



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

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ABBREVIATIONS

BIS	Bank for International Settlements
ECB	European Central Bank
ESCB	European System of Central Banks
EU	European Union
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
UK	United Kingdom
US	United States

Balance sheet

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

	Note ¹	2025	2024
ASSETS			
Gold and gold receivables	6	784 526	536 915
Claims on non-euro area residents denominated in foreign currency	7	4 312 245	4 354 419
Receivables from the International Monetary Fund		515 538	553 097
Balances with banks and security investments, external loans and other external assets		3 796 707	3 801 322
Claims on euro area residents denominated in foreign currency	8	701 850	652 502
Claims on non-euro area residents denominated in euro	9	159 974	174 642
Other claims on euro area credit institutions denominated in euro	11	2 831	17 707
Securities of euro area residents denominated in euro	12	10 774 148	12 134 084
Securities held for monetary policy purposes		9 665 090	11 116 256
Other securities		1 109 058	1 017 828
Intra-Eurosystem claims		6 951 682	6 722 756
Participating interest in the European Central Bank	13.1	119 222	119 222
Claims equivalent to the transfer of foreign reserves	13.2	157 202	157 202
Other claims within the Eurosystem	13.3	67 835	181 729
Net claims related to the allocation of euro banknotes within the Eurosystem	13.4	6 607 423	6 264 603
Other assets	14	250 464	242 802
TOTAL ASSETS		23 937 720	24 835 827

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

<i>(continued)</i>	(at the end of the year; in thousands of euro)		
	Note	2025	2024
LIABILITIES			
Banknotes in circulation	15	5 773 642	5 662 446
Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	16	6 871 880	8 231 618
Current accounts (covering the minimum reserve system)		266 904	255 763
Deposit facility		6 604 976	7 975 855
Other liabilities to euro area credit institutions denominated in euro	17	503 558	313 190
Liabilities to other euro area residents denominated in euro	18	2 009 030	2 578 706
General government		1 288 542	1 652 356
Other liabilities		720 488	926 350
Liabilities to non-euro area residents denominated in euro	19	69 881	123 674
Liabilities to euro area residents denominated in foreign currency	20	516 003	921 536
Liabilities to non-euro area residents denominated in foreign currency	21	7 641	-
Intra-Eurosystem liabilities		6 694 204	5 846 041
Liabilities related to TARGET	13.5	6 694 204	5 846 041
Other liabilities	22	216 567	214 985
Capital and reserves	23	1 275 314	943 631
TOTAL LIABILITIES		23 937 720	24 835 827

The financial statements set out on pages 4 to 56 were authorised by the Council of Latvijas Banka on 4 March 2026.

Governor of Latvijas Banka

Mārtiņš Kazāks

EXPLANATION REGARDING TRANSLATION

This is a translation of the financial statements from the original Latvian version with all due care being taken to ensure that it is an accurate representation. However, the original Latvian version of the financial statements takes precedence.

Profit and loss statement

(in thousands of euro)

	Note	2025	2024
Net interest income	33	-20 911	-195 451
Interest income		432 320	556 182
Interest expense		-453 231	-751 633
Net result of financial operations, recognition of revaluation result in the profit and loss statement		64 689	-31 664
Realised gains arising from financial operations	34	106 172	24 473
Recognition of revaluation result on financial assets and positions in the profit and loss statement	23, 35	-41 483	-56 137
Net expense from fees and commissions		-3 520	-3 925
Fees and commissions income		1 361	1 146
Fees and commissions expense		-4 881	-5 071
Income from equity securities and participating interest	37	13 666	13 465
Net result of pooling of monetary income	38	67 535	181 595
Other operating income	39	15 943	19 371
NET INCOME		137 402	-16 609
Remuneration	40	-27 965	-26 019
Social security costs and solidarity tax	40	-6 301	-5 755
Banknote and coin acquisition costs	41	-2 130	-1 968
Depreciation of fixed assets and amortisation of intangible assets	14	-3 491	-3 462
Other operating expenses	42	-12 128	-11 165
PROFIT/LOSS (-) FOR THE YEAR BEFORE PROVISIONS FOR FINANCIAL RISKS		85 387	-64 978
Provisions for financial risks	36	-57 801	-
PROFIT/LOSS (-) FOR THE YEAR AFTER PROVISIONS FOR FINANCIAL RISKS		27 586	-64 978

Statement of total recognised gains and losses

(in thousands of euro)

	Note	2025	2024
Profit/loss(-) for the year		27 586	-64 978
Revaluation	23	341 116	248 865
Realisation of the accumulated revaluation result	23	-78 502	-26 511
Recognition of revaluation result on financial assets and positions in the profit and loss statement	23, 35	41 483	56 137
Total changes in the revaluation account	23	304 097	278 491
TOTAL RECOGNISED PROFIT		331 683	213 513

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 supports the general economic policies of the European Union while also contributing to the overall stability of Latvia's financial system.

Latvijas Banka participates in the performance of tasks outlined by the European System of Central Banks while also performing other tasks which are not in contradiction with the objectives of Latvijas Banka specified in the Law on Latvijas Banka and the performance of the tasks of the European System of Central Banks. These include:

- a) formulating and implementing the monetary policy;
- b) performing macroeconomic analysis and research;
- c) determining and implementing the macroprudential policy;
- d) regulating and supervising the operation of the financial market and its participants;
- e) performing the tasks of a resolution authority;
- f) managing the Deposit Guarantee, Insured Protection, and National Resolution Funds, and administering investor compensation;
- g) managing foreign reserves and other assets;
- h) promoting the smooth operation of the payment and financial instrument settlement systems, including the efficient and safe operation and development of the payment system of Latvijas Banka;
- i) storing the Treasury funds, including foreign currency;
- j) issuing and promoting the availability of euro banknotes and coins in Latvia;
- k) registering and controlling legal entities which carry out the handling of euro banknotes and coins as well as recirculation;
- l) performing the functions of the National Analysis Centre and the Coin National Analysis Centre;
- m) ensuring statistical information, inter alia, assisting the European Central Bank in the production of the statistical information necessary for the performance of the tasks of the European System of Central Banks;
- n) maintaining the Credit Register;
- o) consulting the Saeima and the Cabinet on monetary policy and other issues related to the performance of the tasks of Latvijas Banka, including on issues of economic and fiscal policy which impact the effectiveness of monetary policy implementation;

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

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Latvijas Banka neither seeks nor takes instructions from the government of Latvia nor 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. This includes 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, Rīga. Latvijas Banka manages the storage and processing of cash through its branch at Bezdzelģu iela 3, Rīga.

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 (ES) 2024/2941 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 an 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 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 a 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, not including 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 based on 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 based on 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 the 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 the 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 2025 and the year ended 31 December 2024 are as follows:

(at the end of the year)

	2025	2024	Changes (%)
US dollar (USD)	1.1750	1.0389	13.1
Japanese yen (JPY)	184.09	163.06	12.9
Canadian dollar (CAD)	1.6088	1.4948	7.6
British pound sterling (GBP)	0.87260	0.82918	5.2
Gold (XAU)	3669.106	2511.069	46.1
Special Drawing Rights (XDR)	1.1656	1.2544	-7.1

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. Gold swaps arrangements are treated as repurchase agreements.

2.6. Fixed and intangible assets

Fixed and intangible assets are long-term assets with a useful life of over one year. The capitalisation limit of fixed and intangible assets in 2025 and 2024 was 1000 euro, except in cases when the costs related to real estate improvements and the 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 2025, the useful lives set for fixed and intangible assets were not changed. In 2025 and 2024, the useful lives set were as follows:

(years)	2025	2024
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 assumptions in the preparation of the financial statements have been made with respect to the following: the exclusion of the segregated assets and liabilities of the Deposit Guarantee Fund and Funds for the Protection of the Insured from Latvijas Bankas financial statements. Taking into consideration that Latvijas Banka administers these funds in its administrative capacity, does not incur the financial risks associated with them, and does not obtain economic benefits from their operations, the accounting policy for securities held to maturity (see Note 2.2), the breakdown of fair value determination (see Note 5), and the method for establishing the fair value of the BIS shares (see Note 14.2).

The key estimates in the preparation of the financial statements have been made with respect to the following: provisions for market risk and credit risk (see Note 36), the determination of fair value, using non-observable data (see also Note 5), the exchange probability of those lats banknotes and coins that have not yet been exchanged for euro banknotes and coins (see Note 2.2), and the repurchasing probability of collector coins (see Note 45).

Other estimates in the preparation of the financial statements have been made with respect to the following: the useful life of fixed assets and intangible assets (see Note 2.6) and impairment of assets (see Note 2.8).

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 an 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

liabilities by the securities issuer, e.g. a significant deterioration of the credit quality or event of default. Assets are impaired when the carrying amount of securities held for monetary policy purposes exceeds their recoverable amount. 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 includes premium and discount, which are amortised over the remaining life of the respective securities using the straight-line method, whereas for long-term discount securities, the effective interest rate method is applied.

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.

The Proceeds from the sale 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.

If, as a result of the actual payments made by the supervised market participants, an excess of income or expenses arises in comparison with the costs of supervisory functions, this difference is transferred to or from the reserves for supervisory function expenses, recognising the corresponding additional income or expenses.

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

3.1. Financial position

In 2025, Latvijas Banka's assets decreased by 898.1 million euro to 23.9 billion euro.

Foreign currency claims on non-euro area residents decreased by 42.2 million euro as a result of income received and revaluation.

The balance sheet item "Securities held for monetary policy purposes" decreased by 1451.2 million euro due to the redemption of securities under the PSPP and PEPP. At the end of 2025, Latvijas Banka held securities purchased for monetary policy purposes amounting to 9.7 billion euro, 3.3 billion euro of which were Latvian government securities.

Other claims within the Eurosystem decreased by 113.9 million euro, mostly due to a reduction in claims on the net result of monetary income pooling, but claims on banknote allocation in the Eurosystem (see also Note 13.4) increased by 342.8 million euro.

Banknotes in circulation increased by 111.2 million euro, in line with the rise in the overall number of banknotes in circulation of the euro area NCBs.

The decrease of 405.5 million euro under the balance sheet item "Liabilities to euro area residents denominated in foreign currency" is 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", decreased by 1359.7 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", increased by 848.2 million euro.

The capital and reserves of Latvijas Banka increased by 331.7 million euro due to a net increase in the financial instruments revaluation account balance (304.1 million euro) and the operating result of the reporting year (profit of 27.6 million euro).

3.2. Financial performance

Latvijas Banka closed 2025 with a total recognised profit of 331.7 million euro (213.5 million euro in 2024). This resulted in an increase in Latvijas Banka's capital and reserves, which rose to 1275.3 million euro.

In line with the accounting principles established by the Eurosystem, the 304.1 million euro change in the revaluation account (278.5 million euro in 2024) is reflected in the total capital and reserves as a

revaluation reserve, rather than in the profit and loss account. Creating provisions for financial risks of 57.8 million euro (0 in 2024), Latvijas Banka in profit and loss statement for 2025 recognised profit of 27.6 million euro (negative result of 65.0 million euro in 2024).

Latvijas Banka's financial performance will 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 496.4 million euro, with the annual yield reaching 8%, thus exceeding the 2024 result (399.0 million euro).

The breakdown of the overall financial result of investment operations in 2025 and 2024 was as follows:

(in thousands of euro)

	Note	2025	2024
Net interest on investment operations	33.	118 869	143 743
Realised gains arising from financial operations	34.	106 172	24 473
Recognition of revaluation result on financial assets and positions in the profit and loss statement	35.	-41 483	-56 137
Fees and commissions expenses		-4 881	-5 071
Income from equity securities and participating interest	37.	13 666	13 465
Total changes in the revaluation account	23.	304 097	278 491
Total		496 440	398 964

Net interest income on investment operations amounted to 118.9 million euro (143.7 million euro in 2024). The decrease was mainly driven by increase of currency hedging costs.

The realised gains on financial operations amounted to 106.2 million euro (24.5 million euro in 2024). This was positively influenced by the outcome of the securities disposal and interest rate future result.

The negative result of the recognition of the result of the revaluation of financial assets and positions in the Profit and Loss Account was -41.5 million euro (-56.1 million euro in 2024), mainly due to higher negative revaluation of currency positions.

Income from equity securities and participating interest amounted to 13.7 million euro (13.5 million euro in 2024).

The change in the revaluation account in 2025 was 304.1 million euro, primarily driven by the revaluation of gold and debt securities. This result was well above that of 2024 (278.5 million euro, see also Note 23).

3.2.2. Monetary policy operations and similar income

In 2025 and 2024, monetary policy operations and similar income were negatively affected by the Eurosystem's monetary policy operations decisions related to inflation containment. From June 2024 onwards, the average level of euro interest rates decreased. As a result, Latvijas Banka's net expenses for monetary policy operations decreased and amounted to 72.2 million euro (157.6 million euro in 2024). Interest expenses on deposits from Latvian credit institutions amounted to 139.3 million euro (237.9 million euro in 2024), while those on deposits from the Latvian government totalled 20.9 million euro (41.3 million euro in 2024).

The breakdown of monetary policy operations and similar income in 2025 and 2024 were as follows:

(in thousands of euro)

	Note	2025	2024
Net interest on monetary policy operations	33	-53 643	-147 316
Net interest on intra-Eurosystem claims and liabilities	33	-48 227	-70 630
Net interest on customer deposits	33	-37 214	-77 271
Other interest attributable to monetary policy operations and similar income	33	-696	-43 977
Net result of monetary income pooling	38	67 535	181 595
Total		-72 245	-157 599

Net interest on monetary policy operations decreased to -53.6 million euro (-147.3 million euro in 2024). This was due to the decrease 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 -48.2 million euro (-70.6 million euro in 2024), driven by a decrease of interest rate applied to Latvijas Banka's liabilities related to TARGET.

Other interest attributable to monetary policy operations and similar income in 2025 amounted to -0.7 million. euro (-44.0 million euro in 2024) 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 monetary income pooling 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 monetary income pooling decreased and stood at 67.5 million euro (181.6 million euro in 2024).

3.2.3. Other operating income and expenses

Net operating expenses amounted to EUR 36.1 million euro. Other operating income stood at 15.9 million euro (19.4 million euro in 2024). This income was primarily composed of payments from the financial market participants supervised by Latvijas Banka, totalling 14.0 million euro, to cover supervision function expenses. Other operating expenses amounted to -52.0 million euro (-48.4 million euro in 2024).

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 2025 and 2024 was as follows:

	Book value (in thousands of euro)		Proportion (%)	
	2025	2024	2025	2024
1–10 year fixed income securities portfolio	3 257 581	3 126 932	45.8	46.6
Mortgage-backed securities portfolios	1 119 267	1 044 951	15.7	15.5
Gold portfolio	784 526	536 915	11.0	8.0
Developed markets equity securities portfolio	738 737	768 268	10.4	11.4
The portfolio of borrowed funds	516 003	553 888	7.2	8.2
Emerging markets fixed income securities portfolio	303 248	302 496	4.3	4.5
Long-term fixed income securities portfolio	168 542	168 468	2.4	2.5
Global fixed income securities portfolio	140 673	146 443	2.0	2.2
Emerging markets equity securities portfolio	88 883	72 101	1.2	1.1
Total	7 117 460	6 720 462	100.0	100.0

All portfolios, except 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 gold portfolio comprises the gold of Latvijas Banka and the related financial instruments.

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

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 a 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 2025, the benchmark was replaced with the equity securities index comprised of issuers from emerging market countries excluding China.

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, and the emerging markets fixed income securities portfolio. For the portfolio of borrowed funds, the benchmark currency structure is formed considering the currency of the respective liabilities. Currency risk for other portfolios is not managed.

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 2025 and 2024, Latvijas Banka's assets carried at fair value were generally valued based on a quoted market price in active markets.

At the end of 2025 and 2024, 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 2025 and 2024, 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 market data	Non-observable market data		
As at 31 December 2025						
Financial instruments and gold measured at fair value						
Gold	784 526	784 526	-	-	784 526	-
Securities in investment portfolios	5 495 362	4 642 840	852 522	-	5 495 362	-
Participating interest in the Bank for International Settlements	46 478	-	-	46 478	46 478	-
Other financial instruments						
Securities in investment portfolios	168 542	168 478	-	-	168 478	-64
Forward exchange rate contracts	20 226	-	19 116	-	19 116	-1 110
Securities held for monetary policy purposes	9 727 744	8 239 308	-	-	8 239 308	-1 488 436
Total	16 242 878	13 835 152	871 638	46 478	14 753 268	-1 489 610
As at 31 December 2024						
Financial instruments and gold measured at fair value						
Gold	536 915	536 915	-	-	536 915	-
Securities in investment portfolios	5 354 876	4 581 872	773 004	-	5 354 876	-
Participating interest in the Bank for International Settlements	43 989	-	-	43 989	43 989	-
Other financial instruments						
Securities in investment portfolios	168 468	167 165	-	-	167 165	-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
Total	17 235 693	15 003 015	719 472	43 989	15 766 476	-1 469 217

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 2023	213 819	399 378
During 2024		
Increase in gold market value	x	137 537
As at 31 December 2024	213 819	536 915
During 2025		
Increase in gold market value	x	247 611
As at 31 December 2025	213 819	784 526

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 a return on gold investments, gold may be involved in gold swap arrangements (at the end of 2025 and 2024 Latvijas Banka did not conclude gold swap arrangements (see also Notes 20, 21 and 43)).

At the end of 2025 and 2024, 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 2025, the receivables from the IMF in SDR as recorded on Latvijas Banka's balance sheet were equivalent to 515 538 thousand euro (553 097 thousand euro at the end of 2024), whereas the liabilities to the IMF were made up of funds at the disposal of the IMF in the amount of 1342 thousand euro (1446 thousand euro at the end of 2024) held on its Accounts No. 1 and No. 2 (see also Note 19).

At the end of 2025 and 2024, Latvia's net receivables from the IMF were as follows:

	(in thousands of euro)		(in thousands of SDR)	
	2025	2024	2025	2024
Latvia's quota in the International Monetary Fund	387 329	416 837	332 300	332 300
International Monetary Fund holdings in euro	-319 648	-371 598	-274 235	-296 236
Promissory note of the Latvian government	-318 306	-370 152	-273 083	-295 083
Account No. 1	- 968	-1 042	- 831	-831
Account No. 2	-374	-404	-321	-322
Reserve position in the International Monetary Fund	68 055	45 643	58 386	36 386
incl. financing of the Financial Transaction Plan	67 605	45 158	58 000	36 000
SDR	515 538	553 096	442 294	440 925
General allocation	-480 801	-517 431	-412 493	-412 493
Special allocation	-31 266	-33 648	-26 824	-26 824
Latvia's net receivables from the International Monetary Fund	71 526	47 660	61 363	37 994

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 IMF membership, 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 2025, the financing of the Financial Transaction Plan amounted to 58 million SDR (at the end of 2024 – 36 million SDR).

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

(in thousands of euro)

	2025	2024
Securities	3 673 993	3 674 828
Demand deposits	122 714	126 494
Total	3 796 707	3 801 322

8. Claims on euro area residents denominated in foreign currency

(in thousands of euro)

	2025	2024
Securities	699 114	651 687
Demand deposits	2 736	815
Total	701 850	652 502

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

(in thousands of euro)

	2025	2024
Securities	154 990	159 519
Demand deposits	4 984	15 123
Total	159 974	174 642

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

At the end of 2025, the total amount of Eurosystem loans in monetary policy operations reached 36 707 million euro (34 221 million euro at the end of 2024), including 0 million euro at both 31 December 2025 and 31 December 2024 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

The 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. By the end of 2025 and 2024, 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 a maturity of three months. By the end of 2025 and 2024, Latvijas Banka had granted no loans in longer-term refinancing operations.

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 (2831 thousand euro at the end of 2025; 17 707 thousand euro at the end of 2024).

12. Securities of euro area residents denominated in euro

At the end of 2025, the amount of securities held by the Eurosystem for monetary policy purposes totalled 3 745 459 million euro (4 283 367 million euro at the end of 2024). Of them, Latvijas Banka held 9665 million euro (11 116 million euro at the end of 2024). 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 2025, the amount of government securities purchased by the euro area NCBs under the PSPP totalled 1 495 709 million euro (1 704 258 million euro at the end of 2024); of them, Latvijas Banka held Latvian government securities in the amount of 2102 million euro (2380 million euro at the end of 2024). At the end of 2025, the amount of government securities purchased by the euro area NCBs under the PEPP totalled 1 090 166 million euro (1 243 391 million euro at the end of 2024); of them, the amount of Latvian government securities held by Latvijas Banka was 1177 million euro (1352 million euro at the end of 2024).

In 2025, the asset purchase programme (APP) portfolio continued to shrink, as the Governing Council of the ECB ceased reinvesting the principal payments from maturing securities starting in July 2023.

(in thousands of euro)

	2025	2024
Securities held for monetary policy purposes	9 665 090	11 116 256
Latvian government securities	3 279 118	3 732 095
PSPP government securities	2 102 237	2 379 752
PEPP government securities	1 176 881	1 352 343
Debt securities issued by international institutions	6 385 972	7 384 161
PSPP debt securities issued by international institutions	4 631 482	5 411 564
PEPP debt securities issued by international institutions	1 754 490	1 972 597
Other securities	1 109 058	1 017 828
Securities not held to maturity	940 516	849 360
Securities held to maturity	168 542	168 464
Total	10 774 148	12 134 084

13. Intra-Eurosystem claims/liabilities (-)

13.1. Participating interest in the European Central Bank

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 based on 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 did not change in 2025. 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 2025, 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. (see also Note 13.2).

The total subscribed capital of the ECB remained unchanged in 2025. The accession of the Bulgarian National Bank (Българска народна банка) to the Eurosystem on 1 January 2026 will not change the total subscribed capital of the ECB but with the contribution of the Bulgarian National Bank (Българска народна банка) to the ECB's capital it will result in an increase of the ECB's total paid-up capital by EUR 101,930 thousand.

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)

	2025	2024
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 2025 and 2024, 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 monetary income pooling and Latvijas Banka's correspondent account.

Monetary income to be pooled by Latvijas Banka and to be received in 2025 was positive and this resulted in claims on the ECB associated with the net result of monetary income pooling, standing at 67 535 thousand euro at the end of 2025 (181 595 thousand euro at the end of 2024; 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 2025 and 2024; 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 system

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 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 2025, the liabilities related to TARGET increased as a result of cross-border payments effected by credit institutions and Latvijas Banka.

Since 1 January 2025, the interest rate applied to the Eurosystem deposit facility is used for calculating the remuneration on the above claims and liabilities. Until that date, remuneration was calculated using the interest rate on the main refinancing operations.

14. Other assets

(in thousands of euro)

	Note	2025	2024
Assets related to financial transactions			
Accrued interest on securities held for monetary policy purposes		62 654	68 222
Participating interest in the Bank for International Settlements	14.2	46 478	43 989
Accrued interest on claims against the ECB		36 246	59 631
OTC financial derivative contracts and spot exchange rate contracts	24	35 162	9 455
Accrued interest on other securities		26 240	22 135
Accrued interest on demand deposits		1	79
Other assets			
Fixed assets	14.1	33 119	29 306
Claims for payments of supervised financial market participants		3 801	3 533
Intangible assets	14.1	3 301	3 152
Prepaid expenses		2 687	2 494
Other		775	806
Total		250 464	242 802

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 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
During 2025							
Additions	5 464	531	608	199	130	6 932	607
Reclassification	-852	744	-	-	108	-	-
Disposals and write-offs	-72	-429	-897	-168	-72	-1 638	-
Net change in cost	4 540	846	-289	31	166	5 294	607
Depreciation/amortisation charge	-1 853	-241	-433	-276	-230	-3 033	-458
Accumulated depreciation/amortisation on disposals and write-offs	-	418	897	165	72	1 552	-
Net change in accumulated depreciation/amortisation	-1 853	177	464	-111	-158	-1 481	-458
As at 31 December 2025							
Cost	69 055	6 806	5 377	5 134	6 797	93 169	12 977
Accumulated depreciation/amortisation	-41 727	-4 651	-4 286	-3 291	-6 095	-60 050	-9 676
Net book value	27 328	2 155	1 091	1 843	702	33 119	3 301

At the end of 2025, Latvijas Banka's contractual commitments for the acquisition of fixed assets were 15 thousand euro (3633 thousand euro at the end of 2024).

14.2. Participating interest in the Bank for International Settlements

At the end of 2025 and 2024, 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 2025 and 2024, the BIS shareholding was 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 2025, the estimated fair value of BIS shares owned by Latvijas Banka was 46 478 thousand euro (43 989 thousand euro at the end of 2024).

15. Banknotes in circulation

(in thousands of euro)

	2025	2024
Euro banknotes	5 773 642	5 662 446
Net issuance of euro banknotes by Latvijas Banka	-833 781	-602 157
Adjustment for banknote allocation in the Eurosystem	6 607 423	6 264 603
Total	5 773 642	5 662 446

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 2025 increased, amplifying the excess of the value of banknotes deposited with Latvijas Banka over the amount of banknotes withdrawn from Latvijas Banka; consequently, the negative net issuance of euro banknotes by Latvijas Banka reached 833 781 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 2025, the total amount of euro banknotes in circulation in the Eurosystem increased to 1620 billion euro (1588 billion euro at the end of 2024).

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 2025, the balance on the current accounts with Latvijas Banka was 266 904 thousand euro (255 763 thousand euro at the end of 2024). The average minimum reserves during the reserve

maintenance period at the end of 2025 stood at 235 811 thousand euro (223 194 thousand euro at the end of 2024).

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 2025, the balance of deposit facility accounts was 6 604 976 thousand euro (7 975 855 thousand euro at the end of 2024).

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

The increase in liabilities for the provision of instant payment service was mainly due to the accession of new participants and the increased liquidity coverage received for the provision of instant payment service.

(in thousands of euro)

	2025	2024
Collateral received for the use of the instant payment service	401 394	65 701
Prepayments for electronic clearing system service	95 123	247 378
Liabilities for repurchase agreements	-	111
Liabilities for collateral for forward exchange rate contracts	7 041	-
Total	503 558	313 190

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 the European Commission and under repurchase agreements.

(in thousands of euro)

	2025	2024
European Commission	64 498	87 284
Other financial institutions	4 041	34 944
International Monetary Fund	1 342	1 446
Total	69 881	123 674

20. Liabilities to euro area residents denominated in foreign currency

(in thousands of euro)

	2025	2024
Demand deposits of the Latvian government	516 003	553 888
Liabilities for repurchase agreements	-	367 648
Total	516 003	921 536

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

(in thousands of euro)

	2025	2024
Liabilities for collateral for financial derivative instruments	7 641	-
Total	7 641	-

22. Other liabilities

(in thousands of euro)

	Note	2025	2024
Liabilities related to financial transactions			
Provisions for market risk and credit risk	36	57 801	-
OTC financial derivative contracts and spot exchange rate contracts	24	14 426	65 141
Accrued interest on Target system liabilities		12 733	17 929
Accrued interest on demand deposits		3 712	7 679
Accrued interest on deposit facility		367	665
Other liabilities			
Euro coins in circulation	22.1	103 167	98 498
Liabilities to staff		7 300	6 921
Lats in circulation	22.1	6 715	7 463
Provisions for supervision function expenses		4 907	4 733
Tax liabilities		1 259	1 311
Other		4 180	4 645
Total		216 567	214 985

22.1. Euro coins and lats 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 7499 thousand euro at the end of 2025 (7352 thousand euro at the end of 2024). 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 2025; 109 653 thousand euro at the end of 2024, including 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) have not been reported as a liability on the balance sheet at the end of 2025 (see also Note 45). The exchange probability of the lats banknotes and coins is assessed annually based on 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 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
During 2025					
Net result of revaluation, realisation, and revaluation result recognition in the profit and loss statement	x	x	304 097	x	304 097
Loss coverage	x	-64 978	x	64 978	-
Profit/loss(-) for the year	x	x	x	27 586	27 586
As at 31 December 2025	100 000	144 408	1 003 320	27 586	1 275 314

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. Latvijas Banka shall make a payment for the usage of state capital in the amount of 50% of the profit earned in the reporting year, after covering losses (if any) accumulated in the previous years. The Council of Latvijas Banka, upon approving the annual report, may decide 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 2025 and 2024, the corporate income tax rate was 20%. In 2025, the financial result of Latvijas Banka's activities was a profit of 27 586 thousand euro. As a result, Latvijas Banka will transfer 19 310 thousand euro to the State budget in 2026 (in 2025, Latvijas Banka did not make such a transfer, as it ended 2024 with a loss of 64 978 thousand 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 covering insufficient reserve capital shall be covered from the profit of subsequent periods of Latvijas Banka. Thus, in accordance with the Law on Latvijas Banka, 8 276 thousand euro will be transferred to the reserve capital in 2026, in which 144 408 thousand euro has been accumulated from Latvijas Banka's profit from 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 the preservation of capital in the circumstances of adverse changes in prices of financial instruments and gold.

In 2025 and 2024, the changes in the revaluation account were as follows:

(in thousands of euro)

	Revaluation reserve for participating interest	Result on revaluation of foreign currencies and gold	Result on revaluation of securities	Total
As at 31 December 2023	35 354	203 540	181 838	420 732
In 2024				
Recognition in profit and loss statement	-	2 408	53 729	56 137
Revaluation	6 126	153 485	89 254	248 865
Realisation	-	-71	-26 440	-26 511
As at 31 December 2024	41 480	359 362	298 381	699 223
In 2025				
Recognition in profit and loss statement	-	23 054	18 429	41 483
Revaluation	2 489	210 032	128 595	341 116
Realisation	-	-4 670	-73 832	-78 502
As at 31 December 2025	43 969	587 778	371 573	1 003 320

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 forward and spot exchange rate contracts, currency, gold, and interest rate swap arrangements, forward transactions in securities, and interest rate and currency future contracts to manage the interest rate and currency risks associated with Latvijas Banka's investments. At the end of 2025 and 2024, 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	
	2025	2024	2025	2024	2025	2024
OTC financial derivative and spot exchange rate contracts						
Forward exchange rate contracts and currency swap arrangements	4 454 190	3 750 555	34 114	7 585	13 220	59 724
Spot exchange rate contracts	567 492	360 735	-	-	668	894
Forward transactions in securities	968 496	863 409	1 048	1 870	538	4 523
Interest rate swap arrangements	50 374	147 915	-	-	-	-
Total	x	x	35 162	9 455	14 426	65 141
Traded financial derivative contracts						
Interest rate future contracts	1 623 442	2 203 600	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.

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. In 2025, Latvijas Banka organised and implemented risk management 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, as well as 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 performance that might arise from adverse changes in financial markets 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 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, notifies the responsible investment manager and assesses the necessary actions to eliminate the deviation. In addition to the measures aimed at the assessment of the deviations detected, 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.

Assets purchased under the PSPP and PEPP in accordance with the decisions of the Governing Council of the ECB Latvijas Banka manages 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 and PEPP.

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 benchmark. As a result of the implementation of the 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. As a result, 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. This excludes 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. Latvijas Banka also uses 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. A 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 Note 4) is managed by determining the tracking error limit. The tracking error in 2025 and 2024 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 2025 and 2024) 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 based on 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. 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 2025 and 2024, 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 maintaining 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 2025 and 2024) 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 2025 and 2024 is disclosed in Note 29.

Liquidity risk can be limited by investment diversification – limits are set 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 failed 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 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 oversees 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.

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 health and safety 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, while 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 cyber security are managed to prevent a potential negative impact on the availability, security, and integrity of the information and communication technologies and information systems of Latvijas Banka. Information systems at Latvijas Banka are classified based on their importance for implementing Latvijas Banka's tasks and 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 an appropriate level of their know-how and skills. Furthermore, Latvijas Banka conducts, on a regular basis, training sessions and tests in risk management for employees.

In 2025, 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 assessing current risks and technological developments. Operational risks were appropriately managed in 2025, with the risk mitigation measures limiting those risks to acceptable levels.

26. Currency structure

(in thousands of euro)

	EUR	USD	GBP	CAD	Gold	Other	Total
As at 31 December 2025							
Total assets	18 284 673	3 642 428	525 220	338 940	784 526	361 933	23 937 720
Total liabilities	23 570 011	233 011	42 327	40	-	92 331	23 937 720
Net position on balance sheet	-5 285 338	3 409 417	482 893	338 900	784 526	269 602	0
Net position on financial instruments' off-balance sheet accounts	3 772 545	-2 823 975	- 455 432	- 312 147	-	- 160 255	20 736
Net position on balance sheet and off-balance sheet accounts	-1 512 793	585 442	27 461	26 753	784 526	109 347	20 736
Net position on balance sheet and off-balance sheet accounts to total assets (%)	-6.3	2.4	0.1	0.1	3.3	0.5	0.1
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

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, currency future contracts, and forward transactions in securities. These 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 2025							
Gold and gold receivables	–	–	–	–	–	784 526	784 526
Claims on non-euro area residents denominated in foreign currency	1 302 632	354 276	499 398	268 718	1 252 777	634 444	4 312 245
Claims on euro area residents denominated in foreign currency	433 835	123 749	98 333	10 946	9 999	24 988	701 850
Claims on non-euro area residents denominated in euro	32 025	41 180	16 279	21 334	49 065	91	159 974
Other claims on euro area credit institutions denominated in euro	2 660	–	–	–	–	171	2 831
Securities of euro area residents denominated in euro	566 602	995 657	1 959 160	1 388 899	5 785 169	78 661	10 774 148
Intra-Eurosystem claims	6 848 728	–	–	–	–	102 954	6 951 682
Other assets	6 671	4 245	25 110	5 819	46 762	161 857	250 464
Total assets	9 193 153	1 519 107	2 598 280	1 695 716	7 143 772	1 787 692	23 937 720
Banknotes in circulation	–	–	–	–	–	5 773 642	5 773 642
Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	6 871 880	–	–	–	–	–	6 871 880
Other liabilities to euro area credit institutions denominated in euro	352 158	–	–	–	–	151 400	503 558
Liabilities to other euro area residents denominated in euro	1 994 296	–	–	–	–	14 734	2 009 030
Liabilities to non-euro area residents denominated in euro	3 840	–	–	–	–	66 041	69 881
Liabilities to euro area residents denominated in foreign currency	465	–	–	–	–	515 538	516 003
Liabilities to non-euro area residents denominated in foreign currency	7 641	–	–	–	–	–	7 641
Intra-Eurosystem liabilities	6 694 204	–	–	–	–	–	6 694 204
Other liabilities	367	–	–	–	–	216 200	216 567
Capital and reserves	–	–	–	–	–	1 275 314	1 275 314
Total liabilities	15 924 851	–	–	–	–	8 012 869	23 937 720
Net position on the balance sheet	–6 731 698	1 519 107	2 598 280	1 695 716	7 143 772	–6 225 177	–
Assets on financial instruments' off-balance sheet accounts	5 557 944	–	335 877	880 272	916 291	–	7 690 384
Liabilities on financial instruments' off-balance sheet accounts	7 209 826	70	41 038	5 785	412 929	–	7 669 648
Net position on balance sheet and off-balance sheet accounts	–8 383 580	1 519 037	2 893 119	2 570 203	7 647 134	–6 225 177	20 736

(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 2024 ²							
Gold and gold receivables	-	-	-	-	-	536 915	536 915
Claims on non-euro area residents denominated in foreign currency	1 149 883	411 750	693 664	261 672	1 157 071	680 379	4 354 419
Claims on euro area residents denominated in foreign currency	375 409	55 251	183 869	13 822	2 132	22 019	652 502
Claims on non-euro area residents denominated in euro	56 117	8 295	40 675	3 802	65 628	125	174 642
Other claims on euro area credit institutions denominated in euro	17 468	-	-	-	-	239	17 707
Securities of euro area residents denominated in euro	534 631	1 388 555	2 288 176	1 411 622	6 446 162	64 938	12 134 084
Intra-Eurosystem claims	6 623 498	-	-	-	-	99 258	6 722 756
Other assets	5 894	8 070	18 758	9 365	47 727	152 988	242 802
Total assets	8 762 900	1 871 921	3 225 142	1 700 283	7 718 720	1 556 861	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	-8 606 921	1 871 921	3 225 142	1 700 283	7 718 720	-5 909 145	-
Assets on financial instruments' off-balance sheet accounts	4 723 927	-	1 686 706	191 493	752 686	-	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	-10 437 806	1 755 921	4 724 737	1 865 758	7 944 849	-5 909 145	-5 686

² In the 2025 financial statements, the sensitivity to interest rate changes was reclassified. For comparability purposes, indicators for 2024 are presented on the basis of principles applied for 2025.

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 a 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 4 and 25.2). At the end of 2025 and 2024, the actual (ex-post) tracking error in basis points was as follows:

	2025	2024
1–10 year fixed income securities portfolio	27	29
Mortgage-backed securities portfolios	51	61
Developed markets equity securities portfolio	170	121
Global fixed income securities portfolio	65	61

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 2025						
1–10 year fixed income securities portfolio	3 257 581	249	-	-	-	-
Mortgage-backed securities portfolios	1 119 267	-	249	-	-	-
Global fixed income securities portfolio	140 673	249	-	-	-	-
During 2024						
1–10 year fixed income securities portfolios	3 126 932	251	-	-	-	-
Mortgage-backed securities portfolios	1 044 951	-	251	-	-	-
Global fixed income securities portfolio	146 443	29	186	28	8	-

The expected (ex-ante) tracking error of the developed markets equity securities portfolio, measured at each month-end, averaged 125 basis points and did not exceed 133 basis points during the year. Compliance with the limit is monitored by the respective external manager (88 and 100 basis points respectively in 2024).

29. Liquidity structure

In the liquidity structure, asset items are reported based on Latvijas Banka's capability to convert them into cash. Liability 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 2025				
Assets				
Gold and gold receivables	784 526	-	-	784 526
Claims on non-euro area residents denominated in foreign currency	4 312 245	-	-	4 312 245
Claims on euro area residents denominated in foreign currency	701 850	-	-	701 850
Claims on non-euro area residents denominated in euro	159 974	-	-	159 974
Other claims on euro area credit institutions denominated in euro	2 831	-	-	2 831
Securities of euro area residents denominated in euro	645 263	10 128 885	-	10 774 148
Intra-Eurosystem claims	67 835	-	6 883 847	6 951 682
Other assets	250 464	-	-	250 464
Total assets	6 924 988	10 128 885	6 883 847	23 937 720
Liabilities				
Banknotes in circulation	-	-	5 773 642	5 773 642
Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	6 871 880	-	-	6 871 880
Other liabilities to euro area credit institutions denominated in euro	503 558	-	-	503 558
Liabilities to other euro area residents denominated in euro	2 009 030	-	-	2 009 030
Liabilities to non-euro area residents denominated in euro	69 881	-	-	69 881
Liabilities to euro area residents denominated in foreign currency	516 003	-	-	516 003
Liabilities to non-euro area residents denominated in foreign currency	7 641	-	-	7 641
Intra-Eurosystem liabilities	6 694 204	-	-	6 694 204
Other liabilities	43 977	-	172 590	216 567
Total liabilities	16 716 174	-	5 946 232	22 662 406
Net position	-9 791 186	10 128 885	937 615	x

(continued)

(in thousands of euro)

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	Up to 3 months	Over 3 months	No fixed maturity	Total
As at 31 December 2024 ³				
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	599 569	11 534 515	-	12 134 084
Intra-Eurosystem claims	181 729	-	6 541 027	6 722 756
Other assets	163 055	-	79 747	242 802
Total assets	6 680 538	11 534 515	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	-11 438 518	11 534 515	847 634	x

³ In the 2025 financial statements, the liquidity structure was reclassified. For comparability purposes, indicators for 2024 are presented on the basis of principles applied for 2025.

30. Sectoral structure of assets

	Amount (in thousands of euro)		Proportion (%)	
	2025	2024	2025	2024
Investment operations	7 131 886	6 785 603	29.9	27.4
Central governments and other governmental institutions	2 252 401	2 122 183	9.5	8.6
Other financial institutions	2 283 015	2 247 208	9.5	9.0
Central banks and credit institutions	1 112 614	900 607	4.6	3.6
International institutions	661 519	715 805	2.8	2.9
Non-financial corporations	627 402	660 237	2.6	2.7
Local governments	194 935	139 563	0.8	0.6
Monetary policy operations	9 727 744	11 184 478	40.6	45.0
International institutions	6 420 462	7 422 565	26.8	29.9
Central governments and other governmental institutions	3 307 282	3 761 913	13.8	15.1
Other operations	7 078 090	6 865 746	29.6	27.6
Intra-Eurosystem claims	6 951 682	6 722 756	29.0	27.1
International institutions	46 478	43 989	0.2	0.2
Unclassified assets	79 930	99 001	0.4	0.3
Total	23 937 720	24 835 827	100.0	100.0

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

	Amount (in thousands of euro)		Proportion (%)	
	2025	2024	2025	2024
Investment operations	7 131 886	6 785 603	29.8	27.4
US	2 181 409	2 257 181	9.1	9.0
Euro area countries	1 837 188	1 701 730	7.7	6.9
UK	1 282 640	1 039 286	5.4	4.2
International institutions	661 519	715 805	2.8	2.9
Canada	594 811	516 734	2.5	2.1
Japan	150 585	118 885	0.6	0.5
Other EU countries	74 804	145 186	0.3	0.6
Other countries	348 930	290 796	1.5	1.2
Monetary policy operations	9 727 744	11 184 478	40.6	45.0
International institutions	6 420 462	7 422 565	26.8	29.9
Euro area countries	3 307 282	3 761 913	13.8	15.1
Other operations	7 078 090	6 865 746	29.6	27.6
Intra-Eurosystem claims	6 951 682	6 722 756	29.0	27.1
International institutions	46 478	43 989	0.2	0.2
Unclassified assets	79 930	99 001	0.4	0.3
Total	23 937 720	24 835 827	100.0	100.0

32. Assets by credit rating assigned to the counterparty

	Amount (in thousands of euro)		Proportion (%)	
	2025	2024 ⁴	2025	2024
Investment operations	7 131 886	6 785 603	29.8	27.4
AAA	2 475 132	2 509 504	10.3	10.1
AA	2 743 309	2 622 456	11.5	10.6
A	467 948	200 150	2.0	0.8
BBB	618 424	599 653	2.6	2.4
Assets without counterparty credit rating	1 327	14 862	0	0
Assets not exposed to credit risk	825 746	838 978	3.4	3.4
Monetary policy operations	9 727 744	11 184 478	40.6	45.0
AAA	5 939 117	6 883 773	24.8	27.7
AA	-	538 792	0	2.2
A	3 788 627	3 761 913	15.8	15.1
Other operations	7 078 090	6 865 746	29.6	27.6
Intra-Eurosystem claims	6 951 682	6 722 756	29.0	27.1
Unclassified assets	89 988	110 533	0.4	0.4
Assets not exposed to credit risk	36 420	32 457	0.2	0.1
Total	23 937 720	24 835 827	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, securities, 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 not exposed to credit risk mostly comprise securities in the developed markets equity securities portfolio, emerging markets equity securities portfolio, fixed assets, and intangible assets.

⁴ In the 2025 financial statements, the credit rating breakdown was reclassified. For comparability purposes, indicators for 2024 are presented on the basis of principles applied for 2025.

Profit and loss statement notes

33. Net interest income

(in thousands of euro)

	2025	2024
Net interest on investment operations	118 869	143 743
Interest income	192 336	198 963
Interest expense	-73 467	-55 220
Net interest on customer deposits	-37 214	-77 271
Interest expense	-37 214	-77 271
Net interest on monetary policy operations	-53 643	-147 316
Interest income	90 718	96 767
Interest expense	-144 361	-244 083
Net interest on intra-Eurosystem claims and liabilities	-48 227	-70 630
Interest income	149 266	260 452
Interest expense	-197 493	-331 082
Other interest attributable to monetary policy operations and similar income	-696	-43 977
Interest expense	-696	-43 977
Net interest income	-20 911	-195 451

Interest income on investments was mainly derived from interest on debt securities, and its amount did not change significantly in 2025. Interest expense on investments largely consisted of interest on OTC forward exchange rate contracts, and its increase was driven by an increase in the difference in money market interest rates between the euro and other investment currencies.

The interest expense on customer deposits was shaped by interest on deposits from the Latvian government and other financial institutions. In 2025, the amount of average Latvian government deposits and interest rates paid on those deposits was smaller than in 2024. As a result, interest expenses on Latvian government deposits amounted to 20 899 thousand euro (41 179 thousand euro in 2024). 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 (1.921% at the end of 2025), 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 primarily consisted of interest on PSPP and PEPP securities. The interest expense on monetary policy operations consisted mainly of interest on deposit facility transactions and negative interest on PSPP and PEPP securities. The average deposit facility rate was notably lower in 2025 than in 2024 (2.26% and 3.73% respectively). Therefore, interest expenses on deposits of Latvian credit institutions decreased in 2025, reaching 139 258 thousand euro (237 874 thousand euro in 2024).

From 1 January 2025, Interest income from and interest expense on the intra-Eurosystem claims and liabilities are remunerated by applying the ECB's deposit facility interest rate (till 31 December 2024 – 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. The average deposit facility interest rate in 2025 was notably lower than the average main refinancing operations interest rate in 2024 (2.26% and 4.13% respectively), leading to a decrease in interest income on intra-Eurosystem claims in and interest expense on intra-Eurosystem liabilities in 2025.

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)

	2025	2024
Securities	114 173	48 689
Foreign exchange transactions	-11 166	6 583
Derivative financial instruments	3 165	-30 799
Total	106 172	24 473

The result of the disposal of securities increased by 65 484 thousand euro. It was due to better financial results in developed markets equity securities portfolio and mortgage-backed securities portfolios.

The realised gains on foreign exchange transactions were 17 749 thousand euro less than in 2024, due to the increase of US dollar exchange rate against the euro in 2025.

The result of the derivative financial instruments increased by 33 964 thousand euro mainly due to the positive result of interest rate future contracts.

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

(in thousands of euro)

	2025	2024
Foreign currency positions	-23 054	-2 408
Securities	-18 429	-53 729
Total	-41 483	-56 137

The revaluation result of several debt securities, equity securities, and foreign currency positions at the end of 2025 and 2024 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 (see also Note 23).

The decrease in the negative revaluation result of securities is related to the small decrease of market yields in 2025 in contrast to the increase 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. This describes the losses determined by an 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 2025, the level of financial risks increased and was estimated at 989.6 million euro (938.1 million euro in 2024). The growth in financial risks in 2025 was mainly driven by an increase in the volume of investment portfolios including the growth and volatility in the value of gold.

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 a permanent nature.

(in thousands of euro)

	2025	2024
Level of financial risks	989 600	938 100
Provisions for the market risk and credit risk	57 801	–
Provisions for the market risk and credit risk against the level of financial risks (%)	6%	0

In 2025, due to the above-mentioned risk assessment, the Council of Latvijas Banka decided to increase the provisions for market risk and credit risk related to the financial investments managed by Latvijas Banka by 57 801 thousand euro according to a percentage of the positive total financial performance result included in the profit and loss statement before establishing provisions for financial risks as laid down in the above-mentioned methodology (in 2024, the respective provisions were not increased). Latvijas Banka had no provisions for credit risk associated with the Eurosystem monetary policy operations at the end of 2024 and at the end of 2025.

37. Income from equity securities and participating interest

Income from equity securities comprises dividends of the equity securities portfolio in the amount of 13 189 thousand euro (12 979 thousand euro in 2024).

Income from participating interest comprises dividends received from the participating interest in the BIS totalling 477 thousand euro (486 thousand euro in 2024; see also Note 14.2) and income from the participating interest in the ECB. The ECB did not distribute profits for 2025 and 2024.

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 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 monetary income pooling

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 monetary income pooling is determined by the difference in yields on securities purchased for monetary policy purposes between the Eurosystem NCBs. It is also affected by the difference between the proportion of the earmarked assets and liability base items of individual Eurosystem NCBs in the total Eurosystem amounts and the NCB's percentage share 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 decrease in the net result of monetary income pooling was driven by lower monetary income pooled and received, as a result of the change in the interest rate used for the redistribution of monetary income, using the deposit facility rate instead of the main refinancing operations rate from 1 January 2025.

The total monetary income of the Eurosystem NCBs and the distribution of the net result of monetary income pooling by Latvijas Banka in 2025 and 2024 were as follows.

	Total monetary income of the Eurosystem NCBs	Monetary income of the Latvijas Banka		
		Monetary income pooled	Monetary income received	Net result of monetary income pooling
In 2025				
Lending to euro area credit institutions related to monetary policy operations denominated in euro	586 498	-121	2 273	2 152
Securities held for monetary policy purposes subject to risk sharing	8 081 103	-54 346	31 319	-23 027
Securities held for monetary policy purposes not subject to risk sharing	63 405 916	-81 859	245 736	163 877
Claims in respect of foreign reserves transferred to the European Central Bank	789 634	-3 060	3 060	0
Claims and liabilities related to the allocation of euro banknotes within the Eurosystem	-2 900 096	-145 764	-11 240	-157 004
Excess of the liability base over earmarked assets	9 090 620	-74 003	35 232	-38 771
Liabilities to euro area credit institutions related to monetary policy operations denominated in euro	-62 059 636	133 530	-240 518	-106 988
Claims and liabilities related to TARGET correspondent accounts	7 689 186	197 493	29 800	227 293
Other	737	-	3	3
Total	24 683 962	-28 130	95 665	67 535
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 the calculation of monetary income pooled, securities held for monetary policy purposes for which risks are not shared, generate income at the ECB's deposit facility rate (in 2024 – at the main refinancing operations rate), therefore 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	2025	2024
Income from payments by supervised financial market participants	39.1.	13 992	13 794
Revaluation of liabilities for the issued lats banknotes and coins	39.2.	-	3 899
Income from sale of numismatic products		1 400	908
Other		551	770
Total		15 943	19 371

39.1. Income from payments by supervised financial market participants

(in thousands of euro)

	2025	2024
Income related to the supervision of monetary financial institutions	9 729	9 146
Income related to insurance supervision	2 299	2 091
Income related to the supervision of the market financial instruments and pension funds	1 723	1 525
Other payments of market participants	415	406
Provisions created (-) or used (+) for supervisory function expenses	-174	626
Total	13 992	13 794

Provisions created for supervisory function expenses amounting to 174 thousand euro consisted of the excess of income from payments of supervised financial market participants in 2025 over supervisory function expenses in the reporting year. Supervisory function expenses for the current reporting period amounted to 13 775 thousand euro (in 2024, actual supervisory function expenses amounted to 13 864 thousand euro, of which 217 thousand euro was recognised in 2025) and income from payments of supervised financial market participants – to 14 166 thousand euro (13 168 thousand euro in 2024).

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 2025, no revaluation of liabilities for the issued lats banknotes and coins was made (see also Note 22.1).

40. Remuneration, social security costs, and solidarity tax

(in thousands of euro)

	2025	2024
Remuneration		
Remuneration of the members of the Council	-907	-944
Remuneration of other personnel	-27 058	-25 075
Total remuneration	-27 965	-26 019
Social security costs and solidarity tax	-6 301	-5 755
Total remuneration, social security costs, and solidarity tax	-34 266	-31 774

At the end of 2025, the number of employees was 539 (531 at the end of 2024), representing 525 full-time equivalents in 2025 (510 in 2024).

41. Banknote and coin acquisition costs

(in thousands of euro)

	2025	2024
Acquisition of collector coins	-991	-659
Acquisition of banknotes	-952	-1 097
Acquisition of circulation coins	-187	-212
Total	-2 130	-1 968

42. Other operating expenses

(in thousands of euro)

	2025	2024
Maintenance and operation of information systems	-5 752	-5 305
Payments to the EU and international organizations	-1 266	-1 203
Acquisition of low value office supplies	-735	-267
Security services	-598	-720
Business travel	-523	-636
Municipal services	-513	-495
Maintenance of buildings, territory, and equipment	-511	-444
Public education and information	-499	-439
Personnel training	-325	-385
Telecommunication services and system maintenance	-311	-308
Audit, consulting and legal services	-243	-202
Event services	-162	-207
Tax on real estate	-148	-168
Risk insurance	-89	-91
Other	-453	-295
Total	-12 128	-11 165

Audit, consulting and legal services expenses also include remuneration totalling 125 thousand euro paid to SIA "KPMG Baltics" for auditing the 2025 financial statements of Latvijas Banka (37 thousand euro in 2024 paid to SIA "ERNST & YOUNG BALTIC"). The increase in low-value office supply expenses was mainly determined by the purchase of new office equipment and furniture in accordance with the project of reconstruction and interior transformation of the building, K. Valdemāra iela 2A in Riga, which was completed in mid-2025.

Other notes

43. Pledged assets

Financial instruments purchased by Latvijas Banka with the total market value of 2840 thousand euro as at the end of 2025 (409 748 thousand euro at the end of 2024) have been pledged to provide reverse repurchase transactions, forward exchange rate contracts, interest rate, and currency future contracts.

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 2025, the fair value of the securities lent, determined using quoted prices in an active market, was 730 989 thousand euro (1 029 279 thousand euro at the end of 2024); inter alia, the fair value of securities purchased and lent under the PSPP and PEPP stood at 706 167 thousand euro at the end of 2025 (955 852 thousand euro at the end of 2024).

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 2025, the uncalled portion of the BIS shareholding was 4012 thousand SDR (4676 thousand euro; 4012 thousand SDR (5033 thousand euro) at the end of 2024; see also Note 14.2).

By the end of 2025, Latvijas Banka had issued euro collector coins, lats collector coins, and precious metal circulation coins in the value of 7499 thousand euro (7352 thousand euro at the end of 2024). These coins may be presented 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.

By the end of 2025, Latvijas Banka had issued lats banknotes and coins with the face value of 116 368 thousand euro (117 116 thousand euro at the end of 2024), reported on the balance sheet in the amount of 6715 thousand euro (7463 thousand euro at the end of 2024). 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 (109 653 thousand euro at the end of 2024) at face value is low.

At the end of 2025, Latvijas Banka had five administrative legal proceedings related to the regulation and supervision of the financial market and its participants, the payment of guaranteed compensation and public procurement. These legal proceedings have been initiated in accordance with the administrative procedure regarding the decisions and actions of Latvijas Banka, and also according to an 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.



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Independent Auditors' Report

To the Council of Latvijas Banka

Our Opinion on the Financial Statements

We have audited the accompanying financial statements of Latvijas Banka ("the Bank") set out on pages 4 to 56, which comprise:

- the balance sheet as at 31 December 2025,
- the profit and loss statement for the year then ended,
- the statement of total recognized gains and losses for the year then ended,
- the notes to the financial statements, which include 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 2025, 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), the Financial Accounting Policy of Latvijas Banka approved by the Council of the Bank, and the requirements of the Law on Latvijas Banka governing financial reporting.

Basis for Opinion

In accordance with the 'Law on Audit Services' of the Republic of Latvia we conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the *Auditors' Responsibility for the Audit of the Financial Statements* section of our report.

We are independent of the Latvijas Banka in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) developed by the International Ethics Standards Board for Accountants (IESBA Code) and the independence requirements included in the 'Law on Audit Services' of the Republic of Latvia that are relevant to our audit of the financial statements in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the IESBA Code and the 'Law on Audit Services' of the Republic of Latvia.

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

Other Matter

The comparative information for the previous reporting period are based on the Bank's financial statements for the year ended on 31 December 2024, which were audited by another audit firm who expressed an unqualified opinion on these financial statements in their auditors' report dated 6 March 2025.

Responsibilities of the Council of the Bank 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), the Financial Accounting Policy of Latvijas Banka approved by the Council of the Bank, and the requirements of the Law on Latvijas Banka governing financial reporting. The Council of the Bank is responsible for such internal control as 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.

Auditors' Responsibility for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by 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 auditors' 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 auditors' report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.



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

KPMG Baltics SIA
Licence No. 55

Rainers Vilāns
Member of the Board
Latvian Sworn Auditor
Certificate No. 200
Riga, Latvia
4 March 2026

This report is an English translation of the original Latvian. In the event of discrepancies between the two reports, the Latvian version prevails