities			
Euro coins in circulation	22.1	98 498	94 242
Lats in circulation		7 463	12 121
Liabilities to staff		6 921	7 185
Provisions for supervision function expenses		4 733	5 359
Tax liabilities		1 311	1 091
Other		4 645	6 315
Total		214 985	182 217

22.1. Banknotes and coins in circulation

Euro coins in circulation include the euro coins issued by Latvijas Banka in circulation, except collector coins. The extent of liabilities regarding the lats banknotes and coins in circulation has been estimated, considering the probability of exchanging the lats banknotes and coins in a period of 20 years following the euro changeover in 2014 (see also Note 2.2).

Apart from the lats and euro circulation coins issued by Latvijas Banka and recognised on the balance sheet, euro collector coins, lats collector coins and precious metal circulation coins were also in circulation with the total nominal value of 7352 thousand euro at the end of 2023 (7282 thousand euro at the end of 2023). The above coins in circulation have not been reported under the balance sheet item "Other liabilities" (see also Note 45).

Issued lats banknotes and coins with a low probability of exchange in the amount of 109 653 thousand euro (lats banknotes in the amount of 48 259 thousand euro and lats coins in the amount of 61 394 thousand euro at the end of 2024; 105 753 thousand euro at the end of 2023, including lats banknotes in the amount of 44 945 thousand euro and lats coins in the amount of 60 808 thousand euro at the end of 2023) have not been reported as a liability on the balance sheet at the end of 2024 (see also Note 45). The exchange probability of the lats banknotes and coins is assessed annually on the basis of the actual exchange data of the above banknotes and coins.

23. Capital and reserves

(in thousands of euro)

	Nominal capital	Reserve capital	Revaluation account	Profit/loss(-) for the year	Capital and reserves
As at 31 December 2022	100 000	263 146	223 737	–	586 883
During 2023					
Net result of revaluation, realisation, and revaluation result recognition in the profit and loss statement	x	x	196 995	x	196 995
Profit/loss(-) for the year	x	x	x	–53 760	–53 760
As at 31 December 2023	100 000	263 146	420 732	–53 760	730 118
During 2024					
Net result of revaluation, realisation, and revaluation result recognition in the profit and loss statement	x	x	278 491	x	278 491
Loss coverage	x	–53 760	x	53 760	–
Profit/loss(-) for the year	x	x	x	–64 978	–64 978
As at 31 December 2024	100 000	209 386	699 223	–64 978	943 631

The capital and reserves of Latvijas Banka comprise the nominal capital, reserve capital and the revaluation account, as well as the undistributed profit/loss for the reporting year.

The legal framework does not provide for any capital adequacy requirements for Latvijas Banka; nevertheless, the amount of its capital should be adequate to promote credibility of the monetary policy implemented by Latvijas Banka, and to ensure implementation of its operations and financial

independence when performing the tasks set forth by the Statute of the ESCB and of the ECB and the Law on Latvijas Banka. The implementation of the monetary policy as well as exposure to financial and operational risks may adversely affect Latvijas Banka's income or result in losses to be covered from the capital and reserves of Latvijas Banka.

The nominal capital of Latvijas Banka has historically been comprised of the state-allotted resources, transfers from the reserve capital and Latvijas Banka's profit allocations.

The Law on Latvijas Banka stipulates that Latvijas Banka shall transfer to the state basic budget the part of the profit earned in the reporting year, which is calculated by multiplying the profit earned in the reporting year, which has remained after covering the losses accumulated in the previous years (if any), by the enterprise income tax rate specified in the Enterprise Income Tax Law, and shall make a payment for the usage of the state capital in the amount of 50% of the profit earned in the reporting year, remaining after covering losses (if any) accumulated in the previous years. The Council of Latvijas Banka, upon approving the annual report, may make a decision on reducing the percentage share of the payment for the usage of state capital, where it is necessary for increasing the reserve capital of Latvijas Banka in relation to the financial risks Latvijas Banka is exposed to when executing its tasks. At the end of 2024 and 2023, the corporate income tax rate was 20%. In 2024, the financial result of Latvijas Banka's activities was negative, showing a loss of 64 978 thousand euro therefore Latvijas Banka will not make transfers to the State budget in 2025 (also in 2024, Latvijas Banka did not make such a transfer, as it ended 2023 with a loss of 53 760 euro).

After making the above deductions, the remaining profit of Latvijas Banka shall be transferred to the reserve capital as prescribed by the Law on Latvijas Banka. The reserve capital shall be formed to cover potential losses. The part of the losses for the covering of which there is not enough reserve capital has to be covered from the profit of subsequent periods of Latvijas Banka. Thus, in accordance with the Law on Latvijas Banka, the losses referred to will be covered from the reserve capital, in which 209 386 thousand euro has been accumulated from Latvijas Banka's profit for previous years.

The revaluation account comprises the positive result on revaluation of the financial instruments and gold. The accounting policy, harmonised with the principal accounting policies established by the ECB's legal framework for accounting and financial reporting and described in Note 2 stipulates that only the realised gains are recognised in the profit and loss statement, while unrealised gains are recorded under the balance sheet item "Capital and reserves" as the revaluation reserve, thus facilitating preservation of capital in the circumstances of adverse changes in prices of financial instruments and gold.

In 2024 and 2023, the changes in the revaluation account were as follows:

(in thousands of euro)

	2024	Recognition in profit and loss statement	Revaluation	Realisation	2023
Revaluation reserve for participating interest	41 480	–	6 126	–	35 354
Result on revaluation of foreign currencies and gold	359 362	2 408	153 485	–71	203 540
Result on revaluation of securities	298 381	53 729	89 254	–26 440	181 838
Total	699 223	56 137	248 865	–26 511	420 732

	2023	Recognition in profit and loss statement	Revaluation	Realisation	2022
Revaluation reserve for participating interest	35 354	–	744	–	34 610
Result on revaluation of foreign currencies and gold	203 540	12 097	14 465	–474	177 452
Result on revaluation of securities	181 838	22 902	148 964	–1 703	11 675
Total	420 732	34 999	164 173	–2 177	223 737

The revaluation reserve for participating interest has been established to account for the result on revaluation of the BIS shares. The result on revaluation of the BIS shares is not recognised in the profit and loss statement.

24. Derivative financial instruments and spot exchange rate contracts

Latvijas Banka enters into forward and spot exchange rate contracts, currency and interest rate swap arrangements, forward transactions in securities, and interest rate and currency future contracts in order to manage interest rate and currency risks associated with Latvijas Banka's investments. At the end of 2024 and 2023, the contract or notional amounts and book value of the above transactions were as follows:

(in thousands of euro)

	Contract or notional amount		Book value			
			Assets		Liabilities	
	2024	2023	2024	2023	2024	2023
OTC financial derivative and spot exchange rate contracts						
Forward exchange rate contracts and currency swap arrangements	3 750 555	2 866 469	7 585	35 141	59 724	3 494
Spot exchange rate contracts	360 735	518 097	–	161	894	56
Forward transactions in securities	863 409	1 161 323	1 870	5 940	4 523	4 752
Interest rate swap arrangements	147 915	60 814	–	–	–	–
Total	x	x	9 455	41 242	65 141	8 302
Derivative OTC gold swap arrangements	–	184 072	–	186 783	–	184 815
Traded financial derivative contracts						
Interest rate future contracts	2 203 600	2 161 597	x	x	x	x

The book value of the OTC financial derivative contracts and spot exchange rate contracts is reported under the balance sheet item "Other assets" or "Other liabilities" (see also Notes 14 and 22). Since settlement is made for the daily changes in the fair value of traded financial derivative contracts, the changes are reported as demand deposits under the respective balance sheet asset item.

To limit the gold maintenance costs and increase return on financial investments, Latvijas Banka engages in gold swap arrangements (see also Notes 6, 20, and 21).

Major risks and principles for their management

25. Risk management

Financial, strategic and operational risks are the main risks associated with the activities of Latvijas Banka. Latvijas Banka's risk management is organised and implemented according to the Risk Management Policy of Latvijas Banka approved by the Council of Latvijas Banka.

Risk management at Latvijas Banka is carried out as part of a systemic process that includes identifying, analysing and assessing risks, developing and implementing relevant risk mitigating measures, and overseeing and reviewing risks on a regular basis. This makes it possible to identify in advance, assess and efficiently manage risks that are likely to have a negative effect on Latvijas Banka's financial position and financial performance, and on Latvijas Banka's capability to perform in a quality and efficient manner the tasks set out in the legislation, including participation in the implementation of the ESCB functions.

The risk management process is organised in compliance with the international principles of best practice in risk management, in view of the aims and tasks of Latvijas Banka and the external environment developments, as well as in compliance with the requirements of the ECB.

25.1. Strategic risks

Strategic risks at Latvijas Banka are managed to reduce a potential negative impact on the strategic development directions and tasks of Latvijas Banka.

The strategic risk management process assesses the risks related to geopolitical, political or economic developments in Latvia and globally. It also considers the definition and achievement of Latvijas Banka's strategic development directions, the prioritisation of tasks and planning of the relevant resources during the strategy formulation and work plan development. Additionally, it evaluates the adoption of the decisions that may affect the implementation of Latvijas Banka's strategic development directions and the fulfilment of its tasks.

The strategic risk assessment is used in the periodic review of Latvijas Banka's strategic development directions, as well as in the process of managing financial and operational risks.

25.2. Financial risks

Market risk (price, interest rate and currency risks), credit risk and liquidity risk are the most significant financial risks Latvijas Banka is exposed to in its daily activities. Financial risks are managed to mitigate a potential negative impact on Latvijas Banka's financial position and financial performance that might arise from adverse changes in financial market factors or a counterparty default. When managing financial risks, acceptable types of risks and their parameters are taken into consideration to preserve the value of investments ensuring the required liquidity and income earning in the long term, as well as the compliance with sustainability principles.

Latvijas Banka manages financial risks related to its investments in line with the Procedure adopted by the Council of Latvijas Banka; the basic principles of the investment policy are described in Note 4. Investments are managed by classifying them into different investment portfolios. The parameters for a benchmark reflecting the acceptable level of financial risks and expected return are set out for each financial instrument portfolio. The Risk Management Division of the Market Operations Department monitors the compliance of investments with the established requirements and, in case of any departure from the provisions of the Procedure established by the Council of Latvijas Banka, duly notifies the responsible investment manager and assesses the necessary actions to eliminate the deviation. In addition to the work on eliminating deviations, the Council of Latvijas Banka is also informed about the deviations in accordance with the procedure adopted by the Council of Latvijas Banka.

For the purpose of investment management, including management of the related financial risks, the Investment Committee of Latvijas Banka develops an investment management strategy, approves tactical decisions and sets detailed limits for financial risks, as well as oversees the operation of the external managers. The Investment Committee of Latvijas Banka reviews the investment strategy once a quarter, and on a weekly basis receives and reviews reports on and forecasts for the developments in financial markets prepared by financial investment portfolio managers, receives and reviews reports, including reports on investment performance, by financial risk managers and approves the investment management tactical decisions for the forthcoming week. The Market Operations Department informs the Council of Latvijas Banka about the results of investment management on a regular basis.

Latvijas Banka purchases assets under the PSPP and PEPP in accordance with the decisions of the Governing Council of the ECB. Latvijas Banka makes the purchases and manages financial risks in line with the guidelines of the Governing Council of the ECB and the procedure adopted by the Council of Latvijas Banka. Financial risks arising from the implementation of monetary policy are shared among the euro area NCBs in proportion to their shares in the ECB's capital, except risks associated with the purchases of Latvian government securities carried out by Latvijas Banka under the PSPP.

25.2.1. Market risk

Market risk is the exposure to losses due to adverse changes in financial markets. The main sources of market risk in the investment portfolios of Latvijas Banka's financial instruments are interest rate risk, currency risk and equity market price risk.

Latvijas Banka is exposed to interest rate risk due to investing in foreign debt securities and interest rate derivatives that are subject to interest rate fluctuations and have been purchased within the course of investment management. Latvijas Banka manages interest rate risk by using the effective duration and deviation limits set individually for each investment portfolio. As a result of the implementation of monetary policy, the interest rate risk arises due to imbalances in the assets and liabilities associated with monetary policy operations that are subject to changes in interest rates. This risk is related to monetary policy decisions resulting from the implementation of the Eurosystem's core tasks therefore Latvijas Banka cannot limit this risk.

Latvijas Banka's exposure to currency risk is determined by its investment structure. Deviations from the benchmark currency structure give rise to the open currency position. Latvijas Banka manages currency risk by establishing that the benchmark currency is the euro, thus hedging the currency risk (excluding the assets corresponding to the deposits attracted, the currency structure of which is formed according to the currency of the related liabilities, the global fixed income securities portfolio whose currency structure is formed by the benchmark portfolio structure, as well as the gold portfolio and the equity securities portfolios where investments are made in the stock denomination currencies of the respective equity securities index) and using tracking error limits in relation to the respective benchmark. In order to achieve the compliance of open foreign currency positions with the set limits, Latvijas Banka hedges the currency risk by using forward exchange rate contracts, currency swap arrangements and currency future contracts. Tracking error is calculated as the expected annualised standard deviation of the difference in return between the investment portfolio and the respective benchmark. The aggregate market risk of 1–10 year fixed income securities portfolio, the global fixed income securities portfolio, mortgage-backed securities portfolios, and the developed markets equity securities portfolio (see Note4) is managed by determining the tracking error limit. The tracking error in 2024 and 2023 is disclosed in Note 28.

Equity securities portfolios are exposed to the market price risk (a risk that the value of an investment could decrease due to price changes). As the equity securities portfolios are highly diversified, they are mainly exposed to a systematic stock volatility risk.

The Risk Management Division of the Market Operations Department monitors the compliance of the effective duration, tracking error, and open currency positions with the Procedure adopted by the

Council of Latvijas Banka and the related resolutions passed by the Investment Committee of Latvijas Banka.

Latvijas Banka's exposure to market risk (as at the end of 2024 and 2023) is disclosed in Notes 26–28.

25.2.2. Credit risk

Credit risk is the exposure to losses resulting from a counterparty default. Latvijas Banka's exposure to credit risk results mainly from investments in foreign financial instruments and from monetary policy operations. Pursuant to the Statute of the ESCB and of the ECB, the risks associated with the implementation of monetary policy (if any materialise) are shared among the euro area NCBs in proportion to their share in the ECB's capital, except for the risks associated with the purchases of Latvian government securities carried out by Latvijas Banka under the PSPP and PEPP.

Latvijas Banka manages exposure to credit risk related to investments made in foreign financial instruments by establishing limits on investments of different credit quality. Credit quality is evaluated on the basis of ratings assigned by the international credit rating agencies Fitch Ratings, Moody's Investors Service, Standard & Poor's, and Morningstar DBRS. Limits are also set on the maximum investment in financial instruments of the same class and counterparty as well as in financial instruments of one issuer. Forward transactions in mortgage-backed securities are partly secured with short-term financial instruments. To hedge the credit risk associated with OTC derivative counterparties, Latvijas Banka and the respective counterparties enter into Master Agreements of International Swaps and Derivatives Association, Inc. (ISDA) and the Credit Support Annexes thereto. To hedge the credit risk associated with the counterparties of repurchase agreements and reverse repurchase agreements, Latvijas Banka and the respective counterparties enter into Global Master Repurchase Agreements of the Securities Industry and Financial Markets Association (SIFMA) and the International Capital Market Association (ICMA), whereas the external managers of mortgage-backed securities portfolios enter into Treasury Market Practices Group (TMPG) Master Securities Forward Transaction Agreements with their counterparties. In order to monitor Latvijas Banka's credit risk exposure associated with its investments, the Risk Management Division of the Market Operations Department monitors the compliance with the Procedure adopted by the Council of Latvijas Banka.

In 2024 and 2023, loans granted to credit institutions in monetary policy operations were secured by securities collateral in compliance with the ECB requirements. The Market Operations Department monitors the adequacy of collateral of the respective loans and its eligibility and compliance with the ECB's requirements on a regular basis, as well as maintains a list of securities eligible for monetary policy operations issued and held in the Republic of Latvia.

Latvijas Banka's exposure to credit risk (as at the end of 2024 and 2023) is disclosed in Notes 30–32.

25.2.3. Liquidity risk

Liquidity risk is associated with a failure to dispose investments in a short time and at a competitive market price. Since Latvia joined the euro area, the need for liquidity and the risk associated with a failure to meet liabilities in a timely manner have considerably decreased. In compliance with its investment strategy, Latvijas Banka manages liquidity risk by investing a certain amount of its investments in liquid debt securities issued by international institutions, foreign governments and the corporate sector, in short-term deposits with foreign financial institutions and in other financial instruments. The liquidity structure of Latvijas Banka's assets and liabilities as at the end of 2024 and 2023 is disclosed in Note 29.

Liquidity risk can be limited by investment diversification. Latvijas Banka manages liquidity risk also by setting limits on the maximum investment in financial instruments of the same class and in financial instruments of the same issuer.

25.3. Operational risks

Operational risks are managed to ensure that processes are implemented in a continuous, adequate and safe manner and that the processes and projects are completed efficiently and to a high standard in order to mitigate any potential negative impact on Latvijas Banka's financial performance, financial position, as well as reputation or capability to accomplish its tasks. Such impact could be triggered by inadequate or defective performance of Latvijas Banka's processes, an act or omission by an employee or unavailability of staff, as well as by inadequate operation or unavailability of Latvijas Banka's information systems, information systems infrastructure or other infrastructure, or by external events.

Latvijas Banka's operational risks are managed under a uniform operational risk management framework, with the major operational risks being compliance risks (inter alia, in preventing conflicts of interest, anti-corruption control, personal data protection, prevention of money laundering and terrorism financing, and ensuring workplace environment protection), risks related to business continuity, physical security, information security and information systems (including cyber security).

Latvijas Banka's operational risks are managed through processes and projects by classifying the processes and risks, evaluating the impact of risks on the results of the processes or projects and, depending on the risk classification, defining and implementing the most appropriate actions to ensure adequate risk management. The Operational Risk Management Department is in charge of maintaining a common operational risk management framework, organising incident management as well as providing regular information on operational risk management pursuant to the legal acts of Latvijas Banka. The risk management process is based on the best practice in the field of risk management and concentrates the resources allocated to operational risk management, thereby ensuring the effectiveness of this management model. Operational risk management is coordinated by the Operational Risk Committee of Latvijas Banka.

Compliance risks are managed to ensure the compliance of Latvijas Banka's operation and its employees and their conduct, when exercising their official and professional duties, with legislative acts.

The risks related to Latvijas Banka's business continuity are managed to mitigate a potential negative impact on the execution of critical processes, where their discontinuity may cause negative consequences for the Latvian financial system or adversely affect the implementation of Latvijas Banka's tasks. The risks are managed, inter alia, by ensuring efficient incident management and the continuity or recovery of the critical processes as soon as possible and to a full extent in the event of a disruption or failure.

Risks related to physical security, inter alia, risks associated with fire safety and civil protection are managed to mitigate a potential negative impact on the physical security of persons, the premises of Latvijas Banka, the transportation of its valuables and other events, with a priority focus on protecting the life and health of individuals.

Risks related to information security are managed to prevent unauthorised disclosure or use of confidential information, classifying it by its degree of confidentiality and ensuring appropriate protection, at the same time taking care that the protective measures do not prevent Latvijas Banka from providing non-classified information to its cooperation partners and the general public.

Risks related to information systems, including cyber security risks are managed to prevent a potential negative impact on the availability, security and integrity of the information systems and infrastructure of Latvijas Banka. Information systems at Latvijas Banka are classified based on their importance for implementing Latvijas Banka's tasks and on the basis of the confidentiality, integrity and availability requirements for the data to be processed, establishing appropriate physical and logical protection for each level of classification.

Latvijas Banka provides risk management training for its employees, inter alia, to maintain appropriate level of their know-how and skills, and conducts, on a regular basis, training sessions and tests in risk management for employees.

In 2024, the main focus of operational risk management was on strengthening the operational resilience of Latvijas Banka, managing cybersecurity and information security risks. This approach also involved consideration of current risks and technological developments. Operational risks were appropriately managed in 2024, and the risk mitigation measures limited those risks to acceptable levels.

26. Currency structure

(in thousands of euro)

	EUR	USD	GBP	CAD	Gold	Other	Total
As at 31 December 2024							
Total assets	19 505 255	3 721 464	502 240	333 086	536 915	236 867	24 835 827
Total liabilities	24 131 707	421 043	247 325	50	–	35 702	24 835 827
Net position on balance sheet	–4 626 452	3 300 421	254 915	333 036	536 915	201 165	0
Net position on financial instruments' off-balance sheet accounts	3 237 019	–2 674 552	–227 415	–306 054	–	–84 684	–55 686
Net position on balance sheet and off-balance sheet accounts	–1 389 433	625 869	27 500	26 982	536 915	116 481	–55 686
Net position on balance sheet and off-balance sheet accounts to total assets (%)	–5.6	2.5	0.1	0.1	2.2	0.5	–0.2
As at 31 December 2023							
Total assets	20 719 133	3 420 583	489 372	320 350	399 378	216 004	25 564 820
Total liabilities	24 047 535	999 314	234 636	237 149	–	46 186	25 564 820
Net position on balance sheet	–3 328 402	2 421 269	254 736	83 201	399 378	169 818	0
Net position on financial instruments' off-balance sheet accounts	2 309 803	–1 941 064	–227 547	–59 140	–	–49 112	32 940
Net position on balance sheet and off-balance sheet accounts	–1 018 599	480 205	27 189	24 061	399 378	120 706	32 940
Net position on balance sheet and off-balance sheet accounts to total assets (%)	–4.1	1.9	0.1	0.1	1.6	0.5	0.1

27. Repricing maturity

The table below reflects the sensitivity of Latvijas Banka's assets, liabilities and off-balance sheet accounts to interest rate changes. The items reported in this table are stated at carrying amounts, except for interest rate and currency future contracts and forward transactions in securities, which are stated at notional amounts and included in the off-balance sheet accounts. The nearest contractual interest repricing or residual maturity date to 31 December of the reporting year is used for categorising the items sensitive to interest rate changes reported in this table.

(in thousands of euro)

	Up to 3 months	3–12 months	1–3 years	3–5 years	Over 5 years	Non- interest bearing items	Total
As at 31 December 2024							
Gold and gold receivables	–	–	–	–	–	536 915	536 915
Claims on non-euro area residents denominated in foreign currency	678 213	–	528 611	–	2 467 216	680 379	4 354 419
Claims on euro area residents denominated in foreign currency	306 833	–	46 358	1	277 291	22 019	652 502
Claims on non-euro area residents denominated in euro	15 110	–	28 462	–	130 945	125	174 642
Lending to euro area credit institutions related to monetary policy operations denominated in euro	–	–	–	–	–	–	–
Other claims on euro area credit institutions denominated in euro	17 468	–	–	–	–	239	17 707
Securities of euro area residents denominated in euro	72 101	–	240 375	–	11 821 608	–	12 134 084
Intra-Eurosystem claims	6 623 498	–	–	–	–	99 258	6 722 756
Other assets	–	–	4 389	–	85 425	152 988	242 802
Total assets	7 713 223	–	848 195	1	14 782 485	1 491 923	24 835 827
Banknotes in circulation	–	–	–	–	–	5 662 446	5 662 446
Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	8 231 618	–	–	–	–	–	8 231 618
Other liabilities to euro area credit institutions denominated in euro	313 190	–	–	–	–	–	313 190
Liabilities to other euro area residents denominated in euro	2 574 315	–	–	–	–	4 391	2 578 706
Liabilities to non-euro area residents denominated in euro	34 944	–	–	–	–	88 730	123 674
Liabilities to euro area residents denominated in foreign currency	368 439	–	–	–	–	553 097	921 536
Liabilities to non-euro area residents denominated in foreign currency	–	–	–	–	–	–	–
Intra-Eurosystem liabilities	5 846 041	–	–	–	–	–	5 846 041
Other liabilities	1 274	–	–	–	–	213 711	214 985
Capital and reserves	–	–	–	–	–	943 631	943 631
Total liabilities	17 369 821	–	–	–	–	7 466 006	24 835 827
Net position on the balance sheet	–9 656 598	–	848 195	1	14 782 485	–5 974 083	–
Assets on financial instruments' off-balance sheet accounts	620 950	–	1 686 706	191 493	4 855 663	–	7 354 812
Liabilities on financial instruments' off-balance sheet accounts	6 554 812	116 000	187 111	26 018	526 557	–	7 410 498
Net position on balance sheet and off-balance sheet accounts	–15 590 460	–116 000	2 347 790	165 476	19 111 591	–5 974 083	–55 686

(continued)

(in thousands of euro)

	Up to 3 months	3-12 months	1-3 years	3-5 years	Over 5 years	Non- interest bearing items	Total
As at 31 December 2023							
Gold and gold receivables	-	-	-	-	-	399 378	399 378
Claims on non-euro area residents denominated in foreign currency	626 918	1	815 198	-	2 074 911	532 498	4 049 526
Claims on euro area residents denominated in foreign currency	288 914	-	181 984	1	109 822	15 081	595 802
Claims on non-euro area residents denominated in euro	7 940	-	40 371	-	118 329	1 836	168 476
Lending to euro area credit institutions related to monetary policy operations denominated in euro	-	-	92 900	-	-	-	92 900
Other claims on euro area credit institutions denominated in euro	133	-	-	-	-	-	133
Securities of euro area residents denominated in euro	60 792	-	337 461	-	13 152 404	-	13 550 657
Intra-Eurosystem claims	6 318 491	-	-	-	-	93 952	6 412 443
Other assets	-	-	10 905	-	96 294	188 306	295 505
Total assets	7 303 188	1	1 478 819	1	15 551 760	1 231 051	25 564 820
Banknotes in circulation	-	-	-	-	-	5 571 492	5 571 492
Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	7 073 547	-	-	-	-	-	7 073 547
Other liabilities to euro area credit institutions denominated in euro	314 720	-	-	-	-	-	314 720
Liabilities to other euro area residents denominated in euro	2 216 025	-	-	-	-	2 761	2 218 786
Liabilities to non-euro area residents denominated in euro	75 019	-	-	-	-	109 056	184 075
Liabilities to euro area residents denominated in foreign currency	727 037	-	-	-	-	535 721	1 262 758
Liabilities to non-euro area residents denominated in foreign currency	457 718	-	-	-	-	-	457 718
Intra-Eurosystem liabilities	7 569 389	-	-	-	-	-	7 569 389
Other liabilities	8 139	-	-	-	-	174 078	182 217
Capital and reserves	-	-	-	-	-	730 118	730 118
Total liabilities	18 441 594	-	-	-	-	7 123 226	25 564 820
Net position on the balance sheet	-11 138 406	1	1 478 819	1	15 551 760	-5 892 175	-
Assets on financial instruments' off-balance sheet accounts	944 076	299	3 822 360	173 254	1 763 974	-	6 703 963
Liabilities on financial instruments' off-balance sheet accounts	5 727 551	285	59 151	13 927	870 109	-	6 671 023
Net position on balance sheet and off-balance sheet accounts	-15 921 881	15	5 242 028	159 328	16 445 625	-5 892 175	32 940

28. Tracking error

As a result of managing the 1–10 year government fixed income securities portfolio, mortgage-backed securities portfolios, the global fixed income securities portfolio, and the developed markets equity securities portfolio deviations from the designated benchmark emerge. Thus, these portfolios are subject to additional market and credit risks that stem from active management of the portfolios. These risks are characterised by the tracking error, which is measured as the expected annualised standard deviation of the difference in return between the investment portfolio and the respective benchmark (see also Note 25.2). At the end of 2024 and 2023, the actual (ex-post) tracking error was as follows:

(basis points)

	2024	2023
1–10 year fixed income securities portfolio	29	34
Mortgage-backed securities portfolios	61	80
Developed markets equity securities portfolio	121	100
Global fixed income securities portfolio	61	67

The expected (ex-ante) tracking error in the 1–10 year government fixed income securities portfolios and mortgage-backed securities portfolios lay within the following basis point intervals during the year:

	Book value (at the end of the year; in thousands of euro)	Expected tracking error (number of business days)				
		10–39	40–69	70–99	100–139	140–179
During 2024						
1–10 year fixed income securities portfolio	3 126 932	251	–	–	–	–
Mortgage-backed securities portfolios	1 044 951	–	251	–	–	–
Global fixed income securities portfolio	146 443	29	186	28	8	–
During 2023						
1–10 year fixed income securities portfolios	2 920 052	99	151	–	–	–
Mortgage-backed securities portfolios	1 064 521	–	189	61	–	–
Global fixed income securities portfolio	140 426	5	196	46	3	–

The expected (ex-ante) tracking error of the developed markets equity securities portfolio at the end of months was on average 88 basis points and did not exceed 100 basis points during the year and the compliance with this limit is monitored by the respective external manager (87 and 96 basis points respectively in 2023).

29. Liquidity structure

In the liquidity structure, asset items are reported on the basis of Latvijas Banka's capability to convert them into cash. Liabilities items are reported by their expected settlement date.

(in thousands of euro)

	Up to 3 months	Over 3 months	No fixed maturity	Total
As at 31 December 2024				
Assets				
Gold and gold receivables	536 915	–	–	536 915
Claims on non-euro area residents denominated in foreign currency	4 354 419	–	–	4 354 419
Claims on euro area residents denominated in foreign currency	652 502	–	–	652 502
Claims on non-euro area residents denominated in euro	174 642	–	–	174 642
Other claims on euro area credit institutions denominated in euro	17 707	–	–	17 707
Securities of euro area residents denominated in euro	11 965 616	168 468	–	12 134 084
Intra-Eurosystem claims	181 729	–	6 541 027	6 722 756
Other assets	163 055	–	79 747	242 802
Total assets	18 046 585	168 468	6 620 774	24 835 827
Liabilities				
Banknotes in circulation	–	–	5 662 446	5 662 446
Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	8 231 618	–	–	8 231 618
Other liabilities to euro area credit institutions denominated in euro	313 190	–	–	313 190
Liabilities to other euro area residents denominated in euro	2 578 706	–	–	2 578 706
Liabilities to non-euro area residents denominated in euro	123 674	–	–	123 674
Liabilities to euro area residents denominated in foreign currency	921 536	–	–	921 536
Intra-Eurosystem liabilities	5 846 041	–	–	5 846 041
Other liabilities	104 291	–	110 694	214 985
Total liabilities	18 119 056	–	5 773 140	23 892 196
Net position	–72 471	168 468	847 634	x

(continued)

(in thousands of euro)

	Up to 3 months	Over 3 months	No fixed maturity	Total
As at 31 December 2023				
Assets				
Gold and gold receivables	399 378	-	-	399 378
Claims on non-euro area residents denominated in foreign currency	4 049 526	-	-	4 049 526
Claims on euro area residents denominated in foreign currency	595 802	-	-	595 802
Claims on non-euro area residents denominated in euro	168 476	-	-	168 476
Lending to euro area credit institutions related to monetary policy operations denominated in euro	-	92 900	-	92 900
Other claims on euro area credit institutions denominated in euro	133	-	-	133
Securities of euro area residents denominated in euro	13 382 263	168 394	-	13 550 657
Intra-Eurosystem claims	207 065	-	6 205 378	6 412 443
Other assets	224 589	2 521	68 395	295 505
Total assets	19 027 232	263 815	6 273 773	25 564 820
Liabilities				
Banknotes in circulation	-	-	5 571 492	5 571 492
Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	7 073 547	-	-	7 073 547
Other liabilities to euro area credit institutions denominated in euro	314 720	-	-	314 720
Liabilities to other euro area residents denominated in euro	2 218 786	-	-	2 218 786
Liabilities to non-euro area residents denominated in euro	184 075	-	-	184 075
Liabilities to euro area residents denominated in foreign currency	1 262 758	-	-	1 262 758
Liabilities to non-euro area residents denominated in foreign currency	457 718	-	-	457 718
Intra-Eurosystem liabilities	7 569 389	-	-	7 569 389
Other liabilities	74 250	-	107 967	182 217
Total liabilities	19 155 243	-	5 679 459	24 834 702
Net position	-128 011	263 815	594 314	x

30. Sectoral structure of assets

	Amount (in thousands of euro)		Proportion (%)	
	2024	2023	2024	2023
Investment operations	6 785 603	6 239 029	27.4	24.4
Central governments and other governmental institutions	2 122 183	2 147 163	8.6	8.5
Other financial institutions	2 247 208	1 999 679	9.0	7.8
Central banks and credit institutions	900 607	724 600	3.6	2.8
International institutions	715 805	695 165	2.9	2.7
Non-financial corporations	660 237	533 841	2.7	2.1
Local governments	139 563	138 581	0.6	0.5
Monetary policy operations	11 184 478	12 764 286	45.0	49.9
International institutions	7 422 565	8 587 294	29.9	33.6
Central governments and other governmental institutions	3 761 913	4 084 092	15.1	15.9
Credit institutions	–	92 900	0	0.4
Other operations	6 865 746	6 561 505	27.6	25.7
Intra-Eurosystem claims	6 722 756	6 412 443	27.1	25.1
International institutions	43 989	37 863	0.2	0.1
Unclassified assets	99 001	111 199	0.3	0.5
Total	24 835 827	25 564 820	100.0	100.0

31. Assets by their location or the counterparty's domicile

	Amount (in thousands of euro)		Proportion (%)	
	2024	2023	2024	2023
Investment operations	6 785 603	6 239 029	27.4	24.4
US	2 257 181	2 029 422	9.0	8.0
Euro area countries	1 701 730	1 584 857	6.9	6.2
UK	1 039 286	892 969	4.2	3.5
International institutions	715 805	695 165	2.9	2.7
Canada	516 734	549 374	2.1	2.1
Japan	118 885	123 380	0.5	0.5
Other EU countries	145 186	123 630	0.6	0.5
Other countries	290 796	240 232	1.2	0.9
Monetary policy operations	11 184 478	12 764 286	45.0	49.9
International institutions	7 422 565	8 587 294	29.9	33.6
Euro area countries	3 761 913	4 176 992	15.1	16.3
Other operations	6 865 746	6 561 505	27.6	25.7
Intra-Eurosystem claims	6 722 756	6 412 443	27.1	25.1
International institutions	43 989	37 863	0.2	0.1
Unclassified assets	99 001	111 199	0.3	0.5
Total	24 835 827	25 564 820	100.0	100.0

32. Assets by credit rating assigned to the counterparty

	Amount (in thousands of euro)		Proportion (%)	
	2024	2023	2024	2023
Investment operations	6 785 603	6 239 029	27.4	24.4
AAA	2 509 504	2 377 089	10.1	9.2
AA	2 622 456	2 396 518	10.6	9.4
A	200 150	243 697	0.8	1.0
BBB	599 653	554 875	2.4	2.2
Assets without counterparty credit rating	86 963	61 271	0.4	0.2
Assets not exposed to credit risk	766 877	605 579	3.1	2.4
Monetary policy operations	11 184 478	12 764 286	45.0	49.9
AAA	6 883 773	7 791 077	27.7	30.4
AA	538 792	796 217	2.2	3.1
A	3 761 913	4 084 092	15.1	16.0
Assets without counterparty credit rating	–	92 900	0	0.4
Other operations	6 865 746	6 561 505	27.6	25.7
Intra-Eurosystem claims	6 722 756	6 412 443	27.1	25.1
Unclassified assets	110 533	116 453	0.4	0.5
Assets not exposed to credit risk	32 457	32 609	0.1	0.1
Total	24 835 827	25 564 820	100.0	100.0

Based on the credit ratings assigned by international credit rating agencies Fitch Ratings, Standard & Poor's, Moody's Investors Service and Morningstar DBRS to the counterparties and securities issuers, the above table shows the breakdown of Latvijas Banka's assets as at the end of the reporting period. "AAA" rating is the highest possible long-term creditworthiness rating, which indicates an extremely strong capacity of the counterparty to meet its financial commitments; "AA" rating indicates very strong capacity, while "A" rating — strong capacity. "BBB" is a medium rating considered to be the lowest level of investment-grade rating.

Assets without counterparty credit rating mostly comprise securities pledged in longer-term refinancing operations with Latvian credit institutions. Assets not exposed to credit risk mostly comprise securities in the developed markets equity securities portfolio, participating interest in the BIS, fixed assets and intangible assets.

Profit and loss statement notes

33. Net interest income

(in thousands of euro)

	2024	2023
Net interest on investment operations	143 743	117 294
Interest income	198 963	184 035
Interest expense	-55 220	-66 741
Net interest on customer deposits	-77 271	-80 181
Interest expense	-77 271	-80 181
Net interest on monetary policy operations	-147 316	-88 890
Interest income	96 767	92 937
Interest expense	-244 083	-181 827
Net interest on intra-Eurosystem claims and liabilities	-70 630	-128 022
Interest income	260 452	227 002
Interest expense	-331 082	-355 024
Other interest attributable to monetary policy operations and similar income	-43 977	-49 207
Interest expense	-43 977	-49 207
Net interest income	-195 451	-229 006

Interest income on investments was mainly derived from interest on debt securities, and its growth in 2024 was driven by higher average securities yields. Interest expense on investments largely consisted of interest on OTC forward exchange rate contracts, and its decrease was driven by a smaller difference in money market interest rates between the euro and other investment currencies.

Interest expense on customer deposits was shaped by interest on deposits from the Latvian government and other financial institutions. As the ECB raised interest rates, in 2023 Latvijas Banka's expenditure on Latvian government and other financial institution deposits increased sharply, interest expense on Latvian government deposits reaching 45 253 thousand euro in 2023. In 2024, the amount of average Latvian government deposits was smaller than in 2023 therefore interest expenses on Latvian government deposits amounted to 41 179 thousand euro. The application of interest on deposits is stipulated in Guideline (EU) 2019/671 of the ECB of 9 April 2019 on domestic asset and liability management operations by the national central banks (recast) (ECB/2019/7). Pursuant to this Guideline, Latvijas Banka applies the following interest rates to Treasury current account balances: for the account balances in euro – euro short-term interest rate €STR (at the end of 2024 it was 2.905%), minus 20 basis points; current account balances in foreign currencies, with the exception of SDR, are subject to conditions comparable to those applied to euro account balances.

Interest income on monetary policy operations in 2023 primarily consisted of interest on PSPP and PEPP securities. Interest expense on monetary policy operations consisted mainly of interest on deposit facility transactions and negative interest on PSPP and PEPP securities. As the ECB raised the interest rate on the deposit facility in 2023 (from 2% to 4%), Latvijas Banka's expenditure on deposits of Latvian credit institutions increased sharply in 2023, reaching 173 852 thousand euro. Although the Governing Council of the ECB initiated an interest rate reduction in the second half of 2024, the average deposit facility rate was higher in 2024 than in 2023 (3.73% and 3.31% respectively). Therefore, interest expenses on deposits of Latvian credit institutions continued to increase in 2024, reaching 237 874 thousand euro.

Interest income from and interest expense on the intra-Eurosystem claims and liabilities are remunerated by applying the ECB's main refinancing operations interest rate and include income from claims equivalent to the transfer of foreign reserves to the ECB and net claims related to the allocation of banknotes within the Eurosystem, as well as expense on liabilities related to TARGET. In 2023, the ECB raised the main refinancing operations interest rate (from 2.5% to 4.5%), and Latvijas Banka's interest income and expenditure on intra-Eurosystem claims and liabilities increased sharply in 2023, which also led to an increase in the amount of interest expense included in the net result from pooling of monetary income. The average main refinancing operations interest rate was higher in 2024 than in 2023 (4.13% and 3.81% respectively), leading to a continued rise in interest income on intra-Eurosystem claims in 2024. Interest expense on intra-Eurosystem liabilities decreased in 2024 as a result of lower amount of liabilities related to TARGET.

Other interest attributable to monetary policy operations and similar income included net interest expense from repurchase transactions and a reduction in currency hedging costs resulting from the completion of these transactions.

34. Realised gains/losses arising from financial operations

(in thousands of euro)

	2024	2023
Securities	48 689	19 019
Derivative financial instruments	-30 799	-8 136
Foreign exchange transactions	6 583	-1 883
Total	24 473	9 000

The result of the disposal of securities increased by 29 670 thousand euro compared to 2023 due to higher realised gains from the developed markets equity securities portfolio in the course of its management.

The result of derivative financial instruments decreased by 22 663 thousand euro compared to 2023. This decline was mainly related to the result of interest rate future contracts, which were negatively affected by the rise in US government securities long-term interest rates.

In 2024, the realised gains on foreign exchange transactions were 8 466 thousand euro less than in 2023, because the US dollar strengthened against the euro in 2024.

35. Recognition of revaluation result on financial assets and positions in the profit and loss statement

(in thousands of euro)

	2024	2023
Securities	-53 729	-22 901
Foreign currency positions	-2 408	-12 098
Total	-56 137	-34 999

The revaluation result of several debt securities, equity securities, and foreign currency positions at the end of 2024 and 2023 was negative and has been recognised in the profit and loss statement. The positive result on the revaluation of debt securities, equity securities, and foreign currency positions has

been reported under the balance sheet item "Capital and reserves" as the revaluation result of securities and foreign currency positions respectively (see also Note 23).

The increase in the negative revaluation result of securities is related to the rise of longer term market yields at the end of 2024.

36. Provisions for market risk and credit risk

On the basis of reasonable risk estimates and in accordance with the legal framework for accounting and financial reporting in the ESCB, the Council of Latvijas Banka takes decisions on making provisions for market risk (price, interest rate and currency risks) and credit risk associated with Latvijas Banka's investment management and other financial transactions as well as on the use of these provisions should the above risks materialise.

Latvijas Banka's financial risks relate primarily to investments in financial instruments and to the implementation of the single monetary policy operations associated with Latvijas Banka's participation in the Eurosystem and sharing of the related risks and financial results. Latvijas Banka's financial assets are mostly exposed to market risk and credit risk.

The level of Latvijas Banka's financial risks for monetary policy operations and investment portfolio credit risk has been assessed in compliance with the ECB's common methodology for Eurosystem financial risk assessment, whereas for investment portfolio market risk — in compliance with the risk assessment methodology used by Latvijas Banka in its financial risk management system; in both cases, the Expected Shortfall (ES) measure with a confidence level of 99% for a risk horizon of one year is used: it describes the losses determined by the average value of 1% of the most unfavourable simulated profitability scenarios. When assessing the level of financial risks, various market risk and credit risk factors, assumptions defined by the Eurosystem/ESCB's Risk Management Committee and assumptions used in the financial risk management system are taken into account, as well as historical data and assumptions concerning the development of adverse financial market factors, e.g. an increase in interest rates, widening interest rate spreads, euro appreciation, and credit rating downgrades.

In 2024, the level of financial risks slightly decreased and was estimated at 938.1 million euro (998.6 million euro in 2023). The reduction in financial risks in 2024 was driven by a decrease in the credit risk of monetary policy operations, mainly due to the decline in the volume of monetary policy securities portfolios.

Provisions for market risk and credit risk are established during a longer period in the amount of 25%–75% of the positive total financial performance result included in the profit and loss statement of the reporting year before establishing provisions for financial risks, not exceeding the level of financial risks. Provisions for market risk and credit risk are used if the financial risks materialise and their negative result is not covered by other income, or the balance of the provisions considerably exceeds the level of financial risks and this excess is of permanent nature.

(in thousands of euro)

	2024	2023
Level of financial risks	938 100	998 600
Provisions for the market risk and credit risk	–	166
Provisions for the market risk and credit risk against the level of financial risks (%)	0	0

In 2024 the total financial result included in the profit and loss statement before provisions for financial risks was negative (see also Note 35). The provisions for financial risks were fully utilised in the previous years, and given the negative financial result, it is not possible to make provisions (the respective

provisions were reduced by 15 051 thousand euro in 2023). In addition, provisions were used for credit risk of the Eurosystem's monetary policy operations in the amount of 166 thousand euro (provisions totalling 166 thousand euro were made in 2023).

37. Income from equity securities and participating interest

Income from equity securities comprises dividends of the equity securities portfolio in the amount of 12 979 thousand euro (11 849 thousand euro in 2023).

Income from participating interest comprises dividends received from the participating interest in the BIS totalling 486 thousand euro (373 thousand euro in 2023; see also Note 14.2) and income from the participating interest in the ECB. The ECB did not distribute profits for 2024 and 2023.

Pursuant to the decision of the Governing Council of the ECB, the income gained by the ECB on the claims related to the allocation of banknotes within the Eurosystem, and from the Securities Markets Programme, the asset-backed securities purchase programme, the third covered bond purchase programme, the PSPP and the PEPP shall be distributed as interim profit for the reporting year in which it accrues. The Governing Council of the ECB decides on the interim profit distribution in January of the following year; however, it may resolve not to do so in cases when the ECB's net profit for the reporting year is less than its income included in the ECB's interim profit distribution, as well as in the event the Governing Council of the ECB decides to establish provisions for financial risks.

After the approval of the ECB's Annual Accounts, the Governing Council of the ECB distributes the remainder of the ECB's annual profit for the reporting year to euro area NCBs in proportion to their shares in the ECB's capital (see Note 13.1).

38. Net result of pooling of monetary income

Pursuant to the Statute of the ESCB and of the ECB, Eurosystem NCBs gain income from the implementation of the single monetary policy of the Eurosystem. Total monetary income of Eurosystem NCBs equals the income on assets arising from the issue of euro banknotes and receiving deposits from credit institutions. The income is pooled and reallocated to euro area NCBs in proportion to their shares in the capital of the ECB, resulting in a net pooling of monetary income for each Eurosystem NCB, which includes monetary income paid and monetary income received.

The net result of pooling of monetary income is determined by the difference in yields on securities purchased for monetary policy purposes between the Eurosystem NCBs, as well as by the difference between the proportion of the earmarked assets and liability base items of individual Eurosystem NCBs in the respective Eurosystem's total items of the earmarked asset and liability base compared to the percentage share of that NCB in the ECB's capital.

The monetary income pooled by Latvijas Banka includes the income derived from earmarkable assets of Latvijas Banka, reduced by expenses for the monetary liabilities of Latvijas Banka. The earmarkable assets of Latvijas Banka for the allocation of monetary income include gold, assets acquired as a result of monetary policy operations, intra-Eurosystem claims as well as other assets in the amount necessary to fully cover the monetary liabilities. The monetary liabilities of Latvijas Banka include banknotes in circulation, deposits of credit institutions resulting from monetary policy operations and intra-Eurosystem liabilities.

Latvijas Banka's monetary income received comprises Latvijas Banka's share in the Eurosystem's total monetary income set on the basis of Latvijas Banka's share in the ECB's capital. The increase in the net result of pooling of monetary income was driven by higher monetary income pooled and received, resulting from the increase in ECB interest rates. The total monetary income of the Eurosystem NCBs and

the distribution of the net result of pooling of monetary income by Latvijas Banka in 2024 and 2023 were as follows.

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(in thousands of euro)

	Total monetary income of the Eurosystem NCBs	Monetary income of the Latvijas Banka		
		Monetary income pooled	Monetary income received	Net result of pooling of monetary income
In 2024				
Lending to euro area credit institutions related to monetary policy operations denominated in euro	6 709 494	-1 719	26 003	24 284
Securities held for monetary policy purposes subject to risk sharing	8 202 226	-57 929	31 789	-26 140
Securities held for monetary policy purposes not subject to risk sharing	130 280 643	-161 675	504 916	343 241
Claims in respect of foreign reserves transferred to the European Central Bank	1 448 301	-5 613	5 613	0
Claims and liabilities related to the allocation of euro banknotes within the Eurosystem	-5 231 830	-254 048	-20 276	-274 324
Excess of the liability base over earmarked assets	8 863 314	-72 450	34 351	-38 099
Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	-120 846 918	229 497	-468 354	-238 857
Claims and liabilities related to TARGET correspondent accounts	15 608 318	331 079	60 492	391 571
Other	-63 325	-	-81	-81
Total	44 970 223	7 142	174 453	181 595
In 2023				
Lending to euro area credit institutions related to monetary policy operations denominated in euro	26 854 254	-6 889	103 797	96 908
Securities held for monetary policy purposes subject to risk sharing	8 483 280	-51 442	32 790	-18 652
Securities held for monetary policy purposes not subject to risk sharing	127 854 247	-159 073	494 182	335 109
Claims in respect of foreign reserves transferred to the European Central Bank	1 334 524	-5 158	5 158	0
Claims and liabilities related to the allocation of euro banknotes within the Eurosystem	-4 816 858	-221 818	-18 618	-240 436
Excess of the liability base over earmarked assets	-2 722 452	-33 773	-10 523	-44 296
Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	-130 387 326	172 352	-503 973	-331 621
Claims and liabilities related to TARGET correspondent accounts	14 159 899	355 055	54 731	409 786
Other	-62 563	-	-244	-244
Total	40 697 005	49 254	157 300	206 554

In the calculation of monetary income pooled, securities held for monetary policy purposes for which risks are not shared, generate income at the ECB's main refinancing operations rate, so that the amount of monetary income pooled differs from that recognised in net interest income (see Note 33).

39. Other operating income

(in thousands of euro)

	Note	2024	2023
Income from payments by supervised financial market participants	39.1.	13 794	13 939
Revaluation of liabilities for the issued lats banknotes and coins	39.2.	3 899	3 674
Income from sale of numismatic products		908	1 382
Other		770	566
Total		19 371	19 561

39.1. Income from payments by supervised financial market participants

(in thousands of euro)

	2024	2023
Income related to the supervision of monetary financial institutions	9 146	8 658
Income related to insurance supervision	2 091	1 888
Income related to the supervision of the market financial instruments and pension funds	1 525	1 301
Other payments of market participants	406	238
Provisions used for supervisory function expenses	626	1 854
Total	13 794	13 939

Provisions used for supervisory function expenses amounting to 626 thousand euro consisted of the excess of supervisory function expenses in 2024 over income from payments of supervised financial market participants in the reporting year. Supervisory function expenses for the current reporting period amounted to 13 647 thousand euro (in 2023, actual supervisory function expenses amounted to 13 051 thousand euro, of which 147 thousand euro was recognised in 2024) and income from payments of supervised financial market participants – to 13 168 thousand euro (12 085 thousand euro in 2023).

39.2. Revaluation of liabilities for the issued lats banknotes and coins

The issued lats banknotes and coins with a low exchange probability are not reported on the balance sheet pursuant to the "Financial Accounting Policy of Latvijas Banka" (see also Note 2.2). In 2024, with the exchange of the lats banknotes and coins decelerating, the valuation of liabilities for the issued lats banknotes and coins decreased (see also Note 22.1) and the corresponding income was recognised.

40. Remuneration, social security costs, and solidarity tax

(in thousands of euro)

	2024	2023
Remuneration		
Remuneration of the members of the Council	-944	-838
Remuneration of other personnel	-25 075	-23 890
Total remuneration	-26 019	-24 728
Social security costs and solidarity tax	-5 755	-5 540
Total remuneration, social security costs, and solidarity tax	-31 774	-30 268

At the end of 2024, the number of employees was 531 (531 at the end of 2023), representing 510 full-time equivalents in 2024 (519 in 2023).

41. Banknote and coin acquisition costs

(in thousands of euro)

	2024	2023
Acquisition of banknotes	-1 097	-1 056
Acquisition of collector coins	-659	-933
Acquisition of circulation coins	-212	-349
Total	-1 968	-2 338

42. Other operating expenses

(in thousands of euro)

	2024	2023
Maintenance and operation of information systems	-5 305	-4 866
Payments to the EU and international organizations	-1 203	-1 130
Security services	-720	-715
Business travel	-636	-544
Municipal services	-495	-601
Maintenance of buildings, territory and equipment	-444	-434
Public education and information	-439	-423
Personnel training	-385	-303
Telecommunication services and system maintenance	-308	-262
Acquisition of low value office supplies	-267	-225
Event services	-207	-262
Tax on real estate	-168	-172
Risk insurance	-91	-96
Other	-497	-1 932
Total	-11 165	-11 965

Other expenses also includes remuneration totalling 37 thousand euro paid to SIA ERNST & YOUNG BALTIC for the audit of 2024 financial statements of Latvijas Banka (51 thousand euro in 2023).

Other notes

43. Pledged assets

Debt securities, other financial instruments and gold purchased by Latvijas Banka with the total market value of 409 748 thousand euro as at the end of 2024 (1 451 160 thousand euro at the end of 2023) have been pledged to provide repurchase agreement deals, collateral for gold swap arrangements, forward exchange rate contracts, interest rate and currency future contracts. At the end of 2024, the pledged assets mostly consisted of securities pledged under repurchase agreements in the amount of 367 844 thousand euro (1 264 263 thousand euro at the end of 2023).

44. Securities lending

On behalf of Latvijas Banka, its agents conclude securities lending transactions, as part of an automated security lending programme, where securities held by Latvijas Banka are lent against cash or other securities collateral. Securities lending transactions provide additional income without any material impact on investment liquidity as the securities lent are readily available to Latvijas Banka. The above agents administer the securities lending transactions and monitor the eligibility of the securities lending transactions and related collateral. The fair value of collateral provided in securities lending transactions is higher than that of the securities lent.

In order to promote liquidity in the securities market, Latvijas Banka, together with other euro area NCBs, lends securities purchased under the PSPP and the PEPP, and Latvijas Banka does so within the framework of the automated securities lending programme.

At the end of 2024, the fair value of the securities lent, determined using quoted prices in an active market, was 1 029 279 thousand euro (942 261 thousand euro at the end of 2023); inter alia, the fair value of securities purchased and lent under the PSPP and PEPP stood at 955 852 thousand euro at the end of 2024 (934 498 thousand euro at the end of 2023).

Foreign currency cash or securities received in the agent account of Latvijas Banka's automated security lending programme as collateral for securities lending transactions are not recognised in Latvijas Banka's balance sheet.

45. Contingent liabilities and commitments

The uncalled portion of the BIS shares held by Latvijas Banka is 75% of their nominal value; these shares are callable following a respective decision of the BIS Board. At the end of 2024, the uncalled portion of the BIS shareholding was 4012 thousand SDR (5033 thousand euro; 4012 thousand SDR (4877 thousand euro) at the end of 2023; see also Note 14.2).

At the end of 2024, Latvijas Banka had issued euro collector coins, lats collector coins and precious metal circulation coins in the value of 7352 thousand euro (7282 thousand euro at the end of 2023). These coins may be represented to Latvijas Banka at a nominal value. In the opinion of Latvijas Banka's management, the probability that Latvijas Banka will be required to repurchase these coins from their holders is considered low, since the value of the precious metal contained in them exceeds their nominal value.

At the end of 2024, Latvijas Banka had issued lats banknotes and coins with the face value of 117 116 thousand euro (117 875 thousand euro at the end of 2023), reported on the balance sheet in the amount of 7463 thousand euro (12 122 thousand euro at the end of 2023). Pursuant to the Law on the Procedure for Introduction of Euro, the period for exchanging the lats cash to the euro at Latvijas Banka is unlimited. In the opinion of Latvijas Banka's management, the probability that Latvijas Banka would be required to exchange lats banknotes and coins in the amount of 109 653 thousand euro (105 753 thousand euro at the end of 2023) at face value is low.

At the end of 2024, Latvijas Banka had seven administrative legal proceedings related to the regulation and supervision of the financial market and its participants. These legal proceedings have been initiated in accordance with the administrative procedure for the decisions of Latvijas Banka, but according to the assessment by Latvijas Banka's management, no losses will be incurred as a result of the aforementioned legal proceedings therefore provisions have not been created.

46. Events after the reporting year

There have been no events requiring adjustments to these financial statements or disclosure in these financial statements from the last day of the reporting year to the date of signing these financial statements.

Translation from Latvian

INDEPENDENT AUDITORS' REPORT

DOCUMENT DATE IS THE TIME OF ITS ELECTRONIC SIGNATURE

To the Council of Latvijas Banka

Opinion

We have audited the accompanying financial statements of Latvijas Banka (the Bank) set out on pages 3 to 56, which comprise the balance sheet as at 31 December 2024 and the statement of profit and loss and the statement of total recognised gains and losses for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of Latvijas Banka as at 31 December 2024, and of its financial performance for the year then ended in accordance with the Guideline of the European Central Bank of 14 November 2024 on the legal framework for accounting and financial reporting in the European System of Central Banks (ECB/2024/31) and its amendments, the Financial Accounting Policy of Latvijas Banka approved by the Council of the Bank, and the requirements of the Law on Latvijas Banka.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the independence requirements included in the Law on Audit Services of Republic of Latvia that are relevant to our audit of the financial statements in the Republic of Latvia. We have fulfilled our other ethical responsibilities in accordance with the Law on Audit Services of Republic of Latvia and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

The Council of the Bank is responsible for the preparation of the financial statements that give a true and fair view in accordance with the Guideline of the European Central Bank of 14 November 2024 on the legal framework for accounting and financial reporting in the European System of Central Banks (ECB/2024/31) and its amendments, the Financial Accounting Policy of Latvijas Banka approved by the Council of the Bank, and the requirements of the Law on Latvijas Banka. The Council of the Bank is responsible for such internal control as the Council of the Bank determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Council of the Bank is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

ERNST & YOUNG BALTIC SIA
Licence No. 17

Diāna Krišjāne
Chairperson of the Board
Latvian Certified Auditor
Certificate No. 124
Rīga

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