BluOr Bank

BluOr Bank AS

Unaudited interim report for the six months period ended 30 June 2024

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Report of the Council and the Board

BluOr Bank AS (Bank) is a joint–stock company established on 22 June 2001 and entered into the Register of Enterprises of the Republic of Latvia under uniform registration No. 40003551060. The bank's address is Smilšu iela 6, Rīga, LV–1050, Republic of Latvia. On 8 June 2001, the Bank received a license for conducting the activities of a credit institution, which was re-registered on 28 June 2011 and on 14 September 2017 – license No. 06.01.05.002/483 at the license register of the FCMC. The Bank operates in accordance with the applicable legislation of the Republic of Latvia and the European Union.

The Group consists of the Bank, which is a Parent company of the Group and a number of subsidiaries. The business operations of the subsidiaries is to manage repossessed collaterals and real estate property.

BluOr Bank's activities in the first half of 2024 are characterized by stability and targeted development in accordance with the Bank's business model and strategic goals.

The Bank ended the reporting period with a profit of EUR 9.2 million. In the first half of 2024, the Bank's net operating income amounted to EUR 21.7 million. The amount of the Bank's equity capital is EUR 90.6 million, and the total amount of assets is EUR 966.2 million.

In the first half of the year, the Bank attracted new Tier 1 and Tier 2 capital in the amount of EUR 3 million, offering to purchase bonds issued by the Bank and investing funds in subordinated deposit. The increase in the bank's profit in the past half-year was further supported by the successful transaction of a significant volume of real estate.

As of June 30, 2024, the Bank's liquidity coverage ratio (LCR) has reached 147.67%, and the capital adequacy ratio – 15.95%. Other key indicators of the Bank's financial performance for six months are also successful: return on equity (ROE) – 21.01% and return on assets (ROA) – 1.94%.

The Bank successfully implements its business strategy focused on providing services to Latvian corporate clients: over the past 12 months, the number of clients – Latvian companies has increased by 33%.

BluOr Bank continues to actively provide loans to companies, offering financing to entrepreneurs from a wide variety of industries. In the first half of the year, the Bank signed new loan agreements worth EUR 88.4 million, of which 93.6% were issued for lending and business development purposes to small and medium-sized enterprises both in Riga and in the regions of Latvia. A significant amount of funding, EUR 21 million, has been allocated for repair and construction of residential buildings, and more than EUR 8 million have been allocated for the development of Latvian manufacturing enterprises.

Total loan portfolio (loans granted and issued) as of June 30, 2024, reached EUR 515.6 million.

As a bank founded by Latvian entrepreneurs, BluOr Bank focuses on long-term relationships with its clients, therefore it continuously improves and develops existing financial services in accordance with the needs of both companies and individuals. The Bank has provided its clients with favourable terms for accumulating and increasing financial resources, as a result of which both the number of depositors and the size of deposits have grown. Over the past six months, the range of foreign correspondent banks has expanded, thus offering more convenient options to Bank clients in conducting transactions in currencies of different countries. Also, in 2024, BluOr Bank in cooperation with a clearing partner began to offer its clients direct access to stock trading in the United States and Asia.

BluOr Bank has included additional sustainability objectives in its operational strategy, in line with the environmental, social and governance (ESG) criteria. Ensuring compliance with the requirements related to sustainability and ESG factors, BluOr Bank has conducted an assessment of the significance of ESG risks, based on information on risk management approach and the most significant balance sheet positions and areas of sustainability.

As part of the assessment of the significance of ESG risks, the Bank has identified and assessed potential risks associated with the Bank's balance sheet positions and sustainability areas, and has prepared a risk assessment on key ESG risks and subfactors. The impact on credit risk, liquidity risk, market risk, operational risk and other risks was also part of this assessment.

BluOr Bank also continuously improves its internal processes: a more advanced document management system and a new CRM system have been introduced to speed up customer service processes. In addition, a new structural unit was introduced at the Bank in the past reporting period for managing sustainability processes.

With the increase in the number of corporate clients and the volume of lending, BluOr Bank team has grown accordingly, attracting professional and experienced specialists.

The Bank continues to maintain high priority status on all issues related to risk management and operational compliance, keeping a close eye on all changes on the international scene.

On behalf of the Bank,

Aleksandrs Peškovs	**Dmitrijs Latiševs**
Chairman of the Council	*Chairman of the Board*

27 August 2024

Council and Board of the Bank

Council as of 30 June 2024

Name, Surname	Position	Date of Appointment
Aleksandrs Peškovs	Chairman of the Council	22 June 2001
Sergejs Peškovs	Member of the Council	22 June 2001
	Deputy Chairman of the Council	25 July 2002
Andrejs Kočetkovs	Member of the Council	22 June 2001
Nataļja Zolova	Member of the Council	25 August 2022
Regina Lubgane	Member of the Council	17 June 2024

Board as of 30 June 2024

Name, Surname	Position	Date of Appointment
Dmitrijs Latiševs	Member of the Board	1 July 2002
	Deputy Chairman of the Board	25 April 2003
	Chairman of the Board	27 April 2011
Inga Preimane	Member of the Board	11 January 2016
Vadims Morozs	Member of the Board	12 August 2019

On behalf of the Bank,

Aleksandrs Peškovs
Chairman of the Council

Dmitrijs Latiševs
Chairman of the Board

27 August 2024

Statement of the Management's responsibility

The Management of BluOr Bank AS (hereinafter – the "Bank") is responsible for the preparation of the interim condensed financial statements of the Bank and of the Bank and its subsidiaries (hereinafter – the "Group").

The Group's consolidated and the Bank's separate interim condensed financial statements are prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union on a going concern basis. Appropriate accounting policies have been applied on a consistent basis. Prudent and reasonable judgements and estimates have been made by the Management in the preparation of the Group's consolidated and the Bank's separate interim condensed financial statements.

The interim condensed financial statements are prepared in accordance with the source documents and present the financial position of the Bank and the Group as of 30 June 2024 and the comparative date 31 December 2023 and the results of their operations, changes in shareholders' equity and cash flows for the six months periods ended 30 June 2024 and the comparative period 30 June 2023 in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union. The management report presents fairly the financial results of the reporting period and future prospects of the Bank and the Group.

The management of the Bank is responsible for the maintenance of a proper accounting system, safeguarding the Group's and the Bank's assets, and the detection and prevention of fraud and other irregularities in the Group and the Bank. Management is also responsible for operating the Group and the Bank in compliance with the Law on Credit Institutions and other legislation of the Republic of Latvia applicable to credit institutions.

On behalf of the Bank,

Aleksandrs Peškovs
Chairman of the Council

Dmitrijs Latiševs
Chairman of the Board

27 August 2024

The Group's consolidated and the Bank's separate interim condensed income statement

	Note	6m 2024		6m 2023	
		Group EUR'000 Unaudited	**Bank EUR'000** Unaudited	**Group EUR'000** Audited	**Bank EUR'000** Audited
Interest income		25 247	24 860	15 451	15 451
From those income at effective interest rate		*25 118*	*24 731*	*15 291*	*15 291*
Interest expenses		(10 896)	(11 046)	(4 236)	(4 393)
Net interest income	6	**14 351**	**13 814**	**11 215**	**11 058**
Fee and commission income		6 804	6 805	6 002	6 002
Fee and commission expense		(914)	(914)	(869)	(869)
Net fee and commission income	7	**5 890**	**5 891**	**5 133**	**5 133**
Net profit from trading and revaluation of financial instruments	8	(209)	(209)	(315)	(315)
Net foreign exchange income	9	188	188	9	9
Other operating income		2 072	2 039	943	870
Total operating income		**22 292**	**21 723**	**16 985**	**16 755**
Administrative expenses	10	(8 645)	(8 179)	(7 070)	(6 730)
Other operating expenses	11	(1 171)	(1 177)	(1 045)	(1 047)
Credit loss allowances		(980)	(870)	(1 098)	(1 065)
Total operating expenses		**(10 796)**	**(10 226)**	**(9 213)**	**(8 842)**
Profit before taxation		**11 496**	**11 497**	**7 772**	**7 913**
Corporate income tax	12	(2 301)	(2 301)	(278)	(278)
Profit for the period		**9 195**	**9 196**	**7 494**	**7 635**

Aleksandrs Peškovs
Chairman of the Council

Dmitrijs Latiševs
Chairman of the Board

27 August 2024

The Group's consolidated and the Bank's separate interim condensed statement of other comprehensive income

	6m 2024		6m 2023	
	Group **EUR'000** Unaudited	**Bank** **EUR'000** Unaudited	**Group** **EUR'000** Audited	**Bank** **EUR'000** Audited
Profit for the period	**9 195**	**9 196**	**7 494**	**7 635**
Other comprehensive income				
Items that may be reclassified to profit or loss				
Foreign exchange revaluation reserve	-	-	(10)	-
Revaluation reserve – financial assets at fair value through other comprehensive income (debt instruments)	340	340	205	205
Total items that may be reclassified to profit or loss	**340**	**340**	**195**	**205**
Other comprehensive (loss)/income	**340**	**340**	**195**	**205**
Total comprehensive income	**9 535**	**9 536**	**7 689**	**7 840**

Aleksandrs Peškovs
Chairman of the Council

Dmitrijs Latiševs
Chairman of the Board

27 August 2024

The Group's consolidated and the Bank's separate interim condensed statement of financial position

Assets	**Note**	**30/06/2024**		**31/12/2023**	
		Group EUR'000 Unaudited	**Bank EUR'000** Unaudited	**Group EUR'000** Audited	**Bank EUR'000** Audited
Cash and demand deposits with central bank	13	389 194	389 194	338 024	338 024
Loans and receivables from banks	14	16 509	16 409	24 778	24 770
Demand deposits with credit institutions		*16 359*	*16 259*	*24 778*	*24 770*
Term deposits with credit institutions		*150*	*150*	-	-
Investment securities	15	70 580	70 580	97 835	97 835
Fixed income securities		*70 128*	*70 128*	*97 422*	*97 422*
Non fixed income securities		*452*	*452*	*413*	*413*
Loans and receivables	16	436 667	426 003	398 564	398 564
Investments in associates	17	827	-	827	-
Investments in subsidiary undertakings	17	-	39 697	-	28 871
Investment property		2 850	1 614	2 934	1 614
Property and equipment		22 972	3 084	23 549	3 232
Right-of-use assets		-	8 929	-	9 261
Intangible assets		261	251	267	267
Non-current assets classified as held for sale		-	-	11 150	11 150
Prepayments and accrued income		763	757	854	844
Other assets		9 680	9 657	9 494	9 428
Total assets		**950 303**	**966 175**	**908 276**	**923 860**

The Group's consolidated and the Bank's separate statement of financial position

Liabilities and Equity	**Note**	**30/06/2024**		**31/12/2023**	
		Group EUR'000 Unaudited	**Bank EUR'000** Unaudited	**Group EUR'000** Audited	**Bank EUR'000** Audited
Due to credit institutions on demand	18	2 766	2 766	4 407	4 407
Financial liabilities carried at amortized cost		857 701	860 628	814 212	816 637
Deposits	19	*841 290*	*844 217*	*800 584*	*803 009*
Deposits (subordinated)	19	*2 664*	*2 664*	*2 623*	*2 623*
Additional Tier 1 Debt securities (subordinated)	20	*8 865*	*8 865*	*6 123*	*6 123*
Debt securities (subordinated)	20	*4 882*	*4 882*	*4 882*	*4 882*
Lease liabilities		-	9 621	-	9 912
Deferred income and accrued expenses		1 569	1 568	2 263	2 243
Provisions		421	421	298	298
Income tax liabilities		3 110	3 110	3 770	3 770
Other liabilities		2 879	2 836	2 004	1 904
Total liabilities		**868 446**	**880 950**	**826 954**	**839 171**
Shareholders' equity					
Share capital	21	44 493	44 493	44 493	44 493
Statutory reserves		24	24	24	24
Revaluation reserve – financial assets at fair value through other comprehensive income		(1 031)	(1 031)	(1 371)	(1 371)
Other reserves		(3 412)	(2 400)	(3 412)	(2 400)
Retained earnings		41 783	44 139	41 588	43 943
Total equity attributable to equity holders of the Bank		**81 857**	**85 225**	**81 322**	**84 689**
Total equity and liabilities		**950 303**	**966 175**	**908 276**	**923 860**
Contingent liabilities and commitments		93 845	93 845	99 963	99 966

Aleksandrs Peškovs
Chairman of the Council

Dmitrijs Latiševs
Chairman of the Board

27 August 2024

The Group's consolidated interim condensed statement of changes in the shareholders' equity

	Note	Share capital	Statutory reserves	Revaluation reserve – FVOCI	Other reserves	Retained earnings	Total equity attributable to equity holders of the parent	Total equity
		EUR`000	EUR`000	EUR`000	EUR'000	EUR`000	EUR`000	EUR`000
Balance as at 31 December 2022		**44 493**	**24**	**(2 144)**	**(3 413)**	**36 901**	**75 861**	**75 861**
Dividends paid		-	-	-	-	(5 000)	**(5 000)**	**(5 000)**
Othet comprehensive income for the period:								
Revaluation reserve – financial assets		-	-	205	-	(10)	**195**	**195**
Foreign exchange revaluation reserve		-	-	-	-	-	**-**	**-**
Profit for the period		-	-	-	-	7 494	7 494	7 494
Total comprehensive income for the period		**-**	**-**	**205**	**-**	**7 484**	**7 689**	**7 689**
Balance as at 30 June 2023		**44 493**	**24**	**(1 939)**	**(3 413)**	**39 385**	**78 550**	**78 550**
Balance as at 31 December 2023		**44 493**	**24**	**(1 371)**	**(3 412)**	**41 588**	**81 322**	**81 322**
Dividends paid		-	-	-	-	(9 000)	**(9 000)**	**(9 000)**
Other comprehensive income for the period:								
Revaluation reserve – financial assets		-	-	340	-	-	**340**	**340**
Foreign exchange revaluation reserve		-	-	-	-	-	**-**	**-**
Profit for the period		**-**	**-**	**-**	**-**	9 195	**9 195**	**9 195**
Total comprehensive income for the period		**-**	**-**	**-**	**-**	**9 195**	**9 535**	**9 535**
Balance as at 30 June 2024		**44 493**	**24**	**(1 031)**	**(3 412)**	**41 783**	**81 857**	**81 857**

Aleksandrs Peškovs
Chairman of the Council

Dmitrijs Latiševs
Chairman of the Board

27 August 2024

The Bank's separate interim condensed statement of changes in the shareholders' equity

	Note	Share capital	Statutory reserves	Other reserves	Revaluation reserve – FVOCI	Retained Earnings	Total capital and reserves
		EUR`000	EUR`000	EUR`000	EUR'000	EUR`000	EUR`000
Balance as at 31 December 2022		**44 493**	**24**	**(2 400)**	**(2 144)**	**40 377**	**80 350**
Dividends paid		-	-	-	-	(5 000)	**(5 000)**
Other comprehensive income for the period:							
Revaluation reserve –financial assets		-	-	-	205	-	**205**
Profit for the period		-	-	-	-	7 635	**7 635**
Total comprehensive income for the period		-	-	-	**205**	**7 635**	**7 840**
Balance at 30 June 2023		**44 493**	**24**	**(2 400)**	**(1 939)**	**43 012**	**83 190**
Balance at 31 December 2023		**44 493**	**24**	**(2 400)**	**(1 371)**	**43 943**	**84 689**
Dividends paid		-	-	-	-	(9 000)	**(9 000)**
Other comprehensive income for the period:							
Revaluation reserve – financial assets		-	-	-	340	-	**340**
Profit for the period		-	-	-	-	**9 196**	**9 196**
Total comprehensive income for the period		-	-	-	**340**	**9 196**	**9 536**
Balance as at 30 June 2024		**44 493**	**24**	**(2 400)**	**(1 031)**	**44 139**	**85 225**

Aleksandrs Peškovs
Chairman of the Council

Dmitrijs Latiševs
Chairman of the Board

27 August 2024

The Group's consolidated and the Bank's separate interim condensed statement of cash flows

	Note	6m 2024		6m 2023	
		Group EUR'000 Unaudited	Bank EUR'000 Unaudited	Group EUR'000 Audited	Bank EUR'000 Audited
Cash flow from operating activities					
Profit before corporate income tax		**11 496**	**11 497**	**7 772**	**7 913**
Amortisation of intangible assets		69	69	69	69
Depreciation of property, equipment and right-of-use assets		583	486	622	511
Revaluation of financial assets		-	-	205	205
Interest income		(25 247)	(24 860)	(15 451)	(15 451)
Interest expense		10 896	11 046	4 236	4 393
Impairment of assets		980	870	1 098	1 065
Decrease in cash and cash equivalents before changes in assets and liabilities, as a result of ordinary operations		**(1 223)**	**(892)**	**(1 449)**	**(1 295)**
(Increase)/decrease in loans and receivables		(34 476)	(23 702)	(8 701)	(8 668)
Decrease/(increase) in investment securities		27 152	27 152	1 688	1 688
Decrease/(increase) in trading financial assets		-	-	(11)	(11)
Decrease/(increase) in prepayments and accrued income		91	87	348	348
(Increase)/ decrease in other assets		10 964	10 921	(1 744)	(1 750)
Increase/(decrease) in deposits and due to banks		39 439	39 941	20 235	20 400
Decrease in held-for-trading financial liabilities		-	-	2	2
Interest received		24 837	24 450	15 124	15 124
Interest paid		(9 588)	(9 738)	(3 302)	(3 459)
Increase/(decrease) in other liabilities and current tax liabilities		276	332	2 118	2 153
Increase/(decrease) in deferred income and accrued expenses		(694)	(674)	40	46
Net cash from operating activities before tax		**56 778**	**67 877**	**24 348**	**24 578**
Corporate income tax paid		(2 239)	(2 239)	(278)	(278)
Net cash from operating activities		**54 539**	**65 638**	**24 070**	**24 300**
Cash flows from investment activities					
Purchase of fixed and intangible assets		(69)	(59)	(123)	(120)
Purchase of investment property		-	-	(136)	-
Sale of investment property		84	-	84	-
Capital increase in investment in subsidiaries		-	(10 900)	-	-
Capital decrease in investment in subsidiaries		-	74	-	-
Net cash (used in) investing activities		**15**	**(10 885)**	**(175)**	**(120)**
Cash flows from financing activities					
Lease liabilities repaid on right-of-use asset		-	(291)	-	(282)
Bonds issued		2 742	2 742	-	-
Dividends (paid)	21	(9 000)	(9 000)	(5 000)	(5 000)
Net cash (used in) financing activities		**(6 258)**	**(6 549)**	**(5 000)**	**(5 282)**
Net changes in cash and cash equivalents		**48 296**	**48 204**	**18 895**	**18 898**
Cash and cash equivalents at the beginning of the reporting period		**354 491**	**354 483**	**130 703**	**130 689**
Cash and cash equivalents at the end of the reporting period	22	**402 787**	**402 687**	**149 598**	**149 587**

Aleksandrs Peškovs
Chairman of the Council

Dmitrijs Latiševs
Chairman of the Board

27 August 2024

Notes to the Group's consolidated and the Bank's separate interim condensed financial statements

1. GENERAL INFORMATION

BluOr Bank AS (previous name – AS BlueOrange Bank) ("the Bank") is a Joint Stock Company registered with the Enterprise Register of the Republic of Latvia on 22 June 2001. The address of the Bank is Smilšu iela 6, Riga, LV 1050, Latvia. The Bank holds a banking license issued in Latvia and it acts in accordance with the legislation of Latvia and the European Union.

The primary lines of business of the Bank are servicing corporate customers and high net worth individuals, and managing investments and finances.

The sole shareholder of the Bank is a Joint Stock Company BBG that holds 100% of voting shares of the Bank. JSC BBG is a financial management company registered in Latvia and owned by four Latvian companies and two private individuals. The consolidated financial statements of the parent company AS BBG can be obtained from the Enterprise Register of Latvia.

The Bank has a number of subsidiaries in Latvia and foreign countries as well as investments in associated companies. The above entities form the Group which comprises the following:

Name of the company	Country of incorporation, address	Line of business	Holding 30.06.2024 %	Holding 31.12.2023 %
SIA BluOr International	M. Pils iela 13, Riga, Latvia,	Real estate development	100	100
SIA CityCap Service	Kr. Valdemara iela 149, Riga, Latvia	Real estate development	-	100
SIA Zapdvina Development	Kr. Valdemara iela 149, Riga, Latvia	Real estate development	100	100
Kamaly Development EOOD	Etiera k-s ½B – 18, Sveti Vlas, Burgas obl., Nesebier 8256, Bulgaria	Real estate development	100	100
UAB Kamaly Development	Klaipedos m. sav. Klaipedos m., Karklu g. 12, Lithuania	Management of taken over collaterals	100	100
AS Pils Pakalpojumi	Smilšu iela, Riga, Latvia	Real estate development	100	100
Foxtran Management Ltd	Suite 102, Blake Building, Corner Eyre & Huston Str., Belize	Management of taken over collaterals	100	100
SIA Jēkaba 2	Jēkaba iela, Riga, Latvia	Real estate development	100	100
Darzciems Entity SIA	Kr. Valdemara 149-405, Riga, Latvia	Real estate development	-	100
Mazirbe Estate SIA	Kr. Valdemara 149-405, Riga, Latvia	Real estate development	-	100
Lielie Zaķi SIA	Kr. Valdemara 149-405, Riga, Latvia	Real estate development	-	100
Pulkarne Entity SIA	Kr. Valdemara 149-405, Riga, Latvia	Real estate development	100	100
Hazee Shipping Corp	Trust Company Complex, Ajeltake Road, Ajeltake Island, Majuro, Republic of the Marshall Islands, MH96960	Financial services	100	-

BluOr Bank AS, as a parent company, is responsible for establishing the structure and corporate governance system of the Group with clearly defined duties and responsibilities and adequate supervision of subsidiaries. There is a Council (composed of two members of the Council) and a Board (composed of one member of the Board) established in AS Pils Pakalpojumi. The Boards of other subsidiaries of the Bank consist of one Board member or one elected director. No significant changes have occurred in the corporate governance structure and operations of the Group and its companies, compared to the previous reporting period.

Investments in associated companies (the Group):

Company	Country of incorporation, address	Line of business	Holding (%) 30.06.2024	Holding (%) 31.12.2023
AS Termo biznesa Centrs	Kr. Valdemāra iela 149, Riga, Latvia	Real estate development	26.15	26.15

2. BASIS OF PREPARATION OF THE INTERIM CONDENSED FINANCIAL STATEMENTS

(1) Statement of Compliance

These interim condensed financial statements are prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting as adopted by European Union (EU) on a going concern basis. The interim condensed financial statements do not contain all the information and disclosures required in the annual financial statements and should be read in conjunction with the Bank separate and the Group consolidated financial statements for the year ended 31 December 2023. The financial information in these interim condensed financial statements is presented to a material extent in the same format as in the Bank separate and Group consolidated financial statements for the year ended 31 December 2023.

(2) Functional and presentation currency

These consolidated and separate financial statements are presented in thousands of euros ('000 EUR), unless stated otherwise. Subsidiaries of the Group and the Bank operate in the functional currency of euro and bulgarian lev.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these interim condensed financial statements are consistent with those applied in the preparation of the financial statements for the year ended 31 December 2023, except for the adoption of new standards effective as of 1 January 2024. Several amendments and interpretations are effective for the first time in 2024, but do not have a material impact on these interim condensed financial statements. The Bank and the Group has not early adopted any standard, interpretation, or amendment that has been issued but is not yet effective.

4. FINANCIAL INSTRUMENTS FAIR VALUE MEAUSERMENT

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group and the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

The methods described below have been used for the determination of fair values.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price, i.e., the fair value of the consideration given or received, unless the fair value of that instrument is evidenced by comparison with other observable current market transactions with the same instrument or based on a valuation technique whose variables include only data from observable markets. When transaction price provides the best evidence of fair value at initial recognition, the financial instrument is initially measured at the transaction price and any difference between this price and the value initially obtained from a valuation model is subsequently recognized in the profit and loss statement depending on the individual facts and circumstances of the transaction but not later than when the valuation is supported wholly by observable market data or the transaction is closed out.

When available, the Group and Bank measure the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If a market for a financial instrument is not active, the Group and the Bank determine fair value using a valuation technique. Valuation techniques include recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Group and the Bank, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments.

Where third-party information, such as broker quotes or pricing services, are used to measure fair value, the Group and the Bank assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of IFRS. This includes:

- Verifying that equity broker or pricing service is approved by the Group and Bank for use in pricing the relevant type of financial instrument;

- Understanding how the fair value has been arrived at and the extent to which it represents actual market transactions;

- When prices for similar instruments are used to measure fair value, how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement;

Fair value is classified into different levels of the fair value hierarchy based on the inputs used in the measurement techniques:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Group and the Bank recognize transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. The Group and the Bank recognizes transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Assets and long positions are measured at a bid price; liabilities and short positions are measured at an asking price. Where the Group and the Bank has positions with offsetting risks, mid-market prices are used to measure the offsetting risk positions and a quoted bid or asking price adjustment is applied only to the net open position as appropriate. Fair values reflect the credit risk of the instrument and include adjustments to take account of the provisions of the instrument. Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Group and the Bank believes a third-party market participant would take them into account in pricing a transaction.

Loans

The estimated fair value of loans represents the discounted amount of estimated future cash flows expected to be received. The interest rated used to discount estimated cash flows are based on the prevailing money-market interest rates curve plus an adequate credit spread.

Shares and other non-fixed income securities

The fair value of shares and other non-fixed income securities is determined by reference to their quoted bid price at the reporting date, if available. For a number of non-listed shares where disposal was limited, it was assumed that it was not possible to make a reliable estimate of fair value.

The fair value of S.W.I.F.T shares was determined based on the "transfer amount", approved for the respective year by the shareholders' meeting, representing the price for new share allocation and the participants' quit price.

Derivatives

The fair value of currency swaps is estimated by discounting the contractual cash flows to be received and to be paid in appropriate foreign currencies for the residual maturity, and translating the difference of the discounted cash flows into euro, applying the exchange rate published by the European Central Bank. EURIBOR interest rates are used for discounting purposes.

Liabilities to other credit institutions and customers

The estimated fair value of deposits with no stated maturity, which includes non-interest-bearing deposits, is the amount repayable on demand, as they are largely due on demand. The estimated fair value of overnight deposits is their carrying amount. The estimated fair value of fixed interest-bearing deposits not quoted in an active market is based on discounted cash flows using interest rates for new deposits with similar remaining maturities.

5. RISK MANAGEMENT

Within the framework of the internal control system, the Group and the Bank have developed and follow the risk management strategy and policies, approved by the Council, which in line with the volumes, complexity and specifics of the Group's and the Bank's operations, define the following:

1) General guidelines observed by the Group and the Bank in their activities aimed at decreasing risks associated with their activities which might lead to losses;
2) Description of risk transactions and other risks to which the Group and the Bank are exposed;
3) Identification and management of the significant risks, including measurement, evaluation, control, and preparation of risk reports;
4) The procedure for setting limits and restrictions for risk transactions together with regular control and development;
5) Measures for the regular assessment of capital adequacy and maintenance of sufficient capital to cover the inherent risks and risks to which the Bank might be exposed to;
6) Updating of normative documents regarding the risk management process according to market changes.

The risk management strategy and policies describe and determine the aggregate of measures to ensure that the possibility of suffering losses is minimized in the event the invested resources are not repaid in due time or the Bank or the Group suffers other losses.

The Board of the Bank ensures the development of the risk management system as described by the risk management normative documents; the Board, the Investment Committee, Credit Committee, Non-financial Risk Management Committee and Customer Activity Compliance Control Committee make the key decisions according to their regulations. Risk Officer is responsible for the overall control and monitoring of the risk management system. Independent risk management departments ensure risk management on a daily basis. The risk management system is monitored by the Internal Audit Service on a regular basis is being continuously developed pursuant to the development of the Group and the Bank and activities on financial markets. The Board and the Council regularly receive and review the information on risk management, implementation of the strategy and policies approved by the Council. Risk management is carried out both on the Group and Bank level.

(1) Credit risk

Credit risk is the risk of potential loss resulting from the inability or refusal to fulfil any contractual obligations by the Group's or the Bank's debtor or counterparty.

Credit risk is managed in accordance with the Risk management Strategy and the Credit Risk Management Policy, approved by the Council of the Bank. This policy details the basic principles of credit risk management, identification, assessment, mitigation and control.

(2) Currency risk

Foreign exchange risk is the risk of potential loss as a result of the revaluation of assets, liabilities, as well as contingent liabilities and commitments denominated in foreign currencies due to change in exchange rates.

The Bank and the Group continuously monitor the open positions of foreign currencies and regularly assesses the structure of assets and liabilities by currency.

(3) Interest rate risk

Interest rate risk is related to potential losses incurred by the Group and the Bank due to movements in interest rates.

For controlling the interest rate risk, the Investment Committee performs regular analyses of assets and liabilities by maturity and type of interest.

(4) Debt securities price risk

Debt securities price risk is the potential loss that may arise to the debt securities included in the trading portfolio due to the decline in market prices as a result of changes in market factors.

The debt securities price risk is managed by the Bank by setting limits on the total amount of the trading portfolio, as well as purchasing debt securities with relatively short maturities that are less sensitive to price risk.

(5) Liquidity risk

Liquidity risk is the risk of potential loss as a result of sales of assets or acquisition of resources at unfavourable prices in order for the Group and the Bank to fulfil its liabilities to creditors and depositors.

The Bank focuses on a conservative approach to liquidity management. The Bank allocates funds (attracted mainly from deposits) to assets in order to maintain an asset structure that is appropriate to support the Bank's operations (executing of customers' transactions) and comply with regulatory requirements concerning the liquidity ratio even in case of a significant outflow of customer deposits or a significant decrease in liquidity on the securities market.

The procedures for the management of the liquidity risk are described in the Liquidity Management Policy and consist of several components: liquidity risk indicator system, balance sheet planning, stress testing, and limits for investments in assets of limited liquidity.

The purpose of liquidity risk indicators is to reflect the actual level of the Bank's liquidity risk and quickly identify any increase in liquidity risk. The Bank's Liquidity Risk Management Policy determines specific actions to improve the Bank's liquidity position when liquidity risk indicators reach certain levels.

The aim of liquidity risk stress testing is to measure the deficit or surplus of the Bank's liquid assets that may occur due to significant outflows of customer deposits or a significant decrease in liquidity on the securities market. Based on the results of stress testing, the Bank's Investment Committee sets limits on investments in assets of limited liquidity.

(6) Country risk

Country risk is the risk of potential losses arising from transactions with residents of foreign countries (or their securities) due to changes in the economic, political, and legal environment of the respective countries.

Before entering into transactions with residents of foreign countries, the Group and the Bank perform an assessment of the influence of economic, social, political and legal circumstances on the residents' ability to fulfil their obligations.

The Group and the Bank, pursuant to the State risk management policy, set the limits on placement of assets for the respective country.

(7) Operational risk

Operational risk is the risk of incurring losses from inadequate or improper internal processes, human errors and errors in the operation of systems, or from external events, including legal risk, but excluding strategic and reputation risk.

The principles of the operational risk management at the Group and the Bank are established in the internal regulations of the Bank, by setting:

- Organizational structure, division of powers and the principles of delegation, functional duties, procedure for the exchange of information among the structural units and employees;
- Rules, regulations and procedures for operations and other transactions, the accounting procedure and the organisation of internal processes;
- Control over the compliance with the limits set for bank operations and other transactions;
- Rules, regulations and procedures for the functioning of information systems (technical, informational, etc.);
- Procedure for granting rights of access to information and material assets;
- Procedure for preparing and issuing reports and other information;
- Procedure for motivating employees, and other matters.

To ensure efficient conditions for the identification and assessment of the operational risk at the Group and the Bank, the Bank has established the Operational Risk Management Department, responsible for personnel training on the matters of operational risk. The Operational Risk Management Department has an operational event database in place, which ensures receiving information about operational risk events, thus enabling proper recording, management and addressing of risks.

A systemic approach is applied in the identification and management of risks characteristic to new financial services and products as part of the approval process of the new services and products. This process involves all the structural units providing control and support functions together with structural units of the relevant business lines in order to ensure the assessment of the new financial services or products.

The Bank's Business Continuity Plan (BCP) includes actions and measures to be taken in various crisis situations and related operational risks, including possible events related to disruption of IT and support services, unavailability of critical resources or suppliers. Having assessed the Bank's BCP and operational risks that may arise as a result of the development of the geopolitical situation, we have concluded that the BCP includes the main risks of a possible crisis of the geopolitical situation. The Bank has its own Client Service Centre, which also provides the Bank's clients with cash and settlement operations, as well as, if necessary, the Bank can quickly increase the volumes of on-site customer service. The Bank and the Group has assessed and tested the existing IT infrastructure capacity and defence capacity, especially taking into account the potential of cyber-attacks and concluded that the IT infrastructure capabilities are sufficient to repel the most likely cyber-attacks with acceptable impact. The general testing of the BCP is provided on a regular basis, and within its framework the Bank ensures the provision of critical operational functions.

The Bank has also developed Action plans for various crisis situations. The Bank and the Group have set up an independent Internal Audit Service (IAS), whose primary function is to ensure that the activities of the Bank and the Group comply with the applicable laws and regulations, approved plans, policies and other internal documents of the Bank, and with the internal control procedures governing the functions of the Group's and the Bank's structural units.

(8) Management of money laundering and terrorist financing risk and the Customer Policy

(a) General Policy

The existing business model of the Group and the Bank is aimed at providing financial services to clients, therefore its activities are related to the risk of money laundering and terrorist and proliferation financing, as well as sanctions. Accordingly, the Group and the Bank devote significant efforts to ensure compliance with the requirements of the laws and regulations of the Republic of Latvia, recommendations of international organisations, best practices, as well as other binding regulations in the area of anti-money laundering and combating the financing of terrorism and proliferation (hereinafter – AML/CFTP), as well as prevention of possible violation, circumvention or attempted violation of National, International and OFAC sanctions (hereinafter – Sanctions).

The Bank has approved the AML/CFTP Policy, which establishes:

- The key principles of customer due diligence, client transaction monitoring, enhanced due diligence, including the analysis of personal or business activities of clients and their counterparties;
- The key principles of identification and due diligence of beneficial owners of clients;
- The key principles of client risk assessment, identification and management. Based on the information generated during the client's initial due diligence, the client's initial risk is established, which is automatically assigned by the client risk scoring system based on a number of risk factors. Client risk is regularly reviewed in the light of changes in risk factors.

The Bank has approved the Sanction risk management policy, which defines the tasks and procedures of the Bank's structural units in the area of client acquisition and servicing, the general terms for initiating business relationship with clients, carrying out the client due diligence and client risk identification measures, including the general procedure for terminating business relationship with clients who do not meet the requirements of the Sanction risk management policy.

Throughout the business relationship between the client and the Bank, the Bank continues to collect information on the client's economic activities and personal activities as far as it is necessary to meet the requirements set out in the regulations. Client files are regularly supplemented and updated with the results of studying client activity and their transactions, as well as documents supporting transactions. In the opinion of the Bank's management, through gaining the understanding about the client business activities and their geographical coverage, monitoring their transactions and refraining from the execution of suspicious financial transactions, the Group and the Bank minimize the risk of being involved in potential money laundering and terrorism and proliferation financing activities, as well as reduce the risk of being involved in violation or circumvention of sanctions or such attempts.

The Bank has approved the money laundering and terrorist and proliferation financing risk and sanctions risk management strategy, which sets out the key principles for managing the risks of money laundering, terrorism and proliferation financing and sanctions (hereinafter – ML/TPF and Sanctions risk), development of internal control system, risk identification measures, and risk mitigation and control mechanisms. Taking into account the Bank's strategy, the ability of the Bank to manage the ML/TPF and Sanctions risk, and the available resources, the ML/TPF and Sanctions Risk Management Strategy sets out the ML/TPF risk exposure rates and their maximum permissible limits.

The ML/TPF and Sanctions Risk Management Strategy, AML/CFTP Policy and Sanctions Risk Management Policy establish requirements for such organisational structure fundamentals, which are based on the following principles of three-tier protection and control:

— Tier 1 controls — employees of business structural units in charge of acquiring and servicing customers, ensuring compliance with the 'Know Your Customer' (KYC) and 'Know Your Customer's Customer' (KYCC) principles both when entering into a business relationship with the client and during business relationship. Each employee of the Bank's structural units is responsible for knowing and complying with ML/TPF and Sanctions risk requirements in cooperation with clients, as well as for promoting and respecting the professional internal culture in accordance with the Corporate Ethics Standards Code.

— Tier 2 controls — structural units in charge of client acceptance and due diligence prior to establishing business relationship, monitoring of client transactions and support function, that provide independent research and acceptance of clients, supervision of servicing, analysis of client transactions, issue of opinions on planned client transactions, and, through the use of automated tools, carry out transaction monitoring, reporting (Financial Intelligence Unit, the State Revenue Service, the State Security Service, the Finance and Capital Market Commission, the Register of Enterprises of the Republic of Latvia), as well as risk management and operational compliance directors and heads of departments responsible for supervision. In addition to monitoring the Sanctions risk, the Bank has appointed a responsible employee in charge of considering matters related to International, OFAC and National sanctions at the Bank, consulting other employees of the Bank and issuing opinions on Sanctions-related matters.

— Tier 3 controls are implemented by the Internal Audit Service through independent and regular management of ML/TPF and Sanctions risk and assessment of controls.

The Bank has appointed a Board member in charge of ML/TPF and Sanctions risk management, as well as the employee responsible for the compliance with AML/CFTP requirements.

The Bank's internal control system in the area of ML/TPF and Sanctions risk management is based on the principle of distribution of certain duties and responsibilities between structural units and employees; it defines the criteria for decision-making, establishes a certain responsibility for monitoring the client activities and lays the foundations for the activity of compliance units. To ensure general control and organisation of supervisory measures related to the internal control system, the Bank has established the Client Activity Compliance Committee.

(9) Management of compliance risk

Compliance risk — a risk that the Group or the Bank may incur losses or may be subject to legal obligations or sanctions, or its reputation as an institution may be damaged due to non-compliance of its operations or violation of the requirements of laws, rules and standards in the area of compliance.

The Bank has introduced the compliance control system, which is based on the principle that the function of compliance control in the Bank is provided by an organisationally separated unit — the Compliance Control Department, which acts under the direct authority of the Chief Compliance Officer. In order to ensure the compliance function, the Bank has appointed compliance experts, — employees of the Bank's structural units, experts in the field concerned.

The Bank has appointed a personal data protection officer in charge of organising, controlling and supervising the compliance of personal data processing at the Bank as a Controller with the requirements of the regulatory enactments in the area of personal data protection of the European Union and the Republic of Latvia. The main goal of the Compliance Control Department is to ensure the identification, assessment and management of the compliance risk. The purpose of the compliance function is to ensure the identification, documentation, assessment of the compliance risk, by ensuring that prior to the initiation of any new activity, the compliance risk associated with the respective activity is identified, and the Bank's compliance with compliance laws, rules and standards is assessed.

Compliance of the activities of the Bank characterises the Bank's ability to act pursuant to the applicable laws, regulations and standards in the area of compliance, which can further be subdivided in 2 levels:

- Compliance with external requirements in general (requirements integrated in the internal regulatory documents and processes);
- Appropriate internal control system capable of ensuring continued compliance with the relevant requirements.

Pursuant to the changes in regulatory enactments, an internal whistleblowing system was introduced providing for reporting on deficiencies and other violations of the internal control system and ensuring the protection guarantees for whistleblowers pursuant to the Whistleblowing Law.

In scope of corporate governance, the process of identifying and managing situations of conflict of interest was improved, and a systematic approach to collecting information on situations that may create conflicts of interest for the Bank was developed.

The system for reporting and providing information to internal and external information requests is continuously reviewed and updated.

6. NET INTEREST INCOME

	6m 2024		6m 2023	
Interest income	**Group EUR'000**	**Bank EUR'000**	**Group EUR'000**	**Bank EUR'000**
Interest income from financial assets at amortized cost	24 968	24 581	15 373	15 373
Loans and receivables	*17 159*	*16 772*	*12 666*	*12 666*
Demand deposits with central bank	*7 211*	*7 211*	*1 963*	*1 963*
Debt instruments	*598*	*598*	*744*	*744*
Interest income from financial assets measured at fair value through other comprehensive income	187	187	46	46
Other interest income	92	92	32	32
Total interest income	**25 247**	**24 860**	**15 451**	**15 451**
Interest expense				
Interest expense from liabilities measured at amortized cost:	9 846	9 846	3 326	3 326
Payments to the Deposit Guarantee Fund and other funds	656	656	485	485
Other interest expense	394	544	425	582
Total interest expense	**10 896**	**11 046**	**4 236**	**4 393**
Net interest income	**14 351**	**13 814**	**11 215**	**11 058**

7. NET FEE AND COMMISSION INCOME

	6m 2024		6m 2023	
	Group EUR'000	**Bank EUR'000**	**Group EUR'000**	**Bank EUR'000**
Fee and commission income				
Money transfers	711	712	538	538
Commissions on loans monitoring and service	348	348	452	452
Securities transactions	937	937	470	470
Assets management	308	308	109	109
Client service	3 798	3 798	3 759	3 759
Payment card service	702	702	674	674
Total fee and commission income	**6 804**	**6 805**	**6 002**	**6 002**
Fee and commission expense				
Money transfers	42	42	25	25
Payment card service	694	694	634	634
Securities transactions	176	176	202	202
Other	2	2	8	8
Total fee and commission expenses	**914**	**914**	**869**	**869**
Net fee and commission income	**5 890**	**5 891**	**5 133**	**5 133**

8. NET PROFIT FROM TRADING AND REVALUATION OF FINANCIAL INSTRUMENTS

	6m 2024		6m 2023	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Net profit from trading with financial assets at fair value through profit or loss	(229)	(229)	(353)	(353)
Net profit/(loss) from revaluation of financial assets and liabilities	20	20	38	38
Net profit from trading and revaluation of financial instruments	**(209)**	**(209)**	**(315)**	**(315)**

9. NET FOREIGN EXCHANGE INCOME

	6m 2024		6m 2023	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Net profit from foreign exchange transactions	231	231	67	67
Net loss from revaluation of foreign exchange	(43)	(43)	(58)	(58)
Net foreign exchange income	**188**	**188**	**9**	**9**

10. ADMINISTRATIVE EXPENSES

	6m 2024		6m 2023	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Salaries to the members of the Board and Council	578	578	313	313
Staff remuneration	4 254	4 164	3 566	3 509
Compulsory state social security contributions	1 259	1 238	913	900
Other staff costs	32	31	18	18
Communications and transport	133	129	124	119
Professional services	429	308	200	195
Rent, public utilities and maintenance	368	333	361	325
Depreciation costs	583	486	621	510
Amortization costs	69	69	69	69
Computer network	273	273	241	241
Advertisement and marketing expenses	110	110	154	154
Other taxes	402	311	340	235
Insurance	62	59	45	43
Other	93	90	105	99
Total administrative expenses	**8 645**	**8 179**	**7 070**	**6 730**

11. OTHER OPERATING EXPENSES

	6m 2024		6m 2023	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Membership fees	186	186	142	142
Royalties for the use of a trademark	626	626	604	604
Other	359	365	299	301
Total other operating expenses	**1 171**	**1 177**	**1 045**	**1 047**

12. CORPORATE INCOME TAX

	6m 2024		6m 2023	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Corporate income tax for dividends and additional payment for credit institutions	(2 301)	(2 301)	(278)	(278)
Total corporate income tax	**(2 301)**	**(2 301)**	**(278)**	**(278)**

13. CASH AND DEMAND DEPOSITS WITH CENTRAL BANK

	30/06/2024		31/12/2023	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Cash	627	627	576	576
Balance with the Bank of Latvia (including the minimum reserve deposit)	388 567	388 567	337 448	337 448
Total	**389 194**	**389 194**	**338 024**	**338 024**

14. LOANS AND RECEIVABLES FROM BANKS

	30/06/2024		31/12/2023	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Demand deposits with credit institutions				
Credit institutions registered in OECD countries	4 152	4 052	18 841	18 833
Credit institutions of other countries	12 207	12 207	5 937	5 937
Total demand deposits with credit institutions	**16 359**	**16 259**	**24 778**	**24 770**
Term deposits with credit institutions	**150**	**150**	**-**	**-**
Total deposits with credit institutions	**16 509**	**16 409**	**24 778**	**24 770**

15. INVESTMENT SECURITIES

	30/06/2024		31/12/2023	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Non- fixed income securities				
SWIFT	24	24	18	18
VISA INC	428	428	395	395
Non-fixed income securities	**452**	**452**	**413**	**413**
Fixed income securities				
At fair value through other comprehensive income	13 167	13 167	20 648	20 648
At amortised cost	56 961	56 961	76 774	76 774
Fixed income securities	**70 128**	**70 128**	**97 422**	**97 422**
Investment securities total	**70 580**	**70 580**	**97 835**	**97 835**

16. LOANS AND RECEIVABLES

(a) Analysis of loans by type

	30/06/2024		31/12/2023	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Loan portfolio				
Corporate loans	265 882	265 883	242 665	242 665
Payment cards loans	742	742	787	787
Mortgage loans	140 277	140 277	147 136	147 136
Finance lease	15 051	4 278	4 267	4 267
Trade finance	3 072	3 072	2 435	2 435
Other loans	14 524	14 524	2 120	2 120
Securities-backed financing	1 224	1 224	2 407	2 407
Total loans and receivables	**440 772**	**430 000**	**401 817**	**401 817**
Impairment allowance	(4 105)	(3 997)	(3 253)	(3 253)
Net loans and receivables	**436 667**	**426 003**	**398 564**	**398 564**

(b) Geographical segmentation of loans

	30/06/2024		31/12/2023	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Loans to residents of Latvia	312 968	312 968	297 634	297 634
Loans to residents of OECD countries	39 117	39 117	38 876	38 876
Loans to residents of non-OECD countries	88 687	77 915	65 307	65 307
Total loans and receivables	**440 772**	**430 000**	**401 817**	**401 817**
Impairment allowance	(4 105)	(3 997)	(3 253)	(3 253)
Net loans and receivables	**436 667**	**426 003**	**398 564**	**398 564**

c) Ageing structure of the loan portfolio

Group EUR'000	Total EUR'000	Of which not past due on the reporting date	Of which past due by the following terms				Net carrying amount of overdue loans
			Less than 30 days	31-90 days	91-180 days	More than 180 days	
As at 30 June 2024							
Net carrying amount	**436 667**	430 780	2 539	66	-	3 282	5 887
Out of which impaired	6 064	2 365	369	48	-	3 282	3 699
As at 31 December 2023							
Net carrying amount	**398 564**	392 351	4 249	340	-	1 624	6 213
Out of which impaired	**6 217**	2 538	1 929	126	-	1 624	3 679

d) Movements in the impairment allowance

Movements in the loan impairment allowance for the period ended 30 June 2024 are as follows:

Group, EUR' 000

Corporates

	Credit loss allowance				Gross carrying amount of loans			
	Stage 1 (12-months ECL)	**Stage 2 (lifetime ECL)**	**Stage 3 (lifetime ECL for credit-impaired)**	**Total**	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL)**	**Stage 3 (lifetime ECL for credit-impaired)**	**Total**
Opening balance at 1 January 2024	**746**	**166**	**2 148**	**3 060**	**360 304**	**18 559**	**8 324**	**387 187**
Transfers due to change in credit risk:								
-to lifetime (from Stage 1 and Stage 3 to Stage 2)	(2)	2	-	-	(86)	86	-	-
-to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(50)	(6)	56	-	(668)	(163)	831	-
to Stage 1 from Stage 2	-	-	-	-	-	-	-	-
-remaining credit risk changes	-	(123)	702	579	-	-	-	-
New originated or purchased	210	-	-	**210**	74 905	-	-	**74 905**
Derecognised	(47)	-	(15)	(62)	(33 734)	-	(295)	(34 029)
Change for the period	**111**	**(127)**	**743**	**727**	**40 417**	**(77)**	**536**	**40 876**
Write-offs								
FX and other movements								
Closing balance at 30 June 2024	**857**	**39**	**2 891**	**3 787**	**400 721**	**18 482**	**8 860**	**428 063**

The amount of new originated or purchased loans represents loans in the portfolio as at 30 June 2024 while the amount of derecognised loans represent loans in the portfolio as at 1 January 2024 and derecognised during 2024.

d) Movements in the impairment allowance

Movements in the loan impairment allowance for the year ended 31 December 2023 are as follows:

Group, EUR' 000

Corporates and financial institutions

	Credit loss allowance				**Gross carrying amount of loans**			
	Stage 1 (12-months ECL)	**Stage 2 (lifetime ECL)**	**Stage 3 (lifetime ECL for credit-impaired)**	**Total**	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL)**	**Stage 3 (lifetime ECL for credit-impaired)**	**Total**
Opening balance at 1 January 2023	**418**	**321**	**2 424**	**3 163**	**247 762**	**45 270**	**4 763**	**297 795**
Transfers due to change in credit risk:								
-to lifetime (from Stage 1 and Stage 3 to Stage 2)	(46)	46	-	-	(10 730)	10 730	-	-
-to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(23)	(9)	32	-	(3 160)	(2 874)	6 034	-
to Stage 1 from Stage 2	-	-	-	-	-	-	-	-
-remaining credit risk changes	(173)	(15)	1 085	897	17 482	(21 261)	(608)	(4 387)
New originated or purchased	576	-	-	576	164 965	-	-	164 965
Derecognised	(6)	(177)	(1 393)	(1 576)	(56 015)	(15 942)	(1 865)	(73 822)
Change for the year	**328**	**(155)**	**(276)**	**(103)**	**112 542**	**(29 347)**	**3 561**	**86 756**
FX and other movements	-	-	-	-	-	2 636	-	2 636
Closing balance at 31 December 2023	**746**	**166**	**2 148**	**3 060**	**360 304**	**18 559**	**8 324**	**387 187**

The amount of new originated or purchased loans represents loans in the portfolio as at 31 December 2023 while the amount of derecognised loans represent loans in the portfolio as at 1 January 2023 and derecognised during 2023.

Movements in the loan impairment allowance for the period ended 30 June 2024 are as follows:

Group, EUR' 000

Individuals

	Credit loss allowance				Gross carrying amount of loans			
	Stage 1 (12-months ECL)	**Stage 2 (lifetime ECL)**	**Stage 3 (lifetime ECL for credit-impaired)**	**Total**	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL)**	**Stage 3 (lifetime ECL for credit-impaired)**	**Total**
Opening balance at 1 January 2024	**33**	**3**	**157**	**193**	**11 851**	**2 581**	**198**	**14 630**
Transfers due to change in credit risk:								
-to lifetime (from Stage 1 and Stage 3 to Stage 2)	(1)	1	-	-	(23)	23	-	-
-to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(1)	(2)	3	-	(8)	(141)	149	-
-remaining credit risk changes	-	5	92	97	-	-	-	-
New originated or purchased	36	-	-	36	1 465	-	-	1 465
Derecognised	(7)	(1)	-	(8)	(2 863)	(523)	-	(3 386)
Change for the period	**27**	**3**	**95**	**125**	**(1 429)**	**(641)**	**149**	**(1 921)**
Write-offs	-	-	-	-	-	-	-	-
FX and other movements	-	-	-	-	-	-	-	-
Closing balance at 30 June 2024	**60**	**6**	**252**	**318**	**10 422**	**1 940**	**347**	**12 709**

The amount of new originated or purchased loans represents loans in the portfolio as at 30 June 2024 while the amount of derecognised loans represent loans in the portfolio as at 1 January 2024 and derecognised during 2024.

Movements in the loan impairment allowance for the year ended 31 December 2023 are as follows:

Group, EUR' 000

Individuals

	Credit loss allowance				Gross carrying amount of loans			
	Stage 1 (12-months ECL)	**Stage 2 (lifetime ECL)**	**Stage 3 (lifetime ECL for credit-impaired)**	**Total**	**Stage 1 (12-months ECL)**	**Stage 2 (lifetime ECL)**	**Stage 3 (lifetime ECL for credit-impaired)**	**Total**
Opening balance at 1 January 2023	**61**	**24**	**147**	**232**	**10 925**	**2 795**	**190**	**13 910**
Transfers due to change in credit risk:								
-to lifetime (from Stage 1 ans Stage 3 to Stage 2)	(11)	11	-	-	(302)	302	-	-
-to credit-impaired (from Stage 1 and Stage 2 to Stage 3)	(2)	(1)	3	-	(22)	(19)	41	-
-remaining credit risk changes	(2)	(13)	25	10	(996)	(253)	(15)	(1 264)
New originated or purchased	11	-	-	11	4 066	-	-	4 066
Derecognised	(24)	(18)	(18)	(60)	(1 820)	(244)	(18)	(2 082)
Change for the year	**(28)**	**(21)**	**10**	**(39)**	**926**	**(214)**	**8**	**720**
FX and other movements	-	-	-	-	-	-	-	-
Closing balance at 31 December 2023	**33**	**3**	**157**	**193**	**11 851**	**2 581**	**198**	**14 630**

The amount of new originated or purchased loans represents loans in the portfolio as at 31 December 2023 while the amount of derecognised loans represent loans in the portfolio as at 1 January 2023 and derecognised during 2023.

e) Loans and expected credit losses by ECL stages

Group, EUR' 000 30 June 2024	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL for credit-impaired)	Total
Gross loans	**411 143**	**20 422**	**9 207**	**440 772**
(Less) expected credit loss	(917)	(45)	(3 143)	(4 105)
Net loans	**410 226**	**20 377**	**6 064**	**436 667**

Loans and expected credit losses by ECL stages 31/12/2023

Group, EUR' 000 31 December 2023	Stage 1 (12-months ECL)	Stage 2 (lifetime ECL)	Stage 3 (lifetime ECL for credit-impaired)	Total
Gross loans	**372 155**	**21 140**	**8 522**	**401 817**
(Less) excpected credit loss	(779)	(169)	(2 305)	(3 253)
Net loans	**371 376**	**20 971**	**6 217**	**398 564**

f) Analysis of loans by type of collateral (Group)

EUR' 000	30/06/2024		31/12/2023	
	Carrying value of the assets	Value of collateral	Carrying value of the assets	Value of collateral
Stage 1	410 226	950 807	371 376	892 797
Stage 2	20 377	52 582	20 971	59 171
Stage 3	6 064	17 315	6 217	14 731
Total	**436 667**	**1 020 704**	**398 564**	**966 699**

g) Industry analysis of the loan portfolio (Group)

	30/06/2024 EUR '000	31/12/2023 EUR '000
Shipping	86 878	74 380
Financial services	9 055	5 382
Wholesale	37 687	35 829
Real Estate	134 462	128 180
Overdrafts	41 489	45 462
Transport and storage	5 491	5 827
Private customers – mortgage loans and consumer loans	8 930	9 191
Manufacture of food products	17 396	16 617
Processing factory	11 688	11 669
Forestry	-	144
Other services	83 591	65 883
Net loans and receivables	**436 667**	**398 564**

17. INVESTMENTS IN SUBSIDIARIES AND ASSOCIATES

(a) Investments in subsidiaries (Bank)

Company	*Ownership share*	Carrying amount at 30/06/2024 EUR'000	Carrying amount at 31/12/2023 EUR'000
SIA BluOr International	*100%*	16 607	5 709
Impairment allowance		*(3 649)*	*(3 649)*
SIA Zapdvina Development	*100%*	11 224	10 474
Impairment allowance		*(963)*	*(806)*
SIA CityCap Service	*100%*	-	570
Impairment allowance		-	*(158)*
UAB Kamaly Development	*100%*	3	3
AS Pils Pakalpojumi	*100%*	15 281	15 281
Impairment allowance		*(548)*	*(548)*
Non-reciprocal capital contribution by a parent into subsidiary		*(2 400)*	*(2 400)*
SIA Jēkaba 2	*100%*	4 049	4 049
Impairment allowance		*(106)*	*(106)*
SIA Darzciems Entity	*100%*	-	73
SIA Mazirbe Estate	*100%*	-	92
SIA Lielie Zaki	*100%*	-	88
SIA Pulkarne Entity	*100%*	199	199
		39 697	**28 871**

Investments in subsidiaries (Bank)

	30/06/2024 EUR'000	31/12/2023 EUR'000
Investments in subsidiaries	47 364	36 538
Non-reciprocal capital contribution by a parent into subsidiary according to IFRS 10 (AS „Pils pakalpojumi")	(2 400)	(2 400)
Total		
Impairment allowance	(5 267)	(5 267)
Investments in subsidiaries net	**39 697**	**28 871**

Equity-accounted investments in associates (Group)

Company	Capital contribution	Carrying amount at 30/06/2024 EUR'000 Group	Carrying amount at 31/12/2023 EUR'000 Group
AS „Termo biznesa Centrs"	26.15%	1 848	1 848
Impairment allowance		(1 021)	(1 021)
Total		**827**	**827**

18. DUE TO CREDIT INSTITUTIONS ON DEMAND

	30/06/2024		31/12/2023	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Credit institutions registered in Latvia	2 730	2 730	4 147	4 147
Credit institutions registered in non-OECD countries	36	36	260	260
Total due to credit institutions on demand	**2 766**	**2 766**	**4 407**	**4 407**

19. FINANCIAL LIABILITIES CARRIED AT AMORTIZED COST: DEPOSITS

	30/06/2024		31/12/2023	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Current accounts:				
Financial institutions	219 644	219 644	172 635	172 635
Corporate entities	215 190	218 117	227 657	230 082
Individuals	62 847	62 847	50 645	50 645
	497 681	**500 608**	**450 937**	**453 362**
Term deposits:				
Subordinated liabilities	2 664	2 664	2 623	2 623
Other financial institutions	69 663	69 663	72 253	72 253
Corporate entities	19 218	19 218	14 148	14 148
Individuals	254 728	254 728	263 246	263 246
	346 273	**346 273**	**352 270**	**352 270**
Total deposits	**843 954**	**846 881**	**803 207**	**805 632**

Geographical segmentation of the deposits

	30/06/2024		31/12/2023	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Deposits of residents registered in Latvia	260 986	263 442	232 212	234 637
Deposits of residents registered in OECD countries	535 555	535 555	526 313	526 313
Deposits of residents registered in other countries (non-OECD)	47 413	47 884	44 682	44 682
Total deposits	**843 954**	**846 881**	**803 207**	**805 632**

20. FINANCIAL LIABILITIES CARRIED AT AMORTIZED COST: SUBORDINATED DEBT SECURITIES

	30/06/2024		31/12/2023	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Additional Tier 1 debt securities	8 865	8 865	6 123	6 123
Issued subordinated bonds (listed on the stock exchange)	4 882	4 882	4 882	4 882
Total	**13 747**	**13 747**	**11 005**	**11 005**

21. SHARE CAPITAL AND RESERVES

As of 30 June 2024, the authorized share capital comprised 31 781 081 ordinary shares. Nominal value of one share is EUR 1.40. The structure of shareholders holding ordinary shares did not change. The holders of ordinary shares are entitled to receive dividends as declared and are entitled to one vote per share at the shareholders' meetings. All shares rank equally with regard to the Bank's residual assets.

Dividends

During 2024, 9 million EUR dividends were distributed, 0.28 EUR per share.

22. CASH AND CASH EQUIVALENTS

	30/06/2024		31/12/2023	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Cash and balances due from central banks	389 194	389 194	338 024	338 024
Due from credit institutions on demand and within 3 months	16 359	16 259	20 874	20 866
Due to credit institutions on demand and within 3 months	(2 766)	(2 766)	(4 407)	(4 407)
Total cash and cash equivalents	**402 787**	**402 687**	**354 491**	**354 483**

23. CONTINGENT LIABILITIES AND COMMITMENTS

At any time the Bank has outstanding commitments to extend credit. These commitments take the form of approved loans and credit card limits and overdraft facilities.

The Bank provides financial guarantees and letters of credit to guarantee the performance of customers to third parties. These agreements have fixed limits and generally extend for a period of up to five years.

The contractual amounts of commitments are set out in the following table by category. The amounts reflected in the table for commitments assume that amounts are fully advanced. The amounts reflected in the table for guarantees and letters of credit represent the maximum accounting loss that would be recognized at the reporting date if counterparties failed to completely perform as contracted.

	30/06/2024		31/12/2023	
	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Unused loan facilities	90 855	90 855	97 299	97 302
Unused credit card facilities	688	688	760	760
Guarantees and other	2 302	2 302	1 904	1 904
	93 845	**93 845**	**99 963**	**99 966**
Provisions	*(421)*	*(421)*	*(298)*	*(298)*

24. ASSETS UNDER MANAGEMENT

	30/06/2024		31/12/2023	
Assets under management	Group EUR'000	Bank EUR'000	Group EUR'000	Bank EUR'000
Due from credit institutions registered in Latvia	991	991	1 763	1 763
Loans to customers	165	165	165	165
Non fixed income securities	52 557	52 557	35 208	35 208
Fixed income securities	2 095	2 095	9 085	9 085
Other assets	15	15	-	-
Total assets under management	**55 823**	**55 823**	**46 221**	**46 221**

The largest share of assets under management were invested in non-fixed income securities.

25. CAPITAL ADEQUACY CALCULATION (BANK)

	30/06/2024 EUR '000	31/12/2023 EUR '000
Equity	**90 631**	**89 835**
Total Tier 1	**83 856**	**83 092**
Tier 1	**75 147**	**77 032**
Share capital	44 493	44 493
Statutory reserves	24	24
Retained earnings for the previous periods	34 943	31 377
Profit for the reporting period	-	12 566
Dividends proposed	-	(7 000)
Revaluation reserves	(3 431)	(3 771)
Intangible assets	(251)	(267)
Other deductions	(14)	(21)
Insufficient coverage for non-performing exposures	(253)	(5)
Reduction of Tier 1 capital (Pillar 2 adjustments)	(364)	(364)
Additional Tier 1	8 709	6 060
Tier 2 capital	**6 775**	**6 743**
Subordinate debt	6 775	6 743
Risk-weighted value		
Banking portfolio	511 202	500 840
Operating risk	56 935	56 935
Total risk weighted assets	**568 137**	**557 775**
Total capital as a percentage of risk weighted assets (total capital ratio)	**15.95%**	**16.11%**
Total tier 1 capital expressed as a percentage of risk-weighted assets ("tier 1 capital ratio")	**14.76%**	**14.90%**

The above is based on internal reports of the Bank, provided to key management of the Bank.

As at 30 June 2024, the Bank's capital adequacy ratio was 15.95% (2023: 16.11%) which corresponds to the requirements set in the Basel Capital Accord and the regulations of the Bank of Latvia.

Under the capital requirements introduced by Regulation (EU) No 575/2013 of the European Parliament and of the Council and the Bank of Latvia, banks need to maintain a ratio of capital to risk weighted assets ("statutory capital ratio") above the prescribed minimum level. Although the minimum required level as at 30 June 2024 was 8%, according to a special request by the Bank of Latvia the Bank was required to ensure a higher capital adequacy of 11.20% during the period from 1 January 2024 (additional capital requirement - 2.2% and capital reserve requirement - 1%). In addition to the above capital requirement for the overall risk coverage, the Bank is required to maintain compliance with the total capital reserve requirement calculated in accordance with Section 35[22], 35[23], 35[24] or 35[25] of the Credit Institution Law -2.91% (Capital conservation buffer – 2.50%, institution-specific countercyclical capital buffer – 0.16% (as at 30.06.2024), other reserve -0.25% (as at 30.06.2024)). The requirements of the total capital reserve should be met using Tier 1 capital.

In addition to the calculation of the capital adequacy ratio in accordance with 'Normative regulations on establishing a capital and liquidity adequacy assessment process' No. 209 of the Bank of Latvia, the Bank regularly conducts its own internal capital adequacy assessment in order to ensure that it covers all the risks assumed by the Bank and whether they are covered by the capital.

In accordance with Regulation (EU) of the European Parliament and of the Council 575/2013, the calculation of capital adequacy is performed at the consolidated level, including the parent company of the bank (AS BBG). All of the above requirements are also met at the consolidated level. CALCULATION OF CAPITAL ADEQUACY at the consolidated level can be found on the Bank's website in the section "financial information" in the quarterly financial report (https://www.bluorbank.lv/en/financial-information).

26. OPERATING SEGMENTS

The Bank's Management Board, its chief operating decision maker, monitors separately the operating results of the Corporate banking operating segment. The Bank's main business activity is servicing corporate customers and high net worth individuals, there is no separate retail banking segment and insignificant part of retail banking products are managed and monitored together with corporate banking products. Treasury function includes treasury services provided to corporate customers and high net worth individuals and therefore included in the Corporate segment. The results of all other operations are included in the "Other" segment.

	6m 2024			6m 2023		
	Corporate EUR'000	Other EUR'000	Total EUR'000	Corporate EUR'000	Other EUR'000	Total EUR'000
Net interest and similar income	14 351	-	14 351	11 215	-	11 215
Net fee and commission income	5 890	-	5 890	5 133	-	5 133
Net other finance income	(21)	-	(21)	(306)	-	(306)
Other operating income	2 039	33	2 072	907	36	943
Total operating income	**22 259**	**33**	**22 292**	**16 949**	**36**	**16 985**
Total operating expense	(9 751)	(65)	(9 816)	(8 064)	(51)	(8 115)
Credit loss allowance	(980)	-	(980)	(1 098)	-	(1 098)
Profit before tax	**11 528**	**(32)**	**11 496**	**7 787**	**(15)**	**7 772**

	6m 2024			6m 2023		
Fee and commission income	Corporate EUR'000	Other EUR'000	Total EUR'000	Corporate EUR'000	Other EUR'000	Total EUR'000
Money transfers	711	-	711	538	-	538
Commissions on loans monitoring and service	348	-	348	452	-	452
Securities transactions	937	-	937	470	-	470
Assets management	308	-	308	109	-	109
Client service	3 798	-	3 798	3 759	-	3 759
Payment card service	702	-	702	674	-	674
Total net fee and commission income	**6 804**	**-**	**6 804**	**6 002**	**-**	**6 002**
			30/06/2024			**31/12/2023**
Total assets	949 476	827	**950 303**	907 449	827	**908 276**
Total liabilities	868 446	**-**	**868 446**	826 954	**-**	**826 954**

27. EVENTS AFTER THE REPORTING PERIOD

Other than disclosed in these financial statements, no significant subsequent events have occurred in the period from the reporting date to the date of these financial statements that would require adjustments to be made to these financial statements and disclosures added to the notes thereto.