AS INDEXO BANKA

Annual report for 2024

and the independent auditor's report

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

AS INDEXO Bank is a subsidiary of IPAS INDEXO.

As of December 31, 2024, the registered and paid-up share capital was divided into 17 309 445 single-category shares with equal voting rights. All shares of the Bank have a nominal value of EUR 1.00 (one euro, 00 cents). The sole shareholder of AS INDEXO Banka on December 31, 2024, was IPAS INDEXO, which owns 100% of the Bank's paid-up share capital.

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

Members of the Bank's Supervisory Board

There were changes in the membership of the Bank's board during the reporting period.
In 2024 the membership of the Bank's board was such:

Name, Surname	Position held
Valdis Vancovičs	Chairman of the Supervisory Board (from 30.05.2023)
Svens Dinsdorfs	Deputy Chairman of the Supervisory Board (from 30.05.2023)
Ramona Miglāne	Member of the Supervisory Board (from 30.05.2023)
Renāts Lokomets	Member of the Supervisory Board (from 30.05.2023)
Ivita Asare	Member of the Supervisory Board (form 30.05.2023 until 03.07.2024)

Members of the Bank's Management Board

There were changes in the membership of the Bank's management board during the reporting period.
In 2024, the membership of the Bank's management board was such:

Name, Surname	Position held
Valdis Siksnis	Chairman of the Management Board (from 30.05.2023)
Vladimirs Bolbats	Member of the Management Board (from 30.05.2023)
Evija Sloka	Member of the Management Board (from 30.05.2023 until 03.01.2025)
Līga Katrīna Kļaviņa	Member of the Management Board (from 30.05.2023)
Ieva Bauma	Member of the Management Board (from 30.05.2023)
Gints Ozoliņš	Member of the Management Board (from 30.05.2023)
Tīna Kukka	Member of the Management Board (from 30.05.2023 until 28.06.2024)
Ivita Asare	Member of the Management Board (from 03.07.2024)

Management report

AS INDEXO Bank (hereinafter – the Bank, INDEXO Bank) started operations on August 28, 2024 – three and a half months after receiving its banking license on May 21, 2024. During the reporting period, INDEXO Bank completed its first 4 months of operation, and we are proud of the results achieved.

We have invested significant effort to ensure that INDEXO Banka stands out in the Latvian financial market with the ease of use of its services and innovative products, offering new opportunities and more favorable conditions for clients. We involved our customers in this process by gathering their opinions on various topics, from the design of the mobile app to the appearance of payment cards.

A post-launch survey[1] conducted in collaboration with the Delfi news portal shows that our efforts have achieved the intended result—93% of survey participants rated the account opening process in the INDEXO mobile app as simple and gave high ratings for the app's ease of use, functionality, speed, and operational stability. We are especially proud that our fully digital account opening process on average takes less than 5 minutes, what is a new benchmark in Latvian banking sector.

In the first month of banking operation, INDEXO Bank attracted more than 10 thousand clients with total deposits almost amounting to EUR 9.0 million. For comparison, it took more than a year for the pension management company IPAS INDEXO, which now has over 140 thousand clients, to attract its first 10 thousand clients. At the end of 2024 INDEXO Bank has 21.1 thousand clients with EUR 33.0 million in total deposits and EUR 1.1 million in consumer loans.

The bank's operations were launched with a suite of daily banking services for private individuals – payments, cards, savings (deposits and vaults) and consumer lending all available in user friendly and modern mobile app. INDEXO Bank is the only credit institution in Latvia which pays 1.5% for customer current account balances and is among top payers also for other deposit products. We consider this as a starting point for expanding our product offering.

Since starting operations, we have already released seven updates for the mobile app products and features. These updates included over 200 small improvements and bug fixes, chat improvements, as well as added functionality to provide clients with detailed information on interest earned and income tax paid from savings products. The app allows users to create detailed account statements in PDF format, the clients can also enjoy regular payments functionality and apply for consumer loan. The app has successfully implemented changes to meet the requirements of the Instant Payments Regulation (IPR) where the deadline was January 2025. On February 12, 2025, INDEXO Bank was the first in Latvia to introduce a feature in its mobile app that allows all 2nd pillar pension savers to view their personal 2nd pillar pension savings, contributions, and earnings, regardless of whether they are clients of INDEXO or any other 2nd pillar pension manager in Latvia. This is a significant step towards increasing people's interest in their pension savings and making information more accessible. In the coming weeks and months, we will continue to improve our mobile app and expand the range of available banking services.

At the present, our timeline for the planned introduction of key new services for 2025 is as follows:

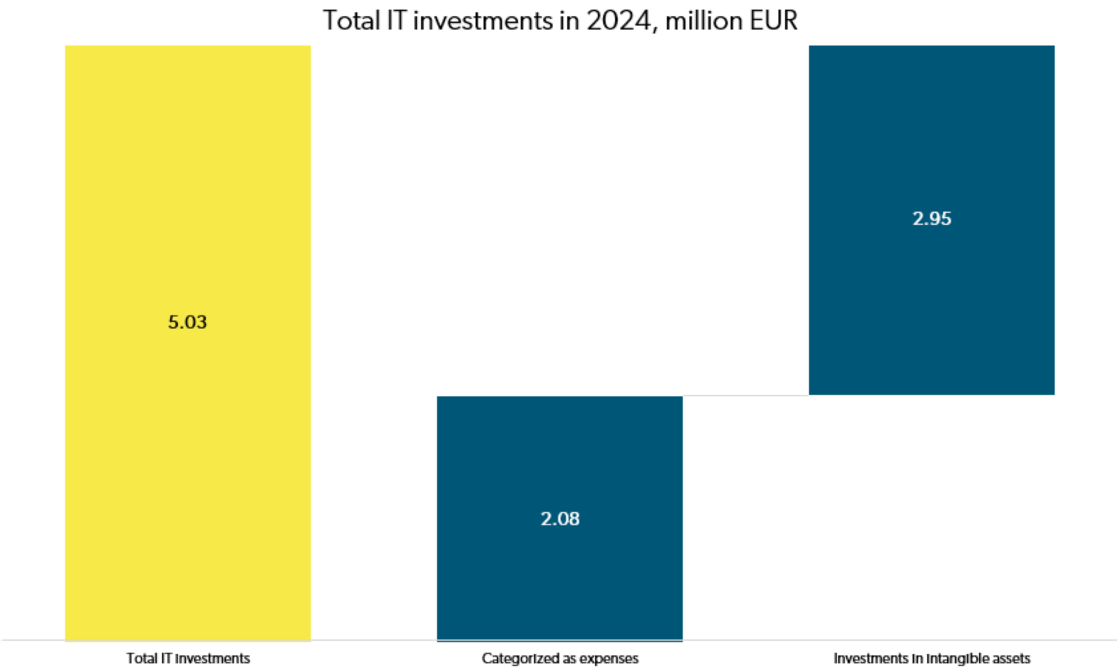
- **Daily banking improvements**. In our commitment to providing seamless and innovative banking solutions, by the end of April 2025, INDEXO Bank will launch support for Googe Pay and Apple Pay. This milestone reflects our dedication to embracing cutting-edge technology to enhance the payment experience for our customers. With these digital wallet integrations, clients will be able to make secure, fast, and convenient transactions using their mobile devices, whether in-store, online or within apps. After Google Pay and Apple INDEXO Bank will launch first features of Family Accounts in Q2 2025. This new feature is designated to simplify family financial management while also enabling parents to issue dedicated debit cards for their children.

- **Mortgage lending produc**t. Mortgage loan is a cornerstone retail banking product. In Latvia we see huge growth potential as Latvian households are among least leveraged in Europe, at the same time mortgage rates in Latvia are one of the highest in Eurozone. We will start by offering refinancing product by the end of April 2025, followed with new mortgage lending product in Q3 2025. Designed to deliver competitive rates, smooth service and flexible terms, this offering aims to empower customers in achieving their homeownership dreams while setting a new benchmark in the market.
- **Consumer lending product**. We are very proud of our consumer lending product providing customers opportunity to receive a loan in less than 5 minutes through the INDEXO Bank mobile app. Advertising limitations have restricted the Bank's communication and promotion options, so the initial lending portfolio growth has been relatively slow. At the end of the year the Bank started cooperation with lending platforms and that helped to boost new lending volumes which reached EUR 1.3 million in January. During 2025 the Bank will continue different initiatives to boost lending growth offering consumer loan refinancing products and extending co-operation with different partners.
- **Custody bank services.** Due to the limited number of service providers IPAS INDEXO is forced to pay very high fee for custody of managed pension funds. In our continued efforts to expand our suite of services, INDEXO Bank is set to introduce custody services during Q3 2025 that will enable not only to lower costs for its parent IPAS INDEXO but also offer competitive service to other asset managers in Latvia. This new offering is designated to provide secure and efficient asset safeguarding, ensuring the highest standards of compliance and operational excellence.

The central management tool of the new INDEXO Banka's services will be a modern mobile app and, in the future, also other digital channels. The only bank customer service center will be in the "Verde" office complex, which we opened on February 17, 2025. Establishing a physical customer service center will increase the visibility of the INDEXO brand and improve accessibility for both existing and future clients of the INDEXO group.
During 2024 the average number of INDEXO Bank's full-time equivalent employees was 50 in order to ensure that Bank has sufficient recourses to provide an excellent costumer experience and to meet all the regulatory requirements. At the end of September 2024 INDEXO Bank moved to the new modern office building "Verde" in Riga. This step will not only promote teamwork but also enhance INDEXO's appeal as an employer.

As the Bank's operations have just started and the bank has operated only for a couple months, INDEXO Bank does not generate any significant revenue. INDEXO Bank's total income amounted to just EUR 40.6 thousand. Meanwhile, the Bank continues to make significant IT investments to develop and expand its range of banking services. Consequently, during the reporting period, INDEXO Bank incurred losses amounting to EUR 6.16 million.

The largest category of investment and expenses related to the establishment of the bank is IT expenses and investments. During 2024 the total IT investments in intangible assets for the bank's IT infrastructure amount to EUR 2.95 million. Additionally, this year's IT expenses that were recognized in the profit and loss totaled EUR 2.08 million. The largest part of IT investments have been made to customer engagement systems amounting to EUR 3.44 million.



Since the beginning of the INDEXO Bank development total investments in intangible assets for the bank's IT infrastructure have amounted to EUR 7.9 million.

At the end of reporting period, INDEXO Banka complies with all regulatory requirements regarding liquidity and capital adequacy. At the end of reporting period, INDEXO Bank's capital and reserves were EUR 8.48 million, and our equity for capital adequacy calculation was EUR 7.26 million, consisting entirely of Common Equity Tier 1 (CET1) capital. Since the value of the bank's risk exposures was very low, our capital ratios significantly exceeded the capital requirements set by our regulators, and at the end of the reporting period, INDEXO Bank's capital adequacy ratio was 54.17%. The liquidity coverage ratio was 1273.49%, significantly exceeding the regulatory minimum of 100%.

To successfully execute on our ambitious product roadmap, including the launch of Google Pay, Apple Pay, Family Accounts, mortgage lending, and custody services, the INDEXO Bank recognizes the need for additional capital to support these strategic initiatives. This investment together with focus on cost control will enable us to strengthen our operational capacity, enhance technological infrastructure, and maintain financial resilience as we deliver innovative solutions to INDEXO Group customers.

We are currently working on updating our 3 year financial plan communicated at the end of 2023, and the specific business growth ambition and capital requirements will be communicated to our investors in the coming months. We are confident that the support of our investors will position the INDEXO Bank to achieve sustainable growth, remain competitive in a dynamic market, and create long-term value for all stakeholders.

The results from the first months of operations confirm that INDEXO Bank, with more than 141 thousand pension management clients, a well-known and positively received brand, and a developed modern IT infrastructure, is excellently positioned to challenge the oligopolistic banking market and to change entrenched market practices—high fees, complex and non-transparent pricing, complicated service acquisition processes, and a risk-averse culture.

You can learn about the INDEXO group's history, values, mission, and vision here: indexo.lv/en/values-and-history/ .[1]

Events after the reporting period

The following strategically important events occurred after the end of the reporting period:

- As of February 25, 2025 INDEXO Bank's number of clients has grown to 28.1 thousand, deposit volumes have reached EUR 42.1 million, while the amount of issued loans has reached EUR 3.6 million.
- In February 2025 INDEXO Bank has started to build liquid asset government bond portfolio for liquidity and interest rate risk management purposes. As of February 25, 2025 the nominal value of bonds is EUR 0.62 million.
- New INDEXO Bank's Supervisory Board member Mārtiņš Jaunarājs was appointed by the Supervisory Board following the approval of the candidate by the Bank of Latvia. The appointment of new Supervisory Board member and the new composition of the Supervisory Board was registered in the Commercial Register on 10.01.2025.

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

Valdis Siksnis, Chairman of the Management Board

Ivita Asare, Member of the Management Board

Valdis Vancovičs, Chairman of the Supervisory Board

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[1] delfi.lv survey data, period: 30.09.-13.10.2024, n=985, all, 18+

Statement of responsibility of the management board of AS INDEXO Banka

The Management Board of INDEXO Banka is responsible for the financial statements, which provide a true and fair view of the Bank's financial position as of December 31, 2024, as well as performance and cash flows for the year then ended, in accordance with IFRS Accounting Standards as adopted by the European Union.

The financial statements for the year ended December 31, 2024, as set out on pages 10 to 51 are prepared on a going concern basis in accordance with IFRS Accounting Standards as adopted by the European Union. Appropriate accounting policies have been applied on a consistent basis. Prudent and reasonable judgments and estimates have been made by the Management Board in the preparation of the financial statements.

The Bank's Management Board is responsible for maintaining proper accounting records, safeguarding the Bank's assets, and detecting and preventing fraud and other irregularities in the Bank. The Management Board of the Bank is also responsible for operating the Bank in compliance with the Law on Credit Institutions, regulations of the Bank of Latvia and other legislation of the Republic of Latvia and European Union applicable for credit institutions.

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

Valdis Siksnis, Chairman of the Management Board

Ivita Asare, Member of the Management Board

Valdis Vancovičs, Chairman of the Supervisory Board

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Financial statements

STATEMENT OF COMPREHENSIVE INCOME

	Notes	Jan – Dec 2024 EUR	Jan – Dec 2023 EUR
Interest income calculated using the effective interest rate	6	429 976	22 086
Interest expense	7	(479 810)	(345)
Net interest income		**(49 834)**	**21 741**
Commission income	8	29 766	-
Commission expense	9	(122 768)	(988)
Net commission income		**(93 002)**	**(988)**
Net foreign exchange difference loss		(1 206)	(174)
Other operating income	10	184 630	14 640
Other operating expenses	11	(379 763)	(59 221)
Administrative expenses	12	(5 139 688)	(2 501 722)
Depreciation	19, 20	(593 945)	(42 953)
Allowances for expected credit losses	16, 17	(87 733)	-
Loss before before corporate income tax		**(6 160 542)**	**(2 568 677)**
Corporate income tax	13	(2 073)	(1 070)
Loss for the reporting period		**(6 162 615)**	**(2 569 747)**
Total comprehensive loss for the year		**(6 162 615)**	**(2 569 747)**

The accompanying notes on pages 14 to 51 are an integral part of the Bank financial statements.

The financial statements have been authorised for issue on 27 February 2025 and signed on behalf of the AS INDEXO Banka Management and Supervisory Board by:

Valdis Siksnis, Chairman of the Management Board

Ivita Asare, Member of the Management Board

Valdis Vancovičs, Chairman of the Supervisory Board

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

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STATEMENT OF FINANCIAL POSITION

	Notes	2024 EUR	2023 EUR
ASSETS			
Cash and cash equivalents	14,15	35 382 576	1 343 565
Loans and advances due from customers	16	987 306	-
Prepayments	18	713 343	517 191
Other assets and credit losses	17	533 623	94 585
Intangible assets	19	4 445 577	1 885 964
Property, plant and equipment	19	589 859	14 975
Right of use assets	20	1 900 439	-
Total assets:		**44 552 723**	**3 856 279**
EQUITY AND LIABILITIES			
Current accounts and deposits due to customers	22	33 097 748	-
Accrued liabilities	21	163 329	71 888
Trade payables	23	471 383	511 595
Borrowings from parent company	24	-	700 345
Taxes and national social insurance mandatory contributions	25	161 377	156 903
Lease liabilities	20	1 964 367	-
Other liabilities	26	217 729	85 588
Total liabilities:		**36 075 933**	**1 526 319**
Equity			
Share capital	27	17 309 445	5 000 000
Accumulated deficit		(2 670 040)	(100 293)
Profit / (loss) for the period		(6 162 615)	(2 569 747)
Total equity and reserves:		**8 476 790**	**2 329 990**
TOTAL EQUITY AND LIABILITIES		**44 552 723**	**3 856 279**

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Statement of Changes in Equity

	Notes	Share capital EUR	Accumulated deficit EUR	Total EUR
At 31.12.2023		**5 000 000**	**(2 670 040)**	**2 329 960**
Increase in share capital	27	12 309 445	-	**12 309 445**
Total comprehensive loss for the reporting period		-	(6 162 615)	(6 162 615)
At 31.12.2024		**17 309 445**	**(8 832 655)**	**8 476 790**

	Notes	Share capital EUR	Accumulated deficit EUR	Total EUR
At 31.12.2022		**2 000 000**	**(100 293)**	**1 899 707**
Increase in share capital	27	3 000 000	-	**3 000 000**
Total comprehensive loss for the reporting period		-	(2 569 747)	(2 569 747)
At 31.12.2023		**5 000 000**	**(2 670 040)**	**2 3299 560**

The accompanying notes on pages 14 to 51 are an integral part of the Bank financial statements.

The financial statements have been authorised for issue on 27 February 2025 and signed on behalf of the AS INDEXO Banka Management and Supervisory Board by:

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Cash flow statement

	Notes	Jan - Dec 2024	Jan - Dec 2023
		EUR	EUR
Cash flow from operating activities			
Loss before corporate income tax		(6 160 542)	(2 568 677)
Depreciation of PPE, Intangible assets and amortisation of right-of-use assets	19, 20	593 945	42 953
Allowances for expected credit losses		87 733	-
Interest income	6	(429 976)	(22 086)
Interest expense	7	479 810	345
(Decrease) / increase in cash and cash equivalents from operating activities before changes in operating assets and liabilities		**(5 429 030)**	**(2 547 465)**
Increase in receivables, prepayments, and other assets	17,18	(617 529)	(611 157)
Financial assets measured at amortized cost (including loans)	16	(1 069 854)	-
Increase in accrued liabilities	21	91 441	58 448
Increase in trade payables and other liabilities	23, 25, 26	96 403	601 072
Financial liabilities measured at amortized cost including deposits	22	33 097 748	-
Corporate income tax	13	(2 073)	(1 070)
Interest received		424 731	22 086
Interests paid		(418 858)	-
Increase / (decrease) in cash and cash equivalents from operating activities		**26 172 979**	**(2 478 086)**
Cash flow from investing activities			
Intangible asset purchase	19	(2 945 589)	(1 858 756)
PPE purchases	19	(602 896)	(19 593)
Decrease in cash and cash equivalents from investing activities		**(3 548 485)**	**(1 878 349)**
Cash flow from financing activities			
Share capital increase	27	12 309 445	3 000 000
Repayment of principal of lease liabilities	20	(133 976)	-
Interest paid on lease liabilities		(60 952)	-
Borrowings received	24	-	700 000
Borrowings (repaid)	24	(700 000)	-
Increase in cash and cash equivalents from financing activities		**11 414 517**	**3 700 000**
Increase / (decrease) in cash and cash equivalents		**34 039 011**	**(656 435)**
Cash and cash equivalents at the beginning of the reporting period	**14, 15**	**1 343 565**	**2 000 000**
Cash and cash equivalents at the end of the reporting period	**14, 15**	**35 382 576**	**1 343 565**

The accompanying notes on pages 14 to 51 are an integral part of the Bank financial statements.

The financial statements have been authorised for issue on 27 February 2025 and signed on behalf of the AS INDEXO Banka Management and Supervisory Board by:

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Notes to the Financial Statements

1. General information

INDEXO Banka AS was registered as AS IDX1R on December 19, 2022 in Riga. After receiving banking licence in May 15, 2024 which came in to effect on May 16, 2024 Bank changed name to INDEXO Banka. The legal address of the Bank on December 31, 2024 is Roberta Hirša iela 1, Riga, Latvia. The Bank started banking operations on August 28, 2024.

The bank's operations were launched with a suite of daily banking services for private individuals – payments, cards, savings (deposits and vaults) and consumer lending all available in user friendly and modern mobile app.

Regulatory framework

The Bank's operations are governed by the law "On Credit Institutions", "Commercial Law" and regulations issued by the EU and Bank of Latvia. The above regulations govern capital adequacy, minimum equity, liquidity, foreign exchange positions, risk transaction restrictions with respect to one counterparty, group of related customers and related parties of the Bank, as well as other applicable requirements.

2. Basis of preparation of financial statements

Basis of preparation

Financial statements are prepared in accordance with the IFRS Accounting Standards as adopted by European Union. Separate disclosures are prepared in accordance with the requirements of the Bank of Latvia Regulation. The financial statements were prepared on a historical cost basis.

Bank's financial statements have been prepared on a going concern basis. Refer to Note 34 for additional comments and evaluation from the Bank's management. Cash flows from operating activities in the Statement of cash flows has been prepared using the indirect method.

The Bank does not have a clearly identifiable operating cycle and therefore does not present current and non-current assets and liabilities separately in the statement of financial position. Instead, assets and liabilities are presented in order of their liquidity. Refer to Note 28 for analysis of financial instruments by their maturity.

Functional currency

Bank's functional currency and financial statements are presented in the official currency of the Republic of Latvia – the euro ("EUR"), unless stated otherwise, rounding is not applied.

3. Material accounting policy information

The notes include accounting policies constantly applied by Bank in preparation of their financial statements for 2023 and 2024, as well as the new accounting standards and interpretations.

New standards and interpretations

Standards or interpretations effective for the first time in the annual period beginning on 1 January 2024

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (effective for annual periods beginning on or after 1 January 2024).

Classification of liabilities as current or non-current – Amendments to IAS 1 (effective for annual periods beginning on or after 1 January 2024).

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (effective for annual periods beginning on or after 1 January 2024).

New standards and amendments did not have any material impact on the Bank's financial statements.

Standards or interpretations effective for the first time for the annual periods beginning after 1 January 2025 or not yet endorsed by the EU

Amendments to IAS 21 Lack of Exchangeability (effective for annual periods beginning on or after 1 January 2025).

Amendments to the Classification and Measurement of Financial Instruments - Amendments to IFRS 9 and IFRS 7 (issued on 30 May 2024 and effective for annual periods beginning on or after 1 January 2026, not yet endorsed by the EU).

Annual Improvements to IFRS Accounting Standards (Issued in July 2024 and effective from 1 January 2026, not yet endorsed by the EU).

Contracts Referencing Nature-dependent Electricity Amendments to IFRS 9 and IFRS 7 (effective for annual periods beginning on or after 1 January 2026, not yet endorsed by the EU).

IFRS 18 Presentation and Disclosure in Financial Statements (effective for annual periods beginning on or after 1 January 2027, not yet endorsed by the EU).

IFRS 19 Subsidiaries without Public Accountability: Disclosures (Issued on 9 May 2024 and effective for annual periods beginning on or after 1 January 2027).

The Bank is currently assessing the impact of the amendments on their financial statements. Based on initial analysis, no significant impact is expected on the financial statements of the Bank in the year of their implementation.

Estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates, and assumptions that affect the application of policies and reported amounts of assets and liabilities, income, and expenses. Estimates and underlying assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances and form the basis for making judgments about carrying amounts of assets and liabilities that cannot be determined based on other sources. Actual results may differ from these estimates.

In preparing the financial statements, significant judgments and estimates are used in:

- The Bank has made judgments and estimates regarding the application of standard requirements to a lease. In 2024, an annual discount rate of either 6.4% was applied to the lease payments. More detailed information can be found in Note 20.
- The Bank's business plan was developed to include the gradual development of new banking products. Significant system enhancements are required for the introduction of these products. Considering the rapid advancement of technology, especially in the software sector, the company has planned to implement intangible assets gradually, in phases, according to the needs of new processes and products. Taking the above mentioned, a decision was made to depreciate systems over a period of five years. Depreciation rates of Intangible assets for software`s is used 20.00 % p.a.

In addition, as a significant quantitative indicator for determining the increase in Credit Risk, the relative and absolute PD increase thresholds are evaluated:

- relative indicator – if the asset's current lifetime PD, compared to the lifetime PD at origination, has increased by at least 200%;
- absolute indicator – if the 12-month PD at the reporting date exceeds 20%.
- In the event that one of the aforementioned thresholds is exceeded, the asset is classified as Stage 2.

Lease

Classification

At the time the contract is entered into, the Bank considers whether the contract is a lease or includes a lease. A contract is a lease or contains a lease if the contract grants control over the use of an identifiable asset for a specified period of time in exchange for consideration.

Lessee

Leases are recognised as a right-of-use asset and the corresponding lease liability at the date when the leased asset is available for use by the Bank. The cost of the right-of-use assets consists of:

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

Replacement costs relating to the dismantling and restoration of PPE are reported separately as provisions and related assets.

Depreciation is calculated on a straight-line basis from the inception of the lease until the end of the lease term, unless there is an intention to buy out an asset. The right-of-use asset is periodically reduced by the amount of the impairment loss, if any, and adjusted to reflect the remeasurement of the lease liability.

Lease assets and lease liabilities are measured at the present value of the remaining lease payments, discounted at the Bank`s borrowing rate, which was calculated based on the Bank of Latvia's domestic loan rate for enterprises as of the date of initial application. Lease liabilities are remeasured if there is a change in the future lease payments as a result of a change in the index or rate used to determine the lease payments, a change in the Bank`s estimate of the amount of the expected lease payments or a change in the Bank's ability to exercise, extend or terminate the lease. When a lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset or recognised in profit or loss if the carrying amount of the right-of-use asset decreases to zero.

Each lease payment is apportioned between the lease liability and the interest expense on the lease liability. The interest expense on the lease liability is recognised in profit or loss over the lease term to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period.

Short-term lease and lease of assets with low value

Lease payments associated with short-term leases or leases of assets with low value are recognized as expenses using the straight-line method in profit or loss calculation. A short-term lease is a lease with a term of 12 months or less. More detailed information can be found in Note 20.

Intangible assets and property, plant and equipment

Intangible assets and property, plant and equipment (PPE) are carried at cost less accumulated amortisation and accumulated impairment losses. Cost includes expenditure directly attributable to the acquisition of the intangible asset or PPE.

Depreciation rates of Intangible assets and PPE using a straight-line basis

	% p.a.
Software's	20.00
Equipment	33.33
Computers	33.33
Furniture	33.33

If the carrying amount of an intangible asset or PPE exceeds its recoverable amount, the intangible asset or PPE are immediately written down to its recoverable amount. The recoverable amount is the higher of an intangible asset or item of PPE fair value less costs of disposal and its value in use.

Costs associated with maintaining software programmes are recognised as an expense as incurred. Installation and configuration costs that are directly attributable to the identifiable and unique software products controlled by the Bank are recognised as intangible assets where the following criteria are met:

- there is an ability to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits; and
- the expenditure attributable to the software can be reliably measured.

The costs of repairs and maintenance of PPE are recognised in the income statement in the period in which they are incurred.

Gain or loss on disposal of an item of PPE is calculated as the difference between the asset's carrying amount and the proceeds on disposal and is recognised in the profit or loss in the period in which it arises.

All intangible assets are IT investments. IT investments are utilized in the Bank's core operations to support customer onboarding and servicing, including the mobile application among many other systems.

Other assets

The inventory consists of stocks of plastic cards purchased and held for further resale. The perpetual inventory method is used for inventory tracking. In cases of plastic card usage, the FIFO method is employed to determine usage and remaining values.

Revenue and expenditure accounting

Interest income and expense are recognized in the statement of comprehensive income using the effective interest method.

Loan origination fees and other fees that are considered to be integral to the overall profitability of a loan, together with the related direct costs, are deferred and amortised to interest income over the estimated life of the financial instrument using the effective interest rate method.
Penalty income is recognised on cash-received basis. Other fees, commissions and other income and expense items are recognised when the corresponding service has been provided.

Foreign currency transactions

Transactions in foreign currencies are translated into the functional currency (euro) at the euro reference rate published by the European Central Bank (ECB) on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated into the functional currency using the exchange rates for the euro prevailing at the reporting dates.

Foreign currency gains and losses on monetary items are the difference between the amortised cost of the item in the functional currency at the beginning of the period, adjusted for interest income / expense recognised during the period using the effective interest rate, and the amortised cost of the item in foreign currency at the end of the period, translated at the euro reference rate published by ECB at the end of the period.

Gains or losses arising from changes in exchange rates are recognised in the statement of comprehensive income. At the end of the period the Bank have no assets or liabilities denominated in foreign currency.

Financial instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised in the balance sheet on the date on which the contractual provisions of the instrument become binding to the Bank. All regular way purchases and sales of financial assets are recognised on the settlement date, i.e., the date on which the financial asset is received.

Financial assets or financial liabilities are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset or financial liability. Subsequent to initial recognition, expected credit losses are considered for financial assets measured at amortised cost, so that the credit losses are recognised in the comprehensive income statement when the asset is just recognised.

If the fair value of financial assets and financial liabilities differs from the transaction price at initial recognition, the Bank recognises the difference as follows.

- If fair value can be measured using a quoted price in an active market for an identical asset or liability (i.e., a Level 1 in the fair value hierarchy) or on the basis of a valuation technique that uses only observable market data, the difference is recognised in profit or loss.

- In all other cases, the difference is deferred and the period for recognizing the deferred first-day gain or loss is determined individually. They may be amortised over the life of the instrument, deferred until the fair value of the instrument can be determined using observable market data, or on disposal.

Classification

Financial assets are initially classified into one of the following categories:

- Financial assets measured at amortised cost;

The recognition and classification of financial assets in the above categories is based on the following two factors:

- The business model chosen by the Bank for managing the financial assets;
- The characteristics of the contractual cash flows of a financial asset.

A financial asset is measured at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold the financial asset to generate contractual cash flows; and
- The contractual terms of a financial asset provide for cash flows that are solely payments of principal and interest.

Financial assets measured at amortized costs

Cash and cash equivalents, loans and advances due from customers, other assets are classified as financial assets measured at amortised cost if the following criteria are met:

- They are held within a business model achieved through the collection of contractual cash flows;

- Their contractual cash flows consist of solely payments of principal and interest on the remaining principal;
- The Bank does not designate them as financial assets at fair value through profit or loss upon initial recognition.

Financial assets that meet the above criteria are measured at amortised cost and are subject to the impairment model in IFRS 9. Impairment allowances are determined based on the forward-looking the Expected Credit Loss (ECL) models.
The Expected Credit Loss (ECL) is calculated taking into account the probability of default (PD), exposure at default (EAD), loss given default (LGD), as well as the timing of loss occurrence.

PD reflects the likelihood that a loan will not be repaid and that liabilities will not be met either within the next 12 months (for Stage 1 financial instruments) or throughout its entire lifecycle (for Stage 2 and 3 financial instruments). When assessing the expected PD for each individual instrument, customer categories and relevant external historical information are taken into account, allowing the use of informed information about future economic conditions.

EAD represents the estimation of credit exposure at the time of default. LGD is the amount that may not be recoverable in the event of default. For the assessment of LGD, the quality and quantity of any collateral held are considered, as well as the likelihood of its recovery.

The bank uses a collective ECL calculation model for loans, including those in Stage 3. This model is applicable to homogeneous groups of loans, primarily small consumer loans (up to €20,000) to individuals. Individual assessment costs are disproportionate compared to potential losses.
ECL Calculation Parameters:

- PD (Probability of Default): Estimated over a specific period.
- EAD (Exposure at Default): Estimated at the future default date, considering expected changes post-reporting period.
- LGD (Loss Given Default): Estimated in case of default.
- EIR (Effective Interest Rate): Used to discount ECL to present value at the end of the reporting period.

Maximum Period for ECL Assessment is the maximum contract duration during which the bank is exposed to credit risk, evaluated for each loan whenever ECL is calculated.
Due to insufficient historical data, PD is based on external sources, adjusted for future macroeconomic information.
LGD Calculation: due to insufficient historical data, external sources are used.
EAD Calculation: Modelled each time ECL is calculated, based on the payment schedule in the loan agreement.
Stage 3 Loans: PD is set at 100%.
ECL for counterparty claims is not discounted as discounting has no material impact on the bank's and group's financial statements.
The repayment of counterparty credit obligations in the event of default depends on the counterparty's creditworthiness, which is characterized by the credit rating assigned to the counterparty. Therefore, LGD for counterparty claims is determined based on the recovery rate published by Moody's, according to the counterparty's credit rating and the remaining term of the claim.
PD for counterparty claims is determined based on the average default probabilities published by Moody's, according to the counterparty's credit rating and the remaining term of the claim. If the counterparties have not been assigned a credit rating by the credit rating agency Moody's, the credit ratings assigned to the counterparties by Fitch or Standard and Poor's, which are comparable to it, are used. If the counterparties have access to two credit ratings assigned by the aforementioned external credit rating agencies and they are different, then the worst of them is used. If more than two credit ratings from external credit rating agencies are available,

then the two worst credit ratings are used, and if they are different, the better of them is used. If the counterparty does not have an individual credit rating, but the counterparty is part of a group of related parties, then the credit rating to be used in the assessment is determined by taking into account the credit rating nominated for the counterparty's parent company (if any) and the counterparty's sovereign credit rating (if any), choosing the lower of them.

ECL Model for Receivables and Technical Overdrafts are divided into two groups: individuals and legal entities.
ECL is calculated using the PD*EAD* LGD approach. Discounting is not applied due to immaterial impact.
Given that the Bank does not have sufficient historical data to calculate PD and LGD for Receivables and Technical Overdrafts are determined based on external data sources.
Future Information (FLI) ECL adjustments consider historical correlations between macroeconomic indicators (for Consumer Loans- Unemployment rates) and default probability, using expert assessments and external data sources. Base scenario and at least one adverse scenario are used for FLI assessment.
Taking into account the size of the Bank's Loan portfolio and the concentration of portfolio risk in the market of the Republic of Latvia, the impact of future information on ECL is estimated based on the correlation between the borrowers' Default rate and the macroeconomic indicators of the Republic of Latvia. The Bank believes that the unemployment rate is most closely related to the level of default of Borrowers, consumers. With an increase in the unemployment rate, the level of default of Borrowers, consumers increases proportionally. For the calculation of ECL and forecasting of future PD rates, a base scenario is used, supplemented with at least one adverse scenario. PD rates are adjusted with the weighted value of all scenarios, using the distribution of the probability of occurrence of scenarios as weights: 85% - base scenario, 15% - adverse scenario.

Amortised cost ("AC") is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any allowance for expected credit losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of related items in the statement of financial position.
The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the gross carrying amount of the financial instrument.
The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount, which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate. For assets that are purchased or originated credit impaired ("POCI") at initial recognition, the effective interest rate is adjusted for credit risk, i.e. it is calculated based on the expected cash flows on initial recognition instead of contractual payments.
Financial assets are written-off, in whole or in part, when the Bank exhausted all practical recovery efforts and has concluded that there is no reasonable expectation of recovery. The writeoff represents a derecognition event. The Bank may write-off financial assets that are still subject enforcement activity when the Bank seeks to recover amounts that are contractually due, however, there is no reasonable expectation of recovery.

Impairment of financial assets

The following financial instruments are subject to the impairment requirements of IFRS 9:

- Financial assets measured at amortised cost.

The Bank applies for financial instruments that fall within the scope of the impairment model, the allowance for expected credit losses is calculated as follows:

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

Credit losses are the difference between the contractual cash flows expected to be received under the contract and the cash flows the Bank expects to receive (i.e., all payment defaults), discounted at the original effective interest rate (or the credit-adjusted effective interest rate for financial assets acquired or issued with impairment). The Bank estimates cash flows considering all contractual terms of a financial instrument using the estimated useful lives of the financial instruments. These cash flows include cash flows from the sale of collateral or other credit enhancements that form an integral part of the contractual terms.

The assessment of credit risk and the amount of expected credit losses is determined objectively by evaluating the risk and considering all available information for the assessment, including information on past events, current conditions, as well as well-founded and substantiated forecasts of future events and economic conditions at the reporting date.

Significant increase in credit risk

The Bank, at each reporting date, analyse whether the credit risk of the financial instrument has significantly increased since initial recognition by assessing changes in the default risk of the financial instrument over its expected time.

At each reporting date, the Bank evaluates whether the credit risk of the financial instrument has considerably increased since its initial recognition by analysing changes in the risk of default over the expected lifetime of the financial instrument.

For the transactions the main indicator is changes in the probability of default (or PD) of lifecycle liabilities, which are determined by comparing the scenario providing the lifecycle PD set for the year on the reporting date with a scenario providing the lifecycle PD set for the year at the time of initial recognition.

Regardless of the quantitative indicator, a significant increase in credit risk is caused by the following backstop indicators:

payments are more than 30 days, but less than 90 days past due; or

financial assets which are classified as financial assets on watch-list; or

reviewed financial assets (terms of the loan contract have been reviewed and relieves have been granted due to customer's financial difficulties).

Backstop indicators usually overlap with the quantitative indicator of a significant increase in credit risk. If a credit risk has significantly increased since its initial recognition, provisions for lifecycle ECL are recognised and the financial instrument is moved to the second stage.

If credit quality of the financial instrument in future reporting periods improves to the extent that a significant increase in credit risk since initial recognition disappears, the financial instrument is moved back to the first stage.

Definition of default

The financial instruments, which are defaulted, are included in the third stage. For accounting purposes, the Bank uses the definition of default included in the capital requirements regulation (Regulation (EU) No 575/2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012, Article 178), i.e. the financial assets which are past due more than 90 days. It is considered that the credit value of all the financial assets in the third stage has reduced. It is considered that the debtor is unlikely to be able to settle the credit obligations in full without collateral, irrespective of the existence of the overdue amounts and the number of days past due. The Bank makes such a conclusion based on regular or ad-hoc analysis of the debtor (DSCR, cashflow analysis, planned, future events).

Financial liabilities measured at amortised cost

All financial liabilities initially are recognised at fair value and, in the case of borrowings, less directly attributable transaction costs. Subsequent to initial recognition, interest-bearing financial liabilities are measured at amortised cost using the effective interest rate (EIR) method. Gains or losses are recognised in profit or loss when the liabilities are derecognised and, using the EIR method. Amortised cost is calculated by considering any purchase discounts or premiums as well as fees or costs that are an integral part of the EIR. Depreciation of EIR is included in the comprehensive income statement as net interest income. Liabilities measured at amortised cost include payables and clients' deposits and current accounts.

Derecognition

Financial assets are derecognised when the contractual rights to receive cash flows from the financial asset have expired or when the Bank has transferred substantially all risks and rewards of ownership. Any consideration given or liability retained as a result of the transfer is recognised as a separate asset or liability. The Bank the derecognises a financial liability when it is settled, i.e., when the liability is discharged, cancelled or expired.

Offsetting

Financial assets and liabilities are offset, and the net amount recognised in the balance sheet when there is a legal right to do so and the Bank intends to settle on a net basis, or to dispose of the asset and settle the liability simultaneously.

Fair value of financial assets and liabilities / Fair value measurement principles

The fair value of assets and liabilities is the price that would be received to sell an asset or paid to settle a liability in the ordinary course of business between market participants at the measurement date. The fair value of financial assets and liabilities is divided into the following fair value hierarchy:

- Level 1: Unadjusted quoted prices in an active market;
- Level 2: Adjusted quoted prices or valuation model with active market parameters used;
- Level 3: A valuation model where the material parameters used are not available in the market and are based on internal assumptions.

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

When the transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognized in the statement of comprehensive income depending on the individual facts and circumstances of the transaction but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

A number of the Bank's accounting policies and disclosures require the determination of fair value of financial assets and liabilities. The methods described below have been used for the determination of fair values. When applicable, further information about the assumptions made in determining fair values is disclosed in the respective notes.

Other receivables

Other receivables are accounted for in accordance with the terms of the contract, net of any allowance for doubtful accounts, and are recognised in the balance sheet. Allowances for expected credit losses (ECL) on receivables are recognized based on a forward-looking assessment in accordance with IFRS 9, considering historical loss rates, current conditions, and reasonable forecasts of future economic conditions. Receivables are written off when their collection is considered impossible.

Cash and cash equivalents

Cash and cash equivalents are cash on hand and at bank, and other highly liquid assets with an original maturity of three months or less that are used by the Bank to settle current liabilities.

Accrued liabilities

"Accrued liabilities" include clearly known amounts of payables to suppliers of goods and services received during the reporting period for which, due to delivery, purchase or contractual terms or for other reasons, no supporting payment authorisation document has yet been received as of the balance sheet date. This item also includes accrued liabilities for employees' unused annual leave and variable compensation.

Employee benefits

Employee entitlement to an annual leave is recognised when employees have accrued the appropriate annual leave days. Accruals for employees' annual leaves are estimated based on employees' unused annual leave days as of the balance sheet date. The Bank makes mandatory social security contributions to the state-funded pension scheme in accordance with Latvian legislation. The state-funded pension scheme is a defined contribution pension plan to which the Bank is required to make statutory payments. The Bank has no legal or constructive obligation to make additional payments if the state-funded pension scheme is unable to meet its obligations owed to its employees. National social security mandatory contributions are recognised as an expense on an accrual basis and are included in employee expenses.

Corporate income tax

According to the Law on Corporate Income Tax of the Republic of Latvia adopted on 28 July 2017, and effective as of 1 January 2018, a 20% rate is only applied to distributed profits.
Corporate income tax for the reporting period is included in the financial statements based on the Management's

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calculations prepared in accordance with Latvian Republic tax legislation. Corporate income tax is calculated on the basis of distributed profit (20/80 of the net amount payable to shareholders). Corporate tax on distributed profit will be recognized when the shareholder of the Bank decide about profit distribution. The Bank calculate and pay corporate income tax also for the conditionally distributed profit (20/80 of calculated taxable base), which includes taxable objects in accordance with the Corporate Income Tax law, such as the expenditure not related to economic activity, the doubtful debts of debtors and the loans to the related parties, if they meet criteria provided in the Corporate Income Tax law, as well other expenses exceeding statutory limits for deduction. Corporate income tax for the conditionally distributed profit is recognized in the income statement in the year for which it is assessed.

4. Risk management

The Bank organises risk management according to the requirements of the Law of the Republic of Latvia on Credit Institutions, European Parliament and Council as well as following the Bank's strategy and other documents governing the Bank's operations. The Bank's risk management policy details the Bank's risk management objectives, goals and principles as well as related instruments.
The bank identifies all material risks inherent to its operations and develops, documents, and implements appropriate policies for managing these risks, including their measurement, assessment, control, mitigation measures, and risk reporting and information provision.
The Bank's risk management objective is as follows:

- To establish and maintain such a system of risk identification and management which would allow minimisation of the negative effect the risks may produce on the Bank's operations and performance;
- To identify and determine the level of risk tolerance which would facilitate achievement of the Bank's strategic goals;
- To define the levels of responsibility of the Bank's risk management system and their respective functions;
- To define the risk management structure and methods;
- To ensure the Bank's statutory compliance.

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

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

RISK MANAGEMENT STRUCTURE
The Council of the Bank is responsible for establishing and effective functioning of the risk management system and approving the relevant risk management policies and strategies.

The Board of the Bank has the responsibility for implementing risk management strategies and policies approved by the Council.

Bank`s Chief Risk Officer:

- Leads a comprehensive risk control function;
- Ensures monitoring and improvement of the Bank's risk management system;
- Ensures regular evaluation of compliance of the Bank's business strategy and Bank's essential services, development of new services or changes to the services offered by the Bank, Bank's overall risk profile,

as well as the restrictions and limits with the Bank's risk strategy. In case of non-compliance reporting to the Council and the Board and other officers;

- Provides a comprehensive and clear information on the Bank's overall risk profile, all relevant risks and risks compliance with the risk management strategy through regular communication to the Council and the Board and other officers;
- Advises and provides support to the Council and the Board of the Bank in designing operational strategy and in making other decision related to the risks faced by the Bank.

Bank`s Credit Committee reviews lending issues and makes decisions relating to the credit risk bearing activities of the Bank.
Asset and Liability Committee:

- Determines the Liquidity Management Strategy
- Manages the Bank's capital adequacy, establish principles for capital utilization, and provides guidance for effective capital management.
- Evaluates and makes decisions related to Liquidity and Interest Rate Risk management, ensuring compliance with relevant regulatory requirements.
- Optimizes the structure of assets and liabilities in accordance with the risk appetite, ensuring adequate pricing and return on assets and liabilities.
- Evaluates and provides recommendations on the funding and lending strategy (including deposit acquisition, capital raising strategies, and loan pricing principles)

The Bank's Anti Money Laundering and Terrorism and proliferation Financing (AMLTPF) Committee is a permanent, collegial institution established with the aim of managing ML/TPF and Sanctions risks within its competence, as well as ensuring effective supervision of the activities of the Bank's Clients in order to prevent, as far as possible, the involvement of the Bank in the violation of the ML/TPF and/or Sanctions.

The Risk Management Division identifies significant risks the Bank is exposed to, including for the capital planning purposes, and formulates the relevant risk management policies and procedures, ensures monitoring of compliance with the risk management policies and procedures, including the limits and restrictions set, as well as reports information about the risks inherent in the Bank`s business to the Bank`s Risk director, the Asset and Liability Committee, Credit Committee, Council and the Board on a regular basis, thereby allowing permanent assessment of risk affecting the Bank`s ability to achieve its goals and, if necessary, making decisions on the relevant corrective actions.

The key goal of the Compliance Management Division is identification, measurement, and management of compliance risk and control the compliance with applicable laws and regulations within the Group.

The Internal Audit Division carries out regular reviews and assessment of the Bank's compliance with its risk management strategies, policies and procedures and communicates the review results together with assessment of the Bank's risk management system efficiency to the Council.
Heads of the Bank's structural units and other employees of the Bank are aware of their duties and responsibilities related to routine risk management and, within the boundaries of their competences, report the compliance with the limits and restrictions set to the Risk Management Devision as well as participate in the risk identification, effect assessment, and materiality determination process.

INTERNAL CONTROL SYSTEM
Risk management in the bank is based on the three lines of defense model and is organized to prevent or escalate any potential conflicts of interest.

The first line of defense involves primary risk management, conducted by all business and compliance

departments and those employees who manage risks daily as part of their operational activities. This line involves risk identification and the implementation of risk mitigation measures.
The second line of defense involves further, in-depth, and independent risk identification and assessment, analysis, and monitoring conducted by the Risk management, Compliance, AML, Sanctions departments as well as data protection department.

The third line of defense provides independent assurance on the risk management process and its effectiveness, conducted by the Internal Audit department.

RISK CULTURE

The bank promotes a risk culture that encourages proper behavior based on the bank's values, best industry practices, and ethical standards.
The bank ensures the establishment of a comprehensive risk culture that facilitates the implementation of effective risk management processes, considering the bank's development strategy and risk strategy.

RISK MEASUREMENT AND MITIGATION

At the end of reporting period, INDEXO Banka complies with all regulatory requirements.
The Bank conducts quantitative risk assessment based on methodologies developed by the Bank and also evaluates the adequacy of capital required to cover the risks based on the standardized and basic indicator approaches described in Regulations No. 575/2013 (26 June 2013) on prudential requirements for credit institutions and amending Regulation (EU) No. 648/2012, as well as the simplified methods outlined in the regulation of the Bank of Latvia 03.11.2020. No.321 "Regulations on the Capital Adequacy Assessment Process for Credit Institutions".
To assess inherent or anticipated risks in its operations, the Bank also conducts stress testing of risks.
To mitigate the risks inherent in the Bank's operations, the Bank primarily controls risk levels based on a developed and implemented limit control system, which encompasses the limits approved by the Bank and defines the risk appetite constraints set out in the Bank's operational strategy.
. In cases where limit breaches are identified, the responsible person, upon detecting that the risk appetite limit is in the unacceptable zone, immediately reports to the Management Board and the Chief Risk Officer. In the event of a breach of regulatory limit requirements, the Chief Risk Officer promptly informs the Bank of Latvia, and the Bank’s actions are carried out in accordance with the regulatory requirements of the Bank of Latvia. In the event of a breach of regulatory limit requirements, the Chief Risk Officer also immediately informs the Supervisory Board. If the breach does not involve regulatory limit requirements, the Chief Risk Officer, together with the responsible person, prepares an action plan and submits it to the Management Board for evaluation and decision-making. Following the decision, the Chief Risk Officer informs the Supervisory Board about the identified assessment of the unacceptable risk level and the decisions made by the Management Board, including the measures to be taken.

RISK MATERIALITY ASSESSMENT PROCESS
Material risks are inherent to the bank's operations and can significantly negatively impact the bank's reputation, ability to provide services, achieve strategic objectives, and/or cause substantial financial losses.

According to the bank's operational specifics, the following are considered material risks:

- Credit Risk
- Concentration Risk
- Excessive Leverage Risk
- Interest Rate Risk
- Liquidity Risk
- Operational Risk

- Model Risk
- Reputational Risk
- Compliance Risk
- AML / CFT Risk
- Sanctions Risk
- Business Model Risk

Credit risk

The bank's credit risk management strategy aims to maximize asset returns and ensure an optimal balance between credit risk, the planned level of return, and liquidity. The bank's credit risk management is based on an adequate assessment of borrowers and counterparties, as well as adherence to the restrictions and limits set by the bank.

According to IFRS 9 the Bank's financial assets are classified in three quality stages, where such financial assets, credit risk of which has not significantly increased compared to the initial recognition, are classified in the 1st stage, and such financial assets, credit risk of which has significantly increased compared to the initial recognition, but which have no default observed, are classified in the 2nd stage, and such financial assets, for which signs of default are detected, are classified in the 3rd stage.

The bank primarily assumes credit risk in Latvia. The bank only issues loans where it is possible to identify, assess, and manage the borrower's risks.

As of the preparation of this report, the Bank's operations are associated with activities involving credit risk, such as the placement of funds in other banks and the issuance of consumer loans.

Consumer loan issuance is an automated process, with the Credit Committee making decisions in specific cases. Decisions on changes to loan agreements are made based on the authorizations specified in the Bank's internal regulatory documents.

The bank assesses credit risk both at the time of loan issuance and regularly throughout the loan's life, at least quarterly.

At the time of loan issuance, the bank evaluates the applicant's creditworthiness using the KIB external credit rating (Score Grade), which is determined using the KIB scoring model. Each client is assigned a Score Grade from A1 to E3 based on various factors.

By evaluating the borrower's KIB Score Grade, DTI, DSTI the bank automatically determines the credit risk level and assigns an internal credit rating (Risk level) from 5 to 1 for each individual consumer borrower.

Additionally, the bank performs an automatic creditworthiness check for each potential borrower and does not issue a loan if any criteria indicating unacceptable credit risk are met.

The internal credit rating (Risk Level) is updated at least quarterly using updated data from external and internal sources. Throughout the loan's life, credit monitoring and quality assessment are conducted according to the "Credit Monitoring Procedure" and the "Asset Quality Assessment and Provisioning Procedure." Please see Note 32.

Concentration risk

The Bank integrates the concentration risk management system into its internal control system and identifies risk drivers that may create concentration risk in various areas of operation.

Concentration risk is closely related to other risks, and its management system is part of the bank's various risk management policies and related procedures.

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

The Bank ensures timely reporting on approved limits, their control, and actions to be taken in cases of non-compliance.

The Bank ensures that it complies with the large exposure limits as defined in Regulation (EU) No. 575/2013 of the European Parliament and the Council (June 26, 2013) on prudential requirements for credit institutions, and as amended by Regulation (EU) No. 648/2012. The Bank classifies a risk transaction as a large exposure if the value of the risk transaction is 10% or more of the Bank's Tier 1 capital. The Bank has set that the total exposure to a single client or a group of related clients must not exceed 25% of the Bank's Tier 1 capital. If the client is a credit institution or an investment firm, or a group of related clients that includes one or more credit institutions or investment firms, and its country of registration is a European Union member state or an equivalent country (as per Commission Implementing Decision (EU) 2021/1753 (October 1, 2021) regarding the equivalence of supervisory and regulatory requirements of certain third countries and territories, for applying a risk transaction approach in accordance with Regulation (EU) No. 575/2013), the total risk exposure to such a client must not exceed 100% of the Bank's Tier 1 capital. If the client is registered in a country that does not meet the above conditions, the total risk exposure must not exceed 25% of the Bank's Tier 1 capital. During the financial reporting period, the Bank has adhered to these requirements. Please see at the end of Note 4.

Excessive leverage risk

Leverage risk is the risk arising from the Bank's vulnerability, caused by actual or potential leverage of its funding structure, which may be resulted as unforeseen corrective actions with regard to Bank's strategy, including the sale of assets caused by the financial hardship, which could result in losses or value adjustments of residual assets and increase of leverage the risk may arise as a result of shrinking Bank' Tier 1 capital due to losses, as well as excessive accumulation of the exposures in comparison with the amount of Tier 1 capital.

Leverage risk is characterized by the leverage ratio and the mismatch between assets and liabilities. Leverage will be calculated on the reporting reference date by dividing the Bank's Tier I capital measure to the exposure value measure of all assets which are not deducted in determining Tier I capital, derivative instruments, increases for securities financing counterparty credit risk and off-balance sheet exposure amount and expressed as a percentage.

Interest rate risk

The goal of the interest rate risk management strategy is to ensure an appropriate balance between the interest rate risk taken by the bank and returns in order to reduce the potential negative impact of interest rate risk on the bank's financial condition and operations.

The bank plans to generate interest income by increasing the loan portfolio, primarily financing Latvian residents, and making every effort to prevent the share of NPL (non-performing loans) from exceeding the limits set in the risk appetite.

To assess interest rate risk, the Bank analyses and plans the repricing maturity structure on a regular basis, calculates the reduction in the Bank's economic value due to adverse changes in interest rates and defines the capital requirement for interest rate risk.

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

- The effect produced by changes in interest rates on the Bank's financial performance and economic value is analyzed,
- The Bank establishes the current interest rate risk level,
- All significant interest rate risks associated with assets, liabilities and off-balance items.

Sources of interest rate risk are as follows:

- Basis Risk – The risk of incurring losses due to changes in interest rates for instruments sensitive to interest rate changes with identical repricing or maturity periods but different base rates.
- Yield Curve Risk – The risk of incurring losses due to an unbalanced term structure of interest rate-sensitive instruments, covering changes in the term structure of interest rates that occur uniformly across the yield curve (parallel risk) or differently across time intervals (non-parallel risk).
- Option Risk – The risk of incurring losses when interest rate-sensitive instruments directly (e.g., options

contracts) or indirectly (e.g., loans with prepayment options, demand deposits, term deposits with early withdrawal options, fixed-rate loan commitments, etc.) allow the Bank's clients the option to modify the amount or timing of cash flows.

The Bank's exposure to interest rate risk is characterized by the maturity of interest sensitive assets, liabilities and off-balance sheet items based on the shorter of the remaining maturities of interest sensitive financial instruments and interest rate repricing periods. Please see Note 33.

Liquidity risk

The goal of the bank's liquidity risk management strategy is to ensure the necessary level of liquidity while achieving an appropriate, optimal balance between return and risk in accordance with established risk management principles.

The bank implements its liquidity management strategy by considering the maturity, volatility, and currency of the funds raised, changes in operations, and the external conditions affecting them.

The bank assumes liquidity risk within defined limits and restrictions.

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

- Asset management, which involves accumulating liquidity reserves, investing free financial resources, controlling the volume of lending based on management decisions and cash flow forecasts.
- Liability management, which is based on the ability to attract funding when necessary.

To ensure liquidity, the Bank:

- Regularly assesses and plans the maturity structure of assets and liabilities.
- Maintains liquid assets in a sufficient amount to meet obligations.
- Manages funding liquidity risk and monitors the funding structure.
- Conducts intra-day liquidity risk monitoring.
- Regularly evaluates the level of liquidity risk, including conducting stress testing.
- Implements an early warning system to timely identify potential difficulties and promptly assess the need for liquidity risk mitigation measures.
- Develops a liquidity risk management strategy, policies, and procedures to identify, assess, analyze, and monitor liquidity risk in a timely manner.
- Ensures the Liquidity Coverage Ratio (LCR) is no less than 120%.
- Ensures the Net Stable Funding Ratio (NSFR) is no less than 110%.
- Maintains the credit-to-deposit ratio for non-banks at no less than 80%.

Please see Note 28.

Operational risk

The bank uses a forward-looking and risk-based approach to identify, assess, and mitigate potential risk losses. Operational risk includes information technology risk, outsourcing risk, and legal risk.

Operational risk is mitigated by developing clearly defined processes and implementing appropriate internal controls.

The bank builds and maintains a skilled and motivated team of employees who conduct their daily work according to high ethical and professional standards. Regular employee training is conducted.

To quickly identify operational risk events and implement appropriate risk mitigation measures in a timely manner, the bank has established and implemented a database for the systematic recording of operational risk events. The bank has established a procedure whereby any employee, regardless of their position, must immediately register any operational risk event upon its identification, for any circumstances that have caused or may potentially cause losses to the bank (regardless of their form). All operational risk events registered in the database are reviewed, and if necessary, risk mitigation measures are developed and implemented to improve the internal control system.

The bank's information systems are vital for maintaining sustainable business practices, and there is low tolerance for damage to information systems caused by malicious attacks and internal threats. To mitigate this risk, the bank focuses on the timely resolution of identified control deficiencies, consistent third-party risk management, technological control development, and continuous improvement. The bank has low tolerance for risks associated with system availability. The bank establishes and implements the procedures, scope, and quality for the use of necessary outsourcing services to manage and minimize the risks associated with outsourcing and the potential impact on the bank's operational continuity, as well as to reduce expenses related to specific outsourcing services as much as possible. Before delegating any function, the bank evaluates all risks associated with outsourcing to ensure that it can continue to provide stable and sustainable operations. The objective of legal risk management is to ensure compliance with the legislative acts of the Republic of Latvia, the European Union, and other applicable laws, regulations, and standards in legal operations.

Model risks

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

The bank takes all necessary measures to ensure that, when using internal models, their methodology, input data, assumptions, limitations, and results are understandable, validated, reviewed, monitored, and, if necessary, appropriately adjusted.

The bank uses automated models for creditworthiness assessment and credit decision-making, implementing measures to ensure the quality of input data, traceability, and verifiability of results, and adequate model documentation.

Reputational risk

The bank refrains from engaging in activities that pose or could be associated with increased reputational risk, regardless of financial gains and rewards. Reputation is fundamentally important and is carefully analysed when making decisions.

Any news coverage of the bank in media channels is monitored to maintain a positive corporate image, with constant attention to media representation and timely actions taken to avoid negative media escalation and public reaction.

Legitimate customer complaints are reviewed at the management level and addressed appropriately and promptly. Special attention is paid to managing information security risks and mitigating significant information security incidents, such as mass customer data breaches or breaches of sensitive information confidentiality.

Compliance risk

Compliance risk is the risk that the Bank will suffer losses or be subject to legal obligations or sanctions, or that its reputation will deteriorate because the Bank does not comply with or violates compliance laws, regulations and standards.

The Bank any operates in a manner that ensures compliance with applicable laws and regulations.

Compliance in the Bank is ensured by establishing clear roles and responsibilities, and by implementing current external regulatory requirements in internal policies and procedures that are understandable and transparent to employees.

The Bank takes necessary measures to comply with applicable laws and regulations, particularly in the areas of AML risk and sanctions risk, as well as in other areas such as conflict of interest management, personal data protection, information security, etc.

AML and Sanctions risk

The bank operates in a manner that ensures compliance with all applicable laws and regulations. This includes a low-risk appetite and a zero-tolerance principle toward intentional violations in AML and sanctions risk matters, collaborating only with trusted clients that fit the defined target customer base and using effective and integrated solutions for customer and partner relationship management, "know your customer" processes, transaction monitoring, and sanctions screening.

The bank establishes effective internal control systems according to the risk levels of the bank's clients/partners, products, geography, and delivery channels, implementing appropriate risk mitigation measures.

Business model risk

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

The bank strategically develops its service offerings based on next-generation financial technologies.

The bank mitigates business model risk by continuously monitoring operational performance indicators against established plans and taking appropriate actions when necessary.

Capital adequacy

The bank consistently maintains capital that exceeds the minimum requirements set by regulations. The bank uses capital efficiently and builds its capital position through profit, focusing on adequate return on capital as one of the main indicators in decision-making.

The bank consistently maintains a capital level that supports the achievement of strategic goals, ensuring that the capital size is sufficient and optimal for the business's operation and development in terms of both volume and structure.

The bank ensures that the amount of capital is sufficient to cover risks and support the bank's operations.

	Dec 2024
	EUR
Equity capital	**7 278 963**
Tier 1 capital	**7 278 963**
Common Equity Tier 1 capital	**7 278 963**
Additional Tier 1 capital	-
Tier 2 capital	-
Total exposure measure	**13 437 106**
Risk-weighted exposure value for credit risk, counterparty credit risk, dilution risk, and unpaid delivery risk	7 974 038
Total exposure measure for settlement/delivery risk	-
Total exposure measure for position risk, foreign exchange risk, and commodities risk	-
Total exposure measure for operational risk	5 463 068
Total exposure measure for credit valuation adjustment	-
Total exposure measure related to large exposures in the trading portfolio	-
Other exposure measures	-
Capital ratios and levels	
Common Equity Tier 1 capital ratio (%)	54.17
Common Equity Tier 1 capital surplus (+)/deficit (–)	6 674 293
Tier 1 capital ratio (%)	54.17
Tier 1 capital surplus	6 472 737
Total capital ratio (%)	54.17
Total capital surplus (+)/deficit (–)	6 203 994
Combined capital buffer requirement	**424 422**
Capital conservation buffer	**335 927**
Conservation buffer due to macroprudential or systemic risk identified at the level of a member state	
Institution-specific countercyclical capital buffer	88 494
Systemic risk capital buffer	
Other systemically important institution buffer	
Capital ratios taking into account adjustments	
Adjustment amount for prudential purposes	-
Common Equity Tier 1 capital ratio taking into account the adjustment amount mentioned in row 5.1 (%)	54.17
Tier 1 capital ratio taking into account the adjustment amount mentioned in row 5.1 (%)	54.17
Total capital ratio taking into account the adjustment amount mentioned in row 5.1 (%)	54.17

The capital adequacy calculation requirement for the Bank become effective since the banking license were obtained. Therefore, the capital adequacy calculation was not applicable for the year of 2023.

The capital adequacy calculation is based on internal reports of the Bank, provided to key management of the Bank.

5. Transition to IFRS

The Bank's financial statements for the year ended in 31 December 2024 are the first annual financial statements prepared in accordance with IFRS Accounting Standards as adopted by European Union (IFRS).

Accounting and valuations principles applied to the preparation of financial statements for 2024, as well as while presenting comparative information for 2023 and opening balances as at 1 January 2023 (date of transition to IFRS) are described in more details in a Note of Material accounting policy information.

For periods up to and previously the ended 31 December 2023, the Bank prepared its financial statements in accordance with the generally accepted accounting principles of the Republic of Latvia (Latvian GAAP).

In preparing these financial statements in accordance with IFRS 1, the Bank has applied the relevant mandatory and optional exceptions from full retrospective application of IFRS.

Mandatory transition exceptions:

- Estimates exception. Estimates under IFRS at 1 January 2023 and 31 December 2023 are consistent with estimates made for the same date under Latvian GAAP, unless there is evidence that those estimates were an error.
- Impairment of financial assets exception. The impairment requirements of IFRS 9 are applied retrospectively. In cases when determination of a significant increase in credit risk since the initial recognition of a financial instrument requires undue cost or effort, the management decided to recognise a lifetime expected credit losses allowance at each reporting date until the financial instrument is derecognised (unless that financial instrument is low credit risk at a reporting date).

Transitioning to IFRS did not have an impact or adjustments to the Bank's balance sheet, profit and loss statement and cash flow statement.

6. Interest income, calculated using the effective rate

	Jan – Dec 2024 EUR	Jan – Dec 2023 EUR
Interest on short-term deposits in credit institutions	408 044	22 086
Interest income on consumer loans	21 932	-
Total	**429 976**	**22 086**

7. Interest expense

	Jan – Dec 2024 EUR	Jan – Dec 2023 EUR
Interest on lease liabilities	60 952	-
Interest on customer's accounts	175 412	-
Interest expense from IPAS INDEXO	4 964	345
Deposit guarantee fund payments	238 482	-
Total	**479 810**	**345**

8. Commission income

	Jan – Dec 2024 EUR	Jan – Dec 2023 EUR
Money transfer	269	-
Payment cards	12 454	-
Current account servicing	16 789	-
Other	254	-
Total	**29 766**	**-**

9. Commission expense

	Jan – Dec 2024 EUR	Jan – Dec 2023 EUR
Payment cards	68 698	271
Customer onboarding	20 253	-
Money transfer	18 606	-
Commission expenses attributed to the loans issuance	12 073	-
Other	3 138	717
Total	**122 768**	**988**

10. Other operating income

	Jan – Dec 2024 EUR	Jan – Dec 2023 EUR
Other operating income*	150 000	14 640
Other operating income from IPAS INDEXO	34 630	-
Total	**184 630**	**14 640**

*-business development support from VISA

11. Other operating expenses

	Jan – Dec 2024 EUR	Jan – Dec 2023 EUR
Marketing expenses	346 595	4 657
Other operating expenses	33 168	54 564
Total	**379 763**	**59 221**

12. Administrative expenses

	Jan – Dec 2024	Jan – Dec 2023
	EUR	EUR
Remuneration to staff	1 542 072	733 302
Statutory social insurance contributions to staff	349 477	159 806
Remuneration to the Management Board and Board of Directors	641 095	476 475
Statutory social insurance contributions to the Management Board and Board of Directors	151 234	112 400
IT costs	2 079 213	919 159
Professionals fee	59 461	-
Office maintenance costs	81 732	35 991
Other staff costs	161 695	59 344
Other	685	5 245
Audit of financial statements	67 579	-
Non-audit assurance services	5 445	-
Total	**5 139 688**	**2 501 722**

The average number of the Bank`s employees in 2024 full FTE was 50.

For the reporting year, in addition to the statutory audit, PricewaterhouseCoopers SIA have provided the following non-audit services to the Bank:
Limited assurance on compliance with the monetary resources of INDEXO Bank and its clients and the requirements of the Deposit Guarantee Law on preparation of the report on guaranteed deposits and payments into deposit guarantee fund.

13. Corporate income tax

The components of income tax expense for the years ended 31 December 2023 and 2024 were as follows:

	Dec 2024	Dec 2023
	EUR	EUR
Corporate income tax expense	2 073	1 070
Total	**2 073**	**1 070**

14. Cash and demand deposits with the central banks

	Dec 2024	Dec 2023
	EUR	EUR
Overnight with Bank of Latvia	34 930 915	-
Placements with Bank of Latvia	444 289	-
Total before credit loss allowance	**35 375 204**	**-**
Credit loss allowance	(1 224)	-
Total	**35 373 980**	**-**

Due from the Bank of Latvia represents the EUR nominated balance on the correspondent account with the Bank of Latvia.
The obligatory reserve EUR 77 678 is compared to the Bank's average monthly balance on the correspondent account with the Bank of Latvia. The Bank's average cash and correspondent account balance should exceed the compulsory reserve requirement. As of 31 December 2024, the Bank complied with the requirements.

15. Due from financial institutions

	Dec 2024	Dec 2023
	EUR	EUR
Latvian credit institutions	8 596	1 343 565
Total	**8 596**	**1 343 565**

According to IFRS 9 "Financial Instruments", the Bank have assessed expected credit losses on placements with credit institutions. The Bank holds cash in AS Swedbank. AS Swedbank have an S&P rating of A+, Moody's has an Aa3 rating and Fitch has an AA rating. In assessing the amount of expected credit losses, it was determined that it was insignificant and no allowances for expected credit losses were recorded.
Due from financial institutions given the very low probability of default, the expected credit loss is not material.

16. Loans and advances due from customers

A consumer loan is a type of credit extended to individuals to finance personal expenses without requiring collateral, typically used for discretionary purchases, household needs, or debt consolidation.

An overdraft on a current account is a short-term credit facility that allows account holders to withdraw funds exceeding their available balance, typically subject to interest and repayment terms. As the banking license were not received yet in 2023, the Bank during 2023 did not issue any credits to the clients.

Gross carrying amount and credit loss allowance amount for loans and advances due from customers at amortized cost by classes at 31 December 2024 and 31 December 2023 are disclosed in the table below:

The breakdown of loans due from customers is as follows:

a) Loans by groups:

	Dec 2024	Dec 2023
	EUR	EUR
Households	1 069 854	-
Total before credit loss allowance	**1 069 854**	**-**
Credit loss allowance	(82 548)	-
Total, net	**987 306**	**-**

b) by the term of agreement

	Dec 2024	Dec 2023
	EUR	EUR
Up to one year	1 649	-
More than one year	1 068 205	-
Total before credit loss allowance	**1 069 854**	-
Credit loss allowance	(82 548)	-
Total, net	**987 306**	**-**

c) Loans by product:

	Dec 2024	Dec 2023
	EUR	EUR
Consumer loans	1 068 205	-
Overdrafts of current accounts	1 649	-
Total before credit loss allowance	**1 069 854**	-
Credit loss allowance	(82 548)	-
Total, net	**987 306**	**-**

d) Expected credit losses by product

The table below shows the gross amount of loans and receivables and the amount of expected credit losses at 31 December 2024.

	Gross	Credit loss allowance
	EUR	EUR
Consumer loans	1 068 205	(82 548)
Overdrafts of current accounts	1 649	-
Total	**1 069 854**	**(82 548)**

e) Movements in the allowances for expected credit losses:

	2024	2023
	EUR	EUR
Balance at the beginning of the year	-	-
Increase in allowance for expected credit losses	(82 548)	-
Release of prior periods expected credit losses	-	-
Write-off of prior periods' expected credit losses	-	-
Balance at the end of the reporting period	**(82 548)**	-

f) Loans expected credit loss broken down into stages:

	2024	2023
	EUR	EUR
The borrower's internal risk level categories from 4 till 5	1 009 167	-
The borrower's internal risk level categories from 2 till 3	39 122	-
The borrower's internal risk level category 1	19 916	-
Total gross loans	**1 068 205**	-
Allowance for expected credit losses	**(82 548)**	-
Total net loans	**985 657**	-

g) The following tables discloses the changes in the credit loss allowance and the gross carrying amount for loans and advances to customers carried at amortised cost between the beginning and the end of the reporting and comparative periods

	Credit loss allowance				Gross carrying amount			
EUR	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im-paired)	Total	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL for SICR)	Stage 3 (lifetime ECL for credit im-paired)	Total
At 31 December 2023	-	-	-	-	-	-	-	-
Movements with impact on credit loss allowance charge for the period:	-	-	-	-	-	-	-	-
Transfers: New originated	82 548	-	-	82 548	1 069 854	-	-	**1 069 854**
- to lifetime (from Stage 1 to Stage 2)	(55 290)	55 290	-	-	(281 964)	281 964	-	-
- to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	-	(15 355)	15 355	-	-	(21 803)	21 803	-
Total movements with impact on credit loss allowance charge for the period	**27 258**	**39 935**	**15 355**	**82 548**	**787 890**	**260 161**	**21 803**	**1 069 854**
At 31 December 2024	**27 258**	**39 935**	**15 355**	**82 548**	**787 890**	**260 161**	**21 803**	**1 069 854**

As the Bank started banking operations in 2024, all the qualitative assessment breakdowns have been made by newly originated loans.

17. Other assets and credit losses

	Dec 2024	Dec 2023
Financial assets	**EUR**	**EUR**
Inventory of plastic cards	68 178	76 839
Other assets	102 594	17 715
Guarantee deposit for rented premises	103 582	31
Guarantee deposit credit loss allowance	(1 118)	-
NETS Guarantee deposits*	263 229	-
NETS Guarantee deposits credit loss allowance	(2 842)	-
Total	**533 623**	**94 585**

*-In 2024, security deposits of EUR 263 229 were reserved for potential transactions connected with VISA system.

18. Prepayments

	Dec 2024	Dec 2023
	EUR	**EUR**
IT maintenance and software licences	691 196	508 701
Health insurance	14 841	8 490
Subscription fees	7 128	-
Other	178	-
Total	**713 343**	**517 191**

19. Intangible assets, property, plant and equipment

	Software investments
	EUR
Historical cost	
31.12.2022	65 542
Additions	1 786 913
Advance payments	71 844
31.12.2023	1 924 300
Additions	2 970 969
Advance payments	(25 380)
31.12.2024	4 869 889
Accumulated amortisation	
31.12.2022	-
Calculated	38 335
31.12.2023	38 335
Calculated	385 977
31.12.2024	424 312
Net book value at 31.12.2023	1 885 964
Net book value at 31.12.2024	**4 445 577**

	Leasehold Improvements	Other PPE	Total
	EUR	EUR	EUR
Historical cost			
31.12.2022	**-**	**-**	**-**
Additions	-	19 593	**19 593**
31.12.2023	-	19 593	**19 593**
Additions	-	226 598	**226 598**
Advance Payments	-	9 997	**9 997**
Leasehold Improvements	366 300	-	**366 300**
31.12.2024	**366 300**	**256 188**	**622 488**
Accumulated depreciation			
31.12.2022	**-**	**-**	**-**
Calculated	-	4 618	**4 618**
31.12.2023	-	4 618	**4 618**
Calculated	-	28 011	**28 011**
31.12.2024	**-**	**32 629**	**32 629**
Net book value at 31.12.2023	**-**	**14 975**	**14 975**
Net book value at 31.12.2024	**366 300**	**223 559**	**589 859**

All intangible assets are IT investments. IT investments are utilized in the Bank's core operations to support customer onboarding and servicing, including the mobile application among many other systems.

20. Right of use assets

The Bank applies IFRS 16 to leases. The Bank leases multiple office spaces. The lease on Pulkveža Brieža 2 was valid until 30 September 2024. Payments for short term leases during the reporting period were EUR 10 036.
The lease on Roberta Hirša 1 is valid from 15 July 2024 until the 15 July 2029 and lease liabilities are calculated using a discount rate of 6.4%. For discount rate calculations Bank uses Bank of Latvia intercompany lending rate at the exact day when calculations were made. Lease contract does not provide for indexation or a variable payment component. The Bank has assessed lease contract terms and at the end of reporting period does not consider that the lease contracts will need to be extended. In determining the lease term, management of the Bank considered all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a termination option. Extension options will be only included in the lease term if the lease is reasonably certain to be extended. Potential future cash outflows have not been included in the lease liability because it is not reasonably certain that the leases will be extended.

Right-of-use assets	EUR
At 31.12.2022	**-**
Amortisation	-
Correction	-
At 31.12.2023	**-**
Impact of lease additions	2 037 843
Amortisation	(179 957)
Correction*	42 553
At 31.12.2024	**1 900 439**

*- recalculated m2 for office space according to certificate of acceptance

Lease liability	EUR
At 31.12.2022	**-**
Changes during the reporting period	-
Correction	-
At 31.12.2023	**-**
Changes during the reporting period	2 037 843
Lease payments	(176 105)
Interest	60 500
Correction*	42 129
At 31.12.2024	1 964 367

	Dec 2024	Dec 2023
Right-of-use assets	EUR	EUR
Right-of-use assets	1 900 439	-
Lease liability	1 964 367	-

21. Accrued liabilities

	Dec 2024	Dec 2023
Non-financial liabilities	EUR	EUR
Accrued liabilities for unused annual leave	118 988	58 448
Accruals for fees	24 841	2 988
Accruals for employee contributions to the 3PL	19 500	10 452
Total non-financial liabilities	**163 329**	**71 888**

22. Current accounts and deposits due to customers

Current account is a primary account which are opened after agreeing INDEXO Bank terms and conditions in a onboarding process.

A savings vault is a deposit of funds for an unspecified period of time on which interest is paid. A savings vault account may be deposited into or funds may be withdrawn from it without restrictions or prior notices.

Term deposit is a deposit of funds for a particular period of time on which interest is paid and which cannot be added to.

As the banking licence was not yet received in 2023, the Bank during 2023 did not have any deposits from customers.

By deposit terms:

	Dec-24	Dec-23
	EUR	EUR
Current account (incl. accrued interests)	5 007 598	-
Savings vaults	16 584 893	-
Term deposits (incl. accrued interests):	11 505 257	-
to 6 months	674 586	-
from 6 months to 1 year	10 389 220	-
from 1 year to 2 years	134 054	-
from 2 years to 5 years	307 397	-
Total deposits:	**33 097 748**	**-**

By geographical region:

	Dec-24	Dec-23
	EUR	EUR
Latvia	32 970 116	-
European Economic Area (EEA)	127 561	-
Other Non-EEA countries	71	-
Total deposits:	**33 097 748**	**-**

Current accounts:	Dec-24	Dec-23
Residents	EUR	EUR
Private individuals	4 954 498	-
Corporates	-	-
Bank's employees	42 921	-
Total:	**4 997 419**	**-**

	Dec-24	Dec-23
Non- residents	EUR	EUR
Private individuals	9 818	-
Corporates	-	-
Bank's employees	-	-
Total:	**9 818**	**-**

Savings vaults:

	Dec-24	Dec-23
Residents	EUR	EUR
Private individuals	16 201 172	-
Corporates	-	-
Bank's employees	284 756	-
Total:	**16 485 928**	**-**

	Dec-24	Dec-23
Non- residents	EUR	EUR
Private individuals	99 326	-
Corporates	-	-
Bank's employees	-	-
Total:	**99 326**	**-**

Term deposits:

	Dec-24	Dec-23
Residents	EUR	EUR
Private individuals	10 598 928	-
Corporates (IPAS INDEXO)	674 586	-
Bank's employees	213 255	-
Total:	**11 486 769**	**-**

Non- residents	Dec-24 EUR	Dec-23 EUR
Private individuals	18 488	-
Corporates	-	-
Bank's employees	-	-
Total:	**18 488**	**-**

Interest rates applied to the deposits of the Bank's employees do not differ from interest rates on deposits from other customers.

23. Trade payables

Financial liabilities	Dec 2024 EUR	Dec 2023 EUR
Bank system licenses	-	419 381
IT infrastructure development	138 511	34 796
Taxes	130 187	-
Audit expenses	49 912	-
IT support cost	45 806	-
Other	39 128	57 418
PR expenses	30 000	-
Health insurance	15 731	-
Cards issuing costs	11 275	-
Rental costs	10 833	-
Total	**471 383**	**511 595**

24. Borrowings from parent company

Financial liabilities	Dec 2024 EUR	Dec 2023 EUR
Borrowings from parent company	-	700 000
Accrued interest	-	345
Total	**-**	**700 345**

25. Taxes and national social insurance mandatory contributions

Non-financial liabilities	Dec 2024 EUR	Dec 2023 EUR
VAT	13 315	156 903
Social contributions	92 480	91 455
Personal Income tax	55 369	41 672
Risk tax	24	23 717
Corporate income tax	189	12
Total	**161 377**	**156 903**

26. Other liabilities

	Dec 2024	Dec 2023
Non-financial liabilities	**EUR**	**EUR**
Salary liability	150 222	85 588
Financial liabilities	**EUR**	**EUR**
Money in transit	67 507	-
Total	**217 729**	**85 588**

27. Share capital

As of December 31, 2024, the registered and paid-up share capital was divided into 17 309 445 (as of December 31, 2023 - 5 000 000) single-category shares with equal voting rights. All shares of the Bank have a nominal value of EUR 1.00 (one euro, 00 cents). The sole shareholder of INDEXO Banka on December 31, 2024, was IPAS INDEXO, which owns 100% of the Bank's paid-up share capital.
During the reporting period Bank's capital was increased by 12 309 445 EUR.

December 31, 2024

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

December 31, 2023

Shareholder	Paid-up share capital, EUR	% of all paid-up share capital
IPAS INDEXO	5 000 000	100%
Total	**5 000 000**	**100%**

28. Liquidity risk

The table below reflects the maturity analysis of the Bank's financial assets and financial liabilities based on the term from the reporting date until the maturity dates of the respective assets and liabilities. The maturity analysis of the Bank's financial assets and financial liabilities as at 31 December 2024 was as follows:

Maturity analysis of discounted financial assets and undiscounted financial liabilities:

31.12.2024., EUR	Total	On demand	Up to 1 month	1 to 3 months	From 3 months to 1 year	From 1 to 5 years
Financial assets						
Cash and cash equivalents	35 382 576	35 382 576	-	-	-	-
Loans and advances to customers	987 786	1 649	452	4 544	38 569	942 572
Other assets	533 623	102 464*	170 772	-	-	260 387*
Total financial assets	**36 903 985**	**35 486 689**	**171 224**	**4 544**	**38 569**	**1 202 959**
Financial liabilities						
Deposits from customers	**(33 435 240)**	(21 592 490)	(700 193)	(51 233)	(10 619 661)	(471 663)
Payables to suppliers and contractors	**(538 890)**	(381 171)	(157 719)	-	-	-
Borrowings from parent company	**-**	-	-	-	-	-
Lease liability	(1 964 367)	-	(33 294)	(66 588)	(299 650)	(1 564 834)
Total financial liabilities	**(35 938 495)**	**(21 973 661)**	**(891 206)**	**(117 821)**	**(10 919 310)**	**(2 036 497)**
Net position	**965 490**	**13 513 028**	**(719 982)**	**(113 277)**	**(10 880 741)**	**(833 538)**

*Security deposits

31.12.2023., EUR	Total	On demand	Up to 1 month	1 to 3 months	From 3 months to 1 year	From 1 to 5 years
Financial assets						
Cash and cash equivalents	1 343 565	15 655	1 327 910	-	-	-
Loans and advances to customers	-	-	-	-	-	-
Other assets	94 585	31	94 554	-	-	-
Total financial assets	**1 438 150**	**15 686**	1 422 464	-	-	-
Financial liabilities						
Deposits from customers	-	-	-	-	-	-
Payables to suppliers and contractors	**(511 595)**	(511 595)	-	-	-	-
Borrowings from parent company	**(700 345)**	-	-	-	(700 345)	
Lease liability	**-**	-	-	-	-	-
Total financial liabilities	**(1 211 940)**	**(511 595)**	**-**	**-**	**(700 345)**	**-**
Net position	**226 210**	**(495 909)**	**1 422 464**	**-**	**(700 345)**	**-**

29. Related party transactions

Related parties include shareholders who have significant influence over the Bank, Supervisory Board and the Management Board, as well as other related parties, i.e., executives, their close relatives and companies controlled by them, and affiliated companies. In the period from 1 January 2024 to 31 December 2024, all transactions with related parties were conducted in accordance with free-market principles. All the loans, advances and financing activities arranged with related parties are at market rates.

At 31 December 2024, the outstanding balances with related parties were as follows:

EUR	Shareholder	Key management personnel	Management and Supervisory Board	Other related parties
Loans and advances to customers (contractual interest rate are at market rates)	-	-	12 665	1 954
Credit loss allowance at 31 December 2024	-	-	(548)	(36)
Customer accounts (contractual interest rate are at market rates)	674 586	10 627	155 469	374 841
Trade payables	1 050	-	-	-

At 31 December 2023, the outstanding balances with related parties were as follows:

EUR	Shareholder	Key management personnel	Management and Supervisory Board
Borrowings from parent company (contractual interest rate: 6 %)	700 345	-	-
Credit loss allowance at 31 December 2023	-	-	-
Customer accounts	-	-	-
Trade payables	1 558	-	-
Creditor liabilities	16 887	-	-

The income and expense items with related parties for 2024 were as follows:

EUR	Shareholder	Key management personnel	Other related parties	Management and Supervisory Board
Commission income	-	-	822	194
Credit loss allowance at 31 December 2023	-	-	(36)	(548)
Interest expense	9 550	42	1 078	342
Other operating expense	23 254	-	-	-
Other operating income	34 630	-	-	-
Administrative and other operating expenses	-	136 228	-	641 095
National social insurance mandatory contributions	-	32 136	-	151 234

The income and expense items with related parties for 2023 were as follows:

EUR	Shareholder	Key management personnel	Other related parties	Management and Supervisory Board
Commission income	-	-	-	-
Credit loss allowance at 31 December 2023	-	-	-	-
Interest expense	345	-	-	-
Other operating expense	141 210	-	-	-
Other operating income	17 714	-	-	-
Administrative and other operating expenses	16 887	-	-	139 948
National social insurance mandatory contributions	-	-	-	33 014

30. Fair value of financial assets and financial liabilities

Set out below is the comparison of the carrying amounts and fair values of the Bank's financial instruments that are recognized in the financial statements.

(a) Financial instruments measured at fair value

The Bank does not have any financial instruments which are measured at fair value.

(b) Financial instruments not measured at fair value

The table below analyses the fair values of the Bank's financial instruments not measured at fair value, by the level in the fair value hierarchy into which each fair value measurement is categorized:

31.12.2024., EUR	Level 1:	Level 2:	Level 3:	Total fair value	Carrying amount
Financial assets					
Cash and cash equivalents	-	35 382 576	-	35 382 576	35 382 576
Loans and advances due from customers	-	-	987 786	987 786	987 786
Other assets	-	-	533 623	533 623	533 623
Financial liabilities					
Current accounts and deposits due from customers	-	33 097 748	-	33 097 748	33 097 748
Payables to suppliers and contractors	-	538 890	-	538 890	538 890
Borrowings from parent company	-	-	-	-	-

During 2024 there were no reclassification between fair value hierarchy levels.

Cash and demand deposits with the Central banks are EUR currency, cash and deposits with the Bank of Latvia whose carrying amount represents the fair value.

Other financial assets consist of credit card guarantee deposits, money in transit and office premises lease deposit, thus the carrying amount is equal to their fair value.

Loans and advances due from customers are financial assets that are measured using a valuation technique based on discounted cash flows.

All the rates align with the industries average rates. The methodology for determining fair value is disclosed in Main accounting policies.

31.12.2023., EUR	Level 1:	Level 2:	Level 3:	Total fair value	Carrying amount
Financial assets					
Cash and cash equivalents	-	1 343 565	-	1 343 565	1 343 565
Loans and advances due from customers	-	-	-	-	-
Other assets			94 585	94 585	94 585
Financial liabilities					
Current accounts and deposits due from customers	-	-	-	-	-
Payables to suppliers and contractors	-	511 595	-	511 595	511 595
Borrowings from parent company	-	700 345	-	700 345	700 345

31. Currency risk and sensitivity analysis

As the Bank's functional currency are only EUR, which is official currency of the Republic of Latvia, the Bank is not exposed to currency risk, and therefore, no sensitivity analysis for foreign exchange is necessary.

32. Credit risk

The table below shows the Bank's maximum exposure to credit risk for the components of the statement of financial position. The maximum credit exposures are shown both gross, i.e. without taking into account any collateral, ECL and other credit enhancements, and net, i.e. after taking into account any collateral and other credit enhancements.

The maximum credit risk is disclosed in the table below:

	Dec 2024	Dec 2023
	EUR	EUR
Placements with Bank of Latvia	444 289	-
Overnight with Bank of Latvia	34 930 915	-
Placements with Swedbank AS	8 596	1 343 565
Receivables	-	17 714
Loans to Bank`s clients	1 069 854	-
Other assets	533 623	94 585
Total maximum credit risk exposure	**36 987 277**	**1 455 864**

Concentrations of the maximum credit risk exposure:

The following table breaks down the gross exposure related to the Bank's balances due from credit institutions by geographical regions and major counterparties or groups of related counterparties.

	Dec 2024	Dec 2023
	EUR	EUR
Placements with Swedbank AS (Latvia)	8 596	1 343 565
Total balance due from financial institutions	**8 596**	**1 343 565**

For the Bank the gross maximum credit risk exposure to a single counterparty or a group of related counterparties as of 31 December 2024 comprised 0,02 % of total gross credit exposure to financial institution (2023: 63%)

The concentration of the top 20 INDEXO Bank's borrowers is 22.88%.

The transactions subject to credit risk are divided into four credit quality groups depending on the credit ratings published by international rating agencies. There are the following credit quality groups for financial assets due from financial institutions:

Group 1: AAA, AA (Standard& Poor's, Fitch) / Aaa, Aa (Moody's)
This Bank includes first class transaction partners who are considered to be low-risk investments.

Group 2: A, BBB (Standard& Poor's, Fitch) / A, Baa (Moody's)
This Bank includes transaction partners with a market position ranging from medium to good.

Group 3: BB, B, CCC, CC, (Standard& Poor's, Fitch) / Ba, B, C (Moody's)
The largest credit risk exposure in this group relates to receivables from transaction partners below medium rating BB (Standard& Poor's, Fitch) / Ba (Moody's).

No external rating

Transaction partners who have not been assigned an international credit rating are primarily daughter banks of credit institutions operating in the Republic of Latvia.

The internal credit rating

Updated at least quarterly using updated data from external and internal sources. Throughout the loan's life, credit monitoring and quality assessment are conducted according to the "Credit Monitoring Procedure" and the "Asset Quality Assessment and Provisioning Procedure."

If the counterparty does not have an individual credit rating, but the counterparty is part of a group of related parties, then the credit rating to be used in the assessment is determined by taking into account the credit rating nominated for the counterparty's parent company (if any) and the counterparty's sovereign credit rating (if any), choosing the lower of them.

The table below shows the credit quality by class of financial assets of the Bank as at 31 December 2024 based on international ratings.

31.12.2024., EUR	Group 1:	Group 2:	Group 3:	No external rating	Total
Cash and cash equivalents	-	35 375 204	-	8 596	35 382 576
Loans and advances due from customers	-	-	-	1 069 854	1 069 854
Other assets	-	-	-	537 582	537 582
Total before credit loss allowance	**-**	**35 375 204**	**-**	**1 616 031**	**36 991 236**
Credit loss allowance	-	(1 224)	-	(86 508)	(87 732)
Total, net	**-**	**35 373 980**	**-**	**1 529 523**	**36 903 504**

The table below shows the credit quality by class of financial assets of the Bank as at 31 December 2023 based on international ratings.

31.12.2023., EUR	Group 1:	Group 2:	Group 3:	No external rating	Total
Cash and cash equivalents	-	-	-	1 343 565	1 343 565
Loans and advances due from customers	-	-	-	-	-
Other assets	-	-	-	94 585	94 585
Total before credit loss allowance	**-**	**-**	**-**	**1 438 150**	**1 438 150**
Credit loss allowance	-	-	-	-	-
Total, net	**-**	**-**	**-**	**1 438 150**	**1 438 150**

Classification of the Bank's financial assets in measurement categories (3 stages) as of December 31, 2024:

31.12.2024., EUR	Stage 1:	Stage 2:	Stage 3:	Total
Financials assets				
Cash and cash equivalents	35 382 576	-	-	35 382 576
Loans and advances due from customers	787 946	260 102	21 806	1 069 854
Other assets	537 582	-	-	537 582
Total gross financials assets	**36 708 104**	**260 102**	**21 806**	**36 990 012**
Credit loss allowance	(32 436)	(39 935)	(15 361)	(87 732)
Total, net	**36 675 668**	**220 167**	**6 445**	**36 902 280**

Classification of the Bank's financial assets in measurement categories (3 stages) as of December 31, 2023:

31.12.2023., EUR	Stage 1:	Stage 2:	Stage 3:	Total
Financials assets				
Cash and cash equivalents	1 343 565	-	-	1 343 565
Loans and advances due from customers	-	-	-	-
Other assets	94 585	-	-	94 585
Total gross financials assets	**1 438 150**	**-**	**-**	**1 438 150**
Credit loss allowance	-	-	-	-
Total, net	**1 438 150**	**-**	**-**	1 438 150

Changes in financial assets measured at amortized cost of the Bank's financial assets by stages for the year ended 31 December 2024

31.12.2024., EUR	Origination to stage 1:	Transfer from stage from 1 - 2:	Transfer from stage from 2- 3:	Total
Financials assets				
Cash and cash equivalents	35 382 576	-	-	35 382 576
Loans and advances due from customers	787 946	260 102	21 806	1 069 854
Other assets	537 582	-	-	537 582
Total gross financials assets	**36 708 104**	**260 102**	**21 806**	**36 990 012**
Credit loss allowance	(32 436)	(39 935)	(15 361)	(87 732)
Total, net	**36 675 668**	**220 167**	**6 445**	**36 902 280**

33. Interest rate risk

The Bank's exposure to interest rate risk is characterised by the maturity of financial assets and financial liabilities subject to interest rate risk based on the shorter of the remaining maturity dates of financial instruments subject to interest rate risk and the interest rate review dates.

The table below summarises the Bank's exposure to interest rate risks. The table presents the aggregated amounts of the Bank's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates.

To assess interest rate risk, the Bank uses the simplified standardized methodology as specified in Regulation (EU) 2024/857, which defines the core deposit base (stable non-maturity deposits that are unlikely to be repriced significantly in changing interest rate environments and market conditions) and their allocation across time buckets. The Bank does not perform customer behavior modeling for accounts without specific repricing dates or accounts with an indefinite maturity, taking into consideration the characteristics of both depositors and client accounts.

The Bank identifies financial instruments that are sensitive to interest rate changes, including financial instruments with embedded options (such as transactions with early withdrawal or early redemption features), and performs customer behavior assumption modeling by determining the term deposit early redemption rate and the conditional prepayment rate for fixed-rate loans, based on historical observations, provided by data which are consistent over the time. The loan prepayment rate reflects the expected annual prepayment amounts, and the term deposit early redemption rate represents the cumulative expected redemption amounts over the life of the term deposit.

During the early operational period, when the Bank does not have sufficient historical data, it determines the rates by using available historical information, the Bank's expert opinions, professional experience, and accessible information on market conditions and competitor practices. Additionally, the Bank considers the potential impact on the current and future loan prepayment rates, driven by factors such as the economic environment, contractual terms, interest rate change scenarios, and other variables which are influencing customer behavior.

The repricing undiscounted maturity analysis of financial assets and financial liabilities of the Bank as at 31 December 2024 was as follows:

31.12.2024., EUR	Total	On demand	Up to 1 month	1 to 3 months	From 3 months to 1 year	From 1 to 5 years	Interest free
Financial assets							
Cash and cash equivalents	35 382 576	35 382 576	-	-	-	-	-
Loans and advances to customers	1 448 710	265 196	41 356	83 833	340 722	717 604	-
Other assets	986 748	986 748	-	-	-	-	-
Total financial assets	**37 818 034**	**36 634 520**	**41 356**	**83 833**	**340 722**	**717 604**	**-**
Financial liabilities							
Deposits from customers	**(33 865 772)**	(16 227 003)	(117 441)	(235 877)	(11 519 994)	(5 765 459)	-
Other liabilities	**(2 832 455)**	(2 832 455)	-	-	-	-	-
Total financial liabilities	**(36 698 227)**	**(19 059 457)**	**(117 441)**	**(235 877)**	**(11 519 994)**	**(5 765 459)**	**-**
Interest rate risk	**1 119 807**	**17 575 063**	**(76 085)**	**(152 044)**	**(11 179 272)**	**(5 047 855)**	**-**

The interest risk calculation is based on internal reports of the Bank, provided to key management of the Bank. Interest rate risk calculation requirement for the Bank become effective since the banking license were obtained. Therefore, interest rate risk calculation was not applicable for the year of 2023.

At 31 December 2024, if interest rates at that date had been 200 basis points lower with all other variables held constant, profit for the year would have been EUR 308.7 thousand lower, mainly as a result of lower interest income on variable interest.

	Increase in basis points	Sensitivity of net interest income, EUR	Decrease in basis points	Sensitivity of net interest income, EUR
As at 31 December 2024				
	+200	308 688	-200	(308 688)
Total effect		**308 688**		**(308 688)**
AS at 31 December 2023*				
	+200	-	-200	-
Total effect		**-**		**-**

*-as the Bank reveiced banking licence in 2024, sensitivity analysis were irelevant during 2023.

The Bank monitors interest rates for its sensitive assets and liabilities. The table below summarises weighted average interest rates for assets and liabilities which are interest rate sensitive at 31 December 2024 and 2023.

	Carrying amount, EUR 31/12/2024	Average weighted interest rate 31/12/2024	Carrying amount, EUR 31/12/2023	Average weighted interest rate 31/12/2024
Interest rate sensitive assets				
Placements with Bank of Latvia	35 373 980	3.02%	-	-
Loans and advances to customers	987 786	12.94%	-	-
Total	**36 361 766**		**-**	
Interest rate sensitive liabilities				
Current accounts	5,007,237	1.50%	-	-
Vaults	16,584,893	2.75%	-	-
Term deposits retail customer	10,830,671	3.76%	-	-
Term deposits legal entity	674,586	3.20%	-	-
Total	**31 133 020**		**-**	

34. Going concern

AS INDEXO Bank commenced operations on August 28, 2024, three and a half months after receiving its banking license on May 21, 2024. The bank establishment project began in early 2023 with the goal of opening the bank at the start of 2024. However, the licensing process extended beyond the anticipated timeline, resulting in a six-month delay compared to the original business plan submitted to the regulator during the licensing process.
Despite the delay the Bank launch was successful and in the first month of operation, the Bank attracted more than 10 thousand clients and at the end of 2024 INDEXO Bank had 21.1 thousand clients with EUR 33.10 million in total deposits and its loan portfolio exceeded EUR 1.06 million (gross). As the Bank's operations have just commenced, INDEXO Bank does not yet generate sufficient revenue to cover its operating costs. At the same time the Bank makes significant IT investments to continue enhancing and developing a wider range of banking services. Therefore, INDEXO Bank incurred losses amounting to EUR 6.16 million in 2024.

In 2024 the Bank's share capital was increased by EUR 12.31 million. As at 31 December 2024 the Bank's total capital ratio was 54.17%, well above the minimum of 20% set by the regulator, and liquidity coverage ratio 1273.49%. However, to mitigate the impact of the delay in launch of operations, continue consumer lending and to successfully implement the ambitious product roadmap—which includes the launch of mortgage lending, Google Pay, Apple Pay, Family Accounts and custody services, INDEXO Bank acknowledges the necessity for additional capital to build scale and support these strategic initiatives.

INDEXO Bank's parent and sole shareholder IPAS INDEXO after annual shareholder meeting in March 2025 will contribute to Bank's capital around EUR 0.7 million from its 2024 annual profit. We also plan to include a decision on a new share issue in the agenda of the shareholders' meeting.

In accordance with the mandate given by IPAS INDEXO shareholders at annual shareholders meeting of March 25, 2024, and respective amendments of IPAS INDEXO Articles of Association, the Management Board of IPAS INDEXO is authorised for a period of up to five years to issue new shares in the total amount up to 375,000 shares. IPAS INDEXO has partially exercised the mandate issuing 171 070 shares in 2024 and has a mandate to issue remaining 203 930 shares. Regarding the issuance of 203,930 shares, there is currently a commitment from investors to subscribe to the shares at a price of 12 euros per share.

INDEXO Group management is considering and evaluating different options for strengthening Bank's capital, including IPAS INDEXO doing SPO and INDEXO Bank issuing T2, AT1 capital instruments. The additional capital inflow, coupled with a focus on cost control, will enable the Bank to strengthen its operational capacity, enhance its technological infrastructure, and maintain financial resilience as the Bank delivers innovative solutions to INDEXO Group customers. INDEXO Group management is currently in the process of updating its financial plan, which was communicated at the end of 2023. The specific business growth ambitions and capital requirements will be communicated to the IPAS INDEXO investors and Bank's depositors in the coming months.

Based on the above, the management of the Bank conclude that it is appropriate to prepare the Bank's financial statements on the going concern basis. The management of the INDEXO group and the Bank has already demonstrated the ability to attract the necessary capital for the development of the bank, and the above-mentioned capital raising plans will ensure the attraction of capital for a total amount of at least up to 903,930 shares. However, there is significant uncertainty regarding the Bank's ability to successfully raise the needed financing.

The financial statements have been authorised for issue on 27 February 2025 and signed on behalf of the
AS INDEXO Banka Management and Supervisory Board by:

Valdis Siksnis, Chairman of the Management Board

Ivita Asare, Member of the Management Board

Valdis Vancovičs, Chairman of the Supervisory Board

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

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

Independent Auditor's Report

To the Shareholder of AS INDEXO Banka

Report on the audit of the financial statements

Our opinion

In our opinion, the financial statements give a true and fair view of the financial position of AS INDEXO Banka (the "Bank") as at 31 December 2024, and of the Bank's financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the European Union (EU).

Our opinion is consistent with our additional report to the Supervisory Board performing the role of the Audit Committee dated 25 February 2025.

What we have audited

The Bank's financial statements comprise:

- the statement of comprehensive income for the year ended 31 December 2024;
- the statement of financial position as at 31 December 2024;
- the statement of changes in equity for the year ended 31 December 2024;
- the cash flow statement for the year ended 31 December 2024; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing adopted in the Republic of Latvia (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

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

Independence

We are independent of the Bank in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) and the ethical requirements of the Law on Audit Services that are relevant to our audit of the financial statements in the Republic of Latvia. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Law on Audit Services.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the Bank and its parent company are in accordance with the applicable law and regulations in the Republic of Latvia and that we have not provided non-audit services that are prohibited under Article 37.6 of the Law on Audit Services of the Republic of Latvia.

The non-audit services that we have provided to the Bank in the period from 1 January 2024 to 31 December 2024 are disclosed in Note 12 to the financial statements.

Material uncertainty relating to going concern

We draw attention to Note 34 “Going concern” to the financial statements, which indicates that the Bank incurred a net loss of EUR 6.16 million during the year ended 31 December 2024 and discusses the management’s plans to attract additional capital to be able to build scale of the existing banking products and to launch new products and services. As stated in Note 34 “Going concern”, these events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Bank’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Our audit approach

Overview

Materiality	• Overall Bank materiality: EUR 265 thousand which represents approximately 4% of loss before corporate income tax.
Key audit matters	• Expected credit losses on loans and advances due from customers.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Bank, the accounting processes and controls, and the industry in which the Bank operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Bank materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the financial statements as a whole.

Overall Bank materiality	EUR 265 thousand.
How we determined it	Approximately 4% of the Bank’s loss before corporate income tax for year 2024.

Rationale for the materiality benchmark applied	We chose loss before corporate income tax as the benchmark because, in our view, it is the benchmark which is most appropriate in the circumstances where the Bank has recently commenced banking operations and not yet generating substantial income from economic activity but concluding the year with a loss of EUR 6,162 thousand, and it is a generally accepted benchmark. We chose 4% which is within the range of accepted quantitative materiality thresholds for a public interest entity.

We agreed with the Supervisory Board that we would report to them misstatements identified during our audit above EUR 13 thousand, as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
Expected credit losses on loans and advances due from customers Refer to Note 16 *"Loans and advances due from customers"* of the financial statements. We focused on this area because application of IFRS 9 "Financial instruments" expected credit loss (ECL) model for loans requires complex and subjective judgements over both timing of recognition of expected credit losses and their extent. The key features of the ECL model include classification of loans to 3 stages and assessment of credit risk parameters. The amount of ECL for the Banks's loans is based on the model calculations taking into consideration the exposure at default (EAD), probability of default (PD), changes in customer credit risk and estimated future cash flows from the loan repayments (loss given default) (LGD). For all loans to customers the expected credit losses are calculated using the ECL model. As at 31 December 2024 the credit loss allowance amounted to EUR 83 thousand.	We assessed whether the Bank's accounting policies in relation to the ECL of loans to customers comply with the requirements of IFRS 9 by assessing each significant model component: exposure at default, probability of default and loss given default, definition of default and significant increase in credit risk. We assessed the design and operating effectiveness of the controls over relevant loan data and ECL calculations. These controls included controls over recording of loans data in the system, credit analysis and approval before issuing loans, loan disbursement allocation to correct customer and accuracy of overdue days calculation. Further, we performed testing for accuracy and completeness of loan data, including contract dates, interest rates, maturity and other inputs used in ECL calculation. For a sample of loans, we evaluated reasonableness of staging as at 31 December 2024. We checked that ECL model key parameters were calculated consistent in accordance with the Bank's ECL methodology and by using up to date data. We involved our expert to assess the ECL model and recalculate the credit loss allowance for loans to customers. We also tested the

accuracy of input information used in the ECL model.

Finally, we assessed the adequacy of the credit risk disclosures relating to loans and allowances for expected credit loss.

Reporting on other information including the Management Report

Management is responsible for the other information. The other information comprises:

- information on the Bank, Bank's management, shareholders and equity participation, as set out on page 3 of the Annual Report;
- the Management Report, as set out on pages 4 to 7 of the Annual Report; and
- the Statement of responsibility of the management board of AS INDEXO Banka, as set out on page 8 of the Annual Report;

but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information identified above.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Management Report, we also performed the procedures required by Law on Audit Services. Those procedures include considering whether the Management Report is prepared in accordance with the requirements of the applicable legislation.

Based on the work undertaken in the course of our audit, in our opinion:

- the information given in the other information identified above for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the Management Report has been prepared in accordance with the requirements of the Bank of Latvia Regulation No 326 "Regulation of the annual report and consolidated annual report of credit institutions, investment brokerage companies, investment management companies and private pension funds".

In addition, in light of the knowledge and understanding of the Bank and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Management report and the other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS Accounting Standards as adopted by the EU and for such internal control as management 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, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional 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 management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Appointment and period of our audit engagement

We were first appointed as auditors of the Bank on 25 March 2024. This is the first year of our audit.

The engagement partner on the audit resulting in this independent auditor’s report is Ilandra Lejiņa.

PricewaterhouseCoopers SIA
Certified audit company
Licence No. 5

Ilandra Lejiņa
Member of the Board
Certified auditor in charge
Certificate No. 168

Riga, Latvia
27 February 2025

Independent Auditor's Report is signed electronically with a secure electronic signature and contains a time stamp.