



**HOLM**

# Holm Bank Latvia SIA

(unified registration number 54103053771)

**ANNUAL REPORT FOR THE YEAR ENDED  
31 DECEMBER 2025**

(16th financial year)

Prepared in accordance with Latvian general accounting principles standards together with independent auditors' report

Riga, 2025

\* This version of financial statements is a translation from the original, which was prepared in the Latvian language. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of financial statements takes precedence over this translation.

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## General information

Business name:	HOLM BANK LATVIA SIA (since 05.10.2020)
Registry code:	54103053771
Activity field (NACE code):	64.92 consumer creditor
License no: (Given by Consumer Rights Protection Center: <a href="https://www.ptac.gov.lv/lv">https://www.ptac.gov.lv/lv</a> )	NK-2016-041
First entry:	Valmieras Komercreģistrs, 28. October 2008
Legal address:	Dzelzavas iela 120G, Rīga, LV-1021, Latvia
Parent company:	Holm Bank AS
Holm Bank AS legal address:	Lääne county, Haapsalu city, Posti street 30, 90504, Estonia
OÜ Koduliising legal address:	Lääne county, Haapsalu city, Posti street 30, 90504, Estonia (100% parent of Holm Bank AS)
Group website:	<a href="http://www.holmbank.lv">www.holmbank.lv</a>
Reporting period:	01.01.-31.12.2025
Comparative period:	01.01.-31.12.2024
Members of the Management Board:	Kaspar Kalvet from 29.08.2023
Owner and final beneficiary (100%):	Arne Veske
Reporting currency:	EUR
Presented units:	EUR
Auditor:	KPMG Baltics SIA Commercial licence No. 55 Roberta Hirša iela 1, Rīga, Latvija, LV-1045
	Certified auditor in charge Rainers Vilāns Certificate No. 200

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## Abbreviations

The following styles of abbreviation are used in the current Annual Report:

<b>Company</b>	Holm bank Latvia SIA
<b>Parent</b>	Holm bank AS
<b>Group</b>	Holm bank Latvia SIA and Holm bank AS
<b>GAAP</b>	Generally Accepted Accounting Principles/Practice
<b>IASB</b>	International Accounting Standards Board
<b>Interpretations Committee</b>	IFRS Interpretations Committee (formerly International Financial Reporting Interpretations Committee (IFRIC))
<b>EIR</b>	Effective Interest Rate
<b>OCI</b>	Other comprehensive income
<b>FVOCI</b>	Fair value through other comprehensive income
<b>FVPL</b>	Fair value through profit or loss
<b>SPPI</b>	Solely payments of principal and interest
<b>ECL</b>	Expected credit loss
<b>12mECL</b>	12 months expected credit loss
<b>LTECL</b>	Lifetime expected credit loss
<b>PD</b>	Probability of default
<b>LGD</b>	Loss given default
<b>EAD</b>	Exposure at default
<b>NLP</b>	Net Loan Portfolio
<b>NPL</b>	Non-performing loans (defaulted)
<b>ROUA</b>	Right of use assets (financial lease)



## Management report

Holm Bank Latvia SIA (hereinafter: the Company) is a private limited company based on private capital and operating in Latvia. The Company performs its business objectives in the consumer credit field.

Since February 2021 Holm Bank AS (hereinafter: the Parent) is sole shareholder of Holm Bank Latvia SIA. Together, these companies form a consolidation group (hereinafter: Group). The current annual report of the Company is prepared for the year 2025.

The Group operates under 100% control by Arne Veske.

The year 2025 marked the beginning of economic recovery in Latvia. Although consumer and business confidence remained low, economic results indicated moderate growth. Export volumes and property prices rose slightly and loan demand recovered. The labor market remained stable, with nominal wage growth outpacing inflation, which is expected to restore household purchasing power in the future. Economic growth is anticipated to accelerate in 2026.

### Strategy

The Company's main activity is to provide consumer financing through various financial services and credit products (consumer credit, car loans and refinancing loans).

In the case of private individuals, the Company places strong emphasis on maintaining the existing customer base, increasing customer satisfaction, as well as acquiring new customers.

During the year 2025 the company continued to focus on creating value for its customers by offering financing for their everyday needs, alongside developing a Group level

The dynamic economic environment in Latvia continues to provide good opportunities for individuals and businesses to develop and implement new plans. The number and success of these initiatives will determine the long-term development and economic growth rate of our domestic markets.

Accordingly, 2025 was a successful year for Holm Bank Latvia. We significantly increased loan portfolio, raising it to the highest levels in our history. We continued investing in business development and launched new products tailored to contemporary needs, which were positively received by customers. We issued a record volume of new loans, enabling our clients to realize a record number of successful plans. Both customer and employee satisfaction indicators were at a very high level.

multi-year strategy. As the average loan amounts are relatively small, it is important to have a meaningful understanding of private individuals, followed by high-quality monitoring.

In July, we launched the Refinancing loan. Loan refinancing, or consolidation, is a process in which several existing loan obligations are combined and replaced with a new loan, with terms tailored to the borrower's current financial situation. This often enables the borrower to reduce the interest rate or monthly payment and set a more suitable repayment period.

All the Company's support functions are managed centrally. The financial, risk and legal management of the Company is coordinated at Group level. In this way, the principles of risk management as well as KYC and AML procedures are harmonized and meet the Group standards and policy compliance as well as compliance with local regulations, imposed by Consumer Rights Protection Center.

The Group has developed a multi-year strategy and financial plan, setting forth the updated main objectives for the coming years, considering the main developments in the external operating environment and the competitive landscape.

## Operating environment

The year 2025 posed significant challenges for Latvian consumer loan market. Consumer confidence remained low and the ongoing conflict between Russia and Ukraine negatively impacted foreign investments.

Nevertheless, the economy expanded modestly in 2025 (GDP growth ~1.7%), with a clear acceleration expected

## Financial performance

The company's interest income during the financial year amounted to 6.9 million euros, remaining at the same level as in year 2024. Despite the stagnant economy we are pleased with the stable interest income and growth in volume of the loan portfolio. The company's total

Key points of the strategy include:

- Continued increase of business volumes in both Estonia and Latvia
- Increasing brand awareness
- Development of existing capabilities, including continuously improving internal processes and offering high quality services to customers
- Maintaining and improving profitability

The activities foreseen in the strategy and financial plan will serve as a foundation for additional ambitious plans in the future.

in 2026 driven by stronger consumption and investment. Despite of negative economic events in previous years Latvian Bank forecasts GDP growth by 2.8% in 2026 and lower inflation of 3.2%, which is the reason to be optimistic.

statement of financial position increased up to 58.8 million euros by the end of December 2025 (31.12.2024: 47.0 million euros, growth +25.0%). Total equity has reached 3.02 million euros (31.12.2024: 2.96 million euros, increase 2.2%).

### Key financial parameters

	2025	2024
Average assets	52 908 387	44 457 238
Average equity attributable to owners	2 990 971	2 744 641
Net loan portfolio as of the end of the period	57 456 479	45 314 424
Total assets as of the end of the period	58 786 979	47 029 794
Net interest income	3 820 304	3 795 976
Net operating income	3 806 677	3 851 205
Credit loss expense on financial assets	-1 817 242	-1 243 765
Income tax	-25 434	-119 325
<b>Profit for the year</b>	<b>65 222</b>	<b>427 437</b>
Net profit attributable to owners of the parent	65 222	427 437

By the end of the year 2025, the loan portfolio consisted of one main product – consumer loans holding share of 98.8% from total net loan portfolio (31.12.2024: 96.2%). Other products in portfolio are credit card products and hire-purchase product.

The consumer loan product continued to be favored by customers throughout the year and as a result the interest income increased to 6.8 million euros (2024:

6.5 million euros) and net portfolio to 56.8 million euros (31.12.2024: 42.2 million euros). All other products consisting of hire-purchase, business loans and credit cards interest income reached 99 thousand euros and net portfolio decreased to 661 thousand euros.

The quality of the financing portfolio reached a certain level of stability during the year and the share of non-performing loans (by main indicator of delayed payments

between 90-365 days) was 2.25% as of 31.12.2025 from gross portfolio, which is higher level comparing to previous reporting period – 1.5% as of 31.12.2024. One of the primary factors contributing to the increase in this ratio was the mid-year decision to discontinue the sale of

loans to third parties and instead place greater emphasis on in-house collection efforts. Despite ratio increase result is in line with Company expectations. In today's market situation and considering Company's strategy, the result can be considered satisfactory.

## Internal control system

The Company as part of the Group adheres to the 'three lines of defense' principle, which means that within the Group's governance and control model, business areas and functions have clearly defined roles and responsibilities from the 'three lines of defense' perspective. To ensure effective operations, reliable financial reporting, and compliance with applicable laws and internal regulations approved by governing bodies, and to make decisions based on reliable and relevant information, the Group has established an internal control system that encompasses all operational and managerial levels.

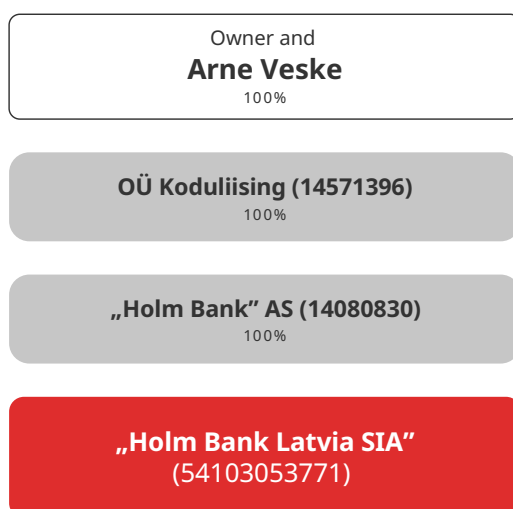
**1.** The first line of defense consists of internal control within each business unit. This line takes risks and is directly and continuously responsible for their operational management. To achieve this, business units must have appropriate processes and controls in place to ensure risks are identified, analyzed, measured, monitored, managed, reported, and kept within the institution's risk appetite, and that business activities comply with external and internal requirements.

**2.** The second line of defense includes the risk management and compliance functions, which operate as autonomous and independent control units. The risk management function facilitates the implementation of a

robust risk management framework throughout the Group and is responsible for further identifying, monitoring, analyzing, measuring, managing, and reporting on risks, forming a comprehensive view of all risks on both an individual and consolidated basis. The risk management function assists business units in implementing risk management measures to ensure that the processes and controls established in the first line of defense are properly designed and effective. The compliance function monitors the Group's adherence to legal and regulatory requirements and internal policies, provides compliance advice to management and relevant employees, and establishes policies and processes to manage compliance risks and ensure compliance. Both functions may intervene to modify internal control and risk management systems within the first line of defense when necessary.

**3.** The third line of defense is the internal audit function. This function conducts risk-based and general audits, reviewing the internal governance arrangements, processes, and mechanisms to ensure they are sound, effective, implemented, and consistently applied. The internal audit function is also responsible for the independent review of the first two lines of defense, performing its tasks independently of other lines of defense.

## Group structure



## Social responsibility

In 2025, Holm Bank continued its social responsibility activities in Latvia by supporting initiatives related to children and youth development, sports, and healthcare.

Holm Bank maintained its support for the children's Judo Club "Sigulda", which provides training opportunities for children and young people aged 4 to 18. The club runs regular training sessions and organises camps and participation in competitions, supporting structured extracurricular activities and an active lifestyle among youth.

Holm Bank also continued its long-term cooperation with the Latgale Regional Support Centre "Rasas pērles", established on the initiative of the Children's Foundation of Latvia to provide rehabilitation services to children who have experienced violence. In 2025, Holm Bank's support contributed to the centre's work, including the acquisition of equipment used in rehabilitation and development activities.

## Exposure to risks

The main financial risks arising from the Company's financial instruments and management's established

## Future development

The Management plans for 2026 are primarily to grow the Company's business through portfolio expansion, revenue growth, and expense optimization. Our strategy is to thrive in a challenging external environment and to be a flexible financial services provider that caters to

For the fourth consecutive year, Holm Bank supported the Children's Hospital Foundation (BSF). In 2025, Holm Bank directed its contribution to the Children's and Youth Mental Health Center within the Children's Clinical University Hospital, reflecting the increasing need for mental health support for children and adolescents.

Throughout the year, further developments were implemented in the self-service environment to continuously improve customer experience and customer journey. Updates were also introduced in line with the requirements of the European Accessibility Act. In addition, an overview of ongoing improvements was added to the website to keep customers informed about further measures that will enhance the accessibility of both our website and self-service platform.

procedures to manage identified risks are described in Note 2 Risk management.

each client's needs. We believe our small size allows us to respond quickly to changes and emerge from a difficult external environment with a stronger market position than when we entered.

Signed on behalf of the Company by:

**Kaspar Kalvet**

Member of the Management Board

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## Profit and loss statement

	Note	2025	2024* restated
Interest revenue calculated using the effective interest rate method		6 906 953	6 933 108
Interest expense calculated using the effective interest rate method		-3 086 649	-3 137 132
<b>Net interest income</b>	<b>3</b>	<b>3 820 304</b>	<b>3 795 976</b>
Fee income		650	87 515
Fee expense		-60 600	-66 479
<b>Net fee income (expense)</b>	<b>4</b>	<b>-59 950</b>	<b>21 036</b>
Other income	5	46 323	34 193
<b>Net operating income</b>		<b>3 806 677</b>	<b>3 851 205</b>
Personnel expenses	6	-847 158	-800 153
Administrative and other operating expenses	6	-851 498	-875 248
Other expenses	6	-15 086	-10 014
Depreciation and amortization expense	13,14	-31 855	-30 672
Credit loss expense on financial assets	7	-1 817 242	-1 243 765
Net loss from de-recognition of financial assets measured at amortized cost	8	-153 182	-344 591
<b>Total operating expenses</b>		<b>-3 716 021</b>	<b>-3 304 443</b>
<b>Profit before income tax</b>		<b>90 656</b>	<b>546 762</b>
Income tax	9	-25 434	-119 325
<b>Profit for the year</b>		<b>65 222</b>	<b>427 437</b>

\* Income and expenses related to contracts sold were reclassified between Other income and Credit loss expense on financial assets. Detailed breakdown is available in Notes 5 and 7. Overall results were not impacted in the result of reclassified transactions.

Notes on pages 13 to 42 are an integral part of these financial statements.

Signed on behalf of the Company by:

**Kaspar Kalvet**

Member of the Management Board

**Rostislavs Kolosovs**

Finance manager

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## Statement of financial position

	Note	31.12.2025.	31.12.2024.
<b>Assets</b>			
Cash and cash equivalents	10	1 169 530	1 419 669
Other assets and receivables	11	115 145	218 021
Loans and advances to customers	12	16 907 422	11 108 017
<b>Shortterm assets total</b>		<b>18 192 097</b>	<b>12 745 707</b>
Property, plant and equipment	13	13 306	20 771
Right-of-use assets	14	32 519	56 909
Loans and advances to customers	12	40 549 057	34 206 407
<b>Longterm assets total</b>		<b>40 594 882</b>	<b>34 284 087</b>
<b>Total assets</b>		<b>58 786 979</b>	<b>47 029 794</b>
<b>Liabilities</b>			
Lease liabilities	14	24 975	24 086
Other liabilities	16	729 894	513 845
<b>Shortterm liabilities total</b>		<b>754 869</b>	<b>537 931</b>
Loans received from parent company	15,19	55 000 000	43 500 000
Lease liabilities	14	8 528	33 503
<b>Longterm liabilities total</b>		<b>55 008 528</b>	<b>43 533 503</b>
<b>Total liabilities</b>		<b>55 763 397</b>	<b>44 071 434</b>
<b>Equity</b>			
Share capital	17	428 284	428 284
Retained earnings	17	2 595 298	2 530 076
<b>Total equity</b>		<b>3 023 582</b>	<b>2 958 360</b>
<b>Total liabilities and equity</b>		<b>58 786 979</b>	<b>47 029 794</b>

Notes on pages 13 to 42 are an integral part of these financial statements.

Signed on behalf of the Company by:

**Kaspar Kalvet**

Member of the Management Board

**Rostislavs Kolosovs**

Finance manager

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## Statement of cash flows

	Note	2025	2024
Paid out to customers		-33 190 191	-22 720 688
Principal repayments from customers		17 879 669	15 869 682
Received interest, commission and other fees		8 153 875	7 578 276
Recoveries of debt previously written off		44 784	39 410
Paid trade payables		-689 969	-762 489
Paid prepayments		-58 941	-55 576
Received prepayments		55 799	60 576
Paid salaries		-638 268	-638 032
Paid tax liabilities, excl. CIT		-80 175	-96 793
Paid Corporate Income Tax (CIT)		-115 987	-12 466
<b>Cash flows from operating activities</b>		<b>-8 639 404</b>	<b>-738 100</b>
Purchased tangible and intangible assets	13	0	-12 066
<b>Cash flows from investing activities</b>		<b>0</b>	<b>-12 066</b>
Repayment of principal portion of lease liabilities	14	-24 086	-23 871
Received loans from related party (Parent)	19	11 500 000	4 500 000
Paid interests		-3 086 649	-3 137 132
<b>Cash flows from financing activities</b>		<b>8 389 265</b>	<b>1 338 997</b>
<b>Change in cash and cash equivalents</b>		<b>-250 139</b>	<b>588 831</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>1 419 669</b>	<b>830 838</b>
Net increase/(decrease) in cash and cash equivalents		-250 139	588 831
<b>Cash and cash equivalents at the end of the period</b>	<b>10</b>	<b>1 169 530</b>	<b>1 419 669</b>

## Cash and cash equivalents comprise

		31.12.2025	31.12.2024
Cash on hand		-	-
Non-restricted current account	10	1 169 530	1 419 669

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Signed on behalf of the Company by:

**Kaspar Kalvet**

Member of the Management Board

**Rostislavs Kolosovs**

Finance manager

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## Statement of changes in equity

	Note	Share capital	Retained earnings	Equity
<b>Balance as at 01.01.2025</b>		<b>428 284</b>	<b>2 530 076</b>	<b>2 958 360</b>
Profit for the year		-	65 222	65 222
<b>Total profit for the year</b>		<b>-</b>	<b>65 222</b>	<b>65 222</b>
<b>Balance as at 31.12.2025</b>	<b>17</b>	<b>428 284</b>	<b>2 595 298</b>	<b>3 023 582</b>
<b>Balance as at 01.01.2024</b>		<b>428 284</b>	<b>2 102 639</b>	<b>2 530 923</b>
Profit for the year		-	427 437	427 437
<b>Total profit for the year</b>		<b>-</b>	<b>427 437</b>	<b>427 437</b>
<b>Balance as at 31.12.2024</b>	<b>17</b>	<b>428 284</b>	<b>2 530 076</b>	<b>2 958 360</b>

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## Notes to the financial statements

### General information

The Company is registered in Valmiera's Komercreģistrs as of 28 October 2008 and is privately owned entity. Until 5th October 2020 Holm Bank Latvia SIA operated under name SIA "Best Lizings". The main area of activity is consumer financing in retail and e-commerce under "Holm" trademark. Product portfolio consists of hire-purchase, credit cards and consumer loans, including in the form of car loans.

Holm Bank Latvia SIA itself does not issue or administrate credit cards, but uses 3rd party partner for this service, who has valid FCMC licence.

Holm Bank Latvia SIA operates solely in Latvian market, but over times has been controlled by Estonian companies. Until 30th of September 2019 the Company operated as 100% subsidiary of Eurolist OÜ. From the moment Holm Bank AS (registered office: Lääne county, Haapsalu city, Posti street 30, 90504, Estonia) acquired

control of 51.07% shares, Eurolist OÜ lost control. Since 25th of February 2021 Holm Bank AS has been the sole shareholder of the Company.

The Company's shareholder consolidates the Company as its subsidiary in the preparation of consolidated annual reports is Holm Bank AS. Copies of consolidated annual reports are available at [www.holmbank.ee](http://www.holmbank.ee).

The Parent is a credit institution (with banking license) with a concentrated circle of owners. The ultimate controlling party of Holm Bank AS belongs to OÜ Koduliising. The registered address of the Bank is Posti tn 30, Haapsalu City, Estonia. The Group operates under 100% control by Arne Veske.

The current annual report of the Company is prepared for the year 2025.

### Summary of material accounting policies

#### Basis of preparation

The financial statements have been prepared in accordance with the Accounting Law and the Law on Annual Accounts and Consolidated Annual Accounts (the Law).

In accordance with the Law, for good cause shown, the Company may make use of a statutory derogation and may recognize, measure, disclose in the financial statements and provide explanatory information in respect of items of assets or liabilities in the balance sheet in accordance with International Accounting Standards, which is understood to mean IFRS accounting standards as adopted by the European Union (hereinafter referred to as "IFRS accounting standards").

The Company is a subsidiary of a group whose parent company prepares its financial statements in accordance with IFRS accounting standards and, therefore, the Company's management has applied the provisions of the Law on Annual Accounts and Consolidated Annual

Accounts of the Republic of Latvia No. 13, item 13.1, in the preparation of these financial statements. The Group has also made use of the exemption provided for in Article 13(5) of the Act and has recognized, measured and reported financial assets, leasehold assets and taxes in accordance with IFRS accounting standards and has provided explanatory notes in respect of these items, i.e. IFRS 9, IFRS 16 and IAS 12 have been applied.

These statements have been prepared on a historical cost basis and on-going concern basis and are presented in euros, except when otherwise indicated.

The preparation of the annual report in accordance with IFRS requires the Management Board to use critical accounting estimates in certain areas.

The original financial statements of the Company have been prepared in Latvian. In case of the conflict with English, the Latvian version shall prevail.

#### Recognition of interest income and expenses

Under IFRS 9 interest income is recorded using the effective interest rate (EIR) method for all financial

instruments measured at amortized cost. The Company calculates interest income by applying the effective

interest rate to the gross carrying amount of financial assets other than credit-impaired assets and purchased or originated credit impaired (POCI) financial assets.

If a financial asset becomes credit-impaired and is, therefore, regarded as 'Stage 3' (NPL), the Company calculates interest income by applying the effective interest rate to the net amortized cost of the financial

### Recognition of fee income and expenses

Occasionally, the Company earns fees and commission income from the financial services it provides to its customers. Fee and commission income is recognized at an amount that reflects the consideration to which the Company expects to be entitled in exchange for providing the services.

### Cash and cash equivalents

For cash flow statement, cash and cash equivalents include cash at banks and on hand and short-term deposits with

### Accounting principles of financial instruments

#### Initial recognition

Financial assets and liabilities, with the exception of loans and advances to customers and balances due to customers, are initially recognized on the trade date, i.e., the date that the Company becomes a party to the contractual provisions of the instrument.

Loans and advances to customers are recognized when funds are transferred to the customers' accounts. The Company recognizes balances due to investors when funds are transferred to the Group.

The classification of financial assets at initial recognition depends on their contractual terms and the business model for managing the instruments. Financial assets are initially measured at their fair and, except in the case of financial assets and financial liabilities recorded at FVTPL,

#### Financial assets - classification and subsequent measurement

Debt instruments are those instruments that meet the definition of financial liability from the issuer's perspective.

Classification and subsequent measurement of debt instruments depend on:

- the Company's business model for managing financial assets.
- the contractual cash flow characteristics of the financial asset.

**Business model:** the business model reflects how the Company manages the financial assets to generate cash

asset. If the financial assets improve and is no longer credit-impaired, the Group reverts to calculating interest income on a gross basis.

Subsequent receipts of debt previously written off are recognized on a cash basis as part of other incomes as such incomes are not predictable.

Fees and expenses are recognized on an accruals basis. Fees that are included in the calculation of the effective interest rate of a financial instrument measured at amortized cost, such as loan origination fees, are allocated over the expected tenor of the instrument applying the effective interest method and presented in "Net interest income".

an original maturity of three months or less, which are subject to an insignificant risk of changes in value.

transaction costs are added to, or subtracted from, this amount.

Company classifies all its financial assets based on the asset's contractual terms, the Company's business model and SPPI assessments - measured at either:

- Amortized cost
- FVOCI
- FVTPL

Financial liabilities, other than loan commitments and financial guarantees, are measured at amortized cost or at FVTPL when they are held for trading and derivative instruments, or the fair value designation is applied.

flow. That is, whether the Company's objective is solely to collect the contractual cash flows from the assets or to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g., financial assets are held for trading purposes), then the financial assets are classified as part of another business model and measured at fair value through profit or loss. Factors considered by the Company in determining the business model for management of assets include experience on how the cash flows for these assets were collected, how the asset's performance is evaluated and reported to key management personnel, how risks are assessed and managed and how managers of the Company are compensated. The Company's

business model for unsecured consumer loans is to collect contractual cash flows. Therefore, the business model for the portfolio is to hold assets to collect contractual cash flows. Nevertheless, in 2025 the Company continued with cessations of debt instruments in Latvia. Occasional selloffs have not changed the Company's ultimate business model.

**Cash flow characteristics of the asset:** where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell the assets, the Company assesses whether the financial instruments' cash flows represent solely payments of principal and interest. In making this assessment, the Company considers whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for the time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to additional risk or volatility that is inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

#### Financial liabilities

Financial liabilities are initially recognized on the statement of financial position at their fair value (acquisition costs). After initial measurement, debt is issued, and other borrowed funds are subsequently

#### Amortized cost and effective interest rate (EIR)

The amortized cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortization using the effective interest rate (hereinafter EIR) method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowances. The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortized cost before

Based on these factors, the Company classifies its debt instruments into one of the three measurement categories:

- Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, and that are not designated at fair value through profit or loss, are measured at amortized cost.
- Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at fair value through profit or loss, are measured at fair value through other comprehensive income.
- Assets that do not meet the criteria for amortized cost or fair value through other comprehensive income are measured at fair value through profit or loss.

During the reporting period, the Company has measured all its debt instruments at amortized cost.

There were no changes in the classification and measurement of financial assets and liabilities.

measured at amortized cost. Amortized cost is calculated by considering any discount or premium on issue funds, and costs that are an integral part of the EIR.

any allowance) or to the amortized cost of a financial liability. The calculation does not consider expected credit losses and includes all fees paid and received between contracting parties, transaction costs, premiums or discounts that are integral to the effective interest rate, such as origination fees. When the Company revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original EIR. Any changes in value are recognized in the income statement.

### Modification of loans

As per the customer's request the Company may renegotiate the contractual terms. Changes to contractual terms are normally not substantially different to the original agreement and therefore the renegotiation or modification does not result in contract derecognition. The Company recalculates the gross carrying amount

of the financial asset based on the revised cash flows discounted at the original effective interest rate and recognizes a modification gain or loss in income statement. The Company also considers potential impact in deterioration in credit risk, depending on the terms of the modification.

### Loan write-off's

The Company writes off financial assets, in whole or in part, when overdue payments reach 365+ days. If the amount to be written off is greater than the accumulated

loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount.

### Derecognition of financial liabilities

Financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms or the terms of an existing liability are substantially

modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognized in profit or loss.

### Derecognition of financial assets

Financial assets are derecognized from the statement of financial position when a change in the contractual terms results in a material change in the contractual cash flows, as described in the previous paragraph. The Company also writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery.

probability of receivables collection, automatic write-offs for receivables over 365 days past due have been systematically implemented. Collection is not limited to write-offs and will be continued as off-balance sheet.

Financial assets are derecognized when collection is no longer considered probable. Based on the Company's previous practice regarding the decrease in the

If the amount to be written off is greater than the accumulated loss allowance, the difference is first treated as an addition to the allowance that is then applied against the gross carrying amount, and after that derecognized. Any subsequent recoveries are credited to other income.

### Impairment of financial assets

The Company applies the expected credit loss model as per Group guidelines for financial assets measured at amortized cost. As a result, all financial assets of the Group generally carry a loss allowance.

Loss allowance is measured as either 12-month ECLs or lifetime ECLs, depending on whether there has been a significant increase in credit risk since initial recognition.

ECLs are a probability-weighted estimate of credit losses, that is the present value of future cash shortfalls, over the expected life of a financial asset. A cash shortfall is the difference between the cash flows that are due and the cash flows that the Company expects to receive. The measurement of expected credit losses must reflect an unbiased and probability-weighted amount that is determined by evaluating the range of possible outcomes as well as incorporating the time value of money.

If a significant increase in credit risk of an instrument has occurred since initial recognition, then allowance is measured as lifetime ECLs. If the credit risk on financial assets, for which lifetime ECLs have been recognized, subsequently improves so that the requirement for recognizing lifetime ECLs is no longer met, then the loss allowance is measured at an amount equal to 12-month ECLs.

The assessment of ECLs is based on reasonable and supportable information – that is, information reasonably available without undue cost or effort at the reporting date.

The loss allowance (or reversal) recognized in the statement of comprehensive income is the amount required to adjust the loss allowance to the appropriate amount at the reporting date.

## Expected credit loss methodology of the Company

### Overview of the ECL principles

The company may use the following methods to calculate ECL:

- Individual assessment method.
- Collective assessment method.
- Expert judgement / management overlays.

The Company uses collective basis for ECL measurement.

To measure ECLs on a collective basis, financial assets are grouped based on shared credit risk characteristics.

Shared credit risk characteristics considered in segmentation:

- Instrument type.

The collective basis of ECL measurement is performed for the following financial assets:

- Hire-purchases
- Consumer loans
- Credit cards
- Leasing
- Business loans

More detailed segmentation may be applied for allowance purposes as appropriate for model development.

The Company has been recording the allowance for expected credit losses for all loans and other financial debt assets not held at FVTPL, in this section all referred to as 'financial assets'.

The Company has established a policy to perform an assessment, at the end of each reporting period, of whether a financial asset's credit risk has increased significantly since initial recognition, by considering the change in the risk of default occurring over the remaining life of the financial asset.

### Definition of default

The Group has aligned its definition of credit impaired assets under IFRS 9 to the European Banking Authority (EBA) definition of non-performing loans (NPLs).

The Group considers a financial asset defaulted for ECL calculations in all cases when the borrower becomes 90

### Exposure at default

The exposure at default (EAD) represents the gross carrying amount of the financial assets subject to the expected credit loss calculation including the unpaid loan

- **Stage 1** represents exposures, for which the credit risk has not significantly increased since initial recognition. For Stage 1 exposures, 12-month PD is used as a basis to calculate expected credit losses.
- **Stage 2** represents exposures, for which the credit risk has significantly increased since initial recognition but do not qualify for default or Stage 3 status. The Company uses DPD, customer or client rating, forbearance, variable info from borrower of difficulties, material breach of loan covenants, deterioration of prognosis or other negative news as SICR parameters for Stage 2 exposures. For Stage 2 exposures, lifetime PD is used as a basis to calculate expected credit losses.
- **Stage 3** represents exposures that are in default. Companies use DPD, payment behavior assessment, restructuring for payment difficulties, termination, bankruptcy, realization of collateral for Stage 3 exposures. For Stage 3 exposure, PD of 100% is used as a basis to calculate expected credit losses. The lifetime component for such positions is captured via the LGD component, where the LGD is calculated by discounting future cash flows with EIR.

The Company didn't have POCI assets as of 31.12.2025 and 31.12.2024.

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount and the corresponding loss allowance of the financial asset are written off. This is considered a (partial) derecognition of the financial asset.

Impairment losses and releases are accounted for in a Credit loss expense on financial assets caption.

The main parameters the Group uses in assessing credit risk are the exposure at default (EAD), probability of default (PD) and loss given default (LGD) and forward-looking information.

days past due on its contractual payments, which exceed absolute and relative materiality thresholds (for retail 1% relative and 100 euros absolute and for non-retail 1% relative and 500 euros absolute) or if the correspondent event should result in treating the customer as defaulted.

principal, accrued interests and fees, incorporating the data on the outstanding exposure as of the reporting date, the scheduled repayments of the exposure over

the forecast horizon, the possible increase in exposure in case of undrawn committed credit lines, potential early repayments, and possible accumulated unpaid interest.

To calculate the EAD for a Stage 1 loan, the Company assesses the probable development of those variables over the 12-month time horizon.

To calculate the EAD for Stage 2 loan, the Company assesses the probable development of those variables over the loan lifetime time horizon.

The maximum period to consider for EAD estimation for expected credit losses calculation is the maximum contractual period of the loan. Any exception, for example for facilities that are expected to be prolonged at maturity, must be duly motivated and documented and the perimeter for which the exception is applied clearly identified.

#### Loss given default

Loss Given Default (LGD) reflects the economic loss that may occur in the event of default.

It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including the realization of any collateral or credit enhancements that are integral to the loan and

#### Probability of default

The definition of probability of default corresponds to the definition used in Group risk management. This is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognized, and is still in the portfolio. The probability of default reflects how high is the probability that the loan customer will experience a settlement default of more than 90 days by the 12th month after the assessment.

#### Forward-looking information

In its ECL models, the Company relies on the following forward-looking information as economic input:

- Unemployment rate

#### Assessing significant increase in credit risk

For determining whether there has been a significant increase in credit risk since initial recognition, the Company considers a variety of information available. The information available is determined by the structure of the nature of the business and is different by segment and by product - wider for corporate loans and narrower for retail loans for which there is no routine credit risk

To convert undrawn committed credit lines to EAD, the following principles are used:

- For credit cards: In order to find the exposure value of the unused part of the credit limit, the Company calculates how many credit card contracts defaulted within 12 months and what percentage of the unused part of the limit was taken into use during that period. The resulting coefficient is multiplied by the unused part of the limit and added to the exposure value.
- For all other exposures: due to absence of internal data, caused by short operating history and lack of sizable portfolio of such products, as well as absence of reliable market information, the credit conversion factors defined by Article 166 of the CRR are applied.

The assessment of cash flows relies on the assumption that the customer makes payments in accordance with the agreed terms.

not required to be recognized separately. It must account for the time of such cash flows arriving and any debt collection or collateral realization costs. It is expressed as a percentage of the EAD.

The Company estimates LGDs separately for collateralized and uncollateralized exposures.

As a basis for probability of default estimates, the Company determines the respective 12-month default rates for each segment from historical data. In the historical default rate calculation, it is considered the number of defaults relative to the total size of performing non defaulted portfolio over a 12-month period. In total 12 these kinds of 12-month periods are evaluated, and historical 12-month default rate is considered the average of these periods.

Forward looking effects are calculated for the 12-month period for 12-month ECL calculation and for 24-month period for lifetime ECL calculation.

information provided by the borrower. The Company has considered all available information, as well as the market practice and provisions of section B5.5.17 of IFRS 9 in determining the appropriate information to be used for determining significant increase in credit risk in consideration of its business model.

## Developing macro-economic scenarios

Macro-economic scenarios are developed internally, using external sources. Possible sources include (but are not limited to) European Central Bank, Bank of Latvia, and local banks.

Company evaluates three possible macro-economic scenarios:

- Baseline scenario is based on neutral forecasts and reflects the expectations of future economic conditions, which are most likely to happen. Baseline scenario is based on average results of the external forecasts.
- Negative scenario is based on the expectations of economic conditions more negative than average. The negative scenario is based on the most negative result of the external forecasts.
- Positive scenario is based on the expectations of economic conditions more positive than average. The positive scenario is based on the most positive result of the external forecasts.

Each possible macro-economic scenario receives a probability of occurring. This probability is a management estimate and is based on prevailing market consensus

## Expert judgement

The Group uses both models and expert judgement to determine ECLs. The degree of judgement that is required to estimate ECL depends on the model outcome, materiality, and the availability of detailed information. The model provides guidance and transparency as to how economic events could affect the impairment of financial assets. Model overlay may be applied to the

## **Property, plant and equipment and intangible assets**

Property, plant, equipment and intangible assets are initially recognized at acquisition cost, consisting of the purchase price and costs directly related to the purchase. The assets are then recognized at their acquisition cost less accumulated depreciation and accumulated losses

## Property, plant and equipment

Property, plant and equipment are items with physical substances that have a useful life of more than one year. Assets with a shorter useful life are expensed as incurred.

The estimated economic useful lives are as follows:

## Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition,

and sentiment, including both all available external and internal forward-looking information.

Macro-economic scenarios are monitored actively and developments in macro-indicators are incorporated as new data becomes available.

Macro indicators for the ECL model have been chosen based on statistical analysis of correlations between the macro indicators and the observed external proxies of default rates. Stock of loans overdue data from BoE and Bank of Latvia were used as a proxy of default rates.

Only variables that have at least a moderate or higher correlation have been selected as appropriate macro indicators for macro-economic scenario developments. Selected macro indicators used for macro-economic scenarios are the following:

- The unemployment rate shows a strong observed correlation and significance with the proxy default rate. Lower unemployment rate means borrowers can repay the loans. Higher unemployment rate reduces the borrower's ability to repay the loans.

modelled outcome to incorporate an estimated impact of factors not captured by the model. Model overlays are documented and reviewed by the Credit Committee. Such judgmental adjustment to the model generated ECLs may be applied to significant exposures at a counterparty level or at a portfolio level. In the end of 2023 and 2024 no overlays were applied.

from impairment. The straight-line method is used for depreciation and amortization of property, plant, equipment and intangible assets, the expected residual value is zero.

- |                              |          |
|------------------------------|----------|
| • Computer Software          | 10 years |
| • Machinery and Equipment    | 5 years  |
| • IT equipment and furniture | 5 years  |
| • Cars                       | 5 years  |

intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses.

## Computer software

Costs associated with the ongoing maintenance of computer software are recognized as an expense as incurred. Acquired computer software, which is not an integral part of the related hardware, is recognized as an intangible asset.

Development costs that are directly attributable to the design and testing of identifiable software products controlled by the Group are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;

## **Lease accounting**

### IFRS 16: Leases

IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer (lessee) and the supplier (lessor). The standard requires lessees

### The Company as Lessee

Based on IFRS 16 the lessees is required to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and depreciation of lease assets separately from interest on lease liabilities in the income statement.

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The cost of right-of-use assets includes the amount of lease liabilities recognized, initial direct costs incurred, and lease payments made at or before the commencement date, and less lease incentives received. The finance costs are recognized in the income statement over the lease period to produce a constant periodic interest rate on the remaining balance of liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. In the statement of financial position right-of-use assets are placed under correspondent row and lease liabilities accordingly. Implemented

## **Impairment of non-financial assets**

Non-financial assets are tested for impairment if there are any indicators of impairment (except for goodwill). Intangible assets with indefinite useful lives and

## **Corporate Income Tax**

Legal entities have not been required to pay income tax on earned profits starting from 1 January 2018 in accordance

- The Management Board intends to complete the software product and use it; there is an ability to use the software product.
- it can be demonstrated how the software product will generate probable future economic benefits.
- adequate technical, financial and other resources for completing the development and using the software product are available.
- the expenditure attributable to the software product during its development can be reliably measured.

to recognize most leases on their financial statements. Lessees have a single accounting model for all leases, with certain exceptions. Lessor accounting is substantially unchanged.

depreciation terms are given in the referred note. The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases for low-value assets. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term. At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognized as expenses in the period in which the event or condition that triggers the payment occurs.

intangible assets not yet available for use are tested for impairment annually by comparing their carrying amount with their recoverable amount.

with amendments made to the Corporate Income Tax Law of the Republic of Latvia. Corporate income tax is paid

on distributed profits and deemed profit distributions. Consequently, current, and deferred tax assets and liabilities are measured at the tax rate applicable to undistributed profits. Starting from 1 January 2018, both distributed profits and deemed profit distributions have been subject to the tax rate of 20 per cent of their gross amount, or 20/80 of net expense. Corporate income tax on dividends is recognized in the profit or loss as expense in the reporting period when respective dividends are declared, while as regards other deemed profit items, at the time when expense is incurred in the reporting year.

### **Related parties**

Related parties include shareholders, managers of the Parent company, the sole shareholder of the group or

Income tax expense is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or other comprehensive income, in which case it is recognized in equity or other comprehensive income.

During 2023 Latvian state passed a law with additional corporate income tax for financial institutions and credit service providers. The effective tax rate is 20 per cent of the current year's profit.

persons with an equivalent interest (spouses, children, parents and business entities).

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## Note 1

### Significant accounting judgements, estimates and assumptions

The preparation of the Company's financial statements requires management to make judgements, estimates and assumptions that affect the reported amount of revenues, expenses, assets and liabilities, and the accompanying disclosures, as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods. In the process of applying the Company's accounting policies, management has made the following judgements and assumptions concerning the future and other key sources

#### Impairment losses on financial assets

The expected credit loss model follows a "three-stage" approach based on changes in the credit quality of the financial instruments since their initial recognition.

The Company continuously monitors all financial assets and other instruments subject to ECL. To determine whether an instrument or a portfolio of instruments is subject to 12mECL or LTECL, the Company assesses whether there has been a significant increase in credit risk since initial recognition.

In PD calculations, an average of 12x12 months actual data is used. In LGD data, the model uses 36 months data.

Regardless of the change in credit grades, if contractual payments are more than 30 days past due, the credit risk is deemed to have increased significantly since initial recognition.

When estimating ECLs on a collective basis for a group of similar assets, the Company applies the same principles

of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Existing circumstances and assumptions about future developments may change due to circumstances beyond the Company's control and are reflected in the assumptions if and when they occur. Items with the most significant effect on the amounts recognized in the financial statements with substantial management judgement and/or estimates are collated below with respect to judgements/estimates involved.

for assessing whether there has been a significant increase in credit risk since initial recognition.

In its ECL models, the Company relies on a broad range of forward-looking information as economic input, such as unemployment and GDP growth. For LTECL, macroeconomic forecasts take into account 24 months period, and for 12mECL, 12 months period is used.

The Inputs and models used for calculating ECL may not always capture all characteristics of the market at the date of the financial statements. To reflect this, qualitative adjustments or overlays are occasionally made as temporary adjustments when such differences are significantly material.

The forward-looking adjustment is performed by comparing the forecasted economic input change for one year from the reporting date, with the latest growth and rate changes available.

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## Note 2

### Risk management

#### Note 2.1 General information

Risk management processes set by the Company policy are established to ensure the identification, measure, limitation, control, mitigation and reporting of all material risks and associated risk concentrations on a timely and comprehensive basis. The objective of the risk management framework is to ensure that whenever the Company takes reasonable risks that are required to generate reasonable returns, or whenever we put capital at risk, the Company does it in an objective, documented and transparent fashion which must be understood and considered by all Company employees and within all activities. All material risk types shall be managed via established risk management processes and communication lines with clear responsibilities assigned.

#### Note 2.2 Credit risk

Credit risk is a risk that the counterparty to the transaction is not capable of performing or willing to perform its contractual obligations. Within credit risk the Company identified country risk and FX lending risk and concentration risk.

Credit risk arises in the Company's direct lending operations, where counterparties have repayment or other obligations to the Company.

Credit risk in a loan portfolio is the most significant risk of the Company's risk profile and most significant driver of the Company's overall risk exposure. The Company knowingly accepts moderate, above average credit risk in loan portfolio. The credit policy includes customer base with higher credit risk level and corresponding higher default rate, where higher risk is compensated with higher interest rates. At the same time the Company's target is to avoid unreasonably high risk within the loan portfolio.

The Company's credit risk appetite is to avoid over-reliant risk level and risk mitigation through:

- optimal risk and return balance.
- above average interest rates level.
- below average contract maturity.
- significantly below average contract amounts.
- Well diversified portfolio, risk concentrations shall be avoided.
- above average proportion of overdue and loan losses, which at the same time shall be properly considered on product pricing.

The main risks categories that the Company has identified in its operations are credit risk, market risk, liquidity risk, operational risk, business risks.

The Company's main business activities are consumer and SME finance. Loan portfolio credit risk is predominantly the most significant risk on the Company's risk profile, where above average risk level is accepted. However, the Company shall avoid unreasonably high credit risk, using a diversified loan portfolio, a low average loan amount, a higher-than-average interest rate and constant monitoring of the loan portfolio quality for excessive credit risk mitigation.

- adequate and conservative provisioning.
- constant monitoring of off-balance items.
- well-controlled credit risk taking and risk profile.
- strict limiting and constant monitoring of the loan portfolio quality.

Responsible lending is a critical part of loan portfolio risk appetite.

Credit risk in other assets arises from the statement of financial position and off-balance sheet assets. The target is to hold proportion of other assets risk is minimal and the Company's target risk appetite is rather conservative.

Country risk is a specific form of risk over which the Company can exercise no direct influence, but which may lead to serious deterioration of credit quality. As of reporting date the Company's target market is Latvia. FX lending risk arises from issuing loans, where the base currency is other than the euro. As a general principle, all credits shall be issued in Euro. As of the reporting date all loans issued by the Company are nominated in Euro.

The Company's concentration risk strategy is to avoid the significant impact of a default of any single counterparty with a well-diversified loan portfolio, where majority of single customer or connected customer concentrations are below 0,1% of total loan portfolio. Large single exposures in credit portfolio shall be avoided or mitigated properly.

## Note 2.3 Maximum exposure to credit risk

Maximum exposure to credit risk			
	Notes	31.12.2025	31.12.2024
Cash and cash equivalents	10	1 169 530	1 419 669
Other assets	11	115 145	218 021
Loans and advances to customers	12	58 957 563	46 054 456
Exposures related to off-balance sheet items	18	417	29 242
<b>Total maximum exposure to credit risk</b>		<b>60 242 655</b>	<b>47 721 388</b>

## Note 2.4 General description of the products



### Hire-purchase

The Company offers hire-purchase products to customers through cooperation partners both in their stores and in online stores. The purpose of the hire-purchase payment is to pay for the purchased goods and services according to the repayment schedule. In the contract between the Company and the customer the loan amount is fixed,

which is to be paid to the merchant for the purchased goods / services. The maximum loan amount is 10 thousand euros, and the contract period is 60 months for private customers. For business clients amount could reach up to 25 thousand euros.



### Credit card

In the case of an instalment card the customer will get a personal instalment limit, within which the customer can make payments in all stores and e-shops with card payment facilities around the world. The resource of the payment is a physical credit card issued to the customer and registered as a VISA co-brand program. The purpose

of the instalment payment is to pay for the purchased goods and services according to the payment plan. The Company offers a 15-day interest-free period and there is no monthly fee on the card. The maximum credit limit is 3 thousand euros, and the maximum instalment period is up to 60 months.



### Small Loan

In the case of a money loan there are no restrictions to the customer's specific purchase, place of purchase or purpose of the loan. The loan amount will be transferred to the customer's current account after the loan

agreement comes into force. The loan limit is up to 25 thousand euros and the maximum repayment schedule is 120 months (For variable subproducts with purposes conditions were up to 25 thousand and up to 96 months).

## Note 2.5 Distribution of assets and liabilities by geographic region

The operational activity of Holm Bank Latvia SIA is conducted only in the Latvian market.

## Note 2.6 Distribution of loans granted by industry (gross)

Over the last periods over 99% of total loans has been provided for individuals and households. Because of the immateriality no detailed information is disclosed here about industry distribution.

Received loans have been received from the parent company.

## Note 2.7 Selected macro-financial indicators

The most significant period-end assumptions, as outlined on the tables below, are used for the ECL calculations as of 31 December 2025. The scenario "base" were used for

all portfolios. The Company uses same economic variable assumptions both for private persons and companies.

## Selected macro-financial indicators

	Actual 2025	Base scenario 2026E	Negative scenario 2026E	Positive scenario 2026E
Unemployment rate, %	6,80%	6,60%	11,40%	6,50%
Probability of scenario		75,00%	20,00%	5,00%

## Selected macro-financial indicators

	Actual 2024	Base scenario 2025E
Unemployment rate, %	6,90%	6,60%

### Note 2.8 Sensitivity analysis

Set out below are the changes to the ECL as of 31 December 2025 that would result from reasonably possible changes in these parameters from the actual assumptions used in the Company's economic variable

assumptions (for example, the impact on ECL of increasing the estimated unemployment rate by X% in each of the base, upside, downside scenarios):

31.12.2025	Impact of increase	Impact of decrease
Unemployment rate (change) +0.5%/-0.5%	17 608	-3 599

31.12.2024	Impact of increase	Impact of decrease
Unemployment rate (change) +0.5%/-0.5%	1 151	-1 151

2025	Impact on loss allowances
LGD 0,5% increase	16 502
LGD 0,5% decrease	-16 502
PD 0,5% growth	91 867
PD 0,5% decline	-91 952

2024	Impact on loss allowances
LGD 0,5% increase	8 900
LGD 0,5% decrease	-8 900
PD 0,5% growth	66 200
PD 0,5% decline	-66 200

## **Note 2.9 Expert judgement**

The Company uses models and expert judgement for calculating ECL. The degree of expert judgement depends on model outcome, materiality, and information available. Considering the macroeconomic uncertainties and the uncertainties revealed in various data analyses

including back testing, overlays on portfolio level using expert judgement have been determined. The model overlays are re-evaluated regularly in connection with the assessment of ECL allowances. At the end of 2025 50 000 EUR overlay was applied.

## **Note 2.10 Description of the nature and quality of the collateral held**

Currently no collaterals are held on financial assets, but in the case of these unsecured credit products – i.e., hire-purchase, credit cards or small loans - to increase customer's credit worthiness, the Company is asking from customers for an extra guarantee.

The Company does not consider the additional guarantee requested from the customer as collateral, rather as an

enhancement of liquidity. Therefore, all such loans are presented as unsecured loans.

The Company has categorized all off-balance sheet liabilities under stage 1 as all customers with debts more than 3 days are closed automatically, and the unused limit is no longer available.

## **Note 2.11 Market risk**

Market risk is the risk of loss from changes in market prices and rates in unfavorable direction (including interest rates, credit spreads, equity prices, foreign exchange rates and commodity prices), the correlations among them, and their levels of volatility. Within market risk the Company has identified material interest rate risk. Interest rate risk descriptions in details is provided in Note 2.13.

Based on the overall strategy, the market risk strategy is conservative. Interest rate risk arises naturally as part of business (mainly due to different maturities of customers loans and deposits).

## **Note 2.12 Currency risk**

Currency risk is the risk of loss due to changes in spot and forward prices, and the volatility of currency exchange rates. The Company's strategy is conservative. The objective of currency risk management is to minimize open-net-currency positions so that the Company will not be too sensitive to foreign currency exchange movements and the potential risk to profit will be minimal. Speculative

positions shall be avoided; the Company shall mitigate open currency position if considered necessary. The Company does not provide currency-related services to customers and does not accept any other forms of currency trading. As of the reporting date, all assets and liabilities of the Company are nominated in Euro.

## **Note 2.13 Interest rate risk**

Interest rate risk is the current or prospective risk to the institution's earnings and own funds arising from adverse movements in interest rates caused by assets and liabilities. Interest rate risk is a significant risk for the Company. The main sources of structural interest rate risk are adverse changes in loan interest rates. Interest rate risk management is integrated with credit- and liquidity risk management and is also considered as part of loan portfolio credit risk management.

rate sensitive liabilities are cumulatively well balanced both in economic value of equity (EVE) and expected net interest income (NII) on earnings perspective.

The table below shows the structure of the interest-bearing assets and interest-bearing liabilities grouped by the contract term and principal amounts of receivables and liabilities. The interest rates used in the Company are fixed.

As of 31.12.2025 the interest rate risk is on low level and the Company's interest rate sensitive assets, and interest

## Interest rate risk

31.12.2025	Note	Up to 3 months	3-12 months	1-5 years	Over 5 years	Subtotal	Accrued interest	Loss allowances	Total
<b>Financial assets</b>									
Cash and cash equivalents	10	1 169 530	-	-	-	1 169 530	-	-	1 169 530
Loans and advances to customers	12	2 795 896	7 847 457	30 028 412	17 825 813	58 497 578	459 986	-1 501 084	57 456 479
<b>Total</b>		<b>3 965 426</b>	<b>7 847 457</b>	<b>30 028 412</b>	<b>17 825 813</b>	<b>59 667 108</b>	<b>459 986</b>	<b>-1 501 084</b>	<b>58 626 009</b>

<b>Financial liabilities</b>									
Loans received	15	-	-	55 000 000	-	55 000 000	-	-	55 000 000
Lease liabilities	14	6 159	18 816	8 528	-	33 503	-	-	33 503
<b>Total</b>		<b>6 159</b>	<b>18 816</b>	<b>55 008 528</b>	<b>-</b>	<b>55 033 503</b>	<b>-</b>	<b>-</b>	<b>55 033 503</b>

<b>Net interest sensitivity gap</b>		<b>3 959 267</b>	<b>7 828 641</b>	<b>-24 980 116</b>	<b>17 825 813</b>	<b>4 633 605</b>			
<b>Cumulative interest sensitivity gap</b>		<b>3 959 267</b>	<b>11 787 907</b>	<b>-13 192 208</b>	<b>4 633 605</b>				

31.12.2024	Note	Up to 3 months	3-12 months	1-5 years	Over 5 years	Subtotal	Accrued interest	Loss allowances	Total
<b>Financial assets</b>									
Cash and cash equivalents	10	1 419 669	-	-	-	1 419 669	-	-	1 419 669
Loans and advances to customers	12	3 398 966	7 709 051	25 524 215	9 106 284	45 738 515	328 241	-752 332	45 314 424
<b>Total</b>		<b>4 818 635</b>	<b>7 709 051</b>	<b>25 524 215</b>	<b>9 106 284</b>	<b>47 158 184</b>	<b>328 241</b>	<b>-752 332</b>	<b>46 734 093</b>
<b>Financial liabilities</b>									
Loans received	15	-	-	43 500 000	-	43 500 000	-	-	43 500 000
Lease liabilities	14	5 940	18 146	33 503	-	57 589	-	-	57 589
<b>Total</b>		<b>5 940</b>	<b>18 146</b>	<b>43 533 503</b>	<b>-</b>	<b>43 557 589</b>	<b>-</b>	<b>-</b>	<b>43 557 589</b>
<b>Net interest sensitivity gap</b>		<b>4 812 695</b>	<b>7 690 905</b>	<b>-18 009 289</b>	<b>9 106 284</b>	<b>3 600 595</b>			
<b>Cumulative interest sensitivity gap</b>		<b>4 812 695</b>	<b>12 503 600</b>	<b>-5 505 689</b>	<b>3 600 595</b>				

## **Note 2.14      Liquidity risk**

The purpose of liquidity risk management is to ensure that the Company can fulfil its obligations in a timely manner and in the full extent, and to cope with a liquidity crisis for as long as possible. The Company shall have appropriate liquidity for fulfilling its obligations at any given moment in time.

The majority of liabilities are to the parent company in the form of credit line. Parent company is not planning to end this contract and continue to invest in Latvian subsidiary and committed not only sustain current level of business volumes but also finance Latvian loan portfolio growth.

Liquidity risk is one of the most significant risks on the Company's risk profile. The Company's liquidity risk strategy is to maintain a low and conservative liquidity risk profile and reasonable liquidity reserves. The Company shall avoid significant liquidity risks by maintaining larger liquidity reserves. Liquidity and funding strength are one of the first priorities of the Company.

The following tables present the distribution of financial assets and liabilities, by due dates and by future contractual undiscounted cash flows and in a separate column the statement of financial position balance is disclosed.

## Liquidity risk

31.12.2025	Note	On demand	Up to 3 months	3-12 months	1-5 years	Over 5 years	Total	Carrying value
<b>Financial assets held for managing liquidity risk by contractual maturity dates</b>								
Cash and cash equivalents	10	1 169 530	-	-	-	-	1 169 530	1 169 530
Loans and advances to customers	12	-	2 795 896	7 847 457	30 028 412	17 825 813	58 497 578	57 456 479
<b>Total financial assets held for managing liquidity risk</b>		<b>1 169 530</b>	<b>2 795 896</b>	<b>7 847 457</b>	<b>30 028 412</b>	<b>17 825 813</b>	<b>59 667 108</b>	<b>58 626 009</b>

<b>Financial liabilities by contractual maturity dates</b>								
Loans received	15	-	-	-	55 000 000	-	55 000 000	55 000 000
Undrawn loan commitments	18	417	-	-	-	-	417	417
<b>Total financial liabilities</b>		<b>417</b>	<b>-</b>	<b>-</b>	<b>55 000 000</b>	<b>-</b>	<b>55 000 417</b>	<b>55 000 417</b>

<b>Maturity gap from financial assets and liabilities</b>		<b>1 169 114</b>	<b>2 795 896</b>	<b>7 847 457</b>	<b>-24 971 588</b>	<b>17 825 813</b>	<b>4 666 692</b>	<b>3 625 593</b>
<b>Cumulative maturity gap from financial assets and liabilities</b>		<b>1 169 114</b>	<b>3 965 009</b>	<b>11 812 466</b>	<b>-13 159 122</b>	<b>4 666 692</b>		

31.12.2024	Note	On demand	Up to 3 months	3-12 months	1-5 years	Over 5 years	Total	Carrying value
<b>Financial assets held for managing liquidity risk by contractual maturity dates</b>								
Cash and cash equivalents	10	1 419 669	-	-	-	-	1 419 669	1 419 669
Loans and advances to customers	12	-	3 398 966	7 709 051	25 524 215	9 106 284	45 738 515	45 314 424
<b>Total financial assets held for managing liquidity risk</b>		<b>1 419 669</b>	<b>3 398 966</b>	<b>7 709 051</b>	<b>25 524 215</b>	<b>9 106 284</b>	<b>47 158 184</b>	<b>46 734 093</b>

<b>Financial liabilities by contractual maturity dates</b>								
Loans received	15	-	-	-	43 500 000	-	43 500 000	43 500 000
Undrawn loan commitments	18	29 242	-	-	-	-	29 242	29 242
<b>Total financial liabilities</b>		<b>29 242</b>	<b>5 940</b>	<b>18 146</b>	<b>43 533 503</b>	<b>-</b>	<b>43 586 831</b>	<b>43 586 831</b>

<b>Maturity gap from financial assets and liabilities</b>		<b>1 390 427</b>	<b>3 393 026</b>	<b>7 690 905</b>	<b>-18 009 289</b>	<b>9 106 284</b>	<b>3 571 354</b>	<b>3 147 262</b>
<b>Cumulative maturity gap from financial assets and liabilities</b>		<b>1 390 427</b>	<b>4 783 454</b>	<b>12 474 358</b>	<b>-5 534 930</b>	<b>3 571 354</b>		

## Note 2.15 Fair value of financial assets and financial liabilities

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Below are the methodologies and assumptions used to determine fair values for the financial instruments which are not recorded and measured at fair value in the Company's financial statements. These fair values were calculated for disclosure purposes only. These methodologies and assumptions relate only to the instruments in the tables and, as such, may differ from the techniques and assumptions explained in the referred notes.

For financial assets and financial liabilities that have short-term maturity (less than three months), the carrying amounts, which are net of impairment, are a reasonable approximation of their fair value. Such instruments include cash; due to and from banks. Such amounts have been classified as Level 1 on the basis that no adjustments have been made to the balances in the statement of financial position. Under Level 1 the Company has disclosed cash and cash equivalents.

Under Level 3 are recorded fewer liquid instruments. These are not traded frequently, so it is difficult to give them a reliable and accurate market price. The

Company requires significant unobservable inputs to calculate their fair value. A fair value for these assets cannot be determined by using readily observable inputs or measures, such as market prices. Instead, they are calculated using estimates by risk-adjusted value ranges, e.g mathematical (ECL) models and subjective assumptions.

The fair values of loans and receivables are estimated by discounted cash flow models that incorporate assumptions for credit risks, foreign exchange risk, probability of default and loss given default estimates. Credit risk for small business lending, when appropriate, is derived from market observable data, such as credit default swaps or comparable traded debt. Where such information is not available, the Company uses historical experience and other information used in its collective impairment models. Fair values of consumer lending calculated using a portfolio-based approach, grouping loans as far as possible into homogenous groups based on similar characteristics. The Company then calculates and extrapolates the fair value of the entire portfolio, using discounted cash flow models that incorporate interest rate estimates considering all significant characteristics of the loans. The credit risk is applied as a top-side adjustment based on the collective impairment model incorporating probability of defaults and loss given defaults.

## Fair value of financial assets and financial liabilities

31.12.2025	Note	Level 1	Level 2	Level 3	Total fair value	Carrying value	Difference
<b>Financial assets at amortized cost</b>							
Cash and cash equivalents	10	1 169 530	-	-	1 169 530	1 169 530	-
Loans and advances to customers	12	-	-	58 957 563	58 957 563	57 456 479	-1 501 084
<b>Total financial assets at amortized cost</b>		<b>1 169 530</b>	<b>-</b>	<b>58 957 563</b>	<b>60 127 094</b>	<b>58 626 009</b>	<b>-1 501 084</b>

<b>Financial liabilities at amortized cost</b>							
Loans from related parties	19	-	-	55 000 000	55 000 000	55 000 000	-
Lease liabilities	14	-	-	-	-	-	-
<b>Total financial liabilities at amortized cost</b>		<b>-</b>	<b>-</b>	<b>55 000 000</b>	<b>55 000 000</b>	<b>55 000 000</b>	<b>-</b>

31.12.2024	Note	Level 1	Level 2	Level 3	Total fair value	Carrying value	Difference
<b>Financial assets at amortized cost</b>							
Cash and cash equivalents	10	1 419 669	-	-	1 419 669	1 419 669	-
Loans and advances to customers	12	-	-	46 066 757	46 066 757	45 314 424	-752 332
<b>Total financial assets at amortized cost</b>		<b>1 419 669</b>	<b>-</b>	<b>46 066 757</b>	<b>47 486 426</b>	<b>46 734 093</b>	<b>-752 332</b>

<b>Financial liabilities at amortized cost</b>							
Loans from related parties	19	-	-	43 500 000	43 500 000	43 500 000	-
Lease liabilities	14	-	-	-	-	-	-
<b>Total financial liabilities at amortized cost</b>		<b>-</b>	<b>-</b>	<b>43 500 000</b>	<b>43 500 000</b>	<b>43 500 000</b>	<b>-</b>

## Note 2.16 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, and systems or from external events. The definition includes compliance and legal risk but excludes strategic and reputational risks.

Operational risk is an inherent part of business. It is neither possible nor cost effective to eliminate all operational risks. Therefore, smaller losses are a normal part of the operations. The aim is to keep minimal and reasonable operational risk level to minimize the level of operational risk and potential losses, considering strategic objectives and principle of economic efficiency.

Anti-money laundering and terrorist financing preventing is an important objective of the Company's target operational risk profile. The Company must have the capacity, a clear organizational structure, and appropriate resources to detect and take appropriate action in relation to the prevention of money laundering and terrorist financing.

The Company's general requirements on the operational risk management are:

- All material operational risk areas shall be identified, assessed, monitored, and treated in an effective and consistent manner.
- Appropriate and reliable risk management tools shall be implemented to support operational risk analysis and decision making.
- Every employee is primarily responsible for managing and controlling the operational risks generated in their sphere of action in both personal and business conduct.
- internal controls shall be designed to provide reasonable assurance that the Company has efficient and effective operations, assets are safeguarded, reports are reliable.

The purpose of the operational risk management activity is to move from defensive to preventive risk analysis and loss prevention activities.

Accountability, reporting and escalation requirements by operational risk categories, areas and activities by countries on activities and by lines of defence established by Operational Risk Policy established by Supervisory Board.

## Note 2.17 Business risks

The Company assesses business risk according to the Group's internal definition of business risks. Business risks are reputational risk and strategic risk.

A reputational risk is the current or prospective risk to the Company's earnings, own funds or liquidity arising from damage to the Company reputation.

Strategic risk is the risk that the business and competition environment or impact of regulatory actions to the Company activities and achievement of business goals as well as risk of the inadequate strategy or inadequate implementation of strategy or changes in customer expectations or inadequate implementation new technologies will result in loss or significantly reduce revenues.

The reputation risk and strategic risk are an essential part of the business model and are analyzed as part of the strategic and operational planning. The Company strategy on reputational risk management is to avoid reputational risks and to avoid situations that could potentially lead to a negative impact on the reputation and the accompanying drop in revenue or loss of confidence.

Strategic risk strategy is to control and reduce risk by implementing adequate and suitable to the current economic environment strategy, based on comprehensive

planning process, as well as to respond adequately and in a timely manner to changes. The Company strategic risk target risk profile is on an open level - ready to consider all options, proactive, decisions made on a risk-return balance basis.

According to the Group Risk Appetite Statement the Company does not have any risk appetite for reputational risk and it has the clear objective of minimizing the occurrence of any economic, regulatory, or reputational impact caused by reputational risk. The Company shall avoid situations that could potentially lead to a negative impact on the reputation.

The strategic and reputational risk are managed by the Group's Management Board based on strategic plans approved by the Supervisory Board.

Due to the changed environment, there are considered the changed impact factors when making credit decisions and proceeded from specific prospects in different industries. Changes in operational processes to follow the dynamics and quality of the loan portfolio have helped us to respond promptly. Increased attention has been paid to portfolio credit and liquidity risk management, and additional reporting has been introduced to assess and analyze weekly changes to the financial forecasts.

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## Note 3

### Net interest income

Net interest income		
	2025	2024
<b>Interest revenue calculated using the effective interest rate method</b>		
Hire-purchase	32 120	300 492
Credit card	32 089	57 053
Small loan	6 807 573	6 515 568
Business loan	35 928	57 130
Leasing	-757	2 865
<b>Total</b>	<b>6 906 953</b>	<b>6 933 108</b>
<b>Interest expenses calculated using the effective interest rate method</b>		
	2025	2024
Loans received	-3 084 957	-3 135 292
Lease liabilities	-1 692	-1 840
<b>Total</b>	<b>-3 086 649</b>	<b>-3 137 132</b>
<b>Net interest income</b>	<b>3 820 304</b>	<b>3 795 976</b>

Company continued in 2025 with previously adopted pricing strategy, considering market situation.

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## Note 4

### Net fee income (expenses)

Net fee Income (expenses)		
	2025	2024
Fee income	650	87 515
Fee expense	-60 600	-66 479
<b>Net fee income</b>	<b>-59 950</b>	<b>21 036</b>

## Note 5

### Other income

Other income	2025	2024 restated	2024
Receipt of receivables written off	44 784	39 410	39 410
Interest income from commercial banks	1 539	5 083	5 083
Income from cessions	-	-	924 737
Income/loss from sale of assets	-	-10 300	864
<b>Total other income</b>	<b>46 323</b>	<b>34 193</b>	<b>970 093</b>

The restated figures for 2024 reflect the reclassification of income arising from cession transactions and the related credit loss expenses from "Other income" to the "Credit loss expense" line item. This reclassification provides a clearer presentation of the financial results, taking into account the nature of these transactions.

## Note 6

### Operating expenses

Operating expenses	Note	2025	2024
Wages, salaries and bonuses		-657 946	-623 675
Social security and other taxes		-156 950	-147 400
Other staff costs		-32 262	-29 078
<b>Personnel expenses</b>		<b>-847 158</b>	<b>-800 153</b>
IT expenses		-88 565	-195 162
Marketing expenses		-211 019	-127 474
Consultation expenses		-146 381	-149 469
Office expenses		-55 737	-51 322
Information services		-234 440	-242 269
State fees		-55 000	-55 000
External revision expenses		-53 256	-37 399
Other operating expenses		-7 100	-17 153
<b>Administrative and other operating expenses</b>		<b>-851 498</b>	<b>-875 248</b>
Other expenses		-15 086	-10 013
Depreciation and amortization		-31 855	-30 672
Net allowance for credit losses on financial instruments	7,12	-1 817 242	-1 243 765
Net loss from de-recognition of financial assets measured at amortized cost	8	-153 182	-344 591
<b>Total operating expenses</b>		<b>-3 716 021</b>	<b>-3 304 442</b>

The average number of employees working in the Company in 2025 was 22 (2024: 21). Member of the board of the Company does not receive remuneration.

Marketing expenses are purchases of the services consisting of commercials on local media (TV, radio, internet) and international platforms (Google, Facebook), also social media posts, PR, launches and SMS-s.

## Note 7

### Credit loss expense on financial assets

Credit loss expense on financial assets		Note	2025	2024
<b>At the beginning of the period</b>			<b>-740 031</b>	<b>-886 025</b>
Arising during the period	Stage 1		-498 890	-81 539
Arising during the period	Stage 2		-190 903	-48 589
Arising during the period	Stage 3		-1 331 837	-1 390 638
Written off	Stage 3		1 056 189	1 389 761
Recoveries	Stage 1		61 268	203 441
Recoveries	Stage 2		138 246	73 558
Recoveries	Stage 3		4 874	-
<b>At the end of the period</b>			<b>-1 501 084</b>	<b>-740 031</b>

The Company has considered historical information, but the estimates are made on a forward-looking basis.

Within the Company, the conservative scenario has been applied on loans and therefore portfolio obsolescence is avoided by derecognition of the contracts which have exceeded the 365-day criteria.

Credit loss expense 2025	Stage 1	Stage 2	Stage 3	Income from cessions	Net impairment charges
Loans and advances to customers	-437 622	-52 657	-1 708 928	381 965	-1 817 242
<b>Total</b>	<b>-437 622</b>	<b>-52 657</b>	<b>-1 708 928</b>	<b>381 965</b>	<b>-1 817 242</b>

Credit loss expense 2024 restated	Stage 1	Stage 2	Stage 3	Income from cessions	Net impairment charges
Loans and advances to customers	121 903	24 970	-1 981 947	591 309	-1 243 765
<b>Total</b>	<b>121 903</b>	<b>24 970</b>	<b>-1 981 947</b>	<b>591 309</b>	<b>-1 243 765</b>

Credit loss expense 2024	Stage 1	Stage 2	Stage 3	Income from cessions	Net impairment charges
Loans and advances to customers	121 903	24 970	-2 326 421	-	-2 179 548
<b>Total</b>	<b>121 903</b>	<b>24 970</b>	<b>-2 326 421</b>	<b>-</b>	<b>-2 179 548</b>

The restated figures for 2024 reflect the reclassification of income arising from cession transactions and the related credit loss expenses from "Other income" to the "Credit loss expense" line item. This reclassification provides a clearer presentation of the financial results, taking into account the nature of these transactions.

## Note 8

### Cession transactions

Cession transactions	2025	2024
Total gross value at the moment of sales	860 905	2 094 639
Net allowances for credit losses	-325 758	-1 158 739
<b>Total carrying amount</b>	<b>535 147</b>	<b>935 900</b>
Transaction price in total	381 965	591 309
<b>Net loss from the cession transactions</b>	<b>-153 182</b>	<b>-344 591</b>

## Note 9

### Income tax

Income tax	2025	2024
<b>Profit before tax</b>	<b>90 656</b>	<b>546 763</b>
Income tax on representation expenses	-9 128	-12 466
<b>Profit for CIT surcharge calculation</b>	<b>81 528</b>	<b>534 297</b>
Corporate income tax 20%	-16 306	-106 859
Income tax on dividends	0	0
<b>Total income tax expense</b>	<b>-25 434</b>	<b>-119 325</b>
<b>Effective tax rate</b>	<b>28%</b>	<b>22%</b>

In accordance with IAS 12.82, the Company discloses the potential income tax consequences that would arise if the entire balance of retained earnings were distributed to shareholders as dividends.

CIT amount on dividend distribution	EUR
Retained earnings before 2018 (not applicable by dividend tax)	2 114 522
Retained earnings after 2018 (applicable by dividend tax)	480 776
<b>Total retained earnings</b>	<b>2 595 298</b>
Dividend tax 20%	96 155
CIT paid in 2024/2025	(123 165)
<b>Potential maximum CIT amount on dividend distribution</b>	<b>(27 010)</b>

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## Note 10

### Cash and cash equivalents

Cash and cash equivalents	31.12.2025	31.12.2024
Cash and cash equivalents	1 169 530	1 419 669
<b>Total</b>	<b>1 169 530</b>	<b>1 419 669</b>

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## Note 11

### Other assets and receivables

Other assets	31.12.2025	31.12.2024
Pending card payments	8 441	10 300
Settlement and clearing accounts	5 122	5 122
Licence	57 510	59 387
Prepaid expenses	4 996	4 402
Claims to customers	39 076	138 810
<b>Total</b>	<b>115 145</b>	<b>218 021</b>

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Settlement and clearing accounts are related to customer refunds, repurchases and cancellation, which remained unsettled or unreturned by hire-purchase partners as of the statement of financial position date. Claims to customers include receivables related to interest compensations from partners.

Prepayments are expected to be received or used within 12 months of the end of the reporting period and are therefore considered current assets.

## Note 12

### Loans and advances to customers

During 2025 uncollectible claim had been received in the amount of 44.8 thousand euro (2024: 39.4 thousand euros) under other income. Financial assets are derecognized when collection is no longer considered probable. Based on the Company's previous practice

regarding the decrease in the probability of receivables collection, automatic write-offs for receivables over 365 days past due have been systematically implemented. Collection is not limited to write-offs and will be continued as off-balance sheet.

Loans and advances to customers			
	Note	31.12.2025	31.12.2024
<b>Business loans</b>		<b>292 005</b>	<b>509 710</b>
incl. hire-purchase		5 041	19 017
incl. small loan		282 176	464 686
incl. leasing		4 788	26 007
<b>Loans to private individuals</b>		<b>58 665 558</b>	<b>45 544 745</b>
incl. hire-purchase		314 568	1 504 923
incl. credit card		77 428	151 272
incl. small loan		58 273 562	43 888 550
<b>Total allowances</b>		<b>-1 501 084</b>	<b>-740 031</b>
Loss allowances	7	-1 501 084	-740 031
<b>Total</b>		<b>57 456 479</b>	<b>45 314 424</b>

## Note 13

### Property, plant and equipment

Property, plant and equipment			
		31.12.2025	31.12.2024
<b>Plant and equipment</b>			
<i>Acquisition cost</i>			
<b>At the beginning of the period</b>		<b>68 311</b>	<b>56 193</b>
Additions		0	19 458
Disposals (cost)		0	-7 340
<b>At the end of the period</b>		<b>68 311</b>	<b>68 311</b>
<i>Depreciation and impairment</i>			
<b>At the beginning of the period</b>		<b>-47 540</b>	<b>-45 037</b>
Depreciation charge for the period		-7 465	-6 801
Disposals (amortization)			4 298
<b>At the end of the period</b>		<b>-55 005</b>	<b>-47 540</b>
<b>Net book value at the beginning</b>		<b>20 771</b>	<b>11 156</b>
<b>Net book value at the end</b>		<b>13 306</b>	<b>20 771</b>

## Note 14

### Right of use assets and lease liabilities

Right of use assets and lease liabilities		
	31.12.2025	31.12.2024
<b>Offices</b>		
<b>At the beginning of the period</b>	<b>234 015</b>	<b>160 847</b>
Acquisition cost	-	-
New leases/modifications	-	73 168
<b>At the end of the period</b>	<b>234 015</b>	<b>234 015</b>
Depreciation and impairment		
<b>At the beginning of the period</b>	<b>-177 106</b>	<b>-153 235</b>
Depreciation charge for the year	-24 390	-23 871
Other changes	-	-
<b>At the end of the period</b>	<b>-201 496</b>	<b>-177 106</b>
<b>Net book value at the beginning</b>	<b>56 909</b>	<b>7 612</b>
<b>Net book value at the end</b>	<b>32 519</b>	<b>56 909</b>
<b>Lease liabilities</b>		
<i>Short-term</i>		
<b>At the beginning of the period</b>	<b>24 086</b>	<b>7 612</b>
New leases/modifications	-	21 584
Accretion of interests	-1 692	-1 840
Repayments	-24 086	-21 264
Periodization	24 975	16 154
Other changes	1 692	1 840
<b>At the end of the period</b>	<b>24 975</b>	<b>24 086</b>
<i>Long-term</i>		
<b>At the beginning of the period</b>	<b>33 503</b>	<b>-</b>
Other changes	-	-
New leases/modifications	-	49 657
Periodization	-24 975	-16 154
<b>At the end of the period</b>	<b>8 528</b>	<b>33 503</b>
<b>Lease liabilities in total at the beginning</b>	<b>57 589</b>	<b>7 612</b>
<b>Lease liabilities in total at the end</b>	<b>33 503</b>	<b>57 589</b>

## Note 15

### Loan liabilities

Loan liabilities	31.12.2025	31.12.2024
Loan liabilities from related parties (see Note 19)	55 000 000	43 500 000
Lease liabilities (see Note 14)	33 503	57 589
<b>Total</b>	<b>55 033 503</b>	<b>43 557 589</b>

The interest rate from the loan liabilities from related parties has been 6.5%. (7.3% in 2024) Existing liabilities with total limit of 72 million (17 million undrawn) have a

final maturity date in December 2026. No collateral nor pledges are set, also no restrictions fixed.

## Note 16

### Other liabilities

Other liabilities	31.12.2025	31.12.2024
Payables to suppliers and other partners	603 244	308 587
Tax liabilities	34 629	132 765
Payables to employees	92 021	72 493
<b>Total</b>	<b>729 894</b>	<b>513 845</b>

Payables to employees consist of vacation pay accrual for the reporting period.

All liabilities are payable within 12 months and are therefore recognized as current liabilities.

## Note 17

### Equity

Equity	Number of shares	Share capital	Retained earnings	Total equity
31.12.2025	2	428 284	2 595 298	<b>3 023 582</b>
31.12.2024	2	428 284	2 530 076	<b>2 958 360</b>

Shares are fully paid by monetary contribution. Since February 2021 Holm Bank AS has owned 100% share.

The Company recognizes a liability to pay dividends when the distribution is authorized by shareholders. A corresponding amount is recognized directly in equity.

During reported periods no allocations are made.

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## Note 18

### Contingent assets and liabilities

#### NON-CANCELLABLE AGREEMENTS

Liability in contractual amount	Undrawn loan commitments
Liability in contractual amount 31.12.2025	417
Liability in contractual amount 31.12.2024	29 242

Undrawn loan commitments represent off-balance sheet liability of credit cards unused limits.

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## Note 19

### Transactions with related parties

In transactions between related parties market conditions being applied. No guarantees have been provided or received for any related party receivable.

Transactions with related parties	2025	2024
<b>Interest expense on loans received</b>	<b>3 084 957</b>	<b>3 135 292</b>
Parent company	3 084 957	3 135 292
<b>Received loans</b>	<b>11 500 000</b>	<b>4 500 000</b>
Parent company	11 500 000	4 500 000
<b>Purchases (Parent company)</b>	<b>120 591</b>	<b>122 136</b>
Administrative and other operating expenses	120 591	122 136
<b>Repaid loans and interests</b>	<b>3 084 957</b>	<b>3 135 292</b>
Parent company	3 084 957	3 135 292
<b>Balances</b>	<b>31.12.2025.</b>	<b>31.12.2024.</b>
<b>Loans liabilities as at the end of the period</b>	<b>55 000 000</b>	<b>43 500 000</b>
Parent company	55 000 000	43 500 000

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## Note 20

### Subsequent events

From the last day of the reporting year until the date of signing these financial statements there have been no

other events requiring adjustment of or disclosure in the financial statements or notes thereto.

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## Note 21

### Profit allocation proposal

The Company finished the reporting period with a profit of 65 thousand euros. The Management board recommends distributing dividends in amount 1.4 million

euro. The remaining retained earnings shall remain undistributed and be carried forward to future periods.

**Kaspar Kalvet**

Member of the Management Board

*digitally signed*

**Rostislavs Kolosovs**

Finance manager

*digitally signed*

## Signatures of the management board

The annual report compiled by the Management Board consists of the management report, financial statements, profit allocation proposal and independent auditor's

report. Hereby the Management Board approves the Annual Report of 2025 of Holm Bank Latvia SIA.

**Kaspar Kalvet**

Member of the Management Board

*digitally signed*

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



***H*OLM**

**Bank of good plans.**